

North Carolina Department of Health and Human Services
Division of Health Service Regulation
Certificate of Need Section

2704 Mail Service Center • Raleigh, North Carolina 27699-2704
<http://www.ncdhhs.gov/dhsr/>

Drexdal Pratt, Director

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Craig R. Smith, Section Chief
Phone: (919) 855-3873
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June 14, 2012

Angie Caporiccio
Director of Operations
Alliance Imaging, Inc.
1136 Southern Meadows Drive
Raleigh, NC 27603

RE: Exempt from Review - Replacement Equipment / Alliance Imaging, Inc. / Replace 1.5 Tesla mobile MRI Scanner at Marquis Imaging ("grandfathered equipment") / Buncombe County

Dear Ms. Caporiccio:

In response to your letter of May 28, 2012, the above referenced proposal is exempt from certificate of need review in accordance with N.C.G.S 131E-184(a)(7). Therefore, you may proceed to acquire, without a certificate of need, the Philips Intera Pulsar 1.5 Tesla mobile MRI scanner, PH 27, or the GE ES Excite 1.5 Tesla mobile MRI scanner, SIGNA 447, to replace the existing Siemens Magnetom Espree 1.5 Tesla mobile MRI scanner, serial number 30915. This determination is based on your representations that the existing unit will be removed from North Carolina and will not be used again in the State without first obtaining a certificate of need. Further please be advised that as soon as the replacement equipment is acquired, you must provide the CON Section and the Medical Facilities Planning Section with the serial number of the new equipment to update the inventory, if not already provided. In addition, you should contact the Construction Section to determine if they have any requirements for development of the proposed project.

It should be noted that this Agency's position is based solely on the facts represented by you and that any change in facts as represented would require further consideration by this Agency and a separate determination. If you have any questions concerning this matter, please feel free to contact this office.

Sincerely,

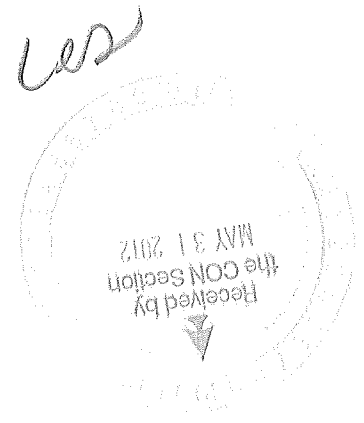
Les Brown
Project Analyst

Craig R. Smith, Chief
Certificate of Need Section

cc: Construction Section, DHSR



ALLIANCE HEALTHCARE SERVICES
1136 Southern Meadows Drive
Raleigh, NC 27603



May 28, 2012

Mr. Craig Smith
Chief, Certificate of Need Section
2704 Mail Service Center
Raleigh, NC 27699-2704

RE: Written Notice for Exemption from Review for Replacement Equipment,
Alliance Imaging Inc. MRI Scanner ESP 26, Serial Number 30915
(Marquis Imaging, located Asheville, Buncombe County, NC)

Dear Mr. Smith:

Alliance Imaging intends to replace its existing mobile 1.5 Tesla MRI scanner, serial number 30915, (Siemens Magnetom Espree), with a used mobile MRI scanner from Alliance's inventory from outside North Carolina. In accordance with NCGS 131 E-184, this letter provides justification and written notice regarding the replacement equipment. Alliance Imaging Inc. also provides documentation that the replacement equipment conforms to the Certificate of Need laws and Administrative rules:

G.S. 131E-176 (22a) Replacement equipment definition
G.S. 131E-184 (a) (7) Exemptions from review to provide replacement equipment
10A NCAC 14C.0303 Replacement Equipment Administrative Rules

Overview

The existing mobile MRI scanner was acquired in June 2009 and will soon need to be exchanged for several reasons:

- 1) The current MRI scanner has software applications and capabilities that exceed the needs of the host site.
- 2) The exchange will allow the host site to utilize an existing MRI scanner with the appropriate scanning capabilities.
- 3) Healthcare providers in North Carolina have demand for mobile MRI service with cost effective and appropriate features.

