



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

STANDARD APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: # 14-11 Date of Receipt:
To be assigned by Agency

APPLICANT PROFILE

Project Title: **Establishment of Home Health Agency – Honolulu County**

Project Address: **500 Ala Moana Boulevard, Suite 400, Honolulu, HI 96813**

Applicant Facility/Organization: **Oahu Home Healthcare, LLC**

Name of CEO or equivalent: **David Kowalski**

Title: **CEO**

Address: **500 Ala Moana Boulevard, Building 7, Suite 400, Honolulu, HI 96813**

Phone Number: **808-223-1831** Fax Number: **808-356-1973**

Contact Person for this Application: **David Kowalski**

Title: **CEO**

Address: **500 Ala Moana Boulevard, Suite 400, Honolulu, HI 96813**

Phone Number: **808-223-1831** Fax Number: **808-356-1973**

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 A. Kowalski
Signature

8/4/14
Date

David Kowalski
Name (please type or print)

CEO
Title (please type or print)

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

- Public _____
- Private X
- Non-profit _____
- For-profit X
- Individual _____
- Corporation _____
- Partnership _____
- Limited Liability Corporation (LLC) X
- 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)
 - 1. See Attachment 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.)
 - 1. See Attachment B
- C. Your governing body: list by names, titles and address/phone numbers
 - 1. See Attachment C
- 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 D
 - By-Laws
 - N/A
 - Partnership Agreements
 - See Attachment D
 - Tax Key Number (project's location)
 - 46-1608379

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						
Outpatient Facility					X	
Private Practice						

5. **TOTAL CAPITAL COST:** \$111,400

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
TOTAL			

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.

Oahu Home Healthcare proposes to establish a new Medicare certified home health care agency, identified in section 11-186-5(3)(L), and will service all of Honolulu County. Our multiple disciplines will include skilled nursing, physical, occupational and speech therapy as well as social work and CNAs. Our service will be available for individuals recovering from surgery and injury or those who are disabled or have chronic illness.

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

A. List All Project Costs:	AMOUNT:
1. Land Acquisition	_____
2. Construction Contract	_____
3. Fixed Equipment	_____
4. Movable Equipment	<u>\$25,000</u>
5. Financing Costs	_____
6. Fair Market Value of assets acquired by lease, rent, donation, etc.*	<u>\$86,400</u>
7. Other: _____	_____
TOTAL PROJECT COST:	<u>\$111,400</u>

B. Source and Method of Estimation

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

Project Cost #6 above reflects the cost of a two-year lease for 1,250 square feet of office space at rate of \$1.50 per square foot (psf), with a \$1.25 psf common area maintenance charge and general excise tax of 4.712%.

C. Source of Funds	AMOUNT:
1. Cash	<u>\$25,000</u>
2. State Appropriations	_____
3. Other Grants	_____
4. Fund Drive	_____
5. Debt	_____
6. Other: <u>2 Year Office Lease</u>	<u>\$86,400</u>
TOTAL SOURCE OF FUNDS:	<u>\$111,400</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,
 - **May 1, 2014**
- b) Dates by which other government approvals/permits will be applied for and received,
 - **Within 30 Days of CON Approval**
- c) Dates by which financing is assured for the project,
 - **Financing is secured**
- d) Date construction will commence,
 - **N/A**
- e) Length of construction period,
 - **N/A**
- f) Date of completion of the project, and
 - **Upon receiving CON Approval**
- g) Date of commencement of operation.
 - **Upon receiving CON Approval**

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.

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. **SEE ATTACHED FOR EXECUTIVE SUMMARY**

- 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:

Oahu Home Healthcare, LLC (OHH) is a Hawaii based limited liability company formed in 2014 for the sole purpose of providing home healthcare to residents of Honolulu County. The CEO of OHH, David Kowalski, has over 25 years of sub-acute healthcare experience, including skilled nursing, hospice, home health, therapy and assisted living. Prior to forming OHH, Mr. Kowalski held a senior level management position with St. Francis Healthcare System Hawaii, one of the largest home health operators in Honolulu County. In this role, Mr. Kowalski had oversight for both St. Francis' home health and hospice operations. Other senior management members with OHH have significant experience both starting and operating successful home health agencies.

OHH is proposing to open a free-standing, Medicare certified, home health agency that will provide home health services throughout the island of Oahu. The home health services provided by OHH will provide assistance from the recovery of a specific illness, injury or acute condition so that the patient may regain their independence and remain as self-sufficient as possible. The home health services provided by OHH will rehabilitate patients in a post acute environment in an effort to reduce the likelihood of that patient returning to an acute facility.

