



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: # 22-16A
To be assigned by Agency

Date of Receipt:

STATE HEALTH PLANNING & DEV. AGENCY

APPLICANT PROFILE

Project Title: Addition of Ambulatory Procedures

Project Address: 392 Kapiolani Street
Hilo, Hawaii 96720

Applicant Facility/Organization: Hawaii Vision Surgical Suites, LLC

Name of CEO or equivalent: Dan Driscoll, M.D.

Title: Member

Address: 392 Kapiolani Street, Hilo, Hawaii 96720

Phone Number: (808) 333-3233 Fax Number: (808) 315-7663

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

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

6/23/2022
Date

Dan Driscoll, M.D.
Name (please type or print)

Member
Title (please type or print)

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STATE PLANS
& DEV. AGENCY

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

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

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:

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 Organization: See Attachment 3.
- By-Laws: Not Applicable.
- Operating Agreement: See Attachment 4.
- Tax Key Number (project's location) 3-2-4-25-49

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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					
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			

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6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All Project Costs:	22 AUG 30 A9 56	AMOUNT:
1. Land Acquisition	_____	_____
2. Construction Contract	_____	_____
3. Fixed Equipment	_____	_____
4. Movable Equipment	_____	<u>\$230,950.00</u>
5. Financing Costs	_____	_____
6. Fair Market Value of assets acquired by lease, rent, donation, etc. (site lease)	_____	_____
7. Other: _____	_____	_____
TOTAL PROJECT COST:		<u>\$230,950.00</u>

B. Source of Funds

1. Cash	_____	<u>\$230,950.00</u>
2. State Appropriations	_____	_____
3. Other Grants	_____	_____
4. Fund Drive	_____	_____
5. Debt	_____	_____
6. Other: _____	_____	_____
TOTAL SOURCE OF FUNDS:		<u>\$230,950.00</u>

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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.

Addition of ambulatory surgery procedures in Hawaii County.

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 1, 2020
- b) Dates by which other government approvals/permits will be applied for and received: N/A
- 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 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.

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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 site plan & a topographic 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

Executive Summary

Hawaii Vision Surgical Suites, LLC ("Applicant"), a limited liability company owned and operated by Dan Driscoll, M.D., currently owns and operates an ambulatory surgery center (the "ASC"), located at 392 Kapiolani Street in Hilo, Hawaii. The ASC was originally established pursuant to CON Application #15-09A, which SHPDA approved on July 24, 2015. The ASC's current services are limited to ophthalmologic surgery performed by Dr. Driscoll. Through this application, Applicant now seeks to expand the ambulatory surgery services provided at the ASC to encompass more varied procedures performed by surgeons in the community other than Dr. Driscoll and which include the neuro, endoscopy, ear, nose, & throat (ENT), orthopedic, pain, oral surgery, gastrointestinal, and urology procedures set forth in Attachment 5 (collectively the "Proposed Services"). In allowing the Proposed Services to be performed at the ASC, the ASC will be converted from an ambulatory surgery center limited to ophthalmic procedures to a multispecialty ambulatory surgery center. Expanding the services offered at the ASC will ensure accessibility to much needed outpatient surgical procedures for the Hilo community.

Applicant leases space in a newly constructed building that is owned by Hawaii Vision Land, LLC, a limited liability company in which Dr. Driscoll is also a member. The ASC currently consists of one procedure room and pre-operative and post-operative recovery areas. The ASC's procedure room is a sterile room with positive pressure, through which the ASC has full general anesthesia capabilities.

This configuration will not change with the addition of the Proposed Services. As it is limited to use for only ophthalmic procedures right now, the ASC is only used two days out of the work week at the moment (on Tuesday and Wednesday). If SHPDA approves the Proposed Services for the ASC, Applicant intends to gradually increase the ASC's days of operation to five days per week (Monday – Friday).

