



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number: #07-04A

Applicant: Hale Hoola Hamakua
45-547 Plumeria Street
Honokaa, Hawaii

Phone: 808 775-7211

Project Title: Addition of 40 Skilled Nursing Facility/Intermediate Care
Facility (SNF/ICF) beds

Project Address: same

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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: _____

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.) **County Building permit, plan review/approval by OHCA, DOH licensure, Medicare/Medicaid certification.**
- C. Your governing body: list by names, titles and address/phone numbers **ATT. 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 **ATT B.**
 - By-Laws
 - Partnership Agreements
 - Tax Key Number (project's location) **TMK 0-5-010:91**

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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.

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	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			XX		XX
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 (SHPDA-approved total as of 2000)*	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
Acute/LTC	4	0	4
SNF/ICF	46	+40	86
TOTAL	50	+40	90

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6. PROJECT COSTS AND SOURCES OF FUNDS

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A. List All Project Costs:

AMOUNT:

1.	Land Acquisition	ST HLTH PLAC & DEV. AGENCY	_____
2.	Construction Contract		<u>\$8,623,770</u>
3.	Fixed & Movable Equipment*		<u>399,000</u>
4.	Movable Equipment (see #3)		_____
5.	Financing Costs		_____
6.	Fair Market Value of assets acquired by lease, rent, donation, etc.		_____
7.	Other: _____		<u>76,230</u>

TOTAL PROJECT COST: \$9,099,000

B. Source of Funds

1.	Cash	_____
2.	State Appropriations	<u>\$9,099,000</u>
3.	Other Grants	_____
4.	Fund Drive	_____
5.	Debt	_____
6.	Other: _____	_____

TOTAL SOURCE OF FUNDS: \$9,099,000

*No major medical equipment is involved. Equipment is mostly beds, lifts, vital signs machines, furniture, etc.

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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.

No change of service is proposed. Hale Ho'ola Hamakua is merely proposing to add 40 SNF/ICF beds to help meet the increasing demand for long term care 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:

Please see page 7

- a) Date of site control for the proposed project,
- b) Dates by which other government approvals/permits will be applied for and received,
- c) Dates by which financing is assured for the project,
- d) Date construction will commence,
- e) Length of construction period,
- f) Date of completion of the project,
- g) Date of commencement of operation

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.

Please see page 7

- 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)

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- 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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8. Implementation Schedule

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October 9, 2006 –Build Design contract signed
April 1, 2007 – Construction commences
February 1, 2009 – Construction completed
July 1, 2009 – Commence operation of new beds

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9. Executive Summary

Hale Ho'ola Hamakua ("HHH") is a 50 bed inpatient facility in Honoka'a, Hawai'i with the following SHPDA-approved bed count:

- 4 Acute/LTC
- 46 SNF/ICF.
- 50 Total

Under CON Application #05-10A, HHH received SHPDA approval to make some minor bed changes (reflected above) and to add limited emergency room services. These changes made it possible for HHH to qualify as a Critical Access Hospital (CAH), and HHH was so designated in December, 2005.

The CAH program is administered by the federal government under the Medicare Rural Flexibility Program of 1997 and the State of Hawaii under Act 226 SLH 2000. As a CAH hospital HHH is better able to serve the needs of the community as well as receive increased reimbursement under the Medicare and Medicaid programs.

HHH now plans to construct a new wing adjoining the existing building at the Hilo end. (See Attachment C).

The additional 40 SNF/ICF beds will help meet the critical and rapidly increasing need for long term care beds on the Island of Hawai'i. In 2004, (the last year for which SHPDA numbers are available) HHH had a 97.99% occupancy rate in its SNF/ICF beds, while the entire Island of Hawai'i had a 96.22% occupancy rate. In 2006, HHH had a 100.2% occupancy rate in its SNF/ICF beds. (SNF patients in the acute beds were counted in the SNF/ICF count).

With this 40 bed addition, the new bed count at HHH would be:

- 4 Acute/LTC
- 86 SNF/ICF
- 90 Total

As stated above, the forty beds will be contained in a new wing adjoining the existing facility. Please see the preliminary drawings in Attachment C.

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The total capital cost of the project will be \$9,099,000. The entire capital cost will be financed through a State appropriation which was made by the Legislature in 2004 and recently released by the Governor. The advantage of this funding is that there is no debt obligation on HHH for the additional beds and no additional debt service costs in its operating expenses.

Our projections for revenues and expenses show that this project will bring HHH into a positive cash flow, versus its existing negative cash flow. The difference will be due to the ability to spread certain expenses across a greater number of patients.

The new beds will require approximately 58 new FTE employees, the majority (55) being nurses and certified nursing assistants (CNAs). We believe that these people will be available as explained in Section F below.

However, because this is an existing facility, we are able to build on existing space and core staff, and do not need to make additions as if this were a totally new facility. For example, Accounting and Administration will not require increases.

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

Chapter II of the H2P2 provides an occupancy rate of 95% as a capacity threshold for LTC beds which would justify additional beds in a service area. If we consider the service area to be North Hilo and North Hawai'i (Hamakua, North Kohala, South Kohala) there are only two facilities with LTC beds. HHH had a 2004 occupancy rate of 97.99%, and Kohala Hospital had an occupancy rate of 109.29%. The entire island has 7 facilities with SNF/ICF beds, and in 2004 the occupancy rate was 96.22%.

Under CON #05-13, a 95 bed Veterans Home SNF/ICF facility was approved on the campus of Hilo Medical Center. Although this facility is for veterans (and a limited number of family members), it will help relieve the LTC bed shortage on the Island. However, as the population increases and ages we still expect that the utilization rate at HHH will surpass 95%.

