

**COPY**

**UNICOI COUNTY**

**MEMORIAL**

**HOSPITAL**

**CN1608-030**



400 N. State of Franklin Road • Johnson City, TN 37604  
423-431-6111

August 12, 2016

Ms. Melanie Hill  
Health Services and Development Agency  
Andrew Jackson Building, Ninth Floor  
502 Deaderick Street Nashville, TN 37243

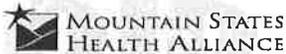
Dear Ms. Hill:

Please find enclosed the original and two copies of Mountain States Health Alliance's certificate of need application for the relocation and replacement of Unicoi County Memorial Hospital to be located at currently unaddressed site on Temple Hill Road, Erwin (Unicoi County), TN 37650.

If you have any questions, please do not hesitate to contact me at 423-302-3378. I look forward to working with you throughout this process.

Sincerely,

Allison M. Rogers  
Vice President, Strategic Planning



Accounts Payable  
400 N. State of Franklin Road  
Johnson City, TN 37604

First Tennessee Bank  
87-434/642

Check No. 961859

Check Date  
08/11/2016

Check Amount  
\$ \*\*\*\*95,000.00

PAY *Ninety Five Thousand AND 00/100*

TO THE ORDER OF  
TENNESSEE HEALTH SERVICES  
AND DEVELOPMENT AGENCY  
500 DEADERICK STREET  
SUITE 850  
NASHVILLE TN 37243

*Martin D. Eubank*  
Authorized Signature  
*Loren Krutak*

Checks over \$50,000.00 require a second signature.

⑈00961859⑈ ⑆064204347⑆ 100394898⑈

Mountain States Health Alliance • 400 N. State of Franklin Road, Johnson City, TN 37604

INVOICE	INVOICE DATE	GROSS AMOUNT	DISCOUNT	NET AMOUNT
080916 CON FOR THE NEW UNICOI HOSPITAL	08/09/16	\$95,000.00	\$0.00	\$95,000.00

VENDOR NUMBER	VENDOR NAME	CHECK NUMBER	CHECK DATE	TOTAL AMOUNT
212843	TENNESSEE HEALTH SERVICES	961859	08/11/2016	\$95,000.00

# **Mountain States Health Alliance**

Unicoi County Memorial Hospital Relocation and  
Replacement Project

*Certificate of Need Application*  
*August 15, 2016*

Prepared for:  
Tennessee Health Services and Development Agency  
Andrew Jackson Building, Ninth Floor  
502 Deaderick Street Nashville, TN 37243  
615.741.2364

Contact:  
Allison Rogers  
423.302.3378

## SECTION A:

### APPLICANT PROFILE

Please enter all Section A responses on this form. All questions must be answered. If an item does not apply, please indicate "N/A". **Attach appropriate documentation as an Appendix at the end of the application and reference the applicable Item Number on the attachment.**

**For Section A, Item 1, Facility Name must be applicant facility's name and address must be the site of the proposed project.**

**For Section A, Item 3, Attach a copy of the partnership agreement, or corporate charter and certificate of corporate existence, if applicable, from the Tennessee Secretary of State.**

**RESPONSE:** Corporate Charter and Certificate of Corporate Existence are included in attachments.

**For Section A, Item 4, Describe the existing or proposed ownership structure of the applicant, including an ownership structure organizational chart. Explain the corporate structure and the manner in which all entities of the ownership structure relate to the applicant. As applicable, identify the members of the ownership entity and each member's percentage of ownership, for those members with 5% or more ownership interest. In addition, please document the financial interest of the applicant, and the applicant's parent company/owner in any other health care institution as defined in Tennessee Code Annotated, §68-11-1602 in Tennessee. At a minimum, please provide the name, address, current status of licensure/certification, and percentage of ownership for each health care institution identified.**

**RESPONSE:** Organizational Chart for Mountain States Health Alliance is included in attachments.

**For Section A, Item 5, For new facilities or existing facilities without a current management agreement, attach a copy of a draft management agreement that at least includes the anticipated scope of management services to be provided, the anticipated term of the agreement, and the anticipated management fee payment methodology and schedule. For facilities with existing management agreements, attach a copy of the fully executed final contract.**

Please describe the management entity's experience in providing management services for the type of the facility, which is the same or similar to the applicant facility. Please describe the ownership structure of the management entity.

**RESPONSE:** Not applicable.

**For Section A, Item 6, For applicants or applicant's parent company/owner that currently own the building/land for the project location; attach a copy of the title/deed. For applicants or applicant's parent company/owner that currently lease the building/land for the project location, attach a copy of the fully executed lease agreement. For projects where the location of the project has not been secured, attach a fully executed document including Option to Purchase Agreement, Option to Lease Agreement, or other appropriate documentation. Option to Purchase Agreements must include anticipated purchase price. Lease/Option to Lease Agreements must include the actual/anticipated term of the agreement and actual/anticipated lease expense. The legal interests described herein must be valid on the date of the Agency's consideration of the certificate of need application.**

**RESPONSE:** The warranty deed is included in attachments.

1. **Name of Facility, Agency, or Institution**

Unicoi County Memorial Hospital  
Name

Temple Hill Road (site currently unaddressed) Unicoi  
Street or Route County

Erwin TN 37650  
City State Zip Code

2. **Contact Person Available for Responses to Questions**

Allison Rogers VP, Strategic Planning  
Name Title

Mountain States Health Alliance RogersAM@msha.com  
Company Name Email address

303 Med Tech Parkway, Suite #330 Johnson City TN 37604  
Street or Route City State Zip Code

Employee 423-302-3378 423-302-3448  
Association with Owner Phone Number Fax Number

3. **Owner of the Facility, Agency or Institution**

Mountain States Health Alliance 423-431-6111  
Name Phone Number

400 N. State of Franklin Road Washington  
Street or Route County

Johnson City TN 37604  
City State Zip Code

4. **Type of Ownership of Control (Check One)**

A. Sole Proprietorship	<input type="checkbox"/>	F. Government (State of TN or Political Subdivision)	<input type="checkbox"/>
B. Partnership	<input type="checkbox"/>	G. Joint Venture	<input type="checkbox"/>
C. Limited Partnership	<input type="checkbox"/>	H. Limited Liability Company	<input type="checkbox"/>
D. Corporation (For Profit)	<input type="checkbox"/>	I. Other (Specify) _____	<input type="checkbox"/>
E. Corporation (Not-for-Profit)	<input checked="" type="checkbox"/>		

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

5. **Name of Management/Operating Entity (If Applicable)**

N/A  
Name \_\_\_\_\_

\_\_\_\_\_ County \_\_\_\_\_

Street or Route \_\_\_\_\_

\_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

**PUT ALL ATTACHMENTS AT THE END OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

6. **Legal Interest in the Site of the Institution (Check One)**

A. Ownership   X   D. Option to Lease \_\_\_\_\_

B. Option to Purchase \_\_\_\_\_ E. Other (Specify) \_\_\_\_\_

C. Lease of \_\_\_\_\_ Years \_\_\_\_\_

**PUT ALL ATTACHMENTS AT THE BACK OF THE APPLICATION IN ORDER AND REFERENCE THE APPLICABLE ITEM NUMBER ON ALL ATTACHMENTS.**

7. **Type of Institution (Check as appropriate--more than one response may apply)**

A. Hospital (Specify) <u>  Acute  </u> <u>  X  </u>	H. Nursing Home _____
B. Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty _____	I. Outpatient Diagnostic Center _____
C. ASTC, Single Specialty _____	J. Rehabilitation Facility _____
D. Home Health Agency _____	K. Residential Hospice _____
E. Hospice _____	L. Nonresidential Substitution-Based Treatment Center for Opiate Addiction _____
F. Mental Health Hospital _____	M. Birthing Center _____
G. Intellectual Disability Institutional Habilitation Facility (IDIHF) (ICF/IID formerly (ICF/MR) _____	N. Other Outpatient Facility _____
	O. Other (Specify) _____

8. **Purpose of Review (Check as appropriate--more than one response may apply)**

A. New Institution _____	G. Change in Bed Complement [Please note the type of change by underlining the appropriate response: Increase, <u>Decrease</u> , Designation, Distribution, Conversion, <u>Relocation</u> ] <u>  X  </u>
B. Replacement/Existing Facility <u>  X  </u>	H. Change of Location <u>  X  </u>
C. Modification/Existing Facility _____	I. Other (Specify) _____
D. Initiation of Health Care Service as defined in TCA § 68-11-1607(4) (Specify) _____	
E. Discontinuance of OB Services _____	
F. Acquisition of Equipment _____	

9. **Bed Complement Data**

***Please indicate current and proposed distribution and certification of facility beds.***

Unicoi County Memorial Hospital (UCMH) is currently licensed for 48 beds but only staffs 11 of those beds. 10 Inpatient beds are proposed for this facility and are believed to be the appropriate amount in attempt to "right size" UCMH.

	<u>Current Beds</u> <u>Licensed</u>	<u>*CON</u>	<u>Staffed</u> <u>Beds</u>	<u>Beds</u> <u>Proposed</u>	<u>TOTAL</u> <u>Beds at</u> <u>Completion</u>
A. Medical	<u>46</u>	<u>          </u>	<u>11</u>	<u>10</u>	<u>10</u>
B. Surgical	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
C. Long-Term Care Hospital	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
D. Obstetrical	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
E. ICU/CCU	<u>2</u>	<u>          </u>	<u>0</u>	<u>          </u>	<u>          </u>
F. Neonatal	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
G. Pediatric	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
H. Adult Psychiatric	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
I. Geriatric Psychiatric	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
J. Child/Adolescent Psychiatric	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
K. Rehabilitation	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
L. Nursing Facility - SNF (Medicare only)	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
M. Nursing Facility – NF (Medicaid only)	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
N. Nursing Facility – SNF/NF (dually certified Medicaid/Medicare)	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
O. Nursing Facility – Licensed (non-Certified)	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
P. IDIHF	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Q. Adult Chemical Dependency	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
R. Child and Adolescent Chemical Dependency	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
S. Swing Beds	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
T. Mental Health Residential Treatment	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
U. Residential Hospice	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL</b>	<b><u>48</u></b>	<b><u>          </u></b>	<b><u>11</u></b>	<b><u>10</u></b>	<b><u>10</u></b>

\*CON-Beds approved but not yet in service

10. **Medicare Provider Number** 440001  
**Certification Type** General Acute Care Facility

11. **Medicaid Provider Number** 0440001  
**Certification Type** General Acute Care Facility

12. **If this is a new facility, will certification be sought for Medicare and/or Medicaid?**  
**Response:** Because this is a replacement facility, no changes will be made in the certification or licensure of Unicoi County Memorial Hospital.

13. **Will this project involve the treatment of TennCare participants?** Yes. The UCMH replacement facility will continue to provide care to the TennCare population through participation in the following plans: BlueCare, Community Plan, and Amerigroup.

**NOTE:** **Section B** is intended to give the applicant an opportunity to describe the project and to discuss the need that the applicant sees for the project. **Section C** addresses how the project relates to the Certificate of Need criteria of Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care. Discussions on how the application relates to the criteria should not take place in this section unless otherwise specified.

## **SECTION B: PROJECT DESCRIPTION**

Please answer all questions on 8 1/2" x 11" white paper, clearly typed and spaced, identified correctly and in the correct sequence. In answering, please type the question and the response. All exhibits and tables must be attached to the end of the application in correct sequence identifying the questions(s) to which they refer. If a particular question does not apply to your project, indicate "Not Applicable (NA)" after that question.

- I. Provide a brief executive summary of the project not to exceed two pages. Topics to be included in the executive summary are a brief description of proposed services and equipment, ownership structure, service area, need, existing resources, project cost, funding, financial feasibility, staffing, and how the project will contribute to the orderly development of adequate and effective healthcare.

### **RESPONSE:**

#### **Brief description of proposed services and equipment:**

This application proposes the building of a 10-bed acute care replacement facility, which will also include an emergency department with 10 treatment rooms, for Unicoi County Memorial Hospital (UCMH) located in Erwin (Unicoi County), TN. This proposed replacement facility will also include radiology services such as CT and MRI, outpatient rehab, and the inclusion of ample office space for primary care providers. In addition, two of the emergency department treatment rooms will be constructed to allow for care of observation patients.

#### **Ownership structure:**

Unicoi County Memorial Hospital became a part of Mountain States Health Alliance (MSHA) in November 2013, in which MSHA acquired 100% ownership of UCMH. Mountain States Health Alliance is a large, integrated, not-for-profit health care system based in Johnson City, Tennessee. Founded in 1998, MSHA has historical community roots in the Johnson City Medical Center (JCMC) (1980-Present), Memorial Hospital (1951-1980), and Appalachian Hospital (1911-1951). The hospital system includes thirteen hospitals providing a core of acute care, hospital-based services, and an array of supporting services. In addition, MSHA operates urgent care centers, outpatient facilities, laboratory and radiology services, physician practices, long-term care and rehabilitation facilities, and community-based prevention and educational activities to a population of over 1.1 million residents of southern and central Appalachia.

Because of its financial struggles and the poor condition of the physical plant, UCMH was on the verge of closing and sought a partnership with Mountain States Health Alliance. As part of the purchase agreement for UCMH, MSHA committed to building a new hospital in Unicoi County, TN, within five years of UCMH joining the system, which in this case is by November 2018. Additional requirements of the purchase agreement include that the new hospital must provide inpatient acute care services and must have at least 20 total beds

throughout the facility. This proposed project will meet those requirements by providing 10 inpatient acute care beds and 10 unlicensed beds within the emergency department treatment rooms.

**Service area:**

The overwhelming majority of Unicoi County Memorial Hospital's patients are residents of Unicoi County, TN, and as such, this project's proposed service area is defined as only that county.

**Need:**

Built in 1953, Unicoi County Memorial Hospital is a 48-bed acute care hospital currently located at 100 Greenway Circle, Erwin, TN. UCMH is the only acute care facility physically located in Unicoi County, TN, and as such, all care being sought at other facilities results in the patient leaving the county. The facility is located in downtown Erwin in a heavily congested area near Unicoi County High School and Unicoi County Middle School, making it difficult for local EMS and patients from other areas of the county to access, particularly in emergent situations. The current facility is at the end of its lifespan, with much of the facility infrastructure being original to when the hospital was built. MSHA has spent significant capital dollars in recent years to keep UCMH in a state sufficient for acute care patients, such as the recent replacement of a failed chiller and repairs to the roof, sewer lines, and water lines. For the last three fiscal years, UCMH's maintenance and repair costs alone have totaled more than \$1.6 million.

This project will provide MSHA the opportunity to replace an aging hospital with a state-of-the-art facility designed to meet the healthcare needs of the residents of Unicoi County. UCMH currently staffs only 11 of its 48 acute care beds and has an average daily census of 5 inpatients. The current facility is set up primarily for care in the inpatient setting, but projections indicate that the demand for inpatient services will continue to decline. With the continued shifts of services from the inpatient setting to outpatient, much of the current facility will either remain unused or will need to be completely renovated to meet the growing demand for outpatient services. Several of UCMH's critical outpatient programs are projected to continue to grow, including diagnostic imaging, respiratory services, and outpatient rehab. However, inefficiencies in the layout of current space will not be accommodating for continued growth, and renovations will require even more capital investments to the large amounts already being used to keep the current facility operational.

**Existing resources:**

Unicoi County Memorial Hospital is the only acute care hospital in the proposed service area. Services at the current UCMH facility include inpatient acute care, a 24-hour emergency department, radiology services such as CT and MRI, outpatient rehabilitation services, and laboratory testing.

**Project cost:**

The proposed project will be located at a currently unaddressed site on Temple Hill Road, Erwin, TN 37650, and the replacement facility will occupy 41,500 square feet. The estimated project cost is \$19,999,141.

**Funding:**

Funding for this project will be through the use of existing cash reserves of MSHA.

**Financial feasibility:**

The replacement facility is projected to have a loss of (\$3,379,696) in Year 1 and a loss of (\$3,548,661) in year 2. Because UCMH serves a rural community that needs local healthcare services, MSHA is committed to ensuring the successful operation of a hospital in Unicoi County, TN, which would ultimately close without the support of the healthcare system.

**Staffing:**

The proposed replacement facility projects 97 total employees to be in place in Year 1 and Year 2 of operation, of which 71.6 employees (full-time equivalent) will be involved in direct patient care.

**Orderly development of adequate and effective healthcare:**

This replacement facility will have no negative impact on other local healthcare providers, while also maintaining operations of much needed services in a rural community. This project will “right-size” UCMH in a way that provides adequate care in each patient care setting. This UCMH replacement facility will serve as a true community hospital by providing the community’s most needed services, while also collaborating with other area providers to ensure efficient and effective delivery of care for all patients of the project service area.

- II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.
  - A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applications with construction, modification and/or renovation costs should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.

**RESPONSE:**

This application seeks approval to construct a new 10-bed replacement facility, which will also include an emergency department with 10 treatment rooms, for Unicoi County Memorial Hospital. This proposed facility will be located at a currently unaddressed site on Temple Hill Road, Erwin, TN, and will occupy 41,500 square feet. Temple Hill Road runs parallel to Interstate 26, and the proposed site is less than 0.4 miles from Exit 40 of I-26.

The vision for this proposed replacement hospital is for it to be a community resource for healthcare to better meet the healthcare needs of the service area population. This

facility is conceived as an opportunity to provide contemporary healthcare in a more accessible location with efficient space for improved work flow and delivery of healthcare in a patient and family friendly atmosphere.

Interior spaces will include as much natural daylight as possible since it is proven that natural light is a benefit to the healing process. MSHA is a proponent of "Green Buildings" and a clean, safe healing environment, and the intent is to utilize many of the building products and building systems to move in that direction without placing an undue burden of cost on the facility or the project. This "Green" effort will help to provide a facility that has healing benefits from good ventilation, air quality, proper levels and control of lighting, and use of low impact chemical products in the manufacturing of materials and systems used in the construction of this facility, while at the same time receiving a life-cycle cost benefit from these systems and materials.

Designs will respect MSHA's emphasis on Patient-Centered Care in the design and layout of the healing environment. This places a special emphasis on ease of access from patients and families to healthcare workers, low height desks and counters for face-to-face communications between members of the healthcare team, layout of spaces and choice of materials to create a quiet and contemplative environment, all private patient rooms for both noise control and patient privacy issues, and infection control.

The design employs the process of evidence based design and evidence based medicine in the planning and layout of the healing environment. Involvement will continue for medical staff, administrative and facilities staff, as well as the project design team. Reduced walking distances, better adjacency of critical departments for efficient workflow of team members and patients alike, better access to support facilities and functions, proper size of spaces to accommodate current and future technologies and equipment for ever changing healthcare delivery systems, building systems wired and wireless for enhanced access to databases of records, knowledge and references for team members and physicians, access to high technology for patients, families and visitors for educational and business purposes, awareness of evolving technologies, and planning to accommodate future changes will all result in a collaborative, interdisciplinary work place. These will collectively create an atmosphere for reduction of stress and fatigue for the variety of persons involved in healthcare, with a benefit to speed the healing process and reduce length of stay. Side benefits of this enhanced environment will be the ease of staff recruitment and retention from a more responsive work environment and a goal of controlling the cost of healthcare delivery.

This facility will be designed and constructed in accordance with all appropriate primary codes and standards as listed by the Tennessee Department of Health Board for Licensing of Health Care Facilities, and architectural support is included in the attachments.

In summary, this new 10-bed acute care facility, with 41,500 gross square feet of space, will include:

- Entry plaza with canopy for patients, visitors and team members
- Separate drive and entry for Emergency Department access

- Emergency Department to include 10 exam-treatment rooms, triage, and ambulance entry; two of the ED treatment rooms will be designed and equipped to care for Observation patients
- 10-bed inpatient medical unit adjacent to, but separate from, emergency department; this will allow for ease of access for admission of both emergent patients and direct admits
- Grounds will be landscaped with healing gardens for therapeutic and contemplative purposes, as well as for relief of stress and for relaxation
- Hospital will be highly visible and easy to access from Interstate 26
- High-tech building systems will include secure and convenient access to electronic medical records and security systems monitoring sensitive spaces throughout facility
- Admitting and administration will be conveniently located near the main lobby
- Additional patient services include rehabilitation programs, radiology services including CT and MRI, laboratory services, and clinic space for primary care services
- Building is designed with flexibility of systems and spaces to easily accommodate future expansions for approved services to meet patient demands

B. Identify the number and type of beds increased, decreased, converted, relocated, designated, and/or redistributed by this application. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the existing services.

**RESPONSE:**

This application seeks approval to construct a new 10-bed replacement facility for Unicoi County Memorial Hospital. Currently, UCMH is licensed for 48 acute care beds. This project is being proposed to meet the long-term needs of the community by replacing a facility at the end of its lifespan with a state-of-the-art hospital that will more effectively accommodate the shifts in healthcare demand from residents of the service area, while also being constructed in a more convenient location.

Only 11 of UCMH's 48 beds were staffed in fiscal years 2015 and 2016; UCMH had an average daily census of 8 and 5 in those years, respectively, leaving much of the current facility unoccupied. Inpatient utilization is projected to decline steadily in the coming years, and the current UCMH facility is not designed for the continued shift of demand to the outpatient setting. This replacement project proposes to decrease the number of beds at UCMH from 48 to 10, which will allow the new UCMH facility to continue providing inpatient medical services in the capacity of a true community hospital at a size proportional to the population of the community. This new design will result in more effective occupancy; whereas, more than 75% of UCMH's current licensed beds are not even staffed. By decreasing licensed beds to 10 in the proposed replacement facility, more space could be allotted to UCMH's growing outpatient services, such as diagnostic imaging and rehabilitation programs. This project also allows UCMH the opportunity to include space for primary care services, which has been identified as one of the proposed service area's most needed services.

## SQUARE FOOTAGE AND COST PER SQUARE FOOTAGE CHART

A. Unit / Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage			Proposed Final Cost / SF		
					Renovated	New	Total	Renovated	New	Total
Emergency Department				7,134		7,134	7,134		\$394.71	\$2,815,878
Admissions/Registration				960		960	960		\$319.88	\$307,083
Medical Imaging				8,135		8,135	8,135		\$404.88	\$3,293,685
Clinical Lab				798		798	798		\$352.88	\$281,597
Pharmacy				504		504	504		\$335.28	\$168,980
Medical/ Surgical Beds				6,278		6,278	6,278		\$341.88	\$2,146,312
Dietary				2,787		2,787	2,787		\$324.88	\$905,436
Environmental Services				1,302		1,302	1,302		\$344.88	\$449,032
Materials Management				1,254		1,254	1,254		\$238.88	\$299,553
Plant-ops				308		308	308		\$224.88	\$69,263
Out-Patient Clinic				792		792	792		\$251.88	\$199,488
Information Tech.				864		864	864		\$225.88	\$195,159
Volunteer Services				220		220	220		\$229.88	\$50,573
Administration				1,890		1,890	1,890		\$254.88	\$481,720
HIM				726		726	726		\$232.88	\$169,070
Human Resources				244		244	244		\$243.87	\$59,504
Business/ Accounting				352		352	352		\$244.88	\$86,197
Pastoral Care				176		176	176		\$251.88	\$44,331
B. Unit/Depart. GSF Sub-Total				34,724		34,724	34,724		\$346.24	\$12,022,861
C. Mechanical/ Electrical GSF				2,080		2,080	2,080		\$373.88	\$777,667
D. Circulation /Structure GSF				3,696		3,696	3,696		\$223.58	\$826,335
Canopies @ 1/2				1,000		1,000	1,000		\$158.88	\$158,878
E. Total GSF				41,500		41,500	41,500		\$332.19	\$13,785,741

C. As the applicant, describe your need to provide the following health care services (if applicable to this application):

1. Adult Psychiatric Services
2. Hospital-Based Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Burn Units
4. Cardiac Catheterization Services
5. Child and Adolescent Psychiatric Services
6. Extracorporeal Lithotripsy
7. Home Health Services
8. Hospice Services
9. Magnetic Resonance Imaging (MRI)
10. Neonatal Intensive Care Unit
11. Opiate Addiction Treatment provided through a Non-Residential Substitution-Based Treatment Center for Opiate Addiction
12. Open Heart Surgery
13. Positron Emission Tomography
14. Radiation Therapy/Linear Accelerator
15. Rehabilitation Services
16. Swing Beds
17. Discontinuation of any obstetrical or maternity service
18. Closure of a Critical Access Hospital
19. Elimination in a critical access hospital of any service for which a certificate of need is required

**RESPONSE:**

Not applicable. No new services will be introduced as a part of this project.

D. Describe the need to change location or replace an existing facility.

**RESPONSE:**

The current UCMH facility was built in 1953 and has reached the end of its lifespan. MSHA has spent more than \$1.6 million over the last three years in maintenance and repairs to keep UCMH in a condition sufficient for patient care. UCMH leadership has requested capital totaling more than \$1 million over the next 5 years, most of which involves repairs to or replacement of the current facility's infrastructure. Even so, many of the repairs for the current facility over the past three years were unplanned. For fiscal years 2014 through 2016, UCMH accumulated maintenance and repair costs of \$311,126; \$691,413; and \$615,746, respectively. In anticipation of some of those unplanned repairs, UCMH has budgeted for just over \$648,000 in maintenance expenses for fiscal year 2017.

In addition to the multitude of issues with the current physical plant, the current UCMH facility is not designed for today's healthcare landscape that continues to shift its focus to outpatient services, wellness, and prevention. With only 11 of UCMH's 48 licensed beds presently staffed, a significant portion of the hospital goes underutilized. For fiscal year 2016, UCMH treated 25,982 outpatient visits, compared to only 500 admissions and 344 observation patients. In addition, nearly 83% of UCMH's gross patient revenue was generated from outpatient services for FY2016. Outpatient services far outweigh the inpatient setting in terms of utilization, and the demand for hospital outpatient services is projected to continue to increase in coming years. The current UCMH facility will require significant renovation, which will lead to additional capital expenses on top of the significant

funds already used for upkeep of the hospital, to convert any unused inpatient space into an expansion for current outpatient services.

This project also seeks to address the issue of access for patients by relocating to a more easily accessible location less than 0.4 miles from Exit 40 of Interstate 26. The current facility is located in a congested area in downtown Erwin, TN, near Unicoi County High School and Unicoi County Middle School. School zones and local business traffic can cause delays for patients, as well as local ambulance services, trying to reach the hospital. The proposed location for the new facility will still be convenient to the residents of Erwin, while also allowing easier access for those living in the other two zip codes of Unicoi County: Unicoi, TN (37692) and Flag Pond, TN (37657).

The current facility does not provide the patient-centered environment that has come to be expected of hospitals, as the layout of the current UCMH is both inefficient and confusing for patients and families. Because of this aging facility's condition and layout, UCMH is not properly suited to meet the current and future demands of the community it serves. For the reasons described above, Mountain States Health Alliance has determined that the best course of action for Unicoi County Memorial Hospital to best care for the community it serves is to relocate and replace the current facility.

E. Describe the acquisition of any item of major medical equipment (as defined by the Agency Rules and the Statute) which exceeds a cost of \$1.5 million; and/or is a magnetic resonance imaging (MRI) scanner, positron emission tomography (PET) scanner, extracorporeal lithotripter and/or linear accelerator by responding to the following:

1. For fixed-site major medical equipment (not replacing existing equipment):

a. Describe the new equipment, including:

1. Total cost (As defined by Agency Rule)
2. Expected useful life;
3. List of clinical applications to be provided; and
4. Documentation of FDA approval

**RESPONSE:**

Not applicable. UCMH will be replacing existing equipment as part of this project, but no equipment purchases as part of this project will meet the criteria defined above by the Agency.

b. Provide current and proposed schedules of operations.

**RESPONSE:**

Not applicable. UCMH will be replacing existing equipment as part of this project, but no equipment purchases as part of this project will meet the criteria defined above by the Agency.

2. For mobile major medical equipment:

a. List all sites that will be served;

b. Provide current and/or proposed schedule of operations;

- c. Provide the lease or contract cost.
- d. Provide the fair market value of the equipment; and
- e. List the owner for the equipment.

**RESPONSE:**

Not applicable. UCMH will be replacing existing equipment as part of this project, but no equipment purchases as part of this project will meet the criteria defined above by the Agency.

3. Indicate applicant's legal interest in equipment (*i.e.*, purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments along with the fair market value of the equipment.

**RESPONSE:**

Not applicable. UCMH will be replacing existing equipment as part of this project, but no equipment purchases as part of this project will meet the criteria defined above by the Agency.

**III. (A) Attach a copy of the plot plan of the site on an 8 1/2" x 11" sheet of white paper which must include:**

- 1. Size of site (*in acres*);
- 2. Location of structure on the site; and
- 3. Location of the proposed construction.
- 4. Names of streets, roads or highway that cross or border the site.

***Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.***

**RESPONSE:**

The UCMH replacement facility will be located at a currently unaddressed site on Temple Hill Road, Erwin, TN 37650. The proposed site can be accessed in either direction along Temple Hill Road, which runs parallel to Interstate 26. The size of the campus will be approximately 45 acres. The plot plan for the UCMH replacement facility is included in the attachments.

- (B) 1. Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients. (*Not applicable to home health or hospice agency applications.*)**

**RESPONSE:**

The UCMH Replacement Hospital will be located at a currently unaddressed site on Temple Hill Road in Erwin, TN and will be easily accessible, as it is less than 0.4 miles from Exit 40 of Interstate 26. The proposed site will be accessible through

multiple access points for ambulatory patients, patients transferred into the facility and for emergent patients. The replacement facility will have an emergency department operated 24 hours per day and will have transport agreements with local EMS providers for ground ambulance transports.

- IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper. ***(Not applicable to home health or hospice agency applications.)***

NOTE: **DO NOT SUBMIT BLUEPRINTS**. Simple line drawings should be submitted and need not be drawn to scale.

**RESPONSE:**

Floor plans for the UCMH replacement facility are attached.

- V. For a Home Health Agency or Hospice, identify:
1. Existing service area by County;
  2. Proposed service area by County;
  3. A parent or primary service provider;
  4. Existing branches; and
  5. Proposed branches.

**RESPONSE:**

Not applicable

**SECTION C: GENERAL CRITERIA FOR CERTIFICATE OF NEED**

In accordance with Tennessee Code Annotated § 68-11-1609(b), "no Certificate of Need shall be granted unless the action proposed in the application for such Certificate is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, and will contribute to the orderly development of health care." The three (3) criteria are further defined in Agency Rule 0720-4-.01. Further standards for guidance are provided in the state health plan developed pursuant to Tennessee Code Annotated §68-11-1625.

The following questions are listed according to the three (3) criteria: (I) Need, (II) Economic Feasibility, and (III) Contribution to the Orderly Development of Health Care. Please respond to each question and provide underlying assumptions, data sources, and methodologies when appropriate. Please type each question and its response on an 8 1/2" x 11" white paper. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer. If a question does not apply to your project, indicate "Not Applicable (NA)."

**QUESTIONS**

**NEED**

1. Describe the relationship of this proposal toward the implementation of the State Health Plan and Tennessee's Health: Guidelines for Growth, if applicable.

- a. Please discuss how the proposed project will relate to the 5 Principles for Achieving Better Health found in the State Health Plan. Please list each principle and follow it with a response.

*Principle 1: The purpose of the State Health Plan is to improve the health of Tennesseans.*

**RESPONSE:**

The proposed replacement facility will be designed to meet the changing healthcare demands of the community it serves. The UCMH replacement facility will continue to provide inpatient care, but it will also seek to improve its delivery of healthcare by focusing heavily on its growing outpatient services. The available space for primary care providers, along with key outpatient programs, will also play an integral part in the efforts geared toward wellness, prevention, and population health. In addition to the focus on the types of services needed in the community, the replacement facility itself will be designed to aid in the healing process and create a patient-centered care environment through the facility design, landscaping, and layout of patient care areas.

*Principle 2: Every citizen should have reasonable access to health care.*

**RESPONSE:**

UCMH is the only acute care facility in Unicoi County, TN, and its current location is not easily accessible for patients and local EMS. Without this facility, patients from Unicoi County would have to travel outside the county to seek treatment. However, residents also deserve to seek care without the delays experienced with the location of the current facility. The proposed location of the replacement facility is a more convenient location for residents of the county as a whole.

*Principle 3: The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies and the continued development of the state's health care system.*

**RESPONSE:**

The proposed project will establish a facility that will provide the most critically needed services in the inpatient, outpatient, and emergency department settings, and the UCMH replacement facility will be designed to align with the trends in healthcare delivery both locally and nationally to meet the future needs of the project service area. The replacement facility will be designed as a response to the projected decline in inpatient services and the expected growth of outpatient services. The facility will be designed to provide the most efficient, highest quality, and clinically appropriate services, and its relationships with other area providers will allow for seamless and effective delivery of care for the residents of Unicoi County, TN.

*Principle 4: Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers.*

**RESPONSE:**

Given the commitments of Mountain States Health Alliance to the success of this project, the Agency and the community can be confident that the proposed replacement facility will meet and maintain stringent clinical standards.

*Principle 5: The state should support the development, recruitment and retention of a sufficient and quality health care workforce.*

**RESPONSE:**

The proposed state-of-the-art facility will provide a setting that will be attractive for current healthcare professionals, as well as those seeking to enter the healthcare field. It can be challenging to recruit staff and providers to a rural hospital, which, in the case of UCMH, is also at the end of its physical plant's lifespan. This new facility presents an opportunity to design a hospital that could improve the delivery of healthcare and patient experience, create a healing environment, and further aid the efforts to attract high-quality healthcare professionals to Unicoi County.

- b. Please provide a response to each criterion and standard in Certificate of Need Categories that are applicable to the proposed project. Do not provide responses to General Criteria and Standards (pages 6-9 of the Guidelines for Growth) here

**Special Criteria for Construction, Renovation, Expansion, and Replacement of Health Care Institutions**

1. Any project that includes the addition of beds, services, or medical equipment will be reviewed under the standards for those specific activities.

**RESPONSE:**

This application is for the replacement facility for Unicoi County Memorial Hospital and will not involve the addition of new beds or services, but rather the relocation and replacement of these existing services.

**2. For relocation or replacement of an existing licensed health care institution:**

- a. **The applicant should provide plans which include costs for both renovation and relocation, demonstrating the strengths and weaknesses of each alternative.**

**RESPONSE:**

UCMH is an aging facility that will require significant capital dollars to maintain the physical plant in a sufficient state to care for patients. UCMH is operating well below capacity as only 11 of its 48 acute care beds are currently staffed, and the demands for healthcare services continue to shift to the outpatient setting. The layout of the current facility is not accommodating to these shifts, and large sections of the facility are significantly underutilized. Access to the facility continues to be a challenge, as it is located in a busy part of town with heavy traffic, causing delays for those trying to reach the hospital.

The construction of a 10-bed replacement hospital for UCMH will have multiple benefits, including a new state-of-the-art facility built in a more easily accessible location that will be designed to include those services that are most needed in the community. This newly designed facility will be "right-sized" to meet the demand in each patient care setting and will allow for the anticipated growth of outpatient services, along with the inclusion of clinic space for primary care providers to aid in the efforts to improve population health. In addition, as a part of the design phase for this replacement facility, an expansion plan has been developed in the event that

future demand requires additional space for expansion of existing services or the addition of new services.

One alternative considered to building a replacement hospital for UCMH is to maintain the status quo and continue spending large capital dollars in an attempt to maintain this facility in a state sufficient for patient care. As this facility approaches the end of its practical life span for patient care, it does not make sense to continue committing increasing amounts of capital resources to the existing facility. A significant portion of UCMH's budget in recent years has been dedicated to maintenance and repair costs alone, and the budgeted total for these costs in fiscal year 2017 is \$648,000. Shifts in demand from inpatient to outpatient will also create the need for major renovation in the near future, and it will be nearly impossible to continue operations at the current facility while undertaking a renovation of the scope necessary to bring the building to current standards. This was not considered to be a feasible option.

A second alternative is to build a replacement hospital on the existing campus of UCMH. Currently, there is not sufficient land at this location to build a 10-bed replacement facility without having to shut down the existing facility and relocate the patient volumes to other facilities, all of which are outside Unicoi County, during construction. Also, with the continued access problems for both patients and local EMS, it would not make sense to build a new facility in an area that is not optimal for residents of the entire service area. This was not considered to be a feasible option.

For these reasons, MSHA has decided to move forward with this proposal. By constructing a 10-bed replacement hospital for UCMH, MSHA will be maximizing its current resources in a way that prepares the health system to meet the future demands of the local community in the most cost-effective and practical matter possible.

- b. The applicant should demonstrate that there is an acceptable existing or projected future demand for the proposed project.**

**RESPONSE:**

With the continued shifts of healthcare delivery from the inpatient setting to outpatient services, projections show an expected 13% decline in inpatient admissions over the next ten years for the proposed service area. Slightly more than 3,000 admissions were attributed to residents of Unicoi County across all hospitals in calendar year 2015, but that number is projected to decrease to fewer than 2,700 by the year 2025. Although admissions are declining, a need for inpatient services in Unicoi County still exists. Residents ages 65 and older make up approximately 24% of the current service area population; moreover, ages 65 and older are projected to grow to nearly 27% by the year 2020. Inpatient acute care services are particularly important to this elderly population, and UCMH is the only facility in the project service area that offers inpatient care. Many Unicoi County residents are seeking inpatient care at their local community hospital and will continue to do so in years to come. As a result, this project will attempt to structure UCMH in a way that meets that demand for inpatient services as appropriate for a community hospital by providing ten inpatient beds, as well as two emergency department rooms equipped to care for observation patients.

As demonstrated in the table below, which is described in more detail in response to Question 6, UCMH's inpatient volume has declined in recent years. However, UCMH is still utilized for inpatient care by the community it serves.

### Trends in Inpatient Medical Volume

UCMH	Historical Data			Projected Data	
	FY2014	FY2015	FY2016	Year 1 FY2020	Year 2 FY2021
Admissions	962	720	500	605	593
Patient Days	3,898	2,830	1,668	2,004	1,927
Inpatient Occupancy	22.1%	16.2%	9.5%	54.9%	52.7%
Licensed Beds	48	48	48	10	10
Staffed Beds	13	11	11	10	10

Sources: JARs and Internal Data (Historical), Sg2 and Internal Data (Projected)

In contrast, outpatient services in the hospital setting for the proposed service area are projected to grow by nearly 9% over the next decade. UCMH outpatient visits totaled 25,982 in fiscal year 2016. To further detail some key services in fiscal year 2016, UCMH performed 2,647 outpatient CT scans; 732 outpatient MRI procedures; 1,358 mammograms; 1,439 outpatient respiratory therapy treatments; and 19,146 outpatient rehab treatments. Projected data for some of these services are described in detail in response to Question 6. As the demand for outpatient services continues to grow in the service area, this project will result in a facility designed to help meet this demand, whereas the current facility remains largely underutilized because of its design to treat patients primarily in the inpatient setting.

