

HAWAI'I STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

72 AUG 30 P1 25

(100 CB) (San	
ADMINISTRATIVE APPLICATION - CERTIFE	
Application Number: # 12-19 A To be assigned by Agency	Date of Receipt:
APPL	ICANT PROFILE
Project Title: Establishment of Ambulatory S	urgery Center Limited to Plastic Surgery/Ophthalmologic
Procedures	
Project Address: <u>1401 S. Beretania Street, S</u>	Suite 520, Honolulu, Hawaii 96814
Applicant Facility/Organization: Surgery Cente	r of the Pacific, LLC
Name of CEO or equivalent:Hugo Higa, M.D	
Title:Member	
Address:1441 Kapiolani Boulevard, Suite 13	313, Honolulu, Hawaii 96814
Phone Number: <u>947-2020</u> F	ax Number: <u>947-2088</u>
Contact Person for this Application:Hugo Hig	ıo, M.D.
Title:Member_	
Address:1441 Kapiolani Boulevard, Suite 13	13, Honolulu, Hawaii 96814
Phone Number: <u>947-2020</u>	Fax Number:947-2088
CERTIFICA	TION BY APPLICANT
I hereby attest that I reviewed the application contained herein. I declare that the project documentation included is true and correct to the	on and have knowledge of the content and the information described and each statement amount and supporting best of my knowledge and belief.
Signature	Date
Hugo Higa	Member

Name (please type or print)

Title (please type or print)

1.	Pu Pri No Fo Ind Co Pa Lir Lir	PE OF ORGANIZATION: (Please check all applicable) ablic ivate
2.	PF	ROJECT 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.	DC	DCUMENTATION (Please attach the following to your application form):
	Α.	Site Control documentation (e.g. lease/purchase agreement, DROA agreement, letter of intent)
		See Attachment 1.
	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 – City & County of Honolulu License – State of Hawai`i, Department of Health Medicare Certification – State of Hawai`i, Department of Health
	C.	Your governing body: list by names, titles and address/phone numbers
		See Attachment 2
	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: See Attachment 3 (Articles of Organization) By-Laws: Not applicable Partnership Agreements: Not Applicable Tax Key Number (project's location) (1) 2-4-5-26 (portion of)

Certificate of Need Administrative Application July 2009

Page 2 of 9

4.	TYPE OF PROJECT.	This section helps our reviewers understand what type o
	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 FUNDSCEIVED

A. List	All Project Costs:	AMOUNT:
1.	Land Acquisition 12 AUG 30 P1 25	
2.	Construction Contract STHETH PENG	\$ 561,299
3.	Fixed Equipment	
4.	Movable Equipment	\$ 305,000
5.	Financing Costs	\$
6.	Fair Market Value of assets acquired by lease, rent, donation, etc.	\$ 799,260
7.	Other:Development Costs	\$ 148,000
B. Sou	TOTAL PROJECT COST:	\$ 1 ,813,559
1.	Cash	\$ 171,603
2.	State Appropriations	
3.	Other Grants	
4.	Fund Drive	
5.	Debt	\$ 418,846_
6.	Other: Fair market value of lease payments to be paid over the term of the lease	\$ 799,260
	Tenant Improvement Allowance	\$ 423,850
	TOTAL SOURCE OF FUNDS:	\$ 1,813,559

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.

Implementation of ambulatory surgery services limited to ophthalmologic and plastic surgery in Honolulu. Reference HAR § 11-186-5(3)(C).

- 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: August 1, 2012
 - b) Dates by which other government approvals/permits will be applied for and received:

Building Permit applied for: October 1, 2012 Building Permit received: January 15, 2013

- c) Dates by which financing is assured for the project: Upon approval of CON
- d) Date construction will commence: February 1, 2013
- e) Length of construction period: 20 weeks
- f) Date of completion of the project: June 30, 2013
- g) Date of commencement of operation: July 15, 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.
 - a) Relationship to the State of Hawai'i Health 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 care system
 - f) Availability of Resources.

Executive Summary

Surgery Center of the Pacific, LLC, a limited liability company owned and operated by Hugo Higa, M.D., seeks to establish an ambulatory surgery center limited to ophthalmologic and oculoplastic surgery (the "Proposed ASC") at the Hale Pawa'a Professional Services Building, located at 1401 South Beretania Street in Honolulu. A map showing the location is included as Attachment 4. The facility will consist of one procedure room and a pre–operative/recovery area.

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

The Proposed ASC will enter into the required collaborative agreement with Wahiawa General Hospital and, in the event that one of its patients requires hospitalization, the center's personnel will coordinate the patient's transfer to Wahiawa General Hospital. A letter of intent to enter into a collaborative agreement with Wahiawa General Hospital is included in Attachment 5.

The Proposed ASC will be dedicated to ophthalmologic and oculoplastic surgery. It will advance the Statewide Health Coordinating Council's ("SHCC") priority to promote and support the long term viability of the health care delivery system by providing a less costly alternative to outpatient ophthalmologic and plastic surgery in hospital-based facilities and free up such facilities for procedures that truly need hospital based care.

The Proposed ASC will also advance the Honolulu Subarea Council's priorities by providing supportive services for seniors and reducing the need for institutionalized care. Many sight-threatening eye conditions, such as cataracts, occur most frequently in older adults. The resulting vision impairments not only impair seniors' quality of life, but also may make it unsafe for them to live in their own homes and, therefore, force them into residential care. By providing treatment for such age-related vision impairments, the Proposed ASC will allow many seniors to maintain their independence and avoid institutionalized care.

b) Need and Accessibility

The ASC's service area includes all of Oahu. It will be located in Suite 520 of the Hale Pawa'a Professional Services Building at 1401 South Beretania Street in Honolulu, which is easily accessible via public transportation and has ample handicap accessible parking in the adjacent eight-story, 400-stall parking structure.

