



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: #14-08A
To be assigned by Agency

Date of Receipt:

APPLICANT PROFILE

Project Title: Change of 20 SNF Beds to Med/Surg Beds

Project Address: 1190 Waianuenue Avenue
Hilo, Hawaii 96720

Applicant Facility/Organization: Hilo Medical Center

Name of CEO or equivalent: Howard Ainsley

Title: Regional Chief Executive Officer

Address: 1190 Waianuenue Avenue. Hilo, Hawaii 96720

Phone Number: (808) 932-3101 Fax Number: (808) 933-0509

Contact Person for this Application: Dan Brinkman

Title: Chief Operating Officer

Address: 1190 Waianuenue Avenue. Hilo, Hawaii 96720

Phone Number: (808) 932-3130 Fax Number: (808) 933-0509

CERTIFICATION BY APPLICANT

I hereby attest that I reviewed the application and have knowledge of the content and the information contained herein. I declare that the project described and each statement amount and supporting documentation included is true and correct to the best of my knowledge and belief.



Signature

June 18, 2014
Date

Howard Ainsley
Name (please type or print)

Regional Chief Executive Officer
Title (please type or print)

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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, located on hospital campus.**
- 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.) – **State Office of Health Care Assurance (OHCA)/Center for Medicare and Medicaid Services (CMS) approval**
- C. Your governing body: list by names, titles and address/phone numbers – **See attached.**
- 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: - **See Attached.**
 - Articles of Incorporation
 - By-Laws
 - 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.

	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
Med/Surg	91	+20	111
SNF	22	-20	2
TOTAL	113		113

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6. PROJECT COSTS AND SOURCES OF FUNDS

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AMOUNT:

A. List All Project Costs:

- 1. Land Acquisition ST HLTH PLNG
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- 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

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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.

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, - N/A
- 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, - 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 – 10/1/2014

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 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

We would like to request the conversion of 20 SNF licensed beds, located on the 3rd floor of the acute hospital to medical/surgical licensed beds. Please see the attached floor plan. Hilo Medical Center currently has 142 licensed acute beds, 40 of those beds are specialized obstetrics and psychiatric beds. The remaining 102 are utilized for general medical, surgical, cardiovascular and critical care. Due to changes in the population demographics and overall population growth on the island of Hawaii, the number of residents seeking acute medical care at Hilo Medical Center has grown steadily, resulting in consistently high census days.

Since 2010 our average daily medical/surgical census has grown from 67.7 in 2010 to 86.5 in 2014. Our medical/surgical bed utilization now averages 85% percent with frequent episodes of 100% plus capacity. During the same period our emergency room has experienced growth of 4.5% per year and in 2014 will have over 43,000 visits. The growing number of high census days affects emergency room patient flow, and patient satisfaction as a result of patients having to be shuffled and placed in temporary locations to open up beds. While Hilo Medical Center's acute facility has seen an increase in medical/surgical patients, our Long Term Care (LTC) facility has seen a decrease.

Our average daily census for the LTC facility has decreased from 116 in 2010 to 106 in 2014. We are seeing less long term care residents, possibly due to the success of the Residential Alternative Community Care Program (RACC). We also anticipate that LTC bed availability on the Big Island will increase as Regency Health Care is slated to open a 100 SNF-ICF facility this fall in Hilo.

If our re-licensure request is granted Hilo Medical Center would change from a 142 bed acute - 134 LTC bed hospital to a 162 bed acute - 114 LTC bed hospital. As the data indicates, there is a greater need for acute medical/surgical beds, rather than SNF beds in the Hilo Medical Center acute facility. The conversion of the 20 SNF beds to medical/surgical beds would resolve these issues and still would leave sufficient SNF-ICF beds to cover our average LTC daily census of 106 residents.

A. Relationship to the Plan

Hilo Medical Center is the only acute service provider in the service area. The Health Services and Facilities Plan requires that the minimum annual occupancy rate for each provider in the service area to be 75% or higher for additional SHPDA approved medical/surgical beds. Our medical/surgical annual occupancy rate is 85% percent with frequent episodes of being at 100% plus.

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Conversely the average annual long-term care occupancy rate for the island of Hawaii has decreased over the past several years, primarily as a result of the success of the RACC program and the addition of the 100 bed Yukio Okutsu State Veterans Home and the 25 additional LTC beds at Hale Ho'ola Hamakua. Occupancy rates have dropped at all East Hawaii LTC facilities', with the most significant decrease at state owned facilities. This trend should continue as Regency Health Care will be opening a 100 bed ICF-SNF facility in Hilo sometime in late 2014

The actual occupancy rate for LTC facilities within 50 miles of Hilo Medical Center for 2013-2014:

<u>Facility</u>	<u>LTC Occupancy Rate</u>
Hilo Medical Center's Extended Care Facility	81%
Life Care Center	94%
Hale Anuenue	95%
Yukio Okustu State Veterans Home	86%
Hale Ho'ola Hamakua	77%

In short there are an adequate number of long term care beds in the service area.