A key reason Applicant wishes to offer the Proposed Services at the ASC is because another Hawaii County ASC (which is located only two miles away and happens to be the ASC's only competitor) has publicly disclosed that it will likely need to close soon. See <https://www.beckersasc.com/asc-news/22-year-old-hawaii-asc-in-danger-of-closing.html>. Applicant is worried that such a closure would have a severely negative impact on Hawaii County's already limited health care services. Therefore, to avoid this worst case scenario, Applicant would like to preemptively expand the types of services it can accommodate

at the ASC, to make itself available to Hawaii County's community surgeons as a multi-specialty ambulatory surgery center at which they can perform same day surgical procedures.

a) Relationship to the State of Hawaii Health Services and Facilities Plan

Since November 2019, the ASC has had in place the required collaborative agreement with Hilo Medical Center ("HMC"). See Attachment 6. Pursuant to the terms of the collaborative arrangement, in the event that one of the ASC's patients requires hospitalization, the patient's attending physician will coordinate the patient's transfer to HMC. Furthermore, Applicant will continue to commit itself to supporting all training and recruitment of health care personnel for the benefit of Hawaii County and to enhancing the EMS and trauma care systems of Hawaii County by using the ASC, when necessary, for cases such as natural disaster or pandemic.

Expansion of the ASC to include the Proposed Services will advance the Statewide Health Coordinating Council's ("SHCC") general principles of (i) promoting and supporting the long-term viability of the health care delivery system, (ii) expanding and retaining the health care workforce to enable access to the appropriate level of care in a timely manner, (iii) ensuring that any proposed service will at least maintain overall access to quality health care at a reasonable cost, (iv) striving for equitable access to health care services, (v) ensuring all projects are appropriate for the regional and statewide continuum of care, and (vi) ensuring that any proposed service will at least maintain overall access to quality care at a reasonable cost. Applicant is committed to continuing to charge a reasonable facility fee to cash paying patients without health insurance and patients having cosmetic procedures. The facility fees will be comparable with fees charged by similar facilities in the service area, so will improve equitable access to health care services.

The Proposed Services will be performed for the benefit of Hawaii County residents by experienced surgeons. Making the Proposed Services available on Hawaii Island will decrease health care costs by eliminating travel expenses for Hawaii County patients who would otherwise need to fly to Oahu to receive specialized outpatient surgery. Establishing a new place for the Proposed Services to be performed on Hawaii Island will also help to maintain overall access to quality care at a reasonable cost.

The Proposed Services will also advance the Hawaii County/Hawaii Subarea Planning Council's ("SAC") priorities of (i) increasing the number of and retention of the health care workforce, and (ii) helping to remedy the facilities shortage by improving access to and the quality of health care facilities. The Proposed Services will increase the number of health care jobs on Hawaii County and, thus, help to promote the priority of recruiting and educating an optimal supply of health care workers who will meet Hawaii County's surgical demands. Expanding the ASC's abilities will also help to increase the supply of health care facilities within Hawaii County by prompting the existing ASC facility to be used for a wider variety of procedures on more days of the week.

Overall, the Proposed Services will improve access to health care facilities for Hilo residents and promote greater efficiency of health care delivery. Adding the Proposed Services to the ASC's roster will also allow surgeons based in Hilo to continue to offer such procedures, which in turn will optimize the number of patients that the physicians can serve in Hawaii County.

Finally, the ASC's collaborative arrangement with HMC includes a commitment to enhance the emergency medical and trauma care system of Hawaii County by making the ASC available when needed to respond to natural disasters or pandemics. The terms of this collaborative arrangement will remain in place after the addition of the Proposed Services.

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b) Need and Accessibility

The service area for the Proposed Services includes all of Hawaii County. The ASC is located in central Hilo, meaning it is easily accessible and has ample parking, including reserved stalls for handicapped patients. The Proposed Services that will be added to the current ASC procedure list will treat a boarder ranger of issues, including, but not limited to treatments for otolaryngology, orthopedic, and other ophthalmic concerns.

ST. HILTON
HAWAII COUNTY

Currently, the ASC is only open two days per week, during which time it offers only surgical procedures to treat cataracts, glaucoma, diabetic retinopathy, and age-related macular degeneration. Even with this limited scope and the ASC's limited hours, the ASC has performed the following number of procedures annually since its opening:

Year	Number of Procedures
2020	1,166
2021	2,038
2022	1,364 (as of August 17, 2022)

