

HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

RECEIVED

22 SEP -7 AM 11:27

ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: # 22-15A
To be assigned by Agency

Date of Receipt:
STATE HEALTH PLANNING & DEVELOPMENT AGENCY

APPLICANT PROFILE

Project Title: Acquisition of 32 bed SNF/ICF Facility

Project Address: 1314 Kalakaua Avenue
Honolulu, HI 96826

Applicant Facility/Organization: Hale Ola Kino by Arcadia

Name of CEO or equivalent: Suzie Schulberg

Title: President & CEO

Address: 1434 Punahou Street, Honolulu, HI 96822

Phone Number: 808-941-0941 Fax Number: 808-949-4965

Contact Person for this Application: Suzie Schulberg

Title: President & CEO

Address: 1434 Punahou Street, Honolulu, HI 96822

Phone Number: 808-941-0941 Fax Number: 808-949-4965

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.

Suzie Schulberg
Signature

8/11/22
Date

Suzie Schulberg
Name (please type or print)

President & CEO
Title (please type or print)

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: _____	_____

2. **PROJECT LOCATION INFORMATION**

A. Primary Service Area(s) of Project: (please check all applicable)

Statewide:	_____
O`ahu-wide:	_____
Honolulu:	_____x
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) **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.) **See Attachment B**
- C. Your governing body: list by names, titles and address/phone numbers **See Attachment C**
- 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 **N/A**
  - Tax Key Number (project's location) **2-4-005:020**

RECEIVED

22 AUG 11 P2:40

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 & DE V. AGENCY	Change in Beds
Inpatient Facility					
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
<b>TOTAL</b>			

**6. PROJECT COSTS AND SOURCES OF FUNDS**

**A. List All Project Costs:**

**AMOUNT:**

1.	Land Acquisition	_____
2.	Construction Contract	_____
3.	Fixed Equipment	_____
4.	Movable Equipment	_____
5.	Financing Costs	_____
6.	Fair Market Value of assets acquired by lease, rent, donation, etc.	_____
7.	Other: <u>Asset Acquisition</u>	<u>250,000</u>

**TOTAL PROJECT COST:** 250,000

**B. Source of Funds**

1.	Cash	<u>250,000</u>
2.	State Appropriations	_____
3.	Other Grants	_____
4.	Fund Drive	_____
5.	Debt	_____
6.	Other: _____	_____

**TOTAL SOURCE OF FUNDS:** 250,000

RECEIVED

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.

22 SEP -7 AM '22  
STATE PLANNING  
& DEV. 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, **8/12/22**
- b) Dates by which other government approvals/permits will be applied for and received, **11/1/22**
- 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 **11/1/22**

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. **See Attachment F**

- 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.

**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.

**RECEIVED**  
**Executive Summary: Hale Ola Kino by Arcadia**

22 AUG 11 P2:50

Hale Ola Kino by Arcadia (HOKA), which is a 501(c)(3) corporation under the Arcadia Family of Companies (AFC) umbrella, has signed an agreement to take over the operations of Hale Ola Kino (HOK), a 32-bed skilled nursing/intermediate care facility located on the second floor of One Kalakaua Senior Living (OKSL). For the past 25 years, HOK has been owned and operated by Life Care Services, LLC (LCS), the second-largest operator of senior living communities in the United States with headquarters in Iowa. LCS will be ceasing operations at HOK effective October 31, 2022, at which time AFC will take over operations.

For the past 25 years, the AFC has enjoyed a strong industry relationship with OKSL, based on our shared goals of caring for kupuna, as well as mutual respect for the quality services we both provide. When LCS indicated they would be ceasing their operations of HOK, OKSL reached out to AFC to inquire if we'd be interested in taking over operations of HOK. AFC looks forward to continuing the high standard of care that HOK residents and their families have received.

Hawaii continues to see significant growth in its 65-and-older population, with an average growth rate of approximately 3.5% annually. Yet, we continue to experience a shortage of long term care beds in Hawaii, with Wahiawa General's long term care facility being the latest to shut its doors. After conducting our due diligence review of HOK's operations, its financial standings and future projections, AFC feels this acquisition was the right thing to do. Acquiring HOK allows us to further our mission of serving kupuna by expanding our network of services, while increasing support for our existing programs, as well as enhancing our ability to recruit and retain staff.

