



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: # 22-25A Date of Receipt:
To be assigned by Agency

APPLICANT PROFILE

Project Title: Establishment of Medicare-Certified Island of Hawaii Home Health Agency

Project Address: 74-517 Honokohau Street Kailua Kona, HI 96740

Applicant Facility/Organization: Kaiser Foundation Health Plan, Inc.

Name of CEO or equivalent: Angel L. Vargas

Title: Vice President, Care at Home

Address: 2828 Paa Street, Honolulu, HI 96819 Care at Home Department

Phone Number: (808) 432-7734 Fax Number: (808) 432-7736

Contact Person for this Application: David Kim

Title: Agency Manager, Kaiser Permanente Care at Home, Hawaii

Address: 2828 Paa St., Honolulu, HI 96819

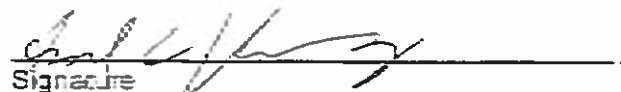
Phone Number: 808-208-4260 Fax Number: 808-432-4663

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.

Angel L. Vargas
Name (please type or print)

December 15th, 2022
Date


Signature

Vice President, Care at Home
Title

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

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- 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: _____
- Honolulu: _____
- Windward O'ahu: _____
- West O'ahu: _____
- Maui County: _____
- Kaua'i County: _____
- Hawai'i County: X

3. DOCUMENTATION (Please attach the following to your application form):

A. Site Control documentation (e.g., lease/purchase agreement, DROA agreement, letter of intent)

Not Applicable, to be located within existing building space.

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.)

Centers for Medicare & Medicaid Services (CMS) Approval and Department of Health (DOH) license. After receiving CON approval, DOH licensure and Medicare certification will be required for full implementation of this proposal. Kaiser Permanente Care at Home Hawaii will file the appropriate documentation with the Hawaii State Department of Health and CMS to recognize this additional location as a freestanding home health agency.

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 – Not Applicable
- Tax Key Number (project's location) – 7-4-008-030-0000

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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.

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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					
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. *N/A*

Type of Bed	Current Bed Total	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
TOTAL			

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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: _____

TOTAL PROJECT COST: \$0.00

B. Source of Funds

- 1. Cash _____
- 2. State Appropriations _____
- 3. Other Grants _____
- 4. Fund Drive _____
- 5. Debt _____
- 6. Other: _____

TOTAL SOURCE OF FUNDS: 0.00

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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.

Applicant is respectfully requesting approval for the establishment of Medicare-Certified Home Health Agency on the island of Hawai'i. The standard category of proposed health care service is in Section 11-186-5(3)(G).

8. **IMPLEMENTATION SCHEDULE:** Please present a projected time schedule for the completion of this project from start to finish. Include all the following items that are applicable to your project:

- a) Date of site control for the proposed project – N/A
- b) Dates by which other government approvals/permits will be applied for and received –
 - Estimated date to apply for Medicare certification: Q2 2023
- 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 – Q2 2023
- g) Date of commencement of operation – Q2 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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Kaiser Foundation Health Plan (dba "Kaiser Permanente") requests approval from the State Health Planning and Development Agency to establish a Medicare-Certified Home Health service for Kaiser Permanente members on the island of Hawaii.

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Kaiser Permanente serves its members through a unique patient-centered integrated care delivery model that combines health coverage and care delivery into one coordinated experience. Kaiser Permanente is a membership-based, prepaid, direct health care system, unlike a traditional insurance company or health system. That means Kaiser Permanente members — whether employer-sponsored or individual coverage, Medicare, or Medicaid — pay dues to access care and services coordinated across inpatient and outpatient settings, pharmacy, lab, imaging, and other ancillary services.

Kaiser Permanente's practice of integrating evidence-based health care and prepaid coverage financing drives care coordination across all settings and care teams. It enables quality outcomes by ensuring that Kaiser Permanente members receive the right care, at the right time, and in the right setting. Kaiser Permanente's integrated health system benefits its members through better care coordination and provides increased communication through interdisciplinary teams. While many other Kaiser Permanente markets already extend fully integrated health systems into the home, the island of Hawai'i does not yet have a Kaiser Permanente Home Health program to serve its members during their most vulnerable moments.

This proposal will allow Kaiser Permanente to provide needed home health and supportive care services to Kaiser Permanente members that are homebound and have skilled needs. In addition, Kaiser Permanente wholeheartedly believes that offering this home health service to its members as part of its integrated care experience will greatly benefit members. For these reasons, Kaiser Permanente's Care at Home, Hawaii Division, respectfully submits this application to the State Health Planning and Development Agency (SHPDA) to be evaluated through the Certificate of Need (CON) program.

