



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: #16-03A
To be assigned by Agency

Date of Receipt:

STATE HEALTH PLANNING & DEV. AGENCY

APPLICANT PROFILE

Project Title: Change of 34 Acute/SNF beds to 34 Medical/Surgical beds.

Project Address: 79-1019 Haukapila Street
Kealahou, Hawaii 96750

Applicant Facility/Organization: Kona Community Hospital

Name of CEO or equivalent: Jay E. Kreuzer

Title: CEO, Kona Community Hospital, West Hawaii Region, HHSC

Address: Same

Phone Number: 808-322-4433 Fax Number: 808-322-4488

Contact Person for this Application: Judy Donovan

Title: Director of Marketing & Strategic Planning

Address: Same

Phone Number: 808-322-6960 Fax Number: 808-322-4488

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

Jay E. Kreuzer
Name (please type or print)

CEO
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: _____

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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) **N/A – The site is the existing Kona Community Hospital**
- 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.) **Hospital License from the Department of Health (DOH) – will have to be amended to reflect bed changes. Medicare/Medicaid Certification – survey by DOH, agreement with the Centers for Medicare and Medicaid (CMS).**
- C. Your governing body: list by names, titles and address/phone numbers. **See Attachment A for list of the West Hawaii Regional Board Members.**
- 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. **The governing body is the Board of the West Hawaii Regional System of the Hawaii Health Systems Corporation (HHSC). The HHSC is established by law and has no articles of incorporation. See Attachment B for the HHSC Bylaws.**
 - By-Laws. **See Attachment C for Bylaws of the Regional Board**
 - Partnership Agreements. **N/A**
 - Tax Key Number (project's location). **7-9-010-081**

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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.

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	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
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 SHPDA authorized	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
Medical/surgical	33	+34	67
Critical care	9	0	9
Obstetric	7	0	7
Psychiatric	11	0	11
Acute/SNF (swing)	34	-34	0
	94	0	94

6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All Project Costs:

AMOUNT:

- 1. Land Acquisition _____
- 2. Construction Contract _____
- 3. Fixed Equipment _____
- 4. Movable Equipment _____
- 5. Financing Costs _____

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6. Fair Market Value of assets acquired by lease, rent, donation, etc.

7. Other: _____

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TOTAL PROJECT COST:

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B. Source of Funds

1. Cash _____

2. State Appropriations _____

3. Other Grants _____

4. Fund Drive _____

5. Debt _____

6. Other: _____

TOTAL SOURCE OF FUNDS: \$0

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.

Kona Community Hospital will add Medical/Surgical service.

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, **N.A. The site is the existing site of Kona Community Hospital.**
- b) Dates by which other government approvals/permits will be applied for and received, **Licensure change and CMS certification will be applied for immediately after the CON is approved.**
- c) Dates by which financing is assured for the project, **N.A.**

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- d) Date construction will commence, **N.A.**
- e) Length of construction period, **N.A.**
- f) Date of completion of the project, **N.A.**
- g) Date of commencement of operation: **Immediately upon approval of the CON.**

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.

See page 7

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.

9. EXECUTIVE SUMMARY:

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Kona Community Hospital (KCH) is requesting approval to change its 34 acute/SNF (swing) beds to 34 acute medical/surgical (med/surg) beds, to meet the increasing need of our acute care patients. This project seeks to accomplish the following goals:

- KCH will be able to more efficiently manage the care of the increasing number of acute care patients.
- KCH will be able to reduce acute care inpatient admission wait times from the Emergency Department with the availability of additional medical/surgical beds.
- KCH has been able to efficiently and appropriately manage the transfer of long-term (SNF and ICF) patients to alternate facilities.
- These changes are anticipated to better serve the region's changing patient demographics

Currently, KCH's 18 of the 34 acute/SNF swing beds that were licensed as SNF beds are closed due a budgetary shortfall in the year FYE 2015, as well as a low average daily census of six SNF patients. The underutilization made it very difficult to support the infrastructure needed to maintain the SNF service. Likewise, the KCH medical surgical beds are frequently backlogged due to high census, composition of patient mix, including isolation and pediatric patients, as well as overflow from other inpatient departments, supporting the need for additional med/surg bed capacity.

Continued growth in the population and frequent backlog of medical/surgical beds has required the hospital add a built in redundancy in our available medical/surgical beds. In 2009, KCH licensed 16 of it 34 Acute/SNF beds as med/surg beds. With this CON application, KCH is seeking approval to address our community's growing med/surg needs. An increase in acute med/surg bed capacity will reduce patient transfers including off-island transfers.

