

HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: # 15-14A Date of Receipt:
To be assigned by Agency

APPLICANT PROFILE

Project Title: Establishment of a 8-bed Special Treatment Facility

Project Address: 22 Waimahaihai Street Kihei, HI 96753

Applicant Facility/Organization: Maui Recovery LLC

Name of CEO or equivalent: Jay L. Serle Ph.D., LMFT

Title: Executive Director

Address: P.O. Box 11063 Lahaina, HI 96761

Phone Number: 808-385-1574 Fax Number: 808-442-8118

Contact Person for this Application: Jay L. Serle Ph.D., LMFT


Title: Executive Director

Address: P.O. Box 11063 Lahaina, HI 96761

Phone Number: 808-385-1574 Fax Number: 808-442-8118

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

07/09/15

Date

Jay L. Serle Ph.D., LMFT

Name (please type or print)

Executive Director

Title (please type or print)

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

Public	_____
Private	_____ X
Non-profit	_____
For-profit	_____ X
Individual	_____
Corporation	_____
Partnership	_____
Limited Liability Corporation (LLC)	_____ X
Limited Liability Partnership (LLP)	_____
Other: _____	_____

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:	_____ X
Kaua`i County:	_____
Hawai`i County:	_____

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

- A. Site Control documentation (e.g. lease/purchase agreement, DROA agreement, letter of intent) - **See purchase agreement and Lease – Attachment A**
- 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.) **Special Treatment Facility License issued by Hawaii Department of Health–Office of Healthcare Assurance**
- C. Your governing body: list by names, titles and address/phone numbers **See Attachment B**
- D. If you have filed a Certificate of Need Application this current calendar year, you may skip the four items listed below. All others, please provide the following:
 - Articles of Incorporation **N/A**
 - By-Laws **Not applicable for an LLC**
 - Partnership Agreements **See Attachment C**
 - Tax Key Number (project's location) **DIV-2 Zone-3 Sec-9 Plat-12 Parcel-22**

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 Service	Change in Beds
Inpatient Facility				X	
Outpatient Facility					
Private Practice					

5. **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
STF	0	8	8
TOTAL	0	8	8

6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All Project Costs:

AMOUNT:

- | | |
|--|----------|
| 1. Land Acquisition | _____ |
| 2. Construction Contract | _____ |
| 3. Fixed Equipment | _____ |
| 4. Movable Equipment | \$50,000 |
| 5. Financing Costs | |
| 6. Fair Market Value of assets acquired by lease, rent, donation, etc. | 747,500 |
| 7. Other: Contractors/Pre-Opening Staff | \$50,000 |

TOTAL PROJECT COST: \$847,500

B. Source of Funds

1.	Cash	\$100,000
2.	State Appropriations	_____
3.	Other Grants	_____
4.	Fund Drive	_____
5.	Debt	_____
6.	Other: Fair market value of leased premises to be paid by monthly rent	
		\$747,500

TOTAL SOURCE OF FUNDS: \$847,500

7. **CHANGE OF 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 reference the 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.

This project calls for the establishment of a 8-bed Special Treatment Facility in Kihei, HI on the island of Maui. The proposed beds will be utilized for the treatment of alcohol and drug addicted individuals. Clients will be referred by self-referral, from their physicians, therapists, word of mouth, and other community and professional resources.

8. **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, Initial purchase agreement was signed on 06/19/15, Rental Agreement with site buyer signed on 7/8/15
- b) Dates by which other government approvals/permits will be applied for and received, An STF license application will be submitted as soon as possible following approval of this CON application
- c) Dates by which financing is assured for the project, 7/8/15
- d) Date construction will commence, N/A
- e) Length of construction period, N/A
- f) Date of completion of the project, N/A

- g) Date of commencement of operation - As soon as an STF is obtained – will apply for an STF immediately upon receiving the CON

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.

9. **EXECUTIVE SUMMARY:** Please present a brief summary of your project. In addition, provide a description of how your project meets each of the certificate of need criteria listed below. If a new location is proposed, please attach an easy to read map that shows your project site.

Maui Recovery LLC is requesting a CON for a 8-bed Special Treatment Facility in order to provide residential treatment for alcohol and drug addiction. Maui Recovery will provide holistic treatment for the recovery of alcohol and drug addiction. Client treatment will be individualized based on specific client needs, to include but not limited to: drug of choice, age, gender, family and life history. We subscribe to the concept that alcoholism and drug addiction are diseases as acknowledged by the American Psychiatric Association. Our treatment will consist of evidenced based treatments acknowledged by SAMHSA and major insurance companies. All treatment will be provided by appropriately licensed and well-qualified staff.

