



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 03-38A

Applicant: The Endoscopy Center LLC
134 Puuhonu Way, Hilo, HI
Phone: 808-969-3979

Project Title: Transfer of ownership of the Endoscopy Center

Project Address: same

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

- Public _____
- 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)
- 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)

REPLACEMENT PAGE

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.

Change in Ownership Structure

	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				✓	
Private Practice					0

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:

RECEIVED 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.	<u>200,000.00</u>
7. Other: _____	_____
TOTAL PROJECT COST:	<u>200,000.00</u>

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STATE TREASURY & DEVT. AGENCY

B. Source of Funds

1. Cash	<u>200,000.00</u>
2. State Appropriations	_____
3. Other Grants	_____
4. Fund Drive	_____
5. Debt	_____
6. Other: _____	_____
TOTAL SOURCE OF FUNDS:	<u>200,000.00</u>

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.

N/A

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: N/A

- 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

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 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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STAFF/REGISTRATION
& INV. ADMIN.

The Endoscopy Center, LLC

William A. Hartman, M.D. Timothy C. Jahraus, M.D. Edwin M. Montell, M.D.

134 Pu'uhonu Way • Hilo, Hawaii 96720-2067 • (808)969-3979 • fax: (808)935-7657

EXECUTIVE SUMMARY

1. Service Area

At present, Gastroenterology Associates, Inc., dba The Endoscopy Center, provides subspecialty gastroenterology service on the island of Hawaii. Our services include diagnostic and therapeutic endoscopy in treatment of various esophageal, stomach, upper intestinal and lower intestinal disorders as well as consultative, cognitive skills. Although endoscopic procedures are not performed solely by gastroenterologists, the variety of procedures performed and the level of training this entails is unique to our specialty.

Our intent and current practice is to provide services to all residents of the area regardless of social status, racial or ethnic background, sex, or ability to pay. The Endoscopy Center is handicap accessible. Our area of service encompasses the entire island as a result of our unique capabilities though the majority of our patients are from East Hawaii - Honokaa to Pahala.

Our legal advisors recommend we restructure our business now that Limited Liability Corporations (LLC) are available. For that reason, we propose to separate the facility from our Professional Corporation, Gastroenterology Associates, Inc., and transfer ownership of the facility to The Endoscopy Center, LLC.

This corporate restructuring will in no way change the facility, the type of services we perform, who performs them, or the owners who will remain the three physicians, Dr. Hartman, Dr. Jahraus, and Dr. Montell.

a) Relationship to H2P2

This project was already deemed consistent with H2P2 at the approval of our original application. See attached page D-2 from that application. These factors remain the same.

b) Need and Accessibility

Need has been demonstrated by the provider and public acceptance of our facility as demonstrated by the rise in case load from 90 per month to 300 per month with expected utilization to remain the same. We remain fully compliant with all ADA regulations for accessibility. We also provide services 7:00 a.m. to 5:00 p.m. six days a week which is far superior to most health care facilities. We also provide access to patients throughout the island although our primary catchment area is East Hawaii.

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c) Quality of Service/Care

We have demonstrated quality of service and care by our continued licensure and Medicare certification. In addition, we have voluntarily become accredited by JCAHO. We are the only free-standing endoscopy center in the state to comply with this superior level of accreditation. If approved, we intend to continue all current levels of licensure, certification, and accreditation.

d) Cost and Finances

There will be no cost to patients. The Endoscopy Center, LLC will purchase from Gastroenterology Associates, Inc. all of the hard assets of the existing facility.

The Endoscopy Center, LLC projected revenue for 2004: \$1,600,000.00

Projected expenses for 2004: \$805,000.00

Revenue is expected to remain the same for the first three years because of minor reductions in per case revenue by Medicare, offset by minor volume increases. Expenses are expected to significantly (5-10%) increase in line with medical cost inflation.

e) Relationship to the Existing Health Care System

We have appropriate transfer arrangements with the only hospital in the region. We continue to support that hospital by using it for patients who are not appropriate for an outpatient endoscopy center.

f) Availability of Resources

There are no additional resources required for this project. No additional staffing or financial resources will be necessary.