



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

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Application Number: # 24-09A Date of Receipt: To be assigned by Agency

APPLICANT PROFILE

Project Title: Acquisition and renovation of the hospital located at 91-2301 Old Fort Weaver Rd

Project Address: 91-2301 Old Fort Weaver Rd, Ewa Beach, HI 96706

Applicant Facility/Organization: The Queen's Medical Center

Name of CEO or equivalent: Darlena D. Chadwick

Title: Executive Vice-President and Chief Operating Officer, The Queen's Health System

Address: 1301 Punchbowl Street, Honolulu, HI 96813

Phone Number: 808-691-7988 Fax Number: 808-691-7990

Contact Person for this Application: Jacce S. Mikulanec

Title: Director - Government Relations

Address: 1301 Punchbowl Street, Honolulu, HI 96813

Phone Number: (808) 691-7994 Fax Number: (808) 691-7821

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

7/18/2024 Date

Darlena D. Chadwick Name (please type or print)

Chief Operating Officer and Executive Vice President Title (please type or print)

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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: _____

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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)

- Attachment

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.)

- Building Permits (City and County of Honolulu)
- Certificate of Need (CON) (State of Hawai'i)
- CMS Certification (State of Hawai'i)
- Hospital Operating License (State of Hawai'i)
- Pharmacy 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

- Attachment

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:

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- Articles of Incorporation (N/A)
- By-Laws (N/A)
- Partnership Agreements (N/A)
- Tax Key Number (project's location) 911810060000

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4. **TYPE OF PROJECT.** This section helps our reviewers understand what type of project you are proposing. Please place an "x" in the appropriate box.

	Used Medical Equipment (over \$400,000)	New/Upgraded Medical Equip. (over \$1 million)	Other Capital Project (over \$4 million)	Change in Service	Change in Beds
Inpatient Facility			x		
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.

No change in bed counts and/or licensed types proposed at this time.

Type of Bed	Current Bed Total	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
Acute Psychiatric	88		88

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TOTAL	88	24 JUL 19 P 1:46	88
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6. PROJECT COSTS AND SOURCES OF FUNDS

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A. List All Project Costs:

AMOUNT:

- | | | |
|----|---|-----------------------|
| 1. | Land Acquisition | <u>\$8.0 million</u> |
| 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>IT upgrades, infrastructure upgrades</u> | <u>\$22.5 million</u> |

TOTAL PROJECT COST: \$30.5 million

B. Source of Funds

- | | | |
|----|----------------------|-----------------------|
| 1. | Cash | _____ |
| 2. | State Appropriations | _____ |
| 3. | Other Grants | _____ |
| 4. | Fund Drive | _____ |
| 5. | Debt | <u>\$30.5 million</u> |
| 6. | Other: _____ | _____ |

TOTAL SOURCE OF FUNDS: \$30.5 million

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1. **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.

The proposed acquisition, as negotiated between Sutter Health, the State Department of Health (DOH), and The Queen's Health System (Queen's) will result in the continuation of psychiatric services at the Kāhi Mōhala site.

2. **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: **April 2024**
- b) Dates by which other government approvals/permits will be applied for and received: **September 2024**
- c) Dates by which financing is assured for the project: **May 2024**
- d) Date construction will commence: **October 2025**
- e) Length of construction period: **Approximately eight months**
- f) Date of completion of the project: **December 2026**
- g) Date of commencement of operation: **October 2024; construction to be completed December 2026.**

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.

3. **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.