**Background on the AFC**

AFC is comprised of nine non-profit 501(c)(3) corporations that include Arcadia, 15 Craigsides, Arcadia At Home, Arcadia Home Health Services, Arcadia Adult Day Care and Day Health Center, The Arcadia Foundation, Arcadia Elder Services, Hale Ola Kino by Arcadia and parent company Arcadia Community Services. AFC's mission is to provide senior living excellence in a gracious, compassionate and dynamic environment which meets the spiritual, physical and social needs of every resident, member and client they serve. We are also guided by our core values, guideposts and mindsets.

### CORE VALUES

Be humble, Be understanding, Be gentle, Be just, Be merciful,  
Be honest, Be peaceful, Be faithful.

### GUIDEPOSTS

Embrace our mission, vision and values.  
Manage our margin for our mission.  
Drive employee engagement.  
Deliver resident, client, member-centered quality care and service.

### MINDSETS

Focus on what's right for the resident, client or member, not what's easiest for me.  
Serve residents, clients and members as people, not tasks.  
Ask what I can do for others, not what others can do for me.  
If I see something, I say something.  
If can, can...No can say, "I can't."

#### **a. Relationship to the State of Hawaii Health Services and Facility Plan**

AFC's acquisition of the 32 beds at HOK is consistent with the goals of the State of Hawaii Health Services and Facilities Plan (HSFP).

HSFP Goals: Specifically, one of the goals of the HSFP is to "Focus on increasing cost-effective access to necessary health care services. Access is distinguished from convenience." As the HSFP indicates, the shortage of long term care beds results in a situation where "many patients needing these beds are waitlisted and often occupy acute care beds. Hospitals do not recoup the full costs for waitlisted patients." Further, in the current COVID-19 environment, long term care facilities are further challenged with staffing shortages which continue to place stress on hospitals trying to place patients in a post-acute setting. Decreasing the number of LTC beds from the current state count, by closing HOK, will not assist the HSFP in achieving its goals.

Statewide Health Coordinating Council (SHCC) Areas of Concern: A general principle of the SHCC is to "Promote and support the long-term viability of the health care delivery system" and "Ensure that any proposed service will at least maintain overall access to quality health care at a reasonable cost. A specific area of concern was to "Ensure capacity and access to a continuum of long term care services."



RECEIVED

Honolulu Subarea Council (HONSAC): A general priority of HONSAC is to "Increase the availability of long-term care service and other supportive services. Long-term care services include nursing homes, assisted living facilities, skilled nursing facilities, home and community-based services and hospice services."

STATE HEALTH & DEV. AGENCY

**b. Needs and Accessibility**

Needs

The need for HOK was established and approved by SHPDA in 1997. In 2005 an Administrative Certificate of Need (app number 05-02) was approved to change the designation of the 32 beds from SNF to SNF/ICF.

According to the State of Hawaii Data Book for 2020<sup>1</sup>, the total population for Honolulu County was 963,826, with 181,138 people aged 65 and over which represents 18.8% of Honolulu County's population.

**Table 1.30— RESIDENT POPULATION BY AGE GROUP, BY COUNTY: 2020**  
(As of July 1. Includes military personnel stationed or hospitalized in Hawaii and residents temporarily absent, exclusive visitors present. Population estimates for July 1, 2020 were created without incorporation or consideration of the 2020 Census results.)

