



**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/dhst/>

Drexdal Pratt, Director

Beverly Eaves Perdue, Governor
Albert A. Delia, Acting Secretary

Craig R. Smith, Section Chief
Phone: (919) 855-3873
Fax: (919) 733-8139

July 18, 2012

Joann Anderson, President and CEO
Southeastern Regional Medical Center
300 West 27th Street, P.O. Box 1408
Lumberton, NC 28359

RE: Exempt from Review - Replacement Equipment / Southeastern Regional Medical Center /
Replace Existing GE 9900 Elite Cardiovascular Imaging System with GE 3100 Optima
Cardiovascular Imaging System / Robeson County

FID # 923461

Dear Ms. Anderson:

In response to your letter of April 27, 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 GE 3100 Optima Cardiovascular Imaging System, Serial Number to be determined, to replace the existing GE 990 Elite, Serial Number E2-7068-MH. This determination is based on your representation 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.

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,

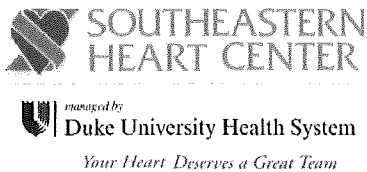
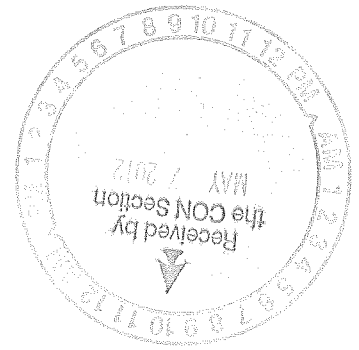
Tanya S. Rupp, Project Analyst

Craig R. Smith, Chief
Certificate of Need Section

TSR:CRS:tr



Thiya



April 27, 2012

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

**RE: Southeastern Regional Medical Center Replacement Vascular
Laboratory Equipment Exemption**

Dear Mr. Smith:

Southeastern Regional Medical Center (SRMC), a hospital in Lumberton, currently owns and operates one vascular angiography laboratory. This equipment is listed on SRMC's 2012 Hospital License Renewal Application on page 14, Table 10d, as "Special Procedures/Angiography Equipment," which is appropriate for vascular cases, as noted on the HLRA. SRMC intends to purchase new vascular equipment from GE to replace its existing GE 9900 Elite, serial number E2-7068-MH. The purpose of this letter is to request a determination that SRMC's purchase of the replacement equipment is exempt from Certificate of Need (CON) review under the replacement equipment exemption as stated under N.C. GEN. STAT. § 131E-184(a)(7).

Exemptions from CON review are provided under N.C. GEN. STAT. § 131E-184. The exemptions identified under N.C. GEN. STAT. § 131E-184 include replacement equipment. "Replacement equipment" is defined under N.C. GEN. STAT. § 131E-176(22a) as follows:

"[E]quipment that costs less than two million dollars (\$2,000,000.00) and is purchased for the sole purpose of replacing comparable medical equipment currently in use which will be sold or otherwise disposed of when replaced."

Therefore, SRMC may acquire the replacement equipment without having to obtain a CON if it qualifies for the replacement equipment exemption. To qualify for this exemption, the replacement equipment must:

- (1) Cost less than \$2,000,000;
- (2) Be purchased for the sole purpose of replacing comparable medical equipment currently in use; and,
- (3) Be sold or otherwise disposed of when replaced.

As discussed below, SRMC's proposal qualifies for the replacement exemption.

Cost of the Replacement Equipment

The estimated fair market value of the replacement vascular equipment is approximately \$670,528, based on the quote from the vendor in Attachment 1. Further, as documented in a letter from GE Healthcare, provided in Attachment 2, GE will remove the existing equipment from the state. As indicated in the architect letter and capital cost table provided in Attachment 3, there will be \$500,000 in construction costs, \$25,000 in contingency costs and \$40,000 in architect and engineering fees. In total, the cost for acquiring the replacement equipment, installation of the replacement equipment, and removal of the existing equipment represents a capital cost of \$1,235,528. There will be no other construction costs or other capital costs associated with the replacement project. The cost is below the \$2,000,000 threshold as detailed in the table below.

