

HAWAI TATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION - CE	RTIFICATE OF NEED PROGRAM
Application Number: # /2-/2A To be assigned by Agen	Date of Receipt:
	APPLICANT PROFILE
Project Title: Expansion of Magnetic Res	sonance Imaging (MRI) services
Project Address: 94-229 Waipahu Depo	t Road, Suite 101, Waipahu, Hawaii
Applicant Facility/Organization: Hawaii P	ET Imaging, L.L.C.
Name of CEO or equivalent: Scott Hallid	ay
Title: President, National Medical Develo	pment, Inc., Majority Owner, Hawaii PET Imaging, L.L.C.
Address: 5001 N.E. 25 th Avenue, Suite 2	202, Seattle, WA 98105
Phone Number: 206-272-3580 Fax Nu	mber: 206-272-3588
Contact Person for this Application: same	e as above
Title:	
Address:	
Phone Number:	Fax Number:
CERT	TIFICATION BY APPLICANT
contained herein. I declare that the	pplication and have knowledge of the content and the information project described and each statement amount and supporting to the best of my knowledge and belief.
	5-15-2012
Signature	Date
Scott Hallidan	Res. NMDT

Certificate of Need Administrative Application July 2009

Name (please type or print)

Title (please type or print)

1.	TYPE OF ORGANIZATION: (Please check all applicable)		
	Public PrivateX_ Non-profitX 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: 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 By-Laws - Partnership Agreements - Tax Key Number (project's location) -TMK: (1) 9- 4-14-14 		

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				Х	
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 C	Costs:	AMOUNT:
1.	Land Acquis	sition	
2.	Construction	n Contract	\$600,000_
3.	Fixed Equip	ment*	\$1,900,000_
4.	Movable Eq	uipment	
5.	Financing C	costs	
6.		Value of assets acquired by donation, etc.	\$_100,000_
7.	Other:		
		TOTAL PROJECT COST:	\$2,600,000
B. Sou	rce of Funds		\$2,600,000
B. Sou 1.	rce of Funds Cash		\$2,600,000 \$ 200,000
		;	
1.	Cash	priations	
1. 2.	Cash State Appro	priations	
1. 2. 3.	Cash State Appro Other Grant	priations	

TOTAL SOURCE OF FUNDS: \$2,600,000_

^{*} Although the enclosed initial quote has a higher price, our experience has been that our final pricing is correct at approx \$1,900,000 (our recent purchase of a 3T OPEN type GE MRI for Maui Diagnostic Imaging was at a price of \$1,800,000).

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. The service to be added is a 3T OPEN type MRI to be located at 94-229 Waipahu Depot Road, Suite 101, Waipahu. Hawaii

This addition is in response to multiple requests by local physicians and their patients, for our high level of outpatient 3T OPEN type MRI services for the West Oahu community, because patients and physicians are now transporting to our downtown Honolulu facility to receive acceptable levels of imaging services.

- 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, June 1, 2012
 - b) Dates by which other government approvals/permits will be applied for and received, August 1, 2012
 - c) Dates by which financing is assured for the project,-February 1, 2012
 - d) Date construction will commence,-September 1, 2012
 - e) Length of construction period, 12 weeks
 - f) Date of completion of the project,-December 1, 2012
 - g) Date of commencement of operation-January 1, 2013

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 an additional MRI (specifically the new advanced, 3T "OPEN" type) to our existing service. This additional MRI is in response to numerous patient and physician requests for the same high level, outpatient, 3T MRI services that we currently provide in Honolulu. It is also in response to the recent closing of the only MRI in the west end of Oahu, at Hawaii Medical Center-West ("HMC-West") and the many calls for MRI services from HMC-West area physicians located in or near HMC-West. In addition, this will be the only 3T OPEN type MRI in an outpatient setting, in West Oahu, providing the highest quality MRI access to all types of patients, especially those that require more space in an MRI due to size, disability, or difficulties with current small bore MRIs.

HPI has been operating our current MRI for approx 5 years and we have experienced increasing demands, especially for the new 3Tesla OPEN type MRI comfort and higher quality of scans. This new MRI provides patients with shorter scan times (increased comfort) due to the higher field strength (double that of the usual 1.5 MRIs), but in an OPEN type MRI, again, more comfortable, and better able to accept larger patients and those requiring more room due to physical or emotional needs.

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

Our application answers several of the West Oahu SAC Priorities. Specifically, to "improve and increase access... to routine outpatient diagnostic services". We submit that MRI is a routine outpatient service and with the closing of the only West Oahu MRI (mobile), it is more important than ever that HPI locate this highly advanced MRI in West Oahu to improve and increase access to MRI services.

