

KINDLY DELIVER IMMEDIATELY

Updike, Kelly & Spellacy, P.C. _____ Counselors at Law

Jennifer L. Groves
(203) 786-8316
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One Century Tower
265 Church Street
New Haven, Connecticut 06510

FACSIMILE TRANSMITTAL SHEET

TO: Office of Health Care Access
ATTN: Cristine Vogel, Commissioner

FACSIMILE: (860) 418-7053

DATE: April 5, 2007

Re: HealthSouth Corporation – Sale of Outpatient Rehabilitation Division

TOTAL NUMBER OF PAGES (INCLUDING THIS SHEET): 39

MESSAGE:

IF YOU HAVE ANY PROBLEMS WITH RECEIPT OF THIS TRANSMITTAL,
PLEASE CALL DEB ALEXA AT (203) 786-8300, EXTENSION 3353. THANK YOU.

UPDIKE, KELLY & SPELLACY, P.C., PRACTICES LAW IN THE AREAS OF:

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OFFICE OF HEALTH CARE ACCESS

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UPDIKE, KELLY & SPELLACY, P.C.
Connecticut's law firm with a worldwide reach

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OFFICE OF THE ATTORNEY GENERAL
OFFICE OF HEALTH CARE ACCESS

April 5, 2007

**VIA FACSIMILE
& FIRST CLASS MAIL**

Cristine A. Vogel, Commissioner
Office of Health Care Access
410 Capitol Avenue
Post Office Box 340308
Hartford, CT 06134-0308

Re: HealthSouth Corporation – Sale of Outpatient Rehabilitation Division

Dear Commissioner Vogel:

Please be advised that this office represents HealthSouth Corporation (“HealthSouth”). Enclosed please find an original and three (3) copies of a CON Determination Form 2020 for the proposed sale of HealthSouth’s Outpatient Rehabilitation Division.

Should you require anything further for your review, please feel free to call me at (203) 786-8316.

Very truly yours,

Jennifer L. Groves

Enclosures

cc: Mr. Walter Smith



**State of Connecticut
Office of Health Care Access
CON Determination Form
Form 2020**

All persons who are requesting a determination from OHCA as to whether a CON is required for their proposed project must complete this Form 2020. The completed form should be submitted to the Commissioner of the Office of Health Care Access, 410 Capitol Avenue, MS#13HCA, P.O. Box 340308, Hartford, Connecticut 06134-0308.

SECTION I. PETITIONER INFORMATION

If this proposal has more than two Petitioners, please attach a separate sheet, supplying the same information for each Petitioner in the format presented in the following table.

Full Legal Name	Petitioner HealthSouth Corporation, Outpatient Rehabilitation Division (See <u>Exhibit A</u>)	Petitioner Select Medical Corporation
Doing Business As	HealthSouth Sports Medicine & Rehabilitation Centers (See <u>Exhibit A</u>)	N/A
Name of Parent Corporation	HealthSouth Corporation	N/A
Petitioner's Mailing Address, if Post Office (PO) Box, include a street mailing address for Certified Mail	One HealthSouth Parkway, Birmingham, AL 35243	4716 Old Gettysburg Road Mechanicsburg, PA 17055
What is the Petitioner's Status: P for profit and NP for Nonprofit	Profit	Profit

Contact Person, including Title/Position: This Individual will be the Petitioner's Designee to receive all correspondence in this matter.	Jennifer L. Groves Legal Counsel for Petitioner	Julie Clouser Director of Regulatory Affairs
Contact Person's Mailing Address, if PO Box, include a street mailing address for Certified Mail	Uddike, Kelly & Spellacy, P.C. One Century Tower 265 Church Street New Haven, CT 06511	4716 Old Gettysburg Road Mechanicsburg, PA 17055
Contact Person's Telephone Number	(203) 786.8316	(717) 972.1139
Contact Person's Fax Number	(203) 772.2037	(717) 975.9981
Contact Person's e-mail Address	<u>igroves@uks.com</u>	<u>jclouser@selectmedi</u> <u>calcorp.com</u>

SECTION II. GENERAL PROPOSAL INFORMATION

- a. Proposal/Project Title:

Sale of Outpatient Rehabilitation Division of HealthSouth Corporation to Select Medical Corporation

- b. Location of proposal, identifying Street Address, Town and Zip Code:

See **Exhibit A.**

- c. List each town this project is intended to serve:

See **Exhibit A.** The Outpatient Rehabilitation Division serves patients from the towns surrounding its centers who are in need of physical and/or occupational therapy services.

- d. Estimated starting date for the project: **April 2007**

e. Type of Entity: (Please check *E* for Existing and *P* for Proposed in the boxes that apply)

- | | | |
|--|---|---|
| <input type="checkbox"/> <input type="checkbox"/> Acute Care Hospital | <input type="checkbox"/> <input type="checkbox"/> Imaging Center | <input type="checkbox"/> <input type="checkbox"/> Cancer Center |
| <input type="checkbox"/> <input type="checkbox"/> Behavioral Health Provider | <input type="checkbox"/> <input type="checkbox"/> Ambulatory Surgery Center | <input type="checkbox"/> <input type="checkbox"/> Primary Care Clinic |
| <input type="checkbox"/> <input type="checkbox"/> Hospital Affiliate | <input checked="" type="checkbox"/> <input type="checkbox"/> Other (specify): Operating Division | |

SECTION III. EXPENDITURE INFORMATION

- a. Estimated Total Project Cost: **\$245 million**
- b. Please provide the following breakdown as appropriate: (may not represent the aggregate shown above)

Medical Equipment Purchases	
Major Medical Equipment Purchases	
Non-Medical Equipment Purchases*	
Land/Building/Asset Purchases	
Construction/Renovation	
Other (Non-Construction) Specify: _____	
Total Capital Expenditure	
Medical Equipment - Fair Market Value of Leases	
Major Medical Equipment - Fair Market Value of Leases	
Non-Medical Equipment - Fair Market Value of Leases*	
Fair Market Value of Space –Capital Leases Only	
Total Capital Cost	
Total Project Cost	
Capitalized Financing Costs (Informational Purpose Only)	

* Provide an itemized list of all non-medical equipment to be purchase and leased.

See Project Description, FN 2.

Major Medical and/or Imaging Equipment Acquisition:

Equipment Type	Name	Model	Number of Units	Cost per unit

Note: Provide copy of the vendor contract or quotation for the medical equipment.

Not applicable.

c. Check each applicable financing method or funding source to be used for the proposal:

- Petitioner's Equity Capital Lease Conventional Loan
- Charitable Contributions Operating Lease CHEFA Financing
- Funded Depreciation Grant Funding Other (specify): _____

SECTION IV. PROPOSAL DESCRIPTION

Please provide a description of the proposed project, highlighting each of its important aspects, on at least one, but not more than two separate 8.5" X 11" sheets of paper. At a minimum each of the following elements need to be addressed, if applicable.

1. Identify the types of services currently provided. If applicable, provide a copy of each Department of Public Health license held by the Petitioner.
2. Identify the types of services that are being proposed and what DPH licensure categories will be sought, if applicable?
3. Identify the current population served and the target population to be served.
4. Identify the entity that will be providing the service(s).
5. Identify the entity that will be responsible for the billing of the service(s) relating to this proposal.
6. Identify the entity that owns/leases or will own/lease the physical space of the proposed equipment/service?
7. If there is more than one entity involved in this proposal, please provide copies of any and all existing or proposed contracts or written agreements entered between the two entities that relate to the proposal.
8. Provide a list that identifies the name of each petitioning or affiliate entity involved with this proposal.
9. Provide a copy of the chart of organization for each individual petitioning entity or affiliate and a corporate chart of organization, if applicable.
10. Provide a narrative that addresses the relationship of each petitioning or affiliate entity with the other entities involved with this proposal.
11. Who are the current payers of this service and identify any anticipated payer changes when the proposed project becomes operational?

PROJECT DESCRIPTION

HealthSouth Corporation is a Delaware corporation headquartered in Birmingham, Alabama. Through the subsidiaries of its Outpatient Rehabilitation Division, HealthSouth owns and operates approximately six hundred (600) outpatient rehabilitation centers throughout the United States. Thirty-five (35) of these centers are located in Connecticut. The centers offer comprehensive outpatient rehabilitative care for general orthopedic and sports injuries and conditions, as well as work-related injuries. Attached hereto as Exhibit A is a list of the HealthSouth outpatient centers within Connecticut, their locations, current ownership information, and the types of rehabilitation services provided.

Historically, the outpatient rehabilitation centers owned and operated by HealthSouth subsidiaries in Connecticut have not been subject to CON review because they have not been considered healthcare facilities or institutions as those terms are defined in the OHCA statutes. These outpatient rehabilitation centers are not licensed by the State of Connecticut Department of Public Health.

HealthSouth Corporation is comprised of operating divisions that govern the provision of specific healthcare services nationwide. These include the Inpatient Rehabilitation Division; the Outpatient Rehabilitation Division; the Ambulatory Surgery Division; and the Diagnostic Imaging Division. Each division has its own president and management structure and operates independent of the other divisions within HealthSouth. The Outpatient Rehabilitation Division, through its operating subsidiaries, provides rehabilitative care services at centers in Connecticut. As previously noted, these centers are not licensed by DPH and have not in the past been subject to CON review. The Ambulatory Surgery Division, through different HealthSouth subsidiaries, operates four (4) ambulatory surgical facilities in the state. The subsidiaries that own these facilities are both licensed and subject to OHCA jurisdiction. Note that none of the outpatient rehabilitation centers operates in conjunction with a HealthSouth ambulatory surgical facility. Moreover, neither the Inpatient Rehabilitation Division nor the Diagnostic Imaging Division provides any services in Connecticut.

HealthSouth Corporation recently entered into an agreement to sell its entire Outpatient Rehabilitation Division to Select Medical Corporation, Inc., a Delaware corporation headquartered in Mechanicsburg, Pennsylvania, in a transaction valued at \$245 million.^{1 2} Select Medical Corporation currently operates approximately five hundred and fifty (550) outpatient rehabilitation facilities nationwide.

The structure of the transaction for the proposed sale of the Outpatient Rehabilitation Division is as follows:

- Each HealthSouth outpatient rehabilitation center is owned by one of the following operating entities: (1) Advantage Rehabilitation Clinics, Inc.; (2) PTSMA, Inc.; (3) Professional Sports Care Management, Inc.; (4) Madison Rehabilitation Center, Inc.; or (5) HealthSouth Rehabilitation Center of Connecticut, LP.

¹ Note that this is the capital expenditure associated with the sale of the entire Outpatient Rehabilitation Division. It is impossible for Petitioners to estimate the value of the Connecticut practices relative to the total purchase price.

² HealthSouth also announced recently the sale of its Ambulatory Surgery Division to TPG, Inc. That sale is not the subject of this CON Determination request. A separate Letter of Intent for that proposal will be filed with OHCA in the near future.

- For those clinics owned by Advantage Rehabilitation Clinics, Inc. (Organizational charts reflecting ownership before and after the transaction are attached hereto as Tab 1 of Exhibit B):
 - Advantage Health Corporation, the parent of Advantage Rehabilitation Clinics, Inc. will transfer one hundred percent (100%) of the stock of Advantage Rehabilitation Clinics, Inc. to HealthSouth Holdings, Inc.
 - Select Medical Corporation will acquire one hundred percent (100%) of the stock of HealthSouth Holdings, Inc.
- For those clinics owned by PTSMA, Inc. (Organizational charts reflecting ownership before and after the transaction are attached hereto as Tab 2 of Exhibit B):
 - PTSMA, Inc. is a wholly owned subsidiary of Advantage Rehabilitation Clinics, Inc.
 - As noted above, one hundred percent (100%) of the stock of Advantage Rehabilitation Clinics, Inc. will be transferred to HealthSouth Holdings, Inc.
 - Select Medical Corporation will acquire one hundred percent (100%) of the stock of HealthSouth Holdings, Inc.
- For those clinics owned by Professional Sports Care Management, Inc. (Organizational charts reflecting ownership before and after the transaction are attached hereto as Tab 3 of Exhibit B):
 - Professional Sports Care Management, Inc. is a wholly owned subsidiary of HealthSouth Corporation.
 - HealthSouth Corporation will transfer one hundred percent (100%) of the stock of Professional Sports Care Management, Inc. to HealthSouth Holdings, Inc.
 - Select Medical Corporation will acquire one hundred percent (100%) of the stock of HealthSouth Holdings, Inc.
- For the clinic owned by Madison Rehabilitation Center, Inc. (Organizational charts reflecting ownership before and after the transaction are attached hereto as Tab 4 of Exhibit B):
 - HealthSouth Holdings, Inc. already owns one hundred percent (100%) of the stock of Madison Rehabilitation Center, Inc.
 - Select Medical Corporation will acquire one hundred percent (100%) of the stock of HealthSouth Holdings, Inc.
- For the clinic owned by HealthSouth Rehabilitation Center of Connecticut, LP (Organizational charts reflecting ownership before and after the transaction are attached hereto as Tab 5 of Exhibit B):
 - HealthSouth Corporation owns ninety-five percent (95%) of the interests of HealthSouth Rehabilitation Center of Connecticut, LP. HealthSouth Real Property Holdings Corporation owns the remaining five percent (5%).
 - Ninety-five percent (95%) of the interests of HealthSouth Rehabilitation Center of Connecticut, LP will be transferred to HealthSouth Holdings, Inc. by HealthSouth Corporation.
 - One percent (1%) of the interests of HealthSouth Rehabilitation Center of Connecticut, LP will then be transferred by HealthSouth Holdings, Inc. to HealthSouth Network Services, Inc., a wholly owned subsidiary of HealthSouth Corporation, in the form of a limited partnership interest.
 - The remaining five percent (5%) of the interests of HealthSouth Rehabilitation Center of Connecticut, LP will be transferred to HealthSouth Holdings, Inc. by HealthSouth Real Property Holdings Corporation.
 - One hundred percent (100%) of the stock of HealthSouth Network Services, Inc. (which includes its 1% interest in HealthSouth Rehabilitation Center of Connecticut, LP) will be transferred to HealthSouth Holdings, Inc.
 - Select Medical Corporation will acquire one hundred percent (100%) of the stock of HealthSouth Holdings, Inc.

Ownership will change at the parent level only (HealthSouth Holdings, Inc.³), with the operating entities remaining the same. Each center will maintain its current federal tax identification number. The Petitioners have confirmed with various Regional Offices of the Center for Medicare & Medicaid Services that this transaction does not constitute a change of ownership for Medicare purposes.

Like other outpatient rehabilitation practices, the HealthSouth centers have traditionally not been subject to CON review for changes of ownership, addition/termination of services, capital expenditures in excess of statutory thresholds, and the like. In 1999, OHCA reviewed the acquisitions of certain of these centers, specifically to determine whether CON approval was required for the transactions. OHCA did not require HealthSouth to obtain a CON for any of the twenty-six (26) centers acquired between 1996 and 1999, nor did it require CON approval for the acquisition/establishment of nine (9) additional centers between 2000 and 2005.

After the proposed transaction is complete, Select Medical Corporation intends to maintain each of the outpatient rehabilitation centers at its current location, providing the same suite of services to the same population served by the centers under HealthSouth's ownership, with the services provided by existing staff. Licensure by the Department of Public Health will not be required. The entities that currently bill for services will continue to do so. These entities will also continue to hold all leases relative to the operation of the various clinics. Payers for services include: Private pay, Medicare, Medicare Managed Care, Medicaid, traditional indemnity insurance, and HMOs, and will not change with the transfer of stock to Select Medical Corporation.

³ Note that HealthSouth Holdings, Inc. does not hold an interest in any of the HealthSouth ambulatory surgical facilities located in Connecticut or any other state.

SECTION V. AFFIDAVIT

To be completed by each Petitioner

Petitioner: HealthSouth Corporation

Project Title: Sale of Outpatient Rehabilitation Division of HealthSouth Corporation to Select Medical Corporation

I, DIANE L. MONSON, PRESIDENT O.P. DIVISION
(Name) (Position - CEO or CFO)

of HealthSouth Corporation being duly sworn, depose and state that the
(Organization Name)

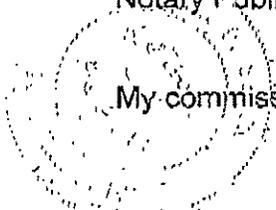
information provided in this CON Determination form is true and accurate to the best of my knowledge, and that HEALTHSOUTH complies with the appropriate
(Facility Name)

and applicable criteria as set forth in the Sections 19a-630, 19a-637, 19a-638, 19a-639, 19a-486 and/or 4-181 of the Connecticut General Statutes.

Diane L. Monson 4.3.07
Signature Date

Subscribed and sworn to before me on April 3, 2007

Linda D. Smith
Notary Public/Commissioner of Superior Court



My commission expires: NOTARY PUBLIC STATE OF ALABAMA AT LARGE
MY COMMISSION EXPIRES: May 3, 2010
BONDED THRU NOTARY PUBLIC UNDERWRITERS

SECTION V. AFFIDAVIT

To be completed by each Petitioner

Petitioner: Select Medical Corporation

Project Title: Sale of Outpatient Rehabilitation Division of HealthSouth Corporation to Select Medical Corporation

I, John F. Duggan Senior Vice President
(Name) (Position – CEO or CFO)

of Select Medical Corporation being duly sworn, depose and state that the
(Organization Name)

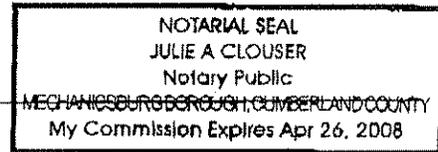
information provided in this CON Determination form is true and accurate to the best of my knowledge, and that HealthSouth complies with the appropriate
(Facility Name)

and applicable criteria as set forth in the Sections 19a-630, 19a-637, 19a-638, 19a-639, 19a-486 and/or 4-181 of the Connecticut General Statutes.

John F. Duggan 4-3-2007
Signature Date

Subscribed and sworn to before me on April 3, 2007

Julie A. Clouser
Notary Public/Commissioner of Superior Court



My commission expires: 4-26-2008

Exhibit A

<u>Entity Name</u>	<u>Owner</u>	<u>Address</u>	<u>Services</u>
HealthSouth Sports Medicine & Rehabilitation Center, Madison	Madison Rehabilitation Center, Inc.	Oak Park Professional Complex, 141 Durham Road, Suite 14, Madison, CT 06443	Arthritis, conservative back, FCE, foot & ankle, functional bracing, geriatric, hand & upper ext, industrial, job site analysis, PT, social worker, spine, sports & general ortho, TMJ, work conditioning, work hardening
HealthSouth Sports Medicine & Rehabilitation Center, Storrs	HealthSouth Rehabilitation Center of Connecticut Limited Partnership	13 B Dog Lane, Storrs, CT 06268	Arthritis, conservative back, foot & ankle, functional bracing, geriatric, hand & upper ext, industrial, PT, spine, sports & general ortho, work conditioning
HealthSouth Sports Medicine & Rehabilitation Center, New London	Advantage Rehabilitation Clinics, Inc.	668 Bank Street, New London, CT 06320	Arthritis, conservative back, FCE, foot & ankle, functional bracing, hand & upper ext, industrial, job site analysis, OT, pool therapy, PT, spine, sports & general ortho, TMJ, work conditioning
HealthSouth Sports Medicine & Rehabilitation Center, Norwich	Advantage Rehabilitation Clinics, Inc.	1 Towne Park Plaza, Norwich, CT 06360	Arthritis, conservative back, FCE, foot & ankle, functional bracing, geriatric, hand & upper ext, industrial, OT, PT, spine, sports & general ortho, work conditioning, work hardening
HealthSouth Sports Medicine & Rehabilitation Center, Old Saybrook	Advantage Rehabilitation Clinics, Inc.	929 Boston Post Road, Old Saybrook, CT 06475	Arthritis, conservative back, FCE, foot & ankle, functional bracing, geriatric, hand & upper ext, pool therapy, PT, social worker, spine, sports & general ortho
HealthSouth Sports Medicine & Rehabilitation Center, Old Lyme	Advantage Rehabilitation Clinics, Inc.	6 Davis Road, Old Lyme, CT 06371	Arthritis, conservative back, foot & ankle, functional bracing, geriatric, hand & upper ext, industrial, pool therapy, PT, spine, sports & general ortho
HealthSouth Sports Medicine & Rehabilitation Center, Trumbull	Advantage Rehabilitation Clinics, Inc.	115 Technology Drive, Suite B100, Trumbull, CT 06611	Conservative back, FCE, foot & ankle, hand & upper ext, OT, pool therapy, PT, spine, sports & general ortho, TMJ

HealthSouth Sports Medicine & Rehabilitation Center, Shelton	Advantage Rehabilitation Clinics, Inc.	100 Beard Saw Mill Road, Shelton, CT 06484	Arthritis, conservative back, foot & ankle, hand & upper ext, industrial, job site analysis, occupational medicine, OT, PT, spine, sports & general ortho, FCE
HealthSouth Sports Medicine & Spine Center, Fairfield	Advantage Rehabilitation Clinics, Inc.	1055 Post Road, Fairfield, CT 06430	Arthritis, conservative back, foot & ankle, hand & upper ext, industrial, OT, PT, spine, sports & general ortho, TMJ, work conditioning
HealthSouth Sports Medicine & Rehabilitation Center, Meriden	Professional Sports Care Management, Inc.	546 South Broad Street, Meriden, CT 06450	Arthritis, conservative back, FCE, foot & ankle, functional bracing, hand & upper ext, job site analysis, pool therapy, PT, spine, sports & general ortho, TMJ, work conditioning
HealthSouth Sports Medicine & Rehabilitation Center, Norwalk	Professional Sports Care Management, Inc.	40 Cross Street, Suite 110, Norwalk, CT 06851	Conservative back, foot & ankle, hand & upper ext, industrial, PT, spine, sports & general ortho
HealthSouth Sports Medicine & Rehabilitation Center, Danbury	Professional Sports Care Management, Inc.	73 Sand Pit, Suite 203, Danbury, CT 06810	Arthritis, conservative back, foot & ankle, geriatric, other (OP), PT, spine, sports & general ortho, hand & upper ext, work conditioning, industrial, functional bracing
HealthSouth Sports Medicine & Rehabilitation Center, New Milford	Professional Sports Care Management, Inc.	131 Kent Road, New Milford, CT 06776	Arthritis, conservative back, foot & ankle, functional bracing, hand & upper ext, PT, spine, sports & general ortho
HealthSouth Sports Medicine & Rehabilitation Center, Sharon	Professional Sports Care Management, Inc.	50 Armenia Road, Sharon, CT 06069	Hand & upper ext
HealthSouth Sports Medicine & Rehabilitation Center, West Hartford	PTSMA, Inc.	29 North Main Street, West Hartford, CT 06107	Arthritis, conservative back, FCE, foot & ankle, functional bracing, geriatric, hand & upper ext, industrial, OT, PT, spine, sports & general ortho, work conditioning

HealthSouth Sports Medicine & Rehabilitation Center, Middletown	PTSMA, Inc.	1000 Middle Street, Middletown, CT 06457	Arthritis, conservative back, foot & ankle, functional bracing, hand & upper ext, PT, spine, sports & general ortho
HealthSouth Sports Medicine & Rehabilitation Center, Bloomfield	PTSMA, Inc.	900 Cottage Grove Road, Bloomfield, CT 06002	Arthritis, conservative back, foot & ankle, functional bracing, hand & upper ext, PT, spine, sports & general ortho
HealthSouth Sports Medicine & Rehabilitation Center, Hartford	PTSMA, Inc.	151 Farmington Avenue, Hartford, CT 06156	Arthritis, conservative back, foot & ankle, functional bracing, hand & upper ext, PT, spine, sports & general ortho
HealthSouth Sports Medicine & Rehabilitation Center, Bloomfield	PTSMA, Inc.	510 Cottage Grove Road, Bloomfield, CT 06002	Arthritis, conservative back, foot & ankle, functional bracing, hand & upper ext, PT, spine, sports & general ortho
HEALTHSOUTH Sports Medicine & Rehabilitation Center of Enfield	PTSMA, Inc.	113 Elm Street, Enfield, CT 06082	Arthritis, conservative back, Arthritis, conservative back, FCE, foot & ankle, functional bracing, geriatric, hand & upper ext, PT, spine, sports & general ortho
HealthSouth Sports Medicine & Rehabilitation Center, East Hartford	PTSMA, Inc.	477 Connecticut Blvd., East Hartford, CT 06108	Arthritis, conservative back, FCE, foot & ankle, functional bracing, geriatric, hand & upper ext, industrial, OT, PT, speech, spine, sports & general ortho, work conditioning
HealthSouth Sports Medicine & Rehabilitation Center, Windsor	PTSMA, Inc.	150 Poquonock Avenue, Windsor, CT 06095	Arthritis, conservative back, FCE, foot & ankle, functional bracing, geriatric, hand & upper ext, industrial, OT, PT, spine, sports & general ortho, work conditioning
HealthSouth Sports Medicine & Rehabilitation Center, Manchester	PTSMA, Inc.	East Point Building, 360 Tolland Turnpike, Suite 2E, Manchester, CT 06045	Arthritis, conservative back, FCE, foot & ankle, functional bracing, geriatric, hand & upper ext, industrial, PT, spine, sports & general ortho, work conditioning

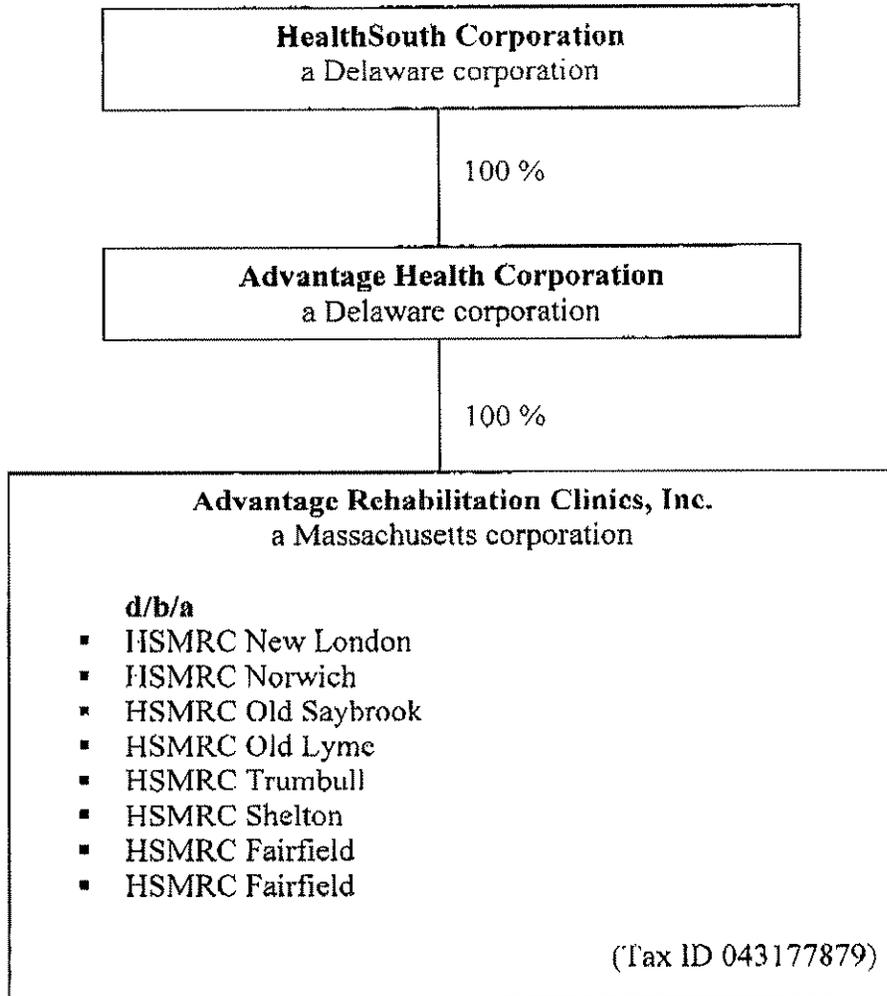
HealthSouth Sports Medicine & Rehabilitation Center, Glastonbury	PTSMA, Inc.	Glastonbury Professional Center, 131 New London Turnpike, Suite 321, Glastonbury, CT 06033	Arthritis, conservative back, FCE, foot & ankle, functional bracing, geriatric, hand & upper ext, industrial, OT, PT, spine, sports & general ortho, work conditioning
HealthSouth Newington	PTSMA, Inc.	505 Willard Avenue, Building # 1, Suite 1D, Newington, CT 06111	Arthritis, conservative back, foot & ankle, functional bracing, geriatric, hand & upper ext, PT, spine, sports & general ortho, TMJ
HealthSouth Sports Medicine & Rehabilitation Center, Bristol	PTSMA, Inc.	255 North Main Street, Bristol, CT 06010	Arthritis, conservative back, foot & ankle, geriatric, hand & upper ext, industrial, PT, spine, sports & general ortho, work conditioning
HealthSouth Sports Medicine & Rehabilitation Center, New Britain	PTSMA, Inc.	One Lake Street, New Britain, CT 06052	Arthritis, conservative back, FCE, foot & ankle, functional bracing, geriatric, hand & upper ext, industrial, OT, PT, spine, sports & general ortho, work conditioning
HealthSouth Sports Medicine & Rehabilitation Center, Plainville	PTSMA, Inc.	240 East Street, Suite C, Plainville, CT 06062	Arthritis, conservative back, foot & ankle, geriatric, hand & upper ext, industrial, PT, spine, sports & general ortho, work conditioning
HealthSouth Sports Medicine & Rehabilitation Center, Berlin	PTSMA, Inc.	211 New Britain Road, Suite 101, Berlin, CT 06037	Arthritis, conservative back, FCE, foot & ankle, functional bracing, geriatric, hand & upper ext, industrial, PT, spine, sports & general ortho, work conditioning
HealthSouth Sports Medicine & Rehabilitation Center, Farmington	PTSMA, Inc.	270 Farmington Avenue, Suite 174, Farmington, CT 06032	Arthritis, conservative back, foot & ankle, functional bracing, geriatric, hand & upper ext, industrial, job site analysis, OM, OT, pool therapy, PT, spine, sports & general ortho, work conditioning, work hardening, FCE
HealthSouth Sports Medicine & Rehabilitation Center, Avon	PTSMA, Inc.	34 Dale Road, Suite 203, Avon, CT 06001	Arthritis, conservative back, foot & ankle, functional bracing, geriatric, hand & upper ext, PT, spine, sports & general ortho

HealthSouth Sports Medicine & Rehabilitation Center, Simsbury	PT SMA, Inc.	255 Hopmeadow Street, Simsbury, CT 06089	Arthritis, conservative back, foot & ankle, functional bracing, geriatric, hand & upper ext, industrial, OT, PT, spine, sports & general ortho, work conditioning
HealthSouth Sports Medicine & Rehabilitation Center, East Granby	PT SMA, Inc.	13 Church Road, East Granby, CT 06026	PT
HealthSouth Sports Medicine & Rehabilitation Center, Fairfield	Advantage Rehabilitation Clinics, Inc.	75 Kings Highway Cut Off, 4 th Floor, Fairfield, CT 06824	PT, OT (hand only), industrial medicine, work conditioning, and aquatics
HealthSouth Sports Medicine & Rehabilitation Center, Trumbull	Professional Sports Care Management, Inc.	888 White Plains Road, Trumbull, CT 06611	Hand & upper ext, sports & general ortho

Exhibit B - Tab 1

Advantage Rehabilitation Clinics, Inc.

