HAWAI`I STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: #12-29A Date of Receipt:
To be assigned by Agency

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APPLICANT PROFILE

Project Title: Expansion of X-ray services

Project Address: 1401 S. Beretania Street, Suite 107, Honolulu, HI 96814

Applicant Facility/Organization: Hawaii PET Imaging, L.L.C. ("HPI")

Name of CEO or equivalent: Scott B. Halliday

Title: President, National Medical Development, Inc., Majority Member, Hawaii PET Imaging, L.L.C.

Address: 5001 25th Ave N.E., Suite 202, Seattle, WA 98105

Phone Number: 206-272-3580 Fax Number: 206-272-3588

Contact Person for this Application: Same as above

Title: _____

Address: _____

Phone Number: _____ Fax Number: _____

CERTIFICATION BY APPLICANT

I hereby attest that I reviewed the application and have knowledge of the content and the information contained herein. I declare that the project described and each statement amount and supporting documentation included is true and correct to the best of my knowledge and belief.

Signature _____ Date 1-1-13

Scott Halliday
Name (please type or print)

Pres. NMRI, Managing Member, HPI, LLC
Title (please type or print)

1. **TYPE OF ORGANIZATION**: (Please check all applicable)

Public	_____
Private	__X__
Non-profit	_____
For-profit	__X__
Individual	_____
Corporation	_____
Partnership	_____
Limited Liability Corporation (LLC)	__X__
Limited Liability Partnership (LLP)	_____
Other: _____	_____

2. **PROJECT LOCATION INFORMATION**

A. Primary Service Area(s) of Project: (please check all applicable)

Statewide:	_____
O`ahu-wide:	_____
Honolulu:	__x__
Windward O`ahu:	_____
West O`ahu:	_____
Maui County:	_____
Kaua`i County:	_____
Hawai`i County:	_____

3. **DOCUMENTATION** (Please attach the following to your application form):

A. Site Control documentation (e.g. lease/purchase agreement, DROA agreement, letter of intent)

See Attachment 1

B. A listing of all other permits or approvals from other government bodies (federal, state, county) that will be required before this proposal can be implemented (such as building permit, land use permit, etc.)

Radiology Facility License from State of Hawaii Department of Health
Building Permit

C. Your governing body: list by names, titles and address/phone numbers
See Attachment 2

D. If you have filed a Certificate of Need Application this current calendar year, you may skip the four items listed below. All others, please provide the following:
- Articles of Incorporation
- By-Laws (not applicable)
- Partnership Agreements
- Tax Key Number (project's location) (1) 2-4-5-26

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4. **TYPE OF PROJECT.** This section helps our reviewers understand what type of project you are proposing. Please place an "x" in the appropriate box.

	Used Medical Equipment (over $400,000)	New/Upgraded Medical Equip. (over $1 million)	Other Capital Project (over $4 million)	Change in Service	Change in Beds
Inpatient Facility					
Outpatient Facility				X	
Private Practice					

5. **BED CHANGES.** Please complete this chart only if your project deals with a change in your bed count and/or licensed types. Again, this chart is intended to help our reviewers understand at a glance what your project would like to accomplish. Under the heading "Type of Bed," please use only the categories listed in the certificate of need rules.

Type of Bed	Current Bed Total	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
TOTAL			

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6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All Project Costs:		AMOUNT:
1.	Land Acquisition	none_____
2.	Construction Contract	$50,000____
3.	Fixed Equipment	_____
4.	Movable Equipment	none_____
5.	Financing Costs	_____
6.	Fair Market Value of assets acquired by lease, rent, donation, etc.	$200,000__
7.	Other: _____	_____
	TOTAL PROJECT COST:	**$250,000**

B. Source of Funds		
1.	Cash	$50,000___
2.	State Appropriations	NA_____
3.	Other Grants	NA_____
4.	Fund Drive	NA_____
5.	Debt-	_____
6.	Other: FMV of leased assets to be paid by monthly payments	$200,000__
	TOTAL SOURCE OF FUNDS:	**$250,000**

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7. **CHANGE OF SERVICE:** If you are proposing a change in service, then please briefly list what services will be added/modified. Be sure to include the establishment of a new service or the addition of a new location of an existing service. Please reference the Certificate of Need Rules Section 11-186-5 for the categories of services. If you are unable to determine which category best describes your project, please consult with agency staff.

This is the establishment of a new location of an existing x-ray service at 1401 Beretania Street, Suite 107, Honolulu, HI 96814. It is an addition to the x-ray services already provided by HPI at 1029 Kapahulu Avenue, Suite 500, Honolulu, Hawaii.

