



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

EMERGENCY APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 08-16E

Applicant: Hawaii Medical Center East, LLC
2230 Liliha Street
Honolulu, Hawaii

Phone: 808-547-6651

Project Title: Establishment of MRI and CT services

Project Address: same

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

- Public _____
- Private X
- Non-profit _____
- For-profit X
- Individual _____
- Corporation _____
- Partnership _____
- Limited Liability Corporation (LLC) X
- 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: _____
- 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, the applicant is an existing facility
- 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.) **None**
- C. Your governing body: list by names, titles and address/phone numbers
The officers of HMCE:
 - CEO Danelo Canete, 2230 Liliha, Honolulu, HI 96817
 - COO Cathy Tanaka, 2230 Liliha, Honolulu, HI 96817
 - CFO Suanne Morikuni, 2230 Liliha, Honolulu, HI 96817
 - CMO James Lumeng, M.D., 2230 Liliha, Honolulu, HI 96817
 - CSO Alan Chueng, M.D., 2230 Liliha, Honolulu, HI 96817
 - Secretary David Phillips, Cardiovascular Hospitals of America
9342 E. Central Ave., Suite L, Wichita, KS 67206
- 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 **See Attachment D**
 - By-Laws **See Attachment E, Operating Agreement**
 - 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						
Private Practice						

5. **TOTAL CAPITAL COST:** \$1,530,000

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**

6. **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.

Hawaii Medical Center East, LLC (HMCE) will establish on-site MRI and CT services.

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

A. List All Project Costs:

**TOTAL
AMOUNT** SEP -5 AIO :39

- | | |
|--|--------------------|
| 1. Land Acquisition (value of land leased) | _____ |
| 2. Construction Contract | _____ |
| 3. Fixed Equipment | _____ |
| 4. Movable Equipment | _____ |
| 5. Financing Cost | _____ |
| 6. Fair Market Value of assets acquired by lease, rent, donation, etc. | <u>\$1,530,000</u> |
| 7. Other: | _____ |

TOTAL **\$1,530,000**

B. Source and Method of Estimation

Describe how the cost estimates in Item "A" were made, including information and methods used: Cost figures are actual costs from acquiring the equipment.

C. Source of Funds

AMOUNT:

- | | |
|----------------------------|--------------------|
| 1. Cash | <u>\$300,000</u> |
| 2. State Appropriations | _____ |
| 3. Other Grants | _____ |
| 4. Fund Drive | _____ |
| 5. Debt | _____ |
| 6. Other: (lease payments) | <u>\$1,230,000</u> |

TOTAL SOURCE OF FUNDS: **\$1,530,000**

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, **N.A.**
- b) Dates by which other government approvals/permits will be applied for and received, **N.A.**
- c) Dates by which financing is assured for the project, **September 9, 2008**
- d) Date construction will commence, **N.A.**
- e) Length of construction period, **N.A.**
- f) Date of completion of the project, **September 22, 2008 (Equipment installed)**
- g) Date of commencement of operation. **September 29, 2008**

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

Hawaii Medical Center East, LLC ("HMCE") is filing an emergency certificate of need application to establish MRI and CT services at HMCE in the site previously occupied by St. Francis Imaging, LLC d/b/a Island Imaging ("Island Imaging"). The previous MRI and CT units of Island Imaging have been sold and will be removed on or about September 13, 2009.

HCME will lease new units and fly them in. We anticipate that the new units will be delivered and installation begun by September 22nd, with operations to begin September 29th

Nature of the emergency. MRI and CT imaging services are essential for the health and safety of the patients now imaged at HCME – inpatients, emergency patients and outpatients. Without these services, the health and safety – indeed the very lives -- of these patients will be severely endangered. In addition to endangerment to individual patients at HCME, there would be 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." (Section 11-186-99(b), Hawaii Administrative Rules).

- Without CT and MRI services on site, the emergency department would be unable to accept many emergency cases. Ambulances would have to be

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- diverted to other facilities. Although this might be tolerable in the short term, extended diversion would create serious problems for other hospitals, which are already frequently overburdened, with a consequent danger to the system and public health.
 - Inpatients occasionally have emergency situations, such as a stroke, which require immediate imaging. Without on-site services, these patients would have to be transported to other facilities. Again, this might be acceptable for a short period, but on a longer-term basis it would overburden the system and endanger public health.
 - If the existing equipment is removed on or about September 13th, processing an administrative CON application could potentially delay the establishment of new services until late October or even November, since the administrative procedure requires public notice, permits the convening of public meetings and provides for waiting periods and a reconsideration process before a decision becomes final. Again, such an extensive delay in establishing the new services would overburden the existing system and endanger the health of the public as well as the many individuals affected.

