



STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

LINDA LINGLE
GOVERNOR OF HAWAII

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DIRECTOR OF HEALTH

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ADMINISTRATOR

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April 4, 2006

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Wesley F. Fong
President
Palolo Chinese Home
2459 10th Avenue
Honolulu, Hawaii 96816

Dear Mr. Fong:

The State Health Planning and Development Agency has evaluated Palolo Chinese Home's Certificate of Need application #06-06A for the conversion of 15 SNF/ICF beds to 15 ICF 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. Palolo Chinese Home (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 Home has built and licensed 15 out of its 42 approved Certificate of Need SNF/ICF Swing beds. The decision to convert the built and licensed 15 SNF/ICF beds to 15 ICF beds is based on the identified need for this level of care. For the years 2004 and 2005, the Home has experienced a 98.90% bed occupancy for primarily ICF level of care. The Home has found that it very rarely had a need to provide skilled nursing care. Therefore, this conversion allows Pablo to focus its current operations on meeting the needs of ICF Level of Care residents, allowing it to be more cost effective, with regard to staffing coverage, and still remain in compliance with the levels of care set forth by the State of Hawaii. It is possible that we may request a return to the SNF/ICF designation once the planned additional 27 SNF/ICF swing beds are built and licensed."

- b. The applicant states that "The Palolo Chinese Home's relationship with H2P2 was established with its original certificate of need application, which is to promote good health and independent personal functioning and to reduce the effects of chronic disease and to ensure a high quality of life and reduce the risk of injury by promoting a safe environment and a safe community. The change in bed designation will continue to meet the requirements of H2P2..."
- c. The applicant states that "...the decision to convert the currently built and licensed 15 SNF/ICF beds to 15 ICF beds is based on the current identified need for this level of care. For the years 2004 and 2005, the Home has experienced a 98.90% bed occupancy for primarily ICF level of care. The Home has found that it very rarely had a need to provide skilled nursing care. As such, the 15 ICF beds will better service the needs of residents of the Pablo Chinese Home."
- d. The applicant states that "The Home is dedicated to providing the highest quality of care through its Quality Improvement Committee. The conversion of 15 swing beds to 15 ICF beds will require no additional changes to meet the requirements for quality."
- e. The applicant projects that the revenue for the proposal in FY 2006 will be \$1,379,700 and the expenses will be \$793,052 and for FY 2008 the revenue for the proposal will be \$1,521,119 and the expenses will be \$874,339.
- f. The applicant states that "The Pablo Chinese Home's 42 bed Certificate of Need for a 42 bed SNF/ICF and its relationship to the local health care system will not change as a result of 15 of its beds being designated as 'ICF only.' The beds will allow the home to provide the care most needed within the community with no additional capital outlay and no additional staff required."

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:

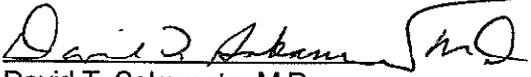
1. There is a public need for this proposal.
2. The cost of the service will not be unreasonable in light of the benefits it will provide and its impact on health care costs.

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Accordingly, the State Health Planning and Development Agency hereby APPROVES and ISSUES a Certificate of Need to Palolo Chinese Home for the proposal described in application #06-06A. 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

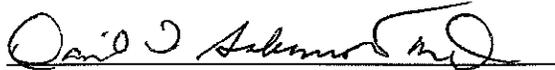

David T. Sakamoto, M.D.
Administrator

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 April 4, 2006:

Wesley F. Fong
President
Palolo Chinese Home
2459 10th Avenue
Honolulu, Hawaii 96816

HAWAII STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY



David T. Sakamoto, M.D.
Administrator