



April 20, 2023

Sandra Davis, Clerk of Council  
Columbus Consolidated Government  
100 10<sup>th</sup> Street, 6<sup>th</sup> Floor  
Columbus, GA 31901

**RE: Certificate of Need Application of the Rehabilitation Hospital of Columbus, LLC for Cost Overruns Related to Establishment of 40-bed Comprehensive Inpatient Physical Rehabilitation Hospital**

Dear Ms. Davis,

Enclosed please find a copy of the Certificate of Need ("CON") application being filed by the Rehabilitation Hospital of Columbus, LLC, which is seeking approval for a cost overrun related to the establishment of a 40-bed freestanding Comprehensive Inpatient Physical Rehabilitation program in Columbus, Muscogee County.

This CON copy is filed pursuant to State regulations, which require that a copy of such an application be filed with the office of the County Commission in the county in which the CON project is proposed.

Should you have any questions, please feel free to call me at (404) 504-5412.

Sincerely Yours,

Elliott L. Coward  
Partner, Morris, Manning & Martin, LLP

## Section 1: General Identifying Information

1. Enter the following information for the person or entity that will offer or develop the new institutional health service. If applicable, this information should correspond with the information submitted to the Department's Healthcare Facility Regulation Division as the "Name of the Governing Body." The contact person should be a person directly affiliated with the Applicant and not a consultant or attorney.

APPLICANT		
Applicant Legal Name: Rehabilitation Hospital of Columbus, LLC		
d/b/a (if applicable):		
Address: 1800 Howell Mill Rd. Ste 850		
City: Atlanta	State: Georgia	Zip: 30308
County: Fulton	Main Business Phone: 205-970-3442	
Parent Organization: Piedmont Encompass Rehabilitation Hospitals, LLC		
CONTACT PERSON		
Name: Susan Lyerly		Title or Position: Assoc. Gen. Counsel
Phone: 205-969-4528	Fax:	
E-mail Address: susan.lyerly@encompasshealth.com		

2. Is the name of the facility or proposed facility different than the Applicant's legal name?  YES  NO

If YES → Enter the facility information below. If applicable, this information should correspond to the "Name of Facility" maintained by the Department's Healthcare Facility Regulation Division.

If NO → Continue to the next question.

FACILITY		
Facility Name: Rehabilitation Hospital of Columbus		
Facility Address: 8301 Veterans Parkway		
City: Columbus	State: Georgia	Zip: 31909
County: Muscogee	Phone: 205-970-3442	

3. If the facility is currently existing, is it currently licensed or permitted by the Department's Healthcare Facility Regulation Division?

YES  NO  Not Applicable

If YES → Attach a copy of any and all licenses and permits at **APPENDIX B**.

If NO → Continue to the next question.

If Not Applicable → Check one of the following:  Not Currently Existing (Proposed Only)  No License or Permit Required

4. Is the legal owner of the facility different than the Applicant?  YES  NO

If YES → Identify the legal owner and all individuals or entities that own 10 percent interest or more in the facility. Include complete names, addresses, and telephone numbers.

If NO → Continue to the next question.

OWNER #1		
Name:		
Address:		
City:	State:	Zip:
Phone:		
OWNER #2		
Name:		
Address:		
City:	State:	Zip:
Phone:		
OWNER #3		
Name:		
Address:		
City:	State:	Zip:
Phone:		

5. Check the appropriate box to indicate the type of ownership of the Facility. Check only one box.

<b>TAX EXEMPT</b>	<input type="checkbox"/> Not-for-Profit Corporation		
	<input type="checkbox"/> Public (Hospital Authority or Government)		
<b>TAX PAYING</b>	<input type="checkbox"/> General Partnership	<input type="checkbox"/> Business Corporation	<input type="checkbox"/> Sole Proprietor
	<input type="checkbox"/> Limited Liability Partnership	<input checked="" type="checkbox"/> Limited Liability Corporation	

6. Will the **entire** facility be operated by an entity other than the Applicant or the legal owner?

YES  NO

If **YES** → Identify the operator and include the complete name, address, and telephone number.

If **NO** → Continue to Question 8.

