



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 03-10A

Applicant: PACE Hawaii at Maluhia
1027 Hala Drive
Honolulu, HI
Phone: 808-832-3000

Project Title: Expansion of service area from Honolulu to all of Oahu

Project Address: 1027 Hala Drive
Honolulu, HI

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

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

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2. PROJECT LOCATION INFORMATION

A. Project will be located in:

State Senate District Number: 27 State House District Number: 14
County Council District Number: 14 Neighborhood Board District
Number: 14
(O`ahu only)

B. 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:

3. DOCUMENTATION (Please attach the following to your application form):

- A. Site Control documentation (e.g. lease/purchase agreement, DROA agreement, letter of intent)
- 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.)
- 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
 - By-Laws
 - Partnership Agreements
 - Tax Key Number (project's location)

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. Not Applicable

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: None

AMOUNT:

- 1. Land Acquisition _____
- 2. Construction Contract _____
- 3. Fixed Equipment _____
- 4. Movable Equipment _____
- 5. Financing Costs _____
- 6. Fair Market Value of assets acquired by lease, rent, donation, etc. _____
- 7. Other: _____

TOTAL PROJECT COST: _____

B. Source of Funds N/A

- 1. Cash _____
- 2. State Appropriations _____
- 3. Other Grants _____
- 4. Fund Drive _____
- 5. Debt _____
- 6. Other: _____

TOTAL SOURCE OF FUNDS: _____

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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.

Expand program service area from Honolulu to the entire Island of Oahu.

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: **Not applicable**

- 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

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 attached)

- 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.

_____ It is a change of ownership, where the change is from one entity to another substantially related entity.

 X It is an additional location of an existing service or facility.

 X The applicant believes it will not have a significant impact on the health care system.

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Administrative Application – Certificate of Need Program

Project: PACE Hawaii

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9. Executive Summary

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The Program of All-Inclusive Care for the Elderly (PACE Hawaii) is a comprehensive health and long term care program for the medically frail elderly who reside at home. The Program provides a wide range of services which include adult day health center, medical care, home care services, rehabilitation therapies, social services, transportation and other services which help maintain the elderly's health. PACE's goal is to help keep these individuals as healthy and independent as possible so that they can continue to live at home, and prolong the need for institutional care.

PACE is part of a national effort to replicate a successful model started in 1980s by the On Lok organization in San Francisco, California. In 1997, Congress passed the Balance Budget Act (BBA) of 1997 (P.L. 105-33) which established the PACE program as a permanent provider under Medicare and allows states to include the program as an option under Medicaid. PACE is a capitated program which charges a flat monthly rate per person for its services. PACE Hawaii currently charges \$2200.80 per month and reimbursed by Medicaid and/or out-of-pocket (private pay). It is applying for the permanent provider status through the federal Center of Medicare and Medicaid Services (CMS) to obtain Medicare reimbursements in the near future.

The program is comprised of an interdisciplinary team of geriatric specialists which include a physician, nurses, social worker, dietitian, physical, recreational and occupational therapists, aides, and other staff who assess, develop the plan of care, and deliver direct services to these elderly participants. The participants attend the adult day center operated by PACE Hawaii at Maluhia. Participants may also attend Leahi Adult Day Center which is under Leahi Hospital and the Hawaii Health Systems Corporation in East Honolulu. Home care services are available for participants who may require extra assistance with their personal grooming and care at the homes.

Currently, to qualify for the PACE program, the person must be:

1. 55 years of age or older;
2. Have multiple health problems which qualify the person to be at the Nursing home level of care;
3. **Reside in PACE's geographic catchment area (Honolulu only)**

The purposed of this CON application is to expand PACE's geographical service area from Honolulu to the entire island of Oahu. Overall, there are no changes to the services, delivery of care, and financial structure of the program.

Relationship to the Hawaii Health Performance Plan (H2P2)

The island-wide expansion of PACE services meet the priorities for Oahu and the State, as outlined in the Hawaii Health Performance Plan (H2P2):

- 1) Increase geriatric services to the growing elderly population;
- 2) Foster the development of care delivery systems for the elderly and chronically ill population;
- 3) Increase access to cost-effective health care services, especially services that reduce the overall cost to the community through prevention and better health management;
- 4) Provide affordable long term care for the elderly and their families especially in West Oahu. This includes access to adult day center and home care services provided by the PACE program.

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PACE's comprehensive health and social services provide quality care that is tailored to meet the elderly's individual needs. The base of the PACE operations is its adult day health center. The participants attend the center during the day to receive outpatient medical care, rehabilitation therapies, recreation and socialization. Additional home care services are available at the participant's home to assist with their bathing and personal grooming needs. These services support both the elderly and their caregivers who need respite and assistance with the daily tasks of care-giving. Health education, counseling and training are provided to the families/caregivers so that they can continue to help their loved ones in the home. PACE sponsors a caregiver support group as well as individual counseling and training.

