

LAW OFFICES
MELTON, ESPY & WILLIAMS, P.C.
255 DEXTER AVENUE
MONTGOMERY, AL 36104

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March 5 2019

STATE HEALTH PLANNING AND
DEVELOPMENT AGENCY

JOSEPH C. ESPY, III
JAMES E. WILLIAMS
J. FLYNN MOZINGO
C. MARK BAIN
BENJAMIN J. ESPY*
WILLIAM M. ESPY

OAKLEY W. MELTON, JR.
(1927-2013)

March 5, 2019

Via Electronic Communication Only

MAILING ADDRESS:
P.O. DRAWER 5130
MONTGOMERY, AL 36103-5130
TELEPHONE (334) 263-6621
FAX (334) 263-7252

* ALSO ADMITTED IN MISSISSIPPI

Emily Marsal
Executive Director
c/o Karen McGuire
State Health Planning and Development Agency
100 North Union, Suite 870
Montgomery, AL 36104
shpda.online@shpda.alabama.gov

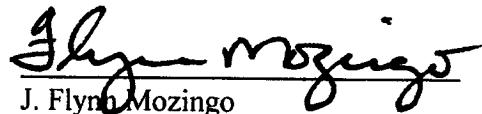
**Re: The East Alabama Health Care Authority d/b/a East Alabama Medical
Center
Certificate of Need 2806-ASC
Project No. AL2017-016**

Dear Ms. Marsal:

I HEREBY CERTIFY that, on behalf of The East Alabama Health Care Authority d/b/a East Alabama Medical Center (EAMC), I have served a copy of the Request for Project Modification filed with SHPDA by EAMC, upon the party of record, Doctors Surgery Center of East Alabama, LLC (DSC), by electronic mail addressed to DSC's counsel as follows:

Alvin L. Fox, Jr., Esq.
peck@foxlawfirmllc.com

Done this 5th day of March, 2019.


J. Flynn Mozingo

JEW/wbr

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Mar 04 2019

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Emily Marsal
Executive Director
State Health Planning and Development Agency
100 North Union, Suite 870
Montgomery, AL 36104
shpda.online@shpda.alabama.gov**Re: The East Alabama Health Care Authority d/b/a East Alabama Medical
Center
Certificate of Need 2806-ASC**

Dear Ms. Marsal:

We represent The East Alabama Health Care Authority d/b/a East Alabama Medical Center (EAMC) regarding the above referenced Project in which a Certificate of Need was awarded to EAMC to develop the first ambulatory surgery center (ASC) in the City of Auburn, and the first free-standing ambulatory surgery center in Lee County. Pursuant to ALA. ADMIN. CODE r. 410-1-10-.03 (SHPDA), EAMC requests a Project Modification for its CON, for the reasons expressed herein.

Consistent with r. 410-1-10-.03(1)(b), a filing fee in the amount of \$7,790.30, which is 35 percent of the original CON Application fee, has been submitted electronically.

Relevant information supporting the modification, including an Executive Summary and projected costs and financial information, is provided in Exhibit A hereto. As addressed in r. 410-1-10-.03(2), the modification will not involve the addition of beds, a change in bed classification, or the provision of new health services not specified in the CON Application.

The modification will involve a change in the square footage of the ASC from approximately 20,000 square feet to 24,145 square feet. EAMC seeks a modification from two procedure rooms to four procedure rooms. This will allow more surgeons to utilize the ASC.

Instead of leasing the facility from a private developer, EAMC will develop and own the facility. EAMC anticipates incurring construction costs of \$13,960,580 instead of having only build-out costs associated with a capital lease. The estimated expenditure for movable equipment will remain the same. The total Project cost will be \$22,369,974, and financing will be through new revenues and cash on hand.

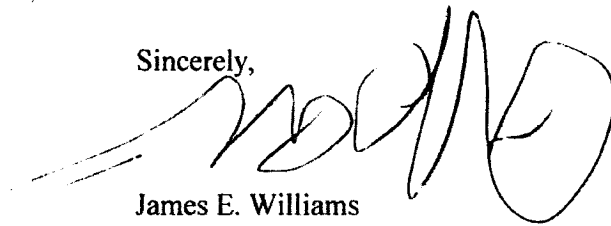
Emily Marsal
March 4, 2019
Page 2

In addition to the Executive Summary in Exhibit A, the following additional information supports the modification.

