



North Carolina Department of Health and Human Services  
Division of Health Service Regulation

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Secretary DHHS

Drexdal Pratt  
Division Director

May 20, 2015

Dan Porter  
924 N. Howe Street  
Southport, NC 28461

**Exempt from Review – Physician Office**

Provider: J. Arthur Doshier Memorial Hospital  
Project Description: Lease and upfit office space for use as physician offices and offer lab and X-ray services  
County: Brunswick  
FID #: 923286

Dear Mr. Porter:

The Healthcare Planning and Certificate of Need Section, Division of Health Service Regulation (Agency), determined that based on your letter of May 6, 2015, the above referenced proposal is exempt from certificate of need review in accordance with G.S 131E-184(a)(9). Therefore, you may proceed to offer, develop or establish the above referenced project without a certificate of need.

However, you need to contact the Agency’s Construction and the Acute and Home Care Licensure and Certification Sections to determine if they have any requirements for development of the proposed physician office.

It should be noted that this Agency’s position is based solely on the facts represented by you and that any change in facts as represented would require further consideration by the Agency and a separate determination. If you have any questions concerning this matter, please feel free to contact this office.

Sincerely,

Tanya S. Rupp  
Project Analyst

Martha J. Frisone  
Assistant Chief, Certificate of Need

cc: Construction Section, DHSR  
Acute and Home Care Licensure and Certification Section, DHSR  
Assistant Chief, Healthcare Planning



Healthcare Planning and Certificate of Need Section

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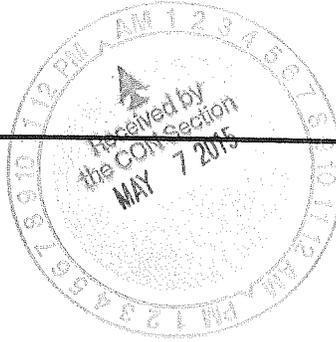
Telephone: 919-855-3873 • Fax: 919-715-4413

Location: Edgerton Building • 809 Ruggles Drive • Raleigh, NC 27603

Mailing Address: 2704 Mail Service Center • Raleigh, NC 27699-2704

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Southport, NC 28461  
(910) 457-3800  
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May 6, 2015

Ms. Martha Frisone  
Chief, Certificate of Need Section  
Department of Facility Services  
2714 Mail Service Center  
Raleigh, NC 27699-2714

RE: Request for Exemption and Determination of Non-Reviewability from CON Review for  
Physician Office and Outpatient Space, Southport, Brunswick County  
FID 923286

Dear Ms. Frisone,

J. Arthur Doshier Memorial Hospital proposes to enter into an operating lease for a two-story  $\approx$ 26,000 square foot office building near the intersection of EF Middleton Blvd. and Park Ridge Dr., which is approximately 9-miles from the hospital. To do this, it intends to up-fit space in a generic office building that it will lease from a third-party independent developer. The hospital intends to develop the second floor with offices for physicians and physician extenders (physician assistants or advanced practice nurse practitioners) employed by the hospital, or for independent physicians who will sublease space from the hospital. In addition, the hospital intends to develop and equip the first floor as a hospital outpatient department offering cardiac rehabilitation and outpatient therapies including, speech, occupational therapy and physical therapy (4,016 SF). The first floor will include no services identified as a new institutional health service under GS 131E-176(16). The hospital outpatient space in the project will include diagnostic services with a total capital cost of less than \$500,000 including the costs of medical equipment, studies, surveys, designs, plans, working drawings, specifications, construction, installation, and other activities essential to acquiring and making operational the equipment.

Diagnostic space will consist of:

- X-ray: 634 SF at \$57,060
- Lab : 171 SF at \$15,390
- X-ray equipment estimated cost \$258,000
- Laboratory equipment estimated cost \$2,275

The balance of the hospital space will be occupied by waiting, reception, offices, IT, general storage, bathrooms and staff breakroom.

Our architects and engineers estimate all-in cost to up fit the 11,810 square foot first floor will be \$1.9 million. Detailed elements of this cost are included in Attachment A to this letter.

We believe that the medical office building components qualify for an exemption under GS 131E-184(a)(9).

