



# STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

NEIL ABERCROMBIE  
GOVERNOR OF HAWAII

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December 1, 2014

## CERTIFIED MAIL, RETURN RECEIPT REQUESTED

IN THE MATTER OF	)	CERTIFICATE OF NEED
	)	APPLICATION
	)	NO. 14-11
Oahu Home Healthcare, LLC	)	
	)	
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. 14-11 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. 14-11. Where appropriate, Findings of Fact shall operate as Conclusions of Law, and Conclusions of Law shall operate as Findings of Fact. As many of the criteria for CON are interrelated, each of the criteria and subheadings within the Findings of Fact shall be deemed to incorporate and include all other Findings of Fact to the extent relevant.

I

## FINDINGS OF FACT

1. This is an application for a Certificate of Need ("Cert.") for the establishment of a Medicare certified home health agency at 500 Ala Moana Blvd., Building 7, Suite 400, Honolulu, Hawaii, at a capital cost of \$111,400.
2. The applicant, Oahu Home Healthcare, LLC is a limited liability 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 May 21, 2014 the applicant filed with the Agency, a Certificate of Need application for the establishment of hospice services at 500 Ala Moana Blvd., Building 7, Suite 400, Honolulu, Hawaii, at a capital cost of \$111,400 (the "Proposal"). On July 1, 2014, August 6, 2014 and August 26, 2014, the applicant submitted revisions/additional information. On September 3, 2014, the application was determined to be complete. For administrative purposes, the Agency designated the application as Cert. #14-11.

5. The period for Agency review of the application commenced on September 4, 2014, the day notice was provided to the public pursuant to HAR 11-186-39.

6. The application was reviewed by the Oahuwide Certificate of Need Review Committee at a public meeting on September 11, 2014. The Committee voted 6 to 0, in favor of recommending conditional approval of the application. The condition was that the applicant submits the following modifications to its application:

- Revised pro forma revenue and expense statements providing additional detailed line items in order to meet the cost and financial certificate of need criteria
- Additional information/documentation demonstrating the proposal's compliance with the quality of care criteria
- Additional documentation showing that there is currently an unmet need for the proposed services on Oahu, such as data or testimony indicating that the CMS requirement for a comprehensive assessment within 48 hours after hospital discharge is not being met

7. On October 13, 2014, the applicant submitted additional information/modifications to its application.

8. The application was reviewed by the Certificate of Need Review Panel at a public meeting on October 16, 2014. The Committee voted 6 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 on October 28, 2014. The Council voted 11 to 0, in favor of recommending approval of the application.

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

11. Section 323D-43(b), HRS states:

“(b) No certificate of need shall be issued unless the state 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 the 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**  
**CERTIFICATE OF NEED CRITERIA**

A. **REGARDING THE RELATION OF THE PROPOSAL TO THE STATE HEALTH SERVICES AND FACILITIES PLAN CRITERIA**

13. The applicant states that “OHH (Oahu Home Healthcare, LLC) believes approval of its home health CON application addresses both Statewide and Honolulu County priorities set forth in HSFP. These specific priorities include the following:

**STATEWIDE PRIORITIES**

- Promote & support the long-term viability of the health care delivery system
- Expand health care workforce to enable access to appropriate & timely care
- Encourage & support health education, promotion & prevention initiatives
- Ensure capacity & access to a continuum of long-term care services

**HONOLULU COUNTY PRIORITIES**

- Increasing availability of home & community-based services and hospice services
- Improve & increase access to geriatric services to keep older adults out of institutions

- Improve hospital bed availability through timely transfers to sub-acute levels of care
- Improve & increase access of services for uninsured and underinsured
- Help maintain quality of life and social support for independent living
- Identify & address shortages in health care, with particular emphasis on senior care”

14. The Agency finds that the Proposal meets the relationship to the state health services and facilities plan criteria.

B. REGARDING THE NEED AND ACCESSIBILITY CRITERIA

15. The applicant states that “OHH's target population will be all residents of Honolulu County who need assistance from the recovery of a specific illness, injury or acute condition so that the patient may regain their independence and remain as self-sufficient as possible.”

16. The applicant states that “...the **STATE OF HAWAII RANKS LAST** in the nation in terms of home health utilization and is **5X LOWER THAN THE NATIONAL AVERAGE.**”

17. The applicant states that “...in 2012, only 2,236 Medicare beneficiaries actually received home healthcare services. With a total of 162,468 Medicare beneficiaries in 2012, utilization of home health in Honolulu County was only 1.4% vs 6.6% nationwide.”

18. The applicant states that “... at 1.4%, **HONOLULU COUNTY'S** home health **UTILIZATION IS NEARLY 5X LOWER** than the national average and is **ALSO** approximately **50% BELOW** the utilization rate for the **2<sup>nd</sup> LOWEST STATE** in the nation.”

19. The applicant states that “With the State of Hawaii and Honolulu County having **HOME HEALTH UTILIZATION** that is **5X LOWER** than the national average and **50% BELOW** the **2<sup>nd</sup> LOWEST STATE** in the nation, clearly **HOME HEALTH** care services are **SIGNIFICANTLY UNDERUTILIZED** in **HONOLULU COUNTY.**”

20. The applicant states that “In terms of accessibility of home health care, OHH will be focused most closely on the most vulnerable segments of Honolulu County's population: the elderly, disabled and low income... home healthcare is a service predominantly used by individuals 65 and older. This population has a greater tendency to be low income and the declining physical health and other limitations associated with their life limiting illnesses makes the vast majority of home health patients effectively disabled. OHH has a policy of providing home

health care to anyone in need of care without regard to gender, sexual orientation, color, national origin, race, age, disability or place of residence. This policy will ensure that OHH's services reach women, racial and ethnic minorities and the most vulnerable segments of Oahu's population, the indigent. OHH will invest significant resources providing charitable care to low income individuals. OHH projects that its [sic] charitable care will comprise 33% of total patient care during OHH's first year of operations, and 15% each of the subsequent two years."

