



STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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August 8, 2008

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

IN THE MATTER OF)	CERTIFICATE OF NEED
)	APPLICATION
)	NO. 08-09
Maui Medical Group, Inc.)	
)	
Applicant)	
_____)	DECISION ON THE MERITS

DECISION ON THE MERITS

The State Health Planning and Development Agency (hereinafter "Agency"), having taken into consideration all of the records pertaining to Certificate of Need Application No. 08-09 on file with the Agency, including the written and oral testimony and exhibits submitted by the applicant and other affected persons, the recommendations of the TriIsle Subarea Health Planning Council, the Certificate of Need Review Panel and the Statewide Health Coordinating Council, the Agency hereby makes its Decision on the Merits, including findings of fact, conclusions of law, order, and written notice on Certificate of Need Application No. 08-09.

I

BACKGROUND

1. This is an application for a Certificate of Need ("Cert.") for the establishment of Magnetic Resonance Imaging (MRI) services at 2180 Main Street, Wailuku, Hawaii, at a capital cost of \$2,588,639.
2. The applicant, Maui Medical Group, Inc. is a Hawaii corporation.

3. The Agency administers the State of Hawaii's Certificate Program, pursuant to Chapter 323D, Hawaii Revised Statutes (HRS), and Title 11, Chapter 186, Hawaii Administrative Rules (HAR).

4. On March 14, 2008, the applicant filed with the Agency a Certificate of Need application for the establishment of Magnetic Resonance Imaging (MRI) services at 2180 Main Street, Wailuku, Hawaii, at a capital cost of \$2,588,639 (the "Proposal"). On April 24, May 29 and June 4, 2008, the applicant submitted additional information. On June 12, 2008, the application was determined to be complete. For administrative purposes, the Agency designated the application as Cert. #08-09.

5. The period for Agency review of the application commenced on June 13, 2008, the day notice was provided to the public pursuant to 11-186-39 HAR.

6. The application was reviewed by the Trilsle Subarea Health Planning Council at a public meeting on June 23, 2008. The Council voted 6 to 0 in favor of recommending approval of the application.

7. The application was reviewed by the Certificate of Need Review Panel at a public meeting on July 17, 2008. The Panel voted 7 to 0 in favor of recommending approval of the application.

8. The application was reviewed by the Statewide Health Coordinating Council at a public meeting on July 24, 2008. The Council voted 14 to 0 in favor of recommending approval of the application.

9. This application was reviewed in accordance with Section 11-186-15, HAR.

10. Pursuant to Section 323D-43(b), HRS:

"(b) No Certificate shall be issued unless the Agency has determined that:

- (1) There is a public need for the facility or service; and
- (2) The cost of the facility or service will not be unreasonable in the light of the benefits it will provide and its impact on health care costs."

11. Burden of proof. Section 11-186-42, HAR, provides:

"The applicant for a certificate of need or for an exemption from certificate of need requirements shall have the burden of proof, including the burden of producing evidence and the burden of persuasion. The degree or quantum of proof shall be a preponderance of the evidence."

II

FINDINGS OF FACT

A. REGARDING THE RELATION OF THE PROPOSAL TO THE STATE HEALTH SERVICES AND FACILITIES PLAN (HAWAII HEALTH PERFORMANCE PLAN) OR "H2P2"

12. The applicant states that "Adding *direct* Open MRI access for patients will expedite patient care and promote quicker diagnoses and treatment, thus increasing the span of healthy lives for Hawaii residents."

13. The applicant states that "Open MRI will benefit anyone needing MRI services, especially the difficult underserved patients that have greater positioning needs...The open magnet aperture and vertical magnet field allow a patient to be scanned on their side vs. on their back. A mother can lie next to her infant during a procedure if necessary."

14. The applicant states that "SHPDA guidelines state that for a new MRI unit/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 operation."

15. The applicant states that "All MRI units on Maui exceed the H2P2 utilization threshold level for introduction of new service, 1500 procedures per year...The MMG Open MRI will meet the 1500 procedure H2P2 utilization threshold in year 1 of operation."

