



**STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY**
DEPARTMENT OF HEALTH - KA 'OIHANA OLAKINO

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KE KA'ĀINA O KA MOKU'ĀINA 'O HAWAII

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March 14, 2023

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Michael A. Rembis
Manager
Maui Nui ASC, LLC
221 Mahalani Street
Wailuku, Hawaii 96793

Dear Mr. Rembis:

The State Health Planning and Development Agency (the "Agency") has evaluated Certificate of Need application #22-22A for administrative review from Maui Nui ASC, LLC ("the applicant") for the establishment of outpatient surgery (surgicenter) services at 75 Maui Lani Parkway, Unit B, Wailuku, HI, at a capital cost of \$20,650,000 (the "Proposal").

A. The Agency makes the following findings of fact with respect to Title 11, Chapter 186 of the Hawaii Administrative Rules (HAR). The Agency finds each of the following statements to be true and accurate.

1. The applicant states¹ that "The Maui Nui community can expect the following benefits with the addition of the proposed ASC:
 - A cost-effective, operationally efficient venue for outpatient surgery resulting in less expensive bills for patients and better patient satisfaction.
 - Increased availability of ambulatory surgical services on Maui deters outmigration to surgical centers off island and decreases costs for patients.
 - Increased access to quality of care in the Maui community by recruiting physicians in surgical specialties.
 - Increased number of health care jobs in Maui County.
 - Provides an opportunity for Maui Health to partner with community physicians through a joint venture arrangement.
 - Improved operating room (OR) utilization to better conserve community hospital resources and further optimize Maui's emergency and trauma system.
 - Improved efficiency of health care operations and reduce reliance on State subsidies."

¹ For clarity, when the Agency quotes statements from the applicant or from witnesses in this section, it does so because the Agency finds such testimony to be persuasive and because the Agency has incorporated the referenced testimony as a finding of fact.

2. The applicant states that "The proposed ASC aims to enhance patient safety, access to quality care, and realize cost savings by providing outpatient surgical services many of which would otherwise be performed at Maui Memorial Medical Center (MMMC), Maui County's only acute care hospital operated by Maui Health. ASCs can operate at lower costs and often complement hospital outpatient departments (HOPDs) as a strategy for health care cost containment. Research published in March 2022 from the Johns Hopkins University School of Medicine Department of Orthopaedic Surgery further supports the proposed ASC's mission to provide a cost-effective surgical venue for patients. The study found that the average total costs and average technical fees for certain elective outpatient orthopedic surgeries performed at ASCs were 26% and 33% lower than HOPDs, respectively."
3. The applicant states that "The proposed joint venture arrangement between Maui Health and physicians provides a unique and innovative solution to promote greater access and the long-term viability of health care on Maui. Offering ownership in a community ASC supports Maui Health's physician recruitment strategy and will provide the necessary OR capacity for incoming healthcare professionals that Maui desperately needs. Building community bonds and providing investment opportunities stimulate professional growth and retention for both new and existing physicians. Physicians who are more connected to the island community are more likely to stay."
4. The applicant states "...like many hospitals nationwide the existing MMMC ORs faces high utilization and capacity constraints. As MMMC moves toward a Level II Trauma Center designation, the hospital and physicians require more OR time to treat critical surgical and trauma cases. Same-day and elective surgical procedures performed at the new ASC will help ease hospital constraints, further optimizing Maui's emergency and trauma system."
5. The applicant states that "The proposed ASC will enter into a collaborative arrangement with MMMC in accordance with the HSFP thresholds and suboptimization clause for a Freestanding Ambulatory Surgery Center (less than 24 hours stay). The required collaborative arrangement with MMMC will (1) include a transfer agreement, (2) commit to support all training and recruitment of health care personnel for the benefit of the area, and (3) commit to enhancing the EMS and trauma care systems of Maui County by using the ASC, when necessary, for natural disaster or pandemic scenarios."
6. The applicant states "In 2019, over 2,200 outpatient surgeries for Maui residents were performed on Oahu or neighboring islands... Those seeking surgical services off-island typically sustain lengthier commute times and additional travel-related costs that health care insurance may not cover. Estimated non-emergent travel expenses from Maui to Oahu can include round trip airfare between \$100-\$250, rental car fees between \$75-\$90 per day, and hotel rates at \$200 or more per night. The proposed ASC will improve the community's access to surgical services. Patients-particularly those who are vulnerable or unable to readily travel off-island-will have the flexibility to schedule on-island procedures, avoid extra costs, and recover from surgeries closer to home."

