



## HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

### ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 05-10A

Applicant: Hale Hoola Hamakua  
45-547 Plumeria Street  
Honokaa, HI 96727  
Phone: 808-775-7211

Project Title: Establishment of Emergency Room services and the  
conversion of 2 medical/surgical and 2 SNF/ICF beds to 4 Acute/SNF  
beds

Project Address: same

REPLACEMENT PAGE

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: \_\_\_\_\_

ST. HLTH. PLAN & DEV. AGENCY

05 MAY -3 PM:08

RECEIVED

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) **Not Applicable, the facility already exists**
- 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.) **Plan review/approval by OHCA**
- C. Your governing body: list by names, titles and address/phone numbers - **Attach 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 - **Attach B**
  - By-Laws
  - Partnership Agreements - **Not Applicable**
  - Tax Key Number (project's location) - **TMK 0-5-010:91**

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.

ST. HELENA COUNTY  
& DEPARTMENT OF HEALTH SERVICES  
MAY 14 2008  
RECEIVED

Type of Bed	Current Bed Total	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
<b>MEDICAL &amp; SURGICAL (MS)</b>	2	0	0
<b>SNF/ICF</b>	48	46	46
<b>ACUTE/LTC</b>	0	4	4
<b>TOTAL</b>	<b>50</b>	<b>0</b>	<b>50</b>

--	--	--	--

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

**A. List All Project Costs:**

**AMOUNT:**

- |    |   |                  |
|----|---|------------------|
| 1. | Land Acquisition  | _____            |
| 2. | Construction Contract   | <u>\$270,000</u> |
| 3. | Fixed Equipment   | _____            |
| 4. | Movable Equipment   | <u>\$300,000</u> |
| 5. | Financing Costs   | _____            |
| 6. | Fair Market Value of assets acquired by lease, rent, donation, etc. | _____            |
| 7. | Other: _____  | _____            |

**TOTAL PROJECT COST:**

\$ 570,000

ST. HLTH. PLANING & DEV. AGENCY  
 MAY -3 P 2:08

RECEIVED

**B. Source of Funds**

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

**TOTAL SOURCE OF FUNDS:**

\$ 570,000

- 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.

Designation of existing 2 MS and 2 SNF/ICF beds to 4 Acute/LTC beds and establishment of Emergency Room (ER) Services.

- 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 - NA
- b) Dates by which other government approvals/permits will be applied for and received, - 7/2005
- c) Dates by which financing is assured for the project, - N/A
- d) Date construction will commence, - 8/2005
- e) Length of construction period, - 3 mo (8/05 - 10/05)
- f) Date of completion of the project, - 10/31/05
- g) Date of commencement of operation - 11/01/05

RECEIVED  
 05 AUG - 3 P 2005  
 STATE OF HAWAII  
 DEPARTMENT OF HEALTH  
 DIVISION OF LICENSING

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.

**Executive Summary**

Presently, Hale Ho'ola Hamakua (HHH) is a fifty (50) bed hospital based long term care facility with 2 MS and 48 SNF/ICF beds. Radiology and laboratory services are available but limited to regular work days only. The purpose of the CON Application is to secure review and approval for HHH change bed designations and to establish a new medical service.

The bed change involves the conversion of the two (2) existing MS beds and two (2) SNF/ICF beds to four (4) Acute/LTC Swing beds. The new medical service to be established is a limited ER service that will include x-ray and laboratory services available 24/7. The ER will be staffed by physicians and mid level practitioners (i.e., Nurse practitioner, physician assistant, nurse clinicians) or a combination of both, not onsite, but available within 30 minutes. ER service was previously provided by Hale Ho'ola Hamakua, but discontinued in May 1996 when more comprehensive acute and emergency care services were made available with the opening of North Hawaii Community Hospital.

This project is necessary to change the status of Hale Ho'ola Hamakua from a hospital based long term care facility to a Critical Access Hospital (CAH). The CAH program is dually administered by the federal government under the Medicare Rural Flexibility Program of 1997 and the State of Hawaii under Act 226 enacted in 2000.

The federal act provides operational/structural and Medicare reimbursement guidelines for CAHs whereas, the State act allows for the establishment of CAH for Medicaid reimbursement purposes and exclusion of designated CAH facilities from State law Act 294. This Act enacted in 1998 lowers Medicaid reimbursement significantly to all hospital based long term care facilities effective July 1, 2005.

The conversion of HHH to CAH status and the bed change and service change are necessary to meet federal and state requirements. By meeting these requirements, HHH will be able to exercise greater bed utilization flexibility, establish a 24/7 limited ER services, and receive enhanced Medicare and Medicaid revenues. In summary, Hale Ho'ola Hamakua will better serve the needs of the community, improve facility revenues to meet overall operational needs, and contribute towards meeting the goals established by the Hawaii Health Performance Plan (H2P2).

