



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 04-19A

Applicant: The Cancer Center of Hawaii, LLC
2226 Liliha Street
Honolulu, HI 96817
Phone: 808-547-6011

Project Title: Change of ownership of the Radiation Therapy service at
Mama Lau Cancer Care Center

Project Address: same

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

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

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2. **PROJECT LOCATION INFORMATION**

A. 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: _____

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 "A"]**
- 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.).

- Certificate of Need, State Health Planning & Development Agency
- Building Permit, Honolulu Department of Planning & Permitting
- Department of Health Certificate.

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

[SEE ATTACHMENT "B"]

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: **[SEE ATTACHMENT "C"]**
- By-Laws: **[SEE ATTACHMENT "C"]**
- Partnership Agreements: **N/A**
- Tax Key Number: **(1) 1-8-18:25**

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	(X)			(X)	
Outpatient Facility	(X)			(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.

- NOT APPLICABLE (N/A) -

Type of Bed	Current Total	Bed	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
N/A	N/A		N/A	N/A

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6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All Project Costs:	RECEIVED	AMOUNT:
1. Land Acquisition	*04 OCT -1 P1:52	N/A
2. Construction Contract		N/A
3. Fixed Equipment	ST. HLTH. PLNG. & DEV. AGENCY	\$470,000
4. Movable Equipment		\$380,000
5. Financing Costs		N/A
6. Fair Market Value of assets acquired by lease, rent, donation, etc.		\$1,550,000
7. Other: Architectural/Planning		N/A
TOTAL PROJECT COST:		\$2,400,000

B. Source of Funds

1. Cash	\$2,400,000	
2. State Appropriations	_____	
3. Other Grants	_____	
4. Fund Drive	_____	
5. Debt	_____	
6. Other: _____	_____	
TOTAL SOURCE OF FUNDS:		\$2,400,000

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 project is neither an establishment of a new service or a new location of an existing service. The proposed project involves a change of ownership of an existing radiation therapy facility located at the Mama Lau Cancer Care Center at St. Francis Hospital-Liliha. Existing radiation therapy capabilities will be enhanced to allow for Intensity Modulated Radiation Therapy (IMRT) for both in-patient and out-patient diagnosed with cancer.

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: N/A-existing
- b) Dates by which other government approvals/permits will be applied for and received: 6/2004 to 9/2004
- c) Dates by which financing is assured for the project: May 2004
- d) Date construction will commence: N/A
- e) Length of construction period: N/A
- f) Date of completion of the project: September 2004
- g) Date of commencement of operation: October 1, 2004

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.

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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.

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The proposed project is a transfer of ownership of existing capital and services. The Cancer Center of Hawaii (The Center) is a joint venture between Hawaii Pacific Health (HPH), St. Francis Healthcare System of Hawaii (St. Francis) and Pacific Radiation Oncology, LLC (PRO) intended to operate a radiation oncology treatment center to serve Hawaii and the Pacific. The Center will utilize existing space and equipment including a CT Scanner and Linear accelerator currently located at the Mama Lau Cancer Care Center at St. Francis Medical Center at 2226 Liliha Street. The partnership will also purchase a \$400,000 intensity modulated radiation therapy (IMRT) unit in October 2004 to enhance existing radiation therapy. The equipment and services will be kept in its current space.

a) Relationship to the Hawaii Health Performance Plan (H2P2), also known as the State of Hawaii Health Services and Facilities Plan.

The proposed project only involves a change in ownership of an existing service. The relationship of radiation therapy to the Hawaii Health Performance Plan (H2P2) was addressed at the initial launching of this service. The Center of Hawaii will continue to follow the guidelines of the H2P2.

b) Need and Accessibility

The proposed project only involves a change in ownership of an existing service. The need for radiation therapy was addressed at the initial launching of this service. The change of ownership will have not change the current level of need and accessibility of service.

c) Quality of Service/Care

The change in ownership will result in an increased quality of service for comprehensive care for cancer patients. Radiation therapy is an important component in cancer therapy continuum. The existing center provides approximately 14,097 procedures annually which already exceed the minimum utilization of 8,000 procedures for existing providers in the case of an introduction of a new service. With the additional investment of an IMRT, the existing service will have enhanced radiation dosage to the tumor for greater accuracy and less likelihood of damage of surrounding healthy tissue.

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

The Center will have a positive impact on the financial performance of existing services. The partnership will be funded by equal contributions from each of the partners - Hawaii Pacific Health, Saint Francis Healthcare System, and Pacific Radiation Oncology. Furthermore, the financial projections (attached) reflect the projected positive margins after year one [SEE ATTACHMENT "D"]. The project is cost-effective as it utilizes existing space, personnel and other resources within the partners.

e) Relationship to the existing health care system

The project is expected to strengthen the existing health care system. The proposed project only involves a change in ownership of an existing service. The need for radiation therapy was addressed at the initial launching of this service. The change of ownership will not change the relationship of the service to existing health care system.

f) Availability of Resources.

Each of the partners of The Center will provide sufficient resources to contribute to this venture. Hawaii Pacific Health provides combined physician referrals which will generate additional out-patient revenue to existing services as well as cash to purchase IMRT capable equipment. St. Francis Medical Center will provide existing equipment and space (6,800 sf) within the Mama Lau Cancer Care Center at Liliha. Pacific Radiation Oncology, LLC is a physician group of radiation oncologist employing 80% of the radiation oncologists on Oahu. The Center will also be staffed by a Medical Director (.25FTE), Medical Physicist (temp), Medical Dosimeterist (temp), and a Registered Nurse (temp).

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.
- It is an additional location of an existing service or facility.
- The applicant believes it will not have a significant impact on the health care system.

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