



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 02-10A

Applicant: Kahuku Hospital

Project Title: Change of 4 Medical/Surgical and 2 SNF beds to 6
Acute/long term swing beds

Project Address: 56-117 Pualalea Street
Kahuku, Hawaii

1. TYPE OF 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: 23
- State House District Number: 45
- County Council District Number: 2
- Neighborhood Board District Number (O`ahu only): 28

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

- Statewide: _____
- O`ahu-wide: _____
- Honolulu: _____
- Windward O`ahu: X
- 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)----not applicable (N/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.)----N/A
- C. Your governing body: list by names, titles and address/phone numbers **(attached)**
- 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 **(attached)**
 - By-Laws **(attached)**
 - Partnership Agreements----N/A

- Tax Key Number (project's location) Kahuku Hospital: Kahuku Hospital: 01-05-06-0006-0013-0000.

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					

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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	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
Medical Surgical	7	-4	3
Critical Care	2		2
Obstetrics	2		2
Skilled Nursing	14	-2	12
Acute/long-term swing		+6	6
TOTAL	25	0	25

6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All Project Costs:-----**(NO PROJECT COSTS)**
AMOUNT:

- 1. Land Acquisition _____
- 2. Construction Contract _____
- 3. Fixed Equipment _____
- 4. Movable Equipment _____
- 5. Financing Costs _____
- 6. Fair Market Value of assets acquired by
lease, rent, donation, etc. _____
- 7. Other: _____

TOTAL PROJECT COST: 0

B. Source of Funds-----**(N/A)**

- 1. Cash _____
- 2. State Appropriations _____
- 3. Other Grants _____
- 4. Fund Drive _____
- 5. Debt _____
- 6. Other: _____

TOTAL SOURCE OF FUNDS: 0

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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.

Response: Change of service will involve converting two (2) SNF beds and four (4) Med/surg beds to six (6) Acute/long-term swing beds. The SNF beds being converted are identical in configuration to the acute care beds being converted to Acute/long-term swing beds and the respective rooms are contiguous.

(Certificate of Need Rules Section 11-186-5)

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)
- b) Dates by which other government approvals/permits will be applied for and received.

Application for appropriate Acute/long term swing bed license change through Hawaii State Department of Health: Within 15 days after approval from SHPDA

Other applications and related documentation:

May 3, 2001: Hospital applied for Critical Access Hospital designation, (copy attached) and the Hawaii Department of Health Survey was conducted in November 2001. Key dates are as follows:

November 6-8, 2001: Hawaii Department of Health CAH survey

November 20, 2001: Dept. of HHS Centers for Medicare and Medicaid Services; CAH program participation approval (attached)

December 21, 2001: CMS approval of Interim Reimbursement Rates; effective date of assigned provider numbers November 20, 2001. (attached)

- c) Dates by which financing is assured for the project, (N/A)
- 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 (Upon approval)

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 Hawaii Health Performance Plan (H2P2), also known as the State of Hawai'i Health Services and Facilities Plan.

This Administrative Certificate of Need Application for converting four Medical/surgical beds and two skilled nursing beds to six acute/long term swing beds is in alignment with the Hawaii Health Performance Plan (H2P2). Key Hawaii State goals and objectives for realizing its vision are consistent with the Kahuku Hospital Administrative Certificate of Need application:

- Achieve equitable and effective access at reasonable cost for all Hawaii's residents to health services that are responsive to the holistic need of community's members
- Reducing the effects of chronic disease and prolonging health related quality life.
- Reducing morbidity and pain through timely and appropriate treatment.

b) Need And Accessibility

Description of the Service Area

Kahuku Hospital is in the Windward O'ahu Sub Area Health Planning Region for the State of Hawaii. The hospital is the only primary service provider in the broad rural area of north Oahu known as Ko'olauloa. The hospital also services residents living as far away as Waialua and Kaaawa. Situated in the town of Kahuku, the center of the Ko'olauloa service area, Kahuku Hospital serves as north Oahu's safety net; the next nearest hospital is located approximately 50 minutes away. The Ko'olauloa and Waialua communities span the coastline between Waialua and Kaaawa and are linked together by Kamehameha Highway.

The Ko'olauloa service area (Census Tracts 101-102) of Oahu is home to over 19,000 residents and the Windward O'ahu Sub Area Health Planning Region has a population of over 131,944. Population estimates compiled by the Hawaii Department of Health indicate a population increase of 5.1% in the Ko'olauloa area between 1990 and 1996. The population is comprised of a diverse cultural blend of native Hawaiians, Polynesians, Caucasians, Asians,

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and Filipinos. Native Hawaiians account for 25.4% of the population in the Ko'olauloa area, double the state average.

The Service population is at increased socio-economic risk compared to the state as a whole. Examples include, 31.5% of the population is below 200% of the federal poverty (22% is the state average), unemployment rate is 7.2% (6.2% is the state average), 9.4% of the households receive financial aid (5.9% is the state average) and 20% of households receive food stamps (the state average is 14.2%). (Source: "State of Hawaii, Primary Care Needs Assessment Databook", December 1999, published by the Hawaii Department of Health.)

