



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

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

Certificate of Need Program
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May 21, 2015

Mr. Harold Gear
Surgery Center of Kenai, LLC
110543 Kenai Spur Highway
Kenai, Alaska 99611

RE: Request for Determination – Addition of Procedure Room at Surgery Center of Kenai

Dear Mr. Gear,

The department received your letter dated May 12, 2015 in which the Surgery Center of Kenai requests a formal determination as to whether a certificate of need (CON) is necessary for the addition of a procedure room. The project will result in an ambulatory surgery center with one (existing) operating room and one procedure room. The project will be accomplished by leasing and remodeling 1,507 SF of space that is adjacent to the ambulatory surgery center.

The estimated cost of the project is \$696,488 and it is broken down as follows:

DESCRIPTION	EXPENDITURE
• Lease of building	\$ 82,885
• Leasehold Improvements	\$ 461,450
• Equipment	<u>\$ 152,153</u>
• TOTAL	\$ 696,488

Based on the certified cost estimate, the proposed project is below the \$1.5 million CON threshold under AS 18.07.031.

Additionally, the Surgery Center of Kenai's proposal is not a "divided or phased activity." More specifically, the Surgery Center of Kenai was licensed as an ambulatory surgery center on May 28, 2014, and conducted its first case on June 3, 2014. Per 7 AAC 07.025(d), there are certain circumstances in which a second project is considered a phase of the first project, and the costs associated with both phases must be considered as a whole for purposes of a threshold determination. Here, that is not the case. The initial construction of the Surgery Center of Kenai was not financed, constructed, or acquired with the proposed procedure room. Additionally, the Surgery Center of Kenai as a whole is not dependent upon completion of the procedure room. The Surgery Center of Kenai is an ambulatory surgery center. Ambulatory surgery centers are

May 21, 2015

Page 2

licensed to perform surgeries in operating rooms. Therefore, for purposes of CON, ambulatory surgery centers are dependent upon available operating rooms, not procedure rooms.

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 threshold under AS 18.07.031, and there is no issue concerning a "divided or phased activity." The Department does caution the Surgery Center of Kenai that if it seeks to convert the procedure room to an operating room in the future, that action could be considered a phased activity at that time under 7 AAC 07.025(d).

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,



Alexandria Hicks, Coordinator
The Certificate of Need Program