



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: # 17-10A Date of Receipt: _____
To be assigned by Agency

APPLICANT PROFILE

Project Title: Establishment of Ambulatory Surgery Center Specializing in Pain Management

Project Address: 2226 Liliha Street, Suite 402
Honolulu, HI 96817

Applicant Facility/Organization: Surgic Alliance LLC

Name of CEO or equivalent: Jerald Garcia, M.D.

Title: Member

Address: 1401 S. Beretania Street, Suite 400, Honolulu, HI 96814

Phone Number: (612) 226-0242 Fax Number: (808) 888-8778

Contact Person for this Application: J. George Hetherington, Esq.

Title: Attorney

Address: 700 Bishop Street, 15th Floor, Honolulu, HI 96813

Phone Number: (808) 523-6000 Fax Number: (808) 523-6001

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 10/26/2017

Jerald Garcia, M.D.
Name (please type or print)

Member
Title (please type or print)

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

- Public _____
- Private X
- Non-profit _____
- For-profit X
- Individual _____
- Corporation _____
- Partnership _____
- Limited Liability Corporation (LLC) X
- 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: X
- 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)

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 – Honolulu 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

Jerald Garcia, M.D., Member
1401 S. Beretania Street, Suite 400
Honolulu, HI 96814
(612) 226-0242

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 Organization: See Attachment 2 (Articles of Organization, Statement of Change of Registered Agent by Entity, and Statement of Dissociation)

- By-Laws: Not Applicable.
- Partnership Agreements: Not Applicable.
- Tax Key Number (project's location): 1-8-018-025

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
TOTAL			

6. PROJECT COSTS AND SOURCES OF FUNDS

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A. List All Project Costs:

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AMOUNT:

1.	Land Acquisition	_____
2.	Construction Contract	<u>\$915,000</u>
3.	Fixed Equipment	_____
4.	Movable Equipment	<u>\$709,000</u>
5.	Financing Costs	_____
6.	Fair Market Value of assets acquired by lease, rent, donation, etc. (site lease)	<u>\$1,342,500</u>
7.	Other: <u>soft costs</u>	<u>\$195,000</u>

TOTAL PROJECT COST: \$3,161,500

B. Source of Funds

1.	Cash	<u>\$350,000</u>
2.	State Appropriations	_____
3.	Other Grants	_____
4.	Fund Drive	_____
5.	Debt	<u>\$1,469,000</u>
6.	Other: <u>Fair market value of leased space to be paid by monthly rent</u>	<u>\$1,342,500</u>

TOTAL SOURCE OF FUNDS: \$3,161,500

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11-186-5-23
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.

State of Hawaii
& D.V. & Gen. Inv.

Implementation of ambulatory surgery services specializing in pain management procedures in Honolulu, Hawaii. 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:
 - June 14, 2017
 - b) Dates by which other government approvals/permits will be applied for and received:
 - Within 90 days after approval of CON
 - c) Dates by which financing is assured for the project:
 - Within 60 days after approval of CON
 - d) Date construction will commence:
 - April 7, 2018
 - e) Length of construction period:
 - 7 months
 - f) Date of completion of the project:
 - November 10, 2018
 - g) Date of commencement of operation:
 - December 14, 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.

- 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.

The sole member of SurgicAlliance LLC (the "Applicant"), Dr. Jerald Garcia, is an interventional pain management physician who is double board certified in Pain Management and Anesthesiology. Dr. Garcia specializes in performing pain management procedures using minimally invasive surgical techniques, many of which can be performed on an outpatient basis. Dr. Garcia currently provides professional services in an office-based setting, but desires to transition his practice to an ambulatory surgery center ("ASC") model with the goal of enhancing patient safety, increasing operational capabilities, and realizing cost savings when procedures that would otherwise be performed in a hospital setting are involved.

Accordingly, the Applicant seeks to establish an ASC at 2226 Liliha Street, Suite 402, in Honolulu, Hawaii, that focuses solely on pain management procedures (the "Proposed Center"). Site maps illustrating the floor plans of the Fourth Floor and the Proposed Center are included with this application as Attachment 3. The Proposed Center will consist of one operating room, one procedure suite, and pre-operative and post-operative recovery areas.