EAMC's CON Application was opposed by a group of local surgeons, all of whom are presently on staff and provide surgical services at EAMC. EAMC and several of the surgeons formerly opposed to the Project plan to work together.

Please do not hesitate to contact me if you have any questions or need any additional information. With highest personal regards, I am

Sincerely,

A handwritten signature in black ink, appearing to read 'James E. Williams', written over a horizontal line.

James E. Williams

JEW/wbr
Enclosure

IV. EXECUTIVE SUMMARY OF THE PROJECT

The East Alabama Health Care Authority d/b/a East Alabama Medical Center (EAMC) proposes to expand ambulatory surgical services to an off-site location in the City of Auburn. Specifically, the location would be in Auburn Research Park, a 171-acre development adjacent to Auburn University begun in 2008 as a result of a partnership between the State of Alabama, the City of Auburn and Auburn University. EAMC operates several off-site health and medical services in the City of Auburn.

EAMC proposes to expand ambulatory surgical services by the addition of four general anesthesia operating rooms, four procedure rooms and support space consistent with applicable standards for ambulatory surgical facilities. The ambulatory surgical facility will be 24,145 square feet in a mixed-used building to have a total of approximately 86,000 square feet. EAMC will be the owner of this building.

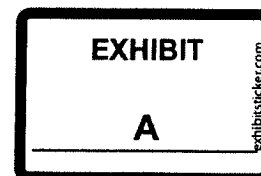
Today, EAMC conducts all ambulatory surgical activities in Lee County at the main hospital facility located in the City of Opelika. These ambulatory activities are performed in several areas within the main hospital facility including main ORs, GI Lab, and other areas. Approximately, 17,500 various ambulatory surgery cases are performed annually at EAMC; however, not all these cases can be performed in an ambulatory surgical facility.

EAMC's cost for the project is estimated expenditure of \$4,347,500 for movable equipment and \$13,960,580 for facility construction. Some of the equipment cost would be expended anyway if EAMC did not expand ambulatory surgical services to the proposed off-site location as such equipment would support activities at the main hospital facility. This estimate assumes no equipment would be relocated from the main hospital facility to the off-site ambulatory surgery facility; thus, no off-set equipment cost is considered at this time.

EAMC is the only hospital in Lee County. EAMC is the safety net for the medically underserved in Lee County including low income Medicare residents as well as those with inadequate insurance and high out of pocket deductibles/copayments. For 2016, EAMC's charity care and bad debt was approximately \$50,000,000. Customers that pay for ambulatory surgery services support other activities at the main hospital including emergency room, cancer services and others. One of the key reasons EAMC can be a safety net hospital for the community is due to its vibrant and profitable ambulatory surgical services.

Furthermore, EAMC has partnered with the community of Chambers County. You will find a number of support letters from persons living in Chambers County. For several years, the hospital in Chambers County (Lanier Hospital) found itself struggling. EAMC was approached and agreed to take over Lanier's operations. Subsequently, EAMC merged operations of EAMC-Opelika with those of EAMC-Lanier. This early action by EAMC has assisted in stabilizing EAMC-Lanier.

Today, EAMC-Lanier is on the path to a brighter future instead of becoming another closed hospital in Alabama. The partnership with EAMC-Lanier is one example of EAMC carrying out its mission and vision. EAMC cares to serve the individuals in the secondary service area as well as the primary service area of Lee County. While the proposed project is to be located in Lee County,

