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March 16, 2010

Phyllis Powell
Assistant Director of Development, Planning, and Quality
Division of Licensing & Regulatory Services
41 Anthony Avenue
Augusta, Maine 04330

RE: Down East Community Hospital ("DECH"): MRI Equipment Purchase
Letter of Non-Reviewability

Dear Ms. Powell:

This letter seeks a ruling from the Department of Health and Human Services that DECH's proposal to purchase Magnetic Resonance Imaging ("MRI") equipment is not subject to review under the Maine Certificate of Need Act (the "CON Act").

Currently, DECH contracts with NEHE-MRI, LLC ("NEHE") for mobile MRI services to its patients. NEHE provides the mobile MRI services on DECH's campus a couple of days each week. DECH retains the right to bill and collect from third party payors for MRI services rendered to its patients. DECH proposes to purchase its own MRI equipment at an approximate cost of \$930,310, as opposed to contracting with NEHE for future mobile MRI services. There are no additional costs related to the MRI equipment purchase, as DECH already has the facilities to receive the new MRI equipment (currently used on a part-time basis by NEHE).

Since the aggregate cost of MRI equipment to be purchased under the terms of the proposal is below the statutory capital expenditure amount for major medical equipment of \$1,600,000, a CON should not be required. Moreover, the MRI service is an existing service at DECH and not reviewable as a new health service. In spite of the non-reviewability of the proposal, I am happy to provide you with the following information.

DECH's MRI equipment purchase will result in improved patient access in the communities it serves as the equipment will be available more frequently. Under the existing arrangement with NEHE, MRI services are only available at DECH on a part time basis of a couple of days per week. The acquisition of this equipment will also reduce costs to the health care system. There are no third year operating costs; rather DECH predicts first year operations *savings* of approximately \$117,000, and second and third year savings of \$8,000. Accordingly, there will be improved patient access and substantial savings to the health care system.

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Because we believe this project to be non-reviewable, DECH does not intend to submit a CON application.

I hope that the above information enables you to confirm our understanding that this equipment purchase is non-reviewable under the CON Act. If you should have any questions or require any additional information, however, please do not hesitate to contact me.

Thanks for your attention to this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read "Julius", with a large, stylized loop at the beginning.

Julius Ciembroniewicz

cc: Steven Keaten, Health Care Financial Analyst, CON Unit