



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 05-08A

Applicant: Rehabilitation Hospital of the Pacific
226 N. Kuakini Street
Honolulu, HI 96817
Phone: 808-531-3511

Project Title: Conversion of twenty acute rehabilitation beds to twenty
SNF beds to create a subacute rehabilitation unit

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: 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)
Not applicable. This is existing site for Rehabilitation Hospital of Pacific.
- 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.).
 - a) **New license from OHCA for new long term care beds and reduced acute care bed count**
 - b) **Medicare Certification from CMS**
Note, no other building, land use permits necessary. Existing site is licensed and certified facility that meets all requirements.
- C. Your governing body: list by names, titles and address/phone numbers.
See Attachment A – Governing Body
- 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 **Attachment B**
 - By-Laws **Attachment C**
 - Partnership Agreements **None/Not Applicable**
 - Tax Key Number (project's location) **TMK#170140420000**

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	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
Skilled Nursing Facility Service	0	+20	20
Other Specialty Rehabilitation	110	-20	
TOTAL	110	0	110

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6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All Project Costs:

AMOUNT:

- | | | |
|---|--|--|
| 1. Land Acquisition | | <u>RECEIVED</u> |
| 2. Construction Contract | | '05 MAR 04 P1 :47 |
| 3. Fixed Equipment | | <u>- 0 -</u> |
| 4. Movable Equipment | | ST. HLTH. PLNG.
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<u>0</u> |
| 5. Financing Costs | | <u>- 0 -</u> |
| 6. Fair Market Value of assets acquired by
lease, rent, donation, etc. | | <u>- 0 -</u> |
| 7. Other: <u>Minor Repairs/Renovations</u> | | <u>\$50,000</u> |

TOTAL PROJECT COST: \$50,000

B. Source of Funds

- | | | |
|-------------------------|--|-----------------|
| 1. Cash | | <u>\$50,000</u> |
| 2. State Appropriations | | _____ |
| 3. Other Grants | | _____ |
| 4. Fund Drive | | _____ |
| 5. Debt | | _____ |
| 6. Other: _____ | | _____ |

TOTAL SOURCE OF FUNDS: \$50,000

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.

Establish 20-bed subacute rehabilitation unit under long term care (SNF)

licensure.

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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.
Not applicable, REHAB already controls site.
- b) Dates by which other government approvals/permits will be applied for and received,
 1. Long term care license (OHCA) – apply 3/4/05; receive 7/29/05
 2. Medicare certification (CMS) – apply 8/1/05; receive 9/30/05
- c) Dates by which financing is assured for the project.
Not applicable, no financing required.
- d) Date construction will commence.
- e) Length of construction period. **Not applicable**
- f) Date of completion of the project. **Not applicable**
- g) Date of commencement of operation **August 1, 2005**

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 Executive Summary.**

- 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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Executive Summary

Background

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As the State's only comprehensive provider of acute inpatient rehabilitation services, REHAB has been a ready resource for physicians and acute hospitals and their patients who are in need of an intensive program of inpatient rehabilitation following lower extremity joint replacement surgeries. The State's orthopedic surgeons perform approximately 1500 lower extremity joint replacement procedures annually as reported in Hawaii Health Information Network. Until 2003, approximately 50% of these cases were admitted to REHAB's Inpatient Joint Replacement program for post-acute rehabilitation each year, and then transitioned back to home as a result. In mid-2004, changes by CMS via its enforcement of the "75% Rule" mandated that REHAB *decrease* its number of inpatient admissions for postoperative joint replacement patients. REHAB's forced compliancy with this CMS mandate caused a displacement of post operative joint replacement patients to alternate and less optimal settings, leaving patients, hospitals, and physicians frustrated.

Unable to admit this subset of patients to its Acute Inpatient rehabilitation program, REHAB created the Intensive Outpatient Joint Replacement Program (IOJTRPL), as an alternative to the patients who were displaced. However, it soon became very obvious that patient and physicians wanted a solution that included some kind of inpatient capability that would subsequently allow for a transition to an outpatient setting instead.

Local SNF's in the State, while capable of offering an inpatient setting for these patients, are at or near capacity. REHAB has the capacity to reallocate beds to the subacute (SNF) level of care in an effort to care for this population of displaced orthopedic patients. Additionally, medical issues in the post surgical setting, such as pain, infection, and wound care, are optimally managed and monitored at REHAB as part of a "programmatic" approach to patient care.

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

This project meets the H2P2 provisions outlined in Chapter 3 of the Plan, which calls for increased access to "...a healthcare delivery system that is comprehensive, cost-effective, well coordinated, and responsive to community/regional needs..." The addition of a sub acute rehabilitation unit will enable REHAB to provide orthopedic patients throughout the State with the complete post-acute care continuum, resulting in improved coordination of care and an overall reduction in the cost to provide that care.

Another priority listed in Chapter 3 was to foster development of care delivery systems for the elderly to provide effective management of their health and quality of life, reducing the burden to their families and the community. Rehabilitation after a joint

replacement or fracture in the cost-effective setting proposed will provide our elderly patients a greater chance of continuing to be able to live independently.