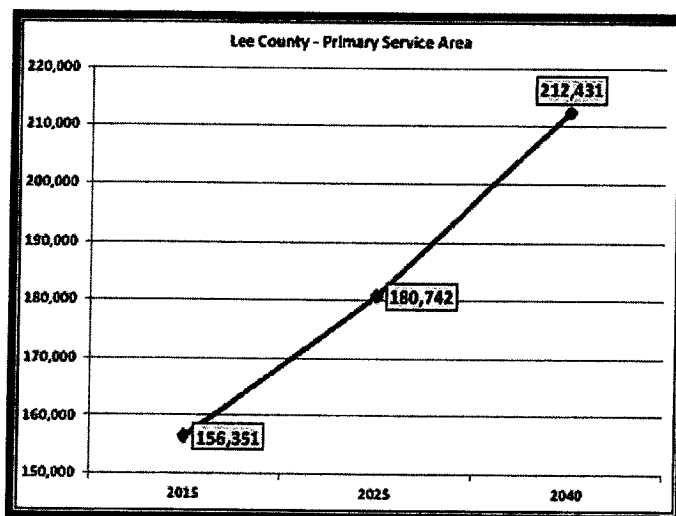


Project Modification for AL2017-016, CON 2806-ASC

we believe the residents of Chambers, Macon, Randolph, Russell and Tallapoosa will support and benefit from the proposed project.

Depending on the clinical service line, approximately 35 to 50 percent of the patients that use EAMC reside outside Lee County. EAMC's patient centered approach and its commitment to a high level of quality care has been and will continue to be the motivating focus for the people working at EAMC in Opelika, Alabama, Chambers County and elsewhere.

EAMC is and has been fortunate to be located in Lee County, the home of Auburn University who is the largest employer in east Alabama. As a result of this dynamic and positive economic growth and thriving business development, the population of Lee County is forecast to increase by double digits, which should foster growth in ambulatory surgery.



Project Modification for AL2017-016, CON 2806-ASC

IV. COST

A. Construction (includes modernization expansion)		
1.	Predevelopment	\$ <u>100,000.00</u>
2.	Site Acquisition	<u> </u>
3.	Site Development	<u>1,674,598.00</u>
4.	Construction	<u>9,323,442.00</u>
5.	Architect and Engineering Fees	<u>1,342,540.00</u>
6.	Renovation	<u> </u>
7.	Interest during time period of construction	<u> </u>
8.	Attorney and consultant fees	<u>1,070,000.00</u>
9.	Bond Issuance Costs	<u> </u>
10.	Other <u>Construction Contingency</u>	<u>360,000.00</u>
11.	Other <u>Payment & Performance Bond</u>	<u>90,000.00</u>
TOTAL COST OF CONSTRUCTION		\$ <u>13,960,580.00</u>
B. Purchase		
1.	Facility	\$ <u> </u>
2.	Major Medical Equipment	<u> </u>
3.	Other Equipment (FF&E)	<u>3,700,000.00</u>
4.	Contingency (including Technology Factor)	<u>647,500.00</u>
TOTAL COST OF PURCHASE		\$ <u>4,347,500.00</u>
C. Lease		
1.	Facility Cost Per Year <u> </u> x <u> </u> Years =	\$ <u> </u>
2.	Equipment Cost per Month <u> </u> x <u> </u> Months =	<u> </u>
3.	Land-only Lease Cost per Year <u> </u> x <u> </u> Years	<u> </u>
TOTAL COST OF LEASE(s)		\$ <u> </u>
(compute according to generally accepted accounting principles)		
Cost if Purchased		\$ <u> </u>
D. Services		
1.	<u> </u> New Service	\$ <u> </u>
2.	<u> X </u> Expansion	\$ <u>4,061,894.00</u>
3.	<u> </u> Reduction or Termination	\$ <u> </u>
4.	<u> </u> Other	\$ <u> </u>
FIRST YEAR NEW ANNUAL OPERATING COST		\$ <u>4,061,894.00</u>
E. Total Cost of this Project (Total A through D) (should equal V-C on page A-4)		\$ <u>22,369,974.00</u>

Project Modification for AL2017-016, CON 2806-ASC

IV. COST (continued)

- F. Proposed Finance Charges
1. Total Amount to Be Financed \$ _____
 2. Anticipated Interest Rates _____
 3. Term of Loan _____
 4. Method of Calculating Interest on Principal Payment _____

