



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: # 21-09A
To be assigned by Agency

Date of Receipt: ST HLTH PLNG & DEV. AGENCY

APPLICANT PROFILE

Project Title: Establishment of CT Services

Project Address: 628 7th Street
Lanai City, HI 96763

Applicant Facility/Organization: Lanai Community Hospital

Name of CEO or equivalent: Michael Rembis

Title: CEO

Address: 221 Mahalani Street, Wailuku, HI 96793

Phone Number: Fax Number:

Contact Person for this Application: Jamie Cameros

Title: Strategic Planning Program Lead

Address: HC1 Box 5350, Keaau, HI 96749

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 (Handwritten)

Date: 3-4-2021

Name (please type or print): Michael Rembis

Title (please type or print): CEO

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

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

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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: _____ X
- 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, to be located within existing hospital**
- 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.)
Hawaii Health Systems Corporation
Building permits – Maui County
Fire Marshall's Approval – Maui County, 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 See Attached
 - By-Laws See Attached
 - Partnership Agreements
 - Tax Key Number (project's location) 490110040000

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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				X	
Outpatient Facility					
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			

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6. PROJECT COSTS AND SOURCES OF FUNDS

21 MAR -9 P2:08
AMOUNT:

A. List All Project Costs:

1.	Land Acquisition	_____
2.	Construction Contract	\$ 1,200,000
3.	Fixed Equipment	_____
4.	Movable Equipment	\$ 488,144
5.	Financing Costs	_____
6.	Fair Market Value of assets acquired by lease, rent, donation, etc.	_____
7.	Other: _____	_____

TOTAL PROJECT COST: \$1,688,144

B. Source of Funds

1.	Cash	_____
2.	State Appropriations	_____
3.	Other Grants	_____
4.	Fund Drive	_____
5.	Debt	_____
6.	Other: ___Donation by Pulama Lanai___	\$1,688,144

TOTAL SOURCE OF FUNDS: \$1,688,144

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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 or 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 CT Scanner to supplement Diagnostic Radiology Services

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, **March 2021 – July 2021**
- c) Dates by which financing is assured for the project, **N/A**
- d) Date construction will commence, **November 2021**
- e) Length of construction period, **4 months**
- f) Date of completion of the project, **March 2022**
- g) Date of commencement of operation, **April 1, 2022**

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.

[See Attached]

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

21 MAR -9 P2 08

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- 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

Lanai Community Hospital requests approval from the State Health Planning and Development Agency to purchase and install a new 128-slice computerized tomography (CT) scanner with a project cost of \$1,688, 144 at Lanai Community Hospital (LCH) located at 628 7th Street, Lanai City, HI 96763.

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LCH is a Critical Access Hospital located on the island of Lanai and provides Emergency Care, Acute Care and Long-Term Care for the 3,600 residents and visitors. LCH is the only hospital on the island and currently offers only general imaging services, portable x-ray and ultrasound. LCH has the opportunity to expand health care services to residents and visitors through the addition of a CT scanner. The CT scanner will allow for on-island diagnosis and treatment for patients and reduce the number of Medical Flight's to the nearest medical facility off-island, which will reduce overall cost of healthcare. In 2020, 35 patients were transferred to either Maui Memorial or Oahu for CT scans, an increase of six from 2019.

The CT volume is anticipated to increase yearly as the emergency physicians estimate an increase in CT's order from five (5) to ten (10) per month. We also estimate an increase in CT utilization as local providers begin to refer patients rather than sending them to another island.

The organization Pulama Lanai (which describes itself at pulamalanai.com as an organization committed to building infrastructure and expanding essential services to improve the lives of Lanai residents) will be funding the purchase, construction and installation of the CT equipment. Maui Health Systems (MHS) has received quotes from several suppliers and has worked with Kaiser Permanente for internal approval to purchase Phillips equipment. The Philips CT would allow MHS more flexibility in rotating staff from Maui Memorial and Lanai as Maui Memorial has a Philips CT scanner.

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

The proposed CT scanner is critical in the diagnoses and treatment of numerous ailments and diseases and is essential in maintaining the current standards of care. This proposal for the addition of CT services at Lanai Community Hospital is in alignment with the Hawaii Health Services and Facilities Plan.

The addition of CT scanning services on the island of Lanai will ensure that its residents have access to the necessary diagnostic tools to achieve optimum health. These services are an important element in the health care system in that it adds value to all constituents by improving access, quality, and efficacy in a cost-effective manner.

