



**STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY**
DEPARTMENT OF HEALTH - KA 'OIHANA OLAKINO

JOSH GREEN, M.D.
GOVERNOR OF HAWAII
KE KIA'AINAO KAMOKU'AINA O HAWAII

KENNETH S. FINK, MD, MGA, MPH
DIRECTOR OF HEALTH
KA LUNA HO'OKELE

JOHN C. (JACK) LEWIN, M.D.
ADMINISTRATOR

1177 Alakea St., #402, Honolulu, HI 96813 Phone: 587-0788 Fax: 587-0783 www.shpda.org

March 27, 2024

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Darlana D. Chadwick
Executive Vice President & Chief Operating Officer
The Queen's Medical Center
1301 Punchbowl Street
Honolulu, HI 96813

Dear Ms. Chadwick:

The State Health Planning and Development Agency (the "Agency") has evaluated application #24-01A from The Queen's Medical Center (the "applicant") under Part V and Part VII of Chapter 323D, Hawaii Revised Statutes (HRS) for the acquisition and renovation of Wahiawa General Hospital and the deletion of 61 Medical/Surgical and 5 Critical Care beds at 128 Lehua Street, Wahiawa, HI, at a capital cost of \$46,535,582 (the "Proposal").

- A. The Agency makes the following findings of fact with respect to Title 11, Chapter 186 of the Hawaii Administrative Rules (HAR) 11-186-15(a) and HRS Section 323D-77. The Agency finds each of the following statements to be true and accurate.
1. The applicant states¹ that "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."
 2. The applicant states that "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:

¹ For clarity, when the Agency quotes statements from the applicant or from witnesses in this section, it does so because the Agency finds such testimony to be persuasive and because the Agency has incorporated the referenced testimony as a finding of fact.

- 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;
 - No further options to fund operating shortfalls such as loans, lines of credit, state appropriation, or savings; and
 - Staff recruitment and retention challenges.”
3. The applicant states that “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.”
4. The applicant states that “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...
 - *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...
 - *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.”

5. The applicant states that "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.

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.

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."

6. The applicant states that "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."
7. The applicant states that "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."
8. The applicant states "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 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."

9. The applicant states that "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."
10. The applicant states that "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."
11. The applicant states that "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."
12. The applicant states that "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."

13. The applicant states that “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.”
 14. The applicant states that “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.”
 15. The applicant states that “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.”
 16. The applicant states that “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.”
 17. The applicant states that “The Queen's Health Systems (QHS) maintains policies and procedures to avoid conflicts of interest in patient referrals... 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.”
- B. Pursuant to Title 11, Chapter 186 of the Hawaii Administrative Rules (HAR), the Agency finds that this proposal is eligible for administrative review as it meets the criterion in HAR Subsection 11-186-99.1(b) (5), i.e.: “An additional location of an existing service or facility”.

Conclusions and Order

Pursuant to Title 11, Chapter 186, HAR, the Agency has determined that:

- (a) The Proposal is eligible for administrative review as it meets one or more of the criteria in HAR 11-186-99.1(b).
- (b) The applicant, The Queen's Medical Center, has proven by a preponderance of the evidence that the Proposal meets the Certificate of Need criteria in HAR 11-186-15(a).
- (c) There is no compelling public interest which will be served by requiring the application to go through the standard review process.

As required under Subsection 323D-43(b), HRS, the Agency finds that:

- 1. There is a public need for the Proposal.
- 2. The cost of the Proposal will not be unreasonable in light of the benefits it will provide and its impact on health care costs.

The Agency has determined that the Proposal meets the applicable criteria in HRS Section 323D-77.

Accordingly, the State Health Planning and Development Agency hereby APPROVES the application under Part V and Part VII of Chapter 323D, HRS and ISSUES a Certificate of Need to The Queen's Medical Center for the Proposal described in application #24-01A. The maximum capital expenditure allowed under this approval is \$46,535,582.



JOHN C. (JACK) LEWIN, M.D.
Administrator