



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: # 22-01A Date of Receipt:
To be assigned by Agency

APPLICANT PROFILE

Project Title: Renovation & Addition of Emergency Department Critical Decision Unit

Project Address: 221 Mahalani Street
Wailuku, HI 96793

Applicant Facility/Organization: Maui Health System, A Kaiser Foundation Hospitals LLC

Name of CEO or equivalent: Michael A. Rembis

Title: Chief Executive Officer

Address: 221 Mahalani Street, Wailuku, HI 96793

Phone Number: 808-244-9056 Fax Number: N/A

Contact Person for this Application: James A. Diegel

Title: Chief Strategy Officer

Address: 221 Mahalani Street, Wailuku, HI 96793

Phone Number: 808-442-5103 Fax Number: N/A

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 Signature]

Joyce M. Tamori

Name (please type or print)

Date: 3/9/22

Chief Financial Officer

Title (please type or print)

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

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Public _____
Private X
Non-profit X
For-profit _____
Individual _____
Corporation _____
Partnership _____
Limited Liability Corporation (LLC) X
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: X
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, to be located within existing hospital*

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.)

- *Hawaii Health Systems Corporation building permit exemption – Maui County, Development Services Administration*
- *Fire Marshall's Approval – Maui County, Fire Prevention Bureau*
- *Disability and Communication Access Board (DCAB) Approval – State of HI Dept of Health*

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

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 B*
- By-Laws – *See Attachment C*
- Partnership Agreements – *N/A*
- Tax Key Number (project's location) – *Parcel Number 380460130000*

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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 & Beds	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	N/A	N/A	N/A
TOTAL			

6. PROJECT COSTS AND SOURCES OF FUNDS

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A. List All Project Costs:

AMOUNT:

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1.	Land Acquisition	
2.	Construction Contract	<u>\$ 4,000,000</u>
3.	Fixed Equipment	<u>\$ DEV. AGENCY</u>
4.	Movable Equipment	<u>\$ 500,000</u>
5.	Financing Costs	<u> </u>
6.	Fair Market Value of assets acquired by lease, rent, donation, etc.	<u> </u>
7.	Other: <u>Information Technology</u>	<u>\$ 400,000</u>

TOTAL PROJECT COST: \$ 4,900,000

B. Source of Funds

1.	Cash	<u> </u>
2.	State Appropriations	<u> </u>
3.	Other Grants	<u> </u>
4.	Fund Drive	<u> </u>
5.	Debt	<u> </u>
6.	Other: <u>Donation by Maui Health Foundation</u>	<u>\$ 4,900,000</u>

TOTAL SOURCE OF FUNDS: \$ 4,900,000

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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.

N/A

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, *N/A, project site is in the existing location of MMMC.*
- b) Dates by which other government approvals/permits will be applied for and received, *June – Sept 2022*
- c) Dates by which financing is assured for the project, *Financing is immediately available.*
- d) Date construction will commence, *October 2022*
- e) Length of construction period, *12 Months*
- f) Date of completion of the project, *September 30, 2023*
- g) Date of commencement of operation, *October 2023*

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.

Executive Summary

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Maui Health requests approval from the State Health Planning and Development Agency (SHPDA) to renovate for the addition of a Critical Decision Unit (CDU) in the existing Maui Memorial Medical Center (MMMC) Emergency Department (ED) located at 221 Mahalani Street, Wailuku, HI 96793. This new CDU, also referred to as an observation unit, supports Maui Health's ongoing effort to improve patient access and provide safe, high-quality care. The estimated cost of the proposed project is \$4,900,000.

A. Relationship to the State of Hawai'i Health Services and Facilities Plan (HSFP)

The proposed CDU supports and aligns with the priorities and objectives of the Statewide Health Coordinating Council (SHCC) General Principles including:

1. Promote and support the long-term viability of the health care delivery system
3. Ensure that any proposed service will at least maintain overall access to quality health care at a reasonable cost
4. Strive for equitable access to health care services (i.e., remove financial barriers, increase availability of physicians)

This proposal supports the following Specific Health Area of Concern of the SHCC:

2. Establish a statewide emergency and trauma system

The proposal is also consistent with the following priority of the Maui County Tri-Isle Subarea Health Planning Council to "modernize facilities via construction, reconstructions and/or replacement."