Chapter III of the H2P2 contains a section titled "Hawaii County (Big Island) Subarea Values and Priorities." Under the "Critical and Essential Services" heading is the item: "Elder Care. (community) adequate facilities for long term care, home care, assisted living, day care, and affordable respite care." Further, the heading of "Working Plans" includes:

“Long term care services: assisted living, SNF/ICF facilities;” “Geriatric services . . . institutional beds;” and “Elderly and Chronically Disabled: long term care for rural elderly.” This proposal relates well to all these provisions of the H2P2.

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b) Need and Accessibility

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In 2004 the Hawaii Health Systems Corporation (HHSC) commissioned Health Dimensions Group (HDG) to do a study on the proposed expansion of LTC beds in Honokaa.

The study noted that the senior population in the service area (North Hawaii) is experiencing moderate growth. The 65+ population was predicted to experience a 12% increase between 2004 and 2009. The growth in the 85+ population, which is the best indicator for use of LTC facilities, was expected to increase 24% during the same period.

The study divided the Island of Hawai'i into three regions: North, East and West. HHH is in the North Region, which roughly comprises North Hilo, Hamakua, North Kohala and South Kohala. A demand analysis study found that by 2009 there would be a demand for additional LTC beds in each region. The North Region would have a total demand of 169 beds. Since there were only 72 beds in the region, the study concluded that there would be a need for 97 additional LTC beds by 2009. The study also concluded that the entire island would need 229 more beds by 2009.

However, the study ultimately concluded that HHH should add only 50 additional beds. Because of funding constraints, the proposal we are submitting now is only for 40 beds.

Other predictors of need can be presented, since the HDG study which found a need for 97 more beds was based on national utilization rates, and Hawai'i traditionally has lower utilization rates than the nation. No matter what methodology is used, the need for more LTC beds is going to exceed the 40 beds proposed. For example, if we were to assume that Hawai'i's utilization is only half the national rate, we would still come up with the conclusion that the entire island needed 105 beds and North Hawai'i 49 additional beds by 2009.

The original legislative appropriation of \$9.1 million in 2004 was postulated on an additional 50 to 60 beds. However, a closer examination of construction costs, and the escalating increase in construction costs in the last two years, means that we have only enough funds for 40 new beds.

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Hale Ho`ola Hamakua does now and will continue to provide service to all patients, including low income persons, racial and ethnic minorities, women, handicapped persons, other underserved groups and the elderly.

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c) Quality of Service/Care

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HHH is certified by Medicare and Medicaid, and is licensed by the State of Hawaii as a provider of acute and long term care services. HHH has a history of providing quality care, and of being responsive to the needs of its community.

HHH has existing quality assurance programs which will apply to the additional long term care beds. All staff will be appropriately licensed, certified or otherwise credentialed

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

The capital cost of this proposal is \$9,099,000, including \$8,623,770 for construction and \$399,000 for equipment. The capital funds are already available, having been appropriated by the legislature in 2004, and having been recently released by the Governor.

The patient payer mix in the LTC beds at HHH is almost entirely Medicaid. An analysis of the first seven months of FY 2004 showed that Medicaid had 97% of the patients. Other payers (including self-pay) comprised 2% while Medicare and HMSA 65C+ were less than 1% of the total payer mix.

Exhibit 1 of this application shows revenue/cost projections for years 1 and 3 of operations. Exhibit 1 assumes:

- The payer mix will remain the same in the additional beds.
- The new beds will be available and new patients admitted July 1, 2009.
- It will take four months to fill the new beds, with an average of 10 patients being admitted per month.

Exhibit 1 shows that the revenues generated from the new 40 bed wing will be enough to offset expenses, and that the entire facility will be able to operate in the black. HHH, being a Critical Access Hospital (CAH), is able to recover higher reimbursements from Medicare and Medicaid than facilities which are not a CAH.

e) Relationship to the existing health care system.

The 40 additional LTC beds at HHH will improve the existing health care system on the Big Island. As noted earlier, the Island shares the

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statewide problem of insufficient LTC beds to meet the needs of our community. The 2004 occupancy rate for LTC beds on the island was 96.22%. SHPDA stopped gathering "waitlist" data in 2002, but at the end of 2001 Big Island acute hospitals showed 46 LTC patients backed up into acute beds since there were no LTC beds available for them. Although we have no more current data, we believe that the problem has not gotten any better.

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In short, any project which will provide more LTC beds in our community can only be an improvement to the existing system

The system may also be improved to a modest extent since there may be some minor increase in the use of our ancillary services, such as x-ray and lab.

f) Availability of Resources

As noted in Part d. above, the capital funds are available through a legislative appropriation from 2004.

As shown in Exhibit 1, operating revenues from the new beds will offset operating expenses

The new staff, in FTEs, for the additional beds will be:

- 13 RNs
- 8 LPNs
- 30 CNAs
- 1 unit clerk
- 1 supply clerk
- 2 maintenance
- 2 janitors
- 1 cook
- 1 kitchen helper
- 1 dining room attendant

Nursing staff have been hard to come by. However, we believe that we will be able to staff the new wing because of recent improvements in training programs on the Big Island.

- The University of Hawaii at Hilo, and the Hawaii Community College, have both added teaching positions in the RN and LPN programs, and both have increased their student enrollment.
- The North Hawaii Educational and Research Center, which is part of UH/Hilo and which is located in the old Honokaa Hospital on our campus, has established a training program for new CNAs.

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