



## HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

### STANDARD APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number: #08-07

Applicant: Newport Hospital Corporation  
2278 Channel Road  
Newport Beach, California

Project Title: Establishment of West Maui Hospital and Medical Center  
(acute care beds (25); long term care beds (40); and ancillary services)

Project Address: TMK: (2) 4-4-06:70  
Lahaina, Maui, Hawaii

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

- Public \_\_\_\_\_
- Private   X
- Non-profit \_\_\_\_\_
- For-profit   X
- 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: \_\_\_\_\_
- Honolulu: \_\_\_\_\_
- Windward O`ahu: \_\_\_\_\_
- West O`ahu: \_\_\_\_\_
- Maui County:   X
- 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)

Please see Exhibit ES-1:

- Development Agreement for the West Maui Hospital and Medical Center (WMHMC) between West Maui Improvement Foundation (WMIF) and Newport Hospital Corporation, LLC. (NHC) and County Resolution 07-33
- Property Donation and Acceptance Agreement between Pioneer Mill Company, Limited and West Maui Improvement Foundation,

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.)

- SHPDA CON
- Community Planning District Approval
- Maui County Public Works ( building permit, driveway and grading)
- Maui County Planning Department.( Floor plans, site plans, etc.)
- Hawaii Department of Health-certificate of occupancy, waste water disposal, ventilation, food service, underground injection control, radiographic equipment, surgical services, etc.
- Maui County Department of Water Supply-plan review
- Maui County Fire Department-plan review
- Maui County Building Department- building permit, plumbing, telephone/electrical
- Occupational Safety and Health Administration
- HI Hospital License
- HI Skilled Nursing Care Facility License
- CMS CAH designation

**A. Your governing body: list by names, titles and address/phone numbers**

Brian H. Hoyle, President  
 Newport Hospital Corporation  
 601 Lido Park Dr. # 1A, Newport Beach, CA 92663

Phone Number: 949-375-4131      Fax Number: 949-675-2212

**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
- By-Laws
- Partnership Agreements
- Tax Key Number (project's location)

See Exhibit ES-2.

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 ownership	Change in service/establish new service/facility	Change in Beds
Inpatient Facility		X	X		X	
Outpatient Facility		X	X		X	
Private Practice						

5. **TOTAL CAPITAL COST:** \_\_\_\_\_ \$45.75 million

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6. **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
Medical/Surgical		19	19
Critical Care		6	6
SNF/ICF		40	40
<b>TOTAL</b>		<b>65</b>	<b>65</b>

7. **CHANGES IN 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 new service or the addition of a new location of an existing service. Please consult Certificate of Need Rules Section 11-186-5 for the categories of services. If you are unable to describe your project, please consult with agency staff.

Newport Hospital Corporation is proposing new services - to establish the West Maui Hospital and Medical Center (WMHMC) Critical Access Hospital for Maui County in Lahaina. The 25 Acute bed hospital will consist of:

- Emergency Department,
- Blended Operating Rooms,
- Medical Surgical beds,
- Critical care/Telemetry beds,
- Diagnostic Radiology Department
- MRI
- CT
- Clinical Laboratory,
- Clinical Pharmacy, and
- Social Services

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There will also be a 40 bed skilled nursing facility (ICF/SNF) and an office building adjacent to the hospital. Support Services - housekeeping, dietary, and maintenance – will be available for the entire facility. WMHMC is targeting 2011 to open for services when the population in West Maui will be close to 80,000+ people.

8. **PROJECT COSTS AND SOURCES OF FUNDS (For Capital Items Only)**

A. List All Project Costs:	AMOUNT:
1. Land Acquisition	
2. Construction Contract	\$24 million for CAH \$7million for SNF/ICF
3. Fixed Equipment	\$7 million
4. Movable Equipment	\$2 million
5. Financing Costs	\$5 million
6. Fair Market Value of assets acquired by Lease, rent, donation, etc.	\$750,000 (Land)
7. Other: _____	
<b>TOTAL PROJECT COST:</b>	<b>\$45.75 million</b>

**B. Source and Method of Estimation**

**Describe how the cost estimates in Item "A" were made, including information and methods used:**

The 25 bed CAH costs are based on \$450/square foot for the 50,000 square foot hospital provided by local firms using mainland data inflated for Hawaii factors because there has been no new hospital construction in Hawaii for the past twenty years. See Exhibit ES-3.

