



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

RECEIVED

'17 OCT 20 AIO :00

ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: #17-08A Date of Receipt: _____
To be assigned by Agency

APPLICANT PROFILE

Project Title: Expansion of CT and MRI Services

Project Address: 2828 Pa'a Street, Honolulu, HI 97819

Applicant Facility/Organization: Kaiser Foundation Health Plan, Inc.

Name of CEO or equivalent: Mary Ann Barnes

Title: Regional President, Kaiser Foundation Health Plan, Inc. - Hawaii Region

Address: 2828 Pa'a Street, Honolulu, HI 96819

Phone Number: (808) 432-5850 Fax Number: _____

Contact Person for this Application: Jamie Cameros

Title: Senior Planning Analyst

Address: 1292 Waianuenu Avenue, Hilo, 96720

Phone Number: (808) 780-5468 Fax Number: _____

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

Mary Ann Barnes
Name (please type or print)

Regional President, Hawaii Region
Title (please type or print)

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

- Public _____
Private X 17 OCT 20 110 :00
Non-profit X
For-profit _____
Individual _____
Corporation X
Partnership _____
Limited Liability Corporation (LLC) _____
Limited Liability Partnership (LLP) _____
Other: _____

2. **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: _____
Maui County: _____
Kaua`i County: _____
Hawai`i County: _____

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

- A. Site Control documentation (e.g. lease/purchase agreement, DROA agreement, letter of intent) **N/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 Permits – County of Honolulu
Fire Marshall’s Approval – County of Honolulu, Fire Prevention Bureau
Diagnostic Imaging Certification – State of Hawaii, Department of Health and American College of Radiology
- C. Your governing body: list by names, titles and address/phone numbers
See Attachment A
- 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 **Attachment B**
 - By-Laws **Attachment C**
 - Partnership Agreements **N/A**
 - Tax Key Number (project’s location) **1-1-007-039-0000**

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.

17 OCT 20 AIO :01

	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.

N/A

Type of Bed	Current Bed Total	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
TOTAL			

RECEIVED

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

A. List All Project Costs:		AMOUNT:
1.	Land Acquisition	_____
2.	Construction Contract	\$ 4,171,644
3.	Fixed Equipment	_____
4.	Movable Equipment	\$ 317,336
5.	Financing Costs	_____
6.	Fair Market Value of assets acquired by lease, rent, donation, etc.	_____
7.	Other: <u>Imaging Equipment</u>	\$ 4,021,995
TOTAL PROJECT COST:		\$8,510,975

B. Source of Funds

1.	Cash	\$ 8,510,975
2.	State Appropriations	_____
3.	Other Grants	_____
4.	Fund Drive	_____
5.	Debt	_____
6.	Other: _____	_____
TOTAL SOURCE OF FUNDS:		\$8,510,975

RECEIVED

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.

No change of service is being requested. The Applicant is respectfully requesting approval for an additional CT and MRI unit to be located at Kaiser Permanente's Mapunapuna Medical Office on the island of Oahu.

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; **N/A**
- b) Dates by which other government approvals/permits will be applied for and received; **November 2017 and February 2018**
- c) Dates by which financing is assured for the project; **N/A**
- d) Date construction will commence; **March 2018**
- e) Length of construction period; **8 months**
- f) Date of completion of the project; **November 2018**
- g) Date of commencement of operation; **November 2018**

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.

See pages 7-11

- 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.

RECEIVED

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.

Executive Summary

Kaiser Foundation Health Plan, Inc. (herein referred to as "Kaiser Permanente") requests approval from the State Health Planning and Development Agency to purchase and install a new 64-slice computerized tomography (CT) scanner and a 1.5T magnetic resonance imaging (MRI) system at its Mapunapuna Medical Office at 2828 Pa'a Street, Honolulu on the island of Oahu for a project cost of \$8.5 million.

Kaiser Permanente currently has two CT and two MRI systems at its Moanalua Medical Center on the island of Oahu to support inpatient, emergency department, and outpatient imaging needs. The demand for Oahu CT and MRI imaging has exceeded equipment capacity leading to delays in care. The average wait time for all outpatient appointments during Q1 2017 was 12 days for CT and 22 days for MRI while access with local competitors is a week or less. Inpatients are also impacted during peak hours and delays greater than two hours are routine. This proposed project will create the necessary capacity to address access challenges and eliminate excessive wait time for patients, thus enhancing the patient care experience. Outpatient volume from Moanalua Medical Center will be decanted to Mapunapuna Medical Office. This will decrease wait time for emergency department (ED) and inpatients, therefore improving the efficiency of hospital operations.

a) Relationship to the State of Hawai'i Health Services and Facilities Plan (HSFP).