The services included in each plan of care will consist of care from a broad range of highly trained professionals including physicians, nurses, social workers, therapists, home health aides, as well as medications, medical equipment and supplies. OHH's offices will be open Monday through Friday, from 8:00 a.m. to 5:00 p.m., however staff will be accessible to patients, family members and their caregivers 24 hours a day, 7 days a week. OHH services will be available to any individuals whose physician as ordered home healthcare.

The projected cost of starting this program is approximately \$110,000, consisting of furniture, equipment and office lease expenses. The home health agency is projected to achieve profitability during its 2nd fiscal year of operations. To fund anticipated 1st year losses of approximately \$250,000, OHH has obtained a \$500,000 starting commitment from its financial backer, Pacific Ventures Partners, with additional capital to be provided in the future, if necessary.

OHH believes this application will demonstrate that SHPDA approval of this home health CON application will achieve the following HSFP goals:

- ***Increase cost-effective access to necessary health care services***
- ***Promote the financial viability of the health care delivery system***
- ***Optimize services by ensuring that supply meets the need and cost is reasonable***

A) Relationship to the Health Services and Facilities Plan (HSFP)

OHH believes approval of its home health CON application addresses both Statewide and Honolulu County priorities set forth in HSFP. These specific priorities include the following:

STATEWIDE PRIORITIES

- Promote & support the long-term viability of the health care delivery system
- Expand health care workforce to enable access to appropriate & timely care
- Encourage & support health education, promotion & prevention initiatives
- Ensure capacity & access to a continuum of long-term care services

HONOLULU COUNTY PRIORITIES

- Increasing availability of home & community-based services and hospice services
- Improve & increase access to geriatric services to keep older adults out of institutions
- Improve hospital bed availability through timely transfers to sub-acute levels of care
- Improve & increase access of services for uninsured and underinsured
- Help maintain quality of life and social support for independent living
- Identify & address shortages in health care, with particular emphasis on senior care

By expanding access to more cost effective sub acute care that enables patients to minimize costly acute hospital stays, OHH believes its proposed home health program addresses all the priorities highlighted above. The sections that follow expand upon each of the ways in which OHH's proposed home health program address each of the priorities outlined above.

B) Need and Accessibility

In the U.S., approximately **70% OF HOME HEALTH PATIENTS** are **65 YEARS OF AGE OR OLDER**. Because home health primarily serves the senior population, any study evaluating the need and accessibility of home health warrants an assessment of the potential need in terms of the size and growth of the over 65 segment of the population.

With 15.1% of residents 65 years or older, **HAWAII RANKED 9TH** in the nation in terms of its **CONCENTRATION OF SENIORS** according to the U.S. Census Bureau in 2012. As the table below indicates, of 50 states and the District of Columbia, Hawaii's 9th place ranking places it in the **TOP 20%** in terms its **CONCENTRATION OF SENIORS**.