V. ANTICIPATED SOURCE OF FUNDING

A. Federal	Amount	Source
1. Grants	\$ _____	_____
2. Loans	_____	_____
B. Non-Federal		
1. Commercial Loan	_____	_____
2. Tax-exempt Revenue Bonds	_____	_____
3. General Obligation Bonds	_____	_____
4. New Earning and Revenues	<u>4,061,894.00</u>	<u>The East Alabama Health Care Authority</u>
5. Charitable Fund Raising	_____	_____
6. Cash on Hand	<u>18,308,080.00</u>	<u>The East Alabama Health Care Authority</u>
7. Other	_____	_____
C. TOTAL (should equal IV-E on page A-3)	\$ <u>22,369,974.00</u>	

VI. TIMETABLE

- A. Projected Start/Purchase Date April/May 2019
- B. Projected Completion Date 18 months after start date

PART THREE: CONSTRUCTION OR RENOVATION ACTIVITIES

Complete the following if construction/renovation is involved in this project. Indicate N/A for any questions not applicable.

I. ARCHITECT

Firm GOODWYN | MILLS | CAWOOD
Address Birmingham Office, 2701 1st Avenue South, Suite 100
City/State/Zip Birmingham, Alabama 35233
Contact Person Mr. Steve Alby, NCARB LEED AP, Vice President Healthcare
Telephone (205) 879-4462
Architect's Project Number EAMC ASC

II. ATTACH SCHEMATICS AND THE FOLLOWING INFORMATION

CON Rules and Regulations require the submission of architectural drawings for projects involving construction over \$1,500,000. The proposed project's construction cost is above \$1,500,000.

- A. Describe the proposed construction/renovation**
The ambulatory surgery facility will be 24,145 gross square feet with 16,825 useable square feet for: four operating rooms having general anesthesia capability; four procedure rooms having capability for conscious sedation; pre-op areas; waiting room for patients and families; and other spatial areas typically required by ADPH and Medicare concerning licensure and certification. Joint Commission or AAAHC requirements will also be considered.
- B. Total gross square footage to be constructed/renovated** 24,145 GSF
- C. Net useable square footage (not including stairs, elevators, corridors, toilets)**
16,825 NSF
- D. Acres of land to be purchased or leased** 6.2 acres
- E. Acres of land owned on site** None of proposed site of Auburn Research Park
- F. Anticipated amount of time for construction or renovations** 18 months

Project Modification for AL2017-016, CON 2806-ASC

G.	Cost per square foot	Construction only	<u>\$386.14</u>
		Construction and associated costs	<u>\$578.20</u>

H.	Cost per bed (if applicable)	<u>Not Applicable</u>
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Project Modification for AL2017-016, CON 2806-ASC

