



## HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

### ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 04-09A

Applicant: Pediahealth Corporation  
919 Lehua Avenue  
Pearl City, Honolulu, HI  
Phone: 808-453-1919

Project Title: Change of ownership of Kulana Malama,  
a 28 bed pediatric SNF

Project Address: Karayan Street (TMK-9-1-017:079)  
Ewa, Hawaii

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

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

REPLACEMENT PAGE

2. **PROJECT LOCATION INFORMATION**

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

- Statewide:   x
- 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) **Exhibit A**
- 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.)

**SHPDA – CON approval  
Completion of Change of Ownership – 4/30/04**

- C. Your governing body: list by names, titles and address/phone numbers  
**Exhibit B**
- 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 – **Exhibit C**
  - By-Laws – **Exhibit C**
  - Partnership Agreements
  - Tax Key Number (project's location)
    - **Tax Key Number – 9-1-017:079**

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				<b>x</b>	
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

6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All Project Costs:

AMOUNT:

1.	Land Acquisition	\$ <u>295,800.00</u>
2.	Construction Contract	\$ <u>3,048,807.00</u>
3.	Fixed Equipment	\$ <u>535,485.00</u>
4.	Movable Equipment	_____
5.	Financing Costs	_____
6.	Fair Market Value of assets acquired by lease, rent, donation, etc.	_____
7.	Other: _____	_____

**TOTAL PROJECT COST: \$ 3,880,092.00**

B. Source of Funds

1.	Cash	_____
2.	State Appropriations	_____
3.	Other Grants	\$ <u>295,800.00</u>
4.	Fund Drive	_____
5.	Debt	_____
6.	Other: <u>Conventional Loan</u>	\$ <u>3,584,292.00</u>

**TOTAL SOURCE OF FUNDS: \$ 3,880,092.00**

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.

**This administrative review is for a change of ownership. All services will remain the same as the previously approved CON application and this project will not have a significant impact on the health care system.**

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) Dates by which other government approvals/permits will be applied for and received, - **SHPDA CON approval 4/30/04**
  - b) Date of completion of the change of ownership – **4/30/04**

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.
- 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

The Pediahealth Corp (PC), a private, for profit organization, is submitting an administrative application to transfer ownership of the Kūlana Mālama project from EV Community Development Corporation (EV CDC). Like EV CDC, Pediahealth is addressing the need for alternative care for medically fragile children in Hawaii by, initially, developing and operating a pediatric skilled nursing center in the Ewa Plains of West Oahu. The proposed center, Kūlana Mālama, a center for caring, is to be located in the Ewa/Kapolei area, which is within Oahu's master planned "second city". This area is the fastest growing population center on the island of Oahu.

The Kūlana Mālama project received CON application approvals as #99-18 for the establishment of a 24 bed skilled nursing facility and #00-07 for the addition of four pediatric skilled nursing facility beds. PC intends to develop the Kūlana Mālama project and offer the same pediatric care services as stated in CON application #99-18 and #00-07.

The innovators of this center for medically fragile children is the owner and operator, Mr. Gordon Ito and his management team who have been involved in health care development and operations for more than 20 years.

### PEDIATRIC SKILLED NURSING

Approximately four and a half million children have severe disabilities in the United States. For many their disabilities start early in their lives. Some children are born with serious congenital disabilities such as cerebral palsy, others become medically fragile as a result of catastrophic childhood ailments while a third group become fragile as a result of accidents or other events which affect their physical and mental functioning. Some of the children who have survived because of advances in medical technology have done so at the cost of sustaining long-term disabilities.

In Hawaii, presently, children/infants who are technology dependent are residing in an adult nursing home. Many are on ventilators, have gastrostomy tubes and tracheostomy tubes. In Kapiolani Women and Children's Medical Center (KWCMC), there are, presently, nine children ages 1 year old to 10 years, who also fall into the technology-dependent category and need skilled nursing care. While Tripler Army Medical Center does not keep technology-

dependent children as inpatients, there is a serious concern that the families do not have adequate relief such as respite to sustain an intact family. Kaiser Medical Center, in Honolulu, has children who are in the acute care setting because they are unable to discharge them to their homes for social reasons. Families are caring for many of these children. Many of these caregivers burn out and need respite care. The availability of respite care services is vital if the health care system's goal is to keep children with their parents.

