

JUN 24 2013

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June 21, 2013

Phyllis Powell, Assistant Director Medical Facilities
Division of Licensing & Regulatory Services
Department of Health & Human Services
11 Station House Station
41 Anthony Avenue
Augusta, ME 04333-0011

Re: **OA Centers for Orthopaedics
MRI Acquisitions**

Dear Phyllis:

This office represents OA Centers for Orthopaedics ("OA"), a Maine professional association. At a recent meeting with representatives of your office on a related matter, I informed the attendees of plans by OA to move forward with the purchase and installation of two new magnetic resonance imaging (MRI) units. I now wish to formalize that notice.

On behalf of OA, this letter serves as a Letter of Intent, pursuant to 22 M.R.S.A. § 337(1) and Chapter 6 of the Maine Certificate of Need Procedures Manual, as well as a request for determination from your office that OA's acquisition of two MRI units will not trigger CON review.

OA has owned an MRI unit since 2003, having acquired the machine from Maine Medical Center for \$400,000 following an earlier leasing arrangement. OA informed your office of the acquisition at the time, and in a letter dated October 10, 2003 I received a determination that the acquisition would not be subject to review under the Certificate of Need Act. OA has utilized that MRI unit until now, having fully depreciated it over the past 10 years.

OA is now planning to move forward with the acquisition and installation of a replacement unit. This "wide bore" MRI will allow OA to continue to perform the same procedures for which the 2003 unit was utilized.

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Under 22 M.R.S.A. § 329(2-A)(B), the acquisition of major medical equipment does not require a certificate of need if it is “being replaced by the owner.” The new MRI unit represents “replacement equipment” because it “performs essentially the same functions as the replaced equipment.” 22 M.R.S.A. § 328(26). To the extent relevant, its purchase price is \$1,491,859, excluding sales tax. See enclosed purchase order.

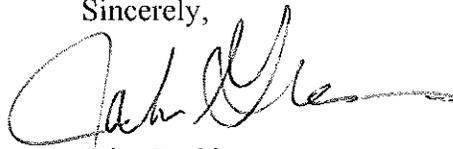
At the same time, OA is acquiring a new type of MRI unit, namely an “extremity scanner,” enabling it to perform imaging procedures in a manner not able to be performed by the prior unit or the replacement unit. In particular, the extremity scanner will enable OA to perform certain scans in a manner more comfortable or suitable for patients with particular needs, including those who are claustrophobic or obese. While the extremity scanner does not constitute replacement equipment, its purchase price, together with all related expenses for installation, leave it well below the reviewability threshold for major medical equipment. Specifically, the extremity scanner is being acquired for \$560,799. See enclosed purchase order. The sales tax is \$28,040. The construction costs associated with this MRI installation are projected to be \$135,537 (see enclosed email summary/estimate from Hebert Construction), and the allocated architect fees come to \$18,155. Factoring in all such costs and fees, together with the purchase price and sales tax, the total projected cost of the extremity scanner project comes to \$742,531. Again, this is well below the \$3.2 million threshold for reviewability of the acquisition of major medical equipment under Section 328(16).

The replacement MRI and the extremity scanner will be utilized principally by OA physicians for patients of the practice, and such internal use will likely expand as OA completes its recruitment efforts to fill several targeted positions. OA intends, however, to also make the MRIs available for referral by outside practitioners, and it anticipates there may be particular interest in the use of the extremity scanner given its ability to accommodate patients with special needs and the current absence of such a machine in the area.

With this description, OA is requesting a determination from your office that the purchases of the replacement MRI unit and the extremity scanner MRI unit will not be subject to a certificate of need review.

Thank you for your consideration in this matter.

Sincerely,



John D. Gleason

JDG/ml

Enclosures

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