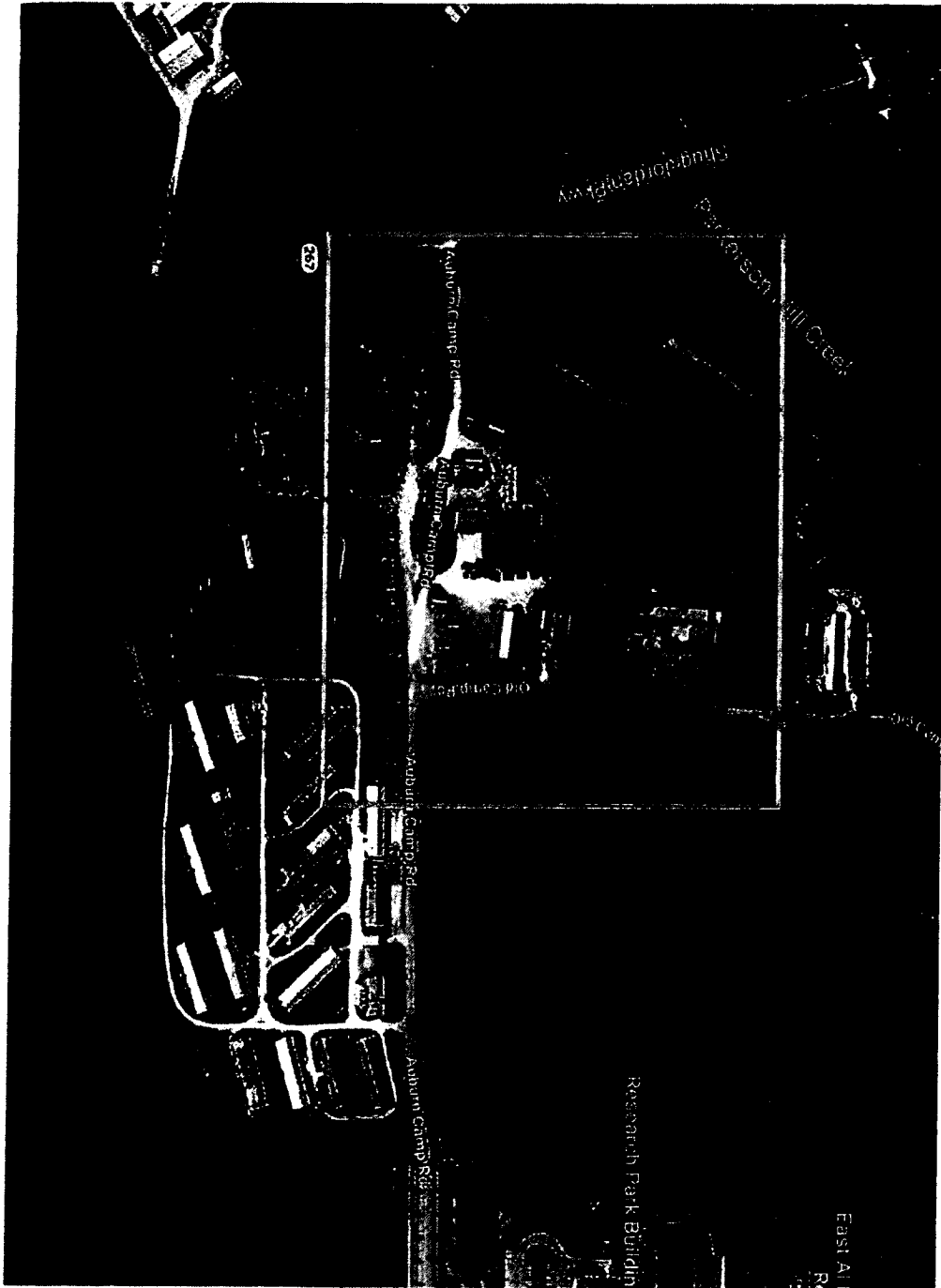
TABLE 11 PROJECT HISTORICAL AND PROJECTED FINANCIAL DATA

STATEMENT OF INCOME AND EXPENSE	HISTORICAL DATA (Give information for last 3 years for which complete data are available)			PROJECTED DATA (First 2 years after completion of project)	
	2014 (Total)	2015 (Total)	2016 (Total)	2021 (Total)	2022 (Total)
Revenue from Services to Patients					
Inpatient Services					
Routine (nursing service areas)				-	-
Other				-	-
Outpatient Services				16,008,402	16,508,354
Emergency Services				-	-
Gross Patient Revenue				16,008,402	16,508,354
Deductions from Revenue					
Contractual Adjustments				8,004,201	8,254,177
Discount/Miscellaneous Allowances				-	-
Total Deductions				8,004,201	8,254,177
NET PATIENT REVENUE (Gross patient revenue less deductions)				8,004,201	8,254,177
Other Operating Revenue					
NET OPERATING REVENUE				8,004,201	8,254,177
OPERATING EXPENSES					
Salaries, Wages, and Benefits				1,864,950	1,920,899
Physician Salaries and Fees				-	-
Supplies and other			Not Applicable	1,244,862	1,322,222
Uncompensated Care (less recoveries) per State Health Plan 410-2-2-06(d)				160,084	165,084
Other Expenses				791,998	915,670
Total Operating Expenses				4,061,894	4,323,875
NON-OPERATING EXPENSES					
Taxes				-	-
Depreciation				1,083,424	1,083,424
Interest (other than mortgage)				-	-
Existing Capital Expenditures				N/A	N/A
Interest				N/A	N/A
Total Non-Operating Expenses				1,083,424	1,083,424
TOTAL EXPENSES (Operating & Capital)				5,145,318	5,407,299
Operating Income (Loss)				2,858,883	2,846,878
Other Revenue (Expense) – Net				-	-
NET INCOME (Loss)				2,858,883	2,846,878
Projected Capital Expenditure				N/A	N/A
Interest				N/A	N/A

