



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: # 18-14A
To be assigned by Agency

Date of Receipt: ST HLTH PLNG & DEV. AGENCY

APPLICANT PROFILE

Project Title: Relocation and Construction of Kapolei Clinic

Project Address: TMK: 9-1-016-185, Kapolei, Hawaii

Applicant Facility/Organization: Kaiser Foundation Health Plan, Inc.

Name of CEO or equivalent: David Underriner

Title: Regional President, Kaiser Foundation Health Plan & Hospital, Inc. - Hawaii Region

Address: 2828 Pa'a Street, Honolulu, HI 96819

Phone Number: (808) 432-5850 Fax Number:

Contact Person for this Application: Jamie Cameros

Title: Supervisor, Strategic Planning and Analysis

Address: 1292 Waianuenu Avenue, Hilo, 96720

Phone Number: (808) 780-5468 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.

Signature

Date

David Underriner
Name (please type or print)

Regional President, Hawaii Region
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: \_\_\_\_\_
- Windward O'ahu: \_\_\_\_\_
- West O'ahu: \_\_\_\_\_ X \_\_\_\_\_
- 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) **See Attachment A**
- 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.)
  - Facility Design Approval – City of Kapolei Design Advisory Board**
  - Building Permits – City & County of Honolulu**
  - Certificate of Occupancy – City & County of Honolulu**
  - Fire Marshall's Approval – City & County of Honolulu, Fire Prevention Bureau**
  - Lab Certification (address change) – CLIA**
  - Pharmacy Certification – State of Hawaii, Department of Health**
  - Diagnostic Imaging Certification – State of Hawaii, Department of Health**
- C. Your governing body: list by names, titles and address/phone numbers **See Attachment B**
- 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 C**
  - By-Laws **See Attachment D**
  - Partnership Agreements **N/A**
  - Tax Key Number (project's location) **TMK: 9-1-016-185**

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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 \$4 million)	Change in Service	Change in Beds
Inpatient Facility					
Outpatient Facility			X		
Private Practice					

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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

Type of Bed	Current Bed Total	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
<b>TOTAL</b>			

6. PROJECT COSTS AND SOURCES OF FUNDS RECEIVED

A. List All Project Costs:

AMOUNT:

1.	Land Acquisition *	18 DEC -7 P12 57	\$ 714,267
2.	Construction Contract	ST HLTH PLNG & DEV. AGENCY	\$22,181,923
3.	Fixed Equipment		_____
4.	Movable Equipment		\$ 1,676,075
5.	Financing Costs		_____
6.	Fair Market Value of assets acquired by lease, rent, donation, etc.		_____
7.	Other: <u>Imaging Equipment</u>		\$ 527,604

**TOTAL PROJECT COST: \$25,099,869**

\* Value of portion of land used for patient care

B. Source of Funds

1.	Cash	\$25,099,869
2.	State Appropriations	_____
3.	Other Grants	_____
4.	Fund Drive	_____
5.	Debt	_____
6.	Other: _____	_____

**TOTAL SOURCE OF FUNDS: \$25,099,869**

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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 11-186-38 for the categories of services. If you are unable to determine which category best describes your project, please consult with agency staff.

No change of service is being requested. The Applicant respectfully requesting approval to construct a facility on previously purchased land in Kapolei that will replace the current Kapolei Clinic (1 mile away). Proposed Facility will enhance the services provided to West O`ahu residents that receive care at the existing Kapolei and Nanaikeola Clinic (7 miles away).

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; **February 2012**
  - b) Dates by which other government approvals/permits will be applied for and received; **April 2019, November 2020**
  - c) Dates by which financing is assured for the project; **N/A**
  - d) Date construction will commence; **August 2019**
  - e) Length of construction period; **16 months**
  - f) Date of completion of the project; **December 2020**
  - g) Date of commencement of operation; **January 2021**

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. **See Attachment E**  
**See pages 7-13**
- 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.

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.

Throughout this application and the related attachments, Kaiser Permanente's to-be-constructed facility that is the subject of this application will be referred to as the "Proposed Facility".

