



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

STANDARD APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 02-08

Applicant: The Queen's Medical Center

Project Title: Reconfiguration of Beds to create a 40-bed Medical/Surgical
Cardiac Unit

Project Address: 1301 Punchbowl Street, Honolulu HI

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

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

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2. PROJECT LOCATION INFORMATION

A. Project will be located in:

- State Senate District Number: 13
- State House District Number: 25
- County Council District Number: 6
- Neighborhood Board District Number (O`ahu only): 13

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

- Statewide: _____
- O`ahu-wide: X
- 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)
Attached as Exhibit 1-A
- 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.) **Attached as Exhibit 1-B**
- C. Your governing body: list by names, titles and address/phone numbers
Attached as Exhibit 1-C
- D. If you have filed a Certification of Need Application this current calendar year, you may skip the four items listed below. All others, please provide the following:
 - Articles of Incorporation **(On File with SHPDA)**
 - By-Laws
 - 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 Service	Change in Beds
Inpatient Facility			X		
Outpatient Facility					
Private Practice					

5. **TOTAL CAPITAL COST:** \$13,201,700

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.

Not Applicable

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

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.

The Queen Emma Tower 6th Floor is currently an unimproved storage space. The proposed project will create a 40-bed medical/surgical nursing unit. The project will not change the number or type of licensed beds at the Medical Center. Instead, it will replace beds in older areas that need renovations to meet life safety code standards or that will be taken out of service. The 6th Floor nursing unit will consolidate cardiac patients in one nursing unit.

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

A. List All Project Costs:

AMOUNT:

1. Land Acquisition	<u>-0-</u>
2. Construction Contract	<u>\$ 8,120,200</u>
3. Fixed Equipment	<u>\$ 1,365,700</u>
4. Movable Equipment	<u>\$ 3,715,800</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: \$13,201,700

B. Source and Method of Estimation

Describe how the cost estimates in Item "A" were made, including information and methods used:

Construction costs were estimated by architects and preliminary contractor bids.
Equipment costs were estimated from vendor price lists and quotes.

C. Source of Funds

AMOUNT:

1. Cash	<u>\$13,201,700</u>
2. State Appropriations	<u>-0-</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: \$13,201,700

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:

(See page 6)

- 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, and
- 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.

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

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9 IMPLEMENTATION SCHEDULE

A. Date of site control for the proposed project

Not applicable – The Queen’s Medical Center is the fee owner of the parcel at 1301 Punchbowl Street, Honolulu, HI.

B. Dates by which other government approvals/permits will be applied for and received

Certificate of Need (SHPDA)

Apply for: May 2002

Receive: July 2002

Building permits (C&C of Honolulu)

Apply for: July 2002

Receive: September 2002

C. Dates by which financing is assured for the project

Not applicable – The Queen’s Medical Center will fund the proposed project with available cash balance.

D. Date construction will commence September 2002

E. Length of construction period Ten months

F. Date of completion of the project July 2003

G. Date of commencement of operation September 2003

10. EXECUTIVE SUMMARY

Present a brief summary of the proposal. 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 show your project site.

The Queen’s Medical Center is requesting approval to renovate the currently unimproved space on the 6th floor of the Queen Emma Tower at 1301 Punchbowl Street to create a 40-bed medical/surgical cardiac unit. The number and type of licensed beds at the Medical Center will not change, as an equal number of beds will be closed in older sections of the facility. Older sections of the Medical Center’s facilities require significant renovations to meet current building codes and Joint Commission on Accreditation of Healthcare Organizations (JCAHO) standards. This new nursing unit will provide the swing space to enable the Medical Center to proceed with upgrading those older areas and still maintain its current acute care bed capacity.

The proposed project will consolidate cardiac patients into a single nursing unit. This will improve the quality of care by concentrating specialized practitioners in one location, increasing the opportunity to use best practices, and focusing on improving patient outcomes.

The new unit is being designed to provide care that is patient- and family- centered. To encourage and support family involvement, patient rooms will be large enough to accommodate the presence of a family member at all times. The unit will also have the flexibility to meet the needs of the patient throughout his/her hospitalization. The design will also provide the flexibility to meet future needs as patients become older, sicker and require more complex treatment.

