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February 26, 2026

Ms. Emily T. Marsal  
Executive Director  
State Health Planning and Development Agency  
100 North Union Street, Suite 870  
Montgomery, AL 36104

RE: Project Modification  
AL2025-014, CON3107-H  
Southeast Health

Dear Ms. Marsal:

Pursuant to Certificate of Need (CON) Rules and Regulations, **410-1-10-.03 Project Modifications After Issuance of Certificate of Need**, the Houston County Health Care Authority d/b/a Southeast Health Medical Center respectfully submits the following information in consideration of a Project Modification.

CON3107-H was issued to the Houston County Health Care Authority on December 1, 2025, to develop and construct an 85,155 square foot patient tower addition, the renovation and expansion of the existing emergency department (ED), and the addition of thirty-five (35) inpatient beds pursuant to 410-2-4-.02 Acute Care (Hospitals) Bed Availability Assurance at the existing acute care hospital in Dothan, Houston County, Alabama. Copy of the CON is attached.

The State Health Planning and Development Agency (SHPDA) issued the determination, on January 9, 2026, that a "firm commitment" was established on the CON.

The proposed modification to the project is the shelled addition of two (2) more floors on top of the Patient Tower under construction. This addition will be used for the future addition or expansion of healthcare services. This Project Modification does not involve the addition of beds, change in bed classification (conversion of beds), the provision of new health services, or the physical relocation of the facility.

The Project Modification does not alter the scope of the existing CON but would increase the cost of the project in excess of ten percent (10%) of the total project cost.

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Project Costs:

Construction

	<u>Original CON</u>	<u>Project Modification</u>
Site Development	\$ 4,600	\$0
Construction	\$58,814,469	\$12,400,000
Arch/Eng Fees	\$ 3,986,200	\$ 800,000
Interest during Construction	\$ 3,437,370	\$ 0
Bond Issuance Cost	\$ 500,000	\$ 0
Fees, Testing, Inspections	\$ 609,248	\$ 100,000
Contingency	<u>\$ 5,332,883</u>	<u>\$ 1,700,000</u>
Total Cost of Construction	\$72,684,770	\$15,000,000

There are no changes to Equipment Costs nor First Year Annual Operating Costs resulting from the proposed Project Modification.

The Anticipated Source of Funding for the proposed Project Modification:

	Amount	Source
Cash on Hand	\$15,000,000	Southeast Health

There were no other parties of record with regard to this Project.

See attached Narrative further describing the proposed Project Modification.

The Project Modification Application filing fee of \$8,997.10 is being submitted electronically through the SHPDA payment portal. Please let me know if you need any additional information at this time.

Sincerely,

Stephen D. Preston

## **Southeast Health, Dothan AL**

### **Executive Narrative: Why Adding Shell Floors Now Is the Right Decision**

The decision to add two additional shell floors at this time leverages the unique opportunity presented by the current construction effort. Because the project already includes a major Emergency Department expansion with two fully built-out inpatient floors above, the building's core systems, structure, site logistics, and construction mobilization are already in place. Adding the shell floors now minimizes future operational disruption, significantly reduces long-term cost and schedule risk, and preserves flexibility for future inpatient or clinical expansion.

If these floors were deferred and constructed later, the hospital would face substantially higher costs, extended disruption to emergency and inpatient operations, and increased regulatory and safety complexity. Constructing the shell floors now is a proactive investment that aligns with responsible campus planning, fiscal stewardship, and continuity of care.

#### Key Benefits of Adding the Shell Floors Now

##### **1. Cost Efficiency & Avoided Premiums**

Adding shell floors during the current construction phase avoids the premium costs associated with remobilizing a contractor, reestablishing cranes and hoisting, reopening the building envelope, and reworking structural and MEP systems. Structural framing, vertical shafts, and core systems can be extended now at a fraction of the cost compared to reopening a completed and occupied facility later.

