COMMONWEALTH of VIRGINIA

Department of Health

M. Norman Oliver, MD, MA
State Health Commissioner

Office of Licensure and Certification

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April 27, 2020

Ms. Jamie B. Martin
Williams Mullen
Williams Mullen Center, 200 South 10th Street, Suite 1600
Richmond, Virginia 23219

RE: **COPN Request No. VA-8481**
Virginia Commonwealth University Health System Authority
Addition of 58 medical-surgical beds and 14 adult intensive care unit beds

Dear Ms. Martin:

For your consideration, I enclose the Division of Certificate of Public Need (DCOPN) report and recommendation on the above referenced project. DCOPN is recommending **conditional approval** of this application for the reasons listed in the attached staff report.

If Virginia Commonwealth University Health System Authority is willing to accept the recommendation for conditional approval of this project, please provide documentation of this acceptance no later than **May 4, 2020**. If not willing to accept, before the State Health Commissioner makes his decision on this project, the Department will convene an informal-fact-finding conference (IFFC) pursuant to Title 2.2 of the Code of Virginia. This IFFC will be held on a date and time to be determined. A copy of the procedures for conduct at IFFCs may be found at http://www.vdh.virginia.gov/OLC/copn/

Persons wishing to participate in an IFFC have four days from the date of this letter to submit written notification to the State Health Commissioner, DCOPN and the applicant stating a factual basis for good cause standing. If no person has submitted written notification stating grounds and providing a factual basis for good cause standing and Virginia Commonwealth University Health System Authority accepts the conditional approval, DCOPN will then notify you of the cancellation of the scheduled IFFC. DCOPN would then anticipate action by the State Health Commissioner within a few weeks of transmission.

Should you have questions or need further clarification of this report and/or its recommendations, please feel free to call me at (804) 367-1889 or email me at Erik.Bodin@VDH.Virginia.Gov.

Sincerely,

Erik Bodin, Director
Division of Certificate of Public Need

Enclosures

cc: Douglas R. Harris, J.D., Office of Adjudication, Virginia Department of Health

VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis

April 27, 2020

RE: COPN Request No. VA-8481
Virginia Commonwealth University Health System Authority
Richmond, Virginia
Addition of 58 Adult Medical-Surgical Beds and 14 Adult Intensive Care Unit Beds

RE: COPN Request No. VA-8482
Bon Secours Memorial Regional Medical Center, Inc.
Mechanicsville, Virginia
Addition of up to 44 acute care beds to include medical-surgical and ICU Beds

Applicants

COPN Request No. VA-8481: VCUHS
The Virginia Commonwealth University Health Systems Authority, doing business as VCU Medical Center (VCUHS), is a public body corporate and political subdivision of the Commonwealth of Virginia, governed by the Virginia Commonwealth University Health System Authority Act of 1996-Title 23, Chapter 6.2, 23-50.16:1 of the Code of Virginia. Subsidiaries of the applicant include MCV Associated Physicians, Crippled Children's Hospital, Community Memorial Hospital, University Health Services, Inc., UHS Professional Education Programs, Inc., Virginia Premier Health Plan, Inc., and Rehab JV, LLC. VCUHS is located in Planning District (PD) 15, Health Planning Region (HPR) IV.

COPN Request No. VA-8482: BSMR
Bon Secours Memorial Regional Medical Center, Inc. is a wholly owned subsidiary of Bon Secours Richmond Health System, Inc., which is a Virginia nonstock, nonprofit corporation. Effective January 1, 2020, Bon Secours Memorial Regional Medical Center, Inc. was converted to Bon Secours Memorial Regional Medical Center, LLC, a nonprofit limited liability company (BSMR). BSMR holds a majority ownership interest in Memorial Ambulatory Surgery Center, LLC. BSMR is located in PD 15, HPR IV. In September 2018, Bon Secours Health System combined with Mercy Health, a Catholic health care system with locations in Ohio and Kentucky, to become Bon Secours Mercy Health, with headquarters co-located in Cincinnati, Ohio.

Background

As demonstrated in the tables below, the medical/surgical bed inventory of PD 15 consists of 3,503 licensed medical-surgical beds (**Table 1**), of which 368 are intensive care beds (ICU beds) (**Table 2**). For 2018, the PD 15 medical-surgical inventory operated at a collective occupancy of 65.7%, while the ICU inventory operated at a collective occupancy of 78.3%.

