



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number: #08-25A

Applicant: The Cancer Center of Hawaii, LLC
2226 Liliha Street, B-2
Honolulu, Hawaii

Phone: 808 547-6011

Project Title: Change of ownership of Radiation Therapy Service at
Leeward Radiation Oncology

Project Address: 91-2135 Fort Weaver Road, B-120
Ewa Beach, Hawaii

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

Public _____
Private _____
Non-profit _____
For-profit X
Individual _____
Corporation _____
Partnership _____
Limited Liability Company (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: X
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)

[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.)

- Certificate of Need, State Health Planning & Development Agency

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 **[See Attachment "D"]**
- Partnership Agreements **N/A**
- Tax Key Number (project's location) **(1) 9-1-017:085**

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 of Ownership	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.

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	N/A
TOTAL			

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6. PROJECT COSTS AND SOURCES OF FUNDS

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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. | <u>\$3,600,000</u> |
| 7. | Other: _____ | _____ |

TOTAL PROJECT COST: \$3,600,000

B. Source of Funds

- | | | |
|----|---|--------------------|
| 1. | Cash | <u>\$1,200,000</u> |
| 2. | State Appropriations | _____ |
| 3. | Other Grants | _____ |
| 4. | Fund Drive | _____ |
| 5. | Debt | _____ |
| 6. | Other: <u>Contribution of Existing Assets</u> | <u>\$2,400,000</u> |

TOTAL SOURCE OF FUNDS: \$3,600,000

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 proposed project is neither an establishment of a new service or a new location of an existing service. The proposed project involves a change of ownership of an existing radiation therapy facility located at 91-2135 Fort Weaver Road, Suite B-120, Ewa Beach, Hawaii.

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:

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- a) **Date of site control for the proposed project:** January 2009, subject to CON approval
 - b) **Dates by which other government approvals/permits will be applied for and received:** November 2008 to December 2008
 - 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:** January 2009, subject to CON approval
 - g) **Date of commencement of operation:** January 2009, subject to CON approval

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.

The proposed project is a transfer of ownership of a radiation therapy facility located at 91-2135 Fort Weaver Road, Suite B-120, Ewa Beach, Hawaii (the "Leeward Facility"). The Leeward Facility is owned by Leeward Radiation Oncology, a Hawaii general partnership ("LRO"). The general partners of LRO are SHFE, Inc., a Hawaii corporation ("SFHE"), and P.R.O. Associates, LLC, a Hawaii limited liability company ("PRO"). The change of ownership would occur through a merger of Leeward Radiation Oncology with and into The Cancer Center of Hawaii, LLC, a Hawaii limited liability company ("TCCH"). TCCH currently owns and operates a separate radiation therapy

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facility located at 2226 Liliha Street, Suite B-2, Honolulu, Hawaii (the "Liliha Facility"). The members of TCCH are Hawaii Pacific Health Partners, Inc. ("HPH"), St. Francis Health Care Enterprises, Inc. ("St. Francis") and PRO (which is also a general partner of Leeward Radiation Oncology. In addition to the direct ownership interests possessed by PRO, the radiation therapy facilities are substantially related because SHFE is a wholly-owned subsidiary of St. Francis. Following the merger, TCCH will use the existing space, equipment, and personnel at the Leeward Facility to continue providing radiation therapy services at 91-2141 Fort Weaver Road, Suite B-120, Ewa Beach, Hawaii.

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 project only involves a change in ownership of an existing service. The relationship of radiation therapy to the Hawaii Health Performance Plan (H2P2) was addressed at the initial launching of this service. TCCH will continue to follow the guidelines of the H2P2.

b) Need and Accessibility

The proposed project only involves a change in ownership of an existing service. Radiation therapy is an important component in the cancer therapy continuum. The need for radiation therapy was addressed at the initial launching of this service. The change of ownership will not change the current level of need and accessibility of service.

c) Quality of Service/Care

The applicant expects that the proposed project will provide greater access for comprehensive care for cancer patients. In addition to continuing to provide quality health services with the existing staff at the Leeward Facility, the proposed project will result in operational efficiencies and economies of scale that will enable TCCH to hire an operations manager to oversee both the Leeward Facility and the Liliha Facility. TCCH will deliver services and care at or above the level provided by LRO.

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

The proposed project ought to have a positive impact on the financial performance of existing health services. The merger will be funded by equal contributions of cash or assets from each of the members of TCCH, or their affiliates. The project will be cost-effective as it uses existing space, personnel and other resources within the members of TCCH. Additionally, TCCH anticipates economies of scale and cost savings resulting from

complete common ownership of the Leeward Facility and the Liliha Facility.
[See Attachment "D"]

e) Relationship to the existing health care system

The proposed project is expected to strengthen the existing health care system by creating operational efficiencies that benefit both the Leeward Facility and the Liliha Facility. The need for radiation therapy was addressed at the initial launching of this service. The change in ownership will not change the relationship of the service to the existing health care system.

f) Availability of Resources.

The proposed project only involves a change in ownership of an existing service. The project will use existing space, personnel and other resources. To accomplish the merger, St. Francis and PRO, or their affiliates, will contribute the existing equipment, space and other assets of the Leeward Facility. HPH will contribute cash in the amount of \$1,200,000. These funds are available from HPH's cash reserves.

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.