The 40 bed 20,000 square foot SNF/ICF is estimated at \$300/square foot by local construction consultants using mainland data and applying local Hawaii costs. Please see Appendix E for background data.

The land valuation is based on the current Coffee Farms Lots that KLMC is now selling for \$300,000/acre with all off-site improvements and utilities to the site including but not limited to all access road, water, sewer, all underground utilities, site grading, development drainage and landscaping, irrigation, etc.. The existing sale price of these completed lots for sale at \$300,000 acre less \$250,000 development cost and entitlement value above the original non-residential agricultural zoning (as exists on the WMHMC site) would give a current value to the WMHMC site @ \$50,000/acre x 15 acres = \$750,000.

**C. Sources of Funds**

**AMOUNT:**

- |                         |                 |
|-------------------------|-----------------|
| 1. Cash                 | \$10 million    |
| 2. State Appropriations |                 |
| 3. Other Grants         |                 |
| 4. Fund Drive           |                 |
| 5. Debt                 | \$35.75 million |
| 6. Other                |                 |

**TOTAL SOURCE OF FUNDS: \$45.75 million**

**9. 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: August 2008
- b) Dates by which other government approvals/permits will be applied for and received: February 2009
- Dates by which financing is assured for the project: November 2007
- c) Date construction will commence: November 2009
- d) Length of construction period: 18 months
- e) Date of completion of the project: April 2011
- f) Date of commencement of operation: June 2011

**10. 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.**

Newport Hospital Corporation is proposing to establish the West Maui Hospital and Medical Center (WMHMC) Critical Access Hospital for Maui County in Lahaina. The 25 Acute bed hospital will consist of:

- Emergency Department,
- Blended Operating Rooms,
- Medical Surgical beds,
- Critical care/Telemetry beds,
- Diagnostic Radiology Department
- MRI
- CT
- Clinical Laboratory,
- Clinical Pharmacy, and
- Social Services

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There will also be a 40 bed skilled nursing facility (SNF) and outpatient services adjacent to the hospital. Support Services - housekeeping, dietary, and maintenance – will be available for the entire facility. The 25 bed CAH will be managed and operated by Southwest Health Group, LLC. (SHG) and the 40 bed ICF/SNF will be managed and operated by Mission Health Services, Inc. (MHS), an 18-year-old non-profit Utah company with extensive experience in LTC.

The campus is designed to be an integrated healthcare services provider to meet the basic health and safety needs of the 65,000+ people of West Maui. WMHMC is targeting 2011 to open for services, when the population in West Maui is estimated to be more than 80,000 people.

WMHMC will be built on 14.9 acres of donated land from Pioneer Mill Co. which is an Amfac-JMB Corporation entity, currently operating and administering its Maui Hawaii Properties under its Kaanapali Land Management Corp. The donated land parcel is located above the Lahaina Civic Center and Fire Department. The centrally located hospital will be mid-way between the communities of Launiupoko and Kapalua, making it the ideal site for a centrally located hospital that will maximize timely access to care by ambulances and all the respective communities of West Maui.

The Newport Hospital Corporation group brings new resources to Maui, including:

- New capital to undertake the construction of the new CAH hospital for West Maui;
- Experienced operations management team with a track record of effective hospital administration and quality Emergency Services in other States, and
- Access to a national network of experienced qualified physicians, nurses, and other healthcare professionals.

The primary service area for the West Maui Hospital and Medical Center (WMHMC) is within the 96761 and 96767 Lahaina zip codes. This area encompasses the extreme northwest corner of the island of Maui. This area is medically isolated from the one acute care facility on the island and there is no medical facility in West Maui that accepts ambulance patients at any time, day or night.

**a. Relationship to the Hawai'i Health Performance Plan (H2P2)**

Based on **H2P2, Chapter II, Vision and Guiding Principles**, the following goals are established:

- Increase the span of healthy life for Hawaii's residents.
- Children will develop and mature in good health, secure in their prospects for a productive and happy future.
- Adolescents and young adults will develop and mature in good health, secure in their prospects for a healthy future.



- The community will promote a healthy lifestyle among adults to eliminate preventable illness, disability, and premature death.
- Older adults will maintain good health and independent personal functioning.
- Reduce health disparities among Hawaii's residents.
- Achieve equitable and effective access at reasonable cost for all Hawaii's residents to health services that are responsive to the holistic needs of community members.

