HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 04-25A

Applicant: Hospice Hawaii, Inc.
860 Iwilei Road
Honolulu, HI 96817
Phone: 808-924-9255

Project Title: Establishment of a 5 bed SNF/ICF Residential Facility for Hospice Patients

Project Address: 2449 10th Avenue
Honolulu, HI

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

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

2. **PROJECT LOCATION INFORMATION**

A. 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):

3. A. Site Control Documentation

Please see attached Letter of Intent from Palolo Chinese Home.

3. B. Listing of Permits

Zoning Permits

Hospice Hawaii, operating the unit as a residential 5-bed hospice unit, is not required to obtain any conditional use permit. Under Section 46-15.36, HRS, a "hospice home" is permitted in residentially zoned areas. Please see attached the letter of ruling from the City And County of Honolulu, Department of Planning and Permitting.

Building Permits

Building permits will be required prior to renovations of the current residence. Palolo Chinese Home, as owner of the residence, will be responsible to obtain such permits.

SNF / ICF License

The Hospice Home will be licensed as a SNF/ ICF, with appropriate waivers sought in accordance with the nature of services to be provided. This will be under Title 11, Chapter 94, and issued by the Department of Health, Office of Health Care Assurance.

3. C. Governing Body

Hospice Hawaii is the Operator.

Please see attached the current list of the Hospice Hawaii Board of Directors

3. D. Additional Documentation

1. Articles of incorporation: Attached
2. By – Laws: Attached
3. Partnership Agreements: N/A

Tax Key Number: 3-4-26: 37

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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
Licensed as SNF/ICF	**0**	**5**	**5**
TOTAL	**0**	**5**	**5**

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6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All Project Costs:

		AMOUNT:
1.	Land Acquisition	
2.	Construction Contract	$ 150,000
3.	Fixed Equipment	$ 10,000
4.	Movable Equipment	$ 5,000
5.	Financing Costs	
6.	Fair Market Value of assets acquired by lease, rent, donation, etc.	$ 590,000
7.	Other: Internal Fursnishings	$ 30,000
	TOTAL PROJECT COST:	$ 785,000

B. Source of Funds

1.	Cash	$ 10,000
2.	State Appropriations	
3.	Other Grants	
4.	Fund Drive	$ 35,000
5.	Debt	
6.	Other: Palolo Chinese Home	$ 740,000
	TOTAL SOURCE OF FUNDS:	$ 785,000

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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.

Establish a 5-bed SNF/ICF Residential Facility for Hospice Patients

8. **IMPLEMENTATION SCHEDULE:**

a) Date of site control for the proposed project: The Palolo Chinese Currently owns the home. Hospice Hawaii will finalize the lease document upon completion of the remodeling phase and shortly before licensure. We anticipate signing the lease on or before June, 2005
b) Dates by which other government approvals/ permits will be applied for and received
    1. Building Permit: January, 2005
    2. SNF License: Apply in May 2005, receive no later than July 2005
c) Dates by which financing is approved for the project: N/A
d) Date construction will commence: No Later than February, 2005
e) Length of construction period: 4 months
f) Date of completion of the project: June, 2005
g) Date of commencement of operation: July 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:**

a) Relation to the Hawaii Health Performance Plan: This project fits well with Chapter II, Visions, Section F, providing for access to care, cost effectiveness, quality management, continuity of care and constituent participation. Further the project relates to Chapter III, State-Wide Values, in particular Section A-1 relating to compassion and comprehensiveness.

b) Need And Accessibility: In 1995, Hospice Hawaii opened the Hospice Hawaii Kailua Home, a 5-bed residential hospice unit designed to create a home like setting for the terminally ill who either have no caregiver capable of caring for them in their last days, or their caregiving system is unable to do so safely at home. Since it's inception, there has been an ever-increasing demand for

residential hospice beds. On average, more than 40% of Hospice Hawaii's referrals are requests for a "hospice bed" either under contract with hospitals or in the Kailua Home (135 requests out of 325 for the first half of 2004). Running at an average occupancy of greater than 90%, there is frequently a waiting list of three or four others desiring respite or placement. Patients admitted contribute $225 per day for Room & Board charges not covered by private insurance, and the total number of patient days represents less than 7% of Hospice Hawaii's total patient days.

In hospice care, patients can be cared for in several different, CMS defined levels:

1) Routine Home Care: This is care delivered to the patient in their place of residence. That place may include not only their own home, but a nursing home, expanded ARCH, assisted living facility or a hospice residential unit. Patients in a residential hospice bed use this are classified at this routine home care level.
2) Respite Care: Patients may also be placed in a hospice inpatient unit, licensed SNF/ICF or an acute care hospital for a short respite care lasting no more than 5 days.
3) General Inpatient Care: This care is limited to a Hospice General Inpatient unit (St. Francis has 2 such units, with 36 total beds), an acute care facility, such as The Queen's which has a contract with Hospice Hawaii or in a SNF under contract with the hospice. This care is generally for a very short time (days) with the intent of managing complex symptoms and returning the patient to their residence, placing them in a longer care setting, or death.

