



## HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

### ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number: #08-02A

Applicant: Kaiser Foundation Hospital, Inc.  
3288 Moanalua Road  
Honolulu, Hawaii

Phone: 808 982-9214

Project Title: Establishment of Lithotripsy service  
Project Addresses: same

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2.01.2008

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: \_\_\_\_\_

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) **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.) **N/A**
- 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)

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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 & DELV. A/c	Change in Beds
Inpatient Facility					
Outpatient Facility				X	
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.

N/A

Type of Bed	Current Bed Total	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
<b>TOTAL</b>			

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6. **PROJECT COSTS AND SOURCES OF FUNDS**

<b>A. List All Project Costs:</b>	'08 MAR -5 P2 :02	<b>AMOUNT:</b>
1. Land Acquisition		_____
2. Construction Contract	SITE & DEV. APPROVAL	_____
3. Fixed Equipment		_____
4. Movable Equipment		<u>334,000</u>
5. Financing Costs		_____
6. Fair Market Value of assets acquired by lease, rent, donation, etc.		_____
7. Other: _____		_____
<b>TOTAL PROJECT COST:</b>		<u><b>334,000</b></u>

**B. Source of Funds**

1. Cash	<u>334,000</u>
2. State Appropriations	_____
3. Other Grants	_____
4. Fund Drive	_____
5. Debt	_____
6. Other: _____	_____
<b>TOTAL SOURCE OF FUNDS:</b>	
	<u><b>334,000</b></u>

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.

**Establishment of Extracorporeal Shockwave Lithotripsy (ESWL) Services – Kaiser contracted this service with an outside vendor, but the vendor no longer provides this service in Hawaii. This proposal would allow Kaiser itself to establish its own lithotripsy service and continue to provide this noninvasive service to its members.**

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:

**See Attached**

- 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

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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.

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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**8. IMPLEMENTATION SCHEDULE:**

- a) Date of site control for the proposed project  
**Kaiser Permanente Medical Center, November 2007**
- b) Dates by which other government approvals/permits will be applied for and received  
**N/A**
- c) Dates by which financing is assured for the project  
**November 2007**
- d) Date construction will commence  
**N/A**
- e) Length of construction period  
**N/A**
- f) Date of completion of the project  
**2<sup>nd</sup> Quarter of 2008**
- g) Date of commencement of operation  
**2<sup>nd</sup> Quarter of 2008**

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**9. EXECUTIVE SUMMARY:**

The Kaiser Foundation Hospital, Inc. requests approval from the State Health Planning and Development Agency (SHPDA) to establish Extracorporeal Shockwave Lithotripsy (ESWL) services. Since 1999, Kaiser Permanente contracted with Pacific Limited Partnership (Healthtronics) to provide ESWL on Kaiser Moanalua Medical Center's premise using a specialty vehicle. As of October 2006, Healthtronics liquidated and discontinued its operations in Hawaii. There is no other company which offers the same type of mobile service. Kaiser Permanente now seeks to become its own provider of ESWL services in order to continue to provide this noninvasive service to its members.

**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 will help to achieve the goals and objectives for realizing the vision of individuals achieving optimum health by using algorithms and combining with other prophylaxis which will minimize patient morbidity, hospital attendance, avoid open surgery, and preserve renal function in an acceptable and minimally invasive manner. 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".

The proposed service is designed primarily to add value to the health care delivery by improving access, quality, and cost effectiveness. Although the proposed project is not forecasted to exceed the minimum capacity threshold guideline of 1,000 procedures by the third year of operation, the improvement to access combined with the improvement in quality and significant reduction in price (compared to outside vendor) clearly outweigh the costs to the community of duplicating or under-using services. Also, the change from mobile equipment/service to fixed equipment at Moanalua Medical Center will be accomplished without any increase in the charges for the service.

Existing ESWL providers' utilization is not available to Kaiser Permanente at this time.

B. Need and Accessibility

Following its introduction in 1980, ESWL dramatically changed the management of renal and ureteral calculous disease. ESWL is a procedure in which renal and ureteral calculi are pulverized into smaller fragments by shock waves. These small fragments then can pass spontaneously. This noninvasive approach allows patients to be rendered stone-free without surgical intervention or endoscopic procedures.

ESWL is a service available to all Kaiser Permanente members through a contracted provider. Kaiser Permanente is not proposing a new service for its members nor an expansion of an existing service but to simply become the whole provider of ESWL for its members and patients.

Since 1999, Healthtronics provided ESWL on Kaiser Moanalua Medical Center's premise using a specialty vehicle. Patients were checked into Kaiser's Surgicenter located on the Medical Center's 4<sup>th</sup> floor and then transferred to the specialty vehicle where a typical one hour procedure was performed by a Kaiser physician. After the procedure, patients were recovered in Kaiser's recovery room located on the Medical Center's 4<sup>th</sup> floor.

As of October 2006, Healthtronics liquidated and discontinued its operations in Hawaii. There is no other company which offers the same type of mobile service. Sending Kaiser Permanente members to an outside provider is not financially feasible. This sub-optimization proposed project will not only improve access and quality but can also be done at an estimated cost savings of \$1,639 per patient per year.

By being the whole provider of ESWL services, who will control the treatment schedule and have a dedicated staff, access will be enhanced to all patients who require such service. ESWL services will be available to all Kaiser Permanente members regardless of age, sex, race, income, or disabilities.

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### 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). P2 :03

The potential benefits of Kaiser Permanente internalizing ESWL are:

- Continuity of staff-patient interactions and nurse-physician communication will contribute to improved patient care management;
- Patients present with multiple stones in multiple sites will be treated in one integrated center with a choice of the best applicable modalities;
- Potentially fewer patient infections and hospitalizations or other adverse conditions will occur due to the less invasive procedure, closer monitoring and care management;
- Use of integrated policies and procedures and a common electronic medical record will improve communication and the transition of care between the inpatient and outpatient setting;
- Ensure oversight of staff competencies and compliance.

All staff will be assured of competency in ESWL services and will receive ongoing education in this specialized service. Best practice standards established by Kaiser Permanente National will be utilized to maintain high quality care.

### D. Cost and Finances

Kaiser Permanente has determined that this project will require \$334,000 capital investment. Membership dues will not be raised as a direct result of this project and no new debt will be required, as Kaiser Permanente will finance this project through retained earnings that have been set aside for capital improvements.

A statement of expenses for the proposed project is attached as Exhibit D-1. Revenues are derived from Health Plan dues that are not capitated by medical service or operating facility and Medicare payments. All ESWL patients, regardless of age, are eligible for Medicare and payments are received based on a combination of age, risk factors and their coordination period. Project expenses are direct costs associated with the proposed project

Financial analysis for the proposed project indicates that ESWL services can be done at an estimated cost savings of \$1,639 per patient per year.

E. Relationship to the Existing Health Care System

This proposed project will allow Kaiser Permanente to continue to provide ESWL services to its members and patients. We are simply changing from contracting just the service from a vendor to becoming the direct provider of care. There will be minimal impact on the existing health care system. This proposal will allow Kaiser Permanente to directly provide a much needed service to its patients without burdening the health system.

F. Availability of Resources

The proposed project will require an additional 0.1 FTE technician who will be on-call. All other staff are already within the organization and have or will provided this service without additional cost to the organization. The technician will be hired either locally (when possible) or nationally.

Kaiser Permanente will fund this proposed project through its capital generation program.

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