



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number: #07-13A

Applicant: Craigside Retirement Residence
1434 Punahou Street
Honolulu, Hawaii 96822
Phone: 808 983-1823

Project Title: Establishment of a 41 bed Skilled Nursing
Facility/Intermediate Care Facility (SNF/ICF)

Project Address: 15 Craigside Place, Honolulu, Hawaii

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: _____

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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) Attachment A - Development Lease & Agreement to Purchase
- 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.) Attachment B - Permits & Approvals
- C. Your governing body: list by names, titles and address/phone numbers Attachment 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 Attachment D
 - By-Laws Attachment E
 - Partnership Agreements N/A
 - Tax Key Number (project's location) 2-2-20-21

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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	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
SNF / ICF	0	41	41
TOTAL	0	41	41

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6. PROJECT COSTS AND SOURCES OF FUNDS**	Total Project	SNF/ICF	OTHER
	100.00%	8.30%	91.70%

A. List All Project Costs:

1. Land Acquisition	3,936,600	326,738	3,609,862
2. Construction Contract	62,192,247	5,161,957	57,030,290
3. Fixed Equipment	2,500,000	207,500	2,292,500
4. Movable Equipment (included above)	-	-	-
5. Financing Costs	22,551,843	1,871,803	20,680,040
6. Fair Market Value of assets acquired by lease, rent, donation, etc.	-	-	-
7. Other: Development Costs	5,819,310	483,003	5,336,307
TOTAL PROJECT COST:	<u>97,000,000</u>	<u>8,051,000</u>	<u>88,949,000</u>

B. Source of Funds

1. Cash			
2. State Appropriations			
3. Other Grants			
4. Fund Drive			
5. Debt	97,000,000	8,051,000	88,949,000
6. Other:			
TOTAL SOURCE OF FUNDS:	<u>97,000,000</u>	<u>8,051,000</u>	<u>88,949,000</u>

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*** Craigsid Retirement Residence is a continuing care retirement community which provides independent living, assisted living and skilled nursing and intermediate care. 8.30% represents that portion of the entire physical project which is to be devoted to the proposed SNF/ICF for which Craigsid Retirement Residence seeks a Certificate of Need.*

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.

N/A

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, June 1, 2006
- b) Dates by which other government approvals/permits will be applied for and received, See response to 3.B, infra
- c) Dates by which financing is assured for the project, January 2008
- d) Date construction will commence, January, 2008
- e) Length of construction period, 18-24 months
- f) Date of completion of the project, December 2009
- g) Date of commencement of operation December 2009

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 Attachment F for project site location, property description and Land Court Map 33 showing relationship to the Hawai'i Health Performance Plan (H2P2), also known as the State of Hawai'i Health Services and Facilities Plan. project si
- 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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Executive Summary

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Introduction

Craigside Retirement Residence is a continuing care retirement community (CCRC) for moderate income seniors in the Hawaii community. Moderate income is defined between 80% to 120% of the median income in Honolulu which in 2006 for a single senior was an annual income between \$39,950 and \$59,890, and a for a senior couple was an annual income between \$45,650 and \$68,450. Craigside Retirement Residence, to be called 15 Craigside, will provide a continuum of care that accommodates aging in place including independent living, assisted living, nursing care, long term care and special care for those with Alzheimer's or dementia, and end of life care. This project will improve the quality of care for seniors by increasing geriatric care services for the growing elderly population and assisting the elderly in maintaining good health and independent personal functioning.

The 41-bed skilled nursing and intermediate care facility for which this certificate of need is sought is a part of Craigside Retirement Residence which will be home to approximately 230 residents. The 41-bed skilled nursing and intermediate care facility will provide a high standard of care to its residents in accordance with the Omnibus Budget Reconciliation Act of 1987 (OBRA '87) and Chapter 94 of the Hawaii Administrative Rules.

Attachment G is a short descriptive fact sheet about the project with basic schematic floor plans.

Relation to the State Plan Criterion

H2P2's goal to maintain an individual's good health and independent personal functioning and the Plan's objectives to reduce the effects of chronic disease, and to prolong health related

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quality of life, and to reduce the risk of injury and violence by promoting a safe environment and a safe community will be supported by 15 Craigside's continuing care retirement community for seniors age 62 and older. The new 41-bed skilled nursing and intermediate care facility will enable Craigside Retirement Residence to help meet the demand and need for long term care beds on Oahu, thereby assisting the State in carrying out H2P2.

