



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 03-14A

Applicant: Kaiser Foundation Hospital, Inc.
3288 Moanalua Road
Honolulu, HI
Phone: 808-432-5955

Project Title: Conversion of 4 Critical Care beds to Medical/Surgical beds

Project Address: 3288 Moanalua Road
Honolulu, HI

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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STATE OF HAWAII
DEPARTMENT OF LAND AND NATURAL RESOURCES

2. PROJECT LOCATION INFORMATION

A. Project will be located in:

State Senate District Number: 15

State House District Number: 31

County Council District Number: 7

Neighborhood Board District Number (O`ahu only): 18

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) **NA**
- 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)

* On File with SHPDA

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. **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
Critical Care	28	-4	24
Med/Surg	163	+4	167
TOTAL			

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6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All 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: _____

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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.

Conversion of 4 Critical Care Beds to Medical/Surgical Beds

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.

See Attached

- 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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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.

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8. IMPLEMENTATION SCHEDULE:

- a) Date of site control for the proposed project: **May 1, 2003**
- b) Dates by which other government approvals/permits will be applied for and received: **May 1, 2003 (Certificate of Need)**
- c) Dates by which financing is assured for the project: **May 1, 2003**
- d) Date construction will commence: **N/A**
- e) Length of construction period: **N/A**
- f) Date of completion of the project: **July 1, 2003**
- g) Date of commencement of operation: **July 1, 2003**

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9. EXECUTIVE SUMMARY:

The Kaiser Permanente Medical Care Program requests approval from the State Health Planning and Development Agency (SHPDA) to convert 4 Critical Care beds to Medical/Surgical beds at the Kaiser Permanente Moanalua Medical Center in order to better meet the needs of their patients.

BED TYPE	CURRENT	PROPOSED	TOTAL
Critical Care	28	-4	24
Medical/Surgical	163	+4	167

The four critical care beds were used for the increasing number of neurosurgery patients the Medical Center had been experiencing since the addition of a third neurosurgeon. However, the number has since lowered and it will be more efficient and less expensive to provide care for these patients in integrated adult ICU.

The conversion of these four critical care beds to medical/surgical beds will help accommodate the continuing increases in hospitalization in this area. This conversion will have no change in the clinical care or service provided to patients or their families.

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

Kaiser Permanente, a health care delivery system that is comprehensive, cost-effective, well coordinated, and responsive to community needs is proposing to convert 4 Critical Care beds to Medical/Surgical beds at the Moanalua Medical Center. 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.

Chapter II. Vision and Guiding Principles

G. What are the capacity thresholds to guide the developing of new, modified, or expanded health care facilities, services, and technology?

- 12. For a new or additional medical/surgical bed, all existing medical/surgical beds in the service area average an annual occupancy rate of 80 percent or higher based on number of licensed beds rather than on staffed beds. The optimal occupancy rate for medical/surgical beds is 90%.

The occupancy rate in 2000 for Kaiser Medical Center's 148 licensed medical/surgical beds was 75.71% (As stated in 2000 Data, Hawaii State Health Planning and Development Agency Inpatient Facilities and Home Health Services Utilization Report).

The occupancy rate in 2001 for the 163 licensed medical/surgical beds was 71.32% (as reported in the 2001 Data, Hawaii SHPDA Inpatient Facilities Utilization Report). These 2000 and 2001 rates are understated since they do not include observation bed days. At this time, Kaiser's Medical Center does not have a dedicated Short Stay Unit. This is the community standard, as no health care system in the community have a dedicated Short Stay Unit. Observation patients are instead cared for in an acute care bed. These observation patients occupy the much needed medical/surgical beds, so observation days should be included to show the true rate. The occupancy rate in 2001 for the 163 licensed medical/surgical beds, with observation days included, was 79.22% and 83.39% in 2002. The table below shows the occupancy rates with and without observation days. The table indicates that there have been significant increases in the occupancy rates and that they are above the H2P2 capacity thresholds.

Medical/Surgical Bed Occupancy Rate

	w/ Obsrv Days	w/o Obsrv Days
2001	79.22%	71.32%
2002	83.39%	78.23%
2003 - Jan	83.30%	78.07%
2003 - Feb	86.42%	80.48%
2003 - Mar	83.34%	77.32%

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B. Need and Accessibility

The proposed project converts 4 critical care beds to medical/surgical beds. These beds will help accommodate the recent surge in hospitalization in this area. Regularly, beds have been at full capacity on weekdays in 2001 and

2002. With total membership forecasted to increase 13.9% from 2003 to 2008 and senior (65+) membership forecasted to increase 10.8% from 2003 to 2008, demand for medical/surgical beds will continue to increase. Also, as the neighbor island membership increases, there will be more patients transferred to Moanalua Medical Center for specialty care services.

In Hawai'i, there is no sub-acute level of care staffed facilities. This proposed project, to increase the number of medical/surgical beds, will allow Kaiser to manage its waitlisted patients and sub-acute patients that would not be accepted in a skilled nursing facility.

C. Quality of Service/Care

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. Kaiser Permanente received continuing approval by the Joint Commission on the Accreditation of Healthcare Organizations (JCAHO). Kaiser Permanente was also awarded full accreditation by the National Committee for Quality Assurance (NCQA).

D. 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 operating expenses are direct costs associated with the proposed conversion of beds.

E. Relationship to the Existing Health Care System

The conversion of beds will enhance the quality and continuity of care to the increasing demand of medical/surgical patients and sub-acute patients in the most cost effective manner. The increase in acute care beds will also assist in keeping the hospital off divert status.

F. Availability of Resources

The additional 4 Medical/Surgical beds will not require any hiring of additional staff.

The proposed project will require no capital investment. 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.

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