

HAWAI'I STATE HEALTH PLANNING AND DEVELOPMENT AGENCY RECEIVED

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STANDARD APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: # 12-15	ST HLTH PLNG & DEV. AGENCY Date of Receipt:
To be assigned by Agency	Date of Receipt.
APPLI	CANT PROFILE
Project Title: Establishment of an ambulatory supposedures	urgery center limited to ophthalmologic
Project Address: 1600 Ala Moana Blvd., Comm	1 4 2
Honolulu, Hawaii 96815	
Applicant Facility/Organization: Yacht Harbor A	SC, LLC
Name of CEO or equivalent: Michael D. Benne	ett
Title: President	
Address: 1620 Ala Moana Blvd, Suite 500, Hor	nolulu, HI 96815
Phone Number: <u>(808)</u> 955-0255	Fax Number: <u>(808) 955-4155</u>
Contact Person for this Application: Paul Sible	
5	
Address: <u>Ala Moana Blvd, Suite 500, Honolul</u>	<u>u, HI 96815</u>
Phone Number: <u>(808) 955-0255</u>	Fax Number: <u>(808) 955-4155</u>
CERTIFICAT	TION BY APPLICANT
	on and have knowledge of the content and the information described and each statement amount and supporting best of my knowledge and belief.
	April 17, 2012
Signature	Date
Paul Sibley	CFO
Name (please type or print)	Title (please type or print)

Certificate of Need Standard Application July 2009

Page 1 of 9

REPLACEMENT PAGE

1.	TYPE OR ORGANIZATION: (Please check all applicable)
	Public Private X 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)
	Please see Attachment 1 includes: Assignment Agreement, Site Map and Floor Plan
	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.)
	City and County of Honolulu – Building Permit Department of Health – Licensure and Medicare Certificate Drug Enforcement Agency / Narcotics Enforcement Division – Narcotic Registration

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

Yacht Harbor ASC a LLC whose sole member is Dr. Michael Bennett, 100% owner of Retina Institute of Hawaii (RIH). Below are the officers of RIH and Yacht Harbor ASC.

Yacht Harbor ASC, LLC Effective April 17, 2012

Michael Bennett, MD & President

1620 Ala Moana Blvd, Suite 500

Honolulu, HI 96815 (808) 955-0255

Robert Egbert, COO

1620 Ala Moana Blvd, Suite 500

Honolulu, HI 96815 (808) 955-0255

C. Paul Sibley, CFO

1620 Ala Moana Blvd, Suite 500

Honolulu, HI 96815 (808) 955-0255

- D. If you have filed a Certification of Need Application this current calendar year, you may skip the four items listed below. All others, please provide the following:
 - Articles of Incorporation
 - o Please see Attachment 2
 - By-Laws / Operating Agreement
 - o Please see Attachment 2
 - Partnership Agreements
 - Not applicable
 - Tax Key Number (project's location)
 - o The Tax Key Numbers for the property are
 - **23036039:0001**
 - 23036039:0002
- 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 ownership	Change in service/ establish new service/facility	Change in Beds
Inpatient Facility						
Outpatient Facility					Х	
Private Practice						**

5.	TOTAL CAPITAL COST:	\$2,868,464	 	

6. **BED CHANGES.** Please complete this chart only if your project deals with a change in your bed count and/or licensed types. Again, this char in the chart for 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.

	<u> </u>	12 #M 14 AO -21			
Type of Bed	Current Bed Total	Proposed Beds for your Project	Total Combined Beds if your Project is Approved		
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ТО	ΓAL				

7. CHANGE IN 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 consult 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.

Establishment of an ambulatory surgery center limited to ophthalmologic procedures

Reference § HAR 11-186-5(3)(C)

8. PROJECT COSTS AND SOURCES OF FUNDS (For Capital Items Only)

Α.	List A	All Project Costs:	AMOUNT:		
	1.	Land Acquisition	\$1,300,000		
	2.	Construction Contract	806,000		
	3.	Fixed Equipment	500,000		
	4.	Movable Equipment	250,000		
	5.	Financing Costs	12,464		
	6.	Fair Market Value of assets acquired by lease, rent, donation, etc.	0		
	7.	Other:			

TOTAL PROJECT COST:

\$2,868,464

B. Source and Method of Estimation

Describe how the cost estimates in Item "A" were made, including information and methods used:

Land and building cost are based on the acquisition price. Construction costs are based on preliminary quotes from the consultant. Equipment costs are based on RIH's staff experience with more than 30 years of working in the operating room, and well as local market ASC data.

