



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

STANDARD APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 05-16

Applicant: Shriners Hospital for Children
1310 Punahou Street
Honolulu, HI
Phone: 808-941-4466

Project Title: Hospital Renovation

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)

The designated area is located on the Shriners Hospitals for Children Honolulu campus and is owned by Shriners Hospitals for Children.

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 Use Permit.
Building Permit.*

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

Year 2005 list included. See Attachment 3-C.

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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Articles of Incorporation and By-Laws are attached as Attachment 3-D. There are no applicable partnership agreements. Tax Key Number is (1) 2-4-007-001.

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. **TOTAL CAPITAL COST:** \$24,318,227 (Clinical areas only)

6. **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			
Critical Care			
Medical / Surgical			
Psychiatric			
Skilled Nursing			
TOTAL			

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7. **CHANGE IN 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 consult 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.

There will be no change in service.

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8. **PROJECT COSTS AND SOURCES OF FUNDS** ST. HLTH. PLNG. & DEV. AGENCY

A. List All Project Costs:	AMOUNT:
1. Land Acquisition	_____
2. Construction Contract	<u>\$17,310,065</u>
3. Fixed Equipment	<u>\$3,656,000</u>
4. Movable Equipment	<u>\$200,000</u>
5. Financing Costs	_____
6. Fair Market Value of assets acquired by lease, rent, donation, etc.	_____
7. Other: <i>Design, Project Management, Permits, Legal Services, Hazardous Material, Contingency, Miscellaneous Additional Construction</i>	<u>\$3,152,162</u>
TOTAL PROJECT COST:	\$24,318,227

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B. Source and Method of Estimation

Describe how the cost estimates in Item "A" were made, including information and methods used:

Project cost estimates were made by a consulting firm, SRG Partnership Inc., which performed an assessment of the Hospital areas that required rebuilding and the costs of such rebuilding. The clinical areas are identified as patient rooms and adjacent areas, operating suites, nursing stations, rehabilitation therapy, recreational therapy and therapy pool areas. Outpatient clinical areas and physician offices are projected to cost \$415.00 per square foot to build with an additional \$76.00 per square foot allocated for design, project management, permits and other soft costs.

C. Source of Funds

1.	Cash	RECEIVED	<u>\$24,318,227</u>
2.	State Appropriations	'05 JUL 18 P2:59	_____
3.	Other Grants	ST. HLTH. PLNG. & DEV. AGENCY	_____
4.	Fund Drive		_____
5.	Debt		_____
6.	Other:	_____	_____

TOTAL SOURCE OF FUNDS: \$24,318,227

9. **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

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Site is already controlled by Applicant.

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

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Plan Review Use Building Permit – estimated February 2006.

Building Permit – estimated August 2006.

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

Funding will be provided through the capital budget of Shriners Hospitals for Children, to be enhanced by a fundraising campaign. This proposal has been reviewed and approved by the Board of Trustees and the senior management of Shriners Hospitals for Children.

d) Date construction will commence,

March 2007.

e) Length of construction period,

Approximately three years.

f) Date of completion of the project,

The First Phase of the Proposed Project will be complete by August 2008. The Second Phase of the Proposed Project will be complete by February 2010. The First and Second Phases of rebuilding will include all of the CON relevant hospital areas of the Proposed Project. The Third Phase of the Project, involving non-clinical areas, will be complete by February 2011. The components of each phase of the Proposed Project are described in more detail in subsequent sections of this application.

g) Date of commencement of operation

Construction will occur in three phases, allowing the Hospital to continue operating during construction of the Proposed Project. All clinical areas of the Proposed Project are expected to be complete and operational by February 2010.

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.

10. **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.

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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.
 - 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.

Introduction

Shriners Hospitals for Children is a network of 22 hospitals throughout North America (with one hospital located in Mexico City and one hospital located in Montreal) that treats children's orthopaedic conditions completely free of charge and without relying on any government program funding or insurance reimbursement. Shriners Hospitals for Children is supported by the Shriners fraternity, a charitable organization first established in 1872. Early members of the Shriners fraternity included Hawaii's King Kalakaua. In 1919, the Shriners fraternity began focusing on the needs and treatment of children with orthopaedic conditions as the focal point of its charitable efforts. In 1920, the Shriners fraternity took the first steps to establish the Shriners Hospitals for Children organization. For over 80 years, Shriners Hospitals for Children has provided high quality medical care, free of charge, to approximately 735,000 children. Shriners Hospitals for Children admits over 27,000 children annually to its hospitals.

