



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: #16-02A
To be assigned by Agency

Date of Receipt: [Stamp: STATE HEALTH PLANNING AND DEVELOPMENT AGENCY]

APPLICANT PROFILE

Project Title: Establishment of a 144 Long-Term Psychiatric Bed Patient Facility

Project Address: 45-691 Keaahala Road
Kaneohe, HI 96744

Applicant Facility/Organization: State of Hawaii, Dept. of Health

Name of CEO or equivalent: Dr. Virginia Pressler

Title: Director of Health

Address: 1250 Punchbowl Street, Honolulu, HI 96813

Phone Number: 586-4400 Fax Number: 586-4368

Contact Person for this Application: Harold Inouye (Anbe, Aruga & Ishizu, Architects, Inc.)

Title: Project Coordinator

Address: 1441 Kapiolani Boulevard, Suite 206, Honolulu, HI 96814

Phone Number: 949-1025 Fax Number: 949-1027

CERTIFICATION BY APPLICANT

I hereby attest that I reviewed the application and have knowledge of the content and the information contained herein. I declare that the project described and each statement amount and supporting documentation included is true and correct to the best of my knowledge and belief.

Signature

Date

Name (please type or print)

Title (please type or print)

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1. **TYPE OF ORGANIZATION:** (Please check all applicable)

- Public
- Private
- Non-profit
- For-profit
- Individual
- Corporation
- Partnership
- Limited Liability Corporation (LLC)
- Limited Liability Partnership (LLP)
- Other: State Agency

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2. **PROJECT LOCATION INFORMATION**

A. Primary Service Area(s) of Project: (please check all applicable)

- Statewide:
- O`ahu-wide:
- Honolulu:
- Windward O`ahu:
- West O`ahu:
- Maui County:
- Kaua`i County:
- Hawai`i County:

3. **DOCUMENTATION** (Please attach the following to your application form):

- A. Site Control documentation (e.g. lease/purchase agreement, DROA agreement, letter of intent): See Attachment 1, Governor's Executive Order 3504
- B. A listing of all other permits or approvals from other government bodies (federal, state, county) that will be required before this proposal can be implemented (such as building permit, land use permit, etc.):
 - Environmental Impact Statement
 - Plan Review Use Permit
 - Building Permit
 - Department of Health Licensure
- C. Your governing body: list by names, titles and address/phone numbers: See Attachment 2
- D. If you have filed a Certificate of Need Application this current calendar year, you may skip the four items listed below. All others, please provide the following:
 - Articles of Incorporation: Not applicable
 - By-Laws: Not applicable
 - Partnership Agreements: Not applicable
 - Tax Key Number (project's location): TMK (1) 4-5-023:002

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4. **TYPE OF PROJECT.** This section helps our reviewers understand what type of project you are proposing. Please place an "x" in the appropriate box.

	Used Medical Equipment (over \$400,000)	New/Upgraded Medical Equip. (over \$1 million)	Other Capital Project (over \$4 million)	Change in Service	Change in Beds
Inpatient Facility			X		X
Outpatient Facility					
Private Practice					

5. **BED CHANGES.** Please complete this chart only if your project deals with a change in your bed count and/or licensed types. Again, this chart is intended to help our reviewers understand at a glance what your project would like to accomplish. Under the heading "Type of Bed," please use only the categories listed in the certificate of need rules.

Type of Bed	Current Bed Total	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
Long-Term Psych.	0	144	144
TOTAL	0	144	144

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6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All Project Costs:		*16 MAR 11 AIO :08	AMOUNT:
1.	Land Acquisition		<u>0</u>
2.	Construction Contract	STATEMENTS & DEV. AGENCY	<u>\$60,300,000</u>
3.	Fixed Equipment		<u>0</u>
4.	Movable Equipment		<u>200,000</u>
5.	Financing Costs		<u>0</u>
6.	Fair Market Value of assets acquired by lease, rent, donation, etc.		<u>0</u>
7.	Other: _____		<u>0</u>
TOTAL PROJECT COST:			<u>\$60,500,000</u>

