

STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

BENJAMIN J. CAYETANO
GOVERNOR OF HAWAII

MARILYN A. MATSUNAGA
ADMINISTRATOR

1177 Alakea St. #402, Honolulu, HI 96813 Phone: 587-0788 Fax: 587-0783 www.shpda.org

July 9, 2002

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

IN THE MATTER OF)	CERTIFICATE OF NEED
)	APPLICATION
)	NO. 02-08
The Queen's Medical Center)	
)	
Applicant)	
)	DECISION ON THE MERITS
_____)	

DECISION ON THE MERITS

The State Health Planning and Development Agency (hereinafter "Agency"), having taken into consideration all of the records pertaining to Certificate of Need Application No. 02-08 on file with the Agency, including the written and oral testimony and exhibits submitted by the applicant and other affected persons, the recommendations of the Oahuwide Certificate of Need Review Committee and the Certificate of Need Review Panel, the Agency hereby makes its Decision on the Merits, including findings of fact, conclusions of law, order, and written notice on Certificate of Need Application No. 02-08.

I

BACKGROUND

1. This is an application for a Certificate of Need ("Cert.") for the reconfiguration of beds to create a 40 bed medical/surgical cardiac comprehensive care unit at The Queen's Medical Center, 1301 Punchbowl Street, Honolulu, HI at a capital cost of \$13,201,700.
2. The applicant, The Queen's Medical Center, is a Hawaii non-profit corporation.

3. The Agency administers the State of Hawaii's Certificate Program, pursuant to Chapter 323D, Hawaii Revised Statutes (HRS), and Title 11, Chapter 186, Hawaii Administrative Rules (HAR).

4. On May 24, 2002, the applicant filed with the Agency a Certificate of Need application for the reconfiguration of beds to create a 40 bed medical/surgical cardiac comprehensive care unit at The Queen's Medical Center, 1301 Punchbowl Street, Honolulu, HI at a capital cost of \$13,201,700 (the "Proposal"). On June 7, 2002, the applicant submitted additional information. On June 7, 2002 the application was determined to be complete. For administrative purposes, the Agency designated the application as Cert. #02-08.

5. The period for Agency review of the application commenced on June 10, 2002, the date on which the review schedule for the application appeared in the newspaper of general circulation pursuant to Section 11-186-39 HAR.

6. The Oahuwide Certificate of Need Review Committee met at a public meeting on June 18, 2002 and recommended unanimous approval of this application by a vote of 4 in favor and none opposed.

7. The application was reviewed by the Certificate of Need Review Panel at a public meeting on June 20, 2002. The Panel recommended unanimous approval of the Proposal by a vote of 6 in favor and none opposed.

8. The Statewide Health Coordinating Council review of the application was waived pursuant to Section 323D-44.6 HRS.

9. This application was reviewed in accordance with Section 11-186-15, HAR:

10. Pursuant to Section 323D-43(b), HRS:

"(b) No Certificate shall be issued unless the Agency has determined that:

- (1) There is a public need for the facility or service; and
- (2) The cost of the facility or service will not be unreasonable in the light of the benefits it will provide and its impact on health care costs."

11. Burden of proof. Section 11-186-42, HAR, provides:

"The applicant for a certificate of need or for an exemption from certificate of need requirements shall have the burden of proof, including the burden of producing evidence and the burden of persuasion. The degree or quantum of proof shall be a preponderance of the evidence."

II

FINDINGS OF FACT

A. REGARDING THE RELATION OF THE PROPOSAL TO THE STATE HEALTH SERVICES AND FACILITIES PLAN (HAWAII HEALTH PERFORMANCE PLAN) OR "H2P2"

12. H2P2 provides that "The most complex health problems require highly skilled practitioners who perform specialized procedures on a routine basis so that they may maintain the skill levels necessary to ensure good quality care. A tertiary care center is where these specialized practitioners are concentrated to serve the community." The applicant states that the proposed project will provide tertiary cardiac care to the community that is comprehensive, cost-effective, well coordinated and high quality.

13. With respect to the H2P2 critical elements of quality management and cost-effectiveness, the applicant states:

- Quality of care will be improved by concentrating specialized practitioners in a single area, increasing the opportunity to use best practices, and focusing on improving patient outcomes.
- Cost effectiveness will be achieved by reducing the number of transfers during a patient's stay.

14. The applicant states that by creating a unit specializing in cardiac care, its proposal supports the following H2P2 regional priorities:

- Honolulu – "increased geriatric care services for the growing elderly population"
- West Oahu – "heart disease and stroke"
- Windward Oahu – "heart and hypertension conditions"

15. In the chapter on heart disease and stroke, H2P2 states that "It is believed that the occurrence of heart disease and stroke will continue at or about the present level. Therefore, cardiovascular admissions, procedures and healthcare expenditures will increase." The applicant states that its project will enable The Queen's Medical Center to meet this current and future community need.

