



# HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

## ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 02-15A

Applicant: Aloha Nursing & Rehab Centre

Project Title: Change in ownership from Island Health Care Co. Ltd. to its  
merged general partner, Aloha Management Company, Inc.

Project Address: 45-545 Kamehameha Highway,  
Kaneohe, HI

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

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

2. **PROJECT LOCATION INFORMATION**

A. Project will be located in:

- State Senate District Number:     24
- State House District Number:     50
- County Council District Number:     2
- Neighborhood Board District Number (O`ahu only):     30

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

- Statewide: \_\_\_\_\_
- O`ahu-wide:     X
- 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) **\* Not applicable.**
- 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.) **None**
- C. Your governing body: list by names, titles and address/phone numbers
- 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 **N/A**
  - By-Laws **N/A**
  - Partnership Agreements
  - Tax Key Number (project's location) **4-5-043-063-0000**

**\* The project was developed in 1988. This Administrative Application pertains to the change in ownership of the facility's general partner.**

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					
Private Practice					

\* This Administrative Application pertains to the change in ownership of the facility's general partner.

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
<b>TOTAL</b>			

REPLACEMENT PAGE

6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All Project Costs:

RECEIVED

AMOUNT:

- 1. Land Acquisition '02 JUL 10 AUG 28 \_\_\_\_\_
- 2. Construction Contract \_\_\_\_\_
- 3. Fixed Equipment ST. HILTI FUND. & DEV. RECEIPT \_\_\_\_\_
- 4. Movable Equipment \_\_\_\_\_
- 5. Financing Costs \_\_\_\_\_
- 6. Fair Market Value of assets acquired by lease, rent, donation, etc. \_\_\_\_\_
- 7. Other: FMV of 1% of Partner's Capital \$59,425.00

TOTAL PROJECT COST: \$59,425.00

B. Source of Funds

- 1. Cash \_\_\_\_\_
- 2. State Appropriations \_\_\_\_\_
- 3. Other Grants \_\_\_\_\_
- 4. Fund Drive \_\_\_\_\_
- 5. Debt \_\_\_\_\_
- 6. Other: Funded through tax-free stock swap \$59,425.00

TOTAL SOURCE OF FUNDS: \$59,425.00

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.

There will be a change in ownership of the facility's one percent (1%)

general partner.

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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,
- b) Dates by which other government approvals/permits will be applied for and received,
- c) Dates by which financing is assured for the project,
- d) Date construction will commence,
- e) Length of construction period,
- f) Date of completion of the project,
- g) Date of commencement of operation

**The stock swap will occur prior to August 31, 2002.**

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 Hawai'i Health Performance Plan (H2P2), also known as 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.

  **X**   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**

In August 1988 the facility (Aloha Nursing & Rehab Centre) was built and opened by Heritage Health Care Group of Cleveland Tennessee. On June 1, 1990 Health Care Japan Co Ltd (formerly Medi-Coop Co Ltd) the 99% limited partner (a Japanese Company) and Island Health Care Co Ltd the 1% general partner (a Hawaiian Corporation owned 100% by Health Care Japan Co Ltd) purchased Aloha Nursing & Rehab Centre (formerly Aloha Health Care Center) from Heritage Health Care Group. At about the same time as Island Health Care Co Ltd was set up to be the general partner of Aloha Nursing & Rehab Centre, Health Care Japan Co Ltd also setup Aloha Management Co to be the management company for this project. Both companies were 100% owned by Health Care Japan.

The original purpose for the management company being separate from the general partner was so that if other projects were developed in Hawaii by Health Care Japan, Aloha Management Co would provide the management for the other projects. Two other projects were planned during the early 90's but were later abandoned. Currently, Health Care Japan has no plans to develop other projects in Hawaii, therefore, there is no need to have two separate entities.

The plan is to merge Aloha Management Co and Island Health Care Co Ltd through a stock swap as shown in the attached organization charts for before and after change in ownership structure. Aloha Management Co will be the surviving entity and will continue to provide the management for Aloha Nursing & Rehab Centre. The merger will take place prior to August 31, 2002 the companies fiscal year end.

### **A. Relationship to the Hawaii Health Performance Plan (H2P2), also known as the State of Hawaii Health Services and Facilities Plan.**

The change in the general partner will not affect Aloha Nursing & Rehab Centre's response to the priority of the need for geriatric care services to the growing elderly population indicated in H2P2. Aloha Nursing & Rehab Centre will continue to respond to the long term care needs of the elderly population.

### **B. Need and Accessibility**

The change in the general partner will not impact the bed mix or services provided by the facility. Aloha Nursing & Rehab Centre will continue to provide skilled and intermediate services to residents in need of such care.

### **C. Cost and Finances**

The change in the general partner will not result in the need for additional financing. The change is a stock swap between the existing general partner (Island Health Care Co Ltd) and the management company (Aloha Management Co). Both companies are owned by the same parent company (Health Care Japan Co

Ltd). Aloha Management Co will be the surviving entity. The only cost will be some minor legal cost in drawing up the plan of merger, articles of merger and corporate resolutions. The parent company will be paying for any cost for the merger and it will not impact the facility.

**D. Quality of Service**

The change in the general partner will not impact the quality of care currently provided to the residents. Aloha Nursing & Rehab Centre continues to be committed to providing the highest level of quality service to its residents.

**E. Relationship to the Existing Health Care System**

The change in the general partner will not impact the existing health care system as the change will not impact the services that are currently provided. Aloha Nursing & Rehab Centre will continue to provide nursing services to meet the needs of the community.

**F. Availability of Resources**

The change in the general partner will not impact the availability of resources needed to provide quality care to the residents. Additional funding will not be needed for the change in the general partner.