<i>Item</i>	<i>Cost</i>
Replacement Equipment	\$670,528
Construction	\$500,000
Contingency	\$25,000
A&E Fees	\$40,000
Total Project Capital Cost	\$1,235,528

Comparable Equipment

SRMC proposes to acquire comparable vascular equipment to replace the existing vascular equipment. "Comparable medical equipment" is defined under 10A NCAC 14C. 0303(c) as follows:

"[E]quipment which is functionally similar and which is used for the same diagnostic or treatment purposes."

Further, replacement equipment is considered comparable to the existing equipment under the following circumstances as outlined under 10A NCAC 14C .0303(d):

- (1) it has the same technology as the equipment currently in use, although it may possess expanded capabilities due to technological improvements; and
- (2) it is functionally similar and is used for the same diagnostic or treatment purposes as the equipment currently in use and is not used to provide a new health service; and
- (3) the acquisition of the equipment does not result in more than a 10 percent increase in patient charges or per procedure operating expenses within the first twelve months after the replacement equipment is acquired.

As discussed below, SRMC's proposed new replacement unit is considered comparable pursuant to 10A NCAC 14C .0303 for the following reasons:

- (1) the proposed replacement equipment will be used specifically for the provision of performing vascular angiography cases, as is the existing equipment. The existing equipment was installed new at SRMC in 2006 and has been used for vascular procedures since installation. The replacement equipment will perform all procedures currently performed on the existing equipment. Although the replacement equipment possesses some expanded capabilities due to technological improvements, the replacement equipment will perform the same general range of services. Essentially the replacement equipment will have the same functionality as the equipment currently in use.
- (2) the function of, and diagnostic/therapeutic services provided by the replacement equipment will be nearly identical to the existing equipment. SRMC intends to use the replacement equipment for substantially the same procedures for which it currently uses the existing equipment. No new health service will be provided as a result of the replacement. Please refer

to Attachment 4, the Equipment Comparison Chart, for a detailed comparison of the existing and replacement equipment.

- (3) the acquisition and operation of the replacement equipment will not result in an increase of more than 10 percent in patient charges or the operational cost per patient of providing the service within the first twelve months after the replacement equipment is acquired.

It is important to note that 10A NCAC 14C .0303 also defines equipment that is "not comparable" under subsection (e). Replacement equipment is not considered comparable 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; or
- (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
- (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
- (4) the replacement equipment is purchased and the existing equipment is leased, unless the lease is a capital lease
- (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, or modified to detect only the single photon emitted from nuclear events other than positron annihilation.

SRMC owns the existing vascular equipment, which was new at the time of acquisition in 2006. The replacement equipment will be acquired more than three years after the installation of the existing unit, will be new at the time of acquisition, and will be leased, not owned by SRMC. As noted above, although the replacement equipment possesses some expanded capabilities due to technological improvements, the replacement equipment will perform the same general range of services as the existing unit. Therefore, the replacement equipment does not meet the definition of "not comparable."

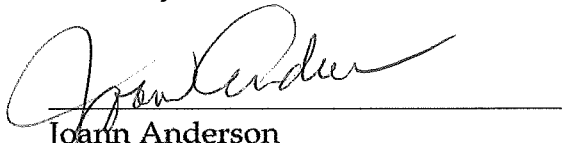
As outlined above, the replacement equipment will replace a functionally similar vascular unit and will not increase the inventory of vascular units in Robeson County. Moreover, the replacement equipment meets the definition of "comparable medical equipment" as defined above.

Disposition of the Equipment

As part of this proposal, SRMC's existing cardiac catheterization unit will be taken out of service and will not be used again in North Carolina without appropriate CON approval. Please see Attachment 2 for a letter from Joann Anderson, President and CEO of SRMC, and a letter from GE, documenting that the existing equipment will be traded in, removed from SRMC, and moved out of North Carolina.

In accordance with N.C. GEN. STAT. § 131E-184(a), this letter provides justification and written notice regarding the replacement equipment. Based on the information provided above, please confirm that SRMC's proposal is exempt from CON review. Please let us know as soon as possible if you need additional information to assist you in your consideration of this request. Thank you for your prompt attention to this request.

