

**HEALTH SERVICES AND DEVELOPMENT AGENCY  
AUGUST 24, 2016  
APPLICATION SUMMARY**

NAME OF PROJECT: Tennessee Orthopedics, P.C.

PROJECT NUMBER: CN1605-019

ADDRESS: 101 Physicians Way  
Lebanon (Wilson County), TN 37090

LEGAL OWNER: Roy C. Terry, M.D.  
101 Physicians Way  
Lebanon (Wilson County), TN 37090

OPERATING ENTITY: Custom Surgical Consultants, LLC  
1151 Heaps Road  
Street, MD 21154

CONTACT PERSON: Christi D. Griffin, Esquire

DATE FILED: May 12, 2016

PROJECT COST: \$2,726,676

FINANCING: Commercial Loan

PURPOSE FOR FILING: Establishment of a Multi-Specialty ASTC

DESCRIPTION:

Tennessee Orthopedics, P.C., an orthopedic physician group formed as a Tennessee for-profit corporation in April 2003, is seeking approval to establish a multi-specialty ambulatory surgical treatment center (ASTC) to be located in leased space at 101 Physicians Way, Lebanon (Wilson County), TN 37090. The proposed ASTC will include three operating rooms and one procedure room and will be managed by Custom Surgical Consultants, LLC.

**SERVICE SPECIFIC CRITERIA AND STANDARD REVIEW**

Ambulatory Surgical Treatment Centers (*Revised May 23, 2013*)

*The following apply:*

1. Need. The minimum numbers of 884 Cases per Operating Room and 1867 Cases per Procedure Room are to be considered as baseline numbers for purposes of determining Need.<sup>2</sup> An applicant should demonstrate the ability to perform a minimum of 884 Cases per Operating Room and/or 1867 Cases per Procedure Room per year, except that an applicant may provide information on its projected case types and its assumptions of estimated average time and clean up and preparation time per Case if this information differs significantly from the above-stated assumptions. It is recognized that an ASTC may provide a variety of services/Cases and that as a result the estimated average time and clean up and preparation time for such services/Cases may not meet the minimum numbers set forth herein. It is also recognized that an applicant applying for an ASTC Operating Room(s) may apply for a Procedure Room, although the anticipated utilization of that Procedure Room may not meet the base guidelines contained here. Specific reasoning and explanation for the inclusion in a CON application of such a Procedure Room must be provided. An applicant that desires to limit its Cases to a specific type or types should apply for a Specialty ASTC.

*The applicant is projecting 962 cases per operating room (OR) and 3,649 per procedure room (PR) in Year One (2018). In Year One the applicant will meet the above minimum requirement of 884 cases per operating room and 1,867 cases per procedure room.*

*It appears this criterion has been met.*

2. Need and Economic Efficiencies. An applicant must estimate the projected surgical hours to be utilized per year for two years based on the types of surgeries to be performed, including the preparation time between surgeries. Detailed support for estimates must be provided.

*Based on an average of 68 minutes per operating room case plus 10 minutes for turnover/prep, the operating room projected surgical hours will be 25 hours per week /OR or 3,761 hours in Year One, and 27.6 hours per week /OR or 4,142 hours in Year Two.*

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Based on an average of 45 total minutes per case, plus 10 minutes for turnover/prep, the projected procedure room surgical hours will be 66.9 hours per week or 3,345 hours in Year One, and 73.6 hours per week or 3,680 hours in Year Two.

*Note to Agency members: Information provided by the applicant has clarified that the procedure room hours reported in the previous paragraph included procedure hours in the separate physician office space. The applicant has not yet provided a breakdown of those hours between the procedure room in the ASTC and the examination room in the physician's office. The applicant also noted that the hours of the ASTC may be expanded to accommodate increased demand.*

*The applicant provided four tables on pages 11-12 in Supplemental One detailing the projected surgical hours and preparation time between surgeries in Year One and Year Two.*

*It appears this criterion has been met.*

3. Need; Economic Efficiencies; Access. To determine current utilization and need, an applicant should take into account both the availability and utilization of either: a) all existing outpatient Operating Rooms and Procedure Rooms in a Service Area, including physician office based surgery rooms (when those data are officially reported and available<sup>3</sup>) OR b) all existing comparable outpatient Operating Rooms and Procedure Rooms based on the type of Cases to be performed. Additionally, applications should provide similar information on the availability of nearby out-of-state existing outpatient Operating Rooms and Procedure Rooms, if that data are available, and provide the source of that data. Unstaffed dedicated outpatient Operating Rooms and unstaffed dedicated outpatient Procedure Rooms are considered available for ambulatory surgery and are to be included in the inventory and in the measure of capacity.

*There are no multispecialty ASTC in the proposed 4 county service area and there is no out-of-state ASTC facility within 60 miles of the location of the applicant's proposed ASTC location. The applicant has provided a utilization table of all single-specialty ASTCs in the proposed service area for 2013, 2014 and 2015. The tables are located in Attachment C, Need-5.*

*It appears this criterion has been met.*

4. Need and Economic Efficiencies. An applicant must document the potential impact that the proposed new ASTC would have upon the

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existing service providers and their referral patterns. A CON application to establish an ASTC or to expand existing services of an ASTC should not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed, if those services are known and relevant, within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above.

**Note to Agency members:**

**For a dedicated outpatient operating room:**

- Full Capacity is defined as 1,263 cases per year.
- Optimum Capacity is defined as 70% of full capacity, or 884 cases per year.

**For a dedicated outpatient procedure room:**

- Full Capacity is defined as 2,667 cases per year.
- Optimum capacity is defined as 70% of full capacity, or 1,867 cases per year.

There are a total of three single-specialty ASTCs in the proposed service area (3 in Wilson County). The service area single-specialty ASTCs representing 3 operating rooms (ORs) and 4 procedure rooms (PRs) provided 1,529 OR cases and 2,418 PR cases in 2014, and averaged 510 cases or 58% of the OR and 32.3% of the PR optimum utilization standard. Please refer to the table below.

**Single Specialty ASTC Operating and Procedure Room Utilization in the 3 County Service Area**

ASTC	County	# ORs/PRs	# Cases per OR	# Cases per PR	% of meeting Optimum Standard	
					884 per OR	1,867 per PR
Wilson County Eye Surgery Ctr. LLC	Wilson	1/1	987	356	111%	19.1%
Lebanon Endoscopy Center, LLC	Wilson	0/2	N/A	966	N/A	51.7%
TN Sports Medicine Surgery Ctr. dba Providence Surgery Ctr.	Wilson	2/1	271	131	30.6%	7%
<b>Total</b>		<b>3/4</b>	<b>510</b>	<b>604.5</b>	<b>58%</b>	<b>32.3%</b>

Source: Tennessee Department of Health, Division of Health Statistics, 2015 Joint Annual Reports

There are no multi-specialty ASTCs in the 4 county proposed service area. However, Providence Surgery Center (Single Specialty) specializes in orthopedic surgery and pain management and is operating at 58% of the 884 per OR and 32.3% of the PR optimum standard. In Year One, orthopedic surgery will represent 1,587 OR cases, or 54.9% of the total OR cases projected by Tennessee Orthopedics, P.C. HSDA staff calculates the existing Providence Surgery Center

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*does not have the capacity to fully absorb the 1,587 projected OR cases by Tennessee Orthopedics, PC, and would operate at 120% of the 884 per OR standard if it did so in 2018.*

*Although Providence Surgery Center (Single Specialty) has additional OR capacity, the ASTC does not have the capability to absorb 1,587 OR cases projected by the applicant in 2018 in their 2 OR.s.*

*It appears that this criterion has been met.*

5. Need and Economic Efficiencies. An application for a Specialty ASTC should present its projections for the total number of cases based on its own calculations for the projected length of time per type of case, and shall provide any local, regional, or national data in support of its methodology. An applicant for a Specialty ASTC should provide its own definitions of the surgeries and/or procedures that will be performed and whether the Surgical Cases will be performed in an Operating Room or a Procedure Room. An applicant for a Specialty ASTC must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON proposal to establish a Specialty ASTC or to expand existing services of a Specialty ASTC shall not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above. An applicant that is granted a CON for a Specialty ASTC shall have the specialty or limitation placed on the CON.

*Since the applicant is seeking to establish a multi-specialty ASTC, this criterion is not applicable.*

6. Access to ASTCs. The majority of the population in a Service Area should reside within 60 minutes average driving time to the facility.

*The majority of patients reside within 60 minutes of the facility. A map is provided by the applicant on page 78 of the application.*

*It appears this criterion has been met.*

7. Access to ASTCs. An applicant should provide information regarding the relationship of an existing or proposed ASTC site to public transportation routes if that information is available

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*Mid-Cumberland Human Resource Agency public transportation is available.*

*It appears this criterion has been met.*

8. Access to ASTCs. An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project the origin of potential patients by percentage and county of residence and, if such data are readily available, by zip code, and must note where they are currently being served. Demographics of the Service Area should be included, including the anticipated provision of services to out-of-state patients, as well as the identity of other service providers both in and out of state and the source of out-of-state data. Applicants shall document all other provider alternatives available in the Service Area. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

*The applicant projects over 76% of patients will originate from Macon (15.3%), Smith (20.6%), Trousdale (5.3%), and Wilson (35.4%) Counties. The applicant provided a patient origin chart on page 79 of the application.*

*It appears this criterion has been met.*

9. Access and Economic Efficiencies. An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project patient utilization for each of the first eight quarters following completion of the project. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

*The applicant projected annual utilization and specific methodology on pages 21-22 of the original application.*

*It appears this criterion has been met.*

10. Patient Safety and Quality of Care; Health Care Workforce.

- a. An applicant should be or agree to become accredited by any accrediting organization approved by the Centers for Medicare and Medicaid Services, such as the Joint Commission, the Accreditation Association of Ambulatory Health Care (AAAHC), the American Association for Accreditation of Ambulatory Surgical Facilities, or other nationally recognized accrediting organization.

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*The applicant will apply for accreditation by the Accreditation Association of Ambulatory Health Care (AAAHC).*

*It appears this criterion has been met.*

- b. An applicant should estimate the number of physicians by specialty that are expected to utilize the facility and the criteria to be used by the facility in extending surgical and anesthesia privileges to medical personnel. An applicant should provide documentation on the availability of appropriate and qualified staff that will provide ancillary support services, whether on- or off-site.

*The applicant provided a table on page 81 of the application listing the number of physicians by specialty expected to utilize the facility. In addition, a credentialing policy is provided in the attachments in Exhibit 2-Credentialing Policy.*

*It appears this criterion has been met.*

- 11 Access to ASTCs. 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;

*The applicant documents on page 17 of the original application that the proposed 4 county service area is medically underserved.*

*It appears this criterion has been met.*

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

*Since the applicant is not a hospital, this standard is not applicable to this proposed project.*

- 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

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*The applicant intends to contract with all MCOs that serve within the Middle Tennessee region.*

*It appears this criterion has been met.*

- d. Who is proposing to use the ASTC for patients that typically require longer preparation and scanning times. The applicant shall provide in its application information supporting the additional time required per Case and the impact on the need standard.

*Not applicable. The applicant does not anticipate the ASTC multi-specialty patient population will require longer preparation time.*

### **Staff Summary**

*The following information is a summary of the original application and all supplemental responses. Any staff comments or notes, if applicable, will be in bold italics.*

Tennessee Orthopedics, P.C. seeks approval to establish and license a multi-specialty ambulatory surgical treatment center (ASTC). The ASTC will be located in a new medical office complex known as Physicians Plaza of Lebanon (Wilson County) located immediately off of Exit 236 on Interstate 40. The ASTC proposes to provide podiatry, GYN, ENT, plastic, general surgery, dental, and orthopedic surgeries in Year One and Year Two of the project.

The proposed project is expected to open for service in January 2018.

#### **Ownership**

- Tennessee Orthopedics, PC is a Tennessee for-profit corporation formed in April 2003.
- Tennessee Orthopedics. P.C. is 100% owned by Roy C. Terry, M.D. and is a stand-alone organization without subsidiary or parent organizations.

Related highlights pertaining to the ownership of the applicant are as follows:

- Currently the practice consists of one orthopedic surgeon and two mid-level providers.
- The applicant has entered into employment contracts with two orthopedic surgeons who will join the practice before September 1, 2016.

#### **Facility Information**

- The total square footage of the proposed ASTC is 5,684 square feet. A floor plan drawing is included in Attachment B.IV. – Floor Plan.

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- The proposed ASTC will contain three operating rooms, one procedure room, six recovery rooms, two sterile processing rooms, two sterile storage rooms, 2 clean rooms, one consultation room, and a patient/family waiting and reception area.

### **Project Need**

The applicant states a certificate of need for a multi-specialty ASTC is being requested for the following reasons:

- There are no multi-specialty ASTCs in the proposed 4 county service area.
- The ASTC outmigration for ASTC services in the 4 county service area ranged from 63% to 79% in 2015 for single-specialty and multi-specialty ASTCS.
- The Agency has previously approved two CONs adding multi-specialty ASTC services to the service area, but those CONs were never implemented and the need for multi-specialty ASTC services remains.

### **Service Area Demographics**

Tennessee Orthopedics, P.C.'s primary service area (PSA) consists of Macon, Smith, Troup, and Wilson Counties.

Highlights of the applicant's proposed service area are provided as follows:

- The total population of the PSA is estimated at 181,156 residents in CY 2016 increasing by approximately 6.2% to 192,335 residents in CY 2020.
- The overall Tennessee statewide population is projected to grow by 4.3% from 2016 to 2020.
- Residents age 65 and older account for approximately 15.9% of the total PSA population compared to 16.0% statewide.
- The age 65 and older resident population is expected to increase by 20.7% compared to 16% statewide from CY2016 - CY2020.
- The number of residents enrolled in TennCare is approximately 18.8 % of the total PSA population compared to 22.8% statewide.

### **Historical Capacity and Utilization of Single-Specialty ASTCs**

According to the Department of Health, in 2015 there were three licensed single-specialty ASTCs in the defined service area. There are no multi-specialty ASTCs.

**4 County Service Area ASTC Patient Utilization  
2013-2015**

County	Single Specialty ASTC	2013			2014			2015			% change 13'-15'
		Oper. Rms	Proc. Rms	Cases	Oper. Rms	Proc. Rms	Cases	Oper. Rms	Proc. Rms	Cases	
Wilson	Wilson County Eye Surgery Center, LLC	1	1	1,145	1	1	1,262	1	1	1,343	+17.3%
	Lebanon Endoscopy Center, LLC	2	2	2,140	2	2	1,893	2	2	1,931	-9.7%
	TN Sports Medicine Surgery Ctr. dba Lebanon Surgery Center	2	1	771	2	1	707	2	1	673	-12.7%
<b>Service Area</b>	<b>Single-Specialty</b>	<b>5</b>	<b>4</b>	<b>4,056</b>	<b>5</b>	<b>4</b>	<b>3,862</b>	<b>5</b>	<b>4</b>	<b>3,947</b>	<b>-2.7%</b>
	<b>Multi-specialty</b>	<b>N/A</b>									
	<b>Grand Total</b>	<b>5</b>	<b>4</b>	<b>4,056</b>	<b>5</b>	<b>4</b>	<b>3,862</b>	<b>5</b>	<b>4</b>	<b>3,947</b>	<b>-2.7%</b>

Source: Tennessee Department of Health, Division of Health Statistics, Joint Annual Reports

The above utilization table reflects the following:

- Overall, the four county proposed service area experienced a 2.7% decrease in Single Specialty ASTC surgical cases from 4,056 in 2013 to 3,947 in 2015.
- Tennessee Sports Medicine Surgery Center dba Lebanon Surgery Center experienced a 12.7% decrease in total surgical cases from 771 cases in 2013 to 673 cases in 2015.
- All the existing three Single-Specialty ASTCs in the proposed 4 county service area are located in Wilson County.

**4 County Service Area Hospital Outpatient Surgical Utilization  
\*2012-2014**

County	Hospital	2012 Cases	2013 Cases	2014 Cases	% Change 2012-2014
Wilson	University Medical Center	5,460	4,769	4,427	-18.9%
Smith	Riverview Reg Med Ctr. North	137	780	1,000	+629%
Macon	Macon Co. Gen. Hospital	942	797	841	-10.7%
<b>Service Area</b>	<b>Total</b>	<b>6,539</b>	<b>6,346</b>	<b>6,268</b>	<b>-4.1%</b>

\*2015 Hospital IAR data has not been released by the Department of Health.

The above utilization table reflects the following:

- Overall, the four county proposed service area experienced a 4.1% decrease in hospital outpatient surgical cases from 6,539 cases in 2013 to 6,268 in 2014.
- Riverview Regional Medical Center outpatient surgery cases increased from 137 in 2012 to 1,000 in 2014, a 629% increase.
- University Medical Center (Currently Tennova Healthcare-Lebanon) in Wilson County experienced an 18.9% decrease in outpatient surgery cases between 2012 and 2014.

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The following are Tennessee Orthopedic surgical case projections by specialty for Year One and Year Two.

Specialty	# of Surgeons	Year 1 OR Cases	Year 1 PR Cases	Year 2 OR Cases	Year 2 PR Cases
Orthopedics	3	1,587	3,649	1,746	4,014
General Surgery	3	300		330	
ENT	1	100		110	
Podiatry	1	100		110	
GYN	1	100		110	
Plastic Surgery	2	200		220	
Dental	5	500		550	
<b>Total</b>	<b>16</b>	<b>2,887</b>	<b>3,649</b>	<b>3,176</b>	<b>4,014</b>

Source: CN1605-019

- In Year One, orthopedic surgery will represent 1,587 OR cases, or 54.9% of the total OR cases projected by Tennessee Orthopedics, P.C.
- All projected procedure room utilization will consist of 3,649 orthopedic procedures in Year One and 4,014 in Year Two.

#### Project Cost

Major costs of the \$2,726,676 total estimated project cost are as follows:

- Moveable Equipment of \$677,249 or approximately 24.9% of the total project cost.
- Medical Office Lease of \$1,883,306 or approximately 69.1% of total cost.
- For other details on Project Cost, see the Project Cost Chart on page 24 of the application.

#### Historical Data Chart

- Since the applicant is applying for a new ASTC, a historical data chart is not applicable.

#### Projected Data Chart

The applicant projects \$24,587,855.00 in total gross revenue on 6,536 surgical cases during the first year of operation and \$27,046,640 on 7,190 surgical cases in Year Two (approximately \$3,762 per case). The Projected Data Chart reflects the following:

- Net operating income less capital expenditures for the applicant will equal \$1,624,357 in Year One increasing to \$1,813,890 in Year Two.

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- Net operating revenue after bad debt, charity care, and contractual adjustments is expected to reach \$6,040,577 or approximately 22.3% of total gross revenue in Year Two.
- Charity care at approximately 2.5% of total gross revenue in Year One and in Year Two equaling to \$620,501 and \$682,551, respectively.
- Charity Care calculates to 164 cases in Year One and 181.4 cases in Year Two.

### **Charges**

In Year One of the proposed project, the average charge per surgical case is as follows:

- Average Gross Charge
  - \$3,762
- Average Deduction from Operating Revenue
  - \$2,922
- Average Net Charge
  - \$840

### **Payor Mix**

- TennCare/Medicaid-Charges will equal \$988,458 in Year One representing 18% of total gross revenue.
- Medicare/Managed Medicare- Charges will equal \$1,098,287 representing 20% of total gross revenue.
- The applicant contracts with all TennCare Managed Care Organizations that serve the region.

### **Financing**

The applicant states that the actual capital outlay needed to support the project amounts to approximately \$2,400,000.

- A revised letter dated May 19, 2016 from the President/CEO of Citizens Bank located in Hartsville, TN attests to the availability of a commercial loan of \$2,800,000 with permanent financing up to 20 years and interest rates ranging from 4.50% to 5.50%. The equipment portion of the project will be financed for 36 to 60 months at approximately 6%.
- Review of Tennessee Orthopedics' financial statements revealed current assets of \$146,960 and current liabilities of \$76,748 for the fiscal period ending March 31, 2016 for a current ratio of 1.91 to 1.0.

*Note to Agency Members: Current ratio is a measure of liquidity and is the ratio of current assets to current liabilities which measures the ability of an entity to cover its current liabilities with its existing current assets. A ratio of 1:1 would be required to have the minimum amount of assets needed to cover current liabilities.*

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**Staffing**

The applicant's proposed direct patient care staffing in Year One includes the following:

Position Type	Year One FTEs
Registered Nurse	11.8
Surgical Technicians	4.2
Administrative Staff	8.2
Site Administrator	1
<b>Total</b>	<b>25.2</b>

Source: CN1605-019

**Licensure/Accreditation**

Tennessee Orthopedics, P.C. will seek licensure by the Tennessee Department of Health, Division of Health Care Facilities, and accreditation by the Accreditation Association for Ambulatory Health Care.

*Corporate documentation, real estate lease, and detailed demographic information are on file at the Agency office and will be available at the Agency meeting.*

Should the Agency vote to approve this project, the CON would expire in two years.

**CERTIFICATE OF NEED INFORMATION FOR THE APPLICANT:**

There are no Letters of Intent, denied or pending applications for this applicant.

**Outstanding Certificates of Need**

**Tennessee Orthopedics, P.C., CN1510-041A**, has an outstanding Certificate of Need that will expire March 1, 2018. The CON was approved at the January 1, 2016 Agency meeting for the relocation of a magnetic resonance imaging (MRI) service from 1616 West Main Street, Lebanon (Wilson County), TN 37087 to 101 Physicians Way, Lebanon, TN 37087. The current MRI unit will be upgraded to a new 1.5 Tesla MRI unit. The estimated project cost is **\$2,471,197.00**. *Project Status Update: Per an update on July 21, 2016 from a representative of the project, the project is complete and a final project report is pending.*

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**CERTIFICATE OF NEED INFORMATION FOR OTHER SERVICE AREA FACILITIES:**

There are no other Letters of Intent, denied or pending applications, or outstanding Certificates of Need for similar service area entities proposing this type of service.

**PLEASE REFER TO THE REPORT BY THE DEPARTMENT OF HEALTH, DIVISION OF HEALTH STATISTICS FOR A DETAILED ANALYSIS OF THE STATUTORY CRITERIA OF NEED, ECONOMIC FEASIBILITY, HEALTH CARE THAT MEETS APPROPRIATE QUALITY STANDARDS, AND CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE IN THE AREA FOR THIS PROJECT. THAT REPORT IS ATTACHED TO THIS SUMMARY IMMEDIATELY FOLLOWING THE COLOR DIVIDER PAGE.**

PME  
08/04/16

# **LETTER OF INTENT**



State of Tennessee  
Health Services and Development Agency

Andrew Jackson Building, 9<sup>th</sup> 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 Lebanon Democrat which is a newspaper  
(Name of Newspaper)  
of general circulation in Wilson County, Tennessee, on or before May 10, 2016,  
(County) (Month / day) (Year)  
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:

Tennessee Orthopedics, P.C. Professional Private Practice  
(Name of Applicant) (Facility Type-Existing)

owned by: Roy C. Terry, M.D. with an ownership type of Professional Corporation

and to be managed by: Custom Surgical Consultants, L.L.C. intends to file an application for a Certificate of Need for: Establishment of a multi-specialty ambulatory surgical treatment center to be located in leased space at 101 Physicians Way, Lebanon, TN 37090. The ASTC will include three operating rooms and one procedure room, and will be managed by Custom Surgical Consultants, L.L.C. No beds or major medical equipment will be involved. Total Estimated Project Cost is \$2,726,676.

The anticipated date of filing the application is: May 13, 2016

The contact person for this project is Christi D. Griffin, Esq. Counsel to Applicant  
(Contact Name) (Title)

who may be reached at: Griffin Law Office 113 E. Main Street  
(Company Name) (Address)

Lebanon, TN 37087 (615) 668-0462  
(City) (State) (Zip Code) (Area Code / Phone Number)

Christi D. Griffin 5/10/16 christi@griffinlawtn.com  
(Signature) (Date) (E-mail Address)

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

Health Services and Development Agency  
Andrew Jackson Building, 9<sup>th</sup> 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.

**Original Application**

**Copy**

**TN Orthopedics**

**PC**

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**SECTION A: APPLICANT PROFILE**

<b>1.</b>	<b><u>Name of Facility, Agency, or Institution</u></b>		
	Tennessee Orthopedics, P.C. Name		
	101 Physician's Way Street or Route		Wilson County
	Lebanon City	TN State	37090 Zip Code
<b>2.</b>	<b><u>Contact Person Available for Responses to Questions</u></b>		
	Christi D. Griffin, Esq. Name		Attorney Title
	Griffin Law Office Company Name		christi@griffinlawtn.com Email address
	113 E. Main Street Street or Route	Lebanon City	TN State
	Legal Counsel Association with Owner	(615) 668-0462 Phone Number	37087 Zip Code (615) 444-4877 Fax Number
<b>3.</b>	<b><u>Owner of the Facility, Agency or Institution</u></b>		[See Attachment A, Applicant Profile-3(A) and (B)]
	Roy C. Terry, M.D. Name		(615) 449-0990 Phone Number
	101 Physician's Way Street or Route		Wilson County
	Lebanon City	TN State	37090 Zip Code
<b>4.</b>	<b><u>Type of Ownership of Control (Check One)</u></b>		[See Attachment A, Applicant Profile-4]
	A. Sole Proprietorship _____	F. Government (State of TN or Political Subdivision) _____	
	B. Partnership _____	G. Joint Venture _____	
	C. Limited Partnership _____	H. Limited Liability Company _____	
	D. Corporation (For Profit) _____	I. Other (Specify) _____	XXX
	E. Corporation (Not-for-Profit) _____	Professional Corporation	

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

**0001**

5. **Name of Management/Operating Entity (If Applicable)** [See Attachment A, Applicant Profile-5]

**Custom Surgical Consultants, LLC**  
 Name \_\_\_\_\_

**1151 Heaps Road** \_\_\_\_\_ **Harford** \_\_\_\_\_  
 Street or Route County

**Street** \_\_\_\_\_ **MD** \_\_\_\_\_ **21154** \_\_\_\_\_  
 City State Zip Code

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

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6. **Legal Interest in the Site of the Institution (Check One)** [See Attachment A, Applicant Profile-6]

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

B. Option to Purchase \_\_\_\_\_ E. Other (Specify) \_\_\_\_\_  
 C. Lease of 7 Years XXXX

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

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

A. Hospital (Specify) _____	I. Nursing Home _____
B. Ambulatory Surgical Treatment Center (ASTC), Multi-Specialty <u>XXXX</u>	J. Outpatient Diagnostic Center _____
C. ASTC, Single Specialty _____	K. Recuperation Center _____
D. Home Health Agency _____	L. Rehabilitation Facility _____
E. Hospice _____	M. Residential Hospice _____
F. Mental Health Hospital _____	N. Non-Residential Methadone Facility _____
G. Mental Health Residential Treatment Facility _____	O. Birthing Center _____
H. Mental Retardation Institutional Habilitation Facility (ICF/MR) _____	P. Other Outpatient Facility (Specify) _____
	Q. Other (Specify) _____

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

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

9. **Bed Complement Data**

"N/A"

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

	<u>Current Beds Licensed</u>	<u>*CON</u>	<u>Staffed Beds</u>	<u>Beds Proposed</u>	<u>TOTAL Beds at Completion</u>
A. Medical	_____	_____	_____	_____	_____
B. Surgical	_____	_____	_____	_____	_____
C. Long-Term Care Hospital	_____	_____	_____	_____	_____
D. Obstetrical	_____	_____	_____	_____	_____
E. ICU/CCU	_____	_____	_____	_____	_____
F. Neonatal	_____	_____	_____	_____	_____
G. Pediatric	_____	_____	_____	_____	_____
H. Adult Psychiatric	_____	_____	_____	_____	_____
I. Geriatric Psychiatric	_____	_____	_____	_____	_____
J. Child/Adolescent Psychiatric	_____	_____	_____	_____	_____
K. Rehabilitation	_____	_____	_____	_____	_____
L. Nursing Facility (non-Medicaid Certified)	_____	_____	_____	_____	_____
M. Nursing Facility Level 1 (Medicaid only)	_____	_____	_____	_____	_____
N. Nursing Facility Level 2 (Medicare only)	_____	_____	_____	_____	_____
O. Nursing Facility Level 2 (dually certified Medicaid/Medicare)	_____	_____	_____	_____	_____
P. ICF/MR	_____	_____	_____	_____	_____
Q. Adult Chemical Dependency	_____	_____	_____	_____	_____
R. Child and Adolescent Chemical Dependency	_____	_____	_____	_____	_____
S. Swing Beds	_____	_____	_____	_____	_____
T. Mental Health Residential Treatment	_____	_____	_____	_____	_____
U. Residential Hospice	_____	_____	_____	_____	_____
<b>TOTAL</b>	_____	_____	_____	_____	_____

\*CON-Beds approved but not yet in service

10. Medicare Provider Number To be obtained

Certification Type ASTC

11. Medicaid Provider Number To be obtained

Certification Type ASTC

12. If this is a new facility, will certification be sought for Medicare and/or Medicaid? Yes.

13. **Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area.** [See Attachment A, Applicant Profile-13]

Will this project involve the treatment of TennCare participants? Yes.

If the response to this item is yes, please identify all MCOs/BHOs with which the applicant has contracted or plans to contract. [See Attachment A, Applicant Profile-13]

Discuss any out-of-network relationship in place with MCOs/BHOs in the area. [See Attachment A, Applicant Profile-13]

## **SECTION B: PROJECT DESCRIPTION**

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

**RESPONSE: Proposed Services.** Applicant proposes to establish and license a multi-specialty ambulatory surgery treatment center ("ASTC") primarily serving Wilson, Smith, Macon and Trousdale Counties. The ASTC will be located in a new medical park in the City of Lebanon (Wilson County) immediately off of Interstate 40 at Exit 236. The location at Exit 236 makes the ASTC convenient for patients travelling from any of the four counties comprising Applicant's primary service area.

**Ownership Structure.** Tennessee Orthopedics is a medical professional corporation 100% owned by Roy C. Terry, M.D. The corporation is a sophisticated orthopedic surgery medical practice providing in-office MRI, x-ray and physical therapy services. The ASTC is a natural expansion of services.<sup>1</sup>

**Service Area.** Applicant's primary service area for ambulatory surgery services is Wilson, Smith, Trousdale and Macon counties ("Service Area"), with 73% of Applicant's patients who receive ambulatory surgery procedures residing in these counties.

**Existing Resources / Need.** There are no multi-specialty ASTC resources in Applicant's Service Area. ASTC outmigration for multi-specialty ASTC services is 100%. ASTC outmigration for all ASTC services (e.g., multi-specialty, dual-specialty and single-specialty) was 63%-78% in 2014 and 63%-79% in 2015. Hospital-based ambulatory surgery outmigration was 52% in 2014.<sup>2</sup> The CON Board has previously approved two CON's adding multi-specialty ASTC services to the Service Area, but those CON's were never implemented and the need for multi-specialty ASTC services remains.

The only ASTC resources in the Service Area are two single specialty centers and one dual specialty center. Applicant's ASTC will not compete with these small-scale specialty centers. The only hospital-based ambulatory surgery program providing comparable multi-specialty services in terms of volume is Tennova Healthcare-Lebanon (formerly University Medical Center). Applying the utilization criteria applicable to ASTC's, Tennova's 2014 ambulatory surgery utilization of 88% of Full Capacity was well above the 70% optimum utilization threshold required to establish new ASTC services.<sup>3</sup>

**Support by Surgeons.** Applicant employs three orthopedic surgeons who will utilize the ASTC as appropriate for their patients and the community. Applicant conservatively estimates that an additional thirteen surgeons will support the ATSC, performing at least two surgeries weekly. Dentists needing surgical facilities for vulnerable patients requiring general anesthesia, but who encounter difficulty accessing hospital-based surgical suites, will be able to utilize Applicant's ASTC.

**Contribution to Orderly Delivery of Healthcare.** Applicant's ASTC will contribute to the orderly delivery of healthcare by establishing a new multi-specialty ASTC in Wilson County, to serve the community and patients. Applicant's service area is Federally designated as a Medically Underserved Area and Medically

<sup>1</sup> If the CON is approved, Applicant anticipates transferring the CON to a yet-to-be-formed legal entity that will own the ASTC as required for Medicare certification. Such transfer will be requested prior to implementation of the CON.

<sup>2</sup> The hospital-based data for 2015 is not yet available.

<sup>3</sup> The Revised CON Standards and Criteria for Ambulatory Surgical Treatment Centers ("ASTC Standards") define Full Capacity as 1,263 Cases annually for an Operating Room ("OR") and 2,667 Cases annually for a Procedure Room ("PR"). A "Case" is defined as one visit to an outpatient OR or PR regardless of the number of surgeries or procedures performed. The ASTC Standards require that ASTC utilization be 70% or above of Full Capacity before new or expanded ASTC services are placed into the community.

Underserved Population. Applicant does not discriminate against patients based on their income or payer source. Eighteen percent of Applicant's patients are TennCare/Medicaid and 10% are indigent/charity care. Establishing an ASTC in Wilson County will materially and meaningfully increase access to quality and affordable health services to this medically underserved and vulnerable population.

Facility Specifications / Design. Applicant's ASTC will be housed in a segregated wing of Applicant's new medical building that was completed in March 2016. The ASTC wing will be a 5,684 square foot state of the art surgical facility offering three ORs, one PR, four recovery rooms, and two 23-hour recovery rooms. The construction required for the project is interior build-out only.

Project Cost / Resources. The Estimated Project Cost, exclusive of the CON filing fee, is \$2,720,555. The ASTC will be financed through a commercial loan that will fund initial lease expense, surgical equipment acquisition, and first six months' of working capital. The project is expected to be operational 15 to 18 months after CON approval, and is expected to be profitable within twelve months. The total construction cost for the ASTC suite build-out is estimated to be \$121/SF, which is less than the estimated per square foot construction cost for three recently approved ASTC projects:

Southern Hills Ambulatory Surgery Center	\$360/SF	Approved CON on Appeal
Maury Regional Ambulatory Surgery Center	\$224/SF	Licensed 2013
Indian Lakes Surgery Center	\$290/SF	Licensed 2014

Financial Feasibility. Applicant projects the following in Year 1 and Year 2 of operations:

	<u>Year 1 (2018)</u>	<u>Year 2 (2019)</u> <i>10% Increase</i>
Operating Room Cases	2,887	3,176
Cases Per OR (3 OR's)	962	1,059
% of Full Capacity per OR	76%	119%
Procedure Room Cases	3,649	4,014
Cases Per PR (1 PR)	3,649	4,014
% of Full Capacity per PR	137%	151%
Net Operating Income	\$1,624,357	\$1,813,890

Applicant's proposed average gross patient charge of \$3,762 is 62% less than the recently approved Indian Lake Surgery Center and 27% less than Patient Partners Surgery Center (both in Sumner County). There are no multi-specialty ASTC's in Applicant's Service Area to compare charges. As reported in the 2014 Hospital Discharge Data System<sup>4</sup>, the average gross patient charge for the three hospitals in the service area are \$28,279 for Tennova Healthcare-Lebanon, \$8,541 for Riverview Regional Medical Center, and \$3,721 for Macon County General Hospital.<sup>5</sup>

Staffing. Staffing for the ASTC is 25.2 FTE's, comprised of RNs, surgical technologists, administrative staff, a site administrator, and a third-party ASC manager. Projected Year 1 salary expense is \$1,494,772. The proposed hourly wage rates exceed those for similar occupations reported by the U.S. Bureau of Labor Statistics and the Tennessee Department of Labor and Workforce Development.

