



## HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

### ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 06-03A

Applicant: Pharmicare International, Inc.  
3375 Koapaka Street, #G-320  
Honolulu, HI  
Phone: (808) 535-7124

Project Title: Acquisition of Pharmacy Services

Project Addresses:

1319 Punahou Street, Honolulu  
888 S. King Street, Honolulu  
98-1079 Moanalua Road, Aiea

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

- Public \_\_\_\_\_
- Private   X
- Non-profit \_\_\_\_\_
- For-profit   X
- Individual \_\_\_\_\_
- Corporation   X
- 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:   X
- Honolulu:   X
- Windward O`ahu: \_\_\_\_\_
- West O`ahu:   X
- 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). **[See Attachment 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.).
  - State Pharmacy Permit
  - State Narcotic Permit
  - Federal Narcotics license
- C. Your governing body: list by names, titles and address/phone numbers **[See Attachment B]**
- 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: **[See Attachment C]**
  - By-Laws: **N/A**
  - Partnership Agreements: **[See Attachment D]**
  - Tax Key Number: **2-1- 42- 10, 23 & 24, 1-9-8-16: 40, & 2-8-011:04**

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.

- NOT APPLICABLE (N/A) -

Type of Bed	Current Total	Bed	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
N/A	N/A		N/A	N/A

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**6. PROJECT COSTS AND SOURCES OF FUNDS**

**A. List All Project Costs:**

**AMOUNT:**

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	3. Fixed Equipment	N/A
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	5. Financing Costs	N/A
	6. Fair Market Value of assets acquired by lease, donation, etc. ( <i>includes value of 5 year lease</i> )	<u>\$1,270,000</u>
	7. Other: Existing pharmaceutical inventory	<u>\$ 650,000</u>
	<b>TOTAL PROJECT COST:</b>	<b>\$ 1,920,000</b>

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**B. Source of Funds**

1. Cash	\$ 650,000
2. State Appropriations	_____
3. Other Grants	_____
4. Fund Drive	_____
5. Debt	_____
6. Other: (FMV of Lease Payments)	<u>1,270,000</u>
<b>TOTAL SOURCE OF FUNDS:</b>	<b>\$1,920,000</b>

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.

This project is a change of ownership application for retail pharmacy services.

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: **February 01, 2006**
- b) Dates by which other government approvals/permits will be applied for and received: Existing certificates and licenses will be transferred on or before **February 01, 2006**.
- c) Dates by which financing is assured for the project: **N/A**
- d) Date construction will commence: **N/A**
- e) Length of construction period: **N/A**
- f) Date of completion of the project: **N/A**
- g) Date of commencement of operation: **March 01, 2006**

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.

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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.

The proposed project is a change of ownership of an existing service. The proposed project involves an asset purchase between Pharmicare International, Inc (Pharmacare) and Hawaii Pacific Health. Pharmicare intends to purchase the retail pharmacy operations located within the Oahu Hawaii Pacific Health affiliated hospitals - Kapi'olani Medical Center for Women & Children (KMCWC), Kapi'olani Medical Center at Pali Momi (KMCPM), and Straub Clinic & Hospital (SCH). Pharmicare is currently managing the pharmacy operations at each these locations and now will continue to provide pharmacy service at the existing locations following the purchase.

**a) Relationship to the Hawaii Health Performance Plan (H2P2), also known as the State of Hawaii Health Services and Facilities Plan.**

The ownership transfer fits within the Hawaii Health Performance Plan (H2P2). An objective of H2P2 includes:

- "Having a system that is comprehensive, cost-effective, well coordinated and responsive to community needs".

The change of ownership from Hawaii Pacific Health to Pharmicare will help address the issue of rising health care costs and declining reimbursements that hospitals are confronting. This transfer will ensure that more experienced providers of pharmacy services will be able to provide the service more efficiently. This transaction will reduce the financial burden hospital providers experience in an effort to provide acute care to underinsured and non-insured patients.

**b) Need and Accessibility**

The proposed change of ownership will not affect need and accessibility of pharmacy services at any of the hospital location. The hospital based pharmacies will continue to provide services at their existing locations.

**c) Quality of Service/Care**

Pharmacare has the clinical and administrative personnel and resources to maintain services at existing levels. Pharmicare was formed in 1983 by two Hawaii pharmacists, Byron Yoshino and Rick Sakurada. Today, the company offers over 35 different therapies and serves the entire state of Hawaii as well as Guam and the South Pacific from its offices in Honolulu and Hilo, Hawaii. The company has been operating/managing the Hawaii Pacific Health pharmacies since March 01, 2005. Pharmicare holds State Pharmacy Permits, State Narcotic Permits, and Federal Narcotics licenses for each of the other 2 Hawaii pharmacies they operate at (1) 2228 Liliha Street, Suite 100, Honolulu, Hawaii 96817 (2) 91-2139 Ft. Weaver Rd, Suite 106, Ewa Beach, 96706. Additionally, Pharmicare also has the processes described in **Attachment F** to assure internal quality control.

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

The change of ownership is projected to have a positive financial performance on a go-forward basis beginning in year 1 and expected to increase by 10% by year 3. The financial projections are in **Attachment E**. The project is cost-effective as it utilizes existing space, equipment, and inventory.

**e) Relationship to the existing health care system**

The project will not impact or change the relationship of service to the existing health care system as it is simply a change of service of an existing service.

**f) Availability of Resources.**

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Pharmacare has the \$650,000 available from cash reserves for the initial asset purchase of the CON regulated assets which includes the book value of drug inventory to be transferred at time of operation. The \$1.27M is the fair market value of the lease which will be paid from operational revenue. Pharmacare also has the clinical staff and administrative support to operate and maintain the pharmacy including sufficient funds from operating capital to staff the retail pharmacies as needed. Pharmacare will require 24 FTE positions comprised of 9 pharmacists, 13 pharmacy technicians and 2 administrative support staff. Of these 24 positions, 17 are currently employed by Hawaii Pacific Health and the remaining 7 will need to be hired externally.

**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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