



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: # 21-28A Date of Receipt:
To be assigned by Agency

APPLICANT PROFILE

Project Title: Establishment of Home Health Agency Services

Project Address: 1150 S King Street Suite 404
Honolulu, Hawaii 96813

Applicant Facility/Organization: Kahua Home Health Services, Inc.

Name of CEO or equivalent: Kara Gomes, RN, BSN

Title: CEO/Administrator

Address: 1150 S King St. Ste. 404, Honolulu, HI 96813

Phone Number: (808) 600-5500 Fax Number: (808) 207-0282

Contact Person for this Application: Kara Gomes, RN, BSN

Title: CEO/Administrator

Address: 1150 S King St Ste 404, Honolulu, HI 96813

Phone Number: (808) 397-7818 Fax Number: (808) 207-0282

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.

DocuSigned by:

Signature

11/15/2021
Date

Kara Gomes, RN, BSN
Name (please type or print)

CEO/Administrator
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 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: X
- Windward O`ahu: X
- West O`ahu: X
- 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):

Site will be leased from Standard Commercial LLC – See Attachment A: Letter of Intent

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.):

General Excise Tax Certificate, State of Hawaii Department of Health Licensure, Medicare Certification - See Attachment B: Permits and Approvals

C. Your governing body: list by names, titles and address/phone numbers: **See Attachment C: Governing Body**

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 D**
- By-Laws – **See Attachment E**
- Partnership Agreements – Not Applicable
- Tax Key Number (project's location) - # **240030030002**

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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				X	
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
N/A			
TOTAL			

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6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All Project Costs:

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AMOUNT:

- | | | |
|----|--|-----------------|
| 1. | Land Acquisition | _____ |
| 2. | Construction Contract | _____ |
| 3. | Fixed Equipment | _____ |
| 4. | Movable Equipment | <u>\$10,000</u> |
| 5. | Financing Costs | _____ |
| 6. | Fair Market Value of assets acquired by
lease, rent, donation, etc. | _____ |
| 7. | Other: <u>Office Leased from Standard Commercial, LLC</u> | <u>\$31,200</u> |

TOTAL PROJECT COST: \$41,200

B. Source of Funds

- | | | |
|----|---|-----------------|
| 1. | Cash | <u>\$10,000</u> |
| 2. | State Appropriations | _____ |
| 3. | Other Grants | _____ |
| 4. | Fund Drive | _____ |
| 5. | Debt | _____ |
| 6. | Other: <u>Fair Market Value of Leased Premises to be paid by monthly rent</u> | <u>\$31,200</u> |

TOTAL SOURCE OF FUNDS: \$41,200

7. **CHANGE OF SERVICE:** If you are proposing a change of 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.

Establishment of a new Home Health Agency to provide home health services to adult and pediatric homebound residents of Oahu - Section 11-186-5 - Standard categories of health care services (3) Non-Bed Service (G) Home Health Agency

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:
April 27, 2021
 - b) Dates by which other government approvals/permits will be applied for and received:
Estimated January 15, 2022
 - c) Dates by which financing is assured for the project:
N/A
 - 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
Upon Medicare certification

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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Executive Summary

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Kahua Home Health Services, Inc. ("KHHS"), based in Honolulu, Hawaii, proposes to offer a unique combination of premier home health care, rehabilitation, and support services to Oahu's adult and pediatric homebound residents (the "Proposal"). KHHS's initial office will be located at 1150 S. King Street, Suite 404, Honolulu, Hawaii 96813.

KHHS's primary objective is to enhance the provider choices for Oahu's aging population and those afflicted by chronic disease through safely assessing and managing chronic health care conditions that affect quality of life. Due to technological advances, other market factors and personal choices, more individuals requiring care are opting to stay in their own homes longer or return to their homes following an institutional stay (rather than being discharged to a nursing home). KHHS will cater to a mix of Medicare, Medicaid, commercial health plan, and private pay clients referred from physicians, health care facilities, and other health care professionals based on Oahu. KHHS will employ and contract with qualified health care providers to offer personal care, skilled nursing, rehabilitation, speech therapy, wound care, IV therapy, disease management, social and companion care services (collectively, "Home Health Services") in the comfort of clients' homes—with the goal of preventing them from having to return to the hospital. In addition, certain private pay services such as chore services, house sitting, and elder sitting services (collectively, "Support Services") will be available independently or as an add-on option to give primary caregivers much needed respite.

