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**DEC 18 2015**

**STATE HEALTH PLANNING  
AND DEVELOPMENT AGENCY**

December 18, 2015

**Via Email (shpda.online@shpda.alabama.gov) and Overnight Delivery**

Mr. Alva Lambert  
Executive Director  
State Health Planning & Development Agency  
100 North Union St., Suite 870  
Montgomery AL 36104

**Re: The Health Care Authority of Cullman County d/b/a Cullman Regional Medical Center - Project Modification Request for Project AL 2015-014, CON 2710-H (the "CON")**

Dear Mr. Lambert:

On behalf of The Health Care Authority of Cullman County d/b/a Cullman Regional Medical Center ("CRMC"), I am writing to request a project modification for the above referenced CON project (the "Project") pursuant to section 410-1-10-.03 of the State Health Plan. This project modification is necessary because of the recent conditions imposed upon CRMC by the Alabama Department of Public Health ("ADPH") for the expansion of CRMC's licensed bed capacity. Since the approval by the Alabama CON Review Board of CRMC's Project, ADPH has indicated that CRMC must expand its hospital in order to add the additional beds to its licensed bed capacity.

This request for a project modification is due to the fact that upon further architectural analysis and review, it will not be possible to complete the Project through renovations to the Ground Level and Second Level of CRMC to house the thirty (30) beds as originally anticipated and reflected in the CON application. At the time CRMC submitted its CON application for the Project, it anticipated an ADPH waiver of the window requirement in order for the renovation construction plan to be feasible.

While ADPH has provided a 3-year waiver dated November 9, 2015 to allow CRMC to add the thirty (30) beds to the hospital's licensed bed capacity, based upon the terms and conditions contained therein, the waiver requires the construction of a new wing to house the beds because a waiver of the window requirement was not included as part of the ADPH waiver that was granted. Accordingly, in order for CRMC to construct a new wing of the hospital in order to house the thirty (30) beds as required under the ADPH waiver, significantly higher construction costs will need to be incurred as stated herein and provided in the enclosures herewith. The construction costs to construct a new wing at the hospital to house the thirty (30) beds previously approved by the Project need to be increased by \$12,736,018.00 from the original estimate of \$467,882.00, for a total of \$13,203,900.00 in construction costs, and the equipment costs to provide the necessary equipment for the new wing need to be increased by \$1,306,100.00 from the original estimate of \$310,000.00, for a total of \$1,616,100.00 in equipment costs, and a corresponding increase in the total cost of the Project from \$877,882.00 to \$14,920,000.00 (including a \$1 million contingency).

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Mr. Lambert  
December 18, 2015  
Page 2

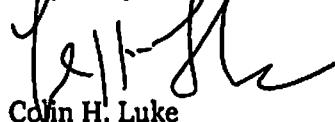
Enclosed herewith are a revised cost breakdown page and a schematic of the proposed CRMC expansion. There will not be any change in the scope of services to be offered by the Project or the number of beds to be included in the Project from what was originally approved. We will have a firm commitment for this Project by the April 2016 deadline.

Pursuant to section 410-1-10-.03 of the State Health Plan, the required project modification filing fee is 35% of the original filing fee. In this instance, the original CON application filing fee was \$8,778.00, which would result in a project modification filing fee of \$3,072.30. However, due to the significant increase in construction costs requested, CRMC has enclosed the additional filing fee in the amount of \$12,958.00 (the maximum filing fee of \$21,736.00 less the CON application filing fee paid of \$8,778.00) that would have been required had the original construction plans for the project contemplated the construction of the new hospital wing to house the thirty (30) beds rather than just the renovation of two existing hospital floors.

As there was no opposition to this CON Project, there are no parties of record in the underlying administrative proceeding that must be notified regarding this project modification request.

Thank you for your assistance regarding this matter. If you have any questions or need any further information, please do not hesitate to contact me.

