



STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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February 10, 2020

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Art Gladstone
Chief Executive Officer
Pali Momi Medical Center
Executive Offices
98-1079 Moanalua Road
Aiea, HI 96701

Dear Mr. Gladstone:

The State Health Planning and Development Agency (the "Agency") has evaluated Certificate of Need application #19-19A for administrative review from Pali Momi Medical Center (the "applicant") for the establishment of heart surgery services, at a capital cost of \$2,085,000 (the "Proposal").

1. Pursuant to Title 11, Chapter 186 of the Hawaii Administrative Rules (HAR), the Agency has determined that the Proposal is eligible for administrative review as it meets one or more of the criteria in Subsection 11-186-99.1(b), HAR i.e.: "An additional location of an existing service or facility... Any proposal which is determined by the agency not to have a significant impact on the health care system."
2. The applicant states that "This project is consistent with the goals and objectives of the SHPDA's Health Services and Facilities Plan (HSFP). First, by providing additional open heart cardiac surgical capabilities in Central and West O'ahu, this project is consistent with the goals and objectives of the State of Hawai'i Health Services and Facilities Plan (HSFP) goal to "increase cost effective access to necessary health care services" and to "promote regionalization of services where appropriate" (Chapter 1, HSFP 2009)."
3. The applicant states that "Second, this project is also consistent with both the Statewide Health Coordinating Council objectives (SHCC) to "... ensure that any proposed service will at least maintain overall access to quality health care at a reasonable cost" (Chapter 3, HSFP 2009) and the West O'ahu Subarea Council (SAC) to "... improve and increase access to acute care, critical care, specialty care, emergency care options, and routine outpatient diagnostic services." (Chapter 3, HSFP 2009). The increased capacity and capabilities provided by the expanded open heart surgical program will provide both greater options and improved cardiac care options for Central and West O'ahu patients."
4. The applicant states that "The HFSP has stated: It is recognized that some service areas may not meet the required threshold for a health care service. Sub-optimum utilization may be proposed if the benefits clearly outweigh the costs to the community of duplicating or under-using services, facilities or technologies. Benefits are defined as the

form or *[sic]* improved access for the services area(s) population *[sic]* with significant improvement in quality and/or significant reduction in cost to the public. [see HFSP, page 31 (2009)]”

5. The applicant states that “The HFSP has also stated that benefits may include improved access for the service area combined with significant improvements in quality care. In addition, beyond regional factors, thresholds may be modified to: [see HFSP, page 31 (2009)]
 - Incorporate current and best clinical practices
 - Allow for the cost-effective transition and capital investment in moving traditional inpatient services to outpatient modalities;
 - Allow for the cost-effective introduction of modern technologies to replace existing technology;
 - Address the documented needs of an actual population rather than basing care design on statistical generalizations;
 - Create opportunities for price reduction through competition, without sacrificing quality or cost-effectiveness of care: and
 - Encouraging innovation in improving health care services that contribute to enhancing a community's health status.”

6. The applicant states that “Although the proposed project does not meet the suggested threshold requirements with respect to other cardiac surgery providers, the project does meet the sub-optimization criteria for suboptimal utilization. The West O’ahu region is one of the fastest growing areas in the State of Hawaii. The demand for open heart services is expected to increase in the West and Central Oahu neighborhoods as evidenced by Pali Momi’s current and historical patient transfers to Honolulu medical centers, the majority being acute coronary syndrome and acute myocardial infarction (heart attack) diagnosed patients, including those deemed emergency cases. The American College of Cardiology Foundation/American Heart Association (ACCF/AHA) has designated emergency CABG (open heart surgery) to be “recommended in patients with acute MI in whom primary PCI has failed or cannot be performed and coronary anatomy is suitable for CABG”. (ACCF/AHA Guideline for CABG, Circulation, 2011). A delay in access to open heart surgery may increase patient morbidity and mortality, and in addition, imposes *undo [sic]* stress to the patient and family members, as well as longer hospital length of stay and ensuing medical costs. The benefits of this added service at Pali Momi will result in decreased length of stays, reduced delays in care, decreased medical costs, and decreased risk for adverse cardiovascular outcomes for the open heart surgery patient population.”

