

COPY

Johnson City Medical
Center

CN1610-035

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

Re: Johnson City Medical Center, Application to Add an MRI

Dear Ms. Hill:

Enclosed with this letter are the original and two (2) copies of the certificate of need application by Johnson City Medical Center ("JCMC") referenced above. For the reasons outlined below, we respectfully request that the enclosed application be considered for placement on the consent agenda.

We believe this application qualifies for consent calendar treatment based on the following:

- The three (3) MRI units operated as part of JCMC, including the one unit at its outpatient imaging facility, are heavily utilized. In 2015, the average utilization for all 3 units was 3,044 per scanner. The 2 MRI units at the main campus averaged 3,234 per scanner in 2015. JCMC's volume, along with the complexity of procedures performed, necessitates additional capacity to meet patient demands.
- The utilization of all MRIs in the service area for 2015 was 2,875 procedures per unit, which is narrowly under the State Health Plan criteria of 2,880 per unit.
- The State Health Plan authorizes special consideration to applicant's that are "safety-net" providers or that demonstrate a commitment to serve TennCare patients. JCMC, as a Level 1 Trauma Center and the perinatal center for northeast Tennessee, is clearly a "safety-net" provider. In addition, JCMC has been committed to the TennCare program since its inception, and it is in all of the TennCare networks that serve the area. JCMC is the largest provider of hospital-based TennCare services in the region.

In addition to the above points, we note the plans by JCMC to acquire the MRI in question were well under way before the law changed effective July 1, 2016. A budget request was submitted internally in February of 2016. Meetings with user groups and vendors occurred in March and April. Executive and Board approvals to acquire the unit were obtained in May, and a contract with the vendor was executed in June. If the approval process within Mountain States Health Alliance had proceeded more expeditiously, the acquisition would have been completed prior to July 1, 2016, and a certificate of need would not have been required.

We appreciate your consideration of this request and the enclosed application.

Very truly yours,



Tony Benton
Vice President, COO Johnson City Medical Center



First Tennessee Bank
87-434/642

Check No. 969349

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

Check Date
10/12/2016

Check Amount
\$ ****15,000.00

PAY *Fifteen Thousand AND 00/100*

TO THE ORDER OF
**TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY
ANDREW JACKSON BUILDING 9TH FL
502 DEADERICK STREET
NASHVILLE TN 37243**

Loren Krutak

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

⑈00969349⑈ ⑆064204347⑆ 100394898⑈

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

INVOICE	INVOICE DATE	GROSS AMOUNT	DISCOUNT	NET AMOUNT
101216	10/12/16	\$15,000.00	\$0.00	\$15,000.00

VENDOR NUMBER	VENDOR NAME	CHECK NUMBER	CHECK DATE	TOTAL AMOUNT
212843	TENNESSEE HEALTH SERVICES	969349	10/12/2016	\$15,000.00

Mountain States Health Alliance

Johnson City Medical Center MRI Project

Certificate of Need Application
October 14, 2016

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

Contact:
Tony Benton
423.431.1084



State of Tennessee

Health Services and Development Agency

Andrew Jackson Building, 9th Floor, 502 Deaderick Street, Nashville, TN 37243
www.tn.gov/hsda Phone: 615-741-2364 Fax: 615-741-9884

CERTIFICATE OF NEED APPLICATION

SECTION A: APPLICANT PROFILE

1. Name of Facility, Agency, or Institution

Johnson City Medical Center
Name

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

Johnson City TN 37604
City State Zip Code

Website address: www.mountainstateshealth.com

Note: The facility's name and address must be the name and address of the project and must be consistent with the Publication of Intent.

2. Contact Person Available for Responses to Questions

Tony Benton VP, COO
Name Title

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

400 N. State of Franklin Road Johnson City TN 37604
Street or Route City State Zip Code

Employee 423-431-1084 423-431-1037
Association with Owner Phone Number Fax Number

NOTE: Section A is intended to give the applicant an opportunity to describe the project. Section B addresses how the project relates to the criteria for a Certificate of Need by addressing: Need, Economic Feasibility, and the Contribution to the Orderly Development of Health Care.

Please answer all questions on 8 1/2" X 11" white paper, clearly typed and spaced, single or double-sided, in order and sequentially numbered. In answering, please type the question and the response. All questions must be answered. If an item does not apply, please indicate "N/A" (not applicable). Attach appropriate documentation as an Appendix at the end of the application and reference the applicable Item Number on the attachment, i.e., Attachment A.1, A.2, etc. The last page of the application should be a completed signed and notarized affidavit.

3. SECTION A: EXECUTIVE SUMMARY

A. Overview

Please provide an overview not to exceed three pages in total explaining each numbered point.

- 1) Description – Address the establishment of a health care institution, initiation of health services, bed complement changes, and/or how this project relates to any other outstanding but unimplemented certificates of need held by the applicant;

Response:

This project proposes the addition of a 1.5 Tesla magnetic resonance imaging (MRI) scanner to the main campus of Johnson City Medical Center located at 400 N. State of Franklin Road, Johnson City, TN 37604. The MRI services as part of this project will be provided for inpatients, outpatients, and patients requiring emergency services. The clinical applications include MRI procedures requiring sedation, including anesthesia, for both adults and pediatric patients. Other clinical applications include advanced neurology capabilities with diffusion/perfusion, orthopedic imaging, high resolution angiography and abdominal imaging, and total body imaging utilized for oncology studies.

- 2) Ownership structure;

Response:

Johnson City Medical Center (JCMC) is a 632-bed not-for-profit general hospital located in Johnson City (Washington County), Tennessee and serves as the flagship hospital for Mountain States Health Alliance. JCMC is licensed for 501 acute care beds on its main hospital campus, which includes 69 beds that make up Niswonger Children's Hospital. In addition, Woodridge Hospital, an 84-bed psychiatric facility located near JCMC's main campus, is a satellite facility of Johnson City Medical Center. Mountain States Imaging at Med Tech Parkway is an outpatient diagnostic center that operates as a department of JCMC.

Mountain States Health Alliance (MSHA) 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.

- 3) Service area;

Response:

Johnson City Medical Center is a regional tertiary referral center that provides high acuity services, and as such, JCMC receives patients from across the entire MSHA service area. However, the majority of JCMC's MRI volume comes from the following counties: Washington, Carter, Sullivan, and Greene County, all of which are in Tennessee. The service area for this project will be defined as those four counties because patients from those counties made up 77% of JCMC's total MRI volume for fiscal year 2016.

- 4) Existing similar service providers;

Response:

Johnson City Medical Center currently operates 2 fixed unit MRI scanners at its main campus, as well as 1 fixed unit MRI scanner offsite at Mountain States Imaging at Med Tech Park, an outpatient diagnostic center located at 301 Med Tech Parkway, Johnson City, TN 37604.

A total of 19 non-specialty MRI units are in operation across the proposed project service area, 3 of which are operated by JCMC. Other existing MRI services in the proposed project service area include:

Washington County, TN

Franklin Woods Community Hospital – 1 fixed unit
Watauga Orthopaedics – 1 fixed unit

Carter County, TN

Sycamore Shoals Hospital (shared with Medical Care, PLLC) – 1 fixed unit

Sullivan County, TN

Bristol Regional Medical Center – 2 fixed units
Holston Valley Imaging Center, LLC – 3 fixed units
Holston Valley Medical Center – 1 fixed unit
Indian Path Medical Center – 1 fixed unit
Meadowview Outpatient Diagnostic Center – 1 fixed unit
Sapling Grove Outpatient Diagnostic Center – 1 fixed unit
Volunteer Parkway Imaging Center – 1 fixed unit

Greene County, TN

Laughlin Memorial Hospital, Inc. – 2 fixed units
Takoma Regional Hospital – 1 fixed unit

- 5) Project cost;

Response:

The estimated cost for this project is \$2,023,108.

- 6) Funding;

Response:

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

- 7) Financial Feasibility including when the proposal will realize a positive financial margin; and

Response:

This project is expected to realize a positive financial margin in Year 1; cash flow is projected to be \$285,852 and \$286,975 in Years 1 and 2, respectively.

- 8) Staffing.

Response:

Currently, 7.9 MRI technologists (full-time equivalent) are utilized at Johnson City Medical Center to maintain MRI operations. One additional MRI tech FTE is expected to be added in Year 1 as a result of this project, bringing the total to 8.9 FTEs overall.

B. Rationale for Approval

A certificate of need can only be granted when a project is necessary to provide needed health care in the area to be served, can be economically accomplished and maintained, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of adequate and effective health care in the service area. This section should provide rationale for each criterion using the data and information points provided in Section B. of this application. Please summarize in one page or less each of the criteria:

- 1) Need;

Response:

The State Health Plan criterion to justify additional MRI capacity is 2,880 scans per MRI unit. The average number of procedures per JCMC MRI unit, including the unit at Mountain States Imaging at Med Tech Parkway, was 3,044 in 2015. The 2 units on JCMC's main campus averaged 3,234 procedures per unit in 2015. HSDA Medical Equipment Registry data from 2015 demonstrates that the average number of procedures per MRI unit in the service area was 2,875 procedures per unit, which was just under the standard of 2,880 procedures per unit, and the standard will likely be exceeded in 2016.

- 2) Economic Feasibility;

Response:

The purchase of a new fixed-site 1.5T MRI unit is believed to be the most cost-effective approach for this project. The project will be funded from existing cash reserves from operations at Mountain States Health Alliance. Based on an anticipated increase in MRI procedures as part of this project, the incremental cash flow is projected to be \$285,852 in Year 1 and \$286,975 in Year 2.

- 3) Appropriate Quality Standards; and

Response:

Johnson City Medical Center is committed to ensuring high-quality care for its MRI patients of all ages in all patient care settings. It is an expectation that the additional MRI services proposed in this project will meet the same clinical and quality standards as demonstrated in JCMC's current MRI services. JCMC's MRI services, including those at its Outpatient Diagnostic Center, are accredited through the American College of Radiology. As part of this project, JCMC is prepared to ensure that it maintains accreditation through the ACR for all of its MRI units, including the additional unit proposed in this application.

- 4) Orderly Development to adequate and effective health care.

Response:

The addition of a 1.5T MRI Unit at Johnson City Medical Center will have no negative impact on other local healthcare providers, while also improving the experience of patients and more effectively meeting demand for MRI services by adding capacity and reducing lengthy wait times currently being experienced. This additional capacity will provide better access to MRI services for the patients of the service area, particularly those seeking the highly complex procedures offered at JCMC.

C. Consent Calendar Justification

If Consent Calendar is requested, please provide the rationale for an expedited review.

A request for Consent Calendar must be in the form of a written communication to the Agency's Executive Director at the time the application is filed.

Response:

A letter addressed to the Agency's Executive Director has been included with this application entailing Mountain States Health Alliance's request for Consent Calendar and the rationale for an expedited review of this project.

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

- | | | | |
|-------------------------|-------------------|--------------------|-------------------|
| A. Ownership | <u> X </u> | D. Option to Lease | <u> </u> |
| B. Option to Purchase | <u> </u> | E. Other (Specify) | <u> </u> |
| C. Lease of _____ Years | <u> </u> | | |

Check appropriate line above: 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 title/deed is included in attachments.

6B. Attach a copy of the site's plot plan, floor plan, and if applicable, public transportation route to and from the site on an 8 1/2" x 11" sheet of white paper, single or double-sided. **DO NOT SUBMIT BLUEPRINTS.** Simple line drawings should be submitted and need not be drawn to scale.

- 1) Plot Plan **must include:**
 - a. Size of site (*in acres*);
 - b. Location of structure on the site;
 - c. Location of the proposed construction/renovation; and
 - d. Names of streets, roads or highway that cross or border the site.

Response:

Plot plans for the Johnson City Medical Center campus and for the proposed MRI space within the facility are attached.

- 2) 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 by 11 sheet of paper or as many as necessary to illustrate the floor plan.

Response:

Floor plans for the proposed MRI space are attached.

- 3) 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.

Response: Johnson City Medical Center is located at 400. N. State of Franklin Road (State 321) in Johnson City, Tennessee. JCMC is at the intersection N. State of Franklin Road and Highway 11E and is accessible from either direction on each of these roadways. JCMC is also approximately 3 miles from Interstate 26. Johnson City Medical Center is a stop on the Johnson City Transit Public Transportation service. The proposed site is accessible through multiple access points for ambulatory patients, patients transferred into the facility, and for emergent patients. JCMC utilizes ground ambulance transport, as well a helicopter service, for emergent and inter-facility transfers, including transport of neonatal and pediatric patients.

Attachment Section A-6A, 6B-1 a-d, 6B-2, 6B-3.

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. Other (Specify) _____ |
| G. Intellectual Disability Institutional Habilitation Facility ICF/IID _____ | |

Check appropriate lines(s).

8. Purpose of Review (Check appropriate lines(s) – more than one response may apply)

- | | |
|--|--|
| A. New Institution _____ | F. Change in Bed Complement _____
[Please note the type of change by underlining the appropriate response: Increase, Decrease, Designation, Distribution, Conversion, Relocation] |
| B. Modifying an ASTC with limitation still required per CON _____ | |
| C. Addition of MRI Unit <u>X</u> | G. Satellite Emergency Dept. _____ |
| D. Pediatric MRI _____ | H. Change of Location _____ |
| E. Initiation of Health Care Service as defined in T.C.A. §68-11-1607(4) (Specify) _____ | I. Other (Specify) _____ |

9. Medicaid/TennCare, Medicare Participation

MCO Contracts [Check all that apply]

X AmeriGroup X United Healthcare Community Plan X BlueCare X TennCare Select

Medicare Provider Number 440063

Medicaid Provider Number 0440063

Certification Type General Acute Care Hospital

If a new facility, will certification be sought for Medicare and/or Medicaid/TennCare?

Medicare Yes No X N/A Medicaid/TennCare Yes No X N/A

10. Bed Complement Data

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

	<u>Current Licensed</u>	<u>Beds Staffed</u>	<u>Beds Proposed</u>	<u>*Beds Approved</u>	<u>**Beds Exempted</u>	<u>TOTAL Beds at Completion</u>
1) Medical	361					361
2) Surgical						
3) ICU/CCU	60					60
4) Obstetrical	21					21
5) NICU	39					39
6) Pediatric	20					20
7) Adult Psychiatric (Woodridge Psychiatric Hospital)	58					58
8) Geriatric Psychiatric (Woodridge Psychiatric Hospital)	14					14
9) Child/Adolescent Psychiatric (Woodridge Psychiatric Hospital)	12					12
10) Rehabilitation						
11) Adult Chemical Dependency						
12) Child/Adolescent Chemical Dependency						
13) Long-Term Care Hospital						
14) Swing Beds						
15) Nursing Home – SNF (Medicare only)						
16) Nursing Home – NF (Medicaid only)						
17) Nursing Home – SNF/NF (dually certified Medicare/Medicaid)	47					47
18) Nursing Home – Licensed (non-certified)						
19) ICF/IID						
20) Residential Hospice						
TOTAL	632					632

*Beds approved but not yet in service

**Beds exempted under 10% per 3 year provision

B. Describe the reasons for change in bed allocations and describe the impact the bed change will have on the applicant facility's existing services. **Attachment Section A-10.**

Response: Not applicable.

C. Please identify all the applicant's outstanding Certificate of Need projects that have a licensed bed change component. If applicable, complete chart below.

<u>CON Number(s)</u>	<u>CON Expiration Date</u>	<u>Total Licensed Beds Approved</u>

Response: Not applicable. Johnson City Medical Center currently has no outstanding CON projects that have a licensed bed change component.

11. Home Health Care Organizations – Home Health Agency, Hospice Agency (excluding Residential Hospice), identify the following by checking all that apply:

Response: Not applicable.

	Existing Licensed County	Parent Office County	Proposed Licensed County		Existing Licensed County	Parent Office County	Proposed Licensed County
Anderson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lauderdale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bedford	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lawrence	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Benton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lewis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bledsoe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Lincoln	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Blount	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Loudon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Bradley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	McMinn	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Campbell	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	McNairy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cannon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Macon	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carroll	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Madison	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Carter	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Marion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cheatham	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Marshall	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chester	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Maury	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Claiborne	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Meigs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Clay	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Monroe	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cocke	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Montgomery	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Coffee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Moore	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Crockett	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Morgan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cumberland	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Obion	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Davidson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Overton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Decatur	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Perry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
DeKalb	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Pickett	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dickson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Polk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dyer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Putnam	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fayette	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Rhea	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fentress	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Roane	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Franklin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Robertson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Gibson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Rutherford	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Giles	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Scott	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Grainger	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sequatchie	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Greene	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sevier	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Grundy	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Shelby	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hamblen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Smith	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hamilton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Stewart	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hancock	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sullivan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hardeman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Sumner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hardin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Tipton	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hawkins	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Trousdale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Haywood	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Unicoi	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Henderson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Union	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Henry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Van Buren	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Hickman	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Warren	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Houston	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Washington	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Humphreys	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Wayne	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jackson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Weakley	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Jefferson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	White	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Johnson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Williamson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Knox	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Wilson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lake	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>				

12. Square Footage and Cost Per Square Footage Chart

Unit/Department	Existing Location	Existing SF	Temporary Location	Proposed Final Location	Proposed Final Square Footage		
					Renovated	New	Total
MRI Procedure Room		500.5		500.5	500.5		500.5
MRI Equipment Room		144.5		144.5	144.5		144.5
MRI Control Area		247.5		247.5	247.5		247.5
Unit/Department GSF Sub-Total		892.5		892.5	892.5		892.5
Other GSF Total							
Total GSF		892.5		892.5	892.5		892.5
*Total Cost					\$212,500.00		\$212,500.00
**Cost Per Square Foot					\$238.10		\$238.10
Cost per Square Foot Is Within Which Range (For quartile ranges, please refer to the Applicant's Toolbox on www.tn.gov/hsda)					<input type="checkbox"/> Below 1 st Quartile <input type="checkbox"/> Between 1 st and 2 nd Quartile <input checked="" type="checkbox"/> Between 2 nd and 3 rd Quartile <input type="checkbox"/> Above 3 rd Quartile	<input type="checkbox"/> Below 1 st Quartile <input type="checkbox"/> Between 1 st and 2 nd Quartile <input type="checkbox"/> Between 2 nd and 3 rd Quartile <input type="checkbox"/> Above 3 rd Quartile	<input type="checkbox"/> Below 1 st Quartile <input checked="" type="checkbox"/> Between 1 st and 2 nd Quartile <input type="checkbox"/> Between 2 nd and 3 rd Quartile <input type="checkbox"/> Above 3 rd Quartile

* The Total Construction Cost should equal the Construction Cost reported on line A5 of the Project Cost Chart.

** Cost per Square Foot is the construction cost divided by the square feet. Please do not include contingency costs.

13. MRI, PET, and/or Linear Accelerator

1. Describe the acquisition of any Magnetic Resonance Imaging (MRI) scanner that is adding a MRI scanner in counties with population less than 250,000 or initiation of pediatric MRI in counties with population greater than 250,000 and/or
2. Describe the acquisition of any Positron Emission Tomographer (PET) or Linear Accelerator if initiating the service by responding to the following:

Response: Not applicable for PET or Linear Accelerator.

A. Complete the chart below for acquired equipment.

<input type="checkbox"/>	Linear Accelerator	Mev _____	Types: _____	<input type="checkbox"/> SRS	<input type="checkbox"/> IMRT	<input type="checkbox"/> IGRT	<input type="checkbox"/> Other _____
		Total Cost*:		<input type="checkbox"/> By Purchase	<input type="checkbox"/> By Lease Expected Useful Life (yrs) _____		
		<input type="checkbox"/> New	<input type="checkbox"/> Refurbished	<input type="checkbox"/> If not new, how old? (yrs) _____			
X	MRI	Tesla: 1.5	Magnet: _____	<input type="checkbox"/> Breast	<input type="checkbox"/> Extremity	<input type="checkbox"/> Open <input checked="" type="checkbox"/> Short Bore <input type="checkbox"/> Other _____	
		Total Cost*:	\$1,755,608	<input checked="" type="checkbox"/> By Purchase	<input type="checkbox"/> By Lease Expected Useful Life(yrs) <u>10</u>		
		<input checked="" type="checkbox"/> New	<input type="checkbox"/> Refurbished	<input type="checkbox"/> If not new, how old? (yrs) _____			
*Please note that total cost includes MRI scanner purchase of \$1,300,000; 1 st year warranty of \$9,000; and annual service agreement charges of \$111,652 for years 2 through 5.							
<input type="checkbox"/>	PET	<input type="checkbox"/> PET only	<input type="checkbox"/> PET/CT	<input type="checkbox"/> PET/MRI			
		Total Cost*:		<input type="checkbox"/> By Purchase	<input type="checkbox"/> By Lease Expected Useful Life (yrs) _____		
		<input type="checkbox"/> New	<input type="checkbox"/> Refurbished	<input type="checkbox"/> If not new, how old? (yrs) _____			

* As defined by Agency Rule 0720-9-.01(13)

- B. In the case of equipment purchase, include a quote and/or proposal from an equipment vendor. In the case of 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:

The quote for the MRI equipment associated with this project is included in attachments.

- C. Compare lease cost of the equipment to its fair market value. Note: Per Agency Rule, the higher cost must be identified in the project cost chart.

Response:

Not applicable. JCMC will not be leasing the equipment associated with this project.

D. Schedule of Operations:

Location	Days of Operation (Sunday through Saturday)	Hours of Operation (example: 8 am – 3 pm)
----------	--	--

Fixed Site (<i>Applicant</i>)	Monday through Friday	8am – 5pm
Mobile Locations (<i>Applicant</i>)	n/a	n/a

E. Identify the clinical applications to be provided that apply to the project.

Response:

The MRI services as part of this project will be provided for inpatients, outpatients, and patients requiring emergency services. The clinical applications include MRI procedures requiring sedation, including anesthesia, for both adults and pediatric patients. Other clinical applications include advanced neurology capabilities with diffusion/perfusion, orthopedic imaging, high resolution angiography and abdominal imaging, and total body imaging utilized for oncology studies.

F. If the equipment has been approved by the FDA within the last five years provide documentation of the same.

Response:

Correspondence between Siemens Healthcare and the FDA regarding the equipment associated with this project is included in attachments.

SECTION B: GENERAL CRITERIA FOR CERTIFICATE OF NEED

In accordance with T.C.A. § 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, will provide health care that meets appropriate quality standards, and will contribute to the orderly development of health care." Further standards for guidance are provided in the State Health Plan developed pursuant to T.C.A. § 68-11-1625.

The following questions are listed according to the four criteria: (1) Need, (2) Economic Feasibility, (3) Applicable Quality Standards, and (4) 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, single-sided or double sided. All exhibits and tables must be attached to the end of the application in correct sequence identifying the question(s) to which they refer, unless specified otherwise. ***If a question does not apply to your project, indicate "Not Applicable (NA)."***

QUESTIONS

NEED

1. Provide a response to each criterion and standard in Certificate of Need Categories in the State Health Plan that are applicable to the proposed project. Criteria and standards can be obtained from the Tennessee Health Services and Development Agency or found on the Agency's website at <http://www.tn.gov/hsda/article/hsda-criteria-and-standards>.

Standards and Criteria for Magnetic Resonance Imaging (MRI)

1. Utilization Standards for non-Specialty MRI Units.

- a. An applicant proposing a new non-Specialty stationary MRI service should project a minimum of at least 2160 MRI procedures in the first year of service, building to a minimum of 2520 procedures per year by the second year of service, and building to a minimum of 2880 procedures per year by the third year of service and for every year thereafter.

Response:

The two existing MRI units at JCMC's main campus provided 6,467 scans in 2015, or an average of 3,234 per unit. The addition of a third MRI on the main campus will result in volume being distributed over the three units. With the additional 1,048 inpatient and outpatient procedures JCMC anticipates in Year 1, these three units will average 2,505 scans per unit.

- b. Providers proposing a new non-Specialty mobile MRI service should project a minimum of at least 360 mobile MRI procedures in the first year of service per day of operation per week, building to an annual minimum of 420 procedures per day of operation per week by the second year of service, and building to a minimum of 480 procedures per day of operation per week by the third year of service and for every year thereafter.

Response:

Not applicable. This application is for the addition of a non-Specialty stationary MRI unit at JCMC.

- c. An exception to the standard number of procedures may occur as new or improved technology and equipment or new diagnostic applications for MRI units are developed. An applicant must demonstrate that the proposed unit offers a unique and necessary technology for the provision of health care services in the Service Area.

Response:

Not applicable. This application is for the addition of a non-Specialty stationary MRI unit at JCMC.

- d. Mobile MRI units shall not be subject to the need standard in paragraph 1b if fewer than 150 days of service per year are provided at a given location. However, the applicant must demonstrate that existing services in the applicant's Service Area are not adequate and/or that there are special circumstances that require these additional services.

Response:

Not applicable. This application is for the addition of a non-Specialty stationary MRI unit at JCMC.

- e. Hybrid MRI Units. The HSDA may evaluate a CON application for an MRI "hybrid" Unit (an MRI Unit that is combined/utilized with other medical equipment such as megavoltage radiation therapy unit or a positron emission tomography unit) based on the primary purposes of the Unit.

Response:

Not applicable. This application is for the addition of a non-Specialty stationary MRI unit at JCMC.

- 2. Access to MRI Units. All applicants for any proposed new MRI Unit should document that the proposed location is accessible to approximately 75% of the Service Area's population. Applications that include non-Tennessee counties in their proposed Service Areas should provide evidence of the number of existing MRI units that service the non-Tennessee counties and the impact on MRI unit utilization in the non-Tennessee counties, including the specific location of those units located in the non-Tennessee counties, their utilization rates, and their capacity (if that data are available).

Response:

The defined service area for this project includes: Washington, Carter, Sullivan, and Greene Counties, all of which are in Tennessee. Patients from these counties accounted for nearly 77% of JCMC's MRI patient population in fiscal year 2016 (see table below). Residents of each county and local ambulance services in the project service area can access JCMC easily. JCMC is accessible via multiple major roadways, such as Highway 11E and State of Franklin Road; JCMC is also conveniently located near Interstate 26.

Service Area Counties	Historical Utilization-County Residents (FY2016)	% of total procedures
Washington	4,486	48.2%
Carter	1,064	11.4%
Sullivan	958	10.3%
Greene	654	7.0%
All Other	2,155	23.1%
Total	9,317	100%

3. Economic Efficiencies. All applicants for any proposed new MRI Unit should document that alternate shared services and lower cost technology applications have been investigated and found less advantageous in terms of accessibility, availability, continuity, cost, and quality of care.

Response:

Alternatives to the purchase of a new 1.5T MRI scanner were considered as described in more detail in Question 9 of the Economic Feasibility section. Construction for this proposed project is limited to renovation of existing space, and the purchase of a new scanner is appropriate considering the age and extensive use of the existing JCMC MRI scanners. Maintaining the status quo provides no means of providing more available MRI services to the patient population. Sharing arrangements would not be appropriate in this situation given the difficulty and expense of transferring inpatients to an outside MRI facility. Also, sharing arrangements in the form of mobile MRI service were also deemed inappropriate given the expense, inefficiency, and clinical concerns associated with providing MRI services in a mobile setting at Johnson City Medical Center.

4. Need Standard for non-Specialty MRI Units. A need likely exists for one additional non-Specialty MRI Unit in a Service Area when the combined average utilization of existing MRI service providers is at or above 80% of the total capacity of 3600 procedures, or 2880 procedures, during the most recent twelve-month period reflected in the provider medical equipment report maintained by the HSDA. The total capacity per MRI unit is based upon the following formula:

Stationary MRI Units: $1.20 \text{ procedures per hour} \times \text{twelve hours per day} \times 5 \text{ days per week} \times 50$

$50 \text{ weeks per year} = 3,600 \text{ procedures per year}$

Mobile MRI Units: $\text{Twelve (12) procedures per day} \times \text{days per week in operation} \times 50 \text{ weeks per year}$. For each day of operation per week, the optimal efficiency is 480 procedures per year, or 80 percent of the total capacity of 600 procedures per year.

Response:

Within the proposed project service area, there are currently 19 non-specialty MRI units. Utilization of the units in the service area reached 2,875 procedures per unit in 2015, which is just under the standard of 2,880 procedures as defined in the State Health Plan Standards and Criteria for MRI. However, the two units at JCMC's main campus are heavily utilized for complex MRI procedures and are well above the standard of 2,880 per unit.

Utilization of the service area's existing MRI units is summarized in the following table:

County	Type	Facility	# MRI Units			Procedures		
			2013	2014	2015	2013	2014	2015
Washington	HOSP	Johnson City Medical Center	2	2	2	6,617	6,575	6,467
	ODC	Mountain States Imaging at Med Tech Parkway	1	1	1	2,448	2,328	2,666
	HOSP	Franklin Woods Community Hospital	1	1	1	3,529	3,772	4,432
	PO	Watauga Orthopaedics, PLC	1	1	1	2,337	2,221	2,465
Carter	HOSP	Sycamore Shoals Hospital ¹	1	1	0.85	1,719	1,880	1,818
	PO	Medical Care, PLLC ¹	-	-	0.15	-	-	126
Sullivan	HOSP	Bristol Regional Medical Center	2	2	2	6,323	6,151	8,452
	HODC	Holston Valley Imaging Center, LLC	3	3	3	8,787	6,516	8,970
	HOSP	Holston Valley Medical Center	1	1	1	3,326	2,867	3,148
	HOSP	Indian Path Medical Center	1	1	1	2,807	2,913	3,173
	ODC	Meadowview Outpatient Diagnostic Center	1	1	1	4,350	4,187	4,178
	ODC	Sapling Grove Outpatient Diagnostic Center	1	1	1	2,245	2,231	2,158
	HODC	Volunteer Parkway Imaging Center	1	1	1	1,239	1,153	1,413
Greene	HOSP	Laughlin Memorial Hospital, Inc.	2	2	2	3,159	3,248	3,284
	HOSP	Takoma Regional Hospital	1	1	1	1,610	2,224	1,880
Service Area Total			19	19	19	50,496	48,266	54,630
Historical Procedures per MRI						2,658	2,540	2,875

Source: Health Services and Development Agency Medical Equipment Registry Statistics

1) Medical Care, PLLC began utilizing Sycamore Shoals Hospital's MRI unit in 2015, under contract, 3 half-days per week.

Please note that an error was discovered in what had been reported to the Medical Equipment Registry for Johnson City Medical Center. The data for Mountain States Imaging at Med Tech Parkway, which is reported internally at MSHA as a department of JCMC, had been "double-counted", as those volumes were also included in the Johnson City Medical Center total. MSHA has notified the HSDA and provided corrected data to be reported as part of the Medical Equipment Registry, which is reflected in the table above.

5. Need Standards for Specialty MRI Units.

- a. Dedicated fixed or mobile Breast MRI Unit. An applicant proposing to acquire a dedicated fixed or mobile breast MRI unit shall not receive a CON to use the MRI unit for non-dedicated purposes and shall demonstrate that annual utilization of the proposed MRI unit in the third year of operation is projected to be at least 1,600 MRI procedures (.80 times the total capacity of 1 procedure per hour times 40 hours per week times 50 weeks per year), and that:
 1. It has an existing and ongoing working relationship with a breast-imaging radiologist or radiology proactive group that has experience interpreting breast images provided by mammography, ultrasound, and MRI unit equipment, and that is trained to interpret images produced by an MRI unit configured exclusively for mammographic studies;
 2. Its existing mammography equipment, breast ultrasound equipment, and the proposed dedicated breast MRI unit are in compliance with the federal Mammography Quality Standards Act;
 3. It is part of or has a formal affiliation with an existing healthcare system that provides comprehensive cancer care, including radiation oncology, medical oncology, surgical oncology and an established breast cancer treatment program that is based in the proposed service area.
 4. It has an existing relationship with an established collaborative team for the treatment of breast cancer that includes radiologists, pathologists, radiation

oncologists, hematologist/oncologists, surgeons, obstetricians/gynecologists, and primary care providers.

Response:

Not applicable. This application is for the addition of a non-Specialty stationary MRI unit at JCMC.

- b. Dedicated fixed or mobile Extremity MRI Unit. An applicant proposing to institute a Dedicated fixed or mobile Extremity MRI Unit shall provide documentation of the total capacity of the proposed MRI Unit based on the number of days of operation each week, the number of days to be operated each year, the number of hours to be operated each day, and the average number of MRI procedures the unit is capable of performing each hour. The applicant shall then demonstrate that annual utilization of the proposed MRI Unit in the third year of operation is reasonably projected to be at least 80 percent of the total capacity. Non-specialty MRI procedures shall not be performed on a Dedicated fixed or mobile Extremity MRI Unit and a CON granted for this use should so state on its face.

Response:

Not applicable. This application is for the addition of a non-Specialty stationary MRI unit at JCMC.

- c. Dedicated fixed or mobile Multi-position MRI Unit. An applicant proposing to institute a Dedicated fixed or mobile Multi-position MRI Unit shall provide documentation of the total capacity of the proposed MRI Unit based on the number of days of operation each week, the number of days to be operated each year, the number of to be operated each day, and the average number of MRI procedures the unit is capable of performing each hour. The applicant shall then demonstrate that annual utilization of the proposed MRI Unit in the third year of operation is reasonably projected to be at least 80 percent of the total capacity. Non-specialty MRI procedures shall not be performed on a Dedicated fixed or mobile Multi-position MRI Unit and a CON granted for this use should so state on its face.

Response:

Not applicable. This application is for the addition of a non-Specialty stationary MRI unit at JCMC.

6. Separate Inventories for Specialty MRI Units and non-Specialty MRI Units. If data availability permits, Breast, Extremity, and Multi-position MRI Units shall not be counted in the inventory of non-Specialty fixed or mobile MRI Units, and an inventory for each category of Specialty MRI Unit shall be counted and maintained separately. None of the Specialty MRI Units may be replaced with non-Specialty MRI fixed or mobile MRI Units and a Certificate of Need granted for any of the Specialty MRI Units shall have included on its face a statement to that effect. A non-Specialty fixed or mobile MRI Unit for which a CON is granted for Specialty MRI Unit purpose use-only shall be counted in the specific Specialty

MRI unit inventory and shall also have stated on the face of its Certificate of Need that it may not be used for non-Specialty MRI purposes.

Response:

The additional MRI unit proposed in this project will be a non-Specialty MRI unit and will be reported in the non-Specialty inventory accordingly.

7. Patient Safety and Quality of Care. The applicant shall provide evidence that any proposed MRI Unit is safe and effective for its proposed use.

- a. The United States Food and Drug Administration (FDA) must certify the proposed MRI Unit for clinical use.

Response:

Correspondence between Siemens Healthcare and the FDA regarding the equipment associated with this project is included in attachments.

- b. The applicant should demonstrate that the proposed MRI Procedures will be offered in a physical environment that conforms to applicable federal standards, manufacturer's specifications, and licensing agencies' requirements.

Response:

Johnson City Medical Center will ensure that the physical environment resulting from this project complies as applicable with federal standards, manufacturer specifications, and licensing agency requirements.

- c. The applicant should demonstrate how emergencies within the MRI Unit facility will be managed in conformity with accepted medical practice.

Response:

Johnson City Medical Center currently has protocols in place to appropriately care for emergent patients, and no changes to those will be made as a result of this project.

- d. The applicant should establish protocols that assure that all MRI procedures performed are medically necessary and will not unnecessarily duplicate other services.

Response:

Mountain States Health Alliance has established protocols across all facilities' radiology departments and the MSHA Central Business Office to ensure that all MRI procedures performed are deemed medically necessary. These processes and protocols will not change as a result of this project and will be utilized to support this project upon its completion.

- e. An applicant proposing to acquire any MRI Unit or institute any MRI service, including Dedicated Breast and Extremity MRI Units, shall demonstrate that it meets or is prepared to meet the staffing recommendations and requirements set forth by the American College of Radiology, including staff education and training programs.

Response:

JCMC's MRI services, including those at its Outpatient Diagnostic Center, are accredited through the American College of Radiology. As part of this project, JCMC is prepared to ensure that it meets the standards set forth by the ACR, including those regarding staffing recommendations and requirements.

- f. All applicants shall commit to obtain accreditation from the Joint Commission, the American College of Radiology, or a comparable accreditation authority for MRI within two years following operation of the proposed MRI Unit.

Response:

JCMC's MRI services, including those at its Outpatient Diagnostic Center, are accredited through the American College of Radiology. As part of this project, JCMC is prepared to ensure that it obtains accreditation through the ACR accordingly upon the completion of this project.

- g. All applicants should seek and document emergency transfer agreements with local area hospitals, as appropriate. An applicant's arrangements with its physician medical director must specify that said physician be an active member of the subject transfer agreement hospital medical staff.

Response:

Johnson City Medical Center will continue to work closely with other healthcare providers in the region. JCMC has a close relationship with all other MSHA hospitals. In addition, 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.

8. The applicant should provide assurances that it will submit data in a timely fashion as requested by the HSDA to maintain the HSDA Equipment Registry.

Response:

Mountain States Health Alliance currently provides the appropriate data for its major medical equipment as required by the Agency to maintain the HSDA Equipment Registry. MSHA can assure that appropriate data for the MRI scanner as part of this project, if approved, will be submitted accordingly as well.

9. In light of Rule 0720-11.01, which lists the factors concerning need on which an application may be evaluated, and Principle No. 2 in the State Health Plan, "Every citizen should have reasonable access to health care." the HSDA may decide to give special consideration to an applicant:

- a. Who is offering the service in a medically underserved area as designated by the United States Health Resources and Services Administration;

Response:

Carter County, TN is medically underserved as designated by the HRSA; however, the other counties (Washington, Sullivan, and Greene) are not considered medically underserved.

- b. Who is a “safety net hospital” or a “children’s hospital” as defined by the Bureau of TennCare Essential Access Hospital payment program; or

Response:

Johnson City Medical Center is licensed as a Level 1 Trauma Center and a Pediatric General Hospital by the Tennessee Department of Health and is considered to be a “safety net hospital.”

- c. Who provides a written commitment of intention to contract with at least one TennCare MCO and, if providing adult services, to participate in the Medicare program; or

Response:

Johnson City Medical Center currently participates in the multiple Medicaid/TennCare MCOs that serve the area and the Medicare program. A significant portion of JCMC’s patient population has been and will continue to be made up of Medicare and Medicaid patients.

