



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM ¹⁹ NOV -5 AIO 22

Application Number: # 19-17A
To be assigned by Agency

Date of Receipt: 19 NOV -5 AIO 22
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APPLICANT PROFILE

Project Title: Acquisition of 100 bed SNF/ICF Facility
Project Address: 516 Kaumana Drive
Hilo, HI 96720

Applicant Facility/Organization: Hilo SNF, LLC

Name of CEO or equivalent: Richard Kishaba

Title: President and CEO

Address: 45-181 Waikalua Road, Kaneohe, HI 96744

Phone Number: (808) 247-0003 Fax Number: (808) 247-0018

Contact Person for this Application: Randall Hata

Title: Vice President

Address: 45-181 Waikalua Road, Kaneohe, HI 96744

Phone Number: (808) 247-0003 Fax Number: (808) 247-0018

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

November 5, 2019

Date

Randall Hata
Name (please type or print)

Vice President
Title (please type or print)

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

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

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 – Purchase Sales 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.)
 - Licensure from the State of Hawaii, Department of Health, Office of Healthcare Assurance
- 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 – Not Applicable
 - Partnership Agreements - Not Applicable
 - Tax Key Number (project's location) 250060120000

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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 Service	Change in Beds
Inpatient Facility					
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
TOTAL			

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6. PROJECT COSTS AND SOURCES OF FUNDS

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A. List All Project Costs:

AMOUNT:

- | | | | |
|----|------------------------------------------------------------------------|-------------------------------|-------------------|
| 1. | Land Acquisition | ST HLTH PLNG
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| 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>Asset Acquisition</u> | | <u>17,500,000</u> |

TOTAL PROJECT COST: 17,500,000

B. Source of Funds

- | | | |
|----|----------------------|-------------------|
| 1. | Cash | <u>4,375,000</u> |
| 2. | State Appropriations | _____ |
| 3. | Other Grants | _____ |
| 4. | Fund Drive | _____ |
| 5. | Debt | <u>13,125,000</u> |
| 6. | Other: _____ | _____ |

TOTAL SOURCE OF FUNDS: 17,500,000

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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.

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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:

- | | |
|----------------------------------------------------------------------------------------|------------|
| a) Date of site control for the proposed project, | 09/30/2019 |
| b) Dates by which other government approvals/permits will be applied for and received, | N/A |
| c) Dates by which financing is assured for the project, | 11/14/2019 |
| d) Date construction will commence, | N/A |
| e) Length of construction period, | N/A |
| f) Date of completion of the project, | N/A |
| g) Date of commencement of operation | 01/01/2020 |

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.

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

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Executive Summary

The applicant is Hilo SNF, LLC. (Hilo SNF) which is a subsidiary of Ohana Pacific Management Company (OPMC). Hilo SNF will be purchasing the assets of the Legacy of Hilo (LOH) skilled nursing facility. LOH is a 100-bed licensed Medicare and Medicaid skilled nursing facility. Hilo SNF plans to also license the 100 bed facility for Medicare and Medicaid certification.

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Since 2017, due to its poor compliance history, LOH has been designated a Medicare Special Focus Facility. In addition, the facility has experienced financial hardships which has caused delays in payments on its mortgage and to its vendors. The current owners (Kaumana Drive Partners, LLC) have determined that the business is no longer sustainable. OPMC was approached by the owners to acquire the facility and assume the care of the patients.

Background

OPMC's Mission is "Caring for Our Kupuna." We provide care that delivers quality with an exceptional customer experience.

Our Core Values

We are one company united by our core values. We believe each facility or project will build on these core values to enhance its community and accomplish its mission.

- Our Kupuna come first
- Our Staff is our most valuable resource
- We believe in an empowered workforce
- We emphasize teamwork
- We provide our services with integrity and compassion
- We are committed to excellence in all that we do
- We believe in the importance of a positive attitude
- We strive to continually improve our services
- We believe in supporting, providing leadership, and investing in our community
- We maintain a healthy financial position in order to fulfill our mission

Ohana Pacific Management (OPMC) currently owns and manages 5 nursing facilities, a home health agency and free-standing adult day health care facility. We provide pre- and post- acute care on the islands of Oahu and Kauai.