<sup>4</sup> State of Tennessee Department of Health, Division of Policy, Planning and Assessment, "Hospital Discharge Data System 2014."

<sup>5</sup> It is well-established that hospital-based ambulatory surgery is markedly more costly than ambulatory surgeries performed in a freestanding ASTC. See Am J Gastroenterol. 2013 Jan;108(1):10-5. doi: 10.1038/ajg.2012.183, <http://www.ncbi.nlm.nih.gov/pubmed/23287938> ("The study demonstrates that continued growth of ASCs could reduce Medicare spending, because ASCs are paid a fraction of the amount paid to hospital outpatient departments for the same services.") See also Footnotes 8 and 34-37.

II. Provide a detailed narrative of the project by addressing the following items as they relate to the proposal.

A. Describe the construction, modification and/or renovation of the facility (exclusive of major medical equipment covered by T.C.A. § 68-11-1601 et seq.) including square footage, major operational areas, room configuration, etc. Applicants with hospital projects (construction cost in excess of \$5 million) and other facility projects (construction cost in excess of \$2 million) should complete the Square Footage and Cost per Square Footage Chart. Utilizing the attached Chart, applicants with hospital projects should complete Parts A.-E. by identifying as applicable nursing units, ancillary areas, and support areas affected by this project. Provide the location of the unit/service within the existing facility along with current square footage, where, if any, the unit/service will relocate temporarily during construction and renovation, and then the location of the unit/service with proposed square footage. The total cost per square foot should provide a breakout between new construction and renovation cost per square foot. Other facility projects need only complete Parts B.-E. Please also discuss and justify the cost per square foot for this project.

If the project involves none of the above, describe the development of the proposal.

**RESPONSE:** The floor plan (attached below as Attachment B, Project Description-IV(A)), is for a 5,684 square foot ASTC.<sup>6</sup> The ASTC is comprised of the following distinct functional spaces:

• 3 operating rooms	• 2 sterile processing rooms	• Anesthesia office
• 1 procedure room	• 2 sterile storage rooms	• 1 multi-purpose/consult room
• 4 recovery rooms	• 2 clean rooms	• 2 offices
• 2 23-hr recovery rooms	• 1 clean utility room	• Patient/family waiting and reception
• 3 scrub stations	• 4 toilets (2 with showers; 1 with shower and lockers)	

The room configuration, square footage per room, and major operational areas are depicted on the floor plan (Attachment B, Project Description-IV(A)). The location of the ASTC within the medical building is illustrated on the building floor plan, attached below as Attachment B, Project Description-IV(B).

The ASTC will be housed in a segregated wing of a new medical office building completed in March 2016. The construction required for the project is interior build-out only. Construction will be provided by Evergreen Constructors, LLC, a fully licensed general contractor located in Lebanon, Tennessee. David Pine is the owner and a licensed civil engineer and general contractor.

The ASTC wing will be a state of the art surgical facility designed for patient safety, comfort and convenience. Applicant's ASTC will be the only multi-specialty ASTC in the city of Lebanon and the Service Area, and will offer superior efficiencies and conveniences to patients and surgeons than hospital-based ambulatory surgery programs that can be plagued with scheduling difficulties, excessive waiting times between surgeries, and higher cost structures.<sup>7</sup> The compact design of the facility is easy for surgical patients and their family members to navigate.

<sup>6</sup> The Employee Lounge shown on the ASTC plans is tenant-shared space included in the building common area. This space is therefore excluded from the ASTC square footage calculation.

<sup>7</sup> See Footnotes 8 and 34-37.

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

**RESPONSE:** "N/A." This application is for the establishment of an ASTC and does not involve any beds for health care services.



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

1. Adult Psychiatric Services
2. Alcohol and Drug Treatment for Adolescents (exceeding 28 days)
3. Birthing Center
4. Burn Units
5. Cardiac Catheterization Services
6. Child and Adolescent Psychiatric Services
7. Extracorporeal Lithotripsy
8. Home Health Services
9. Hospice Services
10. Residential Hospice
11. ICF/MR Services
12. Long-term Care Services
13. Magnetic Resonance Imaging
14. Mental Health Residential Treatment
15. Neonatal Intensive Care Unit
16. Non-Residential Methadone Treatment Centers
17. Open Heart Surgery
18. Positron Emission Tomography
19. Radiation Therapy/Linear Accelerator
20. Rehabilitation Services
21. Swing Beds

**RESPONSE:** "N/A." This application is for the establishment of an ASTC, which is not one of the enumerated items above.

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

**RESPONSE:** "N/A." This application seeks to establish a new ASTC in Applicant's existing medical facility.

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

1. For fixed-site major medical equipment (not replacing existing equipment):
  - a. Describe the new equipment, including:
    1. Total cost (As defined by Agency Rule);
    2. Expected useful life;
    3. List of clinical applications to be provided; and
    4. Documentation of FDA approval.
  - b. Provide current and proposed schedules of operations.

**RESPONSE:** "N/A." The surgical equipment needed to equip the ASTC does not rise to the thresholds of major medical equipment as defined in the Agency's rules and regulations. Each item is less than \$1.5 million, and there is no MRI, PET, EL or LA being utilized in the ASTC.

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

**RESPONSE:** "N/A." See response immediately above.

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

1. Size of site (*in acres*);
2. Location of structure on the site; and
3. Location of the proposed construction.
4. Names of streets, roads or highway that cross or border the site.  
**Please note that the drawings do not need to be drawn to scale. Plot plans are required for all projects.**

**RESPONSE:** A copy of the plot plan for the medical facility in which the ASTC will be located is attached at Attachment B, Project Description-III(A).

Size of site (in acres): 3.63 acres

Location of structure on the site: Applicant's medical facility is located on Lot 3, which is depicted on the above-referenced plot plan.

Location of the proposed construction: The external construction of the site is complete. The interior build out will take place in Applicant's medical facility located at 101 Physicians Way, Lebanon, TN 37090.

Names of streets, roads or highway that cross or border the site: 101 Physicians Way intersects with South Hartmann Drive and Franklin Road in Lebanon. The location is accessible from Interstate-40 via South Hartmann Drive at Exit 236.

- (B) 1. Describe the relationship of the site to public transportation routes, if any, and to any highway or major road developments in the area. Describe the accessibility of the proposed site to patients/clients.

**RESPONSE:** The site is located near the intersection of two major traffic arteries in Lebanon, Tennessee; Franklin Road and South Hartmann Drive. The location is immediately off of Exit 236 of Interstate I-40, the primary east-west corridor in Tennessee. This will allow ease of access for patients who reside in Wilson County as well as neighboring counties.

The location is accessible by wheel chair van, ambulance and private vehicle. The location is also accessible by public door-to-door transportation through the Mid-Cumberland Human Resource Agency serving Wilson and Trousdale counties and the Upper Cumberland Human Resource Agency serving Macon and Smith counties. The Mid-Cumberland and Upper Cumberland Human Resource Agencies each provide assistance to individuals with mobility limitations, to include wheel chair lifts and assistance ambulating.

The proposed space will have ample parking in front of the building. There is a covered patient drop-off area at the building's front door, and only a few yards from the ground-floor registration and ASTC waiting area. The location is designed to provide maximum accessibility for patients who have physical impairments, disabilities, or mobility concerns.

- IV. Attach a floor plan drawing for the facility which includes legible labeling of patient care rooms (noting private or semi-private), ancillary areas, equipment areas, etc. on an 8 1/2" x 11" sheet of white paper.

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

**RESPONSE:** See Attachments B, Project Description-IV(A) and (B).

- V. For a Home Health Agency or Hospice, identify:

1. Existing service area by County;
2. Proposed service area by County;
3. A parent or primary service provider;
4. Existing branches; and
5. Proposed branches.

**RESPONSE:** "N/A."

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

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

**RESPONSE:**

Principle No. 1: Healthy Lives (*The purpose of the State Health Plan is to improve the health of people in Tennessee*).

Applicant's ASTC will be the only multi-specialty ASTC located in the four county Service Area (e.g., Wilson, Smith, Macon and Trousdale), and will offer patients in these medically underserved areas an alternative choice of provider that does not currently exist for them. Currently, the only multi-specialty ambulatory surgery choice available to patients in the Service Area is hospital-based surgery, which is overall more costly and less efficient than ASTC-based surgery.<sup>8</sup> Surgery in a freestanding ASTC is generally 55% less costly to Medicare than hospital-based ambulatory surgery.<sup>9</sup> Similarly, perioperative time is generally, 39% shorter.<sup>10</sup>

Approximately 18% of Applicant's patients are TennCare/Medicaid beneficiaries and 10% are indigent/charity care. Applicant does not deny services to any patient because of an inability to pay. The ASTC will be located immediately off of I-40 at Exit 236 (in Lebanon at Hartmann Drive), and easily accessible to patients traveling from inside the Service Area, as well as to patients traveling from outside the Service Area. The ASTC is fully accessible to patients having permanent or temporary disabilities, requiring minimal ambulation from the parking or patient drop-off to the surgery center.

Principle No. 2: Access to Care (*People in Tennessee should have access to health care and the conditions to achieve optimal health*).

Applicant's intent in establishing the ASTC is to provide enhanced access to surgical services for the communities of Wilson, Smith, Macon and Trousdale counties (all federally designated Medically Underserved Areas and Medically Underserved Populations) in a facility that is unparalleled in the Service Area. Applicant's ASTC will provide not only enhanced access to surgical services, but access to high quality surgical services in a state of the art facility staffed by excellent surgeons who are equally committed to improving the health of individuals and the Service Area as a whole.

<sup>8</sup> Hair, Brionna, MPH, et al., "A comparison of ambulatory perioperative times in hospitals and freestanding centers," *Am J Surg.* 2012 Jul; 204(1): 23-27, Published online 2012 Feb 16. Doi: 10.1016/j.amsurg.2011.07.023. Crawford, Dennis C., et al., "Clinical and Cost Implications of Inpatient Versus Outpatient Orthopedic Surgeries: A Systematic Review of the Published Literature," *Orthop Rev (Pavia)*, 2015 Dec 28; 7(4): 6177; Published online 2015 Dec 30. doi: 10.4081/or.2015.6177 (<http://www.ncbi.nlm.nih.gov/pmc/articles/PMC47039133>). "Ambulatory surgery centers: a positive trend in health care," *Ambulatory Surgery Center Association*, Available from: <http://www.ascassociation.org/Resources/ViewDocument/?DocumentKey=7d8441a1-82dd-47b9-b626-8563dc31930c>, accessed April 22, 2016. See also Footnotes 34-37. "The ASC Cost Differential," *Ambulatory Surgery Center Association*, available from: <http://advancingsurgicalcare.com/reducinghealthcarecosts/paymentdisparitiesbetweenascsandhopds>, accessed May 17, 2016.

<sup>9</sup> Id.

<sup>10</sup> Id.

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Wilson County is the second fastest growing county in Tennessee and the tenth largest county in population; yet it is the only county of the ten largest across the state that does not have a multi-specialty ATSC. The absence of multi-specialty ATSC services clearly and unquestionably has a negative impact on health status in the Service Area. Approval of this CON will remedy the ATSC services deficiency created when the two previously approved multi-specialty ATSC CON's were not implemented.<sup>11</sup>

Principle No. 3: Economic Efficiencies (Health resources in Tennessee, including health care, should be developed to address the health of people in Tennessee while encouraging value and economic efficiencies).

Establishing the only multi-specialty ASTC in the Service Area will add a strategic health care resource to a Federally designated Medically Underserved Population characterized by above average poverty among its residents. Tennesseans residing in the Service Area will have a service not currently available to them.<sup>12</sup> As indicated in Applicant's response to Question 6(B) in Section C, Economic Feasibility of this Application, Applicant's proposed gross patient charges are less than similarly situated ASTC's in the adjacent county of Sumner and also less than any of the three hospitals in the Service Area. Applicant's ASTC will offer Service Area residents prompt, economical, efficient and focused ambulatory surgery services in a modern compact medical building that is convenient and easy to get around.

Principle No. 4: Quality of Care (People in Tennessee should have confidence that the quality of care is continually monitored and standards are adhered to by providers).

Applicant's ASTC will comply with Tennessee's ASTC licensure requirements and the Centers for Medicare and Medicaid Services ASC certification requirements. Additionally, Applicant will seek accreditation from the Accreditation Association for Ambulatory Health Care. While Applicant's ASTC will be managed by highly qualified ambulatory surgery professionals, governance and oversight will be provided by Dr. Roy Terry, a well-respected orthopedic surgeon with long-standing roots in the local community. As an orthopedic surgeon, Dr. Terry understands the unique health care needs of the surgical patient and how to deliver surgical care efficiently and efficaciously. Dr. Terry will ensure that the ASTC's patients receive the same high quality surgical services that he demands for his own patients.

Principle No. 5: Healthcare Workforce (The state should support the development, recruitment, and retention of a sufficient and quality workforce).

The ASTC will be staffed by clinical personnel who specialize in delivering ambulatory surgery services. Although Applicant's proposed facility will be the only multi-specialty ASTC in the Service Area, it is not the only facility to employ clinical surgical personnel. The service area boasts three acute hospitals, medical/surgical practice groups and ancillary surgical support providers. In addition, Cumberland University, located in Lebanon, is a full-service university offering accredited curricula in various health services including nursing. Many Cumberland students were raised in the community and seek to remain after graduation. Qualified clinical staff is also available from outside the community, including Davidson and Rutherford Counties that are a very reasonable commute to the ASTC located immediately off of the I-40 corridor.

<sup>11</sup> See discussion of "Principle No. 3" and Footnote immediately below.

<sup>12</sup> There are two previously approved multi-specialty ASTC CONs for Lebanon. However, CN0702-011 (The Lebanon Surgical Center owned by Tennova Healthcare-Lebanon) is defunct and conducting no operations. CN0906-036/ CN1302-003 (Surgery Center of Lebanon) was voluntarily surrendered. Applicant's CON seeks to add these previously approved but unimplemented ASTC resources to the Service Area.

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

**RESPONSE:** See Attachment C, Need-1(a) – ASTC Criteria and Standards.

- b. Applications that include a Change of Site for a health care institution, provide a response to General Criterion and Standards (4)(a-c).

**RESPONSE:** "N/A." The ASTC will be located in Applicant's medical facility; not in a health care institution.

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

**RESPONSE:** Applicant's long-range strategic plan includes establishing a fully integrated suite of surgical and surgical-related services not currently available in Applicant's Service Area, which is a federally designated Medical Underserved Area characterized by a high poverty and uninsured rate. The suite of services includes the proposed multi-specialty ASTC, a state-of-the art MRI scanner (CON approved), x-ray services and on-site physical therapy, all bundled in Applicant's new medical office for increased convenience and efficiency for patients. Applicant is actively growing its surgical practice, to include having recruited two highly qualified orthopedic surgeons to the community as of September 2016. Applicant also has long-standing and positive relationships with community surgeons, and many of whom Applicant expects to utilize the ASTC as appropriate for their patients.<sup>13</sup> Through the integrated suite of services, Applicant is providing service area residents with 360-degree integration of surgical services; and through the 360-degree integration, Applicant is providing Service Area residents with health care delivery choices not currently available to them. Hence, Applicant is promoting optimal health in and for the community.

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<sup>13</sup> Applicant's ASTC will supplement the ambulatory surgery resources available in the Service Area. It is not expected (or intended) to replace existing resources, but rather to provide additional resources as needed to appropriately serve the growing population in the Service Area.

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

**RESPONSE:** The Applicant's primary service area is Wilson, Smith, Macon and Trousdale counties, with 77% of Applicant's ambulatory surgical patients originating in these four counties. In addition to Applicant's main office located in Wilson County (Lebanon), Applicant maintains satellite medical offices in Smith (Carthage), Macon (LaFayette) and Sumner (Gallatin) Counties. See the county-level service area map attached at Attachment C, Need-3.

With regard to the reasonableness of the identified service area, Applicant's records show the following patient demographic data:

County	%
Wilson	35.40%
Smith	20.57%
Macon	15.28%
Trousdale	5.30%
Other	23.45%
<b>TOTAL</b>	<b>100.00%</b>

Trousdale County is included in the Service Area because it is situated in the midst of the other three counties.

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

**RESPONSE:** The U.S. Census Bureau reports that Wilson County (comprising 35.40% of Applicant's patient population) was the second fastest growing county in Tennessee and the 62<sup>nd</sup> fastest growing county in the United States, growing 2.8% in the 12-month period commencing July 1, 2014.<sup>14</sup> As Wilson County grows, population will similarly migrate into the adjacent counties comprising Applicant's Service Area. All age groups, genders and ethnicities require ambulatory surgery services. Therefore, the marked projected growth rate for the Applicant's Service Area provides strong support for establishing a new multi-specialty ASTC in the Service Area.

The population demographics for Applicant's Service Area are as follows:

(CY = 2016, PY = 2020)

Variable	Wilson	Macon	Smith	Trousdale	Service Area	Tennessee
Current Year (CY), Age 65+ <sup>1</sup>	19,933	4,023	3,395	1,355	28,706	1,091,516
Projected Year (PY), Age 65+ <sup>1</sup>	24,411	4,656	3,985	1,585	34,637	1,266,295
Age 65+, % Change	22.5%	15.7%	17.4%	17%	20.3%	16%
Age 65+, % Total (PY)	17.6%	19.2%	19.1%	18.1%	0.5%	17.8%
CY, Total Population	129,094	23,453	20,207	8,402	181,156	6,812,005
PY, Total Population	138,561	24,202	20,833	8,739	192,335	7,108,031
Total Pop. % Change	7.3%	3.2%	3.1%	4%	6.2%	4.3%
TennCare Enrollees <sup>**</sup>	14,366	5,745	3,521	1,659	25,291	1,194,242
TennCare Enrollees as a % of Total Population (CY)	11.1%	24.5%	17.4%	19.8%	14%	17.5%
Median Age <sup>***</sup>	39.8	39.6	41	39.5	40 <sup>****</sup>	38.3
Median Household Income <sup>***</sup>	\$60,095	\$34,156	\$43,988	\$37,211	\$43,863 <sup>****</sup>	\$44,621
Population % Below Poverty Level <sup>***</sup>	10.4%	21.2%	15.9%	15.9%	15.9% <sup>****</sup>	17.8%

Sources:

<sup>1</sup>2015 Revised UTCBER Population Projection Series. The University of Tennessee Center for Business and Economic Research Population Projection Data Files, Reassembled by the Tennessee Department of Health, Division of Policy, Planning and Assessment. Note: These data will not match the University of Tennessee Data exactly due to rounding.

<sup>\*\*</sup>Tennessee Division of Health Care Finance & Administration, TennCare Fiscal Year 2013-2014 Annual Report.

<sup>\*\*\*</sup>U.S. Census Bureau, American Fact Finder, Community Facts, [http://factfinder.census.gov/faces/nav/jsf/pages/community\\_facts.xhtml](http://factfinder.census.gov/faces/nav/jsf/pages/community_facts.xhtml).

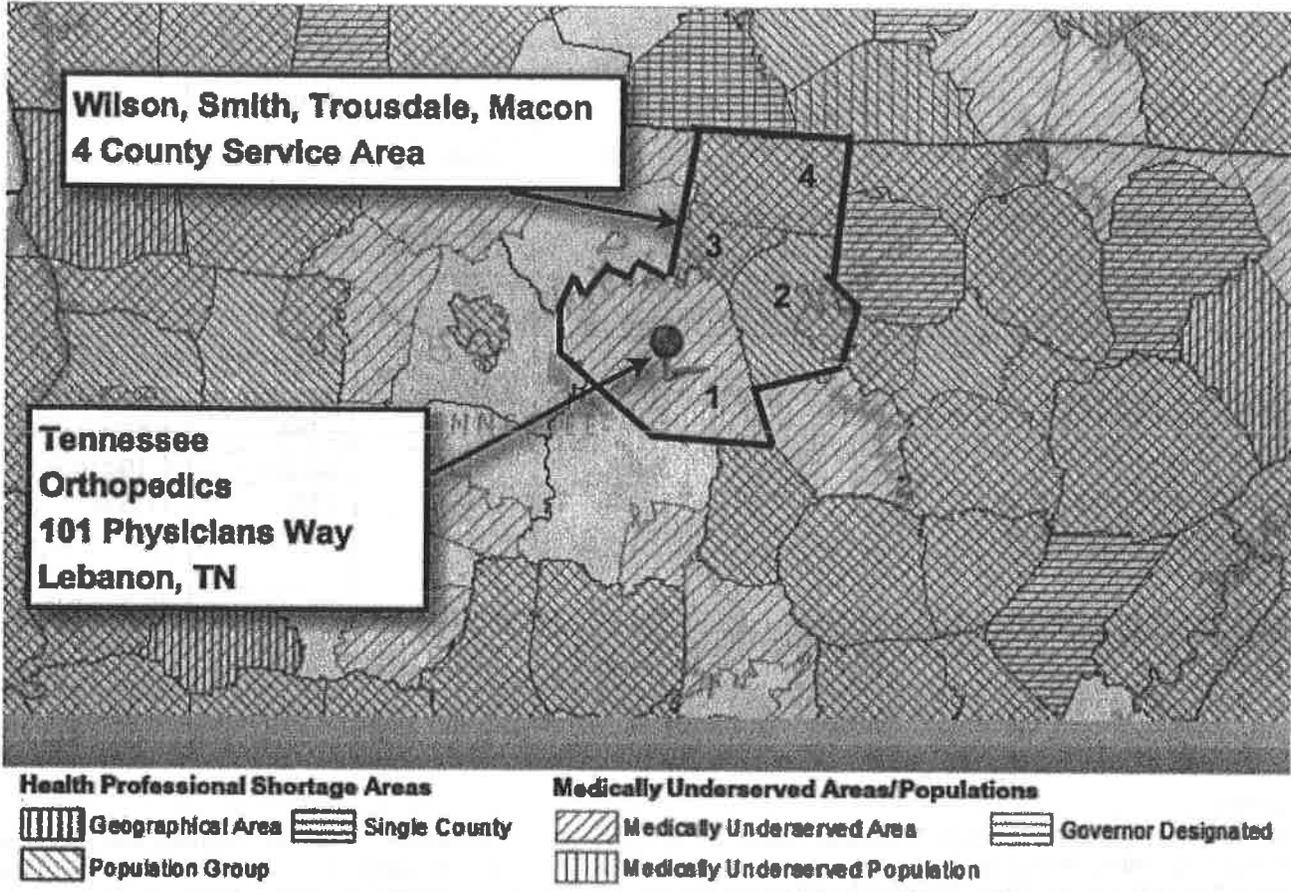
<sup>\*\*\*\*</sup>The U.S. Census Bureau Community Facts population data (cited above) does not report data for a multiple-county area. The Median Age, Median Household Income, and Population % Below Poverty Level for the four-county Service Area is therefore calculated as an average of the individual county statistics.

<sup>14</sup> <http://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmk>.

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:**

MUA/MUP Designation. As illustrated below, each county in Applicant's four-county primary service area is a Federally designated Medically Underserved Area ("MUA") and Medically Underserved Population ("MUP") by the U.S. Health Services and Resource Agency.<sup>15</sup>



A MUA is a designated geographic location or locations in which residents have a shortage of personal health services. A MUP is a group of persons who have been determined to face economic, cultural or linguistic barriers to health care. Those who reside in a MUA and/or MUP typically experience significant health disparities, and as such have diminished opportunities to achieve optimal health.<sup>16</sup> Population factors directly related to these health disparities include education, income, disability, and geographic location.<sup>17</sup>

<sup>15</sup> U.S. Department of Health and Human Services Health Resources and Services Administration Data Warehouse 2016.

<sup>16</sup> CDC. Community Health and Program Services (CHAPS): Health Disparities Among Racial/Ethnic Populations. Atlanta: U.S. Department of Health and Human Services; 2008.

<sup>17</sup> U.S. Department of Health and Human Services Office of Disease Prevention and Health Promotion (ODPHP): Healthy People 2020; 2016.

Health Disparities. With regard to health disparities related to educational level, 25.6% of Macon County, 23.9% of Trousdale County, and 19.3% of Smith County residents have not achieved a high school diploma. Data shows a direct correlation to educational level and health status. Those with lower educational level are more likely to experience, obesity, substance abuse, and intentional or unintentional injury. Macon County, in particular, ranks fourth in the State among 95 counties for all-cause mortality, and Smith County ranked 15<sup>th</sup> in the State.<sup>18</sup>

With regard to health disparities related to poverty level, 21.2% of Macon County, 15.9% for Smith and Trousdale County, and 10.4% of Wilson County residents are living below the Federal poverty level. With regard to health disparities related to disability status, the incidence of Service Area residents who are "under age 65 with a disability" is notable at 14.7% for Macon County, 13% for Smith County, 12.7% for Trousdale County, and 8.5% for Wilson County.<sup>19</sup>

Vulnerable Populations. The Service Area is comprised of vulnerable populations as described in the health disparities statistics above. Additionally, Applicant seeks to open the ASTC to dentists who treat vulnerable populations requiring general anesthesia for dental work. These populations include children, the elderly, and persons with intellectual disabilities and dementia who are unable to withstand dental treatment in the dental office. Hospitals are reluctant to open their OR's for dental procedures, and as a result many of these vulnerable patients must wait for extended periods of time until the dentist can either be credentialed to utilize the OR or the hospital will permit the dentist to schedule OR time.

Patient and Community Outreach. Applicant has established a patient and community outreach program that helps patients of limited means and abilities to access health services, including partnering with the community hospitals to participate in free health fairs and events for the public, partnering with public schools to provide orthopedic services to student athletes, making house calls at long-term care facilities to provide medical services to fragile residents who have difficulty travelling to a medical office, and employing bilingual staff to better serve the growing Hispanic population. Applicant participates in the TennCare managed care plans and with Medicare, with approximately 18% of Applicant's patient census being TennCare and 20% being Medicare/Medicare Advantage. Applicant does not cap the number of patients who will be accepted from particular insurance providers, including TennCare and Medicare patients. Additionally, Applicant provides medical services to all patients without regard to their ability to pay.

Access to Health Services. Residents of the Service Area face more challenges in accessing quality health services than residents of more affluent counties, in part because they tend have more limited financial means, less ability to travel, and a diminished likelihood of identifying and correcting health disparities that are affecting their health and livelihood. Establishing an ASTC in the Service Area will result in Service Area residents being able to access the services with fewer barriers and less expense. Service Area residents will not have to travel outside of the Service Area to receive ASTC services, which is helpful to those residents with transportation limitations; and those Service Area residents who are uninsured or underinsured will be able to receive the ASTC services at less out-of-pocket cost.<sup>20</sup> Similarly, Service Area residents will not have to navigate the logistical challenges of traveling beyond the Service Area to the more congested Davidson and Sumner County areas.

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<sup>18</sup> Tennessee Death Statistical System, 2007-2009: Infant Mortality, All Cause Mortality, Heart Disease Mortality, Stroke Mortality, CLRD Mortality, Diabetes Mortality.

<sup>19</sup> U.S. Census Bureau, American Community Survey Reports, ACS-29, Older Americans With a Disability: 2008-2012, U.S. Government Printing Office, Washington, DC, 2014.

<sup>20</sup> See Footnotes 8, 34-37.

5. Describe the existing or certified services, including approved but unimplemented CONs, of similar institutions in the service area. Include utilization and/or occupancy trends for each of the most recent three years of data available for this type of project. Be certain to list each institution and its utilization and/or occupancy individually. Inpatient bed projects must include the following data: admissions or discharges, patient days, and occupancy. Other projects should use the most appropriate measures, e.g., cases, procedures, visits, admissions, etc.

**RESPONSE:** The most recent three-year utilization of existing ambulatory surgery services (e.g., ASTC and hospital-based) in the Service Area is attached as Attachment C, Need-5(A).

There are no multi-specialty ASTC resources in Applicant's four-county Service Area. Outmigration for multi-specialty ASTC services is 100%. The outmigration for all ASTC services (e.g., specialty and multi-specialty) is astounding. In 2014, outmigration from the Service Area for all ASTC services ranged from 63% to 78%. In 2015, the outmigration ASTC outmigration for all ASTC services ranged from 63% to 79%. Particularly, Wilson County outmigration was 78% in each of 2014 and 2015. In 2014, hospital-based ambulatory surgery outmigration from the Service Area was 52%.<sup>21</sup> The outmigration statistics demonstrate that Service Area residents either do not have an appropriate choice for ambulatory surgery, or do not wish to utilize the existing resources. (See Primary Service Area Outmigration Report, Attachment C, Need-5(B)).

The CON Board has previously recognized the need for multi-specialty ASTC services through the approval of two ASTC's that were to be established in Lebanon. However, neither of these CONs was implemented. The defunct Lebanon Surgical Center was a multi-specialty ASTC approved in 2007 for expansion to three OR's and two PR's.<sup>22</sup> The CON expired before the expansion was made and the center has been closed since at least July 1, 2013.<sup>23</sup> In 2010, the CON Board approved a CON for the Surgery Center of Lebanon to establish a multi-specialty ASTC with three ORs and 1 PR, but the CON was voluntarily surrendered and not implemented.<sup>24</sup> None of these approved resources has been replaced, and as a result there is a deficit of multi-specialty ASTC services in the Service Area.

With regard to existing ASTC resources in the Service Area, there are two single-specialty ASTCs and one dual-specialty ASTC in the City of Lebanon. Lebanon Endoscopy Center is a single-specialty ASTC limited to endoscopies. Wilson County Eye Surgery Center is similarly a single-specialty ASTC limited to surgeries of the eye. Providence Surgery Center is a dual-specialty ASTC located in Mount Juliet limited to orthopedic surgery and pain management. These are the only ASTC's in the Service Area, and were never intended to meet the Service Area need for multi-specialty surgery.

Applicant's ASTC will not compete with the foregoing existing ASTCs for the following three reasons:

- With regard to Providence Surgery Center, the orthopedic surgeons who will be utilizing Applicant's ASTC do not utilize the Providence Surgery Center. It is not convenient for the surgeons or their patients.

<sup>21</sup> Data for 2015 hospital-based ASC utilization is not available.

<sup>22</sup> CN0702-011.

<sup>23</sup> The Tennessee Health Care Facilities Licensure database lists the Lebanon Surgical Center as "closed." The 2013-2014 ASTC Joint Annual Report shows no utilization during the July 1, 2013-June 1, 2014 reporting period, and the Lebanon Surgical Center does not appear on the 2014-15 ASTC JAR.

<sup>24</sup> CN0906-036 and CN1302-003, Surgery Center of Lebanon. Dr. Terry was an owner of the approved ASTC. The CON was voluntarily surrendered after certain owners withdrew from the project, making construction of the ASTC infeasible.

- Orthopedic surgery patients receiving surgery at Applicant's ASTC will originate in Applicant's medical practice offices located in Lebanon, Carthage, Gallatin and LaFayette. These are not patients who would normally choose to travel to Mount Juliet for surgery at Providence Surgery Center.
- The community surgeons who have expressed support for Applicant's ASTC do not perform endoscopic or ophthalmologic procedures. Thus, there is no overlap of patients between Applicant's ASTC and any of the three existing limited-scope ASTC's.

There are three general hospitals in the primary service area that provide ambulatory surgery as part of the hospitals' inpatient surgical services.

- Tennova Healthcare-Lebanon (formerly University Medical Center) is a 245 bed acute care hospital. Tennova has four designated outpatient ORs that in 2014 were utilized at 88% of Full Capacity.<sup>25</sup>
- Macon County General Hospital in LaFayette is a 25-bed critical access hospital. Macon County has one designated outpatient OR that in 2014 was utilized at 67% of Full Capacity. Even though Macon County is just 3% shy of the 70% Full Capacity threshold, the hospital does not have the bandwidth to perform multi-specialty surgeries and procedures of the complexity and at the volume that will be performed at Applicant's ASTC.
- Riverview Regional Medical Center in Carthage is a 35-bed critical access hospital that does not offer ambulatory surgery separate from the inpatient surgical services. It is therefore not possible to calculate Riverview Regional's capacity as defined in the ASTC CON Standards.<sup>26</sup> Like Macon County General, does not have the bandwidth to perform multi-specialty surgeries and procedures of the complexity and at the volume that will be performed at Applicant's ASTC.

The approval of Applicant's ASTC will add currently non-existent, but much-needed, ASTC services to the Service Area. Applicant's ASTC will provide the additional ASTC ORs and PRs that the CON Board sought to add to the Service Area through two previous CON projects that were not implemented. Applicant's ASTC will also prepare the Service Area to meet the rising health care needs of a rapidly growing population and economy, while providing the services less expensively and more efficiently than hospital-based ambulatory surgery services.<sup>27</sup>

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<sup>25</sup> Tennova's 2014 Joint Annual Report utilization data for outpatient surgery services reported number of Procedures performed in the outpatient ORs; not the number of Encounters (the hospital-based equivalent to ASTC "Cases"). Tennova's utilization calculation was therefore based on reported Procedures because that was the only data available.

<sup>26</sup> In 2014, Riverview Regional Medical Center performed 1,000 outpatient Encounters and 156 inpatient surgeries utilizing two general purpose ORs.

<sup>27</sup> See Footnotes 8 and 34-37.

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

**RESPONSE:** Applicant seeks to establish a new multi-specialty ASTC; therefore, historical data is not available. Projected utilization and the supporting methodology are as follows. (See also the Projected Data Chart.)

Projected Utilization

	<u>Year 1 (2018)</u>	<u>Year 2 (2019)</u> <i>10% Increase</i>
Surgical Cases (OR) <sup>28</sup>	2,887	3,176
Cases Per OR (3 OR's)	962	1,059
% Full Capacity per OR <sup>29</sup>	76%	119%
Non-Surgical Cases (PR) <sup>30</sup>	3,649	4,014
Cases Per PR (1 PR)	3,649	4,014
% Full Capacity per PR	137%	151%

Projection Methodology

1. From 5/15/15 through 4/15/16 Tennessee Orthopedics performed a total of 3,345 ambulatory non-surgical cases. Annualized this would be 3,649 non-surgical ambulatory cases per year.
2. Tennessee Orthopedics currently has 1 Orthopedic Surgeon and 2 mid-level providers.
3. Dr. Terry performed 721 annualized ambulatory surgical cases and Dr. Terry and the 2 mid-level providers performed 3,649 annualized non-surgical ambulatory procedure room cases per year.
4. Tennessee Orthopedics has entered into employment contracts with two new orthopedic surgeons who will join the practice on or before September 1, 2016. It is estimated that they will each perform at least 60% of Dr. Terry's annualized number of ambulatory surgical cases in the year 2018. This would project that they would each perform 433 ambulatory surgical cases per year in 2018.

