

## HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

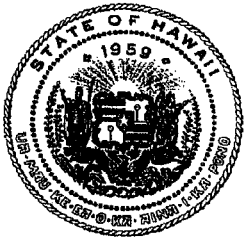
### ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 03-24A

Applicant: The Queen's Medical Center  
1301 Punchbowl St., Honolulu, HI

Project Title: Reduction of 20 psychiatric and 10 medical/surgical beds

Project Address: 1301 Punchbowl St., Honolulu, HI



# HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

REPLACEMENT PAGE

## ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: # 03-24A  
To be assigned by Agency

Date of Receipt: 03 AUG -4 PM 2:14

### APPLICANT PROFILE

Project Title: Reduce acute care bed capacity by 30 beds (20 psychiatric and 10 medical/surgical) to offset the development of a new 30-bed Long-Term Acute Care Hospital-within-a-Hospital (LTACH) by SELECT SPECIALTY HOSPITAL - HONOLULU, INC. on the 3<sup>rd</sup> floor of the Kamehameha wing at The Queen's Medical Center. (Please refer to the SELECT SPECIALTY HOSPITAL - HONOLULU, INC. CON Application for a description of how this project meets the certificate of need criteria. )

Project Address: 1301 Punchbowl Street  
Honolulu, HI 96813

Applicant Facility/Organization: The Queen's Medical Center

Name of CEO or equivalent: Arthur A. Ushijima

Title: President and Chief Executive Officer

Address: 1301 Punchbowl Street, Honolulu, HI 96813

Phone Number: (808) 547-4688 Fax Number: (808) 547-4018

Contact Person for this Application: Gail Tiwanak

Title: Vice President, Marketing and Communication

Address: 1301 Punchbowl Street, Honolulu, HI 96813

Phone Number: (808) 547-4008 Fax Number: (808) 585-5008

### CERTIFICATION BY APPLICANT

I hereby attest that I reviewed the application and have knowledge of the content and the information contained herein. I declare that the project described and each statement amount and supporting documentation included is true and correct to the best of my knowledge and belief.

Signature

Arthur A. Ushijima

Name (please type or print)

Date

President & Chief Executive Officer

Title (please type or print)

1. TYPE OF 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: _____	_____

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SELECT SPECIALTY HOSPITAL - HONOLULU, INC.

REPLACEMENT PAGE

2. PROJECT LOCATION INFORMATION

A. 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 attach the following to your application form):

- A. Site Control documentation (e.g. lease/purchase agreement, DROA agreement, letter of intent) **\*See SELECT SPECIALTY HOSPITAL - HONOLULU, INC. CON application\***
- 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.)  
**\*\* See SELECT SPECIALTY HOSPITAL - HONOLULU, INC. CON application \*\***
- C. Your governing body: list by names, titles and address/phone numbers  
**See ATTACHMENT C**
- 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 **See ATTACHMENT D(a)**
  - By-Laws **See ATTACHMENT D(b)**
  - Partnership Agreements **Not Applicable**
  - Tax Key Number (project's location) **21035003**

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					<b>X</b>
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
Medical/Surgical	379	-10	369
Critical Care	48	0	48
Obstetric	25	0	25
Psychiatric	83	-20	63
<b>TOTAL</b>	<b>535</b>	<b>-30</b>	<b>505</b>

## 6. PROJECT COSTS AND SOURCES OF FUNDS

### A. List All Project Costs:

AMOUNT:

1.	Land Acquisition	<u>\$0</u>
2.	Construction Contract	<u>\$0</u>
3.	Fixed Equipment	<u>\$0</u>
4.	Movable Equipment	<u>\$0</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:** \$0

### B. Source of Funds

1.	Cash	<u>\$0</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:** \$0

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.

Reduction in 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:

**\*\* Please refer to SELECT SPECIALTY HOSPITAL - HONOLULU, INC. CON application \*\***

- 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.

