



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Department of Health and Social Services

CERTIFICATE OF NEED PROGRAM

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May 5, 2020

Dr. Tony Nimeh, M.D.
Denali Biomedical
2485 Chief William Drive
Fairbanks, AK 99709

Via: tnimeh@fairbanksurology.com

Dear Dr. Nimeh,

Thank you for your letter dated April 16, 2020 in which you request a determination as to whether Denali Biomedical, LLC's ("Denali Biomedical") proposed project requires a certificate of need ("CON").

On April 28, 2020 the Department requested additional information necessary to process your request.

Denali Biomedical seeks to co-locate a single operating room ambulatory surgery center with Aurora Plastic Surgery, LLC, an ambulatory surgery center, to be located in a free-standing building at 2485 Chief William Drive in Fairbanks, Alaska. Denali Biomedical will proceed with the proposed project, accordingly, once a decision is made regarding the determination.

Denali Biomedical's proposed project is in line with CMS guidelines for temporally separate ASCs that share the same location. This is further supported by information that is published on the Alaska Department of Health and Social Services, Division of Health Care Services' website.¹ The information states:

"CMS does permit two different Medicare-participating ASCs to use the same physical space, so long as they are temporally separated. That is, the two facilities must have entirely separate operations, records, etc., and may not be open at the same time."

Based on this information, it appears to be valid for two Medicare-participating ASCs to use the same space as long as they are temporally separated. You indicate that Denali Biomedical will be temporally located with Aurora Plastic Surgery.

¹See http://dhss.alaska.gov/dhcs/Pages/hflc/fac_asc.aspx

Given that both facilities will need to maintain entirely separate operations, they can only access and occupy the space at totally distinct times. Accordingly, Denali Biomedical will be operating a maximum of one day per week, and Aurora Plastic Surgery will be operating a maximum of four days per week.

You have arrived at an agreement with WW Properties, LLC dba Aurora Plastic Surgery, to lease approximately 1,500 square feet of space with one operating room, for one day a week.

As part of your lease agreement, WW Properties, LLC will provide utilities to include gas, electric, water, and heat. Included in the lease agreement, separate from the utilities, you will be allowed the use of certain, general surgical equipment to be shared between both surgical services.

Originally, you stated the following was the total cost to establish your proposed project:

<u>Cost Category</u>	<u>Anticipated Expenditures</u>
Lease (1 year)	\$285,996.00
Medical cabinets & construction	\$4,950.00
Camera for monitoring the use of Medical Gas	\$199.99
Security cameras to monitor controlled substances and medical gas	\$499.99
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Total Project Cost	\$291,645.98

However, this total was not reflective of all costs that need to be considered when determining whether a CON is necessary. As part of the department's request for additional information you were asked to provide the costs for additional, "specialized" equipment that, per the lease agreement, you were allowed to bring in and that was not included in the lease agreement. Additionally, you were asked to provide the costs for a lease agreement with a minimum of a two year term. As such, the cost of the proposed project has been revised to reflect the following costs:

<u>Cost Category</u>	<u>Anticipated Expenditures</u>
Lease (2 year)	\$571,992.00
Medical cabinets & construction	\$4,950.00
Camera for monitoring the use of Medical Gas	\$199.99
Security cameras to monitor controlled substances and medical gas	\$499.99
Urology Tower	\$1,947.00
Camera and Ultrasound machine video systems	\$15,000.00
Fluoroscopy C-ARM equipment	\$66,250.00
External Shock Wave Lithotripsy Machine *	N/A
Surgical Instruments	\$272.96
Urology cart containing urological materials	\$2,039.00
Ultrasound Machine	\$13,100.00

Total Project Cost	\$676,249.95
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In conclusion, Denali Biomedical's proposed project is subject to CON requirements. The total estimated costs of the proposed project is \$676,249.95. This expenditure amount is below the \$1.5 million statutory threshold under AS 18.07.031. Accordingly, a CON is not required for this project as it is proposed.

Since this determination is restricted to the specific project proposal, if the project experiences a change in scope, costs, or circumstances, then this office must be notified immediately because this determination is void and a CON may be required.

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.

Sincerely,

Alexandria Hicks

Alexandria Hicks, CON Coordinator