8. **IMPLEMENTATION SCHEDULE:** Please present a projected time schedule for the completion of this project from start to finish. Include all of the following items that are applicable to your project:

a) Date of site control for the proposed project, - September 2012
b) Dates by which other government approvals/permits will be applied for and received, - expected within 60 days of CON approval
c) Dates by which financing is assured for the project, - NA
d) Date construction will commence, - overall imaging office including PET and MRI is currently under construction
e) Length of construction period, - 16 weeks
f) Date of completion of the project, - Upon CON approval
g) Date of commencement of operation – Upon CON approval

9. **EXECUTIVE SUMMARY:** Please present a brief summary of your project. In addition, provide a description of how your project meets each of the certificate of need criteria listed below. If a new location is proposed, please attach an easy to read map that shows your project site.

a) Relationship to the State of Hawai`i Health Services and Facilities Plan.
b) Need and Accessibility
c) Quality of Service/Care
d) Cost and Finances (include revenue/cost projections for the first and third year of operation)
e) Relationship to the existing health care system
f) Availability of Resources.

Hawaii PET Imaging, L.L.C. ("HPI") seeks approval to add diagnostic radiology services (x-ray) at 1401 Beretania Street, Suite 107, Honolulu, HI 96814.
HPI currently provides x-ray, dexa, ultrasound, Mammography, PET-CT, CT, and MRI services on Oahu at 1029 Kapahulu Avenue, Suite 500, Honolulu, Hawaii and at 500 Ala Moana Boulevard, Space 5B, Honolulu, Hawaii. HPI is moving our Ala Moana offices housing PET,

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MRI and CT and seeks to add x-ray services to our new facility in response to requests from our current referring physician offices and the new, incoming residents in our new building.

The services included in this application will constitute an additional site for x-ray services for HPI.

HPI is establishing this x-ray service to coordinate our overall imaging services, as x-ray is usually needed in advance of PET, MRI, and CT tests.

a) Relationship to the State of Hawai'i Health Services and Facilities Plan

HPI seeks to add x-ray services at 1401 Beretania Street, Suite 107, Honolulu, HI 96814. We seek to add to our new office location housing MRI and PET-CT, which is more accessible to the elderly and low income residents of the area, and will continue to provide jobs to healthcare workers on Oahu.
We meet several of the General Principals of the Statewide Health Coordinating Council including;

General Principle #1 – "Promote and support the long-term viability of the health care delivery system"
The addition of new, state of the art, digital x-ray services to the healthcare delivery system does promote and support the long term viability of the healthcare delivery system because this new x-ray system is capable of transmitting images (as opposed to film still utilized by many of the area's older systems) on an instant basis to diagnosing radiologists and clinicians, and other radiology providers who may require these images to schedule or perform more advanced diagnostic tests, thereby reducing costs of communication and time to patients and their physicians.

General Principle #2 – "Expand and retain the health care workforce to enable access to the appropriate level of care in a timely manner"
This new x-ray service will employ at least one additional x-ray technician supporting the healthcare workforce and increasing access to care in the area.

General Principle #3 – "Ensure that any proposed service will at least maintain overall access to quality health care at a reasonable cost:
The addition of x-ray services to our existing facility will increase access to this more needed basic service. We will receive payment for these services at the exact same reimbursement as all other Hawaii providers of x-ray services. Since our new system is "state of the art", more capable of transmissions to diagnosing physicians and faster in scanning times than many older, non-digital systems, it is providing increased quality at the same prices as all other x-ray services, thereby maintaining access to quality healthcare at a reasonable cost

General Principle #4 – "Strive for equitable access to health care services"
General Principle #6 – "Encourage and support health education, promotion, and prevention initiatives"

The addition of x-ray to our new office will assist in the reduction of the overall costs of healthcare to those patients seeing building and area physicians that would otherwise need to travel to receive basic x-ray . Patients are usually required to have basic x-ray

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tests in advance of MRI and PET-CT and CT services. Adding basic x-ray to our Facility means these patients can now have all of their needed tests done at one time and at one location, as opposed to increased transportation and other costs to locate and use other more distant, x-ray facilities, thereby increasing equitable access to those patients that have difficulty traveling.

HPI will continue in this Facility to use the Hawaii PET Imaging, L.L.C. management and education to support, increase awareness and communication on healthcare education and prevention initiatives.

