



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

STANDARD APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 03-04

Applicant: Hawaii Radiologic Associates, Ltd.
688 Kinoole St., Hilo, Hawaii
Phone: 808-935-1825

Project Title: Establishment of Outpatient Open Magnetic Resonance
Imaging services

Project Address: 670 Pohahawai St., Suite 115
Hilo, Hawaii

Name (please type or print)

Title (please type or print)

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

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

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2. **PROJECT LOCATION INFORMATION:**

A. Project will be located in:

- State Senate District Number: 1st
- State House District Number: 2nd
- County Council District Number: 2nd
- Neighborhood Board District Number (O`ahu only): n/a

B. Primary Service Area(s) of Project: (Please check all applicable)

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

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.)
See Attachment 2
- C. Your governing body: list by names, titles and address/phone numbers
See Attachment 3

D. If you have filed a Certification of Need Application this current calendar year, you may skip the four items listed below. All others, please provide the following:

- Articles of Incorporation See Attachment 4
- By-Laws See Attachment 4
- Partnership Agreements n/a
- Tax Key Number (project's location) 3rd / 2-3-037-007

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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 | | X | |
| Private Practice | | | | | |

5. **TOTAL CAPITAL COST:** \$2,000,000

6. **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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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 consult 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.

Open MRI Services at an outpatient facility

8. PROJECT COSTS AND SOURCES OF FUNDS (For Capital Items Only)

A. List All Project Costs:

AMOUNT:

- 1. Land Acquisition _____
- 2. Construction Contract \$500,000
- 3. Fixed Equipment \$1,500,000
- 4. Movable Equipment _____
- 5. Financing Costs _____
- 6. Fair Market Value of assets acquired by lease, rent, donation, etc. _____
- 7. Other: _____

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TOTAL PROJECT COST: \$2,000,000

B. Source and Method of Estimation

Describe how the cost estimates in Item "A" were made, including information and methods used:

1) Renovation estimate – Cameron Construction

2) Hitachi Medical Systems America Inc. Equipment Price Quote

C. Source of Funds

AMOUNT:

- 1. Cash _____
- 2. State Appropriations _____
- 3. Other Grants _____
- 4. Fund Drive _____
- 5. Debt _____

6. Other: Conventional Loan \$2,000,000

TOTAL SOURCE OF FUNDS: \$2,000,000

9. **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,
- b) Dates by which other government approvals/permits will be applied for and received,
- c) Dates by which financing is assured for the project,
- d) Date construction will commence,
- e) Length of construction period,
- f) Date of completion of the project, and
- g) Date of commencement of operation.

See Attachment 5

Please remember that the Agency does monitor the implementation of Certificates approved. Non-implementation of a project as described in your application may result in a fine and/or withdrawal of the Certificate of Need.

10. **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 Hawai'i Health Performance Plan (H2P2), also known as 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

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Executive Summary

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Hawaii Radiologic Associates, Ltd. (HRA) proposes to place an open Magnetic Resonance Imaging (MRI) unit at its facility at 670 Ponahawai Street, Hilo, Hawaii. This site is at the medical center complex located on the makai side of Komohana Street, approximately a mile and a half from Hilo Medical Center (HMC) and contains offices for more than 50 primary care physicians. This is the largest medical complex on the Island of Hawaii and it consists of 7 medical buildings.

HRA is a professional corporation that has provided radiology services to the Island of Hawaii since its incorporation as Hilo Radiologic Associates in 1972. (It subsequently changed its name in 1991). Currently, there are 12 radiologists, all of which are board certified. In addition to the radiologists, HRA employs 70 persons. Diagnostic imaging services are provided by HRA to the entire Island of Hawaii. This includes 24 hours, 365 days per year coverage for all 3 major hospitals. HRA also owns 3 outpatient imaging centers, two in Hilo and one in Kona.

Relationship to the Hawaii Health Performance Plan

MRI is a powerful diagnostic tool that primary care and specialty physicians routinely use in screening for disease and in diagnosing complex diseases. The Hawaii Health Performance Plan (H2P2) goals include: "increasing the span of a healthy life for Hawaii residents, reduce health disparities among Hawaii residents and achieve equitable and effective access at reasonable cost for all Hawaii's residents to health services that are responsive to the holistic needs of community's members." This MRI unit will achieve these goals by allowing all physicians and their patients "improved access to quality health care services." "This will allow for early detection and diagnosis of treatable diseases, reduce morbidity and reduce the effects of chronic diseases." The addition of an outpatient open MRI unit to the Island will allow large and claustrophobic patients better access to quality health care without having to go to Honolulu. Since "patient preferences and satisfaction become part of determining health outcomes," this outpatient MRI will give those who are afraid of hospitals easier access. "Health disparities among Hawaii's residents" will also be reduced by having the service available to the existing outpatient population, which consists of senior citizens and the lowest income families in the state.

Need and Accessibility

The existing MRI units at HMC and North Hawaii Community Hospital (NHCH) have reached the H2P2 minimum threshold. In addition, HMC is nearing its maximum capacity. Based on projections, the unit at Kona Community Hospital (KCH) will exceed the threshold by the time the proposed unit is in operation. By 2004, it is estimated that there will be between 7,773 and 9,239 procedures needed. Patients throughout the entire Island of Hawaii will be able to access and utilize the open MRI services as proposed. HRA's MRI unit will meet H2P2's minimum threshold requirement by its third year of operation.

Quality of Service and Care

HRA has a 30-year history of providing quality service to its physicians and patients. The proposed MRI unit will add to HRA's existing services and allow HRA to have a more comprehensive imaging facility. This unit will particularly improve the quality of care for claustrophobic patients, large patients and breast cancer patients. HRA has the most extensive experience with breast MRI in the state. Since 1996, patients through out the state have flown to Hilo for breast MRI and HRA plans to be the first in the state to use MRI guidance for breast biopsies, which will add to the quality of care of all women in this state.

Cost and Finances

HRA has been in business on the Island of Hawaii for 30 years and is a financially sound company. Based on the projected volume, reimbursement and cost data provided, HRA does not believe there is any financial risk in this proposal. HMSA, Hawaii's largest provider of health care coverage continues to cover and expand its reimbursement for MRI services. HRA participates with all available insurers, including Medicare and Medicaid, and its charges are comparable with any other facility on the Island.

Relation to the Existing Health Care System

The addition of an open MRI unit will fill a critical void in the health care delivery system on the Island of Hawaii. Currently, a subgroup of patients, namely those suffering from claustrophobia, being large or weighing greater than 300 pounds, or suffering from various disabilities are unable to have MR imaging performed on the Island of Hawaii. Every MRI unit on the Island has or is projected to meet the threshold and there will be minimum impact on the existing units. It is anticipated that existing units will maintain their volume with expansion of studies currently not done or under utilized. HRA is in discussion with HMC about providing this service as a joint venture. (See Section E, Part 2 for a more detailed discussion about the joint venture.)

Availability of Resources

HRA previously provided both the management and professional staffing for the closed MRI unit at HMC. The technical staffing was provided through a management contract with HMC. Therefore, HRA already possesses the professional, technical and management staff and expertise to initiate the MRI services at our proposed site. HRA currently employs 34 technologists and maintains an ongoing recruiting program. HRA is also participating with all three hospitals in forming a radiology technology school on the Island of Hawaii under the direction of Kapiolani Community College, which will start this fall.

Central Pacific Bank and Bank of Hawaii have indicated approval of the loan of capital funds necessary for this project.