



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: 15-09A Date of Receipt:
To be assigned by Agency

APPLICANT PROFILE

Project Title: Establishment of Ambulatory Surgery Center Limited to Ophthalmologic Procedures

Project Address: Kukuau Street (TMK: 3-2-4-25-49)
Hilo, Hawaii 96720

Applicant Facility/Organization: Hawaii Vision Surgical Suites, LLC

Name of CEO or equivalent: Dan Driscoll, M.D.

Title: Member

Address: 76 Kalaniana'ole Avenue, Hilo, Hawaii 96720

Phone Number: (808) 333-3233 Fax Number: (808) 315-7663

Contact Person for this Application: Dan Driscoll, M.D.

Title: Member

Address: 76 Kalaniana'ole Avenue, Hilo, Hawaii 96720

Phone Number: (808) 333-3233 Fax Number: (808) 315-7663

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.

Signature

Date

Dan Driscoll, M.D.
Name (please type or print)

Member
Title (please type or print)

**1. TYPE OF ORGANIZATION:** (Please check all applicable)

Public	_____
Private	_____ <u>X</u>
Non-profit	_____
For-profit	_____ <u>X</u>
Individual	_____
Corporation	_____
Partnership	_____
Limited Liability Corporation (LLC)	_____ <u>X</u>
Limited Liability Partnership (LLP)	_____
Other: _____	_____

**2. PROJECT LOCATION INFORMATION**

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

Statewide:	_____
O`ahu-wide:	_____
Honolulu:	_____
Windward O`ahu:	_____
West O`ahu:	_____
Maui County:	_____
Kaua`i County:	_____
Hawai`i County:	_____ <u>X</u>

**3. 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 1.*

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 – Hawaii County  
License – State of Hawaii, Department of Health  
Medicare Certification – State of Hawaii, Department of Health

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

*See Attachment 2.*

D. If you have filed a Certificate 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 3 (Articles of Organization).*
- By-Laws: Not Applicable.
- Partnership Agreements: Not Applicable.
- Tax Key Number (project's location) 3-2-4-25-49

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.

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

5. **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
<b>TOTAL</b>			

**6. PROJECT COSTS AND SOURCES OF FUNDS**

<b>A. List All Project Costs:</b>	<b>AMOUNT:</b>
1. Land Acquisition	_____
2. Construction Contract	<u>\$ 616,000</u>
3. Fixed Equipment	_____
4. Movable Equipment	<u>\$ 253,000</u>
5. Financing Costs	_____
6. Fair Market Value of assets acquired by lease, rent, donation, etc. (site lease)	<u>\$1,419,840</u>
7. Other: _____	_____
<b>TOTAL PROJECT COST:</b>	<b><u>\$2,288,840</u></b>

**B. Source of Funds**

1. Cash	_____
2. State Appropriations	_____
3. Other Grants	_____
4. Fund Drive	_____
5. Debt	<u>\$ 869,000</u>
6. Other: <u>Fair market value of lease payments to be paid over the term of the lease</u>	<u>\$1,419,840</u>
<b>TOTAL SOURCE OF FUNDS:</b>	<b><u>\$2,288,840</u></b>

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7. **CHANGE OF 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 reference the 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.

Implementation of ambulatory surgery services limited to ophthalmologic procedures in Hawaii County. Reference HAR § 11-186-5-3(C).

8. **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: May 22, 2015
- b) Dates by which other government approvals/permits will be applied for and received:  
  
Building permit applied for: September 2015  
Building permit received: December 2015
- c) Dates by which financing is assured for the project: January 26, 2015
- d) Date construction will commence: January 2016
- e) Length of construction period: 8 months
- f) Date of completion of the project: August 2016
- g) Date of commencement of operation: November 2016

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.

9. **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.

- a) Relationship to the State of Hawai'i Health Services and Facilities Plan
- b) Need and Accessibility
- c) Quality of Service/Care
- d) Cost and Finances (include revenue/cost projections for the first and third year of operation)
- e) Relationship to the existing health care system
- f) Availability of Resources

#### Executive Summary

Dr. Dan Driscoll owns and operates Hawaii Vision Specialists ("HVS"), a provider of eye care in Hilo, Hawaii. Dr. Driscoll now seeks to establish an ambulatory surgery center limited to ophthalmologic surgery (the "Proposed ASC") on Kukuau Street in Hilo, Hawaii.<sup>1</sup> A site map is included with this application as Attachment 4.

HVS will lease space in a newly constructed building that will be owned by Hawaii Vision Land, LLC, in which Dr. Driscoll is also a member. The Proposed ASC will consist of one procedure room and pre-operative and post-operative recovery areas.

