

HAWALTSTATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: # 12 - 20A To be assigned by Agency	_ Date of Receipt:
, , ,	ANT PROFILE
	of 52 SNF/ICF Beds Project
Applicant Facility/Organization:Palolo Chinese	e Home
Name of CEO or equivalent:Darryl N. Ing	
Title:Chief Executive	• %
	ılu, Hawaii 96816
	x Number:808-748-4916
Title:Chief Operating Officer/Administrator	Nakayama, RN, NHA
	Fax Number:808-748-4916
I hereby attest that I reviewed the application a	ON BY APPLICANT and have knowledge of the content and the information scribed and each statement amount and supporting
documentation included is true and correct to the be	est of my knowledge and belief.
Quely	08122112
Signature	Date
Darryl N. Ing Name (please type or print)	Chief Executive Officer Title (please type or print)

Certificate of Need Administrative Application April 2012

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1	TVDE OF ODCANIZATION (D)			
1.	TYPE OF ORGANIZATION: (Plea	se check all app	licable)	
	Public			
	Private Non-profit	X		
	For-profit			
	Individual			
	Corporation	X		
	Partnership			
	Limited Liability Corporation (LLC) Limited Liability Partnership (LLP)			
	Other:			€
2.	PROJECT LOCATION INFORMAT	ION		82
				•
	A. Primary Service Area(s) of Projec	t: (please check	all applicable)	
	Statewide:			
	O`ahu-wide:	X	e _n	
	Honolulu: Windward O`ahu:	_x_		. 2
	West O`ahu:			
	Maui County:			•
	Kaua`i County:			
	Hawai`i County:		28	
3.	DOCUMENTATION (Please attach th	e following to yo	our application for	m):
	A. Site Control documentation (e.g.	lease/purchase	agreement DRC)A agreement
	and letter of intent): Bed addition v	vill be on Palolo	's current nursina	home site.
	 B. A listing of all other permits or ap 	provals from oth	er government b	odies (federal
	state, county) that will be requir (such as building permit, land use	ed before this	proposal can be	implemented
	<u>Use Permits (Once the CON for</u>	an additional 5	2 skilled nursina	home beds is
	obtained. A CUP will be obtained	for a total of 113	3 Skilled Nursing	Home beds).
	C. Your governing body: list by na	of Health Licen	sure	numbara. Saa
	Attachment C: 2012 Board of Di	rectors – Palok	Chinese Home	
	 D. If you have filed a Certificate of N 	eed Application	this current caler	ndar vear, vou
	may skip the four items listed below	w. All others, pl	ease provide the	following:
	 Articles of Incorporat By-Laws: See Attachr 	<u>ion: See Attach</u> nent E.	ment D.	
	 Partnership Agreement 	s: Not applicable		
	 Tax Key Number (proje 			

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		
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	Proposed Beds for	Total Combined Beds
7), 5, 5, 5, 5	Total	your Project	if your Project is
4		your roject	
	- 04		Approved
ONE #OF	61	52	113
SNF/ICF			
			#3
	į		
	61	52	113
TOTAL			
	1		

6. PROJECT COSTS AND SOURCES OF FUNDS

Α.	List A	All Project Costs:	AMOUNT:
	1.	Land Acquisition	0
	2.	Construction Contract	\$4,593,250.00
	3.	Fixed Equipment	\$250,000.00
	4.	Movable Equipment .	* \$750,000.00
	5.	Financing Costs	
E .	6.	Fair Market Value of assets acquired by lease, rent, donation, etc.	0
	7.	Other: Architect Fees	\$750,000.00
		* 2 4 C	** **
		TOTAL PROJECT COST:	\$6,343,250.00
В.	Sourc	TOTAL PROJECT COST:	\$6,343,250.00
В.	Source 1.		\$6,343,250.00 \$593,250.00
B.	5	ce of Funds	25
B.	1.	ce of Funds Cash	\$593,250.00
B.	1. 2.	Cash State Appropriations	\$593,250.00 \$750,000.00
B.	1. 2. 3.	Cash State Appropriations Other Grants	\$593,250.00 \$750,000.00 \$3,000,000.00
B.	 1. 2. 3. 4. 	Cash State Appropriations Other Grants Fund Drive	\$593,250.00 \$750,000.00 \$3,000,000.00

TOTAL SOURCE OF FUNDS: \$6,343,250.00

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.

