



## HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

### STANDARD APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 04-21

Applicant: Maui Memorial Medical Center  
221 Mahalani St., Wailuku, HI  
Phone: 808-242-2036

Project Title: Renovation and expansion of Maui Memorial Medical Center

1. **TYPE OR ORGANIZATION:** (Please check all applicable)

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

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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)  
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.) 1. Building Permit 2. NPDES 3. Height Variance 4. Grading Permit 5. DOH License
- C. Your governing body: list by names, titles and address/phone numbers  
See Attachment A
- D. If you have filed a Certification 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)Previously filed with Application #04-04

**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 Equipment (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			X
Outpatient Facility						
Private Practice						

**5. TOTAL CAPITAL COST:** \$42,000,000

**6. BED CHANGES:** Please complete this chart only if your project deals with a change in your bed count and/or license 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 certified of need rules.

Type of Bed	Current Bed Total	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
Med/Surg	146	[6]	140
CCU	15	+14	29
OB	23	-	23
Psych	18	-	18
SNF	28	[7]	21
<b>TOTAL</b>	230	1	231

- Table above is a summary of the changes. See continuation on page 6 including Table showing details of bed changes.

**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.

N/A

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

<b>A. List All Project Costs:</b>	<b>AMOUNT:</b>
1. Land Acquisition	-
2. Construction Contract	\$31,964,085
3. Fixed Equipment	586,376
4. Movable Equipment	3,074,000
5. Financing Costs	-0-
6. Fair Market Value of assets acquired by lease, rent, donation, etc.	-
7. Other: <u>Design, Project Management, Testing and Artwork</u>	6,375,539
<b>TOTAL PROJECT COST:</b>	<b>\$42,000,000</b>

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**B. Source and Method of Estimation**

Describe how the cost estimates in Item "A" were made, including information and methods used:

Contracts and estimates

<b>C. Source of Funds</b>	<b>AMOUNT:</b>
1. Cash	-
2. State Appropriations	\$38,000,000
3. Other Grants	-
4. Fund Drive	-
5. Debt	4,000,000
6. Other: _____	-
<b>TOTAL SOURCE OF FUNDS:</b>	<b>\$42,000,000</b>

9. **IMPLEMENTATION SCHEDULE:** Please present a projected time schedule for the completion of the 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, and
- 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.*

\* See continuation on page 9

10. **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

\* See continuation on page 10

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6. Continuation of item 6, bed changes.

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The table below repeats the table from page 3 of 5 of this application and includes details of the bed changes for each "Type of bed". This table shows the current bed counts and the proposed bed counts when the new project is completed and existing irregularities corrected.

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**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	146	(8) – Reduce doubling Molokai & Maui East (15)–Reduce Lanai North observation beds (7) – Reduce Molokai East for OR Support +24 – Add new wing	140
Critical Care	15	+16 – New CCU unit (2) – Eliminate 2 beds in existing CCU	29 *
Obstetric	23	0	23
Psychiatric	18	0	18
SNF	28	(7) – Reduce SNF beds as per DOH License	21
<b>TOTAL</b>	<b>230</b>	<b>+1</b>	<b>231</b>

\* See Critical Care narrative on next page.

**Two purposes for the bed changes requested in this application.**

There are two purposes for the bed changes requested in this application: (1) To provide for the new beds we will have when the new wing is built (and some of the existing floors renovated); (2) to correct various irregularities in bed counts over the last several years.

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**New wing built and some existing units renovated.**

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- **Medical/surgical ("med/surg" beds).** Maui Memorial is proposing a new four-story building (see the Executive Summary below), and one of the floors will be a new 24 bed med/surg unit. When that unit is ready, 7 beds in the existing building will be taken out of service and renovated for surgery support space. **Net change: + 17 med/surg beds.**
- **Critical care.** One of the floors of the new wing will be a new 16 bed critical care unit to replace the existing 15 bed critical care unit. The existing 15 bed unit will be reduced to 13 beds and continue to be designated as a critical care unit, although its routine use will be as a "stepdown" unit, providing a level of service below critical care but higher than the usual med/surg service. However, SHPDA does not have a category specifically for "stepdown" beds and, the stepdown unit will still be equipped, laid-out and readily staffed for critical care service. Further, it will be needed for overflow critical care patients when the new unit is full. Therefore, for SHPDA purposes, Maui Memorial proposes to continue to designate the beds as critical care. We understand that other hospitals in Hawaii also operate a stepdown unit this way. **Net Change: + 14 critical care beds.**