B. Need & Accessibility

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Given the above, a clinical need exists for a unit that can satisfy the following requirements:

- Best practices for patients in the post-acute joint replacement setting
- Inpatient setting
- Medical / nursing monitoring and services
- Focused and intensive orthopedic and joint replacement rehabilitation therapy services
- Specialized rehabilitation programs that offer a seamless, comprehensive continuum of post-acute care, following a joint replacement procedure, including inpatient and outpatient rehab components in the same program
- Coordinated and case managed care along the program continuum to the ultimate goal of recovery and return of function
- Support and coordination with local hospitals and community physicians

Although currently licensed for 110 Other Specialty Rehabilitation beds, REHAB has 100 beds in operation. Plans to build another wing to house the additional 10 beds were put on hold until a City and County drainage project running through our parking lot can be completed sometime at the end of 2005. In addition, as mentioned earlier, REHAB has seen a decrease in joint replacement admissions due to the forced compliance with the 75% Rule. Since October 2004, our average daily census has only been at 68. Even with a reduction of 20 Other Specialty Rehabilitation beds, we expect to have only 70 of the 90 beds occupied on a daily basis. We expect to have an average daily census of 15 patients in our SNF unit. In total we expect 85 of the 100 beds to be occupied on an average basis so there will be an adequate number of beds available for both levels of care until the additional 10 beds can be put into operation in 2006.

C. Quality of Service/Care

REHAB's core competency, and only business, is physical medicine and rehabilitation. With decades of acknowledged expertise in post-operative, post-acute therapy and care, and with a focus on community re-entry and return to home, REHAB is unique. REHAB does NOT have a long-term care or residential focus. REHAB is "program" focused and able to offer a higher level of specific care, due to its scope of services and settings, as well as coordination of that care along a seamless continuum, including an expanded scope of care for neighbor island residents.

In addition, REHAB's quality of service and care is evidenced by our ability to meet various licensure, certification, and accreditation requirements. REHAB is licensed

as a hospital by OHCA, is accredited by JCAHO, and is certified as a Medicare and Medicaid provider.

D. Cost and Finances Criteria

As mentioned earlier, since October 2004 REHAB's average daily census has only been at 68, down from an average daily census of 83 for the same period last year. Due to the forced compliance with the 75% rule, REHAB has seen its inpatient occupancy plunge, resulting in an average of 32 acute inpatient rehabilitation beds empty each day. By converting 20 of these beds into a subacute unit, we expect to be able to put these empty beds to use, providing a similar type of service but at a much lower cost to the patient.

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The conversion of 20 beds from "Other Specialty Rehabilitation" to "Skilled Nursing Facility" beds will reduce health care costs by providing orthopedic patients who need therapy in an inpatient setting with a lower and less costly alternative. Projected cost savings per bed day is \$550. The primary cause of this cost reduction is the use of fewer licensed nursing staff than in the acute inpatient rehabilitation setting due to the lower level of medical care required by the orthopedic patients, as well as the ability to float both nursing and therapy staff from one area to another based on volume and patient needs.

The capital cost of the project is expected to be minimal since the beds currently exist as "Other Specialty Rehabilitation" beds. We expect to spend no more than \$50,000 making minor repairs/renovations to the existing space to meet OHCA requirements for long-term care facility licensure. See **Attachment D**, which shows the revenue and cost projections for the first and third year of operations for the SNF unit.

E. Relationship to the Existing Health Care System

REHAB seeks to complete and enhance its scope of post acute orthopedic rehabilitation services, by creating a Subacute Orthopedic Unit that is fully dedicated to the rehabilitation of post-operative joint replacement and lower extremity fracture patients. The unit is part of a program focused upon maximizing patient functional gains, and transitioning to the home and outpatient therapy components of the program. Program goals are the maximization of function, and a decreased overall length of "episode of care" (as opposed to length of stay at facility), thus lowering overall costs to patients and insurer. The Subacute Unit would be a new department under the governance and organizational structure of REHAB.

REHAB's Subacute Unit would augment and complement efforts at acute hospitals in lowering lengths of stay for Joint Replacement Patients by admission of patients sooner after surgery. This would have the added benefit of helping to decrease

ALOS in the acute hospital, as well as allowing for more availability of Acute Hospital SNF beds for other waitlisted patients.

F. Availability of Resources

REHAB is currently a fully accredited, licensed acute inpatient rehabilitation hospital with traditional programs of rehabilitation in spinal cord injuries, traumatic brain injuries, stroke, joint replacement, and other neurologic and miscellaneous diseases. Staff, facilities, systems, and leadership and management support the successful outcomes of our patients.

Our projections indicate that we will need nearly 21 FTE's to operate the subacute unit, including nursing, therapy, and administrative staff. The clinical staff will be available immediately since we expect the nursing, therapy, case management, and clerical staff to be transferred from the acute inpatient rehabilitation program where we are currently overstaffed. The unit director will likely be recruited from the community, but potentially could be someone promoted from within since REHAB does have several staff members who have experience in managing units at other skilled nursing facilities in the community.

Approximately \$50,000 will be needed to make minor repairs/renovations to the existing space to meet OHCA requirements for long-term care facility licensure. This money is available in, and will be funded from, REHAB's operating account.

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