



STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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May 1, 2009

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

IN THE MATTER OF)	CERTIFICATE OF NEED
)	APPLICATION
)	NO. 09-04
Kapiolani Medical Center for Women & 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. 09-04 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, 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. 09-04.

I

BACKGROUND

1. This is an application for a Certificate of Need ("Cert.") for the renovation of the Neonatal Intensive Care Unit and Pediatric Intensive Care Unit and the addition of 24 Neonatal ICU beds and 12 Obstetric beds at 1319 Punahou Street, Honolulu, Hawaii, at a capital cost of \$36,323,000.

2. The applicant, Kapiolani Medical Center for Women & Children, is 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 January 29, 2009, the applicant filed with the Agency a Certificate of Need application for the renovation of the Neonatal Intensive Care Unit and Pediatric Intensive Care Unit and the addition of 24 Neonatal ICU beds and 12 Obstetric beds at 1319 Punahou Street, Honolulu, Hawaii, at a capital cost of \$36,323,000 (the "Proposal"). On March 13, 2009, the applicant submitted additional information. On March 20, 2009, the application was determined to be complete. For administrative purposes, the Agency designated the application as Cert. #09-04.
5. The period for Agency review of the application commenced on March 24, 2009, the day notice was provided to the public pursuant to 11-186-39 HAR.
6. On March 30, 2009, the applicant submitted additional information.
7. The application was reviewed by the Oahuwide Certificate of Need Review Committee at a public meeting held March 30, 2009. The Council voted 4 to 0 in favor of recommending approval of the application.
8. The application was reviewed by the Certificate of Need Review Panel at a public meeting held April 17, 2009. The Panel voted 5 to 0 in favor of recommending approval of the application
9. The application was reviewed by the Statewide Health Coordinating Council at a public meeting held April 23, 2009. The Council voted 11 to 0, with one abstention, in favor of recommending approval of the application.
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 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. With respect to the goals of H2P2, the applicant states that "The proposed project will also reduce health disparities for all Hawaii residents by providing the same level of care provided to patients on the mainland. The expansion and renovation of the NICU will ensure that neonates requiring both intensive and intermediate level of care will be best served."

14. With respect to the objectives of H2P2, the applicant states that "The proposed project will promote successful birth outcomes by improving the quality of care provided to infants born preterm and/or low birth weight. The availability of neonatal intensive care services in Hawaii coupled with our active research will improve outcomes for high-risk infants by making available new and more technologically advanced therapies and treatment."

15. The applicant states that "Some of the desired characteristics of a contemporary health care system stated in H2P2 in relation to adding surgical services are:

- Supporting collaborative relationships between local, regional and state health care providers in order to provide the most appropriate care coverage to our communities.
- Focusing on health performance outcomes for evaluating and planning for health care services.

KMCWC is involved in numerous collaborative arrangements with healthcare providers from across the state. The KMCWC Keiki Transport Team provides transport to the NICU from both neighbor islands and

Oahu patients requiring intermediate and critical care for newborns. KMCWC is also the location determined by a consortium of Kaiser & TAMC neo-natologists where pediatric care should be consolidated and optimized for specialized procedures. KMCWC is also involved in partnerships involving specialized pediatric care that requires a regional based service area. An example is the extracorporeal membrane oxygenation (ECMO) project with both Tripler Army Medical Center (TAMC) and Kaiser Hospital, and the John A Burns School of Medicine (JABSOM)."

16. The applicant states that "In Section II, Vision and Guiding Principles, Part G, the H2P2 guidelines for NICU beds:

1. 'For new or additional NICU bes (sic), the overall average annual occupancy of the total number of existing Level II and Level III beds in the service area is at least 80 percent.' Kaiser Medical Center – which provides services only to subscribers of its health plan and is the only NICU located in the service area – reported a 83.56% occupancy rate in the 2006 Utilization report exceeding the H2P2 threshold guidelines.