% Senior Population by State

Honolulu County 15.1%

National Average 13.7%

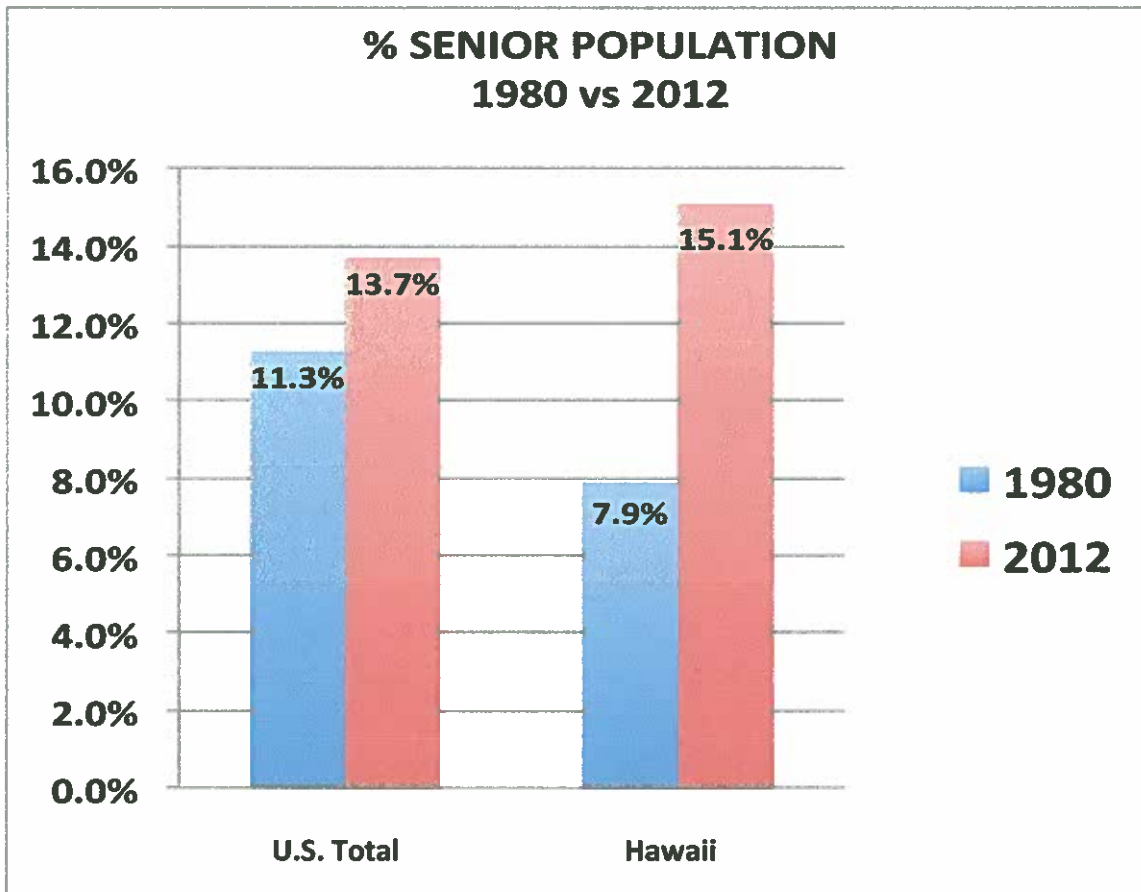
Ranking	State	% Over 65
1	Florida	18.2%
2	Maine	17.0%
3	West Virginia	16.8%
4	Pennsylvania	16.0%
5	Montana	15.7%
6	Vermont	15.7%
7	Delaware	15.3%
8	Iowa	15.3%
9	Hawaii	15.1%
10	Rhode Island	15.1%
11	Arkansas	15.0%
12	Oregon	14.9%
13	Arizona	14.8%
14	Connecticut	14.8%
15	Ohio	14.8%
16	Missouri	14.7%
17	New Hampshire	14.7%
18	South Carolina	14.7%
19	South Dakota	14.7%
20	Michigan	14.6%
21	Alabama	14.5%
22	Massachusetts	14.4%
23	North Dakota	14.4%
24	Wisconsin	14.4%
25	Tennessee	14.2%
26	New Jersey	14.1%

Ranking	State	% Over 65
27	New Mexico	14.1%
28	New York	14.1%
29	Kentucky	14.0%
30	Oklahoma	14.0%
31	Nebraska	13.9%
32	North Carolina	13.8%
33	Kansas	13.7%
34	Indiana	13.6%
35	Minnesota	13.6%
36	Mississippi	13.5%
37	Idaho	13.3%
38	Illinois	13.2%
39	Washington	13.2%
40	Nevada	13.1%
41	Wyoming	13.1%
42	Maryland	13.0%
43	Virginia	13.0%
44	Louisiana	12.9%
45	California	12.1%
46	Colorado	11.8%
47	Georgia	11.5%
48	District of Columbia	11.4%
49	Texas	10.9%
50	Utah	9.5%
51	Alaska	8.5%

B) Need and Accessibility (continued)

In addition to being in the top 20% in terms of concentration of seniors, **HAWAII** has also **FAR OUTPACED THE NATION** in terms of its **SENIOR POPULATION GROWTH**. From 1980 to 2012, the **SENIOR POPULATION IN HAWAII HAS** nearly **TRIPLED**, increasing from just under 75,000 in 1980 to approximately 210,000 in 2012. Hawaii's **OVER 85 POPULATION** has experienced **EVEN MORE DRAMATIC GROWTH** during the past 30 years. From 1980 to 2010, **HAWAII'S OVER 85 POPULATION** has **GROWN 10X FASTER** than the overall population, according to Hawaii's Executive Office on Aging. In contrast to Hawaii, the number of **SENIORS IN THE U.S.** has **GROWN BY ONLY ONE THIRD** the rate of Hawaii's senior population during the 1980-2012 time period.

As the chart below indicates, between 1980 and 2012, the **CONCENTRATION OF SENIORS** in **HAWAII** has nearly **DOUBLED** from 7.9% of the population to 15.1%. In stark contrast, the concentration of seniors nationwide, which exceeded Hawaii in 1980, only increased from 11.3% to 13.7%, and currently lags behind Hawaii.



While Hawaii's senior population has experienced dramatic growth historically, nearly tripling over the past 20 years, the **NUMBER OF SENIORS IN HAWAII** will **DOUBLE AGAIN** during the **NEXT 20 YEARS**. Hawaii's senior population is expected to increase from 15% to nearly 30% of the population by 2035, according to the Hawaii Department of Business, Economic Development and Tourism.

