



THE STATE
of **ALASKA**

GOVERNOR BILL WALKER

**Department of
Health and Social Services**

CERTIFICATE OF NEED PROGRAM

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January 23, 2017

Mr. Robert Letson, CEO
South Peninsula Hospital
4300 Bartlett Street
Homer, AK 99603

RE: Request for Determination dated October 19, 2016

Dear Mr. Letson,

In a letter dated October 19, 2016, you formally requested a determination under 7 AAC 07.031 as to whether a Certificate of Need (CON) is required for a planned expansion of the Homer Medical Center. You stated that the project would include routine maintenance and routine replacement of equipment, construction of non-clinical space, and construction of additional space for the delivery of existing services.

You propose to expand the existing Homer Medical Center from its current size of 5,000 SF by adding an additional 5,584 SF. This 5,584 SF expansion would include new clinical space: eight additional exam rooms, an additional consultation area, a specialty procedure room, office, lab and imaging space, an expanded and secure medication room, and a conference room. The proposed additional exam rooms would be used mostly as exam rooms, or possibly procedure rooms on an as-needed basis, but that they would never be utilized as surgery suites. Additionally, you state the enlargement of the lab and imaging space is merely to allow for more work area and efficient flow of traffic. On January 6, 2017 you clarified the expenses for new construction, remodeling and replacement, and confirmed that no new services were being added as a result of the expansion and remodeling of the Homer Medical Center.

The new construction includes new clinical space consisting of approximately 1,230 SF and includes a new X-ray room to replace the existing X-ray room and installation of a new Siemen X-Ray machine.

The clinical space remodeling encompasses approximately 1,350 SF and will include the seven existing exam rooms, a procedure room, phlebotomy room, and laboratory and drug storage areas.

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The certified routine equipment replacement and maintenance cost estimates, along with non-clinical expenditures, include a new roof and other routine renovations to the existing building such as improvements to the parking lot, lab, and imaging areas. You anticipate beginning construction in April, 2017 and finalizing construction within nine months of the construction start date.

In response to the Department's request for additional information, on December 5, 2016 you provided a cost estimate that separated out clinical costs from routine maintenance and replacement of equipment and non-clinical construction and remodeling. You assert that \$800,773.96 of the total project cost is for the construction and remodeling of clinical space. The Department's decision is based on your assertion that the remaining project costs are for nonclinical purposes or routine maintenance or equipment updates.

As stated in 7 AAC 07.010, expenditures and costs associated with routine maintenance and replacement of equipment are not considered when evaluating expenditures related to the remodeling of an existing health care facility. Additionally, expenditures for nonclinical purposes are also not considered.

In accordance with A.S. 18.07.031-111 and 7 AAC 07.001-900, and after review of the information submitted with the request for determination, it has been determined that a CON is not required as the expenditures for routine maintenance and replacement of equipment are not subject to CON. Further, a CON is not required for the proposed project because the expenditures at issue would not exceed the \$1.5 million threshold under AS 18.07.031.

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, CON Coordinator