

# HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

## ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: #12-30A Date of Receipt:  
To be assigned by Agency

### APPLICANT PROFILE

Project Title: Acquisition of Imaging Centers by Y&M Holdings, Inc.

Project Addresses Ala Moana Med. Bldg, Suites 310 & 317, 1441 Kapiolani Blvd, Honolulu, HI 96814

1481 South King Street, Suite 202, Honolulu, HI 96814

1520 Liliha Street, Suite 202, Honolulu, HI 96817<sup>1</sup>

Applicant Facility/Organization: Y&M Holdings, Inc.

Name of CEO or equivalent: Jeffrey Yeoh, M.D.

Title: President

Address: 1481 South King Street, Suite 210, Honolulu, HI 96814

Phone Number: 792-7897 Fax Number: 690-9021

Contact Person for this Application: Marshall M. Miyoshi


Title: Chief Operating Officer

Address: 1481 South King Street, Suite 210, Honolulu, HI 96814

Phone Number: 792-7897 Fax Number: 690-9021

### CERTIFICATION BY APPLICANT

I hereby attest that I reviewed the application and have knowledge of the content and the information contained herein. I declare that the project described and each statement amount and supporting documentation included is true and correct to the best of my knowledge and belief.

  
Signature  
Jeffrey Yeoh, M.D.  
Name (please type or print)

11/08/2012  
Date  
President  
Title (please type or print)

<sup>1</sup> The center will soon be relocated to 2228 Liliha Street, Suites 101, 102 & 102B, Honolulu, HI 96817 per CON 12-05A.

1. **TYPE OF ORGANIZATION:** (Please check all applicable)

- Public \_\_\_\_\_
- Private   X
- Non-profit \_\_\_\_\_
- For-profit   X
- Individual \_\_\_\_\_
- Corporation   X
- 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:   X
- 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 Attachment 1 (Abstract of Plan of Reorganization)

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.)

A CMS-855B will be submitted to document the change in ownership

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
- By-Laws: See Attachment 4
- Partnership Agreements: Not applicable
- Tax Key Number (project locations:

1441 Kapiolani Boulevard, Honolulu, HI 96814 – TMK 230390010000

1481 South King Street, Suite 202, Honolulu, HI 96814 – TMK 230180010000

1520 Liliha Street, Suite 202, Honolulu, HI 96817 – TMK 1-1-7-33-36

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				X Change in Ownership	
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
<b>TOTAL</b>			

**6. PROJECT COSTS AND SOURCES OF FUNDS****A. List All Project Costs:****AMOUNT:**

1.	Land Acquisition	_____
2.	Construction Contract	_____
3.	Fixed Equipment	_____
4.	Movable Equipment	_____
5.	Financing Costs	_____
6.	Fair Market Value of assets acquired by lease, rent, donation, etc.	_____
7.	Other: <u>Fair market value of Y&amp;M, M.D., Inc. shares exchanged for shares in new holding company</u>	<u>\$5,400,000.00</u>

**TOTAL PROJECT COST: \$5,400,000.00****B. Source of Funds**

1.	Cash	_____
2.	State Appropriations	_____
3.	Other Grants	_____
4.	Fund Drive	_____
5.	Debt	_____
6.	Other: <u>Fair market value of holding company Shares exchanged for shares in Y&amp;M, M.D.'s, Inc.</u>	<u>\$5,400,000.00</u>

**TOTAL SOURCE OF FUNDS: \$5,400,000.00**

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.

This application is for the acquisition of the three imaging centers owned by Yeoh & Muranaka, M.D.'s, Inc., by a holding company, owned by the same individuals, as part of a reorganization of the company. The service category is per HAR § 11-186-5(3)(D)(E) and (Y). No new locations or expansions are proposed in this application.

