

## HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

### ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 06-10A  
Applicant: Kuakini Medical Center  
347 North Kuakini Street  
Honolulu, HI  
Phone: 808 547-9321

Project Title: Emergency room renovation and expansion from 10 to 16  
rooms

Project Address: same

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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 ST. JULIEN PLAZA  
 1500 KALANOAU AVE  
 HONOLULU HI 96813

2. PROJECT LOCATION INFORMATION

- A. Project will be located in:
- State Senate District Number: 13
  - State House District Number: 27
  - County Council District Number: 6
  - Neighborhood Board District Number (O`ahu only): 12
- 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) **Site is the existing Kuakini ER.**
- 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.) **Currently in the process of obtaining permit approvals from the City and County Department of Planning and Permitting.**
- C. Your governing body: list by names, titles and address/phone numbers **See Attachment #1.**
- 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 #2.**
  - By-Laws **See Attachment #3.**
  - Partnership Agreements **NOT APPLICABLE**
  - Tax Key Number (project's location) **170170020000**

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 <b>RECEIVED</b>	Change in Beds
Inpatient Facility			'06	MAR 16 AM 08	
Outpatient Facility			X	ST. HILTI... ... ..	
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.

**NOT APPLICABLE.**

Type of Bed	Current Bed Total	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
<b>TOTAL</b>			

**6. PROJECT COSTS AND SOURCES OF FUNDS**

<b>A. List All Project Costs:</b>	<b>AMOUNT:</b>
1. Land Acquisition	_____
2. Construction Contract	RECEIVED \$ 5,100,000
3. Fixed Equipment	'06 MAR 16 11:08 \$ 650,000
4. Movable Equipment	_____
5. Financing Costs	ST. HLTH. PLAN & BEN. ACCT _____
6. Fair Market Value of assets acquired by lease, rent, donation, etc.	_____
7. Other: _____	_____
<b>TOTAL PROJECT COST:</b>	<b>\$ 5,750,000</b>

<b>B. Source of Funds</b>	
1. Cash	_____
2. State Appropriations	_____
3. Other Grants	_____
4. Fund Drive	\$ 2,970,000
5. Debt (2002 Issued Revenue Bonds)	\$ 2,780,000
6. Other: _____	_____
<b>TOTAL SOURCE OF FUNDS:</b>	<b>\$ 5,750,000</b>

**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.  
NOT APPLICABLE.

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, - Site is existing ER location.~~
- b) Dates by which other government approvals/permits will be applied for and received, - **Building permits have been applied for and approval is anticipated in the upcoming weeks.**
- c) Dates by which financing is assured for the project - **Financing has already been secured through a 2002 revenue bond offering and fundraising activities.**
- d) Date construction will commence, - **Upon approval of the Certificate of Need and building permits.**
- e) Length of construction period, - **Ten months.**
- f) Date of completion of the project, - **February 2007.**
- g) Date of commencement of operation - **March 2007.**

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.

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.

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**Executive Summary: ER Renovation and Expansion from 10 to 16 rooms.**