Very Truly Yours,

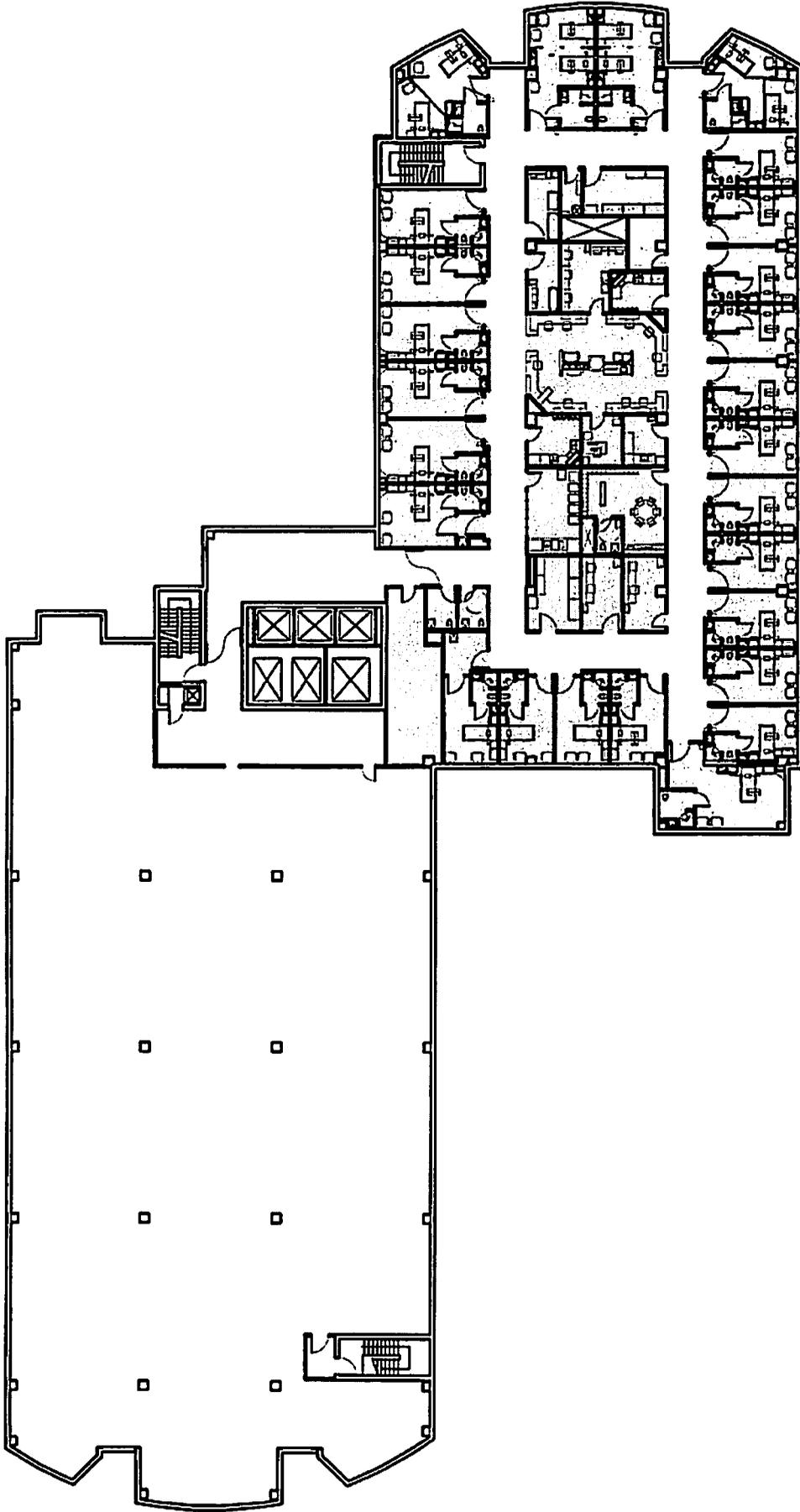


Colin H. Luke

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Enclosures

cc: James Clements (CRMC CEO)  
Kristen Larremore



Cullman Regional  
Medical Center

The Health Care Authority of Cullman County

d/b/a Cullman Regional Medical Center

