



# STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

NEIL ABERCROMBIE  
GOVERNOR OF HAWAII

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October 4, 2011

## CERTIFIED MAIL, RETURN RECEIPT REQUESTED

IN THE MATTER OF	)	CERTIFICATE OF NEED
	)	APPLICATION
	)	NO. 10-15
Mastercare, Inc.	)	
	)	
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. 10-15 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 Kauai County Subarea Health Planning Council, the Certificate of Need Review Panel 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. 10-15.

I

## BACKGROUND

1. This is an application for a Certificate of Need ("Cert.") for the establishment certified Home Health Agency services at 4180 Rice Street, Suite 107B, Lihue, Kauai, at a capital cost of \$97,500.
2. The applicant, Mastercare, Inc. is a for-profit 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 November 9, 2010, the applicant filed with the Agency a Certificate of Need application for the establishment certified Home Health Agency services at 4180 Rice Street, Suite 107B, Lihue, Kauai, at a capital cost of \$97,500 (the "Proposal"). On April 28, 2011, June 7, 2011 and June 22, 2011, the applicant submitted additional information. On June 23, 2011, the application was determined to be complete. For administrative purposes, the Agency designated the application as Cert. #10-15.
5. The period for Agency review of the application commenced on July 11, 2011, the day notice was provided to the public pursuant to 11-186-39 HAR.
6. The application was reviewed by the Kauai County Subarea Health Planning Council at a public meeting on July 18, 2011. Both Council members present at the meeting recommended disapproval of the application.
7. The application was reviewed by the Statewide Health Coordinating Council at a public meeting on July 28, 2011. The Council voted 9 to 0 in favor of recommending approval of the application.
8. The application was reviewed by the Certificate of Need Review Panel at a public meeting on August 17, 2011. The Council voted 6 to 0 in favor of recommending approval of the application.
9. This application was reviewed in accordance with Section 11-186-15, HAR.
10. Section 323D-43(b), HRS states:

“(b) No certificate of need shall be issued unless the state 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 the 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**

12. The applicant states that "Mastercare (MC) promotes and supports the long-term viability of the health care delivery system. MC has been providing homecare services to the state of Hawaii since 2004. Since this time, we have become an essential component of the health care delivery system. Financially, MC is a solvent and sound organization with long-term plans to continue to deliver services to the people of Hawaii, on the island of Kauai. We seek to deliver cost-effective home health services which will aid in the promotion of a resilient health care system focused on measuring outcomes in order to provide quality care."

13. The applicant states that "Mastercare's home health services offer an affordable option for clients who would otherwise need to utilize more costly health care options. Homecare can be used as an alternative to hospitals, rehabilitation facilities and skilled nursing facilities when clinically indicated. Our focus on timely, outcomes-based quality indicators includes decreasing acute care hospitalization and re-hospitalization."

14. The applicant states that "MC seeks to provide equitable access to health care services. On occasion perspective clients who cannot afford our services will receive the same quality care at a negotiated rate, our supervisors ensure that we deliver consistent quality of care throughout the islands of Hawaii."

15. The applicant states that " MC has been an in-home care provider since 2004 and during that time we have established solid working relationships with other home care providers, acute care hospitals, long-term care facilities, assisted living facilities and community organizations."

16. The applicant states that "MC works within the existing continuum of services to provide long-term care. Our proposal will also enable us to add additional options and resources and provision of the services."

17. The applicant states that "MC's goal is to provide a system of comprehensive and affordable health care services. MC currently provides services to the island of Kauai which helps to promote the islands sustainability and local control of health services. Utilizing MC will help to increase the supply

of residential and in-home care options for seniors at all economic levels and resolves the problem of long term care waitlist problems at hospitals."

18. The applicant states that "MC's outreach program promotes a healthy community by educating and familiarizing communities about health care issues for chronic diseases such as Diabetes as well as alcohol and drug abuse prevention. This outreach program enables MC to interact with and receive feedback from communities regarding the type of services being sought by members of the community."

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

**B. REGARDING NEED AND ACCESSIBILITY CRITERIA**

20. The applicant states that "Hawaii ranks 8<sup>th</sup> nationally with respect to its concentration of seniors according to U.S. Census Bureau, *Demographic Profiles: Census 2006*. The demand for additional HHA services by Medicare beneficiaries will be significantly impacted by the aging of the population."

21. The applicant states that "By the year 2030, the older adult population is projected to represent 20 percent of the total Kauai County population. The increase in the number of adults aged 65 and older will result in an increase in the number of Medicare beneficiaries. This growth in the number of Medicare beneficiaries will bring about an increase in the demand for HHA services."

22. The applicant states that "Hawaii and Kauai utilization level is below the national average for Medicare eligible home health patients and the number of visits patients are receiving. The two charts below show these differences. (Source: Us Census Bureau/National Association for Home Care & Hospice)

Patients	Utilizing Home Health	Home Care Medicare Eligible	Percentage
National	3,302,649	43,313,626	7.6%
Hawaii	3,368	184,344	1.8%
Kauai	165	9033	1.8%

Location	Medicare Visits	Medicare Patients	Visits Per Patient Per Year
National	103,980,865	3,302,649	31.5
Hawaii	57,953	3,368	17.2
Kauai	2833	165	17.2

23. The applicant states that "According to Medicare.gov Kauai has only 1 Medicare certified Home Health Agency to service its growing aging population."

24. The applicant states that "If no new agencies were certified and utilization remained the same, there would continue to be a need for more home health related services."