Pre-Sale Structure

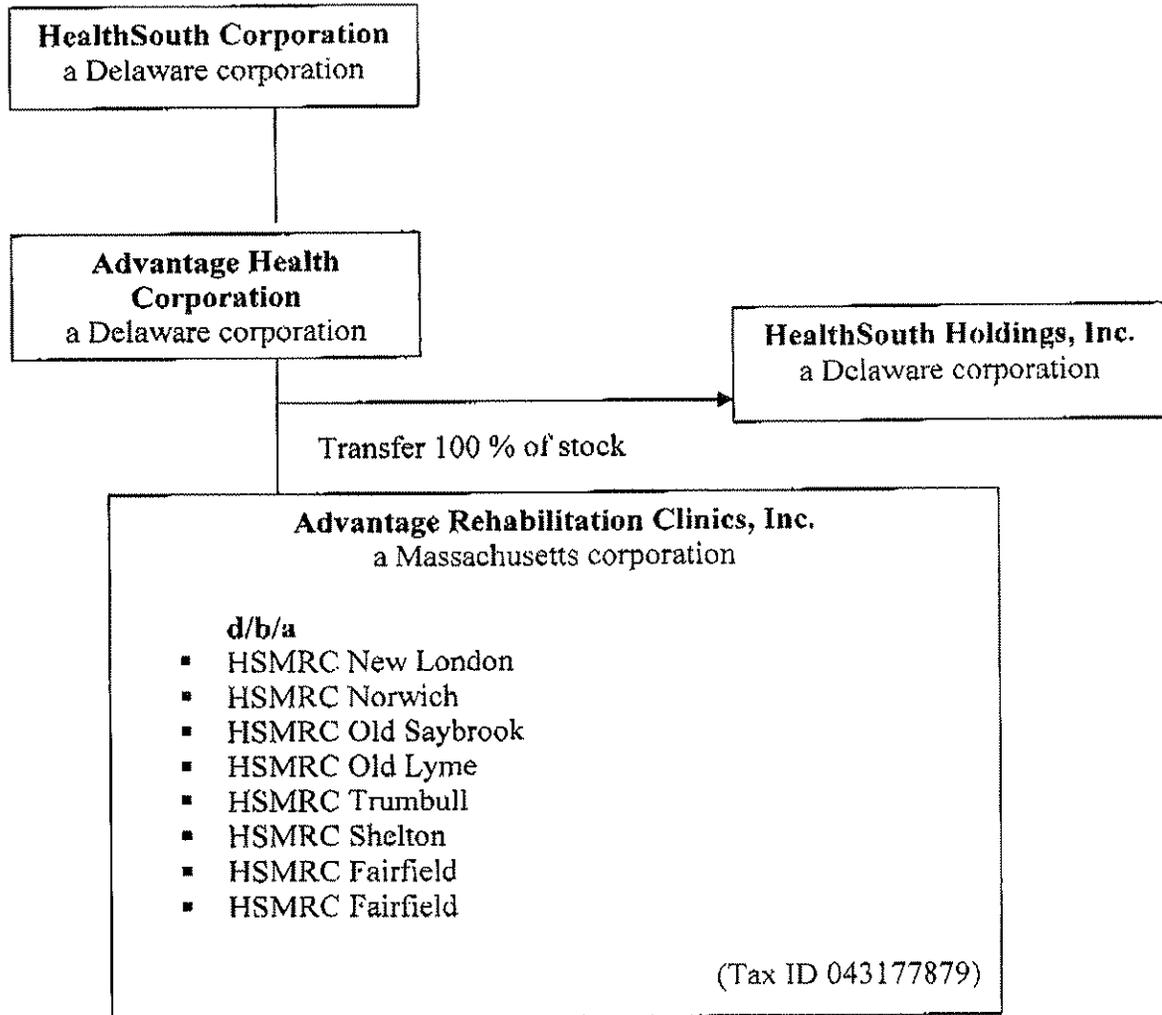


* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

Advantage Rehabilitation Clinics, Inc.

Structure of Sale

Part I

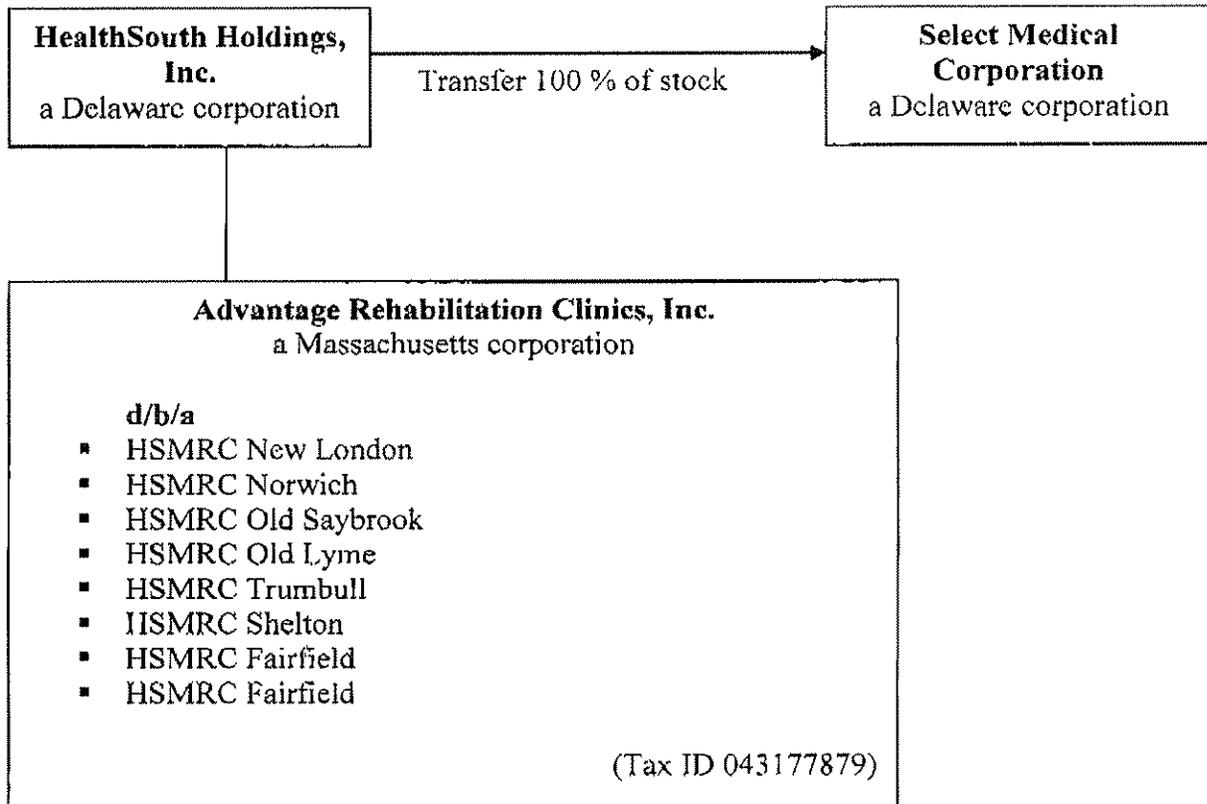


* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

Advantage Rehabilitation Clinics, Inc.

Structure of Sale

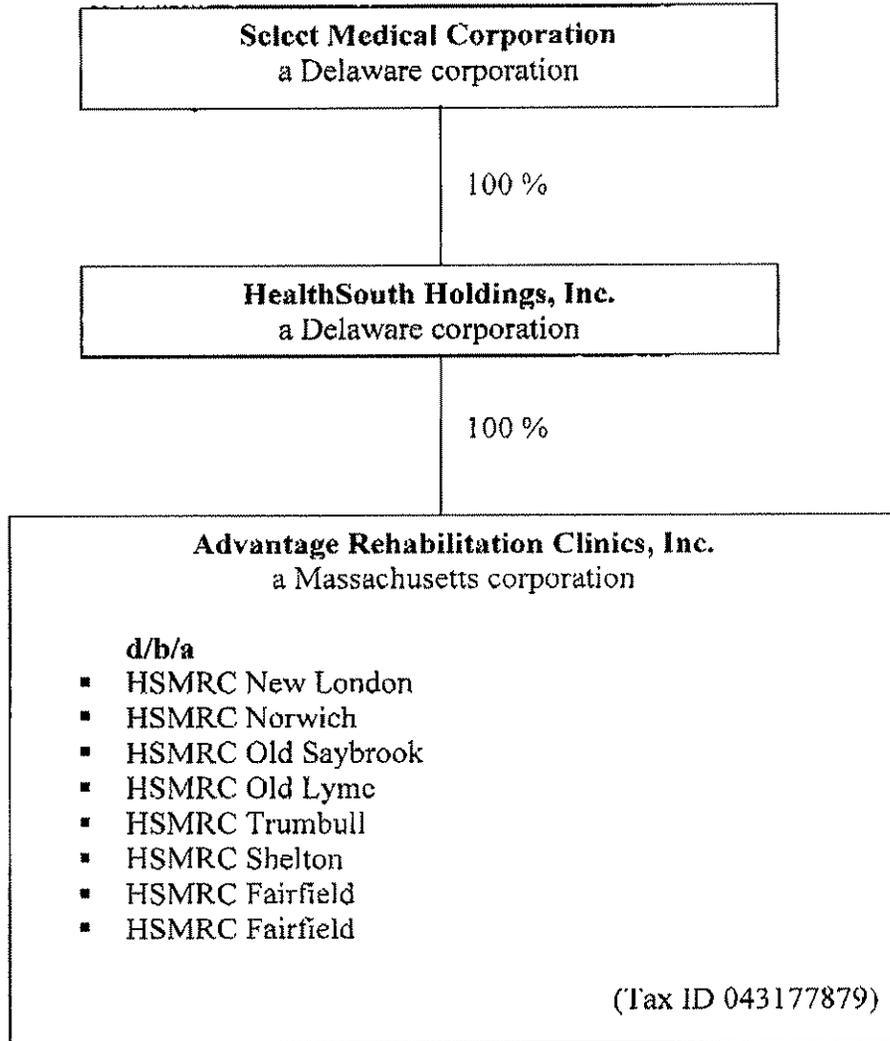
Part II



* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

Advantage Rehabilitation Clinics, Inc.

Post-Sale Structure

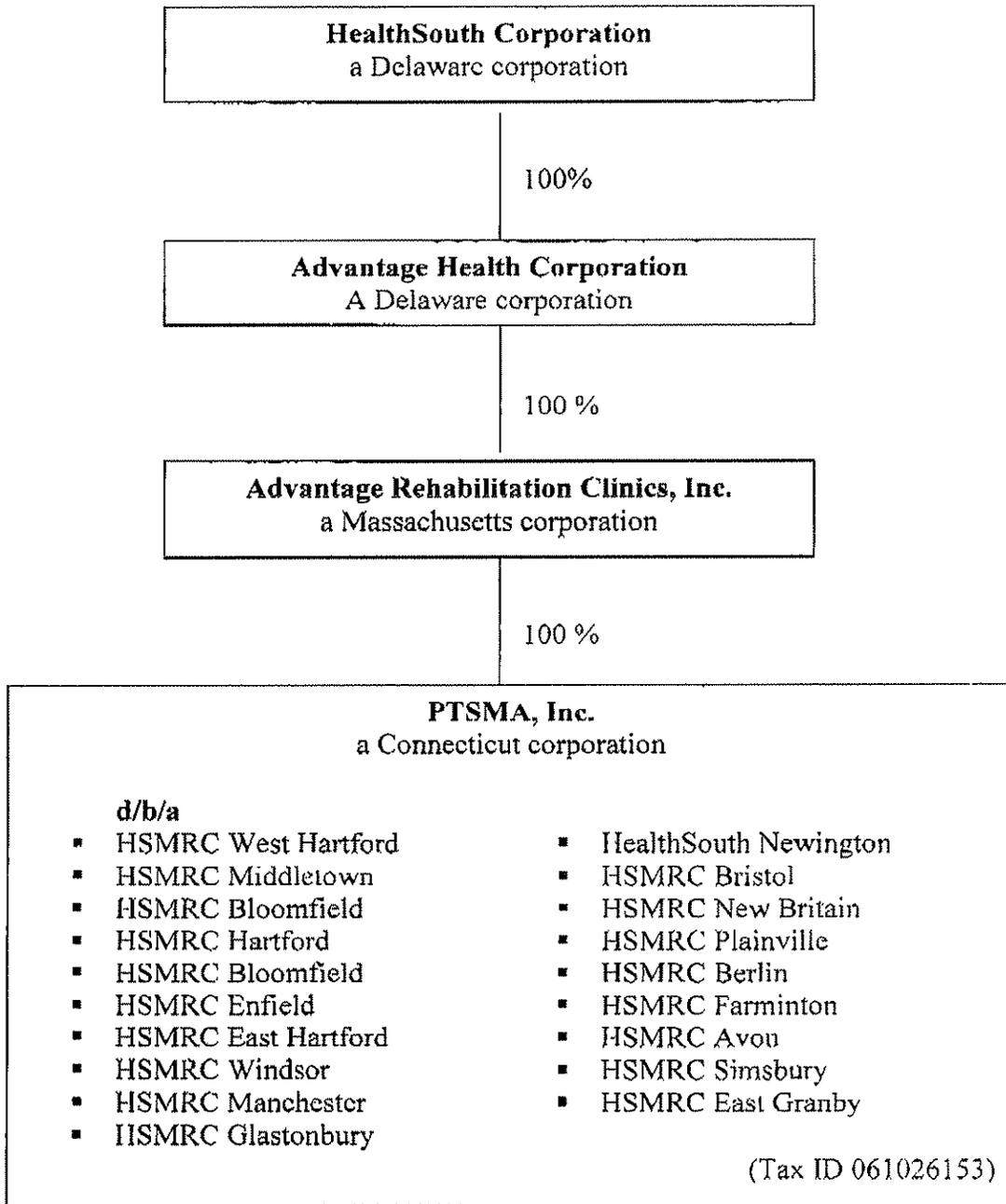


* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

Exhibit B - Tab 2

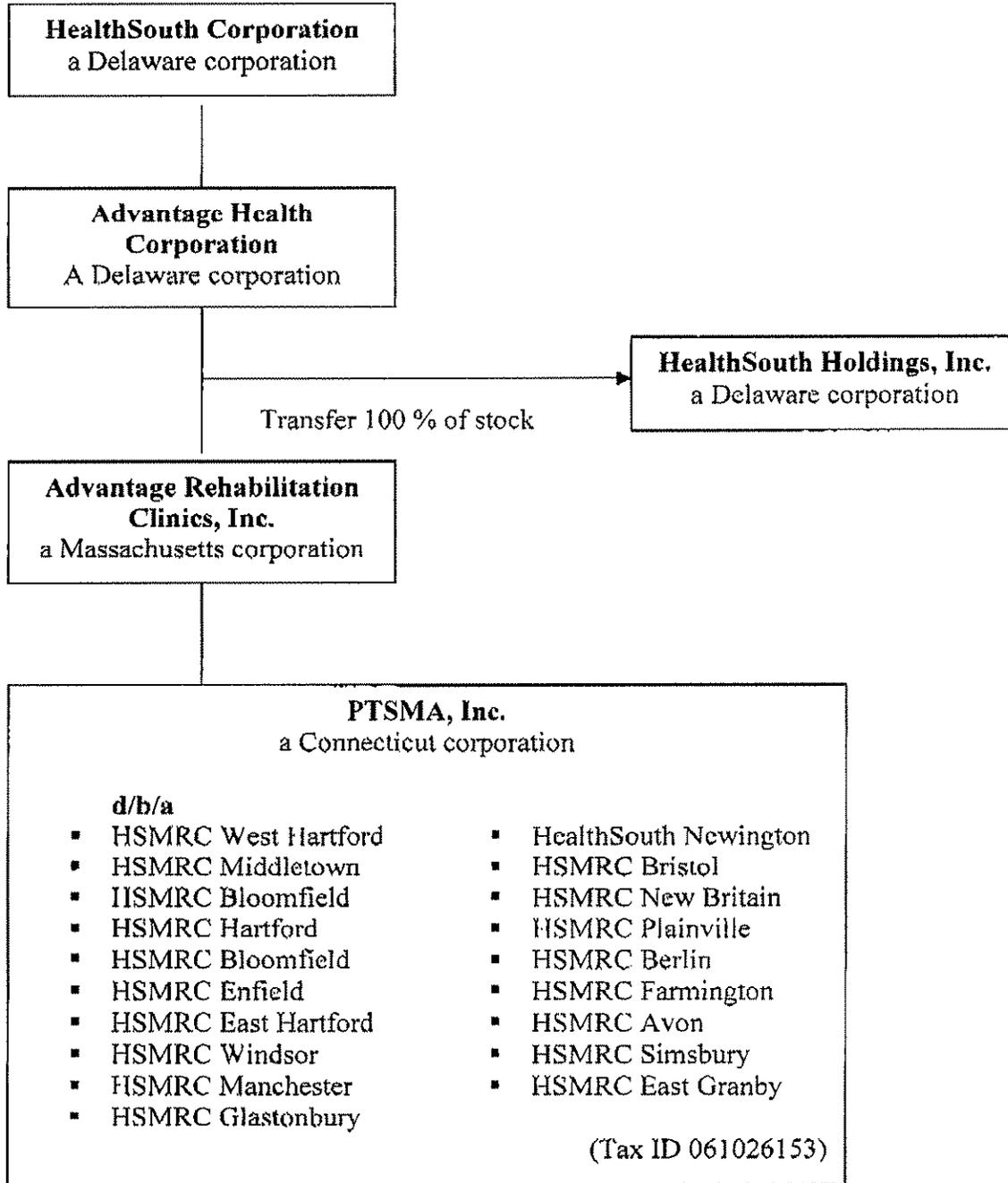
PTSMA, Inc.

Pre-Sale Structure



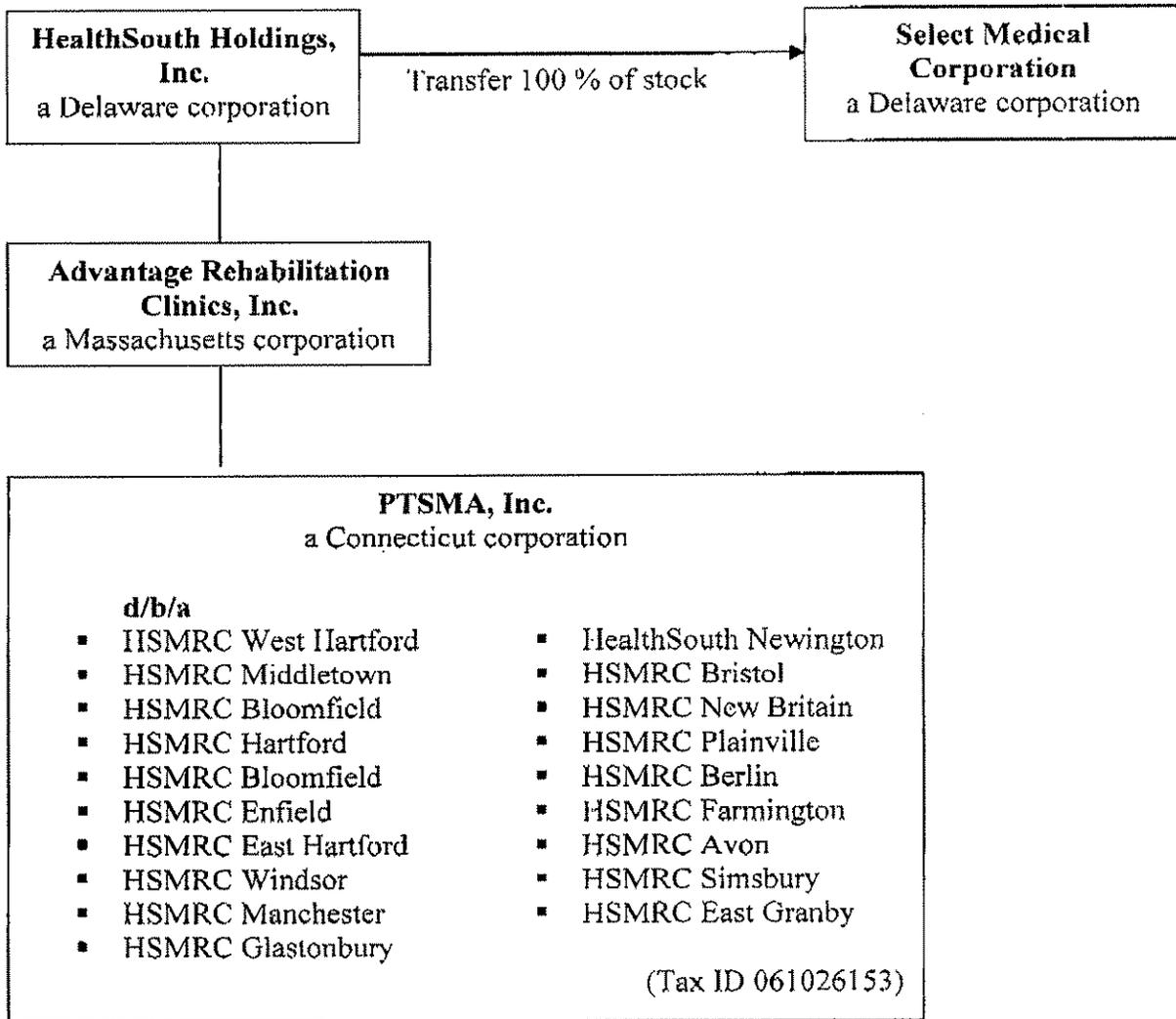
* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

PTSMA, Inc.
Structure of Sale
Part I



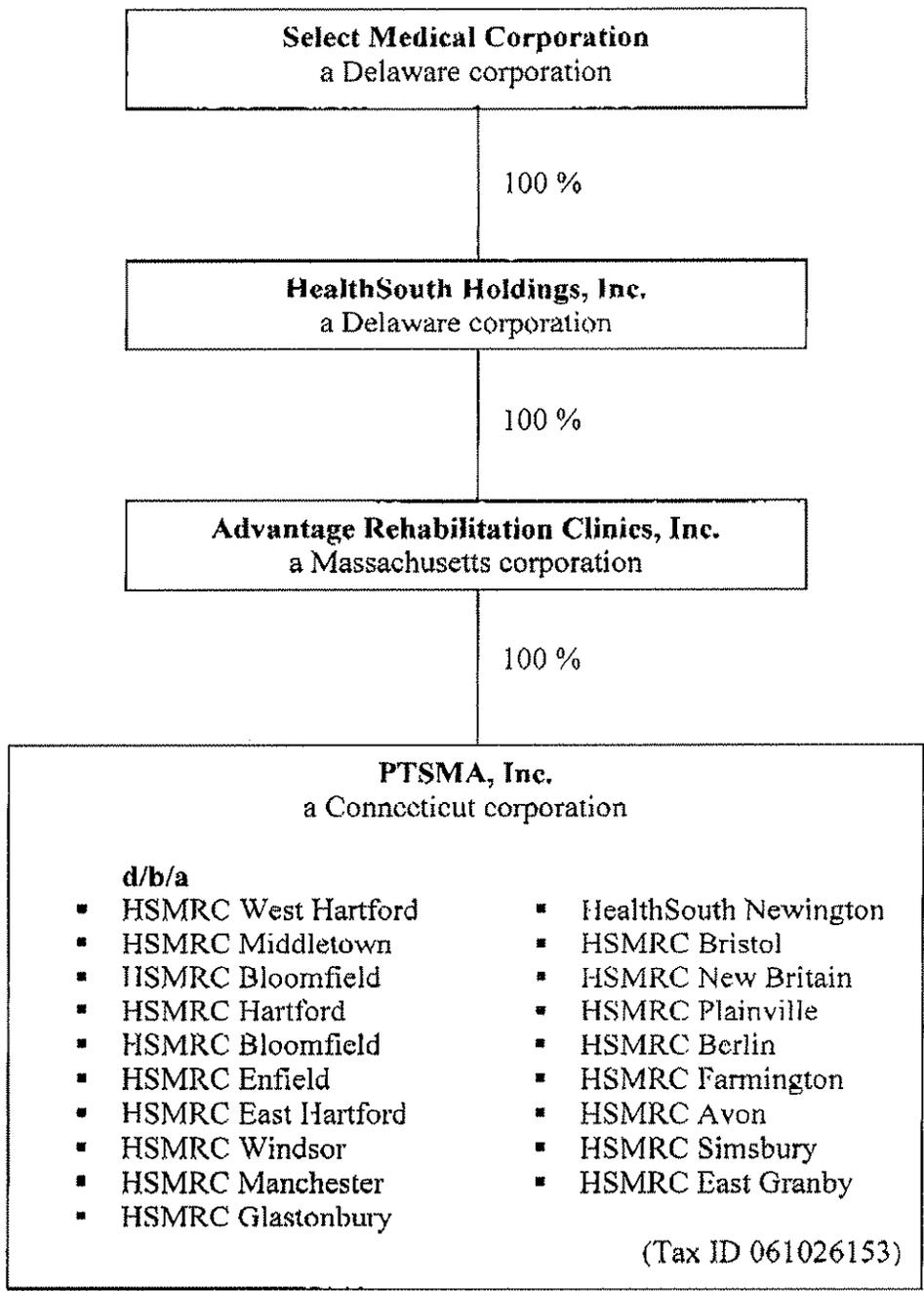
* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

PTSMA, Inc.
Structure of Sale
Part II



* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

PTSMA, Inc.
Post-Sale Structure

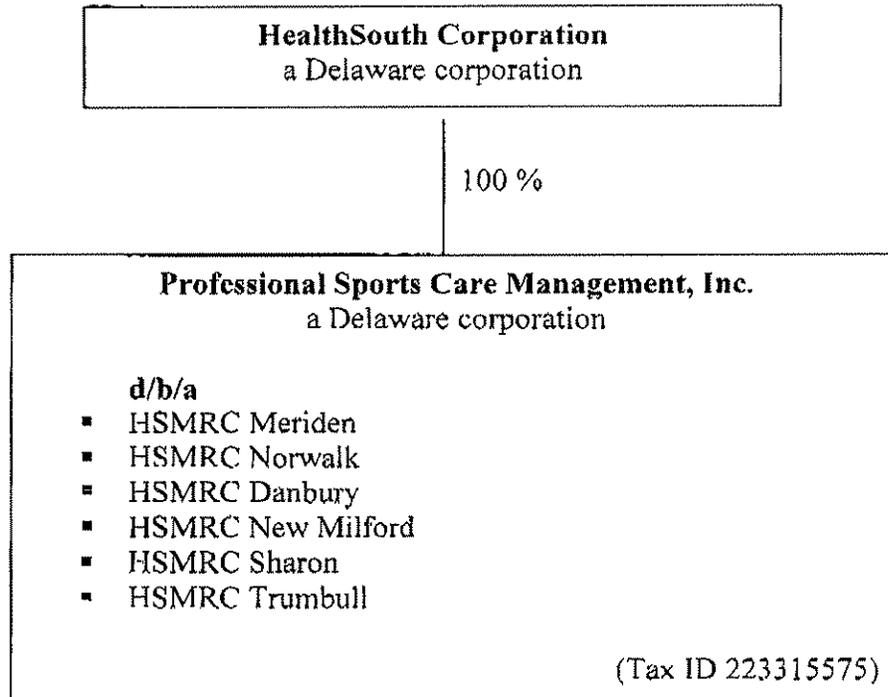


* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

Exhibit B - Tab 3

Professional Sports Care Management, Inc.

Pre-Sale Structure

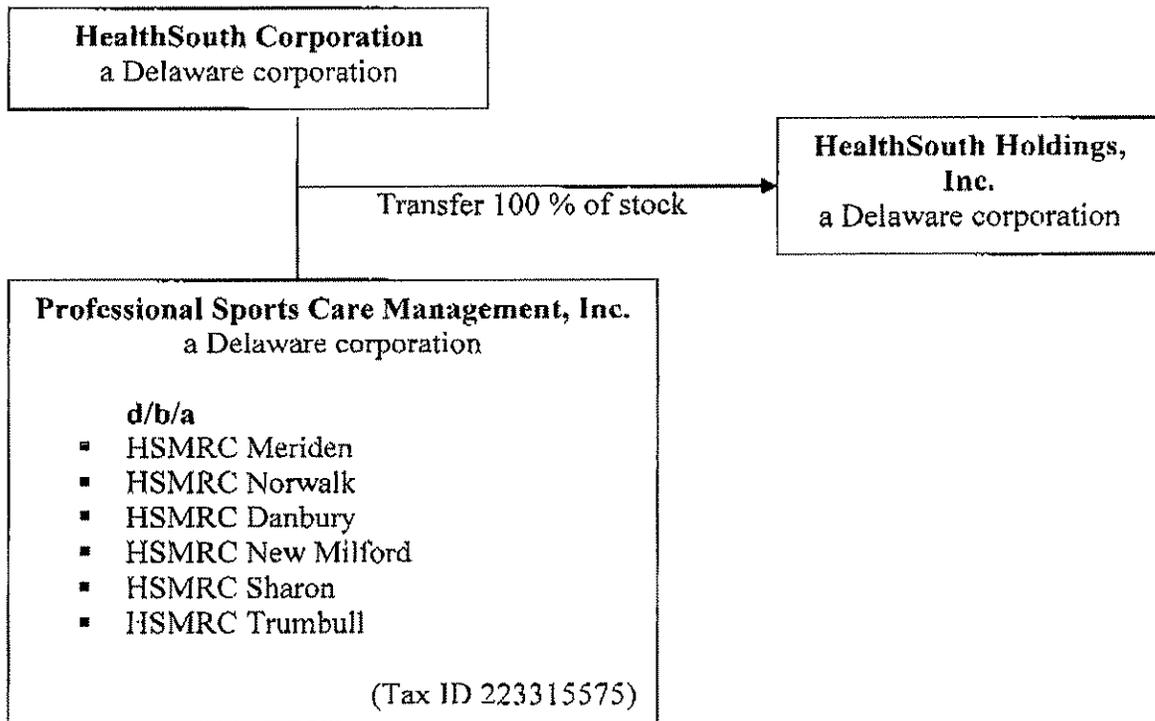


* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

Professional Sports Care Management, Inc.

Structure of Sale

Part I

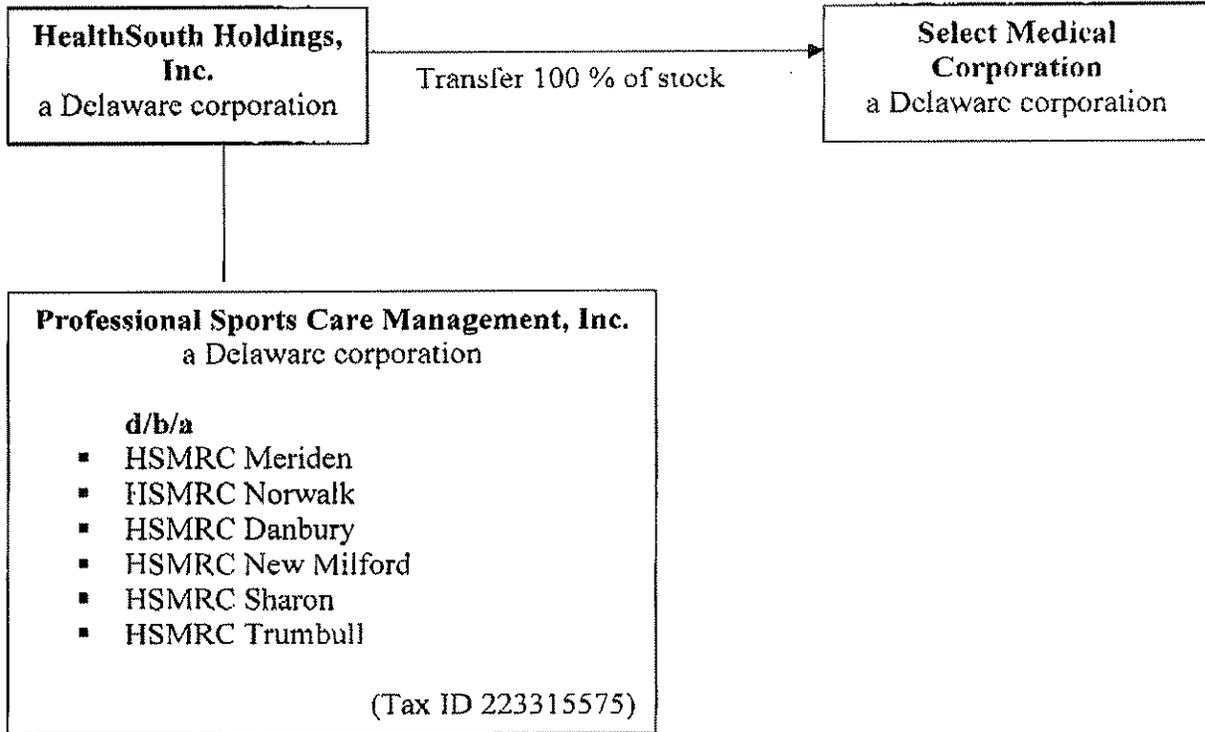


* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

Professional Sports Care Management, Inc.

