



# STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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November 12, 2004

## CERTIFIED MAIL, RETURN RECEIPT REQUESTED

IN THE MATTER OF	)	CERTIFICATE OF NEED
	)	APPLICATION
	)	NO. 04-21
Maui Memorial 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. 04-21 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 Tri-Isle Subarea Health Planning Council, the Certificate of Need Review Panel and the Statewide Health Coordinating Council, 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. 04-21.

I

## BACKGROUND

1. This is an application for a Certificate of Need ("Cert.") from Maui Memorial Medical Center (MMMC) for the expansion and renovation of MMMC at a capital cost of \$42,000,000.
2. The applicant, Maui Memorial Medical Center, is a health facility of the Hawaii health systems corporation, a public body corporate established pursuant to 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 September 13, 2004, the applicant filed with the Agency a Certificate of Need application for the expansion and renovation of MMMC at a capital cost of \$42,000,000 (the "Proposal"). On September 21, 2004 and September 22, 2004, the applicant submitted additional information. On September 23, 2004, the application was determined to be complete. For administrative purposes, the Agency designated the application as Cert. #04-21.

5. The period for Agency review of the application commenced on September 24, 2004, 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 Tri-Isle Subarea Health Planning Council met at a public meeting on October 1, 2004 and unanimously recommended conditional approval of the application by a vote of 6 to 0. The conditions were:

- That the applicant provides the additional information requested at the meeting pertaining to: the potential surge capacity of beds at MMMC after the proposed renovation is completed and the effect (current and anticipated) of the newly opened 21 bed SNF unit on the waitlist at MMMC
- That the Board of Directors of MMMC seriously considers the issue of detoxification services for Maui County.

7. On October 15, 2004, the applicant submitted additional information pertaining to the potential surge capacity of beds at MMMC after the proposed renovation is completed and the effect (current and anticipated) of the newly opened 21 bed SNF unit on the waitlist at MMMC. In addition, the applicant provided information regarding its current capability for providing detoxification services at MMMC and stated "that a member of the management team be represented at the SAC meetings to continue discussion on Detoxification."

8. The application was reviewed by the Certificate of Need Review Panel at a public meeting on October 21, 2004. The Panel unanimously recommended approval of the application by a vote of 7 in favor and none opposed.

9. The Statewide Health Coordinating Council Committee met at a public meeting on October 28, 2004 and unanimously recommended approval of the application by a vote of 11 in favor and none opposed.

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

11. 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.”

12. 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”

13. The applicant states that the expansion and modernization of the medical/surgical and critical care inpatient services, the expanded and improved surgicenter, occupational and physical therapy services address the H2P2 objectives of “reducing the effects of chronic disease and prolonging health related quality life”.

14. The applicant states that “[T]he project enhances the regionalized health care delivery system, of which Maui Memorial is such a crucial part. Access is improved by making more service available. Community input from both providers and consumers is assured through different mechanisms such as the Management Advisory Committee (MAC).”

15. The applicant states that, “The proposed project involves two services that are covered in this part (Chapter II Part G) of the plan: medical/surgical ('med/surg') and critical care ('CCU' in the plan).”

16. The applicant states that "The H2P2 provides the following threshold for med/surg: 'for a new or additional medical/surgical bed, all existing medical/surgical beds in the service area average an annual occupancy rate of 80 percent or higher based on number of licensed beds rather than on staffed beds. Maui Memorial meets this provision of the plan... med/surg occupancy has exceeded 80% since 1998, reaching a high of 93.6% in 2002."

17. The applicant states that "The H2P2 provides the following threshold for critical beds: 'for a new or additional CCU bed, the minimum occupancy rate, based upon total licensed beds is 60 percent and the optimal rate is 85 percent. Maui Memorial also meets this provision of the plan... critical care occupancy has exceeded 60% since 1999, and has exceeded 69% since 2001."

