



STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

NEIL ABERCROMBIE
GOVERNOR OF HAWAII
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March 4, 2011

CERTIFIED MAIL, RETURN RECEIPT REQUESTED

IN THE MATTER OF)	CERTIFICATE OF NEED
)	APPLICATION
)	NO. 11-01
Island Paradise Investments LP)	
)	
Applicant)	
_____)	DECISION ON THE MERITS

DECISION ON THE MERITS

The State Health Planning and Development Agency (hereinafter "Agency"), having taken into consideration all of the records pertaining to Certificate of Need Application No.11-01 on file with the Agency, including the written and oral testimony and exhibits submitted by the applicant and other affected persons, the recommendations of the Oahuwide Certificate of Need Review Committee and the Statewide Health Coordinating Council, the Agency hereby makes its Decision on the Merits, including findings of fact, conclusions of law, order, and written notice on Certificate of Need Application No. 11-01.

I

FINDINGS OF FACT

1. This is an application for a Certificate of Need ("Cert") for the establishment of a 49 bed Skilled Nursing/Intermediate Care (SNF/ICF) facility at 1723 Kalakaua Avenue, Honolulu, Hawaii, at a capital cost of \$8,341,529.
2. The applicant, Island Paradise Investments LP, is a Hawaii limited partnership.

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3. The Agency administers the State of Hawaii's Certificate Program, pursuant to Chapter 323D, Hawaii Revised Statutes (HRS), and Title 11, Chapter 186, Hawaii Administrative Rules (HAR).
4. On November 29, 2010, the applicant filed with the Agency a Certificate of Need application for the establishment of a 49 bed Skilled Nursing/Intermediate Care (SNF/ICF) facility at 1723 Kalakaua Avenue, Honolulu, Hawaii, at a capital cost of \$8,341,529 (the "Proposal"). On January 12, 2011, January 25, 2011 and February 3, 2011, the applicant submitted additional information. On February 7, 2011, the application was determined to be complete. For administrative purposes, the Agency designated the application as Cert. #11-01.
5. The period for Agency review of the application commenced on February 11, 2011, the day notice was provided to the public pursuant to 11-186-39 HAR.
6. The application was reviewed by the Oahuwide Certificate of Need Review Committee at a public meeting on February 16, 2011. The Committee voted 4 to 0 in favor of recommending approval of the application.
7. The application was reviewed by the Statewide Health Coordinating Council at a public meeting on February 23, 2011. The Council voted 9 to 0 in favor of recommending approval of the application.
8. The Certificate of Need Review Panel review of the application was waived pursuant to Section 323D-44.6 HRS.
9. This application was reviewed in accordance with Section 11-186-15, HAR.
10. Section 323D-43(b), HRS states:

"(b) No certificate of need shall be issued unless the state agency has determined that:

 - (1) There is a public need for the facility or service; and
 - (2) The cost of the facility or service will not be unreasonable in the light of the benefits it will provide and its impact on health care costs."
11. Burden of proof. Section 11-186-42, HAR, provides:

"The applicant for a certificate of need or for an exemption from certificate of need requirements shall have the burden of proof, including the burden of producing evidence and the burden of persuasion. The degree or quantum of proof shall be a preponderance of the evidence."

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A. REGARDING THE RELATION OF THE PROPOSAL TO THE STATE HEALTH SERVICES AND FACILITIES PLAN

Chapter 2 – Long Term Care Bed Thresholds

12. The applicant states that "The target population for the 49 SNF/ICF beds is for residents 65 years and older requiring assistance with activities of daily living, behavior management, health related services, skilled nursing and rehabilitation services."

13. The applicant states that "...there were only 22 nursing home beds per 1,000 residents 65 years and above in Hawaii with a national average of 46 beds per 1,000 residents 65 years and above with Hawaii ranking 48th in the nation with the number of nursing facility beds available for residents."

14. The applicant states that "Honolulu is distinctively even more deficient in the number of nursing home beds at 19 beds per 1,000 residents 65 years and above."

