



THE STATE  
of **ALASKA**  
GOVERNOR MIKE DUNLEAVY

**Department of Health**

OFFICE OF THE COMMISSIONER

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Monday, April 20, 2026

Philip Hofstetter, CEO  
Petersburg Medical Center  
PO Box 589  
Petersburg, AK 99833  
Via email: [phofstetter@pmc-health.org](mailto:phofstetter@pmc-health.org)

RE: *Certificate of Need Decision – Petersburg Medical Center MRI Project*

Dear Mr. Hofstetter:

After careful review of Petersburg Medical Center's (PMC) Certificate of Need (CON) application for the establishment of magnetic resonance imaging (MRI) services within the Wellness, Education, and Resource Center (WERC) building in Petersburg, Alaska, the Department of Health approves the application with conditions. This decision is made in accordance with AS 18.07, 7 AAC 07, and the Alaska CON Review Standards and Methodologies.

After considering the Department's records, including the application under review; the CON Program's analysis and recommendations submitted under 7 AAC 07.060; public comments received under 7 AAC 07.052; the applicable provisions of AS 18.07 and 7 AAC 07; relevant health planning documents on file with the Department; and special circumstances related to access to care and feasibility in a remote service area, I have determined that approval of the project is warranted.

I further find that the application satisfies the General Review Standards adopted under 7 AAC 07.025. The record demonstrates a clear need for MRI services in the proposed service area, where no such services currently exist and access requires travel by air or ferry. The project is consistent with applicable health planning goals, including Healthy Alaskans 2023, which identifies improving health care access and reducing preventable hospitalizations as statewide priorities. Establishing MRI services in this rural service area supports those goals by improving access to essential diagnostic imaging and supporting timely diagnosis and preventative care. PMC engaged relevant stakeholders and considered reasonable alternatives, including continued reliance on out-of-area services, which was determined to be less effective. The project will not adversely impact the existing health care system and instead will improve system efficiency by reducing the need for travel and delayed care. Finally, the project significantly enhances access to diagnostic services for the population served.

Pursuant to 7 AAC 07.070(a), the Certificate of Need is granted with the following specifications:

1. **Maximum Expenditure:** The total expenditure for the approved project shall not exceed \$3,109,226, limited to MRI-related costs only.
2. **Bed Capacity:** Not applicable.
3. **Approved Capacity of Other Services:** This project authorizes the establishment of MRI diagnostic imaging services, consisting of one (1) MRI unit. No other services included in the WERC building are approved under this Certificate of Need.
4. **Completion Date:** The project must be completed and MRI services operational within twelve (12) months of the date of this decision, as indicated in the application.
5. **Conditions of Approval:**
  - a. Approval is limited solely to the MRI service, including equipment and clinical space directly necessary for MRI operations.
  - b. Costs, square footage, and scope are limited to MRI-related components as identified in the CON Program's analysis.
  - c. Any expansion of imaging capacity or addition of new services will require separate CON review, if applicable.

With respect to the MRI Service-Specific Review Standards, I find that the applicant does not meet the utilization thresholds set out in Review Standards 1 and 2. The applicant's projected utilization is substantially below the minimum thresholds of 3,000 scans per year, or 1,000 scans per year for communities under 10,000 population.

The CON Program's MRI review methodology reflects an implied utilization rate based on population, derived from a benchmark of approximately 2,500 scans per 70,000 population, or roughly 35 scans per 1,000 persons annually. When applied proportionally to a community the size of Petersburg, with a population of approximately 3,200 residents, this methodology would imply annual utilization of approximately 110 to 120 MRI scans. The applicant's projected utilization is consistent with this proportional estimate.

However, the methodology establishes minimum utilization thresholds that assume a substantially larger population base than exists in the proposed service area. As a result, while the applicant's projected utilization is consistent with the implied population-based demand reflected in the methodology, it does not meet the minimum numeric thresholds established with larger communities in mind.

Petersburg is a remote, island community with no existing MRI services. Access to MRI currently requires travel by air or ferry, resulting in delays, increased cost, and reduced utilization of necessary diagnostic services. In making this decision, I have considered special and extraordinary circumstances related to community access to health care and the feasibility of the proposed activity, as required under 7 AAC 07.070(b)(7). Strict application of the utilization

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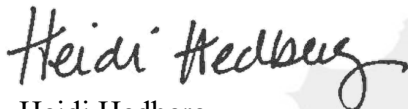
thresholds in this case would reduce access to care and would effectively preclude the provision of MRI services in similarly situated rural Alaska communities.

Based on the record, I find that the project satisfies the intent of the applicable review standards and is necessary to ensure the availability and accessibility of diagnostic imaging services in the service area.

This Certificate of Need authorizes Petersburg Medical Center to establish MRI services as described above. Approval of this CON does not imply any guarantee of federal, state, or private funding, including Medicaid reimbursement, and does not imply any guarantee of profitability. This CON is valid only through the completion date identified above, unless extended in accordance with 7 AAC 07.095.

If you are dissatisfied with this decision, you may appeal by requesting an administrative hearing in accordance with 7 AAC 07.080. A request for an administrative hearing must be received in writing by the Department no later than 30 days after publication of notice of this decision.

Sincerely,



Heidi Hedberg  
Commissioner

CC: Emily Ricci, Deputy Commissioner, [emily.ricci@alaska.gov](mailto:emily.ricci@alaska.gov)  
Daniel Phelps, Process Improvement Manager, [daniel.phelps@alaska.gov](mailto:daniel.phelps@alaska.gov)  
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