



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

EMERGENCY APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 06-08E
Applicant: Big Isln d Air, Inc.
P.O. Box 1476
Kailua-Kona, HI 96745
Phone: 808-329-4868

Project Title: Establishment of fixed wing ambulance service

Project Address: Kona International Airport Commuter Air Terminal

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: X
- Oahu-wide: _____
- Honolulu: _____
- Windward Oahu: _____
- West Oahu: _____
- Maui County: _____
- Kauai County: _____
- Hawaii 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) Site is currently secured by Applicant for its current operations. Copies of the State Airport leases are attached as Exhibit "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.) 1. Hawaii State Air Ambulance Service License; 2. Medicare Certification – State Health Department; 3. Amendment of FAA Part 135 Certification for EMS - F.A.A.
- C. Your governing body: list by names, titles and address/phone numbers
George Thomas Beard, President, Secretary, Treasurer & Director
Cassandra Pek Chin Ooi, Vice President & Director
PO Box 1476, Kailua-Kona, HI 96745
Tel: 808-329-4868
- 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 - Attached as Exhibit "B"
 - By-Laws – Attached as Exhibit "C"
 - Partnership Agreements
 - Tax Key Number (project's location) – TMK: (3) 7-3-43:45, 46,52 & 28

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				BED X	
Private Practice			06 APR -7	119:42	

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**

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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:

- | | 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. | _____ |
| 7. Other: <u>Fully equipped fixed wing air ambulance</u> | <u>\$2,150,000.00</u> |

TOTAL PROJECT COST: \$2,150,000.00

B. Source of Funds

1.	Cash		<u>\$200,000.00</u>
2.	State Appropriations		_____
3.	Other Grants		_____
4.	Fund Drive		_____
5.	Debt	'06 APR -7 A9:42	<u>\$ 1,950,000</u>
6.	Other:	ST. HLTH. PLNG. & DEV. AGENCY	_____
TOTAL SOURCE OF FUNDS:			<u>\$ 2,150,000</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.
8. Applicant proposes to establish a new fixed wing air ambulance service (HAR Section 11-186-5(3)(U)) for the State of Hawaii using a pre-owned Cessna Citation S-II jet aircraft.
9. **IMPLEMENTATION SCHEDULE:** Please present a projected ~~time schedule for the~~ ^{REPLACEMENT PAGE} 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, Site is secured by current airport lease.
 - b) Dates by which other government approvals/permits will be applied for and received, State Ambulance Service License and Medicare certification will be applied for by April 15, 2006 and should be issued prior to the approval of the Emergency Certificate of Need (c. June 1, 2006). The amendment of the FAA 135 certification for the new jet aircraft will be applied for upon delivery within 45 days with approval expected within 7 days thereafter.
 - c) Dates by which financing is assured for the project, April 3, 2006
 - d) Date construction will commence, Not Applicable
 - e) Length of construction period, Not Applicable
 - f) Date of completion of the project, Not Applicable
 - g) Date of commencement of operation: July 1, 2006.
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 below for the Nature of Emergency that describes the nature of the emergency under which this Emergency Application for a Certificate of Need is submitted and the Executive Summary.

- a) Relationship to the Hawaii Health Performance Plan (H2P2) also known as the State of Hawaii 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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11. **Nature of the Emergency.** This Application for an Emergency Certificate of Need (CON) is being submitted the provisions of Section 11-186-99, Hawaii Administrative Rules (HAR) which provides for emergency CON applications where there is "a state of affairs involving an actual substantial injury to public health or where there is a clear and present danger of such an injury occurring." The recent voluntary grounding of Hawaii Air Ambulance's aircraft, the only commercial fixed wing air ambulance service in the State of Hawaii, has further exacerbated a pre-existing need for additional medical transport for patients on the neighbor islands and has given rise to a critical need for another air ambulance service that could provide medical transport for patients in emergency situations between and among the Counties of Hawaii, Kauai, Maui and the City and County of Honolulu. The lack or inadequacy of commercial air ambulance services would cause substantial injury to the public health and presents a clear and present danger of actual injury to those patients relying on such services. It is Applicant's understanding that the US Coast Guard has agreed to fill in for the loss of commercial air ambulance services temporarily, however, there is no commitment for permanent services nor should be there be long term expectations for these services to continue.