Queen's seeks approval for the acquisition and renovation of the specialty psychiatric hospital known as Kāhi Mōhala, located at 91-2301 Old Fort Weaver Rd., Ewa Beach, O'ahu. This acquisition is in alignment with the Queen's mission to provide, in perpetuity, quality health care services to improve the wellbeing of Native Hawaiians and all of the people of Hawai'i. Inpatient psychiatric care in the West O'ahu community has proved to be a vital community support and need since the establishment of Kāhi Mōhala in 1983. Queen's is committed to maintaining and improving the behavioral health services within our state and to a continued presence in West O'ahu. As part of Queen's commitment to improving the behavioral health care delivery to the community, this project involves the acquisition of Kāhi Mōhala and completion of capital renovations needed to meet minimum regulatory, quality and safety standards necessary to ensure that the facility can deliver care for our patients consistent with program service goals. This proposed acquisition also provides Queen's with the future opportunity to expand

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behavioral health services at Kāhi as well as the potential to relocate behavioral health services from our Manamana (Punchbowl) campus to Kāhi, thus accommodating additional acute care services at Manamana.

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

"Promote and support the long-term viability of the health care delivery system." This project aligns with State of Hawai'i and West O'ahu health services plan priorities by not only maintaining, but strengthening behavioral health care delivery. Moreover, by improving and ensuring the continued operation of the Kāhi Mōhala facility, a location with a long-standing community presence, it supports the long-term viability of the Hawai'i's health care delivery system. Queen's has been delivering health care for over 160 years, including specialty behavioral health services since 1973. Queen's mission, infrastructure, resources, workforce, and commitment to continuous improvement aligns with the State's priorities for health services.

"Expand and retain the health care workforce to enable access to the appropriate level of care in a timely manner." - Queen's is the state's largest employer of behavioral health providers, including psychiatrists, advanced practice providers, and other care providers with specialized certifications to support a high quality of patient care. The psychiatrists are on the faculty of the University of Hawai'i John A. Burns School of Medicine. The academic medical model demonstrates one way that Queen's is committed to ensuring a workforce that is prepared to care for the behavioral health needs of our state through supporting medical students, residents, and fellows. The Queen's behavioral health service line is also host to students in advanced practice provider programs, social work, nursing, other professional clinical roles, and healthcare administration. These partnerships extend to schools throughout the state, including UH West O'ahu. In addition to supporting the learning opportunities of the future workforce, Queen's provides structured workforce development opportunities for employees and ongoing continuing professional development. This is our commitment to the current and future employees of Kāhi.

"Ensure that any proposed services will at least maintain overall access to quality healthcare at a reasonable cost." - Behavioral health services currently provided through Queen's include emergency department, inpatient, intensive and primary outpatient, and partial hospitalization programs. Additionally, through partnerships, Queen's provides services using a collaborative care model that increases equitable access to specialized psychiatric care via consultation with primary care providers. Queen's demonstrates its support for community needs by providing services to the Department of Public Safety, the Institute for Human Services, and Federally Qualified Health Centers. Queen's programs and providers work with the State Department of Health through contracts and grants that increase access to behavioral health care. Telehealth has become a necessity in the delivery of care and Queen's has been able to increase telehealth services across the continuum of care. The proposed acquisition of Kāhi will ensure that adolescent and child behavioral health services are maintained in the near-term, and expanded and improved in the future through proposed capital improvements to the existing site.

Queen's is well-established in health care delivery across Hawai'i, and QMC-West O'ahu is an active member in the Leeward/West O'ahu community. This project, which will work in tandem with QMC-West O'ahu and other leeward providers, will increase and enhance much-needed behavioral health resources and will improve access to behavioral health and substance abuse services for the West O'ahu community, especially, and for all residents of O'ahu.

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"Strive for equitable access to health care services." – The added capacity and services provided by Queen's network in the West O'ahu community will allow more patients to be served at the appropriate level of care with easier transitions out of treatment and fewer barriers to wrap around services, therefore improving patient flow and access to behavioral health care. In addition, this project will encourage development of new and expanded partnerships between organizations in the community to build a comprehensive network of health care activities and encourage appropriate and timely utilization. Expected partnerships will be with the University of Hawai'i-West O'ahu, community social and civic associations, and other providers of health and human services.

