



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: # 12-09A Date of Receipt: _____
To be assigned by Agency

APPLICANT PROFILE

Project Title: Kaiser Permanente Ko'olau Clinic Renovation and Expansion

Project Address: 45-602 Kamehameha Highway, Kaneohe, HI 96744

Applicant Facility/Organization: Kaiser Foundation Health Plan, Inc.

Name of CEO or equivalent: Janet Liang

Title: Regional President, Kaiser Foundation Health Plan, Inc. - Hawaii Region

Address: 2828 Pa'a Street, Honolulu, HI 96819

Phone Number: (808) 432-5850 Fax Number: _____

Contact Person for this Application: Jamie Cameros

Title: Senior Planning Analyst

Address: 1292 Waiuanuenue Avenue, Hilo, 96720

Phone Number: (808) 780-5468 Fax Number: _____

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 Janet Liang

Date 4-16-12

Janet Liang
Name (please type or print)

Regional President, Hawaii Region
Title (please type or print)

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

- Public _____
- Private _____
- Non-profit X
- For-profit _____
- Individual _____
- Corporation X
- Partnership _____
- Limited Liability Corporation (LLC) _____
- 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: X
- 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) **N/A – existing site is already owned by Kaiser Permanente**
- 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 Permits – City & County of Honolulu
Certificate of Occupancy – City & County of Honolulu
Fire Marshall's Approval – County of Honolulu, Fire Prevention Bureau
- C. Your governing body: list by names, titles and address/phone numbers
Attachment A
- 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 **Attachment B**
 - By-Laws **Attachment C**
 - Partnership Agreements **N/A**
 - Tax Key Number (project's location) **1450390050000**

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.

N/A

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	\$ 8,004,027
3. Fixed Equipment	\$ 425,175
4. Movable Equipment	\$ 1,017,000
5. Financing Costs	_____
6. Fair Market Value of assets acquired by lease, rent, donation, etc.	_____
7. Other: _____	_____
TOTAL PROJECT COST:	\$ 9,446,202

B. Source of Funds	
1. Cash	\$ 9,446,202
2. State Appropriations	_____
3. Other Grants	_____
4. Fund Drive	_____
5. Debt	_____
6. Other: _____	_____
TOTAL SOURCE OF FUNDS:	\$ 9,446,202

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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.

No change of service is being requested. Applicant is respectfully requesting approval to renovate and expand the existing outpatient Ko'olau Clinic to address multiple facility issues and resize departments to current space standards.

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; **1965**
- b) Dates by which other government approvals/permits will be applied for and received; **May 2012, October 2012**
- c) Dates by which financing is assured for the project; **N/A**
- d) Date construction will commence; **August 2012**
- e) Length of construction period; **12 months**
- f) Date of completion of the project; **July 2013**
- g) Date of commencement of operation; **July 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.

See pages 7-12

- 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.

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.

Executive Summary

Kaiser Foundation Health Plan, Inc. (herein referred to as "Kaiser Permanente") requests approval from the State Health Planning and Development Agency to renovate and expand its existing Ko'olau Clinic located at 45-602 Kamehameha Hwy in Kaneohe, Oahu for a project cost of \$9.45 million.

The Ko'olau Clinic opened in 1965 and is one of the oldest medical office facilities in the Kaiser Permanente Hawai'i Region. Having received limited capital investment over the past 47 years, its functionality has not kept current with the organization's evolving care delivery needs, shows wear normally associated with a facility of its age, is severely undersized, and has immediate issues with its Mechanical, Electrical, and Plumbing (MEP) systems. Even without the renovation and expansion of this facility, there are \$6.7 million worth of MEP repairs that will need to be addressed.

In order to alleviate the Ko'olau Clinic space constraints and ensure quality care for patients and members, Kaiser Permanente embarked on a service delivery and functional space planning effort to decompress the facility. After carefully reviewing several viable alternatives - including leasing new space and constructing a new medical office building on a parcel of undeveloped land - Kaiser Permanente has determined that the best alternative is to renovate and expand the existing Ko'olau Clinic.