18. With respect to the H2P2 regional values and priorities, the applicant states that "One of the H2P2 priorities established by the Tri-Isle is 'Medical Services for the Uninsured.' Maui Memorial is the community's hospital, with a long track record of serving all patients regardless of their ability to pay. This project will improve the facility's ability to serve all patients, including those who are uninsured."

19. 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**

20. The applicant states that "The primary specific target population is all the residents of the island of Maui who need the services of a modern medical center, especially those inpatients needing med/surg or critical care beds. This population includes Maui's Kaiser patients for inpatient services, which they generally get at Maui Memorial. Most outpatient services for Kaiser patients are provided at Kaiser clinics on Maui. A secondary population would include visitors to the island, and residents of Molokai, Lanai or other islands."

21. The applicant states that "Maui Memorial's services are accessible to all patients on Maui. Maui Memorial is geographically located in central Maui, and makes its services readily accessible to low-income persons, all racial and ethnic groups, women, people with disabilities and the elderly."

22. The applicant states that its proposal will implement Phase I of its Master Plan which includes the following: 16 new critical care beds, expansion of the existing surgicenter, 24 new medical/surgical beds, relocation and expansion of occupational and physical therapy, additional surgery support space, infrastructure upgrades and upgrades of the hospital's existing public and family support spaces.

23. The applicant states that "There is a need for this proposal, and its services will be accessible to all in need. The need for additional beds is indicated by the 2002 occupancy rates of 93.6% in med/surg (vs. the Plan's standard of 80%) and 69.8% in critical care (vs. the standard of 60%). The need for more space and more efficient space in other areas, such as OT, PT, the surgicenter, surgery support and patient waiting areas is also approaching critical levels. For example, the number of patients served in the ambulatory care (surgicenter) program increased by 30% in just the two years from 2000 to 2002. The number of endoscopy procedures increased 225% in the 5 years from 1997 to 2002."

24. The applicant states that the bed day utilization at MMMC for med/surg beds from 1998-2004 inclusive is as follows:

- 1998 – 41,205
- 1999 – 44,508
- 2000 – 42,768
- 2001 – 44,080
- 2002 – 47,866
- 2003 – 46,015
- 2004 – 45,084 (estimated based on first 6 months actual data plus estimate of 2<sup>nd</sup> half bed days.)

25. For critical care beds, the applicant states the bed day utilization for the same period to be:

- 1998 – 2,424
- 1999 – 2,927
- 2000 – 3,489
- 2001 – 3,830
- 2002 – 3,821
- 2003 – 3,783
- 2004 – 3,565 (estimated based on first 6 months actual data plus estimate of 2<sup>nd</sup> half bed days.)

26. With respect to the deficit or surplus between need and supply, the applicant states the following: "We assume that the need for beds on Maui island and the utilization of beds at Maui Memorial (the island's only acute facility) ...are identical. That is, all the bed days that were utilized were needed, and all the needs were met, with no need for additional beds."

27. The applicant projects the future need for med/surg bed days and critical care beds to be:

<u>Med/Surg</u>	<u>Critical care</u>
2005 – 46,977	2005 – 3,714
2006 – 48,152	2006 – 3,807
2007 – 49,355	2007 – 3,901

28. The applicant states that states that, "... for planning purposes in this application we assume an average annual increase of approximately 4.2% for 2005 and 2.5% annually thereafter. This is our best estimate at this time which:

- Corresponds to the Maui Bed Needs Study 2005-2025 by the Hawaii Health Information Corporation (Trend Analysis Model)."