Consistent with another of the West Oahu SAC Priorities, this new MRI will also provide services and increased access to all persons, especially the elderly, low income persons, racial and ethnic minorities, women, persons with disabilities and other underserved groups, including the uninsured and underinsured, that have possibly the most difficulty traveling to obtain these needed MRI services elsewhere.

This new OPEN type 3T MRI answers another of the West Oahu SAC Priorities by: "Promoting the long term viability of the health care delivery system" - thru the provision of needed, more versatile and capable MRI services in West Oahu it will provide services that allow many physicians to maintain their offices in the area instead of being forced to re-locate their offices toward Honolulu.

According to the HSFP "For expansion of existing units/services, the providers utilization is an average of at least 3,200 MRI procedures per year per unit."

HPI is currently performing in excess of 6,000 procedures per year on our existing 3Tesla MRI, and our second MRI is not yet in service so it is not yet in excess of the threshold requirements.

According to HSFP,

"It is recognized that some service areas may not meet the required threshold for a health care service. Sub-optimum utilization may be proposed if the benefits clearly outweigh the costs to the community of duplicating or under-using services, facilities, or technologies. Benefits are defined as the form of improved access for the service area(s) population combined with significant improvement in quality and/or significant reduction in cost to the public.

☐ Incorporate current and be	st clinical practices;
☐ Allow for the cost-effective	introduction of modern technology to replace existing
technology;	•
☐ Address the documented n design on statistical generalized	eeds of an actual population rather than basing care zations;
☐ Create opportunities for priquality or cost-effectiveness	ce reduction through competition, without sacrificing of care; and
☐ Encourage innovation in imenhancing a community's he	proving health care services that contribute to alth status."

Our proposal recognizes that while our current operating MRI is performing in excess of 6,000 procedures annually, our second MRI is not yet in service and therefore the placement of this third MRI in a different service area, requires that this application meet the "sub-Optimization" requirements. Specifically, according to HSFP "Sub-optimum utilization may be proposed if the benefits clearly outweigh the costs to the community of duplicating or under-using services, facilities, or technologies. Benefits are defined as the form of improved access for the service area(s) population combined with significant improvement in quality and/or significant reduction in cost to the public."

The placement of this new MRI will <u>substantially improve access</u> to this needed service by <u>reducing travel</u> to alternative out of area, MRIs, and by <u>offering current same day appointments</u>. The OPEN type MRI also improves access to MRI services to larger patients and those requiring more space due to physical limitations and difficulty in being in the typical "closed bore" MRI tunnel (claustrophobia is a typical reason many patients cannot have an MRI in the old Small Bore type systems).

This particular OPEN type 3T MRI is the most technologically advanced currently produced by GE which will be a <u>substantial improvement in MRI quality</u> for the West Oahu residents over the old mobile MRI that used to operate in the area. It can

perform scans at faster rates than a 1.5 MRI, and has many capabilities not available on older MRIs.

Consistent with HSFP to "Allow for the cost-effective introduction of modern technology to replace existing technology", our MRI services are under contract with all the major payors including Medicare, Medicaid, and HMSA. There is not any difference in rates paid to an older 1.5 MRI vs. this new, much more expensive and capable 3T OPEN Type MRI. Therefore there is truly no "cost" to the community for this advance in technology and services. However, the elimination and or reduction in travel times to other more distant MRIs, not located in the Service Area of West Oahu, is a significant reduction in costs to the public for these MRI services.

We submit that our application for this OPEN Type 3T MRI meets the requirement to "Incorporate current and <u>best clinical practices;</u>" because the Latest in MRI technology and patient comfort in the OPEN type 3T MRI located in a comfortable office setting, does incorporate "current and best clinical practices":

We believe that having this most advanced MRI at this location is in keeping with the "Create opportunities for price reduction through competition, without sacrificing quality or cost-effectiveness of care" because the higher tesla (power) of this particular MRI allows for shorter scan times, thereby allowing our facility to eventually accept lower reimbursements due to less cost per patient. Clearly, being the most advanced MRI in the area at the time of opening, demonstrates that we are not sacrificing quality of care.

b) Need and Accessibility

Today, there is a real need created by the closure of the HMC West MRI facility (according to HMC administration, the MRI was completely closed on December 24th, 2011). Our proposal addresses the need to re-start this service, but with the most advanced and more versatile technology with the ability to serve larger patients, which will assist area physicians in obtaining faster diagnosis and therefore treatment, and provide a needed service that area residents can rely on and know they are no longer required to drive large distances to receive care. There is a true "need" for this service to continue and in an outpatient setting; it provides patients with much improved access over the old mobile MRI.

Today, HPI is performing in excess of 6,000 MRI procedures and receiving increasing requests for West Oahu MRI patient services. While the old HMC-West MRI was not fully utilized due to its trailer location, patient and physician confidence issues surrounding the bankruptcy of HMC, and its technological obsolescence, we therefore project that a more patient friendly office setting with a more capable, and truly versatile OPEN type 3T MRI will provide needed services and reach threshold volumes within two years.

