



C I R R U S H E A L T H

Press Release

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**CIRRUS HEALTH ANNOUNCES
NORTH TEXAS HOSPITAL
RECEIVES FAVORABLE CMS OPINION**

Trophy Club, Texas...The Centers for Medicare and Medicaid Services (CMS) announced that Cirrus Health has been awarded a favorable advisory opinion letter regarding their North Texas Surgical Hospital project in Denton, Texas. The opinion letter confirmed that the project was in fact considered “under development” as of November 18, 2003 and officially grandfathered the project under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA Act). The MMA Act established a moratorium on the development of new specialty hospitals during the period December 8, 2003 to June 8, 2005 unless they were considered under development before November 18, 2003. The moratorium expired on June 8, 2005 without extension by CMS. The receipt of the favorable opinion letter allows the hospital to proceed with the billing Medicare for services rendered during the time period from the hospital’s opening thru June 8, 2005. The receipt of the letter is a major achievement for Cirrus Health in the North Texas Hospital project.

The original Stark Law provided that an ownership or investment interest in a hospital is not a financial relationship within the meaning of the Stark Law if the referring physician is authorized to perform services at the hospital. However, Section 507 of the MMA Act revised this exception, requiring that for the 18 month period beginning December 8, 2003, a new hospital could not be a “specialty hospital.” CMS subsequently issued a One-Time Notification notice on March 19, 2004, providing some specific guidance with respect to Section 507 of the MMA Act. The notice incorporated the moratorium into the regulations.

The MMA Act provided that a grandfathered specialty hospital is a hospital that CMS had determined was in operation or under development as of November 18, 2003, and for which, since that date, the number of physician investors had not increased, the specialized services furnished by the hospital had not changed and any increase in the number of beds had occurred only on the main campus and did not exceed the greater of five beds or 50 percent of the beds in the hospital on that date. If an existing specialty hospital were not grandfathered under this definition, or subsequently failed to satisfy this criteria, its physician investors could not refer Medicare and Medicaid patients to the hospital and the hospital could not submit any claims pursuant to any prohibited referrals. In determining whether a specialty hospital was “under development” as of November 18, 2003, the MMA Act directed CMS to consider whether architectural plans were completed, funding was received, zoning requirements were met and necessary approvals from appropriate state agencies were received.

The law established an advisory opinion request process in order to permit a specialty hospital to obtain a determination from CMS regarding whether it was “under development” as of November 18, 2003. It was under this process that Cirrus Health received the favorable opinion letter.

North Texas Hospital is a joint venture between 32 physicians and surgeons practicing in Denton and Cirrus Health of Trophy Club, Texas. The hospital operates out of a 60,000 square foot facility which opened on February 15, 2005. The hospital is located at 2801 Mayhill Road in Denton, Texas.

ABOUT CIRRUS HEALTH

Cirrus Health is a premiere healthcare development and management company specializing in ambulatory surgery centers, and surgical hospital. Cirrus and its local physician partners work together to provide unprecedented levels of patient care in modern, state-of-the-art environments. Cirrus Health is currently involved in the development of projects in Arizona, California, Texas, Oklahoma, and Nevada.. For more information visit us at www.cirrushealth.com or call 817-837-1100.