

HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: # 16-13A
To be assigned by Agency

Date of Receipt:
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APPLICANT PROFILE

Project Title: Acquisition of West Maui Hospital and Medical Center
– Acute Care Hospital and Ancillary Services

Project Address: Kaka'alaneo Drive, Lahaina, HI – TMK # 2-4-4-002-052

Applicant Facility/Organization: West Maui Hospital Foundation, Inc. (WMHF)

Name of CEO or equivalent: Brian H. Hoyle

Title: President

Address: 731 Promontory Drive West, Newport Beach, CA 92660

Phone Number: 949-375-4131 Fax Number: 949-706-7266

Contact Person for this Application: Brian H. Hoyle


Title: President, West Maui Hospital Foundation, Inc.

Address: 731 Promontory Drive West, Newport Beach, CA 92660

Phone Number: 949-375-4131 Fax Number: 949-706-7266

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

11/18/16
Date

Brian H. Hoyle
Name (please type or print)

President
Title (please type or print)

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

Public	_____
Private	<u> X </u>
Non-profit	<u> X </u>
For-profit	_____
Individual	_____
Corporation	<u> X </u>
Partnership	_____
Limited Liability Corporation (LLC)	_____
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:	<u> X </u>
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 Attached Letter of Intent from Newport Hospital Corporation (NHC) to WMHF and WMHF Board Resolution for Reimbursement to NHC.
- 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.)

- SHPDA CON
- Hawaii Department of Health – certificate of occupancy, waste water disposal, Ventilation, offd service, underground injection control, radiographic equipment, surgical services, etc.
- Maui County Department of Water Supply – plan review
- Maui Fire Department – plan review
- Maui County Building Department – building permit, plumbing, telephone, electrical
- Occupational Safety and Health Administration
- Hawaii Hospital License
- CMS Critical Access Hospital designation

C. Your governing body:

Brian H Hoyle, President
 731 Promontory Drive West
 Newport Beach, CA 92660
 949-375-4131

Alfred Arensdorf, M.D.
 33 Keonelo Street
 Wailuku, HI 96793
 808-244-6601

Jo Anne Johnson Winer, Secretary
 50 PuuAnoano St. #508
 Lahaina, HI 96761
 808-463-7158

Howard Hanzawa
 731 Ulaula Way
 Wailuku, HI 96793
 808-264-9663

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 - Attached
- By-Laws - Attached
- Partnership Agreements – N/A
- Tax Key Number 2-4-4-003-052
 Kaka'alaneo Drive, Lahaina, HI

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 of Ownership	Change in Beds
Inpatient Facility				X	
Outpatient Facility				X	
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. – N/A

6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All Project Costs:

	<u>AMOUNT</u>
1. Land Acquisition	
2. Construction Contract	
3. Fixed Equipment	
4. Moveable Equipment	
5. Financing Costs (including Construction interest costs)	
6. Fair Market Value of assets acquired by lease, rent, donation, etc.	
7. Other: Acquisition of fully entitled Land site, Infrastructure cost, and completed building plans.	<u>\$12 million</u>
TOTAL PROJECT COST:	\$12 million

B. Source of Funds

	<u>AMOUNT</u>
1. Cash	\$12 million
2. State Appropriations	
3. Other Grants	
4. Fund Drive	
5. Debt	
6. Other: _____	
TOTAL SOURCE OF FUNDS	\$12 million

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 proposes to maintain the same 25 acute care beds and services that were approved in March 2009 for Newport Hospital Corporation CON # 08-07 as follows:

- Emergency Department
- Blended Operating Rooms
- Medical Surgical Beds
- Critical Care Beds
- Diagnostic Radiology Department
- MRI
- CT
- Clinical Laboratory
- Clinical Pharmacy
- Social Services

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:

- | | |
|--|---------------|
| 1. Date of Site control from Newport Hospital Corporation to West Maui Hospital Foundation, Inc. for the proposed project: | February 2017 |
| 2. Date by which other government Agencies approvals/permits were received: | October 2015 |
| 3. Date by which building construction financing funding is anticipated for the project: | March 2017 |
| 4. Date site construction work commenced | August 2016 |
| Buildings construction to commence | March 2017 |
| 5. Length of construction period: | 18 months |
| 6. Date of completion of the project: | October 2018 |
| 7. Date of commencement of operations : | January 2019 |

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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.

Newport Hospital Corporation (NHC) CON # 08-07 was approved on March 13, 2009 for the West Maui Hospital and Medical Center at a Total Capital Cost of \$45.75 million for the 25 bed Critical Access Hospital with ancillary services listed in #7 above and 40 bed Skilled Nursing Facility.

On September 29, 2016, SHPDA approved an increase in the West Maui Hospital and Medical Center CON approved Total Capital Cost for the West Maui Hospital project to \$60 million.

West Maui Hospital Foundation, Inc. (WMHF) was formed on April 2, 2013 and received the IRS 501c3 Tax Exempt Approval Letter (attached) with an April 2, 2013 Effective Date of Exemption.

On July 1, 2014, the Hawaii State Legislature approved a \$50 million Special Purpose Revenue Bond (SPRB) "for the purpose of assisting West Maui Hospital Foundation, Inc., a Hawaii not-for-profit corporation, to finance the establishment of a hospital in west Maui" (attached).

The acquisition of the CON approved West Maui Hospital and Medical Center – West Maui Hospital (WMH) project with ancillary services by the non-profit WHMF and its community focused Board whose mission is to serve the West Maui community will be more beneficial for its operations allow the WMH to better serve the healthcare needs of the West Maui Community and local stakeholders well into the foreseeable future.