Not applicable	 	. <u>-</u>	
		100	11233

- 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, Bed addition will be on Palolo's current nursing home site.
 - b) Dates by which other government approvals/permits will be applied for and received, August 1, 2013
 - c) Dates by which financing is assured for the project, November 1, 2013
 - d) Date construction will commence, January 1, 2014.
 - e) Length of construction period, 1 year
 - f) Date of completion of the project, December 31, 2014
 - g) Date of commencement of operation, January 1, 2015

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.

10.	Eligibili Adminis	ty to file for Administrative Review. This project is eligible to file for trative 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.
	X	The applicant believes it will not have a significant impact on the health care system.

Executive Summary

Palolo Chinese Home (PCH) is requesting an approval to add 52 SNF/ICF beds. The addition will increase PCH's existing capacity from 61 to 113 Skilled Nursing and Intermediate Care (SNF/ICF) beds. The 52 additional beds will be a part of a newly constructed 1-story building with 5 private and 32 semiprivate rooms with the majority of the rooms divided by a wall partition to increase privacy. The building will also be holistically developed with a middle courtyard and be uniquely situated in an outdoor environment surrounded by trees, mountains and stream.

Palolo Chinese Home is a private, not-for-profit 501(c) (3), charitable organization, whose mission is to aid the aged in Hawaii regardless of race, religion, nationality, ethnic origin or gender. Originated in 1896, PCH is Hawaii's largest and second oldest care home serving Hawaii's poor and indigent. PCH is a community-based, freestanding, geriatric focused organization that provides a wide continuum of care that includes Adult Day Care, Adult Residential Care Home Type II with Expanded Care, Skilled and Intermediate Nursing Care, and in-home support services for seniors and caregivers including Day Respite, Overnight Respite, Meal Deliveries, and Home Cleaning Services. PCH will continue to expand its continuum of care to meet the growing demand of services to support the aging population of Hawaii.

In 2002, PCH initiated a master plan of four phases that focused on renovation and development of existing and new facilities and programs. The completion of Phase I included renovation of an existing building for PCH's senior day care program and nursing facilities. Phase I also included development of new infrastructure (road, sewer, drainage, water, etc.) The completion of Phase II included the construction of a new three story building that housed a full service kitchen, a rehabilitation and wellness center, and 46 additional SNF/ICF beds. Phase III will include renovation of an existing dining hall into a larger community center with administrative offices. This proposed project will be the Phase IV of the master plan and will expand existing Skilled and Intermediate Nursing Care services by 52 beds.

The proposed increase in Phase IV will allow Palolo Chinese Home to meet major priorities outlined in the State of Hawaii Health Services & Facilities Plan and the growing needs of long-term care services for Hawaii's aging population. PCH seeks to align with the State's plan for long-term viability of a continuum of care delivery system while improving affordability and access to appropriate and timely care. PCH is confident that this project is operationally and financially feasible and sustainable for the long-term. PCH will implement its high quality of care and services to seniors through continuous engagement of multidisciplinary teams, implementation of quality assurance systems, and utilization of information technology. PCH is also confident that the community and existing health care system will benefit through this propose project through greater access of beds and services. PCH is committed to the success and completion of this proposed project.

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

In accordance with the State's 2009 Health Services and Facilities Plan (HSFP) and HRS § 323D-12 mandate, the capacity (utilization) threshold needs to be established to determine the need of long-term care services. The need methodology includes the definition of target population, application of national utilization rates to determine need, and comparison of need to current available Hawaii licensed long-term care beds.

