

# Original Application -Original-

Upper Cumberland  
Orthopedic Surgery PC

CN1604-015

**CERTIFICATE OF NEED APPLICATION**

**FOR**

**UPPER CUMBERLAND ORTHOPEDIC SURGERY, P.C.**

**Initiation of In-House MRI Services**

**Putnam County, Tennessee**

**April 15, 2016**

**Contact Person:**

**Jerry W. Taylor, Esq.  
Burr & Forman, LLP  
511 Union Street, Suite 2300  
Nashville, Tennessee 37219  
615-724-3247**

**SECTION A: APPLICANT PROFILE**

1.	<p><b><u>Name of Facility, Agency, or Institution</u></b></p> <p>Upper Cumberland Orthopedic Surgery, P.C., d/b/a Tier 1 Orthopedics</p> <p><b>Name</b></p> <p>335 West Spring Street <span style="float: right;">Putnam</span></p> <p><b>Street or Route</b> <span style="float: right;"><b>County</b></span></p> <p>Cookeville <span style="float: right;">TN</span></p> <p><b>City</b> <span style="float: right;"><b>State</b></span> <span style="float: right;">38501</span></p> <p style="text-align: right;"><b>Zip Code</b></p>												
2.	<p><b><u>Contact Person Available for Responses to Questions</u></b></p> <p>Jerry W. Taylor <span style="float: right;">Attorney</span></p> <p><b>Name</b> <span style="float: right;"><b>Title</b></span></p> <p>Burr &amp; Forman, LLP <span style="float: right;">jtaylor@burr.com</span></p> <p><b>Company Name</b> <span style="float: right;"><b>Email address</b></span></p> <p>501 Union Street, Suite 2300 <span style="float: right;">Nashville TN 37219</span></p> <p><b>Street or Route</b> <span style="float: right;"><b>City</b> <b>State</b> <b>Zip Code</b></span></p> <p>Attorney <span style="float: right;">615-724-3247</span></p> <p><b>Association with Owner</b> <span style="float: right;"><b>Phone Number</b> <b>Fax Number</b></span></p> <p style="text-align: right;"><span style="float: right;">615-724-3347</span></p>												
3.	<p><b><u>Owner of the Facility, Agency or Institution</u></b></p> <p>Upper Cumberland Orthopedic Surgery, P.C. <span style="float: right;">931-526-9518</span></p> <p><b>Name</b> <span style="float: right;"><b>Phone Number</b></span></p> <p>105 South Willow Avenue, Suite 100 <span style="float: right;">Putnam</span></p> <p><b>Street or Route</b> <span style="float: right;"><b>County</b></span></p> <p>Cookeville <span style="float: right;">TN</span></p> <p><b>City</b> <span style="float: right;"><b>State</b></span> <span style="float: right;">38501</span></p> <p style="text-align: right;"><b>Zip Code</b></p>												
4.	<p><b><u>Type of Ownership of Control (Check One)</u></b></p> <table style="width: 100%; border: none;"> <tr> <td style="width: 50%;">A. Sole Proprietorship</td> <td style="width: 50%;">F. Government (State of TN or</td> </tr> <tr> <td>B. Partnership</td> <td>G. Political Subdivision)</td> </tr> <tr> <td>C. Limited Partnership</td> <td>H. Joint Venture</td> </tr> <tr> <td>D. P.C.(For Profit) <span style="float: right;">X</span></td> <td>I. Limited Liability Company</td> </tr> <tr> <td>E. P.C.(Not-for-Profit)</td> <td>Other (Specify) _____</td> </tr> </table>			A. Sole Proprietorship	F. Government (State of TN or	B. Partnership	G. Political Subdivision)	C. Limited Partnership	H. Joint Venture	D. P.C.(For Profit) <span style="float: right;">X</span>	I. Limited Liability Company	E. P.C.(Not-for-Profit)	Other (Specify) _____
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E. P.C.(Not-for-Profit)	Other (Specify) _____												

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

Organizational documentation is attached as Attachment A, 4.

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

N/A

Name

Street or Route

County

City

State

Zip Code

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

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

- |                            |                          |
|----------------------------|--------------------------|
| A. Ownership               | D. Option to Lease       |
| B. Option to Purchase      | E. Other (Specify) _____ |
| C. Lease of <u>5</u> Years | X                        |

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

A copy of the Lease Agreement Option is attached as Attachment A, 6.

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    | 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) <u>Physician Office/Clinic</u> | X |

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

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

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

**9. Bed Complement Data**

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

N/A

	<u>Current Beds Licensed *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>	_____	_____	_____	_____

10. **Medicare Provider Number:** 1184610859  
**Certification Type:** Physician Practice

11. **Medicaid Provider Number:** TennCare is billed under the NPI number of each physician.  
Dr. Hollmann 1669469722  
Dr. McKinney 1194712919  
Dr. Turnbull 1588651145  
Dr. Roberts 1043207574  
Dr. Elizondo 1407887870  
Dr. Nichols 103255488  
Dr. Archer 1033105713  
Dr. Lamb 1053316448

**Certification Type:** Physician

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

Tier 1 participates in Medicare and TennCare.

13. **Identify all TennCare Managed Care Organizations/Behavioral Health Organizations (MCOs/BHOs) operating in the proposed service area.**

AmeriGroup

BlueCare

UnitedHealthcare Community Plan

TennCare Select

**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.**

Tier 1 contracts with all of the TennCare MCOs operating in the area.

**Discuss any out-of-network relationships in place with MCOs/BHOs in the area.**

N/A.

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

## **SECTION B: PROJECT DESCRIPTION**

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

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

### **Project Description**

Upper Cumberland Orthopedic Surgery, P.C., d/b/a Tier 1 Orthopedics ("Tier 1") seeks authorization to acquire a magnetic resonance imaging ("MRI") unit and initiate MRI services. The services will be limited to the patients of Tier 1, and no facility licensure is sought.

The Tier 1 MRI service will be housed in a freestanding building located in close proximity to and across the street from the main clinical offices of Tier 1. The building is owned by an affiliated entity and will be leased from that entity by Tier 1.

The MRI suite will consist of approximately 2,500 square feet of space. The space is currently unused office space. It will be built out by Tier 1 into an MRI suite with all necessary and appropriate imaging, equipment and patient areas.

### **Services & Equipment**

The service to be provided is MRI imaging. Equipment to be acquired and utilized is a refurbished 1.5 Tesla MRI unit and related components.

### **Ownership Structure**

The MRI unit and services will be owned by Upper Cumberland Orthopedic Surgery, P.C.,

### **Service Area**

The proposed service area consists of the following Tennessee counties: Fentress, Jackson, Overton, Putnam, and White. Residents of these counties made up 75% of Tier 1's patient base in 2015.

## **Need**

Tier 1 is an orthopedic physician group practice and MRI scans are very frequently needed and ordered by the Tier 1 physicians. Tier 1 ordered 3,067 MRI scans for its patients in 2015.

Almost all of the scans ordered by Tier 1 physicians are currently performed at the Cookeville Regional Medical Center ("CRMC") outpatient imaging center. CRMC supports this CON application. A letter of support from CRMC will be submitted at the appropriate time.

Having an MRI service in-house and virtually in the same location as the clinical offices of Tier 1 will be more convenient for the patients and improve and shorten scheduling times. It will also serve as an important recruiting tool for Tier 1. Tier 1 needs to add at least two additional orthopedists to the group, but its efforts to recruit have been hampered by the lack of an MRI service.

The MRI service will be limited to the patients of Tier 1. The current volume of MRI scans ordered by the Tier 1 physicians assures the MRI will be efficiently utilized. In addition, there are two neurosurgeons who lease space in the building where Tier 1 has its clinical offices. If the MRI service is implemented, these neurosurgeons are likely to join Tier 1, which would be beneficial to both groups, and will further increase utilization of the MRI unit. In 2015 the neurosurgeons ordered at least 500 MRI scans.

## **Existing Resources**

There are 7 MRI units in the 5 county service area, operated by 4 providers. There are 3 hospital based units, 2 units in a hospital owned free-standing imaging center, and 2 units in a radiologist-owned imaging center.

The existing MRI units are well utilized. In 2014, the most recent year for which HSDA data is available, the area-wide average number of scans per unit was 2,411. This is only slightly below the recommended threshold. It is significant that the outpatient imaging center at CRMC, the provider which will be most significantly impacted, supports this proposal.

## **Project Cost & Funding**

The estimated project costs are reasonable. By acquiring a refurbished MRI, the applicant was able to keep the equipment cost to \$355,041, including tax. The 5 year maintenance agreement is slightly higher than the cost of the equipment, \$405,000 over 5 years.

Construction costs are \$375,000 for renovation of 2,500 square feet, or \$150 per square foot. The HSDA website does not include median approved construction costs for imaging centers, the category most closely analogous to this project. However, the project architect has opined these costs are reasonable.

Also included in the project cost is the total of lease payments over the initial 5 year term of the

lease. This is \$4,000 per month for 60 months, or \$240,000.

The project will be funded through a commercial loan, and through operating revenues.

### **Financial Feasibility**

The project is economically feasible. It will produce a positive net operating revenue beginning in Year 1 of operations. Project costs are low and funding is available.

### **Staffing**

Clinical staffing requirements are minimal: 1.5 FTE MRI Technologists will be hired.

## **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.**

The Tier 1 MRI service will be housed in a freestanding building located in close proximity to and across the street from the main clinical offices of Tier 1. The building is owned by an affiliated entity and will be leased from that entity by Tier 1.

The MRI suite will consist of approximately 2,500 square feet of space. The space is currently unused office space. It will be built out by Tier 1 into an MRI suite with all necessary and appropriate imaging, equipment and patient areas.

- 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.**

N/A.



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

**Magnetic Resonance Imaging (MRI)**

Tier 1 is an orthopedic physician group practice and MRI scans are very frequently needed and ordered by the Tier 1 physicians. Tier 1 ordered 3,067 MRI scans for its patients in 2015.

Almost all of the scans ordered by Tier 1 physicians are currently performed at the Cookeville Regional Medical Center ("CRMC") outpatient imaging center. CRMC supports this CON application. A letter of support from CRMC will be submitted at the appropriate time.

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The MRI service will be limited to the patients of Tier 1. The current volume of MRI scans ordered by the Tier 1 physicians assures the MRI will be efficiently utilized. In addition, there are two neurosurgeons who lease space in the building where Tier 1 has its clinical offices. If the MRI service is implemented, these neurosurgeons are likely to join Tier 1, which would be beneficial to both groups, and will further increase utilization of the MRI unit. In 2015 the neurosurgeons ordered at least 500 MRI scans.

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

N/A.

**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 \$2 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);**

\$760,041.00 (including maintenance agreement)

**2. Expected useful life;**

5 years

**3. List of clinical applications to be provided; and**

A list of clinical applications is attached as Attachment B, II, E, 1, 3.

**4. Documentation of FDA approval.**

The FDA approval letter is attached as Attachment B, II, E, 1, 4.

- b. **Provide current and proposed schedules of operations.**  
Monday - Friday, 7:00 AM - 5:00 PM.
2. **For mobile major medical equipment:**  
N/A.
  - a. **List all sites that will be served;**
  - b. **Provide current and/or proposed schedule of operations;**
  - c. **Provide the lease or contract cost.**
  - d. **Provide the fair market value of the equipment; and**
  - e. **List the owner for the equipment.**
3. **Indicate applicant's legal interest in equipment (i.e., purchase, lease, etc.) In the case of equipment purchase include a quote and/or proposal from an equipment vendor, or in the case of an equipment lease provide a draft lease or contract that at least includes the term of the lease and the anticipated lease payments.**

The MRI unit will be purchased. A copy of a sales agreement and quote for the MRI unit is attached as Attachment B, II, E, 3. The cost of the machine is included in the Sales Agreement and the cost of the maintenance agreement is included in the Quote.

**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.*

A site plan is attached as Attachment B, III, (A). Included in the Attachment is also an aerial view reflecting the location of the MRI site in relation to the Tier 1 clinical offices.

- (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.**

Both the Tier 1 clinical offices and the proposed MRI site are near the intersection of Spring Street and South Willow Street. These are major thoroughfares in the area, and it is on the public transportation bus route. The proposed MRI will improve access for patients, in that it will be co-located with the Tier 1 clinical offices.

**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.**

A floor plan is attached as Attachment B, IV.

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

N/A.

- 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.**

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

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

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

### **QUESTIONS**

#### **I. NEED**

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

#### **FIVE PRINCIPLES FOR ACHIEVING BETTER HEALTH FROM THE TENNESSEE STATE HEALTH PLAN:**

##### **1. Healthy Lives**

The purpose of the State Health Plan is to improve the health of Tennesseans.

Every person’s health is the result of the interaction of individual behaviors, society, the environment, economic factors, and our genetic endowment. The State Health Plan serves to facilitate the collaboration of organizations and their ideas to help address health at these many levels.

This appears to be a policy statement, to which no response is necessary.

##### **2. Access to Care**

Every citizen should have reasonable access to health care.

Many elements impact one’s access to health care, including existing health status, employment, income, geography, and culture. The State Health Plan can provide standards for reasonable access, offer policy direction to improve access, and serve a coordinating role to expand health care access.

This proposal will improve access to MRI services by: (1) providing an additional choice of providers to Tier 1's patients; (2) establishing a MRI service co-located with the clinical offices of Tier 1; and (3) improving and shortening scheduling times for MRI services.

### **3. Economic Efficiencies**

**The state's health care resources should be developed to address the needs of Tennesseans while encouraging competitive markets, economic efficiencies and the continued development of the state's health care system. The State Health Plan should work to identify opportunities to improve the efficiency of the state's health care system and to encourage innovation and competition.**

This proposal will improve efficiencies by having the MRI service co-located with the clinical offices of Tier 1. The proposed average gross charge is less than the 2014 average gross charges of all area MRI providers except for one. It is believed Tier 1's MRI charges will be the lowest of any area provider by the time the service is implemented.

### **4. Quality of Care**

**Every citizen should have confidence that the quality of health care is continually monitored and standards are adhered to by health care providers. Health care providers are held to certain professional standards by the state's licensure system. Many health care stakeholders are working to improve their quality of care through adoption of best practices and data-driven evaluation.**

The proposed MRI service will be operated as part of the Tier 1 physician practice, and facility licensure is not necessary. All physicians of Teri 1 are licensed and board certified. The MRI service will be operated so as to provide a high quality of care. Tier 1 intends to seek accreditation from the American College of Radiology.

### **5. Health Care Workforce**

**The state should support the development, recruitment, and retention of a sufficient and quality health care workforce. The state should consider developing a comprehensive approach to ensure the existence of a sufficient, qualified health care workforce, taking into account issues regarding the number of providers at all levels and in all specialty and focus areas, the number of professionals in teaching positions, the capacity of medical, nursing, allied health and other educational institutions, state and federal laws and regulations impacting capacity programs, and funding.**

Clinical staffing requirements are minimal: 1.5 FTE MRI Technologists will be hired. This proposal will have no significant impact on the health care workforce.

- 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.**

**MRI STANDARDS AND CRITERIA  
FROM THE TENNESSEE STATE HEALTH PLAN**

**The MRI Standards and Criteria which are applicable to this application are reproduced below, with the applicant's response to each.**

**1. Utilization Standards for non-Specialty MRI Units.**

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

The applicant projects performing 3,024 scans in Year 1 and 3,175 in Year 2. These projections exceed the target minimum thresholds.

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

Since the applicant's projections exceed the target minimum thresholds, the exception is not applicable.

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

This particular standard should not be applicable to a physician practice MRI service which will be limited to the patients of the practice.

The MRI will be accessible only to the patients of Tier 1, and obviously 75% of the service area population is not patients of the practice.

3. **Economic Efficiencies. All applicants for any proposed new MRI Unit should document that alternative shared services and lower cost technology applications have been investigated and found less**

**advantageous in terms of accessibility, availability, continuity, cost, and quality of care.**

A shared service MRI is not practical in that Tier 1's MRI volume alone exceeds the assumed utilization thresholds for the MRI unit.

Lower cost technology providing the same benefits is not available. The MRI unit being acquired is a refurbished unit, and has cost of less than \$400,000 installed (not including the maintenance agreement). This is a very economically efficient proposal.

**4. Need Standard for non-Specialty MRI Units.**

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

**Stationary MRI Units: 1.20 procedures per hour x twelve hours per day x 5 days per week x 50 weeks per year= 3,600 procedures per year.**

A table reflecting MRI utilization in the proposed service area is attached as Attachment C, I, Need, (1). In 2014, the most recent year for which HSDA data is available, the area-wide average number of scans per unit was 2,411. This is only slightly below the recommended threshold. It is significant that the outpatient imaging center at CRMC, the provider which will be most significantly impacted, supports this proposal. A letter of support from CRMC will be submitted at the appropriate time.

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

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

A copy of the FDA letter is attached as Attachment B, II, E, 1, 4.

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

The equipment vendor, who will install the MRI unit, has verified it will do so. See Attachment B, II, E, 3.

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

MRI is a low risk procedure. A patient is no more likely to experience a medical emergency while undergoing a MRI scan than when doing any activity of daily life. If such an emergency were to occur, staff would call 911, and administer CPR if appropriate. A copy of the protocol is attached as Attachment C, I, Need (2).

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

A copy of the protocol is attached as Attachment C, I, Need (3).

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

The applicant verifies it will do so.

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

The applicant commits to seek such accreditation.

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

A transfer agreement with Cookeville Regional Medical Center is anticipated, but it is premature to have that executed at this time.

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

The applicant confirms it will do so.

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

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

Parts of the proposed service area are designated as medically underserved:

<u>County</u>	<u>MUA</u>
Fentress	All
Jackson	All
Overton	Part
Putnam	Part
White	Part

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

N/A.

**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**

Tier 1 participates in both TennCare and Medicare.

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

N/A.

[END OF RESPONSES TO MRI STANDARDS AND CRITERIA]

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

N/A.