16. The applicant states that "MRI is very effective in identifying many of the disease states and conditions identified in chapters IV to XI. This allows physicians to implement effective treatment plans based on MRI findings and can result in improved outcomes for patient treatment."

- Chapter IV – Infectious Diseases
MRI is a good diagnostic tool to evaluate infections of the soft tissues, abscesses, spinal and brain meningitis, and herpes encephalopathy to name a few.
- Chapter V – Cancer
MRI is a powerful diagnostic tool to diagnose, stage surgical and treatment planning, and evaluate treatment success.

- Chapter VI – Diabetes and Other Chronic Disabling Conditions
MRI and MRA are useful tools to evaluate vascular effects of diabetes especially in the lower extremities and feet. MRI is useful in evaluating Alzheimer's and Parkinson's disease which affects the brain.
- Chapter VII – Heart Disease and Stroke
MRI is an important toll in early detection of disease and in follow-up care. The proposed HFO MRI will be equipped with hardware, coils and special software programs designed to perform cardiac and stroke assessment.

17. The Agency finds that this criterion has been met.

B. REGARDING NEED AND ACCESSIBILITY CRITERIA

18. The applicant states that "SHPDA guidelines state that for a new MRI unit/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 operation."

19. The applicant states that "The 2 MRI providers on Maui are performing above the 1500 procedure H2P2 utilization threshold. Provider 1 performed 3601, and provider 2 performed 3350 procedures. Therefore, each provider is well in excess of the 1500 H2P2 utilization threshold."

20. The applicant states that "The MMG Open MRI will meet the 1500 procedure H2P2 utilization threshold in year 1 of operation."

21. The applicant states that the proposal should have no impact on Kaiser Permanente utilization, as MMG does not provide services to Kaiser members.

22. The applicant states that "MMG will serve women needing breast MRI, as none of the current MRI providers on Maui offer this type of scanning... Additionally, the MMG Open MRI will include the latest advances in cardiac MRI. None of the existing MRIs on Maui has this technical capability."

23. The applicant states that "MMG policy is that facilities and staff are culturally sensitive and fully accessible to all residents of the community, including low income persons, racial and ethnic minorities, women, people with disabilities, other underserved groups, and the elderly."

24. The Agency finds that the proposal meets the need and accessibility criteria.

C. REGARDING QUALITY AND LICENSURE CRITERIA

25. The applicant states that "Our Radiology Department will meet the requirements for American College of Radiology (ACR) accreditation."
26. The applicant states that "MMG's MRI/Radiology department will follow all aspects of the ACR guidelines, Departmental rules and regulations, all MRI safety guidelines (Exhibit C-3), perform peer review, and document performance measures for ACR compliance."
27. The applicant states that "All technologists will be certified by the American Registry of Radiologic Technologists (ARRT) with additional MRI certification (Exhibit C-5), and maintain State of Hawaii licensure. Cross trained technologists must have 6 months of supervised MRI clinical scanning experience before they become eligible to take the advanced boards. All technologists must obtain 15 hours of Category A CME in MRI every three years."
28. The applicant states that "All Radiologists will be licensed in the State of Hawaii and certified by the American Board of Radiology (ABR)."
29. The applicant states that "Radiologists and Technologists will meet or exceed all State and National continuing medical education (CME) requirements."
30. The Agency finds that the quality and licensure criteria have been met.

D. REGARDING THE COST AND FINANCIAL CRITERIA

31. The applicant states that the capital required for the project will be \$600,000 for construction costs, and \$1,988,639 for fixed equipment and that the project will be financed by First Hawaiian Bank.
32. The applicant states that the net patient services revenue for the first year of operation is projected to be \$1,001,049 and operating expenses for the same period are projected to be \$800,660.
33. The applicant states that the net patient services revenue for the third year of operation is projected to be \$1,323,887 and operating expenses for the same period are projected to be \$937,411.

