



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number #06-19A

Applicant: Paradise Recovery, LLC
1050 Bishop Street, #162
Honolulu, HI
Phone: 808 375-4056

Project Title: Establishment of 8 Special Treatment Facility beds

Project Address: 7017 Kalaniana'ole Hwy., Honolulu, HI

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

Public _____
Private X
Non-profit _____
For-profit X
Individual _____
Corporation _____
Partnership _____
Limited Liability Corporation (LLC) X
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: X
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) **See Attachment 1**
- 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.) **A STF license issued by DOH, Office of Healthcare Assurance.**
- C. Your governing body: list by names, titles and address/phone numbers **See Attachment 6**
- 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 **Not required for a LLC**
 - Partnership Agreements **See Attachment 3**
 - Tax Key Number (project's location) **See Attachment 4**

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	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
Skilled Treatment Facility (STF)	0	8	8

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	<u>\$3,000</u>
5.	Financing Costs	_____
6.	Fair Market Value of assets acquired by lease, rent, donation, etc.	<u>\$1,620,550</u>
7.	Other: <u>Furnishings & Lease Cost</u>	<u>\$30,000</u>

TOTAL PROJECT COST: \$1,653,550

B. Source of Funds

1.	Cash	<u>\$ 33,000</u>
2.	State Appropriations	_____
3.	Other Grants	_____
4.	Fund Drive	_____
5.	Debt	_____
6.	Other: <u>Fair market value to be paid by lease payment</u>	<u>\$1,620,550</u>

TOTAL SOURCE OF FUNDS: \$1,653,550

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.

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We will be utilizing an executive home in Hawaii Kai for a 24 hour, private, for profit residential addiction recovery and health rejuvenation program for adult men and women. Clients will be self-referred or by their physician, therapist or interventionist. Our initial project calls for an 8-bed special treatment facility.

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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

The lease agreement began on June 07, 2006.

b) Dates by which other government approvals/permits will be applied for and received

We plan to apply for our state license on or before July 14, 2006 and plan to be in receipt of license by August 01, 2006.

c) Dates by which financing is assured for the project

Financing has been secured and assured by the co-founders of Paradise Recovery, LLC.

d) Date construction will commence

No construction necessary.

e) Length of construction period

No construction necessary.

f) Date of completion of the project

N/A

g) Date of commencement of operation

Paradise Recovery is hopefully accepting its first client on August, 2006.

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.

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STATE OF HAWAII
Paradise Recovery, LLC is requesting a CON for a 8-bed Special Treatment Facility to be utilized for extended care residential addiction recovery and health rejuvenation. We are based on Oahu, but serving all the Hawaiian Islands. These services will address needs related to substance abuse, affective disorders, relationship difficulties, career stress and performance concerns and other major psychiatric disorders as related to their substance addiction. We intend to service the needs of high-profile and executive persons and their families. These are individuals who may be in the public eye and who would not be comfortable attending one of the few, current community-based programs for addiction recovery. Instead, they would prefer a private setting, where their anonymity would be preserved. Currently, most of these individuals choose the mainland for their residential recovery needs, or simply do not seek treatment. We intend to reduce the number of out-of-state admissions and treatment, while including family and local private clinical resources.

The following description will meet each of the Certificate of Need criterion listed below:

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

- Paradise Recovery will be part of a comprehensive spectrum of care. Addictions treatment may require an array of care that includes: outpatient treatment, acute inpatient treatment, as well as long and short-term residential treatment. Paradise Recovery will fulfill the need of an intermediate-term residential treatment experience. We plan to work alongside other addiction recovery providers in the State to ensure a seamless provision of support and services.
- Paradise Recovery will strive to provide the best continuity of care available in the State of Hawaii. We will work with the patient's outpatient providers and referring clinicians to provide a seamless transition back to community supportive services and to ensure positive outcomes in the area of relapse/recidivism.
- Paradise Recovery will be accessible to all residents of the area, including the elderly, low income persons, racial/ethnic minorities, women, persons with disabilities and other underserved groups. We will not seek reimbursement from local insurance and state resources. We plan to assist clients to apply for insurance reimbursement for fees incurred.
- Paradise Recovery will reduce the incidence of physical and mental illness caused by, or in association with, addiction. In turn, this reduces the risk of injury and/or violence that is often the outcome of addictive behaviors. There is a

known high mortality rate among persons addicted to toxic substances (e.g. crystal methamphetamine), mortality/morbidity either related directly to the drug or by an associated trauma (e.g. MVAs, domestic violence, incarceration, etc.). We've designed our program philosophy and treatment to reflect the 12-Step principles the theoretical underpinnings of Positive Psychology, character building measures, as well as a psycho-aesthetics (Spa elements) to integrate a mind, body and spiritual path towards health and recovery from addiction. Positive Psychology aims to build personal character and instill values/virtues to enhance health-focused practices. This is different from other programs that strictly use a 12-Step method, in which the individual is taught that they are "without power" and unable to make change on their own. Positive Psychology seeks to empower the individual and to disconfirm pathogenic beliefs and have the ego strength to overcome their addictive behaviors.

