



## HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

### ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 06-25A

Applicant: Acculmaging Kapahulu, LLC  
500 Ala Moana Boulevard, Tower 4, Suite 510  
Honolulu, Hawaii 96813

Phone: 808 748-4721

Project Title: Establishment of diagnostic radiology services  
(Dexascan and plain film x-ray)

Project Address: 1029 Kapahulu Avenue  
Honolulu, Hawaii

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

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

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STATE OF HAWAII  
DEPARTMENT OF HEALTH

2. PROJECT LOCATION INFORMATION

A. Primary Service Area(s) of Project: (please check all applicable)

Statewide: \_\_\_\_\_  
O`ahu-wide:   X    
Honolulu:   X    
Windward O`ahu:   X    
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 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 from City and County of Honolulu  
Radiology Facility License for State of Hawaii Department of Health

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

See Attachment 2

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 3 (Articles of Organization)
- By-Laws: Not Applicable
- Partnership Agreements: See Attachment 4
- Tax Key Number (project's location): (1) 3-2-007-019 (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 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
<b>TOTAL</b>			

**6. PROJECT COSTS AND SOURCES OF FUNDS**

**A. List All Project Costs:**

**AMOUNT:**

1.	Land Acquisition	RECEIVED	_____
2.	Construction Contract	'06 SEP 22 P4488	<u>\$ 306,250.00</u>
3.	Fixed Equipment	ST. HUBERT'S HOSPITAL & NEW FACILITY	<u>\$ 210,366.00</u>
4.	Movable Equipment		<u>\$ 120,863.00</u>
5.	Financing Costs		<u>\$ 3,375.00</u>
6.	Fair Market Value of assets acquired by lease, rent, donation, etc. (site lease)		<u>\$ 431,015.00</u>
7.	Other: _____		_____

**TOTAL PROJECT COST: \$1,071,869.00**

**B. Source of Funds**

1.	Cash	_____
2.	State Appropriations	_____
3.	Other Grants	_____
4.	Fund Drive	_____
5.	Debt	<u>\$ 640,854.00</u>
6.	Other: <u>Site Lease (Rent)</u>	<u>\$ 431,015.00</u>

**TOTAL SOURCE OF FUNDS: \$1,071,869.00**

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.

Establishment of diagnostic radiology services (Dexascan and plain film  
x-ray) at Kapahulu Avenue doctors' office complex

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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: May 2006
- b) Dates by which other government approvals/permits will be applied for and received:  
Applied for: October 2006  
Received: November 2006
- c) Dates by which financing is assured for the project: July 2006
- d) Date construction will commence: November 2006
- e) Length of construction period: 8 weeks
- f) Date of completion of the project: December 2006
- g) Date of commencement of operation: January 2007

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.

- 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.

EXECUTIVE SUMMARY

Acculmaging Kapahulu, LLC ("Acculmaging") seeks approval to develop a diagnostic radiology facility ("the proposed radiology facility") at a medical office complex that is currently under development by Dr. Sharon Lawler at 1029 Kapahulu Avenue in Honolulu. See Attachment 5.

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Acculmaging is wholly owned by Radiology Associates, Inc. ("RA"). RA is comprised of 10 radiologists who have provided image interpretive services to many hospitals on Oahu including Waianae Coast Comprehensive Coast Health Center ("Waianae Comp"), Queen's Medical Center and Shriners' Hospital, as well as Molokai General Hospital and Kwajalein Hospital since the company's incorporation in 1970. In addition to providing interpretive services, RA operates an outpatient diagnostic radiology facility in Kapolei. The services included in this application will constitute a second site for the existing Kapolei facility. (The proposed radiology facility will also include CT and MRI services, which are the subject of a standard CON application now pending before the agency.)

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Dr. Lawler sought RA's participation in the new office complex in order to fulfill her vision of offering a comprehensive array of medical services to the elderly and low-income residents of nearby neighborhoods at a single, easily accessible location. Through its cooperative efforts with other specialty physicians and health care providers who are planning to locate at the Kapahulu Avenue complex, RA hopes to improve coordination of care offered to residents of East Oahu and improve access for the elderly and low-income populations in such nearby areas as Kaimuki and Palolo Valley.