Sour	AMOUNT:		
1.	Cash		\$ 1,868,464
2.	State Appropriations		
3.	Other Grants		
4.	Fund Drive		
5.	Debt		1,000,000
6.	Other:		
	TOT	AL SOURCE OF FUNDS:	\$ 2868464

- 9. **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: April 6, 2012
 - b) Dates by which other government approvals/permits will be applied for and received, Building permit applied for: <u>To be applied for in May 2012</u> Building permit received: <u>Expected in August 2012</u>
 - c) Dates by which financing is assured for the project: April 15, 2012
 - d) Date construction will commence: June 1, 2012
 - e) Length of construction period: <u>4 months</u>
 - f) Date of completion of the project: September 2012
 - g) Date of commencement of operation: October 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.

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- 10. 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 Hayzai'i in 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 One Breitein
 - f) Availability of Resources

Executive Summary

Yacht Harbor ASC, LLC is a sole member LLC, whose sole member is Dr. Michael Bennett. Yacht Harbor ASC has acquired the property and will complete all required construction, equipment purchases and other occupancy related costs. The financial information for RIH is included in the required documentation as the parent company of Yacht Harbor ASC, LLC.

Founded in 2001, the RIH is equipped with state-of-the-art diagnostic equipment and laser treatment facilities, which are used to treat macular degeneration, diabetic retinopathy, retinal detachment, retinitis, uveitis, ocular tumors and other eye conditions. The focus is on preventing, suspending or reversing vision loss. Patient care is at the forefront of the RIH. Doctors and staff work to instill a sense of personal responsibility in a patients' care and the importance of teamwork in yielding the best possible outcome. RIH operates seven clinics across the state with a dedication and proven history of serving all of Hawaii's patients, regardless of their ability to pay.

The Yacht Harbor ASC will provide a state-of-the-art center to deliver the highest standard of care adjacent to the RIH headquarters on Ala Moana Blvd. keeping the patient at the center of coordinated care. In addition to the excellent care provided to patients across Oahu, Yacht Harbor ASC will provide the first in Hawaii stem cell therapy and retinal pigment epithelium transplant continuing to improve the quality outcomes of patients and provide Hawaii's health care delivery system the highest quality and best technology for improved outcomes. These procedures are already being offered on the mainland, and Dr. Michael Bennett is the only ophthalmologist in Hawaii to provide these surgical procedures. These new technologies offer hope of sight to those who would otherwise be blind.

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

The proposed ASC will enter into a required collaborative agreement with Queen's Medical Center, and in the event that one of its patients requires hospitalization, the ASC's professional staff will coordinate the transfer of the patient to Queen's Medical Center, see Attachment 3. Also, the proposed ASC will enter into a relationship with Dr. Bill Montania for anesthesia professional services, see Attachment 3.

Yacht Harbor ASC, LLC will advance the Statewide Health Coordinating Council's (SHCC) priorities by providing the care for all residents to address access concerns and to serve a growing population of residents over the age of 65 and also a growing

diabetic population, both of which experience a higher rate and risk for vision impairment.

b) Need and Accessibility

According to the CDC, more than 3.3 million Americans 40 years and older are either legally blind or are with low vision in the better-seeing eye, excluding those who were categorized as being blind. The leading causes of blindness and low vision in the United States are primarily age-related eye diseases such as age-related macular degeneration, cataract, diabetic retinopathy, and glaucoma. As Hawaii's average age increases, the risk of developing vision impairments also increases with age. According to the Census Bureau, Hawaii's 2011 population estimate is 1.4 million of which 48.1% are 40 years and older over more than 650,000 Hawaii residents. The CDC's Vision Health Initiative conducts a behavioral risk factor surveillance survey across 12 states. Per the survey, approximately 33% of adults over 40 did not have an eye visit in the last year. Some key statistics from the survey include: up to 41% of those over 40 reported near vision impairment, up to 20% reported distance visual impairment, on average 20% diagnosed diabetes reporting diabetic retinopathy and on average 4% reported age-related macular degeneration. Age-related macular degeneration is the leading cause of permanent impairment of reading and fine or close-up vision among people aged 65 years and older

Additionally, Hawaii has an aging population that exceeds the national average. Again per the Census Bureau, Hawaii's 65 and older population represents 14.3% of our state's total compared with only 13.0% nationally, and this trend is increasing.