B. Source of Funds

1.	Cash	<u>0</u>
2.	State Appropriations	<u>\$60,500,000</u>
3.	Other Grants	<u>0</u>
4.	Fund Drive	<u>0</u>
5.	Debt	<u>0</u>
6.	Other: _____	<u>0</u>
TOTAL SOURCE OF FUNDS:		<u>\$60,500,000</u>

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7. **CHANGE OF SERVICE:** If you are proposing a change in service, then please briefly list what services will be added/modified. Be sure to include the establishment of a new service or the addition of a new location of an existing service. Please reference the Certificate of Need Rules Section 11-186-5 for the categories of services. If you are unable to determine which category best describes your project, please consult with agency staff.

Addition of 144 long-term psychiatric bed facility at the Hawaii State Hospital.

Reference Hawaii Administrative Rules § 11-186-5(2)(A).

8. **IMPLEMENTATION SCHEDULE:** Please present a projected time schedule for the completion of this project from start to finish. Include all of the following items that are applicable to your project:

- a) Date of site control for the proposed project:

February 14, 1991

- b) Dates by which other government approvals/permits will be applied for and received:

Currently, the Department of Accounting and General Services ("DAGS") is preparing to process an Environmental Impact Statement ("EIS"), which it anticipates submitting in the near future. DAGS anticipates receiving an approval/acceptance of the EIS around February 2017.

Subsequent to the EIS completion, DAGS will prepare and process a Plan Review Use permit. DAGS anticipates receiving an approval around October 2017.

Department of Health Licensure will be sought immediately after completion of the project.

- c) Dates by which financing is assured for the project:

DAGS anticipates additional design and construction funding will be appropriated in the 2016 and/or 2017 legislative session. (Thus, construction funding could be available after July 2016 and/or July 2017 depending on legislative approvals.)

- d) Date construction will commence:

If construction funding is available after July 2016 and/or July 2017 (depending on legislative approval), DAGS anticipates

issuing a notice to proceed with the construction work around July 2018.

e) Length of construction period:

DAGS anticipates a construction period of about 30 months.

f) Date of completion of the project:

DAGS anticipates the construction will be completed in December 2020.

DAGS anticipates the Capital Improvement and operating budget approval and furniture and equipment delivery and installation will be completed by March 2021.

g) Date of commencement of operation:

DAGS anticipates the commencement of operation would be in March 2021.

Please remember that the Agency does monitor the implementation of Certificates approved. Non-implementation of a project as described in your application may result in a fine and/or withdrawal of the certificate of need.

9. **EXECUTIVE SUMMARY:** Please present a brief summary of your project. In addition, provide a description of how your project meets each of the certificate of need criteria listed below. If a new location is proposed, please attach an easy to read map that shows your project site.
- a) Relationship to the State of Hawai'i Health Services and Facilities Plan.
 - b) Need and Accessibility
 - c) Quality of Service/Care
 - d) Cost and Finances (include revenue/cost projections for the first and third year of operation)
 - e) Relationship to the existing health care system
 - f) Availability of Resources.

EXECUTIVE SUMMARY

The Department of Health ("DOH") seeks to construct a 144 long term psychiatric bed facility (the "Proposed Facility") on the Hawaii State Hospital ("HSH") campus in Kaneohe, Hawaii. The Proposed Facility will be constructed on the site now occupied by the Goddard Building, which will be demolished prior to the start of construction. See Attachment 3 (site map).

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The Proposed Facility is the first step in implementing the HSH 2015 Master Plan Update (the "2015 Master Plan"), which provides an overall framework for the short-term and long-term development at HSH. The Proposed Facility falls under the short-term portion of the 2015 Master Plan, focusing on patient capacity, overall safety, and operational efficiency. The Proposed Facility will implement a "2-Hospital Concept," decentralizing the campus and enabling separation of high risk patients from the rest of the hospital.

a) Relationship to the State of Hawai'i Health Services and Facilities Plan.