The project, as described in this application, relates well to the priorities of the Statewide Health Coordinating Council (SHCC), the West Oahu SAC and meets the capacity thresholds as further discussed below:

- ✓ Promote and support the long-term viability of the health care delivery system (SHCC),
- ✓ Ensure that any proposed service will at least maintain overall access to quality health care at a reasonable cost (SHCC).
- ✓ Improve and Increase Access (West Oahu SAC).
 - Quality and access are top priorities to ensure the sustainability of the health care delivery system. Kaiser Permanente has been providing quality CT and MRI services for its members and patients with its systems on Oahu and Maui. Establishing an additional CT and MRI system in an outpatient setting will enhance access for members and patients and allow Kaiser Permanent to accommodate the increasing demand for these services without being forced to send volumes outside at a higher cost.
- ✓ Encourage and support health education, promotion, and prevention initiatives (SHCC),
 - Kaiser Permanente began implementation of its Panel Support Tool ("PST") in 2006. PST extracts information from the electronic health record to help physicians manage their panels and ensure patient-centered care is delivered to all members, whether they come in for

care or not. This tool enables physicians to easily identify patients who have one or more care gaps (recommended screening, lab, or drug therapies to be administered based on a patient's condition and age). Because PST provides better care management, consistent use of this tool yields significant quality results:

- Avoid expensive acute care episodes.
 - Eliminate costly waste.
 - More optimal use of physician and staff time.
 - Increase member, physician and staff retention.
 - Reduce reliance on face-to-face clinic visits by providing effective alternatives.
 - Delivery of better overall quality care.
- ✓ Meet the capacity (utilization) thresholds for expansion of existing services to determine need.
- Current utilization for CT units are well in excess of the capacity threshold of 8,500 procedures per year.
 - Current utilization for MRI units are well in excess of the capacity threshold of 3,200 procedures per year.

b) Need and Accessibility

Kaiser Permanente currently has two CT and two MRI systems at its Moanalua Medical Center supporting inpatient, emergency department, and outpatient imaging needs. The Oahu CT demand forecast below shows a current need of 2.7 CT units using the capacity threshold of 8,500 exams per unit for expansion of existing services. The Oahu MRI demand forecast shows a current need of 3.9 MRI units using the capacity threshold of 3,200 exams per unit for expansion of existing services.

RECEIVED

	--ACTUAL		FORECAST--							
OAHU CT CAPACITY	2014	2015	2016	2017	2018	2019	2020	2021	2022	
OAHU CT VOLUMES	18,883	21,221	22,857	23,242	23,558	25,796	24,282	24,753	25,231	
CAPACITY THRESHOLD	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	8,500	
CT UNIT DEMAND	2.2	2.5	2.7	2.7	2.8	3.0	2.9	2.9	3.0	
CT UNIT SUPPLY	2	2	2	2	2	2	2	2	2	
SURPLUS/(DEFICIT)	(0.2)	(0.5)	(0.7)	(0.7)	(0.8)	(1.0)	(0.9)	(0.9)	(1.0)	

& DEPT. AGENCY

	--ACTUAL		FORECAST--							
OAHU MRI CAPACITY	2014	2015	2016	2017	2018	2019	2020	2021	2022	
OAHU MRI VOLUMES	10,486	11,541	12,155	12,360	12,528	13,890	12,889	13,139	13,393	
CAPACITY THRESHOLD	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	3,200	
MRI UNIT DEMAND	3.3	3.6	3.8	3.9	3.9	4.3	4.0	4.1	4.2	
MRI UNIT SUPPLY	2	2	2	2	2	2	2	2	2	
SURPLUS/(DEFICIT)	(1.3)	(1.6)	(1.8)	(1.9)	(1.9)	(2.3)	(2.0)	(2.1)	(2.2)	

Increased volume in 2019 to accommodate waitlist

Meeting the forecasted demand for services is not sustainable with the current number of CT and MRI units. Operational challenges and patient access currently experienced will only get worse without this proposed project.

In order to address these barriers to care, Kaiser Permanente proposes to purchase and install a new 64-slice computerized tomography (CT) scanner and a 1.5T magnetic resonance imaging (MRI) system at its Mapunapuna Medical Office, approximately 2.5 miles away from the Moanalua Medical Center.

The proposed project will allow Kaiser Permanente to increase accessibility to quality health care services for all its patients. This includes patients with disabilities, low income patients and families, racial and ethnic minorities, women, and the elderly.

