



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

Pat McCrory  
Governor

Richard O. Brajer  
Secretary DHHS

Drexdal Pratt  
Division Director

September 25, 2015

Marcus C. Hewitt  
434 Fayetteville Street, Suite 2800  
Raleigh, NC 27601

**Exempt from Review – Replacement Equipment**

**Record #:** 1664  
**Facility Name:** Insight Health Corp.  
**FID #:** 020752  
**Business Name:** Insight Health Corp.  
**Business #:** 1023  
**Project Description:** Replace existing MRI scanner  
**County:** Buncombe

Dear Mr. Hewitt:

The Healthcare Planning and Certificate of Need Section, Division of Health Service Regulation (Agency), determined that based on your letters received on June 1, 2015; August 19, 2015; and September 21, 2015, the above referenced proposal is exempt from certificate of need review in accordance with G.S 131E-184(a)(7). Therefore, you may proceed to acquire, without a certificate of need, the General Electric Signa MRI scanner, serial #R0272. This determination is based on your representations that the 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 Agency's Construction and Acute and Home Care Licensure and Certification Sections to determine if they have any requirements for development of the proposed project.

It should be noted that the 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 office and a

**Healthcare Planning and Certificate of Need Section**

[www.ncdhhs.gov](http://www.ncdhhs.gov)

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

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

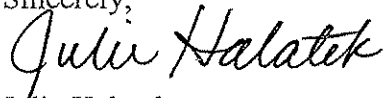
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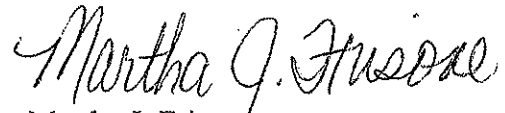
Marcus C. Hewitt  
September 25, 2015  
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separate determination. If you have any questions concerning this matter, please feel free to contact this office.

Sincerely,



Julie Halatek  
Project Analyst



Martha J. Frisone,  
Assistant Chief, Certificate of Need

cc: Construction Section, DHSR  
Acute and Home Care Licensure and Certification Section, DHSR  
Kelli Fisk, Program Assistant

## Halatek, Julie F

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**From:** Marc Hewitt <Marc.Hewitt@smithmoorelaw.com>  
**Sent:** Monday, September 21, 2015 12:12 PM  
**To:** Halatek, Julie F  
**Subject:** Amended Replacement Equipment Exemption Notice - InSight Health Corp. - B-6643-02  
**Attachments:** RALEIGH-#495213-v1-InSight\_Marquis\_Letter\_and\_Amended\_Notice\_to\_NC\_DOI\_r....pdf

Ms. Halatek,

Please see the attached correspondence following up on our earlier request for exemption related to the replacement and relocation of the above-referenced fixed MRI CON.

Please let us know if you have questions, and we look forward to your response.

-Marc Hewitt

**Marcus C. Hewitt**  
**Smith Moore Leatherwood LLP**  
434 Fayetteville Street, Suite 2800  
Raleigh, NC 27601  
Direct: 919.755.8776 | vCard  
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**SMITHMOORE  
LEATHERWOOD**  
ATTORNEYS AT LAW

September 21, 2015

Julie Halatek, Project Analyst  
N.C. Department of Health and Human Services  
Division of Health Service Regulation  
Health Planning and Certificate of Need Section  
2704 Mail Service Center  
Raleigh, NC 27699-2704

**Re: Project ID # B-6643-02, Fixed MRI Scanner, Buncombe County  
Amended Notice of Replacement of Equipment and Relocation of Equipment**

Dear Ms. Halatek:

We are writing on behalf of Insight Health Corp. ("Insight") to amend our previous notice of exemption for replacement equipment dated May 28, 2015 (copy enclosed for your reference). We previously proposed to replace the existing MRI scanner prior to commencing service at Blue Ridge Bone and Joint. However, you notified us that the existing equipment must be in use in order for the replacement equipment to meet the definition of "replacement equipment" under N.C.G.S. § 131E-176(22a). Accordingly, we have coordinated with Blue Ridge Bone and Joint to put the existing equipment in service at their site prior to replacing it.