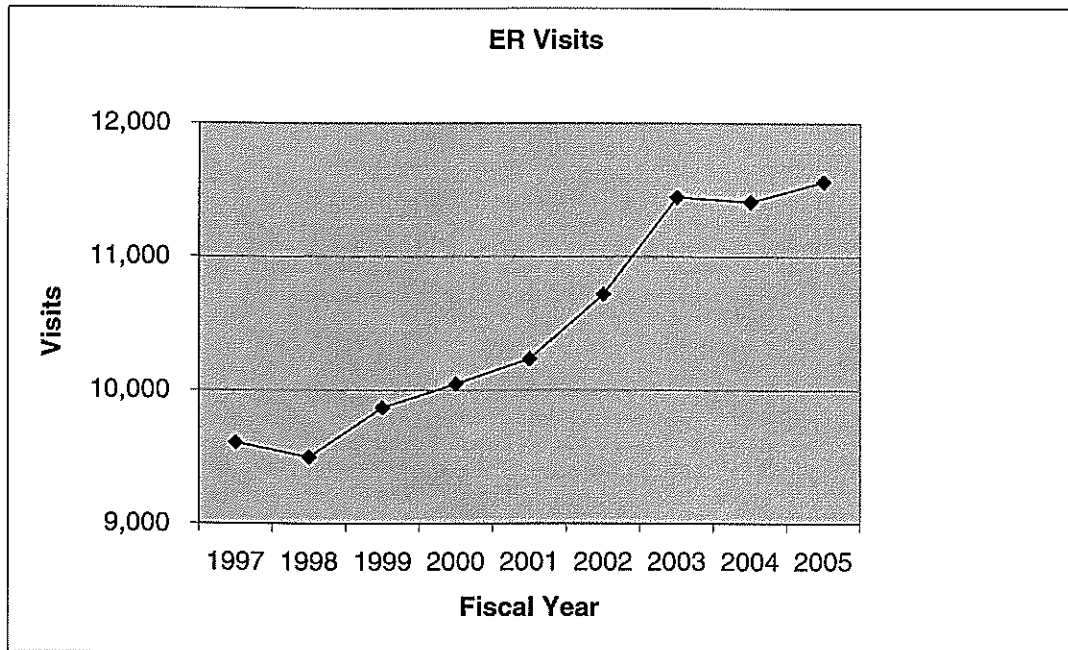
Kuakini has been in the forefront of providing quality health care and maintaining high patient safety in Hawaii through the use of the latest technologies and clinical expertise to care for its patients and residents. Kuakini places the highest priority on capital projects, which will directly improve patient and resident care, and improve patient and resident safety such as the expansion and upgrading of the ER facilities in the Medical Center. Kuakini Medical Center is striving to be the safest hospital in Hawaii.

Kuakini's Emergency Services is located on the ground floor of the Makai Wing of the Hale Kuakini Building at Kuakini Medical Center. Kuakini's 10-bed ER currently provides 24-hour Level 3 trauma care, emergency care, and urgent care to patients who are brought to Kuakini by ambulance or private transportation. The current ER facilities configuration and set-up is inadequate and inefficient. The last renovation to the ER facilities was in the 1980's.

Kuakini's ER facility is staffed by one contracted physician per shift specializing in emergency medicine, and two to four registered nurses (based on caseload), one emergency technician, and one clerical staff per shift. The ER team provides services to an average of 964 patients per month. The ER serves as one of the training sites for the University of Hawaii John A. Burns School of Medicine's medical students, and the Hawaii Residency Program's Medical, Surgical, and Transitional residents.

Kuakini has determined that the ER renovation and expansion is essential to the community due to increasing volumes of ER visits and the amount of time the ER has been on divert (for fiscal year 2005 - 14% of the time) combined with a projected growth in the overall population, especially in the elderly population which is Kuakini's predominant patient population. It is not uncommon for Kuakini's ER to have all 10 treatment rooms occupied and have additional patients placed on gurneys in the corridors of the ER due to the limits on treatment room capacity.

Kuakini has experienced consistent growth in ER visits over the past 5 years as reflected in the following graph.



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Population growth in Hawaii is projected to increase by 22% between 2000 and 2025. Population growth will be the greatest amongst the elderly age group (age > 65 years) as it is estimated to increase by

approximately 90% between 2000 and 2025 (source DBEDT "Population and Economic Projections for the State of Hawaii to 2025 dated February 2000),

The ER renovation and expansion project will result in an increase from 10 to 16 treatment rooms, and also include support rooms, staff offices, and a centralized nurses station. An increase in rooms is needed to support the increasing demand for ER services based upon our own historical growth in ER visits as well as the expected growth in the population over the next 10 years. The number and type of rooms was based upon Kuakini's current, historical and projected utilization as well as the amount of physical space available to provide for the renovation and expansion of the Emergency Services Facilities.