- d. Who is proposing to use the MRI unit for patients that typically require longer preparation and scanning times (e.g., pediatrics, special needs, sedated, and contrast agent use patients). The applicant shall provide in its application information supporting the additional time required per scan and the impact on the need standard.

Response:

The MRI services as part of this project will be provided for inpatients, outpatients, and patients requiring emergency services. The clinical applications include MRI procedures requiring sedation, including anesthesia, for both adults and pediatric patients. Other clinical applications include advanced neurology capabilities with diffusion/perfusion, orthopedic imaging, high resolution angiography and abdominal imaging, and total body imaging utilized for oncology studies.

With the units at JCMC’s main campus at 3,234 procedures per unit for 2015, the complexity of procedures offered at JCMC heightens the impact on patients seeking MRI services. JCMC performs pediatric scans, sedation procedures for adults and pediatrics, and scans with contrast, all of which take much longer than the 30 minutes needed for a traditional MRI scan.

2. Describe the relationship of this project to the applicant facility’s long-range development plans, if any, and how it relates to related previously approved projects of the applicant.

Response:

This project is consistent with the long-range plans of Mountain States Health Alliance and Johnson City Medical Center. JCMC has seen steady growth in its MRI volumes in recent years, and the addition of this 1.5T scanner will allow for continued growth by reducing lengthy patient wait times caused by limited capacity in the current state. MRI is also an integral part of

the service line initiatives identified in JCMC’s strategic plan, such as Orthopedics, Neurosciences, and Oncology. Orthopedics and Neurosciences, including Spine, will continue to be key focus areas for JCMC, and appropriate and adequate MRI services will be needed to support the demand of patients from the project service area. This project will also support MSHA’s pediatric initiatives by improving access for complex pediatric MRI procedures done exclusively at JCMC.

3. Identify the proposed service area and justify the reasonableness of that proposed area. Submit a county level map for the Tennessee portion of the service area using the map on the following page, clearly marked to reflect the service area as it relates to meeting the requirements for CON criteria and standards that may apply to the project. Please include a discussion of the inclusion of counties in the border states, if applicable. **Attachment – Section – Need-3.**

Response:

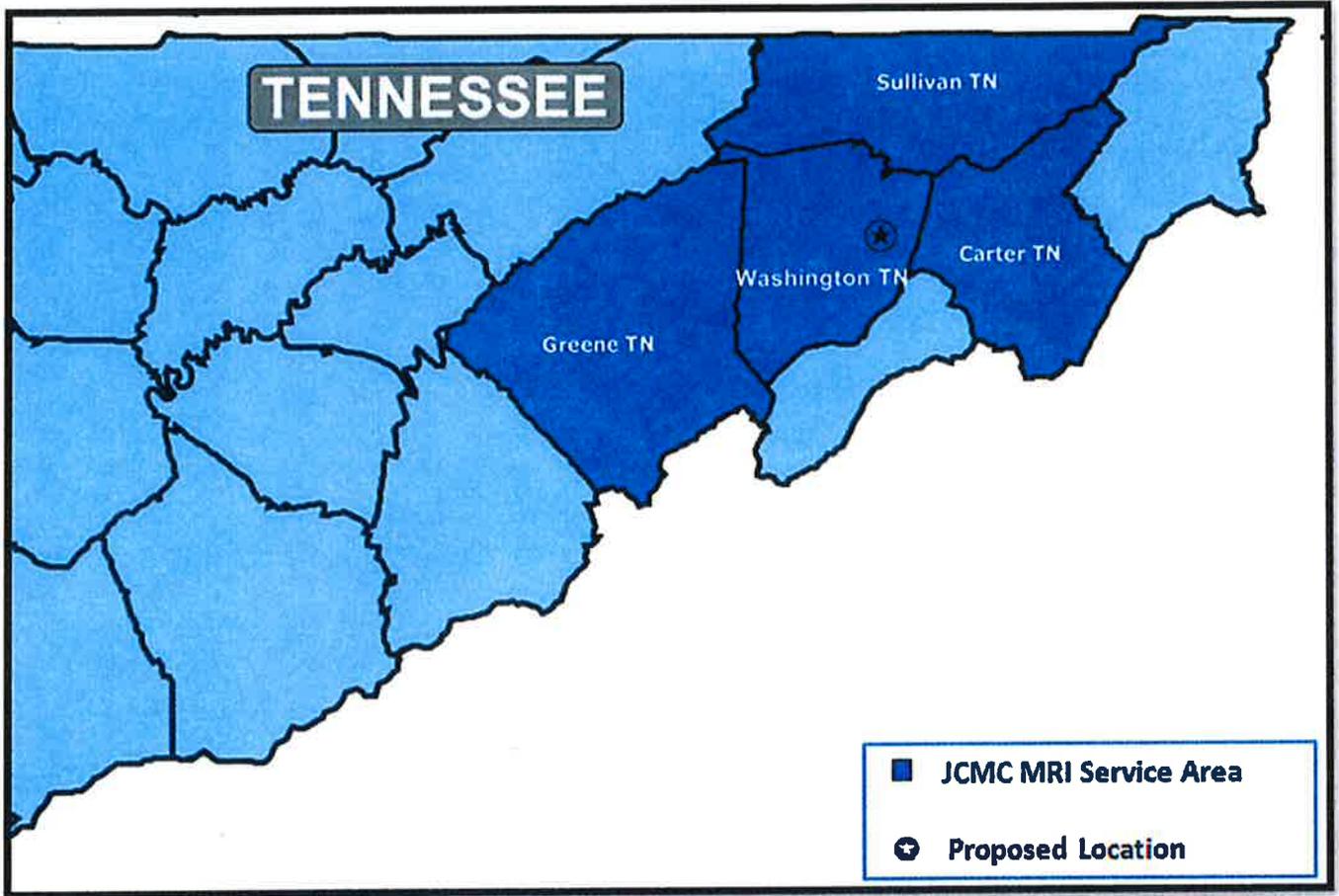
The majority of Johnson City Medical Center’s MRI volume comes from the following counties: Washington, Carter, Sullivan, and Greene County, all of which are in Tennessee. The service area for this project will be defined as those four counties because patients from those counties made up 77% of JCMC’s total MRI volume for fiscal year 2016. Because JCMC is a regional tertiary referral center that provides high acuity services, the remaining 23% of MRI volume came from a wide range of counties across multiple states.

Please complete the following tables, if applicable:

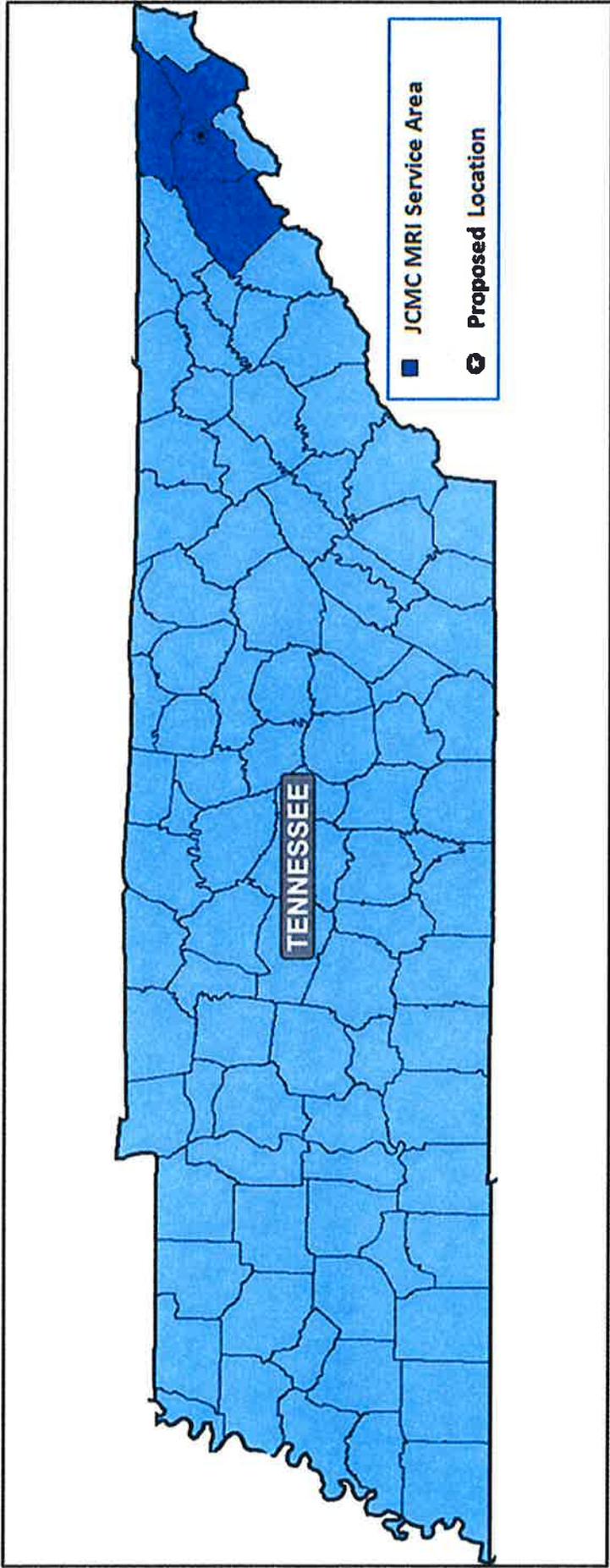
Service Area Counties	Historical Utilization-County Residents (Fiscal Year 2016)	% of total procedures
Washington	4,486	48.2%
Carter	1,064	11.4%
Sullivan	958	10.3%
Greene	654	7.0%
All Other	2,155	23.1%
Total	9,317	100%

Service Area Counties	Projected Utilization-County Residents (Year 1)	% of total procedures
Washington	5,079	49.0%
Carter	1,244	12.0%
Sullivan	1,036	10.0%
Greene	726	7.0%
All Other	2,280	22.0%
Total	10,365	100%

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



County Level Map



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

RESPONSE:

The population of the proposed service area for this project is 423,406 according to Tennessee Department of Health estimates. This data projects 2.4% growth in the proposed service area from 2016 to 2020.

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 are projected to make up approximately 22% of the service area population by the year 2020.

A demographic snapshot of the project's service area which was prepared by Sg2 is included in the attachments. Sg2 is an international healthcare company that 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 project's service area are similar in terms of gender (51 percent female, 49 percent male). The service area counties have a lower median household income of \$39,065 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 current and projected population data from the Department of Health, the most recent enrollee data from the Bureau of TennCare, and demographic information from the US Census Bureau, complete the following table and include data for each county in your proposed service area.

Projected Population Data: <http://www.tn.gov/health/article/statistics-population>

TennCare Enrollment Data: <http://www.tn.gov/tenncare/topic/enrollment-data>

Census Bureau Fact Finder: <http://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml>

Response:

The following table has been updated with the requested data for the proposed project service area.

Demographic Variable/Geographic Area	Department of Health/Health Statistics						Bureau of the Census				TennCare		
	Total Population-Current Yr (2016)	Total Population-Projected Yr (2020)	Total Population-% Change	*Target Population-(65+) Current Year	*Target Population-(65+) Projected Yr	*Target Population-(65+) % Change	Target Population (65+) Projected Year as % of Total	Median Age	Median Household Income	Person Below Poverty Level	Person Below Poverty Level as % of Total	TennCare Enrollees	TennCare Enrollees as % of Total
Washington	133,817	140,905	5.3%	24,231	28,137	16.1%	20.0%	39.7	\$42,935	21,605	17.9%	25,778	19.3%
Carter	58,139	58,375	0.4%	12,124	13,475	11.1%	23.1%	43.2	\$32,754	13,060	23.5%	13,811	23.8%
Sullivan	158,938	159,749	0.5%	34,510	38,067	10.3%	23.8%	44.1	\$39,577	27,716	18.0%	35,635	22.4%
Greene	72,512	74,656	3.0%	15,550	17,790	14.4%	23.8%	43.4	\$35,860	14,780	22.1%	16,294	22.5%
Service Area Total	423,406	433,685	2.4%	86,415	97,469	12.8%	22.5%	42.5	\$39,065	77,161	19.4%	91,518	21.6%
State of TN Total	6,812,005	7,108,031	4.3%	1,091,516	1,266,295	16.0%	17.8%	38.3	\$44,621	1,121,344	17.8%	1,551,984	22.8%

* Target Population is population that project will primarily serve. For example, nursing home, home health agency, hospice agency projects typically primarily serve the Age 65+ population; projects for child and adolescent psychiatric services will serve the Population Ages 0-19. Projected Year is defined in select service-specific criteria and standards. If Projected Year is not defined, default should be four years from current year, e.g., if Current Year is 2016, then default Projected Year is 2020.

- 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 project's service area are similar in terms of gender (51 percent female, 49 percent male). The service area counties have a lower median household income of \$39,065 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 race/ethnicity 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 approximately 22% of the service area population by the year 2020, which is much higher than the state total. Access to services such as MRI is particularly important to this elderly population. The percentage of the service area population below the poverty level, at 19.4% according to most recent data, is also higher compared to the state total of 17.8%.

5. Describe the existing and approved but unimplemented services of similar healthcare providers 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. List each provider 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. This doesn't apply to projects that are solely relocating a service.

Response:

Within the proposed project service area, there are currently 19 non-specialty MRI units. Utilization of the units in the service area reached 2,875 procedures per unit in 2015, which is just under the standard of 2,880 procedures as defined in the State Health Plan Standards and Criteria for MRI. There are no approved but unimplemented CONs to add MRI units to the service area. Utilization of the existing units is summarized in the following table:

County	Type	Facility	# MRI Units			Procedures		
			2013	2014	2015	2013	2014	2015
Washington	HOSP	Johnson City Medical Center	2	2	2	6,617	6,575	6,467
	ODC	Mountain States Imaging at Med Tech Parkway	1	1	1	2,448	2,328	2,666
	HOSP	Franklin Woods Community Hospital	1	1	1	3,529	3,772	4,432
	PO	Watauga Orthopaedics, PLC	1	1	1	2,337	2,221	2,465
Carter	HOSP	Sycamore Shoals Hospital ¹	1	1	0.85	1,719	1,880	1,818
	PO	Medical Care, PLLC ¹	-	-	0.15	-	-	126
Sullivan	HOSP	Bristol Regional Medical Center	2	2	2	6,323	6,151	8,452
	HODC	Holston Valley Imaging Center, LLC	3	3	3	8,787	6,516	8,970
	HOSP	Holston Valley Medical Center	1	1	1	3,326	2,867	3,148
	HOSP	Indian Path Medical Center	1	1	1	2,807	2,913	3,173
	ODC	Meadowview Outpatient Diagnostic Center	1	1	1	4,350	4,187	4,178
	ODC	Sapling Grove Outpatient Diagnostic Center	1	1	1	2,245	2,231	2,158
	HODC	Volunteer Parkway Imaging Center	1	1	1	1,239	1,153	1,413
Greene	HOSP	Laughlin Memorial Hospital, Inc.	2	2	2	3,159	3,248	3,284
	HOSP	Takoma Regional Hospital	1	1	1	1,610	2,224	1,880
Service Area Total			19	19	19	50,496	48,266	54,630
Historical Procedures per MRI						2,658	2,540	2,875

Source: Health Services and Development Agency Medical Equipment Registry Statistics

1) Medical Care, PLLC began utilizing Sycamore Shoals Hospital's MRI unit in 2015, under contract, 3 half-days per week.

Please note that an error was discovered in what had been reported to the Medical Equipment Registry for Johnson City Medical Center. The data for Mountain States Imaging at Med Tech Parkway, which is reported internally at MSHA as a department of JCMC, had been "double-counted", as those volumes were also included in the Johnson City Medical Center total. MSHA has notified the HSDA and provided corrected data to be reported as part of the Medical Equipment Registry, which is reflected in the table above.

6. Provide applicable utilization and/or occupancy statistics for your institution for each of the past three years and the projected annual utilization for each of the two 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 and projected utilization data for Johnson City Medical Center's MRI services are listed below. Projections for this project 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.

Trends in JCMC MRI Volume

JCMC MRI Historical and Projected Utilization	Historical				Projected	
	2013	2014	2015	2016	Year 1 (FY18)	Year 2 (FY19)
JCMC Total MRI Procedures (including Outpatient Diagnostic Center)	9,065	8,903	9,133	9,317	10,365	10,373
JCMC Total MRI Units	3	3	3	3	4	4
Utilization per JCMC MRI Unit	3,022	2,968	3,044	3,106	2,591	2,593

While MRI volumes for the project service area are projected to grow modestly, JCMC anticipates growth as a result of this project through the addition of MRI capacity. Seventy percent (70%) of the increased cases at JCMC are assumed to be MRI scans that would have otherwise been performed at another MSHA hospital, such as Franklin Woods Community Hospital or Indian Path Medical Center, but are scheduled at JCMC because of the quicker availability and patient convenience. The remaining projected growth in MRI scans at JCMC is attributable to overall growth in volume commensurate with historical experience.

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.
 - A. All projects should have a project cost of at least \$15,000 (the minimum CON Filing Fee). (See Application Instructions for Filing Fee)
 - B. 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.
 - C. 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.
 - D. Complete the Square Footage Chart on page 8 and provide the documentation. Please note the Total Construction Cost reported on line 5 of the Project Cost Chart should equal the Total Construction Cost reported on the Square Footage Chart.
 - E. For projects that include new construction, modification, and/or renovation—**documentation must be** provided from a licensed architect or construction professional that support the estimated construction costs. Provide a letter that includes the following:
 - 1) A general description of the project;
 - 2) An estimate of the cost to construct the project;
 - 3) A description of the status of the site's suitability for the proposed project; and
 - 4) Attesting the physical environment will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the AIA Guidelines for Design and Construction of Hospital and Health Care Facilities in current use by the licensing authority.

Response:

The project costs for this proposal are identified in the Project Costs Chart below. Documentation support from an architect is included in attachments.

PROJECT COST CHART

A. Construction and equipment acquired by purchase:		
1. Architectural and Engineering Fees	\$20,000	
2. Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	\$10,000	
3. Acquisition of Site	-	
4. Preparation of Site	-	
5. Total Construction Costs	\$212,500	
6. Contingency Fund	\$10,000	
7. Fixed Equipment (Not included in Construction Contract)	\$1,755,608	
8. Moveable Equipment (List all equipment over \$50,000 as separate attachments)	-	
9. Other (Specify) _____	-	
B. Acquisition by gift, donation, or lease:		
1. Facility (inclusive of building and land)	-	
2. Building only	-	
3. Land only	-	
4. Equipment (Specify) _____	-	
5. Other (Specify) _____	-	
C. Financing Costs and Fees:		
1. Interim Financing	-	
2. Underwriting Costs	-	
3. Reserve for One Year's Debt Service	-	
4. Other (Specify) _____	-	
D. Estimated Project Cost (A+B+C)	\$2,008,108	
E. CON Filing Fee	\$15,000	
F. Total Estimated Project Cost (D+E)	\$2,023,108	
TOTAL	\$2,023,108	

2. Identify the funding sources for this project.

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;
- E. Cash Reserves – Appropriate documentation from Chief Financial Officer of the organization providing the funding for the project and audited financial statements of the organization; and/or
- 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 attachments.

3. Complete Historical 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. Provide a Chart for the total facility and Chart just for the services being presented in the proposed project, if applicable. **Only complete one chart if it suffices.**

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 include any management fees paid by agreement to third party entities not having common ownership with the applicant.

HISTORICAL DATA CHART*

Total Facility
 Project Only

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).

	Year <u>FY2014</u>	Year <u>FY2015</u>	Year <u>FY2016</u>
A. Utilization Data - MRI Procedures (Inpatient and Outpatient) for JCMC and Mountain States Imaging at Med Tech Parkway	<u>8,903</u>	<u>9,133</u>	<u>9,317</u>
B. Revenue from Services to Patients			
1. Inpatient Services			
2. Outpatient Services	<u>\$35,583,272</u>	<u>\$37,378,288</u>	<u>\$36,438,217</u>
3. Emergency Services			
4. Other Operating Revenue (Specify) _____			
Gross Operating Revenue	<u>\$35,583,272</u>	<u>\$37,378,288</u>	<u>\$36,438,217</u>
C. <u>Deductions from Gross Operating Revenue</u>			
1. Contractual Adjustments	<u>\$29,808,934</u>	<u>\$31,479,702</u>	<u>\$30,508,623</u>
2. Provision for Charity Care	<u>\$397,076</u>	<u>\$452,932</u>	<u>\$397,063</u>
3. Provisions for Bad Debt	<u>\$403,878</u>	<u>\$577,875</u>	<u>\$503,667</u>
Total Deductions	<u>\$30,609,888</u>	<u>\$32,510,509</u>	<u>\$31,409,353</u>
NET OPERATING REVENUE	<u>\$4,973,384</u>	<u>\$4,867,779</u>	<u>\$5,028,864</u>
D. Operating Expenses			
1. Salaries and Wages			
a. Direct Patient Care	<u>\$777,049</u>	<u>\$714,083</u>	<u>\$678,105</u>
b. Non-Patient Care	<u>\$402,187</u>	<u>\$332,219</u>	<u>\$314,668</u>
2. Physician's Salaries and Wages			
3. Supplies	<u>\$231,246</u>	<u>\$208,116</u>	<u>\$246,531</u>
4. Rent			
a. Paid to Affiliates			
b. Paid to Non-Affiliates			
5. Management Fees:			
a. Paid to Affiliates			
b. Paid to Non-Affiliates			
6. Other Operating Expenses (Service Contracts, Mileage, Benefits, Corporate/Admin Team Allocation, Travel, Other)	<u>\$1,559,234</u>	<u>\$1,524,090</u>	<u>\$1,422,353</u>
Total Operating Expenses	<u>\$2,969,716</u>	<u>\$2,778,508</u>	<u>\$2,661,657</u>
E. Earnings Before Interest, Taxes and Depreciation	<u>\$2,003,668</u>	<u>\$2,089,271</u>	<u>\$2,367,207</u>
F. Non-Operating Expenses			
1. Taxes			
2. Depreciation	<u>\$969,393</u>	<u>\$398,931</u>	<u>\$371,449</u>
3. Interest	<u>\$396,556</u>	<u>\$90,251</u>	<u>\$94,642</u>
4. Other Non-Operating Expenses			
Total Non-Operating Expenses	<u>\$1,365,949</u>	<u>\$489,182</u>	<u>\$466,091</u>
NET INCOME (LOSS)	<u>\$637,719</u>	<u>\$1,600,089</u>	<u>\$1,901,116</u>

Chart Continues Onto Next Page

*NOTE: Revenue and expenses in Historical Data Chart are for outpatient services only because Inpatient MRI procedures are covered under applicable DRGs, and there is no inpatient revenue attributable to these scans.

NET INCOME (LOSS)	<u>\$637,719</u>	<u>\$1,600,089</u>	<u>\$1,901,116</u>
G. Other Deductions			
1. Annual Principal Debt Repayment			
2. Annual Capital Expenditure			
	Total Other Deductions		
	NET BALANCE	<u>\$637,719</u>	<u>\$1,600,089</u>
	DEPRECIATION	<u>\$969,393</u>	<u>\$371,449</u>
	FREE CASH FLOW (Net Balance + Depreciation)	<u>\$1,607,112</u>	<u>\$2,272,565</u>

- Total Facility
- Project Only

HISTORICAL DATA CHART-OTHER EXPENSES

OTHER EXPENSES CATEGORIES

	Year _____	Year _____	Year _____
1. _____	\$ _____	\$ _____	\$ _____
2. _____	_____	_____	_____
3. _____	_____	_____	_____
4. _____	_____	_____	_____
5. _____	_____	_____	_____
6. _____	_____	_____	_____
7. _____	_____	_____	_____
Total Other Expenses	\$ _____	\$ _____	\$ _____

***NOTE:** Revenue and expenses in Historical Data Chart are for outpatient services only because Inpatient MRI procedures are covered under applicable DRGs, and there is no inpatient revenue attributable to these scans.

4. Complete Projected Data Charts on the following two pages – **Do not modify the Charts provided or submit Chart substitutions!**

The Projected Data Chart requests information for the two years following the completion of the proposed services that apply to the project. Please complete two Projected Data Charts. One 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). The second Chart should reflect information for the total facility. **Only complete one chart if it suffices.**

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 include any management fees paid by agreement to third party entities not having common ownership with the applicant.

PROJECTED DATA CHART

Total Facility
 Project Only

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

	<u>Year FY2018</u>	<u>Year FY2019</u>
A. Utilization Data – Incremental Inpatient & Outpatient Procedures	1,048	1,056
B. Revenue from Services to Patients		
1. Inpatient Services		
2. Outpatient Services	\$4,772,673	\$4,850,815
3. Emergency Services		
4. Other Operating Revenue (Specify) _____		
Gross Operating Revenue	<u>\$4,772,673</u>	<u>\$4,850,815</u>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	<u>\$4,228,195</u>	<u>\$4,300,415</u>
2. Provision for Charity Care	\$47,965	\$48,799
3. Provisions for Bad Debt	\$47,965	\$47,965
Total Deductions	<u>\$4,324,125</u>	<u>\$4,397,179</u>
NET OPERATING REVENUE	<u>\$448,548</u>	<u>\$453,636</u>
D. Operating Expenses		
1. Salaries and Wages	\$32,302	\$34,446
a. Direct Patient Care		
b. Non-Patient Care		
2. Physician's Salaries and Wages		
3. Supplies	\$11,881	\$12,351
4. Rent		
a. Paid to Affiliates		
b. Paid to Non-Affiliates		
5. Management Fees:		
a. Paid to Affiliates		
b. Paid to Non-Affiliates		
6. Other Operating Expenses (Benefits, Maintenance Contract)	\$118,513	\$119,864
Total Operating Expenses	<u>\$162,696</u>	<u>\$166,662</u>
E. Earnings Before Interest, Taxes and Depreciation	<u>\$285,852</u>	<u>\$286,975</u>
F. Non-Operating Expenses		
1. Taxes		
2. Depreciation	<u>\$159,000</u>	<u>\$159,000</u>
3. Interest		
4. Other Non-Operating Expenses		
Total Non-Operating Expenses	<u>\$159,000</u>	<u>\$159,000</u>
NET INCOME (LOSS)	<u>\$126,852</u>	<u>\$127,975</u>

Chart Continues Onto Next Page

***NOTE:** Revenue and expenses in Projected Data Chart are for outpatient services only because Inpatient MRI procedures are covered under applicable DRGs, and there is no inpatient revenue attributable to these scans.

NET INCOME (LOSS)	<u>\$126,852</u>	<u>\$127,975</u>
G. Other Deductions		
1. Estimated Annual Principal Debt Repayment		
2. Annual Capital Expenditure		
Total Other Deductions	\$	\$
NET BALANCE	<u>\$126,852</u>	<u>\$127,975</u>
DEPRECIATION	<u>\$159,000</u>	<u>\$159,000</u>
FREE CASH FLOW (Net Balance + Depreciation)	<u>\$285,852</u>	<u>\$286,975</u>

- Total Facility
 Project Only

PROJECTED DATA CHART-OTHER EXPENSES

<u>OTHER EXPENSES CATEGORIES</u>	Year FY2018	Year FY2019
1. <u>Professional Services Contract</u>	\$111,174	\$112,286
2. <u>Employee Benefits</u>	\$7,339	\$7,578
3. _____		
4. _____		
5. _____		
6. _____		
7. _____		
Total Other Expenses	\$118,513	\$119,864

***NOTE:** Revenue and expenses in Projected Data Chart are for outpatient services only because Inpatient MRI procedures are covered under applicable DRGs, and there is no inpatient revenue attributable to these scans.

5. A. Please identify the project's average gross charge, average deduction from operating revenue, and average net charge using information from the Projected Data Chart for Year 1 and Year 2 of the proposed project. Please complete the following table.

	Previous Year	Current Year	Year One	Year Two	% Change (Current Year to Year 2)
Gross Charge (<i>Gross Operating Revenue/Utilization Data</i>)	\$4,093	\$3,911	\$4,554	\$4,594	17.5%
Deduction from Revenue (<i>Total Deductions/Utilization Data</i>)	\$3,560	\$3,371	\$4,126	\$4,164	23.5%
Average Net Charge (<i>Net Operating Revenue/Utilization Data</i>)	\$533	\$540	\$428	\$430	-20.4%

Response:

The data included in this chart is based on the financial information provided in the Historical Data Chart and Projected Data Chart. Please reference those charts for the details of what was included in the calculations.

- B. Provide the proposed charges for the project and discuss any adjustment to current charges that will result from the implementation of the proposal. Additionally, describe the anticipated revenue from the project and the impact on existing patient charges.

Response:

Existing charges are set forth in part A above. This project will not affect patient charges, and no adjustments to current charges will be made as a result of this project other than those that would occur at the facility anyway.

- C. 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 MRI services currently provided at Johnson City Medical Center are reasonable in comparison to rates of other providers across the state of Tennessee.

The following chart outlines a comparison of average gross charge per MRI procedure for JCMC with those of other comparable hospitals across Tennessee. As evident, the MRI charges for JCMC compare favorably with other hospitals.

Trend in Charge Comparison for MRI Procedures

Facility	Avg Charge per MRI Procedure		
	2013	2014	2015
Johnson City Medical Center (including Mountain States Imaging at Med Tech Parkway)	\$4,431.49	\$4,653.18	\$4,639.32
Tennessee Hospital A	\$4,132.71	\$4,130.15	\$4,235.44
Tennessee Hospital B	\$4,400.84	\$4,380.58	\$4,269.63
Tennessee Hospital C	\$5,144.88	\$5,468.63	\$5,959.69

Tennessee Hospital D	\$4,297.56	\$4,562.96	\$4,365.55
Tennessee Hospital E	\$4,044.52	\$4,248.59	\$4,487.90
Tennessee Hospital F	\$4,637.43	\$4,883.93	\$4,632.85

Source: Health Services and Development Agency Medical Equipment Registry Statistics

6. A. Discuss how projected utilization rates will be sufficient to support the financial performance. Indicate when the project's financial breakeven is expected and demonstrate the availability of sufficient cash flow until financial viability is achieved. 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 all projects, provide financial information for the corporation, partnership, or principal parties that will be a source of funding for 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. **NOTE: Publicly held entities only need to reference their SEC filings.**

Response:

This project is expected to realize a positive financial margin in Year 1; cash flow is projected to be \$285,852 and \$286,975 in Years 1 and 2, respectively. More detailed information for this project is included in the Projected Data Chart.

- B. Net Operating Margin Ratio – Demonstrates how much revenue is left over after all the variable or operating costs have been paid. The formula for this ratio is: (Earnings before interest, Taxes, and Depreciation/Net Operating Revenue).

Utilizing information from the Historical and Projected Data Charts please report the net operating margin ratio trends in the following table:

Year	2nd Year previous to Current Year	1st Year previous to Current Year	Current Year	Projected Year 1	Projected Year 2
Net Operating Margin Ratio	0.40	0.43	0.47	0.64	0.63

- C. Capitalization Ratio (Long-term debt to capitalization) – Measures the proportion of debt financing in a business’s permanent (Long-term) financing mix. This ratio best measures a business’s true capital structure because it is not affected by short-term financing decisions. The formula for this ratio is: (Long-term debt/(Long-term debt/Total Equity (Net assets)) x 100).

For the entity (applicant and/or parent company) that is funding the proposed project please provide the capitalization ratio using the most recent year available from the funding entity’s audited balance sheet, if applicable. The Capitalization Ratios are not expected from outside the company lenders that provide funding.

Response:

All financial information for Mountain States Health Alliance relative to the capitalization ratio can be found in the audited financial reports for Fiscal Year 2014 and 2015 and the unaudited reports for Fiscal Year 2016. These are included in the attachments.

7. 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. Additionally, report the estimated gross operating revenue dollar amount and percentage of projected gross operating revenue anticipated by payor classification for the first year of the project by completing the table below.

Response:

As with all facilities within Mountain States Health Alliance, Johnson City Medical Center will be committed to meeting the needs of the community and the region, and it will continue the provision of medically necessary care, regardless of socioeconomic status, payor source, age, race or gender. JCMC currently participates in both Federal and State programs, including Medicare, TennCare and Medicaid programs. Medicare patients comprise approximately 39% of JCMC’s MRI patient revenue, TennCare/Medicaid patients make up approximately 20%, with another 3% combined from charity and self-pay. Projected revenue by source for JCMC MRI is detailed in the table below:

Applicant’s Projected Payor Mix, Year 1

Payor Source	Projected Gross Operating Revenue	As a % of total
Medicare/Medicare Managed Care	\$1,847,024	38.7%
TennCare/Medicaid	\$959,307	20.1%
Commercial/Other Managed Care	\$1,589,300	33.3%
Charity / Self-Pay	\$157,498	3.3%
Other	\$219,543	4.6%
Total	\$4,772,673	100.0%

8. Provide the projected staffing for the project in Year 1 and compare to the current staffing for the most recent 12-month period, as appropriate. This can be reported using full-time equivalent (FTEs) positions for these positions. Additionally, please identify projected salary amounts by position classifications and compare the clinical staff salaries to prevailing wage patterns in the proposed service area as published by the Department of Labor & Workforce Development and/or other documented sources.

Response:

The following table includes anticipated staffing patterns for MRI operations at Johnson City Medical Center, as well as current average wages for JCMC MRI tech FTEs compared to the prevailing wage patterns for the same positions as obtained from the Tennessee Department of Labor & Workforce Development.

Position Classification	Existing FTEs (FY2016)	Projected FTEs Year 1	Average Wage (Hourly Rate)	Area/Statewide Avg Hourly Rate
A. Direct Patient Care Positions				
<i>MRI Technologist</i>	7.9	8.9	\$26.00	\$27.60
Total Direct Patient Care Positions	7.9	8.9	\$26.00	\$27.60

B. Non-Patient Care Positions				
Total Non-Patient Care Positions	0	0	-	-
Total Employees (A+B)	7.9	8.9	\$26.00	\$27.60
C. Contractual Staff	0	0	-	-
Total Staff (A+B+C)	7.9	8.9	\$26.00	\$27.60

9. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:
- A. Discuss 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, justify why not, including reasons as to why they were rejected.

Response:

Several options were considered in regard to MRI services at JCMC. These include: 1) maintain the status quo; 2) initiate mobile MRI service; and 3) purchase a new 1.5T MRI scanner.

- 1) Maintain the status quo – This option is not acceptable because JCMC needs additional capacity to reduce the backlog currently being experienced for key procedures as part of its MRI services. The wait times for next available appointment at JCMC are: 4 weeks for adult moderate sedation procedures, 5.5 weeks for pediatric moderate sedation procedures, and 2 weeks for anesthesia procedures for both adults and pediatrics. Maintaining the status quo would not create a way of providing more available MRI services to the patient population. Because Johnson City Medical Center strives to offer high quality, accessible care to its patient population, this option was rejected.
- 2) Initiate mobile MRI service – Another alternative is the initiation of mobile MRI services at the JCMC campus. This alternative is not acceptable due to its location and cost. From a clinical perspective, cases requiring sedation and contrast could not be safely performed at this location due of the distance from the radiologists and the rest of the care team, thus creating an inefficient workflow for radiology staff. Mobile services are also cost prohibitive and do not make sense considering JCMC can support another fixed unit.

3) Purchase a new 1.5T MRI scanner – Given the volume and acuity of patients treated at JCMC, the purchase of a new 1.5T MRI scanner appears to be the most cost-effective and clinically appropriate method for JCMC to enhance its MRI services for the residents of this project's service area.

B. Document that consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements.

Response:

Alternatives to the purchase of a new 1.5T MRI scanner were considered as previously noted. Construction for this proposed project is limited to renovation of existing space, and the purchase of a new scanner is appropriate considering the age and extensive use of the existing JCMC MRI scanners. Maintaining the status quo would not create a way of providing more available MRI services to the patient population. Sharing arrangements would not be appropriate in this situation given the difficulty and expense of transferring inpatients to an outside MRI facility. Also, sharing arrangements in the form of mobile MRI service were also deemed inappropriate given the expense, inefficiency, and clinical concerns associated with providing MRI services in a mobile setting at Johnson City Medical Center.

CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

1. List all existing health care providers (i.e., 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, that may directly or indirectly apply to the project, such as, transfer agreements, contractual agreements for health services.

Response:

Johnson City Medical Center 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 effects of competition and/or duplication of the proposal on the health care system, including the impact to consumers and existing providers in the service area. Discuss any instances of competition and/or duplication 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.

A. Positive Effects

Response:

Patients utilizing magnetic resonance imaging services at Johnson City Medical Center will be the beneficiaries of the positive effects from this proposal. As previously described, back logs for scheduled procedures, heavy use of the current units for time-consuming sedation procedures, and a large inpatient population at JCMC cause lengthy waits for patients in all care settings. The additional scanning capacity provided by this proposal would alleviate the current delays and reduce the back log of cases, providing accessible and efficient delivery of MRI services for all types of patients. This project provides JCMC the ability to develop a patient centered care environment, as efficiency and accessibility are significantly improved for the patient.

B. Negative Effects

Response:

This proposal is addressing the need for additional MRI capacity for existing patient populations that are already being seen at Johnson City Medical Center. The proposal will not have negative impacts on other providers, as it is seeking to better support the growth in patient volumes realized at JCMC. This proposal is not seeking the initiation of any new services at Johnson City Medical Center. It is meant to be a complement to already existing MRI services to improve the experience for patients utilizing JCMC MRI services.

3. A. Discuss the availability of and accessibility to human resources required by the proposal, including clinical leadership and adequate professional staff, as per the State of Tennessee licensing requirements and/or requirements of accrediting agencies, such as the Joint Commission and Commission on Accreditation of Rehabilitation Facilities.

Response:

Mountain States Health Alliance recruits and retains staff by offering salary and benefit packages appropriate for the market. Staffing recruitment and retention policies are consistent throughout all Mountain States Health Alliance facilities, and no changes will be made to those policies as a result of this project. Recruitment for the additional MRI tech needed for operations of the new MRI unit will begin upon approval of this project.

- B. Verify that the applicant has reviewed and understands all licensing and/or certification as required by the State of Tennessee and/or accrediting agencies such as the Joint Commission for medical/clinical staff. These include, without limitation, regulations concerning clinical leadership, physician supervision, quality assurance policies and programs, utilization review policies and programs, record keeping, clinical staffing requirements, and staff education.