Table 1. PD 15 Medical-surgical Inventory[1]: 2018

Facility	Licensed Beds	Staffed Beds	Available Days	Patient Days	Occupancy %
Bon Secours Memorial Regional Medical Center	225	225	82,125	63,191	76.9%
Bon Secours Richmond Community Hospital	104	96	36,135	10,555	29.2%
Bon Secours St. Francis Medical Center*	130	130	47,450	34,343	72.4%
Bon Secours St. Mary's Hospital	391	391	139,415	95,580	68.6%
Chippenham Hospital	466	445	170,090	118,476	69.2%
Cumberland Hospital for Children and Adolescents	94	94	34,310	31,498	91.8%
Encompass Health Rehab Hospital of Richmond	40	40	14,600	9,335	63.9%
Henrico Doctor's Hospital—Parham	200	141	73,000	33,081	45.3%
Henrico Doctor's Hospital—Retreat	227	78	82,855	10,784	13.0%
Henrico Doctor's Hospital--Forest	340	238	124,100	71,462	57.6%
Johnston-Willis Hospital	292	257	106,580	69,521	65.2%
Sheltering Arms Hospital	40	40	14,600	13,851	94.9%
Sheltering Arms Hospital South	28	28	10,220	4,394	43.0%
VCU Health System	811	759	277,035	228,527	82.5%
Vibra Hospital of Richmond LLC	60	60	21,900	15,827	72.3%
West Creek Medical Center**	97	0	0	0	0%
TOTAL/Average	**3,503[2]**	**3,022**	**1,234,415**	**810,425**	**65.7%**

Source: VHI (2018) and DCOPN Records
*COPN No. VA-04682, issued on November 6, 2019, authorized the addition of 55 total acute care beds (including 42 medical-surgical beds, 9 obstetrical beds and 4 intensive care beds) to the existing inventory.
** West Creek Medical Center has not yet been constructed.

[1] The Adjudication Officer's case decision for COPN No. VA-04682 held that DCOPN was in error by including obstetric, intensive care and pediatric patient days in its calculations for medical-surgical bed need, despite those beds being fungible and accordingly, able to convert to medical-surgical beds without COPN authorization. However, because obstetric, intensive care and pediatric beds can be easily converted to medical-surgical beds, thereby changing the medical-surgical inventory without first obtaining COPN authorization, DCOPN maintains that obstetric, intensive care and pediatric beds should be included in the medical-surgical inventory and the corresponding patient days used for medical-surgical bed need calculations.

[2] Though not included in the overall calculations for occupancy, the total number of licensed medical-surgical beds reflects the 55 acute care beds added at Bon Secours St. Francis Medical Center pursuant to COPN No. VA-04682.

Table 2. PD 15 Intensive Care Bed Inventory: 2018

Facility	Licensed Beds	Staffed Beds	Available Days	Patient Days	Occupancy %
Bon Secours Memorial Regional Medical Center	24	24	8,760	6,890	78.7%
Bon Secours Richmond Community Hospital	5	0	0	0	0.0%
Bon Secours St. Francis Medical Center*	16	16	5,840	3,760	64.4%
Bon Secours St. Mary's Hospital	34	34	12,410	11,518	92.8%
Chippenham Hospital	64	64	23,360	18,440	78.9%
Henrico Doctor's Hospital—Parham	12	12	4,380	1,381	31.5%
Henrico Doctor's Hospital—Retreat	6	6	2,190	587	26.8%
Henrico Doctor's Hospital--Forest	28	28	10,220	7,574	74.1%
Johnston-Willis Hospital	26	26	9,490	8,159	86.0%
VCU Health System	141	132	48,180	40,953	85.0%
West Creek Medical Center**	12	0	0	0	0%
TOTAL/Average	**372**[3]	**354**	**129,210**	**101,223**	**78.3%**

Source: VHI (2018) and DCOPN Records
*COPN No. VA-04682, issued on November 6, 2019, authorized the addition of 55 total acute care beds (including 4 intensive care beds) to the existing inventory.
** West Creek Medical Center has not yet been constructed.

[3] Though not included in the overall calculations for occupancy, the total number of licensed intensive care beds reflects the four intensive care beds added at Bon Secours St. Francis Medical Center pursuant to COPN No. VA-04682.