When UCMH joined MSHA, leadership made a commitment to the community to build a replacement facility within five years of the acquisition. As demonstrated with the utilization data above, demand exists for both inpatient and outpatient services in Unicoi County, TN. However, the current facility is outdated and does not provide an acceptable platform for meeting the future needs of the community.

3. For renovation or expansions of an existing licensed health care institution:
  - a. The applicant should demonstrate that there is an acceptable existing demand for the proposed project.

**RESPONSE:**

Not applicable. This request is for the replacement and relocation of existing services at UCMH, not a renovation or expansion.

- b. The applicant should demonstrate that the existing physical plant's condition warrants major renovation or expansion.

**RESPONSE:**

Not applicable. This request is for the replacement and relocation of existing services at UCMH, not a renovation or expansion.

- c. Applications that include a Change of Site for a proposed new health care institution (one having an outstanding and unimplemented CON), provide a response to General Criterion and Standards (4)(a-c) of the Guidelines for Growth.

**RESPONSE:**

Not applicable. This project is for the relocation of an already established health care institution.

2. Describe the relationship of this project to the applicant facility's long-range development plans, if any.

**RESPONSE:**

This project is consistent with the long-range plans of Mountain States Health Alliance. This proposal improves the allocation of resources within Unicoi County and positions MSHA to meet the future needs of the community as the demands for healthcare continue to shift. As noted previously, inpatient admissions are projected to decline 13% over the next ten years in the proposed service area, while the demand for outpatient services is projected to grow nearly 9%. The current UCMH facility only staffs 11 of its 48 licensed beds, leaving significant portions of the hospital unused. Several key pieces of equipment, such as steam, water, and sewer lines, are original to the hospital, which was built in 1953, while other elements of the facility infrastructure have more than doubled their life expectancy, including multiple HVAC units and the facility's roof. MSHA has spent significant funds to maintain the standards for patient care at UCMH, and expenses to maintain the current facility will continue to grow. The current facility is at the end of its lifespan, and the condition and layout of this facility are not aligned with the needs of its service area. As such, it is MSHA's long-range plan to replace the current UCMH facility with a new state-of-the-art 10-bed replacement hospital. This project will enable MSHA to maximize its existing resources within Unicoi County and to construct a facility that will provide easier access to the hospital and will meet the future demand for services needed by the patients UCMH serves.

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map including the State of Tennessee clearly marked to reflect the service area. **Please submit the map on 8 1/2" x 11" sheet of white paper marked only with ink detectable by a standard photocopier (i.e., no highlighters, pencils, etc.).**

**RESPONSE:**

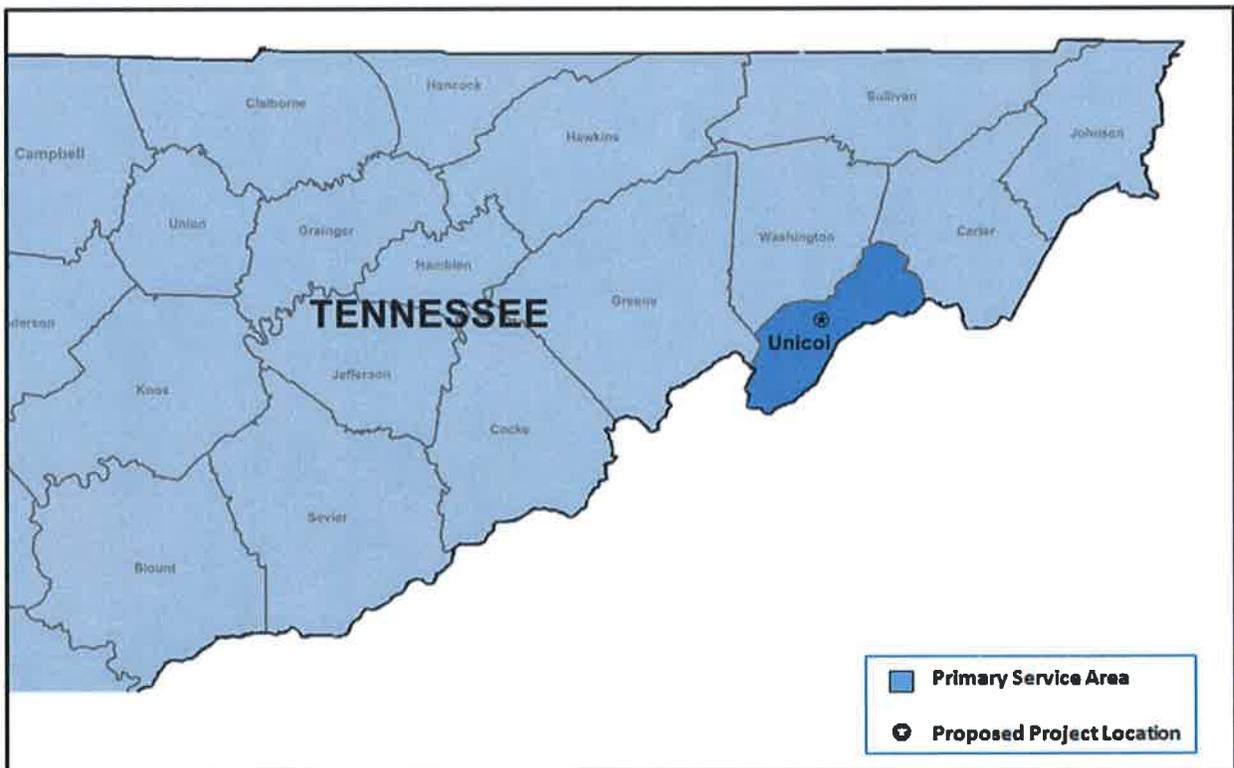
The overwhelming majority of Unicoi County Memorial Hospital's patients are residents of Unicoi County, TN, and as such, this project's proposed service area is defined as only that county. For fiscal years 2014-2016, nearly 88% of UCMH's admissions were residents of Unicoi County, TN. Since this request is for a replacement facility, the UCMH replacement facility will have the same service area definition. The service area definition and respective volumes are provided in the following table.

## UCMH FY2014-2016 Patient Origin

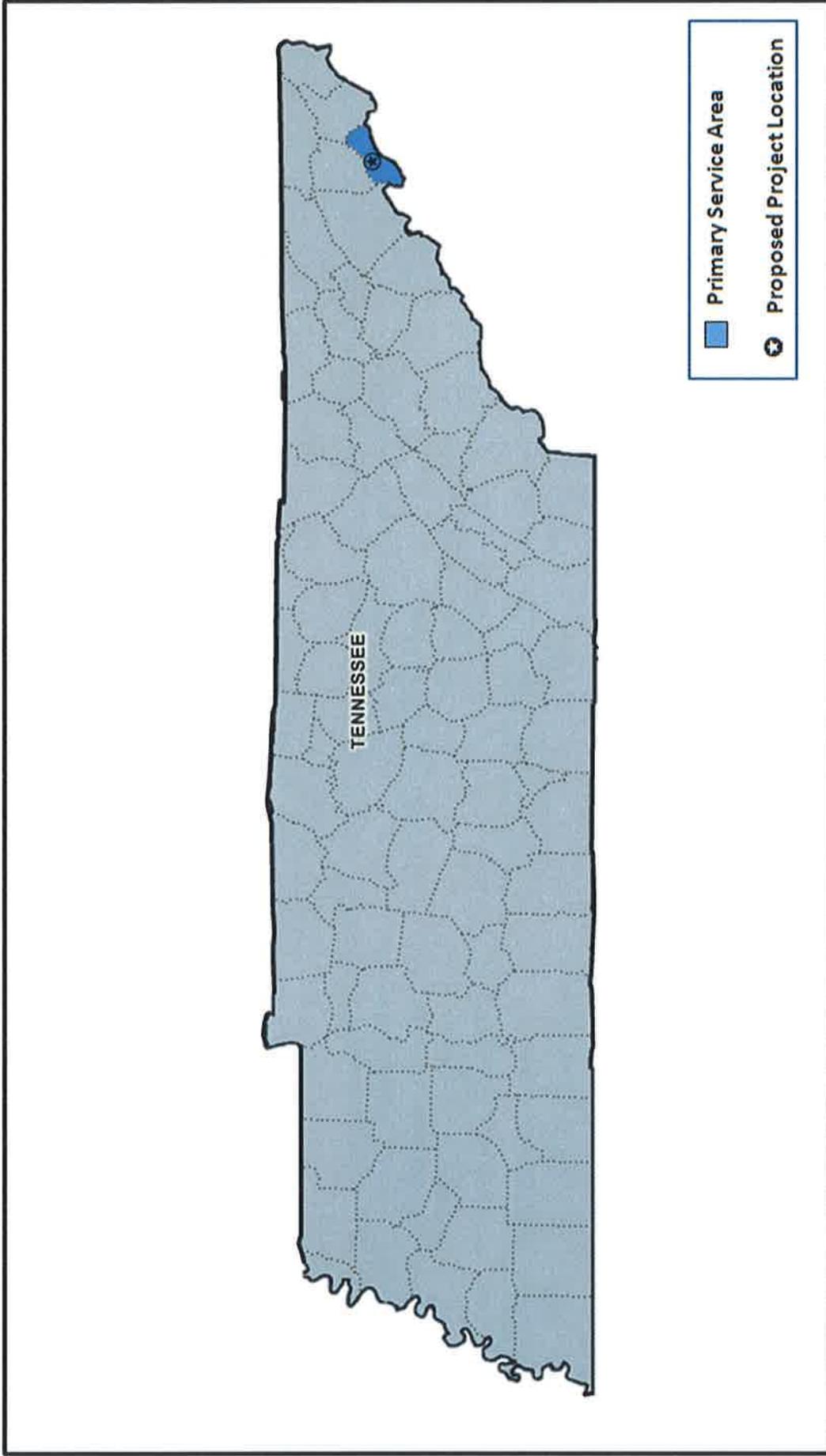
Unicoi County Memorial Hospital	Admissions			% of Total		
	FY2014	FY2015	FY2016	FY2014	FY2015	FY2016
Admits from Residents of Service Area (Unicoi County, TN)	840	644	428	87.3%	89.4%	85.6%
Admits from Other Counties	122	76	72	12.7%	10.6%	14.4%
<b>Total UCMH Admissions</b>	<b>962</b>	<b>720</b>	<b>500</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: JARs and Internal Data

Maps depicting the service area for the proposed project are provided on the following pages.



UCMH Replacement Hospital  
Service Area Map



4. A. 1) Describe the demographics of the population to be served by this proposal.

**RESPONSE:**

The following table shows the total population of the service area for this project. The data projects 1.6% growth in the project service area from 2016 to 2020.

<b>TOTAL</b>	<b>2016</b>	<b>2020</b>	<b>2016-2020 Growth</b>	
	<b>Population</b>	<b>Population</b>	<b># Change</b>	<b>% Change</b>
Unicoi, TN	18,847	19,150	303	1.6%
<b>Service Area Total</b>	<b>18,847</b>	<b>19,150</b>	<b>303</b>	<b>1.6%</b>
<b>TENNESSEE</b>	<b>6,812,005</b>	<b>7,108,031</b>	<b>296,026</b>	<b>4.3%</b>

Source: TN Department of Health

Within the service area, a higher growth rate is expected among those ages 65 and older. The continued growth in this age group is significant, as residents ages 65 and older currently make up nearly 24% of the service area population.

<b>Elderly Population</b>	<b>2016</b>	<b>2020</b>	<b>2016-2020 Growth</b>	
<b>Ages 65 and Up</b>	<b>Population</b>	<b>Population</b>	<b># Change</b>	<b>% Change</b>
Unicoi, TN	4,491	5,086	595	13.2%
<b>Service Area Total</b>	<b>4,491</b>	<b>5,086</b>	<b>595</b>	<b>13.2%</b>
<b>TENNESSEE</b>	<b>1,091,516</b>	<b>1,266,295</b>	<b>174,779</b>	<b>16.0%</b>

Source: TN Department of Health

A demographic snapshot of the project's service area which was prepared by Sg2 is included in Attachment C, Need 4. Sg2 is an international healthcare company which provides analytics (including demographics and utilization projections), intelligence, consulting and educational services to over 1,200 organizations around the world. Their analytics-based health care expertise helps hospitals and health systems integrate, prioritize and drive growth and performance across the continuum of care.

Compared to the state of Tennessee, the demographics of the proposed replacement facility's service area are similar in terms of gender (51 percent female, 49 percent male). The service area county has a much lower median household income of \$34,346 compared to \$44,621 for Tennessee. The racial mix in the facility service area is predominately Caucasian, accounting for more than 93 percent of the population.

- 2) Using population data from the Department of Health, enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, please complete the following table and include data for each county in your proposed service area:

<b>Demographic Variable/ Geographic Area</b>	<b>Unicoi County</b>	<b>Service Area Total</b>	<b>State of TN Total</b>
Total Population – Current Year (2016)	18,847	18,847	6,812,005
Total Population – Projected Year (2020)	19,150	19,150	7,108,031
Total Population - % Change	1.6%	1.6%	4.3%

<b>Demographic Variable/ Geographic Area</b>	<b>Unicoi County</b>	<b>Service Area Total</b>	<b>State of TN Total</b>
*Target Population (65+) – Current Year (2016)	4,491	4,491	1,091,516
*Target Population (65+) – Projected Year (2020)	5,086	5,086	1,266,295
Target Population (65+) - % Change	13.2%	13.2%	16.0%
Target Population (65+) – Projected Year (2020) as % of Total	26.6%	26.6%	17.8%
Median Age	46.4	46.4	38.6
Median Household Income	\$34,346	\$34,346	\$44,621
TennCare Enrollees	4,312	4,312	1,557,955
TennCare Enrollees as % of Total	22.9%	22.9%	22.9%
Persons Below Poverty Level	3,541	3,541	1,165,245
Persons Below Poverty Level as % of Total	20.1%	20.1%	18.2%

Sources: County and State population data from TN Department of Health, TennCare Enrollee data from Bureau of TennCare, Poverty Level information from U.S. Census Bureau (through 2014)

- B. Describe the special needs of the service area population, including health disparities, the accessibility to consumers, particularly the elderly, women, racial and ethnic minorities, and low-income groups. Document how the business plans of the facility will take into consideration the special needs of the service area population.

**RESPONSE:**

Compared to the state of Tennessee, the demographics of the proposed replacement facility's service area are similar in terms of gender (51 percent female, 49 percent male). The service area county has a much lower median household income of \$34,346 compared to \$44,621 for Tennessee. The racial mix in the facility service area is predominately Caucasian, accounting for more than 93 percent of the population. The proposed service area demographics across the areas of gender and racial and ethnic minorities are relatively consistent with Tennessee, although the service area is much less diverse compared to the rest of the country.

The largest socio-demographic challenges in the proposed service area relate to the much older population, as well as significantly lower levels of income and education. As described in the table above, the population ages 65 and older will account for 26.6% of the service area population by the year 2020, which is much higher than the state total. Access to acute care services is particularly important to this elderly population, as well as those with lower levels of income, and the current UCMH facility is the only hospital in the project service area.

5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each

institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, average length of stay, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc. Projects including surgery should report the number of cases and the average number of procedures per case.

**RESPONSE:**

With the service area for this project defined as Unicoi County, TN, the only acute care facility in the service area is Unicoi County Memorial Hospital. As such, services provided by UCMH are and will continue to be a critical piece of healthcare delivery to the residents of the service area.

Current services offered at UCMH include:

- General Radiology
- Magnetic Resonance Imaging (MRI)
- Computed Tomography (CT)
- Ultrasound
- Mammography
- Bone Densitometry
- Non-invasive Procedures (Arterial and Venous Studies)
- Invasive Procedures (Thoracentesis and Paracentesis)
- Cardiac Calcium Scoring
- Rehabilitation Services, including Physical Therapy, Occupational Therapy, and Speech Therapy
- Inpatient Medical
- Emergency Services
- Sleep Lab
- Respiratory Services
- Laboratory
- Pharmacy

Key services provided at this replacement facility will include: inpatient medical, emergency department, CT, and MRI. Utilization of these services is listed below.

**Trend in UCMH Inpatient Data**

Facility	Admissions			Patient Days			Average Length of Stay			Occupancy %		
	FY2014	FY2015	FY2016	FY2014	FY2015	FY2016	FY2014	FY2015	FY2016	FY2014	FY2015	FY2016
UCMH	962	720	500	3,898	2,830	1,668	4.82	3.93	3.34	22.1%	16.2%	9.5%

Sources: JARs and Internal Data

Facility	Licensed Beds			Staffed Beds		
	FY2014	FY2015	FY2016	FY2014	FY2015	FY2016
UCMH	48	48	48	13	11	11

Sources: JARs and Internal Data

### Trend in UCMH Emergency Department Visits

ED Visits	FY2014	FY2015	FY2016
UCMH	8,154	7,897	7,626

Sources: JARs and Internal Data

### Trend in UCMH CT Procedures

CT	FY2014	FY2015	FY2016
UCMH	2,247	2,501	2,997

Sources: JARs and Internal Data

### Trend in UCMH MRI Procedures

MRI	FY2014	FY2015	FY2016
UCMH	725	698	760

Sources: JARs and Internal Data

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three (3) years and the projected annual utilization through the two (2) years following completion of the project. Additionally, provide the details regarding the methodology used to project utilization. The methodology **must include** detailed calculations or documentation from referral sources, and identification of all assumptions.

**RESPONSE:**

Historical data for Unicoi County Memorial Hospital and projected utilization data for key services of the proposed replacement facility are listed below. Projections for the proposed facility were developed through collaboration between MSHA leadership and Sg2, a healthcare organization that was profiled earlier in this application. These projections are based on an internal assessment of the current market in conjunction with inpatient and outpatient projections developed by Sg2.

**Inpatient Medical**

The current UCMH facility is licensed for 48 acute care beds; this project proposes 10 beds for the UCMH replacement facility. The historical inpatient admissions data for the current UCMH facility and the projected data for the UCMH replacement facility are detailed in the table below.

## Trends in Inpatient Medical Volume

UCMH	Historical Data			Projected Data	
	FY2014	FY2015	FY2016	Year 1 FY2020	Year 2 FY2021
Admissions	962	720	500	605	593
Patient Days	3,898	2,830	1,668	2,004	1,927
Inpatient Occupancy	22.1%	16.2%	9.5%	54.9%	52.7%
Licensed Beds	48	48	48	10	10
Staffed Beds	13	11	11	10	10

Sources: JARs and Internal Data (Historical), Sg2 and Internal Data (Projected)

Admissions are expected to drop 7% overall between 2015 and 2020 in the service area; however, more than 1,500 admissions of Unicoi County, TN residents occurred at Johnson City Medical Center (JCMC), MSHA's academic medical center and Level 1 trauma center. Many of those were low-acuity admissions that could have been treated in a community hospital setting, and as such, JCMC and UCMH will work together to place patients in the appropriate hospital setting through education of the community and local ambulance services. In addition, an increase in emergency department volume is projected for the UCMH replacement. With an admission rate of 8.2% for emergency department patients over the past three years, UCMH would see an additional 46 admissions based on the incremental emergency department visits alone projected for Year 1. As a result of the combination of increased emergency department visits and efforts for appropriate patient placement, the UCMH replacement facility is projected to reach the totals listed in the table above.

### Emergency Department

UCMH currently has 7 emergency department rooms, and the replacement facility's emergency department will have 10 treatment rooms. Historical and projected volumes are provided in the following table.

## Trends in Emergency Department Volume

UCMH	Historical Data			Projected Data	
	FY2014	FY2015	FY2016	Year 1 FY2020	Year 2 FY2021
ED Visits	8,154	7,897	7,626	8,186	8,350

Sources: JARs and Internal Data (Historical), Sg2 and Internal Data (Projected)

Emergency department visits are projected to decline by 4.5% in the project service area by the year 2020. However, given current market conditions, the UCMH replacement facility emergency department volumes are expected to grow in both Year 1 and Year 2 after project completion. According to THA reporting, significant volumes of emergent patients are leaving the service area to be treated at Johnson City Medical Center's (JCMC) emergency department. More than 2,000 emergent patients from Unicoi County, TN have been treated at JCMC each of the last three years, peaking at 2,854 patients in calendar year 2015. As discussed in the "Inpatient Medical" section of this response, efforts will be made between JCMC and UCMH through education of the community and local ambulance services to ensure patients present at the appropriate setting. The incremental volume listed in the table

above will be reached if 19% of those service area patients being seen at JCMC will present at their community hospital emergency department.

**Diagnostic Imaging Services**

UCMH currently offers both CT and MRI as part of its advanced imaging services and will continue to offer these services at the proposed replacement facility. Historical and projected volumes are provided in the following tables.

**Trends in CT Volume**

UCMH	Historical Data			Projected Data	
	FY2014	FY2015	FY2016	Year 1 FY2020	Year 2 FY2021
CT Volume	2,247	2,501	2,997	3,147	3,178

Sources: JARs and Internal Data (Historical), Sg2 and Internal Data (Projected)

**Trends in MRI Volume**

UCMH	Historical Data			Projected Data	
	FY2014	FY2015	FY2016	Year 1 FY2020	Year 2 FY2021
MRI Volume	725	698	760	798	806

Sources: JARs and Internal Data (Historical), Sg2 and Internal Data (Projected)

In the project service area, CT volumes are projected to remain relatively constant, while MRI is expected to see 1.3% growth. However, the UCMH replacement facility anticipates 5% growth for each of these services in Year 1 after project completion. A significant portion of the incremental growth will come from the growth in emergency department volume and inpatient admissions, as described above. Other growth is expected to come through targeted outreach efforts to local primary care providers who have expressed a lack of confidence in the current UCMH facility for many of the reasons described in this application, such as the age and condition of the facility along with its confusing and inefficient layout.

**ECONOMIC FEASIBILITY**

1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.
  - All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)
  - The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.

- The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.
- For projects that include new construction, modification, and/or renovation; **documentation must be** provided from a contractor and/or architect that support the estimated construction costs.

**RESPONSE:**

The project costs for this proposal are identified in the Project Costs Chart below. Attachment C, Economic Feasibility 1 contains documentation support from an architect.

## PROJECT COSTS CHART

A.	Construction and equipment acquired by purchase:	
1.	Architectural and Engineering Fees	<u>\$857,537</u>
2.	Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	<u>\$30,000</u>
3.	Acquisition of Site	<u>\$1,600,000</u>
4.	Preparation of Site	<u>\$1,117,673</u>
5.	Construction Costs	<u>\$11,810,531</u>
6.	Contingency Fund	<u>\$278,000</u>
7.	Fixed Equipment (Not included in Construction Contract)	<u>\$2,917,271</u>
8.	Moveable Equipment (A list of equipment over \$50,000 is attached)	<u>\$1,293,129</u>
9.	Other (Specify) _____	<u>\$0</u>
B.	Acquisition by gift, donation, or lease:	
1.	Facility (inclusive of building and land)	<u>\$0</u>
2.	Building only	<u>\$0</u>
3.	Land only	<u>\$0</u>
4.	Equipment (Specify) _____	<u>\$0</u>
5.	Other (Specify) _____	<u>\$0</u>
C.	Financing Costs and Fees:	
1.	Interim Financing	<u>\$0</u>
2.	Underwriting Costs	<u>\$0</u>
3.	Reserve for One Year's Debt Service	<u>\$0</u>
4.	Other (Specify) _____	<u>\$0</u>
D.	Estimated Project Cost (A+B+C)	<u><b>\$19,904,141</b></u>
E.	CON Filing Fee	<u>\$95,000</u>
F.	Total Estimated Project Cost (D+E)	<u><b>\$19,999,141</b></u>
	<b>TOTAL</b>	<u><b>\$19,999,141</b></u>

2. Identify the funding sources for this project.

Please check the applicable item(s) below and briefly summarize how the project will be financed. (*Documentation for the type of funding MUST be inserted at the end of the application, in the correct alpha/numeric order and identified as Attachment C, Economic Feasibility-2.*)

- A. Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;
- B. Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- C. General obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting.
- D. Grants--Notification of intent form for grant application or notice of grant award; or
- E. Cash Reserves--Appropriate documentation from Chief Financial Officer.
- F. Other—Identify and document funding from all other sources.

**RESPONSE:**

The project will be funded from existing cash reserves from operations at Mountain States Health Alliance. Documentation of the availability of funds to complete the project is provided in Attachment C, Economic Feasibility 2.

3. Discuss and document the reasonableness of the proposed project costs. If applicable, compare the cost per square foot of construction to similar projects recently approved by the Health Services and Development Agency.

**RESPONSE:**

The total cost of the proposed project equals \$19,999,141 which includes all costs associated with the project. The total estimated costs relative to construction, which include architectural and engineering fees, site preparation, and actual construction, equal \$13,785,741 for 41,500 square feet, or \$332.19 per square foot. Attachment C, Economic Feasibility 1 contains documentation support from an architect. The total project cost is reasonable in relation to other projects recently approved by the Health Services and Development Agency. The cost per square foot of this project falls between the median and 3<sup>rd</sup> quartile as compared to recently approved CON projects. Below is a screenshot of ranges for hospital construction costs as published in the Applicant's Toolbox on the Health Services and Development Agency website.

## Hospital Construction Cost Per Square Foot

Years: 2013 – 2015

	Renovated Construction	New Construction	Total Construction
1 <sup>st</sup> Quartile	\$160.66/sq ft	\$244.85/sq ft	\$196.62/sq ft
Median	\$223.91/sq ft	\$308.43/sq ft	\$249.67/sq ft
3 <sup>rd</sup> Quartile	\$297.82/sq ft	\$374.32/sq ft	\$330.50/sq ft

Source: CON approved applications for years 2013 through 2015

Source: Tennessee HSDA website, "Applicant's Toolbox"  
[https://www.tn.gov/assets/entities/hdda/attachments/Construction\\_Cost\\_Per\\_Square\\_Foot\\_charts.pdf](https://www.tn.gov/assets/entities/hdda/attachments/Construction_Cost_Per_Square_Foot_charts.pdf)

4. Complete Historical and Projected Data Charts on the following two pages--**Do not modify the Charts provided or submit Chart substitutions!** Historical Data Chart represents revenue and expense information for the last *three* (3) years for which complete data is available for the institution. Projected Data Chart requests information for the two (2) years following the completion of this proposal. Projected Data Chart should reflect revenue and expense projections for the **Proposal Only** (i.e., if the application is for additional beds, include anticipated revenue from the proposed beds only, not from all beds in the facility).

*Note that "Management Fees to Affiliates" should include management fees paid by agreement to the parent company, another subsidiary of the parent company, or a third party with common ownership as the applicant entity. "Management Fees to Non-Affiliates" should also include any management fees paid by agreement to third party entities not having common ownership with the applicant. Management fees should not include expense allocations for support services, e.g., finance, human resources, information technology, legal, managed care, planning marketing, quality assurance, etc. that have been consolidated/centralized for the subsidiaries of a parent company.*

## HISTORICAL DATA CHART

Give information for the last *three (3)* years for which complete data are available for the facility or agency. The fiscal year begins in     July     (Month).

	<u>Year 2014</u>	<u>Year 2015</u>	<u>Year 2016</u>
A. Utilization Data - Admissions	<u>962</u>	<u>720</u>	<u>500</u>
B. Revenue from Services to Patients			
1. Inpatient Services	<u>\$12,267,269</u>	<u>\$12,246,109</u>	<u>\$ 7,375,813</u>
2. Outpatient Services	<u>21,336,633</u>	<u>32,041,346</u>	<u>30,767,231</u>
3. Emergency Services	<u>7,671,854</u>	<u>11,520,868</u>	<u>11,062,744</u>
4. Other Operating Revenue (Meaningful use, etc.)	<u>1,173,420</u>	<u>1,049,141</u>	<u>573,273</u>
<b>Gross Operating Revenue</b>	<b><u>\$42,449,176</u></b>	<b><u>\$56,857,464</u></b>	<b><u>\$49,779,062</u></b>
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	<u>\$29,721,811</u>	<u>\$46,612,143</u>	<u>\$40,088,521</u>
2. Provision for Charity Care	<u>3,399,922</u>	<u>1,377,713</u>	<u>1,217,742</u>
3. Provisions for Bad Debt	<u>96,810</u>	<u>203,625</u>	<u>44,491</u>
<b>Total Deductions</b>	<b><u>\$33,218,543</u></b>	<b><u>\$48,193,480</u></b>	<b><u>\$41,350,753</u></b>
<b>NET OPERATING REVENUE</b>	<b><u>\$9,230,633</u></b>	<b><u>\$ 8,663,984</u></b>	<b><u>\$ 8,428,309</u></b>
D. Operating Expenses			
1. Salaries and Wages	<u>\$ 3,490,462</u>	<u>\$ 5,373,999</u>	<u>\$ 5,172,676</u>
2. Physician's Salaries and Wages	<u>0</u>	<u>0</u>	<u>0</u>
3. Supplies	<u>1,282,684</u>	<u>1,439,614</u>	<u>938,936</u>
4. Taxes	<u>650</u>	<u>(8)</u>	<u>28</u>
5. Depreciation	<u>516,735</u>	<u>770,598</u>	<u>583,477</u>
6. Rent	<u>0</u>	<u>0</u>	<u>0</u>
7. Interest, other than Capital	<u>0</u>	<u>0</u>	<u>0</u>
8. Management Fees:			
a. Fees to Affiliates	<u>0</u>	<u>0</u>	<u>0</u>
b. Fees to Non-Affiliates	<u>0</u>	<u>0</u>	<u>0</u>
9. Other Expenses – Specify on Page 35	<u>4,812,413</u>	<u>7,480,871</u>	<u>6,816,221</u>
<b>Total Operating Expenses</b>	<b><u>\$10,102,944</u></b>	<b><u>\$15,065,074</u></b>	<b><u>\$13,511,338</u></b>
E. Other Revenue (Expenses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>NET OPERATING INCOME (LOSS)</b>	<b><u>\$ (872,312)</u></b>	<b><u>\$(6,401,090)</u></b>	<b><u>\$(5,083,029)</u></b>
F. Capital Expenditures			
1. Retirement of Principal	<u>\$ n/a</u>	<u>\$ n/a</u>	<u>\$ n/a</u>
2. Interest	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>
<b>Total Capital Expenditures</b>	<b><u>\$ n/a</u></b>	<b><u>\$ n/a</u></b>	<b><u>\$ n/a</u></b>
<b>NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES</b>	<b><u>\$ (872,312)</u></b>	<b><u>\$(6,401,090)</u></b>	<b><u>\$(5,083,029)</u></b>

## PROJECTED DATA CHART

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in July (Month).

	<u>Year 2020</u>	<u>Year 2021</u>
A. Utilization Data – Admissions	<u>605</u>	<u>593</u>
B. Revenue from Services to Patients		
1. Inpatient Services	<u>10,596,751</u>	<u>11,126,589</u>
2. Outpatient Services	<u>31,417,565</u>	<u>32,988,443</u>
3. Emergency Services	<u>11,296,580</u>	<u>11,861,409</u>
4. Other Operating Revenue	<u>0</u>	<u>0</u>
<b>Gross Operating Revenue</b>	<b><u>\$53,310,896</u></b>	<b><u>\$55,976,441</u></b>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	<u>44,366,054</u>	<u>46,817,970</u>
2. Provision for Charity Care	<u>452,484</u>	<u>477,491</u>
3. Provisions for Bad Debt	<u>429,860</u>	<u>453,616</u>
<b>Total Deductions</b>	<b><u>\$45,248,398</u></b>	<b><u>\$47,749,077</u></b>
<b>NET OPERATING REVENUE</b>	<b><u>\$8,062,498</u></b>	<b><u>\$8,227,364</u></b>
D. Operating Expenses		
1. Salaries and Wages	<u>\$4,716,467</u>	<u>\$4,763,632</u>
2. Physician's Salaries and Wages	<u>0</u>	<u>0</u>
3. Supplies	<u>37,176</u>	<u>55,920</u>
4. Taxes	<u>56</u>	<u>56</u>
5. Depreciation	<u>899,986</u>	<u>899,986</u>
6. Rent	<u>0</u>	<u>0</u>
7. Interest, other than Capital	<u>0</u>	<u>0</u>
8. Management Fees		
a. Fees to Affiliates	<u>0</u>	<u>0</u>
b. Fees to Non-Affiliates	<u>0</u>	<u>0</u>
9. Other Expenses – Specify on page 35	<u>\$4,888,509</u>	<u>\$5,156,431</u>
<b>Total Operating Expenses</b>	<b><u>\$11,442,194</u></b>	<b><u>\$11,776,025</u></b>
E. Other Revenue (Expenses)	<u>\$ 0</u>	<u>\$ 0</u>
<b>NET OPERATING INCOME (LOSS)</b>	<b><u>\$(3,379,696)</u></b>	<b><u>\$(3,548,661)</u></b>
F. Capital Expenditures		
1. Retirement of Principal	<u>\$ n/a</u>	<u>\$ n/a</u>
2. Interest	<u>n/a</u>	<u>n/a</u>
<b>Total Capital Expenditures</b>	<b><u>\$ n/a</u></b>	<b><u>\$ n/a</u></b>
<b>NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES</b>	<b><u>\$(3,379,696)</u></b>	<b><u>\$(3,548,661)</u></b>

## HISTORAL DATA CHART – OTHER EXPENSES

<u>OTHER EXPENSES CATEGORIES</u>	<u>Year 2014</u>	<u>Year 2015</u>	<u>Year 2016</u>
1. Contract Labor	\$ <u>612</u>	\$ <u>45,462</u>	\$ <u>67,830</u>
2. Benefits	<u>915,554</u>	<u>1,392,209</u>	<u>1,391,216</u>
3. Fees (Includes Physician and Management)	<u>2,035,870</u>	<u>3,114,973</u>	<u>2,589,192</u>
4. Insurance, Utilities, Other	<u>1,644,043</u>	<u>2,987,751</u>	<u>2,767,984</u>
5.	<u>                    </u>	<u>                    </u>	<u>                    </u>
6.	<u>                    </u>	<u>                    </u>	<u>                    </u>
7.	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Other Expenses</b>	<b>\$ <u>4,812,413</u></b>	<b>\$ <u>5,833,937</u></b>	<b>\$ <u>6,816,221</u></b>

## PROJECTED DATA CHART – OTHER EXPENSES

<u>OTHER EXPENSES CATEGORIES</u>	<u>Year 2020</u>	<u>Year 2021</u>
1. Contract Labor	\$67,950	\$61,155
2. Benefits	<u>1,242,637</u>	<u>1,255,063</u>
3. Fees (Includes Physician and Management)	<u>1,809,621</u>	<u>1,845,813</u>
4. Insurance, Utilities, Other	<u>1,768,301</u>	<u>1,994,400</u>
5.	<u>                    </u>	<u>                    </u>
6.	<u>                    </u>	<u>                    </u>
7.	<u>                    </u>	<u>                    </u>
<b>Total Other Expenses</b>	<b><u>\$4,888,509</u></b>	<b><u>\$5,156,431</u></b>

5. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge.

**RESPONSE:**

The project's charge information is as follows:

Average gross charge per patient day	\$29,843
Average deduction from operating revenue	83%
Average net charge	\$5,052

6. A. Please provide the current and proposed charge schedules for the proposal. Discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the proposed project and the impact on existing patient charges.

**RESPONSE:**

This project will not affect patient charges. No adjustments to current charges will be made as a result of this project other than those that would occur at the current facility anyway.

- B. Compare the proposed charges to those of similar facilities in the service area/adjoining service areas, or to proposed charges of projects recently approved by the Health Services and Development Agency. If applicable, compare the proposed charges of the project to the current Medicare allowable fee schedule by common procedure terminology (CPT) code(s).

**RESPONSE:**

The charges associated with services currently provided at Unicoi County Memorial Hospital, which are reasonable in comparison to rates of other providers in the area, will not change as a result of this project.

The following chart outlines a comparison of charges per admission and average charge per day for UCMH and Sycamore Shoals Hospital (SSH), another local MSHA facility in which UCMH works closely, with those of the state average and other comparable community hospitals. As evident, the charges of MSHA facilities compare favorably with most rates in the market.

## Trend in Charge Comparison

Facility	Avg Charge Per Admission			Avg Charge Per Patient Day		
	2013	2014	2015	2013	2014	2015
Tennessee	38,112	40,171	42,638	7,449	7,680	8,123
UCMH	15,128	22,937	18,967	2,766	5,610	5,375
Sycamore Shoals Hospital	27,693	27,616	29,250	5,993	6,181	6,456
Community Hospital A	47,120	54,309	58,412	10,883	11,503	12,088
Community Hospital B	26,080	29,179	30,535	9,816	11,062	11,452
Community Hospital C	18,274	20,681	23,978	5,731	7,050	7,406
Community Hospital D	12,078	14,376	18,165	4,603	4,649	4,745
Community Hospital E	20,086	19,460	17,856	5,020	4,911	4,692
Community Hospital F	18,467	20,616	19,565	4,082	4,409	4,539

Source: THA Market IQ

- Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness; how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

**RESPONSE:**

The replacement facility is projected to have a loss of (\$3,379,696) in Year 1 and a loss of (\$3,548,661) in year 2. This project is not expected to break even in the foreseeable future, but it will perform better financially than the current facility. More importantly, the community needs the services provided by UCMH, as demonstrated by the utilization outlined previously in this application. UCMH joined MSHA in 2013 because it could not maintain operations on its own and was on the verge of closing. Because UCMH serves a rural community that needs local healthcare services, MSHA is committed to ensuring the successful operation of a hospital in Unicoi County, TN, which would ultimately close without the support of the healthcare system.

- Discuss how financial viability will be ensured within two years; and demonstrate the availability of sufficient cash flow until financial viability is achieved.

**RESPONSE:**

The replacement facility is projected to have a loss of (\$3,379,696) in Year 1 and a loss of (\$3,548,661) in year 2. This project is not expected to break even in the foreseeable future, but it will perform better financially than the current facility. MSHA is committed to ensuring the successful operation of a hospital in Unicoi County, TN, which would ultimately close without the support of the healthcare system. MSHA will continue to support UCMH financially through the availability of cash from earnings of the system as a whole.

- Discuss the project's participation in state and federal revenue programs including a description of the extent to which Medicare, TennCare/Medicaid, and medically indigent patients will be served by the project. In addition, report the estimated dollar amount of revenue and percentage of total project revenue anticipated from each of TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.

