



HAWAI'I STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: # 20-11A
To be assigned by Agency

Date of Receipt:
STATE HEALTH PLANNING & DEV. AGENCY

APPLICANT PROFILE

Project Title: Hospital Renovation to Accommodate Upgrades to Imaging Department

Project Address: 640 Ulukahiki Street, Kailua, Hawaii 96734

Applicant Facility/Organization: Castle Medical Center, dba Adventist Health Castle

Name of CEO or equivalent: Kathryn Raethel

Title: President/Chief Executive Officer

Address: 640 Ulukahiki Street, Kailua, Hawaii 96734

Phone Number: (808) 263-5142 Fax Number: (808) 263-5143

Contact Person for this Application: J. George Hetherington

Title: Attorney

Address: 700 Bishop Street, 15th Floor, Honolulu, HI 96813

Phone Number: (808) 523-6000 Fax Number: (808) 523-6001

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)

Date: 31 July 2020

Name (please type or print): Kathryn Raethel

Title (please type or print): President/Chief Executive Officer

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

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: X
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)

The entire project described in this application will be completed within the existing hospital building, which is already owned by Castle Medical Center.

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.)

Building Permit from City & County of Honolulu
Medicare Survey and Certification
Radiation Facility License

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

See Attachment 1

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 2
- By-Laws: See Attachment 3.
- Partnership Agreements: Not applicable
- Tax Key Number (project's location): 1-4-2-6-4

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					

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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			

6. PROJECT COSTS AND SOURCES OF FUNDS

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A. List All Project Costs:

AMOUNT:

1.	Land Acquisition	20 AUG 12 P2 58	_____
2.	Construction Contract		<u>\$6,621,078.00</u>
3.	Fixed Equipment	ST HLTH PLNG & DEV. AGENCY	_____
4.	Movable Equipment		_____
5.	Financing Costs		<u>\$ 455,300.00</u>
6.	Fair Market Value of assets acquired by lease, rent, donation, etc.		_____
7.	Other: <u>Professional Fees, Project Management Fees, IT Equipment, Signage</u>		<u>\$2,505,546.00</u>

TOTAL PROJECT COST: \$9,581,924.00

B. Source of Funds

1.	Cash	<u>\$9,581,924.00</u>
2.	State Appropriations	_____
3.	Other Grants	_____
4.	Fund Drive	_____
5.	Debt	_____
6.	Other: _____	_____

TOTAL SOURCE OF FUNDS: \$9,581,924.00

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.

Not applicable. Castle Medical Center already has certificates of need for the services for which the expansion is required.

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: Not applicable; the site is already owned by Castle Medical Center

b) Dates by which other government approvals/permits will be applied for and received:

Building Permit from City & County of Honolulu
Applied for: 5/6/2020
Received: 7/23/2020

Medicare Survey and Certification
Applied for: June 2019
Received: September 2019

Radiation Facility License:
Applied for: January 2019
Received: March 2019

c) Dates by which financing is assured for the project:

Not applicable

d) Date construction will commence: 7/6/2020

e) Length of construction period: 535 days

f) Date of completion of the project: 12/22/2021

g) Date of commencement of operation: 12/22/2021

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.

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.

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- 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.

STATE OF HAWAII
HEALTH PLANNING
& SERVICES AGENCY

EXECUTIVE SUMMARY

Castle Medical Center ("CMC") seeks approval to renovate the imaging center situated within its existing hospital building, located at 640 Ulukahiki Street, Kailua, Hawaii (hereinafter referred to as the "Proposal"). The main purpose of the renovation is to reconfigure CMC's imaging department to accommodate one (1) Modality MR: SIGNA Artist 1.50 96 Channel by GE, and one (1) Modality CT: Revolution EVO EX 128 Slice w/ASiR-V & Cardiac Package by GE. These units were purchased to replace CMC's existing magnetic resonance imaging ("MRI") and computed tomography ("CT") units with their modern day equivalent. Accordingly, CMC's purchase of these replacement units is exempt from the certificate of need requirement, as provided in Hawaii Revised Statutes § 323D-54(11), and despite references to the new equipment herein, the cost associated with such equipment are not included in the total project costs of the Proposal.

For the Proposal to occur without interruption to the existing CT and MRI services, a 3,845 square foot one-story building addition will be constructed adjacent to CMC's existing Imaging Department. The addition will also increase the imaging staff's efficiency and ability to implement patient safety measures. A floor plan showing the renovations involved in the Proposal is included as Attachment 4. Collectively, these updates will improve the imaging services offered by CMC and make them more easily accessible to residents both on the Windward side and throughout Oahu.

CMC is the anchor hospital service provider for Windward Oahu, with a service area extending from Waimanalo to Kewalo Bay on the North Shore. The hospital first opened its doors in 1963, and while it has been expanded from time-to-time to address the needs of the growing Windward community, much of the hospital building's original infrastructure is still in place.

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

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The Proposal does not entail the introduction or expansion of imaging services, and, therefore, the utilization thresholds set forth in the Hawaii Health Services and Facilities Plan (the "HSFP") do not need to be applied to determine whether a need in the community exists.

Regardless, CMC estimates an increase in procedures after the Proposal both because of the rising demand trend and the installation of modern equipment. At the same time, CMC expects the Proposal will advance the following general principles and priorities of the Statewide Health Coordinating Council:

- Promote and support the long-term viability of the health care delivery system;
- Ensure that any proposed services will at least maintain overall access to quality health care at a reasonable cost;
- Strive for equitable access to health care services;
- Encourage and support health education, promotion and prevention initiatives; and
- Ensure capacity and access to primary care services.

