



STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

LINDA LINGLE
GOVERNOR OF HAWAII

CHIYOME L. FUKINO, M.D.
DIRECTOR OF HEALTH

DAVID T. SAKAMOTO, M.D., M.B.A.
ADMINISTRATOR

1177 Alakea St. #402, Honolulu, HI 96813 Phone: 587-0788 Fax: 587-0783 www.shpda.org

March 2, 2006

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Kevin Roberts
President/CEO
Castle Medical Center
640 Ulukahiki Street
Kailua, HI 96734

Dear Mr. Roberts:

The State Health Planning and Development Agency has evaluated Castle Medical Center's Certificate of Need application #05-28A for the closure of the progressive care unit and the conversion of 10 Skilled Nursing beds to 7 Medical/Surgical and 3 Obstetric beds at no capital cost.

Pursuant to Title 11, Chapter 186 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. Castle Medical Center (the "applicant") has proven by a preponderance of evidence that its proposal meets the Certificate of Need criteria in Section 11-186-15, HAR:
 - a. The applicant states that "...the HAR standards for SNFs require that 50 square feet per bed for seventy-five percent of total bed capacity be provided for dining and recreational purposes...In the event that adult nonresidents use the dining/recreational space for more than 20 hours per week, SNFs must provide an extra 20 square feet of dining area per person and an additional 30 square feet of recreational space per person....and that separate clean/soiled lined (sic) areas must be maintained for SNF and hospital patients."
 - b. The applicant states that "It is not possible to put a new utility area into the space allocated for the SNF and still meet the minimum square footage requirements for patient rooms and dining/recreational areas. The requirement that further recreational/dining space be allocated in order to permit the area to be used by non-residents complicates the space allocation problem even more. Creation of space dedicated for these purposes solely for the use of the 10 SNF beds that comprise the SNF would reduce the space available for medical/surgical patient care and negatively impact efficient use of space, work flow and staff for both categories of care."

- c. The applicant states that the H2P2 objective of "reducing morbidity and pain through timely and appropriate treatment" will be supported by the proposal as it will allow Castle Medical Center to continue to upgrade its medical/surgical facilities and to adjust its current acute care bed capacity to adapt to meet Windward Oahu's increasing demand for such services.
- d. The applicant states that its proposal will "...allow Castle to fully commit its resources to development of additional acute care capacity needed to meet peak demand, and will help to avoid retention of medical/surgical patients in the Emergency Room that can impede provision of timely and appropriate emergency treatment."
- e. The applicant states that "Castle currently provides and will continue to provide services for all residents of the area, and in particular low-income persons, racial and ethnic minorities, women, handicapped persons, and the elderly."
- f. The applicant states that "Castle will comply with State and Federal regulations for delivery of care, maintenance of service equipment, and maintenance of clinical environment. Castle is accredited by JCAHO, licensed by the State of Hawaii Department of Health, and is in good standing with the Medicaid and Medicare healthcare programs."
- g. The applicant states that "The project is necessary to meet the acute care needs of the patient population and communities that are served by Castle. Castle is the anchor health care facility for the Windward communities. The project will have no significant impact (sic) access to SNF beds on Oahu because both Castle's total number of SNF beds (10) and the average daily SNF census (8.4) are relatively low and can be easily absorbed into existing capacity at other facilities offering SNF services."
- h. The applicant projects that net income will be (\$42,484) for year one of the proposal and \$134,463 for year three of the proposal.
- i. The applicant states that the proposal "...will not require expenditure of financial or human resources."

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

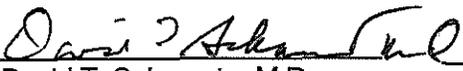
As required under Section 323D-43(b), Hawaii Revised Statutes (HRS), the Agency finds that:

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 Castle Medical Center for the proposal described in application #05-28A. There is no capital expenditure authorized under this approval.

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.

C: Office of Health Care Assurance

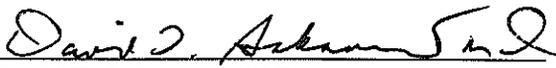

David T. Sakamoto, M.D.
Administrator

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 2, 2006:

Kevin Roberts
President/CEO
Castle Medical Center
640 Ulukahiki Street
Kailua, HI 96734

HAWAII STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY


David T. Sakamoto, M.D.
Administrator