The NICU currently has an average daily census of 42.2 which is approximately 92% of the NICU's 46 bed capacity. More importantly, the daily variation of these admissions is quite large. In 2008 alone, there were 2 instances when the NICU reached as high as 139% occupancy with 64 admitted patients. In these situations, overflow space needs to be identified in other areas of the hospital (PICU Isolation Room, NICU procedure room). While these adjustments provide short term solutions to emergent situations, they are not ideal from either a patient care experience or clinical care perspective."

17. The applicant states that "In Section II, Vision and Guiding Principles, Part G, the H2P2 provides the following guidelines for adding additional Obstetric beds:

1. 'For a new or additional obstetric bed, the minimum occupancy rate, all existing OB beds in the service area have averaged an annual utilization rate of 80%.'

According to the 2006 SHPDA Utilization report – other acute care facilities with OB beds are below this threshold. However due to the anticipated growth and linkages to NICU admissions, we believe that the sub-optimum utilization should be applied to the proposed expansion as the providing additional OB beds incorporates current and best clinical practice for high risk women delivering birth preterm. Furthermore – KMCWC being the sole

Level III NICU in the service area, additional beds are also needed to accommodate the transfer of NICU patients to KMCWC."

18. The applicant states that "The OB unit's current average occupancy is 97% which is more than the optimum occupancy rate of 75% as outlined in H2P2. The trend is increasing with OB total admissions at KMCWC increasing by 40.2% since 1998. The census variation on this unit also fluctuates widely. In 2008, the OB unit census exceeded 100% occupancy on average of twice within a 30 day cycle. In these situations, overflow space has to be utilized in other areas of the hospital including pediatric floors and recovery rooms."

19. The applicant states that "Chapter III of H2P2 identifies Statewide values essential for a comprehensive healthcare system that is responsive, accessible and cost-effective for the entire state. The proposed project will allow provide additional capacity to ensure adequate capacity 365 days a year. It will also create additional square footage to establish a contemporary and modern healthcare facility conducive to family centered care practices. The investment in the infrastructure of this peri-natal regional facility will assure cost effective services for all residents in the state of Hawaii."

20. The applicant states that "The proposed project also addresses the Honolulu Subarea values and priority of 'Responsibility' and 'Excellence'. By ensuring that the NICU and OB units have adequate bed capacity, the proposed project will ensure that the medical needs of neonates and their mothers receive professional, competent and excellent care."

21. The applicant states that "Chapter X of H2P2 addresses 'Maternal, Infant and Child Health' in Hawaii. According to Chapter X, the objective of this goal is to '...improve the level and scope of health care for Hawaii's mother and children.' The renovation and expansion of the NICU, PICU & OB unit will assure that mothers are provided with the safest environment during birth irrespective of any risk factors. Since healthy outcomes begin with healthy births – the proposed project will improve healthy outcomes for the lifetime of Hawaii's children."

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

B. REGARDING NEED AND ACCESSIBILITY CRITERIA

23. The applicant states that "Kapi'olani Medical Center for Women & Children (KMCWC) is where approximately 42% of Honolulu and 31% of the State's deliveries are performed. It is the only facility in the region with a Level IIIB Neo-

natal Intensive Care Unit (NICU) in a pediatric specialized care setting as defined by the American Academy of Pediatrics. Ensuring adequate availability of NICU and OB beds will greatly enhance outcomes for all births and especially low preterm and low birth weight infants. For neighbor island patients, transport time to access services will be reduced because of the increased availability of the appropriate level of care beds. Family-centered space and the ability of parents to stay at the bedside with their child will decrease added stress and expense related to transportation and overnight accommodations for patients and family members. Just as important, existing stressors on KMCWC facilities which are reaching its functional capacity will be alleviated."

24. The applicant states that "The population of the state as a whole grew by 13.8 percent between 1990 and 2005, with the growth of the City and County of Honolulu growing at 7.5% during this time period. By 2010, the population of the State is estimated to be 1,332,900 in 2010 and 1,482,400 by 2020. The number of births per year Statewide is expected to increase in total by 20.1% from 2010 through 2035."

