

## HAWAI I STATE HEALTH PLANNING AND LEVELOPMENT AGENCY

# <u>ADMINISTRATIVE</u> APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: #12-0	<del></del>
To be assigned	
	APPLICANT PROFILE
Project Title:	Addition of Five Inpatient Hospice Beds
Project Address:	2449 10 <sup>th</sup> Avenue, Honolulu, Hi 96816
Applicant Facility/Organization:	Islands Hospice, Inc.
Name of CEO or equivalent:	Michael Duick, M.D.
Title:	Executive Director
Address:	560 N. Nimitz Hwy. #204, Honolulu, HI 96817
Phone Number: 808-550-2552	2 Fax Number: 808-550-2552
Contact Person for this Applicati	ion: Michael Duick, M.D.
Title:	Executive Director
Address:	560 N. Nimitz Hwy. #204, Honolulu, Hl
Phone Number: 808-344-5680	Fax Number: <b>808-550-2551</b>
	CERTIFICATION BY APPLICANT
contained herein. I declare t	ed the application and have knowledge of the content and the information hat the project described and each statement amount and supporting and correct to the best of my knowledge and belief.
Will) I will	01/17/2012
Signature	Date
Michael Duick, M.D.  Name (please type or print)	Executive Director Title (please type or print) REPLACEMENT PAGI

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:
2.	PROJECT LOCATION INFORMATION
	A. Primary Service Area(s) of Project: (please check all applicable)
	Statewide:  O`ahu-wide:  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: See executed lease (Attachment 1)
	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.):

**Zoning Permits** 

The proposed property has been operated as a hospice inpatient facility by Hospice Hawaii since 2006 and will continue to be operated for the same purpose by Islands Hospice. As indicated in Hospice Hawaii's CON application approved by SHPDA in 2006, Section 46-15.36, HRS, permits a "hospice home" in residentially zoned areas.

### **Building Permits**

No construction, remodeling or material improvements that would require any permitting are planned for this facility. Several hundred thousand dollars were invested in 2006 by Palolo Chinese Home and Hospice Hawaii to configure the facility to satisfy life-safety regulations required for a SNF. Per Hospice Hawaii's 2006 CON application, the building standards for this facility "are higher standards than for a Medicare & Medicaid Certified Hospice Inpatient Unit".

3. DOCUMENTATION (continued)

## Medicare & Medicaid Approval

Upon receiving CON approval from SHPDA, Islands Hospice will file the proper documentation with Medicare & Medicaid so that this facility is recognized by these agencies as a freestanding hospice inpatient unit.

- C. Your governing body: list by names, titles and address/phone numbers (see Attachment 2)
- 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 Attachment 3)
  - By-Laws (see Attachment 4)
  - Partnership Agreements NA
  - Tax Key Number (project's location): 3-4-26: 37
- **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				Х	
Outpatient Facility					
Private Practice				mi .	

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
Hospice Inpatient	0	5	5
TOTAL	0	5	5

## 6. PROJECT COSTS AND SOURCES OF FUNDS

A.	List A	All Project Costs:	AMOUNT:
	1.	Land Acquisition	<del></del>
	2.	Construction Contract	
	3.	Fixed Equipment	
	4.	Movable Equipment	\$50,000
	5.	Financing Costs	
	6.	Fair Market Value of assets acquired by lease, rent, donation, etc.	<u>\$619,400*</u>
	7.	Other:	
	*Reflec	ts fair market value (assessed value) of property (land and build	iing).
	*Reflec	ts fair market value (assessed value) of property (land and build	\$669,400
В.			
В.		TOTAL PROJECT COST:	
В.	Source	TOTAL PROJECT COST:	\$669,400
В.	Source 1.	TOTAL PROJECT COST: ce of Funds Cash	\$669,400
В.	<b>Sourc</b> 1. 2.	TOTAL PROJECT COST: ce of Funds Cash State Appropriations	\$669,400
В.	Source 1. 2. 3.	TOTAL PROJECT COST: ce of Funds Cash State Appropriations Other Grants	\$669,400