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

### C. REGARDING QUALITY AND LICENSURE CRITERIA

22. The applicant states that "The executive team of OHH has over 50 years of experience in various areas of sub-acute health care including home health care."

23. The applicant states that "Both a Certificate of Need for home health and Medicare certification for home health will be needed for this proposal."

24. The applicant states that "...OHH will utilize the following three resources to establish and maintain the best standards of care:

- Medicare Conditions of Participation for Home Health
- National Association for Home Care & Hospice
- Community Health Accreditation Program (CHAP) Standards"

25. The applicant states that "...OHH will be seeking to obtain accreditation for its home health agency from the Community Health Accreditation Program (CHAP). The rigorous CHAP standards that OHH will need to comply with in order to obtain its CHAP accreditation will require OHH to achieve quality standards in some areas that exceed Medicare's Conditions of Participation for home health."

26. The applicant states that "To ensure maintenance and compliance with the highest possible standards of care, OHH will have a dedicated Quality Assessment Performance Improvement (QAPI) Program focused on the following:

- Tracking; measuring & analyzing clinical; financial and operational data
- Identifying high-risk; problem-prone areas to improve patient outcomes
- Develop target outcomes; measure outcomes & show measurable results"

27. The applicant states that "OHH's staff will be comprised of professionals licensed to practice in their respective discipline in the State of Hawaii. These individuals will include Physicians, Registered Nurses, Licensed Social Workers,

Certified Nurse Aides and Licensed Therapists (Physical, Occupational and Speech).”

28. The applicant states that “OHH employees will receive at least the minimum required number of continuing education hours necessary to satisfy both CHAP accreditation guidelines and Medicare Conditions of Participation for home health care.”

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

D. REGARDING THE COST AND FINANCIAL CRITERIA

30. The applicant projects that operating income will be (\$261,814) in Year 1 of operations, \$54,942 in Year 2 of operations and \$261,629 in Year 3 of operations.

31. The applicant states that “Although a loss of approximately \$250,000 is projected during the first year of operations, OHH expects to achieve profitability during its 2nd year of operations, and generate positive income its 2nd and 3rd years of providing home healthcare.”

32. The applicant states that “In addition to augmenting Honolulu County's resources and expanding access to home healthcare, OHH believes its efforts will save millions of dollars for the health care system... assuming OHH's patients avoid 1-3 days of acute care at a rate of \$4,550 per day, OHH's program should save Honolulu County an estimated \$3-9 million during the first 3 years of operations. This conservative estimate does not include the cost of preventable nursing home stays.”

33. The Agency finds that the cost and financial criteria have been met.

E. REGARDING THE RELATIONSHIP OF THE PROPOSAL TO THE EXISTING HEALTH CARE SYSTEM OF THE AREA CRITERIA

34. The applicant states that “In addition to helping reduce the cost of healthcare and ensuring the long term viability of the healthcare delivery system, Oahu Home Health believes its contribution to Honolulu County alone would save the healthcare system \$3-9 million over the next 3 years.”

35. The applicant states that “...the benefits of the additional resources OHH will be dedicating to educating the medical community and the community at large will be shared by all the home health providers in Honolulu County. As primary care physicians become more familiar with the benefits of home health care, they will be more likely to prescribe home health as the best option for managing post acute patients. This will create more opportunities for OHH and its fellow home

health providers in Honolulu County to serve the growing number of residents who will be needing home healthcare.”

36. The Agency finds that the relationship to the existing healthcare system of the area criteria have been met.

**F. REGARDING THE AVAILABILITY OF RESOURCES CRITERIA**

37. The applicant states that “In terms of Financial Resources... OHH already has a \$500,000 capital commitment toward its start up costs and first year operating expenses of \$250,000. This level of capital commitment is sufficient to cover OHH's anticipated needs more than 2x over.”

38. The applicant states that “Management's relationships with healthcare personnel both in Hawaii and on the mainland, will easily enable OHH to fill the 5.2 FTEs projected during its first year of operations and gradually build the team up to approximately 16 FTEs over a 3 year period.”

39. The Agency finds that the availability of resources criteria have been met.

**III**

**CONCLUSIONS OF LAW**

Having taken into consideration all of the records pertaining to Certificate of Need Application No. 14-11 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 service; and
- (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.

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 Oahu Home Healthcare, LLC for the Proposal described in Certificate of Need application No. 14-11. The maximum capital expenditure allowed under this approval is \$111,400.

WRITTEN NOTICE

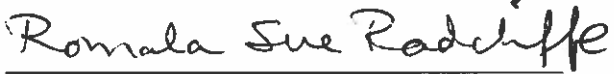
Please read carefully the written notice below. It contains material that may affect the Decision on the Merits. The written notice is required by Section 11-186-70 of the Agency's Certificate of Need Program rules.

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: December 1, 2014  
Honolulu, Hawaii

HAWAII STATE HEALTH PLANNING  
AND DEVELOPMENT AGENCY

  
Romala Sue Radcliffe  
Administrator