



ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: #12-05A Date of Receipt: _____
To be assigned by Agency

APPLICANT PROFILE

Project Title: Addition of MRI, CT and Mammography Services at the Liliha Imaging Center

Project Address: 2228 Liliha Street, Suites 101, 102 and 102B
Honolulu, Hawaii 96817

Applicant Facility/Organization: Yeoh & Muranaka, M.D.'s, Inc.

Name of CEO or equivalent: Jeffrey Yeoh

Title: President

Address: 1481 South King Street Suite 202, Honolulu, Hawaii 96814

Phone Number: 792-7897 Fax Number: 690-9021

Contact Person for this Application: Marshall M. Miyoshi

Title: Chief Operating Officer

Address: 1481 South King Street Suite 202, Honolulu, Hawaii 96814

Phone Number: 792-7897 Fax Number: 690-9021

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

Jeffrey Yeoh
Name (please type or print)

President
Title (please type or print)

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

- Public _____
- Private _____
- Non-profit _____
- For-profit _____
- Individual _____
- Corporation _____
- 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: _____
- 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 – City & County of Honolulu
 License – State of Hawaii, Department of Health
 Medicare and Medicaid certification

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

See Attachment 2

- 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 3**
- By-Laws – **See Attachment 4**
- Partnership Agreements – **Not Applicable**
- Tax Key Number (project's location) **Portion of TMK 1-1-8-18-24**

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	
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			

6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All Project Costs:

AMOUNT:

1.	Land Acquisition	_____
2.	Construction Contract	\$ <u>800,000</u>
3.	Fixed Equipment	\$ <u>4,200,000</u>
4.	Movable Equipment	_____
5.	Financing Costs	\$ <u>5,000</u>
6.	Fair Market Value of assets acquired by lease, rent, donation, etc. (site lease)	\$ <u>1,029,300</u>
7.	Other: _____	\$ _____

TOTAL PROJECT COST: \$ 6,034,300

B. Source of Funds

1.	Cash	\$ <u>5,000</u>
2.	State Appropriations	_____
3.	Other Grants	_____
4.	Fund Drive	_____
5.	Debt	\$ <u>5,000,000</u>
6.	Other: <u>(site lease)</u> _____	\$ <u>1,029,300</u>

TOTAL SOURCE OF FUNDS: \$ 6,034,300

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.

Addition of MRI, CT and Mammography Services at the Yeoh & Muranaka

Liliha Imaging Center. Reference HAR §§ 11-186-5(3)(a)(D), (E) & (Y).

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: February 9, 2012
- b) Dates by which other government approvals/permits will be applied for and received:

Applied for: April 2012

Received: June 2012

- c) Dates by which financing is assured for the project: February 24, 2012
- d) Date construction will commence: June 2012
- e) Length of construction period: 6 months
- f) Date of completion of the project: December 2012
- g) Date of commencement of operation: December 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.

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.

- a) Relationship to 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.

EXECUTIVE SUMMARY

Yeoh & Muranaka, M.D.'s, Inc. ("Y&M") seeks to implement MRI, CT and mammography services at its Liliha imaging center once it is relocated to the St. Francis-East Paiko Medical Office Building ("Liliha Imaging Center"). Y&M currently offers these services at its facilities in the Ala Moana Medical Building and/or at the Kaheka Professional Building. Accordingly, this application seeks approval of a new location for these existing services.

The closure of Hawaii Medical Center-East ("HMC-East") and its radiology imaging center have created significant challenges for physicians and patients in the Liliha area. Imaging procedures such as MRI, CT and mammography scans, which were formerly performed by HMC-East, are no longer conveniently available. Physicians who have maintained their medical practices at the St. Francis-East medical office buildings ("St. Francis MOB") have been left without an imaging center since the closure of the hospital. This proposal will restore uninterrupted access to advanced diagnostic imaging technology to the Liliha community.