- a) Relationship to the State of Hawai'i Health Services and Facilities Plan.

Maui Recovery will be a needed addition to the continuum of care for alcohol and substance abuse on the island of Maui and will become an integral part of the State of Hawaii and Maui's health care milieu. One of the goals of the State of Hawaii Health Services and Facilities Plan (HSFP) is to focus on increasing cost-effective access to necessary health care services. Maui Recovery will accept insurance making access to care more affordable for consumers. Recent Hawaii insurance data showed that 59% of commercial insurance members received residential substance abuse treatment outside of Hawaii. The addition of these STF beds will reduce costs involved in traveling out of state for treatment.

Maui Recovery will address the State Health Coordination Council (SHCC) priorities in the following areas:

Promote and support the long-term viability of the health care delivery system: In order for a healthcare system to remain viable, provide efficacious care and establish a full continuum of healthcare, all components of the entire system must be in place and able to provide the services needed for a community's overall health. Currently a gap exists in the continuum of care for substance abuse treatment throughout the state and especially in the county of Maui. Maui recovery will help fill this gap by providing efficacious evidenced base substance abuse treatment for residents suffering from addiction.

Expand and retain the health care workforce to enable access to the appropriate level of care in a timely manner Maui Recovery will provide meaningful and profitable employment for a variety of healthcare workers. We will provide gainful employment for

physicians, mental health therapists, nurses, and substance abuse counselors. Additionally we will provide opportunities for these clinicians' continued professional growth through work experience and subsequent advanced clinical knowledge and training.

Ensure that any proposed service will at least maintain overall access to quality healthcare at a reasonable cost One of the goals of Maui Recovery is to expand the availability of suitable treatment for consumers with commercial insurance. We plan to accept commercial insurance thus reducing out of pocket expenses for patients. A recent report from one of Hawaii's major insurance companies demonstrated that 59% of all commercially insured consumers received inpatient substance abuse treatment outside of the state. By establishing a local resource for treatment we can increase the ability to reduce costs to residents of Hawaii by reducing travel costs and keeping patients closer to their families and primary supports which are crucial for discharge planning and setting a foundation for consumers to maintain long term sobriety. Patients that are desirous of treatment but unable to locate an available STF bed are at risk of ultimately being an increased financial burden upon the state. Costs incurred by the state and its residents include, crime to support drug dependence, impacts on health that are more costly to insurance companies, danger to others such as impaired driving or being under the influence of drugs or alcohol in a place of employment, as well as the detriment to healthy family functioning.

Strive for equitable access to health care services (i.e., remove financial barriers, increase availability of physicians) Again, Maui Recovery will be a needed and critical addition to the continuum of care in relationship to substance abuse treatment. According to the most recent HSFP (2009), 75% of all Hawaii residents are insured. These insured consumers require access to treatment when needed. The only other residential treatment center on the island of Maui is continuously at 100% occupancy. Current wait times at this facility for a residential substance abuse treatment bed are between five and six weeks. This facility's census is estimated, by their intake coordinator, to be approximately 97% Medicaid patients and only 3% commercially insured patients. Maui Recovery will provide additional residential substance abuse beds and will support an increase towards equitable access to healthcare services for those with commercial insurance.

Recent trends in healthcare associated with the Affordable Care Act (ACA) have extended healthcare coverage for young adults. The ACA increased access for those aged 19-26. A report from SAMHSA (2015) showed that ability for young adults (19-26) to be allowed to receive healthcare insurance coverage under their parents' policies resulted in insurance coverage for this this age bracket increasing from 70.2% on 2010 to 76.6% in 2012. This number has most likely continued to rise however more recent statistics were unavailable.

This same report (SAMHSA, 2015) showed that 19-26 year olds reporting financial barriers as a reason for not receiving recommended mental health or substance abuse treatment decreased from 54% in 2009 to 44% in 2012.

Finally, the 2015 SAMHSA report demonstrated that the number of 19-26 year olds receiving treatment for mental health services (which includes substance abuse) increased from 10.9% in 2010 to 11.9% in 2012.

The conclusion of this report is that insurance coverage for young adults has increased and as a result, financial barriers to receiving treatment have been reduced and compliance with

recommendations for substance abuse treatment have increased. Maui recovery will provide an additional resource on the island of Maui to meet these increasing healthcare demands.