Structure of Sale

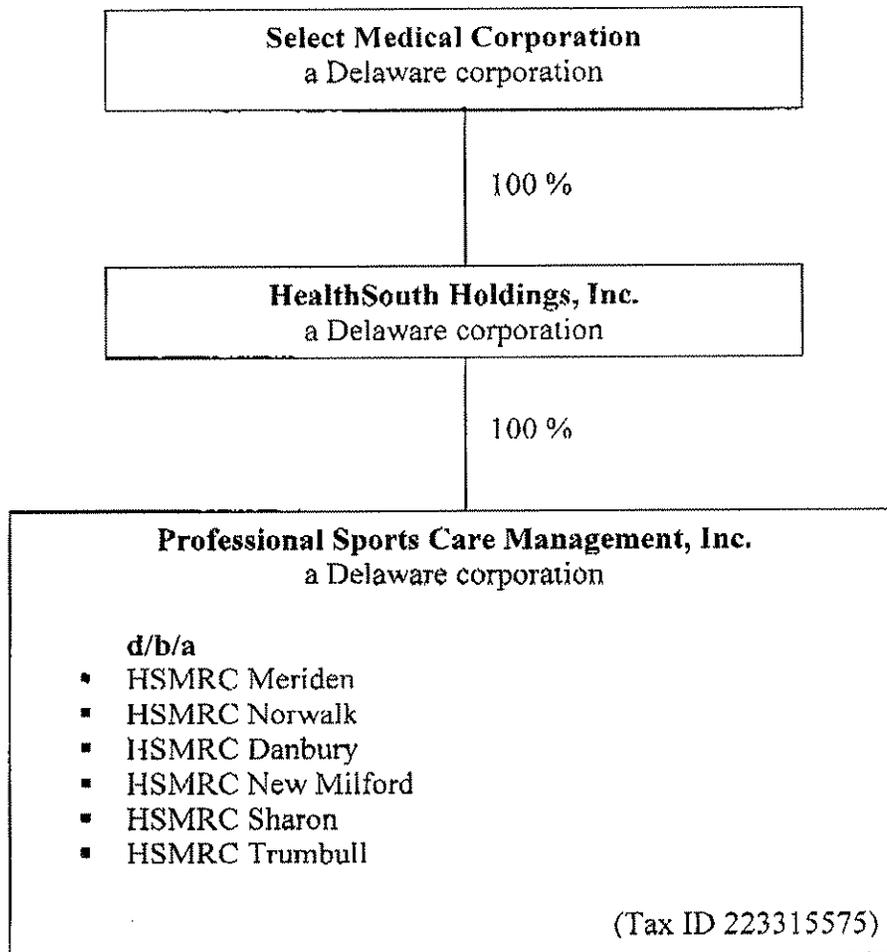
Part II



* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

Professional Sports Care Management, Inc.

Post-Sale Structure

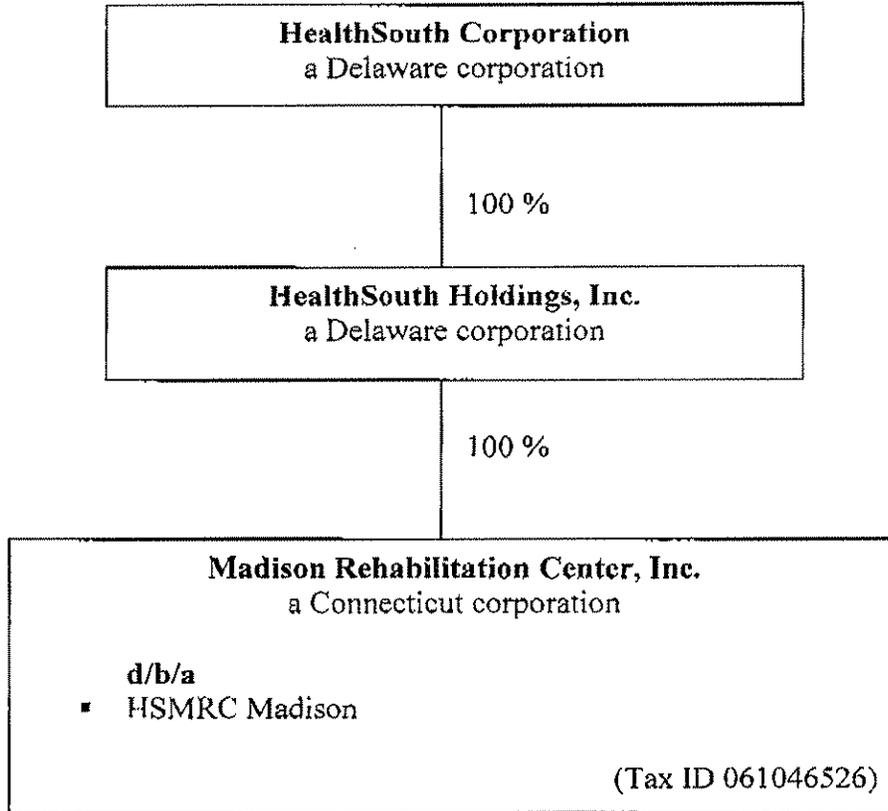


* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

Exhibit B - Tab 4

Madison Rehabilitation Center, Inc.

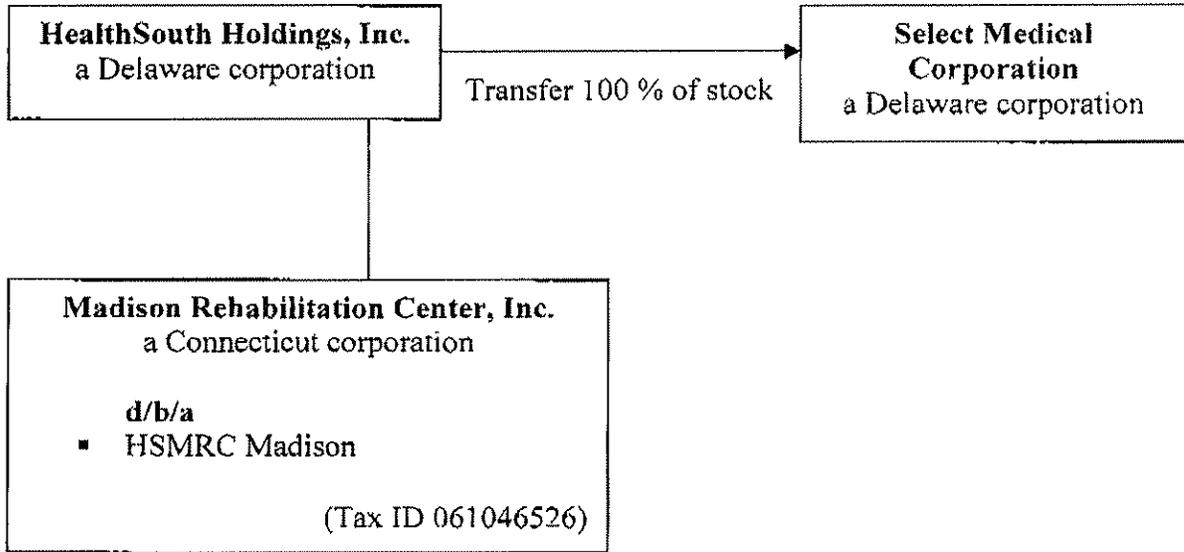
Pre-Sale Structure



* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

Madison Rehabilitation Center, Inc.

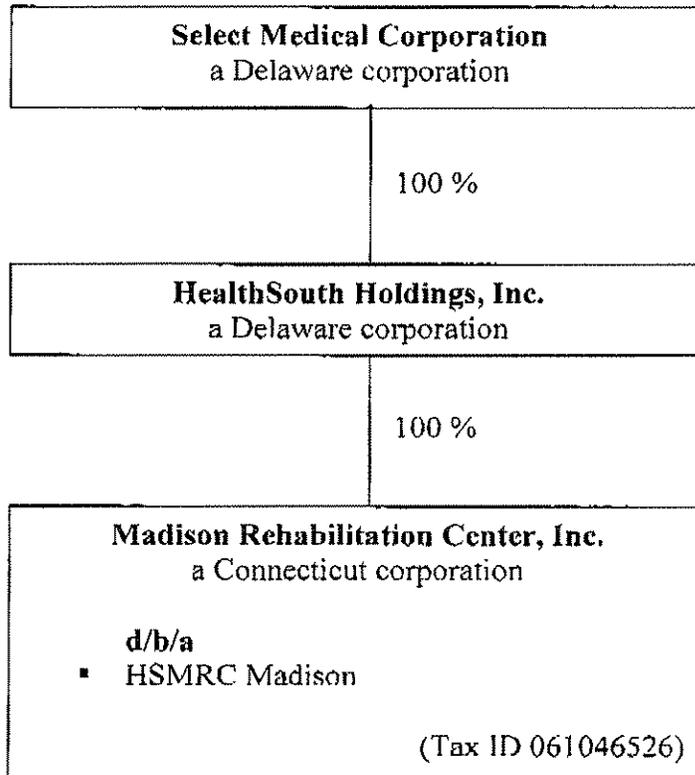
Structure of Sale



* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

Madison Rehabilitation Center, Inc.

Post-Sale Structure

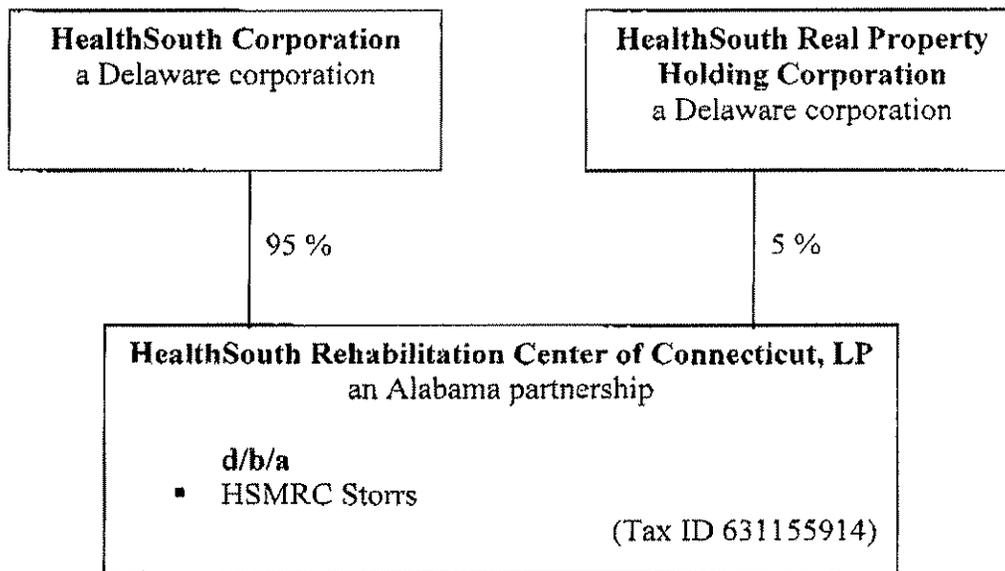


* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

Exhibit B - Tab S

HealthSouth Rehabilitation Center of Connecticut, LP

Pre-Sale Structure

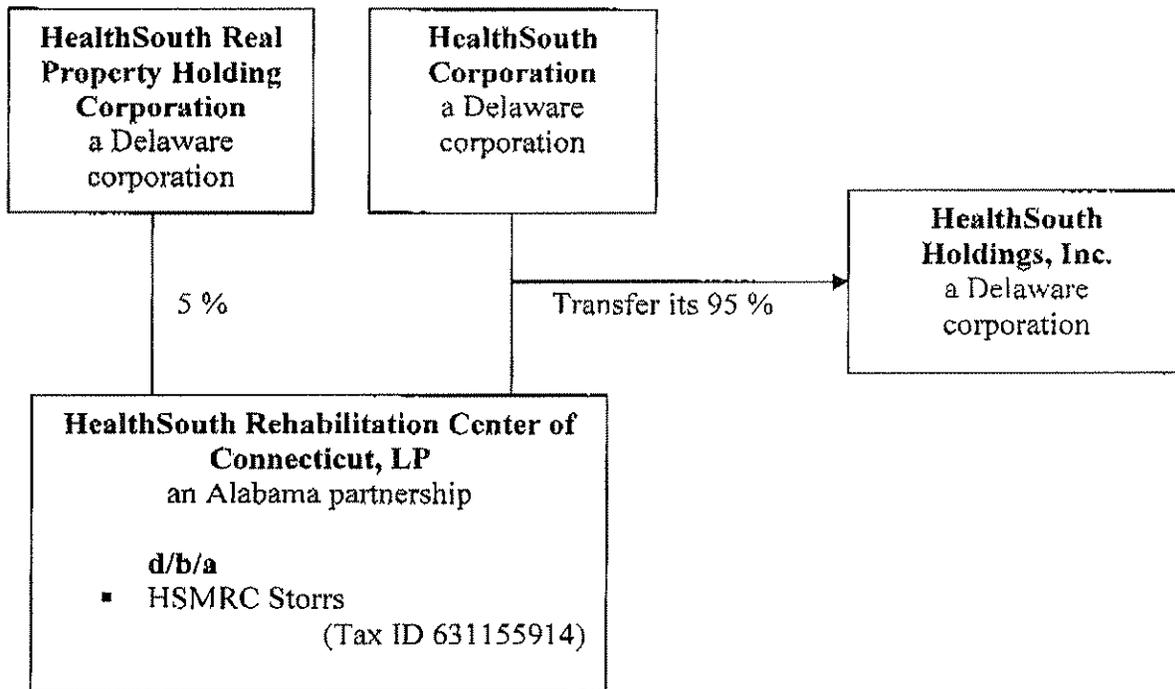


* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

HealthSouth Rehabilitation Center of Connecticut, LP

Structure of Sale

Part I

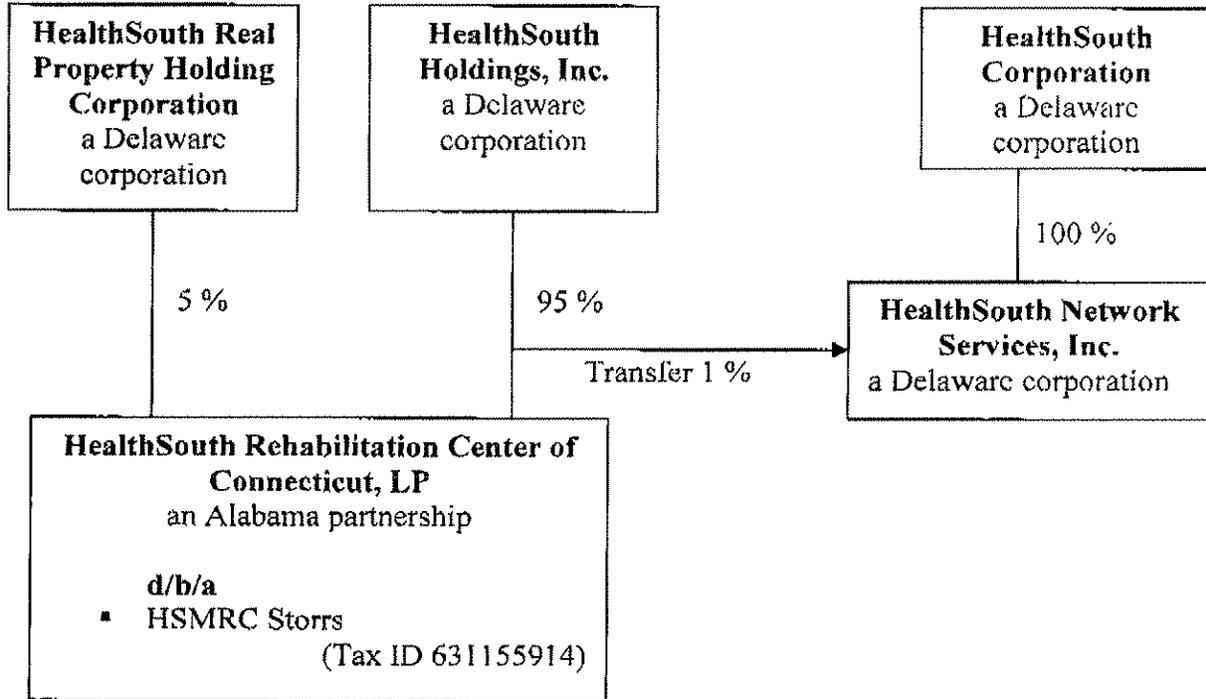


* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

HealthSouth Rehabilitation Center of Connecticut, LP

Structure of Sale

Part II

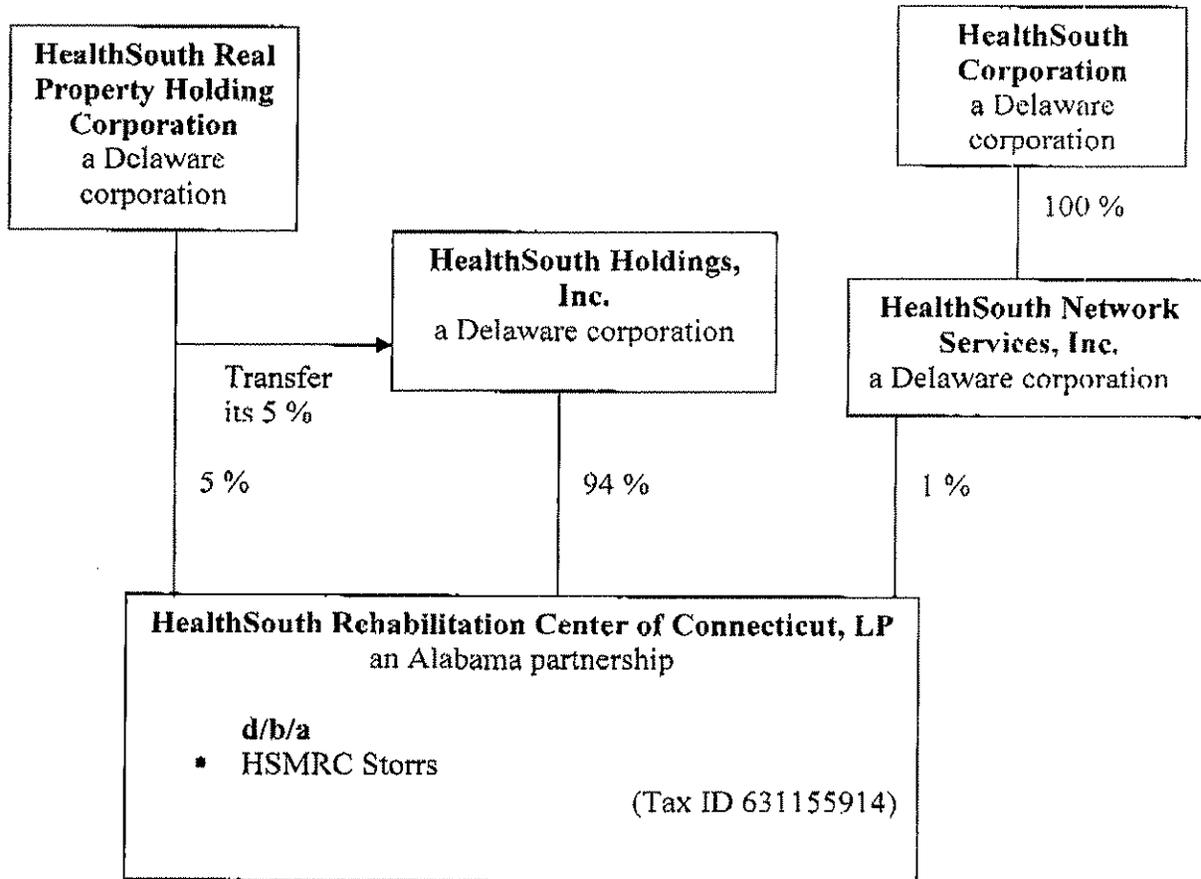


* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

HealthSouth Rehabilitation Center of Connecticut, LP

Structure of Sale

Part III

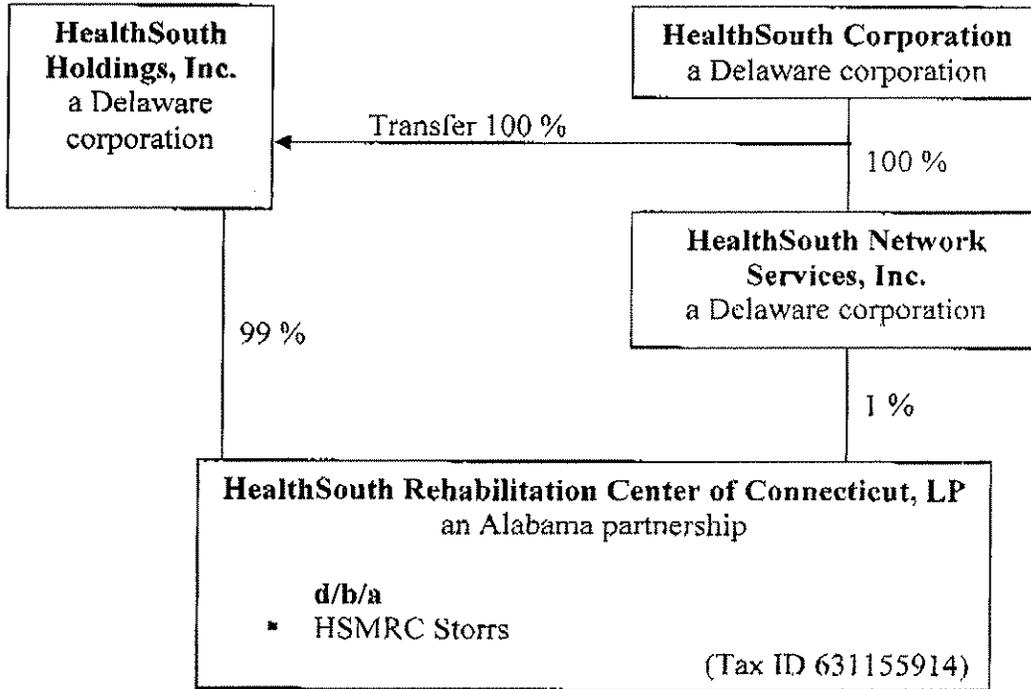


* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

HealthSouth Rehabilitation Center of Connecticut, LP

Structure of Sale

Part IV

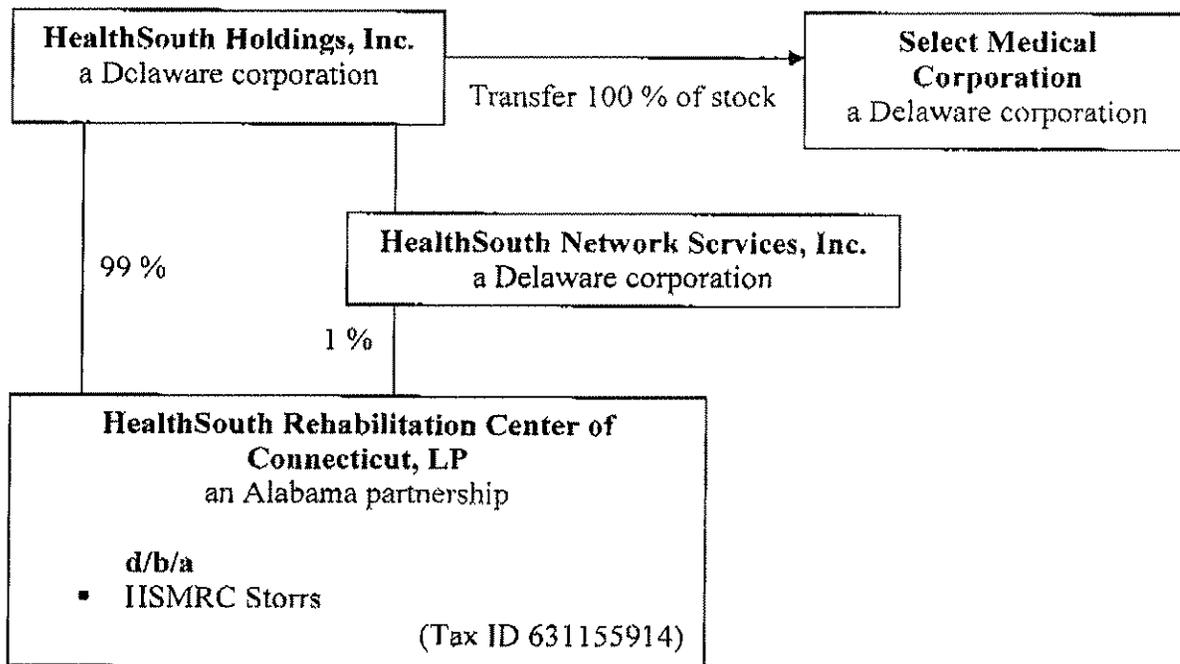


* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

HealthSouth Rehabilitation Center of Connecticut, LP

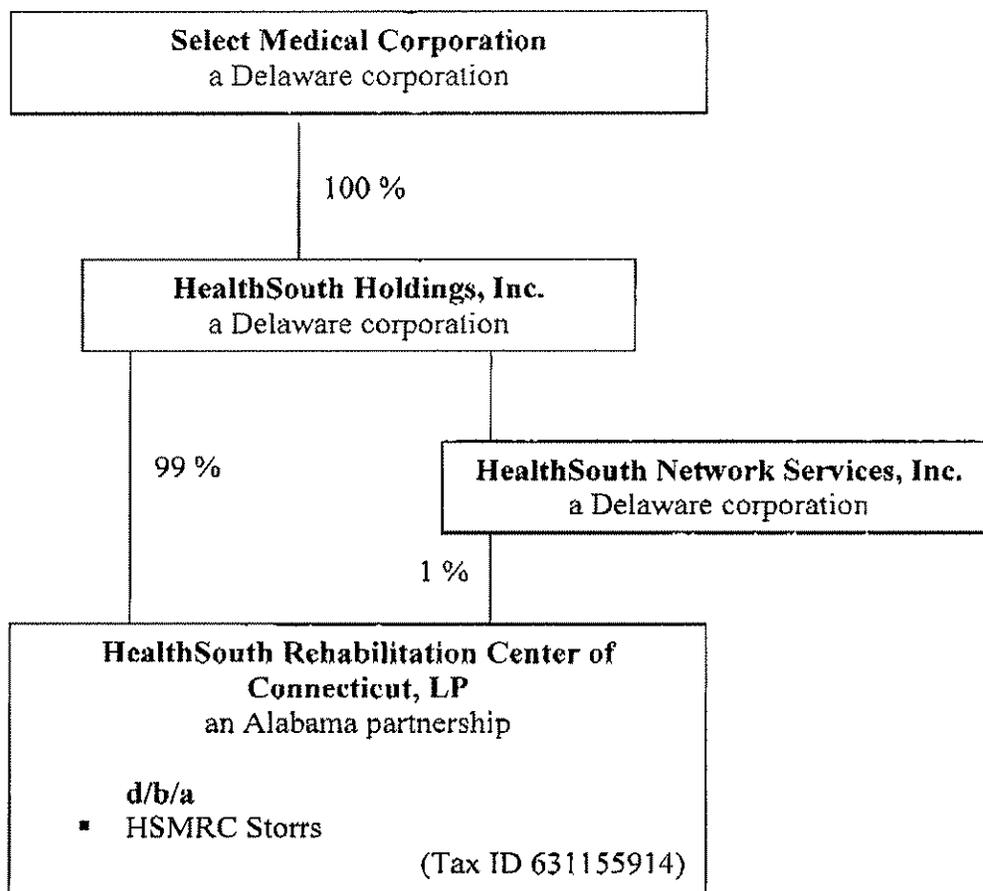
Structure of Sale

Part V



* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

HealthSouth Rehabilitation Center of Connecticut, LP
Post-Sale Structure



* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center



April 5, 2007

**VIA FACSIMILE
& FIRST CLASS MAIL**

Cristine A. Vogel, Commissioner
Office of Health Care Access
410 Capitol Avenue
Post Office Box 340308
Hartford, CT 06134-0308

RECEIVED
2007 APR -9 PM 2:10
OFFICE OF
HEALTH CARE ACCESS

Re: HealthSouth Corporation – Sale of Outpatient Rehabilitation Division

Dear Commissioner Vogel:

Please be advised that this office represents HealthSouth Corporation (“HealthSouth”). Enclosed please find an original and three (3) copies of a CON Determination Form 2020 for the proposed sale of HealthSouth’s Outpatient Rehabilitation Division.

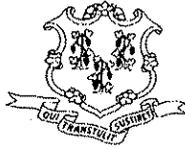
Should you require anything further for your review, please feel free to call me at (203) 786-8316.

Very truly yours,

Jennifer L. Groves

Enclosures

cc: Mr. Walter Smith



**State of Connecticut
Office of Health Care Access
CON Determination Form
Form 2020**

RECEIVED
2007 APR - 9 PM 3:00
COMMUNICATIONS SECTION
HEALTH CARE ACCESS

All persons who are requesting a determination from OHCA as to whether a CON is required for their proposed project must complete this Form 2020. The completed form should be submitted to the Commissioner of the Office of Health Care Access, 410 Capitol Avenue, MS#13HCA, P.O. Box 340308, Hartford, Connecticut 06134-0308.

SECTION I. PETITIONER INFORMATION

If this proposal has more than two Petitioners, please attach a separate sheet, supplying the same information for each Petitioner in the format presented in the following table.

