



STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

DAVID Y. IGE
GOVERNOR OF HAWAII

VIRGINIA PRESSLER, M.D.
DIRECTOR OF HEALTH

ROMALA SUE RADCLIFFE, B.A., M.A.
ADMINISTRATOR

1177 Alakea St., #402, Honolulu, HI 96813 Phone: 587-0788 Fax: 587-0783 www.shpda.org

November 16, 2015

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

IN THE MATTER OF)	CERTIFICATE OF NEED
)	APPLICATION
)	NO. 15-05
DLMC Inc. dba Kama'aina Health Services))	
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. 15-05 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 and the Certificate of Need Review Panel, 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. 15-05. 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 98-023 Hekaha Street, Bldg. 1, Unit 2E1, Aiea, HI, at a capital cost of \$107,500.
2. The applicant, DLMC Inc. dba Kama'aina Health Services, is a for-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 March 31, 2015 the applicant filed with the Agency, a Certificate of Need application for the establishment of home health agency services at 98-023 Hekaha Street, Bldg. 1, Unit 2E1, Aiea, HI, at a capital cost of \$107,500 (the "Proposal"). On June 25, 2015 and August 14, 2015, the applicant submitted revisions/additional information. On September 14, 2015, the application was determined to be complete. For administrative purposes, the Agency designated the application as Cert. #15-05.

5. The period for Agency review of the application commenced on October 2, 2015, 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 October 9, 2015. The Committee voted 6 to 0 in favor of recommending approval of the application.

7. The application was reviewed by the Certificate of Need Review Panel at a public meeting on October 15, 2015. The Committee voted 6 to 0 in favor of recommending approval of the application.

8. The Statewide Health Coordinating Council review of the application was waived pursuant to Section 323D-44.6 HRS.

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

10. 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."

11. 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

12. The applicant states that "DLMC INC embraces the priorities of the Statewide Health Coordinating Council (SHCC) as written in the State Health Services and Facilities Plan."

13. The applicant states that "This proposed project will increase the development of care delivery systems for the elderly and chronically ill populations, providing effective management of their health issues, maximize their quality of life, and significantly reduce financial and social burden for health care facilities, families and the community."

14. The applicant states that "As a home health agency, DLMC INC provides home care that is an essential, effective and efficient component of Hawaii's health care delivery system. Home health services complement health care provided by institutionalized and private medical professionals and facilities."

15. The applicant states that "This proposal will bring quality health care into the homes of Medicare beneficiaries at a reasonable cost."

16. The applicant states that "This project will carry out the goals of the State Health Services and Facilities Plan and have a significant impact on the values and priorities established for the following subareas of Honolulu County, West Oahu, and Windward Oahu."

17. The applicant states that "This proposal will allow DMLC Inc. to extend home health services for acute care and skilled nursing care to the Medicare population with chronic illnesses, thus reducing the costs of institutionalized care. Other services which include physical therapy and occupational therapy for post-acute care can also be managed in the home care setting, reducing the need for prolonged hospital stays."

18. The applicant states that "Health education and preventive lifestyle changes and/or medications are part of the home health care continuum provided by DLMC Inc. This project would benefit the Medicare community as there would be greater access to home health care providers when DLMC becomes a Medicare authorized Agency."

19. The applicant states that "This proposal would insure that more patients, those with Medicare coverage, would be able to benefit from timely return to home with the assurance of quality health care services."

20. The applicant states that "As more clients are moved from in-patient care to home care settings, more hospital beds would become available to those who need hospital care."

21. 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

22. The applicant states that "For this proposal, the target population are the Oahu Medicare beneficiaries 65 years and over, those with chronic health conditions, the medically fragile and disabled."

23. The applicant states that "Age is a critical factor in the increasing demand for home health care services on Oahu. There is a clear relationship between increased age and declining health requiring long term care. Managing chronic health conditions, disability and medically fragile conditions are issues faced by the elderly. Seniors, age 65 and older, represent the most predominant users of health care resources. (Health Trends in Hawaii, Hawaii Health Information Corporation, HHIC)."

24. The applicant states that "According to Health Trends in Hawaii, compiled by the HHIC, the ratio of elderly to the general population has increased nearly three-fold, from roughly 5 percent in 1960 to nearly 14 percent in 2010. Furthermore, according to Health Trends, in 2030 the elderly population will represent nearly 20 percent of the populations for the Oahu County in Hawaii."

25. The applicant states that "...the state of Hawaii ranking (is) 9th highest in the nation with respect to its population percentage of seniors. This is a clear indication of the increasing need for health care services provided for seniors."

26. The applicant states that "The number of Medicare visits managed per home care agency in Hawaii is 4,139, which is four times higher than the number of visits managed per home care agency for an average State in the US. This indicates a significant need for more certified home care agencies in Hawaii."