"Increase community engagement." – Queen's has a history of meaningful community engagement exhibited through our investment in existing medical services in West O'ahu. These include Queen's-West O'ahu's collaborative works with community civic organizations such as neighborhood boards, Chambers of Commerce, and community associations, and its engagement with residents, social service organizations, and relevant government officials to meet current and emerging needs. A recent and critical example was collaboration with the community on a successful COVID-19 mobile vaccination campaign. The proposed acquisition will extend ongoing efforts to strengthen and improve the health and system of care on O'ahu and throughout our state.

B. Need and Accessibility

Queen's is Hawai'i's largest private provider of behavioral health services with the greatest reach into the community. Services across the continuum support individuals and families across the lifespan, through the provision of general, child and adolescent, geriatric, and addiction psychiatry. Queen's initiated inpatient adult psychiatric care in 1973 and added inpatient child and adolescent services in 1998. Services now extend to psychiatric care provided in the emergency departments at QMC-Punchbowl and West O'ahu. Additionally, Queen's established outpatient services in the 1980's that include intensive and ongoing care, and partial hospitalization programs. Many of these services are now offered via telehealth as well as in person.

Kāhi Mōhala is the only freestanding, not-for-profit hospital in the state whose sole purpose is to provide psychiatric inpatient care to those with serious mental illnesses. Aside from Queen's, Kāhi Mōhala is the only inpatient facility addressing the psychiatric needs of children and adolescents. Without this hospital, many youths would have few options to remain in Hawai'i for psychiatric treatment. With the preservation of Kāhi in our community we expect that some adolescent patients from Hawai'i, who are currently receiving services on the continent, can come back to our state for care. This is better for the patient, their family, and the community.

The proposed acquisition will re-establish a much-needed residential program for children and adolescents previously provided by Sutter Health Kāhi Mōhala. Supporting this, Queen's will undertake necessary renovations to the Kāhi campus, updating and modernizing it to ensure maximum safety and accessibility for those seeking care and for staff. In addition, Queen's will continue to assess community needs to plan future services for the West O'ahu community and the state.

As a division of The Queen's Medical Center, Kāhi will serve the mission of The Queen's Health System to provide quality health care services to improve the well-being of Native Hawaiians and all of the people of Hawai'i. Access to services will be available to all patients, regardless of ability to pay, in particular to low-income persons, racial and ethnic minorities, persons with

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disabilities, and other underserved groups. Note that the number and need for beds of this type on O'ahu was approved in the preceding CON.

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C. Quality of Service/Care

Queen's will meet all relevant and required licenses and certifications. Queen's is licensed by the Hawai'i State Department of Health, accredited by The Joint Commission and certified by Medicare. Recognized many times for excellence in service, Queen's commitment to quality care and service is a core part of its mission. Queen's is approved to participate in medical residency training by the Accreditation Council for Graduate Medical Education and has achieved magnet recognition from the American Nurses Credentialing Center. Queen's was also named the #1 hospital in Hawai'i by *U.S. News and World Report* for 2023-2024.

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

As a division of The Queen's Medical Center, Kāhi will benefit from Queen's financial strength and resources. For the first full year of operation, projected revenue is expected to be \$14,252,000 while operating costs of \$14,136,000 are forecast. In the third year of operation (assuming completion of all major capital improvements), revenue is projected to total \$14,252,000 and costs are expected to be \$16,023,000. Projected financial deficits will be offset by revenue realized elsewhere in the hospital system and will be further offset by the movement of services from our Manamana (Punchbowl) campus to the Kāhi Mōhala facility, thus allowing for development and expansion of other services.

The Department of Health collaborated with the Queen's Health System to increase the CAMHD contracted rate for service (funding is included in the current State biennium budget, 2023-2025). This new rate will reduce Queen's operating losses and make continuity of services more financially viable. Queen's will assume the current Sutter contract with the Department of Health and expects to respond to subsequent requests for proposal (RFP) required by the Department of Health every five years.

E. Relationship to the existing health care system

This acquisition will strengthen the existing health care system by continuing and expanding the delivery of behavioral health services for adolescents and children. With the current and anticipated growth in community demand for behavioral health resources on O'ahu (and throughout the state), the acquisition of a new location allows increased capacity for inpatient and outpatient services and easier and more timely transitions to appropriate levels of care, such as from acute to residential or outpatient care.

