



## HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

### STANDARD APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number: #08-09

Applicant: Maui Medical Group, Inc.  
2180 Main Street  
Wailuku, Maui, Hawaii

Phone: 808 242 6464

Project Title: Establishment of MRI services

Project Address: 2180 Main Street, Wailuku, Maui

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

RECEIVED  
 09 MAY 29 P 1:31  
 31 DEPT. OF HEALTH

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:   X
- 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)  
 Maui Medical Group, Inc. will establish the High Field Open (HFO) MRI service for Maui County at 2180 Main Street, Wailuku, HI. 96793, in its existing Wailuku clinic location.
- 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.)  
  
 Maui County Building Permit
- C. Your governing body: list by names, titles and address/phone numbers  
  
 (See Exhibit 1)
- 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 Exhibits 2 and 3)

**By-Laws**

(See Exhibit 4)

Partnership Agreements  
(N/A)

Tax Key Number (project's location)  
TKN 3 4 013 029 – (See Exhibit 5)

REC'D

'08 JUN -4 P1:37

1. **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	
Private Practice						

2. **TOTAL CAPITAL COST: \$2,588,639**

3. **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
N/A	N/A	N/A	N/A
<b>TOTAL</b>			

4. **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.

---

Maui Medical Group, Inc. will establish a new service – a stationary HFO "Open" MRI in its existing 2180 Main Street, Wailuku, HI., 96793, at its Wailuku clinic location.

---

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

**A. List All Project Costs:**

REC-100

**AMOUNT:**

- |    |   |                    |             |
|----|---|--------------------|-------------|
| 1. | Land Acquisition  |                    | N/A         |
| 2. | Construction Contract   | '08 MAY 29 P 1 :31 | \$600,000   |
| 3. | Fixed Equipment   | 2 DEV BLDG.        | \$1,988,639 |
| 4. | Movable Equipment   |                    | N/A         |
| 5. | Financing Costs   |                    |             |
| 6. | Fair Market Value of assets acquired by lease, rent, donation, etc. |                    | N/A         |
| 7. | Other:  |                    | _____       |

**TOTAL PROJECT COST: \$2,588,639**

**B. Source and Method of Estimation**

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

1. Architects Pacific Inc. – MRI suite specifications
2. Construction Estimate: Tomco Inc. – Architectural requirements
3. Philips Medical Systems – Equipment quotation

**C. Source of Funds**

**AMOUNT:**

- |    |                      |                    |
|----|----------------------|--------------------|
| 1. | Cash                 | _____              |
| 2. | State Appropriations | _____              |
| 3. | Other Grants         | _____              |
| 4. | Fund Drive           | _____              |
| 5. | Debt                 | <u>\$2,588,639</u> |
| 6. | Other                | _____              |

**TOTAL SOURCE OF FUNDS: \$2,588,639**

**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: Site already controlled by MMG
- b) Dates by which other government approvals/permits will be applied for and received:  
Maui County Building Permit: July 1, 2008, October 1, 2008
- c) Dates by which financing is assured for the project: October 15, 2008
- d) Date construction will commence: November 3, 2008
- e) Length of construction period: 90 days
- f) Date of completion of the project: February 2, 2009
- g) Date of commencement of operation: February 16, 2009

*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.*

**10. EXECUTIVE SUMMARY:**

The proposed project is for a fixed High Field Open (HFO) MRI. The MRI will be installed at 2180 Main Street, Wailuku, HI. This scanner will be the first "Open MRI" on Maui. The Open MRI scanner will perform all diagnostic MRI scans (MRI and MRA), and will include advanced capabilities for Breast and Cardiac MRI. The magnet will be placed in a suite that allows the patient a choice of lighting, visuals, and sound effects which reduce claustrophobia and produce a calming environment. The high field designation of this Open MRI is an industry first and will be the first such unit in Hawaii.