16. In a memorandum dated June 18, 2002, Laurie Oishi, Chair Oahuwide Certificate of Need Review Committee forwarded the Committee's recommendation for unanimous approval of this application. The

recommendation states in pertinent part: "The proposal helps to achieve the goals of H2P2 by enabling the applicant to maintain its current acute bed capacities while older sections of the hospital are taken out of service for renovations."

17. The Agency finds that this criterion has been met. The applicant has proven by a preponderance of the evidence that the Proposal is consistent with the provisions of the state health services and facilities plan (H2P2).

B. REGARDING NEED AND ACCESSIBILITY CRITERIA

18. The applicant states that heart disease is the number one cause of death in Hawaii, accounting for 32% (2603) of all deaths in 2000. (DBEDT, State of Hawaii Data Book)

19. The applicant states that hospital discharges in Hawaii for cardiac cases increased from 16,127 in 1997 to 18,701 in 2001, an average annual growth rate of 3.8%. (Hawaii Health Information Corporation). The applicant projects that this growth rate is expected to continue.

20. In her memorandum dated June 18, 2002, Laurie Oishi, Chair, Oahuwide Certificate of Need Review Committee states in pertinent part: "The applicant's proposal will continue to meet the needs of the increasing number of geriatric patients requiring cardiac services".

21. The applicant states that older sections of the facility require significant renovations (fire suppression, fire alarm, fire wall and air conditioning system upgrades) to meet current building codes and Joint Commission on Accreditation of Health Care Organizations (JCAHO). The applicant states that the project will provide a swing space to enable it to proceed with upgrading older sections of the facility and still maintain its current acute care bed capacity.

22. The applicant states that its services are accessible to all residents and visitors of Oahu, including the elderly, low-income persons, racial and ethnic minorities, women, persons with disabilities, and other underserved groups. The applicant estimates that its project will provide over \$1 million of services annually as charitable care.

23. The Agency finds that the need and access criteria have been met.

C. REGARDING QUALITY AND LICENSURE CRITERIA

24. The applicant states that it is licensed by the Hawaii State Department of Health, accredited by JCAHO and certified by Medicare.

25. The applicant states that its proposal will be designed to support the "comprehensive care" concept which will enable the patient to stay in one room throughout his/her hospital stay. The applicant states the unit will be designed to enable the appropriate equipment and staffing changes to be made to the room as the patient's needs change rather than transferring the patient to another nursing unit.

26. The applicant states that quality of care will be improved by decreasing the number of patient transfers which will result in a lower number of medication errors, falls and infection rates.

27. The applicant states that Clarian Health Methodist Hospital in Indianapolis has reported the following using this "comprehensive care" model:

- a 90% reduction in transfers (225 per month to 15-20 per month)
- a 50% reduction in medication errors (16-17 per month to 8 per month)
- a 60% reduction in falls (7-10 per month to 3 per month)
- reductions in average length of stay ranging from 0.25 to 0.4 days depending on diagnosis
- an increase in patient satisfaction from 94.6% to 98%

28. The applicant states that incidences of falls, medication errors and infection rates will be tracked on a quarterly basis. The applicant also states that patient and family satisfaction will continue to be monitored with each discharge. The applicant further states that nursing competency will be assessed with the yearly performance appraisal and this system will identify additional skills that are required for the proposal.

29. In her memorandum dated June 18, 2002, Laurie Oishi, Chair, Oahuwide Certificate of Need Review Committee states in pertinent part: "The proposal will increase the quality of cardiac care at the hospital by consolidating cardiac service levels into one area and by supporting greater family involvement."

30. In its discussion at the public meeting of June 20, 2002, the Certificate of Need Review Panel made the following comments regarding the proposal's relationship to the quality criteria:

- Moving patients less often improves the quality of care and increases the production per bed.
- The ability to stay in one bed and have family present is important to the recovery of elderly patients.
- Improving medication management has a significant impact on improving care.
- Having family present will help the patient communicate with hospital staff.
- Having the same nursing staff present throughout the patient's stay will improve quality of care.

31. The Agency finds that quality and licensure criteria have been met.

D. REGARDING THE COST AND FINANCIAL CRITERIA

32. The applicant projects that the total capital cost of the project will be \$13,201,700 and that it will be financed by their available cash balance.

33. The applicant states that, on a cash flow basis, the proposal is expected to operate at close to break-even. The applicant projects that for Year 1 of the proposal, gross revenues will be \$23.2 million with funds from operations projected at a deficit of \$109,044. The applicant projects that for Year 3 of the proposal, gross revenues will be \$24.9 million with funds from operations projected at a deficit of \$68,821. The applicant states that deductions from revenue include projected write-offs for charitable care \$1.2 million in Year 1 and \$1.3 million in Year 3.

