



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 05-33A

Applicant: Kaiser Foundation Hospital, Inc.
3288 Moanalua Road
Honolulu, HI
Phone: (808) 432-0000

Project Title: Conversion of 28 Skilled Nursing Facility (SNF) beds to
Medical/Surgical 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: _____ X
Honolulu: _____
Windward O`ahu: _____
West O`ahu: _____
Maui County: _____
Kaua`i County: _____
Hawai`i County: _____

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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**
- 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.)
- C. Your governing body: list by names, titles and address/phone numbers
See Attachment 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 **See Attachment B**
 - By-Laws **See Attachment C**
 - 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 | | | | | 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.

Does not include beds changes due to the Expansion and Renovation of Moanalua Medical Center in 2009 (CON #04-15)

| Type of Bed | Current Bed Total | Proposed Beds for your Project | Total Combined Beds if your Project is Approved |
|------------------|-------------------|--------------------------------|---|
| SNF | 28 | -28 | 0 |
| Medical/Surgical | 167 | +28 | 195 |
| Critical Care * | 24 | 0 | 24 |
| Pediatric | 16 | 0 | 16 |
| Neonatal ICU | 13 | 0 | 13 |
| Obstetric | 30 | 0 | 30 |
| TOTAL | 278 | 0 | 278 |

* Includes 4 PICU beds.

6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All Project Costs:

- | | RECEIVED | AMOUNT: |
|---|--|----------------|
| 1. Land Acquisition | '05 DEC 19 P2:05 ST. HLTH. PLNG. & DEV. AGENCY | _____ |
| 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

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.

Conversion of 28 SNF Beds to Medical/Surgical Beds

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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: **N/A**
- b) Dates by which other government approvals/permits will be applied for and received: **OHCA, April 6, 2006**
- c) Dates by which financing is assured for the project: **N/A**
- d) Date construction will commence: **N/A**
- e) Length of construction period: **N/A**
- f) Date of completion of the project: **N/A**
- g) Date of commencement of operation: **April 2006**

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**

- 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.

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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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9. EXECUTIVE SUMMARY:

Kaiser Foundation Hospital, Inc. requests approval from the State Health Planning and Development Agency (SHPDA) to convert 28 SNF beds to Medical/Surgical beds at the Kaiser Permanente Moanalua Medical Center in order to better meet the needs of their patients.

| BED TYPE | CURRENT | PROPOSED | TOTAL |
|------------------|---------|----------|-------|
| SNF | 28 | -28 | 0 |
| Medical/Surgical | 167 | +28 | 195 |

By converting the 28 SNF beds to medical/surgical beds, Kaiser Permanente will be able to more efficiently manage the care of the increasing number of acute care patients and still continue to place its non-acute care patients in the most appropriate setting available whether it be in an acute care bed at Kaiser's Medical Center (with a higher level of nursing care) or an outside skilled nursing facility.

A. Relationship to the Hawai'i Health Performance Plan (H2P2)

Kaiser Permanente and this proposed project fit the needs identified in H2P2. Kaiser Permanente is a health care delivery system that is comprehensive, cost-effective, well coordinated, and responsive to community needs. Kaiser Permanente has the principles, desired characteristics and critical elements of a health care delivery system as described in the H2P2. The proposed project, which will add acute inpatient capacity, will help to achieve the goals and objectives for realizing the vision of individuals achieving optimum health by providing proper acute care at the Medical Center and not be forced to send patients away to other facilities due to lack of capacity. The increase in acute care beds will also assist in keeping the hospital off divert status. This proposal will continue to help achieve the goals of increasing the span of healthy life for Hawai'i's residents, reduce health disparities among Hawai'i's residents, and achieve equitable and effective access at reasonable cost for all Hawai'i's residents by meeting the objective of "Reducing morbidity and pain through timely and appropriate treatment".

Kaiser Permanente Moanalua Medical Center's current utilization exceeds the H2P2 capacity threshold for Medical/Surgical Beds:

"For a new or additional medical/surgical bed, all existing medical/surgical beds in the service area average an annual occupancy rate of 80 percent or higher based on number of licensed beds rather than on staffed beds."

The 2005 occupancy rate for Kaiser Medical Center's 167 licensed medical/surgical beds (including 40 telemetry beds) was 85% (with observation patients).

At this time, Kaiser's Medical Center does not have a dedicated Short Stay Unit. Observation patients are instead cared for in an acute care bed. These observation

patients occupy the much needed medical/surgical beds, so observation days should be included to show the true rate.

Kaiser Permanente Moanalua Medical Center is licensed for 167 medical/surgical beds, but has 160 beds available. Of those beds, 100 beds are medical/surgical beds located on the 1st, 2nd, and 4th floor of the hospital. In 2005, these beds had an occupancy rate of 90% (including observation patients). There are also 20 medical/surgical beds located in another section of the hospital (Malama Ohana West) that are mainly used for sub-acute patients. These beds had an occupancy rate of 97% (including observation patients). The remaining 40 beds are telemetry beds located on the 3rd floor of the hospital. These beds had an occupancy rate of 81% (including observation patients).

