



## HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

### ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number: #08-22A

Applicant: Yeoh & Muranaka, M.D.'s, Inc.  
1481 S. King Street, #202  
Honolulu, Hawaii

Phone: 808 949-0091

Project Title: Addition of a second Magnetic Resonance Imaging Scanner

Project Address: 1441 Kapiolani Blvd., #306, Honolulu, Hawaii

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1. TYPE OF 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: \_\_\_\_\_

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 Exhibit A and B
- 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.)
- C. Your governing body: list by names, titles and address/phone numbers See Exhibit C
- 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 Exhibit D
  - By-Laws See Exhibit E
  - Partnership Agreements See Exhibit F
  - Tax Key Number (project's location) **23039001**

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. 10 OCT 15 P 2:16

	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>			

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

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**A. List All Project Costs:**

**AMOUNT:**

- |    |  |                  |
|----|--|------------------|
| 1. | Land Acquisition   | _____            |
| 2. | Construction Contract  | _____            |
| 3. | Fixed Equipment  | <u>1,652,230</u> |
| 4. | Movable Equipment  | _____            |
| 5. | Financing Costs  | <u>354,875</u>   |
| 6. | Fair Market Value of assets acquired by<br>lease, rent, donation, etc. | _____            |
| 7. | Other: <u>leasehold improvements &amp; architect fees</u>              | <u>506,000</u>   |

**TOTAL PROJECT COST: 2,513,105**

**B. Source of Funds**

- |    |                      |                  |
|----|----------------------|------------------|
| 1. | Cash                 | _____            |
| 2. | State Appropriations | _____            |
| 3. | Other Grants         | _____            |
| 4. | Fund Drive           | _____            |
| 5. | Debt                 | <u>2,513,105</u> |
| 6. | Other: _____         | _____            |

**TOTAL SOURCE OF FUNDS: 2,513,105**

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.

Propose an addition of a second outpatient MRI (Magnetic Resonance Imaging)

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: (See attached Exhibit G)

- 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,
- 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.

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. (See attached Exhibit H)

- 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.

**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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## EXECUTIVE SUMMARY.

1. YEOH AND MURANAKA has served our community for over forty years since 1968 and has provided excellent quality of care in outpatient diagnostic radiology. We have continued to expand and improve our comprehensive diagnostic radiology services to meet the needs of our patients, which now include general x-ray, fluoroscopy, DXA, mammography, ultrasonography, computed tomography (CT), and Magnetic Resonance Imaging (MRI).

2. The proposal is to expand our MRI services by adding a 1.5 Tesla MRI scanner to meet the diagnostic non-radiation needs of our community and to better serve a broad spectrum of referring clinicians and patients throughout Oahu. This second MRI scanner will be placed at our Ala Moana office which is located at the Ala Moana Building at the Ala Moana Shopping Center (1441 Kapiolani Blvd). The addition of MRI services to this location will help us provide a full complement of outpatient diagnostic radiology services, in an easily accessible and convenient location for our patients.

### A. Relationship to the Hawaii Health Performance Plan (H2P2).

The additional MRI services will help us contribute to the ongoing need for greater cost effective outpatient imaging services anticipated for our community in the future:

1. Meet the objectives supporting the goals that are stated in the H2P2.
  - a. Early detection and diagnosis of treatable diseases.
  - b. Reduce the effects of chronic disease and prolonging health related quality life.
  - c. Reduce the morbidity and pain through timely and appropriate treatment.
  - d. Establish regionalized health care delivery systems that include community input, are cost-effective, and that foster improved access to quality health care services.
2. Meet the goals set by Healthy People 2010:
  - a. Prevent illness and disability related to arthritis and other rheumatic conditions, osteoporosis, and chronic back conditions.
  - b. Reduce the number of new cancer cases as well as the illness, disability, and death caused by cancer.
  - c. Improve cardiovascular health and quality of life through the prevention, detection, and treatment of risk factors; early identification and treatment of heart attacks and strokes; and prevention of recurrent cardiovascular events.

