



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number: #07-26A

Applicant: Anderson Recovery Center, LLC
P.O. Box 640
Honokaa, Hawaii 96727

Phone: 808 776-1264

Project Title: Establishment of an 8 bed Special Treatment Facility

Project Address: 45-504 & 45-504A Loke Street, Honokaa, Hawaii

Name (please type or print)

Title (please type or print)

1. TYPE OR 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: _____
- O`ahu-wide: _____
- Honolulu: _____
- Windward O`ahu: _____
- West O`ahu: _____
- Maui County: _____
- Kaua`i County: _____
- Hawai`i County: X (See Footnote Page 15)

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.) **(See attachment 2)**
- C. Your governing body: list by names, titles and address/phone numbers **(See attachment 7)**
- D. If you have filed a Certification 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 3)**
 - By-Laws **Not Applicable**
 - Operating Agreements **(See attachment 4)**
 - Tax Key Number (project's location) **(See attachment 5)**

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	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
Special Treatment Facility	0	8	8
TOTAL			

6. PROJECT COSTS AND SOURCES OF FUNDS

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A. List All Project Costs:

AMOUNT:

- 1. Land Acquisition _____
- 2. Construction Contract _____
- 3. Fixed Equipment _____
- 4. Movable Equipment 4,000
- 5. Financing Costs _____
- 6. Fair Market Value of assets acquired by lease, rent, donation, etc. 620,000
- 7. Other: sewer costs 7,000; furniture 24,000 31,000

TOTAL PROJECT COST: 655,000

B. Source of Funds

- 1. Cash 35,000
- 2. State Appropriations _____
- 3. Other Grants _____
- 4. Fund Drive _____
- 5. Debt _____
- 6. Other: fair market value by lease 620,000

TOTAL SOURCE OF FUNDS: 655,000

5

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.

Anderson Recovery Center, LLC will be a new, private, for profit residential Special Treatment Facility (STF), for alcoholism and other drug addiction. It will house eight residents, male and female adults (18+) in two existing adjacent houses in Honoka'a on the Big Island. Clientele will be drawn from self and other party referrals. We seek authorization for eight 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.

Our lease began July 01, 2007. See Attachment #1

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

All, but one of the inspections and permits have been approved. All that remains is the Licensure after the Certificate of Need is approved. We anticipate this to occur September 1, 2007.

c) Dates by which financing is assured for the project

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Financing is being guaranteed by the applicant in the amount of \$80,000 in addition to expenses already incurred and the use of personal equipment for business and transportation purposes. Further funds can be generated from personal assets should they be needed. A commercial bank account was opened in the organization's name on 6/29/2007

d) Date construction will commence.

Not applicable.

e) Length of construction period.

Not applicable.

f) Date of completion of the project.

Not applicable.

g) Date of commencement of operation.

September 1, 2007

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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. (See Attachment 8)

Anderson Recovery Center, LLC is requesting a Certificate of Need for an eight bed Special Treatment Facility for alcoholism and other drug addiction in two adjacent houses. ARC will offer its services to all appropriate State residents with alcohol and drug addiction problems for whom there are little or no such services presently available. This will reduce the number of residents who now have to secure such services off-island. For those who do not have the financial resources to pay for treatment, the Anderson Recovery Center will make every effort to secure referrals of such clients to appropriate agencies.

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

- In order to ensure quality and appropriate levels of care for its residents, Anderson Recovery Center, LLC will coordinate with all agencies and professionals within the spectrum of care for addictions, including long and short term residential treatment and out patient treatment to avoid any breakdown in continuity of services. For those residents who require acute care for their addiction, referrals shall be made to appropriate agencies.
- It is a primary objective of Anderson Recovery Center to have the highest rate of first time treatment effectiveness. After discharge from our Special Treatment Facility, an integral part of the program includes one year of weekly former resident to counselor contact of at least one hour duration (phone contact will be used only when physical contact is not feasible). With appropriate releases from the resident it is also planned to contact significant others every week so we can more quickly detect any active or potential relapses. With such frequency of contact with at least three other sources, it will more effectively ensure the validity of the former residents' responses
- Anderson Recovery Center, LLC will not discriminate against applicants in any manner whatsoever. We will assist clients in applying for insurance benefits, but will not ourselves seek reimbursement from local insurance or other state resources. We will make every effort to refer those unable to pay for their care to appropriate agencies.
- Arresting the addiction to alcohol or other drugs will enhance the physical health of the client, and enhance the person's emotional state of mind, and even have some positive effects on that person's mental health. There are, however, many addicts who can be type

