



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: # 18-06A
To be assigned by Agency

Date: 5/18/2018
STATE HEALTH PLANNING & DEV. AGENCY

APPLICANT PROFILE

Project Title: Addition of Pain Management Procedures

Project Address: 1401 S. Beretania Street, Suite 520, Honolulu, HI 96814

Applicant Facility/Organization: Surgery Center of the Pacific, LLC

Name of CEO or equivalent: Hugo Higa, M.D.

Title: Member

Address: 1441 Kapiolani Boulevard, Suite 1313, Honolulu, HI 96814

Phone Number: (808) 947-2020 Fax Number: (808) 947-2088

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 [Handwritten Signature]

Date: 4/6/2018

Name (please type or print): Hugo Higa, M.D.

Title (please type or print): Member

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.)

N/A

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): (1) 2-4-5-26 (portion of)

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

A. List All Project Costs:

AMOUNT:

- | | | |
|----|---|------------------|
| 1. | Land Acquisition | _____ |
| 2. | Construction Contract | _____ |
| 3. | Fixed Equipment | _____ |
| 4. | Movable Equipment | <u>\$100,000</u> |
| 5. | Financing Costs | _____ |
| 6. | Fair Market Value of assets acquired by lease, rent, donation, etc. | _____ |
| 7. | Other: _____ | _____ |

TOTAL PROJECT COST: \$ 100,000

B. Source of Funds

- | | | |
|----|----------------------|------------------|
| 1. | Cash | <u>\$100,000</u> |
| 2. | State Appropriations | _____ |
| 3. | Other Grants | _____ |
| 4. | Fund Drive | _____ |
| 5. | Debt | _____ |
| 6. | Other: | _____ |

TOTAL SOURCE OF FUNDS: \$ 100,000

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.

Addition of ambulatory surgery services - pain management procedures in Honolulu. 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: Leasehold premises is currently occupied. See Attachment 1.
- b) Dates by which other government approvals/permits will be applied for and received:
 - Building permit received: N/A
 - Renovation permit received: N/A
- c) Dates by which financing is assured for the project: Upon approval of CON
- d) Date construction will commence: N/A
- e) Length of construction period: N/A
- f) Date of completion of the project: N/A
- g) Date of commencement of operation: Upon approval of CON

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.

Surgery Center of the Pacific, LLC, a limited liability company owned and operated by Hugo Higa, M.D., operates an ambulatory surgery center (the "ASC") in the Hale Pawa`a Professional Services Building, located at 1401 S. Beretania Street in Honolulu, HI. The ASC originally filed a CON application (CON Application #12-19A) and received approval from SHPDA on September 17, 2012. The ASC's current services are limited to ophthalmologic and oculoplastic surgery performed by Dr. Higa. The ASC now seeks to expand the ambulatory surgery services provided at the ASC to include pain management procedures (the "Proposed Services") performed by Jerald Garcia, M.D., an interventional pain management physician who is double board certified in Pain Management and Anesthesiology.

Dr. Garcia currently owns SurgicAlliance, LLC, which previously obtained a certificate of need for an ASC to provide pain management services (CON Application #17-10A; Approved by SHPDA on December 20, 2017). Subsequent to obtaining SHPDA approval for that project, the present opportunity materialized for Dr. Garcia to provide his pain management services at the ASC given that Dr. Higa has additional capacity that can accommodate Dr. Garcia's services. This opportunity will allow Dr. Garcia to provide his services with increased economic efficiency and with decreased impact on the health care system. The ASC currently consists of one sterile operating room and one pre-operative/recovery area. This configuration will remain the same upon the addition of the Proposed Services, with the physicians scheduling alternating use of the operating room. Such combined use of the facility will allow for more economic utilization of the facility's existing capacity. In addition, the underlying justifications for the pain management services described in SurgicAlliance's approved CON Application #17-10A remain applicable to the Proposed Services here. Dr. Higa is presently the sole member of the ASC. As part of the addition of the Proposed Services, it is expected that Dr. Garcia would purchase an interest in the ASC and become a member.

