



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

May 30, 2017

Mr. Peter M. Diemer  
Clayton and Diemer, LLC  
500 L Street, Suite 200  
Anchorage, Alaska 99501

RE: Request for Determination – Surgery Center of Kenai 5-10-2017

Dear Mr. Diemer,

The department received your letter dated May 10, 2017 in which the Surgery Center of Kenai, LLC (SCK) requests a formal determination as to whether a certificate of need (CON) is necessary for the addition of a second operating room and two twenty-three hour observation rooms. SCK is an existing ambulatory surgery center with one operating room and one procedure room. The proposed project will update the existing licensed ambulatory surgery center and create a second operating room and two observation rooms while retaining a procedure room. The proposed project will be constructed within the 1,851 S.F. lease space currently available and adjacent to the existing SCK. You propose to lease this space for two years at a rate of \$1.84 per foot, per month.

Your letter states that SCK desires this alteration in order to provide facility redundancy and improved scheduling. You also state you believe the current project is not a divided or phased activity in relation to either the original construction or the 2015 procedure room project.

You state the estimated cost of this project is \$678,376.34, with construction to commence on or about June 1, 2017.

Total Costs:	<u>\$678,376.34</u>
Lease	\$ 81,740.16
Tenant Improvements	\$487,764.00
Additional Equipment	\$108,872.18

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

May 30, 2015

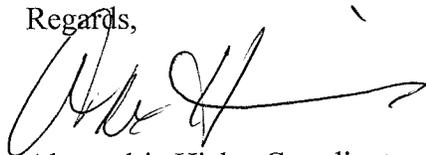
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Additionally, the Surgery Center of Kenai's proposal is not a "divided or phased activity." More specifically, the Surgery Center of Kenai was licensed as an ambulatory surgery center on May 28, 2014, and conducted its first case on June 3, 2014. Per 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.

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"

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,

A handwritten signature in black ink, appearing to read 'Alex Hicks', with a long horizontal flourish extending to the right.

Alexandria Hicks, Coordinator