



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number: #07-14A

Applicant: Hale Makua
472 Kaulana Street
Kahului, Hawaii 96732

Phone: 808 871-9217

Project Title: Establishment of Program of All Inclusive Care for the Elderly
(PACE), including Home Health and Adult Day Health services

Project Address: 472 Kaulana Street, Kahului, Maui, HI

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

- Public _____
- Private _____
- Non-profit XX
- For-profit _____
- Individual _____
- Corporation XX
- 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: XX (Island of Maui only)
- 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) **N/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.)

**State of Hawaii approval and submission to CMS – July, 2007
Centers for Medicare & Medicaid Services Approval – April, 2008**

- C. Your governing body: list by names, titles and address/phone numbers
Attached
- 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 **Attached**
 - By-Laws **Attached**
 - Partnership Agreements **Attached**
 - Tax Key Number (project's location) **N/A**

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					
Outpatient Facility				XX	
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
TOTAL			

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6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All Project Costs:

AMOUNT:

- | | |
|---|-------------|
| 1. Land Acquisition | _____0_____ |
| 2. Construction Contract | _____0_____ |
| 3. Fixed Equipment | _____0_____ |
| 4. Movable Equipment | _____0_____ |
| 5. Financing Costs | _____0_____ |
| 6. Fair Market Value of assets acquired by
lease, rent, donation, etc. | _____0_____ |
| 7. Other: _____ | _____ |

TOTAL PROJECT COST: _____0_____

B. Source of Funds

- | | |
|-------------------------|-------------|
| 1. Cash | _____0_____ |
| 2. State Appropriations | _____0_____ |
| 3. Other Grants | _____0_____ |
| 4. Fund Drive | _____0_____ |
| 5. Debt | _____0_____ |
| 6. Other: _____ | _____ |

TOTAL SOURCE OF FUNDS: _____0_____

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***No capital expenditures. Only operational costs will be incurred.**

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.

Maui PACE will utilize existing services on Maui, such as Kaiser's Clinics for outpatient visits (3A), Hale Makua's and Kaiser's Home Health Services (3L), Pharmerica's pharmacy services (3J), Hale Makua's long-term care facilities (3G-I), Maui Memorial Medical Center for acute bed services (1), etc. No new locations are planned. Maui PACE members will be directed to contracted service providers for all of their healthcare needs. Memorandums of Understanding between Maui PACE and these providers have been signed, and copies are attached to this application.

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, **N/A**
- b) Dates by which other government approvals/permits will be applied for and received, **State Approval 07/2007**
CMS Approval 04/2008
- c) Dates by which financing is assured for the project, **04/2008**
- d) Date construction will commence, **N/A**
- e) Length of construction period, **N/A**
- f) Date of completion of the project, **N/A**
- g) Date of commencement of operation **09/2008**

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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.

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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EXECUTIVE SUMMARY

Hale Makua is one of 15 organizations in the United States to receive funding and risk sharing from the Federal Centers for Medicare and Medicaid Services to develop a rural Program of All Inclusive Care for the Elderly (PACE) for Maui. In order to receive funding, Hale Makua must work with the State of Hawaii Department of Human Services to develop an operational plan and proposal which the state must submit for approval to CMS.

PACE, the Program for All-Inclusive Care for the Elderly, provides patient-centered and coordinated care to frail elderly individuals living in the community, including people with both Medicare and Medicaid. The PACE program is already serving beneficiaries in a number of urban areas, and is now broadening care options in rural America.

PACE is a capitated benefit authorized by the Balanced Budget Act of 1997 that provides comprehensive care for acute and long-term care services as well as integrated Medicare and Medicaid financing. All needed medical and supportive services are provided by PACE. The program is able to provide the entire continuum of care and services to seniors with chronic care needs while maintaining their independence in their homes for as long as possible.

In 2005, Hale Makua and Kaiser Permanente funded a study, conducted by consultants from one of the first PACE demonstration programs, to determine the feasibility of establishing PACE for Maui. The study revealed there was a sufficient Medicare and Medicaid (i.e. dual eligible) population to warrant PACE development.

Last year, Congress passed the Deficit Reduction Act which provided for start-up funding and risk sharing for up to 15 rural PACE programs in the nation. The Federal Centers for Medicare and Medicaid Services awarded a federal grant and designation to Hale Makua as part of its efforts to develop cost-effective solutions to the serious lack of alternatives to institutional care. The new Rural PACE Provider Grant Program will provide \$500,000 to Hale Makua to support the coordination of comprehensive care for some of the most vulnerable Medicare and Medicaid beneficiaries living in the service area within Maui County.

