



STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

LINDA LINGLE
GOVERNOR OF HAWAII

CHIYOME L. FUKINO, M.D.
DIRECTOR OF HEALTH

DAVID T. SAKAMOTO, M.D., M.B.A.
ADMINISTRATOR

1177 Alakea St. #402, Honolulu, HI 96813 Phone: 587-0788 Fax: 587-0783 www.shpda.org

August 23, 2004

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Ken C. Arakawa, M.D.
c/o Ken C. Arakawa, M.D., Inc.
1329 Lusitana St., Suite 206
Honolulu, HI 96813

Dear Dr. Arakawa:

The State Health Planning and Development Agency has evaluated your application for administrative review for Certificate of Need ("Cert.") #04-17A for the establishment of an extremity MRI service for early diagnosis of rheumatoid arthritis at 1329 Lusitana Street, #206 Honolulu, HI at a capital cost of \$239,880.

As provided under Section 11-186-99.1 of the Hawaii Administrative Rules (HAR), the Agency has determined that:

1. This proposal is eligible for administrative review as it meets the criterion in Section 11-186-99.1(b)(2), i.e. "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."
2. The Agency has determined that the applicant has proven by a preponderance of evidence that its proposal meets the Cert. criteria in Section 11-186-15, HAR:
 - a. The applicant states that by identifying and intervening during the "window of opportunity" with rheumatoid arthritis patients, it will accomplish the H2P2 goal of increasing the span of healthy life for Hawaii residents.
 - b. With respect to the H2P2 goal of the early detection and diagnosis of treatable diseases, the applicant states that "The MRI device is designed for the express purpose of early detection and diagnosis of rheumatoid arthritis which, when caught early enough with this methodology, is a treatable disease."
 - c. With respect to the H2P2 goal of reducing the effects of chronic disease and prolonging quality of life, the applicant states that "Use of the MRI to identify and treat rheumatoid arthritis earlier than previously possible will reduce the effects of this chronic disease and prolong quality of life, minimizing and/or eliminating the chronic pain associated with this disease."
 - d. The applicant states that its proposal will accomplish the H2P2 goal of reducing morbidity and pain by identifying those patients who can benefit from timely and appropriate treatment for rheumatoid arthritis.

- e. The applicant states that according to the 2000 HSDH "Behavioral Risk Factor Surveillance System", nearly 25,000 Hawaii residents suffer from rheumatoid arthritis.
- f. The applicant states that "MRI can detect changes in the joint, including bone erosions, as early as 4-6 months after onset of the disease. By initiating aggressive biologic therapy, joint damage from RA can be arrested, even healed, resulting in significantly improved outcomes and quality of life for the RA patient."
- g. The applicant states that "...the specific clinical acquisition, processing and display protocols ...are not generally available on conventional MRI's."
- h. The applicant states that "Ken Arakawa, MD is licensed in the State of Hawaii and board certified in the specialty of rheumatology. All MRI studies will be performed by a trained and certified operator. All MRI studies will be transmitted to and interpreted by a board certified radiologist."
- i. The applicant projects that for year one of the proposal revenue will be \$119,170 and pre-tax income will be \$61,148. The applicant projects that for year three of the proposal revenue will be \$119,170 and pre-tax income will be \$41,148.
- j. The applicant states that "As very few patients are now being referred for MRI exams for early detection of rheumatoid arthritis due to the aforementioned limitations with currently available MRI services, we expect very little impact on existing healthcare providers should this application be approved."
- k. The applicant states that "Management and human resources are available in-office from Dr. Arakawa and his staff for the implementation and continued operation of this new service... Financial resources are available from the current operation of Ken C. Arakawa, MD, Inc. as well as secured funding from GE Healthcare Financial Services."

There is no compelling public interest which will be served by requiring the application to go through the standard review process.

As required under Section 323D-43(b), Hawaii Revised Statutes (HRS), the Agency finds that:

- 1. There is a public need for this proposal.
- 2. The cost of the service will not be unreasonable in light of the benefits it will provide and its impact on health care costs.

Accordingly, the State Health Planning and Development Agency hereby APPROVES and ISSUES a Certificate of Need to Ken C. Arakawa, M.D., Inc. for the proposal described in Cert. #04-17A. The maximum capital expenditure allowed under this approval is \$239,880.

Please be advised that pursuant to Section 323D-47, HRS and Section 11-186-99.1(g) HAR, any person may, for good cause shown, request in writing a public hearing for reconsideration of the Agency's decision within ten working days from the date of this decision. Accordingly, if no person makes such a timely request for reconsideration, this decision shall become final immediately after the deadline for making such a request has expired.



David T. Sakamoto, M.D.
Administrator

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the attached Administrative Review Decision was duly served upon the applicant by sending it by certified mail, return receipt requested, in the United States Postal Service addressed as follows on August 23, 2004:

Ken C. Arakawa, M.D.
c/o Ken C. Arakawa, M.D., Inc.
1329 Lusitana St., Suite 206
Honolulu, HI 96813

HAWAII STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY



David T. Sakamoto, M.D.
Administrator

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Sent To Ken C. Arakawa, M.D.
C/O Ken C. Arakawa, M.D., Inc.
Street, Apt. No.,
or PO Box No. 1329 Lusitana St., Suite 206
City, State, ZIP+4
Honolulu, HI 96813