



## HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

### ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number: #07-03A

Applicant: Hawaii Medical Center, LLC  
2228 Liliha Street, #305  
Honolulu, Hawaii

Phone: 808 521-4344

Project Title: Hawaii Medical Center, LLC application under Part V and Part VII of Chapter 323D, HRS, for the transfer of assets to Hawaii Medical Center East, LLC and Hawaii Medical Center West, LLC

Project Address: 91-2141 Ft. Weaver Rd., Ewa Beach, Hawaii

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1. TYPE OR 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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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: \_\_\_\_\_

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, Written Action and Contribution Agreement**
- 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.) **Licensure from DOH, certification from Medicare/Medicaid**

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

**Managed by its sole Member, Hawaii Medical Center LLC.**

The officers of HMC East and HMC West are:

	<u>HMC East</u>	<u>HMC West</u>
CEO	Danelo Canete	Danelo Canete
COO	Cathy Tanaka	Bruce Carmichael
CFO & Treasurer	Doug Kell	Doug Kell
CMO	Patricia Blanchette, M.D.	Genevieve Ley, M.D.
CSO	Alan Chueng, M.D.	Antonia Cordero, M.D.
Secretary	David Phillips	David Phillips

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 B**
- By-Laws **See attachment C, Operating Agreement**
- Partnership Agreements
- Tax Key Number (project's location)

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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				X		
Outpatient Facility						
Private Practice						

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5. **TOTAL CAPITAL COST:** \$67,900,000

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.

**Note:** There will be no changes in the numbers of beds at either campus. The tables below show the bed counts for each facility which were approved by SHPDA through CON #06-15. This application is merely for a change in ownership, i.e. to transfer ownership from HMC LLC to two subsidiary corporations.

**Hawaii Medical Center East (Liliha)**

Type of Bed	Current Bed Total	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
Medical/surgical	230		230
Critical care	22		22
Skilled Nursing	52		52
<b>TOTAL</b>	304		304

**Hawaii Medical Center West (Ewa) / ED**

Type of Bed	Current Bed Total	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
Medical/surgical	113	07 JAN 25 P 5:12	113
Critical care	14	ST WITH PL M.	14
Obstetric	7	& DEV. AGENCY	7
<b>TOTAL</b>	<b>134</b>		<b>134</b>

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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.

The table below summarizes the existing non-bed or special services provided at the East or West campuses which were approved under CON #06-15. There will be no change (additions or modifications) in the existing services, only a change in ownership. Some of these services were approved to be solely provided by HMC, and some by joint ventures with HMC as one of the partners. In the case of joint ventures, HMC will transfer its ownership to the appropriate subsidiary corporation.

**SERVICES/PERCENT OWNERSHIP CHANGE INCLUDED IN THIS CON APPLICATION**

Service	Provider	HMC%	HMC East	HMC West
Computed Tomography (at West)	HMC West	100		X
Computed Tomography (at East)	Island Imaging Centers	50	X	
Magnetic Resonance Imaging (West)	HMC West	100		X
Magnetic Resonance Imaging (at East)	Island Imaging Centers	50	X	
Cardiac Catheterization -- inpatient	HMC East	100	X	
Cardiac Catheterization -- outpatient	Island Cardiology Center	33	X	
Endoscopy Center	Hawaii Endoscopy Center	29	X	

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

A. List All Project Costs:		07 JAN 25 P5 :12	CLINICAL PORTION	TOTAL AMOUNT
1.	Land Acquisition (value of land leased & DEV. AGENCY)		\$7,080,000	\$17,700,000
2.	Construction Contract			_____
3.	Fixed Equipment			_____
4.	Movable Equipment			_____
5.	Financing Costs		\$0	\$3,700,000
6.	Fair Market Value of assets acquired by lease, rent, donation, etc.			_____
7.	Other: <u>Acquisition of existing assets*</u>		\$27,641,855	\$46,500,000
<b>TOTAL</b>			<b>\$34,721,855</b>	<b>\$67,900,000</b>

B. Source and Method of Estimation

Describe how the cost estimates in Item "A" were made, including information and methods used: Cost figures are taken from CON #06-15.

C. Source of Funds	AMOUNT:
1. Cash	_____
2. State Appropriations	_____
3. Other Grants	_____
4. Fund Drive	_____
5. Debt	_____
6. Other: <u>Value of assets being transferred from parent HMC to HMC subsidiaries without consideration</u>	<u>\$67,900,000</u>
<b>TOTAL SOURCE OF FUNDS:</b>	
	<b><u>\$67,900,000</u></b>

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- 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,
- 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, and
- g) Date of commencement of operation.

