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Office of the Commissioner
DHOS - Juneau

March 18, 2010

William H. Hogan, Ph.D.
Office of the Commissioner
350 Main Street, Room 404
PO Box 110601
Juneau, Alaska 99811-0601

Re: PET/CT scanner

Dear Commissioner Hogan:

Alaska Regional Hospital is planning a project consisting of the purchase, installation and operation of a PET/CT scanner that would involve remodeling existing space and the acquisition of medical equipment. It is believed that a Certificate of Need is not required due to the expenditure threshold being under \$1.25 million for 2010. This project would establish a PET/CT category of service and bed capacity will not change as a result.

The project consists of renovating no more than 1,500 square feet located on ARH's campus and the installation of a PET/CT scanner. The renovation cost has been estimated at approximately \$275,000. We negotiated a medical capital expenditure of \$640,246 to purchase the scanner. The net present value of leased space for a 5 year period is \$225,000 at \$2.50 a square foot.

The total project budget is estimated at \$1.14 million. A letter of agreement is being submitted for a contract to have FDG supplied to ARH for this project.

This project will start construction upon receipt of determination from the Department. The construction and installation will take approximately 90 to 120 days and upon completion will begin service. The anticipated date of service is the fall of 2010.

If a certificate of need is required for this project, ARH will continue planning efforts and begin preparing an application for a certificate of need.

Thank you for your attention to this matter.

Sincerely,

Paul G. Morris
Chief Financial Officer

SIEMENS

Siemens Medical Solutions USA, Inc.
51 Valley Stream Parkway, Malvern, PA 19355
Fax: (866) 486-3602

SIEMENS REPRESENTATIVE
Thomas Dostart - (414) 965-2440

PRELIMINARY PROPOSAL

| Qty | Part No. | Item Description |
|-----|------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | 14414332 | RS English Manual Biograph 6 Hardcopy of English Operator's Manual for Biograph 6 TruePoint. |
| 1 | 10097270 | MI University Molecular Imaging University (MI-U) is a comprehensive resource for clinical educational materials in PET/CT and SPECT/CT (www.mi-university.com). MI University demonstrates the benefit of hybrid imaging and where it influences patient management. The license is valid for 1 year and includes the rights to set up accounts for other users that are related to the customer facility. |
| 1 | MI_PET_PM | MI PET Project Management |
| 1 | MI_PET_INITIA L_32 | Initial onsite training 32 hrs |
| 1 | MI_PET_FLWU P_32 | Follow-up training 32 hrs |
| 1 | MI_PET_BCLS | Basic Biograph Class |
| 1 | MI_PET_CTCR STR | CT Cross Trainer |
| 1 | NM_KRAUS_C HILLINST | Install & Warranty for Kraus Chiller |
| 1 | MIPET_BUDG_ ADL_RIG | Budgetary Add'l/Seismic Anchoring \$3,000 |
| 1 | 14414265 | RS MOD syngo Acq.Workplace Emotion Multifunctional disk storage unit for digital storage and archiving of image and raw data on removable optical disks with a capacity up to 4.1 GB. Both 2.3 GB or respectively 4.1 GB MOD disks can be used |

System Total: \$640,456

FINANCING: The equipment listed above may be financed through Siemens. Ask us about our full range of financial products that can be tailored to meet your business and cash flow requirements. For further information, please contact your local Sales Representative.

Siemens Healthcare is pleased to submit this Preliminary Pricing Proposal. To place an order for the above listed items, please notify your Siemens Healthcare Sales Representative who will submit to you a formal Siemens Healthcare Proposal, inclusive of Terms, Conditions, and Warranty coverage. Only a formal Siemens Healthcare Proposal may be used to create a binding order for this equipment.

Siemens Healthcare
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