Within a 28-bed pediatric skilled nursing facility, Kūlana Mālama will offer sub acute care, skilled nursing care, transitional care, respite care and day health care, in a home-like environment, to the medically fragile children whose multiple disabilities and technology dependency make it extremely difficult to be sustained in their own home.

Although medically fragile children are being discharged with increased frequency at earlier intervals, 90% of these children return to the hospital for numerous reasons ranging from health complication to parental "burn out". Additionally, many fragile children continue to remain hospitalized because home-based integrated care systems for these children are not readily available.

Kūlana Mālama will have an Education Center where the children will be able to go into a classroom environment specifically designed and equipped for their needs. Most of these children have never experienced the joy of attending school. Due to their disabilities, the public school system is unable to accommodate them safely; therefore, they are either tutored at the hospital or in their homes.

### **RELATIONSHIP TO THE HAWAII HEALTH PERFORMANCE PLAN (H2P2)**

The relationship to H2P2 was firmly established in the previously approved CON applications and remains unchanged. As this project responds to the need for infant and pediatric health care services.

### **NEED AND ACCESSIBILITY**

The need and accessibility was clearly established in the previously approved CON applications and remain unchanged. There is a great need for pediatric skilled nursing beds in the state. Facility will be accessible to all residents in the underserved population.

**QUALITY OF SERVICE/CARE**

The owner and management team of Pediahealth Corp have more than 20 years of health care clinical and management experience. They own and operate two successful nursing facilities on Oahu, Oahu Care Facility and Pearl City Nursing Home. As such, they are intimately familiar with quality of care and have an established reputation for the superiority of their care.

PC intends to approach Kūlana Mālama in the same manner as their other nursing facilities. Quality of care shall be the responsibility of every staff member and will be stressed at employee orientations and in periodic in-service training sessions. Kūlana Mālama will meet or exceed the quality requirements established by the State of Hawaii.

A Quality Improvement Committee, chaired by the Medical Director, Administrator, Director of Nursing, Director of Social Services, Dietitian or Director of Support Services will be established. The committee will meet, at least, quarterly and will be responsible for developing measures of quality, monitoring these measures, identifying problem areas, developing and implementing plans of correction and evaluating these corrective action plans.

The focus of the QI Program is to ensure that everything in the facility flows-from the physician orders to the plan of care and documentation of services to patient outcomes. Chart audits and very close coordination among the clinical and billing staff will be encouraged. (A draft of the procedure of a QI Program is attached.)

The facility will be staffed with properly licensed or certified staff which includes RNs, LPNs, CNAs, respiratory therapists, physical therapists, occupational therapists, registered dietitians, social workers, etc. All clinical staff will be licensed and certified as required by law. In addition, all staff will receive the required number of hours of in-service training as well as in-service in human development and the use of special equipment that will be the norm for this facility.

Kūlana Mālama will be licensed as a nursing facility by the State of Hawaii, Department of Health under Chapter 94. and will seek Medicare/Medicaid certification.

## **COST AND FINANCES**

The Kūlana Mālama project was previously approved as #99-18 for the establishment of a 24 bed skilled nursing facility and #00-07 for the addition of four pediatric skilled nursing facility beds.

This application is to approve the change of ownership from EV Community Development Corporation (EV CDC) to Pediahealth Corp (PC). PC will assume all debts of EV CDC. The principal creditors are PC Care Corp and Finance Factors, Inc. PC Care Corp underwrote most of EV CDC's start up expenses that totals approximately \$1.8 million. The Board of Directors of EV CDC voted to transfer the Kūlana Mālama project to Pediahealth Corp with the agreement that the money owed PC Care Corp would cover the cost of the land transfer and all other debts. A loan of \$800,000 with Finance Factors was approved on Mr. Gordon Ito's personal signature. Finance Factors has approved the assumption of the debt. With the assumption of the debt, PC assumes of rights and responsibilities of the Kūlana Mālama project. (Refer to documents in Exhibit A).

The following are costs that PC has calculated in the assumption and completion of the project:

An itemized equipment list for the Pediatric Unit has been completed and the cost is estimated as \$567K.