**The Queen's Medical Center is seeking approval to reduce its acute care bed capacity by 30 beds (20 psychiatric beds and 10 medical/surgical beds) to offset the development of a new 30-bed Long-term Acute Care Hospital-within-a-Hospital (LTACH) by SELECT SPECIALTY HOSPITAL - HONOLULU, INC. The LTACH will be located on the third floor of the Kamehameha wing which will be leased to SELECT SPECIALTY HOSPITAL - HONOLULU, INC.**

**A. Relationship to the Hawaii Health Performance Plan (H2P2)**

The proposed LTACH will be 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. The cost of such services will be competitive with general acute care rates within the area. As such, this project will be well positioned to support H2P2's goal to "achieve equitable and effective access at reasonable cost for all Hawaii's residents."

Select Specialty Hospital – Honolulu will focus on the treatment of patients that are critically ill and suffer from chronic illnesses. The treatment goals of the proposed LTACH are consistent with H2P2 objectives of "reducing the effects of chronic disease and prolonging health related quality of life."

H2P2 states that one of the desired characteristics of a health care delivery system is "supporting collaborative relationships between local, regional, and state healthcare providers in order to provide the most appropriate level of care to our communities." The relationship that Select Specialty Hospital – Honolulu has sought in establishing the proposed LTACH at The Queen's Medical Center seeks to serve this purpose. Select Specialty Hospital – Honolulu also intends to implement a statewide effort focused on education healthcare providers about the service capabilities of the LTACH and where it fits along the acute care continuum. The proposed LTACH will seek to facilitate referrals from other healthcare providers as well as establish appropriate placement options that may be required for LTACH patients upon discharge from the LTACH.

Chapter III, Statewide Priorities, speaks to "the development of care delivery systems for the elderly and chronically ill population." This LTACH project supports this priority in several ways – first, the clinical focus is on medically complex and chronically ill patients. Second, approximately 75 to 80% of the proposed patient population will be Medicare-aged individuals.

#### **B) Need and Accessibility**

The Hawaii State Health Planning and Development Agency has already recognized the need for LTACH services through the approval of CON Application #01-37A that provided for a 34-bed LTAC hospital-within-a-hospital that never opened. That application established need through a review of discharge data from St. Francis hospitals. It was determined that 88 LTAC beds would be required to accommodate the patient load at an 80% occupancy level for the St. Francis hospitals alone.

Select Medical completed a similar detailed review of patient discharges from The Queen's Medical Center for all patients that has a length of stay of 15 days or greater (excluded rehab and SNF patients as well as those with obstetrical, psychiatric/substance abuse diagnoses, and those patients under age 17). In total, 1,582 patients were profiled. There was a total of 39,400 excess days in which patients stayed beyond the geometric mean length of

stay for their assigned diagnosis. The results produced an internal need for 107 LTACH beds within The Queen's Medical Center.

Select Specialty Hospital – Honolulu will provide a level of care that is currently not available to the residents of the island of Oahu, including the elderly, low-income persons, racial and ethnic minorities, women, persons with disabilities, and other underserved groups.

### **C) Quality of Service/Care**

Select Specialty Hospital – Honolulu will be licensed as an acute care hospital and, as such, will meet all applicable local, State of Hawaii and federal hospital licensure criteria. In addition, the LTACH will apply for JCAHO accreditation.

During FY2002, Select Specialty Hospitals provided care to more than 21,000 LTACH patients. With this data, Select Specialty Hospitals are benchmarked against the top five Select Specialty Hospitals for each quality indicator – regionally and nationally. In the area of patient satisfaction for FY2002, 94% rate care as good/excellent and 95% would recommend a Select Specialty Hospital to others. In addition to patient satisfaction, Select Medical employs the outside services of two different firms to separately monitor quality of care, physician satisfaction, payer satisfaction, employee satisfaction, and host satisfaction. Host satisfaction was demonstrated through the successful completion of 17 lease renewals in FY2002.

Select Specialty Hospital – Honolulu will be staffed by a full-time quality manager. The quality function works through the medical staff and reports at least quarterly to the Board. National consultants, senior quality managers, and Select Medical's Vice President of Clinical Services will provide additional support for the LTACH.

The following is an overview of some of the categories and standards measured by our company at each Select Specialty Hospital.