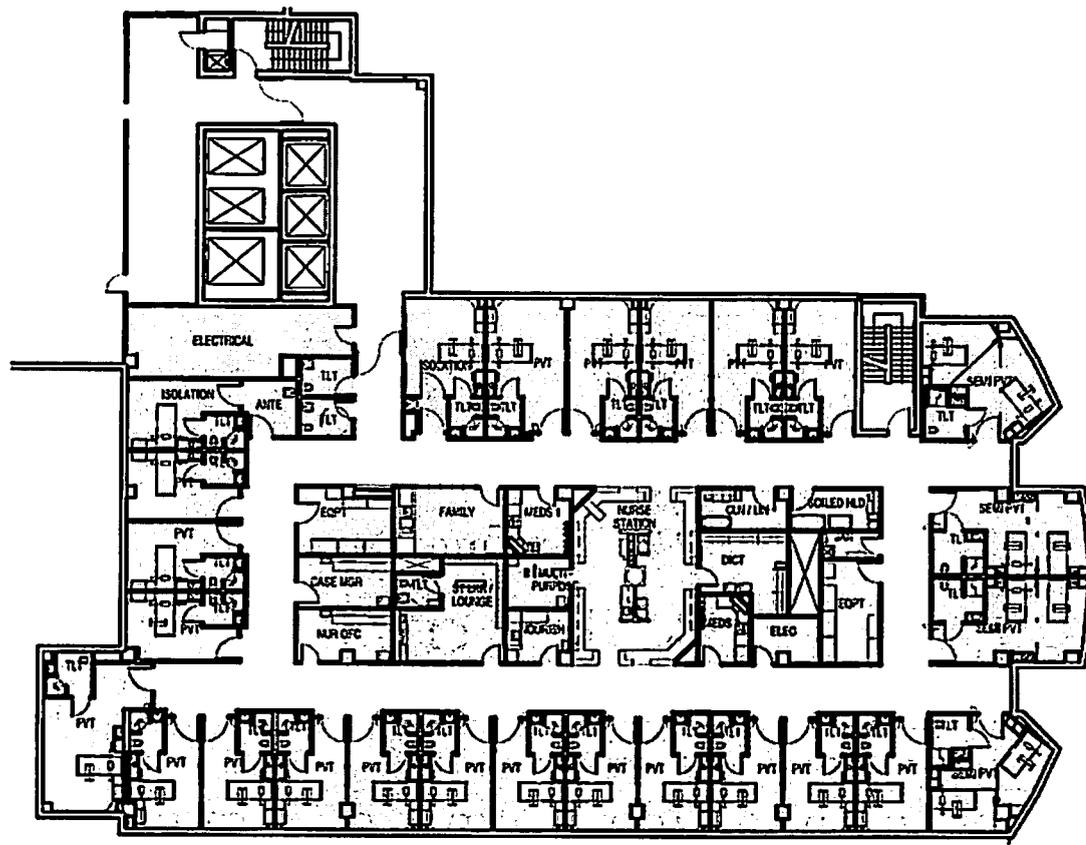
Project Modification Request for Project AL 2015-014, CON 2710-H



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Cullman Regional  
Medical Center

The Health Care Authority of Cullman County  
d/b/a Cullman Regional Medical Center  
Project Modification Request for Project AL 2015-014, CON 2710-H