	Petitioner	Petitioner
Full Legal Name	HealthSouth Corporation, Outpatient Rehabilitation Division (See <u>Exhibit A</u>)	Select Medical Corporation
Doing Business As	HealthSouth Sports Medicine & Rehabilitation Centers (See <u>Exhibit A</u>)	N/A
Name of Parent Corporation	HealthSouth Corporation	N/A
Petitioner's Mailing Address, if Post Office (PO) Box, include a street mailing address for Certified Mail	One HealthSouth Parkway, Birmingham, AL 35243	4716 Old Gettysburg Road Mechanicsburg, PA 17055
What is the Petitioner's Status: P for profit and NP for Nonprofit	Profit	Profit

Contact Person, including Title/Position: This Individual will be the Petitioner's Designee to receive all correspondence in this matter.	Jennifer L. Groves Legal Counsel for Petitioner	Julie Clouser Director of Regulatory Affairs
Contact Person's Mailing Address, if PO Box, include a street mailing address for Certified Mail	Updike, Kelly & Spellacy, P.C. One Century Tower 265 Church Street New Haven, CT 06511	4716 Old Gettysburg Road Mechanicsburg, PA 17055
Contact Person's Telephone Number	(203) 786.8316	(717) 972.1139
Contact Person's Fax Number	(203) 772.2037	(717) 975.9981
Contact Person's e-mail Address	<u>jgroves@uks.com</u>	<u>jclouser@selectmedicalcorp.com</u>

SECTION II. GENERAL PROPOSAL INFORMATION

a. Proposal/Project Title:

Sale of Outpatient Rehabilitation Division of HealthSouth Corporation to Select Medical Corporation

b. Location of proposal, identifying Street Address, Town and Zip Code:

See **Exhibit A.**

c. List each town this project is intended to serve:

See **Exhibit A.** The Outpatient Rehabilitation Division serves patients from the towns surrounding its centers who are in need of physical and/or occupational therapy services.

d. Estimated starting date for the project: **April 2007**

e. Type of Entity: (Please check *E* for Existing and *P* for Proposed in the boxes that apply)

<input type="checkbox"/> <input type="checkbox"/> E P	<input type="checkbox"/> <input type="checkbox"/> E P	<input type="checkbox"/> <input type="checkbox"/> E P
<input type="checkbox"/> <input type="checkbox"/> Acute Care Hospital	<input type="checkbox"/> <input type="checkbox"/> Imaging Center	<input type="checkbox"/> <input type="checkbox"/> Cancer Center
<input type="checkbox"/> <input type="checkbox"/> Behavioral Health Provider	<input type="checkbox"/> <input type="checkbox"/> Ambulatory Surgery Center	<input type="checkbox"/> <input type="checkbox"/> Primary Care Clinic
<input type="checkbox"/> <input type="checkbox"/> Hospital Affiliate	<input checked="" type="checkbox"/> <input type="checkbox"/> Other (specify): Operating Division	

SECTION III. EXPENDITURE INFORMATION

- a. Estimated Total Project Cost: **\$245 million**
- b. Please provide the following breakdown as appropriate: (may not represent the aggregate shown above)

Medical Equipment Purchases	
Major Medical Equipment Purchases	
Non-Medical Equipment Purchases*	
Land/Building/Asset Purchases	
Construction/Renovation	
Other (Non-Construction) Specify: _____	
Total Capital Expenditure	
Medical Equipment - Fair Market Value of Leases	
Major Medical Equipment - Fair Market Value of Leases	
Non-Medical Equipment - Fair Market Value of Leases*	
Fair Market Value of Space –Capital Leases Only	
Total Capital Cost	
Total Project Cost	
Capitalized Financing Costs (Informational Purpose Only)	

* Provide an itemized list of all non-medical equipment to be purchase and leased.

See Project Description, FN 2.

Major Medical and/or Imaging Equipment Acquisition:

Equipment Type	Name	Model	Number of Units	Cost per unit

Note: Provide copy of the vendor contract or quotation for the medical equipment.

Not applicable.

c. Check each applicable financing method or funding source to be used for the proposal:

- | | | |
|---|--|---|
| <input checked="" type="checkbox"/> Petitioner's Equity | <input type="checkbox"/> Capital Lease | <input checked="" type="checkbox"/> Conventional Loan |
| <input type="checkbox"/> Charitable Contributions | <input type="checkbox"/> Operating Lease | <input type="checkbox"/> CHEFA Financing |
| <input type="checkbox"/> Funded Depreciation | <input type="checkbox"/> Grant Funding | <input type="checkbox"/> Other (specify): _____ |

SECTION IV. PROPOSAL DESCRIPTION

Please provide a description of the proposed project, highlighting each of its important aspects, on at least one, but not more than two separate 8.5" X 11" sheets of paper. At a minimum each of the following elements need to be addressed, if applicable.

1. Identify the types of services currently provided. If applicable, provide a copy of each Department of Public Health license held by the Petitioner.
2. Identify the types of services that are being proposed and what DPH licensure categories will be sought, if applicable?
3. Identify the current population served and the target population to be served.
4. Identify the entity that will be providing the service(s).
5. Identify the entity that will be responsible for the billing of the service(s) relating to this proposal.
6. Identify the entity that owns/leases or will own/lease the physical space of the proposed equipment/service?
7. If there is more than one entity involved in this proposal, please provide copies of any and all existing or proposed contracts or written agreements entered between the two entities that relate to the proposal.
8. Provide a list that identifies the name of each petitioning or affiliate entity involved with this proposal.
9. Provide a copy of the chart of organization for each individual petitioning entity or affiliate and a corporate chart of organization, if applicable.
10. Provide a narrative that addresses the relationship of each petitioning or affiliate entity with the other entities involved with this proposal.
11. Who are the current payers of this service and identify any anticipated payer changes when the proposed project becomes operational?

PROJECT DESCRIPTION

HealthSouth Corporation is a Delaware corporation headquartered in Birmingham, Alabama. Through the subsidiaries of its Outpatient Rehabilitation Division, HealthSouth owns and operates approximately six hundred (600) outpatient rehabilitation centers throughout the United States. Thirty-five (35) of these centers are located in Connecticut. The centers offer comprehensive outpatient rehabilitative care for general orthopedic and sports injuries and conditions, as well as work-related injuries. Attached hereto as Exhibit A is a list of the HealthSouth outpatient centers within Connecticut, their locations, current ownership information, and the types of rehabilitation services provided.

Historically, the outpatient rehabilitation centers owned and operated by HealthSouth subsidiaries in Connecticut have not been subject to CON review because they have not been considered healthcare facilities or institutions as those terms are defined in the OHCA statutes. These outpatient rehabilitation centers are not licensed by the State of Connecticut Department of Public Health.

HealthSouth Corporation is comprised of operating divisions that govern the provision of specific healthcare services nationwide. These include the Inpatient Rehabilitation Division; the Outpatient Rehabilitation Division; the Ambulatory Surgery Division; and the Diagnostic Imaging Division. Each division has its own president and management structure and operates independent of the other divisions within HealthSouth. The Outpatient Rehabilitation Division, through its operating subsidiaries, provides rehabilitative care services at centers in Connecticut. As previously noted, these centers are not licensed by DPH and have not in the past been subject to CON review. The Ambulatory Surgery Division, through different HealthSouth subsidiaries, operates four (4) ambulatory surgical facilities in the state. The subsidiaries that own these facilities are both licensed and subject to OHCA jurisdiction. Note that none of the outpatient rehabilitation centers operates in conjunction with a HealthSouth ambulatory surgical facility. Moreover, neither the Inpatient Rehabilitation Division nor the Diagnostic Imaging Division provides any services in Connecticut.

HealthSouth Corporation recently entered into an agreement to sell its entire Outpatient Rehabilitation Division to Select Medical Corporation, Inc., a Delaware corporation headquartered in Mechanicsburg, Pennsylvania, in a transaction valued at \$245 million.^{1 2} Select Medical Corporation currently operates approximately five hundred and fifty (550) outpatient rehabilitation facilities nationwide.

The structure of the transaction for the proposed sale of the Outpatient Rehabilitation Division is as follows:

- Each HealthSouth outpatient rehabilitation center is owned by one of the following operating entities: (1) Advantage Rehabilitation Clinics, Inc.; (2) PTSMA, Inc.; (3) Professional Sports Care Management, Inc.; (4) Madison Rehabilitation Center, Inc.; or (5) HealthSouth Rehabilitation Center of Connecticut, LP.

¹ Note that this is the capital expenditure associated with the sale of the entire Outpatient Rehabilitation Division. It is impossible for Petitioners to estimate the value of the Connecticut practices relative to the total purchase price.

² HealthSouth also announced recently the sale of its Ambulatory Surgery Division to TPG, Inc. That sale is not the subject of this CON Determination request. A separate Letter of Intent for that proposal will be filed with OHCA in the near future.

- For those clinics owned by Advantage Rehabilitation Clinics, Inc. (Organizational charts reflecting ownership before and after the transaction are attached hereto as Tab 1 of Exhibit B):
 - Advantage Health Corporation, the parent of Advantage Rehabilitation Clinics, Inc. will transfer one hundred percent (100%) of the stock of Advantage Rehabilitation Clinics, Inc. to HealthSouth Holdings, Inc.
 - Select Medical Corporation will acquire one hundred percent (100%) of the stock of HealthSouth Holdings, Inc.
- For those clinics owned by PTSMA, Inc. (Organizational charts reflecting ownership before and after the transaction are attached hereto as Tab 2 of Exhibit B):
 - PTSMA, Inc. is a wholly owned subsidiary of Advantage Rehabilitation Clinics, Inc.
 - As noted above, one hundred percent (100%) of the stock of Advantage Rehabilitation Clinics, Inc. will be transferred to HealthSouth Holdings, Inc.
 - Select Medical Corporation will acquire one hundred percent (100%) of the stock of HealthSouth Holdings, Inc.
- For those clinics owned by Professional Sports Care Management, Inc. (Organizational charts reflecting ownership before and after the transaction are attached hereto as Tab 3 of Exhibit B):
 - Professional Sports Care Management, Inc. is a wholly owned subsidiary of HealthSouth Corporation.
 - HealthSouth Corporation will transfer one hundred percent (100%) of the stock of Professional Sports Care Management, Inc. to HealthSouth Holdings, Inc.
 - Select Medical Corporation will acquire one hundred percent (100%) of the stock of HealthSouth Holdings, Inc.
- For the clinic owned by Madison Rehabilitation Center, Inc. (Organizational charts reflecting ownership before and after the transaction are attached hereto as Tab 4 of Exhibit B):
 - HealthSouth Holdings, Inc. already owns one hundred percent (100%) of the stock of Madison Rehabilitation Center, Inc.
 - Select Medical Corporation will acquire one hundred percent (100%) of the stock of HealthSouth Holdings, Inc.
- For the clinic owned by HealthSouth Rehabilitation Center of Connecticut, LP (Organizational charts reflecting ownership before and after the transaction are attached hereto as Tab 5 of Exhibit B):
 - HealthSouth Corporation owns ninety-five percent (95%) of the interests of HealthSouth Rehabilitation Center of Connecticut, LP. HealthSouth Real Property Holdings Corporation owns the remaining five percent (5%).
 - Ninety-five percent (95%) of the interests of HealthSouth Rehabilitation Center of Connecticut, LP will be transferred to HealthSouth Holdings, Inc. by HealthSouth Corporation.
 - One percent (1%) of the interests of HealthSouth Rehabilitation Center of Connecticut, LP will then be transferred by HealthSouth Holdings, Inc. to HealthSouth Network Services, Inc., a wholly owned subsidiary of HealthSouth Corporation, in the form of a limited partnership interest.
 - The remaining five percent (5%) of the interests of HealthSouth Rehabilitation Center of Connecticut, LP will be transferred to HealthSouth Holdings, Inc. by HealthSouth Real Property Holdings Corporation.
 - One hundred percent (100%) of the stock of HealthSouth Network Services, Inc. (which includes its 1% interest in HealthSouth Rehabilitation Center of Connecticut, LP) will be transferred to HealthSouth Holdings, Inc.
 - Select Medical Corporation will acquire one hundred percent (100%) of the stock of HealthSouth Holdings, Inc.

Ownership will change at the parent level only (HealthSouth Holdings, Inc.³), with the operating entities remaining the same. Each center will maintain its current federal tax identification number. The Petitioners have confirmed with various Regional Offices of the Center for Medicare & Medicaid Services that this transaction does not constitute a change of ownership for Medicare purposes.

Like other outpatient rehabilitation practices, the HealthSouth centers have traditionally not been subject to CON review for changes of ownership, addition/termination of services, capital expenditures in excess of statutory thresholds, and the like. In 1999, OHCA reviewed the acquisitions of certain of these centers, specifically to determine whether CON approval was required for the transactions. OHCA did not require HealthSouth to obtain a CON for any of the twenty-six (26) centers acquired between 1996 and 1999, nor did it require CON approval for the acquisition/establishment of nine (9) additional centers between 2000 and 2005.

After the proposed transaction is complete, Select Medical Corporation intends to maintain each of the outpatient rehabilitation centers at its current location, providing the same suite of services to the same population served by the centers under HealthSouth's ownership, with the services provided by existing staff. Licensure by the Department of Public Health will not be required. The entities that currently bill for services will continue to do so. These entities will also continue to hold all leases relative to the operation of the various clinics. Payers for services include: Private pay, Medicare, Medicare Managed Care, Medicaid, traditional indemnity insurance, and HMOs, and will not change with the transfer of stock to Select Medical Corporation.

³ Note that HealthSouth Holdings, Inc. does not hold an interest in any of the HealthSouth ambulatory surgical facilities located in Connecticut or any other state.

SECTION V. AFFIDAVIT

To be completed by each Petitioner

Petitioner: HealthSouth Corporation

Project Title: Sale of Outpatient Rehabilitation Division of HealthSouth Corporation to Select Medical Corporation

I, DIANE L. MUNSON, President O.P. Division
(Name) (Position – CEO or CFO)

of HealthSouth Corporation being duly sworn, depose and state that the
(Organization Name)

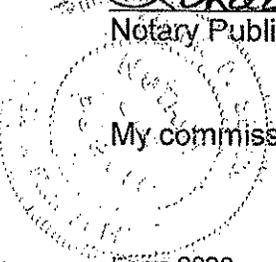
information provided in this CON Determination form is true and accurate to the best of my knowledge, and that HealthSouth complies with the appropriate
(Facility Name)

and applicable criteria as set forth in the Sections 19a-630, 19a-637, 19a-638, 19a-639, 19a-486 and/or 4-181 of the Connecticut General Statutes.

Diane L. Munson 4-3-07
Signature Date

Subscribed and sworn to before me on April 3, 2007

Linda D. Smith
Notary Public/Commissioner of Superior Court



My commission expires: NOTARY PUBLIC STATE OF ALABAMA AT LARGE
MY COMMISSION EXPIRES: May 3, 2010
BONDED THRU NOTARY PUBLIC UNDERWRITERS

RECEIVED
2007 APR -9 PM 2:11
CONNECTICUT OFFICE OF HEALTH CARE ACCESS

SECTION V. AFFIDAVIT

To be completed by each Petitioner

Petitioner: Select Medical Corporation

Project Title: Sale of Outpatient Rehabilitation Division of HealthSouth Corporation to Select Medical Corporation

I, John F. Duggan Senior Vice President
(Name) (Position – CEO or CFO)

of Select Medical Corporation being duly sworn, depose and state that the
(Organization Name)

information provided in this CON Determination form is true and accurate to the best of my knowledge, and that HealthSouth complies with the appropriate
(Facility Name)

and applicable criteria as set forth in the Sections 19a-630, 19a-637, 19a-638, 19a-639, 19a-486 and/or 4-181 of the Connecticut General Statutes.

John F. Duggan
Signature

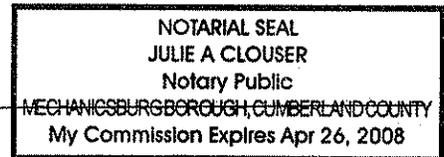
4-3-2007
Date

2007 APR - 9 PM 2:11
COMPUTER GENERATED
HEALTHCARE ADDRESS

RECEIVED

Subscribed and sworn to before me on April 3, 2007

Julie A. Clouser
Notary Public/Commissioner of Superior Court



My commission expires: 4-26-2008

Exhibit A

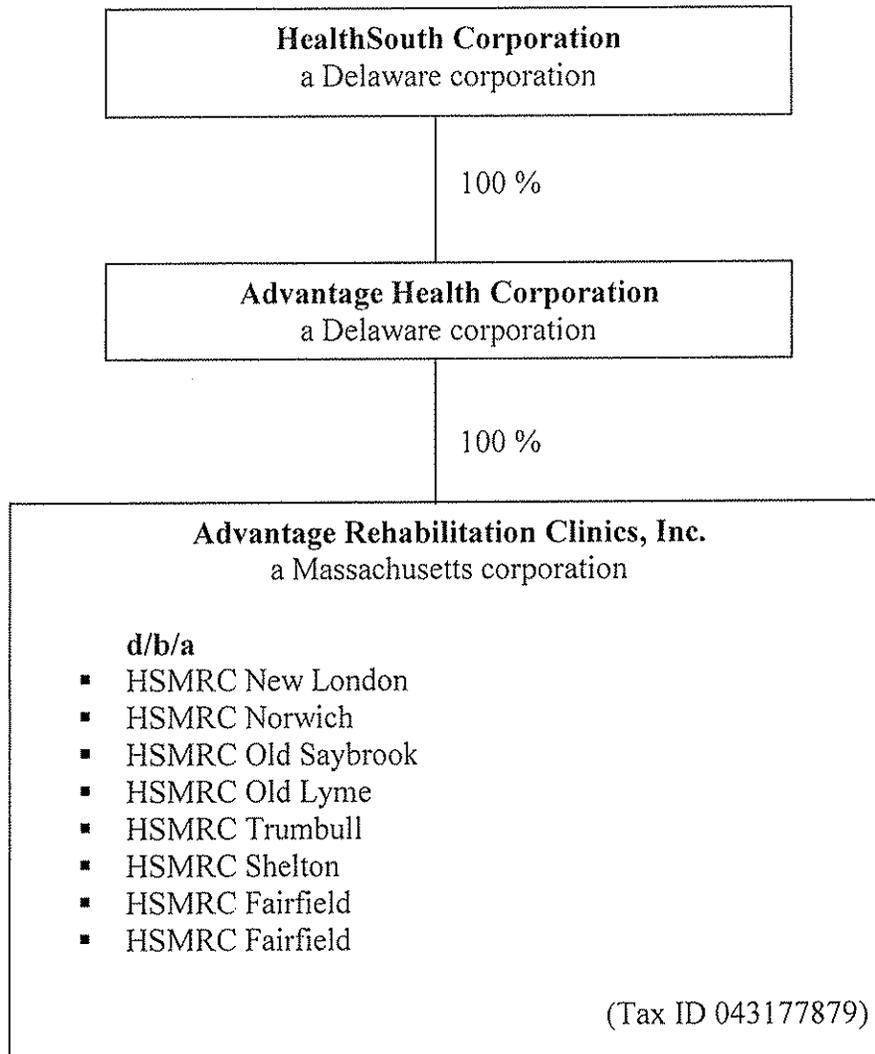
<u>Entity Name</u>	<u>Owner</u>	<u>Address</u>	<u>Services</u>
HealthSouth Sports Medicine & Rehabilitation Center, Madison	Madison Rehabilitation Center, Inc.	Oak Park Professional Complex, 141 Durham Road, Suite 14, Madison, CT 06443	Arthritis, conservative back, FCE, foot & ankle, functional bracing, geriatric, hand & upper ext, industrial, job site analysis, PT, social worker, spine, sports & general ortho, TMJ, work conditioning, work hardening
HealthSouth Sports Medicine & Rehabilitation Center, Storrs	HealthSouth Rehabilitation Center of Connecticut Limited Partnership	13 B Dog Lane, Storrs, CT 06268	Arthritis, conservative back, foot & ankle, functional bracing, geriatric, hand & upper ext, industrial, PT, spine, sports & general ortho, work conditioning
HealthSouth Sports Medicine & Rehabilitation Center, New London	Advantage Rehabilitation Clinics, Inc.	668 Bank Street, New London, CT 06320	Arthritis, conservative back, FCE, foot & ankle, functional bracing, hand & upper ext, industrial, job site analysis, OT, pool therapy, PT, spine, sports & general ortho, TMJ, work conditioning
HealthSouth Sports Medicine & Rehabilitation Center, Norwich	Advantage Rehabilitation Clinics, Inc.	1 Towne Park Plaza, Norwich, CT 06360	Arthritis, conservative back, FCE, foot & ankle, functional bracing, geriatric, hand & upper ext, industrial, OT, PT, spine, sports & general ortho, work conditioning, work hardening
HealthSouth Sports Medicine & Rehabilitation Center, Old Saybrook	Advantage Rehabilitation Clinics, Inc.	929 Boston Post Road, Old Saybrook, CT 06475	Arthritis, conservative back, FCE, foot & ankle, functional bracing, geriatric, hand & upper ext, pool therapy, PT, social worker, spine, sports & general ortho
HealthSouth Sports Medicine & Rehabilitation Center, Old Lyme	Advantage Rehabilitation Clinics, Inc.	6 Davis Road, Old Lyme, CT 06371	Arthritis, conservative back, foot & ankle, functional bracing, geriatric, hand & upper ext, industrial, pool therapy, PT, spine, sports & general ortho
HealthSouth Sports Medicine & Rehabilitation Center, Trumbull	Advantage Rehabilitation Clinics, Inc.	115 Technology Drive, Suite B100, Trumbull, CT 06611	Conservative back, FCE, foot & ankle, hand & upper ext, OT, pool therapy, PT, spine, sports & general ortho, TMJ

HealthSouth Sports Medicine & Rehabilitation Center, Shelton	Advantage Rehabilitation Clinics, Inc.	100 Beard Saw Mill Road, Shelton, CT 06484	Arthritis, conservative back, foot & ankle, hand & upper ext, industrial, job site analysis, occupational medicine, OT, PT, spine, sports & general ortho, FCE
HealthSouth Sports Medicine & Spine Center, Fairfield	Advantage Rehabilitation Clinics, Inc.	1055 Post Road, Fairfield, CT 06430	Arthritis, conservative back, foot & ankle, hand & upper ext, industrial, OT, PT, spine, sports & general ortho, TMJ, work conditioning
HealthSouth Sports Medicine & Rehabilitation Center, Meriden	Professional Sports Care Management, Inc.	546 South Broad Street, Meriden, CT 06450	Arthritis, conservative back, FCE, foot & ankle, functional bracing, hand & upper ext, job site analysis, pool therapy, PT, spine, sports & general ortho, TMJ, work conditioning
HealthSouth Sports Medicine & Rehabilitation Center, Norwalk	Professional Sports Care Management, Inc.	40 Cross Street, Suite 110, Norwalk, CT 06851	Conservative back, foot & ankle, hand & upper ext, industrial, PT, spine, sports & general ortho
HealthSouth Sports Medicine & Rehabilitation Center, Danbury	Professional Sports Care Management, Inc.	73 Sand Pit, Suite 203, Danbury, CT 06810	Arthritis, conservative back, foot & ankle, geriatric, other (OP), PT, spine, sports & general ortho, hand & upper ext, work conditioning, industrial, functional bracing
HealthSouth Sports Medicine & Rehabilitation Center, New Milford	Professional Sports Care Management, Inc.	131 Kent Road, New Milford, CT 06776	Arthritis, conservative back, foot & ankle, functional bracing, hand & upper ext, PT, spine, sports & general ortho
HealthSouth Sports Medicine & Rehabilitation Center, Sharon	Professional Sports Care Management, Inc.	50 Amenia Road, Sharon, CT 06069	Hand & upper ext
HealthSouth Sports Medicine & Rehabilitation Center, West Hartford	PTSMA, Inc.	29 North Main Street, West Hartford, CT 06107	Arthritis, conservative back, FCE, foot & ankle, functional bracing, geriatric, hand & upper ext, industrial, OT, PT, spine, sports & general ortho, work conditioning

HealthSouth Sports Medicine & Rehabilitation Center, Middletown	PTSMA, Inc.	1000 Middle Street, Middletown, CT 06457	Arthritis, conservative back, foot & ankle, functional bracing, hand & upper ext, PT, spine, sports & general ortho
HealthSouth Sports Medicine & Rehabilitation Center, Bloomfield	PTSMA, Inc.	900 Cottage Grove Road, Bloomfield, CT 06002	Arthritis, conservative back, foot & ankle, functional bracing, hand & upper ext, PT, spine, sports & general ortho
HealthSouth Sports Medicine & Rehabilitation Center, Hartford	PTSMA, Inc.	151 Farmington Avenue, Hartford, CT 06156	Arthritis, conservative back, foot & ankle, functional bracing, hand & upper ext, PT, spine, sports & general ortho
HealthSouth Sports Medicine & Rehabilitation Center, Bloomfield	PTSMA, Inc.	510 Cottage Grove Road, Bloomfield, CT 06002	Arthritis, conservative back, foot & ankle, functional bracing, hand & upper ext, PT, spine, sports & general ortho
HEALTHSOUTH Sports Medicine & Rehabilitation Center of Enfield	PTSMA, Inc.	113 Elm Street, Enfield, CT 06082	Arthritis, conservative back, Arthritis, conservative back, FCE, foot & ankle, functional bracing, geriatric, hand & upper ext, PT, spine, sports & general ortho
HealthSouth Sports Medicine & Rehabilitation Center, East Hartford	PTSMA, Inc.	477 Connecticut Blvd., East Hartford, CT 06108	Arthritis, conservative back, FCE, foot & ankle, functional bracing, geriatric, hand & upper ext, industrial, OT, PT, speech, spine, sports & general ortho, work conditioning
HealthSouth Sports Medicine & Rehabilitation Center, Windsor	PTSMA, Inc.	150 Poquonock Avenue, Windsor, CT 06095	Arthritis, conservative back, FCE, foot & ankle, functional bracing, geriatric, hand & upper ext, industrial, OT, PT, spine, sports & general ortho, work conditioning
HealthSouth Sports Medicine & Rehabilitation Center, Manchester	PTSMA, Inc.	East Point Building, 360 Tolland Turnpike, Suite 2E, Manchester, CT 06045	Arthritis, conservative back, FCE, foot & ankle, functional bracing, geriatric, hand & upper ext, industrial, PT, spine, sports & general ortho, work conditioning

HealthSouth Sports Medicine & Rehabilitation Center, Glastonbury	PTSMA, Inc.	Glastonbury Professional Center, 131 New London Turnpike, Suite 321, Glastonbury, CT 06033	Arthritis, conservative back, FCE, foot & ankle, functional bracing, geriatric, hand & upper ext, industrial, OT, PT, spine, sports & general ortho, work conditioning
HealthSouth Newington	PTSMA, Inc.	505 Willard Avenue, Building # 1, Suite 1D, Newington, CT 06111	Arthritis, conservative back, foot & ankle, functional bracing, geriatric, hand & upper ext, PT, spine, sports & general ortho, TMJ
HealthSouth Sports Medicine & Rehabilitation Center, Bristol	PTSMA, Inc.	255 North Main Street, Bristol, CT 06010	Arthritis, conservative back, foot & ankle, geriatric, hand & upper ext, industrial, PT, spine, sports & general ortho, work conditioning
HealthSouth Sports Medicine & Rehabilitation Center, New Britain	PTSMA, Inc.	One Lake Street, New Britain, CT 06052	Arthritis, conservative back, FCE, foot & ankle, functional bracing, geriatric, hand & upper ext, industrial, OT, PT, spine, sports & general ortho, work conditioning
HealthSouth Sports Medicine & Rehabilitation Center, Plainville	PTSMA, Inc.	240 East Street, Suite C, Plainville, CT 06062	Arthritis, conservative back, foot & ankle, geriatric, hand & upper ext, industrial, PT, spine, sports & general ortho, work conditioning
HealthSouth Sports Medicine & Rehabilitation Center, Berlin	PTSMA, Inc.	211 New Britain Road, Suite 101, Berlin, CT 06037	Arthritis, conservative back, FCE, foot & ankle, functional bracing, geriatric, hand & upper ext, industrial, PT, spine, sports & general ortho, work conditioning
HealthSouth Sports Medicine & Rehabilitation Center, Farmington	PTSMA, Inc.	270 Farmington Avenue, Suite 174, Farmington, CT 06032	Arthritis, conservative back, foot & ankle, functional bracing, geriatric, hand & upper ext, industrial, job site analysis, OM, OT, pool therapy, PT, spine, sports & general ortho, work conditioning, work hardening, FCE
HealthSouth Sports Medicine & Rehabilitation Center, Avon	PTSMA, Inc.	34 Dale Road, Suite 203, Avon, CT 06001	Arthritis, conservative back, foot & ankle, functional bracing, geriatric, hand & upper ext, PT, spine, sports & general ortho

HealthSouth Sports Medicine & Rehabilitation Center, Simsbury	PTSMA, Inc.	255 Hopmeadow Street, Simsbury, CT 06089	Arthritis, conservative back, foot & ankle, functional bracing, geriatric, hand & upper ext, industrial, OT, PT, spine, sports & general ortho, work conditioning
HealthSouth Sports Medicine & Rehabilitation Center, East Granby	PTSMA, Inc.	13 Church Road, East Granby, CT 06026	PT
HealthSouth Sports Medicine & Rehabilitation Center, Fairfield	Advantage Rehabilitation Clinics, Inc.	75 Kings Highway Cut Off, 4 th Floor, Fairfield, CT 06824	PT, OT (hand only), industrial medicine, work conditioning, and aquatics
HealthSouth Sports Medicine & Rehabilitation Center, Trumbull	Professional Sports Care Management, Inc.	888 White Plains Road, Trumbull, CT 06611	Hand & upper ext, sports & general ortho

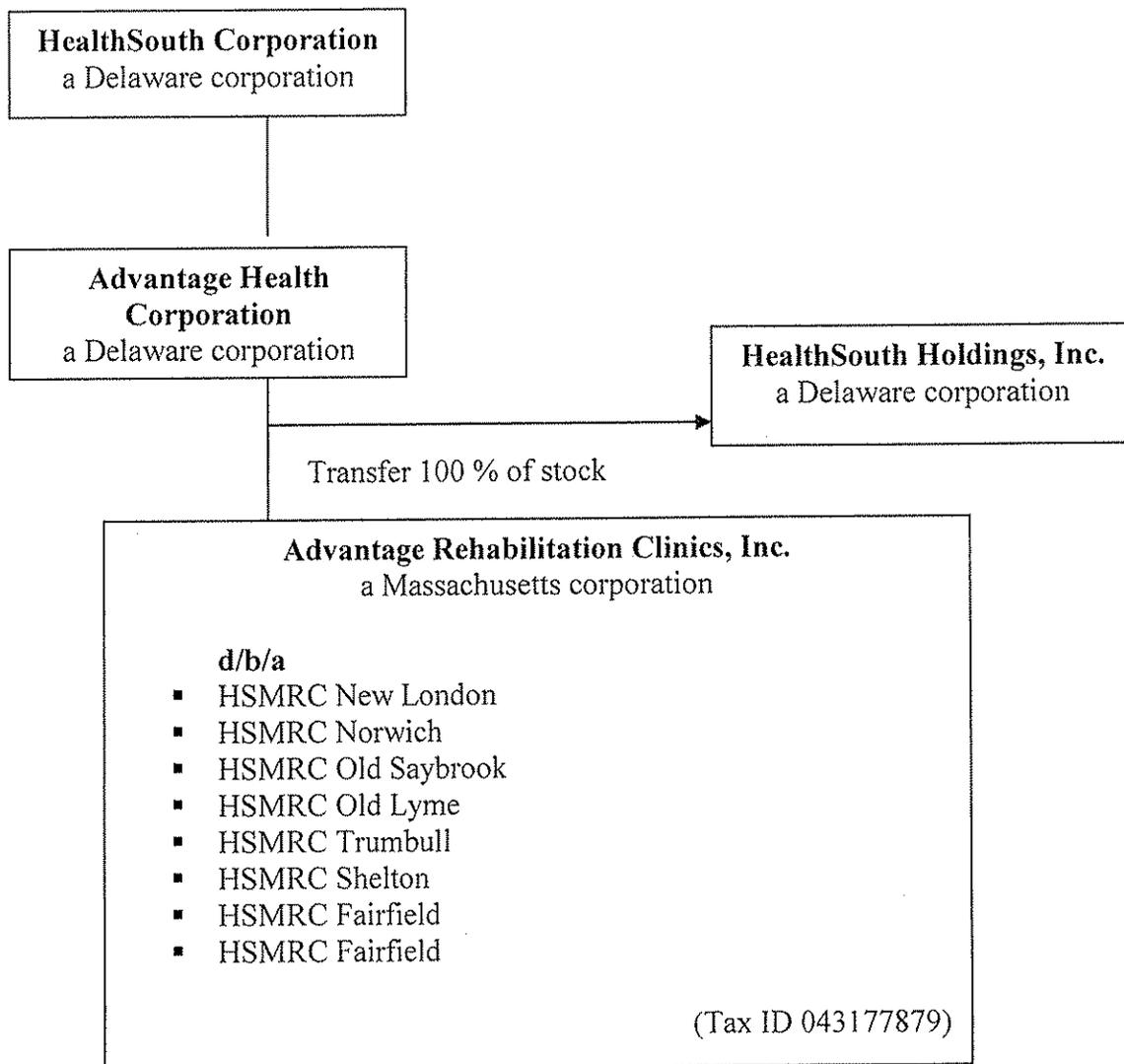
Exhibit B - Tab 1**Advantage Rehabilitation Clinics, Inc.****Pre-Sale Structure**

* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

Advantage Rehabilitation Clinics, Inc.

