



STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

LINDA LINGLE
GOVERNOR OF HAWAII
CHIYOME LEINAALA FUKINO, M.D.
DIRECTOR OF HEALTH
RONALD E. TERRY
ADMINISTRATOR

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

February 20, 2009

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

IN THE MATTER OF)	CERTIFICATE OF NEED
)	APPLICATION
)	NO. 08-08
Kaumana Drive Partners, LLC)	
)	
Applicant)	
_____)	DECISION ON THE MERITS

DECISION ON THE MERITS

The State Health Planning and Development Agency (hereinafter "Agency"), having taken into consideration all of the records pertaining to Certificate of Need Application No. 08-08 on file with the Agency, including the written and oral testimony and exhibits submitted by the applicant and other affected persons, the recommendations of the Hawaii County Subarea Health Planning Council, and the Statewide Health Coordinating Council, the Agency hereby makes its Decision on the Merits, including findings of fact, conclusions of law, order, and written notice on Certificate of Need Application No. 08-08.

I

BACKGROUND

1. This is an application for a Certificate of Need ("Cert.") for the establishment of a 100 bed SNF/ICF facility at 516 Kaumana Drive, Hilo, Hawaii, at a capital cost of \$18,722,780.
2. The applicant, Kaumana Drive Partners, LLC, is a limited liability corporation.

3. The Agency administers the State of Hawaii's Certificate Program, pursuant to Chapter 323D, Hawaii Revised Statutes (HRS), and Title 11, Chapter 186, Hawaii Administrative Rules (HAR).

4. On January 10, 2008, the applicant filed with the Agency a Certificate of Need application for the establishment of a 100 bed SNF/ICF facility at 516 Kaumana Drive, Hilo, Hawaii, at a capital cost of \$18,722,780 (the "Proposal"). On April 18, 2008, July 30, 2008, October 17, 2008 and December 19, 2008, the applicant submitted additional information. On December 22, 2008, the application was determined to be complete. For administrative purposes, the Agency designated the application as Cert. #08-08.

5. The period for Agency review of the application commenced on January 2, 2009, the day notice was provided to the public pursuant to 11-186-39 HAR.

6. The application was reviewed by the Hawaii County Subarea Health Planning Council at a public meeting held January 7, 2009. The Council voted 5 to 0 in favor of recommending approval of the application.

7. The application was reviewed by the Statewide Health Coordinating Council at a public meeting held January 22, 2009. The Council voted 13 to 0 in favor of recommending approval of the application.

8. The Certificate of Need Review Panel review was waived pursuant to Section 323D-44.6 HRS.

9. This application was reviewed in accordance with Section 11-186-15, HAR.

10. Pursuant to Section 323D-43(b), HRS:

"(b) No Certificate shall be issued unless the Agency has determined that:

(1) There is a public need for the facility or service; and

(2) The cost of the facility or service will not be unreasonable in light of the benefits it will provide and its impact on health care costs."

11. Burden of proof. Section 11-186-42, HAR, provides:

"The applicant for a certificate of need or for an exemption from certificate of need requirements shall have the burden of proof, including the burden of producing evidence and the burden of persuasion. The degree or quantum of proof shall be a preponderance of the evidence."

II

FINDINGS OF FACT

A. REGARDING THE RELATION OF THE PROPOSAL TO THE STATE HEALTH SERVICES AND FACILITIES PLAN (HAWAII HEALTH PERFORMANCE PLAN) OR "H2P2"

12. The applicant states that "The proposed project relates to Part C of Chapter II of the Hawai'i Health Performance Plan (H2P2) and the goals and objectives contained therein by increasing access to appropriate and cost-effective health care services through preventative therapy, the minimization of extended stays of long term care patients in acute care settings, and providing much needed long term care opportunities to the residents of Hawai'i County."

13. With respect to the H2P2 critical element of *continuity of care*, the applicant states that "This additional capacity will translate into a smoother continuity of care by allowing patients freer access to the *appropriate* level of care, reducing waiting lists for skilled beds and increasing access to programs specifically designed for geriatric health."

