



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 03-36A

Applicant: Kapiolani Medical Center at Pali Momi
98-1079 Moanalua Rd., Aiea, HI
Phone: 808-486-6000

Project Title: Expansion and renovation of operating room services

Project Address: 98-1079 Moanalua Rd., Aiea, 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. Primary Service Area(s) of Project: (please check all applicable)

- Statewide: _____
- O`ahu-wide: _____
- Honolulu: X
- Windward O`ahu: _____
- West O`ahu: X
- 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 required – project located on KMCPM facility]**
- 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.).

- Certificate of Need, State Health Planning & Development Agency
- Building Permit, Honolulu Department of Planning & Permitting
- Department of Health Certificate.

C. Your governing body: list by names, titles and address/phone numbers

-See Attached

- 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 Attached.**
 - By-Laws: **See Attached.**
 - Partnership Agreements: **Not Applicable**
 - Tax Key Number: **1-9-8-16: 40**

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				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 (N/A) -

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

6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All Project Costs:	AMOUNT:
1. Land Acquisition	_____
2. Construction Contract	<u>\$1,100,000</u>
3. Fixed Equipment	<u>\$ 420,000</u>
4. Movable Equipment	_____
5. Financing Costs	_____
6. Fair Market Value of assets acquired by lease, rent, donation, etc.	_____
7. Other: Architectural/Planning	<u>\$ 110,000</u>
TOTAL PROJECT COST:	<u>\$1,630,000</u>

B. Source of Funds	
1. Cash	<u>\$ 1,630,000</u>
2. State Appropriations	_____
3. Other Grants	_____
4. Fund Drive	_____
5. Debt	_____
6. Other: _____	_____
TOTAL SOURCE OF FUNDS:	<u>\$1,630,000</u>

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.

This project is an expansion and reconfiguration of an existing service. The proposed expansion project will add one (1) new operating room primarily to address the increasing volume. It will also enable minimally invasive surgical procedures resulting in less trauma (and recovery time) for the patient.

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: **COMPLETED**
Site located within existing campus.
- b) Dates by which other government approvals/permits will be applied for and received: **January 2004**
- c) Dates by which financing is assured for the project: **N/A**
- d) Date construction will commence: **February 2004**
- e) Length of construction period: **5 Months**
- f) Date of completion of the project: **July 2004**
- g) Date of commencement of operation: **August 2004**

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.

The KMCPM Operating Room (OR) has experienced significant growth over the past 10 years. Previous expansions have helped to provide temporary relief from capacity problems; however, the growth has continued at such a pace that further expansion is necessary.

The plan is to add an additional OR suite, bringing the total number of surgical suites to 6. The goal is to develop this 6th OR as a Minimally Invasive Surgical Suite. On the national level, the trend is to do operative procedures utilizing a minimally invasive approach. This technique is beneficial to patients in that recovery time is significantly reduced.

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

The proposed renovations address the critical elements of a health care delivery system outlined in Section F of the H2P2 Chapter II (Guiding Principles). The proposed renovations will greatly improve access, quality management and cost effectiveness for surgery procedures when completed. Access will be improved by increasing the amount of available surgery rooms made available to patients. Quality management will be improved through improved surgical capabilities including invasive surgery (e.g. laparoscopic surgery) resulting in shorter recovery time for patients.

b) Need and Accessibility

Oahu's anticipated population growth in the Leeward area is expected to result in increased demand for surgical procedures. The new operating room will meet the projected growth in demand for both advanced minimally invasive procedures and general surgeries for residents of West Oahu.

Population growth in the Leeward area is expected to grow by 51.3 percent from 336,448 in 1995 to 509,136 in 2020. The growth in the area has resulted in increased demand for surgery services. Previous KMCPM OR expansions have helped to provide temporary relief from capacity problems; however, the growth has continued at such a pace that further expansion is necessary. In fiscal year 2001 there were 5,361 surgical cases completed, in fiscal year 2002 there were 5,567 cases done, and in the current fiscal year the OR has consistently averaged over 500 cases per month.

Presently all of the (5) KMCPM operating rooms exceed the H2P2 threshold average number of hours (1,500) per room and percent utilized (80%). For the prior fiscal year ending June 20, 2003, a total of 5,991 surgeries resulted in an average of 2,125 hours per room. For the current fiscal year ending June 30, 2004, a forecasted total of 6,484 surgeries (1,883 inpatient/4,601 outpatient) will be performed resulting in 11,590 hours or an average of 2,318 hours per room. This is equivalent to a 116% utilization rate which exceeds the minimum (80%) threshold of 250 days/8 hours per day operating room schedule (Chapter II, Page 8 of the H2P2).

An additional 6th operating room will enable KMCPM to accommodate by year (3) a projected 7,484 procedures (2,173 In Patient/5,311 Outpatient) - totaling 13,377 hours. This averages 2,230 hours per each of the 6 operating rooms which will exceed the minimum threshold of 1,500 hours per room required for expansion of a blended inpatient/outpatient room (H2P2, Chapter II, page 8). Note that the additional operating room and renovations will also allow KMCPM to exceed the minimum threshold in Years 1 and 2.

Public data regarding operating room utilization is not available. However data gathered from Straub Clinic & Hospital (2,588 Inpatient/2,780 Outpatient, 11,325 hours averaging 2,265 hours per each of the 5 operating rooms) suggests that capacity of other operating rooms within the service area exceeds the minimum threshold average (1,600 hours) per room per utilization year (H2P2, Chapter II, page 8) established by SHPDA.

The primary service area is Central and Leeward Oahu, although patients from the neighbor islands and Pacific Basin will also be served. KMCPM will continue to provide care to all residents of the area including: Medicare, Medicaid, QUEST, low income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups.

c) Quality of Service/Care

The proposed renovations will ensure that world class clinical outcomes and excellence are maintained. The proposed construction will create additional operating room capacity that will enhance patient accessibility including minimally invasive procedures. The proposed renovations at KMCPM will enhance the ability of physicians to provide state of the art care to the adult population in the service area.

Kapi`olani Medical Center at Pali Momi (KMCPM) is fully accredited and approved by the Joint Commission on Accreditation of Hospitals, American Medical Association, and American College of Surgeons.

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

The additional Operating Room and renovation of existing rooms will have minimal impact on the overall costs of health services in the community as it will be entirely from KMCPM's existing capital and budget. Note that although the KMCPM OR has negative net margins, ancillary revenue from other medical services (e.g. imaging, lab, and therapy) will offset these losses to result in a positive overall margin to the hospital. The project is cost-effective as it utilizes existing space and other resources within KMCPM.

e) Relationship to the existing health care system

The project is expected to help strengthen the existing health care system. KMCPM provides state-of-the art care enhancing medical outcomes for all residents in the service area. The proposed renovations provide a facility that will be made available for physicians throughout the community which will ultimately provide greater scheduling convenience (improved access) for patients throughout Leeward and Central Oahu.

f) Availability of Resources.

KMCPM has sufficient trained professionals, management, systems and other resources to fully support the proposed. The Surgery Center is under direction of the Manager of Clinical Services and Senior Management of KMCPM. The Center is currently staffed with 23 professional staff comprised of 14 RN nurses, 3 surgery technicians, 3 surgical assists, and 3 specialty-trained RN Surgery Assists. KMCPM has financial resources from current hospital cash funds to pay for this project.

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.