



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

April 5, 2016

Melissa VanOostrom  
1233 Front Street  
Suite A  
Raleigh, NC 27612

**Exempt from Review – Replacement Equipment**

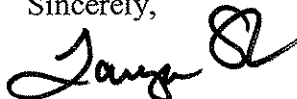
**Record #:** 1916  
**Business Name:** Alliance Imaging Inc.  
**Business #:** 60  
**Project Description:** Replace mobile MRI scanner

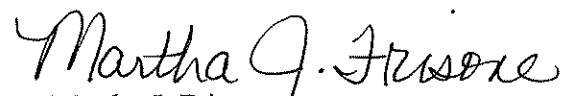
Dear Ms. VanOostrom:

The Healthcare Planning and Certificate of Need Section, Division of Health Service Regulation (Agency), determined that based on your letter dated February 29, 2016 and received in our office on March 10, 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 acquire, without a certificate of need, the GE Excite HDx 16 Channel mobile MRI, VIN Number 1S9FA4826X1182271. 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.

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,

  
Tanya S. Rupp  
Project Analyst

  
Martha J. Frisone,  
Assistant Chief, Certificate of Need

cc: Kelli Fisk, Program Assistant, Healthcare Planning, DHSR

**Healthcare Planning and Certificate of Need Section**

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

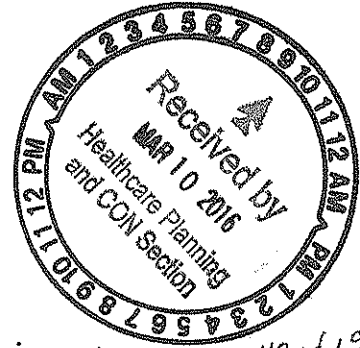
An Equal Opportunity/ Affirmative Action Employer



ALLIANCE HEALTHCARE SERVICES  
1233 Front Street, Suite A  
Raleigh, NC 27612

February 29, 2016

Martha Frisone  
Assistant Chief  
Health Planning and Certificate of Need Section  
2704 Mail Service Center  
Raleigh, NC 27699-2704



RE: Written Notice for Exemption from Review for Replacement Equipment,  
Alliance Imaging Inc. MRI Scanner Serial Number 1S9FA482231182617  
Grandfathered MRI Scanner with Host Sites in Harnett, Johnston and New Hanover Counties

NR 101916  
Bus id 60

Dear Ms.Frisone:

Alliance Imaging intends to replace its existing mobile MRI scanner, serial number 1S9FA482231182617 Signa 284 which was acquired in 2001, with a similar newer unit that is already owned by Alliance Healthcare Services. The replacement unit is a SIGNA 1.5 Tesla unit and has been utilized in other states in the Southeast but not in 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 replaced for several reasons:

- 1) The MRI scanner has older software applications that are difficult to maintain.
- 2) Costly maintenance and repairs are required due to the age and condition of the scanner.
- 3) Healthcare providers in North Carolina have demand for mobile MRI service with current imaging technology and capabilities to supplement their existing services and to improve access.

Alliance Imaging recognizes the need to provide a 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 1S9FA482231182617, that is being replaced is a grandfathered MRI scanner that has properly been reported in the 2016 Mobile MRI Equipment Inventory forms (Signa 284).

The current host sites that will be served by the replacement mobile MRI scanner are

Carolina Regional Orthopaedics  
110 Patrick Court  
Rocky Mount, NC 27804  
Harnett County

Eastern Carolina Medical Center  
One Medical Dr.  
Benson, NC 27504  
Johnston County

New Hanover Regional Medical Center  
102 Military Cutoff Rd.  
Wilmington, NC 28405  
New Hanover County

Once the replacement unit is operational, the existing MRI scanner # 1S9FA482231182617 (SIGNA 284) will be removed from North Carolina.

#### **Compliance Documentation**

Compliance with G.S. 131E-176 (22a) Replacement Equipment Definition is demonstrated in Attachment 1 which shows that the replacement MRI scanner and coach will cost less than \$2,000,000. The attached letter from Matthew Pac with American Radiology Resources shows that the replacement MRI equipment and mobile unit have a fair market value of between \$575,000 and \$625,000. No additional shipping or installation costs are expected because Alliance has tractor trailer to bring the equipment into North Carolina.

