



STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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GOVERNOR OF HAWAII

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March 22, 2004

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Sister Beatrice Tom O.S.F.
President/Chief Executive Officer
St. Francis Healthcare System
2230 Liliha Street
Honolulu, HI 96817

Dear Sister Tom:

The State Health Planning and Development Agency ("Agency") has evaluated your application for Certificate of Need ("Cert.") #03-39A for the relocation of your Wailuku dialysis facility to 55 Maui Lani Parkway in Wailuku, Maui and the expansion of dialysis stations from 20 to 48 stations at a capital cost of \$3,994,900.

As provided under Section 11-186-99 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. In accordance with the criteria in Section 11-186-15, HAR:
 - a. The applicant states that the proposal meets the H2P2 goals of increasing the span of healthy life and reducing health disparities among Hawai'i's residents.
 - b. The applicant states that the proposal meets the H2P2 objective of reducing the effects of chronic disease and prolonging health related quality of life.
 - c. The applicant states that the proposal addresses the H2P2 statewide priorities of:
 - fostering the development of care delivery systems for the elderly and chronically ill populations to provide effective management of their health and quality of life,
 - establishing clinical benchmarks for minimal standards for the delivery of care for the prevention, detection, management and follow-up of each of the disease-specific health condition areas, and
 - encouraging individual responsibility for their own health care to control costs.

- d. The applicant states that its proposal addresses process measures CDP-D5 and CDP-6 of Chapter VI *Diabetes and other Chronic Disabling Conditions* of H2P2.
- e. The applicant states that its proposal will serve all residents of the area in need of dialysis services including low income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups, and the elderly.
- f. The applicant states that "H2P2's criterion for expansion of an existing hemodialysis service is stated as: ' For expansion of existing services, the provider's utilization rate is at least 80 percent per year. ' "
- g. The applicant states that its "Wailuku Dialysis facility is currently operating at a utilization rate of 80% per year."
- h. The applicant projects that "By the time we relocate and open in 2005, our existing utilization rate is estimated to be near or exceeding 90%."
- i. The applicant states that it follows the following recognized standards or practice guidelines:
 - Accreditation by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO)
 - ANNA Standards and Guidelines of Clinical Practice for Nephrology Nursing
 - NKF Dialysis Outcome Quality Initiatives (DOQI)
 - Association for the Advancement of Medical Instrumentation (AAMI)
- j. The applicant states that it currently complies with the Centers for Medicare and Medicaid Services (CMS) Standards of Participation and Standards of Care licensure and accreditation standards.
- k. The applicant states that "Further, quality of care is assured through our Performance Improvement model, quality assurance monitors and indicators that are tracked and trended for various standards set by the renal community and other regulatory agencies."
- l. The applicant states its proposal "includes both Phase I (+12 stations) and Phase II (+16 stations) expansions." The applicant further states that "It is more cost effective for us to design the facility with this expansion in mind because of building design considerations, the special water supply filtration that needs to be in place for the dialysis stations, as well as general ground, engineering and infrastructure considerations. By planning for both phases at one time, we are able to cut costs of relocation and construction."
- m. The applicant projects total revenue \$4.9 million and total expenses of \$4.9 million for Year 1 of the proposal and total revenue of \$5.7 million and total expenses of \$5.6 million for Year 3 of the service.

- n. The applicant states that "The physical relocation of our facility will have no impact on the existing healthcare system."
- o. The applicant states that "In keeping with our collaborative philosophy of care giving, St. Francis has worked with and has the support of the Hawaii Health Systems Corporation (HHSC) for the relocation and expansion of our Wailuku Dialysis Facility."
- p. The applicant states that the capital cost of the project is \$3,994,900, including the fair market value of the leased facility of \$1,194,900. The applicant states that financial resources are available from cash provided by St. Francis Healthcare Foundation (\$50,000), state appropriations provided through the State of Hawaii Legislature Grant-in-Aid program (1,500,000), other confirmed grants provided by two private foundations (150,000), and other sources (\$900,000) which include anticipated grants to be made available as the capital campaign for the Maui facility progresses.
- q. The applicant states that St. Francis has a strong history of fundraising through its sister organization, the St. Francis Healthcare Foundation and that in the past 18 years, the Foundation has completed two successful fundraising campaigns (\$20 million and \$30 million). The applicant states that the Foundation is currently in its third campaign that has a goal to raise \$20 million between 2002 and 2007, and has raised \$11 million to date.
- r. The applicant states that Maui's existing dialysis trained staff will be used for the new facility and that before the new facility opens, additional staff will be recruited and trained. The applicant states that future staffing needs will be addressed as the increase in patient census dictates according to the following staffing ratios: Charge nurse (registered renal nurse), 1.0 FTE per shift, patient care staff (registered renal nurse, licensed practical nurse, hemodialysis technician), up to 1:4 staff/patient ratio.
- s. The applicant states that it uses a number of incentives to recruit renal nurses, including a comprehensive training program, a traveling nurse program, a statewide float pool program, and competitive salaries that remain higher than other medical organizations in the Maui marketplace.

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

Conditional Certification

ORDER

The State Health Planning and Development Agency hereby APPROVES and ISSUES a CONDITIONAL Certificate of Need to St. Francis Medical Center for the proposal described in Cert. #03-39A. The condition is that:

On or before December 31, 2004, the applicant shall submit to the Agency, for Agency approval, a plan for the delivery of chronic renal dialysis in Maui County through the year 2011 which shall include, without limitation:

- a plan for the transition of its dialysis services from the current Wailuku facility to the proposed facility at Maui Lani Parkway
- a plan for annually determining need for chronic renal dialysis stations and services in Maui County (from January 1, 2006 to January 1, 2011) including, without limitation, provisions for implementing all or part of Phase II of its proposal, as appropriate, prior to the year 2011
- a plan for enhancing the nurse education program for Maui County
- a plan for an automated tracking system for dialysis accesses

These modifications are required for the application to successfully meet the criteria in Sections 11-186-15 (1), (7) and (10) HAR.

As provided under Section 323D-46, HRS and Section 11-186-77 HAR, the Agency establishes April 25, 2004 as the date by which the applicant must certify, in writing, that it accepts these conditions otherwise this application shall be deemed to be DENIED as provided under Section 11-186-77 HAR.

The Agency has determined that the applicant has proven by a preponderance of evidence that its proposal, if modified as specified in the above Order, meets the Cert. criteria in Section 11-186-15, HAR:

As required under Section 323D-43(b), Hawaii Revised Statutes (HRS), the Agency finds that, if modified as specified in the above Order:

1. There will be 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.

The maximum capital expenditure allowed under this approval is \$3,994,900.

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 March 22, 2004.

Sister Beatrice Tom O.S.F.
President/Chief Executive Officer
St. Francis Healthcare System
2230 Liliha Street
Honolulu, HI 96817

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