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

The MRI service will serve as an important recruiting tool for Tier 1. Tier 1 needs to add at least two additional orthopedists to the group, but its efforts to recruit have been hampered by the lack of an MRI service.

In addition, there are two neurosurgeons who lease space in the building where Tier 1 has its clinical offices. If the MRI service is implemented, these neurosurgeons are

likely to join Tier 1, which would be beneficial to both groups, and further increase utilization of the MRI.

- 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"**

The proposed service area consists of the following Tennessee counties: Fentress, Jackson, Overton, Putnam, and White. Residents of these counties made up 75% of Tier 1's patient base in 2015.

A map of the proposed service area is attached as Attachment C, I, Need, 3.

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

A table reflecting the population and key demographic metrics is attached as Attachment C, I, Need, 4.

**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.**

All counties in the eservice area except one have a greater portion of its total population in the 65+ age bracket than does the state as a whole. Tier 1 will help to serve this special need in that it participates in Medicare and has a relatively large Medicare payer mix.

All counties in the service area have lower median household incomes and a greater percentage of total population below poverty level than the state as a whole. This special need will be addressed in that Tier 1's proposed average gross charge is less than the 2014 average gross charges of all area MRI providers except for one. It is believed Tier 1's MRI charges will be the lowest of any area provider by the time the service is implemented.

- 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.**

A table reflecting MRI utilization in the proposed service area is attached as Attachment C, I, Need, (1). There are a total of 7 MRI units currently operating in the 5 county service area. Two of the five counties have no MRI service.

In 2014, the most recent year for which HSDA data is available, the area-wide average number of scans per unit was 2,411. This is only slightly below the recommended threshold. It is significant that the outpatient imaging center at CRMC, the provider which will be most significantly impacted, supports this proposal.

- 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.**

This is a proposed new in-house MRI service for Tier 1. Tier 1 is an orthopedic physician group practice and MRI scans are very frequently needed and ordered by the Tier 1 physicians. Tier 1 ordered 3,067 MRI scans for its patients in 2015. The applicant does not have such data for the previous 2 years.

Although selection of a MRI provider is always the patient's choice, there is no reason to believe the number of MRI scans needed by Tier 1 patients will be significantly less than in the past. So in order to project the number of scans that can reasonably be expected to be performed on the proposed MRI, the applicant assumed that 1.2 scans can be performed every hour (the same assumption as in the State Health Plan). The new MRI service will initially operate 10 hours a day, 5 days per week. This allows for 12 scans per day. 52 weeks x 5 days = 260 days, less 8 holidays = 252 days of operation. 252 days x 12 scans per day = 3,024 scans. A modest 5% growth was assumed for year 2. In order to accommodate the growth, Tier 1 will either increase the hours of operation on the weekdays, and/or schedule some Saturday scans.

## **II. ECONOMIC FEASIBILITY**

- 1. Provide the cost of the project by completing the Project Costs Chart on the following page. Justify the cost of the project.**
  - All projects should have a project cost of at least \$3,000 on Line F. (Minimum CON Filing Fee). CON filing fee should be calculated from Line D. (See Application Instructions for Filing Fee)**
  - The cost of any lease (building, land, and/or equipment) should be based on fair market value or the total amount of the lease payments over the initial term of the lease, whichever is greater. Note: This applies to all equipment leases including by procedure or "per click" arrangements. The methodology used to determine the total lease cost for a "per click" arrangement must include, at a minimum, the projected procedures, the "per click" rate and the term of the lease.**
  - The cost for fixed and moveable equipment includes, but is not necessarily limited to, maintenance agreements covering the expected useful life of the equipment; federal, state, and local taxes and other**

**government assessments; and installation charges, excluding capital expenditures for physical plant renovation or in-wall shielding, which should be included under construction costs or incorporated in a facility lease.**

**For projects that include new construction, modification, and/or renovation; documentation must be provided from a contractor and/or architect that support the estimated construction costs.**

A completed Project Cost Chart is on the following page.

A letter from the project architect is attached as Attachment C, II, Economic Feasibility, 1.

## PROJECT COSTS CHART

A.	Construction and equipment acquired by purchase:		
	1. Architectural and Engineering Fees	\$	33,200.00
	2. Legal, Administrative, Consultant Fees		\$25,000
	3. Acquisition of Site		
	4. Preparation of Site		
	5. Construction Costs	\$	375,000.00
	6. Contingency Fund		
	7. Fixed Equipment (Not included in Construction Contract) (MRI)	\$	355,041.00
	8. Moveable Equipment (List all equipment over \$50,000.00)	\$	20,000.00
	9. Other (Specify) <u>Maintenace agreement</u>	\$	405,000.00
B.	Acquisition by gift donation, or lease:		
	1. Facility (Inclusive of building and land)	\$	240,000.00
	2. Building Only		
	3. Land Only		
	4. Equipment (Specify) _____		
	5. Other (Specify) _____		
C.	Financing Costs and Fees:		
	1. Interim Financing	\$	30,000.00
	2. Underwriting Costs		
	3. Reserve for One Year's Debt Service		
	4. Other (Specify) _____		
D.	Estimated Project Cost (A+B+C)	\$	1,483,241.00
E.	CON Filing Fee	\$	3,337.29
F.	Total Estimated Project Cost (D & E)	\$	1,486,578.29
	<b>TOTAL</b>	\$	1,486,578.29

**2. Identify the funding sources for this project.**

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

**A. Commercial loan--Letter from lending institution or guarantor stating favorable initial contact, proposed loan amount, expected interest rates, anticipated term of the loan, and any restrictions or conditions;**

A funding letter is attached as Attachment C, II, 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.**

**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.**

The estimated project costs are reasonable. By acquiring a refurbished MRI, the applicant was able to keep the cost to \$355,041, including tax. The 5 year maintenance agreement is slightly higher than the cost of the equipment, \$405,000 over 5 years.

Construction costs are \$375,000 for renovation of 2,500 square feet, or \$150 per square foot. The HSDA website does not include median approved construction costs for imaging centers, the category most closely analogous to this project. However, the project architect has opined these costs are reasonable.

Also included in the project cost is the total of lease payments of the initial 5 year terms of the lease. This is \$4,000 per month for 60 months, or \$240,000.

**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).**

This is a proposed new service, so there is no historical data for MRI services. A completed Historical Data Chart for Tier 1 is attached on the following pages.

Although net losses are shown in the Historical Data Chart, the P.C. operated at a secure cash flow for each year of its existence. Because the P.C. reports using the Cash Basis of accounting there are differences between profit/loss and cash flow.

The Physicians of the P.C. are paid bonuses each year based upon the cash available at year-end from profits. Each December 31<sup>st</sup> cash is taken as close to zero as is practical. This is done for two reasons: to provide the physician with the bonus in the year it is earned, and to prevent double taxation that would otherwise occur -- taxation at both the corporate level and the individual level.

This distribution of cash results in a “paper” loss for the calendar year because some non-cash expense items are recognized under the Cash Basis of accounting. Examples of these expenses are depreciation and the change in pension liabilities. Non-cash revenue items are not recognized under the Cash Basis of accounting. An example of this would be the change (increase) in accounts receivables.

A completed Projected Data Chart for the proposed MRI service is also attached on the following pages.

### HISTORICAL DATA CHART

Give information for the last three (3) years for which complete data are available for the facility or agency.

	Year: 2015	Year: 2014	Year: 2013
A. Utilization/Occupancy Data	33,174	33,645	32,615
Patient Encounters			
B. Revenue from Services to Patients			
1. Inpatient Services	\$180,579.00	\$170,429.00	\$194,666.00
2. Outpatient Services	\$22,248,503.00	\$22,057,366.00	\$20,154,540.00
3. Emergency Services	\$606,620.00	\$576,080.00	\$565,140.00
4. Other Operating Revenue			
Specify: _____			
Gross Operating Revenue	\$23,035,702.00	\$22,803,875.00	\$20,914,346.00
C. Deductions from Operating Revenue			
1. Contract Deductions	\$16,947,531.00	\$16,763,792.00	\$14,680,721.00
2. Provision for Charity Care	\$58,740.00	\$57,682.00	\$59,939.00
3. Provision for Bad Debt	\$176,220.00	\$173,047.00	\$179,816.00
Total Deductions	\$17,182,491.00	\$16,994,521.00	\$14,920,476.00
<b>NET OPERATING REVENUE</b>	<b>\$5,853,211.00</b>	<b>\$5,809,354.00</b>	<b>\$5,993,870.00</b>
D. Operating Expenses			
1. Salaries and Wages	\$1,678,037.00	\$1,494,054.00	\$1,625,014.00
2. Physicians' Salaries and Wages	\$2,343,515.00	\$2,245,504.00	\$2,225,551.00
3. Supplies	\$539,454.00	\$423,021.00	\$460,237.00
4. Taxes	\$37,086.00	\$67,168.00	\$25,813.00
5. Depreciation	\$59,563.00	\$59,563.00	\$86,870.00
6. Rent	\$198,657.00	\$207,866.00	\$284,364.00
7. Interest, other than Capital			
8. Management Fees:			
a. Fees to Affiliates			
b. Fees to Non-Affiliates			
9. Other Expenses	\$1,712,709.00	\$1,810,664.00	\$1,621,439.00
Specify: <u>See Attached.</u>			
Total Operating Expenses	\$6,569,021.00	\$6,307,840.00	\$6,329,288.00
E. Other Revenue (Expenses)--Net	\$673,908.00	\$429,680.00	\$402,800.00
Specify: <u>See Attached</u>			
<b>NET OPERATING INCOME (LOSS)</b>	<b>-\$41,902.00</b>	<b>-\$68,806.00</b>	<b>\$67,382.00</b>
F. Capital Expenditures			
1. Retirement of Principal	\$108,733.00	\$430.00	\$27,119.00
2. Interest	\$18,249.00	\$32,878.00	\$28,652.00
Total Capital Expenditures	\$126,982.00	\$33,308.00	\$55,771.00
<b>NET OPERATING INCOME (LOSS)</b>	<b>-\$41,902.00</b>	<b>-\$68,806.00</b>	<b>\$67,382.00</b>
<b>LESS CAPITAL EXPENDITURES</b>	<b>\$126,982.00</b>	<b>\$33,308.00</b>	<b>\$55,771.00</b>
<b>NOI LESS CAPITAL EXPENDITURES</b>	<b>-\$168,884.00</b>	<b>-\$102,114.00</b>	<b>\$11,611.00</b>

Upper Cumberland Orthopedic Surgery, PC  
 Historical Profit and Loss

	2015	2014	2013
Other Revenue			
Hospital Contracts	\$660,188	\$365,000	\$383,000
Meaningful Use Monies	\$13,720	\$64,680	\$19,800
Total Other Revenue	\$673,908	\$429,680	\$402,800
Other Expenses			
Employee Benefits & Payroll Taxes	\$905,181	\$995,564	\$809,768
Utilities, Telephone, Postage	\$127,344	\$114,482	\$112,609
Insurance	\$145,134	\$142,859	\$145,346
Repairs & Maintenance	\$252,647	\$215,171	\$217,951
Advertising & Community Support	\$43,803	\$36,077	\$23,423
Legal & Professional Fees	\$214,569	\$273,302	\$251,519
Other	\$24,031	\$33,209	\$60,823
Total Other Expenses	\$1,712,709	\$1,810,664	\$1,621,439

**PROJECTED DATA CHART**

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

	Year 1 <u>3024</u>	Year 2 <u>3175</u>
A. Utilization/Occupancy Data (Specify unit of measure), Scans		
B. Revenue from Services to Patients		
1. Inpatient Services		\$
2. Outpatient Services	\$ 4,654,115.00	\$ 4,886,821.00
3. Emergency Services	\$	\$
4. Other Operating Revenue (Specify) _____	\$	\$
<b>Gross Operating Revenue</b>	<b>\$ 4,654,115.00</b>	<b>\$ 4,886,821.00</b>
C. Deductions from Operating Revenue		
1. Contractual Adjustments	\$ 3,232,564.00	\$ 3,394,192.00
2. Provisions for Charity Care	\$	\$
3. Provisions for Bad Debt	\$ 135,770.00	\$ 142,558.00
<b>Total Deductions</b>	<b>\$ 3,368,334.00</b>	<b>\$ 3,536,750.00</b>
<b>NET OPERATING REVENUE</b>	<b>\$ 1,285,781.00</b>	<b>\$ 1,350,071.00</b>
D. Operating Expenses		
1. Salaries and Wages	\$ 234,204.00	\$ 240,060.00
2. Physicians' Salaries and Wages		
3. Supplies	\$ 166,056.00	\$ 170,196.00
4. Taxes		
5. Insurance	\$ 18,720.00	\$ 18,720.00
6. Rent	\$ 48,000.00	\$ 48,000.00
7. Interest, other than Capital		
8. Management Fees:		
a. Fees to Affiliates		
b. Fees to Non-Affiliates		
9. Other Expenses	\$ 241,920.00	\$ 254,000.00
Specify: <u>Radiology Reads</u>		
Total Operating Expenses	\$ 708,900.00	\$ 730,976.00
E. Other Revenue (Expenses)--Net	\$ 132,000.00	\$ 132,000.00
Specify: <u>Repairs, Upgrades, Maintenance Contract</u>		
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$ 444,881.00</b>	<b>\$ 487,095.00</b>
F. Capital Expenditures		
1. Retirement of Principal	\$ 44,947.00	\$ 46,425.00
2. Interest	\$ 23,225.00	\$ 21,747.00
Total Capital Expenditures	\$ 68,172.00	\$ 68,172.00
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$ 444,881.00</b>	<b>\$ 487,095.00</b>
<b>LESS CAPITAL EXPENDITURES</b>	<b>\$ 68,172.00</b>	<b>\$ 68,172.00</b>
<b>NOI LESS CAPITAL EXPENDITURES</b>	<b>\$ 376,709.00</b>	<b>\$ 418,923.00</b>

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

Average Gross Charge:	\$1,539.06
Average Deduction:	\$1,113.87
Average Net Charge:	\$425.19

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

A charge schedule including Medicare rates is attached as Attachment C, II, Economic Feasibility, 6. This is a proposed new service. It will have no impact on charges for other services.

**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).**

The average gross charges of existing MRI providers in the service area are included in the table attached as Attachment C, I, Need, (1). Tier 1's proposed average gross charge is less than the 2014 average gross charges of all area MRI providers except for one. It is believed Tier 1's MRI charges will be the lowest of any area provider by the time the service is implemented.

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

As reflected on the Projected Data Chart, the projected utilization of 3,024 scans in Year 1 is sufficient to yield a positive Net Operating Income.

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

As reflected on the Projected Data Chart, financial viability will be achieved in Year 1.

**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.**

Tier 1 participates in both Medicare and TennCare. The projected payer mix and anticipated Year 1 revenues are:

Medicare:	44%	\$268,200
TennCare:	7%	\$47,100

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

Financial Statements are attached as Attachment C, II, Economic Feasibility, 10.

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

A shared service MRI is not practical in that Tier 1's MRI volume alone exceeds the assumed utilization threshold for the MRI unit.

Lower cost technology providing the same benefits is not available. The MRI unit being acquired is a refurbished unit, and has cost of less than \$400,000 installed. This is a very economically efficient proposal.

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

No new construction is involved in this project. The applicant will renovate 2,500 square feet of space in a building owned by an affiliated entity and lease the space from that entity. A shared service MRI is not practical in that Tier 1's MRI volume alone exceeds the assumed utilization threshold for the MRI unit.

### **(III.) 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.**

The applicant currently has no such working arrangements. A transfer agreement with Cookeville Regional Medical Center is anticipated, but it is premature to have that executed at this time.

- 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.**

This project will have a positive effect on the health care system. Tier 1 is an orthopedic physician group practice and MRI scans are very frequently needed and ordered by the Tier 1 physicians. Tier 1 ordered 3,067 MRI scans for its patients in 2015.

Having an MRI service in-house and virtually in the same location as the clinical offices of Tier 1 will be more convenient for the patients and improve and shorten scheduling times. It will also serve as an important recruiting tool for Tier 1. It needs to add at least two additional orthopedists to the group, but its efforts to recruit have been hampered by the lack of an MRI service.

The MRI service will be limited to the patients of Tier 1. The current volume of MRI scans ordered by the Tier 1 physicians assures the MRI will be efficiently utilized. In addition, there are two neurosurgeons who lease space in the building where Tier 1 has its clinical offices. If the MRI service is implemented, these neurosurgeons are likely to join Tier 1, which would be beneficial to both groups, and will further increase utilization of the MRI unit. In 2015 the neurosurgeons ordered at least 500 MRI scans.

Almost all of the scans ordered by Tier 1 physicians are currently performed at the Cookeville Regional Medical Center ("CRMC") outpatient imaging center. CRMC supports this CON application. A letter of support from CRMC will be submitted at the appropriate time.

- 3. Provide the current and/or anticipated staffing pattern for all employees providing patient care for the project. This can be reported using FTEs for these positions. Additionally, please compare the clinical staff salaries in the proposal to prevailing wage patterns in the service area as published by the**

**Tennessee Department of Labor & Workforce Development and/or other documented sources.**

The clinical staffing will consist of the following positions:

<u>Position</u>	<u>FTE</u>	<u>Salary &amp; Benefits</u>	<u>Median Wage (TDLWD)</u>
MRI Technician:	1 FTE	\$91,000	\$63,844
MRI Technician:	.5 FTE	\$50,000	Not available for part-time

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

No facility licensure is required for this service. Staffing will be consistent with any requirements of the American College of Radiology.

- 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.**

No facility licensure is required for this service. Staffing will be consistent with any requirements of the American College of Radiology.

- 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.).**

Tier 1 actively participates in cooperation with Tennessee Technological University in allowing students interested in the field of medicine to shadow the physicians, nurses and nurse practitioners during clinics and surgeries. This is an on-going partnership, done without a contract or compensation.

Tier 1 has a contract with Volunteer State Community College to provide clinical experience for students enrolled in the Radiologic Technology program.

