



**ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM**

Application Number: # 10-08A Date of Receipt:  
To be assigned by Agency

**APPLICANT PROFILE**

Project Title: Establishment of CT services

Project Address: 500 Ala Moana Blvd., Honolulu, Hawaii 96813

Applicant Facility/Organization: Hawaii PET Imaging, L.L.C.

Name of CEO or equivalent: Scott Halliday

Title: President, National Medical Development, Inc., Majority Owner, Hawaii PET Imaging, L.L.C.

Address: 101 Elliot Avenue West, Suite 500, 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]  
Signature

6-7-2010  
Date

Scott Halliday  
Name (please type or print)

Pres - NMDE  
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: \_\_\_\_\_  
Honolulu: \_\_\_\_\_X\_\_\_\_\_  
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 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.)- none needed
- C. Your governing body: list by names, titles and address/phone numbers – See Exhibit 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 –
  - By-Laws -NA
  - Partnership Agreements –
  - Tax Key Number (project's location) -21019001,21029002

**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				XXX	
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
<b>TOTAL</b>			

**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: \_\_\_\_\_

**TOTAL PROJECT COST:      \$0**

**B. Source of Funds**

- 1. Cash \_\_\_\_\_
- 2. State Appropriations \_\_\_\_\_
- 3. Other Grants \_\_\_\_\_
- 4. Fund Drive \_\_\_\_\_
- 5. Debt \_\_\_\_\_
- 6. Other: \_\_\_\_\_

**TOTAL SOURCE OF FUNDS:      \$0**

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.

Hawaii PET Imaging, L.L.C. ("HPI") requests that SHPDA allow the further expansion of the CT services we now provide to include general CT exams on a limited, after noon basis (the PET-CT occupies the mornings for its procedures). Currently HPI is allowed, per SHPDA letter dated April 17, 2008, to use the CT in a limited capacity related to the diagnosis or investigation of oncology related illness. Subsequent to the location of the PET-CT, HPI did locate a 3T MRI at the site, and has been experiencing many requests from referring physicians for these MRI and CT services at one convenient location due to the unusually advanced level of the equipment (having a 3T MRI and a PET-CT in one suite is very unusual and desirable to perform co-imaging at times).

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, - 9-10-2005
- b) Dates by which other government approvals/permits will be applied for and received, - na
- 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-Upon 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.

Hawaii PET Imaging, L.L.C. ("HPI") currently operates a PET-CT which has a 16 slice CT as part of the unit. HPI wishes to increase the usage of the CT portion to those times when the PET-CT is not in use (you cannot simultaneously use the CT portion as it disables the PET portion) to offer diagnosis to patients other than just oncology related illnesses.

a) Relationship to the State of Hawai'i Health Services and Facilities Plan.

While this proposed part time CT service may not meet the utilization SHPDA thresholds (due to the part time usage of the CT), we submit that the benefits provided by our increased CT service to the community are consistent with SHHSFP by:

- 1 Utilizing the existing CT portion of the already in place PET-CT, thus avoiding costly duplication of costs by adding a new CT.
- 2 This will improve community access to CT's as our location, off Ala Moana BLvd. is easier for patients to find and enter as compared to Hospital CT settings, where there are confusing and multiple elevators and parking garage issues.
- 3 This reduces patients' costs by allowing them to go to one place for their 3T MRI, PET-CT, and CT rather than having to go to another location for a CT.
- 4 This incorporates SHHSFP "best clinical practices" since the location in one setting of the PET-CT, and the 3T MRI, does provide unusual diagnostic abilities for advanced co-imaging and diagnosis. Consistent with SHHSFP, this does therefore encourage innovation in co-registration of images on these advanced modalities.
- 5 Since this CT is already available, part time this does provide more "competition for pricing" of CT services.

The increased usage of the CT is consistent with SHCC Priorities by:

- 1 The added CT revenue will assist HPI in our ability to continue to offer PET-CT services in the declining PET-CT reimbursement environment as there are now twice as many approved PET-CT scanners as a year ago, reimbursement for PET-CT services have declined by over 30% in the past two years, so we expect our PET-CT revenues to decline substantially. This added revenue will assist us in our efforts to maintain and upgrade the PET-CT so we may continue to provide state-of-the-art services to patients and physicians.
- 2 This allows us to continue to employ two technologists for PET-CT and CT services (they are cross-trained to be able to do both PET and CT).

