



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY
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18 APR 30 P1 06

ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: # 18-04A Date of Receipt: APR 30 2018
To be assigned by Agency

APPLICANT PROFILE

Project Title: Addition of 16 Acute/Long Term Swing Beds and Deletion of 16 ICF/SNF Beds.
Project Address: 1 Kamani Street, Pahala, Hawaii 96777-0040

Applicant Facility/Organization: Ka'u Hospital

Name of CEO or equivalent: Merilyn Harris

Title: Hospital Administrator

Address: 1 Kamani Street, Pahala, Hawaii 96777-0040

Phone Number: 808 943 4370 Fax Number: 808 928-8980

Contact Person for this Application: Merilyn Harris

Title: as above

Address: _____

Phone Number: _____ Fax Number: _____

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.

Merilyn Harris
Signature

3.28.2018
Date

Merilyn Harris
Name (please type or print)

Hospital Administrator
Title (please type or print)

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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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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: _____
- 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)
- 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.) *DHCA licensure*
- C. Your governing body: list by names, titles and address/phone numbers
- 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 *(attached)*
 - Partnership Agreements *n/a*
 - Tax Key Number (project's location)

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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 ST. HEALTH & DEV. AGENCY	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
Acute/Long Term swing	5	+16	21
SNF/ICF	16	-16	0
TOTAL	21	0	21

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6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All Project Costs:

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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: _____

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TOTAL PROJECT COST:

0

B. Source of Funds

- 1. Cash _____
- 2. State Appropriations _____
- 3. Other Grants _____
- 4. Fund Drive _____
- 5. Debt _____
- 6. Other: _____

TOTAL SOURCE OF FUNDS:

0

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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.

Change of service will involve converting 16 dual certified SNF/ICF beds to

Acute/long-term care swing beds. The beds converted are identical in configuration

and the respective rooms are contiguous.

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,
- b) Dates by which other government approvals/permits will be applied for and received,
- c) Dates by which financing is assured for the project,
- d) Date construction will commence,
- e) Length of construction period,
- f) Date of completion of the project,
- g) Date of commencement of operation

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.

- 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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8. IMPLEMENTATION SCHEDULE:

Conversion of the 16 ICF/SNF beds at Ka'u Hospital shall be converted to swing beds as of July 1, 2018.

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Ka'u Hospital is currently licensed as both a hospital and nursing facility (License number 20-H and 36-N respectively). Upon approval from SHPDA, the State Health Planning & Development Agency, the State Health Care Assurance shall be notified of Ka'u Hospital's intent to retire our Nursing Facility license as of July 1, 2018.

This project involves no construction or special financing.

9. EXECUTIVE SUMMARY:

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

One of the general principals under the priorities of the State Health Coordinating council is to support the long-term viability of the health care delivery system. SHCC also asks that hospitals ensure that any proposed service will at least maintain overall access to quality health care at a reasonable cost. The bed conversion project at Ka'u Hospital will meet both those criteria by accessing more Federal funding to promote sustainability of safety net services in Ka'u while decreasing the demand for State monies.

B. Need and Accessibility

Ka'u Hospital is a critical access hospital which is the only provider of acute/swing, long-term care, and emergency services in the entire district of Ka'u -an area if over 900 square miles. The nearest facilities are 50 miles by road in either direction. Our facility has 21 beds of which 16 are certified SNF/ICF and 5 are acute/swing beds.

The community we serve is economically challenged. The average per capita income is \$20,700. 27.3% percent of the population have incomes below 100% of the Federal Poverty Level. 49.3% of children in Ka'u live in households receiving public assistance. Nine percent of adults are diabetic and 29.4 percent have high blood pressure. Key customers of Ka'u Hospital and its rural health clinic are the over 65 population which makes up 20.7% of the local population (source: State of Hawaii Primary Care Needs Assessment Data Book 2016).

Being a very small hospital in a remote community means that costs of operation are higher than in larger facilities who have greater access to resources, economies of scale and an easier time recruiting qualified health professionals particularly physicians and nurses.

