



**HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY**

**STANDARD APPLICATION - CERTIFICATE OF NEED PROGRAM**

Application Number: # 15-08 Date of Receipt:

**APPLICANT PROFILE**

Project Title: Establishment of 160-Bed Skilled Nursing Facility

Project Address: 75-323 Hualalai Road, Kailua Kona, HI 96740

Applicant Facility/Organization: Hualalai Health, LLC (DBA –West Hawaii Senior Living)

Name of CEO or equivalent: Bruce Beard

Title: Managing Member

Address: 114 Second Ave, South, Ste. 106, Edmonds, WA 98020

Phone Number: (425) 774-3344 Fax Number: (425)778-0471

Contact Person for this Application: Bruce Beard

Title: Managing Member

Address: Address: 114 Second Ave, South, Ste. 106, Edmonds, WA 98020

Phone Number: (425) 774-3344 Fax Number: (425) 778-0471

**CERTIFICATION BY APPLICANT**

I hereby attest that I reviewed the application and have knowledge of the content and the information contained herein. I declare that the project described and each statement amount and supporting documentation included is true and correct to the best of my knowledge and belief.

Signature

4/10/15

Date

Bruce Beard

Name

Managing Member

Title

**1. TYPE OR ORGANIZATION:** (Please check all applicable)

Private    
For-profit    
Limited Liability Corporation (LLC)

**2. PROJECT LOCATION INFORMATION:**

a) Primary Service Area(s) of Project: (Please check all applicable)

Statewide: \_\_\_\_\_   
O`ahu-wide: \_\_\_\_\_   
Honolulu: \_\_\_\_\_   
Windward O`ahu: \_\_\_\_\_   
West O`ahu: \_\_\_\_\_   
Maui County: \_\_\_\_\_   
Kaua`i County: \_\_\_\_\_   
Hawai`i County:

**3. DOCUMENTATION** (Please attach the following to your application form):

a) Site Control documentation

- Site Maps
  - Schematic – (Addendum 2)
  - Site Map 1 – site and surrounding properties (Addendum 2a)
  - Site Map 2 – Kailua Village Area (Addendum 2b)
  - Site Map 3 – North Kona (Addendum 2c)
- Public Record Showing Hualalai Health, LLC as Owner (Addendum 3)
- Warranty Deed (Addendum 4)

b) A listing of all other permits or approvals from other government bodies (federal, state, county) that will be required before this proposal can be implemented (such as building permit, land use permit, etc.)

- Use permit through the – County of Hawaii 201H process
- NPDES (National Pollutant Discharge Elimination Survey) - State of Hawaii, Department of Health Clean Water Branch
- County of Hawaii Water Allocation
- County of Hawaii Grubbing Permit
- State of Hawaii Historic Preservation Review and Approval to build - DLNR
- County of Hawaii Grading Permit
- County of Hawaii Building Permit
- County of Hawaii Occupancy Permit
- Department of Health- Health Care Assurance Division, Nursing Facility License
- Medicare Certification
- Medicaid Certification

c) HUALALAI HEALTH, LLC GOVERNING BODY:

- Bruce Beard, Bruce Beard LLC, 114 2nd Ave. S., Suite 106, Edmonds, WA 98020 (425)-213-9344
- Jerry Petzel, J&J Petz LLC, 114 2nd Avenue S Suite 106, Edmonds, WA 98020 (425) 774-3344
- Duane Ting, Duane Ting LLC, 1581 Vista Pointe, Henderson, NV 89012 (808) 870-3000

d) If you have filed a Certification of Need Application this current calendar year, you may skip the four items listed below. All others, please provide the following:)

- Initial Report – State of Washington Incorporation Filing (Addendum 5)
- Certificate of Formation – State of Washington (Addendum 6)
- LLC Agreement (Operating Agreement) – State of Washington (Addendum 7)
- DCCA Certificate of Authority- State of Hawaii (Addendum 8)
- DCCA Application – State of Washington (Addendum 9)
- TMK # 3-7-5-10-61

4. **TYPE OF PROJECT.** This section helps our reviewers understand what type of project you are proposing. Please place an “x” in the appropriate box.

	Used Medical Equipment (over \$400,000)	New/Upgraded Medical Equip. (Over \$1 million)	Other Capital Project (over \$4 million)	Change in ownership	Change in service/ establish new service/facility	Change in Beds
Inpatient Facility			X		X	
Outpatient Facility						
Private Practice						

**TOTAL CAPITAL COST: \$28,255,000**

6. **BED CHANGES.** Please complete this chart only if your project deals with a change in your bed count and/or licensed types. Again, this chart is intended to help our reviewers understand at a glance what your project would like to accomplish. Under the heading “Type of Bed,” please use only the categories listed in the certificate of need rules.

Type of Bed	Current Bed Total	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
Skilled Nursing	0	160	160
<b>TOTAL</b>		160	160

7. **CHANGE IN SERVICE.** If you are proposing a change in service, then please briefly list what services will be added/modified. Be sure to include the establishment of a new service or the addition of a new location of an existing service. Please consult Certificate of Need Rules Section 11-186-5 for the categories of services. If you are unable to determine which category best describes your project, please consult with agency staff.