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

Statewide Health Coordinating Council Priorities

As described below, the Proposed Center will advance several Statewide Health Coordinating Council priorities. It will promote equitable access to health care services by charging a reasonable facility fee to cash paying patients without health insurance and maintaining reasonable fees to support the long-term viability of the health care delivery system. It will also ensure that any proposed service will at least maintain overall access to quality care at a reasonable cost by keeping facility fees comparable to similar facilities in the service area. By employing qualified staff and conducting training for the benefit of patients, the Proposed Center will assist in expanding and retaining the health care workforce to enable access to the appropriate level of care in a timely manner. Finally, increasing the variety and availability of services offered by experienced pain management physicians at the Proposed Center will help to maintain overall access to quality care at a reasonable cost and support the long-term viability of the health care delivery system.

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Honolulu Subarea Planning Council Priorities

The Proposed Center will also advance the Honolulu Subarea Planning Council's priorities of controlling escalating costs in the senior care industry and other needed services by reducing the need to use hospitals for procedures that can be done in a lower cost, ASC setting.

Overall, the Proposed Center will improve access to health care facilities in Hawaii and promote greater efficiency of health care delivery. The Proposed Center will allow Dr. Garcia and other qualified physicians to perform a wider variety of pain management procedures, which in turn will optimize the number and types of patients that can be served in the community.

The Collaborative Arrangement Requirement

The HSFP provides capacity (utilization) thresholds for certain standard categories of health care services, which are intended to guide the initial determination of need for a service area. In accordance with such thresholds, freestanding ASCs are expected to enter into a collaborative arrangement with an existing acute care hospital in the county. To satisfy this component, the Proposed Center will enter into the required collaborative arrangement with Pali Momi Medical Center, which will (1) include a transfer agreement, (2) commit to support all training and recruitment of health care personnel for the benefit of the area, and (3) commit to enhance the EMS and trauma care systems of the area by using the Proposed Center, when necessary, such as in cases of natural disaster or pandemic. See Attachment 4.

As explained herein, the Applicant's goal is to enhance patient safety and realize cost savings by performing procedures that would otherwise be performed in a hospital setting. Performing technologically-advanced, minimally invasive pain management procedures incorporates best clinical practices, achieves cost-effectiveness by transitioning traditional inpatient services to outpatient modalities, and will provide overall improved health care services to the surrounding community in the area of pain management, where safe and effective interventional treatments are extremely vital.

b) Need and Accessibility

The Proposed Center's service area includes all of Oahu, with a focus on the City and County of Honolulu. The site, located in Honolulu, is easily accessible and will feature ample parking, including reserved stalls for handicapped patients.

It is difficult to identify the extent, significance, and prevalence of pain among a population because of the way in which pain is typically treated (as a symptom) and the varied data collection methods utilized. Notwithstanding, pain can be debilitating and often takes a toll both physically and emotionally. Whether pain can be traced to a specific source or the cause is unknown, pain management consultations and procedures often offer the best chance for relief.

The Proposed Center will perform the procedures set forth on Attachment 5. A significant number of the same day surgeries and noninvasive procedures offered at the Proposed Center will treat pain symptoms caused by the following conditions:

- Low Back Pain and Other Spine-Mediated Syndromes
- Failed Back Surgery/Post-Laminectomy Syndrome
- Vertebral Body Fractures
- Spinal Stenosis
- Sciatica/Sciatic pain
- Hip Pain
- Sacroiliac Joint Pain
- Coccydynia/Coccygodynia
- Knee Pain
- Leg Pain
- Foot Pain
- Neck pain
- Whiplash Pain
- Shoulder pain
- Arm pain
- Headaches/Migraine
- Occipital Neuralgia
- Neuropathic Pain Syndromes
- Complex Regional Pain Syndrome (formerly known as Reflex Sympathetic Dystrophy and Causalgia)
- Diabetic Peripheral Neuropathy
- Herpes Zoster
- Radiculopathy
- Postsurgical Pain
- Phantom Limb Pain
- Postherpetic Neuralgia
- Cancer pain
- Arthritis Pain
- Bursitis
- Facial Pain
- Rib/Chest Pain
- Intercostal Neuralgia
- Myofascial pain/ Fibromyalgia
- Musculoskeletal Pain
- Sports Injuries
- Chronic Pelvic and Abdominal Pain
- Work-Related Injuries

