



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

March 17, 2014

John Wheeler
New Hanover Medical Group
Central Office
1960 South 16th Street
Wilmington, NC 28401

No Review

- Facilities: New Hanover Medical Group- 3 locations
- 1) Central Office- 1960 S. 16th Street, Wilmington
 - 2) Myrtle Grove Office- 5145 S. College Road, Wilmington
 - 3) Ogden Office- 7420 Market Street, Wilmington
- Project Description: Upgrade existing equipment
- County: New Hanover
- FID #:
- 1) Central Office- Grandfathered Diagnostic Center (no FID #)
 - 2) Myrtle Grove Office- FID #040426
 - 3) Ogden Office- FID #060492

Dear Mr. Wheeler:

The Certificate of Need Section (CON Section) received your letter of January 10, 2014 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. 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.

It should be noted that this determination is binding only for the facts represented by you. 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 the Certificate of Need Section. 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.

Certificate of Need Section

www.ncdhhs.gov

Telephone: 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

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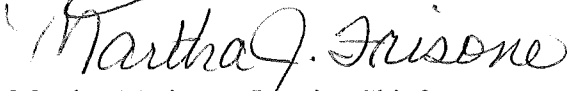
Mr. Wheeler
March 17, 2014
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Please contact the CON Section if you have any questions. Also, in all future correspondence you should reference the Facility I.D. # (FID) if the facility is licensed.

Sincerely,



Gregory F. Yakaboski, Project Analyst



Martha J. Frisone, Interim Chief
Certificate of Need Section

cc: Medical Facilities Planning Branch, DHSR

New Hanover Medical Group
Central Office
1960 South 16th Street
Wilmington, NC 28401

Weg

John Wheeler
910.343.9991 extension 1100
John.Wheeler@nhrmc.org

January 10, 2014

Craig Smith, Chief
Greg Yakaboski, Analyst
Certificate of Need Section
Division of Health Service Regulation
N.C. Dept. of Health & Human Services
2704 Mail Service Center
Raleigh, NC 27699-2704



RE: *New Hanover Medical Group's No Review Request for Diagnostic Equipment Acquisition*

Dear Mr. Smith and Mr. Yakaboski:

I am writing to inform the Certificate of Need section that New Hanover Medical Group (NHMG) intends to acquire diagnostic equipment for purposes of upgrading its existing equipment for purposes of providing digital radiography at each of its three current locations in New Hanover County. NHMG seeks confirmation that this acquisition does not constitute a new institutional health service subject to CON review.

Below is a detailed listing of the equipment to be purchased at each site:

Central Office 1960 S. 16th Street Wilmington, NC Recognized as "grandfathered" diagnostic center (Exhibit A)		Myrtle Grove Office 5145 S. College Rd. Wilmington, NC FID# 040426 CON# O-7022-04		Ogden Office 7420 Market St. Wilmington, NC FID# 060492 CON# O-7546-06	
Upgrade existing Del Medical CM 50kW Radiographic Chest & Table with the purchase of Del Works Retrofit Digital radiography system	\$66,745.00	Upgrade existing Del Medical CM 50 kW, Radiographic Chest and Table with the purchase of Del Works Retrofit Digital radiography system	\$66,745.00	Upgrade existing X-Rad DS-3, Radiographic Chest and Table with the purchase of Fuji D-EVO Digital radiography system	\$74,850.00
Purchase data enhancements	\$1,126.05	Purchase data enhancements	\$606.99	Purchase data enhancements	\$606.99
Purchase Radiologist Reading Workstation	\$19,207.38	Purchase Diagnostic Film Digitizer	\$22,300.00		