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

The Proposed ASC will enter into the required collaborative arrangement with Hilo Medical Center ("HMC") and, in the event that one of its patients requires hospitalization, Dr. Driscoll will coordinate the patient's transfer to HMC. See Attachment 5. In addition, Dr. Driscoll will commit to support all training and recruitment of health care personnel for the benefit of Hawaii County and commit to enhance the EMS and trauma care systems of Hawaii County by using the ASC, when necessary, for cases such as natural disaster or pandemic.

The Proposed ASC will advance the Statewide Health Coordinating Council's ("SHCC") general principles of (i) striving for equitable access to health care services, (ii) ensuring that any proposed service will at least maintain overall access to quality care at a reasonable cost, (iii) expanding and retaining the health care workforce to enable access to the appropriate level of care in a timely manner, and (iv) promoting and supporting the long-term viability of the health care delivery system. Dr. Driscoll is committed to charging a reasonable facility fee to cash paying patients without health insurance and patients having cosmetic procedures. The facility fees will be comparable with fees charges by similar facilities in the service area. The affordable ophthalmologic facility fees will improve equitable access to health care services. The Proposed ASC will offer the services of an experienced cataract surgeon to Hawaii County residents. This will decrease health care costs by eliminating travel expenses for Hawaii County patients who may otherwise need to fly to Oahu to receive specialized ophthalmologic surgery. This will also ensure that the Proposed ASC will maintain overall access to quality care at a reasonable cost.

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<sup>1</sup> The site of the Proposed ASC is currently vacant land and has not yet been assigned a street address.

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The Proposed ASC will also advance the Hawaii County/Hawaii Subarea Planning Council's ("SAC") priorities of (i) increasing the number of and retention of the health care workforce and (ii) helping to remedy the facility shortage by increasing the number of and improving the access to and the quality of health care facilities. The Proposed ASC will increase the number of health care jobs on Hawaii County and, thus, promote the priority of recruiting and educating an optimal supply of health care workers who will meet the eye care demands of Hawaii County.

The Proposed ASC will improve access to health care facilities and promote greater efficiency of health care delivery. The Proposed ASC will allow Dr. Driscoll to perform a number of types of cataract procedures, which in turn will optimize the number of patients that Dr. Driscoll can serve in the community.

As discussed in greater detail in Section (b), below, the Proposed ASC's provision of procedures, not currently performed on Hawaii or performed on an extremely limited basis, will decrease health care costs by eliminating travel expenses of Hawaii County residents who would otherwise need to fly to Oahu for the same procedures. Thus, the Proposed ASC will create an innovative solution that is responsive to the community's needs of having specialized eye surgery procedures available on Hawaii County.

Finally, the Proposed ASC will enter into a collaborative arrangement with HMC that includes a commitment to enhance the emergency medical and trauma care system of Hawaii County by making the ASC available when needed to respond to natural disasters or pandemics.

#### b) Need and Accessibility

The Proposed ASC's service area includes all of Hawaii County. The site is located in central Hilo, is easily accessible and will feature ample parking, including reserved stalls for handicapped patients.

A significant number of procedures performed at the facility will involve surgical procedures to treat cataracts, glaucoma, diabetic retinopathy, and age-related macular degeneration. Typically, older adults are at greatest risk for developing these eye diseases. CDC, Health Across Lifespan, [http://www.cdc.gov/visionhealth/basic\\_information/lifespan.htm](http://www.cdc.gov/visionhealth/basic_information/lifespan.htm). Statistics compiled by the Centers for Disease Control in 1996 showed that, nationally, about 56 outpatient ophthalmologic surgery procedures per 1000 population age 45 and older were required. Multiplying that utilization rate by the number of Hawaii County residents age 45 and older shows that Hawaii County requires about 4840 outpatient ophthalmologic procedures annually to meet the needs of its over 45 population alone. Typically, between 1600 and 2000 outpatient procedures are performed in an ASC operating room annually. Accordingly, Hawaii County needs three outpatient procedure rooms dedicated to ophthalmologic surgery to meet current demand. There is one such dedicated facility in Hawaii County at this time. The Proposed ASC expects to provide about 2076 procedures during its first year of operation, thereby making a substantial contribution to satisfying the demand for such procedures in Hawaii County.

The shortage of outpatient ophthalmologic surgery capacity can be expected to worsen. In 2010, about 41% of the state of Hawaii's population was composed of adults aged 45 years and older. See <http://factfinder2.census.gov/faces/tables/services/jsf/pages/productview>.

[xhtml?src=CF](#). The Hawaii Department of Business, Economic Development and Tourism predicts that about 45% of Hawaii's population will be aged 45 or older by 2025. The State of Hawaii Data Book 2010, Table 1.28. Moreover, Hawaii County's total population is expected to grow by about 37% from 2010 to 2025. The State of Hawaii Data Book 2010, Table 1.27. Accordingly, the demand for ophthalmologic procedures on Hawaii is expected to increase as its population grows and ages.