Shriners Hospitals for Children, Honolulu Unit (the "Honolulu Hospital" or the "Hospital") is the second oldest hospital in the Shriners Hospitals for Children network. The Hospital opened in January 1923, in the rear wing of the Kauikeolani Children's Hospital in the Liliha area. In October 1930, the present Punahou site of the Hospital was deeded to Shriners Hospitals for Children by the Dowsett family. The Dowsett mansion located at the Punahou site served as a 30-bed Honolulu Hospital from 1930 until 1967. In 1967, the current 40-bed hospital was built and unveiled in grand opening ceremonies attended by many Hawaii residents.

The Honolulu Hospital has treated children's orthopaedic conditions for over 80 years, admitting approximately 23,000 children. Nevertheless, no major improvements have been made to the Hospital since 1967. Unfortunately, the Hospital suffers from a lack of space, antiquated facilities, and general wear and tear. Therefore, the Honolulu Hospital seeks to rebuild its physical facilities, to modernize and increase the space available for patient care (the "Proposed Project").

The Proposed Project will take place over several years, and in three phases. During the "First Phase," projected to commence in March 2007, family quarters, classrooms, an auditorium, and portions of the inpatient wards will be demolished. Operating suites, semi-private patient rooms and supporting facilities will then be constructed. Because some patient rooms, operating suites and other essential areas of the Hospital will remain operating, the Hospital will be able to continue providing its full range of services to patients. In August 2008, when the First Phase of

the new Hospital is constructed and becomes operational, the "Second Phase" of rebuilding will begin. During this phase, current operating rooms and additional patient wards will be demolished. New operating suites, orthotics areas and additional semi-private patient rooms will be constructed. During the Second Phase of the Proposed Project, the Hospital will treat patients in areas completed during the First Phase of rebuilding. As a result, the Hospital will continue its regular operations throughout the First and Second Phases of the rebuilding process. By the end of the Second Phase of construction, all clinical areas of the new Hospital will be complete and operational. The "Third Phase" of rebuilding will include non-clinical areas, including an auditorium and a temporary parent housing building. The Hospital will be fully functional during this phase. To ensure that service can continue during the entire construction period, the Hospital will take all necessary precautions and measures, consulting with the Department of Health when necessary, to ensure that treatment will not be affected by the rebuilding.

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 is consistent with H2P2's goal to "increase the span of healthy life for Hawaii's residents" as the Proposed Project will allow children and adolescents to "develop and mature in good health, secure in their prospects for a productive and happy future." As an example of its mission, the Honolulu Hospital treats many children with orthopaedic deformities. The Hospital provides an environment where children sharing similar struggles can feel "normal" and respected, allowing them to "develop and mature" in a healthy way.

The Proposed Project is also consistent with H2P2's goal of "reducing morbidity and pain through timely and appropriate treatment." Among its other services, the Hospital diagnoses and treats degenerative orthopaedic diseases. As a result, the Honolulu Hospital offers services to prevent "morbidity and pain through timely and appropriate treatment" by addressing potentially debilitating and crippling diseases in the early stages of development. The Proposed Project will achieve this goal by allowing enhanced care through increased space and modernization.

The Proposed Project will also "reduce health disparities among Hawaii residents" and provide "equitable and effective access at reasonable cost." The Honolulu Hospital accepts patients under the age of 18 for orthopaedic medical conditions treated by the Hospital without regard to the child's (or family member's) race, color, creed, national origin, sex, gender, religion, disability, marital status, or other categories protected by law. The Hospital and its parent entity have a long history of providing charitable health services free of charge to patients and their families. Additionally, treatment is not dependent on government funding or assistance, or the availability of health insurance reimbursement. Therefore, by providing its own source of funds for the treatment of patients, the Proposed Project serves to "reduce health disparities" by not only providing "equitable and effective access at reasonable cost," but access at no cost.

b. Need and Accessibility.

Currently, the Hospital's service area incorporates Hawaii (approximately 84% of the patient base) along with several Pacific island nations and territories, including Samoa, Guam, Saipan, Micronesia and the Philippines (the "Service Area"). The Hospital services a population of approximately 1.7 million people. The Hospital admits approximately 500 patients annually. See Section B: Need and Accessibility, Part 2-D.

