



HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: # 24-12A Date of Receipt:
To be assigned by Agency

APPLICANT PROFILE

Project Title: Establishment of Special Treatment Facility

Project Address: 301 Kalaniana'ole Street

Hilo, Hawaii 96720

Applicant Facility/Organization: Pacific Quest Corp.

Name of CEO or equivalent: Michael McKinney

Title: CEO

Address: 169 Pu'ueo Street, Hilo, Hawaii 96720

Phone Number: (808) 937-5806 Fax Number: (808) 527-4971

Contact Person for this Application: J. George Hetherington, Esq.


Title: Attorney

Address: 1100 Alakea Street, Suite 3100, Honolulu, Hawaii 96813

Phone Number: (808) 540-4504 Fax Number: (808) 540-4503

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.


Signature

10.9.24
Date

Michael McKinney
Name (please type or print)

CEO
Title (please type or print)

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

- Public _____
- Private X
- Non-profit _____
- For-profit X
- 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: _____
- 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):

See Attachment 1 (Ground Lease)

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.):

State of Hawaii, Department of Health Licensure

C. Your governing body: list by names, titles and address/phone numbers:

See Attachment 2.

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 3.
- By-Laws – Not applicable.
- Shareholders' Agreement – See Attachment 4.
- Tax Key Number (project's location) - (3) 2-1-006-017

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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.

Type of Bed	Current Bed Total	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
Special Treatment Facility	0	30	30
TOTAL		30	30

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6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All Project Costs:		*24 NOV -8 P2 :47	AMOUNT:
1.	Land Acquisition		_____
2.	Construction Contract	ST HLTH PLNG & DEV. AGENCY	_____
3.	Fixed Equipment		_____
4.	Movable Equipment		_____
5.	Financing Costs		_____
6.	Fair Market Value of assets acquired by lease, rent, donation, etc.		_____
7.	Other: <u>FMV of leased premises</u>		<u>\$1,020,000</u>
TOTAL PROJECT COST:			<u>\$1,020,000</u>

B. Source of Funds			
1.	Cash		_____
2.	State Appropriations		_____
3.	Other Grants		_____
4.	Fund Drive		_____
5.	Debt		_____
6.	Other: <u>FMV of leased premises to be paid by monthly rent</u>		<u>\$1,020,000</u>
TOTAL SOURCE OF FUNDS:			<u>\$1,020,000</u>

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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.

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Establishment of a 30-bed Special Treatment Facility to provide mental health services to adolescents and young adults on Hawaii island. The standard category of proposed health care service is in Section 11-186-5(2)(J).

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:
April 12, 2011
- b) Dates by which other government approvals/permits will be applied for and received:
Special Treatment Facility License to be applied for upon Certificate of Need approval.
- 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,
Within 30 days of Certificate of Need approval.
- g) Date of commencement of operation
Upon Special Treatment Facility licensing by the Office of Health Care Assurance.

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

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f) Availability of Resources.

Executive Summary

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Pacific Quest Corp. ("PQ") seeks to establish a special treatment facility (the "Facility") at 301 Kalaniana'ole Street, Hilo, Hawaii 96720 (the "Facility Site") the location at which PQ currently operates a licensed therapeutic living program (the "Proposal"). The Facility serves residents ranging in age from 12 – 25; however, at any given time, the population served will either be comprised of adolescents (aged 12 – 17) or young adults (aged 18 – 25). Whether the Facility's residents are adolescents or young adults depends on the current demand for services among that particular age group. PQ has operated its existing therapeutic living program at the Facility Site for the past 10 years, delivering mental health rehabilitation services via a comprehensive program run by an experienced team of wellness professionals.

PQ's mission is to provide the tools and skills needed by adolescents and young adults to spark lifelong, sustainable, and positive change. By implementing the Proposal, PQ expects to continue fulfilling this mission to a higher degree by making its services available to a greater number of individuals. PQ specializes in treating residents diagnosed with a range of mental health concerns that manifest in behavioral problems and severe functional impairments. It is common for residents to arrive from inpatient psychiatric settings or other treatment programs which have proven insufficient. Another common scenario is that PQ's treatment protocol is intended to prevent acute hospitalization of a resident. PQ combines crisis intervention, stabilization services, and intensive treatment with a typical length of stay ranging from 70 to 90 days.

It is important to note that the State of Hawaii's Office of Health Care Assurance, which is responsible for licensing both therapeutic living programs and special treatment facilities, uses the special treatment facility regulations found at Hawaii Administrative Rules ("HAR"), Chapter 11-98 (the "STF Regulations") to license therapeutic living facilities because of the similarities between the provider types and the fact that the Department of Health has not yet implemented regulations specific to therapeutic living programs. Accordingly, from a practical standpoint, the Proposal will not have any impact on the programming or operations implemented by PQ at the Facility Site. As a therapeutic living program, PQ has adopted an integrated therapeutic model which promotes collaboration among therapists, psychologists, and medical professionals to develop and implement individualized multidisciplinary treatment plans for its residents. In addition, PQ incorporates outdoor activities and stewardship opportunities to further enhance newly learned skills. Upon receiving its licensure to operate as a special treatment facility, PQ would continue to provide services to residents under this same therapeutic model and community-based approach.

