

HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: # 22-11A Date of Receipt: 8-1-22
To be assigned by Agency

APPLICANT PROFILE

Project Title: Addition of MRI Unit at Maui Diagnostic Imaging, LLC's Kahului Imaging Center

Project Address: 425 Koloa Street, #102, Kahului, Hawaii 96732

Applicant Facility/Organization: Maui Diagnostic Imaging, LLC

Name of CEO or equivalent: Scott Halliday

Title: President, National Medical Development, Inc., Managing Member

Address: 3337 E Shore Drive, Seattle, WA 98112

Phone Number: (808) 877-6402 Fax Number: n/a

Contact Person for this Application: J. George Hetherington


Title: Attorney

Address: 1100 Alakea Street, Suite 3100, Honolulu, HI 96813

Phone Number: (808) 540-4500 Fax Number: (808) 540-4530

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

8-1-22
Date

Scott Halliday

President, National Medical Development, Inc.,
Managing Member

Name (please type or print)

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: _____

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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)

Not applicable. New equipment will be installed in existing facility.

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

C. Your governing body: list by names, titles and address/phone numbers

See Attachment 1

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 Certificate of Good Standing attached as Attachment 2.
- By-Laws: Not applicable.
- Operating Agreement: See Attachment 3.
- Tax Key Number (project's location): 2-3-8-079-001

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 Services	Change in Beds
Inpatient Facility				ST. LOUIS PUBLIC HEALTH & BEV. AGENCY	
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:

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AMOUNT:

- | | | |
|----|--|-----------------------|
| 1. | Land Acquisition | _____ |
| 2. | Construction Contract | <u>\$750,000.00</u> |
| 3. | Fixed Equipment | <u>\$1,990,550.00</u> |
| 4. | Movable Equipment | _____ |
| 5. | Financing Costs | _____ |
| 6. | Fair Market Value of assets acquired by
lease, rent, donation, etc. | _____ |
| 7. | Other: _____ | _____ |

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TOTAL PROJECT COST: \$2,740,550.00

B. Source of Funds

- | | | |
|----|----------------------|-----------------------|
| 1. | Cash | _____ |
| 2. | State Appropriations | _____ |
| 3. | Other Grants | _____ |
| 4. | Fund Drive | _____ |
| 5. | Debt | <u>\$2,740,550.00</u> |
| 6. | Other: _____ | _____ |

TOTAL SOURCE OF FUNDS: \$2,740,550.00

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.

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Addition of MRI at Maui Diagnostic Imaging, LLC's Kahului Imaging Center.
Reference HAR § 11-186-5-(3)(J).

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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: Not applicable. This application is for the addition of a MRI at an existing Maui Diagnostic Imaging, LLC location, which is leased pursuant to an agreement executed in 2012.
- b) Dates by which other government approvals/permits will be applied for and received:

Building Permit from Maui County will be applied for after CON approval and is expected to take 90 days to receive.
- c) Dates by which financing is assured for the project: Upon CON approval
- d) Date construction will commence: Within 180 days after CON approval.
- e) Length of construction period: 6 months
- f) Date of completion of the project: Within 1 year after CON approval.
- g) Date of commencement of operation: Within 1 year after CON approval.

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 an easy to read map that shows your project site.

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- 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.

DEPARTMENT OF
& DEV. AGENCY

EXECUTIVE SUMMARY

Maui Diagnostic Imaging, LLC ("MDI") is a Delaware limited liability company authorized to do business in Hawaii which seeks approval to install a new MRI at its Kahului Imaging Center (the "Kahului Imaging Center"), which is located at Kahului's Triangle Square. See Certificate of Need ("CON") Application No. 04-01, approved on April 28, 2004, which authorized MDI's acquisition of, among other things, imaging services located at the Kahului Imaging Center (MRI, Ultrasound, Mammography, Dexascanner).

MDI currently operates an 8 year old 3Tesla MRI. Despite offering Saturday appointments and later hours, MDI and other providers on Maui have patient backlogs (from reports from referring physician offices) in excess of a week. MDI feels a responsibility to do what it can to provide Maui residents with the best available MRI technology and more appointment times during regular business hours for its patients. The new MRI equipment offers features not available through any of the MRI equipment currently available on Maui.

The new MRI equipment will be a GE MR 3.0T Signa Pioneer featuring a 70 cm wide bore MRI system. The equipment is outfitted with state-of-the-art capabilities to benefit both MDI and patients alike. Its revolutionary technology supports sharper scans and quicker imaging sessions (allowing more patients to be seen per day), while also maximizing patient comfort. Another unique feature is its ability to generate multiple image contrasts in a single MRI scan. The installation of the new MRI equipment will also include a package of specialty applications that will further boost image quality, productivity, and enable growth.

Many providers now using this new type of MRI equipment are seeing 30% -50% scan time reductions with increased image quality and resolution. This significantly improves patient experience, especially for those who are claustrophobic or find such procedures especially uncomfortable. The equipment's flexible and blanket style coil

design also permit scanning in more comfortable positions and it offers cortical bone imaging, which is especially useful for orthopedic and spine imaging. **RECEIVED**

Overall, the new equipment will bring the latest imaging technology to MDI's Maui patients and expand accessibility to such services for patients that need it.

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

The Hawaii Health Services and Facilities Plan (the "HSFP") states that, prior to expanding existing MRI services, a provider's utilization of its existing MRI units should be at least 3,200 procedures per unit.

The existing MRI equipment at the Kahului Imaging Center performed in excess of 3,600 examinations between July 1, 2021 and July 1, 2022. It is also MDI's understanding that at least one other imaging provider on Maui is booked out at least a week and that the hospital's imaging department has started to block times for inpatients due to high demand.