Alliance Imaging recognizes the need to provide high quality, cost effective, and reliable mobile MRI scanner service that is consistent with the equipment capabilities of community hospitals. This specific MRI scanner, serial number 30915, that is being replaced is a "grandfathered unit" that has properly been reported in the 2012 Mobile MRI Equipment Inventory forms.

The host site that will be served by the replacement mobile MRI scanner is Marquis Imaging located at 1000 Centrepark Dr., Asheville, NC as seen in Attachment 3. The replacement unit will be delivered in approximately four weeks. The existing MRI scanner Serial Number # 30915 will be removed from North Carolina.

Alliance Imaging has identified two options for the replacement mobile MRI scanner:

Option 1 - PH 27 is a PHILIPS 1.5T INTERA PULSAR owned by Alliance with an original purchase price of \$1,819,020 and a current fair market value of \$275,000.

Option 2 - SIGNA 447 is a GE ES+EXCITE 8 CHANNEL GOLDSEAL IS owned by Alliance with an original purchase of \$1,648,194 and a current fair market value of \$395,000.

By June 28, 2012, Alliance Imaging will notify the CON Section and the Medical Facilities Planning Section of the one replacement unit that is selected to be brought into North Carolina to take the place of MRI scanner # 30915 at Marquis Imaging in Asheville.

Compliance Documentation

Compliance with G.S. 131E-176 (22a) Replacement Equipment Definition is demonstrated in Attachment 1 which shows that the replacement MRI scanner and coach will cost less than \$2,000,000.

Both of the equipment unit options described above have original purchase prices that are far less than \$2,000,000. The current fair market values of the equipment are also less.

As seen in Attachment 2 (letter from Angie Caporiccio, Alliance Imaging Director of Operations), the replacement MRI equipment will be used for the same diagnostic purposes as the existing mobile MRI scanner. Once the replacement MRI becomes available for use, the existing mobile MRI scanner, Serial Number # 30915 will be removed from North Carolina.

In addition, Alliance Imaging is providing prior written notice to the Department in accordance with G.S. 131E-184 (a) (7) Exemption from Review to provide replacement equipment.

Applicability and Conformance with Administrative Rule 10A NCAC 14C.0303 Replacement Equipment

Alliance Imaging Inc. plans to utilize a previously purchased mobile MRI scanner as replacement equipment for its existing mobile MRI scanner in accordance with the following *regulatory requirements*:

10A NCAC 14C.0303 Replacement Equipment

(a) The purpose of this Rule is to define the terms used in the definition of "replacement equipment" set forth in G.S. 131E-176(22a).

Alliance Imaging Inc. has reviewed this rule definition.

(b) *“Activities essential to acquiring and making operational the replacement equipment” means those activities which are indispensable and requisite, absent which the replacement equipment could not be acquired or made operational.*

Alliance Imaging Inc. has reviewed this rule definition.

(c) *“Comparable medical equipment” means equipment which is functionally similar and which is used for the same diagnostic or treatment purposes.*

Alliance Imaging Inc. has reviewed this rule definition.

(d) *Replacement equipment is comparable to the equipment being replaced if:*

(1) it has the same technology as the equipment currently in use, although it may possess expanded capabilities due to technological improvements; and

The replacement MRI scanner is comparable to the equipment being replaced because the replacement equipment will also obtain MRI images. The proposed replacement mobile MRI scanner is not an extremity MRI or a dedicated breast MRI unit.

(2) it is functionally similar and is used for the same diagnostic or treatment purposes as the equipment in use and is not used to provide a new health service; and

As seen in the Attachment 2 letter, Alliance Imaging Inc. certifies that the replacement mobile MRI equipment will be used for the same diagnostic purposes as the existing MRI scanner.

(3) The acquisition of the equipment does not result in more than a 10% increase in patient charges or per procedure operating expenses within the first twelve months after the replacement equipment is acquired.

