HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

ADMINISTRATIVE APPLICATION – CERTIFICATE OF NEED PROGRAM

Application Number 02-20A

Applicant: Kaiser Permanente Medical Care Program

Project Title: Expansion of Wailuku Clinic

HAWAII STATE HEALTH PLANNING AND DEVELOPMENT AGENCY

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ADMINISTRATIVE APPLICATION - CERTIFICATE OF NEED PROGRAM

Application Number: 02- 20A
To be assigned by Agency

Date of Receipt:

APPLICANT PROFILE

Project Title: Expansion of Wailuku Clinic

Project Address: No postal address at this time

Corner of Kaahumanu Avenue and Maui Lani Parkway, Wailuku, Maui

Applicant Facility/Organization: Kaiser Permanente Medical Care Program

Name of CEO or equivalent: Bruce Behnke

Title: President and Regional Manager

Address: 3288 Moanalua Road, Honolulu, HI 96819

Phone Number: 432-4000 Fax Number:

Contact Person for this Application: Jamie Cameros

Title: Senior Planning Analyst

Address: 711 Kapiolani Boulevard, Honolulu, HI 96813

Phone Number: (808) 982-9214 Fax Number:

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

Date

Bruce Behnke
Name (please type or print)

President and Regional Manager
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: _____	____

2. PROJECT LOCATION INFORMATION

A. Project will be located in:

State Senate District Number: 5

State House District Number: 9

County Council District Number: Wailuku

Neighborhood Board District Number (O`ahu only): ____

B. Primary Service Area(s) of Project: (please check all applicable)

Statewide:	____
O`ahu-wide:	____
Honolulu:	____
Windward O`ahu:	____
West O`ahu:	____
Maui County:	X
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) **See attached**
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 Permit**
C. Your governing body: list by names, titles and address/phone numbers *
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 *
   - By-Laws *
   - Partnership Agreements *
   - Tax Key Number (project's location) **(2) 3-8-7-121 whole property**

*** On file with SHPDA**

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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					
Outpatient Facility			X		
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.

N/A

Type of Bed	Current Bed Total	Proposed Beds for your Project	Total Combined Beds if your Project is Approved
TOTAL			

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6. PROJECT COSTS AND SOURCES OF FUNDS

A. List All Project Costs:

		AMOUNT:
1.	Land Acquisition	
2.	Construction Contract	9,412,000
3.	Fixed Equipment	
4.	Movable Equipment	318,000
5.	Financing Costs	
6.	Fair Market Value of assets acquired by lease, rent, donation, etc.	3,126,000
7.	Other: **TI Allowance**	(983,000)
	TOTAL PROJECT COST:	**11,873,000**

B. Source of Funds

1.	Cash	11,873,000
2.	State Appropriations	
3.	Other Grants	
4.	Fund Drive	
5.	Debt	
6.	Other: _____	
	TOTAL SOURCE OF FUNDS:	**11,873,000**

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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.

Expansion of Wailuku Clinic.

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:

See attached

a) Date of site control for the proposed project,
b) Dates by which other government approvals/permits will be applied for and received,
c) Dates by which financing is assured for the project,
d) Date construction will commence,
e) Length of construction period,
f) Date of completion of the project,
g) Date of commencement of operation

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 Hawai`i Health Performance Plan (H2P2), also known as 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
f) Availability of Resources.

See attached

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.

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

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8. IMPLEMENTATION SCHEDULE:

a) Date of site control for the proposed project: **October 2003**
b) Dates by which other government approvals/permits will be applied for and received: **January 28, 2003 – start permit process**
c) Dates by which financing is assured for the project: **January 2003**
d) Date construction will commence: **March 28, 2003**
e) Length of construction period: **8 Months**
f) Date of completion of the project: **January 20, 2004**
g) Date of commencement of operation: **October 2004**

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9. EXECUTIVE SUMMARY:

Kaiser Permanente Medical Care Program requests approval from the State Health Planning and Development Agency (SHPDA) to establish a new, Maui Lani, outpatient clinic in Wailuku on the island of Maui. The proposed clinic will be located at the corner of Kaahumanu Avenue and Maui Lani Parkway, approximately ¼ mile away from the existing Wailuku Clinic.

The proposed Maui Lani Clinic is envisioned to be a primary care satellite clinic that will meet the needs of a growing membership and ease capacity constraints at the existing Wailuku Clinic, which has undergone 3 expansion projects to accommodate space needs. The proposed clinic would fulfill the vision of housing specialty care at existing Wailuku Clinic and relocating primary care at the new satellite. By 2010, 23 medical doctor equivalent FTE's would be located in the new satellite. The objective is to provide sufficient primary care medical office space for the projected number of Central Maui members from 2004 to 2010, and to convert the existing Wailuku Clinic into the HUB to service the entire membership population of the island of Maui.

Kaiser Permanente Hawaii will enter into a contractual arrangement with the Harry and Jeanette Weinberg Foundation d.b.a. HRT Ltd., where HRT will construct the 43,310 square foot facility and Kaiser Permanente will enter into a long-term lease (30 years with options to extend further into the future). In the build-to-suit arrangement, HRT will provide the necessary medical office building (MOB) shell according to plans and specifications prepared by HRT's architect in conjunction with Kaiser Permanente and Kaiser will make any necessary tenant improvements in order to make the facility operational as a Kaiser Permanente satellite clinic.

