



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 03-12A

Applicant: Honolulu Neighborhood Housing Services, Inc.
810 N. Vineyard Blvd.
Honolulu, HI
Phone: 808-842-3094

Project Title: Establishment of a 33-bed SNF/ICF facility

Project Address: Waikiki, HI

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. Project will be located in:

State Senate District Number:	<u> 10 </u>
State House District Number:	<u> 21 </u>
County Council District Number:	<u> 4 </u>
Neighbor Borard District Number	<u>Waikiki</u>

B. 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 see the corresponding tabs):

- A. Site Control
 - Deed
- B. Permitting Schedule
- C. Governing Body
- D. Articles of Incorporation
 - By Laws
- E. Project Location
 - Tax Key Number (project's location)
 - TMK 2-6-011:004, 24 portion 116,395 s.f.
 - TMK 2-6-011:001, 2 13,786

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. 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	0	33	33
TOTAL	0	33	33

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

A. List All Project Costs:

	REPLACEMENT PAGE RECEIVED '03 MAY -9 4 9 53 ST. HILDA PUNCE & DEV. AGENCY	AMOUNT:
1. Land Acquisition		<u>\$ 351,000</u>
2. Construction Contract		<u>\$2,688,154</u>
3. Fixed Equipment		<u>included in 2 above</u>
4. Movable Equipment		<u>\$ 185,000</u>
5. Financing Costs		<u>\$ 373,680</u>
6. Fair Market Value of assets acquired by lease, rent, donation, etc.		<u>\$0</u>
7. Other: <u>A&E, consultants, property costs, insurance, professional & other services, marketing, interest, management, contingency & reserves</u>		<u>\$ 835,782</u>
TOTAL PROJECT COST:		
8. Total Application of Funds		<u>\$4,433,616</u>

B. Source of Funds

	AMOUNT:
1. Cash (entry fees)	<u>\$1,748,844</u>
2. State Appropriations	<u>\$ 0</u>
3. Other Grants	<u>\$ 0</u>
4. Fund Drive (start up equity)	<u>\$ 34,722</u>
5. Debt <u>-State of Hawaii Special Purpose Revenue Bonds</u> <u>-Credit Enhanced</u>	<u>\$2,160,000</u>
6. Other: <u>Pre-construction Loan</u>	<u>\$ 490,050</u>
TOTAL SOURCE OF FUNDS:	
	<u>\$4,433,616</u>

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

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.
-
-
-

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, January 2003.
- b) Dates by which other government approvals/permits will be applied for and received, as work progresses in 2003.
- c) Dates by which financing is assured for the project, second half of 2003.
- d) Date construction will commence, first quarter of 2004.
- e) Length of construction period, 18-20 months.
- f) Date of completion of the project, mid year 2005.
- g) Date of commencement of operation, mid year 2005.

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

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 an additional location of an existing service or facility.

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

9. EXECUTIVE SUMMARY:

PROJECT DESCRIPTION

Kapiolani Akahi is a non-profit continuing Care Retirement Community (CCRC), offering independent living apartments on an entry fee basis, assisted living apartments, a secure unit specializing in Alzheimer care, and a SNF/ICF unit. The project will be a 27-story tower including three floors of health services located on a three-acre site on Ala Wai Blvd. between Kalakaua Avenue and Ala Moana Blvd.

The Project is owned and sponsored by Honolulu Neighborhood Housing Services, Inc. (HNHS), a local 501-c-3 corporation incorporated in 1986.

HNHS has entered into an Operating Agreement with Regency Pacific, Inc. of Issaquah, WA to operate the assisted living, Alzheimer, and nursing services, as well as the food service. Regency Pacific owns and operates nursing care facilities in Oregon and Washington, as well as in Kailua-Kona and on Kauai.

The Medicare provider of service will be HNHS. Certificate of Need #99-16A for 33-beds was approved for HNHS on August 19, 1999. The project did not proceed during the one-year period from the date of issuance and the certification lapsed. This, then, is an application for the renewal of the previously approved 33 beds.

A. RELATIONSHIP TO THE HAWAII HEALTH PERFORMANCE PLAN (H2P2)

Among the goals of the Hawaii Health Performance Plan are 1) to increase the span of healthy life for Hawaii's residents and 2) to maintain good health and independent personal functioning for older adults.

Throughout the continuum of services in a CCRC such as Kapiolani Akahi, the goal is to maximize the residents' ability to lead healthy, active, independent lives. When independence is no longer possible, the goal of the health services then shifts to maintaining health, active functioning and dignity.

B. NEED AND ACCESSIBILITY

By 2020, one in every four Hawaii residents will be 60 years and older. Hawaii's 85+ group is estimated to increase by 395% according to the State's projection. The most rapid increase is expected between the years 2010-2030 when the baby boom generation reaches age 65. (*Hawaii State Executive Office on Aging*)

An increase in the 65+ population portends an increase in the need for long term care beds. Looking back, the following key long term care indicators emerge from SHPDA's 2001 *Inpatient Facilities Utilization Report*:

- An upward trend in LTC facility admissions (Oahu):

1990: 2040 admissions 2001: 4273 admissions
These numbers represent an increase of 203% over the 11 year period.

- The long term care bed capacity has not kept up with this increase in need (Oahu):

1990 capacity: 2305 beds 2001 capacity: 3056 beds

These numbers represent only a 68.3% increase in bed capacity.