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

Statewide Health Coordinating Council Priorities

The Proposed Services will advance several Statewide Health Coordinating Council priorities. The Proposed Services 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. In addition, the ASC will ensure that the Proposed Services 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. In offering the Proposed Services, the ASC will assist in expanding and retaining the health care workforce to enable access to the appropriate level of care in a timely manner by employing qualified staff and conducting training for the benefit of patients. Finally, increasing the variety and availability of services offered by an 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.

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 Services 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 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.

Collaborative Arrangement

The ASC has the required collaborative agreement with Wahiawa General Hospital and, in the event that one of its patients requires hospitalization, the ASC's personnel will coordinate the patient's transfer to Wahiawa General Hospital. A copy of the collaborative agreement is included as Attachment 4.

b) Need and Accessibility

The Proposed ASC'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. The same day surgeries and noninvasive procedures offered at the Proposed ASC will treat neuropathic pain and a range of neurological disorders.

It is difficult to identify the extent, significance, and prevalence of pain because of the way in which pain is typically treated (as a symptom) and the varied data collection methods utilized. To further complicate the analysis, current data on the incidence, prevalence, and consequences of pain are not consistent or complete. Cultural differences impacting pain expression and interpretation likely also play a factor in skewing statistics.

It is universally recognized that pain contributes to, among other things, morbidity, mortality, and disability. It also places significant demands on the health care system, both physically and economically. The services offered at the Proposed ASC would address these issues through pain management procedures aimed at improving comfort and quality of life for Maui residents, which will in turn relieve some of the burdens currently shouldered by less appropriate providers in the health care system.

The Proposed Services will consist of 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 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. The ASC expects to provide approximately 2,165 of procedures involving the Proposed Services during its first year of

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

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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 ASC is and 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 ASC will provide the Proposed 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 ASC will comply with State and Federal regulations for delivery of care, maintenance of equipment, and maintenance of the clinical environment. It will maintain accreditation from the Accreditation Association of Ambulatory Health Care, its license from the Department of Health, and its Medicare certification. The ASC continue to 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.

The physicians are both licensed by the Department of Commerce and Consumer Affairs. In addition, Dr. Higa is board certified by the American Board of Ophthalmology and Dr. Garcia is board certified in Pain Management and Anesthesiology by the American Board of Anesthesiology.

The ASC has a collaborative agreement with Wahiawa General Hospital, in the event of a medical emergency that requires a higher level of care than can be provided by the ASC. In addition, a registered nurse ("RN") will be available at all times the Proposed ASC is open to provide emergency treatment.

Dr. Higa and Dr. Garcia, and any other physician performing procedures at the ASC, will be assisted by RNs, certified neurosurgical 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).

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	Projected 1st Full Year Operations	Projected 3rd Full Year Operations
Total Operating Revenue	\$2,000,000	\$2,500,000
Operating Expenses		
Salaries, Wages, Benefits	\$ 500,000	\$500,000
Other Expenses	\$900,000	\$800,000
Depreciation	\$	\$
Total Expenses	\$1,400,000	\$1,300,000
Net Income (Loss) from Operations	\$600,000	\$1,200,000
Add Back: Depreciation	\$	\$
Less Principal Payments	\$130,000	\$100,000
Excess (Deficit) Fund from Operations	\$470,000	\$1,100,000

e) Relationship to the existing health care system.

Addition of the Proposed Services will provide increased access to certain neurological and pain management procedures on Oahu. As described in section (b) above, the addition of the Proposed Services will provide access beyond existing facilities to improve accommodation of the scheduling demands for these procedures. The combined use of the ASC facility by Dr. Higa and Dr. Garcia to provide the Proposed Services is a more economical way to operate the ASC given the facility's existing capacity.

f) Availability of Resources.

The ASC currently employs .8 FTE RN-Clinical Director, .5 FTW Office Staff, .8 FTE Pre-Op/PACU RN, .4 FTE OR technician, and .4 FTE surgical expediter. The Proposed Services would involve the addition of a surgical technician and one RN. If additional personnel were to be required, the physicians are 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 addition of the Proposed Services. The cost of purchasing the necessary moveable equipment is \$100,000 and this will be paid for with cash.

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.