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: Not applicable
- b) Dates by which other government approvals/permits will be applied for and received: A CMS-855B will be submitted to document the change of ownership
- c) Dates by which financing is assured for the project: Not applicable. The shareholders of Yeoh & Muranaka, M.D.'s, Inc. will transfer their shares in the company to the new holding company and receive an equal number of shares in the holding company. No money will change hands.
- d) Date construction will commence: Not applicable.
- e) Length of construction period: Not applicable.
- f) Date of completion of the project: Upon receipt of the CON, which is expected to occur no later than December 31, 2012.
- g) Date of commencement of operation: Not applicable

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

This application is for the acquisition by Y&M Holdings, Inc. ("Y&M Holdings") of all the shares of Yeoh & Muranaka, M.D.'s Inc. ("Y&M"). In exchange for their shares in Y&M, shareholders will receive shares in Y&M Holdings equal to the number of shares they now hold in Y&M. Although there will be a change in the direct ownership in Y&M, the ultimate owners will remain the same.

The reorganization of the Y&M entities is not intended to change the scope of services now provided at the Y&M imaging centers, nor is it anticipated to change the centers' staffing. The reorganization is intended to improve Y&M's internal operations by separating the imaging center operations from the physician practice operations of the company.

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

The imaging centers' relationship to the State of Hawai'i Health Services and Facilities Plan is established by the certificates of needed ("CONs") granted to each center. No changes will result from Y&M's internal reorganization.

- b) Need and Accessibility

The need for and accessibility of the imaging centers are established by the CONs granted to each center. Y&M now serves a diverse patient population. A breakdown of its payer mix is shown in the table below:

Payer	Number of Procedures Anually	Percentage of Total Procedures
HMSA	27,629	31.9
Medicare	23,827	27.5
Other Commercial Health Insurance	12,031	13.9
Corporate Accounts	11,274	13.0
QUEST	6,062	7.0
No-fault Auto Insurance	1,770	2.0
Self Pay	1,259	1.5
Workers' Compensation	769	0.9
<b>TOTAL</b>	<b>86,521</b>	<b>99.9<sup>2</sup></b>

Y&M make its services available to all Oahu residents, including low-income individuals, racial and ethnic minorities, women, individuals with disabilities, other underserved groups, and the elderly. It provides care at reduced or no cost to patients who show financial need. We actively participate with community health care centers who primarily serve the uninsured or financially challenged, including Kalihi Palama Health Centers, Kokua Kalihi Valley Medical Clinic, Waikiki Health Center and Manakai O Malama. No changes will result from Y&M's internal reorganization.

c) Quality of Service/Care

The imaging centers will continue to utilize the same quality control protocols now in place, which are described in CONs previously granted to each center.

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

This transaction will involve a share-for-share exchange of shares in Y&M for shares in Y&M Holdings. The shareholders will remain the same and their percentage ownership interests in the company will be unchanged. The fair market value of the shares exchanged in this transaction is estimated at \$5,400,000.

The new company's anticipated revenues and expenses for its first and third years of operation are summarized in the chart below:

<sup>2</sup> The percentage total is less than 100 due to rounding error.

	Projected Operations for 2013	Projected Operations for 2015
<b>Total Operating Revenue</b>	\$12,935,393	\$13,855,135
<b>Operating Expenses</b>		
Salaries, Wages, Benefits	\$7,199,176	\$7,555,185
Other Expenses	\$5,207,587	\$5,906,050
Depreciation	\$1,163,945	\$1,143,945
Total Expenses	\$13,570,708	\$14,605,180
<b>Net Income(Loss) from Operations</b>	\$(635,315)	\$(750,045)
<b>Add Back: Depreciation</b>	\$1,163,945	\$1,143,945
<b>Excess (Deficit)Fund from Operations</b>	\$528,630	\$393,900

e) Relationship to the existing health care system

The reorganization is not expected to have any impact on the existing health care system because it will not result in any change in Y&M's operations or the scope of services provided by the company. Accordingly, Y&M's patients and other health care providers will be unaffected by the company's new business structure.

f) Availability of Resources.

No new resources are required for the reorganization. Staffing of the Y&M imaging centers will remain the same



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