



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

1177 Alakea St. #402, Honolulu, HI 96813 Phone: 587-0788 Fax: 587-0783 www.shpda.org

September 13, 2005

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

IN THE MATTER OF)	CERTIFICATE OF NEED
)	APPLICATION
)	NO. 05-16
Shriners Hospital for Children)	
)	
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. 05-16 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 Oahuwide Certificate of Need Review Committee and the Certificate of Need Review Panel, 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. 05-16.

I

BACKGROUND

1. This is an application for a Certificate of Need ("Cert.") for the renovation and rebuilding of the Honolulu Shriners Hospital for Children and for the addition of an inpatient surgery suite at 1310 Punahou Street, Honolulu, Hawaii, at a capital cost of \$24,318,227.
2. The applicant, Shriners Hospital for Children, is a non-profit corporation.

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 July 18, 2005, the applicant filed with the Agency a Certificate of Need application for the renovation and rebuilding of the Honolulu Shriners Hospital for Children and for the addition of an inpatient surgery suite at 1310 Punahou Street, Honolulu, Hawaii, at a capital cost of \$24,318,227 (the "Proposal"). On July 26, 2005, July 27, 2005, July 28, 2005 and August 8, 2005, the applicant submitted additional information. On August 8, 2005, the application was determined to be complete. For administrative purposes, the Agency designated the application as Cert. #05-16.

5. The period for Agency review of the application commenced on August 8, 2005, 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 Oahuwide Certificate of Need Review Committee met at a public meeting on August 15, 2005 and unanimously recommended approval of the application by a vote of 5 in favor and none opposed.

7. The application was reviewed by the Certificate of Need Review Panel at a public meeting on August 18, 2005. The Panel unanimously recommended approval of the application by a vote of 7 in favor and none opposed.

8. The Statewide Health Coordinating Council review of the application was waived pursuant to Section 323D-44.6 HRS.

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

10. 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 light of the benefits it will provide and its impact on health care costs."

11. 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"**

12. The applicant states that "The Proposed Project is consistent with H2P2's goal to 'increase the span of healthy life for Hawaii's residents' as the Proposed Project will allow children and adolescents to 'develop and mature in good health, secure in their prospects for a productive and happy future.'"

13. The applicant states that "The Proposed project is also consistent with H2P2's goal of 'reducing morbidity and pain through timely and appropriate treatment.' Among its other services, the hospital diagnoses and treats degenerative orthopedic diseases... The Proposed Project will achieve this goal by allowing enhanced care through increased space and modernization."

14. With respect to H2P2's statewide values and priorities, the applicant states that "Statewide priorities include increasing access to cost-effective health care services. As indicated, all treatment is funded through the Honolulu Hospital. Children and their families do not pay for treatment."

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

B. **REGARDING NEED AND ACCESSIBILITY CRITERIA**

16. The applicant states that "...the present hospital building was constructed in 1967. While minor renovations were made in the early 1990's, much of the Hospital is structurally the same as it was in 1967. The facility does not meet modern day standards for hospital design or space. The only appropriate way to address these standards is to completely rebuild the Hospital."

17. The applicant states that "The Proposed Project does not involve any changes in services or beds. The Proposed Project is necessitated by the Hospital's current lack of space. The following list describes the factors contributing to the need for the Proposed Project:

- The current inpatient rooms consist of four bed wards, with one toilet for eight beds, and one shower room for 20 beds, creating a very crowded and cramped environment;

- The existing inpatient nursing units are in awkward, cramped and in inconvenient locations;
- The majority of the existing hospital is a 40 year old facility with most systems operating beyond their reasonable life expectancy and at maximum capacity with unpredictable longevity and reliability;
- There have been limited upgrades to the Hospital floor area;
- The clinic area exam rooms are exceedingly small, compromising access, family centered care, and exam efficiency."

18. The applicant states that "...the Proposed Project is intended to modernize the current facility to better accommodate patients but will not change or add any services currently being provided by the Hospital. Furthermore, the Proposed Project will take place over several years, and in three phases. As a result, the Hospital will continue its regular operations throughout the rebuilding process. Service will not be affected."