To be sure, occupancy rates fell during the period (92.9% to 90.2%) because the average length of stay fell from 383 days to 203 days. Nevertheless, the numbers indicate a large and growing unfilled need for long term care beds in our community.

The primary purpose of the 33 SNF/ICF beds is to provide nursing care for the approximately 215 seniors (about 60% couples) residing in the 122 independent living apartments and 14 assisted living apartments of Kapiolani Akahi. By terms of the Entrance Agreement, residents must be provided priority access to the health care facilities and some beds must be reserved for them.

However, in the early years not many beds will be needed for Kapiolani Akahi residents. During these years the unreserved beds will be available to patients from the larger community.

HNHS believes that there is a need for the 33 beds previously approved under Certificate of Need #99-16A and that these beds will make a valuable contribution to the State's health care system. These beds will enhance the availability of high quality nursing care in the community and reduce the burden on the present health care system by providing care for the residents of Kapiolani Akahi as well as by making these beds available to the community.

C. QUALITY OF SERVICE/CARE

HNHS has entered into an Operating Agreement with Regency Pacific, Inc., of Issaquah, Washington. Regency Pacific is a highly regarded nursing care facility owner, operator, and manager, with about 35 years of long term and nursing care experience, including over 2,000 health care beds, most of which are skilled nursing beds, located in Washington, Oregon and Hawaii.

Regency Pacific fully complies with all government regulations, permits and approvals, and will seek the following:

- DOH review and approval of facility plans, policies and procedures
- All County Department of Public Works and Building Department approvals

- DOH approval for separate licensing of the SNF/ICF, Arch Level II expanded care for Alzheimer, and Assisted Living Units
- DOH certification for Hawaii Medicaid payment for approved clients
- Centers for Medicaid and Medicare Services (CMS) approval for Medicare payments and federal matching funds for Hawaii Medicaid payment

Regency Pacific will provide:

- A licensed Nursing Home Administrator and a Registered Nurse Director who will maintain a complete, on-going profile of each resident.
- A written Policy and Procedures manual, governing the operation of the Health Care Center.
- A comprehensive assessment of each resident admitted to the Health Care Center
- A Plan of Care for each admission to the Health Care Center
- An inter-disciplinary team, consisting of the resident, the resident's primary physician, a Registered Nurse, the Activity and Social Services Director and any others requested by the resident. This team will meet no less than quarterly to review the resident's Plan of Care and make revisions as necessary.
- A Continuous Quality Improvement Plan to ensure that the staff is involved in a continuous effort to evaluate and improve the quality of care, of life and of the environment at Kapiolani Akahi and to insure that all standards are met with appropriate corrective action. The goal is always improved outcomes and improved services.
- An effort to achieve recognition for excellence from the Joint Accreditation of Hospitals.
- An excellent safety record, with on-going educational programs and close monitoring by management.
- A quality dietary service, including all therapeutic diets.
- A quality rehabilitative service, such as physical therapy, occupational therapy, etc.

D. COST AND FINANCES

The SNF/ICF operating budget projections are enclosed under Tab F. The summaries, revised for the current design are as follows:

	<u>Year 2005</u>	<u>Year 2007</u>
Income from SNF/ICF	\$2,487,350	\$2,638,829
Less related Operational Expenses	(<u>2,009,268</u>)	(<u>2,131,630</u>)
Net operating income from SNF/ICF	<u>\$478,084</u>	<u>\$507,199</u>

The financing is allocated as part of the overall CCRC project

E. RELATIONSHIP TO THE EXISTING HEALTH CARE SYSTEM:

The Kapiolani Akahi CCRC will provide a full range of services designed to promote active, independent living and, when independence is no longer possible, to maximize health, optimal functioning, and dignity. By offering these services to residents at a discounted cost, financed by interest income from the reserve fund, Kapiolani Akahi contributes to the good health and quality of life of its residents while reducing their need to access more expensive nursing and hospitalization services in the community.

Because the nursing, Alzheimer care, and assisted living services will also be available to the community, Kapiolani Akahi will contribute to the larger health care system by increasing the availability of these needed services to our seniors.

F. AVAILABILITY OF RESOURCES

Financial

The proposed SNF/ICF unit is part of the total CCRC project and capital funds are available as discussed below.

The total project budget is approximately \$100 million and will be 100% debt financed through tax-exempt bonds in addition to a short term pre-construction loan. The bonds will have a final maturity of 30 years, with a scheduled principal amortization. An \$80 million Special Purpose Revenue Bond Issue has been approved by the Hawaii legislature.

The variable rate debt will be retired with resident entry fees and from debt service amortization requirements. The assumed interest rate on the long term tax-exempt debt is 5.5%, including letter of credit fees. The bond underwriter is to be selected.

Personnel

The personnel necessary to staff the SNF/ICF unit is to be provided by Regency Pacific, Inc. under the terms of the Operating Agreement. Regency Pacific has experience in staffing nursing facilities in Hawaii and intends to recruit administrative, nursing and CNA staff locally, to the

extent possible. Positions like Administrator, Director of Nursing, and Patient Care Coordinator may need to be brought from Regency's other facilities on the mainland, if they cannot be recruited locally.

Regency Pacific at Kapiolani Akahi intends to offer competitive salaries and benefits, as well as a teaching and training environment in a new and up-to-date facility. The goal will be to enhance the staff's skill and knowledge base to provide a high level of service to all our patients.

Key personnel will be hired approximately six months before opening the facility.