Maui Medical Group was established in 1959, when a group of Maui physicians planned to join together in a medical partnership so that by using their combined skills they could render a higher quality of medical care than any one single physician could. Their planning resulted in the Maui Medical Group Partnership, which started on the first of January 1961. Today, Maui Medical Group, Inc. is composed of 40 physicians and over 230 employees, whom work at Wailuku, Lahaina, and Pukalani clinics. As a health care entity, we provide care to 35% of Maui's residents and visitors. The group provides many medical disciplines including: Family Practice, Internal Medicine, Pediatrics, Geriatrics, Surgery, Orthopedics, Neurology, Podiatry, ENT, Dermatology, OB/GYN, Radiology, Oncology, Ophthalmology, Hospital-based Physicians, PT/OT, Chiropractic, and a specialty Diabetic Clinic. Our physicians have the benefit of training at a variety of medical schools including the John A. Burns School of Medicine, Harvard, Stanford, Yale, John Hopkins and other notable institutions.

From this medical knowledge base and with our patient care experience here on Maui, it has become clear that the addition of an Open MRI scanner at Maui Medical Group will provide a continuum of care that is based on quality and accessibility. Based on SHPDA's Health Care Utilization report of 2005, both Maui Memorial Medical Center and Maui Diagnostic Imaging surpassed H2P2 utilization thresholds in year 2005 for MRI services.

According to the H2P2 Vision and Guiding Principles that explain continuity of care:

"Seamless continuity of care (the right care, at the right time, in the right setting) is promoted and facilitated via the integration of care providers in the community. This means that each individual health care facility and/or practitioner acknowledges that they are just one member of the larger

continuum of health services available in the community and thereby works in concert with other care providers to improve the overall health status of the community.”

MMG strives to provide this level of care for all our patients. Through community collaboration with other healthcare providers, MMG can refer patients to a specialist or service outside the MMG network, at whatever level of care is needed by the patient, if we cannot provide the service directly. It is MMG’s ultimate goal that a patient’s health comes first and this is also an H2P2 criterion.

MMG recognizes the importance of making its Open MRI services available to the largest possible audience that may benefit. Through collaboration with other healthcare providers, these services will be available to those outside the existing MMG patient system. Providing *direct* Open MRI service to underserved or unserved patients will increase community access and availability. Adding *direct* Open MRI access for patients will help reduce a service deficit on Maui, expedite patient care and promote quicker diagnoses and treatment. In addition, MMG will provide an expanded resource for Hawaii by adding Breast and Cardiac MRI services. Breast MRI is recognized by the American Cancer Society as an important tool to detect early breast cancers in patients. Women of Hawaiian ancestry have the highest breast cancer incidence of any minority group. MMG will reach this population through health care arrangements with Hui No Ke Ola Pono women’s health program.

To assure a high level of MRI service, technical expertise, and quality measurement; MMG will apply for American College of Radiology (ACR) accreditation within the first 3 months of operation. All Technologists will be MRI certified with the American Registry of Radiologic Technologist (ARRT), and all Radiologists will be certified by the American Board of Radiology (ABR), all will follow ACR guidelines.

MMG imaging studies are stored in a Picture Archive and Communication System (PACS) which allows radiographic studies to be viewed on computers. The system can be accessed by any health care provider inside or outside MMG computer network. Referring physicians can see the images from their office computers along with the report. No film or paper reports are needed with this system. This is important, as patient move between islands or beyond, as their new health care provider can view their images anytime and anywhere.

MMG’s goal is to provide a quality-based (ACR Accreditation) continuity of care for any patient needing this service and the opportunity to better serve the underserved – those that are obese, claustrophobic, physically challenged, and to expand services to the pediatric population that cannot have cylindrical-magnet exams.

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

This proposal supports H2P2 by improving the overall health of the community with early detection and diagnosis of disease states leading to timely and appropriate treatment. Early identification of a disease state is critical in reducing the likelihood of pain and morbidity, reducing the effects of chronic disease, and improving health related quality of life. The proposed HFO MRI allows access to overweight/obese or claustrophobic, have physical disabilities, and pediatric patients that have a difficult time holding still.

