



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Department of Health and Social Services

Certificate of Need Program

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Anchorage, Alaska 99503
Main: 907-754-3428
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April 7, 2021

Mr. Ward Hinger, CEO
Imaging Associates, LLC
3650 Piper Street, Suite 1A
Anchorage, AK 99508

RE: Request for Determination dated 2-10-2021

Dear Mr. Hinger,

In a letter dated February 10, 2021, Imaging Associates, LLC ("IA") formally requested a determination ("RFD") under 7 AAC 07.031 as to whether a Certificate of Need ("CON") is required to establish an independent diagnostic testing facility ("IDTF"), as defined in AS 18.07.111 and 7 AAC 07.900(23).

The RFD stated IA proposes to purchase an existing IDTF from Providence Imaging Center ("PIC"), currently located at 17101 Snowmobile Lane in Eagle River, AK, and relocate this existing IDTF to a new location at 12001 Busines Boulevard, Eagle River, AK. The proposed project plan includes purchasing the assets of PIC, specifically their Book of Business, a CT Scanner and X-ray system, and procuring a two (2) year lease for space in which to provide IDTF services.

IA plans to provide existing services as well ultrasound and mammography services. IA's proposed project plan also includes replacing the CT and X-ray units due to the age of the units, once the purchase is complete, and the IDTF has relocated to its new, leased space.

IA's proposed project plan includes expanding services that are not currently provided by PIC, namely mammography and ultrasound. These services are not currently subject to CON. Thus, any costs associated are not considered for purposes of this RFD.

On March 2, 2021 the department submitted a first (1st) request for additional information to make its determination whether a certificate of need was necessary. Specifically, the department requested a proposed project plan that included a timeline of the project, an itemized expenditures list to include the transfer of assets from PIC to IA, a definition and assigned cost for the "book of business", and a

comparable property leasing value for the square footage to be leased at 12001 Business Boulevard, Eagle River, Alaska. IA responded on March 4, 2021 with the following:

- IA's project timeline will run approximately March 1, 2021 through December 31, 2021
- Acquired CT Scanner cost is \$35,000
- Acquired Radiographic System and Computer Radiography Digitizer cost is \$20,000
- Definition of "Book of Business" and assigned cost is referral base and, \$245,000, respectively
- Receipt of an email quote from Providence Alaska for space in the Providence Eagle River Medical Office Building, to be considered comparable office space, at a rate of \$2.72 per S.F.

On March 16, 2021 the department submitted a second (2nd) request for information asking for verification of the cost estimates provided in IA's (1st) response.

On March 18, 2021 IA responded to the departments (2nd) request with a clarification, supplying an accounting and estimation of cost and value of the assets being transferred as part of the sale of the IDTF from PIC to IA. IA provided revised cost(s) to reflect fair market value for the Radiographic System and Computer Radiography Digitizer (\$0, not \$20,000 as originally stated), and the CT Scanner (\$23,000 not \$35,000 as originally stated).

Additionally, IA provided that the lease rate contemplated and included as an expenditure for the purposes of establishing cost of the proposed project was in line for similar space in Eagle River. Specifically, IA provided an email from Providence Real Estate Strategy and Operations Division, who offered a lease rate of \$2.72 per SF in PIC's current IDTF location; providing that space was available. IA states there is no other comparable Class A medical lease space existing, or available, in Eagle River, Alaska and believes the current, stated \$2.72 per SF lease rate for the 5,192 SF at 12001 Business Boulevard to be a fair and representative lease rate for the space.

The lease for space at 12001 Business Boulevard will consist of 5,192 SF and cost \$2.72 per SF. The total cost for the proposed, two-year lease is \$379,431, with Tenant Improvements costs estimated not to exceed \$775,000.

Revised Expenditures to be considered:

<u>Total Project Cost</u>	<u>\$1,476,667</u>
Lease (2 Year Lease, 5,192 SF x \$2.72/SF)	\$ 379,431
Tenant Improvements	\$ 775,000
Book of Business (including CT Scanner)	\$ 300,000
Radiographic System and Computer Digitizer	\$ 0
Office Furniture	\$ 22,236

Ward Hinger, CEO
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Thank you for your letter dated February 10, 2021 requesting a determination whether a certificate of need was necessary to purchase and relocate an IDTF in Eagle River, Alaska. Based on the information provided, the CON Program can issue a determination per 7 AAC 07.031.

A CON is not required for the proposed project because the expenditures at issue would not exceed the \$1.5 million threshold under AS 18.07.031. Additionally, there is no issue of CON applicability to expanded or additional services because of IA's purchase and relocation of the IDTF.

If you are dissatisfied with this determination, you may request reconsideration under 7 AAC 07.033. A request for reconsideration must be postmarked no later than 30 days after publication of the public notice.

Kind regards,

A handwritten signature in cursive script that reads "Alexandria Hicks".

Alexandria Hicks, CON Program Coordinator

/ah