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

No facility licensure is required for this service. As a long time participant in the Medicare program Tier 1 personnel is familiar with and understand applicable Medicare requirements.

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

**Licensure:** N/A.

**Accreditation:** Accreditation will be sought from the American College of Radiology.

**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.**

N/A.

- 8. 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.**

N/A.

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

None.

- 10. 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.**

None.

- 11. 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.**

If the proposal is approved 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.

## 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.**

A Publisher's Affidavit is attached following this page.

## 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.**

A completed Project Completion Forecast Chart is attached following this 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.**

An extended period of validity is not requested.

Form HF0004  
Revised 05/03/04  
Previous Forms are obsolete

# Herald-Citizen

PO Box 2729  
Cookeville, TN 38502-2729

Tier 1 Orthopedics

105 S. Willow Ave

Cookeville, TN 38501

Acct# 111662

State of Tennessee

County of Putnam ss

Mike DeLapp, of the city of Cookeville, in said county and state, being duly sworn, on his oath says that he is the Editor & Publisher of the Herald-Citizen, a daily newspaper of general circulation published in said city, and that the notice, a printed copy of which is hereto annexed, was published in said newspaper for one ( 1 ) day which publication was made on

April 10, 2016

This legal notice was published online at [www.herald-citizen.com](http://www.herald-citizen.com) and [www.publicnoticeads.com](http://www.publicnoticeads.com) during the duration of the run dates listed. This publication fully complies with Tennessee Code Annotated 1-3-120.

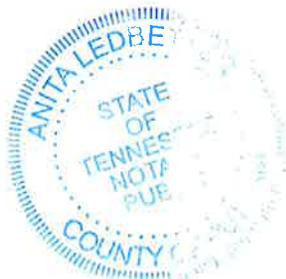
  
Editor and Publisher

Subscribed and sworn to before me this 11th day of April 2016.



Notary Public, Putnam County  
State of Tennessee

My commission expires 07/19/16



## NOTIFICATION OF INTENT TO AP

This is to provide official notice to all interested parties of the West margin of the property described in the plat of subdivision of Cliff Lane Development Agency and all intargin of Cliff Lane Development Agency with T.C.A. § 68-11-1601 et seq. curve having a radius of 7.50 feet, an Orthopedic Surgery, P.C., a Tennessee corporation, and d/b/a Tier 1 Orthopedics ("Tier 1 Orthopedics") for a Certificate of Need for the proposed MRI unit, and containing Resonance Imaging (MRI) unit, and containing MRI services will be provided to patients in Shepherd Hills, Tennessee, across the street from the proposed MRI unit. The total estimated project cost is \$1,000,000.00.

The anticipated date of filing the application is 04/15/2016.

The contact person for this project is Andrew Jackson B. Burr & Associates, Inc., Suite 2300, Nashville, Tennessee 37203. The office of the Putnam County Health Services and Development Agency is located at 502 Deaderick Street, Nashville, Tennessee 37203.

Upon written request by interested parties, a public hearing shall be conducted. Written objections should be sent to:

Health Services and Development Agency  
Andrew Jackson B. Burr & Associates, Inc.  
502 Deaderick Street,  
Nashville, Tennessee 37203

Pursuant to T.C.A. § 68-11-1607(c)(1): (A) Any person or 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 prior to the regularly scheduled Health Services and Development Agency meeting at which the application is originally considered. Any other person wishing to oppose the application must file a written objection with the Health Services and Development Agency at or prior to the consideration of the application by the Health Services and Development Agency.

## PROJECT COMPLETION FORECAST CHART

Enter the Agency projected Initial Decision date, as published in Rule 68-11-1609(c):  
July 27, 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.

<u>Phase</u>	<b>DAYS REQUIRED</b>	<b>Anticipated Date (MONTH/YEAR)</b>
1. Architectural and engineering contract signed	N/A	May, 2016
2. Construction documents approved by the Tennessee Department of Health	N/A	N/A
3. Construction contract signed	3	August, 2016
4. Building permit secured	30	August, 2016
5. Site preparation completed	60	October, 2016
6. Building construction commenced	60	October, 2016
7. Construction 40% complete	120	December, 2016
8. Construction 80% complete	150	January, 2017
9. Construction 100% complete (approved for occupancy)	180	February, 2017
10. *Issuance of license	N/A	N/A
11. *Initiation of service	210	March, 2017
12. Final Architectural Certification of Payment	210	March, 2017
13. Final Project Report Form (HF0055)	300	June, 2017

**\* 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.**

## LIST OF ATTACHMENTS

Organizational documentation	<u>Attachment A, 4</u>
Lease Agreement Option	<u>Attachment A, 6</u>
List of Clinical Applications	<u>Attachment B, II, E, 1, 3</u>
FDA Approval Letter	<u>Attachment B, II, E, 1, 4</u>
Sales Agreement and Quote for MRI	<u>Attachment B, II, E, 3</u>
Site Plan	<u>Attachment B, III, (A)</u>
Floor Plan	<u>Attachment B, IV</u>
MRI Utilization in the Service Area	<u>Attachment C, I, Need, (1)</u>
Emergency Protocol	<u>Attachment C, I, Need (2)</u>
Medical Necessity Protocol	<u>Attachment C, I, Need (3)</u>
Map of Proposed Service Area	<u>Attachment C, I, Need, 3</u>
Population and Demographic Table	<u>Attachment C, I, Need, 4</u>
Letter from the Architect	<u>Attachment C, II, Economic Feasibility, 1</u>
Funding Letter	<u>Attachment C, II, Economic Feasibility, 2</u>
Charge Schedule	<u>Attachment C, II, Economic Feasibility, 6</u>
Financial Statements	<u>Attachment C, II, Economic Feasibility, 10</u>



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

## Filing Information

Name: **UPPER CUMBERLAND ORTHOPEDIC SURGERY, A PROFESSIONAL CORPORATION**

### General Information

**SOS Control #** 000062573      Formation Locale: TENNESSEE  
**Filing Type:** For-profit Corporation - Domestic      Date Formed: 07/28/1977  
07/28/1977 4:30 PM      Fiscal Year Close 12  
**Status:** Active  
**Duration Term:** Perpetual

#### Registered Agent Address

CARL M HOLLMANN M D  
STE 100  
105 S WILLOW AVE  
COOKEVILLE, TN 38501-3138

#### Principal Address

STE 100  
105 S WILLOW AVE  
COOKEVILLE, TN 38501-4668

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

<u>Date Filed</u>	<u>Filing Description</u>	<u>Image #</u>
03/29/2016	2015 Annual Report	B0223-8358
03/18/2015	2014 Annual Report	B0068-9548
03/25/2014	2013 Annual Report	A0226-0038
03/20/2013	2012 Annual Report	A0163-2535
	Principal Postal Code Changed From: 38501-3138 To: 38501-4668	
03/27/2012	2011 Annual Report	A0112-2532
	Principal Address 1 Changed From: 404 NORTH HICKORY AV To: 105 S WILLOW AVE	
	Principal Address 2 Changed From: No value To: STE 100	
	Principal Postal Code Changed From: 38501 To: 38501-3138	
	Principal County Changed From: No value To: PUTNAM COUNTY	
	Registered Agent Physical Address 1 Changed From: 404 N HICKORY AVE To: 105 S WILLOW AVE	
	Registered Agent Physical Address 2 Changed From: No Value To: STE 100	
	Registered Agent Physical Postal Code Changed From: 38501-2431 To: 38501-3138	
03/18/2011	2010 Annual Report	A0062-0603
02/17/2010	2009 Annual Report	A0006-1731
02/12/2009	2008 Annual Report	6445-1564



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

BURR & FORMAN LLP  
ATTN: JERRY TAYLOR  
STE 2300  
511 UNION ST  
NASHVILLE, TN 37219-1756

**Request Type: Certified Copies**

Request #: 198779

Issuance Date: 04/07/2016

Copies Requested: 1

**Document Receipt**

Receipt #: 002630997

Filing Fee: \$20.00

Payment-Check/MO - BURR & FORMAN LLP, BIRMINGHAM, AL

\$20.00

I, Tre Hargett, Secretary of State of the State of Tennessee, do hereby certify that **UPPER CUMBERLAND ORTHOPEDIC SURGERY, A PROFESSIONAL CORPORATION**, Control # 62573 was formed or qualified to do business in the State of Tennessee on 07/28/1977. UPPER CUMBERLAND ORTHOPEDIC SURGERY, A PROFESSIONAL CORPORATION has a home jurisdiction of TENNESSEE and is currently in an Active status. The attached documents are true and correct copies and were filed in this office on the date(s) indicated below.

Tre Hargett  
Secretary of State

Processed By: Sheila Keeling

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

<u>Reference #</u>	<u>Date Filed</u>	<u>Filing Description</u>
BC15P2827	07/28/1977	Initial Filing
184 01300	11/20/1980	Articles of Amendment
472 01169	04/24/1984	Articles of Amendment
472 01170	04/24/1984	Registered Agent Change (by Entity)
3814-0106	01/31/2000	1999 Annual Report (Due 04/01/2000)
4405-1578	01/28/2002	2001 Annual Report (Due 04/01/2002)
A0112-2532	03/27/2012	2011 Annual Report (Due 04/01/2012)
A0163-2535	03/20/2013	2012 Annual Report (Due 04/01/2013)

CHARTER OF  
UPPER CUMBERLAND ORTHOPEDIC SURGERY,  
A PROFESSIONAL CORPORATION

The undersigned natural person, having capacity to contract and acting as the Incorporator of the Corporation under the Tennessee Professional Corporation Act, adopts the following Charter for such Corporation:

1. The name of the Corporation is: Upper Cumberland Orthopedic Surgery, A Professional Corporation.

2. The Corporation is to commence business operations on August 1, 1977 and will exist perpetually unless dissolved in the manner prescribed by law.

3. The address of the principle office of the Corporation is: Upper Cumberland Orthopedic Surgery, a Professional Corporation, 201 Proffitt Street, Cookeville, Tennessee 38501 in Putnam County, Tennessee.

4. The Professional Corporation is for profit and is formed to practice the profession of medicine with emphasis on orthopedic surgery, as more fully set out in paragraph 5.

5. The Professional Corporation elects to be covered by the provisions of the Tennessee Professional Corporation Act. The general nature of the business to be transacted by this Professional Corporation is:

The practice of medicine by a graduate physician or physicians licensed to practice in the State of Tennessee, with emphasis upon orthopedic surgery, the furnishing of related clinical services and the lease and purchase of such real or personal property as is necessary for the rendering of its practice.

The contracting of debts, borrowing of money, issuing and selling or pledging bonds, notes or other evidences of indebtedness and to execute such mortgages, trust deeds, transfers of corporate property or other instruments to secure the payment of corporation indebtedness

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or other instruments to secure the payment of corporation indebtedness as required.

The investment of funds and real estate, stocks and bonds, or any other type of investments, but only if such investments further the principle business of the corporation.

JULY 28, 1977

VOLUME C-15. PAGE 2828

To purchase by the corporation, the assets of, merger or consolidation with any other professional corporation engaged in the same character of business.

The redemption, purchase, retention, sale or transfer of its capital stock.

The creation of employee benefit plans and trust incidental thereto.

To do other such activities incidental to or growing out of or connected with the aforesaid medical practice, as permitted by the Tennessee Professional Corporation Act, including all implied powers contained therein.

6. The maximum number of shares which the corporation shall have the authority to issue is 2,000 shares with no par value.

7. The Professional Corporation will not commence business until consideration of at least One Thousand Dollars (\$1,000) has been received for the issuance of shares.

8. As permitted in TCA Section 48-1402 (1), the sole director, or Board of Directors (if more than one director) may take any action

1977 JUL 28 PM 1:32

8. As permitted in TCA Section 48-1402 (1), the sole director, or Board of Directors (if more than one director) may take any action on written consent, without a meeting, signed by all of the directors entitled to vote thereon, whether the number of directors be one or more.

9. The Professional Corporation shall be governed by a Board of Directors, the number of which is to be fixed in the By-Laws adopted for the Professional Corporation. If the By-Laws allow the Board to change the number of directors, it shall be done by a majority vote by such Board. However, no decrease in the number of directors shall shorten the term of any incumbent director. The sole member or a majority of the members of the Board shall be licensed to practice in the State of Tennessee. However, if the Board includes persons not so licensed, the By-Laws must direct the Board to create a standing committee of licensed members and vest the responsibility for decisions relating wholly to professional considerations in such committee. The chief executive officer of the Professional Corporation shall be licensed to practice medicine in the State of Tennessee.

-2-

JULY 28, 1977

VOLUME C-15, PAGE 2829

10. No shares of this Professional Corporation shall be issued to, held by or transferred to any one other than a person who is licensed to practice medicine in the State of Tennessee, and who, unless disabled, is actively engaged in such practice. Each

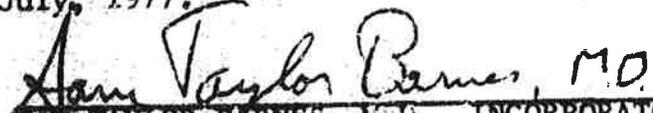
unless disabled, is actively engaged in such practice. Each certificate of stock shall be appropriately indorsed disclosing this restriction. Likewise, shares of stock standing in the name of a disqualified or retired person, or in the name of the personal representative of a deceased person, except during the holding period provided hereinafter, are void.

11. Shares of stock in the Professional Corporation held by a deceased or retired shareholder shall be either redeemed or cancelled by the corporation or transferred to a person or persons authorized to hold the shares within six (6) months after the date of death or retirement, and the shares held by a shareholder who becomes legally disqualified for practicing medicine in the State of Tennessee shall be so redeemed, cancelled or transferred within ninety (90) days after the disqualification becomes final. The Board of Directors is directed to adopt By-Laws providing the procedure for the redemption or transfer of such shares in the event a shareholder becomes disqualified, retires or dies. The personal representative of the deceased shareholder, or the retired or disqualified shareholder, shall not be authorized at any time to participate in or vote on any matter concerning the rendering of professional services by the Professional Corporation.

12. This Charter may be amended in the manner provided by Section 48-302 of the Tennessee Code Annotated.

13. The Board of Directors or the sole director, should there be only one director, are hereby given the power to adopt the By-Laws necessary to conduct orderly and proper functions of the Professional Corporation as provided by law.

Signed this 27 day of July, 1977.

  
SAM TAYLOR BARNES, M.D., INCORPORATOR

JUL 28 1977 1:32

I, Gentry Crowell, Secretary of State, do certify that this Charter, with certificate attached, the foregoing of which is a true copy, was this day registered and certified to by me.

This the 28th day of July, 1977.

GENTRY CROWELL

SECRETARY OF STATE

FEE: \$ 20.00

FILED  
SECRETARY OF STATE  
1980 NOV 20 AM 11:17

ARTICLES OF AMENDMENT

TO THE CHARTER OF 88134 01300

UPPER CUMBERLAND ORTHOPEDIC SURGERY, A Professional Corporation

Pursuant to the provisions of Section 48-303 of the Tennessee General Corporation Act, the undersigned corporation adopts the following articles of amendment to its Charter:

1. The name of the corporation is: Upper Cumberland Orthopedic Surgery, a Professional Corporation.

2. The amendment adopted is:

That paragraph 6 of the original Charter filed on July 28, 1977 with the Secretary of State of Tennessee (which read as follows: "6. The maximum number of shares which the corporation shall have the authority to issue is 2,000 shares with no par value.") be deleted and replaced with the following: "6. The maximum number of shares which the corporation shall have the authority to issue is 3,000 shares with no par value."

3. The amendment was duly adopted by the unanimous written consent of the sole Director and sole Shareholder of the corporation on the 1st day of Oct, 1980.

4. This is a corporation for profit. At the same time the above amendment to the Charter was adopted, a resolution was adopted which provided for a three for two stock split whereby each shareholder of the corporation, upon the surrender of his properly endorsed stock certificate, would receive a new stock certificate giving him three shares of stock for each two shares of stock in the corporation he so surrendered.

5. The amendment to the Charter is to be effective when these articles are filed by the Secretary of State.

Signed this 1st day of Oct, 1980.

UPPER CUMBERLAND ORTHOPEDIC SURGERY  
A Professional Corporation

BY: Sam T. Barnes MD Pres  
SAM T. BARNES, M.D., PRESIDENT

SECRETARY OF STATE  
1984 APR 24 PM 3:23

ARTICLES OF AMENDMENT TO THE CHARTER

OF

UPPER CUMBERLAND ORTHOPEDIC SURGERY, A PROFESSIONAL CORPORATION

Pursuant to the provisions of Section 48-303 of the Tennessee General Corporation Act, the undersigned corporation adopts the following articles of amendment to its charter:

1. The name of the corporation is:

UPPER CUMBERLAND ORTHOPEDIC SURGERY, A PROFESSIONAL CORPORATION

2. The amendment adopted is (Insert Amendment):

RESOLVED, that the Charter of the corporation be amended by deleting the original paragraph no. 3 (which read as follows: "3. The address of the principle office of the corporation is Upper Cumberland Orthopedic Surgery, a Professional Corporation, 201 Proffitt Street, Cookeville, Tennessee 38501 in Putnam County, Tennessee.") and replacing same with the following: "3. The address of the principal office of the Corporation is: Upper Cumberland Orthopedic Surgery, a Professional Corporation, 404 North Hickory Avenue, Cookeville, Putnam County, Tennessee 38501."

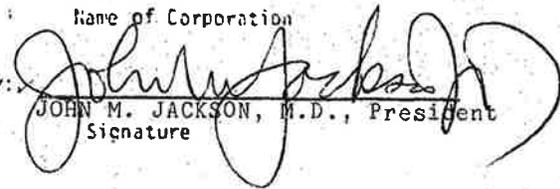
3. The amendment was duly adopted (~~at a meeting~~) (by the unanimous written consent) of the ~~XXXXXX~~ Directors on April 16, 1984. (Strike inapplicable words)

4. If a corporation for profit, the manner, if not set forth in such amendment, in which any exchange, reclassification or cancellation of issued shares provided for in the amendment shall be effected is as follows: NOT APPLICABLE

5. If the amendment is not to be effective when these articles are filed by the Secretary of State, the date it will be effective is \_\_\_\_\_, 19\_\_\_\_ (not later than thirty (30) days after such filing). Effective date filed by Secretary of State.