Response:

Johnson City Medical Center has reviewed and understands all licensing and 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.

- C. Discuss the applicant's participation in the training of students in the areas of medicine, nursing, social work, etc. (e.g., internships, residencies, etc.).

Response:

Mountain States Health Alliance facilities work extensively with local colleges and universities in the training of students. Existing relationships include affiliations with the James H. Quillen College of Medicine, East Tennessee State University, located in Johnson City, TN, in which facilities such as Johnson City Medical Center provide clinical training for medical students and residents. MSHA also works with 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 programs at East Tennessee State University, King University, Milligan College, Northeast State Community College, and several other local colleges.

4. Identify the type of licensure and certification requirements applicable and verify the applicant has reviewed and understands them. Discuss any additional requirements, if applicable. Provide the name of the entity from which the applicant has received or will receive licensure, certification, and/or accreditation.

- A. If an existing institution, describe the current standing with any licensing, certifying, or accrediting agency. Provide a copy of the current license of the facility and accreditation designation.

Response:

Johnson City Medical Center is currently licensed as a general acute care hospital, pediatric general hospital, and level 1 trauma center by the Tennessee Department of Health Board for Licensing Health Care Facilities. A copy of JCMC's license from the State of Tennessee is included in the attachments.

JCMC is accredited by The Joint Commission (TJC), and a copy of JCMC's TJC Official Accreditation Report Summary Statement is attached.

- B. For existing providers, please provide a copy of the most recent statement of deficiencies/plan of correction and document that all deficiencies/findings have been corrected by providing a letter from the appropriate agency.

Response:

A copy of JCMC's TJC Official Accreditation Report Summary Statement is attached.

- C. Document and explain inspections within the last three survey cycles which have resulted in any of the following state, federal, or accrediting body actions: suspension of admissions, civil monetary penalties, notice of 23-day or 90-day termination proceedings from Medicare/Medicaid/TennCare, revocation/denial of accreditation, or other similar actions.

- 1) Discuss what measures the applicant has or will put in place to avoid similar findings in the future.

Response:

JCMC has had none of the actions described in this question imposed upon it as a result of any recent surveys.

5. Respond to all of the following and for such occurrences, identify, explain and provide documentation:

- A. Has any of the following:

- 1) Any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant);
- 2) Any entity in which any person(s) or entity with more than 5% ownership (direct or indirect) in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than 5%; and/or
- 3) Any physician or other provider of health care, or administrator employed by any entity in which any person(s) or entity with more than 5% ownership in the applicant (to include any entity in the chain of ownership for applicant) has an ownership interest of more than 5%.

- B. Been subjected to any of the following:

- 1) Final Order or Judgment in a state licensure action – **Response: No**
- 2) Criminal fines in cases involving a Federal or State health care offense – **Response: No**
- 3) Civil monetary penalties in cases involving a Federal or State health care offense – **Response: No**

* Annual Progress Reports – HSDA Rules require that an Annual Progress Report (APR) be submitted each year. The APR is due annually until the Final Project Report (FPR) is submitted (FPR is due within 90 ninety days of the completion and/or implementation of the project). Brief progress status updates are requested as needed. The project remains outstanding until the FPR is received.

Response:

There are currently no outstanding CONs for Johnson City Medical Center.

B. Provide a brief description of the current progress, and status of each applicable outstanding CON.

Response:

There are currently no outstanding CONs for Johnson City Medical Center.

7. Equipment Registry – For the applicant and all entities in common ownership with the applicant.

A. Do you own, lease, operate, and/or contract with a mobile vendor for a Computed Tomography scanner (CT), Linear Accelerator, Magnetic Resonance Imaging (MRI), and/or Positron Emission Tomographer (PET)?

Response: Yes, MSHA's Johnson County Community Hospital, a critical access hospital located in Mountain City (Johnson County), TN, utilizes mobile MRI through a lease with New Millennium Healthcare, Inc.

B. If yes, have you submitted their registration to HSDA? If you have, what was the date of submission?

Response: Registration for the service mentioned in Part A was submitted to the HSDA on March 31, 2016.

C. If yes, have you submitted your utilization to Health Services and Development Agency? If you have, what was the date of submission?

Response: Utilization data for the service mentioned in Part A was submitted to the HSDA on March 31, 2016.

QUALITY MEASURES

Please verify that the applicant will report annually using forms prescribed by the Agency concerning continued need and appropriate quality measures as determined by the Agency pertaining to the certificate of need, if approved.

Response:

The applicant will, if approved, provide the Tennessee Health Services and Development Agency with appropriate reporting as it pertains to this project concerning need and appropriate quality measures as determined by the HSDA.

STATE HEALTH PLAN QUESTIONS

T.C.A. §68-11-1625 requires the Tennessee Department of Health's Division of Health Planning to develop and annually update the State Health Plan (found at <http://www.tn.gov/health/topic/health-planning>). The State Health Plan guides the State in the development of health care programs and policies and in the allocation of health care resources in the State, including the Certificate of Need program. The 5 Principles for Achieving Better Health are from the State Health Plan's framework and inform the Certificate of Need program and its standards and criteria.

Discuss how the proposed project will relate to the 5 Principles for Achieving Better Health found in the State Health Plan.

1. The purpose of the State Health Plan is to improve the health of the people of Tennessee.

Response:

This project is designed to improve the health of the people of Tennessee by positioning JCMC to more effectively meet the demands of residents of the project service area for MRI services as exhibited by the historical procedure volumes of JCMC. This project is meant to improve access and decrease wait times for those seeking MRI services and, in turn, provide more timely results to allow patients to act accordingly.

2. People in Tennessee should have access to health care and the conditions to achieve optimal health.

Response:

Utilization data for 2015 shows that the project service area is just under the threshold for an additional MRI unit in the service area based on Question #4 of the HSDA's Standards and Criteria for MRI. In addition, JCMC is heavily utilized for MRI services, as described in previous sections of this application regarding utilization of current units. JCMC currently has wait times of several weeks for multiple types of MRI procedures. This project will improve access to these much needed MRI services by increasing MRI capacity at JCMC and reducing wait times for the patients of the service area.

3. Health resources in Tennessee, including health care, should be developed to address the health of people in Tennessee while encouraging economic efficiencies.

Response:

As demonstrated by the extensive utilization of MRI services in this project's service area as noted in previous sections of this application, a need exists for additional capacity to treat patients seeking MRI services. This project will have no negative effects on competing facilities and will be a valuable addition to the service area's healthcare resources. JCMC will be able to better accommodate the types of patients seeking the types of services in which JCMC is the only service area facility to provide, such as pediatric sedation.

4. People in Tennessee should have confidence that the quality of health care is continually monitored and standards are adhered to by providers.

Response:

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

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

Response:

This project will have minimal impact on the addition of positions to the workforce. However, JCMC will continue to identify opportunities to develop and retain its team members associated with MRI services to provide the highest quality of care for the complex procedures JCMC provides. JCMC will also continue to build on its relationships with local colleges and universities, as well as other Mountain States facilities, to recruit highly-talented and capable team members to staff its MRI services for years to come.

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 that includes a copy of the publication as proof of the publication of the letter of intent.

Response:

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

NOTIFICATION REQUIREMENTS

(Applies only to Nonresidential Substitution-Based Treatment Centers for Opiate Addiction)

Note that T.C.A. §68-11-1607(c)(9)(A) states that "...Within ten (10) days of the filing of an application for a nonresidential substitution-based treatment center for opiate addiction with the agency, the applicant shall send a notice to the county mayor of the county in which the facility is proposed to be located, the state representative and senator representing the house district and senate district in which the facility is proposed to be located, and to the mayor of the municipality, if the facility is proposed to be located within the corporate boundaries of a municipality, by certified mail, return receipt requested, informing such officials that an application for a nonresidential substitution-based treatment center for opiate addiction has been filed with the agency by the applicant."

Failure to provide the notifications described above within the required statutory timeframe will result in the voiding of the CON application.

Please provide documentation of these notifications.

Response:

Not applicable.

DEVELOPMENT SCHEDULE

T.C.A. §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. 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.

PROJECT COMPLETION FORECAST CHART

Assuming the Certificate of Need (CON) approval becomes the final HSDA action on the date listed in Item 1. below, indicate the number of days from the HSDA decision date to each phase of the completion forecast.

Phase	Days Required	Anticipated Date [Month/Year]
1. Initial HSDA decision date		December 2016**
2. Architectural and engineering contract signed	complete	June 2016
3. Construction documents approved by the Tennessee Department of Health	30	January 2017
4. Construction contract signed	30	January 2017
5. Building permit secured	60	February 2017
6. Site preparation completed	90	March 2017
7. Building construction commenced	120	April 2017
8. Construction 40% complete	180	June 2017
9. Construction 80% complete	210	July 2017
10. Construction 100% complete (approved for occupancy)	240	August 2017
11. *Issuance of License	250	August 2017
12. *Issuance of Service	250	August 2017
13. Final Architectural Certification of Payment	270	September 2017
14. Final Project Report Form submitted (Form HR0055)	270	September 2017

****NOTE:** Anticipated completion dates in the chart above are based on the assumption that the request for Consent Calendar will be approved.

*For projects that **DO NOT** involve construction or renovation, complete Items 11 & 12 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
Johnson City Medical Center MRI Project
Certificate of Need Application Attachments

Attachment A-4A: Corporate Charter and Certificate of Corporate Existence

Attachment A-4B: Organizational Structure

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

Attachment A-6B-1 & A-6B-2: Plot Plan & Floor Plans

Attachment A-13B: MRI Quote from Equipment Vendor

Attachment A-13F: FDA Approval Documentation

Attachment B-Need-3: Service Area Maps

Attachment B-Need-4: Service Area Demographic Snapshot

Attachment B-Economic Feasibility-1: Construction Costs Documentation

Attachment B-Economic Feasibility-2: Letter of Available Funds

Attachment B-Economic Feasibility-6: Unaudited Financial Statements (FY2016) and Most Recent Audited Statements (FY2014 and FY2015) for Mountain States Health Alliance

Attachment B-Contribution to the Orderly Development of Health Care-4A & 4B:

Hospital License and Accreditation Report Summary Statement

Attachment B-Proof of Publication: Publication of Intent, Johnson City Press

Attachment: Affidavit for Application

ATTACHMENT A-4A

**Corporate Charter
Certificate of Corporate Existence**

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;

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(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

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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.

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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

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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 W. Wilkes Jr.

Name Printed: Clem W. Wilkes Jr.

Title: Chairman, MSHA Board

Debbie Tittle Jaime Foss CDR

ROLL/IMG: 801/381-386

13009508



6 PGS : AL - CHARTER	
LISA BATCH: 88121	05/31/2013 - 04:09 PM
VALUE	0.00
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
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, CARTER COUNTY

EDRIE BRISTOL

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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
Formation/Qualification Date: 04/12/1945
Status: Active
Duration Term: Perpetual
Business County: WASHINGTON COUNTY

Control #: 78535
Date Formed: 04/12/1945
Formation Locale: TENNESSEE
Inactive Date:

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: Sheila Keeling

Verification #: 018165827



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

Filing Information

Name: **Mountain States Health Alliance**

General Information

SOS Control # 000078535 Formation Locale: TENNESSEE
Filing Type: Nonprofit Corporation - Domestic Date Formed: 04/12/1945
04/12/1945 4:30 PM Fiscal Year Close 6
Status: Active
Duration Term: Perpetual
Public/Mutual Benefit: Public

Registered Agent Address

TIMOTHY BELISLE
400 N STATE OF FRANKLIN RD
JOHNSON CITY, TN 37604-6035

Principal Address

400 N STATE OF FRANKLIN RD
JOHNSON CITY, TN 37604-6035

The following document(s) was/were filed in this office on the date(s) indicated below:

<u>Date Filed</u>	<u>Filing Description</u>	<u>Image #</u>
09/30/2016	2016 Annual Report	B0303-1203
10/19/2015	2015 Annual Report	B0157-3101
10/12/2015	Assumed Name Renewal	B0148-8812
	Assumed Name Changed From: Mountain States Medical Group Johnson County Family Medicine Internal Medicin To: Mountain States Medical Group Johnson County Family Medicine Internal Medicine	
	Expiration Date Changed From: 11/12/2015 To: 10/12/2020	
09/04/2015	Assumed Name	B0139-9908
	New Assumed Name Changed From: No Value To: Triumph Navigators	
07/28/2015	Assumed Name Cancellation	B0126-1369
	Name Status Changed From: Active (Unicoi Valley Internal Medicine, Inc.) To: Inactive - Name Cancelled (Unicoi Valley Internal Medicine, Inc.)	
07/28/2015	Assumed Name Cancellation	B0126-1373
	Name Status Changed From: Active (Unicoi County Medical Services, Inc.) To: Inactive - Name Cancelled (Unicoi County Medical Services, Inc.)	
10/23/2014	2014 Annual Report	B0016-0855
10/08/2014	Assumed Name Cancellation	B0012-3177
	Name Status Changed From: Active (WINGS AIR RESCUE) To: Inactive - Name Cancelled (WINGS AIR RESCUE)	
11/07/2013	Assumed Name	7254-2657

Filing Information

Name: **Mountain States Health Alliance**

New Assumed Name Changed From: No Value To: Unicoi Valley Internal Medicine, Inc.	
11/07/2013	Assumed Name 7254-2651
New Assumed Name Changed From: No Value To: Unicoi County Medical Services, Inc.	
08/28/2013	2013 Annual Report 7232-1662
04/29/2013	Amended and Restated Formation Documents 7199-1082
09/26/2012	2012 Annual Report 7100-0828
Principal Address 1 Changed From: 400 NORTH STATE OF FRANKLIN RD To: 400 N STATE OF FRANKLIN RD	
Principal Postal Code Changed From: 37604 To: 37604-6035	
01/23/2012	2011 Annual Report 6984-2892
Principal Address 1 Changed From: 400 NORTH STATE OF FRANKLIN ROAD To: 400 NORTH STATE OF FRANKLIN RD	
12/03/2011	Notice of Determination A0096-0402
08/02/2011	Amended and Restated Formation Documents 6921-3081
11/15/2010	2010 Annual Report 6792-1471
Principal Address 1 Changed From: 400 N. STATE OF To: 400 NORTH STATE OF FRANKLIN ROAD	
11/12/2010	Assumed Name 6799-1594
New Assumed Name Changed From: No Value To: Mountain States Medical Group Johnson County Family Medicine Internal Medicine	
02/04/2010	Assumed Name Renewal 6649-0564
Assumed Name Changed From: MEDICAL CENTER NORTH To: MEDICAL CENTER NORTH	
Expiration Date Changed From: 03/30/2010 To: 02/04/2015	
02/04/2010	Assumed Name Renewal 6648-1870
Assumed Name Changed From: WINGS AIR RESCUE To: WINGS AIR RESCUE	
Expiration Date Changed From: 03/30/2010 To: 02/04/2015	
09/16/2009	2009 Annual Report 6597-1438
Mail Address Changed	
04/08/2009	Administrative Amendment 6513-0798
Mail Address Changed	
02/12/2009	Registered Agent Change (by Entity) 6443-2489
Registered Agent Physical Address Changed	
Registered Agent Changed	
09/12/2008	2008 Annual Report 6376-1234
08/17/2007	2007 Annual Report 6114-0742
09/26/2006	2006 Annual Report 5868-1141
08/18/2006	Articles of Amendment 5849-2087
09/26/2005	2005 Annual Report 5566-1360
03/16/2005	Assumed Name Renewal 5391-2915
10/4/2016	7:18:44 AM

Filing Information

Name: **Mountain States Health Alliance**

03/16/2005	Assumed Name Renewal	5391-2916
03/16/2005	Assumed Name Renewal	5391-2917
09/13/2004	2004 Annual Report	5228-1005
06/25/2003	2003 Annual Report	4849-0887
06/21/2002	2002 Annual Report	4536-0202
09/18/2001	2001 Annual Report	4300-1145
10/05/2000	2000 Annual Report	4021-0602
03/20/2000	Assumed Name Renewal	3856-2564
03/20/2000	Assumed Name Renewal	3856-2565
03/20/2000	Assumed Name Renewal	3856-2566
03/20/2000	Assumed Name Renewal	3856-2567
03/20/2000	Assumed Name Renewal	3856-2568
01/07/1999	Articles of Amendment	3607-2965
	Name Changed	
10/03/1996	CMS Annual Report Update	3224-0438
	Principal Address Changed	
10/03/1995	CMS Annual Report Update	3060-3191
	Principal Address Changed	
	Registered Agent Physical Address Changed	
03/30/1995	Assumed Name	2988-0442
03/30/1995	Assumed Name	2988-0443
03/30/1995	Assumed Name	2988-0444
03/30/1995	Assumed Name	2988-0445
03/30/1995	Assumed Name	2988-0446
12/17/1993	Notice of Determination	ROLL 2766
01/28/1992	Administrative Amendment	2363-1438A
	Fiscal Year Close Changed	
02/02/1991	Administrative Amendment	FYC/REVENUE
	Fiscal Year Close Changed	
12/28/1990	CMS Annual Report Update	2021-1236
	Fiscal Year Close Changed	
06/16/1990	Administrative Amendment	FYC/REVENUE
	Fiscal Year Close Changed	
04/06/1983	Articles of Amendment	381 01607

Filing Information

Name: **Mountain States Health Alliance**

Name Changed	
Principal Address Changed	
04/06/1983 Registered Agent Change (by Entity)	381 01608
Registered Agent Physical Address Changed	
Registered Agent Changed	
01/03/1983 Registered Agent Change (by Agent)	348 01097
Registered Agent Physical Address Changed	
Registered Agent Changed	
04/12/1945 Initial Filing	MA-2P0066

Active Assumed Names (if any)

	<u>Date</u>	<u>Expires</u>
Triumph Navigators	09/04/2015	09/04/2020
Mountain States Medical Group Johnson County Family Medicine Internal Medicine	12/06/2010	10/12/2020

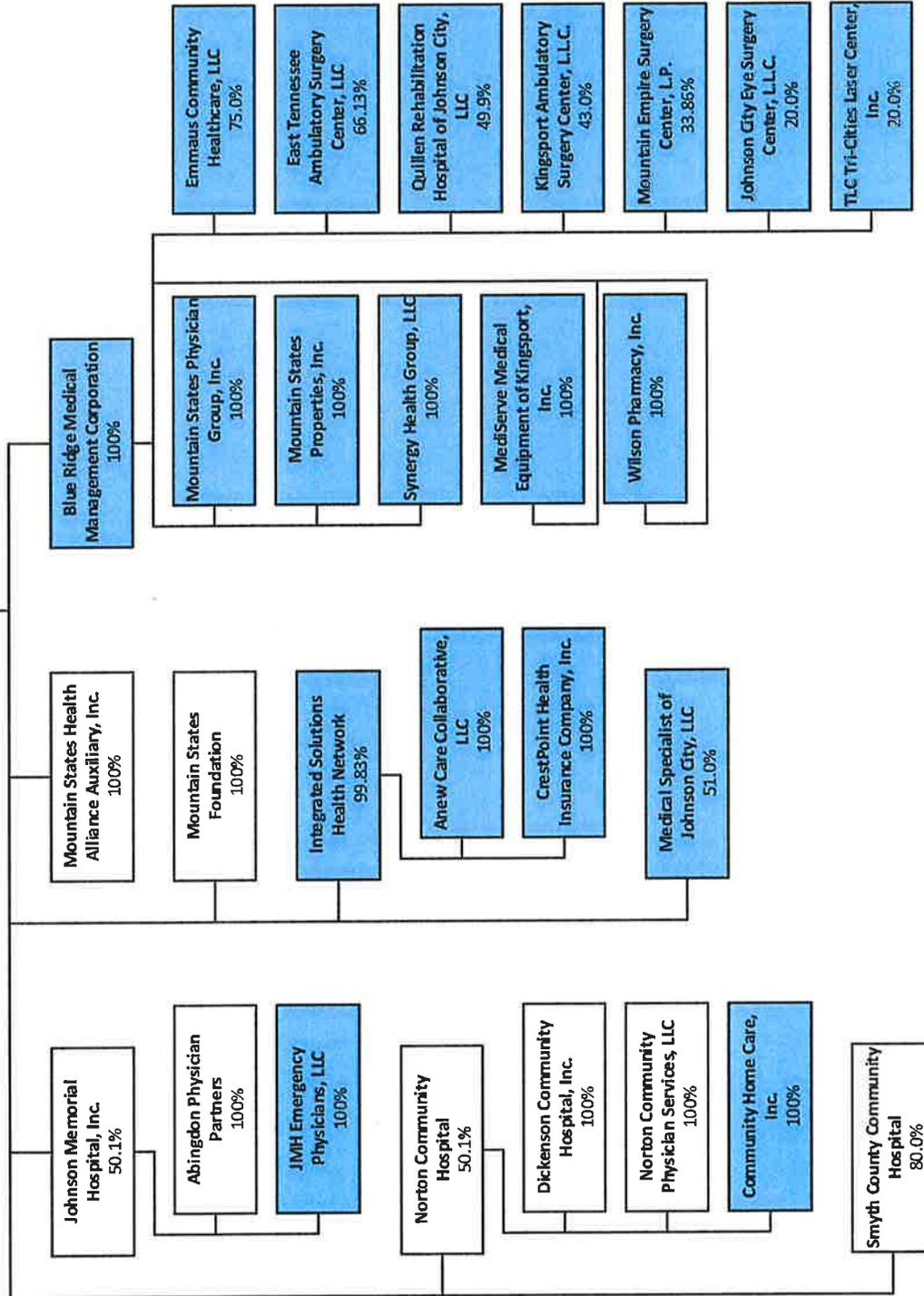
ATTACHMENT A-4B
Organizational Structure

Mountain States Health Alliance Legal Structure

Org chart updated on January 18, 2016

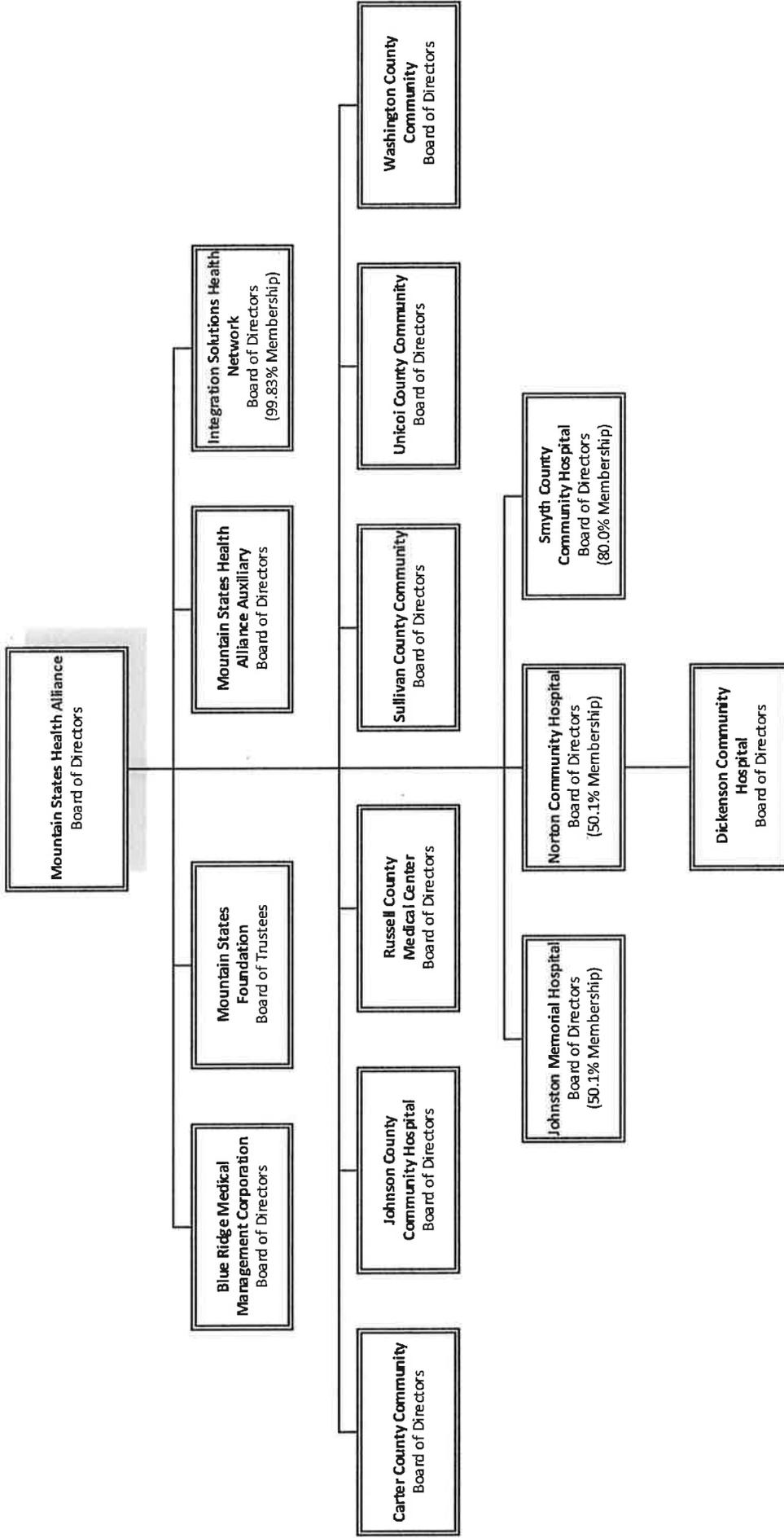
indicates for-profit

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

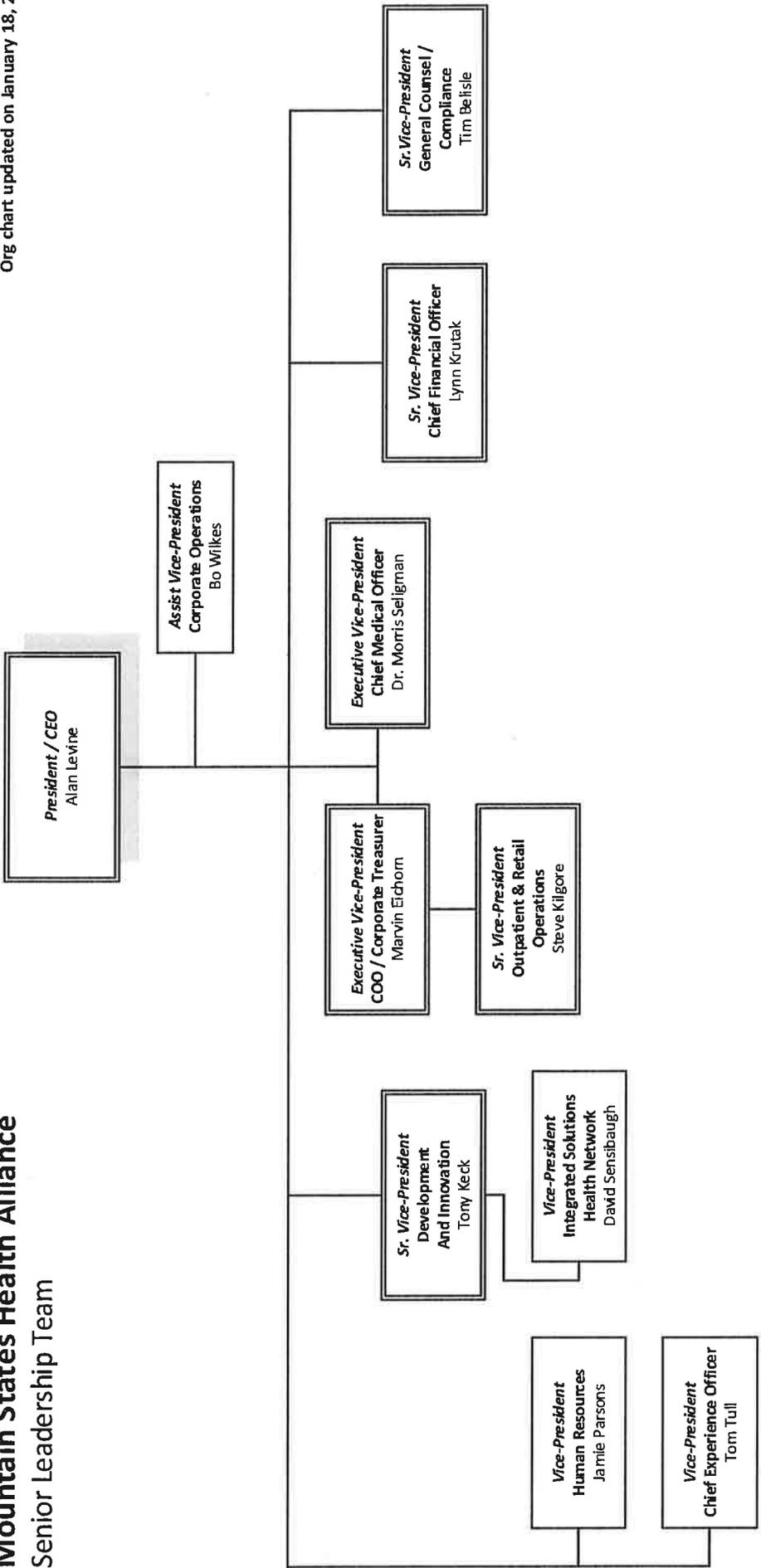
Org chart updated on January 18, 2016



Mountain States Health Alliance

Senior Leadership Team

Org chart updated on January 18, 2016



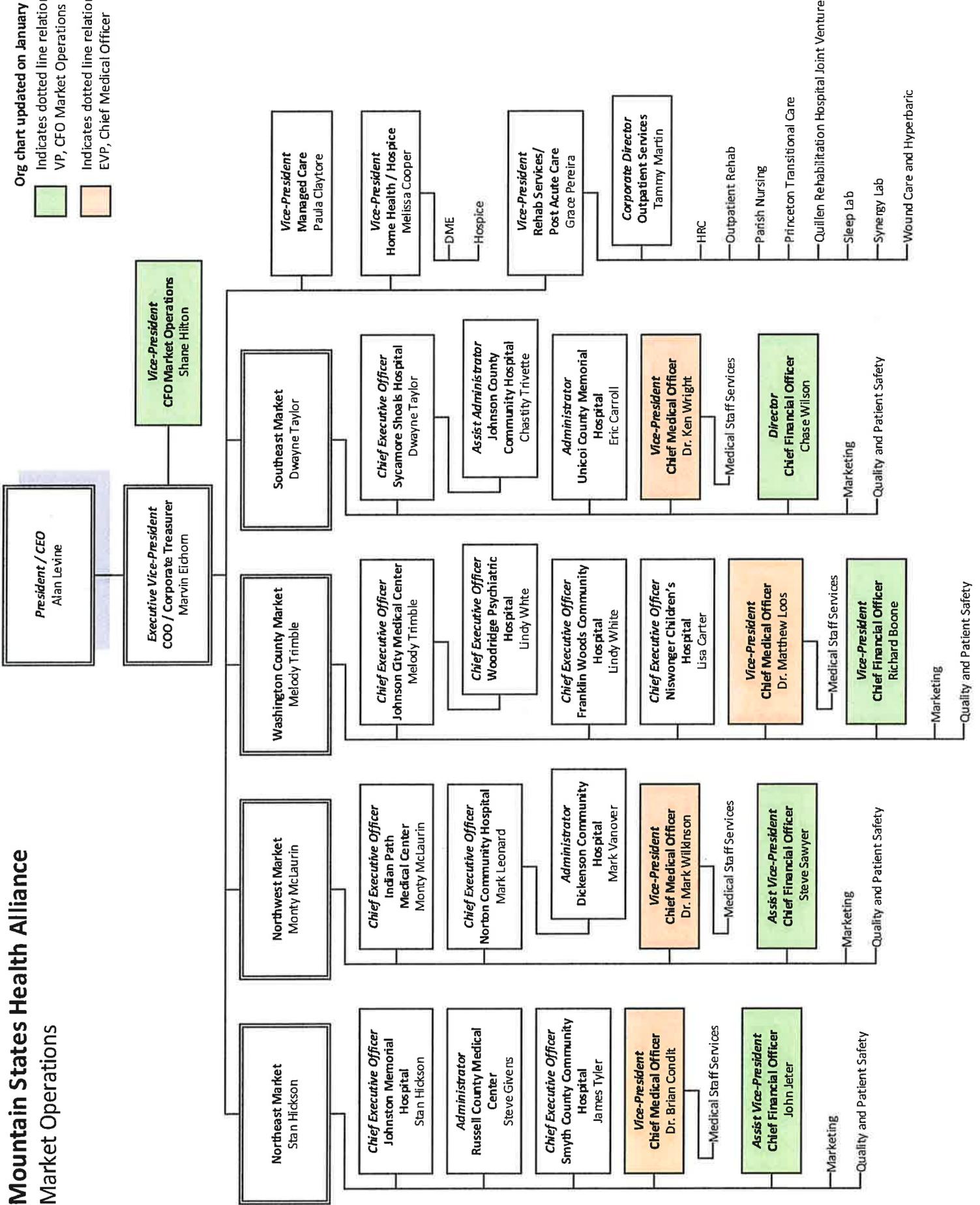
Mountain States Health Alliance

Market Operations

Org chart updated on January 18, 2016

Indicates dotted line relationship to VP, CFO Market Operations

Indicates dotted line relationship to EVP, Chief Medical Officer



ATTACHMENT A-6A

Title / Deed / Legal Interest in Site

355

#85152 08/19/91 jhp

THIS INSTRUMENT PREPARED BY:
BASS, BERRY & SIMS (CKW)
2700 First American Center
Nashville, Tennessee 37238

QUITCLAIM DEED AND BILL OF SALE

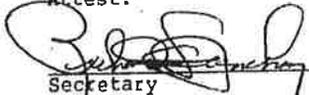
Address New Owner(s)	Send Tax Bills To	Map-Parcel Number
Johnson City Medical Center Hospital, Inc. 400 State of Franklin Road Johnson City, TN 37604	Same	

FOR AND IN CONSIDERATION of the sum of TEN DOLLARS (\$10.00) cash in hand paid, the receipt of which is hereby acknowledged, THE HEALTH AND EDUCATIONAL FACILITIES BOARD OF THE CITY OF JOHNSON CITY, TENNESSEE ("Grantor") by these presents does hereby quitclaim and convey unto JOHNSON CITY MEDICAL CENTER HOSPITAL, INC., a Tennessee not-for-profit corporation, its successors and assigns, all its right, title and interest in and to (1) that certain tract or parcel of land in Washington County, Tennessee, described on Schedule A attached hereto and incorporated herein by reference, and (2) all machinery and equipment located on the premises described on said Schedule A.

IN WITNESS WHEREOF, Grantor has caused its name to be signed hereto by its duly authorized officer on this 19th day of August, 1991.

THE HEALTH AND EDUCATIONAL
FACILITIES BOARD OF THE CITY OF
JOHNSON CITY, TENNESSEE

By: 
Chairman

Attest:

Secretary

356

STATE OF TENNESSEE)
COUNTY OF WASHINGTON)

Before me, the undersigned, a Notary Public in and for the State and County aforesaid, personally appeared W. Hanes Lancaster, Jr. and Richard A. Manahan, with whom I am personally acquainted (or proved to me on the basis of satisfactory evidence), and who, upon oath, acknowledged themselves to be the Chairman and Secretary, respectively, of THE HEALTH AND EDUCATIONAL FACILITIES BOARD OF THE CITY OF JOHNSON CITY, TENNESSEE, the within named bargainor, a corporation, and that they as such Chairman and Secretary executing the foregoing instrument for the purposes therein contained, by signing the name of the corporation by W. Hanes Lancaster, Jr. as Chairman and Richard A. Manahan as Secretary.

WITNESS my hand and seal, at office in Johnson City, Tennessee, this 21st day of August, 1991.

Elizabeth M. Hughes
Notary Public



My Commission Expires:
October 24, 1993

STATE OF TENNESSEE)
COUNTY OF WASHINGTON)

The actual consideration for this transfer is \$ 0.

[Signature]
Affiant

Sworn to and subscribed before me this 21st day of August, 1991.