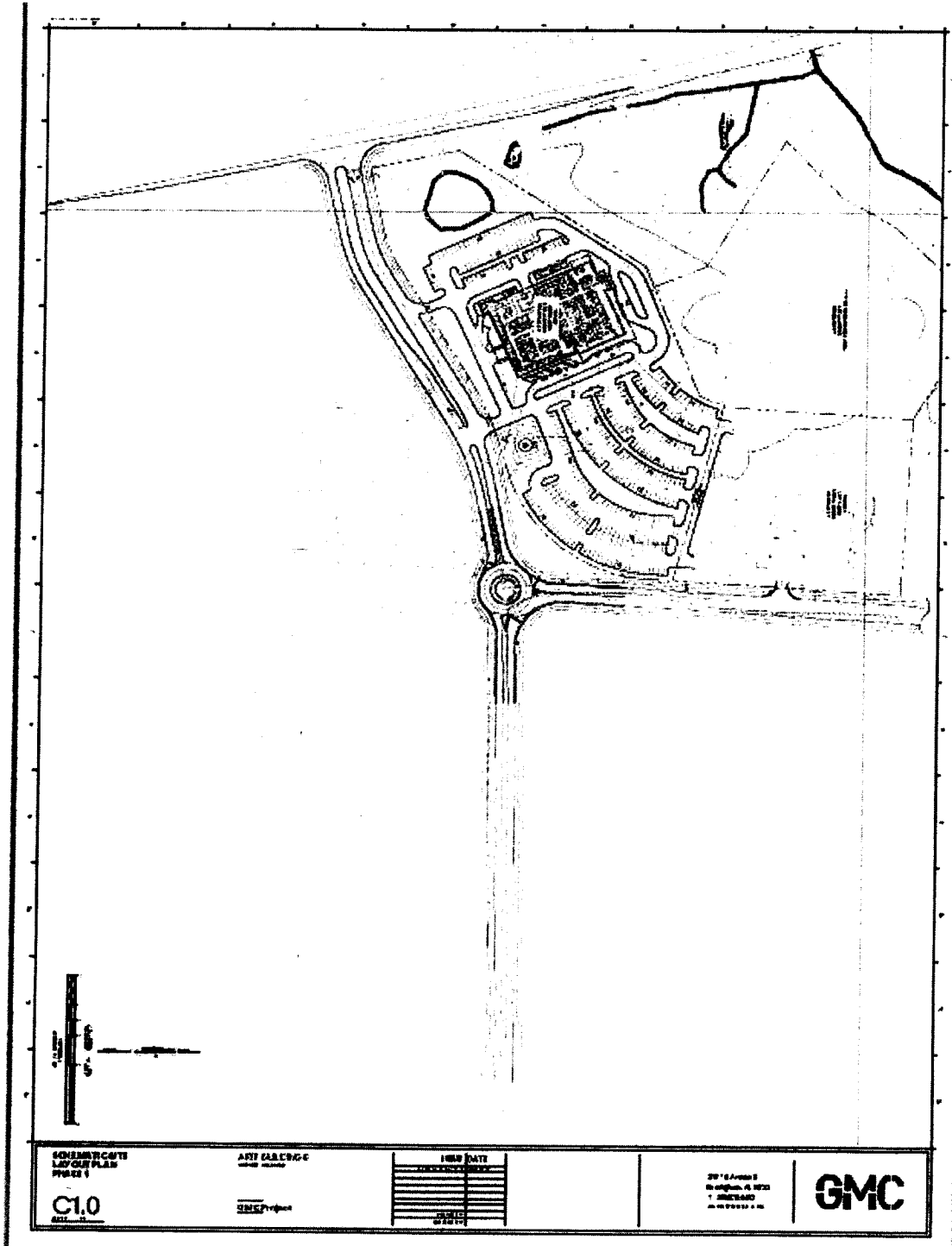
PROPERTY LOCATION



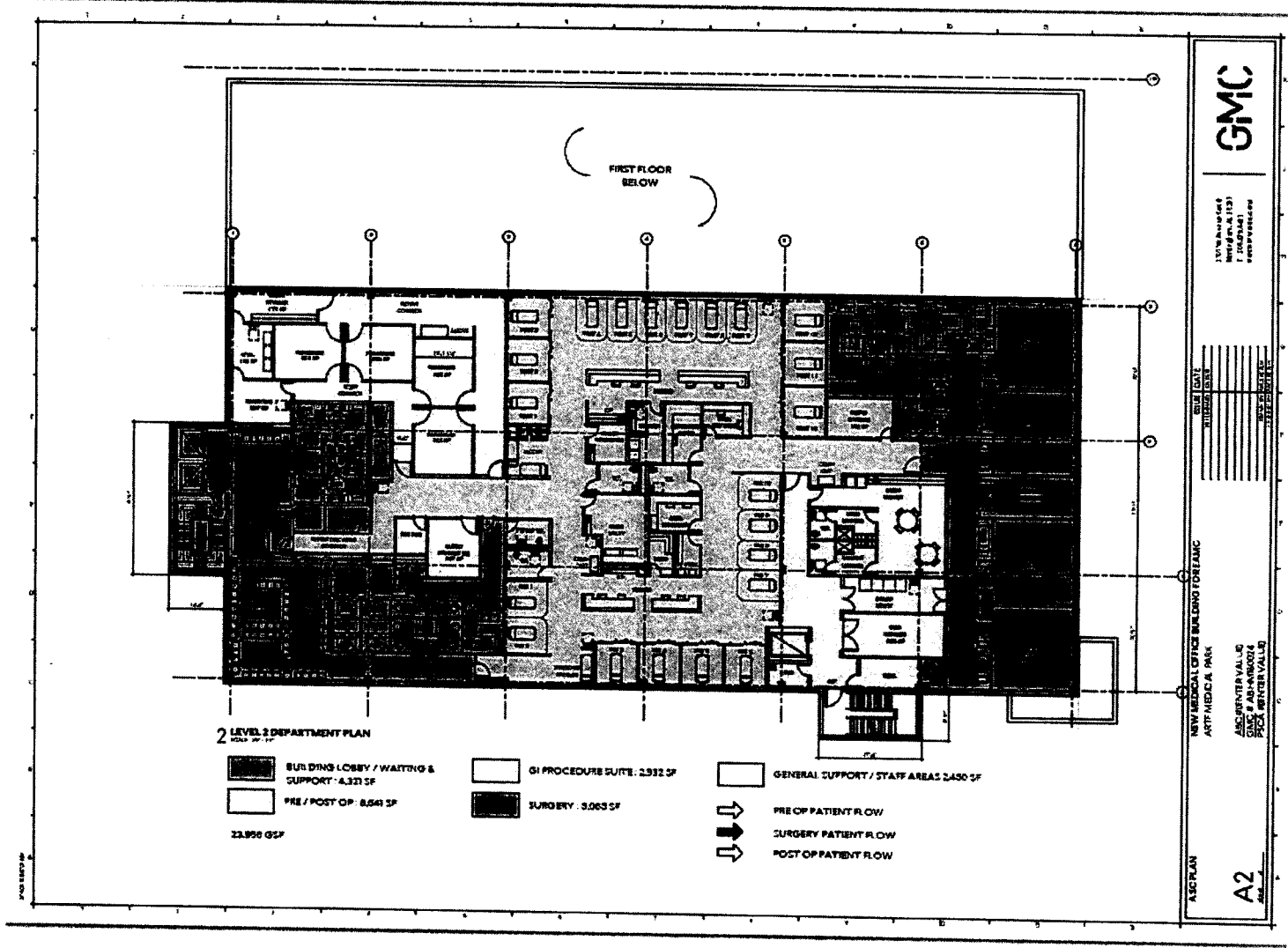