- We have designed patient satisfaction surveys and point-of-service surveys that will be completed by patients throughout their course of treatment. Program improvements will be considered in response to survey feedback.

b) Need and Accessibility

The target population for Paradise Recovery is adults aged eighteen (18) and up. The clients' primary issue will likely include substance addiction or other addictive behaviors. The project will accept referrals from all areas within the state of Hawaii, including the Pacific Rim. The average length of service is 30-90 days, with a strong consideration on the individual recovery needs of each client. It is estimated nationally that 1 in 9 individuals have a substance abuse disorder (SAMHSA, 2003-4). Extrapolating these figures to the Hawaii population, there are over 100,000 individuals within the state of Hawaii who have a substance abuse problem. Currently, there are few residential treatment options for residents of Hawaii. There are no options in the state available for individuals seeking a more private, individually-focused treatment that provides significant anonymity. Paradise Recovery is targeting executive and professional clientele, and those persons desiring a private luxurious treatment setting. A demographic example would be: there are approximately 3,600 physicians in the state of Hawaii. Using the above incidence ratio, approximately 400 physicians are currently in need of substance abuse treatment alone in the State of Hawaii. We can only offer 8 treatment beds at this time, although it is clear that more are needed. This example expresses a small percentage of the overall groups of targeted clients that Paradise Recovery would serve and who would need treatment.

We plan to design a program within our organization that would address the addiction recovery needs of low income persons in the State of Hawaii. We will explore outreach services that would assist low income clients, providing assessment, information, referral and guidance towards recovery in their communities.

c) Quality of Service/Care

Paradise Recovery will improve the quality of care by:

- Providing specialized treatment and addressing the specific needs of persons struggling with addictions. Through the expertise of a multi-disciplinary team: a licensed psychiatrist, psychologist, clinical social workers, certified substance abuse counselors, registered nurses, dietician, activity coordinator and recovery coaches.
- Staffing to client ratios will be 1:4 minimum.
- Providing a comprehensive psychiatric evaluation to the client. The psychiatric evaluation and continuing assessment will drive any pharmacologic interventions as necessary.
- Provide a medication regimen and management plan along with nursing assessment and monitoring of clients who may be experiencing withdrawal symptoms.
- Delivering individualized treatment through the use of cognitive behavioral therapy in individual and group settings.
- Maintain appropriate staff to client ratios.
- Ensure the participation of family members in treatment, when appropriate.
- Ensuring community safety, while providing a structured environment in which the individual can be maintained in a least restrictive and appropriate setting.
- Providing services in a home-like atmosphere.
- Establish quality improvement through identified performance improvement measures, as provided by the leadership team. We are establishing a Quality Assurance Plan along with client satisfaction surveys.
- High standards for treatment outcomes measures by using empirically-based models of treatment, effective supervision structures, and aftercare contacts.
- High standards for client satisfaction and work diligently as a team to ensure a high degree of satisfaction (reflecting the hospitality "Aloha spirit," and first-class accommodations).
- Providing staff trainings and ongoing, regularly occurring competencies for staff. Training will occur on a recurring basis and will address the following: the tenants of Positive Psychology and Cognitive Behavioral Therapy, medication management, DSM-IV TR diagnosis and treatment, self-care practices, substance abuse treatment and management, dual diagnosis, hospitality and customer care, CPR and first aid, cultural competency, and confidentiality/HIPAA training. Training will ensure that staff understands the goals of the treatment program, their roles in achieving the program goals, and the best practices to be followed for individualized treatment within the program. Staff surveys, incident reviews, and staff meetings will help to identify additional training needs and areas of interest.
- We will become members of the National Association of Addiction Treatment Providers and be actively involved in their association-sponsored conferences.
- The following staff will be required to have a current Hawaii state license: psychiatrists, psychologists, clinical social workers and registered nurses. Our substance abuse counselors will be certified by the State of Hawaii. Our chef will have ACF accreditation. All other non-licensed staff will participate in in-house trainings prior to having contact with clients. The trainings will be facilitated by Dr. Heran and Dr. Neuhaus, co-founders of Paradise Recovery. Regular clinical and administrative supervision will be provided by the leadership team. All staff will have a current CPR certification.

d) Cost and Finances (include revenue/cost projections for the first and third-year of operation)

The bed day rate will be \$2,000.00. This covers all expenses related to the care of the client, including but not limited to comprehensive psychiatric and multidisciplinary assessment, medication and medical monitoring, therapeutic and clinical costs, room, board, all meals, spa treatments and planned activities or outings.