The Proposal will specifically ensure the availability of access to high quality imaging services for the residents of CMC's service area. The early detection and treatment of diseases and conditions through imaging work may prevent the onset of acute and/or chronic conditions or allow early detection, which typically results in lower overall treatment costs. By providing uninterrupted access, this proposal will encourage patients to obtain these imaging procedures and, thereby, lower health care costs associated with delayed diagnosis and treatment.

Finally, this project will promote the Windward Oahu Subarea Council's priority of ensuring adequate access to facilities of care by providing enhanced CT and MRI services needed to meet the Windward community's increasing needs for these diagnostic tools.

b) Need and Accessibility

Castle's current CT and MRI machines are both 15 years old. The expected life for such systems is 10 years. In the last 15 years, huge advancements in technology have been made. Newer systems provide better images while utilizing less radiation. Scans on newer equipment also take less time and are more comfortable for the patient. In addition, as older systems, CMC's existing MRI and CT units experience more frequent repairs than newer systems. It is becoming difficult to find parts for CMC's current systems as they have both been identified as "End of Life" by their

respective manufacturers. The replacement units will allow CMC to continue to provide imaging services to the Windward community.

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The Proposal will also allow CMC to provide additional modern imaging services, specifically due to increased capabilities in body, joint, and spine MRI. CMC will also increase its services in CT by adding the capability of performing brain perfusion and cardiac CTA. These services are often desired by CMC physicians and patients, but CMC is unable to offer them through its existing CT unit.

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As the demand for imaging services continues to rise, it is in the patients' and community's best interest to make available the best tools to satisfy the demand. This is precisely what the Proposal aims to do by expanding the hospital space to accommodate the most advanced technology available to conduct the imaging procedures.

Although the majority of CMC's patients reside in the primary service area, CMC makes its services available to all Oahu residents, including low-income individuals, racial and ethnic minorities, individuals with disabilities, and the elderly and other underserved groups. By refreshing CMC's hospital-based outpatient imaging center, access will be improved to a significant portion of this windward patient population.

The hospital in which the Proposal will be constructed is easily accessible, and has ample free, handicapped-accessible parking on the same level as the facility.

c) Quality of Service/Care

CMC has been nationally recognized for the excellence of the care it provides. This has translated to high patient satisfaction that has exceeded Hawaii's average for reported patient satisfaction. CMC's imaging center is staffed by licensed physicians, nurses and allied health professionals, who provide patient care in accordance with the hospital's written protocols, policies and procedures. Additionally, CMC's Medical Staff includes board certified specialists, who enhance the quality of care provided to CMC's imaging center patients by offering a patient-centric approach to its delivery of services.

All CMC Medical Staff members are credentialed in accordance with CMC's Medical Staff Bylaws and Rules and Regulations. CMC conducts regular performance reviews of employees which, among other purposes, are used to identify strengths, discover areas for improvement and document professional performance. The hospital conducts regular in-service training to assist its personnel in maintaining and improving their clinical skills. CMC seeks to continually assess and improve the quality of care given to its patients through the methods outlined in its written performance improvement and risk management Plan.

CMC complies with state and federal regulations for the delivery of care and the maintenance of the clinical environment. CMC is accredited by The Joint Commission, licensed by the State of Hawaii Department of Health and Medicare certified, and will continue to operate in the tradition of its mission to provide the highest quality of care.

d) Cost and Finances (include revenue/cost projections for the first and third year of operation)

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The total cost for portions of the renovation project requiring a certificate of need is estimated at \$9,581,924.00, which includes \$6,621,078.00 for construction costs, but excludes costs incurred to purchase the updated MRI and CT. CMC is owned and operated by Adventist Health, which has already approved funding for the renovation project from capital funds to which it has access. The renovation will take place totally within the footprint of the existing hospital building, and the site is owned by CMC.

First and third year revenue and cost projections for the first and third year of operations for the expanded imaging center are shown in Table 1, below.

	Projected 1st Full Year Operations	Projected 3rd Full Year Operations
Total Operating Revenue	\$1,133,210	\$1,361,831
Operating Expenses		
Salaries, Wages, Benefits	\$83,200	\$86,561
Other Expenses	\$70,891	\$351,192
Depreciation	\$263,518	\$737,214
Total Expenses	\$417,608	\$1,174,967
Net Income (Loss) from Operations	\$715,601	\$186,863
Add Back: Depreciation	\$263,518	\$737,217
Excess (Deficit) Fund from Operations	\$979,119	\$924,078

The expansion project is expected to have minimal impact on operating expenses or revenues for other hospital departments.

e) Relationship to the existing health care system

The Proposal is needed to expand CMC's ability to deliver imaging services in order to meet rising demand and maintain the high quality of service expected by CMC patients.

Because the Proposal is intended to serve patients within CMC's existing service area, which is too distant from other hospitals to be served effectively by them, the project is expected to have little, if any, impact on other providers.

f) Availability of Resources.

There are no financial obstacles to the project. Adventist Health has already approved funding for the renovation from capital funds to which it has access. The site of the hospital building is already owned by CMC.

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As this is a replacement project and no additional equipment is being added, no additional staff will be needed.

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9. **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.

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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.