In Chapter III of H2P2, regional priorities include: a) increased access to cost-effective health care services, and especially access to services that reduce the overall cost to the community through prevention and better health management by providing resources and incentives that encourage their use, b) the development of care delivery systems for the elderly and chronically ill populations to provide effective management of their health and quality of life and in turn significantly reduce the heavy financial and social burden to families and to the community, and c) assistance in developing health status benchmarks to facilitate appropriate community-based health care delivery systems. Specifically, in the Honolulu subarea, the 15 Craigside continuing care retirement community, including its 41-bed skilled nursing and intermediate care facility, will address the overall concern priority in H2P2 which states that there is a need for "increased geriatric care services for the growing elderly population" (H2P2, III-5).

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Need and Accessibility

The 2004 SHPDA Utilization Report states that as of 2004 there were 2,830 long-term beds on the island of Oahu. A 2007 Market Analysis and Study prepared by Gerontological Services, Inc., GSI, (see Attachment H, at pp. 53-56), counted a total of 26 facilities offering nursing care in the market area where the new 15 Craigside continuing care retirement community will be

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built. According to the Study, these facilities have a total of 2,362 nursing beds, of which just over 95% were occupied as of December 1, 2006. Seventeen facilities are in the primary market area and have a total of 1,676 beds, of which 95% were occupied as of December 1, 2006. Nine facilities are in the secondary market area, and they have a total of 686 beds, of which 97% were occupied as of December 1, 2005. (See Attachment I – Market Area Map.)

The GSI analysis states that there will be a substantial need for new beds, serving all incomes, including a need for new beds serving the private-pay market. An estimate employing national utilization data found there will be a net need for 4,423 additional nursing beds serving all incomes in the Craigsides Retirement Residence market area. Of this total need, approximately 1,145 beds could be afforded by the private-pay market. Additionally, occupancy rates (as of December 1, 2006) were quite high (95%), indicating a strong need beyond what is currently being provided in the market area.

The 41-bed skilled nursing and intermediate care facility will foster the development of care delivery systems for the elderly and chronically ill populations to provide effective management of their health and quality of life and in turn significantly reduce the heavy financial and social burden to their families and to the community. (H2P2, III-2) The elements of these care delivery systems include such services as prevention, screening and education, home support, respite, assisted living and long-term care. (H2P2, III-2)

Craigsides Retirement Residence plans to begin operation of its new 41-bed skilled nursing and intermediate care facility in late 2009/early 2010. Thus, the project will assist the State in

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meeting the demand for long-term care beds with the addition of 41 skilled nursing and intermediate care beds.

And, even with the addition of 41 skilled nursing and intermediate care beds at Craigside Retirement Residence there will still be a deficit in the numbers needed to adequately provide skilled nursing, intermediate care, long term care and special care to seniors requiring such services in Honolulu and on Oahu.

Quality Criteria

Residents at the new 15 Craigside Retirement Residence (approximately 230 residents in number) will receive appropriate services suited to their personal physical condition and needs, including services in the new 41-bed skilled nursing and intermediate care facility. In addition to independent living, this new CCRC, will also have an assisted living program, as well as the new 41-bed skilled nursing and intermediate care facility that, in addition to providing skilled nursing, intermediate care and long term care for residents of the 15 Craigside Retirement Residence, will have programs for special care for those residents with Alzheimer's and Dementia, and end of life care.

15 Craigside's new 41-bed skilled nursing and intermediate care facility will have quality of care and provide a safe environment that is compliant with state and federal regulations.

Various staff committees will be established to maintain and improve the quality of care at Craigside Retirement Residence. These committees include a Quality Assurance Committee (meeting quarterly), an Infection Control Committee (meeting monthly), a Pharmaceutical

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Committee (meeting quarterly), a Transition Committee (on an as needed basis), and a Continuous Quality Improvement Committee (meeting monthly). All of these committees are multi-disciplinary to ensure that all areas of needed care and service are covered.

These committees will be patterned after the model used by Arcadia Retirement Residence and its family of companies. The sole and controlling member of Craigside Retirement Residence, a Hawaii non-profit corporation, is The Arcadia Foundation. Arcadia Retirement Residence is the sole member of The Arcadia Foundation. Craigside Retirement Residence will be managed by Arcadia Elder Services (AES), whose sole member is Arcadia Retirement Residence. Arcadia is an experienced (40 years) and capable provider of skilled nursing and intermediate care services, assisted living services and independent living for seniors. (See Attachment J, an organizational chart for Arcadia Retirement Residence and its Affiliates.)

Cost and Financial Criteria

The total project budget is approximately \$97 million and will be 100% debt financed through issuance of tax-exempt special purpose revenue bonds. (See Attachment K.) The long term bonds will have a final maturity of 30 years, with scheduled principal amortization. Initial resident deposits and entrance fees will retire 40% of the debt within 2 years of initial occupancy. The assumed interest rate on the tax-exempt debt is 6.00%. We are in discussion with several senior managers for the bond underwriting, all of whom have experienced very positive interest in underwriting the financing for the project.

