



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

RECEIVED

24 FEB 22 P1:05

ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

STATE HEALTH
& DEV. AGENCY

Application Number: 24-01A Date of Receipt:
To be assigned by Agency

APPLICANT PROFILE

Project Title: Acquisition and renovation of Wahiawā General Hospital located at 128 Lehua Street –Maintenance of emergency services and discontinuation of 61 medical/surgical and 5 critical care beds.

Project Address: 128 Lehua Street, Wahiawa, Hawaii 96786

Applicant Facility/Organization: The Queen's Medical Center

Name of CEO or equivalent: Darlena D. Chadwick

Title: Executive Vice President & Chief Operating Officer

Address: 1301 Punchbowl Street, Honolulu, HI, 96813

Phone Number: 808-691-3607 Fax Number: 808-691-3600

Contact Person for this Application: Jacce S. Mikulanec

Title: Director, Government Affairs

Address: 1301 Punchbowl Street, Honolulu, HI, 96813

Phone Number: 808-691-7994 Fax Number: 808-691-3600

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.

Darlena Chadwick
Signature

1/26/24
Date

Darlena D. Chadwick
Name (please type or print)

Executive Vice President
Title (please type or print)

RECEIVED

24 FEB 22 P1 :05

STAFFING
& BEV. AGENCY

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: x
- Honolulu: _____
- 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)
 - Attached
- 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.)
 - Pharmacy license (State of Hawai`i)
 - Pharmacy DEA and NED license (State of Hawaii)
 - Clinical Laboratory License and CLIA Certification (State of Hawaii)
 - CMS Survey and Certification (State of Hawai`i)
 - Building Permits (City & County of Honolulu)
 - Hospital Operating License (State of Hawai`i)
 - Certificate of Occupancy (City and County of Honolulu)
- C. Your governing body: list by names, titles and address/phone numbers
 - Attached
- 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: Attached
 - By-Laws: Attached

RECEIVED

- Partnership Agreements: N/A
- Tax Key Number (project's location): 7-4-006-041 and 7-4-006-004

24 FEB 22 P1 :05

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 Ownership	Change in Beds
Inpatient Facility				X	X
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
Med Surge	61	-61	0
Critical Care	5	-5	0
TOTAL	66	-66	0

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

A. List All Project Costs:

AMOUNT:

1. Land Acquisition

\$25,000,000

RECEIVED

2.	Construction Contract		<u>\$18,380,517</u>
3.	Fixed Equipment	24 FEB 22 P1 :05	<u>\$2,010,800</u>
4.	Movable Equipment		<u>\$1,144,265</u>
5.	Financing Costs	ST. MICHAEL'S & DEV. AGENCY	_____
6.	Fair Market Value of assets acquired by lease, rent, donation, etc.		_____
7.	Other: _____		_____

TOTAL PROJECT COST: \$46,535,582

B. Source of Funds

1.	Cash		_____
2.	State Appropriations		_____
3.	Other Grants		_____
4.	Fund Drive		_____
5.	Debt		_____
6.	Other: <u>Bonds</u> _____		<u>\$46,535,582</u>

TOTAL SOURCE OF FUNDS: \$46,535,582

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.

This project seeks to modify existing services by reducing the number of in-patient beds from 66 to 0 and continuing emergency services; as well as Imaging services (CT, Ultrasound, X-ray). EKG, pharmacy and lab services will continue in the ED only. Discontinued services (cardiopulmonary, rehabilitation, certain imaging services and primary care) will be absorbed throughout The Queen's Health System central O'ahu hub (QMC-West, Kapolei, Mililani, Ho'opili, Haleiwa, Empower Health) and QMC-Punchbowl/Manamana. Furthermore, future expansion of inpatient bed capacity at

Queen's West and Punchbowl/Manamana provide assurances that the health system will have the capacity to adequately address future regional healthcare needs. 24 FEB 22 P1 :06

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: June 27, 2022
- B. Dates by which other government approvals/permits will be applied for and received: March 2024 (additional permits for construction will be applied for/received through May2025).
- C. Dates by which financing is assured for the project: October 2023
- D. Date construction will commence: March 2024
- E. Length of construction period: 3/2024 – 6/2025
- F. Date of completion of the project: 6/2025
- G. Date of commencement of operation: N/A

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.