Based on the CDC Vision Health Initiative and the Census Bureau's population statistics, the following Hawaii populations would be at risk of some form of vision impairment:

CDC Risk Factor	Population Range		Total Related Population		Percentage of at Risk Population	Potential at Risk Population	
	Hawaii	Oahu	Hawaii	Oahu		Hawaii	Oahu
Near vision impairment					Approx. 41%	268,174	187,918
No eye exam in prior year	40 and older	654,082	458,336	Approx. 33%	215,847	151,251	
Distance visual impairment				Up to 20%	130,816	91,667	
Diabetic retinopathy				Up to 20%	130,816	91,667	
Age-related macular degeneration					Approx. 4%	26,163	18,333

http://quickfacts.census.gov/qfd/states/15000.html

The National Commission on Prevention Priorities has identified vision screening among adults aged 65 years and older as one of the top 10 priorities among effective clinical preventive services. Early detection and timely treatment of eye conditions such as diabetic retinopathy has been found to be efficacious and cost effective.

Over the next decade as Hawaii's population continues to grow and age, the demand for ophthalmologic services will continue to increase. Combined with the above data from CDC, this continued growth in the mand along with current demand will place added pressure on Hawaii's health care delivery system and the quality of life for Hawaii's residents.

72 JUN 14 A9 31

The number of extrapolated residents requiring surgical procedures above supports the need for ophthalmologic services in Hawaii. The proposed ASC will be positioned to deliver the needed care for all reside in the needed care for all residents.

c) Quality of Service/Care

The proposed ASC will comply with all federal and state statutes and regulations governing the delivery of care and maintenance of equipment. Accreditation will be sought from the Accreditation Association of Ambulatory Health Care, be licensed by the State of Hawaii Department of Health and participate in Medicare and Medicaid programs. A quality improvement plan will be implemented that complies with the Medicare conditions of participation for ASCs and deliver patient care through well-defined processes for caregivers. Exhibit C-1 for the RIH Compliance Policy that will be implemented at the proposed ASC.

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

As documented in the Application form on page 4 of 9, the cost of the project is \$2,868,464 Funds for the project will be obtained by Yacht Harbor ASC through a term loan with First Hawaiian Bank (see Attachment 5), with RIH paying for the equipment and construction costs. The \$1.868M cash contribution by RIH will be made from cash flow from operations.

Operating revenue for the first year of operations is projected at \$5.75M and operating expenses are projected at \$5.14M leaving a net operating margin of \$553K after debt service. By year three, operating revenue is projected at \$6.45M and operating expenses are projected at \$5.65M resulting in a net operating margin of \$764K after debt service.

The projected financial performance includes providing services to commercial patients (47%), Medicare patients (27%), QUEST/Medicaid patients (12%) and self pay patients (15%) ensuring access to all patients. These payer allocations are based on 2011 mix of RIH surgical procedures. The projected net operating margins will provide access to all residents of the area regardless of their ability to pay, and in particular low income and ethnic minority groups residents that tend to demonstrate a higher rate of diabetes, a high risk factor for vision impairment.

e) Relationship to the Existing Health Care System

By delivering the quality surgical procedures to the residents of Oahu, Yacht Harbor ASC will continue to produce the highest quality outcomes in servicing all Oahu residents regardless of their ability to pay. The ASC will be equipped with the latest technology and with the best trained physicians, anesthesiologist, nurses, nurse assistant, technicians and support team in Hawaii. The financial projections support the delivery of care with a positive net income margin allowing for the continued support of all residents, especially the underserved populations.

The existing health care system in Hawaii has seven ambulatory surgical centers according to the latest SHPDA website as well as the major hospitals that are designed to support the services planned to be offered by Yacht Harbor ASC.

f) Availability of Resources

Yacht Harbor ASC will staff the technicians, nurses and ophthalmology surgeons through RIH, its parent company. Additionally, Yacht Harbor ASC will recruit and train local resources to staff open positions through its strong network across the state and with the University of Hawaii John H. Burns School of Medicine. Based on RIH's success in staffing required positions and retain high quality employees, Yacht Harbor ASC does not foresee any resources staffing issues.