



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 06-26A

Applicant: Hospice Hawaii, Inc
860 Iwilei Road
Honolulu, Hawaii 96817

Phone: 808 924-9255

Project Title: Establishment of a five bed hospice

Project Address: 2449 10th Avenue, Honolulu, Hawaii

1. TYPE OF ORGANIZATION: (Please check all applicable)

- Public _____
- Private X
- Non-profit _____
- For-profit X
- 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):

3. A. Site Control Documentation

Please see attached letter of intent to lease the property from The Palolo Chinese Home for an initial period of five (5) years.

3. B. Listing of Permits

Zoning Permits

Hospice Hawaii, operating the unit as a 5-bed hospice unit, is not required to obtain any conditional use permit. Under Section 46-15.36, HRS, a "hospice home" is permitted in residentially zoned areas.

Building Permits

Construction has already begun and the appropriate permits are on file by The Palolo Chinese Home. The facility, initially planned to be a licensed SNF is being built to meet current applicable life-safety regulations for a SNF, which are higher standards than for a Medicare & Medicaid Certified Hospice Inpatient Unit

Medicare & Medicaid Hospice Certification

The Hospice Hawaii Palolo Home will be certified under the CMS Medicare Hospice Benefits, section governing freestanding inpatient units, Title 42 of the Code of Federal Regulations, Section 418. 100

3. C. Governing Body

Hospice Hawaii is the Operator.

Please see attached the current list of the Hospice Hawaii Board of Directors

3. D. Additional Documentation

1. Articles of incorporation: Attached: Please note that the Articles are pending revision. Hospice Hawaii amended its bylaws this summer and the amendments to the articles are underway.

2. By – Laws: Attached

3. Partnership Agreements: N/A

Tax Key Number: 3-4-26: 37

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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
Medicare & Medicaid freestanding Hospice Inpatient	0	5	5
TOTAL	0	5	5

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6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All Project Costs:	AMOUNT:
1. Land Acquisition	_____
2. Construction Contract	\$ <u>450,000</u>
3. Fixed Equipment	\$ <u>10,000</u>
4. Movable Equipment	\$ <u>5,000</u>
5. Financing Costs	_____
6. Fair Market Value of assets acquired by lease, rent, donation, etc.	\$ <u>590,000</u>
7. Other: Internal Furnishings	\$ <u>30,000</u>
TOTAL PROJECT COST:	\$ <u>1,085,000</u>

B. Source of Funds

1. Cash	\$ <u>10,000</u>
2. State Appropriations	_____
3. Other Grants (CDBG Grant)	\$ <u>480,000</u>
4. Fund Drive	\$ <u>35,000</u>
5. Debt	_____
6. Other: Palolo Chinese Home using another CDBG For property refurbishment	\$ <u>560,000</u>
TOTAL SOURCE OF FUNDS:	\$ <u>1,085,000</u>

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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.

This CON application is to replace the existing application #04-25A. That proposal, establishing a 5-bed hospice residential unit licensed as a SNF, will, upon the approval of this application, be withdrawn. Hospice Hawaii proposes to provide the full service of a Medicare Certified Hospice Inpatient care.

8. **IMPLEMENTATION SCHEDULE:**

- a) Date of site control for the proposed project: The Palolo Chinese Currently owns the home. Hospice Hawaii will finalize the lease document upon completion of the remodeling phase and before caring for patients. We anticipate signing the lease on or before December 1, 2006. Reference letter of intent (Section 3a).
- b) Dates by which other government approvals/ permits will be applied for and received
 - 1. Building Permit: Permit in place
 - 2. Medicare Certification: Hospice Hawaii will admit patients in late December, 2006 or early January 2007. Shortly thereafter, the Department of Health will conduct a Medicare certification survey and site visit. Medicare requires operations be underway prior to certification
- c) Dates by which financing is approved for the project: N/A
- d) Date construction will commence: Construction underway now.
- e) Length of construction period: 2 months
- f) Date of completion of the project: November 2006
- g) Date of commencement of operation: On or about January 2007

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.

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9. EXECUTIVE SUMMARY:

Hospice Hawaii has already received approval for a 5-bed licensed SNF in CON Application 04-25A in February 2005. Under that application, Hospice Hawaii demonstrated that the criteria establishing need for this service was met. This application seeks to broaden the scope of the service and allow Hospice Hawaii to access the **Full Range** of insurance coverage for hospice. By expanding capability (not capacity) we will be able to offer Medicare & Medicaid Hospice General Inpatient Care as well as the residential level of care previously allowed for under application 04-25A.