This project proposes to acquire the hospital at 128 Lehua Street, Wahiawā, which will serve as an addition to The Queen’s Medical Center (QMC). It will further the mission of The Queen’s Health System (QHS) “to fulfill the intent of Queen Emma and King Kamehameha IV to provide in perpetuity quality health care services to improve the well-being of Native Hawaiians and all people of Hawai’i.” Queen’s is uniquely positioned to assist in securing the Wahiawā General Hospital (WGH) facility financially and professionally as both WGH and QMC seek to ensure that the community has health care options for the foreseeable future.

Wahiawā General Hospital has faced substantial financial challenges over the past fifteen years. Despite its demonstrated commitment to improve overall operational challenges, WGH has experienced escalating annual operating losses amounting to millions of dollars over this period. Financial shortfalls have left WGH with significant deferred maintenance and unmet capital expenditures that jeopardize its ability to continue to offer adequate and safe care for the patient community. Contributing to financial challenges are the following:

- Unfavorable community demographic trends resulting in an ongoing decline in commercially insured patient volume;
- Physician referral patterns to other facilities;
- Deferred and ongoing pension obligations;

RECEIVED

24 FEB 22 P1:06

- No further options to fund operating shortfalls such as loans, lines of credit, state appropriation, or savings; and
- Staff recruitment and retention challenges.

This combination of factors leave WGH with few options for continuing services. To date, no other hospital system aside from QHS has expressed interest in acquiring WGH, despite an active effort since 2015 to find suitable partners or purchasers. Without the proposed transition, WGH will fail, and Central and North Shore O'ahu will lose a critical ED and associated medical services.

This acquisition outlined here benefits the local and surrounding community by ensuring WGH maintains a much-needed emergency department (with QMC investing in renovations to the existing facility) and associated services, including imaging, lab and pharmacy. QMC brings a high level of quality care to WGH and the community through an existing medical system which has been recognized nationally for premier service and care. The proposed acquisition of the hospital property will also reduce pressure on high-use emergency departments elsewhere in West and Urban O'ahu (especially QMC-Punchbowl/Manamana). Furthermore, the QMC and WGH have sought and received community input on the crucial role this facility plays, and on the vision for future site development as the health and wellness needs of the community evolve.

In short, the proposed project is the best hope for WGH to continue to serve the community. Queen's Medical Center and the Queen's overall Health System envisions this project as a commitment to our mission and welcomes the Wahiawā General Hospital into the Queen's ohana. QHS is a stable, resourced, and trusted local health system that stands prepared to support, maintain, and grow the health care system for residents of Wahiawā, Central O'ahu (including Mililani), and the North Shore.

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

This project supports the following statewide general principles and areas of concern:

- *Promote and support the long-term viability of the health care delivery system* – Queen's acquisition and renovation of the hospital at 128 Lehua Street, Wahiawā, will strengthen the overall viability of Hawai'i's health care system. As a division of The Queen's Medical Center, the proposed hospital will benefit extensively from the Queen's clinical, operational, and financial strengths and resources. The potential closure of WGH, should this transition not proceed, would potentially be catastrophic for the immediate community which would not have access to adequate ED services and would further strain emergency services at alternate hospitals; in fact, the nearest ED for some in this community would be approximately 11 miles. This transition would immediately stabilize and improve emergency services for the community and, in the future, lead to an investment in the site as an expanded health care hub with important links to medical services offered via the Queen's network of care. Additionally, QHS stands ready to provide the needed investments in infrastructure and deferred maintenance, including demolition or repair of currently unusable buildings and structures.

