



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: #11-10A Date of Receipt:
To be assigned by Agency

APPLICANT PROFILE

Project Title: Addition of second MRI to existing location

Project Address: 500 Ala Moana Blvd., Honolulu, Hawaii 96813

Applicant Facility/Organization: Hawaii PET Imaging, L.L.C.

Name of CEO or equivalent: Scott Halliday

Title: President, National Medical Development, Inc., Majority Owner, Hawaii PET Imaging, L.L.C.

Address: 101 Elliot Avenue West, Suite 500, Seattle, WA 98119

Phone Number: 206-272-3580 Fax Number: 206-272-3588

Contact Person for this Application: same as above

Title: _____

Address: _____

Phone Number: _____ Fax Number: _____

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

6-15-2011
Date

Scott Halliday
Name (please type or print)

Pres, NMDI, majority member
Title (please type or print) HPI, LLC

1. **TYPE OF 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: _____

2. **PROJECT LOCATION INFORMATION**

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

Statewide: _____
O`ahu-wide: _____
Honolulu: X
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
- 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 to be received once architectural plans completed

- C. Your governing body: list by names, titles and address/phone numbers – See Exhibit 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 – EXHIBIT E
 - By-Laws -NA
 - Partnership Agreements – NA
 - Tax Key Number (project's location) -21019001,21029002

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		XXX			
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

TOTAL			
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6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All Project Costs:

AMOUNT:

- | | | |
|----|---|---------------|
| 1. | Land Acquisition | _____ |
| 2. | Construction Contract | \$__300,000__ |
| 3. | Fixed Equipment* | \$1,800,000__ |
| 4. | Movable Equipment | _____ |
| 5. | Financing Costs | _____ |
| 6. | Fair Market Value of assets acquired by lease, rent, donation, etc. | \$__100,000__ |
| 7. | Other: _____ | _____ |

TOTAL PROJECT COST: \$2,200,000

B. Source of Funds

- | | | |
|----|---------------------------------------|---------------|
| 1. | Cash | _____ |
| 2. | State Appropriations | _____ |
| 3. | Other Grants | _____ |
| 4. | Fund Drive | _____ |
| 5. | Debt | \$2,100,000__ |
| 6. | Other: FMV of additional leased space | \$__100,000__ |

TOTAL SOURCE OF FUNDS: \$2,200,000__

* Although the enclosed initial quote has a higher price, our experience has been that our above estimate is on the high end of actual final purchase/pricing for this type of MRI

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.

The MRI planned is an expansion of an existing service and will be located in the same offices (to be expanded slightly to accommodate the new MRI).

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, - 6-1-2011
 - b) Dates by which other government approvals/permits will be applied for and received, - 6-30-2011, 7-30-2011
 - c) Dates by which financing is assured for the project,-in place
 - d) Date construction will commence,-7-30-2011
 - e) Length of construction period, - 6 weeks
 - f) Date of completion of the project,-9-15-2011
 - g) Date of commencement of operation-currently in operation

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.

Hawaii PET Imaging, L.L.C. ("HPI") seeks approval to add a second MRI (new advanced, 3T "OPEN" type) to our existing service. This additional MRI will improve patient access to the Most Advanced MRI services in Hawaii (this will be only the second "OPEN" type MRI in Hawaii and more accessible to all patients in our outpatient setting (the other OPEN 3T MRI is a research MRI located within the Queens Hospital basement) and will provide needed scan times for patients since we are currently operating at capacity.

HPI has been operating our current MRI for approx 3 years. This new MRI is the most advanced of all Hawaii MRIs (OPEN and closed bore) and will provide patients with the most comfort (being the most OPEN of all MRIs in the state and the only "outpatient OPEN type MRI, when placed) and ability to clearly diagnosis with the highest field strength. The OPEN type will decrease patient claustrophobic reactions and enable HPI to offer services to larger patients.