Relation to the State Plan (H2P2)

H2P2's goal to "achieve equitable and effective access at reasonable cost for all Hawaii's residents ..." and its objective of "reducing morbidity and pain through timely and appropriate treatment" will be supported by the proposed project by enabling The Queen's Medical Center to maintain its current acute care bed capacity when older sections of the facility are taken out of service or renovated to meet new building codes and JCAHO accreditation standards.

In Chapter III of the H2P2, regional priorities include: a) for Honolulu Subarea – "increased geriatric care services for the growing elderly population", b) for West Oahu – "heart disease and stroke", and c) for Windward Oahu – "heart and hypertension conditions". The proposed project supports these priorities by creating a nursing unit specializing in cardiac care.

Chapter VII: Heart Disease and Stroke states "It is believed that the occurrence of heart disease and stroke will continue at or above the present level. Therefore, cardiovascular admissions, procedures and health care expenditures will increase ...". This proposed project would enable The Queen's Medical Center to continue to meet this current and future community need.

Need and Accessibility

In the SHPDA 2000 Utilization Report, hospitals on Oahu reported 50,782 admissions with 359,854 inpatient days for medical/surgical beds. The occupancy rate on Oahu was 69.1% for medical/surgical beds. The Queen's Medical Center provided the services to meet a significant portion of that need with an occupancy rate of 71.91% for medical/surgical beds.

The need for this proposed project is due to the aging facilities at The Queen's Medical Center. Older sections of the facility require significant renovations to meet current building codes and Joint Commission on Accreditation of Healthcare Organizations (JCAHO) standards. This new nursing unit will provide the swing space to enable the Medical Center to proceed with upgrading those older areas and still maintain its current acute care bed capacity.

By maintaining its current acute care bed capacity, the Medical Center will continue to support the community's current level of access to acute care services. Services are accessible to all residents and visitors to Oahu, including the elderly, low-income persons, racial and ethnic minorities, women, persons with disabilities, and other underserved groups. It is estimated that this project will provide over \$1 million of services annually as charitable care.

Quality of Service/Care

The Queen's Medical Center is licensed by the Hawaii State Department of Health, accredited by the Joint Commission on Accreditation of Healthcare Organizations (JCAHO) and certified by Medicare. The Medical Center is certified as a Level II Trauma Center by the American College of Surgeons and approved to provide residency training by the Accreditation Council of Graduate Medical Education. Other affiliations include: Voluntary Hospitals of America, American Hospital Association, Healthcare Association of Hawaii, Hawaii Health Information Corporation, University of Hawaii John A. Burns School of Medicine, University of Hawaii School of Nursing, various University of Hawaii Allied Health programs, and Hawaii Pacific University Nursing program.

Utilizing the performance improvement process, The Queen's Medical Center continually seeks to improve the quality of patient care. Initiatives are identified both at the organizational and unit level. These initiatives are implemented and reported to both leadership and staff. Quality indicators are tracked throughout the organization and include infection rate, restraint use, falls and medication errors.

The proposed project will improve quality by providing a safe environment that is compliant with the latest life safety code standards. By specializing in cardiac care, quality of care will be improved by concentrating specialized practitioners in a single area, increasing the opportunity to use best practices, and focusing on improving patient outcomes. Reducing the number of transfers and creating a seamless continuum of care will result in a lower number of medication errors, falls and infection rates.

Cost and Finances

The total capital cost of the project is estimated at \$13,201,700. It will be financed by available cash balance.

On a cash flow basis, the nursing unit is expected to operate at close to break-even. For Year-1 of operations with gross revenues of \$23.2 million, funds from operations is projected at a deficit of \$109,044. For Year-3 with gross revenues of \$24.9 million, funds from operations is projected at a deficit of \$68,821. Deductions from revenue include projected write-offs for charitable care of \$1.2 million in Year-1 and \$1.3 million in Year-3. The Statement of Revenues and Expenses is attached as Exhibit D-2.

Relationship to Existing Health Care System

This proposed project will improve the quality of care provided at The Queen's Medical Center by providing a safe environment, by supporting greater family involvement, by consolidating cardiac patients in a single location, and by reducing errors associated with transfers.

The project seeks to maintain the current level of accessibility to tertiary acute care services available to the community. It will not change the acute care bed capacity or the services currently provided by the Medical Center. It will not affect other health care providers.

Availability of Resources

The proposed project will be funded by available cash balance. Audited financial statements are attached in Exhibit D-1.

The proposed project will not change the acute care bed capacity or services currently provided by The Queen's Medical Center. Existing personnel are available to staff the nursing unit.