This project will:

- Maintain access to inpatient and outpatient child and adolescent behavioral health services that have been available since 1983.
- Maintain bed capacity for adolescent and child psychiatric needs.
- Allow future expansion of services, including a residential inpatient program for youth.

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F. Availability of Resources.

Queen's has access to sufficient resources and funds required to ensure a safe, reliable and timely acquisition of Kāhi Mōhala, including transition for existing staff (either remaining at Kāhi or within the Queen's system workforce), management personnel, equipment, operational infrastructure and professional expertise. Funding for this project will primarily come from Queen's \$300 million taxable bond issued in Spring 2022.

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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 include as an attachment (Attachment).

Agency Review

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

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

Queen's is committed to providing behavioral health services and has provided such services in Hawai'i for decades. In fact, services would be seriously jeopardized without approval of the proposed acquisition. Furthermore, the commitment by the State of Hawai'i to receive forensic patients previously cared for at Kāhi greatly enhances Queen's ability to focus its attention on the child and adolescent behavioral health population, invest in critically needed capital improvements, and build-out the Kāhi campus to provide needed future services.

Despite the financial challenges of providing behavioral health services, Queen's is committed to ensuring that such services are available and accessible to Hawai'i residents. In furtherance of this commitment, Queen's provides the largest funding to support the Hawai'i Residency Program in the Department of Psychiatry, offers the only Psychiatric/Mental Health Nurse Practitioner Fellowship in the State, and operates the Queen's Care Coalition, which provides community navigators who work with high utilizers in the community, many of whom have co-occurring psychiatric illnesses. The acquisition of Kāhi Mōhala expands the ability of Queen's to increase access to behavioral health services, particularly emergent access to residents in West O'ahu.

Behavioral health is a critical component of the overall continuum of care for certain patient populations, and Queen's fully expects demand for such services to increase, particularly as a result of societal and economic stresses. Integrating Kāhi Mōhala's services, beds, and staff into the Queen's Health System network gives Queen's increased flexibility to deploy resources and services where they are most needed. For example, Queen's intends to relocate and consolidate certain behavioral health services from QMC-Punchbowl to Kāhi Mōhala, freeing up much-needed general acute care beds at QMC. As noted above, Queen's is also better able to integrate care for patients at

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Kāhi Mōhala who require more comprehensive or interdisciplinary care currently offered at its other facilities. These pro-competitive benefits are compelling and enhance the rationale for the proposed transaction. In fact, nothing about the transaction reduces competition, but instead supports the entire health care system by providing better and more accessible behavioral care to residents of Hawai'i.

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- (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;*

Queen's is a 501(c)(3) hospital that is required to provide medical care for free or at reduced costs pursuant to a discounted care policy. In 2023, Queen's contributed \$4 million to charities (a portion of which are described in the Attachment). In addition, Queen's sponsors programs aimed at supporting medically frail people who are houseless when they are discharged from Queen's Medical Center through Tutu Bert's House (\$1,378,080), a partnership that provides case management, medical care, and short term residential care. It has developed and maintains The Queen's Care Coalition, which provides community navigators who work with high utilizers in the community, many of whom have co-occurring psychiatric illnesses, and operates and provides a \$1,030,000 subsidy to the Queen Emma Clinics as it provides outpatient services for the indigent and others. In addition, the QMC Dental Clinic, with a Queen's subsidy of \$1,208,000, provides dental services for indigent patients. Finally - and interwoven with the programs noted above - Queen's is the largest funder supporting the Hawai'i Residency Program in the Department of Psychiatry and offers the only Psychiatric/Mental Health Nurse Practitioner Fellowship in the State.

- (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 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 System (QHS) maintains policies and procedures to avoid conflicts of interest in patient referrals. The appropriate portion of the QHS Code of Conduct is included as an attachment (Section IV). The 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.

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

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_____ 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.

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_____ 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.

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_____ 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.