25. The applicant states that "This increase in births will be accompanied by an increased demand for NICU and OB services. The increase of pre-term deliveries is a nationwide trend. Some of causes for this trend include (a) number of older women choosing to have babies & increasing the number of high-risk deliveries; (b) increasing number of c-sections; (c) longer lengths of stay due to increase survival rates of low birth weight babies."

26. The applicant states that "Kaiser Medical Center – which provides services only to subscribers of its health plan and is the only NICU located in the service area – reported a 83.56% occupancy rate in the 2006 Utilization report exceeding the H2P2 threshold guidelines."

27. The applicant states that "The NICU currently has an average daily census of 42.2 which is approximately 92% of the NICU's 46 bed capacity. More importantly, the daily variation of these admissions is quite large. In 2008 alone, there were 2 instances when the NICU reached as high as 139% occupancy with 64 admitted patients. In these situations, overflow space needs to be identified in other areas of the hospital (PICU Isolation Room, NICU procedure room). While these adjustments provide short term solutions to emergent situations, they are not ideal from either a patient care experience or clinical care perspective."

28. The applicant states that "The OB unit's current average occupancy is 97% which is more than the optimum occupancy rate of 75% as outlined in H2P2. The trend is increasing with OB total admissions at KMCWC increasing by 40.2% since 1998. The census variation on this unit also fluctuates widely. In 2008, the OB unit census exceeded 100% occupancy on average of twice within

a 30 day cycle. In these situations, overflow space has to be utilized in other areas of the hospital including pediatric floors and recovery rooms."

29. The applicant states that "According to the 2006 SHPDA Utilization report – other acute care facilities with OB beds are below this threshold. However due to the anticipated growth and linkages to NICU admissions, we believe that the sub-optimum utilization should be applied to the proposed expansion as the providing additional OB beds incorporates current and best clinical practice for high risk women delivering birth preterm. Furthermore – KMCWC being the sole Level III NICU in the service area, additional beds are also needed to accommodate the transfer of NICU patients to KMCWC."

30. The applicant states that "Based on internal data, KMCWC OB capacity is expected to reach 100% by 2011. Should current trends continue - the additional 12 OB beds will provide adequate capacity through 2019. More importantly, the daily census variation in both units indicates that demand exceeds supply in both of these units. The proposed project aims to alleviate demand/supply conditions both to satisfy statewide area need and accommodate the medical need of every patient 365 days a year."

31. The applicant states that "One of the primary attributes of the proposed project is its accessibility to the target population throughout the state. Care will be provided to all patients irrespective of age, income level, ethnicity, gender, or physical handicap."

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

C. REGARDING QUALITY AND LICENSURE CRITERIA

33. The applicant states that "All additional beds being requested for the Newborn Intensive Care Unit and Obstetrical post partum unit will fall under the present hospital scope of service for those specific areas. All patient services are required to comply with all hospital-wide and unit specific policies and procedures..., as well regulatory agencies standards such as the Hawaii State Department of Health (DOH), the Center for Medicare and Medicaid (CMS) and the Joint Commission (JC)."

34. The applicant states that "The program services provided are monitored and evaluated under our hospital's Quality and Patient Safety Program. Kapiolani Medical Center for Women and Children presently provides services at a level of a Regional subspecialty perinatal health care center outlined in the guidelines for PERINATAL CARE, sixth edition; a joint project by ACOG and The American Academy of Pediatrics."

35. The applicant states that "KMCWC will apply the current staffing model for the additional beds in the NICU and Obstetric post partum areas respectively. The current nurse staffing model and patient ratios are based on the minimum recommended standards from the **Association of Women's Health, Obstetrics and Neonatal Nurses (AWHONN)**, the **National Association of Neonatal Nurses (NANN)**, the **American Academy Pediatrics** and are adjusted based on census and acuity."