As stated in the Health Services and Facilities Plan, "Benefits are defined as the form of improved access for the service area(s) population combined with significant improvement in quality and/or significant reduction in cost to the public." The proposed CT will not meet the CT utilization threshold numbers; therefore,

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21 APR 13 10 57
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consideration for exception is being requested. The population size for the island of Lanai is too small to meet the threshold standard. However, the benefits of improved access to and quality of care (CT is a standard of care for hospitals) outweighs the possibility of under-using services, and justifies possible sub-optimum utilization. Additionally, the avoidance of travel for patients on Lanai to receive CT Scans represents both a cost savings for overall health care spend and will ensure that particularly vulnerable patients who are unable to travel of island are able to receive CT Scans. Estimated non-emergent expenses include a round trip fiery to Maui Memorial at \$80, transportation to and from the port. For those patients whose insurance requires them to travel to Oahu, the estimated expenses include round trip air fair at \$250, a rental car and in some cases a hotel stay.

The project, as described in the application, relates well to the priorities of the Statewide Health Coordinating Council (SHCC) and Maui County goals to enhance health care services. The proposed Lanai CT scanner will:

- Promote and support the long-term viability of the health delivery system for Lanai.
- Expand and retain the health care workforce to enable access to the appropriate level of care in a timely manner.
- Ensure that patients requiring a CT scan will have access to quality health care at a reasonable cost.
- Strive for equitable access to health care services. Having a CT scanner on island will improve access for the residents and visitors of Lanai by eliminating the requirement of traveling off-island for this service, thus, saving time and resources.
- Modernize facility and equipment.

b) Need and Accessibility

There are no CT services available on the island of Lanai, forcing residents and island visitors to be transferred off-island to either Maui Memorial Medical Center or one of the facilities on Oahu for this critical standard of care. The time needed to transport the patient increases the risk to the patient, the ability to receive a CT Scan on the island of Lanai addresses this need. The Emergency Department at LCH must transfer patients to other facilities off-island solely for the purpose of obtaining diagnostic CT scan services. This includes patients with head traumas from a fall or accident, severe headaches or change in mental status that may be experiencing an intracranial bleed or ischemic stroke, and many of the elderly population experiencing a medical emergency.

Private physician practices in the community who order a CT scan for their patients must work with insurance companies to identify contracted locations on other islands and help coordinate procedures.

The proposed project will allow LCH 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. APR 13 AIO 57

c) Quality of Service/Care

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& DEV. AGENCY

LCH has a history of providing quality service to its patients, community health care providers, residents, and the thousands of visitors that come to the island every year. The proposed CT scanner will enhance LCH's existing services and allow it to have a more comprehensive imaging department. LCH will ensure compliance with required licensure and certification requirements, including Certificate of Need from the State Health Planning and Development Agency and American College of Radiology (ACR) for the CT scanner. LCH will initiate steps to acquire accreditation with ACR immediately after installation of the new scanner. LCH will ensure staff members will maintain current licenses according to State of Hawaii requirements.

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

The projected cost of the project is \$1,688,144 and the three (3) year P&L projects a positive operating margin of \$1,660 in year one (1) to a negative margin of (\$69,583) in year three (3).

The operating margins for the CT do not take into consideration the expected decrease in health expenses to the State of Hawaii health care delivery system which will result from providing access to CT services on Lanai, estimated to include the following:

- Reduction of emergent and non-emergent medical flights which range from \$6,000 to \$10,000 or greater on-way. For example, in 2020 there was 94 transports from Lanai to other islands for care or estimated expense of \$560,000 to \$940,000
- Elimination of travel expenses associated with routine CT scans being performed off island, currently paid by patients and insurance companies
- Reduction in overall health care costs by early diagnosis of a patient's health condition resulting in more accurate treatment protocols

Although revenue is not anticipated to cover the expenses for the CT on an annual basis, MHS is committed to subsidizing the operating cost of the CT services at LHC.

e) Relationship to the existing health care system

The proposed CT scanner will offer new diagnostic applications that currently do not exist on the island of Lanai. Due to the relatively few CT scans currently being performed for residents and visitors of Lanai by Maui Memorial or other Oahu

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facilities, this project is not anticipated to have any adverse impact on other providers of CT scans.

21 APR 13 AIO 57

f) Availability of Resources

Resources, including funds for capital and operating needs, have been budgeted and are available. LCH is financing this project through a donation provided by Pulama Lanai to cover equipment, construction, and installation expenses. LCH will provide ongoing funding for personnel, service contracts and supplies.

LCH will train the current radiology technician to be certified to provide CT services on Maui over a three-month period and contract for a contingent worker during this time. In addition, a Philips CT system has been selected and would allow MHS more flexibility in floating staff to and from Maui Memorial and Lanai as Maui Memorial also has Philips CT equipment.