The capacity increase would be directly proportional to an increase in quality care and decreased cost, since more patients would have access to the consistently high level of services that they expect. Under the Kaiser Permanente plan, financial barriers to health services are minimized for all members, who prepay for their medical care through monthly Health Plan dues. They may pay co-payments for some services and medical supplies. Since benefits are largely prepaid by monthly membership dues, Kaiser Permanente provides all needed services within a "fixed" budget, which serves as an incentive to maintain the utmost quality of care to keep patients healthy while containing costs. High quality care and effective cost control make it possible to minimize future dues increases and expand services and benefits

Kaiser Permanente reduces cultural barriers to care through the availability of bilingual personnel at its facilities and the development of home care plans which account for and respect the variety of cultural backgrounds and beliefs of members. For non-English speaking patients, arrangements for translation are made upon request whenever possible. This arrangement also applies to interpretation for vision-and hearing-impaired patients.

c) Quality of Service/Care

Providing high quality, cost-effective health care is the guiding principle at Kaiser Permanente. Kaiser Permanente is proactive and diligent in the pursuit, maintenance, and improvement of quality care and service. Quality Assurance programs, Disease Management programs, and accreditation by The Joint Commission and the National Committee for Quality Assurance ensure that high quality, cost effective care is provided in accordance with approved guidelines for all regulatory and accrediting agencies.

Kaiser Permanente's pursuit of uncompromising quality goals not only ensures the appropriate structure and process of care are in place, but improves outcomes on an ongoing, continuous basis both for patients and the entire community.

Kaiser Permanente will ensure compliance with required licensure and certification requirements (listed in 3B) including a Certificate of Need from the State Health Planning and Development Agency for the additional imaging systems. Both CT and MRI are also required to be accredited by the American College of Radiology (ACR) when placed in an outpatient setting. Kaiser Permanente will initiate steps to acquire accreditation with the ACR immediately after installation of the new systems. Also, as required in the past, individual staff members will maintain current, unencumbered licenses according to State of Hawaii law.

The key benefits for this proposed project are as follows:

- Decrease wait times for outpatient imaging to be competitive with the local market.
- Decant outpatient volume from the hospital, which allows CT and MRI to respond to STAT and ASAP orders faster thus increasing the overall efficiency of the hospital.
- Improve both quality of care and care experience for members by:
 - Reducing time interval from exam order to exam result
 - Reducing delays on the day of outpatient appointment due to high demand from ED
- Decompressing parking at the hospital

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

Kaiser Permanente has determined that this proposed project will require a capital investment of \$8,510,975. In order to ensure the most efficient use of funds, Kaiser Permanente Hawaii is financing this project through its national program. Kaiser Permanente regions pool their cash and capital needs, allowing certain regions to leverage the cash position of the program to fund capital projects. This project has already been approved by Kaiser Permanente's leadership and funding has been allocated for it.

While capital investment in this project will initially result in higher fixed costs, over time this will be mitigated through operational efficiency and the capacity to serve a greater number of members in the future. The ability to manage the cost will support Kaiser Permanente's efforts to manage premium increases and help keep the health plan affordable for the increasing number of Hawaii residents that select Kaiser Permanente as their healthcare provider.

Since operating revenues are derived primarily from Health Plan dues which are not categorized by the various components of services or by the location of those services, imaging services' direct revenue and cost projections are not available.

e) Relationship to the Existing Health Care System

The proposed project will allow Kaiser Permanente to continue to provide CT and MRI services to its members and patients. As Kaiser Permanente already provides CT and MRI services to its members and patients, there will be no change to the relationship to the existing health care system of the area.

Kaiser Permanente has carefully evaluated multiple options to expand capacity or redirect demand. However due to significantly higher cost, unmet space requirements, and a delay in project schedule, these alternatives were not pursued. After exhaustive evaluation of alternatives, Kaiser Permanente concluded that the most operationally and financially feasible option was to purchase and install additional CT and MRI systems at its outpatient Mapunapuna Medical Office facility.

f) Availability of Resources

Resources, including funds for capital and operating needs, have been budgeted and are available. Kaiser Permanente is financing this project through its national program pooled capital funds. From a personnel perspective, Kaiser Permanente will staff both CT and MRI with two licensed technologists in each modality. Hiring the technologists will not be a concern as internal applicants have already expressed interests and Kaiser Permanente has not experienced any hiring challenges in this area. Kaiser Permanente already has an existing pool of technologists on Oahu that will assist with backfilling vacations, sick time or any other needs to ensure operations are not impacted.