



# STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

LINDA LINGLE  
GOVERNOR OF HAWAII

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DAVID T. SAKAMOTO, M.D., M.B.A.  
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December 17, 2003

## CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Robert J. Walker  
President/CEO  
Castle Medical Center  
640 Ulukahiki Street  
Kailua, HI 96734

Dear Mr. Walker:

The State Health Planning and Development Agency has evaluated your application for administrative review for Certificate of Need ("Cert.") #03-34A for addition of 31 medical/surgical beds and the deletion of 26 psychiatric and 5 obstetric beds at a capital cost of \$4,557,000.

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 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 Agency has determined that 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 Castle meet H2P2's goal of establishing regionalized health care delivery systems that include community input, are cost-effective, and foster improved access to quality health care services."
  - b. The applicant states that its proposal will convert 26 underutilized psychiatric beds and 5 underutilized obstetric beds into 31 medical surgical beds.
  - c. The applicant states that "While SHPDA currently has an account of 55 psychiatric beds, 26 have not been in use recently."
  - d. The applicant states that the utilization rate for the 29 psychiatric beds in use was 70.11% in 2002. The applicant further states that it does not anticipate an increase in utilization of these 29 beds.
  - e. The applicant states that "...in 2002, Castle's utilization rate for obstetric beds was only 43.97%. With the addition of medical/surgical beds, GYN surgery patients who are currently serviced in obstetric beds will more appropriately receive care in medical/surgical beds."

- f. The applicant states that "In 2002, Castle had a medical/surgical bed utilization rate of 78.89%. After St. Francis – West Hospital, this was the highest utilization rate on Oahu."
- g. The applicant states that "Overall, the proposed bed changes will allow for additional capacity during high occupancy, and will help to avoid any back-up in the Emergency Room. These bed changes will allow patients to get appropriate emergency treatment in a timely manner."
- h. The applicant states that "In addition, Castle's facilities must be renovated to meet current building codes and Joint Commission on Accreditation of Healthcare Organizations (JCAHO) standards."
- i. The applicant states that it "...currently provides and will continue to provide services for all residents of the area, and in particular low-income persons, racial and ethnic minorities, women, handicapped persons, and the elderly."
- j. The applicant states that it "...is accredited by JCAHO, licensed by the State of Hawaii Department of Health, and is in good standing with the Medicaid and Medicare healthcare programs."
- k. The applicant projects that for year one of the proposal Total Operating Revenue will be \$5,725,832 and Total Expenses will be \$5,258,190. The applicant projects that for year three of the proposal Total Operating Revenue will be \$7,634,443 and Total Expenses will be \$7,002,316.
- l. The applicant states that "The project will not restrict health care accommodations for any bed category. The psychiatric beds that are being converted to medical/surgical beds are currently not utilized."
- m. The applicant states that "Castle will obtain approximately \$2,500,000 in construction financing as a loan from its parent entity, Adventist Health. The remaining \$2,000,000 will come from cash available in Castle's budgeted capital."
- n. The applicant states the proposal will require a total of 20 new FTE staff: 15 nursing FTE (RN and CNA), 4 FTE housekeeping and 1 FTE facility services technician.
- o. The applicant states that "Although there is a shortage of nurses throughout the industry, Castle has successfully hired and retained new nursing staff. Castle is confident that it can recruit the additional staff needed to operate the increased medical/surgical beds proposed in this project."

There is no compelling public interest which will be served by requiring the application to go through the standard review process.


As required under 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 Castle Medical Center for the proposal described in Cert. #03-34A. The maximum capital expenditure allowed under this approval is \$4,557,000.

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 of 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.

C: Office of Health Care Assurance

  
David T. Sakamoto, M.D.  
Administrator

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the attached Administrative Review Decision 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 17, 2003:

Robert J. Walker  
President/CEO  
Castle Medical Center  
640 Ulukahiki Street  
Kailua, HI 96734

HAWAII STATE HEALTH PLANNING  
AND DEVELOPMENT AGENCY



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David T. Sakamoto, M.D.  
Administrator