Sincerely,



Joann Anderson
President and CEO
Southeastern Regional Medical Center

Attachments

Attachment 1



GE
Healthcare Financial Services

June 29, 2011

Mr. Thomas Johnson
Southeastern Regional Medical Center
1200 Pine Run Dr.
Lumberton, NC 28358

Dear Mr. Johnson:

GE Healthcare Financial Services, a component of General Electric Capital Corporation ("GEHFS"), is pleased to submit the following proposal:

Contract Description: True lease of equipment.
Lessor: General Electric Capital Corporation, or one or more of its affiliates and/or assigns.
Lessee: Southeastern Regional Medical Center

Equipment Description: GE Innova 3100

Equipment Cost: **\$605,787.62**; SE Regional will receive trade-in directly from GE HC of \$12,000

Term and Rental Payment Amount: 60 months at \$9100.73 per month in Advance, plus applicable taxes.

Lease Rate on Equipment Cost: Note: The lease rate and rental payment amounts have been calculated based on the Swap Rate (as defined below) and an assumption that, at the time of funding, the Swap Rate will be 1.78%. GEHFS reserves the right to adjust the lease rate and rental payment amounts if this is not the case, and/or if the lease commences after December 31, 2011, and/or for other changes in market conditions as determined by GEHFS in its sole discretion. As used herein, "Swap Rate" means the interest rate for swaps that most closely approximates the initial term of the lease as published by the Federal Reserve Board in the Federal Reserve Statistical Release H.15 entitled "Selected Interest Rates" currently available online at <http://www.federalreserve.gov/releases/h15/update/> or such other nationally recognized reporting source or publication as GEHFS may specify.

End of Lease Options: Lessee shall, at its option, either purchase all (but not less than all) of the Equipment for its then fair market value, plus applicable taxes or return the Equipment to GEHFS.

Advance Rent: \$0 due with signed contract. In no event shall any advance rent or advance charge or any other rent payments be refunded to Lessee. The Advance Rental will be applied as described in the lease.

Documentation Fee: A documentation fee of \$375.00 will be charged to Lessee to cover document preparation, document transmittal, credit write-ups, lien searches and lien filing fees. The documentation fee is due upon Lessee's acceptance of this proposal and is non-refundable. This fee is based on execution of our standard documents substantially in the form submitted by us. In the event significant revisions are made to our documents at your request or at the request of your legal counsel or your landlord or mortgagee or their counsel, the documentation fee will be adjusted accordingly to cover our additional costs and expenses.

Interim Rent: If the lease commencement date is not the 1st or 15th of any calendar month (a "Payment Date"), interim rent may be assessed for the period between the lease commencement date and the Payment Date.

Required Credit Information: 1. Two years fiscal year end audited/un-audited financial statements and comparative interim statements; or tax returns and business plan.
2. Such additional information as may be required.

Proposal Expiration: This proposal and all of its terms shall expire on 7/29/2011 if GEHFS has not received Lessee's signed acceptance hereof by such date. Subject to the preceding sentence, this proposal and all of its terms shall expire on 10/29/2011 if the lease has not commenced by such date.

The summary of proposed terms and conditions set forth in this proposal is not intended to be all-inclusive. Any terms and conditions that are not specifically addressed herein would be subject to future negotiations. Moreover, by signing the proposal, the parties acknowledge that: (i) this proposal is not a binding commitment on the part of any person to provide or arrange for financing on the terms and conditions set forth herein or otherwise; (ii) any such commitment on the part of GEHFS would be in a separate written instrument signed by GEHFS following satisfactory completion of GEHFS' due diligence, internal review and approval process (which approvals have not yet been sought or obtained); (iii) this proposal supersedes any and all discussions and understandings, written or oral between or among GEHFS and any other person as to the subject matter hereof; and (iv) GEHFS may, at any level of its approval process, decline any further consideration of the proposed financing and terminate its credit review process. Lessee hereby acknowledges and agrees that GEHFS reserves the right to syndicate (via a referral, an assignment or a participation) all or a portion of the proposed transaction to one or more banks, leasing or finance companies or financial institutions (a "Financing Party"). In the event GEHFS elects to so syndicate all or a portion of the proposed transaction (whether before or after any credit approval of the proposed transaction by GEHFS) and is unable to effect such syndication on terms satisfactory to Lessee and/or GEHFS, GEHFS may, in its discretion, decline to enter into, and/or decline any further consideration of, the proposed financing. Lessee hereby further acknowledges and agrees that, in connection with any such syndication, GEHFS may make available to one or more Financing Parties any and all information provided by or on behalf of Lessee to GEHFS (including, without limitation, any third party credit report(s) provided to or obtained by GEHFS).

