



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 05-18A

Applicant: Yeoh & Muranaka, M.D.'s, Inc.
1481 S. King Street, #202
Honolulu, Hawaii
Phone: 808-949-0091

Project Title: Addition of a second Computed Tomography (CT) scanner

Project Address: 1441 Kapiolani Blvd., #306
Honolulu, Hawaii

1. **TYPE OF 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. Primary Service Area(s) of Project: (please check all applicable)

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

REPLACEMENT PAGE

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

(See attached documentation)

- A. Site Control documentation (e.g. lease/purchase agreement, DROA agreement, letter of intent)
- 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 Implementation Schedule (8b) on page (7) for list of approval/permits

- C. Your governing body: list by names, titles and address/phone numbers
- 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
 - Partnership Agreements
 - Tax Key Number (project's location) – **23039001**

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	RECEIVED	_____
2.	Construction Contract	'05 AUG -9 A11 :42	_____
3.	Fixed Equipment	ST. HLTH. PLNG & DEV. AGENCY	<u>\$ 1,087,269</u>
4.	Movable Equipment		_____
5.	Financing Costs		<u>207,955</u>
6.	Fair Market Value of assets acquired by lease, rent, donation, etc.		_____
7.	Other: <u>leasehold improvements & architect fees</u>		<u>550,000</u>

TOTAL PROJECT COST: \$1,845,224

B. Source of Funds

1.	Cash	<u>\$ 337,269</u>
2.	State Appropriations	_____
3.	Other Grants	_____
4.	Fund Drive	_____
5.	Debt	<u>1,300,000</u>
6.	Other: <u>income from operations</u>	<u>207,955</u>

TOTAL SOURCE OF FUNDS: \$1,845,224

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.

Addition of a second outpatient computed tomography scanner (CT-Scanner).

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,
- 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,
- g) Date of commencement of operation

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.

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 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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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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8) Implementation Schedule

- a) Date of site control for the proposed project – August 2005
- b) Dates by which other government approvals/permits will be applied for and received:
 - i) Building permit – September 2005
 - ii) Medical waste permit – January 2006
 - iii) Dept of Health, Noise and Radiation Division License – January 2006
- c) Dates by which financing is assured for the project – May 31, 2005
- d) Date construction (leasehold improvements) will commence – October 2005
- e) Length of construction period – October 2005 through January 2006
- f) Date of completion of project – Mid January 2006
- g) Date of commencement of operation – February 1, 2006

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9) Executive Summary

Yeoh and Muranaka propose to add a second CT Scanner due to current volume on its existing CT Scanner and projected continued growth in demand. The second CT-Scanner will be an efficient 16-slice unit providing additional diagnostic capacity, reduced wait time for the patient, and improved access to care for the community. The second CT Scanner will be located in separate location within (1) mile of the current CT-Scanner. The second CT-Scanner will be located in a building adjacent to Ala Moana Shopping Center (1441 Kapiolani Boulevard) which will allow for easy access by patients including those using public transportation.

Yeoh and Muranaka is a Hawaii Professional Corporation providing quality health care services to the people of Hawaii for over 30 years. In addition to the current CT Scanner Yeoh and Muranaka also operate a Low Field Open MRI (since 2001).

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

The current CT volume of 4,575 for calendar year 2004 exceeds the threshold of 4,500 CT volume as set forth in Chapter II, Section G.1 of H2P2 (page II-5). The volume has continued to grow in calendar year 2005. The additional CT-Scanner is expected to reach a volume of 2,080, 2,080 and 2,600 in years 1, 2 and 3 respectively.

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The addition of a second CT Scanner will meet specific objectives as set forth by H2P2 (Chapter II – Guiding Principles). First, it will improve access for the population to CT scanners as evidenced by the high volume on the current Yeoh and Muranaka CT Scanner as well as the high volume of other CT scanners in the area (source: SHPDA CT Utilization Report – 2003). Secondly, Yeoh & Muranaka have a proven track record of providing quality diagnostic services on an outpatient basis – H2P2’s objective of quality management. The second CT Scanner will also be cost-effective as Yeoh & Muranaka can deliver diagnostic services as an independent organization without the high overhead often associated with facility-based CT Scanners. Lastly, the CT Scanner will fit within the continuity of care as stated by H2P2 – providing an additional free-standing CT Scanner in the community for the right care, at the right time, in the right setting.

The proposed 2nd CT Scanner is also consistent with many of the other goals of H2P2 in the disease specific areas. It will further increase the health care delivery system’s capacity to enable the early detection, diagnosis and treatment of treatable diseases such as cancer, cardiovascular and pulmonary conditions. Early detection is critical in reducing the likelihood of morbidity and pain through early and appropriate treatment.

(See attached technical summary of the proposed 2nd CT Scanner, a Toshiba Aullion 16, including comparison to other CT Scanners, Exhibit 9(a))

b) Need and Accessibility

H2P2 establishes an annual utilization rate threshold of 4,500 as a need related minimum for an additional CT Scanner. The current utilization of the existing Yeoh & Muranaka CT Scanner is above 4,500 per year thereby meeting the H2P2 requirement for a second CT Scanner. The proposed second CT Scanner will be accessible to a wide range of patients including Medicare, Medicaid and QUEST patients, addressing H2P2’s standard of improved access and being responsive to community needs.

c) Quality of Service/Care

Yeoh and Muranaka has a track record of 30+ years of providing quality healthcare service to its patients and physicians. The increased resolution and speed of the 16 slice CT Scanner will improve the diagnostic and procedural capabilities resulting in improved quality of care and increased patient satisfaction. Yeoh and Muranaka has the appropriate licenses, permits and approvals to currently provide CT Scanner and MRI services and will obtain the additional licenses, permits and approvals necessary for the 2nd CT Scanner (see 8b on page 7).

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

Revenue is expected to increase from \$1.3 million in year 1 to over \$1.6 million by year 3. The project is expected to generate positive net income from year 1 forward. The project will be funded primarily by debt to be repaid from on-going operations.

(See attached 3-year revenue and expense projection – Exhibit 9(d))

- e) Relationship to the existing health care system

The vast majority of CT Scanners on Oahu are running well above the minimum threshold as set forth by H2P2 (source: SHPDA CT Utilization, 2003). It is anticipated that the proposed project will have little impact on the existing health care system given the current high demand and projected continued increased in CT utilization.

- f) Availability of Resources.

Yeoh and Muranaka has the available financial resources for this project, primarily in the form of debt. The financial forecast indicates more than sufficient cash flow / net income to service the debt. Yeoh and Muranaka also has trained and experienced staff to operate the 2nd CT Scanner, leveraging the skill and experience of the physicians and clinical staff that operate the existing CT Scanner and Open MRI. No additional staffing will be required for the second CT Scanner.

(See attached CT Staffing – Exhibit 9(f-1))

(See attached Financing Commitment, American Savings Bank – Exhibit 9(f-2))

(See attached Lease Commitment for site – Exhibit 9(f-3))