PROPERTY LOCATION

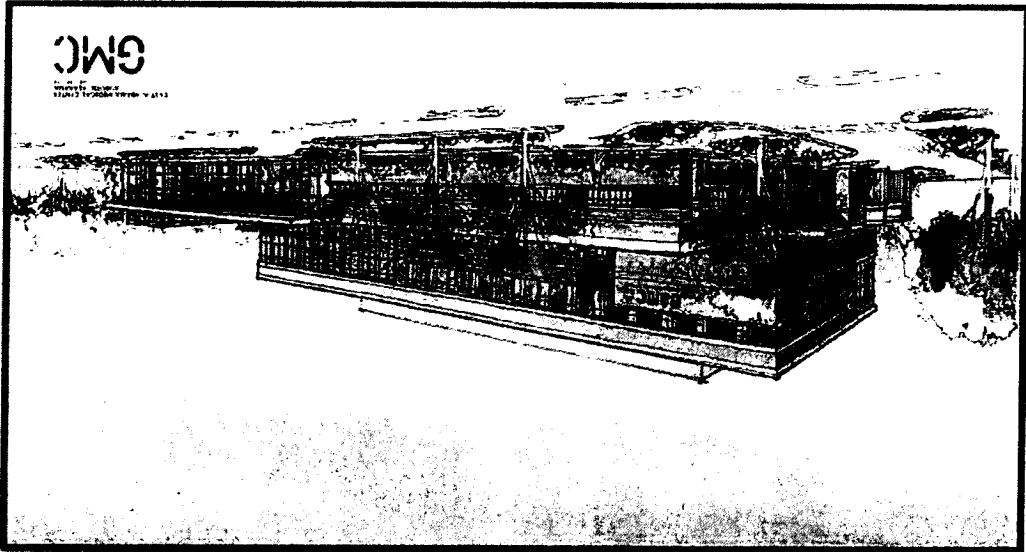
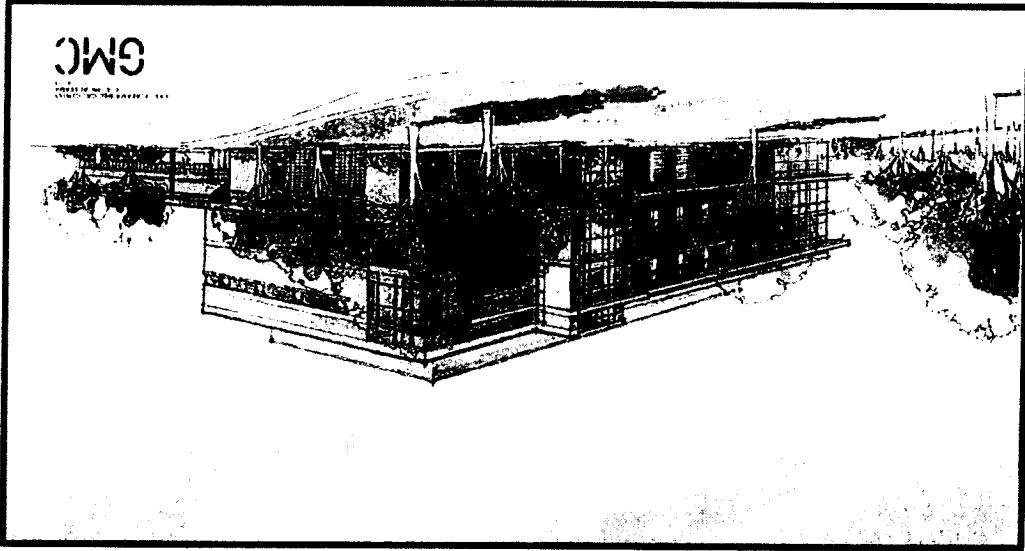


SITE PLAN



ASC FLOOR PLAN





AUBURN RESEARCH PARK BUILDING 6 RENDERING

Project Modification for AL2017-016, CON 2806-ASC