Provider	Location	Type of Provider	Services
Liliha Kupuna SNF dba Clarence T.C. Ching Villas	Honolulu	Skilled Nursing Facility – 119 SNF/ICF beds (44 beds under construction)	Skilled nursing care, intermediate care, rehabilitation therapy, infectious disease, medically complex care

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Provider	Location	Type of Provider	Services
Ann Pearl Nursing Facility	Kaneohe	Skilled Nursing Facility – 104 SNF/ICF beds and Adult Day Health	Skilled nursing care, intermediate care, rehabilitation therapy, respite, hospice care, dementia, and adult day health services
Leeward Integrated Health Services dba Puuwai o'Makaha	Waianae	Skilled Nursing Facility – 93 SNF/ICF beds	Skilled nursing care, intermediate care, rehabilitation therapy, respite, hospice care
Garden Isle Health Care	Lihue	Skilled Nursing Facility – 110 SNF/ICF beds	Skilled nursing care, intermediate care, rehabilitation therapy, respite, hospice care
Hale Kupuna Heritage Home	Koloa	Skilled Nursing Facility – 84 SNF/ICF beds	Skilled nursing care, intermediate care, rehabilitation therapy, respite, hospice care
Stay at Home Healthcare Services	Lihue	Home Health Agency	Home health, rehabilitation therapy and home care services
Kauai Adult Day Health Center	Lihue	Adult Day Health	Adult day health and day care services

a. Relationship to the State of Hawaii Health Services and Facility Plan

The acquisition of the 100 beds at LOH is consistent with the goals of the State of Hawaii Health Services and Facilities Plan (HSFP).

HSFP Goals - Specifically, one of the goals of the HSFP is to “Focus on increasing cost-effective access to necessary health care services.” As the HSFP indicates, the shortage of long term care beds results in a situation where “many patients needing these beds are waitlisted and often occupy acute care beds. Hospitals do not recoup the full costs for waitlisted patients.”

Statewide Health Coordinating Council (SHCC) Areas of Concern - A general principle of the Statewide Health Coordinating Council (SHCC) is to “Promote and support the long-term viability of the health care delivery system” and “Ensure that any proposed service will at least maintain overall access to quality health care at a reasonable cost.” A specific area of concern was to “Ensure capacity and access to a continuum of long term care services.”

Hawaii County/Hawaii Subarea Planning Council (HSAC) priority includes to “Expand the capacity of and improve the access to long term care facilities and home and community-based services.”

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b. Needs and Accessibility

The need for this facility was established and approved with Certificate of Need 08-08.

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According to the HSFP, there were 173,057 total residents in Hawaii County in 2007. According to the State of Hawaii Data Book for 2018¹, the total population for Hawaii County was 200,983 with 42,032 people aged 65 and over. The population aged 65 and over represents over 20% of the Hawaii County population.

Table 1.30-- RESIDENT POPULATION BY AGE GROUP, BY COUNTY: 2018

[As of July 1. Includes military personnel stationed or homeported in Hawaii and residents temporarily absent; excludes visitors present]

Age group	State total	City and County of Honolulu	Hawaii County	Kauai County	Maui County 1/
Total	1,420,491	980,080	200,983	72,133	167,295
Under 5 years	87,704	61,601	11,890	4,375	9,838
5 to 9 years	86,869	59,369	12,621	4,521	10,358
10 to 14 years	81,954	55,318	12,109	4,348	10,179
15 to 19 years	77,179	53,103	11,047	3,850	9,179
20 to 24 years	90,951	69,305	10,039	3,517	8,090
25 to 29 years	103,977	77,917	11,769	4,318	9,973
30 to 34 years	99,029	71,217	12,178	4,441	11,193
35 to 39 years	96,796	67,535	12,579	4,841	11,841
40 to 44 years	83,714	57,545	11,429	4,218	10,522
45 to 49 years	85,505	58,804	11,531	4,442	10,728
50 to 54 years	85,119	57,891	11,771	4,464	10,993
55 to 59 years	90,807	59,813	13,939	5,005	12,050
60 to 64 years	89,920	56,869	16,049	5,254	11,748
65 to 69 years	82,492	51,002	15,611	5,120	10,759
70 to 74 years	66,441	43,423	11,114	3,748	8,156
75 to 79 years	42,395	28,897	6,284	2,292	4,922
80 to 84 years	28,595	20,319	3,953	1,346	2,977
85 years and over	41,044	30,152	5,070	2,033	3,789
16 years and over	1,148,014	793,106	161,969	58,045	134,894
18 years and over	1,117,077	772,315	157,430	56,384	130,948
Under 18 years	303,414	207,765	43,553	15,749	36,347
18 to 64 years	856,110	598,522	115,398	41,845	100,345
65 years and over	260,967	173,793	42,032	14,539	30,603
In percent					
Under 18 years	21.4	21.2	21.7	21.8	21.7
18 to 64 years	60.3	61.1	57.4	58.0	60.0
65 years and over	18.4	17.7	20.9	20.2	18.3
Median age	39.2	38.1	42.7	42.1	41.3

¹ State of Hawaii, Department of Business and Economic Development, State of Hawaii Data Book (2018). "Table 1.30 – Resident Population by Age, by County: 2018,"

<http://files.hawaii.gov/dbedt/economic/databook/db2018/section01.pdf>

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According to the State of Hawaii, Department of Business Economic Development and Tourism (DBEDT), "Population and Economic Projections for the State of Hawaii to 2045"², the Hawaii County population aged 65 years and over is expected to increase 5.2% between 2016 and 2020, with a projected population of 45,871 by the year 2020.