**Irregularities/inconsistencies in bed counts.** Over the last several years there have been inconsistencies in bed counts. There have been differences between our "SHPDA approved" count, our State-licensed count, the count in our annual utilization report to SHPDA and our "actual-operating" count. For example, during high need times (such as the winter flu season) we have more patients than our licensed capacity. During such times we have provided as many as 24 additional temporary beds by turning a 15 bed observation/holding unit into an inpatient unit, and "doubling up" beds temporarily in some of the larger private-bed rooms. Such additional beds are permitted on a temporary basis (with waivers) under both SHPDA and DOH emergency procedures. We estimate that this happens about 20 days a year. This application proposes to remove the temporary beds and temporary doubling and add a new 24-bed med/surg wing. The table below shows, as an example, some of the inconsistencies for 2002.

**2002 SELECTED BED COUNTS BY SOURCE OF INFORMATION**

Bed type	DOH license	2002 SHPDA recognized capacity	2002 SHPDA utilization report*	Peak operating level
Med/surg	145	145	140	164
Crit. Care	15	13	15	15
Obstetric	18	18	23	23
Psych.	18	21	18	18

\*the number in the report was incorrectly reported by Maui Memorial

We want to use this application to correct the irregularities of the past. The baseline count from which we make changes is the SHPDA-approved "Current Bed Total" count shown in the Bed Changes Table on page 3 of this application. These are the counts that were approved by SHPDA in 2003 per our CON application #03-27A. We propose the following changes:

- **Med/surg beds.** When the new building is complete, we propose to delete 23 temporary (observation and doubling) beds from our current approved total. **This change: -23 beds. When combined with the new 24 beds less 7 beds shown above, Total change: -6 med/surg beds.**
- **SNF beds.** In 2003 SHPDA approved our application for a 28 bed SNF unit. However, the DOH has only licensed the unit for 21 beds. **Net change: -7 SNF beds.**

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**9. IMPLEMENTATION SCHEDULE (Continued from page 5 of 5)**

- a) Financing acquired. The financing already exists. \$38,000,000 in general obligation ("G.O") bonds has been appropriated by the State. The remaining \$4,000,000 will be through a loan with Academic Capital.
- b) Construction contract executed – June, 2004.
- c) Building permit applied for – July, 2004
- d) Building permit received – October, 2004
- e) Construction start date – December, 2004
- f) Occupancy date -- March, 2007

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10. **EXECUTIVE SUMMARY (Continued from page 5 of 5)**

Maui Memorial Medical Center ("Maui Memorial") is proposing to implement Phase I of its Master Plan, at a cost of \$42,000,000.

The Master Plan was initially prepared in 1999 and updated in 2003. The highlights include for Phase I:

1. A new 68,000 square-foot, four-story building to meet the following high-priority clinical needs (see illustration on page 14):
  - Additional critical care beds.
  - Expansion of the existing Surgicenter
  - Expansion of med/surg beds (the 3<sup>rd</sup> floor will contain a new 24 bed unit, but 7 beds in the existing wing will be renovated for surgery support, leaving a net gain of +17 med/surg beds).
  - Relocation and expansion of PT/OT
2. Additional surgery support space in renovated space adjacent to the existing surgery suite.
3. "Must do" infrastructure upgrades including:
  - More parking
  - A traffic signal light may be needed
  - Emergency generator may be needed
4. Upgrade of hospital's existing public and family support spaces.

Please note that some of the project is exempt from CON requirements under HRS 323D-54(8), which exempts "Non patient areas of care facilities such as parking garages and administrative offices." For example, the "must do" infrastructure upgrades in item 3 above are estimated to cost \$2.9 million.

The components of the new building are as follows:

- Level A/Ground will include a new front entry, Gift Shop, Admitting/Registration, an expanded PT/OT department and necessary mechanical infrastructure.
- Level 1 will be an Ambulatory Service Center (an expansion of the current Surgicenter), which connects to the existing lobby. There will be 4 treatment rooms but only 2 rooms will be fully equipped with the 2 remaining rooms available for expansion.
- Level 2 will be a 16-bed critical care unit that connects directly to the existing critical care unit.
- Level 3 will be a 24 bed med/surg unit.