<sup>28</sup> A surgical case is one in which general and/or monitored anesthesia care is employed and must be performed in an operating room equipped with anesthesia equipment.

<sup>29</sup> The ASTC Standards and Criteria require OR's and PR's to be utilized at 70% of Full Capacity in order for need for additional resources to be established.

<sup>30</sup> A non-surgical case is one in which local and/or intravenous sedation is employed, and may be performed in a procedure room as opposed to an operating room.

5. Additional surgeons external to Tennessee Orthopedics have expressed a very strong interest in applying for privileges at the Tennessee Orthopedics ASTC beginning when it anticipates opening in 2018. There are currently 13 surgeons not affiliated with Applicant who have expressed this interest in the following specialties:

a. General Surgery	-	3
b. ENT	-	1
c. Podiatry	-	1
d. GYN	-	1
e. Plastic Surgery	-	2
g. Dental	-	5

6. If each of these additional surgeons only performs 2 ambulatory surgical cases per week for 50 weeks, this would equal 1,300 surgical cases per year.

7. Determination of surgical room requirements for Tennessee Orthopedics ASTC:

a. Roy Terry, MD	-	721 Surgical Cases
b. New Surgeon 1	-	433 Surgical Cases
c. New Surgeon 2	-	433 Surgical Cases
d. 13 Additional Surgeons	-	<u>1,300</u> Surgical Cases
		2,887

- |                                     |   |  |
|-------------------------------------|---|--|
| 8. Total Surgical Cases Year 1      | - | 2,887/year   |
| 3 Operating Rooms                   | - | 962 Cases per OR Year 1                                |
| Total OR Cases Year 2 <sup>31</sup> | - | 1,059 Cases per OR Year 2                              |
| TN State Health Plan                | - | 1,263/70%=884 Cases/OR/Yr Required to Establish Need   |
| Percent of Full Capacity Year 1     | - | 76%  |
| Percent of Full Capacity Year 2     | - | 119%   |
| <br>                                |   |  |
| Total Non-Surgical Cases Year 1     | - | 3,649/year   |
| 1 Procedure Room                    | - | ***  |
| Total PR Cases Year 2 <sup>32</sup> | - | 4,014/year   |
| TN State Health Plan                | - | 2,667/70%=1,867 Cases/PR/Yr Required to Establish Need |
| Percent of Full Capacity Year 1     | - | 137%   |
| Percent of Full Capacity Year 2     | - | 151%   |

<sup>31</sup> Assume 10% increase in utilization.

<sup>32</sup> Assume 10% increase in utilization.

## ECONOMIC FEASIBILITY

1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.

- All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)
- The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.
- The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.
- physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.
- For projects that include new construction, modification, and/or renovation; documentation must be provided from a contractor and/or architect that support the estimated construction costs.

**Response:** The Contractor's build-out estimate is attached as Attachment C, Economic Feasibility-1.

The Project Cost Chart that follows this page documents the following Total Estimated Cost for this project:

A. Architectural and Engineering Fees:	\$ 30,000
B. Legal, Administrative and Consulting Fees:	130,000
C. Moveable Equipment	677,249
D. Facility:	1,883,306
E. Estimated Project Cost (exclusive of CON filing fee):	<u>2,720,555</u>
F. CON Filing Fee:	6,121
Total Estimated Project Cost:	<u>2,726,676</u>

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## PROJECT COSTS CHART

A.	Construction and equipment acquired by purchase:		
	1. Architectural and Engineering Fees	\$	30,000
	2. Legal, Administrative (Excluding CON Filing Fee), Consultant Fees	\$	130,000
	3. Acquisition of Site		
	4. Preparation of Site		
	5. Construction Costs		
	6. Contingency Fund		
	7. Fixed Equipment (Not included in Construction Contract)		
	8. Moveable Equipment (List all equipment over \$50,000)	\$	677,249
	9. Other (Specify) _____		
B.	Acquisition by gift, donation or lease: <b>Medical office space lease</b>		
	1. Facility (inclusive of building and land) <b>Medical office space lease</b>	\$	1,883,306
	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)	\$	2,720,555
E.	CON Filing Fee	\$	6,121
F.	Total Estimated Project Cost (D+E)	\$	2,726,676
		TOTAL	

2. Identify the funding sources for this project.

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

- A. Commercial loan--Letter from lending institution or guarantor stating favorable initial contract, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions; [Letter of Funding Commitment attached as Attachment C, Economic Feasibility-2.]
- B. Tax-exempt bonds--Copy of preliminary resolution or a letter from the issuing authority stating favorable initial contact and a conditional agreement from an underwriter or investment banker to proceed with the issuance;
- C. General obligation bonds—Copy of resolution from issuing authority or minutes from the appropriate meeting.
- D. Grants--Notification of intent form for grant application or notice of grant award; or
- E. Cash Reserves--Appropriate documentation from Chief Financial Officer.
- F. Other—Identify and document funding from all other sources.

**RESPONSE:** This project will be financed with a commercial loan of up to \$2.4 million to fund the first six-months of operations. Applicant anticipates that at least sixteen surgeons with surgical specialties of orthopedic, general, ENT, podiatry, plastic, gynecology and dental surgery will utilize the ASTC for their patients. These surgeons will be credentialed in advance of the ASTC's opening, resulting in immediate revenue generation. Three of these surgeons are orthopedic surgeons employed by the Applicant, and will immediately begin to perform ambulatory surgeries at the facility. The projected ambulatory surgery volume, procedure volume, and net revenues detailed on the Projected Data Chart support that the ASTC will be profitable in the first twelve months of operations.

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

**RESPONSE:** The Estimated Project Cost (exclusive of CON filing fee) in the amount of \$2,720,555 is very reasonable. The principal costs associated with the project are the seven-year ASTC lease agreement (which includes build-out) and acquisition of non-major surgical equipment. The construction costs are low as compared to recently completed ASTC projects, in part because the building in which the ASTC will lease space is already built with the landlord absorbing the initial costs of construction. Applicant is responsible for building out only the interior of the ASTC suite which keeps overall project costs down markedly.

The interior build-out costs are estimated at \$685,000. On a per square foot basis, Applicant's estimated construction cost for the 5,684 square foot building is \$121 per square foot (e.g., \$685,000 estimated build-out costs divided by 5,684 square feet). Applicant's estimated cost of construction is less costly on a per/square foot basis than three similar ASTC projects recently approved by the CON Board:

- Southern Hills Surgery Center, LLC (Davidson County) (CN 1411-047)

Estimated total square feet:	18,109 SF
Estimated project cost:	\$17,318,865
Estimated construction cost per square foot:	\$360

*Amount in Excess of Applicant's Estimated construction cost:* \$239

- Southern Sports Surgical, LLC, d/b/a Indian Lakes Surgery Center, Hendersonville (Sumner County) (CN 1204-019)

Estimated total square feet:	6,200 SF
Estimated total project cost:	\$1,798,000
Estimated construction cost per square foot:	\$290

*Amount in Excess of Applicant's Estimated construction cost:* \$169

- Maury Regional Ambulatory Surgery Center, LLC (Maury County) (CN 1111-046)

Estimated total square feet:	13,080 SF
Estimated total project cost:	\$7,894,178
Estimated construction cost per square foot:	\$224

*Amount in Excess of Applicant's Estimated GSF Cost:* \$103

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

**RESPONSE:** Applicant seeks to establish a new ASTC and there is no historical data to report. See the Projected Data Chart on the following page.

**HISTORICAL DATA CHART**

**("N/A," AS THIS APPLICATION PROPOSES NEW SERVICES)**

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

	Year 2012	Year 2013	Year 2014
A. Utilization Data (Specify unit of measure)	CPT Code	CPT Code	CPT Code
B. Revenue from Services to Patients			
1. Inpatient Services	\$ _____	\$ _____	\$ _____
2. Outpatient Services	_____	_____	_____
3. Emergency Services	_____	_____	_____
4. Other Operating Revenue (Specify) _____	_____	_____	_____
<b>Gross Operating Revenue</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>
C. Deductions from Gross Operating Revenue			
1. Contractual Adjustments	\$ _____	\$ _____	\$ _____
2. Provision for Charity Care	_____	_____	_____
3. Provisions for Bad Debt	_____	_____	_____
<b>Total Deductions</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>
<b>NET OPERATING REVENUE</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>
D. Operating Expenses			
1. Salaries and Wages	\$ _____	\$ _____	\$ _____
2. Physician's Salaries and Wages	_____	_____	_____
3. Supplies	_____	_____	_____
4. Taxes	_____	_____	_____
5. Depreciation	_____	_____	_____
6. Rent	_____	_____	_____
7. Interest, other than Capital	_____	_____	_____
8. Management Fees:			
a. Fees to Affiliates	_____	_____	_____
b. Fees to Non-Affiliates	_____	_____	_____
9. Other Expenses (Specify)	_____	_____	_____
<b>Total Operating Expenses</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>
E. Other Revenue (Expenses) – Net (Specify)	\$ _____	\$ _____	\$ _____
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>
F. Capital Expenditures			
1. Retirement of Principal	\$ _____	\$ _____	\$ _____
2. Interest	_____	_____	_____
<b>Total Capital Expenditures</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>
<b>NET OPERATING INCOME (LOSS)</b>			
<b>LESS CAPITAL EXPENDITURES</b>	<b>\$ _____</b>	<b>\$ _____</b>	<b>\$ _____</b>

**PROJECTED DATA CHART**  
45

**SUPPLEMENTAL #1**

**May 24, 2016**  
**12:48 pm**

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

	Year 2018	Year 2019
A. Utilization Data (Specify unit of measure) # OR/PR Cases	6,536	7,190
B. Revenue from Services to Patients		
1. Inpatient Services	\$ _____	\$ _____
2. Outpatient Services	24,587,855	27,046,640
3. Emergency Services	_____	_____
4. Other Operating Revenue (Specify) _____	_____	_____
<b>Gross Operating Revenue</b>	<b><u>\$24,587,855</u></b>	<b><u>\$27,046,640</u></b>
C. Deductions from Gross Operating Revenue		
1. Contractual Adjustments	\$18,382,845	\$20,221,130
2. Provision for Charity Care	620,501	682,551
3. Provisions for Bad Debt	93,075	102,383
<b>Total Deductions</b>	<b><u>\$19,096,421</u></b>	<b><u>\$21,006,063</u></b>
<b>NET OPERATING REVENUE</b>	<b><u>\$5,491,434</u></b>	<b><u>\$6,040,577</u></b>
D. Operating Expenses		
1. Salaries and Wages	\$1,434,772	\$1,578,249
2. Physician's Salaries and Wages	_____	_____
3. Supplies (Includes Drugs)	1,520,227	1,672,250
4. Taxes	109,760	120,736
5. Depreciation	_____	_____
6. Rent	258,284	261,694
7. Management Fees:		
a. Fees to Affiliates	_____	_____
b. Fees to Non-Affiliates	60,000	60,000
9. Other Expenses (Specify) Facilities, Insur., Banks, Admin., Professional Svcs., Billing Svcs., Misc., etc.)	484,034	533,759
<b>Total Operating Expenses</b>	<b><u>\$3,867,077</u></b>	<b><u>\$4,226,688</u></b>
E. Other Revenue (Expenses) -- Net (Specify)	\$ _____	\$ _____
<b>NET OPERATING INCOME (LOSS)</b>	<b><u>\$1,624,357</u></b>	<b><u>\$1,813,890</u></b>
F. Capital Expenditures		
1. Retirement of Principal	\$ _____	\$ _____
2. Interest	_____	_____
<b>Total Capital Expenditures</b>	<b><u>\$ _____</u></b>	<b><u>\$ _____</u></b>
<b>NET OPERATING INCOME (LOSS)</b>		
<b>LESS CAPITAL EXPENDITURES</b>	<b><u>\$1,624,357</u></b>	<b><u>\$1,813,890</u></b>

B) RESPONSE:

**PROJECTED DATA CHART-OTHER EXPENSES**

<b>OTHER EXPENSES</b>			
		<b>2018</b>	<b>2019</b>
TV SERVICE		\$ 740.00	\$ 740.00
INSURANCE		\$ 27,000.00	\$ 28,000.00
MED. WASTE		\$ 3,000.00	\$ 3,500.00
BANKS, ETC.		\$ 13,266.00	\$ 13,266.00
PROF. SERVICES		\$ 5,000.00	\$ 6,000.00
SERVICE AGREEMENTS		\$ 5,000.00	\$ 5,000.00
REPAIRS		\$ 4,000.00	\$ 4,000.00
TRAVEL/ENT/MEALS		\$ 1,000.00	\$ 1,000.00
UTILITIES		\$ 15,000.00	\$ 17,000.00
BILLING		\$377,758.00	\$415,534.00
LINEN SERVICES		\$ 12,360.00	\$ 13,596.00
TELEPHONE		\$ 2,043.00	\$ 2,043.00
OFFICE SUPPLIES		\$ 3,500.00	\$ 4,000.00
MISC. OTHER		\$ 14,367.00	\$ 14,367.00
<b>TOTAL</b>		<b>\$484,034.00</b>	<b>\$528,046.00</b>

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

**RESPONSE:**

Specialty	Avg. Gross Charge <sup>33</sup>	Avg. Deduction from Operating Revenue <sup>33</sup>	Avg. Net Charge <sup>33</sup>
Podiatry	\$6,946	\$5,500	\$1,446
Gynecology	\$6,239	\$4,858	\$1,381
ENT	\$6,537	\$5,168	\$1,369
Plastic	\$5,683	\$4,470	\$1,213
General Surgery	\$5,194	\$3,722	\$1,472
Dental	\$3,312	\$2,365	\$947
Orthopedic	\$9,384	\$7,230	\$2,154

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

**RESPONSE:** Applicant's proposed charge schedule will be 300% of the Medicare Ambulatory Surgery Fee Schedule then in effect. Applicant expects adjustments to charges to be comparable to those trends for the U.S. Southeast Region as reported on pp. 51-57 of the 2012 Intellimarker Benchmarking Study for Multi-Specialty ASCs (7<sup>th</sup> ed.) Anticipated net operating revenues in Year 1 and Year 2 of the ASTC's operations are projected to be \$5.49 million and \$6.04 million, respectively. (See Applicant's response to Question 6 in Section C, Need of this Application; see also Projected Data Chart provided in response to Question 4 in Section C, Economic Feasibility of this Application.)

<sup>33</sup> Average gross charge, deduction from operating revenue, and net charge derived from ASC revenue by specialty benchmarking data in the Southeastern United States, as identified in the 2012 Intellimarker Benchmarking Study for Multi-Specialty ASCs (7<sup>th</sup> ed.), published by VMG Health and referred to as the Ambulatory Surgical Centers Financial and Operational Benchmarking Study, pp. 51-57. VMG is a leader in ASC valuation, and the 2012 Multi-Specialty ASC Intellimarker benchmarking study is based on an analysis of over 201 freestanding ASCs and one million ASC cases.

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

**RESPONSE:** There are no multi-specialty ASTC's in Applicant's Service Area to compare charges. The chart below compares Applicant's proposed charges to the 2014-15 charges of two similar multi-specialty ASTC facilities located in adjacent Sumner County, and the three hospitals located in Applicant's Service Area.

Facility	2014-15 Gross Patient Charges	No. Cases	Gross Patient Charges/Case	Amt. in Excess of Applicant	% in Excess of Applicant's Charges
<i>Applicant's Proposed ASTC</i>	\$24,587,855 (Year 1 Projection)	6,536	\$3,762	N/A	N/A
Indian Lake Surgery Center (Sumner)	\$4,743,882	776	\$6,113	\$2,351	62%
Patient Partners Surgery Ctr. (Sumner)	\$21,621,609	4,539	\$4,764	\$1,002	27%
Tennova Healthcare-Lebanon	\$121,572,835	4,299	\$28,279	\$24,517	652%
Riverview Regional Medical Center South	\$7,525,172	881	\$8,541	\$4,779	127%
Macon County General Hospital	\$1,339,631	360	\$3,721	(\$41)	N/A

Sources: 2014 ASTC JAR; 2014 Hospital Discharge Data System

It is well established that hospital ambulatory surgery charges are typically much higher than freestanding ASTC charges. In April 2014, the Office of Inspector General for the U.S. Department of Health and Human Services issued a report entitled "*Medicare and Beneficiaries Could Save Billions if CMS Reduces Hospital Outpatient Department Payment Rates for Ambulatory Surgical Center-Approved Procedures to Ambulatory Surgical Center Payment Rates,*" concluding as follows:

- In CYs 2007 through 2011, Medicare saved almost \$7 billion due to outpatient surgeries being performed in freestanding ASCs as opposed to hospital-based outpatient surgery departments. Beneficiaries saved approximately \$2 billion due to lower cost-sharing.
- Medicare savings in CYs 2012 through 2017 could potentially be \$12 billion due to ASC payment rates typically being lower than hospital-based rates. Beneficiary savings could be \$7 billion.
- Additional Medicare savings of up to \$15 billion could be generated if Medicare would reduce the payment rates for hospital-based ambulatory surgery to that of the ASC rates. Beneficiaries could save an additional \$2-\$4 billion.<sup>34</sup>

<sup>34</sup> Office of Inspector General, Department of Health and Human Services, "Ambulatory Surgical Services Payment Differential in Medicare," (A-05-12-00020), April 2014, pp. 5-6.

The Ambulatory Surgery Center Association reports<sup>49</sup> that Medicare reimbursement to freestanding ASTC's is 55% less than reimbursement for hospital outpatient surgery, with patients also bearing the higher cost of hospital-based outpatient surgery due to cost-sharing responsibilities.<sup>35</sup> Similarly, a peer-reviewed study comparing the cost of inpatient to outpatient orthopedic surgery concluded that outpatient surgery was up to 50% less costly than inpatient, with 47% of the savings being attributable to higher operating room charges in the hospital setting.<sup>36</sup> The study also found that outpatient surgery facilities encountered fewer scheduling delays, offered more physician autonomy, and resulted in overall cost savings as compared to hospital surgery.<sup>37</sup>

7. Discuss how projected utilization rates will be sufficient to maintain cost-effectiveness.

**RESPONSE:** The ASTC Standards and Criteria require an ASTC to perform 884 ambulatory surgery Cases and 1,867 procedure Cases annually; and require an applicant for an ASTC CON to project ambulatory surgery and procedure volume over the first two years of the project to demonstrate that the Applicant will meet the required threshold to establish Need for the ASTC. As demonstrated in the Response to Question 6 in Section C, Need of this Application, Applicant projects that 962 and 1,059 surgical cases will be performed in each OR in the first and second year of the ASTC operations. Applicant further projects that 3,649 and 4,014 non-surgical cases will be performed in the PR in the first and second year of operations. In each case, Applicant projects utilization in excess of the minimum thresholds set forth in the ASTC Standards and Criteria. Applicant further projects that the ASTC will be profitable within the first twelve months of operations. Applicant's proposed charges are less than the Service Area hospital-based charges.<sup>38</sup> For all of these reasons, the ASTC is projected to be cost-effective as compared to other ambulatory surgery services available in the Service Area.

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

**RESPONSE:** See response to Question No. 7 immediately above. See also the Projected Data Chart. For the brief period of time in the first year of operations that the ASTC is not financially self-sustaining, Applicant will utilize a commercial line of credit to cover related expenses. (See Applicant's response to Question No. 2 in this Section C, Economic Feasibility.)

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

**RESPONSE:** As with Applicant's orthopedic surgery medical practice, MRI services and physical therapy services, the ASTC will be a significant provider of services to patients who Medicare and Medicaid beneficiaries, who are uninsured, and who are indigent. Applicant anticipates that the percentage of patients insured through the federal and state health care programs will increase as the population ages. Similarly, the percentage of TennCare/Medicaid and Indigent/Charity services offered will fluctuate with economic indicators such as recessions and unemployment. Applicant expects to continue to serve the medical needs of these patient populations as necessary to meet

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<sup>35</sup> "The ASC Cost Differential," Ambulatory Surgery Center Association.

<sup>36</sup> Crawford, "Clinical and Cost Implications of Inpatient Versus Outpatient Orthopedic Surgeries: A Systematic Review of the Published Literature."

<sup>37</sup> Id.

<sup>38</sup> 25-bed Macon County General Hospital is an exception.

their medical and health needs. Currently, Applicant's payer mix for all services is as follows.

Payment Source	Payer Mix Percentage	Year 1 Projected Net Operating Revenues	Year 1 Projected ASTC Net Revenues by Federal Payer and Indigent/Charity Care
Medicare	20%	\$5,491,434	\$1,098,287
TennCare/Medicaid	18%	\$5,491,434	\$988,458
Indigent/Charity Care	10%	\$5,491,434	\$549,143

In addition to providing indigent and charity care, Applicant's providers dedicate a lot of their time volunteering their services in the community, none of which is reflected in the "Indigent/Charity Care" category listed in the chart above.

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

**RESPONSE:** This is a new project for which there are no prior financial statements related to the ASTC. The unaudited 2015 year-end and 2016 Q-1 financial statements for Applicant's enterprise are attached as Attachment C, Economic Feasibility-10.

10. Describe all alternatives to this project which were considered and discuss the advantages and disadvantages of each alternative including but not limited to:
  - a. A discussion regarding the availability of less costly, more effective, and/or more efficient alternative methods of providing the benefits intended by the proposal. If development of such alternatives is not practicable, the applicant should justify why not; including reasons as to why they were rejected.

**RESPONSE:** The most obvious alternative to this project is to do nothing, thereby leaving the status quo in place for the citizens of Wilson, Smith, Macon and Trousdale counties. As demonstrated in the ambulatory surgery utilization report set forth in Applicant's Response to Question 5 in Section C-Need of this Application, Tennova-Lebanon's 2013-14 ambulatory surgery utilization exceeded the threshold required to establish need for additional resources by 18%. The existing resources are either too expensive (in the case of hospital-based ambulatory surgery) or too limited (in the case of single and dual specialty ASTCs). Applicant's multi-specialty ASTC provides a much-needed alternative to the existing resources that is more timely, more efficient, and more cost-effective than the existing resources.

- b. The applicant should document that <sup>51</sup> consideration has been given to alternatives to new construction, e.g., modernization or sharing arrangements. It should be documented that superior alternatives have been implemented to the maximum extent practicable.

**RESPONSE:** Applicant is proposing a new state-of-the art surgical facility offering new ASTC services in the primary service area. Thus, modernization or renovation of an existing facility is not an applicable alternative to be considered. However, Applicant's proposal will utilize space in a medical building that has already been constructed. Sharing arrangements are not an alternative because there are no ASTC surgical facilities in the primary service area that are large enough to take on the surgical volume projected for Applicant's facility; nor are there facilities that are adequately designed or equipped for the surgical specialties that will be utilizing Applicant's ASTC (including, without limitation, orthopedic surgeries). Similarly, a sharing arrangement with the local hospitals is not an alternative because the four ambulatory surgical suites do not have the capacity to efficiently accommodate Applicant's projected utilization; nor will the hospital provide the services as efficiently and cost-effectively as the Applicant.

## CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTH CARE

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

**RESPONSE:** Applicant will establish contractual arrangements with the following providers:

- A. Tenna Healthcare-Lebanon: A Transfer Agreement for the emergency transfer of patients as necessary (to be developed).
  - B. Summit Medical Center: A Transfer Agreement for the emergency transfer of patients a necessary (to be developed).
  - C. Custom Surgical Consultants, LLC: Outsourced ASTC Management Company. (See Letter of Intent attached as Attachment A, Applicant Profile-5.)
  - D. Outsourced Anesthesia Services Provider: Agreement for anesthesiologist and CRNA services. The selection of the most appropriate provider will be made after CON approval.
  - E. Outsourced Central Sterile Supply Provider: Agreement for management and central sterile processing of surgical instrumentation. The selection of the most appropriate provider will be made after CON approval.
  - F. Outsourced Third Party Billing Company: Agreement for outsourced third party billing. The selection of the most appropriate provider will be made after CON approval.
  - G. Outsourced Clinical Credentialing Services Organization: Agreement for initial and renewal credentialing of privileged surgical staff. The selection of the most appropriate provider will be made after CON approval.
2. Describe the positive and/or negative effects of the proposal on the health care system. Please be sure to discuss any instances of duplication or competition arising from your proposal including a description of the effect the proposal will have on the utilization rates of existing providers in the service area of the project.

**RESPONSE:** The positive effect of Applicant's proposal on the health care system is that, for the very first time, Tennesseans residing in the Medically Underserved Areas of Wilson, Smith, Macon and Trousdale counties will receive access to multi-specialty ASTC services located in their community. For the first time, these individuals will not have to travel to Davidson, Sumner or Rutherford counties to receive ASTC-based multi-specialty surgical services. For the first time, these individuals will have a choice other than the traditional hospital-based ambulatory surgery services, which take longer to schedule, require more time at the hospital on the day of surgery, and are more expensive (a critical issue for the high deductible health plans and uninsured and underinsured residing in the MUA). There is no negative effect from Applicant's proposal; because the new ASTC services are necessary (as demonstrated by the existing services utilization and outmigration reports attached as Attachments C, Need-5(A) and (B)), and do not infringe upon the existing utilization of the existing single/dual specialty ASTC's and hospital-based services.

0034

3. Provide the current and/or anticipated <sup>52</sup> staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the Tennessee Department of Labor & Workforce Development and/or other documented sources.

**RESPONSE:** The anticipated staffing pattern and associated wages are listed in the following table. The proposed wages are consistent with prevailing wage patterns, as published by the U.S. Bureau of Statistics and the Tennessee Department of Labor and Workforce Development. See Attachment C, Contribution to Orderly Development-3, which illustrates that Applicant's proposed wage rate exceeds prevailing area wage rates in two different databases reporting Tennessee prevailing wages by occupation.

**ASTC Staffing Model, Year 1 (2018)**

**FTE = 2,080 hrs./yr.**

Title	Hourly Rate	No. FTE's	Annual Salary Expense
Registered Nurse	\$30.68	11.8	\$753,010
Surgical Technicians	\$19.24	4.2	\$168,081
Administrative Staff	\$23.41	8.2	\$399,281
Site Administrator	\$55	1	\$114,400
ASTC Administrator (Custom Surgical Consultants, LLC)	Annual Management Fee	N/A	\$60,000
<b>TOTAL</b>		<b>25.2 + CSC Mgt Consultant</b>	<b>\$1,494,772</b>

4. Discuss the availability of and accessibility to human resources required by the proposal, including adequate physician's staff, as per the Department of Health, the Department of Mental Health and Developmental Disabilities, and/or the Division of Mental Retardation Services licensing requirements.

**RESPONSE:** Qualified surgeons and clinical staff are readily available. From a surgical staff perspective, Applicant anticipates that Applicant's three employed orthopedic surgeons and at least thirteen additional surgeons from the community will be credentialed to utilize the ASTC as of the go-live date. From a clinical staff perspective, Lebanon is a sophisticated health care community with a ready supply of trained and competent health care staff. Due to the convenient access to Lebanon from the I-40, I-840 and I-65 corridors, Lebanon also draws human resources from surrounding communities both inside and outside of Wilson County.

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

**RESPONSE:** Applicant has reviewed and understands all applicable licensing certifications for medical and clinical staff involved with the delivery of ASTC services.

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

**RESPONSE:** Applicant participates in shadowing programs with students who express interest in the health care professions. Applicant also participates in the physician assistant clinical training program at Trevecca University and the nurse practitioner clinical training program at Vanderbilt University.

**0035**

7. (a) Please verify, as applicable, that the <sup>54</sup> applicant has reviewed and understands the licensure requirements of the Department of Health, the Department of Mental Health and Developmental Disabilities, the Division of Mental Retardation Services, and/or any applicable Medicare requirements.

**RESPONSE:** Applicant has reviewed and understands the applicable licensure and Medicare requirements for ASTC services.

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

**RESPONSE:** Applicant will be licensed, certified and accredited as follows:

- Licensure: Tennessee Department of Health, Health-Related Boards Division.
- Certification: U.S. Centers for Medicare and Medicaid Services.
- Accreditation: Accreditation Association for Ambulatory Health Care.

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

**RESPONSE:** "N/A." Applicant's proposal is for a new ASTC facility.

- (d) For existing licensed providers, document that all deficiencies (if any) cited in the last licensure certification and inspection have been addressed through an approved plan of correction. Please include a copy of the most recent licensure/certification inspection with an approved plan of correction.

**RESPONSE:** "N/A." Applicant's proposal is for a new ASTC facility.

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

**RESPONSE:** None.

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

**RESPONSE:** None.

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

**RESPONSE:** Yes.

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PROOF OF PUBLICATION

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

**RESPONSE:** See Proof of Publication on the following page.

0037

## DEVELOPMENT SCHEDULE

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

1. Please complete the Project Completion Forecast Chart on the next page. If the project will be completed in multiple phases, please identify the anticipated completion date for each phase.

**RESPONSE:**

See Project Completion Forecast Chart on next page.

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.

**RESPONSE:** "N/A." The project is expected to be completed within the period of validity as defined above.

Form HF0004  
Revised 02/01/06  
Previous Forms are obsolete

0041

## PROJECT COMPLETION FORECAST CHART

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

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

Phase	DAYS REQUIRED	Anticipated Date (MONTH/YEAR)
1. Architectural and engineering contract signed	10 Days	08/2016
2. Construction documents approved by the Tennessee Department of Health	90 Days	12/2016
3. Construction contract signed	30 Days	01/2017
4. Building permit signed	60 Days	03/2017
5. Site preparation completed	N/A	N/A
6. Building construction commenced	N/A	N/A
7. Construction 40% complete	60 Days	05/2017
8. Construction 80% complete	30 Days	06/2017
9. Construction 100% complete (approved for occupancy)	90 Days	09/2017
10. *Issuance of license	120 Days	12/2017
11. *Initiation of service	30 Days	01/2018
12. Final Architectural Certification of Payment	90 Days	03/2018
13. Final Project Report Form (HF0055)	90 Days	06/2018

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

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

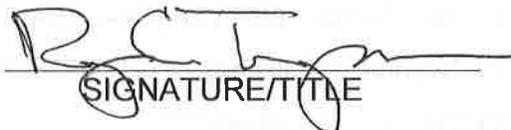
MAY 12 10 41 AM

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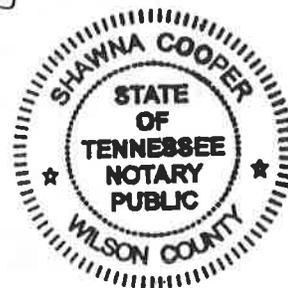
STATE OF TENNESSEE

COUNTY OF WILSON

ROY C. TERRY, M.D., 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.

  
SIGNATURE/TITLE

Sworn to and subscribed before me this 9 day of May, 2016, a Notary  
(Month) (Year)



Public in and for the County/State of Wilson County, Tennessee.

