

STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

NEIL ABERCROMBIE GOVERNOR OF HAWAII

LORETTA J. FUDDY, A.C.S.W., M.P.H. DIRECTOR OF HEALTH

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August 5, 2013

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Scott Halliday President National Medical Development, Inc. 5001 N.E. 25th Avenue, Suite 202 Seattle, WA 98105

Dear Mr. Halliday:

The State Health Planning and Development Agency (the "Agency") has evaluated Certificate of Need application #13-07A from Hawaii PET Imaging, L.L.C. (the "applicant") for the expansion of its Magnetic Resonance Imaging (MRI) services to 94-307 Farrington Highway, Suite A-11, Waipahu, HI, at a capital cost of \$2,977,200 (the "Proposal").

- 1. Pursuant to Title 11, Chapter 186 of the Hawaii Administrative Rules (HAR), the Agency has determined that this proposal is eligible for administrative review as it meets the criterion in Subsection 11-186-99.1(b) (5), i.e.: "An additional location of an existing service or facility."
- 2. The applicant states that "Hawaii PET Imaging, L.L.C. ('HPI') seeks approval to add an additional West Oahu outpatient OPEN TYPE, 3T MRI facility location to our existing MRI services located in downtown Honolulu. This new outpatient OPEN TYPE, 3T MRI Facility will improve needed access to outpatient OPEN TYPE 3T MRI for West Oahu residents and healthcare providers."
- 3. The applicant states that "HPI facilities were one of first to seek and receive accreditation by the American College of Radiology and all HPI facilities are licensed by the State of Hawaii. This new outpatient facility will again seek the same accreditation, continuing our commitment to quality. Our radiologists are all certified by the American Board of Radiology and are licensed physicians in Hawaii."
- 4. The applicant states that "The facility will operate, as all HPI facilities, in accordance with all applicable state and federal guidelines and the standards of the American College of Radiology which require adherence to extensive policies and procedures to insure the quality and safety of patient care."
- 5. The facility will operate, as all HPI facilities, in accordance with all applicable state and federal guidelines and the standards of the accrediting body, and has policies and procedures to insure the quality and safety of patient care."

- 6. The applicant states that "Financially there is no negative affect on the areas (sic) providors. The placement of this highest level, OPEN type 3T MRI, is a privately funded, capital intensive, attempt to establish services in an area that has heretofore sent their patients to distant MRI services. Establishing that this local MRI is now a place to refer patients is going to take significant intensive management, coordination, and capital to bring this facility to profitability. The hospitals are better served to conserve their capital to investments in technologies where they are assured of receiving predictable financial returns."
- 7. In written testimony dated July 24, 2013, Andy Aoki, M.D., Vascular and Interventional Radiologist/Musculoskeletal Radiologist at Pali Momi Medical Center states "The revenue generated by outpatient imaging services is crucial for hospitals to offset the high cost of inpatient and emergency room care for these acutely ill patients. The addition of a free-standing, outpatient facility in Waipahu will only weaken the fragile health care system in West Oahu. As patients migrate to outpatient only imaging centers, non-profit hospitals will lose vital sources of revenue. The result will be a significant decline in the ability of these hospitals to provide imaging and acute care services for the entire community. The financial struggles of Hawaii Medical Center West and the negative impact its closure had on the community should serve as a clear example."
- 8. In written testimony dated July 24, 2013 Hugh N. Hazenfield, M.D., Chief Medical Officer at Pali Momi Medical Center states "In order to ensure access to care for all patients both insured and uninsured the challenge of any non-profit hospital's survival relies on its ability to subsidize the unprofitable services it provides with the few remaining profitable services it can perform. When a non-profit hospital is unable to rely on those profitable services such as outpatient imaging then the results can be catastrophic as demonstrated in the 2011 closure of Hawai'i Medical Center."
- 9. In his written testimony, Dr. Hazenfield states "Approval of this application will have a direct negative impact upon the health care infrastructure by making it more financially challenging for non-profit West Oʻahu hospitals (sic) ability to provide the most critical service needs to our community.... we believe that with the Queens (sic) Medical Center-West Oʻahu remaining to be opened, it is still premature to approve an application for outpatient MRI imaging until it is determined how acute care services are to be delivered at that facility with the assumption that the hospital's future will inevitably require on-site MRI capability. A quality acute hospital with 24-hour access and availability in that community is a great need."

- In written testimony dated July 28, 2013, Huidy Shu, M.D., Medical Director for Neurological Services at Pali Momi Medical Center states "The closure of Hawai'i Medical Center in December of 2011 has left a giant hole in the health care delivery system in Central and Leeward O'ahu. Patients on the Leeward coast have up to a 60 minute drive to get life-saving emergency care now and I have witnessed situations where patients have died or become disabled in part because of this delay. Because of the urgent need to provide emergency care to Leeward O'ahu residents, I believe our community must ensure that the new Queen's West Medical Center is successful when it opens in 2014. If we are to learn from the failings of St. Francis West and Hawai'i Medical Center, the definition of 'success' here must not be limited to the realms of medicine and community service. Queen's West must also be financially successful in order to avoid the fates of both Hawai'i Medical Center and St. Francis West before them. The addition of a free standing outpatient MRI scanner in Waipahu will threaten the financial viability of the new Queen's West project."
- 11. In his written testimony, Dr. Hazenfield states "On July 10, 2012 SHPDA disapproved and denied a very similar application (12-12A 'Expansion of Magnetic Resonance Imaging (MRI) services') by this applicant requesting an expansion of MRI services at a location less than 1 mile from the currently proposed site... The conditions that existed resulting in SHPDA's prior determination that the applicant's request for the addition of MRI services (12-12A) had not met the criteria related to 'the relationship of the proposal to the existing health care system in the area' still remain today."

Conclusions and Order

The Agency finds that the applicant has not proven by a preponderance of the evidence that its Proposal meets the criterion in HAR 11-186-15(a)(10), namely, "The relationship of the proposal to the existing health care system of the area." The Agency finds that the applicant has not proven by a preponderance of the evidence that its Proposal will not negatively impact the health care system of the area of West Oahu.

Accordingly, the State Health Planning and Development Agency hereby DISAPPROVES and DENIES a Certificate of Need to Hawaii PET Imaging, L.L.C. for the Proposal described in Certificate of Need application #13-07A.

As the Proposal fails to meet the criterion in HAR 11-186-15(a)(10), it is not necessary for the Agency to make any findings as to the application's relationship to the remaining criteria in HAR 11-186-15(a).

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.

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Administrator