Construction of a 160-bed long-term care, skilled nursing facility. Category (2) Long Term Bed Services (G) SNF

**8. PROJECT COSTS AND SOURCES OF FUNDS (For Capital Items Only)**

**a) List All Project Costs:**

**AMOUNT:**

1.	Land Acquisition	<u>\$ 1,700,000</u>
2.	Construction Contract	<u>\$19,540,000</u>
3.	Fixed Equipment	<u>\$ 300,000</u>
4.	Movable Equipment	<u>\$ 200,000</u>
5.	Financing Costs	<u>\$ 3,075,000</u>
6.	Fair Market Value of assets acquired by lease, rent, donation, etc.	<u>\$ 0</u>
7.	Other: engineering design, legal & marketing	<u>\$ 3,440,000</u>

**TOTAL PROJECT COST: \$28,255,000**

**b) Source and Method of Estimation**

Describe how the cost estimates in Item "A" were made, including information and methods used:

General and subcontractors reviewed architectural and engineering drawings to confirm costs. Experienced facility operations people reviewed market study and projected potential operating deficit. Land acquisition completed.

**c) Source of Funds**

**AMOUNT:**

1.	Cash	<u>0</u>
2.	State Appropriations	<u>0</u>
3.	Other Grants	<u>0</u>
4.	Fund Drive	<u>0</u>
5.	Debt	<u>\$28,255,000</u>
6.	Other:	<u>                    </u>

**TOTAL SOURCE OF FUNDS: \$28,255,000**

**9. IMPLEMENTATION SCHEDULE:** Please present a projected time schedule for the completion of this project from start to finish. Include all of the following items that are applicable to your project:

- a) Date of site control for the proposed project: **03/27/15**
- b) Dates by which other government approvals/permits will be applied for and received,
  - DLNR Historic Preservation Review: **1/23/2003**
  - County of Hawaii Water Allocation: **3/23/07**
  - Use permit through the – County of Hawaii 201H process: **7/22/15**
  - NPDES (National Pollutant Discharge Elimination Survey) - State of Hawaii, Department of Health Clean Water Branch: **7/15**
  - County of Hawaii Grubbing Permit: **CON Approval +30 days**
  - County of Hawaii Grading Permit: **CON approval+ 45 days**
  - County of Hawaii Building Permit **CON approval+ 60 days**
  - County of Hawaii Occupancy Permit: **CON approval+ 18 months**
  - Department of Health- Health Care Assurance Division, Nursing Facility License **CON approval+ 19 months**
  - Medicare Certification: **CON approval+ 19.5 months**
  - Medicaid Certification: **CON approval+ 19.5 months**
- c) Dates by which financing is assured for the project: **Upon receipt of 201H – 6/16/15**
- d) Date construction will commence: **Upon receipt of CON approval**
- e) Length of construction period: **18 months**
- f) Date of completion of the project, is: **18 months after receipt of Certificate of Need**
- g) Date of commencement of operation: **Upon receipt of licensure of State of Hawaii**

*Please remember that the Agency does monitor the implementation of Certificates approved. Non-implementation of a project as described in your application may result in a fine and/or withdrawal of the Certificate of Need.*

## 10. EXECUTIVE SUMMARY

Access to resources for seniors in West Hawaii is an ongoing problem identified in State of Hawaii Health Care priorities as early as 2009. Significantly, West Hawaii has been under supplied with senior living options. In an attempt to begin to resolve some of these issues, Hualalai Health, LLC has purchased 9.26 acres in Kona on which a continuum of care community can be built and operated.

This senior living community will include 96 assisted living residences, 160 skilled nursing and long-term care residences and possible employee housing apartments. This CON application specifically refers to the 160-bed skilled nursing and long-term care facility. Recent market research identifies as many as 400 West Hawaii Seniors in need of resources offered by a skilled nursing environment who do not currently have access. (See Addendum 1 IRR Market Study 2014 p.118). At the same time West Hawaii is faced with a shortage of long-term and skilled nursing beds, it is facing a shortage of acute care beds. The shortage means that the 18 beds Kona Community Hospital has licensed for skilled nursing/swing could be available for needed acute care if beds were available elsewhere. (Per interview with HHSC Administration August 2013).

The limited availability of care resources for seniors makes it difficult for seniors and their families to find acceptable solutions when seniors are no longer able to care for themselves in their own residences. Aging at home works well for some seniors. For others it means being isolated from community and services. For those who need alternative solutions, providing a continuum of care community offers choices about how to best meet their needs.

a) Relationship to the State of Hawai'i Health Services and Facilities Plan (HSFP):

The 2009 HSFP identified long-term care as a priority at both the state and county levels. The plan identifies Hawaii Island's need to "Expand the capacity of and improve the access to long-term care facilities and home and community-based services." (HSFP, 2009, p 34). The 160 long-term care beds proposed by Hualalai Health, LLC will partially fill the gap identified by SHPDA.