The Federal Critical Access Hospital (CAH) Program allows Medicare to reimburse CAHs at 101% of allowable costs of caring for patients in acute/swing beds as well as in emergency departments. Our sixteen long-term care SNF/ICF level beds are almost exclusively paid under the State Medicaid program so these federal monies from the CAH program helps to offset the financial losses in the nursing facility part of the hospital.

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In 2016, a Strategic, Financial and Operational Assessment was conducted by Stroudwater Associates funded by Medicare FLEX program grants issued through the Hawaii Department of Primary Care and Rural Health. A recommendation from that assessment was for Ka'u Hospital to follow the lead of many other small rural hospitals in the mainland and convert all of our nursing facility beds to swing beds.

By having all our beds designated as swing beds, Ka'u Hospital would have the flexibility to admit more patients to the appropriate level of care when they need it. Kau District has the overall highest hospitalization rate in the State (1845.5 per 10,000 population) The mission of critical access hospital program is to ensure that everyone has access to care regardless of where they live. Being able to provide that care close to home means patients/residents can continue to stay connected and supported by their families and friends that might otherwise be precluded from visiting if the patient were admitted to another facility 50 miles away

The need for acute/skilled care has been growing. The utilization of our acute/swing beds has increased from 441 bed days in FY17 to 476 year to date in FY 18. However, that increase is not a true reflection of need because up until now Ka'u Hospital has often been unable to accept referrals for local patients that require extensive wound care or rehabilitation services because we do not have the funding to provide these services on site. Because of the expanding over 65 population as well as the high incidence of diabetes in our community, we feel the need is there.

FY17 and year to date in FY18, the average daily census in Ka'u Hospital's 16 ICF/SNF beds was 15.32 and 15.38 respectively. Because all of our rooms are semi-private, Ka'u Hospital is limited at times from admitting patients to a long-term care bed because their gender does not match that of the person sharing the room that has a vacancy. Being able to increase or decrease the number of ICF/SNF level patients according to need enables Ka'u Hospital to be more responsive to changes in community need.

Our intention for our existing long-term care residents is that these residents shall remain in our facility as they are now. The only difference upon conversion would be that Medicaid would no longer be paying the facility a rate based upon cost but rather the fixed nursing facility rate for the State -which is significantly less.

The Director of the Office of Health Care Assurance is aware of this plan and will be issuing a waiver upon conversion that will allow Ka'u Hospital to continue to admit ICF/SNF level patients into our swing beds.

All residents in the area, particularly the elderly, low income persons, racial and ethnic minorities, women, persons with disabilities and other underserved groups will have equal access to admission to our beds.

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C. Quality of Service/Care

Quality health care will not be compromised because federal regulations for swing bed patients mirror many of the quality related regulations under Long-term care . 42 CFR 485.645 (d) (1-9) still requires substantial compliance with regulations related to resident rights, admission, transfer and discharge rights, freedom from abuse, neglect, patient activities, social services, comprehensive assessments, care and discharge planning etc.

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D) Cost and Finance

Because of the 101% reimbursement of allowable costs for swing bed care, Ka'u Hospital would gain anywhere between 800,000 and 1.3 million in annual net revenue which would enable our facility to add the resources we need to continue to adapt and improve our services. At a time when State budgets continue to be under ever growing pressure, the draw on the State Medicaid program would decrease by an estimated 1.5 million.

Projected Revenue and Expenses

Year 1 Revenue	11,231,000	Expenses	11,171,000
Year 3 Revenue	11,983,000	Expenses	12,006,000

E. Relationship to the Existing Healthcare System

Having all of the beds in Ka'u Hospital designated as swing beds, will improve the existing health care system by enabling our hospital to be more responsive to community need whether it be for long-term, skilled or acute care. It provides the potential to provide some relief to the problem of patients waitlisted in the acute beds , particularly at larger facilities on island such as Hilo Medical Center and Kona Community Hospital as well as to those Ka'u residents who may be waiting at home for placement in long-term care.

F. Availability of Resources

No capital is required for this bed conversion and no additional staff or resources.

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10. **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.

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.