



STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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January 19, 2007

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

IN THE MATTER OF)	CERTIFICATE OF NEED
)	APPLICATION
)	NO. 06-23
Acculmaging Kapahulu, LLC)	
)	
Applicant)	
)	DECISION ON THE MERITS
_____)	

DECISION ON THE MERITS

The State Health Planning and Development Agency (hereinafter "Agency"), having taken into consideration all of the records pertaining to Certificate of Need Application No. 06-23 on file with the Agency, including the written and oral testimony and exhibits submitted by the applicant and other affected persons, the recommendations of the Oahuwide Certificate of Need Review Committee, the Certificate of Need Review Panel and the Statewide Health Coordinating Council, the Agency hereby makes its Decision on the Merits, including findings of fact, conclusions of law, order, and written notice on Certificate of Need Application No. 06-23.

I

BACKGROUND

1. This is an application for a Certificate of Need ("Cert.") for the establishment of Computed Tomography (CT) and Magnetic Resonance Imaging (MRI) services at 1029 Kapahulu Avenue, Honolulu, Hawaii, at a capital cost of \$7,070,927.
2. The applicant, Acculmaging Kapahulu, LLC, is a limited liability corporation.

3. The Agency administers the State of Hawaii's Certificate Program, pursuant to Chapter 323D, Hawaii Revised Statutes (HRS), and Title 11, Chapter 186, Hawaii Administrative Rules (HAR).

4. On August 9, 2006, the applicant filed with the Agency a Certificate of Need application for the establishment of Computed Tomography (CT) and Magnetic Resonance Imaging (MRI) services at 1029 Kapahulu Avenue, Honolulu, Hawaii, at a capital cost of \$7,070,927. (the "Proposal"). On September 22, 2006, the applicant submitted additional information. On November 2, 2006, the application was determined to be complete. For administrative purposes, the Agency designated the application as Cert. #06-23.

5. The period for Agency review of the application commenced on November 3, 2006, the day notice was provided to the public pursuant to 11-186-39 HAR.

6. The application was reviewed by the Certificate of Need Review Panel at a public meeting on November 16, 2006. The Panel voted 7 to 0 in favor of recommending approval of the application.

7. The application was reviewed by the Statewide Health Coordinating Council at a public meeting on December 7, 2006. The Council voted 7 to 0 with one abstention in favor of recommending approval of the application.

8. The application was reviewed by the Oahuwide Certificate of Need Review Committee at a public meeting on December 14, 2006. The Committee voted 5 to 0 in favor of recommending approval of the application.

9. This application was reviewed in accordance with Section 11-186-15, HAR.

10. Pursuant to Section 323D-43(b), HRS:

"(b) No Certificate shall be issued unless the Agency has determined that:

- (1) There is a public need for the facility or service; and
- (2) The cost of the facility or service will not be unreasonable in the light of the benefits it will provide and its impact on health care costs."

11. Burden of proof. Section 11-186-42, HAR, provides:

"The applicant for a certificate of need or for an exemption from certificate of need requirements shall have the burden of proof, including the burden of producing evidence and the burden of persuasion. The degree or quantum of proof shall be a preponderance of the evidence."

II

FINDINGS OF FACT

A. **REGARDING THE RELATION OF THE PROPOSAL TO THE STATE HEALTH SERVICES AND FACILITIES PLAN (HAWAII HEALTH PERFORMANCE PLAN) OR "H2P2"**

12. The applicant states that "The proposed radiology facility will advance the H2P2's goals by improving coordination of the care now given to residents of East Oahu. The doctors' office complex of which the proposed radiology facility will be a part (sic) will include a wide range of physician and medical support services... The proposed radiology facility will work with other service providers in the complex to provide seniors and low-income families in surrounding neighborhoods improved access to coordinated and comprehensive care. Efficient, effective and easily accessible diagnostic imaging services are essential to permit the center's doctors to provide timely diagnosis and treatment, as well as to monitor the progress of therapy, thereby reducing morbidity and pain, reducing the effects of chronic disease, and improving health related quality of life."

13. The applicant states that "...the State Health Planning and Development Agency's ('SHPDA') 2004 Health Care Utilization Report indicated that all of the CT units on Oahu were being utilized above the threshold rate for initiation of new service, with the single exception of Koolau Radiology, which is operated on the campus of Queens Medical Center."