15. The applicant states that "Per SMS Research, in 2000 there were 1,197,309 people living in Hawaii of which 13.6% (162,834) were 65 years of age and older; 17,983 of them were 85 years of age or older. By the year 2020, the number of people over 65 years old is expected to increase 200% (325,668)."

16. The applicant states that "SMS also reported that there was a high concentration of these seniors living in the Honolulu Area (Nuuanu to the Niu Valley area). This area has 24% of the total Oahu population with 37% of the population age 65 and above and with 47% of the adult population age 85 and above."

17. The applicant states that based on U.S. utilization rates there is a need for 9,042 long term care beds statewide and 6,217 beds in Honolulu.

18. The applicant states that the 2006 statewide supply of long term care beds was 3,940 while Honolulu's 2006 supply was 2,518 beds.

19. The applicant states that "In 2010, based on US rates (46.1 beds per 1,000 population 65 years or older), there was a shortfall of 5,102 beds in Hawaii and 3,699 beds in Honolulu. With the same US rates, in 2015 Hawaii will be short 6,143 beds and Honolulu will be short 4,153 beds."

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Chapter 3 – Statewide Health Coordinating Council Priorities

20. The applicant states that "The addition of the proposed facility at the 1723 Kalakaua site will promote and support the long-term viability of the State of Hawaii's health care delivery system by:

- Providing seniors access to a continuum of long-term care services, especially the much needed SNF/ICF beds. Services will include SNF/ICF care, hospice care, memory care, assisted living, and independent living and rehabilitation services.
- Continuum Care Retirement Communities are a growing trend in the aging field. People want to have access to a variety of services to meet their changing health needs. The SNF/ICF beds are an integral part of Kalakaua Garden's overall health care service delivery system.
- Providing training to the healthcare workforce to care for Hawaii's seniors.
- Increasing the number of long-term care beds in Hawaii and specifically Honolulu which has the highest population of seniors over the age of 65."

21. The applicant states that "Kalakaua Garden will be expanding the health care workforce by employing 81 employees to meet the needs of the SNF/ICF residents."

22. The applicant states that "Kalakaua Garden is a project that meets the regional and statewide continuum of care by meeting the SNF/ICF needs of residents who do not require hospital care. The project also increases the capacity and access to available long-term care beds within a continuum of care campus. This project will also facilitate the transfer of patients from acute care hospitals."

23. The applicant states that "The additional 49 beds will ensure an increased capacity for long-term care services within a continuum of care campus. The campus will also assist in filling the gap between hospitals and the community."

Chapter 3 – Subarea Health Planning Council Priorities

24. The applicant states that "The project will also meet the 'Honolulu (HONSAC) Priority' by increasing the availability of long-term care services and other supportive services such as nursing homes, assisted living facilities, memory care, skilled nursing facilities and hospice services."

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25. The applicant states that "The facility will have various programs to maintain the health and wellness of its seniors. Programs such as nutritional and exercise classes, physical training, rehabilitation services, and excursions will be offered."

26. The applicant states that "Kalakaua Garden will be a training site for students in various health care schools of training, colleges and universities, as a way to recruit qualified health care workers."

27. The applicant states that "Kalakaua Garden will provide care in a cost effective manner and will keep costs down. Charges for services will be based on the community norm. Every effort will be made to keep the residents safe and healthy and to treat any change in resident condition in a timely manner to avoid costly hospital stays."

28. The Agency finds that this criterion has been met.

B. REGARDING NEED AND ACCESSIBILITY CRITERIA

29. The applicant states that "The target population for the 49 SNF/ICF beds is for residents 65 years and older requiring assistance with activities of daily living, behavior management, health related services, skilled nursing and rehabilitation services."

30. The applicant states that "...there were only 22 nursing home beds per 1,000 residents 65 years and above in Hawaii with a national average of 46 beds per 1,000 residents 65 years and above with Hawaii ranking 48th in the nation with the number of nursing facility beds available for residents."