The target population is defined as people who are 65 years of age and older. Census data from State of Hawaii's Department of Business, Economic Development & Tourism indicates a net population (65yo+) of 195,138¹ in the State of Hawaii. According to HSFP, the national utilization rate is 47 beds per 1,000 population ages 65 years and older; therefore, approximately 9,172 (195,138 x 47/1,000) beds are needed for long-term care services. This shows a significant deficit comparing to the current available licensed long-term care beds of 4,305² beds indicated in the 2010 Health Care Utilization Report from State of Hawaii's State Health Planning & Development Agency.

Palolo Chinese Home's request for 52 SNF/ICF additional beds meets major priorities for the State and Honolulu as outlined in the 2009 State of Hawaii Health Services and Facilities Plan. The Central and specific Statewide Health Coordinating Council (SHCC) Priorities and Subarea Health Planning Council (SAC) Priorities, Honolulu County Priorities are as follows:

- Promote and support the long-term viability of the health care delivery system (SHCC)
- Expand and retain the health care workforce to enable access to the appropriate level of care in a timely manner (SHCC)
- Maintain overall access to quality health care at a reasonable cost (SHCC)
- Ensure capacity and access to a continuum of long-term care services (SAC)
- Increase the availability of long-term care services and other supportive services (SAC)
- Identify and address workforce shortages in the health care industry with particular emphasis on senior care services (SAC)

Department of Business, Economic Development & Tourism. (2010). 2010 Census Demographic Profile. Retrieved September 10, 2012, from State of Hawaii Department of Business, Economic Development & Tourism: http://hawaii.gov/dbedt/info/census/Census_2010/demographic/demo_profile/2010demoprof_state_hi.pdf

² State Health Planning & Development Agency. (2010). 2010 Data Health Care Utilization Report. Retrieved September 10, 2012, from State of Hawaii State Health Planning & Development Agency: http://hawaii.gov/shpda/resources-publications/health-care-utilization-reports/updates-and-results/2010-data/table-2

 Control escalating costs in the senior care industry and other needed services (SAC)

This proposed project will further increase service capacity and develop systems to better serve Hawaii's seniors. The request for additional beds is part of PCH's ongoing plan to develop a sustainable, affordable, and flexible continuum of care that meets the dynamic and complex needs of aging population. Palolo Chinese Home strives to create efficient models of care. Greater management of health and higher quality of life for seniors and caregivers can be achieved through active engagement and participation in choosing proper care through a variety of options. PCH has remained committed to its founders' vision and values in providing cost effective, quality care, helping Hawaii's families, and promoting health and wellness.

B. Need and Accessibility

According to State Health Planning and Development Agency's 2009 State of Hawaii Health Services and Facilities Plan, Hawaii has an acute shortage of long-term care beds. Hawaii has substantially lower bed supplies when compared to the national average.

TABLE 1
Acute Care and Long-term Care Bed Rates

	Harwaii	Rank	U.S.
Rate of Beds per 1,000 for 2006	2.3	ก/ล	2.7
Rate of Nursing Facility Bed per 1,000 65+, 2005	23	48	47
Nursing facility occupancy rate (%), 2005	· 94	2	.85

Note: Beda includes nonfederal, short-term general and other special hospitals.

Sources: American Hospital Association Hospital Statistics 2008

AARP Public Policy Institute, "Across the States, Profiles of Long-term Care and Independent

Living Hawaii 2006"

As indicated in Table 1 of the plan, Hawaii ranked second to the bottom at 48th of 50 with 23 beds per 1,000 population ages 65 years and older, which is relatively low when compared to a national average of 47 beds per 1,000 population ages 65 years and older. Nursing facility occupancy rate is ranked at 94%, a high 2nd of 50, comparable to a national average of 85% occupancy rate. Both statistics suggest that Hawaii will require higher number of nursing facility beds to ensure appropriate quality of care for Hawaii's seniors.

