



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number: #08-14A

Applicant: Kaiser Foundation Hospital, Inc.
3288 Moanalua Road
Honolulu, Hawaii

Phone: 808 432-0000

Project Title: Conversion of 28 Medical/Surgical beds to 28 Skilled
Nursing/Intermediate Care Facility beds

Project Addresses: same

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

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

2. **PROJECT LOCATION INFORMATION**

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

Statewide:	_____
O`ahu-wide:	_____ <u>X</u>
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) **N/A**
- B. A listing of all other permits or approvals from other government bodies (federal, state, county) that will be required before this proposal can be implemented (such as building permit, land use permit, etc.) **N/A**
- C. Your governing body: list by names, titles and address/phone numbers
See Attachment A
- 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 **On file with SHPDA**
 - By-Laws **On file with SHPDA**
 - 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
Medical / Surgical	242	- 28	214
SNF/ICF	0	+ 28	28
TOTAL ACUTE			318
TOTAL SNF/ICF			28

6. PROJECT COSTS AND SOURCES OF FUNDS

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. | _____ |
| 7. | Other: _____ | _____ |

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.

Conversion of 28 medical/surgical beds to SNF/ICF 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:

See Attached

- 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

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.

See Attached

- 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)

 ^{FOR AUG -1 P1 15} 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.

 ^{6/1/15} 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.

 X The applicant believes it will not have a significant impact on the health care system.

8. IMPLEMENTATION SCHEDULE:

- a) Date of site control for the proposed project
Kaiser Permanente Medical Center, July 2008
- b) Dates by which other government approvals/permits will be applied for and received
N/A
- c) Dates by which financing is assured for the project
July 2008
- d) Date construction will commence
N/A
- e) Length of construction period
N/A
- f) Date of completion of the project
August 31, 2008
- g) Date of commencement of operation
August 31, 2008

9. EXECUTIVE SUMMARY:

The Kaiser Foundation Hospital, Inc. requests approval from the State Health Planning and Development Agency (SHPDA) to convert 28 medical/surgical beds to SNF/ICF beds to better meet the needs of their patients.

BED TYPE	CURRENT	PROPOSED	TOTAL
Medical/Surgical	242	-28	214
SNF/ICF	0	+28	28

On April 4, 2006, Kaiser Permanente received CON (#05-33a) approval to convert 28 SNF beds to medical/surgical beds which helped to accommodate the surge in patient hospitalization, thereby reducing the need to send patients to outside hospitals and reducing the backup in the Emergency Department of patients waiting to be admitted. With the progress of Kaiser Permanente Moanalua Medical Center's expansion and renovation (CON #04-15) additional medical/surgical beds are now available for patient use (with a total of 47 beds by July 2009). As stated in CON #05-33a, "once the expansion and renovations are completed, Kaiser Permanente will review the proposal of converting the acute care beds back to SNF beds."

With the additional capacity of medical/surgical beds, Kaiser Permanente can now convert the medical/surgical beds back to longterm care beds which will allow Kaiser to better manage its waitlisted patients and sub-acute patients that would not be accepted in an outside skilled nursing facility in a more appropriate and cost effective setting.

Kaiser Permanente does not plan to bring back its members that are already in outside skilled nursing facilities and will continue to contract with outside skilled nursing facilities to provide long term care to appropriate patients.

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

Kaiser Permanente and this proposed project fit the needs identified in H2P2. Kaiser Permanente is a health care delivery system that is comprehensive, cost-effective, well coordinated, and responsive to community needs. Kaiser Permanente has the principles, desired characteristics and critical elements of a health care delivery system as described in the H2P2. The proposed project will help to achieve the goals and objectives for realizing the vision of individuals achieving optimum health. This proposal will also continue to help achieve the goals of increasing the span of healthy life for Hawai'i's residents, reduce health disparities among Hawai'i's residents, and achieve equitable and effective access at reasonable cost for all Hawai'i's residents by meeting the objective of "Reducing morbidity and pain through timely and appropriate treatment". The conversion to SNF/ICF beds will enable Kaiser Permanente to help meet the demand and need for long term care beds on Oahu, thereby carrying out H2P2.

The proposed service is designed primarily to add value to the health care delivery by improving access, quality, and cost effectiveness. In Chapter III of H2P2, regional priorities include: a) Increase access to cost-effective health care services, especially services that reduce the overall cost to the community through prevention and better health management, by providing financial resources and incentives that encourage their use, b) the development of care delivery systems for the elderly and chronically ill populations to provide effective management of their health and quality of life and in turn significantly reduce the heavy financial and social burden to their families and to the community, and c) foster access to culturally sensitive health care and education on general preventive care and health maintenance. As specifically stated for the Honolulu Subarea, this proposal will address the overall concern priority of the need for "increased geriatric care services for the growing elderly population."