  
NOTARY PUBLIC

My commission expires March 4, 2019.  
(Month/Day) (Year)

**TennCare Managed Care Organizations Currently Operating  
in Applicant's Geographic Service Area**

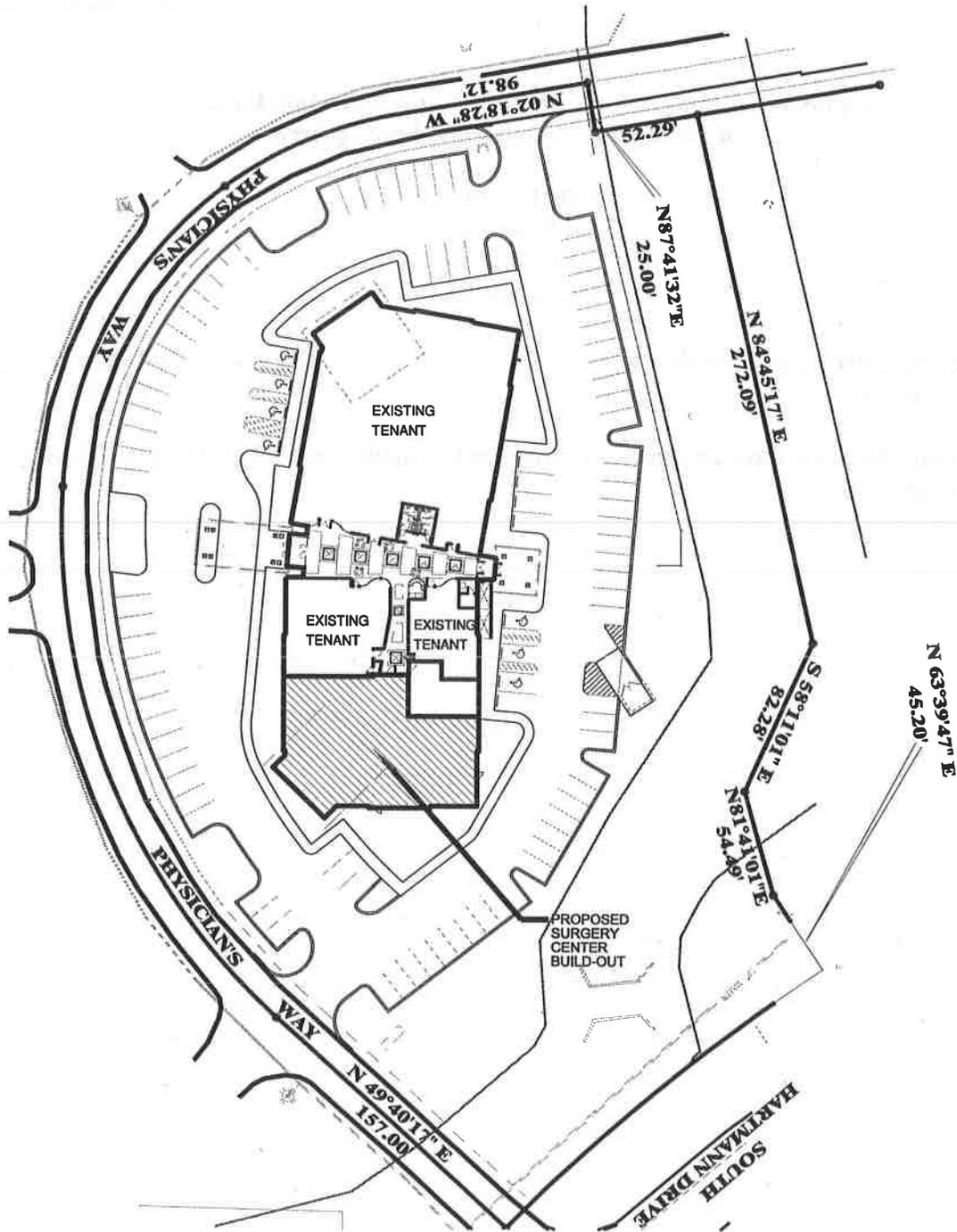
AMERIGROUP  
BlueCare  
United Healthcare Community Plan  
TennCare Select

**Applicant participates with each of the above-listed TennCare Managed Care Organizations.**

**Applicant does not have any out-of-network relationships with TennCare Managed Care Organizations.**

**0071**

Attachment B, Project Description-III(A)  
(Site Plot Plan)



**PROJECT DATA**

SITE ACREAGE: 3.63 ACRES  
ADDRESS: 101 PHYSICIAN'S WAY  
LEBANON, TENNESSEE 37087



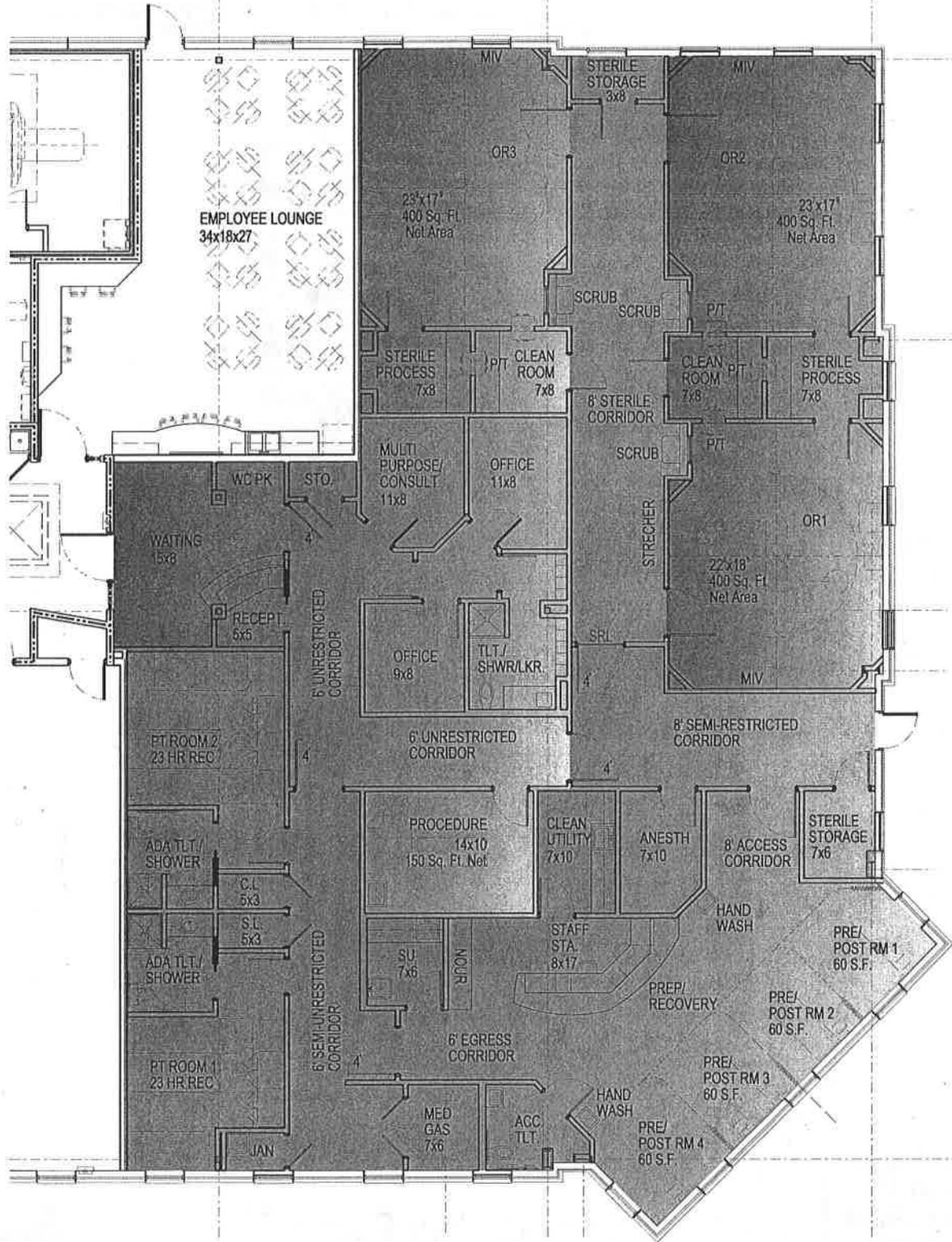
**MANOUS DESIGN**  
142 Public Square Lebanon, Tn. 37087  
v:615.444.6207 f:615.444.0853  
Michael L Manous, R.A. Mike@ManousDesign.com

THE HARTMANN MEDICAL OFFICE BUILDING  
SURGERY CENTER SUITE 113 BUILD OUT  
**DR. ROY C. TERRY**  
South Hartmann Drive & Physician's Way  
Lebanon, Tennessee



ALL INFORMATION SUBJECT TO COPYRIGHT RESTRICTIONS. MANOUS DESIGN RETAINS THE RIGHTS TO ALL INTELLECTUAL PROPERTY

0072



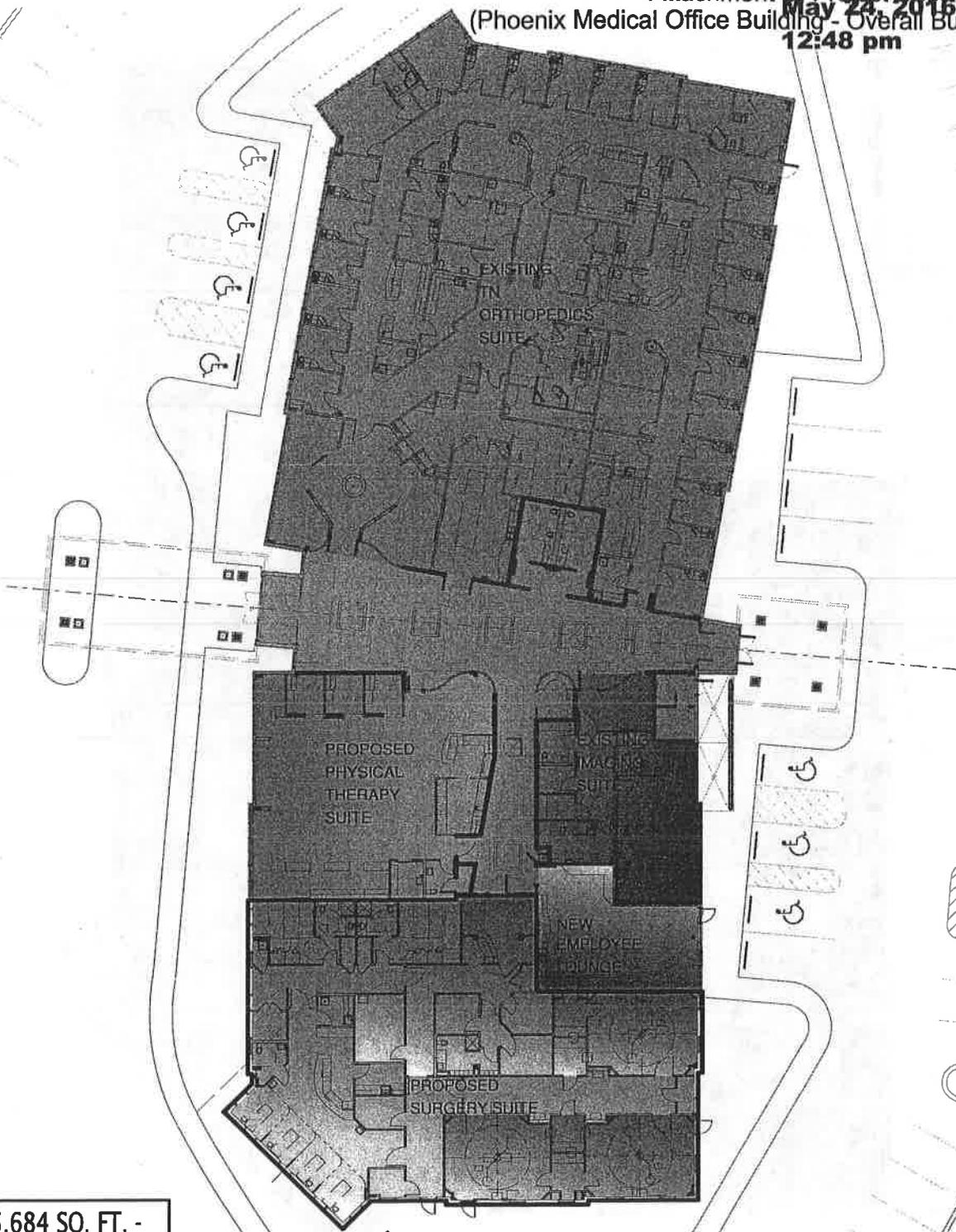
5,684 SQ. FT. - SURGERY CENTER  
827 SQ. FT. - EMPLOYEE LOUNGE

**REVISED FLOOR PLAN  
SURGERY CENTER & EMPLOYEE LOUNGE**

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

05.04.16 0 4' 8' 16' 24'

May 24, 2016  
12:48 pm



5,684 SQ. FT. -  
SURGERY CENTER  
827 SQ. FT. -  
EMPLOYEE LOUNGE

### Overall Floor Plan

SCALE: 1/32" = 1'-0"

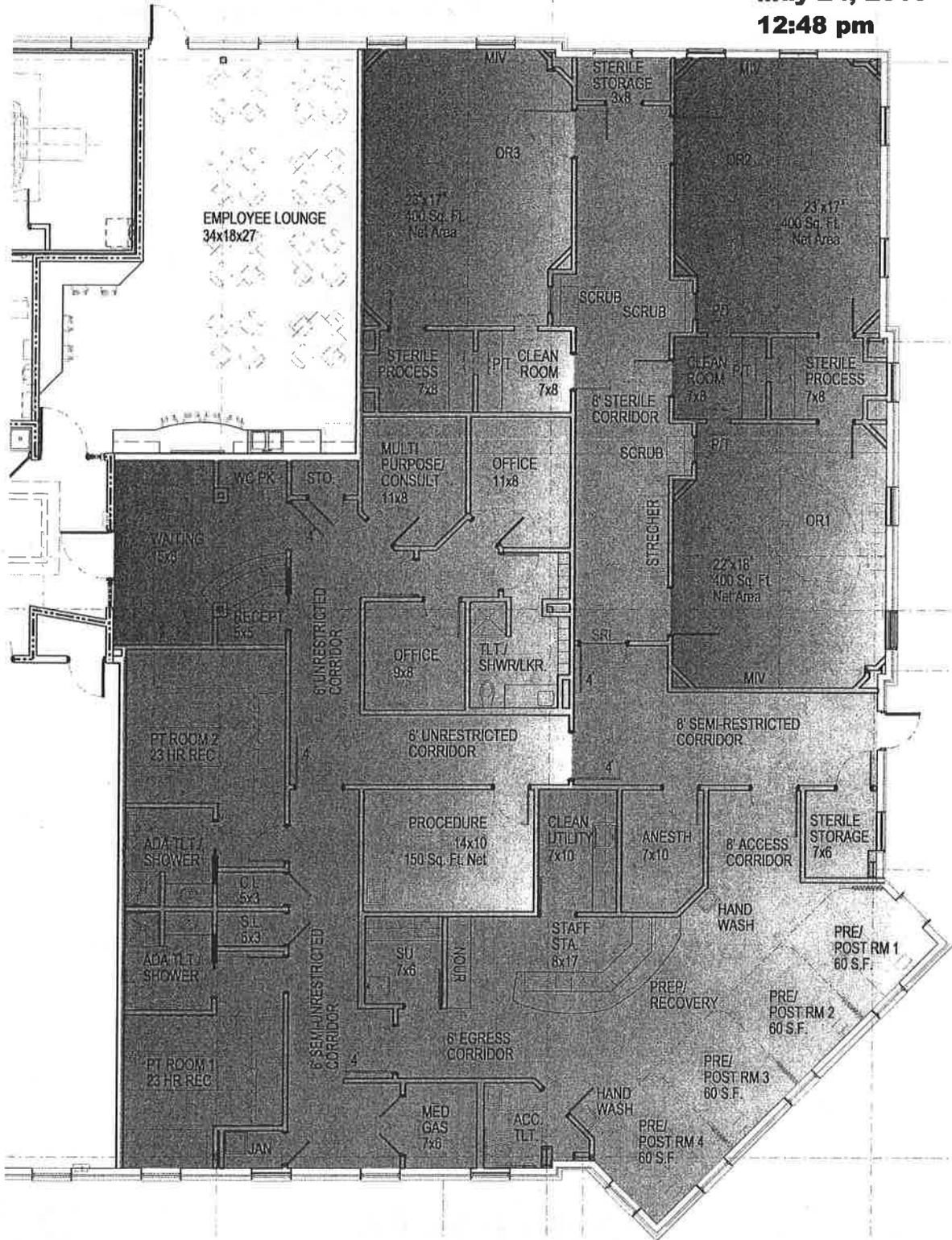
0 8' 16' 32' 48'



**MANOUS DESIGN**  
142 Public Square Lebanon, Tn. 37087  
v:615.444.6207 f:615.444.0853  
Michael L Manous, R.A. Mike@ManousDesign.com

THE HARTMANN MEDICAL OFFICE BUILDING  
SURGERY CENTER SUITE 113 BUILD OUT  
**DR. ROY C. TERRY**  
South Hartmann Drive & Physician's Way  
Lebanon, Tennessee



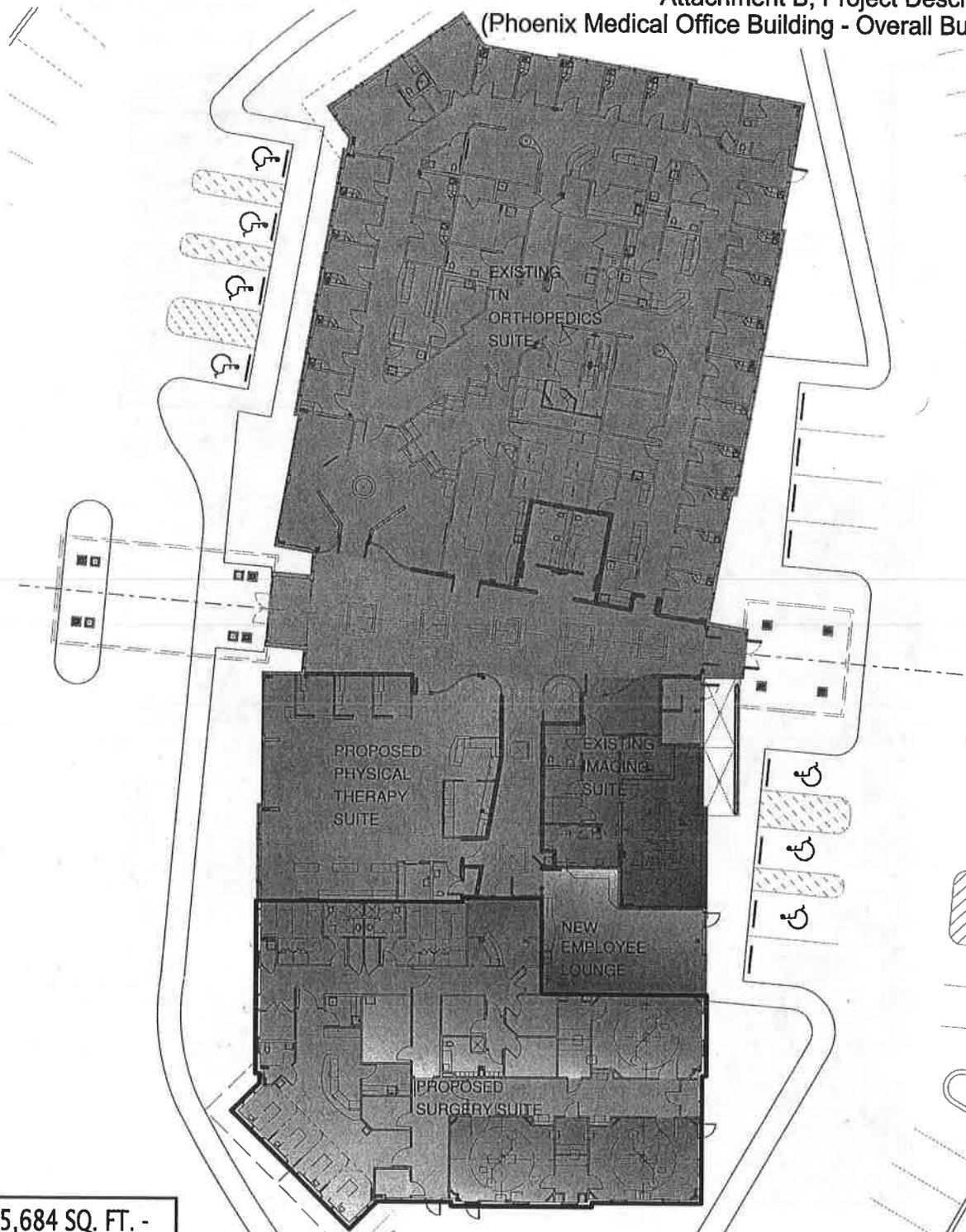


**REVISED FLOOR PLAN  
SURGERY CENTER & EMPLOYEE LOUNGE**

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

5,684 SQ. FT. - SURGERY CENTER  
827 SQ. FT. - EMPLOYEE LOUNGE

05.04.16 0 4' 8' 16' 24'



5,684 SQ. FT. -  
SURGERY CENTER  
827 SQ. FT. -  
EMPLOYEE LOUNGE

### Overall Floor Plan

SCALE: 1/32" = 1'-0"



**MANOUS DESIGN**  
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THE HARTMANN MEDICAL OFFICE BUILDING  
SURGERY CENTER SUITE 113 BUILD OUT  
**DR. ROY C. TERRY**  
South Hartmann Drive & Physician's Way  
Lebanon, Tennessee



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**0074**

I. **Determination of Need**

1. **Need.** The minimum numbers of 884 Cases per Operating Room and 1867 Cases per Procedure Room are to be considered as baseline numbers for purposes of determining Need. An applicant should demonstrate the ability to perform a minimum of 884 Cases per Operating Room and/or 1867 Cases per Procedure Room per year, except that an applicant may provide information on its projected case types and its assumptions of estimated average time and clean up and preparation time per Case if this information differs significantly from the above-stated assumptions. It is recognized that an ASTC may provide a variety of services/Cases and that as a result the estimated average time and clean up and preparation time for such services/Cases may not meet the minimum numbers set forth herein. It is also recognized that an applicant applying for an ASTC Operating Room(s) may apply for a Procedure Room, although the anticipated utilization of that Procedure Room may not meet the base guidelines contained here. Specific reasoning and explanation for the inclusion in a CON application of such a Procedure Room must be provided. An applicant that desires to limit its Cases to a specific type or types should apply for a Specialty ASTC.

**RESPONSE:** This standard is met, as evidenced in the projections and supporting methodology set forth in the Question 6 in Section C, General Criteria-Need of the Application. Applicant projects the following operating room and procedure room utilization in the first two years of operations. The projection is premised upon historical and projected ambulatory surgery utilization by Applicant's three employed orthopedic surgeons, and a conservative estimate of at least thirteen community surgeons supporting Applicant's CON application performing at least two surgical procedures weekly at the ASTC. (See also Applicant's response to Question 6 in Section C, Need of the Application.)

	<u>Year 1</u>	<u>% Full Capacity</u>	<u>Year 2</u>	<u>% Full Capacity</u>
Surgical Utilization Per OR	962	76%	1,059	119%
Non-Surgical Utilization Per PR	3,649	137%	4,014	151%

<sup>1</sup> State of Tennessee, State Health Plan, Certificate of Need Standards and Criteria for Ambulatory Surgical Treatment Centers, Eff. 5/23/13.

2. Need and Economic Efficiencies. An applicant must estimate the projected surgical hours to be utilized per year for two years based on the types of surgeries to be performed, including the preparation time between surgeries. Detailed support for estimates must be provided.

**RESPONSE:****Year 1 (2018)**

Speciality	Case Volume by Speciality	Minutes Projected per Case	Total Surgeon Time in Minutes	Total Surgeon Time in Hours	Total Turnover/Prep Time in Minutes	Total Turnover/Prep Time in Hours	Total Surgeon and Turnover/Prep Time in Hours
Procedure Rm	1,824	45	82,080	1,368	18,240	304	1,672
Podiatry	100	60	6,000	100	1,000	17	117
GYN	100	60	6,000	100	1,000	17	117
ENT	100	60	6,000	100	1,000	17	117
Plastic	200	60	12,000	200	2,000	33	233
General Surg	300	60	18,000	300	3,000	50	350
Dental	500	60	30,000	500	5,000	83	583
Ortho	1,587	75	119,025	1,984	15,587	260	2,244
<b>Total</b>	<b>4,711</b>	<b>480</b>	<b>279,105</b>	<b>4,652</b>	<b>46,827</b>	<b>780</b>	<b>5,433</b>

**Year 2 (2019)**

Speciality	Case Volume by Speciality	Minutes Projected per Case	Total Surgeon Time in Minutes	Total Surgeon Time in Hours	Total Turnover/Prep Time in Minutes	Total Turnover/Prep Time in Hours	Total Surgeon and Turnover/Prep Time in Hours
Procedure Rm	2,006	45	90,288	1,505	20,064	334	1,839
Podiatry	110	60	6,600	110	1,100	18	128
GYN	110	60	6,600	110	1,100	18	128
ENT	110	60	6,600	110	1,100	18	128
Plastic	220	60	13,200	220	2,200	37	257
General Surg	330	60	19,800	330	3,300	55	385
Dental	550	60	33,000	550	5,500	92	642
Ortho	1,746	75	130,928	2,182	17,457	291	2,473
<b>Total</b>	<b>5,182</b>	<b>480</b>	<b>307,016</b>	<b>5,117</b>	<b>51,821</b>	<b>864</b>	<b>5,981</b>

Source: Becker's ASC Review, "100 Surgery Center Benchmarks and Statistics to Know," 10/27/13, <http://www.beckersasc.com/lists/100-surgery-center-benchmarks-statistics-to-know.html>, accessed May 8, 2016.

3. Need; Economic Efficiencies; Access. To determine current utilization and need, an applicant should take into account both the availability and utilization of either: a) all existing outpatient Operating Rooms and Procedure Rooms in a Service Area, including physician office based surgery rooms (when those data are officially reported and available) OR b) all existing comparable outpatient Operating Rooms and Procedure Rooms based on the type of Cases to be performed. Additionally, applications should provide similar information on the availability of nearby out-of-state existing outpatient Operating Rooms and Procedure Rooms, if that data are available, and provide the source of that data. Unstaffed dedicated outpatient Operating Rooms and unstaffed dedicated outpatient Procedure Rooms are considered available for ambulatory surgery and are to be included in the inventory and in the measure of capacity.

**RESPONSE:** There is no multi-specialty ASTC in Applicant's four-county Service Area. Similarly, there is no out-of-state ASTC facility within 60 miles of the location of Applicant's ASTC. Please see Attachment C, Need-5 for a summary of the ambulatory surgery resources currently available and utilization in the service area, including hospital-based ambulatory surgery resources.

4. Need and Economic Efficiencies. An applicant must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON application to establish an ASTC or to expand existing services of an ASTC should not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed, if those services are known and relevant, within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above.

**RESPONSE:** There are no multi-specialty ASTC resources in Applicant's four-county Service Area. Multi-specialty ASTC outmigration in Applicant's four-county Service Area is 100%.<sup>2</sup> Hospital-based ambulatory surgery outmigration from the Service Area in 2014 was 52%. The hospital-based data for 2015 is not yet available. The Service Area outmigration reveals that residents are leaving the Service Area to receive ambulatory surgery, whether it be to receive ambulatory surgery in an ASTC or a hospital.

The CON Board has previously approved two CON's adding ASTC services to the Service Area, but those CON's were never implemented. The only ASTC resources in the Service Area are two single specialty centers and one dual specialty center. Applicant's ASTC will not compete with these small-scale specialty centers. The only hospital-based ambulatory surgery program providing comparable multi-specialty services is Tennova Healthcare-Lebanon (formerly University Medical Center). Applying the utilization criteria applicable to ASTC's, Tennova's 2014 ambulatory surgery utilization of 88% of Full Capacity was well above the 70% optimum utilization threshold required to establish new ASTC services. (See also Applicant's response to Question 5 in Section C, Need.)

<sup>2</sup> Outmigration for the single- and dual-specialty ASTC's in the Service Area is very high. When you factor in the Service Area residents leaving the Service Area for all ASTC services (e.g., multi-specialty, single-specialty and dual-specialty), the 2013-2014 Service Area outmigration ranged from 63% to 78%. The 2014-15 Service Area outmigration ranged from 63%- 79%. Wilson County outmigration in 2013-14 and 2014-15 was 78%. Source: 2013-2014 and 2014-2015 ASTC JAR, Patient Origin Data.

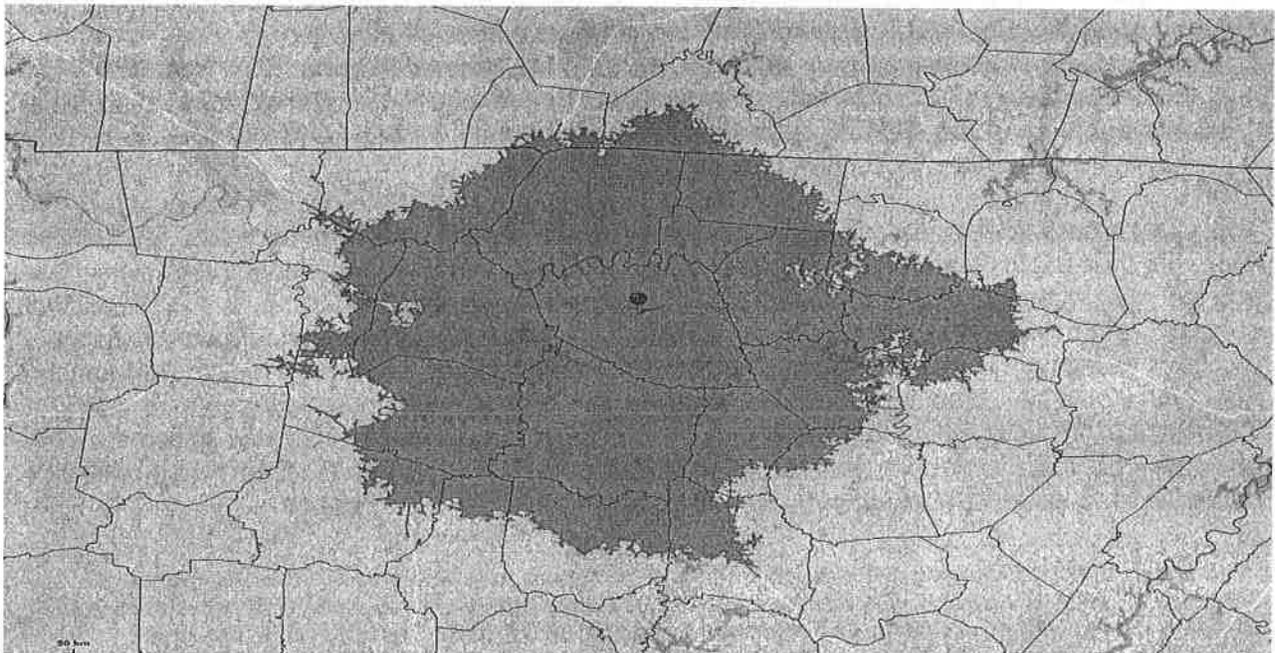
5. Need and Economic Efficiencies. An application for a Specialty ASTC should present its projections for the total number of cases based on its own calculations for the projected length of time per type of case, and shall provide any local, regional, or national data in support of its methodology. An applicant for a Specialty ASTC should provide its own definitions of the surgeries and/or procedures that will be performed and whether the Surgical Cases will be performed in an Operating Room or a Procedure Room. An applicant for a Specialty ASTC must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON proposal to establish a Specialty ASTC or to expand existing services of a Specialty ASTC shall not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above. An applicant that is granted a CON for a Specialty ASTC shall have the specialty or limitation placed on the CON.

**RESPONSE:** "N/A." Applicant seeks to establish a multi-specialty ASTC and this criteria is therefore not applicable.

#### Other Standards and Criteria

6. Access to ASTCs. The majority of the population in a Service Area should reside within 60 minutes average driving time to the facility.

**RESPONSE:** Applicant's ASTC will be centrally located in Wilson County, which is less than a 60 minute drive from most locations in Wilson, Smith, Macon and Trousdale counties. Below is a county-level map illustrating the locations from which the drive time to Applicant's ASTC is 60 minutes or less. Applicant's location on the illustration below is demarcated by the pin, which is in Central Wilson County. Smith, Macon and Trousdale counties are located to the northeast.



7. Access to ASTCs. An applicant should provide information regarding the relationship of an existing or proposed ASTC site to public transportation routes if that information is available.

**RESPONSE:** Applicant's ASTC is located near the intersection of two major traffic arteries in Lebanon, Tennessee; Franklin Road and South Hartmann Drive. The location is immediately off of Exit 236 on Interstate I-40, the primary east-west corridor in Tennessee. This will allow ease of access for patients who reside in Wilson County as well as neighboring counties.

The location is accessible by wheel chair van, ambulance and private vehicle. The location is also accessible by public door-to-door transportation through the Mid-Cumberland Human Resource Agency serving Wilson and Trousdale counties and the Upper Cumberland Human Resource Agency serving Macon and Smith counties. The Mid-Cumberland and Upper Cumberland Human Resource Agencies each provide assistance to individuals with mobility limitations, to include wheel chair lifts and assistance ambulating.

8. Access to ASTCs. An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project the origin of potential patients by percentage and county of residence and, if such data are readily available, by zip code, and must note where they are currently being served. Demographics of the Service Area should be included, including the anticipated provision of services to out-of-state patients, as well as the identity of other service providers both in and out of state and the source of out-of-state data. Applicants shall document all other provider alternatives available in the Service Area. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

**RESPONSE:** Applicant anticipates that the patient origin for the ASTC will be substantially similar to the patient origin of Applicant's professional medical office. Below please see the table of Applicant's patient origin by county (as determined by zip code). Applicant estimates that out-of-state patient origin will comprise approximately 1%, based in part on out-of-state students (including athletes) attending Cumberland University.

**Applicant's Patient Origin by County (Determined by Zip Code)**

County	%	County	%	County	%
Wilson	35.40%	Davidson	1.21%	Hickman	.15%
Smith	20.57%	Cumberland	.61%	Madison	.15%
Macon	15.28%	Jackson	.45%	Rhea	.15%
Trousdale	5.30%	Clay	.30%	Warren	.15%
Sumner	12.86%	Fentress	.30%	White	.15%
Putnam	1.97%	Robertson	.30%	Out of State	.91%
DeKalb	1.51%	Williamson	.30%	Unknown	.45%
Rutherford	1.36%	Cannon	.15%		
				TOTAL	100%

Because there are no multi-specialty ASTC's in Applicant's Service Area, there is a 100% outmigration rate to other Tennessee counties for multi-specialty ASTC services. In 2015, 4,417 Service Area residents received ambulatory surgery outside of the Service Area as indicated below.

**2014-15 Service Area Outmigration by County (See also Exhibit 1-Access to ASTCs, attached hereto.)**

County	Outmigration Percent	No. Patients Outmigrating
Davidson	81.47%	3,517
Sumner	10.66%	460
Rutherford	3.82%	165
Putnam	2.69%	116
Williamson	1.16%	50
Coffee	0.05%	2
Knox	0.05%	2
Montgomery	0.05%	2
Shelby	0.05%	2
Washington	0.02%	1
<b>TOTAL</b>	<b>100%</b>	<b>4,317</b>

Source: ASTC JAR, 2014-2015, Tabs D and E, Calculation of patient origin for Service Area residents receiving multispecialty ASTC services by county where services were received

There are three hospital-based outpatient surgery programs, the largest of which is Tennova Healthcare-Lebanon. In 2014, hospital-based ambulatory surgery outmigration was 52%.

9. Access and Economic Efficiencies. An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project patient utilization for each of the first eight quarters following completion of the project. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

**RESPONSE:** See utilization projections and supporting methodology set forth in Applicant's response to Question 6 in Section C, Need of the Application. See also the Projected Data Chart in Question 4 in Section C, Economic Feasibility of the Application.

10. Patient Safety and Quality of Care; Health Care Workforce.

- a. An applicant should be or agree to become accredited by any accrediting organization approved by the Centers for Medicare and Medicaid Services, such as the Joint Commission, the Accreditation Association of Ambulatory Health Care, the American Association for Accreditation of Ambulatory Surgical Facilities, or other nationally recognized accrediting organization.

**RESPONSE:** Applicant will seek accreditation from the Accreditation Association for Ambulatory Health Care.

- b. An applicant should estimate the number of physicians by specialty that are expected to utilize the facility and the criteria to be used by the facility in extending surgical and anesthesia privileges to medical personnel. An applicant should provide documentation on the availability of appropriate and qualified staff that will provide ancillary support services, whether on- or off-site.

**RESPONSE:** The following surgeons in the community are committed to Applicant's ASTC:

Surgical Specialty	No. of Surgeons
Orthopedics	3
General Surgery	3
ENT/Cosmetic	1
Plastic	2
Gynecology	1
Podiatry	1
Dentistry	5

Applicant intends to contract with a third party anesthesia services provider. All medical staff (including anesthesiologists and CRNA's) will be credentialed in accordance with Medical Staff, Appointment and Reappointment Policy attached as Exhibit 2-Credentialing Policy attached hereto.

The following ancillary services will be utilized to staff the ASTC.

Clinical Specialty	No. of Clinicians	On-Site or Off-Site
Central Sterile Processing	3	On-Site

Applicant intends to contract with a third party sterile processing provider.

11. Access to ASTCs. 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:** Each county in Applicant's primary service area has been designated a Medically Underserved Area by the U.S. Health Resources and Services Administration. See Applicant's response to Question 4(B) in Section C, Need of the Application.

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

**RESPONSE:** "N/A." Applicant is not a 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:** Applicant currently participates with all TennCare MCOs and all federally insured health care programs. Applicant's ASTC will similarly participate with all TennCare MCOs and federally insured health care programs. See Attachment A, Applicant Profile-13 for a listing of the TennCare MCOs. See also Applicant's response to Question 9 in Section C, Need of the Application.

- d. Who is proposing to use the ASTC for patients that typically require longer preparation and scanning times. The applicant shall provide in its application information supporting the additional time required per Case and the impact on the need standard.

**RESPONSE:** "N/A." Applicant does not anticipate that the ASTC multi-specialty patient population will require significantly longer preparation times. However, Applicant will not deny services to patients because of frailties or conditions that require longer utilization of the ASTC facility.

