



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

Pat McCrory
Governor

Aldona Z. Wos, M.D.
Ambassador (Ret.)
Secretary DHHS

Drexdal Pratt
Division Director

January 10, 2013

Freda Crawford
913 Aquaview Drive
Kernersville, NC 27284

Exempt from Review - Replacement Equipment

Facility: Alliance Imaging, Inc.
Project Description: Replacement of 2001 mobile MRI [serial # 1S9FA482X1118242 (Signa 237)], a grandfather unit, with a 2009 mobile MRI scanner from Alliance out-of-state inventory for continuance of service to the following existing hosts; Greensboro Spine and Scoliosis Center, Person County Memorial Hospital, Chatham Hospital.
County: Guilford, Person and Chatham Counties
FID #: 001325

Dear Ms. Crawford:

In response to your letter of December 17, 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 2009 Mobile MRI-Signa LX, Serial # 1KKVA48283L211004 to replace the existing 2001 Mobile MRI-Signa Horizon ES, Serial # 1S9FA482X11182426. 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. Further please be advised that as soon as the replacement equipment is acquired, you must provide the CON Section and the Medical Facilities Planning Branch with the serial number of the new equipment to update the inventory, if not already provided.

Moreover, you need to contact the Construction and Medical Facilities Planning Branch to determine if they have any requirements for development of the proposed project.

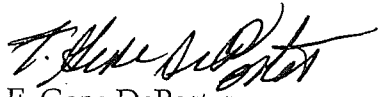
It should be noted that this Agency's position is based solely on the facts represented by you and that any change in facts as represented would require further consideration by this Agency and a separate determination. If you have any questions concerning this matter, please feel free to contact this office.

www.ncdhhs.gov • <http://www.ncdhhs.gov/dhsr>
Tel (919) 855-3873 • Fax (919) 733-8139

Location: Edgerton Building, 809 Ruggles Drive • Raleigh, NC 27603
Mailing Address: 2704 Mail Service Center • Raleigh, NC 27699-2704
An Equal Opportunity/ Affirmative Action Employer



Sincerely,



F. Gene DePorter
Project Analyst



Craig R. Smith, Chief
Certificate of Need Section

cc: Construction Section, DHSR
Medical Facilities Planning Section, DHSR

ALLIANCE HEALTHCARE SERVICES

913 Aquaview Drive
Kernersville, NC. 27284

Handwritten initials
Received by
the COM Section
DEC 17 2012

December 14, 2012

Mr. Craig Smith
Chief, Certificate of Need Section
2704 Mail Service Center
Raleigh, NC 699-2704

RE: Written Notice for Exemption from Review for Replacement Equipment,
Alliance Imaging Inc. MRI Scanner Signa 237, Serial Number 1S9FA482X11182426
Existing Grandfathered MRI
FID # 001325 (Alliance Imaging Inc. Mobile MRI Diagnostic Program)

Dear Mr. Smith:

Alliance Imaging intends to replace its existing mobile 1.5 Tesla MRI scanner, serial number 1S9FA482X1118242 (Signa 237), with a used mobile MRI scanner from Alliance's inventory from outside North Carolina. In accordance with NCGS 131 E-184, this letter provides justification and written notice regarding the replacement equipment. Alliance Imaging Inc. also provides documentation that the replacement equipment conforms to the Certificate of Need laws and Administrative rules:

G.S. 131E-176 (22a) Replacement equipment definition
G.S. 131E-184 (a) (7) Exemptions from review to provide replacement equipment
10A NCAC 14C.0303 Replacement Equipment Administrative Rules

Overview

The existing mobile MRI scanner was acquired in July 2001 and will soon need to be exchanged for several reasons:

- 1) Healthcare providers in North Carolina have demand for mobile MRI service with cost effective and appropriate capabilities.
- 2) The exchange will allow the host sites to utilize an existing MRI scanner with the appropriate scanning capabilities.
- 3) Alliance has the need to adjust its allocation of existing equipment in order to provide cost effective services in response to the needs of host sites.

Alliance Imaging recognizes the need to provide high quality, cost effective, and reliable mobile MRI scanner service that is consistent with the equipment capabilities of community hospitals. This specific MRI scanner, serial number 1S9FA482X1118242, that is being replaced is a "grandfathered unit" that was properly been reported in the 2012 Mobile MRI Equipment Inventory forms.