Need and Accessibility

30% of telephone inquiries and referrals to PACE, are from individuals who reside outside of Honolulu. While the potential caller qualifies for the PACE program based on their age, and level of care (ICF/SNF), the program has not been able to enroll them because of their residential location. Currently, there are limited resources and long term care alternatives for seniors who reside outside of Honolulu. In the Leeward district, for example, there are 7 licensed adult day care centers and one upcoming adult day health center. Most existing adult day care centers are operating at full capacity and have limited Medicaid slots. Furthermore, many frail seniors cannot be accommodated by these adult day care centers due to their higher level of care requirements. As a result, they become at risk for institutional care or other type of residential care.

In the Windward district, there are two licensed adult day care centers and two adult day health centers. Only one of these centers accepts a limited number of Medicaid clients. As a result, many families are unable to secure the necessary services that will keep their seniors at home. Other Medicaid waiver programs currently have a long wait-list and unable to accommodate them. In the meantime, PACE currently has sufficient Medicaid slots to enroll these individuals within the current budget. By expanding the service area to island-wide, PACE will be able to serve more qualified seniors who could benefit from the program. These prospective participants will commute to the PACE Center at Maluhia or Leahi where the services can be provided. Home care services will

also be offered at the participant's homes. Transportation can be provided via the Handivan system (PACE issues the van tickets) or by private family cars. There are no capitol costs to expand the geographical areas.

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Hawaii's elderly population is growing at significantly higher rates than the rest of the U.S. The 65+ age group was 13.6% of the total state population compared to 12.4% nationally. The average life expectancy for Hawaii's residents is 78.21 years compared to 75.37 nationally and is the highest of all states. (State of Hawaii Data Book) The growth of the elderly population is expected to accelerate as the first wave of the baby boomers reach age 65 in 2011. While the 65+ age group represents only 13.4% of Hawaii's population, they make up over 50% of hospital discharges according to the Hawaii Healthcare Association. They are heavy consumers of the state's health care resources. The demand for health and long term care especially, continues to grow. According to the State Health Planning and Development Agency's 2001 Utilization Report, there were over 105 waitlisted patient in Oahu's acute hospitals waiting to be transferred to a nursing home (ICF/SNF) bed. This estimate did not include those who could be transferred to adult residential care homes, other alternatives such as adult day care, home care and Medicaid waiver programs such as Nursing Home Without Walls, etc.

The national and state-wide trend is to develop more affordable health and long term care systems which emphasize community-based services, preventive health activities and wellness promotion especially for the aging population. PACE is a model which encompasses all these features.

To obtain PACE's services, the public can directly contact the PACE office or access it through the health care and elder-care networks which include hospitals, senior programs, City and State Aging agencies and senior centers. PACE's marketing activities include participation in senior fairs and exhibits, conferences, print ads in newspapers and magazines, presentations to community groups, businesses and churches. There is also a PACE Hawaii web-site. Self-referrals are accepted.

PACE targets the medically frail elderly who are at risk for nursing home level of care. These are individuals with multiple health problems and disabilities which affect their ability to care for themselves independently. Many suffer from chronic conditions such as hypertension, diabetes, strokes, dementia including Alzheimer's, heart and respiratory conditions, osteoporosis and other debilitating diseases. The average age of a PACE participant is 83 years old.

Program Capacity and Census

The PACE program has the capacity to accommodate approximately 125 participants. There is sufficient space in its adult day center to have a daily census of 75+ per day. Currently, the program serves 100 participants with a daily census of 60 attending the

center. Currently, there is no wait-list for PACE services. The island-wide expansion will permit all eligible elderly on Oahu to apply for the program services. In particular, PACE targets the low income persons, racial and ethnic minorities, women, persons with disabilities and other under-served groups who now will have access to our services.

Quality of Service/Care

PACE continues to maintain the internal and external mechanisms which monitor the quality of service and program's performance. As a licensed adult day health center, PACE is visited annually by the Hawaii State Department of Health's Office of Health Care Assurance. PACE also possesses a home health agency license which requires a on-site review from the Department of Health. PACE consistently passes the annual inspections with favorable ratings.

The Department of Human Services Adult and Community Care Services Branch monitors the quality and compliance of the program to the standards as established in the National PACE Protocols and Medicaid contract agreement. PACE Hawaii is required to submit statistical data, quality-related reports and other operational information in accordance with its contract. The program is audited annually and also consistently passes with favorable ratings.