MMMC expects the following benefits with the addition of the CDU:

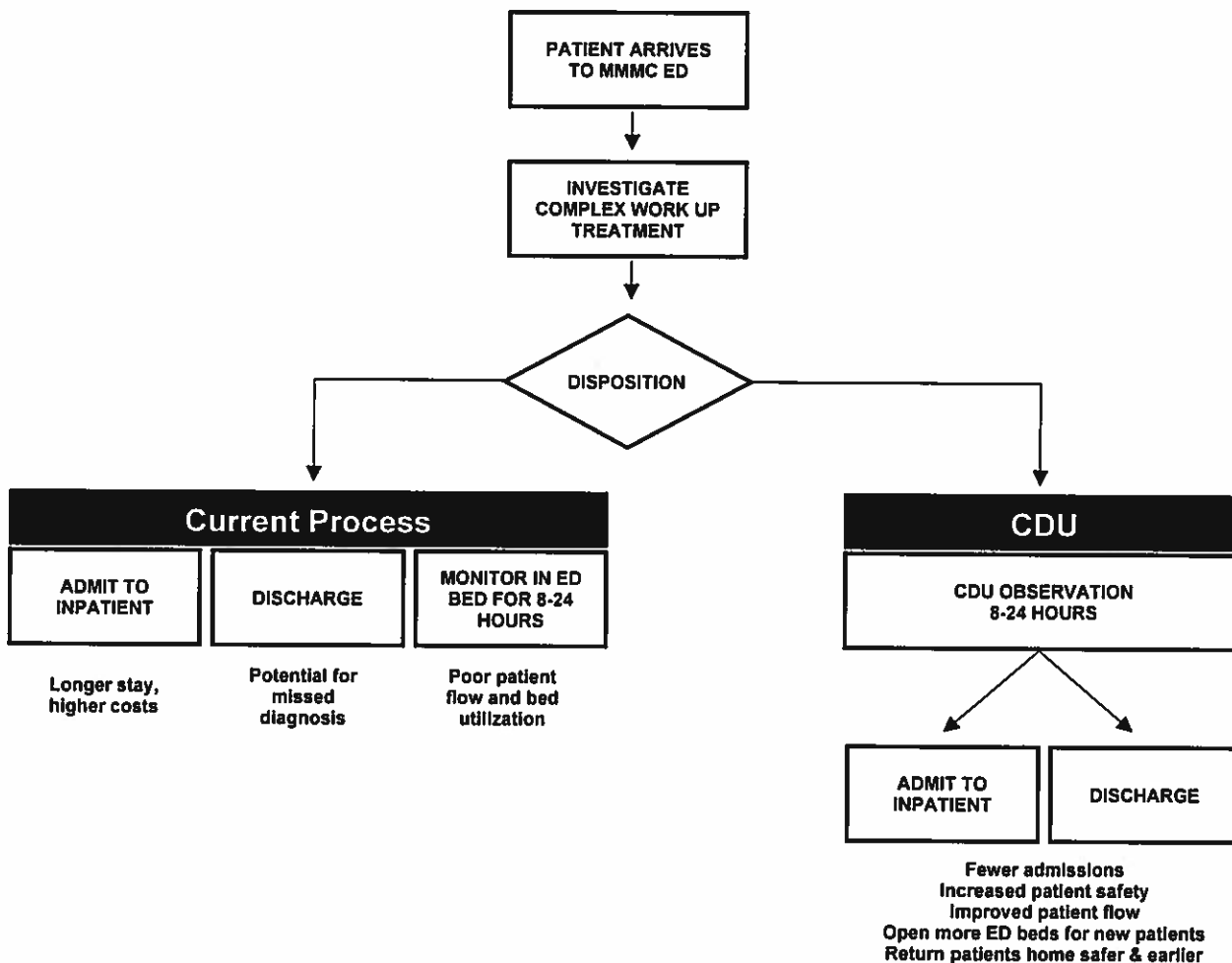
- Reduced number of unnecessary hospitalizations and readmissions
- Improved ED and inpatient bed utilization to better conserve MMMC's resources and associated costs
- Increased patient safety and focused patient care through evidence-based, standardized treatment methods
- Decreased wait times and length of stay for patients at the MMMC ED further optimizing Maui's emergency and trauma system
- Help patients return home safer and faster
- Decreased hospital costs resulting in less expensive bills for patients
- Increased inpatient case mix index, resulting in more efficient use of hospital resources
- Decreased insurance payment denials due to improper status placement

In the complex acute care hospital environment, inefficiency in one department can have a substantial impact on another department. Like many hospitals nationwide,

MMMC's ED faces significant capacity constraints which often lead to long wait times and higher patient-care expenses. The proposed CDU would function to increase capacity and efficiency for the ED and is considered best practice for reducing ED crowding, improving patient flow, and preventing excessive hospitalizations or unnecessary inpatient admissions.

