



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 03-09A

Applicant: Integrated Health Resources, LLC
45-181 Waikalua Road
Kaneohe, HI
Phone: 808-247-0003

Project Title: Change of Ownership of Leeward Integrated Health
Services

Project Address: 84-390 Jade Street
Waianae, HI

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

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

RECEIVED
 '03 APR 29 AM 1:03
 ST. HLTH. PLNG & DEV. AGENCY

2. PROJECT LOCATION INFORMATION

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

- Statewide: _____
- O`ahu-wide:
 - 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)
- 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.)
- 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
 - 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					

Note: Richard Kishaba, owner of Integrated Health Resources, LLC, the current manager of LIHS will manage and operate the facility by lease.

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
SNF/ICF	93	93	93
TOTAL	93	93	93

There will be no bed change at the facility, but the existing beds will be operated by a different provider.

6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All Project Costs:

RECEIVED

AMOUNT:

- | | | | |
|----|---|----------------------------------|----------------------|
| 1. | Land Acquisition | 03 APR 29 AM 03 | |
| 2. | Construction Contract | | |
| 3. | Fixed Equipment | ST. HLTH. PLNG.
& DEV. AGENCY | |
| 4. | Movable Equipment | | |
| 5. | Financing Costs | | |
| 6. | Fair Market Value of assets acquired by lease, rent, donation, etc. | | <u>\$4,650,000**</u> |
| 7. | Other: _____ | | |

TOTAL PROJECT COST: \$4,650,000

B. Source of Funds

- | | | |
|----|-----------------------------------|---------------------|
| 1. | Cash | |
| 2. | State Appropriations | |
| 3. | Other Grants | |
| 4. | Fund Drive | |
| 5. | Debt | |
| 6. | Other: <u>Facility Operations</u> | <u>\$876,088/yr</u> |

TOTAL SOURCE OF FUNDS: \$876,088/yr

** Although this is the Fair Market Value of the facility, the actual outlay of payment will be in lease rent of \$786,088 per year, plus interest on the Note Payable (\$600,000) for \$90,000 per year.

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.

Integrated Health Services, LLC, which is not now providing services,

will provide the services now provided by LIHS, Inc..

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,
- 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.

*** Integrated Health Resources, LLC will assume control of operations 30 days after the approval 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.

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.

 X The applicant believes it will not have a significant impact on the health care system.

ST. JOHN'S
& DEVA. AGENCY

03 APR 29 AM 11 4

RECEIVED

EXECUTIVE SUMMARY

Summary Description of the Project

Leeward Integrated Health Services (LIHS) is a 93 bed private, free standing, licensed skilled nursing and intermediate care facility that has been in operation since 1979 (43 beds were added in 1990). LIHS is owned by Mrs. Kiyoko Akase. The purpose of this application is to change ownership from Mrs. Akase to Integrated Health Resources (IHR) through means of a lease.

The proposed lease of Leeward Integrated Health Services is structured such that Integrated Health Resources (IHR) will pay a monthly lease rent to Mrs. Akase for the use of the buildings, land, and equipment located at 84-390 Jade Street, Waianae, HI 96792. IHR will continue to operate LIHS as a Nursing Facility without change in name. In addition, IHR will purchase the tangible and intangible assets of the business from Mrs. Akase to include the inventory, Net Working Capital, and name. Mrs. Akase will retain ownership of the Plant, Property, and Equipment (PPE). At the expiration of the lease, Mrs. Akase will have the ability to purchase back the inventory, Net Working Capital and name.

Integrated Health Resources (IHR) is owned and operated by Mr. Richard S. Kishaba. Integrated Health Resources is an LLC.

The accompanying narratives of the application and supporting documentation in the exhibits and attachments describe in detail how the project meets the Certificate of Need criteria.

- *Relationship to the Hawaii Health Performance Plan-*
Hawaii Health Performance Plan's (H2P2) goals include the goal of increasing the span of healthy life for Hawaii residents. We believe that the continuation of Leeward Integrated Health Services will help achieve this goal because of the high quality of care we provide.

In addition, H2P2 identifies the critical elements of a health care delivery system including the elements of access, quality management, cost-effectiveness, continuity of care, and constituent participation. Our proposal addresses all of these critical elements for those in need of long term care.

- *Need and Accessibility Criteria-*
The change in ownership of LIHS would maintain beds already in existence. LIHS' occupancy has exceeded 90% in the past with an occupancy rate of 96.96% in 2001 and 97.51% in 2002, which demonstrates LIHS' contribution in the long-term care community on Oahu.
- *Quality of Service/Care-*
Leeward Integrated Health Services is Medicare/Medicaid certified. In addition, LIHS is committed to providing high quality of care. LIHS needs adequate staffing ratios to provide high quality of care. Through change in ownership, IHR will maintain the current staffing ratios of LIHS.

- *Cost and Financial Criteria-*
Total yearly cost associated with this project will be \$371,416 per year for lease rent and \$90,000 per year for interest on promissory note. Both expenses will be funded by the operations. See Exhibit 1 for the projected revenue and expenses of LIHS for the next three years.
- *Relationship to the existing health care system-*
The effect of the proposed lease on other health care providers is minimal. Since LIHS has been providing care in this community for over 20 years, its effects on the industry already have had their impact.
- *Availability of Resources Criterion-*
The resources required for the project are available. See Exhibit 1 for the projected revenue and expenses of LIHS for the next three years.