The **objectives** established by H2P2 are:

- Promote successful birth outcomes.
- Reduce the incidence of vaccine-preventable childhood diseases.
- Early detecting and diagnosing of treatable diseases.
- Reducing the effects of chronic disease and prolonging quality of life.
- Reducing morbidity and pain through timely and appropriate treatment.
- Establishing regionalized healthcare delivery systems that include community input, are cost effective, and that foster improved access to quality health care services.
- Reducing the risk of injury and violence by promoting a safe environment and a safe community.

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WMHMC will integrate statewide health priorities identified in H2P2 into its project. Establishing a new Critical Access Hospital in the Lahaina area allows people in need of emergency and/or acute care in West Maui well-situated geographical access to services, reduces travel time which expedites patient care and promotes faster diagnosis and treatment, in coordination with outpatient services, allows for more cost effective, seamless continuity of care for ongoing patient treatment plans. In addition, it will provide ongoing active prevention, wellness programs and healthier lifestyle education to the *local* community, thereby promoting better health and increasing the span of healthier lives for Hawaii. It also incorporates the values and priorities from the Tri-Isle Subarea Health Planning Region, as identified in H2P2. WMHMC will be available to all healthcare providers and patients. The WMHMC will be a fully accessible facility for those seeking care. WMHMC will benefit anyone needing medical services in West Maui, especially the underserved patients that have greater needs and it will provide care to all individuals regardless of their race, religion, culture or ability to pay.

Patients will have access to primary care treatment locally in West Maui, within a reasonable timeframe. Further, providing emergency and diagnostic services locally in West Maui will improve

quality of care by reducing morbidity and pain through more timely treatment. The critical access hospital will have a full-service diagnostic imaging department, with CT scanner, MRI, routine radiology equipment and ultrasound. Emergencies will be treated locally by trained Emergency physicians and nurses and there will be available ORs; hospital resources will be used to assess, stabilize and treat the needs of expectant mothers and babies, thereby promoting successful birth outcomes. Other incoming patients will be treated, stabilized and discharged, admitted or transferred to other appropriate facilities, as necessary.

### b) Need and Accessibility

The only automobile or ambulance access into and out of West Maui is the Honoapiilani Highway, a two-lane road highway built in 1951 that winds along the ocean and cliffs on Maui's west coastline. Residents, commuters, and visitors in West Maui must travel the road in order to reach the only emergency care facility on the island, MMMC, some 35 miles away and a 45 to 65 minute drive on a good day during non-peak traffic times. Traffic on the highway has increased greatly in the past decade, and there are parts of the road at sea level that are eroding into the ocean and prone to flooding and rock falls when it rains. When the highway is shut down due to an accident or fire or high surf or repair, an emergency trip could take hours, or may simply become impossible by road travel. It is critical for the basic health and safety needs of 69,000+ West Maui residents, visitors and commuters to establish an acute care facility with Emergency care Services available 24 hours/per day, 7 days a week *within the district* to better ensure treatment inside the "Golden Hour" of care, which determines patient care outcomes.

*In emergency medicine, the **Golden Hour** is the first sixty minutes after the occurrence of multi-system trauma. It is widely believed that the victim's chances of survival are greatest if they receive definitive care within the first hour after a severe injury. While the golden hour is a trauma treatment concept, two emergency medical conditions have well-documented time-critical treatment considerations: stroke and myocardial infarction (heart attack). In the case of stroke, there is a window of three hours within which the benefit of clot-busting drugs outweighs the risk of major bleeding. In the case of a heart attack, rapid stabilization of fatal arrhythmias can prevent sudden cardiac death. In addition, there is a direct relationship between time-to-treatment and the success of reperfusion (restoration of blood flow to the heart), including a time dependent reduction in the mortality and morbidity.*

Given the continuing population growth, the capacity to serve Maui's community healthcare needs without the addition of services included in this CON application appears clear. It will cause significant delays in diagnosis and care and broaden the gap in the health care system of Maui. The lack of *local* facility that provides 24/7 Emergency Services for 69,000 residents, visitors and commuters of West Maui jeopardizes the basic health and safety of those individuals daily.

