HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number: #07-24A

Applicant: HOSPICE MAUI, INC.
400 Mahalani Street
Wailuku, Hawaii 96793

Phone: 808 244-5555

Project Title: Addition of 12 hospice beds

Project Address: 400 Mahalani Street, Wailuku, 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:	____

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	—	—	—		

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
Hospice	Ø	12	12
TOTAL	Ø	12	12

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6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All Project Costs:

		AMOUNT:
1.	Land Acquisition	-0-
2.	Construction Contract	3,575,000
3.	Fixed Equipment (incl. in construction)	-0-
4.	Movable Equipment	35,000
5.	Financing Costs	-0-
6.	Fair Market Value of assets acquired by lease, rent, donation, etc.	240,000
7.	Other: _____	—
	TOTAL PROJECT COST:	3,850,000

B. Source of Funds

1.	Cash	-0-
2.	State Appropriations	-0-
3.	Other Grants	250,000
4.	Fund Drive	3,360,000
5.	Debt	—
6.	Other: County lease value	240,000
	TOTAL SOURCE OF FUNDS:	3,850,000

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.

We will be adding a 12-bed facility as a new location in which to perform hospice services, on the current site of our office

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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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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HOSPICE MAUI
Administrative Application – Certificate of Need Program

3. Documentation
   A. County lease attached
   B. Required permits or approvals: Building Permit, Occupancy Permit, and Medicare Certification.
   C. Board list: attached
   D. Articles of Incorporation: attached
      Bylaws: attached
      There are no partnership agreements.
      TMK: (2) 3-8-046: 017

8. Implementation Schedule:
   Date of site control: Current

Dates for other approvals	Applied for	Received
Building Permit:	4/15/08	10/15/08
Occupancy Permit:	11/10/09	12/15/09
Medicare Certification:	1/15/10	2/15/10

Date by which financing is assured:	6/30/08
Date construction will commence:	1/10/09
Length of construction period:	10 months
Date of completion of project:	11/10/09
Date of commencement of operation:	January 2010

9. a) Relationship to H2P2 (q.v.)

Chapter I. D. 1. The Changing Paradigm. Hospice care in a hospice facility is more appropriate than hospital or nursing home care when the patient cannot stay at home. This is because the singular purpose of our organization is to serve dying people, as opposed to the case in other institutional settings where dying is neither their only focus, nor embraced the way it is in hospice. Additionally, the "embracing" that hospice does of those who are dying serves to "interfere as little as possible with the tasks and roles required for everyday living of those it serves." That is, hospice care is helping people to make the most of the living they still have left to do, and the facility gives that to people in as close a way as possible to a home experience, were they able to stay there.

Chapter II. F. 1. Access. This facility will provide better access to appropriate, culturally sensitive care than any other institution for the same reasons as articulated in the above paragraph.

Chapter II. F. 2. Quality Management. We have used patient satisfaction surveys as a cornerstone of our Medicare-mandated Quality Assurance program for sixteen years.

Chapter II. F. 3. Cost Effectiveness. Our services are more cost effective than other institutional settings because we do not need to be staffed or equipped to deal with the myriad of other situations that those institutions must. Everything about this facility is designed for the effective care of dying people.

Chapter II. F. 4. Continuity of Care. Clearly, when hospice care follows a patient from a home setting to an inpatient setting, the continuity of care—a stated value of H2P2—is maximized if that required inpatient stay is in a hospice facility as opposed to a hospital.

Chapter II. G. Capacity thresholds. #21 states, "Residential Hospice Services: The target average annual occupancy for residential hospice services is at least 85 percent." In the absence of a definitive way to predict actual need on Maui, we have drawn parallels with what has worked on Oahu. Oahu has a population of 875,000, which is 6.7 times the resident population of Hospice Maui's service area of 130,000. On Oahu there are currently 41 hospice beds. These beds are always full, with waiting lists. By the end of this year, there will be 29 more beds either in use or being built, totaling 70 beds, all of which are expected to be fully utilized

almost as soon as they are built. The proportional number of beds for the Maui population is 10.4 beds total. If we were to build a 12 bed facility, that would make it 87% filled. Based on this, it seems unwise to aim for a facility smaller than 12 beds.

Chapter III. A. 1. Statewide Values. It states in pertinent part that the following values are "essential to the design of a comprehensive, responsive, accessible and cost-effective quality health care system: **Compassion**—Promoting the respect and caring for, and the dignity of, individuals and families by the demonstration of affection, empathy, and aloha in all interactions." This is an cornerstone of hospice care, of which this project is an extension, and it is this value that dramatically differentiates our service from any other. Because this is a qualitative measure, if we were to do a standard review and the veracity of this statement were needing to be substantiated, we would ask a number of families who had received our services to attest to it. **"Comprehensiveness**—Establishing a continuum of health care services through integration, collaboration, and coordination to address holistically the health and wellness needs of individuals and families." Hospice service is the prototype of holistic health care: we are responsible for not only the medical and nursing needs of the patient, but the psychosocial, emotional, and spiritual needs of the patient and family during the illness, and the bereavement needs of the family after the death.