**RESPONSE:**

As with all facilities within Mountain States Health Alliance, the Unicoi County Memorial Hospital replacement facility will be committed to meeting the needs of the community and the region, and will continue the provision of medically necessary care, regardless of socioeconomic status, payor source, age, race or gender. UCMH currently participates in both Federal and State programs, including Medicare, TennCare and Medicaid programs. Medicare patients comprise approximately 50.4% of MSHA's patient revenue, TennCare/Medicaid patients make up approximately 14.7%, with another 6.6% combined from charity and self-pay. MSHA provides services to more TennCare patients than any other provider in the region and is a leading provider of charity care. UCMH's revenue by source is similar to that of MSHA overall, with more than 72% of its patient revenue coming from Medicare, TennCare/Medicaid, or Charity/Self-Pay. Trends in revenue by source for UCMH and MSHA are detailed in the table below:

Revenue By Source	UCMH			Mountain States Health Alliance		
	FY14	FY15	FY16	FY14	FY15	FY16
Medicare	36.3%	33.4%	29.1%	31.6%	29.3%	27.8%
Managed Medicare	20.2%	22.1%	24.2%	19.5%	21.7%	22.6%
Medicaid	0.3%	0.4%	0.3%	5.7%	5.2%	5.2%
TennCare	9.5%	10.9%	12.3%	9.1%	8.8%	9.5%
Commercial	24.5%	24.3%	24.3%	24.0%	25.0%	25.2%
Charity / Self Pay	7.5%	7.4%	6.4%	7.3%	7.1%	6.6%
Other Patient Revenue	1.7%	1.5%	3.3%	2.8%	2.9%	3.2%
<b>Total Gross Patient Revenue</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Internal Data

During the first full year after project completion, the estimated dollar amount of revenue the UCMH replacement facility anticipates is \$6,770,484 from TennCare/Medicaid and approximately \$28,414,708 from Medicare. Together these sources account for approximately 66% of UCMH's projected revenue.

10. Provide copies of the balance sheet and income statement from the most recent reporting period of the institution and the most recent audited financial statements with accompanying notes, if applicable. For new projects, provide financial information for the corporation, partnership, or principal parties involved with the project. Copies must be inserted at the end of the application, in the correct alpha-numeric order and labeled as Attachment C, Economic Feasibility 10.

**RESPONSE:**

The most recent reporting period and audited balance sheets and income statements for Mountain States Health Alliance are attached (unaudited statements for Fiscal Year 2016 and audited Fiscal Year 2015 and 2014).

11. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:
  - a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If

development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.

**RESPONSE:**

UCMH is an aging facility that will require significant capital dollars to maintain the physical plant in a sufficient state to care for patients. UCMH is operating well below capacity as only 11 of its 48 acute care beds are currently staffed, and the demands for healthcare services continue to shift to the outpatient setting. The layout of the current facility is not accommodating to these shifts, and large sections of the facility are significantly underutilized. Access to the facility continues to be a challenge, as it is located in a busy part of town with heavy traffic, causing delays for those trying to reach the hospital.

The construction of a 10-bed replacement hospital for UCMH will have multiple benefits, including a new state-of-the-art facility built in a more easily accessible location that will be designed to include those services that are most needed in the community. This newly designed facility will be “right-sized” to meet the demand in each patient care setting and will allow for the anticipated growth of outpatient services, along with the inclusion of space for primary care providers to aid in the efforts to improve population health.

One alternative considered to building a replacement hospital for UCMH is to maintain the status quo and continue spending large capital dollars in an attempt to maintain this facility in a state sufficient for patient care. As this facility approaches the end of its practical life span for patient care, it does not make sense to continue committing increasing amounts of capital resources to the existing facility. A significant portion of UCMH’s budget in recent years has been dedicated to maintenance and repair costs alone, and the budgeted total for these costs in fiscal year 2017 is \$648,000. Shifts in demand from inpatient to outpatient will also create the need for major renovation in the near future, and it would be nearly impossible to continue operations at the current facility while undertaking a renovation of the scope necessary to bring the building to current standards. This was not considered to be a feasible option.

A second alternative is to build a replacement hospital on the existing campus UCMH. Currently, there is not sufficient land at this location to build a 10-bed replacement facility without having to shut down the existing facility and relocate the patient volumes to other facilities, all of which are outside Unicoi County, during construction. Also, with the continued access problems for both patients and local EMS, it would not make sense to build a new facility in an area that is not optimal for residents of the entire service area. This was not considered to be a feasible option.

For these reasons, MSHA has decided to move forward with this proposal. By constructing a 10-bed replacement hospital for UCMH, MSHA will be maximizing its current resources in a way that prepares the health system to meet the future demands of the local community in the most cost-effective and practical matter possible.

- b. The applicant should document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

**RESPONSE:**

MSHA has already spent significant funds to modernize UCMH; however, this facility is in such poor physical plant state, that complete modernization is either not feasible or is too cost prohibitive. MSHA has spent more than \$1.6 million over the last three fiscal years in maintenance and repair costs alone for UCMH, and more than \$648,000 has been budgeted for these costs in fiscal year 2017. Planned capital requests for UCMH over the next six fiscal years, as prioritized by current facility conditions, show an estimated cost of \$1.05 million. The majority of the capital projects for UCMH in the coming years are for replacement of current facility infrastructure that has more than doubled its life expectancy. The undertaking of a renovation of the scope necessary to bring the building to current standards would be nearly impossible while also continuing current patient care operations. As such, MSHA believes that constructing a replacement facility at a new location is the most practical and cost-effective course of action.

**CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE**

1. List all existing health care providers (e.g., hospitals, nursing homes, home care organizations, etc.), managed care organizations, alliances, and/or networks with which the applicant currently has or plans to have contractual and/or working relationships, e.g., transfer agreements, contractual agreements for health services.

**RESPONSE:**

Unicoi County Memorial Hospital will continue to work closely with other healthcare providers in the region, including: Mountain States Health Alliance hospitals, East Tennessee State University and the James H. Quillen College of Medicine, local nursing homes, clinics and other healthcare providers. MSHA already has existing transfer agreements with other area hospitals including those that are part of the Wellmont Health System, as well as Laughlin Memorial Hospital, as examples.

2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

**RESPONSE:**

This proposal is beneficial to the health care system and will result in no negative effects from unnecessary duplication of services or competition. The projections for future utilization of the replacement hospital assume only a slight change in market share as the UCMH replacement facility expects an initial increase in admissions, which will consist primarily of lower acuity patients that are currently leaving the county to seek care at Johnson City Medical Center (JCMC), another MSHA facility. As an academic medical center and Level 1 trauma center, JCMC will welcome this shift in having these patients treated at their community hospital, which will in turn allow JCMC's open beds to be more readily available for the higher acuity patients needing more extensive services. Thus, the project will not adversely impact other providers as it is seeking to better support the current services offered in Unicoi County and to align with the shifts in demand of healthcare delivery.

This project will allow MSHA to maximize the use of its existing resources within Unicoi County by realigning UCMH with the needs of the community. By replacing an aging and underutilized facility, MSHA will be better positioned to meet those future needs of the community.

3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.

**RESPONSE:**

The following table details the current clinical staffing patterns for UCMH and projected clinical staffing patterns for the replacement hospital.

Position	UCMH Current	UCMH Replacement
Certified Nursing Assistant	1.9	1.9
Echo-vascular Tech	0.1	0.1
Medical Lab Technician	6.8	6.8
Medical Technologist	4.1	3.6
Monitor Technician	6.5	0.0
MRI Technologist	1.0	1.0
Nuclear Medicine Tech	0.0	1.0
Patient Care Partner	4.7	4.7
Pharmacist	1.6	1.6
Pharmacy Tech	0.9	0.9
Phlebotomist	2.5	2.0
Physical Therapist	3.0	3.0
Polysomnographer	0.7	0.0
Physical Therapy Assistant	0.9	0.9
Radiologic Technologist	8.4	8.4
Respiratory Therapist	3.8	4.8
Registered Nurse	28.7	29.8
Speech Therapist	0.1	0.1
Ultrasound Technologist	1.0	1.0
<b>Total FTEs</b>	<b>76.6</b>	<b>71.6</b>

Source: Internal Data

The following table includes comparisons of the clinical staff salaries associated with the UCMH replacement facility to the prevailing wage patterns as obtained from the Tennessee Department of Labor & Workforce Development.

Position	Mountain States Health Alliance			Tennessee Statewide		
	Range Min.	Average	Range Max.	Entry Level	Median	Experienced
Certified Nursing Assistant	\$9.00	\$13.14	\$14.76	\$8.80	\$10.75	\$12.15
Echo-vascular Tech (a)	\$21.55	\$30.39	\$34.56	\$22.20	\$28.55	\$32.25
Medical Lab Technician	\$14.50	\$21.77	\$23.99	\$12.05	\$17.20	\$20.40
Medical Technologist	\$17.50	\$25.90	\$28.54	\$21.70	\$28.45	\$32.40
Monitor Technician (b)	\$7.88	\$11.27	\$13.00	\$10.25	\$16.75	\$19.50
MRI Technologist	\$18.25	\$26.70	\$29.75	\$20.50	\$27.60	\$30.90
Nuclear Medicine Tech	\$22.00	\$31.46	\$35.72	\$25.35	\$32.00	\$34.40
Patient Care Partner (c)	\$9.07	\$13.40	\$14.89	\$11.00	\$13.85	\$16.05
Pharmacist	\$44.00	\$63.36	\$70.40	\$42.35	\$58.15	\$64.15
Pharmacy Tech	\$9.52	\$13.98	\$15.61	\$10.85	\$14.00	\$16.35
Phlebotomist	\$10.50	\$15.48	\$17.24	\$10.40	\$12.45	\$14.50
Physical Therapist	\$35.09	\$50.53	\$56.14	\$31.45	\$40.75	\$46.15
Physical Therapy Assistant	\$18.25	\$26.70	\$29.75	\$19.95	\$26.95	\$29.75
Polysomnographer (d)	\$17.00	\$25.30	\$28.03	\$16.50	\$24.60	\$36.40
Radiologic Technologist	\$15.62	\$23.27	\$25.86	\$18.40	\$23.85	\$26.95
Respiratory Therapist	\$16.00	\$23.65	\$26.16	\$19.90	\$23.30	\$25.90
Registered Nurse	\$18.13	\$26.29	\$29.74	\$21.00	\$27.35	\$31.00
Speech Therapist (e)	\$27.40	\$39.49	\$43.84	\$22.00	\$32.05	\$39.25
Ultrasound Technologist	\$22.59	\$32.52	\$36.99	\$16.50	\$24.60	\$36.40

Sources: Internal Data and TN Department of Labor & Workforce Development

- (a) "Diagnostic Medical Sonographer" used for statewide data
- (b) "Healthcare Support Workers – All Other" used for statewide data
- (c) "Medical Assistant" used for statewide data
- (d) "Health Technologists and Technicians – All Other" used for statewide data
- (e) "Speech-Language Pathologist" used for statewide data

4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate professional staff, as per the Department of Health, the Department of Mental Health and Substance Abuse Services, and/or the Department of Intellectual and Developmental Disabilities licensing requirements.

**RESPONSE:**

Mountain States Health Alliance recruits and retains staff by offering salary and benefit packages appropriate for the market. As detailed in the question related to staffing patterns, the workforce of the replacement facility will be designed to meet the healthcare needs of the community, while also aligning with the changes in the healthcare landscape being seen nationally. Staffing recruitment and retention policies are consistent throughout all Mountain States Health Alliance facilities, and the new replacement hospital will comply with these existing recruitment and retention policies and practices.

5. Verify that the applicant has reviewed and understands all licensing certification as required by the State of Tennessee for medical/clinical staff. These include, without limitation, regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review *policies and programs, record keeping, and staff education.*

**RESPONSE:**

As an existing provider of the services proposed in the application, Mountain States Health Alliance has reviewed and understands all licensing certification as required by the State of Tennessee. Mountain States Health Alliance has policies and procedures in place governing

regulations concerning physician supervision, credentialing, admission privileges, quality assurance policies and programs, utilization review policies and programs, record keeping, and staff education.

6. Discuss your health care institution's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

**RESPONSE:**

Several Mountain States Health Alliance facilities, including Unicoi County Memorial Hospital, have developed affiliations and relationships where there is participation in the training of students. Where applicable, the replacement facility will continue this practice. Examples of existing relationships include affiliations with the James H. Quillen College of Medicine, East Tennessee State University, located in Johnson City, TN, and other area colleges and universities in the training of students, including nurses, radiology technologists and respiratory therapists. Mountain States Health Alliance facilities are training sites for nursing programs at East Tennessee State University, King University, Milligan College, Northeast State Community College, and several other local colleges. Nursing training programs include rotations through various clinical units at MSHA facilities.

7. (a) Please verify, as applicable, that the applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.

**RESPONSE:**

The proposed project will comply as applicable with licensure requirements of the Department of Health and any applicable Medicare requirements. The facility will not provide any services that require licensure by the Department of Mental Health and Developmental Disabilities or the Division of Mental Retardation Services.

- (b) Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

**RESPONSE:**

Licensure:

Unicoi County Memorial Hospital is currently licensed as a general acute care hospital by the Tennessee Department of Health Board for Licensing Health Care Facilities, and as such, the UCMH replacement facility will seek similar licensing.

Accreditation:

Unicoi County Memorial Hospital is accredited as a general acute care hospital by The Joint Commission (TJC). The UCMH replacement facility will be completed and operational within the timeframe of TJC's 3-year accreditation schedule, and as such, the replacement facility will inherit the current facility's accreditation. The replacement facility will seek reaccreditation at the appropriate time.

- (c) If an existing institution, please describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility.

**RESPONSE:**

Unicoi County Memorial Hospital is currently licensed by the Tennessee Department of Health Board of Licensing Health Care Facilities and accredited by The Joint Commission (TJC). A copy of the license for the current facility and copy of TJC Official Accreditation Report Summary Statement are attached.

- (d) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction. Please also discuss what measures the applicant has or will put in place to avoid being cited for similar deficiencies in the future.

**RESPONSE:**

A copy of UCMH's most recent TJC Official Accreditation Report Summary Statement is attached, and as described in this report, UCMH is compliant with all of the listed requirements for improvement.

8. Document and explain any final orders or judgments entered in any state or country by a licensing agency or court against professional licenses held by the applicant or any entities or persons with more than a 5% ownership interest in the applicant. Such information is to be provided for licenses regardless of whether such license is currently held.

**RESPONSE:**

There are no final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project.

9. Identify and explain any final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project

**RESPONSE:**

There are no final civil or criminal judgments for fraud or theft against any person or entity with more than a 5% ownership interest in the project.

10. If the proposal is approved, please discuss whether the applicant will provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as required.

**RESPONSE:**

The applicant will, if approved, provide the Tennessee Health Services and Development Agency and/or the reviewing agency information concerning the number of patients treated, the number and type of procedures performed, and other data as requested.

## PROOF OF PUBLICATION

Attach the full page of the newspaper in which the notice of intent appeared with the mast and dateline intact or submit a publication affidavit from the newspaper as proof of the publication of the letter of intent.

The full page of the newspaper in which the notice of intent appeared, with mast and dateline intact, is attached.

## DEVELOPMENT SCHEDULE

Tennessee Code Annotated § 68-11-1609(c) provides that a Certificate of Need is valid for a period not to exceed three (3) years (for hospital projects) or two (2) years (for all other projects) from the date of its issuance and after such time shall expire; provided, that the Agency may, in granting the Certificate of Need, allow longer periods of validity for Certificates of Need for good cause shown. Subsequent to granting the Certificate of Need, the Agency may extend a Certificate of Need for a period upon application and good cause shown, accompanied by a non-refundable reasonable filing fee, as prescribed by rule. A Certificate of Need which has been extended shall expire at the end of the extended time period. The decision whether to grant such an extension is within the sole discretion of the Agency, and is not subject to review, reconsideration, or appeal.

1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.
2. If the response to the preceding question *indicates that the applicant does not anticipate completing the project within the period of validity as defined in the preceding paragraph*, please state below any request for an extended schedule and document the “good cause” for such an extension.

Form HF0004  
Revised 08/01/2012  
Previous Forms are obsolete

## PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in T.C.A. § 68-11-1609(c):  
11/16/2016

Assuming the CON approval becomes the final agency action on that date; indicate the number of days **from the above agency decision date** to each phase of the completion forecast.

Phase	DAYS REQUIRED	Anticipated Date (MONTH/YEAR)
1. Architectural and engineering contract signed	<u>7</u>	<u>11/2016</u>
2. Construction documents approved by the Tennessee Department of Health	<u>28</u>	<u>12/2016</u>
3. Construction contract signed	<u>35</u>	<u>12/2016</u>
4. Building permit secured	<u>210</u>	<u>6/2017</u>
5. Site preparation completed	<u>216</u>	<u>6/2017</u>
6. Building construction commenced	<u>210</u>	<u>6/2017</u>
7. Construction 40% complete	<u>318</u>	<u>9/2017</u>
8. Construction 80% complete	<u>426</u>	<u>1/2018</u>
9. Construction 100% complete (approved for occupancy)	<u>481</u>	<u>3/2018</u>
10. *Issuance of license	<u>511</u>	<u>4/2018</u>
11. *Initiation of service	<u>541</u>	<u>5/2018</u>
12. Final Architectural Certification of Payment	<u>571</u>	<u>6/2018</u>
13. Final Project Report Form (HF0055)	<u>601</u>	<u>7/2018</u>

**\* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.**

**Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.**

Mountain States Health Alliance  
Unicoi County Memorial Hospital Replacement Hospital Project  
Certificate of Need Application Attachments

Attachment A.3: Corporate Charter and Certificate of Corporate Existence

Attachment A.4: Organizational Structure

Attachment A.6: Title / Deed / Legal Interest in Site

Attachment B.III.(A) & B.IV: Plot Plan & Floor Plans

Attachment C, Need 3: Service Area Maps

Attachment C, Need 4: Service Area Demographic Snapshot

Attachment C, Economic Feasibility 1: Construction Costs Documentation and List of Equipment

Attachment C, Economic Feasibility 2: Letter of Available Funds

Attachment C, Economic Feasibility 10: Unaudited Financial Statements (FY2016) and Most Recent Audited Statements (FY2014 and FY2015) for Mountain States Health Alliance

Attachment C, Contribution to the Orderly Development of Health Care 7(B): Hospital License and Accreditation Report Summary Statement

Attachment C, Proof of Publication: Publication of Intent, The Erwin Record

Attachment: Affidavit for Application

**ATTACHMENT A.3.**

**Corporate Charter  
Certificate of Corporate Existence**

7199.1082, 54/25/2013, 09:50:52, Received by Tennessee Secretary of State The Hargett

**FILED**

**SECOND AMENDED AND RESTATED CHARTER**

**OF**

**MOUNTAIN STATES HEALTH ALLIANCE**

The undersigned nonprofit corporation files this Second Amended and Restated Charter pursuant to § 48-60-106 of the Tennessee Nonprofit Corporation Act (the "Act").

WHEREAS, the corporation's board of directors previously proposed and the corporation's members previously approved an Amended and Restated Charter of the corporation which was filed with the Secretary of State on August 2, 2011 (the "Existing Amended and Restated Charter"); and

WHEREAS, the Existing Amended and Restated Charter provides, among other things, the following:

- (i) That the corporation shall have two classes of members which are designated as Class A Members and Class B Members;
- (ii) That the Class A Members have the right to vote for the election of directors and are "members" for purposes of the Act;
- (iii) That the Class B Members have no voting rights for the election of directors nor have any other voting rights and are not "members" for purposes of the Act;
- (iv) That all persons who were members of the corporation as of the date of approval of the Existing Amended and Restated Charter automatically became Class A Members;
- (v) That if a Class A Member fails to attend the required number of educational sessions offered by the corporation, the Class A Member shall cease to be a Class A Member and instead automatically become a Class B Member;
- (vi) That if, in any year, as of the date forty-five (45) days after the first meeting of the board of directors following the annual meeting of members, the total number of persons who are Class A Members falls below 150, then the corporation shall cease to have any Class A Members and all persons who were Class A Members shall thereafter be deemed Class B Members and the corporation shall not have members for purposes of the Act;

WHEREAS, in 2012, as of the date forty-five (45) days after the first meeting of the board of directors after the annual meeting of members, the total number of persons who were Class A Members fell below 150 ( 103 to be exact) and therefore, pursuant to the Existing

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Amended and Restated Charter, (i) all persons who were at that time Class A Members became Class B Members who have no voting rights for directors nor any other voting rights and therefore are not members for purposes of the Act and (ii) the corporation ceased having members for purposes of the Act;

WHEREAS, the corporation desires to file this Second Amended and Restated Charter to reflect that the corporation no longer has members for purposes of the Act and to make certain other changes to the corporation's charter;

THEREFORE, the corporation hereby amends and restates its Charter pursuant to § 48-60-106 of the Act and states as follows:

- A. The name of the corporation is Mountain States Health Alliance.
- B. The text of the Second Amended and Restated Charter is as follows:
  - 1. Name. The name of the corporation is Mountain States Health Alliance.
  - 2. Public Benefit. The corporation is a public benefit corporation.
  - 3. Registered Office and Registered Agent. The address of the current registered office of the corporation in the state of Tennessee is 400 N. State of Franklin Road, Johnson City, Tennessee 37604, in Washington County, and the name of the current registered agent at that office is Timothy Belisle.
  - 4. Principal Office and Incorporators. The address of the principal office of the corporation in the state of Tennessee is 400 N. State of Franklin Road, Johnson City, Tennessee 37604, in Washington County. The original incorporators of the corporation were J. L. Gump, A. W. Griffin, Sam H. Sells, Wallace Calvert, M. T. McArthur, and Paul T. Hill and their address is 400 N. State of Franklin Road, Johnson City, Tennessee 37064, in Washington County.
  - 5. Not for Profit. The corporation is not for profit.
  - 6. Purposes. The corporation is organized and operated exclusively for the following charitable, religious, scientific or educational purposes as may qualify it for exemption from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or the corresponding provisions of any future United States internal revenue law (the "Code"), and the Treasury Regulations promulgated thereunder (the "Regulations"), and as may qualify contributions to it for deduction under Section 170(c)(2) of the Code and the Regulations promulgated thereunder:
    - (a) to promote, acquire, buy, lease, build, establish, construct, equip, own, operate, sell, finance, maintain and generally deal with one or more hospitals, clinics, home healthcare businesses, rehabilitation centers, hospices, nursing homes, nursing and other schools, educational organizations and institutions, and

other facilities for the reception, care and treatment of sick, ill, diseased, injured or infirmed persons and/or the cure and prevention of illness, infirmity, injury and disease among persons (collectively, the "Facilities"); to promote, acquire, buy, lease, build, establish, construct, equip, own, operate, sell, finance, maintain and generally deal with the facilities, equipment, and materials related to the Facilities; to promote, acquire, buy, lease, build, establish, construct, equip, own, operate, sell, finance, maintain and generally deal with any other supporting business units, facilities, equipment and activities deemed to be appropriate in connection with the Facilities and permitted by the Tennessee Nonprofit Corporation Act; to be a member of or own an interest in entities that own or operate any such Facilities; to cause such Facilities to furnish high quality care to persons requiring short term acute inpatient care, outpatient services, rehabilitative care or long term care; and to take any and all other actions and do all other things necessary and proper for the efficient and effective establishment, management, control, operation and maintenance of such Facilities;

(b) to own, lease or otherwise deal with all property, real and personal, to be used in furtherance of such purposes;

(c) to contract with other organizations, for profit or nonprofit, with individuals and with governmental agencies in furtherance of such purposes; and

(d) to engage in such other activities, exercise such other powers and privileges, take such other actions and carry out such other purposes as are permitted to be carried on by an entity either (i) exempt from Federal income taxation under Section 501(c)(3) of the Code or (ii) to which contributions are deductible under Section 170(c)(2) of the Code.

All the corporation's purposes and activities may be conducted within the state of Tennessee or outside the state of Tennessee.

7. Restrictions on Purpose and Activities. Notwithstanding any other provisions of this Amended and Restated Charter to the contrary, the following restrictions shall apply to the purposes, operations and activities of the corporation:

(a) the purposes of the corporation shall in all events be charitable, religious, scientific or educational within the meaning of Section 501(c)(3) of the Code and shall be consistent with the requirements of Section 501(c)(3) and Section 509(a)(1) of the Code and all applicable Regulations;

(b) no part of the net earnings of the corporation shall inure to the benefit of, or be distributable to, its directors, officers or other persons, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in this Amended and Restated Charter;

(c) no substantial part of the activities of the corporation shall be in the carrying on of propaganda or otherwise attempting to influence legislation, and the corporation shall not participate in, nor intervene in (including the publishing or distribution of statements) any political campaign on behalf of any candidate for public office except as authorized under the Code; and

(d) the corporation shall not carry on any other activities not permitted to be carried on (i) by a corporation exempt from federal income tax under Section 501(c)(3) of the Code or (ii) by a corporation, contributions to which are deductible under Section 170(c)(2) of the Code.

8. Dissolution. Upon the dissolution of the corporation, after paying or making provision for the payment of all of the liabilities and obligations of the corporation, the board of directors of the corporation shall distribute all of the assets of the corporation to such organization or organizations selected by the board of directors that are organized and operated exclusively for religious, charitable, educational or scientific purposes as shall at the time qualify as an exempt organization or organizations under Section 501(c)(3) of the Code. Any such assets not so disposed of shall be disposed of by a court of competent jurisdiction in the county in which the principal office of the corporation is then located, exclusively for such purposes or to such organization or organizations as said court shall determine that are organized and operated exclusively for such purposes.

9. No Members.

(a) The corporation has no members for purposes of and/or as contemplated by the Tennessee Nonprofit Corporation Act, as may be hereafter amended, superseded or replaced (the "Act"). All corporate powers shall be exercised by or under the authority of, and the affairs of the corporation managed under the direction of, the corporation's board of directors. The corporation's board of directors shall be a self-perpetuating board; the board of directors shall be responsible for electing the directors to serve on the board and their successors in accordance with the Bylaws of the corporation.

(b) The corporation shall have a class of persons who shall be known as MSHA Advocates. Persons shall become MSHA Advocates and shall cease to be MSHA Advocates in accordance with the provisions of this Second Amended and Restated Charter and the Bylaws of the corporation. MSHA Advocates shall not be members for purposes of the Act, shall have no voting rights as to the election of directors of the corporation, and shall have no other voting rights as to any other matters relating to the corporation or any other rights provided to members under the Act, but shall have the right to notice of the meetings, if any, of the MSHA Advocates called by the corporation, the right to attend such meetings of the MSHA Advocates and reasonable opportunity to be heard at such meetings of the MSHA Advocates, and shall have such other rights, and only

such other rights, as are specifically provided to the MSHA Advocates under this Second Amended and Restated Charter or in the Bylaws of the corporation.

(c) Each person who, under the corporation's previous amended and restated charter, was a Class B Member as of August 20, 2012 and each person admitted as a Class B Member after such date and before the date of the filing of this Second Amended and Restated Charter (all of whom, as provided in such previous amended and restated charter were not members for purposes of the Act), including all former Class A Members (all of whom, pursuant to such previous amended and restated charter, became Class B Members as of August 20, 2012 or before), shall automatically become a MSHA Advocate as of the date of the filing of this Second Amended and Restated Charter without the need to submit an application or make any additional contribution to the corporation as contemplated by Section 9(d) below and shall no longer be a Class B Member.

(d) Additional persons may become MSHA Advocates. In order to become a MSHA Advocate, (i) a person must complete and submit to the corporation an application to become a MSHA Advocate in a form approved by the board of directors of the corporation; (ii) such application must be accepted by the board of directors in its sole discretion in accordance with Section 9(e) below; and (iii) within thirty (30) days after the acceptance of such application, such person must make a contribution to the corporation in the sum of \$100 or more.

(e) The board of directors shall consider MSHA Advocates applications once each year at the first meeting of the board of directors of the year; provided that the board of directors, in its discretion, may determine to consider applications more than once a year and/or at such other time or times as the board may decide. Applications may be accepted or rejected by the board of directors in its sole discretion for any or no reason. If any application is rejected, any contribution by the applicant submitted with such application shall be returned to such applicant.

(f) The corporation may, but shall not be required to, from time to time, call meetings of the MSHA Advocates in its discretion and in accordance with the Bylaws to provide information to the MSHA Advocates about the corporation's operations and plans or other information about the corporation or for other purposes as may be determined by the board of directors of the corporation in the board's sole discretion.

(g) As used in this Section 9 of this Second Amended and Restated Charter, the term "person" or "persons" includes natural persons and entities.

10. Limitation of Liability. The liability of any director, officer, employee or agent of the corporation, and their respective successors in interest, shall be eliminated and limited to the fullest extent allowed under the Act, as amended from time to time, or any subsequent law, rule or regulation adopted in lieu thereof.

13010990



6 PGS : AL - AMENDMENT	
REVONDA BATCH: 43539	
06/07/2013 - 04:06:40 PM	
VALUE	0.00
MORTGAGE TAX	0.00
TRANSFER TAX	0.00
RECORDING FEE	5.50
DP FEE	2.00
REGISTER'S FEE	0.00
TOTAL AMOUNT	7.50

STATE OF TENNESSEE, SULLIVAN COUNTY

**BART LONG**  
REGISTER OF DEEDS

**CERTIFICATE**

- C. This amendment and restatement of the Charter of the corporation does not contain any amendments requiring approval by the members of the corporation as the corporation does not have any members nor does it contain any amendment requiring the approval of any person other than the board of directors of the corporation.
- D. This amendment and restatement of the Charter of the corporation was duly adopted by the Board of Directors of the corporation on April 5, 2013.
- E. This Second Amended and Restated Charter shall be effective on the date on which it is filed with the Secretary of State of Tennessee.

Dated: April 5, 2013.

BK/PG: 369/969-974

13001166



6 PGS : AL - AMENDMENT TO CHARTER	
JAIME BATCH: 11705	
06/06/2013 - 04:31 PM	
VALUE	0.00
MORTGAGE TAX	0.00
TRANSFER TAX	0.00
RECORDING FEE	5.50
DP FEE	2.00
REGISTER'S FEE	0.00
TOTAL AMOUNT	7.50

STATE OF TENNESSEE, UNICOI COUNTY

**DEBBIE TITTLE**  
REGISTER OF DEEDS

MOUNTAIN STATES HEALTH ALLIANCE

By: Clem Wilkes Jr.

Name Printed: Clem Wilkes Jr.

Title: Chairman, MSHA Board

*Debbie Tittle* *Jaime J. Foss* CDR

ROLL/IMG: 801/381-386

13009508



6 PGS : AL - CHARTER	
LISA BATCH: 88121	
05/31/2013 - 04:08 PM	
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MORTGAGE TAX	0.00
TRANSFER TAX	0.00
RECORDING FEE	5.00
ARCHIVE FEE	0.00
DP FEE	2.00
REGISTER'S FEE	0.00
TOTAL AMOUNT	7.00

STATE OF TENNESSEE, WASHINGTON COUNTY

**GINGER B. JILTON**  
REGISTER OF DEEDS



BK/PG: 160/478-483

05/21/2013 - 04:09:41 PM

6 PGS : AL - CHARTER	
JODY BATCH: 75744	
Inst Num: 13003114	
VALUE	0.00
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TRANSFER TAX	0.00
RECORDING FEE	5.50
DP FEE	2.00
REGISTER'S FEE	0.00
TOTAL AMOUNT	7.50

STATE OF TENNESSEE, CARTER COUNTY

**EDRIE BRISTOL**

7199.1087, 04/25/2013, 09:50:05, Received by Tennessee Secretary of State Tre Hargett



STATE OF TENNESSEE  
Tre Hargett, Secretary of State  
Division of Business Services  
William R. Snodgrass Tower  
312 Rosa L. Parks AVE, 6th FL  
Nashville, TN 37243-1102

BUTLER SNOW LLP  
DAN H. ELROD  
STE 1600  
150 3RD AVE S  
NASHVILLE, TN 37201-2046

July 13, 2016

Request Type: Certificate of Existence/Authorization  
Request #: 0208164

Issuance Date: 07/13/2016  
Copies Requested: 1

Document Receipt

Receipt #: 002795606 Filing Fee: \$20.00  
Payment-Check/MO - BUTLER SNOW LLP, RIDGELAND, MS \$20.00

Regarding: Mountain States Health Alliance  
Filing Type: Nonprofit Corporation - Domestic Control #: 78535  
Formation/Qualification Date: 04/12/1945 Date Formed: 04/12/1945  
Status: Active Formation Locale: TENNESSEE  
Duration Term: Perpetual Inactive Date:  
Business County: WASHINGTON COUNTY

CERTIFICATE OF EXISTENCE

I, Tre Hargett, Secretary of State of the State of Tennessee, do hereby certify that effective as of the issuance date noted above

Mountain States Health Alliance

- \* is a Corporation duly incorporated under the law of this State with a date of incorporation and duration as given above;
- \* has paid all fees, taxes and penalties owed to this State (as reflected in the records of the Secretary of State and the Department of Revenue) which affect the existence/authorization of the business;
- \* has filed the most recent annual report required with this office;
- \* has appointed a registered agent and registered office in this State;
- \* has not filed Articles of Dissolution or Articles of Termination. A decree of judicial dissolution has not been filed.

Tre Hargett  
Secretary of State

Processed By: Shella Keeling

Verification #: 018165827

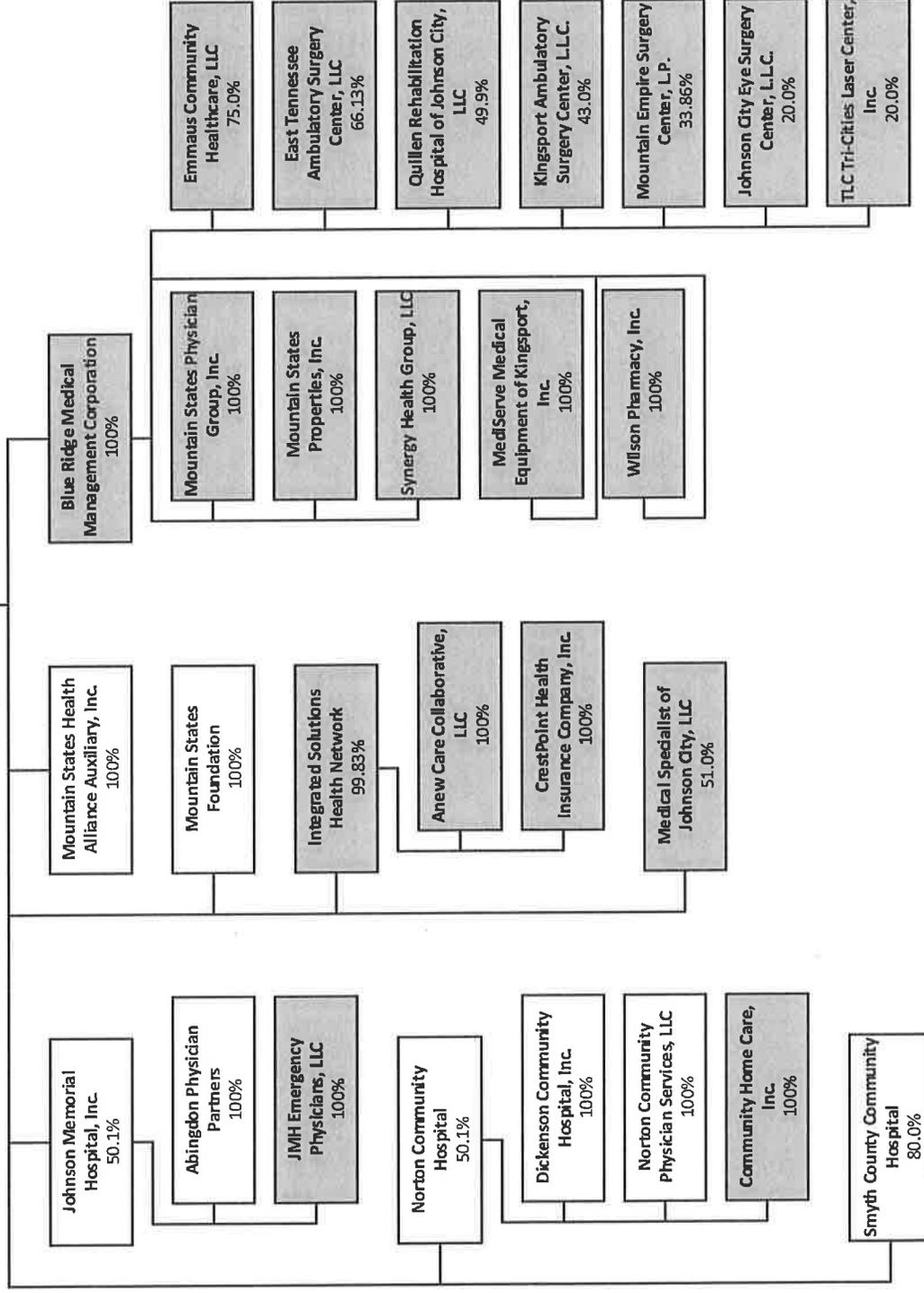
**ATTACHMENT A.4.**  
**Organizational Structure**

# Mountain States Health Alliance Legal Structure

Org chart updated on January 18, 2016

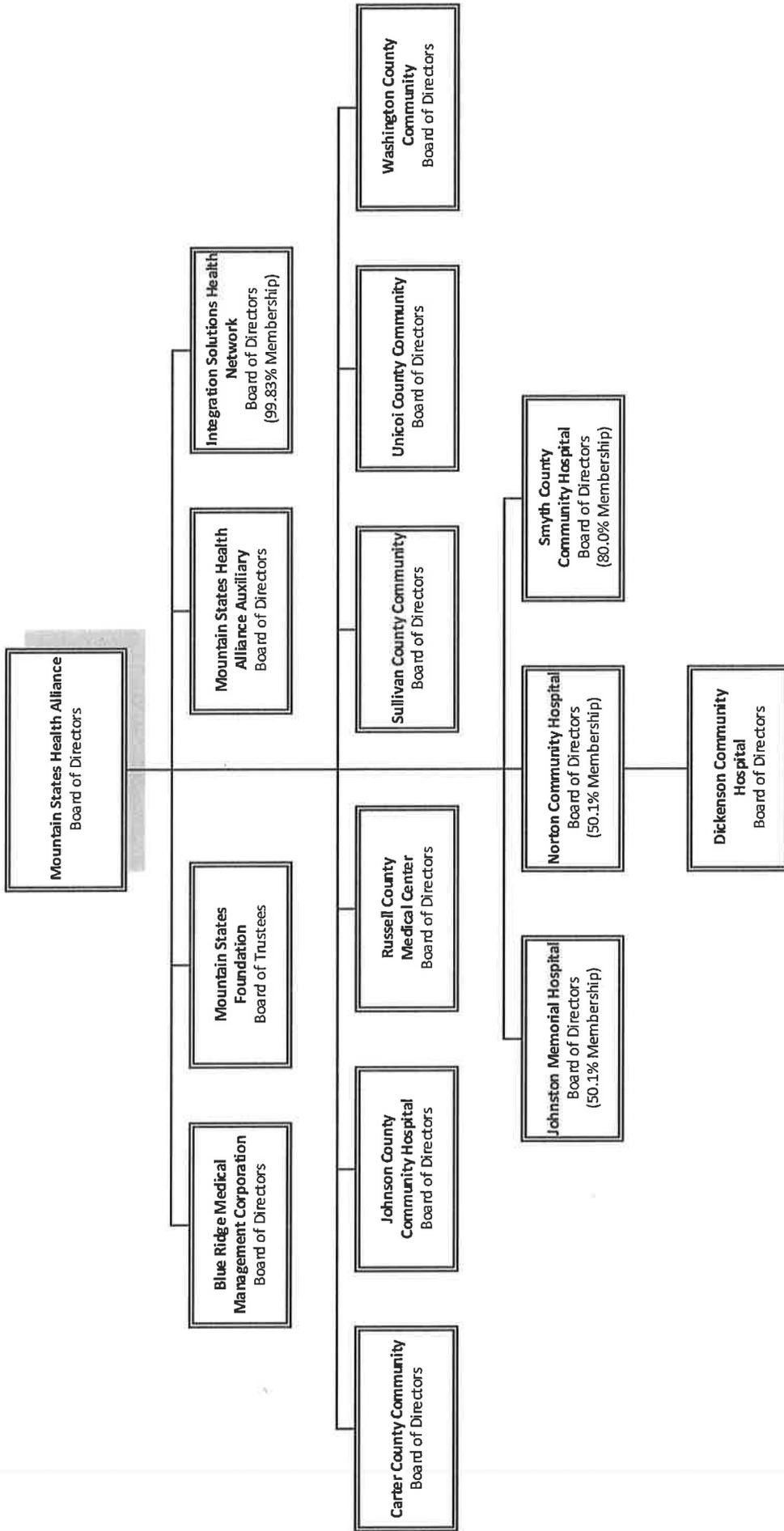
 indicates for-profit

**Mountain States Health Alliance**  
(Franklin Woods Community Hospital, Indian Path Medical Center, Johnson City Medical Center, Johnson County Community Hospital, Niswonger Children's Hospital, Russell County Medical Center, Sycamore Shoals Hospital, Unicoi County Memorial Hospital, Woodridge Psychiatric Hospital)



# Mountain States Health Alliance Governance Structure

Org chart updated on January 18, 2016



**ATTACHMENT A.6.**

**Title / Deed / Legal Interest in Site**

This Instrument Was Prepared By  
EDWARD T. BRADING, ATT'Y AT LAW  
208 SUNSET DRIVE, SUITE 409  
JOHNSON CITY, TENNESSEE 37604

### WARRANTY DEED

THIS DEED, made and entered into as of July 8, 2015, by **DEBORAH ENGLISH** and **ORVILLE ENGLISH**, individually, jointly and severally, and as husband and wife (collectively, "Grantor"), to **MOUNTAIN STATES HEALTH ALLIANCE**, a Tennessee public benefit corporation ("Grantee").