EXECUTIVE SUMMARY OF THE PROJECT

The Applicant, BIG ISLAND AIR, INC. ("BIA"), is a certified FAA Part 135 air carrier based at Keahole-Kona Airport with nearly 20 years of experience in Hawaii. BIA is proposing a new air ambulance service providing 24-hour emergency medical evacuation within and from the Counties of Hawaii, Kauai and Maui to the island of Oahu. While BIA operates a fleet of turbo-prop aircraft for use in its air tour business, it has located and proposes to acquire a pre-owned Cessna Citation S-II jet aircraft that will be outfitted for and dedicated to air ambulance service between the points on the islands of Hawaii, Maui, Lanai, Molokai, Kauai and Oahu.

The dedicated jet aircraft, with the capability to transport up to two (2) patients, will be based at the Applicant's existing facility within the Keahole-Kona Airport in West Hawaii. Although it is expected to primarily serve the island of Hawaii with its acute care facilities at Hilo, Kamuela and Kona, each accessible through nearby airports to medical facilities on the island of Oahu, the dedicated jet aircraft will be able to pickup and transport patients from the Hana and Kahului airports on the island of Maui as well as the Lanai Airport, the Kaunakakai Airport on the island of Molokai and the Lihue Airport on Kauai. Flight time between Keahole-Kona and the Honolulu International Airport will be less than 30 minutes in the dedicated jet air craft.

A. RELATIONSHIP TO THE HAWAII HEALTH PERFORMANCE PLAN

Responsive and well-coordinated access to appropriate and comprehensive medical care is a crucial element of any health delivery system. The State of Hawaii recognized its

importance for the emergency health needs of its residents by establishing the comprehensive emergency medical services system. The proposed project is consistent with these goals and objectives as reflected in the Hawaii Health Performance Plan (H2P2). The proposal supports the H2P2 by providing residents of the Counties of Hawaii, Kauai and Maui with equitable, effective and efficient access to emergency medical services that are responsive to the needs of the community and the region. It would also foster efficient emergency access to primary care as well as to highly specialized medical practitioners and facilities for neighbor islanders residing in rural communities where such services are scarce or unavailable. While the H2P2 provides no capacity thresholds for additional air ambulance services, the proposed use of jet aircraft for more efficient and responsive emergency medical evacuation provides increased value and access by incorporating the latest available technology for these neighbor island residents.

B. NEED AND ACCESSIBILITY

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The geographic area is presently served by only one over-water air ambulance service. The Hawaii Air Ambulance Service currently serves the entire State of Hawaii with its three (3) Cessna 414 dual piston aircraft. Lynn Walton, former CEO of Kona Community Hospital stated that the current average waiting time for emergency medical evacuation of West Hawaii residents is nearly 4 hours. Extended wait times are directly related to need because studies suggests patients with multi-system trauma have better survival rates when this time is reduced.¹ Moreover, the current carrier has voluntarily grounded its fleet at the present giving rise to an emergency situation. BIA will be able to respond to most, if not all, of the calls for medical emergency evacuations with greater efficiency effectively reducing the current waiting times for such services from West Hawaii. The resident population on the island of Hawaii is estimated at nearly 150,000 with a growth of nearly 30% in West Hawaii over the past 10 years. The population of Maui County is approximately 130,000 in 2000 according to the US Census with the fastest growth rate among the counties in the state. There were approximately 80-90 calls per month from the island of Hawaii with referrals from West Hawaii facilities averaging 44 calls per month for the first quarter of 2004. See Statement from Lynn Walton. In June of 2004, there were 64 calls for emergency medical evacuation from West Hawaii alone. Id.. The proposed project will greatly enhance emergency transport services on the island of Hawaii and will compliment services provided to the islands of Kauai, Maui, Lanai and Molokai as well.

With respect to accessibility BIA is committed to provide service to all groups in need of health care including the elderly, low income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups.

C. QUALITY OF SERVICE/CARE

BIA has provided emergency backup services for Hawaii Air Ambulance from the Counties of Hawaii and Maui. Each flight will have two emergency aero medical personnel in attendance during each evacuation. All emergency personnel will be supervised by the project's medical director.

