



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

Pat McCrory
Governor

Richard O. Brajer
Secretary DHHS

Mark Payne
Assistant Secretary for Audit and
Health Service Regulation

VIA EMAIL ONLY

August 9, 2016

Maureen Murray <maureen.murray@smithmoorelaw.com>
Smith Moore Leatherwood LLP (for Diagnostic Radiology, LLC)

Exempt from Review – Replacement and Relocation of MRI Equipment

Record #: 2016
Facility Name: Diagnostic Radiology & Imaging
FID #: 031122
Project Description: Replace the existing 3.0T MRI at 3801 West Market Street and relocate to 315 West Wendover Avenue in Greensboro
County: Guilford

Dear Ms. Murray:

The Healthcare Planning and Certificate of Need Section, Division of Health Service Regulation (Agency), determined that based on your letter of August 5, 2016, 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 replace, without a certificate of need, the GE 3.0T, Model #5114964-1, located at 3801 West Market Street with a 3.0T Siemens MRI and relocate the replacement scanner to 315 West Wendover Avenue in Greensboro. 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.

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 separate determination. If you have any questions concerning this matter, please feel free to contact this office.

Sincerely,

Celia C. Inman
Celia C. Inman
Project Analyst

Martha J. Frisone
Martha J. Frisone
Assistant Chief, Certificate of Need

cc: Paige Bennett, Assistant Chief, Healthcare Planning, DHR



Healthcare Planning and Certificate of Need Section
www.ncdhhs.gov
Telephone: 919-855-3873 • Fax: 919-715-4413
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300 N. Greene Street
Suite 1400
Greensboro, NC 27401

August 5, 2016

Via E-mail

Martha J. Frisone, Assistant Chief
Celia C. Inman, Project Analyst
Healthcare Planning and Certificate of Need Section
Division of Health Service Regulation, North Carolina Department of Health & Human Services
809 Ruggles Drive
Raleigh, NC 27603

Re: Relocation and Replacement of Existing MRI by DRI, LLC

Dear Martha and Celia:

Bob White, the Chief Operating Officer of Diagnostic Radiology, LLC (“DRI”), and I appreciate your meeting with us on July 1, 2016 concerning this matter. This letter is a follow up to our meeting and provides written notice of the acquisition and relocation of a replacement MRI by DRI that is exempt from review pursuant to N.C.G.S. §§ 131E-184(a)(7), 131E-176(22a) and 10A N.C.A.C. 14C .0303. DRI operates several imaging locations in Greensboro, North Carolina. The existing MRI, which is over 10 years old, is a 3 Tesla MRI manufactured by GE Medical that is located at 3801 West Market Street in Greensboro and is currently in use. DRI owns and operates the existing MRI for which it previously received a certificate of need in 2006. The existing MRI has been in continuous use other than customary maintenance.

DRI proposes to replace the MRI with a 3 Tesla MRI manufactured by Siemens Medical and to relocate the MRI to another of its diagnostic centers, which is located about four miles away at 315 West Wendover Avenue in Greensboro. DRI will also own and operate the replacement equipment, which it is financing under a capital lease. DRI has not yet taken possession of the replacement MRI. Less than a 10% increase in patient charges by procedure and operating expenses by procedure are expected. The enclosed chart provides detail regarding the existing and proposed replacement MRI equipment.

DRI is proposing to relocate the MRI from 3801 West Market Street to 315 West Wendover Avenue in Greensboro because sometime after the MRI replacement and relocation, it plans to close the West Market Street location and consolidate operations at the 315 West Wendover Avenue location. Costs of construction to accommodate the replacement MRI at 315 West Wendover Avenue total \$430,165 including taxes and permits (see enclosed copy of construction and installation contract with Siemens). Physicist testing to install the MRI is estimated at \$400. The net purchase of the replacement MRI equipment is \$1,420,000 (see

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Martha J. Frisone
Celia C. Inman
August 5, 2016
Page 2.

enclosed copy of DRI's agreement with Siemens for the replacement MRI). Taxes on the MRI equipment are estimated at \$112,000 given Guilford County and state tax rates that total 6.75%. DRI expects to finance the acquisition of the MRI through a capital lease financed by First Citizens Bank. According to DRI's independent certified public accountant, Debbie Robinson with Leeper, Kean & Rumley, LLP, the interest expense and loan handling fees will be an operating expense and not capitalized. (See enclosed letter from Ms. Robinson). The interest expense and loan handling fees, therefore, are not included in the capital costs. A signed capital cost sheet is enclosed.