Exhibit 1 - Access to ASTCs  
(Exhibit to Attachment C, Need-1(a))

## SERVICE AREA OUTMIGRATION\_COUNTIES RECEIVING MIGRATION

Facility Name	County	Single or Multi- specialty	Macon	Smith	Trousdale	Wilson
The Eye Surgery Center of Oak Ridge	Anderson	Multi Specialty	0	0	0	0
Advanced Family Surgery Center	Anderson	Multi Specialty	0	0	0	0
The Center for ENT, Laser and Cosmetic Surgery	Bedford	Multi Specialty	0	0	0	0
The Surgery Center of Cleveland	Bradley	Multi Specialty	0	0	0	0
Center for Day Surgery	Coffee	Multi Specialty	0	0	0	1
Tallahoma Surgery Center	Coffee	Multi Specialty	0	0	0	1
Centennial Surgery Center	Davidson	Multi Specialty	23	30	12	346
Planned Parenthood of Middle and East Tennessee	Davidson	Multi Specialty	5	4	0	50
Northridge Surgery Center	Davidson	Multi Specialty	29	6	1	42
Nashville Surgery Center	Davidson	Multi Specialty	3	3	0	9
Oral Facial Surgery Center	Davidson	Multi Specialty	0	4	128	174
Baptist Ambulatory Surgery Center	Davidson	Multi Specialty	17	14	11	236
Saint Thomas Campus Surgicare	Davidson	Multi Specialty	8	11	4	200
Baptist Plaza Surgicare	Davidson	Multi Specialty	23	29	14	338
Premier Orthopaedic Surgery Center	Davidson	Multi Specialty	11	11	4	91
Summit Surgery Center	Davidson	Multi Specialty	20	63	0	1543
Center for Sports Medicine and Orthopaedic Surgery	Hamilton	Multi Specialty	0	0	0	0
Physician's Surgery Center of Chattanooga	Hamilton	Multi Specialty	0	0	0	0
ciates of Memorial/Mission Outpatient Surgery Ctr (Ina	Hamilton	Multi Specialty	0	0	0	0
Renaissance Surgery Center of Chattanooga, LLC	Hamilton	Multi Specialty	0	0	0	0
Physicians Surgery Center of Knoxville	Knox	Multi Specialty	0	0	0	1
Fort Sanders West Outpatient Surgery Center	Knox	Multi Specialty	0	0	0	0
Children's West Surgery Center	Knox	Multi Specialty	0	0	0	0
Parkwest Surgery Center	Knox	Multi Specialty	0	0	0	0
Knoxville Orthopaedic Surgery Center	Knox	Multi Specialty	0	0	0	1
The Surgery Center of Athens	McMinn	Multi Specialty	0	0	0	0
Physicians Surgery Center	Madison	Multi Specialty	0	0	0	0
The Surgery Center of Middle Tennessee	Maury	Multi Specialty	0	0	0	0
Maury Regional Ambulatory Surgery Center, LLC	Maury	Multi Specialty	0	0	0	0
Surgical Services	Monroe	Multi Specialty	0	0	0	0
Surgery Center of Clarksville	Montgomery	Multi Specialty	0	0	0	1
Clarksville Surgery Center	Montgomery	Multi Specialty	0	0	0	1
Wartburg Surgery Center	Morgan	Multi Specialty	0	0	0	0
Union City Surgery Center	Obion	Multi Specialty	0	0	0	0
The Cookeville Surgery Center	Putnam	Multi Specialty	19	39	0	2
Upper Cumberland Physician's Surgery Center	Putnam	Multi Specialty	22	30	0	4
Surgicenter of Murfreesboro Medical Clinic	Rutherford	Multi Specialty	2	5	0	57
Physicians Pavilion Surgery Center	Rutherford	Multi Specialty	2	2	1	31
Middle Tennessee Ambulatory Surgery Center	Rutherford	Multi Specialty	2	5	0	58
Planned Parenthood Greater Memphis Region, Inc.	Shelby	Multi Specialty	0	0	0	0
Memphis Surgery Center	Shelby	Multi Specialty	0	0	0	0
Le Bonheur East Surgery Center, II	Shelby	Multi Specialty	0	0	0	0
East Memphis Surgery Center	Shelby	Multi Specialty	0	0	0	1
Campbell Clinic Surgery Center Midtown	Shelby	Multi Specialty	0	0	0	0
Methodist Surgery Center Germantown	Shelby	Multi Specialty	0	0	0	0
North Surgery Center	Shelby	Multi Specialty	0	0	0	0
Baptist Germantown Surgery Center	Shelby	Multi Specialty	0	0	0	0
Campbell Clinic Surgery Center	Shelby	Multi Specialty	0	0	0	0
Semmes-Murphey Clinic	Shelby	Multi Specialty	0	0	1	0
Surgery Center at Saint Francis	Shelby	Multi Specialty	0	0	0	0
Bristol Surgery Center	Sullivan	Multi Specialty	0	0	0	0
Kingsport Ambulatory Surgery Center	Sullivan	Multi Specialty	0	0	0	0
Sapling Grove ASC	Sullivan	Multi Specialty	0	0	0	0
Holston Valley Surgery Center	Sullivan	Multi Specialty	0	0	0	0
Renaissance Surgery Center	Sullivan	Multi Specialty	0	0	0	0
Patient Partners	Sumner	Multi Specialty	217	18	96	84
Indian Lake Surgery Center	Sumner	Multi Specialty	24	1	13	7

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Exhibit 1 - Access to ASTCs  
(Exhibit to Attachment C, Need-1(a))

East Tennessee Ambulatory Surgery Center	Washington	Multi Specialty	0	0	0	0
Mountain Empire Surgery Center	Washington	Multi Specialty	0	0	0	1
Cool Springs Surgery Center	Williamson	Multi Specialty	6	7	3	14
Franklin Endoscopy Center	Williamson	Multi Specialty	0	1	0	19
Providence Surgery Center**	Wilson	Multi Specialty	N/A	N/A	N/A	N/A

\*\*The CON for Providence Surgery Center is **Dual-Specialty**; therefore, Providence Surgery Center is removed from the multi-specialty outmigration calculation

County-Totals	433	283	288	3313
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Service Area Total 4317

% Outmigration-Coffee	0.05
% Outmigration-Davidson	81.47
% Outmigration-Knox	0.05
% Outmigration-Montgomery	0.05
% Outmigration-Putnam	2.69
% Outmigration-Rutherford	3.82
% Outmigration-Shelby	0.05
% Outmigration-Sumner	10.66
% Outmigration-Washington	0.02
% Outmigration-Williamson	1.16
	100.00

**ADMINISTRATION****MEDICAL STAFF APPLICATION, APPOINTMENT, AND RE-APPOINTMENT POLICY****Policy:**

Tennessee Orthopedics Surgery Center will credential all individuals who seek privileges in accordance with CMS and AAAHC regulations and standards. This process and policy will also be utilized for initial application of certain allied health care professionals, such as Certified Nurse Anesthetists or Physician Assistant for all applicable documentation.

**Procedure:****Application:**

1. The applicant will submit the application for staff appointment and clinical privileges to the Administrator.
2. All questions must be answered and any "yes" answer requires an explanation. Prior to the application being submitted, the applicant will be provided with a copy of the Bylaws and Rules and Regulations of the medical staff.
3. The applicant must sign the Release of Information form and the delineation of privileges form(s) and in doing so signifies his or her willingness to appear for interviews in regard to his or her application and must:
  1. Authorize Tennessee Orthopedics Surgery Center representatives to consult with others who have been associated with him or her and/or have information bearing on his or her competence and qualifications.
  2. Consent to Tennessee Orthopedics Surgery Center representatives' inspection of all records and documents that may be material to an evaluation of his or her professional and ethical qualifications and competence to carry out the clinical privileges he or she requests, physical and mental health status.
  3. Release from any liability all of Tennessee Orthopedics Surgery Center representatives for their acts performed in connection with the evaluation of his or her credentials and qualifications.
  4. Release from any liability all individuals and organizations who provide information to representative including otherwise privileged or confidential information concerning his or her competence, professional ethics, character, physical and mental health, emotional stability, and other qualifications for staff appointment and clinical privileges.
  5. Authorize and consent to Tennessee Orthopedics Surgery Center representatives providing other hospitals, medical associations, licensing boards, and any organizations concerned with provider

performance and the quality and efficiency of patient care with any relevant information that the Tennessee Orthopedics Surgery Center may have concerning him or her, and release Tennessee Orthopedics Surgery Center representatives from liability for so doing signifies that he or she agrees to be bound by the current Tennessee Orthopedics Surgery Center bylaws, rules and regulations, in regard to his or her application for appointment to the Medical Staff and for clinical privileges.

4. A completed application shall include:
  - a. An application for appointment to the medical staff;
  - b. Delineation of Privileges form(s);
  - c. An "Authorization for Release of Information" form;
  - d. A signed Medicare Attestation Statement;
  - e. Three (3) peer references forms to distribute to current physicians or CRNA's practicing in their respective specialty.
  - f. A hospital or organizational reference;
5. The applicant must also provide the following documentation:
  - a. The typed or handwritten application, signed authorization of release form and signed delineation of privileges form(s);
  - b. A photocopy of the applicant's registered license to practice medicine in the State of Tennessee or the allied health care professionals license to practice in the State of Tennessee;
  - c. A complete record of the applicant's professional education and post-graduate training;
  - d. A photocopy of specialty/subspecialty board certifications, re-certification and/or eligibility for certification;
  - e. A statement about physical and mental health impairments, hospitalizations, current therapy, insurance ratings or denials;
  - f. A complete description of pending or completed disciplinary actions involving the applicant, including any previously successful or currently pending challenges to licensure or registration, and a statement about failures to obtain, reduction in classification, or voluntary or involuntary resignations of any of the following: professional license or certificate, professional society membership, or fellowship, professional academic appointment, staff membership status or privileges at any other hospital or health care institution, DEA, professional liability insurance;
  - g. A statement as to the applicant's professional liability insurance, including company name, policy number, effective dates and basic coverage in such an amount as required by the Governing Board;
  - h. A complete description of any convictions of state or federal criminal charges, excluding minor traffic violations, involving the applicant and the status of any current indictments or other formal charges;
  - i. Any complaints or adverse action reports filed against the applicant with local, state, or national professional society or licensure board;
  - j. Current physical, mental health, or chemical dependency problems that would interfere with an applicant's ability to provide high-quality

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- care and professional services;
  - k. A signed statement releasing the organization from liability and attesting to the correctness and completeness of the submitted information;
  - i. A current curriculum vitae.
6. The following information will be gathered after the application is received in the Administrator's Office:
- a. Primary source verification of professional degree
  - b. Primary source verification of training
  - c. Primary source verification of all current and previous hospital affiliation(s)
  - d. Primary source verification of all current state license
  - e. Primary source verification of Tennessee Controlled Dangerous Substance
  - f. Primary source verification of Current DEA certificate
  - g. Primary source verification of Malpractice Insurance
  - h. Primary source verification of Board certification where applicable
  - i. Two to Three letters of recommendation.
  - j. Query the NPBD
  - k. Query the Office of Inspector General
  - l. Query the AMA Profile, if applicable
7. The Administrator will forward the completed files to the Governing Body.
8. The Governing Body, at its discretion shall accept, reject or return an application for further study.
- a. Notification of the action of the Governing Body shall be made in writing to all applicants through the Administrator.
  - b. In the event that an application for appointment to the Medical Staff is rejected, the applicant may appeal such rejection within (30) days of the receipt of notification, by writing to the Medical Director. The appeal shall be conducted in accordance with Bylaws, Rules and Regulations.
  - c. All information obtained from the application process will be reviewed to determine to determine if appointment to the medical staff is appropriate. Once the information is deemed acceptable for the facility, the physician may be appointed to the medical staff and granted privileges to perform surgery.

#### Appointment and Privileging:

1. The privileges requested will be approved based on review of the completed application and in accordance with the utilization criteria set forth by the governing body and on the applicant's education, training, and qualifications. The physicians scope of procedures will be reviewed annually or sooner if needed.

**0087**

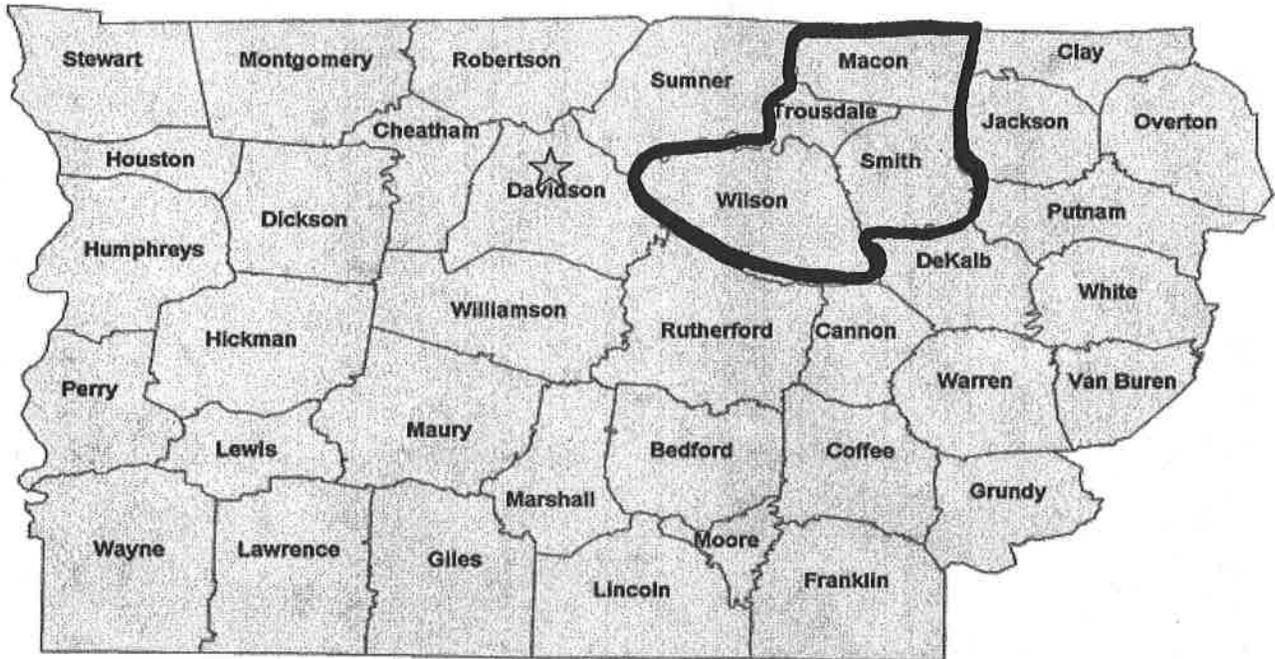
2. Privileges are granted for two-years.
3. Peer review occurs on-going and summarized on an annual basis.
  - a. All physicians participate in the peer review process.
  - b. All physicians must sign the consent authorizing the peer review process.
  - c. Information obtained from quality improvement, risk management, infection control, patient and employee satisfaction, the peer review chart audit, and the utilization review will be used in determining a physician's continuation of privileges. The center utilizes a report card. The governing body will review all pertinent information in making this determination. All information obtained from the peer review process will be utilized in the reappointment process.
4. The governing body reserves the right to approve, change or deny privileges at the center.

Reappointment:

1. The reappointment process is the same as the application and appointment process and requires all documentation listed in the application portion of this policy to be completed by the physician and resubmitted for evaluation by the governing body except the peer references and hospital reference requests.
2. Results from the peer review process will also be utilized in evaluating the physician's eligibility for reappointment.

Reviewed 05/02/16

**0088**



ATT. C, NEED - 5(A)

COUNTY	FACILITY NAME	FACILITY TYPE	MULTI- vs. SINGLE-SPECIALTY	OR USED FOR INPATIENT AND OUTPATIENT	DEDICATED OUTPATIENT ORs	DEDICATED OUTPATIENT PRs	2012-2013 CASES IN ORs	% OF FULL CAPACITY FOR ORs	2012-2013 CASES IN PRs	% OF FULL CAPACITY FOR PRs
Wilson	Wilson County Eye Surgery Ctr LLC	ASTC	Single (Eye)		1	1	895	71	250	9
	Lebanon Endoscopy Ctr LLC	ASTC	Single (Endoscopy)		2	2	0	N/A	2140	40
	Tenn Sports Medicine Surgery Ctr dba Providence Surgery Ctr	ASTC	Dual (Ortho Surg & Pain Mgt)		2	1	765	30	6	0
	Lebanon HMA Surgery Ctr LLC dba Lebanon Surgical Ctr	ASTC	Multi		1	1	77	N/A	0	N/A
Smith	University Medical Ctr	Hospital			4	0	4769	94	N/A	N/A
	Riverview Reg Med Ctr North	Hospital	FACILITY CLOSED							
Macon	Riverview Reg Med Ctr South	Hospital		2	0	0	780	N/A	N/A	N/A
	Macon Co. Gen. Hospital	Hospital			1	0	797	63	N/A	N/A
Notes:	<p>1. Percentage of Full Capacity is calculated based on the ASTC Revised Standards and Criteria that became effective 5/23/13.</p> <p>2. Full Capacity for OR was 1,263 Cases/year; and for PR was 2,667 Cases/year.</p> <p>3. The 2012-13 ASTC JAR reporting period is the first report to segregate Cases performed in ORs and PRs.</p> <p>4. Lebanon Endoscopy Center added 1 additional OR in the 2012-13 JAR reporting year.</p> <p>5. Utilization for Riverview South not calculated because there are no dedicated outpatient OR's.</p> <p>6. The ASTC reporting is based on the July 1-June 30 straddle period; whereas the hospital reporting period is calendar year.</p> <p>7. Hospital utilization reporting is based upon Encounters, the definition of which is identical to ASTC "Cases," e.g., 1 visit by 1 patient to an OR or PR regardless of number of procedures.</p> <p>8. Lebanon Surgery Center is currently closed.</p>									

0090

COUNTY	FACILITY NAME	FACILITY TYPE	MULTI- vs. SINGLE-SPECIALTY	OR USED FOR INPATIENT AND OUTPATIENT	DEDICATED OUTPATIENT ORs	DEDICATED OUTPATIENT PRs	2013-2014 CASES IN ORs	% OF FULL CAPACITY FOR ORs	2013-2014 CASES IN PRs	% OF FULL CAPACITY FOR PRs	
Wilson	Wilson County, Eye Surgery Ctr LLC	ASTC	Single (Eye)		1	1	953	75	309	12	
	Lebanon Endoscopy Ctr LLC	ASTC	Single (Endoscopy)		2	2	0	N/A	1893	35	
	Tenn Sports Medicine Surgery Ctr dba Providence Surgery Ctr	ASTC	Dual (Ortho Surg & Pain Mgt)		2	1	652	26	55	2	
	Lebanon HMA Surgery Ctr LLC dba Lebanon Surgical Ctr	ASTC	FACILITY	CLOSED							
Smith	University Medical Ctr	Hospital			4	0	4427	88	N/A	N/A	
	Riverview Reg Med Ctr North	Hospital	FACILITY	CLOSED							
	Riverview Reg Med Ctr South	Hospital		2	0	0	1000	N/A	N/A	N/A	
Macon	Macon Co. Gen. Hospital	Hospital			1	0	841	67	N/A	N/A	
Notes:	1. Percentage of Full Capacity is calculated based on the ASTC Revised Standards and Criteria that became effective 5/23/13. 2. Full Capacity for OR was 1,263 Cases/year, and for PR was 2,667 Cases/year. 3. Utilization for Riverview South not calculated because there are no dedicated outpatient OR's. 4. The ASTC reporting is based on the July 1-June 30 straddle period; whereas the hospital reporting period is calendar year. 5. Hospital utilization reporting is based upon Encounters, the definition of which is identical to ASTC "Cases," e.g., 1 visit by 1 patient to an OR or PR regardless of number of procedures. 6. Lebanon Surgery Center is currently closed.										

ATT. C, NEED -5 (A)

COUNTY	FACILITY NAME	FACILITY TYPE	MULTI- vs. SINGLE-SPECIALTY	OR USED FOR INPATIENT AND OUTPATIENT	DEDICATED OUTPATIENT ORS	DEDICATED OUTPATIENT PRs	2014-2015 CASES IN ORs	% OF FULL CAPACITY FOR ORs	2014-2015 CASES IN PRs	% OF FULL CAPACITY FOR PRs	
Wilson	Wilson County. Eye Surgery Ctr LLC	ASTC	Single (Eye)		1	1	987	78	356	13	
	Lebanon Endoscopy Ctr LLC	ASTC	Single (Endoscopy)		0	2	0	N/A	1931	36	
	Tenn Sports Medicine Surgery Ctr dba Providence Surgery Ctr	ASTC	Dual (Ortho Surg & Pain Mgt)		2	1	542	21	131	5	
	Lebanon HMA Surgery Ctr LLC dba Lebanon Surgical Ctr	ASTC	FACILITY	CLOSED							
	University Medical Ctr	Hospital			4	0					
Smith	Riverview Reg Med Ctr North	Hospital	FACILITY	CLOSED							
	Riverview Reg Med Ctr South	Hospital		2	0	0	2015	HOSPITAL	JAR NOT AVAILABLE		
Macon	Macon Co. Gen. Hospital	Hospital			1	0	2015	HOSPITAL	JAR NOT AVAILABLE		
Notes:	<ol style="list-style-type: none"> <li>2014-15 ASTC JAR released April 30, 2016.</li> <li>2015 Hospital utilization not reported because 2015 Hospital JAR release is delayed, with release projected for Nov. 2016.</li> <li>Lebanon Endoscopy Center has dropped from 2 OR's to zero OR's.</li> <li>Existing ASTC resources continue to be inefficiently utilized; do not have capacity to meet Service Area need.</li> <li>Percentage of Full Capacity is calculated based on the ASTC Revised Standards and Criteria that became effective 5/23/13.</li> <li>Full Capacity for OR was 1,263 Cases/year; and for PR was 2,667 Cases/year.</li> <li>Utilization for Riverview South not calculated because there are no dedicated outpatient OR's.</li> <li>Lebanon Surgery Center is currently closed, and in 2015 is not reported on the ASTC JAR.</li> </ol>										

<b>2013-2014 ASTC SERVICE AREA OUTMIGRATION</b>				
	Wilson Co.	Smith Co.	Macon Co.	Trousdale Co.
<b>All ASTC's: Total Patients Served 4-County Service Area</b>	8861	982	1015	415
Services Received Inside Service Area	1940	365	312	105
Services Received Outside Service Area	6921	617	703	310
<b>ALL ASTC'S: SERVICE AREA OUTMIGRATION %</b>	<b>78.11</b>	<b>62.83</b>	<b>69.26</b>	<b>74.70</b>
<b>MultiSpecialty ASTC's: Total Patients Served 4-County Service Area</b>	3312	303	491	238
Services Received Outside Service Area	3312	303	491	238
<b>MULTISPECIALTY: SERVICE AREA OUTMIGRATION %</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
*Does not include Providence Surgery Center utilization because, although listed in the JAR as a				
Source: ASTC Joint Annual Report, 7/1/13-6/30/14, Patient Origin Data				
<b>2014 HOSPITAL-BASED AMBULATORY SURGERY RECEIVED BY SERVICE AREA RESIDENTS</b>				
	Ambulatory Surgery Received Outside of Service Area	Total	Hospital-Based Outmigration Percent	
Ambulatory Surgery Received in Service Area	18,121	37,485	51.66	
19,364				
Source: Hospital Joint Annual Report, 2014, Patient Origin Data				

<b>2014-2015 ASTC SERVICE AREA OUTMIGRATION</b>				
	Wilson Co.	Smith Co.	Macon Co.	Trousdale Co.
<b>All ASTC's:</b> Total Patients Served 4-County Service Area	9050	832	876	484
Services Received Inside Service Area	1968	311	236	102
Services Received Outside Service Area	7082	521	640	382
<b>ALL ASTC'S: SERVICE AREA OUTMIGRATION %</b>	<b>78.25</b>	<b>62.62</b>	<b>73.06</b>	<b>78.93</b>
<b>MultiSpecialty ASTC's:</b> Total Patients Served 4-County Service Area*	3313	283	433	288
Services Received Outside Service Area	3313	283	433	288
<b>MULTISPECIALTY: SERVICE AREA OUTMIGRATION %</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>
*Does not include Providence Surgery Center utilization because, although listed in the JAR as a multi-specialty ASTC, Providence Surgery Center's CON is limited to dual-specialty.				
Source: ASTC Joint Annual Report, 7/1/14-6/30/15, Patient Origin Data				
<b>NOTE: 2015 HOSPITAL-BASED AMBULATORY SURGERY OUTMIGRATION CANNOT BE REPORTED BECAUSE THE 2015 HOSPITAL JAR IS NOT AVAILABLE</b>				

0094



May 3, 2016

Dr. Roy Terry  
Tennessee Orthopedics  
101 Physicians Way  
Lebanon, TN 37090

RE: Estimate of Surgical Suite Build-out Costs  
Lebanon, TN

Dear Dr. Terry,

The preliminary budget for the 5,684 S.F. surgery suite build-out located at the new Phoenix medical building is estimated to be \$685,000 (\$121/sf). This preliminary budget includes the interior walls, sheet rock, painting, electrical, mechanical and fire protection. This budget does not include the following:

- Architectural, Engineering and Consulting Fees;
- Licensing Fees;
- Medical Gases;
- Backup electrical generator and transfer switch;
- Suction;
- Surgical Equipment including instrument trays, tourniquet, Start up supplies and Equipment Outfitting;
- Computers, servers and monitors;
- Furniture for waiting rooms and other common spaces; and
- Specialty lighting

Should you have any questions or if you need any additional information, please do not hesitate to contact me.

Sincerely,

David K. Pine, P.E.

## Hartsville

100 McMurry Boulevard  
P.O. Box 45 | Hartsville, TN 37074  
Ph: 615.374.2265, 615.254.3279  
Tf: 800.337.4742  
F: 615.374.9571  
CBTenn.com

April 28, 2016

Roy C. Terry, M.D.  
Tennessee Orthopedics, P. C.  
101 Physicians Way  
Lebanon, TN 37090

RE: Commercial Funding Commitment

Dear Dr. Terry,

Citizens Bank is committed to becoming involved in providing funding for your future ASTC project. The surgery center is to be constructed in an existing medical office building located at 101 Physicians Way, Lebanon, TN. The projected funding request is for approximately \$2,400,000 for build-out, equipment and working capital relative to the surgery center. Citizens Bank will be working towards a term sheet in the future as the project nears approval or is approved. The rate and term of the construction portion of the loan will be subject to credit strength and loan to value. Currently, rates for such a project are in the range of 4.50% to 5.50%. These rates are subject to many factors including the term of the loan and the credit worthiness of the borrower. The term would be up to 12 months for the build-out phase, with permanent financing up to 20 years. The equipment portion would be for 36 to 60 months fixed at approximately 6%. This is just a guideline of rates and terms under current economic conditions and your current credit worthiness. Final approval of the loan and terms is subject to review of up to date financials, plans, etc. by Citizens Bank.

If there are questions pertaining to the details of Citizens Bank's intentions in this matter, please feel free to call me directly. If I am unavailable, you may speak with our president and CEO, Todd Austin.

Sincerely,

Betty Sue Hibdon  
President/CEO Emeritus  
NMLS # 454004

BSH/bs



FDIC

0096



*Royce A. Belcher* Certified Public Accountant  
420 West Main Street • Lebanon, Tennessee 37087 • 615/444-1149 • Fax 615/444-6626

To the Board of Directors  
Tennessee Orthopedics PC  
Lebanon, Tennessee

We have compiled the accompanying statement of assets, liabilities, and equity-cash basis of Tennessee Orthopedics, PC. (an S corporation) as of December 31, 2015, the related statements of revenues and expenses-cash basis for the year ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statements have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the cash basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's assets, liabilities, equity, revenues and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

*Royce A. Belcher, CPA*

January 26, 2016

Tennessee Orthopedics, PC 2015  
Balance Sheet  
December 31, 2015

## ASSETS

Current Assets		
Cash - First Tennessee	\$	74,134.20
Cash - Wilson Bank		8,727.32
Cash - Pinnacle Bank Checking		2,445.39
RMA Escrow Account		19,854.80
		<u>105,161.71</u>
Total Current Assets		
		105,161.71
Property and Equipment		
Medical Equipment - ANC		528,882.40
Medical Equipment - Gallatin		28,480.21
Medical Equipment - IRG		175,743.40
Leasehold Improvements		31,698.84
Medical Equipment		136,367.52
Office Equipment		342,977.18
Furniture & Fixtures		67,463.29
Accumulated Depreciation - ANC		(528,882.00)
Accumulated Depreciation - IRG		(175,744.00)
Accumulated Depreciation		(506,512.98)
		<u>100,473.86</u>
Total Property and Equipment		
		100,473.86
Other Assets		
		<u>0.00</u>
Total Other Assets		
		0.00
Total Assets		
	\$	<u><u>205,635.57</u></u>

## LIABILITIES AND CAPITAL

Current Liabilities		
		<u>0.00</u>
Total Current Liabilities		
		0.00
Long-Term Liabilities		
Line of Credit - Pinnacle	\$	113,692.07
Equipment Lease		101.27
Equipment Lease		16,598.10
		<u>130,391.44</u>
Total Long-Term Liabilities		
		130,391.44
Total Liabilities		
		130,391.44
Capital		
Retained Earnings		(26,624.12)
Common Stock		8,000.00
Net Income		93,868.25
		<u>75,244.13</u>
Total Capital		
		75,244.13
Total Liabilities & Capital		
	\$	<u><u>205,635.57</u></u>

Unaudited - For Management Purposes Only

0098

Tennessee Orthopedics, PC 2015  
Income Statement  
For the Twelve Months Ending December 31, 2015

	Current Month		Year to Date	
Revenues				
Fees	\$ 0.00	0.00	\$ 0.00	0.00
Fees	27,442.76	9.09	326,370.10	10.63
Fees	39,904.18	13.21	604,530.83	19.69
Fees	0.00	0.00	1,807.40	0.06
Fees for Beau	0.00	0.00	56,072.86	1.83
Fees	0.00	0.00	36,702.50	1.20
Fees	45,533.03	15.08	489,065.63	15.93
Fees	0.00	0.00	3,263.18	0.11
Fees	167,549.97	55.48	1,335,310.82	43.49
Fees	0.00	0.00	763.60	0.02
Fees	21,558.70	7.14	192,881.54	6.28
Fees for Greg	0.00	0.00	22,074.42	0.72
Other Income	0.00	0.00	0.00	0.00
Fees	0.00	0.00	360.00	0.01
Other Income	0.00	0.00	1,537.12	0.05
Other Income	0.00	0.00	0.00	0.00
Other Income	0.00	0.00	352.77	0.01
Production Bonus	0.00	0.00	0.00	0.00
Production Bonus	0.00	0.00	0.00	0.00
Refunds	0.00	0.00	(200.00)	(0.01)
Refunds	(13.51)	0.00	(925.03)	(0.03)
Refunds	0.00	0.00	0.00	0.00
Refunds	0.00	0.00	(101.35)	0.00
Refunds	0.00	0.00	41.71	0.00
Refunds	0.00	0.00	(4,266.59)	(0.14)
Refunds	0.00	0.00	65.12	0.00
Refunds	0.00	0.00	(323.40)	(0.01)
Returned Checks	0.00	0.00	0.00	0.00
Returned Checks	0.00	0.00	0.00	0.00
Returned Checks	0.00	0.00	0.00	0.00
Returned Checks	(683.47)	(0.23)	(760.41)	(0.02)
Returned Checks	0.00	0.00	(66.94)	0.00
Rental Income	700.00	0.23	2,900.00	0.09
Rental Income	0.00	0.00	2,796.49	0.09
Payroll - Production Bonus	0.00	0.00	0.00	0.00
Payroll - Anc. Bonus Paid	0.00	0.00	0.00	0.00
Payroll - PT Bonus Paid	0.00	0.00	0.00	0.00
<b>Total Revenues</b>	<b>301,991.66</b>	<b>100.00</b>	<b>3,070,252.37</b>	<b>100.00</b>
Cost of Sales				
<b>Total Cost of Sales</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Gross Profit</b>	<b>301,991.66</b>	<b>100.00</b>	<b>3,070,252.37</b>	<b>100.00</b>
Expenses				
Accounting Fees	0.00	0.00	0.00	0.00
Accounting Fees	0.00	0.00	0.00	0.00
Accounting Fees	0.00	0.00	0.00	0.00
Accounting Fees	3,200.00	1.06	19,345.00	0.63
Automobile Expenses	157.30	0.05	1,512.46	0.05
Automobile Expenses	52.80	0.02	2,885.47	0.09
Bank Service Charges	0.00	0.00	0.00	0.00
Bank Service Charges	0.00	0.00	359.13	0.01
Bank Service Charges	14.00	0.00	2,104.77	0.07

For Management Purposes Only

0099

Tennessee Orthopedics, PC 2015  
Income Statement  
For the Twelve Months Ending December 31, 2015

	Current Month		Year to Date	
Bank Service Charge	0.00	0.00	14.00	0.00
Billing & Collections	0.00	0.00	252.10	0.01
Billing & Collections	0.00	0.00	539.01	0.02
Billing & Collections	0.00	0.00	373.03	0.01
Billing & Collections	0.00	0.00	1,045.92	0.03
Billing & Collections	12,586.63	4.17	77,042.87	2.51
Billing & Collections	0.00	0.00	297.81	0.01
Computer Repair & Svs.	0.00	0.00	0.00	0.00
Computer Repair & Svs.	0.00	0.00	1,908.13	0.06
Computer Repair & Svs.	0.00	0.00	845.30	0.03
Computer Repair & Svs.	1,715.24	0.57	10,151.78	0.33
Contract Labor	0.00	0.00	1,342.53	0.04
Contract Labor	407.80	0.14	6,742.70	0.22
Contract Labor	0.00	0.00	250.00	0.01
Contract Labor	0.00	0.00	3,933.75	0.13
Contract Labor	1,819.00	0.60	16,276.90	0.53
Contracted Services	0.00	0.00	200.61	0.01
Contracted Services	0.00	0.00	538.55	0.02
Contracted Services	0.00	0.00	538.55	0.02
Contracted Services	336.93	0.11	1,204.08	0.04
Contracted Services	4,210.55	1.39	34,821.45	1.13
Credit Card Fees	0.00	0.00	122.21	0.00
Credit Card Fees	524.14	0.17	1,089.81	0.04
Credit Card Fees	0.00	0.00	3,293.93	0.11
Dues & Subscriptions	0.00	0.00	0.00	0.00
Dues & Subscriptions	0.00	0.00	75.00	0.00
Dues and Subscriptions	0.00	0.00	84.00	0.00
Dues & Subscriptions	1,049.99	0.35	1,865.81	0.06
Dues & Subscriptions	425.00	0.14	2,522.23	0.08
Equipment Lease	31,920.68	10.57	209,080.83	6.81
Equipment Lease	0.00	0.00	0.00	0.00
Equipment Lease	0.00	0.00	310.60	0.01
Flowers & Gifts	0.00	0.00	0.00	0.00
Flowers & Gifts	0.00	0.00	165.18	0.01
Flowers & Gifts	0.00	0.00	0.00	0.00
Flowers & Gifts	0.00	0.00	125.15	0.00
Housekeeping/Maintenance	0.00	0.00	0.00	0.00
Housekeeping/Maintenance	20.00	0.01	658.00	0.02
Housekeeping/Maintenance	0.00	0.00	692.30	0.02
Housekeeping/Maintenance	37.00	0.01	3,949.00	0.13
Insurance - General Liability	0.00	0.00	0.00	0.00
Insurance - General Liability	0.00	0.00	0.00	0.00
Insurance - General Liability	0.00	0.00	0.00	0.00
Insurance - General Liability	0.00	0.00	0.00	0.00
Insurance - General Liability	472.50	0.16	4,675.50	0.15
Insurance - Malpractice	24,708.00	8.18	24,708.00	0.80
Insurance - Staff	(24.82)	(0.01)	(658.09)	(0.02)
Insurance - Staff	(149.66)	(0.05)	1,291.74	0.04
Insurance - Staff	(119.89)	(0.04)	(1,043.57)	(0.03)
Insurance - Staff	1,070.25	0.35	(647.44)	(0.02)
Insurance - Staff	133.20	0.04	399.60	0.01
Insurance - Work Comp	0.00	0.00	0.00	0.00
Insurance - Work Comp	0.00	0.00	1,961.00	0.06
Interest Expense	0.00	0.00	0.00	0.00
Interest Expense	0.00	0.00	370.81	0.01
Interest Expense	0.00	0.00	0.00	0.00
Interest Expense	2,497.23	0.83	15,703.69	0.51
Laundry	118.99	0.04	381.37	0.01