Proposed Projects

COPN Request No. VA-8481: VCUHS

VCUHS proposes to increase its licensed bed capacity by 72 beds—58 medical-surgical beds and 14 ICU beds. Forty-nine of the 58 medical-surgical beds will be located in space currently occupied by VCUHS' inpatient rehabilitation program, located on the first and second floors of the North Hospital.[4] The applicant will place the remaining nine medical-surgical beds at the Main Hospital and at the Critical Care Hospital. The 14 proposed ICU beds will be located in the existing Critical Care Hospital. Renovations and improvements needed for the proposed project are limited, and no alternations to room sizes are expected. The applicant anticipates construction to begin on July 1, 2020 and to be complete by November 30, 2020. The applicant anticipates a January 1, 2021 date of opening. If approved, schedule allowances may need to be made to accommodate the applicant's response to the COVID-19 pandemic.

The projected capital costs of the proposed project total $17,553,745 (**Table 3**). The applicant will fund the entire project using accumulated reserves. Accordingly, there are no financing costs associated with this project.

Table 3. VCUHS Projected Capital Costs

Direct Construction Costs	$11,538,261
Equipment Not Included in Construction Contraction	$4,552,904
Architectural and Engineering Fees	$1,462,580
TOTAL Capital Costs	**$17,553,745**

Source: COPN Request No. VA-8481

COPN Request No. VA-8482: BSMR

BSMR proposes to increase its licensed bed capacity by 44 beds—33 medical-surgical beds and 11 ICU beds. To accommodate the bed expansion, the applicant proposes to construct a two-story vertical expansion to the existing hospital structure, to be located above Emergency Services on Level 1 and Intensive Care Services on Level 2. The applicant will also renovate selected areas of the hospital to accommodate the connectivity and flow of patients, staff, and materials. The new third level will house 12 ICU beds and 12 medical-surgical beds. The new fourth level will house 24 medical-surgical beds. Concurrent with the new patient units becoming operational, BSMR will convert four existing beds to other use (storage or education). The existing tower is capable of accommodating the two-story vertical expansion and as such, only minor structural modifications are needed. The applicant anticipates construction on the proposed project to begin 10 months following COPN issuance and to be complete within 28 months following COPN issuance. The applicant anticipates a target opening date within 30 months following COPN issuance. If approved, schedule allowances may need to be made to accommodate the applicant's response to the COVID-19 pandemic.

[4] VCUHS' inpatient rehabilitation program will relocate to Rehab JV, LLC (a joint venture between VCU Health System and Sheltering Arms Rehab Institute that does business as Sheltering Arms Rehab Institute) in the summer of 2020 pursuant to COPN No. VA-04555.

The projected capital costs of the proposed project total $52,738,157 (**Table 4**). The applicant will fund the entire project using accumulated reserves. Accordingly, there are no financing costs associated with this project.

Table 4. BSMR Projected Capital Costs

Direct Construction Costs	$40,465,856
Equipment Not Included in Construction Contraction	$6,589,872
Site Preparation Costs	$649,000
Architectural and Engineering Fees	$4,240,664
Other Consultant Fees	$792,765
TOTAL Capital Costs	**$52,738,157**

Source: COPN Request No. VA-8482

Project Definitions

Section 32.1-102.1 of the Code of Virginia (the Code) defines a project, in part, as "an increase in the total number of beds…in an existing medical care facility." Medical care facilities are defined, in part, as "general hospitals."

Required Considerations -- § 32.1-102.3, of the Code of Virginia

In determining whether a public need exists for a proposed project, the following factors shall be taken into account when applicable.