Elizabeth M. Hughes
Notary Public



My Commission Expires:
October 24, 1993

Schedule A

Description of Real Property

Property in the 9th Civil District of Washington County, Tennessee, and more particularly described as follows:

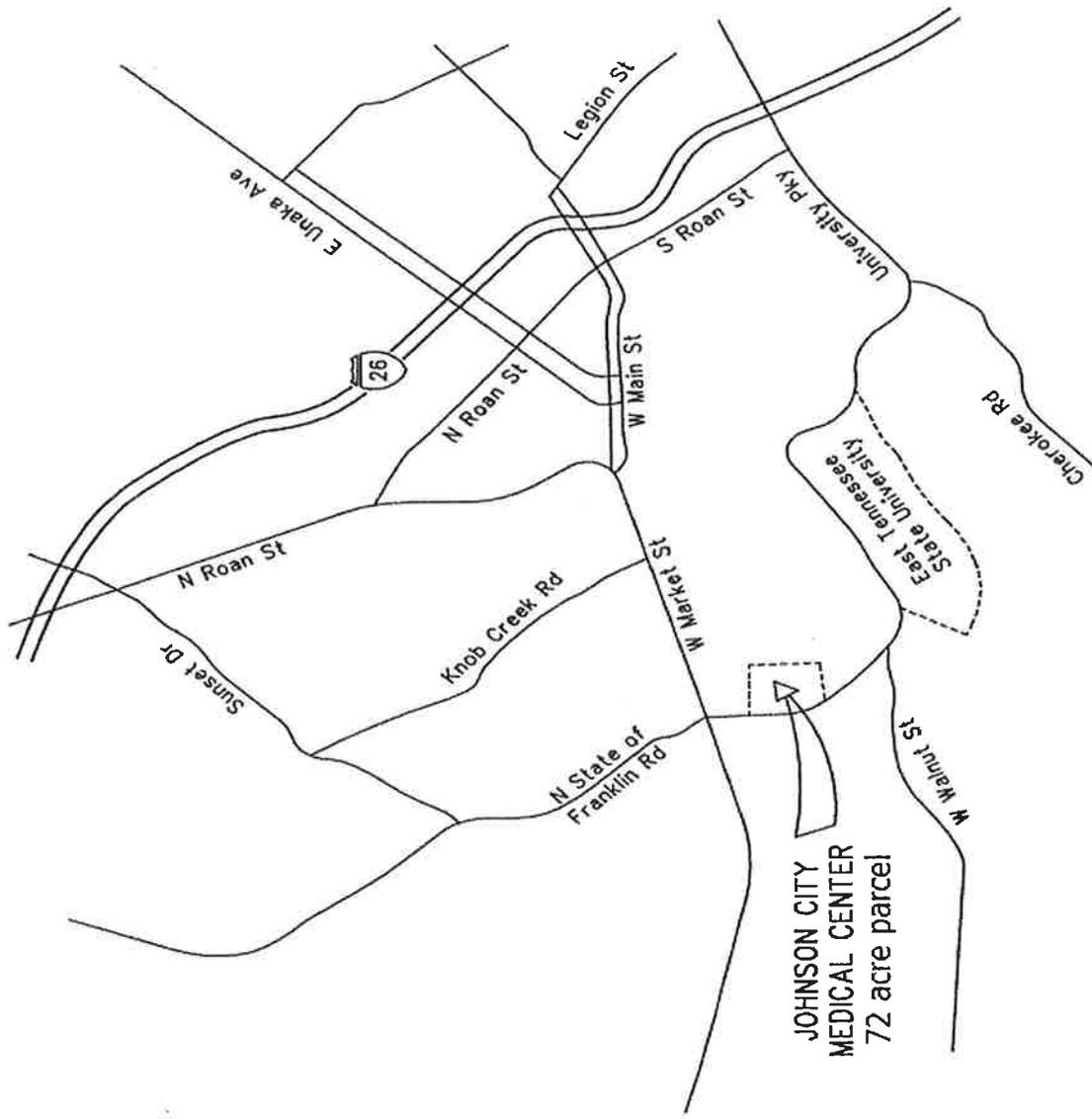
Starting at a concrete monument at the southeast corner of a tract of land transferred by the Department of the Army to the Tennessee Valley Authority in December 1963; thence South 04 degrees 58' 36" East 97.60 feet to the point of beginning; thence North 79 degrees 40' 08" East 443 feet to a point; thence North 02 degrees 57' East 238.78 feet to a point; thence South 87 degrees 50' East 186.60 feet to a point; thence South 32 degrees 30' 07" West 261.83 feet to a point; thence North 79 degrees 40' 08" East 223 feet to a point; thence South 10 degrees 19' 52" East 232 feet to a point; thence South 79 degrees 40' 08" West 130.57 feet to a point; thence South 08 degrees 10' 55" East 144.00 feet to a point; thence North 81 degrees 49' 05" East 67.00 feet to a point; thence South 08 degrees 10' 55" East 148.21 feet to a point; thence North 81 degrees 49' 05" East 133.00 feet to a point; thence South 08 degrees 10' 55" East 294 feet to a point; thence North 81 degrees 49' 05" East 35 feet to a point; thence South 08 degrees 10' 55" East 275 feet to a point; thence South 81 degrees 49' 05" West 204 feet to a point; thence South 08 degrees 10' 55" East 106 feet to a point; thence South 00 degrees 48' West 286 feet to a point; thence North 76 degrees 23' West 410 feet to a point; thence North 43 degrees 37' 58" East 210.68 feet to a point; thence South 81 degrees 49' 05" West 350 feet to a point; thence, along a curve to the right having a radius of 895.93 feet and in a northerly direction a distance of 267.17 feet to a point; thence North 10 degrees 57' 36" West 150 feet to a point; thence North 06 degrees 27' 36" West 283.92 feet to a point; thence North 04 degrees 58' 36" West 482.88 feet to the point of beginning, said property containing 23.08 acres, more or less.

There is excluded from the above property a tract of land northwest of the proposed main hospital land and directly north of the proposed doctor's parking area and being more particularly described as follows: To find the point of beginning, begin at the concrete monument at the southeasterly corner of a tract of land transferred by the Department of the Army to the Tennessee Valley Authority in December, 1963; thence South 04 degrees 58' 36" East 389.85 feet; thence North 79 degrees 40' 08" East 120.00 feet to the point of beginning; thence North 79 degrees 40' 08" East 190.0 feet to a point; thence South 10 degrees 19' 52" East 146.84 feet to a point; thence South 81 degrees 49' 05" West 195.37 feet to a point; thence North 08 degrees 10' 55" West 139.61 feet to the point of beginning.

ATTACHMENT A-6B-1 & A-6B-2

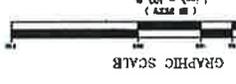
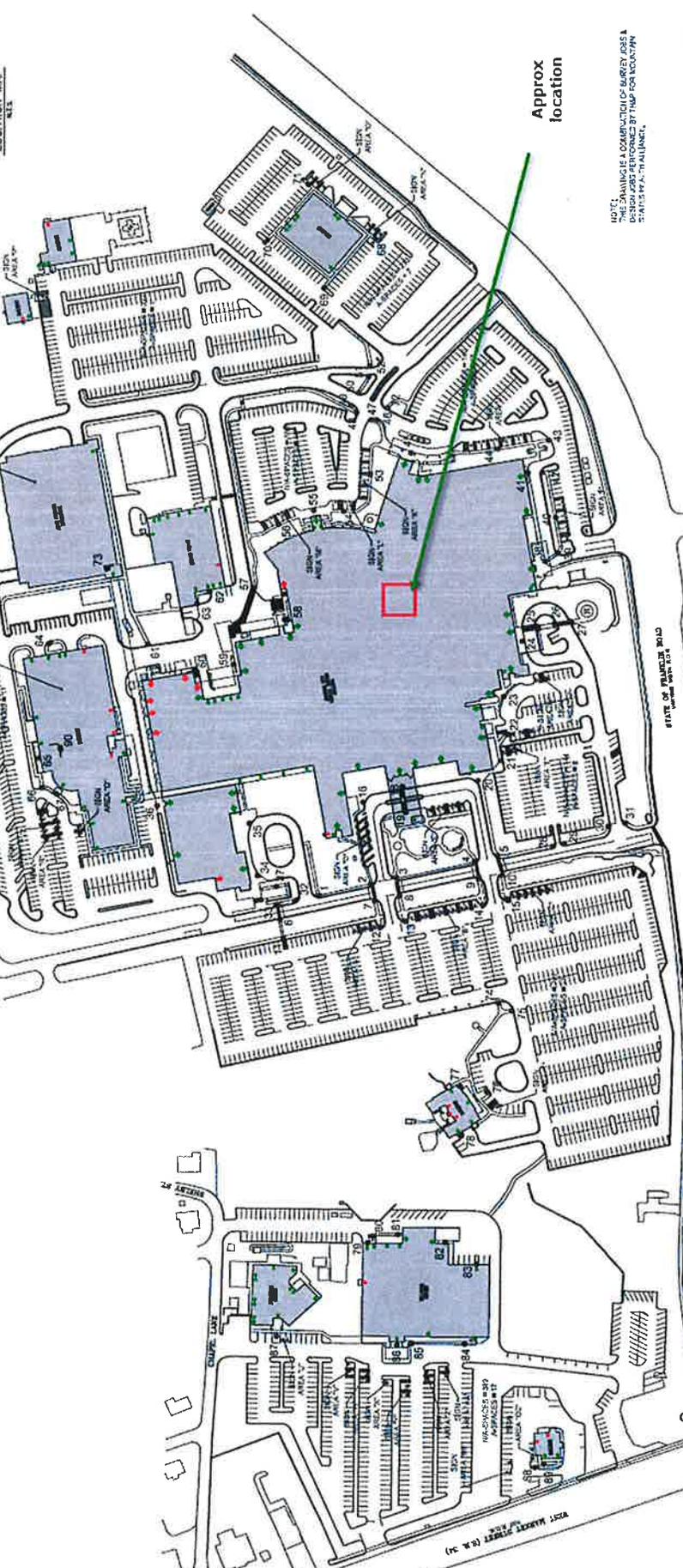
- 1. Plot Plan**
- 2. Floor Plans**

VICINITY MAP





- DRAINAGE DRAINAGE #1**
- 1st LEVEL: ASPACES #12
 - 2nd LEVEL: ASPACES #13
 - 3rd LEVEL: ASPACES #14
 - 4th LEVEL: ASPACES #15
 - 5th LEVEL: ASPACES #16
 - 6th LEVEL: ASPACES #17
 - 7th LEVEL: ASPACES #18
 - 8th LEVEL: ASPACES #19
 - 9th LEVEL: ASPACES #20



- LEGEND**
- ◆ ADDITIONAL DRAINAGE
 - ◆ ADDITIONAL DRAINAGE
 - 27 CURB CUT OR DRAIN NUMBER
 - CC CURB CUT
 - R ROAD

NOTE: DRAWINGS ARE A COMBINATION OF EXISTING AND NEW DESIGN AND ARE PERFORMED BY TMAP FOR JOHNSON CITY, TENNESSEE.

TMAP
 TMAP Engineering & Planning, Inc.
 1000 W. MAIN ST., SUITE 100
 JOHNSON CITY, TN 37601
 (615) 944-1100
 WWW.TMAPENGINEERING.COM

SEAL: [Professional Engineer Seal]

JOHNSON CITY
 MEDICAL CENTER

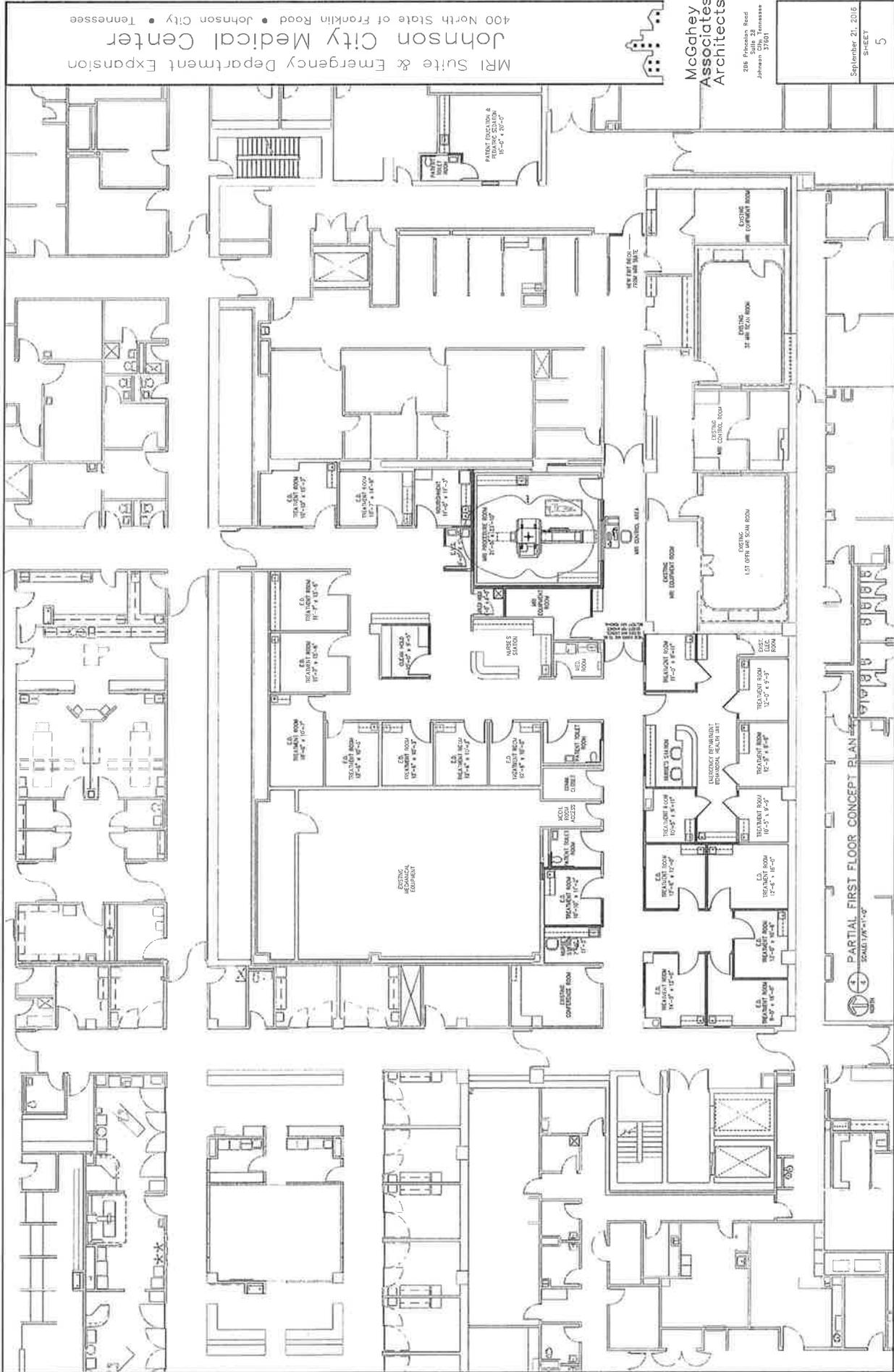
LOCATION: JOHNSON CITY, WASHINGTON COUNTY, TENNESSEE

PROJECT TITLE: DATA REQUEST SURVEY

DATE: 11/14/2023

SCALE: 1" = 100'

NO.	DESCRIPTION	DATE BY
1		
2		
3		
4		
5		



MRI Suite & Emergency Department Expansion
 Johnson City Medical Center
 400 North State of Franklin Road • Johnson City • Tennessee



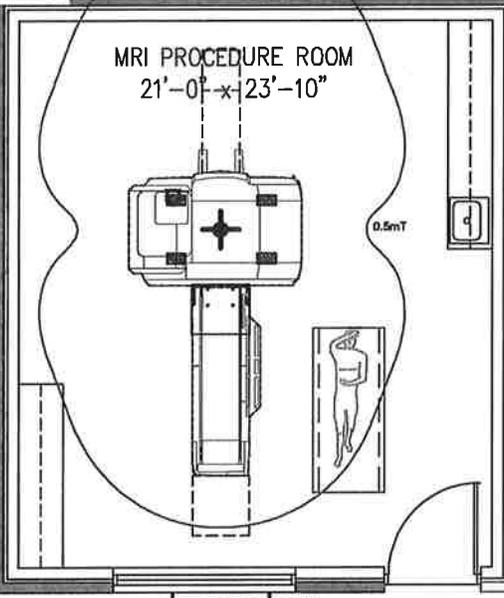
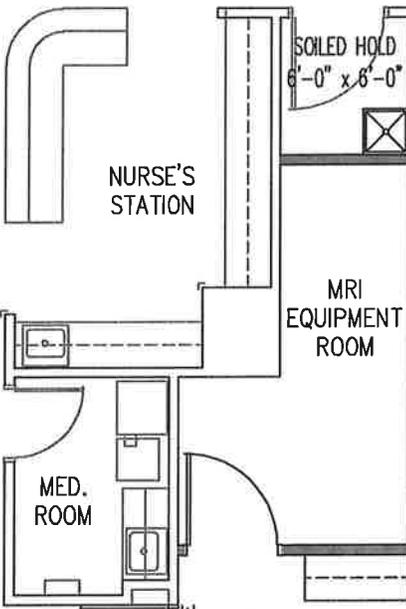
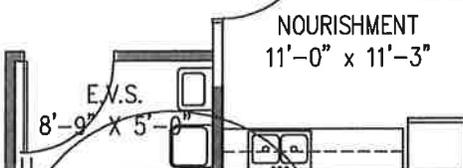
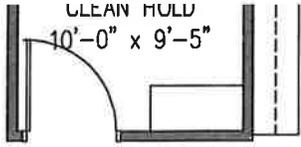
McGahey
 Associates
 Architects

206 Princeton Road
 Johnson City, Tennessee
 37601

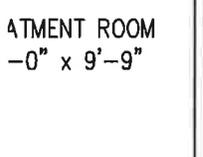
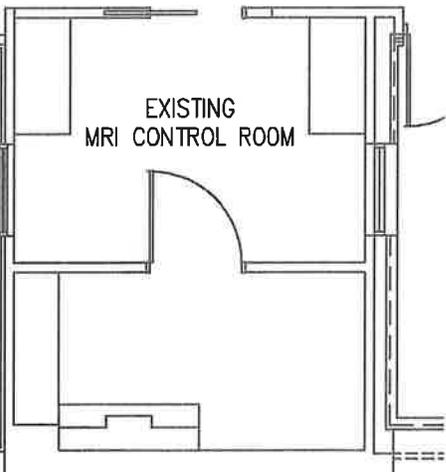
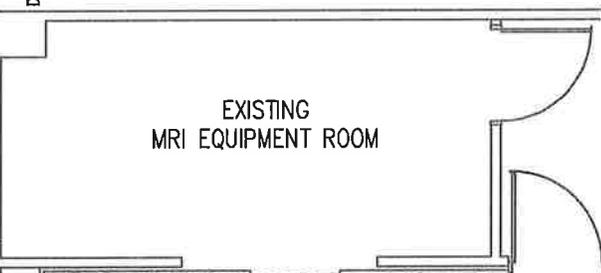
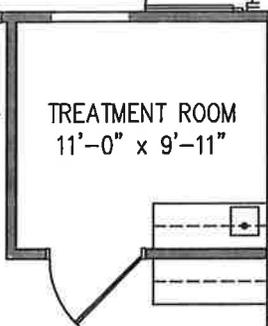
September 21, 2016
 SHEET

5

PARTIAL FIRST FLOOR CONCEPT PLAN
 SCALE 1/8"=1'-0"



THESE DOORS ARE TO BE
CLOSED AND LOCKED,
EXCEPT FOR MAGNET
DELIVERY AND REMOVAL



ATTACHMENT A-13B

MRI Quote from Equipment Vendor

SIEMENS

Siemens Medical Solutions USA, Inc.
40 Liberty Boulevard, Malvern, PA 19355
Fax: (866) 309-6967

SIEMENS REPRESENTATIVE
Samuel Wilson - (865) 385-8514

Customer Number: 0000007179

Date: 6/2/2016

MOUNTAIN STATES HEALTH ALLIANCE d/b/a JOHNSON CITY MEDICAL CENTER

400 N STATE OF FRANKLIN RD
JOHNSON CITY, TN 37604

Siemens Medical Solutions USA, Inc. is pleased to submit the following quotation for the products and services described herein at the stated prices and terms, subject to your acceptance of the terms and conditions on the face and back hereof, and on any attachment hereto.

<u>Table of Contents</u>	<u>Page</u>
MAGNETOM Aera (Quote Nr. 1-B409NW Rev. 4)	2
OPTIONS for MAGNETOM Aera (Quote Nr. 1-B409NW Rev. 4).....	9
General Terms and Conditions	11
Warranty Information.....	18
Cut Sheets.....	following page 18

Contract Total: \$1,300,000
(total does not include any Optional or Alternate components which may be selected)

Proposal valid until 6/30/2016

Estimated Delivery Date: 12/01/2016

Estimated delivery date is subject to change based upon factory lead times, acceptance date of this quote, customer site readiness, and other factors. A Siemens representative will contact you regarding the final delivery date.

This offer is only valid if a firm, non-contingent order is placed with Siemens and a signed POS contract must accompany the equipment order.

MedAssets Contract#MS03235, Pricing and Conditions apply to this quote. In case of a conflict with the attached terms and conditions, the MedAssets Contract #MS03235 Pricing and Conditions shall control.

Accepted and Agreed to by:

Siemens Medical Solutions USA, Inc.

**MOUNTAIN STATES HEALTH ALLIANCE d/b/a
JOHNSON CITY MEDICAL CENTER**

By (sign): _____
Name: Samuel Wilson
Title: Account Executive
Date: _____

By (sign): _____
Name: _____
Title: _____
Date: _____

By signing below, signor certifies that no modifications or additions have been made to the Quotation. Any such modifications or additions will be void.

By (sign): _____

SIEMENS

Siemens Medical Solutions USA, Inc.
40 Liberty Boulevard, Malvern, PA 19355
Fax: (866) 309-6967

SIEMENS REPRESENTATIVE
Samuel Wilson - (865) 385-8514

Quote Nr: 1-B409NW Rev. 4

Terms of Payment: 00% Down, 80% Delivery, 20% Installation
Free On Board: Destination

Purchasing Agreement: MEDASSETS

MEDASSETS terms and conditions apply to Quote
Nr 1-B409NW

MAGNETOM Aera

All items listed below are included for this system: (See Detailed Technical Specifications at end of Proposal.)

Qty	Part No.	Item Description
1	14416900	MAGNETOM Aera - System MAGNETOM Aera - 1.5T Tim+Dot system - The integration of the next generation Tim - "Tim 4G" and the Siemens unique Dot Engines (Day optimizing throughput Engine). Short and open appearance (145 cm system length with 70 cm Open Bore Design). Tim 4G's redesigned RF system and all-new coil architecture. - Siemens unique DirectRF(tm) technology enable Tim's new all digital-in/ digital-out design - All-new coil architecture including Dual-Density Signal Transfer Technology - Whole-body superconductive Zero Helium Boil-Off 1.5T magnet - TrueForm Magnet and Gradient Design - Actively Shielded water-cooled Siemens gradient system - Head/Neck 20 DirectConnect, Spine 32 DirectConnect, Body 18, Flex Large/Small 4 Dot offers patient personalization, user guidance and process automation that result in consistent examination results. - Brain Dot Engine is designed to simplify general brain examinations through personalized, guided and automated workflows. - Dot Display and Dot Control Centers - efficient patient preparation. Additional features include: -Tim Application Suite including Neuro, Angio, Cardiac, Body, Onco, Breast, Ortho, Pediatric and Scientific Suite - syngo MR software including 1D/2D PACE, syngo BLADE, iPAT ² , Phoenix, Inline Technologies. - High performance host computer and measurement and reconstruction system The system (magnet, electronics and control room) can be installed in 30sqm space. For system cooling either the Eco Chiller options or the Separator is required.
1	14416901	Tim [204x48] XJ Gradients #Ae Tim [204x48] XJ-gradient performance level Tim 4G with it's newly designed RF system and innovative coil architecture enables high resolution imaging and increased throughput. Up to 204 simultaneously connected coil elements in combination with the standard 48 independent RF channels, allow for more flexible parallel imaging. Maximum SNR through the new Tim 4G matrix coil technology. XJ - gradients The XJ- gradients are designed combining high performance and linearity to support clinical whole body imaging at 1.5T. The force compensated gradient system minimizes vibration levels and accoustic noise. The XJ gradients combine 33 mT/m peak amplitude with a slew rate of 125 T/m/s.
1	08464872	PC Keyboard US english #Tim Standard PC keyboard with 101 keys.
1	14416914	Pure White Design #T+D The MAGNETOM Aera / MAGNETOM Skyra design is available in different light and appealing variants which perfectly integrates into the different environments. The color of the main face plate cover of the Pure White Design Variant with the integrated Dot Control Centers and the unique Dot Display is brilliant white surrounded by a brilliant silver trim. The asymmetrical deco area on the left side is colored white matte and also with a brilliant surrounding silver trim. The table cover is presented also in the same color and material selection.
1	14446650	SW syngo MR E11C syngo MR E11C software with new features and applications. GOBrain protocols (for Aera and Skyra with 48 or more rf-channels).
1	14441748	Quiet Suite #T+D Quiet Suite enables complete, quiet examinations for neurology and orthopedics with at least 70% reduction in sound pressure levels.

Qty	Part No.	Item Description
1	14416906	Tim Dockable Table #Ae The Tim Dockable Table is designed for maximum patient comfort and smooth patient preparation. Tim Dockable Table can support up to 250 kg (550 lbs) patients without restricting the vertical or horizontal movement. The one step docking mechanism and the innovative multi-directional navigation wheel ensure easy maneuvering and handling. Critically ill or immobile patients can now be prepared outside the examination room for maximum patient care, flexibility and speed.
1	14441866	DotGO Routine Package #T+D The DotGO Routine Package includes both: - Spine Dot Engine and - Large Joint Dot Engine. As a package they offer a comprehensive set of workflows with guidance and automation, for standardized image quality in Spine and MSK MR imaging. The Spine Dot Engine provides the functionality of Inline Composing and Tim Planning Suite for streamlining workflows in all spine imaging. Tools, such as auto-positioning and vertebral recognition with AutoAlign Spine, AutoCoverage and Spine Labelling support and optimize reproducibility for your cervical, thoracic and lumbar spine imaging for all clinical indications. The Large Joint Dot Engine enhances standardization of the knee, hip and shoulder workflows and optimizes reproducible image quality by incorporating automation tools, such as anatomically based auto-positioning (AutoAlign). Dedicated imaging techniques, such as Advanced WARP, are included and can help to expand the access of diagnostic MRI to a broader range of patient types.
1	14405224	Composing syngo #Tim This application provides dedicated evaluation software for creation of full-format images from overlapping MR volume data sets and MIPs (starting from syngo MR B13) acquired at multiple stages.
1	14409198	Native syngo #Tim Integrated software package with sequences and protocols for non-contrast enhanced 3D MRA with high spatial resolution. syngo NATIVE particularly enables imaging of abdominal and peripheral vessels and is an alternative to MR angiography techniques with contrast medium, especially for patients with severe renal insufficiency.
1	07365484	Image Fusion syngo This application provides a dedicated evaluation software for spatial alignment (matching) and visualization of image data either from different modalities (CT,MR,NM,PET) or from the same modality but from multiple examinations of the same patient. It supports optimal diagnostic outcome (fusion of morphological and functional information) and therapy planning.
1	14416946	Neuro Perfusion Package #T+D The Neuro Perfusion Package helps to streamline the clinical workflow by inline post-processing in dynamic susceptibility contrast (DSC) based perfusion imaging. This makes it possible to see perfusion maps immediately. Perfusion parameter maps are based on a Local Arterial Input function. A corrected relCBV map calculation and motion correction is provided.
1	14426290	Neuro Perfusion Eval #T+D Neuro Perfusion Evaluation syngo provides a task card for detailed post-processing of brain perfusion data sets. Color display of the relative Mean Transit Time (relMTT), relative Cerebral Blood Volume (relCBV), corrected relCBV, and relative Cerebral Blood Flow (relCBF) is supported. Flexible selection of the Arterial Input Function (AIF) for more reliable analysis taking into account the dynamics over time of the contrast agent enhancement. Furthermore a calculation of maps using automatically selected local Arterial Input Functions (AIF) is provided to reduce the amount of user interactions. The detailed evaluation of brain perfusion data sets generates parameter maps for TTP and PBP and for the hemodynamic parameters relMTT, relCBV, relCBVcor and relCBF. These may show perfusion deficits and assist in the diagnosis and grading of e.g. vascular deficiencies and brain tumors.
1	14416941	Spectroscopy Package #T+D The Spectroscopy Package is a comprehensive software package which bundles Single Voxel Spectroscopy, 2D Chemical Shift Imaging, 3D Chemical Shift Imaging and syngo Spectroscopy Evaluation. Sequences and protocols for proton spectroscopy, 2D and 3D proton chemical shift imaging (2D CSI and 3D CSI) to examine metabolic changes in the brain (e.g. in tumors and degenerative diseases) and in the prostate are included. Furthermore included is the comprehensive syngo Spectroscopy Evaluation Software which enables fast

SIEMENS

Siemens Medical Solutions USA, Inc.
40 Liberty Boulevard, Malvern, PA 19355
Fax: (866) 309-6967

SIEMENS REPRESENTATIVE
Samuel Wilson - (865) 385-8514

Qty	Part No.	Item Description
		evaluation of spectroscopy data on the syngo Acquisition Workplace.
1	14446591	Advanced Diffusion #T+D Advanced Diffusion is a package consisting of the diffusion-weighted, readout-segmented EPI sequence RESOLVE and the noise reduced QuietX DWI sequence.
1	14402527	SWI #Tim Susceptibility Weighted Imaging is a high-resolution 3D imaging technique for the brain with ultra-high sensitivity for microscopic magnetic field inhomogeneities caused by deoxygenated blood, products of blood decomposition and microscopic iron deposits. Among other things, the method allows for the highly sensitive proof of cerebral hemorrhages and the high-resolution display of venous cerebral blood vessels.
1	14416908	Tim Whole Body Suite #T+D Tim Whole Body Suite puts it all together. This suite enables table movement for imaging of up to 205 cm (6' 9") FoV without compromise. In combination with Tim's newly designed ultra highdensity array higher spatial and temporal resolution can be achieved along with unmatched flexibility of any coverage up to Whole Body. For faster exams and greater diagnostic confidence.
1	14405328	TWIST syngo #Tim This package contains a Siemens unique sequence and protocols for time-resolved (4D) MR angiographic and dynamic imaging in general with high spatial and temporal resolution. syngo TWIST supports comprehensive dynamic MR angio exams in all body regions. It offers temporal information of vessel filling in addition to conventional static MR angiography, which can be beneficial in detecting or evaluating malformations such as shunts. In case of general dynamic imaging, for example an increase in spatial resolution by a factor of up to 2 at 60 seconds temporal resolution (compared to conventional dynamic imaging) is possible due to intelligent k-space sampling strategies. Alternatively, increased temporal resolution at constant spatial resolution is possible.
1	14441759	FREEZEit Body MRI Package #T+D FREEZEit Body Package contains two robust sequences for advanced body imaging: TWIST VIBE and StarVIBE. - TWIST VIBE is a new fast, high-resolution 4D imaging sequence for multi-arterial liver imaging. - StarVIBE is a motion insensitive VIBE sequence using a stack-of-stars trajectory.
1	14416960	Shoulder 16 Coil Kit #Ae The new Tim 4G coil technology with Dual Density Signal Transfer and SlideConnect Technolgy combines key imaging benefits: excellent image quality, high patient comfort, and unmatched flexibility. The Shoulder 16 Coil Kit for examinations of the left or right shoulder consists of a base plate and two different sized iPAT compatible 16 channel coils (Shoulder Large 16 and Shoulder Small 16). These will be attached and can be relocated on the base plate. The 16-element coils with 16 integrated pre-amplifiers ensure maximum signal-to-noise ratio. Shoulder Large 16 and Shoulder Small 16 will be connected via a SlideConnect plug for fast and easy coil set-up and patient preparation.
1	14416962	Foot/Ankle 16 #Ae The new Tim 4G coil technology with Dual Density Signal Transfer and DirectConnect Technolgy combines key imaging benefits: excellent image quality, high patient comfort, and unmatched flexibility. Foot/Ankle 16 for examinations of the left or right foot and ankle region consists of a base plate and an iPAT compatible 16-channel coil and allows high resolution imaging of the foot and ankle within one examination. Foot/Ankle 16 is a cable-less coil and will be connected via DirectConnect for fast and easy patient preparation.
1	14430403	Tx/Rx 15-channel Knee Coil DDST #Ae New 15-channel transmitter/receiver coil for joint examinations in the area of the lower extremities. Main features : - 15-element design (3x5 coil elements) with 15 integrated preamplifiers, - iPAT-compatible - SlideConnect Technology
1	14441760	Pediatric 16 Coil #Ae New 16-channel receive coil for head and neck imaging of newborns and children up to 18 months of age. Main Features: - 16 elements, 13 elements in the head and 3 elements in the neck - iPAT-compatible - Can be used in combination with all other Tim coils

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Qty	Part No.	Item Description
		- Open anterior design - Infant cradle
1	14426332	Tx/Rx CP Head Coil #Ae Circularly polarized no-tune transmit/receive coil with an open patient-friendly design. The integrated transmit mode allows volume selective excitation. Integrated, extremely low-noise pre-amplifiers permit very high signal-to-noise ratio. Furthermore, the coil is outfit with SlideConnect Technology, allowing for easier patient preparation and less table time for the patient.
2	14430405	Special Purpose Coil #Ae The 4-channel special purpose coil is a no-tune receiver coil designed for examination with small Field-of-Views.
1	14416948	Patient Supervision TV #T+D The supervision solution is customizable and designed to address different site specific requirements. Up to 4 cameras can be optionally connected for patient supervision in the examination or waiting room. This package contains a special video camera for monitoring the patient during an MR examination, conveniently mounted on the wall of the examination room. The information is displayed on an LCD monitor in the control room, included in this kit.
1	14407259	MR Workplace Table, height adjust. The table is suitable for the syngo Acquisition Workplace and the syngo MR Workplace based on syngo hardware. This 110V version has motorized table height adjustment.
1	14407261	MR Workplace Container, 50cm 50 cm wide extra case for the syngo host computer with sliding front door to allow change of storage media (CD/DVD/USB).
1	08857828	UPS Cable #Tim Power cable for connecting the UPS Powerware PW 9130-3000i (14413662) to the ACC of MAGNETOM Tim and MAGNETOM Tim+Dot systems for backing up the computer. Standard cable length: 9 m.
1	14413662	UPS Powerware PW9130G-3000T-XLEU UPS system Eaton PW9130G-3000T-XLEU for MAGNETOM Tim, MAGNETOM Tim+Dot and MAGNETOM Symphony systems for safeguarding computers. Power output: 3.0 kVA / 2.7 kW Bridge time: 5 min full load / 14 min half load Input voltage: 230 VAC
1	14413663	UPS Battery module UPS battery module Eaton PW 9130N-3000T-EBM for all MAGNETOM Tim, MAGNETOM Tim+Dot and MAGNETOM Symphony systems for safeguarding computers. Extension for: PW9130i-3000T Battery type: Closed, maintenance-free Extension of the bridge time to: 24 minutes with a module Dimensions (H x W x D): Battery module: 346 x 214 x 412 mm incl. bracket set Weight: approx. 50 kg
1	MR_STD_RIG_INST	MR Standard Rigging and Installation MR Standard Rigging and Installation This quotation includes standard rigging and installation of your new MAGNETOM system Standard rigging into a room on ground floor level of the building during standard working hours (Mon. - Fri./ 8 a.m. to 5 p.m.) It remains the responsibility of the Customer to prepare the room in accordance with the SIEMENS planning documents

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Qty	Part No.	Item Description
		Any rigging requiring a crane over 80 tons and/or special site requirements (e.g. removal of existing systems, etc.) is an incremental cost and the responsibility of the Customer. All other "out of scope" charges (not covered by the standard rigging and installation) will be identified during the site assessment and remain the responsibility of the Customer.
1	MR_ADDL_RIGGING	Additional Rigging MR \$12,300
1	MR_CRYO	Standard Cryogens
1	MR_INITIAL_32	Initial onsite training 32 hrs MR_INITIAL_32 Up to (32) hours of on-site clinical education training, scheduled consecutively (Monday - Friday) during standard business hours for a maximum of (4) imaging professionals. Training will cover agenda items on the ASRT approved checklist. Uptime Clinical Education phone support is provided during the warranty period for specified posted hours. This educational offering must be completed (12) months from install end date. If training is not completed within the applicable time period, Siemens obligation to provide the training will expire without refund.
1	MR_FOLLOWUP_P_24	Follow-up training 24 hrs Up to (24) hours of follow-up on-site clinical education training, scheduled consecutively (Monday - Friday) during standard business hours for a maximum of (4) imaging professionals. Uptime Clinical Education phone support is provided during the warranty period for specified posted hours. This educational offering must be completed (12) months from install end date. If training is not completed within the applicable time period, Siemens obligation to provide the training will expire without refund.
1	MR_INT_DOT_BCLS	MR Dot Training Class Tuition for (1) imaging professional to attend Classroom Course at Siemens Training Center. The objectives of this class are to introduce the user interface of the common syngo platform, including Dot, and instructions on building protocols, demonstration of software functions, and hands-on sessions. This class includes lunch, economy airfare, and lodging for (1) imaging professional. All arrangements must be arranged through Siemens designated travel agency. This educational offering must be completed (12) months from install end date. If training is not completed within the applicable time period, Siemens obligation to provide the training will expire without refund.
1	MR_P_CONVR_SNPRG	Conversion Training Assurance Program This conversion assurance program is designed to help customers successfully transition to Siemens imaging systems. The program consists of (1) on-site consultation of up to 12 hours conducted by a Siemens Clinical Education Specialist and a specialized bundle of 5 web based e-learning modules up to support and optimize turnover training for up to 8 users. Up to 50 CE's may be available for users via the WBT e-learning modules. The consultation session will focus on the evaluation of your current procedures, clinical workflows and protocols and will also provide an overview of how your new Siemens system's features will benefit your overall workflow. Your Siemens specialist will also review the schedule and focus of other affiliated training that may have been acquired with your system purchase. This educational offering must be completed by the later of (12) months from install end date or purchase date. If training is not completed within the applicable time period, Siemens obligation to provide the training will expire without refund
1	MR_ADD_32	Additional onsite training 32 hours Up to (32) hours of on-site clinical education training, scheduled consecutively (Monday - Friday) during standard business hours for a maximum of (4) imaging professionals. Training will cover agenda items on the ASRT approved checklist if applicable. This educational offering must be completed (12) months from install end date. If training is not completed within the applicable time period, Siemens obligation to provide the training will expire without refund.
1	4MR5142869	Armrest #MR
1	CHILINST_AVTKKTECOMR_60	Chiller Start-up and Warranty for TIM KKT ECOCHILLER 133L The KKT ECO 133 -L chiller is a dedicated 20°C cooling system for MAGNETOM Aera and MAGNETOM Skyra which automatically adapts to the different cooling requirements (e.g. system in operation, standby, ...) to reduce the energy consumption for cooling. The cooling system must be used in combination with the IFP (Interface Panel), if there is no on-site chilled water supply at all. The IFP is included in the scope of supply.
1	MR_BTL_INST_ALL	MR Standard Rigging & Install

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Qty	Part No.	Item Description
1	MR_PM	MR Project Management A Siemens Project Manager (PM) will be the single point of contact for the implementation of your Siemens equipment. The assigned PM will work with the customer's facilities management, architect or building contractor to assist you in ensuring that your site is ready for installation. Your PM will provide initial and final drawings and will coordinate the scheduling of the equipment, installation, and rigging, as well as the initiation of on-site clinical education.
1	MR_PREINST_ DOCK	T+D Preinstall kit for dockable table
1	MR_ENT_SW_I NITIAL	MR Enterprise SW Initial Subscription Initial subscription fee for one-to-four (1-4) Siemens MR functional locations to join the MR enterprise software program over a period of five (5) years from installation and turnover of the items selected for purchase via separate Part Numbers described herein. The program allows the customer to select an unlimited number of software licenses from a defined list (see below) for the price of \$1,500 each per year for 5 years commencing upon installation and turnover or \$7,500 total for each software license selected. The customer will take ownership of the software license after the balance of \$7,500 is paid in full. Software licenses can be selected with an executed purchase order for up to five (5) years from installation and turnover of licenses purchased via this quote. After five (5) years, a customer can optionally extend the program for another five (5) years by purchasing an "Additional" subscription upon mutually agreed terms and conditions. Point of sale service agreement or master service agreement with EVOLVE for the entire five (5) year term of the agreement is required for any functional location participating in this program, including the initial system warranty. If the service agreement is canceled for any reason, the remaining portion of the \$7,500 for each selected software license will become due immediately.

