



## HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

### ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 06-20A

Applicant: Kauai Care Center, LLC  
970 Fifth Avenue NW  
Issaquah, WA 98027

Phone: 425-392-4066

Project Title: Expansion and addition of 15 Intermediate Care/Skilled  
Nursing Facility (ICF/SNF) beds

Project Address: 9641 & 9631 Waena Road, 4578 Waimea Canyon Drive  
and 9722 Huakai Road, Waimea, Hawaii

1. TYPE OF 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: \_\_\_\_\_

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3. DOCUMENTATION (Please attach the following to your application form):

- A. Site Control documentation (e.g. lease/purchase agreement, DROA agreement, letter of intent)
- 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.)
- C. Your governing body: list by names, titles and address/phone numbers
- 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
  - By-Laws
  - Partnership Agreements
  - Tax Key Number (project's location)

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					

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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
ICF/SNF	38 (reducing by 5)	20 (net -15 with shift)	53
<b>TOTAL</b>	<b>33</b>	<b>20</b>	<b>53</b>

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

<b>A. List All Project Costs:</b>	<b>AMOUNT:</b>
1. Land Acquisition	<u>\$1,309,000.00</u>
2. Construction Contract	<u>\$2,130,540.00</u>
3. Fixed Equipment	<u>\$200,000.00</u>
4. Movable Equipment	<u>\$ 75,000.00</u>
5. Financing Costs	<u>\$ 50,000.00</u>
6. Fair Market Value of assets acquired by lease, rent, donation, etc.	<u>NA</u>
7. Other: Architect/engineering, County fees, insurance, etc.	<u>\$216,240.00</u>
<b>TOTAL PROJECT COST:</b>	<b><u>\$3,980,780.00</u></b>

**B. Source of Funds**

1. Cash	<u>\$1,309,000.00</u>
2. State Appropriations	_____
3. Other Grants	_____
4. Fund Drive	_____
5. Debt	<u>\$2,671,780.00</u>
6. Other:	_____
<b>TOTAL SOURCE OF FUNDS:</b>	<b><u>\$3,980,780.00</u></b>

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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.

N/A

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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,
- 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.

Implementation Schedule		
Item	Projected Implementation	Projected Completion
Site Control	Final piece of property acquired in April 2006	
Land Use Application	To be filed for lot consolidation in July of 2006. Land use application to follow by August of 2006	REPLACEMENT PAGE
Design Development	Currently in design phase and to be completed in July 2006	
Building Permit	Application to be submitted in October of 2006	
Review of Plans by D.O.H.	Preliminary plans to be submitted for critique in June of 2006 and for final approval by October of 2006	

Secure Financing	Financing commitment by August of 2006	
Construction Commencement	Construction to begin in March of 2007	
Completion of Project	The facility will be completed by November of 2007	RECEIVED 06 SEP -8 10:52
Commencement of Operation	Subject to licensing and Occupancy Permit December of 2007	ST by L & DEV TUL... 7/20/06

9. **EXECUTIVE SUMMARY:** Please present a brief summary of your project. In addition, provide a description of how your project meets each of the certificates 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.

Kauai Care Center LLC, (Regency Pacific, Inc., manager) proposes to construct 20 additional beds to the properties purchased adjacent to its current locations, to alleviate a shortage of these beds on Kauai particularly to the west side area. The proposed annex will be self contained as a distinct unit but still in a juxtaposition to be accessible and utilized as an integral part of the whole facility. The net gain will be 15 new beds as a result of retiring 5 beds in the existing facility. A major quality care consideration within this proposal is reducing existing four bed wards in the existing facility to 3 bed wards. The project also includes relocation of the kitchen, adding a second dining room, additional day lounge, director of nursing office, nursing station, medical records office, therapy suite, laundry facility and multiple other support areas. Kauai's elder population is increasing. The west side elder population's need for elder care is also high because of the absence of the children in the area. Children have relocated to other parts of the island, state and/or to the mainland. The waiting list at Kauai Care Center is averaging from 10 -18 individuals. Referrals are received from Queen's Hospital, Wilcox Memorial Hospital, and Kauai Veterans' Hospital.

Unique to Kauai Care Center, LLC is that we are willing to care for dialysis individuals whose families are unable to transport to the St. Francis Dialysis Center.

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**a) Relationship to the Hawai'i Health Performance Plan**

This project relates to the following state wide priorities outlined in its plan:

- a. *Increase access to cost-effective health care services, especially services*

*that reduce the overall cost to the community through prevention and better health management, by providing financial resources and incentives that encourage their use. Encourage built-in incentives for the community-based delivery system that emphasize preventive care and proactive management of disease. Foster the shift to prevention-focused managed care through the delivery of individual health care according to an individual's needs, beyond the existing limits of "health" maintenance. Prevention and early intervention target especially the areas of heart disease/stroke, cancer and diabetes.*

