



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: #13-07A Date of Receipt:
To be assigned by Agency

STATE HEALTH PLANNING & DEV. AGENCY

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APPLICANT PROFILE

Project Title: Expansion of MRI services

Project Address: 94-307 Farrington Hwy., Waipahu, HI 96797, Suite A-11

Applicant Facility/Organization: Hawaii PET Imaging, L.L.C.

Name of CEO or equivalent: Scott Halliday

Title: President, National Medical Development, Inc., Majority Owner, Hawaii PET Imaging, L.L.C.

Address: 5001 N.E. 25th Avenue, Suite 202, Seattle, WA 98105

Phone Number: 206-272-3580 Fax Number: 206-272-3588

Contact Person for this Application: same as above

Title: _____

Address: _____

Phone Number: _____ Fax Number: _____

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 [Handwritten Signature]

Date May 29, 2013

Name (please type or print) Scott Halliday

Title (please type or print) Pres. Int. CEO

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

Public _____
Private X
Non-profit _____
For-profit X
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: X
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 "Space lease proposal"
- 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 applied for once architectural plans completed

- 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 – on File
 - By-Laws -NA
 - Partnership Agreements – on File
 - Tax Key Number (project's location) - (1) 9-4-049-020

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	
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 Costs:	AMOUNT:
1. Land Acquisition	_____
2. Construction Contract	\$__500,000__
3. Fixed Equipment	\$ 2,200,000__
4. Movable Equipment	_____
5. Financing Costs	_____
6. Fair Market Value of assets acquired by lease, rent, donation, etc.*	\$__277,200__
7. Other: _____	_____
TOTAL PROJECT COST:	\$2,977,200

B. Source of Funds	
1. Cash	\$__100,000
2. State Appropriations	_____
3. Other Grants	_____
4. Fund Drive	_____
5. Debt	\$2,600,000__
6. Other: FMV of leased space	\$__277,200__
TOTAL SOURCE OF FUNDS:	\$2,977,200

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 outpatient OPEN 3T MRI unit planned is an expansion of our existing MRI services located at 1401 S. Beretania Street, Suite 107, Honolulu, HI 96814. The service to be added is an additional outpatient OPEN 3T MRI to be located at 94-216 Farrington Hwy., Waipahu, HI 96797, Suite A-11.

This addition is in response to numerous requests by West Oahu physicians and their patients, for a local, more accessible, patient centered, specifically outpatient location of our OPEN 3T MRI services for the West Oahu community.

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, - May 29, 2013- as per attachment 1
 - b) Dates by which other government approvals/permits will be applied for and received, - approx 12 weeks after application for building permits
 - c) Dates by which financing is assured for the project,- May 28, 2013- See attachment 3
 - d) Date construction will commence,- August 1, 2013
 - e) Length of construction period, - 4 months
 - f) Date of completion of the project,-December 1, 2014
 - g) Date of commencement of operation-December 1, 2014

Please remember that the Agency does monitor the implementation of Certificates approved. No implementation of a project as described in your application may result in a fine and/or withdrawal of t certificate of need.

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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 West Oahu outpatient OPEN TYPE, 3T MRI facility location to our existing MRI services located in downtown Honolulu. This new outpatient OPEN TYPE, 3T MRI Facility will improve needed access to outpatient OPEN TYPE 3T MRI for West Oahu residents and healthcare providers.

This additional outpatient OPEN TYPE 3T MRI is in response to local requests to provide the same level of outpatient OPEN TYPE 3T MRI services that we currently provide in Honolulu.

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

Goals of the HSFP

"Focus on increasing cost-effective access to necessary health care services.

Access is distinguished from convenience.

Promote the financial viability of the health care delivery system.

Encourage optimization of services and expensive technology by ensuring that supply meets the need and costs are reasonable.

Promote regionalization of services where appropriate."

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This application meets the Goals of HSFP by offering local area residents a Local;

Expensive MRI Technology effort that is independently funded, and therefore of no "cost" to the Healthcare System (especially if it is unable to be successful then these costs are not absorbed by the Healthcare system),

Highest quality, most advanced, and needed, outpatient OPEN TYPE 3T MRI service,

Outpatient MRI facility that accepts and receives payment for the same services as any Hawaii hospital on a same or Lower basis (HOPPS reimbursement is higher as compared to current outpatient reimbursements),

Outpatient MRI service, in an area that by almost any definition is underserved even by including the proposed new MRI facilities (because they are mostly hospital based) and in an area that needs, according to all other Hawaii population standards, many more MRIs.