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Qty Part No. Item Description

1 MR_ENT_SW_
 LIST

MR Enterprise SW List

The software licenses eligible for the program at this time are as follows:

- 2D Chemical Shift Imaging #Tim
- 3D Chemical Shift Imaging #Tim
- Advanced Cardiac Package #T+D
- Advanced Diffusion
- Advanced WARP #T+D
- Angio Dot Engine #T+D
- Argus 4D Ventr.Function syngo #Tim
- Argus Flow
- Arterial Spin Labeling 2D
- Arterial Spin Labeling 3D #T+D
- Breast Dot Engine, USA #T+D
- Composing syngo #Tim
- Diffusion Tensor Imaging #Tim
- DTI Package #T+D
- Flow Quantification #Tim
- FREEZEit Body MRI Package #T+D
- GRACE syngo #3T
- GRACE syngo #Tim
- Image Fusion syngo
- Inline Composing syngo #Tim
- Inline Perfusion #Tim
- LargeJoint Dot Engine #T+D
- LiverLab #T+D
- Mapit syngo #Tim
- MyoMaps # 3T
- Native syngo #Tim
- Neuro fMRI Package
- Neuro Perfusion Eval #T+D
- Neuro Perfusion Package #T+D
- QISS T+D
- RESOLVE #T+D
- SMS EPI
- Spectroscopy Package
- Spine Dot Engine #T+D
- SWI #Tim
- syngo Expert-i #T+D
- syngo Security Package
- syngo Security Package Enhanced
- Tim Planning Suite
- Tissue 4D syngo #Tim
- TWIST syngo #Tim

1 MR_ENT_SW_
 OFFSET

MR Enterprise SW Booking Offset

System Total: \$1,300,000

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OPTIONS on Quote Nr:

1-B409NW Rev. 4

OPTIONS for MAGNETOM Aera

All items listed below are OPTIONS and will be included on this system ONLY if initialed:

Qty	Part No.	Item Description	Extended Price	Initial to Accept
1	4SPAS040	Siemens MRI Heroes Kit Siemens MRI Heroes Kit - Help reduce anxiety in pediatric MRI.	+ \$10,000	X _____

Kit includes the following:

Educational Comic Book featuring Marvel Superheroes
Parents can read to their children and address questions and concerns
Children can pass time reading the book while in the exam waiting area
Staff can make an adventure out of the exam, referring to scenes from the book
Quantity of 100 comics

Educational Video taking children through the process of what happens during an MRI exam.
Prepare patients and parents for the imaging process
Show in waiting room or on hospital web site
Approx. 6 minutes long
Quantity of 1 DVD

Super Hero Capes to reward or encourage children to get their MRI exam
Children can dress as a super hero
Provides hospital staff a fun way to interact with kids
Colors include: Red, Blue, Yellow, Pink and Purple
Quantity of 100 capes

Super Hero Plush Toys to reward or encourage children to get their MRI exam
Children can hold onto the toy before, during and after scan
Provides hospital staff a fun way to interact with kids
Toys include: Captain America and Iron Man
Approx. 8" tall.
Quantity of 100 plush toys (50 per each character)

MRI mock-up model patients can see, hear and feel
Staff can use the mock Siemens MRI machine to help educate children on the imaging process
Can be easily located in the children's play area
MRI imaging sounds are generated with the press of a button
Approx. Measurements - 16" x 8.5" x 8"
Quantity of 1 model
Works in Progress. The information about this product is preliminary. The product is under development and is not commercially available in the U.S. and other countries and its future availability cannot be ensured.

Package will only be available for shipment after the MR mock-up model has

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Qty	Part No.	Item Description	Extended Price	Initial to Accept
		received the proper certifications.		

FINANCING: The equipment listed above may be financed through Siemens. Ask us about our full range of financial products that can be tailored to meet your business and cash flow requirements. For further information, please contact your local Sales Representative.

ACCESSORIES: Don't forget to ask us about our line of OEM imaging accessories to complete your purchase. All accessories can be purchased or financed as part of this order. To purchase accessories directly or to receive our accessories catalog, please call us directly at 1-888-222-9944 or contact your local Sales Representative.

COMPLIANCE: Compliance with legal and internal regulations is an integral part of all business processes at Siemens. Possible infringements can be reported to our Helpdesk "Tell us" function at www.siemens.com/tell-us.

Siemens Medical Solutions USA, Inc. General Terms and Conditions

1. GENERAL

1.1 Contract Terms and Acceptance. These terms and conditions constitute an integral part of any contract between Seller and Purchaser identified on the first page hereof and shall govern the sale of the products identified in such contract ("Products"). Purchaser acknowledges that this is a commercial and not a consumer transaction. Purchaser shall be deemed to have assented to, and to have waived any objection to, this Agreement upon the earliest to occur of any of the following: Purchaser's completion or execution of this Agreement; Purchaser's acceptance of all or any part of the Products; Purchaser's issuance of a purchase order for any Products identified on Seller's quotation or proposal; or delivery of the Products to the common carrier for shipment pursuant hereto.

1.2 Refurbished/Used Products. For Products identified on this Agreement as used or refurbished Products, these Products have been previously owned and used. When delivered to Purchaser, such Products will perform in accordance with the manufacturer's specifications. Since pre-owned Products may be offered simultaneously to several customers, the availability of such Products to Purchaser cannot be guaranteed. If the Products are no longer available, Seller will use its best efforts to identify other suitable products in its inventory. If substitute products are not acceptable to Purchaser, then Seller will cancel the order and refund to Purchaser any deposits previously paid. The warranty period for any used or refurbished Products will be separately stated on the quotation.

1.3 Third Party Products. If this Agreement includes the sale of third party products not manufactured by Seller, then Purchaser agrees and acknowledges that (a) Purchaser has made the selection of these products on its own, (b) the products are being acquired by Seller solely at the request of and for the benefit and convenience of Purchaser, (c) no representation, warranty or guarantee has been made by Seller with respect to the products, (d) the obligation of Purchaser to pay Seller for the products is absolute and unconditional, (e) use of the products may be subject to Purchaser's agreement to comply with any software licensing terms imposed by the manufacturer; and (f) unless otherwise indicated by Seller in writing, Seller is not responsible for any required installation, validation, product recall, warranty service, maintenance, complaint handling, or any other applicable FDA regulatory requirements, and the Purchaser will look solely to the manufacturer regarding these services and will assert no claim against Seller with respect to these products.

2. PRICES

2.1 Quotations. Unless otherwise agreed to in writing or set forth in the quotation, all prices quoted by Seller and amounts payable by Purchaser are in U.S. dollars, and include Seller's standard packaging. The prices quoted to Seller assume that the Seller is located in, and will use the Products in, the U.S. If not, such quotation will be void. Unless otherwise stated, the quotation shall only be valid for forty-five (45) days from the date of the quotation.

2.2 Delay in Acceptance of Delivery. Should the agreed delivery date be postponed by Purchaser, Seller shall have the right to deliver the Products to storage at Purchaser's risk and expense, and payments due upon delivery shall become due when Seller is ready to deliver.

3. TAXES

3.1 Any sales, use or manufacturer's tax which may be imposed upon the sale or use of Products, or any property tax levied after readiness to ship, or any excise tax, license or similar fee (excluding the Medical Device Excise Tax as set forth in Section 4191 of the Internal Revenue Code of 1986, as amended) required under this transaction, shall be in addition to the quoted prices and shall be paid by Purchaser. Notwithstanding the foregoing, Seller agrees to honor any valid exemption certificate provided by Purchaser.

4. TERMS OF PAYMENT; DEFAULT

4.1 Payments; Due Date. Unless otherwise set forth in the quotation, Purchaser shall pay Seller as follows: an initial deposit of 10% of the purchase price for each Product is due upon submission of the purchase order, an additional 80% of the purchase price is due upon delivery of each Product, and the final 10% of the purchase price is due upon completion of installation or when the Products are available for first patient use, whichever occurs first. Unless otherwise agreed, all payments other than the initial deposit are due net thirty (30) days from the date of invoice. Seller shall have no obligation to complete installation until the payment due upon delivery is received. Partial shipments shall be billed as made, and payments for such shipments will be made in accordance with the foregoing payment terms.

4.2 Late Payment. A service charge of 1½% per month, not to exceed the maximum rate allowed by law, shall be made on any portion of Purchaser's outstanding balance which is not paid when due. Payment of such service charge shall not excuse or cure Purchaser's breach or default for late payment.

4.3 Payment of Lesser Amount. If Purchaser pays, or Seller otherwise receives, a lesser amount than the full amount provided for under this Agreement, such payment shall not constitute or be construed other than as on account of the earliest amount due Seller. No endorsement or statement on any check or payment or elsewhere shall constitute or be construed as an accord or satisfaction.

4.4 Where Payment Due Upon Installation or Completion. Should any terms of payment provide for either full or partial payment upon completion of installation or thereafter, and completion of installation is delayed for any reason for which Seller is not responsible beyond the installation date set forth in the Notice to Manufacture Letter issued by Seller, as applicable, then the balance of payments shall be due on the day following such installation date.

4.5 Default; Termination. Each of the following shall constitute an event of default under this Agreement: (i) a failure by Purchaser to make any payment when due; (ii) a failure by Purchaser to perform any other obligation under this Agreement within thirty (30) days of receipt of written notice from Seller; or (iii) the commencement of any insolvency, bankruptcy or similar proceedings by or against Purchaser.

Upon the occurrence of any event of default, at Seller's election: (a) the entire amount of any indebtedness and obligation due Seller under this Agreement and interest thereon shall become immediately due and payable; (b) Seller may suspend the performance of any of Seller's obligations hereunder, including, but not limited to, obligations relating to delivery, installation and warranty services; (c) Purchaser shall put Seller in possession of the Products upon demand; (d) Seller may sell or otherwise dispose of all or any part of the Products and apply the proceeds thereof against any indebtedness or obligation of Purchaser under this Agreement; (e) if this Agreement or any indebtedness or obligation of Purchaser under this Agreement is referred to an attorney for collection or realization, Purchaser shall pay to Seller all costs of collection and realization (including, without limitation, a reasonable sum for attorneys' fees); and Purchaser shall pay any deficiency remaining after collection or realization by Seller on the Products. In addition, Seller may terminate this Agreement upon written notice to Purchaser in the event that Purchaser is not approved for credit or upon the occurrence of any material adverse change in the financial condition or business operations of Purchaser.

4.6 Financing. Notwithstanding any arrangement that Purchaser may make for the financing of the purchase price of the Products, the parties agree that any such financing arrangement shall have no effect on the Purchaser's payment obligations under this Agreement, including but not limited to Sections 4.1 and 4.2 above.

5. EXPORT TERMS

5.1 Unless other arrangements have been made, payment on export orders shall be made by irrevocable confirmed letter of credit, payable in U.S. dollars against Seller's invoice and standard shipping documents. Such letter of credit shall be in an amount equal to the full purchase price of the Products and shall be established in a U.S. bank acceptable to Seller. Purchaser shall have sole responsibility to procure all necessary permits and licenses for shipment and compliance with any governmental regulations concerning control of final destination of Products.

5.2 Purchaser agrees that Products shall not at any time directly or indirectly be used, exported, sold, transferred, assigned or otherwise disposed of in a manner which will result in non-compliance with applicable export Control and US Sanction laws and regulations. If Purchaser purchases a Product at the domestic price and exports such Product, or transfers such Product to a third party for export, outside of the U.S., Purchaser shall pay to Seller the difference between the domestic price and the international retail price of such Product. Purchaser shall deliver to Seller, upon Seller's request, written assurance regarding compliance with this Section in form and content acceptable to Seller.

6. DELIVERY, RISK OF LOSS

6.1 Delivery Date. Delivery and installation dates will be established by mutual agreement of the parties as set forth in the Notice to Manufacture Letter issued by the Seller, as applicable. Seller shall make reasonable efforts to meet such delivery date(s).

6.2 Risk of Loss; Title Transfer. Unless otherwise agreed to in writing, the following shall apply:

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(a) For Products that do not require installation by Seller, and for options and add-on products purchased subsequent to delivery and installation of Products purchased under this Agreement, delivery shall be complete upon transfer of possession to common carrier, F.O.B. Shipping Point, whereupon title to and all risk of loss, damage to or destruction of the Products shall pass to Purchaser.

(b) For Products that require installation by Seller, delivery shall be complete upon delivery of the Products to Purchaser's designated site, F.O.B. Destination; whereupon title to and all risk of loss, damage to or destruction of such Products shall pass to Purchaser upon completion of delivery.

(c) All freight charges and other transportation, packing and insurance costs, license fees, custom duties and other similar charges shall be the sole responsibility of Purchaser unless included in the purchase price or otherwise agreed to in writing by Seller. In the event of any loss or damage to any of the Products during shipment, Seller and Purchaser shall cooperate in making any insurance claim.

7. SECURITY INTEREST/FILING

7.1 Purchaser grants to Seller a security interest in the Products until payment in full by Purchaser. Purchaser shall sign any financing statements or other documents necessary to perfect Seller's security interests in the Products. Purchaser further represents and covenants that (a) it will keep the Products in good order and repair until the purchase price has been paid in full, (b) it will promptly pay all taxes and assessments upon the Products or the use thereof, (c) it will not attempt to transfer any interest in the Products until the purchase price has been paid in full, and (d) it is solvent and financially capable of paying the full purchase price for the Products.

8. CHANGES, CANCELLATION, AND RETURN

8.1 Orders accepted by Seller are not subject to change except upon Seller's written agreement.

8.2 Orders accepted by Seller are non-cancellable by Purchaser except upon Seller's written consent and payment by Purchaser of a cancellation charge equal to 10% of the price of the affected Products, plus any shipping, insurance, inspection and refurbishment charges; the cost of providing any training, education, site evaluation or other services completed by Seller; and any return, cancellation or restocking fees with respect to any Third Party Products ordered by Seller on behalf of Purchaser. Seller may retain any payments received from Purchaser up to the amount of the cancellation charge. In no event can an order be cancelled by Purchaser or Products be returned to Seller after shipment.

8.3 Seller reserves the right to change the manufacture and/or design of its Products if, in the judgment of Seller, such change does not alter the general function of the Products.

9. FORCE MAJEURE

9.1 Seller shall not be liable for any loss or damage for delay in delivery, inability to install or any other failure to perform due to causes beyond its reasonable control including, but not limited to, acts of God or the public, war, civil commotion, blockades, embargoes, calamities, floods, fires, earthquakes, explosions, storms, strikes, lockouts, labor disputes, or unavailability of labor, raw materials, power or supplies. Should such a delay occur, Seller may reasonably extend delivery or production schedules or, at its option, cancel the order in whole or part without liability other than to return any unearned deposit or prepayment.

10. WARRANTY

10.1 Seller warrants that the Products manufactured by Seller and sold hereunder shall be free from defects in material or workmanship under normal use and service for the warranty period. The final assembled Products shall be new although they may include certain used, reworked or refurbished parts and components (e.g., circuit boards) that comply with performance and reliability specifications and controls. Seller's obligation under this warranty is limited, at Seller's option, to the repair or replacement of the Product or any part thereof. Unless otherwise set forth in the Product Warranty attached hereto and incorporated herein by reference ("Product Warranty"), the warranty period shall commence upon the earlier of the date that the Products have been installed in accordance with Section 12.5 hereof (which date shall be confirmed in writing by Seller) or first patient use, and shall continue for twelve (12) consecutive months. Seller makes no warranty for any Products made by persons other than Seller or its affiliates, and Purchaser's sole warranty therefor, if any, is the original manufacturer's warranty, which Seller agrees to pass on to Purchaser, as applicable. The warranty provided by Seller under this Section 10 extends only to the original Purchaser, unless the Purchaser obtains the Seller's prior written consent with respect to any sale or other transfer of the Products during the term of the warranty.

10.2 No warranty extended by Seller shall apply to any Products which have been damaged by fire, accident, misuse, abuse, negligence, improper application or alteration or by a force majeure occurrence as described in

Section 9 hereof or by the Purchaser's failure to operate the Products in accordance with the manufacturer's instructions or to maintain the recommended operating environment and line conditions; which are defective due to unauthorized attempts to repair, relocate, maintain, service, add to or modify the Products by the Purchaser or any third party or due to the attachment and/or use of non-Seller supplied parts, equipment or software without Seller's prior written approval; which failed due to causes from within non-Seller supplied equipment, parts or software including, but not limited to, problems with the Purchaser's network; or which have been damaged from the use of operating supplies or consumable parts not approved by Seller. In addition, there is no warranty coverage for any transducer or probe failure due to events such as cracking from high impact drops, cable rupture from rolling equipment over the cable, delamination from cleaning with inappropriate solutions, or TEE bite marks. Seller may effectuate any repairs at Purchaser's facility, and Purchaser shall furnish Seller safe and sufficient access for such repair. Repair or replacement may be with parts or products that are new, used or refurbished. Repairs or replacements shall not interrupt, extend or prolong the term of the warranty. Purchaser shall, upon Seller's request, return the non-complying Product or part to Seller with all transportation charges prepaid, but shall not return any Product or part to Seller without Seller's prior written authorization. Purchaser shall pay Seller its normal charges for service and parts for any inspection, repair or replacement that falls outside of Seller's warranty. Seller's warranty does not apply to consumable materials, disposables, supplies, accessories and collateral equipment, except as specifically stated in writing or as otherwise set forth in the Product Warranty.

10.3 This warranty is made on condition that immediate written notice of any noncompliance be given to Seller and Seller's inspection reveals that Purchaser's claim is covered under the terms of the warranty (i.e., that the noncompliance is due to traceable defects in original materials and/or workmanship).

10.4 Purchaser shall provide Seller with both on-site and remote access to the Products. The remote access shall be provided through the Purchaser's network as is reasonably necessary for Seller to provide warranty services under this Agreement. Remote access will be established through a broadband internet-based connection to either a Purchaser owned or Seller provided secure end-point. The method of connection will be a Peer-to-Peer VPN IPsec tunnel (non-client based) with specific inbound and outbound port requirements.

10.5 Warranty service will be provided without charge during Seller's regular working hours (8:30-5:00), Monday through Friday, except Seller's recognized holidays. If Purchaser requires that service be performed outside these hours, such service can be made available at an additional charge, at Seller's then current rates. The obligations of Seller described in this Section are Seller's only obligations and Purchaser's sole and exclusive remedy for a breach of product warranty.

10.6 SELLER MAKES NO WARRANTY OTHER THAN THE ONE SET FORTH HEREIN AND IN THE PRODUCT WARRANTY. SUCH WARRANTY IS IN LIEU OF ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY EXPRESS OR IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSES, AND SUCH CONSTITUTES THE SOLE AND EXCLUSIVE WARRANTY MADE WITH RESPECT TO THE PRODUCTS, SERVICE OR OTHER ITEM FURNISHED UNDER THIS AGREEMENT.

10.7 In the event of any inconsistencies between the terms of this Section 10 and the terms of the Product Warranty, the terms of the Product Warranty shall prevail.

11. LIMITATION OF LIABILITY

11.1 In no event shall Seller's liability hereunder exceed the actual loss or damage sustained by Purchaser, up to the purchase price of the Products. The foregoing limitation of liability shall not apply to claims for bodily injury or damages to real property or tangible personal property to the extent arising from Seller's negligence or a product defect.

11.2 SELLER SHALL NOT BE LIABLE FOR ANY LOSS OF USE, REVENUE OR ANTICIPATED PROFITS; COST OF SUBSTITUTE PRODUCTS OR SERVICES; LOSS OF STORED, TRANSMITTED OR RECORDED DATA; OR FOR ANY INDIRECT, INCIDENTAL, UNFORESEEN, SPECIAL, PUNITIVE OR CONSEQUENTIAL DAMAGES WHETHER BASED ON CONTRACT, TORT, STRICT LIABILITY OR ANY OTHER THEORY OR FORM OF ACTION, EVEN IF SELLER HAS BEEN ADVISED OF THE POSSIBILITY THEREOF, ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT OR THE SALE OR USE OF THE PRODUCTS. THE FOREGOING IS A SEPARATE, ESSENTIAL TERM OF THIS AGREEMENT AND SHALL BE EFFECTIVE UPON THE FAILURE OF ANY REMEDY, EXCLUSIVE OR NOT.

12. INSTALLATION - ADDITIONAL CHARGES

12.1 General. Unless otherwise expressly stipulated in writing, the Products

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shall be installed by and at the expense of Seller except that Seller shall not provide rigging or site preparation services unless otherwise agreed to in writing by Seller for an additional charge. Seller will not install accessory items such as cabinets, illuminators, darkroom equipment or processors for X-Ray and CT equipment, unless otherwise agreed to in writing by Seller.

12.2 Installation by Seller. If Seller specifies it will install the Products, the following applies: subject to fulfillment of the obligations set forth in Section 12.3 below, Seller shall install the Products and connect them to the requisite safety switches and power lines to be installed by Purchaser. Except as otherwise specified below, if such installation and connection are performed by Seller's technical personnel, prices shown include the cost thereof, provided that the installation and connection can be performed within the Continental United States or Puerto Rico and during normal business hours. Any overtime charges or other special expenses shall be additional charges to the prices shown.

12.3 Purchaser's Obligations. Purchaser shall, at its expense, provide all proper and necessary labor and materials for plumbing service, carpentry work, conduit wiring, and other preparations required for such installation and connection. All such labor and materials shall be completed and available at the time of delivery of the Products by Seller. Additionally, Purchaser shall provide free access to the installation site and, if necessary, safe and secure space for storage of Products and equipment prior to installation by Seller. Purchaser shall be responsible, at its sole cost and expense, for obtaining all permits, licenses and approvals required by any federal, state or local authorities in connection with the installation and operation of the Products, including but not limited to any certificate of need and zoning variances. Purchaser shall provide a suitable environment for the Products and shall ensure that its premises are free of hazardous conditions and any concealed or dangerous conditions and that all site requirements are met. Seller shall delay its work until Purchaser has completed the removal of any hazardous materials or has taken any other precautions and completed any other work required by applicable regulations. Purchaser shall reimburse Seller for any increased costs and expenses incurred by Seller that are the result of or are caused by any such delay. In the event that Seller is requested to supervise the installation of the Products, it remains the Purchaser's responsibility to comply with local regulations. Seller is not an architect and all drawings furnished by Seller are not construction drawings. If local labor conditions, including a requirement to use union labor, require the use of non-Seller employees to participate in the installation of the Product or otherwise causes delays or any additional expenses, then any such additional costs shall be at Purchaser's expense.

12.4 Regulatory Reporting. In the event that any regulatory activity is performed by anyone other than Seller's authorized personnel, then Purchaser shall be responsible for fulfilling any and all reporting requirements.

12.5 Completion of Installation. Installation shall be complete upon the conclusion of final calibration and checkout under Seller's standard procedures to verify that the Products meet applicable written performance specifications. Notwithstanding the foregoing, first use of the Products by Purchaser, its agents or employees for any purpose after delivery shall constitute completion of installation.

13. PATENT, COPYRIGHT AND OTHER INFRINGEMENT CLAIMS

13.1 Infringement by Seller. Seller warrants that the Products manufactured by Seller and sold hereunder do not infringe any U.S. patent or copyright. If Purchaser receives a claim that any such Products, or parts thereof, infringe upon the rights of others under any U.S. patent or copyright, Purchaser shall notify Seller immediately in writing. Provided that Purchaser gives Seller information, assistance and exclusive authority to evaluate, defend and settle such claims, Seller shall at its own expense and option: indemnify and defend Purchaser against such claims; settle such claims; procure for Purchaser the right to use the Products; or remove or modify them to avoid infringement. If none of these alternatives is available on terms reasonable to Seller, then Purchaser shall return the Products to Seller and Seller shall refund to Purchaser the purchase price paid by Purchaser less reasonable depreciation for Purchaser's use of the Products. The foregoing states Seller's entire obligation and liability, and Purchaser's sole remedy, for claims of infringement.

13.2 Infringement by Purchaser. If some or all of the Products sold hereunder are made by Seller pursuant to drawings or specifications furnished by Purchaser, or if Purchaser modifies or combines, operates or uses the Products other than as specified by Seller or with any product, data, software, apparatus or program not provided or approved by Seller, then the indemnity obligation of Seller under Section 13.1 shall be null and void.

14. DESIGNS AND TRADE SECRETS; LICENSE; CONFIDENTIALITY

14.1 Any drawings, data, designs, software programs or other technical information supplied by Seller to Purchaser in connection with the sale of the

Products shall remain Seller's property and shall at all times be held in confidence by Purchaser.

14.2 For all Products which utilize software for their operation, such "Applications Software" shall be licensed to Purchaser under the terms of Seller's Software License Schedule attached hereto.

14.3 Seller and Purchaser shall maintain the confidentiality of any information provided or disclosed to the other party relating to the business, customers and/or patients of the disclosing party, as well as this Agreement and its terms (including the pricing and other financial terms under which the Purchaser will be purchasing the Products). Each party shall use reasonable care to protect the confidentiality of the information disclosed, but no less than the degree of care it would use to protect its own confidential information, and shall only disclose the other party's confidential information to its employees and agents having a need to know this information. The obligations of confidentiality set forth herein shall not apply to any information in the public domain at the time of disclosure or that is required to be disclosed by court order or by law.

15. ASSIGNMENT

15.1 Neither party may assign any rights or obligations under this Agreement without the prior written consent of the other, which shall not be unreasonably withheld. Any attempt to do so shall be void, except that Seller may assign this Agreement without consent to any subsidiary or affiliated company, and may delegate to authorized subcontractors or service suppliers any work to be performed under this Agreement so long as Seller remains liable for the performance of its obligations under this Agreement. This Agreement shall inure to and be binding upon the parties and their respective successors, permitted assigns and legal representatives.

16. COSTS AND FEES

16.1 In the event that any dispute or difference is brought arising from or relating to this Agreement or the breach, termination or validity thereof, the prevailing party shall be entitled to recover from the other party all reasonable attorneys' fees incurred, together with such other expenses, costs and disbursements as may be allowed by law.

17. MODIFICATION

17.1 This Agreement may not be changed, modified or amended except in writing signed by duly authorized representatives of the parties.

18. GOVERNING LAW; WAIVER OF JURY TRIAL

18.1 This Agreement shall be governed by the laws of the state where the Product(s) will be installed, without regard to that state's choice of law principles.

18.2 EACH OF THE PARTIES EXPRESSLY WAIVES ALL RIGHTS TO A JURY TRIAL IN CONNECTION WITH ANY DISPUTE UNDER THIS AGREEMENT.

19. COST REPORTING

19.1 Purchaser agrees that it must fully and accurately report prices paid under this Agreement, net of all discounts, as required by applicable law and contract, including without limitation 42 CFR §1001.952(h), in all applicable Medicare, Medicaid and state agency cost reports. Purchaser shall retain a copy of this Agreement and all other communications regarding this Agreement, together with the invoices for purchase and permit agents of the U.S. Department of Health and Human Services or any state agency access to such records upon request.

20. INTEGRATION

20.1 These terms and conditions, including any attachments or other documents incorporated by reference herein, constitute the entire, complete and exclusive statement of agreement with respect to the subject matter hereof, and supersede any and all prior agreements, understandings and communications between the parties with respect to the Products. Purchaser's additional or different terms and conditions stated in a purchase order, bid documents or any other document issued by Purchaser are specifically rejected and shall not apply to the transactions contemplated under this Agreement.

21. SEVERABILITY; HEADINGS

21.1 No provision of this Agreement which may be deemed unenforceable will in any way invalidate any other portion or provision of this Agreement. Section headings are for convenience only and have no substantive effect.

22. WAIVER

22.1 No failure and no delay in exercising, on the part of any party, any right under this Agreement will operate as a waiver thereof, nor will any single or partial exercise of any right preclude the further exercise of any other right.

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23. NOTICES

23.1 Any notice or other communication under this Agreement shall be deemed properly given if in writing and delivered in person or mailed, properly addressed and stamped with the required postage, to the intended recipient at its address specified on the face hereof.

24. RIGHTS CUMULATIVE

24.1 The rights and remedies afforded to Seller under this Agreement are in addition to, and do not in any way limit, any other rights or remedies afforded to Seller by any other agreement, by law or otherwise.

25. END USER CERTIFICATION

25.1 Purchaser represents, warrants and covenants that it is acquiring the Products for its own end use and not for reselling, leasing or transferring to a third party (except for lease-back financings).

26. ACCESS TO BOOKS AND RECORDS

26.1 To the extent required by Section 1861(v)(1)(l) of the Social Security Act and the regulations promulgated thereunder, until the expiration of four (4) years after the furnishing of any Product or service pursuant to this Agreement, Seller shall make available, upon written request by the Secretary of Health and Human Services (the "Secretary"), or upon request by the Comptroller General (the "Comptroller"), or any of their duly authorized representatives, copies of this Agreement and any books, documents, records or other data of

Seller that are necessary to certify the nature and extent of any costs incurred by Purchaser for such Products and services. If Seller carries out any of its duties under this Agreement through a subcontract with a related organization involving a value or cost of ten thousand dollars (\$10,000) or more over a twelve (12) month period, Seller will cause such subcontract to contain a clause to the effect that, until the expiration of four (4) years after the furnishing of any Product or service pursuant to said contract, the related organization will make available upon the written request of the Secretary or the Comptroller, or any of their duly authorized representatives, copies of records of said related organization that are necessary to certify the nature and extent of cost incurred by Purchaser for such Product or service.

27. DISPOSITION OF PRODUCTS

27.1 Purchaser expressly agrees that should Purchaser sell, transfer or otherwise dispose of the Products, Purchaser shall notify Seller in writing and give Seller the opportunity to purchase such Products. With Purchaser's notice, Purchaser shall provide Seller with a copy of the third party's binding offer to purchase the Products and Seller shall have seven (7) days to notify the Purchaser of an offer to purchase the Products.

05/15 Rev.

Software License Schedule to the Siemens Medical Solutions USA, Inc. General Terms and Conditions

1. DEFINITIONS: The following definitions apply to this Schedule:

"**Agreement**" shall mean the attached (i) Quotation for Products and/or Services including the Terms and Conditions of Sale and applicable schedules; and/or (ii) Software License Agreement describing the software licensed herein and the specific system for which the license is issued.

"**Licensor**" shall mean Siemens Medical Solutions USA, Inc.

"**Licensee**" shall mean the end-user to whom Licensor provides Software or Documentation for its internal use under the Agreement.

"**Software**" shall mean the software described in the attached Agreement, including the following as contained therein: (i) software programs consisting of a series of statements or instructions to be used directly or indirectly in a programmable controller or computer to bring about a certain result and (ii) databases consisting of systemized collections of data to be used or referenced directly or indirectly by a programmed controller or computer. Notwithstanding the foregoing, "Software" does not include "firmware" as such term is conventionally understood. Diagnostic/Maintenance Software also is not included within the scope of the Software licensed under this Schedule, and is available only as a special option under a separate Diagnostic Materials License Agreement and may be subject to a separate licensing fee.

"**Documentation**" shall mean the documents and other supporting materials which are intended to support the use of an associated product, including (but not limited to) instructions, descriptions, flow charts, logic diagrams and listings of the Software, in text or graphic form, on machine readable or printed media.

"**Designated Unit**" shall mean a single control unit or computer identified on the first page of the Agreement, on which Software licensed hereunder may be used by Licensee.

2. SCOPE: The following terms and conditions shall apply to all Software and Documentation provided by Licensor to Licensee under the Agreement (whether included with other products listed in the Agreement or listed separately in the Agreement), together with any updates or revisions thereto which Licensor may provide to Licensee, and all copies thereof, except any Software and/or Documentation licensed directly by Licensor's supplier under a separate end-user license agreement accompanying the Software or the Documentation, in which case Licensee agrees to be bound by that license agreement as a condition to using the Software and/or Documentation. Except as expressly provided herein, and provided that in no event shall the warranties or other obligations of Licensor with respect to such Software or Documentation exceed those set forth in this Schedule, this Schedule shall be subject to the liability limitations and exclusions and other terms and conditions set forth in the Agreement. **ANY USE OF THE SOFTWARE, INCLUDING BUT NOT LIMITED TO USE ON THE DESIGNATED UNIT, WILL CONSTITUTE LICENSEE'S AGREEMENT TO THIS SOFTWARE LICENSE SCHEDULE (OR RATIFICATION OF ANY PREVIOUS CONSENT).**

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(c) The Software may contain support for programs written in Java. Java technology is not fault tolerant and is not designed, manufactured, or intended for use or resale as online control equipment in hazardous environments requiring fail-safe performance, such as in the operation of nuclear facilities, aircraft navigation or communication systems, air traffic control, direct life support machines, or weapons systems, in which the failure of Java technology could lead directly to death, personal injury, or severe physical or environmental damage. Sun Microsystems, Inc. has contractually obligated Licensor's supplier to make this disclaimer.

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Revised 03/15/05

SIEMENS

Siemens Medical Solutions USA, Inc.
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SIEMENS REPRESENTATIVE
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TRADE-IN EQUIPMENT REQUIREMENTS

THE FOLLOWING APPLIES ONLY TO THE EXTENT THAT THE QUOTATION INCLUDES AN EQUIPMENT TRADE-IN. THESE REQUIREMENTS ARE IN ADDITION TO ANY OTHER REFERENCED TERMS AND CONDITIONS ON THE QUOTATION AND SHALL REMAIN IN EFFECT REGARDLESS OF ANY CONTRARY LANGUAGE IN THE QUOTATION.

This Quotation includes the trade-in equipment described herein and referenced by either the Project Number identified in the Quotation hereof (non-ultrasound) or the Trade Allowance Part Number (Ultrasound) as further described in the associated Trade Sheet which is incorporated herein by reference. Purchaser certifies that the description of the trade-in equipment as set forth on the Trade Sheet is a true and accurate representation of the equipment, and that the equipment is in good working condition unless otherwise noted on the Trade Sheet.

The trade-in equipment must be made available for removal no later than turnover of the new equipment. Purchaser must vacate the room of all items not listed on the Trade Sheet, or otherwise clearly identify all items listed on the Trade Sheet, prior to the start of the de-installation. If this is not done, Seller will have no liability for items which are subsequently removed or scrapped. If the de-installation or return of the trade-in equipment is delayed by Purchaser for reasons other than a force majeure event, or if upon inspection by Seller it is determined that the equipment does not meet the manufacturer's operating specifications, or if any items listed as included on the Trade Sheet are not made available at the time of de-installation, then trade-in value will be re-evaluated and any loss in value or additional costs incurred by Seller shall be deducted from the established trade-in value and the pricing set forth on this Quotation will be adjusted by change order. In the event that access to the non-ultrasound trade-in equipment is denied past 14 days from turnover, or access to ultrasound trade-in equipment is denied past 30 days from turnover, then Purchaser shall pay to Seller a rental fee in the amount 3.5% of the total trade-in value plus any additional value provided by an Elevate/Promotional program included in this quotation (no less than \$1000) for each month, or part thereof, that access is denied. In addition, if the purchase and installation of the new equipment covered by this Quotation is not completed, then Seller shall invoice Purchaser for all costs and expenses incurred by Seller in connection with the de-installation and removal of the trade-in equipment, including but not limited to labor, materials, rigging out, and transportation, which costs shall be paid by Purchaser within thirty (30) days of the invoice date.

Purchaser further acknowledges and agrees that (i) the trade-in equipment will be free and clear of all liens and encumbrances including, but not limited to, unpaid leases and loans, and that upon request, it will execute a bill of sale or other documents reasonably satisfactory to Siemens to transfer title and ownership of the equipment to Seller, (ii) it is Purchaser's sole responsibility to delete all protected health information and any other confidential information from the equipment prior to de-installation, without damaging or cannibalizing the equipment or otherwise affecting the operation of the equipment in accordance with its specifications, (iii) the equipment, including all updates, upgrades, modifications, enhancements, revisions, software, SW disks and manuals, shall be returned to Siemens in good operating condition, reasonable wear and tear excepted, and (iv) to the extent not prohibited by applicable law, Purchaser shall indemnify and hold Seller harmless from and against any and all claims, demands, causes of action, damages, liability, costs and expenses (including reasonable attorney's fees) resulting or arising from Purchaser's failure to comply with item (i) above.

FOR MR SYSTEMS: cryogen levels must be least 65% upon time of de-installation. FOR MOBILE SYSTEMS: system must be road worthy and a state issued title transferring ownership to Seller (or Designee) must be received prior to the removal of the mobile system. FOR MODALITY TRADE SYSTEMS (non-ultrasound): The trade-in equipment must be available for inspection within two weeks of the scheduled de-installation date. In addition, Purchaser must provide a clear path for the removal of the trade-in equipment. Any additional costs due to the need to use a larger rig (other than a standard 80 ton rig), as well as any construction activities, street closings, permits, etc., required to de-install/remove the equipment are out-of-scope costs and will be the responsibility of Purchaser.

SIEMENS

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MR Warranty Information

Product (New Systems and "ECO" Refurbished Systems Only)	Period of Warranty ¹	Coverage	
MR System (not including consumables)	12 months	Full Warranty (parts & labor)	
Post-Warranty (after expiration of system warranty) – Replacement parts only!			
Magnet	12 months	Parts only	
Spare Parts	6 months	Parts only	
Consumables	Not Covered		

Note: Optional extended warranty coverage can be obtained by purchase of a service agreement.

¹ Period of warranty commences from the date of first use or completion of installation, whichever occurs first. In the event the completion of installation is delayed for reasons beyond Siemens' control, the stated warranty period shall commence 60 days after delivery of equipment.