Dated: April 16, 1984

UPPER CUMBERLAND ORTHOPEDIC SURGERY, A PROFESSIONAL CORPORATION

Name of Corporation  
By:   
JOHN M. JACKSON, M.D., President  
Signature

## LEASE AGREEMENT - OPTION

**BJ & T PROPERTIES**, hereinafter referred to as "Lessor", and **Upper Cumberland Orthopedic Surgery, PC**, hereinafter referred to as "Lessee", make the following Lease Option Agreement:

For consideration in the sum total of \$1.00 Lessee will have the right to execute the following lease at any time on or before September 30, 2016. Occupation by Lessee and monthly rent obligations will not commence until all renovations reflected in Exhibit A are completed by Lessee.

1. Lessor agrees to rent to Lessee approximately 2,500 square feet of space located at 335 West Spring Street, Cookeville, Tennessee (see Exhibit A ) and use of parking. Lessor will be responsible for building insurance and real estate taxes. Lessor insurance is to cover the cost of repair to the building in the event of storm damage or other events outside the Lessee's control. Lessee will provide insurance for any contents owned by Lessee.

2. Lessee agrees to pay to Lessor as cash rent \$4,000.00 dollars per month due on the first day of each month. As additional rent consideration, Lessee also agrees to fully fund proposed renovation costs reflected in Exhibit A. The cash rent will be payable without demand at 105 South Willow Avenue, Cookeville, Tennessee, 38501.

3. The term of this lease is to be five years with an automatic renewal option of an additional five years at the sole discretion of Lessee with the renewal lease rate established at a reasonable current market value agreed to by both parties.

4. Lessee will be responsible for any other insurance it may desire for the leased

premises and any personal property located thereon.

5. Lessor will be responsible for structural repairs of the premises and the heating and cooling system. Lessee is not responsible for any pre-existing conditions or reasonable wear and tear. Lessee will be responsible for all other repairs and general maintenance of its leased premises, including leasehold improvements, carpeting, contents of the premises, and signage

6. Lessor will be responsible for payment of real property taxes. Lessee will be responsible for the payment of all utilities, and any other charges against the leased property and will hold Lessor harmless from any liability for such charges.

7. Lessee acknowledges upon execution of the lease option that it has examined the above-described premises and is satisfied with the physical condition of the structures thereon.

8. Lessor, or his agents, may at reasonable times and on reasonable notice to the Lessee show the leased premises to prospective purchasers or other prospective lessees. Lessor or his agents will also have the right to inspect the leased premises at reasonable times and on reasonable notice

9. Lessee may not assign or encumber this Lease without the Lessor's prior written consent. Consent to one Assignment will not be deemed consent to any other.

10. Lessor may terminate this Lease upon: (a) a default in the payment of any monthly rental for fifteen (15) days, or (b) Lessee's failure to comply with any other condition of this Lease within fifteen (15) days after delivery of a written notice of breach of the Lease. Lessor may give notice of termination to Lessee at 335 West Spring Street, Cookeville, Tennessee, 38501. Lessee agrees to vacate the premises within thirty (30)

business days after the service of such notice of termination. In the event of any default by the Lessee, the Lessor may re-enter the leased premises and put out the Lessee or any other person occupying the leased premises and remove all personal property therefrom.

11. The acceptance of rent by the Lessor shall not be deemed a waiver of the Lessee's breach of any obligation hereunder (other than the failure to pay the rent accepted) or of the Lessor's right to terminate this Lease because of such breach. The waiver of the breach of a covenant or condition by the Lessor shall not constitute a waiver of any other breach regardless of the Lessor's knowledge.

12. The award for any taking of the leased premises (whether such taking be in whole or in part) shall be divided between Lessor and Lessee according to their respective interests in the leased property.

13. This Agreement constitutes the entire agreement between the parties. Any term or condition not reduced to writing and signed by both parties shall be of no effect.

14. If the leased premises are rendered tenantable by fire or other casualty, the Lessee may terminate this Lease upon giving notice to the Lessor within ten (10) days after the casualty occurs.

15. Should Lessee default under this Agreement, the Lessee will be required to pay to the Lessor a reasonable attorneys fee incurred by the Lessor in enforcing any term of this Agreement. This would include any attorneys fees incurred by Lessor in any bankruptcy or reorganization proceeding filed by the Lessee.

16. Lessee agrees to abide by all state, federal and local laws in its use of the premises leased hereunder. Should Lessee violate any such law, or be charged with a violation of any such law, Lessor may terminate the Lease. Furthermore, Lessor may terminate the Lease should Lessee allow any type of nuisance upon the premises.

17. Lessee may not make any structural changes to the building and leased property without Lessor's prior written approval.

18. Lessor and Lessee enter into this Agreement with the intent of conducting their relationship in full compliance with applicable state, local and federal law, including the Medicare/Medicaid anti-kickback/Fraud and Abuse provisions and the Stark Law. With respect to the compensation paid to Lessor pursuant to this Agreement, the parties hereby further acknowledge and agree that (i) they have negotiated in good faith and at arms length to produce this Agreement; (ii) to the best of their knowledge, the compensation paid to Lessor represents a fair market value for the property leased hereunder; (iii) the compensation paid to Lessor for property leased is not intended as an inducement for Lessor to refer any patient directly or indirectly to Lessee or to generate other business with Lessee; and (iv) the use of the property and the rental for which the parties have contracted hereunder do not exceed those that are reasonable and necessary for the legitimate business purpose of the arrangement contemplated by this Agreement. Notwithstanding any unanticipated effect of any provisions herein, neither party will intentionally conduct itself under the terms of this Agreement in a manner to constitute a violation of said statutes.

19. If (i) any term or condition of this Agreement or the application thereof to any person or event shall, in the opinion of either party, or either party's counsel, violate or potentially violate any laws, orders, rules or regulations currently enforced by or hereafter promulgated by any federal, state, municipal or other governmental authority or agent

(including but not limited to any anti-kickback or Fraud and Abuse laws or regulations related to Medicaid and Medicare patients and programs and any legislation passed with respect to patient referrals); (ii) CMS, Office of the Inspector General, or any other federal or state regulatory agency or body institute or threaten to institute any proceedings of process which, in the opinion of counsel to either party, could potentially lead to the exclusion of either party from Medicare/Medicaid/TennCare participation or civil money penalties a result of the undertakings of this Agreement; or (iii) any regulatory authority by administrative rulings, public pronouncements, regulatory promulgation or other similar event, indicate that any provision of this Agreement violates any applicable law, regulation or rule of such governmental authority, then the parties agree to renegotiate in good faith to adjust the obligations and undertaking hereunder to such extent as may be necessary to eliminate any basis such governmental or regulatory body or agency may have for its challenge, using their best efforts to preserve the rights and obligations of each party as nearly as possible and to minimize the economic effect on both parties. If the parties are unable to agree to such amendment or modification within 30 days of a request by either party to negotiate, then either party may terminate this Agreement by giving written notice of such termination within 30 days after the negotiation deadline.

This 6 day of April, 2016.

BJ & T PROPERTIES

By David Northcutt  
Lessor

Upper Cumberland Orthopedic Surgery PC

By [Signature]  
Lessee

## MRI CPT CODES WITH MEDICARE RATES

MRI	WO CONTRAST	RATE	W/WO CONTRAST	RATE
Pelvis	72195	\$316.19	72197	\$463.45
Shoulder	73221	\$217.08	73223	\$429.74
Elbow				
Wrist				
Hip	73721	\$217.40	73723	\$431.35
Knee				
Ankle				
Foot	73718	\$310.65	73720	\$460.29
Cervical	72141	\$206.63	72156	\$349.42
Thoracic	72146	\$206.63	72157	\$350.06
Lumbar	72148	\$205.66	72158	\$348.78
Lower Extremities (including Pelvis)	73725	\$368.04		



Food and Drug Administration  
9200 Corporate Boulevard  
Rockville MD 20850

JUN 17 2004

Larry A. Kroger, Ph.D.  
Senior Regulatory Programs Manager  
GE Healthcare Technologies  
P.O. Box 414 W-400  
MILWAUKEE WI 53201

Re: K041476  
Trade/Device Name: GE Signa® Excite 1.5T MR System,  
and GE Signa® Excite 3.0 MR System  
Regulation Number: 21 CFR 892.1000  
Regulation Name: Magnetic resonance  
diagnostic device  
Regulatory Class: II  
Product Code: 90 LNH  
Dated: May 28, 2004  
Received: June 3, 2004

Dear Dr. Kroger:

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

If your device is classified (see above) into either class II (Special Controls) or class III (PMA), it may be subject to such additional controls. Existing major regulations affecting your device can be found in the Code of Federal Regulations, Title 21, Parts 800 to 898. In addition, FDA may publish further announcements concerning your device in the Federal Register.

Please be advised that FDA's issuance of a substantial equivalence determination does not mean that FDA has made a determination that your device complies with other requirements of the Act or any Federal statutes and regulations administered by other Federal agencies. You must comply with all the Act's requirements, including, but not limited to: registration and listing (21 CFR Part 807); labeling (21 CFR Part 801); good manufacturing practice requirements as set forth in the quality systems (QS) regulation (21 CFR Part 820); and if applicable, the electronic product radiation control provisions (Sections 531-542 of the Act); 21 CFR 1000-1050.

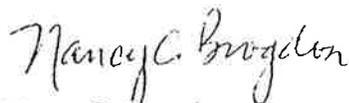
This letter will allow you to begin marketing your device as described in your Section 510(k) premarket notification. The FDA finding of substantial equivalence of your device to a legally marketed predicate device results in a classification for your device and thus, permits your device to proceed to the market.

If you desire specific advice for your device on our labeling regulation (21 CFR Part 801), please contact the Office of Compliance at one of the following numbers, based on the regulation number at the top of the letter:

8xx.1xxx	(301) 594-4591
876.2xxx, 3xxx, 4xxx, 5xxx	(301) 594-4616
884.2xxx, 3xxx, 4xxx, 5xxx, 6xxx	(301) 594-4616
892.2xxx, 3xxx, 4xxx, 5xxx	(301) 594-4654
Other	(301) 594-4692

Additionally, for questions on the promotion and advertising of your device, please contact the Office of Compliance at (301) 594-4639. Also, please note the regulation entitled, "Misbranding by reference to premarket notification" (21CFR Part 807.97) you may obtain. Other general information on your responsibilities under the Act may be obtained from the Division of Small Manufacturers, International and Consumer Assistance at its toll-free number (800) 638-2041 or (301) 443-6597 or at its Internet address <http://www.fda.gov/cdrh/dsma/dsmamain.html>.

Sincerely yours,



Nancy C. Brogdon  
Director, Division of Reproductive,  
Abdominal and Radiological Devices  
Office of Device Evaluation  
Center for Devices and Radiological Health

Enclosure



**SALES AGREEMENT**  
# 030116MAJSTN005B

**Seller: Ed Sloan & Associates, Inc.**  
101 Old Stone Bridge Rd.  
Goodlettsville, TN 37072  
Ph: 615-448-6095  
Fax: 615-448-6099

**Buyer: Tier 1 Orthopedic and Neurosurgical Institute**  
Attn: David Netherton  
105 S. Willow Avenue  
Cookeville, TN 38501  
Ph: (931) 260-0060

1. **PURCHASE AND SALE:** Seller agrees to sell and Buyer agrees to purchase from Seller a **1.5T GE Excite HD, (8) Channel RF V12X MRI** configuration as described on Exhibit "A", attached hereto and made a part hereof (the "Equipment") in accordance with the terms and conditions specified in this Sales Agreement dated April 7, 2016.

**Delivery Date:** Anticipated Delivery Date of September 30, 2016. In the event that Seller has not received a counterpart of this Agreement executed by Buyer, together with the complete Purchase Price specified in paragraph 2 (i), Seller may unilaterally postpone the transfer of title until receipt, except as outlined in section 9.

**Delivery Location:**

Tier 1 Orthopedic and Neurosurgical Institute  
105 S. Willow Avenue  
Cookeville, TN 38501

2. **PURCHASE PRICE:** the Purchase Price of the Equipment is \$355,041.25 which includes sales tax at the rate of 9.75%. This purchase price point is valid for 120 days from the date of execution of this agreement by the Buyer. If Buyer does not execute and return this Agreement by April 11, 2016 Seller reserves the right to change the Purchase Price. It is understood that the ultimate sale is contingent only upon the receipt of CON by the buyer. The Purchase Price is due and payable by Buyer as follows:

10% Upon execution of this agreement fully refundable in the event CON is not approved  
55% Upon buyer receiving award of CON.  
20% Upon notification of availability for shipment, to be received prior to release for shipment  
15% Upon Completion of Installation and prior to turn over to customer for patient use

\*Final invoice will included charges for Transportation billed at \$2.85/mile.

**Ed Sloan & Associates, Inc. will provide the following services ("Services") for the above Equipment:**

1. Guarantee the system to meet all manufacturer specifications upon completion of installation.
2. 30 days of parts and labor maintenance from the date of the completion of the installation.
3. Installation into Buyer's fully prepared site including standard system cable lengths.

3. **SITE PREPARATION / DRAWINGS / TRAINING:**

- (i) **SITE PREPARATION:** Buyer will be solely responsible for Equipment site preparation and related costs, including without limitation, all necessary plumbing, carpentry, electric power, building alterations and architectural plans and drawings. Buyer will insure that the Equipment site meets any Equipment specifications and that reasonable access thereto is available at the time of Equipment delivery and installation. Buyer, at its expense, will obtain all necessary planning consents, consents of landlords or adjoining owners and all other required licenses and permits whatsoever.



- (ii) **DRAWINGS AND SPECIFICATIONS:** Any drawings and/or specifications provided by Seller for the Equipment site preparation are solely for the purpose of illustrating Equipment location and stating minimum specifications for Equipment installation. THE DRAWINGS AND/OR SPECIFICATIONS ARE NOT TO BE USED FOR CONSTRUCTION OR ANY OTHER PURPOSES.
- (iii) **EQUIPMENT TRAINING:** Upon completion of installation, Seller's contracted personnel will be available to demonstrate the clinical application of the Equipment to Buyer's Equipment technicians and/or technologists. For purposes of this provision, clinical application means the mechanical operation of the Equipment. Upon request, Seller's personnel will be available during initial clinical use of the Equipment solely to answer the technologists' questions regarding the mechanical operation of the Equipment. BUYER ACKNOWLEDGES THAT SELLER'S PERSONNEL WILL NOT PROVIDE ANY INFORMATION WHATSOEVER REGARDING CLINICAL PROCEDURE.

4. **WARRANTY**

**SELLER MAKES NO OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING THE SUITABILITY OF THE EQUIPMENT'S SITE PREPARATION, INSTALLATION, DEMONSTRATION; THE EQUIPMENT'S MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE; OR ITS COMPLIANCE WITH ANY LAW OR GOVERNMENTAL REGULATION.**

5. **TITLE:** Title to the Equipment will be free and clear of all liens, claims and encumbrances of any kind and will pass to Buyer upon delivery and payment of the full Purchase Price.

6. **TAXES:** Buyer will be responsible for and will pay all applicable taxes, fees, levies, imposts, duties, withholding or other charges (including any related interest and penalties), if any, imposed by taxing authorities by reason of the sale and delivery of the Equipment.

7. **GOVERNING LAW:** Tennessee

8. **RISK OF LOSS:** Seller will be responsible for damage to or loss of the Equipment until the earlier of the Delivery Date or actual delivery of the equipment, at which point all risk of loss or damage to the Equipment shall pass to Buyer.

9. **SELLER'S REMEDIES:**

- (i) **OPTION TO TERMINATE:** In the event Buyer refuses or is unable to accept delivery of the Equipment by December 31, 2016 then Seller, at its option, may (a) terminate this Agreement on five (5) days prior written notice to Buyer, take immediate possession of the Equipment and retain all monies paid hereunder to the date of the notice as liquidated damages and not as a penalty; or (b) place the Equipment in storage for Buyer's benefit, in which event: (i) Seller reserves the right to charge Buyer a storage fee of \$300 per month, or part thereof, that the Equipment is stored; (ii) Buyer shall be responsible for all costs associated with maintaining the operational integrity of the Equipment (e.g., cryogenics, special power requirements, etc.) while the Equipment is being stored; and (iii) Buyer shall bear all risk of damage or loss to the Equipment. Seller's exercise of its rights under subparagraph (b) shall not preclude or prevent Seller from subsequently electing to exercise its rights under subparagraph (a) at any time. In addition to the foregoing Seller may exercise any other right or remedy available to Seller at law or in equity.
- (ii) **FINANCE CHARGE:** In the event Buyer fails to make any payment as and when due hereunder Seller may, in addition to exercising any other remedies available to it hereunder or under applicable law, charge Buyer interest on such unpaid amount at an annual rate equal to the lower of eighteen percent (18%) or the maximum amount permitted under applicable Tennessee law. Additionally, the seller may, at their election, file a security interest in the equipment to perfect all obligations set forth in this agreement.