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II. COST

|   |  |                         |
|---|--|-------------------------|
| A. Construction (includes modernization expansion)  |  |                         |
| 1.  | Predevelopment   | \$ <u>N/A</u>           |
| 2.  | Site Acquisition   | <u>N/A</u>              |
| 3.  | Site Development   | <u>N/A</u>              |
| 4.  | New Construction   | <u>\$11,440,005</u>     |
| 5.  | Architect and Engineering Fees                                   | <u>\$722,159</u>        |
| 6.  | Renovation   | <u>N/A</u>              |
| 7.  | Interest during time period of construction                      | <u>N/A</u>              |
| 8.  | Attorney and consultant fees                                     | <u>\$20,000</u>         |
| 9.  | Bond Issuance Costs  | <u>N/A</u>              |
| 10.   | Other <u>CON Filing Fee</u>                                      | <u>\$21,736</u>         |
| 11.   | Other <u>Contingency</u>   | <u>\$1,000,000</u>      |
| TOTAL COST OF CONSTRUCTION  |  | \$ <u>13,203,900.00</u> |
| B. Purchase   |  |                         |
| 1.  | Facility   | \$ <u>N/A</u>           |
| 2.  | Major Medical Equipment  | <u>1,306,100</u>        |
| 3.  | Other Equipment  | <u>\$ 310,000</u>       |
| TOTAL COST OF PURCHASE  |  | \$ <u>1,616,100</u>     |
| C. Lease  |  |                         |
| 1.  | Facility Cost Per Year <u>    </u> x <u>    </u> Years =         | \$ <u>N/A</u>           |
| 2.  | Equipment Cost per Month<br><u>    </u> x <u>    </u> Months =   | <u>N/A</u>              |
| 3.  | Land-only Lease Cost per Year<br><u>    </u> x <u>    </u> Years | <u>N/A</u>              |
| TOTAL COST OF LEASE(s)<br>(compute according to generally accepted accounting principles) |  | \$ <u>N/A</u>           |
| Cost if Purchased   |  | \$ <u>N/A</u>           |
| D. Services   |  |                         |
| 1.  | <u>    </u> New Service  |                         |
| 2.  | <u>    </u> Expansion  |                         |
| 3.  | <u>    </u> Reduction or Termination                             |                         |
| 4.  | <u> X </u> Other   |                         |
| FIRST YEAR ANNUAL OPERATING COST  |  | \$ <u>100,000</u>       |
| E. Total Cost of this Project (Total A through D)<br>(should equal V-C on page A-4)       |  | \$ <u>14,920,000</u>    |

IV. COST (continued)

|    |   |               |
|----|---|---------------|
| F. | Proposed Finance Charges                            |               |
| 1. | Total Amount to Be Financed                         | \$ <u>N/A</u> |
| 2. | Anticipated Interest Rates                          | \$ <u>N/A</u> |
| 3. | Term of Loan  | \$ <u>N/A</u> |
| 4. | Method of Calculating Interest on Principal Payment | \$ <u>N/A</u> |

V. ANTICIPATED SOURCE OF FUNDING

| A. | Federal                               | Amount               | Source  |
|----|---------------------------------------|----------------------|---|
| 1. | Grants                                | \$ <u>N/A</u>        |   |
| 2. | Loans                                 | \$ <u>N/A</u>        |   |
| B. | Non-Federal                           |                      |   |
| 1. | Commercial Loan                       | \$ <u>N/A</u>        |   |
| 2. | Tax-exempt Revenue Bonds              | \$ <u>N/A</u>        |   |
| 3. | General Obligation Bonds              | \$ <u>N/A</u>        |   |
| 4. | New Earning and Revenues              | \$ <u>N/A</u>        |   |
| 5. | Charitable Fund Raising               | \$ <u>N/A</u>        |   |
| 6. | Cash on Hand                          | \$ <u>14,920,000</u> | <u>Designated Board Funds for Capital Equipment and Expansion</u> |
| 7. | Other                                 | \$ <u>N/A</u>        |   |
| C. | TOTAL (should equal IV-E on page A-3) |                      | \$ <u>14,920,000</u>  |

VI. TIMETABLE

|    |                               |  |
|----|-------------------------------|--|
| A. | Projected Start/Purchase Date | <u>Upon CON Review Board approval</u>                |
| B. | Projected Completion Date     | <u>Within 12 months of CON Review Board approval</u> |