

October 27, 2014

Alexandria Hicks, Coordinator
Certificate of Need Program
Department of Health and Social Services
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Dear Ms. Hicks,

Please consider this letter a request for determination pursuant to 7 AAC 07.031 as to whether a Certificate of Need is required for Providence Alaska Medical Center (PAMC) to expand services available within PAMC's Radiation Oncology Department. Through contract, PAMC plans to add a CyberKnife stereotactic radiosurgery service to the existing radiation therapy services available to PAMC patients. It is PAMC's position that a Certificate of Need to add this service is not required under AS 18.07.031, because this additional type of radiotherapy does not constitute: construction of a health care facility under AS 18.07.131(1); alteration of the bed capacity of a health care facility under AS 18.07.131(2); or addition of a category of health services provided by a health facility under AS 18.07.131(3).

Background:

A third party, Alaska CyberKnife Center, LLC, plans to develop and operate a CyberKnife stereotactic radiosurgery center on the PAMC campus, in space that it will lease from PAMC. Alaska CyberKnife Center, LLC submitted a CON request for determination regarding the proposed service on September 18, 2014 and received the state's determination later that month. Alaska CyberKnife Center, LLC is owned by Anchorage Associates in Radiation Medicine, LLC (75%) and Select HealthCare Solutions, LLC (25%).

Description of PAMC's Proposed Activity:

PAMC will not share in the ownership of Alaska CyberKnife Center, LLC; however, PAMC would like to offer the stereotactic radiosurgery service delivered by the CyberKnife machine to its patients. Eligible PAMC patients will receive CyberKnife treatments on an outpatient basis. PAMC will purchase access to this service from Alaska CyberKnife Center and/or Anchorage Associates in

Radiation Medicine, by virtue of a contract, and compensate those entities at fair market value for the services provided. PAMC will bill its patients/payors for the treatments provided. The patients' eligibility for the Cyber.Knife treatments would be determined by the independent radiation oncology physicians practicing at Providence Cancer Center.

PAMC will not incur any construction costs, equipment acquisition and maintenance costs or the costs of operating the Cyber.Knife Center. Those costs will be a responsibility of Alaska CyberKnife Center, LLC, which is not owned in any part by PAMC or any other Providence entity.

Similarity to Existing Services

PAMC already provides, on a limited basis, a form of stereotactic radiosurgery service through use of existing functionality of one of its existing linear accelerators. The CyberKnife technology, however, has more advanced stereotactic radiosurgery capabilities. The CyberKnife also uses a linear accelerator but delivers a more targeted knife-like beam, and thus a higher and more effective dose of radiation, thereby requiring fewer treatments.

Estimated Cost of the Proposed Activity

The costs anticipated to be incurred by PAMC to implement the proposed service expansion are limited to administrative expenses, and legal and other professional and consultation fees, relating to contracting for the services from Alaska CyberKnife Center and/or Anchorage Associates in Radiation Medicine. PAMC does not anticipate any construction or equipment costs.

The total project cost is estimated to be \$65,000; it includes the following categories of expenses.

Cost Category	<u>Anticipated Expenditure</u>
Construction cost	none
Equipment acquisition and installation cost	none
Legal and other professional and consultation fees	\$50,000
Administrative expenses	\$15,000
Total Project Cost	\$65,000

Estimated Start Date of the Proposed Activity

The start date of the proposed activity is dependent on the acquisition and installation of the CyberKnife machine by Alaska Cyber.Knife Center, LLC, which is scheduled for the end of 2014.

Estimated Completion Date of the Proposed Activity

Completion date of this project is estimated to be on or about February 1, 2015, concurrent with the plan of Alaska CyberKnife Center, LLC to begin operations. As stated in their request for

determination, Alaska CyberKnife Center, LLC anticipates that it will begin to treat patients on or about February 1, 2015. PAMC anticipates that it will have contracts in place with Alaska CyberKnife Center and/or Anchorage Associates in Radiation Medicine by that date.

Please contact me if you have any questions or need additional information.

Thank you for your consideration.



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