Structure of Sale

Part I

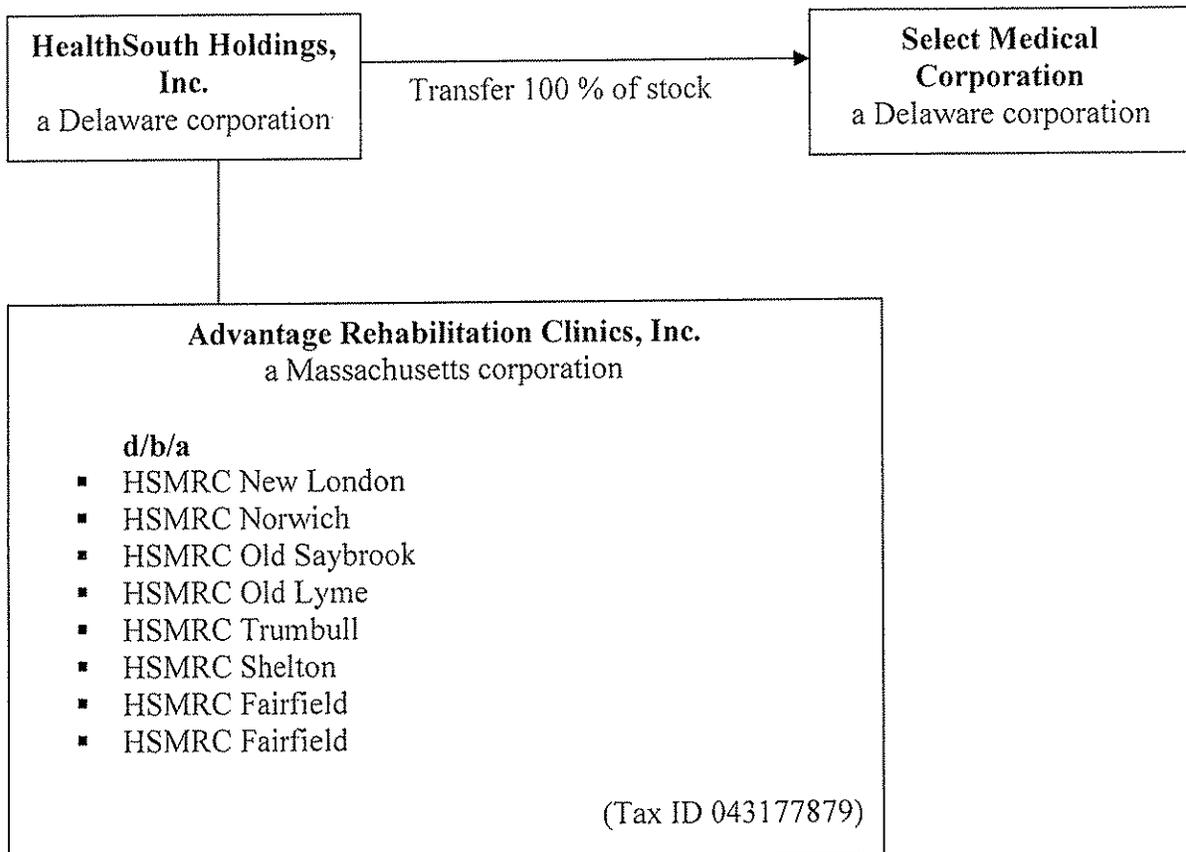


* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

Advantage Rehabilitation Clinics, Inc.

Structure of Sale

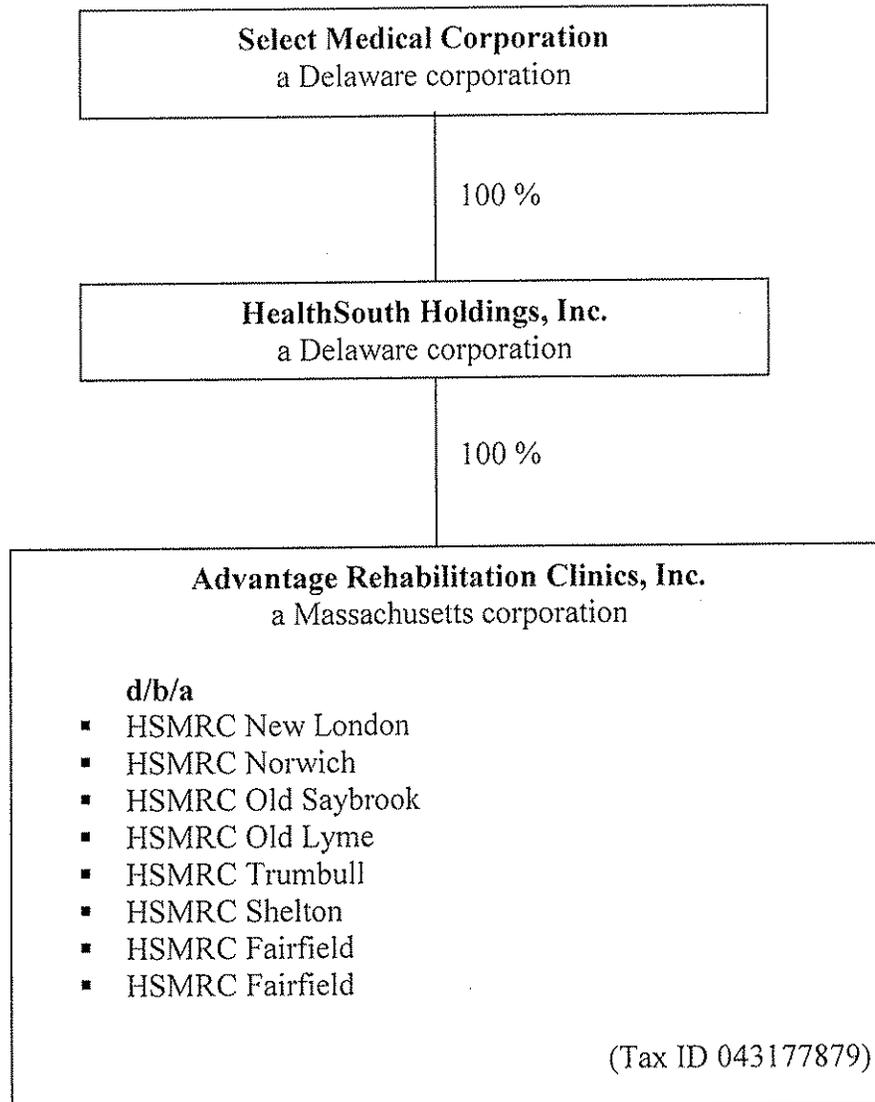
Part II



* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

Advantage Rehabilitation Clinics, Inc.

Post-Sale Structure

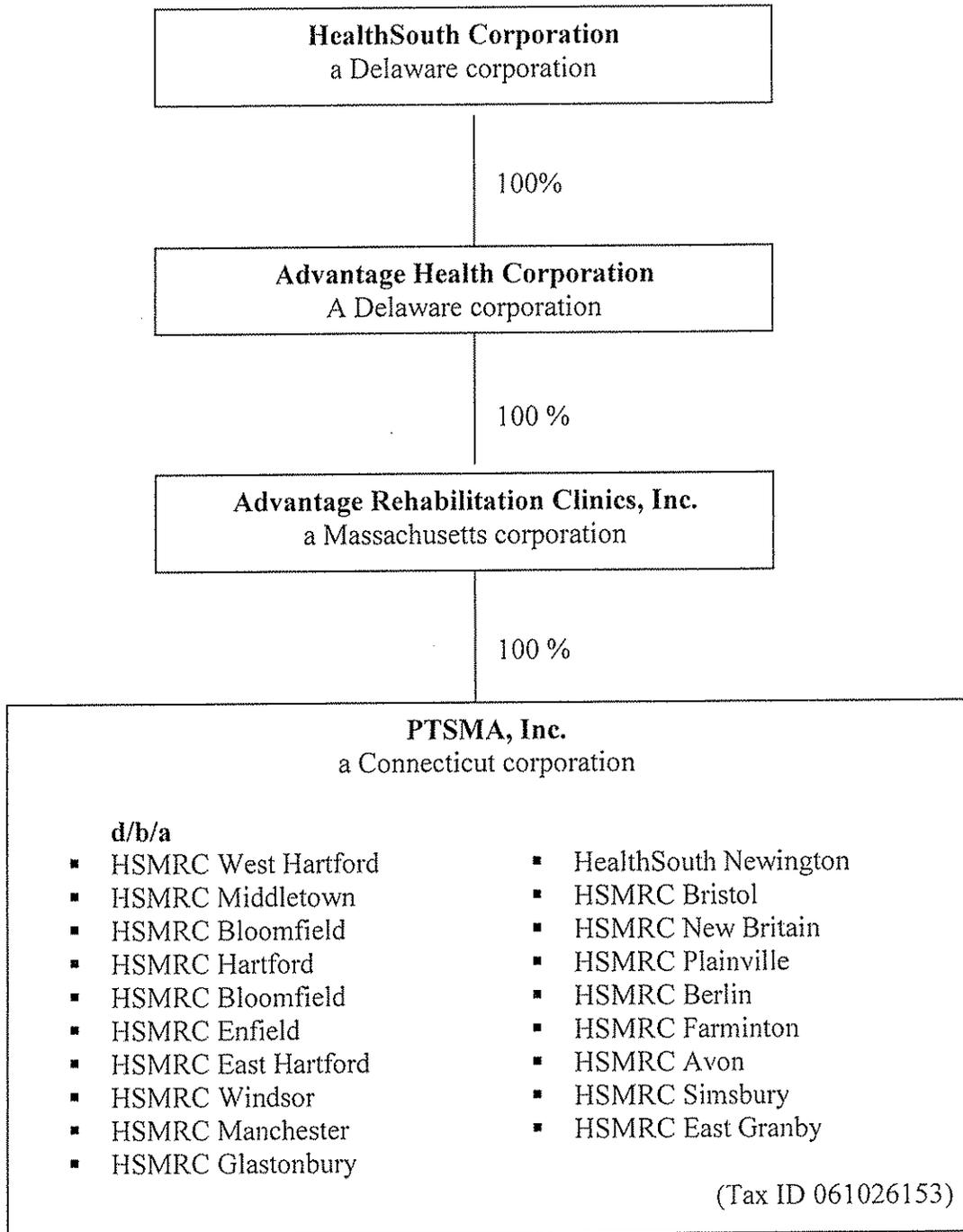


* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

Exhibit B - Tab 2

PTSMA, Inc.

Pre-Sale Structure

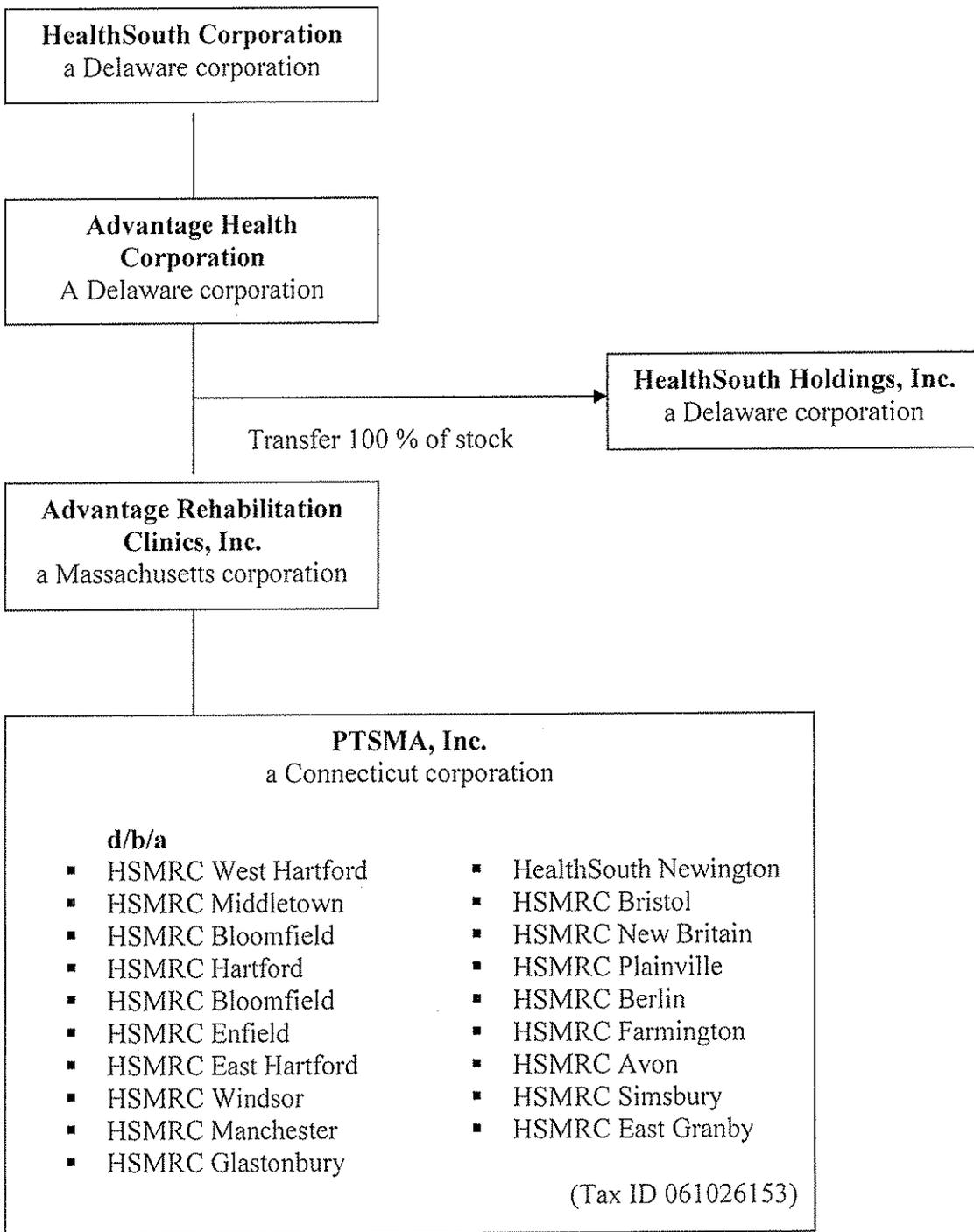


* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

PTSMA, Inc.

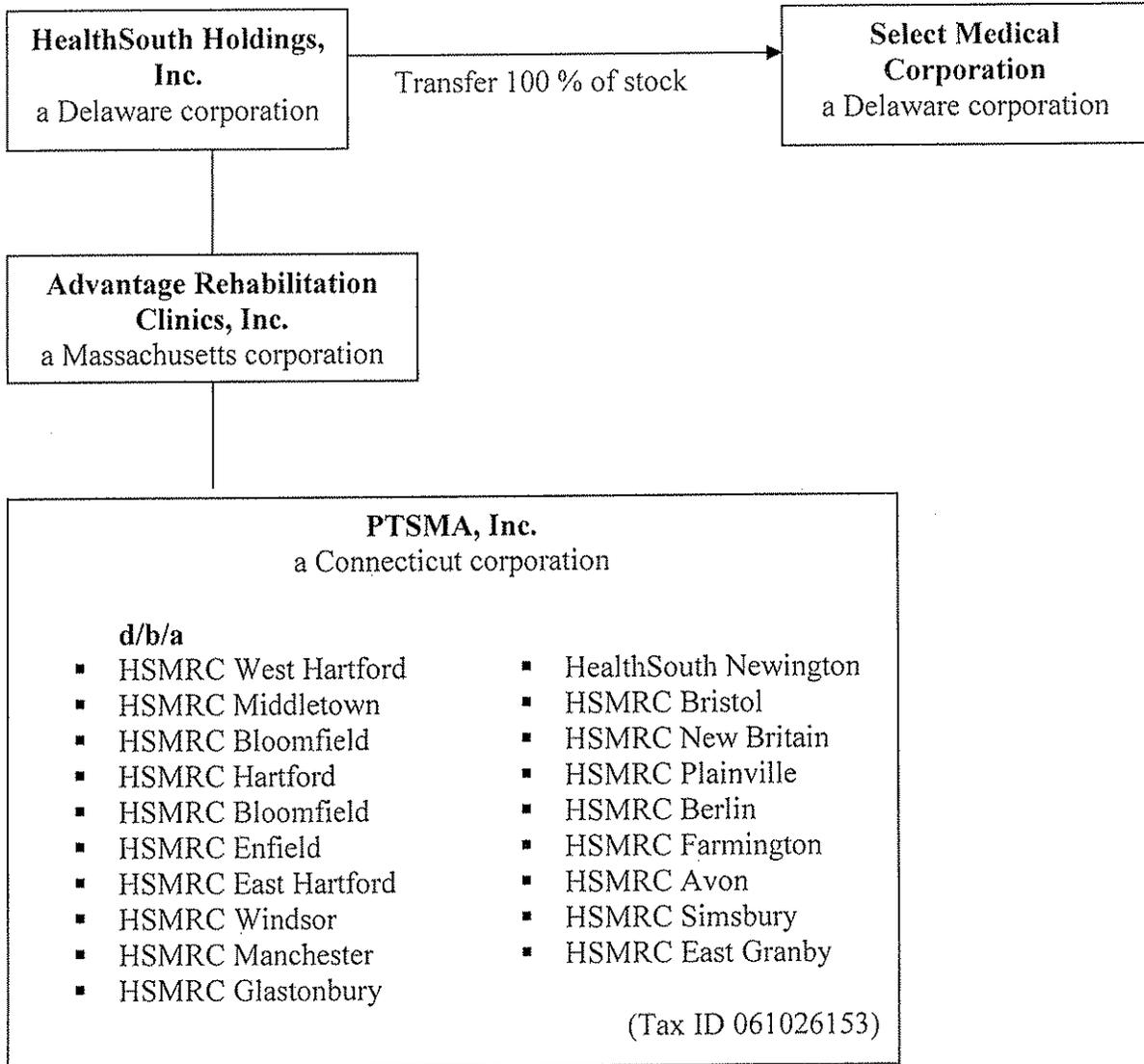
Structure of Sale

Part I



* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

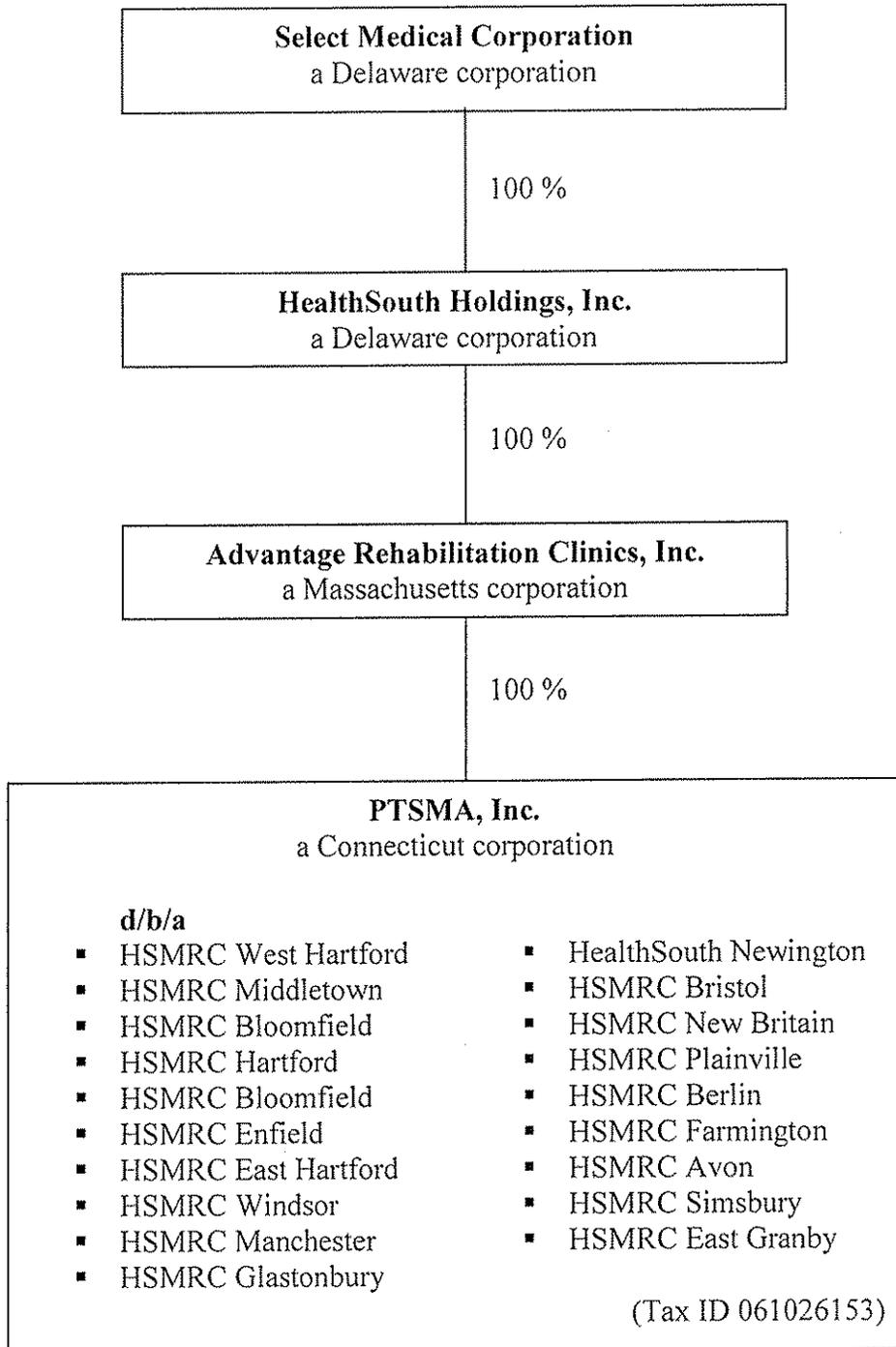
PTSMA, Inc.
Structure of Sale
Part II



* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

PTSMA, Inc.

Post-Sale Structure

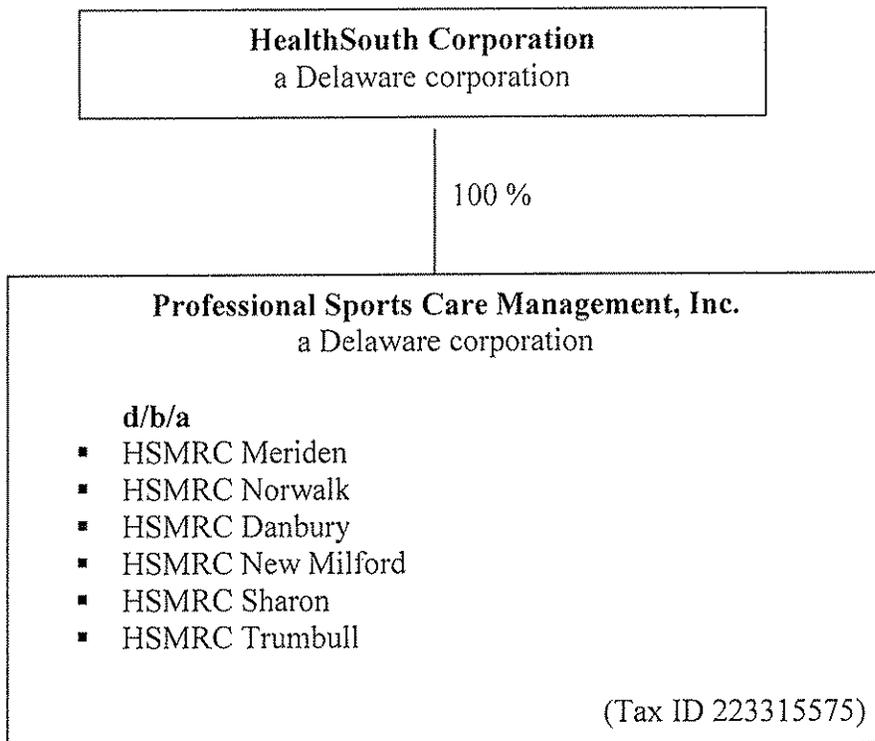


* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

Exhibit B - Tab 3

Professional Sports Care Management, Inc.

Pre-Sale Structure

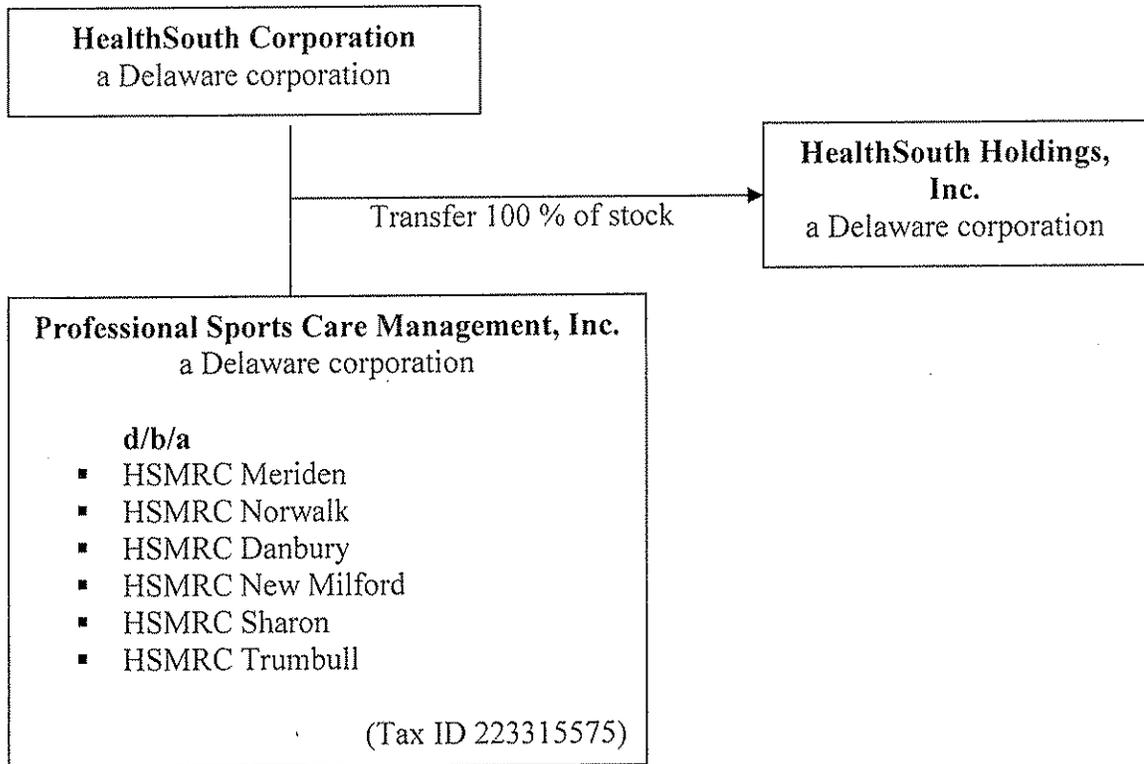


* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

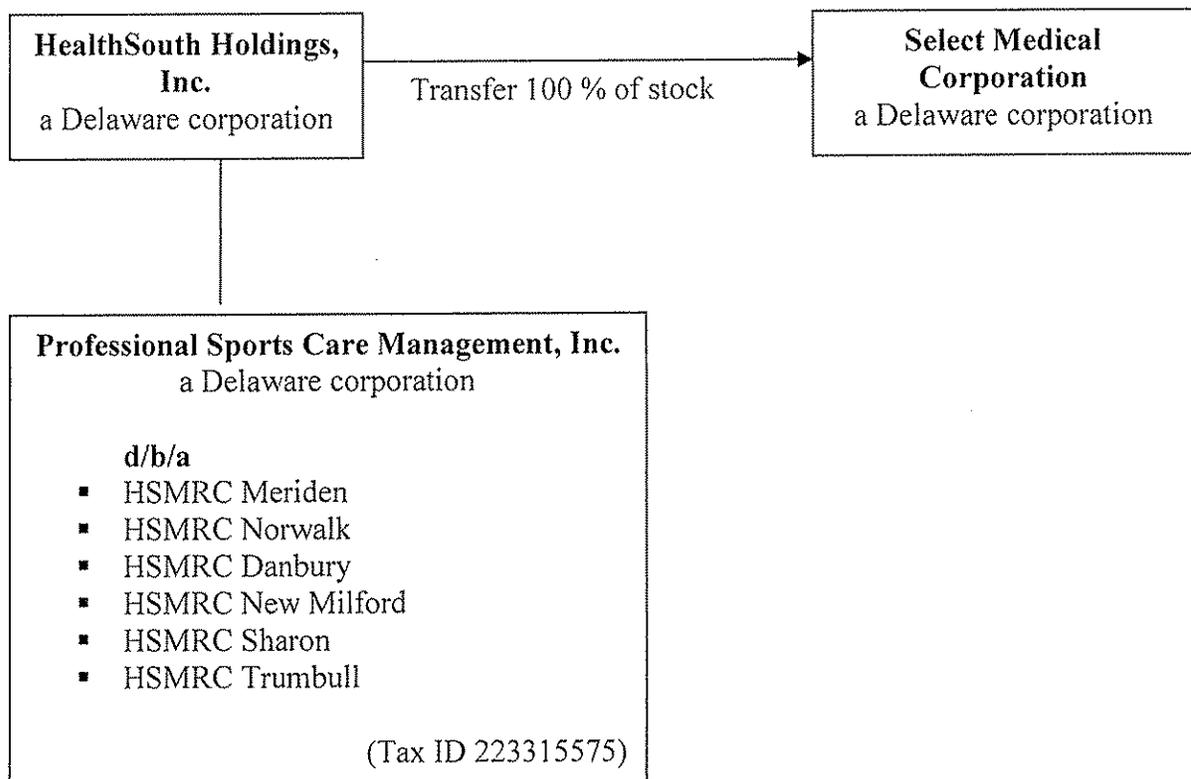
Professional Sports Care Management, Inc.