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

The proposed radiology facility will advance the H2P2's goals by improving coordination of the care now given to residents of East Oahu. The doctors' office complex of which the proposed radiology facility will be a part will include a wide range of physician and medical support services including primary care physicians, ophthalmologists and optometrists, orthopedic specialists, geriatricians, pharmacy, clinical laboratory, physical therapy, behavioral health, and elderly respite care. By providing comprehensive and integrated health care services in a single location, the new complex will improve coordination of care in East Oahu, provide more efficient delivery of care to the area's residents and promote cooperation and coordination among the area's physicians. Disparities in health care among Hawaii residents will also be reduced by the increased access and availability of care to the many elderly persons and low-income families residing in nearby neighborhoods. By providing a single location in which many essential medical services are available, the complex will result in savings of both time and money for patients and physicians.

RA was asked to participate in this project by its organizer in order to complete the array of services that will be offered to the complex's patients. The proposed radiology facility

will work with other service providers in the complex to provide seniors and low-income families in surrounding neighborhoods improved access to coordinated and comprehensive care. Efficient, effective and easily accessible diagnostic radiology services are essential to permit the center's doctors to provide timely diagnosis and treatment, as well as to monitor the progress of therapy, thereby reducing morbidity and pain, reducing the effects of chronic disease, and improving health related quality of life.

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For example, the proposed radiology facility will include a Dexascan system to measure bone density. Bone density determinations are essential to detect and monitor the progression of osteoporosis, a disabling disease that affects primarily women over the age of 45. See DAVID FITZ-PATRICK, M.D., DIABETES & HORMONE CENTER OF THE PACIFIC, *Osteoporosis: Not Just a Concern of the Elderly*, available at <http://www.endocrinologist.com/osteo.htm>. Osteoporosis greatly increases a woman's risk of breaking bones and suffering spinal compression fractures that cause serious back pain, loss of height and hunched back. *Id.* Nationally, osteoporosis causes about 250,000 hip fractures annually, resulting in a 20% death rate from complications and a 25% risk that survivors will require nursing home care. *Id.* Nevertheless, when detected early, this disease is treatable with Vitamin D and calcium supplementation, estrogen replacement therapy or treatment with one of the several recently released prescription medications that can stop bone density loss and reverse its progress. See Landis Lum, M.D., *Slender Asian, Caucasian Women Osteoporosis-Prone*, THE HONOLULU ADVERTISER, Nov. 24, 2005 and NATIONAL OSTEOPOROSIS FOUNDATION, *Medications to Prevent & Treat Osteoporosis*, available at <http://www.nof.org/patientinfo/medications.htm>. By facilitating early diagnosis and treatment of osteoporosis, the proposed radiology facility will reduce the morbidity and pain resulting from this chronic disease, improve the health related quality of life of those suffering from it, and improve the cost effectiveness of Hawaii's health care system by helping osteoporosis sufferers avoid hip fractures and other orthopedic problems that often force them into costly nursing home care.

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ST. HEALTH PLAN & DEV. AGENCY

The complex's cost-effective integrated care will also provide an alternative to more expensive hospital emergency rooms as a source of primary care and thereby improve the cost-effectiveness of the State's healthcare system as a whole. As will be discussed in greater detail below, availability of radiology services is essential for the complex's physicians to effectively screen patients and determine whether they may be safely treated at the clinic or are in need of referral to hospital emergency rooms for treatment of more serious medical conditions.

H2P2 states that the basic principles of a health care delivery system include a system that is comprehensive, cost-effective, well-coordinated and responsive to community/regional needs.

A primary purpose of the new doctors' office complex is to improve the comprehensiveness and coordination of care now available in East Oahu. Currently, area residents must rely primarily on Honolulu hospitals for care. Attachments 6 and 7 illustrate, respectively, the percentage of persons over 65 years of age and percentage

of families below the federal poverty level as measured during the 2000 censuses. (Kapahulu Avenue, the site of the proposed radiology facility is marked on the maps in red.) In many parts of the surrounding area, 23% or more of the population is over the age of 65, and 13% or more of the families have income at or below the poverty level. See Attachments 6 and 7.