B. Need and Accessibility

The proposed project for SNF/ICF beds will allow Kaiser to manage its waitlisted patients and sub-acute patients that would not be accepted in an outside skilled nursing facility in a more appropriate and cost effective setting.

The table below shows the numbers of waitlist days at Kaiser Permanente Medical Center and claim days for 2006 to 1st quarter 2008

**Waitlist and Claim Days
2006-2008**

	Waitlist Days	Claim Days
2006	7,744	10,654
2007	5,576	10,151
2008 (1 st quarter / annualized)	1,851 / 7,404	2,513 / 10,052

2007 and 2008 days may be understated due to claims not being processed yet.

Based on actual 1st quarter 2008 days, year-end 2008 is forecasted to have 7,404 waitlist days with an average daily census of 21 beds and 10,052 claim days with an average daily census of 28 beds. Kaiser Permanente is not planning to bring back members currently in outside skilled nursing facilities and will continue to contract with outside providers for long term care services.

The proposed project for SNF/ICF beds will help to meet the needs for long term care needs in the community and improve the accessibility of beds. The designation of SNF/ICF beds will decrease the projected 2008 waitlist days (7,404) when residents change level of care and payer sources. Historically, the community has not taken these patients therefore these residents care needs will continue to be treated in the same facility when the resident's condition changes between acute and SNF/ICF levels of care.

Long term care services will be available to all Kaiser Permanente members regardless of age, sex, race, income, or disabilities.

C. Quality of Service/Care

Providing high quality, cost-effective health care is the guiding principle at Kaiser Permanente. Kaiser Permanente is proactive and diligent in the pursuit, maintenance, and improvement of quality of care and quality of service. Kaiser Permanente has received continuing approval by the Joint Commission on the Accreditation of Healthcare Organizations (JCAHO). Kaiser Permanente has also been awarded full accreditation by the National Committee for Quality Assurance (NCQA).

All staff will be assured of competency and will receive ongoing education. Best practice standards established by Kaiser Permanente National will be utilized to maintain high quality care.

D. Cost and Finances

Kaiser Permanente has determined that this project will require no capital investment. Membership dues will not be raised as a direct result of this project and no new debt will be required.

A statement of expenses for the proposed project is attached as Exhibit D-1. Revenues are derived from Health Plan dues that are not capitated by medical service or operating facility and Medicare payments. All patients, regardless of age, are eligible for Medicare and payments are received based on a combination of age, risk factors and their coordination period. Project expenses are expected to be reduced or minimal as associated with the proposed project.

E. Relationship to the Existing Health Care System

This proposed project will allow Kaiser Permanente to provide SNF/ICF services to its members and patients. There will be minimal impact on the existing health care system. This proposal will allow Kaiser Permanente to directly provide a much needed service to its patients without burdening the health system.

F. Availability of Resources

The proposed project will require a change in the mix of FTE's. Most of the staff are within the organization and have or will provide this service without additional cost to the organization. New FTEs will be hired either locally (when possible) or nationally.

STATEMENT OF REVENUES AND EXPENSES

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Patient Service Revenue			
Inpatient Room and Care			
Inpatient Other Nursing Services			
Inpatient Ancillary Services			
Outpatient Services			
Gross Patient Services Revenue			
			Not Available: Operating revenues are derived primarily from Health Plan dues which are not categorized by the various Components of services or by the location of those services.
Deduction from Patient Services Revenue			
Contractual Adjustments			
Charity Care and Administrative Allowances			
Allowances for Uncollectibles			
Total Deductions			
Net Patient Services Revenue			
Other Operating Revenue			
Total Operating Revenue			
Operating Expenses			
Salaries and Wages	(25,591)	(27,126)	(28,754)
Expenses			
Depreciation			
Interest			
Total Expenses	<u>(25,591)</u>	<u>(27,126)</u>	<u>(28,754)</u>
Net Income (Loss) from Operations	25,591	27,126	28,754
Add: Depreciation			
Interest			
Funds from Operations	<u>25,591</u>	<u>27,126</u>	<u>28,754</u>
Debt Financing			
Principal	0	0	0
Interest	<u>0</u>	<u>0</u>	<u>0</u>
Total Debt Financing	0	0	0
Excess (Deficit) Funds from Operations	25,591	27,126	28,754