7. In written testimony dated January 16, 2020, Art Gladstone, Executive Vice President, Chief Strategy Office at Hawaii Pacific Health, states that “...the program addresses the needs of an actual population rather than basing care design on statistical generalizations.
 - Pali Momi is committed to meeting the documented and anticipated needs of Central and West Oahu patients as it has for the past 30 years.
 - The demand for open heart services is expected to increase in the West and Central Oahu neighborhoods as documented by Pali Momi’s actual

- current and historical patient transfers to Honolulu medical centers.
 - The majority of current patient transfers to Honolulu facilities are for treatment of acute coronary syndrome and heart attack, including those deemed emergency cases.”
8. The applicant states that “The addition of an open heart surgery program is needed in response to the current and future demand for these services, as demonstrated by the annual growth of Pali Momi patients needing open heart surgery, and also the forecasted population growth in West O’ahu, which is the highest anticipated population growth area (2018 State of Hawai’i Databook).”
9. In his written testimony dated January 16, 2020, Mr. Gladstone states “According to the HAH Community Health Needs Assessment, Pali Momi’s primary service area represents some of the most economically challenged neighborhoods and with ethnic populations with higher incidence of coronary disease.
- For example, Native Hawaiians are 70 percent more likely to die from heart disease than whites according to the U.S. Department of Health and Human Services Office of Minority Health.
 - West O ’ahu has the highest percentage of Native Hawaiian and Pacific Islander population on O ’ahu.
 - This diversity is reflected in HPH/Pali Momi’s patient demographics where approximately 24% of our patients are either Native Hawaiian, Samoan, or Other Pacific Islander.
 - While the population most at-risk for cardiac disease is located in Central and West O ’ahu, all existing open-heart programs are located in Honolulu and Windward O ’ahu.
 - The HPH/Pali Momi open heart program will provide access to this at-risk population closer to the communities where they reside.”
10. The applicant states that “Pali Momi will serve all residents of the West and Central O’ahu areas. The primary service area is O’ahu, although patients from the neighbor islands will also have access to these services. Pali Momi will continue to provide care to all residents of the area including: Medicare, Medicaid, QUEST and all underserved groups.”
11. The applicant states that “The project will have minimal impact on the overall costs of health services in the community as it will be funded from internal resources and the project’s financial projections reflect a positive margin by year 2. The cost of and charges for providing the services will be similar to the existing open heart program at Straub Medical Center and will therefore have minimal impact on the community (including payers and patients).”
12. In his written testimony dated January 16, 2020, Mr. Gladstone states “The proposed program will also reduce the overall costs of healthcare services to the community...
- \$395,000 will be eliminated annually through avoidance of medical transport costs to urban Honolulu for 200 patients.
 - \$1.65M will be eliminated annually through avoidance of 3.5 hospitalization days per patient for each of the 200 patients.”

13. In his written testimony dated January 16, 2020, Mr. Gladstone states "Our program will strengthen the existing healthcare system by reducing healthcare costs to both patients and the healthcare system while providing additional access to life-saving services for Central and West Oahu."
14. The applicant states that "Pali Momi has sufficient trained professionals, management, systems and other resources to fully support the proposed open heart cardiac surgical services. The proposed program will be [sic] also be supported by the addition of 3 Registered Nurses; 1 Cardiac Educator, and 2 Physician Assistants. Pali Momi has financial resources from current hospital operating funds and retained earnings to pay for this project's initial capital requirements and working capital after start up."
15. In his written testimony dated January 16, 2020, Mr. Gladstone states "HPH affiliates already operate two high quality open-heart programs including an adult program at Straub Medical Center and a pediatric program at Kapiolani Medical Center... To assure quality at the HPH/Pali Momi open-heart program, the same high-volume, high quality open-heart surgeons who perform open-heart surgery at Straub and Kapiolani will also be performing open-heart surgeries at Pali Momi."
16. The applicant states that "Pali Momi Medical Center's cardiovascular surgery program planning, all areas and all stages, will be completed in partnership with the knowledge and guidance of Straub Medical Center's clinical experts including the medical director. Individual clinician and clinical teams will undergo extensive didactic and skills-based training through the Hawai'i Pacific Health clinical care academies and the simulation laboratories, as well as clinical rotations and case study reviews. Pali Momi Medical Center will track patient care processes and clinical outcomes through internal and external data collection and benchmarking, such as the STS Adult Cardiac Surgery Database."
17. In his written testimony dated January 16, 2020, Mr. Gladstone states "We also rely on most recent studies between quality and volume that confirm surgeon/surgical volume combined with hospital level quality metrics - not solely raw hospital volume - is the main driver of quality outcomes.¹