KHHS notes that the establishment of Support Services is not contemplated by any of the standard categories of health care services set forth in HAR § 11-186-5. Accordingly, despite references to such Support Services herein, KHHS's offering of these such Support Services is not subject to the certificate of need requirements. Prior to SHPDA's approval of this CON application and obtaining any necessary licensure, KHHS will provide only Support Services.

KHHS intends to demonstrate its long-term commitment to delivering high quality care to Oahu residents at a reasonable cost by establishing strong relationships with physicians and other health care providers in Oahu's medical community, facilitating ongoing discussions with Oahu's elder community to ensure their needs and wants are met; and investing heavily in the development of technologies aimed to decrease the overall cost of health care services.

A) Relationship to the State of Hawaii Health Services and Facilities Plan

Threshold utilization levels for home health care and community-based social services are not directly addressed in Chapter 2 of the Hawaii Health Services and Facilities Plan ("HSFP"). However, its absence from Chapter 2 does not equate to a lack of a need for additional Home Health Services in Hawaii. Rather, the function of Home Health Services as an integral supportive layer makes it a prime candidate to assist in

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combating rising health care costs in the state. The use of facility-based services tends to increase health care costs and spending. With its focus on minorities and individuals that may not be aware of the option or benefit of Home Health Services, KHHS would encourage those clients who would otherwise seek institutionalized care to consider remaining at home, where appropriate.

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This increase in awareness and accessibility among underserved communities will help to advance the Statewide Health Coordinating Council ("SHCC") priorities of ensuring that the Proposal will:

1. Promote and support the long-term viability of the health care delivery system.
2. Expand and retain the health care workforce to enable access to the appropriate level of care at a reasonable cost.
3. Strive for equitable access to health care services (i.e., remove financial barriers).
4. Encourage and support health education, promotion, and prevention initiatives.
5. Expand awareness of available human, financial, programmatic resources.

The proposal will also advance several Honolulu Subarea Council priorities by:

1. Increasing the availability of:
 - Long-term care services, including home and community-based services.
 - Supportive services that help maintain quality of life, including transportation, nutrition, and social support for independent living.
2. Identifying and addressing workforce shortages in the health care industry with particular emphasis on senior care.
3. Controlling escalating costs in the senior care industry and other needed services. For example, by reducing the need for institutionalized care.

Finally, the proposal will advance a number of West Oahu Subarea Council Priorities by directly and indirectly improving and increasing access to the following services:

- Acute care
- Routine outpatient diagnostic services (i.e., blood pressure, urinalysis)
- Geriatric services (home and community based) to keep older adults out of institutions
- Nursing home beds
- Services for uninsured and underinsured

KHHS will position itself to align with hospitals' post-acute strategies, intended to reduce the length of hospital stays and chance of readmission, by providing quality home health and rehabilitation services to homebound clients in the privacy of their home. These services will also include routine diagnostic services (i.e., lab draws, vitals). Offering an extensive package of services will allow long-term care facilities and hospitals to keep

their beds open for patients with a higher acuity or, for long-term care facilities, to accept patients who don't have family support or are unhoused.

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B) Need and Accessibility

There are a number of very specific driving forces present nationwide fueling an expected increase in demand for the type of Home Health Services offered by the Proposal. First, the population is rapidly aging. Second, Americans are living healthier and longer lives (with life expectancy now exceeding 75 years). Third, the cost of institutional health care is rising at the same time the pace of the Medicare Trust's depletion (a major source of funding for such services) is a reality.

New arrangements and alternative care delivery systems can help to overcome these challenges by offering cost-effective and sustainable solutions. Home health care agencies have the potential to play a large role in this movement as home health care is far less expensive than inpatient and long term care options. In addition, home health care agencies are uniquely positioned to prevent re-hospitalization, identified as the single most devastating force of massive health care cost overruns.

Given the expected rise in demand for Home Health Services and Support Services (explained in more detail below) it is critical for home health agencies to act now to establish themselves in a way that will allow them to function in a proactive manner as the industry evolves.