14. The applicant states that "Under Chapter II Section G of the H2P2 applications for additional health services are judged according to capacity thresholds for their unique facility, service, or technology. ...According to the most recent statistics available taken from the Hawai'i SHPDA website the average occupancy percentage for long term care beds in Hawai'i county is 97.26%, above the 95 percent threshold. In some facilities, occupancy rates are greater than 100% levels."

15. The applicant states that "Based upon current trends and future projections prepared by URBEK Associates the projected utilization at the proposed facility is 95% occupancy in the facility's first operational year."

16. The applicant states "As defined in Section H of Chapter III of the H2P2 the region that the proposed Hilo Maluhia facility would be subject to is the Hawai'i County (Big Island) region. Among the priorities listed for this region include...maintaining adequate long term care facilities. The Hilo Maluhia facility would ensure that as demographics change and the percentage of the population that is in need of some level of long term care increases, supply will be able to meet demand."

17. The Agency finds that this criterion has been met.

B. REGARDING NEED AND ACCESSIBILITY CRITERIA

18. The applicant states that "According to a study done by URBEK Associates for the area of Hawai'i County the projected demand for nursing home beds as of October 1, 2010 is 1,325 persons or 483,625 bed days."

19. The applicant states that "Currently there are 793 SHPDA approved SNF/ICF beds in Hawai'i County of which 586 of those are licensed. Those 586 licensed beds are currently operating at a 97.26% occupancy rate according to SHPDA estimates."

20. The applicant states that "With a projected need of 1,325 nursing home beds by October 1, 2010 and an approved capacity of 793 beds a projected shortfall of 532 beds occurs assuming that all 793 licensed beds are operational and licensed as of the projection date."

21. The applicant states that "Under Chapter II Section G of the H2P2 applications for additional health services are judged according to capacity thresholds for their unique facility, service, or technology. ...According to the most recent statistics available taken from the Hawai'i SHPDA website the average occupancy percentage for long term care beds in Hawai'i county is 97.26%, above the 95 percent threshold. In some facilities, occupancy rates are greater than 100% levels."

22. The applicant states that "Ensuring the accessibility of the 100 beds at the proposed Kaumana Drive SNF/ICF facility to all members of the community will be a high priority for the facility and its ownership. To accommodate lower income residents of the island of Hawai'i the facility will be licensed to accept State of Hawai'i Medicare residents as well as Medicaid, and private pay residents."

23. The Agency finds that the need and accessibility criteria have been met.

C. REGARDING QUALITY AND LICENSURE CRITERIA

24. The applicant states that "The proposed facility will be operated by Regency Pacific, Inc. who is committed to the highest levels of quality in terms of care and environment."

25. The applicant states that "The staff will meet all state and federal criteria to be able to provide care in a skilled nursing facility. In addition to that, we will seek out individuals that are certified in wound care, pain management, and Alzheimer's training."

26. The applicant states that "A skilled nursing facility license is required and Medicare/Medicaid Certification will be acquired."

27. The applicant states that "The facility will offer Continuing Education in accordance with Hawai'i administrative rules and federal guidelines. In addition, the Quality Assurance Committee will make recommendations on training in order to assure the highest level of care."

28. The Agency finds that quality and licensure criteria have been met.

D. REGARDING THE COST AND FINANCIAL CRITERIA

29. The applicant states that the total capital cost of the project will be \$18,722,780 including \$1,800,000 for acquisition of land and \$8,836,780 for construction.

30. The applicant projects net income of: \$350,756.09 for Year 1 of the proposal, \$356,298.11 for Year 2 and \$365,329.24 for Year 3 of the proposal.

31. The applicant states that "...the community will benefit from having a new facility and it will have a positive impact on the local area cost of health care. Patients that are forced to extend stays in hospitals have negative financial impacts for the hospital as well as their own personal financial burdens. The ability to correctly place patients in need of long-term care in a skilled nursing home will have an overall positive effect on the cost of healthcare to the community. The PPD cost of caring for someone in an SNF/ICF facility is much lower than the cost of caring for that same person in an acute care setting."