14. The applicant states that "Date (sic) reported for MRI utilization for 2004 shows that the island's MRI units are also operating at the threshold levels for new MRI service set by the H2P2, with a single exception that, in 2004, was very near the threshold level."

15. The applicant states that "The statewide values and priorities listed in Chapter III include accountability, comprehensiveness, increased access to cost-effective health care services and supporting locally developed initiatives and decision-making/resource allocation done at the local level, to the greatest degree possible. One priority of the Honolulu Subarea is increasing geriatric care services for the growing elderly population. The proposed imaging facility will advance these values and priorities by providing an essential service to the locally developed integrated care model that will be in operation at the Kapahulu facility..."

16. The Agency finds that this criterion has been met.

B. REGARDING NEED AND ACCESSIBILITY CRITERIA

17. The applicant states that "...the State Health Planning and Development Agency's ('SHPDA') 2004 Health Care Utilization Report indicated that all of the CT units on Oahu were being utilized above the threshold rate for initiation of new service, with the single exception of Koolau Radiology, which is operated on the campus of Queens Medical Center."

18. The applicant states that "Date (sic) reported for MRI utilization for 2004 shows that the island's MRI units are also operating at the threshold levels for new MRI service set by the H2P2, with a single exception that, in 2004, was very near the threshold level."

19. The applicant states that both CT scanning and MRI utilization on Oahu has increased since 2000 in terms of both the total number of procedures done each year and the number of procedures performed per 1000 population.

20. The applicant states that in 2004, the number of CT and MRI procedures done on Oahu were 134,383 (CT) and 58,985 (MRI) and the number of procedures per 1000 population were 149.4 procedures/1000 (CT) and 65.6 procedures/1000 (MRI).

21. The applicant states that the number of procedures per 1000 population has increased about 10.1% annually for CT utilization and 11.1% annually for MRI utilization during the period from 2002 to 2004.

22. The applicant projects that, based upon an average 10.1% annual increase in CT utilization and an average 11.1% annual increase in MRI utilization during the period from 2002 to 2004, the utilization per 1000 population will increase to 181.1 procedures/1000 population for CT and 81 procedures/1000 population for MRI in 2007.

23. The applicant further projects that demand on Oahu will exceed supply in 2006 by approximately 17,000 CT procedures and 4,985 MRI procedures and that these gaps will continue to widen as population and utilization rise.

24. The applicant states that "Acculmaging will be available to all patients who need services based upon physician referral and order establishing the medical necessity of the requested procedure. Services will be provided without

discrimination based on race, ethnicity, income, religion, gender or any other unlawful category."

25. The Agency finds that the proposal meets the need and accessibility criteria.

C. REGARDING QUALITY AND LICENSURE CRITERIA

26. The applicant states that "All Radiologists will be licensed by the State of Hawaii and certified by the American Board of Radiology. All technologists will be certified by the American Registry of Radiologic Technologists, be certified as CT or MRI technologists as appropriate, and have required State licensure.... Radiologists and technologists will be expected to meet or exceed all state and national registry requirements for continuing medical education (CME)."

27. The applicant states that "Services at Acculmaging will be provided by RA Radiologists, all of whom are board certified by the American Board of Radiology in Diagnostic Radiology."

28. The applicant states that "RA has provided radiology services to numerous health care institutions in Hawaii since 1970, including Kahuku Hospital, Kwajalein Hospital, Molokai General Hospital, Queens Medical Center, Waianae Comprehensive Health Care Center and Shriner's Hospital, and the administrators of these facilities have attested to the quality of services provided."

29. The applicant states that it will also be accredited by and adhere to the Standards of the American College of Radiology.

30. The Agency finds that the quality and licensure criteria have been met.

D. REGARDING THE COST AND FINANCIAL CRITERIA

31. The applicant states that the capital required for the project will be \$1,978,650 for construction costs, \$3,050,000 for fixed equipment and \$268,845 for movable equipment and that the project will be financed by GE Healthcare Financial Services.

