



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: #13-09A Date of Receipt: _____
To be assigned by Agency

APPLICANT PROFILE

Project Title: Acquisition of 52 SNF beds from St. Francis Healthcare System of Hawaii ("SFHSH") and St. Francis Medical Center ("SFMC")

Project Address: 2226 Liliha, Honolulu, HI 96817

Applicant Facility/Organization: Franciscan Care Services ("FCS")

Name of CEO or equivalent: David Kowalski

Title: Sr. Vice President - Care Services

Address: 2226 Liliha St. #227, Honolulu, Hawaii 96817

Phone Number: 547-8090 Fax Number: 547-8018

Contact Person for this Application: David Kowalski

Title: Sr. Vice President - Care Services

Address: 2226 Liliha St. #227, Honolulu, Hawaii 96817

Phone Number: 547-8090 Fax Number: 547-8018

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.

David Kowalski
Signature

5/29/13
Date

David Kowalski
Name (please type or print)

Sr. Vice President
Title (please type or print)

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

Public	_____
Private	<u> X </u>
Non-profit	<u> X </u>
For-profit	_____
Individual	_____
Corporation	<u> X </u>
Partnership	_____
Limited Liability Corporation (LLC)	_____
Limited Liability Partnership (LLP)	_____
Other: _____	_____

2. **PROJECT LOCATION INFORMATION:**

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

Statewide:	_____
O`ahu-wide:	<u> X </u>
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 A, a letter of intent titled "LEASE TERM DOCUMENT" showing details of the proposed lease with SFHSH.

- 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.)
 - **State Department of Health licensure**
 - **Centers for Medicare and Medicaid Services (CMS) issuance of provider numbers.**

- C. Your governing body: list by names, titles and address/phone numbers.
See attachment B for the list of the officers

- 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 See attachment C**
 - **By-Laws See attachment D**
 - **Partnership Agreements**
 - **Tax Key Number (project's location)**

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 ownership	Change in service/ establish new service/facility	Change in Beds
Inpatient Facility				X		
Outpatient Facility						
Private Practice						

5. **TOTAL CAPITAL COST:** \$4,706,352. (Clinical component, \$2,838,248)

6. **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.

Franciscan Care Services

Type of Bed	Current Bed Total	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
Skilled Nursing	52		52
TOTAL	52		52

7. **CHANGE IN 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 consult 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.

There will be no change in services, other than the change in ownership of the 52 SNF beds.

8. PROJECT COSTS AND SOURCES OF FUNDS (For Capital Items Only)

A. List All Project Costs:	CLINICAL PORTION	TOTAL AMOUNT
1. Land Acquisition		_____
2. Construction Contract		_____
3. Fixed Equipment*	<u>150,000</u>	<u>150,000</u>
4. Movable Equipment		_____
5. Financing Costs		_____
6. Fair Market Value of assets acquired by lease, rent, donation, etc.**	<u>\$2,688,248</u>	<u>\$4,556,352</u>
TOTAL	<u>\$2,838,248</u>	<u>\$4,706,352</u>

* Electronic medical records, nurse call system, other minor equipment

** \$1,556,352 base value plus \$3,000,000 renovations.

This project involves the third floor of the existing Sullivan Wing, which held the 52 SNF beds previously operated by SFMC and (HMC). FCS will lease this floor from SFHSH. There will be some renovation and construction costs, but these costs will be born by SFHSH and charged back to FCS as part of the lease. FCS will pay for the fixed equipment.

B. Source and Method of Estimation

Describe how the cost estimates in Item "A" were made, including information and methods used: The fair market value of the third floor is based on the estimated cost of renovation (\$3,000,000) as estimated by SFHSH, plus the basic value of the floor (\$1,556,352) as estimated in a valuation report submitted as part of the last HMC bankruptcy. The \$150,000 equipment estimate is from SFHSH.