The first 60 minutes after an accident or trauma is the 'golden hour' and the chance of saving a life is highest if the patient gets proper medical care during this period. The only Emergency Department on the Island of Maui is at MMMC in Wailuku, approximately 65 minutes *outside the district* of West Maui, and puts at risk timely and appropriate diagnosis and treatment of critically ill patients each and every day. WMHMC proposes an Emergency Department as part of the Critical Access Hospital to be centrally located in Lahaina. The Emergency Department will be staffed by Board Certified Emergency Certified Physicians and Certified Registered Nurses. All Emergency Services will exhibit quality care by obtaining appropriate certifications from state and national regulatory bodies. It will improve access and timeliness for West Maui patients urgently in need of emergency care and dramatically reduce the medical geographic isolation that is presently felt. The facility will be fully ADA accessible.

All residents of the area, including low income persons, racial and ethnic minorities, women, elderly, people with disabilities and other underserved groups will have access to services at WMHMC. To the extent allowable under Federal guidelines, transportation will be provided for patients utilizing the Center. The WMHMC location is adjacent to public transportation (via the Civic Center bus stop) and it has been requested of MEO to enable our facility to become a permanent stop on any recurring MEO route in the West Maui area, beginning in 2011.

WMHMC Emergency Services Department will complement the existing healthcare services provided in West Maui and not duplicate any services as currently there are no 24/7 Emergency Services in West Maui. WMHMC's Emergency Department will reduce the current strain on the ER at MMMC by rerouting appropriate West Maui residents, commuters, and visitors to help reduce the financial burden currently being placed on MMMC by the excessive wait times for patients.

The West Maui community is geographically isolated. The nearest ER is 65 minutes away at MMMC. Providing comprehensive care at an accessible location with timely access for

Emergency surgery within the “Golden Hour” for strokes, heart attacks, accidents and trauma victims is a necessary and appropriate standard of care for the people of West Maui. Maui’s population continues to grow at 4% annually; the Maui Bed Needs Study data suggests that West Maui residents wait until health care is an emergency before seeking care and thus a higher percentage of admissions occur. Many of these emergency cases will require surgery. To build a hospital with an emergency room and no operating rooms would compromise minimal clinical quality of care standards and practices. Any facility with a 24/7 Emergency Department requires operating suites for the early intervention patients experiencing blunt force traumas, broken bones, lacerations, etc. We propose that developing a hospital with an emergency room in West Maui, with available emergency services 24 hours a day, 7 days a week is needed to *improve access* and requires operating rooms to adequately handle those emergencies. West Maui currently has no such services, but a CAH there will require operating rooms to adequately serve the public.

Establishing a Critical Access Hospital in West Maui is a cost effective solution to establishing emergency services and providing needed acute/LTC beds for Maui. The following criteria are required for an acute care facility to be designated as a Critical Care Hospital (CAH) by the Centers for Medicare and Medicaid Services (CMS):

- Is located in a State that has established with CMS a Medicare rural Hospital flexibility program,
- Has been designated by the State as a CAH; and
- Is currently participating in Medicare as a rural public, nonprofit or for-profit hospital; or was a participating hospital that ceased operation during the 10-year period from November 29, 1989 to November, 29, 1999; or is a health center that was downsized from a hospital ;and
- Is located in a rural area or is treated as rural; and
- Is located more than a 35-mile drive from any other hospital or CAH ( in mountainous terrain or areas with only secondary roads, the mileage criterion is 15 miles); and
- Maintains no more than 25 inpatient beds; and has
- An average length of stay of 96 hours per patient for acute care; and
- Complies with all CAH Conditions of Participation, including the requirement to make available 24-hour emergency care services, 7 days a week.

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A CAH may also be granted "swing bed" approval to provide post-hospital Skilled Nursing Facility-level care in its inpatients beds, after the CAH designation.

Some of the benefits of being a CAH hospital include:

- o Cost-based reimbursement from Medicare, which has the potential to increase revenues. As of January 1, 2004, CAHs are eligible for cost plus 1% reimbursement.
- o CAHs focus on community needs.
- o CAHs network with an acute care hospital for support and expansion of services.
- o Allows flexible staffing and services, to the extent that state licensure laws permit.
- o Capital improvement costs are included in allowable costs for determining Medicare reimbursement, and
- o CAH have access to Flex Program grants funding.