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While there are small physician office buildings in Kaimuki and Aina Haina, there are no large physician office buildings in the proposed service area and no providers of diagnostic imaging services. For elderly and low-income residents of nearby neighborhoods, lack of comprehensive and well coordinated medical services close to their homes creates a barrier to care. The lack of nearby diagnostic services has also contributed to misuse of existing health care resources, because the area's physicians often have no practical alternative but to refer patients to hospital emergency rooms for high-cost diagnostic workups.

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In place of this poorly coordinated and fragmented system, the Kapahulu complex participants propose to introduce an integrated care model that will provide cost-effective preventive, diagnostic and primary care services, ensure continuity of care and maximize communication and cooperation among service providers.<sup>1</sup> The availability of a full range of diagnostic services within the complex is essential to accomplishment of these objectives.

Acculmaging's diagnostic radiology facility will allow the complex's primary care physicians to conduct complete evaluations at the clinic and use the results as the basis for informed judgments as to the appropriateness of emergency room services, hospitalization or other interventions for each patient. Cost savings will result from reduced use of inappropriate services, as well as from shifting of resources from more expensive secondary and tertiary care settings to primary and preventive care.

The United States Administration on Aging ("AOA") has recognized that lack of access to integrated medical services is a major challenge facing the elderly. In fact, increasing older people's access to integrated health services is one of the five goals that make up the AOA's current strategic plan. See UNITED STATES ADMINISTRATION ON AGING, STRATEGIC ACTION PLAN, FY 2003-2008, at 8 (2002). By providing radiology services to the new physicians' office complex, the proposed radiology facility will support other project participants in providing well-coordinated and accessible primary care to the elderly residents of nearby neighborhoods.

Improved access to integrated care by the low-income residents of nearby residents will also reduce the overall cost of health care in Hawaii. The Hawaii Medical Service Association ("HMSA") estimates that it costs, on the average \$638 to treat a cold in an

<sup>1</sup> Integrated care models have been most widely used in health systems that have introduced public markets, such as the United Kingdom, New Zealand and some Swedish counties. For more information on the integrated care model, see Ovreteit, John, *Integrated Care – Development Issues from an International Perspective*, 2 HEALTH CARE REVIEW ONLINE, March 1, 1998, No. 5, available at [http://www.ncro.engima.co.naz/website/print\\_issue.cfm?issueid=10](http://www.ncro.engima.co.naz/website/print_issue.cfm?issueid=10).

emergency room, compared with \$61 for the same treatment in a doctor's office. See HAWAII MEDICAL SERVICE ASSOCIATION, WHY ARE HEALTH CARE COSTS RISING?, available at <http://www.hmsa.com/risingcost/feature/part1/9.asp>. The National Conference of State Legislatures has identified reduction in the use of emergency rooms for non-emergency care as one of its recommendations for legislative initiatives to reduce states' health care costs. See NATIONAL CONFERENCE OF STATE LEGISLATURES STANDING COMMITTEE ON HEALTH, STATE HEALTH CARE COST CONTAINMENT IDEAS (2003), at Section IX-1. Nevertheless, it is recognized that the uninsured working poor are often forced to delay care for health problems, and, when they seek care, are more likely to go to hospital emergency rooms for care that could be treated as well – and less expensively – in a doctor's office. See Laurel Johnston, *Working Poor Often Face Hobson's Choice*, THE HONOLULU ADVERTISER, May 23, 2006, also available at <http://the.honoluluadvertiser.com/article/2006/May/23/op/FR605230313.html/?print=on> and Susan Au Doyle & Laurel Johnston, *Hawai'i's Uninsured Suffer Health Gaps*, THE HONOLULU ADVERTISER, May 1, 2005, also available at <http://the.honoluluadvertiser.com/2005/May/01/op/op11p.html/?print=on>.