34. The applicant states that "MMG will control costs by providing our patients with more immediate access to care with MRI services on-site. Benefits include:

- Continuity of care that leads to earlier detection and treatment
- Reduction in patient travel time
- Reduction in patient scheduling delays"

35. The Agency finds that the cost and financial criteria have been met.

E. REGARDING THE RELATIONSHIP OF THE PROPOSAL TO THE EXISTING HEALTH CARE SYSTEM OF THE AREA

36. The applicant states that "Adding *direct* Open MRI access for patients will help reduce a service deficit on Maui, expedite patient care and promote quicker diagnoses and treatment. In addition, MMG will provide an expanded resource for Hawaii by adding Breast and Cardiac MRI services."

37. The applicant states that "MMG recognizes the importance of making its Open MRI services available to the largest possible audience that may benefit and through collaboration with other healthcare providers; these services will be available to those outside the existing MMG patient system."

38. The Agency finds that the applicant has met these criteria.

F. REGARDING THE AVAILABILITY OF RESOURCES

39. The applicant states that the capital required for the project will be \$600,000 for construction costs, and \$1,988,639 for fixed equipment and that the project will be financed by First Hawaiian Bank.

40. The applicant states that "MMG has available financing, management and staff to establish the new open MRI service."

41. The Agency finds that the applicant has met this criterion.

III

CONCLUSIONS OF LAW

Having taken into consideration all of the records pertaining to Certificate of Need Application No. 08-09 on file with the Agency, including the written and oral testimony and exhibits submitted by the applicant and other affected persons, the recommendations of the TriIsle Subarea Health Planning Council, the Certificate of Need Review Panel and the Statewide Health Coordinating Council and based upon the findings of fact contained herein, the Agency concludes as follows:

The applicant has met the requisite burden of proof and has shown by a preponderance of the evidence that the Proposal meets the criteria established in Section 11-186-15, HAR.

Accordingly, the Agency hereby determines that, pursuant to Chapter 323D-43(b):

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

ORDER

Pursuant to the findings of fact and conclusions of law contained herein, IT IS HEREBY DECIDED AND ORDERED THAT:

The State Health Planning and Development Agency hereby APPROVES and ISSUES a certificate of need to Maui Medical Group, Inc. for the proposal described in Certificate Application No. 08-09. The maximum capital expenditure allowed under this approval is \$2,588,639.

WRITTEN NOTICE

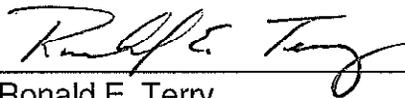
Please read carefully the written notice below. It contains material that may affect the Decision on the Merits. The written notice is required by Section 11-186-70 of the Agency's Certificate of Need Program rules.

The decision on the merits is not a final decision of the Agency when it is filed. Any person may request a public hearing for reconsideration of the decision pursuant to Section 11-186-82 HAR. The decision shall become final if no person makes a timely request for a public hearing for reconsideration of the decision. If there is a timely request for a public hearing for reconsideration of the decision and after the Agency's final action on the reconsideration, the decision shall become final.

(Note, pursuant to Chapter 323D-47, Hawaii Revised Statutes, a request for reconsideration shall be received by the Agency within ten working days of the state agency decision.)

DATED: August 8, 2008
Honolulu, Hawaii

HAWAII STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY



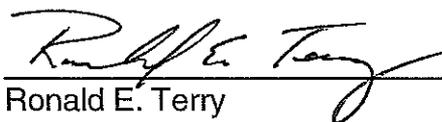
Ronald E. Terry
Administrator

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the attached Decision on the Merits, including findings of fact, conclusions of law, order, and written notice, 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 August 8, 2008.

William Mitchell, M.D.
President
Maui Medical Group, Inc.
2180 Main Street
Wailuku, HI 96793

HAWAII STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY

A handwritten signature in cursive script, appearing to read "Ronald E. Terry", is written over a horizontal line.

Ronald E. Terry
Administrator