OPERATOR		
Name:		
Address:		
City:	State:	Zip:
Phone:		

7. Check the appropriate box to indicate the type of **operator**. Check only **one** box.

<b>TAX EXEMPT</b>	<input type="checkbox"/> Not-for-Profit Corporation		
	<input type="checkbox"/> Public (Hospital Authority or Government)		
<b>TAX PAYING</b>	<input type="checkbox"/> General Partnership	<input type="checkbox"/> Business Corporation	<input type="checkbox"/> Sole Proprietor
	<input type="checkbox"/> Limited Liability Partnership	<input type="checkbox"/> Limited Liability Corporation	

8. Please provide documentation of the organizational and legal structure of the Applicant as indicated in the table below. Attach this documentation as **APPENDIX C**. Please attach the documents in the order they are listed.

ORGANIZATIONAL STRUCTURE	
<b>Not-for-Profit Corporation</b>	<input type="checkbox"/> Name of Each Officer and Director <input type="checkbox"/> Articles of Incorporation <input type="checkbox"/> Certificate of Existence <input type="checkbox"/> Bylaws <input type="checkbox"/> Organizational Chart(s) <input type="checkbox"/> Application/Authorization to do Business in Georgia (for Non-Resident Corporations)
<b>Public (Hospital Authority or Government)</b>	<input type="checkbox"/> All Governing Authority Approvals for this Application and Project <input type="checkbox"/> Bylaws <input type="checkbox"/> Organizational Chart(s)

ORGANIZATIONAL STRUCTURE	
<b>Sole Proprietor</b>	<input type="checkbox"/> County and Municipal Government Business Authorization Documents (e.g. Licenses, Permits, Etc.) <input type="checkbox"/> Bylaws <input type="checkbox"/> Organizational Chart(s)
<b>General Partnership</b>	<input type="checkbox"/> Name, Partnership Interest, and Percentage Ownership of Each Partner <input type="checkbox"/> Partnership Agreement <input type="checkbox"/> Certificate of Existence <input type="checkbox"/> Bylaws <input type="checkbox"/> Organizational Chart(s)
<b>Limited Liability Partnership</b>	<input type="checkbox"/> Name, Partnership Interest, and Percentage Ownership of Each Partner <input type="checkbox"/> Partnership Agreement <input type="checkbox"/> Certificate of Existence <input type="checkbox"/> Certificate of Registration <input type="checkbox"/> Articles of Organization <input type="checkbox"/> Bylaws <input type="checkbox"/> Organizational Chart(s)
<b>Business Corporation</b>	<input type="checkbox"/> Name of Each Officer and Director <input type="checkbox"/> Articles of Incorporation <input type="checkbox"/> Certificate of Existence <input type="checkbox"/> Bylaws <input type="checkbox"/> Organizational Chart(s) <input type="checkbox"/> Application/Authorization to do Business in Georgia (for Non-Resident Corporations)
<b>Limited Liability Corporation</b>	<input checked="" type="checkbox"/> Name of Each Officer and Director <input checked="" type="checkbox"/> Articles of Incorporation <input checked="" type="checkbox"/> Operating Agreement <input checked="" type="checkbox"/> Certificate of Existence <input type="checkbox"/> Bylaws <input checked="" type="checkbox"/> Organizational Chart(s) <input checked="" type="checkbox"/> Application/Authorization to do Business in Georgia (for Non-Resident Corporations)

9. If you have identified the Applicant as a Not-for-Profit Corporation, Business Corporation, or Limited Liability Corporation, explain the corporate structure and the manner in which all entities relate to the Applicant.

**NOTE:** Do not exceed the allotted space for your response.

The Rehabilitation Hospital of Columbus, LLC ("Rehab Hospital of Columbus" or "Rehab Hospital") is a wholly-owned subsidiary of Piedmont Encompass Rehabilitation Hospitals, LLC, which is a 50/50 joint venture between Piedmont Healthcare and Encompass Health Corporation. The managing members of the Applicant LLC are set forth in the corporate documents included in Appendix C.

Piedmont Healthcare ("Piedmont") is the parent company and sole member for not-for-profit purposes of Piedmont Atlanta Hospital, Piedmont Fayette Hospital, Piedmont Mountinside Hospital, Piedmont Newnan Hospital, Piedmont Henry Hospital, Piedmont Newton Hospital, Piedmont Rockdale Hospital, Piedmont Athens Regional Medical Center, Piedmont Walton Hospital, Piedmont Columbus Regional Midtown, and Piedmont Columbus Regional Northside, Piedmont University, Piedmont Macon, Piedmont Eastside, and Piedmont Cartersville.