- d. Reduce injuries, disabilities, and deaths due to unintentional injuries and violence.
3. Meet the increased need for MRI as an option for diagnostic evaluation of various diseases with an overall decreased in radiation exposure. In an aging population who has an increased incidence of various chronic diseases such as diabetes and Stage III and IV chronic renal failure, MRI is an excellent alternative in the diagnostic evaluation of these patients without the need for iodinated contrast. Whereas, the use of contrast in these patients has the potential to increase the incidence of contrast induced renal complications.

#### B. Need and Accessibility.

1. We expect a continued rise in utilization of MRI services in Honolulu County despite additional MRI units.

- a. In the seven year period between 2000-2006, there has been a cumulative increase in MRI utilization averaging 11.4% annually. Given our aging resident population, increase efforts to minimize radiation exposure, and new versatility and capabilities of MRI imaging, there is a well founded expectation for increasing need and demand for MRI imaging necessitating additional MRI services. (Data from SHPDA MRI Utilization Report – 2000, 2001, 2002, 2003, 2004, 2005, 2006)

- b. Support of this expectation comes from the Health Planning Data Tool: May 2003 which noted that there is a projected increase in population (2 % population growth from 2000 to 2005 and 3% growth from 2005 to 2010) and population density for Honolulu County in relationship to the rest of the state of Hawaii. There is also a projected increase in the aged population concentrating in Honolulu County for 2010 (72%), as well as an increase in median age.

- c. With the rise in aged population and median age, there will be an expected increase in the incidence of age related diseases such as heart disease, diabetes, stroke, and cancer with the concurrent need for increased accessibility to medical care for early diagnosis and treatment.

- d. With the great majority of the state's work force concentrated in Honolulu county and their aging, there will be an expected rise in work-related injuries which will require prompt medical attention and early treatment to minimize time lost away from work. This in turn, will ultimately impact workmen compensation and cost incurred by both the state and businesses in our community.

2. YEOH AND MURANAKA is dedicated to providing high quality cost effective outpatient imaging services to the elderly, disabled and low income population.

a. 38% of our payment reimbursement derives from participation in Medicare, Medicaid and Quest and 11% derive from participation in No fault auto and Workmen Compensation.

b. Throughout our years of service, we have consistently provided our services at among the lowest if not the lowest cost to our community. Our average charge for MRI in 2006 and 2007 were below those reported for other facilities in Honolulu County in 2006, (source: SHPDA MRI Utilization Report- 2006).

c. As a service to our community, we have provided special concessional contracts with community service and nonprofit health programs such as Kalihi Palama Health Clinic, Waikiki Health Center, and Kokua Kalihi Valley Health Center.

3. Since we began our MRI services in Sept. 2003, we have achieved our estimated volume (total MRI procedures: 2351- 5% of all reported MRI procedures in Honolulu County) as stated in the submitted CON (2001) within 1 year of operation. Since then, in 2004, 2005, and 2006, we have far exceeded the H2P2 threshold of annual utilization for expansion of existing services with over 3,605 annual total MRI procedures. We have provided an average 6.3 % of all reported MRI procedures in Honolulu County between 2004 and 2006. (Source: SHPDA MRI Utilization Report- 2004, 2005, 2006).

4. The expansion of our MRI services will allow us to provide imaging studies we are not currently providing including state of the art body imaging and contrast free magnetic resonance angiography. The increased diagnostic capability of the new MRI unit will allow us to provide more comprehensive care to our patients and increase the accessibility of high quality outpatient MRI imaging to patients in our community.

5. The proposed site for our expanded MRI services at Ala Moana Center allows for easy accessibility for the residents of the area, and in particular the elderly, persons with disabilities, racial and ethnic minorities, women, low income persons and other underserved groups, with proximal multiple bus lines, abundant free parking, drive up access, convenient well recognized location, our multilingual staff, existing mammography and bone density services, and our established charity policy and procedure for the uninsured and economically disadvantaged.

### C. Quality of Service/Care

1. YEOH AND MURANAKA is a group of board certified radiologists, including fellowship training in MRI and Neuroradiology. Our technologist staff in MRI are all ARRT certified in both MRI as well as radiology. We have additional supporting technologist staff throughout our offices who are ARRT certified in radiology, sonography, mammography and computed tomography.