#### Performance Indicators, Clinical Outcomes

##### Quality

##### Overall Quality Monitors

- Discharge destination
- Nosocomial infection rate
- Falls with injury requiring treatment
- Nosocomial wounds
- Medication error rate
- Re-hospitalization within 30 days of discharge from LTACH
- Mortality rate
- Unplanned discharges to short term acute hospital



### *Outcomes by Program*

#### *Ventilator Weaning/Pulmonary*

- % of patients weaned from ventilator
- % of patients with improved ventilator status

#### *Wound Care Program*

- % of wounds healed/viable flap
- % of wounds improved

#### *Medically Complex*

- % with stable vital signs upon discharge
- % with absence of complications
- % calorie/fluids meet nutritional needs
- % oral temperature less than 100° F for the last 48 hours without use of an antipyretic (temperature reducing drug)

#### *Cardiac*

- % with stable heart rhythms upon discharge
- % with PO<sub>2</sub> (oxygen) within normal parameters

#### *Low Tolerance Rehab*

- % demonstrates the ability to care for self or by a family member in a home care regime

#### *Infectious Disease*

- % free of infection

#### *Efficiency*

- Length of stay
- Cost per discharge

#### *Patient Satisfaction*

- % of patients that would recommend the hospital to family and friends

### Care/Case Management, Including the Use of Protocols

#### *Standards of Performance*

##### *Payor/Referral*

- Preliminary care plans same day requested
- Preliminary charge estimate prior to admission
- Payor needs assessment within 72 hours of admission
- Meets payor requirement 100% of time for communication, demonstrated effort to fulfill payor needs
- Conference report within 24 hours to payor
- Payor and referral satisfaction with Case Manager 90%
- 100% timeliness re-certification, demonstrated ability to successfully negotiate admission and continued stays

##### *Care*

- Communicate to team within 24 hours on every admission requirement of payor and/or referral source
- Daily patient contact
- Family contact weekly during hospitalization
- Patient/family satisfaction with case management 90%

- Quality documentation
- Initial case management evaluation within 24 hours
- Weekly progress note with quality content
- Discharge summary within 48 hours of discharge
- Conference as required by payor and accreditors
- Follow-up with patient within 7 days of discharge (100%)
- Utilization review
- Admission review within 24 hours
- Continued stay review every 5 days
- Denial rate less than 5% of cases/quarter – all denials appealed within specified time frame

#### **D) Cost and Finances**

The total capital cost of the project is estimated to be \$3,295,140. Select Medical intends to fund the project with available cash.

On a cash flow basis, the proposed LTACH is expected to have a net income loss of approximately \$1,027,906 in year one with net revenues of \$4,434,438. For year three, income from operations is estimated at \$2,279,000 on net revenues of \$11,968,341.

#### **E) Relationship to the Existing Healthcare System**

Select Specialty Hospital – Honolulu will improve accessibility by offering a level of care for patients with serious and often complex medical conditions who require long lengths of stay and high levels of clinical expertise. This level of care is not currently available on the island of Oahu. Physicians will be able to refer and follow their patients through treatment. Family members will be encouraged to be active participants in the recovery process. The LTACH will foster improved outcomes through accessibility to a wide range of specialty clinical programs.

The LTACH will complement the services currently being provided by The Queen's Medical Center and other acute care hospitals by providing a viable placement option in the continuum of care. By utilizing the LTACH as a placement option, acute care hospitals will be able to reduce their overall length of stay in areas such as its ICU, thereby, increasing operating efficiencies and patient flow to such areas. The referring hospitals will also reduce their costs significantly through referral of outlier patients to the LTACH.

#### **F) Availability of Resources**

Select Medical ended calendar year 2002 with \$1.13 billion in net revenue, a 17.5% growth rate. Select Medical is well capitalized and, as previously stated, will use cash from existing operation to fund the proposed project. As a company, Select Medical has more than 16,400 employees with the

specialty hospitals employing approximately 7,800 people. Select Medical is well resourced and has solid recruitment capabilities.

**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.