



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 05-30A

Applicant: Hawaii Radiologic Associates, Ltd.
688 Kinoole Street, Suite 103
Hilo, HI
Phone: 808-933-1825

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

Project Address: 77-311 Sunset Drive, Kailua-Kona, HI

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

- Public _____
- Private X
- Non-profit _____
- For-profit X
- Individual _____
- Corporation _____
- Partnership X
- 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: 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 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 4
 - By-Laws: See Attachment 5
 - Partnership Agreements: N/A
 - Tax Key Number (project's location): 3rd/7-7-9-8

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				RECEIVED '05 DEC 23 A 6:39	
Outpatient Facility			ST. HLT & DEV	X PLNG AGENCY	
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			

6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All Project Costs:

AMOUNT:

- | | | | |
|----|--|---------------------------------|---------------------|
| 1. | Land Acquisition | | _____ |
| 2. | Construction Contract | RECEIVED | <u>\$200,000.00</u> |
| 3. | Fixed Equipment | '05 DEC 23 A 6:39 | <u>\$750,000.00</u> |
| 4. | Movable Equipment | ST. HLTH. PLNG
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| 5. | Financing Costs | | _____ |
| 6. | Fair Market Value of assets acquired by
lease, rent, donation, etc. | | _____ |
| 7. | Other: _____ | | _____ |

TOTAL PROJECT COST: \$950,000.00

B. Source of Funds

- | | | |
|----|---------------------------------|---------------------|
| 1. | Cash | _____ |
| 2. | State Appropriations | _____ |
| 3. | Other Grants | _____ |
| 4. | Fund Drive | _____ |
| 5. | Debt | _____ |
| 6. | Other: <u>Conventional Loan</u> | <u>\$950,000.00</u> |

TOTAL SOURCE OF FUNDS: _____

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.

Multi-Slice CT Scanning Services at outpatient facility

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: Site is already controlled by HRA
- b) Dates by which other government approvals/permits will be applied for and received:
Country Permits: Applied for February 2006
Received March 2006
- c) Dates by which financing is assured for the project: February 2006
- d) Date construction will commence: March 2006
- e) Length of construction period: Two months
- f) Date of completion of the project: May 2006
- g) Date of commencement of operation: May 25, 2006

REPLACEMENT PAGE

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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Executive Summary

Hawaii Radiologic Associates, Ltd. (HRA) proposes to renovate a portion of its existing facility at 77-311 Sunset Drive, Kailua-Kona, and to acquire, install and operate a Multi-Slice CT Scanner (the "Proposed CT Scanner").

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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 to Hawaii Radiologic Associates, Ltd., in 1991). Currently, there are 11 radiologists consisting of 11 directors (owners). All radiologists are board certified in either radiology or diagnostic radiology. In addition to the 11 radiologists, HRA employs 70 persons. Diagnostic imaging services are provided by HRA to the entire Island of Hawaii. HRA provides 24 hour coverage, 365 days per year, for all 3 major hospitals on the Island. HRA also owns 3 outpatient imaging centers, 2 in Hilo and one in Kona.

Relationship to the Hawaii Health Performance Plan (H2P2)

The Proposed CT Scanner is an accepted tool that is used to diagnose and assist with the treatment of many ailments and diseases and is an important device in providing medical care under current standards of care. The Proposed CT Scanner is consistent with many of the goals and objectives of H2P2. For example, it will assist in the early detection and diagnosis of treatable diseases, will help reduce morbidity and pain through timely and appropriate treatment, and is a cost-effective means of diagnosis. Additionally, new diagnostic tests will be available with the Proposed CT Scanner, including diagnostic CT angiography which can be performed instead of conventional angiography, a more invasive and risky procedure. The Proposed CT Scanner can also perform pulmonary arteriography, replacing or reducing the need for performing ventilation perfusion studies.

Need and Accessibility

There are now 4 CT scanners on the Island of Hawaii, and each of these scanners is already performing in excess of the minimum threshold. Hilo Medical Center's CT scanner is probably already at its maximum capacity. By 2006, it is estimated that 34,187 CT procedures will be needed on the Island of Hawaii based on projected population increases. A new CT scanner is needed to alleviate the projected shortfall in availability for CT procedures over the next several years, particularly because the above projection does not take into account the number of additional CT procedures that will be utilized because of new CT applications and substitution of CT procedures for other less-appropriate modalities. Based on the projections set forth in Section B of this Application, the Proposed CT Scanner will perform almost 4,000 procedures per year by its third year of operations.

Quality of Service and Care

HRA has a 30-year history of providing quality service to patients and referring physicians. The Proposed CT Scanner will add to HRA's existing services and allow HRA to have a more comprehensive imaging facility. The new diagnostic applications

available with the Proposed CT Scanner will particularly improve the quality of care for certain patients, such as those utilizing CT angiography and pulmonary arteriography.

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 CT services. HRA participates with all available insurers, including Medicare and Medicaid, and its charges are comparable with those of other facilities on the Island.

Relation to the Existing Health Care System

The Proposed CT Scanner will offer new diagnostic applications which will replace invasive and less appropriate procedures such as invasive conventional angiography or ventilation perfusion studies. In many cases, use of CT procedures will translate to lower risks to and more comfort for patients. Every existing CT scanner on the Island of Hawaii is already performing in excess of the minimum threshold, and there should be minimal impact on utilization of the existing scanners. It is anticipated that existing scanners will either maintain or increase their volume over the next few years.

Availability of Resources

HRA already operates a CT system at its outpatient facility in East Hawaii and provides other imaging services at the proposed site. Accordingly, HRA now has the staff and expertise necessary to operate the Proposed CT Scanner. HRA currently employs 34 technologists and maintains an ongoing recruiting program. HRA has also participated with all 3 hospitals in forming a radiology technology school on the Island of Hawaii under the direction of Kapiolani Community College.

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

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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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