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- diagnosed as mentally ill. Our consulting psychologist will be seeing every resident shortly after admission and will make such diagnoses. If there is such diagnosis, the psychologist will see the resident at his own office and provide the necessary therapy. Also, abstinence in conjunction with involvement in the Twelve Steps, as originated by Alcoholics Anonymous, create a process that leads to a "spiritual awakening." These three components which constitute the whole human being are all addressed by the program.
- Program improvements are a basic agenda item at staff meetings where there is a monthly financial award given for the best idea generated by a staff member as determined by staff consensus. These ideas often help in the development of improved intake criteria. The founder has used this approach in all the programs he has started in his thirty-five years of experience.

b) Need and Accessibility

There are many reliable sources that attest to the large number of drug addicts and alcoholics who need treatment. Usually these estimates fail to take into account that roughly half the victims in these numbers are in early stages of their disease, and, therefore have not yet manifested the types of symptoms or unacceptable behavior patterns that would precipitate a search for treatment. Improvement of intake criteria can, however, help to recognize the disease earlier. Nevertheless, the diseases are so pandemic, there is no doubt regarding the need for services in virtually every area of care. We also believe a program with a considerably better than average verifiable success rate will ultimately attract the attention of corporate executives many of whom have become quite skeptical about high cost luxuriously appointed programs with high recidivism rates. It is our belief that effective treatment can gain the support of that

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type of clientele as well. There is a universal consensus among informed people of the great need for improvement and for more of this kind of program.

Our staff is prepared to share with communities at public meetings any answers we may have to questions that plague them about their children's future with problems that grow more urgent each day. It is also our hope that, as a community service, we will be able to offer a free, ongoing community program along the lines of a day hospital for adolescents that will encourage them to seek further appropriate help from agencies that can charge modest fees or none at all because they are already financed with public monies. This project would be developed by ARC collaboratively with other community agencies

c) Quality of Service/Care

Anderson Recovery Center, LLC will start out with previously used methods that have a significant correlation with success rates. It will seek to continue to improve service and care on an ongoing basis:

- No primary counselor will have more than two residents in his or her case load at any time, and more frequently, it will be one to one. This allows for residents to receive one one hour of individual counseling per week day. It also means that counselors will have the freshness of mind due to this healthy case load to prepare a treatment plan for every single one hour individual session given five days per week. The counselor will write this treatment plan into the resident's file before the session and will write a treatment commentary note at the end of the session. Overworked counselors often have to rush to just keep up with treatment notes alone. This system provides more coordinated information from which the Program Director can more realistically determine the quality of service. It also allows the counselor more time for unharried reflection on the specifics of what the resident needs at every session. Treatment should not become some thing that

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too often insufficient time has forced counselors to "wing it."

- Each resident will also see his or her primary counselor once each afternoon for a brief session that would average up to 30 minutes.
- During the rest of the day the resident will attend two group sessions of one and a half hours each. One will be led by their primary counselor and a second by another member of the treatment team.
- Residents will also receive psychological testing in the first week and then in their last week. This should allow for some slight signs that would give indications of whether their condition(s) have been ameliorated, and help with the counseling that will take over in the aftercare program.
- The residents will also have one to one sessions with a psychologist, a clergyman, a dietitian, an internist, an acupuncturist, and a registered nurse on a scheduled basis as well as if needed at other times. These should average at least five more one to one sessions per week.

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

The bed day rate will be \$1035.71 for twenty-eight days. This includes all expenses related to their treatment and room and board, including all meetings with consulting staff. Out side costs at a general hospital or office care for general or mental illness treatment would be billed to the residents's insurance. Pro formas for the first three years are included here as Attachment 6. We have included the second year as well because it helps to see how early we start to hire to ensure that a new counselors will have a three to six months training period while still maintaining a ratio of one counselor for no more than two patients.

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We have projected a slow development in the census in the first year that results in a low profit level that leaves just enough to pay some deferred salary and bonus inducements to two starting staff with years of previous experience with the program. The third year we are estimating that the projected census will be approximately 87.5% of capacity. We would not be able to compensate for any drop below eight with a higher census in other months because of the eight bed limit in the licensing.

While there will not be a formal profit sharing program, employees will receive generous year end bonuses from any profits that are earned.

