



THE STATE  
of **ALASKA**  
GOVERNOR BILL WALKER

Department of  
**Health and Social Services**  
OFFICE OF RATE REVIEW

Certificate of Need Program  
3601 C Street, Suite 978  
Anchorage, Alaska 99503  
Main: 907.334.2464  
Fax: 907.334-2220

October 10, 2016

Ms. Karina Raemaeker, Administrator  
Kenai Peninsula Imaging Center, LLC  
100 Trading Bay Road, Suite 7  
Kenai, AK 99611

RE: Request for Determination – Establishment of an Independent Diagnostic Testing Facility

Dear Ms. Raemaeker,

The department received your letter dated September 16, 2016 in which the Kenai Peninsula Imaging Center, LLC requests a formal determination as to whether a certificate of need (CON) is necessary for a proposed independent diagnostic testing facility (IDTF). The project will result in an IDTF which plans to provide computed tomography (CT), Magnetic Resonance Imaging (MRI), digital X-ray and ultrasound services. The project will be accomplished through a purchase of a MRI and a CT machine as well as lease for purchase agreement for the X-ray and ultrasound. You also propose to lease and renovate 2,414 SF of space for this project.

You state the estimated cost of the project is \$1,048,939.73

• MRI	\$ 405,000.00
• CT	\$ 420,000.00
• X-Ray	\$ 30,124.29
• Ultrasound	\$ 18,804.20
• C-Arm	\$ 6,999.00
• Building Lease for 2,414 SF	\$ 106,602.24
• Building Renovation	\$ 28,530.00
• Miscellaneous furniture and equipment	\$ 17,880.00
• Estimated plans and consulting costs	\$ 15,000.00
 • <b>TOTAL</b>	 <b>\$1,048,939.73</b>

Based the submitted documentation, the proposed project is below the \$1.5 million CON threshold under AS 18.07.031.

The Department has reviewed the submitted documentation, and has found a few discrepancies.

October 10, 2016

Page 2

As such, the CON Program has revised the total project amount to \$1,152,974.27 (the underlined totals are the revised amounts):

• MRI	\$ 405,000.00
• CT	\$ 420,000.00
• <u>X-Ray</u>	<u>\$ 101,850.00</u>
• <u>Ultrasound</u>	<u>\$ 50,000.00</u>
• C-Arm	\$ 6,999.00
• <u>Building Lease for 2,414 SF</u>	<u>\$ 107,322.00</u>
• Building Renovation	\$ 28,530.00
• <u>Miscellaneous furniture and equipment</u>	<u>\$ 18,273.27</u>
• Estimated plans and consulting costs	\$ 15,000.00
• <b><u>TOTAL</u></b>	<b><u>\$1,152,974.27</u></b>


First, the CON Program disagrees that the X-ray and Ultrasound acquisition(s) should be characterized as a lease. Although the arrangement is referred to as a lease, it clearly takes the form of a contract for purchase. This is specifically supported in both financing proposals (one for the X-ray, one for the Ultrasound) "Lessee will have the option to purchase the equipment at the end of the Lease term for \$1.00." Again, the arrangement is akin to a payment plan that is completed after month 60 (X-ray) or month 80 (ultrasound), not a lease. Accordingly, the full purchase of equipment is an expenditure that is subject to the threshold.

In terms of the Building Lease amount discrepancy, Kenai Peninsula Imaging Center, LLC did not include sales tax as part of the total monthly lease amount, and in terms of the miscellaneous furniture and equipment discrepancy, it appears to be a simple mathematical error.

Kenai Peninsula Imaging Center, LLC is seeking to establish an IDTF that is subject to the State's CON laws, so if the information provided in its request for determination are true and accurate, than a CON is not required for the proposed project because the expenditures at issue would not exceed the \$1.5 million statutory threshold under AS 18.07.031.

In conclusion, based on the request for determination, as presented, a CON is not required for the proposed project because the expenditures at issue would not exceed the \$1.5 million statutory threshold under AS 18.07.031. 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.

Regards,

  
Alexandra Hicks, Coordinator  
The Certificate of Need Program