



ADVANCED PAIN CENTERS

OF ALASKA *Your Winning Team*

November 10, 2010

Grant T. Roderer, M.D. • Lawrence W. Stinson, M.D.
Nancy E. Cross, M.D. • Brenda McCain, ANP • Carra Stewart, PA-C

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CON Program

Karen Lawfer, Certificate of Need Coordinator
Department of Health and Social Services
Health Planning and Systems Development Unit
350 Main Street, Room 530
Juneau, AK 99811-0601

Dear Ms. Lawfer:

This is a letter of intent requesting a determination of whether a certificate of need (CON) will be required for an ambulatory surgery center (ASC) that our group intends to develop in Fairbanks, Alaska. It is our understanding, among other requirements, that if expenditure costs do not exceed \$1,350,000 a CON is not required per AS 18.07.031.

Our group will be remodeling approximately 2,016 sq ft of space within our building located at 1275 Sadler Way, Suite 101, Fairbanks, Alaska 99701. The 1 O.R. Class B ASC will be limited to non-surgical interventional spine and pain management procedures, with anesthesia (if/when used) no deeper than moderate sedation; patients at all times will be capable of unassisted respiration and response to external stimuli. The proposed ASC will be built to comply with all AIA GUIDELINES (2006 edition) requirements that are applicable to the limited procedure type and patient population.

The proposed activity's total estimated cost is approximately \$1,121,391. This estimate includes the following cost(s): (1) Building & Land - \$675,702; (2) Improvements - \$324,576; (3) Contingency Allowance - \$32,458; (4) Equipment and Furnishings - \$46,750; and (5) Fees and Expenses - \$41,905. (See attached "Certified Cost Estimate")

Design completion and State application submission will take place in January 2011. Following approval of the ASC application by the State, the project remodel could begin construction as early as February 2011 and be completed by May 2011.

Thank you for considering our request for determination. If you have any questions please feel free to contact my office.

Sincerely,

Nancy Cross, MD

Wasilla
3035 E. Palmer-Wasilla Hwy, Unit 501
Wasilla, AK 99654
(907) 357-8330 telephone
(907) 357-8377 facsimile

Anchorage
1917 Abbott Road, Suite 100
Anchorage, AK 99507
(907) 278-2741 telephone
(907) 743-8284 facsimile

Fairbanks
1275 Sadler Way, Suite 101
Fairbanks, AK 99701
(907) 374-6602 telephone
(907) 374-6604 facsimile

November 10, 2010

Karen Lawfer, Certificate of Need Coordinator
Department of Health and Social Services
Health Planning and Systems Development Unit
350 Main Street, Room 530
Juneau, AK 99811-0601

Re: "Certified Cost Estimate" for determination of C.O.N. requirement
Ambulatory Surgical Center proposed for Fairbanks, AK
Advanced Pain Centers of Alaska, Inc.

Dear Ms. Lawfer,

My firm, WEL Designs, specializes in the planning and development of clinical and ambulatory facilities across the country. I have specialized exclusively in the field since 1983, primarily working with clinical practices and ASCs. While my company does not function as the local architect for any project, I am a licensed Architect in the States of Colorado, Arizona, and Illinois; I am NCARB certified; an AIA member; and active participant in the development of national codes and standards for health care facilities.

My company has been hired to evaluate and facilitate early development of a proposed ASC in Fairbanks for Advanced Pain Centers of Alaska, Inc.; 1275 Sadler Way. Following is a summary of the Economic Proforma for the proposed facility. Based on my experience and national development cost data bases, the total project values shown below constitute a realistic budget for the project, to be established as a "not to exceed" value by all parties during continued development.

The proposed one operating room ASC (see attached floor plan) will be located in a portion of the ground floor of an existing two story medical building. The building is fully protected by a supervised automatic fire sprinkler system, and consequently complies with NFPA requirements for the shell structure.

Dr. Nancy E. Cross is a principal member in the ownership of the building and will be a principal owner of the proposed ASC. Accordingly the value of the existing building, land, and site improvements associated with the ASC will be a prorated portion of the cost for the overall building's.

