



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

STANDARD APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 04-04

Applicant: Maui Memorial Medical Center
221 Mahalani Street
Wailuku, Maui, HI
Phone: 808-242-2036

Project Title: Addition of an open Magnetic Resonance Imaging
(MRI) unit

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)
N.A.
- 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
- C. Your governing body: list by names, titles and address/phone numbers see Attachment A
- 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 Please see Attachment B
 - By-Laws
 - Partnership Agreements
 - Tax Key Number (project's location)

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		X				
Outpatient Facility		X				
Private Practice						

\$2,172,648

5. **TOTAL CAPITAL COST:** _____

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
N.A.			
TOTAL			

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.

N.A.

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

A. List All Project Costs:

	AMOUNT:
1. Land Acquisition	<u> N/A </u>
2. Construction Contract	<u>500,000</u>
3. Fixed Equipment	<u>672,648</u>
4. Movable Equipment	<u> 0 </u>
5. Financing Costs	<u> N/A </u>
6. Fair Market Value of assets acquired by lease, rent, donation, etc.	<u> N/A </u>
7. Other: _____	<u> 0 </u>

TOTAL PROJECT COST: \$2,172,648

B. Source and Method of Estimation

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

CONSTRUCTION COST BASED ON INTERNAL ENGINEER'S ESTIMATE

EQUIPMENT ESTIMATE SEE ATTACHED QUOTE (EXHIBIT D-5)
INCLUDES OPTIONS AND 4.166% GET.

C. Source of Funds

	AMOUNT:
1. Cash	_____
2. State Appropriations	_____
3. Other Grants	_____
4. Fund Drive	_____
5. Debt	<u> \$2,172,648 </u>
6. Other: _____	_____

TOTAL SOURCE OF FUNDS: \$2,172,648

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:

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- 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.

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.

- 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

- a) Financing acquired (already-existing line of credit) – March 30, 2004
- b) RFP issued for equipment (scanner) – April 30, 2004
- c) Building permit applied for – June 1, 2004
- d) Vendor selected – June 30, 2004
- e) Building permit received – July 1, 2004
- f) Begin renovation/construction – August 1, 2004
- g) Scanner delivered and installation begun – October 1, 2004
- h) Commencement of operation -- November 1, 2004

10. EXECUTIVE SUMMARY

Maui Memorial Medical Center (MMMC) is proposing to acquire a state-of-the-art, high field, open magnet MRI (Magnetic Resonance Imaging) scanner for installation and operation at the current MRI facility at MMMC in Wailuku. The capital cost of the project will be \$2.17 million. The open unit is expected to be in operation beginning November 1, 2004.

Background: Existing Situation on Maui. In order to understand and properly evaluate this application, it is necessary to understand the current MRI situation on Maui.

- MMMC has been operating a high-field closed bore MRI unit at the hospital since 1993.
- In 2002, Maui Radiology Consultants (MRC) opened its own closed bore unit in a free-standing facility. This became Maui's second MRI unit.
- MRC has recently gone into bankruptcy.
- The assets of the bankrupt MRC (most equipment, leases, office space, etc.) are being acquired by Maui Diagnostic Imaging L.L.C. (MDI).
- MDI has filed a Certificate of Need (CON) application to acquire the equipment and provide the services previously provided by MRC, including MRI service.
- MMMC supports the application of MDI to continue the services of MRC, including the second MRI unit and service.
- MMMC is now filing a CON application to acquire and operate a high field open bore unit on the grounds of MMMC in conjunction with the existing closed bore unit. This would be Maui's first open bore unit and third MRI unit overall.
- Island Imaging, a Maui diagnostic imaging service represented by Dr. Scott Boren, has filed with SHPDA a CON application to

acquire an open bore MRI unit and establish a new MRI service on Maui.

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MMMC has been operating a high field (1.5 Tesla), closed bore MRI service since 1993, and recently upgraded its unit to a top of the line system. In 2003 MMMC provided 3,250 scans. We estimate that the MRC service provided 2,250 scans in 2003, thus totaling about 5400 scans in 2003 for the island. We estimate that this number will continue to grow at about 12% per year. However, in addition to the patients already being served, there are numbers of patients who cannot be served on either of these closed bore units, but need the availability of an open unit. We believe that the need for an open magnet unit, which would be Maui's third MRI unit, is justified by the overall increase in patients plus the need of those patients who can only be served on the open magnet.

