



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: # 17-11A
To be assigned by Agency

Date of Receipt: HEALTH PLANNING & DEV. AGENCY

APPLICANT PROFILE

Project Title: Change in Ownership of Debra Bayer, Inc. dba Behavioral Health Hawaii

Project Address: 1819 S. Kihei Road, Ste D110
Kihei, HI 96753

Applicant Facility/Organization: Hawaii Recovery Services, LLC

Name of CEO or equivalent: Scott Dixon

Title: Member

Address: 1819 S. Kihei Road, Ste D110, Kihei, HI 96753

Phone Number: 408-781-2961 Fax Number: N/A

Contact Person for this Application: J. George Hetherington

Title: Attorney

Address: 700 Bishop Street, 15th Floor, Honolulu, HI 96813

Phone Number: 808-523-6000 Fax Number: 808-523-6001

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: Rachel Fowke (CSW), CSAC

Date: 11/22/17
Clinical Director, Behavioral Health Hawaii

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

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

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 X
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 X

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 Attachment 1 (Stock Transfer and Indemnification Agreement).
- 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.). Not applicable.
- C. Your governing body: list by names, titles and address/phone numbers. See Attachment 2.
- 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: See Attachment 3.
 - By-Laws: Not applicable.
 - Partnership Agreements: Not applicable.
 - Tax Key Number (project's location): 390030160000

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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.

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	Used Medical Equipment (over \$400,000)	New/Upgraded Medical Equip. (over \$1 million)	Other Capital Project (over \$1 million)	Change in Ownership	Change in Beds
Inpatient Facility					
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.

Type of Bed	Current Bed Total	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
TOTAL			

6. **PROJECT COSTS AND SOURCES OF FUNDS**

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A. List All Project Costs:

AMOUNT:

- | | | |
|----|--|---------------------|
| 1. | Land Acquisition | _____ |
| 2. | Construction Contract | _____ |
| 3. | Fixed Equipment | _____ |
| 4. | Movable Equipment | _____ |
| 5. | Financing Costs | _____ |
| 6. | Fair Market Value of assets acquired by
lease, rent, donation, etc. | _____ |
| 7. | Other: <u>Purchase price</u> | <u>\$110,000.00</u> |

TOTAL PROJECT COST: \$110,000.00

B. Source of Funds

- | | | |
|----|----------------------|---------------------|
| 1. | Cash | <u>\$110,000.00</u> |
| 2. | State Appropriations | _____ |
| 3. | Other Grants | _____ |
| 4. | Fund Drive | _____ |
| 5. | Debt | _____ |
| 6. | Other: _____ | _____ |

TOTAL SOURCE OF FUNDS: \$110,000.00

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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 application is for the acquisition of all the outstanding shares of Debra Bayer, Inc. dba Behavioral Health Hawaii for the purchase price of \$110,000. The categories are HAR § 11-186-5(3)(M) and (N). No new locations or expansions are proposed in this application.

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: August 8, 2017.
- b) Dates by which other government approvals/permits will be applied for and received: Not applicable.
- c) Dates by which financing is assured for the project: Not applicable.
- d) Date construction will commence: Not applicable.
- e) Length of construction period: Not applicable.
- f) Date of completion of the project: Not applicable.
- g) Date of commencement of operation: Not applicable.

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.

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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.

- a) Relationship to the State of Hawai'i Health Services and Facilities Plan.
- b) Need and Accessibility
- c) Quality of Service/Care
- d) Cost and Finances (include revenue/cost projections for the first and third year of operation)
- e) Relationship to the existing health care system
- f) Availability of Resources.

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EXECUTIVE SUMMARY

Hawaii Recovery Services, LLC ("HRS") has acquired all the outstanding shares of Debra Bayer, Inc. dba Behavioral Health Hawaii ("BHH"), and seeks approval for the change in ownership of BHH. BHH is accredited by the Commission on Accreditation of Rehabilitation Facilities ("CARF") and provides comprehensive substance abuse outpatient treatment and mental health services for adults and families in a respectful and culturally responsive environment. BHH will continue to operate its drug and alcohol rehabilitation programs to include outpatient treatment, intensive outpatient treatment, and partial hospitalization programs (the "Treatment Programs") without any interruption in service. The stock transaction was not intended to change the scope of services now provided at BHH. BHH intends to maintain generally the same services as BHH has operated since 2013. More specifically, BHH's outpatient and intensive outpatient treatment programs began in 2013 and its partial hospitalization program was started in 2016. Since August 2016, BHH has operated at its current location in Kihei. Between 2013 and December 2016, BHH also provided services at locations in Wailuku and Lahaina. BHH has not previously applied for or received a CON.