Alliance Imaging has identified Signa 470, Serial Number 1KKVA48283L211004, as the replacement mobile MRI scanner that will be brought to North Carolinas in four to eight weeks. The host sites that will be served by the replacement mobile MRI scanner are:

Greensboro Spine and Scoliosis Center
2105 Braxton Lane, Suite 101
Greensboro, NC 27408

Person County Memorial Hospital
615 Ridge Road
Roxboro, NC 27573

Chatham Hospital
475 Progress Blvd.
Siler City, NC 27344

Once the replacement unit is delivered, Signa 237 will be removed from North Carolina.

Compliance Documentation

Compliance with G.S. 131E-176 (22a) Replacement Equipment Definition is demonstrated in Attachment 3 which shows that the replacement MRI scanner and coach will cost less than \$2,000,000.

Both of the equipment units described above have original purchase prices that are far less than \$2,000,000; the current fair market values of the equipment are also less.

As seen in Attachment 2, the replacement MRI equipment will be used for the same diagnostic purposes as the existing mobile MRI scanner. Once the replacement MRI becomes available for use, the existing mobile MRI scanner will be removed from North Carolina.

In addition, Alliance Imaging is providing prior written notice to the Department in accordance with G.S. 131E-184 (a) (7) Exemption from Review to provide replacement equipment.

Applicability and Conformance with Administrative Rule 10A NCAC 14C.0303 Replacement Equipment

Alliance Imaging Inc. plans to provide a mobile MRI scanner as replacement equipment for its existing mobile MRI scanner in accordance with the following *regulatory requirements*:

10A NCAC 14C.0303 Replacement Equipment

(a) *The purpose of this Rule is to define the terms used in the definition of "replacement equipment" set forth in G.S. 131E-176(22a).*

Alliance Imaging Inc. has reviewed this rule definition.

(b) *“Activities essential to acquiring and making operational the replacement equipment” means those activities which are indispensable and requisite, absent which the replacement equipment could not be acquired or made operational.*

Alliance Imaging Inc. has reviewed this rule definition.

(c) *“Comparable medical equipment” means equipment which is functionally similar and which is used for the same diagnostic or treatment purposes.*

Alliance Imaging Inc. has reviewed this rule definition.

(d) *Replacement equipment is comparable to the equipment being replaced if:*
(1) it has the same technology as the equipment currently in use, although it may possess expanded capabilities due to technological improvements; and

The replacement MRI scanner is comparable to the equipment being replaced because the replacement equipment will also obtain MRI images. The proposed replacement mobile MRI scanner is not an extremity MRI or a dedicated breast MRI unit.

(2) it is functionally similar and is used for the same diagnostic or treatment purposes as the equipment in use and is not used to provide a new health service; and

As seen in the Attachment 2 letter, Alliance Imaging Inc. certifies that the replacement mobile MRI equipment will be used for the same diagnostic purposes as the existing MRI scanner.

(3) The acquisition of the equipment does not result in more than a 10% increase in patient charges or per procedure operating expenses within the first twelve months after the replacement equipment is acquired.

As seen in Attachment 2, the host sites that will utilize the replacement MRI scanner have certified that the replacement of the MRI equipment will not result in more than a 10% increase in patient charges or per procedure operating expenses within the first twelve months after the replacement equipment is acquired. Included in Exhibit 3 is documentation from Alliance Imaging that it will not increase charges to its host site during the first twelve months of operation of the replacement scanner.

Alliance Imaging expects that the projected operating expenses for the replacement MRI scanner will not increase in the first year following the exchange.

(e) *Replacement equipment is not comparable to the equipment being replaced 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.

Not applicable. As seen in the table on page 5, the equipment being replaced was purchased new in 2001 and the replacement equipment was acquired more than three years ago.

(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

Not applicable. The replacement equipment is not new and the existing equipment was not a reconditioned unit when it was acquired.

(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

Not applicable. The replacement equipment is functionally similar to the existing equipment and will be used for the same diagnostic procedures as the existing equipment. The replacement equipment is a full featured MRI scanner. These features do not change the basic technology or result in the provision of a new health service or type of procedure.

(4) The replacement equipment is purchased and the existing equipment is leased, unless the lease is a capital lease;

Not applicable. The existing equipment is not leased.

(5) The replacement equipment is a dedicated PET scanner and the existing equipment is:

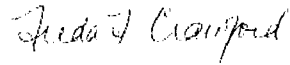
(A) a gamma camera with coincidence capability; or

(B) nuclear medicine equipment that was designed, built, modified to detect only the single photon emitted from nuclear events other than positron annihilation.

Not applicable. The existing equipment is not a dedicated PET scanner, gamma camera or nuclear medicine equipment.

