



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY  
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**STANDARD APPLICATION - CERTIFICATE OF NEED PROGRAM**

STATE HEALTH PLANNING  
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Application Number: # 14-13  
To be assigned by Agency

Date of Receipt:

**APPLICANT PROFILE**

Project Title: **Establishment of Positron Emission Tomography/Computed Tomography (PET/CT) Scanner Services**

Project Address: **98-1005 Moanalua Road  
FS4 Space 0001G  
Aiea, HI 96701**

Applicant Facility/Organization: **Pali Momi Medical Center**

Name of CEO or equivalent: **Jen Chahanovich**

Title: **Chief Executive Officer**

Address: **98-1079 Moanalua Road, Aiea, HI 96701**

Phone Number: **808-485-4434** Fax Number: **808-485-4400**

Contact Person for this Application: **Michael Robinson**

Title: **Executive Director, Government Relations**

Address: **55 Merchant Street, 26<sup>th</sup> Floor, Honolulu, HI 96813**

Phone Number: **808-535-7124** Fax Number: **808-535-7111**

**CERTIFICATION BY APPLICANT**

I hereby attest that I reviewed the application and have knowledge of the content and the information contained herein. I declare that the project described and each statement amount and supporting documentation included is true and correct to the best of my knowledge and belief.

Warren Chaiko  
Signature

11/5/14  
Date

Warren Chaiko  
Name (please type or print)

Vice President, Construction  
Title (please type or print)

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• **TYPE OR ORGANIZATION:** (Please check all applicable)

- Public \_\_\_\_\_
- Private \_\_\_\_\_
- Non-profit X
- For-profit \_\_\_\_\_
- Individual \_\_\_\_\_
- Corporation \_\_\_\_\_
- Partnership \_\_\_\_\_
- Limited Liability Corporation (LLC) \_\_\_\_\_
- Limited Liability Partnership (LLP) \_\_\_\_\_
- Other: \_\_\_\_\_

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• **PROJECT LOCATION INFORMATION:**

A. Primary Service Area(s) of Project: (Please check all applicable)

- Statewide: \_\_\_\_\_
- O`ahu-wide: X
- Honolulu: \_\_\_\_\_
- Windward O`ahu: \_\_\_\_\_
- West O`ahu: X
- Maui County: \_\_\_\_\_
- Kaua`i County: \_\_\_\_\_
- Hawai`i County: \_\_\_\_\_

• **DOCUMENTATION** (Please attach the following to your application form):

A. Site Control documentation (e.g. lease/purchase agreement, DROA agreement, letter of intent)

- **See Attachment A**

B. A listing of all other permits or approvals from other government bodies (federal, state, county) that will be required before this proposal can be implemented (such as building permit, land use permit, etc.)

- Building permit
- Department of Health Licensure as a radiation facility from DOH Noise, Radiation, and Indoor Air Quality Branch
- Nuclear Regulatory Commission licensure

C. Your governing body: list by names, titles and address/phone numbers

- **See Attachment B**

D. If you have filed a Certification of Need Application this current calendar year, you may skip the four items listed below. All others, please provide the following:

- Articles of Incorporation: **See Attachment C**
- By-Laws: **See Attachment D**
- Partnership Agreements: N/A
- Tax Key Number (project's location): (1) 9-8-016-037

**4. TYPE OF PROJECT.** This section helps our reviewers understand what type of project you are proposing. Please place an "x" in the appropriate box.

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	Used Medical Equipment (over \$400,000)	New/Upgraded Medical Equip. (over \$1 million)	Other Capital Project (over \$4 million)	Change in ownership	Change in service/establish new service/facility	Change in Beds
Inpatient Facility						
Outpatient Facility		X	X		X	
Private Practice						

**5. TOTAL CAPITAL COST: \$4,251,351**

**6. BED CHANGES.** Please complete this chart only if your project deals with a change in your bed count and/or licensed types. Again, this chart is intended to help our reviewers understand at a glance what your project would like to accomplish. Under the heading "Type of Bed," please use only the categories listed in the certificate of need rules.

