



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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**ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM**

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Application Number: # 16-11A  
To be assigned by Agency

Date of Receipt:

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**APPLICANT PROFILE**

Project Title: Addition of 40 medical/surgical beds

Project Address: Hale Pulama Mau Building, 7th Floor

347 North Kuakini Street, Honolulu, HI 96817

Applicant Facility/Organization: The Queen's Medical Center - Punchbowl

Name of CEO or equivalent: Arthur A. Ushijima

Title: President

Address: 1301 Punchbowl Street, Honolulu, HI 96813

Phone Number: 691-4688

Fax Number: 691-7990

Contact Person for this Application: Paula Yoshioka

Title: Senior Vice President, Corporate Development, The Queen's Medical Center-Punchbowl

Address: 1301 Punchbowl Street, Honolulu, HI 96813

Phone Number: 691-7996

Fax Number: 691-7990

**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

Arthur A. Ushijima  
Name (please type or print)

10/26/2016  
Date

President  
Title (please type or print)

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

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

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2. **PROJECT LOCATION INFORMATION**

A. Primary Service Area(s) of Project: (please check all applicable)

- Statewide: \_\_\_\_\_
- O`ahu-wide: \_\_\_\_\_
- Honolulu:   X
- 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 (e.g. lease/purchase agreement, DROA agreement, letter of intent)

Non-Binding Letter of Intent between The Queen's Medical Center and Kuakini Medical Center. (Attachment I)

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.)

Building Permit to be issued by the City and County of Honolulu and acute care license to be issued from the Office of Health Care Assurance, Department of Health.

C. Your governing body: list by names, titles and address/phone numbers

Please see attached, Attachment II.

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: Please see attached, Attachment III
- By-Laws: Please see attached, Attachment IV.

- Partnership Agreements: N/A
- Tax Key Number (project's location): TMK 1-7-017-002

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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		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
Medical/Surgical*	0	40	40
<b>TOTAL</b>	0	40	40

**\*Medical/Surgical beds will be at Queen's Facility in Kuakini**

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6. PROJECT COSTS AND SOURCES OF FUNDS

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A. List All Project Costs:

AMOUNT:

- |    |   |                     |
|----|---|---------------------|
| 1. | Land Acquisition  | _____               |
| 2. | Construction Contract   | <u>\$10,000,000</u> |
| 3. | Fixed Equipment   | _____               |
| 4. | Movable Equipment   | _____               |
| 5. | Financing Costs   | _____               |
| 6. | Fair Market Value of assets acquired by lease, rent, donation, etc. | <u>\$1,530,000</u>  |
| 7. | Other: _____  | _____               |

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TOTAL SOURCE OF FUNDS: \$11,530,000

B. Source of Funds

- |    |   |                     |
|----|---|---------------------|
| 1. | Cash  | <u>\$10,000,000</u> |
| 2. | State Appropriations  | _____               |
| 3. | Other Grants  | _____               |
| 4. | Fund Drive  | _____               |
| 5. | Debt  | _____               |
| 6. | Other: <u>Fair Market Value for lease space to be paid by annual rent</u> | <u>\$1,530,000</u>  |

TOTAL SOURCE OF FUNDS: \$11,530,000

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.

The Queen's Medical Center will expand our acute care services to the Hale Pulama Mau Building, 7th Floor, 347 North Kuakini Street, Honolulu, HI 96817. This new unit will hold 40 Medical/Surgical beds.

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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: October 13, 2016
- b) Dates by which other government approvals/permits will be applied for and received,  
The Hawaii Fire Department, Building, and Electrical permit inspections are expected to take place at the end of 2016. Queen's will request licensing survey from the Department of Health Office of Health Care Assurances upon approval of this CON by SHPDA.
- c) Dates by which financing is assured for the project: N/A
- d) Date construction will commence: September 6, 2016
- e) Length of construction period: Approximately 100 Days
- f) Date of completion of the project: Week of January 23<sup>th</sup>, 2017
- g) Date of commencement of operation: Upon licensure by OHCA

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.

The Queen's Medical Center (Queen's) is a nonprofit hospital, founded in 1859 by Queen Emma and King Kamehameha IV. The mission of the Queen's organization is to provide in perpetuity, quality health care services to Native Hawaiians and the people of Hawaii. Queen's has been experiencing a high census that continues to impact our facilities' ability to accommodate and provide highly specialized acute care to our community. Queen's is currently experiencing an average occupancy of 95 percent and with the upcoming flu season beginning, we are working on taking the appropriate steps to ensure that patients are treated in the most appropriate setting. Complicating bed capacity is a waitlist ranging from 45-65 patients daily. External delays relating to shortages in post-acute care services within the community and stagnant Medicare and Medicaid reimbursements have impeded Queen's ability to provide adequate bed capacity. With an estimated 371 patients with waitlist days of ten or more occupying acute beds for

calendar year 2015, Queen's is confident that by opening a new 40 acute care bed unit on the 7<sup>th</sup> floor of the Hale Pulama Mau building on the Kuakini Health System campus, our community will continue to have access to acute care services.

