

# 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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March 16, 2006

## CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Byron Yoshino  
President and CEO  
Pharmacare International Inc.  
3375 Koapaka Street  
Honolulu, HI 96819-1868

Dear Mr. Yoshino:

The State Health Planning and Development Agency has evaluated Pharmacare International Inc.'s Certificate of Need application #06-03A for the acquisition of pharmacy services at: 888 South King Street, Honolulu, Hawaii, 1319 Punahou Street, Honolulu, Hawaii, and 98-1079 Moanalua Road, Aiea, Hawaii, at a capital cost of \$1,920,000.

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. Pharmacare International Inc. (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 change of ownership from Hawaii Pacific Health to Pharmacare will help address the issue of rising health care costs and declining reimbursements that hospitals are confronting. This transfer will ensure that more experienced providers of pharmacy services will be able to provide the service more efficiently. This transaction will reduce the financial burden hospital providers experience in an effort to provide acute care to underinsured and non-insured patients."
  - b. The applicant states that "The proposed change of ownership will not affect need and accessibility of pharmacy services at any of the hospital location (sic). The hospital based pharmacies will continue to provide services at their existing locations."
  - c. The applicant states that "Pharmacare has the clinical and administrative personnel and resources to maintain services at existing levels... The company has been operating/managing the Hawaii Pacific Health pharmacies since March 01, 2005.

- d. The applicant states that "Pharmacare holds State Pharmacy Permits, State Narcotic Permits, and Federal Narcotics licenses for each of the other 2 Hawaii pharmacies they operate.... Additionally, Pharmacare also has the processes... to assure internal quality control."
- e. The applicant states that "The change of ownership is projected to have a positive financial performance on a go-forward basis beginning in year 1 and expected to increase by 10% by year 3... The project is cost-effective as it utilizes existing space, equipment, and inventory."
- f. The applicant states that "Pharmacare has the \$650,000 available from cash reserves for the initial asset purchase of the CON regulated assets which includes the book value of drug inventory to be transferred at time of operation. The \$1.27M is the fair market value of the lease which will be paid from operational revenue."
- g. The applicant states that "Pharmacare also has the clinical staff and administrative support to operate and maintain the pharmacy including sufficient funds from operating capital to staff the retail pharmacies as needed. Pharmacare will require 24 FTE positions comprised of 9 pharmacists, 13 pharmacy technicians and 2 administrative support staff. Of these 24 positions, 17 are currently employed by Hawaii Pacific Health and the remaining 7 will need to be hired externally."


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 Pharmacare International Inc. for the proposal described in application #06-03A. The maximum capital expenditure allowed under this approval is \$1,920,000.

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.

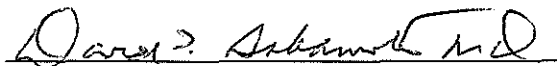
  
David T. Sakamoto, M.D.  
Administrator

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 March 16, 2006:

Byron Yoshino  
President and CEO  
Pharmacare International Inc.  
3375 Koapaka Street  
Honolulu, HI 96819-1868

HAWAII STATE HEALTH PLANNING  
AND DEVELOPMENT AGENCY



David T. Sakamoto, M.D.  
Administrator