B) Need and Accessibility (continued)

Despite the dramatic historic and projected growth in the senior population, **HONOLULU COUNTY** has **NOT ADDED A MEDICARE CERTIFIED HOME HEALTH AGENCY IN 20 YEARS.**

<u>HOME HEALTH AGENCY</u>	<u>MEDICARE CERTIFICATION</u>
Prime Care Services Hawaii Inc.	1994
Castle Home Care	1988
Careresource Hawaii	1986
Kokua Nurses Inc.	1985
St. Francis Home Care Services	1966

IN CONTRAST to Honolulu County, the number of medicare certified **HOME HEALTH AGENCIES NATIONWIDE HAS NEARLY DOUBLED IN THE PAST 20 YEARS** from 7,000 in 1992 to over 12,000 in 2012.

With its **SENIOR POPULATION GROWING 3X FASTER** than the national average and **NOT ADDING A SINGLE home health AGENCY** in Honolulu County **IN 20 YEARS**, it's not surprising that the **STATE OF HAWAII RANKS LAST** in the nation in terms of home health utilization and is **5X LOWER THAN THE NATIONAL AVERAGE.**

2012 Home Health Utilization by State

Honolulu County 1.4%

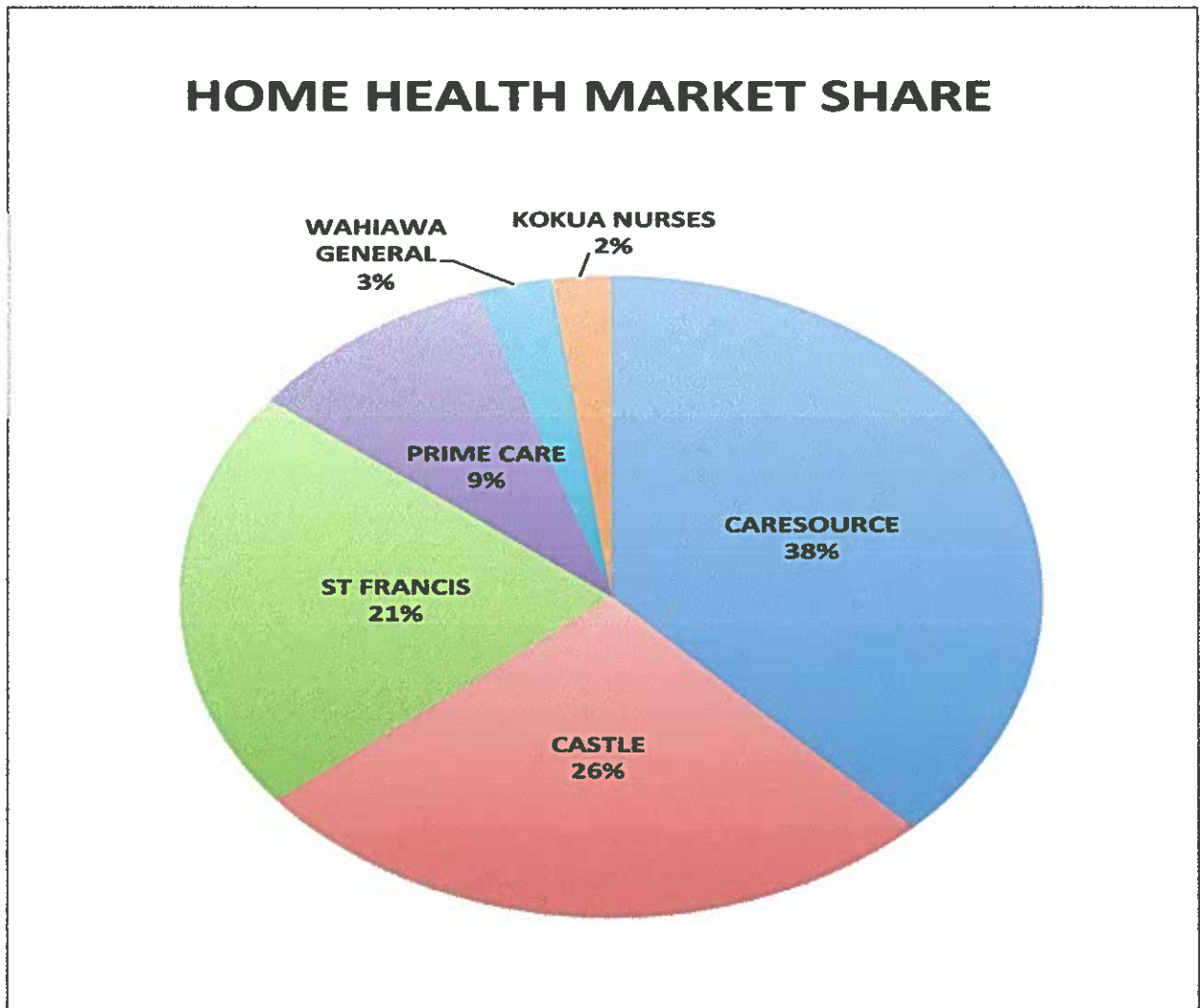
National Average 6.6%

Ranking	State	Utilization
1	Mississippi	10.2%
2	Texas	10.2%
3	Oklahoma	9.8%
4	Louisiana	9.7%
5	Illinois	9.6%
6	Massachusetts	9.1%
7	Florida	9.0%
8	Connecticut	8.3%
9	Michigan	8.3%
10	New Hampshire	8.1%
11	Vermont	7.7%
12	Alabama	7.5%
13	District of Columbia	7.2%
