



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: # 11-09 A
To be assigned by Agency

Date of Receipt: HEALTH PLNG & DEV. AGENCY

APPLICANT PROFILE

Project Title: Change of ownership of Acculmaging PearlrIDGE, LLC

Project Address: 98-1005 Moanalua Road, Aiea, Hawaii, 96701

Applicant Facility/Organization: The Queen's Medical Center

Name of CEO or equivalent: Arthur A. Ushijima

Title: The Queen's Health Systems President & CEO, The Queen's Medical Center President

Address: 1301 Punchbowl Street, Honolulu, Hawaii, 96813

Phone Number: 547-4688 Fax Number: 537-7990

Contact Person for this Application: Calvin Saito

Title: Vice President, Strategic Planning and Marketing, The Queen's Health Systems

Address: 1099 Alakea Street, Suite 1100, Honolulu, Hawaii, 96813

Phone Number: 535-5461 Fax Number: 535-5442

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.

Arthur A. Ushijima
Signature

1/10/2011
Date

Arthur A. Ushijima
Name (please type or print)

QHS President & CEO, QMC President
Title (please type or print)

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

Public _____
Private _____ **X** _____
Non-profit _____ **X** _____
For-profit _____
Individual _____
Corporation _____ **X** _____
Partnership _____
Limited Liability Corporation (LLC) _____
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 Appendix 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**
* **Radiology Facility License for the State of Hawaii Department of Health**

C. Your governing body: list by names, titles and address/phone numbers
* **See Appendix 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 * **On file with Agency** *
- By-Laws * **On file with Agency** *
- Partnership Agreements * **Not Applicable** *
- Tax Key Number (project's location) **(1) 9-8-016-49**

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.

* Not Applicable *

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 | _____ |
| 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.

This project is neither an establishment of a new service nor a new location of an existing service. The proposed project involves a change of ownership of an existing outpatient imaging facility, Acculmaging PearlrIDGE, LLC, located at PearlrIDGE Shopping Center, currently owned and operated by Acculmaging, LLC, a joint venture between Queen's Development Corporation and Radiology Associates, Inc. Ownership will be transferred to The Queen's Medical Center, which will be the sole owner and operator of the existing imaging facility.

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: **Immediately pending Certificate of Need approval**
- b) Dates by which other government approvals/permits will be applied for and received: **Existing certificates and licenses will be transferred immediately pending Certificate of Need approval**
- 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: **Immediately pending Certificate of Need approval**
- g) Date of commencement of operation: **Immediately pending Certificate of need 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 change of ownership of an existing imaging facility. Acculmaging, LLC, is a Hawaii corporation (AI) that is a joint venture between Queen's Development Corporation and Radiology Associates, Inc. AI is the sole member of Acculmaging Pearlridge, LLC. AI has agreed to transfer its assets and business to The Queen's Medical Center (QMC). The consideration for the transaction will be the assumption by QMC of the liabilities and obligations of AI. As the liabilities and obligations exceed the value of the assets, the fair market value of the transaction is zero. After the transfer of assets, QMC will be the sole owner and operator of the existing imaging facility. After the acquisition, QMC will use the existing space and equipment to continue the same radiology services to the residents of Oahu.

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

The proposed project involves only a change in ownership of an existing service. The relationship of the radiology clinic to the State Health Plan was previously addressed in the original Certificate of Need application (No. 06-01) with subsequent review and approval. The Queen's Medical Center will continue to follow the guidelines of the State Health Plan.

- b) Need and Accessibility

The proposed project involves only a change in ownership of an existing service. Need and accessibility for the radiology clinic were reviewed and approved with the original Certificate of Need (No. 06-01). The change of ownership will not have an impact on the need for this service or on accessibility of this service. Under ownership by The Queen's Medical Center, services will continue to be accessible to all residents and visitors to Oahu, including the elderly, low-income persons, racial and ethnic minorities, women, persons with disabilities, and other underserved groups.

- c) Quality of Service/Care

The Queen's Medical Center (QMC) is licensed by the Hawaii State Department of Health, accredited by the Joint Commission on Accreditation of Healthcare Organizations

(TJC) and certified by Medicare. QMC's diagnostic imaging services are accredited by the American College of Radiologists (ACR). Staff radiologists are certified by the American Board of Radiology and are licensed physicians in Hawaii. In addition to providing quality health services, the proposed project will result in operational efficiencies and economies of scale. The existing radiology clinic will be managed and operated by The Queen's Medical Center Imaging Services, which currently provides diagnostic and therapeutic examinations and treatments to the inpatient and outpatient populations at The Queen's Medical Center, Physician Office Buildings I, II and III, and to all residents and visitors to Oahu.

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

The proposed project involves a change in ownership of an existing service. For the first full year of operations, FY 2011, net revenue is projected at \$3,524,509 with direct expenses of \$3,604,324. For the third full year of operations, FY 2013, net revenue is projected at \$3,524,509 with direct expenses of \$2,284,345. Service fees will remain the same as those charged at QMC, thereby reducing overall costs to patients through lower transportation needs and time savings. The project will be cost effective as it uses existing space, equipment and other resources at the current location. Economies of scale will be achieved through utilization of existing QMC administrative support services. QMC will also benefit by increased capacity for growth at the Medical Center without costly renovations to expand existing service areas.

- e) Relationship to the existing health care system

The project is not expected to impact the existing health system as it is simply a continuation of an existing service. The proposed project involves only a change in ownership of the existing radiology clinic. The relationship to the existing health care system was reviewed and approved with the original Certificate of Need application (No. 06-01). The change in ownership will not alter the relationship to the existing health care system.

- f) Availability of Resources

The Queen's Medical Center has the financial, clinical staff and administrative staff to manage and operate the existing radiology clinic services at the Pearlridge Shopping Center. The proposed project will use existing space, equipment and

other resources to maintain existing services. QMC has sufficient cash from operations to fund the acquisition and provide operating capital.

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