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MAGNETOM AERA 1.5T TYPICAL ROOM PLAN

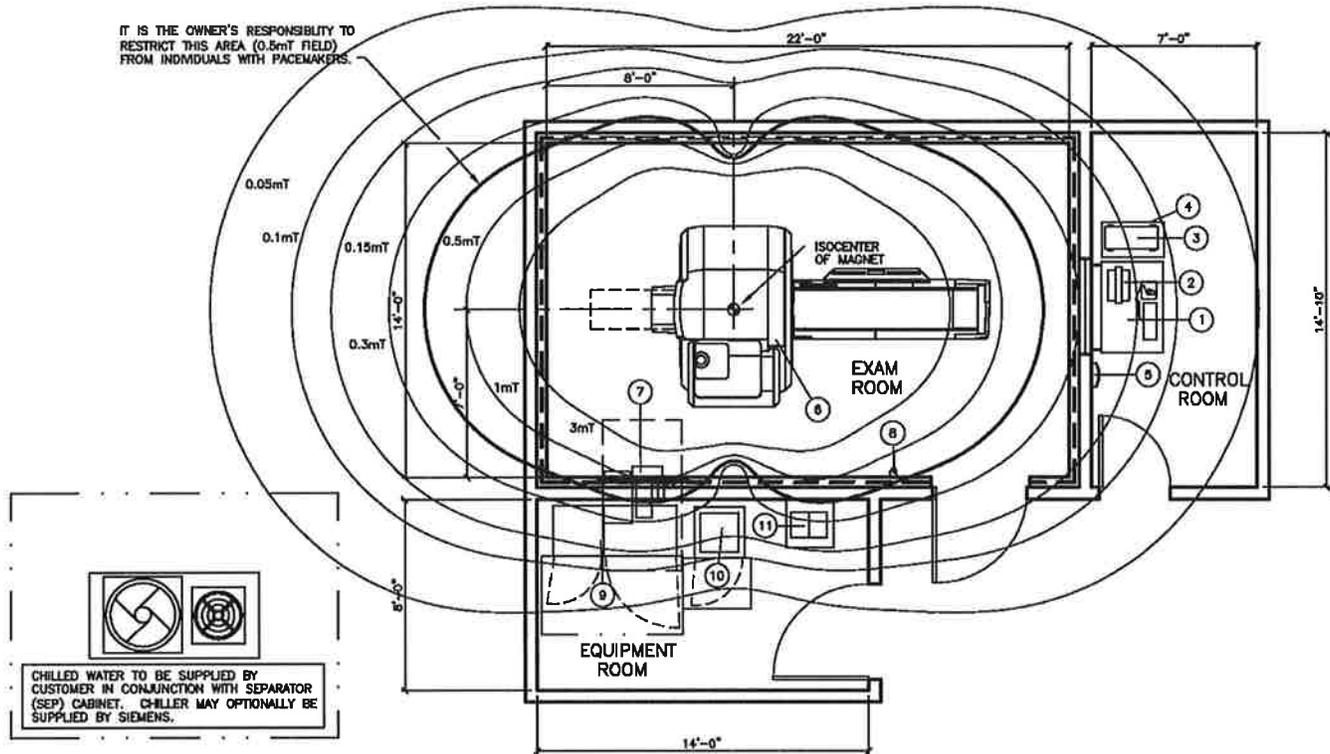


The intended use for this Cut Sheet is to communicate the spatial requirements as well as the basic architectural, electrical, structural, and mechanical requirements for this piece of imaging equipment. The information provided in this document is for reference only, during the pre-planning stage, and therefore does not contain any site specific detailed requirements. This information is subject to change without notice. Federal, state and/or local requirements may impact the final placement of the components. It is the customer's responsibility to ensure that the final layout and placement of the equipment complies with all applicable requirements.

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FOR REFERENCE ONLY,
NOT FOR CONSTRUCTION.

MAGNETOM AERA 1.5T TYPICAL ROOM PLAN



TYPICAL PLAN

SCALE: 1/8" = 1'-0"

EQUIPMENT LEGEND

NO	DESCRIPTION	SMS SYM	WEIGHT (LBS)	BTU/HR TO AIR	DIMENSIONS (INCHES)			REMARKS
					W	D	H	
①	MRC OPERATING CONSOLE AND KEYBOARD	Ⓢ	132	---	45 11/16	35 1/4	28 3/8	
②	COLOR MONITOR FOR MRC	Ⓜ	22	239	18 5/16	16 15/16	4 3/4	ON CONSOLE/COUNTER
③	HOST PC MRC	Ⓟ	49	2,389	11	27	18 1/8	
④	CONTAINER FOR HOST 500	Ⓜ	238	---	19 5/8	31 1/2	28 3/8	
⑤	ALARM BOX	Ⓜ	2	---	9	4	9	
⑥	1.5T MAGNET WITH COVERS AND PATIENT TABLE	Ⓜ	10,093	3,415	91	170	86	
⑦	RF-FILTER PLATE	Ⓟ	285	853	46 1/2	21 3/4	21 1/2	
⑧	MAGNET STOP	Ⓜ	1	---	3	5	3	
⑨	ELECTRONICS CABINET (GPA/EPC CABINET)	Ⓟ	3,307	13,649	61 1/2	26	77 1/2	
⑩	SEP CABINET	Ⓟ	750	3,415	25 5/8	25 5/8	73 5/8	
⑪	POWERWARE 9130 UPS WITH EBM (OPTION)	Ⓟ	186	1,257*	16 7/8	12 7/8	16 1/4	*1,755 ON BATTERIES

MAGNETOM AERA 1.5T SPECIFICATIONS

POWER REQUIREMENTS	
VOLTAGE RANGE: 480 VAC ±10% FOR ALL LINE AND LOAD CONDITIONS. VOLTAGE BALANCE: 2% MAXIMUM DIFFERENCE BETWEEN PHASES	
FREQUENCY:	60 Hz ± 1.0 Hz
LINE IMPEDANCE:	95 mOHMS
STAND BY POWER CONSUMPTION	9.0 kW
TYPICAL POWER CONSUMPTION DURING EXAM	20.1 KW
CONNECTION VALUE (LESS THAN 5 MINUTES)	110 KVA
MOMENTARY POWER	140 KVA
RECOMMENDED TRANSFORMER	150 KVA
MR SYSTEM OVERCURRENT PROTECTION	150 AMPS
RECOMMENDED UPS	160 KVA
UPS SYSTEM OVERCURRENT PROTECTION	250 AMPS
MAX. ALLOWABLE VOLTAGE DROP AT MAX. POWER	6.0%

NOISE LEVELS	
SYSTEM ROOM	NOISE LEVEL / dB(A)
CONTROL ROOM	<55
EXAMINATION ROOM	86.1 dB(A) – 8 HOUR AVERAGE 108.2 dB(A) MAXIMUM
EQUIPMENT ROOM	<65
IT IS THE CUSTOMER'S RESPONSIBILITY TO ENSURE THAT ALL LOCAL/ STATE/OSHA NOISE REGULATIONS ARE ADHERED TO. ADDITIONAL NOISE DATA MAY BE PROVIDED BY SIEMENS PROJECT MANAGER UPON REQUEST.	

POWER REQUIREMENTS
DEMAND AND CAPACITY REQUIREMENTS NOTES
<p>1) IF EQUIPMENT UPGRADE IS ANTICIPATED, INSTALLING ELECTRICAL POWER TO MEET THE REQUIREMENTS OF THE HIGHER POWER GRADIENT PACKAGE AT THE TIME OF INITIAL INSTALLATION WILL REDUCE THE COST TO UPGRADE THE ELECTRICAL SYSTEM LATER.</p> <p>2) RECOMMENDED TRANSFORMER SIZE (SYSTEM WITHOUT UPS) IS BASED ON INDUSTRY STANDARD ISOLATION TRANSFORMER KVA RATINGS. SOURCE IMPEDANCE FEEDING THE MAGNETOM SYSTEM, INCLUDING ANY ISOLATION TRANSFORMERS, MUST MEET EQUIPMENT REQUIREMENTS AS LISTED HERE. SIEMENS RECOMMENDS A TRANSFORMER WITH COPPER WINDINGS, AN ELECTRO-STATIC SHIELD, AND A LOW IMPEDANCE (<3%) TO ENSURE THAT SOURCE IMPEDANCE REQUIREMENTS ARE MET.</p> <p>3) OVERCURRENT PROTECTION IS SPECIFIED FOR SYSTEMS WITHOUT AN UNINTERRUPTIBLE POWER SUPPLY (UPS). ADDITION OF A UPS REQUIRES A HIGHER CAPACITY MAINS CONNECTION (DEPENDENT UPON UPS MODEL AND SIZE). MAXIMUM FAULT CURRENT IS DEPENDENT UPON THE IMPEDANCE OF THE FACILITY ELECTRICAL SYSTEM. CUSTOMER'S ARCHITECT OR ELECTRICAL CONTRACTOR TO SPECIFY AIC RATING OF OVERCURRENT PROTECTION BASED ON FACILITY IMPEDANCE CHARACTERISTICS.</p> <p>4) MOMENTARY POWER IS BASED ON A MAXIMUM RMS VALUE FOR A PERIOD NOT TO EXCEED FIVE (5) SECONDS, AS DEFINED IN NEC 517.2. STAND-BY AND AVERAGE CURRENT ARE SUBSTANTIALLY LOWER.</p> <p>5) THE CONDUCTOR SIZE SHOULD BE SELECTED TO MEET THE VOLTAGE DROP REQUIREMENTS, TAKING INTO CONSIDERATION THE MAINS CAPACITY, RUN LENGTH, AND ANY ADDITIONAL TRANSFORMERS USED TO OBTAIN THE PROPER EQUIPMENT VOLTAGE LEVEL. NEMA STANDARD XR-9-1989 (R1994,R2000) PROVIDES GENERAL GUIDELINES FOR SIZING CONDUCTORS, TRANSFORMERS, AND ELECTRICAL SYSTEMS FOR MEDICAL IMAGING SYSTEMS.</p> <p>6) LONG-TIME POWER IS BASED ON THE HIGHEST AVERAGE RMS VALUES FOR A PERIOD EXCEEDING 5 MINUTES DURING CLINICAL SYSTEM OPERATION, AS DEFINED IN NEC 517.2.</p> <p>7) A CIRCUIT BREAKER WITH A HIGH INRUSH RATING (>8x RATED CURRENT) IS REQUIRED TO PERMIT SWITCH-ON OF THE UPS SYSTEM WITHOUT SPURIOUS TRIPPING. CIRCUIT BREAKERS WITH AN ADJUSTABLE MAGNETIC TRIP (SIEMENS FD6 SERIES OR SIMILAR) ARE HIGHLY RECOMMENDED.</p>

CEILING HEIGHTS
EXAM ROOM 7'-11" MINIMUM
CONTROL ROOM 6'-11" MINIMUM
EQUIPMENT ROOM 7'-3" MINIMUM

REMOTE SYSTEM DIAGNOSTICS
SIEMENS REMOTE SERVICES (SRS) REQUIRES A CONNECTION BETWEEN THE SRS REMOTE SERVER AND SIEMENS SYSTEMS VIA REMOTE LOCAL AREA NETWORK ACCESS, TO ENSURE THE UPTIME OF YOUR SYSTEM.
THIS SERVICE REQUIRES ONE OF THE FOLLOWING CONNECTION METHODS:
1. (PREFERRED) VPN – WHERE THE CUSTOMER HAS AVAILABLE A VPN CAPABLE FIREWALL OR OTHER VPN APPLIANCE.
2. (OPTIONAL) *SRS ROUTER* – CONNECTED TO ANALOG PHONE LINE VIA *ANALOG MODEM*, ETHERNET CONNECTION TO CUSTOMER'S LAN, AND A POWER OUTLET.
NOTE: = *SUPPLIED BY SIEMENS*

FOR MORE INFORMATION
FOR MORE DETAILED PLANNING REQUIREMENTS FOR THIS SYSTEM, SEE THE TYPICAL FINAL DRAWING SET NUMBER: 10023

MAGNETOM AERA 1.5T SPECIFICATIONS

CHILLED WATER SUPPLY

A CHILLED WATER SUPPLY IS REQUIRED TO THE MRI SYSTEM 24 HOURS A DAY, YEAR ROUND FOR THE COLD HEAD AND GRADIENT SYSTEMS. THIS CAN BE PROVIDED BY A CENTRAL CHILLED WATER SUPPLY OR A SEPARATE STAND ALONE CHILLER THAT MEETS THE STATED REQUIREMENTS. THE CHILLED WATER CAN ALSO BE SUPPLIED BY A DEDICATED KRAUS ECO CHILLER AND INTERFACE PANEL.

WITHOUT THE USE OF A DEDICATED KRAUS CHILLER, A SEP (SYSTEM SEPARATOR CABINET), MUST BE INCLUDED WITH THE SIEMENS ORDER. THE PIPE SIZE BETWEEN THE KRAUS CHILLER AND INTERFACE PANEL, OR BETWEEN THE WATER SUPPLY AND SEP MUST BE 2 INCH UP TO 82 FEET, 2-1/2 INCH UP TO 148 FEET, CONSULT FOR LONGER PIPE. PERMISSIBLE MATERIALS THAT CAN BE USED FOR THE PIPING ARE: STAINLESS STEEL (V2A, V4A), NON-FERROUS METAL (COPPER, BRASS), SYNTHETIC MATERIAL, PLASTICS, BRAZING SOLDER, HARD SOLDER, OR FITTING SOLDER TYPE 3 AND 4. THERE ARE MATERIALS THAT MAY CAUSE DAMAGE TO THE COOLING SYSTEM AND CANNOT BE USED, THESE MATERIALS ARE ALUMINUM, IRON, CARBON STEEL, ZINC, ZINC PLATED STEEL, OR STANDARD STEEL PIPES.

THESE REQUIREMENTS ARE REQUIRED FOR NEW INSTALLATIONS, IF EXISTING WATER PIPES COMPLY WITH SIEMENS WATER SPECIFICATIONS, THEY DO NOT NEED TO BE REPLACED.

NORMAL TAP WATER MUST BE AVAILABLE FOR FILLING THE SECONDARY WATER CIRCUIT. THERE SHALL BE A HOSE BIB LOCATED WITHIN 65' OF THE SEP, IFP, ACC OR THE KRAUS CHILLER.

THE SUPPLY AND RETURN CHILLED WATER PIPES MUST BE LABELED. THE LOCATION OF THE LABELS MUST BE AT ALL CONNECTION AND REFILLING POINTS AND MUST CONTAIN FLOW DIRECTION AND CONTENTS.

ENVIRONMENTAL REQUIREMENTS

1) AIR CONDITIONING IS TO PROVIDE A TEMPERATURE OF 70°F ±5°F IN THE EXAM ROOM, 70°F±10°F IN THE EQUIPMENT & CONTROL AREAS, RELATIVE HUMIDITY OF 40-60% (NON-CONDENSING) IS REQUIRED EXAMINATION ROOM AND 40-80% (NON-CONDENSING) IN ALL OTHER AREAS WHERE SIEMENS EQUIPMENT IS INSTALLED. THESE CONDITIONS ARE TO BE MET AT ALL TIMES; 24 HOURS A DAY, 7 DAYS A WEEK.

2) A DEDICATED AIR CONDITIONING AND HUMIDIFICATION SYSTEM IS RECOMMENDED FOR THE EXAM ROOM. A MINIMUM AIR EXCHANGE RATE OF 6 TIMES PER HOUR FOR THE EXAM ROOM IS REQUIRED. IT IS RECOMMENDED TO INSTALL A FRESH AIR SYSTEM WITH 30%-50% FRESH AIR INTAKE.

AIR SUPPLY AND RETURN ABOVE THE FINISHED CEILING IN THE EXAM ROOM IS RECOMMENDED. EACH ROOM SHOULD HAVE A DEDICATED CONTROL AND SENSOR TO MONITOR AND ADJUST THE AIR.

3) THE HEAT INTO THE EXAM ROOM IS LESS THAN 10,236 BTU/HR. THE HEAT INTO THE EQUIPMENT ROOM IS LESS THAN 3,412 BTU/HR. THIS HEAT DISSIPATION IS FROM THE SIEMENS EQUIPMENT ONLY, AUXILIARY SUPPORT EQUIPMENT (ie UPS) AND LIGHTING MUST BE CONSIDERED FOR TOTAL HEAT LOADS.

4) IT IS IMPORTANT FOR FRESH AIR INTAKE SYSTEMS TO EXHAUST AIR DIRECTLY OUT OF THE BUILDING. THE EXHAUST AIR MUST NOT BE DEFLECTED INTO ANOTHER ROOM. THE MAGNET ROOM EXHAUST AIR SHOULD BE INSTALLED AT LEAST 6'-6" ABOVE FINISHED FLOOR.

5) THE AIR INTAKE OF THE AIR CONDITIONING SYSTEM MUST NOT BE LOCATED IN THE VICINITY OF THE QUENCH VENT EXHAUST.

6) IF THE INPUT DRAWS UPON AIR FROM OUTSIDE THE BUILDING, IT IS RECOMMENDED TO INSTALL AN ON-SITE FILTER TO REMOVE DUST PARTICLES GREATER THAN 10 MICRONS.

7) DO NOT LOCATE ANY HVAC DIFFUSERS ABOVE THE MAGNET. THERE SHALL NOT BE AIR BLOWING DIRECTLY ON THE MAGNET.

CHILLED WATER REQUIREMENTS

WATER REQUIREMENTS TO BE MEASURED AT THE SEP CABINET.

FLOW RATE:	23.78-29.05 GPM
WATER TEMPERATURE:	48°F ±4°F
BTU DISCHARGE TO THE WATER	204,729 BTU/HR
WATER PRESSURE	MAXIMUM 87 PSI
LOSS OF PRESSURE FOR SEP CABINET	14.5 PSI MAXIMUM
CHILLED WATER ACIDITY RANGE	6 pH TO 8 pH
CHILLED WATER HARDNESS	<250 ppm CALCIUM CARBONATE
CHLORINE GAS CONCENTRATION	<200 ppm
FILTRATION	500 µm

FOR INSTALLATION OF A KRAUS KSC 215 CHILLER, IT IS THE RESPONSIBILITY OF THE CUSTOMER/MECHANICAL CONTRACTOR TO PROVIDE A MIXTURE OF WATER WITH 35%-38% ETHYLENE GLYCOL PRIOR TO CHILLER START UP. DO NOT USE PROPYLENE GLYCOL OR AUTOMOTIVE ANTI-FREEZE.

THE AMOUNT OF THE MIXTURE MUST FILL THE CHILLER, MR SYSTEM AND PIPING (SUPPLY AND RETURN), SEE EXAMPLES BELOW.

(1) GALLON OF UNDILUTED GLYCOL, OR (2) GALLONS OF WATER/GLYCOL MIXTURE MUST REMAIN ON SITE FOR USE AFTER START UP.

MIXTURE VOLUME INCLUDING SUPPLY & RETURN+15 GAL. CHILLER & MR			
PIPE DIAMETER	TOTAL LENGTH	MIXTURE VOLUME	GLYCOL NEEDED
2"	100'	31.3 GALLONS	11.9 GALLONS
2"	200'	47.6 GALLONS	18.1 GALLONS
2.5"	100'	40.5 GALLONS	15.4 GALLONS
2.5"	200'	66.0 GALLONS	25.1 GALLONS

MIXTURE VOLUME = $3.14 \times (\text{PIPE RADIUS})^2 \times \text{PIPE LENGTH} + 15$ GALLONS.
GLYCOL AMOUNT = 35-38% OF MIXTURE VOLUME.

QUENCH VENT NOTES

LIQUID AND GASSEOUS HELIUM ARE USED IN THE OPERATION OF A SUPERCONDUCTING MRI SYSTEM. THE MECHANICAL CONTRACTOR SHALL PROVIDE A VENT, ACCORDING TO SIEMENS SPECIFICATIONS, TO EXHAUST GASSEOUS HELIUM FROM THE MAGNET TO OUTSIDE THE BUILDING. PLEASE SEE THE SIEMENS TYPICAL DRAWINGS FOR DETAILS.

MAGNETOM AERA 1.5T SPECIFICATIONS

PROTECTING THE ENVIRONMENT

PROTECTING THE IMMEDIATE ENVIRONMENT FROM THE EFFECT OF THE MAGNETIC FIELD REQUIRES CONSIDERATION. INFORMATION STORED ON MAGNETIC DATA CARRIERS SUCH AS DISKS, TAPES, AND CREDIT CARDS MAY BE ERASED IF IN CLOSE PROXIMITY. CAUTION WITH REGARD TO HEART PACEMAKERS MUST BE EXERCISED. MOST PACEMAKER UNITS EMPLOY A REED RELAY WHICH MAY CHANGE OPERATING MODE WHEN EXPOSED TO AN EXTERNAL MAGNETIC FIELD. THEREFORE, PACEMAKER USERS MUST BE KEPT AT A SPECIFIED DISTANCE FROM THE MAGNET WHICH IS DETERMINED BY THE MAGNETIC FIELD STRENGTH.

PROTECTING THE MAGNETIC FIELD

THE SIEMENS MAGNETOM UTILIZES A SUPERCONDUCTIVE MAGNET WITH AN EXTREMELY HOMOGENEOUS FIELD WITHIN THE MAGNET TO PROVIDE DISTORTION-FREE IMAGING. THE PRESENCE OF FERROMAGNETIC MATERIAL WITHIN THE VICINITY OF THE MAGNET CAN ADVERSELY AFFECT THE UNIFORMITY OF THE USEFUL MAGNETIC FIELD. THIS APPLIES TO STATIONARY FERROUS MATERIAL (STRUCTURAL STEEL) WHICH IS TO BE MINIMIZED. STATIONARY STEEL COMPENSATION MAY BE ACHIEVED BY MAGNET POSITIONING AND SELECTIVE USE OF SHIMS. FIELD DISTORTION ENCOUNTERED BY MOVING FERROMAGNETIC OBJECTS IS MORE DIFFICULT TO COMPENSATE AND MAY REQUIRE THE USE OF MAGNETIC SHIELDING.

MAGNETIC FRINGE FIELDS

MAGNETIC FIELDS MAY AFFECT THE FUNCTION OF DEVICES IN THE VICINITY OF THE MAGNET. THESE DEVICES MUST BE OUTSIDE CERTAIN MAGNETIC FIELDS. THE DISTANCES LISTED ARE FROM THE MAGNET ISOCENTER AND DO NOT CONSIDER ANY MAGNETIC ROOM SHIELDING.

X/Y AND Z AXIS	DEVICES
6'-1" / 9'-2" 3.0mT	SMALL MOTORS, WATCHES, CAMERAS, CREDIT CARDS, MAGNETIC DATA CARRIERS (SHORT-TERM EXPOSURE)
7'-3" / 11'-6" 1.0mT	COMPUTERS, MAGNETIC DISK DRIVES, OSCILLOSCOPES, PROCESSORS
8'-3" / 13'-2" 0.5mT	CARDIAC PACEMAKERS, X-RAY TUBES, INSULIN PUMPS, B/W MONITORS, MAGNETIC DATA CARRIERS (LONG-TERM STORAGE)
9'-9" / 16'-1" 0.2mT	SIEMENS CT SCANNERS
10'-4" / 17'-1" 0.15mT	COLOR MONITORS, SIEMENS LINEAR ACCELERATORS
13'-1" / 22'-3" 0.05mT	X-RAY IMAGE INTENSIFIERS, GAMMA CAMERAS, PET/CYCLOTRON, ELECTRON MICROSCOPES, LINEAR ACCELERATORS

THE OWNER/USER IS TO VERIFY THE LOCATION OF THE 0.5mT FIELD AND ENSURE THAT IT IS MAINTAINED AS A RESTRICTED AREA.

MAGNET SITING REQUIREMENTS

IT MUST BE ENSURED THAT THE MAGNET IS LOCATED SO THAT THE STABILITY AND HOMOGENEITY OF THE MAGNETIC FIELD ARE NOT ADVERSELY AFFECTED BY EXTRANEIOUS FIELDS AND STATIC OR DYNAMIC FERROMAGNETIC OBJECTS.

X/Y AND Z AXIS	SOURCE OF INTERFERENCE
3'-6"	STEEL REINFORCEMENT RODS IN FLOOR - MAXIMUM 20 LBS/SQ. FT.
18'-1" / 21'-4"	STRETCHERS UP TO 110 LBS.
13'-1"	A/C CHILLERS
19'-9" / 23'-0"	TRANSPORT DEVICES UP TO 440 LBS.
21'-4" / 26'-3"	VEHICLES UP TO 2,000 LBS.
23'-0" / 31'-3"	ELEVATORS, TRUCKS UP TO 10,000 LBS.
39'-4"/26'-2"	AC TRANSFORMERS LESS THAN 100 KVA
41'-0"/32'-9"	AC TRANSFORMERS LESS THAN 250 KVA
42'-7"/39'-4"	AC TRANSFORMERS LESS THAN 650 KVA
45'-11"/49'-3"	AC TRANSFORMERS LESS THAN 1600 KVA
9'-10"/6'-6"	AC CABLES, MOTORS LESS THAN 100 AMPS
22'-11"/9'-10"	AC CABLES, MOTORS LESS THAN 250 AMPS
131'-2"	ELECTRIC RAILWAY SYSTEMS

FOR IRON OBJECTS LOCATED UP TO 45' FROM THE Z AXIS, THE DISTANCES FOR THE Z AXIS MUST BE USED. REDUCTION IS POSSIBLE WITH STEEL SHIELDING.

MAXIMUM CABLE LENGTH

THERE ARE 3 DIFFERENT LENGTHS OF CABLE THAT ARE AVAILABLE FOR THE MRI SYSTEM DIFFERENTIATED BY MAXIMUM LENGTHS FROM THE MAGNET TO THE FILTER PANEL (INSIDE) AND FROM THE FILTER PANEL TO THE ELECTRONICS (OUTSIDE).

INSIDE	OUTSIDE
20'	4'
20'	32'
20'	39'

THE VERTICAL DISTANCE FOR CABLE TRAVEL FROM THE FILTER PANEL TO THE CABLE TRAY, AND FROM THE CABLE TRAY TO THE MAGNET MUST BE CONSIDERED.

THE MAXIMUM DISTANCE FROM THE ACC CABINET TO THE CONTROL CONSOLE IS 75 FEET.

MAGNETOM AERA 1.5T SPECIFICATIONS

RF SHIELDING

THE EXAMINATION AREA MUST BE SHIELDED TO PROVIDE A REDUCTION OF RADIO FREQUENCY WAVES EMANATING FROM EXTERNAL TRANSMITTERS. THE REQUIRED ATTENUATION IS 90dB IN THE FREQUENCY RANGE OF 15-128 MHz. IF CO-SITING TWO SYSTEMS EACH ROOM SHOULD BE 100 dB. THE RF SHIELD MUST BE TESTED BEFORE AND AFTER MAGNET PLACEMENT IN THE RF ROOM AND AFTER THE SIEMENS RF FILTER PANEL IS INSTALLED.

THE RF-SHIELDING MUST BE INSULATED FROM ALL GROUNDS SUCH THAT THE ONLY GROUND IS THE SINGLE POINT GROUND ON THE OUTSIDE OF THE RF-ROOM WALL. RESISTANCE \geq 100 OHMS.

ALL ELECTRICAL LINES INTO THE RF ROOM MUST BE ROUTED THROUGH RF FILTERS (PROVIDED BY RF SHIELDING SUPPLIER).

ALL ELECTRICALLY NON-CONDUCTIVE SUPPLY LINES (E.G. FIBER OPTIC CABLES, OR HOSES) INTO THE RF ROOM MUST BE ROUTED THROUGH RF SEALED WAVEGUIDES (PROVIDED BY RF SHIELDING SUPPLIER).

FOR PRESSURE EQUALIZATION PURPOSES THE RF DOOR SHOULD OPEN TO THE OUTSIDE OF THE RF ROOM. AS AN ALTERNATIVE A 24"x24" OPENING IN THE RF ROOM FOR PRESSURE EQUALIZATION IS REQUIRED.

BUILDING VIBRATIONS

VIBRATION OF THE SITE HAS THE ABILITY TO AFFECT THE STABILITY AND HOMOGENEITY OF THE MAGNETIC FIELD. THEREFORE EXTERNAL VIBRATIONS OR SHOCKS AFFECTING THE MAGNET MAY DEGRADE IMAGE QUALITY. IN THE THREE SPATIAL ORIENTATIONS THE BUILDING MUST NOT EXCEED ACCELERATION OF 0.001m/s or -80dB(g) $g=9.81$ m/s

THE REQUIREMENT FOR a_{max} IS MEASURED AS MAXIMUM RMS VALUE PER FREQUENCY COMPONENT <0.5 Hz IN THE FOURIER TRANSFORMATION OF THE RECORDED SIGNAL (SPECTRUM).

THE VIBRATION LEVEL OF CONTINUOUS VIBRATIONS (CAUSED BY AIR CONDITIONER, COMPRESSOR, ETC.) AT THE LOCATION OF THE MAGNET MUST NOT EXCEED THE SPECIFIED VALUES.

FOR ALL NON-CONTINUOUS TRANSIENT VIBRATIONS THE FIGURES SHOULD BE MULTIPLIED BY 4 (OR 12dB).

CONTACT SIEMENS PROJECT MANAGER FOR MORE DETAILS.

TRANSPORTING REQUIREMENTS

LARGEST ITEM - MAGNET - 9,566 LBS.

MINIMUM MAGNET DIMENSIONS WITH TRANSPORT WHEELS UNDER MAGNET:

7'-7" HIGH X 7'-7" WIDE X 5'-2" DEEP WITHOUT TABLE SUPPORT, 6'-0" DEEP WITH TABLE SUPPORT.

THE ROOF HATCH/DELIVERY OPENING SHOULD BE 4" LARGER.

TO TRANSPORT THE GPA/EPC CABINET (3,307 POUNDS) A MINIMUM ROOM HEIGHT OF 8'-9" IS REQUIRED, 6'-3" WITH WHEELS REMOVED, 6'-1" WITH WHEELS AND MAINS CONNECTION REMOVED.

ATTACHMENT A-13F

FDA Approval Documentation



DEPARTMENT OF HEALTH & HUMAN SERVICES

Public Health Service

Food and Drug Administration
10903 New Hampshire Avenue
Document Control Room - WO66-G609
Silver Spring, MD 20993-0002

Ms. Kim Rendon
Manager, Regulatory/Clinical Affairs
Siemens Medical Solutions USA, Inc.
51 Valley Stream Pkwy, Mail Code G01
MALVERN PA 19355

OCT 1 2010

Re: K101347

Trade/Device Name: Magnetom Aera and Magnetom Skyra
Regulation Number: 21 CFR 892.1000
Regulation Name: Magnetic resonance diagnostic device
Regulatory Class: II
Product Code: LNH and LNI
Dated: August 13, 2010
Received: August 16, 2010

Dear Ms. Rendon:

We have reviewed your Section 510(k) premarket notification of intent to market the device referenced above and have determined the device is substantially equivalent (for the indications for use stated in the enclosure) to legally marketed predicate devices marketed in interstate commerce prior to May 28, 1976, the enactment date of the Medical Device Amendments, or to devices that have been reclassified in accordance with the provisions of the Federal Food, Drug, and Cosmetic Act (Act) that do not require approval of a premarket approval application (PMA). You may, therefore, market the device, subject to the general controls provisions of the Act. The general controls provisions of the Act include requirements for annual registration, listing of devices, good manufacturing practice, labeling, and prohibitions against misbranding and adulteration.

If your device is classified (see above) into class II (Special Controls), it may be subject to such additional controls. Existing major regulations affecting your device can be found in Title 21, Code of Federal Regulations (CFR), Parts 800 to 895. In addition, FDA may publish further announcements concerning your device in the Federal Register.

Please be advised that FDA's issuance of a substantial equivalence determination does not mean that FDA has made a determination that your device complies with other requirements of the Act or any Federal statutes and regulations administered by other Federal agencies. You must comply with all the Act's requirements, including, but not limited to: registration and listing (21 CFR Part 807); labeling (21 CFR Parts 801 and 809); medical device reporting (reporting of

Page 2

medical device-related adverse events) (21 CFR 803); and good manufacturing practice requirements as set forth in the quality systems (QS) regulation (21 CFR Part 820). This letter will allow you to begin marketing your device as described in your Section 510(k) premarket notification. The FDA finding of substantial equivalence of your device to a legally marketed predicate device results in a classification for your device and thus, permits your device to proceed to the market.

If you desire specific advice for your device on our labeling regulation (21 CFR Parts 801 and 809), please contact the Office of *In Vitro* Diagnostic Device Evaluation and Safety at (301) 796-5450. Also, please note the regulation entitled, "Misbranding by reference to premarket notification" (21 CFR Part 807.97). For questions regarding the reporting of adverse events under the MDR regulation (21 CFR Part 803), please go to <http://www.fda.gov/MedicalDevices/Safety/ReportProblem/default.htm> for the CDRH's Office of Surveillance and Biometrics/Division of Postmarket Surveillance.

You may obtain other general information on your responsibilities under the Act from the Division of Small Manufacturers, International and Consumer Assistance at its toll-free number (800) 638-2041 or (301) 796-7100 or at its Internet address <http://www.fda.gov/cdrh/industry/support/index.html>.

Sincerely yours,



David G. Brown, Ph.D.
Acting Director
Division of Radiological Devices
Office of *In Vitro* Diagnostic Device
Evaluation and Safety
Center for Devices and Radiological Health

Enclosure

K101347

Section: 4 Indications for Use Statement

Section 4 Indications for Use Statement

510(k) Number (if known)

Device Names: MAGNETOM Aera and MAGNETOM Skyra

Indications for Use:

The MAGNETOM systems described above are indicated for use as a magnetic resonance diagnostic device (MRDD) that produces transverse, sagittal, coronal and oblique cross sectional images, spectroscopic images and/or spectra, and that displays the internal structure and/or function of the head, body, or extremities.

Other physical parameters derived from the images and/or spectra may also be produced. Depending on the region of interest, contrast agents may be used. These images and/or spectra and the physical parameters derived from the images and/or spectra when interpreted by a trained physician yield information that may assist in diagnosis.

The MAGNETOM systems described above may also be used for imaging during interventional procedures when performed with MR compatible devices such as inroom display and MR-safe biopsy needles.

