



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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STATE HEALTH PLANNING & DEV. AGENCY

ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: # 22-08A Date of Receipt:
To be assigned by Agency

APPLICANT PROFILE

Project Title: Acquisition of Ambulatory Surgery Services

Project Address: 75-5905 Walua Road, Suite 4, Kailua-Kona, HI 96740

Applicant Facility/Organization: Ali'i Health Center

Name of CEO or equivalent: Lei Cataraha

Title: President/CEO

Address: 78-6831 Ali'i Drive, Suite 418, Kailua-Kona, HI 96740

Phone Number: (808) 747-8321 Fax Number:

Contact Person for this Application: Lei Cataraha

Title: President/CEO

Address: 78-6831 Ali'i Drive, Suite 418, Kailua-Kona, HI 96740

Phone Number: (808) 747-8321 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 Signature]

Date [Handwritten Date]

Lei Cataraha
Name (please type or print)

President/CEO
Title (please type or print)

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

- Public \_\_\_\_\_
- Private   X
- Non-profit   X
- For-profit \_\_\_\_\_
- Individual \_\_\_\_\_
- Corporation   X
- Partnership \_\_\_\_\_
- Limited Liability Corporation (LLC) \_\_\_\_\_
- 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: \_\_\_\_\_
- Kaua`i County: \_\_\_\_\_
- Hawai`i County:   X

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 A- Letter of Intent]
- 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.)
  - Freestanding Outpatient Surgical Center License (Hawai`i DOH)
  - Radiation Facility License (Hawai`i DOH)
  - Certificate of Registration for Controlled Substances (Hawai`i Department of Public Safety and DEA)
- C. Your governing body: list by names, titles and address/phone numbers
  - [See Attachment B]
- 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 C]
  - By-Laws [See Attachment D]
  - Partnership Agreements N/A
  - Tax Key Number (project's location) 3-7-5-018-094-0005-000

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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.

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	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>			

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6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All Project Costs:

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AMOUNT:

- 1. Land Acquisition \_\_\_\_\_
- 2. Construction Contract \_\_\_\_\_
- 3. Fixed Equipment \_\_\_\_\_
- 4. Movable Equipment \_\_\_\_\_
- 5. Financing Costs \_\_\_\_\_
- 6. Fair Market Value of assets acquired by  
lease, rent, donation, etc. \_\_\_\_\_
- 7. Other: Purchase Price for Assets \$1.00

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TOTAL PROJECT COST: \$1.00

B. Source of Funds

- 1. Cash \$1.00
- 2. State Appropriations \_\_\_\_\_
- 3. Other Grants \_\_\_\_\_
- 4. Fund Drive \_\_\_\_\_
- 5. Debt \_\_\_\_\_
- 6. Other: \_\_\_\_\_

TOTAL SOURCE OF FUNDS: \$1.00

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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.

All'i Health Center, ("AHC") is filing this application for approval to acquire the assets of Kona Ambulatory Surgery Center, LLC ("KASC") located at 75-5905 Walua Road, Suite 4, Kailua-Kona, HI 96740 pursuant to an Asset Purchase Agreement to be entered into by AHC and KASC upon receipt of a Certificate of Need from SHPDA ("CON") (the "Transaction"). KASC currently provides ambulatory surgical services pursuant to a CON issued on or about December 11, 2008 for Outpatient Surgery (Surgicenter) services per HAR § 11-186-5(3)(B).

The application does not involve the establishment of a new service and only involves an acquisition of assets and continued delivery of existing services. AHC will provide the ambulatory surgical services at the current location of KASC at 75-5905 Walua Road, Suite 4, Kailua-Kona, HI 96740.

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 9, 2022**
- b) Dates by which other government approvals/permits will be applied for and received: **Within ninety (90) days of closing of the Transaction.**
- c) Dates by which financing is assured for the project, **N/A**
- 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 receipt of the Freestanding Outpatient Surgical Center License from the DOH.**

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.

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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 a 2500-foot read map that shows your project site.

AHC, a Hawai'i nonprofit corporation, proposes to purchase substantially all of the assets of KASC pursuant to the Transaction. KASC and AHC are closely related entities. Kona Community Hospital, a facility operated by the West Hawaii Region of Hawaii Health Systems Corporation ("HHSC"), is the sole member of KASC, and HHSC is the sole member of AHC.

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

The relationship of the ambulatory surgical services to the then-current State Health Services and Facilities Plan ("HSFP") was set forth in CON Application # 08-18. The acquisition of the assets of KASC by AHC pursuant to the Transaction will not affect the project's relationship to the HSFP as set forth in that successful application. Moreover, the Transaction will further the current SHCC priority of promoting and supporting the long-term financial viability of the health care delivery system by integrating purchasing, materials management, provider credentialing, and other functions currently performed separately by KASC into the operations of AHC.

b) Need and Accessibility

The need for and accessibility of the ambulatory surgical services was addressed in CON Application # 08-18. The Transaction will not have an impact on the need for or accessibility of the ambulatory surgical services as set forth in that successful application. The facility and services will continue to be accessible to all residents and visitors on the Island of Hawai'i, including the elderly, low-income persons, racial and ethnic minorities, women, persons with disabilities, and other underserved groups.

c) Quality of Service/Care

The facility will continue to comply with applicable federal and state statutes and regulations governing the delivery of care, maintenance of service equipment, and the clinical environment. The acquisition of assets pursuant to the Transaction will not affect the existing quality of care and service delivered by the ambulatory surgery center. AHC will maintain the same quality assurance policies used by KASC to ensure quality of care and patient safety, and the current clinical staff at KASC will remain in place following the Transaction.

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

The ambulatory surgery center operated by KASC has not been profitable for several years. The proposed acquisition by AHC is expected to improve the financial viability of the ambulatory surgery center over the next several years. In the first year of operations, AHC projects a total of 2,800 patients for a net loss of \$2,400,000.00. By

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the third year of operations, AHC projects a total of 2,800 patients, resulting in net income of \$250,000.00.

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e) Relationship to the existing health care system

The proposed acquisition of the assets of KASC pursuant to the Transaction is not expected to have an impact on the existing health care system, as it is a continuation of an existing service.

f) Availability of Resources.

The proposed project will utilize existing equipment and resources on-site, including the current staff. No additional employees are required as a result of the proposed acquisition. Until the facility is profitable, anticipated to be in the third year of operations, AHC will require operating capital support from Kona Community Hospital ("KCH"), the sole member of KASC. KCH has assured AHC that it will provide the operating capital required until the facility is profitable. A letter confirming that commitment is provided as Attachment E.

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.