



**North Carolina Department of Health and Human Services
Division of Health Service Regulation**

Pat McCrory
Governor

Aldona Z. Wos, M.D.
Ambassador (Ret.)
Secretary DHHS

Drexdal Pratt
Division Director

July 14, 2014

Denise M. Gunter
Nelson Mullins Riley & Scarborough LLP
380 Knollwood Street, Suite 530
Winston-Salem NC 27103

Exempt from Review - Replacement Equipment

Facility: Coastal Diagnostic Imaging (CDI)
Project Description: Replace existing MRI scanner
County: Onslow
FID #: 020373

Dear Ms. Gunter:


In response to your letter of June 23, 2014, 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 (CON), the GE 1.5T Signa HD Echospeed mobile MRI scanner, serial #R3783 to replace the existing Hitachi Altaire 0.7T MRI scanner, serial # L38. The GE 1.5T Signa HD Echospeed mobile MRI scanner, serial #R3783 will become permanently sited at CDI. 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.

Moreover, you need to contact the Construction Section and the Acute and Home Care Licensure and Certification Section of the Division of Health Service Regulation (DHSR) 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,


Jane Rhoe-Jones
Project Analyst


Martha J. Frisone, Interim Chief
Certificate of Need Section

cc: Acute and Home Care Licensure and Certification Section, DHSR
Construction Section, DHSR
Medical Facilities Planning Branch



Certificate of Need Section
www.ncdhhs.gov
Telephone: 919-855-3873 • Fax: 919-733-8139
Location: Edgerton Building • 809 Ruggles Drive • Raleigh, NC 27603
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Denise
Received by
the CON Section
JUN 23 2014

June 23, 2014

Hand Delivered

Martha J. Frisone, Chief
North Carolina Department of Health and Human Services
Division of Health Service Regulation
Certificate of Need Section
809 Ruggles Drive
Raleigh, North Carolina 27603

Re: Notice of Replacement Equipment for Health Service Area VI, Onslow
County/Jacksonville Diagnostic Imaging, LLC d/b/a Coastal Diagnostic Imaging in
Jacksonville, North Carolina

Dear Martha:

On behalf of Novant Health, Inc. and its affiliate, Jacksonville Diagnostic Imaging, LLC d/b/a Coastal Diagnostic Imaging ("CDI"), and in accordance with N.C. Gen. Stat. § 131E-184(a)(7), I am writing to notify the CON Section of CDI's intention to replace an existing fixed MRI scanner currently located at CDI's facility in Jacksonville, 3606 Henderson Drive, Jacksonville, North Carolina.

CDI owns and operates a Hitachi Altaire 0.7T MRI scanner (the "Altaire") that was acquired in 2006.¹ See Exhibit A (attached replacement equipment comparison form). The Altaire was acquired through the Certificate of Need process and implemented pursuant to Project ID No. P-7324-05. The Altaire is the subject of this replacement request.

CDI intends to replace the aging Altaire with a G.E. 1.5T Signa HD Echospeed mobile MRI unit (the "GE HD Mobile"), which is currently serving in the Novant mobile MRI fleet (the GE HD Mobile is owned by Cape Fear Diagnostic Imaging, LLC and known internally as MQ 18).

¹ CDI also has a fixed Hitachi Oasis which is expected to be fully operational on or about August 2, 2014, pursuant to CON Project P-8326-09.

CDI intends to permanently site the GE HD Mobile replacement scanner at CDI, 3606 Henderson Drive, Jacksonville, North Carolina, so that patients will have a direct access to the CDI facility. Permanently siting the GE HD Mobile at CDI will allow CDI to more efficiently maximize space availability within the CDI's facility, which has a limited amount of square footage. The fixed mobile option will also alleviate the structural challenges CDI is experiencing with replacing the Altaire with another fixed MRI within CDI's building. The GE HD Mobile will only serve the CDI location in Jacksonville. It will not travel to other locations as it will be permanently sited at CDI.

There will be no change in the overall inventory of fixed MRI scanners in Onslow County. Cape Fear Diagnostic Imaging, LLC will file a separate request to replace the GE HD Mobile (a/k/a MQ 18 unit).²

The estimated construction costs, including architect's fees and project contingency, for the proposed replacement equipment total \$485,000. The fair market value of the GE HD Mobile is \$475,000. Construction and architect expenses total \$10,000. See Exhibit B (capital cost sheet).

This proposal meets the definition of "replacement equipment" as set forth in N.C. Gen. Stat. § 131E-176(22a) because:

1. The cost of the equipment and the cost of all activities essential to acquiring and making operational the replacement equipment (GE HD Mobile) are less than \$2 million; and
2. The sole purpose of this proposal is to replace comparable medical equipment currently in use, which will be sold or otherwise disposed of when replaced.

Further, this proposal meets the requirements of 10A NCAC 14C .0303(d) because:

- The GE HD Mobile has the same technology as the Altaire although it may possess expanded capabilities due to technological improvements;
- The GE HD Mobile is functionally similar and is used for the same diagnostic or treatment purposes as the Altaire and is not used to provide a new health service; and

² The Cape Fear Diagnostic Imaging, LLC MQ 18 Mobile MRI currently serves Carteret Surgical Associates in Morehead City and CDI. Cape Fear Diagnostic Imaging, LLC, plans on adding an additional mobile site after it replaces MQ 18 (and will file all necessary Declaratory Ruling Requests associated with any additional host site(s)).

Martha J. Frisone

June 23, 2014

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- The acquisition of the GE HD Mobile 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.