### WITNESSETH:

THAT FOR GOOD AND VALUABLE CONSIDERATION, the receipt and sufficiency of which are hereby acknowledged, Grantor has granted, bargained, sold and conveyed, and does hereby grant, bargain, sell and convey unto the Grantee, and Grantee's successors and assigns, the following described real property:

Located in the Second Civil District of Unicoi County, Tennessee, and more particularly described as follows:

Beginning at an iron rod (new), lying at the easterly right-of-way line of Temple Hill Road, located, N 33°27'48" E - 4.77 feet from a concrete right-of-way monument, and being the southwesterly corner of the Temple Hill Partners, LLC property (Db #360 - Pg #402); thence from this POINT OF BEGINNING, along the southerly property line of Temple Hill Partners, LLC N 87°55'58" E - 390.00 feet to an iron rod (old); thence along a new line this day established and along the property retained by Deborah English S 01°59'45" E - 160.00 feet to an iron rod (new), lying on the northerly side of a 60.0 feet wide Access & Utility Easement, serving the Deborah English property; thence along the Access & Utility Easement, and continuing along the property retained by Deborah English, N 88°00'15" E - 367.24 feet to an iron rod (new), lying at the easterly terminus of the Access & Utility Easement; thence along the easterly terminus of the Access & Utility Easement, and continuing along the property retained by Deborah English, S 01°18'11" E - 126.10 feet to an iron rod (new); thence continuing along the property retained by Deborah English, and along the newly established line the following two (2) calls: (1) S 86°40'24" E - 311.59 feet to an iron rod (new); (2) N 77°53'17" E, passing an iron rod (new) on line at 459.98 feet, and continuing along the same bearing an additional 70.00 feet, for a total of 529.98 feet to point on the westerly edge of the main channel of the Nolichucky River; thence along the westerly edge of the main channel of the Nolichucky River the following twelve (12) calls: (1) S 00°24'27" E - 15.45 feet to a point; (2) S 12°37'50" E - 117.11 feet to a point; (3) S 04°22'44" E - 158.69 feet to a point; (4) S 19°53'02" W - 311.16 feet to a point; (5) S 32°44'02" W - 531.19 feet to a point; (6) S 49°13'07" W - 126.84 feet to a point; (7) S 34°25'55" W - 337.71 feet to a point; (8) S 64°08'15" W - 89.79 feet to a point; (9) N

55°23'45" W – 298.85 feet to a point; (10) S 62°30'54" W – 213.37 feet to a point; (11) S 58°57'16" W – 123.12 feet to a point; (12) S 55°54'47" W – 126.55 feet to a point, lying on the northeasterly line of the Radio Station WEMB, Inc. property (Db #144 – Pg #504); thence along the northeasterly line of the Radio Station WEMB, Inc. property N 17°12'45" W, passing an iron rod (new) on line at 50.00 feet, and continuing along the same bearing an additional 287.13 feet, for a total distance of 337.13 feet to an iron rod (old), corner to the Robert Love, Jr. property (Db #353 – Pg #526); thence along an area to be quit-claimed to Mountain States Health Alliance (MSHA), being an overlap area described in the English description (Db #366 – Pg #352) and the Robert Love, Jr. description (Db #353 – Pg #526) the following four (4) calls: (1) N 60°22'06" E – 17.92 feet to an iron rod (new); (2) N 14°16'30" W – 237.33 feet to an iron rod (new); (3) N 18°05'23" W – 437.00 feet to an iron rod (new); (4) N 59°19'23" W – 134.99 feet to an iron rod (new), lying on the easterly right-of-way line of Temple Hill Road; thence along the easterly right-of-way line of Temple Hill Road the following three (3) calls; (1) N 08°40'41" E – 300.10 feet to an iron rod (old); (2) N 21°11'41" E – 333.89 feet to a concrete right-of-way monument; (3) N 33°27'48" E – 4.77 feet to the point of beginning, containing 44.5074 acres, more or less, as shown on a map of survey-entitled: Mountain States Health Alliance Conveyance, as surveyed by Douglas H. Treadway R.L.S. #1668, the drawing of which was originally dated May 30, 2013 and updated May 27, 2015.

Being part of the same property conveyed by Orville English to Deborah English by quitclaim deed dated January 28, 2013, of record at Book 366, page 352, Register's Office for Unicoi County, Tennessee.

**Street address: Part of 2020 Temple Hill Road, Erwin, TN 37650-8721  
Part of Map 31, Gr., Parcel 12.00**

TO HAVE AND TO HOLD said property, together with all the rights, privileges and appurtenances thereunto appertaining unto the Grantee, and Grantee's successors and assigns, forever, in fee simple.

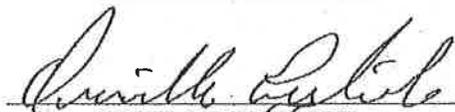
Grantor covenants with Grantee that Grantor is lawfully seized and possessed of said property; that Grantor has a good and perfect right to sell and convey the same; that the same is free and unencumbered; and the title thereto Grantor will forever warrant and defend against the lawful claims and demands of all persons whomsoever, subject to the following:

1. Taxes for the year 2015, which are being prorated and assumed by Grantee, and subsequent years.
2. Electrical easement to Town of Erwin dated September 7, 1949, of record at Misc. Book 18, page 243, Register's Office for Unicoi County, Tennessee.

3. Permanent drainage easement to State of Tennessee dated December 4, 1989, in Deed Book 161, page 61, Register's Office for Unicoi County, Tennessee.
4. Electrical easement to Town of Erwin dated October 20, 1947, recorded in Misc. Book 17, page 48, Register's Office for Unicoi County, Tennessee.
5. Communications Right of Way Easement to AT&T dated December 10, 1992, of record at Book 3, page 706, Register's Office for Unicoi County, Tennessee.
6. Greenbelt application dated March 27, 2013, of record at Book 367, page 882, Register's Office for Unicoi County, Tennessee.
7. Rights of the public in and to a cemetery located on the property.
8. Right-of-Way Easement for a booster station from Love to Temple Hill Utility District dated December 4, 1971, of record at Book 32, page 478, Register's Office for Unicoi County, Tennessee.

IN TESTIMONY WHEREOF, witness the signature of the Grantor, as of the day and year first above written.

  
DEBORAH ENGLISH

  
ORVILLE ENGLISH

STATE OF TENNESSEE :

COUNTY OF WASHINGTON

Personally appeared before me, the undersigned, a Notary Public within and for the State and County aforesaid, **DEBORAH ENGLISH**, with whom I am personally acquainted, and who acknowledged that such person executed the within instrument for the purposes therein contained.

Witness my hand, at office, this 8 day of July, 2015.

Edward T. Brading  
NOTARY PUBLIC

My Commission Expires:

6/28/17



STATE OF TENNESSEE :

COUNTY OF WASHINGTON

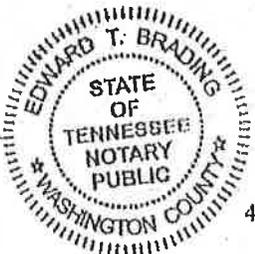
Personally appeared before me, the undersigned, a Notary Public within and for the State and County aforesaid, **ORVILLE ENGLISH**, with whom I am personally acquainted, and who acknowledged that such person executed the within instrument for the purposes therein contained.

Witness my hand, at office, this 8 day of July, 2015.

Edward T. Brading  
NOTARY PUBLIC

My Commission Expires:

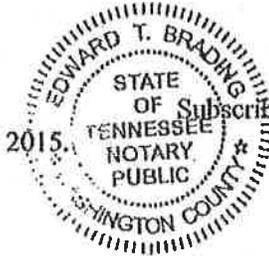
6/28/17



STATE OF TENNESSEE  
COUNTY OF WASHINGTON

I hereby swear or affirm that the actual consideration for this transfer, or value of the property or interest in which property transferred, whichever is greater, is \$1,582,486.00.

[Signature]  
Affiant



Subscribed and sworn to before me the 8 day of July,

[Signature]  
NOTARY PUBLIC

My Commission Expires: 6/28/17

**NAME AND ADDRESS OF PROPERTY OWNER**

Mountain States Health Alliance  
400 North State of Franklin Road  
Johnson City, TN 37604

**TAX MAP PARCEL NO.**

Part of Map 31, Gr.-, Parcel 12.00

**NAME AND ADDRESS OF THE PERSON OR ENTITY RESPONSIBLE FOR PAYMENT OF THE REAL ESTATE TAXES**

SAME (if not exempt)

BK/PG: 386/873-877

15001117

5 PGS:AL-WARRANTY DEED	
JAME BATCH: 16011	
07/08/2016 - 11:40 AM	
VALUE	1582486.00
MORTGAGE TAX	0.00
TRANSFER TAX	5855.20
RECORDING FEE	25.00
DP FEE	2.00
REGISTER'S FEE	1.00
TOTAL AMOUNT	5883.20

STATE OF TENNESSEE, UNICOI COUNTY  
**DEBBIE TITTLE**  
REGISTER OF DEEDS

[Signature]  
James J. Foss  
Cox

**ATTACHMENT B.III. (A) & B.IV.**

- 1. Plot Plan**
- 2. Floor Plans**



SITE PLAN

**UNICOI COUNTY MEMORIAL HOSPITAL**

Mountain States Health Alliance - 08/02/16



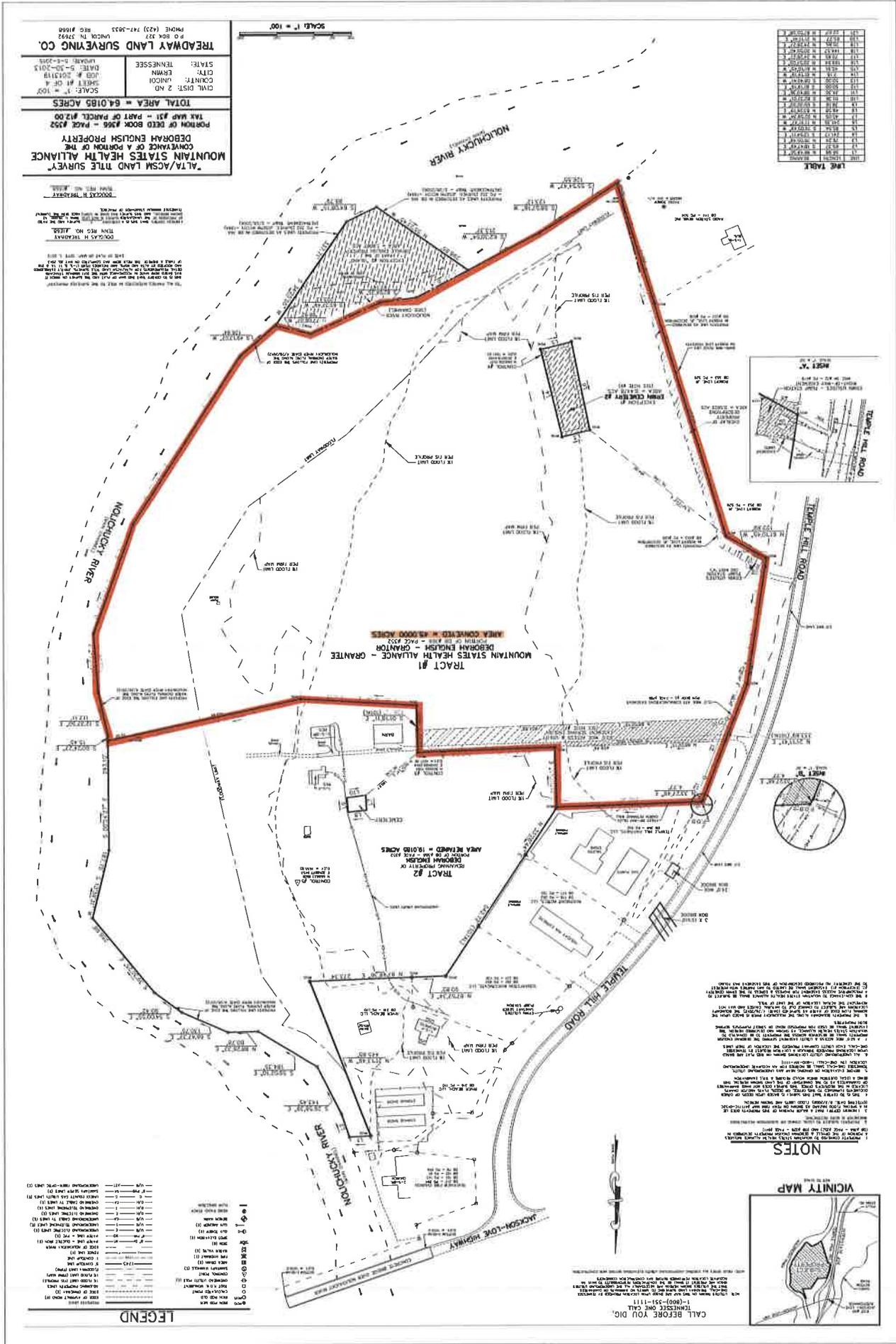


FLOOR PLAN

**UNICOI COUNTY MEMORIAL HOSPITAL**

Mountain States Health Alliance - 08/02/16





LEG TABLE

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NOTES

1. ALL CONSTRUCTION SHALL BE IN ACCORDANCE WITH THE LATEST EDITIONS OF THE INTERNATIONAL BUILDING CODE (IBC) AND THE INTERNATIONAL PLUMBING AND MECHANICAL CODE (UPMPC).
2. ALL UTILITIES SHALL BE DEPTH MARKED AND PROTECTED.
3. ALL EROSION CONTROL MEASURES SHALL BE INSTALLED AND MAINTAINED THROUGHOUT CONSTRUCTION.
4. ALL STORMWATER RUNOFF SHALL BE CAPTURED AND TREATED PRIOR TO DISCHARGE.
5. ALL TREE REMOVALS SHALL BE APPROVED BY THE LOCAL PERMITS DEPARTMENT.
6. ALL EXCAVATIONS SHALL BE PROTECTED AND SHORED.
7. ALL TRAFFIC CONTROL MEASURES SHALL BE INSTALLED AT ALL CONSTRUCTION SITES.
8. ALL MATERIALS SHALL BE STORED AND HANDLED PROPERLY.
9. ALL WASTE SHALL BE REMOVED FROM THE SITE DAILY.
10. ALL UTILITIES SHALL BE PROTECTED AND DEPTH MARKED.
11. ALL CONSTRUCTION SHALL BE COMPLETED WITHIN THE SPECIFIED TIME FRAME.
12. ALL CONSTRUCTION SHALL BE IN ACCORDANCE WITH THE LATEST EDITIONS OF THE INTERNATIONAL BUILDING CODE (IBC) AND THE INTERNATIONAL PLUMBING AND MECHANICAL CODE (UPMPC).



TREADWAY LAND SURVEYING CO.  
 P.O. BOX 327  
 UNION, TN 37922  
 PHONE (423) 747-2933  
 FAX (423) 747-2933  
 STATE: TENNESSEE  
 CITY: UNION  
 COUNTY: UNION  
 SHEET #1 OF 4  
 SCALE: 1" = 100'  
 TOTAL AREA = 64.0185 ACRES  
 PART OF DEED BOOK #565 - PAGE #352  
 TAX MAP #51 - PART OF PARCEL #100  
 MOUNTAIN STATES HEALTH ALLIANCE  
 CONVEYANCE OF A PORTION OF THE  
 DEBORAH ENGLISH PROPERTY

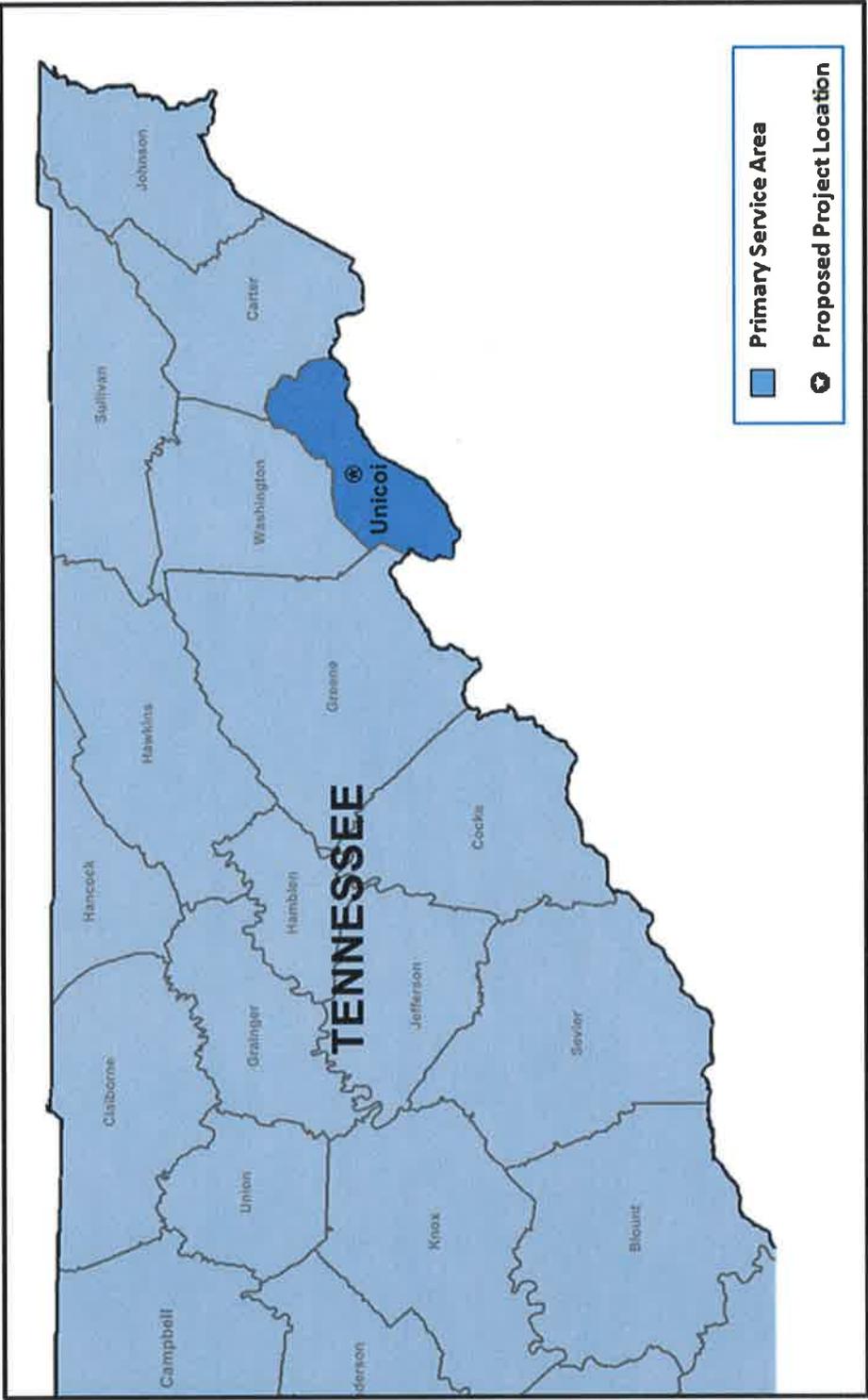
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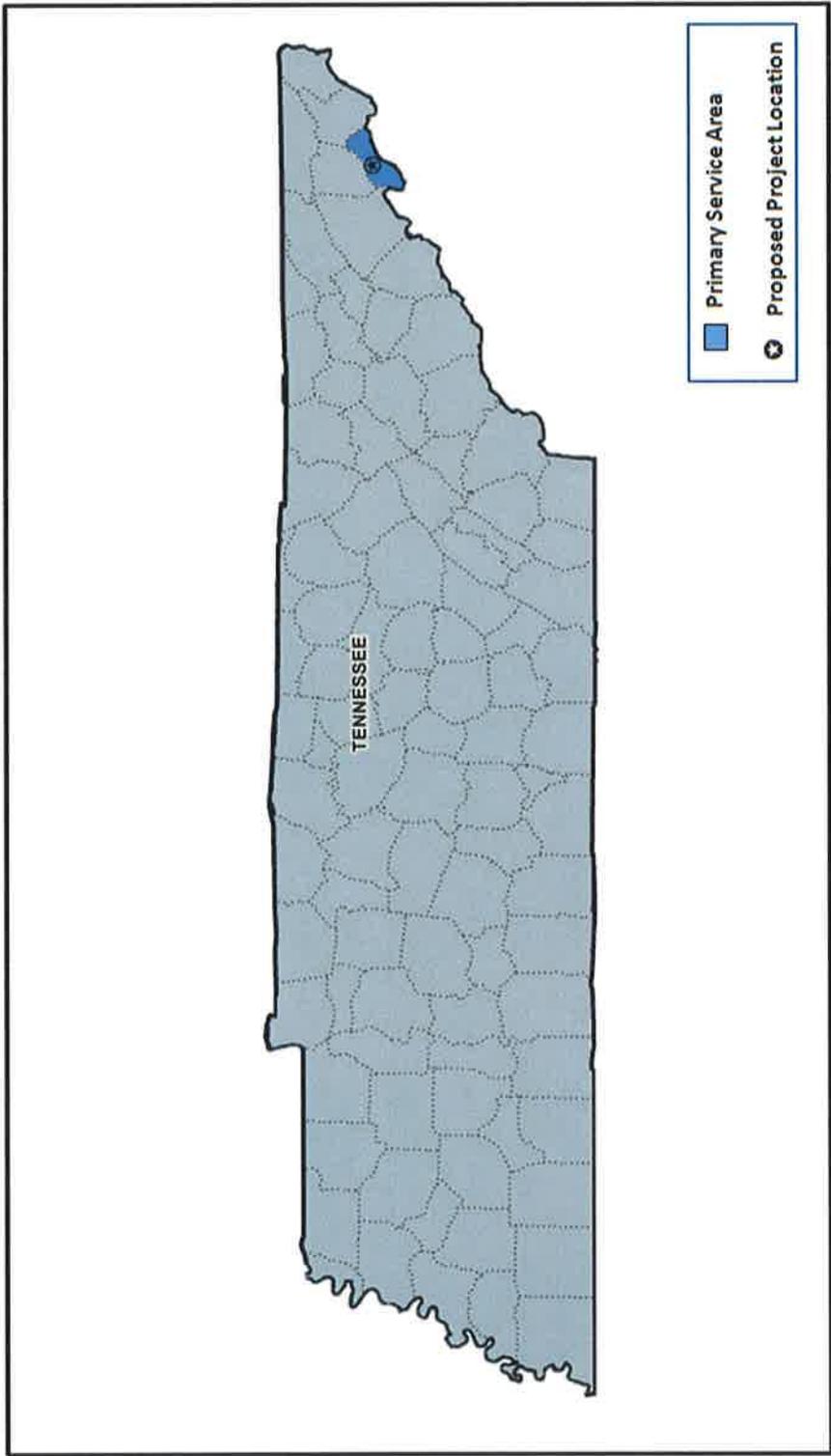
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CALL BEFORE YOU DIG.  
 1-800-351-1111  
 TENNESSEE ONE CALL

**ATTACHMENT C, NEED (3)**

**Service Area Maps**





**ATTACHMENT C, NEED (4)**

**Service Area Demographic Snapshot**

# Sg2 MARKET SNAPSHOT



Mountain State Health Alliance  
 UCMH Replacement Facility Service Area  
 Demographic Snapshot

Population and Gender	Market 2016 Population	Market 2016 % of Total	Market 2021 Population	Market 2021 % of Total	Market Population % Change	National 2016 % of Total
Female Population	9,086	50.8%	9,014	50.8%	(0.8)%	50.8%
Male Population	8,793	49.2%	8,723	49.2%	(0.8)%	49.3%
<b>Total</b>	<b>17,879</b>	<b>100.0%</b>	<b>17,737</b>	<b>100.0%</b>	<b>(0.8)%</b>	<b>100.0%</b>

Age Groups	Market 2016 Population	Market 2016 % of Total	Market 2021 Population	Market 2021 % of Total	Market Population % Change	National 2016 % of Total
00-17	3,359	18.8%	3,101	17.5%	(7.7)%	23.0%
18-44	5,223	29.2%	5,139	29.0%	(1.6)%	35.8%
45-64	5,264	29.4%	5,036	28.4%	(4.3)%	26.1%
65-UP	4,033	22.6%	4,461	25.2%	10.6%	15.1%
<b>Total</b>	<b>17,879</b>	<b>100.0%</b>	<b>17,737</b>	<b>100.0%</b>	<b>(0.8)%</b>	<b>100.0%</b>

Ethnicity/Race	Market 2016 Population	Market 2016 % of Total	Market 2021 Population	Market 2021 % of Total	Market Population % Change	National 2016 % of Total
Asian & Pacific Is. Non-Hispanic	51	0.3%	69	0.4%	35.3%	5.5%
Black Non-Hispanic	85	0.5%	131	0.7%	54.1%	12.3%
Hispanic	811	4.5%	932	5.3%	14.9%	17.8%
White Non-Hispanic	16,688	93.3%	16,329	92.1%	(2.2)%	61.3%
All Others	244	1.4%	276	1.6%	13.1%	3.1%
<b>Total</b>	<b>17,879</b>	<b>100.0%</b>	<b>17,737</b>	<b>100.0%</b>	<b>(0.8)%</b>	<b>100.0%</b>

Language*	Market 2016 Population	Market 2016 % of Total	Market 2021 Population	Market 2021 % of Total	Market Population % Change	National 2016 % of Total
Germanic Lang at Home	35	0.2%	34	0.2%	(2.9)%	0.5%
Only English at Home	16,275	95.2%	16,162	95.3%	(0.7)%	79.0%
Other Indo-European Lang at Home	36	0.2%	36	0.2%	0.0%	1.8%
Other Lang at Home	22	0.1%	23	0.1%	4.6%	0.9%
Spanish at Home	700	4.1%	690	4.1%	(1.4)%	13.1%
All Others	20	0.1%	17	0.1%	(15.0)%	4.7%
<b>Total</b>	<b>17,088</b>	<b>100.0%</b>	<b>16,962</b>	<b>100.0%</b>	<b>(0.7)%</b>	<b>100.0%</b>

Household Income	Market 2016 Households	Market 2016 % of Total	Market 2021 Households	Market 2021 % of Total	Market Households % Change	National 2016 % of Total
<\$15K	1,349	17.9%	1,287	17.2%	(4.6)%	12.3%
\$15-25K	1,513	20.1%	1,421	19.0%	(6.1)%	10.4%
\$25-50K	2,058	27.3%	2,075	27.8%	0.8%	23.4%
\$50-75K	1,127	15.0%	1,117	15.0%	(0.9)%	17.6%
\$75-100K	667	8.9%	662	8.9%	(0.8)%	12.0%
\$100K-200K	717	9.5%	789	10.6%	10.0%	18.6%
>\$200K	99	1.3%	113	1.5%	14.1%	5.7%
<b>Total</b>	<b>7,530</b>	<b>100.0%</b>	<b>7,464</b>	<b>100.0%</b>	<b>(0.9)%</b>	<b>100.0%</b>

Education Level**	Market 2016 Population	Market 2016 % of Total	Market 2021 Population	Market 2021 % of Total	Market Population % Change	National 2016 % of Total
Less than High School	1,427	10.8%	1,436	10.9%	0.6%	5.8%
Some High School	1,672	12.7%	1,687	12.8%	0.9%	7.8%
High School Degree	5,284	40.1%	5,302	40.1%	0.3%	27.9%
Some College/Assoc. Degree	3,210	24.4%	3,197	24.2%	(0.4)%	31.1%
Bachelor's Degree or Greater	1,592	12.1%	1,591	12.0%	(0.1)%	27.4%
<b>Total</b>	<b>13,185</b>	<b>100.0%</b>	<b>13,213</b>	<b>100.0%</b>	<b>0.2%</b>	<b>100.0%</b>

\*Excludes population age <5, \*\*Excludes population age <25

**ATTACHMENTS C, ECONOMIC FEASIBILITY (1)**

**Architect Documentation for Support of Estimated Construction  
Costs and List of Equipment**



*Moving forward together to create environments that shape lives.*

August 8, 2016

Ms. Melanie Hill, Executive Director  
State of Tennessee  
Health Services and Development Agency  
Andrew Jackson Building, 9th Floor  
502 Deaderick Street  
Nashville, TN 37243

**RE: UNICOI COUNTY MEMORIAL HOSPITAL  
ERWIN, TN  
ESa PROJECT NO. 16085.00**

Dear Ms. Hill:

This letter will denote that ESa has reviewed the site preparation and construction costs indicated as \$1,117,673 and \$11,810,531 for the referenced project and find the costs to be reasonable for the described scope of work. The construction costs have considered recent market conditions and inflation projections. We have also estimated Architectural and Engineering Fees of \$857,537 for the project.

Best Regards,  
**EARL SWENSSON ASSOCIATES, INC.**

Richard L. Miller, FAIA, EDAC  
CEO/President/Principal



August 8, 2016

Ms. Melanie Hill, Executive Director  
State of Tennessee  
Health Services and Development Agency  
Andrew Jackson Building, 9th Floor  
502 Deaderick Street  
Nashville, TN 37243

**RE: UNICOI COUNTY MEMORIAL HOSPITAL  
ERWIN, TN  
ESa PROJECT NO. 16085.00**

Dear Ms. Hill:

This letter will affirm that, to the best of our knowledge, the design intended for the construction of the referenced facility will be in accordance with the following primary codes and standards as listed in the Rules of Tennessee Department of Health Board for Licensing Health Care Facilities - Standards for Hospitals - Chapter 1200-8-1-.08:

- Current edition of Rules of Tennessee Department of Health and Environment Board for Licensing Healthcare Facilities
- 2012 International Building Code
- 2012 National Fire Protection Code (NFPA) NFPA 1 including Annex A which incorporates the 2012 edition of the Life Safety Code
- 2012 International Mechanical Code
- 2012 International Plumbing Code
- 2012 International Fuel Gas Code
- 2010 FGI Guidelines for the Design and Construction of Healthcare Facilities
- 2011 National Electrical Code
- 2009 U.S. Public Health Service Code
- The handicap code as required by T.C.A. §68-120-204(a) for all new and existing facilities are subject to the requirements of the 1999 North Carolina Handicapped Accessibility Codes with 2004 Amendments and 2010 American with Disabilities Act (A.D.A.)

This listing may not be entirely inclusive, but the intent is for all applicable codes and standards, State or Local, to be addressed during the design process.

Best Regards,  
**EARL SWENSSON ASSOCIATES, INC.**

Richard L. Miller, FAIA, EDAC  
CEO/President/Principal

Fixed Equipment	\$ 2,917,271.12
Moveable Equipment	\$ 1,293,128.88
	<u>\$ 4,210,400.00</u>

Fixed Equipment

Description	Type	Model #	Mfg.	Qty	Unit	Extended
CT		64 Slice	GE	1	\$ 500,000.00	\$ 500,000.00
MRI		1.5T	GE	1	\$ 1,250,000.00	\$ 1,250,000.00
Nuc Med			Siemens	1	\$ 300,000.00	\$ 300,000.00
R/F Room	Digital			1	\$ -	\$ -
Rad Room	Digital			1	\$ -	\$ -
Mammography				1	\$ -	\$ -
Tube Station			PEVCO	5	\$ 26,000.00	\$ 130,000.00
Nurse Call			West Call	5	\$ 75,000.00	\$ 375,000.00
Lab Analyzer	Chemistry			1	\$ 147,768.12	\$ 147,768.12
Wall Bracket	Monitor	VHM	GCX	25	\$ 975.00	\$ 24,375.00
Wall Bracket	Television	Peerless Industries	JMW-650	25	\$ 175.00	\$ 4,375.00
Dispenser	Glove	8556-H	Kendall/Tyco	32	\$ 50.00	\$ 1,600.00
Lab Analyzer	Hematology		Beckman	1	\$ 55,000.00	\$ 55,000.00
Warming Cabinet	Blanket/Fluid		Steris	3	\$ 8,736.00	\$ 26,208.00
Microwave	Under Counter			10	\$ 145.00	\$ 1,450.00
Coffee Maker				10	\$ 400.00	\$ 4,000.00
Ice Maker				10	\$ 5,500.00	\$ 55,000.00
Refrigerator	Staff			5	\$ 650.00	\$ 3,250.00
Refrigerator	Patient			5	\$ 549.00	\$ 2,745.00
Clocks				25	\$ 125.00	\$ 3,125.00
Television				25	\$ 895.00	\$ 22,375.00
Wardrobe	Wall Mount			10	\$ 250.00	\$ 2,500.00
Wire Rack	Wall Mount			10	\$ 250.00	\$ 2,500.00
Dressing Nook				10	\$ 250.00	\$ 2,500.00
Marker Board				10	\$ 100.00	\$ 1,000.00
Lockers	Staff			25	\$ 100.00	\$ 2,500.00
						<u>\$ 2,917,271.12</u>

Mobile under \$50K

Description	Type	Model #	Mfg.	Qty	Unit	Extended
Bed	Med/Surg	Care Assist	Hill-Rom	10	\$ 5,000.00	\$ 50,000.00
Chair	Bedside		Hill-Rom	10	\$ 660.00	\$ 6,600.00
Recliner/Sleeper	Patient		Hill-Rom	10	\$ 1,800.00	\$ 18,000.00
Stretcher	ED/Transport	Prime	Stryker	15	\$3,850.00	\$57,750.00
Cabinet	Bedside	Elite	Hill-Rom	10	\$ 550.00	\$ 5,500.00
Flowmeter	Air	715-8MFA2005PTO	Tri-Anim	25	\$ 42.50	\$ 1,062.50
Flowmeter	Oxygen	715-8MFA1005	Tri-Anim	25	\$ 29.90	\$ 747.50
Rapid Infusor	Blood		Belmont	1	\$ 17,500.00	\$ 17,500.00
Misc Minor Equip				1	\$ 4,575.00	\$ 4,575.00
X-ray	Portable		GE	1	\$ 145,000.00	\$ 145,000.00
Physiologic Monitor	Critical Care	Delta XL	Draeger Medical	5	\$ 20,750.00	\$ 103,750.00
Central Monitors	16 Trace	MultiView	Draeger Medical	1	\$ 31,125.00	\$ 31,125.00
Defibrillators	Biphasic	LIFEPAK 20	Medtronic	2	\$ 11,361.44	\$ 22,722.88
EKG Machine	12-lead		Mortara	1	\$ 6,500.00	\$ 6,500.00
Thermometers		2185BX01EE	Alaris	5	\$ 239.00	\$ 1,195.00
Glucometers			Life Scan	3	\$ 895.00	\$ 2,685.00
Infusion Pump	Single	Sigma	Baxter	0	\$ 4,345.00	\$ -
IV Poles				0	\$199.00	\$0.00
Suction Regulator	Intermittent	715-PM3015	Tri-Anim	25	\$ 395.00	\$ 9,875.00
Wheelchairs	Regular			5	\$ 428.00	\$ 2,140.00
Wheelchairs	Bariatric			2	\$ 628.00	\$ 1,256.00
Carts	Crash			2	\$ 1,100.00	\$ 2,200.00
Carts	Linen			3	\$ 1,100.00	\$ 3,300.00
Carts	Supply			3	\$ 560.00	\$ 1,680.00
Hampers	Linen			20	\$ 200.00	\$ 4,000.00
Overbed Table				25	\$ 245.00	\$ 6,125.00
Waste Can	Biohazard			50	\$ 108.00	\$ 5,400.00
Waste Can	Regular			50	\$ 32.00	\$ 1,600.00
Waste Can	36 Gal.			5	\$ 88.00	\$ 440.00
Dietary	Assorted Eq	Carts/Trays, etc.		1	\$ 300,000.00	\$ 300,000.00
						\$ 812,728.88
Owner Provided	Allowance	FF & E		1	\$ 210,400.00	\$ 210,400.00
						\$ 1,023,128.88

Mobile over \$50k

Description	Type	Model #	Mfg.	Qty	Unit	Extended
Ultrasound		Logiq 9	GE	1	\$ 140,000.00	\$ 140,000.00
C-Arm	Digital	9900	OEC	1	\$ 130,000.00	\$ 130,000.00
Med Station			Omnicell	0	\$ 71,652.00	\$ -
						<u>\$ 270,000.00</u>

**ATTACHMENTS C, ECONOMIC FEASIBILITY (2)**

**Letter of Available Funds**



400 N. State of Franklin Road • Johnson City, TN 37604  
423-431-6111

August 10, 2016

Health Services and Development Agency  
502 Deaderick Street  
Andrew Jackson Bldg., 9th Floor  
Nashville, TN 37243

Dear Agency Members:

This letter is to certify that Mountain States Health Alliance has sufficient cash of \$19,999,141 to fund the project, as described in the certificate of need application, for the construction of a 10-bed acute care replacement facility, which will also include an emergency department with 10 treatment rooms, for Unicoi County Memorial Hospital to be located at an unaddressed site on Temple Hill Road, Erwin (Unicoi County), TN 37650.

