



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 02-17A

Applicant: Kaiser Permanente Medical Care Program

Project Title: Addition of second MRI unit

Project Address: Kaiser Permanente Moanalua Medical Center
3288 Moanalua Road
Honolulu, Hawaii

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

Public _____
Private X
Non-profit X
For-profit _____
Individual _____
Corporation X
Partnership _____
Limited Liability Corporation (LLC) _____
Limited Liability Partnership (LLP) _____
Other: _____

2. **PROJECT LOCATION INFORMATION**

A. Project will be located in:

State Senate District Number: 14
State House District Number: 31
County Council District Number: 8
Neighborhood Board District Number (O`ahu only): 7

B. 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: _____

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3. **DOCUMENTATION** (Please attach the following to your application form):

- A. Site Control documentation (e.g. lease/purchase agreement, DROA agreement, letter of intent) **NA**
- 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.)
- C. Your governing body: list by names, titles and address/phone numbers *
- 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)

* On File with SHPDA

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.

N/A

Type of Bed	Current Bed Total	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
TOTAL			

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6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All Project Costs:

AMOUNT:

1.	Land Acquisition	_____
2.	Construction Contract	<u>773,000</u>
3.	Fixed Equipment	_____
4.	Movable Equipment	<u>74,000</u>
5.	Financing Costs	_____
6.	Fair Market Value of assets acquired by lease, rent, donation, etc.	_____
7.	Other: <u>Imaging Equipment and PACs</u>	<u>2,786,000</u>

TOTAL PROJECT COST: 3,633,000

B. Source of Funds

1.	Cash	<u>3,633,000</u>
2.	State Appropriations	_____
3.	Other Grants	_____
4.	Fund Drive	_____
5.	Debt	_____
6.	Other: _____	_____

TOTAL SOURCE OF FUNDS: 3,633,000

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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.

Addition of an MRI unit

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:

See Attached

- a) Date of site control for the proposed project,
- b) Dates by which other government approvals/permits will be applied for and received,
- c) Dates by which financing is assured for the project,
- d) Date construction will commence,
- e) Length of construction period,
- f) Date of completion of the project,
- g) Date of commencement of operation

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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.

See Attached

- a) Relationship to the Hawai'i Health Performance Plan (H2P2), also known as 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.

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.

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8. IMPLEMENTATION SCHEDULE:

- a) Date of site control for the proposed project:
Kaiser Permanente Moanalua Medical Center, July 1, 2002
- b) Dates by which other government approvals/permits will be applied for and received:
January 16, 2003, will start building permit process
- c) Dates by which financing is assured for the project: July 1, 2002
- d) Date construction will commence: March 17, 2003
- e) Length of construction period: 3 Months
- f) Date of completion of the project: July 16, 2003
- g) Date of commencement of operation: July 16, 2003

9. EXECUTIVE SUMMARY:

The Kaiser Permanente Medical Care Program requests approval from the State Health Planning and Development Agency (SHPDA) to purchase a second Magnetic Resonance Imaging (MRI) twin speed unit for the Kaiser Permanente Moanalua Medical Center.

Kaiser Permanente's Diagnostic Imaging Department continues to deal with overwhelming volume increases yearly. Because of its enhanced technology over other diagnostic tests and interventional procedures, demand for MRI procedures has increased significantly over the past several years, and is anticipated to grow at similar rates in the future. The department cannot maintain this level without an additional unit.

Relationship to the Hawai'i Health Performance Plan (H2P2)

Kaiser Permanente, a health care delivery system that is comprehensive, cost-effective, well coordinated, and responsive to community needs is proposing to add an additional MRI at the Medical Center. This proposal will help to achieve the goals of increasing the span of healthy life for Hawai'i's residents, reduce health disparities among Hawai'i's residents, and achieve equitable and effective access at reasonable cost.

Chapter II, Vision and Guiding Principles, Part G, Capacity Threshold

Magnetic Resonance Imaging (MRI) Unit: For expansion of existing units/services, the provider's utilization is at least 2,750 scans per year.

As shown on Attachment 1, in 2000 Kaiser Permanente completed 5,679 scans with only one MRI unit. This is more than double the capacity threshold guideline for expansion as indicated in the H2P2.

Need and Accessibility

Despite the high volume of MRI procedures performed, there is currently a 8 week wait time for routine and monitored MRI appointments and a 1-2 week wait time for expedite appointments (should be 3-5 days). The departmental goal is to reduce wait times to a 2 week backlog or less for routine appointments.

Table 1 below shows the number of MRI procedures completed since 1998. In 2000, Kaiser Permanente performed 5,679 MRI procedures, 29% higher then the 4,417 procedures (per machine) performed by Queen's Health Care Systems during the same time period.

TABLE 1

	<u>Procedures</u>	<u>Percent Increase</u>
1998	4,216	
1999	4,969	17.9%
2000	5,679	14.3%
2001	6,529	15.0%
2002 (projected*)	7,607	16.5%

* Based on YTD actuals as of 3/02

In order to accommodate the increase in volume and reduce the appointment wait times, MRI operations have been maximized by extending services to after hours and weekends. Currently, the MRI unit is in service 17 hours each weekday and 11 hours on Saturday and Sunday. While the expanded schedule has helped to meet the demand for MRI services, running at these levels will ultimately shorten the useful life of the machine. Therefore, a second unit is required to accommodate future volumes and avoid expensive outsourcing costs.

Because the existing MRI unit has exceeded its capacity, any additional volumes will need to be outsourced at an average cost of \$992 per procedure (based on 2001 actual facility and professional fees). Based on projected volumes, total outsourcing costs (assuming forecasted membership growth and an average 9% annual increase in MRI/1000 members) could reach \$53 million over a 10 year period.

Because the existing MRI (purchased in 1997) does not meet current technology standards, it will need to be upgraded in 2003 (\$1.5 million). This upgrade could be postponed until 2007 with the purchase of the new MRI unit, since complex tests would be moved to new machine).

Quality of Service/Care

Providing high quality, cost-effective health care is the guiding principle at Kaiser Permanente. Kaiser Permanente is proactive and diligent in the pursuit, maintenance, and improvement of quality of care and quality of service. Last year, Kaiser Permanente received continuing approval by the Joint Commission on the Accreditation of Healthcare Organizations (JCAHO). Kaiser Permanente was also awarded full accreditation by the National Committee for Quality Assurance (NCQA).

Cost and Finances

Kaiser Permanente has determined that it will need a minimum capital investment of \$3.6 million to purchase and implement an additional MRI at Moanalua Medical Center. Membership dues will not be raised as a direct result of this project and no new debt will be required, as Kaiser Permanente will finance this project through retained earnings that have been set aside for capital improvements.

A statement of revenues and expenses for the first, second and third year of operation is included as Exhibit D-1. Revenues are derived primarily from Health Plan dues, which are not capitated by medical service or operating facility. Project expenses are direct costs associated with the proposed MRI.

Relationship to the Existing Health Care System

The MRI unit at the Moanalua Medical Center will improve the existing health care system by insuring that adequate capacity is available to meet the increasing service demand for MRI procedures.

Availability of Resources

The proposed project will require a total of 5.3 FTE patient care staff. This includes 2.4 FTEs Technologists, 1.4 FTE Registered Nurse, 1.0 FTE Receptionist, and a .5 FTE Radiologist. Kaiser Permanente will hire the required staff to implement the proposed project. Kaiser Permanente does not anticipate any problems in recruiting.

Kaiser Permanente will fund this proposed project through its capital generation program supported by operating revenues, and through long-term debt of the nationwide Program. No new debt will be required for the proposed project.