



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number. 09-16A Date of Receipt:
To be assigned by Agency

APPLICANT PROFILE

Project Title: Replacement of CT (computed tomography) scanner at The Cancer Center of Hawaii with positron emission tomography - computed tomography (PET/CT) scanner

Project Address: 2226 Liliha Street, Suite B-2, Honolulu, Hawaii 96817

Applicant Facility/Organization: The Cancer Center of Hawaii, LLC

Name of CEO or equivalent: Virginia Pressler, M.D.

Title: Chairperson

Address: 2226 Liliha Street, Suite B-2, Honolulu, Hawaii 96817

Phone Number: (808) 547-6881 Fax Number: (808) 523-8156

Contact Person for this Application: Adelbert Green, Esq.

Title: Attorney

Address: 1800 Pioneer Plaza, 900 Fort Street Mall, Honolulu, Hawaii 96813

Phone Number: (808) 534-4452 Fax Number: (808) 537-4667

CERTIFICATION BY APPLICANT

I hereby attest that I reviewed the application and have knowledge of the content and the information contained herein. I declare that the project described and each statement amount and supporting documentation included is true and correct to the best of my knowledge and belief.

Signature

Virginia Pressler, M.D.
Name (please type or print)

January 21, 2010
Date

Chairperson
Title (please type or print)

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

Public _____
Private X
Non-profit _____
For-profit X
Individual _____
Corporation _____
Partnership _____
Limited Liability Company (LLC) X
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 Attachment "A"]

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.)

- Certificate of Need, State Health Planning & Development Agency
- Building Permit, City and County of Honolulu Department of Planning & Permitting

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

[See Attachment "B"]

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 "C" (articles of organization)]**

- By-Laws [See Attachment "D" (operating agreement)]
- Partnership Agreements N/A
- Tax Key Number (project's location) (1) 1-8-018:025

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)			(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
N/A	N/A	N/A	N/A
TOTAL			

6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All Project Costs:

AMOUNT:

1.	Land Acquisition	_____
2.	Construction Contract	<u>\$191,000</u>
3.	Fixed Equipment	_____
4.	Movable Equipment	_____
5.	Financing Costs	_____
6.	Fair Market Value of assets acquired by lease, rent, donation, etc.	<u>\$803,000</u>
7.	Other: _____	_____

TOTAL PROJECT COST: \$994,000

B. Source of Funds

1.	Cash	<u>\$191,000</u>
2.	State Appropriations	_____
3.	Other Grants	_____
4.	Fund Drive	_____
5.	Debt	_____
6.	Other: <u>Fair market value of PET/CT to be paid by monthly lease payments</u>	<u>\$803,000</u>

TOTAL SOURCE OF FUNDS: \$994,000

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.

Applicant owns and operates two radiation therapy facilities that are located on the Island of Oahu. One of the facilities is located at 2226 Liliha Street, Suite B-2, Honolulu, Hawaii 96817 (the "Liliha Facility"). Applicant has a Picker PQ2000 CT scanner at the Liliha Facility. Applicant desires to replace the CT scanner with a PET/CT scanner, which would be used for the radiation therapy and related services, and would not be used for any other health care service. The PET/CT will be used for treatment planning and staging purposes.

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:** January 17, 2005
- b) **Dates by which other government approvals/permits will be applied for and received:** Applicant will apply for building permit upon CON approval, and estimates issuance within two weeks.
- c) **Dates by which financing is assured for the project:** The proposed PET/CT will be leased from the manufacturer pursuant to agreement dated October 27, 2009.
- d) **Date construction will commence:** Spring 2010, subject to CON approval
- e) **Length of construction period:** Six weeks
- f) **Date of completion of the project:** Late Spring, subject to CON approval
- g) **Date of commencement of operation:** Late Spring 2010, subject to CON approval

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.

As indicated above, Applicant owns and operates a radiation therapy facility at the Liliha Facility. Currently, Applicant uses a Picker PQ2000 CT scanner at the Liliha Facility, which it acquired in January 2005 (which CT scanner was acquired by Applicant's immediate predecessor-in-interest in or about 1997). The CT scanner is used for treatment planning for patients who have been diagnosed with cancer and then referred to Applicant for radiation therapy services. Due to the age of the CT scanner and the scarcity of replacement parts, it is increasingly difficult for Applicant to obtain reliable and cost-effective maintenance and support services for the equipment. Accordingly, Applicant is seeking to replace its existing CT scanner. Applicant desires to replace the CT scanner with a Gemini GXL PET/CT scanner, which is manufactured by Phillips and is a state-of-the art imaging resource. The PET/CT would be used for radiation therapy and related services (e.g., treatment planning purposes and staging the extent of cancer), and would not be used for other health care services. The description of the PET/CT is attached as **Attachment "E"**.

a) Relationship to the State of Hawai'i Health Services and Facilities Plan.