Specifically, the Honolulu Hospital offers surgical and rehabilitative care to children afflicted with a variety of orthopaedic disorders, including: clubfoot; scoliosis; limb length discrepancies; rickets; hip, hand and back problems; and treatment for orthopaedic problems associated with spina bifida, polio, cerebral palsy and juvenile rheumatoid arthritis. To be eligible for treatment, a child should be less than 18 years old and possess a treatable orthopaedic condition, as determined by the Hospital's physicians. The Hospital will continue to provide care to children up to the age of 21. Treatment is free, financed through gifts, bequests, and income from the Shriners Hospitals for Children Endowment Fund, fund-raising events, and other charitable efforts.

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As already stated, the present hospital building was constructed in 1967. While minor renovations were made in the early 1990's, much of the Hospital is structurally the same as it was in 1967. The facility does not meet modern day standards for hospital design or space. The only appropriate way to address these standards is to completely rebuild the Hospital. Therefore, in an effort to expand and modernize its facilities, the Honolulu Hospital seeks approval to rebuild its physical facilities.

The Proposed Project is an extensive reconstruction effort. It will entail a complete rebuilding of the Hospital campus in an effort to modernize and add space to the Hospital, integrating Hawaiian style architecture in the process. The Proposed Project includes three major construction projects: a four story replacement hospital (in compliance with all building height and density restrictions) a new auditorium, and a new one story parent housing quarters.

The Proposed Project reflects the Hospital's desire to meet several goals and objectives, including:

1. Promoting and strengthening the mission and values of Shriners Hospitals for Children by:
 - Providing exceptional pediatric orthopaedic care;
 - Educating pediatric orthopaedic residents, fellows and other health care professionals;
 - Fostering research for pediatric orthopaedic development and advancement; and
 - Providing leading edge facilities that are efficient, flexible, and adaptable.
2. Providing a family focused and patient centered environment by:
 - Responding to patient and family needs;
 - Promoting the healing process through the natural environment; and
 - Allowing family members to live on the Hospital's campus during the patient's course of stay to provide support and care.
3. Promoting, respecting and preserving the uniqueness of the Hawaiian and Pacific Island cultures by:

- Responding to the unique cultural differences of patients and families;
- Preserving the Hawaiian sense of place; and
- Embracing and respecting the natural environment, climate, resources, and innate elements of the Hawaiian Islands.

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The Hospital retained an architectural firm, SRG Partnership Inc., to perform an architectural assessment of the Hospital. In June 2004, the SRG Partnership Inc. published a Space Re-Utilization Study (the "Study"). In summary, the Study concluded that a rebuilding of the Hospital would cure many of its problems, including the following:

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- The current inpatient rooms consist of four-bed wards, with one toilet for eight beds, and one shower room for 20 beds, creating a very crowded and cramped environment;
- The existing inpatient nursing units are in awkward, cramped and inconvenient locations;
- The majority of the existing hospital is a 40-year old facility with most systems operating beyond their reasonable life expectancy and at maximum capacity with unpredictable longevity and reliability;
- There have been limited upgrades to the Hospital floor area;
- The clinic area exam rooms are exceedingly small, compromising access, family centered care, and exam efficiency.

Based on the Study, the following space increases were determined to be necessary:

- Inpatient areas: 58% increase in space.
- Diagnostic and treatment areas: 54% increase in space.
- Administration and support services: 61% increase in space.
- Parking: 65% increase in space.

The Study confirmed the Hospital's own conclusion that its goals and objectives were not being met in an optimal manner, leading to the conclusion that the Hospital campus must be rebuilt. Accordingly, in furtherance of achieving its mission, the Honolulu Hospital submits this Certificate of Need Application seeking approval to completely rebuild its Punahou medical campus.

As indicated, the Proposed Project will replace the current Hospital with a modern, spacious facility that incorporates local Hawaiian architectural styles. The Proposed Project includes the following:

- 20 semi-private patient rooms. Each room will be approximately 325 square feet, limited to two patient beds, and will have privacy dividers. Additionally, each room will have its own private bathroom with a toilet and a shower. There will also be additional space and

furniture available should a family member wish to stay in the room with a child overnight.

