



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 02-07A

Applicant: Kaiser Permanente Medical Care Program

Project Title: Expansion of Planned Waipio Clinic

Project Address: 94-1492 Moaniani Street, Waipahu HI

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

Public	_____	
Private	<u> X </u>	RECEIVED
Non-profit	<u> X </u>	
For-profit	_____	'02 MAY 22 10:41
Individual	_____	
Corporation	<u> X </u>	
Partnership	_____	ENVIRONMENTAL
Limited Liability Corporation (LLC)	_____	& DEVELOPMENT
Limited Liability Partnership (LLP)	_____	
Other: _____	_____	

2. **PROJECT LOCATION INFORMATION**

A. Project will be located in:

State Senate District Number: 18

State House District Number: 38

County Council District Number: 01

Neighborhood Board District Number (O`ahu only): 22

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

Statewide: _____

O`ahu-wide: _____

Honolulu: _____

Windward O`ahu: _____

West O`ahu: X

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 attached**
- 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.) **Building Permit**
- C. Your governing body: list by names, titles and address/phone numbers *
- 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 *
 - By-Laws * * On file with SHPDA
 - Partnership Agreements *
 - Tax Key Number (project's location) **1-9-4-127:13, 1-9-4-127:12**

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					
Outpatient Facility			X		
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.

N/A

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

6. **PROJECT COSTS AND SOURCES OF FUNDS**

****Change from previous CON application****

A. List All Project Costs:

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AMOUNT:

1.	Land Acquisition	'02 MAY 22 19:41	<u>7,300,000</u>
2.	Construction Contract	CLIMATE JULY & DEV. AGENCY	<u>4,700,000</u>
3.	Fixed Equipment		_____
4.	Movable Equipment		<u>700,000</u>
5.	Financing Costs		_____
6.	Fair Market Value of assets acquired by lease, rent, donation, etc.		<u>(7,000,000)</u>
7.	Other: _____		_____

TOTAL PROJECT COST: 5,700,000

B. Source of Funds

1.	Cash		<u>5,700,000</u>
2.	State Appropriations		_____
3.	Other Grants		_____
4.	Fund Drive		_____
5.	Debt		_____
6.	Other: _____		_____

TOTAL SOURCE OF FUNDS: 5,700,000

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.

N/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:

See attached

- a) Date of site control for the proposed project,
- b) Dates by which other government approvals/permits will be applied for and received,
- c) Dates by which financing is assured for the project,
- d) Date construction will commence,
- e) Length of construction period,
- f) Date of completion of the project,
- g) Date of commencement of operation

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 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.

See attached

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.

8. IMPLEMENTATION SCHEDULE:

- a) Date of site control for the proposed project: **2Q 2001**
- b) Dates by which other government approvals/permits will be applied for and received: **December 27, 2002 - March 20, 2003**
- c) Dates by which financing is assured for the project: **1Q 2002**
- d) Date construction will commence: **February 7, 2003 (begin site work); May 2, 2003 (begin building construction)**
- e) Length of construction period: **14 months**
- f) Date of completion of the project: **April 1, 2004**
- g) Date of commencement of operation: **August 5, 2004**

9. EXECUTIVE SUMMARY:

In February 2001, Kaiser Permanente Medical Care Program submitted an Administrative Certificate of Need (CON) application (#01-02A) requesting approval from the State Health Planning and Development Agency (SHPDA) to relocate its current Punawai Clinic in Waipahu (94-235 Leoku Street) to a site approximately 5 miles away in the Waipio Gentry Business Park (94-1492 Moaniani Street). The application was approved. However, shortly thereafter, there have been significant increases in membership and certain Kaiser Permanente National Facility Standards that the Kaiser Permanente Hawaii Region is required to meet. As a consequence, the scope of the project has changed. Based on recent studies, it has been determined that the option of purchasing land and building a clinic in the Waipio Gentry Business Park is more cost-effective and operationally feasible than the previous option of leasing a building in the Business Park and purchasing it in the future. In the previous CON application, Kaiser Permanente planned to purchase two parcels of land and lease one parcel (which the clinic building would be located on). In this CON application, Kaiser Permanente will purchase all three parcels. The square footage of the proposed clinic will increase by approximately 50% since the previous CON application. This increase in space will allow Kaiser to develop the Waipio Clinic into a HUB clinic and accommodate the increase in membership demand.

As stated in the previous CON application, the new Waipio Clinic will provide the same high quality and affordable ambulatory care services to Kaiser Permanente members residing in the Ewa Beach-to-Pearl City corridor. Primary care will include: family practice/internal medicine, pediatrics, obstetrics/gynecology, dermatology, ophthalmology, optometry, and OHS. As a major Hub serving the Leeward district, specialty and extended care may include, in its final organization: after-hours clinic, case management, behavioral health, and PT/OT. Ancillary services will include a laboratory, pharmacy and diagnostic imaging and optical sales.

Relationship to the Hawai'i Health Performance Plan (H2P2)

No change from the previous CON application. In the long-run, it will be more cost effective for Kaiser Permanente to purchase the land and build the proposed clinic.