For Management Purposes Only

0100

Tennessee Orthopedics, PC 2015  
Income Statement  
For the Twelve Months Ending December 31, 2015

	Current Month		Year to Date	
Laundry	118.99	0.04	401.30	0.01
Laundry	0.00	0.00	0.00	0.00
Laundry	118.99	0.04	2,284.98	0.07
Legal Fees	0.00	0.00	925.00	0.03
Legal Fees	155.46	0.05	771.46	0.03
Legal Fees	0.00	0.00	6,860.80	0.22
Legal Fees	11,517.80	3.81	51,348.92	1.67
Licenses & Permits	0.00	0.00	0.00	0.00
Licenses & Permits	0.00	0.00	69.04	0.00
Licenses & Permits	0.00	0.00	100.00	0.00
Licenses & Permits	0.00	0.00	285.00	0.01
Licenses & Permits	0.00	0.00	1,888.42	0.06
Licenses & Permits	0.00	0.00	235.00	0.01
Marketing	0.00	0.00	0.00	0.00
Marketing	0.00	0.00	2,285.00	0.07
Marketing	0.00	0.00	665.28	0.02
Marketing	1,641.52	0.54	7,729.69	0.25
Meals & Entertainment	0.00	0.00	608.54	0.02
Meals and Entertainment	0.00	0.00	50.92	0.00
Medical Waste	0.00	0.00	13.33	0.00
Medical Waste	557.70	0.18	3,281.36	0.11
Office Expense	0.00	0.00	0.00	0.00
Office Expense	0.00	0.00	84.10	0.00
Office Expense	89.00	0.03	1,644.12	0.05
Office Expense	0.00	0.00	207.05	0.01
Office Expense	778.72	0.26	2,566.43	0.08
Payroll Fees	0.00	0.00	0.00	0.00
Payroll Fees	0.00	0.00	0.00	0.00
Payroll Fees	279.40	0.09	4,360.15	0.14
Payroll - Staff Compensation	6,485.16	2.15	58,501.76	1.91
Payroll - Staff Compensation	21,111.42	6.99	270,939.94	8.82
Payroll - Staff Compensation	8,019.89	2.66	50,833.75	1.66
Payroll - Staff Compensation	0.00	0.00	7,692.32	0.25
Payroll - Staff Compensation	21,688.30	7.18	344,071.37	11.21
Payroll - Staff Compensation	14,375.01	4.76	124,583.44	4.06
Postage & Delivery	0.00	0.00	84.17	0.00
Postage & Delivery	0.00	0.00	0.00	0.00
Postage & Delivery	0.00	0.00	48.99	0.00
Postage & Delivery	0.00	0.00	1,118.59	0.04
Printing & Reproduction	0.00	0.00	0.00	0.00
Printing & Reproduction	0.00	0.00	366.37	0.01
Printing & Reproduction	0.00	0.00	207.75	0.01
Printing & Productions	0.00	0.00	0.00	0.00
Printing & Reproduction	0.00	0.00	1,173.83	0.04
Printing & Reproducion	201.03	0.07	2,736.59	0.09
Printing & Reproduction	0.00	0.00	0.00	0.00
Rent	0.00	0.00	0.00	0.00
Rent	4,545.00	1.51	27,265.00	0.89
Rent	0.00	0.00	640.00	0.02
Rent	8,421.00	2.79	47,534.16	1.55
Rent	1,710.30	0.57	6,841.20	0.22
Rent	1,600.00	0.53	5,600.00	0.18
Rent	29,383.44	9.73	151,903.82	4.95
Repairs	0.00	0.00	0.00	0.00
Repairs	92.86	0.03	372.55	0.01
Repairs	0.00	0.00	400.00	0.01
Repairs	0.00	0.00	8,638.57	0.28
Repairs	316.83	0.10	6,688.51	0.22

For Management Purposes Only

# 0101

Tennessee Orthopedics, PC 2015  
Income Statement  
For the Twelve Months Ending December 31, 2015

	Current Month		Year to Date	
Service Contract - Equipment	15,142.56	5.01	100,951.09	3.29
Service Contract - Equipment	0.00	0.00	1,523.15	0.05
Service Contract - Equipment	2,296.71	0.76	4,973.41	0.16
Supplies - Drugs & Injections	0.00	0.00	0.00	0.00
Supplies - Drugs & Injections	0.00	0.00	5,250.00	0.17
Supplies - Drugs and Injection	4,995.00	1.65	18,798.40	0.61
Supplies - Drugs & Injections	16,831.00	5.57	88,203.00	2.87
Supplies - Medical	780.47	0.26	2,293.54	0.07
Medical Supplies	0.00	0.00	107.60	0.00
Supplies - Medical	0.00	0.00	46.15	0.00
Supplies - Medical	1,984.35	0.66	32,965.46	1.07
Supplies - Office	0.00	0.00	0.00	0.00
Supplies - Office	368.69	0.12	586.35	0.02
Office Supplies	0.00	0.00	1,890.24	0.06
Supplies - Office	1,630.83	0.54	12,352.04	0.40
Supplies - Other	0.00	0.00	0.00	0.00
Supplies - Other	0.00	0.00	6.51	0.00
Supplies - Other	0.00	0.00	2.79	0.00
Supplies - Other	43.92	0.01	1,612.54	0.05
Taxes - Franchise & Excise	0.00	0.00	2,600.00	0.08
Taxes - Personal Property	0.00	0.00	0.00	0.00
Taxes - Personal Property	2,372.00	0.79	4,050.96	0.13
Taxes - Staff Payroll	495.79	0.16	4,257.53	0.14
Taxes - Staff Payroll	547.52	0.18	12,450.85	0.41
Taxes - Staff Payroll	599.19	0.20	3,810.93	0.12
Taxes - Staff Payroll	0.00	0.00	644.03	0.02
Taxes - Staff Payroll	1,516.13	0.50	28,106.97	0.92
Taxes - Staff Payroll	722.60	0.24	9,216.36	0.30
Telephone/Internet/TV	0.00	0.00	0.00	0.00
Telephone/Internet/TV	736.09	0.24	4,136.51	0.13
Telephone/Internet/TV	758.75	0.25	6,490.48	0.21
Telephone/Internet/TV	1,030.47	0.34	20,280.71	0.66
Tier II Expenses	58,939.00	19.52	366,108.00	11.92
Transcription	0.00	0.00	177.92	0.01
Transcription	0.00	0.00	801.51	0.03
Transcription	0.00	0.00	789.84	0.03
Travel - CME	0.00	0.00	2,000.00	0.07
Travel CME	0.00	0.00	1,500.00	0.05
Travel - CME	175.63	0.06	7,511.77	0.24
Travel - CME	0.00	0.00	295.00	0.01
Uniforms - Staff	0.00	0.00	0.00	0.00
Uniforms - Staff	0.00	0.00	0.00	0.00
Uniforms - Staff	0.00	0.00	0.00	0.00
Utilities	2,312.90	0.77	15,988.10	0.52
Utilities	617.95	0.20	4,172.06	0.14
Utilities	586.46	0.19	7,077.31	0.23
Utilities	0.00	0.00	1,414.42	0.05
Disability Ins - Mid-level	0.00	0.00	905.12	0.03
Disability Ins - Staff	0.00	0.00	223.06	0.01
Disability Ins - Physician	231.67	0.08	2,477.87	0.08
Disability Ins - Mid-level	0.00	0.00	1,693.74	0.06
Health Ins - Physician	1,007.79	0.33	4,673.68	0.15
Payroll - Phy Salary	60,336.27	19.98	480,798.25	15.66
Ancillary Bonus Allocated	0.00	0.00	0.00	0.00
Payroll Taxes - Physician	1,071.66	0.35	15,368.15	0.50
PT Bonus Allocated	0.00	0.00	0.00	0.00
Charitable Contributions	0.00	0.00	0.00	0.00
Depreciation	2,603.20	0.86	32,189.59	1.05

For Management Purposes Only

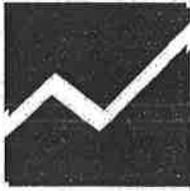
0102

Tennessee Orthopedics, PC 2015  
Income Statement  
For the Twelve Months Ending December 31, 2015

	Current Month		Year to Date	
Ancillary Bonus Allocated	0.00	0.00	(52,179.90)	(1.70)
Ancillary Bonus Allocated	0.00	0.00	52,179.90	1.70
Total Expenses	<u>401,125.28</u>	132.83	<u>2,976,384.12</u>	96.94
Net Income	<u>\$ (99,133.62)</u>	(32.83)	<u>\$ 93,868.25</u>	3.06

For Management Purposes Only

0103



*Royce A. Belcher* Certified Public Accountant

420 West Main Street • Lebanon, Tennessee 37087 • 615/444-1149 • Fax 615/444-6626

To the Board of Directors  
Tennessee Orthopedics PC  
Lebanon, Tennessee

We have compiled the accompanying statement of assets, liabilities, and equity-cash basis of Tennessee Orthopedics, PC. (an S corporation) as of March 31, 2016, the related statements of revenues and expenses-cash basis for the three months ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statements have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the cash basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's assets, liabilities, equity, revenues and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

*Royce A. Belcher, CPA*

May 11, 2016

**Tennessee Orthopedics, PC**  
**Balance Sheet**  
As of March 31, 2016

	Mar 31, 16
<b>ASSETS</b>	
<b>Current Assets</b>	
Checking/Savings	
1000 · Checking - First TN	74,820.86
1100 · Checking - WB&T	49,839.15
1111 · Checking - Pinnacle	2,445.39
1200 · RMA Escrow Account	19,854.80
<b>Total Checking/Savings</b>	<b>146,960.20</b>
Other Current Assets	
1900 · Employee Loan	-8,644.01
<b>Total Other Current Assets</b>	<b>-8,644.01</b>
<b>Total Current Assets:</b>	<b>138,316.19</b>
<b>Fixed Assets</b>	
2100 · Medical Equipment - ANC	528,882.40
2101 · Medical Equipment -Gallatin	28,480.21
2102 · Medical Equipment - IRG	175,743.40
2150 · Leasehold Improvements	31,698.84
2200 · Medical Equipment	137,404.30
2300 · Office Equipment	343,716.34
2400 · Furniture & Fixtures	78,477.59
2500 · Accumulated Depreciation - ANC	-528,882.00
2550 · Accumulated Depreciation - IRG	-175,744.00
2600 · Accumulated Depreciation	-506,512.98
<b>Total Fixed Assets</b>	<b>113,264.10</b>
<b>TOTAL ASSETS</b>	<b>251,580.29</b>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	
20000 · Accounts Payable	67,212.12
<b>Total Accounts Payable</b>	<b>67,212.12</b>
Credit Cards	
20001 · American Express	7,347.76
<b>Total Credit Cards</b>	<b>7,347.76</b>
Other Current Liabilities	
3200 · Payroll Liabilities	838.29
3400 · Shareholder Loan	1,350.00
<b>Total Other Current Liabilities</b>	<b>2,188.29</b>
<b>Total Current Liabilities</b>	<b>76,748.17</b>
Long Term Liabilities	
4200 · Line of Credit - Pinnacle	113,692.07
<b>Total Long Term Liabilities</b>	<b>113,692.07</b>
<b>Total Liabilities</b>	<b>190,440.24</b>
<b>Equity</b>	
5400 · Opening Balance Equity	21,862.33
5500 · Retained Earnings	-18,002.69
5525 · Common Stock	8,000.00
Net Income	49,280.41
<b>Total Equity</b>	<b>61,140.05</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>251,580.29</b>

**Tennessee Orthopedics, PC**  
**Profit & Loss**  
 January through March 2016

	Jan - Mar 16
<b>Income</b>	
6000 · Fees	755,746.44
6100 · Other Income	0.00
6300 · Rental Income	3,300.00
<b>Total Income</b>	759,046.44
<b>Gross Profit</b>	759,046.44
<b>Expense</b>	
7025 · Accounting Fees	7,198.00
7100 · Bank Service Charge	15.00
7200 · Billing & Collections	35,329.69
7250 · Computer Repair Services	1,092.51
7300 · Continuing Education - CME	695.70
7350 · Contract Labor	138,318.67
7375 · Credit Card Fees	1,501.60
7400 · Dues & Subscriptions	834.00
7450 · Equipment Leases	30,059.34
7500 · Flowers & Gifts	91.10
7550 · Housekeeping/Maintenance	9,814.36
7575 · Insurance - GL	4,097.33
7600 · Insurance - Staff	1,320.91
7625 · Insurance - WC	659.00
7650 · Interest Expense	1,542.58
7700 · Laundry	267.81
7725 · Legal Fees	12,842.11
7800 · Marketing	1,340.63
7825 · Meals & Entertainment	711.11
7850 · Medical Waste	1,157.82
7860 · Office Expense	1,347.00
7865 · Office Relocation	5,157.09
7875 · Payroll Fees	622.34
7900 · Payroll - Staff Compensation	260,290.18
8100 · Postage & Delivery	285.23
8200 · Printing & Reproduction	1,799.11
8250 · Rent	50,224.87
8300 · Repairs	3,440.80
8350 · Service Contract - Equipment	220.25
8400 · Supplies - Drugs & Injections	14,044.74
8450 · Supplies - Medical	17,577.43
8475 · Supplies - Office	3,903.70
8500 · Supplies - Other	189.27
8600 · Taxes - Property	477.00
8650 · Taxes - Staff Payroll	24,378.52
8700 · Telephone/Internet/TV	9,449.87
8850 · Travel - CME	1,894.00
8855 · Travel - Mileage	447.15
8875 · Uniforms	430.77
8900 · Utilities	11,609.29
9010 · Disability Ins - Staff	704.99
9030 · Disability Ins - Physician	1,494.21
9050 · Health Ins - Physician	4,283.30
9150 · Payroll - Production Bonus	46,625.65
<b>Total Expense</b>	709,766.03
<b>Net Income</b>	49,280.41

Attachment C, Contribution to Orderly Development-3  
(Comparison of Prevailing Wage Patterns)

**COMPARISON OF APPLICANT'S PROPOSED WAGE RATE  
TO PREVAILING WAGE PATTERNS**

Job Title	Applicant Proposed Hourly Wage <sup>1</sup>	US Bureau Labor Statistics-TN Prevailing Hourly Rate <sup>2</sup>	TN Dept. Labor & Workforce Development Prevailing Hourly Rate <sup>3</sup>
Registered Nurse	\$30.68	\$27.33	\$24.73
Surgical Technologist	\$19.24	\$18.33	\$18.01
Administrative Staff	\$23.41	\$16.76	\$18.07
Site Administrator	\$55.00	\$38.51	\$37.86
Outsourced Manager	\$60,000 annually	N/A, management fee is contractually negotiated	N/A, management fee is contractually negotiated

<sup>1</sup> Applicant's proposed wage structure is based upon the prevailing wages in the Southeastern United States, as identified in the 2012 Intellimarker Benchmarking Study for Multi-Specialty ASCs (7<sup>th</sup> ed.), published by VMG Health and referred to as the Ambulatory Surgical Centers Financial and Operational Benchmarking Study. VMG is a leader in ASC valuation, and the 2012 Multi-Specialty ASC Intellimarker benchmarking study is based on an analysis of over 201 freestanding ASCs and one million ASC cases.

<sup>2</sup> Tennessee-Bureau of Labor Statistics, "May 2015 State Occupational Employment and Wage Estimates-Tennessee," [www.bls.gov/oes/current/oes\\_tn.htm](http://www.bls.gov/oes/current/oes_tn.htm).

<sup>3</sup> Tennessee Department of Labor and Workforce Development, Wage Data for Occupations, Occupational Data, Occupational Employment and Wages (OES), 2014, [www.jobs4tn.gov](http://www.jobs4tn.gov) (select "Occupation Data" under "Labor Market Information" tab, and then "Employment and Wage Data.")

# Supplemental #1 -COPY-

TN Orthopedics PC

CN1605-019



99

**GRIFFIN**  
LAW OFFICE

**SUPPLEMENTAL #1**

May 24, 2016

12:48 pm

May 24, 2016

Reply to: Christi D. Griffin, Esq.  
[christi.griffin@griffinlawtn.com](mailto:christi.griffin@griffinlawtn.com)

**HAND-DELIVERY**

Mr. Mark Farber  
Deputy Director  
Tennessee Health Services and Development Agency  
Andrew Jackson Building, 9<sup>th</sup> Floor  
500 Deaderick Street  
Nashville, TN 37243

RE: Certificate of Need Application CN1605-019  
Tennessee Orthopedics, P.C. – Establishment of Multi-Specialty ASTC  
**Applicant's Response to Request for Supplemental Information**

Dear Mr. Farber,

Please accept this filing as the response to your May 17, 2016 request for supplemental information on the above-captioned CON application filed by Tennessee Orthopedics, P.C. The signed and notarized affidavit supporting this response to request for supplemental information follows this cover letter, followed by the response to each supplemental question. Please do not hesitate to contact me should you have questions or require additional information.

Sincerely,

  
Christi D. Griffin

**May 24, 2016**

**12:48 pm**

MAY 24 2016

**AFFIDAVIT**

STATE OF TENNESSEE

COUNTY OF Wilson

NAME OF FACILITY: Tennessee Orthopedics, PC

I, Roy C. Terry, 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.

RCT  
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 23<sup>rd</sup> day of May, 2016, witness my hand at office in the County of Wilson, State of Tennessee.

Kimberly C. White  
NOTARY PUBLIC

My commission expires May 22, 2017.



**May 24, 2016****12:48 pm**

1. Section A, Applicant Profile, Item 5

*The non-binding letter of intent with Custom Surgical Consultants is noted. What are the expected annual management fees, the method of calculating these fees, and the expected term of the agreement?*

RESPONSE:

Please find attached a letter of clarification from Tina DiMarino, COO, Custom Surgical Consultants stating their expected annual management fees and the method of calculating said fees. The expected term of the agreement is three (3) years.

**[Attachment 1]**

**May 24, 2016****12:48 pm**

2. Section A, Applicant Profile, Item 6

*Please provide a deed or similar item documenting Phoenix Medical Office Building LLC's ownership of the space for the ASTC.*

RESPONSE:

Please find attached a notarized copy of the Quit Claim Deed dated June 4, 2015, conveying ownership from Roy C. Terry, MD to Phoenix Medical Office Building, LLC. The ASTC will be leasing space from Phoenix Medical Office Building, LLC.

**[Attachment 2]**

**3. Section B, (Project Description) Item 1**

- A) *Will there be an entrance to the ASTC that is separate from the medical practice?*
- B) *Please explain why the legal entity that will eventually own the ASTC is not being created at this time?*
- C) *Have the surgeons representing the additional specialties proposed for the ASTC expressed an interest in performing surgeries at the proposed ASTC? If yes, please provide documentation of this interest.*
- D) *Please describe the types of surgery that are expected to take place for each type of specialty represented by the surgeons using the facility. Approximately how many patients will be in recovery for the full 23 hours and for what types of procedures would this length of recovery be anticipated.*
- E) *What type of surgeries will take place in the operating rooms and what types of procedures will take place in the procedure rooms?*
- F) *Please identify which hospitals that the surgeons expecting to use the ASTC have admitting privileges. Will all the surgeons expected to utilize the facility be able to follow their patients in the case of an emergency transfer?*

**A) RESPONSE:**

Yes. As shown on the attached copy of the floor plans for the ASTC and the overall building plan, the ASTC has its own entrance from a common vestibule. There are two entrances into the vestibule, both of which are covered and may be used for patient drop-off and pick-up. There is no comingling of ASTC patients or visitors with patients receiving non-ASTC services in the medical office building.

**[Attachment 3]**

**May 24, 2016****12:48 pm****B) RESPONSE:**

It is more efficient from a financial and operational perspective to create a separate legal entity that is also eligible for Medicare certification upon the approval of the CON. The ASTC licensure rules permit Applicant to be the owner of an ASTC provided that all licensure rules and requirements are satisfied. Therefore, from an overall efficiency standpoint Applicant is initially seeking the CON, and will create a separate legal entity that is also eligible for Medicare certification and file a change of ownership upon approval of the CON.

**C) RESPONSE:**

Yes. As stated in the CON Application, thirteen surgeons not affiliated with the Applicant, including dentists, have provided verbal support for Applicant's ASTC as described in the Application. Letters of support from supporting surgeons and dentists are attached. Additional letters are expected, but there is a reticence at this time due to concerns for existing relationships if this Application is not approved.

**[Attachment 4]****D) RESPONSE:**

The following are a list of surgeries, by specialty, of most commonly performed procedures at ambulatory surgery centers. Those specialties represented are: Otolaryngology (Ear, Nose, and Throat), General Surgery, Gynecology, Orthopedics, Plastic Surgery, Podiatry, and Dentistry. We anticipate that this will be a partial list of the procedures that will be performed at this multi-specialty ASTC:

**Otolaryngology (Ears, Nose, and Throat)**

- Adenoidectomy
- Balloon Sinuplasty
- Ear Tube Placement
- Inner Ear Surgery
- Laryngoscopy
- Lymph Node Biopsy / Excision
- Nose Fracture Repair
- Septoplasty
- Sinus Surgery

**General Surgery**

- Anorectal Surgery
- Biopsy/Excision of Lymph Node
- Breast Surgery
- Excision of cyst, lesion, mass, tumor, etc.
- Hemorrhoidectomy
- Laparoscopic cholecystectomy (gallbladder removal)
- Laparoscopic Hernia Repair
- Open Hernia Repair
- Port Placement
- Temporal Artery Biopsy

**Gynecology**

- D&C
- Endometrial Ablation
- Bladder Sling

**Orthopedics**

- Carpal Tunnel Release
- Debridement
- Fracture Repair
- Ganglion Cyst Removal
- Elbow Arthroscopy
- Fluoroscopy Injections
- Implant Removal
- Knee Arthroscopy
- Shoulder Arthroscopy
- Tendon Repair
- Total Joint Aspiration
- Trigger Finger Release

**Plastic Surgery**

- Blepharoplasty
- Breast Surgery
- Carpal Tunnel Release
- Excision of cyst, lesion, mass, tumor, etc.
- Ganglion Cyst Removal
- Ptosis Repair
- Trigger Finger Release

**May 24, 2016****12:48 pm****Podiatry**

- Ankle Repair
- Bunionectomy
- Hammertoe Correction

**Dentistry**

- Full Mouth Dental Rehabilitation
- 3<sup>rd</sup> Molar Extractions
- Dental Implants
- Bone Grafts/Sinus Lift

We anticipate initially that 1 - 2 patients per week will be candidates for 23-hour recovery. The primary specialty that will use these rooms the most is plastic surgery since many of these patient's need to have closer monitoring for swelling in the hours immediately following their surgical procedure. Some of the other types of procedures that we anticipate will utilize 23-hour recovery are:

- Partial Knee Replacement
- Rotator Cuff Repair
- Post-Operative Pain Issues
- Intractable Nausea

**E) RESPONSE:**

Surgeries, which require general and/or monitored anesthesia care, will take place in the Operating Rooms. Surgeries that require local and/or intravenous sedation, will take place in the Procedure Room.

**F) RESPONSE:**

The surgeons who are expected to initially utilize the ASTC have hospital privileges as follows:

- |                                     |                                    |
|-------------------------------------|------------------------------------|
| • Tennova Healthcare-Lebanon        | 10 providers (includes 2 dentists) |
| • TriStar Summit Medical Center     | 7 providers (includes 1 dentist)   |
| • Sumner Regional Medical Center    | 3 providers                        |
| • Riverview Regional Medical Center | 2 providers                        |
| • Macon County General Hospital     | 1 provider                         |
| • TriStar Stonecrest Medical Center | 1 provider                         |
| • Trousdale Medical Center          | 1 provider                         |

The hospitals most likely to receive emergency transfers are Tennova and TriStar Summit. In the clear majority of cases requiring an emergency transfer, the surgeon making the transfer will

**May 24, 2016****12:48 pm**

be able to follow the patient in the hospital. Unless the condition necessitating the emergency transfer is dental, the dentists will transfer the hospital care to a physician qualified to address the patient's emergency condition.

**4. Section C, Need Item 1(Specific Criteria -ASTC) Item 2.**

A) *What is the capacity in hours of the operating rooms and procedure rooms?*

B) *The first row under **Specialty** is labeled "Procedure Rm". Please explain*

A) RESPONSE:

The ASTC will operate 8 hours per day, 5 days per week, for 50 weeks per year.

**Methodology:**

8 hours per day

5 days per week

50 weeks per year

*times the number of rooms*

**Operating Room Capacity:** 6,000 hours per year

$8 \times 5 \times 50 = 2,000$  hours/operating room per year

$2,000 \times 3$  Operating Rooms = 6,000 hours for 3 Operating Rooms per year

**Procedure Room Capacity:** 2,000 hours per year

$8 \times 5 \times 50 = 2,000$  hours/procedure room per year

B) RESPONSE:

The projected Procedure Room utilization is calculated based on all anticipated non-surgical procedures without breaking the procedures out by specialty. Thus, the term "Procedure Rm" refers to all non-surgical procedures expected to be performed in the Procedure Room. The projections are based on Tennessee Orthopedics historical procedure room utilization without taking into consideration utilization by other specialists. The table that appears in the original CON Application at Attachment C, Need-1(a) – ASTC Standards and Criteria, has been revised to segregate surgical and non-surgical (e.g., Procedure Room) cases, and is pasted immediately below.

**May 24, 2016****12:48 pm****Projected Operating Room Hours by Specialty**

Year 1 (2018)

Specialty	Case Volume by Specialty	Minutes Projected per Case	Total Surgeon Time in Minutes	Total Surgeon Time in Hours	Total Turnover/Prep Time in Minutes	Total Turnover/Prep Time in Hours	Total Surgeon and Turnover/Prep Time in Hours
Podiatry	100	60	6,000	100	1,000	17	117
GYN	100	60	6,000	100	1,000	17	117
ENT	100	60	6,000	100	1,000	17	117
Plastic	200	60	12,000	200	2,000	33	233
General Surgery	300	60	18,000	300	3,000	50	350
Dental	500	60	30,000	500	5,000	83	583
Ortho	1,587	75	119,025	1,984	15,587	260	2,244
<b>Total</b>	<b>2,887</b>	<b>435</b>	<b>197,025</b>	<b>3,284</b>	<b>28,587</b>	<b>476</b>	<b>3,761</b>

**Total Projected Procedure Room Hours**

Year 1 (2018)

Procedure Room	Case Volume by Procedure Room	Minutes Projected per Case	Total Surgeon Time in Minutes	Total Surgeon Time in Hours	Total Turnover/Prep Time in Minutes	Total Turnover/Prep Time in Hours	Total Surgeon and Turnover/Prep Time in Hours
Procedure Room	3,649	45	164,205	2,737	36,490	608	3,345
<b>Total</b>	<b>3,649</b>	<b>45</b>	<b>164,205</b>	<b>2,737</b>	<b>36,490</b>	<b>608</b>	<b>3,345</b>

**May 24, 2016****12:48 pm****Projected Operating Room Hours by Specialty**

Year 2 (2019)

Specialty	Case Volume by Specialty	Minutes Projected per Case	Total Surgeon Time in Minutes	Total Surgeon Time in Hours	Total Turnover/Prep Time in Minutes	Total Turnover/Prep Time in Hours	Total Surgeon and Turnover/Prep Time in Hours
Podiatry	110	60	6,600	110	1,100	18	128
GYN	110	60	6,600	110	1,100	18	128
ENT	110	60	6,600	110	1,100	18	128
Plastic	220	60	13,200	220	2,200	37	257
General Surg	330	60	19,800	330	3,300	55	385
Dental	550	60	33,000	550	5,500	92	642
Ortho	1,746	75	130,928	2,182	17,457	291	2,473
<b>Total</b>	<b>3,176</b>	<b>435</b>	<b>216,728</b>	<b>3,612</b>	<b>31,757</b>	<b>530</b>	<b>4,142</b>

**Total Projected Procedure Room Hours**

Year 2 (2019)

Procedure Room	Case Volume by Procedure Room	Minutes Projected per Case	Total Surgeon Time in Minutes	Total Surgeon Time in Hours	Total Turnover/Prep Time in Minutes	Total Turnover/Prep Time in Hours	Total Surgeon and Turnover/Prep Time in Hours
Procedure Rm	4,014	45	180,630	3,011	40,140	669	3,680
<b>Total</b>	<b>4,014</b>	<b>45</b>	<b>180,630</b>	<b>3,011</b>	<b>40,140</b>	<b>669</b>	<b>3,680</b>

In our original filing we projected only 50% of Tennessee Orthopedics procedure case from 2015-2016 utilization data; new charting reflects 100%.

**May 24, 2016****12:48 pm**

Source: Becker's ASC Review, "100 Surgery Center Benchmarks and Statistics to Know," 10/27/13, <http://www.beckersasc.com/lists/100-surgery-center-benchmarks-statistics-to-know.html>, accessed May 8, 2016.

5. Section C, Need Item 1(Specific Criteria -ASTC) Item 4.

*A) Since the Providence Surgery Center performs orthopedic surgeries, please discuss the impact the proposed project will have on this ASTC.*

*B) Does the applicant expect to perform endoscopy and/or ophthalmology procedures at some point in the future?*

A) RESPONSE:

We do not expect the proposed project to impact the Providence Surgery Center. Providence Surgery Center is a "dual-specialty" ASTC providing only orthopedic and pain management services. Of the three orthopedic surgeons who will be seek privileges at Applicant's proposed ASTC, only Dr. Terry is currently privileged at the Providence Surgery Center. However, as stated in the CON Application, Providence Surgery Center is not convenient for Dr. Terry or his patients, and he performed less than 5 surgeries at that site in 2015. None of the other surgeons expressing interest in the proposed ASTC are eligible to perform surgeries at the Providence Surgery Center. Therefore, the proposed project will not impact on the Providence Surgery Center.

B) RESPONSE:

There are no current plans to offer privileges to either of these specialties and there are no surgeons in these specialties who have expressed an interest in performing these surgical procedures.

**6. Section C, Need Item 1(Specific Criteria -ASTC) Item 8**

A) *According to the patient origin data provided, almost 13% of the practice's patients reside in Sumner County. Please explain why Sumner County was not included in the applicant's proposed service area.*

B) *The table showing patient outmigration is noted. It appears that over 50% of proposed service area residents are currently using four ASTCs: Summit Surgery Center, Baptist Plaza Surgicare, and Centennial Surgery Center in Davidson County and Patient Partners in Sumner County. Please discuss the expected impact of the proposed project on these and other surgery centers in the surrounding area including the Providence Surgery Center.*

**A) RESPONSE:**

The CON Standards and Criteria for ASTCs define the primary service area as those areas comprising 51% of a provider's patients. Based on Tennessee Orthopedics' ambulatory surgery utilization May 2015 - April 2016 (the only data we have available), Wilson and Smith Counties comprise more than 51%. We included Macon County because it was the third highest county, and Trousdale County because it is centrally located in the middle of the three (3) largest counties. Sumner County comes in fourth place and therefore we did not include this in our primary service area.

**B) RESPONSE:**

We have not identified data reporting patient outmigration from the surgical and dental practices that have expressed interest in utilizing the proposed ASTC to the five (5) ASTCs referenced in this question. Because the surgeons and dentists who have expressed an interest are "utilizers" of the proposed ASTC, and not "owners," these surgeons have not been asked to compile or disclose confidential information related to the patient origin for their practices and the surgeons'/dentists' facility utilization. To the best of Applicant's knowledge, following a review of the letters of support that have been provided and publicly available information, none of the surgeons or dentists have privileges at Baptist Plaza Surgicare, Centennial Surgery Center or Summit Surgery Center. Only one surgeon (Dr. Terry) has privileges at Patient Partners and Providence Surgery Center. Therefore, the proposed ASTC will have minimal impact on these facilities, each of which is located outside of Applicant's primary service area.

**May 24, 2016****12:48 pm****7. Section C, Need Item 3**

*Please identify, any, counties that account for more patients than Troup County. If any, identify the percentage those patients represent for the total practice patients.*

**RESPONSE:**

Please see Applicant's ambulatory surgery patient origin table below. This table was originally included in the CON Application in Attachment C, Need-1(a)-ASTC Standards and Criteria.

County	%	County	%	County	%
Wilson	35.40%	Davidson	1.21%	Hickman	.15%
Smith	20.57%	Cumberland	.61%	Madison	.15%
Macon	15.28%	Jackson	.45%	Rhea	.15%
Troup	5.30%	Clay	.30%	Warren	.15%
Sumner	12.86%	Fentress	.30%	White	.15%
Putnam	1.97%	Robertson	.30%	Out of State	.91%
DeKalb	1.51%	Williamson	.30%	Unknown	.45%
Rutherford	1.36%	Cannon	.15%		
				<b>TOTAL</b>	<b>100%</b>

**8. Section C, Need Item 5**

A) *For each of the surgeons expected to utilize the proposed surgery center please identify for 2015 the locations where surgeries were performed and the number of surgical cases at each facility.*

B) *Please also provide similar information for the mid-level providers expected to perform procedures in the procedure room.*

C) *Please explain how 10% increase was selected for the growth between Year 1 and 2.*

D) *Please identify where in the Hospital Joint Annual Reports there is patient origin data for surgical cases.*

A) RESPONSE:

Please see response to Question 6(B) in the Supplemental Request for Information.

B) RESPONSE:

Applicant's midlevel practitioners perform currently less than 10% of their procedures outside of the Tennessee Orthopedics Lebanon clinic. All the remaining cases are referred to Dr. Roy Terry. Mid-level provider procedure utilization of the unaffiliated surgeons who are expected to utilize the ASTC have not been taken into consideration, as this information is not currently known.

