



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

STANDARD APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: #11-06 Date of Receipt:
To be assigned by Agency

APPLICANT PROFILE

Project Title: Establishment of Ambulatory Surgery Center Services Limited to Endoscopy Procedures

Project Address: 1401 South Beretania Street, 2d floor, Honolulu, Hawaii 96814

Applicant Facility/Organization: MIS Endoscopy, LLC

Name of CEO or equivalent: Mark Muqiishi, M.D.

Title: Medical Director

Address: 1946 Young Street, Suite 288; Honolulu, Hawaii 96826

Phone Number: 949-2208 Fax Number: 949-2209

Contact Person for this Application: Mark Muqiishi, M.D.

Title: Medical Director

Address: 1946 Young Street, Suite 288; Honolulu, Hawaii 96826

Phone Number: 949-2208 Fax Number: 949-2209

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

Date

Mark Mugiishi, M.D.
Name (please type or print)

Medical Director
Title (please type or print)

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

Public	_____
Private	<u> X </u>
Non-profit	_____
For-profit	<u> X </u>
Individual	_____
Corporation	_____
Partnership	_____
Limited Liability Corporation (LLC)	<u> X </u>
Limited Liability Partnership (LLP)	_____
Other: _____	_____

2. PROJECT LOCATION INFORMATION:

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

Statewide:	_____
O`ahu-wide:	<u> X </u>
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 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 – County
License – State Department of Health
Medicare Certification

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

See Attachment 2

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 3 (Articles of Organization)
- By-Laws: Not Applicable
- Partnership Agreements Not Applicable
- Tax Key Number (project's location): (1) 2-4-5-26

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						
Outpatient Facility		X			X	
Private Practice						

5. TOTAL CAPITAL COST: \$5,414,308.00

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.

Type of Bed	Current Bed Total	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
TOTAL			

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.

Implementation of ambulatory surger center services limited to endoscopy procedures in Honolulu.

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

A. List All Project Costs:	AMOUNT:
1. Land Acquisition (site lease)	<u>\$1,409,803.00</u>
2. Construction Contract	<u>\$2,280,640.00</u>
3. Fixed Equipment	_____
4. Movable Equipment	<u>\$851,240.00</u>
5. Financing Costs	<u>\$56,803.00</u>
6. Fair Market Value of assets acquired by lease, rent, donation, etc. (equipment lease)	_____
7. Other: Architectural, engineering, consultants, Interior design, legal, accounting, construction Contingency	<u>\$815,822.00</u>
TOTAL PROJECT COST:	<u>\$5,414,308.00</u>

B. Source and Method of Estimation

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

Costs of build out and equipment were estimated based on costs incurred by similar projects.

C. Source of Funds	AMOUNT:
1. Cash	<u>\$840,000.00</u>
2. State Appropriations	_____
3. Other Grants	_____
4. Fund Drive	_____
5. Debt	<u>\$2,095,455.00</u>
6. Other: <u>Tenant Improvement Allowance</u>	<u>\$1,069,050.00</u>
7. Other: <u>site lease payments</u>	<u>\$1,409,803.00</u>
TOTAL SOURCE OF FUNDS:	<u>\$5,414,308.00</u>

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: March 2011
- b) Dates by which other government approvals/permits will be applied for and received:
Building Permit applied for: April 2011
Building Permit received August 2011
- c) Dates by which financing is assured for the project: February 2011
- d) Date construction will commence: August 15, 2011
- e) Length of construction period: 6 months
- f) Date of completion of the project: February 15, 2012
- g) Date of commencement of operation: March 1, 2012

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: 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 Hawaii Health Performance Plan (H2P2), also known as the State of Hawaii 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

MIS Endoscopy, LLC ("MIS") seeks to establish an outpatient endoscopy center at the Hale Pawa's Professional Services Building, located at 1401 South Beretania in Honolulu. A map showing the location is included as Attachment 4. MIS is composed of three physicians, Mugiishi Investments I, LLC, and Skai ASC, LLC. The facility will consist of three procedure rooms, a business office and a pre-op/recovery area. A floor plan of the area to be built out is included as Attachment 5. The facility will provide a wide variety of endoscopic procedures, including screening for colorectal cancer.

a. Relationship to the State of Hawaii Health Service and Facilities Plan.

The proposed endoscopy center will enter into the required collaborative agreement with Kuakini Medical Center and, in the event that one of its patients requires hospitalization, the center's personnel will coordinate the patient's transfer to Kuakini.

MIS will advance the general principles of the Statewide Health Coordinating Council's ("SHCC") priorities, which include encouraging and supporting health education, promotion and preventive initiatives, by providing additional access to colorectal cancer screening and endoscopic procedures that will identify individuals at high risk of developing colorectal cancer and by performing appropriate endoscopic procedures to diagnose and/or remove pre-cancerous lesions associated with esophageal, gastric and colon cancer. It will also reduce the effects of chronic disease and prolong health related quality of life by providing accurate and timely diagnosis and treatment of such conditions as gastroesophageal reflux disease and peptic ulcer.