One of the general principals under the priorities of the State Health Coordinating Council (SHCC) is to support the long-term viability of the health care delivery system. The Hawaii County/Hawaii subarea Planning Council (HSCA) also prioritizes addressing facilities shortage by increasing the number of and improving access to and the quality of health care facilities. As a safety net hospital and the only acute service provider in the service area, Hilo Medical Center must be able to adequately meet the increased demand for acute beds. Addressing our high occupancy rate and high daily census by adding additional medical/surgical beds will improve access to acute services and preserve the quality of our health care facility, while ensuring the long-term viability of our health care delivery system.

SHCC also asks that hospitals ensure that any proposed service will at least maintain overall access to quality health care at a reasonable cost. The conversion of the 20 SNF to medical/surgical beds allows Hilo Medical Center to address the current needs of the community, without jeopardizing the care provided to LTC patients. This change effectively ensures that Hilo Medical Center will maintain overall access to LTC beds as we are experiencing a decrease in our LTC census and anticipating the opening of a new 100 bed LTC facility later this fall.

B. NEED AND ACCESSIBILITY

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Demographics

According to the US Census Bureau the County of Hawaii made up 13.60% (185,438) of the state's population. Hawaii County, as compared to the rest of the state, has the highest resident population growth rate due to in-migration. In relation to the population growth, Hilo Medical Center has seen our average daily medical/surgical census grow from 67.7 in 2010 to 86.5 in 2014; with bed utilization averaging 85% with frequent episodes of 100% plus capacity. Our emergency room has also experienced 4.5% growth per year and will have over 43,000 visits in 2014.

As of July 1, 2013 Hawaii County had the highest percentage of 65 year + population at 16.8%. Although we have a high percentage of older adults our average daily census for our LTC facility has decreased from 116 in 2010 to 106 in 2014. We are seeing less long term care residents, possibly due to the success of the Residential Alternative Community Care Program (RACC). We also anticipate that LTC bed availability on the Big Island will increase as Regency Health Care is slated to open a 100 SNF-ICF facility this fall in Hilo.

Unlike private entities, Hilo Medical Center is a safety net provider and as a result, provides care for those whose options and access to healthcare is limited. The median income for Hawaii County is lower than the State median income. Hilo Medical Center remains the safety net provider in our community enabling access to those who cannot seek care elsewhere due to finances or other reasons.

Our responsibility as the safety net hospital for our community also means that we accept all racial and ethnic minorities, women, persons with disabilities, elderly and low-income persons, and any other underserved groups of individuals. Increasing the number of acute care beds will better serve these population groups.

C. QUALITY OF SERVICE/CARE

Hilo Medical Center is accredited by the Joint Commission on Accreditation of Healthcare Organizations, Medicare certified and licensed by the State of Hawaii.

All departments and services at Hilo Medical Center are included in the facility-wide Performance Improvement Plan. Quality is managed by the hospital's Quality Management Department and driven by the Medical Staff and Administration.

Hospitalist, nursing and other clinical support services will be provided to the 20 re-licensed acute beds in Hilo Medical Center.

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Quality of care for the acute patient should increase as it will largely eliminate over capacity situations for the next several years. The effects of being over capacity are profound. Emergency room throughput of patients slows dramatically as patients wait in the ER for an acute inpatient bed. ER wait times increase for all patients and treatment can be delayed or interrupted. Patient and physician satisfaction rapidly declines as patients are shuffled around and housed in temporary locations to create open beds.

D. COST AND FINANCES

There are no capital costs to converting the 20 SNF beds to acute as all plan requirements were met from the existing structure. No additional staff is required. As the hospital is converting unused LTC beds to acute beds, finances should remain relatively unchanged.

The following table shows the projected revenue and expenses for the Medical unit, including the 46 current beds and 20 additional converted beds for the first and third year of the project.

	FY 2015	FY 2017
Projected Expense	\$9,975,000.00	\$10,972,500.00
Projected Revenue	\$ 8,925,000.00	\$9,817,500.00

E. RELATIONSHIP TO THE EXISTING HEALTHCARE SYSTEM

The changes requested in this CON would make more medical/surgical beds available in the acute hospital and at times would reduce the volume of transfers to other healthcare facilities' on outer islands. This will reduce overall costs for the system and allow for appropriate care close to patients' home.

F. AVAILABILITY OF RESOURCES

No capital is required for project. There will be no additional staff required.