**TOTAL SOURCE OF FUNDS:** 

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\$669,400

#### 7. CHANGE OF SERVICE:

The services Islands Hospice proposes to provide at this facility are the same services we have been providing to our patients for the past 2 ½ years, i.e. 24/7 hospice care. The only difference with the service proposed in this CON application is that the residential setting for our patients will be supervised 24/7 by a licensed hospice RN employed by Islands Hospice, as well as other hospice staff. Our patients currently do not have access to this level of care at home or in a SNF setting where there are fewer licensed and non-licensed staff members per patient than our proposed hospice inpatient facility will provide.

## 8. IMPLEMENTATION SCHEDULE:

- a) Date of site control for the proposed project: A lease has already been executed with Palolo Chinese Home (see Attachment 1). The lease commencement date is February 1, 2012 and grants Islands Hospice use of the same property formerly used by Hospice Hawaii for its 5-bed hospice inpatient facility.
- b) Dates by which other governmental approvals/permits will be applied for an received: Medicare and Medicaid will be notified of the proposed change in service upon receipt of CON approval, which we estimate to be in January 2012. No State of Hawaii licensure or approval (other than CON approval) is required to commence providing hospice care to our patients in the proposed inpatient setting.
- c) <u>Dates by which financing is assured for the project:</u> No financing is needed for the proposed project. Islands Hospice has adequate cash reserves to fund the monthly lease payments to Palolo Chinese Home for occupying the facility and we have more than sufficient cash reserves and cash flow from our existing hospice operations to fund the staffing and other monthly expenses required to operate the proposed hospice inpatient unit.
- d) **Date construction will commence:** No construction required. Construction for proposed use was completed in 2006.
- e) Length of construction period: No construction required.
- f) Date of completion of project: February 2012
- g) Date of commencement of operation: February 2012

#### 9. EXECUTIVE SUMMARY

- a) Relationship to the State of Hawaii Health Services and Facilities Plan: Our proposed application to maintain the continuity of inpatient hospice services at Palolo's existing 5 bed hospice inpatient facility relates to Hawaii's Health Services and Facilities Plan in the following ways:
  - 1) Supports HSFP of a) increasing cost-effective access to necessary health care services, and b) encouraging optimization of services by ensuring supply meets the need and costs are reasonable.
  - 2) Supports SHPDA's purpose of promoting accessibility to quality health care services at reasonable cost.
  - Supports the Statewide Health Coordinating Council priorities of ensuring that any proposed service will at least maintain overall access to quality of health care at a reasonable cost.
  - 4) Supports the Honolulu Subarea Health Planning Council priorities of increasing the availability of long-term care services and other support services, which include hospice services and supportive services to maintain quality of life and housing.

b) <u>Need and Accessibility</u>: With regard to need and accessibility of hospice inpatient services, Islands Hospice believes the need has increased substantially over the past 5 years, while accessibility has become increasingly difficult for patients in need of these services.

As the table below indicates, 46 hospice beds were established in Oahu during the 18-year period from 1988 to 2006.

OAHU HOSPICE BED CAPACITY				
Year	Hospice Bed Additions	Location	Hospice Provider	
1988	12	Honolulu	St. Francis	
1995	5	Kailua	Hospice Hawaii	
1997	24	Ewa Beach	St. Francis	
2006	5	Honolulu	Hospice Hawaii	
Total	46			

Since 2006, two new hospice providers, Islands Hospice and Bristol Hospice began providing hospice services on Oahu. During this 5-year time period, we estimate the number of hospice patients on service in Oahu has nearly doubled. Despite the significant increase in the number of hospice patients, no additional hospice inpatient bed capacity has been added on the island during this time period.