MDI estimates an increase in procedures throughout the coming years both because of continued rising demand trends and the installation of the modern equipment. At the same time, MDI also expects this proposal to advance the following general principles and priorities of the Statewide Health Coordinating Council:

- Promote and support the long-term viability of the health care delivery system;
- Ensure that any proposed service will at least maintain overall access to quality health care at a reasonable cost;
- Strive for equitable access to health care services;
- Encourage and support health education, promotion and prevention initiatives; and
- Ensure capacity and access to primary care services.

The Proposal will specifically ensure access to high quality imaging services for Maui County's residents. The early detection and treatment of diseases and conditions through imaging work may prevent the onset of acute and/or chronic conditions or allow early detection, which typically results in lower overall treatment costs. This proposal will encourage patients to obtain these imaging procedures and, thereby, lower health care costs associated with delayed diagnosis and treatment.

Finally, this project will promote the following priorities related to preventive medicine and primary services of the Maui County/Tri-Isle Subarea Council:

- Establish health promotion and disease prevention as a primary focus while promoting personal responsibility for optimal health;

- Modernize facilities via construction, reconstruction and/or replacement; and
- Increase access to primary care and specialty services.

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b) Need and Accessibility

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MDI's current MRI machine is more than 8 years old. The expected life for such systems is 10 years. In recent years, significant advancements in technology have been made. Newer systems provide better images while utilizing less radiation. Scans on newer equipment also take less time and are more comfortable for the patient. More recently, MDI has noticed an uptick in the frequency in which its existing MRI unit has needed repairs. Given the typical lifespan of MRI equipment, MDI is worried that it will soon become difficult to find parts for its existing MRI system. This proposal would reinforce the strength of MDI's MRI imaging capabilities by adding another piece of equipment upon which MDI can rely.

This Proposal will also allow MDI to offer additional modern imaging services, specifically due to increased capabilities in scan quality and speed.

In the past year (between July 1, 2021 and July 1, 2022), Kahului Imaging Center performed in excess of 3,600 MRI procedures. As illustrated by Table 1, below, the increase in demand for MRI services at the Kahului Imaging Center is on the rise.

<u>Month</u>	<u>Number of MRI Procedures Performed</u>
February 2022	283
March 2022	324
April 2022	349

Demand for MRI services in Maui County is already high with backlogs at all imaging providers, and it will continue to increase as its population continues to grow. Between 2010 and 2020, Maui County's population increased 6.4% to 164,754 (adding 9,920 new residents).¹ As more people move to Maui, the demand for imaging services will continue to rise. It is in the patients' and community's best interest to make available the best tools to satisfy the increasing demand for imaging procedures. MDI makes its services available to all Maui County residents, including low-income individuals, racial and ethnic minorities, individuals with disabilities, and the elderly and other underserved groups. By adding to MDI's Kahului Imaging Center, access will be improved to a significant portion of this patient population.

The Kahului Imaging Center is easily accessible, and has ample free, handicapped-accessible parking on the same level as the facility.

c) Quality of Service/Care

¹ <https://www.staradvertiser.com/2021/08/12/breaking-news/u-s-census-shows-hawaiis-population-increased-7-in-the-last-decade/>

MDI has provided imaging services on Maui to Hawaii residents for the past 18 years and in that time has earned a reputation as a provider that delivers high quality care at reasonable prices. MDI is Medicare and Medicaid certified, accredited by the American College of Radiology in MRI, and has always maintained its compliance with all applicable State and Federal regulations. All of MDI's radiology services will be provided by board certified radiologists with fellowship training in MRI. Staff technologists will be certified by the American Registry of Radiologic Technologists. MDI also enforces a robust continuing medical education requirement schedule, which applies to all clinical staff.

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

The new equipment will cost \$1,990,550 which includes the price of the equipment, installation, and staff training.

First and third year revenue and cost projections for the first and third year of operations for the new equipment are shown in Table 2, below.

Table 2. First and Third Year Revenue and Cost Projections for New MRI Equipment		
	Projected 1st Full Year Operations	Projected 3rd Full Year Operations
Total Operating Revenue	\$1,100,000	\$1,375,000
Operating Expenses		
Salaries, Wages, Benefits	(\$100,000)	(\$110,000)
Other Expenses	(\$62,500)	(\$205,000)
Depreciation	(\$391,507)	(\$391,507)
Total Expenses	(\$554,007)	(\$706,507)
Net Income (Loss) from Operations	\$545,993	\$668,493
Add Back: Depreciation	\$391,507	\$391,507
Excess (Deficit) Fund from Operations	\$937,500	\$1,060,000

- e) Relationship to the existing health care system

This proposal is not expected to have any negative impact on the existing health care system. It is intended to expand MDI's ability to deliver imaging services in order to meet Maui County's rising demand and need for high quality care. If anything, MDI expects this proposal will only enhance the services provided by health care providers both within Maui County and throughout the state.

- f) Availability of Resources.

MDI's Kahului Imaging Center currently contracts for professional interpretation services with Dr. Andrew Kayes, MD, 5 technologists, and 8 patient services staff. MDI will add one MR technologists to implement the new MRI equipment. MDI has already started to recruit individuals to fill these new positions and believes that there is a

sufficiently large pool of qualified potential hires in the community to fill these positions without negatively affecting the staffing levels of other health care providers.

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There are minimal financial obstacles to this proposal. GE Healthcare, the equipment manufacturer, will provide financing for the purchase of the equipment and the construction costs will be paid for through a committed working capital ~~106~~-2 P3 :33

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

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HEALTH PLAN

_____ 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.

 X The applicant believes it will not have a significant impact on the health care system.