As part of Maluhia/Oahu region under HHSC, PACE Hawaii is subject to an annual external financial audit by outside auditors. All costs and revenues are properly stated on the accrual basis and in compliance with generally Accepted Accounting Principles. Control of monthly expenditures is monitored through PACE's financial statements which analyze actual expenditures, budgeted expenditures and variances by individual revenue and expenditure category. Extreme variances from the budget are reviewed by PACE management. Analytical review procedures, which test financial statements for reasonableness, are also done monthly.

Internally, PACE sends out satisfaction surveys to its participants and families to rate their satisfaction with the PACE services and provide their input /comments for improvement. These are sent out randomly every three months. Overall the comments have been favorable.

PACE has a Continuous Quality Improvement Program (CQI) in which the PACE team meets every quarter to discuss quality improvement issues. Quality indicators and benchmarks are established to monitor the quality and timeliness of each PACE service. PACE is part of Maluhia's overall Quality Improvement Program and participates in the facility's risk management, utilization review, safety and disaster preparedness programs.

The PACE team is composed of health care professionals who are specially trained in geriatric care. This includes a board-certified geriatrician (M.D.), registered nurses, social worker, dietitian, rehabilitation therapists and certified nurses and home health

aides. The PACE team is responsible for assessing, monitoring and delivering the care to each participant. The plan of care is carefully tailored to the participants' needs, and regularly updated and evaluated by the entire team. The participant and caregivers are also involved in the care plan development.

Each PACE staff meets the minimum qualifications and credentials required for their job. Criminal background checks, health clearances for Tuberculosis and other safety-related requirements are part of the employment screening process. All PACE staff are required to attend twelve hours of continuous education credits which cover patient-care, and safety, disaster preparedness and fire safety drills, CPR training, and pertinent topics related to their professions each year.

Cost and Finances

PACE currently charges a flat monthly rate of \$2,200.80 per person. Sources of Funds are: Medicaid (for eligible clients); Private Pay (out-of-pocket); and other third party payors (private insurance, etc). Revenue is based on the program's census.

Projected First Year Revenue and Expenditure Projections (FY 2004)

Revenue

Medicaid	\$2,403,274
Private Pay	\$ 336,722
Other	\$ 263,760
Total Revenue	\$3,003,756

Expenditures

Payroll and Fringe	\$1,735,587
Operating Expenses	<u>1,107,492</u>
Total Expenditures	2,843,079

Net Income **\$ 160,677**

Projected Third Year Revenue and Expenditure Projections (FY 2006)

Revenue

Medicaid	\$3,204,365
Medicare	\$1,892,800 *
Private Pay	\$ 389,542
Other	\$ 223,320
Total Revenue	\$5,710,026

Expenditures

Payroll and Fringe	\$1,935,702
Operating Expenses	<u>2,300,517</u>
Total Expenditures	4,236,219
Net Income	\$1,473,807

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* PACE Hawaii projects to obtain Medicare capitated reimbursements at \$1,300 per person per month by 2006 based on approval from the federal Centers of Medicare and Medicaid.

Relationship to the Existing Health Care System

PACE Hawaii continues to be an affordable long term care alternative to the elderly population. It is a community-based program that targets those individuals who are at risk for frequent hospitalization and other costly institutional care. The program can help alleviate the wait-list problems in acute hospitals and the nursing home bed shortage on Oahu. It is an alternative that supports the elder to live in their homes – which is a more desirable and less expensive option.

Availability of Resources

A. Staffing

There are no significant changes in PACE's staffing pattern. Currently, the program employs 38 FTE staff which include a physician, registered and licensed practical nurses, social worker, physical, recreational, and occupational therapists, aides, van drivers, dietitian, and administrative support staff.

As the program census increases, the staffing will increase incrementally. PACE personnel are exempt from the state civil service system. Staff recruitment is conducted through advertisements in newspaper job classification sections, professional associations, colleges and other health care organizations.

B. Financial Resources

Funding for PACE services are generated by direct payments from private payers and Medicaid. The current monthly capitation rate is \$2,200.80 per person. Medicaid reimburses PACE at this rate for each eligible Medicaid recipient. Otherwise, the participant is charged out-of-pocket each month. Some private long term care insurance may pay for some of the services in the PACE program such as adult day health care and home care services.

Revenue is based on the program's census. State general funds are only needed to pay the state-match of the Medicaid dollars. Department of Human Services has submitted its Medicaid budget to the State Legislature for Fiscal Years 2004-2005, and awaits the final appropriation.

PACE Hawaii is projecting to obtain Medicare capitation reimbursements by 2006. It is estimated that the Medicare capitation rate will be an additional \$1,300 per person per month. This will be an additional source of revenue for the program in the future.

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