WHMF is now in process of obtaining the Hawaii State Department of Finance approval for this \$50 million SPRB in addition to up to \$24 million in additional financing that will all be used for the WMHF to acquire the \$12 million land site from NHC including its infrastructure cost with completed hospital building plans and ultimately pay for the total hospital construction and equipment costs, financing, construction management fees working capital, interest and debt service reserve with capitalized interest funds for the WMH project. At funding of the SPRB by March 2017, WMHF will be the WHM site owner, licensee, and operator of the WMH. NHC will be responsible for managing the completion of all the construction and project development of the WMH.

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

The project's relationship to the State Health Services and Facilities Plan was met in CON # 08-07 approved on March 13, 2009.

The acquisition by the West Maui Hospital Foundation, Inc. (WMHF) will not affect the project's relationship to the State Plan.

b) Need and Accessibility

The need and accessibility criteria were met in CON # 08-07 approved on March 13, 2009 and the acquisition by the WMHF will not affect the project's relationship to the project need and accessibility criteria.

The continuing growth of the West Maui Community and entire Maui Island population since 2009 further underscores the need for the services of the West Maui Hospital. The facility and services will continue to be accessible to all residents on Maui, including the elderly, low-income persons, racial and ethnic minorities, women, persons with disabilities, and other underserved groups.

c) Quality of Service/Care

The quality of service/care criteria were met in CON # 08-07 approved on March 13, 2009 and the acquisition by the WMHF will not affect the project's relationship to project quality and service/care criteria.

The WMHF will continue to ensure continuity and quality of care by observing the same protocols described in CON # 08-07.

After the acquisition by WMHF, the WMH will be Medicare and Medicaid certified and licensed by the Hawaii Department of Health. The facility will continue to comply with applicable federal and state statutes and regulations governing the delivery of care and maintenance of service equipment and the clinical environment. The change in ownership will not result in any lowering of the quality of care and service provided by the West Maui Hospital.

d) Cost and Finances

The cost and finances criteria were met in CON # 08-07 approved on March 13, 2009 and the acquisition by the WMHF will not affect the project's relationship to cost and finance criteria.

See Attached 5 Year Forecasted Revenue and Expenses for detail:

	<u>Forecasted Year 1</u>	<u>Forecasted Year 3</u>
Net Patient Revenue	\$34,732,487	\$36,345,720
Total Operating Expenses	<u>27,242,044</u>	<u>27,804,242</u>
Net Operating Income	\$7,490,442	\$8,541,478

e) Relationship to the existing health care system

The relationship to the existing health care system criteria were met in CON # 08-07 approved on March 13, 2009. The acquisition by the WMHF will not have any negative effect on the existing health care system as it is for the same services approved in CON #08-07 approved March 13, 2009.

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f) Availability of Resources

The availability of resources criteria were met in CON # 08-07 approved on March 13, 2009 and the acquisition by the WMHF will not affect the project's relationship to the availability of resources criteria.

WMHF will use \$50 million in Tax Free Special Purpose Revenue Bonds + \$24 million in Taxable Bonds all to be placed by Ziegler Investment Banking Company to complete the \$12 million site/infrastructure cost acquisition and fund the complete building construction development of the West Maui Hospital project in addition to all interest and debt reserves, pre and post opening working capital required for all operations.

g) Hospital Acquisition HRS 323D

Attorney General Review

A copy of this CON Administrative application has been submitted to the Attorney General for action pursuant to Part VII of HRS 323D. An independent expert healthcare consultant Analysis of this acquisition as required under Section 323D-72(c)(5) HRS is included as Exhibit 1.

Agency Review

HRS 323D-77 provides that the Agency in making a decision whether to approve or disapprove and application shall consider;

- (1) Whether sufficient safeguards are included to ensure that the affected community has continued access to affordable care;

WMHF proposes to acquire the Land and development rights for the construction and operation of 25 bed Critical Access Hospital as described more fully in the West Maui Hospital Medical Center CON# 08-07 approved on March 13, 2009. As a non-profit owner/operator, WMHF will provide access to all hospital services to all patients in need of care consistent with all patient access and affordable care criteria met and approved in CON # 08-07.

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- (2) Whether the purchaser and parties to the acquisition have made a commitment to provide healthcare to the disadvantaged, uninsured, and underinsured, and to provide benefits to the affected community to promote improved healthcare. Current and prior healthcare activities and funding for those activities by the Seller or its successor nonprofit corporation or foundation may be considered in evaluation compliance with this commitment.

WMHF was founded and approved on April 2, 2013 by the IRS as a 501(c)3 Tax Exempt Public Charity with its mission of improving healthcare for West Maui. The WMHF acquisition of this project will allow WMHF to fulfill its primary mission to serve the community of West Maui with a new and fully equipped 25 bed Critical Access Hospital with all net operating profits dedicated to improving the WMH services and even greater access to additional hospital and community based programs to better serve the disadvantaged, uninsured and underinsured, and to provide benefits to the affected community to promote improved healthcare to the West Maui Community.

- (3) Whether health care providers will be offered the opportunity to invest or own an interest in the purchaser or a related entity to the purchaser;

WMHF is a not-for-profit corporation. Healthcare providers will not be able to invest or own and interest.

- (4) Whether procedures or safeguards are in place to avoid conflict of Interest in patient referral and the nature of those procedures and safeguards;

Prior to the opening of the WMH, WMHF will put in place policies and procedures required for Medicare and Medicaid Certification to avoid conflict of Interest in patient referrals. WMH physicians and staff will be trained on these conflict of interest policies and procedures with required documentation to safeguard compliance.

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.