None of the exclusions in 10A NCAC 14C .0303(e) applies here.

Based on the foregoing, CDI respectfully requests that the CON Section confirm, in writing that the above referenced proposal is exempt from CON review pursuant to N.C. Gen. Stat. § 131E-184(a)(7).

Thank you for your time and attention.

Sincerely,

Denise M. Gunter

Denise M. Gunter



Enclosures

EQUIPMENT COMPARISON - MR REPLACEMENT
 JACKSONVILLE DIAGNOSTIC IMAGING, LLC D/B/A COASTAL DIAGNOSTIC IMAGING

	EXISTING EQUIPMENT (P-7324-05)	REPLACEMENT EQUIPMENT
Type of Equipment (List Each Component)	MRI Scanner	MRI Scanner
Manufacturer of Equipment	Hitachi	General Electric
Tesla Rating for MRIs	0.7T	1.5T
Model Number	Altaire	Signa HD Echosped
Serial Number	L238	R3783
Provider's Method of Identifying Equipment	Serial Number	Serial Number/MQ
Specify if Mobile or Fixed	Fixed	Fixed*
Mobile Trailer Serial Number/VIN #	N/A	1S9FA482651182753
Mobile Tractor Serial Number/VIN #	N/A	N/A
Date of Acquisition of Each Component	2007	2014 for installation at CDI; original purchase date was 2009
Does Provider Hold Title to Equipment or Have a Capital Lease?	Title	Title
Specify if Equipment Was/Is New or Used When Acquired	New	Used
Total Capital Cost of Project (Including Construction, etc.) < Use Attached Form >	\$1,734,375	\$485,000
Total Cost of Equipment	\$1,334,375	\$475,000
Fair Market Value of Equipment	\$50,000	\$475,000
Net Purchase Price of Equipment	N/A	\$475,000
Locations Where Operated	3606 Henderson Dr. Jacksonsville, NC	3606 Henderson Dr. Jacksonsville, NC and Carolina Center for Surgery, Morehead City, NC. Will be permanently sited at 3606 Henderson Drive, Jacksonville, NC upon approval of this request
Number Days In Use/To Be Used in N.C. Per Year	365 minus any holidays	365 minus any holidays

	EXISTING EQUIPMENT (P-7324-05)	REPLACEMENT EQUIPMENT
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

*The replacement unit is a mobile MRI unit that will become permanently sited at CDI.

PROPOSED CAPITAL COSTS

Project Name: Jacksonville Diagnostic Imaging, LLC d/b/a Coastal Diagnostic Imaging Fixed CON Replacement

Proponent: Jacksonville Diagnostic Imaging, LLC d/b/a Coastal Diagnostic Imaging

A.		<u>Site Costs</u>	
(1)	Full purchase price of land.....	\$	_____
(2)	Acres _____ Price per Acre \$ _____		
(3)	Closing costs.....	\$	_____
(4)	Site Inspection and Survey.....	\$	_____
(5)	Legal fees and subsoil investigation.....	\$	_____
	<u>Site Preparation Costs</u>		
	Soil Borings.....	\$	_____
	Clearing-Earthwork.....	\$	_____
	Fine Grade For Slab.....	\$	_____
	Roads-Paving.....	\$	_____
	Concrete Sidewalks.....	\$	_____
	Water and Sewer.....	\$	_____
	Footing Excavation.....	\$	_____
	Footing Backfill.....	\$	_____
	Termite Treatment.....	\$	_____
	Other (Specify).....	\$	_____
	Sub-Total Site Preparation Costs.....	\$	_____
(6)	Other (Specify).....	\$	_____
(7)	Sub-Total Site Costs.....	\$	_____
B.		<u>Construction Contract</u>	
(8)	Cost of Materials		
	General Requirements		
	Concrete/Masonry		
	Woods/Doors & Windows/Finishes		
	Thermal & Moisture Protection		
	Equipment/Specialty Items		
	Mechanical/Electrical		
	Other (Specify)		
	Sub-Total Cost of Materials.....	\$10,000 (including labor)_____	
(9)	Cost of Labor.....	\$	_____
(10)	Other (Specify).....	\$10,000_____	
(11)	Sub-Total Construction Contract.....	\$	_____
C.		<u>Miscellaneous Project Costs</u>	
(12)	Building Purchase.....	\$	_____
(13)	Fixed Equipment.....	\$475,000_____	
(14)	Movable Equipment Purchase/Lease.....	\$	_____
(15)	Furniture.....	\$	_____
(16)	Landscaping.....	\$	_____
(17)	Consultant Fees		
	Architect and Engineering Fees.....	\$	_____
	Legal Fees.....	\$	_____
	Market Analysis.....	\$	_____
	Other (Specify).....	\$	_____
	Sub-Total Consultant Fees.....	\$	_____
(18)	Financing Costs (e.g. Bond, Loan, etc.).....	\$	_____
(19)	Interest During Construction.....	\$	_____
(20)	Other (Specify).....	\$	_____
(21)	Sub-Total Miscellaneous.....	\$	_____
(22)	Total Capital Cost of Project (Sum A-C above).....	\$	485,000

I certify that, to the best of my knowledge, the above construction related costs of the proposed project named above are complete and correct.

(Signature of Licensed Architect or Engineer)

I assure that, to the best of my knowledge, the above capital costs for the proposed project are complete and correct and that it is my intent to carry out the proposed project as described.

for [Signature]

(Proponent - signature of officer)

G.C. Meadows

(Title of officer)