Hale Makua has entered into contract negotiations with Kaiser Permanente and other health and human service providers to establish a network of services required by federal PACE regulations. The State Department of Human Services, Adult Services Branch of the MedQuest Division has recently been participating in meetings with Hale Makua and Kaiser.

Hale Makua has completed an implementation plan, including an organizational structure, subcontracts, and a budget, and submitted it to the State of Hawaii for review and approval. It was approved by the State Department of Human Services, and submitted to the Federal Centers for Medicare and Medicaid Services for their review and approval. If all approvals are given, Hale Makua anticipates having Maui PACE operational by September, 2008.

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

The Hawaii Health Performance Plan (H2P2) establishes, in part, the following priorities:

"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.

c. Develop health status benchmarks to facilitate appropriate community based health care delivery systems—that is, the community is the primary focus with government agencies supporting locally developed initiatives and decision-making/resource allocation done at the local level, to the greatest degree possible."

The PACE program establishes a managed care model of care which is based upon early intervention, screening, secondary prevention, family and participant education, linked to an inpatient and outpatient home-based delivery system which has shown to improve health status and significantly reduce hospital days and emergency room care. The model provides families with continuous, ongoing support by providing the elder enrollee with proactive health care management. Respite care, nursing home, and hospitalization are all covered in the program under one consolidated reimbursement system which utilizes home- and community-based services to enhance primary care to the PACE participant and their family.

B. Need and Accessibility

Maui's long-term care continuum of services is under a great strain. The long term care facilities are filled, which continues to contribute to a back up of patients at Maui's only full service acute care hospital. Services which are provided with funds from the Federal Older Americans Act and the State-funded Kupuna Care, such as personal care, homemaker, choremaker, and home-delivered meals, are underfunded and have long waiting lists. Maui Adult Day care does have capacity due to recent expansion in Lahaina and Wailuku, but does not care for persons who need extensive healthcare assistance. Hale Makua's Day Health Program does provide health care and has some limited expansion capability.

The healthcare system for the frail and disabled is fragmented, and to a certain extent, is uncoordinated. For example, if a frail person is discharged from one service to another there is little coordination between the facilities or services after discharge. There are exceptions to this (in models such as Nursing Home Without Walls, and to a certain extent, Expanded Care ARCH and the DHS Foster Family programs) which provide intensive case management for persons needing nursing home care.

Consequently, frail persons are often waiting to leave hospitals and nursing homes because the reimbursement and care delivery systems are not coordinated.

Since the early 1970s, PACE has demonstrated that by accepting financial risk and coordinating care at all levels, frail elderly nursing home eligible persons who are eligible for Medicare and Medicaid

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can be kept at home much longer with greatly reduced utilization of hospital and emergency room days.

The PACE model is centered on the belief that it is better for the well-being of seniors with chronic care needs and their families to be served in the community whenever possible.

PACE serves individuals who are aged 55 or older, certified by their state to need nursing home care, are able to live safely in the community at the time of enrollment, and live in a PACE service area. Although all PACE participants must be certified to need nursing home care to enroll in PACE, only about seven percent of PACE participants reside in a nursing home nationally. If a PACE enrollee does need nursing home care, the PACE program pays for it and continues to coordinate his or her care.

In return for accepting full financial risk for emergency care and acute and nursing facility inpatients, PACE programs are given the flexibility to use federal and state Medicare and Medicaid funds to purchase home- and community-based services (meals, personal care, skilled nursing, therapies, transportation) without concern about the limitations of the Medicare/Medicaid federal restrictions. For example, in the current system, if a person qualifies for Medicare Certified Home Health Care, they must need a skilled service from a licensed nurse or therapist and be "homebound" under federal criteria. Homebound means that the person cannot go anywhere except to see a physician or to attend church. Thus, many home health patients must be discharged when they can go out of their home with assisted transportation because they then no longer meet the definition of "homebound". These individuals often relapse because they don't take their medications, don't see their physician, can't cook for themselves, etc. PACE would not have this restriction and would be extremely vigilant regarding the patient's condition in order to prevent further decline.