Further evidence of this critical situation will be found in the letter of June 12, 2008 from Hugh R. Jones, Deputy Attorney General (Attachment A). Mr. Jones states that the Office of the Attorney General is "prepared to seek injunctive relief if necessary to prevent any disruption in patient imaging services, until such time as a court of competent jurisdiction determines how the assets of St Francis Imaging will be liquidated consistent with the public's interest in continued, un-interrupted medical services at Hawaii Medical Centers . . ."

The capital cost of the project is \$1,530,000, which is the value of MRI and CT assets being acquired by lease. (See Attachments B and C for price quotes).

A. Relationship to the Hawai'i Health Performance Plan (H2P2).

This application is only to continue the provision of MRI and CT imaging services at HMCE. The continuation of these absolutely essential services for our community complies with the vision of the H2P2: "Supported by their community, individuals achieve optimum health."

The proposal is consistent with the goals and objectives of the H2P2, in particular:

- "Achieve equitable and effective access at reasonable cost for all of Hawai'i's residents to health services that are responsive to the holistic needs of community's members."
- "Early detecting and diagnosing of treatable diseases."
- "Reducing morbidity and pain through timely and appropriate treatment."

The proposal is consistent with the capacity thresholds in the H2P2.

CT. The H2P2 threshold for CT states "For a new unit/service, the minimum average annual utilization for all other providers in the service area is 3,500 HECTs or 3,000 CT procedures, and the utilization of the new unit/service is projected to meet the minimum utilization rate by the third year of operation." According to the 2005 SHPDA utilization

report (the last year for which data are available); there were 17 CT scanners on O`ahu. All of them were providing more than 3,000 procedures per year; except for Koolau Radiology, a provider limited to outpatients, which was at 2,500 procedures. HMCE is an acute inpatient facility, and CT imaging is a standard and necessary technology for such facilities. HMCE is projecting 8,103 procedures by the third year of operation

MRI. The H2P2 threshold for MRI states "For a new unit/service the minimum average annual utilization for all other providers in the service area is 1500 procedures, and the utilization of the new unit/service is projected to meet the minimum utilization rate by the third year of operation." According to the 2005 SHPDA utilization report, there were 13 scanners on O`ahu, each of them operating in excess of 1,500 procedures. HMCE is projecting 8,541 by the third year of operation.

B. Need and Accessibility

HMCE is an acute care hospital serving emergency patients, inpatients and outpatients. MRI and CT imaging services are basic diagnostic tools for any acute care hospital to meet the needs of its patients. They are necessary for accurate diagnosis, which provides for appropriate treatment and successful outcomes. In some cases, these services are life-saving. As shown in Table I below, we are projecting that there will be a need/utilization of 7,644 CT scans and 8,058 MRI scans in the first year of operation.

Accessibility. The proposed services will be accessible to any person needing an MRI or CT procedure. HMCE provides service to all patients, including low income persons, racial and ethnic minorities, women, handicapped persons, other underserved groups and the elderly.

**TABLE I
UTILIZATION AND FINANCIAL PROJECTIONS**

	First year (10/08 – 9-09)	Third year (10/10 – 9/11)
Total MRI scans	8,058	8,541
Total CT scans	7,644	8,103
Total revenues	\$7,075,900	\$7,724,366
Total expenses	\$3,359,355	\$3,543,901
Net earnings (loss)	\$3,716,545	\$4,180,464

C. Quality of Service/Care

HMCE has a history of providing quality service. It is Medicare certified and JCAHO accredited. All the necessary staff are in place, and are experienced with the CT and MRI imaging modalities. They are well-qualified and credentialed, with the necessary licensures and certifications.

Quality assurance policies and procedures are already in place, and will continue to be followed.

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D. Cost and Finances

The capital cost of the application is \$1,530,000, which is the capital value of the equipment being acquired. The equipment will be leased, and a copy of the lease pricing quote is attached as Attachment F. HCME will make a down payment of \$300,000. The lease will be a 60 month lease, with monthly payments of \$24,365.

The projected operating revenues and expenses for the first and third years of operation are shown in Table I above. The projections show that revenues are sufficient to cover expenses.

E. Relationship to the Existing Health Care System

This application relates well to the existing health care system. It will allow the continuation of existing services at an existing site. These services are necessary for the inpatients and outpatients of HMCE. Other facilities in the existing health care system will not be affected by this project. Indeed, if the existing services suddenly ceased to exist, other facilities in the existing system would have a difficult time assuming the burden.

F. Availability of Resources

The capital cost is available through cash (\$300,000) and lease expenses. As shown in Table I, operating revenues will cover expenses. The necessary staff are already employed and will be continued under HMCE.