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The 16 rooms will be composed of the following room types:

- two (2) new triage rooms for walking patients,
- thirteen (13) new individual patient treatment rooms including two (2) isolation rooms,
- one (1) new trauma patient treatment room,

The proposed new Emergency Services facilities will be designed to include:

- new Emergency Services entrance for better accessibility by ambulance teams, with trauma cases,
- new separate Emergency Services entrance for walk-in patients transported by private cars,
- new security system for facilities,
- new rooftop covering the carport and ambulance area to protect arriving patients from inclement weather,
- new separate enclosed waiting room for persons accompanying patients to the Emergency Services facilities,
- new and expanded nurses station designed for functionality and efficiency,
- functional, organized and efficient workspaces as well as wired and wireless connectivity that will improve the administrative functions of patient care,
- new direct elevator access from the Emergency Services facilities to the Operating Room and Intensive Care Unit(ICU),
- new patient monitors and other related equipment for all patient treatment rooms,
- new functional storage areas,
- separate work areas for the ambulance staff and police,
- physician and employee break rooms, and
- other support areas of the ER will improve operations.

The proposed improvements under the ER Project will be in concert with Kuakini's Vision Statement of improving the access, delivery, and quality of health care for the community through innovative and cost efficient ways. The new facilities will support future medical technologies that will require larger treatment rooms and improved network infrastructure. These improvements will assist Kuakini to meet the future challenge of the health care workforce shortages in Hawaii and the United States without compromising the quality of patient care. The new Emergency Services facilities will be able to support new examination techniques, improve patient safety and reduce risks, and promote cost efficient patient flow, which will directly benefit Kuakini's operations, its patients, and the community. Training of international and United States health care professionals, electronic documentation and capture of medical information for improved patient care and safety will be supported by the new Emergency Services facilities.

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

The proposed project directly supports the overall goals of the H2P2), as stated on page II-1, Section C.1:

"The *Hawai'i Health Performance Plan* draws on the goals of national and local efforts, such as *Healthy People 2000* and *Healthy Hawai'i 2000*. These are integrated with community specific concerns as well as age-group sub-goals from the companion *Healthy Communities 2000 Model Standards*:"

- "Increase the span of healthy life for Hawaii's residents." ***Our proposed expanded ER will be able to provide more emergency medical care and services to the residents of Hawaii, thereby increasing their opportunities to have a long and healthy life.***
- "Reduce health disparities among Hawaii residents." ***All Hawaii residents coming into Kuakini's expanded ER will receive the same consistent emergency medical services and quality patient care. Receiving consistent, timely and quality emergency medical care and services will hopefully reduce the health disparities among the residents of Hawaii.***
- "Achieve equitable and effective access at reasonable cost for all Hawai'i's residents to health services that are responsive to the holistic needs of community's members." ***All Hawaii residents will receive equitable and effective access to the cost effective medical care and services provided by Kuakini's expanded ER.***

This ER Project also addresses the critical elements of a health care delivery system outlined in Section F of the H2P2 Chapter II. As noted above, the proposed renovations will increase the number of treatment rooms. The additional treatment rooms will greatly improve the access to Kuakini's ER by providing increased capacity to accept more patients and by decreasing the frequency and periods for Kuakini's ER to be on divert status.

#### **Need and Accessibility**

A significant growth in the population and an increase in the elderly population (age > 65 years) as a percentage of the total population is projected for Hawaii and the United States. These projections are expected to result in an increased demand for and increased utilization of medical services including ER visits to Kuakini and other Hawaii hospitals.

Currently, there is no compiled historical and/or projected data on ER utilization and capacity for Hawaii. A review was recently conducted by the American College of Emergency Physicians on the state of emergency medicine in the United States.

On a scale for A (good) to F (bad), Hawaii received a C-. Below is an excerpt from their website ([http://my.acep.org/site/PageServer?pagename=wp1\\_state\\_map\\_hawaii](http://my.acep.org/site/PageServer?pagename=wp1_state_map_hawaii)).

***"Hawaii Compared with the Nation:* With an overall grade of C-, Hawaii ranked 34th in the nation due to its lack of support for an emergency care system to meet the needs of its residents. The state received an average grade in the category of Access to Emergency Care and nearly failing grades for its Medical Liability Environment and the Quality and Patient Safety category. Hawaii ranked 12th in the nation in Public Health and Injury Prevention.**

***Problems:* Hawaii has a shortage of hospital space and trained professionals. The state was deficient in these areas:**

- Number of registered nurses per 1,000 people (41st)
- Number of hospital-staffed beds per 1,000 people (37th)
- Trauma centers per 1 million people (45th)
- Annual payments per fee-for-service enrollee in Medicare (51st)

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*Hawaii finished next to last in the nation in alcohol-related fatalities as a percentage of all traffic fatalities (50th). The state scored well below average in its percentage of adults aged 65 and older who have ever received a pneumococcal vaccine (39th). Hawaii's grade was hurt by low implementation of both*



unintentional and intentional injury prevention programs. Although the state has a cap on non-economic damages for medical liability cases, the cap has exceptions, so the state did not receive full credit for a "hard" cap.

