

STATE OF ALASKA

DEPT. OF HEALTH AND SOCIAL SERVICES

OFFICE OF THE COMMISSIONER

FRANK H. MURKOWSKI, GOVERNOR

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April 4, 2006

Mr. Al Parrish, Chief Executive Officer
Providence Health System in Alaska
P.O. Box 196604
Anchorage, AK 99519-6604

Dear Mr. Parrish,

On March 28, 2006 I received the attached letter from Mr. Norman Stephens, Chief Executive Officer of the Mat-Su Regional Medical Center, requesting that I make a determination whether or not the medical office building Providence Health Systems of Alaska is constructing in the Matanuska-Susitna Valley requires a certificate of need. Mr. Stephens characterizes the new facility as a diagnostic imaging center.

I have accepted Mr. Stephens' letter as a valid request for determination of whether a certificate of need is required in accordance with 7 AAC 07.031.

The statutory requirements applicable to this determination are as follows:

Sec. 18.07.031. Certificate of need required; relocations.

(a) Except as provided in (c) and (d) of this section, a person may not make an expenditure of \$1,000,000 or more for any of the following unless authorized under the terms of a certificate of need issued by the department:

- (1) construction of a health care facility;
- (2) alteration of the bed capacity of a health care facility; or
- (3) addition of a category of health services provided by a health care facility.

(b) Notwithstanding the expenditure threshold in (a) of this section, a person may not convert a building or part of a building to a nursing home that requires licensure as a nursing facility under AS 47.32 unless authorized under the terms of a certificate of need issued by the department.

(c) Notwithstanding (a) of this section, a person who is lawfully operating a health care facility that is an ambulatory surgical facility at a site may make an expenditure of any amount in order to relocate the services of that facility to a new site in the same community without obtaining a certificate of need as long as neither the bed capacity nor the number of categories of health services provided at the new site is greater.

(d) Beginning July 1, 2005, the \$1,000,000 expenditure threshold in (a) of this section is increased by \$50,000 annually on July 1 of each year up to and including July 1, 2014.

(e) In (a) of this section, "expenditure" includes the purchase of property occupied by or the equipment required for the health care facility and the net present value of a lease for space occupied by or the equipment required for the health care facility; "expenditure" does not include costs associated with routine maintenance and replacement of equipment at an existing health care facility.

Sec. 18.07.111. Definitions.

...

(8) "health care facility" means a private, municipal, state, or federal hospital, psychiatric hospital, independent diagnostic testing facility, residential psychiatric treatment center, tuberculosis hospital, skilled nursing facility, kidney disease treatment center (including freestanding hemodialysis units), intermediate care facility, and ambulatory surgical facility; the term excludes

(A) the Alaska Pioneers' Home and the Alaska Veterans' Home administered by the Department of Health and Social Services under AS 47.55; and

(B) the offices of private physicians or dentists whether in individual or group practice;

As of this date the department has no record of any communication with Providence Health Systems in Alaska regarding a Mat-Su imaging facility and has no opinion as to the veracity of the allegations made by the Mat-Su Regional Medical Center.

The department therefore is taking this opportunity to inquire as to your plans, if any, regarding establishing an Independent Diagnostic Testing Facility or other health care facility that may be subject to the Certificate of Need requirements in the Mat-Su Valley.

Please provide a written response to my office no later than close-of-business Monday, April 24, 2006 that includes the following:

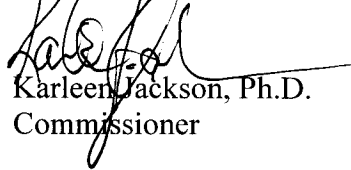
- 1) A clear, complete, and current description of the proposed activity, including a description of each component of the activity proposed to be undertaken;
- (2) A certified estimate of the total cost of each proposed component of the activity listed in 7 AAC 07.010(a), as applicable, for the entire activity; and
- (3) An estimated starting date and completion date for the proposed activity.

Mr. Al Parrish, CEO
Providence Health Systems of Alaska
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In accordance with 7 AAC 07.031(e) I will make a determination regarding a requirement for a certificate of need within twenty days of receiving your response.

Your attention to this matter will be most appreciated.

Sincerely,



Karleen Jackson, Ph.D.
Commissioner

cc: Mr. Norman Stephens, CEO
Mat-Su Regional Medical Center

Stacie Kraly, Chief Assistant Attorney General
Department of Law

Ms. Pat Carr, Chief
Office of the Commissioner/
Health Planning & Systems Development