



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Department of Health

CERTIFICATE OF NEED PROGRAM

3601 C Street, Suite 978
Anchorage, Alaska 99503-5923
Main: 9077-538-2452

November 28, 2023

Mr. Eric Blake, Director of Program Management
PeaceHealth Ketchikan Medical Center
3100 Tongass Avenue
Ketchikan, Alaska 99901

Via: EBlake@Peacehealth.org

RE: Request for Determination dated November 6, 2023

Dear Mr. Blake,

The department is in receipt of your request for determination ("RFD") whether a certificate of need is necessary for your proposed project to proceed. PeaceHealth Ketchikan Medical Center ("KMC") proposes to replace its existing CT scanner machine, which has reached the end of its useful life, with a new CT scanner machine and locate the new CT scanner machine in existing, shelled in space.

Per your RFD, KMC is a 25-bed critical access hospital located at 3100 Tongass Ave, in Ketchikan Alaska. KMC serves multiple remote, island communities in southern Southeast Alaska, including Ketchikan, Metlakatla, Prince of Wales Island and the more than 1.5 million travelers who visit annually.

Scope of Project:

KMC is undertaking a project to provide the region with a new, state of the art computed tomography (CT) scanner and associated imaging suite. Per your RFD, KMC's current CT scanner is at the end of its useful life, requiring frequent maintenance and downtime. This "downtime" requires medical transport of patients off-island for life-saving imaging studies and associated care.

The project includes the purchase and installation of the new CT scanner machine and a remodel of existing 1,300 SF of space, adjacent to the existing imaging and emergency departments.

The CT imaging suite will incorporate the addition of updated and necessary safety and environmental features, including the following:

- Replacing end of life HVAC roof-top unit
- Re-routing HVAC ducting and controls

- KMC anticipates the installation of equipment and renovations necessary will be complete by December 2024.

Total Project Costs: **\$ 4,173,134**

Construction	\$ 1,853,978
Equipment and Furnishings	\$ 1,300,500
Architectural and Engineering	\$ 250,287
Consultant Fee	\$ 55,619
Permit and Associated Fees	\$ 55,619
Inspection and Testing Fees	\$ 148,318
Project Management	\$ 129,778
Contingency	\$ 379,035

Per AS 18.07.031, a person may not make an expenditure of \$1,500,000 or more for any of the following unless authorized under the terms of a certificate of need issued by the department:

- (1) construction of a health care facility;
- (2) alteration of the bed capacity of a health care facility; or
- (3) addition of a category of health services provided by a health care facility.

Per AS 18.07.111(6), “construction” means the erection, building, alteration, reconstruction, improvement, extension, or modification of a health care facility, including lease or purchase of equipment, excavation, or other necessary actions.

Further, per 7 AAC 07.010 Expenditures to be included when determining whether a certificate of need is required:

- (a) In determining the amount of an expenditure for an activity under AS 18.07.031 (a), a person shall include the cost for one, or a combination of two or more, of the following components, as applicable:
- (1) site excavation;
 - (2) construction, demolition, or remodeling of a building;
 - (3) other site or facility development;
 - (4) purchase of equipment, a building, or other property;...

and

(7) ...[t]he provisions of this paragraph do not apply to an expenditure that involves only remodeling of an existing facility unless the remodeling includes an expansion of the facility;

and

(A) to an expenditure that involves only remodeling of an existing facility unless the remodeling includes an expansion of the facility;

(5) ...[t]he provisions of this paragraph do not apply to an expenditure that involves only remodeling of an existing facility unless the remodeling includes an expansion of the facility;

and

(6) "remodeling"

(A) means altering the structure or furnishings of a building;

(B) does not include routine maintenance or routine replacement of equipment.

Considering the referenced CON statute and regulation, the following applies to KMC's proposed project:

- KMC's proposed project consists of construction to a health care facility, however KMC's new imaging suite is to be built in existing space, thus constituting an expenditure that involves remodeling of its existing facility and not expansion of the facility.
- KMC's proposed plan to purchase new equipment to replace the outdated and obsolete equipment, and retire the existing scanner permanently, is considered routine replacement of equipment and will not be considered for purposes of this determination.

While the expenditures to replace the CT scanner machine and the remodeling of existing space for the imaging suite exceed the \$1.5 million CON monetary threshold, the combined project expenditures are not subject to scrutiny for purposes of this RFD. Hence, pursuant to *AS 18.07.031*, KMC may proceed without a CON for this project.

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 of this determination.

Sincerely,

Alexandria Hicks

Alexandria Hicks, CON Program Coordinator