27. The applicant states that “In Table C, below the difference between utilization levels of Medicare eligible home health patients in the nation compared to the state of Hawaii and the Honolulu County are very significant. Hawaii and Oahu utilization level is below the national utilization level (7.6%-1.8%= 5.8%) This difference due to a lack of supply rather than a lack of need.”

<i>Patients</i>	<i>Utilizing Home Health</i>	<i>Home Care Medicare Eligible</i>	<i>Percentage</i>
National	3,302,649	43,313,626	7.6%
Hawaii	3,368	184,344	1.8%
Oahu	2,391	131,020	1.8%

28. The applicant states that “Hawaii and Oahu residents are receiving 14.31 less visits per patient per year when compared to the national average (31.5-17.2=14.3).”

29. The applicant states that “DLMC Inc. insures that quality care is delivered to all clients, regardless of age, location, income, race, ethnicity, sex, sexual orientation, disability, or other demographic indicator.”

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

C. REGARDING QUALITY AND LICENSURE CRITERIA

31. The applicant states that “DLMC Inc. implements a quality assurance and improvement program to ensure that quality care and services will be continually provided for our clients. The program includes service protocol, policies and procedures, monitoring and evaluation of the quality and effectiveness of care delivered.”

32. The applicant states that “DLMC Inc. recruits qualified, licensed and certified caregivers. During the hiring process, DLMC Inc. conducts extensive reference and background checks for every applicant. Prospective applicants must have required experience for their position and/or receive additional training which is provided as needed.”

33. The applicant states that “DLMC Inc. will comply with Medicare quality reporting initiatives upon receiving certification.”

34. The applicant states that "DLMC Inc. requires all field employees to complete in-service education each year to strengthen employee competency and the quality of services and offers employees the opportunity to develop new skills. Mandatory-in services for all employees at orientation and/or annually include: OSHA Training, Universal Precautions and Occupational Blood borne Disease Exposure, Rights to Know/Hazard Communication Program (MSDS), TB Prevention and Practice for Health Care Workers, Workplace Violence, Back Care and Body Mechanics, Fire Safety, Vulnerable Adult and Domestic Violence, Age-specific competencies, and HIPAA Training and Confidentiality."

35. The applicant states that "DLMC Inc. is applying for the Medicare certification and will pursue OHCA certification to become a licensed Home Health Agency."

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

D. REGARDING THE COST AND FINANCIAL CRITERIA

37. The applicant states that "Based on our projection, the project cost for the first year will require capital cost amounting to \$107,500 which consists of mainly movable equipment and the fair market value of assets. In the 2nd year, it is projected that the Medicare program will generate enough revenue to cover succeeding costs of operation due to efficient running of the program. DLMC Inc. has operating capital and independent revenue streams to supplement Medicare Home Health Services until operations generate positive income and recover investment."

38. The applicant states that "With this project, the delivery of home health services to Medicare beneficiaries is expected to lessen the overall cost of health care through the inherent preventive and cost-effect nature of home health services."

39. The applicant states that "There are limited alternatives to adding DLMC to the Medicare treatment system. The probable alternative would be an increase in the number of residential beds to meet the growing needs of the aging population. As the number of inpatient beds increases, the cost will also increase. Providing care in skilled facilities and hospitals will far surpass the cost of providing in-home care."

40. 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

41. The applicant states that "Home based care for clients provided by DLMC will lessen existing medical resources (i.e. hospital and nursing home beds) to meet growing needs of the elderly population, providing secondary, tertiary and acute care to patients. Home health care is more efficient and cost-effective as it involves the family and can prevent the need for institutionalization in an environment where available beds are a scarce resource."

42. The applicant states that "Providing quality home health care services will decrease overall health care cost as the cost for inpatient and hospital services is much higher than home health services. The provision of home health services in a client's home increases the opportunity for prevention and early intervention which helps the existing health care system effectively respond to health issues before more costly intervention is required. Clients can avoid the need for admittance to institutional facilities through early prevention and detection at home."

43. 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

44. The applicant states that "DLMC Inc. has existing financial and human resources to provide additional home health services on Oahu. DLMC Inc. has sufficient operating capital, and the resources to recruit employees as needed to serve additional Medicare clients. Financing will not be required to expand current home care services, including support services such as billing, scheduling and payroll accounting."

45. 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. 15-05 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 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 DLMC Inc. dba Kama'aina Health Services for the Proposal described in Certificate of Need application No. 15-05. The maximum capital expenditure allowed under this approval is \$107,500.

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: November 16, 2015
Honolulu, Hawaii

HAWAII STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY

A handwritten signature in cursive script that reads "Romala Sue Radcliffe".

Romala Sue Radcliffe
Administrator