It is projected that there will be just under 4 clients per day on average over the first full year of operation (Aug 1- July 31, 2007). This amounts to \$2,040,000 in projected revenue. Costs will be approximately \$1,033,028 over the same period. It is anticipated that there will be an average daily census of 7 clients in year number 3. This amounts to \$5,160,000 in gross revenue. Total expenses for the year are anticipated to be \$1,780,599.

Because start-up costs are relatively low, less than \$80,000, all costs will be borne by the members of the LLC from personal funds. Outside funding sources will not be required.

A percentage of the profits will be set aside for business expansion, outcome studies, research initiatives, employee profit sharing, and worthy community/charitable causes.

Alternatives for this level of treatment with this type of setting and treatment programming are non-existent in the state of Hawaii. Therefore, clients would be faced with not receiving treatment within the state of Hawaii. The state would unnecessarily lose revenues to alternative programs in California and other mainland states that would otherwise remain in Hawaii. It also provides another avenue for career advancement of mental health professionals within the state of Hawaii. Potentially, the program could attract mental health professionals from the mainland to Hawaii, or may entice mental health professionals to stay in Hawaii who would otherwise have left for mainland opportunities.

e) Relationship to the existing health care system

Paradise Recovery, LLC will work mostly with private practice clinicians, physicians, certified substance abuse practitioners in the community, as well as existing residential addiction treatment facilities within the state (not everyone who is identified as needing treatment will desire treatment in our facility. Those individuals will be referred to other existing programs for the possibility of admission). Internists will be contracted to provide non-emergent medical care, thereby reducing the burden on local emergency rooms. The facility will help fill the gap for the identified population between outpatient care and inpatient treatment. Hopefully, this will reduce the need for acute inpatient psychiatric admissions. However, if an individual becomes acutely psychiatrically unstable, they will be referred for admission to a local psychiatric hospital. We would help coordinate any transfer of care.

f) Availability of Resources

Paradise Recovery is a new residential treatment program but the staff members are of the highest quality, caliber and experience. The leadership team is comprised of all licensed individuals in the state of Hawaii. Our core treatment staff has over 85 years of combined clinical experience, much of it within the state of Hawaii. There are two co-founders who will be

an integral part of the treatment and leadership of the program. One co-founder, CEO, has a PhD in clinical social work. He has 16 years of experience in the mental health and addiction recovery fields. He also has leadership experience as an executive team member of a local psychiatric hospital and is the clinical director of a specialized treatment facility for sexually abusive youth. The other co-founder, the medical director, is a licensed M.D. with specialization in Psychiatry, Child Psychiatry and Adolescent Psychiatry. He has 14 years of experience in the mental health field, specifically focused on the treatment of the people of Hawaii. He is also the medical director of a local special treatment facility. The clinical director of Paradise recovery is a licensed clinical psychologist in the state of Hawaii with 15 years of experience in Hawaii. His doctoral dissertation was on substance abuse in individuals with post-traumatic stress disorder. He also has experience as an executive team member of a local psychiatric hospital as well as clinical director experience in a major state health department. The certified substance abuse counselor (CSAC) has 15 years of experience in the addictions field. He has a specialty in treating high-profile clients and has been a consultant with the military regarding high-ranking individuals as well as other executive corporations. The consulting psychiatrists are both ASAM certified and have another combined 25 years of experience in psychiatry and addiction-related medicine.

The staffing structure for the first year of operation will be as follows:

<u>Position</u>	<u>FTE</u>
- Director	.67
- Certified SAC	1.0
- Overnight Staff	1.75
- Activities Coord.	.5
- Chef	.75
- Recovery Coach	2.4

We have already recruited and offered employment to the above staff. For future vacancies we plan to advertise in local statewide newspapers, contacts through DOH/ADAD, and other publications. We do not anticipate any difficulty hiring qualified staff, since the co-founders are well connected in the mental healthcare community here in Hawaii.

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g) 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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