## Executive Summary

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Kaiser Foundation Health Plan, Inc. (herein referred to as "Kaiser Permanente") requests approval from the State Health Planning and Development Agency to construct a medical office building on Kaiser Permanente owned land in Kapolei that will replace the existing Kapolei Clinic (located at 599 Farrington Hwy, Kapolei) and enhance the services provided to West O`ahu residents receiving care at Kapolei Clinic and Nanaikeola Clinic (located at 87-2116 Farrington Hwy, Waianae). The to-be-constructed Proposed Facility at the corner of Kapolei Parkway and Kamokila Blvd in Kapolei is approximately 1 mile from the Kapolei Clinic and 7 miles away from the Nanaikeola Clinic and is projected to cost \$25.1 million.

The Proposed Facility will improve access through the enhanced availability of primary care, select specialty care, diagnostic imaging, lab and pharmacy services and expanded same day care. It will also enhance member experience for the targeted Waianae, Nanakuli, Kapolei and Ewa Beach members and communities and will enhance efficiency by consolidating resources. Construction is scheduled to begin in August 2019 and be completed in January 2021.

### a) Relationship to the State of Hawai`i Health Services and Facilities Plan (HSFP).

The project, as described in this application, relates well to the priorities of the Statewide Health Coordinating Council (SHCC) and the West O`ahu Subarea Planning Council (WOSAC) as further discussed below:

- ✓ Promote and support the long-term viability of the health care delivery system (SHCC),
  - This year marks Kaiser Permanente's 60<sup>th</sup> year of caring for the people of Hawaii. By enhancing the services provided at the Kapolei and Nanaikeola Clinics which have facility condition, functionality and capacity challenges, Kaiser Permanente will be able to improve efficiency and reduce operating costs which is key to the future success of Kaiser Permanente Hawaii. The Proposed Facility will allow Kaiser Permanente to shift capacity and modernize its facilities to meet the needs of current and future members and patients of West O`ahu.
- ✓ Expand and retain the health care workforce to enable access to the appropriate level of care in a timely manner (SHCC),
  - The Kapolei and Nanaikeola Clinics are currently staffed with 10 providers and almost 40 support staff. The 40,000-square foot Proposed Facility will be large enough to support the current and future health care workforce needed to accommodate the increasing demand for outpatient services. As a modern, efficient space, the

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Proposed Facility will enable Kaiser Permanente to deliver timely access to care for current and future members in the community.

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- ✓ Improve and increase access to services such as routine outpatient diagnostic services, mental health services, telemedicine, etc. (WOSAC)
    - To enhance service access, the Proposed Facility, as with other Kaiser Permanente clinics, will be strategically situated to serve densely populated communities, accessible by public transportation. Plans are for the Proposed Facility to have extended operating hours for members and community to access care, classes and other services. Kaiser Permanente currently encourages members to use its kp.org website to make in-person and telehealth appointments, access their medical information or contact their health care provider. This approach permits efficient use of Kaiser Permanente facilities and member time. These practices will continue for services available at the Proposed Facility. The Proposed Facility will also incorporate Kaiser Permanente's new design concepts, which aim to transform member care by focusing on the member experience, leverage technology (to include telemedicine and video visits), encourage collaboration and embrace the community. Kaiser Permanente is committed to improving mental health care services by including four dedicated mental health provider offices in the Proposed Facility.
  - ✓ Encourage and support health education, promotion, and prevention initiatives (SHCC),
  - ✓ Improve education and increase preventive medicine (WOSAC)
  - ✓ Increase community engagement by raising dialog of health issues in the community and developing partnerships between various organizations in the community to support health care activities (WOSAC),
    - Throughout the 60 years that Kaiser Permanente has been caring for the people of Hawaii, Kaiser Permanente has extended that care to the entire community by collaborating with public and private institutions to leverage direct and indirect support, including grants and volunteers, to improve community health, influence policy and address social determinates of care.

Kaiser Permanente Hawaii has a long history of working with the many communities in West O`ahu, engaging with employers and unions, supporting schools and partnering with organizations providing safety net services and focused on equitable care. Recently, for example, Kaiser Permanente Hawaii, supported the creation of two school-based health centers in Waianae. To date, these centers have provided primary care and behavioral health



services to over 1,000 students and the work will continue. The development of the Proposed Facility provides Kaiser Permanente Hawaii the opportunity to further its relationship with the community by implementing Total Health, a more intentional and integrated approach to community health that embraces community health as a core business imperative with shared accountability across the organization.