Age group	State total	Honolulu County	City and County of Honolulu	Kauai County	Maui County <sup>1/</sup>
Total	1,407,006	203,342	863,826	71,841	167,888
Under 5 years	84,040	11,278	58,123	4,041	9,587
5 to 9 years	87,306	12,928	59,447	4,813	10,309
10 to 14 years	78,574	11,945	52,375	4,288	8,989
15 to 19 years	74,824	10,887	51,024	3,839	8,974
20 to 24 years	87,107	9,888	65,876	3,327	8,208
25 to 29 years	88,412	11,443	73,187	4,237	9,332
30 to 34 years	87,847	12,323	70,812	4,325	10,689
35 to 39 years	85,419	12,722	68,160	4,838	11,701
40 to 44 years	88,480	12,181	58,949	4,488	11,132
45 to 49 years	81,388	11,383	55,485	4,329	10,288
50 to 54 years	83,325	11,804	58,410	4,384	10,847
55 to 59 years	87,874	13,437	58,670	4,809	11,587
60 to 64 years	89,001	15,442	58,482	5,120	11,887
65 to 69 years	82,862	16,001	60,880	4,932	10,879
70 to 74 years	71,844	12,829	45,887	4,234	9,114
75 to 79 years	48,086	7,524	32,288	2,821	5,856
80 to 84 years	30,143	4,147	21,263	1,480	3,253
85 years and over	42,148	5,258	30,973	2,041	3,888
18 years and over	1,141,858	164,880	782,793	58,059	135,826
18 years and over	1,111,188	180,288	782,230	58,377	131,988
Under 18 years	295,618	43,054	201,298	15,474	38,904
18 to 64 years	838,108	114,488	581,382	41,288	89,148
65 years and over	275,080	45,797	181,138	15,308	32,847
In percent					
Under 18 years	21.0	21.2	20.9	21.5	21.4
18 to 64 years	59.4	56.3	66.3	57.2	58.0
65 years and over	19.6	22.5	18.8	21.3	18.9
Median age	40.0	43.3	38.8	47.6	42.0
Dependency ratio <sup>2/</sup>	68.3	77.8	65.8	75.0	88.4

1. continued on next page

The State of Hawaii Data Book 2020 http://info.hawaii.gov/dbedt/

<sup>1</sup> State of Hawaii, Department of Business and Economic Development, State of Hawaii Data Book (2020). "Table 1.30 – Resident Population by Age, by County: 2020," <https://files.hawaii.gov/dbedt/economic/databook/db2020/section01.pdf>

According to the State of Hawaii, Department of Business Economic Development and Tourism (DBEDT), "Population and Economic Projections for the State of Hawaii to 2045"<sup>2</sup>, population aging is one of the most prominent features of Hawaii's population trend. Increasing its size by 3.3 percent annually on average, the share of elderly population, aged 65 years and over, of Hawaii total population increased from 7.9 percent in 1980 to 17.1 percent in 2016. The fast growth in the elderly population is expected to continue until around 2030 when the age group will start to slow down its growth. By 2045, the share of elderly population is projected to increase to 23.8 percent.