- a) Relation to the Hawaii Health Performance Plan: As established in Application 04-25A, this project fits well with Chapter II, Visions, Section F, providing for access to care, cost effectiveness, quality management, continuity of care and constituent participation. Further the project relates to Chapter III, State-Wide Values, in particular Section A-1 relating to compassion and comprehensiveness.
- b) Need And Accessibility: Hospice Hawaii has successfully established the need for additional services in CON Application 04-25A. In 1995, Hospice Hawaii opened the Hospice Hawaii Kailua Home, a 5-bed residential hospice unit designed to create a home like setting for the terminally ill who either have no caregiver capable of caring for them in their last days, or their caregiving system is unable to do so safely at home. Since its inception, there has been an ever-increasing demand for facility-based hospice beds.

In hospice care, patients can be cared for in several different, CMS defined levels:

- 1) Routine Home Care: This is care delivered to the patient in their place of residence. That place may include not only their own home, but a nursing home, expanded ARCH, assisted living facility or a hospice residential unit. Patients in a residential hospice bed use this are classified at this routine home care level.
- 2) Respite Care: Patients may also be placed in a hospice inpatient unit, licensed SNF/ICF or an acute care hospital for a short respite care lasting no more than 5 days.
- 3) General Inpatient Care: This care is limited to a Hospice General Inpatient unit (St. Francis has 2 such units, with 36 total beds), an acute care facility, such as The Queen's which has a contract with Hospice Hawaii or in a SNF under contract with the hospice. This care is generally for a very short time (days) with the intent of managing complex symptoms and returning the patient to their residence, placing them in a longer care setting, or death.
- 4) Residential Care (not a CMS recognized level of care) is the model of the Kailua Hospice Home. Families or private insurance pays the Room & Board co-pay, currently at approximately \$230.00 per day.

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& DLV SERVICES

Currently, there is tremendous demand for both general inpatient hospice care and long-term, residential hospice care. The monthly request for patients needing an inpatient hospice bed (for Inpatient or Residential care) from Hospice Hawaii alone averages 35 per month. On average, more than 40% of Hospice Hawaii's referrals are requests for a "hospice bed" either under contract with hospitals or in the Kailua Home (246 requests out of 548 for Jan - Aug of 2006). Running at an average occupancy of greater than 90%, there is frequently a waiting list of three or four others desiring respite or placement into the Kailua Home.

Additionally, St. Francis Hospice has gone on public record stating an average wait list of 20 or more persons desiring admission to one of its 36 dedicated hospice beds. There is undeniably a significant shortage of hospice inpatient beds serving the Oahu health care community.

Further, four significant factors will continue to increase the demand for hospice beds:

- 1) As the population continues to age, caregivers themselves will be increasingly frail or, if adult children, struggling with their own family issues and unable or unwilling to provide care.
- 2) Hospice referrals remain very late in the patient's life, often coming in the last few weeks of life. The caregivers, who may have been able to keep the patient at home with an earlier referral, are now so exhausted that safe care is unlikely. The patient acuity, that is the complexity of care, is now greater than ever because of the lateness of the referral.
- 3) Community education and palliative care development projects are making the use of hospice more and more likely. A palliative care demonstration project at a local hospital resulted in a significant increase in hospice referrals. This project was so successful that it has become a full service.
- 4) Hospitals can only allow a patient to stay in the facility for a very short time, usually less than a few weeks.

Accessibility: The hospice inpatient unit will, consistent with the Hospice Hawaii general policies and procedures, admit patients from all over the island of Oahu. We will serve patients of all ages*, particularly the elderly, as well as those of all racial and ethnic minorities, gender, or disabilities. We strive to deliver care to the poor and needy, regardless of their ability to care, and will provide charity (free) care to the best of our ability. A cornerstone of our mission is to make hospice care available to all persons in need.

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*It must be noted that a major grant for the development of the home was give to Palolo Chinese Home by HUD. The HUD grant is limited to serve the poor. HUD makes the assumption that if an individual is 62 years old or older, then their income is most likely fixed and they will qualify. In order

to comply with this, Hospice Hawaii will limit admissions to persons over 62 years of age. Two important points will allow Hospice Hawaii to comply with non-discriminations policies. First, if a person under 62 needs inpatient care, it can be provided in one of our existing contracts with hospitals, such as Queens' Straub, Castle, or Wahiawa or in a contracted SNF. Second, more than 85% of our patients seen in 2005 were over 62 years of age, with almost 57% over 80 years old.

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Based upon our experience in the Hospice Hawaii Kailua Home, we estimate our average occupancy to meet or exceed 90%.

c) Quality of Service/ Care:

The quality criteria were demonstrated as being met in CON application 04-25A. This proposal to expand to a Medicare Certified Hospice Inpatient Facility will, by meeting the requirement to staff with Registered Nurses (versus Licensed Practical Nurses as proposed in CON 04-25A) assure that a higher quality of care will be available to the patients and families.