It will be a matter of policy to dedicate ten per cent of profits to nonprofit work in the research field. Additional money and staff time will be devoted to providing community education programs that it is our hope will lead to the establishment of a free day hospital program for adolescents and that will involve substantial parental participation.

e) Relationship to the existing health care system

Anderson Recovery Center, LLC will work with all individuals who are involved in this field as well as others where it is needed. We assuredly will see that individuals who are not appropriate for our program will be diligently referred to such people and agencies. Our consulting internist has local hospital privileges so that residents who experience unrelated illness can secure emergency room and hospital care. We do not provide detoxification so our internist would be called in to place such a resident into detox.

f) Availability of Resources

While Anderson Recovery Center, LLC is just newly formed, its founder and Administrator of its program has over thirty-five years of experience in the field including the

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Page 12

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founding of his own state certified and JCAHO (Formerly known as JCAH) accredited specialty hospital in Wisconsin. He also founded treatment programs for other hospitals about the country and five such programs in the then Soviet Union. Working in conjunction with the University of Wisconsin Medical School he trained five psychiatrists from the USSR including the then chief of psychiatry for the entire Soviet Union for a period of six months. Following this he was asked by the Medical School at the University of Moscow on two separate occasions to train over 140 physicians from fifty cities in the Soviet Union. Every one of them attended the program for an entire month. All of them attended classes five days a week from 9 am to 5 pm.

Our lead counselor is presently licensed in Wisconsin and has over fifteen years of alcohol and drug addiction treatment experience with intensive involvement in psychiatric cases, and is firmly grounded in the philosophy of our program. Hawai'i and Wisconsin have a reciprocity agreement and she will obtain certification in Hawai'i before starting. The starting staff have over 77 years of active involvement in Alcoholics Anonymous and have an unusual grasp of its clinical dimensions that frequently are not fully understood. For this reason we have the special role of AA Lecturer to give residents a far broader understanding of AA and its value to its members.

Our starting staff will consist of the Director, the Lead or Supervising Counselor, the AA Lecturer- all of them full time- and a half time Secretary. Many of the future staff and consultants will be on call. The pattern of staff development can be seen in the pro formas that are attached. It will be noted that counselors are scheduled to come aboard three to six months before the census would require their services. This will allow us to provide intensive on the job training in the program's practices without going beyond case load limits. If the census should grow more rapidly than anticipated, I have two additional former staff members, all qualified to be certified in Hawai'i, who are anxious to join us. Our preference, however, is to fill future

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counselor positions from present residents of Hawai'i, if possible.

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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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Additional Requested Information Addendum

#1 The primary area (see p2 of the Application) that ARC intended to serve was the County of Hawaii. However, the population of the State of Hawaii was projected to be 1,304,000 in 2005. (see H2P2 Chapter I, D-4 p I-13) This calculation would put the Big Island population, based on a conservative estimate of 12% of the total, at 133,790. Assuming the usual conservative estimate for addiction, this would give us approximately 13,000 abusers on the Big Island. However, the number of people able to pay for treatment is significantly less which could put ARC in a position of financial instability for lack of sufficient census, especially when we consider that many of the total estimated number would not yet be demonstrating behavioral symptoms that would lead to an early diagnosis.

#2 Under present circumstances, we estimate that two persons per month is a likely average for clients from Hawaii County. This can be increased over time with a full fledged education program that would then result in earlier detection and a consequent increase in persons seeking help. It is our hope to encourage such a program in cooperation with the schools and other community agencies. In the meanwhile, there are a significant number of people from the other islands who have to go to the mainland for treatment. Our program can meet this need and also offer opportunity to receive the benefits of a program designed to provide intensive care far beyond the norm in the field and that has a track record of previous success.

#3 Anderson Recovery Center, LLC is intended primarily to serve residents of the Big Island, but because we are not funded by any governmental agencies, it is imperative that we operate in a responsible financial manner by drawing residents from the other islands which will actually produce some profits. It is the ARC intention to use a substantial part of those profits to install a community program for preparing adolescent addicts for treatment through a motivational development program. They will then be referred to community treatment programs that we have already discussed with the Executive Director and the Behavioral Services Director at the Hamakua Health Clinic who have told us they can help us to coordinate

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these efforts with other local community providers. Meetings are already scheduled with Mr. Steve Chelminiak, LCSW to start a round of meetings with other agencies.