Ensure all projects are appropriate for the regional and statewide continuum of Care As demonstrated above a glaring gap exists in the need for substance abuse treatment and the availability of beds to provide residential treatment. Maui Recovery will be a resource able to provide residential treatment that will compliment and support current services provided on island.

Encourage and support health education, promotion, and prevention initiatives Maui Recovery will work with local clinics and providers to assure clients receive appropriate services in capacities both higher and lower than residential treatment. In doing so we will work with other providers and agencies to assure that a complete continuum of care is realized. We will be a needed link in the full spectrum of care, which includes but is not limited to; medical detoxification, residential treatment, intensive outpatient services, sober living housing, and outpatient group, individual, and family therapy. Along with providing a link in the state's continuum of care we will work to educate other facilities, healthcare providers, and residents as to the importance of recovery and steps needed to obtain and maintain recovery from alcohol and substance abuse. These outreach efforts will include a needed educational component focusing on awareness of the disease of alcohol and substance abuse as well as how to treat it and available community resources.

One goal stated in the HSFP is to promote the financial viability of the health care delivery system. Maui recovery will add stability to the current health infrastructure of Maui. By adding additional residential treatment beds will reduce the strain on existing providers that are beyond their capacities. One example would be reducing Emergency Room (ER) hospital visits to Maui Memorial Medical Center, which is currently experiencing a significant budget deficit. Many patients going the ER could be better and more appropriately serviced through residential treatment rather than an inpatient hospital setting.

A specific area of concern as cited by the HSFP under the State Health Coordinating Council priorities is to increase and improve access to substance abuse programs, services, and education. Maui recovery will add 8 additional residential beds to the island of Maui. It is estimated that this number is far too small of a number to support the daunting demand currently recognized on the island. As stated earlier, the only other residential treatment center on the island has standard waiting lists of five to six weeks. The creation of these beds will somewhat reduce the demand for those being turned away for service.

b) Need and Accessibility

In the state of Hawaii 91% of its residents are insured of which 75% have commercial insurance (HSFS, 2009). Current bed capacity for residential substance abuse on Maui is over 100%.

Currently the financial burden incurred by the United States as a result of the use of drugs, alcohol and tobacco is \$700 Billion per year (National Institute on Drug Abuse, 2015). Costs include loss of work time, crime and need for healthcare treatment.

The rates of overdose from drug use have been rising at alarming rates (National Institute on Drug Abuse, 2015). Death rates from opioid pain relieving prescription drugs consistently rose yearly from less than 6,000 in 2001 to over 16,000 in 2013. Deaths from benzodiazepines rose from approximately 1,500 in 2001 to over 6,500 in 2013. Deaths from Heroin overdoses haven

risen to over 8,000 per year in 2013 compared to only less than 2,000 in 2001.

It is clear that the need for existing substance abuse resources is strongly needed throughout the United States including Maui. Maui and Hawaii have the additional impediment of being geographically challenged in that our states residents cannot easily or inexpensively go to another town, city, or state for treatment without being subjected to high travel costs and separation from their family and primary support groups.

Maui recovery will provide needed access to residents of Hawaii and Maui County. We will provide treatment for men and women over the age of 18. Our services will be available to all residents regardless of race, ethnicity, age, or sex. Clients will be able to utilize insurance for services and we will verify coverage prior to admittance and assist them in attaining reimbursement. In most instances patients' only expenses will be that incurred by their mandated co-pay or co-insurance as determined by their individual insurance companies. Clients without insurance will also be able to utilize our services on a fee for service with rates commensurate with national industry standards. Additionally, for those that are unable to afford our services, we plan to develop a scholarship program once profitable to contribute to underserved populations receiving appropriate care. Maui Recovery will be accessible to all residents of the area, including the elderly, low-income persons, racial/ethnic minorities, women, persons with disabilities and other underserved groups. We plan to assist clients to apply for insurance reimbursement for fees incurred. Those that are either not a fit for our program or need services beyond our scope of practice will be referred to an appropriate agency.

c) Quality of Service/Care

Maui recovery will utilize the best clinicians available in the field of substance abuse treatment. In doing so will strive to provide the highest quality evidenced based treatment possible. Staff will all hold applicable state licenses and participate in continued education and training. Our program will emphasize collaborative consultation so that all appropriate staff members will have knowledge and participate in all patients' treatment. When needed and in accordance with best practices and HIPAA laws, coordination of care will be coordinated with both incoming and outgoing providers and agencies. Staff is anticipated to consist of a medical director, nurses, a program director, licensed masters level therapists, certified substance abuse counselors, and substance abuse support technicians. Staff to client ratios will be maintained according to industry standards, insurance and accrediting bodies, and SAMHSA guidelines.