(please do not write below this line- continue on another page if needed)

Concurrence of CDRH, Office of Device Evaluation

Prescription Use X

OR

Over-The-Counter Use

Signature of David Brown

(Division Sign-Off)

Division of Radiological Devices Office of In Vitro Diagnostic Device Evaluation and Safety

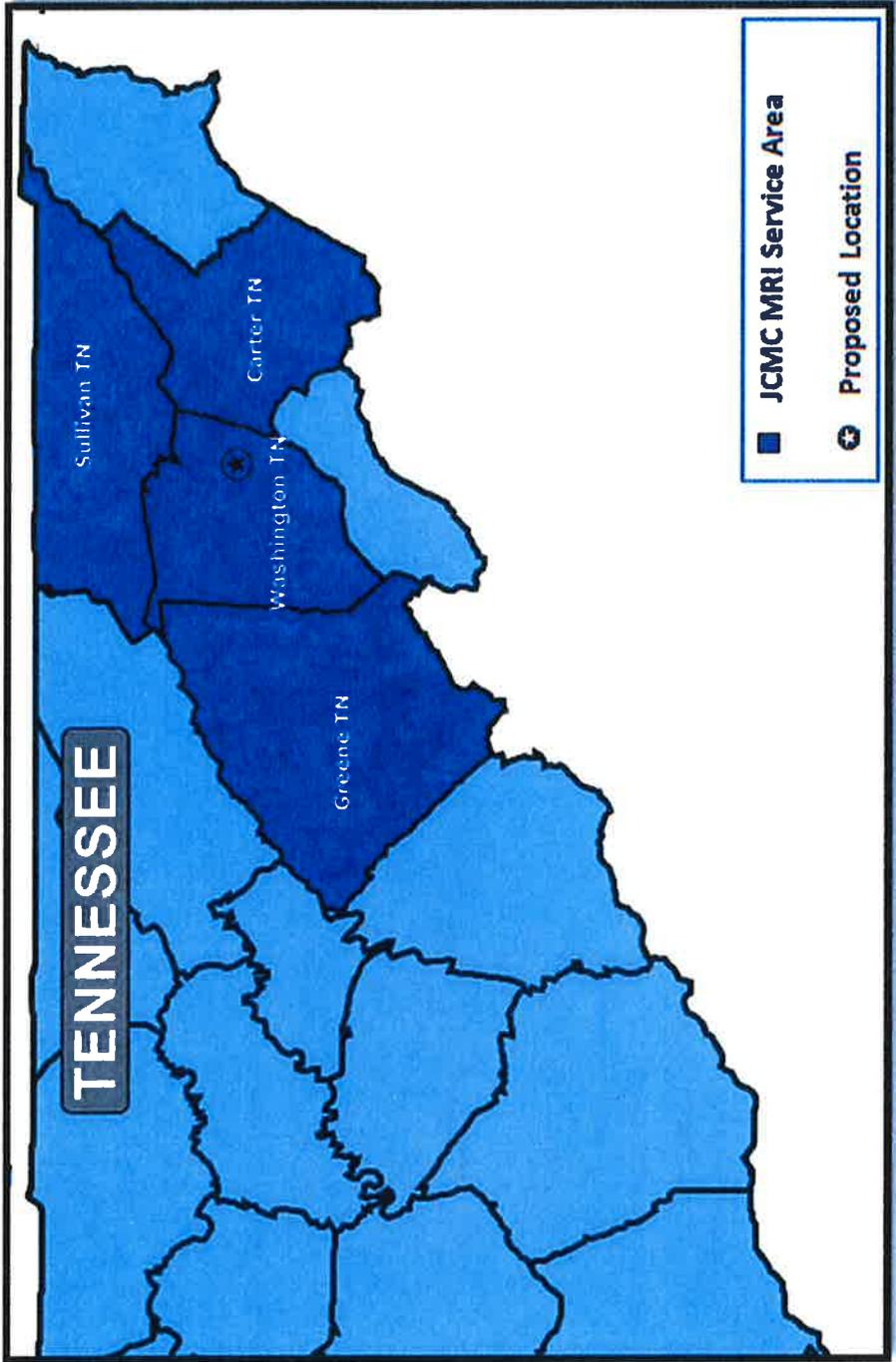
Page 1 of 1

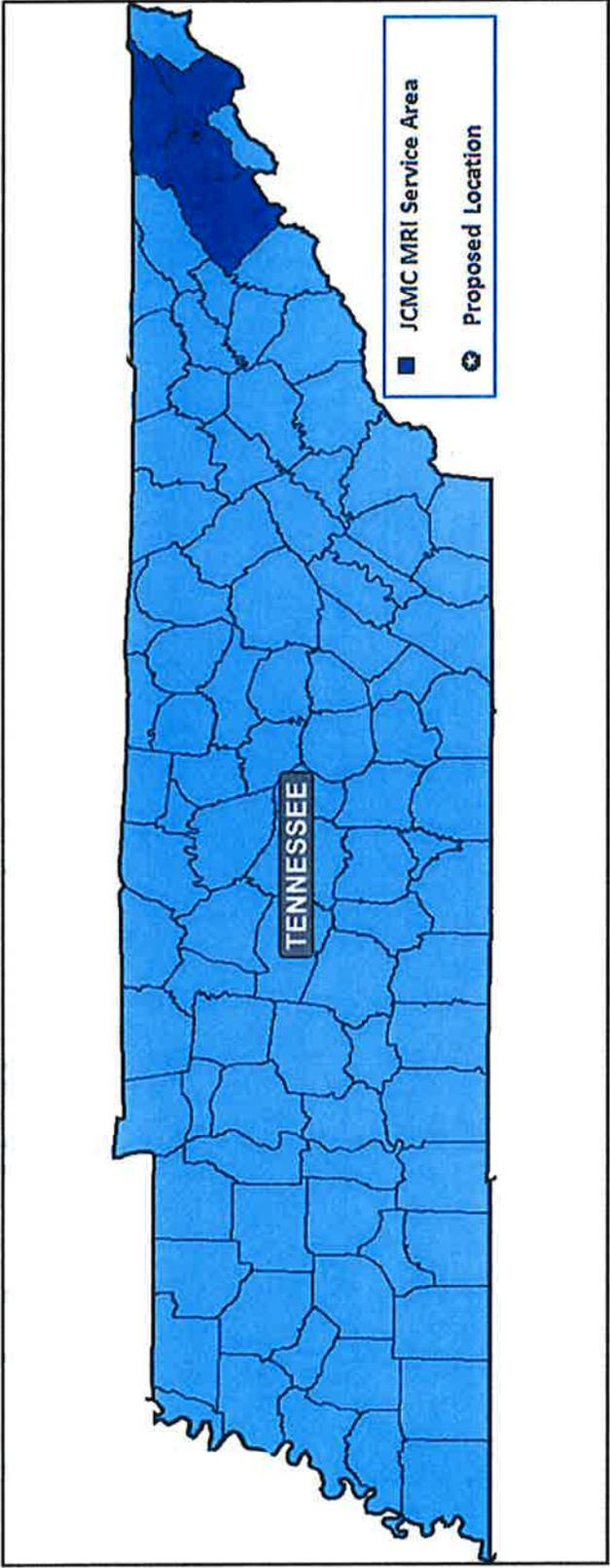
610K

K101347

ATTACHMENT B-NEED-3

Service Area Maps





ATTACHMENT B-NEED-4

Service Area Demographic Snapshot

Sg2 MARKET SNAPSHOT



Mountain State Health Alliance

JCMC MRI Proposed Project Service Area

*Service Area includes: Carter, Greene, Sullivan, and Washington Counties (TN)

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	210,027	51.3%	213,760	51.3%	1.8%	50.8%
Male	199,463	48.7%	203,193	48.7%	1.9%	49.3%
Grand Total	409,490	100.0%	416,953	100.0%	1.8%	100.0%

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	79,862	19.5%	78,008	18.7%	(2.3)%	23.0%
18-44	133,436	32.6%	133,016	31.9%	(0.3)%	35.8%
45-64	114,723	28.0%	112,844	27.1%	(1.6)%	26.1%
65-UP	81,469	19.9%	93,085	22.3%	14.3%	15.1%
Total	409,490	100.0%	416,953	100.0%	1.8%	100.0%

Ethnicity/Race	Market 2016 Population	Market 2016 % of Total	Market 2021 Population	Market 2021 % of Total	Market Population % Change
American Indian / AK Native	1,202	0.3%	1,327	0.3%	10.4%
Asian	3,594	0.9%	4,314	1.0%	20.0%
Black / African American	11,826	2.9%	13,229	3.2%	11.9%
Multiple Races	6,542	1.6%	7,415	1.8%	13.3%
Native HI/PI	137	0.0%	172	0.0%	25.5%
Other	4,413	1.1%	5,091	1.2%	15.4%
White	381,776	93.2%	385,405	92.4%	1.0%
Grand Total	409,490	100.0%	416,953	100.0%	1.8%

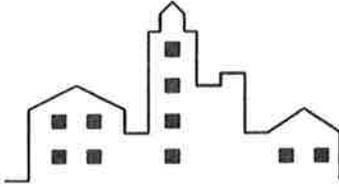
Household Income	Market 2016 Households	Market 2016 % of Total	Market 2021 Households	Market 2021 % of Total	Market Households % Change	National 2016 % of Total
<\$15K	29,927	17.4%	28,569	16.2%	(4.5)%	12.3%
\$15-25K	24,650	14.3%	24,157	13.7%	(2.0)%	10.4%
\$25-50K	49,670	28.8%	50,160	28.5%	1.0%	23.4%
\$50-75K	29,988	17.4%	30,193	17.2%	0.7%	17.6%
\$75-100K	15,439	9.0%	16,596	9.4%	7.5%	12.0%
\$100K-200K	19,140	11.1%	21,910	12.4%	14.5%	18.6%
>\$200K	3,467	2.0%	4,439	2.5%	28.0%	5.7%
Total	172,281	100.0%	176,024	100.0%	2.2%	100.0%

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	19,267	6.6%	20,031	6.6%	4.0%	5.8%
Some High School	24,311	8.3%	25,284	8.4%	4.0%	7.8%
High School Degree	104,976	36.0%	108,889	36.0%	3.7%	27.9%
Some College/Assoc. Degree	79,226	27.1%	81,859	27.1%	3.3%	31.1%
Bachelor's Degree or Greater	64,155	22.0%	66,189	21.9%	3.2%	27.4%
Total	291,935	100.0%	302,252	100.0%	3.5%	100.0%

**Excludes population age <25

ATTACHMENTS B-ECONOMIC FEASIBILITY-1

Architect Documentation for Support of Estimated Construction



McGahey Associates, Architects

206 Princeton Road, Suite 28
Johnson City, Tennessee 37601
phone: 423-282-4414
fax: 423-282-6691

October 12, 2016

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

RE: Johnson City Medical Center MRI Project
Johnson City, TN

Dear Ms. Hill:

This letter will denote that we have reviewed the construction costs indicated as \$212,500, as well as approximately \$20,000 in architectural and engineering fees, for the referenced project and find the costs to be reasonable for the described scope of work.

Sincerely,
McGahey Associates, Architects

A handwritten signature in black ink that reads "Timothy J. McGahey". The signature is fluid and cursive, with a long, sweeping tail on the final letter.

Timothy J. McGahey, AIA
Principal

ATTACHMENTS B-ECONOMIC FEASIBILITY-2

Letter of Available Funds

October 12, 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 Johnson City Medical Center has sufficient cash of \$2,023,108 to fund the project, as described in the certificate of need application, for the addition of a 1.5 Tesla magnetic resonance imaging (MRI) scanner to its main campus located at 400 N. State of Franklin Road, Johnson City (Washington County), TN 37604.

Sincerely,



Richard Boone
Vice President / CFO, Johnson City Medical Center

ATTACHMENT B-ECONOMIC FEASIBILITY-6

**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	JCCH
ASSETS										
CURRENT ASSETS										
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 AWUUL	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 Payers	26,630,407	1,670,475	(4,642,925)	(40,948)	0	550,148	142,835	(45,122)	(24,510)	(1,415,065)
Inventories	8,267,700	0	10,822,280	1,925,145	0	149,915	2,411,748	1,286,256	307,763	106,827
Prepaid Expense	337,932,964	(31,511,028)	77,080,395	469,029	0	32,658	376,841	164,781	70,670	21,738
	15,937,434	0	0	0	0	0	15,147,067	8,200,502	2,579,013	(517,426)
ASSETS WHOSE USE IS LIMITED										
	608,885,873	0	0	0	0	0	0	0	0	0
OTHER INVESTMENTS										
	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
Land, Buildings and Equipment	880,624,466	0	350,608,607	46,995,088	5,303,766	6,377,265	71,383,956	29,280,429	2,253,184	6,283,410
Less Allowances for Depreciation	830,825,239	0	226,273,103	97,528,757	2,026,406	6,692,251	40,538,720	19,094,953	3,586,654	3,806,940
OTHER ASSETS										
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	7,249,868	0	0	0	0	0	0	0	0	0
Land / Equipment Held for Resale	0	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	0	0	0	(1,442,410)	0	0	0
Deferred Charges and Other	22,023,693	0	153,078	122,574	0	0	0	865	0	0
	233,985,533	(427,422,063)	18,810,115	122,574	0	0	(1,442,410)	865	1,595,597	0
TOTAL ASSETS	2,028,567,044	(458,933,091)	322,163,613	112,162,716	1,787,432	11,382,678	54,243,377	27,296,319	7,771,264	3,289,514
LIABILITIES AND NET ASSETS										
CURRENT LIABILITIES										
Accounts Payable and Accrued Expense	91,094,015	0	27,064,116	4,206,664	0	899,000	4,024,590	2,023,118	921,088	402,095
Accrued Salaries, Benefits, and PTO	68,722,074	0	16,188,151	2,648,770	0	930,298	3,860,409	2,205,132	788,981	515,033
Claims Payable	4,414,252	0	0	0	0	0	0	0	0	0
Accrued Interest	13,565,982	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 Payers	9,149,508	1,670,475	1,868,878	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	23,389,270	(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
OTHER NON-CURRENT LIABILITIES										
Long Term Compensation Payable	12,760,043	0	0	0	0	0	0	0	0	0
Long Term Debt	963,853,190	0	2,805,176	10,621,576	0	0	0	0	0	0
Estimated Fair Value of Interest Rate Swaps	4,482,751	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	280,158	(0)	102,506	584,038	253,805	32,727	61,772
	1,009,856,024	0	5,613,804	10,901,734	(0)	102,507	584,038	253,804	32,727	61,772
TOTAL LIABILITIES	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
NET ASSETS	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
NONCONTROLLING INTEREST IN SUBSIDIARIES	201,305,556	242,212,765	0	0	0	0	0	0	0	0
TOTAL LIABILITIES AND NET ASSETS	2,028,567,044	(458,933,091)	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 Balance Sheet (cont'd)
At June 30, 2016

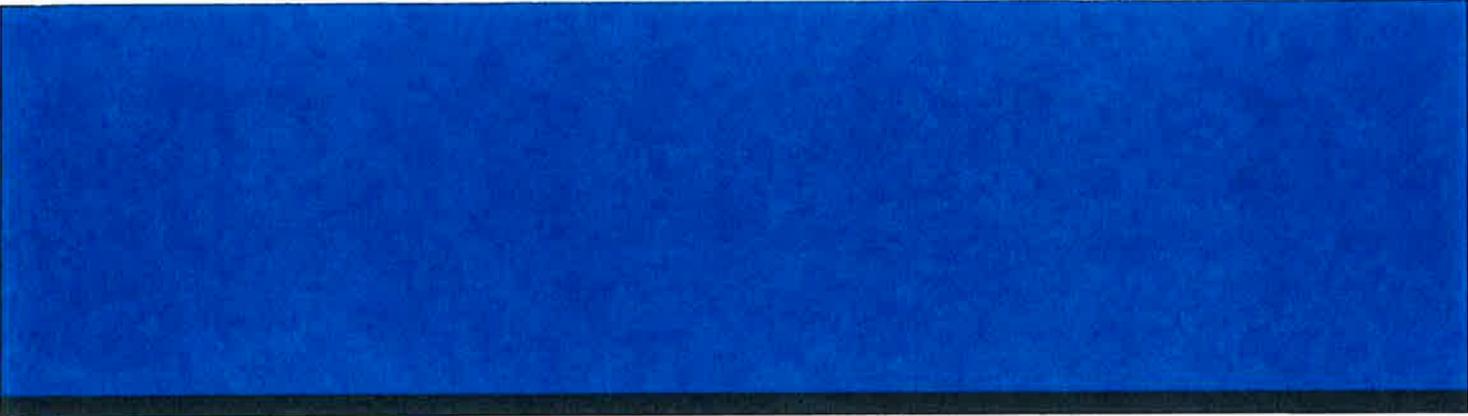
	JMH	NC	SC	RC	BR Cons	MSHH	MSHA Corp	ISHN	Foundation	Auxiliary
ASSETS										
CURRENT ASSETS										
Cash and Cash Equivalents	11,551,790	8,477,986	3,103,122	12,364	10,159,929	300	41,917,991	5,261,651	8,785,646	272,572
Current Portion AWUJL	0	0	0	0	0	0	25,771,897	0	0	0
Accounts Receivable (Net)	21,848,424	10,690,629	6,560,667	3,869,751	10,478,717	3,065,986	0	0	0	0
Other Receivables	1,131,132	1,281,864	321,303	72,911	6,843,560	304,995	13,566,868	7,466,672	1,886,369	121,438
Due From Affiliates	0	(0)	1,639,690	100,374	(0)	4,347	8,398,053	14,191,916	214,961	49,957
Inventories	1,986,912	737,962	1,302,637	(222,398)	3,088,890	0	0	0	0	0
Due From Third Party Payors	3,177,563	1,586,395	859,623	320,567	3,088,890	0	0	0	0	567,435
Prepaid Expense	698,614	330,304	221,229	103,255	505,546	72,253	3,145,274	40,845	15,110	7,540
	40,394,435	23,105,169	14,008,272	4,256,823	31,076,632	3,447,881	92,900,083	26,961,293	10,902,085	1,038,941
ASSETS WHOSE USE IS LIMITED										
	0	(0)	163	0	990	0	14,894,426	2,041,854	0	0
OTHER INVESTMENTS										
	170,814,547	26,107,697	25,042,606	0	77,455,251	0	300,602,662	6,776,836	1,598,465	487,810
PROPERTY, PLANT AND EQUIPMENT										
Land, Buildings and Equipment	267,722,005	108,400,563	119,827,857	27,417,811	150,190,675	3,028,552	115,167,338	736,290	28,686	886,441
Less Allowances for Depreciation	113,486,729	56,608,869	55,795,012	14,685,852	65,755,500	2,132,491	52,475,848	570,403	12,386	515,672
	154,235,276	51,791,694	64,032,846	12,731,959	84,435,175	896,060	62,691,490	165,886	16,300	270,769
OTHER ASSETS										
Pledges Receivable	0	0	0	0	0	0	0	0	2,957,802	0
Long Term Compensation Investment	0	0	0	0	10,677,381	0	15,649,198	0	0	0
Investments in Unconsolidated Subsidiaries	142,230	0	60,396	0	8,001,482	0	(954,220)	0	0	0
Land / Equipment Held for Resale	0	0	0	0	57,635	0	2,864,014	0	0	0
Assets Held for Expansion	1,902,206	0	0	0	2,981,309	0	3,945,562	0	0	0
Investments in Subsidiaries	0	0	668,615	0	0	0	426,753,448	0	0	0
Goodwill	69,828	0	0	0	11,470,191	0	133,326,592	0	0	0
Deferred Charges and Other	201,445	202,053	126,855	0	1,259,636	452,246	19,213,713	164,666	125,000	1,562
	2,315,709	202,053	855,865	0	34,447,644	452,246	600,799,306	164,666	3,062,802	1,562
TOTAL ASSETS	367,759,967	101,206,612	103,939,753	16,988,782	227,415,692	4,796,188	1,071,786,967	36,110,526	15,599,653	1,799,082
LIABILITIES AND NET ASSETS										
CURRENT LIABILITIES										
Accounts Payable and Accrued Expense	7,276,126	3,998,774	2,399,721	1,370,913	10,149,066	776,594	22,821,022	2,500,571	135,459	124,897
Accrued Salaries, Benefits, and PTO	7,181,031	4,381,516	1,851,023	1,029,500	17,767,202	1,173,533	7,825,774	417,722	0	8,000
Claims Payable	0	0	0	0	0	0	0	4,414,252	0	0
Accrued Interest	20,437	16,402	13,271	60,166	40,114	6,925	6,211,095	0	0	0
Due to Affiliates	755,537	261,661	1,483,080	203,501	4,619,554	87,372	1,444,335	14,888,416	500,000	9,953
Due to Third Party Payors	2,261,850	1,059,744	1,289,874	0	73,556	0	0	0	0	0
Call Option Liability	0	0	0	0	0	0	0	0	0	0
Current Portion of Long Term Debt	1,188,862	126,252	153,576	0	188,408	0	21,039,372	6,433,000	0	0
	18,683,844	9,844,349	7,190,545	2,664,069	32,837,900	2,044,423	59,341,598	29,653,962	635,459	142,850
OTHER NON-CURRENT LIABILITIES										
Long Term Compensation Payable	0	900	0	0	10,677,381	0	2,061,762	0	0	0
Long Term Debt	17,348,392	20,859,248	15,678,652	0	15,163,346	0	881,376,601	0	0	0
Estimated Fair Value of Interest Rate Swaps	0	0	0	0	0	0	4,482,751	0	0	0
Deferred Income	1,831,821	75,044	799,176	(0)	68,708	0	7,666,818	0	34,865	0
Professional Liability Self-Insurance and Other	890,598	9,009,551	398,764	202,931	1,397,454	600	2,270,078	0	0	0
	20,070,811	29,944,742	15,876,592	202,931	27,306,689	600	897,878,210	0	34,865	0
TOTAL LIABILITIES	38,754,654	39,799,091	24,067,136	2,867,000	60,144,788	2,045,023	957,219,807	28,653,962	670,324	142,850
NET ASSETS	328,336,698	61,417,521	79,872,616	14,121,783	163,846,727	2,751,165	159,567,160	7,456,565	14,929,329	1,656,232
NONCONTROLLING INTEREST IN SUBSIDIARIES	666,615	0	0	0	3,424,176	0	(45,000,000)	0	0	0
TOTAL LIABILITIES AND NET ASSETS	367,759,967	101,206,612	103,939,753	16,988,782	227,415,692	4,796,188	1,071,786,967	36,110,526	15,599,653	1,799,082

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	JCCJ
<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	257,619,520	0	508,954	299,577,113	157,380,834	40,853,222	27,140,088
Total Gross Patient Revenue	5,552,467,843	(249,572)	2,494,937,306	449,443,408	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
Net Patient Service Revenue	1,044,665,039	(1,113,915)	419,111,037	77,418,244	0	18,611,102	86,946,840	43,321,777	11,511,411	7,581,521
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	2,860,644	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	2,860,644	2,171,927	1,588,060	709,179	116,160
Total Operating Revenue	1,090,095,125	(67,587,448)	424,927,320	78,289,153	0	21,471,746	89,118,767	44,909,837	12,220,591	7,697,680
<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	(57,148,391)	64,992,465	7,209,561	0	4,801,477	18,281,646	4,731,405	2,694,851	1,406,384
Supplies	179,141,486	(144,711)	98,071,443	11,648,907	0	1,030,036	15,375,476	6,381,333	1,423,610	588,516
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
Total Operating Expense	1,048,380,551	(67,460,623)	392,377,591	66,576,717	0	19,624,771	88,921,833	41,647,753	17,132,223	8,840,994
Net Operating Income	43,714,574	(126,825)	32,549,729	11,712,436	0	1,846,976	196,933	3,262,084	(4,911,632)	(1,143,314)
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
Total Revenue Over Expense	46,706,003	(9,768,454)	34,628,146	11,831,816	0	1,851,901	247,441	3,288,916	(4,931,027)	(1,141,618)
Change in Fair Value of Derivatives	(2,286,838)	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
Total Increase in Unrestricted Net Assets	26,907,868	(9,768,454)	34,628,146	11,831,816	0	1,851,901	247,441	3,288,916	(4,931,027)	(1,141,618)
EBITDA	160,884,251	(9,768,454)	71,035,373	21,317,786	0	3,074,299	5,275,839	5,462,103	(4,310,807)	(744,808)

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	762,371	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
Net Patient Service Revenue	156,613,876	70,052,134	44,501,902	19,268,302	76,472,612	14,368,197	0	0	0	0
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
Total 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
Total Operating Revenue	161,545,539	72,422,337	46,405,371	20,011,782	152,178,367	14,430,988	2,531,516	8,832,939	0	688,641
<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
Medical Costs	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
Other Expense	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	0	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
Total Operating Expense	142,425,391	71,083,778	48,876,883	23,616,724	144,659,914	15,573,576	24,457,908	7,592,226	0	432,892
Net Operating Income	19,120,149	1,338,558	(2,471,512)	(3,604,942)	7,518,453	(1,142,588)	(21,926,392)	1,240,712	0	255,750
Non Operating Income / (Expense)	3,723,488	829,977	1,214,048	12,727	6,421,851	(12,161)	4,400,361	(6,897,855)	770,450	(92,192)
Total Revenue Over Expense	22,843,637	2,168,535	(1,257,464)	(3,592,215)	13,940,303	(1,154,749)	(17,526,031)	(5,657,143)	770,450	163,558
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
Total Increase in Unrestricted Net Assets	19,885,928	1,443,796	(2,139,772)	(3,592,215)	10,853,513	(1,154,749)	(29,513,861)	(5,777,642)	725,301	170,446
EBITDA	35,253,549	7,098,135	3,279,615	(1,186,511)	20,771,539	(907,726)	9,758,441	(5,508,498)	770,450	213,928



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.

Peuhing Yenbley: Assnat 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>
ASSETS		
CURRENT ASSETS		
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
TOTAL CURRENT ASSETS	328,823	321,872
INVESTMENTS, less amounts required to meet current obligations	694,542	648,475
PROPERTY, PLANT AND EQUIPMENT, net	847,089	881,429
OTHER ASSETS		
Goodwill	156,596	156,613
Net deferred financing, acquisition costs and other charges	24,755	25,841
Other assets	53,040	48,350
TOTAL OTHER ASSETS	234,391	230,804
	<u>\$ 2,104,845</u>	<u>\$ 2,082,580</u>

MOUNTAIN STATES HEALTH ALLIANCE

Consolidated Balance Sheets - Continued
(Dollars in Thousands)

	<i>June 30,</i>	
	<i>2015</i>	<i>2014</i>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
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
TOTAL CURRENT LIABILITIES	235,593	219,036
OTHER LIABILITIES		
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
TOTAL LIABILITIES	1,316,939	1,349,639
COMMITMENTS AND CONTINGENCIES - Notes D, F, G, and M		
NET ASSETS		
Unrestricted net assets		
Mountain States Health Alliance	583,287	541,979
Noncontrolling interests in subsidiaries	191,118	178,547
TOTAL UNRESTRICTED NET ASSETS	774,405	720,526
Temporarily restricted net assets		
Mountain States Health Alliance	13,303	12,204
Noncontrolling interests in subsidiaries	71	84
TOTAL TEMPORARILY RESTRICTED NET ASSETS	13,374	12,288
Permanently restricted net assets		
	127	127
TOTAL NET ASSETS	787,906	732,941
	\$ 2,104,845	\$ 2,082,580

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>
UNRESTRICTED NET ASSETS:			
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
TEMPORARILY RESTRICTED NET ASSETS:			
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>
UNRESTRICTED NET ASSETS:			
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
TEMPORARILY RESTRICTED NET ASSETS:			
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>
CASH FLOWS FROM OPERATING ACTIVITIES:		
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>
NET CASH PROVIDED BY OPERATING ACTIVITIES	84,999	74,744
CASH FLOWS FROM INVESTING ACTIVITIES:		
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	2,654	2,858
NET CASH USED IN INVESTING ACTIVITIES	(38,473)	(71,139)

See notes to consolidated financial statements.

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>
CASH FLOWS FROM FINANCING ACTIVITIES:		
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
NET CASH USED IN FINANCING ACTIVITIES	(25,997)	(19,322)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	20,529	(15,717)
CASH AND CASH EQUIVALENTS, beginning of year	59,185	74,902
CASH AND CASH EQUIVALENTS, end of year	\$ 79,714	\$ 59,185

SUPPLEMENTAL INFORMATION AND NON-CASH TRANSACTIONS:

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	\$ -
Supplemental cash flow information regarding acquisitions:		
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

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

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

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

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

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

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)
					\$ (2,541)	\$ (10,603)

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>
2013 Hospital Revenue and Refunding Revenue Bonds:			
\$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%		
2012 Hospital Revenue Bonds:			
(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
2011 Hospital Revenue and Refunding and Improvement Bonds:			
\$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>
2010 Hospital Revenue Refunding Bonds:			
(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%		
2009 Hospital Revenue Bonds:			
(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%		
2007B Taxable Hospital Revenue Bonds:			
\$15,920 variable rate taxable term bond due July 2019	0.12%	15,920	19,515
2006 Hospital First Mortgage Revenue Bonds:			
(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%		
2001 Hospital First Mortgage Revenue Bond:			
\$19,400 fixed rate tax-exempt term bond, due July 2026	4.50%	19,400	20,400
2000 Hospital First Mortgage Revenue and Refunding Bonds:			
\$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%		
Capitalized lease obligations secured by equipment			
Various monthly principal and interest payments through December 2016	Various	350	806
Notes payable secured by real estate			
Paid-off in 2015	Various	-	5,542
Promissory notes secured by assets of certain subsidiaries			
Various monthly principal and interest payments through 2019	Various	1,705	1,944
Term note			
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
Notes payable secured by equipment			
Various monthly principal and interest payments through 2016	Various	395	790
		1,071,947	1,105,687
Less current portion		(40,286)	(30,618)
		<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

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>\$</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

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

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

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><i>Year Ending June 30,</i></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

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>
June 30, 2015				
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
Total assets	\$ 664,983	\$ 376,264	\$ 273,995	\$ 14,724
Derivative agreements	\$ (2,541)	\$ -	\$ -	\$ (2,541)
June 30, 2014				
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
Total assets	\$ 634,585	\$ 368,365	\$ 251,507	\$ 14,713
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

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

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

	<i>Smyth County Community Hospital and Subsidiary</i>	<i>Norton Community Hospital and Subsidiaries</i>
ASSETS		
CURRENT ASSETS		
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
TOTAL CURRENT ASSETS	11,263	20,598
INVESTMENTS, less amounts required to meet current obligations	24,807	30,451
PROPERTY, PLANT AND EQUIPMENT, net	67,550	50,275
OTHER ASSETS		
Net deferred financing, acquisition costs and other charges	139	210
Other assets	741	-
TOTAL OTHER ASSETS	880	210
	\$ 104,500	\$ 101,534

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>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
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
TOTAL CURRENT LIABILITIES	4,927	10,847
OTHER LIABILITIES		
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
TOTAL LIABILITIES	22,377	40,664
NET ASSETS		
Unrestricted net assets	82,114	60,734
Temporarily restricted net assets	9	136
TOTAL NET ASSETS	82,123	60,870
	\$ 104,500	\$ 101,534

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

	<i>Smyth County Community Hospital and Subsidiary</i>	<i>Norton Community Hospital and Subsidiaries</i>
UNRESTRICTED NET ASSETS:		
Revenue, gains and support:		
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
TOTAL REVENUE, GAINS AND SUPPORT	45,434	73,443
Expenses and losses:		
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
TOTAL EXPENSES AND LOSSES	46,259	70,190
EXCESS (DEFICIT) OF REVENUE, GAINS AND SUPPORT OVER EXPENSES AND LOSSES	(825)	3,253
Pension and postretirement liability adjustments	-	(305)
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(825)	2,948

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>
TEMPORARILY RESTRICTED NET ASSETS:		
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>
ASSETS				
CURRENT ASSETS				
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
TOTAL CURRENT ASSETS	244,700	84,123	-	328,823
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
OTHER ASSETS				
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
TOTAL OTHER ASSETS	220,842	13,549	-	234,391
	\$ 1,890,509	\$ 566,060	\$ (351,724)	\$ 2,104,845

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>
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
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
TOTAL CURRENT LIABILITIES	194,315	41,278	-	235,593
OTHER LIABILITIES				
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
TOTAL LIABILITIES	1,251,561	65,378	-	1,316,939
NET ASSETS				
Unrestricted net assets				
Mountain States Health Alliance	583,287	344,360	(344,360)	583,287
Noncontrolling interests in subsidiaries	42,160	143,222	5,736	191,118
TOTAL UNRESTRICTED NET ASSETS	625,447	487,582	(338,624)	774,405
Temporarily restricted net assets				
Mountain States Health Alliance	13,303	12,966	(12,966)	13,303
Noncontrolling interests in subsidiaries	71	7	(7)	71
TOTAL TEMPORARILY RESTRICTED NET ASSETS	13,374	12,973	(12,973)	13,374
Permanently restricted net assets				
	127	127	(127)	127
TOTAL NET ASSETS	638,948	500,682	(351,724)	787,906
	\$ 1,890,509	\$ 566,060	\$ (351,724)	\$ 2,104,845

MOUNTAIN STATES HEALTH ALLIANCE

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

Year Ended June 30, 2015

	Obligated Group	Other Entities	Eliminations	Total
Revenue, gains and support:				
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)	-
TOTAL REVENUE, GAINS AND SUPPORT	874,896	326,237	(112,037)	1,089,096
Expenses:				
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
TOTAL EXPENSES	832,431	302,382	(100,817)	1,033,996
EXCESS OF REVENUE, GAINS AND SUPPORT OVER EXPENSES AND LOSSES	\$ 42,465	\$ 23,855	\$ (11,220)	\$ 55,100

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 Obligated Group	Other Entities		Total Other Entities	Eliminations	Total
	Mountain States Health Alliance	Noncontrolling Interests		Mountain States Health Alliance	Noncontrolling Interests			
UNRESTRICTED NET ASSETS:								
Excess of Revenue, Gains and Support over Expenses and Losses	\$ 41,008	\$ 1,457	\$ 42,465	\$ 13,832	\$ 10,023	\$ 23,855	\$ (11,220)	\$ 55,100
Pension and other defined benefit plan adjustments	(178)	(152)	(330)	(207)	(206)	(413)	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)	-	(14)	(14)	-	(1,014)
Distributions to noncontrolling interests	-	-	-	(458)	(355)	(813)	458	(355)
Net asset transfers	-	-	-	912	2,372	3,284	(3,284)	-
INCREASE IN UNRESTRICTED NET ASSETS	41,308	305	41,613	14,557	11,820	26,377	(14,111)	53,879
TEMPORARILY RESTRICTED NET ASSETS:								
Restricted grants and contributions	3,663	69	3,732	3,172	7	3,179	(3,179)	3,732
Net assets released from restrictions	(2,564)	(82)	(2,646)	(2,093)	(5)	(2,098)	2,098	(2,646)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	1,099	(13)	1,086	1,079	2	1,081	(1,081)	1,086
INCREASE IN TOTAL NET ASSETS	42,407	292	42,699	15,636	11,822	27,458	(15,192)	54,965
NET ASSETS, BEGINNING OF YEAR	554,310	41,939	596,249	341,817	131,407	473,224	(336,532)	732,941
NET ASSETS, END OF YEAR	\$ 596,717	\$ 42,231	\$ 638,948	\$ 357,453	\$ 143,229	\$ 500,682	\$ (351,724)	\$ 787,906

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 B-CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF
HEALTH CARE- 4A & 4B**

- 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

0000000121

No. of Beds 0585

DEPARTMENT OF HEALTH

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

MOUNTAIN STATES HEALTH ALLIANCE to conduct and maintain a

Hospital JOHNSON CITY MEDICAL CENTER

Located at 400 NORTH STATE OF FRANKLIN ROAD, JOHNSON CITY

County of WASHINGTON, Tennessee.

This license shall expire MAY 07, 2017, 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 26TH *day of* APRIL, 2016.

In the Distinct Category(ies) of: GENERAL HOSPITAL
PEDIATRIC GENERAL HOSPITAL
TRAUMA CENTER LEVEL 1



By DIRECTOR, DIVISION OF HEALTH CARE FACILITIES

By COMMISSIONER



Official Accreditation Report

Johnson City Medical Center
400 North State of Franklin Rd
Johnson City, TN 37604

Organization Identification Number: 7844

Evidence of Standards Compliance (45 Day) Submitted: 5/27/2015

The Joint Commission

Executive Summary

Program(s)
Hospital Accreditation

Submit Date
5/27/2015

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

You will have follow-up in the area(s) indicated below:

- Measure of Success (MOS) – A follow-up Measure of Success will occur in four (4) months.

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

Program	Standard	Level of Compliance
HAP	EC.02.02.01	Compliant
HAP	EC.02.03.01	Compliant
HAP	LS.02.01.10	Compliant
HAP	LS.02.01.20	Compliant
HAP	MM.04.01.01	Compliant
HAP	MM.05.01.01	Compliant
HAP	PC.02.01.03	Compliant
HAP	PC.03.05.01	Compliant

The Joint Commission Summary of CMS Findings

CoP: §482.13 **Tag:** A-0115 **Deficiency:** Compliant

Corresponds to: HAP

Text: §482.13 Condition of Participation: Patient's Rights

A hospital must protect and promote each patient's rights.

CoP Standard	Tag	Corresponds to	Deficiency
§482.13(e)(9)	A-0174	HAP - PC.03.05.01/EP5	Compliant

CoP: §482.23 **Tag:** A-0385 **Deficiency:** Compliant

Corresponds to: HAP

Text: §482.23 Condition of Participation: Nursing Services

The hospital must have an organized nursing service that provides 24-hour nursing services. The nursing services must be furnished or supervised by a registered nurse.

CoP Standard	Tag	Corresponds to	Deficiency
§482.23(c)(3)	A-0406	HAP - MM.04.01.01/EP13	Compliant

CoP: §482.26 **Tag:** A-0528 **Deficiency:** Compliant

Corresponds to: HAP

Text: §482.26 Condition of Participation: Radiologic Services

The hospital must maintain, or have available, diagnostic radiologic services. If therapeutic services are also provided, they, as well as the diagnostic services, must meet professionally approved standards for safety and personnel qualifications.

CoP Standard	Tag	Corresponds to	Deficiency
§482.26(b)	A-0535	HAP - EC.02.02.01/EP7	Compliant

CoP: §482.41 **Tag:** A-0700 **Deficiency:** Standard

Corresponds to: HAP

Text: §482.41 Condition of Participation: Physical Environment

The hospital must be constructed, arranged, and maintained to ensure the safety of the patient, and to provide facilities for diagnosis and treatment and for special hospital services appropriate to the needs of the community.

CoP Standard	Tag	Corresponds to	Deficiency
§482.41(a)	A-0701	HAP - EC.02.05.01/EP8	Standard
§482.41(b)	A-0709	HAP - EC.02.03.01/EP1	Compliant
§482.41(b)(1)(i)	A-0710	HAP - LS.02.01.10/EP1, EP5, EP8, LS.02.01.20/EP1, EP13, EP30	Compliant

CoP: §482.42 **Tag:** A-0747 **Deficiency:** Compliant

The Joint Commission Summary of CMS Findings

Corresponds to: HAP - EC.02.05.01/EP15

Text: §482.42 Condition of Participation: Infection Control

The hospital must provide a sanitary environment to avoid sources and transmission of infections and communicable diseases. There must be an active program for the prevention, control, and investigation of infections and communicable diseases.



Official Accreditation Report

Johnson City Medical Center
400 North State of Franklin Rd
Johnson City, TN 37604

Organization Identification Number: 7844

Evidence of Standards Compliance (60 Day) Submitted: 6/1/2015

The Joint Commission

Executive Summary

Program(s)
Hospital Accreditation

Submit Date
6/1/2015

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

You will have follow-up in the area(s) indicated below:

- Measure of Success (MOS) – A follow-up Measure of Success will occur in four (4) months.

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

Program	Standard	Level of Compliance
HAP	EC.02.03.05	Compliant
HAP	EC.02.05.01	Compliant
HAP	EC.02.06.01	Compliant
HAP	IC.02.01.01	Compliant
HAP	IC.02.02.01	Compliant
HAP	IM.02.02.03	Compliant
HAP	LD.01.03.01	Compliant
HAP	LD.04.01.05	Compliant
HAP	LS.02.01.30	Compliant
HAP	LS.02.01.35	Compliant
HAP	LS.02.01.50	Compliant
HAP	RC.01.01.01	Compliant
HAP	RC.01.02.01	Compliant
HAP	WT.05.01.01	Compliant

The Joint Commission Summary of CMS Findings

CoP: §482.24 **Tag:** A-0431 **Deficiency:** Compliant

Corresponds to: HAP

Text: §482.24 Condition of Participation: Medical Record Services

The hospital must have a medical record service that has administrative responsibility for medical records. A medical record must be maintained for every individual evaluated or treated in the hospital.

CoP Standard	Tag	Corresponds to	Deficiency
§482.24(c)(1)	A-0450	HAP - RC.01.01.01/EP19	Compliant
§482.24(c)(2)	A-0450	HAP - RC.01.02.01/EP4, RC.01.01.01/EP19	Compliant

CoP: §482.41 **Tag:** A-0700 **Deficiency:** Compliant

Corresponds to: HAP

Text: §482.41 Condition of Participation: Physical Environment

The hospital must be constructed, arranged, and maintained to ensure the safety of the patient, and to provide facilities for diagnosis and treatment and for special hospital services appropriate to the needs of the community.

CoP Standard	Tag	Corresponds to	Deficiency
§482.41(a)	A-0701	HAP - EC.02.06.01/EP1	Compliant
§482.41(c)(2)	A-0724	HAP - EC.02.03.05/EP15, EC.02.05.09/EP3	Compliant
§482.41(b)(1)(i)	A-0710	HAP - LS.02.01.30/EP2, EP18, LS.02.01.35/EP4, EP14, LS.02.01.50/EP12	Compliant
§482.41(c)(4)	A-0726	HAP - EC.02.06.01/EP13	Compliant

CoP: §482.42 **Tag:** A-0747 **Deficiency:** Compliant

Corresponds to: HAP - IC.02.01.01/EP1

Text: §482.42 Condition of Participation: Infection Control

The hospital must provide a sanitary environment to avoid sources and transmission of infections and communicable diseases. There must be an active program for the prevention, control, and investigation of infections and communicable diseases.

