



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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**ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM**

Application Number: # 20-06A  
To be assigned by Agency

Date of Receipt:

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**APPLICANT PROFILE**

Project Title: Addition of 18 Acute/Long Term Swing Beds and Deletion of 22 SNF/ICF Beds.

Project Address: 54-383 Hospital Rd.  
Kapaau, HI. 96755

Applicant Facility/Organization: Kohala Hospital

Name of CEO or equivalent: Eugene Amar Jr.

Title: Hospital Administrator

Address: PO Box 10, Kapaau, HI. 96755

Phone Number: 808 889 6211 Fax Number: 808 889 6978

Contact Person for this Application: Eugene Amar Jr.

Title: Hospital Administrator

Address: PO Box 10, Kapaau, HI. 96755

Phone Number: 808 889 6211 Fax Number: 808 889 6978

**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

5/19/2020

Date

Eugene Amar Jr.

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) *N/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.) *ATCA License*
- C. Your governing body: list by names, titles and address/phone numbers *See Attached.*
- 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 *See 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.

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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					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	7	18	25
SNF/ICF	22	-22	0
<b>TOTAL</b>	29	-4	25

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6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All Project Costs:		20 MAY 22 P1 :49	AMOUNT:
1.	Land Acquisition		\$0
2.	Construction Contract	ST HLTH PLNG & DEV. AGENCY	\$0
3.	Fixed Equipment		\$0
4.	Movable Equipment		\$0
5.	Financing Costs		\$0
6.	Fair Market Value of assets acquired by lease, rent, donation, etc.		\$0
7.	Other: _____		\$0
TOTAL PROJECT COST:			\$0

B. Source of Funds			
1.	Cash		\$0
2.	State Appropriations		\$0
3.	Other Grants		\$0
4.	Fund Drive		\$0
5.	Debt		\$0
6.	Other: _____		\$0
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 22 dual certified SNF/ICF beds to 18 Acute/long-term care swing beds.

Kohala Hospital proposes to decrease its current bed total of 29 to 25 beds as average daily census ranged from 20 - 23

beds the last 5 fiscal years. 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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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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**8. IMPLEMENTATION SCHEDULE:**

Conversion of the 22 SNF/ICF beds at Kohala Hospital shall be converted to swing beds as of July 1, 2020.

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Kohala Hospital is currently licensed as both a hospital and nursing facility (License number 17-H) and 26-N respectively). Upon approval from SHPDA, the Office of Health Care Assurance shall be notified of Kohala Hospital's intent to retire our Nursing Facility license as of July 1, 2020.

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 Kohala Hospital will meet both those criteria by maintaining overall access to quality health care and accessing more Federal funding to promote sustainability of safety net services in Kohala while decreasing the demand for State monies.

**B. Need and Accessibility**

Kohala 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 North Kohala – an area of over 141 square miles. The nearest facility is located 25 miles away. Our facility has 29 beds of which 22 are certified SNF/ICF and 7 are acute/swing beds.

The community we serve is economically challenged. The average per capita income is \$22,700. 19.8% of the population have incomes below 100% of the Federal Poverty Level. 38.1% of children in Kohala live in households receiving public assistance. 23.6% of adults are obese, 7.5% are diabetic and 24.2% have high blood pressure. Key customers of Kohala Hospital are the over 65 population which makes up 17.3% 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 less challenges in 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 twenty two (22) long-term care SNF/ICF level beds are almost exclusively paid under the State Medicaid program (\$60/day per bed short of direct costs) so the federal monies from the CAH program helps to offset the financial losses in the nursing facility part of the hospital.

In 2016, a Strategic Financial and Operational Analysis Assessment was conducted by Stroudwater Associates that was funded by the Medicare FLEX program grants issued through the Hawaii Department of Primary Care and Rural Health. A recommendation from that assessment was for Kohala Hospital and Ka'u Hospital to follow the lead of many other small rural hospital around the nation and convert all the nursing facility beds to swing beds. Ka'u Hospital went through the conversion on July 1, 2018 and is now providing care for their patients who are able to be close to home that might otherwise be precluded from having visitors if they were admitted elsewhere.

By having our beds designated as swing beds, Kohala Hospital would have that same flexibility to admit more patients to the appropriate level of care when they need it. 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.

FY 18 and year to date FY19, the average daily census for Kohala Hospital's 22 SNF/ICF beds was 19 and 20 respectively. Because our rooms are semi-private and ward, Kohala Hospital is limited at times from admitting patients to a long-term care bed because their gender doesn't match that of the person sharing the room that has a vacancy. Being able to increase or decrease the number of SNF/ICF patients according to need enables Kohala Hospital to be more responsive to changes in community need.

Our intention for our existing long-term care residents to remain in our facility as they are now. Our intention is for future long-term care residents (especially if they are from the Kohala area) choose Kohala Hospital as a place where they can receive care. 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.

We will be notifying the Director of the Office of Health Care Assurance our plan and issuing a waiver upon conversion that will allow Kohala Hospital to continue to admit SNF/ICF 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.

**D. Cost and Finance**

Because of the 101% reimbursement of allowable costs for swing bed care, Kohala Hospital would gain anywhere between \$900,000 and \$1.2 million in annual net revenue which would enable our facility to invest resources needed to continue to adapt and improve 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 \$2.1 million.

**Projected Revenue and Expenses**

Year 1 Revenue	\$13,104,000	Expenses	\$12,120,000
Year 3 Revenue	\$14,808,000	Expenses	\$12,908,000

**E. Relationship to the Existing Healthcare System**

Having all of the beds in Kohala 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 relief to the problem of patients waitlisted in acute beds, particularly at larger facilities on island (such as Kona Community Hospital, Hilo Medical Center, and North Hawaii Community Hospital) as well as to those Kohala 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 other resources.