



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 03-13A

Applicant: Kaiser Foundation Hospital, Inc.
3288 Moanalua Road
Honolulu, HI
Phone: 808-432-5955

Project Title: Internalization of inpatient dialysis

Project Address: 3288 Moanalua Road
Honolulu, HI

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. Project will be located in:

State Senate District Number: 14
State House District Number: 31
County Council District Number: 7
Neighborhood Board District Number (O`ahu only): 20

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) **NA**
- 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)
- * On File with SHPDA

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.

N/A

Type of Bed	Current Bed Total	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
TOTAL			

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.

Internalization of Inpatient Dialysis -- currently, Kaiser contracts with an outside vendor to provide inpatient dialysis services. This proposal would allow Kaiser itself to establish its own inpatient dialysis and realize a cost savings via discontinuation of its contractor's services.

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:

See Attached

- 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)

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.

9. IMPLEMENTATION SCHEDULE:

- a) Date of site control for the proposed project
Kaiser Permanente Moanalua Medical Center: May 1, 2003.
- b) Dates by which other government approvals/permits will be applied for and received
July 1, 2003
- c) Dates by which financing is assured for the project
May 1, 2003
- d) Date construction will commence
August 19, 2003
- e) Length of construction period
16 days
- f) Date of completion of the project
September 23, 2003
- g) Date of commencement of operation
October 1, 2003

10. EXECUTIVE SUMMARY:

The Kaiser Permanente Medical Care Program requests approval from the State Health Planning and Development Agency (SHPDA) to establish inpatient dialysis services. Currently Kaiser Permanente contracts out for this service. However, due to significant rate increases from its contractor, Kaiser Permanente now seeks to become its own provider of inpatient dialysis care. This service can be internalized at a very significant cost savings and provide better care and service to the patient population on the island of Oahu.

Currently, Kaiser Permanente contracts with Integrated Renal Care (IRC) – Pearl Ridge to provide inpatient dialysis care to Kaiser Permanente patients. This service includes their staff and their mobile dialysis equipment. Our internal analysis has concluded that there would be significant cost savings if we were to become the direct provider of this service via purchase of our own mobile dialysis equipment (six units).

A. Relationship to the Hawai'i Health Performance Plan (H2P2)

Kaiser Permanente, a health care delivery system that is comprehensive, cost-effective, well coordinated, and responsive to member needs is proposing to internalize inpatient dialysis at its Moanalua Medical Center. This proposal will help to achieve the goals of increasing the span of healthy life for Hawai'i's residents, reduce health disparities among Hawai'i's residents, and achieve equitable and effective access at reasonable cost.

B. Need and Accessibility

Inpatient Dialysis is an existing service at Kaiser Permanente Moanalua Medical Center. Kaiser Permanente is not proposing a new service nor an expansion of an existing service but to simply end our contract with IRC (our current contracted provider) so that we ourselves become the direct provider of inpatient dialysis for our members and patients.

The future need for this service is estimated to increase at a rate of 13% per year based on historical utilization data. Given this estimated rate along with the growing Kaiser membership, it is crucial that the medical center maintain the 6 dialysis stations within the hospital that are already provided via our contract with Fresenius.

By being the direct provider of inpatient dialysis services, we believe access to care will be enhanced to all patients at Kaiser Permanente Moanalua Medical Center who require such service.

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 of care and quality of service. Kaiser Permanente has received continuing approval by the Joint Commission on the Accreditation of Healthcare Organizations (JCAHO). Kaiser Permanente has also been awarded full accreditation by the National Committee for Quality Assurance (NCQA).

Being the direct provider of inpatient dialysis will improve data collection and analysis on volume of acute hemodialysis treatments. It will also improve patient satisfaction, ensure oversight of staff competencies, patient safety, and Continuous Quality Improvement (CQI) based on outcomes.

All nurses and technicians will receive training in this specialized service. Best practice standards established by Kaiser Permanente National for inpatient dialysis will be utilized to maintain high quality care.

D. Cost and Finances

Kaiser Permanente has determined that it will need a minimum capital investment of \$181,000 to purchase six dialysis machines and cost of remodeling at Moanalua Medical Center. Membership dues will not be raised as a direct result of this project and no new debt will be required, as Kaiser Permanente will

finance this project through retained earnings that have been set aside for capital improvements.

A statement of revenues and expenses for the proposed project is attached as Exhibit D-1. Revenues are derived primarily from Health Plan dues that are not capitated by medical service or operating facility. Project expenses are direct costs associated with the proposed project

Financial analysis for the proposed project indicates that inpatient dialysis services can be internalized at a very significant cost savings.

E. Relationship to the Existing Health Care System

This proposed project will allow Kaiser Permanente to continue to provide inpatient dialysis to its members and patients. We are simply changing from contracting this service from a vendor to becoming the direct provider of care. As such, there will be minimal impact on the existing health care system. This proposal will allow Kaiser Permanente to continue providing a much needed service to its inpatients without burdening the health system.

F. Availability of Resources

The proposed project will require a total of 7.25 FTE patient care staff. This includes 1.0 FTE nurse supervisor, 3.0 FTE RNs, 2.0 FTE hemodialysis technicians, 0.50 FTE management assistant, and a 0.75 FTE call-in RN. Patient care staff will be hired either locally (when possible) or nationally. Kaiser has nephrologists already within its care team and located at the medical center.

Kaiser Permanente will fund this proposed project through its capital generation program.