<u>Relationship to the Hawai'i Health Performance Plan (H2P2)</u>

Kaiser Permanente, a health care delivery system that is comprehensive, cost-effective, well coordinated, and responsive to community needs is proposing

to establish a primary care satellite clinic in Wailuku. This proposal will help to achieve the goals of increasing the span of healthy life for Hawai'i's residents, reduce health disparities among Hawai'i's residents, and achieve equitable and effective access at reasonable cost. This proposed project will also provide what the Maui County "Tri-Isle" Subarea Council values, which is "Access to primary care services within a reasonable period of time" and to have "Competent" and "Culturally Respectful" providers.

Need and Accessibility

The proposed Maui Lani Clinic is an important piece in the new Kaiser Permanente Hawaii Regional Facilities Master Plan strategy that proposes the adoption of a Medical Center/Hub Clinics/Satellite Clinic concept. The new strategy proposes a service delivery system that can flex to meet the needs of each community. The proposed clinic would off-load primary care providers from the existing Wailuku Clinic and allow for the renovation of Wailuku Clinic into a pure HUB clinic of specialty and secondary levels of care services. This HUB concept is important for the area population and Kaiser Permanente membership because it creates a critical mass for direct access and convenience within the community to services that cannot now practically be offered at the smaller satellite clinics (i.e., testing, screening, after hours care).

The Medical Center/HUB Clinic/Satellite Clinic strategy is a critical component of Kaiser Permanente Hawaii's mission to successfully implement the Kaiser Permanente Promise, our National Strategy, of providing affordable, high quality health care services to our members and the communities we serve. The Kaiser Permanente Promise is a commitment to our members to provide healthcare "Quality you can Trust," and "Caring with a Personal Touch," while making it "Convenient and Easy" as well as "Affordable".

The Maui service area is the fastest growing market in the Kaiser Permanente Hawaii Region. The service area is estimated to grow from 43,000 members at the beginning of 2002 to 67,000 members by the end of 2012 (a 56% increase in membership). This robust growth in membership can be attributed to both the accelerated growth in population coupled with an aggressive stair-step strategy in attracting new members to Kaiser Permanente and retaining current members through a decrease in involuntary terminations. Members in the service area are currently serviced by 3 clinics; Wailuku, Kihei, and Lahaina.

Wailuku Clinic has already taken the following steps to expand their limited capacity:

1. Some departments open at 7:00 a.m. and close at 7:00 p.m., Monday through Friday.

2. Some space is in use from 7:30 a.m. to 9:30 p.m., Monday through Friday and all Saturdays, Sundays and holidays.

3. Wailuku Clinic is open 363 days of the year (closed only on Christmas and New Year's Day)

4. The clerical departments run two shifts from 5:30 a.m. to 9:00 p.m. (Affiliated Care Claims Processing) and other departments work four 10 hour days.

5. Medical Transcription is going virtual.

6. Internal Medicine has experimented with extended hours but experienced a high no-show rate and virtually no patients will come to the doctor after 7:00 p.m. for routine rechecks and preventive care.

7. Several providers share offices and/or exam rooms and some do not have an office at all.

In its current configuration, Wailuku Clinic has a total of 41 provider offices (P.O.'s) with a total of 50.7 providers, an office deficit of 10 P.O.'s or 24%. Given the projected membership growth in the Wailuku/Central Maui district, the clinic's projected P.O. deficit is expected to reach 56% by 2007 and an alarming 98% by 2012.

As with all new Kaiser Permanente Clinics, the new Maui Lani Clinic will be constructed to ensure complete compliance with the Americans with Disabilities Act of 1990, thereby enhancing access for the disabled.

Quality of Service/Care

Providing high quality, cost-effective health care is the guiding principle at Kaiser Permanente. Kaiser Permanente is proactive and diligent in the pursuit, maintenance, and improvement of quality of care and quality of service. Last year, Kaiser Permanente received continuing approval by the Joint Commission on the Accreditation of Healthcare Organizations (JCAHO). Kaiser Permanente was also awarded accreditation with excellence by the National Committee for Quality Assurance (NCQA). Kaiser Permanente is also licensed with the Department of Health and Medicare certified.

Cost and Finances

A statement of revenues and expenses for the first, second and third year of operation is included as Exhibit D-1. As a comprehensive, prepaid group

practice health maintenance organization, the operating revenues for the Program are derived primarily for Health Plan dues, which are not capitated, by medical service or operating facility. Project expenses are direct costs associated with the proposed clinic.

Relationship to the Existing Health Care System

The new Maui Lani Clinic will allow Kaiser Permanente members to receive the same high quality and affordable services to which they are accustomed. There is no reason to believe that the presence of the new Maui Lani Clinic will adversely impact the other health care services in the community.

Availability of Resources

Kaiser Permanente will transfer physician, ancillary, and support staff from the current Wailuku Clinic to the new proposed clinic once it becomes operational. Additional staff may be hired to meet the increase in membership and patient care delivery standards. Staff will be hired locally when possible or nationally. Kaiser Permanente does not anticipate any problems in recruiting.

The proposed project will require a capital investment of $11.9 million. Kaiser Permanente funds it capital requirements through a capital generation program supported by operating revenues, and through long-term debt of the nationwide Program. No new debt will be required for the proposed project. Operating funds for the proposed project will be available through cash reserves for start-up activities and through normal operations after opening.