



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 06-27A

Applicant: Palolo Chinese Home
2459 10th Avenue
Honolulu, Hawaii 96816

Phone: 808 732-0488

Project Title: Addition of 18 SNF/ICF beds

Project Address: 2459 10th Avenue, Honolulu, Hawaii

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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2. PROJECT LOCATION INFORMATION

A. Primary Service Area(s) of Project: (please check all applicable)

Statewide: _____
O`ahu-wide: X
Honolulu: X
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 A**
- B. A listing of all other permits or approvals from other government bodies (federal, state, county) that will be required before this proposal can be implemented (such as building permit, land use permit, etc.) **See Attachment B**
- C. Your governing body: list by names, titles and address/phone numbers **See Attachment C**
- 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)

An Administrative CON was filed in April 2006. Required documents are currently on file with SHPDA.

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.

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	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
SNF/ICF	27	18	45
ICF-only	15	0	15
TOTAL	42	18	60

6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All Project Costs:	AMOUNT:
1. Land Acquisition	_____ --
2. Construction Contract	RECEIVED \$ <u>1,702,702</u>
3. Fixed Equipment '06	OCT 13 P12:17 _____ --
4. Movable Equipment	_____ --
5. Financing Costs	ST. HEATH PLANNING & DEV. AGENCY _____ --
6. Fair Market Value of assets acquired by lease, rent, donation, etc.	_____ --
7. Other: <u>Fees and Permits</u>	\$ _____ --
TOTAL PROJECT COST:	\$ <u>1,702,702</u>

B. Source of Funds *	
1. Cash	_____ --
2. State Appropriations	\$ _____ --
3. Other Grants	\$ _____ --
4. Fund Drive	_____ --
5. Debt	\$ <u>1,702,702</u>
6. Other: _____	\$ _____ --
TOTAL SOURCE OF FUNDS:	<u>\$ 1,702,702</u>

*Total Source of Funds is for the entire Phase II Expansion Costs which include the campus infrastructure (road, sewer, water, drainage, etc) and the food service complex, rehabilitation area, the wellness center, and the additional SNF/ICF beds is \$12,439,313. The capitol cost for the 18 SNF/ICF beds portion is \$1,702,702.

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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.

Addition of 18 ICF/SNF Beds

- 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

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See Attachment D for Implementation Schedule

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.

- 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.

Executive Summary

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Palolo Chinese Home (PCH) is requesting approval to add 18 SNF/ICF beds which will increase PCH's bed capacity from 27 to 45 SNF/ICF beds. PCH also has 15 ICF-only beds. The proposed bed increase will allow PCH to meet the growing demands of the elderly population for long term care assistance.

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Palolo Chinese Home is a private, not-for-profit 501(c) (3) charitable organization, whose mission is to aid the aged in Hawaii, regardless of race, religion, nationality, ethnic origin or gender. Originated in 1896 by a group of Chinese immigrants to care for its fellow retirees, PCH is one of Hawaii's oldest and largest adult residential care homes (ARCH). PCH established its permanent residence on 15 acres of land in Palolo Valley in 1917. Today, Palolo Chinese Home has 50 licensed ARCH beds of which 10 are for expanded care, 27 SNF/ICF swing beds, 15 ICF-only beds, and an adult day care center that can accommodate 30 clients per day. PCH serves all seniors, and provides a continuum of care services. Besides offering residential care and adult day services, PCH also has overnight respite care, and prepares 28,000 hot meals each year for individuals living at home through the local Meals-on-Wheels and its own Meals-to-Go delivery programs.

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Beginning in 2002, PCH embarked on a redevelopment campaign to renovate aging buildings and build additional facilities and programs on its campus. PCH has completed the renovation of the existing adult residential care and nursing home facility and adult day care center in Phase I of the project. It is now positioned to begin Phase II of the construction which includes the campus infrastructure (road, sewer, drainage, water, etc), food service complex, rehabilitation area, wellness center, and additional SNF/ICF beds. PCH will be adding the 18 SNF/ICF beds on the third floor of the food service complex in this construction phase.