Kaiser Permanente plans to expand the Ko'olau Clinic by 5,400 square feet. This will allow departments to have the space needed to appropriately deliver care and will be the first step in addressing the facility's functionality and capacity issues to ensure continuity of quality care to the Windward community.

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

The project, as described in this application, relates well to the priorities of the Statewide Health Coordinating Council (SHCC) and the Windward Subarea Planning Council (WSAC):

- ✓ Promote and support the long-term viability of the health care delivery system (SHCC),
 - Kaiser Permanente has been providing outpatient services at the Ko'olau Clinic since 1965. By renovating and expanding the Ko'olau Clinic which has facility condition and functionality challenges, Kaiser Permanente will be able to continue to provide high quality outpatient services to its Windward members and patients.
- ✓ Expand and retain the health care workforce to enable access to the appropriate level of care in a timely manner (SHCC),

- The remodeled Ko'olau Clinic will enable Kaiser Permanente to support the current and future health care workforce needed to provide the appropriate level of care in a timely manner.
- ✓ Encourage and support health education, promotion, and prevention initiatives (SHCC),
- ✓ Education and Prevention, through collaborative partnerships, improve health with easily accessible education and prevention (WSAC),
 - In addition to the Kaiser Permanente personal physician, health care professionals and support staff collaborate to meet an individual's health needs with their shared expertise and unique knowledge of the patients they serve. The Ko'olau Clinic will continue to provide convenient one-stop access to primary care, laboratory, x-ray, pharmacy, educational classes and other important health care services.
- ✓ Have adequate access to and from the facilities of care or to medical information using emerging technologies (WSAC).
 - To enhance access, Ko'olau Clinic, as with other Kaiser Permanente Clinics, is strategically situated to serve densely populated communities, accessible by public transportation. Kaiser Permanente also encourages members to use its kp.org website to make appointments, access their medical information or contact a provider.

b) Need and Accessibility

The Ko'olau Clinic serves a target area membership of approximately 11,000 members and in 2011 delivered 41,100 face-to-face patient encounters and 36,800 non-face-to-face patient encounters.

The Ko'olau Clinic opened in 1965 and is one of the oldest medical office facilities in the Kaiser Permanente Hawai'i Region. Having received limited capital investment over the past 47 years to cover maintenance, mounting annual repair and upkeep costs, it is functionally challenged, worn, undersized and has immediate issues with its MEP systems.

These challenges make it difficult to meet regulatory requirements and strain normal clinic workflows. Aesthetically, the clinic's current condition negatively impacts Kaiser Permanente's brand image as a leading healthcare organization.

In order to address this, Kaiser Permanente proposes to renovate and expand the existing 11,400 square foot Ko'olau Clinic by 5,400 square feet. This will allow clinic decompression, the appropriate re-sizing of departments to Kaiser Permanente's current space standard and will address multiple facility condition and functionality issues, including to:

- Appropriately size the facility (currently undersized by 44%) and right-size exam rooms to deliver the highest standards of quality care.
- Correct MEP issues totaling \$6.7 million.
- Widen medical assistant workspaces that currently impede patient pathways.
- Right-size the pharmacy, which is currently one quarter of the size recommended for the number of monthly prescriptions filled.

Due to the extent of renovation requirements and to ensure the safety of patients and staff, the Ko'olau Clinic will be taken out of operation for approximately 6 months during construction. Patients will continue to receive the same level of health care service at any of Kaiser Permanente's 17 other outpatient clinics, including the Kailua Clinic, which is situated just 7 miles away.

The proposed project will allow Kaiser Permanente to continue operating the Ko'olau Clinic and retain accessibility for all Ko'olau Clinic patients to outpatient health services and maintain needed access to care for the Windward community. This includes patients with disabilities, low income patients and families, racial and ethnic minorities, women, and the elderly.

Patient access to services at Ko'olau Clinic is convenient as the site is easily accessible by public transportation and has ample parking and curbside access for the HandiVan. Ko'olau Clinic will be renovated to ensure compliance with the Americans with Disabilities Act of 1990, thereby enhancing access for the disabled.

