



ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: # 12-06A Date of Receipt:
To be assigned by Agency

APPLICANT PROFILE

Project Title: Renovation and Expansion of Emergency Department

Project Address: 67-1125 Mamalahoa Highway, Kamuela, HI 96743

Applicant Facility/Organization: North Hawaii Community Hospital

Name of CEO or equivalent: Kenneth F. Wood

Title: Chief Executive Officer

Address: 67-1125 Mamalahoa Highway, Kamuela, HI 96743

Phone Number: (808) 881-4400 Fax Number: (808) 881-4404

Contact Person for this Application: Kenneth F. Wood

Title: Chief Executive Officer

Address: 67-1125 Mamalahoa Highway, Kamuela, HI 96743

Phone Number: (808) 881-4400 Fax Number: (808) 881-4404

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

Date

Kenneth F. Wood
Name (please type or print)

Chief Executive Officer
Title (please type or print)

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: _____

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)

There is no site control documentation because the emergency department expansion and renovation will take place within the existing hospital building.

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 from County of Hawaii

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 Incorporation: See Attachment 2
- By-Laws: See Attachment 3
- Partnership Agreements: Not applicable
- Tax Key Number (project's location) – 3(6)7-002-013:0000

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			X		
Outpatient Facility					
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:

AMOUNT:

1.	Land Acquisition	_____
2.	Construction Contract	<u>\$ 4,089,875</u>
3.	Fixed Equipment	_____
4.	Movable Equipment	<u>\$ 899,632</u>
5.	Financing Costs	_____
6.	Fair Market Value of assets acquired by lease, rent, donation, etc.	_____
7.	Other: <u>Professional Fees, miscellaneous expenses and contingencies</u>	<u>\$ 1,079,327</u>

TOTAL PROJECT COST: \$ 6,068,834

B. Source of Funds

1.	Cash	_____
2.	State Appropriations	_____
3.	Other Grants	_____
4.	Fund Drive	<u>\$ 6,068,834</u>
5.	Debt	_____
6.	Other: _____	_____

TOTAL SOURCE OF FUNDS: \$ 6,068,834

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.

Not applicable

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: Because the proposal involves renovation of the existing hospital building, NHCH already controls the site.

b) Dates by which other government approvals/permits will be applied for and received:

Building permit from the County of Hawaii
 Applied for: April 2012
 Received: July 2012

c) Dates by which financing is assured for the project: July 2012

d) Date construction will commence: July 2012

e) Length of construction period: Fourteen months

f) Date of completion of the project: August 2013

g) Date of commencement of operation: August 2013

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.

North Hawaii Community Hospital ("NHCH") is a private, non-profit community hospital that serves over 30,000 residents who reside in the north central part of the Island of Hawaii. Consistent with the State of Hawaii Health Services and Facilities Plan ("HSFP"), NHCH's mission is to improve the health status of the residents of the North Hawaii region by improving access to high quality patient care and high quality services at a reasonable cost. In continuation of its efforts to provide high quality patient care, NHCH plans to renovate and expand its emergency department ("Proposed Project"). The Proposed Project will enable NHCH to provide faster service with decreased wait times, greater privacy and upgraded technology to the residents of NHCH's service area.

The Proposed Project is part of a larger effort to modernize NHCH's facilities, which will take place in two phases. To ensure uninterrupted access to emergency care for residents of NHCH's service area, the first phase will involve the temporary relocation of the emergency department ("ED") within the main hospital building. Once the temporary ED is constructed and operational, the second phase will commence. During this phase, the existing ED will be renovated and expanded. Once the second phase is completed, the newly renovated and expanded ED will replace the temporary ED. The Proposed Project will proceed in two phases to ensure that emergency medical care will not be affected by the renovation and expansion.

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

The Proposed Project will advance the Statewide Health Coordinating Council ("SHCC") priority of ensuring maintenance of overall access to quality health care at a reasonable cost and the specific concern relating to the establishment of the statewide trauma system. Currently, NHCH's ED treats 12,000 patients annually. However, it has not been significantly upgraded since the hospital was built in 1996. The Proposed Project will double the size of NHCH's existing ED from 2,700 square feet to 6,000 square feet and increase NHCH's ED capacity to treat about 4,000 more patients annually. More importantly, the reconfigured ED will allow NHCH to adapt to the changing nature of the services the ED provides. As people in the community have increasingly turned to the ED for primary care services, the hospital estimates that the number of ED visits by people seeking non-urgent care has grown to about 70% of total visits. The ED now has four beds, separated primarily by curtains. However, during periods of peak demand, the ED supplements these beds with additional beds in the hallway. The current configuration offers very little patient privacy.