¹ See Shahian DM, et al. *Association of hospital coronary artery bypass volume with processes of care, mortality, morbidity, and the Society of Thoracic Surgeons composite quality score.* J Thorac Cardiovasc Surg 2010;139:273-282; Hillis D, et al. 2011 ACCF/AHA Guideline for Coronary Artery Bypass Graft Surgery A Report of the American College of Cardiology Foundation/American Heart Association Task Force on Practice Guidelines Developed in Collaboration With the American Association for Thoracic Surgery, Society of Cardiovascular Anesthesiologists, and Society of Thoracic Surgeons. Circulation. 2011; 124:e652-e735; Ricciardi R, et al. *Volume-Outcome Relationship for Coronary Artery Bypass Grafting in an Era of Decreasing Volume.* Arch Surg. 2008;143(4):338-344; Auerbach AD, et al. *Shop for Quality or Volume? Volume, Quality, and Outcomes of Coronary Artery Bypass Surgery.* Ann Intern Med. 2009;150:696-704; Kurlansky PA, et al. *Quality, not volume, determines outcome of coronary artery bypass surgery in a university-based community hospital network.* The J of Thorac and Cardiovasc Surg 2012; 143(2):287-293; Fernandez FG, et al. [sic] *The Society Thoracic Surgeons National Database 2019 Annual Report.* Ann Thorac Surg 2019;108:1626-32."

18. In his written testimony dated January 16, 2020, Mr. Gladstone further states:

- This finding is evident in local data where both Castle Medical Center and Straub Medical Center maintain the same STS Quality rating despite a difference in volume of nearly 4 times between the two facilities
- This finding is further supported in quality data reported by Medicare.gov that indicates both Queens and HPH/Straub have mortality rates below the national standard of 3.1% that are comparable - with Queens at 2.1% and HPH/Straub at 2.2% - despite the differences in raw volumes between the two programs.
- We have existing surgical expertise and a commitment to quality hospital level measurements for continuous service improvement to ensure quality will be maintained at all of our open-heart programs across HPH including Pali Momi."

Conclusions and Order

Pursuant to Title 11, Chapter 186, HAR, the Agency has determined that:

- (a) The Proposal is eligible for administrative review as it meets one or more of the criteria in HAR 11-186-99.1(b).
- (b) The applicant, Pali Momi Medical Center, has proven by a preponderance of the evidence that the Proposal meets the Certificate of Need criteria in HAR 11-186-15 (a).
- (c) There is no compelling public interest which will be served by requiring the application to go through the standard review process.

As required under Subsection 323D-43(b), HRS, the Agency finds that:

1. There is a public need for the Proposal.
2. The cost of the Proposal will not be unreasonable in light of the benefits it will provide and its impact on health care costs.

Accordingly, the State Health Planning and Development Agency hereby APPROVES and ISSUES a Certificate of Need to Pali Momi Medical Center for the Proposal described in Certificate of Need Application #19-19A. The maximum capital expenditure allowed under this approval is \$2,085,000.

Please be advised that pursuant to Section 323D-47, HRS, any person may, for good cause shown, request in writing a public hearing for reconsideration of the Agency's decision within ten working days from the date of this decision. Accordingly, if no person makes such a timely request for reconsideration, this decision shall become final immediately after the deadline for making such a request has expired.



Serafin Colmenares, Jr.
Acting Administrator