As seen in Attachment 2, the host site that will utilize the replacement MRI scanner has certified that the replacement of the MRI equipment will not result in more than a 10% increase in patient charges or per procedure operating expenses within the first twelve months after the replacement equipment is acquired. Included in Exhibit 3 is documentation from Alliance Imaging that it will not increase charges to its host site during the first twelve months of operation of the replacement scanner.

Alliance Imaging expects that the projected operating expenses for the replacement MRI scanner will not increase in the first year following the exchange.

(e) *Replacement equipment is not comparable to the equipment being replaced if:*

(1) the replacement equipment is new or reconditioned, the existing equipment was purchased second hand and the replacement equipment is purchased less than three years after the acquisition of the existing equipment.

Not applicable. As seen in the table on page 5, the equipment being replaced was purchased new and the replacement equipment was acquired more than three years ago.

(2) The replacement equipment is new, the existing equipment was reconditioned when purchased, and the replacement equipment is purchased less than three years after the acquisition of the existing equipment; or

Not applicable. The replacement equipment is not new and the existing equipment was not a reconditioned unit when it was acquired.

(3) The replacement equipment is capable of performing procedures that could result in the provision of a new health service or type of procedure that has not been provided with the existing equipment; or

Not applicable. The replacement equipment is functionally similar to the existing equipment and will be used for the same diagnostic procedures as the existing equipment. The replacement equipment is a full featured MRI scanner. These features do not change the basic technology or result in the provision of a new health service or type of procedure.

(4) The replacement equipment is purchased and the existing equipment is leased, unless the lease is a capital lease;

Not applicable. The existing equipment is not leased.

(5) The replacement equipment is a dedicated PET scanner and the existing equipment is:

(A) a gamma camera with coincidence capability; or

(B) nuclear medicine equipment that was designed, built, modified to detect only the single photon emitted from nuclear events other than positron annihilation.

Not applicable. The existing equipment is not a dedicated PET scanner, gamma camera or nuclear medicine equipment.

Thank you for your review and consideration of this information. Please call me at 919 306-9328 if you have any questions.

Sincerely,

Angie Caporiccio
Director of Operations
Alliance Imaging Inc.
Alliance Healthcare Services

Attachments:

- 1) Letter from Alliance Imaging Inc. regarding use of replacement MRI scanner, charges to host site and operating costs
- 2) Host site certification that MRI charges will not be increased by more than 10 percent during the 12 month period following equipment replacement
- 3) Fair Market Value documentation for replacement MRI scanners

EQUIPMENT COMPARISON

	EXISTING EQUIPMENT	REPLACEMENT EQUIPMENT
Type of Equipment (List Each Component)	Mobile MRI	Mobile MRI
Manufacturer of Equipment	Siemens	Philips or GE
Tesla Rating for MRIs	1.5T	1.5T
Model Number	Siemens Magnetom Espree	Philips Intera Pulsar or GE ES Excite
Serial Number	30915	Philips 1S9FA82531182563 or GE 1S9FA48171183120
Provider's Method of Identifying Equipment	ESP 26	PH27 or SIGNA 447
Specify if Mobile or Fixed	Mobile	Mobile
Mobile Trailer Serial Number/VIN #	30915	See above
Mobile Tractor Serial Number/VIN #	30915	See above
Date of Acquisition of Each Component	12/1/2009	June, 2012
Does Provider Hold Title to Equipment or Have a Capital Lease?	Holds Title	Holds Title
Specify if Equipment Was/Is New or Used When Acquired	New	Alliance Existing Inventory Used
Total Capital Cost of Project (no construction involved)	NA	No additional cost equipment already owned
Total Cost of Equipment	NA	NA - equipment owned
Fair Market Value of Equipment	See above	See FMV letter attached
Net Purchase Price of Equipment	\$1,774,015	NA - equipment owned
Locations Where Operated	"Grandfathered Unit" status continuing at host site at Marquis Site in Asheville	"Grandfathered Unit" status continuing at host site at Marquis Site in Asheville
Number Days In Use/To be Used in N.C. Per Year	365	365
Percent of Change in Patient Charges (by Procedure)	NA	NA
Percent of Change in Per Procedure Operating Expenses (by Procedure)	NA	NA
Type of Procedures Currently Performed on Existing Equipment	MRI Procedures	MRI Procedures
Type of Procedures New Equipment is Capable of Performing	MRI procedures	MRI procedures