The new ED will feature 12 private treatment rooms, including one designated for full trauma, nine for regular treatment, and two triage or minor treatment rooms. The new configuration will mean more privacy for patients, making their ED experience less stressful for them.

The new ED will also feature upgraded technology, including flatbed x-ray, fluoroscopy, digital mammography with stereotactic biopsy, and improved cardiac monitoring. Other new equipment will allow 50 to 70 percent of lab tests to be completed with portable equipment at the patient's bedside in no more than 5 to 7 minutes. These shorter wait times for test results will provide physicians with greater continuity of treatment because they will be able to see lab

results almost immediately and make treatment decisions before moving on to another patient. The new electronic medical record system will keep all relevant patient information at the doctors' fingertips. This use of improved technology will not only improve the quality of care for NHCH's ED patients, but also allow physicians to use their time more effectively.

NHCH estimates that non-urgent care patients will be treated and released from the new ED in less than one hour. The hospital anticipates that patients with emergency situations followed by discharge, which account for 12 percent of the visits to NHCH's ED, will be handled within a window of two hours or less. Emergency care followed by an admission to the hospital (accounting for 14 percent of visits) will be handled within no less than 3 hours. Finally, emergency situations that require transportation to an off-island hospital, which make up 3 percent of visits to the ED will be handled with a goal of taking no longer than four hours.

Accordingly, the Proposed Project will increase the overall access to high quality emergency medical care to the residents of the North Hawaii region.

The Proposed Project also will advance the SHCC priorities of promoting and supporting the long-term viability of the health care delivery system by facilitating access to the appropriate level of care in a timely manner. Delays in receiving emergency medical care may lead to increased health care costs due to increased patient morbidity and mortality. The Proposed Project will provide faster service with decreased wait times and lessen overcrowding, thereby preventing increased patient morbidity and mortality.

The Proposed Project will address the SHCC area of concern pertaining to the establishment of a statewide emergency and trauma system. As discussed above, the expansion and renovation of NHCH's existing ED will increase the overall access to high quality emergency medical care, thereby strengthening NHCH's role in the statewide emergency and trauma system.

Finally, this proposal will address the Hawaii Country Subarea Council's priority to increase the number of, improve access to, and improve quality of health care facilities by increasing the capacity for and quality of emergency care offered by NHCH.

b) Need and Accessibility

The Proposed Project is necessary in light of Hawaii County's increasing population and significant rates of death caused by heart disease, stroke and motor vehicle accidents. From 2000 to 2010, Hawaii County was the fastest growing county in the state with a population increase of almost 25%. See U.S. Census Bureau State & County QuickFacts: Hawaii County, Hawaii, <http://quickfacts.census.gov/qfd/states/15/15001.html>. In addition, from 2000 to 2009, Hawaii County generally had the highest rates of death due to heart disease, stroke and motor vehicle accidents in the state. See Department of Health: Vital Statistics, <http://hawaii.gov/health/statistics/vital-statistics/index.html>. These statistics illustrate the need for increased ED capacity at NHCH.

NHCH is the only easily accessible provider of emergency medical services for residents of north-central Hawaii. The drive to other medical facilities in Hilo or Kealahou takes more than an hour under ideal conditions, and the twisting mountain roads are sometimes inaccessible because of rock slides or poor weather conditions. The Hawaii Health Systems Corporation ("HHSC") hospitals at Honokaa and Kohala serve primarily as long term care

facilities. They are each licensed for only 4 acute care beds and provide only the most basic emergency services. The map included as Attachment 4 shows the location and number of licensed beds for all the hospitals on the island of Hawaii.

Currently, NHCH's ED treats 12,000 patients annually. However, it has not been significantly upgraded since the hospital was built in 1996. Based on the growth of its inpatient and outpatient admissions in recent years, NHCH projects that demand for its emergency department services will continue to increase at an average rate of about 2.5% per year. The Proposed Project will double the size of NHCH's existing ED from 2,700 square feet to 6,000 square feet and increase NHCH's ED capacity to treat about 4,000 more patients annually. More importantly, the reconfigured ED will allow NHCH to adapt to the changing nature of the services the ED provides. As people in the community have increasingly turned to the ED for primary care services, the hospital estimates that the number of ED visits by people seeking non-urgent care has grown to about 70% of total visits. The ED now has four beds, separated primarily by curtains. However, during periods of peak demand, the ED supplements these beds with additional beds in the hallway. The current configuration offers very little patient privacy.

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Accordingly, the Proposed Project will increase the overall access to high quality emergency medical care to the residents of the North Hawaii region.