Additionally, there are a number of provisions for CAHs, based on the Medicare Prescription Drug Modernization and Improvement Act, as identified in Section 405 of the MMA, including:

- o Increase in CAH reimbursement to cost plus 1%;
- o Provides cost-based reimbursement for emergency room physician assistants, nurse practitioners and clinical nurse specialists who are on-call;
- o It reinstates the Periodic Interim Payments (PIPs);
- o Expand eligibility for the Method Two/All-Inclusive payment for outpatient services (which provides payments of physician fee schedules plus 15%) to any practitioner in the CAH who assigns billing rights to the hospital;
- o Flexibility to designate up to 25 beds as acute care inpatient beds;
- o Permits CAHs to operate Psychiatric and/or Rehabilitation Distinct Part Units (DPUs) of up to 10 beds; and
- o It eliminates state authority to waive the 35-mile rule (effective January 1, 2006).

WMHMC will apply for CAH status by contacting the Hawaii State Surveying agency to arrange for a review of the hospital. The state agency will forward the application to a CMS regional office. The CMS regional office will authorize a survey, and the state agency will then contact WMHMC to arrange a survey date. The survey will verify that the CAH meets the federal facility requirements.

A CAH must develop agreements with an acute care hospital related to patient referral and transfer, communication, emergency and non-emergency patient transportation.

The CAH may also have an agreement with their referral hospital for quality improvement, or choose to have that agreement with another organization. WMHMC intends to develop an agreement with MMMC and has already begun discussions regarding this requirement.

For purposes of this CON Application, WMHMC used the *Maui Bed Needs Report, 2005-2025* data and methodologies *targeted specifically to bed needs for Maui* as the basis for identifying its estimates of Acute and Long Term Care bed needs and demand, supply and utilization, identified deficits and future utilization. We believe the Report, discussed further in Section B, was created to address “Maui’s healthcare future”, the methodologies are sound and the data, with few exceptions, remain accurate. According to the Maui Bed Needs Report, there is a definite need for the additional acute care beds proposed by WMHMC to support the patients that come to its Emergency Department. Patients presenting to the WMHMC Emergency Department with acute heart attacks, strokes, car accidents, trauma, and vacation accidents will need to be treated and stabilized in a critical care bed at that facility. It is a minimum standard of practice that if a hospital provides Emergency Services, it is also expected to provide the necessary technology (monitors, A-lines, CVP lines, ventilators, etc.) and the professionally trained critical care nurses and health care professionals to care for the critically ill patient. This is especially relevant when the patient may not be transferrable to a tertiary care facility for a period of time because there might be a lack of appropriate transfer methods, a lack of available beds at a tertiary facility, or the patient’s condition may be so unstable that a transfer becomes a hazard to the patient’s health. The addition of 25 acute care beds to support the volume of emergency and urgent patients that are projected in West Maui will help meet a portion of the bed needs identified in the *Maui Bed Needs Study* and projected utilization will easily meet the H2P2 thresholds. The WMHMC acute beds will also help reduce the current strain of overcrowding (of medical surgical beds) at MMMC and help reduce its financial burden in the number of waitlisted patients, just by serving residents and visitors from West Maui.

The *Maui Bed Needs Study* also identifies a great need for additional SNF/LTC beds on the island:

“The island of Maui has the fastest growing population in the state. In addition, the visitor (non-resident) population increases the population by roughly one third. The supply of both acute and long term care beds is insufficient to meet current and “anticipated future needs of the resident and visitor populations. Little capacity exists to accommodate seasonal fluctuations, disasters, or the needs of an aging population.”

Based on SHPDA Utilization reports, we know that the combined total of blended ICF and SNF beds on Maui exceed SHPDA thresholds and that there is an ongoing average daily census of 41 “wait listed” patients – people in acute care beds waiting for LTC level of care - at MMMC. The addition of the 40 proposed LTC beds at WMHMC will only meet a portion of the projected LTC bed needs identified in the *Maui Bed Needs Study*.

Hospitals require diagnostic imaging services as a basic standard of care.

Diagnostic imaging is essential for expediting treatment plans for patients, particularly for trauma cases, automobile accidents, etc. X-ray is the most widely used imaging modality in any hospital – it is critical for emergency services; it is followed by ultrasound which is frequently ordered in the ER after X-ray. Because there are currently no diagnostic radiology services in West Maui available 24/7, WMHMC will need state-of- the-art radiology machines and ultrasound to provide timely diagnostic services for the care of patients coming into the Emergency Department. Diagnostic services are a requirement of any hospital with 24/7 emergency care.