14	Kentucky	7.2%
15	Delaware	7.1%
16	Virginia	7.0%
17	Tennessee	6.9%
18	Maryland	6.8%
19	Maine	6.6%
20	New Jersey	6.6%
21	Rhode Island	6.5%
22	North Carolina	6.4%
23	Arkansas	6.1%
24	Georgia	6.1%
25	Missouri	6.0%
26	South Carolina	5.9%

Ranking	State	Utilization
27	Utah	5.9%
28	Nevada	5.7%
29	Pennsylvania	5.7%
30	New York	5.6%
31	Indiana	5.5%
32	Ohio	5.5%
33	West Virginia	5.4%
34	California	5.3%
35	Kansas	5.1%
36	Nebraska	4.9%
37	New Mexico	4.7%
38	Colorado	4.6%
39	Idaho	4.6%
40	Iowa	4.5%
41	Wyoming	4.1%
42	Minnesota	3.8%
43	Washington	3.7%
44	Arizona	3.5%
45	Montana	3.5%
46	North Dakota	3.5%
47	Wisconsin	3.5%
48	Alaska	3.2%
49	Oregon	3.1%
50	South Dakota	3.0%
51	Hawaii	1.3%

B) Need and Accessibility (continued)

As the previous page indicates, **HAWAII'S 1.3% home health UTILIZATION IS 5X LOWER** than the national average, and **50% BELOW** the utilization rate for the **2nd LOWEST STATE** in the nation (South Dakota). Similarly, at 1.4%, **HONOLULU COUNTY'S home health UTILIZATION IS NEARLY 5X LOWER** than the national average and is **ALSO** approximately **50% BELOW** the utilization rate for the **2nd LOWEST STATE** in the nation. The chart below illustrates the market share of home health agencies in Honolulu County by provider based on the most recent 2012 Medicare data:

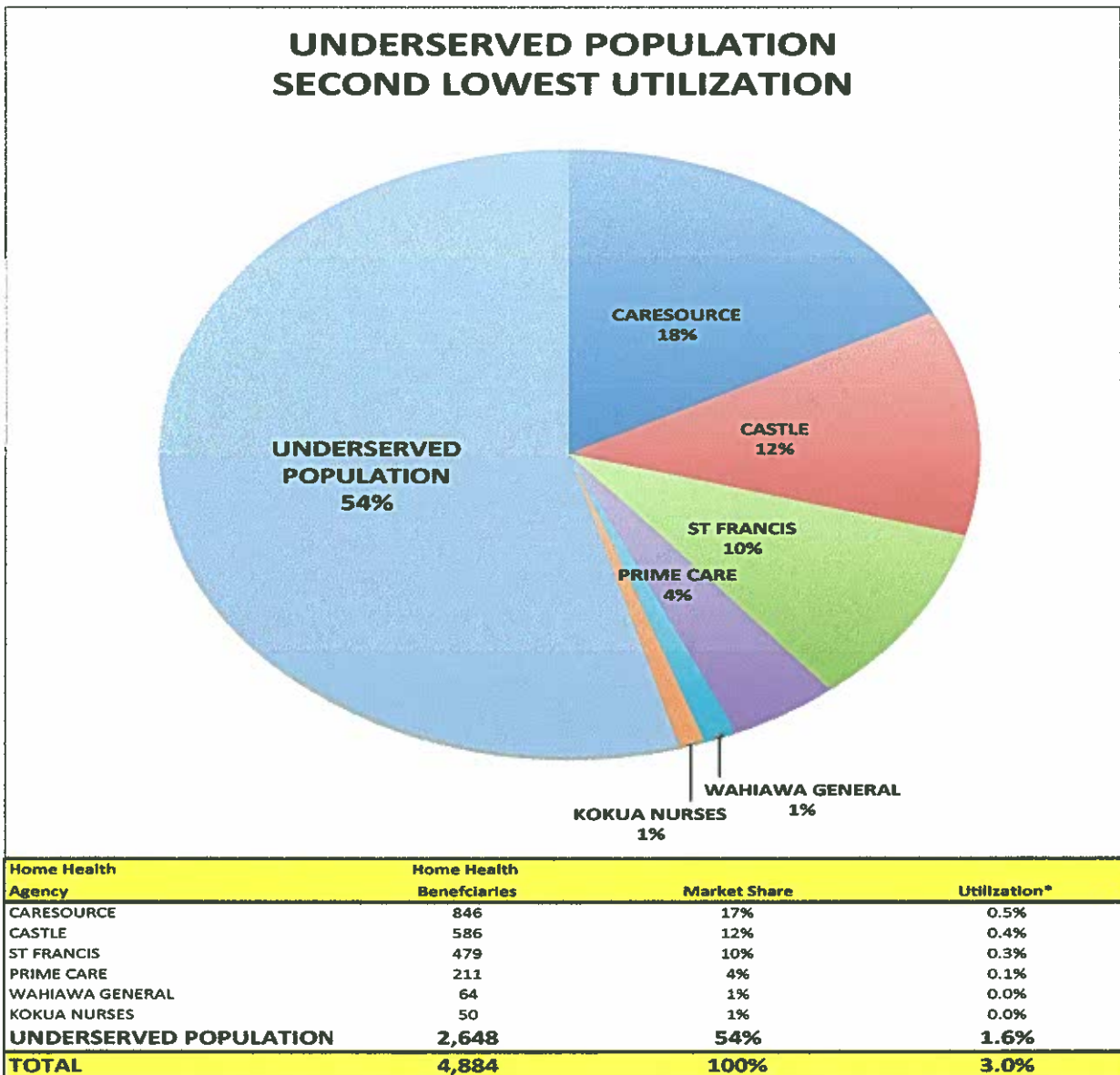


Home Health Agency	Home Health Beneficiaries	Market Share	Utilization*
CARESOURCE	846	38%	0.5%
CASTLE	586	26%	0.4%
ST FRANCIS	479	21%	0.3%
PRIME CARE	211	9%	0.1%
WAHIAWA GENERAL	64	3%	0.0%
KOKUA NURSES	50	2%	0.0%
TOTAL	2,236	100%	1.4%

**2012 Utilization per the most recent medicare data, 162,468 beneficiaries in Honolulu County*

B) Need and Accessibility (continued)

With the State of Hawaii and Honolulu County having **HOME HEALTH UTILIZATION** that is **5X LOWER** than the national average and **50% BELOW** the **2nd LOWEST STATE** in the nation, clearly **HOME HEALTH** care services are **SIGNIFICANTLY UNDERUTILIZED** in **HONOLULU COUNTY**. Assuming the **2nd LOWEST STATE** in the nation, 60% below the national average, **REPRESENTS THE MINIMUM ACCEPTABLE** level of **HOME HEALTH UTILIZATION**, then **UTILIZATION IN HONOLULU COUNTY** would **NEED TO DOUBLE** to reach minimum acceptable levels. The pie chart and table below illustrates that an **ADDITIONAL 2,600 HOME HEALTH PATIENTS** would need to be serviced annually in order for **HONOLULU COUNTY'S UTILIZATION** to be **ON PAR** with the **2nd LOWEST STATE** in the nation. This **HIGHER UTILIZATION** would still leave **HONOLULU COUNTY 60% BELOW** the national average.



*2012 Utilization per the most recent medicare data, 162,468 beneficiaries in Honolulu County

B) Need and Accessibility (continued)

Among one of the significant factors impacting **LOW UTILIZATION OF HOME HEALTH** in the State of Hawaii and Honolulu County is the **LOW NUMBER OF HOME HEALTH PROVIDERS**. As the table below indicates, with 12,311 home health agencies nationwide, there are over 3.3 agencies per 10,000 Medicare beneficiaries. The **STATE OF HAWAII**, in contrast, had **86% FEWER HOME HEALTH PROVIDERS** per 10,000 Medicare beneficiaries and **HONOLULU COUNTY** had **89% FEWER HOME HEALTH PROVIDERS** per 10,000 Medicare beneficiaries.

HOME HEALTH PROVIDERS PER 10,000 BENEFICIARIES

	# of Medicare Beneficiaries	# of Providers	Home Health Providers Per 10,000 Beneficiaries
U.S. Totals*	37,299,555	12,311	3.3
State of Hawaii	232,589	11	0.5
Honolulu County	162,468	6	0.4

**Source: 2014 MedPac Report*

The dramatically lower number of Medicare certified home health providers per 10,000 Medicare beneficiaries in the State of Hawaii and Honolulu County seem at odds with the higher needs associated with adequately caring for Hawaii’s much higher concentration of seniors and the higher growth rate of its senior population.