Certificate of Need Criteria:

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

Kaiser Permanente's proposal meets the CON Criterion for relationship to the State of Hawai'i Health Services and Facilities Plan (HSFP) as follows:

1. Supports SHPDA's stated purpose to promote accessibility to all people within the state of Hawaii.
2. Supports the Hawaii County/ Hawaii Subarea Health Planning Council's priorities of expanding capacity and improving access to long-term care facilities, home, and community-based services.
3. Supports the State-wide Health Coordination Council's priorities of promoting and supporting the long-term viability of the health care delivery system by ensuring that the growing demand for cost-effective, community-based services are met by adequate supply.
4. Supports the HSFP by ensuring capacity and access to a continuum of high-quality patient-centered home and long-term care services.
5. Supports the HSFP by building a home-health program to support the current priority of patient populations:
 - Highest growth rate of resident population due to in-migration

- Highest growth rate of older adults (60+) born between 1940 and 2000
- Lowest life expectancy

6. Supports the HSFP goal of increasing cost-effective access to necessary healthcare services while promoting the financial viability of the healthcare delivery system.
7. Supports the HSFP by encouraging optimization of services by ensuring supply meets the community's needs.
8. Supports the HSFP, SHCC general principles, and HSAC priorities by addressing workforce shortages through opening training, recruitment and educational pipelines already present within Kaiser Permanente's local system, as well as its national resources.

b. Need for and Accessibility of the proposal

Kaiser Permanente's proposal meets the CON Criterion for Need for and Accessibility in the following ways:

The demand for post-acute needs on the island of Hawai'i currently cannot be met, resulting in hospitalized patients that cannot be discharged safely. In addition, these circumstances result in more extended lengths of stay, and patients are at higher risk for readmissions and missed/delayed care interventions.

Home health services are more frequently utilized by older individuals as their mobility and ability to live independently decreases. Population aging is one of the most prominent features of Hawaii's population trend. Increasing its size by 3.3% annually on average, the share of elderly population, aged 65 years and over, of Hawaii total population increased from 7.9% in 1980 to 17.1% 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%. All other age groups will also grow over the projection period, but their shares of total population will diminish over time. See page 7 at https://files.hawaii.gov/dbedt/economic/data_reports/2045-long-range-forecast/2045-long-range-forecast.pdf.

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% was in "85 and over". By 2045, the share of the population aged 65-74 is projected to decrease to 38.4% of total elderly population while the population aged 85 years and over is projected to increase its share to 27.4%. See page 9 at https://files.hawaii.gov/dbedt/economic/data_reports/2045-long-range-forecast/2045-long-range-forecast.pdf.

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 this application. Based on this data, Kaiser Permanente 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%. See <https://www.cms.gov/files/document/2019cpsmdcrhha3.pdf>. This proposal will fill a gap in the health care system by making Home Health Services accessible to groups who currently underutilize such available services.

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The need for home health services is growing. For example, based on Kaiser Permanente members' utilization of home health services for end-of-life care, there is a demonstrated need for Kaiser Permanente to be able to offer these services directly to members as part of our integrated delivery system. Over the span of the last five years, there were 135 Kaiser Permanente Hawaii members who died while on home health service. This figure has continued to increase annually since 2019 and current data projects a 60% increase in 2021-22 of Kaiser Permanente Hawaii members who will die while receiving home health services.

Neighbor Island counties are projected to have higher population growth than Honolulu County during the projection periods. The resident population of Honolulu County is projected to grow at an annual rate of 0.3 percent during the 2016 to 2045 period, while Hawaii County is projected to grow at 1.1 percent, Maui County at 0.9 percent, and Kauai County at 0.8 percent annually respectively. See page 6 at https://files.hawaii.gov/dbedt/economic/data_reports/2045-long-range-forecast/2045-long-range-forecast.pdf.

The island of Hawai'i has just two Medicare-Certified home health agencies. In 2021, Kaiser Permanente Care at Home Hawaii outsourced 453 referrals to these two external agencies.

Of the total referred, the two external home health agencies accepted and provided care to 230 patients resulting in 48% (223) of patients being at risk for staying in the hospital for a longer period.

From January to July of 2022, 53 distinct patients from the inpatient care setting could not be discharged on time due to the lack of available home health services on the island of Hawai'i. As a result, a total of 554 avoidable days were accumulated.