However, in the meantime the scanner we previously proposed to use as the replacement scanner (designated by InSight as Unit G1235A) has been placed at another site out of state. Therefore, we are amending our notice of exemption to reflect a different MRI scanner as the replacement equipment. The scanner (designated by InSight as Unit G1212A) is a GE Signa 1.5T MRI scanner similar to the existing equipment and the previously-proposed replacement. An updated Equipment Comparison Chart reflecting Unit G1212A is enclosed. We also enclose a Projected Capital Cost Worksheet reflecting the costs of repairs and MRI system software upgrades to Unit G1212A in connection with the replacement.

Pursuant to N.C.G.S. § 131E-176(22a), the capital expenditure for replacement equipment is deemed to be the greater of the cost of the replacement equipment or the fair market value. InSight already owns the Replacement Equipment. Therefore, the capital cost is limited to the repairs and software upgrades in the amount of \$300,000. After the repairs and upgrades are complete, the Replacement Equipment will have a fair market value of approximately \$450,000, far below the limit of \$2 million set forth in N.C.G.S. § 131E-176(22a). Since the existing equipment and the replacement equipment are both housed in mobile coaches, InSight will incur no construction cost to install and house the equipment, and there is no additional capital cost associated with the proposed replacement.

The replacement scanner is comparable medical equipment with respect to the existing scanner. Both the replacement and existing Scanners are 1.5T MRI scanners. They are thus functionally similar, employ the same technology, and are used for the same diagnostic purposes. The replacement scanner

Julie Halatek, Project Analyst  
September 21, 2015  
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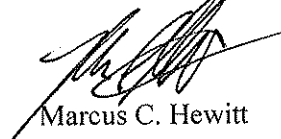
will not be used to provide a new health service and will not result in more than a ten percent (10%) increase in patient charges within the first twelve months after the replacement equipment is acquired. Likewise, the acquisition of the replacement scanner will not result in more than a ten percent (10%) increase in operating expense per procedure within the first twelve months after the replacement equipment is acquired.

Conclusion

We respectfully request that the Agency confirm receipt of this amended notice, and confirm that the replacement of the existing equipment with Unit G1212A is exempt from CON review pursuant to N.C.G.S. § 131E-184(a)(7). Insight and Blue Ridge Bone and Joint are coordinating the commencement of service using the existing equipment, and we will notify the Agency separately when the existing equipment is in use at Blue Ridge Bone and Joint, prior to carrying out the replacement. Thank you for your consideration, and we look forward to hearing from you soon.

Sincerely,

Smith Moore Leatherwood LLP



Marcus C. Hewitt

MCH/akb

Enclosures

**EQUIPMENT COMPARISON – Buncombe County – Insight Imaging (September 18, 2015)**

	<b>EXISTING EQUIPMENT</b>	<b>REPLACEMENT EQUIPMENT</b>
Type of Equipment (List Each Component)	MRI	MRI
Manufacturer of Equipment	General Electric	General Electric
Tesla Rating for MRIs	1.5	1.5
Model Number	Signa	Signa
Serial Number	R2959	R0272
Provider's Method of Identifying Equipment	G1305A	G1212A
Specify if Mobile or Fixed	Fixed <sup>1</sup>	Fixed <sup>1</sup>
Mobile Trailer Serial Number/VIN #	1S9FA482X31182624	1S9FA4826X1182254
Mobile Tractor Serial Number/VIN #	N/A	N/A
Date of Acquisition of Each Component	9/27/2003	4/1/2003
Does Provider Hold Title to Equipment or Have a Capital Lease?	Hold Title	Hold Title
Specify if Equipment Was/Is New or Used When Acquired	New when acquired	New when acquired
Total Capital Cost of Project (Including Construction, etc.) <Use Attached Form>	N/A	\$300,000 <sup>2</sup>
Total Cost of Equipment	\$0	\$0
Fair Market Value of Equipment	N/A	\$450,000 <sup>3</sup>
Net Purchase Price of Equipment	NA	N/A
Locations Where Operated	Buncombe County	Buncombe County
Number Days In Use/To be Used in N.C. Per Year	365	365
Percent of Change in Patient Charges (by Procedure)	N/A	0%
Percent of Change in Per Procedure Operating Expenses (by Procedure)	N/A	0%
Type of Procedures Currently Performed on Existing Equipment	All MRI scans <sup>4</sup>	N/A
Type of Procedures New Equipment is Capable of Performing	N/A	All MRI scans

<sup>1</sup> While both the existing and the replacement equipment are housed in mobile coaches, the 2003 CON was issued for a fixed MRI scanner, so the existing equipment and the replacement equipment are treated as fixed units.