Encompass Health Corporation ("Encompass" or "Encompass Health") is a publicly-traded company that owns and operates five CIPR hospitals in Georgia: Encompass Health Rehabilitation Hospital of Savannah, Encompass Health Rehabilitation Hospital of Newnan, Walton Rehabilitation Hospital, an affiliate of Encompass Health, Encompass Health Rehabilitation Hospital of Henry County, and Encompass Health Rehabilitation Hospital of Cumming.

10. Does the Applicant have Legal Counsel to whom legal questions regarding this application may be addressed?

YES  NO

If YES → Identify the lead attorney below.

If NO → Continue to the next question.

LEGAL COUNSEL		
Name: Elliott L. Coward		
Firm: Morris, Manning & Martin, LLP		
Address: 1600 Atlanta Financial Center, 3343 Peachtree Rd, NE		
City: Atlanta	State: Georgia	Zip: 30326
Phone: 404-504-5412	Fax:	
Email: ecoward@mmmlaw.com		

11. Did a Consultant prepare and/or provide information in this application?  YES  NO

If YES → Identify the Consultant below.

If NO → Continue to the next question.

CONSULTANT		
Name:		
Firm:		
Address:		
City:	State:	Zip:
Phone:	Fax:	
Email:		

12. Does the Applicant wish to designate and authorize an individual other than the Applicant Contact listed in response to Question 1 to act as the representative of the Applicant for purposes of this application?

YES  NO

If YES → Please complete the information in the table on the next page. By doing so, the Applicant authorizes the representative to submit this CON application and make amendments thereto; to provide the Department of Community Health with all information necessary for a determination on this application; to enter into agreements with the Department of Community Health in connection with this CON; and to receive and respond, if applicable, to notices in matters relating to this CON.

If NO → Continue to the next question.

AUTHORIZED REPRESENTATIVE		
Name: Elliott L. Coward		
Firm: Morris, Manning & Martin, LLP		
Address: 600 Atlanta Financial Center, 3343 Peachtree Rd, NE		
City: Atlanta	State: Georgia	Zip: 30326
Phone: 404-504-5412	Fax:	
Email: ecoward@mmmlaw.com		

**NOTE:** This authorization will remain in effect for this application until written notice of termination is sent to the Department of Community Health that references the specific CON application number. Any such termination must identify a new authorized representative. Also, if the authorized representative's contact information changes at any time, the Applicant must immediately notify the Department of Community Health of any such change.

13. Does the Applicant have any lobbyist employed, retained, or affiliated with the Applicant directly or through its contact person or authorized representative?

YES     NO

If **YES** → Please complete the information in the table below for each lobbyist employed, retained, or affiliated with the Applicant. Be sure to check the box indicating that the Lobbyist has been registered with the State Ethics Commission. Executive Order 10.01.03.01 and Rule 111-1-2-.03(2) require such registration.

If **NO** → Continue to the next question.

LOBBYIST DISCLOSURE STATEMENT		
Name of Lobbyist	Affiliation with Applicant	Registered with State Ethics Commission?
W. Thomas Worthy, on behalf of parent, Piedmont or Encompass	<input checked="" type="checkbox"/> Employed <input type="checkbox"/> Other Affiliation	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Lavinia Luca, on behalf of parent, Piedmont or Encompass	<input checked="" type="checkbox"/> Employed <input type="checkbox"/> Other Affiliation	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Arthur "Skin" Edge (Georgia Link Group) on behalf of parent Encompass Health Corporation	<input type="checkbox"/> Employed <input checked="" type="checkbox"/> Other Affiliation	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
	<input type="checkbox"/> Employed <input type="checkbox"/> Other Affiliation	<input type="checkbox"/> Yes <input type="checkbox"/> No
	<input type="checkbox"/> Employed <input type="checkbox"/> Other Affiliation	<input type="checkbox"/> Yes <input type="checkbox"/> No
	<input type="checkbox"/> Employed <input type="checkbox"/> Other Affiliation	<input type="checkbox"/> Yes <input type="checkbox"/> No
	<input type="checkbox"/> Employed <input type="checkbox"/> Other Affiliation	<input type="checkbox"/> Yes <input type="checkbox"/> No
	<input type="checkbox"/> Employed <input type="checkbox"/> Other Affiliation	<input type="checkbox"/> Yes <input type="checkbox"/> No

