



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

STANDARD APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 06-05

Applicant: Pacific Endoscopy Center, LLC
98-1079 Moanalua Rd., #620
Aiea, HI
Phone: 808-486-0449

Project Title: Establishment of Endoscopy Services

Project Address: 1029 Makolu Street, Suites I and J
Pearl City, Hawaii

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

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

 X
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 X
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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: X
 - Maui County: _____
 - Kaua`i County: _____
 - Hawai`i County: _____

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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.)

- Building Permit – County
- License – State Department of Health
- Medicare Certification

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

See Attachment 2

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 3 (Articles of Organization)
- By-Laws: Not applicable
- Partnership Agreements See Attachment 4 (Operating Agreement)
- Tax Key Number (project's location): (1) 9-7-24-59 (portion of)

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 ownership	Change in service/ establish new service/facility	Change in Beds
Inpatient Facility						
Outpatient Facility		X			X	
Private Practice						

5. **TOTAL CAPITAL COST:** \$2,753,025.00 (approximately)

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			

7. **CHANGE IN 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.

Implementation of endoscopy services in Pearl City.

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

A. List All Project Costs:

AMOUNT:

1.	Land Acquisition		_____
2.	Construction Contract	RECEIVED	<u>\$ 800,000.00</u>
3.	Fixed Equipment		_____
4.	Movable Equipment	'06 APR -4 110:58	<u>\$ 523,319.22</u>
5.	Financing Costs	ST. UTIL. CO. & DEV. AGENCY	<u>\$ 386,425.78</u>
6.	Fair Market Value of assets acquired by lease, rent, donation, etc.		<u>\$1,043,280.00</u>
7.	Other: _____		_____

TOTAL PROJECT COST: \$2,753,025.00

B. Source and Method of Estimation

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

Equipment cost quotations from manufacturer; build-out costs from local contractors

C. Source of Funds

AMOUNT:

1.	Cash	REPLACEMENT PAGE	<u>\$ 80,645.00</u>
2.	State Appropriations		_____
3.	Other Grants		_____
4.	Fund Drive		_____
5.	Debt		<u>\$1,000,000.00</u>
6.	Other: <u>equipment lease</u>		<u>\$ 629,100.00</u>
6.	Other: <u>site lease</u>		<u>\$1,043,280.00</u>

TOTAL SOURCE OF FUNDS: \$2,753,025.00

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: May 1, 2006
- b) Dates by which other government approvals/permits will be applied for and received:
Applied for: May 2006
Received: June 2006
- c) Dates by which financing is assured for the project: May 2006
- d) Date construction will commence: July 2006
- e) Length of construction period: 3 months
- f) Date of completion of the project: August 30, 2006
- g) Date of commencement of operation: September 15, 2006

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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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

Introduction

Pacific Endoscopy Center, LLC ("Pacific Endoscopy") seeks to establish an outpatient endoscopy center in Pearl City. Pacific Endoscopy is composed of three gastroenterologists, each of whom will own a one-third interest in the company. The facility will consist of two procedure rooms, a business office and a pre-op/recovery area. The facility will provide a wide variety of endoscopic procedures, including screening for colorectal cancer.

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

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Pacific Endoscopy will advance the H2P2's goal to increase the span of healthy life for Hawaii's residents and the objectives of early detection and diagnosis of treatable diseases and of reducing morbidity and pain through timely and accurate treatment by providing additional access to colorectal cancer screening and endoscopic procedures that will identify elements of high risk and performing appropriate endoscopic procedures to diagnose and/or remove pre-cancerous lesions associated with esophageal, gastric and colon cancer. It will reduce the effects of chronic disease and prolong health related quality of life by providing accurate and timely diagnosis and treatment of such conditions as gastroesophageal reflux disease and peptic ulcer. The center will reduce health disparities among Hawaii's residents by making these services available to the population of central and west Oahu, where such services are in short supply.

