



# HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

## ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: 09-11A Date of Receipt:  
To be assigned by Agency

### APPLICANT PROFILE

Project Title: Renovation/upgrade of Facility and the reduction of 26 SNF/ICF Beds

Project Address: 2670 Pacific Heights Road

Honolulu, HI 96813

Applicant Facility/Organization: Hale Ho Aloha, Inc.

Name of CEO or equivalent: Stephen Knight

Title: President

Address: 2670 Pacific Heights Road, Honolulu, HI 96813

Phone Number: 808-524-1955 Fax Number: 808-537-5418

Contact Person for this Application: Dennis M. Okimoto

Title: Administrator

Address: 2670 Pacific Heights Road, Honolulu, HI 96813

Phone Number: 808-524-1955 Fax Number: 808-537-5418

### CERTIFICATION BY APPLICANT

I hereby attest that I reviewed the application and have knowledge of the content and the information contained herein. I declare that the project described and each statement amount and supporting documentation included is true and correct to the best of my knowledge and belief.

Stephen P. Knight  
Signature

31 AUGUST 2009  
Date

Stephen Knight  
Name (please type or print)

President  
Title (please type or print)

1. **TYPE OF 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: _____	_____

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 applicable – Renovation and upgrade of existing 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.) Building Permit
- C. Your governing body: list by names, titles and address/phone numbers
- 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 - N/A
  - Tax Key Number (project's location) 2-2-23:36

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		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
SNF/ICF	85	-26	59
<b>TOTAL</b>	85	-26	59

**6. PROJECT COSTS AND SOURCES OF FUNDS**

**A. List All Project Costs:**

**AMOUNT:**

1.	Land Acquisition	<u>N/A</u>
2.	Construction Contract	<u>3,290,500</u>
3.	Fixed Equipment	<u>210,000</u>
4.	Movable Equipment	<u>916,600</u>
5.	Financing Costs	<u>N/A</u>
6.	Fair Market Value of assets acquired by lease, rent, donation, etc.	<u>N/A</u>
7.	Other: <u>Architectural &amp; Design, contingency and other</u>	<u>722,900</u>
<b>TOTAL PROJECT COST:</b>		<u>5,140,000</u>

**B. Source of Funds**

1.	Cash	<u>                    </u>
2.	State Appropriations	<u>                    </u>
3.	Other Grants	<u>                    </u>
4.	Fund Drive	<u>                    </u>
5.	Debt	<u>                    </u>
6.	Other: <u>Additional paid in Capital</u>	<u>5,140,000</u>
<b>TOTAL SOURCE OF FUNDS:</b>		<u>5,140,000</u>

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.

Renovation and upgrade of 30+ year old facility that will result in reducing SNF/ICF beds from 85 to 59.

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: Please see page 6

- 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 page 7

- a) Relationship to 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)

- 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.

**8. Implementation Schedule**

- a) Date of site control for the proposal project. Not applicable, as all work will be performed on the existing facility and the existing space.
- b) Dates by which other government approvals/permits will be applied for and received:  
Applications for approvals and permits have been submitted. The building permit is expected to be approved and issued by October 2009
- c) Dates by which financing is assured for the project:  
Not applicable as funds will be provided via addition Paid-in-Capital
- d) Date construction will commence:  
30 to 90 days after receipt of the building permit or approximately November 2009
- e) Length of Construction  
Construction will be performed in five major phase; with total completion in approximately 13 months
  - Phase I 4 to 5 months
  - Phase II 2 to 3 months
  - Phase III 2 to 3 months
  - Phase IV 2 to 3 months
  - Phase V 2 to 3 months
- f) Date of Completion

Assuming receipt of the building permit in October 2009, completion is projected in December 2010.

g) **Date of Commencement of Operation**

Hale Ho Aloha will continue to operate during its renovation/upgrade project. Bed availability during construction is estimated as follows:

Phase I	38 beds
Phase II	38 beds
Phase III	60 beds
Phase IV	51 beds
Phase V	59 beds

## **9. Executive Summary**

Hale Ho Aloha is an 85-bed SNF/ICF licensed nursing home offering services for long term and respite private pay residents. HHA also provides care for hospice clients and veterans through contracts with community hospice providers and the VA. The facility was constructed in 1977, with no major renovations or facility upgrades performed since that time.