We would appreciate your acknowledging in writing that the proposed replacement and relocation of the existing MRI is exempt pursuant to N.C.G.S. § 131E-184(a)(7). Please let us know if you have any questions. We appreciate your assistance.

With kind regards,

Sincerely,

SMITH MOORE LEATHERWOOD LLP

A handwritten signature in cursive script, reading "Maureen Demarest Murray", is positioned above the printed name.

Maureen Demarest Murray

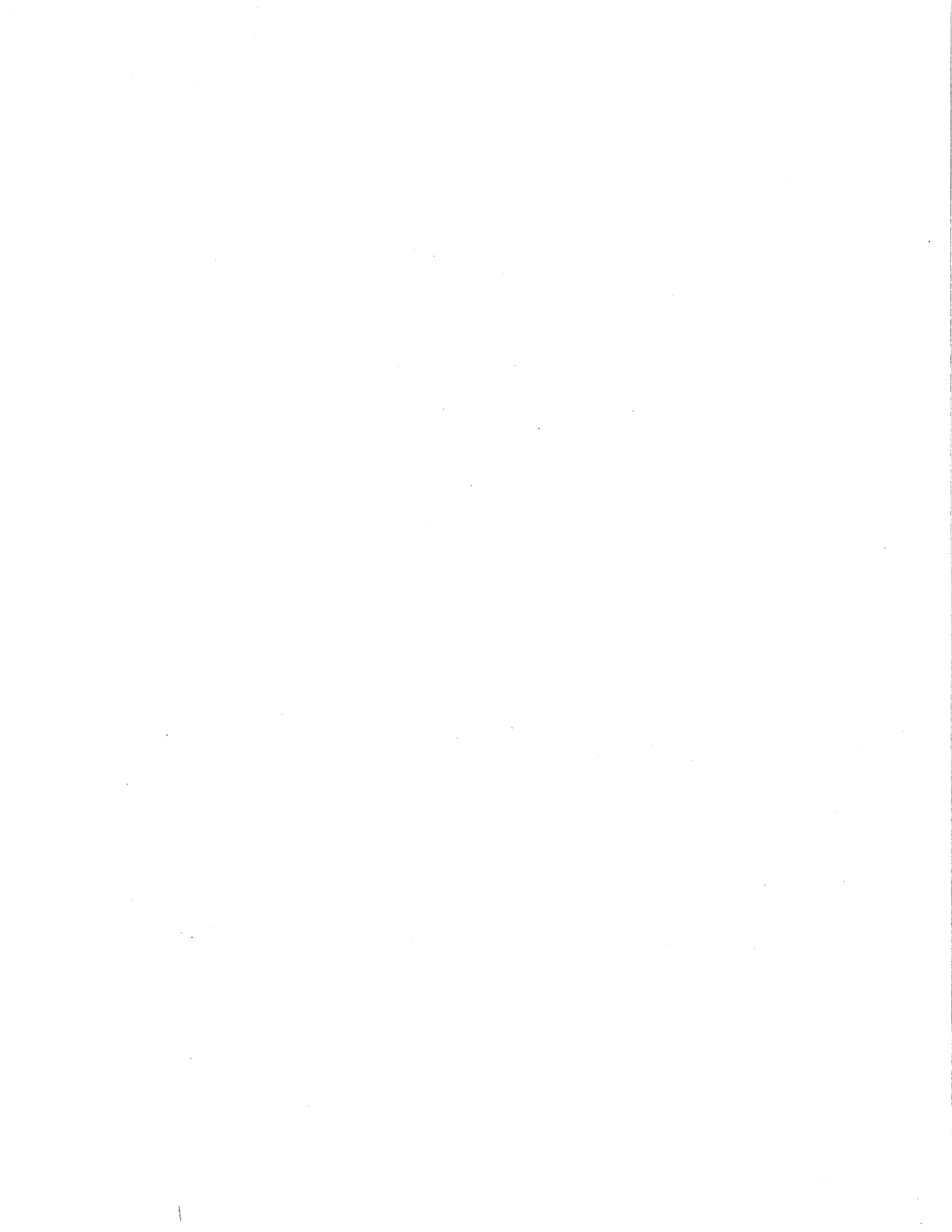
Enclosures

cc: Bob White

DRI, LLC Information for Exemption for Replacement MRI Equipment

| EQUIPMENT COMPARISON | EXISTING EQUIPMENT | REPLACEMENT EQUIPMENT |
|--|--|---|
| Type of Equipment (List Each Component) | 3Tesla MRI | 3 Tesla MRI |
| Manufacturer of Equipment | GE Medical | Siemens Medical |
| Model Number | 5114964-1 | TBD |
| Serial Number | W249 | TBD |
| Provider's Method of Identifying Equipment | Observation | TBD |
| Specify if Mobile or Fixed | Fixed | Fixed |
| Date of Acquisition of Each Component | June 2006 | Late August 2016 possession expected |
| Does Provider Hold Title to Equipment or Have a Capital Lease? | Title | Finance under capital lease |
| Specify if Equipment Was/Is New or Used When Acquired | New | New |
| Total Capital Cost of Project (Including Construction, etc.) <Use Attached Form> | Information not available | \$1,420,000 equipment + estimated \$112,000 taxes \$430,165 construction (taxes and permits included) \$400 physicist fees Total \$1,962,565 |
| Total Cost of Equipment | Information not available | \$1,420,000 equipment + estimated \$112,000 taxes |
| Fair Market Value of Equipment | Information not available | \$1,420,000 equipment + estimated \$112,000 taxes |
| Net Purchase Price of Equipment | Information not available | \$1,420,000 equipment + estimated \$112,000 taxes |
| Locations Where Operated | 3801 West Market St, Greensboro, NC | 315 West Wendover Ave, Greensboro, NC |
| Number Days In Use/To be Used in N.C. Per Year | Available 365/yr; regularly scheduled 260/yr | 260/yr |
| Percent of Change in Patient Charges (by Procedure) | NA | < 10% increase |
| Percent of Change in Per Procedure Operating Expenses (by Procedure) | NA | < 10% increase |
| Type of Procedures Currently Performed on Existing Equipment | Musculoskeletal, neurology | NA |
| Type of Procedures New Equipment is Capable of Performing | Musculoskeletal, neurology | Musculoskeletal, neurology, breast, abdominal |

August 2, 2016





Leeper, Kean & Rumley, L.L.P.
Certified Public Accountants and Consultants

