



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number: #08-13A

Applicant: Kahuku Medical Center
56-117 Pualalea Street
Kahuku, Hawaii

Phone: 808 293 9221

Project Title: Change of 3 Medical/Surgical and 2 Critical Care beds to 5
Acute/SNF/ICF swing beds

Project Address: same

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

- Public _____
- Private _____ X _____
- Non-profit _____ X _____
- For-profit _____
- Individual _____
- Corporation _____ X _____
- Partnership _____
- Limited Liability Corporation (LLC) _____
- Limited Liability Partnership (LLP) _____
- Other: _____

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2. PROJECT LOCATION INFORMATION

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

- Statewide: _____
- O`ahu-wide: _____
- Honolulu: _____
- Windward O`ahu: _____ X _____
- West O`ahu: _____
- Mauï 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) **Asset Purchase sale agreement attached**
- 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. **See 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 **All documents previously submitted with**
 - By-Laws **CON #07-20A**
 - Partnership Agreements
 - Tax Key Number (project's location) **5-6-00-:013**

4. **TYPE OF PROJECT.** This section helps our reviewers understand what type of project you are proposing. Please place an "x" in the appropriate box.

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	Used Medical Equipment (over \$400,000)	New/Upgraded Medical Equip. (over \$1 million)	Other Capital Project (over \$4 million)	Change in Service	Change in Beds
Inpatient Facility					X
Outpatient Facility					
Private Practice					

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.

The table below shows the current "SHPDA-approved" bed count for Kahuku Medical Center.

Type of Bed	Current Bed Total	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
Medical/surgical	3	-3	0
Critical Care	2	-2	0
Obstetric	2		2
Acute/SNF Swing	6	-5	11
SNF/ICF	10		10
TOTAL	23	0	23

*Kahuku Medical Center closed its OB unit in 2006, but the bed count remains on the books.

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 _____
- 5. Financing Costs _____
- 6. Fair Market Value of assets acquired by
lease, rent, donation, etc. \$0

TOTAL PROJECT COST: \$0

B. Source of Funds

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

TOTAL SOURCE OF FUNDS: \$0

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.

+5 Acute/SNF/SWING and -3 MedSurg, -2 Critical Care 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, **March 14, 2008**
 - b) Dates by which other government approvals/permits will be applied for and received, **Upon Certificate of Need approval**
 - c) Dates by which financing is assured for the project, **N/A**
 - 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 **Upon licensing approval**

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.

Kahuku Medical Center is a twenty-three-bed facility that provides an array of health care services, including emergency care, general acute care, surgery, skilled nursing, ancillary care and health education. It is one of nine hospitals in Hawaii with a federal Medicare designation as a critical access hospital (CAH).

According to the SHPDA-recognized bed count, Kahuku has 3 Medical/Surgical and 2 Critical Care beds. KMC would like to request approval to convert these 5 beds to SWING (Acute/SNF) beds for a total of eleven (11). Convert the existing Medical/Surgical and Critical Care beds to SWING will permit them to be used for either level of care without having to physically move the patient.

A major benefit to KMC will be reimbursement. KMC will retain the CAH status now granted to Kahuku by the federal Medicare program. The Medicaid program uses a cost-based formula to reimburse SWING patients in CAH facilities. We

estimate that 500 more SWING patient days, assuming routine expenses stay the same, would have net revenue of \$194,158.

There are no capital expenditures or increased operating expenses with this proposal. The facilities and staff are already in place, and we are merely changing bed designation.

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

Goals and Objectives. The H2P2 establishes several goals and objectives for realizing the Hawaii healthcare vision which are pertinent to this application:

For example:

- Achieve equitable and effective access at reasonable cost for all Hawaii's residents to health service that are responsive to the holistic needs of community's members.
- Reducing the effects of chronic disease and prolonging health related quality of life.
- Establishing regionalized health care delivery systems that include community input, are cost-effective, and that foster improved access to quality healthcare services.

Increasing the number of SWING beds contributes to equitable and effective access, prolongs quality of life and establishes a regionalized system.

Critical elements of a healthcare delivery system. The plan lists five critical elements, four of which are: access, quality management, cost effectiveness, and continuity of care. Quality is assured by Kahuku's history of providing quality healthcare. Cost effectiveness is assured by improving KMC's financial status, and continuity is improved by providing acute and SNF services in one setting. This change will improve access to both acute and long term care.

b) Need and Accessibility

Description of the service area. Kahuku Hospital is in the area of the Windward Subarea Health Planning Council. Its primary service area is the Koolauloa District of O`ahu, which constitutes Census tracts 101 and 102. However, it frequently serves people from outside the service area, going as far west as Waialua.

