

March 21, 2006

Karleen Jackson  
Commissioner  
Department of Health & Social Services  
350 Main Street, Room 404  
PO Box 110601  
Juneau, Alaska 99811-0601



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Office of the Commissioner  
DHSS - Juneau

RE: Request for Determination

Dear Commissioner Jackson:

We understand, based upon a press release dated December 22, 2005, that Providence Health System in Alaska is constructing a 6,400 square foot medical office building in the Matanuska-Susitna Valley ("Mat-Su"), which will be leased to a radiology group and will include a diagnostic imaging center. We have some specific questions about this project and whether it is exempt from the requirements for a Certificate of Need pursuant to AS 18.07. We respectfully request that your department investigate this project and make a determination as to whether the requirements of AS 18.07 and the Certificate of Need regulations are applicable to this proposed diagnostic imaging center.

Within the core population area of the Mat-Su health service region, currently two full-service imaging centers in three locations serve Mat-Su's 70,000 residents. Another imaging center is not needed within the core area of Mat-Su. Pursuant to the Review Standards proposed for adoption by your department with respect to imaging services, a Certificate of Need could not be granted for this new imaging center because not all of the existing modalities are fully utilized.

Based upon our understanding of what this new imaging center will contain in terms of modalities or what the costs for the equipment, land and construction totals, we have reason to believe that the expenditures for this project, determined in accordance with 7AAC 09.010 and other relevant regulations, are likely to exceed \$1,050,000. As you know, if the expenditures for this imaging center will exceed \$1,050,000, then the project will require a Certificate of Need.

Mat-Su Regional Medical Center may be adversely and substantially affected by the violation of the Certificate of Need statute that will exist if the expenditures for the Providence Health System in Alaska project exceed the \$1,050,000 threshold. Therefore, we respectfully request that your department investigate this project and make a determination as to whether the requirements of AS 18.07 and the Certificate of Need regulations are applicable to the imaging center being constructed by Providence Health System in Alaska. In conjunction with our request, we have the following questions for you to consider while investigating this matter:

- 1) Who are the partners in the radiology group who will be leasing this space for an imaging center?

- 2) Was a letter of determination submitted to the department outlining the project and the ownership?
- 3) Is this imaging center organized similar to the Providence Imaging Center, and specifically is The John Gabriel Ryan Association involved in any manner? Note: According to the 2003 IRS Form 990, "The John Gabriel Ryan Association is a non-profit corporation whose sole member is the Providence Health System. JGR has partnership interests in several joint ventures formed for the purposes of benefiting persons in need of radiology and imaging services in the community in which the ventures are located."
- 4) What percentage of ownership in this radiology group do these partners have?
- 5) Who are the entities financing this construction?
- 6) What percentage of the construction costs are these entities financing?
- 7) What are the lease arrangements between Providence Health System in Alaska and this group of radiologists?
- 8) What is the fee for the lease?
- 9) Is this fee at fair market value?
- 10) What imaging modalities will be offered within this imaging center?
- 11) Who is purchasing and owns the equipment within this imaging center? Specifically, is the John Gabriel Ryan Association purchasing the equipment for lease to any of the persons involved in the imaging center?
- 12) What is the value of the land, building and equipment?

Thank you for considering our request. Should you need any additional information from us, please do not hesitate to contact me.

Sincerely,



Norman Stephens  
Chief Executive Officer  
Mat-Su Regional Medical Center