



STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

LINDA LINGLE
GOVERNOR OF HAWAII

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DIRECTOR OF HEALTH

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ADMINISTRATOR

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May 27, 2005

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Orianna Skomoroch
Regional Chief Executive Officer
c/o Kauai Veterans Memorial Hospital
4643 Waimea Canyon Road
Waimea, HI 96796

Dear Ms. Skomoroch:

The State Health Planning and Development Agency has evaluated Certificate of Need application #05-06A from Samuel Mahelona Memorial Hospital (the "applicant") for the establishment of emergency room services at 4800 Kawaihau Road, Kapaa, HI at capital cost of \$1,150,000.

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

In accordance with the criteria in Section 11-186-15, HAR:

- a. The applicant states that "Mahelona, which does not now have an emergency room, plans to apply for federal designation as a Critical Access Hospital (CAH), and CAH facilities are required to have emergency services."
- b. The applicant states that "As a CAH, federal regulations require 24 hour emergency services with practitioners with training and experience in emergency care on call and immediately available within 30 minutes. The CAH must provide appropriate medical screening examination to any person who comes to the hospital emergency department and requests treatment or an examination for a medical condition. The proposed emergency room service at Mahelona is designed to meet the needs of Kapaa and North Shore residents for urgent care and minor emergency care. The 24 hour staffing with a NP [Nurse Practitioner] will assure immediate attention to any patient who comes to the ER."
- c. The applicant states that the "The proposed ER will improve the accessibility of service to residents in the Kapaa and North Shore communities."
- d. The applicant states that "Mahelona will provide service to all patients, including low income persons, racial and ethnic minorities, women handicapped persons, other underserved groups and the elderly."

- e. The applicant states that "Operating revenues from the emergency department will not offset operating expenses. However, the improved revenues to the overall hospital operation as a result of the CAH designation more than offset the emergency room losses."
- f. The applicant states that "Although Mahelona will still operate at a loss as a CAH, we estimate that our losses in the fourth year of operation (FY 2008) as a CAH (compared to the status quo) will be reduced anywhere from \$687,000 to \$1,728,000, depending on which Medicaid reimbursement provision is applied."
- g. The applicant further projects reduced losses anywhere from \$505,000 to \$1,393,000 in FY 2006 and \$590,000 to \$1,551,000 in FY 2007.
- h. The applicant states that its proposal will contribute to the goals of the Hawaii Health Performance Plan ("H2P2").
- i. The applicant states that "Kapaa and North Shore area patients needing urgent care, and care for minor emergencies, can be seen more quickly and closer to home, than if they had to travel to Lihue. Achieving CAH status, which is a consequence of adding the emergency room, will also strengthen the financial standing of Mahelona. It is important that Mahelona be as strong as possible so that it may continue to serve the needs of its community, and contribute towards the H2P2's goals."
- j. The applicant states that "Mahelona is certified by Medicare and Medicaid, and has a history of providing quality care. Although emergency service will be a new service, we already provide some acute inpatient services in the form of acute psychiatric care and acute medical care through our acute/SNF 'swing' beds. We have extensive quality assurance procedures which will be expanded and applied to the emergency service. Federal review of our application to be designated as a CAH will provide an additional assurance of quality."
- k. The applicant states that "Establishing emergency services at Mahelona will improve the existing health care system... it will make services more accessible to patients with urgent conditions or minor emergencies."
- l. The applicant states that "A major benefit to the health care system will be the reduction of Mahelona's annual operating deficit, which will help it to continue to provide necessary, but unprofitable services. Mahelona provides the only inpatient psychiatric services on the Island of Kaua'i. Further, the ability to continue Mahelona's long term care services is also important, given the high utilization and the lack of beds at the other facilities."
- m. The applicant states "...this proposal is supported by Wilcox Hospital and the FQHC at Mahelona. The ER will be able to serve some after-hours patients who would normally seek care at the clinic, and clinic physicians can have easier access to those of their patients who are inpatients at the Mahelona CAH."

- n. The applicant states that "The capital cost of this proposal is \$1,150,000, including \$850,000 for construction and \$300,000 for equipment. The capital funds are already available through an existing line of credit that our parent corporation (HHSC) has with Academic Capital."
- o. The applicant states that it will require 5 FTE Nurse Practitioners and a 24 hour on-call physician for its proposal.
- p. The applicant states that "We acknowledge that NP's are in high demand, but so far we have been successful in recruiting needed staff."

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

Accordingly, the State Health Planning and Development Agency hereby APPROVES and ISSUES a CONDITIONAL Certificate of Need to Samuel Mahelona Memorial Hospital for the proposal described in Cert. #05-06A. The conditions are that:

1. Prior to opening the ER, the applicant shall meet with the local hospitals and emergency medical service providers to ensure that the Mahelona ER is appropriately integrated into the existing healthcare system of the area.
2. Prior to opening the ER, the applicant shall issue an informational press release and hold at least one public information meeting, to advise the community of the ER services that will be available at the Mahelona ER. The said press release as well as the notification of the public information meeting shall be published in all Kauai newspapers.

On or before February 1, 2006, the applicant shall certify in writing to the Agency that it has fulfilled the above stated conditions.

These modifications are required for the application to successfully meet the Certificate of Need criterion in Section 11-186-15(10) HAR.

As provided under Section 323D-46, HRS and Section 11-186-77 HAR, the Agency establishes June 30, 2005 as the date by which the applicant must certify in writing that it accepts these conditions, otherwise this application shall be deemed to be DENIED as provided under Section 11-186-77 HAR.


The Agency has determined that the applicant has proven by a preponderance of the evidence that its proposal, if modified in accordance with the terms of the conditional certification, meets the Certificate of Need criteria in Section 11-186-15, HAR.

Pursuant to Section 323D-43(b), Hawaii Revised Statutes (HRS), the Agency determines that, if the proposal is modified in accordance with the terms of the conditional certification:

1. There will be 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.

The maximum capital expenditure allowed under this approval is \$1,150,000.

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.

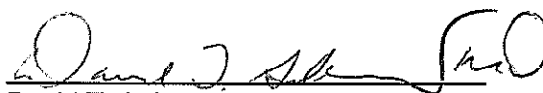

David T. Sakamoto, M.D.
Administrator

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 May 27, 2005:

Orianna Skomoroch
Regional Chief Executive Officer
c/o Kauai Veterans Memorial Hospital
4643 Waimea Canyon Road
Waimea, HI 96796

HAWAII STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY

A handwritten signature in black ink, appearing to read "David T. Sakamoto", written over a horizontal line.

David T. Sakamoto, M.D.
Administrator