RECEIVED

- *Expand and retain the health care workforce to enable access to the appropriate level of care in a timely manner* – The proposed project will ensure that adequate skilled and experience health care professionals and technicians will be maintained for the emergency and lab services at WGH. In the near term there will be a focus on maintaining and enriching the workforce associated with these services, which account for approximately 42% of the current staff.
- *Ensure that any proposed service will maintain or enhance overall access to quality health care at a reasonable cost* – As a division of The Queen's Medical Center, the proposed project will benefit from Queen's operational, clinical, and resource strengths and also bring Queen's high standard of care to Wahiawā and the surrounding communities. Overall financial and institutional viability of the Wahiawā property will be immediate and stave off the loss of a critical health care resource in the Central O'ahu region. The investment by QHS in the existing property will result in efficiencies that can be realized only because Queen's offers such a robust scale of services. This will translate into savings and investments supported by QHS' centralized business operations, such as human resources, finance, purchasing, IT, and legal. Furthermore, Queen's clinical quality and overall trusted experience along with a culture of continuous performance improvement will necessarily promote productivity and minimize loss and waste.
- *Strive for equitable access to health care services* - As a division of The Queen's Medical Center, the proposed project will serve the mission of The Queen's Health System "to provide quality health serves to improve the well being of Native Hawaiians and all the people of Hawai'i." In particular, ensuring the ongoing access to emergency healthcare of this region is critical to Queen's mission as Native Hawaiians make up approximately 17% of the Central Oahu population. Access to services as part of this acquisition will be available to all persons regardless of ability to pay or financial status, in particular the elderly, ethnic minorities, women, those with disabilities, and any other underserved population or community.
- *Establish a statewide emergency and trauma system* – The potential closure of WGH emergency department would add further stress on an already strained health care network on O'ahu, which could lead to longer wait times and more extensive transfers within the overall health system. The proposed project would stabilize emergency services in the immediate region and strengthen O'ahu's overall emergency and trauma system.

This project also supports the following West O'ahu SAC priorities:

Improve and increase access – The proposed acquisition of Wahiawā General Hospital will ensure that critical emergency care services are not lost for the immediate community and the surrounding region while also playing a critical role in relieving pressure on alternate emergency departments. In addition, by bringing WGH into the Queen's system, the community is also linked to the Queen's extensive network of providers, specialists, and services, including those offered via telemedicine.

RECEIVED

Increase community engagement – Queen's Medical Center has a demonstrated history of community engagement: it is essential to the care we provide and to our ability to meet the needs of the diverse communities we are honored to serve. Furthermore, QMC and WGH held community planning sessions to ensure that we fully understand the importance of WGH, the challenges it faces, and the community's hopes and visions for a reimagined health care facility following the proposed renovations and acquisition. These efforts have, and will continue to, engage community stakeholders, providers, government leaders, staff, and others who have a long term interest in the success of WGH.

2022 FEB 22 P1:06

PLANNING AGENCY

Improve education and increase preventative medicine - QMC provides an extensive slate of health classes and community outreach programs. The proposed project will provide a future venue for those programs to be offered in close proximity to the Wahiawā and surrounding community, and, in certain instances, can include online accessibility.

B. Need and Accessibility

This proposed project primarily serves and affects the West and Central O'ahu regions and communities on the North Shore Hawai'i, principally Wahiawā but, also including Hale'iwa, Whitmore Village, Wai'alua, Mokulē'ia, and Mililani. West O'ahu continues to be an area of considerable and expected growth while the number of Central and North Shore O'ahu residents has remained level or receded. Wahiawā proper has a population with approximately 43,042 residents of which approximately 4,591 are 65 years of age or older (with an expected growth rate of 1% over the next year). This profile is reflected in WGH's current payor mix, which is approximately 89% Medicare or Medicaid.

Wahiawā and the surrounding community largely rely on the H-2 freeway to access other metropolitan areas and greater health care services. Access to emergency and other health care services for residents of the North Shore is even more constrained by traffic congestion and limited transportation options. The next closest emergency room for Wahiawā residents is over 11 miles away and the distance is even longer for residents of Mokulē'ia or Wai'alua. Clearly, WGH's emergency room is essential for the health and safety of the region and critical for balancing the demand placed on emergency rooms across O'ahu.

In calendar year 2022, WGH experienced approximately 16,775 emergency related visits. During Year 1 of operations, under the proposed project, emergency-related visits are projected to be 19,555; by Year 3, emergency related visits are projected to be 21,559.

