



THE STATE
of **ALASKA**

GOVERNOR BILL WALKER

**Department of
Health and Social Services**

CERTIFICATE OF NEED PROGRAM

3601 C Street, Suite 978
Anchorage, Alaska 99503
Main: 907.334.2464
Fax: 907.334-2220

November 8, 2016

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 to do a routine replacement of equipment and add space to the Homer Medical Center to allow for efficiencies and better use of existing equipment. You state the Homer Medical Center and its assets are owned by the Kenai Peninsula Borough and are not a part of the South Peninsula Hospital.

You state that the project includes routine maintenance and routine replacement of equipment, but also includes the construction of additional space for the delivery of existing services. It is to be constructed attached to the existing building.

You propose to expand the existing Homer Medical Center from its current size of 5,000 SF by adding an additional 5,700 SF. This 5,700 SF expansion would include 7 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.

You state 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.

You state routine equipment replacement and maintenance include a new roof and other routine renovations to the existing building such as improvements to the parking, lab and imaging areas.

Your total project cost is \$3,549,169. You anticipate beginning construction in April, 2017 and finalizing construction within nine months of the construction start date.

Mr. Robert Letson

Page 2

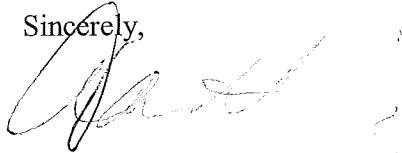
As stated in 7 AAC 07.010, Expenditures to be included when determining whether a certificate of need is required, expenditures and costs associated with routine maintenance and replacement of equipment are not considered when evaluating expenditures for an existing health care facility. Additionally, expenditures for non-clinical purposes and non-medical equipment are also not considered.

As stated above, certain expenditures are not included when determining project costs for the purpose of a determination. Concerning the submitted certified cost estimate, it is not clear what expenditures are associated with routine maintenance, equipment replacement and non-clinical purposes and what costs are associated with the expansion of the existing facility and associated services. The Department requires more information in order to process your request.

Please submit a revised, certified cost estimate which clearly illustrates what costs are allocated to routine maintenance, routine equipment replacement, non-clinical purposes as well as those for construction and equipment associated with expanded services. Please be sure to include all costs associated with the proposed project.

Please submit the requested information within 30 days from the date of this letter. Do not hesitate to contact me if you have any questions.

Sincerely,

A handwritten signature in cursive script, appearing to read "Alex Hicks", is written over the word "Sincerely,".

Alexandria Hicks, CON Coordinator