Sincerely,

Lynn Krutak  
Senior Vice President / Chief Financial Officer

**ATTACHMENT C, ECONOMIC FEASIBILITY (10)**

**Balance Sheet and Income Statement for Mountain States Health  
Alliance**

- 1. Most Recent Reporting Period (FY2016)**
- 2. Most Recent Audited Statements (FY2015 and FY2014)**

**Mountain States Health Alliance**  
**Consolidated Balance Sheet**  
**At June 30, 2016**

	Consolidated	Eliminations	JCMC	FWCH	NSH	WOOD	IPMC	SSH	UC	JCCJ
<b>ASSETS</b>										
<b>CURRENT ASSETS</b>										
Cash and Cash Equivalents	89,753,181	0	75,429	289,120	(238,975)	250	38,790	27,470	12,033	5,502
Current Portion AWUL	25,771,897	0	0	0	0	0	0	0	0	0
Accounts Receivable (Net)	155,216,936	0	64,266,491	11,617,355	0	2,703,901	11,396,654	6,104,999	1,968,246	645,115
Other Receivables	32,291,409	(6,433,000)	3,054,810	208,931	0	1,251,914	509,608	381,053	216,379	104,612
Due From Affiliates	1,435	(26,748,503)	1,512,296	42,752	(0)	1,641	270,591	281,065	28,432	13,864
Due From Third Party Payors	(0)	1,670,475	(4,642,925)	(40,948)	0	550,148	142,835	(45,122)	(24,510)	(1,415,085)
Inventories	26,630,407	0	10,822,280	1,925,145	0	149,915	2,411,748	1,286,256	307,763	106,827
Prepaid Expense	9,267,700	0	1,992,014	469,029	0	32,658	376,841	164,781	70,870	21,738
	337,932,964	(31,511,028)	77,080,395	14,511,395	(238,975)	4,690,427	15,147,067	8,200,502	2,579,013	(517,426)
<b>ASSETS WHOSE USE IS LIMITED</b>										
	16,937,434	0	0	0	0	0	0	0	0	0
<b>OTHER INVESTMENTS</b>										
	608,885,873	0	0	0	0	0	0	0	0	0
<b>PROPERTY, PLANT AND EQUIPMENT</b>										
Land, Buildings and Equipment	1,711,449,705	0	576,881,710	144,523,845	7,330,172	13,069,516	111,922,675	48,375,381	5,849,838	10,090,351
Less Allowances for Depreciation	890,624,466	0	350,608,507	46,995,088	5,303,756	5,377,265	71,383,956	29,280,428	2,653,184	6,283,410
	830,825,239	0	226,273,203	97,528,757	2,026,406	6,692,251	40,538,720	19,094,953	3,696,654	3,806,940
<b>OTHER ASSETS</b>										
Pledges Receivable	2,957,802	0	0	0	0	0	0	0	0	0
Long Term Compensation Investment	26,331,578	0	5,000	0	0	0	0	0	0	0
Investments in Unconsolidated Subsidiaries	7,249,898	0	0	0	0	0	0	0	0	0
Land / Equipment Held for Resale	7,495,973	0	4,574,324	0	0	0	0	0	0	0
Assets Held for Expansion	11,361,384	0	936,711	0	0	0	0	0	1,595,597	0
Investments in Subsidiaries	0	(427,422,063)	0	0	0	0	0	0	0	0
Goodwill	156,565,204	0	13,141,003	122,574	0	0	(1,442,410)	865	0	0
Deferred Charges and Other	22,023,693	0	153,078	122,574	0	0	(1,442,410)	865	1,595,597	0
	233,985,533	(427,422,063)	18,810,115	122,574	0	0	(1,442,410)	865	1,595,597	0
<b>TOTAL ASSETS</b>	2,028,567,044	(459,933,091)	322,163,613	112,162,716	1,787,432	11,382,678	54,243,377	27,296,319	7,771,264	3,289,514
<b>LIABILITIES AND NET ASSETS</b>										
<b>CURRENT LIABILITIES</b>										
Accounts Payable and Accrued Expense	91,094,015	0	27,064,116	4,206,864	0	899,000	4,024,590	2,023,118	921,088	402,095
Accrued Salaries, Benefits, and PTO	66,722,074	0	16,188,151	2,648,770	0	930,298	3,860,409	2,205,132	738,981	515,033
Claims Payable	4,414,252	0	0	0	0	0	0	0	0	0
Accrued Interest	13,585,982	0	4,739,460	1,804,221	0	28,676	445,963	195,990	0	3,272
Due to Affiliates	0	(26,748,503)	1,248,065	67,025	(0)	112,366	852,724	182,247	32,161	507
Due to Third Party Payors	9,149,508	1,670,475	1,866,878	1,437	0	0	376,358	525,221	0	22,115
Call Option Liability	0	0	0	0	0	0	0	0	0	0
Current Portion of Long Term Debt	23,382,270	(6,433,000)	152,400	533,400	0	0	0	0	0	0
	210,348,102	(31,511,028)	51,261,070	9,261,717	(0)	1,970,341	9,560,044	5,131,709	1,692,230	943,022
<b>OTHER NON-CURRENT LIABILITIES</b>										
Long Term Compensation Payable	12,760,043	0	0	0	0	0	0	0	0	0
Long Term Debt	963,653,190	0	2,805,176	10,621,576	0	0	0	0	0	0
Estimated Fair Value of Interest Rate Swaps	4,462,751	0	0	0	0	0	0	0	0	0
Deferred Income	10,476,431	0	0	0	0	0	(0)	(0)	0	0
Professional Liability Self-Insurance and Other	18,293,608	0	2,808,627	280,159	(0)	102,506	584,038	253,805	32,727	61,772
	1,009,866,024	0	5,613,804	10,901,734	(0)	102,507	584,038	253,804	32,727	61,772
<b>TOTAL LIABILITIES</b>	1,220,214,126	(31,511,028)	56,874,873	20,163,451	(0)	2,072,847	10,144,082	5,385,513	1,724,957	1,004,794
<b>NET ASSETS</b>	607,047,362	(669,634,828)	265,288,740	91,999,265	1,787,432	9,309,831	44,099,295	21,910,806	6,046,307	2,284,720
<b>NONCONTROLLING INTEREST IN SUBSIDIARIES</b>	201,305,556	242,212,765	0	0	0	0	0	0	0	0
<b>TOTAL LIABILITIES AND NET ASSETS</b>	2,028,567,044	(459,933,091)	322,163,613	112,162,716	1,787,432	11,382,678	54,243,377	27,296,319	7,771,264	3,289,514

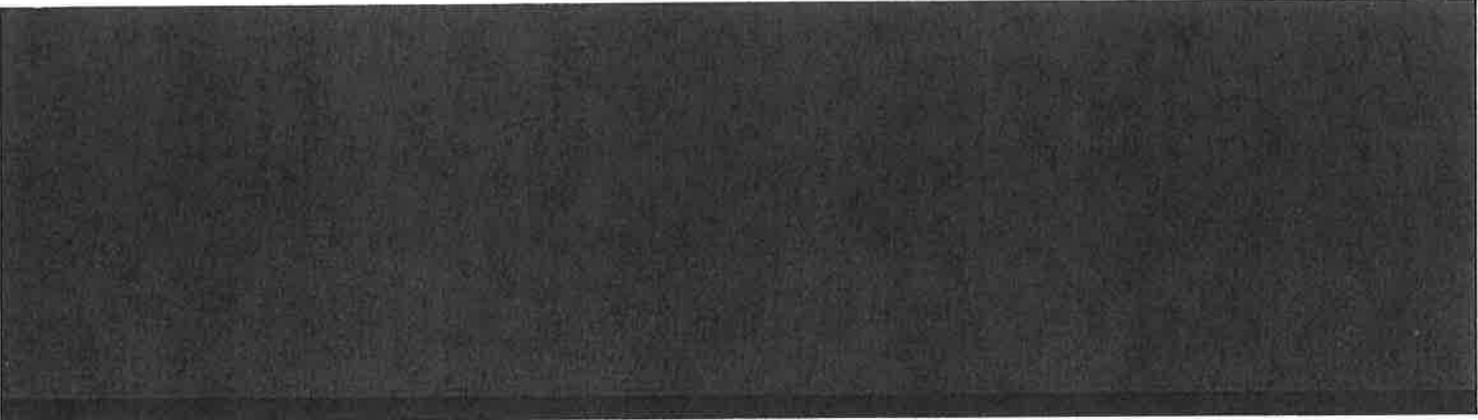


**Mountain States Health Alliance**  
**Consolidated Statement of Revenue and Expense**  
**For the Twelve Months Ended June 30, 2016**

	Consolidated	Eliminations	JCMC	FWCH	NSH	WOOD	IPMC	SSH	UC	JCCH
<i>Patient Revenue</i>										
Inpatient Revenue	2,658,938,817	0	1,498,056,993	191,823,888	0	70,827,300	272,967,552	114,463,618	17,972,614	287,379
Outpatient Revenue	2,893,529,025	(249,572)	996,880,313	257,819,520	0	508,954	259,577,113	157,390,834	40,853,222	27,140,088
Total Gross Patient Revenue	5,552,467,843	(249,572)	2,494,937,306	449,643,408	0	71,336,254	532,544,665	271,844,452	58,825,836	27,427,467
<i>Deductions from Revenue</i>										
Contractual Adjustments	4,291,791,047	864,343	1,988,070,033	358,698,136	0	38,028,137	430,027,713	217,596,954	46,052,192	18,227,943
Charity	78,305,882	0	36,142,393	3,767,246	0	13,670,109	4,258,430	2,384,803	24,620	172,564
Contra Revenue - Charity	116,013,588	0	43,175,420	8,224,542	0	892,921	9,518,578	7,185,706	19,870	1,120,650
Provision for Bad Debt	21,692,286	0	8,438,422	1,335,240	0	133,986	1,793,104	1,355,212	1,217,742	324,791
Total Deductions	4,507,802,804	864,343	2,075,826,269	372,025,164	0	52,725,152	445,597,825	228,522,675	47,314,425	19,845,947
<b>Net Patient Service Revenue</b>	<b>1,044,665,039</b>	<b>(1,113,915)</b>	<b>419,111,037</b>	<b>77,418,244</b>	<b>0</b>	<b>18,611,102</b>	<b>86,946,840</b>	<b>43,321,777</b>	<b>11,511,411</b>	<b>7,581,521</b>
Premium Revenue	0	0	0	0	0	0	0	0	0	0
Other Operating Revenue	45,430,087	(66,473,533)	5,816,283	870,910	0	2,860,844	2,171,927	1,588,060	709,179	116,160
Total Other Operating Revenue	45,430,087	(66,473,533)	5,816,283	870,910	0	2,860,844	2,171,927	1,588,060	709,179	116,160
<b>Total Operating Revenue</b>	<b>1,090,095,125</b>	<b>(67,587,448)</b>	<b>424,927,320</b>	<b>78,289,153</b>	<b>0</b>	<b>21,471,746</b>	<b>89,118,767</b>	<b>44,909,837</b>	<b>12,220,581</b>	<b>7,697,680</b>
<i>Operating Expense</i>										
Salaries	352,320,910	(35,150)	121,563,162	24,649,642	0	8,843,445	31,698,263	18,121,947	7,769,094	3,780,554
Provider Salaries	84,042,825	302	41	0	0	0	122,090	0	0	535,691
Contract Labor	5,774,484	(4,052,532)	3,869,080	653,684	0	185,842	550,038	516,347	162,889	35,395
Employee Benefits	101,536,498	(2,330,716)	31,987,415	6,278,219	0	2,312,055	8,174,872	4,893,285	2,062,312	1,123,183
Fees	111,742,304	(67,148,391)	64,992,455	7,209,561	0	4,801,477	18,281,646	4,731,405	2,894,851	1,406,384
Supplies	179,141,486	(144,711)	98,071,443	11,848,907	0	1,030,036	15,375,476	6,381,333	1,423,610	558,516
Utilities	16,180,310	(3,524)	5,225,468	1,273,579	0	156,848	1,277,098	717,470	451,283	114,969
Other Expense	85,051,708	(3,745,901)	24,417,255	4,139,296	0	720,975	6,912,948	3,287,124	1,639,233	689,933
Medical Costs	(761,658)	0	0	0	0	0	0	0	0	0
Depreciation	66,383,995	0	19,467,655	5,429,557	0	599,103	3,577,097	1,676,770	620,192	370,935
Amortization	1,516,989	0	47,587	7,228	0	0	0	0	0	0
Interest & Taxes	43,450,701	0	16,891,984	4,049,186	0	623,295	1,451,301	496,417	28	25,875
Consolidation Allocation	(1)	0	5,844,044	1,237,857	0	351,694	1,501,005	825,655	308,732	199,560
<b>Total Operating Expense</b>	<b>1,046,390,551</b>	<b>(67,460,623)</b>	<b>392,377,591</b>	<b>66,576,717</b>	<b>0</b>	<b>19,624,771</b>	<b>88,921,833</b>	<b>41,647,753</b>	<b>17,132,223</b>	<b>8,840,994</b>
<b>Net Operating Income</b>	<b>43,714,574</b>	<b>(126,825)</b>	<b>32,549,729</b>	<b>11,712,436</b>	<b>0</b>	<b>1,846,976</b>	<b>196,933</b>	<b>3,262,084</b>	<b>(4,911,632)</b>	<b>(1,143,314)</b>
Non Operating Income / (Expense)	2,991,429	(9,641,629)	2,078,418	119,379	0	4,926	50,508	26,832	(19,395)	1,697
<b>Total Revenue Over Expense</b>	<b>46,706,003</b>	<b>(9,768,454)</b>	<b>34,628,146</b>	<b>11,831,816</b>	<b>0</b>	<b>1,851,901</b>	<b>247,441</b>	<b>3,288,916</b>	<b>(4,931,027)</b>	<b>(1,141,618)</b>
Change in Fair Value of Derivatives	(2,286,836)	0	0	0	0	0	0	0	0	0
Net Unrealized Gain / (Loss) on Investments	(17,511,298)	0	0	0	0	0	0	0	0	0
Cumulative Effect of Change in Accounting Principle	0	0	0	0	0	0	0	0	0	0
<b>Total Increase in Unrestricted Net Assets</b>	<b>26,907,868</b>	<b>(9,768,454)</b>	<b>34,628,146</b>	<b>11,831,816</b>	<b>0</b>	<b>1,851,901</b>	<b>247,441</b>	<b>3,288,916</b>	<b>(4,931,027)</b>	<b>(1,141,618)</b>
<b>EBITDA</b>	<b>160,884,251</b>	<b>(9,768,454)</b>	<b>71,035,373</b>	<b>21,317,786</b>	<b>0</b>	<b>3,074,299</b>	<b>5,275,939</b>	<b>5,462,103</b>	<b>(4,310,807)</b>	<b>(744,808)</b>

**Mountain States Health Alliance**  
**Consolidated Statement of Revenue and Expense (cont'd)**  
**For the Twelve Months Ended June 30, 2016**

	JMH	NC	SC	RC	BR Cons	Home Care	MSHA Corp	ISHN	Foundation	Auxiliary
<i>Patient Revenue</i>										
Inpatient Revenue	293,445,373	95,260,948	61,042,780	42,790,373	0	0	0	0	0	0
Outpatient Revenue	498,105,345	198,564,709	129,426,662	56,048,645	250,836,720	20,836,472	0	0	0	0
Total Gross Patient Revenue	791,550,718	293,825,657	190,469,441	98,839,018	250,836,720	20,836,472	0	0	0	0
<i>Deductions from Revenue</i>										
Contractual Adjustments	604,060,535	208,362,136	138,803,362	73,342,029	163,866,766	5,790,770	0	0	0	0
Charity	9,248,943	4,342,296	1,870,143	782,371	1,585,770	76,194	0	0	0	0
Contra Revenue - Charity	19,748,755	9,391,938	4,609,488	4,659,363	7,334,831	131,527	0	0	0	0
Provision for Bad Debt	1,878,609	1,677,154	684,546	806,954	1,576,742	469,784	0	0	0	0
Total Deductions	634,936,842	223,773,524	145,967,539	79,570,716	174,364,109	6,468,275	0	0	0	0
<b>Net Patient Service Revenue</b>	<b>156,613,876</b>	<b>70,052,134</b>	<b>44,501,902</b>	<b>19,268,302</b>	<b>76,472,612</b>	<b>14,368,197</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Premium Revenue	0	0	0	0	0	0	0	0	0	0
Other Operating Revenue	4,931,663	2,370,203	1,903,469	743,480	75,705,755	62,791	2,531,516	8,832,939	0	688,641
<b>Total Other Operating Revenue</b>	<b>4,931,663</b>	<b>2,370,203</b>	<b>1,903,469</b>	<b>743,480</b>	<b>75,705,755</b>	<b>62,791</b>	<b>2,531,516</b>	<b>8,832,939</b>	<b>0</b>	<b>688,641</b>
<b>Total Operating Revenue</b>	<b>161,545,539</b>	<b>72,422,337</b>	<b>46,405,371</b>	<b>20,011,782</b>	<b>152,178,367</b>	<b>14,430,988</b>	<b>2,531,516</b>	<b>8,832,939</b>	<b>0</b>	<b>688,641</b>
<i>Operating Expense</i>										
Salaries	41,757,192	24,917,064	17,584,849	8,569,097	30,632,794	9,711,452	(42,931)	2,544,809	0	255,625
Provider Salaries	9,596,918	7,415,200	268,638	59,679	66,044,164	103	0	0	0	0
Contract Labor	1,058,099	757,057	227,782	109,725	650,452	71,542	(0)	975,492	0	3,592
Employee Benefits	12,763,927	8,693,262	4,474,774	2,422,667	14,405,060	2,457,455	1,379,554	401,433	0	37,742
Fees	23,299,527	8,336,302	9,489,476	5,380,755	7,254,810	1,085,729	6,246,475	3,652,990	0	26,850
Supplies	24,433,893	6,891,194	5,555,227	1,727,495	6,436,409	723,940	(1,090,129)	106,030	0	12,818
Utilities	2,023,038	1,235,275	970,620	494,467	1,677,156	45,809	494,450	26,305	0	0
Other Expense	11,841,821	6,220,896	4,881,615	2,060,822	11,543,361	1,014,244	8,978,608	403,585	0	45,895
Medical Costs	0	0	0	0	0	0	0	(761,658)	0	0
Depreciation	12,133,929	4,655,819	4,343,920	1,715,992	5,757,915	142,528	5,776,411	67,677	0	48,495
Amortization	18,770	7,914	12,687	82,023	73,569	82,023	1,257,336	8,000	0	1,875
Interest & Taxes	257,212	265,868	180,471	689,712	999,752	22,471	17,424,161	72,967	0	0
Consolidation Allocation	3,241,065	1,687,928	886,824	386,315	(815,529)	216,280	(15,966,028)	94,596	0	0
<b>Total Operating Expense</b>	<b>142,425,391</b>	<b>71,083,778</b>	<b>48,876,883</b>	<b>23,616,724</b>	<b>144,659,914</b>	<b>15,573,576</b>	<b>24,457,908</b>	<b>7,592,226</b>	<b>0</b>	<b>432,892</b>
<b>Net Operating Income</b>	<b>19,120,149</b>	<b>1,338,558</b>	<b>(2,471,512)</b>	<b>(3,604,942)</b>	<b>7,518,453</b>	<b>(1,142,588)</b>	<b>(21,926,392)</b>	<b>1,240,712</b>	<b>0</b>	<b>255,750</b>
Non Operating Income / (Expense)	3,723,488	829,977	1,214,048	12,727	6,421,861	(12,161)	4,400,361	(6,897,855)	770,450	(92,192)
<b>Total Revenue Over Expense</b>	<b>22,843,637</b>	<b>2,168,535</b>	<b>(1,257,464)</b>	<b>(3,592,215)</b>	<b>13,940,303</b>	<b>(1,154,749)</b>	<b>(17,526,031)</b>	<b>(5,657,143)</b>	<b>770,450</b>	<b>163,558</b>
Change in Fair Value of Derivatives	0	0	0	0	0	0	(2,286,838)	0	0	0
Net Unrealized Gain / (Loss) on Investments	(2,957,709)	(724,739)	(882,309)	0	(3,086,790)	0	(9,700,992)	(120,499)	(45,148)	6,888
Cumulative Effect of Change in Accounting Principle	0	0	0	0	0	0	0	0	0	0
<b>Total Increase in Unrestricted Net Assets</b>	<b>19,885,928</b>	<b>1,443,796</b>	<b>(2,139,772)</b>	<b>(3,592,215)</b>	<b>10,853,513</b>	<b>(1,154,749)</b>	<b>(29,513,861)</b>	<b>(5,777,642)</b>	<b>725,301</b>	<b>170,446</b>
<b>EBITDA</b>	<b>35,253,549</b>	<b>7,098,135</b>	<b>3,279,615</b>	<b>(1,186,511)</b>	<b>20,771,539</b>	<b>(907,728)</b>	<b>9,758,441</b>	<b>(5,508,498)</b>	<b>770,450</b>	<b>213,928</b>



**MOUNTAIN STATES HEALTH ALLIANCE**

**Audited Consolidated Financial Statements  
(and Supplemental Information)**

**Years Ended June 30, 2015 and 2014**



**MOUNTAIN STATES HEALTH ALLIANCE**

***Audited Consolidated Financial Statements (and Supplemental Information)***  
***(Dollars in Thousands)***

***Years Ended June 30, 2015 and 2014***

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Mountain States Health Alliance:

### ***Report on the Consolidated Financial Statements***

We have audited the accompanying consolidated financial statements of Mountain States Health Alliance and its subsidiaries (the Alliance), which comprise the consolidated balance sheets as of June 30, 2015 and 2014, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Alliance's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Alliance's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Mountain States Health Alliance and its subsidiaries as of June 30, 2015 and 2014, and the results of their operations, changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Supplementary Information***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Permitting Yarbley: Assaats PC*

Knoxville, Tennessee  
October 28, 2015

**MOUNTAIN STATES HEALTH ALLIANCE**

***Consolidated Balance Sheets***  
***(Dollars in Thousands)***

	<i>June 30,</i>	
	<i>2015</i>	<i>2014</i>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 79,714	\$ 59,185
Current portion of investments	19,598	25,029
Patient accounts receivable, less estimated allowances for uncollectible accounts of \$73,805 in 2015 and \$47,853 in 2014	162,256	161,318
Other receivables, net	33,286	45,502
Inventories and prepaid expenses	33,969	30,838
<b>TOTAL CURRENT ASSETS</b>	<b>328,823</b>	<b>321,872</b>
INVESTMENTS, less amounts required to meet current obligations	694,542	648,475
PROPERTY, PLANT AND EQUIPMENT, net	847,089	881,429
<b>OTHER ASSETS</b>		
Goodwill	156,596	156,613
Net deferred financing, acquisition costs and other charges	24,755	25,841
Other assets	53,040	48,350
<b>TOTAL OTHER ASSETS</b>	<b>234,391</b>	<b>230,804</b>
	<b>\$ 2,104,845</b>	<b>\$ 2,082,580</b>

**MOUNTAIN STATES HEALTH ALLIANCE**

***Consolidated Balance Sheets - Continued***  
***(Dollars in Thousands)***

	<i>June 30,</i>	
	<i>2015</i>	<i>2014</i>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accrued interest payable	\$ 18,159	\$ 18,648
Current portion of long-term debt and capital lease obligations	40,286	30,618
Accounts payable and accrued expenses	100,301	87,126
Accrued salaries, compensated absences and amounts withheld	72,066	72,181
Estimated amounts due to third-party payers, net	4,781	10,463
<b>TOTAL CURRENT LIABILITIES</b>	<b>235,593</b>	<b>219,036</b>
<b>OTHER LIABILITIES</b>		
Long-term debt and capital lease obligations, less current portion	1,031,661	1,075,069
Estimated fair value of derivatives	2,541	10,603
Estimated professional liability self-insurance	8,461	8,957
Other long-term liabilities	38,683	35,974
<b>TOTAL LIABILITIES</b>	<b>1,316,939</b>	<b>1,349,639</b>
<b>COMMITMENTS AND CONTINGENCIES - Notes D, F, G, and M</b>		
<b>NET ASSETS</b>		
Unrestricted net assets		
Mountain States Health Alliance	583,287	541,979
Noncontrolling interests in subsidiaries	191,118	178,547
<b>TOTAL UNRESTRICTED NET ASSETS</b>	<b>774,405</b>	<b>720,526</b>
Temporarily restricted net assets		
Mountain States Health Alliance	13,303	12,204
Noncontrolling interests in subsidiaries	71	84
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<b>13,374</b>	<b>12,288</b>
Permanently restricted net assets		
	127	127
<b>TOTAL NET ASSETS</b>	<b>787,906</b>	<b>732,941</b>
	<b>\$ 2,104,845</b>	<b>\$ 2,082,580</b>

**MOUNTAIN STATES HEALTH ALLIANCE*****Consolidated Statements of Operations***  
***(Dollars in Thousands)***

	<i>Year Ended June 30,</i>	
	<i>2015</i>	<i>2014</i>
Revenue, gains and support:		
Patient service revenue, net of contractual allowances and discounts	\$ 1,116,954	\$ 1,046,767
Provision for bad debts	(127,519)	(122,642)
Net patient service revenue	989,435	924,125
Premium revenue	32,184	10,683
Net investment gain	17,016	50,703
Net derivative gain	13,890	3,219
Other revenue, gains and support	36,571	62,457
TOTAL REVENUE, GAINS AND SUPPORT	1,089,096	1,051,187
Expenses and losses:		
Salaries and wages	345,155	340,589
Physician salaries and wages	80,279	77,636
Contract labor	5,416	4,282
Employee benefits	77,306	69,173
Fees	120,691	115,606
Supplies	176,050	163,699
Utilities	16,775	17,052
Medical costs	18,383	6,633
Other	81,477	79,980
Loss on early extinguishment of debt	-	4,622
Depreciation	67,210	69,437
Amortization	1,557	1,742
Interest and taxes	43,697	44,392
TOTAL EXPENSES AND LOSSES	1,033,996	994,843
EXCESS OF REVENUE, GAINS AND SUPPORT OVER EXPENSES AND LOSSES	\$ 55,100	\$ 56,344

**MOUNTAIN STATES HEALTH ALLIANCE**

***Consolidated Statements of Changes in Net Assets  
(Dollars in Thousands)***

***Year Ended June 30, 2015***

	<i>Mountain States Health Alliance</i>	<i>Noncontrolling Interests</i>	<i>Total</i>
<b>UNRESTRICTED NET ASSETS:</b>			
Excess of Revenue, Gains and Support over Expenses and Losses	\$ 41,008	\$ 14,092	\$ 55,100
Pension and other defined benefit plan adjustments	(178)	(152)	(330)
Net assets released from restrictions used for the purchase of property, plant and equipment	478	-	478
Repurchases of noncontrolling interests, net	-	(1,014)	(1,014)
Distributions to noncontrolling interests	-	(355)	(355)
INCREASE IN UNRESTRICTED NET ASSETS	41,308	12,571	53,879
<b>TEMPORARILY RESTRICTED NET ASSETS:</b>			
Restricted grants and contributions	3,663	69	3,732
Net assets released from restrictions	(2,564)	(82)	(2,646)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	1,099	(13)	1,086
INCREASE IN TOTAL NET ASSETS	42,407	12,558	54,965
NET ASSETS, BEGINNING OF YEAR	554,310	178,631	732,941
NET ASSETS, END OF YEAR	\$ 596,717	\$ 191,189	\$ 787,906

**MOUNTAIN STATES HEALTH ALLIANCE**

***Consolidated Statements of Changes in Net Assets - Continued***  
***(Dollars in Thousands)***

***Year Ended June 30, 2014***

	<i>Mountain States Health Alliance</i>	<i>Noncontrolling Interests</i>	<i>Total</i>
<b>UNRESTRICTED NET ASSETS:</b>			
Excess of Revenue, Gains and Support over Expenses and Losses	\$ 48,058	\$ 8,286	\$ 56,344
Pension and other defined benefit plan adjustments	194	194	388
Net assets released from restrictions used for the purchase of property, plant and equipment	3,313	-	3,313
Noncontrolling interest in acquired subsidiary	-	914	914
Distributions to noncontrolling interests	-	(461)	(461)
INCREASE IN UNRESTRICTED NET ASSETS	51,565	8,933	60,498
<b>TEMPORARILY RESTRICTED NET ASSETS:</b>			
Restricted grants and contributions	4,693	88	4,781
Net assets released from restrictions	(5,265)	(56)	(5,321)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(572)	32	(540)
INCREASE IN TOTAL NET ASSETS	50,993	8,965	59,958
NET ASSETS, BEGINNING OF YEAR	503,317	169,666	672,983
NET ASSETS, END OF YEAR	\$ 554,310	\$ 178,631	\$ 732,941

**MOUNTAIN STATES HEALTH ALLIANCE**

***Consolidated Statements of Cash Flows***  
***(Dollars in Thousands)***

	<i>Year Ended June 30,</i>	
	<i>2015</i>	<i>2014</i>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase in net assets	\$ 54,965	\$ 59,958
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Provision for depreciation and amortization	69,242	71,789
Provision for bad debts	127,519	122,642
Loss on early extinguishment of debt	-	4,622
Change in estimated fair value of derivatives	(7,718)	2,761
Equity in net income of joint ventures, net	(79)	(369)
Loss (gain) on disposal of assets	(2,192)	(3,489)
Amounts received on interest rate swap settlements	(6,172)	(5,980)
Capital Appreciation Bond accretion and other	2,780	2,629
Restricted contributions	(3,732)	(4,781)
Pension and other defined benefit plan adjustments	330	(388)
Increase (decrease) in cash due to change in:		
Patient accounts receivable	(128,457)	(115,380)
Other receivables, net	12,303	(11,880)
Inventories and prepaid expenses	(3,131)	959
Trading securities	(39,873)	(46,451)
Other assets	(3,128)	(2,492)
Accrued interest payable	(489)	(1,058)
Accounts payable and accrued expenses	16,745	(6,666)
Accrued salaries, compensated absences and amounts withheld	(115)	8,006
Estimated amounts due to third-party payers, net	(5,682)	(16,312)
Estimated professional liability self-insurance	(496)	199
Other long-term liabilities	2,379	16,425
Total adjustments	<u>30,034</u>	<u>14,786</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>84,999</b>	<b>74,744</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property, plant and equipment and property held for expansion	(44,569)	(64,424)
Acquisitions, net of cash acquired	-	(4,256)
Purchases of held-to-maturity securities	(1,417)	(5,978)
Net distribution from joint ventures and unconsolidated affiliates	4,859	661
Proceeds from sale of property, plant and equipment and property held for resale	<u>2,654</u>	<u>2,858</u>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(38,473)</b>	<b>(71,139)</b>

**MOUNTAIN STATES HEALTH ALLIANCE**

***Consolidated Statements of Cash Flows - Continued***  
***(Dollars in Thousands)***

	<i>Year Ended June 30,</i>	
	<i>2015</i>	<i>2014</i>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on long-term debt and capital lease obligations, including deposits to escrow	(36,210)	(38,768)
Payment of acquisition and financing costs	-	(3,826)
Proceeds from issuance of long-term debt and other financing arrangements	-	11,916
Net amounts received on interest rate swap settlements	6,172	5,980
Restricted contributions received	4,041	5,376
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(25,997)</b>	<b>(19,322)</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>20,529</b>	<b>(15,717)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<b>59,185</b>	<b>74,902</b>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<b>\$ 79,714</b>	<b>\$ 59,185</b>
<b>SUPPLEMENTAL INFORMATION AND NON-CASH TRANSACTIONS:</b>		
Cash paid for interest	\$ 38,982	\$ 40,546
Cash paid for federal and state income taxes	\$ 917	\$ 854
Construction related payables in accounts payable and accrued expenses	\$ 5,034	\$ 8,604
Assets contributed into joint venture	\$ 8,668	\$ -
<b>Supplemental cash flow information regarding acquisitions:</b>		
Assets acquired, net of cash	\$ -	\$ 12,715
Liabilities assumed	-	(8,459)
Acquisitions, net of cash acquired	\$ -	\$ 4,256

During the year ended June 30, 2014, the Alliance refinanced previously issued debt of \$318,385.

## MOUNTAIN STATES HEALTH ALLIANCE

### *Notes to Consolidated Financial Statements (Dollars in Thousands)*

*Years Ended June 30, 2015 and 2014*

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#### NOTE A--ORGANIZATION AND OPERATIONS

Mountain States Health Alliance (the Alliance) is a tax-exempt entity with operations primarily located in Washington, Sullivan, Unicoi, and Carter counties of Tennessee and Smyth, Wise, Dickenson, Russell and Washington counties of Virginia. The primary operations of the Alliance consist of eleven acute and specialty care hospitals.

The Alliance's accompanying consolidated financial statements include all assets, liabilities, revenues, expenses, and changes in net assets attributable to the noncontrolling interests in the following subsidiaries:

- Smyth County Community Hospital and Subsidiary - the Alliance holds an 80% interest
- Norton Community Hospital and Subsidiaries - the Alliance holds a 50.1% interest
- Johnston Memorial Hospital, Inc. and Subsidiaries - the Alliance holds a 50.1% interest

The Alliance is the sole shareholder of Blue Ridge Medical Management Corporation (BRMM), a for-profit entity that owns and manages physician practices, real estate and ambulatory surgery centers and provides other healthcare services to individuals in Tennessee and Virginia.

The Alliance is a 99.9% shareholder of Integrated Solutions Health Network, LLC, a for-profit entity that owns a for-profit insurance company and an accountable care organization and administers a provider-sponsored health care delivery network,

The Alliance is the primary beneficiary of the activities of Mountain States Foundation, Inc., a not-for-profit foundation formed to coordinate fundraising and development activities of the Alliance.

#### NOTE B--SIGNIFICANT ACCOUNTING POLICIES

*Principles of Consolidation:* The accompanying consolidated financial statements include the accounts of the Alliance and its consolidated subsidiaries after elimination of all significant intercompany accounts and transactions.

*Use of Estimates:* The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

## MOUNTAIN STATES HEALTH ALLIANCE

### *Notes to Consolidated Financial Statements - Continued* *(Dollars in Thousands)*

#### *Years Ended June 30, 2015 and 2014*

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*Cash and Cash Equivalents:* Cash and cash equivalents include all highly liquid investments with a maturity of three months or less when purchased. Cash and cash equivalents designated as assets limited as to use or uninvested amounts included in investment portfolios are not included as cash and cash equivalents.

*Investments:* Investments include trading securities and held-to-maturity securities. Within the trading securities portfolio, all debt securities and marketable equity securities with readily determinable fair values are reported at fair value based on quoted market prices. Investments without readily determinable fair values are reported at estimated fair market value utilizing observable and unobservable inputs. Investments which the Alliance has the positive intent and ability to hold to maturity are classified as held-to-maturity and are stated at amortized cost. Realized gains and losses are computed using the specific identification method for cost determination. Interest and dividend income is reported net of related investment fees.

Management evaluates whether unrealized losses on held-to-maturity investments indicate other-than-temporary impairment. Such evaluation considers the amount of decline in fair value, as well as the time period of any such decline. Management does not believe any investment classified as held-to-maturity is other-than-temporarily impaired at June 30, 2015.

Investments in joint ventures are reported under the equity method of accounting, which approximates the Alliance's equity in the underlying net book value. Other assets include investments in joint ventures of \$5,180 and \$1,364 at June 30, 2015 and 2014, respectively. During 2015, the Alliance contributed assets into a joint venture which owns and operates a rehabilitation hospital.

*Inventories:* Inventories, consisting primarily of medical supplies, are stated at the lower of cost or market with cost determined by first-in, first-out method.

*Property, Plant and Equipment:* Property, plant and equipment is stated on the basis of cost, or if donated, at the fair value at the date of gift. Generally, depreciation is computed by the straight-line method over the estimated useful life of the asset. Equipment held under capital lease obligations is amortized under the straight-line method over the shorter of the lease term or estimated useful life. Amortization of buildings and equipment held under capital leases is shown as a part of depreciation expense and accumulated depreciation in the accompanying consolidated financial statements. Renewals and betterments are capitalized and depreciated over their useful life, whereas costs of maintenance and repairs are expensed as incurred.

Interest costs incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. The amount capitalized is net of investment earnings on assets limited as to use derived from borrowings designated for capital assets.

## MOUNTAIN STATES HEALTH ALLIANCE

### *Notes to Consolidated Financial Statements - Continued* *(Dollars in Thousands)*

#### *Years Ended June 30, 2015 and 2014*

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The Alliance reviews capital assets for indications of potential impairment when there are changes in circumstances related to a specific asset. If this review indicates that the carrying value of these assets may not be recoverable, the Alliance estimates future cash flows from operations and the eventual disposition of such assets. If the sum of these undiscounted future cash flows is less than the carrying amount of the asset, a write-down to estimated fair value is recorded. The Alliance did not recognize any impairment losses during 2015 and 2014.

Other assets include property held for resale and expansion of \$19,316 and \$20,793, respectively, at June 30, 2015 and 2014. Property held for resale and expansion primarily represents land contributed to, or purchased by, the Alliance plus costs incurred to develop the infrastructure of such land. Management annually evaluates its investment and records non-temporary declines in value when it is determined the ultimate net realizable value is less than the recorded amount. No such declines were identified in 2015 and 2014.