31. The applicant states that "Honolulu is distinctively even more deficient in the number of nursing home beds at 19 beds per 1,000 residents 65 years and above."

32. The applicant states that "Per SMS Research, in 2000 there were 1,197,309 people living in Hawaii of which 13.6% (162,834) were 65 years of age and older; 17,983 of them were 85 years of age or older. By the year 2020, the number of people over 65 years old is expected to increase 200% (325,668)."

33. The applicant states that "SMS also reported that there was a high concentration of these seniors living in the Honolulu Area (Nuuanu to the Niu Valley area). This area has 24% of the total Oahu population with 37% of the population age 65 and above and with 47% of the adult population age 85 and above."

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34. The applicant states that based on U.S. utilization rates there is a need for 9,042 long term care beds statewide and 6,217 beds in Honolulu.

35. The applicant states that the 2006 statewide supply of long term care beds was 3,940 while Honolulu's 2006 supply was 2,518 beds.

36. The applicant states that "In 2010, based on US rates (46.1 beds per 1,000 population 65 years or older), there was a shortfall of 5,102 beds in Hawaii and 3,699 beds in Honolulu. With the same US rates, in 2015 Hawaii will be short 6,143 beds and Honolulu will be short 4,153 beds."

37. The applicant states that "Kalakaua Garden will be accessible to Hawaii's indigent seniors and plans to become Medicare and Medicaid Certified thereby providing care to seniors with low income and those who are unable to pay for long-term care services. The campus is also centrally located and is near all major connecting points by the bus making it a convenient location for seniors to commute anywhere and for their families to come and visit them. Kalakaua Gardens will provide services to all persons - racial and ethnic minorities, women, and people with disabilities."

38. The Agency finds that the need and accessibility criteria have been met.

C. REGARDING QUALITY AND LICENSURE CRITERIA

39. The applicant states that the project will be managed by Palolo Chinese Home (PCH), who will ensure that the operations meet all laws and regulatory requirements.

40. The applicant states that "Palolo Chinese Home has a long history in Hawaii of providing high quality and cost effective care across a continuum of programs and services. The Palolo Chinese Home is currently a '4 out of 5 Star' rated facility by Centers of Medicare and Medicaid, Nursing Home Compare."

41. The applicant states that "PCH will ensure that Kalakaua Garden programs and services adhere to all Federal and State regulations and standards in providing the highest quality of care to its residents. In accordance to the Omnibus Budget Reconciliation Act of 1987 (OBRA'87) and Chapter 94 of the Hawaii Administrative Rules, PCH has established the required policies and procedures to monitor and evaluate the quality of care. In addition, Kalakaua Garden will be compliant with all Clinical Laboratory Improvement Act (CLIA waiver testing) and with Occupational Safety Health Agency requirements ensuring a safe and clean environment."

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42. The applicant states that "The Kalakaua Garden will obtain a: Department of Health Licensure, Medicare and Medicaid Certification, Certificate of Registration for Controlled Substances, Clinical Laboratories-Certificate of Waiver, and Class II Clinical Laboratory Permit."

43. The Agency finds that the quality and licensure criteria have been met.

D. REGARDING THE COST AND FINANCIAL CRITERIA

44. The applicant states that the skilled /intermediate nursing facility will contain 49 beds and comprise the entire 5th and 6th floors of the Kalakaua Garden project and that the allocated cost of the skilled nursing portion of the project is \$8,341,529. The applicant states that approximately \$7.5 million of this amount will be financed via the HUD-insured 232 loan with the \$.8 million balance paid for by cash equity by the developer.

45. The applicant projects that the total revenue for Year 1 of operations will be \$2,759,990 and that the total expenses for Year 1 will be \$4,319,717.28. The applicant projects that, for Year 3 of operations, total revenue is projected to be \$4,916,034.40 and total expenses are projected to be \$4,540,875.04.

46. The applicant states that "Kalakaua Garden's SNF/ICF will help to lower the cost of health care by helping to relieve hospital waitlists. The focus is to keep residents independent and as functional as possible, thereby decreasing the need for care at a higher, more costly level of care."