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*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.*

**The transfer of ownership from the parent to the subsidiary corporations will be immediately upon approval of this CON application.**

- 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

Hawaii Medical Center LLC ("HMC") is proposing to transfer the assets it acquired under CON #06-15 to two wholly-owned subsidiary corporations: Hawaii Medical Center East, LLC ("HMC East") and Hawaii Medical Center West, LLC ("HMC West"). HMC East will acquire the assets and be the provider of services of the Liliha facility and HMC West will acquire the assets and be the provider of services of the Ewa facility.

There is no cost involved in the transfers, since the parent corporation is merely contributing the assets to the subsidiaries without consideration.

On November 3, 2006, HMC received approval of CON application number 06-15 for the acquisition of various facilities and services of St. Francis Healthcare System. As provided in that application, we planned to transfer both St. Francis Medical Center ("Liliha") and St. Francis Medical Center-West into the single company HMC. However, under the St. Francis Healthcare System, the two hospitals had been organized and operated as two separate subsidiary entities with separate procedures and arrangements, such as separate vendors and purchasing agreements. It became clear that the most streamlined and efficient procedure to acquire and operate the facilities would be to maintain their separate status. Therefore, it was proposed to be more

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efficient and effective to establish two subsidiary corporations under HMC to continue the management and operation of the facilities as separate entities.

In its Decision on the Merits (DOM) on CON #06-15 the Agency found that the application met all the CON criteria. This current application is merely to transfer those assets to HMC's subsidiary corporations. There will be no other change, and there will be no impact on the community from this transfer. HMC East and HMC West will jointly and severally comply with all the statements and undertakings in CON application 06-15 as they pertain to their respective facilities.

**A. Relationship to the Hawai'i Health Performance Plan (H2P2).**

This application is only seeking approval for a transfer of ownership of assets/provider status from Hawaii Medical Center, LLC, to Hawaii Medical Center East, LLC and Hawaii Medical Center West, LLC (both of which will be wholly owned by the current certificate of need holder, Hawaii Medical Center, LLC). Accordingly, the transfer will have no effect on any of the facilities or services or their relationship to the Hawaii Health Performance Plan criterion.

**B. Need and Accessibility**

This application is only seeking approval for a transfer of ownership of assets/provider status from Hawaii Medical Center, LLC, to Hawaii Medical Center East, LLC and Hawaii Medical Center West, LLC (both of which will be wholly owned by the current certificate of need holder, Hawaii Medical Center, LLC). Accordingly, the transfer will have no effect on any of the facilities or services or their relationship to the need and accessibility criteria.

**C. Quality of Service/Care**

This application is only seeking approval for a transfer of ownership of assets/provider status from Hawaii Medical Center, LLC, to Hawaii Medical Center East, LLC and Hawaii Medical Center West, LLC (both of which will be wholly owned by the current certificate of need holder, Hawaii Medical Center, LLC). Accordingly, the transfer will have no effect on any of the facilities or services or their relationship to the quality of service/care criteria.

**D. Cost and Finances**

This application is only seeking approval for a transfer of ownership of assets/provider status from Hawaii Medical Center, LLC, to Hawaii Medical Center East, LLC and Hawaii Medical Center West, LLC (both of which will be wholly owned by the current certificate of need holder, Hawaii Medical Center, LLC). Accordingly, the transfer will have no effect on any of the facilities or services or their relationship to the cost and finances criteria.

Attached as Exhibits D-2-a and D-2-b are the revenue and expense projections for each facility.

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**E. Relationship to the Existing Health Care System**

This application is only seeking approval for a transfer of ownership of assets/provider status from Hawaii Medical Center, LLC, to Hawaii Medical Center East, LLC and Hawaii Medical Center West, LLC (both of which will be wholly owned by the current certificate of need holder, Hawaii Medical Center, LLC). Accordingly, the transfer will have no effect on any of the facilities or services or their relationship to the relationship to the existing health care system criterion.

**F. Availability of Resources**

This application is only seeking approval for a transfer of ownership of assets/provider status from Hawaii Medical Center, LLC, to Hawaii Medical Center East, LLC and Hawaii Medical Center West, LLC (both of which will be wholly owned by the current certificate of need holder, Hawaii Medical Center, LLC). Accordingly, the transfer will have no effect on any of the facilities or services or their relationship to the availability of resources criteria.

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11. **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.

X  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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