The current supply of Home Health providers in the County of Hawaii is as follows:

Home Health Agency	Medicare Certification Date	State of Incorporation	Business Type
Bayada Home Health	10/15/2015	Hawaii	Proprietary
Kohala Home Health care of North Hawaii Community Hospital	5/22/1990	Hawaii	Local Nonprofit

*Source: <https://medicare.gov/care-compare/>

Most of our Kaiser Permanente members are on the west side of the island of Hawai'i (Kona and Waimea). West Oahu Home Health (Kona), Kaiser Permanente's primary outsourcing agency, closed back in 2020.

If Kaiser Permanente provided a home health service on the island of Hawai'i, our members would be more likely to get the care they need, benefit from the specialized care, and have a seamless transition that a Kaiser Permanente home health program can provide.

Given this increased need and demand, Kaiser Permanente, Care at Home has explored the economic and operational viability of developing a home health program by leveraging the existing Kaiser Permanente Care at Home infrastructure. This was determined to be the best option for Kaiser Permanente members, allowing them to remain within Kaiser Permanente's integrated system and fulfill its mission to provide care from life to death.

The target population affected by this proposal includes Kaiser Permanente homebound members on the island of Hawai'i who have a skilled need for a nurse or therapist. In addition, members of all demographics to include:

- Elderly
- Low-income persons
- Racial and ethnic minorities
- Women
- Persons with disabilities
- Other underserved groups

Kaiser Permanente is not seeking as part of this proposal to expand home health services to non-members who typically would not be seeking home health services within our delivery system. However, should capacity permit, Kaiser Permanente will support community demand if needed.

c. Quality of Service/Care

Kaiser Permanente's proposal meets the CON Criterion for Quality of Service/Care in the following ways:

Providing high-quality, cost-effective health care and improving the health of the communities we serve is the mission of Kaiser Permanente. Kaiser Permanente is proactive and diligent in pursuing, maintaining, and improving quality care and service. Kaiser Permanente is accredited by The Joint Commission and the National Committee for Quality Assurance which ensures that high-quality, cost-effective care is provided in accordance with approved guidelines for all regulatory and accrediting agencies. Kaiser Permanente also participates in Quality Assurance programs, Disease Management programs and is a well-known 5 Star organization for quality. Additionally, Kaiser Permanente Care at Home, Hawaii, will go through the process for Medicare deemed status in the future.

Kaiser Permanente Home Health Care at Home, Hawaii will follow Home Health Consumer Assessment of Healthcare Providers and Systems (HCAHPS) and the Outcome and assessment Information Set (OASIS) quality guidelines, thus ensuring that members have the tools and resources that will result in improving care of patients and their families. Furthermore, Kaiser Permanente National Compliance and Internal Audits will be utilized to assess further and monitor the quality of care for home health members. Our Kaiser Permanente Care at Home regional team will provide quality oversight and ensure care is within the standards for Kaiser Permanente members. Kaiser Permanente Care at Home, Hawaii, will leverage best practices and streamline standard processes in delivering quality care from existing home health agencies under the management of Kaiser Permanente Care at Home.

The applicant will comply with the Medicare certification and licensure requirements for the provision of Medicare-certified home health agency services for the proposal including, without limitation, CMS policies, procedures and conditions of participation.

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d. Cost and Finances

Kaiser Permanente's proposal meets the CON Criterion for Cost and Finances in the following ways:

- a. Kaiser Permanente has determined that it will support the necessary funding to increase the clinical staff to ensure that our home health patients will be fully cared for. Kaiser Permanente will utilize industry standards for staffing. Support from existing Kaiser Permanente infrastructure and the benefits of bringing the Kaiser Permanente integrated care model into the home health space will allow the program to become sustainable rapidly.
- b. Kaiser Permanente already has the capital infrastructure and senior leadership in place to manage this program. Therefore, there will not be a need to expand physical space or senior leadership.
- c. We estimate that through a phased-in approach to ensure consistent admissions of 20 patients per month, Kaiser Permanente's home health program could internalize 240 patients per year, many of whom are currently not accommodated by existing home health agencies, thereby experiencing additional hospital costs.
- d. Kaiser Permanente is a comprehensive integrated health plan with an obligation to provide the right care at the right time and the right place for all our members. As an integrated health plan, "Revenue" for Kaiser represents patient premiums while "Costs" for Kaiser represent ambulatory, ancillary, hospital and home health costs.
- e. Kaiser Permanente has decided to invest in a home health agency to meet our member's needs of receiving care at home, because it is the right place for our patients to be in the continuum of care. For Kaiser Permanente, it is also more cost-effective to place patients in a home health agency on the Big Island instead of keeping patients unnecessarily in an inpatient care setting.
- f. In year 1 Kaiser Permanente Health Plan, will invest \$630,339 to cover expenses with an expectation of 3% annual increases
- g. Kaiser does not project to have any increase in net revenue from internalizing home health because patients generally will not be billed for those services on a fee for service basis. Kaiser Permanente is a prepaid health maintenance organization and receives revenues primarily from capitated member dues.