The Hospice Hawaii philosophy of care, "Na Hoa Malama" speak to the values we hold to be most critical in offering care to the terminally ill and their family. The following are excerpts from the statement:

"Hospice care is a comprehensive interdisciplinary program of care designed to provide hope, care and comfort to terminally ill people and their families or loved ones in the familiarity of their own communities. We believe that each human life has an inherent value. As such, every human is worthy of love, compassion and respect."

"We believe that the fundamental unit of care in hospice is the terminally ill person and their family or loved ones who have the opportunity to provide mutual support and love. We believe that every terminally ill person and their family members or loved ones should have the opportunity to complete "life closure tasks" which broadly include: experiencing a meaningful ending or transition from physical life, an enhanced sense of belonging, and a sense of purpose and hope. We believe that Hospice Hawaii "Interdisciplinary Team members are responsible for encouraging trusting relationships with the terminally ill person and their family members or loved ones built upon honesty and openness, clarifying and providing care choices, and establishing a sense of personal empowerment."

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Through the operation of a serene, home like setting staffed with compassionate nurses, we are able to promote the highest quality of hospice care while affording the patient and family the opportunity to heal emotional wounds and prepare for a meaningful death. Personnel are selected as much for their compassion and empathy, as they are for their

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competent nursing skills. The nurse to patient ration is very high, with a minimum of 2 staff on duty for up to 5 patients. The minimum staffing levels will be one RN and one Nurses Aide. At times, during the day shift, there may be as much as 4 staff on duty (with the addition of the cook-housekeeper and RN manager on duty), with additional help from dedicated volunteers. Finally, the Hospice Hawaii interdisciplinary team (comprised at least of an RN Case Manager and Licensed Social Worker) will also be providing care to these patients, thus adding depth to their care teams and providing additional psychosocial, emotional and spiritual care by staff not directly assigned to work in the home. Families will be encouraged to stay with the patient as much as possible or desired, and actively involved in their plan of care, as well as their care (to the extent safely possible.) The operations of the Palolo Home, as in the case of the Kailua Home, will be monitored for compliance to applicable regulations as well through our regular Quality Assurance program. The initial staff will be cross-trained at the Hospice Hawaii Kailua home, building upon 9 years of quality service.

- d) Cost and Finances: The proposed home will be cost effective and financially feasible as demonstrated by the Hospice Hawaii Kailua Home. While the departmental costs in 2005 were greater than departmental income by more than \$60,000, this difference included \$84,000 in indigent care for those unable to cover the full cost of the room and board co-pay. The relatively small department losses are more than made up for through other department income and the fundraising efforts of Hospice Hawaii. Specifically, fundraising efforts yield more than \$500,000 per year, and the clinical department (caring for patients in their own home or in the hospital) generates approximately \$1,000,000 excess revenues over departmental expenses. Hospice Hawaii experienced an excess of revenue over expenses of more than \$435,000 in 2004 (major gifts received) and almost \$96,000 in 2005.

Our proposed budget accounts for an income mix reflecting the Medicare levels of Hospice General Inpatient, Inpatient Respite, Hospice Routine Home and the Hawaii Residential Hospice Coverage. These revenue streams will cover the costs of 24-hour nursing care (Registered Nurse and Nurses Aide), a cook-housekeeper, food, medical supplies, supplies for assistance with hygiene (diapers and chux, for example) as well as medications not otherwise covered under the patient's Hospice Benefit Insurance.

Taking advantage of the cost sharing in certain areas, such as management and other overhead costs, and higher levels of occupancy, our initial budget predictions will bring the annual operating expenses close to breaking even in the first year (Estimated \$17,000 loss), while still providing an estimated \$40,000 in indigent care. We anticipate 95%

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occupancy, as the home will be located in Palolo Valley, thus the barrier of going "over the Pali" is removed.

The average income per patient day, from private and third-party sources, is budgeted at \$531 per day, with an average daily expense budgeted at \$519 per day.

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Please see attached spreadsheets for complete cost projections for year 1 (2007) and year 3 (2009) operations.

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e) Relationship to the existing health care system: This project successfully established that it related well to the health care system in CON application 04-25A. Hospice care has gained increasing acceptance into the mainstream of the health care continuum. Initially caring for those who mostly self-referred and diagnosed with cancer, the last several years has seen an increasing use of hospice care for the non-cancer diagnosis. The diagnoses of dementia (including Alzheimer's) and "failure to thrive" (commonly applied to the frail elderly dying of old age) have seen a steady climb over the years, thus further adding to the overall increased caregiver stress level prior to hospice admission.