*Goodwill:* Goodwill is evaluated for impairment at least annually. The Alliance comprises a single reporting unit for evaluation of goodwill. Management performed an evaluation of goodwill for impairment considering qualitative and quantitative factors and does not believe the goodwill to be impaired as of June 30, 2015 and 2014. Management's estimates utilized in the evaluation contain significant estimates and it is reasonably possible that such estimates could change in the near term.

*Deferred Financing, Acquisition Costs and Other Charges:* Other assets include deferred financing, acquisition costs and other charges of \$24,755 and \$25,841 at June 30, 2015 and 2014, respectively. Deferred financing costs are amortized over the life of the respective bond issue using the average bonds outstanding method.

*Derivative Financial Instruments:* The Alliance is a party to various interest rate swaps. These financial instruments are not designated as hedges and have been presented at estimated fair market value in the accompanying Consolidated Balance Sheets as either current or long-term liabilities, based upon the remaining term of the instrument.

*Estimated Professional Liability Self-Insurance and Other Long-Term Liabilities:* Self-insurance liabilities include estimated reserves for reported and unreported professional liability claims and are recorded at the estimated net present value of such claims. Other long-term liabilities include contributions payable and obligations under deferred compensation arrangements, a defined benefit pension plan, a post-retirement employee benefit plan as well as other liabilities which management estimates are not payable within one year.

*Net Patient Service Revenue/Receivables:* Net patient service revenue is reported on the accrual basis in the period in which services are provided at the estimated net realizable amounts, including estimated retroactive adjustments under reimbursement agreements with third-party payers.

## MOUNTAIN STATES HEALTH ALLIANCE

### *Notes to Consolidated Financial Statements - Continued (Dollars in Thousands)*

#### *Years Ended June 30, 2015 and 2014*

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Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The Alliance's revenue recognition policies related to self-pay and other types of payers emphasize revenue recognition only when collections are reasonably assured.

Patient accounts receivable are reported net of both an estimated allowance for uncollectible accounts and an estimated allowance for contractual adjustments. The contractual allowance represents the difference between established billing rates and estimated reimbursement from Medicare, Medicaid, TennCare and other third-party payment programs. Current operations include a provision for bad debts in the Consolidated Statements of Operations estimated based upon the age of the patient accounts receivable, historical writeoffs and recoveries and any unusual circumstances (such as local, regional or national economic conditions) which affect the collectibility of receivables, including management's assumptions about conditions it expects to exist and courses of action it expects to take. The primary uncertainty lies with uninsured patient receivables and deductibles, co-payments or other amounts due from individual patients. Additions to the allowance for uncollectible accounts result from the provision for bad debts. Patient accounts written off as uncollectible are deducted from the allowance for uncollectible accounts.

For uninsured patients that do not qualify for charity care, the Alliance recognizes revenue on the basis of discounted rates under the Alliance's self-pay patient policy. Under the policy, a patient who has no insurance and is ineligible for any government assistance program has their bill reduced to the amount which generally would be billed to a commercially insured patient. The Alliance's policy does not require collateral or other security for patient accounts receivable. The Alliance routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans or policies.

*Charity Care:* The Alliance accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the Alliance and various guidelines outlined by the Federal Government. These policies define charity as those services for which no payment is anticipated and, as such, charges at established rates are not included in net patient service revenue. Charges forgone, based on established rates, totaled \$85,988 and \$109,550 during 2015 and 2014, respectively. The estimated direct and indirect cost of providing these services totaled \$17,953 and \$24,011 in 2015 and 2014, respectively. Such costs are determined using a ratio of cost to charges analysis with indirect cost allocated.

In addition to the charity care services, the Alliance provides a number of other services to benefit the poor for which little or no payment is received. Medicare, Medicaid, TennCare and State indigent programs do not cover the full cost of providing care to beneficiaries of those programs. The Alliance also provides services to the community at large for which it receives little or no payment.

## **MOUNTAIN STATES HEALTH ALLIANCE**

### ***Notes to Consolidated Financial Statements - Continued*** ***(Dollars in Thousands)***

#### ***Years Ended June 30, 2015 and 2014***

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***Excess of Revenue, Gains and Support Over Expenses and Losses:*** The Consolidated Statements of Operations and the Consolidated Statements of Changes in Net Assets includes the caption Excess of Revenue, Gains and Support Over Expenses and Losses (the Performance Indicator). Changes in unrestricted net assets which are excluded from the Performance Indicator, consistent with industry practice, include contributions of long-lived assets or amounts restricted to the purchase of long-lived assets, certain pension and related adjustments, and transactions with noncontrolling interests.

***Income Taxes:*** The Alliance is classified as an organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. As such, no provision for income taxes has been made in the accompanying consolidated financial statements for the Alliance and its tax-exempt subsidiaries. The Alliance's taxable subsidiaries are discussed in Note L. The Alliance has no significant uncertain tax positions at June 30, 2015 and 2014. At June 30, 2015, tax returns for 2011 through 2014 are subject to examination by the Internal Revenue Service.

***Temporarily and Permanently Restricted Net Assets:*** Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. When a donor or time restriction expires; that is, when a stipulated time restriction ends or purpose restriction is fulfilled, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the Consolidated Statements of Operations and Changes in Net Assets as net assets released from restrictions. The Alliance's policy is to net contribution and grant revenues against related expenses and present such amounts as a part of other revenue, gains and support in the Consolidated Statements of Operations. Permanently restricted net assets have been restricted by donors to be maintained by the Alliance in perpetuity.

***Premium Revenue:*** Premium revenue include premiums from individuals and the Centers for Medicare & Medicaid Services (CMS). CMS premium revenue is based on predetermined prepaid rates under Medicare risk contracts. Premiums are recognized in the month in which the members are entitled to health care services. Premiums collected in advance are deferred and recorded as unearned premium revenue. Premium deficiency losses are recognized when it is probable that expected future claim expenses will exceed future premiums on existing contracts. Management evaluated the need for a premium deficiency reserve and recorded an estimated reserve of \$2,000 at June 30, 2015 and 2014.

***Medicare Shared Savings Program (MSSP):*** The Alliance participates in CMS's Medicare Shared Savings Program which is designed to facilitate coordination and cooperation among providers to improve the quality of care for Medicare beneficiaries and reduce unnecessary costs. Accountable care organizations participating in the program are assigned beneficiaries by CMS and are entitled to share in the savings if they are able to lower growth in Medicare Parts A and B fee-for-service costs while meeting performance standards on quality of care. Utilizing statistical data and the

## **MOUNTAIN STATES HEALTH ALLIANCE**

### ***Notes to Consolidated Financial Statements - Continued*** ***(Dollars in Thousands)***

#### ***Years Ended June 30, 2015 and 2014***

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methodology employed by CMS, management estimated and recognized \$2,857 and \$5,425 of shared savings in 2015 and 2014, respectively.

*Electronic Health Record (EHR) Incentives:* The American Recovery and Reinvestment Act of 2009 (ARRA) provides for incentive payments under the Medicare and Medicaid programs for certain hospitals and physician practices that demonstrate meaningful use of certified EHR technology. The incentive payments are calculated based upon estimated discharges, charity care and other input data and are recorded upon the Alliance's attainment of program and attestation criteria. The incentive payments are subject to regulatory audit. During the years ending June 30, 2015 and 2014, the Alliance recognized EHR incentive revenues of \$1,883 and \$18,269, respectively. EHR incentive revenues are included in other revenue, gains and support in the accompanying Consolidated Statements of Operations. The Alliance incurs both capital expenditures and operating expenses in connection with the implementation of its various EHR initiatives. The amount and timing of these expenditures does not directly correlate with the timing of the Alliance's receipt or recognition of the EHR incentive payments.

*Medical Costs:* The cost of health care services is recognized in the period in which services are provided. Medical costs include an estimate of the cost of services provided to members by third-party providers, which have been incurred but not reported.

*Subsequent Events:* The Alliance evaluated all events or transactions that occurred after June 30, 2015, through October 28, 2015, the date the consolidated financial statements were available to be issued. During this period management did not note any material recognizable subsequent events that required recognition or disclosure in the June 30, 2015 consolidated financial statements, other than as disclosed in Note P.

*Reclassifications:* Certain 2014 amounts have been reclassified to conform with the 2015 presentation in the accompanying consolidated financial statements.

*New Accounting Pronouncements:* In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*. Under ASU 2014-09, recognition of revenue occurs when a customer obtains control of promised goods or services in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In addition, the accounting standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The standard is effective for fiscal years beginning after December 15, 2017. Management is currently evaluating the impact of adopting the accounting standard.

**MOUNTAIN STATES HEALTH ALLIANCE**

***Notes to Consolidated Financial Statements - Continued***  
***(Dollars in Thousands)***

***Years Ended June 30, 2015 and 2014***

**NOTE C--INVESTMENTS**

Assets limited as to use are summarized by designation or restriction as follows at June 30:

	<u>2015</u>	<u>2014</u>
Designated or restricted:		
Under safekeeping agreements	\$ 8,221	\$ 8,220
By Board to satisfy regulatory requirements	1,529	6,759
Under bond indenture agreements:		
For debt service and interest payments	53,812	55,123
For capital acquisitions	8,507	16,127
	<u>72,069</u>	<u>86,229</u>
Less: amount required to meet current obligations	(19,598)	(25,029)
	<u>\$ 52,471</u>	<u>\$ 61,200</u>

Assets limited as to use consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 49,665	\$ 54,437
U.S. Government and agency securities	19,757	28,518
Corporate and foreign bonds	860	2,354
Municipal obligations	1,787	920
	<u>\$ 72,069</u>	<u>\$ 86,229</u>

Held-to-maturity securities (other than assets limited as to use) are carried at amortized cost and consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 2,781	\$ 220
Corporate and foreign bonds	30,967	35,131
Municipal obligations	5,765	3,408
	<u>\$ 39,513</u>	<u>\$ 38,759</u>

Held-to-maturity securities had gross unrealized gains and losses of \$98 and \$425, respectively, at June 30, 2015 and \$206 and \$456, respectively, at June 30 2014. At June 30, 2015, the Alliance held securities within the held-to-maturity portfolio with a fair value and unrealized loss of \$12,710

## MOUNTAIN STATES HEALTH ALLIANCE

### *Notes to Consolidated Financial Statements - Continued* *(Dollars in Thousands)*

#### *Years Ended June 30, 2015 and 2014*

and \$359, respectively, which had been at an unrealized loss position for over one year. At June 30, 2014, the Alliance held securities within the held-to-maturity portfolio with a fair value and unrealized loss of \$13,513 and \$456, respectively, which had been at an unrealized loss position for over one year. At June 30, 2015, the contractual maturities of held-to-maturity securities were \$10,020 due in one year or less, \$16,580 due from one to five years and \$12,913 due after five years.

Trading securities consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
Cash and cash equivalents	\$ 20,789	\$ 50,623
U.S. Government and agency securities	76,167	69,805
Corporate and foreign bonds	95,726	96,749
Municipal obligations	23,330	21,409
U.S. equity securities	5,419	1,868
Mutual funds	293,983	253,301
Alternative investments	87,144	54,761
	<u>\$ 602,558</u>	<u>\$ 548,516</u>

The net investment gain is comprised of the following for the years ending June 30:

	<u>2015</u>	<u>2014</u>
Interest and dividend income, net of fees	\$ 13,894	\$ 12,074
Net realized gains on the sale of securities	9,260	15,311
Change in net unrealized gains on securities	(6,138)	23,318
	<u>\$ 17,016</u>	<u>\$ 50,703</u>

The Alliance is a member of Premier Inc.'s (Premier) group purchasing organization and holds Class B Units which are convertible into cash or Class A common stock over a seven year vesting period. The Alliance records an investment relative to the estimated fair value of its Class B units, \$14,724 and \$14,713 at June 30, 2015 and 2014, respectively. In addition, as the vesting period is tangential to the Alliance's continued participation in the group purchasing contract, the Alliance recorded a liability equivalent to the estimated fair value of the Class B units, which is included within other long-term liabilities in the Consolidated Balance Sheets. The liability is being amortized as a vendor incentive over the vesting period. During 2015 and 2014, the Alliance recognized \$4,045 and \$2,933, respectively, related to the vendor incentive which is included within other revenue, gains and support in the Consolidated Statements of Operations.

## MOUNTAIN STATES HEALTH ALLIANCE

### *Notes to Consolidated Financial Statements - Continued* *(Dollars in Thousands)*

*Years Ended June 30, 2015 and 2014*

#### NOTE D--DERIVATIVE TRANSACTIONS

The Alliance is subject to an enforceable master netting arrangement in the form of an ISDA agreement with Bank of America, Merrill Lynch (BofAML). The ISDA agreement requires that the Alliance post additional collateral for the derivatives' fair market value deficits above specified levels. As of June 30, 2015 and 2014, the Alliance was not required to post additional collateral. Under the terms of this agreement, offsetting of derivative contracts is permitted in the event of default of either party to the agreement.

The following is a summary of the interest rate swap agreements at June 30, 2015 and 2014:

<i>Notional Amount</i>	<i>Termination</i>	<i>Counterparty</i>	<i>Current Payments:</i>		<i>Estimated Fair Value</i>	
			<i>Receive</i>	<i>Pay</i>	<i>2015</i>	<i>2014</i>
\$170,000	4/2026	BofAML	1.14%	0.00%	\$ 5,205	\$ 3,089
\$95,000	4/2026	BofAML	1.14%	0.00%	2,929	1,748
\$173,030	4/2034	BofAML	1.16%	0.00%	884	(1,884)
\$82,055	7/2033	BofAML	67% USD-LIBOR- BBA	0.312% + USD-SIFMA	(8,253)	(9,365)
\$50,000	7/2038	BofAML	67% (USD-LIBOR- BBA + 0.15%)	USD-SIFMA	(3,351)	(4,210)
\$19,400	7/2018	BofAML	4.50%	1.05% + USD-SIFMA	48	63
\$4,293	7/2015	First Tennessee Bank	0.00%	USD-LIBOR- BBA	(3)	(44)
					<u>\$ (2,541)</u>	<u>\$ (10,603)</u>

The Alliance recognized net settlement income on the interest rate swap agreements of \$6,172 and \$5,980 in 2015 and 2014, respectively.

## MOUNTAIN STATES HEALTH ALLIANCE

### *Notes to Consolidated Financial Statements - Continued* *(Dollars in Thousands)*

*Years Ended June 30, 2015 and 2014*

#### NOTE E--PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following at June 30:

	<u>2015</u>	<u>2014</u>
Land	\$ 60,337	\$ 60,722
Buildings and leasehold improvements	766,089	760,853
Property and improvements held for leasing	83,582	80,824
Equipment and information technology infrastructure	733,315	700,748
Buildings and equipment held under capital lease	249	340
	<u>1,643,572</u>	<u>1,603,487</u>
Less: Allowances for depreciation and amortization	(815,105)	(757,641)
	<u>828,467</u>	<u>845,846</u>
Construction in progress	18,622	35,583
	<u>\$ 847,089</u>	<u>\$ 881,429</u>

Accumulated depreciation and amortization on property and improvements held for leasing purposes is \$29,520 and \$27,500 at June 30, 2015 and 2014, respectively. Net interest capitalized was \$925 and \$1,533 for the years ended June 30, 2015 and 2014, respectively.

#### NOTE F--LONG-TERM DEBT AND OTHER FINANCING ARRANGEMENTS

Long-term debt and capital lease obligations consist of the following at June 30:

<i>Description</i>	<i>Rate as of June 30, 2015</i>	<i>Outstanding Balance</i>	
		<i>2015</i>	<i>2014</i>
<b>2013 Hospital Revenue and Refunding Revenue Bonds:</b>			
\$61,180 variable rate tax-exempt term bond, due August 2031	1.15%	\$ 327,785	\$ 328,665
\$47,970 variable rate tax-exempt term bond, due August 2032	0.93%		
\$13,350 variable rate tax-exempt term bond, due August 2038	1.15%		
\$89,370 variable rate tax-exempt term bonds, due August 2042	1.12% - 1.23%		
\$16,235 variable rate tax-exempt term bond, due August 2043	0.07%		
\$99,680 variable rate taxable term bond due August 2043	0.12%		
<b>2012 Hospital Revenue Bonds:</b>			
(net of unamortized premium of \$1,696 and \$1,756 at June 30, 2015 and 2014, respectively)			
\$55,000 fixed rate tax-exempt term bond, due August 2042	5.00%	56,696	56,756
<b>2011 Hospital Revenue and Refunding and Improvement Bonds:</b>			
\$74,795 variable rate tax-exempt term bonds, due July 2033	0.08%	94,320	104,710
\$19,525 variable rate tax-exempt term bond, due July 2033	1.11%		

## MOUNTAIN STATES HEALTH ALLIANCE

### Notes to Consolidated Financial Statements - Continued (Dollars in Thousands)

#### Years Ended June 30, 2015 and 2014

<i>Description</i>	<i>Rate as of June 30, 2015</i>	<i>Outstanding Balance</i>	
		<i>2015</i>	<i>2014</i>
<b>2010 Hospital Revenue Refunding Bonds:</b>			
(net of unamortized premium of \$1,441 and \$1,523 at June 30, 2015 and 2014, respectively)			
\$33,960 fixed rate tax-exempt serial bonds, through 2020	4.00% to 5.00%	173,271	180,993
\$4,355 fixed rate tax-exempt term bond, due July 2023	5.00%		
\$14,985 fixed rate tax-exempt term bond, due July 2025	5.38%		
\$4,250 fixed rate tax-exempt term bond, due July 2028	5.50%		
\$19,230 fixed rate tax-exempt term bond, due July 2030	5.63%		
\$95,050 fixed rate tax-exempt term bonds, due July 2038	6.00% - 6.50%		
<b>2009 Hospital Revenue Bonds:</b>			
(net of unamortized discount of \$2,176 and \$2,267 at June 30, 2015 and 2014, respectively)			
\$14,425 fixed rate tax-exempt term bonds, due July 2019	7.25%	117,264	119,813
\$21,730 fixed rate tax-exempt term bonds, due July 2029	7.50%		
\$83,285 fixed rate tax-exempt term bonds, due July 2038	7.75% - 8.00%		
<b>2007B Taxable Hospital Revenue Bonds:</b>			
\$15,920 variable rate taxable term bond due July 2019	0.12%	15,920	19,515
<b>2006 Hospital First Mortgage Revenue Bonds:</b>			
(net of unamortized premium of \$123 and \$129 at June 30, 2015 and 2014, respectively)			
\$3,965 fixed rate tax-exempt serial bonds, through 2019	5.00%	167,143	167,864
\$7,375 fixed rate tax-exempt term bond, due July 2026	5.25%		
\$20,505 fixed rate tax-exempt term bond, due July 2031	5.50%		
\$135,175 fixed rate tax-exempt term bond, due July 2036	5.50%		
<b>2001 Hospital First Mortgage Revenue Bond:</b>			
\$19,400 fixed rate tax-exempt term bond, due July 2026	4.50%	19,400	20,400
<b>2000 Hospital First Mortgage Revenue and Refunding Bonds:</b>			
\$42,000 fixed rate tax-exempt term bond, due July 2026	8.50%	81,538	81,006
\$39,538 fixed rate tax-exempt Capital Appreciation Bond, interest and principal due July 2026 through 2030	6.63%		
<b>Capitalized lease obligations secured by equipment</b>			
Various monthly principal and interest payments through December 2016	Various	350	806
<b>Notes payable secured by real estate</b>			
Paid-off in 2015	Various	-	5,542
<b>Promissory notes secured by assets of certain subsidiaries</b>			
Various monthly principal and interest payments through 2019	Various	1,705	1,944
<b>Term note</b>			
Monthly principal payments of \$60 plus variable rate interest beginning November 2012 through September 2015; remaining principal due October 2015	1.17%	16,160	16,883
<b>Notes payable secured by equipment</b>			
Various monthly principal and interest payments through 2016	Various	395	790
		<u>1,071,947</u>	<u>1,105,687</u>
Less current portion		<u>(40,286)</u>	<u>(30,618)</u>
		<u>\$ 1,031,661</u>	<u>\$ 1,075,069</u>

## **MOUNTAIN STATES HEALTH ALLIANCE**

### ***Notes to Consolidated Financial Statements - Continued (Dollars in Thousands)***

#### ***Years Ended June 30, 2015 and 2014***

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***Capital Appreciation Bonds:*** The Series 2000 Bonds include \$14,680 of insured Capital Appreciation Bonds. Such bonds bear a 0% coupon rate and have a yield of 6.625% annually. The Alliance recognizes interest expense and increases the amount of outstanding debt each year based upon this yield. Total principal and interest due at maturity (2026 through 2030) is \$93,675.

***Other:*** Outstanding tax-exempt bond obligations that were insured under municipal bond insurance policies were \$81,538 and \$81,006 at June 30, 2015 and 2014, respectively. Under terms of these policies, the insurer guarantees the Alliance's payment of principal and interest. At June 30, 2015 and 2014, the Alliance held \$206,630 and \$212,360, respectively, in variable rate demand bonds with letter of credit support and \$231,395 and \$240,530, respectively, in variable rate bonds held under direct purchase agreements.

***Early Redemption:*** Essentially all of the Alliance's bonds are subject to redemption prior to maturity, including optional, mandatory sinking fund and extraordinary redemption, at various dates and prices as described in the respective Bond indentures and other documents.

***Derecognized Bonds:*** In previous years, the Alliance advance refunded debt by placing required funds in irrevocable trusts in order to satisfy remaining scheduled principal and interest payments of the outstanding debt. Management, upon advice of legal counsel, believes the amounts deposited in such irrevocable trust accounts have contractually relieved the Alliance of any future obligations with respect to this debt. Debt outstanding and not recognized in the Consolidated Balance Sheet at June 30, 2015 due to previous advance refundings totaled \$185,470.

The assets placed in the irrevocable trust accounts are also not recognized as assets of the Alliance. These assets consist primarily of various investments, as permitted by bond indentures and other documents, including United States Treasury obligations, an investment contract with MBIA Insurance Corporation (MBIA) in the original amount of \$54,300, as well as the Series 2000C and 2000D Bonds which were purchased with the proceeds of the 2000A and 2000B Bonds specifically for the purpose of utilizing the Series 2000C and 2000D Bonds in the irrevocable trust. Therefore, certain of the assets held in the irrevocable trust accounts have future income streams contingent upon payments by the Alliance.

***Financing Arrangements:*** The Alliance granted a deed of trust on Johnson City Medical Center and Sycamore Shoals Hospital to secure the payment of the outstanding bond indebtedness. The bonds are also secured by the Alliance's receivables, inventories and other assets as well as certain funds held under the documents pursuant to which the bonds were issued. The Johnston Memorial Hospital, Inc. and Subsidiaries (JMH) Series 2011 Hospital Refunding and Improvement Revenue Bonds are secured by pledged revenues of JMH, as defined in the Credit Agreement.

## MOUNTAIN STATES HEALTH ALLIANCE

### *Notes to Consolidated Financial Statements - Continued* *(Dollars in Thousands)*

#### *Years Ended June 30, 2015 and 2014*

Certain members of the Alliance and JMH are each members of separate Obligated Groups. The bond indentures, master trust indentures, letter of credit agreements and loan agreements related to the various bond issues and notes payable contain covenants with which the respective Obligated Groups must comply. These requirements include maintenance of certain financial and liquidity ratios, deposits to trustee funds, permitted indebtedness, use of facilities and disposals of property. These covenants also require that failure to meet certain debt service coverage tests will require the deposit of all daily cash receipts of the Alliance into a trust fund. Management has represented the Alliance and JMH are in compliance with all such covenants at June 30, 2015.

The scheduled maturities and mandatory sinking fund payments of the long-term debt and capital lease obligations (excluding interest), exclusive of net unamortized original issue discount and premium, at June 30, 2015 are as follows:

<u>Year Ending June 30,</u>	
2016	\$ 40,286
2017	24,112
2018	24,793
2019	25,926
2020	27,048
Thereafter	<u>928,699</u>
	1,070,864
Net premium	<u>1,083</u>
	<u>\$ 1,071,947</u>

#### NOTE G--SELF-INSURANCE PROGRAMS

The Alliance is substantially self-insured for professional and general liability claims and related expenses. The Alliance maintains a \$25,000 umbrella liability policy that attaches over the self-insurance limits of \$10,000 per claim and a \$15,000 annual aggregate retention. The Alliance's insurance program also provides professional liability coverage for certain affiliates and joint ventures.

The Alliance is also substantially self-insured for workers' compensation claims in the State of Tennessee and has established estimated liabilities for both reported and unreported claims. The Alliance maintains a stop-loss policy that attaches over the self-insurance limits of \$1,000 per occurrence. In the State of Virginia, the Alliance is not self-insured and maintains workers' compensation insurance through commercial carriers.

## MOUNTAIN STATES HEALTH ALLIANCE

### *Notes to Consolidated Financial Statements - Continued* *(Dollars in Thousands)*

#### *Years Ended June 30, 2015 and 2014*

At June 30, 2015, the Alliance is involved in litigation relating to medical malpractice and workers' compensation and other claims arising in the ordinary course of business. There are also known incidents occurring through June 30, 2015 that may result in the assertion of additional claims, and other unreported claims may be asserted arising from services provided in the past. Management has estimated and accrued for the cost of these unreported claims based on historical data and actuarial projections. The estimated net present value of malpractice and workers' compensation claims, both reported and unreported, as of June 30, 2015 and 2014 was \$12,616 and \$13,220, respectively. The discount rate utilized was 5% at June 30, 2015 and 2014.

Additionally, the Alliance is self-insured for employee health claims and recognizes expense each year based upon actual claims paid and an estimate of claims incurred but not yet paid. Such amount is included in accounts payable and accrued expenses in the Consolidated Balance Sheets.

#### NOTE H--NET PATIENT SERVICE REVENUE

Patient service revenue, net of contractual allowances and discounts, is composed of the following for the years ended June 30:

	<u>2015</u>	<u>2014</u>
Third-party payers	\$ 965,865	\$ 933,491
Patients	151,089	113,276
Patient service revenue	<u>\$ 1,116,954</u>	<u>\$ 1,046,767</u>

Patient deductibles and copayments under third-party payment programs are included within the patient amounts above.

The Alliance also provides services to uninsured and underinsured patients that do not qualify for financial assistance. Based on historical experience, a significant portion of uninsured and underinsured patients are unable or unwilling to pay the portion of their bill for which they are financially responsible, and a significant provision for bad debts is recorded in the period the services are provided.

The Alliance's allowance for doubtful accounts totaled \$73,805 and \$47,853 at June 30, 2015 and 2014, respectively. The allowance for doubtful accounts increased from 23% of patient accounts receivable, net of contractual allowances in 2014 to 31% of patient accounts receivable, net of contractual allowances in 2015. The increase is mainly related to the growing popularity of high-deductible insurance plans resulting in higher deductibles and out-of-pocket costs for patients. Management's estimate of the allowance for doubtful accounts is an estimate subject to change in the

## **MOUNTAIN STATES HEALTH ALLIANCE**

### ***Notes to Consolidated Financial Statements - Continued*** ***(Dollars in Thousands)***

#### ***Years Ended June 30, 2015 and 2014***

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near term. The provision for bad debts associated with the Alliance's ancillary service lines are not significant.

#### **NOTE I--THIRD-PARTY REIMBURSEMENT**

The Alliance renders services to patients under contractual arrangements with Medicare, Medicaid, TennCare and various other commercial payers. The Medicare program pays for inpatient services on a prospective basis. Payments are based upon diagnosis related group assignments, which are determined by the patient's clinical diagnosis and medical procedures utilized. The Alliance also receives additional payments from Medicare based on the provision of services to a disproportionate share of Medicaid and other low income patients. Most Medicare outpatient services are reimbursed on a prospectively determined payment methodology. The Medicare program also reimburses certain other services on the basis of reasonable cost, subject to various prescribed limitations and reductions.

Reimbursement under the State of Tennessee's Medicaid waiver program (TennCare) for inpatient and outpatient services is administered by various managed care organizations (MCOs) and is based on diagnosis related group assignments, a negotiated per diem or fee schedule basis. The Alliance also receives additional supplemental payments from the State of Tennessee and Medicaid. These payments recognized totaled \$10,386 and \$10,860 for the years ended June 30, 2015 and 2014, respectively.

The Virginia Medicaid program reimbursement for inpatient hospital services is based on a prospective payment system using both a per case and per diem methodology. Additional payments are made for the allowable costs of capital. Payments for outpatient services are transitioning from cost-based reimbursement principles to a prospective payment system. Full implementation of this transition is expected to take place over multiple years.

Amounts earned under the contractual agreements with the Medicare and Medicaid programs are subject to review and final determination by fiscal intermediaries and other appropriate governmental authorities or their agents. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. The impact of final settlements of cost reports or changes in estimates increased net patient service revenue by \$3,076 and \$6,201 in 2015 and 2014, respectively.

Activity with respect to audits and reviews of the governmental programs in the healthcare industry has increased and is expected to increase in the future. No additional specific reserves or allowances have been established with regard to these increased audits and reviews as management is not able to estimate such amounts, if any. Management believes that any adjustments from these increased audits and reviews will not have a material adverse impact on the consolidated financial statements.

## **MOUNTAIN STATES HEALTH ALLIANCE**

### ***Notes to Consolidated Financial Statements - Continued (Dollars in Thousands)***

#### ***Years Ended June 30, 2015 and 2014***

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However, due to uncertainties in the estimation, it is at least reasonably possible that management's estimate will change in 2016, although the amount of any change cannot be estimated.

Participation in the Medicare program subjects the Alliance to significant rules and regulations; failure to adhere to such could result in fines, penalties or expulsion from the program. Management believes that adequate provision has been made for any adjustments, fines or penalties which may result from final settlements or violations of other rules or regulations. Management has represented that the Alliance is in substantial compliance with these rules and regulations as of June 30, 2015.

The Alliance has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, preferred provider organizations and employer groups. The basis for payment under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

#### **NOTE J--EMPLOYEE BENEFIT PLANS**

The Alliance sponsors a defined contribution retirement plan (the Plan) which covers substantially all employees. The Alliance makes contributions to the Plan under a stratified system, whereby the Alliance's contribution percentage is based on each employee's years of service. Employees of certain other subsidiaries are covered by other plans, although such plans are not significant. The total expense related to defined contribution plans for the years ended June 30, 2015 and 2014 was \$15,601 and \$13,850, respectively.

NCH maintains a frozen defined benefit pension plan and a frozen post-retirement employee benefit plan. The accrued unfunded pension liability was \$1,806 and \$2,086, and the accrued unfunded post-retirement liability was \$6,307 and \$5,857 at June 30, 2015 and 2014, respectively.

The Alliance sponsors a secured executive benefit program (SEBP) for certain key executives. Contributions to the plan by the Alliance are based on an annual amount of funding necessary to produce a target benefit for the participants at their retirement dates, although the Alliance does not guarantee any level of benefit will be achieved. The Alliance contributed \$1,727 and \$511 to the plan during 2015 and 2014, respectively. Other assets at June 30, 2015 and 2014 include \$13,030 and \$11,302, respectively, related to the Alliance's portion of the benefits which are recoverable upon the death of the participant. In addition, the Alliance sponsors a Section 457(f) plan for certain key executives. Contributions to the Section 457(f) plan during 2015 and 2014 were not significant.

#### **NOTE K--CONCENTRATION OF RISK**

The Alliance has locations primarily in upper East Tennessee and Southwest Virginia, a geographic concentration. The Alliance grants credit without collateral to its patients, most of whom are local

## MOUNTAIN STATES HEALTH ALLIANCE

### *Notes to Consolidated Financial Statements - Continued (Dollars in Thousands)*

#### *Years Ended June 30, 2015 and 2014*

residents and are insured under third-party payer agreements. Net patient service revenue from Washington County, Tennessee acute-care operations was approximately 52% of total net patient service revenue in 2015 and 2014.

The mix of receivables from patients and third-party payers based on charges at established rates is as follows as of June 30. The patient responsibility related to charges for which the third-party has not yet paid is included within the third-party payer categories.

	<u>2015</u>	<u>2014</u>
Medicare	41%	39%
TennCare/Medicaid	15%	18%
Commercial	26%	28%
Other third-party payers	8%	8%
Patients	10%	7%
	<u>100%</u>	<u>100%</u>

Approximately 91% and 88% of the consolidated total revenue, gains and support were related to the provision of healthcare services during 2015 and 2014, respectively. Admitting physicians are primarily practitioners in the regional area.

The Hospital maintains bank accounts at various financial institutions covered by the Federal Deposit Insurance Corporation (FDIC). At times throughout the year, the Alliance may maintain bank account balances in excess of the FDIC insured limit. Management believes the credit risk associated with these deposits is not significant.

The Alliance routinely invests in investment vehicles as listed in Note C. The Alliance's investment portfolio is managed by outside investment management companies. Investments in corporate and foreign bonds, municipal obligations, money market funds, equities and other vehicles that are held by safekeeping agents are not insured or guaranteed by the U.S. government.

#### NOTE L--INCOME TAXES

BRMM and its subsidiaries file a consolidated federal tax return and separate state tax returns. As of June 30, 2015 and 2014, BRMM and its subsidiaries had net operating loss carryforwards for consolidated federal purposes of \$30,700 and \$27,085, respectively, related to operating loss carryforwards, which expire through 2033. At June 30, 2015 and 2014, BRMM had state net operating loss carryforwards of \$75,619 and \$74,191, respectively, which expire through 2029. The net operating loss carryforwards may be offset against future taxable income to the extent permitted by the Internal Revenue Code and Tennessee Code Annotated.

## MOUNTAIN STATES HEALTH ALLIANCE

### *Notes to Consolidated Financial Statements - Continued* *(Dollars in Thousands)*

#### *Years Ended June 30, 2015 and 2014*

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Net deferred tax assets related to these carryforwards and other deferred tax assets have been substantially offset through valuation allowances equal to these amounts. Income taxes paid relate primarily to state taxes for certain subsidiaries and federal alternative minimum tax.

#### NOTE M--OTHER COMMITMENTS AND CONTINGENCIES

*Construction in Progress:* Construction in progress at June 30, 2015 represents costs incurred related to various hospital and medical office building facility renovations and additions and information technology infrastructure. The Alliance has outstanding contracts and other commitments related to the completion of these projects, and the cost to complete these projects is estimated to be \$30,508 at June 30, 2015. The Alliance does not expect any significant costs to be incurred for infrastructure improvements to assets held for resale.

*Employee Scholarships:* The Alliance offers scholarships to certain individuals which require that the recipients return to the Alliance to work for a specified period of time after they complete their degrees. Amounts due are then forgiven over a specific period of time as provided in the individual contracts. If the recipient does not return and work the required period of time, the funds disbursed on their behalf become due immediately, and interest is charged until the funds are repaid. Other receivables at June 30, 2015 and 2014 include \$7,095 and \$8,685, respectively, related to students in school, graduates working at the Alliance and amounts due from others who are no longer in the scholarship program, net of an estimated allowance.

*Operating Leases and Maintenance Contracts:* Total lease expense for the years ended June 30, 2015 and 2014 was \$7,414 and \$7,901, respectively. Future minimum lease payments for each of the next five years and in the aggregate for the Alliance's noncancellable operating leases with remaining lease terms in excess of one year are as follows:

<u>Year Ending June 30,</u>	
2016	\$ 7,346
2017	4,614
2018	3,605
2019	3,279
2020	2,481
Thereafter	11,240
	<u>\$ 32,565</u>

## MOUNTAIN STATES HEALTH ALLIANCE

### *Notes to Consolidated Financial Statements - Continued* *(Dollars in Thousands)*

*Years Ended June 30, 2015 and 2014*

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#### NOTE N--FAIR VALUE MEASUREMENT

The fair value of financial instruments has been estimated by the Alliance using available market information as of June 30, 2015 and 2014, and valuation methodologies considered appropriate. The estimates presented are not necessarily indicative of amounts the Alliance could realize in a current market exchange. The carrying value of substantially all financial instruments approximates fair value due to the nature or term of the instruments, except as described below.

*Held-to-Maturity Securities:* The estimated fair value of the Alliance's held-to-maturity securities at June 30, 2015 and 2014, is \$39,186 and \$38,508, respectively, and would be classified in level 2 of the fair value hierarchy (described below). The fair value is based on prices provided by the Alliance's investment managers and its custodian bank, which use a variety of pricing sources to determine market valuations.

*Investment in Joint Ventures:* It is not practical to estimate the fair market value of the investments in joint ventures.

*Estimated Professional Liability Self-Insurance and Other Long-Term Liabilities:* Estimates of reported and unreported professional liability claims, pension and post-retirement liabilities are discounted to approximate their estimated fair value. It is not practical to estimate the fair market value of other long-term liabilities.

*Long-Term Debt:* The estimated fair value of the Alliance's long-term debt at June 30, 2015 and 2014, is \$1,130,580 and \$1,172,357, respectively, and would be classified in Level 2 in the fair value hierarchy. The fair value of long-term debt is estimated based upon quotes obtained from brokers for bonds and discounted future cash flows using current market rates for other debt. For long-term debt with variable interest rates, the carrying value approximates fair value.

FASB Accounting Standards Codification 820 establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 - Inputs based on quoted market prices for identical assets or liabilities in active markets at the measurement date.
- Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can

## MOUNTAIN STATES HEALTH ALLIANCE

### Notes to Consolidated Financial Statements - Continued (Dollars in Thousands)

#### Years Ended June 30, 2015 and 2014

- be corroborated by observable market data. The Alliance's Level 2 investments are valued primarily using the market valuation approach.
- Level 3 - Unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities. Level 3 includes values determined using pricing models, discounted cash flow methodologies, or similar techniques reflecting the Alliance's own assumptions.

