



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

STANDARD APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: # 10-12 Date of Receipt:
To be assigned by Agency

APPLICANT PROFILE

Project Title: Establishment 150 bed SNF / ICF

Project Address: Tax Map Key: Division 1, Zone 4, Section 5, Plat 023, Parcel 002 (A 4.8 acre portion). (TMK: 4-5-23, Parcel 2)

Applicant Facility/Organization: Avalon Health Realty – Kaneohe, L.L.C.

Name of CEO or equivalent: Dr. David Dangerfield

Title: President / CEO

Address: 255 East 400 South, Salt Lake City, UT 84111

Phone Number: (801) 596-8844 Fax Number: (801) 596-9001

Contact Person for this Application: Faye Lincoln

Title: Senior Vice President

Address: 255 East 400 South, Salt Lake City, UT 84111

Phone Number: (801) 325-0153 Fax Number: (801) 596-9001
(801) 924-0875

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.

David E. Dangerfield
Signature

10-18-10
Date

Dr. David E. Dangerfield
Name (please type or print)

CEO / President
Title (please type or print)

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

Public	_____
Private	_____ <u>X</u> _____
Non-profit	_____
For-profit	_____ <u>X</u> _____
Individual	_____
Corporation	_____
Partnership	_____
Limited Liability Company (LLC)	_____ <u>X</u> _____
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:	_____ <u>X</u> _____
West O`ahu:	_____
Maui 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 refer to ATTACHMENT A under the Attachments tab at the end of the application.
- 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.): please refer to ATTACHMENT B under the Attachments tab at the end of the application:
- Land Use Permit – Department of Permitting & Planning, Honolulu County
 - NPDES Permit – Department of Health
 - Building Permit – Department of Permitting & Planning, Honolulu County
 - State Skilled Nursing Facility Licensure – OHCA (Office of Health Care Assurance)
 - Medicare / Medicaid Certification – CMS (Centers for Medicare and Medicaid Services)
 - CLIA Waiver Certification – CMS (Centers for Medicare and Medicaid Services)
- C. Your governing body: list by names, titles and address/phone numbers: please refer to ATTACHMENT C under the Attachments tab at the end of the application.
- 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: ATTACHMENT D under the Attachments tab
 - By-Laws: ATTACHMENT E under the Attachments tab
 - Partnership Agreements: N/A
 - Tax Key Number (project’s location): ATTACHMENT F under the Attachments tab

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	
Outpatient Facility						
Private Practice						

5. TOTAL CAPITAL COST: \$26,270,340

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
SNF / ICF	0	150	150
TOTAL	0	150	150

7. CHANGE 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 a 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 determine which category best describes your project, please consult with agency staff.

Establishment of a 150 bed SNF / ICF Facility

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

A. List All Project Costs:	AMOUNT:
1. Land Acquisition	<u> \$0</u>
2. Construction Contract	<u>\$17,652,311</u>
3. Fixed Equipment	<u> \$200,000</u>
4. Movable Equipment	<u> \$2,293,526</u>
5. Financing Costs	<u> \$1,704,663</u>
6. Fair Market Value of assets acquired by lease, rent, donation, etc. (ground lease)	<u> \$600,000</u>
7. Other: Development Costs	<u> \$3,819,840</u>
TOTAL PROJECT COST:	<u>\$26,270,340</u>

B. Source and Method of Estimation

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

Concept studies designed and priced by General Contractor; development estimates based on preliminary proposals; trend analysis used for estimated future cost projections; land costs based on 2008 land appraisal adjusted down for site readiness and real estate value adjustments.

C. Source of Funds	AMOUNT:
1. Cash	<u> </u>
2. State Appropriations	<u> </u>
3. Other Grants	<u> </u>
4. Fund Drive	<u> </u>
5. Debt	<u> \$23,863,500</u>
6. Other: Preferred Equity	<u> \$2,406,840</u>
TOTAL SOURCE OF FUNDS:	<u>\$26,270,340</u>

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,
- 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, and
- 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.

Project Implementation Schedule		
Item	Project Implementation	Projected Completion
Site Control	Ground lease October / November 2010	
Land Use Application	Projected submittal date May, 2011	January, 2012
Design Development	May, 2011	October, 2011
Construction Drawings	October, 2011	March, 2012
Building Permit	February, 2012	September, 2012
Review of Plans by DOH	November, 2010	October, 2011
Secure Financing	November, 2010	September, 2012
Construction Commencement	October, 2012	
Completion of Project		December, 2013
Commencement of Operation	January, 2014	

10. 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.