Chapter III. A. 2. Priorities. It states in pertinent part that the priorities in "adding to the health care delivery system include: a. increased access to cost-effective health care services... [and] b. ...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." This facility addresses "a." because it increases access because currently there is NO access to hospice inpatient care without leaving the island. This facility addresses "b." because in FY 2006 (7/1/05 – 6/30/06), 78% of the people we serve were over 65 years old, and this is a typical proportion.

Chapter III. G. Maui County Values and Priorities. These are in line with the state values and priorities already discussed, and while many of those values and priorities do not address what we are proposing, there are no parts of it, nor of the entire H2P2, that appear to weigh against our facility in any way.

9. b) Need and Accessibility. Hospice Maui has never limited, nor does it ever plan on or envision limiting, access based on any measure except medical appropriateness for hospice services. That is to say that all residents, including the elderly, low income persons, racial and ethnic minorities, women, persons with disabilities, and those in otherwise underserved groups will have unrestricted access to hospice services, including this facility. The pro forma that is part of this application specifically shows the financial viability allowing 25% of patients having no coverage for the room and board portion of the cost, and no ability to pay out-of-pocket.

9. c) Quality of Care. While there is no state licensure for hospices, Hospice Maui is a Medicare Certified provider of hospice services. Our most recent DOH survey was in October 2005, and there were no significant (condition-level) findings. We will have the facility Medicare Certified as a inpatient facility. The hospice service we are providing there is not new, but merely in a new location, and so we can extrapolate, based on past DOH surveys, that the quality of our services will continue to meet or exceed Medicare standards.

9. d) Cost and Finances. The cost of health services to the community will be lower because there will need to be less care be in the hospital setting, which is very much more expensive. Our fee schedule with Medicare is set, and with all other insurers, the charges merely mirror Medicare rates and rules. Those patients who are uninsured are usually unable to pay at all for hospice services. So there will be no impact upon our charges. Because the facility will be staffed, managed, and accounted for separately, it will not affect the costs of our home care. The fiscal feasibility of the project relies on either endowment revenue or on other fundraising efforts, because the revenue from billing will not offset expenses. Following is an overview of a conservative financial scenario for years one through three. Understanding this requires some understanding of hospice reimbursement. If needed, we can write a primer on it to append to this application. The appended spreadsheet is taken from an 17-page "Facility Costing Tool" spreadsheet that was developed by a mainland financial consulting firm whose only business is hospice, and that spreadsheet is summarized below. The assumptions

and relationships of variables were the result of dozens of similar facilities around the country. We put into it the values for the variables that we expect in our situation, and checked it by extrapolating our assumptions to an existing 12-bed facility on Oahu. The fact that we came up with answers that were consistent with their actual operational experience gave us some confidence in our understanding of the variables. If a more detailed analysis needs to be included in this application than appears below,

Assumptions:

—Average Daily Census (ADC) first year = 5, ADC second year = 7, ADC for year 3 = 9
—Case mix for first year: 4 at Routine Home Care (RHC) and 1 at General Inpatient Care (GIC)
—Case mix for second year: 5 at RHC and 1 at GIC
—Case mix for year 3: 7 at RHC and 2 at GIC
—Assuming that 25% of patients have no insurance for, and cannot self-pay, the $225/day room and board charge
—Years one and two, at least one RN and one CNA on duty at all times, 1 RN and 2 CNA's on duty for year 3

Results:

- Annual operating deficit for year 3 (to be met by Endowment) = $170,000
- Endowment required to meet annual operating deficit (assume a "spend-able" return of 5%) = $3,500,000
- Cash needed for years 1 & 2 startup/operating losses, above steady-state year 3 annual losses = $318,000

9. e) Relationship to the existing health care system. Hospice Maui is Maui's only provider of hospice care—desirable and appropriate care at the end of life. The two largest providers of institutional care on Maui, MMMC (HHSC) and Hale Makua, have written letters of support (appended) for this facility. We have a close relationship with Kaiser Permanente, and have found only encouragement and support from them. This facility will help relieve the bed shortage that they both suffer from, and additionally, provides more appropriate care to dying patients. There are no "less costly" alternatives.

9. f) Availability of Resources. Even in the current climate of nursing shortages, Hospice Maui has never suffered from any difficulty in hiring top quality nursing staff. Hospice work attracts people because of the rewarding nature of the work, and Hospice Maui has gained a reputation as an excellent place to work, so we do not have to pay a premium to hire nursing staff. Non-nursing staff recruitment has been similarly successful, and we see no reason to think that the situation will suddenly change. Our need for staff is expected to increase by four RN's (the fifth needed RN will come from our current pool, which we have built redundancy into); a half-time clerical position, two nurse aides, and a facility manager. We are adequately staffed with social workers to pick up the additional load. In addition, we have over a hundred trained volunteers who are able and willing to provide a range of services to patients and families.

We hired a mainland consultant with Hawaii expertise to perform an Assessment Analysis of our ability to raise the needed funds, and his report is unequivocal in its opinion that we can do it. Specifically, he interviewed seventy stake-holders on Maui, including fifty-two potential high-level donors, and based his discussions as well as his conclusions on a goal of $8.5 million. This stated goal is significantly above the cost of our project ($3.85 M) because we wanted to see if we could raise enough to create a large endowment by leveraging the appeal of a facility to raise the more-difficult-to-raise endowment money. His unqualified opinion that $8.5 million could be raised via a nine month capital campaign, was without asking for federal, state, or county money, but only relying on individuals and private foundations.