PQ's therapeutic living program is based out of a 6-bedroom building located on the Facility Site. The Facility would operate out of the same building, which already meets the applicable county codes, as required under the STF Regulations. See HAR §

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11-98-14. Accordingly, the Proposal will not require any renovations to the building and PQ will not incur any construction costs in establishing the Facility.

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The STF Regulations set forth certain additional requirements for special treatment facilities which do not apply to therapeutic living programs. Most notably, this includes the need to have in place specific plans and personnel related to dietetic services. See HAR § 11-98-05. PQ has already implemented changes to comply with these dietetic services standards that will be applicable upon the Facility's commencement of operations as a special treatment facility.

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

Special treatment facility services of the Facility's nature are not directly addressed in Chapter 2 of the Health Services and Facility Plan (the "State Plan"). Nonetheless, PQ's mission and purpose clearly aligns with the goals set forth in the State Plan. Through the Proposal, PQ will work with adolescents and young adults to disrupt cycles of internalized stress, anxiety, depression, low self-esteem, and other mental health challenges. This directly supports the following Statewide Health Coordinating Council priorities:

- Promote and support the long-term viability fo the health care delivery system.
- Encourage and support health education, promotion, and prevention initiatives.
- Ensure capacity and access to long-term care services.
- Increase and improve acces to mental health programs, services, and education.

PQ's efforts to cultivate positive change and promote sustainable growth among its residents also helps to fulfill the following Hawaii County/Hawaii Subarea Planning Council priorities:

- Increase the number of and improve the access to and the quality of health care facilities.
- Expand the capacity of and improve the access to long term care faciulities and home and community-based services.
- Address high risk health indicators through education, prevention, and treatment strategies.

Overall, the Proposal will allow PQ to expand its reach on Hawaii island to meet the state's growing demand for mental health care services among adolescents and young adults which in turn will further promote the viability of the state's health care system overall.

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B. Need and Accessibility

There have been countless recent articles about the mental health crisis among young people throughout the country.¹ The situation is no different in Hawaii, and is particularly dire on neighbor islands due to the state's shortage of pediatric psychiatrists and growing demand for mental health services overall.² According to a July 2022 Access to Care Survey Report conducted by Community First Hawai'i, "providers report the greatest demand for patient referrals is to address mental health needs . . . [with m]ore than three-quarters (78%) of Providers say[ing] 'mental health/counseling' is, far and away, the most needed medical specialty, followed by psychiatry at 73%."³

Compounding the issue, under the Behavioral Risk Factor Surveillance System (BRFSS), in 2024, Hawaii County residents in particular reported a higher average rate of poor mental health days (5 in the past 30 days) than residents in the state overall (3.7 in the past days) and nationwide (4.8 in the past 30 days).⁴ This indicates that there is room for improvement with respect to quality of life factors for individuals residing in Hawaii County.

While the available data does not allow for an analysis of the prevalence of mental illness by age range, approximately 21,378 individuals were in between ages 10 - 24 in 2023 in Hawaii county based on 2023 population data compiled by the Department of Business, Economic Development, & Tourism.⁵ Given the mental health crisis that only seems to be worsening among the youth, there is no question that a need for additional services—particularly for adolescents and young adults—exists. According to the Office of Health Care Assurance's website, there are currently only three special treatment facilities licensed in Hilo—and none of these focus solely on treatment for the Proposal's target age range.⁶ PQ has observed that its therapeutic living program has consistently been at capacity for the past several years, so the Proposal will ensure that the need for residential mental health treatment programs among adolescents and young adults continues to be met.

As a therapeutic living program, PQ currently only accepts privacy pay. Operating as a special treatment facility in accordance with the Proposal will permit more individuals to utilize their commercial insurance plan benefits to receive treatment at the Facility. PQ plans to assist individuals in applying for insurance reimbursement for fees incurred, and will verify coverage prior to admittance and further assist with financial arrangements as needed. The Facility will accept all qualified individuals regardless of their race, color, gender, religion, disabilities, or sexual orientation. Those who are

¹ <https://www.politico.com/news/2024/04/10/mental-health-crisis-kids-experiment-00151369>

² <https://www.civilbeat.org/2023/04/as-mental-health-crisis-worsens-in-hawaii-psychiatrist-shortage-takes-heavy-toll-on-kids/>

³ https://static1.squarespace.com/static/6620200d56d6a822686cf52e/t/66258c37e2542b7b45e4c797/1713736761320/ATC_July+2022+Report_06232022_FINAL.pdf at page 13.

⁴ <https://www.countyhealthrankings.org/health-data/health-outcomes/quality-of-life/poor-mental-health-days?state=15&year=2024&tab=1>

⁵ <https://files.hawaii.gov/dbedt/economic/databook/db2023/section01.pdf>

⁶ <https://health.hawaii.gov/ohca/files/2024/08/Special-Treatment-Facility-8-2024.pdf>

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either not a fit for the Facility or need services beyond the Facility's scope will be referred to an appropriate agency.

