



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number: #08-20A

Applicant: Kapiolani Medical Center for Women & Children
1319 Punahou Street, Honolulu, Hawaii

Phone: 808 535-7124

Project Title: Addition of 28 Neonatal ICU beds and 17 Obstetric beds and
the reduction of 23 Medical/Surgical, 8 Critical Care and 4 Pediatric beds

Project Address: Same

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

- Public _____
- Private X NOV 19 P3 21
- Non-profit X
- For-profit _____
- Individual _____
- Corporation X
- 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: X
- 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) [**not required – project located on KMCWC facility**]
- 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.).

-Certificate of Need, State Health Planning & Development Agency

- 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: **See Attached.**
 - By-Laws: **See Attached.**
 - Partnership Agreements: **Not Applicable**
 - Tax Key Number: **2-8-011-004**

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.

Type of Bed	Total	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
Medical/Surgical	53	-23	30
Critical Care	25	-8	17
Obstetric	37	17	54
Pediatric	64	-4	60
Neonatal ICU	18	28	46
TOTAL	197	10	207

6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All Project Costs:

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AMOUNT:

- | | |
|---|-------|
| 1. Land Acquisition | _____ |
| 2. Construction Contract | \$ 0 |
| 3. Fixed Equipment | \$ 0 |
| 4. Movable Equipment | \$ 0 |
| 5. Financing Costs | _____ |
| 6. Fair Market Value of assets acquired by
lease, rent, donation, etc. | _____ |
| 7. Other: Architectural/Planning | \$ 0 |

TOTAL PROJECT COST: \$ 0

B. Source of Funds

- | | |
|-------------------------|-------|
| 1. Cash | \$ 0 |
| 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.

This project involves the reclassification of existing bed types at Kapi'olani Medical Center for Women & Children (KMCWC). These changes include (a) reduction of 23 Med/Surgical beds; (b) reduction of 8 Critical Care beds; (c) addition of 17 Obstetric beds; (d) reduction of 4 Pediatric beds; and addition of 28 NICU 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: **COMPLETED**
Site located within existing campus.
- 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: **N/A**
- d) Date construction will commence: **N/A**
- e) Length of construction period: **N/A**
- f) Date of completion of the project: **October 15, 2008**
- g) Date of commencement of operation: **October 16, 2008**

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.

Kapi'olani Medical Center for Women & Children (KMCWC) specializes in providing obstetric and pediatric care. This application involves the reclassification of existing bed types. These changes include: (a) reduction of 23 Med/Surgical beds; (b) reduction of 8 Critical Care beds; (c) addition of 17 Obstetric beds; (d) reduction of 4 Pediatric beds; and addition of 28 Neonatal ICU beds. The proposed bed changes better accurately reflect actual bed usage at Kapi'olani Medical Center for Women & Children as defined by the State Health Planning & Development Agency (SHPDA) bed definitions. The proposed changes will result in a net increase of 10 beds.

There are no capital expenditures or increased operating expenses with this proposal. The resources and staff already exist to accommodate these changes.

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

The proposed bed changes are responsive to two chapters within H2P2.

First the proposed renovations address the critical elements of a health care delivery system outlined in Section F of the H2P2 Chapter II (Guiding Principles). Access will be improved by increasing the amount of obstetric and neo-natal intensive care beds made available to patients. Quality management will be improved through better provision of care environments with patient acuity levels. Cost effectiveness will also be improved through greater clinical/space utilization efficiencies and re-allocation of staffing and bed types to best accommodate current needs.

Second, the proposed renovation will address H2P2 Chapter X, (Maternal, Infant and Child Health). H2P2 identifies the provision of "Efforts to improve maternal health have the double benefit of improving the outcome of the woman and ensuring the best possible start in life for the infant(s)." The additional Obstetric beds will provide greater bed capacity for women giving birth. The additional NICU beds will provide greater bed capacity for both intermediate and critical care babies born premature.