An August 2006 article by the Hawaii Catholic Herald indicated that St. Francis was hoping to establish a second 24-bed hospice facility in East Honolulu. With regard to St. Francis' two existing hospice inpatient facilities, the article indicated that these "two free-standing facilities are always full, running at 99-100 percent capacity". At that time, the article indicated that St. Francis had planned to begin construction on this second 24-bed facility in 2007 and dedicate the facility in 2008. While the number of hospice patients has nearly doubled since 2006, no additional hospice inpatient facility was ever constructed by St. Francis.

Approving this CON application and increasing the number of hospice inpatient beds by 10%, from 46 to 51, would not even keep pace with the doubling of hospice patients over the past 5 years. This being the case, we believe a 10% increase to the number of hospice inpatient beds is needed and easily justified.

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- c) Quality of Services/Care: Since receiving our CON approval in October 2008 to provide hospice services, Islands Hospice has maintained its commitment to quality of care as its single highest priority. Our track record of accomplishments during the past three years demonstrates our success in this area. Below is a brief description of the achievements and milestones that are indicative of Islands Hospice's high quality of care:
  - 1) 2010 CHAP Accreditation In November 2009, the Community Health Accreditation Program (CHAP) conducted a survey of Islands Hospice and granted Islands Hospice accreditation for hospice care. The CHAP standards of excellence for hospice care that Islands Hospice satisfied either meet or exceed the Medicare regulations for hospice care, indicating that Islands Hospice conforms to a higher overall standard than required by the Federal government. Of the 10 hospice providers operating in the State of Hawaii, Islands Hospice is one of only 3 agencies that is accredited in hospice care.
  - 2) Physician Executive Director In January 2011, Michael Duick, M.D. assumed the role of Executive Director for Islands Hospice, with direct responsibility for managing all day-to-day administrative and clinical functions of Islands Hospice, as well as developing and executing our long-term vision for improving access to hospice care for residents of Oahu. Having Dr. Duick in the lead executive role distinguishes Islands Hospice as the only provider in the entire State of Hawaii with a full time physician in charge of operations. Dr. Duick is board certified in both internal medicine and hospice and palliative medicine. In addition to satisfying the higher CHAP standards of care described above, we believe having a full time board certified hospice and palliative care physician leading our organization provides Islands Hospice with a distinct clinical advantage that enables us to provide superior patient care, staff education, guidance and supervision.
  - 3) Community Reputation Islands Hospice has developed a reputation in the community for exceptional patient care. All of Oahu's hospitals and many of the island's physicians and nursing homes regularly refer patients to Islands Hospice. Islands Hospice's referral base and referral volume has grown and we now receive in excess of 70 hospice referrals a month from the medical community in Oahu. This high referral volume indicates that Oahu's health care providers have a high level of comfort level and confidence in Islands Hospice providing end of life care to their patients. Our excellent reputation extends beyond the health care community to friends and family members of current and former patients who regularly recommend Islands Hospice to their loved ones who often choose Islands Hospice for end of life care.

## (c) Quality of Services/Care:

- 4) Palolo Chinese Home Approval Prior to obtaining approval by Palolo Chinese Home (PCH) to lease its 5-bed hospice facility, Islands Hospice underwent a rigorous screening process by PCH. Although Islands Hospice had been providing hospice care to residents of PCH for over 2 years, we were required to submit a detailed request for proposal (RFP) outlining our qualifications to operate a hospice inpatient facility and demonstrate our ability to provide quality patient care. In addition, Islands Hospice was also asked to make our staff members available to PCH for multiple meetings and interviews necessary to satisfy PCH's board of directors' fiduciary and regulatory due diligence requirements to ensure, among other things, the ability of Islands Hospice to provide quality patient care. After several months of due diligence and deliberations, PCH's board of directors unanimously selected Islands Hospice to replace Hospice Hawaii as the provider of inpatient hospice services in its 5-bed hospice facility. With a reputation for providing high quality care to Oahu's elderly for over 100 years, PCH's selection of Islands Hospice for its 5-bed hospice facility further validates our ability to satisfy SHPDA's quality of care requirement.
- 5) Staffing Model To ensure the highest quality of care at the proposed 5-bed hospice facility, Islands Hospice plans to staff the facility with up to 3 staff members per shift, including an RN on site 24/7. This staff to patient ratio is significantly higher than any skilled nursing facility and comparable to staffing at an acute care hospital. These high staffing ratios will ensure that our patients receive constant attention so that any medical issues can be addressed as soon as they arise. We already have staff members who have managed and worked in nursing homes, care homes, assisted living facilities and hospitals. As such, we are confident that we can easily manage a small 5-bed hospice unit, particularly with such a high staffing ratio.