## Section 2: Project Description

14. Indicate the type of facility that will be involved in the project.

FACILITY TYPE	
<input type="checkbox"/> Birthing Center	<input checked="" type="checkbox"/> Hospital
<input type="checkbox"/> Continuing Care Retirement Community (CCRC)	<input type="checkbox"/> Nursing or Intermediate Care Facility
<input type="checkbox"/> Freestanding Ambulatory Surgery Center	<input type="checkbox"/> Personal Care Home
<input type="checkbox"/> Home Health Agency	<input type="checkbox"/> Traumatic Brain Injury Facility
<input type="checkbox"/> Freestanding Emergency Department	
<input type="checkbox"/> Diagnostic, Treatment or Rehabilitation Center (DTRC)	
<input type="checkbox"/> Freestanding Single-Modality Imaging Center	<input type="checkbox"/> Freestanding Multi-Modality Imaging Center
<input type="checkbox"/> Mobile Imaging	<input type="checkbox"/> Practice-Based Imaging
<input type="checkbox"/> Other:	


15. Indicate the services that will be involved or affected by this project.


SERVICES		
<b>ACUTE</b>	<p><b>Hospital Inpatient</b></p> <input type="checkbox"/> Medical/Surgical <input type="checkbox"/> Open Heart Surgery <input type="checkbox"/> Pediatric <input type="checkbox"/> Obstetrics <input type="checkbox"/> ICU/CCU <input type="checkbox"/> Newborn, ICU/INT <input type="checkbox"/> Newborn/Nursery <input checked="" type="checkbox"/> Rehabilitation <input type="checkbox"/> Acute, Burn, Other Specialty <input type="checkbox"/> Long Term Acute Care <input type="checkbox"/> Inpatient, Other <input type="checkbox"/> Psychiatric, Adult <input type="checkbox"/> Substance Abuse, Adult <input type="checkbox"/> Psychiatric, Child/Adolescent <input type="checkbox"/> Substance Abuse, Child/Adolescent <input type="checkbox"/> Psychiatric, Extended Care <input type="checkbox"/> Destination Cancer Hospital	<p><b>Diagnostic Services</b></p> <input type="checkbox"/> Computerized Tomography (CT) Scanner <input type="checkbox"/> Magnetic Resonance Imaging (MRI) <input type="checkbox"/> Positron Emission Tomography (PET) <input type="checkbox"/> Diagnostic Center, Cancer/Specialty
		<p><b>Other Outpatient Services</b></p> <input type="checkbox"/> Ambulatory Surgery <input type="checkbox"/> Birthing Center
		<p><b>Clinical/Surgical</b></p> <input type="checkbox"/> Emergency Medical <input type="checkbox"/> Emergency Medical, Trauma Center <input type="checkbox"/> Adult Cardiac Catheterization <input type="checkbox"/> Gamma Knife <input type="checkbox"/> Lithotripsy <input type="checkbox"/> Pediatric Cardiac Catheterization <input type="checkbox"/> Megavoltage Radiation Therapy
		<input type="checkbox"/> Skilled Nursing Care <input type="checkbox"/> Intermediate Nursing Care <input type="checkbox"/> Continuing Care Retirement Community (CCRC)
<b>LONG-TERM</b>	<input type="checkbox"/> Personal Care Home <input type="checkbox"/> Traumatic Brain Injury (TBI) <input type="checkbox"/> Home Health	
<b>OTHER</b>	<input type="checkbox"/> Administrative Support <input type="checkbox"/> Non-Patient Care, Other <input type="checkbox"/> Grounds/Parking <input type="checkbox"/> Medical Office Building	



16. Check the most appropriate category(ies) for this project. Check all that apply.

PROJECT CATEGORY	
<p><b>Construction</b></p> <p><input checked="" type="checkbox"/> New Facility</p> <p><input type="checkbox"/> Expansion of Existing Facility</p> <p><input type="checkbox"/> Renovation of Existing Facility</p> <p><input type="checkbox"/> Replacement of Existing Facility</p>	<p><b>Service Change</b></p> <p><input checked="" type="checkbox"/> New Service**</p> <p><input type="checkbox"/> Expansion of Service</p> <p><input type="checkbox"/> Expansion or Acquisition of Service Area</p> <p><input type="checkbox"/> Consolidation of Service</p> <p><input type="checkbox"/> Relocation of Facility</p> <p><input type="checkbox"/> Other</p>
<p><b>Procurement of Medical Equipment</b></p> <p><input type="checkbox"/> Purchase</p> <p><input type="checkbox"/> Lease</p> <p><input type="checkbox"/> Donation (fair market value must be used)</p>	<p>**The proposed hospital will be comprised of 11 new beds and 29 existing beds relocated from Piedmont Columbus Regional Northside's CIPR program.</p>

17. Please provide the following site information for the facility and services identified in this application. Check the appropriate box to indicate the current status of the site acquisition.  Attach the appropriate documents that provide for the Applicant's entitlement to the site at **APPENDIX D**.