CoP: §482.51 **Tag:** A-0940 **Deficiency:** Compliant

Corresponds to: HAP - IC.02.02.01/EP4

The Joint Commission Summary of CMS Findings

Text: §482.51 Condition of Participation: Surgical Services

If the hospital provides surgical services, the services must be well organized and provided in accordance with acceptable standards of practice. If outpatient surgical services are offered the services must be consistent in quality with inpatient care in accordance with the complexity of services offered.

CoP: §482.12 **Tag:** A-0043 **Deficiency:** Compliant

Corresponds to: HAP - LD.01.03.01/EP2

Text: §482.12 Condition of Participation: Governing Body

There must be an effective governing body that is legally responsible for the conduct of the hospital. If a hospital does not have an organized governing body, the persons legally responsible for the conduct of the hospital must carry out the functions specified in this part that pertain to the governing body.

ATTACHMENT B
PROOF OF PUBLICATION

**Publication of Intent,
Johnson City Press**

650 House for Rent

Trailer VIN# 4R7EU2028ET138825
Should Contact: Jim Abbott, 118
Allen Drive, Jonesborough, by cer-
tified mail, return receipt within 10
business days of the date of publi-
cation
PUB:3T 10/8/16, 10/9/16, 10/10/16

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. § 68-11-1001 et seq., and the Rules of the Health Services and Development Agency, that:

Johnson City Medical Center
(Name of Applicant)
owned by Mountain States Health Alliance
(Agency Name) 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 addition of a 15
Tesla magnetic resonance imaging (MRI) scanner to the main campus located at 400 N. State of Franklin Road,
Johnson City, TN 37604. The applicant has not invoked any other service for which a certificate of need is
required. The estimated project cost is \$2,963,190.

The anticipated date of filing the application is: October 14th
The contact person for this project is: Tony Benton
(Contact Name) VP, COO (Title)
who may be reached at: Mountain States Health Alliance
(Company Name) 400 N. State of Franklin Road
Johnson City, TN 37604 (Address)
(City) (State) (Zip Code) (Area Code / Phone Number)

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, 5th Floor
802 Deaderick Street
Nashville, Tennessee 37243

The published Letter of Intent must contain the following statement pursuant to T.C.A. § 68-11-1007(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 after the regulatory scheduled Health Services and Development Agency meeting at which the application is originally presented; 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.

Monday, October 10, 2016

920 Recreational Vehicles

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

Find What You're Looking for in a Snap!



Shop the Classifieds for gifts to give yourself and others!

www.johnsoncitypress.com

ATTACHMENT

Affidavit for Application

AFFIDAVIT

STATE OF Tennessee

COUNTY OF Washington

Tony Benton, 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.

Tony Benton

SIGNATURE/TITLE

Sworn to and subscribed before me this 13th day of October, 2016 a Notary
(Month) (Year)

Public in and for the County/State of Washington, TN.

Shanna Goddard

NOTARY PUBLIC

My commission expires August 27th, 2019
(Month/Day) (Year)





State of Tennessee

Health Services and Development Agency

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

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

November 1, 2016

Tony Benton
Vice President/Chief Operating Officer
Mountain States Health Alliance
400 N. State of Franklin Road
Jonson City, TN 37604

RE: Certificate of Need Application -- Johnson City Medical Center - CN1610-035
The addition of a 1.5 Tesla Magnetic Resonance Imaging (MRI) scanner, to be located at 400 N. State of Franklin Road, Johnson City, TN . This project will not involve any other service for which a Certificate of Need is required. The estimated project cost is \$2,023,108.

Dear Mr. Benton:

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 or 615-253-4702.

In accordance with Tennessee Code Annotated, §68-11-1601, et seq., as amended by Public Chapter 780, the 30-day review cycle for **CONSENT CALENDAR** for this project will begin on November 1, 2016. The first thirty (30) 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 thirty (30)-day period, a written report from the Department of Health or its representative will be forwarded to this office for Agency review within the thirty (30)-day period immediately following. You will receive a copy of their findings. The Health Services and Development Agency will review your application on December 14, 2016.

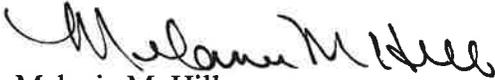
Mr. Benton
November 1, 2016
Page 2

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):

- (3) 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.
- (4) 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, 9th Floor, 502 Deaderick Street, Nashville, TN 37243
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: November 1, 2016

RE: Certificate of Need Application
Johnson City Medical Center - CN1610-035
CONSENT CALENDAR

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 **CONSENT CALENDAR** thirty (30) day review period to begin on November 1, 2016 and end on December 1, 2016.

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

Enclosure

cc: Tony Benton, VP, COO, 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/hsda Phone: 615-741-2364 Fax: 615-741-9884

LETTER OF INTENT

The Publication of Intent is to be published in the Johnson City Press which is a newspaper
of general circulation in Washington, Tennessee, on or before October 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:

Johnson City Medical Center 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 addition of a 1.5
Tesla magnetic resonance imaging (MRI) scanner to its main campus located at 400 N. State of Franklin Road,
Johnson City, TN 37604. This project will not involve any other service for which a certificate of need is
required. The estimated project cost is \$2,023,108.

The anticipated date of filing the application is: October 14th, 2016

The contact person for this project is Tony Benton VP, COO
(Contact Name) (Title)

who may be reached at: Mountain States Health Alliance 400 N. State of Franklin Road
(Company Name) (Address)

Johnson City TN 37604 423/431-1084
(City) (State) (Zip Code) (Area Code / Phone Number)

(Signature) 10/7/2016 BentonGT@msha.com
(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.



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

October 7, 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 letter of intent for the addition of a 1.5 Tesla magnetic resonance imaging (MRI) scanner to its main campus located at 400 N. State of Franklin Road, Johnson City, TN 37604.

If you have any questions, please do not hesitate to contact me at 423-431-1084. I look forward to working with you throughout this process.

Sincerely,



Tony Benton
Vice President, COO Johnson City Medical Center

Supplemental #1
-COPY-

**Johnson City Medical
Center**

CN1610-035



SUPPLEMENTAL #1

October 27, 2016

10:46 am

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

423-431-6111

October 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 CN1610-035
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 CN1610-035.

If you have any questions, please do not hesitate to contact me at 423-431-1084. I look forward to working with you throughout this process.

Sincerely,



Tony Benton
Vice President, COO Johnson City Medical Center

1. Section A, Executive Summary

How is the space proposed for the additional MRI unit currently being utilized? Will the proposed MRI unit displace another service? If yes, where will this service relocate?

Response: The proposed location for the additional MRI was identified because of its adjacency to the two other MRI units at JCMC's main campus. Portions of this identified space are currently considered part of Johnson City Medical Center's Emergency Department. Independently of the addition of the MRI unit, a project is underway to renovate a portion of the existing Emergency Department. This ED renovation project will result in additional space that will more than make up for the ED space that will be displaced as a result of this MRI project.

2. Section A, Project Details, Item 9

What medical group will be providing interpretation services? Will professional fees for MRI interpretation services by the identified radiologists be reimbursed by the applicant? If billing separately under their own provider certification/registration numbers, what assurances apply such that the radiologists will hold Medicare and Medicaid provider certification and will be contracted with the same TennCare MCO plans as the applicant? Please briefly discuss the arrangements planned in this regard.

Response: Mountain Empire Radiology, PC currently provides MRI interpretation services for Johnson City Medical Center, as well as several other Mountain States Health Alliance facilities, and will continue to provide the services resulting from this project. These radiologists make up one of the largest provider groups of diagnostic and interventional radiology services in the proposed project service area. Mountain Empire Radiology, PC does participate in the Medicare program and the same TennCare/Medicaid plans as JCMC, and the Agency can be assured that this will continue regarding services proposed in this application.

3. Section B, Need, Item 1 (Project Specific Criteria-Magnetic Resonance Imaging 4.)

Please revise the "Utilization of existing service area MRIs" chart as follows:

- *Include rows that will identify the utilization for the MRI units associated with Appalachian Orthopedic Associates.*
- *Add a column that will identify how each site's 2015 utilization compares to the 2,880 optimal utilization standard.*

Response: The following tables display utilization of the existing MRI units in the project service area. The first table includes the data for those units operated by Appalachian Orthopaedic Associates in Johnson City and Kingsport. Please note that each of these units reported no procedure volume in 2015; the second table, which was included in the original application, excludes Appalachian Orthopaedic's MRI units to show utilization for only those units that reported procedure volume. Mountain States is currently unaware of the details of the operation status for Appalachian Orthopaedic's MRI units.

October 27, 2016**10:46 am**

A column has also been included for each table to show each site's 2015 utilization compared to the standard of 2,880 procedures. The following formula was used in calculating the 2015 utilization percentage for each site and for the service area as a whole:

$$(2015 \text{ MRI Procedures}) / (2015 \text{ \# of MRI Units}) / 2,880 = \text{Utilization as \% of 2,880}$$

Example for Johnson City Medical Center's Main Campus:

$$6,467 \text{ procedures} / 2 \text{ MRI Units} / 2,880 = 6,467 / 2 / 2,880 = 3,223.5 / 2,880 = 112.3\%$$

MRI Service Area Utilization - Including Appalachian Orthopaedic Associates (Johnson City and Kingsport)

County	Type	Facility	# MRI Units			Procedures			2015 Utilization as % of 2,880
			2013	2014	2015	2013	2014	2015	
Washington	HOSP	Johnson City Medical Center	2	2	2	6,617	6,575	6,467	112.3%
	ODC	Mountain States Imaging at Med Tech Parkway	1	1	1	2,448	2,328	2,666	92.6%
	HOSP	Franklin Woods Community Hospital	1	1	1	3,529	3,772	4,432	153.9%
	PO	Watauga Orthopaedics, PLC	1	1	1	2,337	2,221	2,465	85.6%
	PO	Appalachian Orthopaedic Associates - Johnson City	1	1	1	188	123	0	0.0%
Carter	HOSP	Sycamore Shoals Hospital ¹	1	1	0.85	1,719	1,880	1,818	74.3%
	PO	Medical Care, PLLC ¹	-	-	0.15	-	-	126	29.2%
Sullivan	HOSP	Bristol Regional Medical Center	2	2	2	6,323	6,151	8,452	146.7%
	HODC	Holston Valley Imaging Center, LLC	3	3	3	8,787	6,516	8,970	103.8%
	HOSP	Holston Valley Medical Center	1	1	1	3,326	2,867	3,148	109.3%
	HOSP	Indian Path Medical Center	1	1	1	2,807	2,913	3,173	110.2%
	ODC	Meadowview Outpatient Diagnostic Center	1	1	1	4,350	4,187	4,178	145.1%
	ODC	Sapling Grove Outpatient Diagnostic Center	1	1	1	2,245	2,231	2,158	74.9%
	HODC	Volunteer Parkway Imaging Center	1	1	1	1,239	1,153	1,413	49.1%
	PO	Appalachian Orthopaedic Associates, PC	1	1	1	214	183	0	0.0%
Greene	HOSP	Laughlin Memorial Hospital, Inc.	2	2	2	3,159	3,248	3,284	57.0%
	HOSP	Takoma Regional Hospital	1	1	1	1,610	2,224	1,880	65.3%
Service Area Total			21	21	21	50,898	48,572	54,630	90.3%
Historical Procedures per MRI						2,424	2,313	2,601	

Source: Health Services and Development Agency Medical Equipment Registry Statistics

1) Medical Care, PLLC began utilizing Sycamore Shoals Hospital's MRI unit in 2015, under contract, 3 half-days per week.

**MRI Service Area Utilization – Excluding Appalachian Orthopaedic Associates
(Johnson City and Kingsport)**

County	Type	Facility	# MRI Units			Procedures			2015 Utilization as % of 2,880
			2013	2014	2015	2013	2014	2015	
Washington	HOSP	Johnson City Medical Center	2	2	2	6,617	6,575	6,467	112.3%
	ODC	Mountain States Imaging at Med Tech Parkway	1	1	1	2,448	2,328	2,666	92.6%
	HOSP	Franklin Woods Community Hospital	1	1	1	3,529	3,772	4,432	153.9%
	PO	Watauga Orthopaedics, PLC	1	1	1	2,337	2,221	2,465	85.6%
Carter	HOSP	Sycamore Shoals Hospital ¹	1	1	0.85	1,719	1,880	1,818	74.3%
	PO	Medical Care, PLLC ¹	-	-	0.15	-	-	126	29.2%
Sullivan	HOSP	Bristol Regional Medical Center	2	2	2	6,323	6,151	8,452	146.7%
	HODC	Holston Valley Imaging Center, LLC	3	3	3	8,787	6,516	8,970	103.8%
	HOSP	Holston Valley Medical Center	1	1	1	3,326	2,867	3,148	109.3%
	HOSP	Indian Path Medical Center	1	1	1	2,807	2,913	3,173	110.2%
	ODC	Meadowview Outpatient Diagnostic Center	1	1	1	4,350	4,187	4,178	145.1%
	ODC	Sapling Grove Outpatient Diagnostic Center	1	1	1	2,245	2,231	2,158	74.9%
	HODC	Volunteer Parkway Imaging Center	1	1	1	1,239	1,153	1,413	49.1%
Greene	HOSP	Laughlin Memorial Hospital, Inc.	2	2	2	3,159	3,248	3,284	57.0%
	HOSP	Takoma Regional Hospital	1	1	1	1,610	2,224	1,880	65.3%
Service Area Total			19	19	19	50,496	48,266	54,630	99.8%
Historical Procedures per MRI						2,658	2,540	2,875	

Source: Health Services and Development Agency Medical Equipment Registry Statistics

1) Medical Care, PLLC began utilizing Sycamore Shoals Hospital's MRI unit in 2015, under contract, 3 half-days per week.

4. Section B, Need, Item 5 (Historical MRI Utilization in Applicant's Primary Service Area)

It appears that the MRI unit at the Mountain States ODC is currently not meeting the MRI utilization standard. Please explain why the applicant did not consider shifting more patients to the ODC as an alternative to acquiring another MRI unit.

Response: Successful initiatives to offload capacity to other sites have been implemented, including opening availability on nights and weekends at FWCH and scheduling of appropriate patients at Mountain States ODC, as demonstrated by the increase in volumes for both FWCH and Mountain States ODC. However, the distinct types of procedures that can be performed in each setting (JCMC vs. Mountain States ODC) do not allow for more significant shifts in patient volume. JCMC will continue to identify opportunities to redirect appropriate patients to the ODC, but the primary need for this project is hinged on increasing capacity for complex procedures that cannot be performed at an ODC. Moreover, several types of complex MRI procedures can only be performed locally at Johnson City Medical Center, and wait times at JCMC for complex procedures like pediatric and sedation procedures are currently multiple weeks.

5. Section B, Need, Item 6 (Applicant's Historical and Projected Utilization)

Will the volume shifting to the proposed MRI scanner result in either Franklin Woods Community and/or Indian Path Medical Center no longer being able to attain the MRI optimal utilization standard?

Response: Considering the current wait times at Johnson City Medical Center and the procedure volumes for both Franklin Woods Community Hospital (FWCH) and Indian Path Medical Center (IPMC), it is expected that each of these

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hospitals will continue to meet the optimal utilization standard of 2,880 procedures annually. FWCH and IPMC are currently well above the utilization standard, as demonstrated in Question #2 of this set of supplemental questions. The additional capacity as a result of this project will, more importantly, decrease wait times and more effectively meet the demand already present by allowing for an additional entry point to access MRI services.

6. Section B, Economic Feasibility Item 1 (Project Costs Chart)

Are all the costs associated with the MRI equipment including installation of the equipment as detailed in Item 1.C. on page 30 of the application included in the Project Costs Chart? If not, please make the necessary adjustments.

Response: All equipment costs including installation have been appropriately reflected in the Project Costs Chart. Rigging and installation costs for this project are included in the quote from Siemens. These items are listed on page 5 and 6 of the quote included with the original application (Attachment A-13B) as "MR Standard Rigging and Installation" and "Additional Rigging MR."

7. Section B, Economic Feasibility Item 3 (Historical Data Chart)

Please submit a Historical Data Chart for Johnson City Medical Center in total.

Response: A Historical Data Chart for Johnson City Medical Center in total is included in Attachment 1.

Please complete a Historical Data Chart-Other Expenses for the Project Only and the Total Facility.

Response: A Historical Data Chart-Other Expenses for Johnson City Medical Center in total is included with the Historical Data Chart for JCMC provided in Attachment 1. A Historical Data Chart-Other Expenses for the Project Only is included in Attachment 2.

Please explain why depreciation decreases by almost 60% between FY2014 and FY2015.

Response: The reason behind the decrease in depreciation is that three assets were changed from a 5-year life to a 10-year life beginning in July 2014, which was the first month in MSHA's FY2015. Johnson City Medical Center also had three assets that fully depreciated in FY2014.

8. Section B, Economic Feasibility Item 4 (Projected Data Chart)

Please submit a Projected Data Chart for Johnson City Medical Center in total and one for total MRI services including a completed Other Expense chart for both.

Response: A Projected Data Chart, including Other Expense chart, for Johnson City Medical Center in total is included in Attachment 3. A Projected Data Chart, including Other Expense chart, for Total JCMC MRI services is included in Attachment 4.

9. Section B, Economic Feasibility Item 5.A.

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Please explain why the applicant is forecasting that the average net charge for an MRI procedure will decrease by 20% when compared to 2015.

Response: The data provided in the original application for Year 1 and Year 2 is based on incremental volume only, which is what was listed in Projected Data Chart of the application. The table below includes updated information based on the Projected Data Chart provided in Attachment 4 for total MRI services.

	Previous Year	Current Year	Year One	Year Two	% Change (Current Year to Year 2)
Gross Charge (<i>Gross Operating Revenue/Utilization Data</i>)	\$4,093	\$3,911	\$4,063	\$4,143	5.9%
Deduction from Revenue (<i>Total Deductions/Utilization Data</i>)	\$3,560	\$3,371	\$3,523	\$3,592	6.5%
Average Net Charge (<i>Net Operating Revenue/Utilization Data</i>)	\$533	\$540	\$540	\$551	2.1%

10. Section B, Economic Feasibility Item 5.C.

Your response to this item is noted. Please compare the projected average gross charge per procedure for the project to the Gross Charge/Procedure Range by Quartile for all MRI providers, which can be found in the Applicant's Toolbox on the HSDA website.

Response: Based on data from the Medical Equipment Registry, the average charge per MRI procedure in 2015 for Johnson City Medical Center, including procedures for Mountain States Imaging at Med Tech Parkway, was \$4,639, which is higher than the 3rd Quartile for all MRI providers according to the HSDA website.

Please note that there is a difference in average gross charge per MRI procedure when comparing Questions #9 and #10 for the following reasons:

- The Medical Equipment Registry data used for Question #10 is based on Calendar Year 2015, while the data used for Question #9 is based on MSHA's Fiscal Year 2015 (July 2014 - June 2015).
- For the Medical Equipment Registry, gross charges are charges from the MRI departments of JCMC and Mountain States ODC, and volumes include both inpatient and outpatient procedures. Gross charges for the Historical Data Chart include only charges for outpatient visits in which an MRI was performed. MSHA receives a large portion of payments based off of case rates. For certain OP case rates, such as ED or Observation cases, it cannot be determined how much of the case rate revenue should be allotted to the MRI. The charges reflected in the Historical Data Chart are based on the entire case rate payment for any outpatient who had an MRI procedure.
- Also relative to gross charges, JCMC reduced charges in its MRI departments by 5.4% in FY16, which began July 1, 2015, as part of a strategic pricing initiative. This does impact the gross charges reflected in Questions #9 and #10 because of the different timeframes.

11. Section B, Economic Feasibility Item 6.C.

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Please complete the calculation for the Capitalization Ratio as instructed on the Application Form. Please note that there is a typo on the Application Form. The formula should read (Long-Term Debt)/ (Long term Debt + Total Equity) (Net Assets)) X100.

Response: The following data is for Mountain States Health Alliance for FY2015:

Long term debt - \$1,031,660,759
Total Equity (Net Assets) - \$787,905,897

Capitalization Ratio = $\$1,031,660,759 / (\$1,031,660,759 + \$787,905,897) \times 100 =$
 $\$1,031,660,759 / \$1,819,566,656 \times 100 = .5670 \times 100 = 56.70$

12. Section B, Orderly Development Item 6.A.and B.

Please include information pertaining to CN1606-021, East Tennessee Healthcare Holdings, Inc. since Mountain States Health Alliance has an ownership interest.

Response: East Tennessee Healthcare Holdings, Inc., which consists of Mountain States Health Alliance and East Tennessee State University Research Foundation (50% membership each), applied on May 17, 2016, for the establishment of a non-residential substitution based treatment center for opiate addiction to be located at 203 Gray Commons Circle, Johnson City (Washington County), TN 37615. More detailed information about this project is provided below:

<u>Outstanding Projects</u>					
<u>CON Number</u>	<u>Project Name</u>	<u>Date Approved</u>	<u>*Annual Progress Report(s)</u>		<u>Expiration Date</u>
			<u>Due Date</u>	<u>Date Filed</u>	
CN1606-021	East Tennessee Healthcare Holdings, Inc.	August 24, 2016	September 1, 2017*	n/a	September 1, 2018*

*Official Certificate of Need for CN1606-021 listing "date issued" and "expiration date" has not been received yet. Due date and expiration date in table above are estimated based on approval date.

13. Section B, Orderly Development Item 7.A.and B.

These items refer to all fixed and mobile equipment owned or leased by the applicant and its satellite facilities. Please expand your response to all affected facilities.

Response: Johnson County Community Hospital in Mountain City (Johnson County), TN, utilizes mobile MRI through a lease with Millennium Healthcare, Inc. Indian Path Medical Center in Kingsport (Sullivan County), TN, utilizes mobile PET services through a lease with Invivo Molecular Imaging.

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Mountain States Health Alliance
Johnson City Medical Center MRI Project
Certificate of Need Supplemental Information Attachments

Attachment 1: Historical Data Chart for Johnson City Medical Center in Total

Attachment 2: Historical Data Chart – Other Expenses for Project Only

Attachment 3: Projected Data Chart for Johnson City Medical Center in Total

Attachment 4: Projected Data Chart for Total Johnson City Medical Center MRI
Services

Attachment: Affidavit for Supplemental Information

ATTACHMENT 1

Historical Data Chart for Johnson City Medical Center in Total

SUPPLEMENTAL #1**October 27, 2016****10:46 am**
 Total Facility
 Project Only
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).

	Year <u>FY2014</u>	Year <u>FY2015</u>	Year <u>FY2016</u>
A. Utilization Data - Patient Days	130,407	129,559	129,415
B. Revenue from Services to Patients			
1. Inpatient Services	1,261,756,647	1,371,398,374	1,498,056,993
2. Outpatient Services	781,203,307	903,823,976	996,880,313
3. Emergency Services			
4. Other Operating Revenue - Sales, Rebates, Rentals	10,581,953	4,704,759	5,816,283
Gross Operating Revenue	<u>2,053,541,908</u>	<u>2,279,927,109</u>	<u>2,500,753,589</u>
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	1,551,293,701	1,771,165,196	1,988,070,033
2. Provision for Charity Care	90,618,603	79,999,304	79,317,813
3. Provisions for Bad Debt	5,863,379	6,782,665	8,438,422
Total Deductions	<u>1,647,775,683</u>	<u>1,857,947,165</u>	<u>2,075,826,269</u>
NET OPERATING REVENUE	<u>405,766,225</u>	<u>421,979,944</u>	<u>424,927,320</u>
D. Operating Expenses			
1. Salaries and Wages	122,847,055	110,944,408	113,230,422
2. Physician's Salaries and Wages			
3. Supplies	88,675,272	94,054,395	98,071,443
4. Rent			
a. Paid to Affiliates			
b. Paid to Non-Affiliates			
5. Management Fees			
a. Paid to Affiliates	58,798,969	60,092,306	64,992,455
b. Paid to Non-Affiliates			
6. Other Operating Expenses	69,332,855	61,340,287	61,913,817
Total Operating Expenses	<u>339,654,151</u>	<u>326,431,396</u>	<u>338,208,137</u>
E. Earnings Before Interest, Taxes and Depreciation	<u>66,112,074</u>	<u>95,548,548</u>	<u>86,719,183</u>
F. Non-Operating Expenses			
1. Taxes + Interest	15,736,535	16,318,401	16,891,984
2. Depreciation	20,332,137	19,177,857	19,467,655
3. Amortization	47,587	47,587	47,587
4. Other Non-Operating Expenses			
Total Non-Operating Expenses	<u>36,116,259</u>	<u>35,543,845</u>	<u>36,407,227</u>
NET INCOME (LOSS)	<u>29,995,815</u>	<u>60,004,703</u>	<u>50,311,956</u>

Chart Continues Onto Next Page

SUPPLEMENTAL #1**October 27, 2016****10:46 am**

NET INCOME (LOSS)	<u>29,995,815</u>	<u>60,004,703</u>	<u>50,311,956</u>
G. Other Deductions			
1. Annual Principal Debt Repayment			
2. Annual Capital Expenditure			
	Total Other Deductions		
	NET BALANCE	<u>29,995,815</u>	<u>60,004,703</u>
	DEPRECIATION	<u>20,332,137</u>	<u>19,467,655</u>
	FREE CASH FLOW (Net Balance + Depreciation)	<u>50,327,952</u>	<u>69,779,611</u>

 Total Facility Project Only**HISTORICAL DATA CHART-OTHER EXPENSES**

<u>OTHER EXPENSES CATEGORIES</u>	<u>Year FY14</u>	<u>Year FY15</u>	<u>Year FY16</u>
1. Contract Labor	<u>3,386,466</u>	<u>3,095,657</u>	<u>3,789,602</u>
2. Employee Benefits	<u>26,854,888</u>	<u>29,194,589</u>	<u>28,481,492</u>
3. Utilities	<u>5,246,550</u>	<u>5,393,972</u>	<u>5,225,468</u>
4. Other Expense (Insurance, Travel, Repairs, Marketing, etc.)	<u>17,186,673</u>	<u>23,656,069</u>	<u>24,417,255</u>
5. Consolidation Allocation	<u>16,658,279</u>		
6. _____			
7. _____			
Total Other Expenses	<u>69,332,855</u>	<u>61,340,287</u>	<u>61,913,817</u>

ATTACHMENT 2

Historical Data Chart – Other Expenses for Project Only

Total Facility

Project Only

HISTORICAL DATA CHART-OTHER EXPENSES

<u>OTHER EXPENSES CATEGORIES</u>	<u>Year FY14</u>	<u>Year FY15</u>	<u>Year FY16</u>
1. <u>Employee Benefits</u>	<u>\$259,432</u>	<u>\$230,186</u>	<u>\$218,410</u>
2. <u>Professional Services Contract</u>	<u>\$448,866</u>	<u>\$449,083</u>	<u>\$449,083</u>
3. <u>Insurance, Utilities, Travel, Mileage, Other</u>	<u>\$850,936</u>	<u>\$844,821</u>	<u>\$754,860</u>
4. _____			
5. _____			
6. _____			
7. _____			
Total Other Expenses	<u>\$1,559,234</u>	<u>\$1,524,090</u>	<u>\$1,422,353</u>

ATTACHMENT 3

Projected Data Chart for Johnson City Medical Center in Total

October 27, 2016**10:46 am****PROJECTED DATA CHART**
 Total Facility
 Project Only

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

	Year <u>FY2018</u>	Year <u>FY2019</u>
A. Utilization Data - Patient Days	112,079	111,866
B. Revenue from Services to Patients		
1. Inpatient Services	1,429,823,000	1,498,461,000
2. Outpatient Services	1,144,386,000	1,222,513,000
3. Emergency Services		
4. Other Operating Revenue (Specify) Sales, Rebates, Rentals	4,795,000	4,700,000
Gross Operating Revenue	<u>\$2,579,004,000</u>	<u>\$2,725,674,000</u>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	\$2,058,167,000	\$2,196,024,000
2. Provision for Charity Care	\$87,583,000	\$90,588,000
3. Provisions for Bad Debt	\$7,453,000	\$7,878,000
Total Deductions	<u>\$2,153,203,000</u>	<u>\$2,294,490,000</u>
NET OPERATING REVENUE	<u>\$425,801,000</u>	<u>\$431,184,000</u>
D. Operating Expenses		
1. Salaries and Wages	\$114,189,000	\$115,986,000
a. Direct Patient Care		
b. Non-Patient Care		
2. Physician's Salaries and Wages		
3. Supplies	\$97,973,000	\$99,465,000
4. Rent		
a. Paid to Affiliates		
b. Paid to Non-Affiliates		
5. Management Fees:		
a. Paid to Affiliates	\$63,224,000	\$63,224,000
b. Paid to Non-Affiliates		
6. Other Operating Expenses	\$60,706,000	\$61,452,000
Total Operating Expenses	<u>\$336,092,000</u>	<u>\$340,127,000</u>
E. Earnings Before Interest, Taxes and Depreciation	<u>\$89,709,000</u>	<u>\$91,057,000</u>
F. Non-Operating Expenses		
1. Taxes		
2. Depreciation	\$20,602,000	\$20,118,000
3. Interest	\$13,339,000	\$13,102,000
4. Other Non-Operating Expenses		
Total Non-Operating Expenses	<u>\$33,941,000</u>	<u>\$33,220,000</u>
NET INCOME (LOSS)	<u>\$55,768,000</u>	<u>\$57,837,000</u>

Chart Continues Onto Next Page

SUPPLEMENTAL #1

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NET INCOME (LOSS)	<u>\$55,768,000</u>	<u>\$57,837,000</u>
G. Other Deductions		
1. Estimated Annual Principal Debt Repayment		
2. Annual Capital Expenditure		
Total Other Deductions	\$	\$
NET BALANCE	<u>\$55,768,000</u>	<u>\$57,837,000</u>
DEPRECIATION	<u>\$20,602,000</u>	<u>\$20,118,000</u>
FREE CASH FLOW (Net Balance + Depreciation)	<u>\$76,370,000</u>	<u>\$77,955,000</u>

Total Facility

Project Only

PROJECTED DATA CHART-OTHER EXPENSES

OTHER EXPENSES CATEGORIES

	Year FY2018	Year FY2019
1. Employee Benefits	<u>28,346,000</u>	<u>28,790,000</u>
2. Utilities	<u>5,683,000</u>	<u>5,769,000</u>
3. Other Expense (Insurance, Travel, Repairs, Marketing, etc.)	<u>26,677,000</u>	<u>26,893,000</u>
4. _____	_____	_____
5. _____	_____	_____
6. _____	_____	_____
7. _____	_____	_____
Total Other Expenses	<u>60,706,000</u>	<u>61,452,000</u>

ATTACHMENT 4

**Projected Data Chart for Total Johnson City Medical Center MRI
Services**

SUPPLEMENTAL #1

October 27, 2016 Total Facility
 PROJECTED DATA CHART TOTAL MRI* 10:46 am Project Only

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

	<u>Year FY2018</u>	<u>Year FY2019</u>
A. Utilization Data - Inpatient & Outpatient Procedures	10,365	10,373
B. Revenue from Services to Patients		
1. Inpatient Services		
2. Outpatient Services	\$42,112,529	\$42,972,091
3. Emergency Services		
4. Other Operating Revenue (Specify) _____		
Gross Operating Revenue	<u>\$42,112,529</u>	<u>\$42,972,091</u>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	\$35,491,773	\$36,218,212
2. Provision for Charity Care	\$454,853	\$464,202
3. Provisions for Bad Debt	\$564,095	\$574,896
Total Deductions	<u>\$36,510,721</u>	<u>\$37,257,310</u>
NET OPERATING REVENUE	<u>\$5,601,808</u>	<u>\$5,714,780</u>
D. Operating Expenses		
1. Salaries and Wages		
a. Direct Patient Care	\$716,948	\$732,954
b. Non-Patient Care	\$332,693	\$340,120
2. Physician's Salaries and Wages		
3. Supplies	\$264,512	\$270,269
4. Rent		
a. Paid to Affiliates		
b. Paid to Non-Affiliates		
5. Management Fees:		
a. Paid to Affiliates		
b. Paid to Non-Affiliates		
6. Other Operating Expenses	\$1,576,061	\$1,607,915
Total Operating Expenses	<u>\$2,890,214</u>	<u>\$2,951,258</u>
E. Earnings Before Interest, Taxes and Depreciation	<u>\$2,711,594</u>	<u>\$2,763,522</u>
F. Non-Operating Expenses		
1. Taxes		
2. Depreciation	\$539,640	\$547,606
3. Interest	\$96,984	\$99,013
4. Other Non-Operating Expenses		
Total Non-Operating Expenses	<u>\$636,624</u>	<u>\$646,619</u>
NET INCOME (LOSS)	<u>\$2,074,970</u>	<u>\$2,116,902</u>

Chart Continues Onto Next Page

***NOTE:** Revenue and expenses in Projected Data Chart are for outpatient services only because Inpatient MRI procedures are covered under applicable DRGs, and there is no inpatient revenue attributable to these scans.

NET INCOME (LOSS)

\$2,074,970 ~~\$2,116,902~~

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G. Other Deductions

1. Estimated Annual Principal Debt Repayment
2. Annual Capital Expenditure

Total Other Deductions	\$	\$
NET BALANCE	<u>\$2,074,970</u>	<u>\$2,116,902</u>
DEPRECIATION	<u>\$539,640</u>	<u>\$547,606</u>
FREE CASH FLOW (Net Balance + Depreciation)	<u>\$2,614,610</u>	<u>\$2,664,508</u>

Total Facility

Project Only

PROJECTED DATA CHART-OTHER EXPENSES TOTAL MRI

OTHER EXPENSES CATEGORIES

	Year FY2018	Year FY2019
1. <u>Maintenance Contracts</u>	<u>\$571,369</u>	<u>\$582,112</u>
2. <u>Employee Benefits</u>	<u>\$231,153</u>	<u>\$236,076</u>
3. <u>Insurance, Utilities, Travel, Mileage, Other</u>	<u>\$773,538</u>	<u>\$789,727</u>
4. _____	_____	_____
5. _____	_____	_____
6. _____	_____	_____
7. _____	_____	_____
Total Other Expenses	<u>\$1,576,061</u>	<u>\$1,607,915</u>

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ATTACHMENT

Affidavit for Supplemental Information

October 27, 2016

10:46 am

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF Washington

NAME OF FACILITY: Johnson City Medical Center

I, Tony Benton, 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.

[Signature] VP/COO Washington
Signature/Title County Operations

Sworn to and subscribed before me, a Notary Public, this the 26th day of October, 2016, witness my hand at office in the County of Washington, State of Tennessee.

[Signature]
NOTARY PUBLIC

My commission expires August 27th, 2019.

HF-0043

Revised 7/02



**Supplemental #2
-Original-**

Johnson City Medical

CN1610-035



**MOUNTAIN STATES
HEALTH ALLIANCE**

SUPPLEMENTAL #2

October 31, 2016

11:04 am

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

October 28, 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 CN1610-035
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 CN1610-035.

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 Rogers
Vice President, Strategic Planning

1. Section B, Orderly Development Item 7.A.and B.

Your response to this item is noted. Please expand your response to include all equipment (CT scanners, linear accelerators, MRI scanners, and PET Scanners) both mobile and fixed for all Mountain States Health Alliance facilities in Tennessee.

Response: The table below includes a listing of all mobile and fixed equipment (CT, Linear Accelerators, MRI, and PET) for Mountain States Health Alliance facilities in Tennessee.

Equipment Type by MSHA Facility	Owned/Leased	Fixed/Mobile	Scanner Type	Leased from:
CT Scanners				
Franklin Woods Community Hospital	Owned	Fixed	64 slice	-
Franklin Woods Community Hospital	Owned	Fixed	16 slice	-
Indian Path Medical Center	Owned	Fixed	64 slice	-
Indian Path Medical Center	Owned	Fixed	16 slice	-
Indian Path Medical Center	Owned	Fixed	Single slice	-
Johnson County Community Hospital	Owned	Fixed	16 slice	-
Johnson City Medical Center	Owned	Fixed	128 dual head	-
Johnson City Medical Center	Owned	Fixed	64 slice	-
Johnson City Medical Center	Owned	Fixed	16 slice	-
Johnson City Medical Center	Owned	Fixed	16 slice	-
Mountain States Imaging at Med Tech Parkway	Owned	Fixed	64 slice	-
Sycamore Shoals Hospital	Owned	Fixed	64 slice	-
Unicoi County Memorial Hospital	Owned	Fixed	64 slice	-
MRI Scanners				
Franklin Woods Community Hospital	Owned	Fixed	3T Short/Wide Bore	-
Indian Path Medical Center	Owned	Fixed	1.5T Short Bore	-
Johnson County Community Hospital	Leased	Mobile	1.5T Short Bore	New Millennium Healthcare, Inc.
Johnson City Medical Center	Owned	Fixed	3T Short Bore	-
Johnson City Medical Center	Owned	Fixed	1T Open	-
Mountain States Imaging at Med Tech Parkway	Owned	Fixed	1.5T Short Bore	-
Sycamore Shoals Hospital	Owned	Fixed	1.5T Wide Bore	-
Unicoi County Memorial Hospital	Owned	Fixed	1.5T Closed	-
Linear Accelerators				
Indian Path Medical Center	Owned	Fixed	Dual energy, Photon	-
Johnson City Medical Center	Owned	Fixed	Dual energy, Photon Electron	-
Johnson City Medical Center	Owned	Fixed	Dual energy, Photon Electron	-
PET Scanners				
Indian Path Medical Center	Leased	Mobile	PET/CT	Invivo Molecular Imaging
Johnson City Medical Center	Leased	Fixed	PET/CT	GE

October 31, 2016

11:04 am

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF Washington

NAME OF FACILITY: Johnson City Medical Center

I, Tony Benton, 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.

Tony Benton VP/COO Washington County
Signature/Title Operations

Sworn to and subscribed before me, a Notary Public, this the 28th day of October, 2016, witness my hand at office in the County of Washington, State of Tennessee.

Shanna A. Goddard
NOTARY PUBLIC

My commission expires August 27th, 2019.

HF-0043

Revised 7/02