RECEIVED  
MAY 11 2005  
STATE OF HAWAII  
ST. D. B. & S. P. 90

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

The Hawaii Health Performance Plan relates that health services should be quality care driven, comprehensive, responsive, accessible, cost effective, and sensitive to the individual and community needs. In particular, the Hawaii County Subarea Health Planning Region identify the following as critical and essential services for the island: Transportation, Adequate Health Care, Level 1 Trauma, Diagnostic Services, Specialty Care, Ancillary Care, Elder Care, Behavioral Health, Public Health Services, Adolescent, Health Insurance, and Telecommunications.

As summarized above, this project proposes to convert the status of Hale Ho'ola Hamakua as a hospital based long term care facility to CAH. The requirements for conversion are stipulated in the Medicare Rural Hospital Program of 1997. Certain key requirements include: (1) the offering and designation of Acute/SNF swing beds; and (2) the provision of limited Emergency Room including radiology and laboratory services on a 24/7 basis not physically present onsite, but available on call within 30 minutes.

The conversion of HHH to CAH status and the changes that will occur as a result of this initiative address the concerns of the Hawaii Health Performance Plan to provide for adequate acute care services supportive of long term care services while the provision of 24/7 emergency room services including laboratory and radiology services will increase

accessibility to health care services that is cost effective for individuals and the community as a whole.

#### **b) Need and Accessibility**

Currently HHH is the sole provider of institutional long term care services with 48 SNF/ICF beds in North Hilo, Hamakua, and South Kohala. With this service and 2 MS beds, HHH is a key provider of institutional care services in the community and is a part of a health network system principally including North Hawaii Community Hospital, Hamakua Health Center – the major provider of primary care services in Honokaa and North Hilo, Clinical Laboratory Services of Hawaii, and private medical offices located in Honokaa and in Kamuela.

The conversion of HHH to CAH proposes to convert 2 MS and 2 SNF/ICF beds to 4 Acute/LTC beds. The conversion will result in the reduction of SNF/ICF beds from 48 to 46. This change is insignificant because in totality, there will be greater flexibility for the use of more beds for either long term care or acute care services according the specific bed need at any given time.

The major provider of ER services in the area is North Hawaii Community Hospital. The key providers' of primary care services are Hamakua Health Center in Honokaa, Hawaii and Lucy Henriques Medical Center, and private medical offices located in Kamuela Hawaii.

The ER at North Hawaii Community Hospital is open 24/7 while the primary care offices are open days only during the regular workweek and closed on weekends and holidays. By providing 24/7 limited emergency room services at HHH, the community will be offered an additional source of emergency and urgent health care services, including expanded radiology and laboratory services that is not now available.

It is anticipated that admissions for ER services to HHH will be cases of urgent and minor emergencies such as flu, respiratory conditions, minor infections, and other minor and non emergent conditions. Major conditions such as trauma, stroke or chest pain requiring higher level of care will be stabilized and transferred to the most appropriate acute facility on the island (i.e. North Hawaii Community Hospital, Hilo Medical Center, Kona Community Hospital) in consultation with the Hawaii County EMS central station based at Hilo Medical center and guided by protocols that will be developed with local EMS ambulance stations in the immediate area. HHH will have staff, equipment and medication to meet the immediate needs of and to stabilize patients for transfer of walk in patients with complaints of chest pain.

By converting HHH to CAH status, the required bed change designation will result in greater bed utilization flexibility, and by establishing new ER and urgent services in Honokaa, the need for accessibility to long term care, acute, and emergency care services is enhanced which is in keeping with the real needs of the community.

#### **c) Quality of Service/Care**

HHH is a certified provider of Medicare and Medicaid services and is currently licensed by the State of Hawaii as a provider of acute and long term care services. As a CAH, HHH will provide services that will meet all requirements and standards of quality care. The

existing quality assurance program of HHH will be expanded to accommodate the change in acute care services and the provision of emergency room services.

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

In 2004 the major sources of revenue for HHH were Medicaid (89%), Medicare (4%), and Other (6%). CAH status will enable the facility to be reimbursed at cost for Medicare covered services. Under Medicaid, if HHH remained in status quo combined with the implementation of Act 294 on July 1, 2005, reimbursement will be reduced significantly but with conversion to CAH status, reimbursement rate will be enhanced but still inadequate to cover total operational losses.

The startup capital cost for the ER physical plant will be minimal at \$270,000 because the designated area is the previous ER area, however, there will be associated cost to relocate other facility services currently occupying the same area for purposes related to video conferencing, training/in-servicing, and staff and community meetings. Equipment cost will be approximately \$300,000 for various devices related to medical care treatment and monitoring. It also includes a communication and security system for the area which is distantly removed from the existing nurses station.

A projected increase in annual operational expenses totaling approximately \$800,000 is based on the need for the services of 5 FTE mid-level personnel (i.e., nurse practitioner/physician assistant or equivalent, a backup physician and Medical Director), radiology and laboratory on call coverage, staff training, and other non-staffing related expenses. Hale Ho'ola Hamakua anticipates that ER staffing will be obtained via contractual arrangements with vendors qualified to provide these services.