Type of Bed	Current Bed Total	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
N/A	N/A	N/A	N/A
<b>TOTAL</b>			

**7. CHANGE IN SERVICE.** If you are proposing a change in service, then please briefly list what services will be added/modified. Be sure to include the establishment of a new service or the addition of a new location of an existing service. Please consult Certificate of Need Rules Section 11-186-5 for the categories of services. If you are unable to determine which category best describes your project, please consult with agency staff.

**New provider of PET/CT service.**

**8. PROJECT COSTS AND SOURCES OF FUNDS (For Capital Items Only)**

<b>A. List All Project Costs:</b>	<b>RECEIVED</b>	<b>AMOUNT:</b>
1. Land Acquisition	*14 NOV -5 P 3 52	\$0
2. Construction Contract		\$ 1,043,378
3. Fixed Equipment	ST HLTH PLNG & DEV. AGENCY	\$ 2,544,833
4. Movable Equipment		\$ 29,614
5. Financing Costs		\$0
6. Fair Market Value of assets acquired by lease, rent, donation, etc.		\$633,526
7. Other: _____		_____
<b>TOTAL PROJECT COST:</b>		<b><u>\$4,251,351</u></b>

**B. Source and Method of Estimation**

The estimates based upon internal cost estimates and vendor information.  
 FMV of assets calculated based on present value of average rent over 20 year period.

<b>C. Source of Funds</b>	<b>AMOUNT:</b>
1. Cash	\$3,617,825
2. State Appropriations	_____
3. Other Grants	_____
4. Fund Drive	_____
5. Debt	_____
6. Other: FMV of leased premises to be paid By rent payments	<u>\$ 633,526</u>
<b>TOTAL SOURCE OF FUNDS:</b>	
	<b><u>\$4,251,351</u></b>

9. **IMPLEMENTATION SCHEDULE:** Please present a projected time schedule for the completion of this project from start to finish. Include all of the following items that are applicable to your project:

- a) Date of site control for the proposed project: **November 1, 2015**
- b) Dates by which other government approvals/permits will be applied for and received: **February 1, 2017**
- c) Dates by which financing is assured for the project: **N/A**
- d) Date construction will commence: **January 1, 2016**
- e) Length of construction period: **18 months**
- f) Date of completion of the project: **July 1, 2017**
- g) Date of commencement of operation: **August 1, 2017**

*Please remember that the Agency does monitor the implementation of Certificates approved. Non-implementation of a project as described in your application may result in a fine and/or withdrawal of the Certificate of Need.*

10. **EXECUTIVE SUMMARY:** Please present a brief summary of your project. In addition, provide a description of how your project meets each of the Certificate of Need criteria listed below. If a new location is proposed, please attach an easy to read map that shows your project site.

Pali Momi Medical Center (PMMC) seeks to provide Positron Emission Tomography (PET/CT) services at 98-1005 Moanalua Road, FS4 Space 0001G, Aiea, HI 96701 in order to meet the existing and future oncology and other specialty care needs of our patients and to better support the community we serve. This project will be the first PET/CT unit to be located in the Leeward, Central and West O'ahu region.

The project will meet each of the following certificate of need criteria listed below:

**a) Relationship to the State of Hawai'i Health Services and Facilities Plan**

Pali Momi Medical Center (PMMC) anticipates performing 741 PET/CT procedures by Year 3 in order to meet the minimum threshold capacity of 600 procedures by year 3.

The proposed project will meet the following Statewide Health Coordinating Council (SHCCP) General Priorities:

- "2. Expand and retain the health care workforce to enable access to quality health care at a reasonable cost."
- "3. Strive for equitable access to health care services."
- "4. Ensure all projects are appropriate for the regional and statewide continuum of care."

This project will also meet the following West O'ahu SAC Priorities:

- "1. Improve and Increase Access: Specialty Care"
- "1. Improve and Increase Access: Routine outpatient diagnostic services"
- "1. Improve and Increase Access: Services for uninsured and underinsured"

There are two capacity thresholds for a new PET/CT unit/service: (1) the utilization of the new unit/service is projected to meet the minimum utilization rate by the third year of operation (2) the minimum annual utilization for each provider in the service area is 600 procedures per unit. The proposed project will meet the first capacity threshold for new providers as Pali Momi Medical Center (PMMC) anticipates performing 741 PET/CT procedures by Year 3. This would be in excess of the required 600 procedures per unit required to add a new PET/CT unit/service.