- Three operating suites, including two inpatient surgery rooms and one minor surgery procedure room.
- 12 exam rooms (currently there are eight exam rooms).
- The expansion of the Post Anesthesia Care Unit. Currently, the Honolulu Hospital lacks optimal space necessary for its Extended Post Anesthesia Care Unit and, at times, must send patients to Kapiolani Hospital for this care.
- The addition of a minor surgery room to further enhance the ability of the Honolulu Hospital to properly service its outpatient population.
- Acute care areas, with medical / surgical capability.
- Orthotics areas.
- Ambulatory Clinic area with exam, consultation, procedure, clinical support, storage and reception areas.
- Pharmacy dispensing, storage and administration areas.
- Imaging areas for digital radiography.
- Physical / occupational therapy room, pool, waiting rooms and treatment areas.
- Patient and family waiting areas. These areas will be reconfigured to allow for better supervision, privacy and efficiency.
- Lobby-conferencing rooms.
- Human resources / administrative areas.
- Fiscal services areas.
- Environmental services areas, for laundry and housekeeping.
- Infection control office.
- Work areas for medical media.
- Health information systems offices.
- Management information systems offices.
- Classrooms for school.

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- Classrooms for school.
- Telemedicine office.
- Care coordination, clinical analyst, and materials offices.
- Nutrition services offices and storage rooms.
- Kitchen and laundry.
- Family quarters suites.

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The Honolulu Hospital is currently licensed for 40 beds. It intends to maintain the same number of beds for its new Hospital. Additionally, the Proposed Project will not establish any new services at the Hospital. In other words, the Proposed Project is intended to modernize the current facility to better accommodate patients, without materially changing or adding any new services. Furthermore, the Proposed Project will take place over several years, and in three phases. As a result, the Hospital will continue its regular operations throughout the rebuilding process. Service to patients will not be affected.

c. Quality of Service/Care.

The Honolulu Hospital will comply with State and Federal regulations for delivery of care, maintenance of service equipment, and maintenance of clinical environment. The Honolulu Hospital is accredited by JCAHO, and is licensed by the State of Hawaii Department of Health as an acute hospital.

The Honolulu Hospital provides patient care through well-defined processes for caregivers. The Honolulu Hospital conducts regular performance reviews of employees which, among other purposes, are used to identify strengths, discover areas for improvement, document professional performance, and gather data as a guide for such actions as wage increases, promotions, disciplinary action and reassignment. Caregivers are well qualified:

- The Hospital's 3.5 orthopaedic surgeon FTE are all board certified in orthopaedic surgery. All orthopaedic surgeons are involved in research. All are members of well recognized professional organizations and have served in leadership positions in those organizations, including: American Academy of Orthopaedic Surgeons; American College of Surgeons; American Association of Orthopaedic Surgeons; Pediatric Orthopaedic Society of North America; American Medical Association; Western Orthopaedic Association; Hawaii Orthopaedic Association; Society of Military Orthopaedic Surgeons; Association of Military Surgeons of the United States; American Academy of Pediatrics; Scoliosis Research Society; Association of Children's Prosthetic-Orthotic Clinics; Ruth Jackson Orthopaedic Society; Southern Medical Association; American Women's Medical Association; American Academy for Cerebral Palsy and Developmental Medicine; J. Robert Gladden Orthopaedic Society.
- All of the Hospital's registered nurses ("RNs") and physicians are trained and certified in PALS (Pediatric Advanced Life Support). Of the thirteen staff nurses in surgical services, five have Bachelor's degrees, one staff member is a Registered Nurse, First

Assistant, another is a Cardiopulmonary Resuscitation ("CPR") instructor, and one staff member is a PALS instructor. Three members of the staff are Certified Nurses, Operating Room licensed ("CNOR"). The Inpatient Nursing Department has nine staff members with Bachelor's degrees and one who has held a leadership position in a professional nursing organization. Of the two RNs in the Outpatient Department, one holds a Bachelor's degree and the other a Master's degree. The Master's prepared nurse also holds the credential of Certified Professional Nurse Practitioner. The Department has one staff member who holds the credential of Certified Professional Nurse Practitioner and functions in that role. This staff member has also completed a Doctoral degree. Staff nurses are involved in various professional organizations, including: American Organization of Nurse Executives (Hawaii Chapter Member); National Association of Pediatric Associates and Practitioners; National Emergency Nurses Association; National Organization for Post Anesthesia Nurses; Association of Professional Infection Control (APIC); Association of Operating Nurses (AORN); National Association of Orthopaedic Nurses (NAON); American Society of Post Anesthesia Nurses (ASPAN); Hawaii Post Anesthesia Nurses (HIPAN).