32. The Agency finds that cost and financial criteria have been met.

E. REGARDING THE RELATIONSHIP OF THE PROPOSAL TO THE EXISTING HEALTH CARE SYSTEM OF THE AREA

33. The applicant states that "By increasing the number of SNF/ICF beds available to the population of Hawai'i the facility will be increasing the availability of health care not only to the region's senior citizens but also to residents in need of acute care as well. By presenting placement alternatives to hospitals for

patients in need of transitional or long-term care the proposed 100 beds will free-up acute care beds for residents to receive the appropriate level of care."

34. The applicant states that "Assuming the approval and construction of these additional 100 beds and that all 793 existing licensed beds are operational there would still be a 432 bed shortage. Thus we do not believe that the approval and construction of the proposed 100 bed facility will have an impact on demand at other regional facilities."

35. The applicant states that "Specialized medical services like X-rays, MRIs, and other services will be contracted through a local hospital."

36. The Agency finds that these criteria have been met.

F. REGARDING THE AVAILABILITY OF RESOURCES

37. The applicant states that "Well in advance of project completion the staffing search will begin with building management who will then supervise the hiring process. Regency's proven strategy of recruitment and hiring consists of partnering with local nursing schools, involvement in nursing and healthcare organizations, and offering excellent pay and benefits. In addition to this coordinated strategy Regency has several facilities throughout the Hawaiian Islands that can offer short term assistance with staffing issues."

38. The applicant states that "Prudential Mortgage Capital Inc., a division of Prudential, has preliminarily reviewed material on this transaction and based on a forward commitment from the CTL bond financing provided by Prudential Capital Markets (a related entity); Prudential Mortgage Capital has expressed strong interest in providing the construction financing. Utilizing the same corporation to provide both construction and permanent financing would ensure a smooth transition from the construction phase to the permanent financing/lease phase of the project."

39. The Agency finds that the applicant has met this criterion.

III

CONCLUSIONS OF LAW

Having taken into consideration all of the records pertaining to Certificate of Need Application No. 08-08 on file with the Agency, including the written and oral testimony and exhibits submitted by the applicant and other affected persons, the recommendations of the Hawaii County Subarea Health Planning Council and the Statewide Health Coordinating Council and based upon the findings of fact contained herein, the Agency concludes as follows:

The applicant has met the requisite burden of proof and has shown by a preponderance of the evidence that the Proposal meets the criteria established in Section 11-186-15, HAR.

Accordingly, the Agency hereby determines that, pursuant to Chapter 323D-43(b):

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

ORDER

Pursuant to the findings of fact and conclusions of law contained herein, IT IS HEREBY DECIDED AND ORDERED THAT:

The State Health Planning and Development Agency hereby APPROVES and ISSUES a certificate of need to Kaumana Drive Partners, LLC for the proposal described in Certificate Application No. 08-08. The maximum capital expenditure allowed under this approval is \$18,722,780.

WRITTEN NOTICE

Please read carefully the written notice below. It contains material that may affect the Decision on the Merits. The written notice is required by Section 11-186-70 of the Agency's Certificate of Need Program rules.

The decision on the merits is not a final decision of the Agency when it is filed. Any person may request a public hearing for reconsideration of the decision pursuant to Section 11-186-82 HAR. The decision shall become final if no person makes a timely request for a public hearing for reconsideration of the decision. If there is a timely request for a public hearing for reconsideration of the decision and after the Agency's final action on the reconsideration, the decision shall become final.

(Note, pursuant to Chapter 323D-47, Hawaii Revised Statutes, a request for reconsideration shall be received by the Agency within ten working days of the state agency decision.)

DATED: February 20, 2009
Honolulu, Hawaii

HAWAII STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY



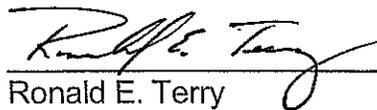
Ronald E. Terry
Administrator

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the attached Decision on the Merits, including findings of fact, conclusions of law, order, and written notice, 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 February 20, 2009.

M. Bart Beddoe
Managing Member
Kaumana Drive Partners, LLC
P.O. Box 2708
Issaquah, WA 98027

HAWAII STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY



Ronald E. Terry
Administrator