



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 04-22A

Applicant: Hilo Medical Center

Project Title: Reduction of 11 Pediatric Beds

Project Address: 1190 Waiuanue Avenue, Hilo, HI

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

- 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. 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) **N.A., THIS IS THE EXISTING SITE FOR HILO MED. CNTR**
- 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.) **NEW LICENSE FROM OHCA FOR REDUCED BED COUNT**
- C. Your governing body: list by names, titles and address/phone numbers **ATT. A**
- 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 **ATT. B**
 - 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				04 NOV 22 19 53	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.

Type of Bed (acute only)	Current Bed Total	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
Medical/Surgical	80	0	80
Critical Care	11	0	11
Obstetric	11	0	11
Pediatric	11	-11	0
Psychiatric	20	0	20
TOTAL	133	-11	122

6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All Project Costs:

- | | RECEIVED | AMOUNT: |
|---------------------------------------------------------------------------|------------------|----------------|
| 1. Land Acquisition | '04 NOV 22 19:53 | _____ |
| 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: -\$0-

B. Source of Funds

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

TOTAL SOURCE OF FUNDS: -\$0-

There is no capital expense involved in this project, it is only a deletion of existing beds.

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.

Hilo Medical Center proposes to delete its designated pediatric bed service as provided under Section 11-186-5(1)(C) Hawaii Administrative Rules. Pediatric patients will still be accommodated, but not in a designated ward.

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 page 7

- 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 page 7

- 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.

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8. Implementation Schedule

Hilo Medical Center ("HMC") proposes to delete the 11 pediatric beds it currently has under its SHPDA-approved bed count.

- a) Date of site control for the proposed project. **Not applicable. HMC already controls the site.**
- b) Dates by which other government approvals/permits will be applied for and received. **The only other government approval needed will be an adjustment in the license from OHCA. HMC will request this adjustment as soon as the Certificate of Need ("CON") is issued.**
- c) Dates by which financing is assured for the project. **Not applicable. There is no capital expense and no financing required.**
- d) Date construction (renovations) would commence: **Not applicable. No construction or renovations are necessary.**
- e) Length of construction period: **Not applicable.**
- f) Date of completion of the project: **The deletion will start immediately upon receipt of the CON.**
- g) Date of commencement of operation: **Not applicable. No new operation is commencing.**

9. Executive Summary

This CON application is for the deletion of the 11 pediatric beds HMC currently has under its SHPDA-approved bed count. As described below, the pediatric census has declined severely, to the point where there was an average daily census ("ADC") of only 1.3 pediatric patients in 2003. Consequently, it is no longer a good use of resources to staff and dedicate an 11 bed unit for pediatric patients. Instead, pediatric patients are now cared for in another unit in the hospital. This practice is consistent with the all other hospitals in the State, except for Kaiser Medical Center and Kapiolani Medical Center for Women and Children, which still maintain pediatric units for their special populations. HMC proposes to remove from inpatient use the 11 bed Malama unit, which years ago had been the pediatric unit. The space will be used temporarily as office space for new specialist physicians.

Plans for use of the Malama unit. HMC's plans for the Malama unit are not part of this CON application. However, we would like to describe our plans so that reviewers of this application will be informed of these plans and understand this proposal in that context.

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Temporary use of Malama for physician offices. HMC plans to temporarily use the Malama unit for physician offices. This is not a CON matter, and is not technically a part of this application. Nevertheless, we want people to be informed as to what we are doing, and this is an appropriate place to present the information.

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In recent years, HMC has had a decline in its med/surg utilization, and part of this decline is due to a lack of specialty physicians in East Hawaii. This decline is a problem to the hospital, but the lack of specialty physicians is an even more serious problem to our patients.

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HMC proposes to address both problems by temporarily converting the Malama Unit to physician office space. We anticipate housing general surgeons, orthopedic surgeons and hospitalists at Malama.

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One of the problems in attracting new specialty physicians to East Hawaii is the difficulties they have in establishing a new practice, including finding suitable office space. HMC will make the Malama office space available on fair terms to new physicians.

There are several advantages to the physicians. It will allow them to quickly set up their practices in suitable space, without the additional expenses which are usually necessary to convert general office space into a medical office. Being within the Medical Center, the physicians will have ready access to ancillary services such as lab and imaging. They will be readily available to their hospitalized patients. They will also be in easy contact with other physicians, for conferring, and making and receiving referrals.

The advantage to the community is that there will be more specialists available in East Hawaii to meet their needs for such specialized services. Further, they can get these services in a convenient location, where other ancillary services are readily available.

