



STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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GOVERNOR OF HAWAII

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December 17, 2003

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Art Gladstone
Chief Operating Officer
Kapi`olani Medical Center at Pali Momi
98-1079 Moanalua Road
Aiea, Hawaii 96701

Dear Mr. Gladstone:

The State Health Planning and Development Agency has evaluated your application for administrative review for Certificate of Need ("Cert.") #03-36A for the addition of one operating room and the renovation of existing operating rooms at Kapi`olani Medical Center at Pali Momi (KMCPM) at a capital cost of \$1,630,000.

As provided under Section 11-186-99.1 of the Hawaii Administrative Rules (HAR), the Agency has determined that:

1. This proposal is eligible for administrative review as it meets the criterion in Section 11-186-99.1(b)(6), i.e.: "any proposal which is determined by the agency not to have a significant impact on the health care system."
2. The Agency has determined that the applicant has proven by a preponderance of evidence that its proposal meets the Cert. criteria in Section 11-186-15, HAR:
 - a. The applicant states that its proposal addresses the critical elements of access, quality management and cost effectiveness in Chapter II of the Hawaii Health Performance Plan (H2P2).
 - b. The applicant states that "Population growth in the Leeward area is expected to grow by 51.3 percent from 336,448 in 1995 to 509,136 in 2020. The growth in the area has resulted in increased demand for surgery services. Previous KMCPM OR expansions have helped to provide temporary relief from capacity problems; however, the growth has continued at such a pace that further expansion is necessary."
 - c. The applicant states that "Presently all of the (5) KMCPM operating rooms exceed the H2P2 threshold average number of hours (1,500) per room and percent utilized (80%). For the prior fiscal year ending June 20, 2003, a total of 5,991 surgeries resulted in an average of 2,125 hours per room. For the current fiscal year ending June 30, 2004, a forecasted total of 6,484 surgeries ...will be performed resulting in 11,590 hours or an average of 2,318 hours per room."

- d. The applicant states that "The new operating room will meet the projected growth in demand for both advanced minimally invasive procedures and general surgeries for the residents of West Oahu."
- e. The applicant states that it "will continue to provide care to all residents of the area, including: Medicare, Medicaid, QUEST, low-income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups."
- f. The applicant states that the proposal "will create additional operating room capacity that will enhance the patient accessibility including minimally invasive procedures."
- g. The applicant states that its facility "is fully accredited and approved by the Joint Commission on the Accreditation of Hospitals, American Medical Association, and American College of Surgeons."
- h. The applicant projects that "although the KMCPM OR has negative net margins, ancillary revenue from other medical services (e.g. imaging, lab, and therapy) will offset these losses to result in a positive overall margin to the hospital."
- i. The applicant states that its proposal "is cost-effective as it utilizes existing space and other resources within KMCPM."
- j. The applicant states that its proposal is expected to strengthen the existing health care system by providing "state-of-the art care enhancing medical outcomes for all residents in the service area."
- k. The applicant states that "KMCPM has financial resources from current hospital cash funds to pay for this project."
- l. The applicant states that it has sufficient trained professionals, management, systems and other resources to support the proposal.

There is no compelling public interest which will be served by requiring the application to go through the standard review process.

As required under Section 323D-43(b), Hawaii Revised Statutes (HRS), the Agency finds that:

1. There is a public need for this proposal.
2. The cost of the service will not be unreasonable in light of the benefits it will provide and its impact on health care costs.

Accordingly, the State Health Planning and Development Agency hereby APPROVES and ISSUES a Certificate of Need to Kapi'olani Medical Center at Pali Momi for the proposal described in Cert. #03-36A. The maximum capital expenditure allowed under this approval is \$1,630,000.

Please be advised that pursuant to Section 323D-47, HRS and Section 11-186-99.1(g) HAR, any person may, for good cause shown, request in writing a public hearing for reconsideration of the Agency's decision within ten working days from the date of this decision. Accordingly, if no person makes such a timely request for reconsideration, this decision shall become final immediately after the deadline for making such a request has expired.



David T. Sakamoto, M.D.
Administrator

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the attached Administrative Review Decision was duly served upon the applicant by sending it by certified mail, return receipt requested, in the United States Postal Service addressed as follows on December 17, 2003:

Art Gladstone
Chief Operating Officer
Kapi'olani Medical Center at Pali Momi
98-1079 Moanalua Road
Aiea, Hawaii 96701

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Administrator