A Clinical Laboratory is a requirement of a licensed acute care hospital that provides Emergency Services. In support of Emergency Services, a clinical lab is needed to help diagnose illness, monitor treatment progress or regression and/or to respond to patients in emergency situations of traumatic injury, shock or critical illness. WMHMC needs an on-site functioning Clinical Laboratory Department, including a Blood Bank, to provide timely quality diagnostic laboratory services available for patients 24/7.

An inpatient Pharmacy is a requirement for a licensed acute care hospital providing Emergency Services. To support emergency treatment, access and management of medications must be available 24/7; further, having pharmacy services on-site in the facility will be more cost-effective than contracting out for services and delivery.

A Social Service Department is critical for patients and their families in a hospital setting and compulsory in a health care environment. Social Services are a requirement by CMS for LTC services. It provides a support network for patients or families in crisis; it coordinates discharge planning and assists in transition between levels of care and from inpatient to outpatient treatment.

A state-of-the art CT machine is a requirement for the timely and accurate diagnosis of critical patients coming into the Emergency Room and CT machines have become standard diagnosis equipment in hospital settings today. Based on the SHPDA 2005 Utilization Report, the current providers surpassed the H2P2 threshold of 3,000 procedures per year.

To build a hospital with an emergency room and no operating rooms would compromise minimal clinical quality of care standards and practices. According to the CDC's National Hospital Ambulatory Medical Care 2004 Emergency Department Summary, an estimated 47% of ER visits result in surgery cases. We propose that developing a hospital with an emergency room in West Maui, with available emergency services 24 hours a day, 7 days a week to *improve access* requires operating rooms to adequately handle those emergencies that present themselves to ER. West Maui currently has no such services, but the proposed Critical Access Hospital will require operating rooms to adequately serve the public.

Patients presenting to the WMHMC Emergency Department will need to be treated and stabilized at that facility. It is a minimum standard of practice that if a hospital provides Emergency Services, it is also expected to provide the necessary technology to diagnose its patients in order to treat them. An MRI machine is a requirement for the timely and accurate diagnosis of critical patients coming into the Emergency Room and MRI machines have become standard diagnosis equipment in hospital and outpatient settings today, preferred by patients because of no radiation exposure. If we use the H2P2 threshold average of 1500 procedures per machine, Maui currently exceeds the threshold and the island will need additional MRI machines to meet island-wide demand without unreasonable waiting lists. As demand is greater with an aging population, it is very important that WMHMC implement an MRI on-site to support the timely diagnosis and treatment of critically ill patients coming into its 24/7 Emergency Department, to support inpatient care and in support of its ICF/SNF patients care.



WMHMC will exist within the context of a larger healthy community of West Maui that will include existing and future health focused initiatives in conjunction with local schools, businesses, hotels, the senior center and local medical groups. WMHMC will have all the physical and equipment requirements of a modern medical facility and take full advantage of the close proximity and view of the ocean as a healing strategy. The facility will incorporate the natural beauty and resources of the land, sea and air of Maui to provide a healing environment via use of plants, views and sounds, and design.

MMHMC's exterior design will respond to and highlight island colors, materials, natural light, views and landscaping. The intent is to insure that the facility creates a "healing environment" as well as fit in with the West Maui culture, and promotes a sense of pride in the look, feel and performance of a premier healthcare facility for West Maui residents and visitors. WMHMC will be designed to maximize the efficient flow and movement of resources to patients and patients to resources to enhance patient, physician and employee satisfaction while providing cost-effective, timely care.

WMHMC will have state-of-the-art Fire, Life, and Safety Systems which include self-sustaining electrical, water, and medical gas systems with separate smoke and fire corridors to insure patient and employee safety and remain operational to sustain and protect life during fires or other disasters that may cut West Maui off from island resources.

**c) Quality of Service/Care**

WMHMC will be licensed by the state of Hawaii as an acute care facility; it will seek full JCAHO accreditation and be certified as a Critical Access Hospital (CAH) by CMS and the State. It will implement clinical paths and disease management programs that are appropriate and required of a CAH. The clinical laboratory will be certified by CLIA; the diagnostic imaging center will pursue ACR accreditation and its diagnostic equipment, technologists, and radiologists will be in compliance with established accreditation performance standards. The LTC facility will be Medicare certified. As stipulated in CMS requirements for CAH certification, WMHMC will operate internal quality assessment and performance improvement programs and follow all appropriate procedures for ongoing CMS review of utilization of services.