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As an anchor institution, the Proposed Facility will not only provide access to essential health care services but will also play a key role in the economic, social, and environmental vitality of the West O`ahu communities. Kaiser Permanente Hawaii has the unique opportunity to coalesce its substantial assets --- facilities, capital, expertise, purchasing power, relationships, and workforce – to improve local health through these deliberate investments in the community.

In developing the Proposed Facility, Kaiser Permanente considered the needs of the community as well as the needs of its members. Over the coming years, it plans to expand its efforts in the community by:

- Adapting the community needs assessment to include upstream determinants of health, such as economic development, education, public safety, social factors, community capacity and health behaviors;
- Creating an expanded partnership involving a wider array of services with community organizations and leading efforts to improve health and expand the safety net;
- Leveraging Kaiser Permanente resources, including training, volunteers and purchasing; and
- Focusing on what is shared and what is unique about the communities that will benefit from the Proposed Facility.

## **b) Need and Accessibility**

Built in 1971, the Nanaikeola Clinic provides primary care and radiology services to the targeted 11,700 members in the Nanakuli and Waianae communities. In 2017, Nanaikeola Clinic delivered over 18,000 face-to-face patient encounters and almost 19,700 non-face-to-face patient encounters.

Nearing 50 years of age, the building has condition and functionality challenges that impede Kaiser Permanente's expectation for positive member experience and efficient energy use. It would require significant investment for the building to meet Kaiser Permanente's current standards for the buildings and care delivery design and functionality. Kaiser Permanente proposes to redirect that investment into creating a more modern, comprehensive and efficient care environment in the Proposed Facility.

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The Kapolei Clinic provides primary care services to the targeted 22,600 members in the Kapolei and Ewa Beach communities. In 2017, Kapolei Clinic delivered almost 17,300 face-to-face patient encounters and over 22,800 teleface patient encounters.

The Kapolei Clinic, with only two provider offices and 18 exam rooms is too small for the members it serves today. As a result, many members travel to the Waipio Medical Office for services offered at the Kapolei Clinic due to the current lack of capacity at that Clinic. By 2027, the volume of members in Kapolei and Ewa Beach are projected to require more than 17 exam rooms for primary care alone – far exceeding the capacity Kaiser Permanente can provide with the current clinics.

As with the Nanaikeola Clinic, the Kapolei Clinic would require significant investment to meet Kaiser Permanente's current standards for buildings and care delivery design and functionality. Kaiser Permanente believes that investment would be better made in replacing the Kapolei Clinic with the larger, more modern Proposed Facility.

Replacing the current Kapolei Clinic and enhancing the services of the Nanaikeola Clinic with a larger facility on owned land in Kapolei, between the communities of Ewa Beach and Waianae, allows Kaiser Permanente to improve efficiency, reduce operating costs, and provide the appropriate capacity and resources to meet the needs of current and future members.

In order to efficiently address these care delivery challenges, Kaiser Permanente proposes to construct the Proposed Facility, a 40,000 square foot facility on a 5.4 acre Kaiser Permanente-owned site in Kapolei, approximately 7 miles away from the Nanaikeola Clinic and 1 mile away from the Kapolei Clinic. The Proposed Facility will continue to provide the same health care services that the Nanaikeola and Kapolei Clinics currently provide and will also allow Kaiser Permanente to enhance access to quality health care services, including Women's Health, Behavioral Health and diagnostic imaging services, for all West O`ahu members and maintain needed access to care for the West O`ahu community. This includes patients with disabilities, low income patients and families, racial and ethnic minorities, women, and the elderly.

Patient access to services will be enhanced at the Proposed Facility since the location is easily accessible by public transportation and very near the anticipated Kapolei Transit Center. The Proposed Facility will also have more parking stalls and will have curbside access for the HandiVan. Additionally, the Proposed Facility will be constructed to ensure compliance with the Americans with Disabilities Act, thereby enhancing access for all patients and visitors with disabilities.

Kaiser Permanente reduces cultural barriers to care through the availability of bilingual personnel at its facilities and the development of home care plans which account for and respect the variety of cultural backgrounds and beliefs of members. For non-English speaking patients, arrangements for translation are made upon request whenever

possible. This arrangement also applies to interpretation for vision and hearing-impaired patients. These would continue in the Proposed Facility.

