



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of
Health and Social Services

Certificate of Need Program

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September 1, 2015

Dr. Christopher Jensen, M.D.
Aurora Plastic Surgery
2485 Chief William Drive
Fairbanks, AK 99709

RE: Aurora Plastic Surgery Request for Determination dated May 20, 2015

Dear Dr. Jensen,

Thank you for your letter dated July 20, 2015, and a subsequent letter dated August 13, 2015 in which you responded to a request for additional information regarding the request for determination as to whether Aurora Plastic Surgery's proposed project requires a certificate of need (CON).

Aurora Plastic Surgery appears to seek to convert 1,200 SF of office space into an operating room. The initial project costs were estimated to be \$658,377.56. The operating room will be located directly adjacent to your current leased space and renovation of this space began in July 2014. You anticipated completing the project by mid to late June of this year. You are seeking to expand your surgical services by providing additional modalities of anesthesia when performing office surgeries. The modalities include local, intravenous or general anesthesia.

Based on the lease information provided by Aurora Plastic Surgery, it appears that you own the space where the operating room will be located. Per 7 AAC 07.010(a)(7), the value of the space owned by the applicant that is to be used for the health care facility must be considered as an expenditure for purposes of the \$1.5 million statutory threshold under AS 18.07.031. The value of the space is estimated using the value of the square footage of the space if it were leased. This is accomplished by using the average current market rate for similar space leased in the proposed service area or comparable space in a comparable service area.

On August 31, 2015, you provided the CON program with a document from Madden Real Estate, LLC that concludes the "average leasable rates for medical and dental space in a comparable service area are to be \$2.00-2.25/sq. ft. in the current market." Based on this estimate, the 1,200 SF of space could be leased for \$2,700.00 per month (1,200 SF x \$2.25). Over a five year lease term, the expenditure for the leased space would be \$162,000.00 (\$2,700.0 x 12 months x 5 years). The lease term for this space began June 1, 2014 and will expire on May 31, 2019.

Thus, the total estimated cost of the project is **\$820,377.56**

Space	\$162,000.00
Demolition, Framing and Plumbing	\$130,959.49
Mechanical and Medical Gas	\$303,045.07
Electrical Engineering	\$ 9,360.00
Electrical and Finishes	\$100,000.00
Medical Equipment	\$115,013.00

Based on the request for determination and additional information provided by Aurora Plastic Surgery, as presented, 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. Please note, this determination only concerns CON. Any other issues, including licensing or certification, must be addressed separately with the appropriate oversight agency or agencies.

If you are dissatisfied with this determination you may request reconsideration under 7 AAC 07.033 or appeal this determination under 7 AAC 07.080. A request for reconsideration must be postmarked no later than 30 days after publication of the public notice.

Sincerely,


Alexandria Hicks, CON Coordinator

Cc Jason Weiner, Attorney at Law, Gazewood & Weiner, P.C.