



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

STANDARD APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number: #08-18

Applicant: Kona Ambulatory Surgery Center
79-1019 Haukapila Street
Kealahou, Hawaii

Phone: 808 322 4485

Project Title: Establishment of Ambulatory Surgery Center

Project Address: 75-5905 Walua Road, Kailua-Kona, Hawaii

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: _____
- Honolulu: _____
- Windward O`ahu: _____
- West O`ahu: _____
- Maui County: _____
- Kaua`i County: _____
- Hawai`i County: X

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 Addendum A - (Site Control Documentation)

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.)

- License – State Department of Health
- Building Permit – County
- Medicare Certification
- DEA – Narcotics Licensing

C. Your governing body: list by names, titles and address/phone numbers

See Addendum B - (Governing Body)

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 Addendum C**
- By-Laws: N/A
- Partnership Agreements – **See Addendum D**
- Tax Key Number (project's location) – (3) 7-5-018:094

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 \$1 million)	Change in ownership	Change in service/ establish new service/facility	Change in Beds
Inpatient Facility						
Outpatient Facility					X	
Private Practice						

5. **TOTAL CAPITAL COST:** \$4,578,500

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	N/A	N/A
TOTAL	N/A	N/A	N/A

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.

The proposed project is the establishment of a new service. The new service will be the addition of an ambulatory surgery center for medical specialists in gastroenterology, orthopedics, urology, podiatry, ophthalmology and general surgery.

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

A. List All Project Costs:	AMOUNT:
1. Land Acquisition	N/A
2. Construction Contract	\$ 2,725,000
3. Fixed Equipment	\$
4. Movable Equipment	\$ 1,587,000
5. Financing Costs	\$ 45,200
6. Fair Market Value of assets acquired by lease, rent, donation, etc.*	\$ 221,300
7. Other: _____	\$ _____
TOTAL PROJECT COST:	
	<u>\$4,578,500</u>

B. Source and Method of Estimation

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

The estimates are based on information provided by the vendor and comparable costs at other facilities.

C. Source of Funds	AMOUNT:
1. Cash	<u>\$640,700</u>
2. State Appropriations	_____
3. Other Grants	_____
4. Fund Drive	_____
5. Debt	\$3,716,500
6. Other: FMV of lease rent	<u>\$221,300</u>
TOTAL SOURCE OF FUNDS:	
	<u>\$4,578,500</u>

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 proposed position: October 1, 2008
 b) Dates by which other government approvals/permits will be applied for and received:
- CON permits applied: October 1, 2008, expected approval December 15, 2008
 Building permits: October 1, 2008 applied, expected approval March 1, 2009
- DOH Licensure: August 2009
 Medicare Certification: August 2009
 Narcotics: August 2009
- c) Dates by which financing is assured for the project: August 15, 2008
 d) Date construction will commence: March 2, 2009
 e) Length of construction period: 20 weeks
 f) Date of completion of the project: August 7, 2009
 g) Date of commencement of operation: August 21, 2009

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.

- 8. 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.

Kona Ambulatory Surgery Center (KASC), LLC a Hawaii Limited Liability Company, plans to establish an ambulatory surgery center (ASC) in Kona with two (2) operating rooms. This service will be the first free-standing ASC made available to Kona patients.

An ambulatory surgery center (ASC) - also known as an outpatient surgery center or same day surgery center - is a health care facility that specializes in providing surgery, pain management and certain diagnostic (e.g., colonoscopy) services in an outpatient setting. In simple terms, ASC qualified procedures can be considered procedures that are more intensive than those done in the average physician's office, but not so intensive as to require a hospital stay. The advantages of an ambulatory surgery center include size, service, quality and cost. Ambulatory surgery centers are smaller and more service-oriented than traditional hospitals and offer a high-quality, cost-effective option for many patients needing to undergo a surgical procedure normally associated with hospitals.

The proposed project will save patient lives and improve outcomes by eliminating the need for hospitalization of routine surgical procedures. There is currently no ASC available in either North or South Kona. Given the projected population growth on Kona and lack of available alternatives for patients, KASC believes this service will improve patient outcomes and reduce morbidity. The proposed ASC is a free-standing facility. It will be owned and operated by KASC whose partners (Hawaii Pacific Health Partners, Inc and Kona Community Hospital) have an extensive history in providing surgical care in Hawaii County.

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

The proposed ASC will address all of these five components of H2P2.