The current configuration of the facility consists of 17 four-bed ward rooms, seven two-bed semi-private rooms and three private rooms. All resident rooms and the resident dining room are presently located on the main, upstairs floor; however, the activities room and physical therapy areas are downstairs and accessible only by elevator.

The renovation/upgrade plan will be contained at the existing site and reduces the total number of beds from 85 to 59. The room configuration will be converted to ten three-bed ward rooms, ten two-bed semi-private rooms, eight private rooms and a dedicated isolation room to meet the needs of residents with infectious diseases. The two most utilized areas in the facility are the upstairs dining area and the downstairs activities/PT area. The proposed renovation/upgrade will relocate the activities and physical therapy area from downstairs to upstairs, adjacent to the dining area and closer to resident rooms. This modification will positively impact quality of care and enhance access to services by facilitating transport from one area to the next. In addition, upgrades to the physical therapy area will enable HHA to offer expanded rehab services.

Hale Ho Aloha is sorely in need of physical upgrades and modernization. Increased consumer demand for a more home-like environment prompted the renovation plan and influenced its design. Complementing the physical changes, the facility will initiate a staff re-education and culture change program during the renovation process with a focus on resident centered care.

### **A. Relationship to the Hawaii Health Services and Facilities Plan**

The proposed renovation adheres to the SHCC general principle of promoting the financial viability of the health care delivery system and to the SHCC specific concern to ensure capacity and access to a continuum of long term care services. Upgrading the 30+ year old building will ensure the future financial viability of the facility by addressing a downward trend in private pay census. It will also improve the quality of services to

residents and resident families by creating a more home-like rather than clinical atmosphere.

One of the HONSAC priorities in the Hawaii Health Services and Facilities Plan is the goal to enhance quality of life and support for seniors aging in place. HHA's proposed renovation will offer improved respite accommodations for family caregivers in need of short-term respite services. Over 28% of this year's admissions have been for respite care. This number is expected to rise as more and more frail elders are cared for at home by increasingly fragile spouses. HHA will continue to offer much needed respite beds for SNF/ICF level residents.

Another HONSAC priority addresses the provision of hospice services. Approximately 40% of 2009 admissions have been end-of-life residents. The proposed renovation will enhance our end-of-life services by providing a more inviting, less institutional design that offers residents and families a much greater degree of privacy.

### **B. Need and Accessibility**

The proposed twenty six bed reduction addresses HRS 323D-15 regarding the reduction of underutilized facilities. Reducing the bed count from 85 to 59 reflects current as well as projected utilization. Hale Ho Aloha's private pay census has been negatively impacted by the increase in ARCHs, assisted living facilities and the dramatic increase in foster homes. Census has been steadily declining over the past five years from a daily occupancy of 77 in 2004 to 59 in 2009. During 2009, average daily census has continued its steady decline from 62 in January to 48 in August. Although feedback from residents, family members, case managers, the Ombudsman's office and other health care professionals reveal high levels of resident and family satisfaction with the care at HHA, it is difficult to attract new residents due to the deteriorating condition of the physical plant. HHA does not anticipate a private pay demand above 59 beds in the near future but does expect a rejuvenated census once the upgrades are complete and as the population continues to age.

HHA does not offer Medicaid or Medicare beds so the renovation's impact on underserved populations is negligible as the majority of waitlisted patients are Medicaid or dual eligibles.

The Health Services and Facilities Plan specifically addresses access of services by a variety of members of the community including the elderly, racial and ethnic minorities, women, and persons with disabilities. Hale Ho Aloha will continue to welcome and serve a diverse population. Current residents range in age from 46 to 99, with an average age of 85.8. It is one of four nursing homes contracted with the VA to provide long-term and hospice services to veterans and one of only two offering VA nursing home beds in the Honolulu area. Approximately 23% of residents are veterans (the highest of any VA contracted nursing home). Further, as previously stated, HHA is one of the only facilities that offers respite care for SNF/ICF level residents.

