

# STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

LINDA LINGLE  
GOVERNOR OF HAWAII

CHIYOME L. FUKINO, M.D.  
DIRECTOR OF HEALTH

DAVID T. SAKAMOTO, M.D., M.B.A.  
ADMINISTRATOR

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April 5, 2005

## CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Art Gladstone  
Chief Operating Officer  
Straub Clinic & Hospital  
888 S. King Street  
Honolulu, HI 96814

Dear Mr. Gladstone:

The State Health Planning and Development Agency has evaluated Straub Clinic & Hospital's Certificate of Need application #05-01A for the change of ownership of outpatient MRI services at 1010 S. King Street, Honolulu, HI at a capital cost of \$1,200,000.

Pursuant to Title 11, Chapter 186 of the Hawaii Administrative Rules (HAR), the Agency has determined that:

1. This proposal is eligible for administrative review as it meets the criterion in Section 11-186-99.1(b) (6), i.e.: "any proposal which is determined by the agency not to have a significant impact on the health care system."
2. Straub Clinic & Hospital (the "applicant") has proven by a preponderance of evidence that its proposal meets the certificate of need criteria in Section 11-186-15, HAR:
  - a. The applicant states that the existing MRI service is a joint venture between Straub Clinic and Hospital (through its wholly owned subsidiary, Straub Imaging Services, Inc.) and MD Services. The applicant states that MD Services wishes to divest itself of the joint venture and Straub Clinic and Hospital desires to acquire full control and ownership of the MRI service.
  - b. The applicant states that "The proposed project only involves a change in ownership of an existing service. The relationship of an open MRI to the Hawaii Health Performance Plan (H2P2) was previously addressed in the original Certificate of Need application (#02-14) with subsequent review and approval. Straub Clinic and Hospital will continue to follow the guidelines of the H2P2."
  - c. The applicant states that the need for this service was addressed with the original certificate of need application at the initial launching of this service and that the change of ownership will not have any impact on the need for this service or on accessibility of this service.

- d. The applicant states that "The change in ownership will not result in any degradation of quality of service or care."
- e. The applicant states that the change of ownership will not change the relationship of the service to the existing health care system.
- f. The applicant states that "Straub Clinic and Hospital has the \$250,000 from operating funds for the buy-out of MD Services interest in the open MRI. Straub Clinic and Hospital also has the financial, clinical staff and administrative support to operate and maintain the open MRI including sufficient funds from operating capital to fund expected losses until the service achieves a positive margin (expected by year 3)."


There is no compelling public interest which will be served by requiring the application to go through the standard review process.

Pursuant to Section 323D-43(b), Hawaii Revised Statutes (HRS), the Agency finds that:

1. There is a public need for this proposal.
2. The cost of the service will not be unreasonable in light of the benefits it will provide and its impact on health care costs.

Accordingly, the State Health Planning and Development Agency hereby APPROVES and ISSUES a Certificate of Need to Straub Clinic & Hospital for the proposal described in application #05-01A. The maximum capital expenditure allowed under this approval is \$1,200,000.

Please be advised that pursuant to Section 323D-47, HRS and Section 11-186-99.1(g) HAR, any person may, for good cause shown, request in writing a public hearing for reconsideration of the Agency's decision within ten working days from the date of this decision. Accordingly, if no person makes such a timely request for reconsideration, this decision shall become final immediately after the deadline for making such a request has expired.

  
David T. Sakamoto, M.D.  
Administrator

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the attached Administrative Review Decision was duly served upon the applicant by sending it by certified mail, return receipt requested, in the United States Postal Service addressed as follows on April 5, 2005:

Art Gladstone  
Chief Operating Officer  
Straub Clinic & Hospital  
888 S. King Street  
Honolulu, HI

HAWAII STATE HEALTH PLANNING  
AND DEVELOPMENT AGENCY



David T. Sakamoto, M.D.  
Administrator