DEVELOPMENT COSTS

Based on BOMA standard calculations the proposed ASC will be 2,016 SF or 7.610% of the overall building. The March 22, 2007 purchase price for the overall building was

\$8, 879,137, including the land used for it. Therefore the base cost for the ASC's shell and improved land will be 9.027% of \$8,879,137, or \$675,689.

The tenant improvements inside the shell should cost approximately \$161 per SF, or \$324, 576. Additionally: a contingency allowance of 10% of the TI cost (\$32,458) is projected to cover permits, fees and other owner construction phase obligations; a budget is established for consultant and architectural fees and expenses of \$42,365. These build-out considerations combined with the prorated shell/site value result in a total projected physical plant cost of \$983,520.

Building & Land	\$675,702
Improvements	\$324,576
Contingency	\$32,458
Fees & Expenses	\$41,905
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Physical Plant	\$1,074,641

A majority of the equipment and furnishings for the proposed ASC exist and are in use in the Doctor's current practice areas – those assets will be donated to the ASC. Where the age for each is known, its value has been depreciated according to the American Hospital Association document titled "Estimated Useful Lives of Depreciable Hospital Assets," rev. 2008 edition. Where the age of an asset is not known, a "replacement cost" is used as determined for a like item currently available. As itemized in the attached inventory of equipment and furnishings being reused or purchased, the current value of the donated and purchased assets is \$46,750.

Depreciated &/or replacement value of existing assets being donated and purchased:
<hr/>
\$46,750

TOTAL: \$1,121,391

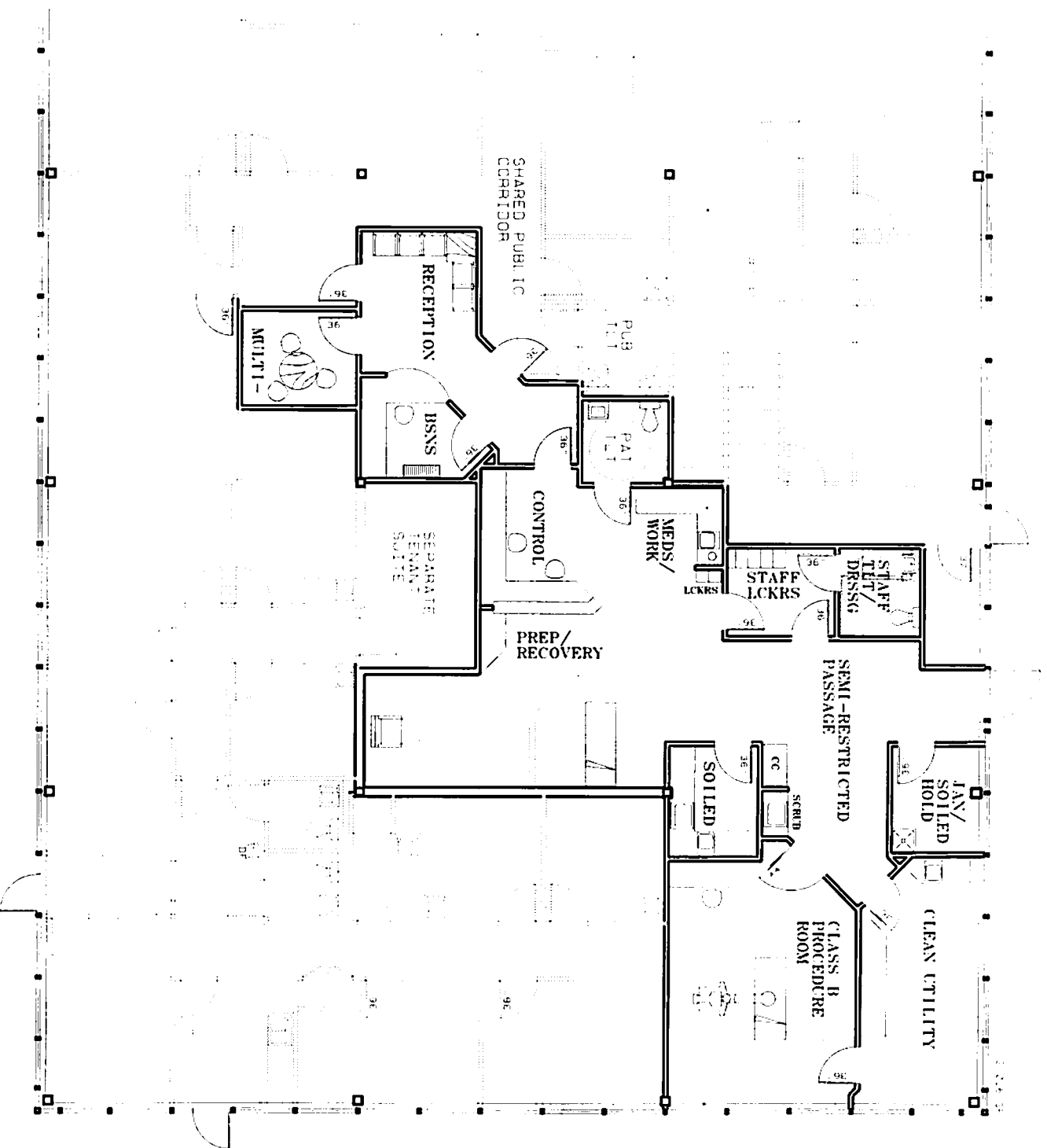
The aggregate total projected cost for the proposed ASC, calculated per Alaska Administrative Code (7 AAC 07.031), is therefore the sum of its Physical Plant Development cost, plus the depreciated value of Assets Being Donated and/or purchased, or \$1,121,391.

