



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

Pat McCrory
Governor

Richard O. Brajer
Secretary DHHS

Mark Payne, Director
Health Service Regulation

September 7, 2016

Jeffrey Shovelin, Director, Corporate Planning
Vidant Health
PO Box 6028
Greenville, NC 27835-6028

No Review

Record #: 2042
Facility Name: Vidant Edgecombe Hospital
FID #: 923247
Project Description: Heritage MRI to exercise buy-out option on existing leased fixed MRI, Serial #HM0163
County: Edgecombe

Dear Mr. Shovelin:

The Healthcare Planning and Certificate of Need Section, Division of Health Service Regulation (Agency) received your letter of August 22, 2016 regarding the above referenced proposal. Based on the CON law **in effect on the date of this response to your request**, the proposal described in your correspondence is not governed by, and therefore, does not currently require a certificate of need. Therefore you may proceed to exercise the buy-out option on the existing GE Optima MR450 fixed MRI scanner (Serial #HM0163). However, please note that if the CON law is subsequently amended such that the above referenced proposal would require a certificate of need, this determination does not authorize you to proceed to develop the above referenced proposal when the new law becomes effective.

However, you need to contact the Agency's Acute and Home Care Licensure and Certification Section to determine if they have any requirements for development of the proposed project.

It should be noted that this determination is binding only for the facts represented in your correspondence. Consequently, if changes are made in the project or in the facts provided in your correspondence referenced above, a new determination as to whether a certificate of need is required would need to be made by this office. Changes in a project include, but are not limited to: (1) increases in the capital cost; (2) acquisition of medical equipment not included in the original cost estimate; (3) modifications in the design of the project; (4) change in location; and (5) any increase in the number of square feet to be constructed.

Please contact this office if you have any questions.

Sincerely,


Jane Rhoe-Jones
Project Analyst


Martha J. Frisone
Assistant Chief Certificate of Need

cc: Acute and Home Care Licensure and Certification Section, DHSR
Paige Bennett, Assistant Chief, Healthcare Planning, DHSR



Healthcare Planning and Certificate of Need Section

www.ncdhhs.gov

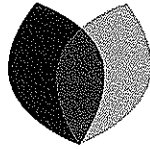
Telephone: 919-855-3873 • Fax: 919-715-4413

Location: Edgerton Building • 809 Ruggles Drive • Raleigh, NC 27603

Mailing Address: 2704 Mail Service Center • Raleigh, NC 27699-2704

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VIDANT HEALTH™



August 22, 2016

Ms. Jane Rhoe-Jones, Project Analyst
Certificate of Need Section
Division of Health Service Regulation
North Carolina Department of Health and Human Services
2704 Mail Service Center
Raleigh, NC 27699-2704

Re: Notice of Change in Membership Interest in Heritage MRI, LLC. and Notice to Execute Purchase Option of Existing Leased MRI Equipment / Request for "No Review" Letter

Dear Ms. Rhoe-Jones,

Notice of Change in Membership Interest in Heritage MRI, LLC

This letter shall serve as notice, that on September 20, 2016, East Carolina Health - Heritage, Inc. d/b/a/ Vidant Edgecombe Hospital (VEDG) intends to acquire 100% of the membership interest in Heritage MRI, LLC (HMRI). HMRI was formed as a result of approved CON Project ID L-8327-09 and is a joint venture between VEDG and Eastern Radiologists, Inc. (ERI), a private radiology group based in Greenville, NC. The purpose of the joint venture is to manage and operate a leased, fixed MRI scanner at VEDG located in Tarboro, NC (Edgecombe County). The ownership of the joint venture is shared between ERI (33% ownership interest) and VEDG (67% ownership interest). VEDG intends to purchase ERI's membership interest at the fair market value of \$3,511. VEDG believes the acquisition of ERI's membership interest in HMRI is not considered a new institutional health service and not subject to Certificate of Need (CON) review since:

1. The acquisition is not considered a change in ownership since HRMI would continue to exist as the same corporate entity,
2. VEDG would continue to operate HMRI in the exact same manner and location as it does today (with the exception of the lease buy out option described below), and
3. VEDG's acquisition of ERI's membership interest in HMRI is less than \$2,000,000.

Notice to Execute Purchase Option of Existing Leased MRI Equipment

This letter shall serve as notice that also on September 20, 2016, HRMI intends to exercise the buy-out option on the existing, leased, fixed MRI scanner. As presented in CON Project ID L-8327-09, HMRI has been leasing a GE Optima MR450 fixed MRI scanner through an operating lease, not capital lease. The lease is at the end of the contract terms and HMRI has to either; a) renew the lease for a to be determined amount

of time, b) not renew the lease and return the equipment with a \$150,088 restocking fee, or c) exercise the buy-out option and purchase the equipment for \$389,648 (see attached). HMRI has decided the least cost alternative, long term solution, is to exercise the buy-out option and purchase the existing, fixed GE Optima MR450 MRI scanner. HMRI believes exercising the buy-out option is not considered a new institutional health service and not subject to Certificate of Need (CON) review since:

1. The acquisition is not considered "replacement equipment",
2. HMRI would continue to operate the scanner in the exact same manner and location as it does today,
3. The buy-out prices is less than \$2,000,000, and
4. The buy-out does not change the MRI inventory in Edgecombe County

Request for "No Review" Letter

VEDG and HRMI are requesting that the CON Section issue a letter determining:

1. VEDG's acquisition of ERI's membership interest in HMRI and the subsequent provision of MRI services is not a new institutional health service and is therefore exempt from CON review, and
2. HMRI exercising the buy-out option is not considered a new institutional health service and not subject to Certificate of Need (CON) review

If you have any questions or concerns, please feel free to contact me at (252) 847-3631.