7. The applicant states that "Today, MMMC has seven operating rooms. Three of the seven rooms are designated specifically for trauma, cardiovascular, and urology surgeries. Due to the specialized nature of the cardiovascular operating room, this room is not available for other use. The urology room is currently undergoing renovations to serve as a general operating room. The remaining operating rooms currently run over 70% utilization."
8. The applicant states that "Maui Health projects the MMMC ORs will be over 85% utilization by 2030, assuming MMMC remains at its current Level III Trauma Center designation. However, if MMMC obtains a Level II Trauma Center designation, as it intends to, the increase in surgical volume will further strain OR capacity and impact utilization."
9. The applicant states "As Maui's population and health services demand grow, the proposed ASC will provide the necessary OR capacity allowing physicians and providers to efficiently schedule and perform outpatient surgery."
10. The applicant states "Working with an independent consultant, Maui Health identified an existing shortage of more than twelve (12) physicians practicing in the service area for the following specialties: Gastroenterology, General Surgery, Ophthalmology, Orthopedics, Cardiac Surgery, Otolaryngology, and Urology. To address this community physician shortage, Maui Health has dedicated substantial resources to recruiting surgeons. However, new surgeons entering the market have limited surgical venue options..."
11. The applicant states that "In response to the limited existing capacity and growing demand, Maui County needs a technologically advanced outpatient surgery center to meet the needs of community physicians, surgeons, and patients."
12. The applicant states that "The proposed ASC will be accessible to all residents of and visitors to Maui County including racial and ethnic minorities, women, persons with disabilities and other underserved groups. It will provide services to patients covered by private insurance, Medicare, Medicaid, and will provide charity care for patients with significant needs and limited financial resources who do not have health insurance."
13. The applicant states that "The proposed ASC will have the necessary resources to provide safe, high-quality, and affordable care based on the latest medical research, evidence, and technology through a unique partnership with Maui Health (a KP affiliate), Surgery Partners, and community physicians. The proposed Joint venture allows the ASC to leverage Maui Health's nationally recognized health care quality, Surgery Partners' surgical management excellence, and Maui community physicians' specialized expertise."
14. The applicant states "Consistent with Maui Health and Surgery Partners' existing protocols, Maui Nui ASC will implement quality assessment and performance improvement programs to ensure high quality healthcare and compliance with all required licensure and certification requirements. The proposed ASC will be licensed by the Hawaii Department of Health and certified by Medicare."

15. The applicant states "Staff will include administration personnel, licensed physicians, advanced practice professionals, and nurses who will provide patient care under the ASC's written protocols, policies, and procedures. Physicians and surgeons performing procedures at the ASC must acquire and maintain privileges at MMMC. MMMC medical staff members with surgical privileges are credentialed per MMMC Bylaws as well as State and Federal Accreditation Standards and Regulatory Requirements. If an ASC patient requires hospitalization, the performing physician or surgeon will be responsible for coordinating the patient's transfer to MMMC. All providers and staff will maintain their expertise through appropriate training and education requirements."
16. The applicant projects operating revenue of \$7,574,076 and total expenses of \$6,647,892 in the first year of operation and operating revenue of \$16,080,263 and total expenses of \$11,367,658 in the third year of operation.
17. The applicant states that "The proposed Maui Nui ASC is a joint-venture collaboration between Maui Health, Surgery Partners, and community physicians. Maui Health's community hospitals are Maui County's lifeline to acute and emergency care. Physicians on Maui Health's medical staff are independent physicians, whether solo practitioners or associated with a medical group. A joint venture model preserves physicians' independence while providing an opportunity to expand resources in the local healthcare community. Together, the ASC partners create a dedicated care team to serve the Maui community and improve the health of Maui's families, friends, neighbors, and visitors."
18. The applicant states that "There are two existing multispecialty ASCs on Maui: the Kaiser Permanente (KP) Wailuku Ambulatory Surgery Center and Aloha Surgical Center. As previously mentioned, the proposed ASC aims to provide outpatient surgical services that would otherwise be performed off-island at other facilities or on Maui at MMMC. Therefore, the ASC will avert unnecessary off-island travel for Maui patients and increase OR availability for inpatient procedures at MMMC. Consequently, Maui Nui ASC does not anticipate disturbing or significantly impacting established ASC operations."
19. The applicant states that "...Maui Nui ASC, LLC anticipates Maui Health's parent company to supply a loan for the project. Additional cash funding will become available as qualified physician investors join the partnership."
20. The applicant states that "Maui Nui ASC LLC will employ health care staff including registered nurses, technicians, medical assistants, billing and collections staff, and office personnel. Consistent with Maui Health's "grow your own" initiative, Maui Nui ASC, LLC is similarly committed to improving the community's training pipeline. The proposed ASC will hire and train new graduates from local universities and certification programs. The ASC's joint venture with Surgery Partners will ensure expert management as well as recruitment and development practices to operate the facility. Additional staffing for the ASC will flex based on utilization. If necessary, Maui Nui ASC LLC is prepared to engage contracted or temporary staff."

- B. Pursuant to Title 11, Chapter 186 of the Hawaii Administrative Rules (HAR), the Agency finds that this proposal is eligible for administrative review as it meets the criterion in HAR Subsection 11-186-99.1(b) (6), i.e.: "Any proposal which is determined by the agency not to have a significant impact on the health care system."

Conclusions and Order

Pursuant to Title 11, Chapter 186, HAR, the Agency has determined that:

- (a) The Proposal is eligible for administrative review as it meets one or more of the criteria in HAR 11-186-99.1(b).
- (b) The applicant, Maui Nui ASC, LLC, has proven by a preponderance of the evidence that the Proposal meets the Certificate of Need criteria in HAR 11-186-15 (a).
- (c) There is no compelling public interest which will be served by requiring the application to go through the standard review process.

As required under Subsection 323D-43(b), Hawaii Revised Statutes, the Agency has determined that:

- 1. There is a public need for the Proposal.
- 2. The cost of the Proposal will not be unreasonable in light of the benefits it will provide and its impact on health care costs.

Accordingly, the State Health Planning and Development Agency hereby APPROVES and ISSUES a Certificate of Need to Maui Nui ASC, LLC for the Proposal described in Certificate of Need Application #22-22A. The maximum capital expenditure allowed under this approval is \$20,650,000.



Darryl D. Shutter
Acting Administrator