Thank you for your review and consideration of this information. Please call me at 336-207-5613 if you have any questions.

Sincerely,



Freda Crawford
Manager of Operations
Alliance Imaging
fcrawford@allianceimaging.com
Alliance Healthcare Services
336 207 5613

Attachments:

- 1) Letter from Alliance Imaging Inc. regarding use of replacement MRI scanner, charges to host site and operating costs
- 2) Host site certification that MRI charges will not be increased by more than 10 percent during the 12 month period following equipment replacement
- 3) Fair Market Value documentation for replacement MRI scanners

EQUIPMENT COMPARISON

	EXISTING EQUIPMENT	REPLACEMENT EQUIPMENT
Type of Equipment (List Each Component)	Mobile MRI	Mobile MRI
Manufacturer of Equipment	GE	GE
Tesla Rating for MRIs	1.5T	1.5T
Model Number	Signa Horizon ES	Signa LX
Serial Number	1S9FA482X11182426	1KKVA48283L211004
Provider's Method of Identifying Equipment	Signa 237	Signa 470
Specify if Mobile or Fixed	Mobile	Mobile
Mobile Trailer Serial Number/VIN #	1S9FA482X11182426	1KKVA48283L211004
Date of Acquisition of Each Component	7/9/2001	9/01/09
Does Provider Hold Title to Equipment or Have a Capital Lease?	Holds Title	Holds Title
Specify if Equipment Was/Is New or Used When Acquired	New	Alliance Existing Inventory Used
Total Capital Cost of Project (no construction involved)	NA	No additional cost equipment already owned
Total Cost of Equipment	NA	See FMV letter attached
Fair Market Value of Equipment	See above	See FMV letter attached
Net Purchase Price of Equipment	NA	NA – equipment owned
Locations Where Operated	“Grandfathered Unit” status at host sites	“Grandfathered Unit” status Greensboro Spine and Scoliosis, Person County Hospital, Chatham Hospital
Number Days In Use/To be Used in N.C. Per Year	365	365
Percent of Change in Patient Charges (by Procedure)	NA	NA
Percent of Change in Per Procedure Operating Expenses (by Procedure)	NA	NA
Type of Procedures Currently Performed on Existing Equipment	MRI Procedures	MRI Procedures
Type of Procedures New Equipment is Capable of Performing	MRI procedures	MRI procedures

ALLIANCE HEALTHCARE SERVICES

913 Aquaview Drive
Kernersville, NC. 27284

Mr. Craig Smith
Chief, Certificate of Need Section
2704 Mail Service Center
Raleigh, NC 27 699-2704

RE: Replacement of Existing MRI Scanner
Unit Serial Number # 1S9FA482X11182426
Grandfathered Mobile MRI Scanner
FID # 001325 (Alliance Imaging Inc. Mobile MRI Diagnostic Program)

Dear Mr. Smith:

Please review the following information regarding the equipment replacement exemption notice:

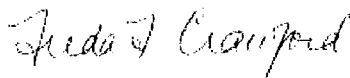
Alliance Imaging Inc. certifies that the replacement mobile MRI equipment will be used for the same diagnostic purposes as the existing MRI scanner. In addition the acquisition of the replacement MRI scanner will not result in Alliance increasing charges to the host site by more than 10% during the first twelve months of operation of the replacement scanner.

As Director of Operations of Alliance Imaging Inc., please accept this letter as certification that the existing mobile MRI scanner, Signa 237 Serial Number 1S9FA482X11182426 will promptly be removed from North Carolina once the replacement mobile MRI unit is delivered. The expected delivery of the replacement unit and removal of the existing grandfathered unit is in the next four to eight weeks. Alliance Imaging will notify the CON section and the Medical Facilities Planning Section of the model and serial number of the replacement equipment.

Alliance Imaging will use its existing tractor and driver to remove the grandfathered mobile MRI unit from North Carolina.

Thank you for your review and consideration of this information. Please call me at 336 207 5613 if you have any questions.

Sincerely,



Freda Crawford
Manager of Operations
Alliance Imaging
fcrawford@allianceimaging.com



December 12, 2012

Ms. Laurie C. Zatyko
Asset Manager
Alliance Imaging, Inc.
100 Bayview Circle
Newport Beach, CA 92658

SUBJECT: SIGNA 470

Dear Laurie,

With regard to the profile you provided, Nationwide Imaging Services opinion is the Fair Market Value of the SIGNA 470 is listed below.

