

STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

LINDA LINGLE
GOVERNOR OF HAWAII

CHIYOME L. FUKINO, M.D.
DIRECTOR OF HEALTH

DAVID T. SAKAMOTO, M.D., M.B.A.
ADMINISTRATOR

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June 9, 2004

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Gordon H. Ito
President/CEO
Pediahealth Corp.
919 Lehua Avenue
Pearl City, HI 96782

Dear Mr. Ito:

The State Health Planning and Development Agency has evaluated your Certificate of Need application #04-09A for the acquisition of Kulana Malama, a 28 bed pediatric skilled nursing facility, Karayan Street (TMK-9-1-017:079), Ewa, HI at a capital cost of \$3,880,092.

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 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 "The owner and management team of Pediahealth Corp have more than 20 years of health care clinical and management experience. They own and operate two successful nursing facilities on Oahu, Oahu Care Facility and Pearl City Nursing Home."
 - b. The applicant states that it will meet or exceed the quality requirements established by the State of Hawaii and that all clinical staff will be licensed and certified as required by law.
 - c. The applicant states that "Kulana Malama will be licensed as a nursing facility by the State of Hawaii, Department of Health under Chapter 94 and will seek Medicare/Medicaid certification."
 - d. The applicant states that "All services will remain the same as the previously approved CON application and this project will not have a significant impact on the health care system."

- e. The applicant projects excess funds from operations will be \$186,946.80 for year one of the proposal, \$1,309,603.01 for year two and \$1,215,686.59 for year three of the proposal.
- f. The applicant states that "Kulana Malama will work with community and governmental agencies and the health and educational system to provide the community with an opportunity to be part of the program. The Schools of Social Work, Nursing and Medicine at the University of Hawaii have already agreed to use Kulana Malama as a practicum and clinic training site for advanced students. The Department of Education will partner with Kulana Malama in developing the Education Center."
- g. The applicant states that "The resources necessary to fund the operating expenditure of Kulana Malama will be derived from its operating revenue."

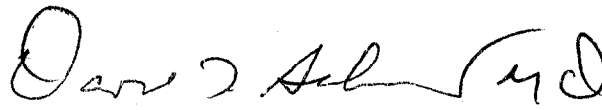
There is no compelling public interest which will be served by requiring the application to go through the standard review process.

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 Pediahealth Corp. for the proposal described in Cert. #04-09A. The maximum capital expenditure allowed under this approval is \$3,880,092.

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.



David T. Sakamoto, M.D.
Administrator

C: OHCA

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 June 9, 2004.

Gordon H. Ito
President/CEO
Pediahealth Corp.
919 Lehua Avenue
Pearl City, HI 96782

HAWAII STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY



David T. Sakamoto, M.D.
Administrator