



## HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

### ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 05-03A

Applicant: North Hawaii Community Hospital  
67-1125 Mamalahoa Highway  
Kamuela, HI 96743  
Phone: 808-881-4400

Project Title: Addition of six medical/surgical beds and deletion of six  
acute/long term swing beds

Project Address: same

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: \_\_\_\_\_

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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:   X

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

A. Site Control documentation (e.g. lease/purchase agreement, DROA agreement, letter of intent)

*The designated area is located on the North Hawaii Community Hospital campus. There is no site control documentation as only bed categorization will be changed.*

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.)

*Medicare certification. OHCA licensing.*

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

*Year 2004 list included.*

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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)

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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.

Type of Bed	Current Bed Total	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
Obstetrics	5	0	5
Critical Care	4	0	4
Medical / Surgical	26	+6	32
Acute / Long Term Swing	15	-6	9
<b>TOTAL</b>	50	0	50

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**6. PROJECT COSTS AND SOURCES OF FUNDS**

**A. List All Project Costs:**

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1.	Land Acquisition	_____
2.	Construction Contract	_____
3.	Fixed Equipment	<u>\$43,923.95</u>
4.	Movable Equipment	<u>\$24,891.19</u>
5.	Financing Costs	_____
6.	Fair Market Value of assets acquired by lease, rent, donation, etc.	_____
7.	Other: <u>Design, Project Management, Permits,</u> <u>Legal Services, Miscellaneous</u>	<u>\$5,000</u>

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**TOTAL PROJECT COST: \$73,815.14**

**B. Source of Funds**

1.	Cash	<u>\$73,815.14</u>
2.	State Appropriations	_____
3.	Other Grants	_____
4.	Fund Drive	_____
5.	Debt	_____
6.	Other: _____	_____

**TOTAL SOURCE OF FUNDS: \$73,815.14**

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.

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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

*There is no site control for this project.*

- b) Dates by which other government approvals/permits will be applied for and received

*Medicare certified the beds on November 17, 2004.*

- c) Dates by which financing is assured for the project,

*Funding will be provided through North Hawaii Community Hospital's capital budget.*

- d) Date construction will commence,

*No construction required for this project.*

- e) Length of construction period,

*No construction required for this project.*

- f) Date of completion of the project,

*November 17, 2004.*

- g) Date of commencement of operation

*November 17, 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.

- 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.

**Project Description:**

North Hawaii Community Hospital ("NHCH") seeks approval to change 6 acute / long term swing beds ("swing beds") to medical / surgical beds. The project requires minimal funding and there will be no other change in services. The general purpose of the project is to enhance NHCH's effectiveness as a health care provider to better accommodate the changing needs of patients served by NHCH. In addition, this project will improve health care on Hawaii. NHCH is the only full services health care facility targeting patients in the areas of North Hawaii and Waikaloa. There is currently a shortage of medical / surgical beds on the island of Hawaii. To better serve its patients, NHCH seeks to accommodate the changing needs of its patients. Therefore, NHCH seeks to increase the number of medical / surgical beds available to its patients.

SHPDA's account of 50 beds will remain the same. However, there will be some changes in bed service categories. There are currently 15 swing beds. NHCH seeks to convert 6 underutilized swing beds to medical / surgical beds. SHPDA has approved a 90 day temporary exemption. This application is being submitted to make the change permanent. Through these changes, NHCH will be able to accommodate an increasing need for medical / surgical beds on the island of Hawaii.

NHCH is the only facility providing health care services to North Hawaii and Waikaloa. The lack of medical / surgical beds, specifically, has made it difficult, at times, to provide health care to NHCH's primary service area. When NHCH does not have the capacity to serve its community, patients must travel a significant distance to Hilo to receive medical treatment. More than an inconvenience, increased travel time and limited mobility caused by traffic can result in unnecessary risks to patient safety and health in North Hawaii. For this reason, it is important that NHCH maintain a state of the art health care facility with the capacity to serve all North Hawaii patients.

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**A) Relationship to the Hawai'i Health Performance Plan (H2P2), also known as the State of Hawai'i Health Services and Facilities Plan.**

The proposed project supports H2P2's goal of achieving "equitable and effective access at reasonable cost for all Hawai'i's residents ..." and its objective of "reducing morbidity and pain through timely and appropriate treatment" will be supported by the proposed project by enabling NHCH to adjust its current acute care bed capacity to adapt to increasing occupancy. In addition, this proposal will help NHCH meet H2P2's goal of establishing regionalized health care delivery systems that include community input, are cost-effective, and foster improved access to quality health care services.

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The proposal serves to improve patient access to NHCH's health care services. Shifting bed categories will further support comprehensive delivery to the patient and family as NHCH's medical / surgical beds reach maximum utilization capacity. This will increase the hospital's ability to accommodate an increasing demand for services in an efficient, cost-effective way. NHCH provides Hawai'i with comprehensive, multi-facility services that span the entire continuum of care, from educational and preventive services to ongoing medical care to hospice care at the end-of-life.