The Department of Health and Human Services' National Institutes of Health ("NIH"), identifies pain as the most common reason Americans access the health care system, making it a leading cause of disability and a major contributor to health care costs. Pain is estimated to affect more Americans than diabetes, heart disease, and cancer *combined*. According to the NIH, one in every four Americans have suffered from pain that lasts more than 24 hours, and millions more suffer from acute pain. Based on this statistic, as many as 248,151¹ people in Honolulu County may have suffered from pain lasting more than 24 hours. While not every individual would require or seek treatment for their pain, it is reasonable to assume that at least

¹ The US Census estimates the population for Honolulu County to be 992,605 as of July 1, 2016.

a small percentage would. Even just 5% of Honolulu residents seeking treatment for pain symptoms would amount to over 12,000 people. An ASC's operating room can normally accommodate between 1,600 and 2,100 procedures annually. Accordingly, based on a conservative 5% treatment rate estimate, Hawaii needs, at a minimum, 6 outpatient procedure rooms dedicated to pain management procedures to meet current demand. Currently, only a few licensed ASCs offer pain management procedures on Oahu, and none specialize exclusively in pain management. The Proposed Center expects to provide approximately 2,165 procedures during its first year of operation, thereby making a substantial contribution to satisfying the demand for pain management procedures in Honolulu.

The shortage of outpatient pain management surgery capacity can be expected to worsen. The official publication of the American Society of Interventional Pain Physicians, the *Pain Physician*, has noted a 156% increase, from 2000 to 2013, in the utilization of interventional pain management services per 100 fee-for-service Medicare beneficiaries. This amounts to an annual average utilization increase of 7.5% for interventional pain management services, which is not expected to slow. At the same time, the state's Department of Business, Economic Development and Tourism projects continued and steady growth for Honolulu County's population. Combined, these phenomena will undoubtedly result in an increased demand for pain management procedures on Oahu in the years to come.

The Proposed Center will be accessible for all the residents of the state, including low income persons, racial and ethnic minorities, people with disabilities, the elderly, and the medically underserved. The Proposed Center 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 Center 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. Garcia is licensed by the Department of Health and board certified in both Pain Management and Anesthesiology by the American Board of Anesthesiology, dual qualifications held by less than 30% of pain physicians.

The Proposed Center will have a collaborative arrangement with Pali Momi Medical Center, in the event of a medical emergency that requires a higher level of care than can be provided by the Proposed Center. In addition, a Registered Nurse ("RN") will be available at all times the Proposed Center is open to provide emergency treatment.

Dr. Garcia and any other physician performing procedures at the Proposed Center will be assisted by RNs, certified 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).

	Projected 1st Full Year Operations	Projected 3rd Full Year Operations
Total Operating Revenue	\$2,463,770	\$2,692,816
Operating Expenses		
Medical Supplies	\$783,730	\$831,459
Depreciation	\$177,038	\$177,038
Employee Benefits	\$63,920	\$67,813
Insurance	\$14,000	\$14,853
Interest	\$80,680	\$75,284
Legal and Accounting	\$5,500	\$5,835
Medical Director Fee	\$0	\$0
Office Supplies	\$8,000	\$8,487
Other Expenses	\$78,000	\$82,750
Rent	\$96,000	\$101,846
Repairs and Maintenance	\$5,500	\$5,835
Salaries	\$319,600	\$339,064
Telephone	\$5,000	\$5,305
Utilities	\$12,500	\$13,261
Total Expenses	\$1,649,469	\$1,728,830
Net Income from Operations	\$814,301	\$963,986
Add Back: Depreciation less Principal Payments	\$119,624	\$114,227
Cash Available for Distribution Before Taxes	\$933,925	\$1,078,214

e) Relationship to the existing health care system.

The Proposed Center will have a significant positive impact on the health care system in Honolulu by improving access to certain pain management procedures for residents. Currently, no other ASCs are dedicated solely to pain management procedures on Oahu. Based on the capabilities of a single facility and the population projections, this does not meet the current need, let alone the increasing needs expected in the coming years. As described in Section (b), above, the Proposed Center will also provide access to a wider array of specialized procedures that are difficult or not feasible for Dr. Garcia to perform in his current office setting.

f) Availability of Resources.

The Proposed Center will employ 5 individuals. The Applicant is confident that qualified personnel can be acquired through inquiries and interviews with persons in the community with requisite training and experience, if necessary. However, the Applicant expects to fill the majority of its positions through the staff currently employed by Dr. Garcia's medical practice.

There are minimal financial obstacles to the Proposed Center. 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 Bank of America.

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.