Per analysis from Health Services and Facilities Plan, the limitation of nursing facility beds and high occupancy rate impedes service and access throughout the healthcare system. When hospitals cannot properly discharge patients, the resulting effect is wait-listing of patients in need of nursing home placement, which decreases access for acute care services.

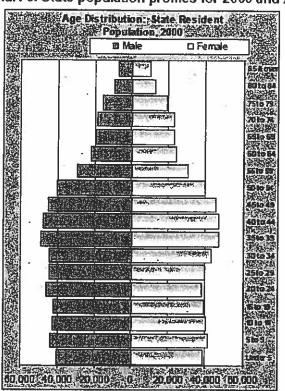
Secondly, according to Hawaii's Executive Office on Aging released Hawaii State Plan on Aging for 2011 to 2015³ there will be dramatic increase in life expectancy, and tremendous growth of the aging population due to the Baby Boomer generation. Please see the Hawaii State Plan on Aging's Table 3 and Chart 8 below.

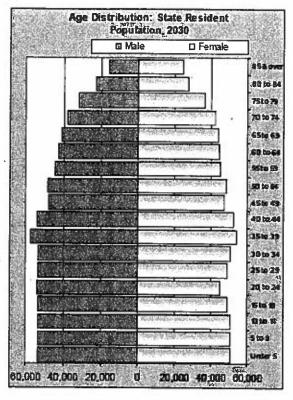
³ Centers for Medicare & Medicaid Services. (2012, March 10). *National Health Expenditure Data*. Retrieved April 10, 2012, from cms.gov: https://www.cms.gov/Research-Statistics-Data-and-Systems/Statistics-Trends-and-Reports/NationalHealthExpendData/Downloads/proj2010.pdf

Table 3. Oahu's 85+ Population, Number and Percent of Total Population

Honolulu	Total	85+	85+: % of Total	85+: Increase Between Decades
1980 Census	762,565	4,DD8	0.5%	
1990 Census	836,231	7,614	0.9%	3,606
2000 Census	876,156	12,759	1.5%	5.145
DBEDT 2010	952,650	22,000	2.3%	9.241

Chart 8. State population profiles for 2000 and 2030





Source: State Data Book, 2005

Analysis shows that there will be continuous growth and demand for long-term care services up until 2030 when baby boomers will range between 66 and 84. Alarmingly, there are already data showing great growth and demand without factoring in Baby Boomers. The oldest sub-group (defined as older than 85 who are most likely to be dealing with physical and/or mental disabilities) is currently the fastest growing group with 9,000-plus increase between 2000 and 2010. The census data projections are not expected to change significantly until 2030 due to aging Baby Boomers entering 85 years of age. This suggests that there will be additional demand of approximately 900 people (~9,000/10) every year for nursing facility level service until 2030 before any Baby Boomers turn 85 years of age. These factors will place a great need for available Skilled Nursing and Intermediate Care services in Hawaii for years to come.

Finally, Palolo Chinese Home engaged Gerontological Services, Inc., a nationally recognized market research group based in Santa Monica California, to conduct market studies in 2000 and 2005 to a total of 384,085 residents living within 44 square miles vicinity of PCH for their assessment and need of geriatric services. Based on the positive findings of the 2000 study, PCH embarked on its redevelopment campaign in 2002. Study in 2005 showed a growth of 3% in market size with similar high consumer interest for elderly housing and community based services. PCH adapted its expansion plans to meet the needs and accessibility by providing a full continuum of care and services that are supportive to the elderly and their families. The proposed expansion of SNF/ICF beds will allow greater care for the aging population of Hawaii.

The proposed addition of beds will be offered to all resident in need of skilled nursing and intermediate nursing care including low-income individuals, all racial and minority groups, people with disabilities and other underserved groups. The beds will be licensed and certified to accept both Medicare and Medicaid residents.

