

# STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

LINDA LINGLE  
GOVERNOR OF HAWAII

MARILYN A. MATSUNAGA  
ADMINISTRATOR

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December 9, 2002

## CERTIFIED MAIL, RETURN RECEIPT REQUESTED

IN THE MATTER OF	)	CERTIFICATE OF NEED
	)	APPLICATION
	)	NO. 02-28
Palolo Chinese Home	)	
	)	
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. 02-28 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 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. 02-28.

I

## BACKGROUND

1. This is an application for a Certificate of Need ("Cert.") for the establishment of a 42 bed SNF/ICF facility at 2459 10<sup>th</sup> Avenue, Honolulu, HI at a capital cost of \$5,045,000.
2. The applicant, Palolo Chinese Home (PCH), is a nonprofit corporation organized under the laws of the State of Hawaii.

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 October 22, 2002, the applicant filed with the Agency a Certificate of Need application for the establishment of a 42 bed SNF/ICF facility at 2459 10<sup>th</sup> Avenue, Honolulu, HI at a capital cost of \$5,045,000 (the "Proposal"). On October 30, 2002 and October 31, 2002, the applicant submitted additional information. On November 1, 2002 the application was determined to be complete. For administrative purposes, the Agency designated the application as Cert. #02-28.
5. The period for Agency review of the application commenced on November 7, 2002, the date on which written notification was mailed to the applicant.
6. The Oahuwide Certificate of Need Review Committee met at a public meeting on November 8, 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 November 15, 2002. The Panel recommended unanimous approval of the Proposal by a vote of 5 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. The applicant states that the Proposal will meet the goals for realizing the H2P2 vision by increasing the span of healthy life of Hawaii's older adults by maintaining good health and independent personal functioning by "reducing the effects of chronic disease and prolonging health related quality life and by reducing the risk of injury and violence by promoting a safe environment and safe community."

13. The applicant states that its vision for the future supports H2P2's goal of assisting older adults maintain good health and independent personal functioning by directing its efforts to reducing morbidity and pain through timely and appropriate treatment.

14. The applicant states that, by establishing the proposed service, its project supports:

- The statewide priorities of: increasing access to cost-effective health services, fostering the development of care systems for the elderly and chronically ill and assist in developing health status benchmarks to facilitate community based health care delivery systems
- The Honolulu subarea priority of increased geriatric care services for the growing elderly population

15. The applicant states that the Proposal supports Chapter IV of H2P2 – *Infectious Diseases*, by managing infectious diseases through:

- policies, procedures and protocols for early detection of and containment of new or re-emerging diseases
- effective treatment and follow up care
- educational activities to support preventive efforts

16. The applicant states that the Proposal supports Chapter VI of H2P2 – *Diabetes and Other Chronic Disabling Conditions*, by helping individuals with chronic conditions maintain independence and a higher level of functioning.

17. With respect to Chapter VIII of H2P2 – *Preventable Injuries and Violence*, the applicant states that its proposed program will decrease the risk of falls for its participants since they will have assistance while at the facility.

18. 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**

19. The applicant states that the target market for its Proposal is the age 80+ population who have limitations in their activities of daily living (ADL's).

20. The applicant states that for new or additional long-term care beds, the average annual occupancy rate for all existing long term-care beds in the service area is at least 95 percent.

21. The applicant projects nearly full utilization with existing Palolo Chinese Home residents when the proposed SNF/ICF beds open in 2005.

22. The applicant states that all residents of the area, and in particular low income persons, racial and ethnic minorities, women, people with disabilities, and other underserved groups, and the elderly will have access to the services offered by its SNF/ICF facility.

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

#### **C. REGARDING QUALITY AND LICENSURE CRITERIA**

24. The applicant states that persons currently in care homes and family homes whose care needs can no longer be met in that setting would be able to receive appropriate services suited to their physical condition and needs at the newly renovated PCH.

25. The applicant states that internal policies and procedures that will be used to monitor and evaluate the quality of care will be in accordance with Omnibus Budget Reconciliation Act of 1987 and Chapter 94 of the Hawaii Administrative Rules.

26. The applicant states that it has been licensed as an ARCH II with Extended Care and has received satisfactory ratings every year it has been surveyed.

27. The applicant states that it will seek a Department of Health license for the proposed facility and will also seek Medicare and Medicaid certifications.

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

#### D. REGARDING THE COST AND FINANCIAL CRITERIA

29. The applicant states that the cost of the building and renovation of the SNF/ICF is approximately \$5 million and that it has already raised \$1 million from a Community Development Block Grant (CDBG) with the remaining \$4 million coming from charitable contributions.

30. The applicant states that its operating margins for the first three years of operation are as follows: yr 2005 = 9.6%; yr 2006 = 7.6% and yr 2007 = 7.79%.

31. The applicant states that there is no debt for this project or any new equipment costs.

32. The applicant states that the proposed daily rate for the proposed PCH 42 bed SNF/ICF is \$179.

33. 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

34. The applicant states that the PCH will improve the existing health care system by providing additional capacity to meet the growing demand for long term care beds on the Island of Oahu.

35. The applicant states that it will help to reduce waitlisted patients in hospital beds and provide a long term care alternative for seniors which had previously been unavailable to the Palolo/Kaimuki area.

36. The applicant states that no negative impact is foreseen on other long term care providers in the community since their utilization has been over 90% and as high as 95% on Oahu.

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

F. REGARDING THE AVAILABILITY OF RESOURCES

38. The applicant states that all PCH staff will be invited to remain as employees of the new PCH.

39. The applicant states that Arcadia Elder Services will assist PCH to hire additional persons to staff the increase in beds and that such persons hired will be qualified and experienced.

40. The applicant states that capital funds are available via their CDBG grant and contributions from their Capital Campaign.

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

III

CONCLUSIONS OF LAW

Having taken into consideration all of the records pertaining to Certificate of Need Application No. 02-28 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 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 Palolo Chinese Home for the proposal described in Certificate Application No. 02-28. The maximum capital expenditure allowed under this approval is \$5,045,000.

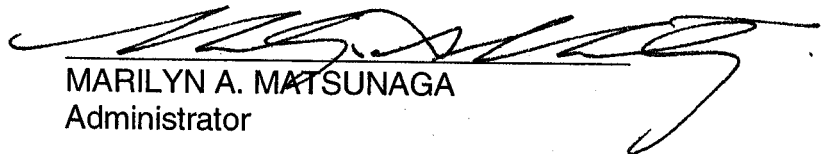
WRITTEN NOTICE

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: December 9, 2002  
Honolulu, Hawaii

HAWAII STATE HEALTH PLANNING  
AND DEVELOPMENT AGENCY

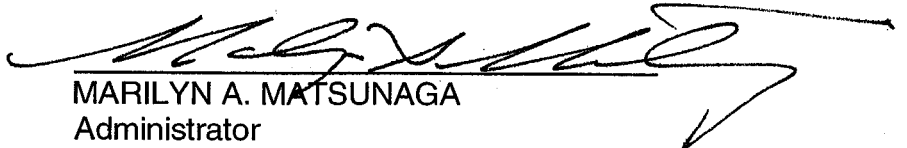
  
MARILYN A. MATSUNAGA  
Administrator

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 December 9, 2002.

Palolo Chinese Home  
c/o Emmet White  
President/CEO  
Arcadia Elder Services  
1434 Punahou Street  
Honolulu, HI 96822

HAWAII STATE HEALTH PLANNING  
AND DEVELOPMENT AGENCY

  
MARILYN A. MATSUNAGA  
Administrator