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

The Total Project Cost of \$45.75 million will be privately funded and financed by Newport Hospital Corporation (NHC) and Brian H. Hoyle, its owner. The project cost was estimated based on the best available hospital and SNF construction cost data, in addition to equipment costs required to operate these facilities. The land site was valued based on comparable Kaanapali unimproved, Agricultural zoned land with no entitlements, on or offsite improvements.

With \$70 million in available financing for the \$45.75 million Total Project Cost, the remaining \$24.25 million in available financing + \$14 million in available cash (after the \$7million pledged CD) will provide over \$31 million to cover additional project costs and at least \$10 million in start-up capital to cover initial operating cash flow deficits until WMHMC receives its CAH Licensure and then its associated Cost Based Medicare/Medicaid reimbursement. After CAH is designated, it is projected that WMHMC will be profitable for the duration of its operation.

The Project Financial Projections in Section D show that the CAH is projected to have a Base Year positive Income from Operations while the SNF/ICF is projected to have a First Year Net Loss from Operations. Until WMHMC is designated a Critical Access Hospital by CMS, there will be adequate start-up capital to cover the first year costs. CMS approval is anticipated by the end of the first year of operation, which will provide full CMS eligible reimbursement at 101% in the second year of operation and anticipated growth in occupancy levels, with private and government programs reimbursement will be underway by the third year of operation.

**e) Relationship to the Existing Health Care System**

WMHMC will utilize a network of physicians, physician assistants, and nurses within the confines of its medical center to provide quality care for its patients in West Maui. As previously discussed, if WMHMC cannot provide a service for a patient presenting in its Emergency Room, the patient will be assessed, stabilized and transferred or referred to more appropriate secondary or tertiary facilities and providers on Maui to receive those services; Air Ambulance

services will be used if transfer to Oahu or elsewhere is necessary. WMHMC will pursue a seamless continuity of care for patients and providers. WMHMC acknowledges that it will become another member in the larger continuum of health care for Maui and the state of Hawaii and will work in concert with other care providers to improve the overall health status of the community.

Additionally, WMHMC will interface with community groups, schools, hotels, employer groups, Senior and Community Centers to identify, develop and implement culturally sensitive healthcare programs that focus on early detection, prevention, education, and treatment. Examples of education programs will include healthcare for diabetes, weight management, smoking, drug prevention, and child immunization. WMHMC will work with existing community programs, whenever possible, rather than duplicating services and function as a referral source for existing programs and/or develop programs that are currently not in existence.

Finally, the WMHMC acute beds will also help reduce the current strain of overcrowding (of medical surgical beds) at MMMC , help reduce its financial burden in the number of waitlisted patients and it will help alleviate wait times at MMMC's ER by serving residents and visitors from West Maui.

**f) Availability of Resources**

WMHMC CAH will be managed by Southwest Health Group (SHG), whose partners have developed, managed, and operated physician owned acute care hospitals and surgery centers on a national level since 1965. SHG will look to recruit local physicians as Physician Partners in SHG's Management and Operation of the hospital, along with other local healthcare professionals and needed staff. Through its extensive national network of physician partners, SHG has access to other physician partners who may also serve on the WMHMC staff. To date, SHG has already received strong physician interest in WMHMC from Board Certified Physicians with specialties in orthopedic surgery, psychiatry, and emergency medicine who are investors in or on the medical staff of other SHG hospitals. Many of these physicians and their medical staff have expressed a willingness to move to West Maui and work for WMHMC.

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The 40 bed SNF/ICF will be managed by Mission Health Services, Inc. Local staffing will be pursued to meet the personnel needs of WMHMC. Gary Kelso, President of MHS, has access to an extensive national network of long term care professionals in his capacity as President of the Utah Healthcare Association and serving on the Board of the American Healthcare Association. Over the years, Gary and MHS have successfully recruited and placed hundreds of long term care professionals with nursing homes and assisted living facilities all over the Unites States.

As incentive, there are over 100 units of affordable housing approved to be built on another adjacent site in the Kaanapali 2020 Development project; priority will be given to the staff of WMHMC (for affordable housing in West Maui) to provide further incentive to recruit staff.

SHG and MHS will work closely with Maui Community College and the University of Hawaii in maintaining their nursing assistant, RN, and LPN programs by offering available needed instructors, subsidies and/or medical equipment and supplies for education. WMHMC will hire local graduates and actively recruit students by becoming a clinical training site and offer paid internships or tuition forgiveness incentives for all qualified nursing graduates of Maui Community College and the University of Hawaii.

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