Under the Kaiser Permanente plan, financial barriers to needed services are minimized for all members, who prepay for their medical care through monthly Health Plan dues. They may also pay registration fees at the time of service and co-payments for some services and medical supplies. Since benefits are prepaid by monthly membership dues, Kaiser Permanente provides all needed services within a "fixed" budget, which serves as an incentive to maintain the utmost quality of care to keep patients healthy while containing costs. High quality care and effective cost control make it possible to minimize future dues increases and expand services and benefits

### **c) Quality of Service/Care**

Providing high quality, cost-effective health care is the guiding principle at Kaiser Permanente. Kaiser Permanente is proactive and diligent in the pursuit, maintenance, and improvement of quality care and service. Quality Assurance programs, Disease Management programs, and accreditation by The Joint Commission and the National Committee for Quality Assurance ensure that high quality, cost effective care is provided in accordance with approved guidelines for all regulatory and accrediting agencies.

Kaiser Permanente began implementation of its panel support tool, Mana Ku (the power of complete health care) in 2006. Manu Ku extracts information from the electronic health record to help physicians manage their panels and ensure patient-centered care is delivered to all members, whether they come in for care or not. This tool enables physicians to easily identify patients that have one or more care gaps (recommended screening, lab, or drug therapies to be administered based on a patient's condition and age). Because the tool provides better care management, Kaiser Permanent's consistent use of this tool yields significant quality results.

Kaiser Permanente's pursuit of uncompromising quality goals not only ensures the appropriate structure and process of care are in place, but improves outcomes on an ongoing, continuous basis both for patients and the entire community. This approach applies to all locations and will be further enhanced with the construction of the Proposed Facility.

Kaiser Permanente will ensure compliance with required licensure and certification requirements (listed in 3B) including a Certificate of Need from the State Health Planning and Development Agency for the Proposed Facility. Also, as required in the past, individual staff members will maintain current, unencumbered licenses according to State of Hawaii law.

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

Kaiser Permanente has determined that this proposed project will require a capital investment of \$25.1 million. In order to ensure the most efficient use of funds, Kaiser Permanente Hawaii is funding this project through its national program. Kaiser Permanente regions pool their cash and capital needs, allowing certain regions to leverage the cash position of the program to fund capital projects. This project has already been approved by Kaiser Permanente's leadership and funding has been allocated for it.

While capital investment in this project will initially result in higher fixed costs, over time this will be mitigated through operational efficiency and the capacity to serve a greater number of members in the future. The ability to manage the cost will support Kaiser Permanente's efforts to manage premium increases and help keep the health plan affordable for the increasing number of Hawaii residents that select Kaiser Permanente as their healthcare provider – providing better care to more members without significantly increasing the overall cost of health services to the community.

Since operating revenues are derived primarily from Health Plan dues which are not categorized by the various components of services or by the location of those services, Kaiser Permanente is unable to provide an analysis of the costs and charges or revenue of the Proposed Facility as compared with the Kapolei and Nanaikeola Clinics. However, Kaiser Permanente is confident that the ability to meet the increasing demand for services by members in the target area in a more efficient and cost-effective manner makes the Proposed Facility financially feasible in both the immediate and longer term.

**e) Relationship to the Existing Health Care System**

The Proposed Facility will allow Kaiser Permanente to continue to provide outpatient services to its members and patients living in the West O`ahu area. As Kaiser Permanente is proposing to replace its existing Kapolei Clinic and enhance services provided at its Nanaikeola Clinic, the only change in the relationship to the existing health care system of the area will be enhanced access to services for Kaiser Permanente members.

Kaiser Permanente has carefully evaluated multiple options for enhancing services to its West O`ahu members. However due to significantly higher cost, unmet space requirements, and lengthy project schedule, these alternatives were not pursued. After exhaustive evaluation of alternatives, Kaiser Permanente concluded that the most operationally and financially feasible option was a build-to-suit solution on the Kapolei property.

**f) Availability of Resources**

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Resources, including funds for capital and operating needs, have been budgeted and are available. Kaiser Permanente is financing this project through its national program pooled capital funds. From a personnel perspective, Kaiser Permanente will evaluate transferring physicians, ancillary and support staff from its existing clinics to the Proposed Facility as well as recruit for any additional resources needed prior to and upon the opening of the Proposed Facility.

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