

HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: 20-07A
To be assigned by Agency

Date of Receipt: ST HLTH PLNG & DEV. AGENCY

APPLICANT PROFILE

Project Title: Addition of Five Inpatient Hospice Beds

Project Address: 1783 Piikea Street
Honolulu, Hawaii 96818

Applicant Facility/Organization: Mālama Ola Health Services LLC

Name of CEO or equivalent: Michael Duick, M.D.

Title: Executive Director

Address: PO Box 240724, Honolulu, Hawaii 96824

Phone Number: 808-543-1188 Fax Number: 808-543-1189

Contact Person for this Application: Michael Duick, M.D.

Title: Executive Director

Address: PO Box 240724, Honolulu, Hawaii 96824

Phone Number: 808-543-1188 Fax Number: 808-543-1189

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

JUNE 9, 2020

Date

Michael Duick, M.D.

Name (please type or print)

Executive Director

Title (please type or print)

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

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

20 JUN 16 P1 31

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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): Please 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.):

1. Zoning Permits

Mālama Ola's site has permitted use as a hospice home. The five inpatient hospice beds will be provided within a residential home. Per HRS §46-15.36, no conditional use, permit, variance or special exception shall be required for a residence used as a hospice home.

2. Building Permits

After receiving Certificate of Need (CON) approval, Mālama Ola will install a fire safety system complying with the 2012 edition of the National Fire Protection Association (NFPA) 101 Life Safety Code (LSC), NFPA 99 Health Care Facilities Code (HCFC) and the fire prevention program for the City and County of Honolulu. Mālama Ola will obtain plumbing and electrical permits as well as inspection and approval from the Fire Prevention Bureau.

3. Centers for Medicare & Medicaid Services (CMS) Approval

After receiving CON approval, Mālama Ola will file the appropriate documentation with CMS to recognize this additional location as a freestanding hospice inpatient unit.

C. Your governing body: list by names, titles and address/phone numbers: Please see Attachment B.

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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: Please see Attachment C, which includes Certificate of Good Standing.
- By-Laws: By-laws are not applicable for this proposal.
- Partnership Agreements: Please see Attachment D.
- Tax Key Number (project's location): (1) 9-9-065:027

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20 JUL 16 P 1:31

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					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
Hospice	0	5	5
TOTAL	0	5	5

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6. PROJECT COSTS AND SOURCES OF FUNDS

20 JUN 16 P1:32

A. List All Project Costs:

AMOUNT:

1.	Land Acquisition	ST HLTH PLNG & DEV. AGENCY	_____
2.	Construction Contract		<u>\$25,452</u>
3.	Fixed Equipment		_____
4.	Movable Equipment		<u>\$50,000</u>
5.	Financing Costs		_____
6.	Fair Market Value of assets acquired by lease, rent, donation, etc.		<u>\$1,350,000</u>
7.	Other: _____		_____

TOTAL PROJECT COST: \$1,425,452

B. Source of Funds

1.	Cash		<u>\$75,452</u>
2.	State Appropriations		_____
3.	Other Grants		_____
4.	Fund Drive		_____
5.	Debt		_____
6.	Other: Fair market value of leased premise to be paid by monthly rent		<u>\$1,350,000</u>

TOTAL SOURCE OF FUNDS: \$1,425,452

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.

This Administrative CON application is not proposing a change of service. Mālama Ola is currently certified by CMS to provide inpatient hospice services. Approval of this CON application will allow Mālama Ola to provide this needed service at our Piikea location.

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:

1. Date of site control for the proposed project: June 9, 2020.
2. Dates by which other government approvals/permits will be applied for and received: Mālama Ola will apply for and receive the appropriate permits and inspections related to the fire safety system within 9 months of CON approval. Mālama Ola will file the appropriate documentation with CMS to recognize this additional location as a freestanding hospice inpatient unit within 12 months of CON approval.
3. Dates by which financing is assured for the project: No financing is needed for the proposed project. Mālama Ola has sufficient cash flow and cash reserves to pay for the movable equipment, construction costs, monthly lease payments and ongoing operations.
4. Date construction will commence: Within 6 months of CON approval.
5. Length of construction period: Approximately 2 months.
6. Date of completion of the project: Within 9 months of CON approval.
7. Date of commencement of operation: Within 12 months of CON approval.

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.

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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.

20 JUN 16 P1:32

Mālama Ola secured a 3,636 square foot residential property in West Honolulu which was previously licensed by the Department of Health as an adult residential care home. The property was recently remodeled and will offer a tranquil, home-like setting for up to five hospice patients to receive specialized, end-of-life care from Mālama Ola's highly-trained Physicians, Nurses, Nursing Aides, Social Workers, Spiritual Counselors and Bereavement Counselors. All patient rooms will be private with ample space for family visitation 24 hours per day, 7 days per week. Additional rooms will be reserved for family conference areas, which may be used for counseling, meditation and/or prayer.

