



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: # 23-01A Date of Receipt: _____
To be assigned by Agency

STATE HEALTH
& DEV. AGENCY

APPLICANT PROFILE

Project Title: Establishment of MRI Services at Hawaii Diagnostic Radiology Services, LLC's Waipahu Imaging Center

Project Address: 94-730 Farrington Highway, Suite 100

Waipahu, Hawaii 96797

Applicant Facility/Organization: Hawaii Diagnostic Radiology Services, LLC

Name of CEO or equivalent: Jeffrey Yeoh, MD

Title: President

Address: 2228 Liliha Street, Suite 305, Honolulu, Hawaii 96817

Phone Number: (808) 949-0091 Fax Number: (808) 957-0005

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

Jeffrey Yeoh, MD

Name (please type or print)

Date

President

Title (please type or print)

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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: _____

2. PROJECT LOCATION INFORMATION

A. Primary Service Area(s) of Project: (please check all applicable)

- Statewide: _____
- O`ahu-wide: X
- Honolulu: _____
- Windward O`ahu: _____
- West O`ahu: X
- 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.)

Building Permit

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 Articles of Organization attached as Attachment 3.
- By-Laws: Not applicable.
- Operating Agreement: See Attachment 4.
- Tax Key Number (project's location): (1) 9-4-14-14

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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
TOTAL			

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6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All Project Costs:	23 MAR 10 A10 :54	AMOUNT:
1. Land Acquisition		_____
2. Construction Contract	ST. HELENA & DEV. AGENCY	<u>\$750,000.00</u>
3. Fixed Equipment		<u>\$1,399,461.00</u>
4. Movable Equipment		_____
5. Financing Costs		<u>\$16,417.47</u>
6. Fair Market Value of assets acquired by lease, rent, donation, etc.		_____
7. Other: <u>Furniture, supplies, computer, misc. fees</u>		<u>\$60,000.00</u>
TOTAL PROJECT COST:		<u>\$2,225,878.47</u>

B. Source of Funds

1. Cash	_____	
2. State Appropriations	_____	
3. Other Grants	_____	
4. Fund Drive	_____	
5. Debt	<u>\$2,225,878.47</u>	
6. Other: _____	_____	
TOTAL SOURCE OF FUNDS:		<u>\$2,225,878.47</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.

Establishment of MRI services at Hawaii Diagnostic Radiology Services, LLC's Waipahu Imaging Center. Reference HAR § 11-186-5-(3)(J).

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 2, 2021
- b) Dates by which other government approvals/permits will be applied for and received:
Building Permit from City & County of Honolulu will be applied for after CON approval and is expected to take 180 days to receive.
- c) Dates by which financing is assured for the project: Completed
- d) Date construction will commence: January 2024 – pending building permit approval
- e) Length of construction period: 4 months
- f) Date of completion of the project: May 1, 2024
- g) Date of commencement of operation: June 1, 2024

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.

EXECUTIVE SUMMARY

Hawaii Diagnostic Radiology Services, LLC (“HDRS”) offers a full range of diagnostic medical imaging services through its four facilities on the island of Oahu. To expand its ability to service Oahu’s residents, HDRS seeks SHPDA’s approval to establish MRI services at its Waipahu office located at 94-730 Farrington Highway, Suite 100, Waipahu, Hawaii 96797 (the “Waipahu Imaging Center”). Currently, HDRS offers MRI services at two of its Oahu imaging centers, one located at 1441 Kapiolani Blvd, Suite 310, Honolulu, Hawaii (the “Ala Moana Imaging Center”) and the other located at 2230 Liliha Street, Suite 106, Honolulu, Hawaii (the “St. Francis Imaging Center”).

Specifically, HDRS seeks SHPDA’s approval to install a state-of-the-art Siemens MAGNETOM Skyra 3T MRI unit (the “MAGNETOM Skyra”) at the Waipahu Imaging Center. The MAGNETOM Skyra features a groundbreaking system incorporating Tim 4G and DOT technologies. As a top-of-the-line 70 cm 3T system, it offers a full range of applications and technologies to address different customer needs ranging from clinical routine to research. The MAGNETOM Skyra also improves upon existing technology as it offers better signal purity/stability, workflow, patient personalization, noise reduction, and patient comfort. The noise reduction technology is especially critical for HDRS’s veteran patients with PTSD and those patients otherwise sensitive to noise. Overall, the MAGNETOM Skyra is designed to give providers the versatility they need to meet the increasing demands in healthcare, while improving patient experience and comfort.

HDRS plans to allocate certain office space at the Waipahu Imaging Center to accommodate the MAGNETOM Skyra at the Waipahu Imaging Center. The construction involved will include building the foundation to support MAGNETOM Skyra and the appropriate shielding. Nearby lounges will also be renovated into MRI exam rooms, equipment rooms, and patient changing stalls. Finally, the fire alarm system will need to be modified.