 **NOTE:** If an unsigned lease is attached, include a letter documenting both parties' commitment to participate in the lease once the CON is approved, if applicable.

PROJECT SITE INFORMATION		
Street Address: 8301 Veterans Parkway		
City: Columbus	County: Muscogee	Zip: 31909
Number of Acres: 8		
<b>Status of Site Acquisition</b>		
<input type="checkbox"/> Purchased (attach deed)	<input type="checkbox"/> Leased (attach lease)	
<input type="checkbox"/> Under Option (attach option agreement)	<input type="checkbox"/> Under Contract (attach contract or bill of sale)	
<input checked="" type="checkbox"/> Other; please specify: Property owned by Encompass Health has been assigned to Applicant LLC.		
<b>Zoning</b>		
Is the site appropriately zoned to permit its use for the purpose stated within the application?		<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
If NO → Describe what steps have been taken to obtain the correct zoning and the anticipated date of re-zoning:		
<b>Encumbrances</b>		
Are there any encumbrances that may interfere with the use of the site, such as mortgages, liens, assessments, easements, rights-of-way, building restrictions, or flood plains?		<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO

18. Provide a detailed description of the proposed project including a listing of the departments (e.g. ED, ICU), services, (e.g. Home Health, Cardiac Cath), and equipment (e.g. MRI, PET, Cath) involved.

**NOTE:** If your description exceeds this blocked space, attach additional 8-½ by 11-inch pages, number the first sheet Page 9.1, the second Page 9.2 and so on. Do not alter the main page numbers of this application. Once printed, insert your additional pages 9.1, etc. behind this Page 9.

This CON application is submitted for a cost overrun caused by increased construction costs due to economic inflation and unanticipated sub-surface conditions which resulted in additional expenditures. The original CON application (CON 2020-036) provides a detailed discussion of the project. In the interest of brevity, much of that information is not repeated here. Appendix I contains a complete architectural project description.

Rehabilitation Hospital of Columbus, LLC applied for a CON to construct a new comprehensive inpatient physical rehabilitation facility in November 2020. The CON application was approved on March 16, 2021 with an effective date of March 16, 2021. A mandatory commencement date of March 16, 2022 is noted on the CON with a mandatory completion date of March 1, 2023. Construction on the project began on March 14, 2022. On January 25, 2023, the Rehab Hospital submitted an extension request for completion, requesting a new construction end date of September 1, 2023, which was approved. The reason for the delay (as well as part of the cost overrun discussed herein) was an unanticipated sub-surface condition that required rock blasting to prepare the construction site and which extended the site-preparation time and delayed the start of building construction. The additional cost for the site preparation (rock blasting) was approximately \$1.5 million dollars. The cost increase will not affect other representations in the application related to square footage, beds, design, or cost to patients and insurers.

In addition, as the Department is aware, inflation has drastically and quickly increased cost of materials and services, which has had an outsized impact on construction costs. As a result there has been an increase in the construction costs for the Rehab Hospital of approximately \$6 million more than the construction estimate in the original CON application. The Rehab Hospital, through its parent company Encompass Health Corporation, has significant experience in building new CIPR hospitals with over 100 existing hospitals and 20 new or under development hospitals. Even with this experience, which allows for very accurate cost forecasting, the inflationary pressures on construction costs are unlike anything that the Rehab Hospital's construction and management teams have seen before.

The approved capital expenditure was \$33,820,251. The average annual rate of inflation beginning at the date of approval was 12.6%. Given the unanticipated expenditures related to rock blasting and the near-record breaking inflation, the Rehab Hospital anticipates that its new project costs will be approximately \$40,803,964. This increase is less than the average annual inflation.

Rule 111-2-2-.03(13)(a) states "A reviewable cost overrun associated with ongoing construction or renovation activity which has not been incurred prior to a Certificate of Need approval and is solely related to an unanticipated engineering, major fixed equipment or other construction problem...will receive favorable review considerations if the applicant demonstrates that the overrun will have no impact or a minimal impact on costs and/or charges per patient day or procedure." That is the case here where the project encountered unanticipated engineering and construction cost problems. Therefore, Rule 111-2-2-.03(13)(a) requires approval of this CON.