Our application supports the Goals of HSFP by;

Providing “cost-effective” access to necessary healthcare services (as our costs are not borne by the healthcare system, and our reimbursements are at or lower than the hospital MRI reimbursement) since MRI is a standard (necessary) for diagnostic tests.

Promoting the Financial Viability of the Healthcare system by offering the most expensive, highest risk, outpatient MRI technology to an underserved area, that is in need of these outpatient MRI services. This maintains and actually helps increase the residents usage of local physician and hospital services so those services continue to integrate locally, thereby further support the local healthcare system viability and growth.

Locating a highly advanced, needed, expensive, outpatient MRI service that is available, will serve to “encourage optimization of services and expensive technology” because this expensive technologically advanced MRI outpatient service will finally be readily available to the local public rather than traveling distances or waiting for availability of hospital MRIs thereby optimizing its usage and integration into local healthcare services.

Finally offering enough available outpatient MRI service so “supply” for the West Sub Area, “meets the actual local population need” and the costs are reasonable” thru same or less reimbursement than hospital MRI.

The addition of this outpatient OPEN TYPE, 3T MRI unit is in response to current capacity issues at our facility in Honolulu, and increasing demand issues we are receiving from West Oahu residents and physicians because of the growth of the Ewa/Wahiawa/Waianae/Waianae area. As this is partially a transfer of a portion of our current business, with some normal increase in demand/usage due to availability/reduced travel and other costs, the continued expansion of outpatient MRI usage and the increase in area population, this addition will not have any significant impact on the existing healthcare system or any other MRI provider.

Regarding thresholds for new service:

HSFP states:

Magnetic Resonance Imaging (MRI) Unit

For a new unit/service, the minimum annual utilization for each provider in the service area is 2,700 procedures per unit, and the utilization of the new unit/service is projected to meet the minimum utilization rate by the third year of operation.

According to most recent available SHPDA 2011 Utilization data:

<u>MRI</u>	<u>Procedures</u>
Castle	3223
Hawaii PET	6239 2 units*
Invision	6351
Kapiolani	3037
Kuakini	5137
Pali Momi	7005 2 units
Straub	5444
Queens	14819 3 units
Yeoh & M	3957 2 units
	2001 King Street 01-12 app (recently replaced and upgraded to 3T)
	2008 08-28 app
Kaiser	10891 2 units

Although there is only one MRI listed in the entire Oahu area that may be below 2,700 procedures per years (as of 2011 – note that 2012 data isn't known), it is a very old, outdated, lower field MRI that is now being replaced by a 3T MRI. All other updated MRI facilities are well in excess of threshold volumes necessary to qualify this application as a new service.

Considering the Primary Service area as West Oahu (service areas West of Tripler, as specified in "subarea" designated by state agency (323D-21)), which therefore would include the two MRIs at Pali Momi Hospital, then, recognizing that one MRI, is an "in-hospital MRI" and is 12 plus years old and subject to ER, inpatient, and hospital demands (and therefore service restrictions for outpatients), and that the other as also a "hospital MRI", is utilized mainly for the Women's Center, then in terms of real public, outpatient access, there are truly less than two MRIs now serving this entire "sub-area" Primary Service Area west of Tripler.

According to SHPDA 2011 data, each is already performing well in excess of 2,700 procedures per year and each of these MRIs already have extensive procedure requirements such as inpatient and ER cases, while the requirements for certain scans for "women's imaging" also often require greater individual scan times (Breast MRI often requires up to three hours of MRI time for one case). This all creates extensive waiting times, re-scheduling of less urgent outpatient scans, and sustains a hospital MRI service that is not truly available to the area residents for outpatient MRI service.

Considering the Primary Service Area of West Oahu and taking into account the to-be-completed Queens Hospital (West) MRI, and the possible opening of the, application 7-10 imaging center at Waipio (recently moved from original location of Mililani), relative to the population of the West Oahu area:

According to population and SHPDA data, all other Hawaii MRI facilities provide services to no more than at most, 52,000 people each, with several serving only 35,000 people (Maui for example). The population of West Oahu, in excess of 400,000, simply cannot be adequately serviced by three hospital restricted MRIs

and one possible outpatient MRI in Waipio. The Healthcare system is **negatively** affected when proper services aren't provided to the area's population. Residents are forced to either forego needed MRI examinations, or suffer the long, costly, and often congested drive into downtown Honolulu delaying care and increasing costs to individuals while not supporting the local areas healthcare services and the system.