In reference to the Honolulu sub-area priorities (HONSAC) and West Oahu SAC priorities, the increased usage of the CT will;

- 1 Allow HPI to continue the specialty care aspects of the PET-CT (there are only a few in Hawaii).

- 2 Further, this does, as HHSFP directs, promote the optimization of services of expensive technology (a PET-CT is more expensive than a normal CT or PET, and therefore utilizing the CT portion actually promotes more optimal usage of the existing, expensive PET-CT).

b) Need and Accessibility

Population growth in Hawaii is projected to increase in excess of 20% between 2000 and 2020 with most of that increase being in the elderly category (over age 65) that have increasing need for specialized imaging techniques and equipment such as the ability to co-image with high level CT, PET, and 3T MRI. Allowing HPI to increase our overall usage of the CT in our unique, high level, multi-modality facility, does answer the needs of the population of Hawaii to obtain these special services in one location. There is not another facility like HPI where these state-of-the-art modalities are located side by side and can offer this level of care.

Utilizing the CT more will provide needed additional revenue to HPI to enable us to continue our upgrading of the PET-CT and patient areas to continue to provide PET-CT services to the community on a long term basis

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.

Our location is more convenient to handicapped and the elderly as we only have one elevator and there is also valet parking, approx 50 steps from our front door. Both allow for easy wheelchair and walking access. As we are also located off Ala Moana, it is easier for patients to locate our offices as opposed to the difficult one way streets surrounding the area hospitals.

c) Quality of Service/Care

The facility is one of few already 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 HPI currently operates, the physicians and technologists are continually expected to meet or exceed all state and national registry requirements for continuing medical education ("CME"). Currently, radiologists are required to obtain 50 CME credits annually and technologists are required to obtain 12 CME credits annually.

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

The facility's patient care staff currently includes 2.0 FTE PET-CT technicians.

The staff-to-patient ratio is 1.5:1. The technicians are with each patient at all times while a procedure is being performed.

Maui Diagnostic Imaging, L.L.C. ("MDI") is a related company to HPI (both are owned by National Medical Development, Inc.). MDI has been providing high quality CT services on Maui for over 6 years (in fact, MDI purchased the states first "16 slice CT"). HPI also has over 3 years of experience of providing CT services on Maui to Hawaii residents. HPI, like MDI, is recognized as a quality provider that continually upgrades and enhances its facilities and services to the local population.

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

HPI currently performs approx 40 CTs per month, all of which are related to oncology. HPI expects, with the increased ability to utilize the CT portion of the PET-CT, that the following volumes will occur:

	Volume	Addtl Revenue to HPI
Year one	900 CTs	\$180,000
Year two	1100 CTs	\$220,000
Year three	1300 CTs	\$260,000

HPI has minor additional costs with providing the increased usage of the CT since the technicians, office staffing, and facility are in place. However, HPI does have some minor per procedure costs, such as film, supplies, and or minor office costs on a per scan basis. We can estimate these form the existing CT usage at approx. \$10.00 per procedure. Therefore the Costs associated with our increased usage are

Year one	900 CTs	\$9,000
Year two	1100 CTs	\$11,000
Year three	1300 CTs	\$13,000

So the "net proceeds" to HPI for the predicted increased CT usage is the following:

Year one	\$171,000
Year two	\$209,000
Year three	\$247,000



e) **Relationship to the existing health care system**

As the CT is already in place and providing services to a limited number of patients we believe that there is no affect on the existing healthcare system.

Since the reimbursement for PET services has declined by over 30% in the past two years, is expected to continue to decline, and because there have been two additional PET-CTs recently approved for placement in Hawaii, we know that HPI will require additional revenues to enable us to continue our services. The ability to add CT services and their additional revenue will allow HPI to continue to provide services and to pay for needed equipment and facility upgrades in the future. If the PET procedures were to increase in number such that we could not perform the CTs, we will perform less, or even no CTs, consistent with our original intent to offer PET as the primary modality.

f) **Availability of Resources.**

HPI currently employs adequate staffing to enable us to provide full time CT services. Our technicians are "PET-CT" technicians that can perform both types of scans. Therefore there is not any need for additional staffing.

There is not any need for additional resources as there is not an increased cost associated with usage of more CT time.

**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.