C. Source of Funds

AMOUNT:

1. Cash	<u>\$150,000</u>
2. State Appropriations	_____
3. Other Grants	_____
4. Fund Drive	_____
5. Debt	_____
6. Other: <u>Fair market value of leased space to be paid by rental payments over the term of the lease</u>	<u>\$4,556,352</u>

TOTAL SOURCE OF FUNDS: \$4,706,352

The \$150,000 equipment cost is available in FCS retained earnings. No other capital funds are required of FCS, since the capital costs of construction and renovation will be borne by SFHSH, the lessor. These costs will be included in the lease cost paid by FCS over the term of the lease.

9. 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, **October, 2013. (Lease signed)**
- b) Dates by which other government approvals/permits will be applied for and received, **DOH licensure: applied for by Jan. 1, 2014; received July 1, 2014. CMS (Medicare/Medicaid) certification: applied for by July 1, 2014, received by March 1, 2015)**
- c) Dates by which financing is assured for the project, **Not applicable**
- d) Date construction will commence, **Not applicable (renovations will be done by the lessor prior to occupancy).**
- e) Length of construction period, **Not applicable**
- f) Date of completion of the project, and **July 1, 2014**
- g) Date of commencement of operation. **July 1, 2014**

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.

10. 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 Hawai'i Health Performance Plan (H2P2), also known as 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

Background. SFHSH is Hawai'i's leader in home and community based care. As part of an extensive 20-year plan, SFHSH divested its two acute hospitals in January 2007, specifically to focus its attention and energies on home and community based care. However, the assets of both acute hospitals were returned to St. Francis in 2012 after the owner filed for bankruptcy.

With the sale of the West campus hospital assets to the Queen's Health System, St. Francis is now ready to move forward with a new vision for the Liliha campus. We will transform the campus into a vibrant senior living center with access to amenities and services not found in any other setting in Hawai'i. We will provide a range of community and outpatient services, as well as residential/inpatient services ranging from independent living to skilled nursing (SNF).

The entire plan for the campus is still being developed, but Phase I will be to reopen the 52 bed SNF service on the third floor of the Sullivan Building. This floor is the site of the 52 bed SNF unit previously operated by HMC, and before that by SFMC. SFMC will renovate the floor, and then FCS, a wholly-owned subsidiary of SFHSH, will lease and operate the service. This change in ownership, Phase I, is the subject of this CON application.

Phase II of the plan will be to expand the nursing facility to the fourth and fifth floors of the Sullivan Building. Preliminary plans include designating some of the beds for hospice patients, freeing up space at the St. Francis Hospices, Nuuanu and West, for patients who need room and board service. The total number of beds for Phase II, and their precise designation, has not yet been determined. This will be the subject of a second CON application.

A. Relationship to the Hawai'i Health Services and Facilities Plan (HSFP).

This application is seeking approval for FCS (a wholly-owned subsidiary of SFHSH) to acquire the 52 bed SNF unit/service now approved for SFHSH/SFMC under CON #11-18E.

The most recent version of the HSFP was published in 2009. This proposal relates directly to one of the four goals in the HSFP: "focus on increasing cost-effective access to

necessary health care services.” There continues to be a need for long-term care (LTC) services on Oahu, and this proposal will provide SNF services as part of senior living center with a wide range of services.

The proposal also relates directly to one of the “specific health areas of concern” as established by the Statewide Health Coordinating Council in the plan: “ensure capacity and access to a continuum of long-term care services.” As noted earlier, the master plan for the Liliha campus will provide a continuum of services from independent living to SNF.

Finally, the first priority of the Honolulu SAC as articulated in the plan is “Increase the availability of long-term care services and other supportive service.”

B. Need and Accessibility

Need. The need for these beds was established by the original CON for the SNF unit on the third floor of the Sullivan Building. This need has not changed. No new beds are proposed, this proposal will merely continue the 52 beds previously found to be necessary.

Accessibility. FCS will provide service to all patients, including low income persons, racial and ethnic minorities, women, handicapped persons, other underserved groups and the elderly. SFHSH, the parent corporation of FCS, is known for its commitment to service to the elderly and disadvantaged.

C. Quality of Service/Care

The applicant, FCS, is a wholly-owned subsidiary of SFHSH. St. Francis has a long history of providing quality health services to the people of Hawai`i, with emphasis on serving the poor and the marginalized. The first Sisters of St. Francis, under the leadership of Mother Marianne Cope, came to Hawai`i in 1883 where they were put in charge of the Kakaako Branch Hospital for leprosy patients. Soon after that, they opened and operated hospitals on Maui and the Big Island.