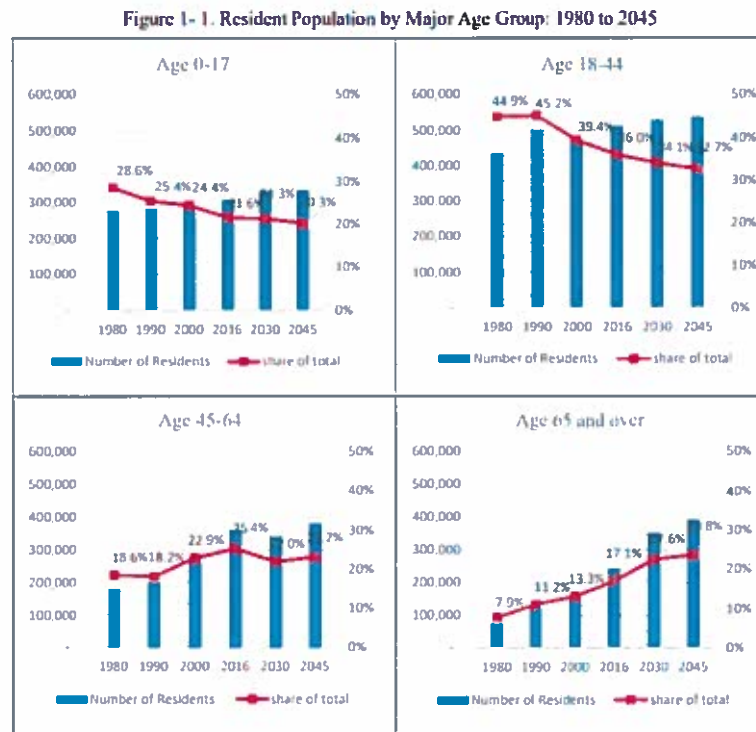


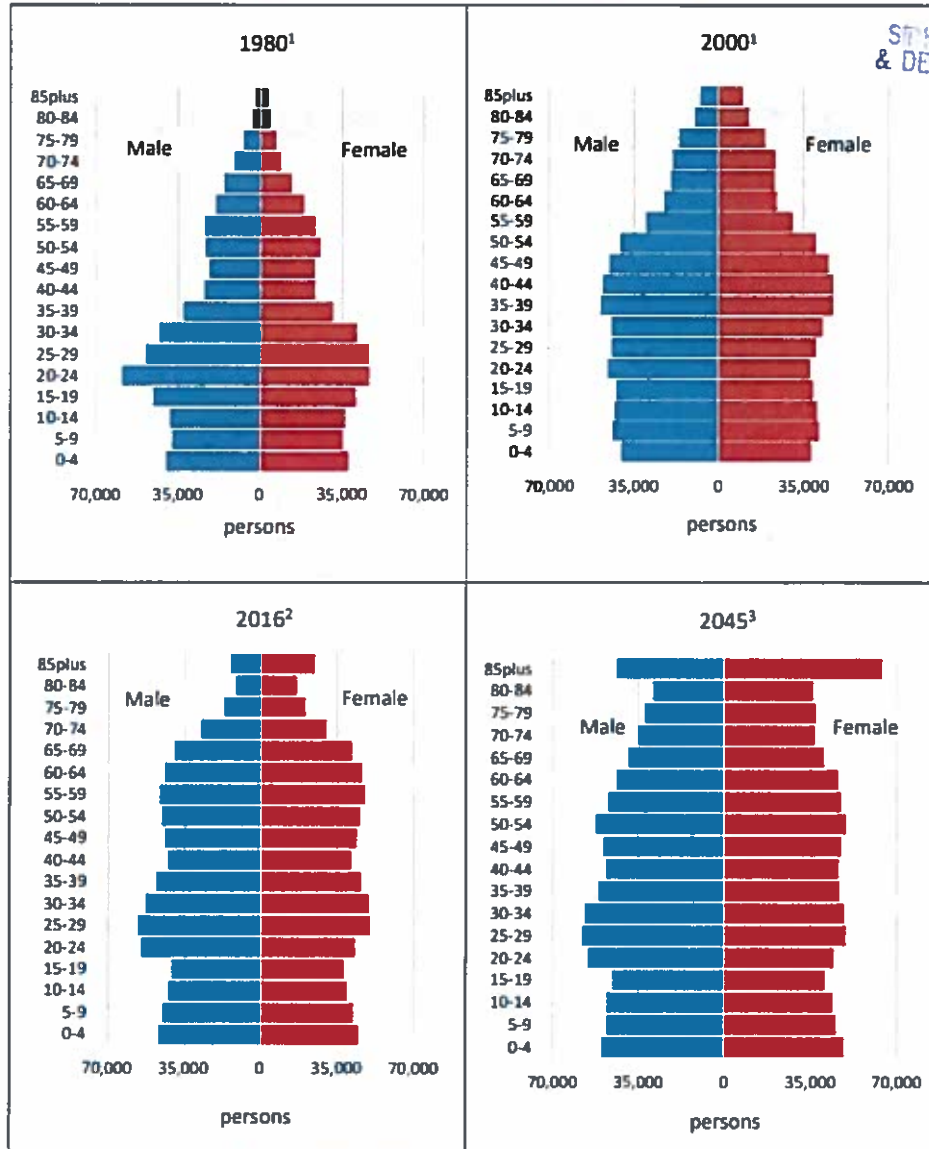
Figure 1-4, on the next page, compares age structure of the population in Hawaii from 1980 to 2045 by 5 age groups and by gender. Rapid growth is expected especially in the population group aged 75 years and over, and the aging of population will be more evident in female population. Aging within the elderly population is another phenomenon that will be clearly observed in the future years. In 2016, more than a half of the elderly population (aged 65 years and over) was in the 65-74 age range while 15.6 percent was in "85 and over". By 2045, the share of the population aged 65-74 is projected to decrease to 38.4

<sup>2</sup> State of Hawaii, Department of Business, Economic Development and Tourism (DBEDT) Population and Economic Projections for the State of Hawaii to 2045, "Figure 1-1. Resident Population by Major Age Group 1980-2045".

percent of total elderly population while the population aged 85 years and over is projected to increase its share to 27.4 percent.<sup>3</sup>

22 AUG 11 P2 50

Figure 1-4. Age Distribution of Resident Population in Hawaii: 1980 to 2045



<sup>1</sup> Source: 1980, 2000 Decennial Census, U.S. Census Bureau

<sup>2</sup> Source: Estimates by U.S. Census Bureau

<sup>3</sup> DBEDT projections

<sup>3</sup> State of Hawaii, Department of Business, Economic Development and Tourism (DBEDT) Population and Economic Projections for the State of Hawaii to 2045, "Figure 1-4. Age Distribution of Resident Population in Hawaii 1980-2045".

