



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: 10-03A
To be assigned by Agency

Date of Receipt:

APPLICANT PROFILE

Project Title: Establishment of diagnostic radiology services (Dexa and X-ray services) at Kapahulu Location

Project Address: 1029 Kapahulu Avenue, Suite 500, Honolulu, Hawaii

Applicant Facility/Organization: Maui Diagnostic Imaging. L.L.C.

Name of CEO or equivalent: Scott B. Halliday

Title: President, National Medical Development, Inc, Majority Member, Maui Diagnostic Imaging, L.L.C.

Address: 101 Elliott Avenue South, Seattle, WA 98119

Phone Number: 206-272-3580 Fax Number: 206-272-3588

Contact Person for this Application: Same as above

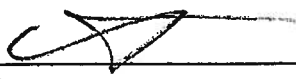
Title: _____

Address: _____

Phone Number: _____ Fax Number: _____

CERTIFICATION BY APPLICANT

I hereby attest that I reviewed the application and have knowledge of the content and the information contained herein. I declare that the project described and each statement amount and supporting documentation included is true and correct to the best of my knowledge and belief.


Signature

3-09-10
Date

Scott Halliday
Name (please type or print)

Pres, NMIDZ, owner, MDT.
Title (please type or print)

1. TYPE OF 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: _____

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)

See Attachment 1

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.)

Radiology Facility License from State of Hawaii Department of Health

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

See Attachment 2

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 3
- By-Laws (not applicable)
- Partnership Agreements
See Attachment 4
- Tax Key Number (project's location)
3-2-007-019 (portion of)

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.

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 | none_____ |
| 2. Construction Contract | none_____ |
| 3. Fixed Equipment | leased_____ |
| 4. Movable Equipment | none_____ |
| 5. Financing Costs | _____ |
| 6. Fair Market Value of assets acquired by lease, rent, donation, etc. | \$75,000 |
| 7. Other: _____ | _____ |

TOTAL PROJECT COST: \$75,000

B. Source of Funds

- | | |
|--|----------|
| 1. Cash | _____ |
| 2. State Appropriations | NA_____ |
| 3. Other Grants | NA_____ |
| 4. Fund Drive | NA_____ |
| 5. Debt | NA_____ |
| 6. Other: FMV of Leased Assets incl. space lease | \$75,000 |

TOTAL SOURCE OF FUNDS: \$75,000

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 is the leasing of the existing facility and x-ray and dexta equipment located at 1029 Kapahulu Avenue, suite 500, Honolulu, HI. It is an existing facility that was acquired by the building owner. MDI intends to lease the facility and equipment at a fixed monthly rate and operate the 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 22, 2010
- b) Dates by which other government approvals/permits will be applied for and received, - applied for and expected within 30 days of CON approval
- c) Dates by which financing is assured for the project, - NA
- d) Date construction will commence, - NA
- e) Length of construction period, - NA
- f) Date of completion of the project, - NA
- g) Date of commencement of operation – 30 days after CON

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 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.

Maui Diagnostic Imaging, L.L.C. ("MDI") seeks approval to establish the diagnostic radiology services (x-ray and dexta services) at 1029 Kapahulu Avenue, suite 500, Honolulu, Hawaii. The facility and equipment are currently owned by the Building Owner (Dr. Sharon Lawler). MDI currently provides x-ray, dexta, ultrasound, CT, and MRI services on Maui in association with Maui Radiology Associates, Inc. ("MRA"). The services included in this application will constitute a second site for x-ray and dexta services for MDI.

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Dr Lawler sought MDI's participation and operation of the existing facility (previous CON app. 06-25A) to continue to provide services to the elderly and low-income residents of nearby neighborhoods at the location. As referenced in the previous app., Dr. Lawler did complete her building at the location, and it is occupied by many specialty physicians that were utilizing the x-ray and dexta services in the building.

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

By continuing to offer a location that is more accessible to the elderly and low income residents of the area, and continuing to provide jobs to our healthcare workers on Oahu (that are quality managed by a MDI, a long term existing professional provider of such services), we meet several of the General Principles of the Statewide Health Coordinating Council. Further, we shall continue in this Facility to use the Maui Diagnostic Imaging, L.L.C. management and education to support and further healthcare education and prevention initiatives.

This facility also assists in providing the capacity and access to the important primary care services in the building (specifically Dr. Lawler's active practice) addressing one of the SHCC "Important health Areas of Concern".