1. **The extent to which the proposed service or facility will provide or increase access to needed services for residents of the area to be served, and the effects that the proposed service or facility will have on access to needed services in areas having distinct and unique geographic, socioeconomic, cultural, transportation, and other barriers to access to care;**

COPN Request No. VA-8481: VCUHS

The proposed project is located proximally to Interstates 95 and 64, making it accessible for both central Virginia residents and for patients traveling from across the Commonwealth. All major GRTC Transit System bus routes, including the new GRTC Pulse System, service the site. With regard to parking, the applicant anticipates improved parking conditions for its patients in connection with the ongoing construction of the adult outpatient pavilion and the children's inpatient expansion. These two projects will add more than 1,100 parking spaces. VCUHS further anticipates additional parking improvements as certain lower-acuity outpatients transition to the outpatient surgical hospital that will be built at the VCUHS Health Neuroscience, Orthopedic & Wellness Center.[5] As will be discussed in more detail later in this staff analysis report, DCOPN concludes that at least 95% of the population of PD 15 is within 30 minutes' drive time, one way, under normal driving conditions of existing inpatient bed services. Furthermore, the applicant is a current provider

[5] COPN No. VA-04686, issued on December 16, 2019, authorized the establishment of an outpatient surgical hospital with six operating rooms at the VCU Health Neuroscience, Orthopedic & Wellness Center. The project is expected to be complete by June 2022.

of this service. Accordingly, DCOPN concludes that the proposed project would not improve geographic access to this service in any meaningful way.

Regarding socioeconomic barriers to access to services, the applicant has provided assurances that it would accept all patients in need of care without regard to ability to pay or payment source. Additionally, the Pro Forma Income Statement provided by the applicant proffered a charity care contribution equal to 2.8% of gross patient services revenue (reflected in the "Deductions from Revenue" line) (**Table 5**). DCOPN notes that this amount is significantly beneath the 6.28% contributed by VCU Health System for 2018, as well as the 3.7% HPR IV average for the same period (**Table 6**). With regard to the decrease in proffered charity care, the applicant provided the following:

> *"Charity care is projected to be lower than historical charity care. At 2.8% of charges, VCUHS' projected charity care reflects the impact of Medicaid expansion, which has provided Medicaid coverage to patients who previously qualified for charity care. This percentage is based on the first half of CY (calendar year) 2019. VCUHS will maintain its longstanding policy of accepting any patient regardless of ability to pay or payment source."*

As Medicaid expansion did not take full effect in Virginia until January 2019, DCOPN contends that at this time, there is not sufficient data to determine the full extent to which Medicaid expansion may affect charity care contributions or facilities' ability to fulfill charity care obligations. Accordingly, until such time as more reliable data becomes available, DCOPN contends that the regional average charity care contribution for the most recent year reported by Virginia Health Information (VHI) should continue to serve as the guidepost for determining recommended charity care conditions.

Also with regard to socioeconomic barriers to access to services, DCOPN notes that according to the most recent U.S. Census data, the City of Richmond has a poverty rate of 24.5%--more than twice that of the statewide average (10.7%) and every other locality within PD 15 (**Table 7**). For the preceding reasons, should the Commissioner approve the proposed project, DCOPN recommends a charity care condition consistent with the 2018 HPR IV average and equal to at least 3.7% of gross patient services revenues. DCOPN notes that its recommendation includes a provision allowing for the reassessment of the charity rate when more reliable data becomes available.

Table 5. VCUHS Pro Forma Income Statement

	Year 1	Year 2
Total Gross Revenue	$3,590,256,058	$3,737,785,731
Deductions from Revenue	$2,676,706,134	$2,785,139,119
Total Net Revenue	**$913,549,924**	**$952,646,612**
Total Operating Expenses	$827,943,309	$863,677,478
Net Income	**$85,606,615**	**$88,969,134**

Source: COPN Request No. VA-8481

Table 6. HPR IV Charity Care Contributions: 2018

Health Planning Region IV			
2018 Charity Care Contributions at or below 200% of Federal Poverty Level			
Hospital	**Gross Patient Revenues**	**Adjusted Charity Care Contribution**	**Percent of Gross Patient Revenue**
Bon Secours Richmond Community Hospital	$674,969,731	$42,666,943	6.32%
VCU Health System	$5,621,665,960	$352,825,510	6.28%
Southside Community Hospital	$293,702,705	$14,237,351	4.85%
Bon Secours St. Francis Medical Center	$970,223,902	$43,084,096	4.44%
Bon Secours Memorial Regional Medical Center	$1,552,613,092	$68,611,063	4.42%
Bon Secours St. Mary's Hospital	$2,176,359,866	$77,859,815	3.58%
Sentara Halifax Regional Hospital	$294,576,590	$9,953,244	3.38%
Southside Regional Medical Center	$1,956,522,794	$63,281,154	3.23%
VCU Community Memorial Hospital	$260,605,004	$7,269,351	2.79%
CJW Medical Center	$6,586,796,429	$176,068,998	2.67%
Henrico Doctors' Hospital	$4,501,141,313	$97,784,217	2.17%
Southern Virginia Regional Medical Center	$208,002,057	$4,386,121	2.11%
John Randolph Medical Center	$839,825,455	$17,429,142	2.08%
Vibra Hospital of Richmond LLC	$120,847,463	$0	0.00%
Cumberland Hospital for Children and Adolescents	$60,602,814	$0	0.00%
Total Facilities			15
Median			3.2%
Total $ & Mean %	**$26,118,455,175**	**$975,457,005**	**3.7%**