Normally, MMMC's ED physicians must choose to keep a patient in an ED bed for observation or request the patient's admission to the hospital. The CDU provides a short-stay observation area expanding from the existing MMMC ED allowing a multidisciplinary care team of physicians and clinical professionals to monitor and evaluate patients who do not meet criteria for inpatient admission but are not well enough to go home without further observation. Within a six to 24-hour window, the MMMC care team will determine next steps and decide whether to discharge or admit the patient.

The proposed CDU will be directed by ED physicians operating under well-defined clinical guidelines to optimize processes, minimize variability, and provide specialized care in the dedicated area. The below chart compares MMMC's current ED process versus a protocol-driven CDU for an observation patient:



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A short-stay inpatient admission deemed unnecessary is costly to both the patient and the hospital. The fee for an inpatient admission is based on the single averaged diagnosis-related group (DRG) payment and costs much more than a shorter observation visit. According to the *Memorandum Report: Hospital's Use of Observation Stays and Short Inpatient Stays for Medicare Beneficiaries, OEI-02-12-00040 (July 29, 2013)* Medicare paid nearly three times more on average for a short inpatient stay compared to an observation stay.

Because the Centers for Medicare and Medicaid Services (CMS) defines observation services as outpatient care, a CDU visit generally results in a less expensive bill for the patient. Major individual components of the observation visit are paid for separately versus a larger combined DRG payment for full inpatient admission. Insurance copays, deductibles, and any additional costs will be determined by the patient's insurance policy terms for outpatient services.

The proposed CDU provides additional financial benefits to the hospital including:

- *Increased inpatient case mix index* – CMS' Case Mix Index (CMI) reflects the diversity, complexity, and severity of patient illnesses treated at a given hospital or other healthcare facility. Treating higher acuity patients increases the CMI indicating more efficient usage of resources, better service to the community, and ultimately resulting in increased hospital revenue. The CDU allows the care team to appropriately identify sicker patients that meet the required criteria for inpatient admission which will improve MMMC's case mix multiplier.
- *Decreased insurance payment denials* – Improper patient status placements trigger insurance payment denials. The hospital can eliminate the need for Medicare's Condition Code 44¹ by appropriately transferring an observation patient to the CDU for further evaluation.
- *Fewer readmit penalties* – The CDU also allows the hospital to avoid the 30-day readmission penalty if a patient presents to the ED within 30 days of an inpatient admission and can be safely treated in an observation setting.

B. Need and Accessibility

Need. The MMMC ED treated over 45,000 patients in 2014 and saw an approximately 25% increase in visits from 2009 to 2014. Table 1 shows the number of MMMC ED visits from 2018 to 2021:

¹ Condition Code 44 is a CMS code used in hospital billing to change the patient status from inpatient to observation.

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TABLE 1

	2018	2019	2020 ²	2021 ³	2022 ⁴
MMMC ED Visits	50,455	51,590	41,659	41,255	41,255

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Although the effects of the COVID-19 pandemic illustrate a decrease in the annual volume of ED visits in 2020-2021, Maui Health anticipates MMMC ED visits will return to 2018-2019 numbers within the year as government restrictions and ordinances are lifted. Maui Health projects that ED visits will continue to increase by more than 1,000 visits or 2-4% each year based on historic trends since 2014.

The community's population growth and aging society will continue to impact the increasing need for emergency and trauma services. Maui County's population increased by 6.4% over the last decade to 164,754 in 2020⁴. Apart from population growth, Maui Health must also recognize the aging of the community's residents and its effect on health care services. Maui's baby boomer population will reach the 60+ age benchmark over the next decade and the local hospitals will see a noticeable increase in the older adult age range seeking services. By 2030, The Maui County Office on Aging projects Maui's resident population over the age of 65 will account for more than 23% of the total estimated population of 189,947⁵.

The return and growth of tourism will also continue to increase Maui's need for emergency and trauma services. The *Monthly Economic Indicators* report published on November 30, 2021, by the County of Maui Office of Economic Development indicates visitor arrivals by air have bounced back and are approaching pre-pandemic numbers. Consistent with this data, the MMMC ED expects an influx in travelers seeking emergency care as tourism returns in 2022.

In response to existing and growing demand, Maui Health needs an alternative solution to optimize ED workflow, better utilize bed capacity, and help reduce unnecessary hospital admissions. As indicated in the SHPDA *Health Care Utilization Reports*, MMMC has experienced significant cost increases for Acute Care Daily Room Rates. Table 2 shows the growth in the cost for inpatient beds at MMMC from 2017 through 2020:

² Decrease of 2020-2021 ED visits reflects impact of COVID-19 pandemic including travel restrictions, mandated business closures, and stay at home ordinances.

³ Data current as of 12/10/2021.