With regard to the Honolulu Sub Area Priorities, this Facility provides more access and availability of these needed and supportive services to the areas' elderly and poor population that have difficulty traveling to hospital and other further distanced services. This will enhance to some degree their quality of life by reducing and or eliminating travel, its costs and complications, for these local residents
We shall maintain a local, Honolulu based staff.

b) Need and Accessibility

The need for the services was established in app 06-25a and there have been no changes in the need for these services since the approval of that application.

The imaging services will be available to all on a non-discriminatory basis consistent with our policy of imaging all patients with a physician's order without regard to ability to pay, including low income people, racial and ethnic minorities, women, people with disabilities, the elderly and other underserved.

c) Quality of Service/Care

The facility will be accredited by the American College of Radiology and licensed by the State of Hawaii. The MRA staff Radiologists are certified by the American Board of Radiology and are licensed physicians in Hawaii. They are members of a wide variety of professional organizations. The current technologists are certified by the American Registry of Radiologic Technologists, and licensed by the State of Hawaii. As MDI currently operates, the physicians and technologists are continually expected to meet or exceed all state and national registry requirements for continuing medical education

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("CME"). Currently, radiologists are required to obtain 50 CME credits annually and technologists are required to obtain 12 CME credits annually.

The facility will operate in accordance with all applicable state and federal guidelines and the standards of the accrediting body, and will have the MDI policies and procedures to insure the quality and safety of patient care.

The facility's patient care staff currently includes 2.0 FTE Radiology/Dexascan Technicians.

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The staff-to-patient ratio will be 1:1. The technician will be with each patient at all times while a procedure is being performed.

MDI has over 6 years of experience of providing these services on Maui to Hawaii residents. MDI is recognized as a quality provider that continually upgrades and enhances its services and facilities to the local population.

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

The total capital expenditure for the project is estimated at 75,000 which includes rental of the space, the equipment, and staffing pursuant to a ten-year lease with an option for renewal.

Lease payments will be made from operating revenue and the proposal is financially feasible starting in year two of the proposal.

The net operating revenue for the first year of operation is projected at \$261,312 and operating expenses for the same period are projected at \$371,876, resulting in net operating loss of \$110,564. By the third year of operation, net operating revenue is expected to increase to \$469,521, with total expenses projected at \$423,408, resulting in net profit of \$46,113. In addition to 1.0 FTE patient care staff, the proposed radiology facility will employ 1 FTE medical secretary and 0.25 marketing representative. Total personnel costs for the first year of operation are estimated at \$126,360.

The facility's proposed charges will be within the range of charges for similar procedures billed by other providers on Oahu.

The project will help to keep health care costs down by facilitating the provision of primary care to elderly and low-income persons in the neighborhoods surrounding the new medical complex. By improving the complex's primary care physicians' effectiveness in detecting and treating such chronic health problems as osteoporosis, heart disease and stroke in a timely manner the proposed facility will help patients avoid more costly treatment and nursing and home care that may be needed if these chronic health problems are allowed to go untreated. Finally, by facilitating the complex's physicians' efforts to improve access to primary care, the proposed radiology facility will help patients avoid resorting to more costly hospital emergency rooms for treatment of conditions that can be treated at the complex in a less costly manner.

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e) Relationship to the Existing Health Care System

The proposed radiology facility is part of a complex that was developed as a result of the efforts of Dr. Lawler, who is dedicated to providing integrated primary care that will reduce the fragmentation of medical services available to residents of nearby neighborhoods. It cooperates with other medical service providers located at the complex in order to provide a comprehensive array of services at a single site in order to facilitate access to persons who now are forced to rely largely on downtown hospitals for much of their medical care and for whom transportation can create a barrier to receiving care and to improve the cost effectiveness of care offered to the target population.

By providing fast and effective diagnostic tools to the complex's urgent care clinic, this radiology facility helps to provide an alternative to use of costly emergency room facilities for non-emergency conditions and thereby free up hospital emergency room resources for treatment of true medical emergencies

f) Availability of Resources

There is no capital required for this project. The facility and equipment will be leased. There are no financial obstacles to this project. Lease of the Facility and Equipment is on a net basis thru the Building owners, all staff are already in place and trained. The Facility will be managed thru MDI, which has been providing these services and management resources on Maui for many years, and can easily transport these resources to Oahu for such a small facility.

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.