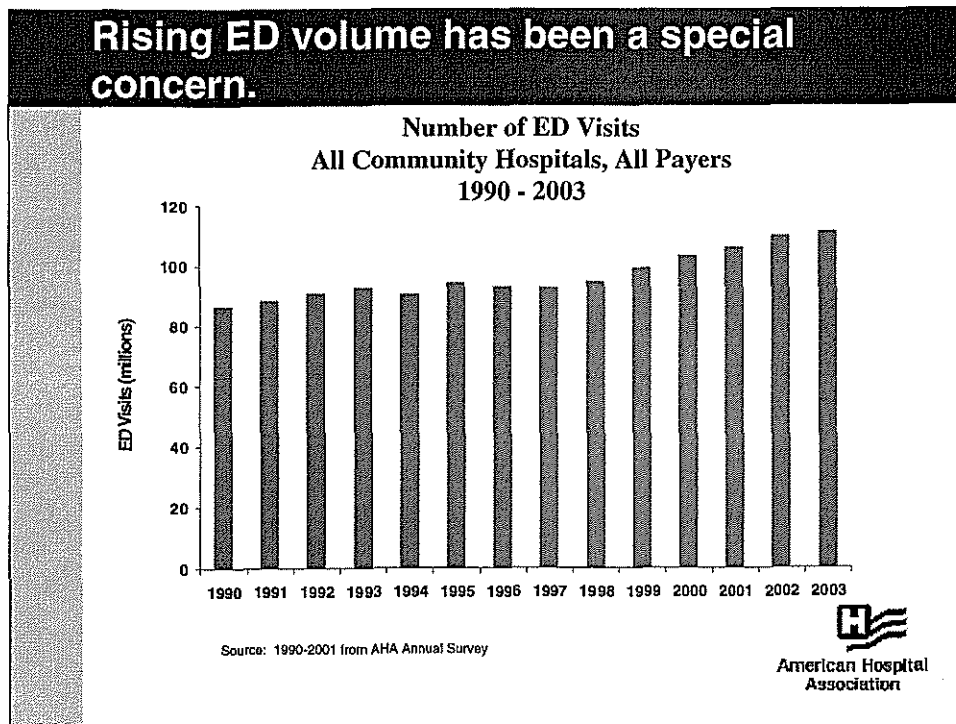
**Good News:** Hawaii had some bright spots. It ranked best in the nation for annual emergency visits per board-certified emergency physician. It ranked 2nd in the nation for board-certified emergency physicians per 100,000 people. It scored well in percentage of population with access to advanced life support ambulance services (9th) and in percentage of population with access to Enhanced 911 services (11th). Hawaii received high marks for traffic fatalities per 100,000 licensed drivers (9th) and percentage of fatalities in which no restraint was used (12th). The state is also in the top 10th percentile for percentage of adults aged 65 and older who received a flu vaccine in the last 12 months (5th). The state has a low incidence of fatal occupational injuries per 1 million people (14th).

**Recommendations:** Hawaii needs additional registered nurses and emergency departments. The state should raise new funds for new trauma centers and increase its contribution to the SCHIP program. Hawaii should also strengthen its cap on non-economic damages to address its poor medical liability environment."

While there is no Hawaii ER utilization data available, there is national ER utilization data and projections which Kuakini directly believes correlate to the situation in Hawaii.