32. The applicant states that "The net operating revenue for the first year of operation is projected at \$1,600,265 and operating expenses for the same period are projected at \$1,982,128, resulting in an operating loss of \$381,863. By the third year of operation, operating revenue is expected to increase to \$2,466,134 with total expenses projected at \$2,261,512 resulting in net income of \$204,622."

33. The applicant states that "By improving the complex's primary care physicians' effectiveness in detecting and treating such chronic health problems as heart disease and stroke in a timely manner, the proposed facility will help patients avoid more costly treatment and nursing home care that may be needed if these chronic health problems are allowed to go untreated.

34. The Agency finds that the cost and financial criteria have been met.

E. REGARDING THE RELATIONSHIP OF THE PROPOSAL TO THE EXISTING HEALTH CARE SYSTEM OF THE AREA

35. The applicant states that "...there is an identified need for better coordinated and more comprehensive care in the neighborhoods in close proximity to the new medical complex, particularly among elderly and low-income residents. The proposed imaging facility will improve access to effective diagnostic services and facilitate timely treatment of less serious health problems at the urgent care clinic, rather than at more costly hospital emergency rooms, as well as provide an alternative to delaying treatment, which often results in the development of more serious health conditions for the working poor."

36. The Agency finds that the applicant has met these criteria.

F. REGARDING THE AVAILABILITY OF RESOURCES

37. The applicant states that the capital required for the project will be \$1,978,650 for construction costs, \$3,050,000 for fixed equipment and \$268,845 for movable equipment and that the project will be financed by GE Healthcare Financial Services.

38. The applicant states that "The Radiology Technology program at Kapiolani Community College ('KCC') on Oahu graduates 20 new technologists each year, and KCC's new Radiology Technology program at the University of Hawaii Hilo Campus graduates 13 students each year... RA also has contacts with a mainland recruiting firm that is prepared to place both permanent and traveling Radiology Technologists at the new imaging center if local recruiting efforts are not successful."

39. The Agency finds that the applicant has met this criterion.

III

CONCLUSIONS OF LAW

Having taken into consideration all of the records pertaining to Certificate of Need Application No. 06-23 on file with the Agency, including the written and oral testimony and exhibits submitted by the applicant and other affected persons, the recommendations of the Oahuwide Certificate of Need Review Committee, the Certificate of Need Review Panel and the Statewide Health Coordinating Council and based upon the findings of fact contained herein, the Agency concludes as follows:

The applicant has met the requisite burden of proof and has shown by a preponderance of the evidence that the Proposal meets the criteria established in Section 11-186-15, HAR.

Accordingly, the Agency hereby determines that, pursuant to Chapter 323D-43(b):

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

ORDER

Pursuant to the findings of fact and conclusions of law contained herein, IT IS HEREBY DECIDED AND ORDERED THAT:

The State Health Planning and Development Agency hereby APPROVES and ISSUES a certificate of need to Acculmaging Kapahulu, LLC for the proposal described in Certificate Application No. 06-23. The maximum capital expenditure allowed under this approval is \$7,070,927.

WRITTEN NOTICE

Please read carefully the written notice below. It contains material that may affect the Decision on the Merits. The written notice is required by Section 11-186-70 of the Agency's Certificate of Need Program rules.

The decision on the merits is not a final decision of the Agency when it is filed. Any person may request a public hearing for reconsideration of the decision pursuant to Section 11-186-82 HAR. The decision shall become final if no person makes a timely request for a public hearing for reconsideration of the decision. If there is a timely request for a public hearing for reconsideration of the decision and after the Agency's final action on the reconsideration, the decision shall become final.

(Note, pursuant to Chapter 323D-47, Hawaii Revised Statutes, a request for reconsideration shall be received by the Agency within ten working days of the state agency decision.)

DATED: January 19, 2007
Honolulu, Hawaii

HAWAII STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY



David T. Sakamoto, M.D.
Administrator

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the attached Decision on the Merits, including findings of fact, conclusions of law, order, and written notice, 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 January 19, 2007.

Jeffrey Yu, M.D.
Manager
Acculmaging Kapahulu, LLC
500 Ala Moana Boulevard, Tower 4, Suite 510
Honolulu, HI 96813

HAWAII STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY



David T. Sakamoto, M.D.
Administrator