



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

**ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM**

Application Number: #11-08A Date of Receipt:  
To be assigned by Agency

**APPLICANT PROFILE**

Project Title: Addition of a 2nd MRI Scanner

Project Address: 75-5653 Kuakini Hwy (TMK 3-7-5-4-12))  
Kailua Kona, HI 96740

Applicant Facility/Organization: Hawaii Radiologic Associates, Ltd.

Name of CEO or equivalent: Dr. James Lambeth

Title: President

Address: 688 Kinoole Street, Suite 103 Hilo, HI 96720

Phone Number: 808-935-1825 x 141 Fax Number: 808-933-9295

Contact Person for this Application: Clement Kanhai

Title: Operations Director

Address: 688 Kinoole Street, Suite 103, Hilo, HI 96720

Phone Number: 808-935-1825 x 140 Fax Number: 808-933-9295

**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.

James J Lambeth MD  
Signature

\_\_\_\_\_  
Date

Dr. James Lambeth  
Name (please type or print)

President  
Title (please type or print)

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

- Public \_\_\_\_\_
- Private
- Non-profit \_\_\_\_\_
- For-profit  ST HLTH PLNG & DEV. AGENCY
- Individual \_\_\_\_\_
- Corporation
- Partnership
- Limited Liability Corporation (LLC) \_\_\_\_\_
- 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:

3. DOCUMENTATION (Please attach the following to your application form):

- A. Site Control documentation (e.g. lease/purchase agreement, DROA agreement, letter of intent) ...**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.) ...**Building Permit**
- C. Your governing body: list by names, titles and address/phone numbers ...**Attachment I**
- 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 ...**Exhibit B**
  - By-Laws ...**Exhibit C**
  - Partnership Agreements ...**Exhibit D**
  - Tax Key Number (project's location) (TMK 3-7-5-4-12)

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<br>(over \$400,000) | New/Upgraded Medical Equip.<br>(over \$1 million) | Other Capital Project<br>(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 |
|--------------|-------------------|--------------------------------|---|
|              |                   |                                |   |
|              |                   |                                |   |
|              |                   |                                |   |
|              |                   |                                |   |
| <b>TOTAL</b> |                   |                                |   |

**6. PROJECT COSTS AND SOURCES OF FUNDS**

**A. List All Project Costs:**

**AMOUNT:**

|    |  |                             |
|----|--|-----------------------------|
| 1. | Land Acquisition   | <u>                    </u> |
| 2. | Construction Contract  | <u>\$500,000</u>            |
| 3. | Fixed Equipment  | <u>\$1,200,000</u>          |
| 4. | Movable Equipment  | <u>    \$50,000</u>         |
| 5. | Financing Costs  | <u>                    </u> |
| 6. | Fair Market Value of assets acquired by<br>lease, rent, donation, etc. | <u>                    </u> |
| 7. | Other: _____   | <u>                    </u> |

**TOTAL PROJECT COST:** \$1,750,000

**B. Source of Funds**

|    |                      |                             |
|----|----------------------|-----------------------------|
| 1. | Cash                 | <u>                    </u> |
| 2. | State Appropriations | <u>                    </u> |
| 3. | Other Grants         | <u>                    </u> |
| 4. | Fund Drive           | <u>                    </u> |
| 5. | Debt (Bank Loan)     | <u>\$1,750,000</u>          |
| 6. | Other: _____         | <u>                    </u> |

**TOTAL SOURCE OF FUNDS:** \$1,750,000

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.

Extension of existing services, addition of an outpatient

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MRI (Magnetic Resonance Imaging) at the relocated

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Kona Outpatient Facility (Letter dated March 5, 2009, Exhibit E)

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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,
- b) Dates by which other government approvals/permits will be applied for and received,
- c) Dates by which financing is assured for the project,
- d) Date construction will commence,
- e) Length of construction period,
- f) Date of completion of the project,
- g) Date of commencement of operation

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 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.