**b) Need and Accessibility**

SHPDA guidelines state that for a new unit/service, the minimum average annual utilization for all other providers in the service area is 1,500 procedures, and the utilization of the new unit/service is projected to meet the minimum utilization rate by the third year of operation.

For expansion of existing units/services, the provider's utilization is at least 2,750 scans per year.

The 2 MRI providers on Maui are performing above the 1500 procedure H2P2 utilization threshold. Provider 1 performed 3601, and provider 2 performed 3350 procedures. Therefore, each provider is well in excess of the 1500 H2P2 utilization threshold.

MMG estimates it will perform 1,500 "Open-MRI" procedures in year 1 of operation, which meets SHPDA's minimum procedure threshold. The proposed HFO MRI increases accessibility by providing these services to those who are overweight/obese or claustrophobic, have physical disabilities, and to pediatric patients that have a difficult time holding still.

**a) Quality of Service/Care**

The proposed MRI unit will store patient images in the MMG Picture Archive and Communication System (PACS), along with other imaging studies they may have, thereby increasing the quality of care. MRI exams can be tailored and compared to prior examinations all in one place. Physicians can easily access the MMG PACS for remote viewing. Additionally, the Open MRI unit will include comprehensive Breast coils and a workstation to evaluate high risk patients for breast cancer and interventional breast biopsies can easily be performed in the "Open MRI" environment by using Computed Automation Detection (CAD) software that localizes areas of abnormality. Advanced cardiac imaging will include: wall motion assessment, perfusion, morphology, and coronary artery assessment. These scans will be processed with 3D software for review on PACS. This breast/cardiac imaging capability is the most advanced application commercially available, and will be available to Maui patients and physicians.

MMG is a large provider of care for HMSA and their Health Plan Hawaii (HMO). The HPH health center quality and performance evaluation program is a continuous screening program and preventative medicine program. Clinical measures include: breast cancer screening, cervical cancer screening, diabetic retinal exams, Chlamydia screening, HbA1c for diabetics, inappropriate use of antibiotics, and treatment of coronary artery disease (CAD) with lipid lowering drugs. A health plan administrator tracks these quality measures and reports benchmark progress quarterly, and MMG is a consistently a top performer out of 23 health centers in Hawaii. (See Exhibit 6)

MMG is a growing health care organization on Maui and provides quality healthcare service that is cost effective. MMG promotes healthy lifestyles to patients and has a successful patient screening program. Screenings are continuously monitored and benchmarked against other Hawaii health organizations. MMG is consistently a top performing organization in Hawaii. Radiology utilization by MMG referring physicians is lower than State averages (See Exhibit 7).

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

Maui Medical Group, Inc. has been in operation since 1961 and is a financially sound company.

(See table below)