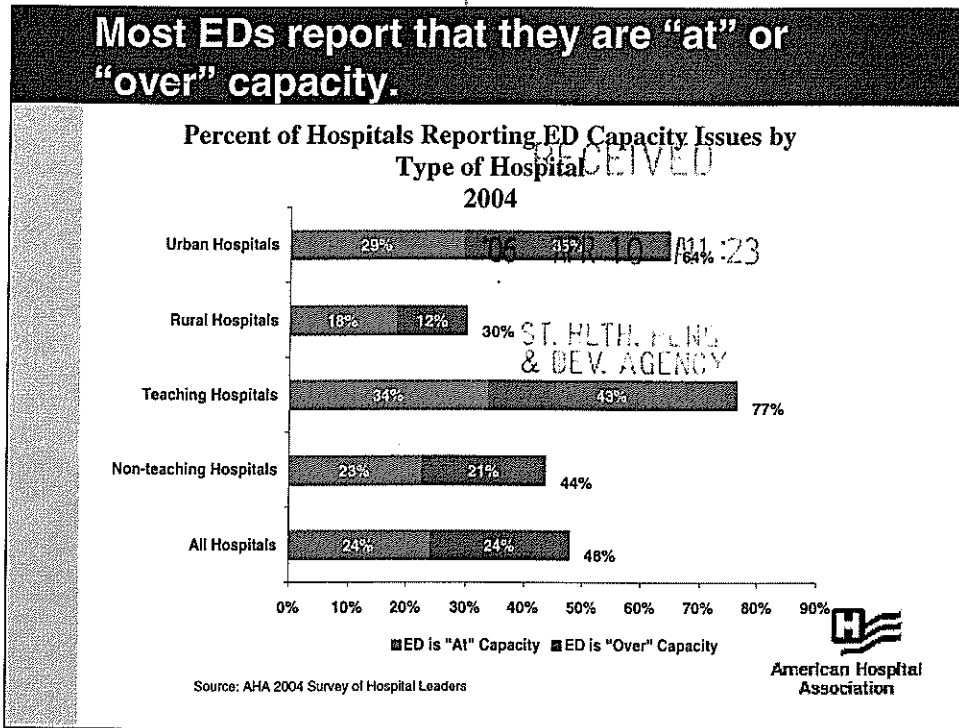
In the American Hospital Association's "Overview of the U.S. Healthcare System (Updated February 2005)," it is noted that there are numerous problems that hospitals are facing with their ERs.