As seen in Attachment 2, Melissa VanOostrom, Alliance Operations Manager, documents that the replacement MRI equipment will be used for the same diagnostic purposes as the existing mobile MRI scanner. 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 bring in 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*

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 3, the host sites that will utilize the replacement MRI scanner have certified that the acquisition of the 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 2 is documentation from Alliance Imaging that it will not increase charges by more than 10% to its host sites during the first twelve months of the replacement scanner operation.

Alliance Imaging expects that the projected operating expenses for the replacement MRI scanner will increase by 5 percent over the existing scanner due to the increase in the depreciation expense. In first year of operation the MRI equipment will be covered by a warranty agreement.

(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 in 2001 more than three years ago and the replacement MRI scanner was acquired by Alliance in 2013.

*(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 already owned by Alliance was purchased in 2013 more than three years after the acquisition of the existing equipment.

*(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.*

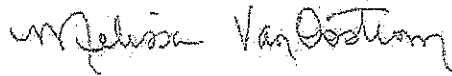
Not applicable. The existing equipment is not a dedicated PET scanner, gamma camera or nuclear medicine equipment.

**EQUIPMENT COMPARISON**

	<b>EXISTING EQUIPMENT</b>	<b>REPLACEMENT EQUIPMENT</b>
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 1.5T Horizon	Excite HDx 16 Channel
Serial Number		R0363
Provider's Method of Identifying Equipment	SIGNA 284	SIGNA 480
Specify if Mobile or Fixed	Mobile	Mobile
Mobile Trailer Serial Number/VIN #	1S9FA482231182617	1S9FA4826X1182271
Mobile Tractor Serial Number/VIN #	NA – No changes	NA – No changes
Date of Acquisition of Each Component	MRI Acquired 2/12/2001	Acquired in 2013
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	New
Total Capital Cost of Project (no construction involved)	NA	No cost
Total Cost of Equipment	NA	Owned by Alliance
Fair Market Value of Equipment	NA	\$575,000 to \$625,000
Net Purchase Price of Equipment	NA	
Locations Where Operated Currently	“Grandfathered Unit” Carolina Regional Orthopedics New Hanover Regional Eastern Carolina Medical Center	“Grandfathered Unit” status continuing at host sites
Number Days In Use/To be Used in N.C. Per Year	365	365
Percent of Change in Patient Charges (by Procedure)	NA	less than 10%
Percent of Change in Per Procedure Operating Expenses (by Procedure)	NA	Estimated 5% (Additional depreciation and maintenance)
Type of Procedures Currently Performed on Existing Equipment	MRI Procedures	MRI Procedures
Type of Procedures New Equipment is Capable of Performing	NA	MRI procedures

Thank you for your review and consideration of this information. Please call me at (910) 340-1494 if you have any questions.

Sincerely,



Melissa Van Oostrom

Attachments:

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





Ms. Martha Frisone  
Assistant Chief  
Health Planning and Certificate of Need Section  
2704 Mail Service Center  
Raleigh, NC 27699-2704

RE: Alliance HealthCare Replacement MRI Equipment,  
Serial Number 1S9FA482231182617

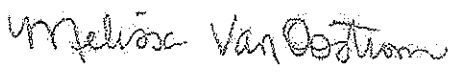
Dear Ms. Frisone,

Alliance HealthCare intends to replace its existing grandfathered MRI scanner, serial number 1S9FA482231182617, with a newer unit owned by Alliance. In accordance with 10A NCAC 14C.030 Replacement Equipment Administrative Rules, we agree that the replacement MRI equipment will not result in more than a 10% increase in charges to the host sites within the first twelve months after the equipment is acquired.

As the Operations Manager of Alliance HealthCare, please accept this letter as certification that the existing mobile MRI scanner 1S9FA482231182617 will be promptly removed from North Carolina once the replacement MRI unit is delivered. Alliance will use its existing tractor and driver to remove the grandfathered MRI scanner from North Carolina.

Thank you for your consideration. Please call me at (910) 340-1494 if you have any questions.