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Table A-3. Hawaii County Population Projection, Selected Components, 2010-2045

	2010 ¹⁾	2016 ¹⁾	2020	2025	2030	2035	2040	2045
Total resident population	185,339	198,449	209,000	222,396	235,601	248,486	260,935	273,232
Population: 0 to 4 years	11,863	12,302	12,829	13,996	14,873	15,748	16,578	17,464
School age children: 5 to 11 years	16,093	17,153	18,305	19,101	20,689	21,939	23,167	24,341
School age children: 12 to 13 years	4,560	4,675	5,054	5,457	5,565	6,151	6,498	6,852
School age children: 14 to 17 years	9,516	9,008	9,317	10,517	10,980	11,660	12,473	13,179
Population: 18 to 44 years	59,327	62,130	66,594	71,522	76,578	81,429	85,781	90,550
Population: 45 to 64 years	56,867	55,310	51,030	48,231	49,039	51,892	56,410	60,473
Population: 65 to 84 years	23,468	33,181	40,699	47,666	49,708	47,266	43,829	42,385
Population: 85 years and over	3,645	4,690	5,172	5,906	8,170	12,403	16,199	17,989
De facto population	202,682	222,485	236,684	252,073	267,463	282,588	297,097	311,869
Annual growth rates (%)								
		2010-2016	2016-2020	2020-2025	2025-2030	2030-2035	2035-2040	2040-2045
Total resident population		1.1	1.3	1.3	1.2	1.1	1.0	0.9
Population: 0 to 4 years		0.6	1.1	1.8	1.2	1.1	1.0	1.0
School age children: 5 to 11 years		1.1	1.6	0.9	1.6	1.2	1.1	1.0
School age children: 12 to 13 years		0.4	2.0	1.5	0.4	2.0	1.1	1.1
School age children: 14 to 17 years		-0.9	0.8	2.5	0.9	1.2	1.4	1.1
Population: 18 to 44 years		0.8	1.7	1.4	1.4	1.2	1.0	1.1
Population: 45 to 64 years		-0.5	-2.0	-1.1	0.3	1.1	1.7	1.4
Population: 65 to 84 years		5.9	5.2	3.2	0.8	-1.0	-1.5	-0.7
Population: 85 years and over		4.3	2.5	2.7	6.7	8.7	5.5	2.1
De facto population		1.6	1.6	1.3	1.2	1.1	1.0	1.0

1) 2016 vintage population estimates for July 1st of the year by the U.S. Census Bureau.

The HFSP indicates that in 2005, Hawaii had a nursing facility bed per 1000 population aged 65 and over, of 23 beds per 1000 compared to a national average of 47 beds per 1000.

According to the SHPDA utilization reports for 2017³, there were 4,325 licensed long term care beds in the State and 800 long term care beds in Hawaii County. LOH did not report and so these numbers have been adjusted to include LOH. This equates to a current ratio of 16.6 long term care beds per 1000 aged 65 and over for the State and 19.0 for Hawaii County. This is far below the national average of 47 beds per 1000 and indicates that the aging population has increased faster than the increase in long term

² State of Hawaii, Department of Business and Economic Development, Population and Economic Projections for the State of Hawaii to 2045, "Table A-3. Hawaii County Population Projection, Selected Components, 2010-2045". <https://dbedt.hawaii.gov/economic/economic-forecast/2045-long-range-forecast/>

³ State of Hawaii, State Health Planning & Development Agency, Health Care Utilization Reports (2017 Data), Table 2: Licensed Long-Term Care Bed Capacity, 2017." <https://health.hawaii.gov/shpda/files/2018/10/Table-2-Licensed-beds-LTC-2017.pdf>

care beds. Using the national average, there is currently a shortage of 1,176 beds in Hawaii County.

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	State	Hawaii County
Current long term care beds ^a	4,325	800
Population aged 65 and over	260,967	42,032
Current beds per 1000	16.57	19.03
Beds needed (at 47/1000)	12,265	1,976
Shortage of long term care beds	7,940	1,176

^a Adjusted for LOH

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As the aging population continues to increase, there will be continued need for long term care beds in Hawaii.

According to the SHPDA utilization reports for 2017⁴, Hawaii County had a long term care bed utilization of 90.9% (not including LOH). This indicates that Hawaii County nursing facilities are already experiencing a high occupancy rate.