There are also advantages to the medical center. We can better meet the needs of our community; (an essential commitment of ours). Inpatient utilization will increase with the new specialists, eventually requiring the reopening of the Malama unit for inpatient service. Utilization of our ancillary services will increase.

We estimate that by 2007 or 2008 the new physicians will have been able to establish their practices, will most likely need larger office space, and will be able to move out into other spaces in the community.

Future reopening of Malama for inpatient use. We also estimate that by 2007 or 2008 our inpatient utilization will have increased to the point

where more beds are needed. At this point we expect to propose the reopening of the Malama unit as an 11 bed med/surg unit. HMC acknowledges that this will require a new CON, and we know that approval of this current application does not constitute any sort of advance approval from SHPDA for reopening the beds. We are confident that the data will justify these additional beds in the future, and are ready to prepare a new CON application at the appropriate time.

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A. Relationship to the Hawaii Health Performance Plan (H2P2).

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This proposal does comply with the provisions of the H2P2, although the deletion of beds is a rather minor matter.

System elements. The H2P2 defines the critical elements of a health care delivery system as access, quality management, cost-effectiveness, continuity of care and constituent participation. The deletion of the 11 pediatric beds will have no effect on these elements. Pediatric patients will still be served at the hospital, and the service will still comply with the critical elements.

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Capacity thresholds. The H2P2 establishes 80% occupancy as a standard for "new or additional" pediatric beds. Since this is a proposal to delete beds, the standard may not be pertinent. However, we might consider the 80% standard as an efficient occupancy level for any pediatric unit. The pediatric occupancy levels at HMC for 2002 and 2003 were 14.1% and 11.8% respectively. We suggest that these occupancy levels justify the deletion of the 11 bed unit.

SAC values and priorities. The Hawaii Count Subarea Health Planning Council ("SAC") establishes values and priorities on pages III-12 to III-16 of the H2P2. Again, the deletion of 11 pediatric beds will have little effect on these values and priorities, since the same facility (HMC) will continue to serve the same patients (pediatric), albeit not in a dedicated unit

B. Need and Accessibility Criteria

Recent utilization. Although HMC is approved for 11 pediatric beds, the census of pediatric patients is so low (ADC of 1.9 in 2002 and 1.3 in 2003) that it would be inefficient and inappropriate to confine pediatric patients in a dedicated unit. Rather, pediatric and adult patients are all cared for in the most appropriate bed available.

Need. HMC anticipates that in the near future there will still be about 1 or 2 pediatric patients per day needing inpatient care at HMC. We can successfully meet the needs of these patients by accommodating them in regular med/surg beds. This practice is validated by the success of other

neighbor island hospitals, such as Maui Memorial and Wilcox – two fine facilities which provide quality care to pediatric patients without a dedicated pediatric unit.

Accessibility. The services at HMC are accessible to all patients. HMC has provisions to assure that services are provided to all residents of the area, including low income persons, racial and ethnic minorities, women, handicapped persons, other underserved groups and the elderly.

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C. Quality of Service/Care Criteria.

HMC is accredited by the Joint Commission of Accreditation of Healthcare Organizations, licensed by the Department of Health and certified by Medicare. HMC has ongoing quality improvement programs, and a history of providing quality service.

The deletion of the pediatric beds will not affect our care for pediatric patients, since they will still be getting the same quality of care at our facility.

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D. Cost and Finances Criteria.

Capital costs. There are no capital costs involved. There is no cost in deleting the beds.

Operating costs. The deletion of these 11 beds will not have an identifiable impact on operating costs. The main element of operating costs would be staffing, and HMC's basic policy is to staff the facility according to the number of patients and the level of care needed. Therefore, staffing levels are a function of patient need, not the number of approved beds. In fact, the Malama unit was recently taken out of operation due to low patient census (the permanent deletion of beds will become official when the CON is issued). However, there was no reduction in the hospital's staff. Rather, the existing staff were shifted around to other parts of the hospital to follow the patients

Therefore, this deletion of 11 beds is not a proposal for which there can be "revenue/cost projections for the first and third year of operation" as requested in the CON instructions.

E. Relationship to the Existing Health Care System Criteria.

The deletion of 11 pediatric beds will not have an impact on the existing health care system. HMC will still care for pediatric patients. There are no

other acute facilities in East Hawaii, and the other hospitals on the island will not be affected.

F. Availability of Resources.

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No new resources are required for this proposal. There are no capital expenses, and no new personnel will be needed to delete the 11 beds.

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