According to the Hawaii Health Services and Facilities Plan ("HSFP"), to warrant new or additional SHPDA-approved psychiatric beds, the average annual occupancy rate for the licensed beds of each services provider in the service area should be at least 80% for adult (age 18 and over) programs and at least 75% for children (age 17 and younger) programs. The minimum bed size of a new acute psychiatric unit in a general acute facility is 8 beds. Children and adolescents are treated in units that are programmatically and physically distinct from adult patient units.¹

However, SHPDA has stated that the utilization thresholds merely guide the initial determination of need, and that applications are neither approved nor disapproved solely based on whether the thresholds are met. The thresholds may be modified to allow for suboptimum utilization if a proposal's benefits clearly outweigh the costs to the community of duplicating or under-using services, facilities or technologies. Such benefits may include improved access for the service area combined with significant improvements in quality of care. Thresholds may also be modified for reasons such as incorporating current and best clinical practices or addressing the documented needs of an actual population.

Although some acute care hospitals are licensed for psychiatric beds, they are customarily used only for short-term admissions.² Because acute care hospitals do not offer the same types of care and services as HSH, it is not appropriate to consider these types of beds when determining whether this proposal satisfies the HSFP threshold utilization level.

Currently, only two hospitals in Hawaii provide long-term psychiatric care: HSH and Kahi Mohala. The latter is a private psychiatric facility in Ewa Beach. In 2014, HSH reported an occupancy rate of 98% while Kahi Mohala reported an occupancy rate of 78.2% (merely 1.8% less than the 80% threshold level established by the HSFP). The

¹ "Unit" refers to acute care hospital licensed beds that are dedicated to the treatment of psychiatric patients. These licensed beds are situated in a distinct part of the acute care hospitals (a separate wing, nursing unit, contiguous nursing units, floor or building), and staffed and supported by health care professionals with essential expertise and experience to properly care for and treat psychiatric patients.

² While there are 153 licensed psychiatric beds in acute care hospitals in Hawaii, they are rarely used for long term admissions. According to SHPDA's 2014 utilization data, only Wahiawa General Hospital, which has 10 licensed psychiatric beds, had an average length of stay longer than 30 days. All other acute care hospitals in Hawaii reported average lengths of stay ranging from 4.8 to 7.3 days. Moreover, although acute care hospitals are licensed for 153 beds, the total number of beds actually available may be less because some hospitals do not use all of the psychiatric beds for which they have been licensed. For example, The Queen's Medical Center is licensed for 63 psychiatric beds, but, according to its website, currently has only 32 available psychiatric beds, 22 in its Kekela Unit and 10 in the Kekela Crisis Unit.

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average length of patient stay at Kahi Mohala is 37 days compared to an average length of 240 days at HSH. Given the large discrepancy in the average length of patient stays at each facility, the care provided by Kahi Mohala cannot be compared to the extended care provided by HSH. It is apparent that HSH provides unique services that are critical to meet the special needs of the forensic patients who comprise a large proportion of HSH's target population. Accordingly, sub-optimal utilization is appropriate here.

The Special Action Team Report to the Governor on Revitalization of the Adult Mental Health System and Effective Management of the Hawaii State Hospital Census ("SAT Report") indicates that, in May 2012, HSH reached (and on several occasions went over) its licensed capacity of 202 beds due to an accelerated rate of admissions in the previous six months. HSH operated above its licensed capacity during the entire month of June 2012. DOH has since taken certain steps to control HSH's census, including the purchase of additional inpatient capacity from community hospitals. Notwithstanding and despite DOH's best efforts, HSH's census has not meaningfully decreased. In the meantime, DOH has learned that there is limited additional incremental capacity for community hospital bed space available for purchase or contract.

DOH currently contracts with Kahi Mohala for 40 inpatient beds. Kahi Mohala does not have any additional capacity above the current number of beds contracted. DOH has also contracted with the four Hawaii Health System Corporation ("HHSC") hospitals with inpatient psychiatric units so they may accept DOH court ordered patients. However, HHSC facilities have not had sufficient bed space available for DOH patients and, on average, their total daily census of DOH patients under the contract has been less than five.

In addition to Kahi Mohala, DOH contracts with other acute care hospitals in the state, including The Queen's Medical Center and Castle Medical Center, to provide different types of mental health services. DOH expects to continue contracting with these providers for the foreseeable future following the completion of the Proposed Facility.