HPI, with the addition of Dr. Stephen Holmes, a prominent Oahu Neuroradiologist who has a strong physician following in advanced High Field MRI, experienced

substantial increases in West Oahu referrals and requests for his specialty, and the usage of our current 3T MRI. HPI has had to turn away many patients that were sent to Dr. Holmes and our 3T MRI due to our current capacity issues, prior to the closure of the HMC-west MRI facility. This has many patients settling for inferior tesla strength MRI, experiencing increased waiting times at other facilities (which might negatively affect their diagnosis), and often patients that simply cannot fit in the typical smaller bore MRIs, possibly not getting MRI services. The advancements in MRI technology have now made the 3T OPEN MRI the "standard" for complex and intricate studies (especially for larger patients and those needing extra room) and West Oahu is in need of such advanced diagnostic equipment for those residents as it lacks even basic MRI services today.

Our service area will be West Oahu, including Waianae.

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

This investment in 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:

The newly designed **MR750w** System was designed for the **Human element**. A Friendly environment for the patients and technologist's with the most advanced technology to deliver the image quality for today's applications as well as ready for tomorrows innovations.

- 1. Largest FOV (50cm) available on the Islands to accommodate a variety of patients up to 500lbs.
- 2. **Comfort Pads** and **Flexible coils** allow **easier positioning/scanning** for Children and Geriatric patients.
- 3. The large bore (70cm) and comfort tilt features help to accommodate Kyphotic, Claustrophobic and reduced mobility patients.
- 4. Advanced technologies deliver better image quality, motion resistant imaging to help reduce sedation rates and improve diagnostic confidence.
- 5. The unique dockable table design allows for feet first scanning on virtually every patient which further reduces patient anxiety.

The 70cm 3T wide bore system with a full 50cm FOV will allow HAII to scan large, claustrophobic patients in addition to the normal patient size population. No outpatient center in Hawaii has this capability currently.

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

(16) Channel Flexible Musculoskeletal Coils with the 3T will provide the highest image quality as well as patient comfort for Shoulder, Knee, Wrist, Hand, Foot and Ankle studies for orthopedic patients.

Advanced Applications such as Functional MRI can be done on the MR750w. There are currently no Outpatient Wide Bore 3T sites in Hawaii that offer this service. The In Room Operators Console, GEM Express Table and Express Exam workflow combine to provide the highest levels of productivity, consistent image quality and patient comfort to make the initial and follow up exams more consistent for every patient.

HPI shall utilize our existing high quality 3T MRI staff and radiologists to provide the staffing at the new location and to acquire and train new technologists (with the closures of HMC –East and HMC – West, HPI has already hired extra technologists). We have several new technologists currently in training on GE 3T MRIs today and do not foresee any difficulty in future technologist acquisition and training, especially in advance of the opening of this facility.

Our radiologists currently provide regular services both on site and thru teleradiology to our facilities on Oahu and Maui, and even to patients on the mainland, so the ability to utilize advanced teleradiology to provide readings and reports, while not being on location is a benefit to our patients and referring physicians. We do also staff each location with a qualified physician to comply with Medicare regulations and standards of medical care.

The HPI Honolulu facility is one of few already accredited by the American College of Radiology and licensed by the State of Hawaii. This new outpatient facility will seek the same accreditation, continuing our commitment to quality. Our radiologists, Dr. Stephen 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. Our technologists are each 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 will operate, as all HPI facilities, 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 will include 2.O 3T MRI technologists.

The technical staff-to-patient ratio is 2 to 1. The technologists are with each patient at all times while a procedure is being performed. We also will 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 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.

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	1800 MRIs	\$900,000	\$1,200,000	\$-300,000
Year two	2600 MRIs	\$1,300,000	\$1,225,000	\$ 75,000
Year three	3200 MRIs	\$1,600,000	\$1,250,000	\$350,000

e) Relationship to the existing health care system

The addition of this Most Advanced High Field OPEN type MRI is in response to current capacity and demand issues we are receiving from West Oahu residents and physicians, and the closure of the HMC-West Oahu MRI, so this addition will not have any significant impact on the existing healthcare system.

Our new 3T OPEN will bring many capabilities (listed above) to the West-Oahu Healthcare system that currently don't exist. 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 extra technical staffing (including those in training) to enable us to provide full time MRI services including staffing this added MRI. We have technologists in training on the GE 3T MRI in expectation that our volumes will continue to increase. Our technologists are all highly trained 3T MRI technologists 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. If we need more staffing at the West Oahu facility, we have also received numerous requests for employment from technical staff recently terminated by HMC-West.

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.

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.	
	X	It is an additional location of an existing service or facility.	
	x	The applicant believes it will not have a significant impact on the 'health care system.	