Kona Community Hospital (KCH) is part of Hawaii's public hospitals system, the Hawaii Health Systems Corporation (HHSC). HHSC's vision is "(t)o be recognized as a progressive model for an accessible, integrated, patient-centered and fiscally responsible healthcare system focused on assuring high quality care to improve the health of our communities." Although there are other providers of SNF services in the community who readily accept SNF-level patients from KCH, Kona Community Hospital is the sole acute inpatient facility in the West Hawaii service area. KCH is a 94-bed full service medical center, currently operating with the following licensed bed categories:

- 33 medical/surgical (med/surg) beds
- 9 critical care beds
- 7 obstetric beds
- 11 psychiatric beds
- 34 acute/SNF beds (swing) of which 18 are licensed as skilled nursing facility (SNF) beds

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There are no capital expenditures nor will operating expenses increase with this proposal. The facilities are already in place; and we are only changing bed designation. There will be no additional staffing needed, as staffing will be flexed to meet census.

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

The goals of the Health Services and Facilities Plan (HSFP) include the following:

- Focus on increasing cost-effective access to necessary health care services. Access is distinguished from convenience.
- Promote the financial viability of the health care delivery system.
- Encourage optimization of services and expensive technology by ensuring that supply meets the need and costs are reasonable.
- Promote regionalization of services where appropriate.

This proposal increases cost-effective access to medical/surgical hospital beds in West Hawaii on the Island of Hawaii. The existence of additional such beds on island is not a matter of convenience. As the HSFP does state "Hawaii is the only state that is an archipelago, entirely surrounded by bodies of water" (HSFP, 2009, page 21) and there are inherent travel costs and treatment time effectiveness issues that result which are not faced by other rural areas in the United States.

Further in the section of the HSFP specific to the Hawaii County service area, the Hawaii Subarea Health Planning Council states that its county as compared to the rest of the State has the:

- Highest growth rate of resident population due to in-migration
- Highest growth rate of older adults (60+) between 1980 and 2000
- Lowest life expectancy
- Highest coronary heart disease death rates
- Highest cerebrovascular disease death rates
- Highest cancer death rates
- Highest motor vehicle accident death rates

The HSFP states that HSAC priorities include increasing the number of and improving the access to and the quality of health care facilities.

The proposal contained in this CON application supports concerns and priorities of the Hawaii County SAC. It does this by:

- Adjusting the number of med/surg beds to meet the area's inpatient needs of a growing population base due to in-migration.
- Providing increased inpatient beds to care for patients with coronary heart disease, cerebrovascular disease, cancer, and motor vehicle accident injuries.

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- Further, this proposal definitely supports the HSAC's priority to increase the number of and improving the access to and the quality of health care facilities. Increasing the number of med/surg beds increases KCH's ability to improve access to quality acute med/surg based health care.
 - This proposal allows KCH to meet increasing acute needs while at the same time manage the transfer of long-term (SNF and ICF) patients to appropriate alternate facilities. Continuing to grow acute med/surg services will be consistent with HSFP's vision.

B. Need and Accessibility

HSFP states the threshold for Med/Surg beds as:

Medical/Surgical Bed – For new or additional SHPDA-approved medical/surgical beds, the minimum annual occupancy rate for each provider in the service area must be 75% based on the number of licensed medical/surgical beds.

The HSFP goes on to state that:

“It is recognized that some service areas may not meet the required threshold for a health care service. Sub-optimum utilization may be proposed if the benefits clearly outweigh the costs to the community of duplicating or under-using services, facilities, or technologies.

“Benefits are defined as the form of improved access for the service area(s) population combined with significant improvement in quality and/or significant reduction in cost to the public.

“In addition, beyond regional factors, thresholds may be modified to:

- *Incorporate current and best clinical practices;*
- *Allow for the cost-effective transition and capital investment in moving traditional inpatient services to outpatient modalities;*
- *Allow for the cost-effective introduction of modern technology to replace existing technology;*
- *Address the documented needs of an actual population rather than basing care design on statistical generalizations; 32*
- *Create opportunities for price reduction through competition, without sacrificing quality or cost-effectiveness of care; and*
- *Encourage innovation in improving health care services that contribute to enhancing a community's health status.*

This proposal seeks to best utilize existing bed capacity by changing its licensure category from ones that had the beds dormant and/or underutilized to one a bed category that is more in need in the community.