34. The applicant states that the availability of the unimproved shell on the Queen Emma Tower 6th floor makes the project financially feasible.

35. The applicant states that there will be a decrease in supply usage and duplication of services due to the reduction in patient transfers.

36. The applicant states that the hospital operations will improve their efficiency with the decrease in transactions within the system that tracks patient movement.

37. The Agency finds that cost and financial criteria have been met.

E. REGARDING THE RELATIONSHIP OF THE PROPOSAL TO THE EXISTING HEALTH CARE SYSTEM OF THE AREA

38. The applicant states that, without this project, it would be required to reduce medical/surgical bed capacity during future renovations that will be required to meet life safety standards. The applicant states that such a reduction in bed capacity would negatively affect community access and raise the medical center's cost structure.

39. The applicant states that the proposal will fill a gap in the health care delivery pattern by accommodating family presence in the patient's room at all times and by allowing the patient to stay in one room throughout his/her hospital stay. The applicant states that it will be the first hospital to implement this model in Hawaii.

40. The applicant states that its proposal will not change its acute care bed capacity and will not impact other health care providers.

41. The Agency finds that this criterion has been met.

F. REGARDING THE AVAILABILITY OF RESOURCES

42. The applicant states that the project will be financed by their available cash balance.

43. The applicant states that its proposal will require the following patient care staffing: Registered Nurses (58.84 FTE), Nurse Aides (12.65 FTE), Unit Secretaries (8.9 FTE). The applicant states that existing personnel are available to staff its proposal.

44. The Agency finds that the applicant has met this criterion.

III

CONCLUSIONS OF LAW

Having taken into consideration all of the records pertaining to Certificate of Need Application No. 02-08 on file with the Agency, including the written and oral testimony and exhibits submitted by the applicant and other affected persons, the recommendations of the Oahuwide Certificate of Need Review Committee and the Certificate of Need Review Panel, and based upon the findings of fact contained herein, the Agency concludes as follows:

The applicant has met the requisite burden of proof and has shown by a preponderance of the evidence that the Proposal meets the criteria established in Section 11-186-15, HAR.

Accordingly, the Agency hereby determines that, pursuant to Chapter 323D-43(b):

- (1) There is a public need for this proposal; and
- (2) The cost of the proposal will not be unreasonable in light of the benefits it will provide and its impact on health care costs.

ORDER

Pursuant to the findings of fact and conclusions of law contained herein, IT IS HEREBY DECIDED AND ORDERED THAT:

The State Health Planning and Development Agency hereby APPROVES and ISSUES a certificate of need to The Queen's Medical Center for the proposal described in Certificate Application No. 02-08. The maximum capital expenditure allowed under this approval is \$13,201,700.

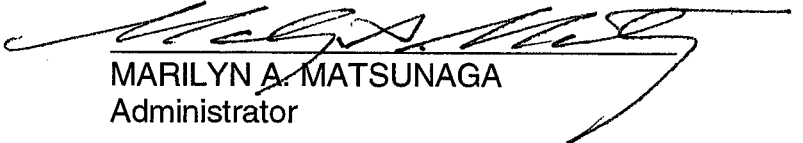
WRITTEN NOTICE

Please read carefully the written notice below. It contains material that may affect the Decision on the Merits. The written notice is required by Section 11-186-70 of the Agency's Certificate of Need Program rules.

The decision on the merits is not a final decision of the Agency when it is filed. Any person may request a public hearing for reconsideration of the decision pursuant to Section 11-186-82 of the Agency's Certificate of Need Program rules. The decision shall become final if no person makes a timely request for a public hearing for reconsideration of the decision. If there is a timely request for a public hearing for reconsideration of the decision and after the Agency's final action on the reconsideration, the decision shall become final.

DATED: July 9, 2002
Honolulu, Hawaii

HAWAII STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY

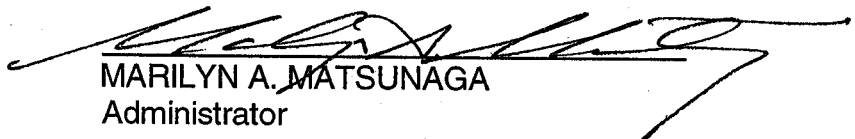

MARILYN A. MATSUNAGA
Administrator

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the attached Decision on the Merits, including findings of fact, conclusions of law, order, and written notice, was duly served upon the applicant by sending it by certified mail, return receipt requested, in the United States Postal Service addressed as follows on July 9, 2002.

Arthur Ushijima
President and Chief Executive Officer
The Queen's Medical Center
1301 Punchbowl Street
Honolulu, HI 96813

HAWAII STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY


MARILYN A. MATSUNAGA
Administrator