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

Non-bed drug and alcohol rehabilitation programs are not subject to any of the utilization thresholds set forth in Chapter 2 of the Health Services and Facilities Plan ("HSFP").

The transaction will advance the Statewide Health Coordinating Council's ("SHCC") general priorities of:

- Promoting and supporting the long-term viability of the health care delivery system by ensuring the long-term availability of substance abuse treatment services to Maui residents;
- Maintaining overall access to quality health care at a reasonable cost by facilitating treatment of substance abuse patients on Maui, thereby helping them avoid the costs of travel and lodging that would otherwise be required if they sought substance abuse treatment on Oahu;

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- Promoting equitable access by allowing Maui substance abuse patients to receive treatment near their home; and
- Facilitating the regional and statewide continuity of care by allowing Maui residents to continue to receive substance abuse treatment services on their home island rather than traveling to Oahu to access such services.

In addition, the transaction will also advance BHH's specific health area of concern of:

- Increasing and improving access to substance abuse programs, services, and education by operating the Treatment Programs on Maui.

b) Need and Accessibility

BHH bridges the gap on Maui for substance abuse treatment caused by severely limited hospital and detoxification services on the island. BHH is the only outpatient facility on island to provide a combination of long-term, medically supervised care at various levels of intensity including Medication Assisted Treatment and Ambulatory Detox. BHH's care coordination also helps to ensure a seamless transition for residents who must seek hospital-based care on the mainland.

The need for BHH's services is established as follows: Access to substance abuse treatment in the current service area will be maintained at current levels with the continued operation of BHH. BHH will continue to serve all Hawaii residents including low income persons, racial and ethnic minorities, persons with disabilities, the elderly, and other underserved groups, regardless of payor source. BHH will also work to maintain its current contract with the Hawaii State Judiciary to provide substance abuse assessment services for adolescents referred by Hawaii's Juvenile Client and Family Services.

c) Quality of Service/Care

BHH will continue to ensure the continuity and quality of care by providing comprehensive evidence-based treatment and observing the standards for care required to maintain BHH's CARF accreditations. The proposed transaction is not intended to alter the scope of services provided at BHH. BHH will continue to comply with all applicable federal and state regulations governing its operations. The physician, licensed therapists, and other staff who currently provide professional services at BHH will continue to provide the same high quality substance abuse treatment programs. Accordingly, BHH will continue to provided much-needed care to patients in the local community.

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

The value of the shares exchanged is estimated at \$110,000.00. BHH's revenue and operating costs for the first and third full years of operation following the transaction are shown in the table below.

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	Projected 1st Full Year Operations	Projected 3rd Full Year Operations
Total Operating Revenue	\$759,487.39	\$911,384.76
Operating Expenses		
Salaries, Wages, Benefits	\$547,462.65	\$629,582.05
Other Expenses	\$104,930.74	\$465,670.35
Depreciation		
Total Expenses	\$952,393.39	\$1,095,252.40
Net Income (Loss) from Operations	\$ (192,906.09)	\$ (183,867.64)

Although the revenue/cost projections for the first and third year of operations show losses, the fourth and the fifth years are projected to be profitable. Below are projections for years four and five.

	Projected 4th Full Year Operations	Projected 5th Full Year Operations
Total Operating Revenue	\$1,262,267.89	\$1,464,230.76
Operating Expenses		
Salaries, Wages, Benefits	\$722,650.70	\$831,048.30
Other Expenses	\$502,923.98	\$578,362.58
Depreciation		
Total Expenses	\$1,225,574.68	\$1,409,410.88
Net Income (Loss) from Operations	\$36,693.22	\$54,819.88

e) Relationship to existing health care system

The transaction is not expected to have any negative effect on other providers or impair the public's access to services. To the contrary, it will have the positive effect of helping to ensure long-term access to substance abuse treatment services for Maui residents. BHH will provide the same services that it does now. Much of the same staff is expected to continue practicing at BHH. Accordingly, the transaction will not have any significant impact on the existing health care system.

f) Availability of Resources

The applicant has \$110,000 cash to purchase BHH. No additional staff will be required because the current staff will be employed.

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

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- 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.
**\$500,000
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- 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.