Source: VHI (2018)

Table 7. Statewide and PD 15 Poverty Rates

Locality	Poverty Rate
Virginia	10.7%
Charles City	12.3%
Chesterfield County	7.6%
Goochland County	6.7%
Hanover County	5.2%
Henrico County	9.0%
New Kent County	5.2%
Powhatan County	6.9%
Richmond City	24.5%

Source: U.S. Census Data (census.gov)

The most recent Weldon-Cooper data projects a total PD 15 population of 1,219,936 persons by 2030 (**Table 8**). This represents an approximate 21.7% increase in total population from 2010 to 2030. Comparatively, Weldon-Cooper projects the total population of Virginia to increase by approximately 16.6% for the same period. With regard to the City of Richmond specifically, Weldon-Cooper projects a total population increase of approximately 20.2% from 2010 to 2030. With regard to the 65 and older age cohort, Weldon-Cooper projects a much more rapid increase

among PD 15 as a whole than for the City of Richmond. Specifically, Weldon-Cooper projects an increase of approximately 92.5% for PD 15 as a whole from 2010 to 2030, while an increase of only 40% is projected among the same age cohort for the City of Richmond (**Table 9**).

Table 8. Statewide and PD 15 Total Population Projections, 2010-2030

Locality	2010	2020	% Change	2030	% Change	2010-2030 % Change
Virginia	8,001,024	8,655,021	8.17%	9,331,666	7.82%	16.63%
Charles City	8,256	6,982	(3.78%)	6,941	(0.59%)	(4.34%)
Chesterfield County	316,236	353,841	11.89%	396,647	12.10%	25.43%
Goochland County	21,717	23,547	8.43%	26,702	13.40%	22.96%
Hanover County	99,863	109,244	9.39%	119,360	9.26%	19.52%
Henrico County	306,935	332,103	8.20%	363,259	9.38%	18.35%
New Kent County	18,429	23,474	27.37%	28,104	19.72%	52.5%
Powhatan County	28,046	29,909	6.64%	33,440	11.80%	19.23%
Richmond City	204,214	232,533	13.87%	245,483	5.57%	20.21%
Total PD 15	**1,002,696**	**1,111,633**	**10.86%**	**1,219,936**	**9.74%**	**21.67%**

Source: U.S. Census, Weldon Cooper Center Projections (August 2019) and DCOPN (interpolations)

Table 9. PD 15 Population Projections for 65+ Age Cohort, 2010-2030

Locality	2010	2020	% Change	2030	% Change	2010-2030 % Change
Charles City	1,214	1,773	46.08%	2,189	23.44%	80.33%
Chesterfield County	32,878	55,297	68.19%	72,476	31.07%	120.44%
Goochland County	3,237	5,420	67.43%	7,421	36.92%	129.25%
Hanover County	13,104	19,807	51.15%	27,456	38.62%	109.52%
Henrico County	37,924	53,255	40.42%	68,003	27.69%	79.31%
New Kent County	2,226	4,303	93.32%	6,663	54.84%	199.33%
Powhatan County	3,407	6,041	77.33%	8,552	41.55%	151.00%
Richmond City	22,619	26,352	16.50%	31,657	20.13%	39.96%
Total PD 15	**116,609**	**172,249**	**47.72%**	**224,417**	**30.29%**	**92.45%**

Source: U.S. Census, Weldon Cooper Center Projections (August 2019) and DCOPN (interpolations)