Currently, there is tremendous demand for both general inpatient hospice care and long-term, residential hospice care. It is estimated that the monthly request for patients needing a residential hospice bed from Hospice Hawaii alone exceeds 15 per month. Further, while St. Francis has 36 dedicated hospice beds, the bulk of those beds are used for the general inpatient level of care, leaving perhaps only 20% (or 7 beds) available for residential care. An estimated 30 or more referrals are made to St. Francis for residential beds per month. With 40 or more patients needing residential care (based upon overlapping referrals) and the realistic availability of only 12 beds per month, a significant shortage of hospice residential beds confront the health care community.

Further, four significant factors will continue to increase the demand for hospice placement:

4) As the population continues to age, caregivers themselves will be increasingly frail or, if adult children, struggling with their own family issues and unable to provide care.
5) Hospice referrals remain very late in the patient's life, often coming in the last few weeks of life. The caregivers, who may have been able to keep the patient at home with an earlier referral, are now so exhausted

that safe care is unlikely. The patient acuity, that is need for care, is now greater than ever because of the lateness of the referral.

6) Community education and palliative care development projects are making the use of hospice more and more likely. A palliative care demonstration project at a local hospital resulted in a significant increase in hospice referrals.
7) Hospitals can only allow a patient to stay in the facility for a very short time, usually less than a few weeks.

Accessibility: The hospice residential unit will, consistent with the Hospice Hawaii general policies and procedures, admit patients from all over the island of Oahu. We will serve patients of all ages, particularly the elderly, as well as those of all racial and ethnic minorities, gender, or disabilities. We strive to deliver care to the poor and needy, regardless of their ability to care, and will provide charity (free) care to the best of our ability. A cornerstone of our mission is to make hospice care available to all persons in need.

Based upon our experience in the Hospice Hawaii Kailua Home, we estimate our average occupancy no meet or exceed 90%.

c) Quality of Service/ Care: The Hospice Hawaii philosophy of care, "Na Hoa Malama" speak to the values we hold to be most critical in offering care to the terminally ill and their family. The following are excerpts from the statement:
"Hospice care is a comprehensive interdisciplinary program of care designed to provide hope, care and comfort to terminally ill people and their families or loved ones in the familiarity of their own communities. We believe that each human life has an inherent value. As such, every human is worthy of love, compassion and respect.'

'We believe that the fundamental unit of care in hospice is the terminally ill person and their family or loved ones who have the opportunity to provide mutual support and love. We believe that every terminally ill person and their family members or loved ones should have the opportunity to complete "life closure tasks" which broadly include: experiencing a meaningful ending or transition from physical life, an enhanced sense of belonging, and a sense of purpose and hope. We believe that Hospice Hawaii "Interdisciplinary Team members are responsible for encouraging trusting relationships with the terminally ill person and their family members or loved ones built upon honesty and openness, clarifying and providing care choices, and establishing a sense of personal empowerment."

Through the operation of a serene, home like setting staffed with compassionate nurses, we are able to promote the highest quality of hospice care while affording the patient and family the opportunity to heal emotional

wounds and prepare for a meaningful death. Personnel are selected as much for their compassion and empathy, as they are for their competent nursing skills. The nurse to patient ration is very high, with a minimum of 2 staff on duty for up to 5 patients. The minimum staffing levels will be one LVN and one Nurses Aide. At times, during the day shift, there may be as much as 4 staff on duty (with the addition of the cook-housekeeper and RN or LPN manager on duty), with additional help from dedicated volunteers. Finally, the Hospice Hawaii interdisciplinary team (comprised at least of an RN Case Manager and Licensed Medical Social Worker) will also be providing care to these patients, thus adding depth to their care teams and providing additional psychosocial, emotional and spiritual care by staff not directly assigned to work in the home. Families will be encouraged to stay with the patient as much as possible or desired, and actively involved in their plan of care, as well as their care (to the extent safely possible.) The operations of the Home, as in the case of the Kailua Home, will be monitored for compliance to applicable regulations such as the skilled nursing facility license as well through our regular Quality Assurance program. The initial staff will be cross-trained at the Hospice Hawaii Kailua home, building upon 9 years of quality service.

d) Cost and Finances: The proposed home will be cost effective and financially feasible as demonstrated by the Hospice Hawaii Kailua Home. While the departmental costs in 2003 were greater than departmental income by more than $100,000, this difference included $46,000 in indigent care for those unable to cover the full cost of the room and board co-pay. The relatively small department losses are more than made up for through other department income and the fundraising efforts of Hospice Hawaii. Specifically, fundraising efforts yield more than $500,000 per year, and the clinical department (caring for patients in their own home or in the hospital) generates approximately $1,000,000 excess revenues over departmental expenses. Hospice Hawaii experienced an excess of revenue over expenses of more than $140,000 in 2003 and 2004 is projected to be $400,000 ahead.

Our proposed budget accounts for a room & board co-pay from the patient or private insurance of $225.00 per day. This amount, not reimbursable by Medicare, Medicaid or other federal insurance plans, covers the costs of 24-hour nursing care (Licensed Nurse and Nurses Aide), a cook-housekeeper, food, medical supplies, supplies for assistance with hygiene (diapers and chux, for example) as well as medications not otherwise covered under the patient's Hospice Benefit Insurance.