25. The applicant states that "The chart below demonstrates need for more home health services on Kauai based on the 7.6% national utilization rate and 20 visits per patient per year. (Source: National Association of Home Care & Hospice, 2008). This proposal does not identify any surplus of home health services on Kauai."

	Kauai Supply	Kauai Demand	Kauai Need
Patients	165	687	522
Visits	2833	13730	10897

26. The applicant states that "Mastercare provides quality care to all persons regardless of age, location, income, race, ethnicity, sex, sexual orientation, disability, or other demographic indicator."

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

### C. REGARDING QUALITY AND LICENSURE CRITERIA

28. The applicant states that "Mastercare has been providing services since 2004, and has a reputation of providing high quality, culturally competent home care services to the people of Hawaii. We have developed management systems and tools that provide us with a comprehensive guide for the implementation of home care services. Our success and growth is a result of being able to successfully match client to caregiver which we call a "Mastermatch." Matching the right care-giver personality type to the appropriate client makes for higher quality of care for all concerned. We have devised a very thorough checklist system used upon hire for skills check so that we will be able to provide the "Mastermatch" for the client. At time of hire, competency of all licensed personnel is also evaluated through verbal explanation and discussion. After hire, employee competency is tested as new skills are required, new procedures are introduced and annually in conjunction with their performance evaluation."

29. The applicant states that "MC specialized in personalized staffing solutions, matching the right client with the most appropriate caregiver. We have a comprehensive Employee Policy Manual... which is given and explained to employees upon hire."

30. The applicant states that "In addition to the pre-hire process, once hired MC continues to monitor the effectiveness of the caregiver's competence by doing skills assessments every six months, providing First Aid and CPR training and reviewing the importance of knowing and practicing Infection Control, understanding about Blood borne Pathogens and practicing Cultural Competency. Employees receive regular in-service education and training and will be encouraged to become life-long learners."

31. The applicant states that "Mastercare is seeking Medicare certification and will pursue OHCA certification to become a licensed home health agency."

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

#### D. REGARDING THE COST AND FINANCIAL CRITERIA

33. The applicant states that "If granted a Certificate of Need, Mastercare could positively impact the cost of healthcare on the island. As an existing home health care agency, Medicare beneficiaries would have one source for providing for their home health care needs. This would reduce redundant costs associated with having several separate providers. Patients would be able to reduce their length of hospital stays and continue their recovery at home, reducing the overall cost for healthcare."

34. The applicant states that "As America's population grows older costs become increasingly important especially with Medicare beneficiaries expected to almost double by the year 2030. Home healthcare is the most logical and cost effective alternative to Nursing Home stays or extended hospital visits. A comparison done by the Social Security Administration of nursing homes and home healthcare charges showed that in 2006 a one day hospital stay was \$5036, one day in a nursing home was \$535 and a single home health visit was \$125. That translates to \$45 per day cost. This cost comparison demonstrates that services can be moved from the hospital or nursing home to home healthcare at a significant savings."

35. The applicant projects that the revenue for the first year of operation will be \$12,375 and that the net income for the first year will be \$2,203. The applicant projects that the revenue for the third year of operation will be \$13,125 and that the net income for the third year will be \$2,326.

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

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

37. The applicant states that "By providing home health services to Medicare beneficiaries on the Hawaiian Island of Kauai, MC will improve the existing health care system by increasing the availability of and access to home health services. Receiving a state license will enable MC to further serve residents and their families in the various communities. MC is proposing to have an extensive outreach program which will allow MC personnel to establish relationships with sections of the community such as rural, low income individuals, ethnic minorities, women, people with disabilities and the elderly. MC's proposed outreach program will educate the community on health related issues and topics such as elder safety, Alzheimer's disease, dementia and fall prevention by conducting presentations at senior centers, health fairs and publishing articles. This proposed outreach program will enable MC to interact with and receive feedback from communities regarding the types of home health services being sought by members of the community."

38. The applicant states that "MC hopes to be able to fill in the gaps by providing services to clients covered by Medicare and not just those who are private pay. MC will be able to meet growing client's needs in the targeted areas of the elderly, those with chronic conditions and physical disabilities."

39. The applicant states that "It is our plan to work in unison with the other health care services in our communities to better serve the needs of this aging population. Although we will continue to service our current clients, we also wish to assist the state with new referrals that should be forthcoming based on the available demographic data. We will be able to serve as a back-up provider when staffing needs cannot be met by the other agencies in Kauai."

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

**F. REGARDING THE AVAILABILITY OF RESOURCES**

41. The applicant states that "MC will not require additional finances to expand the current services to include the Medicare services."

42. The applicant states that "MC has an experienced management team that has successfully managed and operated MC's private duty nursing and home health services in Hawaii since 2004. The MC management team will continue to manage and operate the private duty nursing and home health services to be offered on the island of Kauai."

43. The applicant states that "MC will utilize its current private duty Nurse and Nurse's Aide staff to provide home health and private duty nursing services to the residents of Kauai."

44. The applicant states that "If MC receives the requested certification, additional, experienced Staffing Coordinators and Registered Nurses will be hired to support the client load and field staff."

45. 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. 10-15 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 Kauai County Subarea Health Planning Council, the Certificate of Need Review Panel 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 Mastercare, Inc. for the proposal described in Certificate Application No. 10-15. The maximum capital expenditure allowed under this approval is \$97,500.

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: October 4, 2011  
Honolulu, Hawaii

HAWAII STATE HEALTH PLANNING  
AND DEVELOPMENT AGENCY

  
Romala Sue Radcliffe  
Administrator