⁴ U.S. Census Bureau

⁵ Maui County Office on Aging Four-Year Area Plan on Aging October 1, 2019 – September 30, 2023

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TABLE 2

Private Room (1 bed)	2017	2018	2019	2020	% Change from 2019 to 2020
Medical/Surgical	\$ 2,016	\$ 2,422	\$ 2,567	\$ 2,721	34.97%
Intensive Care Unit (ICU)	\$ 4,328	\$ 5,437	\$ 5,763	\$ 6,109	41.15%

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Not only are unnecessary hospitalizations costly, but Maui Health must also protect its resources as ongoing surges in COVID-19 cases threaten bed availability. The Maui community needs MMMC ready to effectively care for those who are sick—whether it be from COVID-19, trauma, stroke, heart attack, cancer or other problem.

The proposed CDU provides a designated section of the ED allowing physicians and providers to further monitor and evaluate patients who require longer observation but do not require inpatient admission. Patients seeking emergency care for chest pain, abdominal pain, dehydration, syncope, asthma, or cellulitis would benefit from CDU observation. The average CDU patient requires monitoring for less than 24 hours.

Accessibility. Maui Health is a not-for-profit organization that provides high-quality, patient-centered, affordable care to the community. Maui Health operates Maui’s only Emergency Departments, serving as the safety net provider for the island community. MMMC, Maui’s primary acute care hospital, has the second busiest emergency department in the state of Hawaii. The MMMC ED is a Hawaii State designated Level III Trauma Center for advance trauma care for major injuries and primary stroke center serving more than 50,000 patient visits per year.

The MMMC ER is the community’s lifeline to emergency care and serves all patients, regardless of patients’ health insurance coverage or ability to pay. Access to Maui Health’s community hospital services will continue to be available to all patients, racial and ethnic minorities, women, persons with disabilities, and other underserved groups.

C. Quality of Service/Care

Maui Health is affiliated with Kaiser Permanente, one of the leading healthcare providers in the United States. This partnership allows Maui Health’s hospitals to leverage Kaiser Permanente’s operational excellence and nationally recognized healthcare quality. Maui Health remains dedicated to providing safe, high-quality, and affordable care based on the latest medical research and evidence.

MMMC is licensed by the State, accredited by The Joint Commission, and certified as an Advanced Primary Stroke Center. MMMC is also recognized by the American Heart Association earning the GoldPlus Quality Achievement as well as Honor Roll recognition for stroke and heart failure care.

Maui Health has dedicated protocols to ensure compliance with all required licensure and certification requirements. The CDU staff include licensed physicians, advanced practice professionals, and nurses who will provide patient care in accordance with MMMC's written protocols, policies, and procedures. Medical Staff members are board certified healthcare practitioners and credentialed in accordance with MMMC Bylaws as well as State and Federal Accreditation Standards and Regulatory Requirements. All providers and staff will maintain their expertise through appropriate training and education requirements.

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

The proposed CDU will have minimal impact on the overall costs of health services in the community as it will be funded from a donor (Attachment D). The project's financial projections reflect a positive direct margin by Year 1. See Attachment E for the 1-Year and 3-Year revenue/cost projections.

E. Relationship to the existing health care system

MMMC is a community hospital that supports many independent physicians and medical groups. Physicians on MMMC's Medical Staff are independent providers, either as solo practitioners or part of a medical group. The hospital does not employ the physicians on MMMC's Medical Staff. Together, MMMC's physicians and hospital staff create a dedicated care team that faithfully serves the Maui community to improve the health of Maui's families, friends, neighbors, and visitors.

As Maui County's demand for emergency and trauma services continues to grow, the proposed project will strengthen capacity, increase patient access, and optimize Maui's existing healthcare system. The addition of the CDU will improve ED efficiency and provide an effective way to assess patients requiring close monitoring and help prevent unnecessary and costly hospital admissions. MMMC's multidisciplinary care team of physicians, nurse practitioners, and other clinical professionals will have the necessary, designated space to monitor and evaluate patients who do not meet criteria for inpatient admission but are not well enough to go home without further observation.

F. Availability of Resources

Donations from Maui Health Foundation will fund this project's design, construction, and equipment expenses. Maui Health has access to sufficient resources required to support, staff, and operate the proposed CDU. Additional staffing for the CDU will flex based on the number of visits and utilization. Maui Health is prepared to engage contracted or temporary staff as needed with significant patient influx.

Furthermore, as part of its "grow your own" initiative, Maui Health remains dedicated to a partnership with University of Hawaii Maui College Nursing Program and will continue to hire and train new graduates. Maui Health has hired over 100 Maui nursing students since its inception in July 2017.

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10. **Eligibility to file for Administrative Review.** This project is eligible to file for Administrative review because: (Check all applicable) & DEV. AGENCY

- 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.