Deferred construction would introduce:

- Higher unit costs due to inflation and market escalation
- Redundant contractor mobilization and general conditions
- Costly demolition and rework of roof assemblies and vertical systems

##### **2. Operational Continuity & Patient Safety**

The current project is already managing construction adjacency to an active Emergency Department and inpatient units. Adding shell floors now allows all disruptive activities—cranes, material staging, noise, vibration, utility tie-ins, and life safety interruptions—to be consolidated into a single, controlled construction period.

If added later, impacts would include:

- New construction directly above occupied inpatient floors
- Increased infection control and vibration risk to patients
- Repeated disruption to ED operations and critical care adjacencies
- Greater staff and patient experience impacts

### **3. Structural & Systems Integration**

The building's structural system, foundations, and lateral load-resisting systems are already being designed and constructed to support the vertical expansion. Completing the shell floors now ensures the structure is fully resolved without future retrofits or reinforcement.

Likewise, vertical MEP infrastructure—shafts, risers, fire protection, and life safety systems—can be properly sized, routed, and capped now, avoiding invasive future work within active patient floors.

### **4. Schedule Certainty & Future Flexibility**

Constructing shell floors now preserves schedule certainty for future build-out. When the hospital is ready to activate these floors, the work becomes an interior fit-out rather than a major structural expansion. This allows future phases to proceed faster, with fewer unknowns and significantly reduced risk to ongoing operations.

Future build-out becomes:

- Shorter in duration
- Less disruptive
- Easier to permit and phase
- More predictable in cost and scope

### **5. Regulatory, Life Safety, and Risk Reduction**

Major vertical additions to an occupied hospital trigger heightened scrutiny from AHJs, life safety officials, and accrediting bodies. Completing the shell floors now simplifies future approvals by avoiding complex construction-over-occupancy scenarios and reduces the need for temporary life safety measures later.

### **6. Long-Term Campus Stewardship**

This approach supports responsible long-term planning by acknowledging anticipated growth without committing prematurely to specific clinical programs. Shell floors provide flexibility to respond to future demand—whether inpatient capacity, acuity changes, or service line expansion—without disrupting a fully functioning hospital campus.

**ALABAMA**  
**STATE HEALTH PLANNING & DEVELOPMENT AGENCY**  
**CERTIFICATE OF NEED**  
**FOR HEALTH CARE SERVICES**

**I. IDENTIFICATION**

1. Certificate of Need 3107 – H	2. Date Issued: December 1, 2025	3. Termination Date: November 30, 2026
4. Project Number: AL2025 – 014	5. Name of Facility: Southeast Health Medical Center	
6. Service Area: Houston County	7. Location of Facility: 1108 Ross Clark Circle Dothan, Alabama 36301	
8. Type of Facility: HOSPITAL	9. Number of Beds: 35	10. Estimated Cost: \$112,436,018.00

11. Services to be provided: To develop and construct an 85,155 square foot patient tower addition, the renovation and expansion of the existing emergency department (ED), and the addition of thirty-five (35) inpatient beds pursuant to §410-2-4-.02 Acute Care (Hospitals) Bed Availability Assurance at the existing acute care hospital in Dothan, Houston County, Alabama.

**II. CERTIFICATE OF NEED**

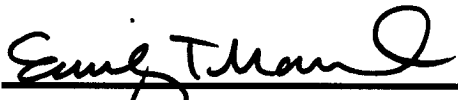
In accordance with Section 22-21-260 through 22-21-279, Code of Alabama, 1975, the Certificate of Need Review Board finds as follows:

1. There is a need for the project.
2. There are in force in the State of Alabama reasonable minimum standards of licensure and methods of operation for hospitals and health facilities.
3. The prescribed standards of licensure and operation will be applied and enforced with respect to the applicant, hospital or other health facility.

**III. ISSUANCE OF CERTIFICATE OF NEED**

This Certificate of Need is issued to **Houston County Health Care Authority** only, for a period not to exceed 12 months from the date of issuance. This Certificate of Need is not transferable and any action on the part of the Applicant to transfer this Certificate of Need will render the Certificate of Need null and void.

**ORIGINAL**

  
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Emily T. Marsal, Executive Director