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November 14, 2016

Larry D. Carbonneau
Division of Licensing and Regulatory Services
Department of Health and Human Services
41 Anthony Avenue
State House Station #11
Augusta, Maine 04333-0011

Re: St. Mary's Regional Medical Center Consolidation and Relocation of
Existing Services
Not Subject to Review Determination Request

Dear Mr. Carbonneau:

I am filing this Letter of Intent on behalf of our client, St. Mary's Regional Medical Center ("St. Mary's"). St. Mary's hereby requests that the Department make a determination that its relocation of services detailed below is not subject to Certificate of Need review and approval. St. Mary's intends to commence work on the proposed project in January of 2018. However, it intends to proceed with borrowing some of the funding for the project from the Maine Health and Higher Educational Facilities Authority through a Credit Facility to be issued in the first quarter of 2017.

The "Project" is comprised of the following components:

- A. Relocate St. Mary's Information Technology and Information Services Center (the "IT/IS Service") from the existing office building at 106 Campus Avenue to the hospital A wing.
- B. Renovate/construct 106 Campus Avenue for oncology and rheumatology provider offices, the outpatient infusion center and satellite pharmacy.
- C. Relocate the current oncology, rheumatology and infusion service from hospital unit C-4 and into newly renovated space at 106 Campus Avenue.
- D. Renovate space for the inpatient adult behavioral unit in vacated space on hospital unit C-4. Also complete minor renovations to hospital units D-4 (adult inpatient

chemical addictions service and B4 (behavioral outpatient and support services) to support overall behavioral programming.

Total capital expenditures as described in Chapter 4, Section 1 B (3) of the Manual for the activities described in Paragraphs A - D is \$8,096,920.00. This amount is broken down as follows:

1. Up to \$225,000.00 to renovate the A Wing for the IT/IS Service.
2. 106 Campus Avenue, 12,500 square feet and a total project cost of \$300.00 per square foot, for a total project cost of \$3,750,000.00. The physician office space is 4,000 square feet with a value of up to \$1,200,000.00. Other capital expenditures at 106 Campus Avenue will be up to \$2,550,000.00.
3. Renovation costs for hospital Unit C-4 (including minor renovations to Units D-4 and B-4) up to \$4,400,000.00 (25,000 square feet) at a total project cost of \$176.00 per square foot.
4. The cost of financing is \$200,000.00.
5. Capitalized interest during the construction period is \$872,000.00 (36 months at 4%).
6. The term of the Project is anticipated to commence January, 2018 and end December, 2019.

A summary of the Project costs and capital expenditures under the CON law is as follows:

Total Project cost - \$9,447,000.00
Not CON reviewable (physician office space) - \$1,200,000.00
Percentage not reviewable - 14%
Cost of financing and capitalized interest - \$1,072,000.00
Cost of financing and capitalized interest not reviewable - \$150,080.00
Project costs not CON reviewable - \$1,350,080.00
Total capital expenditures reviewable for CON purposes - \$8,096,920.00

As you know, St. Mary's is currently renovating space on hospital unit D-3 for inpatient child and adolescent behavioral services. This work is expected to be completed in September of 2017. It has a total cost of \$2,225,000.00 and has been funded by donations.

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St. Mary's does not believe the Project is subject to CON review and approval. Therefore, the hospital does not anticipate filing a CON Application for the Project and hereby waives a technical assistance meeting.

Because the capital expenditure for the proposed Project is below the current CON capital expenditure threshold of in excess of \$11,000,000.00; no new service is being proposed; no change in bed compliment is proposed; and no acquisition of major medical equipment is involved, St. Mary's requests the Department to determine that the proposed Project is not subject to CON review and approval.

Thank you for your attention to this request. I look forward to hearing from you at your earliest convenience.

Sincerely,



John W. Geismar

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