This proposal for an additional Medicare Certified Hospice Inpatient Unit will further improve the health care delivery system. Most likely filled within days of certification, we expect that there will be an immediate relief in the hospitals of the pressure to find a bed for a patient expected to live only a few weeks. While the numbers will not be large, the option to leave the hospital and go into a hospice unit will make a difference in the lives of the estimated 100 or so patients to be admitted. As indicated above, there is an ongoing waiting list for a bed either in the Hospice Hawaii Kailua Home or the St. Francis Hospice inpatient units. As mentioned above, over 40% of all Hospice Hawaii referrals are requesting a "bed" for care other than the patient's home.

The relative cost-savings of hospice care has been well documented over the years, most notably in a 1995 study published for the National Hospice Organization by the Lewyn Consulting group. They demonstrated that in the last 3 months of life, for every dollar spent by Medicare on Hospice care, Medicare saved an additional \$1.49. This trend continues through to today. Hospice offers the best possible interdisciplinary care for the terminally ill in the most cost-effective settings.

We believe that there will be no demonstrable or significant impact upon St. Francis Hospice when the Hospice Hawaii Palolo Home opens. As discussed, both hospice programs have waiting lists for residential care, and both are operating at capacity in their overall ability to offer inpatient care. This additional home will relieve a small portion of the pressure.

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Hospice Hawaii will also continue to be a training site for the health care community. Currently, Social Work, Nursing and Medical students all can choose to rotate through Hospice Hawaii on an elective. The Kailua Home is a frequent site for student experience, as well as an often-visited site for international professionals from Japan and Korea.

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Oahu does not need another hospice program. Patients have the ability to choose between two quality programs. What is needed is to increase the capacity of our respective programs to serve the patient's and their family's who desire the best possible inpatient end-of-life care. Hospice Hawaii is not experiencing over-capacity pressures on our home-based care (that is care in the patient and family's own homes).

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& PALO ALTO

- f) Availability of Resources: The most critical resource needed for the success of the program is nursing personnel. Staffed primarily with RNs and CNAs, we are confident that adequate personnel can be recruited and trained for the work involved. Hospice Hawaii will train the new staff at our existing Hospice Hawaii Kailua Home and then allow a transfer of a portion of the experienced staff to the Palolo Home, effectively "cross-pollinating" the new facility with experience. The following staffing levels are needed:

Mon – Fri	7:00 AM to 4:00 PM	Cook-Housekeeper	1 FTE
Daily	7:00 AM to 7:00 PM:	RN & CNA	2 FTE
	7:00 PM to 7:00 AM:	RN & CNA	2 FTE

To achieve these levels, Hospice Hawaii will hire a total of 4.2 FTE RN and 4.2 FTE Home Health Aides. Additionally, 1 FTE will be hired as the cook/ housekeeper and 0.5 FTE RN will be allocated to the manager's position. The manager will also supervise the current Kailua Hospice operations.

There are sufficient Registered Nurses and Certified Nurses Aides available to fulfill the scheduling requirements. The very nature of the Hospice Home, with it's peaceful setting, lower level of nurse to patient ratio and equal focus on psychosocial/ emotional/spiritual care as well as physical makes this a very rewarding workplace. Additionally, Hospice Hawaii is gaining in reputation as a desirable place to work, being voted as the 3rd best place to work in Hawaii by the Honolulu Advertiser 2006 Best of the Best. Recruitment efforts are underway now, with good responses. This work environment is ideal for part time work.

Financial resources are required for the remodeling of the existing facility. (Reference pg 5.) Palolo Chinese Home, as the owner of the facility, will bear the burden of remodeling and assuring compliance with Life Safety Codes. Hospice Hawaii, through a small, informal fundraising campaign,

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will solicit for monies to furnish the home. We estimate \$45,000 to purchase hospital beds and furnish the facility. Should Hospice Hawaii be unsuccessful in raising the money, there are sufficient funds in our reserves to cover the cost without a loan. The first year's operational income is budgeted to pay for expenses without having to dip into reserves.

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& DEPT. ADMIN.

Finally, Hospice Hawaii has sufficient professional leadership to successfully operate another hospice home. The previous manager of the Kailua Home, Laura Rose, RN, is now the Director of Clinical Operations and will oversee the development of the Palolo Home. Further, the initial clinical leadership involved in the groundbreaking development of the Kailua Home, the first of its kind in Hawaii, both continue to be associated with Hospice Hawaii. Barbara Shirland, RN is now the Quality Assurance Nurse and Kenneth Zeri, RN, MS serves as President & CPO.

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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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