Structure of Sale

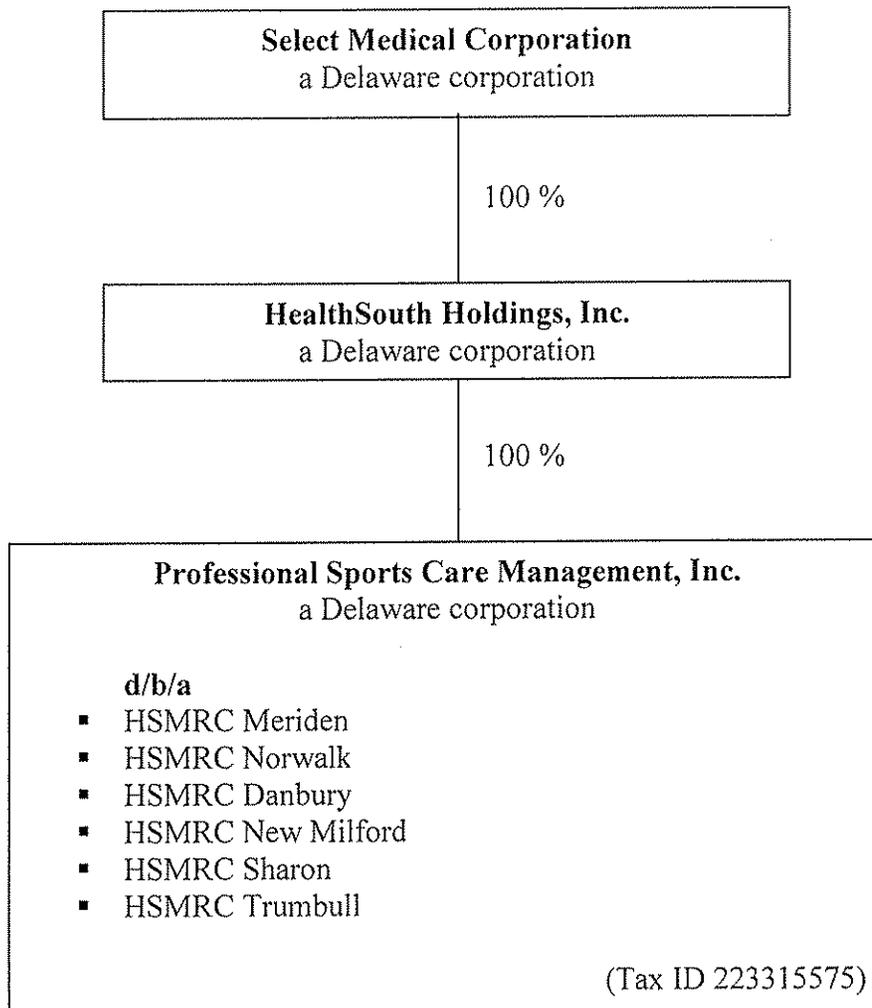
Part I



* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

Professional Sports Care Management, Inc.**Structure of Sale****Part II**

* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

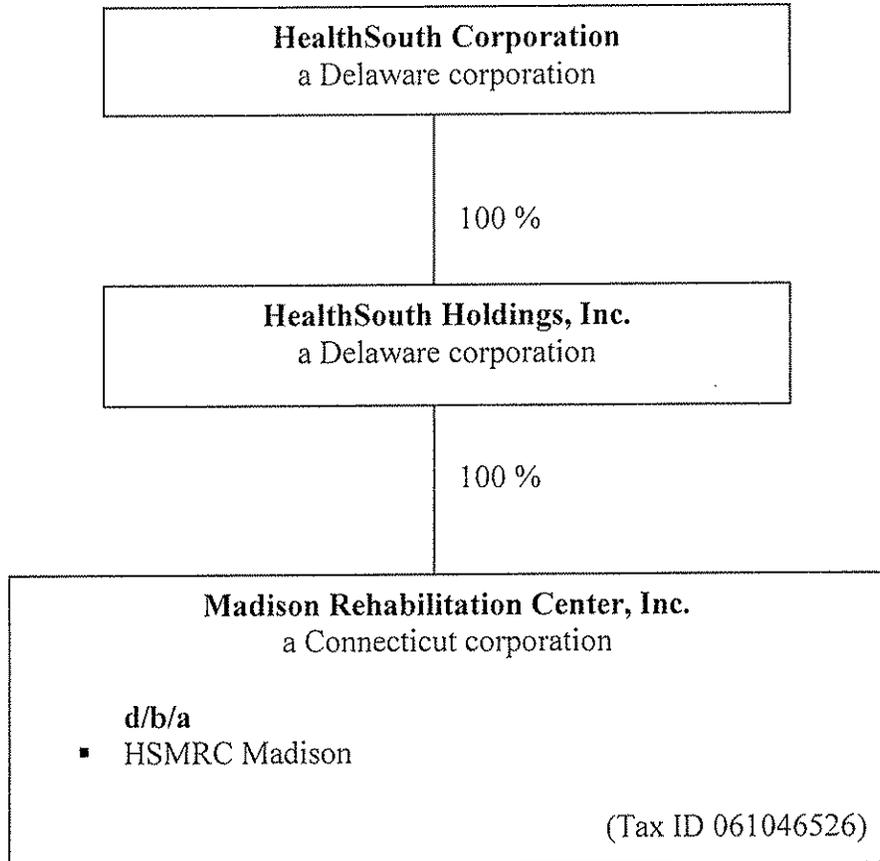
Professional Sports Care Management, Inc.**Post-Sale Structure**

* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

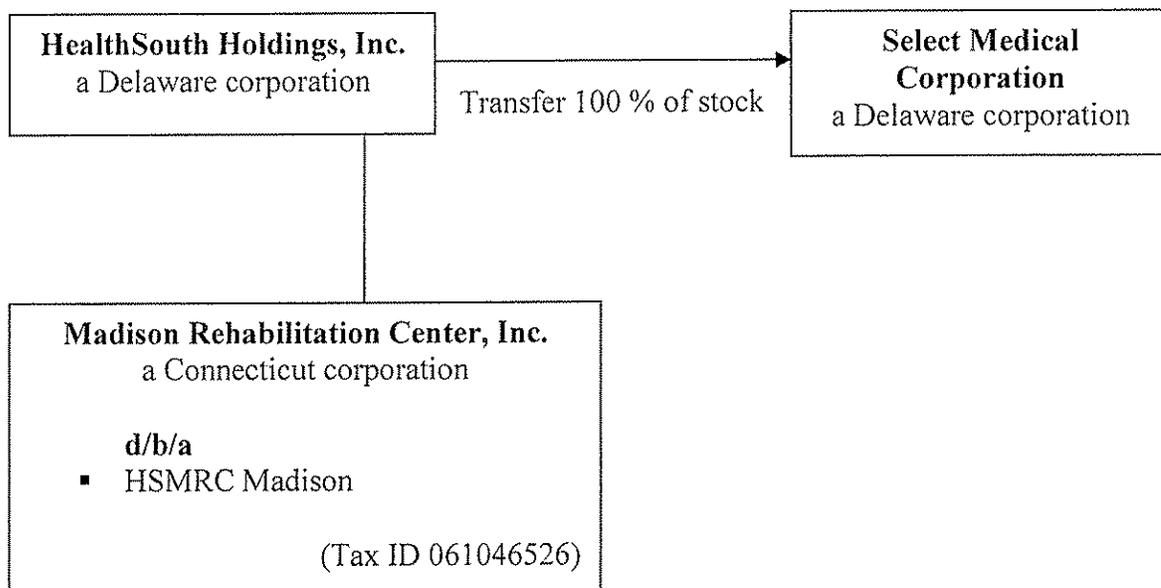
Exhibit B - Tab 4

Madison Rehabilitation Center, Inc.

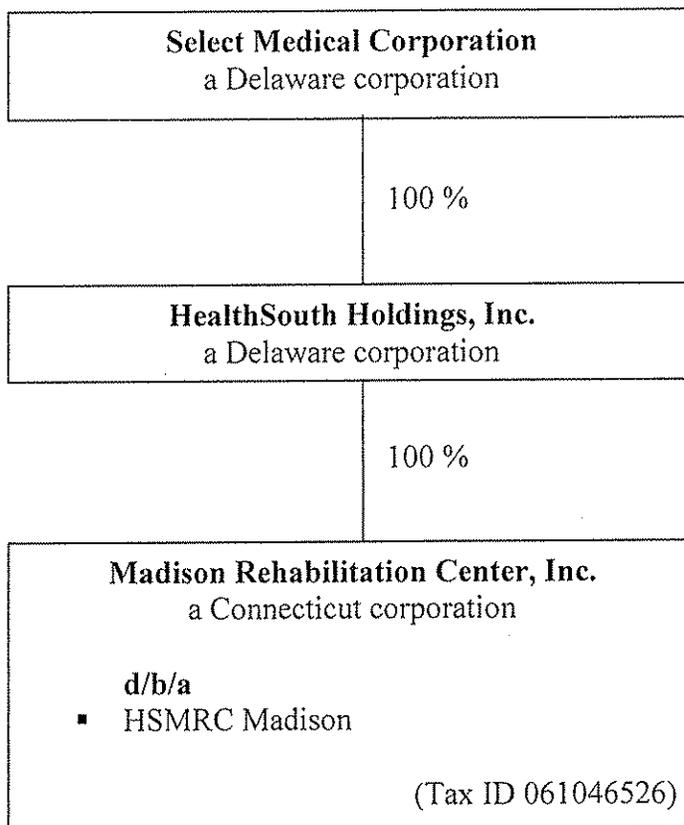
Pre-Sale Structure



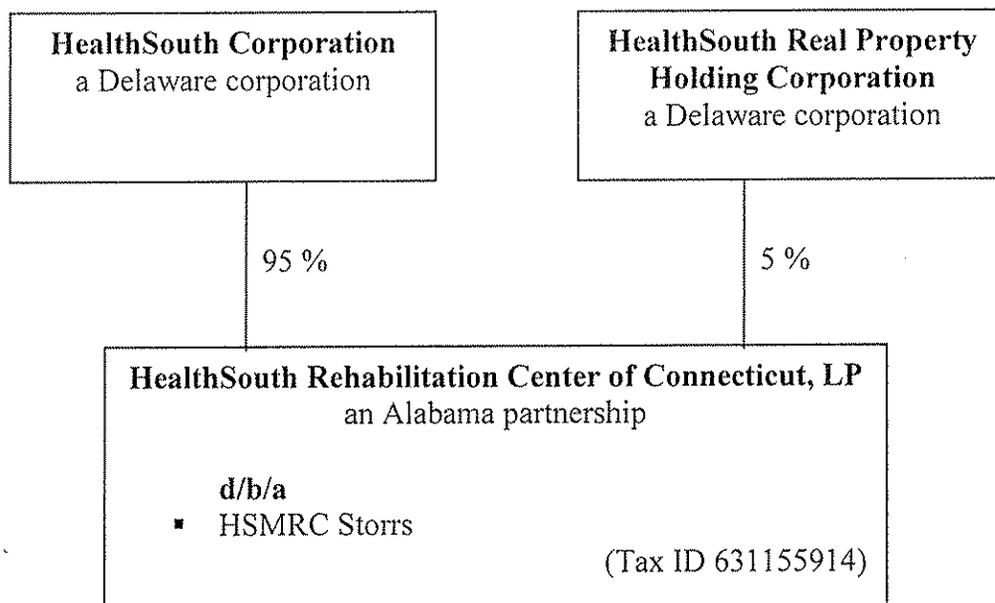
* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

Madison Rehabilitation Center, Inc.**Structure of Sale**

* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

Madison Rehabilitation Center, Inc.**Post-Sale Structure**

* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

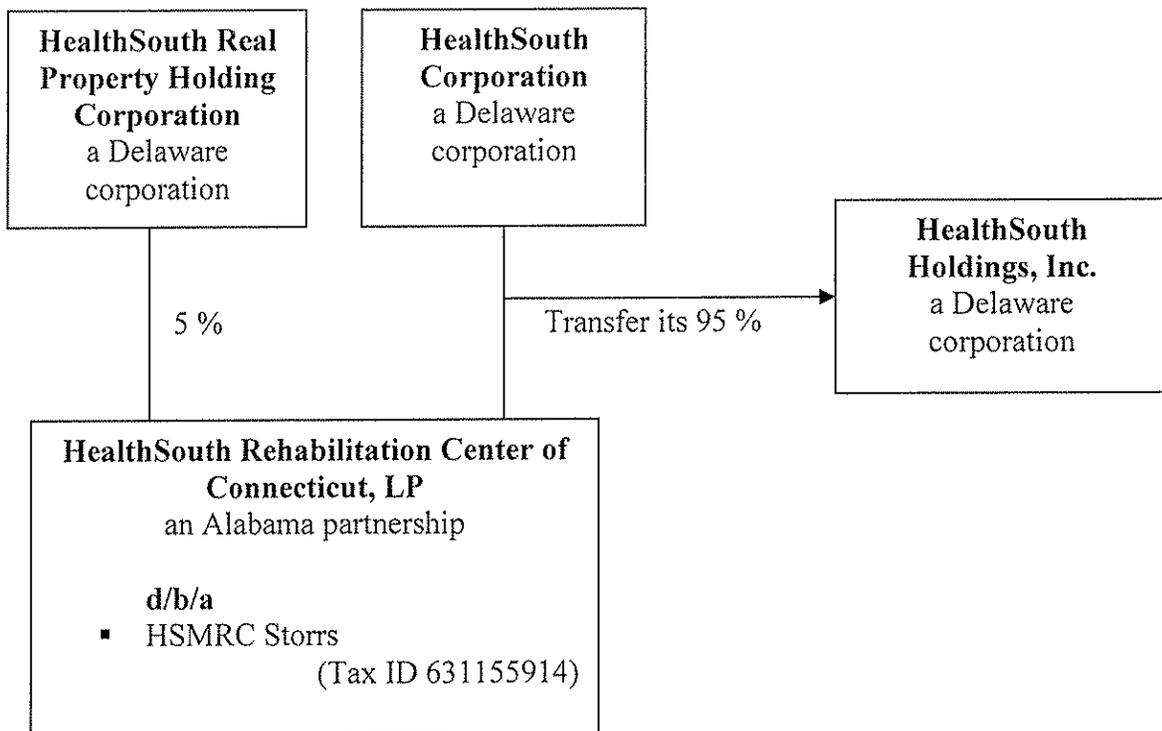
Exhibit B - Tab 5**HealthSouth Rehabilitation Center of Connecticut, LP****Pre-Sale Structure**

* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

HealthSouth Rehabilitation Center of Connecticut, LP

Structure of Sale

Part I

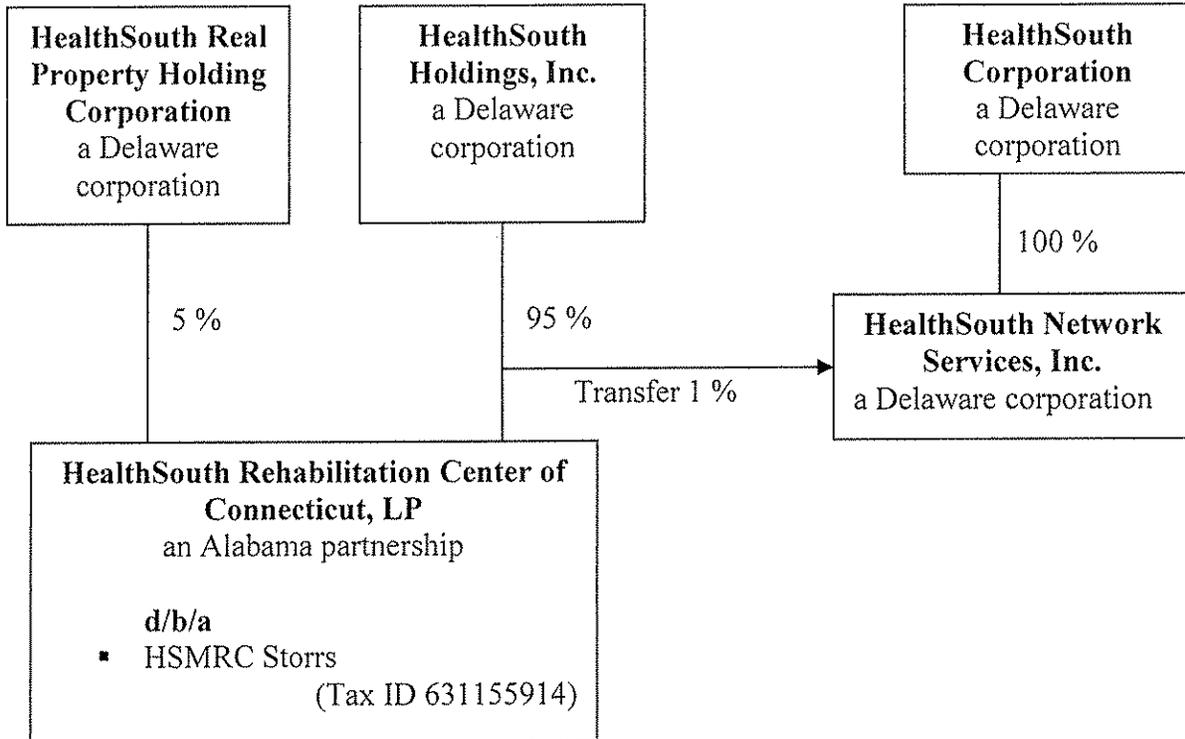


* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

HealthSouth Rehabilitation Center of Connecticut, LP

Structure of Sale

Part II

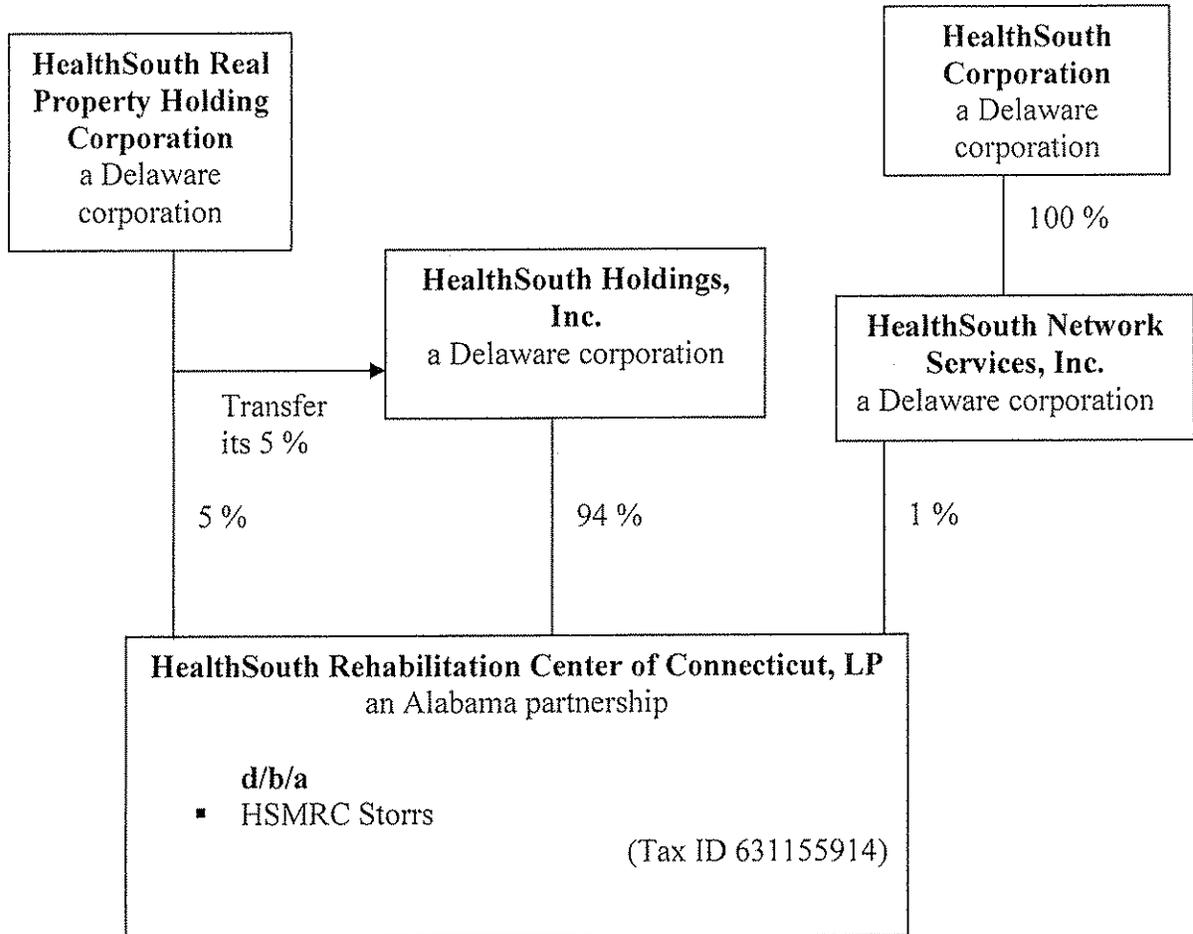


* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

HealthSouth Rehabilitation Center of Connecticut, LP

Structure of Sale

Part III

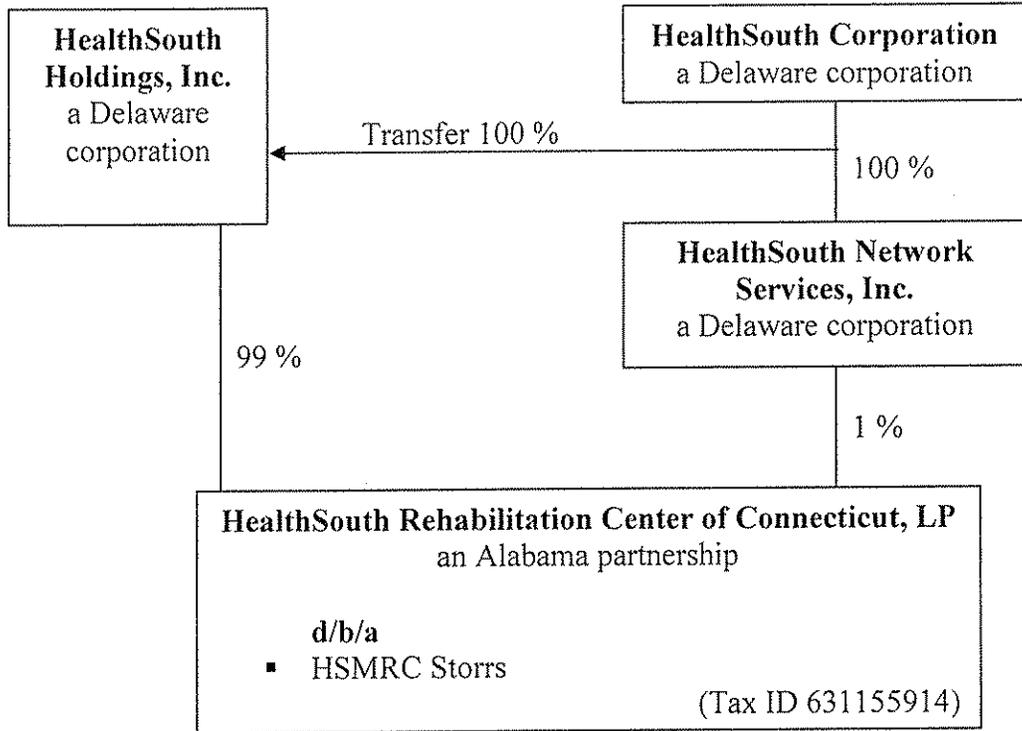


* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

HealthSouth Rehabilitation Center of Connecticut, LP

Structure of Sale

Part IV

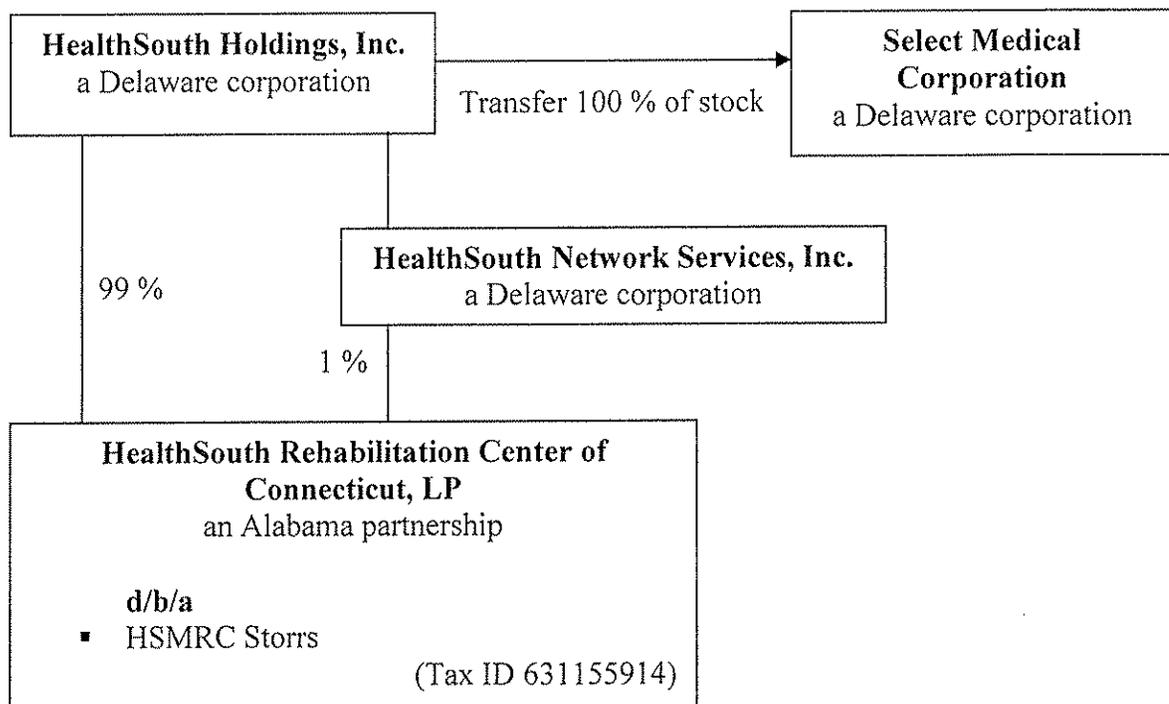


* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

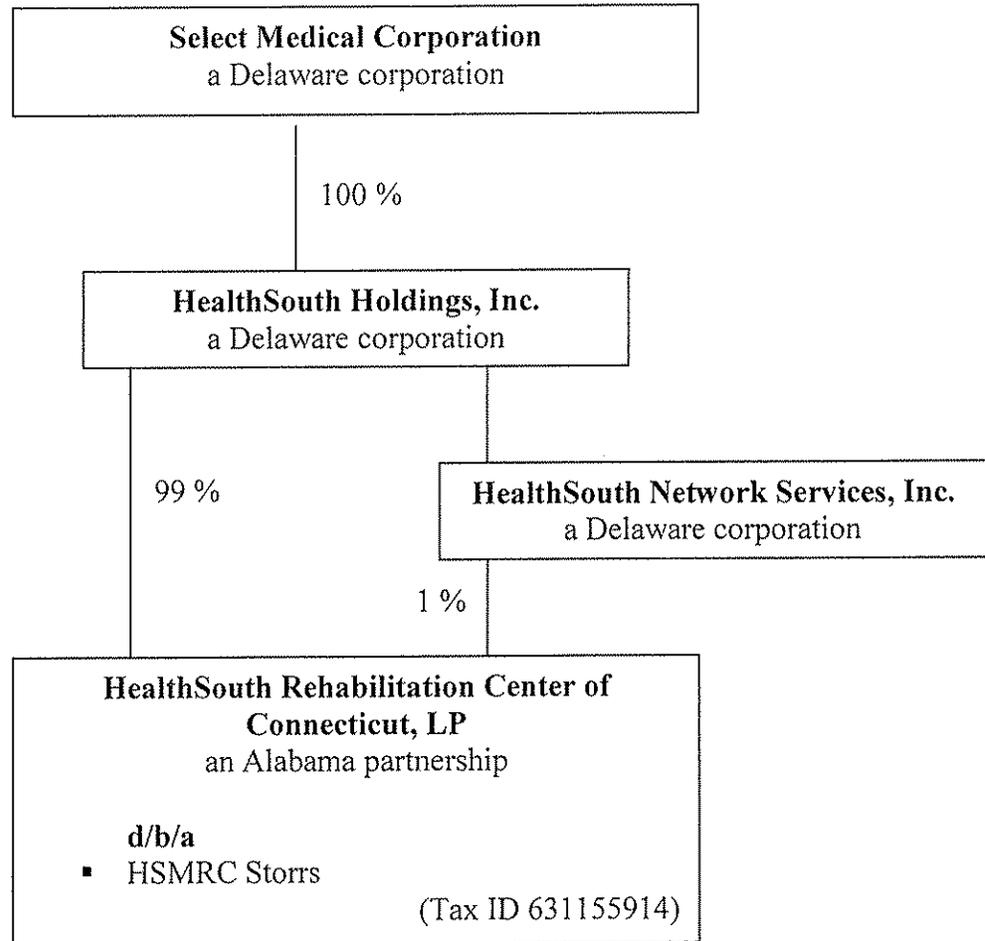
HealthSouth Rehabilitation Center of Connecticut, LP

Structure of Sale

Part V



* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center

HealthSouth Rehabilitation Center of Connecticut, LP**Post-Sale Structure**

* HSMRC – HealthSouth Sports Medicine & Rehabilitation Center



April 9, 2007

Cristine A. Vogel, Commissioner
Office of Health Care Access
410 Capitol Avenue
Post Office Box 340308
Hartford, CT 06134-0308

RECEIVED
2007 APR 11 AM 11:57
OFFICE OF HEALTH CARE ACCESS

Re: HealthSouth Corporation – Sale of Outpatient Rehabilitation Division

Dear Commissioner Vogel:

Please be advised that this office represents HealthSouth Corporation (“HealthSouth”). On April 5, 2007, we filed a CON Determination Form 2020 for the proposed sale of HealthSouth’s Outpatient Rehabilitation Division to Select Medical Corporation. Enclosed please find the original Affidavit of Diane L. Munson, President of the Outpatient Rehabilitation Division, for inclusion with the Form 2020.

Should you require anything further for your review, please feel free to call me at (203) 786-8316.

Very truly yours,

Jennifer L. Groves

Enclosures

SECTION V. AFFIDAVIT

To be completed by each Petitioner

Petitioner: HealthSouth Corporation

Project Title: Sale of Outpatient Rehabilitation Division of HealthSouth Corporation to Select Medical Corporation

RECEIVED
2007 APR 3 AM 11:57
NOTARY PUBLIC STATE OF ALABAMA AT LARGE
LINDA D. SMITH, Notary Public

I, DIANE L. MUNSON, PRESIDENT O.P. DIVISION
(Name) (Position - CEO or CFO)

of HealthSouth Corporation being duly sworn, depose and state that the
(Organization Name)

information provided in this CON Determination form is true and accurate to the best of my
knowledge, and that _____ complies with the appropriate
(Facility Name)

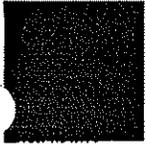
and applicable criteria as set forth in the Sections 19a-630, 19a-637, 19a-638, 19a-639, 19a-486 and/or 4-181 of the Connecticut General Statutes.

Diane L. Munson 4.3.07
Signature Date

Subscribed and sworn to before me on April 3, 2007

Linda D. Smith
Notary Public/Commissioner of Superior Court

My commission expires: NOTARY PUBLIC STATE OF ALABAMA AT LARGE
MY COMMISSION EXPIRES: May 3, 2010
BONDED THRU NOTARY PUBLIC UNDERWRITERS



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JENNIFER L. GROVES
T: 203.786.8316
F: 203.772.2037
jgroves@uks.com

MERITAS LAW FIRMS WORLDWIDE

April 17, 2007

**VIA FACSIMILE
& REGULAR MAIL**

Kimberly Martone
Office of Health Care Access
410 Capitol Avenue
Post Office Box 340308
Hartford, CT 06134-0308

Re: HealthSouth Corporation – Sale of Outpatient Rehabilitation Division

Dear Ms. Martone:

Please be advised that this office represents HealthSouth Corporation (“HealthSouth”). On April 5, 2007, we filed a Certificate of Need Determination Form 2030 to confirm that approval of the Office of Health Care Access is not required in order to transfer ownership of HealthSouth’s Outpatient Rehabilitation Division to Select Medical Corporation via a stock sale. In furtherance of that submission, note that the estimated purchase price for the HealthSouth outpatient rehabilitation practices located in Connecticut is \$14,459,087.

Should you require anything further, please feel free to contact me at (203) 786.8316.

Very truly yours,

Jennifer L. Groves

JLG/dla

cc: Mr. Walter Smith
Ms. Julie Clouser

RECEIVED
2007 APR 17 PM 3:00
OFFICE OF HEALTH CARE ACCESS

Updike, Kelly & Spellacy, P.C. _____ Counselors at Law

Jennifer L. Groves
(203) 786-8316
(203) 772-2037 FAX

One Century Tower
265 Church Street
New Haven, Connecticut 06510

FACSIMILE TRANSMITTAL SHEET

**TO: Office of Health Care Access
ATTN: Kimberly Martone**

FACSIMILE: (860) 418-7053

DATE: April 17, 2007

Re: HealthSouth Corporation – Sale of Outpatient Rehabilitation Division

TOTAL NUMBER OF PAGES (INCLUDING THIS SHEET): 2

2007 APR 17 PM 3:00
OFFICE OF HEALTH CARE ACCESS

RECEIVED

MESSAGE

IF YOU HAVE ANY PROBLEMS WITH RECEIPT OF THIS TRANSMITTAL,
PLEASE CALL DEB ALEXA AT (203) 786-8300, EXTENSION 3353. THANK YOU.