B) Need and Accessibility (continued)

In summary, HONOLULU COUNTY does NOT appear to be SATISFYING THE NEED for HOME HEALTH based on the following factors:

- ***The NEED FOR HOME HEALTH is HIGHEST AMONG SENIORS who comprise 70% of patients***
- ***HAWAII'S SENIOR POPULATION is among the HIGHEST IN THE NATION***
- ***HAWAII'S SENIOR POPULATION has GROWN 3X FASTER than the U.S. senior population since 1980***
- ***HAWAII'S SENIOR POPULATION will DOUBLE AGAIN over the next 20 years***
- ***HONOLULU COUNTY has NOT ADDED a SINGLE home health AGENCY IN 20 YEARS***
- ***The STATE OF HAWAII has the LOWEST HOME HEALTH UTILIZATION rate of any state in the nation and HONOLULU COUNTY has an EVEN LOWER UTILIZATION***
- ***HONOLULU COUNTY has 89% FEWER MEDICARE CERTIFIED HOME HEALTH PROVIDERS per 10,000 Medicare beneficiaries than the U.S. overall***
- ***UTILIZATION IN HONOLULU COUNTY would NEED TO DOUBLE to be ON PAR with the 2nd LOWEST STATE in the nation and would still leave HONOLULU COUNTY 60% BELOW the national average.***

C) Quality of Care

As previously discussed, OHH management team has years of experience managing established home health agencies as well as starting new programs. In order to achieve the highest level of patient care, OHH will utilize the following three resources to establish and maintain the best standards of care:

- Medicare Conditions of Participation for Home Health
- National Association for Home Care & Hospice
- Community Health Accreditation Program (CHAP) Standards

Within three months following CON approval, OHH will be seeking to obtain accreditation for its home health agency from the Community Health Accreditation Program (CHAP). The rigorous CHAP standards that OHH will need to comply with in order to obtain its CHAP accreditation will require OHH to achieve quality standards in some areas that exceed Medicare's Conditions of Participation for home health.

To ensure maintenance and compliance with the highest possible standards of care, OHH will have a dedicated Quality Assessment Performance Improvement (QAPI) Program focused on the following:

- Tracking, measuring & analyzing clinical, financial and operational data
- Identifying high-risk, problem-prone areas to improve patient outcomes
- Develop target outcomes, measure outcomes & show measurable results

The QAPI Program and QAPI Manager will report directly to the Governing Board of OHH on a quarterly basis or more frequently if needed to ensure the success of OHH's QAPI Program and its goal of continuing to improve the quality of care for OHH's home health patients.

D) Cost and Finances

The table below highlights, total revenues and expenses projected during Oahu Home HealthCare's initial 3 years. Although a loss of approximately \$250,000 is projected during the first year of operations, OHH expects to achieve profitability during its 2nd year of operations, and generate positive income its 2nd and 3rd years of providing home healthcare.

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Net Patient Revenues	\$407,685	\$1,380,584	\$1,945,162
Operating Expenses	<u>(\$669,499)</u>	<u>(\$1,325,642)</u>	<u>(\$1,683,533)</u>
Operating Income (Loss)	<u>(\$261,814)</u>	\$54,942	\$261,629

OHH's management team is confident in its ability to achieve the projections above. The management members have many years of healthcare management experience, with senior level position in the areas of hospice, home health and skilled nursing operations. The management team has been involved in managing both start up and established home health operations both in Hawaii and on the mainland. OHH's financial sponsors have committed \$500,000 toward funding 1st year start-up costs and operating losses of \$250,000 and are willing to provide additional capital, if necessary, to fund unanticipated losses.

OHH's budget assumes Medicare Certification does not occur until the end of its first year of operations, during which time Oahu Home Healthcare will be funding 100% of patient care, personnel and other expenses with no reimbursement from Medicare, Medicaid or private insurance. 100% of the care provided by Oahu Home Healthcare during this time period will be focused primarily on charity care.

With available capital to fund start up costs and 1st year losses, OHH will not create a drain on any of Honolulu County's resources, but on the contrary will expand the county's ability to educate and service the rapidly growing aging population. In addition to augmenting Honolulu County's resources and expanding access to home healthcare, OHH believes its efforts will save millions of dollars for the health care system. As illustrated below, assuming OHH's patients avoid 1-3 days of acute care at a rate of \$4,550 per day, OHH's program should save Honolulu County an estimated \$3-9 million during the first 3 years of operations. This conservative estimate does not include the cost of preventable nursing home stays.