ALLIANCE HEALTHCARE SERVICES
1136 Southern Meadows Drive
Raleigh, NC 27603

Mr. Craig Smith
Chief, Certificate of Need Section
2704 Mail Service Center
Raleigh, NC 27699-2704

RE: Replacement of Existing MRI Scanner
Unit Serial Number # 30915
Grandfathered Mobile MRI Scanner
FID # 001325 (Alliance Imaging Inc. Mobile MRI Diagnostic Program)

Dear Mr. Smith:

Please review the following information regarding the equipment replacement exemption notice:

Alliance Imaging Inc. certifies that the replacement mobile MRI equipment will be used for the same diagnostic purposes as the existing MRI scanner. In addition the acquisition of the replacement MRI scanner will not result in Alliance increasing charges to the host site by more than 10% during the first twelve months of operation of the replacement scanner.

As Director of Operations of Alliance Imaging Inc., please accept this letter as certification that the existing mobile MRI scanner, ESP 26, Serial Number # 30915 will promptly be removed from North Carolina once the replacement mobile MRI unit is delivered. The expected delivery of the replacement unit and removal of the existing grandfathered unit is in the next few weeks. Alliance Imaging will notify the CON section and the Medical Facilities Planning Section of the model and serial number of the replacement equipment.

Alliance Imaging will use its existing tractor and driver to remove the grandfathered mobile MRI unit from North Carolina.

Thank you for your review and consideration of this information. Please call me at 919 306-9328 if you have any questions.

Sincerely,



Angie Caporiccio
Director of Operations
Alliance Imaging Inc.
Alliance Healthcare Services

May 22, 2012

Mr. Craig Smith
Chief, Certificate of Need Section
2704 Mail Service Center
Raleigh, NC 27699-2704

RE: Replacement Equipment Exemption, Alliance Imaging Inc.

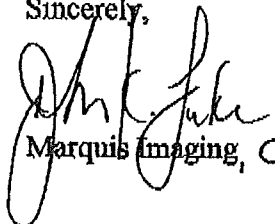
Dear Mr. Smith:

I understand that Alliance Imaging intends to replace its existing "grandfathered" 1.5 Tesla MRI scanner (Siemens Magnetom Espree, serial number 30915), with an existing 1.5T MRI scanner from Alliance's out-of-state inventory. Please accept this letter as our indication that we plan to utilize the replacement MRI scanner at the following address, pursuant to service agreement with Alliance:

Marquis Diagnostic Imaging
1000 Center Park Dr.
Asheville, NC 28805

In accordance with 10A NCAC 14C.0303 Replacement Equipment Administrative Rules, Marquis Diagnostic Imaging agrees that the replacement MRI equipment will not result in more than a ten percent increase in patient charges at the host site within the first twelve months after the equipment is acquired.

Sincerely,


Marquis Imaging, CEO



MAY 23, 2012

Ms. Laurie C. Zatyko
Asset Manager
Alliance Imaging, Inc.
100 Bayview Circle
Newport Beach, CA 92658

**SUBJECT: PH27 -PHILIPS 1.5T INTERA PULSAR
SIGNA 447 -GE ES + EXCITE 8 CH GOLDSEAL**

Dear Laurie,

With regard to the profiles you provided, we feel the Fair Market Value of (PH27) PHILIPS 1.5T INTERA PULSAR IS \$275,000.00 AND (SIGNA 447) GE ES + EXCITE 8 CH GOLDSEAL IS \$395,000.00

This evaluation is based on systems that are available on the market today.

If you need further information, please do not hesitate to call.

Sincerely,
NATIONWIDE IMAGING SERVICES, INC.


Marc Regan
VP of Marketing and Sales

**NJ Warehouse
1111 Industrial Pkwy
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Tel: (732) 262-3115**

**NJ Headquarters
638 Mantoloking Road
Brick, NJ 08723
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