



MAINE COAST REGIONAL HEALTH FACILITIES

MAINE COAST MEMORIAL HOSPITAL

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MAR 21 2008

Division of Licensing and
Regulatory Services

Via U.S. Mail and EMAIL

March 19, 2008

Phyllis Powell, Manager
Department of Health and Human Services
Division of Licensing and Regulatory Services
Certificate of Need Unit
41 Anthony Avenue
State House Station 11
Augusta, ME 04333-0011

RE: New Letter of Intent - Maine Coast Memorial Hospital –Non-Applicability Determination Request For Reconfigured Proposal – Second Floor Above New ED Space For Administrative Services Only

Dear Ms. Powell:

This follows my January 31, 2008 Letter of Intent (“LOI”) which sought a non-applicability determination for construction proposed by Maine Coast Memorial Hospital (the “Hospital”). It also follows our LOI of December 24, 2007 for Small Project Certificate of Need review of proposed shell space for maternity/ obstetrics and certain other activities. This Letter of Intent fulfills the requirements of Chapter 6, Section 1 (A) and (B) of the CON Procedures Manual, and requests a non-applicability determination consistent with Chapter 6, Section 2(4).

The Hospital hereby withdraws its January 31 LOI/NonApplicability Request and files this new LOI to supersede that filing in all respects.

Background

This new LOI now proposes to construct a second level of 7500 square feet (“Proposed Second Level”) above the Emergency Department space (“New ED”). This New ED was approved by a Certificate of Need (“New ED CON”) dated December 11, 2006 and is now undergoing Subsequent Review. We understand you are competing

review of our January 18, 2008 Subsequent Review filing and the additional clarifications we have provided.

We have appreciated the opportunity to work with you and your staff on this New ED Subsequent Review. Through separate communications, we have provided information on costs and services for the New ED CON. and we are hopeful that this will pave the way for a favorable recommended Briefing Memo and result in an approved Subsequent Review, which will permit us to begin construction during the current season and achieve "commenced" status by December 10, 2008 as required by your one-year extension approval dated November 28, 2007.

Bases for Not Subject to Review Determination

Through this new LOI, we now request a non-applicability ruling for the Proposed Second Level as it is not a "related project" to the New ED CON as this term is defined in the CON Procedures Manual. Likewise, the project costs for the Proposed Second Level are below the applicable review threshold for CON review.

We have worked with our construction manager and provide a total capital expenditure figure of \$2,311,190 in order to complete this Proposed Second Level project, making it not subject to review.

The Proposed Second Level will be utilized solely for general administrative support activities that are non-clinical in nature. These include billing, IT, Maintenance staff offices and Development / Foundation staff. Such administrative activities are non-clinical and are presently housed in a number of "trailer" modular structures on the Hospital campus. Bringing them together on the Proposed Second Level will promote efficiencies and foster coordination. Current facilities do not have running water, bathrooms and chronically have problems with adequate heat, ceiling leaks and pest control.

Turning to the standard for determining "related projects" set forth in Chapter 4, Section 1(B) (8) of the Procedures Manual, it seems apparent that the Proposed Second Level activities will not "provide associated services within outpatient or inpatient settings or financially impact like or similar cost centers" because they are non-clinical and solely administrative in nature. Importantly, sterile processing and lobby registration improvements have now been restored to the ED CON and will not be part of, or housed in the Proposed Second Level. We will also carry out lobby/registration improvements as part of the ED CON construction with an \$80,000 capital expenditure for this sub-element. As you know, we are working with you and Larry Carbonneau of your staff in updating these and all of the figures relating to the ED CON to assure that we remain in

compliance with the approved aggregate total for incremental third year operating cost for this other project.

Cost Benefits and Other Benefits

Carrying out construction of the Proposed Second Level at the same time as construction of the New ED brings with it construction efficiencies and cost savings which would be forever lost if we just built the first level structure needed to implement the New ED CON, and waited a year or more to later build a second level above it. Such a two stage process would be costly and disruptive. Construction mobilization and demobilization would be duplicated. The expense of bringing a crane on site for steel erection would be duplicated. Direct patient care would be negatively impacted as construction would be occurring over an operational Emergency Department. Noise, vibration and disruption caused by construction deliveries would be extremely difficult to manage around the ED function. Ambulance access would be negatively impacted.

Our construction manager estimates that adding a Second Level three years later would add at least \$525,776 to the overall cost of the project.

Relationship to Small Project LOI

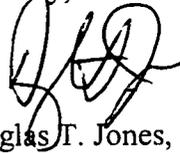
We originally filed a Small Project LOI on December 24, 2007. We did so as a protective measure to preserve the Hospital's option to realize construction savings on a second level while meeting current needs for additional space. Also, we were not certain of the projected costs or scope of services that were best for the Second Level. It is now clear that the Second Level Proposal is not a proper project for Small Project review as its costs are below applicable thresholds for review.

Therefore, we do not see a basis for filing a Small Project application by the March 21 deadline as the \$2,311,190 for the Proposed Second Level would not qualify for CON approval because they are below CON review thresholds. If we are missing something here and there is a need to proceed with the Small Project filing in order to obtain approval of our Second Level Proposal, we need clarification on this in advance of the Friday deadline.. We seek your guidance on an urgent basis in light of the fast-approaching deadline.

Conclusion

We look forward to continuing to work with you and your staff on these important matters. I hope to talk further with you later today to obtain your further guidance at this key point.

Sincerely,

A handwritten signature in black ink, appearing to read 'DTJ', written over a faint, illegible typed name.

Douglas T. Jones, FACHE
President/CEO

DTJ/gpp

cc: Ellen Belknap
John P. Doyle, Jr., Esq.