### Section 3: General Review Considerations

All Certificate of Need applications are evaluated to determine their compliance with the general review considerations contained in Rule 111-2-2-.09. Please document how the proposed project conforms with the following general review considerations.

#### Rule 111-2-2-.09(1)(a): Consistency with State Health Plan

*The proposed new institutional health service is reasonably consistent with the relevant general goals and objectives of the State Health Plan.*

19. Explain how the project is consistent with the State Health Plan or why it does not apply. Also explain how the application is consistent with the Applicant's own long range plans.

*NOTE: If your explanation exceeds this blocked space, attach additional 8-½ by 11-inch pages, number the first sheet Page 10.1, the second Page 10.2 and so on. Do not alter the main page numbers of this application. Once printed, insert your additional pages 10.1, etc. behind this Page 10.*

The Comprehensive Inpatient Physical Rehabilitation Services (CIPR) Component Plan does not contain any specific goals or objectives. The proposed project is consistent with the general health planning goals of providing accessible, quality, cost-effective services to the residents of the proposed service area.

This cost overrun CON application is simply for a cost overrun resulting from unanticipated engineering problems and inflation-related construction costs. The project remains cost-effective and the general goals stated in the underlying CON application continue to apply here.

A cost overrun application is reviewed according to the General Review Considerations (see, e.g., Project 2018-017 and Project 2020-030) and is not subject to consideration under the service specific review criteria and goals.


Further, significant expenditures have been made on the project, and construction is nearing completion. The cost-overrun remains the most cost effective and least wasteful option and it is still less than average inflation demonstrating careful planning, efficiency, and attention to cost.


## Rule 111-2-2-.09(1)(b): Need

The population residing in the area served, or to be served, by the new institutional health service has a need for such services.

20. Please explain the need for your particular project or service. For services for which a need methodology exists in the State Health Plan, please use the said methodology. In submitting information to explain the need for your project, please also use the following guidelines:

- For any population projections, the official projections of the Office of Planning and Budget should be utilized;
- Include maps that clearly define both the primary and secondary service areas and identify all other providers of the proposed service that lie within the primary and secondary service area on such maps;
- 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, visitors, and employees; and
- For services that already have documented utilization rates, include such historical utilization data, and projections for future utilization.

 **NOTE:** If your explanation exceeds this blocked space, attach additional 8-½ by 11-inch pages, number the first sheet Page 11.1, the second Page 11.2 and so on. Do not alter the main page numbers of this application. Once printed, insert your additional pages 11.1, etc. behind this Page 11.

 Attach any documentation, such as magazine articles, research papers, or any other document that cannot be reproduced or created in MS Word format and that supports the need for your project into **APPENDIX E**. All documents such as tables, charts, and maps that support your need analysis and that are able to be inserted or created in MS Word format should be inserted following this page according to instructions in the note above.

Extensive information showing the need for the project was in the original application (Project 2020-036). In the interest of brevity, much of that information is not repeated here.

With respect to the cost overrun at issue here, the cost overrun is the result of unanticipated engineering problems resulting in unanticipated rock blasting and rapidly rising construction costs due to the near historic-levels of inflation. Given these unforeseen expenses, it would not be possible to complete the project without additional expenditure.

Cost overrun projects are reviewed according to the General Review Criteria. In addition, cost overrun projects occurring due to engineering and construction problems are designated to be "needed" by Department Rule. Specifically, Rule 111-2-2-.03(13)(a) states that "A reviewable cost overrun associated with ongoing construction or renovation activity which has not been incurred prior to a Certificate of Need approval and is solely related to an unanticipated engineering, major fixed equipment or other construction problem, or federal, state or local fire requirements which were adopted or became effective after the issuance of the Certificate of Need but prior to the completion of construction or renovation, will receive favorable review consideration if the applicant demonstrates that the overrun will have no impact or a minimal impact on costs and/or charges per patient day or procedure."

That is the case here where the project encountered unanticipated engineering issues that required rock blasting at a cost of approximately \$1.5 million and an unforeseen

rapid increase in construction costs due to nationwide inflation. Therefore Rule 111-2-2-.03(13)(a) requires approval of this Project and demonstrates need.

In fact, this project is less than the average national cost increase for construction, and is subject to the exemption at O.C.G.A. 31-6-47(a)(12). Thus, by extrapolation there is deemed need for the project.