The data from the SHPDA utilization reports indicate that with the growth in total volumes of PET/CT service, a fourth service site, regardless of the current distribution between providers could be supported. Moreover, the fact that two existing providers - Queens Medical Center (QMC) and Hawai'i Pet Imaging (HPI) – have been operating at more than 200% of community thresholds over the last 3 years combined with the knowledge that our existing Leeward, Central and West Oahu patients would likely utilize a facility closer to home – indicates that there is potential existing demand for our proposed PET/CT at PMMC.

Additionally there is national data suggesting that current Hawai'i PET/CT scan utilization is below the expected utilization rate given our population size. Given that Hawai'i PET/CT procedures per thousand in 2013 (3.24) is less than the national average provided in 2011 (5.90), indicates that there is additional room for PET/CT growth that is potentially constrained by the lack of providers located in West O'ahu. The addition of a fourth site for service will not only improve distribution, but also be in line with expected national utilization trends in anticipated expected growth in PET/CT clinical application, and will increase satisfaction of our residents, given the well documented growth of West Oahu.

With respect to the second capacity threshold, PMMC acknowledges that the Kuakini Medical Center (KMC) PET/CT is currently performing below the recommended threshold of 600 scans per year. However, we believe this can be partially attributed to the project's location within a dense concentration of existing providers within the Honolulu urban core and existing physician referral patterns. Our proposed project lies outside the traditional boundaries of the service area of existing providers.

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### **Sub-optimization Criteria**

Per the Hawai'i Services & Facilities Plan (HSFP), it is recognized that some service areas may not meet the required threshold for a health care service. In these cases, sub-optimum utilization may be proposed if the benefits outweigh the costs to the community of duplicating or under-using services, facilities or technologies.

Additionally, beyond regional factors, the thresholds may be modified to consider the factors below which our project will incorporate.

- Improved access for the service area combined with significant improvement in quality
- Improved access for the service area combined with significant reduction in cost to the public.
- The project incorporates current and best clinical practices:
- The project addresses the documented needs of an actual population rather than basing care design on statistical generalizations;
- The project encourages innovation in improving health care services that contribute to enhancing a community's health status.

#### **b) Need and Accessibility**

Recognizing the ongoing demand for oncology services at PMMC which primarily serves residents of Leeward, Central and West O'ahu, there is a clear need for access to PET/CT services on-site to better support the community we serve. As a part of the integrated care network of Hawai'i Pacific Health (HPH), PMMC currently provides patients with a broad scope of cancer care services. Our current inability to provide PET/CT services on site has inconvenienced patients, referring providers, and has the potential to create delays in the treatment planning process. Based upon the Commission on Cancer (CoC) quality standards, care should be provided close to home. Recognizing this, PMMC has secured an additional 24,260 square feet of clinical space to expand oncology services for the community we serve.

Growth in total volumes at each of the existing PET/CT service providers suggests that a fourth service site, regardless of the current distribution between providers is needed. All existing PET/CT providers are located in Honolulu and within approximately 3 miles of each other. PMMC is seeking to add service outside of the Honolulu area specifically to serve its patient population. The current practice of requiring a patient to commute to Honolulu adds additional time, cost, and often stress to the patients and families seeking service.

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Additionally, beyond regional factors, the thresholds may be modified to consider the factors below which our project will incorporate.

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- Improved access for the service area combined with significant reduction in cost to the public.
- The project incorporates current and best clinical practices:
- The project addresses the documented needs of an actual population rather than basing care design on statistical generalizations;
- The project encourages innovation in improving health care services that contribute to enhancing a community's health status.

Pali Momi Medical Center through Hawai'i Pacific Health is a member of the NCI designated University of Hawai'i Cancer Consortium in partnership with Queens Medical Center, Kuakini Medical Center, UH John A. Burns School of Medicine, and the UH Cancer Center. Our investment in this project demonstrates our commitment to the Consortium's efforts in enhancing the community's health status and the quality of care provided to cancer patients in Hawaii.