This chart shows the historic utilization of med/surg beds in Hawaii County as per SHPDA's Utilization reports from years 2011 to 2014

Medical/Surgical Beds by Facility	No./ Occup% 2011	No./ Occup% 2012	No./ Occup% 2013	No./ Occup% 2014
Hilo	83/84.22%	83/84.24%	83/94.07%	83/99.39%
Kona	49/36.05%	49/39.93%	49/55.44%	49/52.5%
North Hawaii	30/39.42%	24/52.76%	24/44.62%	26/49.48%

One needs to look beyond the face of the percentages and analyze these occupancy rates in terms of understanding how relatively small the denominators are. Because these are small, just a slight difference in occupancy of just a few patients can swing the occupancy rate significantly. For example, 55.44% of 49 is 27.17 patients on average. Add just a few patients – let's increase the 27.17 patients to 30 patients – and now average occupancy swings up to over 61%. This is a 6% change.

Because of the vast geography of the Big Island, in order to achieve "Golden Hour" emergency coverage, there needs to be med/surg beds in all three major geographic areas of the island – East Hawaii, North Hawaii and West Hawaii. It is important for each area to have capacity to move patients out of their emergency departments in an expeditious manner into med/surg beds as necessary in order to maintain effective and efficient emergency department operations.

There are a number of factors that frequently fill all med/surg beds to capacity, causing a backlog or wait for med/surg bed availability:

- *Observation* status patients occupy an average of 2-3 med/surg beds daily. These patients do not meet the criteria for admission, but require additional observation or testing, usually for a 24-hour period.
- *Waitlist* status patients occupy an average of 4 med/surg beds daily, impacting the ability to use med/surg beds for acute patients. These are non-acute patients awaiting transfer to an appropriate level of care facility such as a skilled or long-term care facility or to home. The number of Waitlist patients can swing dramatically if there are delays in transferring to an appropriate facility.

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- Women's Services (OB) patients overflow into med/surg beds when more than seven patients are admitted to that department.
 - Double occupancy rooms can become blocked and serve as private rooms when patients cannot be co-mingled for a number of reasons, limiting the use of med/surg beds:
 - Double occupancy rooms are gender specific, which can cause a bed to be blocked, until a like-same gendered patient is admitted.
 - Double rooms are often used for isolation patients during peak flu season (or for other contagious diseases), blocking the second med/surg bed in the room.
 - Pediatric patients must be admitted only to private rooms, which can require a double room to have one blocked bed.
 - Women's Services (OB) patients with their newborn babies who overflow into med/surg beds when that unit is at capacity are also admitted as private patients. This can require a double room to have one blocked bed.
 - When med/surg beds are at capacity, Intensive Care Unit patients deemed ready to be transferred to med/surg must be boarded in the ICU. The length of delay of transfer varies.
 - Back up of med/surg beds into the Intensive Care Unit causes further admitting delay in the Emergency Department.
 - Boarded Emergency Department patients are admitted as acute, but cannot be placed in a med/surg bed when the med/surg unit's census is at capacity.
 - Patients boarded in the ED, are generally there for an average of 4 – 16 hours, but have been treated as acute in the ED for up to 36 hours.
 - The alternative to boarding a patient in the ED is that the patient must be transferred to another facility.

The community of Hawaii Island hospitals, including leadership at the Queen's Health Systems / North Hawaii Community Hospital, is supportive of KCH's strategy to add Medical/Surgical service and delete SNF service in order to meet the increasing needs of our island's acute care patients.

This next chart shows the historic utilization of acute/SNF beds in Hawaii County as per SHPDA's Utilization reports from years 2011 to 2014

Acute/SNF by Facility	No./ Occup% 2011	No./ Occup% 2012	No./ Occup% 2013	No./ Occup% 2014
Hale Ho'ola Hamakua	11/35.39%	11/47.10%	11/44.03%	11/30.61%
Ka'u Hospital	5/13.32%	5/12.99%	5/0.82%	5/8.60%
Kohala Hospital	4/18.56%	4/22.40%	4/6.71%	4/21.23%

Additional SNF beds are available at Hale Anuenue Restorative Care Center, Kohala Hospital, Life Care Center of Hilo, Life Care Center of Kona and the Okutsu State Veterans Home – Hilo.

For all facilities, there is still a substantial amount of available capacity. These available beds are located throughout the island and accessible to West Hawaii residents who may need acute/SNF level care. Therefore, removing KCH's 34 Acute/ SNF beds, of which 18 were licensed as SNF, from this pool will not negatively impact the community.

Kona Community Hospital works closely with Kohala Hospital, which is also a member of the West Hawaii Region. Kohala Hospital has reorganized its skilled nursing facility (SNF) admissions referral process, establishing a one-hour response time. The simplified referral process expedites admissions to the hospital's Skilled Nursing (SNF) beds.