The capacity problem is exacerbated by the fact the majority of the need stems from forensic commitments of individuals ordered into the custody of DOH by the court. Other providers are often unwilling to assume clinical responsibility and liability for providing the forensic services required by these patients, including access to courts, defense attorneys, forensic examiners, specialized programming to address legal issues and community reintegration opportunities.

This proposal comes very close to satisfying the utilization threshold set forth in the HSFP for all similar psychiatric hospitals that accept long-term patients. However, considering the importance of providing HSH's unique patients with adequate treatment, the benefits of this proposal clearly outweigh the minimal community costs that might result from duplicating or under-using long term psychiatric services.

Additionally, the Proposed Facility advances three of the general principles and one specific area of health concern identified as priorities by the Statewide Health Coordinating Council:

- "promote and support the long-term viability of the health care delivery system"

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- “maintain overall access to quality health care at a reasonable cost”
 - “strive for equitable access to health care services”
 - “increase and improve access to mental health programs, services, and education”

The Proposed Facility aligns with these guiding principles, providing mental health services to patients through an increase in available beds, enhanced infrastructure, and more efficient delivery. As a phase of the 2015 Master Plan, the Proposed Facility contributes to the long-term viability of HSH, as well as the state’s overall mental health care delivery system. Moreover, as the treatment provider of last resort for many patients whom community hospitals are unwilling or unable to care for, HSH’s operations are essential to maintain overall access to mental health treatment, promote equitable access to mental health care, and ensure that mental health treatment is accessible to all Hawaii residents.

These facts support the conclusion that this proposal is consistent with the standards and goals of the HSFP.

b) Need and Accessibility

This facility is needed because the existing HSH facilities are outdated, in need of substantial repairs, and inadequate to provide safe, efficient care for high-risk patients.

The HSFP states that Hawaii’s population increased by 15% between 1990 and 2007 and is projected to continue to grow. As the only hospital in the state dedicated solely to providing long term care to patients with serious mental illnesses, population growth on any island will affect HSH. The Hawaii State Judiciary frequently orders patients from neighbor islands to HSH for evaluations, care, and custody. As previously stated, forensic patients make up the majority of HSH’s current patients. HSH’s current facilities are insufficient for purposes of meeting present demand.

Currently, HSH has 202 beds. It is already functioning, effectively, at its full capacity. According to the Population and Economic Projections for the State of Hawaii to 2040, prepared by the Research and Economic Analysis Division of the Department of Business, Economic Development and Tourism (“DBEDT”), Hawaii’s estimated population at this time is approximately 1.43 million. Accordingly, the state currently has 14.17 publicly funded inpatient psychiatric beds (“public psych beds”) per 100,000 persons. DBEDT estimates that by 2030, the state’s population will increase to approximately 1.6 million people. To maintain the current availability of public psych beds, assuming comparable utilization and occupancy rates, the need for public psych beds will increase proportionally to 226. However, full capacity operation does not provide an adequate safety net for Hawaii residents. Assuming that the 80% threshold established by the HSFP represents reasonable operating utilization, the actual need for public psych beds in 2030 will be about 282 beds. Even if an event involving excess patients never occurs, a DOH statistical analysis projects the required number of HSH beds to reach 265 per month as soon as 2019. The addition of 144 beds through the Proposed Facility will directly meet the anticipated future demand.

However, these calculations do not take into account increased demand that will result from Hawaii’s aging population. The optimal number of beds to meet current and

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future demand is inversely linked to the lack of availability of community inpatient and long term care beds. The HSFP reports that Hawaii ranks 48th among the states in the number of long term care beds. The supply of state hospital beds available decreases in the absence of adequate community capacity. In some instances, individuals suffering from such conditions as Alzheimer's disease, organic brain syndrome and dementia have been committed to HSH because of inadequate availability of long-term care beds in the community. As the baby boomers grow older, there will likely be an ever increasing demand for long term care facilities with the capacity to serve patients with these age-related mental health conditions.