\$210,000.00

This evaluation is based on systems that are available on the market today.

If you need further information, please do not hesitate to call.

Sincerely,
NATIONWIDE IMAGING SERVICES, INC.


Marc Regan
VP of Marketing and Sales

**Nationwide imaging Services, Inc. is not committing to purchasing this above referenced system at \$210,000.00

NJ Warehouse
1111 Industrial Pkwy
Brick, NJ 08724
Tel: (732) 262-3115

NJ Headquarters
638 Mantoloking Road
Brick, NJ 08723
Tel: (732) 262-3115 Fax: (732) 262-3105

Florida Office
11176 Creek Haven Dr.
Riverview, FL 33569
Tel: (732) 262-3115

Email: Sales@nationwideimaging.com

www.NationwideImaging.com



Person Memorial Hospital

A Duke LifePoint Hospital

December 11, 2012

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

RE: Replacement Equipment Exemption Alliance Healthcare Services

Dear Mr. Smith:

I understand that Alliance Healthcare intends to replace its existing "grandfathered" 1.5 Tesla MRI scanner (SIGNA 237, Serial Number 1S9FA482X11182426) with an existing 1.5T MRI scanner from Alliance's out-of-state inventory. Please accept this letter as our indication that we would accept the replacement MRI scanner at the following address, pursuant to our service agreement with Alliance Healthcare:

Person County Memorial Hospital
615 Ridge Road
Roxboro, NC 27573

In accordance with 10A NCAC 14C.0303R Replacement Equipment Administrative Rules, Person County Memorial Hospital agrees that the replacement MRI equipment itself will not result in more than a ten percent increase in patient charges at the host site within the first twelve months after the equipment is acquired, provided there are no other changes in the Alliance service agreement.

Sincerely,

Chad Brown, CEO
DLP Person Memorial Hospital

June

Received by
the CON Section
DEC 5 2012

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

RE: Replacement Equipment Exemption Alliance Healthcare Services

Dear Mr. Smith:

I understand that Alliance Healthcare intends to replace its existing "grandfathered" 1.5 Tesla MRI scanner (SIGNA 237, Serial Number 1S9FA482X11182426) with an existing 1.5T MRI scanner from Alliance's out-of-state inventory. Please accept this letter as our indication that we plan to utilize the replacement MRI scanner at the following address, pursuant to our service agreement with Alliance Healthcare:

Chatham Hospital
475 Progress Blvd.
Siler City, NC 27344

In accordance with 10A NCAC 14C.0303R Replacement Equipment Administrative Rules, Chatham Hospital agrees that the replacement MRI equipment will not result in more than a ten percent increase in patient charges at the host site within the first twelve months after the equipment is acquired

Sincerely,





SPINE & SCOLIOSIS SPECIALISTS, P.L.L.C.

ADVANCED TREATMENT & SURGERY

Max W. Cohen, MD, FAAOS, *Orthopaedic Spine Surgery*
S. Michael T. Tooke, MD, FRCSC, *Orthopaedic Spine Surgery*

Colleen Mahar, PA-C
Stacy Kissel, PA-C
Maureen Collins, PA-C

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

RE: Replacement Equipment Exemption Alliance Healthcare Services

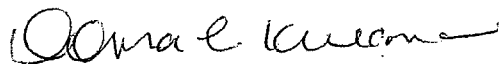
Dear Mr. Smith:

I understand that Alliance Healthcare intends to replace its existing "grandfathered" 1.5 Tesla MRI scanner (SIGNA 237, Serial Number 1S9FA482X11182426) with an existing 1.5T MRI scanner from Alliance's out-of-state inventory. Please accept this letter as our indication that we plan to utilize the replacement MRI scanner at the following address, pursuant to our service agreement with Alliance Healthcare:

Greensboro Spine and Scoliosis Center
2105 Braxton Lane, Suite 101
Greensboro, NC 27408

In accordance with 10A NCAC 14C.0303R Replacement Equipment Administrative Rules, Greensboro Spine and Scoliosis Center agrees that the replacement MRI equipment will not result in more than a ten percent increase in patient charges at the host site within the first twelve months after the equipment is acquired

Sincerely,



12/10/12

2105 Braxton Lane, Suite 101, Greensboro, NC 27408

Phone: (336) 333-6306 • Fax: (336) 333-6309

www.spineandscoliosisdocs.com

Greensboro Spine and Scoliosis Center, P.L.L.C.

Now Operating and Doing Business as Spine and Scoliosis Specialists, P.L.L.C.