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PQ has developed a proven track record over the years as an innovative mental health program that has flourished and made valuable contributions to the East Hawaii community. PQ believes that the Proposal will help to ensure that PQ can continue to succeed as a provider and employer in East Hawaii.

C. Quality and Service/Care

PQ's leadership team brings to the table a wealth of experience and qualifications that will be incorporated into every facet of the Proposal's services for the benefit of the Facility's residents. PQ's Chief Clinical Officer, Rob Gent, PhD, LPC, is an accomplished clinician and expert in psychotherapeutic development with a distinguished career that spans over two decades. Dr. Gent will oversee the Facility's clinical program, ensuring that the highest standards of care are met. Dr. Gent is dedicated to advancing the clinical development of integrative health, and he is a nationally recognized presenter, educator, and expert in the field of clinical therapy and treatment.

PQ's Medical Director, Britta Zimmer, ND, is a naturopathic physician skilled in the prevention, diagnosis, management, and treatment of both acute and chronic health conditions. Dr. Zimmer launched PQ's wellness program in 2008 and has helped to grow an integrative team of providers who prioritize functional medicine, strong nutrition, horticulture therapy, and psychiatric management. PQ's Program Director, Kyle Hancock, M.Ed, has years of experience working in a variety of mental health and educational programs. Kyle was one of the pioneers in the implementation of PQ's academic curriculum.

PQ has developed many of its unique programs (such as the wellness program and education and academic programs referenced above) in pursuit of its desire to offer the highest quality of care available. As further evidence of PQ's commitment to quality of care, PQ sought and obtained accreditation by the Commission on Accreditation of Rehabilitation Facilities (CARF) in 2022. PQ is also member in good standing with the National Association of Therapeutic Schools and Program (NATSAP), and a member of the Association of Experiential Education (AEE) and the Academy of Integrated Health & Medicine (AIHM).

PQ has also developed a robust quality assurance program, which includes specific internal policies and procedures to monitor and evaluate quality of care through certain systems, trainings, and ongoing assessments. PQ's QA program will center around the same Policies and Procedures it currently has in place for its therapeutic living program ("Quality P&P"), which will be adopted for the Facility. PQ's Quality P&P were developed and approved by OHCA based on the STF Regulations, so PQ already operates its therapeutic living program in accordance with standards applicable to special treatment facilities and there will be no change to operations upon the Facility's

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licensure and recognition as a special treatment facility. PQ has also developed CARF Policies and Procedures in conjunction with its 2022 CARF accreditation.

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

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The revenue and cost projections for the Proposal's first and third years of operation are summarized in the table below.

	Projected 1st Full Year Operations	Projected 3rd Full Year Operations
Total Operating Revenue	\$7,203,300	\$10,000,000
Operating Expenses		
Salaries, Wages, Benefits	\$4,102,000	\$5,500,000
Other Expenses	\$1,977,300	\$2,300,000
Depreciation	\$184,100	\$250,000
Total Expenses	\$6,263,400	\$8,050,000
Net Income (Loss) from Operations	\$939,900	\$1,950,000
Add Back: Depreciation	\$184,100	\$250,000
Excess (Deficit) Fund from Operations	\$1,124,000	\$2,200,000

E. Relationship to Existing Health Care System

The Proposal will have a significant positive impact on the health care system on Hawaii Island by helping to maintain the supply of residential mental health treatment services for adolescents and young adults.

The Proposal will help to ensure that adolescents and young adults in need of specialized mental health treatment have access to the rehabilitation and counseling services needed to be a productive member of society. PQ places an emphasis on community, collaboration, and connection throughout all of its specialty programming, and its goals center on improving the mental, emotional and physical health of all its residents. The result of this preventive and holistic approach is to reduce the need for costly and burdensome reactive measures such as emergency response services and hospital admissions. The Proposal's ability to free up these resources for other elderly patients and others in need will undoubtedly benefit the health care system overall.

F. Availability of Resources

The Proposal will not require PQ to hire any additional employees and PQ will retain all current staff used for its therapeutic living program. At a minimum, the STF Regulations require one direct care staff for every 8 residents, which PQ's staffing plan far exceeds. PQ employs both direct care day staff and direct care overnight staff, the latter which remains awake and monitors residents while they sleep. PQ has maintained this staffing structure for years without issue, from the time that it was first licensed as a therapeutic living program. Through the transition as set forth in the Proposal, PQ's current staff and staffing schedule will remain the same. Upon the Facility's commencement of operations as a special treatment facility, PQ will ensure

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that the Facility will continue to operate with staffing levels that exceed minimum requirements under the STF Regulations.

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PQ is one of the larger private employers in East Hawaii and is dedicated to the retention and development of its staff. PQ provides ongoing training for all of its staff, to ensure that it meets its own quality of care initiatives and standards. To the extent that PQ needs to hire additional staff members at any point in time, it is confident that it can attract qualified personnel through local advertisements and recruitment efforts.

PQ has sufficient financial resources to maintain operations at the Facility Site as a therapeutic living program until it can begin to operate as a special treatment facility.

10. **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.
- The applicant believes it will not have a significant impact on the health care system.