<sup>2</sup> See attached projected capital cost form.

<sup>3</sup> Fair market value after trailer repairs and MRI system software upgrade as noted on capital cost form.

<sup>4</sup> The existing equipment will be put into service performing MRI scans prior to any replacement, per the Agency's direction dated August 19, 2015.

**PROJECTED CAPITAL COST**

Project Name: Replacement of MRI Scanner (CON Project ID B-6643-02)

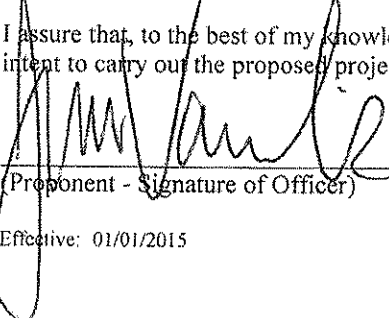
Proponent: InSight Health Corp.

<b>A. Site Costs</b>			
(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		
	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>B. Construction Contract</b>			
(8)	Cost of Materials		
	General Requirements	\$ _____	
	Concrete/Masonry	\$ _____	
	Doors & Windows/Finishes	\$ _____	
	Thermal & Moisture Protection	\$ _____	
	Equipment/Specialty Items	\$ _____	
	Mechanical/Electrical	\$ _____	
	Other (Specify)	\$ _____	
	Sub-Total Cost of Materials	\$ _____	
(9)	Cost of Labor	\$ _____	
(10)	Other (Specify)	\$ _____	
(11)	Sub-Total Construction Contract		\$ _____
<b>C. Miscellaneous Project Costs</b>			
(12)	Building Purchase	\$ _____	
(13)	Fixed Equipment Purchase/Lease	\$ _____	
(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 (trailer repairs and MRI system software upgrade)	\$300,000	
(21)	Sub-Total Miscellaneous		\$ _____
D.	<b>Total Capital Cost of Project</b>		<b>\$300,000</b>

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

N/A \_\_\_\_\_ Date Certified: N/A  
 (Signature of Licensed Architect or Engineer)

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

 \_\_\_\_\_ Date Signed: 9-21-2015  
 (Proponent - Signature of Officer) (Title of Officer)

## Halatek, Julie F

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**From:** Marc Hewitt <Marc.Hewitt@smithmoorelaw.com>  
**Sent:** Wednesday, August 19, 2015 9:18 AM  
**To:** Halatek, Julie F  
**Subject:** RE: Insight exemption request

Great, thanks. I appreciate the confirmation.

-Marc

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**From:** Halatek, Julie F [mailto:julie.halatek@dhhs.nc.gov]  
**Sent:** Wednesday, August 19, 2015 9:11 AM  
**To:** Marc Hewitt  
**Subject:** Insight exemption request

Marc,

After speaking with Martha, the answer in terms of time frame is that "in use" is not specifically defined. It would be nice if it could be in service for a month or so; however, we can't set a specific time requirement because the term isn't defined and there haven't been any issues litigated with respect to that language. Martha pointed out that a replacement will take time to install, so it would perhaps be useful to set up the current one and use it while waiting for the approval and installation of the new scanner, but that's up to your client.

I hope that helps. Let me know if you have any other questions.

Julie Halatek  
N.C. Department of Health and Human Services  
Project Analyst, Healthcare Planning and Certificate of Need Section - Division of Health Service Regulation  
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Raleigh, NC 27603  
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[www2.ncdhhs.gov/dhsr](http://www2.ncdhhs.gov/dhsr)

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