Please do not hesitate to contact me with questions or concerns.

Sincerely,



William E. Lindeman, AIA, NCARB, President
WEL Designs P.L.C.
Physical Environment Consultants to the AAAHC



FURNITURE FLOOR PLAN

AMBULATORY SURGERY CENTER FOR:

ADVANCED PAIN CENTERS OF ALASKA
 1275 SADLER WAY

FAIRBANKS

WEL
 WEL Designs

*Facility Consulting and
 Design for Healthcare*

ALASKA

5042 North Carlton Del Cande
 Tucson, Arizona, 520/299-8550

EQUIPMENT	ESTIMATED USEFUL LIFE	QUANTITY	INDIVIDUAL PRICE	DATE OF PURCHASE	TOTAL PURCHASE PRICE	AGE	ESTIMATED ITEM PURCHASE OR REPLACEMENT VALUE	TOTAL ESTIMATED DEPRECIATED VALUE
AEDefibrillator w/ batt and charger		1	\$1,495.00				\$1,495.00	
Lead Apron, Lrg	4	1	\$242.09	5/6/2010	\$242.09	0.8		\$205.78
Lead Apron, Med	4	1	\$242.09	5/6/2010	\$242.09	0.8		\$205.78
Lead Apron, XL	4	3	\$242.09	5/6/2010	\$726.27	0.8		\$617.33
Lead Apron, Wolf	4	3	\$129.00	12/22/2005	\$387.00	5		\$0.00
Apronette Lead Navy	4	1	\$54.79	1/6/2006	\$54.79	5		\$0.00
Lead Collar Apron, Wolf	4	3	\$28.79	1/6/2006	\$86.37	5		\$0.00
Lead Collar Apron, Wolf		2	\$28.79		\$57.58		\$57.58	
Sterilizer Ritter M9 (Autoclave)		1	\$3,670.80				\$3,670.80	
C-arm/fluoroscope	7	1	\$190,001.00	4/15/2002	\$190,001.00	8.5		\$0.00
Homed Red Crash/anesthesia cart - 4 dr		1	\$949.02				\$949.02	
Serenity II Treatment Chairs	10	2	\$2,831.54	2/28/2007	\$5,663.08	3		\$3,964.16
Dell Computer w/ monitor, mouse and keyboard	5	2	\$1,575.00	2/28/2007	\$3,150.00	4		\$630.00
Canon Imagerunner 4570*		1					\$3,000.00	
Generator, RF, Smith and Nephew **	5	1	\$0.00	1/1/2007	\$0.00	4		\$0.00
Attest Biomonitor, incubator***		1	\$226.99				\$226.99	
Datum Narcotic Lock Box	20	1	\$109.00	2/5/2007	\$109.00	4		\$87.20
Datum Narcotic Lock Box****		1	\$109.00				\$109.00	
Spot Vital Signs Monitor w/ NIBP	7	1	\$1,449.00	7/7/2005	\$1,449.00	5.5		\$279.04
Spot Vital Signs Monitor *****	7	1	\$1,881.00				\$1,881.00	
Mobile Stand for Spot Monitor		2	\$199.00				\$398.00	
Monitor 621NP-E1		1	\$4,503.54				\$4,503.54	
Stand for Atlas Monitor*****		1	\$251.75				\$251.75	
Telephones	10	3	\$328.00	8/10/2006	\$984.00	4.4		\$570.72
IV Pole		4	\$153.75				\$615.00	