Maui Recovery will afford residents a safe, private and comfortable setting where they can address issues of addiction and recovery from this debilitating disease. By providing a safe and comfortable environment it is anticipated that adherence to and compliance with treatment is more likely than other environments.

In an effort to substantiate that Maui Recovery's level of care meets and exceeds industry standards, we plan to apply for and receive Joint Commission: Accreditation, Healthcare Certification (JCAHO) accreditation as soon as allowed. JCAHO accreditation is one of the leading healthcare accrediting bodies in the United States and achieving their accreditation demonstrates that a facility consistently meets or exceeds industry standards for safety and quality of patient care.

Maui Recovery will seek licensure as a Special Treatment Facility (STF) from the Hawaii Department of Health Office of Health Care Assurance (OHCA) as soon as possible. We will

also become accredited by the Hawaii Alcohol and Drug Abuse Division (ADAD) of the state Department of Health.

Maui Recovery will regularly review in-house data, policies and procedures in order to ascertain that treatment administered is efficacious, safe, and ethical. Oversight will be confirmed on multiple levels including our medical director, Insurance companies, OHCA, ADAD, and JCAHO.

d) Cost and Finances (include revenue/cost projections for the first and third year of operation)

	2016	2019
Sales:	\$1,120,000	\$2,520,000
Costs:	\$919,840	\$2,042,000
Profit:	\$200,160	478,000

e) Relationship to the existing health care system

Maui Recovery will provide a needed link and identified gap in the existing infrastructure of Maui and Hawaii's treatment of substance abuse. We are poised to pose no negative impact on existing facilities and serve to compliment existing treatment options. We will be able to accommodate overflow and be a referral source for existing residential substance abuse facilities. We will also become a strong referral base for established Intensive Outpatient (IOP) providers currently on the island of Maui. In the event of a medical emergency individuals in need of urgent medical care will be transported to Maui Memorial Medical Center or another facility as determined by emergency services personnel. Our facility is located approximately 14 miles from Maui Memorial Medical Center and directly across the street from a Maui County Fire station.

f) Availability of Resources.

Maui Recovery is a new residential treatment program. However, interviews have already commenced in an effort to recruit the highest caliber of clinicians available. We have already reached out to a number of potential staff members that have expressed interest in joining our team. Prospective staff members have extensive experience in working in substance abuse facilities and with those with addiction problems. In addition to the interviews we have completed we will continue our search for prospective employees and clinicians nationwide in order to attract the highest quality staff available. We have no concerns that if approved for a CON we will be able to assemble a high quality staff capable of treating our clients in a manner that is safe, ethical, and meets all laws and industry standards. Prospective employees licenses will be verified and will have background, criminal, and sex offenders clearances completed. In fact, we anticipate providing services that far exceed average facilities.

Our Executive Director has experience overseeing services provided to those suffering from mental illness and substance abuse. In that capacity he was clinical site supervisor for a private healthcare company and oversaw the Severely Mentally Ill (SMI) case management programs for the Medquest Community Care Services (CCS) program. He was site director for both the Maui and Kauai Offices with oversight of approximately 300 SMI patients. Our Chairman is a

board member of a public health research company and has extensive experience in business management. He is currently CEO of a successful software company and has strong career experience in business consulting.

The \$100,000 working capital is currently in a Bank of Hawaii business account under the Maui Recovery LLC. The lease submitted with his application will be paid out of our banking account. The LLC members also have access to personal funds that can be utilized by/granted to the LLC if needed for additional operating expenses.

10. Eligibility to file for Administrative Review. This project is eligible to file for Administrative review because: (Check all applicable)

- It involves bed changes, which will have a capital expense of \$1,000,000 or less, and which will have an increased annual operating expense of less than \$500,000.
- It involves service changes which will have a capital expense of \$1,000,000 or less, and which will have an increased annual operating expense of less than \$500,000.
- It is an acquisition of a health care facility or service, which will result in lower annual operating expenses for that facility, or service.
- It is a change of ownership, where the change is from one entity to another substantially related entity.
- It is an additional location of an existing service or facility.
- The applicant believes it will not have a significant impact on the health care system.