Sincerely,



Jeffrey Shovelin
Director, Corporate Planning
Vidant Health
PO Box 6028
Greenville, NC 27835-6028
jshoveli@vidanthealth.com
(252) 847-3631

SIEMENS

April 4, 2016

Wick Baker,
President
Heritage MRI, LLC
111 Hospital Drive
Tarboro, NC 27886

Contract # 130-0002944-000 (the "Contract")
Equipment: (1) GE Optima MR450 (the "Equipment")

Dear Mr. Baker,

Siemens Financial Services, Inc. ("SFS") would like to take this time to express our appreciation for your valued business.

Effective September 30, 2016 (Expiration Date), SFS would like to offer you the following end of term options:

Purchase Equipment:

Cash purchase on the day after the Term Expiration Date for an amount equal to \$389,648.15, plus applicable taxes. This figured is based on a pre-determined contractual agreement of 24.50% of an original equipment cost of \$1,590,400.60.

Contract Renewal:

----- Please advise if you wish to see renewal options as we would be pleased to provide additional quotes.

Return Equipment:

----- As per the Terms and Conditions of the Lease, Lessee shall pay to Lessor, either prior to or on the day of the Equipment return, the amount of \$150,088.06 plus any applicable taxes as a restocking fee.

Availability of the end of term options outlined herein is conditioned upon payment of all amounts due under the Contract through the end of the existing Contract term, and no other default (or event that with notice or the passage of time or both could become a default) existing under the Contract. SFS must receive written notice of your election at least 120 days prior to the Term Expiration Date. In the event that SFS does not receive timely written notice, or in the event you fail to perform an end of term option you have selected, the term of the Contract shall be automatically renewed for successive 120 day periods until you provide the required notice and return the Equipment as required under the Contract, or until SFS terminates the Contract by 10 days written notice. During any renewal term of the Contract, whether you have selected renewal, or the term of the Contract is renewed automatically as described in the foregoing paragraph (i) you shall make periodic renewal payments to SFS on the same day of each payment period that the periodic payments were due prior to the expiration of the original Contract term, and in the case of an automatic renewal, in the same amount in effect under the Contract prior to the expiration of the original Contract term; (ii) unless otherwise provided herein, any Stipulated Loss Value, or Purchase Option Price, as applicable, in effect shall be the Stipulated Loss Value, or Purchase Option Price, as applicable, that was in effect under the Contract prior to the expiration of the original Contract term; and (iii) all of the terms and conditions of the Contract shall continue to apply, and all references to the term and periodic payments in the Contract shall include the renewal term and periodic renewal payments described herein. No additional documentation shall be required in connection with a renewal of the Contract pursuant hereto; provided, however, that if requested by SFS, you will confirm the conditions of any renewal to SFS in writing.

Please confirm your agreement to the terms outlined above by having this letter executed by an authorized representative in the space provided below and return the original executed document to:

Kimberly A. Duska, Siemens Financial Services, 301 Lindenwood Drive, Suite 215, Malvern, PA 19355. Kimberly.duska@siemens.com.

Sincerely,

SIEMENS FINANCIAL SERVICES, INC.

By: Wendy Fabrizio

Name: Wendy Fabrizio

Title: Director, Asset Management

SIEMENS FINANCIAL SERVICES, INC.

By: 

Name: William T. Mount

Title: Vice President, Asset Management

ACCEPTED, ACKNOWLEDGED & AGREED

HERITAGE MRI, LLC

By: 

Name: Wick Baker

Title: President

Date: 5-31-16

rhoe-jones, jane e

From: rhoe-jones, jane e
Sent: Monday, August 29, 2016 2:00 PM
To: Shovelin, Jeffrey
Subject: VEDG MRI Fixed Scanner - Purchase Option

Hi Jeff,
Please send me the serial number for the GE Optima MR450 fixed MRI scanner for which HRMI intends to exercise a buy-out option.

Thanks,
Jane

Jane Rhoe-Jones, MSPH
Project Analyst
Health Service Regulation, Healthcare Planning & Certificate of Need Section
North Carolina Department of Health and Human Services

919-855-3873 office
jane.rhoe-jones@dhhs.nc.gov

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rhoe-jones, jane e

From: Shovelin, Jeffrey <JShoveli@vidanthealth.com>
Sent: Tuesday, September 06, 2016 3:22 PM
To: rhoe-jones, jane e
Subject: RE: VEDG MRI Fixed Scanner - Purchase Option

Follow Up Flag: Follow up
Due By: Wednesday, September 07, 2016 9:00 AM
Flag Status: Flagged

Finally tracked it down. It's HM0163. Let me know if you need anything else. Thanks!

Jeff Shovelin
Director of Corporate Planning
Jshoveli@vidanthealth.com
Office: 252-847-3631
Cell: 252-714-5156

From: [rhoe-jones, jane e](#)
Sent: 8/29/2016 2:00 PM
To: [Shovelin, Jeffrey](#)
Subject: VEDG MRI Fixed Scanner - Purchase Option

Hi Jeff,
Please send me the serial number for the GE Optima MR450 fixed MRI scanner for which HRMI intends to exercise a buy-out option.

Thanks,
Jane

Jane Rhoe-Jones, MSPH
Project Analyst
Health Service Regulation, Healthcare Planning & Certificate of Need Section
North Carolina Department of Health and Human Services

919-855-3873 office
jane.rhoe-jones@dhhs.nc.gov

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