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

The Hawaii Health Services and Facilities Plan (the “HSFP”) states that, for a new MRI service/unit, the minimum annual utilization for each provider in the service area should be 2,700 procedures per unit and the utilization of the new MRI service/unit should be projected to meet the minimum utilization rate by the third year of operation.

Reviewing Honolulu County’s most recent MRI utilization data available from 2021, nearly every service location exceeds the 2,700 procedures per unit threshold. See Table 1.

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Facility	Number of MRI Units	Number of Procedures	Procedures Per Unit
Adventist Health Castle	1	3,265	3,265
Hawaii Advanced Imaging Institute	2	3,405	1,703
Hawaii Diagnostic Radiology Services – Ala Moana	1	961	961
Hawaii Diagnostic Radiology Services – Liliha	1	6,828	6,828
Honolulu Imaging Center (acquisition from HAI)	--	--	--
InVision Imaging	2	11,495	5,748
Kaiser Permanente Mapunapuna Medical Office	1	2,796	2,796
Kaiser Permanent Moanalua Medical Center	2	12,209	6,105
Kapiolani Medical Center for Women and Children	2	3,502	1,751
Kuakini Medical Center	1	2,513	2,513
Pali Momi Medical Center	2	8,502	4,251
Straub Clinic & Hospital	1	4,600	4,600
The Queen's Medical Center – Punchbowl	4	14,054	3,514
The Queen's Medical Center – West Oahu	2	7,544	3,772

Only four locations—Hawaii Advanced Imaging Institute (nka Honolulu Imaging Center), HDRS Ala Moana, Kapiolani Medical Center, and Kuakini Medical Center—fall short of the 2,700 procedures minimum annual utilization per unit threshold. However, Hawaii Advanced Imaging Institute's numbers reflect only procedures performed during nine months of the year as it was acquired by Hawaii Pacific Health Partners, Inc. on September 30, 2021. It is also important to note that, like Hawaii Advanced Imaging Institute/Honolulu Imaging Center, the other three imaging centers that fall below the 2,700 threshold are located in Honolulu, far from the West and Central parts of Oahu (the "Waipahu Area") that the proposal seeks to service.

Based on the many benefits associated with the proposal, it is a prime candidate for sub-optimum utilization permitted under the HSFP. The HSFP recognizes that certain circumstances warrant approval under sub-optimum utilization even if the required threshold for a particular health care service is not met, "if the benefits clearly outweigh the costs to the community of duplicating or under-using services, facilities, or technologies." The HSFP further states that such benefits may include "improved access for the service area(s) population combined with significant improvement in quality and/or significant reduction in cost to the public." Thresholds may also be modified to "incorporate current and best clinical practices" (here, best practice requires minimizing the distance that a patient requiring MRI services must travel for necessary treatment). The HSFP also provides that thresholds may be modified to "address the documented needs of an actual population rather than basing care design on statistical generalizations."

HDRS's proposal meets all of the requirements which warrant sub-optimum utilization, based primarily on the fact that demand for MRI services in the Waipahu Area has far outpaced supply. Through its operation of several imaging centers all over

¹ <https://health.hawaii.gov/shpda/files/2022/10/2021UR-Table-24-Magnetic-Resonance-Imaging-MRI-Utilization-1.pdf>

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the island, HDRS has observed there to be a shift in demand for MRI services between regions, which has resulted in a significant rise in the need for MRI services in the Waipahu Area. The reality is that there are currently only a few MRI machines in the Waipahu Area, all which operate well above the 2,700 threshold. As further proof of unmet need, the current wait time for patients to schedule and obtain an MRI exam in the Waipahu Area extends to over a month long. These factors demonstrate that the need for the proposal is immediate and critical—and that SHPDA's approval of the application under sub-optimum utilization will provide benefits that outweigh any costs to the community in the form of (1) improving access to MRI services for the populations located in and around the Waipahu Area, (2) maintaining best clinical practices, (3) reducing costs for the public (including higher costs associated with delayed diagnosis/treatment and travel costs + associated burdens), and (4) addressing the actual documented need of patients residing in the Waipahu Area.

HDRS also projects the demand for MRI services in the Waipahu Area to continue to increase in the coming years because of its geographic proximity to up and coming communities and overall demand trends—further supporting approval under the sub-optimum utilization standards set forth in the HSFP. As a result of these projections, HDRS 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.

This proposal will specifically ensure access to high quality imaging services for Waipahu Area residents. The 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 also encourage patients to obtain these imaging procedures by improving accessibility and, thereby, lowering health care costs associated with delayed diagnosis and treatment.

Finally, this proposal will promote the following West Oahu SAC priorities:

- Improve and increase access to specialty care and routine outpatient diagnostic services; and
- Improve education and increase preventive medicine.

b) Need and Accessibility

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Even with a temporary dip in MRI procedures performed on Oahu because of the start of the pandemic in 2020 and the uncertainty that followed, demand for MRI services has increased steadily at Oahu's facilities over the past four years. Table 2, below, shows a snapshot of this trend.