**ER Utilization is Increasing**

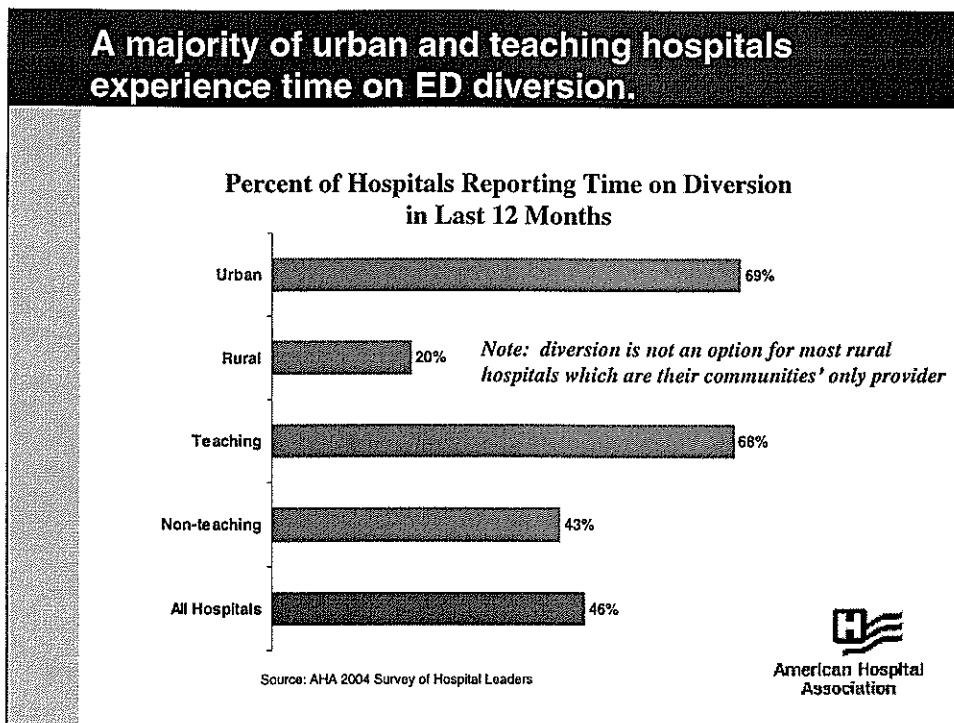


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**ER Capacity Issues**

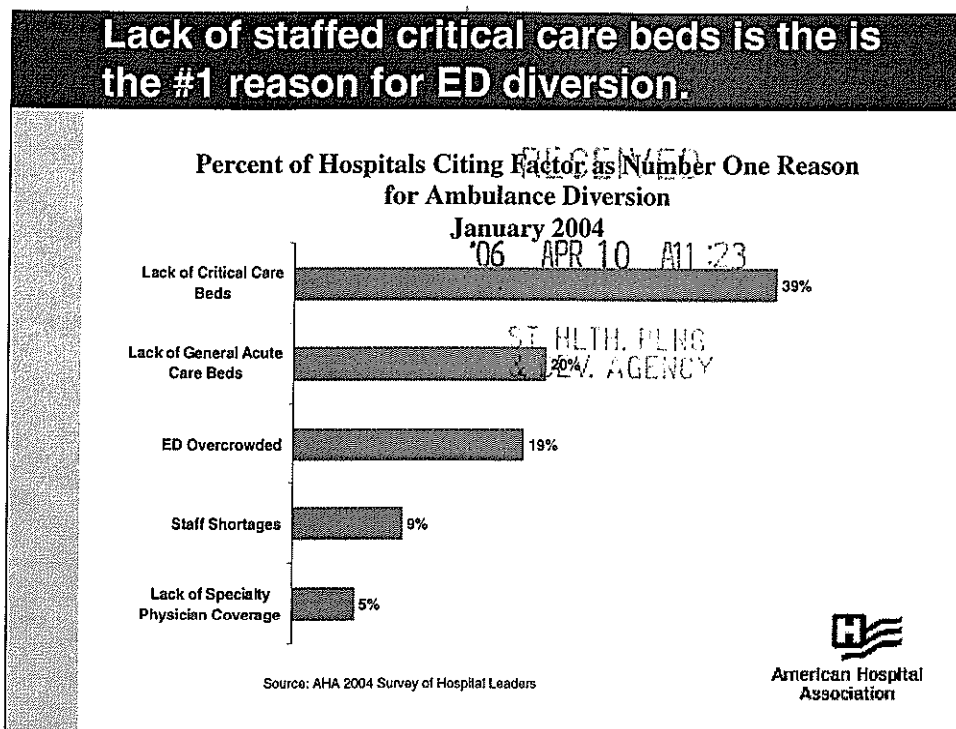


**ER Divert Time is Increasing**



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**Reasons for ER Diversions**



The following was reported in the American Hospital Associations daily e-mail newsletter dated May 26, 2005,

*U.S. emergency department visits reached a record high of nearly 114 million in 2003, while the number of EDs continued to decrease to 3,910, according to a report released today by the Centers for Disease Control and Prevention. The report attributes the rise in visits to increased use by adults, especially those age 65 and over, and Medicaid patients were four times more likely to seek treatment in an ED than those with private insurance. "Emergency departments are a safety net and often the place of first resort for health care for America's poor and uninsured," the lead author noted. Caroline Steinberg, AHA Vice President for health trends analysis, commented, "This report confirms what we have been hearing -- hospitals face rising demand and constrained capacity -- and nowhere is this more apparent than in our nation's emergency departments."*

This problem is prevalent on Oahu and is only expected to worsen in the upcoming years. The biggest, busiest and highest level trauma care ER in Hawaii (the Queen's Medical Center) has recently undergone a major renovation and expansion to accommodate current and future capacity projections. Their capacity projections for 5 – 7 years into the future have already been exceeded. Also, all of the Oahu ER's are experiencing an increased amount of time on divert status (i.e. inability to accept more patients due to reaching capacity of ER facility). Kuakini's renovation and expansion will not have a negative effect on other providers since it will help decrease the overall community problem of ER diversions due to the limited capacity of the available facilities.