The target area for the Proposal is the Island of Oahu, which is home to nearly one million residents. Within Oahu, KHHS will emphasize their focus on catering to clients residing in West Oahu, the North Shore, and Waimanalo. Access to health care services can be difficult for residents without reliable transportation given the sprawling configuration of Oahu's homes and its numerous traffic issues. KHHS is all too familiar with the life threatening effects that lack of transportation and mobility (which prevent access to routine wound care) can have on people—including emergency room visits, hospital admissions, and amputations. Therefore, home-based services offer relief to both clients and their families, especially for those with work obligations or that often take public transportation, and ultimately results in cost savings to the health care system and improved quality of life for clients.

KHHS will deliver comprehensive Home Health Services to its adult and pediatric clients, including:

- Skilled Nursing
- Physical Therapy
- Occupational Therapy
- Speech Therapy
- Home Health Aide
- Medical Social Services
- Wound Care and Assessment (working directly with podiatrist/vascular surgeon)

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- Pain Management
- Coordination of Social Services

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By nature, Home Health Services and Support Services are more frequently utilized by older individuals as their mobility and ability to live independently decreases. Like it is throughout the nation, population aging is a prominent feature of the Hawaii's population trends. The share of the elderly population age 65 years and older has increased annually by an average of 3.3%—increasing from 7.9% in 1980 to 17.1% in 2016. The State of Hawaii has seen negative growth in its total population numbers since 2017; however, the state's 65 and older population continued to grow during these years. By 2045, the share of Hawaii's 65 and older population is projected to increase to 23.8%, while the share of the other age groups will diminish over time.¹²

Taking it one step further, aging within Hawaii's elderly population will also happen in the coming years. The result will be rapid growth in the population group aged 75 years and over. In 2016, more than half the age 65 and over population was in the 65 - 74 age range while 15.6% was 85 and over. By 2045, 65 and over individuals will make up about 38.4% of the total elderly population, while the share of 85 and over individuals is projected to increase to 27.4%. As a greater proportion of the population falls into these oldest age ranges, it is inevitable that a greater proportion of the population will be sicker and require the type of home health care offered by the Proposal. Based on this data, KHHS expects the senior population numbers to remain high over the coming years.

In addition to the growing elderly population, CMS data shows that Hawaii is the state with the lowest rate of utilization for Home Health services in the nation. Per a 2019 CMS report on utilization among Medicare home health agencies, Hawaii is far below the 8.6% nationwide average rate of utilization for Home Health Services—with Hawaii's utilization rate being only 2.7%.³

Similarly, the breakdown of 2018 figures for Home Health Services indicates that 82 out of every 1,000 Medicare enrollees receive Home Health Services on average nationwide. For Hawaii, however, the number of persons who received Home Health Services out of every 1,000 Medicare enrollees was only 26 during that same year. When viewed alongside the Home Health Services utilization rates of states with comparable populations (see Table 1, below), it is clear that Hawaii is well below the utilization standard and that Hawaii's population—which is the fastest aging and has the longest life expectancy of all the states—has both an immediate and projected need for additional home health agencies.

¹ https://files.hawaii.gov/dbedt/economic/data_reports/2045-long-range-forecast/2045-long-range-forecast.pdf

² <https://census.hawaii.gov/wp-content/uploads/2020/06/Hawaii-Population-Characteristics-2019.pdf>

³ <https://www.cms.gov/files/document/2019cpsmdcrhha3.pdf>

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STATE PLAN
& REV. FIGURE

<u>State</u>	<u>Total Original Medicare Enrollees</u>	<u>Total Persons Served in Thousands</u>	<u>Persons Served per 1,000 Enrollees</u>	<u>Home Health Visits per 1,000 Enrollees</u>
Hawaii (pop. 1.421m)	145,473	3	26	491
Idaho (pop. 1.751m)	216,838	14	66	2,331
Maine (pop. 1.339m)	226,452	18	80	1,976
New Hampshire (pop. 1.353m)	251,956	22	85	2,130
Rhode Island (pop. 1.058m)	120,693	12	98	2,856

Furthermore, consistent with the low number of patients served, column 5 of Table 1 also shows Hawaii at the very bottom of the list for the number of Home Health Services visits provided per 1,000 enrollees (with 491 visits, compared to the national average of 2,543 visits).