10. **LIMITATIONS ON LIABILITY:** Notwithstanding any other provision of this Agreement to the contrary, neither party will be liable for any failure or delay in delivery or accepting delivery of the Equipment due to a cause beyond such party's reasonable control, provided that such party notifies the other, as soon as practicable under the circumstances, of the exact nature of the cause of such failure or delay, the actions being taken to remedy such cause, and the date on which such remedy is expected to be completed. Buyer's inability to pay the Purchase Price as and when due shall not be deemed to be beyond Buyer's "reasonable control" as used herein. Neither party will be liable for special, consequential or incidental damages even if that party has been informed that such damages are possible.
11. **LICENSED PRODUCTS:** Seller does not convey any title to any software or other licensed products ("Products") that may be attached to the Equipment delivered to Buyer, and the Products will at all times remain the property of the owner. Prior to the legal use of any Products, Buyer will be responsible to obtain or cause to be obtained a license to use the Products from the owner. Buyer agrees to treat the Products as confidential information of the owner, to observe all copyright restrictions, and not to reproduce or sell the Products.
12. **USE AND OPERATION:** Buyer warrants that the Equipment will be used, operated and otherwise be in compliance with (a) any established operating procedures of the manufacturer, and (b) all applicable statutes, regulations and orders of any governmental body having the power to regulate the Equipment or its use. Buyer further warrants that the Equipment will be operated only by qualified personnel. Buyer shall indemnify and hold Seller harmless from any claim of any other party relating to Buyer's use and operation of the Equipment.
13. **ENTIRE AGREEMENT:** This Sales Agreement constitutes the entire agreement between the parties and supersedes any and all prior oral or written agreements which are not expressly referred to and incorporated herein. If Buyer has sent Seller a purchase order for the Equipment, Buyer acknowledges and agrees that in the event of any conflict between any term of this Agreement and such purchase order, the terms of this Agreement shall govern.
14. **MISCELLANEOUS:**
- (i) Each party represents to the other that no broker has been engaged by such party in connection with the purchase and sale of the Equipment, and agrees to indemnify and hold the other party harmless against any claim made by any third party for any fee or commission in connection with its representation of such party.
  - (ii) The Equipment being supplied may contain parts and components that are different from those originally provided with the Equipment by the manufacturer and that have been obtained from different sources. This Agreement identifies the manufacturers of the major components of the Equipment.
  - (iii) This Agreement may be executed in counterparts, each of which will be deemed to be an original and of equal force and effect, and all of which together shall constitute a single document. Any notice required or permitted to be given hereunder shall be sent to the recipient at the address set forth above, and shall be deemed to have been properly delivered: (a) on the date when delivered, if by hand; (b) on the date sent by facsimile transmission, if evidenced by a confirmation generated by the facsimile transmitter that such notice was transmitted; or (c) on the day after delivery to a nationally recognized courier service for overnight delivery to the recipient. A facsimile transmission of an executed original of this Agreement shall constitute a duly delivered and legally binding document.

Buyer: **Tier 1 Orthopedic and Neurosurgical Institute**

Seller: **Ed Sloan & Associates, Inc.**

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_



Exhibit 'A'

Equipment Configurations

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**MRI SCANNER DATA SHEET**

**1.5T GE Excite HD, (8) Channel RF V12X MRI**

**Core System:**

GE 1.5T CXX4 LCC Active Shield Short Bore Magnet  
Integrated Body Coil  
Detachable Patient Table  
Excite HD (8) Channel RF  
Excite HD Echo Speed Plus Gradient 33 mT/m – 120 Slew  
PDU

**Operator Station:**

HP CPU with Dual Flat Panel OS  
Software V 12X

**Active “Included” Software Packages:**

EPI, FGRE, CINE, FSE FLAIR, TOF & PC Vascular, SGD EchoSpeed, DW EPI, FLAIR EPI, SPECIAL, Smart Prep, SSFSE, 3 plane localizer, Modality Worklist, LX Tools, E3D TOF, FSE\_XL, Blood Sup, Fast CINE, Tagging, SGDPerf, IDrive Pro, IDrive, SmartPrep 2000, FuncTool 2, VOXTool, IVI, Clariview, Ultra Short TR, T1 & T2 Breath Hold, SSFSE MRCP, ACGD Plus, Flouro Triggered MRA, MRCP3, Dynamic R1, Fiesta 2D & 3D, Asset, 3DFRSE, Asset Plus, Fiesta C, Propeller DWI, 2D & 3DFat Sat Fiesta, 2D, Propeller T2

**Coils:**

(8) Head, Standard Head, (8) NV Array, (8) CTL, (8) Torso, Knee w/Chimney, Shoulder, Hi Res Wrist, Knee, GP Flex, TMJ

**Note: Until receipt of signed agreement and initial payments, all equipment shown is subject to prior sale.**

Ed Sloan & Associates  
101 Old Stone Bridge Rd.  
Goodlettsville, TN 37072

Mike Jasinski  
Cell (847) 627-0507  
mike.jasinski@ed-sloanassociates.com

## MRI PURCHASE QUOTE SHEET

Quote # 030116MAJSTN005A

QUOTE SHEET ("Quote"), dated March 1, 2016, between Tier 1 Orthopedic and Neurosurgical Institute, ("Customer") with its offices located at 105 S. Willow Avenue, Cookeville, TN 38501 and Ed Sloan & Associates, Inc. with its offices located at 101 Old Stone Bridge Rd., Goodlettsville, TN 37072 ("ES&A"). This offer is valid for 30 days from date of issue.

**Purchase of 1.5T GE Excite HD, (8) Channel RF V12X MRI – Equipment Description see Exhibit "A"**

MRI Installed and operating at SPEC at customer location w/30 day parts & labor warranty Price: \$323,500.00

**Included:**

- 1) One day of basic system operation training (power up/down, coil I/F, trailer functions)

**Options:**

- 1) System Clinical Applications training if needed charged at \$850 per day plus T&L expenses.
- 2) Optional Service Contracts to follow initial warranty
  - a. 3 year
  - b. 5 year

Price: \$7,000.00/month  
Price: \$6,750.00/month

**Additional Cost:**

- 1) Equipment shipping to site and rigging cost, billed at cost payment due upon invoice.

**1. Payment: 25% down with order, 40% upon commencement of refurbishment, 20% prior to release for shipment, 15% upon completion of completion of clinical testing and availability for first patient use, to be paid prior to turn over to customer. .**

**2. Customer to supply:** 1) All necessary power (sufficient quality, quantity and duration), 2) Fully prepared site, 3) Clear access for cryogen deliveries, 4) Containment of the magnetic field, 5) Site suitable to Magnetically shim a Philips 1.5T actively shielded MRI system, 6) Any necessary governmental permits including CON if necessary as well as, licenses and approvals, including, but not limited to, those required by any applicable zoning or environmental laws

It is understood that this MRI system quote is for a project that will require CON approval and as such will take some time. The quote can be renewed on a month to month basis upon request allowing for ES&A to adjust to market pricing as necessary, adjustment may be up or down accordingly. Although the equipment quoted herein is for a specific unit, ES&A will provide equivalent technology at the time of contract execution. Typical delivery is 90 days after receipt of order.

**Upon notification of acceptance a formal contract will be provided for execution.**

**For Ed Sloan & Associates, Inc.**

**By:** \_\_\_\_\_

**Name:** \_\_\_\_\_

**Title:** \_\_\_\_\_

**Date:** \_\_\_\_\_

Agreement # 030116MAJSTN005A  
Updated 1\_13\_2015 MAJ

For ES&A \_\_\_\_\_

Ed Sloan & Associates  
101 Old Stone Bridge Rd.  
Goodlettsville, TN 37072

Mike Jasinski  
Cell (847) 627-0507  
mike.jasinski@ed-sloanassociates.com

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## Exhibit "A"

### Equipment Description

#### 1.5T GE Excite HD, (8) Channel RF V12X MRI

##### **Core System:**

GE 1.5T CXX4 LCC Active Shield Short Bore Magnet  
Integrated Body Coil  
Detachable Patient Table  
Excite HD (8) Channel RF  
Excite HD Echo Speed Plus Gradient 33 mT/m – 120 Slew  
PDU

##### **Operator Station:**

HP CPU with Dual Flat Panel OS  
Software V 12X

##### **Active "Included" Software Packages:**

EPI, FGRE, CINE, Fast Spin Echo FLAIR, TOF & PC Vascular Imaging, SGD EchoSpeed, DW EPI, FLAIR EPI, SPECIAL, Smart Prep, SSFSE, 3 plane localizer, Modality Worklist, LX Tools - E3D TOF, FSE\_XL, Blood Sup, Fast CINE, Tagging, SGDPerf, IDrive Pro, IDrive, SmartPrep 2000, FuncTool 2, VOXTool, IVI, Clariview, Ultra Short TR, T2 Breath Hold, SSFSE MRCP, T1 Breathhold, ACGD Plus, Flouro Triggered MRA, MRCP3, Dynamic R1, Fiesta 2D & 3D, Asset, 3DFRSE, Asset Plus, Fiesta C, Propeller DWI, 3DFat Sat Fiesta, 2D Fat Sat Fiesta, Propeller T2

##### **Coils:**

(8) Head, Standard Head, (8) NV Array, (8) CTL, (8) Torso, Knee w/Chimney, Shoulder, Hi Res Wrist, Knee, GP Flex, TMJ

Note: Until receipt of signed agreement and initial payments, all equipment shown is subject to prior sale.

Agreement # 030116MAJSTN005A  
Updated 1\_13\_2015 MAJ

For ES&A \_\_\_\_\_

2 of 2



# Google Maps 335 W Spring St

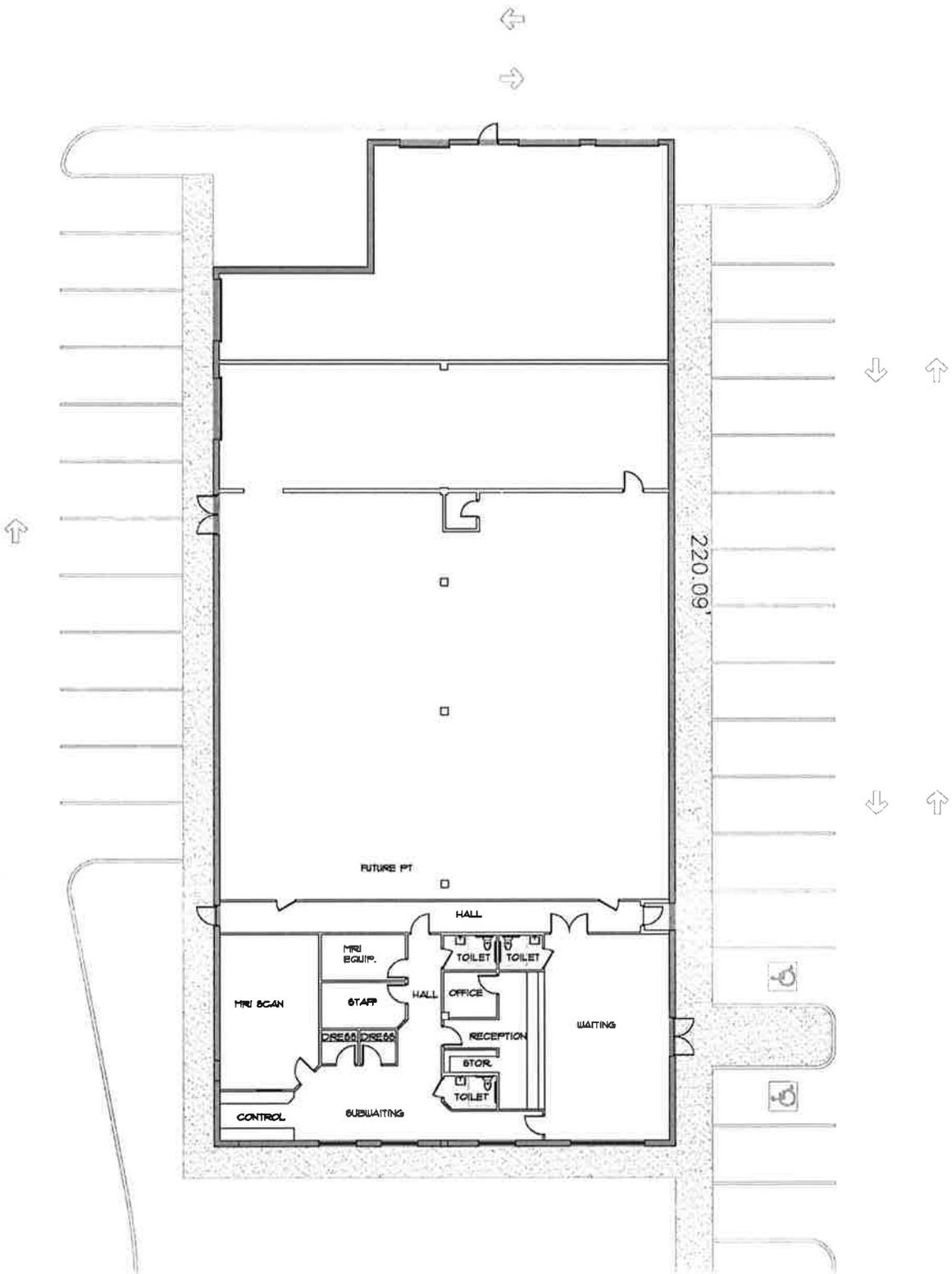


Imagery ©2016 Google, Map data ©2016 Google 50 ft

Google Maps

**MRI SITE**

**TIER 1 ORTHOPEDICS**



# REVISED FLOOR PLAN

SCALE: 1/16" = 1'-0"

**MRI UTILIZATION IN SERVICE AREA 2012-2014**

County	Provider Type	Provider	Year	Number of Units	Mobile or Fixed	Total Scans	Scans Per Unit	Total Gross Charges	Average Gross Charge
Fentress	No MRI Units								
Jackson	No MRI Units								
Overton	HOSP	Livingston Regional Hospital	2012	1	Fixed	959	959	\$3,152,927.00	\$3,287.72
Overton	HOSP	Livingston Regional Hospital	2013	1	Fixed	949	949	\$3,447,373.00	\$3,632.64
<b>Overton</b>	<b>HOSP</b>	<b>Livingston Regional Hospital</b>	<b>2014</b>	<b>1</b>	<b>Fixed</b>	<b>649</b>	<b>649</b>	<b>\$2,556,905.00</b>	<b>\$3,939.76</b>
Putnam	HOSP	Cookeville Regional Medical Center	2012	1	Fixed	4928	4928	\$8,402,093.00	\$1,704.97
Putnam	HOSP	Cookeville Regional Medical Center	2013	1	Fixed	3701	3701	\$6,202,892.00	\$1,676.00
<b>Putnam</b>	<b>HOSP</b>	<b>Cookeville Regional Medical Center</b>	<b>2014</b>	<b>1</b>	<b>Fixed</b>	<b>4375</b>	<b>4375</b>	<b>\$6,911,466.00</b>	<b>\$1,579.76</b>
Putnam	H-Imaging	Outpatient Imaging Center at CRMC	2012	2	Fixed	3385	1693	\$5,171,920.00	\$1,527.89
Putnam	H-Imaging	Outpatient Imaging Center at CRMC	2013	2	Fixed	4791	2396	\$7,266,860.00	\$1,516.77
<b>Putnam</b>	<b>H-Imaging</b>	<b>Outpatient Imaging Center at CRMC</b>	<b>2014</b>	<b>2</b>	<b>Fixed</b>	<b>5273</b>	<b>2637</b>	<b>\$8,101,360.00</b>	<b>\$1,536.39</b>
Putnam	ODC	Premier Diagnostic Imaging, LLC	2012	2	Fixed	5572	2786	\$6,556,168.00	\$1,176.63
Putnam	ODC	Premier Diagnostic Imaging, LLC	2013	2	Fixed	5674	2837	\$6,777,007.00	\$1,194.40
<b>Putnam</b>	<b>ODC</b>	<b>Premier Diagnostic Imaging, LLC</b>	<b>2014</b>	<b>2</b>	<b>Fixed</b>	<b>5454</b>	<b>2727</b>	<b>\$6,578,611.00</b>	<b>\$2,412.40</b>
White	HOSP	St. Thomas Highlands Hospital	2012	1	Fixed	1069	1069	\$1,953,155.00	\$1,827.09
White	HOSP	St. Thomas Highlands Hospital	2013	1	Fixed	961	961	\$1,852,766.00	\$1,927.96
<b>White</b>	<b>HOSP</b>	<b>St. Thomas Highlands Hospital</b>	<b>2014</b>	<b>1</b>	<b>Fixed</b>	<b>1124</b>	<b>1124</b>	<b>\$2,337,261.00</b>	<b>\$2,079.41</b>
<b>Total/Average 2014 ONLY</b>				<b>7</b>		<b>16875</b>	<b>2411</b>	<b>\$26,485,603.00</b>	<b>\$1,569.52</b>

HSDA Medical Equipment Registry - 4/5/2016

Carl M. Hollmann, M.D.  
James D. McKinney, M.D.  
John M. Turnbull, M.D.  
Gregory J. Roberts, M.D.  
Philip A. Elizondo, M.D.



**TIER 1**  
**ORTHOPEDICS**

105 S. Willow Avenue, Suite 100  
Cookeville, TN 38501  
Phone: 931.526.9518  
Fax: 931.372.0087  
Toll Free: 888.672.6637  
[www.T1institute.com](http://www.T1institute.com)

## **Upper Cumberland Orthopedic Surgery, P.C.** **Protocol for Medical Emergencies**

- 1. Initialize efforts to stabilize the situation**
- 2. Administer CPR, if necessary**
- 3. Call 911**
- 4. Transfer to CRMC, if necessary**

Carl M. Hollmann, M.D.  
James D. McKinney, M.D.  
John M. Turnbull, M.D.  
Gregory J. Roberts, M.D.  
Philip A. Elizondo, M.D.