As this is a new facility, staffing guidelines and a salary and wage increase policy are not, as yet, available. However, a proposed plan is attached. (Refer to Exhibit D)

The total project capital cost requiring funding is \$3,880,092.00 . PC intends to finance the entire amount through a commercial loan.

The project is financially feasible as:

- The owner has demonstrated the ability to successfully develop and finance a variety of projects, including two nursing facilities on Oahu.
- It meets a demonstrated need and is in an easily accessible location near a full scope of community services.

Attached are the following: (Refer to Exhibit E)

- Statement of Revenues and Expenses for the proposed services.

### **RELATIONSHIP TO THE EXISTING HEALTH CARE SYSTEM**

Kūlana Mālama will meet the needs of infants and children for sub-acute and skilled nursing care that is extremely limited in the community. Kūlana Mālama will improve the availability of health care in the community by:

- Providing sub-acute and skilled nursing beds to infants and young children who are inappropriately placed in acute care beds.
- Freeing beds in acute care facilities to care for those requiring that services.
- Providing services to infants and children who are residing in the community and whose parents/caregivers need 24-hour respite.
- Providing an educational site and medical support to medically fragile children who are unable to get their education due to their complicated medical condition that makes it impossible to participate in the traditional or modified classroom.

The public benefit will be served because the project will provide cost effective care for those infants and children in acute care beds due to the lack of alternative care. This will be a stand alone pediatric sub-acute and skilled nursing facility specially designed to respond to the physical and emotional needs of the child and caregivers.

From the initial development of the Kūlana Mālama concept, the development team has been working with the Kapiolani Women and Children's Medical Center which will be a major referral to the facility. Additionally, Kūlana Mālama has preliminarily discussed the project with Kaiser Medical Center, Tripler Medical Center, the University of Hawaii schools of nursing and social work as well as the major payer which the Department of Human Services.

Kūlana Mālama will work with community and governmental agencies and the health and educational system to provide the community with an opportunity to be a part of the program. The Schools of Social Work, Nursing and Medicine at the University of Hawaii have already agreed to use Kūlana Mālama as a practicum and clinic training site for advanced students. The Department of Education will partner with Kūlana Mālama in developing the Education Center.

Kūlana Mālama plans to contract certain services with other facilities rather than creating another pocket of services. This will be done to optimize the use of community resources and minimize cost to the facility.

Kūlana Mālama will assist acute care hospital in their goal of more appropriate utilization of their beds. It will provide a discharge alternative for short-term sub-acute patients, as well as long term patients.

### **AVAILABILITY OF RESOURCES**

PC is confident that it will be able to recruit and retain qualified staff even during periods of shortages in nursing and other professions. The staff will be provided educational/clinical training with the collaboration of the University of Hawaii at Manoa, School of Nursing and Kapiolani Medical Center for Women and Children. Continuous opportunities for professional growth and upward mobility will be encouraged by paying for tuition and other costs for nurse aides and LPNs seeking LPN/RN licenses, flexible scheduling to accommodate needs of working parents, adequate staffing to prevent burn-out and, perhaps the most important, genuine respect for every individual.

Kūlana Mālama will need approximately \$3,880,092.00 for its projected capital expenditures. The operating funds necessary for the proposed project is expected to be \$3,330,625.00; \$4,334,375.00; \$4,334,375.00 for the first, second and third years respectively. The costs related to the operations of the pediatric unit are \$3,064,004.71; \$3,344,819.63; \$3,434,559.17 for the first, second and third years respectively.

The resources necessary to fund the operating expenditure of Kūlana Mālama will be derived from its operating revenue. The projected revenue proposed for this project was calculated using comparable daily/monthly charges from similar programs throughout the State as well as discussion with various payers.

Kūlana Mālama's objective is to enrich the lives of medically fragile, technology-dependent children by providing them with a continuum of health care services in a home-like environment. This program is designed to accomplish this by creating a sense of belonging and security in a warm and nurturing setting.

Kūlana Mālama will be successful because of the following:

- The project is addressing the critical need for the skilled nursing facility for medically fragile children.
- There are no viable alternative care services for the medically fragile child, therefore, the pent-up demand is nearing and explosive situation.
- The project design is a cost efficient model with multiple services on the same site that will tap the services of the same management team.