In instances where the determination of the fair value hierarchy measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Alliance's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The following table sets forth, by level within the fair value hierarchy, the financial instruments measured at fair value as of June 30, 2015 and 2014:

	<i>Total</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
<b>June 30, 2015</b>				
Cash and cash equivalents	\$ 70,439	\$ 70,439	\$ -	\$ -
U.S. Government and agency securities	88,083	88,083	-	-
Corporate and foreign bonds	96,586	-	96,586	-
Municipal obligations	23,329	-	23,329	-
U.S. equity securities	5,419	5,419	-	-
Mutual funds	293,983	212,323	81,660	-
Alternative investments	87,144	-	72,420	14,724
<b>Total assets</b>	<b>\$ 664,983</b>	<b>\$ 376,264</b>	<b>\$ 273,995</b>	<b>\$ 14,724</b>
Derivative agreements	\$ (2,541)	\$ -	\$ -	\$ (2,541)
<b>June 30, 2014</b>				
Cash and cash equivalents	\$ 98,956	\$ 98,956	\$ -	\$ -
U.S. Government and agency securities	90,474	90,474	-	-
Corporate and foreign bonds	99,103	-	99,103	-
Municipal obligations	21,409	-	21,409	-
U.S. equity securities	1,868	1,868	-	-
Mutual funds	253,301	177,067	76,234	-
Alternative investments	69,474	-	54,761	14,713
<b>Total assets</b>	<b>\$ 634,585</b>	<b>\$ 368,365</b>	<b>\$ 251,507</b>	<b>\$ 14,713</b>
Derivative agreements	\$ (10,603)	\$ -	\$ -	\$ (10,603)

## MOUNTAIN STATES HEALTH ALLIANCE

### *Notes to Consolidated Financial Statements - Continued* *(Dollars in Thousands)*

#### *Years Ended June 30, 2015 and 2014*

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Fair values for the Alliance's fixed maturity securities are based on prices provided by the Alliance's investment managers and its custodian bank, which use a variety of pricing sources to determine market valuations. Fair values of equity securities have been determined by the Alliance from market quotations.

*Alternative Investments:* The Alliance generally uses net asset value per unit as provided by external investment managers without further adjustment as the practical expedient estimate of the fair value of its alternative investment in a real estate fund. Accordingly, such values may differ from values that would have been used had an active market for the investments existed. The real estate fund invests primarily in U.S. commercial real estate. The Alliance may request redemption of all or a portion of its interests as of the end of a calendar quarter by delivering written notice to the fund managers at least 60 days prior to the end of the quarter. Such redemptions are subject to the capital requirements of the fund manager.

The Alliance's investment in Premier Class B units does not have a readily determinable fair value and have been reported at estimated fair market value. The significant unobservable inputs primarily relate to management's estimate of the discount for lack of marketability of 12%. Accordingly, such value may differ from values that would have been used had an active market for the investment existed and as such it has been classified in Level 3 of the fair value hierarchy.

*Derivative Agreements:* The valuation of the Alliance's derivative agreements is determined using market valuation techniques, including discounted cash flow analysis on the expected cash flows of each agreement. This analysis reflects the contractual terms of the agreement, including the period to maturity, and uses certain observable market-based inputs. The fair values of interest rate agreements are determined by netting the discounted future fixed cash payments (or receipts) and the discounted expected variable cash receipts (or payments). The variable cash receipts (or payments) are based on the expectation of future interest rates and the underlying notional amount. The Alliance also incorporates credit valuation adjustments (CVAs) to appropriately reflect both its own nonperformance or credit risk and the respective counterparty's nonperformance or credit risk in the fair value measurements. The CVA on the Alliance's interest rate swap agreements at June 30, 2015 and 2014 resulted in a decrease in the fair value of the related liability of \$713 and \$4,584, respectively.

A certain portion of the inputs used to value its interest rate swap agreements, including the forward interest rate curves and market perceptions of the Alliance's credit risk used in the CVAs, are unobservable inputs available to a market participant. As a result, the Alliance has determined that the interest rate swap valuations are classified in Level 3 of the fair value hierarchy. Due to the nature of these financial instruments, such estimates of fair value are subject to significant change in the near term.

## MOUNTAIN STATES HEALTH ALLIANCE

### *Notes to Consolidated Financial Statements - Continued* *(Dollars in Thousands)*

#### *Years Ended June 30, 2015 and 2014*

The following tables provide a summary of changes in the fair value of the Alliance's Level 3 financial assets and liabilities during the fiscal years ended June 30, 2015 and 2014:

	<i>Alternative Investment</i>	<i>Derivatives, Net</i>
<b>July 1, 2013</b>	\$ -	\$ (8,185)
Total unrealized/realized losses	-	(2,761)
Net investment income	-	343
Additions	14,713	-
<b>June 30, 2014</b>	14,713	(10,603)
Total unrealized/realized gains	6,978	7,718
Net investment income	-	344
Settlements	(6,967)	-
<b>June 30, 2015</b>	<u>\$ 14,724</u>	<u>\$ (2,541)</u>

#### NOTE O--OPERATING EXPENSES BY FUNCTIONAL CLASSIFICATION

The Alliance does not present expense information by functional classification because its resources and activities are primarily related to providing healthcare services. Further, since the Alliance receives substantially all of its resources from providing healthcare services in a manner similar to business enterprises, other indicators contained in these consolidated financial statements are considered important in evaluating how well management has discharged their stewardship responsibilities.

#### NOTE P--SUBSEQUENT EVENTS

The Alliance and Wellmont Health System (Wellmont) have agreed to exclusively explore the creation of a new, integrated and locally governed health system. Wellmont operates six hospitals and numerous outpatient care sites, serving communities in Northeast Tennessee and Southwest Virginia. Wellmont and the Alliance have filed a letter of intent (LOI) with the Tennessee Department of Health, indicating the organizations will submit an application for a Certificate of Public Advantage (COPA). The two organizations have submitted a similar letter of intent with the Southwest Virginia Health Authority, signaling their intent to request approval by the commonwealth of the anticipated cooperative agreement between the two systems. A COPA in Tennessee and the cooperative agreement approval process in Virginia will allow Wellmont and the Alliance to merge, with the states actively supervising the proposed new health system to ensure it complies with the provisions of the COPA intended to contain costs and sustain high quality, affordable care. The two organizations are in the process of finalizing a definitive agreement. The date for expected completion of the merger has not been set but will not occur before state approval has been granted.

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**Supplemental Information**

**MOUNTAIN STATES HEALTH ALLIANCE**

***Consolidated Balance Sheets  
(Smyth County Community Hospital and Subsidiary and  
Norton Community Hospital and Subsidiaries)  
(Dollars in Thousands)***

***June 30, 2015***

	<b><i>Smyth County Community Hospital and Subsidiary</i></b>	<b><i>Norton Community Hospital and Subsidiaries</i></b>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 2,940	\$ 6,798
Patient accounts receivable, less estimated allowances for uncollectible accounts	6,295	11,137
Other receivables, net	156	310
Inventories and prepaid expenses	1,079	2,061
Estimated amounts due from third-party payers, net	793	292
<b>TOTAL CURRENT ASSETS</b>	<b>11,263</b>	<b>20,598</b>
INVESTMENTS, less amounts required to meet current obligations	24,807	30,451
PROPERTY, PLANT AND EQUIPMENT, net	67,550	50,275
<b>OTHER ASSETS</b>		
Net deferred financing, acquisition costs and other charges	139	210
Other assets	741	-
<b>TOTAL OTHER ASSETS</b>	<b>880</b>	<b>210</b>
	<b>\$ 104,500</b>	<b>\$ 101,534</b>

**MOUNTAIN STATES HEALTH ALLIANCE**

*Consolidated Balance Sheets - Continued  
(Smyth County Community Hospital and Subsidiary and  
Norton Community Hospital and Subsidiaries)  
(Dollars in Thousands)*

**June 30, 2015**

	<i>Smyth County Community Hospital and Subsidiary</i>	<i>Norton Community Hospital and Subsidiaries</i>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accrued interest payable	\$ 12	\$ 15
Current portion of long-term debt and capital lease obligations	134	110
Accounts payable and accrued expenses	2,323	6,245
Accrued salaries, compensated absences and amounts withheld	2,116	4,388
Payables to affiliates, net	342	89
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,927</b>	<b>10,847</b>
<b>OTHER LIABILITIES</b>		
Long-term debt and capital lease obligations, less current portion	15,830	20,985
Estimated professional liability self-insurance	442	632
Other long-term liabilities	1,178	8,200
<b>TOTAL LIABILITIES</b>	<b>22,377</b>	<b>40,664</b>
<b>NET ASSETS</b>		
Unrestricted net assets	82,114	60,734
Temporarily restricted net assets	9	136
<b>TOTAL NET ASSETS</b>	<b>82,123</b>	<b>60,870</b>
	<b>\$ 104,500</b>	<b>\$ 101,534</b>

**MOUNTAIN STATES HEALTH ALLIANCE**

***Consolidated Statements of Operations and Changes in Net Assets  
(Smyth County Community Hospital and Subsidiary and Norton  
Community Hospital and Subsidiaries)  
(Dollars in Thousands)***

***Year Ended June 30, 2015***

	<b><i>Smyth County Community Hospital and Subsidiary</i></b>	<b><i>Norton Community Hospital and Subsidiaries</i></b>
<b>UNRESTRICTED NET ASSETS:</b>		
<b>Revenue, gains and support:</b>		
Patient service revenue, net of contractual allowances and discounts	\$ 48,370	\$ 78,667
Provision for bad debts	(5,332)	(8,546)
Net patient service revenue	43,038	70,121
Net investment gain	651	746
Other revenue, gains and support	1,745	2,576
<b>TOTAL REVENUE, GAINS AND SUPPORT</b>	<b>45,434</b>	<b>73,443</b>
<b>Expenses and losses:</b>		
Salaries and wages	17,289	23,681
Physician salaries and wages	257	6,043
Contract labor	170	567
Employee benefits	4,365	8,965
Fees	9,050	8,326
Supplies	5,349	8,793
Utilities	978	1,286
Other	4,348	7,753
Depreciation	4,289	4,489
Amortization	8	30
Interest and taxes	156	257
<b>TOTAL EXPENSES AND LOSSES</b>	<b>46,259</b>	<b>70,190</b>
<b>EXCESS (DEFICIT) OF REVENUE, GAINS AND SUPPORT OVER EXPENSES AND LOSSES</b>	<b>(825)</b>	<b>3,253</b>
Pension and postretirement liability adjustments	-	(305)
<b>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</b>	<b>(825)</b>	<b>2,948</b>

**MOUNTAIN STATES HEALTH ALLIANCE**

*Consolidated Statements of Operations and Changes in Net Assets - Continued  
 (Smyth County Community Hospital and Subsidiary and Norton  
 Community Hospital and Subsidiaries)  
 (Dollars in Thousands)*

*Year Ended June 30, 2015*

	<i>Smyth County Community Hospital and Subsidiary</i>	<i>Norton Community Hospital and Subsidiaries</i>
<b>TEMPORARILY RESTRICTED NET ASSETS:</b>		
Restricted grants and contributions	8	134
Net assets released from restrictions	(8)	(160)
DECREASE IN TEMPORARILY RESTRICTED NET ASSETS	-	(26)
INCREASE (DECREASE) IN TOTAL NET ASSETS	(825)	2,922
NET ASSETS, BEGINNING OF YEAR	82,948	57,948
NET ASSETS, END OF YEAR	\$ 82,123	\$ 60,870

**MOUNTAIN STATES HEALTH ALLIANCE**

***Consolidating Balance Sheet  
(Obligated Group and Other Entities)  
(Dollars in Thousands)***

***June 30, 2015***

	<i>Obligated Group</i>	<i>Other Entities</i>	<i>Eliminations</i>	<i>Total</i>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 47,025	\$ 32,689	\$ -	\$ 79,714
Current portion of investments	19,598	-	-	19,598
Patient accounts receivable, less estimated allowance for uncollectible accounts	134,777	27,479	-	162,256
Other receivables, net	17,873	15,413	-	33,286
Inventories and prepaid expenses	25,427	8,542	-	33,969
<b>TOTAL CURRENT ASSETS</b>	<b>244,700</b>	<b>84,123</b>	<b>-</b>	<b>328,823</b>
INVESTMENTS, less amounts required to meet current obligations	458,373	236,169	-	694,542
EQUITY IN AFFILIATES	351,724	-	(351,724)	-
PROPERTY, PLANT AND EQUIPMENT, net	614,870	232,219	-	847,089
<b>OTHER ASSETS</b>				
Goodwill	152,600	3,996	-	156,596
Net deferred financing, acquisition costs and other charges	23,504	1,251	-	24,755
Other assets	44,738	8,302	-	53,040
<b>TOTAL OTHER ASSETS</b>	<b>220,842</b>	<b>13,549</b>	<b>-</b>	<b>234,391</b>
	<b>\$ 1,890,509</b>	<b>\$ 566,060</b>	<b>\$ (351,724)</b>	<b>\$ 2,104,845</b>

**MOUNTAIN STATES HEALTH ALLIANCE**

***Consolidating Balance Sheet – Continued  
(Obligated Group and Other Entities)  
(Dollars in Thousands)***

***June 30, 2015***

	<i>Obligated Group</i>	<i>Other Entities</i>	<i>Eliminations</i>	<i>Total</i>
<b>LIABILITIES AND NET ASSETS</b>				
<b>CURRENT LIABILITIES</b>				
Accrued interest payable	\$ 18,125	\$ 34	\$ -	\$ 18,159
Current portion of long-term debt and capital lease obligations	22,040	18,246	-	40,286
Accounts payable and accrued expenses	80,408	19,893	-	100,301
Accrued salaries, compensated absences and amounts withheld	54,519	17,547	-	72,066
Payables to (receivables from) affiliates, net	15,314	(15,314)	-	-
Estimated amounts due to third-party payers, net	3,909	872	-	4,781
<b>TOTAL CURRENT LIABILITIES</b>	<b>194,315</b>	<b>41,278</b>	<b>-</b>	<b>235,593</b>
<b>OTHER LIABILITIES</b>				
Long-term debt and capital lease obligations, less current portion	1,012,167	19,494	-	1,031,661
Estimated fair value of derivatives, net	2,541	-	-	2,541
Estimated professional liability self-insurance	7,362	1,099	-	8,461
Other long-term liabilities	35,176	3,507	-	38,683
<b>TOTAL LIABILITIES</b>	<b>1,251,561</b>	<b>65,378</b>	<b>-</b>	<b>1,316,939</b>
<b>NET ASSETS</b>				
<b>Unrestricted net assets</b>				
Mountain States Health Alliance	583,287	344,360	(344,360)	583,287
Noncontrolling interests in subsidiaries	42,160	143,222	5,736	191,118
<b>TOTAL UNRESTRICTED NET ASSETS</b>	<b>625,447</b>	<b>487,582</b>	<b>(338,624)</b>	<b>774,405</b>
<b>Temporarily restricted net assets</b>				
Mountain States Health Alliance	13,303	12,966	(12,966)	13,303
Noncontrolling interests in subsidiaries	71	7	(7)	71
<b>TOTAL TEMPORARILY RESTRICTED NET ASSETS</b>	<b>13,374</b>	<b>12,973</b>	<b>(12,973)</b>	<b>13,374</b>
<b>Permanently restricted net assets</b>				
	127	127	(127)	127
<b>TOTAL NET ASSETS</b>	<b>638,948</b>	<b>500,682</b>	<b>(351,724)</b>	<b>787,906</b>
	<b>\$ 1,890,509</b>	<b>\$ 566,060</b>	<b>\$ (351,724)</b>	<b>\$ 2,104,845</b>

**MOUNTAIN STATES HEALTH ALLIANCE**

***Consolidating Statement of Operations  
(Obligated Group and Other Entities)  
(Dollars in Thousands)***

***Year Ended June 30, 2015***

	<i>Obligated Group</i>	<i>Other Entities</i>	<i>Eliminations</i>	<i>Total</i>
<b>Revenue, gains and support:</b>				
Patient service revenue, net of contractual allowances and discounts	\$ 925,979	\$ 203,883	\$ (12,908)	\$ 1,116,954
Provision for bad debts	(104,724)	(22,795)	-	(127,519)
Net patient service revenue	821,255	181,088	(12,908)	989,435
Premium revenue	-	32,184	-	32,184
Net investment gain	12,486	4,530	-	17,016
Net derivative gain	13,195	695	-	13,890
Other revenue, gains and support	27,244	97,465	(88,138)	36,571
Equity in net gain of affiliates	716	10,275	(10,991)	-
<b>TOTAL REVENUE, GAINS AND SUPPORT</b>	<b>874,896</b>	<b>326,237</b>	<b>(112,037)</b>	<b>1,089,096</b>
<b>Expenses:</b>				
Salaries and wages	284,643	67,093	(6,581)	345,155
Physician salaries and wages	64,838	71,222	(55,781)	80,279
Contract labor	3,101	2,913	(598)	5,416
Employee benefits	66,881	17,443	(7,018)	77,306
Fees	97,754	35,093	(12,156)	120,691
Supplies	146,516	29,660	(126)	176,050
Utilities	12,981	3,798	(4)	16,775
Medical Costs	-	30,566	(12,183)	18,383
Other	61,323	26,524	(6,370)	81,477
Depreciation	51,307	15,903	-	67,210
Amortization	1,488	69	-	1,557
Interest and taxes	41,599	2,098	-	43,697
<b>TOTAL EXPENSES</b>	<b>832,431</b>	<b>302,382</b>	<b>(100,817)</b>	<b>1,033,996</b>
<b>EXCESS OF REVENUE, GAINS AND SUPPORT OVER EXPENSES AND LOSSES</b>	<b>\$ 42,465</b>	<b>\$ 23,855</b>	<b>\$ (11,220)</b>	<b>\$ 55,100</b>

**MOUNTAIN STATES HEALTH ALLIANCE**

**Consolidating Statement of Changes in Net Assets  
(Obligated Group and Other Entities)  
(Dollars in Thousands)**

**Year Ended June 30, 2015**

	Obligated Group		Total		Other Entities		Total	
	Mountain States Health Alliance	Noncontrolling Interests	Mountain States Health Alliance	Obligated Group	Mountain States Health Alliance	Noncontrolling Interests	Other Entities	Total
<b>UNRESTRICTED NET ASSETS:</b>								
Excess of Revenue, Gains and Support over Expenses and Losses	\$ 41,008	\$ 1,457	\$ 42,465	\$ 42,465	\$ 13,832	\$ 10,023	\$ 23,855	\$ 55,100
Pension and other defined benefit plan adjustments	(178)	(152)	(330)	(330)	(207)	(206)	(413)	(330)
Net assets released from restrictions used for the purchase of property, plant and equipment	478	-	478	478	478	-	478	478
Repurchases of noncontrolling interests, net	-	(1,000)	(1,000)	(1,000)	(458)	(14)	(472)	(1,014)
Distributions to noncontrolling interests	-	-	-	-	-	(355)	458	(355)
Net asset transfers	-	-	-	-	912	2,372	3,284	(3,284)
<b>INCREASE IN UNRESTRICTED NET ASSETS</b>	<b>41,308</b>	<b>305</b>	<b>41,613</b>	<b>41,613</b>	<b>14,557</b>	<b>11,820</b>	<b>26,377</b>	<b>53,879</b>
<b>TEMPORARILY RESTRICTED NET ASSETS:</b>								
Restricted grants and contributions	3,663	69	3,732	3,732	3,172	7	3,179	3,732
Net assets released from restrictions	(2,564)	(82)	(2,646)	(2,646)	(2,093)	(5)	(2,098)	(2,646)
<b>INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS</b>	<b>1,099</b>	<b>(13)</b>	<b>1,086</b>	<b>1,086</b>	<b>1,079</b>	<b>2</b>	<b>1,081</b>	<b>1,086</b>
<b>INCREASE IN TOTAL NET ASSETS</b>	<b>42,407</b>	<b>292</b>	<b>42,699</b>	<b>42,699</b>	<b>15,636</b>	<b>11,822</b>	<b>27,458</b>	<b>54,965</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>554,310</b>	<b>41,939</b>	<b>596,249</b>	<b>596,249</b>	<b>341,817</b>	<b>131,407</b>	<b>473,224</b>	<b>732,941</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 596,717</b>	<b>\$ 42,231</b>	<b>\$ 638,948</b>	<b>\$ 638,948</b>	<b>\$ 357,453</b>	<b>\$ 143,229</b>	<b>\$ 500,682</b>	<b>\$ 787,906</b>

See note to supplemental information.

## **MOUNTAIN STATES HEALTH ALLIANCE**

### ***Note to Supplemental Information***

***Year Ended June 30, 2015***

---

#### **NOTE A--OBLIGATED GROUP MEMBERS**

As described in Note F to the consolidated financial statements, the Alliance has granted a deed of trust on JCMC and SSH to secure the payment of the outstanding bonds. The bonds are also secured by the Alliance's receivables, inventories and other assets as well as certain funds held under the documents pursuant to which the bonds were issued. The members pledged pursuant to the Amended and Restated Master Trust Indenture between Mountain States Health Alliance and the Bank of New York Mellon Trust Company, NA as Master Trustee include Johnson City Medical Center Hospital, Indian Path Medical Center, Franklin Woods Community Hospital, Sycamore Shoals Hospital, Johnson County Community Hospital, Russell County Medical Center, Unicoi County Memorial Hospital, Norton Community Hospital (hospital only), Smyth County Community Hospital (hospital only) and Blue Ridge Medical Management Corporation (parent company only), collectively defined as the Obligated Group (Obligated Group).

The supplemental consolidating information includes the accounts of the members of the Obligated Group after elimination of all significant intergroup accounts and transactions. Certain other subsidiaries of the Alliance are not pledged to secure the payment of the outstanding bonds as they are not part of the Obligated Group. These affiliates have been accounted for within the Obligated Group based upon the Alliance's original and subsequent investments, as adjusted for the Alliance's pro rata share of income or losses and any distributions, and are included as a part of equity in affiliates in the supplemental consolidating balance sheet.

**ATTACHMENT C, CONTRIBUTION TO THE ORDERLY DEVELOPMENT  
OF HEALTH CARE, 7(B)**

- 1. Current Licensure from Tennessee Department of Health**
- 2. Official Accreditation Report Summary Statement from The Joint  
Commission**

# Board for Licensing Health Care Facilities



State of Tennessee

No. of Beds 0048  
0000000119

## DEPARTMENT OF HEALTH

*This is to certify, that a license is hereby granted by the State Department of Health to*

*\_\_\_\_\_ to conduct and maintain a*

MOUNTAIN STATES HEALTH ALLIANCE

*Hospital* UNICOI COUNTY MEMORIAL HOSPITAL, INC.

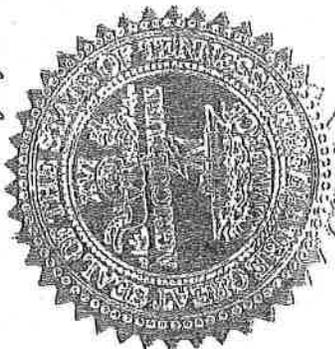
*Located at* 100 GREENWAY CIRCLE, ERWIN

*County of* UNICOI, Tennessee.

*This license shall expire* OCTOBER 10, 2016, and is subject to the provisions of Chapter 11, Tennessee Code Annotated. This license shall not be assignable or transferable, and shall be subject to revocation at any time by the State Department of Health, for failure to comply with the laws of the State of Tennessee or the rules and regulations of the State Department of Health issued thereunder.

*In Witness Whereof, we have hereunto set our hand and seal of the State this* 8TH *day of* SEPTEMBER, 2015.

*In the Distinct Category(ies) of:* GENERAL HOSPITAL  
PEDIATRIC BASIC HOSPITAL



*By* Jessie J. Davis, MPH  
DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

*By* M. J. Dyke, MD  
COMMISSIONER



## **Official Accreditation Report**

Unicoi County Memorial Hospital, Inc.  
100 Greenway Circle  
Erwin, TN 37650

**Organization Identification Number: 4245**

**Measure of Success Submitted: 7/20/2016**

**The Joint Commission**

**Executive Summary**

**Program(s)**  
Hospital Accreditation

**Submit Date**  
7/20/2016

**Hospital Accreditation :** As a result of the accreditation activity conducted on the above date(s), there were no Requirements for Improvement identified.

If you have any questions, please do not hesitate to contact your Account Executive.

Thank you for collaborating with The Joint Commission to improve the safety and quality of care provided to patients.

The Joint Commission

Requirements for Improvement – Summary

<b>Program</b>	<b>Standard</b>	<b>Level of Compliance</b>
HAP	EC.02.06.01	Compliant
HAP	MM.04.01.01	Compliant
HAP	PC.01.02.01	Compliant
HAP	PC.02.02.01	Compliant

**ATTACHMENT C,  
PROOF OF PUBLICATION**

**Publication of Intent,  
The Erwin Record**

Legals

Legals

Legals

Legals

**NOTIFICATION OF INTENT TO APPLY FOR A CERTIFICATE OF NEED**

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that:

Unicoi County Memorial Hospital, a hospital

owned by: Mountain States Health Alliance, with an ownership type of: Not-for-Profit Corporation

and to be managed by: itself intends to file an application for a Certificate of Need for the relocation and replacement of the existing hospital. The replacement facility will include 10 acute care beds and an emergency department with 10 treatment rooms. The replacement facility will be located at an unaddressed site on Temple Hill Road, Erwin, TN 37650. The project will result in the relocation of all other current services to the new facility, and no major services will be initiated or discontinued. The replacement facility will occupy 41,500 square feet. The estimated project cost is \$19,999,141.

The anticipated date of filing the application is: August 15th, 2016

The contact person for this project is Allison Rogers, VP, Strategic Planning

who may be reached at: Mountain States Health Alliance, 303 Med Tech Parkway, Suite #330

Johnson City, TN 37604

423/302-3378

Upon written request by interested parties, a local Fact-Finding public hearing shall be conducted. Written requests for hearing should be sent to:

Health Services and Development Agency  
 Andrew Jackson Building, 9th Floor  
 502 Deaderick Street  
 Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

water & sewer, 1,000 sq. ft., \$7,500  
 700 sq ft. wrapage \$2,500  
 Damage dep. 423-477-2967

**Taylor Office Building**

207 N. Boons Street,  
 Downtown Johnson City  
 Professional Office Suites  
 Now Available -  
 First Month Free!

Suites Sizes range from  
 250 sq.ft. - 2500 sq. ft.  
 1 to 3 year lease options.  
 All Utilities Included,  
 Daily Janitorial,  
 Ample Free Parking.

Contact Sam Taylor  
 at Property Experts,  
 631-0400 or 423-737-0051

**CRUISING AROUND for**

that best buy in town?

Check our Classified

Automotive section for  
 used car or truck.

Monte Vista, Roselewin Gardens  
 with 2 Markers, 2 vaults, open &  
 close of graves. Total package  
 value \$11,000 will sell for  
 \$8,850. New Owner will pay for  
 title transfer. **MUST SELL!**  
 Call 423-530-8320.

Three side by side plots  
 Located at Oak Hill Memorial  
 Park in Meditation North, Lot  
 #636. Valued at \$6265, will  
 sell for \$5200. Buyer pays  
 transfer fee. Call  
 423-737-2612

**970 Antique Automobiles**

JAGUAR E-TYPE - 1961 - 1975  
 I would like to buy a 1970 or  
 1971 Mercedes 280SL, or a  
 1961 - 1975 Jaguar XKE, or a  
 Porsche 911, 912, or a 1970's  
 or 1980's Ferrari. I am willing to  
 buy running or not running. Any  
 Condition. I'm a local guy living  
 in Grainger County. If you have  
 one or know of one please call  
 Jason (865)621-4012

**Treasures  
 await!**

*In the Classifieds.*

**ATTACHMENT**

**Affidavit for Application**

AUG 15 11:16 AM 10:59

**AFFIDAVIT**

STATE OF Tennessee

COUNTY OF Washington

Allison Rogers, being first duly sworn, says that he/she is the applicant named in this application or his/her/its lawful agent, that this project will be completed in accordance with the application, that the applicant has read the directions to this application, the Rules of the Health Services and Development Agency, and T.C.A. § 68-11-1601, *et seq.*, and that the responses to this application or any other questions deemed appropriate by the Health Services and Development Agency are true and complete.

Alicia M. Pope, VP of Planning MSHA  
SIGNATURE/TITLE

Sworn to and subscribed before me this 12th day of August, 2016 a Notary  
(Month) (Year)

Public in and for the County/State of Washington / Tennessee

Teresa A. Jackson  
NOTARY PUBLIC

My commission expires March 30, 2019  
(Month/Day) (Year)





**State of Tennessee**  
**Health Services and Development Agency**

Andrew Jackson, 9<sup>th</sup> Floor, 502 Deaderick Street, Nashville, TN 37243  
[www.tn.gov/hsda](http://www.tn.gov/hsda) Phone: 615-741-2364 Fax: 615-741-9884

---

September 1, 2016

Allison Rogers  
Mountain States Health Alliance  
303 Med Tech Parkway, Suite 330  
Johnson City, TN 37604

RE: Certificate of Need Application -- Unicoi County Memorial Hospital - CN1608-030  
The relocation and replacement of Unicoi County Memorial Hospital with a 41,500 square foot 10-bed acute care replacement facility that will include an emergency department with 10 treatment rooms at an unaddressed site on Temple Road, Erwin (Unicoi County), TN. The applicant's service area is Unicoi County. The estimated project cost is \$19,999,141.

Dear Ms. Rogers:

This is to acknowledge the receipt of supplemental information to your application for a Certificate of Need. Please be advised that your application is now considered to be complete by this office.

Your application is being forwarded to Trent Sansing at the Tennessee Department of Health for Certificate of Need review by the Division of Policy, Planning and Assessment. You may be contacted by Mr. Sansing or someone from his office for additional clarification while the application is under review by the Department. Mr. Sansing's contact information is [Trent.Sansing@tn.gov](mailto:Trent.Sansing@tn.gov) or 615-253-4702.

In accordance with Tennessee Code Annotated, §68-11-1607, et seq., as amended by Public Chapter 780, the 60-day review cycle for this project will begin on September 1, 2016. The first 60 days of the cycle are assigned to the Department of Health, during which time a public hearing may be held on your application. You will be contacted by a representative from this Agency to establish the date, time and place of the hearing should one be requested. At the end of the 60-day period, a written report from the Department of Health or its representative will be forwarded to this office for Agency review. You will receive a copy of their findings. The Health Services and Development Agency will review your application on December 14, 2016.

Any communication regarding projects under consideration by the Health Services and Development Agency shall be in accordance with T.C.A. § 68-11-1607(d):

- (1) No communications are permitted with the members of the agency once the Letter of Intent initiating the application process is filed with the agency. Communications between agency members and agency staff shall not be prohibited. Any communication received by an agency member from a person unrelated to the applicant or party opposing the application shall be reported to the Executive Director and a written summary of such communication shall be made part of the certificate of need file.
- (2) All communications between the contact person or legal counsel for the applicant and the Executive Director or agency staff after an application is deemed complete and placed in the review cycle are prohibited unless submitted in writing or confirmed in writing and made part of the certificate of need application file. Communications for the purposes of clarification of facts and issues that may arise after an application has been deemed complete and initiated by the Executive Director or agency staff are not prohibited.

Should you have questions or require additional information, please contact me.

Sincerely,



Melanie M. Hill  
Executive Director

cc: Trent Sansing, TDH/Health Statistics, PPA



**State of Tennessee**

**Health Services and Development Agency**

Andrew Jackson, 9<sup>th</sup> Floor, 502 Deaderick Street, Nashville, TN 37243

[www.tn.gov/hsda](http://www.tn.gov/hsda)

Phone: 615-741-2364

Fax: 615-741-9884

---

MEMORANDUM

TO: Trent Sansing, CON Director  
Office of Policy, Planning and Assessment  
Division of Health Statistics  
Andrew Johnson Tower, 2nd Floor  
710 James Robertson Parkway  
Nashville, Tennessee 37243

FROM: Melanie M. Hill   
Executive Director

DATE: September 1, 2016

RE: Certificate of Need Application  
Unicoi County Memorial Hospital - CN1608-030

Please find enclosed an application for a Certificate of Need for the above-referenced project.

This application has undergone initial review by this office and has been deemed complete. It is being forwarded to your agency for a sixty (60) day review period to begin on September 1, 2016 and end on November 1, 2016.

Should there be any questions regarding this application or the review cycle, please contact this office.

Enclosure

Enclosure

cc: Allison Rogers, Mountain States Health Alliance



State of Tennessee
Health Services and Development Agency

Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, TN 37243

www.tn.gov/hstda Phone: 615-741-2364 Fax: 615-741-9884

LETTER OF INTENT

The Publication of Intent is to be published in the Erwin Record which is a newspaper of general circulation in Unicoi Tennessee, on or before August 10th, 2016 for one day.

This is to provide official notice to the Health Services and Development Agency and all interested parties, in accordance with T.C.A. § 68-11-1601 et seq., and the Rules of the Health Services and Development Agency, that:

Unicoi County Memorial Hospital a hospital
(Name of Applicant) (Facility Type-Existing)
owned by: Mountain States Health Alliance with an ownership type of Not-for-Profit Corporation

and to be managed by: itself intends to file an application for a Certificate of Need for: the relocation and replacement of the existing hospital. The replacement facility will include 10 acute care beds and an emergency department with 10 treatment rooms. The replacement facility will be located at an unaddressed site on Temple Hill Road, Erwin, TN 37650. The project will result in the relocation of all other current services to the new facility, and no major services will be initiated or discontinued. The replacement facility will occupy 41,500 square feet. The estimated project cost is \$19,999,141.

The anticipated date of filing the application is: August 15th, 2016

The contact person for this project is Allison Rogers VP, Strategic Planning
(Contact Name) (Title)

who may be reached at: Mountain States Health Alliance 303 Med Tech Parkway, Suite #330
(Company Name) (Address)

Johnson City TN 37604 423/302-3378
(City) (State) (Zip Code) (Area Code / Phone Number)
Allison M. Rogers 8/9/2016 RogersAM@msha.com
(Signature) (Date) (E-mail Address)

The Letter of Intent must be filed in triplicate and received between the first and the tenth day of the month. If the last day for filing is a Saturday, Sunday or State Holiday, filing must occur on the preceding business day. File this form at the following address:

Health Services and Development Agency
Andrew Jackson Building, 9th Floor
502 Deaderick Street
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1607(c)(1). (A) Any health care institution wishing to oppose a Certificate of Need application must file a written notice with the Health Services and Development Agency no later than fifteen (15) days before the regularly scheduled Health Services and Development Agency meeting at which the application is originally scheduled; and (B) Any other person wishing to oppose the application must file written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Agency.

# Supplemental #1 -Original-

Unicoi Co Memorial  
Hospital

CN1608-030



**MOUNTAIN STATES  
HEALTH ALLIANCE**

**SUPPLEMENTAL #1**

**August 29, 2016**

**11:11 am**

400 N. State of Franklin Road • Johnson City, TN 37604

**423-431-6111**

August 26, 2016

Ms. Melanie Hill  
Health Services and Development Agency  
Andrew Jackson Building, Ninth Floor  
502 Deaderick Street Nashville, TN 37243

RE: Certificate of Need Application CN1608-030  
Mountain States Health Alliance

Dear Ms. Hill:

Please find enclosed the original and two copies of Mountain States Health Alliance's response to the Health Services and Development Agency's request for additional supplemental information related to Certificate of Need Application CN1608-030.

If you have any questions, please do not hesitate to contact me at 423-302-3378. I look forward to working with you throughout this process.

Sincerely,

Allison M. Rogers  
Vice President, Strategic Planning

**August 29, 2016**

**11:11 am**

**1. Section A, Applicant Profile, Item 13**

*Your response to this item is noted. Are there other TennCare MCOs in the service area to which the applicant is not contracted? If yes, please explain.*

**Response:** There are no other TennCare MCOs in the service area at this time. UCMH participates in the three that are available, which are BlueCare, UHC Community Plan, and Amerigroup.

**2. Section B, Project Description, Item I**

*What is the distance in miles and travel time between the current hospital site and the proposed site?*

**Response:** Distance between the current hospital and the proposed site is approximately 2.5 miles. Travel time between current hospital site and proposed site is approximately 6 minutes without traffic. (Source: Google Maps)

*Will inpatient or outpatient surgery be offered? If not, how will Unicoi county residents' surgical needs be met?*

**Response:** Surgical services are not offered at the current UCMH facility and will not be offered at the proposed replacement facility. The current UCMH facility works closely with other local healthcare providers to ensure surgical needs for Unicoi County residents are met, and the proposed replacement facility will maintain those partnerships.

*Will the applicant seek critical access hospital status?*

**Response:** The proposed replacement facility would not meet the criteria to achieve critical access hospital status as currently defined.

*If the proposed project is approved, how will the existing facility be utilized?*

**Response:** If the proposed project is approved and MSHA ceases to use the existing building for healthcare purposes, both the land and building will return to the control of Unicoi County Memorial Hospital, Inc., which is the non-profit entity that owned the hospital and land for the benefit of the county of Unicoi prior to MSHA purchasing the building in 2013.

*What is the estimated cost to "right size" the existing building to meet the healthcare needs of Unicoi County residents?*

**Response:** While MSHA has not obtained a specific cost estimate for renovation of the existing facility, the consensus of all construction professionals who have evaluated the facility is that renovation of the facility to modern standards and to achieve similar operational efficiencies as the new hospital would likely be greater than new construction. Just one example of the complications in renovating the existing building to current standards is that the entire roof would have to be raised approximately 2 feet based on current "floor to floor" heights. It would be very difficult, and likely impossible, to undertake renovations of this magnitude while operating the facility.

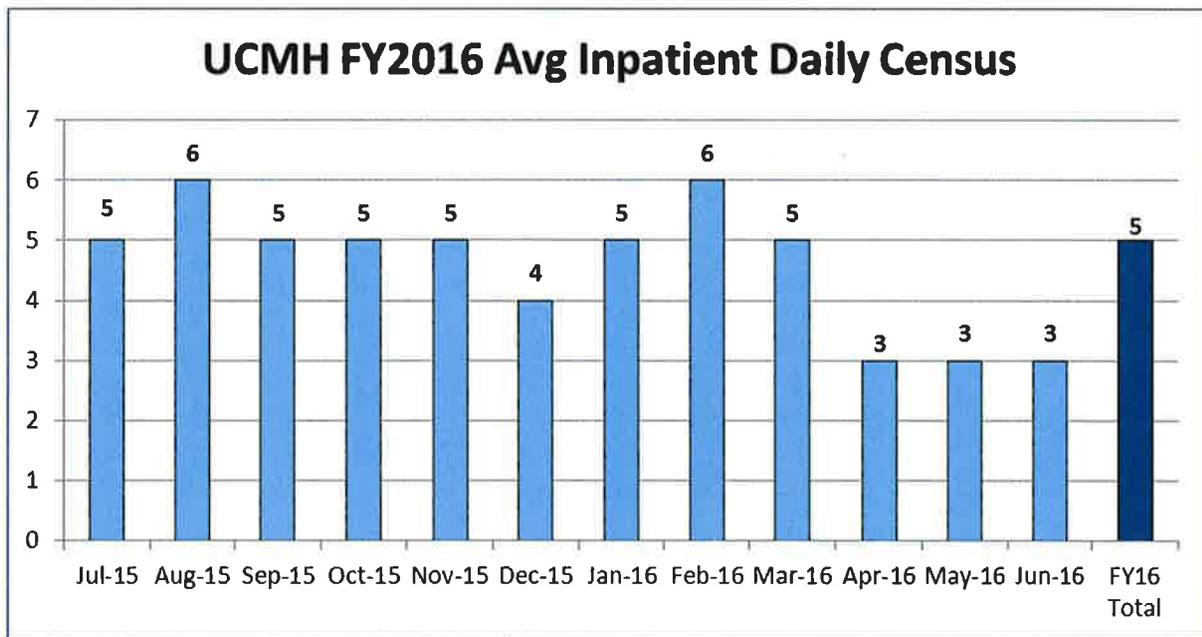
*What is the gross square footage of the current facility?*

**Response:** Gross square footage of the current facility totals 44,555 square feet. A revised version of the Square Footage Chart is included in Attachment 1.