COPN Request No. VA-8482: BSMR

The proposed project is located approximately 0.5 miles west of Interstate 295 at the intersection of Meadowbridge Road and Atlee Road. Interstate 295 is the major north-south divided highway that traverses Hanover County and connects with Interstate 95 north and south of the greater Richmond area. Interstate 295 also connects to Virginia Interstate 64, which starts in Hampton Roads, and goes through New Kent County, Richmond, and Henrico County, on its way to the western section of the state. This location provides easy access to residents in PD 15, as well as those residing in rural areas of PDs 10, 16, 17, and 18 located north, east, and west of Hanover County. The campus is not currently serviced by public transportation. As already discussed, because 95% of the population is within 30 minutes' drive time to existing services and because the applicant currently provides this service, DCOPN concludes that the proposed project will not improve geographic access in any meaningful way.

Regarding socioeconomic barriers to access to services, the Pro Forma Income Statement provided by the applicant proffered a charity care contribution equal to 2.5% of gross patient services revenue (reflected in the "Deductions from Revenue" line) (**Table 10**). DCOPN notes that this amount is significantly beneath 4.42% contributed by BSMR for 2018, as well as the 3.7% HPR IV average for the same period (**Table 6**). Accordingly, should the Commissioner approve the proposed project, DCOPN recommends a charity care condition consistent with the HPR IV regional average and equal to at least 3.7% of gross patient service revenues. DCOPN notes that its recommendation includes a provision allowing for the reassessment of the charity rate when more reliable data becomes available.

Table 10. BSMR Pro Forma Income Statement

	Year 1	Year 2
Total Gross Revenue	$1,751,634,512	$1,822,138,064
Deductions from Revenue	$1,320,784,394	$1,374,628,128
Total Net Revenue	**$431,672,812**	**$448,332,631**
Total Operating Expenses	$367,060,381	$381,008,700
Net Income	**$64,612,431**	**$67,323,931**

Source: COPN Request No. VA-8482

The most recent Weldon-Cooper data projects that Hanover County will increase by approximately 19.52% from 2010 to 2030. However, with regard to the 65+ age cohort, Weldon Cooper projects that Hanover County's population will increase by approximately 109.52% for the same period—a rate exponentially higher than that of the City of Richmond. This is significant, as this age group uses health care services, including inpatient bed services, at a rate much higher than those under the age of 65.

2. The extent to which the project will meet the needs of the residents of the area to be served, as demonstrated by each of the following:

(i) The level of community support for the project demonstrated by citizens, businesses, and governmental leaders representing the area to be served.

Public Hearing for COPN Request Nos. VA-8481 and 8482
DCOPN conducted the required public hearing on April 24, 2020. A total of 31 individuals signed-in. Of those individuals, 16 spoke in favor of the BSMR project.

COPN Request No. VA-8481: VCUHS
The applicant provided numerous letters of support for the proposed project from physicians associated with VCUHS, professors associated with the VCU School of Medicine and School of Nursing, and area health care providers. Collectively, these letters addressed the following:

1. VCUHS is currently operating at full capacity and continues to experience increasing demand for inpatient services. This consistent growth is attributable to the essential roles VCUHS serves as a growing academic medical center and safety net provider.

2. With the aging population and medical advances leading to patients with complex diseases surviving longer, patient demand and the acuity of the patients VCUHS services continues to rise. Medical Staff is comprised of specialty and subspecialty physicians providing unique and essential services not available at other hospitals in the region or, at times, in the Commonwealth.

3. As VCU Health expands clinical expertise in subspecialty service areas through ongoing faculty recruitment, increases funding for novel research projects that span into clinical domains, and develops new educational programs to build the Commonwealth's medical work force, growth in demand for VCUHS' medical-surgical and ICU services will certainly continue. For patients requiring VCUHS' expanding expertise, the applicant must have sufficient inpatient medical-surgical and ICU beds immediately available to meet the region's needs. Currently, it does not. The existing medical-surgical beds and ICU beds have operated at and above maximum capacity for many years and continue to experience significant growth.

4. The overcrowding of inpatient beds has the potential for significant deleterious implications for clinical care. Delays carry well-documented risks, including prolonged illness, increased rates of complications, and worse outcomes (particularly for complex and critically ill patients—patients routinely treated at and transferred to VCUHS). At the same time, overcrowding adversely impacts staff and physicians, increasing stress levels and burnout, thereby further aggravating the deleterious clinical effects of insufficient bed capacity on the delivery of care.