Mālama Ola believes this proposal meets the six State Health Planning and Development Agency (SHPDA) criteria in the follow ways:

1. Relationship to the State of Hawai'i Health Services and Facilities Plan.

Mālama Ola's application to increase access to needed inpatient hospice beds relates to Hawaii's Health Services and Facilities Plan (HSFP) as follows:

- (a) Supports SHPDA's stated purpose to promote accessibility for all the people of the State to quality health care services at a reasonable cost.
- (b) Supports the HSFP goal of increasing cost-effective access to necessary health care services while promoting the financial viability of the health care delivery system.
- (c) Supports the Statewide Health Coordinating Council (SHCC) priorities of promoting and supporting the long-term viability of the health care delivery system, striving for equitable access to health care services and ensuring capacity and access to a continuum of long-term care services.
- (d) Supports the Honolulu Subarea Health Planning Council (HONSAC) priorities of increasing the availability of long-term care services and other supportive services. Supports HONSAC's specific priority of increasing the availability of hospice services. Supports HONSAC's priority of controlling escalating costs in the senior care industry.

2. Need and Accessibility.

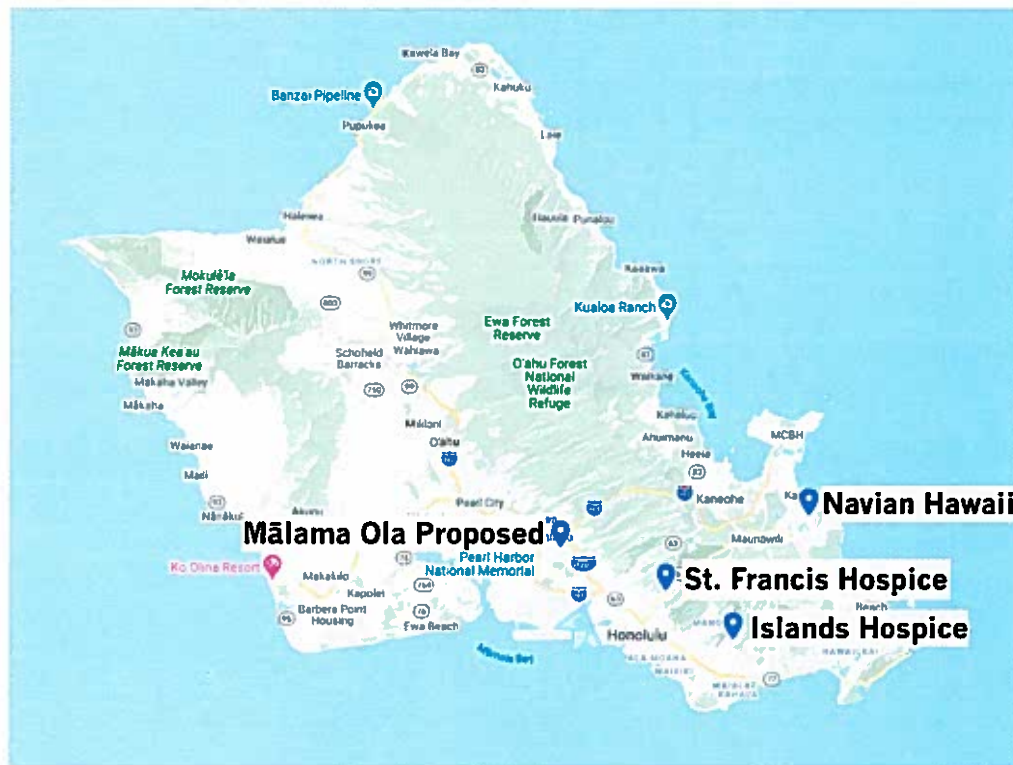
It is well known in the hospice and palliative care community that there is a pressing need for additional inpatient hospice beds on Oahu. While the overall need for hospice beds has steadily increased year over year, the total number of hospice beds on Oahu has decreased. Since 2006, SHPDA has recognized the increasing need for hospice services in Honolulu County. In November 2006, SHPDA awarded Bristol Hospice-Hawaii LLC a CON to establish hospice services; in September 2008, SHPDA awarded Ministry Research, Inc. dba Islands Hospice a Conditional CON to establish hospice services. Most recently, in October 2017, SHPDA awarded Mālama Ola a CON to establish hospice services. Despite this recognized increase in need for hospice services, Oahu's hospice inpatient bed capacity has decreased by over 50% since 2006.

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The table below summarizes Oahu's Inpatient Hospice Bed Capacity since 1988: JUN 16 P1 :32

Oahu Inpatient Hospice Bed Capacity				
Year	Hospice Bed Capacity Change	Total Hospice Beds	% Change in Oahu Hospice Bed Capacity	Location
1988	12	12		Central Honolulu
1995	5	17	41.7%	Kailua
1997	24	41	141.2%	Ewa Beach
2006	5	46	12.2%	East Honolulu
2014	-24	22	-52.2%	Ewa Beach
2020 (PROPOSED)	5	27	22.7%	West Honolulu

As demonstrated in the previous table, Mālama Ola's addition of 5 beds will increase the inpatient hospice bed capacity of Oahu by 22.7%. The approval of Mālama Ola's project will also specifically address the limited accessibility to inpatient hospice beds for residents of Leeward Oahu and the North Shore. Currently, Oahu's inpatient hospice beds are located in Central Honolulu, East Honolulu and Kailua. Mālama Ola's location in West Honolulu with easy access to the H1 will increase accessibility for these patient populations.