In SHPDA's *Hawaii Health Performance Plan* using 2004 data, the County of Kauai reflects an average long term care census of 74.6 percent. Whereas these statistics can not be disputed, they are skewed. During this period Wilcox Hospital Long Term Care was sold to Ohana Management which has since changed its name to Garden Isle Health Care. Due to variable circumstances during that transition the census at that facility dropped to 38.11 percent average daily census. This obviously reflects in the over all Kauai census dropping it to the 74.6 percent level. According to a Garden Isle Health Care representative the facility as of August 15, 2006 have only two vacancies. That would translate to a 98.18 percent occupancy rate. During 2004 all other long term care facilities on Kauai were experiencing a range of 96.2 to 98.9 percent occupancy rate. This trend has continued for all facilities with Kauai Care Center averaging a 98% plus occupancy rate for the years 2004, 2005 and the first 8 months of 2006. Wilcox Hospital and Kauai Veterans Memorial Hospital both report waiting lists for their Long Term Care beds.

These statistics corroborate a need for a modest increase in Long Term Care beds on Kauai, especially in West Kauai, and exceeds the *Hawaii Health Care Performance Plan* threshold of 95 percent average occupancy utilization.

This project will increase access to the appropriate and cost-effective healthcare services through prevention or minimization of the extend stay of long term care patients in the acute care setting. In addition, it will provide much needed long term care beds for Kauai west residents who are ready to return home from Oahu acute care hospitals requiring rehabilitation from heart disease events, strokes, cancer therapy and post hip/knee surgeries. It will relieve acute care beds being occupied by long term care residents awaiting placement for nursing home care.

Obtaining Medicare Certification will also enable Kauai Care Center to keep residents whose level of care requires Skilled Nursing Care in their current bed or location. This will prevent undue or unnecessary moves of these residents to a different setting.

#### **b) Need and Accessibility**

*b. Foster the development of care delivery systems for the elderly and chronically ill populations to provide effective management of their health and quality of life and in turn significantly reduce the heavy financial and social burden to their families and to the community. The elements of these care delivery systems*

*include such services as prevention, screening and education, home support, respite, assisted living, and long-term care.*

The present Long term Care bed utilization in Kauai County was discussed in previous narrative. In summary, the average Long Term Care Facility is exceeding a 95 percent annual occupancy rate. What has not been reflected upon is the future need as the demographics of Kauai increase annually. It is estimated by several sources, not the least of which is the Hawaii Executive Office on Aging that up to 14% of Hawaii's 1.2 million populations are seniors. Also reported is that by 2020, 2.6% of the Hawaiian population will be 85 years of age or older. The Department of Business, Economic Development and Tourism projects that Kauai's general population will increase by 16% by 2015. Since 2000 to present, the growth rate on Kauai has justified such a projection with a current estimate of 77,000 permanent residents. The year 2000 USA Census report indicates that Hawaii's over age 85 populations surged 69% compared to a national average of 39%. In 2000 there were 1400 Kauai residents over 85 years of age. If the 16% growth rate projection is consistent for the senior population that would mean the 2006 over age 85 population is now 1624. SHPDA data shows that the occupancy rates for Kauai's Long Term Care beds grew accordingly since 2000; 2000 to 2003 – 13.2% (2004 was an anomaly), 2003 to 2006 – 7.7%. This represents an increase of 20.9% growth in the bed utilization. It is a reasonable assumption to project that with this increase in the general and aged population, Long Term Care Facilities presently at capacity will need to plan for future needs. Kauai Care Center's increase of 15 beds will only represent a modest dent in the demand for a short duration.

The existing facility has served its patients well by a very attentive staff but has short comings in the physical facility. It is limited in adequate space for therapies, medical records, DNS office and with additional beds will need a replacement kitchen, dining, laundry facility and other support areas. A supplemental dining, activities and day room will accommodate the additional 15 beds. To further enhance Kauai Care Center's functionality a conversion of existing facility space shall be utilized accordingly; the existing kitchen shall be stripped of equipment and remodeled to be used as an employee report and break room, the inadequate laundry facility shall be stripped of its equipment and become an equipment storage room. To enhance patient quality of life, in addition to eliminating four bed wards, all existing patient rooms shall be equipped with new furniture. The entire facility will have a cosmetic make over with floor treatments, paint, wall coverings and window treatments.

It is the intent and practice of Kauai Care Center to always offer its patient care to any and all residents of Kauai who are in need and desire the services and accommodations we offer. Our admissions policies restrict discrimination against placement of an individual for any reason other than our inability to care for the person by level of care, staffing unavailability or gender bed vacancy. The level of Medicaid residents versus private paying clients in our facility is overwhelmingly indicative of lower income client placement. Presently and historically, the private census has only amounted to 6% of the total. Albeit, a new facility could have an impact on additional private paying admission requests. If such is the case, beds shall be assigned on a first come, first



serve basis. The exception to such a policy would be any bed that might be Medicare Certified for restricted use.

Beyond discrimination laws and policies, Kauai Care Center has been deeply committed to local cultural and ethnic mores and has always strived to maintain a comfort level for any resident by respecting them as individuals. Our nondiscrimination policy is very visually evident in actual patient placement and hiring practices of any eligible person. The facility does not record ethnic origin but all appearances would indicate that the patient census is a reflection of the West Kauai population which is basically 70% Oriental/Pacific Islander to 30% Caucasian/Other. All residents of the area are likely to have access to our services. Sometimes narrative alone is not adequate to witnessed practice.