47. The Agency finds that the cost and financial criteria have been met.

E. REGARDING THE RELATIONSHIP OF THE PROPOSAL TO THE EXISTING HEALTH CARE SYSTEM OF THE AREA

48. The applicant states that "Due to the high occupancy levels of other SNF/ICF facilities, it is anticipated that there will be no adverse effects on other nursing facilities. This project will fill Oahu's gap for needed SNF/ICF services."

49. The applicant states that "Due to the limited number of SNF/ICF beds in Hawaii there are 'little' to 'no' alternatives. Although Kalakaua Garden is a planned continuum care community and will accommodate SNF/ICF referrals from the community. (sic) Focus will be on keeping its residents happy, healthy and independent and moved to the least restrictive and least costly service, i.e. assisted living, memory care or to community based services."

50. The Agency finds that these criteria have been met.

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F. REGARDING THE AVAILABILITY OF RESOURCES

51. The applicant states that the skilled /intermediate nursing facility will contain 49 beds and comprise the entire 5th and 6th floors of the Kalakaua Garden project and that the allocated cost of the skilled nursing portion of the project is \$8,341,529. The applicant states that approximately \$7.5 million of this amount will be financed via the HUD-insured 232 loan with the \$.8 million balance paid for by cash equity by the developer.

52. The applicant states that "The lender for the HUD-insured loan will be Centennial Mortgage, Inc."

53. The applicant states that "There is a plan in place to recruit, train and retain the employees for this project. Through the management experience of Palolo Chinese Home the project has the expertise to hire and retain qualified staff. PCH is fully staffed and continues to receive applications for all nursing and other positions."

54. The Agency finds that the applicant has met this criterion.

II

CONCLUSIONS OF LAW

Having taken into consideration all of the records pertaining to Certificate of Need Application No. 11-01 on file with the Agency, including the written and oral testimony and exhibits submitted by the applicant and other affected persons, the recommendations of the Oahuwide Certificate of Need Review Committee and the Statewide Health Coordinating Council and based upon the findings of fact contained herein, the Agency concludes as follows:

The applicant has met the requisite burden of proof and has shown by a preponderance of the evidence that the Proposal meets the criteria established in Section 11-186-15, HAR.

Accordingly, the Agency hereby determines that, pursuant to Chapter 323D-43(b):

- (1) There is a public need for this proposal; and
- (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.

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ORDER

Pursuant to the findings of fact and conclusions of law contained herein, IT IS HEREBY DECIDED AND ORDERED THAT:

The State Health Planning and Development Agency hereby APPROVES and ISSUES a Certificate of Need to Island Paradise Investments LP, for the proposal described in Certificate of Need application No. 11-01. The maximum capital expenditure allowed under this approval is \$8,341,529.

WRITTEN NOTICE

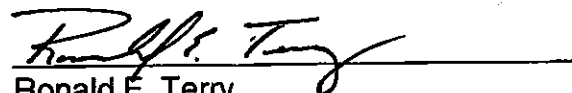
Please read carefully the written notice below. It contains material that may affect the Decision on the Merits. The written notice is required by Section 11-186-70 of the Agency's Certificate of Need Program rules.

The decision on the merits is not a final decision of the Agency when it is filed. Any person may request a public hearing for reconsideration of the decision pursuant to Section 11-186-82 HAR. The decision shall become final if no person makes a timely request for a public hearing for reconsideration of the decision. If there is a timely request for a public hearing for reconsideration of the decision and after the Agency's final action on the reconsideration, the decision shall become final.

(Note, pursuant to Chapter 323D-47, Hawaii Revised Statutes, a request for reconsideration shall be received by the Agency within ten working days of the state agency decision.)

DATED: March 4, 2011
Honolulu, Hawaii

HAWAII STATE HEALTH PLANNING
AND DEVELOPMENT AGENCY


Ronald E. Terry
Administrator