- 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

EXECUTIVE SUMMARY

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A) Relationship to the State of Hawai'i Health Services and Facilities Plan

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This CON application proposes the construction and operation of a new type of long term care facility on Oahu which does not currently exist. This facility will be a 150-bed SNF / ICF which serves three target populations: (a) Specialty psychiatric population, b) medically complex care needs and (c) general skilled nursing facility / rehabilitative population. The facility will also contract to provide the type of specialty care for Hawaii veterans through the Veteran's Administration. Located on the grounds of the Hawaii State Hospital, this facility will also be a teaching / nursing home model to expand teaching sites for interdisciplinary medical, nursing and other health professions.

This facility will serve identified unmet needs on Oahu but also provide additional access as statewide resources, particularly for the specialty need populations. It will employ 150 – 170 employees and promote expansion of the workforce and educational training. The facility has a specialty focus in psychiatric care as a key, missing part of the continuum of mental health services. The facility will focus on promoting independence and rehabilitative models of care which encourage discharge into the community. Culture change models are integral to the services provided.

This facility will allow for the opening of many acute care hospital beds which currently are being used to serve long term care residents because of the limited supply of nursing home beds.

The facility is being developed based in part on recommendations from the 2008 Hawaii Legislative Report addressing the needs of hospital wait-list demand for behavioral health and medically complex care patients. The report also identified a recommendation to help reduce the overall cost of care by making scarce land available through a public-private partnership approach.

B) Need and Accessibility

The proposed 150 bed skilled / intermediate care facility will be located on the grounds of Hawaii State Hospital on Kaneohe, Hawaii, Honolulu County. It will serve the island of Oahu and its 929,970 residents. Of those, approximately 137,453 are over the age of 65. According to the most recent SHPDA utilization report in 2007, the occupancy rate for the SNF / ICF category is at 96%. Based on Avalon's own market study in 2009, the average occupancy rate for the SNF / ICF category remains at 96%.

The facility is being developed in conjunction with the State as a public-private partnership. It will be built on 4.8 acres of land located next to Hawai'i State Hospital (HSH). Its primary purpose is to serve the long term care needs of specialty psychiatric, specialty medically complex care and general SNF / ICF residents.

Hawaii has and will have a higher percentage of its population in the 65+ age range. Two subpopulations of this age range are those needing psychiatric care and those needing medically complex care in a long term care facility.

The accessibility of the 150 beds at the proposed HSH site to all members of the community will be a high priority for the facility. To accommodate the lower income residents, the facility will be licensed to accept State of Hawai'i Medicaid, Medicare and private pay residents. Veterans will also be welcome. As a skilled nursing facility, the primary residents will most likely be elderly residents of Hawai'i. However, the facility will accept other residents in need of specialized care for which it is designed to provide.

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C) Quality of Service / Care

The proposed 150-bed SNF / ICF facility will improve the quality of care for seniors, psychiatric and medically complex care residents in this service area and from around the state. The addition of these beds will allow residents who are wait-listed in the hospital to receive care at a more appropriate placement level specifically designed to meet the psychosocial needs of the more challenging behavioral health population and for chronically ill post-acute seniors. In addition, the program will serve the medically complex care patient by serving those with bariatric needs, high levels of skilled nursing care and respiratory care needs.

At its other facilities, Avalon has developed what we consider to be the premier model for psychiatric long term care programs in the country, along with the development of medically complex care. We perform performance improvement and clinical / operational benchmarking.

D) Cost and Finances

Financial pro forma budgets have been created based on 95% occupancy. Although the fill rate for the pro forma calculations is conservatively based on two years, we anticipate fill up to occur within one year. Construction costs and concept study estimates are provided with appropriate financing to support the construction. Additional funds are provided for “fill up reserve” to cover the debt service until the building becomes self-sufficient. The total project cost is estimated to be \$26.3 million. This would be financed by a HUD loan which covers the construction costs and then transfers into permanent building financing upon project completion.

E) Relation to the Existing Health Care System Criterion

This facility will fill a gap in mental health services as well as SNF / ICF and medically complex care. It will also be available to veterans with specialty needs which cannot otherwise be met. Because of the high occupancy levels for other SNF / ICF providers, we do not anticipate any adverse impact on other facilities. However, we have developed this facility with a conservative number of beds as incentives are placed in Hawaii to expand alternative community-based resources. This facility will work closely with Hawaii State Hospital, the Adult Mental Health Division, MedQuest managed care programs and other community resources.

F) Availability of Resources Criterion

As described in sections C and D, Avalon has the resources lined up to provide financial resources for this project as well a plan to recruit employees for the project. Avalon, through either ownership or management of three long term care facilities in the State of Hawaii, has experience with the Hawaii job market and has developed a plan to hire and retain qualified staff.