LOH currently has an average census of 75 residents per day. Since 2017, due to its poor compliance history, LOH has been designated a Medicare Special Focus Facility. In addition, the facility has experienced financial hardships which has caused delays in payments to vendors. The current owners (Kaumana Drive Partners, LLC) have determined that the business is no longer sustainable.

OPMC was approached by the owners to acquire the facility and assume the care of the patients. The alternative was possibly closure of the facility and displacement of patients. But as we have indicated, Hawaii County needs these long term care beds and closure of the facility would result in a major disruption to the Hawaii County healthcare system.

Accessibility

As with all of its facilities, OPMC intends to provide services with integrity and compassion at all times. Services will be provided regardless of income, ethnicity or disabilities. We strive to meet the needs of the community. Hilo SNF will continue to be licensed and certified to accept Medicare and Medicaid patients in need of skilled nursing and intermediate care services.

⁴ State of Hawaii, State Health Planning & Development Agency, Health Care Utilization Reports (2017 Data), Table 2: Licensed Long-Term Care Bed Capacity, 2017." <https://health.hawaii.gov/shpda/files/2018/10/Table-2-Licensed-beds-LTC-2017.pdf>

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c. Quality of Service/Care

Hilo SNF will comply with all Federal and State licensure and certification requirements.

According to the Medicare Nursing Home Compare website⁵, OPMC facilities are among the top-rated facilities in the state. They have achieved an overall 4 and 5 star rating (out of a possible 5 stars).

Facility	Overall Rating	Health inspections	Staffing	Quality measures
Ann Pearl Nursing Facility	☆☆☆☆	☆☆☆	☆☆☆☆	☆☆☆
Clarence TC Ching Villas at St. Francis	☆☆☆☆☆	☆☆☆☆	☆☆☆☆	☆☆☆☆☆
Garden Isle Healthcare and Rehabilitation Center	☆☆☆☆☆	☆☆☆☆☆	☆☆☆☆	☆☆☆☆☆
Hale Kupuna Heritage Home	☆☆☆☆☆	☆☆☆☆	☆☆☆☆	☆☆☆☆☆
Puuwai o Makaha	☆☆☆☆	☆☆	☆☆☆☆	☆☆☆☆☆

OPMC will provide Hilo SNF with the procedures, guidance and oversight necessary for it to improve and sustain high quality care for its patients. OPMC's corporate staff develops corporate-wide policies and procedures that are trained and implemented at each facility. Each facility, has a quality assurance process in place to continually assess and monitor care and identify improvement opportunities. We conduct semi-annual mock surveys to assist in identifying quality concerns, resident or family concerns and ensure that we achieve regulatory compliance.

Providing quality care is of utmost importance to us. We will not admit a patient if we do not have trained and qualified staff in place to properly care for the patient.

d. Cost and Finances

This project will decrease the operating costs of the facility from \$13.4M to \$11.1M annually. In addition, this project will improve the quality of care to its residents.

The facility is currently experiencing losses in excess of \$3M annually. This project is anticipated to have short term (i.e. 1-2 year) losses.

⁵ Medicare.gov, Nursing Home Compare. <https://www.medicare.gov/nursinghomecompare/search.html>

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	Year 1	Year 3
Patient Revenues	10,298,867	12,013,374
Labor and benefits	6,124,913	6,196,583
Operating costs	3,935,534	4,079,634
Other costs	1,048,430	1,016,146
Net Income	(810,010)	721,011

As an established skilled nursing facility operator with a long history of providing quality services to our patients, OPMC has sufficient resources to undertake this project, including sustaining operations through the first year of anticipated losses.

e. Relationship to the Existing Health Care System

As previously mentioned, there is a need for these long term care beds in Hawaii County. Hilo SNF will work closely with the area providers to coordinate care with the goal to provide the right care in the right place at the right time. We will work closely with case managers at Hilo Medical Center to plan for timely admissions of their patients and with home and community based service providers to plan for timely discharge of patients back to their home.

f. Availability of Resources

The facility currently employs over 100 staff to provide services to the patients. OPMC plans to offer employment to those qualified staff who are committed to OPMC's mission and culture of Caring for Our Kupuna. OPMC currently employs over 700 staff across all of its facilities and corporate offices. We aggressively recruit staff using a combination of staffing websites, job fairs and recruiters to identify qualified candidates. OPMC has also conducted CNA training classes to provide education and hands-on training for those interested in achieving certification and working within the OPMC organization. OPMC also has the ability to transfer or temporarily deploy staff within the organization, as needed.

With respect to financial resources, OPMC has the existing capital (through internal and external financing) to completely fund and sustain the facility. Financing will be comprised of \$4.375M of cash and \$13.125M obtained through a loan from a local bank. Attachment D is the bank prequalification letter.