Phase I of the Master Plan is only the first step in the process of expansion and renovation of the entire Maui Memorial Medical Center's campus. Funding for Phase II will be requested and Phase II improvements anticipated are; a new four level wing to include

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replacement of the existing Operating Rooms and support space, a new 24 bed Med/Surg wing, physicians support service, medical records, medical library, sterile supply, and expansion of oncology.

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Planning for a Medical Office Building with a parking structure on MMMC's campus are also underway and would help to create an environment suitable for taking care of our community's health needs.

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

This project relates well to the H2P2. Chapter II of the H2P2 provides a capacity threshold for med/surg and critical care beds which must be met before additional beds are added. These capacities are 80% and 60% respectively. Maui Memorial has exceeded both these thresholds for the last 5 years. Therefore, this project complies with the H2P2 threshold permitting additional beds.

Once the new beds are opened, the med/surg beds by themselves will still exceed 80% occupancy. The critical care beds by themselves will fall below 60%. However, the blended use of some critical care beds with med/surg patients results in an overall occupancy of 86.3% (see Table B-7 on page B-10). Therefore, we believe the project still complies with the H2P2, as explained on page A-6 in Section A of the narrative.

This proposal also complies with the vision and guiding principles established in the H2P2, as well as the priorities established by the Tri-Isle Subarea Health Planning Council.

**B. Need and Accessibility**

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There is a need for this proposal, and its services will be accessible to all in need. The need for additional beds is indicated by the 2002 occupancy rates of 93.6% in med/surg (vs. the Plan's standard of 80%) and 69.8% in critical care (vs. the standard of 60%).

The need for more space and more efficient space in other areas, such as OT, PT, the surgicenter, surgery support and patient waiting areas is also approaching critical levels. For example, the number of patients served in the ambulatory care (surgicenter) program increased by 30% in just the two years from 2000 to 2002. The number of endoscopy procedures increased 225% in the 5 years from 1997 to 2002. Other services are experiencing similar increases and crowding. Maui Memorial's "new" wings (East and South) were built in 1980, and the

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last major expansion was in 1992 when a new 21 bed emergency department was built.

As an important link in the safety net system of rural health care facilities of the Hawaii Health Systems Corporation, Maui Memorial's services are accessible to everyone, without regard of ability to pay.

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

Maui Memorial provides a high quality of service. We are JCAHO accredited, State licensed and certified for Medicare and Medicaid. Maui Memorial has extensive quality assurance policies and procedures.

This project will enhance Maui Memorial's ability to provide high quality of service. The new building will provide modern, state-of-the art facilities for a new surgicenter, new med/surg and critical care units, and new occupational and physical therapy units. When the new building is completed, space in the existing building can be renovated to provide modernized and expanded space for such things as surgery and surgical support.

#### **D. Cost and Finances**

The capital cost of the project will be \$42,000,000. \$38,000,000 in general obligation ("G.O") bonds has been appropriated by the State for the project (another indicator of the obvious need). The remaining \$4,000,000 will be financed through a loan with Academic Capital through the Hawaii Health Systems Corporation ("HHSC"), (Maui Memorial's parent corporation). The project will be financially feasible, i.e., it will pay for itself. One of the advantages of the \$38,000,000 appropriation from the State is that the debt service on the G.O. bonds is an obligation of the State. Neither Maui Memorial nor HHSC have to pay the interest and principal costs on the debt. This translates into lower operating expenses for Maui memorial.

The project itself will not affect the fees at Maui Memorial, although fees are increased approximately 5% annually due to other factors, primarily inflation.

#### **E. Relationship to the Existing Health Care System**

This proposal relates well to the existing health care system. Maui Memorial is currently the only acute care facility on the island. We provide all inpatient services and a broad range of outpatient services to our community. This proposal strengthens the system since it

enables us to keep up with the growing need for more services (such as critical care, PT/OT and in and out patient surgery and procedures) and allows us to renovate and reconfigure existing space for more efficient delivery of services

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**F. Availability of Resources**

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The financial and personnel resources are both available for this project. The project will be financed through a State appropriation and a loan on an existing line of credit from Academic Capital. The operating revenue of the Medical Center will be enough to cover additional costs.

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The proposed changes will require a minimal amount of additional staff, notably 23.5 f.t.e. There is a nationwide shortage of nurses, but Maui Memorial has been able to recruit enough to meet our needs, particularly with graduates from Maui Community College; and to fill any temporary shortage through travel nurses or agency nurses.

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