KCH also has a close working relationship with Life Care Center of Kona and The Regency at Hualalai to discharge West Hawaii patients for local SNF and long-term care service.

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 Finally, this chart shows the historic utilization of SNF beds in Hawaii County as per SHPDA's Utilization reports from years 2011 to 2014

SNF by Facility	No./ Occup% 2011	No./ Occup% 2012	No./ Occup% 2013	No./ Occup% 2014
Hilo Medical Center	52/47.96%	52/34.97%	52/48.03%	52/45.82%
Kona Community Hospital	18/66.19%	18/60.78%	18/49.56%	18/38.33%

Given the substantial amount of available capacity of acute/SNF beds and the available capacity of SNF beds on island too, decreasing this pool of beds by KCH's licensed 18, will not negatively impact the community.

The benefits of sub-optimization in this case are clear. In this case, there will be no costs to the community by adjusting existing bed mix at KCH. The bed mix change allows KCH to incorporate current and best clinical practices for patient flow management by alleviating any backlog or wait for med/surg beds. While it appears that med/surg beds may be underutilized when looking at statistical generalizations, the documented needs of the actual population indicate a need for more med/surg beds as described in this proposal.

In addition, this proposal will not have a negative impact on the availability of services to the elderly, low income persons, racial and ethnic minorities, women, persons with disabilities and other underserved groups.

C. Quality of Service/Care

KCH maintains compliance with federal and state licensure and certification requirements. In addition, we are accredited by JCAHO.

We have served West Hawaii for over 100 years. Every year, we update our care to include the newest medical services, allowing us to use all our abilities to serve our residents and visitors whenever they are in need. Here at KCH, we consider everyone to be O'hana.

Our staff includes over 400 highly skilled employees and 100 medical staff practitioners, many of whom have been with our hospital for over 20 years. Along

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with our professional and experienced staff, we have many volunteers and affiliates that support our hospital. We are also one of the largest employers in West Hawaii.

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Kona Community Hospital and the Queens Medical Center and have entered collaborations in the areas of oncology and cardiology services and care to offer much needed clinical support for the West Hawaii and Waimea communities.
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Early in 2016, Kona Community Hospital was one of only three Hawaii hospitals to receive international recognition as a designated Baby-Friendly Birth Facility. This designation was awarded by Baby-Friendly USA, Inc; the U.S. authority for the implementation of the Baby-Friendly Hospital Initiative ("BFHI") - a global program sponsored by the World Health Organization (WHO) and the United Nations Children's Fund (UNICEF).

KCH was the first hospital on the Big Island to begin the Level III Trauma Center designation process on January 1, 2010, and was re-certified in July, 2014.

Recent awards and accomplishments include:

- As of December 31, 2015, the KCH ICU has been free of Central Line Blood Stream Infections (CLABSI) and Ventilator Associated Pneumonia infections (VAP) for more than three years.
 - Zero CLABSI infection in more than 1,420 days means that roughly 7 patients avoided this infection, which has a mortality rate of up to 25%. This also equals a savings of over \$100,000 and over 90 unnecessary patient days.
 - Zero VAP infection for over 1,117 days equals roughly 13 patients who have avoided VAP, which has a mortality rate of 50%. The resulting savings is \$260,000 and approximately 170 unnecessary patient days.
- Best Hospital in West Hawaii in the West Hawaii Today poll from 2009 to present;
- 2012 American Heart Association's Gold Achievement Award for Get With The Guidelines – Heart Failure;
- 2010 American Heart Association's Silver Performance Award in Heart Failure;
- 3rd Place in HMSA's HQSR Heart Program;
- 2010 Kona-Kohala Chamber of Commerce Pualu Business Innovation Award.

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

There are no costs associated with this proposal as the beds, room space and staff already exist within KCH. This proposal seeks to change licensure categories of beds and does not incur capital costs.

It is estimated that converting these beds to Acute Medical Surgical beds will improve revenue by \$500,000 per year. This revenue will be the result of the expanded capacity to appropriately care for acute patients at KCH. Revenue increases would remain the same for years 1 and 3

E. Relationship to the existing health care system

KCH is a long time provider on Hawaii Island. We are one of three acute care hospitals. As a key provider of acute care services here, we have extensive existing relationships throughout the healthcare system of our island and the state.

This is a no cost proposal and there are no other lower cost nor more effective alternative methods of providing an increase in med/surg beds in West Hawaii.

F. Availability of Resources.

We have the resources available to implement this proposal. As we are just changing bed licensure type, we already have the beds, rooms and related room equipment already within our hospital. The hospital's existing management and personnel will staff this proposal.