**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.

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8. IMPLEMENTATION SCHEDULE:

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- |  |                      |
|--|----------------------|
| a) Date of site control for the proposed project.  | January 2011         |
| b) Dates by which other government approvals/permits will be applied for and received,<br>1) Building permit | June 2011            |
| c) Dates by which financing is assured for the project,  | February 2011        |
| d) Date construction will commence,  | Sept. 2011           |
| e) Length of construction period,  | Sept. 2011-Apr. 2012 |
| f) Date of completion of project,  | April 2012           |
| g) Date of commencement of operation   | May/June 2012        |

9. EXECUTIVE SUMMARY:

Hawaii Radiologic Associates, Ltd. (HRA) has served the county of Hawaii for over 30 years and has provided excellent quality of care in outpatient medical imaging. HRA has continued to expand and improve our comprehensive medical imaging services to meet the growing needs of our community and patients. HRA services include general X-ray, fluoroscopy, DEXA, digital mammography, ultrasound, computed tomography (CT), and magnetic resonance imaging (MRI).

HRA is a professional corporation which is currently staffed by 9 board certified radiologists. In addition to the radiologists, HRA employs 70 staff members. Diagnostic imaging services are provided by HRA to the entire island of Hawaii. This includes 24 hours, 365 days per year coverage for the two state hospitals, Hilo Medical Center (HMC) and Kona Community Hospital (KCH). HRA owns three outpatient imaging centers, two in Hilo and one in Kona.

HRA proposes to expand the MRI services by adding an architecturally open 1 Tesla MRI scanner to our Kailua Kona, Hawaii facility (**Attachment II**). This 2nd MRI scanner will be placed at our Kailua Kona outpatient facility. The addition of MRI services to this location will help us provide a full compliment of outpatient diagnostic imaging services in an easily accessible location for our patients. Special needs patients will not have to travel to Hilo or outer islands for their MRI scans. This will be the first full service outpatient imaging facility with adjacent lab services in West Hawaii. The MRI scanner will improve accessibility of care to outpatients while providing services in a convenient, patient-friendly setting. Diagnosis of patients can be made more quickly and treatment initiated earlier, resulting in more timely services, improved patient outcomes and customer satisfaction.

a) **REGARDING THE REALTION OF THE PROPOSAL TO THE STATE HEALTH SERVICES AND FACILITIES PLAN (HSFP 2009)**

The existing MRI scanner is operating at capacity with a two to three week back log. Current utilization is 3249 procedures, which exceeds the threshold for expansion of existing services as set forth in the State of Hawaii Health Services and Facilities Plan (HSFP 2009).

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The additional MRI services will be a powerful diagnostic tool that primary care and specialty physicians can routinely use in screening for disease and in diagnosing complex diseases. This project supports the State of Hawaii Health Services and Facilities Plan (HSFP) goal to “increase cost effective access to necessary health care services”. (Chapter 1, HSFP 2009) The addition of an MRI scanner will better serve our outpatients in need of rapid diagnosis and treatment. The addition of an outpatient open MRI unit in Kailua Kona will allow large and claustrophobic patients better access to quality health care. Since “patient preferences and satisfaction become part of determining health outcomes,” this outpatient MRI will give those who are afraid of hospitals easier access. “Health disparities among Hawaii’s residence” will also be reduced by having this service available to the existing outpatient population, which consists of senior citizens and the lowest income families in the county.

This project is in alignment with the priorities identified by the Statewide Health Coordinating Council (SHCC) “to insure that any proposed service will at least maintain overall access to quality health care at a reasonable cost” and to “strive for equitable health care services”. Priorities of the Hawaii County Subarea Health Planning Council (HSAC) “increase the number of and retention of health care workforce” and “increase the number of and improve the access to and the quality of health care facilities”. The addition of the 2<sup>nd</sup> MRI scanner addresses the priorities of HSAC and will better meet the needs of patients for ambulatory outpatient diagnostic services. Timely access to MRI services is critical to facilitate rapid diagnosis and treatment.

**b) NEED AND ACCESSIBILITY**

In determining its priorities, Hawaii County/Hawaii Subarea Planning Council (HSAC) notes that Hawaii, as compared to the rest of the State, has the:

- Highest growth rate of resident population due to in-migration
- Highest growth rate of older adults (60+) between 1980 and 2000
- Lowest life expectancy

As the population ages and the utilization of healthcare services increases, demand for advanced imaging services is expected to grow.

HSAC also noted that Hawaii County, when compared to the rest of the State, has the:

- Highest coronary heart disease death rates
- Highest cerebrovascular disease death rates
- Highest cancer death rates

The proposed MRI scanner will facilitate early detection and diagnosis of these treatable diseases.

