



## HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

### STANDARD APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 03-32

Applicant: Kona Community Hospital  
79-1019 Haukapila St.  
Kealahou, Hawaii  
Phone: 808-322-9311

Project Title: Establishment of Radiation Therapy service

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

- Public (Government)
- Private
- Non-profit
- For-profit
- Individual
- Corporation
- Partnership
- Limited Liability Corporation (LLC)
- Limited Liability Partnership (LLP)
- Other: \_\_\_\_\_

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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)  
Not applicable. KCH has occupied this site since 1945.
- 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 - County of Hawaii
- C. Your governing body: list by names, titles and address/phone numbers
- 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
  - By-Laws (Attachment B)
  - Partnership Agreements
  - Tax Key Number (project's location) TMK 7.9.10:01

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				03-00	14	
Outpatient Facility					XX	
Private Practice						

5. **TOTAL CAPITAL COST:** Not to exceed \$4 million

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 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>			

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.

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This project will establish a new Radiation Therapy service for West Hawaii. It will be connected to the Kona Community Hospital building. The project will include a 3,000 sq. ft. building and the purchase of a linear accelerator.

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

**A. List All Project Costs: AMOUNT:**

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1.	Land Acquisition	_____
2.	Construction Contract <span style="float: right; font-size: 0.8em;">estimated</span>	<u>\$2,000,000</u>
3.	Fixed Equipment	<u>\$2,000,000</u>
4.	Movable Equipment	_____
5.	Financing Costs	_____
6.	Fair Market Value of assets acquired by lease, rent, donation, etc.	_____
7.	Other: _____	_____

**TOTAL PROJECT COST:** \$4,000,000

**B. Source and Method of Estimation**

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

See Proforma ( Exhibit D-2 )

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**C. Source of Funds AMOUNT:**

1.	Cash	_____
2.	State Appropriations	_____
3.	Other Grants	_____
4.	Fund Drive <span style="float: right; font-size: 0.8em;">Kona Hospital Foundation</span>	<u>\$1.5 million</u>
5.	Debt	<u>\$2.5 million</u>
6.	Other: _____	_____

**TOTAL SOURCE OF FUNDS:** \$ 4 million

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:

See page 6

- 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, and
- 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.*

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.

See page 6

- 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

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**9. Implementation Schedule.**

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- a) **Date of site control for the proposed project.** Not applicable. KCH already controls the site.
  - b) **Dates by which other government approvals/permits will be applied for and received.** KCH will apply for the building permit immediately upon receipt of the CON.
  - c) **Dates by which financing is assured for the project.** Financing is already assured. The Hawaii Health Systems Corporation (HHSC), (the hospital's parent corporation, has an available line of credit with Academic Capital through which the project will be financed.
  - d) **Date construction will commence.** 1 month after receipt of building permit.
  - e) **Length of construction period.** 6 months.
  - f) **Date of completion of the project.** 7 months after receipt of building permit.
  - g) **Date of commencement of operation.** 1 month after receipt of occupancy permit, estimated to be May, 2004.

**10. Executive summary.**

Kona Community Hospital proposes to establish a radiation therapy service at the hospital using state-of-the-art radiation therapy equipment.

a) **Relationship to the H2P2.** As will be shown in the detailed discussion in later in this application, this proposal relates well to the vision and guiding principles of the plan, and to the regional priorities of the Hawai'i SAC.

The hospital's catchment area is West Hawaii, mainly the districts of North and South Kona. There is no radiation therapy service in this area. The nearest service (and the only one on the island) is at Hilo Medical Center (HMC), which is over 100 miles distant from many parts of West Hawai'i. Although not in the Kona Community Hospital's catchment area, the Hilo unit is operating at 9000 procedures per year, which exceeds the H2P2's standard of 8000 which would permit another unit in the service area, which is the entire Island of Hawai'i. Kona Community Hospital has made extremely conservative utilization estimates for the new unit, and estimates 4,850 procedures in the third year of operation. This is below the plan's standard of 6,000 procedures, but we believe it is in compliance with the exemption standard in the plan: "In each case where sub-optimum utilization is proposed, the benefits – in the form of improved access for the service area(s) population combined with significant improvement in quality

and/or significant reduction in price to the public – clearly outweigh the costs to the community of duplication or under using services, facilities, or technology.”

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**b) Need and accessibility.** Again, using conservative methodologies, Kona Community Hospital estimates that there are 146 cancer patients in its catchment areas that will need radiation therapy in the first year of operation. These patients now have to go to Hilo (approximately 27% of the patients treated in Hilo are from West Hawai`i) or to O`ahu for treatment. This is a terrible emotional and financial burden on the patients and their families. The proposed unit at the hospital will make services much more accessible to West Hawai`i patients. In addition, the service will be available to all those in need, without regard to such things as race, sex or income.

**c) Quality of Service/Care.** This proposal will provide a high quality of radiation therapy to the people of West Hawai`i. The equipment will be state-of-the-art, equivalent to or better than the unit at Hilo Medical Center. The professional service will be provided by Hawaii Island Radiation Oncology, the current providers of service at Hilo Medical Center. The procedures and extensive protocol of the service will assure its quality.

**d) Cost and Finances.** The hospital estimates that the capital cost of the project will be \$4,000,000 – \$2,000,000 for the equipment and \$2,000,000 for construction. The Kona Community Hospital Foundation has raised \$1,500,000 for this project (evidence of the strong community support for the service). The hospital proposes to finance the project 100% by debt, through a line of credit that the Hawaii Health Systems Corporation has with Academic Capital. The \$1,500,000 donation from the foundation will be used in the first few years of the service to offset any operating losses. This will assure that the service will never require cash contributions from HHSC to break even. The hospital projects that the service will break even by the fourth year of operation. We project that in the first year of operation the net patient revenue will be \$1,020,000, vs. total operating expenses of \$1,517,600. The deficit will be offset by the contribution from the Hospital Foundation.

**e) Relationship to the Existing Health Care System.** This project will make a great improvement in the existing health care system. It will make quality services more accessible to the people in need. It will be financially feasible, in that it will pay for itself. It will not adversely affect HMC, the other provider on the island, which is already approaching optimum capacity (9000 procedures in 2002 vs. the 9,792 standard in the H2P2). Indeed, HMC supports the project and will welcome the relief of an additional provider to serve the patients of West Hawai`i in West Hawai`i.

**f) Availability of Resources.** The capital resources to fund the project are available through a line of credit with the HHSC. The hospital's foundation has contributed \$1,500,000 to offset potential operating losses during

the first three years of operation. The physician staff will be provided by Hawaii Island Radiation Oncology, and the technical staff of 3.5 new FTE's should be available through normal recruiting.

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