July 26 , 2016

Bob White, COO
DRI, LLC
301 E. Wendover Ave.
Greensboro, NC 27401

Via E-Mail

Re: MRI Replacement at 301 East Wendover

Dear Bob:

As I discussed with Simon Howarth, DRI CFO, DRI is relocating an MRI from West Market Street and purchasing a replacement MRI to be installed at DRI's location at 301 East Wendover, Greensboro, N.C. 27401. I understand that the capital costs are approximately \$1.9 million, which include a sales price of \$1,420,000 for the equipment and installation of the equipment, sales tax on the equipment, physicist testing and \$430,165 for the construction including sales tax, permits and fees. DRI is financing the purchase and construction costs.

Our firm serves as an outside, independent CPA for DRI. This letter will confirm that under GAAP, the financing costs, including any interest and loan fees charged to DRI, would not be capitalized but would be treated as an operating expense and expensed as incurred.

Very truly yours,

LEEPER, KEAN & RUMLEY, LLP

Debbie O. Robinson, CPA

Partner

PROPOSED CAPITAL COSTS

Project Name: Replacement MRI Scanner

Proponent: DRI, Inc.

A. Site Costs

| | | |
|-----|---------------------------------------|-----------------------------|
| (1) | Full purchase price of land | \$ <u>existing location</u> |
| | 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 | \$ <u>NA</u> |

B. Construction Contract

| | | |
|------|--|-------------------|
| (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 | \$ _____ |
| (9) | Cost of Labor | \$ _____ |
| (10) | Other (Specify) | \$ _____ |
| (11) | Sub-Total Construction Contract | \$ <u>430,165</u> |

C. Miscellaneous Project Costs

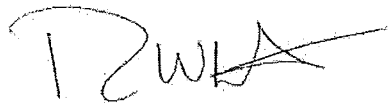
| | | |
|------|----------------------------------|-------------------------------------|
| (12) | Building Purchase | \$ _____ |
| (13) | Fixed Equipment Purchase/Lease | \$ _____ |
| (14) | Movable Equipment Purchase/Lease | \$ <u>1,420,000</u> |
| (15) | Furniture | \$ _____ |
| (16) | Landscaping | \$ _____ |
| (17) | Consultant Fees/Physicist | \$ <u>400</u> |
| | Architect and Engineering Fees | \$ <u>included in line 11 above</u> |

| | | |
|------|--|---------------------------|
| | 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) Taxes on MRI _____ | \$112,000 |
| (21) | Sub-Total Miscellaneous | \$ _____ |
| (22) | Total Capital Cost of Project (Sum A-C above) | <u>\$1,962,565</u> |

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.



Bob White

DRI, LLC. Chief Operating Officer