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Moreover, today, Oahu's emergency rooms are facing a crisis as they struggle to contend with overcrowding. Daniel Smith, M.D., Chief of Emergency Services at the Queen's Medical Center ("Queen's"), recently told the *Honolulu Star Bulletin* ("*Star Bulletin*") that patient visits to Queen's emergency room have leaped by a couple of thousand every year. See Helen Altonn, *Crisis in Care, Part II: Hospital ERs Fall Victim to Their Own Success*, HONOLULU STAR BULLETIN, July 10, 2006, also available at <http://starbulletin.com/2006/07/10/news/story02.html> ("*Crisis in Care I*"). Smith attributed the rising demand for emergency room services to new medical technology and diagnostic and therapeutic capabilities that "have changed astonishingly" in recent years. *Id.* The results, according to Smith, are "dramatic" increase in emergency room patient waiting time and re-routing of ambulances to other hospitals. *Id.*

The *Star Bulletin* reported that ambulances on Oahu are re-routed daily from one hospital to another because hospital emergency rooms are full to capacity. See Helen Altonn, *Crisis in Care, Part I: Hospitals Struggle With Overcrowding*, HONOLULU STAR BULLETIN, July 9, 2006, also available at <http://starbulletin.com/2006/07/09/news/story04.html> ("*Crisis in Care I*"). The *Star Bulletin* quoted Toby Clairmont, Emergency Program Manager for the Healthcare Association of Hawaii as reporting that it is not uncommon for four or five Oahu hospitals to be rerouting incoming emergency patients to other hospitals during peak periods that may last from two to six hours. *Id.* When ambulances race past the nearest hospital in search of another with both space and staffing enough to treat just one more patient, the care rendered to persons suffering from true emergency conditions – those which pose a risk to life or of serious impairment if treatment is delayed – is compromised.

Smith attributed at least part of the current shortfall in emergency capacity to the need for better coordination between hospitals and pre-hospital care. *Crisis in Care II.*

According to Smith, "many elderly people with multisystem diseases need extensive evaluation before they are admitted" to the hospital. *Id.* Craig Thomas, M.D., President of Hawaii Emergency Physicians Association, explained the "more people come in because they're getting something they really can't get so easily in some other avenues of medicine. . . . Sometimes the only way is through the emergency department." *Id.*

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The new medical office complex will address this problem by offering a primary care setting where less serious medical conditions may be treated and modern diagnostic technology may be made available at lesser cost. The most serious problems will, of course, be referred to a hospital emergency room for treatment. Obviously, the availability of a comprehensive array of differential diagnostic services is essential to effective operation of the integrated care model that will be in use at the new complex. The diagnostic radiology services to be provided by the proposed facility will enable the complex's primary care physicians to accomplish fast and effective triage to determine the level of care needed by every patient and provide thorough pre-hospitalization workups without the need to refer patients to already crowded hospital emergency rooms. The result will be reduced overcrowding of Oahu's emergency rooms, because patients will no longer feel the need to resort to them for primary care, and improved cost-effectiveness for Hawaii's health care system.

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The H2P2 states that some of the desired characteristics of a contemporary health care system include:

- Emphasis on basic primary care as a means of increasing access to quality care in a cost-effective manner in various community settings.
- Supporting collaborative relationships between local, regional and state health care providers in order to provide the most appropriate care coverage to our communities.

The new medical office complex is the result of efforts by local physicians to improve the quality of health care in their community. These physicians saw a need for diagnostic radiology services in order to improve the quality of and access to primary care in the area surrounding the Kapahulu medical complex and sought RA's participation in the project in order to obtain those services.

The new radiology facility will contribute to this effort by:

- supporting the provision of primary care and thereby improving access to such services for the elderly and low-income residents of the neighborhoods in close proximity to the new Kapahulu center,
- increasing the cost-effectiveness of care provided to residents of East Oahu, and
- facilitating this collaborative, community-based effort by East Oahu physicians to improve the quality of care offered in the area.