*"To develop and acquire a physician office building regardless of cost, unless a new institutional health service other than defined in GS131E-(16)(b) is offered."*

The physician offices will include no services defined as "health service" or "health service facility" under GS131E-176(9a) or (9b). The physician offices are required to respond to the growing population in Brunswick County and Southport. According to the North Carolina State Office of Management and Budget, Brunswick is the fastest growing county in North Carolina, forecast to grow at four times the state rate through 2020. It is still a rural county, and Doshier is a critical access hospital. To attract physicians who meet the special qualifications to work in the county, we have determined that available medical office space is an essential requirement. Physicians can ill afford the delay and cost associated with developing new space and we have a shortage in the Southport area. This is a modest project sized to accommodate our recruitment goals.

We believe this letter constitutes the required prior written notice under GS131E-184(a)(9).

Moreover, the proposed hospital outpatient department project is not a "new institutional health service" as defined by GS131E-176(9b) because the total capital costs are less than \$2.0 million.

Thank you for your prompt attention. The hospital would like to move quickly with the project and requests determination that the equipment is eligible for an Exemption under GS 131E-184(a)(9) and determination that the proposed outpatient department expenditures are Non-Reviewable.

Please do not hesitate to contact us should you have further questions.

Sincerely,



Dan Porter  
Chief Financial Officer  
910.457.3912

Attachments: Exhibit A - Proposed Total Capital Cost of Project

Cc: , Project Analyst

**EXHIBIT A**

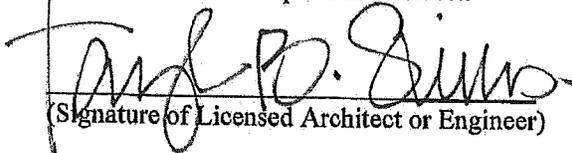
**PROPOSED CAPITAL COSTS**

Project name: Outpatient Department, Middleton Road Wellness Center  
 Proponent: J. Arthur Doshier Memorial Hospital, Southport, Brunswick County

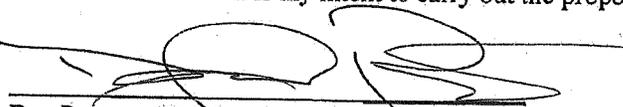
<b><u>A. Site Costs</u></b>	
(1) Full purchase price of land _____ Acres at \$_____ per acre	N/A
(2) Closing costs	N/A
(3) Site inspection and survey	N/A
(4) Legal fees/subsoil investigation	N/A
(5) Site preparation costs Soil borings Clearing-earthwork Fine grade for slab Roads-paving-sidewalks Water and sewer Footings Termite treatment Other (specify) Sub-total site preparation costs	N/A
(6) Other (Demolition)	N/A
(7) Sub-Total Site Costs	N/A
<b><u>B. Construction Contract</u></b>	
(8) Cost of materials General requirements Concrete/masonry Woods/doors/windows finishes Thermal & moisture protection Equipment and specialty items Mechanical/electrical/plumbing Other: (Specify) Sub-total materials and labor (11,810 SF x \$90/SF)	\$1,062,900
(9) Other	N/A
(10) Sub-Total Construction Contract	\$1,062,900
<b><u>C. Miscellaneous Project Costs</u></b>	
(11) Building purchase	N/A
(12) Fixed equipment purchase	\$81,000
(13) Movable equipment purchase	\$378,000

(14) Furniture	\$154,300
(15) Information Technology	\$174,600
(16) Consultant fees:	
Architect and engineering	\$60,000
Certificate of need prep	\$2,500
Legal fees	
Market analysis	
Other (Design/Furniture/Artwork Support)	\$13,000
Sub-Total Consultant Fees	
(17) Financing costs (e.g. bond, loan, etc.)	\$52,631
(18) Interest during construction	\$1,814
(19) Other (Contingency)	\$
(20) Sub-Total Miscellaneous	\$917,845
<b>(21) TOTAL CAPITAL COST OF PROJECT</b>	<b>\$1,980,745</b>

I certify that, to the best of knowledge, the above construction related costs of the proposed project named above are complete and correct.

  
 (Signature of Licensed Architect or Engineer)

I assure that, to the best of my knowledge, the above capital costs for the proposed project are complete and correct and that it is my intent to carry out the proposed project as described.

  
 Dan Porter - CFO for Doshier Memorial Hospital