



**Comments on the Raleigh Radiology Chapel Hill
Diagnostic Center Certificate of Need Application
Project ID # J-12062-21**

June 1, 2021

In accordance with N.C. GEN. STAT. § 131E-185(a1)(1), the University of North Carolina Hospitals at Chapel Hill (UNC Health) submits the following comments related to RR WM Imaging Chapel Hill, LLC's application to develop Raleigh Radiology Chapel Hill (RRCH), a new diagnostic center in Chapel Hill offering X-ray, ultrasound, DEXA, and mammography imaging services. UNC Health's comments on this application include "discussion and argument regarding whether, in light of the material contained in the application and other relevant factual material, the application complies with the relevant review criteria, plans and standards." See N.C. GEN. STAT. § 131E-185(a1)(1)(c).

The RRCH application should not and must not be reviewed, as it has failed to be submitted in compliance with 10A NCAC 14C .0203. Specifically, as detailed below, the application fails to consistently identify its capital cost. Of note, there are four different capital costs amounts identified in the RRCH application, either directly or by the correction of the miscalculated figures:

- Capital Cost of \$1,369,115
 - The Fee Sheet identifies the capital cost as \$1,369,115.
 - Section F.1 identifies the capital cost as \$1,369,115 – see page 60 of the RRCH application.
 - Form F.1a identifies the capital cost as \$1,369,115 – see Section Q of the RRCH application.
- Capital Cost of \$1,465,215
 - The Petition for Expedited Review identifies the capital cost as \$1,465,215 – see page 3 of the RRCH application.
- Capital Cost of \$1,486,496
 - Section A.3 identifies the capital cost as \$1,486,496 – see page 17 of the RRCH application.
- Actual Capital Cost of at least \$1,592,752
 - Form F.1a in Section Q identifies total capital costs of \$1,369,115; however, that calculation includes multiple errors:
 - Form F.1a states construction costs are \$273,180; however, the construction cost certification in Exhibit F.1, which is the sole basis for construction costs in the application, identifies construction costs of \$472,500, nearly \$200,000 more than what is stated in Form F.1a.
 - The interest during construction is based on a portion of the construction costs; as such, with the corrected construction costs, the interest during construction cost shown on Form F.1a is understated. When corrected based on the formula used in Form F.1a assumptions, the correct cost is \$10,169.
 - The contingency of 10 percent of total costs is understated, as it was calculated based on incorrect costs as noted above. The correct capital costs prior to the contingency are \$1,447,956; thus, a 10 percent contingency is \$144,796.
 - When the costs in Form F.1a are corrected to match the construction cost identified in Exhibit F.1, the corrected sales tax amount, and the corrected interest and contingency amounts, the total project capital cost equals \$1,592,752, as shown below:

<i>Item</i>	<i>Amount</i>	<i>Source</i>
Construction/Renovation Contract	\$472,500	Exhibit F.1
Architect/Engineering Fees	\$35,970	Exhibit F.1
Medical Equipment	\$793,830	Exhibit F.1
Non-Medical Equipment	\$66,950	Form F.1
Consultant Fees	\$68,537	Form F.1
Interest during Construction	\$10,169	Form F.1 assumptions, applied to correct construction costs
Other (Contingency 10%)	\$144,796	Form F.1 assumptions, applied to correct capital costs
Total Capital Cost	\$1,592,752	Sum calculation

As shown, the capital cost amount identified in Form F.1a and the fee sheet (\$1,369,115) is not only the lowest of the different capital costs, but it is also clearly wrong and understated. According to the fee sheet included with the application, RRCH paid a fee of \$6,107, based on an erroneous capital cost of \$1,369,115. The actual capital costs are at least \$1,592,752, and the requisite fee is \$6,778, or \$671 more than RRCH submitted. As a result, RRCH has failed to submit the requisite fee for the application to be complete for review, per 10A NCAC 14C .0203. Since the review has already commenced, RRCH cannot now submit additional fees to rectify this matter, nor can it amend its application. Of note, while the Agency is tasked with determining whether the application is complete for review, and apparently did so notwithstanding the issues noted above, it is likely that the Agency reviewed the fee sheet and compared it with Form F.1a, both of which are consistent but erroneous, resulting in the Agency's misinformed determination that the application was complete for review.

Based on these errors, the RRCH application was not filed in accordance with 10A NCAC 14C .0203 and should not be reviewed, per the language of the regulation.

However, if the Agency does review the application, UNC Health believes the application contains multiple additional errors and unreasonable assumptions, and is non-conforming with multiple review criteria, including 3, 4, 5, 6, and 18a. Therefore, based on these issues the RRCH application **should be denied**.