Lead Aprons Rack		1	\$355.26				\$355.26	
Instrument Stand, Mayo		2	\$463.98				\$927.96	
Stool Exam 5 Leg		3	\$79.99				\$239.97	
Footstool step - with handle	15	1	\$41.21	11/28/2006	\$41.21	4		\$30.22
Stryker Stretcher		1	\$2,500.00				\$2,500.00	
Laerdal Compact Suction Unit		1	\$718.75				\$718.75	
C-Arm Table		1	\$8,500.00				\$8,500.00	
Tank Oxygen with Cart		2	\$531.54				\$1,063.08	
X-ray Viewer 14x17		1	\$137.99				\$137.99	
X-ray Viewer		1	\$578.55				\$578.55	
X-ray Viewer		1	\$448.70				\$448.70	
Wheelchair, Standard	5	1	\$416.00	5/14/2007	\$416.00	3.7		\$124.80

EQUIPMENT	ESTIMATED USEFUL LIFE	QUANTITY	INDIVIDUAL PRICE	DATE OF PURCHASE	TOTAL PURCHASE PRICE	AGE	ESTIMATED ITEM PURCHASE OR REPLACEMENT VALUE	TOTAL ESTIMATED DEPRECIATED VALUE
Cart Utility - rolling 3 shelf		3	\$59.99				\$179.97	
Chrome Wire Shelving system with wheels		4	\$189.99				\$759.96	
Hamper Laundry 4 Wheels Steel		2	\$132.09				\$264.18	
Refrigerator, waist high, GE, locking		1	\$139.00				\$139.00	
Refrigerator, waist high, Haier		1	\$139.00				\$139.00	
Trash Can, Foot operated		4	\$39.97				\$159.88	
Laryngoscope		2	\$16.12				\$32.24	
Large Trash Can		1	\$41.97				\$41.97	
Large Trash Can, wheeled		1	\$28.47				\$28.47	
Cart, wheeled, Plastic		1	\$21.88				\$21.88	
Stimuplex-DIG STIM-300		1	\$139.97				\$139.97	
Chair, rolling/wheeled, office, adjustable	15	2	\$405.95				\$811.90	
Waiting Room Furniture							\$1,750.00	
Multi Purpose Room Furniture							\$1,000.00	
Curtains & Tracks							\$1,200.00	
Nurse Chairs							\$600.00	
Fire Extinguisher		1	\$45.00				\$45.00	
TOTALS							\$39,941.36	\$6,715.03

SUM TOTAL OF PURCHASE, REPLACEMENT AND DEPRECIATED VALUE FOR DONATED EQUIPMENT

\$46,749.95

* Lease expires Mar 2011 Estimate purchase price \$2000.00

** RF machine zero cost because of buying the machine for Anchorage and our continued purchase of needles.

*** Using Invoice price for Starter Kit purchased in Anchorage

**** Using Invoice price for Lock Box purchased on 2/5/2007

***** Using Invoice price for Spot Vital Signs Monitor w/ BP Sp02, Temp purchased at Anchorage location.

***** Using invoice price for Atlas Monitor Stand purchased at Anchorage location