The Proposed ASC will perform the procedures set forth on Attachment 6.

The Proposed ASC will be accessible to all the residents of Hawaii County, including low income persons, racial and ethnic minorities, people with disabilities, the elderly, and the medically underserved. The Proposed ASC will provide services to patients covered by Medicare and Medicaid, and will provide charity care to individuals with significant need and limited financial resources who do not have health insurance.

c) Quality of Service/Care

The Proposed ASC will comply with State and Federal regulations for delivery of care, maintenance of equipment, and maintenance of the clinical environment. It will seek accreditation from the Accreditation Association of Ambulatory Health Care, be licensed by the Department of Health, and be certified by Medicare. The facility will implement a Quality Assessment and Performance Improvement program that will comply with the requirements of the Medicare conditions of participation for ASCs, provide patient care through well-defined processes for caregivers, and conduct ongoing quality review.

Dr. Driscoll is licensed by the Department of Health and board certified by the American Board of Ophthalmology. The Proposed ASC will have a collaborative agreement with HMC, in the event of a medical emergency that requires a higher level of care than can be provided by the Proposed ASC. In addition, a registered nurse ("RN") will be available at all times the ASC is open to provide emergency treatment.

Dr. Driscoll will be assisted by RNs, certified ophthalmologic assistants and technicians. Staff competency will be maintained by regular-in-service education.

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

As documented on page 4 of 10 of this Application form, the Proposed ASC will have an estimated total cost of \$2,288,840, which includes \$616,000 for interior build out, \$253,000 for equipment and \$1,419,840 for the leased site, which will be paid via monthly rent over the ten-year term of the lease. Additional funds for the project will come from a commercial loan from Central Pacific Bank. Attachment 7 is a non-binding letter of intent from Central Pacific Bank to make a loan in the amount of \$1,000,000. Loan proceeds in excess of amounts needed to pay for construction and equipment will provide working capital.

Revenue and cost projections for the Proposed ASC's first and third years of operation are summarized in the table below:



	Projected 1st Full Year Operations	Projected 3rd Full Year Operations
<b>Total Operating Revenue</b>	\$1,535,439	\$1,678,182
<b>Operating Expenses</b>		
Medical Supplies	\$336,485	\$356,977
Salaries and Benefits	\$230,160	\$244,177
Other Expenses	\$185,800	\$197,115
Interest Expense	\$45,419	\$42,381
Depreciation	\$75,076	\$75,076
Total Expenses	\$872,940	\$915,726
<b>Net Income Before Taxes</b>	\$662,499	\$762,456
<b>Add Back:</b> Depreciation less Principal Payments	\$42,755	\$39,717
<b>Cash Available For Distribution Before Taxes</b>	\$705,254	\$802,173

e) Relationship to the existing health care system

The Proposed ASC will have a significant positive impact on the health care system in Hawaii County by providing access to specialized ophthalmologic surgical procedures within Hawaii County. Currently, retinal surgical procedures and certain anterior segment surgical procedures are not performed in Hawaii County because existing facilities lack the equipment necessary for these procedures. Hawaii County residents have to fly to Oahu to receive those ophthalmologic surgeries. As described in Section (b), above, the Proposed ASC will enable Hawaii County residents to access a wide array of specialized ophthalmologic surgical procedures that are not currently available within Hawaii County.

f) Availability of Resources

The Proposed ASC will employ 0.8 FTE RN, 1.0 FTE ASC Supervisor, 0.8 FTE Scrub Technician, 0.4 FTE receptionist, and 0.4 FTE office personnel. Dr. Driscoll is confident that qualified personnel can be acquired through inquiries and interviews with persons in the community with requisite training and experience.

There are minimal financial obstacles to the Proposed ASC. The cost of the site will be paid for via monthly lease payments. Funding for interior construction and equipment costs will be obtained from a commercial loan from Central Pacific Bank.

**10. Eligibility to file for Administrative Review.** This project is eligible to file for Administrative review because: (Check all applicable)

- It involves bed changes, which will have a capital expense of \$1,000,000 or less, and which will have an increased annual operating expense of less than \$500,000.
- It involves service changes which will have a capital expense of \$1,000,000 or less, and which will have an increased annual operating expense of less than \$500,000.
- It is an acquisition of a health care facility or service, which will result in lower annual operating expenses for that facility, or service.
- It is a change of ownership, where the change is from one entity to another substantially related entity.
- It is an additional location of an existing service or facility.
- The applicant believes it will not have a significant impact on the health care system.