In addition, we believe that this open magnet must be placed at the hospital if it is to serve all the patients who need an open magnet scan, i.e., emergency patients, and inpatients as well as outpatients. This will assure that Maui will have a comprehensive system making MRI service available to all those in need. In contrast, an open magnet at a free-standing location will be unavailable to those 1000+ patients (1,080 in 2003) who are emergency patients or hospitalized inpatients.

The new unit will be a high field open magnet system. This system functions just as well as the closed bore system in many uses, although some applications can only be done on the closed bore unit. The new unit will probably concentrate on spine and orthopedic imaging, and will be able to serve patients unable to use a closed unit, such as people with claustrophobia and obese patients.

A. Relationship to the Hawai'i Health Performance Plan (H2P2), also known as the State of Hawai'i Health Services and Facilities Plan.

This project relates well to the H2P2. Chapter II of the H2P2 provides a capacity threshold for existing providers of MRI service which states "For expansion of existing units/services, the provider's utilization rate is at least 2,750 scans per year." MMMC passed that threshold in the year 2000, providing 2935 scans. In 2003 we provided 3250 scans, which was a drop from our high of 4,653 scans in 2002, at which time MRC opened and began to take large numbers of outpatients.

This proposal also complies with the vision and guiding principles established in the H2P2, as well as the priorities established by the Tri-Isle Subarea Health Planning Council.

B. Need and Accessibility

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There is a need for this proposal, and it will be accessible to all in need. The existing closed bore magnet at MMMC is now operating at about 3250 procedures per year. This rate has been achieved while operating on a scheduled basis of 5 days a week (Monday to Friday). (Staff is on call 24/7 for emergencies or other procedures needed immediately).

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We estimate that the total need for Maui patients is 6000 procedures in 2004. In addition to the two existing units, this justifies a third unit, an open unit which should be placed at the hospital.

The unit will be accessible to **anyone** who needs an MRI procedure. MMMC serves everyone, without regard to ability to pay. In 2003, about 31% of our MRI patients were inpatients, and about 11% were emergency patients. (Although these percentages were skewed from the 2002 percentages after MRC started to take a large number of outpatients to its free-standing unit). These patients can only be served at MMMC's hospital-based facility. With an open unit as well as a closed unit, both located at the hospital and both available 24/7, MMMC will be accessible to 100% of the people in need. By contrast, a closed unit at a freestanding outpatient facility will only be accessible to about 78% of the people in need. It is inaccessible to the remaining 22% (Inpatient and Emergency Room patients).

C. Quality of Service/Care

The proposal will provide a high quality of service. MMMC is a JCAHO accredited organization. It has been providing MRI service since 1993, and has a history of providing quality MRI service. All of the MRI Technologists will be AART (American Registry of Radiologic Technologists) registered, with special certification in MRI.

D. Cost and Finances

The capital cost of the project will be \$2.17 million and will be financed by a 7 year loan, The service will be financially feasible, i.e., it will pay for itself and will even contribute revenue to other hospital services which lose money, but which are necessary to serve the community.

The existing MRI fees at MMMC will not change. However, it is important to note that MMMC does not actually get paid the fee on the fee schedule. MMMC only recovers about 40% of its MRI charges due to such things as: deductions for Medicare and Medicaid, adjustments for managed care and other insurance reimbursers; bad debt and free

care. MMMC's average charge for an MRI scan is \$1,239 but its average reimbursement is only \$496.

E. Relationship to the Existing Health Care System

This proposal relates well to the existing health care system. MMMC already provides a closed bore unit at the hospital, and the addition of an open magnet will establish a comprehensive, full-service MRI center in one place. The proposal strengthens the system since it makes service available to all who need it (notably inpatient and emergency patients). It is centrally located, and available 24 hours a day. Since it is located at the hospital, it makes other ancillary services convenient to the patient. The revenue from the service will be important in buttressing the financial status of the hospital, giving it a profit from which to support services which are not profitable but which are needed by the community.

By contrast, the establishment of Maui's third MRI unit at a freestanding outpatient facility would weaken the system. The freestanding setting means it is unable to serve inpatients and emergency patients. The limited hours means it is not available 24 hours a day. The "cherry-picking" of patients means that revenue is diverted from the community's hospital to a private entrepreneur, thus weakening the hospital and the system of which the hospital is an essential part.

F. Availability of Resources

The financial and personnel resources are both available for this project. The project will be financed through a loan from Academic Capital and the operating revenue will be enough to cover the costs.

Since an MRI service already exists at the hospital, MMMC will need only 3 additional FTE staff in the first year: 1 MRI tech, 1 MRI tech assistant and 1 clerk. These persons are available. In the second and third year, staff will be increased by .5 FTE MRI tech per year.