The Proposed Facility is necessary to keep pace with HSH's long-term patient census resulting from Hawaii's expected population growth and increased demand. HSH has already seen a spike in patient volume in recent years. A convergence of issues has resulted in significant operational challenges and increased safety risks for HSH. The problem is expected to worsen. Long term forecasts prepared by DAGS in March 2014 showed that demand for beds at HSH could exceed 350 in the foreseeable future. If no other changes are made at HSH between now and 2030, the additional beds in the Proposed Facility, plus the 202 beds for which HSH is now licensed, will provide 346 beds. Accordingly, the Proposed Facility puts HSH in a better position to accept all patients in need of its services, while still caring for individuals committed to its care by the courts and those who cannot access care elsewhere.

HSH provides services to all Hawaii residents, including low-income individuals, racial and ethnic minorities, women, individuals with disabilities, other underserved groups, and the elderly.

c) Quality of Service/Care

The Proposed Facility provides increased safety for the public, patients, and staff in a multitude of ways. In addition to being surrounded by high-security fences, dual-gated sally ports will be used to control access to and from the Proposed Facility. Patient rooms within the Proposed Facility will be situated in a manner that offers clear sight lines from the central nursing station. The Proposed Facility will also contain "off-stage" areas for staff, to which patients will not have access. Security cameras will provide video monitoring throughout the building and surrounding areas.

The layout of the Proposed Facility is based on The Colorado Mental Health Institute in Pueblo, Colorado. It will be comprised of six (6) 24-bed patient units and a dedicated Rehab Mall, including one Unit on the second floor modified to provide care to patients with medical issues (the "Medical Unit"), one Unit dedicated to admissions (the "Admissions Unit"), and one Unit on the first floor designed for high-risk patients (the "Hardened Unit"). While other patient rooms in the Proposed Facility will share a toilet and shower, each patient room in the Hardened Unit will have its own toilet and shower so as to minimize uncontrolled patient interaction amongst high-risk patients. Patient rooms in the Admissions Unit will have access to a Rehab Mall used only by patients on that Unit. Patient rooms in the Medical Unit will be designed similarly to regular patient rooms so that they may be utilized by well patients when the sick patient count is low.

Other features of each Unit include: three seclusion rooms, located within a secure, separate area; areas for socialization, consultation, and treatment; and access

to a nourishment kitchen and patient laundry. The Proposed Facility's unique architectural and design concepts promote intensive treatment, patient privacy, and high security to ensure quality service and care.

Patient care will be provided by licensed physicians and nurses, through well-defined and well-documented protocols. Ongoing quality assessment and improvement activities will ensure that each HSH patient receives high quality care.

The Hawaii State Hospital Quality Management Plan (the "QM Plan") provides a framework and organizational structure for a planned, systematic, organization-wide approach to quality process design and performance measurement, analysis, and improvement. The QM Plan's improvement activities are planned in a collaborative and interdisciplinary manner. It complies with survey requirements from the Adult Mental Health Division, Office of Health Care Assurance and The Joint Commission. The QM Plan provides stated goals, objectives, and measures in relation to Performance Indicator ("PI") principles and methodology. It also clearly identifies the purpose, goals, objectives, leadership responsibilities, and PI indicators and goals relevant to the Proposed Facility. Finally, it outlines the evaluation method for the PI outcomes and provides recommendations.

The QM Plan provides a leadership driven framework that outlines the following comprehensive quality improvement activities to ensure patients receive quality patient care:

- Monitor quality improvement activities on provision of patient care services that provide individualized patient interventions that promote optimal patient outcomes and patient satisfaction.
- Ensure quality services are provided in an environment that is assessed and monitored to minimize hazards and risks and is safe for patients and staff.
- Provide clinical treatment and services based on safety and health care needs of the patient, resolution of legal encumbrances, rehabilitation, recovery, and community re-integration.
- Provide timely and effective treatment and services that are appropriate to each patient/resident's individualized needs and outlined in a recovery plan of care.
- Ensure clinical services include information regarding the patient's ethnic, religious, cultural differences, and specific communication, language or individual needs, and that patients have the opportunity to participate in decisions regarding their care, treatment and services.
- Provide a culture of safety and quality and support a non-punitive culture and environment to facilitate the reporting of sentinel and/or significant events, medication errors and patient or employee incidents.
- Provide opportunities for staff to obtain education and training on the performance improvement principles and processes.
- Ensure that the performance of the Governing Body, HSH Leadership, Medical Staff, and professional staff is monitored to ensure safe, effective, and optimal patient care services.