C. **Quality of Service/Care**

The Maui PACE Center will be located at Hale Makua's Kahului facility. Hale Makua is licensed as a skilled nursing facility and is surveyed annually by the Department of Health Medicare Certification Branch for federal and state licensure renewal. CMS and the State of Hawaii have numerous requirements for quality of care, both for skilled nursing facilities and for PACE programs. Maui PACE will follow all such requirements, including the development and implementation of a Quality Assurance/Performance Improvement Plan. Excerpts from the Maui PACE application are attached, which detail quality of care requirements.

D. **Cost and Finances**

Hale Makua provides the only adult day health care services on Maui and was one of the pioneers in Hawaii of establishing case management and training services for families who are certified to care for up to two nursing home-certified elders in their homes. This program has saved thousands of Medicaid and private pay dollars. PACE is another home- and community-based program that has been shown, in the 36 existing sites across the nation, to save both Medicaid and Medicare dollars. This is done by capitating the payments, and allowing flexibility in how the funds are spent. By carefully managing PACE participants, not only are they receiving personalized care, but their hospital and institutional days are fewer, thus less expensive.

See Cost and Finances Pro Forma for Maui PACE below.

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E. Relationship to the Existing Healthcare System

Hale Makua is celebrating its 60th anniversary this year as a multi-faceted long-term care provider. Services include Medicare-certified home health care, case management of nursing home-eligible clients in foster family care, day health care, inpatient and outpatient rehabilitation, and nursing homes. Hale Makua operates 350 nursing home beds out of the total 450 on the Island of Maui. Along with Kula Hospital, Hale Makua serves as the chief discharge point for persons who need nursing home care. Hale Makua and Kaiser provide the only skilled home health care on the Island of Maui, which assists in caring for post-acute skilled patients who are discharged home and meet Medicare guidelines for skilled care.

Hale Makua also is the lead agency for the Maui Long Term Care Partnership, a program of the Community Partnership for Older Adults, one of 19 in the nation funded by the Robert Wood Johnson Foundation. This program has funded community efforts over the past four years to improve access to information and policy making regarding funding of long term care services. The Maui PACE Program idea was developed out of the fourth goal of Maui Long Term Care Partnership's strategic plan which states:

Strategy 4: Influencing Change

Goal 4: Develop, implement and sustain an organized long-term care infrastructure for Maui Island that matches the community's needs and preferences.

Planned Outcomes from the plan state, in part:

- *The long term care bed supply (institutional and residential alternatives) will meet Maui's needs.*
- *The majority of Maui's older adults will live at home for as long as possible.*
- *There will be more families caring for their loved elder parents at home.*
- *There will be more long-term care and support services available in the community that is more affordable and accessible to older adults and their families.*

The closest program model to PACE on Maui is the Nursing Home Without Walls Medicaid Waiver program. This program works with nursing home-eligible clients who have intact families to support them at home. However, NHWW is not able to combine the Medicare benefit with the Medicaid waiver funds that are used to support NHWW and purchase additional home- and community-based services.

The Maui elder care delivery system, while overtaxed and underfunded, exhibits high levels of cooperation among the service agencies. This will be a great asset to Maui PACE as it will be able to contract services and provide an additional funding stream for them through the federal PACE designation.

F. Availability of Resources

Kaiser Permanente has pledged to work with Hale Makua/Maui PACE and, via contract, provide the physician outpatient and inpatient management services for Maui PACE. Kaiser and Hale Makua also have home health programs which provide skilled nursing and therapy throughout the island of Maui

(except Hana). These two organizations will share resources to provide care and home-based clinical management to Maui PACE participants. Hale Makua has been working with Wendie Schwab, DDS to provide dental care for its inpatient nursing home residents for some time, and will work with her to expand her services to Maui PACE recipients. Hale Makua is working with other organizations in the community that can provide other home- and community-based services. These include Maui Economic Opportunity for assistive transportation and Maui Adult Day Care Centers – which operates day care centers In Kahului, Wailuku, and Lahaina, and is working with Hale Mahaolu to open a new center in Kihei in 2008.

Hale Mahaolu provides home- and center-delivered meals to many of Maui's frailest citizens. Hale Mahaolu also provides personal care to the same population. Maui PACE expects to be able to contract with Hale Mahaolu for these support services.

No capital investment is required. Maui PACE has hired a PACE Director from its existing Hale Makua staff. Other planned additional staff include a PACE Center Manager who is an RN, a part-time social worker, and an intake coordinator for admissions. We plan to advertise both within Hale Makua and in the Maui News and Honolulu Advertiser to fill these roles. The PACE physician will be supplied by Kaiser.

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