Since Kuakini's customer and payor base is predominantly elderly and Medicare respectively, it will be imperative for Kuakini to be prepared with suitable facilities to meet the projected increase demand and utilization of ER services by the growing aged Oahu population. The ER renovation and expansion will not only improve our existing healthcare system but it will improve community access to Kuakini's ER by allowing more patients of the area (in particular the elderly, low income persons, racial and ethnic minorities, women, persons with disabilities, and other underserved groups) to access and receive

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emergency care at any given time and on a more timely basis. Kuakini's ER and Medical Center services are accessible to all of the people of Hawaii.

**Quality of Service/Care**

Kuakini must comply with a multitude of applicable Federal and State laws and regulations as well as voluntarily meeting accreditation standards of the Joint Commission of Accredited Healthcare Organizations (JCAHO). Kuakini is accredited by JCAHO and is a certified Medicare and Medicaid facility. Kuakini's detailed operational policies and procedures ensure quality of care. Also, quality of care is supported through Kuakini's clinical pathways, well-defined job descriptions for staff, continuous performance improvement program, ongoing physician and employee education/training, and bylaws governing the physicians on the Medical Staff.

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**Cost and Finances**

The ER renovation and expansion project will have a minimal impact on the overall costs of health care services for the community as it will be entirely funded by Kuakini's existing capital resources, existing operating funds, and fundraising donations. Attachment 4 shows the amount of funds available for this project.

This project will be cost-effective as it utilizes existing space, current staff, and other existing resources within Kuakini.

In terms of ongoing costs and reimbursement, Kuakini is anticipating it's ER visits to continue to increase in the future and this will directly result in increased inpatient admissions. Approximately 60% of Kuakini's ER visits result in hospital admissions. The ER is one of the few hospital services that is able to create a positive margin for the Medical Center. Attachment 5 is a financial projection for the next 3 years of operations.

**Relationship to the Existing Healthcare System**

This ER Project will meet the needs of Kuakini's patient population and the community it serves by increasing the capacity and availability of our ER. This will also decrease the amount of time the ER is on divert as well as the amount of time a patient will have to wait to be seen.

This project is also consistent with Kuakini's *Mission* to improve the health status of the community by:

- providing comprehensive health care services and programs at reasonable cost,
- continuously improving the quality of health care services and programs,
- encouraging clinical research,
- supporting training and educational programs for health care personnel, and
- offering community service programs.

This project also exemplifies *Kuakini's Core Values* of:

- Quality: Commitment to excellence
- Caring: Concern for the well-being of people and human values
- Ownership: Kuakini's viability is everyone's responsibility; stewardship
- Pride: Taking personal pride in our work and actions
- Teamwork: Supporting the Kuakini Health Care Team to achieve positive results and quality outcomes
- Respect: Treating people with dignity, fairness and courtesy
- Responsibility: Being accountable for our work and actions

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**Availability of Resources**

Financing has already been secured through a 2002 tax exempt revenue bond offering and fundraising activities through the Kuakini Foundation. Operational revenues will be utilized to service the debt service requirements related to the ER Project and the ongoing operational costs of the new Emergency Services facilities. See Attachment 4 and 5 for more information.

The ER is staffed by one contracted physician per shift specializing in emergency medicine, and two to four registered nurses (based on caseload), one emergency technician, and one clerical staff per shift. When the project is completed, we do not anticipate the need to hire new staff immediately. Staffing will be increased based on the increased utilization and caseload of the ER. The ER team provides services to an average of 964 patients per month.

Kuakini's ER also serves as one of the training sites for the University of Hawaii John A. Burns School of Medicine's medical students, and the Hawaii Residency Program's Medical, Surgical, and Transitional residents.

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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 healthcare system.

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**Kuakini Medical Center**

**Location Information**

347 North Kuakini Street  
Honolulu, Hawaii 96817

Phone number: 808-547-9231  
Fax number: 808-547-9547

**Officers of the Organization:**

Gary Kajiwara  
President and Chief Executive Officer  
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Gregg Oishi  
Senior Vice-President and Chief Operating Officer  
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