Except as required by law, neither this proposal nor its contents will be disclosed publicly or privately except to those individuals who are your officers, employees or advisors who have a need to know as a result of being involved in the proposed transaction and then only on the condition that such matters may not be further disclosed. Nothing herein is to be construed as constituting tax, accounting or legal advice by GEHFS to any person.

You hereby authorize GEHFS to file in any jurisdiction as GEHFS deems necessary any initial Uniform Commercial Code financing statements that identify the Equipment or any other assets subject to the proposed financing described herein. If for any reason the proposed transaction is not approved, upon your satisfaction in full of all obligations to GEHFS, GEHFS will cause the termination of such financing statements. You acknowledge and agree that the execution of this proposal and the filing by GEHFS of such financing statements in no way obligates GEHFS to provide the financing described herein. By signing below, you hereby consent to and authorize GEHFS to perform all background, credit, judgment, lien and other checks and searches as GEHFS deems appropriate in its sole credit judgment.

We look forward to your early review and response. If there are any questions, we would appreciate the opportunity to discuss this proposal in more detail at your earliest convenience. Please do not hesitate to contact me directly at (704) 650-9300.

Sincerely yours,

James Martucci

Vice President - Senior Account Manager
GE Healthcare Financial Services,
a component of General Electric Capital Corporation

Acknowledged and Accepted:

(Legal Name)

By: _____

Title: _____

Date: _____

Fed. ID #: _____

Attachment 2



GE Healthcare Financial Services

GENERAL ELECTRIC HEALTHCARE FINANCIAL SERVICES

TO: Southeastern Regional Medical
300 WEST 27TH STREET
LUMBERTON, NC – 28358

REGARDING: REMOVAL OF INNOVA 2100

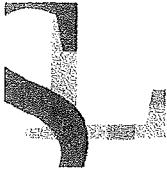
ACCOUNT #: 8546428001

To whom it may concern,

When the Innova 2100 is removed from the Southeastern Regional Medical site (upon the installation of the replacement equipment) it will be returned to GE. GE will perform the removal and shipping (less any construction) at the expense of Southeastern Regional Medical. The item will be shipped to Wisconsin

Thank you
GE

Attachment 3



SKINNER
LAMM
HIGHSMITH

April 9, 2012

Mr. Craig Smith
Chief, CON Section
Division of Health Service Regulation
2701 Mail Service Center
Raleigh, NC 27699

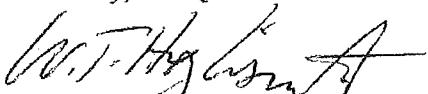
Re: Proposed Vascular Lab Project
Southeastern Regional Medical Center
Lumberton, N.C. (Robeson County, N.C.)

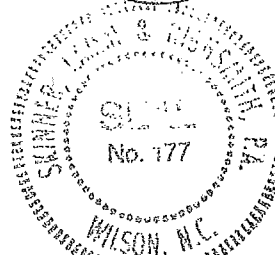
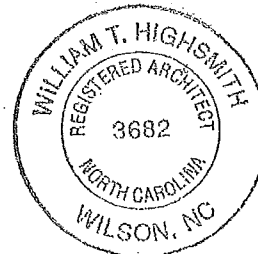
Dear Mr. Smith:

I have reviewed the scope of work and estimated construction costs for Southeastern Regional Medical Center proposed Vascular Lab Project. The proposed project will be designed and built in compliance with all applicable federal, state and local ordinances and requirements for licensed acute care hospitals. The proposed project will also be designed and specified to meet North Carolina Building Code, National Fire Protection Association Standards, and the American with Disabilities Act. The construction cost estimate is based on preliminary concept plans. This estimate reflects the total site work, construction cost, and other items necessary to complete the proposed project. Please see the attached table.

