



STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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February 18, 2015

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Scott Halliday
President
National Medical Development, Inc.
5001 N.E. 25th Avenue, Suite 202
Seattle, WA 98105

Dear Mr. Halliday:

The State Health Planning and Development Agency (the "Agency") has evaluated Certificate of Need application #14-17A from Hawaii PET Imaging, L.L.C. (the "applicant"), a for-profit limited liability corporation, for the expansion of its Positron Emission Tomography (PET) services to 98-1247 Kaahumanu Street, Suite 109/111, Aiea, Hawaii, at a capital cost of \$2,100,000 (the "Proposal").

1. Pursuant to Title 11, Chapter 186 of the Hawaii Administrative Rules (HAR), the Agency has determined that this proposal is eligible for administrative review as it meets the criterion in Subsection 11-186-99.1(b) (5), i.e.: "An additional location of an existing service or facility."
2. The applicant states that "Hawaii PET Imaging, L.L.C. ('HPI') seeks approval to add an additional Central/West Oahu outpatient PET facility location to our existing service located in downtown Honolulu. This new outpatient PET Facility will improve needed access to PET for Central/West Oahu residents and healthcare providers."
3. The applicant states that "This investment is in an additional PET, continuing our commitment to provide the best in imaging services to Hawaii's population. **Regarding the Quality of the new PET;**

From the manufacturer:

The Discovery 610 PET/CT is the most sensitive scanner on the market which means that it is the industry leader in radiation dose efficiency for PET. In fact the scanner is up to twice as dose efficient as compared to many of the products from our competition. This allows you to reduce the amount of FDG you inject per scan and thereby decrease the radiation burden for the patient. In addition the D610 was just recently launched and supports the new QSuite features. These features dramatically improve the quantitative accuracy of the final PET image. This is important in expanding the role of PET into increased utilization for mid treatment therapy response. Determining if the treatment is working has potential implications for both overall health economics and improved outcomes. This system also supports ASiR CT dose reduction."

4. The applicant states that “HPI facilities were one of first to seek and receive accreditation by the American College of Radiology and all HPI facilities are licensed by the State of Hawaii. This new outpatient facility will again seek the same accreditation, continuing our commitment to quality.”
5. The applicant states that “Our radiologists are **all certified by the American Board of Radiology** and are licensed physicians in Hawaii.”
6. The applicant states that “Our technologists are **each certified by the American Registry of Radiologic Technologists and licensed by the State of Hawaii.**”
7. The applicant states that “The facility will operate, as all HPI facilities, in accordance with all applicable state and federal guidelines and the standards of the American College of Radiology which require adherence to extensive policies and procedures to insure the quality and safety of patient care.”
8. The applicant states that “HPI currently employs extra technical staffing (including those in training) to enable us to provide full time PET services including staffing this added PET.”
9. The applicant states that “There is not any need for additional resources as HPI will internally finance the operation with existing internal resources of cash and reserves.”
10. The applicant states that “HPI projects to lose money in the early years, however we feel this is truly a needed service for the area and that the projected conservative, eventual growth, will suffice to bring this unit to profitability.”
11. In written testimony dated February 5, 2015, Jen Chahanovich, Chief Executive Officer of Pali Momi Medical Center states “The addition of capital intensive services such as PET-CT by a stand-alone for-profit provider will jeopardize the ability to recover the capital investments already made and compromise the future viability of existing not-for-profit hospitals which serve as the safety net for our community's most critical service needs. Approval of this application will significantly compromise the ability of the neighboring hospitals to provide the most critical service needs to our community. This application will further fragment care and pull profitable services out of an integrated acute care setting, negatively impacting the viability of area hospitals, including Pali Momi, Wahiawa General, and Queen's Medical Center-West Oahu.”

12. In her written testimony, Ms. Chahanovich also states "In order to assure access to care for all patients - both insured and uninsured - the challenge to any not-for-profit hospital is to rely on its ability to subsidize the unprofitable services it provides with the few remaining profitable services it can perform. When a hospital is not able to rely on those profitable services - such as outpatient imaging - the results can be catastrophic, as demonstrated in the closure of Hawai'i Medical Centers."

Conclusions and Order

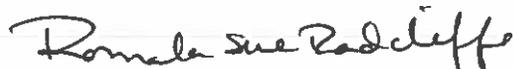
The Agency finds that the Proposal meets the certificate of need criteria in HAR 11-186-15(a) (5) - (8) inclusive, and HAR 11-186-15(a)(12). The criterion in HAR 11-186-15(a)(2) is not applicable to this Proposal.

However, the Agency finds that the applicant has not proven by a preponderance of the evidence that its Proposal meets the criterion in HAR 11-186-15(a)(10), namely, "The relationship of the proposal to the existing health care system of the area." Having taken into consideration the records pertaining to the criterion in HAR 11-186-15(a)(10), including application #14-17A on file with the Agency, all of the oral and written testimony, exhibits and related filings submitted by the applicant and other affected persons, the Agency finds that the Proposal is likely to have a negative impact on the existing health care system of the area.

Accordingly, the State Health Planning and Development Agency hereby **DISAPPROVES** and **DENIES** a Certificate of Need to Hawaii PET Imaging, L.L.C. for the Proposal described in Certificate of Need application #14-17A.

As the Proposal fails to meet the criterion in HAR 11-186-15(a) (10), it is not necessary for the Agency to make any findings as to the application's relationship to the remaining criteria [HAR 11-186-15(a) (1), (3), (4), (9), and (11)].

Please be advised that pursuant to Section 323D-47, HRS 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.



Romala Sue Radcliffe
Administrator