County and District	2010 Population
City & Co. of Honolulu	953,207
Honolulu	390,738
Koolaupoko	115,164
Koolauloa	21,406
Waialua	13,046
Wahiawa	41,216
Waianae	48,519
Ewa	323,118

Source; Department of Business, Economic Development & Tourism 2011 State of Hawaii Data Book

Regarding thresholds for additional locations:

HSFP states:

For expansion of existing units/services, the provider's utilization is an average of at least 3,200 MRI procedures per year per unit.

*In 2012 HPI performed in excess of 7,000 MRI procedures. Our MRI volumes from January thru April 22, 2013 were 2,636 after the opening the second MRI. Annualizing these brings our projected total MRI volumes to in excess of 8,000, with each MRI performing well in excess of the thresholds required for expansion, **qualifying this application as an "addition to an existing service"**.

If considered according to the HSFP "sub-optimization" rules:

According to HSFP;

"It is recognized that some service areas may not meet the required threshold for a healthcare 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

"improved access for the service area(s) population combined with significant improvement in quality and/or significant reduction in cost to the public."

The large (and increasing) population of West Oahu sub area demands the immediate location of several truly outpatient accessible new MRIs in the area as soon as possible to provide the real "improved access" to basic MRI services. This will of course also bring a real, meaningful, improvement in the "quality" of MRI services to the areas residents by providing readily available, OPEN type 3T MRI services (specifically improved access for larger and claustrophobic patients), as well as the real "quality upgrade" of a local service,

that is a "significant reduction" in travel and its associated "cost", to the areas residents (public).

It truly answers HSFP by providing a "benefit" at no public cost (as this is a privately funded MRI) at a "significant reduction in cost to the public" by eliminating travel and its associated costs and at an average reimbursement that is lower than the hospital MRIs. There is no "duplication of services" simply because the area is currently extremely "underserved" and is in need, based on the sub-area population, of many more available MRIs.

Patients and physicians need to have ready access to needed diagnostic tools such as outpatient MRI without having to also schedule travel, endure traffic jams, be subject to appointment cancellations and costly delays, because of in-patient priority and monopolization of the MRI. Difficulties in parking, transportation to and from the MRI location, late hours of scanning times (often an MRI, as the only one in the area, is forced to have outpatients scanned late at night), and just generally difficult service, are all the features of an underserved market, especially if that MRI is located in a hospital where more acute inpatients are a logical priority.

HSFP states as one of its Goals; "Promote regionalization of services where appropriate".

This application meets this goal by providing a needed outpatient service in the "West Oahu region", that currently is not adequately locally served, and therefore, underserved, by the MRI units located at much more distant offices as far away as Honolulu and Pearl City (Pali Momi). A dedicated, outpatient, OPEN TYPE, 3T MRI facility in West Oahu, will promote regionalization of this outpatient MRI service in the West Oahu Region, promoting associated healthcare services growth in the region, especially the ability of local patients to seek hospitalization in the immediate area. Patients will now be able to receive their care based on where they live, thereby supporting the growth of the local physician offices and the hospital rather than losing patients to Honolulu services. It will expedite the integration and cooperation of local healthcare services thru earlier receipt of test results, the ability to have local consultation, and healthcare provider meetings, and therefore promote the regionalization of services.

Regarding the Statewide Health Coordinating Council Priorities ("SHCC");

1. Promote and support the long-term viability of the health care delivery system

Placement of an increasingly needed diagnostic modality in an area that is today, not locally served, **yet has the fastest growing population in the state of Hawaii**, is promoting and supporting the long term viability of health care delivery system by finally allowing for the integration of local services with local physician offices and the hospital that serve to keep these patients locally diagnosed and treated rather than forcing them to travel for care to Honolulu.

This new outpatient location is making these important tests more readily, locally, available to patients and therefore the results for diagnosis and treatment purposes more readily available to local physicians, at no increase in costs to the healthcare delivery system, patients, or payors. The placement of this new outpatient OPEN TYPE 3T MRI in this area will serve to reduce associated, overall costs, of receiving MRI to these residents. Timely access to outpatient OPEN TYPE 3T MRI services is integral to facilitating efficient diagnosis and treatment protocols on a local, resident, physician and hospital supportive, convenient, basis. Therefore, this does extend and truly promote at reduced costs to the local public, the healthcare delivery system.