- d) Cost and Finances: Attachment 5 sets forth Islands Hospice's 3-year projected revenues and expenses for the 5-bed hospice facility. As these projections indicate, with an 80% occupancy rate, billings from Medicare, Medicaid and private insurance should cover our costs and provide sufficient surplus to fund care for indigent/non-funded patients. It is entirely possible the inpatient facility may generate a losses during the initial 3-6 months, however we have adequate cash reserves and monthly operating surpluses from our existing hospice operations to easily cover any losses.
- e) Relationship to the existing health care system: This project will serve to alleviate the severe shortage of hospice inpatient beds on Oahu. As previously discussed, the number of hospice patients has nearly doubled in the past 5 years, however no additional hospice bed capacity has been added to the health care system on Oahu. The hospice inpatient beds currently provided by St. Francis and Hospice Hawaii are frequently operated at capacity and have experienced wait lists for several years. Islands Hospice is only seeking to expand the existing bed capacity by 10% with this application, which would not even keep pace with the doubling of hospice patients in the past 5 years. Palolo Chinese Home has already awarded the lease for this facility to Islands Hospice with a commencement date of February 1, 2012.

The impact of this proposal on the existing health care system would be alleviating the shortage of hospice beds. A strong case can be made for expanding the number of beds based on the significant increase in the number of hospice patients during the past 5 years, however Islands Hospice is only seeking to increase the number of beds by 10% with this application. Failure to do so would result in increased wait lists for hospice inpatient beds which would negatively impact the health care system by increasing hospital stays and hospital visits for patients needing hospice inpatient care.

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f) Availability of Resources: In terms of financial resources, Islands Hospice has adequate cash reserves to fund its initial \$50,000 in capital expenditures for equipment and furniture as well as fund any near term operating losses experienced during the first 3-6 months after commencement.

With regard to availability of human resources, Islands Hospice has several experienced employees interested in staffing this 5-bed inpatient facility. We currently employ nearly 40 staff members and are currently hiring additional staff in order to maintain excess capacity as we continue to increase census. The staffing requirements of this small 5-bed inpatient facility can be satisfied by 15% of our existing staff. We have received numerous applications and phone calls from individuals not currently employed by Islands Hospice that have experience providing the care required in this facility. We are confident in our ability to adequately staff this facility with the pool of labor currently available to our organization.

As the table below indicates, we will provide 24/7 RN coverage for this facility, which will require that we employ 4.6 RNs. Each shift will include a minimum two person RN / C.N.A. team. We may employ additional clinical and non-clinical support staff on site. In addition, the facility will also receive significant clinical and back office support from our administrative offices.

STAFFING MODEL			
Shift 7am - 7pm 7pm - 7am	<u>Mon-Sun</u> 1 RN <u>1 RN</u>	<u>Total</u> 2.3 RNs 2.3 RNs	
Total	2 RNs	4.6 RNs	
Shift 7am - 7pm 7pm - 7am Total	Mon-Sun 1 C.N.A. 1 C.N.A. 2 C.N.A.s	Total 2.3 C.N.A.s 2.3 C.N.A.s 4.6 C.N.A.s	
TOTAL STAFF	4 FTEs	9.2 FTEs	

10.		<b>pility to file for Administrative Review.</b> This project is eligible to r 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.
	<u>X</u>	It is an additional location of an existing service or facility.
	X_	The applicant believes it will not have a significant impact on the

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