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

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Palolo Chinese Home's 18 SNF/ICF bed increase meets the priorities for Honolulu and the State, as outlined in the Hawaii Health Performance Plan (H2P2):

- 1) Increase geriatric services to the growing elderly population;
- 2) Foster the development of care delivery systems for the elderly and chronically ill population to provide effective management of their health and quality of life.

This application for the additional beds is part of PCH's planned campus and programs' growth which will provide a continuum of quality services to Hawaii's elder community. The overall plan offers a wide range of services ranging from adult day care, respite care, meals program in the community, to inpatient residential services that foster aging-in-place. These are services and programs that meet the needs of the growing elderly population and provide different options that provide effective management of their health and quality of life. Palolo Chinese Home has remained committed to the founders' vision and values in providing cost effective quality care, helping families, and promoting health and wellness.

Hawaii has an acute shortage of long term care beds. According to the State Health Planning and Development Agency's Health Care Utilization Report 2004 Data, the overall average occupancy rate for SNF/ICF beds on Oahu was 94.94%. However, in review of the metropolitan Honolulu facilities located within the 15 miles radius of Palolo Chinese Home, these facilities' occupancy rate exceeds SPHDA's capacity threshold of 95%. For example, Leahi Hospital in PCH's immediate Kapahulu/Kaimuki districts reported 99.29% occupancy; Maunalani Nursing Center was 96.38%. A few miles away, the Island Nursing Home was 97.43%, and Oahu Care

Facility reported an occupancy rate of 99%. In the Liliha/Kalihi districts, Maluhia and Liliha Health Care Center reported 98.15% and 99.29% respectively. The occupancy rates of these major Honolulu facilities indicate the need for additional SNF/ICF beds.

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B. Needs and Accessibility

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According to the 2003-2007 City and County of Honolulu Office on Aging's State Plan to the U.S. Administration on Aging, there are 169,346 seniors age 65 and older in the State of Hawaii. These seniors represent the fastest growing segment of the state's total population of 1.2 million people. Between 1980 and 1990, this age group increased by 52% while the total population grew by less than 15%. Oahu, the most populated island, is home to 876,156 people according to the 2000 Census. Of this total, 117,737 (13.5%) are over 65 years old. In the next ten years, Hawaii expects to see a large growth among the 60-64 year old group including the first wave of the Baby Boomers (those born between 1946 and 1964). In the 2000 Census, there were 32,712 people between the ages 60-64. By 2010, this number is expected to jump to 55,736 (70.38% increase) due to aging baby boomers. (Hawaii Trends in Hawaii: A Profile on the HealthCare Systems, 4th Edition, 1999) Facing a rapidly aging population, Hawaii is struggling to address their growing socio-economic and health care needs.

In March 2000, Palolo Chinese Home engaged Gerontological Services, Inc. (GSI) a nationally recognized market research group based in Santa Monica, California, to conduct a market study of Hawaii's geriatric services needs. Targeting residents within the 44 square miles vicinity of Palolo Chinese Homes, survey respondents expressed high interest in more elderly housing (76%), and community based services (75%) which include elder day care services, special programs for the Alzheimer clients, information and referral services, home care services, and respite care. The total population in the study area was 384,085. The GSI survey found that Palolo's senior market averaged 80 years of age. Most people in this age market (74%) did not live in multi-generational/family households; 69% had a spouse living with them, 16% lived lone, and 13% lived with family. According to the respondents, the most important factors influencing a possible move into the new Palolo Chinese Home were: Quality of Services (87% deemed it important); Safety/Security (85%); Cost (83%); Availability of Services (79%); and a Nursing home on site (75% say it is important). Based on this market study, PCH embarked on its redevelopment campaign beginning in 2002, to renovate its buildings and build additional facilities, beds, and programs on its campus.