BIA is a certified FAA Part 135 air carrier based at Keahole-Kona Airport with nearly 20 years of experience in Hawaii. It currently has a site permit at Keahole Airport at will secure all necessary licenses and approvals for the new service, including a Hawaii State Air Ambulance

¹ See generally Chang RWS et al., Predicting deaths among intensive care unit patients, Critical Care Med. 1988; 16:34-42.; See also Kee, SS et al., Interhospital transfers by helicopter: the first 50 patients of the Careflight project, J. Royal. Soc. Med. 1992, 85:29-31.

Service License, Medicare Certification, and an Amendment of FAA Part 135 Certification for EMS prior to the commencement of operations on or about July 1, 2006.

With the voluntary grounding of Hawaii Air Ambulance's fleet no current service exists. Thus, BIA will be able to make a direct and immediate impact on the quality of patient care, survival, and response times by restoring this critically needed service.

D. COST AND FINANCES

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A copy of the financial statements for Big Island Air, Inc., for the fiscal year ended December 31, 2005 is attached hereto as Exhibit "F". The purchase has been negotiated from American Aircraft Sales International, Inc. for the pre-owned dedicated jet aircraft for \$2,150,000.

The purchase of the pre-owned jet aircraft will be financed by the seller for acquisition of the dedicated aircraft. The letter of intent and financing commitment is attached as Exhibit "H". The current Medicare allowable rate, based on the prospective payment system, for air ambulance service is currently \$4,800.00 for a Keahole-Kona to Honolulu International Airport although the transport fees ranges from \$2,200.00 to \$3,500.00 for shorter distances. The Medicaid rate is the same as the Medicare rate. The Applicant anticipates a minimum transport rate of 125 calls per month at a minimum fee of \$2,200.00 per transport that would provide a minimum revenue stream of approximately \$281,250.00 monthly. Even accounting for a 25% loss rate for bad debts and contract adjustment, the project is still feasible as demonstrated in the Statement of Revenues and Expenses (projected) for the proposed service by BIA is attached as Exhibit "E".

E. RELATION TO THE EXISTING HEALTH CARE SYSTEM

The proposed new service will greatly enhance access to emergency medical care, especially for residents of the outlying rural communities in the Counties of Hawaii, Kauai and Maui. It will also reduce the pre-existing lag in emergency medical evacuation to facilities on Oahu. The service proposed by BIA with use of jet aircraft based at Keahole-Kona airport in West Hawaii will further relieve the present emergency situation created by the voluntary grounding of Hawaii Air Ambulance aircraft fleet.

F. AVAILABILITY OF RESOURCES

Trained and certified emergency service personnel are available for on-call duty on the island of Hawaii. No additional pilots or aircraft maintenance staff will be needed as BIA staff can easily service and maintain the single dedicated jet aircraft. BIA has a dedicated flight crew of six and ready access to trained and certified medical personnel presently on the Island of Hawaii including the project's medical director.

Current capital costs include \$2,150,000 for a fully equipped fixed wing air ambulance. BIA has available \$200,000 in cash and secured \$3,000,000 in financing to cover these costs See Exhibit "H".

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LIST OF EXHIBITS

- Exhibit A Airport Lease between State of Hawaii and Big Island Air, Inc.
- Exhibit B Articles of Incorporation of Big Island Air, Inc.
- Exhibit C Bylaws of Big Island Air, Inc.
- Exhibit D Certificate of Good Standing of Big Island Air, Inc.
- Exhibit E Statement of Revenue and Expenses for Big Island Air, Inc.
- Exhibit F Unaudited Financial Statement of Big Island Air, Inc. for fiscal year ending December 31, 2005
- Exhibit G Table of Mileage and Flight Times
- Exhibit H Financing Commitment

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- Exhibit E Statement of Revenue, and Expenses for Big Island Air, Inc.
- Exhibit F Unaudited Financial Statement of Big Island Air, Inc. for fiscal year ending December 31, 2005
- Exhibit G Table of Mileage and Flight Times
- Exhibit H Financing Commitment

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