### **C. Quality of Service/Care**

Hale Ho Aloha adheres to the Federal and State of Hawaii's regulations and standards in providing the highest quality of care to its residents. In accordance with Chapter 94 of the Hawaii Administrative Rules, HHA has established required policies and



procedures to monitor and evaluate the quality of care. HHA also maintains an active, interdisciplinary Quality Assurance Committee that meets monthly.

During the early phases of the renovation, staffing at HHA will be adjusted to offset a lowered census. Rather than lay off employees, the facility will provide a series of staff educational programs that focus on improving resident care. HHA has also partnered with Kokua Mau (Hawaii's hospice and palliative care organization) and five other long term care facilities to embark on a year-long quality assurance program to improve end-of-life services. Best practices developed during this program will be implemented as part of the post-renovation culture-change movement.

One distinct feature of Hale Ho Aloha is the prevalence of extremely frail, long-term ICF residents. These residents can be difficult to place at other facilities because of their total dependence for all activities of daily living. In response to their needs, Hale Ho Aloha will continue to maintain one of the highest nurse aide-to-patient ratios in the state.

The facility upgrades and room adjustments will significantly improve the quality of care by providing residents and their families with a serene, more home like environment staffed with compassionate and experienced nurses. Residents will be offered a continuum of care services from short term respite services, to long-term care, to end of life care. Despite a population with heavy care needs and staff demands, Hale Ho Aloha will continue to provide the highest quality service with competitive private pay rates.

The renovation will be performed in five major phases lasting approximately 13 months. Typically this type of project would take approximately 6 to 7 months to complete, however the time period was extended to cause less disruption in the lives and activities of the residents who will remain during construction. Residents will be kept as far away as possible from construction activities. For example, during Phase 1 (demolition and reconstruction of the dining and business office areas, demolition of five rooms and relocation of the nurse's station) meal service and activities will be conducted in the lower level. In addition, the contractor will be required to install dust barriers and, if appropriate, negative air equipment to protect residents and staff from dust. Safety barriers will be placed in key locations to ensure resident and staff safety. Also, construction activities will be confined to daytime hours. Further, we will work closely with the Department of Health Long Term Care Ombudsman Program to ensure that resident concerns are immediately addressed and resolved.

**D. Cost and Finances (include revenue/cost projections for the first and third year of operations.**

**Hale Ho Aloha, Inc.**  
**Projected Income Statement**  
**Renovated 59 Bed Facility**

	<u>Base Year</u>	<u>Year 2</u>	<u>Year 3</u>
TOTAL REVENUE	\$5,200,000	\$5,321,200	\$5,595,500
TOTAL MATERIALS & SUPPLIES	317,200	326,700	336,500
TOTAL LABOR COSTS	2,556,000	2,658,200	2,764,600
TOTAL EMPLOYEE BENEFITS	587,900	617,300	648,100
TOTAL OPERATING EXPENSES	1,037,300	1,068,300	1,100,400
TOTAL COSTS & EXPENSES	4,498,400	4,670,500	4,849,600
INCOME BEFORE INCOME TAXES	701,600	650,700	745,900

**E. Relation to the Existing Health Care System**

Hale Ho Aloha is one of the only private pay skilled nursing/intermediate care facilities on Oahu that does not accept Medicare or Medicaid. The reduction of 26 private pay beds will not impact the private pay census of other facilities, as demand for private pay beds has not increased. Further, the reduction will not decrease the availability of private pay beds as current demand is less than the available supply. Hale Ho Aloha's recent and current census has averaged below 50 residents. The plan for the renovated 59 bed facility will have more than sufficient capacity to handle the demand for private pay beds. Since the facility does not participate in the Medicare and Medicaid programs, the reduction in bed count will not negatively impact the acute care waitlisted patients.

**F. Availability of Resources**

Hale Ho Aloha, Inc is wholly owned by CMS Aloha, Inc., a holding company whose only asset is Hale Ho Aloha, Inc. CMS Aloha, Inc. is wholly owned by Marudai K.K., a Japan corporation. Funding for the renovation will be provided by Marudai K.K. Attached is a letter from Marudai K.K. regarding funding of the project— see Attachment B.

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**Page 11 of 11, this is the last page.**