

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

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KE KIA'AINA O KA MOKUA'INA O HAWAII

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September 19, 2024

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

Darlena D. Chadwick
Executive Vice President & Chief Operating Officer
The Queen's Health System
1301 Punchbowl Street
Honolulu, HI 96813

Dear Ms. Chadwick:

The State Health Planning and Development Agency (the "Agency") has evaluated application #24-09A 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 the hospital located at 91-2301 Old Fort Weaver Rd, Ewa Beach, HI (known as Kāhi Mōhala), at a capital cost of \$30,500,000 (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 "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."

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.

2. The applicant states that “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.”
3. The applicant states that “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.”
4. The applicant states that “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.”
5. The applicant states that “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.”
6. The applicant states that “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.”
7. The applicant states that “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."

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

13. The applicant states that "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 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."
 14. The applicant states that "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."
 15. The applicant states that "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... 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."
 16. The applicant states that "The Queen's Health System (QHS) maintains policies and procedures to avoid conflicts of interest in patient referrals... 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."
- 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:

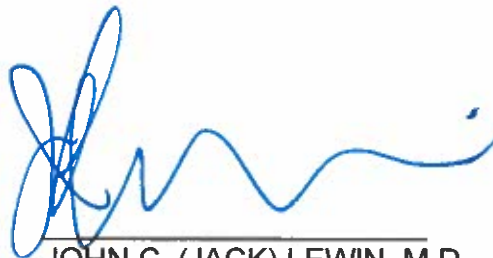
- (a) The Proposal is eligible for administrative review as it meets one or more of the criteria in HAR 11-186-99.1(b).
- (b) The applicant, The Queen's Medical Center, has proven by a preponderance of the evidence that the Proposal meets the Certificate of Need criteria in HAR 11-186-15(a).
- (c) There 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 #24-09A. The maximum capital expenditure allowed under this approval is \$30,500,000.



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