I certify that I am a Licensed Architect in the State of North Carolina. I also certify that to the best of my knowledge, the above construction related costs of the proposed project are complete and correct and are based on several recent projects, of similar program and design, we have completed in North Carolina.

Sincerely,


William T. Highsmith, AIA
NC License Number 3682



A. Site Costs

(1) Full purchase price of land		
# Acres _____ Price per acre \$ _____	\$	_____
(2) Closing costs	\$	_____
(3) Site inspection and survey	\$	_____
(4) Legal fees and subsoil investigation	\$	_____
(5) Site preparation costs [<i>include</i>]		
Soil borings	\$	_____
Clearing and grading	\$	_____
Roads and parking	\$	_____
Sidewalks	\$	_____
Water and sewer	\$	_____
Excavation and backfill	\$	_____
Termite treatment	\$	_____
Subtotal site preparation costs	\$	_____
(6) Other (<i>specify</i>)	\$	_____
(7) Subtotal Site Costs		<u>\$ NA</u>

B. Construction Contract(s)

(8) Cost of materials [<i>include</i>]		
General requirements		
Concrete/masonry		
Woods/doors & windows/finishes		
Thermal & moisture protection		
Equipment/specialty items		
Mechanical/electrical		
Subtotal cost of materials	\$ 225,000	_____
(9) Cost of labor (and Materials)	\$ 275,000	_____
(10) Other (<i>5 percent Contingency</i>)	\$ 25,000	_____
(11) Subtotal construction contract(s)		<u>\$ 525,000</u>

C. Miscellaneous Project Costs

(12) Building purchase	\$	_____
(13) Fixed equipment purchase/lease	\$	_____
(14) Movable equipment purchase/lease	\$	_____
(15) Furniture	\$	_____
(16) Landscaping	\$	_____
(17) Consultant fees		
Architect/engineering fees	\$ 40,000	_____
Legal fees	\$	_____
Market analysis	\$	_____
Other (<i>identify</i>)	\$	_____
Subtotal consultant fees	\$	_____
(18) Financing costs		
(e.g., bond, loan, etc.)	\$	_____
(19) Interest during construction	\$	_____
(20) Other (<i>10 percent Contingency</i>)	\$	_____
(21) Subtotal miscellaneous		<u>\$ 40,000</u>

D. Total Capital Cost of the Project

(Sum A-C above)		<u>\$ 565,000</u>
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Attachment 4

EQUIPMENT COMPARISON

	EXISTING EQUIPMENT	REPLACEMENT EQUIPMENT
Type of Equipment (List Each Component)	Cardiovascular Imaging System	Cardiovascular Imaging System
Manufacturer of Equipment	GE	GE
Tesla Rating for MRIs	NA	NA
Model Number	9900 Elite	3100 Optima
Serial Number	E2-7068-MH	TBD @ delivery
Provider's Method of Identifying Equipment	SER# E2-7068-MH	TBD @ delivery
Specify if Mobile or Fixed	Fixed	Fixed
Mobile Trailer Serial Number/VIN #	NA	NA
Mobile Tractor Serial Number/VIN #	NA	NA
Date of Acquisition of Each Component	11/13/2006	TBD
Does Provider Hold Title to Equipment or Have a Capital Lease?	Title	Lease
Specify if Equipment Was/Is New or Used When Acquired	New	New
Total Capital Cost of Project (Including Construction, etc.)	\$283,844	\$1,235,528
Total Cost of Equipment	\$283,844	\$670,528
Fair Market Value of Equipment	\$12,000(trade-in value)	\$670,528
Net Purchase Price of Equipment	\$283,844	\$605,788
Locations Where Operated	Southeastern Regional Medical Center	Southeastern Regional Medical Center
Number Days In Use/To be Used in N.C. Per Year	365	365
Percent of Change in Patient Charges (by Procedure)	NA	0%
Percent of Change in Per Procedure Operating Expenses (by Procedure)	NA	<10%
Type of Procedures Currently Performed on Existing Equipment	Angiography	NA
Type of Procedures New Equipment is Capable of Performing	NA	Angiography