Providing skilled nursing care in an appropriate setting improves the healthcare management of patients. Patients waiting for Long Term Care placement are occupying beds that could be available for patients who truly need acute care. This will potentially decrease the cost for insurance providers and/or financial burden to families and improve the accessibility of care to residents and assures the care is provided at the most appropriate cost.

Long Term Care facilities focus primarily on the care for the elderly and have developed systems and processes that assist these residents to better understand their conditions and participate in their care decisions as appropriate. In addition, the staff of Kauai Care Center has been specifically trained in the needs and care of the older person. The Hawaii Office of Quality Assurance has provided favorable licensing reports regarding Kauai Care Center's performance and care over several years. Kauai Care Center has been in a position to provide effective management of the health care and quality of life for this elderly segment of the population. The availability of Medicare beds will significantly reduce the heavy financial and social burden to families and the community.

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

Kauai Care Center, provider # 028544, is not an accredited facility and operates only under licensure # 51-N of the State of Hawaii, Department of Health, Office of Health Care Assurance. The facility is corporate monitored for quality assurance and has the support of the management entity, Regency Pacific, Inc. Corporate nursing and management teams visit the facility regularly and offer consulting services at all times. Regency Pacific, Inc. offers our administrators the benefit of accounting, marketing, nursing, legal, human resources, project development, uniform policies and procedures plus purchasing services. Regency's pool of 50 SNF/ICF and Assisted Living Facilities on the West Coast and Hawaii offer a wide network of support. Quality Assurance Policies and Procedures are reviewed annually or as needed for amendment and change as per state & federal regulation and corporate policy.

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Kauai Care Center has been proven to provide quality of service and compassionate care as demonstrated by many years of positive reports from licensing agencies, feedback from the community, physicians and by families. A further indication of acceptance and support from the community is demonstrated by maintaining full occupancy for many years. Currently, there is an average of ten (10) to sixteen (16) elderly waitlisted for admission to Kauai Care Center.

Presently, Kauai Care Center has an agreement with Kauai Veteran's Memorial Hospital to provide rehabilitation care and treatment as requested by the physician of the residents. Kauai Care Center's proximity to the hospital's emergency department, dialysis center, physician's offices, Fire & Police Departments of Kauai County makes Kauai Care Center ideal for the delivery of care for the elderly of West Kauai.

#### **d) Cost and Finances**

See attached financial projections. The first year projected budget anticipates adequate staffing availability either permanent or temporary. If the recruitment plan is not accomplished, admissions will be delayed until such time as adequate staffing is in place. It is anticipated that the potential for some additional loss in the first year of operations could occur to allow for staff recruitment and training. Kauai Holdings, LLC is in a position to assure financial shortfalls will be covered.

#### **e) Relationship to the existing healthcare system**

Kauai Care Center nursing facility has been in operation by James L. Clay on West Kauai since 1984. The 38 residents require the care and services provided by licensed nurses and certified nurse's aides. Referrals come from the neighboring hospital (Kauai Veteran's Hospital, also with 20 long term care beds), physician's offices, Office of Elderly Affairs, Nursing without Walls, Wilcox Memorial Hospital and Adult Protective Services. This project will allow us to also accept referrals for returning Westside residents from Queen's and Straub Hospitals, who may have been a victim of stroke, extensive bone surgeries, etc. and of whom cannot be accommodated at the neighboring long term care facility because of its shortage of available LTC beds.

Being in close proximity with the Kauai Veteran's Memorial Hospital and the Dialysis Center gives Kauai Care Center an advantage and opportunity to work collaboratively with them. To my knowledge, Kauai Care Center is the only free standing facility who admits and transports dialysis patients without additional burden or cost to the patient or family.

#### **f) Availability of Resources**

One of the biggest challenges in developing additional long term care, especially skilled care is the availability of licensed, skilled, nursing staff. Kauai Care Center's current administrator has collaborated with the Kauai Filipino Chamber of Commerce to provide

nursing review classes to prepare graduates both from Kauai Community College Nursing Program and From Philippine Universities for employment. Currently, Kauai Care Center has adequate licensed nurses.

A projected staffing pattern is being submitted as a separate exhibit. The budget reflects a 96% occupancy for the new total of 53 beds. In consideration of recruitment issues regarding Registered Nurses, Kauai Care Center will not admit new residents until positions have been filled. However, if recruiting efforts fail, Regency Pacific's Registered Nurse pool can fill in on a temporary basis. The Field Operations Manager for our Hawaii facilities is a Registered Nurse licensed in Hawaii who has performed such services in the past.

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As mentioned previously, several lending institutions have expressed an interest in financing this project. One letter of intent is being submitted with this application. In addition, various financial statements in respect to the umbrella corporation, Regency Pacific, Inc., and its entities are being submitted.

**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.