The first St. Francis hospital on O`ahu was opened in 1927. Since then, St. Francis has established and maintained a history of providing a variety of quality health services to the people of Hawai`i, with emphasis on serving the elderly and the disadvantaged.

SFHSH and SFMC, a previous operator of the SNF unit, have a well-established quality of service program that will be implemented by FCS in the operation of these 52 SNF beds.

The facilities will meet all licensure requirements for the State, and all certification requirements for Medicare and Medicaid. We will also seek TJC (The Joint Commission) accreditation.

D. Cost and Finances

FCS will bear only \$150,000 in capital costs. The remainder of the capital costs, will be borne by SFMC, and charged to FCS as part of the lease expense.

FCS operates on a fiscal year beginning July 1st and ending June 30th. We expect to admit our first patients to the SNF unit in July 2014. Exhibit D-1 presents summary revenue and expense projections for years 1, 2 and 3 (fiscal years ending June 30, 2015, 2016 and 2017).

EXHIBIT D-1

	Year 1	Year 2	Year 3
Net Revenue	\$1,554,157	\$8,261,266	\$8,944,880
Expense	\$3,862,359	\$6,371,024	\$6,772,162
Profit/(loss)	\$(2,318,202)	\$1,890,242	\$2,172,718

E. Relationship to the Existing Health Care System

This proposal relates well to the existing health care system. There is a current and future need for LTC beds on Oahu. This 52 bed SNF unit was part of the system for many years, but unfortunately was closed when HMC declared bankruptcy. It's closure presented a strain on the rest of the system as it tried to accommodate the displaced patients, especially those that needed a high acuity level of SNF care.

Finally, the operation of these beds has already been found to be a beneficial part of the health care system. This application is merely for a change of ownership from one St. Francis entity to another.

F. Availability of Resources

The financial resources are available. Only minor capital expenditures are required of FCS, since renovation and equipment costs for the 52 bed SNF unit will be provided by the lessor. Starting in year 2, and continuing into year 3, the facility will operate at a profit, which will be sufficient to offset the operating loss in year 1.

This 52 bed SNF unit will be the first increment in a larger St. Francis Transitional Rehabilitation Care Center, and some of the staff for this first increment will be shared with the larger facility as subsequent increments are developed. For example, a licensed nursing home administrator will serve as the chief executive officer for the entire facility. Medicare requires that there be a full time person for this and other positions, so these are indicated as 1 FTE in the table below. When subsequent floors and phases are opened, the FTEs allocated to this floor for these positions will be reduced.

The table on the following page shows the personnel requirements.

Physical therapy, occupational therapy and speech therapy will be outsourced.

Personnel resources are available in the community, especially since the closure of the two Hawaii Medical Centers.

PERSONNEL REQUIREMENTS

Job Title	52 Bed Staffing
CEO 1 / Administrator	1.00
DON 1	1.00
Asst. DON	
MDS 1	
MDS Coord 1	1.00
Business Office Mgr 1	1.00
Dietician/Food Service Mgr 1	1.00
S'W Mgr 1	1.00
Recreation Manager 1	1.00
Environmental Services Dir 1 / Hskg M	1.00
Education 1	1.00
Line Staff:	
Ward Clerk 1	1.00
Restorative Aide	1.00
Central Supply 1	1.00
Dietary(cooks/dish/Prep) 7	
Cook	2.00
Food prep	2.00
Dishwasher	1.00
Recreation	1.00
Housekeeping 8	3.00
Social Worker	
Medical Director 1 (\$3000 Monthly contract)	
Hands on Nursing: 4.25 ppd	
RN's - 0.93 HOL	5.00
LPN's - 0.45 HOL	3.00
Aides - 2.45 HOL	19.00
TOTAL POSITIONS	48.00
Shared Positions with SFHS:	
Spiritual Services Director 1	
Admission Coordinator 1	
Billers/Payables 2	
Maintenance 2	
Medical Records 1	
Pastoral Services	

11. 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.