The plan specifies the need to ensure capacity and access to a continuum of long-term care (HSFP, 2009, p 33). This 160-bed long-term care and skilled nursing facility is part of a proposed continuum of care community with an associated assisted living facility that provides care to those who need limited care, and provides an easy transition into skilled nursing and long-term care should the need arise. The skilled nursing beds fill the identified long-term care and post-hospitalization gap in the continuum of care. This facility provides care directly, while freeing resources for patients who need a lower level of care and choose to age in place.

The State Plan identifies Hawaii Island as having had the highest growth rate of adults 60+ during the period of 1989 to 2000 (HSFP, 2009, p 33). That trend has been accurate through 2014 and is expected to continue into the future. Thus, providing services for that sector of the Hawaii Island population fills an identified and growing need.

The State Plan also identifies a general facilities shortage on Hawaii Island, and calls out the need to "Increase the number of and improve the access to and the quality of health care facilities" (HSFP, 2009, p 34). By introducing more skilled nursing beds in West Hawaii, Kona Community Hospital will be able to transition beds currently licensed as skilled nursing and swing beds to much needed acute care beds.

b) Need and Accessibility:

Hualalai Health, LLC is designed as a continuum of care community that provides a range of resources and living options designed to meet the evolving needs of seniors in West Hawaii. It is a 9.26-acre community that includes 96 assisted living and memory care residences, plus 160 skilled nursing and long-term care beds. The program and services of this new community, including the skilled nursing have been validated through extensive market research, analytic data review of the market demand, and review of other providers in the market place. (Please see Addendum 1, IRR Market Study 2014 in its entirety). In addition, input has been gleaned from conversations with key physicians, health care agencies, hospitals and senior adult leaders. (The Certificate of Need application applies to the 160-bed facility only).

The need is identified in the HSFP at both the statewide and Hawaii County level. The plan specifically calls for expansion of capacity of and improved access to long-term care facilities. That assessment is supported by a market study completed in March of 2014. (Addendum 1 IRR 2014 Market Study p118) The study identifies the current unmet need in West Hawaii as 429 skilled nursing beds. With the 160-bed facility in operation, the unmet need is expected to be 340 additional beds.

The number of beds, the ability to pay, and the physical proximity to a community primarily limit accessibility to long-term care in West Hawaii. Currently the national average for skilled nursing beds per thousand persons 65+ is 36 beds. The statewide average is 14 beds. While the County average is 36 beds, the West Hawaii average is 10 beds, making accessibility far below state and national standards. Because of the distance, the high number of beds in Hilo does not alleviate demand in Kona. By providing more beds in the area where the need is greatest, accessibility is immediately improved for all seniors regardless of income level, gender or race. Seventy percent (112 beds) of the

160 beds in this facility will be Medicaid eligible. That improves accessibility for seniors in lower income brackets. This facility is a fair housing project and is subject to fair housing practices, and as such cannot discriminate by race or gender. While we will not specifically target under served populations, except seniors, the facility will be marketed to all seniors and open to all seniors.

c) **Quality of Service/Care:**

Hualalai Health, LLC intends to sign an operating agreement with Management Services Organization, LLC (dba Ontrac Management Services), a member of Covenant Retirement Services and affiliated with a national nonprofit organization, Covenant Retirement Communities. Covenant Retirement Communities is the fifth largest nonprofit provider of senior living and health care in the nation. Ontrac Management Services provides management services under the parent organization to a variety of senior living, senior services and skilled nursing organizations. Its sole focus is to provide quality care and service to senior adults. Senior adults deserve respect, appropriate care in a dignified and proper care setting and access to care regardless of ability to pay.

d) **Cost and Financing:** (include revenue/cost for the first and third year of operation):

The cost to build the facility, including land, construction, fixed equipment and moveable equipment is \$28,255,000. The total cost will be financed. The financing will be paid using operating surpluses starting in year 2.

	Year 1	Year 3
Revenue	\$ 7,799,948	\$19,933,671
Costs	\$ 6,529,020	\$12,475,961
Positive Cash Flow	\$ 1,270,928	\$ 7,465,438
Debt Financing	\$ 2,352,060	\$ 2,352,060
Excess (Deficit)	\$(1,081,132)	\$ 5,113,378

This project will be financed with loans and is projected to be operating at full occupancy in 4 years (See Tab 5, Exhibit D-2).

e) **Relationship to the Existing Health Care System:**

The project is designed to fill a gap in service that is creating a drain on the health delivery system in West Hawaii. By providing services for 160 residents in the skilled nursing facility, we can reduce the demand on an already overburdened system. It will reduce calls to emergency responders and visits to the emergency room. It will enable the hospital to transition most or all of the 18 skilled nursing/swing beds into much needed acute care beds. It will reduce the burden on primary care physicians in the community, enabling them to better serve the rest of their patients. We will work with existing medical providers to provide care for the residents.

f) **Availability of Resources:**

The limited availability of trained administrative staff and care providers is an obstacle to be overcome. Some of the medical services provided at the facility will be delivered by existing community medical providers. We will leverage our relationship with Covenant Retirement to recruit staff and doctors not currently available in the community, and will train the local employee base when possible. We will use telemedicine to fill other gaps. Access to care for our residents and for the community in general will improve.