	HOME HEALTH ADMISSIONS	COST PER ACUTE DAY	COST PER HOME HEALTH DAY	NET SAVINGS PER DAY	# OF ACUTE DAYS SAVED		
					1	2	3
					ACUTE CARE SAVINGS		
YEAR 1	84	\$4,550	(\$48)	\$4,502	\$378,183	\$756,367	\$1,134,550
YEAR 2	276	\$4,550	(\$48)	\$4,502	\$1,242,603	\$2,485,205	\$3,727,808
YEAR 3	360	\$4,550	(\$48)	\$4,502	\$1,620,786	\$3,241,572	\$4,862,358
TOTAL	720	\$4,550	(\$48)	\$4,502	\$3,241,572	\$6,483,144	\$9,724,716

*Source: Hawaii Health Trends - Average cost of 1 day of hospitalization in Hawaii

E) Relationship to the Existing Health Care System

As thoroughly demonstrated in Section B, "Need and Accessibility", the growth of **HAWAII'S SENIOR POPULATION** has **FAR OUTPACED** the national average, **INCREASING 3X FASTER** than the overall senior population during the **PAST 30 YEARS**. In spite of having a higher concentration of seniors and a faster growing senior population, **HONOLULU COUNTY** is **NOT KEEPING PACE** with the nation in terms of access to home health care. **NOT A SINGLE** home health **AGENCY HAS BEEN ADDED** in Honolulu County **IN 20 YEARS** and **HAWAII RANKS LAST** in terms of its **HOME HEALTH UTILIZATION**. Home Health **UTILIZATION** in Honolulu County is nearly **5X LOWER** than the national average and **50% BELOW** the utilization rate for the **2nd LOWEST STATE** in the nation.

In 2011, just 3 years ago, the initial wave of baby boomers just began reaching age 65. The number of **HAWAII'S SENIORS** is poised to accelerate, **DOUBLING** in number over the **NEXT 20 YEARS**. With its **EXTREMELY LOW HOME HEALTH UTILIZATION** and **NO NEW HOME HEALTH AGENCIES** to pick up the slack, **HONOLULU COUNTY** seems **ILL-PREPARED** to **SHORE UP** the **ALARMING DEFICIT IN HOME HEALTH CARE**, or **PREPARE** for the **RAPIDLY GROWING DEMAND** for **HOME HEALTH CARE** the aging population will place **ON HAWAII'S HEALTHCARE SYSTEM** over the next 20 years.

Oahu Home Health believes Honolulu County desperately needs another home health provider. Based on the activity over the past 20 years and the utilization data on home health, the population in **HONOLULU COUNTY** appears to be **GREATLY UNDERSERVED** with **INADEQUATE ACCESS** to a critical service in the healthcare continuum. **ADDING ANOTHER** home health **PROVIDER** is critical to **HELP BRIDGE THE GAP** between where Honolulu County (and the State of Hawaii) stands today and the access to home health currently offered by the **2nd** to last state in the union.

WITHOUT ADEQUATE ACCESS to the critical transitional bridge that home health offers between acute care and a patient's home, the **POTENTIAL COSTS** to Hawaii's healthcare system are **ENORMOUS**. To reach a level on par with the **2nd** lowest state in the nation, a minimum of 2,600 Medicare beneficiaries would need to receive home health care services annually. **AVOIDING JUST A SINGLE HOSPITAL DAY** for these 2,600 individuals **WOULD SAVE** the healthcare system an estimated **\$12 MILLION ANNUALLY** (2,600 individuals x \$4,500 daily cost savings of home health vs acute care).

Oahu Home Health is submitting this CON application to be part of the solution. We believe approval of our home health CON would benefit every constituent in Hawaii's healthcare system. In addition to helping reduce the cost of healthcare and ensuring the long term viability of the healthcare delivery system, Oahu Home Health believes its contribution to Honolulu County alone would save the healthcare system \$3-9 million over the next 3 years.

F) Availability of Resources

In terms of Financial Resources, as indicated previously, OHH already has a \$500,000 capital commitment toward its start up costs and first year operating expenses of \$250,000. This level of capital commitment is sufficient to cover OHH's anticipated needs more than 2x over. Should anticipated losses exceed OHH's projections by more than 200%, OHH's investors are willing to provide additional capital in order to ensure the success of OHH's home health operations.

In terms of availability of Human Resources, OHH has already recruited a CEO and COO with significant experience with opening and operating home health agencies. The management team has been involved in managing both start up and established home health operations both in Hawaii and on the mainland. The management team members have established relationships with many healthcare professionals both in Hawaii and on the mainland and have many qualified candidates interested in joining OHH.

In terms of OHH's staffing, the needs are very minimal to start up its home health operations. OHH anticipates needing only 5.2 full time equivalent staff members initially to start its operations following CON approval. OHH initial staff will consist of the following positions:

STAFFING NEEDS	
DISCIPLINE	FTEs
Administrator	1.0
Medical Director	0.2
Office Manager	1.0
Intake Coordinator	1.0
RNs/LPNs	1.0
CNAs	0.2
Therapists	0.8
TOTAL FTEs	5.2