



HAWAI'I STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: # 19-01A
To be assigned by Agency

Date of Receipt: ST HLTH PLNG & DEV. AGENCY

APPLICANT PROFILE

Project Title: Deletion of 10 Acute Psychiatric Beds

Project Address: 128 Lehua St.
Wahiawa, HI 96786

Applicant Facility/Organization: Wahiawa General Hospital

Name of CEO or equivalent: Brian Cunningham

Title: CEO

Address: 128 Lehua St. Wahiawa, HI 96786

Phone Number: 808-621-8411 Fax Number: 808-621-4451

Contact Person for this Application: Brian Cunningham

Title: CEO

Address: 128 Lehua St. Wahiawa, HI 96786

Phone Number: 808-621-4210 Fax Number: 808-621-4451

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 (handwritten signature)

Date: 3/11/19

Brian Cunningham
Name (please type or print)

CEO
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: X
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) **Not Applicable**
- 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 A
- 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 B**
 - By-Laws **See Attachment C**
 - Partnership Agreements **Not Applicable**
 - Tax Key Number (project's location) **Not Applicable**

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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 ST. HEALTH PLNG & 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 (Psychiatric) Beds	10	-10	0
TOTAL	10	-10	0

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6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All Project Costs:

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AMOUNT:

- 1. Land Acquisition ___ NA ___
- 2. Construction Contract ___ NA ___
- 3. Fixed Equipment ___ NA ___
- 4. Movable Equipment ___ NA ___
- 5. Financing Costs ___ NA ___
- 6. Fair Market Value of assets acquired by
lease, rent, donation, etc. ___ NA ___
- 7. Other: _____ _____

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TOTAL PROJECT COST: \$0.00

B. Source of Funds

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

TOTAL SOURCE OF FUNDS: \$0.00

7. **CHANGE OF SERVICE:** If you are proposing a **RECEIVED** 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 19-186-5 for the categories of services. If you are unable to determine which category best describes your project, please consult with agency staff.

Deletion of 10 Acute Psychiatric 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: **Not Applicable**

- 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-impr 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 D

- 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)

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

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- Attachment D -

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To: Hawaii State Health Planning and Development Agency

From: Brian Cunningham, CEO, Wahiawa General Hospital (WGH)

Re: Deletion of 10 Acute Psychiatric Beds

Executive Summary:

Brief Summary of Project –

Wahiawa General Hospital (WGH) temporarily closed its 10-bed Acute Psychiatric Unit in July of 2017. What prompted this event was a Joint Commission Survey indicating the need for significant infrastructure upgrades or risk sanctioning that would have impacted the entire hospital's ability to continue its operations. Since that time, WGH has been assessing the feasibility of performing the required capital infrastructure upgrades to reopen these same 10 beds. After an in-depth analysis, WGH has determined that reopening the unit in this existing 10-bed space is not feasible due to a number of factors including the required significant construction costs along with the need for an expanded number of beds to establish a financially viable program.

From our analysis it became clear that WGH would have to expand its unit to at least 15 beds and the unit would need to achieve a 95% occupancy rate for it to be financially viable. Given that our average census for this unit had been historically 5 - 6 patients, the potential for this program to break even from a financial perspective was minimal. And with WGH's financial position being what it has been for the last several years, with multiple years "in the red", we could not risk this program at the expense of all of the other critical services WGH provides to the community.

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

SHPDA's Statewide and Regional Priorities includes as an area of focus, promoting the long-term viability of the healthcare delivery system and retaining our healthcare workforce. Both of these goals would have been put in jeopardy had WGH risked attempting to reopen the unit due to the drain on our already financially fragile organization. One of the state's specific areas of focus is on improving access to mental health programs. WGH's 10-Bed Senior Behavioral health Unit had historically been a valuable component for the access of needed acute mental health services. However, due to the increasing requirements and regulations related to the physical space of a mental health unit, WGH could no longer operate its unit without significant capital investments to this infrastructure, which continue to be unavailable to our organization.

b) Need and Accessibility:

Although there is clearly a need for appropriate Acute Psychiatric Services in Hawaii, due to WGH's needed physical infrastructure upgrades as determined by The Joint Commission surveyors, WGH could not continue with this service line as of July of 2017. And due to significant cost of the needed infrastructure upgrades along with the challenges related to low

reimbursement for these types of programs, WGH could not move forward with plans to reopen the 10-bed Senior Behavioral Health Unit without putting the entire organization at serious financial risk. Since the time of the closing of the unit, WGH has continued to be able to place patients in need in facilities that are able to provide services. And given our relatively low census of this unit (5 - 6), patients have been able to be transferred to receive the care they need.

c) **Quality of Service/Care:** *Not Applicable*

d) **Cost and Finances:**

The estimated cost of performing the infrastructure upgrades to the existing unit were approximately 500K, while the per annual financial losses that the program would incur are approximately 100K – 200K per year. As a small, independent hospital with a razor thin margin, with minimal cash reserves, with significant financial liabilities from the past, and with no debt capacity, the risk of restarting this program in its existing space could be detrimental to the organization's ability to continue with its mission to the communities it has served for many years. From a bottom line financial perspective, due to declining volumes, WGH has finished with a negative bottom line in 4 of the last 5 years including, approximately (-\$1 million) in FY 2018 while FY 2019 is trending similarly. Therefore, WGH on its own, has no current financial capacity to risk with reopening the unit at this time without sacrificing the entire organizations ability to continue with the needed services in this area, such as Emergency Room, Long-Term Care/Skilled Nursing, Imaging, Lab, etc.

e) **Relationship to the existing healthcare system:** Although WGH is one of the smaller hospitals in Hawai'i, we are still a key part of the continuum of care on Oahu. As a smaller facility with more limited physician coverage, we cannot always care for the complete needs of more complex patients or those with other unique needs, such as those with significant mental health issues. As such, we have well developed protocols for transferring patients, when needed, to a number of different hospitals on island to ensure that patients get the care that is needed for their particular situation.

f) **Availability of Resources:** *Not Applicable*

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