	Year 1	Year 2	Year 3
Staffing	\$567,991	\$585,030	\$602,581
Supplies	\$18,000	\$18,540	\$19,096
Other Clinical Expenses	\$44,348	\$45,678	\$47,048
TOTAL	\$630,339	\$649,248	\$668,725

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e. Relationship to the Existing Health Care System

Kaiser Permanente's proposal meets the CON Criterion for Relationship to the Existing Health Care System in the following ways:

Kaiser Permanente will provide needed home health and supportive care services to current Kaiser members on the island of Hawai'i and fulfill their need for an integrated care system. With the ability to leverage Kaiser Permanente's telehealth capabilities, existing programs, and infrastructures, the newly formed home health program will complete the integrated health system by facilitating greater care coordination and increased member access to expert medical care specifically tailored to patients and their family's needs and wishes in the comfort of their own home. Additionally, coordinating care within Kaiser Permanente's integrated health care system will make it easier for patients to maintain relationships with their primary care and specialist providers.

By providing care in the comfort of the patient's home, Kaiser Permanente will provide direct and indirect relief to Medical Centers, Emergency Rooms, and Urgent Care. Kaiser Permanente will be able to support the community's increasing need for home health care and address the current capacity constraints. Kaiser Permanente will continue to maintain and grow its community partnerships. Kaiser Permanente Care at Home will serve as an extension to the home health care currently being provided to the community. It is not Kaiser Permanente's intent to replace, but to complement, the community's existing landscape of home health providers.

f. Availability of Resources

Kaiser Permanente's proposal meets the CON Criterion for Availability of Resources in the following ways:

Kaiser Permanente has established operating funds that have been budgeted and are available for this proposed home health program. Kaiser Permanente Southern California and Hawaii combined have made substantial investments in Care at Home, with a centralized regional structure in place to oversee the program locally and with additional support from Southern California.

Kaiser Permanente will leverage Southern California and Hawaii's existing infrastructure and management structure. In addition, Kaiser Permanente has established recruiting and training pipelines locally and nationally to ensure that anyone hired into this space will successfully take care of this critical population. As a result, Kaiser Permanente does not anticipate any challenges in filling needed positions.

Kaiser Permanente has significant human resources to hire or train from within to staff the Kaiser Permanente Home Health operations. Current human resources include:

- a. Administrative / leadership
- b. RNs
- c. Physical Therapist
- d. LPNs

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All clinical positions will be held by individuals with a Hawaii license to practice in their respective professions. While Kaiser Permanente would benefit from recruiting professionals with prior experience in home health and supportive care, it recognizes that there may be a limited number of such professionals in Hawaii. Therefore, Kaiser Permanente will recruit and hire compassionate, dedicated health care professionals who wish to receive training and certification in home health. In addition, because there may be shortages in professionals with experience in home health in Hawaii, Kaiser Permanente will develop and offer extensive training to new hires to ensure the highest quality of care.

Kaiser Permanente will expand and retain the health care workforce through increased exposure and training in the home health field. This expansion and retention of the health care workforce will enable access to the appropriate level of care in a timely manner. In addition, Kaiser Permanente will actively participate in education and training in nursing. Kaiser Permanente will partner with the education providers on the island of Hawai'i to offer preceptorships and other learning opportunities in these areas. Kaiser Permanente has the financial resources and the means to recruit, train and retain the required staff to implement the proposal outlined in this application.

Kaiser Permanente requests approval of this application because it meets all CON criteria and enables Kaiser Permanente to internalize a service such as home health, which aligns with its philosophy, history, and integrated health care delivery system. Kaiser Permanente offers an all-encompassing continuum of care that can improve lives and outcomes in our patient-friendly setting for care at home patient members. Failure to control the cost of such service undermines Kaiser Permanente's ability to keep coverage affordable and premiums reasonable for participating the island of Hawai'i residents and employers. Approval of this CON will improve health/medical management outcomes, benefit community-wide by reducing the average cost of home health services and improve coordinated care for patients with home health needs.

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.

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

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