Diagnostic radiology procedures are useful in the diagnosis and assessment of such conditions as cancer, infectious diseases, cardiovascular diseases, musculoskeletal disorders and injuries resulting from falls and other accidents. Because it has become a standard diagnostic tool, diagnostic radiology must be considered a part of the primary care system that the H2P2 seeks to provide in a variety of community settings and an essential part of the service mix to be offered in the new medical office complex.

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Accordingly, the proposed radiology facility will promote the H2P2's vision of a desirable contemporary health care system which emphasizes primary care and support for collaborative efforts by local health care providers to provide the most appropriate care to their community.

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The H2P2 provides that the critical elements which keep health care delivery responsive to community needs and industry standards are access, quality management, cost-effectiveness, continuity of care and constituent participation. The H2P2 defines continuity of care as providing the right care, at the right time and in the right setting. Continuity of care also involves the integration of care providers in the community. Constituent participation includes providing patient and health care providers a voice in the services rendered and received.

The proposed radiology facility will promote continuity of care by improving access in the neighborhoods surrounding the new medical office complex. By making effective, affordable and accessible primary care available to community residents, the new radiology center will promote cost-effectiveness and continuity of care by encouraging patients to seek early diagnosis and treatment of medical problems in a community setting – the right time and the right setting – rather than delaying treatment until medical problems worsen and require more costly therapy and/or seeking treatment for relatively minor health problems in hospital emergency rooms. Finally, interaction between RA, other physicians, health care providers and patients at the new medical complex will improve integration of health care in the community by facilitating coordination and cooperation among the physicians at the new complex, which has been created through the grassroots efforts of local health care providers.

RA is particularly well suited to participate in this effort because it has the trained staff and technological capacity needed to integrate fully into the medical record system to be utilized at the new Kapahulu medical complex. Demographics, physicians' orders and diagnostic scanning results will be seamlessly shared between RA and the other Kapahulu facility systems. Additionally, diagnostic images and reports will be available on-line for all physicians utilizing the Kapahulu facility. Finally, Acculmaging's radiologists will work with the new medical complex's other physicians to provide educational programs on health related topics to residents of the surrounding community.

The H2P2 does not establish thresholds for all diagnostic radiology services.

## b) Need and Accessibility

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As discussed, *supra*, the new radiology facility will be located on Kapahulu Avenue in order to insure easy access for elderly and low-income residents of nearby residential neighborhoods. The site is easily accessible by public transportation, and the new medical complex of which it is to be a part will offer ample parking. Medical service providers who will be participating in the new complex will also cooperate in funding a free shuttle service to augment public transportation for those who lack personal transportation resources.

In the last 12 months, Dr. Lawler's office ordered approximately 2,520 x-ray procedures and 1,260 Dexascan procedures for her patients. Many of these procedures are now being performed at Queen's Medical Center. Others are being done at various other facilities. Dr. Lawler's referrals do not comprise a significant portion of total volume for any single service provider such that their loss will cause noticeable impact on any other provider's current operations.<sup>2</sup> The need to transport patients off-site for these procedures can negatively impact patient care, both by delaying treatment and through the additional stress that travel imposes on patients that are already in acute distress. Through the use of a single provider for on-site diagnostic radiology services, it is anticipated that the complex's physicians can achieve improved patient care outcomes both because of the ability to obtain the results of diagnostic radiology services on a more timely basis without exacerbating patient discomfort and because of the better collaborative relationship that will be fostered between RA's radiology specialists and the primary care physicians providing services in the complex.

In addition to contributing to the provision of integrated primary care at the Kapahulu complex, the new radiology center will also provide needed augmentation to Oahu's capacity to provide diagnostic radiology procedures. The need for such procedures can be expected to continue to grow with population increases, increased utilization of such services arising from both new applications for this technology, and the increased demand for medical services overall that will be generated by an aging population.

The proposed imaging services will be available to all on a non-discriminatory basis consistent with RA's policy of imaging all patients with a physician's order without regard to ability to pay, including low income people, racial and ethnic minorities, women, people with disabilities, the elderly and other underserved.