The proposed project is consistent with the Health Services and Facilities Plan ("HSFP"). As indicated in the HSFP, quality of care is a growing concern among consumers. The replacement of the existing CT scanner with a PET/CT scanner is expected to improve quality of care because the PET/CT scanner is more accurate, efficient and reliable than the existing CT scanner. With respect to the Statewide Health Coordinating Counsel Priorities set forth in the HSFP, the proposed project is consistent with those priorities because it promotes the long-term viability of the health care delivery system by improving the quality of care available for radiation therapy services, it will retain the health care workforce by using the same personnel that was previously used for the CT scanner service (and permit expansion by requiring the addition of nuclear medicine technologist), and it will maintain overall access to quality of health at a reasonable cost. With respect to the capacity (utilization) thresholds set forth in the HSFP, the thresholds for PET and for CT do not apply to the proposed PET/CT because it will be used for treatment planning and staging purposes.

b) Need and Accessibility

Radiation therapy is an important component in the cancer therapy continuum. Imaging for treatment planning and staging purposes is important to maximizing the benefits of radiation therapy service for a patient. While imaging tests from a CT scanner are useful to show structural details of the anatomy, the integration of the PET feature yields better imaging for

treatment planning purposes because it is capable of revealing diseases by showing metabolic activity, which provides a better view of the structural detail, location of and changes in tissue.

In this instance, the proposed project is also necessary because the existing CT scanner at the Liliha Facility is old, is no longer manufactured and suffers from a shortage of readily available replacement parts. Consequently, the CT scanner is increasingly difficult to obtain reliable and cost-effective maintenance and support services for the existing CT scanner. Applicant needs to replace the existing CT scanner with reliable and cost-effective equipment. Since a state-of-the-art PET/CT scanner is available to Applicant at a competitive price, Applicant desires to replace its existing CT scanner with a PET/CT scanner.

The proposed project will improve the level of accessibility of service because the PET/CT scanner is newer and replacement parts are readily available for repairs and maintenance. The reliability of the replacement PET/CT scanner will result in less downtime for equipment repair and maintenance, which translates into increased availability and access to this service for patients (who are inconvenienced whenever the existing CT scanner is out of service due to repairs and maintenance).

Since Applicant regularly provides radiation therapy services to all residents of the State of Hawaii and elsewhere (e.g., migrants from the Pacific Islands), including the elderly, low income persons, racial and ethnic minorities, women, persons with disabilities and various underserved groups, the approval of the proposed project will assist Applicant in continuing to make radiation therapy services accessible to each of these individuals, and do so in a manner that is as safe, painless and tolerable by such individuals as reasonably possible.

c) Quality of Service/Care

The proposed project will enable Applicant to deliver services and care at or above the level currently provided at the Liliha Facility. Applicant acquired the Liliha Facility in or about January 2005. In or about 2009, Applicant acquired another radiation therapy service facility, which is located at 91-2135 Fort Weaver Road, Suite B-120, Ewa Beach, Hawaii. In the interest of promoting quality health care, Applicant has adopted a quality assurance program. Additionally, each credentialed physician at the Liliha Facility is board certified in radiation oncology. Each radiation therapist and dosimetrist is certified by the American Registry of Radiologic Technologists. Applicant anticipates that the nuclear medicine technologist will be certified in nuclear medicine technology

The proposed project is a state-of-the-art imaging resource and will enable Applicant to improve the quality of service and care at the Liliha Facility by

providing accurate, fast and cost-effective imaging that will enable clinicians to better view the structural detail, location of and changes in tissue for treatment planning and follow-up. The added benefits of the PET/CT feature include the following: full 3D acquisition mode, measured and automated randoms correction, measured and automated scatter correction, simultaneous acquisition and reconstruction, fully 3D line of response reconstruction, and automated standard uptake values.

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

The proposed project ought to have a positive impact on the financial performance of existing health services. The lease payments for the PET/CT will be funded from the anticipated cash flow at the radiation therapy facility. The project will be cost-effective as it uses existing space, personnel and other resources within TCCH, with the addition of a nuclear medicine technologist. Applicant anticipates that the project will yield a positive cash flow within the first year of operation, as indicated in the revenue/cost projections attached as **Attachment "F"**.

e) Relationship to the existing health care system

The proposed project is expected to strengthen the existing health care system by enabling the Liliha Facility to replace its existing CT scanner with a PET/CT scanner, which is a state-of-the-art imaging resource, to provide improved treatment planning services and staging with technology that is more accurate and reliable than the existing CT scanner.

f) Availability of Resources.

The proposed project involves the replacement of an existing CT scanner with a PET/CT scanner. The project will use existing space, personnel and other resources, with the addition of one new employee (i.e., nuclear medicine technologist). Applicant has already located a qualified individual to fill the nuclear medicine technologist position. In addition to the foregoing, the proposed project will entail construction costs of \$191,000 to renovate the existing space to accommodate the new PET/CT system. The construction cost will be funded out of existing cash reserves. The equipment lease payments, employee wages and other operating costs will be funded from anticipated cash flow at the Liliha Facility.

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.