2. **Expand and retain the health care workforce to enable access to the appropriate level of care in a timely manner**
3. **Ensure that any proposed service will at least maintain overall access to quality health care at a reasonable cost**

This expansion will provide new training and additional jobs to the Hawaii healthcare workforce, while also providing increased access to a needed service, at the same costs as current providers, supporting these SHCC priorities. By having a new outpatient OPEN TYPE 3T MRI located in the region, patients will have increased access to needed quality healthcare at the same prices as all other, possibly lesser quality MRI services in Hawaii, yet at reduced travel and other associated costs.

4. **Strive for equitable access to health care services**
6. **Encourage and support health education, promotion, and prevention initiatives**

The addition of this needed service to the West Oahu area will assist in providing equitable access to local residents thru the reduction of the increasing costs of travel (travel, and time costs, scheduling difficulties at such distances, traffic, etc. are all increased to local residents without these local MRI services) to MRI services, located at more distant facilities. It does provide equitable Outpatient Access, which is now available to Honolulu residents but not, adequate, even after placement of the new hospital MRI and the one to be opened in Waipio.

This new facility will utilize our existing HPI management and its efforts to support, increase awareness and communication, on healthcare education prevention initiatives to the local residents.

Regarding the WEST OAHU SAC PRIORITIES

1. IMPROVE AND INCREASE ACCESS

- Specialty care
- Routine outpatient diagnostic services
- Services for uninsured and underinsured

HPI is fully supporting these priorities by providing more convenient local access to routine outpatient diagnostic services of MRI, while the advanced, OPEN TYPE, 3T MRI is certainly also as a component of "specialty care" in Radiology as the most advanced MRI available. However, this new generation of OPEN TYPE MRIs are also the new technology that West Oahu needs for patients that may be larger, elderly, and or claustrophobic. This new facility will improve and Increase needed Access for local area residents to this needed service.

HPI has a long standing, open, and community supportive policy for those patients that are uninsured and underinsured. We will continue this policy at the new location.

b) Need and Accessibility

Inpatient vs. Outpatient – a significant difference in services and availability to the general public

Currently there are no unrestricted, outpatient MRI services in the West Oahu sub-area, west of Pali Momi Hospital. Queens Hospital is in the process of placing an MRI in the old St. Francis Medical Center-West, however, this will not answer the needs of outpatients, because an in-hospital on campus MRI must always first respond to more immediate, complicated, and time consuming, in-patient and ER physician needs, so outpatients that have traveled at significant cost or difficulty, then endure long waiting times, re-scheduling, or even referral and delayed treatment, to a now distant, outpatient MRI.

HPI will be able to offer our convenient, predictable, services primarily to outpatients (if requested, HPI always provides support to local hospitals) and therefore not compete with the Queens Hospital MRI. The public already is substantially underserved and needs improved access to needed outpatient OPEN 3T MRI technology.

Need and Demand relative to service area population and current MRI services in Hawaii is increasing.

From the Honolulu Business Journal;

Hawaii's population reached 1.39 million as of July 2012, up 2.4 percent from the 1.36 million residents in April 2010, according to new data from the U.S. Census Bureau.

Oahu had the *largest growth of all the islands, a 2.4 percent increase to 976,372, from 953,207 in 2010.*

The Big Island and Maui County populations both grew by 2.2 percent over the two-year period, while Kauai had the smallest growth at 2 percent.

Hawaii's population grew 1 percent from July 2011 to July 2012, driven primarily by a relatively high birth rate and people moving from foreign countries, the state said today.

The Department of Business, Economic Development and Tourism analyzed data released today by the U.S. Census Bureau.

The state had a resident population of 1,392,313 on July 1, 2012, compared to 1,378,129 one year earlier. Of those, 70.1 percent live on Oahu.

On average, Hawaii gained 39 residents per day:

>> Fifty babies were born per day, offset by 28 deaths, for a net gain of 22 natural residents.

Resident population by county on July 1, 2012 was 976,372 in Honolulu County, 189,191 in Hawaii County, 158,316 in Maui County and 68,434 in Kauai County.

<http://hawaii.gov/dbedt/info/economic/census/population-estimate>.

Based on population and current access issues to distant MRI services, there is already a true need for more than six MRIs in the West Oahu sub-area. Considered based on existing statewide MRI location data relative to local service area/island population in Hawaii, the need is even more clear.