Based on the utilization of the current MRI service, HRA qualifies for the expansion of an existing service. HSFP specifies that the provider’s utilization be an average of at least 3200 procedures per year, actual utilization for calendar year 2010 is 3249



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procedures. Projected volume before commencement of operation for the second MRI unit is 3650 procedures (**Exhibit F**). There is currently a two-three weeks waiting period on the existing MRI system. Patients throughout the entire island of Hawaii will be able to access and utilize the MRI services as proposed.

The expansion of our MRI services will allow us to provide imaging studies we are not currently providing. The increased diagnostic capability of the new MRI unit will allow us to provide more comprehensive care to our patients and increase the accessibility of high quality outpatient MRI imaging to patients in our community. HRA is dedicated to providing high quality, cost effective, outpatient imaging. HRA's facilities and staff are culturally sensitive and fully accessible to all residents of the community including low income persons, racial and ethnic minorities, women, people with disabilities, other underserved groups, and the elderly. Approximately 45% of our payment reimbursement is derived from participation in Medicare, Medicaid, Quest, No-Fault, No-Fault Auto, and Workers Compensation programs.

HRA also provides services for underserved groups, such as Hui Malama and Breast and Cervical Cancer Control Program (BCCCP).

**c) QUALITY OF SERVICE/CARE**

HRA has a 30+ year history of providing quality service to its physicians and patients. The proposed MRI unit will add to HRA's existing services and allow HRA to have a more comprehensive imaging facility. This unit will particularly improve the quality of care for claustrophobic patients, large patients, and patients with special needs. Through continual upgrades in our equipment, improvements in our services, and our ongoing medical education, we have maintained high quality diagnostic imaging services. By continuing to meet the needs of our community and referring physicians, as this MRI expansion will do, we strive to succeed in our commitment to our patients. The improvement in diagnostic and procedural capabilities will result in improved quality of care and increased patient satisfaction.

HRA has met all the requirements of the American College of Radiology (ACR) Accreditation and is accredited in all modalities. HRA will follow all aspects of the ACR guidelines, departmental rules and regulations, all MRI safety guidelines, perform peer review, and document performance measures for ACR compliance. All technologists will be certified by the American Registry of Radiologic Technologists (ARRT) with additional MRI certification and maintain State of Hawaii licensure. All technologists will obtain 15 hours of category A CME in MRI every three years.

**d) COST AND FINANCES**

HRA has been in business on the Island of Hawaii for 30+ years and is a financially sound company. Based on the projected volume, reimbursement and cost data, HRA does not believe that there is any financial risk in this proposal.

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|                  | Year 1-6 month | Year 2    | Year 3    | Year 4    |
|------------------|----------------|-----------|-----------|-----------|
| Projected Volume | 700            | 2160      | 2391      | 2711      |
| Income           | 452,200        | 1,395,360 | 1,544,586 | 1,751,306 |
| Expenses         | 574,457        | 1,148,914 | 1,370,032 | 1,308,347 |
| Net Revenues     | (122,257)      | 246,446   | 174,554   | 242,959   |

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HMSA, Hawaii's largest provider of health care coverage, continues to cover and expand its reimbursement for MRI services. HRA participates with all available insurers, including Medicare, Medicaid, and Quest, and its charges are comparable with other facilities on the island.

The capital required for the project will be \$500,000 for construction costs and \$1,250,000 for equipment. The project will be financed by loan provided by Bank of Hawaii (**Attachment III**).

**e) RELATIONSHIP TO THE EXISTING HEALTH CARE SYSTEM**

This open MRI unit will fill a critical void in the health care delivery systems on the west side of the island of Hawaii. Currently, a sub-group of patients, those suffering from claustrophobia, being large and overweight, or suffering from various disabilities are unable to have MRI imaging performed. HRA will provide expanded services by adding Breast and Cardiac MRI services. The proposed project will have minimal impact to other providers.

**f) AVAILABILITY OF RESOURCES**

The financial and personnel resources are both available for this project. The project will be financed through a loan from a local bank and operating revenues will be enough to cover the costs.

HRA already possesses the professional, technical, and management staff and expertise to initiate the MRI services at our proposed site. HRA currently employs four MRI qualified technologists who are also multi-modality trained to provide coverage in other areas as necessary. Technologists are all ARRT certified and licensed to work in the State of Hawaii. Additional staffing may be necessary as services increase.