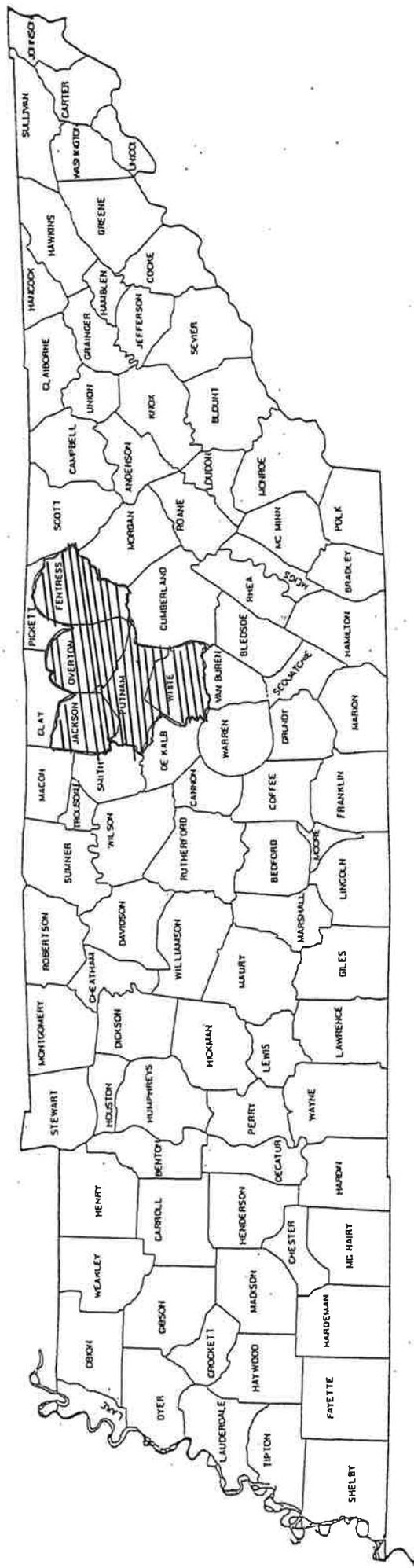
**TIER 1**  
**ORTHOPEDICS**

105 S. Willow Avenue, Suite 100  
Cookeville, TN 38501  
Phone: 931.526.9518  
Fax: 931.372.0087  
Toll Free: 888.672.6637  
www.T1institute.com

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## **Upper Cumberland Orthopedic Surgery, P.C. Protocol for MRI Medical Necessity Determination**

- 1. Physician evaluation of patient results in an order for an MRI as medically necessary**
- 2. Appropriate insurance certification/authorization obtained (approval of physician medical necessity evaluation)**
- 3. MRI is scheduled and patient notified of appointment**
- 4. Results of MRI reported to ordering physician**
- 5. Appointment made with patient for follow up visit with physician**



POPULATION AND DEMOGRAPHICS OF SERVICE AREA							
Variable	Fentress County	Jackson County	Overton County	Putnam County	White County	Service Area Total/Avg.	State of Tennessee
Current Year (2016), Age 65+	4,092	2,748	4,853	13,677	5,806	31,176	1,091,516
Projected Year (2020), Age 65+*	4,787	3,203	5,597	15,795	6,751	36,133	1,266,295
Age 65+, % Change	17.0%	16.6%	15.3%	15.5%	16.3%	15.9%	16.0%
Age 65+, % Total (CY)	14.8%	19.1%	18.6%	19.8%	20.9%	20.0%	15.6%
Age 65+, % Total (PY)	16.2%	21.4%	20.8%	22.2%	24.0%	18.8%	17.8%
CY, Total Population (2016)	18,823	12,120	23,460	79,658	27,519	161,580	6,812,005
PY, Total Population (2020)	19,309	12,375	24,291	84,087	28,541	168,603	7,108,031
Total Pop. % Change	2.6%	1.6%	0.2%	4.9%	4.5%	5.3%	4.3%
TennCare Enrollees (March, 2016)	6,342	2,988	5,423	17,977	7,442	40,172	1,525,548
TennCare Enrollees as a % of Total Population(CY)	33.7%	24.7%	23.1%	22.6%	27.0%	24.9%	22.4%
Median Age (2010 Census)	43	45	41	36	42	41.4	38
Median Household Income ('10-'14)	\$29,784	\$33,500	\$34,913	\$34,780	\$33,933	\$33,382.00	\$44,621
Population % Below Poverty Level ('09-'13)	28.1%	23.4%	18.9%	20.8%	21.9%	22.6%	18.3%

Sources: Population, <http://tn.gov/health/article/statistics-con>; TennCare enrollment, TennCare Bureau website; Age, American FactFinder Census website; Income and poverty level, Census Bureau QuickFacts.



April 14, 2016

David Netherton  
Tier One  
105 South Willow Avenue  
Cookeville, TN 38501

Re: Renovation of an existing facility for a New MRI Medical Office

Dear David:

We received the information from Lee International llc regarding the proposed MRI project for Tier One. The cost estimate of \$375,000 for this project is reasonable and should include an appropriate contingency.

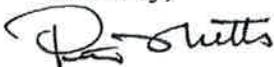
The project, located in Cookeville, TN will be reviewed and approved by The City of Cookeville Codes Department and will be governed by the following.

- 2012 International Building Code
- NFPA 101 Life Safety Code and 2010 NFPA 13
- 2012 International Existing Building Code
- 2012 International Property Maintenance Code
- 2012 International Plumbing Code
- 2012 International Mechanical Code
- 2012 International Fuel Gas Code
- 2012 International Fire Code
- 2010 Accessible Design Code
- 2009 Energy Conservation Code

The renovated facility for the MRI will be designed to conform to the provided MRI specifications and equipment requirements by Lee International llc. The preliminary floor plan indicating the spaces provided for not only the equipment but the services appear to be as required for the equipment's area use and clearances.

If you have any other questions, don't hesitate to call and ask.

Sincerely,



Peter Metts, AIA  
President AEI

Enclosure

PM/jm





# BANK OF PUTNAM COUNTY

April 8, 2016

Mr. David Netherton  
Tier One Orthopedics  
105 S. Willow Ave., Suite 100  
Cookeville, Tennessee 38501

Dear David:

Thank you very much for the opportunity to provide the financing for the acquisition of your new MRI machine and related costs of installation which you have estimated to total \$809,050.00. We will provide financing for the project as we discussed with an amortization of up to 15 years at a rate of 3.24%.

I think the ability to perform MRI scans at your site is a great addition to the services that your group provides. I am excited about the growth Tier One is seeing. Let me know if we can help in any additional ways.

Thanks again for the opportunity. Let me know if you have any questions.

Sincerely,

Gerry Whitehead  
Executive Vice President and  
Chief Credit Officer

Attachment C, II, Economic  
Feasibility, 2

## MRI CPT CODES WITH MEDICARE RATES

MRI	WO CONTRAST	RATE	W/O CONTRAST	RATE
Pelvis	72195	\$316.19	72197	\$463.45
Shoulder	73221	\$217.08	73223	\$429.74
Elbow				
Wrist				
Hip	73721	\$217.40	73723	\$431.35
Knee				
Ankle				
Foot	73718	\$310.65	73720	\$460.29
Cervical	72141	\$206.63	72156	\$349.42
Thoracic	72146	\$206.63	72157	\$350.06
Lumbar	72148	\$205.66	72158	\$348.78
Lower Extremities (including Pelvis)	73725	\$368.04		

4:25 PM  
 04/07/16  
 Cash Basis

**Upper Cumberland Orthopedic Surgery, P.C.**  
**Balance Sheet**  
 As of December 31, 2015

	<u>Dec 31, 15</u>
<b>ASSETS</b>	
<b>Current Assets</b>	
Checking/Savings	
102000 · General Checking	9,480.42
1025 · First Tennessee Bank	-72,438.54
103000 · Payroll Checking	500.00
104000 · Petty Cash / Change Funds	250.00
<b>Total Checking/Savings</b>	<u>-62,208.12</u>
Accounts Receivable	
113900 · A/R Other	555.33
<b>Total Accounts Receivable</b>	<u>555.33</u>
<b>Total Current Assets</b>	-61,652.79
<b>Fixed Assets</b>	
172000 · Office Equipment	200,146.50
172200 · Clinical Equipment	478,320.86
172600 · Furniture & Fixtures	126,865.48
173000 · Other Assets	207,214.20
182000 · Accum Depr - Office Equipment	-173,825.94
182200 · Accum Depr - Clinical Equipment	-407,333.38
182600 · Accum Depr-Furniture & Fixtures	-103,071.12
183000 · Accum Depr - Other Assets	-185,250.97
<b>Total Fixed Assets</b>	<u>143,065.63</u>
<b>TOTAL ASSETS</b>	<u><b>81,412.84</b></u>
<b>LIABILITIES &amp; EQUITY</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
<b>Other Current Liabilities</b>	
201000 · First National Bank Greenway	5,784.33
203000 · Accrued Payroll Deduct.Payable	2,861.70
216000 · Accrued Pension Withholdings	395,500.00
216500 · Employer Pension Accrued	-7,920.35
222000 · Accrued FICA / Wholding Tax	2,633.20
<b>Total Other Current Liabilities</b>	<u>398,858.88</u>
<b>Total Current Liabilities</b>	398,858.88
<b>Long Term Liabilities</b>	
241000 · First National Bank XRAY LOAN	145,000.00
<b>Total Long Term Liabilities</b>	<u>145,000.00</u>
<b>Total Liabilities</b>	543,858.88
<b>Equity</b>	
299900 · Retained Earnings	-410,204.87
301000 · Common Stock	4,126.04
303000 · UCOS Treasury Stock	-40,243.86
Net Income	-16,123.35
<b>Total Equity</b>	<u>-462,446.04</u>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<u><b>81,412.84</b></u>

4:26 PM  
 04/07/16  
 Cash Basis

**Upper Cumberland Orthopedic Surgery, P.C.**  
**Profit & Loss**  
 January through December 2015

Jan - Dec 15

Income	5,874,011.85
401000 · Fees Collected - UCOS	16,188.34
4012 · RX Inhouse Pharmacy Revenue	13,720.00
4013 · Meaningful Use Revenue	279,000.00
401400 · LivingstonHospital Contract Fee	365,000.00
401500 · Hospitalist Income	-1,116.66
4016 · Other Income	-19,685.37
421000 · Refunds	6,527,118.16
<b>Total Income</b>	<b>6,527,118.16</b>
<b>Gross Profit</b>	<b>6,527,118.16</b>
Expense	
719900 · Total Wages	1,978,514.90
712000 · Physician Wages	365,000.00
712200 · Hospitalist Pay	1,018,808.83
712500 · Clinical Staff Wages	658,947.88
713000 · Administrative Staff Wages	140.00
713100 · Vacation Pay	140.00
713200 · Sick Pay	4,021,551.61
<b>Total 719900 · Total Wages</b>	<b>4,021,551.61</b>
723900 · Total Benefits & Payroll Taxes	
66000 · Employer Payroll Tax Expenses	238,899.50
721000 · FICA Employer Share	898.00
722000 · Unemployment Taxes	577.61
722500 · Employer 401k match/prof.s/othe	337,686.44
723000 · Health Insurance Premiums	259,931.76
723100 · Dental Expenses	5,513.10
723106 · Dental Physiclans	7,139.14
723200 · Vision Expenses	7,851.05
723205 · Vision Physicians	16,414.01
723599 · Employee Health Ins Deductables	
723501 · Kristie Ealey Deductable	2,047.12
723502 · Kristie Ealey Family Ded	1,063.03
723503 · Kathy Beechboard Deductable	1,307.41
723505 · Barbara Brown Deductable	2,673.47
723515 · Joy Nichols Deductable	3,041.30
723517 · Cathy Deaton Deductable	1,364.46
723519 · John Phillips Deductable	334.17
723520 · J Phillips Family Deductable	518.72
723521 · Jill Hammond Deductable	17.75
723529 · Terry Hood Deductable	510.77
723531 · Angela Nichols Deductable	2,350.57
723533 · Amber Mitchell Deduct.	193.88
723535 · Emily Amonett Deductable	97.97
723539 · J. Hammond Deductible	13.17
723541 · Jan Jones Deductible	240.45
723543 · Kayla Stinson Deduct.	419.15
723545 · Dawn Voss Deduct	103.14
723546 · Amy Kelley Deduct	322.55
723547 · Alicia-Beth Rodriguez Deduct	628.52
723549 · Elysa Dowis Deduct	301.60
723551 · Mary Young Deduct	2,068.74
723555 · Jan Hotslnpfler Deductible	288.39
723599 · Employee Health Ins Deductables - Other	25,899.18
<b>Total 723599 · Employee Health Ins Deductables</b>	<b>45,805.51</b>
<b>Total 723900 · Total Benefits &amp; Payroll Taxes</b>	<b>920,716.12</b>

4:26 PM  
 04/07/16  
 Cash Basis

**Upper Cumberland Orthopedic Surgery, P.C.**  
**Profit & Loss**  
 January through December 2015

	Jan - Dec 15
<b>724099 · Professional Development</b>	
724001 · Prof Devel - Archer	1,047.62
724002 · Prof Develop - Roberts	2,361.66
724005 · Prof Develop - Hollmann	2,576.66
724007 · Prof Develop - Other Staff	1,155.85
724010 · Prof Develop - McKinney	858.94
724011 · Prof Develop - Turnbull	450.00
724012 · Professional Dev. Dr. Nichols	51,549.16
725008 · Publications - Other	3,971.59
<b>Total 724099 · Professional Development</b>	<b>63,971.48</b>
<b>739900 · Total Occupancy Costs</b>	
731000 · BJ&T Lease Expense	194,757.40
731500 · Outside Clinic Lease Expense	3,900.00
732000 · Utilities	50,867.56
734000 · Property Taxes	37,086.12
735000 · Bldg & Property Insurance	12,179.81
735100 · Professional Liability Ins	96,639.00
735200 · Workers Comp Ins	8,286.00
735300 · Disability Ins Expense	23,558.04
735600 · Physician Life Ins	4,471.00
735700 · Mileage Reimbursement	6,651.41
736000 · Repair/Maint Computer	102,055.64
736001 · Repair/Maint Building	52,268.42
736002 · Repair/Maint Grounds	8,225.00
736003 · Repair/Maint Other Equipment	2,209.49
736004 · Building Improvements	87,887.96
736500 · Telephone Costs	71,918.85
<b>Total 739900 · Total Occupancy Costs</b>	<b>762,961.70</b>
<b>779900 · Total Operating Costs</b>	
770000 · Uniforms & Cleaning	9,658.71
771000 · Operating Supply & Expenses	47,871.23
771200 · Office Supply & Expense	38,789.59
771500 · X-Ray Supply & Expense	7,092.84
776500 · Interpreter Fees - CRMC	50.00
777000 · Postage	4,558.36
777500 · Equip & Software Lease Expense	2,163.03
777600 · Advertising & Community Support	43,802.75
779000 · Medical Supplies	270,175.93
791000 · Injectable Supply & Expense	175,524.21
779900 · Total Operating Costs - Other	158.05
<b>Total 779900 · Total Operating Costs</b>	<b>599,844.70</b>
<b>789900 · Total Other Expenses</b>	
780000 · Dues	4,587.57
780300 · Interest Expense	18,249.44
782000 · Licenses - Professional	10,279.76
785000 · Legal Fees	3,915.00
786000 · Professional Fees	44,412.00
786001 · Transcription Services	70,876.80
786002 · X-Ray Tech Services	14,980.50
789000 · Pension Admin/Legal Expenses	6,134.25
789900 · Total Other Expenses - Other	760.58
<b>Total 789900 · Total Other Expenses</b>	<b>174,195.90</b>
<b>Total Expense</b>	<b>6,543,241.51</b>
<b>Net Income</b>	<b>-16,123.35</b>

AFFIDAVIT

STATE OF TENNESSEE

COUNTY OF PUTNAM

David McPherson, 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.

David Y. McPherson  
SIGNATURE/TITLE

Sworn to and subscribed before me the 8<sup>th</sup> day of April, 2016, a Notary Public for Putnam County, Tennessee.



[Signature]  
NOTARY PUBLIC

My commission expires 03/21/17.



**State of Tennessee**

**Health Services and Development Agency**

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

[www.tn.gov/hsda](http://www.tn.gov/hsda) Phone: 615-741-2364 Fax: 615-741-9884

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May 2, 2016

Jerry Taylor, Esq.  
Burr and Forman  
511 Union Street, Suite 2300  
Nashville, TN 37219

RE: Certificate of Need Application -- Upper Cumberland Orthopedic Surgery d/b/a Tier 1 Orthopedics - CN1604-015

For the acquisition of a Magnetic Resonance Imaging (MRI) unit and initiation of MRI services limited to patients of Tier 1 Orthopedics. The proposed MRI will be located in a freestanding building located at 335 West Spring Street, Cookeville (Putnam County), Tennessee. The estimated project cost is \$1,486,578.29.

Dear Mr. Taylor:

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

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

In accordance with Tennessee Code Annotated, §68-11-1601, et seq., as amended by Public Chapter 780, the 60-day review cycle for this project will begin on May 2, 2016. The first sixty (60) days of the cycle are assigned to the Department of Health, during which time a public hearing may be held on your application. You will be contacted by a representative from this Agency to establish the date, time and place of the hearing should one be requested. At the end of the sixty (60) day period, a written report from the Department of Health or its representative will be forwarded to this office for Agency review within the thirty (30)-day period immediately following. You will receive a copy of their findings. The Health Services and Development Agency will review your application on July 27, 2016.

Jerry Taylor  
May 2, 2016  
Page 2

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

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

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

Sincerely,

A handwritten signature in blue ink that reads "Melanie M. Hill" followed by a stylized flourish.

Melanie M. Hill  
Executive Director

cc: Trent Sansing, TDH/Health Statistics, PPA



## State of Tennessee

### Health Services and Development Agency

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

[www.tn.gov/hsda](http://www.tn.gov/hsda) Phone: 615-741-2364 Fax: 615-741-9884

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#### MEMORANDUM

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

FROM: Melanie M. Hill *MMH/MF*  
Executive Director

DATE: May 2, 2016

RE: Certificate of Need Application  
Upper Cumberland Orothopedic Surgery d/b/a Tier 1 Orthopedics -  
CN1604-015

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

This application has undergone initial review by this office and has been deemed complete. It is being forwarded to your agency for a sixty (60) day review period to begin on May 2, 2016 and end on July 1, 2016.

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

Enclosure

cc: Jerry Taylor, Esq.