In addition, this proposal serves to reduce morbidity and pain through timely and appropriate treatment. H2P2's regional priorities for the island of Hawai'i include "increased primary care services, and emergency response services in remote areas." In addition, H2P2's critical services for the island of Hawai'i include "adequate acute care" and "emergency care, emergency response." This proposed project supports these priorities by enhancing NHCH's current delivery system through increasing the number of medical / surgical beds available and by providing patients with more room and more modern facilities. The proposed bed changes facilitate timely and appropriate treatment, by increasing capacity and enabling a greater portion of the community to be served. Ultimately, the additional space will allow physicians to provide preventive health care diagnosis or care especially for heart disease and malignant neoplasm, which are two of the top six health risks prevalent on the island of Hawai'i.

Furthermore, NHCH has a history of partnering with other health care facilities on the island of Hawai'i to help eliminate preventable illness, disability, and premature death through various educational, exercise, and other programs that promote a healthy lifestyle. NHCH further acknowledges that improvements to delivery of care must be regularly addressed.

**B) Need and Accessibility**

The proposed bed changes will accommodate the increasing use of medical / surgical beds on the island of Hawai'i. From 1999 to 2002, the island of Hawai'i saw a dramatic increase in medical / surgical bed utilization. In 1999, utilization was 60.2%. In 2000, utilization was 71.9%. In 2001, utilization was 85.6%. In 2002, utilization was 103.47%. All three hospitals on the island of Hawai'i providing medical / surgical services reported very high utilization rates. Thus, utilization increased from 60.2% in

1999 to 103.47% in 2002. This represents a dramatic 43% increase over a period of only 5 years on the island of Hawaii. The island of Hawaii is now, therefore, in desperate need of additional medical / surgical beds.

In addition, NHCH has seen a dramatic increase in its own medical / surgical bed utilization rate. In 2000, NHCH had a medical / surgical utilization of 65.0%. In 2001, NHCH had a medical / surgical utilization of 77.57%. As stated previously, in 2002, NHCH had a medical / surgical utilization of 89.04%. While the increase at NHCH has not been as dramatic as it has been for the island of Hawaii as a whole, it appears that, if there are no bed changes, NHCH will soon reach maximum utilization for medical / surgical beds.

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A frequently-accepted benchmark in the hospital industry is that an acute care hospital should plan for no more than an 85% average occupancy rate. Beyond that, the hospital is unable to provide enough beds to meet the fluctuations of peak demands, such as seasonal increases or flu epidemics. There were times in recent years when NHCH's emergency bays were occupied by patients waiting for medical / surgical bed services. During times of high occupancy, patients requiring medical / surgical care were occasionally serviced in swing bed settings. Overall, the proposed bed changes will allow for additional capacity during high occupancy, and will help to avoid any back – up in the Emergency Room. These bed changes will allow patients to get appropriate emergency treatment in a timely manner. With the expected increase in population, the need for surgical beds will continue to increase as the population increases and ages, and as the number of long-term patients waitlisted in acute beds increases. The bed change shifts will not adversely affect services utilizing acute / long term swing beds.

NHCH currently provides and will continue to provide services for all residents of the area, and in particular low-income persons, racial and ethnic minorities, women, handicapped persons, and the elderly.

**C) Quality of Service/Care**

The proposal relates well to this criteria. NHCH must comply with many State and Federal regulations for delivery of care as well as maintenance of the service equipment and clinical environment. NHCH is accredited by JCAHO, licensed by the State of Hawaii Department of Health, participates in good standing with the Medicaid and Medicare healthcare programs, and provides patient care through well-defined processes for caregivers.

NHCH conducts regular performance reviews of employees which, among other things, are used to identify strengths, identify areas for improvement, document professional performance, and gather data as a guide for such actions as wage increases, promotions, disciplinary action and reassignment. The performance review "rates" employees on the basis of their performance and length of time in the position in relation to the performance requirements of that position.

Quality service for medical / surgical patients requires the availability of medical / surgical beds. Without sufficient beds, acute patients are backed up in the Emergency Room, patients receive care in inappropriate bed settings, emergency patients have delays in receiving emergency care, and elective procedures have to be re-scheduled or are delayed.

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

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Although there will be non-medical administrative, legal and miscellaneous costs associated with the project, the total cost of the project will be minimal. NHCH estimates that the bed changes will cost approximately \$73,815.14. There are no other service changes or additions. As discussed previously, the majority of beds are simply being re-categorized from unutilized swing beds to utilized medical / surgical beds. This shift will allow NHCH to better accommodate a growing need for medical / surgical beds on the island of Hawaii. First and third year revenue/cost projections are attached.

**E) Relationship to the existing health care system**

The project will meet the need of the patient population and communities that are served by NHCH. This project allows NHCH to continue to serve Hawaii county with appropriate care. NHCH is the anchor health care facility for the North Hawaii and Waikaloa communities. The bed change will serve to provide greater capacity for care and effectively improve response to patient needs. The project will not restrict health care accommodations for any bed category. The acute / long term swing beds that are being converted to medical / surgical beds are currently not being utilized. If anything, NHCH will be making use of beds that are currently underutilized.

**F) Availability of Resources**

Funding for the project will be through cash. The change in beds will not require an increase in FTE staff.

**10. Eligibility to file for Administrative Review.** This project is eligible to file for Administrative review because: (Check all applicable)

  X  

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.

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- 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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