Page 6 of 9

Dr. Higa serves patients of all ages. However, the majority of his patients are between 40 and 80 years of age. Data obtained from the State of Hawaii Department of Business, Economic Development and Tourism shows that, between April 1, 2000 and July 1, 2009, the percentage of Oahu residents over the age of 50 increased from 28.5 to 32.5%. By 2035, persons over the age of 50 are expected to comprise about 40% of Hawaii's population. Dr. Higa anticipates that demand for his services will continue to grow as the percentage of older people in the population increases.

Approximately 60% of all the procedures performed at the ASC will be for removal of cataracts, which are the cause of serious vision impairments in significant numbers of older adults. Dr. Higa will also perform a smaller number of corneal and retinal procedures.

The proposed ASC estimates that it will perform 577 ophthalmologic procedures during its first year of operation, 606 procedures during its second year of operation, and 636 during its third year of operation. These estimates are based on Dr. Higa's current outpatient surgery volume and an estimated growth rate of 5%, which was derived from historical growth in his practice.

Oculoplastic procedures will comprise about 32% of the total procedure volume. While strictly cosmetic procedures do not require a CON, they will enhance the facility's financial viability. These procedures often cross between medical and cosmetic lines. Sun, wind, and gravity affect the skin and muscles of the face over time. One of the most noticeable aspects of aging is a progressive drooping of the eyebrows. This can cause wrinkling of the forehead from raising one's eyebrows, as well as vertical wrinkles or furrows between the eyebrows. Droopy skin around the eyelids and brows can physically affect driving and enjoyment of activities such as watching television or reading a book. Correction of this condition may also improve side vision and enhance the appearance of the eyes and/or brows, resulting in a more alert look. Dr. Higa's unique training allows him to take a "whole patient" approach that addresses both vision and aesthetic needs.

The proposed ASC will be accessible to all residents of Oahu, including low income persons, racial and ethnic minorities, women, people with disabilities, the elderly and the medically underserved. It is conveniently located on public transportation routes and has ample handicapped accessible parking. The proposed ASC will provide services to patients covered by Medicare and Medicaid and will dedicate approximately 3% of its operating revenues for charity care.

c) Quality of Service/Care

The proposed ASC will comply with State and Federal regulations for the delivery of care, maintenance of equipment and maintenance of the clinical environment. It will seek accreditation from the Accreditation Association of Ambulatory Health Care, be licensed by the Department of Health, and be certified by Medicare.

Dr. Higa is certified by the American Board of Ophthalmology and the American Academy of Cosmetic Surgery and holds an unrestricted license to practice medicine in the State of Hawaii. He is on the active staff of Pali Momi Medical Center, the courtesy staff of The Queen's Medical Center, and has an application pending for courtesy staff privileges at Wahiawa General Hospital. The Proposed ASC will have a transfer agreement with Wahiawa General Hospital in the event of a medical emergency that requires more extensive care than can be offered at the Proposed ASC.

Page 7 of 9



Dr. Higa will be assisted by registered nurses and a qualified operating room technician. Staff competency will be maintained by regular in-service education. A written quality assessment and improvement plan will be in place. The Proposed ASC will conduct ongoing quality review.

The Proposed ASC will provide a less intimidating and threatening environment for Dr. Higa's patients, who will benefit by having their procedures performed in a familiar setting by health care professionals with whom they have developed a supportive relationship.

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

As documented on page 4 of 8 of this Application, the Proposed ASC is estimated to cost slightly more than \$1.8 million. Build out of the facility will be paid for, in part, with a tenant improvement allowance of \$423,850. Additional funds for the project will come from cash contributions from Dr. Higa and a commercial loan. A loan commitment letter from Bank of America is included in Attachment 6. The site, which is valued at \$799,260, will be acquired by lease and will be paid for by means of monthly rent payments over the term of the lease.

The operating revenue generated by both cosmetic and non-cosmetic procedures for the first year of operation is projected at \$800,505, and operating expenses for the same period are protected at \$605,763, resulting in a net operating profit of \$194,742. By the third year of operation, revenue from both types of procedures is expected to increase to \$882,557, with total expenses for year three projected at \$707,280, resulting in an operating profit of \$175,277.

e) Relationship to the Existing Health Care System

The proposed ASC will operate as an extension of Dr. Higa's current office practice. Dr. Higa currently performs cataract and intraocular procedures at Pali Momi Medical Center. However, in light of the small number of procedures he performs, i.e. less than 600 per year, the new ASC is expected to have minimal, if any, impact on other health care providers and the existing health care system. Dr. Higa performs cosmetic procedures in his office now. Accordingly, the transfer of those procedures to the ASC will not affect the existing health care system.

f) Availability of Resources

The Proposed ASC will employ 0.8 FTE RN-Clinical Director, 0.5 FTE Office Staff. 0.8 FTE Pre-op/PACU RN, 0.4 FTE OR technician, and 0.4 FTE surgical expediter. The staff will largely be drawn from Dr. Higa's current pool of employees. Should additional personnel be required, Dr. Higa anticipates that they can be recruited through inquiries and interviews with persons in the community with the requisite training and experience.

There are minimal financial obstacles to this project. Build out of the facility will be paid for, in part, by the tenant improvement allowance of \$423,850. Additional funds for the project will come from cash contributions from Dr. Higa and a commercial loan from Bank of America. The site, which is valued at \$799,260, will be acquired by lease and will be paid for by means of monthly rent payments over the term of the lease.

Page 8 of 9

10.	Eligibility to file for Administrative Review. This project is eligible to file f 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.	
		It is an additional location of an existing service or facility.	
	<u>X</u>	The applicant believes it will not have a significant impact on the health care system.	