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

This additional MRI supports the HSFP goal to "increase cost effective access to necessary health care services" since the new MRI will have increased abilities and services, in an already known and recognized quality outpatient setting offering easy access to physicians and their patients. The new MRI will be faster (by nature of its increased Tesla Field Strength and therefore ability to detect signal faster/clearer) than lower field strength OPEN MRIs, and as the most advanced MRI in Hawaii, will be one of only two "OPEN" type 3T MRIs leading to improved diagnosis, shorter scan times, and by virtue of the OPEN bore, increased patient comfort

Our addition of a second MRI also meets SHPDA threshold requirement for expansion; "the providers' utilization is an average of at least 3,200 MRI procedures per year per unit" (Chapter 2, HSFP 2009)". The utilization of the HPI MRI for 2010 was 3,220 while the utilization of the MRI for January, February, and March was significantly higher at 348, 420, and over 550 respectively. Well in excess of SHPDA requirements for expansion.

This addition is also consistent with the Statewide Health Coordinating Council (SHCC) to "ensure any proposed service will at least maintain overall access to quality health care at reasonable cost" (Chapter 3, HSFP 2009) by providing increased capacity and capabilities by the Most Advanced OPEN MRI in the state, located in a most convenient and already recognized, outpatient setting providing more options to larger and disabled patients (that may have issues with current small bore technology as well as hospital access).

b) Need and Accessibility

HPI has been operating in excess of the Threshold Requirements for the past 12 months. Recently, with the addition of Dr. Stephen Holmes, a prominent Oahu Neuroradiologist who has a strong physician following in advanced MRI, we have experienced substantial increases in referrals for his specialty and the usage of our 3T MRI. HPI has had to turn away many patients that we sent to Dr. Holmes and our 3T MRI, due to capacity issues resulting in many patients settling for lower tesla strength MRI and increased waiting times at other facilities, which might negatively affect their diagnosis. The advancements in MRI technology have now made the 3T MRI the "standard" for complex and intricate studies.

This investment is not just an additional MRI but the most advanced and available 3T OPEN MRI continuing our commitment to provide the best in imaging services to Hawaii's population.

From the manufacturer:

“MAGNETOM® Skyra, the first 3T 70 cm Tim+Dot system is a breakthrough advance in 3T imaging that will significantly increase patient outcomes in the outpatient arena.

This new MAGNETOM Skyra delivers patient-centered care. The system provides higher patient comfort with 70 cm Open Bore and short system design, which will allow us reach out to new patient populations. e.g:

- 1 large variety of patient sizes, shapes, weights (up to 550 lbs)
- 2 Easier on Children and geriatric
- 3 Helps accommodate difficult-to-scan patients, with Kyphosis, Respiratory problems, Pain and mobility issues, Claustrophobia or Anxiety
- 4 Captures sharper images due to less anxiety-related movement, and reduces sedation rate
- 5 A wide range of exams can be done feet first and more heads out for better patient acceptance and cooperation”

The (70) CM 3 T Wide Bore will allow HAI to provide “Best of Class” Patient Experience to your large (550 Pound weight capacity), claustrophobic and normal size patients. No one in Hawaii in an Outpatient setting has this technology available for their patients @ this time.

3 T Wide Bore Neuro, Angio, Body and Musculoskeletal imaging will be significantly better than 1.5 T systems that are currently installed in Outpatient settings in Hawaii.

(16) Channel Musculoskeletal Coils combined with 3 T will provide the Highest Image Quality for Shoulder, Knee, Wrist, Hand, Foot and Ankle studies for orthopedic patients.

Advanced Application's such as Functional MRI can be done on the Skyra. There are currently no Outpatient Wide Bore 3 T sites in Hawaii that are offering this service for their patients at this time.

DOT Engines (Intelligent Guidance with Strategies) will provide greater consistency in image quality for difficult patients, facilitate more accurate comparisons on follow-up studies with same patient and ensure highest proficiency level of MR technologists.”