Regarding the Honolulu SAC Priorities:
"4. Control escalating costs in the senior care industry and other needed services."

Seniors are especially vulnerable to escalating costs surrounding travel, the increasing complicated coordination of physician office visits, subsequent referrals and travel to diagnostic equipment for diagnosis, and return visits to physician offices for treatment. Having this most basic x-ray service available to them near where many of their physicians are located, will assist Seniors and all patients in avoiding the costly duplication of office visits, reduce important time between diagnosis and treatment prescription, thereby improving patients healthcare and assist in reducing or limiting these escalating and associated costs. As the most utilized diagnostic tool, x-ray is a "needed, and most basic service", that must be more accessible to all patients, especially those needing assistance in access and cost containment.

This new facility will provide services at the same price as all other area x-ray units, while being more convenient to building physician offices, and many area residents, thereby helping to control costs to patients and the healthcare system.

b) Need and Accessibility

According to **Department of Health, Hawaii State Plan on Aging**

"In **1980,** the older adult population in Hawaii (60 years or older) was **115,670**, and represented **11.9%** of the total population .... **By 2010, there were 277,360 older adults** that represented **21.4%** of the total population. The overall increase in the 60 years or older population in Hawaii from 2000 to 2010 was 34%, 10% points higher than the national rate of growth for this age group. Over a thirty year period (1980 - 2010), the older adult population increased by approximately **139.8%** while the total population only increased by 34.2%. Moreover, older adults are living longer. In 1980, there were only 5,692 individuals 85 years or older, that represented 0.6% of the population. By 2010, this 85 years or older group increased to 30,238, or 2.3% of the population. The overall increase in the 85 years or older population in Hawaii from 2000 to 2010 was 72%, or 42.6% points higher than the national rate of growth for

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this age group.

Aging of the baby-boomers will place a burden on the Aging Network and existing programs and services for this population. The demand for long term supports and community-based services will increase..."

Clearly, the Demand and Need for the most often used diagnostic services will increase substantially over the next 10 years.

From the Hawaii Department of Business, Economic Development, Tourism website the following is the substantial elderly population growth for the **Honolulu area**:

Census data 1990

State/ County/ Island	Total	Under 18 years	18 to 64 Years	65 years and over
C & C OF HONOLULU	49799	8005	15498	**26296**
Oahu	836,231	204,613	539,786	91,832

Honolulu population year 2010

62 years and over	**169,566**	17.8

As demonstrated above, the elderly population of Honolulu is increasing rapidly while already in need of more immediately accessible, convenient, cost efficient, outpatient x-ray services that, like this addition to HAII will be, integrated with other services and their physicians offices.

Healthcare costs continue to increase, driving patients and physicians to seek lower cost diagnostic tools. X-Ray is going to become even more needed, especially for the elderly, because of this in the near future.

Patient travel is a significant portion of healthcare costs to everyone, and especially the elderly. These patients need an x-ray service such as proposed herein, that is not only more accessible, but more integrated other imaging modalities, to shorten time between needed testing, and able to deliver results immediately to their physicians offices in the area.

HPI is also supporting the Hawaii State Plan on Aging Goals as this facility will make it easier for older people to "easily access" this outpatient x-ray unit as a "community based service" for those patients living near our location, as well as those patients traveling to see their physicians near our offices at 1401 Beretania Street, Suite 107, Honolulu, HI 96814. Many elderly patients are not ambulatory and require extensive pre- scheduling and transportation coordination just to make an office appointment. It is a real negative impact on their care when they are forced to find these basic tests at other often distant or hard to access locations (e.g. having to go to a hospital ER

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department for x-ray is very time consuming, much more expensive, and often difficult for any patient let alone an elderly person) and often the test results are not as immediately available as they will be when located in this same building as physician practices.

If this application isn't approved, the continued need to transport patients away from the convenience of the physicians' offices in the building, for these procedures, will negatively impact patient care and their costs, by delaying diagnosis, possible immediate treatments, and through the additional stress and costs that travel imposes on patients that are already in acute distress.

In addition to contributing to the provision and possible expansion of integrated primary care in the area, the x-ray service will also provide needed augmentation to HPI's ability to provide these offices and their patients with diagnostic radiology procedures. The need for such procedures to be integrated with each other (as x-ray is often necessary prior to other more advanced diagnostic exams), and services can be expected to continue to grow with the expansion of the elderly portion of the population and the advancement of diagnostic tools in the early identification of disease and its treatment.