29. The applicant proposes (in Table B-8) to meet the total bed day need in 2007 of 53,256 (49,355 med/surg plus 3,901 critical care) as follows:

**TABLE B-8**  
**2007 BED UTILIZATION PROJECTIONS SUMMARY**  
**MED/SURG, CCU, SUB CCU AND LONG TERM CARE**

Bed Type	Projected Bed days	Average Daily Census	2007 proposed beds	% occupancy
Med/surg & Sub CCU	42,073	115.3	140	75.4% *
Critical Care	3,901	10.7	16	66.9%
SNF	7,282	20	21	95.2%
Total m/s + cc + sub ccu + snf	53,256	146	190	76.8%

\*75.4 is derived by taking  $115.3 / (140 + 13)$

30. The applicant states that "One of the floors of the new wing will be a new 16 bed critical care unit to replace the existing 15 bed critical care unit. The existing 15 bed unit will be reduced to 13 beds and continue to be designated as a critical care unit, although its routine use will be as a 'stepdown' unit, providing a level of service below critical care but higher than the usual med/surg service. However, SHPDA does not have a category specifically for 'stepdown' beds and, the stepdown unit will still be equipped, laid-out and readily staffed for critical care service. Further, it will be needed for overflow critical care patients when the new unit is full. Therefore, for SHPDA purposes, Maui Memorial proposes to continue to designate the beds as critical care. We understand that other hospitals in Hawaii also operate a stepdown unit this way."

31. That applicant states that "We believe that the benefits of having the stepdown unit classified as critical care are in the best interest of the community. The beds are needed for patients in need of services between critical care and med/surg, and are available for true critical care patients when their number exceeds the number of beds in the new 16-bed unit."

32. The applicant projects that in 2007, 24.4% or 12,043 days of the med/surg bed day projections will actually be waitlisted patients (based upon 2002 experience and no additional long term care facilities in the community).

33. The applicant states that it will be able to provide a total of 7,282 of the projected 12,043 bed days for these waitlisted patients in its 21 bed skilled nursing facility unit which will be operating in 2007.

34. The applicant states that when the new building is complete, it proposes to delete current temporary (observation and doubling) beds from its current SHPDA approved bed total as follows:

Type of Bed	Current Bed Total	Proposed Beds for Project	Total Combined Beds if Project is Approved
Medical/Surgical	146	(8) – Reduce doubling Molokai & Maui East (15) - Reduce Lanai North observation beds (7) – Reduce Molokai East for OR support +24 – Add new	140

		wing	
Critical Care	15	+16 - New CCU unit (2) – Eliminate 2 beds in existing CCU	29
SNF	28	(7) – Reduce SNF beds as per DOH license	21

35. The applicant states that "The surge capacity after the completion of Phase I will be 39 additional med/surg beds, bringing our med/surg capacity to 179 and our total hospital capacity to 270. The additional beds will result from:

- a. Doubling of beds – 13 Med/Surg (HaleSouth – 6, Hale East – 3, Maui South – 4).
- b. Lanai North Observation – 10 beds to be used for Med/Surg.
- c. OB – 6 beds converted to Med/Surg (swing beds).
- d. New Wing – 10 doubling of private rooms Med/Surg."

36. The applicant further states that "If the waitlist is significantly reduced in the future due to more long-term care beds in the community then MMMC will seriously consider converting the 21 SNF beds back to their original use as acute (med/surg) beds."

37. The Agency finds that the need and accessibility criteria have been met.

### C. REGARDING QUALITY AND LICENSURE CRITERIA

38. The applicant states that "The project will enhance Maui Memorial's ability to provide high quality of service. The new building will provide modern, state-of-the-art facilities for a new surgicenter, new med/surg and critical care units, and new occupational and physical therapy units. When the new building is completed, space in the existing building can be renovated to provide modernized and expanded space for such things as surgery and surgical support."

39. The applicant states that the "... new 'step-down' unit (licensed as critical care) will be developed from the old critical care unit, allowing a more appropriate level of care for people between critical care and 'standard' med/surg, and also allowing the hospital to immediately accommodate overflow critical care patients in a unit that is equipped and staffed to provide such care."