**3. Section B, Project Description, Item II.B.**

*Please provide a chart/graph that identifies the applicant's daily inpatient census for the most recent year available.*

**Response:** The following table shows UCMH's average inpatient daily census by month for fiscal year 2016 (July 2015-June 2016)



*Please describe in detail the outpatient services that will be provided.*

**Response:** All outpatient services offered currently by UCMH will continue to be offered as part of this project as well, with the only potential exception being Sleep Lab. Current services are outlined below:

- General Radiology
- Magnetic Resonance Imaging (MRI)
- Computed Tomography (CT)
- Ultrasound
- Mammography
- Bone Densitometry
- Non-invasive Procedures (Arterial and Venous Studies)
- Invasive Procedures (Thoracentesis and Paracentesis)

**August 29, 2016**

**11:11 am**

- Cardiac Calcium Scoring
- Rehabilitation Services, including Physical Therapy, Occupational Therapy, and Speech Therapy
- Sleep Lab
- Respiratory Services
- Laboratory

UCMH also plans to add Nuclear Medicine to its service offerings at the replacement facility.

*Please describe in detail the primary care services that will be provided and discuss where on the floor plan these services will be located.*

**Response:** Primary care services are an essential element in comprehensive patient care through their provision of preventive services, education, counseling, and early diagnosis. As part of this project, the opportunity to develop clinic space to complement other service offerings of the replacement hospital was seen as a significant community benefit.

UCMH will be recruiting to employ a full-time primary care provider. Available space will also be open to community primary care providers that would be interested in leasing space for their clinics. Primary care services will be located in the "Clinic" as identified in the floor plan.

*Please complete the "Existing Location" column in the SQUARE FOOTAGE AND COST PER SQUARE FOOT CHART.*

**Response:** The "Existing Location" column in the Square Footage and Cost per Square Foot Chart has been updated, and a revised version of the chart is included in Attachment 1.

**4. Section B, Project Description, Item III. (A) (Plot Plan)**

*The plot plan identifies two areas for future development. Are there specific plans in place for that future development? If yes, please describe.*

**Response:** Currently, no specific plans are in place for the areas identified on the plot plan for future development. These areas were included by the architect as part of the design phase only to proactively address the possibility of future development through the identification of appropriate land.

**5. Section B, Project Description, Item IV. (Floor Plan)**

*Will the inpatient beds all be private?*

**Response:** Yes, each of the ten inpatient beds will be located in ten distinct private rooms.

*What is the likelihood that the areas identified for "future beds" and "future surgery" will be developed?*

**August 29, 2016****11:11 am**

**Response:** It is unlikely that the proposed replacement facility will require the development of the “future beds” areas. These areas were included by the architect as part of the design phase only to proactively address the possibility of future expansion. The identified expansion areas are thought to be the most effective spaces to align with the layout of the proposed facility and to minimize any construction and renovation costs that would be incurred in the event that expansion would be needed. However, with a projected average inpatient census of approximately 5 in Year 1, the proposed facility will need to exhibit a significant increase in demand over time before the development of additional inpatient beds would be considered.

It is highly unlikely that the “future surgery” area will be developed in the near future. Surgical services are not offered at the current UCMH facility, and there are no plans to institute these services at the proposed replacement facility. This, again, was only included by the architect to proactively address the possibility of future expansion.

*Are there specific plans for the areas identified as expansion zones? If yes, please describe.*

**Response:** Currently, no specific plans are in place for the areas identified on the floor plan as “expansion zones.” These areas were included by the architect as part of the design phase only to proactively address the possibility of future expansion.

**6. Section C. (Need) 1. Specific Criteria (Construction, Renovation, Expansion, and Replacement of Healthcare Institutions) 2.b**

*Using data from the Joint Annual Report (JAR) please complete the following chart:*

**Response:** The table below has been completed using the 2014 Hospital JAR Summary Report for admissions of Unicoi County residents.

**Unicoi County Resident Inpatient Destination, 2014**

County	Inpatient Admissions	% Total	Cumulative % Total
Washington	1,716	65.3%	65.3%
Unicoi	840	32.0%	97.3%
Sullivan	23	0.9%	98.1%
Davidson	23	0.9%	99.0%
Greene	12	0.5%	99.5%
Knox	11	0.4%	99.9%
Sevier	2	0.1%	100.0%
Hamblen	1	0.0%	100.0%
<b>TOTAL</b>	<b>2,628</b>	<b>100.0%</b>	<b>100.0%</b>

**7. Section C, Need, Item 6**

*Your response to this item is noted. Please address the following:*

**August 29, 2016****11:11 am**

- *Do the historical inpatient volumes include observation days? Please provide a chart that identifies historical and projected observation days and note whether or not the observation days are included in the inpatient volumes.*

**Response:** The historical inpatient volume (admissions and patient days) included in the application does not include observation visits or observation days.

Below are the historical and projected observation visits and observation days for UCMH. Please note that this observation data is not included in the Inpatient Medical volume provided in the application.

### Trends in Observation Volume

UCMH	Historical Data			Projected Data	
	FY2014	FY2015	FY2016	Year 1 FY2020	Year 2 FY2021
Observation Visits	578	393	344	420	433
Observation Days	611	489	389	476	490

Sources: JARs and Internal Data (Historical), Sg2 and Internal Data (Projected)

- *According to the 2016 updated guidelines published by the American College of Emergency Physicians a hospital emergency department generating 10,000 visits annually on the low side should have 7 exam rooms and one extra room for extended stay, which is equivalent to 1,250 visits/room,. The area per room is 825 DGSF and total department construction should be at 8,250 BGSF. For the high estimate the statistics are 8 exam rooms and three extra rooms for extended stay, which is equivalent to 909 visits/room. The area per room guideline is 875 DGSF and total department construction guideline is should be at 9,625 BGSF. Please discuss how the ED in the relocated hospital compares to these guidelines.*

**Response:** The table below outlines the results of applying the projected Year 1 UCMH ED and Observation Visit totals to the ACEP guidelines. With the ACEP criteria assuming 10,000 visits, a ratio of .8606 was applied to the ACEP square footage and treatment room guidelines since UCMH is projecting 8,606 visits in Year 1 (ED + Observation). When applying this ratio based on projected UCMH visits, the proposed layout of the emergency department for this project is in line with the ACEP guidelines for square footage and exam rooms.

**August 29, 2016****11:11 am****UCMH Emergency Department Compared to ACEP Guidelines**

	ACEP Low Side	UCMH Year 1	ACEP High Side
Visits (ED + Observation)	8,606	8,606	8,606
ED Square Footage	7,100	7,134	8,283
ED Treatment Rooms	6	8	7
Extended Stay Rooms	1	2	3
Total Rooms	7	10	9
Visits per Room	1,250	861	909

Applied Ratio of .8606 to ACEP square footage and treatment rooms (8,606/10,000)

- Please complete the following chart:

**Response:** The following table has been completed based on historical and projected Outpatient Visit volumes. Please note that the total outpatient visits described on page 19 of the application do not have a "one-to-one" relationship to other scans, treatments, and procedures. In other words, the volumes on page 19 for various diagnostic scans and outpatient treatments do not relate directly to the total 25,982 outpatient visits listed on the same page in the application. During a single outpatient visit, a patient could have multiple procedures or treatments.

**Outpatient Visit Volume Trends**

Visit Type	2014	2015	2016	2020	2021
Emergency	8,154	7,897	7,626	8,186	8,350
Lab	8,159	11,481	10,049	10,551	10,815
Observation	578	393	344	420	433
Outpatient in Bed	2	0	10	0	0
Physical Therapy	473	1,122	1,413	1,484	1,521
Respiratory	81	103	60	63	65
Surgery*	519	548	265	0	0
Radiology	3,482	5,473	6,135	6,442	6,506
Sleep Lab	0	10	80	0	0
<b>TOTAL</b>	<b>21,448</b>	<b>27,027</b>	<b>25,982</b>	<b>27,146</b>	<b>27,690</b>

\*Surgical services were discontinued at UCMH in March 2016.

**8. Section C. (Economic Feasibility) Item 1 (Project Cost Chart)**

Please provide a copy of the sales agreement that documents the cost of acquiring the site was \$1,600,000.

**Response:** A copy of the buyer's settlement statement documenting the costs for acquiring the site for the proposed replacement facility is included in Attachment 2.

**9. Section C. (Economic Feasibility) Item 4 (Historical and Projected Data Charts)**

**August 29, 2016**

**11:11 am**

*In the Other Expense Charts there are line items for "Fees (Includes Physician and Management). Should any of these expenses be reallocated to Item "D Operating Expenses 8. Management Fees?"*

**Response:** After speaking with the MSHA Finance Department, it was determined that this item should be moved to "Fees to Affiliates." The Historical Data Chart has been updated accordingly, and a revised version is included in Attachment 3.

*What is included in the Taxes expense?*

**Response:** After further research from the MSHA Finance Department, it was determined that these totals listed in the Taxes expense were actually "interest expenses." The Historical and Projected Data Charts have been updated accordingly, and revised versions of each are included in Attachment 3.

*At what point in time does the applicant hospital expect to operate at breakeven and/or realize a net income?*

**Response:** This project is not expected to break even in the foreseeable future, but it will perform better financially than the current facility. MSHA will continue to support UCMH financially through the availability of cash from earnings of the system as a whole.

*In the Historical Data Chart the Other Expenses for Year 2015 are listed as \$7,480,871; however on the Other Expense Chart are listed as \$5,833,937. There appears to be calculation errors in the 2014 column of the Historical Other Expense Chart. Please address these discrepancies.*

**Response:** This discrepancy was unintentional and has been corrected. A revised version of the Historical Data Chart is included in Attachment 3.

*There appear to be calculation errors in both columns of the Projected Data Chart. Please make the necessary corrections and submit a revised Projected Data Chart.*

**Response:** A miscalculation was identified for "Supplies" and has been corrected. A revised Projected Data Chart is provided in Attachment 3.

*The financial data in the Historical Data Chart appears to be quite different from what was reported in the 2014 JAR. Please explain.*

**Response:** Because UCMH joined MSHA in November 2013, the MSHA Finance Department only has eight months of available data for FY2014 (November 2013-June 2014). The financials provided in the Historical Data Chart for FY2014 are reflective of only eight months, while the 2014 JAR data is for the full twelve months of FY2014.

## **10. Section C. (Economic Feasibility) Item 5**

*Please describe how these calculations were made. Is this for the first or second year after project completion? Is this based on inpatient, outpatient, and emergency department gross revenue divided by inpatient days? Please check the calculations and describe what is being calculated.*

**August 29, 2016****11:11 am**

**Response:** The calculation included in the application is for fiscal year 2016. "Average gross charge per patient day" is based on gross revenue (inpatient + outpatient + emergency department + other operating revenue) divided by inpatient days. The details for each calculation are provided below.

**FY16 Calculations**

**FY16 Average gross charge per inpatient day =**

Gross operating revenue / Inpatient days = \$49,779,062 / 1,668 = **\$29,843**

**FY16 Average net charge =** Net operating revenue / Inpatient days = \$8,428,309 / 1,668 = **\$5,052**

**FY16 Average deduction from operating revenue =** (Gross operating revenue - Net operating revenue) / Gross Operating Revenue = (\$49,779,062 - \$8,428,309) / \$49,779,062 = \$41,350,753 / \$49,779,062 = **83%**

The same calculations are provided below for Year 1 after project completion since these were not provided in application:

**Year 1 Calculations**

**Year 1 Average gross charge per inpatient day =** Gross operating revenue / Inpatient days = \$53,310,896 / 2,004 = **\$26,602**

**Year 1 Average net charge =** Net operating revenue / Inpatient days = \$8,062,498 / 2,004 = **\$4,023**

**Year 1 Average deduction from operating revenue =** (Gross operating revenue - Net operating revenue) / Gross Operating Revenue = (\$53,310,896 - \$8,062,498) / \$53,310,896 = \$45,248,398 / \$53,310,896 = **85%**

**11. Section C. (Economic Feasibility) Item 9**

*Your response to this item is noted. Please complete the following chart:*

**Response:** The table below has been completed based on projected gross revenue by payor for Year 1 after project completion.

Payor Source	Gross Revenue Year 1	% of Total Gross Revenue Year 1
Medicare	\$15,519,873	29.1%
TennCare	\$6,604,140	12.4%
Managed Medicare	\$12,894,835	24.2%
Commercial	\$12,973,608	24.3%
Charity/Self-Pay	\$3,408,438	6.4%
Medicaid	\$166,344	0.3%
All Other	\$1,743,658	3.3%
Total	\$53,310,896	100%

**12. Section C. (Contribution to the Orderly Development) Item 3 (Staffing)**

*Please explain why the Monitor Technician and Polysomnographer FTEs are being eliminated.*

**Response:** Consolidation of telemetry services between UCMH and Sycamore Shoals Hospital, another MSHA facility that works closely with UCMH, has been identified as an operational improvement opportunity and is expected to be implemented sometime in fiscal year 2017. In this new model, UCMH telemetry patients will be monitored remotely from Sycamore Shoals Hospital. As such, the current monitor technician positions at UCMH will be eliminated, but these eliminations will not take place as a result of this project.

UCMH currently offers Sleep Lab services, but UCMH leadership is considering the long-term viability of this service. A final decision will be based on future utilization of this service, which will continue to be monitored, but the application assumes that Sleep Lab services will be discontinued at UCMH by Year 1 of this project.

*Please explain why a nuclear medicine tech FTE is being added to the replacement facility.*

**Response:** UCMH plans to introduce nuclear medicine to its service offerings as part of this project. This was not mentioned in the application since it will not meet the major medical equipment criteria as defined by the Agency.

**13. Project Completion Forecast Chart**

*Please note that this application will not be heard any sooner than the December Agency meeting. Please make the appropriate adjustment to the Project Completion Forecast Chart.*

**Response:** The Project Completion Forecast Chart has been updated assuming this application will be heard at the Agency meeting scheduled for December 14, 2016. This updated chart is provided in Attachment 4.

**August 29, 2016**

**11:11 am**

Mountain States Health Alliance  
Unicoi County Memorial Hospital Replacement Hospital Project  
Certificate of Need Supplemental Information Attachments

Attachment 1: Revised Square Footage and Cost Per Square Footage Chart

Attachment 2: Buyer's Settlement Statement for Proposed Site Acquisition

Attachment 3: Revised Historical and Projected Data Charts

Attachment 4: Revised Project Completion Forecast

Attachment: Affidavit for Supplemental Information

**ATTACHMENT 1**

**Revised Page 11 – Square Footage and Cost Per Square Footage  
Chart**

**SQUARE FOOTAGE AND COST PER SQUARE FOOTAGE CHART**

A. Unit / Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage			Proposed Final Cost / SF		
					Renovated	New	Total	Renovated	New	Total
Emergency Department		4,368		7,134		7,134	7,134		\$394.71	\$2,815,878
Admissions/Registration		659		960		960	960		\$319.88	\$307,083
Medical Imaging		4,878		8,135		8,135	8,135		\$404.88	\$3,293,685
Clinical Lab		1,204		798		798	798		\$352.88	\$281,597
Pharmacy		1,023		504		504	504		\$335.28	\$168,980
Medical/ Surgical Beds		7,810		6,278		6,278	6,278		\$341.88	\$2,146,312
Dietary		3,794		2,787		2,787	2,787		\$324.88	\$905,436
Environmental Services		320		1,302		1,302	1,302		\$344.88	\$449,032
Materials Management		2,127		1,254		1,254	1,254		\$238.88	\$299,553
Plant-ops		1,830		308		308	308		\$224.88	\$69,263
Out-Patient Clinic		-		792		792	792		\$251.88	\$199,488
Information Tech.		343		864		864	864		\$225.88	\$195,159
Volunteer Services		266		220		220	220		\$229.88	\$50,573
Administration		1,658		1,890		1,890	1,890		\$254.88	\$481,720
HIM		1,451		726		726	726		\$232.88	\$169,070
Human Resources		263		244		244	244		\$243.87	\$59,504
Business/ Accounting		809		352		352	352		\$244.88	\$86,197
Pastoral Care		200		176		176	176		\$251.88	\$44,331
Operating Room		4,948		-		-	-		-	-
B. Unit/Depart. GSF Sub-Total		37,951		34,724		34,724	34,724		\$346.24	\$12,022,861
C. Mechanical/ Electrical GSF		2,378		2,080		2,080	2,080		\$373.88	\$777,667
D. Circulation /Structure GSF		4,226		3,696		3,696	3,696		\$223.58	\$826,335
Canopies @ 1/2		-		1,000		1,000	1,000		\$158.88	\$158,878
E. Total GSF		44,555		41,500		41,500	41,500		\$332.19	\$13,785,741

**ATTACHMENT 2**

**Buyer's Settlement Statement for Proposed Site Acquisition**

**August 29, 2016**

**11:11 am**

EDWARD T. BRADING, ATTORNEY AT LAW  
208 SUNSET DRIVE, SUITE 409  
JOHNSON CITY, TENNESSEE 37604

BUYER'S SETTLEMENT STATEMENT

Date: July 8, 2015  
Seller: Deborah English  
Buyer: Mountain States Health Alliance  
Property: Part of 2020 Temple Hill Road, Erwin, TN 37650-8721

	Charges	Credits
Real property sold (44.5074 ac.)	1,582,486.00	
Earnest money		50,000.00
Inspection Period payments (Sept. 2013 - June 2015)		220,000.00
2015 co. taxes: \$3,224 x (189/365); \$3,224 x (176/365) x (19/64)		2,130.93
2015 town taxes: \$1,297 x (189/365); \$1,297 x (176/365) x (19/64)		857.27
Title search, owner's title insurance	4,583.50	
Unicoi Co. Reg. of Deeds, warranty deed	5,883.20	
Unicoi Co. Reg. of Deeds, quitclaim deed	22.00	
Unicoi Co. Reg. of Deeds, easement	32.00	
Treadway Land Surveying Co.	600.00	
Edward T. Brading, Att'y at Law	1,990.00	
Cash from Buyer*		1,322,608.50
Totals	1,595,596.70	1,595,596.70

BUYER:

Mountain States Health Alliance

By: 

\*Cash or certified or official check payable to Edward T. Brading IOLTA Trust Account. Or wire to Regions Bank, "Edward T. Brading IOLTA Trust Account," Wire Routing #062005690, Account #0168272529. Beneficiary's address: 208 Sunset Drive, Suite 409, Johnson City, TN 37604. Beneficiary Bank's address: North Johnson City, 208 Sunset Drive, Johnson City, TN 37604.

**ATTACHMENT 3**

**Revised Pages 33, 34, and 35 – Historical and Projected Data Charts**

## HISTORICAL DATA CHART

**SUPPLEMENTAL #1**

**August 29, 2016**

Give information for the last *three* (3) years for which complete data are available for the facility or agency. The fiscal year begins in July (Month).

	<u>Year 2014</u>	<u>Year 2015</u>	<u>Year 2016</u>
A. Utilization Data - Admissions	<u>962</u>	<u>720</u>	<u>500</u>
B. Revenue from Services to Patients			
1. Inpatient Services	<u>\$12,267,269</u>	<u>\$12,246,109</u>	<u>\$ 7,375,813</u>
2. Outpatient Services	<u>21,336,633</u>	<u>32,041,346</u>	<u>30,767,231</u>
3. Emergency Services	<u>7,671,854</u>	<u>11,520,868</u>	<u>11,062,744</u>
4. Other Operating Revenue (Meaningful use, etc.)	<u>1,173,420</u>	<u>1,049,141</u>	<u>573,273</u>
<b>Gross Operating Revenue</b>	<b><u>\$42,449,176</u></b>	<b><u>\$56,857,464</u></b>	<b><u>\$49,779,062</u></b>
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	<u>\$29,721,811</u>	<u>\$46,612,143</u>	<u>\$40,088,521</u>
2. Provision for Charity Care	<u>3,399,922</u>	<u>1,377,713</u>	<u>1,217,742</u>
3. Provisions for Bad Debt	<u>96,810</u>	<u>203,625</u>	<u>44,491</u>
<b>Total Deductions</b>	<b><u>\$33,218,543</u></b>	<b><u>\$48,193,480</u></b>	<b><u>\$41,350,753</u></b>
<b>NET OPERATING REVENUE</b>	<b><u>\$9,230,633</u></b>	<b><u>\$ 8,663,984</u></b>	<b><u>\$ 8,428,309</u></b>
D. Operating Expenses			
1. Salaries and Wages	<u>\$ 3,490,462</u>	<u>\$ 5,373,999</u>	<u>\$ 5,172,676</u>
2. Physician's Salaries and Wages	<u>0</u>	<u>0</u>	<u>0</u>
3. Supplies	<u>1,282,684</u>	<u>1,439,614</u>	<u>938,936</u>
4. Taxes	<u>0</u>	<u>0</u>	<u>0</u>
5. Depreciation	<u>516,735</u>	<u>770,598</u>	<u>583,477</u>
6. Rent	<u>0</u>	<u>0</u>	<u>0</u>
7. Interest, other than Capital	<u>650</u>	<u>(8)</u>	<u>28</u>
8. Management Fees:			
a. Fees to Affiliates	<u>2,035,870</u>	<u>3,114,973</u>	<u>2,589,192</u>
b. Fees to Non-Affiliates	<u>0</u>	<u>0</u>	<u>0</u>
9. Other Expenses – Specify on Page 35	<u>2,776,543</u>	<u>4,365,898</u>	<u>4,227,030</u>
<b>Total Operating Expenses</b>	<b><u>\$10,102,944</u></b>	<b><u>\$15,065,074</u></b>	<b><u>\$13,511,338</u></b>
E. Other Revenue (Expenses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>NET OPERATING INCOME (LOSS)</b>	<b><u>\$ (872,312)</u></b>	<b><u>\$ (6,401,090)</u></b>	<b><u>\$ (5,083,029)</u></b>
F. Capital Expenditures			
1. Retirement of Principal	<u>\$ n/a</u>	<u>\$ n/a</u>	<u>\$ n/a</u>
2. Interest	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>
<b>Total Capital Expenditures</b>	<b><u>\$ n/a</u></b>	<b><u>\$ n/a</u></b>	<b><u>\$ n/a</u></b>
<b>NET OPERATING INCOME (LOSS)</b>			
<b>LESS CAPITAL EXPENDITURES</b>	<b><u>\$ (872,312)</u></b>	<b><u>\$ (6,401,090)</u></b>	<b><u>\$ (5,083,029)</u></b>

**August 29, 2016****11:11 am****PROJECTED DATA CHART**

Give information for the two (2) years following the completion of this proposal. The fiscal year begins in July (Month).

	<b>Year <u>2020</u></b>	<b>Year <u>2021</u></b>
A. Utilization Data – Admissions	<u>605</u>	<u>593</u>
B. Revenue from Services to Patients		
1. Inpatient Services	<u>10,596,751</u>	<u>11,126,589</u>
2. Outpatient Services	<u>31,417,565</u>	<u>32,988,443</u>
3. Emergency Services	<u>11,296,580</u>	<u>11,861,409</u>
4. Other Operating Revenue	<u>0</u>	<u>0</u>
<b>Gross Operating Revenue</b>	<b><u>\$53,310,896</u></b>	<b><u>\$55,976,441</u></b>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	<u>44,366,054</u>	<u>46,817,970</u>
2. Provision for Charity Care	<u>452,484</u>	<u>477,491</u>
3. Provisions for Bad Debt	<u>429,860</u>	<u>453,616</u>
<b>Total Deductions</b>	<b><u>\$45,248,398</u></b>	<b><u>\$47,749,077</u></b>
<b>NET OPERATING REVENUE</b>	<b><u>\$8,062,498</u></b>	<b><u>\$8,227,364</u></b>
D. Operating Expenses		
1. Salaries and Wages	<u>\$4,716,467</u>	<u>\$4,763,632</u>
2. Physician's Salaries and Wages	<u>0</u>	<u>0</u>
3. Supplies	<u>937,176</u>	<u>955,920</u>
4. Taxes	<u>0</u>	<u>0</u>
5. Depreciation	<u>899,986</u>	<u>899,986</u>
6. Rent	<u>0</u>	<u>0</u>
7. Interest, other than Capital	<u>56</u>	<u>56</u>
8. Management Fees		
a. Fees to Affiliates	<u>1,809,621</u>	<u>1,845,813</u>
b. Fees to Non-Affiliates	<u>0</u>	<u>0</u>
9. Other Expenses – Specify on page 35	<u>\$3,078,888</u>	<u>\$3,310,618</u>
<b>Total Operating Expenses</b>	<b><u>\$11,442,194</u></b>	<b><u>\$11,776,025</u></b>
E. Other Revenue (Expenses)	<u>\$ 0</u>	<u>\$ 0</u>
<b>NET OPERATING INCOME (LOSS)</b>	<b><u>\$(3,379,696)</u></b>	<b><u>\$(3,548,661)</u></b>
F. Capital Expenditures		
1. Retirement of Principal	<u>\$ n/a</u>	<u>\$ n/a</u>
2. Interest	<u>n/a</u>	<u>n/a</u>
<b>Total Capital Expenditures</b>	<b><u>\$ n/a</u></b>	<b><u>\$ n/a</u></b>
<b>NET OPERATING INCOME (LOSS) LESS CAPITAL EXPENDITURES</b>	<b><u>\$(3,379,696)</u></b>	<b><u>\$(3,548,661)</u></b>

**HISTORAL DATA CHART – OTHER EXPENSES**

<u>OTHER EXPENSES CATEGORIES</u>	<u>Year 2014</u>	<u>Year 2015</u>	<u>Year 2016</u>
1. Contract Labor	\$ <u>612</u>	\$ <u>45,462</u>	\$ <u>67,830</u>
2. Benefits	<u>915,554</u>	<u>1,392,209</u>	<u>1,391,216</u>
3. Insurance, Utilities, Other	<u>1,860,377</u>	<u>2,928,227</u>	<u>2,767,984</u>
4.	<u>                    </u>	<u>                    </u>	<u>                    </u>
5.	<u>                    </u>	<u>                    </u>	<u>                    </u>
6.	<u>                    </u>	<u>                    </u>	<u>                    </u>
7.	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Other Expenses</b>	<b>\$ <u>2,776,543</u></b>	<b>\$ <u>4,365,898</u></b>	<b>\$ <u>4,227,030</u></b>

**PROJECTED DATA CHART – OTHER EXPENSES**

<u>OTHER EXPENSES CATEGORIES</u>	<u>Year 2020</u>	<u>Year 2021</u>
1. Contract Labor	<u>\$67,950</u>	<u>\$61,155</u>
2. Benefits	<u>1,242,637</u>	<u>1,255,063</u>
3. Insurance, Utilities, Other	<u>1,768,301</u>	<u>1,994,400</u>
4.	<u>                    </u>	<u>                    </u>
5.	<u>                    </u>	<u>                    </u>
6.	<u>                    </u>	<u>                    </u>
7.	<u>                    </u>	<u>                    </u>
<b>Total Other Expenses</b>	<b><u>\$3,078,888</u></b>	<b><u>\$3,310,618</u></b>

**ATTACHMENT 4**

**Revised Page 46 – Project Completion Forecast**

**August 29, 2016****11:11 am****PROJECT COMPLETION FORECAST CHART**

Enter the Agency projected Initial Decision date, as published in T.C.A. § 68-11-1609(c):  
12/14/2016

Assuming the CON approval becomes the final agency action on that date; indicate the number of days **from the above agency decision date** to each phase of the completion forecast.

<b>Phase</b>	<b>DAYS REQUIRED</b>	<b>Anticipated Date (MONTH/YEAR)</b>
1. Architectural and engineering contract signed	<u>7</u>	<u>12/2016</u>
2. Construction documents approved by the Tennessee Department of Health	<u>28</u>	<u>1/2017</u>
3. Construction contract signed	<u>35</u>	<u>1/2017</u>
4. Building permit secured	<u>210</u>	<u>7/2017</u>
5. Site preparation completed	<u>216</u>	<u>7/2017</u>
6. Building construction commenced	<u>210</u>	<u>7/2017</u>
7. Construction 40% complete	<u>318</u>	<u>10/2017</u>
8. Construction 80% complete	<u>426</u>	<u>2/2018</u>
9. Construction 100% complete (approved for occupancy)	<u>481</u>	<u>4/2018</u>
10. *Issuance of license	<u>511</u>	<u>5/2018</u>
11. *Initiation of service	<u>541</u>	<u>6/2018</u>
12. Final Architectural Certification of Payment	<u>571</u>	<u>7/2018</u>
13. Final Project Report Form (HF0055)	<u>601</u>	<u>8/2018</u>

**\* For projects that do NOT involve construction or renovation: Please complete items 10 and 11 only.**

**Note: If litigation occurs, the completion forecast will be adjusted at the time of the final determination to reflect the actual issue date.**

**ATTACHMENT**

**Affidavit for Supplemental Information**

**August 29, 2016**

**11:11 am**

**AFFIDAVIT**

STATE OF TENNESSEE

COUNTY OF Washington

NAME OF FACILITY: Unicoi County Memorial Hospital

I, Allison M. Rogers, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Allison M. Rogers, VP of Planning  
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 25 day of August, 2016, witness my hand at office in the County of Washington, State of Tennessee.

Teresa A. Jackson  
NOTARY PUBLIC

My commission expires March 30, 2019.

HF-0043

Revised 7/02



**Supplemental #2  
-Original-**

**Unicoi Co Memorial  
Hospital**

**CN1608-030**



**MOUNTAIN STATES  
HEALTH ALLIANCE**

**SUPPLEMENTAL #2**

**August 31, 2016**

**11:42 am**

400 N. State of Franklin Road • Johnson City, TN 37604

**423-431-6111**

August 30, 2016

Ms. Melanie Hill  
Health Services and Development Agency  
Andrew Jackson Building, Ninth Floor  
502 Deaderick Street Nashville, TN 37243

RE: Certificate of Need Application CN1608-030  
Mountain States Health Alliance

Dear Ms. Hill:

Please find enclosed the original and two copies of Mountain States Health Alliance's response to the Health Services and Development Agency's request for additional supplemental information related to Certificate of Need Application CN1608-030.

If you have any questions, please do not hesitate to contact me at 423-302-3378. I look forward to working with you throughout this process.

Sincerely,

Allison M. Rogers  
Vice President, Strategic Planning

**1. Section B, Project Description, Item II.B.**

*The chart provided displaying inpatient daily census is noted. During the timeframe identified on the chart, were there any days that the daily inpatient census was 10 or above? If yes, how many days?*

**Response:** In fiscal year 2016, UCMH had 33 days in which inpatient census was 10 or greater. These dates and their respective daily census are provided below. Please note that this is strictly for inpatients and does not include observation patients.

**FY2016 Dates with UCMH Inpatient Daily Census of 10 or Greater**

Date	Inpatient Census
7/1/2015	10
7/2/2015	10
7/20/2015	10
8/11/2015	10
8/12/2015	12
8/13/2015	14
8/14/2015	12
8/15/2015	10
8/16/2015	13
8/17/2015	13
8/31/2015	10
9/22/2015	11
9/23/2015	11
10/19/2015	10
10/21/2015	11
10/22/2015	10
10/26/2015	10
10/27/2015	10
11/5/2015	13
11/6/2015	10
1/4/2016	10
1/11/2016	10
1/27/2016	10
1/28/2016	10
2/8/2016	10
2/17/2016	10
2/18/2016	10
2/21/2016	10
2/22/2016	12

**August 31, 2016****11:42 am**

3/13/2016	11
3/14/2016	12
3/15/2016	16
3/16/2016	11

**2. Section C, Need, Item 6**

*Your response regarding the ACEP guidelines is noted. How does the proposed square footage/treatment room compare to the ACEP guidelines?*

**Response:** The emergency department for this proposed project is listed in the application at 7,134 square feet. However, with the size and adjacency of the emergency department and inpatient medical unit, the two departments will be sharing support spaces, such as environmental service rooms, staff lounges, physician workrooms, and nursing office spaces. Per the architect for this project, attribution of the square footage of those support spaces that will be utilized by ED staff to the emergency department total square footage results in an increase of 1,157 square feet, bringing the ED BGSF to 8,291 square feet.

Based on this BGSF of 8,291 square feet and 10 ED treatment rooms, the DGSF per room will be 829 square feet, which is well aligned with the ACEP guidelines. The table below details the comparisons of the replacement facility's ED treatment rooms to the ACEP guidelines.

**UCMH Emergency Department Compared to ACEP Guidelines**

	ACEP Low Side	UCMH Replacement	ACEP High Side
Total ED Square Footage*	8,250	8,291	9,625
ED DGSF per room	825	829	875

\*Note: UCMH total ED square footage includes attributed support space that will be utilized by ED staff in addition to ED square footage identified in application.

**3. Section C. (Economic Feasibility) Item 1 (Project Cost Chart)**

*The buyer's settlement statement is noted. Is there a sales document available that is signed by both the buyer and the seller? If yes, please submit a copy of this document.*

**Response:** Attached is the seller's settlement statement that coincides with the buyer's settlement statement. Copies of both the buyer's and seller's settlement statements are included in the attachments.

**4. Section C. (Economic Feasibility) Item 5**

*Your response to this is noted. Please complete the following calculations:*

**FY16**

***Average Deduction form Operating Revenue = (Gross Operating Revenue - Net Operating Revenue)/1,668***

**August 31, 2016**

**11:42 am**

**Response:**

Average Deduction from Operating Revenue =  $(\$49,779,062 - \$8,428,309) / 1,668$   
=  $\$41,350,753 / 1,668 = \$24,791$

**Year 1**

*Average Deduction form Operating Revenue = (Gross Operating Revenue - Net Operating Revenue)/2,004*

**Response:**

Average Deduction from Operating Revenue =  $(\$53,310,896 - \$8,062,498) / 2,004$   
=  $\$45,248,398 / 2,004 = \$22,579$

**SUPPLEMENTAL #2**

**August 31, 2016**

**11:42 am**

Mountain States Health Alliance  
Unicoi County Memorial Hospital Replacement Hospital Project  
Certificate of Need Supplemental Information Attachments

Attachment 1: Seller's Settlement Statement and Buyer's Settlement Statement for  
Proposed Site Acquisition

Attachment: Affidavit for Supplemental Information

**August 31, 2016**

**11:42 am**

**ATTACHMENT 1**

**Seller's Settlement Statement and Buyer's Settlement Statement for  
Proposed Site Acquisition**

**August 31, 2016**

**11:42 am**

EDWARD T. BRADING, ATTORNEY AT LAW  
208 SUNSET DRIVE, SUITE 409  
JOHNSON CITY, TENNESSEE 37604

SELLER'S SETTLEMENT STATEMENT

Date: July 8, 2015  
Seller: Deborah English  
Buyer: Mountain States Health Alliance  
Property: Part of 2020 Temple Hill Road, Erwin, TN 37650-8721

	Charges	Credits
Real property sold (44.5074 ac.)		1,582,486.00
Earnest money	50,000.00	
Inspection Period payments (Sept. 2013 - June 2015)	220,000.00	
2015 co. taxes: \$3,224 x (189/365); \$3,224 x (176/365) x (19/64)	2,130.93	
2015 town taxes: \$1,297 x (189/365); \$1,297 x (176/365) x (19/64)	857.27	
Unicoi Co. Reg. of Deeds, release of First Bank	37.00	
Unicoi Co. Reg. of Deeds, UCC-3 amendment	30.00	
Tennessee Sec. of State, UCC-3 amendment	15.00	
First Bank, payoff	1,216,313.00	
Corridor Properties, LLC, 4% commission	63,299.44	
Net sale proceeds	29,803.36	
Totals	1,582,486.00	1,582,486.00

SELLER:

  
\_\_\_\_\_  
Deborah English

  
\_\_\_\_\_  
Orville English

**August 31, 2016****11:42 am**

EDWARD T. BRADING, ATTORNEY AT LAW  
208 SUNSET DRIVE, SUITE 409  
JOHNSON CITY, TENNESSEE 37604

## BUYER'S SETTLEMENT STATEMENT

Date: July 8, 2015  
Seller: Deborah English  
Buyer: Mountain States Health Alliance  
Property: Part of 2020 Temple Hill Road, Erwin, TN 37650-8721

	Charges	Credits
Real property sold (44.5074 ac.)	1,582,486.00	
Earnest money		50,000.00
Inspection Period payments (Sept. 2013 - June 2015)		220,000.00
2015 co. taxes: \$3,224 x (189/365); \$3,224 x (176/365) x (19/64)		2,130.93
2015 town taxes: \$1,297 x (189/365); \$1,297 x (176/365) x (19/64)		857.27
Title search, owner's title insurance	4,583.50	
Unicoi Co. Reg. of Deeds, warranty deed	5,883.20	
Unicoi Co. Reg. of Deeds, quitclaim deed	22.00	
Unicoi Co. Reg. of Deeds, easement	32.00	
Treadway Land Surveying Co.	600.00	
Edward T. Brading, Att'y at Law	1,990.00	
Cash from Buyer*		1,322,608.50
Totals	1,595,596.70	1,595,596.70

BUYER:

Mountain States Health Alliance

By: 

\*Cash or certified or official check payable to Edward T. Brading IOLTA Trust Account. Or wire to Regions Bank, "Edward T. Brading IOLTA Trust Account," Wire Routing #062005690, Account #0168272529. Beneficiary's address: 208 Sunset Drive, Suite 409, Johnson City, TN 37604. Beneficiary Bank's address: North Johnson City, 208 Sunset Drive, Johnson City, TN 37604.

**August 31, 2016**

**11:42 am**

**ATTACHMENT**

**Affidavit for Supplemental Information**

**August 31, 2016**

**11:42 am**

**AFFIDAVIT**

STATE OF TENNESSEE

COUNTY OF Washington

NAME OF FACILITY: Unicoi County Memorial Hospital

I, Allison M. Rogers, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

Allison M. Rogers, VP of Planning  
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 30th day of August, 2016, witness my hand at office in the County of Washington, State of Tennessee.

Teresa A. Jackson  
NOTARY PUBLIC

My commission expires March 30, 2019.

HF-0043

Revised 7/02