This proposal will also make available state-of-the-art MRI and CT equipment that will provide enhanced imaging capability at significantly higher resolutions and with significantly lower doses of radiation exposure to patients. The new CT equipment will be more advanced than any other currently available in Hawaii and feature a dual energy system that will capture images of cardiac blood vessels in a single sweep, delivering the lowest dose of radiation now possible and eliminating the need to administer beta-blockers to slow the heart for imaging. The equipment will have a bore of 78 centimeters and will accommodate patient weights of up to 660 pounds. The new MRI equipment will be a 3 Tesla, wide bore, short MRI which will be better tolerated by patients with claustrophobia. Y&M is also seeking to obtain digital mammography equipment for the Liliha Imaging Center that was only recently approved by the U.S. Food & Drug Administration.

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

The Hawaii Health Services and Facilities Plan ("HSFP") states that, prior to the expansion of CT services, a provider's utilization of its existing CT units should be at least 8,500 procedures per unit per year. Prior to the expansion of MRI services, a

provider's utilization of its existing MRI units should be at least 3,200 procedures per unit per year.

However, SHPDA has stated that the utilization thresholds merely guide the initial determination of need, and applications are neither approved nor disapproved solely on the basis of whether the thresholds are met. The thresholds may be modified to allow for suboptimum utilization if a proposal's benefits clearly outweigh the costs to the community of duplicating or under-using services, facilities or technologies. Such benefits may include improved access for the service area combined with significant improvements in quality of care. Thresholds may also be modified to incorporate current and best clinical practices.

In 2011, Y&M provided 3,255 CT and 3,161 MRI procedures at its Ala Moana location and 1,275 CT and 796 MRI procedures at its Kaheka location.

Although utilization at Y&M's current facilities falls somewhat short of the threshold case volumes established by the HSFP, this proposal meets the criteria for suboptimal utilization because it (1) is necessary to maintain access to the imaging capacity formerly provided by HMC-East and (2) will improve quality of care by making the newest and most technologically advanced imaging equipment available to Oahu residents. The new equipment will provide particular clinical benefits to large individuals whose bodies cannot be accommodated by much of the imaging equipment now available and to people with claustrophobia for whom the short bore equipment will be more tolerable. It will also improve patient safety by producing higher resolution images, with significantly lower radiation doses, than can be achieved by any other imaging technology now available in Hawaii.

This proposal will advance the Statewide Health Coordinating Council's priority of ensuring maintenance of overall access to quality health care at a reasonable cost. Imaging procedures such as MRI, CT and mammography services allow for the early and/or timely detection of various diseases and conditions. This proposal will provide uninterrupted access to these diagnostic imaging services to the Liliha community. The early detection and treatment of these diseases and conditions may prevent the onset of acute and/or chronic conditions. By providing uninterrupted access, this proposal will encourage patients to obtain these diagnostic imaging procedures and, thereby, lower health care costs associated with delayed diagnosis and treatment.

Finally, this proposal will advance the Honolulu Subarea Council's priority of controlling escalating costs in the senior care industry and other needed services. Although diseases such as cancer can occur at any age, they occur more frequently with advancing age. The early detection and treatment of these diseases and conditions may prevent the onset of acute and/or chronic conditions. In doing so, this proposal would help control escalating health care costs in the senior care industry.

b) Need and Accessibility

This proposal is particularly necessary in light of the closure of the HMC hospitals. Since the closure of HMC-East, physicians who have maintained their medical practices at the St. Francis MOB have been left without a radiology imaging center. This proposal seeks to reestablish the service formerly provided by the HMC-East imaging center to support these physicians. Additionally, the recently closed imaging center at HMC-East utilized older imaging equipment. The physicians practicing in the St. Francis MOB have requested higher resolution imaging services. In response to these requests, Y&M will implement state-of-the-art MRI and CT equipment to provide higher resolutions with significantly lower radiation exposure to patients.