GSI conducted a follow up study for PCH in 2005 and reported that the population in the same market area had increased by 3% since 2000. The population was now at 397,225 (versus 384,085 in 2000). The age 65+ population in the market area increased by 7% from 67,013 (Year 2000) to 71,873 (Year 2005). This cohort is expected to grow an additional 10% to 78,719 between 2005-2010. PCH's expansion plans meet the needs and accessibility by providing a full continuum of care and services that are supportive to the aged and their families. The SNF/ICF beds and other long term care services will be offered to all residents in need of long term care including low-income individuals, all racial and minority groups, people with disabilities and other underserved groups.

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C. Quality of Care/Services

PCH adheres to the Federal and State of Hawaii's regulations and standards in providing the highest quality of care to its residents and outpatient clients. In accordance to the Omnibus Budget Reconciliation Act of 1987 (OBRA'87) and Chapter 94 of the Hawaii Administrative Rules, PCH has established the required policies and procedures to monitor and evaluate the

quality of care. To assist in this endeavor, PCH has active committees such as: Quality Assurance, Infection Control, Pharmaceutical, Transition, and Continuous Quality Indicators which meet on a regularly basis. All of these committees are represented by different disciplines which provide an interdisciplinary team approach in monitoring the quality of care at Palolo Chinese Home. The State Department of Health's Office of Health Care Assurance inspects PCH on an annual basis for licensing compliance and quality assurance.

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D. Cost and Finances (include revenue/cost projections for the first and third year of operations)

The construction cost for the 18 SNF/ICF beds is \$1,702,702. However, the total Phase II construction cost is \$12,439,313. This includes the campus infrastructure, food service complex, SNF/ICF beds, and the wellness and rehab area. PCH's projected revenue for the 18 SNF/ICF bed additions is \$624,150 and the cost is \$ 937,086 for the first year. There is an expected loss in the first year as PCH recruits and train staff, and incrementally fill the beds.

By the third year of operations, PCH projects the additional beds will produce revenue of \$1,248,300 and an operating cost of \$1,039,886. See Attachment E.

E. Relation to the Existing Health Care System Criterion

PCH's proposed SNF/ICF bed increase will improve the availability of long term care beds in the community. There has been an ongoing shortage of long term beds throughout the State, which has created a backlog of waitlisted patients in the acute hospitals. This bed shortage has also placed additional burden on families who are caring for their frail elderly members and requiring more assistance. PCH's project proposal will have a beneficial effect on the overall health care services in the community by providing additional beds. It will help reduce the waitlists in the acute hospitals. PCH also offers other services and programs such as adult day care, meals delivery, respite care and different levels of residential care that provide more alternatives for seniors and their families. No negative impact is foreseen on other long term care providers in the community since their average bed occupancy has been close to 95% on Oahu. (State Health Planning and Development Agency's Health Care Utilization Report 2004 Data).

F. Availability of Resources

Financial Resources

To support PCH's overall expansion plans which include the proposed 18 bed increase, Palolo Chinese Home has embarked on a capital campaign which has raised \$4, 045,267 for this second project phase, and will be securing the remaining balance of \$8,385,046. Funds are being raised through the Community Development Block Grants (CDBGs), the State Legislature, and private donations. Additional financing are being secured from individual contributors, private foundations, bank loans and line of credit, and corporate sponsors.

Human Resources

To staff the additional 18 ICF/SNF beds, PCH will establish a total of 23.4 FTE positions. The specific positions and numbers are as follow:

- 2.8 FTE Licensed Practical Nurses
- 2.8 FTE Registered Nurses
- 1.0 FTE RN/Assistant Director of Nursing
- 1.4 FTE Activity Aide

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15.4 FTE Certified Nurse's Aides

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In Hawaii's current economy with low unemployment and acute nursing staff shortage, recruiting qualified staff is a challenging effort for all health and long-term care facilities, including PCH. However, PCH will ensure to successfully recruit, train and retain the necessary personnel to provide the required staffing coverage for the additional beds and other future services to be offered. Staff recruitment strategies will include: 1) in-house employee referral program, 2) placement of job ads in local and out-state newspapers, health publications, and trade magazines, 3) advertisement in job recruitment websites, and use of other job recruitment resources. PCH will also use the services of traveling nurses as needed until all permanent positions are filled.

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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 health care system.

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