The proposed x-ray services will be available to all on a non-discriminatory basis consistent with HPI's policy of imaging all patients with a physician's order without regard to ability to pay, including low income people, racial and ethnic minorities, women, people with disabilities, the elderly, and other underserved.

c) Quality of Service/Care

The facility will be accredited by the American College of Radiology and licensed by the State of Hawaii. The HPI Radiologists are certified by the American Board of Radiology and are licensed physicians in Hawaii. They are members of a wide variety of professional organizations. All current HPI technologists are certified by the American Registry of Radiologic Technologists, and licensed by the State of Hawaii. As HPI currently operates, the physicians and technologists are continually expected to meet or exceed all state and national registry requirements for continuing medical education ("CME"). Currently, radiologists are required to obtain 50 CME credits annually and technologists are required to obtain 12 CME credits annually.
The facility will operate in accordance with all applicable state and federal guidelines and the standards of the accrediting body, and will have the HPI policies and procedures to insure the quality and safety of patient care.

The staff-to-patient ratio will be 2:1. The technician will be with each patient at all times while a procedure is being performed.

HPI and its affiliates have over 12 years of experience of providing these services on Oahu and Maui to Hawaii residents. HPI is recognized as a quality provider that continually upgrades and enhances its services and facilities to the local population.

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(d) Cost and Finances (include revenue/cost projections for the first and third year of operation)

The total capital expenditure for the project is estimated at $250,000 which includes rental of the space, the equipment, and staffing pursuant to a five-year lease with an option for renewal.

Lease payments will be made from operating revenue and the proposal is financially feasible starting in year two of the proposal.

YEAR	SCANS	REVENUE	COSTS	NET
1	3200	$64,000	$85,000	($21,000)
2	4800	$96,000	$90,000	$6,000
3	5600	$112,000	$98,000	$14,000

The facility's proposed charges and payments will be within the range of charges and payments accepted from leading payors like HMSA and Medicare, for similar procedures billed by other providers on Oahu.
The project will help to keep health care costs down by facilitating the provision of primary care to elderly and low-income persons in the neighborhoods surrounding the new medical complex and this more accessible x-ray unit. By improving the area's primary care physicians' effectiveness in detecting and treating orthopedic and neurological, and primary care diagnosed health problems in a timely manner, the proposed facility will help patients avoid more costly treatment and nursing and home care that may be needed if these chronic health problems are allowed to go untreated. Finally, by facilitating the complex's physicians' efforts to improve access to primary care, the proposed radiology facility will help patients avoid resorting to more costly hospital emergency rooms for treatment of conditions that can be treated at the complex in a less costly manner.

e) Relationship to the Existing Health Care System

The proposed radiology facility is in response to the requests of the Medical Office Building's physicians and offices for the "basic services need of x-ray" to assist them in their clinics and patients service in the building. Our facility is able to share images and patient information with all area healthcare providers thru our technological connections as we have done for many years.

We will cooperate with other medical service providers located in the area in order to provide a comprehensive array of services in order to facilitate access to persons who now are forced to rely largely on the over-crowded ERs' or downtown hospitals for much of their medical care and for whom transportation can create a barrier to receiving care and to improve the cost effectiveness of care offered to the target population.

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There is no negative impact on area Hospitals or imaging providers because x-ray services are not usually considered "profitable" because of the low reimbursement per test.

f) Availability of Resources

There is no additional capital required for this project. The facility and equipment will be leased. There are no financial obstacles to this project. Lease of the Facility and Equipment is on a net basis thru existing HPI lines of credit, and all staff will be HPI employed. The Facility will be managed thru HPI, which has been providing these services and management resources on Oahu for many years, and can easily transport these resources to West Oahu for such a small facility.

We anticipate needing only one x-ray technician and one staff member, which will be identified, trained, and managed by HPI management.
Financial resources are readily available thru HPI existing Lines of Credit and reserves.

10. **Eligibility to file for Administrative Review.** This project is eligible to file for Administrative review because: (Check all applicable)

_____ It involves bed changes, which will have a capital expense of $1,000,000 or less, and which will have an increased annual operating expense of less than $500,000.

_____ It involves service changes which will have a capital expense of $1,000,000 or less, and which will have an increased annual operating expense of less than $500,000.

_____ It is an acquisition of a health care facility or service, which will result in lower annual operating expenses for that facility, or service.

_____ It is a change of ownership, where the change is from one entity to another substantially related entity.

__X__ It is an additional location of an existing service or facility.

__X__ The applicant believes it will not have a significant impact on the health care system.

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