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Commercial Litigation, Design/Construction Law, Environmental Law, Labor and Employment Law, Legislative
Representation, Personal Law, Product Liability Law, Public Finance/Public Law, Real Estate Law, Professional Defense
Law, Taxation, Financial and Estate Planning and Pensions, and Probate Law

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JENNIFER L. GROVES
 T: 203.786.8316
 F: 203.772.2037
 jgroves@uks.com

MERITAS LAW FIRMS WORLDWIDE

April 17, 2007

**VIA FACSIMILE
 & REGULAR MAIL**

Kimberly Martone
 Office of Health Care Access
 410 Capitol Avenue
 Post Office Box 340308
 Hartford, CT 06134-0308

RECEIVED
 2007 APR 18 PM 12:11
 OFFICE OF HEALTH CARE ACCESS

Re: HealthSouth Corporation – Sale of Outpatient Rehabilitation Division

Dear Ms. Martone:

Please be advised that this office represents HealthSouth Corporation (“HealthSouth”). On April 5, 2007, we filed a Certificate of Need Determination Form 2030 to confirm that approval of the Office of Health Care Access is not required in order to transfer ownership of HealthSouth’s Outpatient Rehabilitation Division to Select Medical Corporation via a stock sale. In furtherance of that submission, note that the estimated purchase price for the HealthSouth outpatient rehabilitation practices located in Connecticut is \$14,459,087.

Should you require anything further, please feel free to contact me at (203) 786.8316.

Very truly yours,

Jennifer L. Groves

JLG/dla

cc: Mr. Walter Smith
 Ms. Julie Clouser

Updike, Kelly & Spellacy, P.C. _____ Counselors at Law _____

Jennifer L. Groves
(203) 786-8316
(203) 772-2037 FAX
jgroves@uks.com

One Century Tower
265 Church Street
New Haven, Connecticut 06510

FACSIMILE TRANSMITTAL SHEET

TO: Jack Huber **FACSIMILE: (860) 418-7053**
Office of Health Care Access

DATE: May 18, 2007

RE: Docket No. 07-30953-DTR
Sale of Outpatient Rehabilitation Division of HealthSouth Corporation to Select Medical Corporation

TOTAL NUMBER OF PAGES (INCLUDING THIS SHEET): 6

RECEIVED
OFFICE OF HEALTH CARE ACCESS

2007 MAY 18 PM 12:26

RECEIVED

MESSAGE: Attached is Petitioners' response to OHCA's May 3, 2007 inquiry.

IF YOU HAVE ANY PROBLEMS WITH RECEIPT OF THIS TRANSMITTAL,
PLEASE CALL LORNA AT (203) 786-8300. THANK YOU.

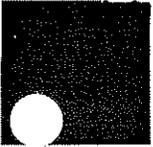
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Administrative Law, Appellate Law, Bankruptcy/Workout Law, Business Law, Commercial Lending and Banking,
Commercial Litigation, Design/Construction Law, Environmental Law, Labor and Employment Law, Legislative
Representation, Personal Law, Product Liability Law, Public Finance/Public Law, Real Estate Law, Professional Defense
Law, Taxation, Financial and Estate Planning and Pensions, and Probate Law

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JENNIFER L. GROVES
T: 203.786.8316
F: 203.772.2037
jgroves@uks.com

 MERITAS LAW FIRMS WORLDWIDE

May 18, 2007

**VIA FACSIMILE
& FIRST CLASS MAIL**

Jack A. Huber
Health Care Analyst
Office of Health Care Access
410 Capitol Avenue
Post Office Box 340308
Hartford, CT 06134-0308

RECEIVED
2007 MAY 18 PM 12:26
OFFICE OF HEALTH CARE ACCESS
JENNIFER L. GROVES

**Re: Report No. 07-30953-DTR
Sale of Outpatient Rehabilitation Division of HealthSouth Corporation to Select
Medical Corporation**

Dear Mr. Huber:

Please be advised that this office represents HealthSouth Corporation ("HealthSouth") in connection with a Certificate of Need ("CON") Determination Form 2020 for the proposed sale of HealthSouth's Outpatient Rehabilitation Division to Select Medical Corporation ("Select"), filed with the Office of Health Care Access ("OHCA") on April 5, 2007. We are in receipt of your May 3, 2007 correspondence requesting additional information on the Form 2020 pursuant to Section 19a-643-79 of the Regulations of Connecticut State Agencies. The following responses are submitted on behalf of HealthSouth and Select (collectively "Petitioners"):

1. Outpatient rehabilitation facilities must meet certain requirements pursuant [to] Section 19a-639a C.G.S. to be considered exempt from the Certificate of Need process. This section provides in relevant part:
 - a. *Except as required in subsection (b) of this section, the provisions of section 19a-638 and subsection (a) of section 19a-639 shall not apply to ... (3) an outpatient rehabilitation service agency that was in operation on January 1, 1998, that is operated exclusively on an outpatient basis and that is eligible to receive reimbursement under section 17b-243;*

Mr. Jack A. Huber
May 18, 2007
Page 2 of 5

b. *Each health care facility or institution exempted under this section shall register with the office by filing the information required by subdivision (4) of subsection (a) of section 19a-638 for a letter of intent at least ten business days but not more than sixty calendar days prior to commencing operations and prior to changing, expanding, terminating or relocating any facility or service otherwise covered by section 19a-638 or subsection (a) of 19a-639 or covered by both sections or subsections, except that, if the facility or institution is in operation on June 5, 1998, said information shall be filed not more than sixty days after said date. Not later than ten business days after the office receives a completed filing required under this subsection, the office shall provide the health care facility or institution with written acknowledgement of receipt. Such acknowledgement shall constitute permission to operate or change, expand, terminate or relocate such facility or institution or to make an expenditure consistent with an authorization received under subsection (a) of section 19a-639 until the next September thirtieth. Each entity exempted under this section shall renew its exemption by filing current information once every two years in September.*

1. For each of the thirty-five outpatient rehabilitation centers affected by the proposal, please provide a table indicating whether the center was in operation on or before January 1, 1998.

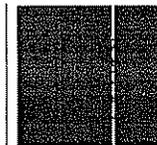
RESPONSE: See Exhibit A attached hereto.

2. For each of the thirty-five outpatient rehabilitation centers affected by the proposal, please provide a table indicating whether the center is eligible to receive reimbursement under Section 17b-243 of the C.G.S.

RESPONSE: None of the HealthSouth outpatient rehabilitation clinics is at present eligible for reimbursement under Section 17b-243 of the General Statutes, for purposes of the Section 19a-639a(a)(3) exemption. Notwithstanding the foregoing, the fact remains that OHCA has never, to the best of Petitioners' knowledge, asserted CON jurisdiction over these types of facilities. While the definition of "health care facility or institution" under Section 19a-630 includes "rehabilitation facilities," OHCA has traditionally interpreted same to mean inpatient rehabilitation facilities and only those outpatient services affiliated with an inpatient program.

The definition of "health care facility or institution" has never been construed to include unlicensed outpatient rehabilitation facilities such as those owned by HealthSouth, which are situated in physician office buildings, malls, and other non-institutional settings. These clinics offer limited rehabilitation services and rarely undertake significant capital expenditures. They are not themselves regulated by the Department of Public Health. Instead, the clinics are

Mr. Jack A. Huber
May 18, 2007
Page 3 of 5



staffed by therapists acting within the scope of their individual practitioner licenses and in that regard operate similarly to private physician practices.

As noted in the Form 2020, OHCA previously reviewed the acquisitions by HealthSouth of approximately twenty-six such facilities (between 1996 and 1999) and found that none required CON approval. Nor has OHCA required CON approval for the establishment of additional outpatient rehabilitation facilities by HealthSouth since 1999 or otherwise regulated the addition/termination of services any of at these facilities. Moreover, to the best of Petitioners' knowledge, OHCA has not reviewed the addition/termination of services at, or change of ownership of, similar facilities across the state.

The definition of "health care facility or institution" in Section 19a-630 is broad and includes "any facility or institution engaged primarily in providing services for the prevention, diagnosis or treatment of human health conditions." OHCA exercises discretion in interpreting its statutory CON authority and in deciding which providers to regulate. It is imperative that OHCA exercise this discretion in a manner consistent with precedent and considering the resources available to the agency. A determination by OHCA that CON laws apply to unlicensed, previously unregulated outpatient rehabilitation facilities could have far-reaching consequences for existing and proposed providers, as well as the agency itself.

In light of the foregoing, Petitioners urge OHCA to determine, in accordance with past practice, that CON approval of the proposed change of ownership of the HealthSouth Outpatient Rehabilitation Division is not required. Should you require anything further for your review, please feel free to call me at (203) 786-8316.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jennifer L. Groves", is written over a horizontal line.

Jennifer L. Groves

cc: Mr. Walter Smith
Dorothy D. Pak, Esq.
Martha Everett Meng, Esq.

Mr. Jack A. Huber

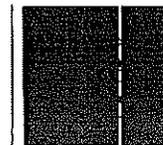
May 18, 2007

Page 4 of 5

**EXHIBIT A**

Facility Name	Street Address	City/Town	In Operation Prior to January 1, 1998
HEALTHSOUTH Sports Medicine & Rehabilitation Center	Oak Park Professional Complex, 141 Durham Road, Suite 14	Madison, CT	Yes
HEALTHSOUTH Sports Medicine & Rehabilitation Center	13 B Dog Lane	Storrs, CT	No
HEALTHSOUTH Sports Medicine & Rehabilitation Center	668 Bank Street	New London, CT	Yes
HEALTHSOUTH Sports Medicine & Rehabilitation Center	1 Towne Park Plaza	Norwich, CT	Yes
HEALTHSOUTH Sports Medicine & Rehabilitation Center	929 Boston Post Road	Old Saybrook, CT	Yes
HEALTHSOUTH Sports Medicine & Rehabilitation Center	6 Davis Road	Old Lyme, CT	Yes
HEALTHSOUTH Sports Medicine & Rehabilitation Center	115 Technology Drive Suite B100	Trumbull, CT	Yes
HEALTHSOUTH Sports Medicine & Rehabilitation Center	100 Beard Saw Mill Road	Shelton, CT	No
HEALTHSOUTH Sports Medicine & Spine Center	1055 Post Road	Fairfield, CT	Yes
HEALTHSOUTH Sports Medicine & Rehabilitation Center	546 South Broad St.	Meriden, CT	Yes
HEALTHSOUTH Sports Medicine & Rehabilitation Center	40 Cross St., Suite 110	Norwalk, CT	Yes
HEALTHSOUTH Sports Medicine & Rehabilitation Center	73 Sand Pit, Suite 203	Danbury, CT	Yes
HEALTHSOUTH Sports Medicine & Rehabilitation Center	131 Kent Road	New Milford, CT	Yes
HEALTHSOUTH Sports Medicine & Rehabilitation Center	50 Amentia Road	Sharon, CT	No
HEALTHSOUTH Sports Medicine & Rehabilitation Center	29 North Main St.	West Hartford, CT	No
HEALTHSOUTH Sports Medicine & Rehabilitation Center	1000 Middle Street	Middletown, CT	No
HEALTHSOUTH Sports Medicine & Rehabilitation Center	900 Cottage Grove Road	Bloomfield, CT	No
HEALTHSOUTH Sports Medicine & Rehabilitation Center	151 Farmington Avenue	Hartford, CT	No
HEALTHSOUTH Sports Medicine & Rehabilitation Center	510 Cottage Grove Road	Bloomfield, CT	No
HEALTHSOUTH Sports Medicine & Rehabilitation Center of Enfield	113 Elm St.	Enfield, CT	No

Mr. Jack A. Huber
 May 18, 2007
 Page 5 of 5



Facility Name	Street Address	City/Town	In Operation Prior to January 1, 1998
HEALTHSOUTH Sports Medicine & Rehabilitation Center	477 Connecticut Blvd.	East Hartford, CT	No
HEALTHSOUTH Sports Medicine & Rehabilitation Center	150 Poquonock Ave.	Windsor, CT	No
HEALTHSOUTH Sports Medicine & Rehabilitation Center	East Point Bldg. 360 Tolland Turnpike, Suite 2E	Muncheater, CT	No
HEALTHSOUTH Sports Medicine & Rehabilitation Center	Glastonbury Prof. Ctr., 131 New London Turnpike, Suite 321	Glastonbury, CT	No
HEALTHSOUTH Sports Medicine & Rehabilitation Center	505 Willard Ave. Building # 1, Suite 1D	Newington, CT	No
HEALTHSOUTH Sports Medicine & Rehabilitation Center	255 North Main Street	Bristol, CT	No
HEALTHSOUTH Sports Medicine & Rehabilitation Center	One Lake Street	New Britain, CT	No
HEALTHSOUTH Sports Medicine & Rehabilitation Center	240 East Street, Suite C	Plainville, CT	No
HEALTHSOUTH Sports Medicine & Rehabilitation Center	211 New Britain Road, Suite 101	Berlin, CT	No
HEALTHSOUTH Sports Medicine & Rehabilitation Center	270 Farmington Ave., Suite 174	Farmington, CT	No
HEALTHSOUTH Sports Medicine & Rehabilitation Center	34 Dale Road, Suite 203	Avon, CT	No
HEALTHSOUTH Sports Medicine & Rehabilitation Center	225 Hopmeadow St.	Simsbury, CT	No
HEALTHSOUTH Sports Medicine & Rehabilitation Center	13 Church Road	East Granby, CT	No
HEALTHSOUTH Sports Medicine & Rehabilitation Center	75 Kings Highway Cut Off, 4th Floor ¹	Fairfield, CT	No
HEALTHSOUTH Sports Medicine & Rehabilitation Center	888 White Plains Road ²	Trumbull, CT	No

¹ HealthSouth provides outpatient rehabilitation services at 75 Kings Highway Cut Off in Fairfield pursuant to a Rehabilitation Services Agreement with an orthopedic practice that has an office at this location.

² HealthSouth provides outpatient rehabilitation services at 888 White Plains Road in Trumbull pursuant to a Therapy Staffing Agreement with an orthopedic practice that has an office at this location.

MURTHA CULLINA LLP

WHITNEY GROVE SQUARE I
TWO WHITNEY AVENUE
P.O. BOX 704
NEW HAVEN, CONNECTICUT 06503-0704

A T T O R N E Y S A T L A W

TELEPHONE (203) 772-7700
FACSIMILE (203) 772-7723
www.murthlaw.com

FACSIMILE TRANSMITTAL

Date: *5/18/07*
To: *Jack Huber*
From: *Martha Meng*
Please Copy:

Client Code: *Form*
Facsimile Number: *860 418 7053*
Telephone Number: *860 418 7034*
Telephone Number: *203 772 7721*

WHITNEY GROVE SQUARE I
TWO WHITNEY AVENUE
NEW HAVEN, CT 06503-0704

2007 MAY 18 AM 11:25

RECEIVED

We Will Copy:	Name	Facsimile Number	Telephone Number

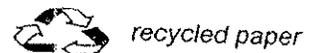
Total Number of Pages (including this cover page): *4* Sent by: *M Meng*

MESSAGE: *Hi Jack! Haven't seen you in ages!*
M Meng

IF THERE ARE ANY PROBLEMS RECEIVING THIS TELECOPY
PLEASE CONTACT OUR FAX/MAIL CENTER AT (203) 772-7700, IMMEDIATELY.

THE INFORMATION CONTAINED IN THIS FACSIMILE TRANSMITTAL IS INTENDED ONLY FOR THE PERSONAL AND CONFIDENTIAL USE OF THE DESIGNATED RECIPIENT(S) NAMED ABOVE.

This transmittal may be a confidential attorney-client communication or may otherwise be privileged and confidential. If the reader of this transmittal is not the intended recipient or an agent responsible for delivering it to the intended recipient, you are hereby notified that you have received this transmittal in error. If you have received this transmittal in error, please immediately notify Murtha Cullina LLP by telephone at (203) 772-7700, and return the original to us at the above address, via mail. We will gladly reimburse your telephone and postage expense for doing so. Thank you.



MURTHA CULLINA LLP

A T T O R N E Y S A T L A W

100 WATER STREET, SUITE 2000
NEW HAVEN, CONNECTICUT 06510-2000
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MARTHA E. MENG
(203) 772-7721
MMENG@MURTHALAW.COM

May 18, 2007

VIA FACSIMILE AND FIRST-CLASS MAIL

RECEIVED
2007 MAY 18 AM 11:25
OFFICE OF HEALTH CARE ACCESS

Jack A. Huber
Health Care Analyst
Office of Health Care Access
410 Capitol Avenue
P. O. Box 340308
Hartford, CT 06134-0308

Re: Certificate of Need Determination Request, Report No. 07-30953-DTR –
Sale of Outpatient Rehabilitation Division of HealthSouth
Corporation to Select Medical Corporation

Dear Mr. Huber:

Murtha Cullina LLP has recently been retained by Select Medical Corporation as special Connecticut counsel regarding the above-referenced matter.

Because we have become involved with this Determination Request so recently, I am unsure as to the basis for jurisdiction by the Office of Health Care Access over this stock sale of outpatient therapy clinics.

The Outpatient Rehabilitation Division of HealthSouth Corporation operates thirty-five outpatient therapy clinics in Connecticut. These clinics are staffed primarily by physical therapists, each of whom provides physical therapy to patients under the therapist's own professional license, pursuant to orders from the patient's own physician. Some occupational and, occasionally, speech therapy are provided in the same manner.

Jack A. Huber
May 18, 2007
Page 2

The Department of Public Health ("DPH") has confirmed for me that these clinics are not subject to licensing by the DPH.

These therapy services are not provided in any setting that might ordinarily be considered a health care "facility" or "institution," but rather in physician office buildings, malls and similar settings. They are not part of any other facility or institution that is licensed or in any other way subject to Certificate of Need review.

We acknowledge that the statutes and regulations are less than clear as to the scope of OHCA's jurisdiction. However, the terms "health care facility or institution" in Conn. Gen. Stat. § 19a-630(1) (OHCA) and Conn. Gen. Stat. § 19a-490 (DPH) have not been generally understood to include health care services provided by groups of professionals acting under the professionals' own licenses. The term "rehabilitation facilities," found in Conn. Agencies Regs. § 19a-643-11, is not defined but historically has been applied by OHCA to licensed inpatient rehabilitation hospitals and outpatient services offered in conjunction with, or on the premises of, such facilities. The terms "outpatient rehabilitation service agency" and "rehabilitation centers" (Conn. Gen. Stat. §§ 19a-639a(3) and 17b-243) similarly are not defined in either statute or regulation.

When statutory terms are not defined, an agency's interpretation of the statute is often dispositive. OHCA has not previously required Certificate of Need approval for the establishment of clinics such as those at issue in this matter. Indeed, such approval was not required when HealthSouth established some of the clinics now being sold, during the period from 2000-2005. Approval was not required when HealthSouth acquired 26 of the clinics in 1996-1999, or when others were acquired between 2000-2005. To our knowledge, OHCA has not required Certificate of Need change of ownership approval for competitors who own such clinics.

Again, these clinics are not required by the DPH to be licensed. Therapy services are provided by individual therapists, each acting under the therapist's own license and within the therapist's scope of practice, just as medical services in a physicians' group are provided by physicians, each of whom acts under his or her professional license and within the appropriate scope of practice. Although its authorizing statutes are broad, OHCA has never asserted Certificate of Need jurisdiction over such groups of individual licensed professionals regarding the provision of professional services.

For all of these reasons, we believe issuance of a Determination that no Certificate of Need approval is required regarding the sale of these clinics is appropriate and hope that such a Determination can be made at the earliest possible time.

Jack A. Huber
May 18, 2007
Page 3

Thank you for consideration of this letter. If you have questions or concerns, please don't hesitate to contact me and Attorney Jennifer Groves.

Sincerely yours,


Martha Everett Meng

ccs: J. Duggan, Esq. (via e-mail)
K. Thallner, Esq. (via email)
J. Groves, Esq. (via e-mail)

953651



May 18, 2007

RECEIVED
2007 MAY 21 AM 10:55
OFFICE OF HEALTH CARE ACCESS

**VIA FACSIMILE
& FIRST CLASS MAIL**

Jack A. Huber
Health Care Analyst
Office of Health Care Access
410 Capitol Avenue
Post Office Box 340308
Hartford, CT 06134-0308

**Re: Report No. 07-30953-DTR
Sale of Outpatient Rehabilitation Division of HealthSouth Corporation to Select
Medical Corporation**

Dear Mr. Huber:

Please be advised that this office represents HealthSouth Corporation ("HealthSouth") in connection with a Certificate of Need ("CON") Determination Form 2020 for the proposed sale of HealthSouth's Outpatient Rehabilitation Division to Select Medical Corporation ("Select"), filed with the Office of Health Care Access ("OHCA") on April 5, 2007. We are in receipt of your May 3, 2007 correspondence requesting additional information on the Form 2020 pursuant to Section 19a-643-79 of the Regulations of Connecticut State Agencies. The following responses are submitted on behalf of HealthSouth and Select (collectively "Petitioners"):

1. Outpatient rehabilitation facilities must meet certain requirements pursuant [to] Section 19a-639a C.G.S. to be considered exempt from the Certificate of Need process. This section provides in relevant part:
 - a. *Except as required in subsection (b) of this section, the provisions of section 19a-638 and subsection (a) of section 19a-639 shall not apply to ... (3) an outpatient rehabilitation service agency that was in operation on January 1, 1998, that is operated exclusively on an outpatient basis and that is eligible to receive reimbursement under section 17b-243;*



b. *Each health care facility or institution exempted under this section shall register with the office by filing the information required by subdivision (4) of subsection (a) of section 19a-638 for a letter of intent at least ten business days but not more than sixty calendar days prior to commencing operations and prior to changing, expanding, terminating or relocating any facility or service otherwise covered by section 19a-638 or subsection (a) of 19a-639 or covered by both sections or subsections, except that, if the facility or institution is in operation on June 5, 1998, said information shall be filed not more than sixty days after said date. Not later than ten business days after the office receives a completed filing required under this subsection, the office shall provide the health care facility or institution with written acknowledgement of receipt. Such acknowledgement shall constitute permission to operate or change, expand, terminate or relocate such facility or institution or to make an expenditure consistent with an authorization received under subsection (a) of section 19a-639 until the next September thirtieth. Each entity exempted under this section shall renew its exemption by filing current information once every two years in September.*

1. For each of the thirty-five outpatient rehabilitation centers affected by the proposal, please provide a table indicating whether the center was in operation on or before January 1, 1998.

RESPONSE: See Exhibit A attached hereto.

2. For each of the thirty-five outpatient rehabilitation centers affected by the proposal, please provide a table indicating whether the center is eligible to receive reimbursement under Section 17b-243 of the C.G.S.

RESPONSE: None of the HealthSouth outpatient rehabilitation clinics is at present eligible for reimbursement under Section 17b-243 of the General Statutes, for purposes of the Section 19a-639a(a)(3) exemption. Notwithstanding the foregoing, the fact remains that OHCA has never, to the best of Petitioners' knowledge, asserted CON jurisdiction over these types of facilities. While the definition of "health care facility or institution" under Section 19a-630 includes "rehabilitation facilities," OHCA has traditionally interpreted same to mean inpatient rehabilitation facilities and only those outpatient services affiliated with an inpatient program.

The definition of "health care facility or institution" has never been construed to include unlicensed outpatient rehabilitation facilities such as those owned by HealthSouth, which are situated in physician office buildings, malls, and other non-institutional settings. These clinics offer limited rehabilitation services and rarely undertake significant capital expenditures. They are not themselves regulated by the Department of Public Health. Instead, the clinics are



staffed by therapists acting within the scope of their individual practitioner licenses and in that regard operate similarly to private physician practices.

As noted in the Form 2020, OHCA previously reviewed the acquisitions by HealthSouth of approximately twenty-six such facilities (between 1996 and 1999) and found that none required CON approval. Nor has OHCA required CON approval for the establishment of additional outpatient rehabilitation facilities by HealthSouth since 1999 or otherwise regulated the addition/termination of services any of at these facilities. Moreover, to the best of Petitioners' knowledge, OHCA has not reviewed the addition/termination of services at, or change of ownership of, similar facilities across the state.

The definition of "health care facility or institution" in Section 19a-630 is broad and includes "any facility or institution engaged primarily in providing services for the prevention, diagnosis or treatment of human health conditions." OHCA exercises discretion in interpreting its statutory CON authority and in deciding which providers to regulate. It is imperative that OHCA exercise this discretion in a manner consistent with precedent and considering the resources available to the agency. A determination by OHCA that CON laws apply to unlicensed, previously unregulated outpatient rehabilitation facilities could have far-reaching consequences for existing and proposed providers, as well as the agency itself.

In light of the foregoing, Petitioners urge OHCA to determine, in accordance with past practice, that CON approval of the proposed change of ownership of the HealthSouth Outpatient Rehabilitation Division is not required. Should you require anything further for your review, please feel free to call me at (203) 786-8316.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Jennifer L. Groves', written over a horizontal line.

Jennifer L. Groves

cc: Mr. Walter Smith
Dorothy D. Pak, Esq.
Martha Everett Meng, Esq.

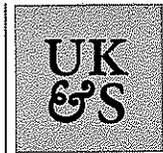


EXHIBIT A

Facility Name	Street Address	City/Town	In Operation Prior to January 1, 1998
HEALTHSOUTH Sports Medicine & Rehabilitation Center	Oak Park Professional Complex, 141 Durham Road, Suite 14	Madison, CT	Yes
HEALTHSOUTH Sports Medicine & Rehabilitation Center	13 B Dog Lane	Storrs, CT	No
HEALTHSOUTH Sports Medicine & Rehabilitation Center	668 Bank Street	New London, CT	Yes
HEALTHSOUTH Sports Medicine & Rehabilitation Center	1 Towne Park Plaza	Norwich, CT	Yes
HEALTHSOUTH Sports Medicine & Rehabilitation Center	929 Boston Post Road	Old Saybrook, CT	Yes
HEALTHSOUTH Sports Medicine & Rehabilitation Center	6 Davis Road	Old Lyme, CT	Yes
HEALTHSOUTH Sports Medicine & Rehabilitation Center	115 Technology Drive Suite B100	Trumbull, CT	Yes
HEALTHSOUTH Sports Medicine & Rehabilitation Center	100 Beard Saw Mill Road	Shelton, CT	No
HEALTHSOUTH Sports Medicine & Spine Center	1055 Post Road	Fairfield, CT	Yes
HEALTHSOUTH Sports Medicine & Rehabilitation Center	546 South Broad St.	Meriden, CT	Yes
HEALTHSOUTH Sports Medicine & Rehabilitation Center	40 Cross St., Suite 110	Norwalk, CT	Yes
HEALTHSOUTH Sports Medicine & Rehabilitation Center	73 Sand Pit; Suite 203	Danbury, CT	Yes
HEALTHSOUTH Sports Medicine & Rehabilitation Center	131 Kent Road	New Milford, CT	Yes
HEALTHSOUTH Sports Medicine & Rehabilitation Center	50 Amenia Road	Sharon, CT	No
HEALTHSOUTH Sports Medicine & Rehabilitation Center	29 North Main St.	West Hartford, CT	No
HEALTHSOUTH Sports Medicine & Rehabilitation Center	1000 Middle Street	Middletown, CT	No
HEALTHSOUTH Sports Medicine & Rehabilitation Center	900 Cottage Grove Road	Bloomfield, CT	No
HEALTHSOUTH Sports Medicine & Rehabilitation Center	151 Farmington Avenue	Hartford, CT	No
HEALTHSOUTH Sports Medicine & Rehabilitation Center	510 Cottage Grove Road	Bloomfield, CT	No
HEALTHSOUTH Sports Medicine & Rehabilitation Center of Enfield	113 Elm St.	Enfield, CT	No



Facility Name	Street Address	City/Town	In Operation Prior to January 1, 1998
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HEALTHSOUTH Sports Medicine & Rehabilitation Center	150 Poquonock Ave.	Windsor, CT	No
HEALTHSOUTH Sports Medicine & Rehabilitation Center	East Point Bldg. 360 Tolland Turnpike, Suite 2E	Manchester, CT	No
HEALTHSOUTH Sports Medicine & Rehabilitation Center	Glastonbury Prof. Ctr., 131 New London Turnpike, Suite 321	Glastonbury, CT	No
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HEALTHSOUTH Sports Medicine & Rehabilitation Center	240 East Street, Suite C	Plainville, CT	No
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HEALTHSOUTH Sports Medicine & Rehabilitation Center	34 Dale Road, Suite 203	Avon, CT	No
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HEALTHSOUTH Sports Medicine & Rehabilitation Center	13 Church Road	East Granby, CT	No
HEALTHSOUTH Sports Medicine & Rehabilitation Center	75 Kings Highway Cut Off, 4th Floor ¹	Fairfield, CT	No
HEALTHSOUTH Sports Medicine & Rehabilitation Center	888 White Plains Road ²	Trumbull, CT	No

¹ HealthSouth provides outpatient rehabilitation services at 75 Kings Highway Cut Off in Fairfield pursuant to a Rehabilitation Services Agreement with an orthopedic practice that has an office at this location.

² HealthSouth provides outpatient rehabilitation services at 888 White Plains Road in Trumbull pursuant to a Therapy Staffing Agreement with an orthopedic practice that has an office at this location.

MURTHA CULLINA LLP

A T T O R N E Y S A T L A W

WHITNEY GROVE SQUARE
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NEW HAVEN, CONNECTICUT 06503-0704

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FACSIMILE (203) 772-7723
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MARTHA E. MENG
(203) 772-7721
MMENG@MURTHALAW.COM

May 18, 2007

VIA FACSIMILE AND FIRST-CLASS MAIL

Jack A. Huber
Health Care Analyst
Office of Health Care Access
410 Capitol Avenue
P. O. Box 340308
Hartford, CT 06134-0308

RECEIVED
2007 MAY 21 AM 10:51
OFFICE OF HEALTH CARE ACCESS
410 CAPITOL AVENUE
HARTFORD, CT 06134-0308

Re: Certificate of Need Determination Request, Report No. 07-30953-DTR –
Sale of Outpatient Rehabilitation Division of HealthSouth
Corporation to Select Medical Corporation

Dear Mr. Huber:

Murtha Cullina LLP has recently been retained by Select Medical Corporation as special Connecticut counsel regarding the above-referenced matter.

Because we have become involved with this Determination Request so recently, I am unsure as to the basis for jurisdiction by the Office of Health Care Access over this stock sale of outpatient therapy clinics.

The Outpatient Rehabilitation Division of HealthSouth Corporation operates thirty-five outpatient therapy clinics in Connecticut. These clinics are staffed primarily by physical therapists, each of whom provides physical therapy to patients under the therapist's own professional license, pursuant to orders from the patient's own physician. Some occupational and, occasionally, speech therapy are provided in the same manner.

BOSTON

HARTFORD

NEW HAVEN

STAMFORD

WOBURN

Jack A. Huber
May 18, 2007
Page 2

The Department of Public Health ("DPH") has confirmed for me that these clinics are not subject to licensing by the DPH.

These therapy services are not provided in any setting that might ordinarily be considered a health care "facility" or "institution," but rather in physician office buildings, malls and similar settings. They are not part of any other facility or institution that is licensed or in any other way subject to Certificate of Need review.