**May 24, 2016****12:48 pm****C) RESPONSE:**

We selected a 10% growth rate based on the following factors:

- There will be an increase in patients due to the fact that we are in a new facility with a better location, immediately off of I-40.
- There will be an increase in patients due to new referral relationships that will be developed with the 2 new Orthopedic Surgeons joining the Tennessee Orthopedics practice in the summer of 2016.
- There is projected to be an annual 2.155% increase in area population between now and 2018/2019, therefore all surgeons utilizing the ASTC will experience this growth in their individual practices.
- We feel that this more than account for the conservative 10% increase projected.

**D) RESPONSE:**

The CON referenced hospital outmigration from Wilson County. The Hospital JAR shows patient origin for all hospital services, but does not report surgery separately. The Hospital outmigration reported in the CON is for all-hospital services, and therefore serves as a reasonable measure for ambulatory surgical outmigration.

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

A) *Please provide the position name of the mid-level providers, e.g., nurse practitioner, physician assistant, etc., and the types of procedures being performed in procedure rooms.*

B) *Please provide surgical case projections by specialty using the table below:*

A) RESPONSE:

Tennessee Orthopedics currently employs one Nurse Practitioner and one Physician Assistant and anticipates employing two additional Physician Assistants when the two newly contracted orthopedic surgeons join the practice on or before 9/1/2016. The proposed ASTC projections do not contemplate non-employee midlevel practitioners performing procedures in the ASTC procedure room. It is anticipated that the following procedures will be performed by the Tennessee Orthopedics midlevel practitioners in the ASTC procedure room:

- Set Fractures
- Abscess I and D
- Laceration Repair
- Wound Debridement
- Ultrasound Guided Injection
- Fluoroscopy Guided Injections
- Lesion Removal
- Ingrown Toenail Removal
- Cyst Excision or Aspiration
- Foreign Body Removal

**May 24, 2016****12:48 pm**

B) RESPONSE:

**Projections by OR/PR by Specialty**

Specialty	# of Surgeons	Year 1 OR Cases	Year 1 PR Cases	Year 2 OR Cases	Year 2 PR Cases
Orthopedics	3	1,587	3,649	1,746	4,014
General Surgery	3	300		330	
ENT	1	100		110	
Podiatry	1	100		110	
GYN	1	100		110	
Plastic Surgery	2	200		220	
Dental	5	500		550	
<b>Total</b>	<b>16</b>	<b>2,887</b>	<b>3,649</b>	<b>3,176</b>	<b>4,014</b>

**May 24, 2016****12:48 pm****10. Section C. Economic Feasibility Item 1(Project Cost Chart)**

A) *What is the fair market value of the space being designated for the ASTC and how does this compare to the calculated lease expense?*

B) *The letter from Evergreen Construction is noted. Please ask Evergreen Construction to submit a revised letter that addresses the following items:*

1) *a general description of the project*

2) *his/her estimate of the cost to construct the project to provide a physical environment, according to applicable federal, state and local construction codes, standards, specifications, and requirements and*

3) *attesting that the physical environment will conform to applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the latest AIA Guidelines for Design and Construction of Hospital and Health Care Facilities.*

A) RESPONSE:

The fair market value of the space being designated for the ASTC has been determined as follows:

- 100 Physicians Way, Lebanon, TN 37090 was built in 2008. It is directly across the street from the proposed ASTC. It currently has space for lease at \$19.00/sq ft annually.
- 103 Physicians Way, Lebanon, TN 37090 was built in 2013. It is directly behind the proposed ASTC. It currently has space for lease at \$19.00/sq ft annually.
- 1420 Baddour Parkway, Lebanon, TN 37087 was built in 2000. It is next to Tennova Healthcare - Lebanon (University Medical Center). It is located approximately 5 miles from the proposed ASTC. It currently has space for lease at \$18.50/sq ft annually.
- The leased space in which the ASTC will be located was built in 2016. The proposed ASTC has signed a lease agreement to lease the space for \$20.00/sq ft annually beginning in the year 2018. It is felt that this is definitely within fair market value for 2018 based on the current comparison of like space in the immediate geographical area.

A) RESPONSE:

See attached.

**[Attachment 5]**

**May 24, 2016****12:48 pm****11. Section C. Economic Feasibility Item 2 Funding**

*The letter from Citizens bank includes a loan amount of approximately \$2,400,000. Since the project cost totals \$2,726,676, please discuss the source of funds for the additional \$300,000+.*

RESPONSE: See attached.

**[Attachment 6]**

**12. Section C. Economic Feasibility Item 4 (Projected Data Chart)**

A) *For Line A. Utilization Data please replace the "#OR/PR Cases" entry with the actual number of cases projected for Years 2018 and 2019.*

B) *Please complete the following chart for Line D.9.-Other Expenses:*

A) RESPONSE: See attached.

**[Attachment 7]**

**May 24, 2016****12:48 pm****13. Section C. Economic Feasibility Item 10**

*Regarding Tennessee Orthopedics 2015 Balance Sheet, please explain how there can be no current liabilities.*

RESPONSE: See attached.

**[Attachment 8]**

**14. Section C. Contribution to Orderly Development Item 1**

*Have either Tennova Healthcare-Lebanon or Summit Medical Center expressed an interest in the development of a transfer agreement if the proposed project is approved?*

**RESPONSE:**

No discussions have taken place. It is expected the hospitals will enter into a transfer agreement and is in the best interest of the patients.

**15. Equipment Registry**

*Please update Tennessee Orthopedics P.C.'s medical equipment registration and submit 2015 utilization by payor source and 2015 utilization by county.*

RESPONSE: The 2015 medical equipment registration was electronically filed on May 22, 2016, a copy below.

**Medical Equipment Utilization Report - Section 2**

Date Submitted: 5/22/2016 10:42:14 AM

**Facility: Tennessee Orthopedics, PC (95010)**

Comments: We have the percentage of Tennessee Orthopedics patients by county during this time period but do not have the number of MRIs per Reporting Period: June, 2015 - December, 2015

<b>County</b>	<b>CT</b>	<b>Linear Accelerator</b>	<b>Cyber Knife</b>	<b>Gamma Knife</b>	<b>Lithotripter</b>	<b>MRI</b>	<b>PET</b>
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**Medical Equipment Utilization Report - Section 1**

Date Submitted: 5/22/2016 10:37:28 AM

**Facility: Tennessee Orthopedics, PC (95010) - Wilson**

Contact: Jennifer MacDonald  
 Phone: 615-449-0890 ext 210  
 Email: [jmacdonald@tennesseeorthopedics.com](mailto:jmacdonald@tennesseeorthopedics.com)

Reporting Period: June, 2015 - December, 2015

**Equipment Type: MRI (Fixed)**

Number of Units: 745  
 Mobile Days per Week:

	<b>Medicare</b>	<b>TennCare / Medicaid</b>	<b>Managed Care / Commercial</b>	<b>Self Pay / Other</b>	<b>Total</b>
<b>Procedures:</b>	0	0	0	0	<b>745</b>
<b>Gross Charges:</b>	0	0	0	0	<b>1015783</b>

**May 24, 2016**

**12:48 pm**

**END RESPONSE TO SUPPLEMENTAL REQUEST FOR INFORMATION; ATTACHMENTS  
IMMEDIATELY FOLLOW**

**May 24, 2016**

**12:48 pm**

**ATTACHMENT 1**

**May 24, 2016****12:48 pm**

May 19, 2016

To Whom it May Concern;

Custom Surgical Consultants' annual management fee for Tennessee Orthopedics has been calculated at \$60,000.00 for the first twelve month period.

This figure was calculated based on our weekly fee for 24/7 oversight of the facility including travel expenses.

Sincerely,

Tina J. DiMarino, MSN, RN, CNOR  
COO of Custom Surgical Consultants, LLC.

**May 24, 2016**

**12:48 pm**

**ATTACHMENT 2**

BK/20: 1205456-597

May 24, 2015

12:48 pm



2 PGS AL QUITCLAIM DEED	
DARLA BATCH: 316535	
06/04/2015 - 03:46 PM	
VALUE	0.00
MORTGAGE TAX	0.00
TRANSFER TAX	0.00
RECORDING FEE	10.00
DP FEE	2.00
REGISTER'S FEE	0.00
TOTAL AMOUNT	12.00

**QUITCLAIM DEED**

This instrument was prepared by:  
 Christi D. Griffin, Esq.  
 Griffin Law Office  
 113 East Main Street  
 Lebanon, TN 37087

STATE OF TENNESSEE, WILSON COUNTY  
**JOHN B SPICKARD**  
 REGISTER OF DEEDS

Name and address of the new owner (the Grantee):	Phoenix Medical Office Building, LLC 1616 West Main Street, Suite 200 Lebanon, TN 37087
Name and address of the Mortgagee (the holder of a mortgage loan):	Citizens Bank 100 McMurry Boulevard Hartsville, TN 37074
Tax map parcel number:	Map 081, Parcel 120.07
Mail tax bills to:	Phoenix Medical Office Building, LLC 1616 West Main Street, Suite 200 Lebanon, TN 37087

In consideration of Ten Dollars and other valuable consideration paid, the receipt of which is acknowledged, I, Roy C. Terry, the Grantor, sell, transfer, and convey to Phoenix Medical Office Building, LLC, the Grantee, all of my right, title and interest in the following real estate:

IN THE COUNTY OF WILSON, STATE OF TENNESSEE: Land located in the 21<sup>st</sup> Civil District of Wilson County, Tennessee, and being Lot No. 3 on the Final Plat of JPR Enterprises, of record in Plat Book 25, Page 938, in the Register's Office of Wilson County, Tennessee, to which plat reference is hereby made for more complete details as to size, location, and description of said lot; and being the same property conveyed to Roy C. Terry, of record in Book 1581, Page 2177, Register's Office of Wilson County, Tennessee.

No boundary survey of the real estate was made at the time of this conveyance, and the description of it is not different from that shown in any previous deed. For prior title, see Book 1581, Page 2177 in the Register's Office of Wilson County, Tennessee.

Taxes for the year 2015 are assumed by the Grantee.

THIS CONVEYANCE IS SUBJECT TO MATTERS OF PUBLIC RECORD including the following: (1) governmental zoning and other ordinances and regulations; (2) utility, sewer, drainage, and other easements and stipulations; and (3) subdivision and condominium covenants, conditions, declarations, and other restrictions.

**May 24, 2016**

**12:48 pm**

THIS CONVEYANCE IS ALSO SUBJECT TO restrictive covenants as may be recorded in a Declaration of Covenants, Conditions and Restrictions, of record in the WCROD at Book 1198, Page 1048, as amended by that First Amendment to Declaration of Covenants, Conditions and Restrictions, of record at the WCROD at Book 1613, Page 225.

Witness my hand this 4th day of June, 2015.

[Signature]  
Grantor

**Acknowledgement**

STATE OF TENNESSEE  
COUNTY OF WILSON

On the 4th day of June, 2015, before me personally appeared Roy A Taylor, the Grantor, to me known (or proved to me on the basis of satisfactory evidence) to be the person described in and who executed the foregoing instrument and acknowledged that he or she executed the same as his or her free act and deed.

[Signature]  
Notary Public

My commission expires: 8/30/16

**Affidavit of Value**



STATE OF TENNESSEE  
COUNTY OF WILSON

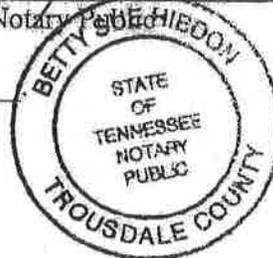
I swear or affirm that the actual consideration for this transfer, or the value of the property transferred, whichever is greater, is \$10.00. That amount is equal to or greater than the amount which the property would command at a fair and voluntary sale.

[Signature]  
Grantee

Sworn to and subscribed before me this 4th day of June, 2015.

[Signature]  
Notary Public

My commission expires: 8/30/16





**May 24, 2016**

**12:48 pm**

**ATTACHMENT 4**

**May 24, 2016**

**12:48 pm**

Certificate of Need Board  
Tennessee Health Services and  
Development Agency  
502 Dederick Street  
Andrew Jackson Building  
Ninth Floor  
Nashville, TN 37243

Attention: Ms. Melanie M. Hill, Executive Director

Dear Member of the Board:

I am writing this letter to express my support for a Certificate of Need application filed by Tennessee Orthopedics, P.C. To establish a multi-specialty ambulatory treatment center in Lebanon, Tennessee. I am a general Surgeon with a surgical practice office located in Lebanon. I support the new ASTC facility. I anticipate that I will bring 30 surgeries to the facility on an annual basis. The ASTC will be more efficient and less costly for my patients.

Sincerely,

  
\_\_\_\_\_  
Signature

Nancy Barrett  
\_\_\_\_\_  
Print Name

Current Privileges:

- Tennova-Health Care- Lebanon
- Tri-Star Summit Medical Center
- Sumner Regional Medical Center
- Indian Lakes Surgical Center
- Providence Surgery Center
- River View Other

Types of Surgeries I anticipate performing at the ASTC:

laparoscopic cholecystectomies / laparoscopic simple PROC  
Soft tissue Masses  
Hemorrhoids  
\_\_\_\_\_

**May 24, 2016**

**12:48 pm**

Certificate of Need Board  
Tennessee Health Services and  
Development Agency  
502 Dederick Street  
Andrew Jackson Building  
Ninth Floor  
Nashville, TN 37243

Attention: Ms. Melanie M. Hill, Executive Director

Dear Member of the Board:

I am writing this letter to express my support for a Certificate of Need application filed by Tennessee Orthopedics, P.C. To establish a multi-specialty ambulatory treatment center in Lebanon, Tennessee. I am a General Surgeon with a surgical practice office located in Lebanon. I support the new ASTC facility. I anticipate that I will bring 50 surgeries to the facility on an annual basis. The ASTC will be more efficient and less costly for my patients.

Sincerely,

  
Signature

Alex Brant Fruts  
Print Name

Current Privileges:

- Tennova-Health Care- Lebanon
- Tri-Star Summit Medical Center
- Sumner Regional Medical Center
- Indian Lakes Surgical Center
- Providence Surgery Center
- \_\_\_\_\_ Other

Types of Surgeries I anticipate performing at the ASTC:

Hernias  
Laparoscopic cholecystectomies  
\_\_\_\_\_  
\_\_\_\_\_

**May 24, 2016**

**12:48 pm**

Certificate of Need Board  
Tennessee Health Services and  
Development Agency  
502 Dederick Street  
Andrew Jackson Building  
Ninth Floor  
Nashville, TN 37243

Attention: Ms. Melanie M. Hill, Executive Director

Dear Member of the Board:

I am writing this letter to express my support for a Certificate of Need application filed by Tennessee Orthopedics, P.C. To establish a multi-specialty ambulatory treatment center in Lebanon, Tennessee. I am a General Surgeon with a surgical practice office located in Lebanon. I support the new ASTC facility. I anticipate that I will bring 50-60 surgeries to the facility on an annual basis. The ASTC will be more efficient and less costly for my patients.

Sincerely,

  
\_\_\_\_\_  
Signature

Jeffrey A. Mathews  
\_\_\_\_\_  
Print Name

Current Privileges:

- Tennova-Health Care- Lebanon
- Tri-Star Summit Medical Center
- Sumner Regional Medical Center
- Indian Lakes Surgical Center
- Providence Surgery Center
- \_\_\_\_\_ Other

Types of Surgeries I anticipate performing at the ASTC:

- Hemorrhoidectomy
- Hernia Repair
- Cholecystectomy
- Port Placement

**May 24, 2016**

**12:48 pm**

Certificate of Need Board  
Tennessee Health Services and  
Development Agency  
502 Dederick Street  
Andrew Jackson Building  
Ninth Floor  
Nashville, TN 37243

Attention: Ms. Melanie M. Hill, Executive Director

Dear Member of the Board:

I am writing this letter to express my support for a Certificate of Need application filed by Tennessee Orthopedics, P.C. To establish a multi-specialty ambulatory treatment center in Lebanon, Tennessee. I am a oral Surgeon with a surgical practice office located in Lebanon. I support the new ASTC facility. I anticipate that I will bring 60 surgeries to the facility on an annual basis. The ASTC will be more efficient and less costly for my patients.

Sincerely,

Aaron E. Pryor  
Signature

Aaron E. Pryor  
Print Name

Current Privileges:

- Tennova-Health Care- Lebanon
- Tri-Star Summit Medical Center
- Sumner Regional Medical Center
- Indian Lakes Surgical Center
- Providence Surgery Center
- \_\_\_\_\_ Other

Types of Surgeries I anticipate performing at the ASTC:

3rd Molar Extractions

Dental Implants

Bone Grafts / Sinus lift

**May 24, 2016**

**12:48 pm**

Dear Member of the Board:

I am writing this letter to express my support for a Certificate of Need application filed by Tennessee Orthopedics, P.C. To establish a multi-specialty ambulatory treatment center in Lebanon, Tennessee. I am a ENT Surgeon with a surgical practice office located in Lebanon. I support the new ASTC facility. I anticipate that I will bring 10/MONTHS surgeries to the facility on an annual basis. The ASTC will be more efficient and less costly for my patients.

Sincerely,

*Jate* MD

Current Privileges:

- Tennova-Health Care- Lebanon
- Tri-Star Summit Medical Center
- Sumner Regional Medical Center
- Indian Lakes Surgical Center
- Providence Surgery Center
- \_\_\_\_\_ Other

Types of Surgeries I anticipate performing:

Ear tubes

tonsil & adenoid

nasal surgery

\_\_\_\_\_

May 21,

12:48 pm

108 West High Street • Suite 104 • Lebanon, TN 37087  
Ph: 615-444-2069 • Fx: 615-444-3706



**SmileGallery**  
Dr. Chad Williams

May 9, 2016

Certificate of Need Board  
Tennessee Health Services and  
Development Agency  
502 Deaderick Street  
Andrew Jackson Building  
Ninth Floor  
Nashville, TN 37243  
Attn.: Ms. Melanie M. Hill, Executive Director

Dear Members of the Board:

I am writing this letter to express my support for a Certificate of Need application filed by Tennessee Orthopedics, P.C. to establish a multi-specialty ambulatory treatment center in Lebanon, Tennessee. I am a dentist with a dental practice office located in Lebanon. I support the new ASTC facility. I anticipate that I will bring 2 surgeries to the facility on a weekly basis. The ASTC will be more efficient and less costly for my patients.

Currently, there is no facility to take challenged patients to. The local hospital, Tennova, formerly University Medical Center, does not allow dental cases in their Operating Room. Therefore, I have no place to take patients with Autism, Asperger Syndrome, mental retardation, Cerebral Palsy, etc. These patients can not be treated in a typical dental setting. It would be great to have a community facility to be able to provide service to these patients.

Sincerely,

A handwritten signature in black ink, appearing to read "Chad Williams, DMD". The signature is fluid and cursive, written over a white background.

Chad Williams, DMD  
205 W. High St., #104  
Lebanon, TN 37087

**ATTACHMENT 5**

**May 24, 2016****12:48 pm**

May 20, 2016

Dr. Roy Terry  
Tennessee Orthopedics  
101 Physicians Way  
Lebanon, TN 37090

RE: Additional Information for Surgical Suite  
Lebanon, TN

Dear Dr. Terry,

As requested, the additional information required for the CON application is listed below:

- **Description of the Project**

The proposed Surgical Suite will be located inside of a recently completed, 25,000 S.F. building. This building has a central corridor that allows access to multiple medical suites. At this time, approximately 15,000 S.F. of the building has been built-out and is being occupied.

The preliminary plans for this project include a waiting room, two (2) patient rooms, one (1) procedure room, three (3) operating rooms, two (2) pre-op rooms, two (2) post-op rooms, two (2) offices and multiple other rooms for offices, mechanical purposes, etc.

- **Estimate of Cost**

The Estimate of Cost is based on typical construction costs for this type of use. The building shell is complete therefore the estimated construction costs consists of the interior build-out only. Based on the preliminary plans and estimate of costs, the project will provide a physical environment according to applicable federal, state and local construction codes, standards, specifications, and requirements.

The preliminary budget for the 5,684 S.F. surgery suite build-out located at the new Phoenix medical building is estimated to be \$685,000 (\$121/sf). This preliminary budget includes the interior walls, sheet rock, painting, electrical, mechanical and fire protection. This budget does not include the following:

**May 24, 2016****12:48 pm**

- Architectural, Engineering and Consulting Fees;
  - Licensing Fees;
  - Medical Gases;
  - Backup electrical generator and transfer switch;
  - Suction;
  - Surgical Equipment including instrument trays, tourniquet, Start up supplies and Equipment Outfitting;
  - Computers, servers and monitors;
  - Furniture for waiting rooms and other common spaces; and
  - Specialty lighting
- 
- Physical Environment

EVERGREEN CONSTRUCTORS, LLC. was the construction manager for the design and construction of the 25,000 S.F. building where the proposed surgical suite will be located. It was very important to the design and construction team that this building was to be constructed so that the physical environment would conform to all applicable federal standards, manufacturer's specifications and licensing agencies' requirements including the latest AIA guidelines for Design and Construction of Hospital and Health Care facilities. The design and construction of the proposed Surgical Suite build-out will conform to these standards as well.

Should you have any questions or if you need any additional information, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "D.K. Pine".

David K. Pine, P.E.

**May 24, 2016**

**12:48 pm**

**ATTACHMENT 6**

Hartsville  
100 McMurry Boulevard  
P.O. Box 45 | Hartsville, TN 37074  
Ph: 615.374.2265, 615.254.3279  
Tf: 800.337.4742  
F: 615.374.9571  
CBTenn.com



## SUPPLEMENTAL #1

May 24, 2016

12:48 pm

Gallatin  
150 West Main Street  
Gallatin, TN 37066  
Ph: 615.206.1748  
F: 615.206.1958  
CBTenn.com

May 19, 2016

Roy C. Terry, M.D.  
Tennessee Orthopedics, P. C.  
101 Physicians Way  
Lebanon, TN 37090

RE: Commercial Funding Commitment

Dear Dr. Terry,

Citizens Bank is committed to becoming involved in providing funding for your future ASTC project. The surgery center is to be constructed in an existing medical office building located at 101 Physicians Way, Lebanon, TN. The projected funding request is for approximately \$2,800,000 for build-out, equipment and working capital relative to the surgery center. Citizens Bank will be working towards a term sheet in the future as the project nears approval or is approved. The rate and term of the construction portion of the loan will be subject to credit strength and loan to value. Currently, rates for such a project are in the range of 4.50% to 5.50%. These rates are subject to many factors including the term of the loan and the credit worthiness of the borrower. The term would be up to 12 months for the build-out phase, with permanent financing up to 20 years. The equipment portion would be for 36 to 60 months fixed at approximately 6%. This is just a guideline of rates and terms under current economic conditions and your current credit worthiness. Final approval of the loan and terms is subject to review of up to date financials, plans, etc. by Citizens Bank.

If there are questions pertaining to the details of Citizens Bank's intentions in this matter, please feel free to call me directly. If I am unavailable, you may speak with our president and CEO, Todd Austin.

Sincerely,

Betty Sue Hibdon  
President/CEO Emeritus  
NMLS # 454004

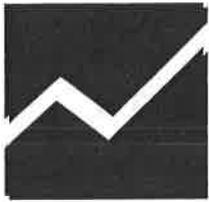
BSH/bs

**May 24, 2016**

**12:48 pm**

**ATTACHMENT 7**



**May 24, 2016****12:48 pm**

*Royce A. Belcher* Certified Public Accountant

420 West Main Street • Lebanon, Tennessee 37087 • 615/444-1149 • Fax 615/444-6626

To the Board of Directors  
Tennessee Orthopedics PC  
Lebanon, Tennessee

We have compiled the accompanying statement of assets, liabilities, and equity-cash basis of Tennessee Orthopedics, PC. (an S corporation) as of December 31, 2015, the related statements of revenues and expenses-cash basis for the year ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. The financial statements have been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures ordinarily included in financial statements prepared on the cash basis of accounting. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's assets, liabilities, equity, revenues and expenses. Accordingly, these financial statements are not designed for those who are not informed about such matters.

*Royce A. Belcher, CPA*

January 26, 2016

May 24, 2016

12:48 pm

**TENNESSEE ORTHOPEDICS PC****BALANCE SHEET****DECEMBER 31, 2015****ASSETS****CURRENT ASSETS**

Cash	\$ 85,307
Accounts Receivable, Net	411,859
Rma Escrow	<u>19,855</u>

Total Current Assets	<u>517,021</u>
----------------------	----------------

Property and Equipment	1,264,709
Less: Accumulated Depreciation	<u>1,194,978</u>

Total Property and Equipment	<u>69,731</u>
------------------------------	---------------

Total Assets	<u>\$ 586,752</u>
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**LIABILITIES AND STOCKHOLDERS' EQUITY****CURRENT LIABILITIES**

Equipment Lease Payable	\$ 16,699
-------------------------	-----------

Notes Payable -- Long-Term	<u>113,692</u>
----------------------------	----------------

Total Liabilities	130,391
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**STOCKHOLDERS' EQUITY**

Common Stock	8,000
Retained Earnings	<u>36,502</u>

Total Stockholders' Equity	<u>456,361</u>
----------------------------	----------------

Total Liabilities and Equity	<u>\$ 586,752</u>
------------------------------	-------------------

See accompanying accountant's report.

**Supplemental #2  
-COPY-**

**TN Orthopedics PC**

**CN1605-019**

**May 31, 2016**

**10:40 am**



**GRIFFIN  
LAW OFFICE**

May 31, 2016

Reply to: Christi D. Griffin, Esq.  
[christi.griffin@griffinlawtn.com](mailto:christi.griffin@griffinlawtn.com)

**HAND-DELIVERY**

Mr. Mark Farber  
Deputy Director  
Tennessee Health Services and Development Agency  
Andrew Jackson Building, 9<sup>th</sup> Floor  
500 Deaderick Street  
Nashville, TN 37243

RE: Certificate of Need Application CN1605-019  
Tennessee Orthopedics, P.C. – Establishment of Multi-Specialty ASTC  
**Applicant's Response to 5/26/16 Request for Supplemental Information**

Dear Mr. Farber,

Please accept this filing as the response to your May 26, 2016 request for supplemental information on the above-captioned CON application filed by Tennessee Orthopedics, P.C. The signed and notarized affidavit supporting this response to request for supplemental information follows this cover letter, followed by the response to each supplemental question. Please do not hesitate to contact me should you have questions or require additional information.

Sincerely,

  
Christi D. Griffin

**May 31, 2016**

**10:40 am**

MAY 31 10 40 AM 2016

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF Wilson

NAME OF FACILITY: Tennessee Orthopedics, LLC

I, Roy C Terry, 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.

RCT  
Signature/Title

Sworn to and subscribed before me, a Notary Public, this the 27 day of May, 2016, witness my hand at office in the County of Wilson, State of Tennessee.

Shawna Cooper  
NOTARY PUBLIC

My commission expires 03/01, 2019.

HF-0043  
Revised 7/02



May 31, 2016

10:40 am

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

*Your response to this item is noted; however let me rephrase the question. If the building were to be sold and purchased, what percentage of the purchase price or fair market value would be attributed to the space for the ASTC.*

*The question is trying to determine whether the applicant's calculation of building expense is consistent with the following Agency rule: 0720-2-.01 (12)(d) states " If the acquisition is by lease, the cost is either the fair market value of the property, or the total amount of the lease payments, whichever is greater."*

*[The question above is in reference to the following Question 10(A) in the 5/17/16 request for supplemental information: "What is the fair market value of the space being designated for the ASTC and how does this compare to the calculated lease expense?"]*

**RESPONSE:**

Building Square Footage:	24,340 SF
Proposed ASTC Square Footage:	5,684 SF
Percentage of total designated for ASTC	23%
Estimated Building FMV	\$5,822,052
Estimated ASTC FMV (23% of estimated building FMV)	\$1,339,071
Lease Expense Over Initial Term (as reported on Project Costs Chart)	\$ 1,883,306

Based on the foregoing, the calculated lease expense is greater than the estimated fair market value of the space designated for the proposed ASTC.

May 31, 2016

10:40 am

**2. Section C. Economic Feasibility Item 4 (Projected Data Chart)**

The *PROJECTED DATA CHART-OTHER EXPENSE* in the 2019 column totals to [sic] \$528,046. In the revised Projected Data Chart Other Expenses in 2019 totals to [sic] \$533,759.

Please address this discrepancy.

[Please note that the 2019 Projected Data Chart-Other Expense reported in the initial CON application filed May 12 was \$533,759, and the amount reported in the revised Projected Data Chart filed May 24 was \$528,046.]

**RESPONSE:**

The correct amount of projected Other Expenses is \$533,759, as stated in the initial CON application and as itemized below.

**2019 Projected Other Expenses**

<b>Expense Category</b>	<b>Sub-Category</b>	<b>Budgeted Amount</b>
Administrative:	Office Supplies	\$4,000
	Service Agreements: copier, fax	\$5,000
	Travel/Entertainment/Meals	\$1,000
	TV Service	\$740
	Telephone	\$2,043
	Linen Service	\$13,596
	Medical Waste	\$3,500
<b>Sub-Total</b>		<b>\$29,879</b>
Insurances:		\$54,604
<b>Sub-Total</b>		<b>\$54,604</b>
Banks:		\$7,500
<b>Sub-Total</b>		<b>\$7,500</b>
Facilities:	Utilities	\$17,000
	Repairs	\$6,000
<b>Sub-Total</b>		<b>\$23,000</b>
Professional Services:		\$6,000
<b>Sub-Total</b>		<b>\$6,000</b>
Billing Services:		\$341,276
<b>Sub-Total</b>		<b>\$341,276</b>
Miscellaneous:		\$71,500
<b>Sub-Total</b>		<b>\$71,500</b>
<b>TOTAL OTHER EXPENSES</b>		<b>\$ 533,759</b>

**END RESPONSE TO 5/26/16 SUPPLEMENTAL REQUEST FOR INFORMATION**



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 Lebanon Democrat which is a newspaper
of general circulation in Wilson County, Tennessee, on or before May 10, 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:

Tennessee Orthopedics, P.C. Professional Private Practice
(Name of Applicant) (Facility Type-Existing)

owned by: Roy C. Terry, M.D. with an ownership type of Professional Corporation

and to be managed by: Custom Surgical Consultants, L.L.C. intends to file an application for a Certificate of
Need for: Establishment of a multi-specialty ambulatory surgical treatment center to be
located in leased space at 101 Physicians Way, Lebanon, TN 37090. The ASTC will include
three operating rooms and one procedure room, and will be managed by Custom Surgical
Consultants, L.L.C. No beds or major medical equipment will be involved. Total Estimated
Project Cost is \$2,726,676.

The anticipated date of filing the application is: May 13, 2016

The contact person for this project is Christi D. Griffin, Esq. Counsel to Applicant
(Contact Name) (Title)

who may be reached at: Griffin Law Office 113 E. Main Street
(Company Name) (Address)

Lebanon, TN 37087 (615) 668-0462
(City) (State) (Zip Code) (Area Code / Phone Number)

Christi D. Griffin christi@griffinlawtn.com
(Signature) (Date) (E-mail Address)

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

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

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



# GRIFFIN LAW OFFICE

August 11, 2016

Reply to: Christi D. Griffin, Esq.  
(615) 668-0462  
[christi@griffinlawtn.com](mailto:christi@griffinlawtn.com)

**HAND-DELIVERY**

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

RE: Certificate of Need Application CN1605-019  
Tennessee Orthopedics, P.C. – Establishment of ASTC  
**Letters of Support**

Dear Ms. Hill,

Enclosed please find the three (3) letters of support by physicians with Wilson County medical practices:

1. Dr. Bryan Byrnside, DMD
2. Dr. James D. Peyton, MD
3. Dr. Shayne Webb, MD

Please place each of these letters with other surgeon letters of support that were filed as Attachment 4 to Tennessee Orthopedics' May 24, 2016 Response to the HSDA's first request for supplemental information. Please do not hesitate to contact me should you have questions or require further information.

Sincerely,

  
Christi D. Griffin

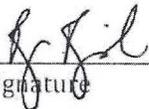
Certificate of Need Board  
Tennessee Health Services and  
Development Agency  
502 Dederick Street  
Andrew Jackson Building  
Ninth Floor  
Nashville, TN 37243

Attention: Ms. Melanie M. Hill, Executive Director

Dear Member of the Board:

I am writing this letter to express my support for a Certificate of Need application filed by Tennessee Orthopedics, P.C. to establish a multi-specialty ambulatory treatment center in Lebanon, Tennessee. I am a pediatric dentist with practice offices located in Mount Juliet and Cookeville. I support the new ASTC facility as many existing surgery centers do not allow pediatric patients (needing dental procedures) to be treated at their facility. I anticipate that I could bring at least 150 surgeries to the facility on an annual basis. The ASTC will be convenient, more efficient and less costly for my patients.

Sincerely,

  
\_\_\_\_\_  
Signature

Print Name BRYAN BURSIDE, DMD

Current Privileges:

- Tennova-Health Care- Lebanon
- Tri-Star Summit Medical Center
- Specialty Surgery Center
- Northridge Surgery Center
- Monroe Carrell, Jr Children's Hospital at Vanderbilt
- \_\_\_\_\_ Other

Types of Surgeries I anticipate performing at the ASTC:

1. Restorative procedures on very young children who need extensive dental treatment.
2. Dental treatment for special needs and medically compromised patients who cannot be safely treated in a dental office setting.

Certificate of Need Board  
Tennessee Health Services and  
Development Agency  
502 Deaderick Street  
Andrew Jackson Building  
Ninth Floor  
Nashville, TN 37243

Attention: Ms. Melanie M. Hill, Executive Director

Dear Member of the Board:

I am writing this letter to express my support for a Certificate of Need application filed by Tennessee Orthopedics, P.C. I have a high regard for Roy Terry, M.D. and his effort to expand the health care services available to our community.

Sincerely,

A handwritten signature in cursive script, appearing to read "J. Peyton", written over a horizontal line.

James D. Peyton, M.D.

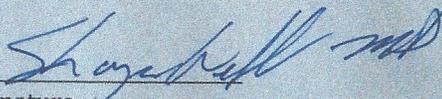
Certificate of Need Board  
Tennessee Health Services and  
Development Agency  
502 Dederick Street  
Andrew Jackson Building  
Ninth Floor  
Nashville, TN 37243

Attention: Ms. Melanie M. Hill, Executive Director

Dear Member of the Board:

I am writing this letter to express my support for a Certificate of Need application filed by Tennessee Orthopedics, P.C. to establish a multi-specialty ambulatory treatment center in Lebanon, Tennessee. I am a plastic surgeon with a surgical practice office located in Murfreesboro, TN. I support the new ASTC facility. I anticipate that I will bring 100 surgeries to the facility on an annual basis. The ASTC will be more efficient and less costly for my patients.