2016 APR 10 10 53 AM

**LETTER OF INTENT  
TENNESSEE HEALTH SERVICES AND DEVELOPMENT AGENCY**

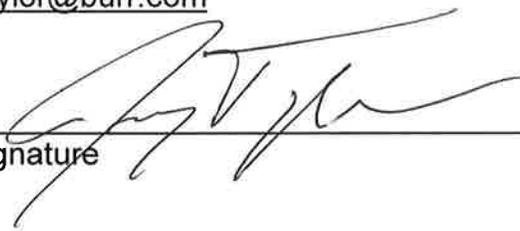
The Publication of Intent is to be published in the Citizen Herald which is a newspaper of general circulation in Putnam County, Tennessee, on or before April 10, 2016 for one day.

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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 Upper Cumberland Orthopedic Surgery, P.C., a Tennessee Professional Corporation, d/b/a Tier 1 Orthopedics ("Tier 1") intends to file an application for a Certificate of Need for the acquisition of a Magnetic Resonance Imaging (MRI) unit, and the initiation of MRI services. The proposed MRI services will be owned and operated by Tier 1 and will be limited to the patients of Tier 1. No facility licensure will be sought. The MRI will be located in a freestanding building located at 335 West Spring Street, Cookeville (Putnam County) Tennessee, across the street from the clinical offices of Tier 1. The total estimated project cost is \$1,500,000.

The anticipated date of filing the application is April 15, 2016.

The contact person for this project is Jerry w. Taylor, Attorney who may be reached at: Burr & Forman, LLP, 511 Union Street, Suite 2300, Nashville, Tennessee, 37219, 615-724-3247; [jtaylor@burr.com](mailto:jtaylor@burr.com)

  
\_\_\_\_\_  
Signature

4-8-16  
\_\_\_\_\_  
Date

The published Letter of Intent contains 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.

=====  
\*  
HF0051 (Revised 05/03/04 – all forms prior to this date are obsolete)

# Supplemental #1 -Original-

Upper Cumberland  
Orthopedic Surgery PC

CN1604-015

**April 27, 2016**

**12:28 pm**

**SUPPLEMENTAL RESPONSES**

**CERTIFICATE OF NEED APPLICATION**

**FOR**

**UPPER CUMBERLAND ORTHOPEDIC SURGERY, P.C.**

**Initiation of In-House MRI Services**

**Putnam County, Tennessee**

**Project No. CN1604-015**

**April 27, 2016**

**Contact Person:**

**Jerry W. Taylor, Esq.  
Burr & Forman, LLP  
511 Union Street, Suite 2300  
Nashville, Tennessee 37219  
615-724-3247**

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

**Please clarify if the proposed 1.5 Tesla MRI will accommodate obese and/or claustrophobic patients. If not, where will those patients be referred?**

Obese and/or claustrophobic patients that cannot be accommodated by the MRI equipment of Upper Cumberland Orthopedic Surgery, P.C. (Tier 1) will be referred to Cookeville Regional Medical Center, (CRMC), or the facility of patient's choice.

**Please provide an overview of the orthopedic group practice Upper Cumberland Orthopedic Surgery, P.C.**

The orthopedic group practice of Tier 1 is made up of 5 general orthopedic surgeons. In addition, Tier 1 employs a physiatrist. The ages of the orthopedic surgeons as of January 1, 2016 are 64,60,60,46, and 44. The physiatrist is 50 years of age. The group contracts with CRMC to provide emergent care 24 hours a day, seven days per week. Tier 1 provides the only true local orthopedic care to the service area since its surgeons are the only orthopedic surgeons with surgery privileges at CRMC.

**Please clarify if there are other medical tenants in the building that will house the proposed MRI.**

Tier 1 will be the only tenant in the building that will house the proposed MRI. It is anticipated however that the two neurosurgeons will join the practice of Tier 1 and therefore will have a presence in the building that houses the proposed MRI. Because they would be Tier 1 employees at that point, the correct answer is that only Tier 1 will be a tenant of the building.

**Please describe the freestanding building that will house the proposed MRI including parking and amenities.**

It is a 11,850 square foot concrete block building with concrete slab floors. The roof is a precast concrete 'T' structure. The roof structure is supported at half span by structural columns and beams. The bottom of the 'T' of the precast roof structure is 9'-11" above the existing concrete floor slab. The bottom of the precast plank portion of the roof structure is 10'-11" above the concrete floor slab. The roof is an applied membrane over rigid tapered insulation boards. The front exterior veneer is brick masonry and the remaining three sides are sealed and painted concrete block. Amenities include both electric and gas heating, air conditioning, and standard plumbing. Parking is projected at 54 spaces with two lane traffic lanes that surrounds the building. There are two entry and exit locations for the parking that access the main street in front of the building.

**It is noted two neurosurgeons who lease space in the same building Tier 1 has its clinical offices are likely to join Tier 1. If the two neurosurgeons join the practice, how will this action impact the proposed project?**

The only impact to the project if the neurosurgeons join the practice is the proposed volume of MRI's will increase by an amount of 500 plus scans per year. The neurosurgeons ordered 500 MRIs last year. This is a conservative number in that it is recommended by the neurosurgeons that new patients have an MRI performed prior to their first consultation with the neurosurgeons. Some of these new patients may choose to use the Tier 1 facility increasing the number of scans performed by Tier 1. If this volume is realized, Tier 1 will add hours to the daily MRI schedule and offer Saturday hours to accommodate the required volume.

**Please discuss the advantages and disadvantages of 1.5 Tesla versus 3.0 Tesla MRI Imaging for neurosurgery patients.**

Advantages and disadvantages of the 1.5 Tesla versus 3.0 Tesla exist and are addressed in the manufacturer's specifications, however in actual practice the local neurosurgeons have found that the 1.5 Tesla provides more than sufficient images to offer excellent standards of care to their patients. In actual fact they have not found it necessary to specifically refer patients to only a 3.0 Tesla machine. If the rare patient case presents, the neurosurgeons will certainly refer to another facility that provides 3.0 quality images. In short, the 1.5 Tesla machine will support the needs of the neurosurgeons.

**If the proposed project is approved, it appears that the Outpatient Imaging Center at CRMC will be losing approximately 60% of their business for 2 MRI scanners reducing its volume in 2014 from 5,273 or 2,636/scanner down to approximately 2000 scans or 1000/scanner a level well below the 2,880 optimal standard in the State Health Plan. It appears that this project will have a substantive negative impact on the CRMC outpatient center. Please comment on the rationale of CRMC supporting the proposed project.**

The over-arching reason CRMC supports this project is both it and Tier 1 believe that providing the highest quality orthopedic coverage for the community far outweighs the loss of MRI volume to CRMC. Facts supporting this belief include: (1) Tier 1 is the only orthopedic surgeons supporting the local community hospital. Tier 1 provides all urgent care for CRMC with emergent coverage 24 hours per day, 7 days a week. (2) Significant out-migration of patients for MRI services to primarily metro hospitals continues to occur. The proposed MRI service with help assure that local cases remain local. (3) The MRI at Tier 1 will be an important recruitment tool for the applicant. The growth of Tier 1 is likewise in the long term best interests of CRMC. Tier 1 recruits in a joint effort with CRMC. Tier 1 has an immediate need for two additional orthopedic surgeons and desires that new candidates provide some of the orthopedic

specialties found in metro areas. This provision of specialty will eliminate additional reasons for out-migration. (4) Tier 1 has three of five orthopedic surgeons that are 60 plus years of age. In the not distant future, there is a need to recruit at least 5 orthopedic surgeons, with a need for specialty coverage. Without the ancillary offerings such as MRI, Tier 1 is at a distinct disadvantage in recruitment. This means that CRMC and the community as a whole are at a distinct disadvantage.

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

**The floor plan for the proposed project is noted. Please clarify the square footage of the MRI designated area. Please indicate the future use of the remaining space and the square footage.**

The square footage of the MRI designated area is approximately 2,500 square feet. The design allows for two entrances to the rest of the building. While plans for the remaining building are being considered as a Phase 2 project, it is anticipated that Tier 1 will build out some administrative office spaces and possibly add patient clinical areas. The patient clinical areas could be additional orthopedic patient rooms for office visits or Tier 1 may provide physical therapy services at some time in the near future. By adding administrative areas, Tier 1 could move clerical personnel from the current physician office and use the vacated space for additional patient visit rooms. The effect of either of the above options is that Tier 1 will expand its current clinical space for patient visits. This expansion is intertwined with the need for two additional orthopedic surgeons to accommodate today's patient demands. Actual use of the remaining building is still in discussion but these are the most likely applications for the remaining space.

**3. Section C, Need, Item 1 (Project Specific Criteria)  
Item 4.g**

**Please document an emergency transfer agreement with Cookeville Regional Medical Center.**

An executed transfer agreement with CRMC is attached following this response.

**April 27, 2016**

**12:28 pm**

1

**PATIENT TRANSFER AGREEMENT  
BETWEEN  
UPPER CUMBERLAND ORTHOPEDIC SURGERY, P.C.  
AND  
COOKEVILLE REGIONAL MEDICAL CENTER**

In consideration of the needs of the patients of the area served by both the institutions herein named, this Agreement is entered into by and between Upper Cumberland Orthopedic Surgery P.C., hereinafter referred to as "FACILITY" and Cookeville Regional Medical Center Authority, a private act hospital located in Cookeville, Tennessee (hereinafter referred to as "CRMC").

**WITNESSETH:**

WHEREAS, CRMC owns and operates an acute care hospital providing health care services for residents of the area served by CRMC and FACILITY; and,

WHEREAS, from time to time, FACILITY may require the services of CRMC to provide for the health care needs of patients served by FACILITY by rendering services that are not available at FACILITY;

NOW, THEREFORE, in consideration of the promises herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

**I. TERMS AND CONDITIONS:**

- A. CRMC will provide treatment and hospitalization, when and if CRMC has sufficient capacity and capabilities, for patients of FACILITY on an as-needed basis when requested by FACILITY.
- B. A patient may only be admitted at CRMC after a CRMC attending physician accepts the patient's admission. The parties hereto agree to conduct any patient transfers in compliance with state and federal law, including 42 U.S.C. § 1395dd et seq. and any amendments thereto ("EMTALA regulations") and, as applicable, all requirements set forth in 42 C.F.R. § 483 regarding discharge, transfer, and re-admission of nursing home patients, and such other requirements as may be imposed by the Secretary of Health and Human Services and federal or state law.
- C. FACILITY shall provide, or arrange for the provision of, transportation for a patient for the purpose of his transfer to CRMC under this Agreement.
- D. The appropriate method of transportation is dependent upon patient's condition and such transportation will be determined after consultation between the transferring and receiving physicians.

- F. If the admitting physician or transferring physician should deem it medically necessary for the patient to be accompanied by personnel and/or equipment during the transfer, FACILITY shall provide or arrange for, at its cost and expense, the appropriate personnel and/or equipment for the transfer.
- G. FACILITY agrees to send with each patient at the time of transfer, or, in case of emergency, as promptly as possible after the transfer, pertinent medical and other information necessary to continue the patient's treatment without interruption, together with essential identifying and administrative information.
- H. CRMC shall assume responsibility for patient care at the time it takes physical custody of the patient and shall remain responsible for patient care only during the time that CRMC has such physical custody of the patient.

## **II. BILLING AND PAYMENT**

- A. It is agreed that the services rendered by CRMC or the CRMC physicians shall be charged to the patient, the patient's Managed Care Organization ("MCO"), or other third party payor. FACILITY shall not be held responsible for payment of services rendered to a patient by CRMC or the CRMC physicians and CRMC and the CRMC physicians shall not be held responsible for payment of services rendered to a patient by FACILITY.
- B. FACILITY will provide CRMC with all information necessary to enable CRMC to bill the patient, his or her MCO, or other third party payor for all patient care services rendered by CRMC prior to patient's transfer from FACILITY to CRMC.

## **III. TERM AND TERMINATION**

- A. This Agreement shall be effective from May 1, 2016 and continue until amended, modified, or terminated. This Agreement shall be reviewed on a periodic basis and at that time, both parties will evaluate the program and policies, discuss any related problems, and make necessary revisions. Neither party shall be bound by this Agreement until it is signed by the appropriate officials as indicated on the signature page of this Agreement.
- B. Notwithstanding any other terms and conditions hereunder, this Agreement may be terminated without cause by either party by written notification to the other party at least thirty (30) days prior to the desired effective date of termination.
- C. In the event that either party shall become insolvent, make a general assignment for the benefit of creditors, suffer or permit the appointment of a receiver for its business or its assets or shall avail itself of, or become subject to, any proceedings under the Federal Bankruptcy Act or any other statute of any state relating to insolvency or the protection of rights of creditors, then, at the option of either party, this Agreement may be terminated immediately by either party and be of no further force and effect.
- D. In the event that either party sells all or substantially all of its assets, there is a sale of a majority ownership of either party, or there occurs a material change in the management or ownership of either party, this Agreement may be terminated by either party and be of no further force and effect.

- E. Each party warrants that it is duly licensed under the laws of its state and agrees to abide by applicable state and/or federal laws and regulations governing the licensure and operation of its facility. Each party further agrees to give prompt notice in writing to the other party in the event of institution of proceedings for suspension or revocation of its license, and to notify the other party in the event of any suspension or revocation of its license within twenty-four (24) hours of its occurrence. This Agreement will immediately terminate upon the revocation or suspension of licensure of either party. Further, either party, at its sole discretion, may terminate this Agreement in the event the other party is given notice of the institution of proceedings to suspend or revoke its licensure.

#### **IV. NOTICES**

All notices or other communication provided for in this Agreement shall be given to the parties addressed as follows:

**CRMC:** Paul Korth, CEO  
Cookeville Regional Medical Center  
1 Medical Center Blvd  
Cookeville, TN 38501-1760

**FACILITY:** David Netherton  
105 South Willow  
Cookeville, TN 38501

#### **V. MEDIA**

The parties agree they will not use each other party's name or programs in any advertising, promotional material, press release, publication, public announcement, or through other media, written or oral, whether to the press, to holders of publicly owned stock without the prior written consent of the party whose name is to be used

#### **VI. DISCRIMINATION**

In compliance with federal law, including the provisions of Title IX of the Education Amendments of 1972, Sections 503 and 504 of the Rehabilitation Act of 1973, the Age Discrimination in Employment Act of 1967 and the Americans with Disabilities Act of 1990, each party hereto will not discriminate on the basis of race, sex, religion, color, national or ethnic origin, age, disability, or military service in its administration of its policies, including admissions policies, employment, programs or activities

#### **VII. ASSIGNMENT AND BINDING EFFECT**

Neither party shall assign, subcontract, or transfer any of its rights or obligations under this Agreement to a third party without the prior written consent of the other party. If an assignment, subcontract, or transfer of rights does occur in accordance with this Agreement, this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors or assigns

**VIII. INDEPENDENT CONTRACTOR**

Each party shall be considered to be an independent party and shall not be construed to be an agent or representative of the other party, and therefore, has no liability for the acts or omissions of the other party. In addition, neither party, nor any of its employees, agents, or subcontractors, shall be deemed to be employees or agents of the other party. Therefore, neither party nor any of its employees, agents or subcontractors, shall be entitled to compensation, workers compensation, or employee benefits of the other party by virtue of this Agreement.

**IX. COUNTERPART SIGNATURE**

This Agreement may be executed in one or more counterparts (facsimile transmission or otherwise); each counterpart shall be deemed an original and all of which shall constitute but one Agreement.

**X. WRITTEN AMENDMENT/WAIVERS**

This Agreement cannot be amended, modified, supplemented or rescinded except in writing signed by the parties hereto. No waiver of any provision of this Agreement shall be valid unless such waiver is in writing signed by the parties hereto

**XI. GOVERNING LAW AND JURISDICTION**

This Agreement shall be governed in all respects by, and be construed in accordance with, the laws of the State of Tennessee.

**XII. MEDICAL RECORDS**

All medical records and case histories of patients treated by CRMC shall be kept at CRMC, and shall be the property of CRMC. FACILITY will be provided access to such medical records only with prior written consent of the patient or to the extent that FACILITY physicians are treating physicians of the patient and subject to CRMC policies .

**XIII. ACCESS TO BOOKS AND RECORDS**

Until the expiration of four years after the furnishing of services pursuant to this Agreement, the parties shall upon written request, make available to the Secretary of Health and Human Services or the Comptroller General or their duly authorized representative the contract, books, documents, and records necessary to verify the nature and extent of the cost of such services. If either party carries out any of its obligations under this Agreement by means of a subcontract with a value of \$10,000 or more, that party agrees to include this requirement in any such subcontract

**XIV. CONSTRUCTION OF AGREEMENT**

The headings used in this Agreement have been prepared for the convenience of reference only and shall not control, affect the meaning, or be taken as an interpretation of any provisions of this Agreement. This Agreement has been prepared on the basis of mutual understanding of the parties and shall not be construed against either party by reason of such party's being the drafter hereof.

**April 27, 2016**

**12:28 pm**

**XV. NON-EXCLUSIVITY**

Each party shall have the right to enter into similar agreements with other parties.

**XVI. CONFIDENTIALITY**

The parties agree to maintain as private and confidential all information which relates to or identifies a particular patient, including but not limited to the name, address, medical treatment or condition, financial status, or any other personal information which is deemed to be confidential in accordance with applicable state and federal law and standards of professional ethics and will train their employees, contractors, subcontractors, agents, and representatives to comply with such confidentiality requirements.

