

November 7, 2016

Alexandria Hicks, Coordinator  
DHSS/Certificate of Need  
3601 C Street, Suite 978  
Anchorage, AK 99503-5924

Re: Request for Determination Pursuant to 7 AAC 07.031

Dear Alexandria,

As part of its routine maintenance and routine replacement of equipment, South Peninsula Hospital ("SPH") is planning on replacing its HVAC system (the "HVAC Project") for its operating rooms. As you know, "routine maintenance" as defined in 7 AAC 07.900 (33) and "routine replacement of equipment" as defined in 7 AAC 07.900 (34), do not require a certificate of need ("CON") regardless of the cost associated with the maintenance or equipment. Further, "routine maintenance" costs and "routine replacement of equipment" costs are not included as expenditures for a project when calculating the CON threshold amount and whether a CON is required. 7 AAC 07.010 (h)(5). SPH requests a determination that a CON is not required for this HVAC Project.

#### The HVAC Project

SPH has an immediate need to replace the HVAC system for its operating rooms. The current HVAC system is 40 years old and does not meet current standards. The current HVAC system does not provide sufficient control of room temperature, humidity levels, and air exchange for the number of surgeries, people, and equipment utilizing the operating rooms. Several surgical cases were postponed in 2016 due to the temperature and humidity levels in the operating rooms. The new proposed HVAC system will better control temperature and humidity levels so that future scheduled surgeries will not have to be postponed.

Included with this Request for Determination is a copy of the certified Construction Cost Estimate for the SPH Operating Room HVAC System. The Cost Estimate details the proposed activity including a description of each component of the activity proposed to be undertaken. You will see that the anticipated total cost for Option 1 is \$1,632,052. Construction should begin in early January of 2017, and be completed by August of 2017.

Expenditures for remodeling of a current structure for routine maintenance or routine replacement of equipment are not included as part of the costs used to determine whether a project meets or exceeds the CON threshold amount for purposes of determining whether a project needs a CON. 7 AAC 07.010 (h)(5).

The definition of "routine maintenance" includes maintenance that is "regular, customary, ordinary, or usual upkeep of property and equipment to keep the property or equipment in safe working condition or in good repair or to meet life and safety code standards. 7 AAC 07.900 (33).

The definition of "routine replacement of equipment" means "the regular, customary, ordinary, or usual replacement of worn out, broken, or obsolete equipment." 7 AAC 07.900 (34).

Irrespective of whether one applies the definition of "routine maintenance" or "routine replacement of equipment," it is clear that the replacement of a 40-year old HVAC system would fit under either definition. SPH believes that this HVAC Project qualifies as "routine maintenance" and/or "routine replacement of

equipment" and does not trigger the need to secure a CON. SPH requests that you issue a determination that the HVAC Project does not require a CON.

Thank you for your attention to this matter. If you need any additional facts or information, please let me know. I can be reached at the phone number or email address listed below.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Robert Letson", with a long horizontal flourish extending to the right.

Robert Letson  
CEO/Administrator  
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