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The 7<sup>th</sup> floor of the Hale Pulama Mau building has been vacant for over a decade. The leased 7<sup>th</sup> floor will house 40 acute care beds, be a provider-based entity of Queen's, with all inpatient services to be provided by Queen's staff to ensure continuity of care. Queen's plans on renovating the 7<sup>th</sup> floor in order to ensure compliance with regulatory requirements for hospital facilities, such as those implemented by the Centers for Medicare and Medicaid (CMS) and The Joint Commission (TJC). These renovations are projected to conclude at the beginning of next year. The lease agreement with Kuakini Medical Center will be a 5 year lease and is estimated to be \$195,500 annually.

Please see Attachment V for an easy to read map of the Kuakini Health System campus and the location of the Hale Pulama Mau Building.

Queen's and Kuakini will notify SHPDA on the termination of the lease and/or lease extension. Upon written notification to SHPDA, the 40 acute care beds will be released from the Queen's bed count.

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

The project fulfills the priorities under the State of Hawai'i Health Services and Facilities Plans such as increasing cost-effective access to necessary health care services, promoting and strengthening the viability of the health care delivery system, and optimizing services to ensure that the people of Hawaii have overall access to high quality acute care services.

b) Need and Accessibility

For over 150 years, Queen's has been committed to providing quality health care services to the people of Hawaii and has grown to meet the health care needs of our community. Since 2013, The Queen's Health Systems has seen the number of inpatient visits increase by 34% and the number of emergency visits increase by 112%. The expansion of existing acute care services to the 7<sup>th</sup> floor of the Hale Pulama Mau Building will allow Queen's to sufficiently mitigate high census at our facilities, while ensuring continuity of care for our patients.

Queen's experienced an average occupancy of 95% for FY16 and in order to ensure access to acute care specialty services at our facilities, the expansion is a necessary step for our patients. Queen's remains committed to providing

access to quality health care services to all who come to our doors, regardless of their ability to pay.

Patient considered for transfer to this new unit at Hale Pulama Mau will meet specific criteria established by a multidisciplinary team of care professionals. Patient's condition and where they fall on the spectrum of acuity will determine if the new unit is the most appropriate setting for that patient's continued care. Patients transferred to this unit will have low acuity but require extended stay for a variety for reasons such as antibiotics, wound care and diabetic care.

c) Quality of Service/Care

Queen's is licensed by the Hawaii State Department of Health, accredited by the Joint Commission, and certified by Medicare. Queen's is also a major tertiary and quaternary referral center for neuroscience, cardiovascular, cancer, orthopedics, surgery, behavioral health, and emergency medicine. Our flagship facility, The Queen's Medical Center – Punchbowl (QMC-PB), is the state's designated trauma center, verified as Level II by the American College of Surgeons, and has the only organ transplant program in Hawaii. Queen's is approved to participate in medical residency training by the Accreditation Council for Graduate Medical Education and Queen's has achieved Magnet recognition – the highest institutional honor for hospital excellence- from the American Nurses Credentialing Center.

Queen's will extend our high standards of care to this new 40 acute care bed unit at Hale Pulama Mau and have policies and procedures in place to ensure that patients being transferred will have a seamless transition along with excellence service.

Prior to the agreement, the 7<sup>th</sup> floor of Hale Pulama Mau was being used for storage. Queen's is planning on renovating the 7<sup>th</sup> floor of Hale Pulama Mau to meet the needs of our acute care patients and bring the floor into compliance with state and federal regulatory requirement. These renovations will provide an added value to the leased space and allow for Queen's to continue to provide a safe and comfortable place of care.

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

It is estimated that the cost for renovating the 7<sup>th</sup> floor of the Hale Pulama Mau Building and supplying the unit with all necessary equipment will be \$10 million. Queen's has the cash on hand to cover the expenses associated with the renovation and equipment. With the current proposed staffing configuration, the cost projections for the first year are expected to be \$8.2 million and for the third year of operations they are expected to be \$9.2

million. There are no projected additional revenue from the expanded services for the 7<sup>th</sup> floor of the Hale Pulama Mau Building. However, the impact of 40 beds at the Hale Pulama Building will provide additional capacity at the QMC-PB campus and resultant net income.

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As an expansion of existing services, the costs associated with the unit at Kuakini are included in the overall costs for Queen's. The total expenses for Queen's are projected to be \$21 million in the first year and \$22 million in the third year. Total revenue is projected to be approximately \$24.4 million for year one and three.

The purpose of this expansion is to ensure access to critical acute care services at our facilities and provide adequate capacity. At both of our facilities, there was an estimated 371 patients with waitlist days of ten or more for the calendar year 2015.

e) Relationship to the existing health care system

The expansion of acute care services to the 7<sup>th</sup> floor of the Hale Pulama Mau building will not have a significant impact on the health care system. The expanded services will allow Queen's greater flexibility in providing care to our patients and mitigate the impacts of high census. With the significant increases in emergency room visits and inpatient admissions, along with an average waitlist ranging from 45-65 patients daily, the additional 40 acute care beds will allow for continued access to care for our patients.

f) Availability of Resources.

Queen's has the necessary funds required to lease, renovated, equip, staff and operate the proposed addition of 40 acute care beds. Additional personnel will be assigned specifically to the 7<sup>th</sup> floor of Hale Pulama Mau and will be employees of Queen's.

**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.



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\_\_\_\_\_ 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.

  X   It is an additional location of an existing service or facility.

  X   The applicant believes it will not have a significant impact on the health care system.