## c) Quality of Service/Care

The facility will be accredited by the American College of Radiology and licensed by the State of Hawaii. The staff Radiologists will be certified by the American Board of Radiology and be licensed physicians in Hawaii. They are members of a wide variety of

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<sup>2</sup> In fact, RA was not the first provider approached by Dr. Lawler to provide diagnostic radiology services at the Kapahulu complex. RA accepted the invitation only after it had been turned down by other potential participants in the project.

professional organizations. All technologists will be certified by the American Registry of Radiologic Technologists, and licensed by the State of Hawaii. The physicians and technologists will be expected to meet or exceed all state and national registry requirements for continuing medical education ("CME"). Currently, radiologists are required to obtain 50 CME credits annually and technologists are required to obtain 12 CME credits annually.

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The facility will operate in accordance with all applicable state and federal regulations and the standards of the accrediting body, and will have a written policies and procedures to insure the quality and safety of patient care.

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The facility's patient care staff will include 1.0 FTE Radiology/Dexascan Technician. The staff-to-patient ratio will be 1:1. The technician will be with each patient at all times while a procedure is being performed.

In addition to the ten physicians who are RA partners, RA employs three additional radiologists. All of these thirteen physicians will interpret films taken at the Kapahulu facility. Interpretive services will be provided both onsite and through teleradiology.

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

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The total capital expenditure for the project is estimated at approximately \$1,071,869, which includes \$306,250 for site improvements, \$210,366 for Fixed Equipment, \$120,863 for Movable Equipment, \$3,375 for Financing Costs, and \$431,015 for acquisition of the site pursuant to a ten-year lease with an option for renewal. The costs will be financed from RA's earnings and by a loan from the equipment manufacturer.

The net operating revenue for the first year of operation is projected at \$261,312 and operating expenses for the same period are projected at \$371,876, resulting in net operating loss of \$110,564. By the third year of operation, net operating revenue is expected to increase to \$469,521, with total expenses projected at \$423,408, resulting in net profit of \$46,113. In addition to 1.0 FTE patient care staff, the proposed radiology facility will employ 1 FTE medical secretary and 0.25 marketing representative. Total personnel costs for the first year of operation are estimated at \$126,360. Acculmaging's proposed charges will be within the range of charges for similar procedures billed by other providers on Oahu.

The project will help to keep health care costs down by facilitating the provision of primary care to elderly and low-income persons in the neighborhoods surrounding the new medical complex. By improving the complex's primary care physicians' effectiveness in detecting and treating such chronic health problems as osteoporosis, heart disease and stroke in a timely manner the proposed facility will help patients avoid more costly treatment and nursing home care that may be needed if these chronic health problems are allowed to go untreated. Finally, by facilitating the complex's physicians' efforts to improve access to primary care, the proposed radiology facility will

help patients avoid resorting to more costly hospital emergency rooms for treatment of conditions that can be treated at the complex in a less costly manner.

e) Relationship to the Existing Health Care System

The proposed radiology facility will be part of a medical complex that is being developed as the result of the efforts of a local physician, dedicated to providing integrated primary care that will reduce the fragmentation of care that now characterizes medical services available to residents of nearby neighborhoods. It will cooperate with other medical service providers located at the complex in order to provide a comprehensive array of services at a single site in order to facilitate access by persons who now are forced to rely largely on downtown hospitals for much of their medical care and for whom transportation can create a barrier to receiving care and to improve the cost-effectiveness of care offered to the target population.

By providing fast and effective diagnostic tools to the complex's urgent care clinic, the proposed radiology facility will also help to provide an alternative to use of costly emergency room facilities for non-emergency conditions and thereby free up hospital emergency room resources for treatment of true medical emergencies

f) Availability of Resources

There are no financial obstacles to this project. Financing is available through the equipment manufacturer. The project site will be acquired by lease and paid for via monthly rent payments throughout the lease's term.

RA does not foresee difficulties in recruiting staff for the facility from the local pool of qualified personnel and is prepared to seek the assistance of mainland recruiters as needed.

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9. **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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