By facilitating early detection and treatment of gastroenterological diseases, the center will also support secondary and tertiary care and respond to the community's need for additional colorectal cancer screening. Colorectal cancer accounts for approximately 13 percent of all cancer incidence and 10 percent of all cancer mortality in Hawaii. Screening at recommended frequency improves the chance that colorectal cancers will be detected at an earlier stage when the cancer is more likely to be cured by surgery alone, the surgery need is less extensive, and recovery from surgery is much faster. About 80 percent of the Hawaii residents who develop colorectal cancer are age 55 or older. Nevertheless, only about half of Hawaii residents aged 50 or older have had a recent colorectal screening test, and only about 44 percent of the close to 3,900 cases of colon and rectum cancers

screening test, and only about 44 percent of the close to 3,900 cases of colon and rectum cancers diagnosed in Hawaii between 1995 and 2000 were diagnosed at an early stage. Pacific Endoscopy will improve the cost-effectiveness of Hawaii's health care system by promoting early detection of cancer through the use screening procedures, thereby eliminating the need for more costly, and often less effective, treatment of late stage colon and rectal cancer.

b. Need and Accessibility.

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Pacific Endoscopy's service area includes all of Oahu, and its primary focus is central and leeward Oahu. It will be located at Pearl City Shops, which is easily accessible via public transportation and has ample handicap accessible parking. A site map is included as Attachment 5. The facility will be particularly targeted at persons over the age of 50, for whom regular colorectal cancer screening is recommended. The percentage of Oahu's residents who are in this age group has increased during the past several years and is expected to continue doing so. Although the American College of Gastroenterology recommends colonoscopy every ten years for persons over age 50 as the preferred method for early detection of colorectal cancer, only about half of Hawaii residents in this group have had recent colorectal screening of any type. Medicare began coverage of colorectal screening colonoscopies in 2001, and legislation has been proposed to require Hawaii health insurers to provide coverage for screening colonoscopies for all persons beginning at age 50. As more insurers provide coverage for the procedure, need will continue to increase.

While the availability of endoscopy is difficult to quantify for several reasons, central and west Oahu health care providers are in agreement that more facilities are needed. Lack of sufficient endoscopy facilities have hampered efforts to recruit more gastroenterologists to work in central and leeward Oahu. Prior to this proposal to create an outpatient endoscopy center, Kapiolani Medical Center at Pali Momi ("Pali Momi") contemplated expanding the number of its endoscopy rooms from two to three. Because of the additional accessibility afforded by Pacific Endoscopy, the hospital will be able to avoid the capital investment required by such an expansion, and use the available space for much needed other services.

c. Quality of Service/Care.

Pacific Endoscopy will comply with State and Federal regulation for delivery of care, maintenance of equipment and maintenance of the clinical environment. It will be licensed by the Department of Health and certified by Medicare.

Patient care will be provided by physicians licensed by the Department of Health and Board Certified or Board eligible in gastroenterology. All the physicians are on the staff of one or more Oahu hospitals. In the event of a medical emergency, a transfer agreement is in place with Pali Momi.

Physicians will be assisted by registered nurses or licensed practical nurses. Staff competency will be maintained by regular in-service education. A written Quality Management and Improvement Plan will be in place and ongoing quality review will be conducted.

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d. Cost and Finances.

As documented on page 4 of 8 of the Application form, the project is estimated to cost \$2,753,025. The members will contribute \$ 80,645. Equipment for the endoscopy center will be obtained through a lease from the manufacturer. The balance of the build-out and other costs will be financed through a conventional loan from First Hawaiian Bank. The site, which is valued at \$1,043,280, will be

acquired by lease and will be paid for by means of monthly rent payments over the five-year term of the lease.

e. Relationship to the existing health care system.

Pacific Endoscopy will have a significant positive impact on health care in the State by providing greater accessibility to much needed colorectal cancer screening. There is particular need for this facility in central and leeward Oahu, because recruitment of additional gastroenterologists into the area has been hindered by the lack of additional facilities for endoscopy procedures.

Commencement of endoscopy procedures at Pacific Endoscopy will allow Pali Momi to avoid the capital investment required for addition of endoscopic procedure rooms at the hospital and allow space which would have been used for that purpose to be diverted to other needed services.

f. Availability of Resources.

In addition to the four gastroenterologists who will work at the facility, Pacific Endoscopy will employ 6 RNs/LPNs and one OR technician, and is confident that qualified personnel can be acquired through inquiries and interviews with persons in the community with requisite training and experience. There are minimal financial obstacles to the project. Funding for the project will be obtained from the capital contributions of the members, an equipment lease from the manufacturer, and a conventional loan.

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