For more than 15 years, WGH has experienced pronounced financial difficulties. These difficulties have included migration of services to more comprehensive hospital and medical facilities in the region, reductions in government and private reimbursements, ongoing health care workforce shortages, and effects from the COVID-19 pandemic. Despite restructuring WGH's administration, cutting services, and receiving significant subsidies earmarked by the state legislature, the hospital is unable to sustain itself without this proposed project. Queen's is prepared and able to address the ongoing challenges facing this critical facility, and by bringing it within the QHS 'ohana, we believe we can stave off the loss of another health care facility on O'ahu and address the facility's significant infrastructure needs. In so doing, we are also prepared to address the decrease in available medical/surgical beds resulting from this project through

RECEIVED

coordination ahead of the transition to safely and appropriately place remaining patients at our Punchbowl, West, or other facilities. The reduction in services, while unfortunate, is in the best interest of patients and the viability of WGH at this time and Queen's is working intensively to mitigate these reductions so as to have minimal impact to the community.

24 FEB 22 P1 06

As a division of The Queen's Medical Center, the hospital, as proposed, will serve the mission of The Queen's Health System "to provide quality health services to the community and improve the well being of Native Hawaiians and all of the people of Hawai'i." All patients will have access to services, regardless of ability to pay. For nearly 165 years, Queen's has demonstrated its commitment and investment in the community by not only providing the highest quality medical care, but also by supporting a broad range of community programs and initiatives. In fiscal year 2021, The Queen's Health System provided more than \$188 million in unreimbursed health care services, education, and charitable contributions. In 2021, Queen's provided over \$39 million in unreimbursed care and, in 2023, contributed \$4 million to charities (a portion of which are described in the attachment).

STATE PLANNING & DEV. AGENCY

While the proposed project's key benefit is ensuring critical and timely access to emergency care, it will also help address transportation barriers and drive time for the residents and workers in the region. Proposed reduction in med/surg beds will Queen's stands ready to be a partner in the Wahiawā community and looks forward to investing on the long-term health of the region.

C. Quality of Service/Care

The proposed project will ensure that the community served by WGH can seek high-quality emergency care without having to travel outside their community and will ensure timely access to care while reducing transportation and time-related barriers associated with having to travel to alternate hospital and emergency/trauma services in West O'ahu and Urban Honolulu. As a division of The Queen's Medical Center, it will bring Queen's standards of high-quality health care to the Wahiawā, West, and Central O'ahu region.

The Queen's Health System continuously pursues excellence in quality health care. Patient care at the proposed project will be provided by credentialed physicians and RNs. In addition to being licensed by the Hawai'i State Department of Health, fully accredited by The Joint Commission, and certified by Medicare, QMC is recognized as a Magnet facility by the American Nurses Credentialing Center (ANCC); magnet designation indicates successful alignment of strategic goals and patient outcomes, focused on nursing excellence.

QMC is the major tertiary and quaternary referral center for neuroscience, cardiovascular, cancer, orthopedics, surgery, behavioral health, and emergency medicine. In addition, it is the state's designated trauma center, verified as Level I by the American College of Surgeons. QMC also has the only organ transplant program in Hawai'i.

QMC-Punchbowl/Manamana is the only hospital in Hawai'i (and fifth in the nation) to be accredited as a Level 1 Geriatric ED by the American College of Emergency Physicians. It is approved to participate in medical residency training by the Accreditation Council for Graduate Medical Education, and, as noted above, has achieved Magnet recognition,

RECEIVED

the highest institutional honor for hospital excellence from the American Nurses Credentialing Center.

24 FEB 22 P 1:06

Finally, The Queen's Medical Center was named the top hospital in Hawai'i by U.S. News & World Report, 2023-2024 Best Hospitals rankings and ratings. This is the 11th year that Queen's has earned this recognition.