According to the SHPDA most recent website information;

*Kauai County has 2 MRIs for a population of 68,000 or one per 34,000
Maui County has 4 MRIs for a population of 158,000 or one per 39,500
Hawaii County has 4 for a population of 189,000 or one per of one per 47,250
Oahu has 16 MRIs for a population of 953,000 or one per 59,000*

When you compare the usage (and need) of MRIs on Oahu to other islands, Oahu clearly has the most demand based on population served, and more significantly based on growth. Yet Oahu MRIs don't fairly service the population outside of Honolulu. It is truly underserved compared to the other islands.

Of the current and proposed MRIs on Oahu, only 2 are located in West Oahu sub area (Pali Momi), one is under construction in Waipio (originally approved Wahiawa application 7-10), and one will be located in the Queens Medical Center-West facility.

The population of the West Oahu sub-area, including the Wahiawa and Waianae areas is in excess of 400,000, illustrating that the West Oahu is not only currently underserved, but continues to increase in need for MRI services.

Relative to need:

Sec. 11-186-15 Criteria.

“The need that the population served or to be served has for the services proposed to be offered or expanded, and the extent to which all residents of the area, and in particular low income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups, and the elderly, **are likely to have access** to those services;”

Today - No MRI Service and no real solution to adequate Outpatient MRI services for the West Sub-Area.

Since the closing of SFMC-West – there has been a complete lack of outpatient MRI services in the Ewa/Wahiawa/Waianae areas despite approval of one CON (6 years ago), and the purchase of the SFMC-West Hospital last September, 2012. The public is still waiting. Area residents have been suffering this delay and **need** currently available outpatient MRI services access at a reasonable access, cost, and availability that won't require them to travel to distant offices for needed diagnosis.

Currently planned by Queens is a “hospital MRI” as part of the SFMC-West purchase. This, to be built, hospital MRI, is actually only a re-location of a previous MRI location at “Accu-Imaging Pearlridge” and as such is an actual *reduction* in area services, being converted to a “hospital”, more restricted, in-patient, ER priority, MRI.

The other planned MRI service is part actually the result of the Wahiawa application (7-10), that has now moved its location to the Waipio area. This does not answer the need for more MRI services as it’s also only the relocation of the CON granted approx. 6 years ago from the Wahiawa area. The area population has expanded significantly since this CON was originally granted.

There will be inadequate MRI services, even if these two new MRIs are located in the area because one is a hospital dedicated MRI and the other, in Waipio, simply cannot adequately provide services to an area in excess of 400,000 residents.

The West Oahu service area comprises in excess of 400,000 residents and is steadily growing. There are many large housing and commercial projects under way with more being mentioned in the local paper every week.

The area residents need current, actively available to their outpatient needs, high quality MRI services that are on par with Honolulu MRIs.

If this application is not approved, there will be at best, one MRI per 100,000 people, while the rest of the state standard, is one MRI per 35,000 to 52,000 people.

Ewa/Wahiawa/Waianae/Waianae patients will still be forced to delay **needed** diagnostic services, drive long distances to other in-Honolulu MRIs, or even possibly forgo MRI services due to the restrictions imposed on hospital, in-patient oriented, MRIs. There simply isn’t sufficient currently approved, or even planned local MRI service.

Impact on area resident’s healthcare due to travel restrictions, delays, and costs creates Need for MRI services

The Ewa/Wahiawa/Waianae area is serviced by only one freeway- which is often congested to the point of being inoperable. Patients currently need to transport away from the convenience of their homes and also the local physicians’ offices in the area, for these time sensitive diagnostic procedures. This will continue to negatively impact patient care and health, by delaying diagnosis, possible immediately needed treatments, and through the additional stress that travel imposes on patients that are already in acute distress.

The local area needs more locally based physician offices to service the area’s population demand and growth. However, local physician offices often require timely diagnosis of disease and injuries to prescribe treatment. If this application isn’t approved, patients will be forced to utilize Honolulu area physician offices, delay their care, because there aren’t comparable diagnostic services in their immediate area.

As is our policy at HPI, the proposed OPEN TYPE, 3T MRI services will be available to all on a non-discriminatory basis, with a physician's order, without regard to ability to pay, including low income people, racial and ethnic minorities, women, and people with disabilities, the elderly and other underserved groups.

c) Quality of Service/Care

This investment is in an additional outpatient OPEN TYPE 3T MRI, continuing our commitment to provide the best in imaging services to Hawaii's population.

