



STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

LINDA LINGLE
GOVERNOR

MARILYN A. MATSUNAGA
ADMINISTRATOR

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June 19, 2003

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Ms. Susan R. Merrill
Regional Hospital Administrator
Kaiser Foundation Hospital, Inc.
3288 Moanalua Road
Honolulu, HI 96819

Dear Ms. Merrill:

The State Health Planning and Development Agency ("Agency") has evaluated your application for administrative review for Certificate of Need ("Cert.") #03-13A for the internalization of inpatient dialysis at 3288 Moanalua Road, Honolulu, HI, at a capital cost of \$181,000.

As provided under Section 11-186-99.1 of the Hawaii Administrative Rules (HAR), the Agency has determined that:

1. This proposal is eligible for administrative review because as it meets the criterion in Section 11-186-99.1(b) (6), i.e.: "any proposal which is determined by the agency not to have a significant impact on the health care system."
2. The applicant has proven by a preponderance of evidence that its proposal meets the Cert. criteria in Section 11-186-15, HAR.
 - a. The applicant states that its proposal will help to achieve the H2P2 goals of increasing the span of healthy life for Hawaii's residents, reducing health disparities among Hawaii's residents, and achieving equitable and effective access at reasonable cost.
 - b. The applicant states that currently it contracts with Integrated Renal Care-Pearlridge (IRC) to provide inpatient dialysis to Kaiser patients at Moanalua Medical Center.
 - c. The applicant states that it seeks to end its contract with IRC so that it can become the direct provider of inpatient dialysis for its members and patients.
 - d. The applicant states that its internal analysis has concluded that there would be significant cost savings if it were to become the provider of this service.
 - e. The applicant states that the future need for this service is estimated to increase at a rate of 13% per year based on historical utilization data and that, given this estimated rate along with the growing Kaiser membership, it is crucial that the medical center maintain the 6 dialysis stations currently provided via its contract with IRC.

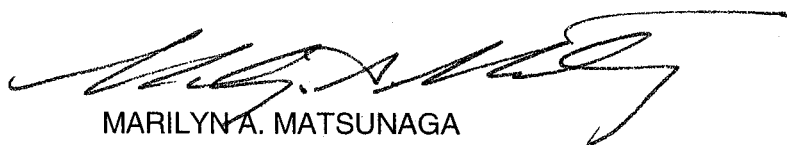
- f. The applicant states that is accredited by the Joint Commission of Healthcare Organizations (JCAHO) and the National Committee for Quality Assurance (NCQA).
- g. The applicant states that best practice standards established by Kaiser Permanente National for inpatient dialysis will be used to maintain high quality care.
- h. The applicant states that the projected capital cost of its proposal will be \$181,000 and that membership dues will not be raised as a direct result of this project and no new debt will be required, as Kaiser Permanente will finance this project through retained earnings that have been set aside for capital improvements.
- i. The applicant projects that operating expenses will be \$214,801 for the first three months of the proposal and \$802,225 and \$859,896 in year 2 and year 3 respectively. The applicant states that operating revenues are derived primarily from its health plan dues that are not capitated by medical service or operating facility.
- j. The applicant states the proposed project will allow Kaiser Permanente to continue to provide inpatient dialysis to its members and patients. The applicant states that there will be minimal impact on the existing health care system.
- k. The applicant states that the proposal will require a total of 7.25 FTE patient care staff including 1.0 FTE nurse supervisor, 3.0 FTE RNs, 2.0 FTE hemodialysis technicians, 0.50 FTE management assistant, and 0.75 FTE call-in RN. The applicant states that patient care staff will be hired either locally (when possible) or nationally.

Pursuant to Section 323D-43(b), Hawaii Revised Statutes (HRS), the Agency finds that:

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

Accordingly, the State Health Planning and Development Agency hereby APPROVES and ISSUES a Certificate of Need to Kaiser Foundation Hospital, Inc for the proposal described in Cert. #03-13A. The maximum capital expenditure allowed under this approval is \$181,000.

Please be advised that pursuant to Section 323D-47, HRS and Section 11-186-99.1(g) HAR, any person may, for good cause shown, request in writing a public hearing for reconsideration of the Agency's decision within ten working days from the date this decision. Accordingly, if no person makes such a timely request for reconsideration, this decision shall become final immediately after the deadline for making such a request has expired.




MARILYN A. MATSUNAGA
Administrator

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the attached Administrative Review Decision on the 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 June 19, 2003.

Ms. Susan R. Merrill
Regional Hospital Administrator
Kaiser Foundation Hospital, Inc.
3288 Moanalua Road
Honolulu, HI 96819

HAWAII STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY


MARILYN A. MATSUNAGA, Administrator