By facilitating early detection and treatment of gastroenterological diseases, the center will also advance the Honolulu SAC's goal of controlling the rising costs of senior care. Colorectal cancer accounts for approximately 13 percent of all cancer incidence and 10 percent of all cancer mortality in Hawaii. Screening at recommended frequency improves the chance that colorectal cancers will be detected at an earlier stage when the cancer is more likely to be cured by surgery alone, the surgery needed is less extensive, and recovery from surgery is much faster. About 80 percent of Hawaii residents who develop colorectal cancer are age 55 or older. Nevertheless, only about half of Hawaii residents aged 50 or older have had a recent colorectal screening test, and only about 44 percent of the close to 3,900 cases of colon and rectum cancers diagnosed in Hawaii between 1995 and 2000 were diagnosed at an early stage. MIS will help control the costs of senior care by promoting early detection of cancer through the use screening procedures, thereby eliminating the need for more costly, and often less effective, treatment of late stage colon and rectal cancer.

b. Need and Accessibility

MIS's service area includes all of Oahu, and its primary focus is east Oahu. It will be located at the Hale Pāwa`a Professional Services Building at 1401 South Beretania in Honolulu, which is easily accessible via public transportation and has ample handicap accessible parking in the adjacent eight-story parking structure. The facility will be particularly targeted at persons over the age of 50, for whom regular colorectal cancer screening is recommended. The percentage of Oahu's residents who are in this age group has increased during the past several years and is expected to continue to do so. Although the American College of Gastroenterology recommends colonoscopy every ten years for persons over age 50 as the preferred method for early detection of colorectal cancer, the Centers for Disease Control ("CDC") estimates that only about half of Hawaii residents in this group have had recent colorectal screening of any type. Medicare began coverage of colorectal screening colonoscopies in 2001. In 2010, the Hawaii legislature passed Act 157, which requires health insurers in Hawaii to provide coverage for colorectal cancer screening in accordance with the recommendations of United States Preventive Services Task Force, which advises that adults over the age of 50 should have regular colorectal screening. As more insurers provide coverage for the procedure, demand will continue to increase.

c. Quality of Service/Care.

MIS will comply with State and Federal regulations for delivery of care, maintenance of equipment and maintenance of the clinical environment. It will be licensed by the Department of Health and certified by Medicare.

Patient care will be provided by physicians licensed by the Department of Health and Board Certified or Board eligible in gastroenterology or surgery. All the physicians will be on the active medical staff of one or more Oahu hospitals. East Oahu will have a transfer agreement with Kuakini Hospital, in the event of a medical emergency that requires more extensive care than can be provided by East Oahu.

Physicians will be assisted by registered nurses, licensed physician assistants and qualified OR technicians. Staff competency will be maintained by regular in-service education. A written Quality Management and Improvement Plan will be in place and ongoing quality review will be conducted.

d. Cost and Finances.

As documented on page 4 of 8 of the Application form, the project is estimated to cost \$5,414,308.00. The members will contribute \$840,000.00. Equipment for the endoscopy center will be obtained through a lease from the manufacturer, or a bank loan, or some combination thereof. Build out of the facility will be paid for, in part, by the tenant improvement allowance of \$1,069,050.00. The remainder of the building costs will be paid via a bank loan. The landlord is also providing certain architectural services. The site, which is valued at \$1,409,803, will be acquired by lease and will be paid for by means of monthly rent payments over the term of the lease.

e. Relationship to the existing health care system.

MIS will have a significant positive impact on health care in the State by providing greater accessibility to much needed colorectal cancer screening. Currently, the need for endoscopy procedures in Hawaii is estimated to be more than 55,000 procedures annually. However, the substantial unmet need for endoscopy procedures is due not simply to the lack of facilities where they can be performed, but also to a shortage of qualified gastroenterologists to perform these procedures.

MIS will address this shortage by assisting general surgeons to develop the skills necessary to perform endoscopy. While all surgeons are permitted to perform endoscopies, and, in fact, required to perform them during their residencies, many fail to practice these skills afterward because they do not perform the procedure frequently enough. At MIS, Dr. Bueno, a Board Certified Surgeon with fellowship training in minimally invasive surgery and endoscopy, will work with general surgeons to help them sharpen their endoscopy skills and thereby provide an alternative to having routine screening procedures performed by gastroenterologists. Use of physician time will be further optimized because a licensed physician assistant will provide pre-procedure initial evaluation of patients referred to the center, clear them for the procedure, provide patient education and obtain informed consent, and triage high risk patients to physicians for appropriate follow up. GI specialty physicians will then be freed to focus on treatment of patients with medical conditions that require a specialist's care.

We know that current demand is not being satisfied because of the substantial number of Hawaii residents over the age of 50 who have not had recommended colorectal screenings. The segment of Oahu's population over the age of 50 is growing more rapidly than any other age group. The Hawaii Department of Business, Economic Development and Tourism ("DBEDT") projects that, by 2035, more than 40% of Hawaii's population will be over the age of 50. Because virtually all of these people will have insurance coverage for colorectal cancer screening, either through insurance provided in accordance with the Hawaii Prepaid Health Care Act or through Medicare, the need for facilities that provide endoscopy services will expand rapidly over the next 25 years. The proposed endoscopy center will help fill this need.

f. Availability of Resources.

In addition to the gastroenterologists and surgeons who will work at the facility, MIS will employ 1 FTE Nurse Manager, 4 RNs, 1 FTE physician assistants, and 3 FTE OR technicians. MIS is confident that qualified personnel can be acquired through inquiries and interviews with persons in the community with requisite training and experience. There are minimal financial obstacles to the project. Funding for the project will be obtained from the capital contributions of the members, tenant improvement allowance and an equipment lease from the manufacturer. The site will also be leased.