Regarding the Quality of the new SIEMENS 3T MRI;

From the manufacturer:

MAGNETOM® Skyra, the first 3T 70 cm Tim+Dot system is a breakthrough advance in 3T imaging that will significantly increase patient outcomes in the [West Oahu] area . 3T field strength , combined with the unique Tim 4G all-new innovative RF architecture unlocks higher element configurations and higher SNR.

This new 48-ch MAGNETOM Skyra will deliver unique patient-centered care. The system provides higher patient comfort with 70 cm Open Bore and short system design, which will allow us reach out to new patient populations. e.g:

- Easier on Children and geriatric patients
- Helps accommodate difficult-to-scan patients, with Kyphosis, Respiratory problems, Pain and mobility issues, Claustrophobia or Anxiety
- Improved diagnostic of large variety of patient sizes, shapes, weights (up to 550 lbs)
- Technology that optimizes Image quality for Neuro, Angio, Body, Onco and Musculoskeletal exams for improved diagnosis
- Captures sharper images due to less anxiety-related movement, and reduces sedation rate
- A wide range of exams can be done feet first and more heads out for better patient acceptance and cooperation
- User interface tools to minimize the complexity of MR exams and maintain a consisted image quality , customized to individual patient needs and constraints

Regarding Quality of Service/Care today and in the future with HPI facilities and staff;

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. Our 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, and this facility will follow this requirement.

HPI shall utilize our existing, experienced, high quality OPEN TYPE, 3T MRI staff, and radiologists to provide the staffing at the new location. HPI has provided staffing and training on OPEN TYPE, 3T MRI over 10 years now, and our staff has been integral in HPI receiving ACR accreditation, as a clear verification of the quality of operations and staff. We staff each location with a qualified physician to comply with Medicare regulations and standards of medical care.

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.

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 **“technologist assistant”** to assist in patient comfort, placement, and understanding of the procedures involved.

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

Three year revenue and cost projections are below:
 (Assuming a \$450 per procedure average MRI reimbursement, debt payments of \$35,000/mo., supplies, rent, utilities, and added staffing adding another \$65,000 per month)

	Volume	Revenue	Costs	NET
Year one	2400	\$1,080,000	\$1,200,000	\$- 120,000
Year two	2800	\$1,260,000	\$1,300,000	\$- 40,000
Year three	3200	\$1,440,000	\$1,400,000	\$ 40,000

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.

e) Relationship to the existing health care system

Affect on the Healthcare System

There will not be any negative affect on the Healthcare System of Oahu from the addition of this needed, outpatient, OPEN type, 3T MRI because;

Providing needed, available, outpatient diagnostic services will assist in the growth of the areas' healthcare providers and their local support of inpatient services. It will assist in patients remaining in the immediate area for their care because they won't have to travel to Honolulu MRI services.

Physicians will be able to expand their offices to the area because they will finally receive timely MRI outpatient services that support them, and the increasing demands on their time to see more patients in a day. Providing services to make physicians practices more efficient in both sooner receipt of diagnostic tests, but

also in local coordination of future treatment, does make it more attractive to locate in the area.

Financially there is no negative affect on the areas providers. The placement of this highest level, OPEN type 3T MRI, is a privately funded, capital intensive, attempt to establish services in an area that has heretofore sent their patients to distant MRI services. Establishing that this local MRI is now a place to refer patients is going to take significant intensive management, coordination, and capital to bring this facility to profitability. The hospitals are better served to conserve their capital to investments in technologies where they are assured of receiving predictable financial returns. If this new facility is successful, there will be more demands for local MRIs and the hospitals will be able to reap the benefits of our efforts by placing other MRIs in the area. If this facility is not successful, then the local hospital avoids a loss on a new risky business venture.

The relationship of this proposal to the existing health care system of the area is positive by extending needed, outpatient, highest quality, healthcare services to area residents at no increased payment, and at lower individual costs (travel, etc.)

f) Availability of Resources

HPI currently employs extra technical staffing (including those in training) to enable us to provide full time outpatient OPEN TYPE, 3T MRI services including staffing this added outpatient OPEN TYPE, 3T MRI. We have technologists in regular training on the current outpatient OPEN TYPE, 3T MRI because our volumes have continued to increase. Our technologists are all highly trained OPEN TYPE, 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.

The capital costs of are financed by loans from the manufacturer (\$2,200,000 for equipment and \$500,000 for facility improvements – please see attachment 3) and working capital from existing HPI reserves.

Please see attachment 3 for finance quotation from manufacturer.

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.