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Furthermore, Oahu's inpatient hospice bed capacity lags behind our neighbor islands. The hospice bed capacity per 100,000 residents of Honolulu County is only 32% of Maui County and 27% of Hawaii County. 20 JUN 16 P1 32

The following table outlines hospice beds per 100,000 residents by county:

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Inpatient Hospice Bed Capacity by County			
County	Hospice Bed Capacity	Population *	Hospice Beds per 100,000 Residents
Maui	12	167,417	7.2
Hawaii	17	201,543	8.4
Honolulu	22	974,563	2.3

* Population estimates as of July 1, 2019, United States Census Bureau.

3. Quality of Service/Care.

Since receiving CON approval to establish hospice services in 2017, Mālama Ola has met many milestones which affirm our high quality of service and care. Below are just a few highlights of how Mālama Ola meets SHPDA's Quality of Service/ Care criterion:

- (a) 2018 Accreditation through the Community Health Accreditation Partner (CHAP). In November 2018, CHAP accredited Mālama Ola's hospice operation. CHAP Accreditation reflects Mālama Ola's commitment and dedication to demonstrating a higher level of performance and quality patient care. CHAP Accredited hospice providers also demonstrate compliance with the CMS Conditions of Participation for Medicare Certification. The CHAP Standards of Excellence, which Mālama Ola meets, often exceed Medicare regulations for hospice care.
- (b) 2018 Approval from the Centers for Medicare & Medicaid. In November 2018, Mālama Ola was also recognized by CMS to provide all levels of hospice care, including inpatient hospice care.
- (c) Quality Assessment and Performance Improvement. Mālama Ola has developed and maintains an effective, ongoing, company-wide, data-driven Quality Assessment and Performance Improvement program that monitors, evaluates and improves the quality of patient care, competency of staff and regulatory compliance. Mālama Ola actively participates with Medicare performance measure initiatives.
- (d) Community Reputation. Since inception, Mālama Ola has developed an excellent reputation in the greater health care community. Physicians and other health care professionals regularly entrust Mālama Ola's staff with the care of their most frail and ill patients. In addition, all major health plans in Hawaii have credentialed and contracted with Mālama Ola to provide care to their members.

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(e) Physician-Led Operation. Mālama Ola is the only hospice program in Hawaii with day-to-day operations led by ~~20~~ ²⁰ physician with subspecialty board certification in Hospice and Palliative Medicine.

(f) Proven Track Record of Starting Successful Hospice Inpatient Units. The Executive Director of Mālama Ola has ~~started~~ ^{started} two successful hospice inpatient units, both of which remain in operation to this day (CON # 12-01A: Islands Hospice Home at 2449 10th Avenue, Honolulu, Hawaii and CON # 13-08A: Islands Hospice Home at 833 Makalii Street, Kahului, Hawaii).

4. Cost and Finances.

Many terminally ill patients on Oahu occupy expensive acute hospital beds because of unsafe home environments. The resulting inability to enact a safe discharge plan burdens our acute care system. Increasing Oahu's inpatient hospice bed capacity will decrease this burden thereby decreasing the overall costs of health services to the community.

CMS is encouraging the use of inpatient hospice care. The FY 2020 final payment rule published by CMS on August 6, 2019 decreased routine, outpatient hospice reimbursement rates in Honolulu County by 2.4%. In that same rule, CMS increased hospice respite inpatient rates by 152.1% and hospice general inpatient rates by 32.5%. Clearly, CMS sees an opportunity to control overall health care costs by rebasing hospice payment to favor inpatient levels of care.

Please see Attachment E to review Malama Ola's projected 3-year revenues and expenses. Mālama Ola expects to nearly break even at year one with positive net income in years two and three. Over the three-year span, Mālama Ola expects to contribute over \$115,000 to the State of Hawaii and County of Honolulu in General Excise Tax and provide our community with over \$150,000 in charity care.

5. Relationship to the existing health care system.

With the addition of just 5 of the 24 hospice inpatient beds that were lost in 2014, there will not be a negative impact on the health care system, including impact on other companies that operate hospice inpatient units. Mālama Ola will add these beds to a geographically underserved area and offer charity care to patients without means to pay for inpatient hospice care thereby improving the overall existing health care system on Oahu.

6. Availability of Resources.

Mālama Ola has adequate cash flow and cash reserves to pay for the movable equipment, construction costs, monthly lease payments and ongoing operations. With respect to human resources, Mālama Ola does not anticipate any difficulty hiring or retaining staff at the proposed inpatient unit. Despite minimal advertising, Mālama Ola receives a steady stream of applicants wanting to join our team.

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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.

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