Per recommended H2P2 guidelines, for new or additional NICU beds, the overall average occupancy of the total number of existing Level II and Level III beds in the service area should be at least 80 percent. On the island of Oahu, only Kaiser and KMCWC have NICU beds. In the most current utilization report, Kaiser reports 83.56% utilization which exceeds the NICU service area threshold guidelines. Further, KMCWC's current utilization of NICU beds is 92.0%.

For the addition new OB beds, all existing OB beds in the service area should have an annual utilization rate of 80 percent according to H2P2. Although other hospitals - Queens (60%), Kaiser (54%), Castle (46%) - do not meet this threshold we believe the benefits—in the form of improved access for the service area(s) population combined with significant

improvement in quality and/or significant reduction in price to the public—clearly outweigh the costs to the community of duplicating or under-using services, facilities, or technology. At KMCWC, OB beds are currently at 97.0% utilization, which exceeds the SHPDA recommended optimum threshold of 75%. Also from a quality of care perspective, patient safety is compromised whenever infants born pre-maturely require transport from another facility to KMCWC. Given the increase in NICU utilization, accompanying OB beds are also necessary.

b) Need and Accessibility

The proposed bed changes will meet current demand for all provided services .

From 2000 to 2005, the Hawaii State population increased by 4.6%. Likewise this has been matched by an increase in the OB average daily census at KMCWC from 39 (FY 2000) to 47 (FY 2005). In 2008, the average daily census was 52 which far exceeded the current 37 SHPDA defined beds. The increase of 17 beds (to 54) will accommodate the current demand of OB beds.

The NICU unit has experienced growth in its services. On the island of Oahu, NICU beds are only available at KMCWC and Kaiser Hospital. From 2000 to 2008, the number of live births at KMCWC increased by 19.3% from 5,501 to 6,565. The increase in births over the same year was matched by an increase in the average daily census from 38 to as much as 46 over this time period. The increase of 28 NICU beds to 46 will accommodate the current demand for NICU beds at KMCWC.

The reduction of 23 Medical/Surgical beds, 8 critical care beds and 4 pediatric beds better reflect actual utilization of these bed types at KMCWC. KMCWC will continue to provide care to all residents of the area including: Medicare, Medicaid, QUEST, low income persons, racial and ethnic minorities, women, handicapped persons, and other underserved groups.

c) Quality of Service/Care

The proposed renovations will ensure that superior clinical outcomes and excellence are maintained. The proposed bed changes will create additional OB and NICU bed capacity that will enhance patient accessibility to care. The proposed bed changes at KMCWC will enhance the ability of physicians to provide state of the art care to Hawaii's pediatric and adult female patients.

Kapi'olani Medical Center for Women & Children (KMCWC) is the state's only facility specializing in the care of women and children, and is a major teaching facility affiliated with the University of Hawaii, John A. Burns School of Medicine. KMCWC is fully accredited and approved by the Joint Commission on Accreditation of Hospitals, American Medical Association, and American College of Surgeons.

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

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The proposed bed changes will require no additional capital or investment. Furthermore with regards to area with the most significant number of bed changes (the NICU), the financial projections reflect current positive margins (\$4,644,282) with continuing positive margins (\$4,333,105) in year 3. The project is cost-effective as it utilizes existing space and other resources within KMCWC.

e) Relationship to the existing health care system

The proposed bed changes are expected to strengthen the existing health care system. KMCWC is the only pediatric tertiary care hospital in the Pacific Basin. Its ability to provide state-of-the art care will affect the medical outcomes for all women and children in the service area. The proposed bed changes will enhance availability for physicians throughout the community ultimately providing greater scheduling convenience for patients throughout the State of Hawaii. The proposed bed changes will also enhance desirable outcomes for the care of obstetric, pediatric and newborn care.

f) Availability of Resources.

KMCWC has sufficient trained professionals, management, systems and other resources to fully support the proposed bed changes. The bed changes may require a change in the mix of FTES, however, all of the staff are within the organization and are currently will provide this service without additional cost to the organization.

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.