The Medicare Hospice Benefit also reimburses approximately $137.30 per patient day. This amount covers the prescription medication necessary for the palliation of symptoms from the terminal illness, durable medical equipment, medical supplies and the costs related to the services from the

hospice interdisciplinary team (RN Case Managers, Social Workers, Chaplains, volunteer coordination, and bereavement care foe the family.)

Taking advantage of the cost sharing in certain areas, such as management costs, reduced expenditures from a lower occupancy rate, and higher levels of occupancy, our initial budget predictions will bring the annual operating expenses close to breaking even in the first year, while still providing an estimated $50,000 in indigent care. We anticipate 95% occupancy, as the home will be located in Palolo Valley, thus the barrier of going "over the Pali" is removed.

The average income per patient day, from private and third-party sources, is budgeted at $326.07, with an average daily expense budgeted at $332.24. Compared to average private pay costs of $800 to $1,000 per day should the family elect to keep a person at an acute care hospital the Hospice Home offers a considerable financial advantage.

Please see attached spreadsheets for complete cost projections for year 1 and year 3 operations.

e) Relationship to the existing health care system: Hospice care has gained increasing acceptance into the mainstream of the health care continuum. Initially caring for those who mostly self-referred and diagnosed with cancer, the last several years has seen an increasing use of hospice care for the non-cancer diagnosis. The diagnoses of dementia (including Alzheimer's) and "failure to thrive" (commonly applied to the frail elderly dying of old age) have seen a steady climb over the years, thus further adding to the overall increased caregiver stress level prior to hospice admission.

This proposal for an additional hospice home will further improve the health care delivery system. Most likely filled within days of opening, we expect that there will be an immediate relief in the hospitals of the pressure to find a bed for a patient expected to live only a few weeks. As indicated above, there is an ongoing waiting list for a bed either in the Hospice Hawaii Kailua Home or the St. Francis Hospice inpatient units. As mentioned above, over 40% of all Hospice Hawaii referrals are requesting a "bed" for care other than the patient's home.

The relative cost-savings of hospice care has been well documented over the years, most notably in a 1995 study published for the National Hospice Organization by the Lewyn Consulting group. They demonstrated that in the last 3 months of life, for every dollar spent by Medicare on Hospice care, Medicare saved an additional $1.49. This trend continues through to today. Hospice offers the best possible interdisciplinary care for the terminally ill in the most cost-effective settings.

We believe that there will be no demonstrable or significant impact upon St. Francis Hospice when the Hospice Hawaii Palolo Home opens. As discussed, both hospice programs have waiting lists for residential care, and both are operating close to capacity in their overall ability to offer care. This additional home will relieve a small portion of the pressure.

Hospice Hawaii will also continue to be a training site for the health care community. Currently, Social Work, Nursing and Medical students all can choose to rotate through Hospice Hawaii on an elective. The Kailua Home is a frequent site for student experience, as well as an often-visited site for international professionals from Japan and Korea.

Oahu does not need another hospice program. Patients have the ability to choose between two quality programs. What is needed is to increase the capacity of our respective programs to serve the patient's and their family's who desire the best possible end-of-life care.

f) Availability of Resources: The most critical resource needed for the success of the program is nursing personnel. Staffed primarily with LVNs and CNAs, we are confident that adequate personnel can be recruited and trained for the work involved. Hospice Hawaii will train the new staff at our existing Hospice Hawaii Kailua Home and then allow a transfer of a portion of the experienced staff to the Palolo Home, effectively "cross-pollinating" the new facility with experience. The following staffing levels are needed:

Mon – Fri	7:00 AM to 4:00 PM	Cook-Housekeeper	1 FTE
Daily	7:00 AM to 7:00 PM:	LVN & CNA	2 FTE
	7: 00 PM to 7:00 AM:	LVN & CNA	2 FTE

There are sufficient Licensed Vocational Nurses and Certified Nurses Aides available to fulfill the scheduling requirements. The very nature of the Hospice Home, with it's peaceful setting, lower level of nurse to patient ratio and equal focus on psychosocial/ emotional/spiritual care as well as physical makes this a very rewarding workplace.

Financial resources are required for the remodeling of the existing facility. Palolo Chinese Home, as the owner of the facility, will bear the burden of remodeling and assuring compliance with Life Safety Codes. Hospice Hawaii, through a small fundraising campaign, will solicit for monies to furnish the home. The first year's operations are budgeted to pay for the home without having to dip into reserves.

Finally, Hospice Hawaii has sufficient professional leadership to successfully operate another hospice home. The previous manager of the Kailua Home, Laura Rose, RN, is now the Director of Clinical Operations and will oversee

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the development of the Palolo Home. Further, the initial clinical leadership involved in the groundbreaking development of the Kailua Home, the first of its kind in Hawaii, both continue to be associated with Hospice Hawaii. Barbara Shirland, RN is now the Quality Assurance Nurse and Kenneth Zeri, RN, MS serves as President & CPO.

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.

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