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- Systematically plan, monitor performance, analyze current performance, and improve and sustain improvements in processes and outcomes of patient care through the efforts of interdisciplinary function teams, clinical service and peer review activities.
- Set-forth organization-wide performance improvement indicators and set goals by reviewing clinical and patient safety indicators using report cards to measure, track and trend improvement processes.
- Facilitate communication, discussion and understanding of clinical and quality management data and performance indicators and measures among staff.
- Measure the hospital's key outcomes, activities, and processes to support safety, improvement, innovation and learning.
- Utilize data and information to guide decisions and to understand variation in the performance of processes supporting clinical and environmental safety and quality.

d) Cost and Finances (include revenue/cost projections for the first and third year of operation)

Capital for non-patient areas are exempt from the certificate of need requirement pursuant to HRS § 323D-54(8). The total capital expenditure for patient care areas for the Proposed Facility is estimated at \$60,500,000.00 which includes a \$60,300,000 construction contract and \$200,000 for movable equipment. The cost for the project will be financed by state appropriations expected to be approved by the state legislature.

The Proposed Facility's estimated revenue and operating costs for the first and third full years of operation following the transaction are shown in the table below.

	Projected 1st Full Year Operations	Projected 3rd Full Year Operations
Total Operating Revenue	\$0	\$0
Operating Expenses		
Salaries, Wages, Benefits	\$21,874,156	\$22,979,506
Other Expenses	\$11,268,504	\$11,837,927
Depreciation	N/A	N/A
Total Expenses	\$33,142,660	\$34,817,433
Net Income (Loss) from Operations	(\$33,142,660)	(\$34,817,433)
Add Back: Depreciation	N/A	N/A
Excess (Deficit) Fund from Operations	(\$33,142,660)	(\$34,817,433)

Patients do not pay for care at HSH. Accordingly, operating deficits are paid through legislative appropriations.

The proposed facility is expected to reduce the cost of caring for mental health patients in Hawaii because providing long term inpatient care is usually the least expensive means of caring for patients with serious mental illnesses. Long term care reduces the need for costly emergency room treatment which is often required when such patients cannot be placed in a long-term facility. The Queen's Medical Center has

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reported that the number of times individuals suffering mental illness were brought to its Emergency Department by police almost doubled from 2011 to 2012, increasing from about 800 visits in fiscal year 2011 to about 1600 visits in fiscal year 2012.

e) Relationship to the existing health care system

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The Proposed Facility is intended to supplement and complement HSH's existing facilities and services and provide types of long-term services that are typically not available at community hospitals with psychiatric units. Accordingly, this proposal will have minimal, if any, negative impact on the existing health care system. It will benefit the health care system by providing additional long term care beds for seniors and others suffering from mental health conditions.

f) Availability of Resources.

HSH currently employs or contracts with 17 physicians and 151 nurses. HSH will hire an additional 5 physicians and 56 nurses during the final stages of the Proposed Facility's construction in preparation for staffing the new facility. HSH believes that there will be a sufficiently large pool of qualified applicants in the community to fill necessary positions without causing any negative impact on the staffing levels of other health care providers.

The project will be funded through legislative appropriations.

10. **Eligibility to file for Administrative Review.** This project is eligible to file for Administrative review because: (Check all applicable)

- It involves bed changes, which will have a capital expense of \$1,000,000 or less, and which will have an increased annual operating expense of less than \$500,000.
- It involves service changes which will have a capital expense of \$1,000,000 or less, and which will have an increased annual operating expense of less than \$500,000.
- It is an acquisition of a health care facility or service, which will result in lower annual operating expenses for that facility, or service.
- It is a change of ownership, where the change is from one entity to another substantially related entity.
- It is an additional location of an existing service or facility.
- The applicant believes it will not have a significant impact on the health care system.