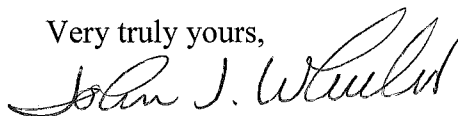
Craig Smith, Chief
Greg Yakaboski, Analyst
January 10, 2014
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The total cost and fair market value of this equipment is \$252,187.41. As set forth in the enclosed Proposed Capital Cost form, this is the total capital cost in connection with this acquisition, inclusive of additional costs for studies, surveys, designs, plans, working drawings, specifications, construction, installation, and other activities essential to acquiring and making operational this equipment. Accordingly, this acquisition does not constitute the acquisition of "major medical equipment" as defined in N.C.G.S. § 131E-176(14o). Further, because all three NHMG sites have been recognized by the CON section as Diagnostic Centers, as defined in N.C.G.S. § 131E-176(7a), either via award of a CON as noted in above table with project ID#s or because in existence prior to March 18, 1993 (see Exhibit A for reference), the expenditure of these dollars is immaterial with respect to any dollar threshold associated with facilities that are not designated Centers.

For the reasons set forth above, NHMG respectfully requests that the Agency confirm that the acquisition of the above equipment does not require a CON. If you require any further information on this matter, please let me know. I will look forward to hearing from you soon.

With best regards, I am

Very truly yours,



John Wheeler, CEO

Enclosures
cc: John Gizdic

Craig Smith, Chief
Greg Yakaboski, Analyst
January 10, 2014
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Exhibit A



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

Beverly Eaves Perdue, Governor
Lanier M. Cansler, Secretary

www.ncdhhs.gov/dhsr

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

August 4, 2010

William R. Shenton
Poyner Spruill
P.O. Box 1801
Raleigh, NC 27602-1801

RE: Inquiry / New Hanover Medical Group, P.A. / Development of a diagnostic center prior to March 18, 1993 / New Hanover County

Dear Mr. Shenton:

In response to your correspondence of October 27, 2009, November 2, 2009 and August 3, 2010, the Certificate of Need Section has determined that New Hanover Medical Group, P.A. developed a diagnostic center, as that term is defined in Gen. Stat. 131E-176(7a), before March 18, 1993 based on the following findings:

1. The building was designed and constructed for Primary Care Associates, a general partnership owned by three of the physicians with New Hanover Medical Group, P.A., in 1990. See Exhibits D and F to the October 26, 2009 letter.
2. New Hanover Medical Group, P.A. leases the building from Primary Care Associates, a related entity. See Exhibit B to the October 26, 2009 letter.
3. New Hanover Medical Group, P.A. acquired the following units of medical diagnostic equipment costing \$10,000 or more in 1990:
 - a) X-ray unit (\$27,800)
 - b) X-ray film developer (\$14,176)
 - c) Lab equipment (Synchron CX5) (\$37,908)
 - d) Lab equipment (Sysmex 9000 AX) (\$123,492)
 - e) Treadmill (\$25,511)
 - f) Holter Monitor (\$21,878)

See Exhibit E to the October 26, 2009 letter.

4. The total cost of the medical diagnostic equipment listed in #3 was \$250,765.
5. The medical diagnostic equipment listed in #3 is located in a discrete area of the building in 2,501 square feet of space. See Exhibits D and F to the October 26, 2009 letter.



Location: 701 Barbour Drive - Dorothea Dix Hospital Campus - Raleigh, N.C. 27603
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Craig Smith, Chief
Greg Yakaboski, Analyst
January 10, 2014
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Exhibit A, continued

Mr. Shenton
August 4, 2010
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6. In 1990, the total usable space in the building was 17,388 square feet. Thus, the diagnostic center occupied 14.38% of the total usable space in the building [$2,501 / 17,388 = 0.1438$]. See the October 26, 2009 letter.
7. The total construction cost for the building was \$2,072,883. See the October 26, 2009 letter.
8. Included in the total construction cost of \$2,072,833 were construction costs that would not have been incurred without acquisition of the equipment listed above. These costs are estimated to total \$44,603.75 and they are allocated to the diagnostic center in their entirety (the remaining construction costs are allocated based on square footage). See Exhibit F to the October 26, 2009 letter.
9. The total construction cost (\$2,072,833) less the costs allocated to the diagnostic center in their entirety (\$44,603.75) is \$2,028,279.25 [$\$2,072,833 - \$44,603.75 = \$2,028,279.25$] (total adjusted construction cost).
10. The total adjusted construction cost allocated to the diagnostic center is \$291,659.55 [$\$2,028,279.25 \times 14.38\% = \$292,659.55$].
11. The construction cost allocated to the diagnostic center (including the costs allocated in their entirety to the diagnostic center) is \$336,270.30 [$\$291,659.55 + \$44,603.75 = \$336,270.30$].
12. The total of the equipment costs and the construction costs allocated to the diagnostic center is \$587,035.30 [$\$250,765 + \$336,270.30$], which exceeds the \$500,000 threshold in G.S. 131E-176(7a).
13. The diagnostic center has operated continuously since 1990 in the same location.