The growth of MRI procedures at HPI has been in excess of 50% over the past two years and the growth since Dr. Holmes arrived has been in excess of 50% more leading us to conclude that we need the second MRI at our location to service the needs of referring physicians and their patients. We operate today with not only a waitlist, but many patients that are in immediate need of the 3T MRI and specifically referred to the services of Dr. Holmes, having to go to other MRIs that are inferior in both tesla strength and radiology services.

Our service area will remain central Oahu however, we do expect with this unique service we may continue to see some patients from neighbor islands (HPI's PET-CT services many outer island patients who choose the comfortable and convenience of an outpatient setting as opposed to going inside a Hospital).

The addition will minimize our costs by improving adjacent space and utilizing existing equipment, tech, patients waiting and office areas.

The addition will enhance our ability to offer services to our patients and physicians by reducing current delays and evening hours needed to perform services when our capacity is limited.

HPI will continue to provide services to the elderly, low income, racial and ethnic minorities, women, persons with disabilities, and other underserved groups that may not have access to our services without regard for their financial status or abilities to pay

c) Quality of Service/Care

HPI shall utilize our existing staff and radiologists and seek to add new staffing as volumes require, in accordance with our current operating approach. The HPI facility is one of few already accredited by the American College of Radiology and licensed by the State of Hawaii. Dr. Holmes and the MRA staff Radiologists are all certified by the American Board of Radiology and are licensed physicians in Hawaii. They all are members of a wide variety of professional organizations. The current technologists are certified by the American Registry of Radiologic Technologists, and licensed by the State of Hawaii. As HPI currently operates, the physicians and technologists are continually expected to meet or exceed all state and national registry requirements for continuing medical education ("CME"). Currently, radiologists are required to obtain 50 CME credits annually and technologists are required to obtain 12 CME credits annually.

The facility operates in accordance with all applicable state and federal guidelines and the standards of the accrediting body, and has policies and procedures to insure the quality and safety of patient care. The facility's patient care staff currently includes 2.0 FTE PET-CT technicians.

The staff-to-patient ratio is 1 to 2.3. The technicians are with each patient at all times while a procedure is being performed. We also employ a "tech aide" to assist in patient comfort and understanding of the procedures involved.

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

The additional MRI will have minimal or no impact on the overall costs of health care services to the community since it will be entirely funded by existing HPI reserves and cash flows. The actual costs of providing MRI services shall actually be somewhat less than other single MRI facilities since we will be able to utilize more common space areas (mentioned above, such as equipment, waiting, and tech rooms, can now be utilized by both MRIs, thereby avoiding costly duplication costs to construct and staff).

Three year revenue and cost projections are below:

(assuming a \$500 per MRI average reimbursement, debt payments of \$50,000/mo. and some added staffing)

	Volume	Revenue	Costs	NET
Year one	1500 MRIs	\$750,000	\$750,000	\$0
Year two	1700 MRIs	\$850,000	\$750,000	\$100,000
Year three	2000 MRIs	\$1,000,000	\$850,000	\$150,000

e) Relationship to the existing health care system

The addition of the Most Advanced High Field OPEN type MRI is in response to our current capacity and demand issues and will not have any significant impact on the existing healthcare system.

Our new 3T OPEN will bring many capabilities (listed above) to the Healthcare system that currently either don't exist or are available only in a restricted hospital or research setting often not available for non-hospital or research patients. This will provide needed 3T MRI OPEN type services to many that today have no or little access. Our facility will be able to offer the highest quality, most advanced 3T OPEN MRI in the best patient centered setting with comfortable and less stressful outpatient surroundings.

f) Availability of Resources.

HPI currently employs adequate staffing to enable us to provide full time MRI services including staffing this added MRI. Our technicians are all highly trained 3T MRI technicians that can perform all types of scans. Therefore there is not any need for significant additions to staffing until later years when volumes increase more.

There is not any need for additional resources as HPI can internally finance the operations and the equipment and facility costs thru loans from the manufacturer which in HPI's current financial capacity, are more than covered by existing operations.

Please see Exhibit D for "Finance Quotation" from Manufacturer

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.