



STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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GOVERNOR OF HAWAII

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April 7, 2005

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Stuart T. K. Ho
President and Chief Executive Officer
Rehabilitation Hospital of the Pacific
226 N. Kuakini Street
Honolulu, HI 96817

Dear Mr. Ho:

The State Health Planning and Development Agency has evaluated Rehabilitation Hospital of the Pacific's Certificate of Need application #05-08A for the conversion of 20 rehabilitation beds to 20 SNF beds at a capital cost of \$50,000.

Pursuant to Title 11, Chapter 186 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. Rehabilitation Hospital of the Pacific (the "applicant") has proven by a preponderance of evidence that its proposal meets the Certificate of Need criteria in Section 11-186-15, HAR:
 - a. The applicant states that "In mid-2004, changes by CMS via its enforcement of the '75% Rule' mandated that REHAB *decrease* its number of inpatient admissions for postoperative joint replacement patients."
 - b. The applicant states that "Due to the forced compliance with the 75% rule, REHAB has seen its inpatient occupancy plunge, resulting in an average of 32 acute inpatient rehabilitation beds sitting empty each day. By converting 20 of these beds into a subacute unit, we expect to be able to put these empty beds to use, providing a similar type of service but at a much lower cost to the patient."
 - c. The applicant states that "Projected cost savings per bed day is \$550."
 - d. The applicant states that "This unit is part of a program focused upon maximizing patient functional gains, and transitioning to the home and outpatient therapy components of the program. Program goals are the maximization of function, and a decreased overall length of 'episode of care' (as opposed to length of stay at facility), thus lowering overall costs to patients and insurer."

- e. The applicant states that "Additionally, medical issues in the post surgical setting, such as pain, infection, and wound care, are optimally managed and monitored at REHAB as part of a 'programmatic' approach to patient care."
- f. The applicant states that its proposal "meets the H2P2 provisions outlined in Chapter 3 of the Plan, which calls for increased access to '...a healthcare delivery system that is comprehensive, cost-effective, well coordinated, and responsive to community/ regional needs ...' The addition of a sub acute rehabilitation unit will enable REHAB to provide orthopedic patients throughout the State with the complete post-acute care continuum, resulting in improved coordination of care and an overall reduction in the cost to provide that care."
- g. The applicant states that "REHAB is licensed as a hospital by OHCA, is accredited by JCAHO, and is certified as a Medicare and Medicaid provider."
- h. The applicant states that "Our projections indicate that we will need nearly 21 FTE's to operate the subacute unit, including nursing, therapy, and administrative staff. The clinical staff will be available immediately since we expect the nursing, therapy, case management, and clerical staff to be transferred from the acute inpatient rehabilitation program where we are currently overstaffed."
- i. The applicant states that "Approximately \$50,000 will be needed to make minor repairs/renovations to the existing space to meet OHCA requirements for long-term care facility licensure. This money is available in, and will be funded from, REHAB's operating account."
- j. The applicant projects that the contribution margin will be \$233,255 for Year 1 of its proposal and \$248,574 for Year 3.

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 Rehabilitation Hospital of the Pacific for the proposal described in application #05-08A. The maximum capital expenditure allowed under this approval is \$50,000.

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

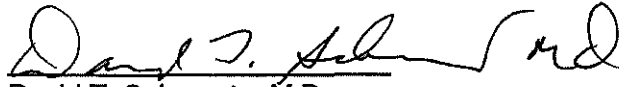

David T. Sakamoto, M.D.
Administrator

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 April 7, 2005:

Stuart T. K. Ho
President and Chief Executive Officer
Rehabilitation Hospital of the Pacific
226 N. Kuakini Street
Honolulu, HI 96817

HAWAII STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY



David T. Sakamoto, M.D.
Administrator