

STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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April 12, 2006

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Wesley Lo
Chief Executive Officer
Maui Memorial Medical Center
221 Mahalani Street
Wailuku, Maui 96793

Dear Mr. Lo:

The State Health Planning and Development Agency has evaluated Certificate of Need application #06-04A from Maui Memorial Medical Center for the establishment of Extracorporeal Shockwave Lithotripsy (ESWL) services at capital cost of \$890,000.

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. Maui Memorial Medical Center (the "applicant") has proven by a preponderance of the evidence that its proposal meets the Certificate of Need criteria in Section 11-186-15, HAR:
 - a. The applicant states that "The unit to be acquired is a new urology table for the Cysto Room, and one component of that table is the ESWL component. It is prudent to replace the old table at this time. Although it is still within its useful life expectancy, it is subject to frequent breakdowns, especially with the attached fluoroscopy unit. Certain parts are no longer manufactured, so it is getting harder and harder to make repairs. Also it is incapable of providing ESWL, the current state-of-the-art service for about 50% of kidney stones."
 - b. The applicant states that "...the status quo is not an alternative since some of the existing table's equipment had deteriorated to the point where it needed replacement anyway. It would be imprudent to replace an old technology when a new technology, which supplies a higher quality service and is less invasive, is available."
 - c. The applicant states that "The proposal in this application relates well to the provisions of the H2P2. MMMC is the only full service acute care facility on the island, and must be able to meet the community's need for a wide range of outpatient and inpatient services, including the best technology for treating kidney stones."

- d. With respect to the H2P2 capacity thresholds for lithotripsy, the applicant states "We are conservatively projecting that in the third year of operation we will be performing 305 lithotripsy procedures. We acknowledge that this falls short of the 1,000 procedure threshold. However, the H2P2 also contains the following provision for proposals that fall below the thresholds:
In each case where sub-optimum utilization is proposed, the benefits—in the form of improved access for the service area(s) population combined with significant improvement in quality and/or significant reduction in price to the public—clearly outweigh the costs to the community of duplicating or under-using services, facilities, or technology."
- e. The applicant states that "The H2P2 then goes on to cite the approval of a CT scanner for Molokai General Hospital as a situation where 'concerns about access and quality of care (CT is a standard of care for hospitals) outweighed the suboptimum utilization data.' We believe that this situation is similar. For approximately 50% of kidney stone patients, the standard of care is lithotripsy. With no such service on-island, access is difficult. Patients have to either travel to O'ahu or undergo a less optimal procedure. This lack of immediate access is especially burdensome on those patients who are in acute pain and need urgent attention."
- f. The applicant states "MMMC estimates that we saw about 461 kidney stone procedures in 2005. Of these, approximately 50% or 230 procedures are suitable for ESWL treatment. In addition, our physicians estimate that approximately 50 patients annually are referred to O'ahu for ESWL treatment."
- g. The applicant projects that it will perform 279 ESWL procedures in 2007 and 305 ESWL procedures in 2008.
- h. The applicant states that "MMMC is accredited by the Joint Commission of Accreditation of Healthcare Organizations, licensed by the Department of Health and certified by Medicare."
- i. The applicant states that "We estimate that the cost to the patient for an ESWL procedure will be approximately 60% less than the cost of an invasive procedure..."
- j. The applicant projects that for year one of the proposal, net revenue will be \$428,655 with total direct expenses of \$251,022. The applicant projects that for year three of the proposal, revenue will be \$512,705 with total direct expenses of \$303,112.
- k. The applicant states that "MMMC is the only full service acute care hospital on the island of Maui and should be able to provide the best possible service for kidney stone patients."
- l. The applicant states that the capital funds for the proposal are available in the form of a municipal lease from Academic Capital and that the operating revenues will be sufficient to meet expenses.

m. The applicant states that no additional staff will be required for the proposal.


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

As required under 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 Maui Memorial Medical Center for the proposal described in application #06-04A. The maximum capital expenditure allowed under this approval is \$890,000.

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.

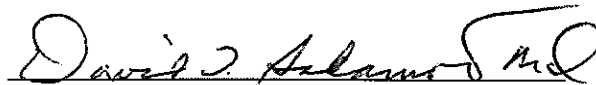

David T. Sakamoto, M.D.
Administrator

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 12, 2006:

Wesley Lo
Chief Executive Officer
Maui Memorial Medical Center
221 Mahalani Street
Wailuku, Maui 96793

HAWAII STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY



David T. Sakamoto, M.D.
Administrator