

STATE OF ALASKA

DEPT. OF HEALTH AND SOCIAL SERVICES
OFFICE OF THE COMMISSIONER

SARAH PALIN, GOVERNOR

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August 14, 2008

Certified, Return Receipt Requested

Robert Letson, CEO
South Peninsula Hospital
4300 Bartlett Street
Homer, Alaska 99603

Dear Mr. Letson:

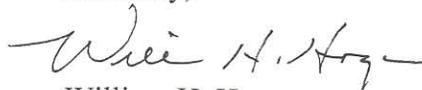
Thank you for your letter of July 25, 2008, requesting a determination of whether a certificate of need is required to spend between \$1.8 and \$1.9 million for a 1.5 Tesla MRI to be purchased in July 2009.

I have determined that a certificate of need is not required under 7 AAC 07.031(e) because this expenditure is considered to be a routine replacement of equipment based on the following information provided:

1. The present MRI system leased by South Peninsula Hospital (SPH) is a 2003 model. Based on the American Hospital Association publication "The Estimated Useful Lives of Depreciable Hospital Assets", the useful life of MRI equipment is 5 years. Therefore, by December, 2008, the equipment will be fully depreciated.
2. The current software used by the MRI is obsolete and will not support upgrades or new gradient technology.
3. SPH has maintained MRI services onsite for seven years, which is an important service in helping physicians diagnose emergency, inpatient and outpatient cases. The current MRI lease expires in June, 2009, and it is reasonable that SPH should continue to offer essentially the same service with newer, upgraded equipment.

If you are dissatisfied with this determination SPH may request reconsideration under 7 AAC 07.033, or may appeal this determination under 7 AAC 07.080. The Department of Health and Social Services will publish public notice of this determination under 7 AAC 07.031. The notice will describe the proposed activity and the determination.

Sincerely,



William H. Hogan
Commissioner