The capacity increase at the Ko'olau Clinic would be directly proportional to an increase in quality care and decreased cost, since more patients would have access to the consistently high level of services that they expect. Under the Kaiser Permanente plan, financial barriers to health services are minimized for all members, who prepay for their medical care through monthly Health Plan dues. They may also pay registration fees at the time of service and co-payments for some services and medical supplies. Since benefits are largely prepaid by monthly membership dues, Kaiser Permanente provides all needed services within a "fixed" budget, which serves as an incentive to maintain the utmost quality of care to keep patients healthy while containing costs. High quality care and effective cost control make it possible to manage future dues increases and expand services and benefits

Kaiser Permanente reduces cultural barriers to care through the availability of bilingual personnel at its facilities and the development of home care plans which account for and respect the variety of cultural backgrounds and beliefs of members. For non-English speaking patients, arrangements for translation are made upon request whenever possible. This arrangement also applies to interpretation for vision-and hearing-impaired patients.

c) Quality of Service/Care

Providing high quality, cost-effective health care is the guiding principle at Kaiser Permanente. Kaiser Permanente is proactive and diligent in the pursuit, maintenance, and improvement of quality care and service. Quality Assurance programs, Disease Management programs, and accreditation by The Joint Commission and the National Committee for Quality Assurance ensure that high quality, cost effective care is being provided in accordance with approved guidelines from all regulatory and accrediting agencies.

Kaiser Permanente began implementation of its Panel Support Tool ("PST") in 2006. PST extracts information from the electronic health record to help physicians manage their panels and ensure patient-centered care is delivered to all members, whether they come in for care or not. This tool enables physicians to easily identify patients who have one or more care gaps (recommended screening, lab, or drug therapies to be administered based on a patient's condition and age). Because PST provides better care management, consistent use of this tool yields significant quality results:

- Avoid expensive acute care episodes.
- Eliminate costly waste.
- More optimal use of physician and staff time.
- Increase member, physician and staff retention.
- Reduce reliance on face-to-face clinic visits by providing effective alternatives.
- Delivery of better overall quality care.

Kaiser Permanente's pursuit of uncompromising quality goals not only ensures the appropriate structure and process of care are in place, but improves outcomes on an ongoing, continuous basis both for patients and for the entire community.

Kaiser Permanente will ensure compliance with required licensure and certification requirements (listed in 3B) including a Certificate of Need from the State Health Planning and Development Agency for the Relocated Facility. Also, as required in the past, individual staff members will maintain current, unencumbered licenses according to State of Hawaii law.

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

Kaiser Permanente has determined that this proposed project will require a capital investment of \$9,446,202. In order to ensure the most efficient use of funds, Kaiser Permanente Hawaii is financing this project through its national program. Kaiser Permanente regions pool their cash and capital needs, allowing certain regions to leverage the cash position of the program to fund capital projects. This project has already been approved by Kaiser Permanente's leadership and funding has been allocated for it.

While capital investment in this project will initially result in higher fixed costs, over time this will be mitigated through operational efficiency and the capacity to serve a greater number of members in the future. The ability to manage the cost will support Kaiser Permanente's efforts to manage premium increases and help keep the health plan affordable for the increasing number of Hawaii residents that select Kaiser Permanente as their healthcare provider.

Since operating revenues are derived primarily from Health Plan dues which are not categorized by the various components of services or by the location of those services, Ko'olau Clinic's direct revenue and cost projections are not available.

e) Relationship to the existing health care system

This proposed project will allow Kaiser Permanente to continue to provide outpatient services to its members and patients living in the Windward area. As Kaiser Permanente is proposing to renovate and right-size its existing facility, there will be no change to the relationship to the existing health care system of the area.

Kaiser Permanente has carefully analyzed several different alternatives, including leasing new space, consolidating services, and constructing a new medical office building on undeveloped land. However due to significantly higher cost, unmet space requirements, and a delay in project schedule, these alternatives were not pursued. After a review of all options, Kaiser Permanente determined that the most operationally and financially feasible option would be to renovate, right-size and enhance the current facility.

f) Availability of Resources

Resources, including funds for capital and operating needs, have been budgeted and are available. Kaiser Permanente is financing this project through its national program capital funding. From a personnel perspective, Kaiser Permanente will retain its existing physicians, ancillary and support staff.