These occupancy rates for the medical/surgical beds are above the H2P2 capacity thresholds.

B. Need and Accessibility

The proposed project converts 28 SNF beds to medical/surgical beds. These beds will help accommodate the recent surge in hospitalization in this area. In recent years, the average occupancy (with observation) for the medical/surgical units at the Medical Center has been about 90%. Historically, when this occurs, the hospital often ends up sending patients to outside hospitals. In addition, this also causes the Emergency Department to have a backup of patients waiting to be admitted. The Emergency Department is then unable to move patients out in a timely manner and ends up having to turn away incoming emergency patients.

With total membership forecasted to increase by 4.3%, or over 10,000 members, from 2004 to 2008, demand for medical/surgical beds will continue to increase. This increase in membership alone will require about 9 additional beds. Also, as historical experience has shown, the inpatient days per 1000 have been increasing. This will impact the number of additional beds needed. Also, as the neighbor island membership increases, there will be more patients transferred to Moanalua Medical Center for specialty care services.

Based on Kaiser Permanente Moanalua Medical Center's Expansion and Renovation CON #04-15, Kaiser Permanente is planning an additional 47 medical/surgical beds. However, additional capacity will not be realized for another two years and the total project is not scheduled to be completed until July 2009. Once the expansion and renovations are completed, Kaiser Permanente will review the proposal of converting the acute care beds back to SNF beds.

In Hawai'i, there is no sub-acute level of care staffed facilities. This proposed project, to increase the number of medical/surgical beds, will allow Kaiser to manage its waitlisted patients and sub-acute patients that would not be accepted in a skilled nursing facility.

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The patients that are currently in Kaiser Permanente's SNF beds are usually short-term patients who are transitioned to another care setting, most frequently to home. Kaiser Permanente will continue to provide SNF level of care to their members by finding the most appropriate available setting for each patient; whether it be in an acute care bed at Kaiser's Medical Center (with a higher level of nursing care) or an outside skilled nursing facility.

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The 2005 occupancy rate for the 28 licensed SNF beds was 53% and it had an average daily census of 15 patients. Due to the elimination of these SNF beds, Kaiser Permanente estimates an additional 5,400 waitlist days. Historically, the community has not taken these patients; therefore, these additional days and the resulting patient care needs will continue to be met at the newly licensed acute beds of the former Skilled Care Facility.

C. Quality of Service/Care

Providing high quality, cost-effective health care is the guiding principle at Kaiser Permanente. Kaiser Permanente is proactive and diligent in the pursuit, maintenance, and improvement of quality of care and quality of service. Kaiser Permanente has received continuing approval by the Joint Commission on the Accreditation of Healthcare Organizations (JCAHO). Kaiser Permanente has also been awarded full accreditation by the National Committee for Quality Assurance (NCQA).

As with all existing beds at Kaiser's Medical Center, the new beds will be licensed and certified.

D. Cost and Finances

As a staff model HMO, Kaiser Permanente is accountable for the expenses incurred by its members' for their inpatient services. If Kaiser Permanente is unable to internally accommodate the needs of its members, outside costs will be incurred. These associated facility and professional fees are always at a higher rate than the internal cost of operation. It would be more cost effective to have a SNF patient in a Kaiser acute care bed (a cost of <\$1000/day) than for a Kaiser member to be sent to an outside hospital due to lack of capacity (a cost of \$3,500/day). The proposed project will provide the additional internal capacity for medical/surgical beds to accommodate the increase in demand and to better manage the care of all its patients.

A statement of revenues and expenses for the first, second and third year of operation is included as Exhibit D-1. As a comprehensive, prepaid group practice health maintenance organization, the operating revenues for the Program are derived

primarily from Health Plan dues, which are not capitated, by medical service or operating facility. Project operating expenses are direct costs associated with the proposed conversion of beds.

E. Relationship to the Existing Health Care System

The conversion of beds will enhance the quality and continuity of care to the increasing demand of medical/surgical patients and sub-acute patients in the most cost effective manner. The increase in acute care beds will also assist in keeping the hospital off divert status.

There will not be a significant impact to the SNF patients because they will continue to receive the same level of care and service by the hospital staff at the former Skilled Care Facility.

Kaiser Permanente engages in active relationships with many different providers for long term care needs for its members. Kaiser Permanente also has dedicated teams that are committed to rounding. There is no reason to believe that the conversion of beds will adversely impact any health care services in the community.

F. Availability of Resources

The additional 28 Medical/Surgical beds will require an addition of 1.0 FTE Physician, 3.5 FTE Staff Nurses II, and 2.6 FTE Licensed Practical Nurses. Patient care staff will be hired either locally (when possible) or nationally.

The proposed project will not require a capital investment. No new debt will be required for the proposed project. Operating funds for the proposed project will be available through cash reserves for start-up activities and through normal operations after opening.

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