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,


Martha J. Frisone, Assistant Chief


Craig R. Smith, Chief
Certificate of Need Section

PROPOSED CAPITAL COSTS

Project Name: New Hanover Medical Group Upgrade to Digital Radiography
Proponent: New Hanover Medical Group, NHRMC Physician Group

A. Site Costs

(1)	Full purchase price of land		\$ <u>0</u>	
	Acres _____ Price per Acre	\$ <u>0</u>		
(2)	Closing costs		\$ <u>0</u>	
(3)	Site Inspection and Survey		\$ <u>0</u>	
(4)	Legal fees and subsoil investigation.		\$ <u>0</u>	
(5)	Site Preparation Costs			
	Soil Borings	\$ <u>0</u>		
	Clearing-Earthwork	\$ <u>0</u>		
	Fine Grade For Slab	\$ <u>0</u>		
	Roads-Paving	\$ <u>0</u>		
	Concrete Sidewalks	\$ <u>0</u>		
	Water and Sewer	\$ <u>0</u>		
	Footing Excavation	\$ <u>0</u>		
	Footing Backfill	\$ <u>0</u>		
	Termite Treatment	\$ <u>0</u>		
	Other (Specify)	\$ <u>0</u>		
	Sub-Total Site Preparation Costs		\$ <u>0</u>	
(6)	Other (Specify)		\$ <u>0</u>	
(7)	Sub-Total Site Costs			\$ <u>0</u>

B. Construction Contract

(8)	Cost of Materials			
	General Requirements	\$ <u>0</u>		
	Concrete/Masonry	\$ <u>0</u>		
	Doors & Windows/Finishes	\$ <u>0</u>		
	Thermal & Moisture Protection	\$ <u>0</u>		
	Equipment/Specialty Items	\$ <u>0</u>		
	Mechanical/Electrical	\$ <u>0</u>		
	Other (Data & Power outlets)		\$ <u>2340.03</u>	
	Sub-Total Cost of Materials		\$ <u>2340.03</u>	
(9)	Cost of Labor		\$ <u>included</u>	
(10)	Other (Specify)		\$ <u>0</u>	
(11)	Sub-Total Construction Contract			\$ <u>2340.03</u>

C. Miscellaneous Project Costs


(12)	Building Purchase		\$ <u>0</u>	
(13)	Fixed Equipment Purchase/Lease		\$ <u>249,847.38</u>	
(14)	Movable Equipment Purchase/Leas		\$ <u>0</u>	
(15)	Furniture		\$ <u>0</u>	
(16)	Landscaping		\$ <u>0</u>	
(17)	Consultant Fees			
	Architect and Engineering Fees	\$ <u>0</u>		
	Legal Fees	\$ <u>0</u>		
	Market Analysis	\$ <u>0</u>		
	Other (Specify)	\$ <u>0</u>		
	Sub-Total Consultant Fees		\$ <u>0</u>	
(18)	Financing Costs (e.g. Bond, Loan, etc.)		\$ <u>0</u>	
(19)	Interest During Construction		\$ <u>0</u>	
(20)	Other (Specify) _____		\$ <u>0</u>	
(21)	Sub-Total Miscellaneous			\$ <u>249,847.38</u>

D. Total Capital Cost of Project \$ 252,187.41

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

Not Applicable

(Signature of Licensed Architect or Engineer)


New Hanover Medical Group CEO

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.

(New Hanover Regional Medical Center, Physician Group)


(Vice President)