#4 The Adolescent Program is not yet fully designed, and we have invited the Clinic to participate in its further development. It will be a Monday through Friday program, from 9 am to 6 pm as it can be worked out with school officials. It is estimated that approximately 50+ volunteer discussion leaders will need to be utilized to serve groups of 5-6 students. We hope to develop more as we secure volunteers. ARC has already been securing volunteers. These volunteers will provide each participant with two to three individual discussion sessions per day. We also estimate that we will have a number of churches willing to allow use of their meeting halls once a week per church. ARC will have some of its counseling staff lead discussions groups on a volunteer basis. An inexpensive luncheon will be served the participants at no cost. All start up expense will be born by ARC until such time as it becomes apparent that the program deserves state and community support.

#5 We have also reached an understanding with the Hamakua Health Care Clinic to provide ARC with 24/7 Medical Doctor services for our residents, and while we are not anticipating doing any detoxification, we hope to engage the services of Dr. Kevin Kuntz who is the only addictionologist on the Big Island who has hospital admissions privileges for detoxification. These arrangements would be used to supplement the services of Dr. Irving Harper who has agreed to serve as our Medical Director. He will attend and participate in staff meetings and arrange for any medical services that our residents need. He has assured me that he will engage the services of a psychiatrist to round out ARC's consulting staff.

#6 We believe the innovative elements that permeate the ARC program fully meet the intent of H2P2 as expressed in its Introduction (I-13) to "---facilitate the implementation of ideas to yield better quality products and services." This is especially true when one considers the excellent ratings it has received from various corporate and union clients in relationships that were maintained for many years.

#7 Program performance will continue to be consistently measured at full staff meetings on the basis of results (actual recovery in the fullest sense as pointed out in H2P2 Introduction, Section F, pp 14-15, as well as including measurement of life quality in addition to recovery from chronic illness). In addition, each staff member's work effort will be reviewed by the Administrator, the Consulting Psychologist and the Medical Director. This will be done at least quarterly and will include not only a review of treatment notes and other administrative matters, but also will include live observation of group meetings and some individual sessions.

#8 ARC's Policies and Procedures are designed to assure quality of care including content and format. To ensure this, we are establishing a Quality Assurance Committee that will meet quarterly with staff to review all dimensions of ARC's operation. This committee will consist of the Administrator, the Counselor Supervisor, the Consulting Psychologist and the Medical Director.

#9 Regarding critical and essential services, every resident will receive a physical within 24 hours at the Hamskua Health Clinic as previously noted to assure they are fit for participation in the ARC program. All clinical visits will be made in the company of a counselor and transportation will be provided by ARC. If by chance such physical should uncover a need for specialty care or hospitalization, the patient will be transported to the specialist or the hospital by ARC staff or emergency transportation.

#10 Consistent with Chapter III of H2P2 Section H5, Working Plans, ARC intends to fulfill all those areas that are applicable and has already implemented many of them in its policies and procedures and working treatment plans.

#11 As already mentioned, there is only one addictionologist on the island and we have already spoken with him and are developing a working agreement between him and our consultants.

#12 Paragraph (f) on availability of resources was answered on missing page 12 of the application

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we have included in this faxed material. Since the time it was written, she has been licensed by the state. All staff will have had required physicals and all consultants have been licensed by the state.

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& DEV. ASSOCI.

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& DEV. AGENCY**Addition to a) page 7 of application****a) Relationship to the Hawai'i Health Performance Plan (H2P2) also known as the State of Hawai'i Health Services and Treatment Plan.**

- Having been approached by residents from all parts of the Big Island as well as by officials in the State Department of Health on the need for an alcoholism and other drug addiction program such as we are now offering to residents, it is ARC's intention to provide expert early detection, diagnosis and treatment to address existing morbidity and pain and assuring residents the opportunity for good health and the potential for independent personal function. (see H2P2, Chapter 2, pp 1-2)
- The planned adolescent day program (described elsewhere) will meet a desperate situation of drug addiction among North Hawaii youth and will be designed so as to conform with all the H2P2 goals and objectives as listed above as well as incorporating a prevention program for those who have not yet been victimized.
- ARC intends to be guided by the principles enumerated in Chapter II, paragraph D, pp 2-3 in the Hawai'i Health Performance Plan, especially as they pertain to all the agencies which presently make up the alcoholism and drug addiction treatment system.
- In conjunction with the above, ARC is forming an Advisory Council representing community leaders for guidance and advice for future involvement with the community system of which the Adolescent Program is another example of our commitment to the community..