2. YEOH AND MURANAKA mission, for over forty years since its inception, has been to provide compassionate high quality outpatient diagnostic medical imaging. Through continual upgrades in our equipment, improvements in our services, and our ongoing medical education, we have maintained high quality diagnostic imaging services. By continuing to meet the needs of our community and referring physicians, as this MRI expansion will do, we strive to succeed in our commitment to our patients. An additional high field 1.5 T MRI scanner will allow expanded MRI services and offer MRI services that will improve the resolution and speed in the evaluation of areas of the body that are especially affected by motion (Chest and Abdominal MRI and MRA). The improvement in diagnostic and procedural capabilities will result in improved quality of care and increased patient satisfaction.

3. YEOH AND MURANAKA has the appropriate licenses, permits, and approvals to currently provide MRI services and will obtain the additional licenses, permits, and approvals necessary for the second MRI scanner.

### D. Cost and Finances (include revenue/cost projections for the first and third year of operation)

1. Y & M has contributed significantly to alleviating the burden of the need to provide cost effective MRI services in Honolulu County. We will have no difficulty meeting the H2P2 recommended threshold for new units by the second year of operation, based on a conservative estimate of 5% of market share and very conservative growth of the MRI utilization in Honolulu.

2. The proposal to add a second MRI scanner will not adversely impact the overall costs to provide additional MRI health services to our community. Our reimbursements for MRI imaging services are based on predetermined eligible charges established by Medicare and other health insurance providers. We participate fully with all major insurance providers and have consistently provided among the lowest if not the lowest cost MRI services to our community. The charges for MRI exams will not be increased to offset the additional cost of providing MRI services with the second MRI scanner. In addition, mitigation against overuse is being controlled by our participating insurance providers by requiring preauthorization and precertification that adheres to well accepted guidelines and indications. Furthermore, we do not self refer which limits additional abuse and overcharge. Consequently, there should be no additional cost to the patients in our community, and in fact, there may be a reduction should their examination be performed at our facility.

3. Based on the average reimbursements we have received in previous years, and the most conservative estimate of the number of additional MRI studies, balanced by the cost of our proposed expanded MRI services, we project a positive sustained net income by Year 3 of operation.

	Year 1	Year 2	Year 3
Anticipated Volume:	1,510	1,812	2,114
Income	790,000	950,000	1,105,000
Expense	760,000	1,050,000	1,075,000
Net Income	30,000	(100,000)	30,000

#### E. Relationship to the existing health care system

1. Past SHPDA survey data and our experience has shown that no sustained or overall negative impact on existing MRI services has occurred with the introduction of new MRI scanners in Honolulu County. For example, the addition of five MRI units between 2000-2006 has resulted in all existing units performing well above the H2P2 threshold of annual examinations per unit by over 200%. (Source: SHPDA MRI Utilization Report – 2000, 2001, 2002, 2003, 2004, 2005, 2006). See Exhibit J
2. As of 2006, all existing MRI scanners in Honolulu County were performing well above the H2P2 threshold level. Thirteen MRI units performed 64,668 examinations for an average of 4,975 studies/unit. Between 2000-2006, a total of 5 additional units were added. Despite these additional units, in 2005 and 2006, the average annual examinations performed on the existing and additional units far exceeded the minimum H2P2 threshold for new units (1500/yr) by 326% and 332% respectively, and for additional MRI for existing MRI service (2750/yr) by 178% and 181% respectively. (Data from SHPDA MRI Utilization Report-2000-2006) See Exhibit J
3. The expansion of our MRI services will contribute to the overall goal of “development of regionalized community-focused health care delivery systems and networks” and to “promote collaboration, cooperation and integration of health services from prevention to long term care by public and private providers” as set forth in the purpose of H2P2.

## F. Availability of Resources

1. YEOH AND MURANAKA has the available financial resources for this project, primarily in the form of debt. The project will be funded primarily by debt acquired through American Savings Bank, Yeoh & Muranaka shareholders and daily operations (see exhibit K). The financial forecast indicates more than sufficient cash flow/net income to service the debt.

2. YEOH AND MURANAKA has trained and experienced staff to operate the 2<sup>nd</sup> MRI scanner. There is already in place adequate physician and clinical support FTE staff to provide excellent and efficient outpatient MRI services at this time. No additional physician staffing is anticipated for the second MRI scanner. There may be the need of one additional MR trained technologist.

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