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C. Quality of Service/Care

Palolo Chinese Home adheres to the Federal and State of Hawaii's regulations and standards in providing the highest quality of care to its residents and outpatient clients. PCH is licensed by the State of Hawaii Department of Health as a Skilled Nursing and Intermediate Care Facility, and is surveyed annually by the Office of Health Care Assurance for license compliance and quality assurance. In the most recent 2011 survey, PCH received the highest rating of five (5) stars on Nursing Home Compare⁴ by Medicare, which is reserved for the top 10% of all nursing facilities in Hawaii.

In accordance to the Omnibus Budget Reconciliation Act of 1987 and Chapter 94.1 of the Hawaii Administrative Rules, Palolo Chinese Home has established the required policies and procedures to monitor and evaluate the quality of care. PCH incorporates an interdisciplinary team approach of many disciplines to monitor its quality of care. These efforts include frequent active committees such as Quality Assurance, Infection Control, Pharmaceutical Management, Care Planning and Evaluation, Family Council and Continuous Quality & Safety Meetings. All quality improvement activities at PCH follow the PDSA (Plan, Do, Study, Act) cycle, which supports a continuous engagement of all key stakeholders and a never ending cycle of successful improvements.

In response to the Affordable Care Act, Palolo Chinese Home is investing in electronic medical record (EMR) systems, which will also improve overall healthcare efficiency and quality. In addition to reducing redundancy of services and decreasing overall cost of care, EMR will allow PCH to streamline resident data and optimize patient outcomes. PCH is actively developing new risk assessments and quality measurements to ensure quality of care. These assessments include greater management and analysis of risk audits in bladder incontinence, decline in range of motion, dehydration, indwelling catheters, pressure sores, tube feeding and weight loss/malnutrition. In striving for the highest quality of service, PCH will also be able to create customizable user-defined assessments to create necessary tools to ensure greater quality assurance.

Palolo Chinese Home will provide the same high quality of care and service in its addition of 52 SNF/ICF beds. The level of service and care will be ensured through the application of existing policies/systems, administrative staff, and multidiscipline approach. The addition of 52 SNF/ICF beds will also contribute to the overall improvement of the organization through an increase in economies of scale and operational efficiencies, which allows for added availability, affordability and flexibility for patients, residents, families, staff, and Hawaii.

Medicare. (2012, July 19). Nursing Home Results. Retrieved August 20, 2012, from Medicare.gov: http://www.medicare.gov/nursinghomecompare/results.aspx#loc=Honolulu%2C%20Hl&lat=21.3069444&lng=-157.85833330000003&bhcp=1

D. Cost and Finances

The probable impact of the proposed project on the overall costs of health services to the community is minimal. The cost of healthcare will most likely continue to rise as projected by Centers for Medicare and Medicaid Services at an average annual health spending growth rate of 5.8 percent from 2010 to 2020⁵. As shown by prior data, this project may aid the State in meeting the growing demand for long-term care services by improving accessibility and availability, thereby, potentially improving supply and reducing costs in the future.

The probable impact of the proposed project on the costs and charges for providing health services by applicant is minimal. The additions of ICF/SNF beds will nearly double the capacity of available beds; however, despite the potential improved economy of scale, the reality is that profit margins in long-term care are extremely small ranging from -0.58% to 0.90% as an industry. In addition, as a non-profit, PCH's mission and tradition has been to offer affordable care for the indigent and needy; therefore, the costs and charges of comparable services are already be at a reasonable level for the consumer.