Sincerely,



Melissa VanOostrom  
Manager of Operations

EASTERN CAROLINA MEDICAL CENTER

1 Medical Drive  
Benson, NC 27504

Ms. Martha Frisone  
Assistant Chief  
Health Planning and Certificate of Need Section  
2704 Mail Service Center  
Raleigh, NC 27699-2704

RE: Alliance HealthCare Replacement MRI Equipment,  
Serial Number 1S9FA4B2231182617

Dear Ms. Frisone,

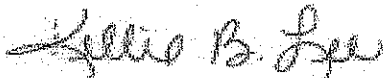
I understand that Alliance HealthCare intends to replace its existing grandfathered MRI scanner, serial number 1S9FA4B2231182617, with a newer unit owned by Alliance. Please accept this letter as our indication that we plan to utilize the replacement MRI scanner at

Eastern Carolina Medical Center  
One Medical Dr.  
Benson, NC 27504  
Johnston County

In accordance with 10A NCAC 14C.030 Replacement Equipment Administrative Rules, we agree that the replacement MRI equipment will not result in more than a 10% increase in patient charges within the first twelve months after the equipment is acquired.

Please call me if you have any questions.

Sincerely,



Kellie B. Lee  
Eastern Carolina  
Medical Center  
Diagnostic Coordinator  
919-287-1019 (direct line)  
919-294-7875 (fax)

Ms. Martha Frisone  
Assistant Chief  
Health Planning and Certificate of Need Section  
2704 MailServiceCenter  
Raleigh, NC 27699-2704

RE: Alliance HealthCare Replacement MRI Equipment,  
Serial Number 1S9FA482231182617

Dear Ms. Frisone,

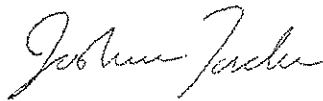
I understand that Alliance HealthCare intends to replace its existing grandfathered MRI scanner, serial number 1S9FA482231182617, with a newer unit owned by Alliance. Please accept this letter as our indication that we plan to utilize the replacement MRI scanner at

New Hanover Regional Medical Center  
1135 Military Cutoff Rd., Suite 101  
Wilmington NC 28405  
New Hanover County

In accordance with 10A NCAC 14C.030 Replacement Equipment Administrative Rules, we agree that the replacement MRI equipment will not result in more than a 10% increase in patient charges within the first twelve months after the equipment is acquired.

Please call me if you have any questions.

Sincerely,



Joshua Tucker  
New Hanover Regional Medical  
Director of Radiology



Alberto J. d'Empaire, M.D.  
General orthopaedics

Glenn E. MacNichol, M.D.\*\*  
Back & neck care,  
spine injections,  
pain management

Robert C. Martin, D.O.\*  
Sports medicine,  
arthroscopic surgery,  
general orthopaedics

David C. Miller, M.D.\*,\*\*\*  
Back & neck care,  
spine surgery

Mark N. Perlmutter, M.D.  
Hand and wrist care,  
general orthopaedics

Thomas J. Galisin, PA-C  
Sports medicine,  
spine care,  
general orthopaedics

Vincent P. Keeney, PA-C  
Sports medicine,  
general orthopaedics

Paul N. Lanfranchi, PA-C  
Back & neck care,  
general orthopaedics

Laura A. Medlin, PA-C  
Spine care,  
pain management

Ms. Martha Frisone  
Assistant Chief  
Health Planning and Certificate of Need Section  
2704 Mail Service Center  
Raleigh, NC 27699-2704

RE: Alliance HealthCare Replacement MRI Equipment,  
Serial Number 1S9FA482231182617

Dear Ms. Frisone,

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Carolina Regional Orthopaedics  
110 Patrick Court  
Rocky Mount NC 27804  
Harnett County

In accordance with 10A NCAC 14C.030 Replacement Equipment Administrative Rules, we agree that the replacement MRI equipment will not result in more than a 10% increase in patient charges within the first twelve months after the equipment is acquired.

Please call me if you have any questions.

Sincerely,

Deanna Rand  
Practice Administrator

\* Certified, American Board of Orthopaedic Surgeons; Fellow, American Academy of Orthopaedic Surgeons  
\*\* Certified, American Board of Anesthesiology; Certified, American Board of Interventional Pain Physicians  
\*\*\* Certified, American Board of Spine Surgery; Fellow, American College of Spine Surgery