19. The applicant states that "Patients are accepted without regard to the child's (or family member's) race, color, creed, national origin, sex, gender, religion, disability, marital status, or other category protected by law. Finally, the Hospital strives to accommodate families. For these reasons, the Hospital is very accessible. The Proposed Project enhances the Hospital's ability to provide this accessibility, through increased space and modernization."

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

C. REGARDING QUALITY AND LICENSURE CRITERIA

21. The applicant states that "Because of the lack of space and modernization, the Hospital is hindered in its efforts to provide patients with the highest quality of care possible."

22. The applicant states that "The Proposed Project will enhance the quality of care provided. The increased space and modernization will allow caregivers to work more effectively and efficiently."

23. The applicant states that "The Honolulu Hospital will comply with State and Federal regulations for delivery of care, maintenance of service equipment, and maintenance of clinical environment. The Honolulu Hospital is accredited by JCAHO, and is licensed by the State of Hawaii Department of Health as an acute hospital."

24. The applicant states that "The Hospital's internal policies adhere to Joint Commission on Accreditation of Healthcare Organization standards."

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

D. REGARDING THE COST AND FINANCIAL CRITERIA

26. The applicant states that "This project will have little effect on health care costs. The Honolulu Hospital is funded by the charitable Shriners Hospitals for Children Endowment Fund. The Hospital's patients do not pay for treatment. Furthermore, the Hospital does not rely on any government or private funding or insurance reimbursement. Therefore, costs for health care delivery in Hawaii will not be affected by the Proposed Project."

27. The applicant states that "All costs associated with the Proposed Project will be paid for by the Honolulu Hospital and the Shriners Hospitals for Children Endowment Fund. There will be no debt financing. Treatment will continue to be complexly free to patients. Furthermore, the Proposed Project will not affect long term feasibility of the Hospital's operations."

28. 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

29. The applicant states that "The Proposed Project will improve the availability of health care in the community. The Hospital will be more accessible and accommodating to patients' families, providing temporary housing and increased privacy for families visiting children, creating a more family centered atmosphere and enhancing patient morale. Additionally, the added space will improve the Hospital's ability to accommodate additional patients when necessary."

30. The applicant states that "The Proposed Project will have a significant positive impact on health care in the State. The Hospital provides pediatric orthopaedic services incomparable to any other service provided in Hawaii. The Hospital provides treatment for orthopaedic conditions, exclusively, and at no cost, to children in the Service Area... While other area hospitals treat orthopaedic conditions in Hawaii, they do not provide treatment at no cost, nor do they target children in such a broad service area."

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

F. REGARDING THE AVAILABILITY OF RESOURCES

32. The applicant states that "All costs associated with the Proposed Project will be paid for by the Honolulu Hospital and the Shriners Hospitals for Children Endowment Fund. There will be no debt financing."

33. The applicant states that "As discussed, the Proposed Project does not establish new services. However, the Hospital's facilities will expand, creating a need for additional managers (1.0 FTE in Motion Analysis Lab), technicians (2.0 FTE in Motion Analysis Lab and 2.0 FTE in Inpatient Nursing Units) and nurses (2.0 FTE in Inpatient Nursing Units)...The Honolulu Hospital has an active recruiting program, and expects no difficulty in training new staff."

34. 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. 05-16 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 Oahuwide Certificate of Need Review Committee and the Certificate of Need Review Panel, 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 Shriners Hospital for Children for the proposal described in Certificate of Need Application No. 05-16. The maximum capital expenditure allowed under this approval is \$24,318,227.

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: September 13, 2005
Honolulu, Hawaii

HAWAII STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY



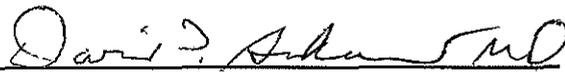
David T. Sakamoto, M.D.
Administrator

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 September 13, 2005.

Thomas R. Schneider
Administrator
Shriners Hospital for Children
1310 Punahou Street
Honolulu, HI 96826

HAWAII STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY

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

David T. Sakamoto, M.D.
Administrator