According to the State of Hawaii Health Services and Facilities Plan (HSFP) both Hawaii's acute care and long-term care bed supplies are lower than the national rates (Table 1).<sup>4</sup>

**TABLE 1**  
Acute Care and Long-term Care Bed Rates

	Hawaii	Rank	U.S.
Rate of Beds per 1,000 for 2006	23	n/a	27
Rate of Nursing Facility Bed per 1,000 65+, 2005	23	48	47
Nursing facility occupancy rate (%), 2005	94	2	85

*Note: Beds includes nonfederal short-term general and other special hospitals.*  
*Sources: American Hospital Association Hospital Statistics 2008*  
*AARP Public Policy Institute, "Across the States, Profiles of Long-term Care and Independent Living Hawaii 2006"*

In particular, the shortage is sharply felt in the long-term care services market (23 beds per 1,000 population ages 65 years and older versus 47 beds per 1,000), with Hawaii ranking second to the bottom (48th) in the nation (Table 1). If no long-term care beds are available, many patients needing these beds are waitlisted and often occupy acute care beds.<sup>5</sup>

According to SHPDA utilization reports for 2020, there are 4,470 licensed long term care beds in the State and 2,897 long term care beds in Honolulu County. This equates to a current ratio of 16.24 long term care beds per 1000 aged 65 and over for the State and 15.99 for Honolulu County. This is far below the national average of 47 beds per 1000 and indicated that the aging population has increased faster than the increase in long term care beds. Using the national average, there is currently a shortage of 5,616 beds in Honolulu County.

	State	Honolulu County
Current long term care beds	4,470	2,897
Population aged 65 and over	275,080	181,138
Current beds per 1000	16.24	15.99
Beds needed (at 47/100)	12,928	8,513
Shortage of long term care beds	8,458	5,616

<sup>4</sup> State of Hawaii, State Health Planning & Development Agency, [State of Hawaii Health Services and Facilities Plan, https://health.hawaii.gov/shpda/files/2013/07/shhsfp09.pdf](https://health.hawaii.gov/shpda/files/2013/07/shhsfp09.pdf)

<sup>5</sup> State of Hawaii, State Health Planning & Development Agency, [State of Hawaii Health Services and Facilities Plan, https://health.hawaii.gov/shpda/files/2013/07/shhsfp09.pdf](https://health.hawaii.gov/shpda/files/2013/07/shhsfp09.pdf)

As the aging population continues to increase, there will be a continued need for long term care beds in Hawaii.

M

RECEIVED  
22 AUG 11 P2 50

According to the SHPDA utilization reports for 2020<sup>6</sup>, Honolulu County had a long term care bed utilization of 76.19%. This indicates that Honolulu County nursing facilities are already experiencing a relatively high occupancy rate.

Accessibility

AFC intends to live by its mission, core values, guideposts and mindsets in order provide services with integrity and compassion at all times. Services will be provided regardless of income, ethnicity or disabilities. HOKA will continue to be licensed and certified to accept Medicare patients in need of skilled nursing and intermediate care.

**c. Quality of Service/Care**

HOKA will comply with all Federal and State licensure and certification requirements.

According to the Medicare Nursing Home Compare website<sup>7</sup>, AFC facilities are among the top rated facilities in the state. They have achieved an overall 5-star rating (out of a possible 5 stars).

Facility	Overall Rating	Health Inspections	Staffing	Quality Measures
15 Craigside	★★★★★	★★★★★	★★★★★	★★★★★
Arcadia	★★★★★	★★★★★	★★★★★	★★★★★

AFC will provide HOKA with the procedures, guidance and oversight necessary for it to maintain the high quality care for its residents. AFC’s corporate staff develops corporate-wide policies and procedures that are trained and implemented at each facility. Each facility, has a quality assurance process in place to continually assess and monitor care and identify improvement opportunities. We conduct semi-annual mock surveys to assist in identifying