The Hospital is the only inpatient primary care provider in this area, providing emergency room service, medical/surgical beds, skilled nursing beds, diagnostic radiology and laboratory service. The next nearest hospitals, (Wahiawa and Castle) are approximately 50 minutes away, mostly by two lane roads, which are sometimes closed by weather or accidents. As such,

the Hospital functions as a safety net facility, and is designated as a critical access hospital by Medicare.

According to the 2000 census, census tracts 1101 and 1102 totaled 18,899 residents in 2000. However, other estimates using an expanded service area estimate the population served by Kahuku to be 27,000 (Act 113, SLH 2007).

The service population is at increased socio-economic risk compared to the state as a whole. Examples include: 31.5% of the population is below 200% of the federal poverty line (22% is the state average); unemployment rate is 7.2% (5.9% is the state average); and 20% of households receive food stamps. (Source: State of Hawaii, Primary Care Needs Assessment Databook," December 1999, published by the Hawaii Department of Health).

Need. The need which will be met by this proposal is the need for Acute/SNF care by residents in the service area – especially for convenient, accessible and quality care.

An increase in the number of SWING beds will allow Kahuku Medical Center greater flexibility in utilizing resources and will be especially helpful for meeting the needs of the acute patient who requires short term SNF before being discharged. By allowing in place care without transfer, unnecessary duplication of paperwork and services can maximize efficiency and minimize cost.

As noted earlier, Kahuku already is licensed for 6 (six) SWING beds. By increasing the SWING bed capacity, more families in the area will be able to visit loved ones receiving services within the community, thus decreasing the cost and time of traveling to visit a family member. This helps in the patients' healing process as well as provides time for the staff to interact with the families and encourage their participation as indicated.

This change will also assist the other PPS facilities in preventing a backlog of patients that need to be placed.

Though the bed designation for critical care and med-surgical patients will change, the care provided in a SWING bed will not. Kahuku Medical Center will still admit all of the same patients though the bed designation will be different. Kahuku Medical Center will continue to be accessible to all patients, including low-income, indigent, etc.

c) Quality of Service/Care

Kahuku Medical Center has submitted all applications for continued certification by Medicare and Medicaid, and has a history of providing quality primary care. Quality may even be strengthened since the quality assurance

and risk management programs of the Hawaii Health Systems Corporation (HHSC) will be available to KMC.

The quality of care for SWING patients at KMC will be improved simply by being able to provide the care in-house without the difficulty of transferring an ill patient to another facility somewhere on the island.

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

There are no capital costs involved in this project, since it is merely the conversion of existing medical/surgical and critical care bed units from acute to SWING.

There are no additional operating expenses, since staff are already in place and there are no additional supplies, equipment or other requirements.

A major benefit to KMC will be an increase in reimbursement for the SWING patients. Based on FY 2007 actual cost report, the reimbursement for a Medicare swing bed was \$1043, which included the routine and ancillary services. The occupancy for those beds were at 52.1%. The additional 500 patient days will increase the occupancy rate to 62.6%. The impact of these 500 beds assuming an inflation factor of 3.5% will decrease the daily reimbursement of \$1043.32 in FY 2007 to \$911.19 (\$880.38 plus 3.5% per diem), or a \$200,000 increase in revenue due to increase in occupancy by 500 patient days.

For 2011, the increase in reimbursement will be at \$223,000.

Exhibit A (attached) provides revenue and expense projections illustrating the results of the acute to SWING conversion for the first and third years of operation based on an impact of 500 more patient days. The improved reimbursement will enable Kahuku to strengthen its potential to achieve a break-even operation with less of a survival-reliance on charitable funding and subsidies.

e) Relationship to the existing health care system

Kahuku Medical Center continues to collaborate with other hospitals and facilities. Availability and accessibility to acute/SNF levels of care will be improved and more patients will be able to be appropriately cared for within the Kahuku area. Because Kahuku Medical Center is the only acute/SNF facility within the Koolauloa community, any impact on other providers in the health planning area is minimal.

f) Availability of Resources.

The change in bed designation will utilize existing hospital staff. Staffing needs will be assessed on a continuous basis and additional staff will be recruited if needed.

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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.