Applicant seeks SHPDA's approval to offer the Proposed Services at the ASC to keep ahead of the market growth for U.S. ambulatory surgical center procedures that is expected to occur in the coming years. Although the COVID-19 pandemic negatively impacted the market for ambulatory procedures due to cancellation of a lot of elective surgical procedures, a surge in demand is projected to account for this momentary setback. Solutions addressing the need to cut down on health care costs and the growing incidence of chronic conditions requiring surgeries both contribute to this expected market growth. See <https://www.fortunebusinessinsights.com/u-s-ambulatory-surgical-centers-market-106323>. In a place like Hawaii County where the population is aging, treatments to address conditions prevalent in the elderly will be needed more than ever and it is critical to ensure that there are sufficient outpatient procedure rooms to meet this projected demand. After the addition of the Proposed Services, the ASC expects to provide about 3,057 procedures in its first year of operation as a multi-specialty ASC (a roughly 50% increase in volume by opening another day each week), thereby contributing significantly to satisfy the general demand for ambulatory procedures in Hawaii County. Applicant hopes to eventually open all five days during the work week, which it would expect would allow for an even greater increase in volume (as much as by 250%) from current procedure numbers.

If the competitor Hawaii County ASC closes before the Proposed Services are approved, there will be a noticeable shortage of outpatient surgery capacity in Hawaii County. Since 2010, the 65 and over population has grown fastest in Hawaii County (compared with the rest of the state) with an average growth rate of 5.0% annually. See <https://census.hawaii.gov/wp-content/uploads/2020/06/Hawaii-Population-Characteristics-2019.pdf>. Cumulatively, Hawaii County's elderly population (age 65 and older) has grown 62.3% since 2010. At the same time, Hawaii County's overall population has also increased 8.4% in about the same timeframe—

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hitting a population of 200,629 in 2021, with 15,550 new residents added since 2010. See <https://www.staradvertiser.com/2021/08/12/breaking-news/u-s-census-shows-hawaii-population-increased-7-in-the-last-decade/>. Accordingly, the demand for ambulatory procedures on Hawaii Island is expected to increase as its population continues to grow and age.

The Proposed Services will be accessible to all the residents of Hawaii County, including low income persons, racial and ethnic minorities, people with disabilities, the elderly, and the medically underserved. The Proposed Services will be provided to patients covered by Medicare and Medicaid, and the ASC will continue to provide charity care to individuals with significant need and limited financial resources who do not have health insurance.

c) Quality of Service/Care

After the addition of the Proposed Services to the ASC, the ASC will continue to 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 licensure by the Department of Health, and its certification by Medicare. The ASC will uphold its Quality Assessment and Performance Improvement program that complies with the requirements of the Medicare conditions of participation for ASCs. It will also continue to provide patient care through well-defined processes for caregivers and conduct ongoing quality review.

Applicant will only permit the Proposed Services to be performed by physicians licensed by the Department of Health and board certified in their respective specialty. The ASC will maintain its collaborative agreement with HMC, 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 ASC is open to provide emergency treatment.

Applicant will ensure that any physician performing the Proposed Services at the ASC 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)

As documented on page 4 of 10 of this Application form, there will be \$230,950.00 in movable equipment project costs required to expand the ASC to include the Proposed Services.

The revenue and cost projections for the ASC's first and third years of operation, after expansion to include the Proposed Services, are summarized in the table below:

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	Projected 1st Full Year Operations	Projected 3rd Full Year Operations
Total Operating Revenue 22 AUG 30 A9 56	\$2,518,715.60	\$2,644,651.38
Operating Expenses		
Salaries and Benefits	\$63,990.81	\$73,490.35
Other Expenses	\$129,812.44	\$136,303.06
Total Expenses	\$193,803.25	\$203,493.41
Net Income	\$2,324,912.35	\$2,441,157.97

e) Relationship to the existing health care system

The addition of the Proposed Services will have a significant positive impact on the health care system in Hawaii County by helping to maintain access to surgical procedures within Hawaii County. Currently, these surgical procedures are performed in Hawaii County only on a limited basis because existing facilities lack the resources to regularly offer these procedures. Furthermore, it is expected that the only other ambulatory surgery center nearby will soon be closing. As described in Section (b), above, the Proposed Services will ensure continued access on-island to these types of ambulatory procedures for Hawaii County residents.

f) Availability of Resources

With the addition of the Proposed Services, the ASC will employ 3.0 FTE RN, 1.0 FTE ASC Supervisor, 3.0 FTE Scrub Technician, 1.0 FTE receptionist, and 2.0 FTE office personnel. Applicant is confident that, if it determines additional qualified personnel is required, they can be acquired through inquiries and interviews with persons in the community with requisite training and experience.

There are minimal financial obstacles associated with the addition of the Proposed Services. The cost of purchasing the necessary moveable equipment is \$230,950.00 and will be paid for with cash.

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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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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.