

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

1177 Alakea St. #402, Honolulu, HI 96813 Phone: 587-0788 Fax: 587-0783 www.shpda.org

February 28, 2006

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Cynthia L. Okinaka
President
Hawaii PET Imaging, LLC
1010 South King Street, Suite 604
Honolulu, HI 96814

Dear Ms. Okinaka:

The State Health Planning and Development Agency has evaluated Certificate of Need application #05-29A for a change from mobile to fixed-site PET Imaging services at 500 Ala Moana Boulevard, Space 5-B, Honolulu, Hawaii at a capital cost of \$1,902,875.

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. Hawaii PET Imaging, LLC (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 it "...has reviewed the options for the installation and delivery of this premier service in our community and has concluded that the community will be best served by a fixed site facility rather than a mobile operation. Furthermore, HPI believes that the proposed change in service and location will have minimal impact on service delivery and will, in fact, enhance accessibility to this new technology for years to come."
 - b. The applicant states that "The mobile PET facility has provided a convenient and appreciated option for services to residents living in West and Central Oahu. To continue this option, however, requires that HPI purchase a new medical coach especially designed to accommodate the weight of the PET/CT equipment. The current coach cannot be retrofitted to accept the equipment...A new PET/CT coach would provide, at most, two injection areas and therefore, limit the preparation and uptake capacity to two patients at a time. Given the uptake and advanced protocols..., HPI would be limited in the number of patients scanned per hour and, therefore, per day. Accommodation for the evolving scanning protocols would also be limited. In addition, given the close physical proximity of the patients in this setting, patient privacy for interviewing and gown changing would be compromised."

- c. The applicant states that "The need for this PET scanning service was established by Certificate of Need #01-31 which was awarded in December 2001. Since then, the utilization of PET scanning services in Hawaii has doubled."
- d. In its written testimony dated February 2, 2006, The Queen's Health Systems state "We urge the Agency to disapprove CON application #05-29A and recommend that the applicant reconsider its relocation into downtown Honolulu. Maintaining its presence in West Oahu would better serve the current and future needs of the community."
- e. The applicant states that "...the group that would be most affected by the fixed site location is the West and Central Oahu group, which represents ...only 21% of the HPI total scanning volume... Of interest to note is that an additional 137 patients from West and Central Oahu areas were scanned at the Honolulu location, by patient choice. This represents 12% of the Honolulu scanning volume."
- f. The applicant states that "For those patients who would be truly impacted for transportation reasons, HPI would provide that service, which has been an ongoing program practice."
- g. In its written testimony supporting the application dated February 2, 2006, St. Francis Healthcare System of Hawaii states "We believe that this change should have no real impact on services delivered to St. Francis Healthcare System due to the increased availability of the upgraded equipment and the commitment on the part of Hawaii PET Imaging to provide transportation to those who need it. The improvement in medical and service quality by upgrading to the current standard of care (PET-CT), which can only be practically offered in a fixed site location, should offset any perceived inconvenience caused by the change in location."
- h. In written testimony dated August 19, 2005, Marc Coel, M.D., Medical Director, Hawaii PET Imaging states "As Medical Director and reading physician for Hawaii PET Imaging, I am acutely aware of the importance of image quality, scan time, and patient access. I believe that the proposed facility will significantly improve all these facets of our practice."
- i. The applicant states that "...HPI is committed to continuing to make its services available to all groups on Oahu including Hawaii's disadvantaged and underserved groups ...particularly the elderly, low income persons, women and children."
- j. The applicant states that "HPI provides high quality PET scanning service as demonstrated by physician and patient feedback. It is believed, however, that HPI services will be improved with a fixed site operation for all of the reasons mentioned in the foregoing discussions:
 - Privacy for interview and changing of clothes;
 - Bathroom facilities;

- Comfortable injection suites within which to wait during the delay period;
 - Waiting space for family and companions, outside of the radioactive area;
 - ADA accessible facilities within the PET scanning facility; and
 - Improved scheduling options, any day of the week (versus the days that the mobile is present at either scanning location)."
- k. The applicant states that "HPI is confident that it will continue to generate a positive bottom line as evidenced in the proformas for years one through five..."
- l. The applicant projects that the net income will be \$99,447 in year 1 of its proposal and \$879,645 in year 5.
- m. The applicant states that "It is believed that this change to a fixed site location will have no impact on the existing healthcare system, and in fact, will assure that future accessibility to PET scanning services will be enhanced as the demand grows."
- n. The applicant states "...preliminary funding for this project has already been assured through a combination of cash and debt financing through Philips Medical Capital, guaranteed by national Medical Development, Inc., (NMDI)...Operational revenues will provide debt payments for the life of the loan as demonstrated in the attached proformas."
- o. The applicant states that "No new staff is required for this proposal. Professional, technological, management and administrative services will continue to be provided by HPI through its current combination of employed staff and contractual arrangements."

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

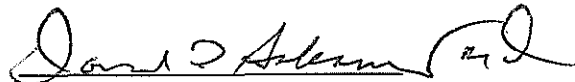
Pursuant to Section 323D-43(b), Hawaii Revised Statutes (HRS), the Agency finds that:

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 Hawaii PET Imaging, LLC for the proposal described in application #05-29A. The maximum capital expenditure allowed under this approval is \$1,902,875.

#05-29A, Administrative Review Decision
February 28, 2006
Page 4

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.



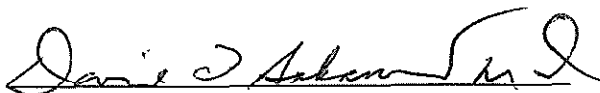
David T. Sakamoto, M.D.
Administrator

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 February 28, 2006:

Cynthia L. Okinaka
President
Hawaii PET Imaging, LLC
1010 South King Street, Suite 604
Honolulu, HI 96814

HAWAII STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY



David T. Sakamoto, M.D.
Administrator