NHCH provides services on a non-discriminatory basis to all residents and visitors within its service area, including low-income individuals, racial and ethnic minorities, women, individuals with disabilities, other underserved groups, and the elderly.

NHCH has a separate entrance for patients arriving via ambulance and provides ample parking and handicap accessible parking. In addition, air ambulance service is available to transport patients to and from NHCH as needed.

c) Quality of Service/Care

The Proposed Project will operate in the tradition of NHCH's mission to provide the highest quality of patient care and services. NHCH is nationally recognized for its excellent high quality patient care. In 1998, The Joint Commission accredited and ranked NHCH number one in its national survey. In 2001, the AARP Modern Magazine listed NHCH as the top fifteen "Hospitals with Heart" and HMSA ranked NHCH number one in HMSA's Hospital Quality and Recognition Program in the small hospital category. In addition, NHCH was the first in Hawaii and one of only 36 hospitals in the nation to receive the American Heart Association's Coronary Artery Disease Initial Performance Award. NHCH continues to provide high quality patient care and high quality services as evidenced by its American Heart Association Gold Award for Performance Achievement in Cardiac Patient Care in 2008 and The Joint Commission Gold Seal of Approval awarded in 2010. These awards have translated to an overall higher patient satisfaction than the state average. See Department of Health and Human Services: Hospital Profile – North Hawaii Community Hospital, <http://www.hospitalcompare.hhs.gov/hospital-profile.aspx?pid=120028&lat=20.03908&lng=-155.7134&/>. The Proposed Project will continue to operate in accordance with the same high quality patient standards.

NHCH will take whatever steps are necessary to comply with State and Federal regulations for delivery of care and maintenance of equipment and clinical environment. The hospital is Medicare certified, and licensed by the Department of Health.

Patient care at the NHCH is provided by physicians who are credentialed in accordance with the Medical Staff Bylaws and Rules and Regulations.

NHCH will conduct regular performance reviews of employees which, among other purposes, will be used to identify strengths, discover areas for improvement and document professional performance. The hospital conducts regular in-service training to assist its personnel in maintaining and improving their clinical skills.

NHCH will continually assess and improve the quality of care given to its patients through the methods outlined in its written Performance Improvement and Risk Management Plan.

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

As documented on page 4 of 10 of the application, the project is estimated to cost \$6,068,834, which included \$4,089,875 for construction expenses, \$899,632 for movable equipment and \$1,079,327 for professional fees, miscellaneous expenses and contingencies. The project will be paid for by donations from charitable organizations and the substantial donor community in West Hawaii and Kamuela, which has traditionally supported the hospital's fund raising efforts, on an incremental basis to coincide with the planned phases of construction.

Revenue and cost projections for the renovated ED's first and third years of operation are summarized in the table below:

	Projected 1st Full Year Operations	Projected 3rd Full Year Operations
Total Operating Revenue	\$4,958,191	\$4,644,173
Operating Expenses		
Salaries, Wages, Benefits	\$1,733,938	\$1,773,829
Other Expenses	\$ 697,721	\$ 719,225
Depreciation	\$ 633,333	\$ 633,333
Total Expenses	\$3,064,992	\$3,126,387
Net Income (Loss) from Operations	\$1,533,199	\$1,517,785
Add Back: Depreciation	\$ 633,333	\$ 633,333
Excess (Deficit) Fund from Operations	\$2,166,532	\$2,151,118

e) Relationship to the existing health care system

As discussed above, increased emergency department wait times and overcrowding are barriers to emergency care that may lead to increased morbidity and mortality. Such delays in emergency medical intervention and treatment may lead to increased health care costs. The Proposed Project will double the size of NHCH's existing ED and increase its capacity to treat 4,000 more patients annually. This will enable NHCH's ED to provide faster service with decreased wait times.

The Proposed Project is necessary to meet the expected demands for increased ED utilization in light of Hawaii County's increasing population growth and significant rates of death caused by heart disease, stroke and motor vehicle accidents. Accordingly, the Proposed Project will not have any negative or significant impact on the health care system.

f) Availability of Resources

The project will be paid for by donations from charitable organizations and the substantial donor community in West Hawaii and Kamuela, which has traditionally supported the hospital's fund raising efforts, on an incremental basis to coincide with the planned phases of construction.

The temporary and renovated EDs will be staffed primarily with NHCH's existing personnel. NHCH anticipates adding two new staff positions when the ED renovation is completed: one nurse who will be responsible for triage and a nurse practitioner to accommodate expected increased demand for clinical staff. NHCH is confident that it will be able to fill these positions through inquiries and interviews with persons in the community with the requisite training and experience.

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.