Kaiser Permanente, a health care delivery system that is comprehensive, cost-effective, well coordinated, and responsive to community needs is proposing to relocate its current Punawai Clinic to a site approximately 5 miles away. This proposal will help to achieve the goals of increasing the span of healthy life for Hawai'i's residents, reduce health disparities among Hawai'i's residents, and achieve equitable and effective access at reasonable cost. This proposed project will also provide what the West Oahu Subarea Council values, which is "Providing a seamless continuum of comprehensive, community-focused care delivery" and being "Committed and responsive to the community, empowering individuals and families through flexible service provision with demonstrated competence and expertise."

Need and Accessibility

The proposed Waipio Clinic will be a key building block for the new Kaiser Permanente Hawaii Regional Facilities Master Plan strategy that proposes the adoption of a Medical Center/Hub Clinics/Satellite Clinic concept. The new strategy proposes a service delivery system that can flex to meet the needs of each community. The Waipio Clinic, as a HUB, will serve to support services that can be referred from Kaiser Permanente Medical Center. This HUB concept is important for the area population and Kaiser Permanente membership because it creates a critical mass for direct access and convenience within the community to services that cannot now practically be offered at the smaller satellite clinics (i.e., testing, screening, after hours care). With the Waipio Clinic, the need to visit the Medical Center will be reduced, therefore reducing members' frustrations with the associated parking and congestion problems on that campus.

The Medical Center/HUB Clinic/Satellite Clinic strategy is a critical component of Kaiser Permanente Hawaii's mission to successfully implement the Kaiser Permanente Promise, our National Strategy, of providing affordable, high quality health care services to our members and the communities we serve. The Kaiser Permanente Promise is a commitment to our members to provide healthcare "Quality you can Trust," and "Caring with a Personal Touch," while making it "Convenient and Easy" as well as "Affordable".

In order to meet the demand for services from the increasing number of Kaiser Permanente members residing in the Punawai service area as well as

members living in Central and Leeward Oahu, a new, larger clinic facility will need to be built. The proposed Waipio Clinic is anticipated to be approximately 86,500 square feet (including 6,600 square feet of shelled space for growth). In 2000, there were 26,000 members residing in the Punawai service area. The Punawai Clinic provided these health plan members with 75,500 physician and non-physician office visits. The clinic also provided 9,100 visits to non-plan members and mainland Kaiser members. In the year 2005, membership is estimated to increase to 32,480 members. Assuming that the proportion of members using the clinic and the utilization patterns for the clinic remain constant, total office visits for health plan members is projected to increase to 94,317 visits in 2005.

The new Waipio Clinic will be centrally located in the Waipio Gentry Business Park. Its location is off the main H1/H2 interchange on the major arterial, Ka Uka Boulevard. Ka Uka Boulevard is easily accessed from both directions on H2. The site is located within 5 to 15 minutes driving distance of the Punawai service area population. Kaiser Permanente has been working with the Department of Transportation to add the Clinic site to their public bus route.

As with all new Kaiser Permanente Clinics, the new Waipio Clinic will be constructed to ensure complete compliance with the Americans with Disabilities Act of 1990, thereby enhancing access for the disabled.

Quality of Service/Care

No change from previous CON application. Providing high quality, cost-effective health care is the guiding principle at Kaiser Permanente. Kaiser Permanente is proactive and diligent in the pursuit, maintenance, and improvement of quality of care and quality of service. Last year, Kaiser Permanente received continuing approval by the Joint Commission on the Accreditation of Healthcare Organizations (JCAHO). Kaiser Permanente was also awarded accreditation with excellence by the National Committee for Quality Assurance (NCQA).

Cost and Finances

A statement of revenues and expenses for the first, second and third year of operation is included as Exhibit D-1. As a comprehensive, prepaid group practice health maintenance organization, the operating revenues for the Program are derived primarily for Health Plan dues, which are not capitated, by medical service or operating facility. Project expenses are direct costs associated with the proposed clinic.

Kaiser Permanente will continue to provide a long term presence in the Leeward Area and therefore, it is more cost effective to purchase the land and

build the proposed clinic than to lease the building from a developer. It is also more cost effective for Kaiser Permanente to build a larger clinic now to accommodate the increase in service demand than to have to build another clinic in the near future.

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Relationship to the Existing Health Care System

The new Waipio Clinic will allow Kaiser Permanente members to receive the same high quality and affordable services to which they are accustomed. There is no reason to believe that the presence of the new Waipio Clinic will adversely impact the other health care services in the community.

Availability of Resources

Kaiser Permanente will transfer physician, ancillary, and support staff from the current Punawai Clinic to the new clinic building once it becomes operational. Additional staff of 1 physician, 1 RN, 1 MA, and 1 receptionist, will be hired to meet the increase in membership and patient care delivery standards. Staff will be hired locally when possible or nationally. Kaiser Permanente does not anticipate any problems in recruiting.

The proposed project will require a capital investment of \$23.7 million or an increase of \$5.7 million from the previous CON application. As stated in the previous CON application, Kaiser Permanente funds its capital requirements through a capital generation program supported by operating revenues, and through long-term debt of the nationwide Program. No new debt will be required for the proposed project. Operating funds for the proposed project will be available through cash reserves for start-up activities and through normal operations after opening.