Access, Cost-Effectiveness, and Continuity of Care: The proposed ASC will provide a benefit for both Kona patients and physicians by improving scheduling availability and providing surgical suites with state-of-the art medical equipment. The introduction of these services to Kona will also improve access, cost-effectiveness and continuity of care by eliminating the high costs that hospitalization entails enabling ambulatory patients to return to work sooner. The ASC will help facilitate patient recuperation in the comfort and privacy of their home, with family and friends. Since no hospitalization is involved, the Kona ASC will eliminate access barriers for Kona patients by reducing both time savings and reduced travel time for patients currently requiring travel to Honolulu for medical care.

Quality: The proposed ASC service will be conducted in accordance with all state & federal regulations related to the operation of an ambulatory surgery center facility. All personnel will be licensed and certified as required for outpatient surgical services.

Constituent Participation: The provision of an ambulatory surgery center will help bring together neighbor island specialists, support from community leaders, medical staff, and patients. The proposed project also has the support of existing healthcare providers - specifically Kona Community Hospital (KCH) who is a partner in this joint venture with Hawaii Pacific Health Partners, Inc. (HPHPI). KCH has a long history of working with other regional and tertiary care providers. KASC will maintain consultation and transfer arrangements with other health care facilities to ensure that patients are receiving all medically required care.

b) Need and Accessibility

Ambulatory surgery centers provide patients the opportunity to have selected surgical and procedural services that are better provided outside the hospital setting. The service area includes the districts of North and South Kona as defined by the Hawaii Health Information Corporation (HHIC). The projected population increase in this area over the next 10 years will result in increased demand for both in-patient and out-patient surgical procedures that will create an additional burden upon existing surgical capacity and in-patient beds at Kona Community Hospital. Therefore the establishment of the ASC will not only meet the expected increase in demand for ambulatory procedures, but it will also alleviate in-patient capacity at existing facilities.

The pro-forma analysis projects KASC providing care to 3,550 of these cases in Year 1 and increasing to 3,829 by Year 3. Per H2P2, for a new or additional ambulatory surgery room to be added, all other comparable operating rooms in the service area must average a minimum of 1,600 hours per room per year. Although this threshold requirement will not be immediately met, we anticipate the ASC will generate additional demand from cases of newly recruited specialists.

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Also, since there is no other ASC in the Kona service area, this project also falls under the sub-optimum utilization criteria outlined in Section G, Pages II-4 to II-5:

"In cases where sub-optimum utilization is proposed, the benefits in the form of improved access for the service area(s) population combined with significant improvement in quality and/or significant reduction in price to the public – clearly outweigh the costs to the community of duplicating or under-using services, facilities or technology."

We believe that the sub-optimum utilization should be applied to the proposed Kona ASC since this project:

- Incorporates current and best clinical practice for outpatient care
- Addresses the documented needs of an actual population – Hawaii county patients traveling to Oahu to receive optimal care and management – rather than a statistical generalization.
- Encourages recruitment of medical specialties to a region currently experiencing a shortage.

c) Quality of Service/Care

The proposed ASC will be conducted in accordance with all state and federal regulations related to the operation of an ambulatory service center. The facility will operate under license from the Hawaii State Department of Health and shall maintain safety and quality assurance standards required by regulation. All personnel will be licensed and certified as required for technical operation of the scanner and isotope handling equipment.

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

The proposed project is projected to achieve profitability by the end of year 1. In the first year of operations, KASC projects a total of 3,550 patients for a net income of \$100,552. By the third year of operation, KASC projects a total of 3,829 patients, resulting in net income of \$85,877. By year 4 of operations, KASC projects providing care to 3,976 patients and operating with a net income of \$187,638.

e) Relationship to the Existing Health Care System

The addition of the ASC will strengthen the existing health care system in the Kona district and Hawaii County in a variety of ways. First, the ASC will relieve pressure on current and near future surgical capacity at Kona Community Hospital. Second, the ASC will offer greater patient choice and convenience by providing additional surgical alternatives in an out-patient setting. Third, the proposed project will be a welcome addition to community physicians who would prefer doing their procedures in an ASC setting as opposed to their physician offices. Fourth, this proposed project will decrease healthcare costs by eliminating travel costs for Hawaii County patients currently traveling to Oahu to receive either outpatient and/or inpatient procedures.

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f) Availability of Resources

As a participating member, Hawaii Pacific Health Partners, Inc. has the financial resources to secure all equipment and staffing resources required for this proposed project. All start up costs will be paid for with internal resources and third party financing. Both partners in the Kona ASC have significant expertise and a long history of providing healthcare to the residents of our state; HPH being the largest healthcare provider in the state, and Kona Community Hospital being the only hospital located in West Hawaii. While the Kona ASC will be under a separate corporate structure and employing separate staff, both partners in this venture will be providing significant guidance and oversight to the operation. An opportunity for equity buy in by non-employed physicians will also be offered.

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