<sup>6</sup> State of Hawaii, State Health Planning and Development Agenda, Health Care Utilization Reports (2020 Data), Table 5: Licensed Long Term Care Bed Utilization, 2020. <https://health.hawaii.gov/shpda/files/2021/10/2020UR-Table-5-Licensed-Long-Term-Care-Bed-Utilization.pdf>

<sup>7</sup> Medicare.gov, Nursing Home Compare. [https://www.medicare.gov/care-compare/?utm\\_medium=search&utm\\_source=bing&utm\\_campaign=carecompare&utm\\_content=pr-04042022\\_V26](https://www.medicare.gov/care-compare/?utm_medium=search&utm_source=bing&utm_campaign=carecompare&utm_content=pr-04042022_V26)



quality concerns, resident or family concerns and ensure that we achieve high regulatory compliance.

**d. Cost and Finances**

LCS decided to cease operations because of deficits they sustained during the pandemic. During the pandemic there was limited access and support to HOK from their LCS mainland offices. Despite the fact that LCS is the second-largest operator of senior living communities in the United States, they do not have economies of scale in Hawaii with operating only one small 32-bed facility.

**Hale Ola Kino by Arcadia  
Projection  
2022 to 2024**

	Nov to Dec 2022		2023		2024	
<b>REVENUE</b>						
HCC Room Revenue	998,797		6,198,579		6,552,949	
HCC Revenue Other	35,058	4%	216,673	3%	226,308	3%
<b>TOTAL OPERATING REVENUE</b>	<b>1,033,856</b>		<b>6,415,252</b>		<b>6,779,257</b>	
<b>EXPENSES</b>						
S&W and Related Expenses	522,298	52%	3,299,006	53%	3,686,224	55%
Consultants	13,167	1%	81,190	1%	83,442	1%
Depreciation Expense	8,333	1%	50,000	1%	50,000	1%
Food Expenses	104,195	10%	626,635	10%	661,008	10%
Insurance Expense	12,500	1%	76,500	1%	80,325	1%
Laundry & Uniform Expense	28,020	3%	176,526	3%	186,211	3%
Maintenance & Repairs	6,267	1%	38,728	1%	39,890	1%
Management Fees	10,339	1%	64,153	1%	67,793	1%
Marketing Expense	1,667	0%	10,200	0%	10,404	0%
Medical Ancillary Expense	130,635	13%	822,997	13%	868,679	13%
Office Equip & Comm Expense	9,233	1%	56,677	1%	58,464	1%
Operating Supplies	20,300	2%	127,890	2%	134,285	2%
Outside Services	12,667	1%	77,520	1%	79,070	1%
Professional Fees	29,786	3%	188,513	3%	193,565	3%
Programs	2,000	0%	12,600	0%	12,852	0%
Rent Expense	49,513	5%	298,535	5%	307,142	5%
Bad Debt	16,000	2%	97,000	2%	102,000	2%
Staff Development	10,240	1%	64,160	1%	69,783	1%
Allocations	20,000	2%	111,200	2%	62,400	1%
<b>TOTAL OPERATING EXPENSES</b>	<b>1,007,158</b>	<b>100%</b>	<b>6,280,031</b>	<b>100%</b>	<b>6,753,538</b>	<b>100%</b>
<b>OPERATING SURPLUS(DEFICIT)</b>	<b>26,698</b>		<b>135,221</b>		<b>25,719</b>	
<b>NET SURPLUS/(DEFICIT)</b>	<b>26,698</b>		<b>135,221</b>		<b>25,719</b>	

The AFC has a 55-year history as an established local, non-profit kupuna care family of companies providing an array of quality kupuna services which includes two life plan communities (independent living, assisted living and skilled nursing/intermediate care), home care and home health services, 24-hour day care and day health services, an at-home member program and a foundation. AFC has the sufficient resources to undertake this project and sustain operations.

**e. Relationship to the Existing Health Care System**

As previously mentioned, there is a need for these 32 SNF/ICF beds in Honolulu County. HOKA will work closely with hospital discharge planners and other providers to coordinate care with the goal of improving the lives of Hawaii's kupuna and providing them the best quality care and services.

Further, this proposed acquisition is not expected to have any negative effect on the existing health care system as it is a continuation of an existing service.

**f. Availability of Resources**

The proposed project will utilize existing equipment and resources on-site, including the current staff. No additional employees are required as a result of the proposed acquisition. AFC has sufficient financial resources to fund the acquisition and to provide operating capital.