36. The applicant states that "All RNs hired to the NICU have experience or are trained in delivering care to the extremely premature neonate or critically ill infant. These RNs are highly trained in the care of patients requiring critical monitoring and intensive ventilator support, surgical interventions and post-operative recovery care as well as other intensive life support therapies such as Extracorporeal Membrane Oxygenation. All RNs working in the NICU must be complete and be certified in Basic Life Support (BLS) and Neonatal Resuscitation Program (NRP). All post-partum obstetric nurses are trained specifically in couplet care and provide care to both the mother and newborn which include mothers with postpartum complications including but not limited to PIH, Diabetes, postpartum hemorrhage, infections and women requiring heparin drips. They are also trained and provide care to newborns that may require closer observation for temperature instability, transient tachypnea, hyper-bilirubinemia requiring phototherapy. RNs working on the postpartum unit are required to be trained and certified in BLS and NRP. Each staff position has a related job description and the staff is evaluated on an annual basis to ensure they meet all the expectations of their job role."

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

D. REGARDING THE COST AND FINANCIAL CRITERIA

38. The applicant states that "The proposed project will be funded by internal resources."

39. The applicant states that "This project will help keep health care cost down and improve quality of care through regionalization of specialized care. The direct contribution of these services to the overall operations of KMCWC is difficult to calculate as a result of differing patient acuity and lengths of stay. However, for the entire facility net operating income is projected to be \$21,530,255 in Year 1 of operations and \$23,527,006 by Year 3 of operations."

40. The applicant states that "There are no known alternatives to this project. The expansion and addition of the NICU, PICU and OB units at KMCWC is the only way to ensure that residents throughout the State of Hawaii receive the critical care for pediatric and maternity patients available on the mainland. Not offering this service will result in our pediatric patients not receiving timely access to essential and lifesaving health care services, thereby jeopardizing their health and welfare."

41. 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

42. The applicant states that "All State of Hawaii residents will be served by Kapi'olani Medical Center for Women & Children. Other than Kaiser Medical Center – which only provides services to subscribers of its health plan - there is no other resource for Hawaii residents to receive Level III-B NICU service in the state of Hawaii. With the co-location of specialized pediatric and OB services located at KMCWC, the proposed project will continue to fill the existing gap for families throughout the State of Hawaii."

43. The applicant states that "Since Kaiser Medical Center is the only facility with a Level III NICU, the proposed project will not have a negative impact on existing provider utilization. The proposed project will enhance the community health resources by offering an improved level of care for maternity & NICU patients not currently available in the State of Hawaii."

44. The Agency finds that these criteria have been met.

F. REGARDING THE AVAILABILITY OF RESOURCES

45. The applicant states that "The proposed project will rely upon both existing human resources within KMCWC and additional hiring as needed. In both the NICU and OB unit additional RN positions (2.99 FTE and 10.61 FTE respectively) will need to be hired. Additional managers and directors will not be needed to staff the incremental bed expansion."

46. The applicant states that "As an affiliate of Hawaii Pacific Health, KMCWC has the financial resources to secure all equipment and staffing resources required for this proposed project and will be funded from internal cash reserves. As NICU, PICU and OB services already exist at KMCWC, a significant

investment to provide the capital, administrative, and overhead resources to provide these services has already been undertaken."

47. 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. 09-04 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, 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 Kapiolani Medical Center for Women & Children for the proposal described in Certificate Application No. 09-04. The maximum capital expenditure allowed under this approval is \$36,323,000.

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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 HAR. 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.

(Note, pursuant to Chapter 323D-47, Hawaii Revised Statutes, a request for reconsideration shall be received by the Agency within ten working days of the state agency decision.)

DATED: May 1, 2009
Honolulu, Hawaii

HAWAII STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY



Ronald E. Terry
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 May 1, 2009.

Martha Smith
Chief Operating Officer
Kapi`olani Medical Center for Women & Children
1319 Punahou Street, Executive Offices
Honolulu, Hawaii 96826

HAWAII STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY



Ronald E. Terry
Administrator