The Projected Revenues and Expenses associated with the project over a period of three years from 2006 to 2008 are presented in Exhibit 1, page 11. The first column, "PPS," illustrates HHHs financial reimbursement methodology and shows the result of maintaining status quo and the impact of the implementation of Act 294 without relief provisions. The second column illustrates the result of CAH designation on revenues and expenses with cost based reimbursement for Medicare and Medicaid. The third column illustrates the net benefit to HHH by applying the Federal Matching reimbursement percentage of 58.9% to CAH column. The fourth and fifth columns show the differences in revenues between maintaining status quo and conversion to CAH status. The most realistic and conservative benefit is reflected in column 5, PPS vs. CAH Federal Share Only.

Despite CAH designation in FY 2006 and assuming CAH conversion is effective 7/1/05, HHH will continue to operate at a loss of \$1,109,000 as compared to loss of 2,146,000, however, the analysis indicates that the bottom line would be favorable by \$1,037,000 even with the increases in expenses. With CAH status in FY 2008, and assuming HHH will fund the State's matching share of 42.1%, the projected losses will be \$1,315,000 as compared to \$2,511,000 without CAH status. Revenues would be favorable by \$1,945,000 with expenses increased by \$745,000, resulting in positive impact of \$1,196,000.

The conversion to CAH status with the required changes in bed designation will enhance acute and long term care services and the new ER services will make available primary care services not now available 24/7 to the community. Finally these changes will result in

higher net revenues that will enable HHH to maintain current levels of services in all areas of operation of the facility.

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

The designation of 4 Acute/LTC beds will have minimal and insignificant impact on the utilization of and revenues derived from acute bed services now offered at North Hawaii Community Hospital or other acute or CAH facilities in Hawaii County. In fact, the availability of four (4) Acute/LTC will make available to the community two additional acute beds, should it be necessary, if disaster or epidemic is experienced in the area.

The reduction of SNF/ICF beds from 48 to 46 is minimal and insignificant to any other long term care provider. In fact, the corresponding beds which converts 4 beds to Acute/LT allows theoretically the availability of 50 instead of the previous 48 long term care beds based on the existing bed designation.

The establishment of the ER services at Hale Ho'ola Hamakua, which is located approximately 15 miles away from the full service ER services of North Hawaii Community Hospital, will have minimal impact since it is expected that utilization will be primarily for the treatment of minor and urgent medical conditions. This development should reduce the inappropriate use of the ER services especially at North Hawaii Community Hospital for more serious medical cases at the same time reducing patient complaint about long waiting period when bypassed per protocol for true emergency cases.

Hamakua Health Center, located adjacent to HHH, and the major provider of primary care services in the area will be minimally affected as well. It is projected the annual caseload will be no more than 1000 visits or average rate of 3 visits per day. These visits will be seen after regular clinic hours during evenings, nights, weekends, and holidays.

To ensure that the limited ER services to be offered will be utilized properly, HHH has already embarked and will continue to provide a comprehensive ongoing educational program for the community. Altogether, there have already been at least a dozen (12) presentations made to other medical providers, community groups, and other interested parties about CAHs including specific information about the limitations of the ER services to be provided.. Future meetings have been scheduled with EMS and police that is expected to result with the establishment of protocols and guidelines related to admission to HHH ER services and transfers to other facilities. Before and after the opening of ER services, there will be press releases and detailed articles in the major newspapers on the island and community newspapers to inform potential users of the service. In addition a special presentation keyed to ER services and adaptable to any group will be developed and presented to priority target groups (i.e. elderly) and to the general public as needed.

**f) Availability of Resources**

The startup capital and operational funds for this project will be obtained from operational revenues generated by the facility and funds provided by the Hawaii Health Systems Corporation from system-wide operations.

As indicated in Section D, operating revenues from the conversion to CAH status and the project changes including the bed change and the provision of emergency room will not completely offset total operating losses.. However, the impact to operations will be far worse if status quo is maintained and conversion to CAH status is not pursued.

The staffing required for the ER are as follows:

- 5 FTE Nurse Practitioners
- Physician backup/Medical Director
- On call x-ray technician and a phlebotomist/laboratory technician

HHH intends to obtain the staffing for ER services with a vendor qualified to provide these services on a contractual arrangement. As soon as CAH designation and CON approval are obtained, a request for proposal will be posted to solicit bids for physicians and mid level practitioners or a combination of both per CAH requirements to provide on call coverage staffing for ER Services. It is anticipated that the solicitation for bids will be successful since other HHSC ER facilities are now staffed by contracted physicians. The used of mid level practitioners in other HHSC facilities has also been established indicating the availability of qualified candidates in the community. If this approach should be unsuccessful, the alternative will be for HHH to recruit and hire its own personnel as needed.

RECEIVED  
 JUN -3 P 2009  
 HEALTH PLANNING  
 AND DEVELOPMENT  
 AGENCY

**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.