Oncology services are the key drivers in PET/CT utilization, representing 90% of all service referrals. Lung cancer, breast cancer, colorectal cancer, and lymphoma cases are the primary cancer types driving future growth rates according to Sg2 (Sg2 Analysis, 2011). Breast cancer, lung cancer and colorectal cancer are the top three cancer sites at PMMC making this technology a critical component of patient care. However, while PET/CT is most commonly used by the cancer care team, this modality can also be used by cardiologists to detect heart problems (such as coronary artery disease and damage to the heart following a heart attack), and neurologists to diagnose brain disorders (including brain tumors, memory disorders, seizures) and other central nervous system disorders. This expanded use of PET/CT is critical as PMMC continues to see growth in both cardiac and neurology services. Additionally PET/CT is a useful tool for oncology related clinical research and will be used to increase clinical trial accrual at PMMC supporting statewide efforts to improve access to cancer research.



As a not-for-profit provider PMMC accepts all patients regardless of their inability to pay. The PET/CT will provide service to all patients who are covered by Medicaid/Quest, Medicare, private insurance, self-pay and uninsured. Specifically, all residents of the area, and in particular low income individuals, racial and ethnic minorities, women, persons with disabilities and other underserved groups, and the elderly will have access to this service. This project will also enhance accessibility to Leeward, Central and West O'ahu patients to receive PET/CT services by eliminating the need to travel into Honolulu for this service.

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**c) Quality of Service/Care**

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Pali Momi Medical Center (PMMC) is a part of the Hawai'i Pacific Health (HPH) integrated health care system. PMMC is a not-for-profit community based hospital committed to providing exceptional cancer care to Hawaii's families. What makes cancer care unique at PMMC and across HPH is our ability to leverage specialized clinical knowledge, cutting edge technology, a shared electronic medical record, and an integrated multidisciplinary approach to cancer care delivery to patients statewide. The cancer program at PMMC is accredited by the Commission on Cancer (CoC), a multidisciplinary program of the American College of Surgeons. Accreditation requires a program to continually evaluate its performance which reaffirms to the community the commitment of PMMC to provide high-quality cancer care. Applying for and maintaining CoC accreditation is a voluntary commitment by a cancer program that ensures its patients will have access to the full scope of services required to diagnose, treat, rehabilitate, and support patients with cancer and their families. As a CoC accredited program PMMC will improve the patient experience by initiating PET/CT services on-site rather than referring patients to town for care. Having access to service on-site will improve the ability of our patients to receive comprehensive, multidisciplinary services close to home.

**d) Cost and Finances (include revenue/cost projections for the first and third year of operation)**

The startup costs for the project is \$4,251,351 which will be entirely funded by cash reserves of PMMC parent organization, Hawai'i Pacific Health. A summary of the revenue/cost projections for the first and third year is provided below.

Year	Volume	Total Operating Expenses	Direct Margin
Year 1	360	\$951,104	(\$231,704)
Year 3	741	\$1,358,626	\$151,774

**e) Relationship to the Existing Health Care System**

Since there are no current PET/CT services in the Leeward, Central and West O'ahu area, the proposed project will create a positive impact for health care services for our patients and physicians in the community. This project will complement existing cancer services currently provided at PMMC for our patients.

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There may be an impact on existing PET/CT volume distribution amongst providers as existing Leeward, Central and West O'ahu patients choose to receive their PET/CT services at the proposed project. However, given anticipated growth in total demand for statewide services and specifically demand growth from PMMC patients in our service area, we estimate that the impact to existing providers will be minimized.

**f) Availability of Resources**

As an affiliate of Hawai'i Pacific Health, PMMC has the financial resources to secure all equipment and staffing resources required for this proposed project. As this service will be operated by PMMC Imaging Department and coordinated with existing oncology services, a significant investment to provide capital, administrative, and overhead costs to provide this service has already been undertaken. The implementation of this new service will not require hiring of additional staff and will be implemented through the utilization and re-allocation of existing staff.