The National Center for Health Statistics has published data showing that about half of the home health agencies in existence in 2015 discharged 100 clients or fewer annually.⁴ With only 14 home health care agencies on Oahu, there remains relatively few home health agency providers compared to the number of potential individuals on Oahu that could benefit from Home Health Services. Furthermore, of these 14, only six are Medicare certified only one of these six has a Medicare star rating above 3.5.⁵

Oahu's total population is currently 974,563. Of this amount, 177,856 are seniors age 65 and older. Assuming conservatively that the six Medicare-certified home health agencies currently operating on Oahu discharged about 150 clients and the rest discharged about 75, this would reach a total of 1,500 clients annually—or less than 1% of Oahu's senior population. The limited number of home health agencies in a densely populated market like Oahu can lead to bottlenecks and roadblocks at periods of especially high volumes. The establishment of an additional home health agency for the benefit of Oahu's aging residents would ensure against such difficulties and create more flexibility and resilience in the system.

⁴ https://www.cdc.gov/nchs/data/series/sr_03/sr03_43-508.pdf

⁵ www.medicare.gov

At the same time as it works to meet the needs of Oahu's older residents, KHHS will also focus on its core competency of maintaining and managing chronic illness for pediatric patients. This includes tasks such as g-tube, IV/PICC line medications, dressing changes, patient education for chronic illnesses (i.e., continuous insulin pumps, continuous glucose monitoring), blood draws, and IV insertion for medications.

To truly meet the demand for Home Health Services in a culturally diverse state like Hawaii, the supply of Home Health Services also needs to be accessible to individuals from a broad range of socioeconomic backgrounds. KHHS will be available to all residents of Oahu and, in particular, the elderly, low-income persons, racial and ethnic minorities, women, children, persons with disabilities, and other underserved groups. Importantly, KHHS will conduct specific outreach to underserved communities that typically may not be aware of the benefits of home health care and the various financial options available to pay for such services.

Demand for Home Health Services and Support Services is already high in the state and, based on aging population projections, KHHS expects both to continue to be in demand for at least the next 30-40 years. Adult children will continue to serve in primary caregiver roles for their aging parents to honor their parents' desire to remain at home, while at the same time continuing to raise their own children and grandchildren. The burden on these caregivers can be overwhelming, and it is not uncommon for an aging parent who needs help with regular activities of daily living to have too many assets to qualify for state subsidized services. This is where the private pay Support Services offered by the Proposal will come into play.

The COVID-19 pandemic has only highlighted the importance of Home Health Services to the system. Looking at Medicare enrollees specifically, 35% attributed delays in health care with wanting to avoid the hospital setting all-together, while 81% of physicians surveyed (up from 54% pre-pandemic), who are responsible for discharge, stated they now prefer to refer patients to a home health agency versus a skilled nursing facility.⁶

Overall, KHHS expects the need for services that allow clients to remain in their home during periods of illness will continue to grow in the coming years and KHHS believes that the Proposal will help ensure that there is sufficient supply to meet this rising demand.

C. Quality and Service/Care

KHHS will comply with all Federal and State guidelines and certification requirements to achieve and maintain a CMS star rating of 4 or higher. A copy of KHHS's Quality Assurance Performance Improvement Program manual is attached as Attachment F.

⁶ <https://www.forbes.com/sites/sethjoseph/2020/08/05/home-health-care-is-a-bright-light-during-covid-19-with-an-even-brighter-future/?sh=50f77f601389>

KHHS staff consists of three highly skilled registered nurses with BSNs, a medical director, and one office manager who will function as a receptionist and perform other duties until KHHS receives its Medicare certification and is fully ramped up. One of its RNs will be the administrator and the other will be its DPCS (DON). KHHS will hire one HHA until Medicare certification, but all three RNs will provide initial services until Medicare certification. KHHS will contract with a local rehab to provide PT/OT/ST. KHHS also has one person to handle business development and has many years of experience consulting and assisting in the operations of several five-star home health agencies on the mainland.

All KHHS staff will be appropriately licensed, certified, knowledgeable and experienced in their respective realm of expertise (e.g., post-operative, acute, neonatal, post-partum, pediatric care, emergency medicine, IV infusion, lactation/breastfeeding, feeding difficulties in newborns, and wound care dressing changes and assessment). Staff will be expected to remain current with licenses and certifications, including completing any continuing education requirements imposed as a condition of their licensure.