	Year 1 2008	Year 2 2009	Year 3 2010
<b>Patient Service Revenue</b>			
Outpatient Services	1,419,927	1,632,916	1,877,854
Gross Patient Services Revenue	1,419,927	1,632,916	1,877,854
<b>Deduction from Patient Services Revenue</b>			
Contractual Adjustments (20%)	(354,982)	(408,229)	(469,463)
Charity Care and Administrative Allowances (2%)	(28,399)	(32,658)	(37,557)
Allowance for Uncollectibles (2.5%)	(35,498)	(40,823)	(46,946)
Total Deductions	(418,879)	(481,710)	(553,967)
Net Patient Services Revenue	1,001,049	1,151,206	1,323,887
Other Operating Revenue	-	-	-
Total Operating Revenue	1,001,049	1,151,206	1,323,887
<b>Operating Expenses</b>			
Salaries, Wages & Benefits	221,000	232,050	243,100
Expenses	95,644	208,460	223,199
Depreciation	299,476	299,476	299,476
Interest	184,540	187,366	171,636
Total Expenses	800,660	927,352	937,411
<b>Net Income (Loss) from Operations</b>	\$ 200,389	\$ 223,854	\$ 386,476
Add: Depreciation	299,476	299,476	299,476
Interest	184,540	187,366	171,636
Funds from Operations	684,405	710,696	857,588
<b>Debt Financing</b>			
Principal	160,941	189,521	205,251
Interest	184,540	187,366	171,636
Total Debt Financing	345,481	376,887	376,887
<b>Excess (Deficit) Funds from Operations</b>	\$ 338,924	\$ 333,809	\$ 480,701
<b>Statistics</b>			
Outpatient Visits	1500	1725	1950
<b>Rates</b>			
Average Outpatient Charges			
1. By Clinic	n/a	n/a	n/a
2. By Ancillary Department	\$834.21	\$834.21	\$834.21
<b>Payroll</b>			
Staffing (FTEs)	3.25	3.25	3.25
Projected Hours	6,760	6,760	6,760
Projected Average Hourly Wage	\$26.15	\$27.46	\$28.77
<b>Salaries and Other Expenses</b>			
Aggregate Rate Per Unit of Service	\$ 263.87	\$ 319.21	\$ 293.82

**e) Relationship to the Existing Health Care System**

MMG currently has provider agreements with West Maui Health Alliance, MMMC, Hui No Ke Ola Pono women's health program, Kihei-Wailea Physicians group, Costco, DOH and Maui Community Correctional Center.

Through community collaboration with other Maui healthcare providers over the years, MMG can refer patients to a specialist or service outside the MMG network, at whatever level of care is needed by the patient, if we cannot provide the service directly. It is MMG's ultimate goal that a patient's health comes first and this is also an H2P2 criterion.

MMG recognizes the importance of making its Open MRI services available to the largest possible audience that may benefit and through collaboration with other healthcare providers; these services will be available to those outside the existing MMG patient system. Providing *direct* Open MRI service to underserved or unserved patients will increase community access and availability. Adding *direct* Open MRI access for patients will help reduce a service deficit on Maui, expedite patient care and promote quicker diagnoses and treatment. In addition, MMG will provide an expanded resource for Hawaii by adding Breast and Cardiac MRI services. Breast MRI is recognized by the American Cancer Society as an important tool to detect early breast cancers in patients. Women of Hawaiian ancestry have the highest breast cancer incidence of any minority group. MMG will reach this population through health care arrangements with Hui No Ke Ola Pono women's health program.

MMG has an agreement with the West Maui Health Alliance to provide after hour and weekend care at its Lahaina clinic where healthcare services were previously unavailable in this geographic area.

MMG has 8 hospital-based physicians that practice at MMMC covering unassigned patient care. This relationship has been a win-win for both partners and patients as Hospital-based physicians provide continuous care for those who do not have primary care physicians. Follow-up outpatient care is provided by MMG primary care physicians, Maui Community Clinic, and independent physicians in Maui.

MMG is the provider of choice on Maui by the Department of Health for TB screening radiography. Patients can have chest radiographs taken at any of MMG's clinics and the DOH Radiologists read the images from Lanakila Medical Center on Oahu. Digital radiographs are transferred from MMG PACS to DOH PACS on Oahu, which expedites TB clearance. This reduces diagnosis time for the patients.

MMG is an active participant at Maui Senior Health Fairs and provides free blood pressure exams, blood glucose evaluation and bone mineral testing for Fair participants.

MMG is active in community events and sponsors many health related awareness events, including: March of Dimes, Juvenile Diabetes, American Cancer Society, and the Maui food bank.

**f) Availability of Resources**

MMG has available financing, management and staff to establish the new open MRI service. Once implemented, MMG will add trained staff, as needed.

REC'D

08 MAY 29 P 1 31

5 11 11