

STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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GOVERNOR OF HAWAII
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May 2, 2008

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Orianna Skomoroch
Regional CEO
Kauai Veterans Memorial Hospital
4643 Waimea Canyon Drive
Waimea, Hawaii 96796-0337

Dear Ms. Skomoroch:

The State Health Planning and Development Agency has evaluated Kauai Veterans Memorial Hospital's Certificate of Need application #07-32A for the establishment of extremity MRI services at 4643 Waimea Canyon Drive, Waimea, Hawaii, at a capital cost of \$395,000.

Pursuant to Title 11, Chapter 186 of the Hawaii Administrative Rules (HAR), the Agency has determined that: the proposal is eligible for administrative review as it meets the criterion in HAR 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."

A public meeting was requested and held pursuant to Hawaii Revised Statutes (HRS) 323D-44.5 on April 3, 2008.

Kauai Veterans Memorial Hospital (the "applicant") states that "The proposal will reduce disparities and further equitable access simply by making extremity MRI service available to the people of Kaua'i..."

The applicant states that "The H2P2 has no capacity threshold guideline specific to extremity MRI. However, it does contain a threshold for MRI in general: 'For a new unit/service, or service, the minimum average annual utilization for all other providers in the service area is 1,500 procedures, and the utilization of the new unit/service is projected to meet the minimum utilization rate by the third year of operation.'"

The applicant states that "There is only one MRI scanner on the island, and that is at Wilcox. The latest year for which MRI utilization data are available is 2005, in which Wilcox reported 4,498 MRI procedures. This is well above the 1,500 procedures which would permit a second unit in the service area... Further, KVMH is expecting to provide 1,820 procedures in the third year of operation, which would comply with the second test of the H2P2 threshold guideline, i.e., 1,500 procedures by the third year."

The applicant states that "We have surveyed our physicians, who estimated that there is a need among their patients for approximately 2,088 such procedures annually... Although the need for West Kaua'i alone may exceed 2,000 procedures, we are being more cautious in our utilization projections. As shown in Exhibit D, the unit will be put in service effective May, 2008, and we project 215 scans for the two months of May and June, 2008. This is an annual rate of 1,300 scans. We project that this will rise to 1,820 in fiscal year 2010, the third year of operation."

The applicant states that "The proposed service will be accessible to any person who needs an extremity MRI. KVMH provides services to all patients, including low income persons, racial and ethnic minorities, women, handicapped persons, other underserved groups and the elderly."

The applicant states that "KVMH is certified by Medicare and Medicaid, and has a history of providing quality care. Apropos of this service, we are also certified by the American College of Radiography (ACR). Procedures will be performed by one of the licensed Radiographic Technologists on our staff."

The applicant states that "Exhibit D is a revenue and expense projection for this service. The Exhibit shows that the project is financially feasible since operating revenues will exceed operating expenses."

The applicant states that "The proposal will strengthen the existing health care system by providing a specialized service not now available on Kaua'i i.e., an extremity MRI service. The service will mainly benefit the residents of West Kaua'i...but will also be available to all residents of the island."

The applicant states that the "The unit will make MRI service available to some patients who are claustrophobic or might have trouble lying down in a tight space for a long period of time because of arthritis or other medical conditions."

The applicant states that "Both the financial and personnel resources needed to implement the proposal are available... No additional staff will be needed, since the existing staff can assume the workload."

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

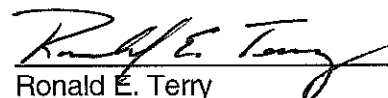
- (a) The applicant has proven by a preponderance of the evidence that its proposal meets the Certificate of Need criteria in Section 11-186-15, HAR.
- (b) There is no compelling public interest which will be served by requiring the application to go through the standard review process.

As required under Section 323D-43(b), Hawai'i Revised Statutes (HRS), the Agency finds that:

1. There is a public need for this proposal.
2. The cost of this proposal 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 Kauai Veterans Memorial Hospital for the proposal described in Certificate of Need application #07-32A. The maximum capital expenditure allowed under this approval is \$395,000.

Please be advised that pursuant to HRS 323D-47, 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.

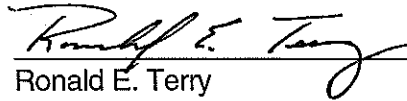

Ronald E. Terry
Administrator

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 May 2, 2008:

Orianna Skomoroch
Regional CEO
Kauai Veterans Memorial Hospital
4643 Waimea Canyon Drive
Waimea, Hawaii 96796-0337

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