We acknowledge that the statutes and regulations are less than clear as to the scope of OHCA's jurisdiction. However, the terms "health care facility or institution" in Conn. Gen. Stat. § 19a-630(l) (OHCA) and Conn. Gen. Stat. § 19a-490 (DPH) have not been generally understood to include health care services provided by groups of professionals acting under the professionals' own licenses. The term "rehabilitation facilities," found in Conn. Agencies Regs. § 19a-643-11, is not defined but historically has been applied by OHCA to licensed inpatient rehabilitation hospitals and outpatient services offered in conjunction with, or on the premises of, such facilities. The terms "outpatient rehabilitation service agency" and "rehabilitation centers" (Conn. Gen. Stat. §§ 19a-639a(3) and 17b-243) similarly are not defined in either statute or regulation.

When statutory terms are not defined, an agency's interpretation of the statute is often dispositive. OHCA has not previously required Certificate of Need approval for the establishment of clinics such as those at issue in this matter. Indeed, such approval was not required when HealthSouth established some of the clinics now being sold, during the period from 2000-2005. Approval was not required when HealthSouth acquired 26 of the clinics in 1996-1999, or when others were acquired between 2000-2005. To our knowledge, OHCA has not required Certificate of Need change of ownership approval for competitors who own such clinics.

Again, these clinics are not required by the DPH to be licensed. Therapy services are provided by individual therapists, each acting under the therapist's own license and within the therapist's scope of practice, just as medical services in a physicians' group are provided by physicians, each of whom acts under his or her professional license and within the appropriate scope of practice. Although its authorizing statutes are broad, OHCA has never asserted Certificate of Need jurisdiction over such groups of individual licensed professionals regarding the provision of professional services.

For all of these reasons, we believe issuance of a Determination that no Certificate of Need approval is required regarding the sale of these clinics is appropriate and hope that such a Determination can be made at the earliest possible time.

Jack A. Huber
May 18, 2007
Page 3

Thank you for consideration of this letter. If you have questions or concerns, please don't hesitate to contact me and Attorney Jennifer Groves.

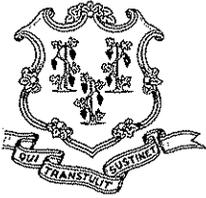
Sincerely yours,



Martha Everett Meng

ccs: J. Duggan, Esq. (via e-mail)
K. Thallner, Esq. (via email)
J. Groves, Esq. (via e-mail)

953651



M. JODI RELL
GOVERNOR

STATE OF CONNECTICUT
OFFICE OF HEALTH CARE ACCESS

CRISTINE A. VOGEL
COMMISSIONER

June 6, 2007

Jennifer L. Groves
Updike, Kelly & Spellacy, P.C.
One Century Tower
265 Church Street
New Haven, CT 06510

RE: Certificate of Need Determination Request; Report Number: 07-30953-DTR
Proposal from HealthSouth Corporation
Service Termination through the Sale of Thirty-Five (35) Connecticut Outpatient
Rehabilitation Centers by HealthSouth Corporation to Select Medical Corporation
and the Establishment of Select Medical Corporation as the New Parent Owner
for the Continued Operation of the Thirty-Five (35) Connecticut Outpatient
Rehabilitation Centers

Dear Attorney Groves:

On April 9, 2007, the Office of Health Care Access ("OHCA") received your Certificate of Need ("CON") Determination request on behalf of HealthSouth Corporation. OHCA requested additional information and received response information with respect to the request from you on behalf of HealthSouth on May 21, 2007.

HealthSouth Corporation is proposing a termination of outpatient rehabilitation services through the sale of thirty-five (35) Connecticut outpatient rehabilitation centers by HealthSouth Corporation to Select Medical Corporation and the establishment of Select Medical Corporation as the new parent owner for the continued operation of the thirty-five (35) Connecticut outpatient rehabilitation centers. Please be advised that OHCA has reviewed your request and makes the following findings:

1. HealthSouth Corporation ("Petitioner") is a for-profit Delaware corporation, headquartered in Birmingham, Alabama.
2. The corporation is comprised of four operating divisions, one of which is the Outpatient Rehabilitation Division.

3. The Petitioner is a health care facility pursuant to Section 19a-630(1) of the Connecticut General Statutes ("C.G.S."). Section C.G.S. 19a-630(1) provides in relevant part:

(1) "Health care facility or institution" means any facility or institution engaged primarily in providing services for the prevention, diagnosis or treatment of human health conditions, including, ... rehabilitation facilities.....". "Health care facility or institution" includes any parent company, subsidiary, affiliate or joint venture, or any combination thereof, of any such facility or institution ..."

4. Through the subsidiaries of its Outpatient Rehabilitation Division, the Petitioner owns and operates approximately six hundred (600) outpatient rehabilitation centers nationwide. Thirty-five (35) of these outpatient rehabilitation centers are located in Connecticut.
5. The Connecticut centers offer comprehensive outpatient rehabilitative care for general orthopedic and sports injuries and conditions, as well as work-related injuries.
6. HealthSouth Corporation recently entered into an agreement to sell its entire Outpatient Rehabilitation Division to Select Medical Corporation, Inc., a Delaware corporation headquartered in Mechanicsburg, PA.
7. The Petitioner's request proposes the following with respect to its thirty-five (35) Connecticut centers:
- a) The termination of comprehensive outpatient rehabilitation services currently being offered at the centers; and
 - b) The establishment of Select Medical System, Inc., as the new parent owner of the centers.
8. The Petitioner contends that its Connecticut outpatient rehabilitation centers should be considered exempt facilities with regard to Certificate of Need filing requirements.
9. The transaction regarding the sale of the thirty-five (35) Connecticut centers is valued at \$14,459,087.
10. Each of the Connecticut outpatient rehabilitation centers affected by the proposal is currently owned by one of the Outpatient Rehabilitation Division's five (5) operating entities. The five operating entities and their respective operating centers are as follows:
- a) Advantage Rehabilitation Center, Inc.

HSMRC New London	HSMRC Trumbull
HSMRC Norwich	HSMRC Shelton
HSMRC Old Saybrook	HSMRC Fairfield
HSMRC Old Lyme	HSMRC Fairfield

b) PTSMA, Inc.

HSMRC West Harford	HSMRC Windsor	HSMRC Berlin
HSMRC Middletown	HSMRC Manchester	HSMRC Farmington
HSMRC Bloomfield	HSMRC Glastonbury	HSMRC Avon
HSMRC Hartford	HealthSouth Newington	HSMRC Simsbury
HSMRC Bloomfield	HSMRC Bristol	HSMRC East Granby
HSMRC Enfield	HSMRC New Britain	
HSMRC East Hartford	HSMRC Plainville	

c) Professional Sports Care Management, Inc.

HSMRC Meriden	HSMRC Danbury	HSMRC Sharon
HSMRC Norwalk	HSMRC New Milford	HSMRC Trumbull

d) Madison Rehabilitation, Inc. d/b/a HSMRC Madison

e) HealthSouth Rehabilitation Center of Connecticut, LP d/b/a HSMRC Storrs

11. After the proposed sales transaction is complete, Select Medical Corporation intends to maintain each of the outpatient rehabilitation centers at its current location, providing the same array of services with existing staff to the same population served by the centers under HealthSouth Corporation's ownership.

12. Outpatient rehabilitation facilities must meet certain requirements pursuant Section 19a-639a C.G.S. to be considered for an exemption from the Certificate of Need process. This section provides in relevant part:

(a) *Except as required in subsection (b) of this section, the provisions of section 19a-638 and subsection (a) of section 19a-639 shall not apply to... (3) an outpatient rehabilitation service agency that was in operation on January 1, 1998, that is operated exclusively on an outpatient basis and that is eligible to receive reimbursement under section 17b-243;*

(b) *Each health care facility or institution exempted under this section shall register with the office by filing the information required by subdivision (4) of subsection (a) of section 19a-638 for a letter of intent at least ten business days but not more than sixty calendar days prior to commencing operations and prior to changing, expanding, terminating or relocating any facility or service otherwise covered by section 19a-638 or subsection (a) of section 19a-639 or covered by both sections or subsections, except that, if the facility or institution is in operation on June 5, 1998, said information shall be filed not more than sixty days after said date. Not later than ten business days after the office receives a completed filing required under this subsection, the office shall provide the health care*

facility or institution with written acknowledgment of receipt. Such acknowledgment shall constitute permission to operate or change, expand, terminate or relocate such a facility or institution or to make an expenditure consistent with an authorization received under subsection (a) of section 19a-639 until the next September thirtieth. Each entity exempted under this section shall renew its exemption by filing current information once every two years in September.

13. HealthSouth Corporation indicates that none of its Connecticut outpatient rehabilitation centers is at present eligible for reimbursement under Section 17b-234 of the C.G.S., for the purposes of Section 19a-639a(a) exemption.
14. A review of the OHCA database containing outpatient rehabilitation registration and renewal requirements for exempt facilities pursuant to Section 19a-639a(b) of the C.G.S. indicates that the Petitioner's Connecticut outpatient rehabilitation centers do not meet the registration and renewal requirements.

From the review undertaken by OHCA in this matter, OHCA determines the following with respect to the Petitioner's thirty-five (35) Connecticut outpatient rehabilitation centers:

- a) HealthSouth Corporation is a health care facility pursuant to Section 19a-630(1), C.G.S.
- b) None of HealthSouth Corporation's outpatient rehabilitation centers is eligible for reimbursement under Section 17b-234 of the C.G.S., for the purposes of Section 19a-639a(a) exemption; and
- c) HealthSouth Corporation has not complied with the registration and renewal requirements for exempt outpatient rehabilitation facilities, pursuant to Section 19a-639a(b), C.G.S.

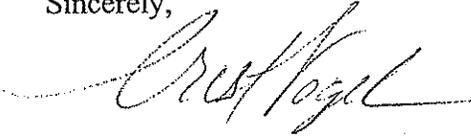
As such, Certificate of Need authorization from OHCA is required in this matter. HealthSouth Corporation shall not terminate the services provided at its outpatient rehabilitation centers in Connecticut and/or close any of its outpatient rehabilitation service centers in Connecticut until it receives CON authorization from OHCA.

If the Petitioner is agreeable, OHCA will consider the submission of information received on April 9, 2007 and May 21, 2007 as the Letter of Intent for this matter; therefore HealthSouth Corporation may file a completed CON application with OHCA between June 8, 2007 and August 7, 2007. **Once OHCA receives written verification from the Petitioner that HealthSouth Corporation is in agreement with this process, the CON application forms will be mailed to your attention.**

If the Petitioner is not agreeable with this process and wishes to secure CON authorization for the proposed transaction, HealthSouth Corporation must submit a Letter of Intent to OHCA regarding the proposed service termination through the sale of thirty-five (35) Connecticut outpatient rehabilitation centers by HealthSouth Corporation to Select Medical Corporation and the establishment of Select Medical Corporation as the new parent owner for the continued operation of the thirty-five (35) Connecticut outpatient rehabilitation centers.

If you have any questions concerning this letter, please contact Jack A. Huber, OHCA Health Care Analyst, at (860) 418-7034.

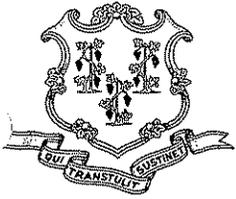
Sincerely,



Cristine A. Vogel
Commissioner

CAV:jah

Copy: Rose McLellan License and Applications Supervisor, DPH, DHSR
Martha E. Meng, Murtha Cullina, LLP, legal counsel for Select Medical Corporation, Inc.



M. JODI RELL
GOVERNOR

STATE OF CONNECTICUT
OFFICE OF HEALTH CARE ACCESS

CRISTINE A. VOGEL
COMMISSIONER

June 5, 2007

Jennifer L. Groves, Esquire
Updike Kelly and Spellacy, P.C.
One Century Tower
265 Church Street
New Haven, CT 06510 7002

RE: Certificate of Need Application Forms, Docket Number: 07-30953-CON
Proposal from HealthSouth Corporation
Service Termination through the Sale of Thirty-Five (35) Connecticut Outpatient
Rehabilitation Centers by HealthSouth Corporation to Select Medical Corporation
and the Establishment of Select Medical Corporation as the New Parent Owner
for the Continued Operation of the Thirty-Five (35) Connecticut Outpatient
Rehabilitation Centers

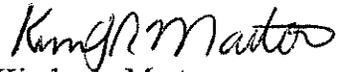
Dear Attorney Groves:

Enclosed are the application forms for HealthSouth Corporation's Certificate of Need ("CON") proposal for the Service Termination through the Sale of Thirty-Five (35) Connecticut Outpatient Rehabilitation Centers by HealthSouth Corporation to Select Medical Corporation and the Establishment of Select Medical Corporation as the New Parent Owner for the Continued Operation of the Thirty-Five (35) Connecticut Outpatient Rehabilitation Centers at an associated capital expenditure of \$14,459,087. According to the parameters stated in Sections 19a-638 and 19a-639 of the Connecticut General Statutes the CON application may be filed between June 8, 2007, and August 7, 2007.

When submitting your CON application, please paginate and date each page contained in your submission. In addition, please submit one (1) original and five hard copies; as well as a scanned copy of the complete CON application, including all attachments, on CD or Diskette. OHCA requests that the electronic copy be in Adobe or MS Word format and that the Financial Attachment and other data as appropriate be in MS Excel format.

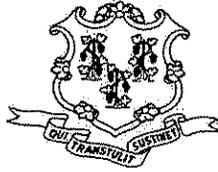
The OHCA analyst assigned to the CON application is Jack A. Huber. Please feel free to contact him/her at (860) 418-7034, if you have any questions.

Sincerely,

Handwritten signature of Kimberly Martone in cursive script.

Kimberly Martone
Certificate of Need Supervisor

Enclosures



State of Connecticut Office of Health Care Access Certificate of Need Application

Please complete all questions. If any question is not relevant to your project, a response of "Not Applicable" may be an acceptable answer. Your Certificate of Need application will be eligible for submission no earlier than June 8, 2007, and may be submitted no later than August 7, 2007. The OHCA Analyst assigned to your application is Jack A. Huber. He may be reached directly at the Office of Health Care Access by dialing (860) 418-7034.

Docket Number: 07-30953-CON

Applicant Names: HealthSouth Corporation
Select Medical Corporation

Contact Person: Jennifer L. Groves

Contact Title: Attorney

Contact Address: Updike, Kelly and Spellacy
One Century Tower
265 Church Street
New Haven, CT 06510

Project Location: 35 Connecticut Outpatient Rehabilitation Centers

Project Name: Service Termination through the Sale of Thirty-Five (35) Connecticut Outpatient Rehabilitation Centers by HealthSouth Corporation to Select Medical Corporation and the Establishment of Select Medical Corporation as the New Parent Owner for the Continued Operation of the Thirty-Five (35) Connecticut Outpatient Rehabilitation Centers

Proposal Type: Sections 19a-638 and/or 19a-639, C.G.S.

Estimated Total Capital Expenditure: \$14,459,087

OFFICE OF HEALTH CARE ACCESS

REQUEST FOR NEW CERTIFICATE OF NEED

FILING FEE COMPUTATION SCHEDULE

APPLICANT: _____ PROJECT TITLE: _____ DATE: _____	FOR OHCA USE ONLY: <table style="width:100%; border-collapse: collapse;"> <thead> <tr> <th style="width:80%;"></th> <th style="width:10%; text-align: center;">DATE</th> <th style="width:10%; text-align: center;">INITIAL</th> </tr> </thead> <tbody> <tr> <td>1. Check logged (Front desk)</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> </tr> <tr> <td>2. Check rec'd (Clerical/Cert.)</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> </tr> <tr> <td>3. Check correct (Superv.)</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> </tr> <tr> <td>4. Check logged (Clerical/Cert.)</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> </tr> </tbody> </table>		DATE	INITIAL	1. Check logged (Front desk)	_____	_____	2. Check rec'd (Clerical/Cert.)	_____	_____	3. Check correct (Superv.)	_____	_____	4. Check logged (Clerical/Cert.)	_____	_____
	DATE	INITIAL														
1. Check logged (Front desk)	_____	_____														
2. Check rec'd (Clerical/Cert.)	_____	_____														
3. Check correct (Superv.)	_____	_____														
4. Check logged (Clerical/Cert.)	_____	_____														

SECTION A – NEW CERTIFICATE OF NEED APPLICATION	
1. Check statute reference as applicable to CON application (see statute for detail): _____ 19a-638. Additional function or service, change of ownership, service termination. No Fee Required. _____ 19a-639 Capital expenditure exceeding \$3,000,000 or capital expenditure exceeding \$3,000,000 for major medical equipment, CT scanner, PET scanner, PET/CT scanner, MRI scanner, cineangiography equipment or linear accelerator. Fee Required. _____ 19a-638 and 19a-639. Fee Required.	
2. Enter \$0 on "Total Fee Due" line (SECTION B) if application is required pursuant to Section 19a-638 only, otherwise go on to line 3 of this section.	
3. Enter \$400 on "Total Fee Due" line (SECTION B) if application is for capital expenditure for major medical equipment, imaging equipment or linear accelerator less than \$3,000,000	
4. Section 19a-639 fee calculation (applicable if section 19a-639 capital expenditure for major medical equipment, imaging equipment or linear accelerator exceeding \$3,000,000 or other capital expenditure exceeding \$3,000,000 is checked above <u>OR</u> if both 19a-638 and 19a-639 are checked):	
a. Base fee: _____	
b. Additional Fee: (Capital Expenditure Assessment) _____ (To calculate: Total requested Capital Expenditure/Cost excluding capitalized financing costs multiplied times .0005 and round to nearest dollar.) (\$ _____ x .0005)	\$ 1,000.00 \$ _____ .00 \$ _____ .00
c. Sum of base fee plus additional fee: (Lines A4a + A4b) _____	
d. Enter the amount shown on line A4c. on "Total Fee Due" line (SECTION B).	
SECTION B TOTAL FEE DUE: _____	\$ _____ .00

ATTACH HERE CERTIFIED OR CASHIER'S CHECK ONLY (Payable to: Treasurer, State of Connecticut)

GENERAL AFFIDAVIT

Applicant: _____

Project Title: _____

I, _____,
(Name) (Position – CEO or CFO)

of _____ being duly sworn, depose and state that the (Facility Name) said facility complies with the appropriate and applicable criteria as set forth in the Sections 19a-630, 19a-637, 19a-638, 19a-639, 19a-486 and/or 4-181 of the Connecticut General Statutes.

Signature

Date

Subscribed and sworn to before me on _____

Notary Public/Commissioner of Superior Court

My commission expires: _____

1. Expansion of Existing or New Service

What services are currently offered at your facility that the proposal will augment or replace? Please list.

Augment: _____

Replace: _____

2. State Health Plan

No questions at this time.

3. Applicant's Long Range Plan

Is this application consistent with your long-range plan?

Yes No

If "No" is checked, please provide an explanation.

4. Clear Public Need

A. Explain how it was determined there was a need for the proposal in your service area.

- i) Provide the following information for each Outpatient (O/P) Rehabilitation Center:
 - a) List the primary service area (PSA) towns. Provide a rationale for choosing the selected PSA towns.
 - b) List the secondary service area (SSA) towns. Provide a rationale for choosing the selected SSA towns.
 - c) For each O/P rehabilitation center provide the unit of service (i.e. procedure, scan, visit, etc.) for the past three fiscal years by service area town.
 - d) Describe the population being served. Include demographic information, as appropriate.
 - e) Scheduling backlogs in the service areas.
 - f) Travel distance from each center to their respective service area towns.
 - g) Hours of operation of each O/P rehabilitation center.
- ii) Provide the units of service projected for the first three years of operation for each O/P rehabilitation center. **Include the derivation/calculation.**
- iii) Provide the information as outlined in the following table concerning the existing providers' in the Applicant's PSA and SSA for each O/P rehab center:

Description of Service	Provider Name and Location	Hours and Days of Operation ¹	Current Utilization ²

¹ Specify days of the week and start and end time for each day.

² Number of treatments/procedures performed for the most recent 12 month period, if known.

iv) What will be the effect of your proposal on existing providers (i.e. patient volume, financial stability, quality of care, etc.)?

B. Will your proposal remedy any of the following barriers to access? Please provide an explanation.

- Cultural
- Geographic
- None of the above
- Transportation
- Economic
- Other (Identify) _____

If you checked other than None of the above, please provide an explanation.

C. Provide copies of any of the following plans, studies or reports related to your proposal:

- Epidemiological studies
- Public information reports
- Other (Identify) _____
- Needs assessments
- Market share analysis
- None – Please explain why no reports, studies or market share analysis was undertaken related to the proposal.

5. Quality Measures

A. Check off all the Standard of Practice Guidelines that will be utilized by the Applicant for the proposed service. Please submit the most recent copy of each report related to the proposal:

- | | | |
|---|--|--|
| <input type="checkbox"/> American College of Cardiology | <input type="checkbox"/> National Committee for Quality Assurance | <input type="checkbox"/> Public Health Code & Federal Corollary |
| <input type="checkbox"/> National Association of Child Bearing Centers | <input type="checkbox"/> American College of Obstetricians & Gynecologists | <input type="checkbox"/> American College of Surgeons |
| <input type="checkbox"/> Report of the Inter-Society Council for Radiation Oncology | <input type="checkbox"/> American College of Radiology | <input type="checkbox"/> Substance Abuse and Mental Health Services Administration |
| <input type="checkbox"/> Other: Specify _____ | | |

B. Describe in detail how the Select Medical Corporation plans to meet the each of the guidelines checked off above.

C. For each O/P rehab center submit a list of **all** key professional and administrative personnel, including the Applicant's Chief Executive Officer (CEO) and Chief Financial Officer (CFO), Medical Director, physicians, nurses, therapists, etc., related to the proposal and a copy of their Curriculum Vitae.

Note: For physicians, please provide a list of hospitals where the physicians have admitting privileges.

D. Provide a copy of the most recent inspection reports and/or certificate for your facility:

- | | |
|---|---|
| <input type="checkbox"/> DPH | <input type="checkbox"/> JCAHO |
| <input type="checkbox"/> Fire Marshall Report | <input type="checkbox"/> Other States Health Dept. Reports (new out-of-state providers) |
| <input type="checkbox"/> AAAHC | <input type="checkbox"/> AAAASF |
| <input type="checkbox"/> Other: _____ | |

Note: Above referenced acronyms are defined below. ¹

¹ DPH – Department of Public Health; JCAHO – Joint Commission on Accreditation of Hospitals Organization; AAAHC – Accreditation Association for Ambulatory Health Care, AAAASF – American Association for Accreditation of Ambulatory Surgery Facilities, Inc.

- E. Provide copies of any Quarterly Action Reports, Consent Decrees or Statement of Charges against any of the operators, its physicians and any staff related to the proposal, for the past five (5) years.
- F. Provide a copy of any plan of action which has been formulated to address the above action against any of the operators, its physicians working at the center and/or any staff related to the proposal.
- G. Provide a copy of the following (as applicable):
 - A copy of the related Quality Assurance plan
 - Protocols for service (new service only)
 - Patient Selection Criteria/Intake form

5. Improvements to Productivity and Containment of Costs

In the past year has your facility undertaken any of the following activities to improve productivity and contain costs?

- Energy conservation
- Reengineering
- Application of technology (e.g., computer systems, robotics, telecommunication systems, etc.)
- Other (identify) _____
- Group purchasing
- None of the above

6. Miscellaneous

A. Will this proposal result in any change to your teaching or research responsibilities?

- Yes No

If you checked "Yes," please provide an explanation.

B. Are there any characteristics of your patient/physician mix that makes your proposal unique?

- Yes No

If you checked "Yes," please provide an explanation.

C. Provide the following licensing information:

- i) If the O/P rehab centers are currently licensed, provide a copy of the State of Connecticut Department of Public Health license currently held for each center.
- ii) The DPH licensure category you are seeking.
- iii) If i) and ii) are not applicable, please explain why.

7. Affiliations, Mergers, Acquisitions and Changes in Ownership

- A. Provide a copy of the written agreement or memorandum of understanding between the Applicants related to the proposal.

Note: If a final version is not available, provide a draft with an estimated date by which the final agreement will be available.

- B. Identify the following items for each Applicant:

- i) Geographical service area.
- ii) Health care services provided.
- iii) Physician referral patterns.
- iv) Corporate or entity structural relationships.
- v) Shared service arrangements (e.g., Group Purchasing, billing etc.).

- C. Provide for each Applicant the following information related to the proposal:

- i) Articles of Incorporation, Articles of Organization or Partnership Agreements (all that are appropriate).
- ii) Legal chart of corporate or entity structure.
- iii) Board of Directors or governing body resolutions approving the proposal.
- iv) Current and proposed percentage of ownership.
- v) Changes in legal status.
- vi) Changes in membership of board of directors or governing body.
- vii) Changes in independence of board of directors or governing body.
- viii) Changes in facility licensed beds, health care services, service areas, locations and management.
- ix) Medicare provider number.
- x) For hospitals, please identify if a new cost center will be established or if an existing cost center will be utilized. Provide the units of service for all new cost centers.

9. Financial Information

A. Type of ownership: (Please check off all that apply)

- Corporation (Inc.) Limited Liability Company (LLC)
 Partnership Professional Corporation (PC)
 Joint Venture Other (Specify): _____

B. Provide the following financial information:

- i) Please submit each Applicant's audited financial statements for the most recently completed fiscal year. If an Applicant has no audited financial statements, please submit a compilation report or an unaudited Balance Sheet and Statement of Operations for the most recently completed fiscal year. These statements should be externally prepared and submitted on the preparer's letterhead.
- ii) By each continuing O/P rehab center, please identify the entity that will be billing for the service.

10. Major Cost Components/Total Capital Expenditure

Submit a final version of all capital expenditures/costs as follows:

Medical Equipment (Purchase)	\$
Imaging Equipment (Purchase)	
Non-Medical Equipment (Purchase)*	
Land/Building (Purchase)	
Construction/Renovation	
Other (Non-Construction) Specify: _____	
Total Capital Expenditure	\$
Medical Equipment (Lease (FMV))	\$
Imaging Equipment (Lease (FMV))	
Non-Medical Equipment (Lease (FMV))*	
Fair Market Value of Space – (Capital Leases Only)	
Total Capital Cost	\$
Capitalized Financing Costs (informational purposes only)	
Total Capital Expenditure with Cap. Fin. Costs	\$

* Provide an itemized list of all non-medical equipment.

11. Land/ Building Purchase

If the CON involves any land/building purchase, please answer all of the following that applies for each center location:

1.	Please submit a copy of the Real Estate Property Appraisal.	\$ _____
2.	What is the useful life of the building?	____ Years
3.	Please submit a schedule of depreciation for the purchased building as an attachment.	

For multiple items, please attach a separate sheet for each item in the above format.

12. Type of Financing

A. Check type of funding or financing source and identify the following anticipated requirements and terms: (Check all which apply)

Applicant's equity:

Source and amount:

Operating Funds Source/Entity Name Available Funds	\$ _____ _____ _____
Contributions	\$ _____
Funded depreciation	\$ _____
Other	\$ _____

Grant:

Amount of grant	\$ _____
Funding institution/ entity	_____

Conventional loan or

Connecticut Health and Educational Facilities Authority (CHEFA) financing:

Current CHEFA debt	\$ _____
CON Proposed debt financing	\$ _____
Interest rate	_____ %
Monthly payment	\$ _____
Term	_____ Years
Debt service reserve fund	\$ _____

Lease financing or

CHEFA Easy Lease Financing:

Current CHEFA Leases	\$ _____
CON Proposed lease financing	\$ _____
Fair market value of leased assets at lease inception	\$ _____
Interest rate	_____ %
Monthly payment	\$ _____
Term	_____ Years

Other financing alternatives:

Amount	\$ _____
Source (e.g., donated assets, etc.)	_____

B. Please provide copies of the following, if applicable:

- i. Letter of interest from the lending institution,
- ii. Letter of interest from CHEFA,
- iii. Amortization schedule (if not level amortization payments),
- iv. Lease agreement.

13. Revenue, Expense and Volume Projections

A.1. Payer Mix Projection

Please provide both the current payer mix and the projected payer mix with the CON proposal for each O/P rehab center based on Net Patient Revenue in the following reporting format:

Total Facility Description	Current Payer Mix	Year 1 Projected Payer Mix	Year 2 Projected Payer Mix	Year 3 Projected Payer Mix
Medicare*	%	%	%	%
Medicaid* (includes other medical assistance)				
CHAMPUS or TriCare				
Total Government Payers				
Commercial Insurers*				
Uninsured				
Workers Compensation				
Total Non-Government Payers				
Total Payer Mix	100.0%	100.0%	100.0%	100.0%

*Includes managed care activity.

A.2. Please describe the impact of the proposal on the interests of consumers of health care services and the payers of such services.

B. 1. Do the Applicants have Tax Exempt Status? Yes No

C. Provide a copy of the charity care policy for each O/P rehab center. Include a list of sliding fees available

D. Provide the following for the financial and statistical projections:

- i) A summary of revenue, expense and volume statistics, without the CON project, incremental to the CON project, and with the CON project. **Please complete Financial Attachment 1, attached.** Please note that the actual results for the fiscal year reported in the first column must agree with the Applicant's audited financial statements.

- ii) The assumptions utilized in developing the projections (e.g., FTE's by position, volume statistics, other expenses, revenue and expense % increases, project commencement of operation date, etc.). Note: Include consideration of the Deficit Reduction Act of 2005 and the reduction of Medicaid and Medicare reimbursements in the development in the financial projections.
- iii) An explanation for any projected incremental losses from operations contained in the financial projections that result from the implementation and operation of the CON proposal.
- iv) Provide a copy of the rate schedule for the O/P rehabilitation centers.
- v) Describe how this proposal is cost effective.

13. B(i). Please provide one year of actual results and three years of projections of Total Facility revenue, expense and volume statistics without, incremental to and with the CON proposal in the following reporting format:

<u>Total Facility:</u> <u>Description</u>	FY Actual Results	FY Projected		FY Projected		FY Projected		
		W/out CON	Incremental	W/out CON	Incremental	W/out CON	Incremental	
NET PATIENT REVENUE								
Non-Government Medicare	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Medicaid and Other Medical Assistance	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Other Government	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total Net Patient Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Other Operating Revenue	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Revenue from Operations	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
OPERATING EXPENSES								
Salaries and Fringe Benefits	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Professional / Contracted Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Supplies and Drugs	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Bad Debts	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Other Operating Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Subtotal	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Depreciation/Amortization	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Interest Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Lease Expense	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Total Operating Expenses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Income (Loss) from Operations	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Non-Operating Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Income before provision for income taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Provision for income taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Net income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Retained earnings, beginning of year	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Retained earnings, end of year	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
FTEs	0	0	0	0	0	0	0	

*Volume Statistics:
Provide projected inpatient and/or outpatient statistics for any new services and provide actual and projected inpatient and/or outpatient statistics for any existing services which will change due to the proposal.

13.C(ii). Please provide three years of projections of incremental revenue, expense and volume statistics attributable to the proposal in the following reporting format:										
Type of Service Description	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Type of Unit Description: # of Months in Operation		Rate	Units	Gross Revenue Col. 2 * Col. 3	Allowances/ Deductions	Charity Care	Bad Debt	Net Revenue Col.4 - Col.5 -Col.6 - Col.7	Operating Expenses Col. 1 Total * Col. 4 / Col. 4 Total	Gain/(Loss) from Operations Col. 8 - Col. 9
Year 1										
FY Projected Incremental										
Total Incremental Expenses:										
Total Facility by Payer Category:										
Medicare				\$0				\$0		\$0
Medicaid		\$0		\$0				\$0		\$0
CHAMPUS/TriCare		\$0		\$0				\$0		\$0
Total Governmental			0	\$0	\$0	\$0	\$0	\$0		\$0
Commercial Insurers		\$0	5	\$0				\$0		\$0
Uninsured		\$0	2	\$0				\$0		\$0
Total NonGovernment			7	\$0	\$0	\$0	\$0	\$0		\$0
Total All Payers		\$0	7	\$0	\$0	\$0	\$0	\$0		\$0