**XVII HIPAA REQUIREMENTS**

The parties acknowledge that each party is a "covered entity" as that term is defined at 45 C.F.R. Part 160.103. As such, the parties agree to comply with the Health Insurance Portability and Accountability Act of 1996, as codified at 42 U.S.C. § 1320d ("HIPAA") and any current and future regulations promulgated thereunder including without limitation the federal privacy regulations contained in 45 C.F.R. Parts 160 and 164 (the "Federal Privacy Regulations"), the federal security standards contained in 45 C.F.R. Part 142 (the "Federal Security Regulations"), and the federal standards for electronic transactions contained in 45 C.F.R. Parts 160 and 162, all collectively referred to herein as "HIPAA Requirements". The parties agree not to use or further disclose any Protected Health Information, other than as permitted by HIPAA Requirements and the terms of this Agreement. The parties will respectively make their internal practices, books, and records relating to the use and disclosure of Protected Health Information available to the Secretary of Health and Human Services to the extent required for determining compliance with the Federal Privacy Regulations.

**XVIII. COMPLIANCE WITH PATIENT TRANSFER REQUIREMENTS**

All parties hereto agree that any patient transfers shall be in compliance with the EMTALA Regulations, and such other requirements as may be imposed by the Secretary of Health and Human Services, and any other applicable State patient transfer laws.

**XIX. ENTIRE AGREEMENT**

This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter herein and supersedes any other agreements, restrictions, representations, or warranties, if any, between the parties hereto with regard to the subject matter herein.

**IN WITNESS WHEREOF** the parties hereto have caused this Agreement to be executed by their duly authorized representatives on the last signature date specified below.

FOR CRMC

Paul Korth  
Paul Korth, CEO  
Date 4-26-16

FOR FACILITY

David Netherton  
David Netherton  
Date 4-26-16

Reviewed and Approved  
John R. Deal

**What is the distance from Cookeville Regional Medical Center to the proposed MRI site?**

Approximately 1 mile.

**4. Section C, Economic Feasibility, item 1**

**Interim financing of \$30,000 is noted. Please clarify if this financing is included in the \$809,050.00 commercial loan from Bank of Putnam County.**

The \$30,000 cost of interim financing is not included in the commercial loan from Bank of Putnam County. This financing cost will be paid by UCOS from current cash flow.

**5. Section C, Economic Feasibility, Item 2**

**The funding letter from the Bank of Putnam County is noted. Please itemize the estimated total of \$809,050.00 as it relates to the Project Costs Chart.**

Project Costs included in the proposed bank financing:

Architectural and Engineering Fees	\$ 33,200
Legal, Administrative, Consultant Fees	\$ 25,000
Construction Costs	\$375,000
Moveable Equipment	\$ 20,000
MRI Machine	\$355,850
Total Costs under Bank Financing	\$809,050

**6. Section C, Economic Feasibility, Item 4**

**Please provide a Projected Data Chart for Upper Cumberland Orthopedic Surgery, P.C.**

Projected Data Charts for Tier 1, one including the proposed MRI service and one not including that, are attached following this response.

**April 27, 2016**

**12:28 pm**

Upper Cumberland Orthopedic Surgery, PC  
Projected Data

	Without MRI Projected Year 2017	Without MRI Projected Year 2018
A. Utilization/Occupancy Data		
Patient Encounters	35,194	36,250
B. Revenue from Services to Patients		
1. Inpatient Services	\$191,576	\$197,324
2. Outpatient Services	\$23,603,437	\$24,311,540
3. Emergency Services	\$643,563	\$662,870
4. Other Operating Revenue		
Specify: _____		
Gross Operating Revenue	\$24,438,576	\$25,171,734
C. Deductions from Operating Revenue		
1. Contract Deductions	\$17,979,636	\$18,519,025
2. Provision for Charity Care	\$62,317	\$64,187
3. Provision for Bad Debt	\$186,952	\$192,560
Total Deductions	\$18,228,905	\$18,775,772
<b>NET OPERATING REVENUE</b>	<b>\$6,209,672</b>	<b>\$6,395,962</b>
D. Operating Expenses		
1. Salaries and Wages	\$1,780,229	\$1,833,636
2. Physicians' Salaries and Wages	\$2,109,735	\$2,171,000
3. Supplies	\$572,307	\$589,476
4. Taxes	\$37,086	\$37,086
5. Depreciation	\$59,563	\$59,563
6. Rent	\$198,657	\$198,657
7. Interest, other than Capital		
8. Management Fees:		
a. Fees to Affiliates		
b. Fees to Non-Affiliates		
9. Other Expenses	\$1,817,013	\$1,871,523
Specify: <u>See Attached.</u>		
Total Operating Expenses	\$6,574,590	\$6,760,942
E. Other Revenue (Expenses)--Net	\$365,000	\$365,000
Specify: <u>CRMC Hospitalist Contract</u>		
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$81</b>	<b>\$20</b>
F. Capital Expenditures		
1. Retirement of Principal	\$0	\$0
2. Interest	\$0	\$0
Total Capital Expenditures	\$0	\$0
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$81</b>	<b>\$20</b>
<b>LESS CAPITAL EXPENDITURES</b>	<b>\$0</b>	<b>\$0</b>
<b>NOI LESS CAPITAL EXPENDITURES</b>	<b>\$81</b>	<b>\$20</b>

Upper Cumberland Orthopedic Surgery, PC  
Historical Profit and Loss

	UCOS Without MRI	
	2017	2018
Other Revenue		
Hospital Contracts	\$365,000	\$365,000
Total Other Revenue	\$365,000	\$365,000
Other Expenses		
Employee Benefits & Payroll Taxes	\$960,307	\$989,116
MRI Radiology Reads		
Utilities, Telephone, Postage	\$135,099	\$139,152
Insurance	\$153,973	\$158,592
Repairs & Maintenance	\$268,033	\$276,074
Advertising & Community Support	\$46,471	\$47,865
Legal & Professional Fees	\$227,636	\$234,465
Other	\$25,494	\$26,259
Total Other Expenses	\$1,817,013	\$1,871,523

In the projected costs for MRI, Benefits were included in projected wages and have been left there for audit trail purposes. Historical data had benefits separate from wages and have been reported the same here.

**SUPPLEMENTAL #1****April 27, 2016****12:28 pm**Upper Cumberland Orthopedic Surgery, PC  
Projected DataProjected Combined Operations  
UCOS with MRI Services

	Year 1	Year 2
A. Utilization/Occupancy Data		
Patient Encounters	38,218	39,425
B. Revenue from Services to Patients		
1. Inpatient Services	\$191,576	\$197,324
2. Outpatient Services	\$28,257,552	\$29,198,361
3. Emergency Services	\$643,563	\$662,870
4. Other Operating Revenue		
Specify: _____		
Gross Operating Revenue	\$29,092,691	\$30,058,555
C. Deductions from Operating Revenue		
1. Contract Deductions	\$21,212,200	\$21,913,217
2. Provision for Charity Care	\$62,317	\$64,187
3. Provision for Bad Debt	\$322,722	\$335,118
Total Deductions	\$21,597,239	\$22,312,522
<b>NET OPERATING REVENUE</b>	<b>\$7,495,453</b>	<b>\$7,746,033</b>
D. Operating Expenses		
1. Salaries and Wages	\$2,014,433	\$2,073,696
2. Physicians' Salaries and Wages	\$2,109,735	\$2,171,000
3. Supplies	\$738,363	\$759,672
4. Taxes	\$37,086	\$37,086
5. Depreciation	\$59,563	\$59,563
6. Rent	\$246,657	\$246,657
7. Interest, other than Capital		
8. Management Fees:		
a. Fees to Affiliates		
b. Fees to Non-Affiliates		
9. Other Expenses	\$2,209,653	\$2,276,243
Specify: <u>See Attached.</u>		
Total Operating Expenses	\$7,415,490	\$7,623,918
E. Other Revenue (Expenses)--Net	\$365,000	\$365,000
Specify: <u>CRMC Hospitalist Contract</u>		
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$444,962</b>	<b>\$487,115</b>
F. Capital Expenditures		
1. Retirement of Principal	\$44,947	\$46,425
2. Interest	\$23,225	\$21,747
Total Capital Expenditures	\$68,172	\$68,172
<b>NET OPERATING INCOME (LOSS)</b>	<b>\$444,962</b>	<b>\$487,115</b>
<b>LESS CAPITAL EXPENDITURES</b>	<b>\$68,172</b>	<b>\$68,172</b>
<b>NOI LESS CAPITAL EXPENDITURES</b>	<b>\$376,790</b>	<b>\$418,943</b>

**April 27, 2016****12:28 pm**Upper Cumberland Orthopedic Surgery, PC  
Historical Profit and Loss

	Combined UCOS & MRI	
	Year 1	Year 2
Other Revenue		
Hospital Contracts	\$365,000	\$365,000
Total Other Revenue	\$365,000	\$365,000
Other Expenses		
Employee Benefits & Payroll Taxes	\$960,307	\$989,116
MRI Radiology Reads	\$241,920	\$254,000
Utilities, Telephone, Postage	\$135,099	\$139,152
Insurance	\$172,693	\$177,312
Repairs & Maintenance	\$400,033	\$408,074
Advertising & Community Support	\$46,471	\$47,865
Legal & Professional Fees	\$227,636	\$234,465
Other	\$25,494	\$26,259
Total Other Expenses	\$2,209,653	\$2,276,243

In the projected costs for MRI, Benefits were included in projected wages and have been left there for audit trail purposes. Historical data had benefits separate from wages and have been reported the same here.

**Please describe inpatient and emergency services items in the Historical Data Chart. Also, please clarify why these items were not included in the Projected Data Chart.**

Inpatient represents the small portion of charges generated by inpatient consults at CRMC. Emergency services reflect an estimate of those surgical surgeries provided as urgent during call duties, and outpatient reflects the large majority of our practice included most surgeries and all office visits, etc. Total charges and revenues are accurate; the breakdown was an attempt to use the categories included on the form, and are subject to interpretation.

The categories of inpatient and emergency items were not included in the Projected Data Chart because that chart reflects only MRI services, and inpatient MRI scans and emergent care will not be provided at the MRI facility.

**Please clarify the reason charity care was not included in the Projected Data Chart.**

Charity care for MRI services only is simply unknown at this point as Tier 1 has no historical data of providing MRI service to base an estimate upon. But the allowance for bad debt was reported at a sufficient amount to cover any reasonable level of actual charity care needed.

**Please explain why the PC would pay physician bonuses to the point where the PC is reporting a net loss of \$168,884 in 2015?**

The net loss reported for 2015 is an accurate accounting loss under the Cash Method of Accounting. But it is not an accurate reflection of the cash needs or of the cash flow of the company. The loss reported includes noncash items such as depreciation and increases in payables. These items may not require UCOS to retain cash balances in the short term. Cash is held in non-interest bearing accounts. There is no incentive to retain large cash balances that will not be required to fund depreciation or satisfy payables that will reasonably be paid by future cash flows.

The payment of physician bonuses is determined by cash on hand that will not be needed for continued operation of the practice. Payment of physician bonuses is not determined by its impact on the Income Statement produced under the Cash Method of Accounting. This is a paper loss and not a negative impact on operations loss.

**7. Section C, Economic Feasibility, Item 6.B. (MRI)**

**Please provide a comparison of the applicant facility's proposed charges to the range of charges generated from the HSDA Equipment Registry found in the "Applicant's Toolbox" on the HSDA website ([www.tn.gov/hsda](http://www.tn.gov/hsda))**

The applicant's average proposed gross charge is \$1,539.06. This is below the 1<sup>st</sup> Quartile of average gross charges of all MRI providers state-wide in 2014.

**Gross Charges per Procedure/Treatment  
By Quartiles  
YEAR = 2014**

<b>Equipment Type</b>	<b>1st Quartile</b>	<b>Median</b>	<b>3rd Quartile</b>
MRI	\$1,632.60	\$2,229.43	\$3,677.84

*Source: Medical Equipment Registry - 8/10/2015*

**It is noted 2 neurosurgeons who lease space in the building Tier 1 has its clinical offices are likely to join Tier 1. If the 2 neurosurgeons join Tier 1, please clarify how this will impact the current and proposed charge schedule, CPT codes, and revenue of the proposed project.**

The neurosurgeons primarily use the following CPT codes. 70551, 72141, 72146, 72148, and 70544. They ordered approximately 500 scans last year. These 500 scans multiplied times the projected average charge of \$1,539.06 would add gross charges in the total amount of \$769,530.

**8. Section C, Economic Feasibility, Item 9**

**Please indicate how medically indigent patients will be served.**

Medically indigent patients are, and will continue, to be served based upon medical necessity rather than ability to pay. Tier 1 currently provides care for patients that do not have the ability to pay but are in need of necessary, non-elective, medical care. Their care is provided for in the write off section of the projections. As with charity care, no definitive category has been established for indigent patients, however the allowance for write off is well above our current historical levels.

**The projected payer mix and anticipated in Year 1 is noted. However, the projected gross revenue and percentage of total project revenue from Medicare and TennCare does not match the amount in the proposed project's Projected Data Chart. Please clarify.**

The Medicare and TennCare revenue listed in Item 9 reflect collections not charges. The payer mix percentages would match up for charges, but because Medicare and TennCare payment amounts are significantly lower than commercial insurances such as Blue Cross, the revenue (collection) amounts do not stay true to the payer mix percentage. It is reasonable to expect that Medicare will reflect 44% of our charges but Medicare will reflect a much lower percentage of our collections.

**9. Section C, Economic Feasibility, Item 10**

**Please clarify the reason Upper Cumberland Orthopedic Surgery, P.C. reported (\$62,208.12) in total checking/savings and (\$61,652.79) in current assets for the period ending December 31, 2015.**

The negative amounts in cash and current assets reflected on the December 31, 2015 balance sheet are negative because of unissued checks recorded at December 31<sup>st</sup>. The largest of these unissued checks represents payroll taxes. In short, payables were recorded in December but were actually presented to the bank in January 2016. UCOS has never had a negative cash balance at any of its banks. Unissued checks or float is a common business accounting entry in any industry.

**Please verify if the financial documents provided are audited.**

**Please provide the independent auditor's report and accompanying notes to the provided financial statements.**

The financial statements of UCOS are compiled by an independent accountant but are not audited. No audited statements are available.

#### 10. Section C, Orderly Development, Item 3

**It is noted the 1.5 FTE MRI Technician's salary and benefits total \$141,000. However, the total does not match salaries and wages totaling \$234,204.00 in Year One and \$240,060 in Year Two in the Projected Data Chart. Please clarify.**

The 1.5 MRI Technician salaries reflect the clinical staffing providing patient care. The additional staffing expectations are for support. The full staffing projection for year 1 is reflected below. Year 2 simply reflects a small increase projected for raises, etc.

MRI Technicians 1.5 FTE	\$141,000
Patient Registration 1.5 FTE	\$ 60,150
Scheduling / Billing .5 FTE	\$ 20,000
Janitorial / Maintenance .33 FTE	\$13,054
 Total Staffing Projection Year 1	 \$234,204

**April 27, 2016**

**12:28 pm**

**AFFIDAVIT**

STATE OF TENNESSEE

COUNTY OF PUTNAM

NAME OF FACILITY: Upper Cumberland Orthopedic Surgery, P.C.

I, David Netherston, 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.

David L Netherston  
Signature/Title Clinic Administrator

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

Robert J. Good  
NOTARY PUBLIC

My commission expires 1-25-2017.

HF-0043

Revised 7/02



Supplemental #2  
-ORIGINAL-

Upper Cumberland d/b/a  
Tier 1 Orthopedics

CN1604-015

**April 27, 2016**

**3:34 pm**

**SECOND SUPPLEMENTAL RESPONSES**

**CERTIFICATE OF NEED APPLICATION**

**FOR**

**UPPER CUMBERLAND ORTHOPEDIC SURGERY, P.C.**

**Initiation of In-House MRI Services**

**Putnam County, Tennessee**

**Project No. CN1604-015**

**April 28, 2016**

**Contact Person:**

**Jerry W. Taylor, Esq.  
Burr & Forman, LLP  
511 Union Street, Suite 2300  
Nashville, Tennessee 37219  
615-724-3247**

**1. Section C, Economic Feasibility, Item 9**

**The applicant states the Medicare and TennCare revenue listed in Item 9 reflect collections not charges. The applicant notes 44% of charges or \$268,200 represents Medicare charges in Year One. However, 44% of Net Operating Revenue in the amount of \$1,285,781.00 in Year One calculates to \$565,743.64. Please clarify.**

Multiplying Net Operating Revenue by the payor mix percentage was felt to not be the most accurate way to reflect actual collections for a given payor source. That methodology treats all payor sources as having identical reimbursement rates. In fact, TennCare and Medicare have lower reimbursement rates than commercial payors. That methodology is an accurate way to calculate average gross charges by payor, which is reflected in the table below.

**Please complete the following table by calculating the estimated dollar revenue and percentage of gross revenue anticipated from TennCare, Medicare, or other state and federal sources for the proposal's first year of operation.**

<b>Gross Revenue</b>	<b>Amount</b>	<b>Percentage</b>
Medicare	\$2,043,156	43.9%
TennCare	\$274,593	5.9%
Managed Care	\$1,824,413	39.2
Other Revenue	\$511,953	11%
<b>Total</b>	<b>\$4,654,115.00</b>	<b>100%</b>

**April 27, 2016**

**3:34 pm**

**AFFIDAVIT**

STATE OF TENNESSEE

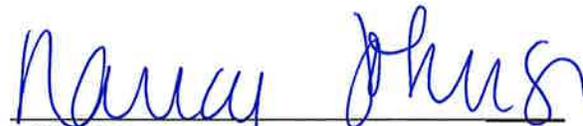
COUNTY OF DAVIDSON

NAME OF FACILITY: Upper Cumberland Orthopedic Surgery, P.C.

I, Jerry W. Taylor, after first being duly sworn, state under oath that I am the applicant named in this Certificate of Need application or the lawful agent thereof, that I have reviewed all of the supplemental information submitted herewith, and that it is true, accurate, and complete.

  
Signature/Title Attorney

Sworn to and subscribed before me, a Notary Public, this the 25<sup>th</sup> day of April, 2016, witness my hand at office in the County of Putnam, State of Tennessee.

  
NOTARY PUBLIC

My commission expires \_\_\_\_\_



HF-0043

Revised 7/02