Within Kahuku town itself is the Kahuku Elderly Homes Project that houses the elderly and the disabled in single unit dwellings. Currently there are 73 residents many with medical problems who often require emergency treatment and in-patient services. "The Ponds", in Punalu'u, an assisted living facility, houses 70 elderly residents—Kahuku Hospital often provides emergency service to these patients and some require IP hospitalization before discharge.

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Medicare Swing Bed utilization at a SNF level of care is a key factor in determining the number of swing beds needed by Kahuku as a Critical Access Hospital. In calendar year 2001, Kahuku Hospital had 753 Medicare SNF days that were eligible for treatment in Swing Beds. Due to the peaks in utilization, obtaining six swing beds is necessary to optimizing the economic and clinical benefits of being a Critical Access Hospital. Approval of this application would allow the residents of the Ko'olauloa area of Oahu more accessibility for long-term skilled nursing care within the community. Overall the number of skilled nursing services available will increase from 14 beds to 18 beds. (i.e.—12 available in the separate licensed SNF unit plus 6 Acute/long-term swing beds).

Kahuku Hospital is a 501(c)3 tax exempt general acute care hospital and has a policy of being accessible to all residents of the area without regard to ability to pay, including low income persons, racial and ethnic minorities, women, handicapped persons, elderly, and other underserved groups. (See Article III in the Articles of Incorporation, included in this application.) As an example: the hospital provided \$807,000 in uncompensated care related to charity care and bad debt in Fiscal Year 2002 or 8.6% of its gross revenues. In addition, in fiscal year 2002, 22.5% of its gross revenues were comprised of Medicaid and Quest program participants and 10.0% from patients with no insurance.

c) Quality Of Service/Care

Kahuku Hospital is licensed by the State of Hawaii and certified for the Medicare/Medicaid programs as surveyed by the State Department of Health. **(copies of acute and SNF licenses are attached)**

Swing beds will allow Kahuku Hospital greater flexibility in utilizing its resources and will be especially helpful for meeting the needs of the acute Medicare patient who needs short term SNF before discharge home. By allowing in place care without transfer, unnecessary duplication of paper work and services can maximize efficiency and minimize cost. Transfers to Honolulu by AMR ambulance costs approximately \$1,000.00. Plus, the swing beds are a critical component of the Critical Access Hospital program previously developed at the federal level for rural hospitals and subsequently implemented in the State of Hawaii.

Patients remain more accessible to their family and friends as well as personal care physician when remaining in their own community. This helps in the patients healing process as well as provides time for the staff to interact with the families and encourage their participation as indicated.

By having swing beds, Kahuku Hospital will also be able to provide care to patients who are in other acute facilities awaiting SNF placement. Kahuku Hospital is able to care for clinically complex SNF patients who are often unable to be placed in other facilities. Care for such patients is facilitated by having onsite laboratory, radiology, emergency services and registered nursing on duty 24 hours a day.

b) Cost and Finances--revenue/cost projections for the first and third year of operation (attached)

Obtaining the CAH designation improved Kahuku Hospital's financial strength. For many years Kahuku has struggled financially and has relied upon grants and subsidies to remain open and serve the community. As a result of the CAH designation, increased cost based reimbursement from providing acute and SNF levels of care, primarily to the Medicare population, is a substantial benefit to the hospital. Based on the utilization of Medicare patients in calendar year 2001, the estimated benefit is in the range of \$600,000 per fiscal year. Initial estimates from Medicare and outside consultants indicate that the per-diem reimbursement from Medicare will increase from approximately \$200 per patient day for SNF patients to \$1,400—and from approximately \$1,200 to \$1,790 for acute care patients. However, even with the increase, charitable funding and subsidies will continue to be needed and such programs are currently active at the hospital. Obtaining timely and appropriate approval of the Swing Bed concept is critical to achieving the economic benefits from the CAH program as can be seen from the attached forecast. Acute care related incremental benefits are minimal and incremental benefits from the SNF levels of care in Swing Beds is estimated to be approximately \$600,000 per annum, subject to cost report settlements. It should be noted that the Medicaid program will help due to increased cost based reimbursement from acute care services but the overall impact is minimal

due to low patient utilization from the standard Medicaid program. There is no financial benefit from treating Medicaid SNF patients in a Swing Bed.

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c) Relationship to the existing health care system

Availability and accessibility to skilled nursing levels of care will be improved and more patients will be able to be appropriately cared for within the Kahuku area. Because Kahuku Hospital is the only SNF within the Koolauloa community, any impact on other providers in the health planning area is minimal.

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d) Availability of Resources

This bed designation will utilize existing hospital staff. Staffing needs will be assessed on a continuous basis and additional staff will be recruited if needed. As indicated in section 6-A, no capital resources will be needed for the proposal.