Year	Number of MRI Procedures Performed
2018	75,233
2019	79,632
2020	72,505
2021	81,674

Therefore, it makes sense that HDRS has received numerous requests to initiate MRI services at the Waipahu Imaging Center. So far, such requests have come from the VA, Hawaii Pacific Neuroscience (which has a location in Waikele), and many Waipahu-based physicians. It is the month long backlog for MRI services in the Waipahu Area that likely motivated these health care providers to reach out to HDRS for support. Regardless, the current treatment delays caused by a lack of supply indicates significant need for MRI services, particularly in this designated section of the island.

Overall, HDRS believes the recent surge is a collective result of several factors:

- The population numbers in the Waipahu Area have grown, both in terms of people living and working in the surrounding communities. This has contributed to an increase in demand for MRI services that are near to people's place of residence and work.
- In recognition of the population growth trends, many new physicians have recently established health care services in the Waipahu Area. These independent physicians oftentimes have a need to refer their patients to obtain MRI services and have expressed to HDRS their desire to have an option closer in proximity to which they can refer patients.
- There is a nearby Veterans Affairs (VA) Center that caters to the influx of veterans living in and near to the Waipahu Area, a significant portion which require consistent and easy access to MRI services in support of their overall health care needs. For many of these veterans, traveling into town to get their exams done is difficult and extremely burdensome. However, with the significant backlogs and logistical issues encountered at currently available imaging centers and hospitals on the island, traveling into Honolulu is often their only option to receive MRI services in a reasonably timely manner.

² <https://health.hawaii.gov/shpda/files/2019/11/Table-24-Magnetic-Resonance-Imaging-MRI-Utilization.pdf>; <https://health.hawaii.gov/shpda/files/2020/12/2019UR-Table-24-Magnetic-Resonance-Imaging-MRI-Utilization-Rev-20210203.pdf>; <https://health.hawaii.gov/shpda/files/2021/10/2020UR-Table-24-Magnetic-Resonance-Imaging-MRI-Utilization.pdf>; <https://health.hawaii.gov/shpda/files/2022/10/2021UR-Table-24-Magnetic-Resonance-Imaging-MRI-Utilization-1.pdf>

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For those individuals among which HDRS and its partners in the industry have identified a surge in demand for MRI services, making MRI services available at the Waipahu Imaging Center would help HDRS patients avoid the need to travel into town from places like Ewa Beach and Kapolei. The Waipahu Imaging Center is conveniently located right along the rail line and within walking distance to several bus stops and a rail station (the latter which is situated only one block away).

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The MRI services offered at the Waipahu Imaging Center will be accessible to all residents on Oahu, including low income persons, racial and ethnic minorities, people with disabilities, the elderly, and the medically underserved.

c) Quality of Service/Care

HDRS has provided imaging services on Oahu for many years and in that time has earned a reputation as a provider that delivers high quality care at reasonable prices. HDRS 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. HDRS's staff technologists will be certified by the American Registry of Radiologic Technologists. HDRS 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 construction costs associated with bringing MRI service capabilities into the Waipahu Imaging Center will be \$750,000.00. In addition, the new equipment will cost \$1,399,461.00, which includes the price of the equipment, installation, and staff training.

First and third year revenue and cost projections for the first and third years of operations with MAGNETOM Skyra 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	\$2,090,358	\$3,266,185
Operating Expenses		
Salaries, Wages, Benefits	(\$384,000)	(\$422,400)
Other Expenses	(\$600,000)	(\$700,000)
Depreciation	(\$559,784)	(\$103,805)
Total Expenses	(\$1,543,784)	(\$1,226,205)
Net Income (Loss) from Operations	\$546,574	\$2,039,980
Add Back: Depreciation	\$559,784	\$103,805
Excess (Deficit) Fund from Operations	\$1,106,358	\$2,143,785

e) Relationship to the existing health care system

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This proposal is not expected to have any negative impact on the existing health care system. It is intended to expand HDRS's ability to deliver imaging services on Oahu in a way that appropriately addresses the growing demand for such services in the Waipahu Area. If anything, HDRS expects this proposal will only enhance the services provided by health care providers both within the City & County of Honolulu and throughout the state.

ST. HENRY PLAZA
& DEV. AGENCY

f) Availability of Resources.

HDRS currently employs 2 front desk staff, 1 mammograph technologist, 1 ultrasound technologist, and 1 x-ray technologist at the Waipahu Imaging Center. HDRS will add 2 new MR technologists and 2 technologist assistants to staff the MAGNETOM Skyra. HDRS 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.

There are minimal financial obstacles to this proposal. Siemens Financial Services, Inc., 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 line.

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.