Y&M also plans to implement advanced digital mammography equipment recently approved by the FDA to provide digital images of the best quality available. The American Cancer Society estimates that 820 new cases of breast cancer were diagnosed in Hawaii in 2007. Mammography screening examinations have been shown to reduce mortality due to breast cancer by approximately 19-25% over 10 years among women aged 40 and over. However, data compiled by the CDC shows that, in 2006, 23% of women in Hawaii aged 40 years or older reported not having a mammogram in the previous two years, demonstrating a need for improved availability and accessibility of screening mammography services. The new mammography services that will be available at Y&M's relocated Liliha facility will provide added capacity to address this need.

This proposal will be accessible to all residents of Oahu, including low income persons, racial and ethnic minorities, women, people with disabilities, the elderly and the medically underserved. Y&M will continue to provide services patients covered by Medicare and Medicaid. Also, Y&M will continue to provide special concessional services to community health clinics and nonprofit health programs such as Kalihi Palama Health Clinic, Waikiki Health Center and Kokua Kalihi Valley Health Center.

c) Quality of Service/Care

The new equipment will include a wide short bore 3-Tesla MRI scanner to accommodate claustrophobic patients and provide additional comfort. Y&M also will utilize a dual source CT scanner that can withstand up to 660 pounds of weight to comfortably accommodate obese patients while providing the highest resolution and low radiation dosage.

Y&M will continue to comply with State and Federal regulations. Y&M is Medicare and Medicaid certified and is accredited by the American College of Radiology. Radiology services will be provided by board certified radiologists with fellowship training in MRI and neuroradiology. Staff technologists will be certified by the American Registry of Radiologic Technologists. Staff competency will be maintained by ongoing medical education.

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

The total capital expenditure for the project is estimated at \$6,034,300, which includes \$800,000 for site improvements, \$4,200,000 for fixed equipment, \$5,000 for financing expenses, and \$1,029,300 for acquisition of the site pursuant to a ten year lease with option for renewal. The cost of the imaging equipment and the construction expenses will be financed by means of a commercial loan from First Hawaiian Bank. The loan fee of \$5,000 will be paid with cash.

The table below summarizes the projected revenues and costs for the first and third years of operation:

	Projected 1st Full Year Operations	Projected 3rd Full Year Operations
Total Operating Revenue	\$3,172,523	\$3,497,707
Operating Expenses		
Salaries and wages	\$739,960	\$822,080
Expenses	\$267,127	\$809,901
Depreciation	\$840,000	\$840,000
Debt Service	\$1,086,768	\$1,086,768
Total Expenses	\$2,933,855	\$3,558,839
Net Income (Loss) from Operations	\$238,668	(\$61,042)
Add Back: Depreciation	\$840,000	\$840,000
Excess (Deficit) Fund from Operations	\$1,078,668	\$778,958

e) Relationship to the existing health care system

This proposal is intended to replace the recently closed imaging center at HMC-East. Accordingly, this proposal will have minimal, if any, negative impact on the existing health care system. In addition, this proposal is intended to provide radiology imaging services support to the physicians who have maintained their medical practices at the St. Francis MOB.

f) Availability of Resources.

The Liliha Imaging Center will employ one (1) Radiologist, four (4) technologists and two (2) patient services staff, in addition to the existing staff at Y&M's Liliha imaging center. The patient to staff ratio will be 1 to 2.33. Y&M has already begun recruiting new personnel to fill these positions and, in light of the recent closure of the HMC hospitals, believes that there is a sufficiently large pool of qualified applicants in the community to allow them to be filled without causing any negative impact of the staffing levels of other health care providers.

There are minimal financial obstacles to this proposal. Funding will be obtained through a commercial loan from First Hawaiian Bank. A letter of intent to provide financing is included in Attachment 5. The site will be leased and paid for through monthly lease payments over the lease term. See Attachment 1.

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.