The cost and finances of this project is financially feasible and operationally sustainable for the short-term and long-term. The cost of the entire project including new structure, furnishings, fixtures, equipment, and architect fees is \$6.3 million. The cost of the project will be paid through PCH capital campaign activities, state appropriations, grants and cash. Operationally, current financial model indicate sustainable annual revenue of \$13 million with \$11.9 million total expense at 90% capacity (Hawaii is typically at 94% or greater) for year 1 (2015), and an annual revenue of \$14 million with \$12.8 million total expense at 98% capacity for year 3 (2017). There should be sufficient remaining income to pay off any expenses and depreciation.

Selderly Affairs Division, Department of Community Services. (2011, June 23). Hawaii ADRC Resources. Retrieved March 5, 2012, from State of Hawaii Aging and Disability Center:

http://www.hawaiiadrc.org/Portals/_AgencySite/EAD_2011_2015.pdf
⁶YCharts. (2012, April 16). *Healthcare Sector*. Retrieved April 16, 2012, from YCharts.com: http://ycharts.com/sectors/Healthcare/market_cap,profit_margin

⁷ Yahoo Finance. (2012, April 13). Long-Term Care Facilities. Retrieved April 16, 2012, from Yahoo Finance: http:biz.yahoo.com/p/523qpmd.html

E. Relationship to the Existing Health Care System

Palolo Chinese Home's addition of 52 SNF/ICF beds will positively impact existing health care systems in Hawaii. First, the proposed project will increase the availability of long-term care beds, which will alleviate the acute shortage of long-term care beds and the growing demand of senior services, especially Skilled Nursing and Intermediate Care services for the 85 years and older population.

Second, the proposed project will improve efficiency and effectiveness of Hawaii's acute hospitals by decreasing waitlisted acutely ill patients thus increasing acute care access for patients and potential revenues for hospitals. The availability of long-term care beds is integral to the overall operational health of existing hospitals by allowing better and faster hospital discharge planning.

Finally, PCH's proposed increase in SNF/ICF beds will have a beneficial effect on the overall healthcare in the community. PCH can offer patients, residents and families, cost effective options and alternative services through PCH's continuum of care model, which include Adult Day Care, Overnight Respite, Meal Deliveries, Home Cleanings, and Home Rehabilitation Services. Although there are no effective alternatives to SNF/ICF beds, PCH's broad range of services provide greater support and minimize reoccurring injuries and hospitalization of seniors.

F. Availability of Resources

There will be sufficient available resources including health personnel, management personnel, and funding for capital and operating needs for the provision of services proposed in PCH's addition of 52 ICF/SNF beds.

Current available resources for health personnel and management personnel include existing 151 staff in all areas of operations. The planned and projected increase in staffing for this proposed project is 30.15 full-time equivalents (FTE), which includes new license nurses, certified nurses' aides, activity staff, housekeepers, activity aides, and cooks helper. The Administrative and Development departments are not projecting an increase in staff.

Despite staffing recruitment and retention challenges that faces all long-term care facilities, and the current economy trend of low unemployment. PCH is confident to successfully recruit, train and retain through its existing policies and procedures to engage the right staff to provide high quality service for its residents. Staff will be recruited through the internet, newspaper, and "word of mouth". PCH's Human Resource Coordinator will attend job fairs, colleges and universities to recruit staff. Temporary staff agencies will be used to cover staffing needs, as needed. All staff will be trained to care for Palolo's residents.

Current available resources for funding include current cash, state appropriations, other grants and fund drive. Currently, PCH has sufficient funds in its bank account to cover the projected cash required for the project. The \$750,000.00 in state appropriations are grant-in-aid monies awarded to PCH by the 2012 Legislature, earmarked under HTH904 within Act 106. A letter has been sent to the governor to request the release of money. Other grants of \$3,000,000.00 have not been received as applications to the various foundations have not been made. A fundraising campaign is slated to start later this year. PCH is confident that we will be successful based on based on the success of an earlier campaign that raised over \$14 million.

Palolo Chinese Home is confident in its ability to provide all necessary resource and funding for this proposed project. PCH has the competencies and capabilities to ensure a successful project and continued operational excellence.