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The attached project proforma statements, schedules and cash flow (See Attachment L) for 2010 (initial operations begin), 2011 and 2012, show the cost and financial viability of the entire project, including the skilled nursing and intermediate care facility. In brief:

1. The project proforma income statement shows a surplus in 2012.
2. The proforma income statement for monthly service charge and assisted living shows a surplus in 2012.
3. The proforma income statement for the new skilled nursing and intermediate care shows a surplus in 2012.
4. The full time equivalent (FTE) employee schedule summary shows 103.20 FTE for the entire project in 2010 of which 24.80 FTE are for the skilled nursing and intermediate care facility.
5. The project's proforma cash flow shows a net increase in 2012.
6. The proforma rate schedule for independent living units, assisted living and the semi-private room rates for the skilled nursing and intermediate care facility are listed.

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Relation to the Existing Health Care System Criterion

Craigside Retirement Residence will improve the availability of health care in the community by (1) increasing access to social programs for seniors (age 62 and older) in the community through the construction and operation of 15 Craigside, a continuing care retirement community, offering independent living, assisted living, skilled nursing, intermediate care, long term care, special care for those with Alzheimer's and dementia and end of life care; (2) providing forty-one beds for skilled nursing, intermediate care, long term care, special care for those with Alzheimer's and dementia, and end of life care for approximately 230 Craigside Retirement Residence residents;

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and (3) providing reasonably affordable long term care for Medicare and the private-pay population.

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Craigside Retirement Residence will have a beneficial affect on other health care services in the community, including stand alone nursing facilities, by offering additional and needed long-term care beds. The 41-bed skilled nursing and intermediate care facility will provide an additional long-term care alternative for seniors at a time when long-term care resources are currently stretched and at times unavailable to a growing senior population from Aiea to Hawaii Kai.

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The 2007 Market Analysis and Study prepared by Gerontological Services, Inc., (see Attachment H) found that over 95% of 2,362 nursing beds were occupied in the market area (see map at Attachment I) as of December 1, 2006. The analysis found a substantial future need for new beds (4,423 new beds using national utilization data) in the market area, serving all incomes including the private pay market.

The Healthcare Utilization Report, using 2004 data, prepared by the Hawaii State Health Planning Development Agency, shows the occupancy rate for long-term care beds on Oahu at 93.5%.

In this regard, no negative impact is foreseen on other long-term care providers in the community since utilization is running between 93.5 percent and 95 percent on Oahu and in the market area, and because there is a projected need for a substantially greater number of long-term care beds.

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Availability of Resources

Craigside Retirement Residence, by way of a Management Agreement (see Attachment M) with Arcadia Elder Services, whose sole member is Arcadia Retirement Residence, will operate the new continuing care retirement community.

The Arcadia Foundation is the sole member of Craigside Retirement Residence corporation, and controls the Craigside Retirement Residence corporation. Arcadia Retirement Residence is the sole member of The Arcadia Foundation.

Craigside Retirement Residence expects to receive legislative authorization for the issuance of \$120 million in special purpose revenue bonds (see Attachment K) which is more than adequate to finance the development, construction, borrowing and initial operation of the project, including the 41-bed skilled nursing and intermediate care facility for which this Certificate of Need is sought. The Arcadia Foundation has entered a Pre-Construction Funding Agreement with Craigside Retirement Residence (see Attachment N.)

The Arcadia Family of Companies will attract and retain the necessary number of staff required to operate the project, including the 41 bed skilled nursing and intermediate care facility.

Craigside Retirement Residence projects that it will employ 84 full time equivalents (FTEs) during a 24-hour period. Of those 84 FTEs, 20 FTEs (direct care staff – 4 RNs, 1 LPN, 7 CNAs; indirect care staff – 4 administrative, 2 activities, 2 housekeepers) will be assigned to the new 41-bed skilled nursing and intermediate care facility during a 24-hour period. The Human Resources Department for the Arcadia Family of Companies, which will include Craigside Retirement Residence, will be able to retain the flow of staff required to operate the 41 bed

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skilled nursing and intermediate care facility, as well as the new continuing care retirement community. (See portion of Attachment L which shows full time equivalent (FTE) employee schedule summary.) The 20 FTEs (direct care staff – 4 RNs, 1 LPN, 7 CNAs; indirect care staff – 4 administrative, 2 activities, 2 housekeepers) will be hired and trained by Arcadia Retirement Residence prior to the facility opening. Once the facility is opened, the staff will transfer to Craigside Retirement Residence.

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