40. The applicant states that "Also, existing space in the older buildings will be renovated and updated so that existing services (such as surgical support) can function at modern standards. The recommended square footage for new surgical suite construction is 3,500 s.f. per OR. Maui Memorial's current square footage per OR is 1500 s.f. Similarly the PT/OT area will be expanded from about 2,400 s.f. to approximately 4,900 s.f. allowing new equipment to be added in the new space.

41. The applicant states that "We are JCAHO accredited, State licensed and certified for Medicare and Medicaid. Maui Memorial has extensive quality assurance policies and procedures."

42. The applicant states that "All the staff are appropriately trained, licensed and qualified to provide their services. There are no additional, special qualifications associated with this proposal."

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

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

44. The applicant states that "The capital cost of the project will be \$42 million. \$38 million will be from a State appropriation (G.O. Bonds). The remaining \$4 million will be financed through a loan from Academic Capital."

45. The applicant states that "... the \$38,000,000 in State funds are General Obligation bonds, which are a debt of the State and not Maui Memorial or HHSC. Therefore, the State retires the debt and there will be no annual debt service expenses, either principal or interest to Maui Memorial. This is a significant savings in operating expenses to Maui Memorial and helps assure the project's financial feasibility and the hospital's ability to keep serving the community."

46. The applicant states that "... our projections of revenues and expenses show that the revenue after the new project is completed will exceed the expenses. Thus, the resources exist to successfully implement the project."

47. The applicant states that " The project itself will not affect the fees at Maui Memorial, although fees are increased approximately 5% annually due to other factors, primarily inflation."

48. 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

49. The applicant states that "This proposal relates well to the existing health care system. Maui Memorial is currently the only acute care facility on the island. We provide all inpatient services and a broad range of outpatient services to our community. This proposal strengthens the system since it enables us to keep up with the growing need for more services (such as critical care, PT/OT and in and out patient surgery and procedures) and allows us to renovate and reconfigure existing space for more efficient delivery of services."

50. The applicant states that "The project should have no negative impact on any other health care providers in the community. Maui Memorial is the only acute inpatient facility on the island, so that the improved and expanded inpatient services provided by this project will not affect any other acute facility."

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

F. REGARDING THE AVAILABILTY OF RESOURCES

52. The applicant states that "The capital cost of the project will be \$42 million. \$38 million will be from a State appropriation (G.O. Bonds). The remaining \$4 million will be financed through a loan from Academic Capital."

53. The applicant states that "The additional beds will require FTE staff in year one of 11.5 RNs, 6.5 Nurses Aide, 2.5 Health Unit Clerks and 3 Housekeepers."

54. The applicant states that "There is a nationwide shortage of nurses, but Maui Memorial has been able to recruit enough to meet our needs, particularly with graduates from Maui Community College; and to fill any temporary shortage through travel nurses or agency nurses."

55. 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. 04-21 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 Tri-Isle Subarea Health Planning Council, the Certificate of Need Review Panel and the Statewide Health Coordinating Council 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 Maui Memorial Medical Center for the proposal described in Certificate Application No. 04-21. The maximum capital expenditure allowed under this approval is \$42,000,000.

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: November 12, 2004  
Honolulu, Hawaii

HAWAII STATE HEALTH PLANNING  
AND DEVELOPMENT AGENCY

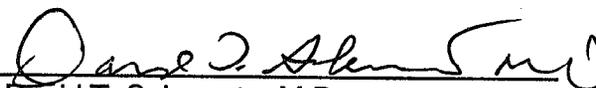
  
David T. Sakamoto, M.D.  
Administrator

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 November 12, 2004.

Wesley Lo  
Chief Operating Officer  
Maui Memorial Medical Center  
221 Mahalani Street  
Wailuku, Maui 96793

HAWAII STATE HEALTH PLANNING  
AND DEVELOPMENT AGENCY

  
David T. Sakamoto, M.D.  
Administrator

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Sent To Wesley Lo  
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PS Form 3800, June 2002 See Reverse for Instructions