Sincerely,

  
Signature

Print Name Shayne Webb MD

Current Privileges:

- Tennova-Health Care- Lebanon
- Tri-Star Summit Medical Center
- Sumner Regional Medical Center
- Indian Lakes Surgical Center
- Providence Surgery Center
- Stonecrest Hospital and Surgeons Pavillion Surgery Center

Types of Surgeries I anticipate performing at the ASTC:

- Tummy Tuck
- Liposuction
- Breast Reduction/Mastopexy
- Facelift/Blepharoplasty
- Breast Augmentation



# GRIFFIN LAW OFFICE

July 22, 2016

Reply to: Christi D. Griffin, Esq.  
(615) 668-0462  
[christi@griffinlawtn.com](mailto:christi@griffinlawtn.com)

**HAND-DELIVERY**

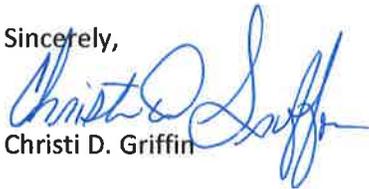
Ms. Melanie Hill  
Executive Director  
State of Tennessee  
Health Services and Development Agency  
Andrew Jackson Building, 9<sup>th</sup> Floor  
502 Deaderick Street  
Nashville, TN 37243

RE: Certificate of Need Application CN1605-019  
Tennessee Orthopedics, P.C. – Establishment of ASTC  
**Surgeon Letter of Support**

Dear Ms. Hill,

Enclosed please find a letter of support by Dr. L. Suzanne Wallace, DMD. Please place this with other surgeon letters of support that were filed as Attachment 4 to Tennessee Orthopedics' May 24, 2016 Response to the HSDA's first request for supplemental information. Please do not hesitate to contact me should you have questions or require further information.

Sincerely,



Christi D. Griffin

Certificate of Need Board  
Tennessee Health Services and  
Development Agency  
502 Dederick Street  
Andrew Jackson Building  
Ninth Floor  
Nashville, TN 37243

Attention: Ms. Melanie M. Hill, Executive Director

Dear Member of the Board:

I am writing this letter to express my support for a Certificate of Need application filed by Tennessee Orthopedics, P.C. To establish a multi-specialty ambulatory treatment center in Lebanon, Tennessee. I am a Pediatric Dental Surgeon with a surgical practice office located in Lebanon. I support the new ASTC facility. I anticipate that I will bring 100 surgeries to the facility on an annual basis. The ASTC will be more efficient and less costly for my patients.

Sincerely,

  
Signature

L. Suzanne Wallace DMD

Print Name

Current Privileges:

- Tennova-Health Care- Lebanon
- Tri-Star Summit Medical Center
- Sumner Regional Medical Center
- Indian Lakes Surgical Center
- Providence Surgery Center
- Northridge Surgery Center Other

Types of Surgeries I anticipate performing at the ASTC:

Full Mouth Dental Rehabilitation

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Tennessee Health Services and Development Agency  
500 Deaderick Street, 9<sup>th</sup> Floor  
Nashville, Tennessee 37243

Re: Application CN1605-019 (Tennessee Orthopedics, P.C.)

Dear Melanie:

On behalf of Lebanon HMA, LLC d/b/a Tennova Healthcare - Lebanon (formerly University Medical Center) ("THL"), we respectfully oppose the above-referenced application of Tennessee Orthopedics, P.C. ("Tennessee Orthopedics"), with respect to the request for the establishment of a multi-specialty ambulatory surgical treatment center ("ASTC") to be located in leased space at 101 Physicians Way, Lebanon (Wilson County), Tennessee 37090. In January 2016, the Agency awarded a certificate of need to THL, which included numerous renovations and expansions to THL's main campus at 1411 Baddour Parkway, Lebanon (Wilson County), including its surgery and procedure areas. As those renovations and expansions are under construction and have not yet been fully implemented, THL must oppose Tennessee Orthopedics' application, for that and other reasons. We intend to be present at the meeting on August 24, 2016 to further express our opposition, and ask that you include this letter in the materials which will be circulated to the HSDA members in advance of that meeting. Representatives of THL may also appear with us. It is the position of THL that Application CN1605-019 should be denied by the Agency, as the addition of the ASTC would not contribute to the orderly development of healthcare in Tennessee, and the application otherwise fails to meet the applicable criteria of the Certificate of Need process.

Should you have any questions or need anything further, please do not hesitate to contact me.

Very truly yours,

BRADLEY ARANT BOULT CUMMINGS LLP



Michael D. Brent

MDB/ced

cc: Christi D. Griffin, Esq. (via email and U.S. Mail)

20845887/3863967.2  
107086-013

Re: Application CN1605-019 (Tennessee Orthopedics, P.C.)

Dear Melanie:

On behalf of our client, Lebanon Medical Properties, LLC (“Lebanon”), we respectfully oppose the above-referenced application of Tennessee Orthopedics, P.C. (“Tennessee Orthopedics”), with respect to the request for the establishment of a multi-specialty ambulatory surgical treatment center (“ASTC”) to be located in leased space at 101 Physicians Way, Lebanon (Wilson County), Tennessee 37090.

Lebanon is an owner of certain real property located in Wilson County, Tennessee. The property that Lebanon owns is one lot in a plat (the “Plat”) comprised of five separate lots and which is zoned for medical office space. Tennessee Orthopedics is the owner of one of the other lots covered by the Plat.

The Plat and the use of the lots comprising the Plat are governed by a document entitled the Declaration of Easements, Covenants, Conditions, and Restrictions (the “Declaration”). The Declaration establishes the Franklin-South Hartmann Property Owners Association (the “Association”). The Declaration provides that the affairs of the Association are to be managed by the Board of Directors.

Pursuant to the Declaration, Tennessee Orthopedics sought approval from the Board of Directors for certain development and construction to Tennessee Orthopedics’ lot. In support of its request for approval, Tennessee Orthopedics agreed to certain limitations on use. Relying upon Tennessee Orthopedics representations regarding the limitations of use, the Board of Directors approved the development and construction subject to the restrictions.

It is the position of our client that the Application should be denied by the Agency, as the requested use is prohibited by the Declarations and inconsistent with the limitations imposed by the Board of Directors and as agreed to by Tennessee Orthopedics. Because the use sought by Tennessee Orthopedics is not allowed under the Declaration and the Board of Directors approval documents, the requested use would not contribute to the orderly development of healthcare in Tennessee, and the application otherwise fails to meet the applicable criteria of the Certificate of Need process.

We intend to be present at the meeting on August 24, 2016 to further express our opposition, and ask that you include this letter in the materials which will be circulated to the

7/3863999.2

Very truly yours,

BRADLEY ARANT BOULT CUMMINGS LLP

A handwritten signature in black ink, appearing to read "Michael D. Brent", written in a cursive style.

Michael D. Brent

MDB/ced

cc: Christi D. Griffin, Esq. (via email and U.S. Mail)

**RULES  
OF  
HEALTH SERVICES AND DEVELOPMENT AGENCY**

**CHAPTER 0720-11  
CERTIFICATE OF NEED PROGRAM – GENERAL CRITERIA**

**TABLE OF CONTENTS**

0720-11-.01    General Criteria for Certificate of Need

**0720-11-.01 GENERAL CRITERIA FOR CERTIFICATE OF NEED.** The Agency will consider the following general criteria in determining whether an application for a certificate of need should be granted:

- (1) Need. The health care needed in the area to be served may be evaluated upon the following factors:
  - (a) The relationship of the proposal to any existing applicable plans;
  - (b) The population served by the proposal;
  - (c) The existing or certified services or institutions in the area;
  - (d) The reasonableness of the service area;
  - (e) The special needs of the service area population, including the accessibility to consumers, particularly women, racial and ethnic minorities, TennCare participants, and low-income groups;
  - (f) Comparison of utilization/occupancy trends and services offered by other area providers;
  - (g) The extent to which Medicare, Medicaid, TennCare, medically indigent, charity care patients and low income patients will be served by the project. In determining whether this criteria is met, the Agency shall consider how the applicant has assessed that providers of services which will operate in conjunction with the project will also meet these needs.
  
- (2) Economic Factors. The probability that the proposal can be economically accomplished and maintained may be evaluated upon the following factors:
  - (a) Whether adequate funds are available to the applicant to complete the project;
  - (b) The reasonableness of the proposed project costs;
  - (c) Anticipated revenue from the proposed project and the impact on existing patient charges;
  - (d) Participation in state/federal revenue programs;
  - (e) Alternatives considered; and
  - (f) The availability of less costly or more effective alternative methods of providing the benefits intended by the proposal.
  
- (3) Contribution to the Orderly Development of Adequate and Effective Healthcare Facilities and/or Services. The contribution which the proposed project will make to the orderly development of an adequate and effective health care system may be evaluated upon the following factors:

(Rule 0720-11-.01, continued)

- (a) The relationship of the proposal to the existing health care system (for example: transfer agreements, contractual agreements for health services, the applicant's proposed TennCare participation, affiliation of the project with health professional schools);
  - (b) The positive or negative effects attributed to duplication or competition;
  - (c) The availability and accessibility of human resources required by the proposal, including consumers and related providers;
  - (d) The quality of the proposed project in relation to applicable governmental or professional standards.
- (4) Applications for Change of Site. When considering a certificate of need application which is limited to a request for a change of site for a proposed new health care institution, The Agency may consider, in addition to the foregoing factors, the following factors:
- (a) Need. The applicant should show the proposed new site will serve the health care needs in the area to be served at least as well as the original site. The applicant should show that there is some significant legal, financial, or practical need to change to the proposed new site.
  - (b) Economic factors. The applicant should show that the proposed new site would be at least as economically beneficial to the population to be served as the original site.
  - (c) Contribution to the orderly development of health care facilities and/or services. The applicant should address any potential delays that would be caused by the proposed change of site, and show that any such delays are outweighed by the benefit that will be gained from the change of site by the population to be served.
- (5) Certificate of need conditions. In accordance with T.C.A. § 68-11-1609, The Agency, in its discretion, may place such conditions upon a certificate of need it deems appropriate and enforceable to meet the applicable criteria as defined in statute and in these rules.

*Authority:* T.C.A. §§ 4-5-202, 68-11-1605, and 68-11-1609. *Administrative History:* Original rule filed August 31, 2005; effective November 14, 2005.

**CERTIFICATE OF NEED  
REVIEWED BY THE DEPARTMENT OF HEALTH  
DIVISION OF POLICY, PLANNING AND ASSESSMENT  
615-741-1954**

**DATE:** July 29, 12016

**APPLICANT:** Tennessee Orthopedics, P.C.  
101 Physician's Way  
Lebanon, Tennessee 37090

CN1604-019

**CONTACT PERSON:** Christi D. Griffin, Esquire  
113 Main Street  
Lebanon, Tennessee 37087

**COST:** \$2,726,676

---

In accordance with Section 68-11-1608(a) of the Tennessee Health Services and Planning Act of 2002, the Tennessee Department of Health, Division of Policy, Planning, and Assessment, reviewed this certificate of need application for financial impact, TennCare participation, compliance with *Tennessee's State Health Plan*, and verified certain data. Additional clarification or comment relative to the application is provided, as applicable, under the heading "Note to Agency Members."

**SUMMARY:**

The applicant, Tennessee Orthopedics, P.C., located at 101 Physician's Way, Lebanon, Tennessee 37090, seeks Certificate of Need (CON) approval to establish multi-specialty Ambulatory Surgical Treatment Center (ASTC). The ASTC will include three (3) operating rooms and one (1) procedure room and will be managed by Custom Surgical Consultants, LLC. No beds or major medical equipment will be involved.

The ASTC will be located in a segregated wing of the applicant's new medical office building. The ASTC wing contains 5,684 square feet which will require a build out only; at a cost per square foot of \$121.

Tennessee Orthopedics is a medical professional corporation 100% owned by Roy C. Terry, MD.

The total project cost is \$2,726,676 and will be financed with a commercial loan of up to \$2.4 million from Citizens Bank to fund the first six months of operations. The funding letter is located in Attachment C, Economic Feasibility-2.

**GENERAL CRITERIA FOR CERTIFICATE OF NEED**

The applicant responded to all of the general criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan*.

**NEED:**

The applicant's service area is Wilson, Smith, Trousdale, and Macon counties. The applicant maintains satellite offices in Smith, Macon, and Sumner counties. Each county in the applicant's service area is a Medically Underserved Area (MUA).

County	2016 Population	2020 Population	% of Increase/ (Decrease)
Wilson	129,094	138,561	7.3%
Smith	20,207	20,833	3.1%

Trousdale	8,402	8,739	4.0%
Macon	23,453	24,202	3.2%
<b>Total</b>	<b>181,156</b>	<b>192,335</b>	<b>6.2%</b>

Tennessee Population Projections 2000-2020, 2015 Revised UTCBER, Tennessee Department of Health

Tennessee Orthopedics is a sophisticated orthopedic surgery practice providing in office MRI, x-ray, and physical therapy services. According to the applicant, 73% of the applicant's patients who receive surgery procedures reside in the service area counties. The applicant currently employs three orthopedic surgeons who will utilize the ASTC. The applicant estimates an additional thirteen surgeons will support the ASTC, each performing two surgeries weekly.

There are no multi-specialty ASTCs in the service area; only one dual-specialty and two single specialty ASTCs. The applicant contends that outmigration for multi-specialty ASTC services is 100%. Outmigration for all ASTC services was 63%-78% in 2014, and 63%-79% in 2013. The only hospital based ASTC is Tennova Healthcare-Lebanon which has 4 dedicated outpatient surgery ORs. Tennova is operating at 88% capacity.

The following table illustrates the service area ASTC utilization.

#### Service Area ASTCs, 2015

Facility	County	Single (S) or Multi-Specialty (M)	# ORs Rooms	OR Cases	OR Capacity	# Procedure Rooms	Procedure Room Cases	Procedure Room Capacity	Total Cases
Wilson County Eye Surgery	Wilson	S	1	987	78.15%	1	356	13.35%	1,343
Lebanon Endoscopy Center	Wilson	S	0	0	0	2	1,931	36.20%	1,931
Providence Surgery Center	Wilson	M	2	542	21.46%	1	131	4.91%	673
<b>Total</b>			<b>3</b>	<b>1,529</b>		<b>4</b>	<b>2,418</b>		<b>3,947</b>

Source: Joint Annual Report of Ambulatory Surgical Treatment Centers 2015 Final, Tennessee Department of Health, Division of Policy, Planning, and Assessment-Office of Health Statistics.

University Medical Center, now Tennova Lebanon Hospital, has 4 dedicated outpatient surgery operating rooms that performed 4,427 cases in 2014 with a capacity of 88.0%.

Riverview Regional Medical Center has 2 operating rooms that are used for both inpatient and outpatient surgeries. In 2014, Riverview performed 1,000 OR cases.

Macon County General Hospital has 1 operating room 841 cases with a capacity of 67.0%.that are used for both inpatient and outpatient surgeries.

The following are the specialties, surgeons and the number of projected cases and procedures for the applicant's ASTC for years one and two.

Specialty	Surgeons	Year 1 OR Cases	Year 1 Procedure Room Cases	Year 2 OR Cases	Year 2 Procedure Room Cases
Orthopedics	3	1,587	3,649	1,746	4,014
General Surgery	3	300		330	
ENT	1	100		110	
Podiatry	1	100		110	
GYN	1	100		110	
Plastic Surgery	2	200		220	
Dental	5	500		550	
<b>Total</b>	<b>16</b>	<b>2,887</b>	<b>3,649</b>	<b>3,176</b>	<b>4,014</b>

Two previously approved ASTC's CONs were never implemented in the service area. Dr. Terry was an owner of the approved CON but the CON was voluntarily surrendered after certain owners withdrew from the project.

According to the applicant, the ASTC will not compete with the existing ASTCs. Providence Surgery Center is not utilized by the orthopedic surgeons and it is not convenient to patients and surgeons. Only Dr. Terry has privileges at Providence. Orthopedic surgery patients will originate from the applicant's offices located in Lebanon, Carthage, Gallatin, and Lafayette. Additionally, the surgeons who have expressed interest in applicant's ASTC do not perform endoscopic or ophthalmologic procedures.

The applicant's long-range plan includes establishing a fully integrated suite of surgical and surgical related services not available in the service area. The suite of services includes a multi-specialty ASTC, state-of-the-art MRI, x-ray, and on-site physical therapy. Tennessee Orthopedics is a growing surgical practice, having recruited two highly qualified orthopedic surgeons. The service area is a high growth area projected to grow 6.2% in the next 4 years. The applicant will be the only multi-specialty ASTC in the city of Lebanon and the four service area counties.

**TENNCARE/MEDICARE ACCESS:**

The applicant participates in the TennCare/Medicaid and Medicare programs. The applicant contracts with AmeriGroup, BlueCare, United Healthcare Community Plan, and TennCare Select.

The applicant projects Medicare revenues of \$1,098,287 or 20% of net operating revenues and TennCare/Medicaid revenues of \$988,458 or 10% of net operating revenues.

**ECONOMIC FACTORS/FINANCIAL FEASIBILITY:**

The Department of Health, Division of Policy, Planning, and Assessment have reviewed the Project Costs Chart, the Historical Data Chart, and the Projected Data Chart to determine if they are mathematically accurate and if the projections are based on the applicant's anticipated level of utilization. The location of these charts may be found in the following specific locations in the Certificate of Need Application or the Supplemental material:

**Project Costs Chart:** The Project Costs Chart is located on page 24 of the application. The total estimated project cost is \$2,726,676.

**Historical Data Chart:** There is no Historical Data Chart as this is a new ASTC.

**Projected Data Chart:** The Projected Data Chart is located in Supplemental 1. The applicant projects 6,536 and 7,190 OR/PR cases in years one and two, with net operating revenues of \$1,624,357 and \$1,813,890 each year, respectively.

The chart below illustrates the Average Gross Charge, Average Deduction, and Average Net Charge by specialty.

Specialty	Average Gross Charge	Average Deduction	Average Net Charge
Orthopedics	\$6,946	\$5,500	\$1,446
General Surgery	\$6,239	\$4,858	\$1,381
ENT	\$6,537	\$5,168	\$1,369
Podiatry	\$5,683	\$4,470	\$1,213
GYN	\$5,194	\$3,722	\$1,472
Plastic Surgery	\$3,312	\$2,365	\$947
Dental	\$9,384	\$7,230	\$2,154

There is no multi-specialty ASTC to compare charges with in the service area. The applicant compared charges with two similar multi-specialty ASTCs located in Sumner County and the three

hospitals located in the service area. The applicant's charges were lower than all other facilities with the exception of Macon County General Hospital which was slightly lower.

The applicant considered doing nothing as an alternative this project but rejected that due to the existing resources being wither too expensive or too limited. The applicant's proposed ASTC provides an alternative the existing resources that are timelier, more efficient, and more cost effective than existing resources.

**CONTRIBUTION TO THE ORDERLY DEVELOPMENT OF HEALTHCARE:**

Tennessee Orthopedics intends to develop transfer agreements with Tennova Healthcare-Lebanon and Summit Medical Center. Additionally, the applicant will contract with Custom Surgical Consultants, LLC for ASTC management; Outsourced Anesthesia Services; Outsourced Central Sterile Supply; Outsourced Third Party Billing Company; and Outsourced Clinical Credentialing Services.

The applicant believes this project will have a positive effect on the health care system in that residents in the MUA areas of Wilson, Smith, Macon, and Trousdale counties will not have to travel Davidson, Sumner, or Rutherford counties to receive ASTC multi-specialty surgical services.

The applicant reports there will be no negative effect from this proposal because the multi-specialty ASTC services are necessary as demonstrated by the existing services utilization and the outmigration listed in Attachment C, Need-5 (A) N and (B). The single /dual specialty ASTCs and hospital based services are not infringed upon by this project.

The applicant's projected staffing is provided below.

<b>Title</b>	<b>FTEs</b>
Registered Nurse	11.8
Surgical Technician	4.2
Administrative Staff	8.2
Site Administrator	1.0
ASTC Administrator Custom Surgical Consultants, LLC	N/A
<b>Total</b>	<b>25.2</b>

Tennessee Orthopedics participates in shadowing programs with students who express an interest in the healthcare professions. The applicant participates in the physician assistant clinical training program at Trevecca University and the nurse practitioner clinical training program at Vanderbilt University.

Tennessee Orthopedics will seek licensure as an ASTC from the Tennessee Department of Health, Board for Licensing Healthcare Facilities, and accredited by Accreditation Association for Ambulatory Health Care.

**SPECIFIC CRITERIA FOR CERTIFICATE OF NEED**

The applicant responded to all relevant specific criteria for Certificate of Need as set forth in the document *Tennessee's State Health Plan*.

**AMBULATORY SURGICAL TREATMENT CENTERS**

**Determination of Need**

1. **Need.** The minimum numbers of 884 Cases per Operating Room and 1,867 Cases per Procedure Room are to be considered as baseline numbers for purposes of determining Need. An applicant should demonstrate the ability to perform a minimum of 884 Cases per Operating Room and/or 1,867 Cases per Procedure Room per year, except that an applicant may provide information on its projected case types and its assumptions of estimated average time and clean up and preparation time per Case if this information differs significantly from the above-stated assumptions. It is recognized that an ASTC may provide a variety of services/Cases and that as a result the estimated average time and clean up and preparation time for such services/Cases may not meet the minimum numbers set forth herein. It is also recognized that an applicant applying for an ASTC Operating Room(s) may apply for a Procedure Room, although the anticipated utilization of that Procedure Room may not meet the base guidelines contained here. Specific reasoning and explanation for the inclusion in a CON application of such a Procedure Room must be provided. An applicant that desires to limit its Cases to specific type or types should apply for a Specialty ASTC.

The applicant projects OR cases by specialty for year one and two.

The following are the specialties, surgeons and the number of projected cases and procedures for the applicant's ASTC for years one and two.

Specialty	Surgeons	Year 1 OR Cases	Year 1 Procedure Room Cases	Year 2 OR Cases	Year 2 Procedure Room Cases
Orthopedics	3	1,587	3,649	1,746	4,014
General Surgery	3	300		330	
ENT	1	100		110	
Podiatry	1	100		110	
GYN	1	100		110	
Plastic Surgery	2	200		220	
Dental	5	500		550	
<b>Total</b>	<b>16</b>	<b>2,887</b>	<b>3,649</b>	<b>3,176</b>	<b>4,014</b>

Service are Utilization is provided below.

#### Service Area ASTCs, 2015

Facility	County	Single (S) or Multi-Specialty (M)	# ORs Rooms	OR Cases	OR Capacity	# Procedure Rooms	Procedure Room Cases	Procedure Room Capacity	Total Cases
Wilson County Eye Surgery	Wilson	S	1	987	78.15%	1	356	13.35%	1,343
Lebanon Endoscopy Center	Wilson	S	0	0	0	2	1,931	36.20%	1,931
Providence Surgery Center	Wilson	M	2	542	21.46%	1	131	4.91%	673
<b>Total</b>			<b>3</b>	<b>1,529</b>		<b>4</b>	<b>2,418</b>		<b>3,947</b>

Source: *Joint Annual Report of Ambulatory Surgical Treatment Centers 2015 Final*, Tennessee Department of Health, Division of Policy, Planning, and Assessment-Office of Health Statistics.

*University Medical Center, now Tennova Lebanon Hospital, has 4 dedicated outpatient surgery operating rooms that performed 4,427 cases in 2014 with a capacity of 88.0%.*

*Riverview Regional Medical Center has 2 operating rooms that are used for both inpatient and outpatient surgeries. In 2014, Riverview performed 1,000 OR cases.*

*Macon County General Hospital has 1 operating room 841 cases with a capacity of 67.0%.that are used for both inpatient and outpatient surgeries.*

2. **Need and Economic Efficiencies.** An applicant must estimate the projected surgical hours to be utilized per year for two years based on the types of surgeries to be performed, including the preparation time between surgeries. Detailed support for estimates must be provided.

The following are the specialties, surgeons, the number of projected OR cases and hours for years 1 and 2.

Specialty	Surgeons	Year 1 OR Cases	Surgical Hours/PR /Prep/Time in hours
Orthopedics	3	1,587	2,244
General Surgery	3	300	350
ENT	1	100	117
Podiatry	1	100	117
GYN	1	100	117
Plastic Surgery	2	200	233
Dental	5	500	583
<b>Total</b>	<b>16</b>	<b>2,887</b>	<b>3,761 Hours</b>

Specialty	Surgeons	Year 2 OR Cases	Surgical Hours/PR /Prep/Time in hours
Orthopedics	3	1,746	2,473
General Surgery	3	330	385
ENT	1	110	128
Podiatry	1	110	128
GYN	1	110	128
Plastic Surgery	2	220	257
Dental	5	550	642
<b>Total</b>	<b>16</b>	<b>3,176</b>	<b>4,142</b>

The following are cases and hour for year 1 and year 2 for the procedure room. The applicant provides detailed estimates in Attachment 1, pages 11 and 12.

Year 1 Procedure Room Cases	Surgical Hours/PR /Prep/Time in hours
3,649	3,345

Year 2 Procedure Room Cases	Surgical Hours/PR /Prep/Time in hours
4,014	3,680

3. **Need; Economic Efficiencies; Access.** To determine current utilization and need, an applicant should take into account both the availability and utilization of either: all existing outpatient Operating Rooms and Procedure Rooms in a Service Area, including physician office based surgery rooms (when those data are officially reported and available) OR, all existing comparable outpatient Operating Rooms and Procedure Rooms based on the type of Cases to be performed. Additionally, applications should provide similar information on the availability of nearby out-of-state existing outpatient Operating Rooms and Procedure

Rooms, if that data are available, and provide the source of that data. Unstaffed dedicated outpatient Operating Rooms and unstaffed dedicated outpatient Procedure Rooms are considered available for ambulatory surgery and are to be included in the inventory and in the measure of capacity.

*There are no multi-specialty ASTCs in the service area; only one dual-specialty and two single specialty ASTCs. The applicant contends that outmigration for multi-specialty ASTC services is 100%. Outmigration for all ASTC services was 63%-78% in 2014, and 63%-79% in 2013. The only hospital based ASTC is Tennova Healthcare-Lebanon which has 4 dedicated outpatient surgery ORs. Tennova is operating at 88% capacity.*

**Service Area ASTCs, 2015**

Facility	County	Single (S) or Multi-Specialty (M)	# ORs Rooms	OR Cases	OR Capacity	# Procedure Rooms	Procedure Room Cases	Procedure Room Capacity	Total Cases
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Providence Surgery Center	Wilson	M	2	542	21.46%	1	131	4.91%	673
<b>Total</b>			<b>3</b>	<b>1,529</b>		<b>4</b>	<b>2,418</b>		<b>3,947</b>

Source: *Joint Annual Report of Ambulatory Surgical Treatment Centers 2015 Final*, Tennessee Department of Health, Division of Policy, Planning, and Assessment-Office of Health Statistics.

*University Medical Center, now Tennova Lebanon Hospital, has 4 dedicated outpatient surgery operating rooms that performed 4,427 cases in 2014 with a capacity of 88.0%.*

*Riverview Regional Medical Center has 2 operating rooms that are used for both inpatient and outpatient surgeries. In 2014, Riverview performed 1,000 OR cases.*

*Macon County General Hospital has 1 operating room 841 cases with a capacity of 67.0%.that are used for both inpatient and outpatient surgeries. In 2014,*

- 4. Need and Economic Efficiencies.** An applicant must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON application to establish an ASTC or to expand existing services of an ASTC should not be approved unless the existing ambulatory surgical services that provide comparable services regarding the types of Cases performed, if those services are known and relevant, within the applicant’s proposed Service Area or within the applicant’s facility are demonstrated to be currently utilized at 70% or above.

*The applicant reports the proposed project should not have an impact on any area providers, especially Providence Surgery Center. Providence is a dual specialty ASTC providing Pain Management and Orthopedic services. Although Dr. Terry is privileged at Providence, it is not convenient for him or his patients. None of the other surgeons expressing interest in the proposed ASTC are privileged at Providence.*

- 5. Need and Economic Efficiencies.** An application for a Specialty ASTC should present its projections for the total number of cases based on its own calculations for the projected length of time per type of case, and shall provide any local, regional, or national data in support of its methodology. An applicant for a Specialty ASTC should provide its own definitions of the surgeries and/or procedures that will be performed and whether the Surgical Cases will be performed in an Operating Room or a Procedure Room. An applicant for a Specialty ASTC must document the potential impact that the proposed new ASTC would have upon the existing service providers and their referral patterns. A CON proposal to establish a Specialty ASTC or to expand existing services of a Specialty ASTC shall not be approved unless the existing ambulatory surgical services that provide

comparable services regarding the types of Cases performed within the applicant's proposed Service Area or within the applicant's facility are demonstrated to be currently utilized at 70% or above. An applicant that is granted a CON for a Specialty ASTC shall have the specialty or limitation placed on the CON.

*There are no multi-specialty ASTCs in the service area; only one dual-specialty and two single specialty ASTCs. The applicant contends that outmigration for multi-specialty ASTC services is 100%. Outmigration for all ASTC services was 63%-78% in 2014, and 63%-79% in 2013. The only hospital based ASTC is Tennova Healthcare-Lebanon which has 4 dedicated outpatient surgery ORs. Tennova is operating at 88% capacity.*

**Service Area ASTCs, 2015**

Facility	County	Single (S) or Multi-Specialty (M)	# ORs Rooms	OR Cases	OR Capacity	# Procedure Rooms	Procedure Room Cases	Procedure Room Capacity	Total Cases
Wilson County Eye Surgery	Wilson	S	1	987	78.15%	1	356	13.35%	1,343
Lebanon Endoscopy Center	Wilson	S	0	0	0	2	1,931	36.20%	1,931
Providence Surgery Center	Wilson	M	2	542	21.46%	1	131	4.91%	673
<b>Total</b>			<b>3</b>	<b>1,529</b>		<b>4</b>	<b>2,418</b>		<b>3,947</b>

Source: *Joint Annual Report of Ambulatory Surgical Treatment Centers 2015 Final*, Tennessee Department of Health, Division of Policy, Planning, and Assessment-Office of Health Statistics.

*University Medical Center, now Tennova Lebanon Hospital, has 4 dedicated outpatient surgery operating rooms that performed 4,427 cases in 2014 with a capacity of 88.0%.*

*Riverview Regional Medical Center has 2 operating rooms that are used for both inpatient and outpatient surgeries. In 2014, Riverview performed 1,000 OR cases.*

*Macon County General Hospital has 1 operating room 841 cases with a capacity of 67.0%.that are used for both inpatient and outpatient surgeries. In 2014,*

**Other Standards and Criteria**

**6. Access to ASTCs.** The majority of the population in a Service Area should reside within 60 minutes average driving time to the facility.

*The majority of the population in the Service Area resides within 60 minutes average driving time to the facility.*

**7. Access to ASTCs.** An applicant should provide information regarding the relationship of an existing or proposed ASTC site to public transportation routes if that information is available.

*The ASTC is located near the intersection of two major traffic arteries in Lebanon, Tennessee. The location is immediately of Exit 236 on interstate I-40.*

**8. Access to ASTCs.** An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project the origin of potential patients by percentage and county of residence and, if such data are readily available, by zip code, and must note where they are currently being served. Demographics of the Service Area should be included, including the anticipated provision of services to out-of-state patients, as well as the identity of other service providers both in and out of state and the source of out-of-state data. Applicants shall document all other provider alternatives available in the Service Area. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

There are no multi-specialty ASTCs in the service area; only one dual-specialty and two single specialty ASTCs. The applicant contends that outmigration for multi-specialty ASTC services is 100%. Outmigration for all ASTC services was 63%-78% in 2014, and 63%-79% in 2013.

*Patient Origin*

<b>County</b>	<b>%</b>
Wilson	35.40
Smith	20.57
Trousdale	5.30
Macon	15.28
Davidson	1.21
Sumner	12.86
Putnam	1.97
DeKalb	1.51
Rutherford	1.36

*Cumberland, Jackson, Clay Fentress, Robertson, Williamson, Cannon, Hickman, Madison, Rhea, Warren, White all had less than 1%.*

**9. Access and Economic Efficiencies.** An application to establish an ambulatory surgical treatment center or to expand existing services of an ambulatory surgical treatment center must project patient utilization for each of the first eight quarters following completion of the project. All assumptions, including the specific methodology by which utilization is projected, must be clearly stated.

<b>Specialty</b>	<b>Surgeons</b>	<b>Year 1 OR Cases</b>	<b>Year 1 Procedure Room Cases</b>	<b>Year 2 OR Cases</b>	<b>Year 2 Procedure Room Cases</b>
<i>Orthopedics</i>	<i>3</i>	<i>1,587</i>	<i>3,649</i>	<i>1,746</i>	<i>4,014</i>
<i>General Surgery</i>	<i>3</i>	<i>300</i>		<i>330</i>	
<i>ENT</i>	<i>1</i>	<i>100</i>		<i>110</i>	
<i>Podiatry</i>	<i>1</i>	<i>100</i>		<i>110</i>	
<i>GYN</i>	<i>1</i>	<i>100</i>		<i>110</i>	
<i>Plastic Surgery</i>	<i>2</i>	<i>200</i>		<i>220</i>	
<i>Dental</i>	<i>5</i>	<i>500</i>		<i>550</i>	
<b>Total</b>	<b>16</b>	<b>2,887</b>	<b>3,649</b>	<b>3,176</b>	<b>4,014</b>

**10. Patient Safety and Quality of Care; Health Care Workforce.**

a. An applicant should be or agree to become accredited by any accrediting organization approved by the Centers for Medicare and Medicaid Services, such as the Joint Commission, the Accreditation Association of Ambulatory Health Care, the American Association for Accreditation of Ambulatory Surgical Facilities, or other nationally recognized accrediting organization.

*Tennessee Orthopedics will seek licensure as an ASTC from the Tennessee Department of Health, Board for Licensing Healthcare Facilities, and accredited by Accreditation Association for Ambulatory Health Care.*

b. An applicant should estimate the number of physicians by specialty that are expected to utilize the facility and the criteria to be used by the facility in extending surgical and anesthesia privileges to medical personnel. An applicant should provide documentation on the availability of appropriate and qualified staff that will provide ancillary support services, whether on- or off-site.

<b>Specialty</b>	<b>Surgeons</b>
<i>Orthopedics</i>	<i>3</i>
<i>General Surgery</i>	<i>3</i>
<i>ENT</i>	<i>1</i>
<i>Podiatry</i>	<i>1</i>
<i>GYN</i>	<i>1</i>
<i>Plastic Surgery</i>	<i>2</i>
<i>Dental</i>	<i>5</i>
<b>Total</b>	<b>16</b>

**11. Access to ASTCs.** In light of Rule 0720-11.01, this 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.

*Each county in the applicant's service area is a Medically Underserved Area (MUA).*

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

*Not applicable.*

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

*The applicant participates in TennCare and contracts with all service area MCOs and Medicare and Medicaid programs.*

d. Who is proposing to use the ASTC for patients that typically require longer preparation and scanning times? The applicant shall provide in its application information supporting the additional time required per Case and the impact on the need standard.

*Not applicable.*