- Of the RN's and Social Workers in the Care Coordination Department, all have Master's degrees, four have specialty certifications, and all are actively involved in professional organizations, including: American Institute of Outcomes Case Management; American Case Management Association; Spina Bifida Association of Hawaii; National Association of Pediatric Associates and Practitioners; Arthritis Foundation of Hawaii; Spina Bifida Association of Hawaii (one staff member is an advisor to the Board); National Association of Pediatric Associates and Practitioners (one is on the Educational Committee); Academy of Certified Social Workers; Association of Rheumatologic Health Professionals. The Manager of the Department holds the credential of Certified Professional Nurse Practitioner.
- In the Rehabilitative Services Department, of the seven staff members, three have Master's degrees, two have Bachelor's, and one holds a leadership position in a professional rehabilitation organization. Staff members are actively involved in professional organizations, including: American Physical Therapy Association; American Association of Cerebral Palsy and Developmental Medicine; Association of Children's Prosthetic-Orthotic Clinics National Board for Certification of Occupational Therapists (NBCOT); American Occupational Therapy Association (AOTA).

The Proposed Project will enhance the quality of care provided. The increased space and modernization will allow caregivers to work more effectively and efficiently. Caregivers will be able to move more freely, and will be able to verbally communicate with patients and other caregivers without being overheard by unauthorized individuals. This will result in an increase in the overall quality of care provided by the Hospital.

d. Cost and Finances.

As documented in Section 8A of the Application Form, with respect to clinical areas, the Proposed Project is estimated to cost approximately \$24,318,227. This figure represents the clinical, CON applicable, portions of the project. As indicated, all costs associated with the Proposed Project will be paid for by the Honolulu Hospital and the Shriners Hospitals for

Children Endowment Fund. There will be no debt financing. Additionally, the Proposed Project will not result in increased operating costs. Treatment will continue to be completely free to patients. Furthermore, the Proposed Project will not affect long term feasibility of the Hospital's operations, or will the Proposed Project affect the cost of health care in Hawaii.

e. Relationship to the existing health care system.

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The Proposed Project will have a significant positive impact on health care in the State. The Hospital provides pediatric orthopaedic services incomparable to any other service provided in Hawaii. The Hospital provides treatment for orthopaedic conditions, exclusively, and at no cost, to children in the Service Area. On the other hand, the Honolulu Hospital does not provide treatment for cases of emergency trauma or sports injuries (although the Hospital does treat complications resulting from emergency trauma or sports injuries). While other area hospitals treat orthopaedic conditions in Hawaii, they do not provide treatment at no cost, nor do they target children in such a broad service area. Therefore, enhanced orthopaedic treatment capabilities resulting from the Proposed Project will serve to complement and supplement orthopaedic services provided by other area hospitals. Additionally, because the Honolulu Hospital is completely funded by the Shriners Hospitals for Children Endowment Fund, the Hospital will not receive money otherwise available from public and private sources. Therefore, such resources are available for use by other area hospitals. This results in a positive financial benefit for area hospitals.

At the same time, the Proposed Project will provide added value to the services provided by the Honolulu Hospital. There will be more space available for children and their families. Furthermore, the Proposed Project will create a more modern facility, allowing the Honolulu Hospital to meet its objectives in providing optimal care to children with orthopaedic conditions. Additionally, the Proposed Project will take place over several years, and in three phases. As a result, the Hospital will continue its regular operations throughout the rebuilding process. Service will not be affected.

f. Availability of Resources.

As discussed, the Proposed Project does not establish new services. However, the Hospital's capacity to provide services will expand, creating a need for additional managers (1.0 FTE in Motion Analysis Lab), technicians (2.0 FTE in Motion Analysis Lab and 2.0 FTE in Inpatient Nursing Units) and nurses (2.0 FTE in Inpatient Nursing Units). This makes for a total of 7.0 additional FTE. The Honolulu Hospital has an active recruiting program, and no difficulty in training new staff.

There are no financial obstacles to the Proposed Project. The Honolulu Hospital will receive funding from the Shriners Hospitals for Children Endowment Fund for the entire cost of the Proposed Project to be supplemented with a fund raising campaign. As indicated, the treatment provided by the Hospital is free, financed through gifts, bequests, income from the Shriners Hospitals for Children Endowment Fund, fund-raising events, and other charitable efforts.

Funding for the Proposed Project is available and has been approved by the appropriate corporate authorities. See Attachment 2.