STATE HEALTH
& DEV. AGENCY

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

For the first full year of operation, projected revenue is expected to be \$20,062,000 and operating costs are expected to be \$19,329,000. In year three of operation, projected revenue is expected to be \$21,710,000 and costs are expected to be \$23,780,000. Queen's has access to sufficient resources and funds required to ensure a safe, reliable and timely acquisition WGH. Funding for this project will primarily come from Queen's \$300 million taxable bond issued in Spring 2022.

E. Relationship to the existing health care system

The proposed acquisition of the hospital at 128 Lehua Avenue will strengthen the overall existing health system by maintaining the emergency department services and planning additional investments for further hospital-based services as appropriate. As the only full service public emergency care facility in the region, the acquired hospital will play a critical role in supporting the health and well-being of the diverse community in and around the Wahiawā, Central (including Mililani), West and North Shore regions. The emergency department is expected to strengthen capacity, increase access, and align care delivery with the existing QHS care system.

F. Availability of Resources.

Queen's has sufficient resources and the necessary funds required to equip, staff, and operate services in the emergency department. Financing for the proposed expansion will be provided by via QHS' 2022 bond fund of \$300 million. Queen's maintains experienced human resources professionals who will ensure that appropriate and adequate personnel and medical professionals are hired as needed for the continuity of quality health care services and access to care at all of our hospital campuses and facilities.

G. Hospital Acquisition – Part VII HRS 323D

Attorney General Review

A copy of this CON administrative application has been submitted to the Attorney General for action pursuant to Part VII of HRS 323D. A financial and economic analysis and report from an independent expert is included as an attachment.

- Attached

Agency Review

HRS 323D-77 provides that the Agency, in making a decision whether to approve or disapprove an application, shall consider:

RECEIVED

- (1) *Whether sufficient safeguards are included to ensure that the affected community has continued access to affordable care;*

24 FEB 22 P1 06

This project proposes to acquire and partially renovate Wahiawā General Hospital at 128 Lehua Ave. After failing to maintain financial stability and/or find a willing entity to take over operations, WGH faced imminent closure. QMC is prepared to acquire the property and provide renovations to the existing emergency department, thus stabilizing critical trauma and emergent medical needs for the surrounding community and region, while also embarking on long term redevelopment of the site into a health care hub to serve the future needs of the community as a fully integrated facility in the QHS system. As a division of The Queen's Medical Center, WGH will be an additional location of the QMC in Central O'ahu and will necessarily serve our mission to offer quality care and improve the well being of Native Hawaiians and all the people of Hawai'i, as well as our vision "to be the preeminent health care system of the Pacific, providing superior care that is continually advanced through education and research."

- (2) *Whether the purchaser and parties to the acquisition have made a commitment to provide health care to the disadvantaged, uninsured, and underinsured, and to provide benefits to the affected community to promote improved health care. Current and prior health care activities and funding for those activities by the seller or its successor nonprofit corporation or foundation may be considered in evaluating compliance with this commitment;*

It is our commitment to the community that access to critical services will be available to all patients, regardless of ability to pay, in particular those who are elderly, low-income, ethnic minorities, women, persons with disabilities, and other underserved populations. Furthermore, our work and care for the patients we serve is guided by the Queen Emma Way, a commitment to excellence characterized by compassionate care, aloha, and respect and understanding for the dignity of all.

- (3) *If health care provider will be offered the opportunity to invest or own interest in the purchaser or related entity to the purchaser.*

The Queen's Medical Center is a nonprofit corporation. Health care providers will not be able to invest in or own an interest.

- (4) *Whether procedures or safeguards are in place to avoid conflict of interest in patient referral and the nature of those procedures or safeguards.*

The Queen's Health Systems (QHS) maintains policies and procedures to avoid conflicts of interest in patient referrals. The appropriate portion of the QHS Code of Conduct can be found in Section IV, on file with SHPDA (and attached). The QHS Corporate Compliance Department is responsible for overseeing compliance with these policies and procedures. Corporate Compliance also provides regular training to all staff and managers within the organization.

H. Eligibility to file for Administrative Review. This project is eligible to file for Administrative review because: (Check all applicable)

RECEIVED

_____ 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. 24 FEB 22 P 1 :06

_____ 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. HEALTH AGENCY

_____ 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.

 X 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.