

STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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GOVERNOR OF HAWAII

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April 4, 2006

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Ms. Susan R. Murray
Regional Hospital Administrator
Kaiser Foundation Hospital, Inc.
3288 Moanalua Road
Honolulu, HI 96819

Dear Ms. Murray:

The State Health Planning and Development Agency has evaluated Kaiser Foundation Hospital, Inc.'s Certificate of Need application #05-33A for the conversion of 28 Skilled Nursing beds to 28 Medical/Surgical beds at no capital cost.

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. Kaiser Foundation Hospital, Inc. (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 its proposal will continue to help achieve the H2P2 goals of increasing the span of healthy life for Hawaii's residents, reducing health disparities among Hawaii's residents, and achieving equitable and effective access at reasonable cost.
 - b. The applicant states that "By converting the 28 SNF beds to medical/surgical beds, Kaiser Permanente will be able to more efficiently manage the care of the increasing number of acute care patients and still continue to place its non-acute care patients in the most appropriate setting available whether it be in an acute care bed at Kaiser's Medical Center (with a higher level of nursing care) or an outside skilled nursing facility."
 - c. The applicant states its proposal "...will help accommodate the recent surge in hospitalization in this area. In recent years, the average occupancy (with observation) for the medical/surgical units at the Medical Center has been about 90%....this also causes the Emergency Department to have a backup of patients waiting to be admitted. The Emergency Department is then unable to move patients out in a timely manner and ends up having to turn away incoming emergency patients."

- d. The applicant states that "Based on Kaiser Permanente Moanalua Medical Center's Expansion and Renovation CON #04-15, Kaiser Permanente is planning an additional 47 medical/surgical beds. However, additional capacity will not be realized for another two years and the total project is not scheduled to be completed until July 2009. Once the expansion and renovations are completed, Kaiser Permanente will review the proposal of converting the acute care beds back to SNF beds."
- e. The applicant states that "Kaiser Permanente will continue to provide SNF level of care to their members by finding the most appropriate available setting for each patient; whether it be in an acute care bed at Kaiser's Medical Center (with a higher level of nursing care) or an outside skilled nursing facility."
- f. The applicant states that is accredited by the Joint Commission on the Accreditation of Healthcare Organizations (JCAHO) and the National Committee for Quality Assurance (NCQA).
- g. The applicant projects that operating expenses will be \$777,695 for the first year of the proposal and \$746,875 for year 3 of the proposal. The applicant states that operating revenues are derived primarily from its health plan dues that are not categorized by the various components of services or by the location of those services.
- h. The applicant states that "The conversion of beds will enhance the quality and continuity of care to the increasing demand of medical/surgical patients and sub-acute patients in the most cost effective manner. The increase in acute care beds will also assist in keeping the hospital off divert status."
- i. The applicant states that "There will not be a significant impact to the SNF patients because they will continue to receive the same level of care and service by the hospital staff at the former Skilled Care Facility."
- j. The applicant states that there is no capital investment required for the proposal.
- k. The applicant states that the proposal "...will require an addition of 1.0 FTE Physician, 3.5 FTE Staff Nurses II, and 2.6 FTE Licensed Practical Nurses. Patient care staff will be hired either locally (when possible) or nationally."

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

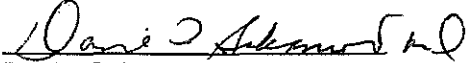
As required under Section 323D-43(b), Hawaii Revised Statutes (HRS), the Agency finds that:

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 Kaiser Foundation Hospital, Inc. for the proposal described in application #05-33A. There is no capital expenditure authorized under this approval.

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 4, 2006:

Ms. Susan R. Murray
Regional Hospital Administrator
Kaiser Foundation Hospital, Inc.
3288 Moanalua Road
Honolulu, HI 96819

HAWAII STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY



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