KHHS understands that growth can mean loss of quality control in an industry like home health care, which can lead to client dissatisfaction. KHHS will strive for excellence as a reliable provider for its clients, regardless of who is performing the service. KHHS will therefore purposely limit the scope of its services initially, to focus its immediate attention on perfecting the quality of its most important offerings. Only once those services are well-established will KHHS consider expanding its service base.

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

KHHS projects its annual census for the first year to be a conservative average of 10-20 clients a month. Beginning in June 2021, KHHS anticipates repeat referrals to drive modest, but consistent increases in client numbers each month thereafter.

	<u>Year 1 (cost projection)</u>	<u>Year 3 (cost projection)</u>
Office Space Lease	\$31,200	\$33,100
Operating Costs	\$6,000	\$8,000
Staff and Benefits	<u>\$80,000</u>	<u>\$240,000</u>
Total Projected Cost	<u>\$117,200</u>	<u>\$281,000</u>
Referral Revenue	\$200,000	\$600,000
Net Income	<u>\$82,800</u>	<u>\$319,000</u>

E. Relationship to Existing Health Care System

Quality Home Health Services offers a major cost-savings to hospitals, health plans, Medicare, and state sponsored programs. A competent home health agency allows hospitals to discharge patients from the acute setting to post-acute services at the right

time, without having to wait for a LTCF bed to open up. This reduces the overall length of the hospital stay and quality Home Health Services will prevent hospital readmissions.

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The Proposal will fill a gap in the health care system by making Home Health Services accessible to groups who currently underutilize such available services. KHHS will specifically execute outreach initiatives to raise general awareness and accessibility regarding Home Health Services among underserved minority groups. In addition, it will train its staff to deliver culturally sensitive and quality service to the client, based on each client's unique needs.

The Proposal will improve the availability and accessibility of health care in the community because KHHS will focus on those market segments in which the use of Home Health Services and Support Services as a viable means of receiving care is currently lacking, such as within underserved populations that may not understand the benefits or true costs associated with home health care. KHHS will strive to establish a reputation in the community for working with clients and their families to understand and manage any limitations that may make the delivery of Home Health Services difficult.

KHHS understands that an individual's need for Home Health Services may be intermittent as clients develop medical problems and then stabilize. However, KHHS anticipates falls and fall prevention to continue to dominate the market. KHHS also plans to collaborate with clients' physicians to incorporate disease management into its services in an effort to help control rising health care costs. With these specific items in mind, KHHS will be prepared to adjust its operations to meet the exact needs of the Oahu's residents.

F. Availability of Resources

KHHS has sufficient financial resources to develop and sustain the Proposal, including the resources needed to maintain operations until it receives Medicare certification and beyond, if necessary. KHHS's goal is to employ competent, caring, and well-trained individuals who are responsive to the needs of clients, their families, and the communities on Oahu.

KHHS is confident that it will be able to attract a sufficient number of qualified applicants to staff its operations once it receives Medicare certification. KHHS's current staffing consists of three RN BSNs, a medical director, and a reception/office manager. It plans to hire per-diem RNs, LPNs, and HHAs through staffing websites (i.e., Indeed, Craigslist), recruiters, and job/health fairs. The number of these staff members will be dependent on the initial referrals received after Medicare certification. KHHS will seek to recruit and develop a diverse staff of individuals with skill levels appropriate to the functions they will perform. Recruitment will rely upon the standard mechanisms of print and internet advertising, use of agencies and contacts with professional schools.

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KHHS will extensively vet each staff member as to character, competence, education, experience, and their satisfaction of any licensure requirements needed to provide particular services. Once hired, staff members will be trained and oriented and will work under direct supervision during their initial period of employment. The length of direct supervision is related to their existing level of experience and the judgment of their supervisors. KHHS will offer competitive compensation, in-service training, professional development opportunities (including continuing education), an inviting work environment, mentorship, support, and knowledgeable trustworthy management. The main objective is to empower and incentivize staff to work together to execute the objectives that KHHS has articulated herein.

KHHS also aims to form relationships with existing home health care agencies to develop a safety net in anticipation of times with especially high demand. Home health care agencies typically shy away from competitors as a referral source due to fear that competitors will learn internal business "secrets," but KHHS believes the industry has changed such that the collective goal among home health care agencies is truly to provide high quality care for all clients. Collaboration within the industry also has the benefit of alleviating some typical staffing problems.

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.