5. Over the past 24 months, VCUHS has had unusually high occupancy rates and insufficient inpatient beds, which causes patients to wait for prolonged periods in the Emergency Department and Post Anesthesia Care Unit until which time a bed is available for inpatient admission. Once hospitalized, patients may change rooms three or four times due to gender-related or double-occupancy issues. Prolonged inpatient admissions delays as well as unnecessary room changes place patients at a higher risk for error.

6. As a tertiary and quaternary medical center, VCUHS services the largest minority and socioeconomically underserved population in the region.

7. The School of Nursing collaborates with VCUHS and other VCU health-related colleges to expand enrollment and positively influence the economy of the region while improving the health of Virginians. The School of Nursing also relies on a strong partnership with VCUHS to allow students to gain the requisite clinical knowledge needed to prepare them for the future. The additional beds will provide clinical sites for student rotations.

DCOPN did not receive any letters in opposition to the proposed project.

COPN Request No. VA-8482: BSMR

DCOPN received a petition with 76 signatures and over 500 letters of support for the proposed project from Bon Secours Health System employees, area physicians, and members of the community. Collectively, these letters addressed the following:

1. The proposed addition will allow BSMR to continue the tradition of providing compassionate healthcare to residents of Hanover County and surrounding areas. The applicant will better be able to respond to an increased need for impatient beds from patients with medical, surgical, and especially intensive care needs, stemming, in part, from increased complexity of inpatient services and population growth, especially growth in the 65+ population who require more inpatient care than other age groups.

2. Often patients must stay in the emergency department for extended periods because there are no inpatient beds available. BSMR's emergency department is one of the busiest in the state. Although there are 41 exam rooms and eight hall beds, there is still an overload and the waiting room is virtually always full.

3. The bed expansion will allow BSMR to continue to offer financial access to affordable inpatient healthcare services for all segments of the population in need in BSMR's service.

4. With a medical-surgical occupancy rate of nearly 90%, there is little room for current patients and a constant wait for beds. The additional beds will address the immediate needs by providing flexibility in patient placement and accommodate the continuously growing inpatient volume. Ultimately, it will allow the hospital to continue meeting the healthcare needs and providing compassionate care to residents in Hanover County and the surrounding area.

DCOPN did not receive any letters in opposition to the proposed project.

(ii) The availability of reasonable alternatives to the proposed service or facility that would meet the needs of the population in a less costly, more efficient, or more effective manner.

COPN Request No. VA-8481: VCUHS

As will be discussed in more detail later in this staff analysis report, DCOPN contends that the applicant has adequately demonstrated a unique institutional need to expand its existing medical-surgical and ICU inventory. Accordingly, maintaining the status quo is not a viable alternative to the proposed project. Moreover, VCUHS does not have within the planning district any other facilities operating underutilized medical-surgical or ICU beds appropriate and available for relocation. For these reasons, DCOPN concludes that a viable alternative to the proposed project does not exist.

COPN Request No. VA-8482: BSMR

As demonstrated by **Table 11** below, medical/surgical beds at each PD 15 facility within the Bon Secours Health System operated beneath the 80% SMFP threshold for expansion in 2018. However, DCOPN contends that the proposed project warrants approval nonetheless. First, as will be discussed in more detail later in this staff analysis report, relocating beds from Bon Secours Richmond Community would be imprudent and ill-advised given the facility's status as a

disproportional share hospital and its participation in the federal government's 340B drug pricing program. Additionally, DCOPN contends that relocating beds from either Bon Secours St. Francis Medical Center or Bon Secours St. Mary's Hospital would likely create an institutional need at those facilities. Specifically, DCOPN calculated that relocation of the requested 44 beds from Bon Secours St. Francis Medical Center would ultimately result in an occupancy of 109.4% at that facility. Similarly, relocation from Bon Secours St. Mary's Hospital would result in an occupancy of 77.5% at that facility.[6] DCOPN also notes that as of 2018, all but eight of the existing medical/surgical beds within the Bon Secours Health System were staffed. Furthermore, as **Table 12** below demonstrates, with regard to ICU beds specifically, the collective PD 15 Bon Secours Health System inventory as well as each individual facility (with the exception of Bon Secours Richmond Community) operated well above the 65% SMFP threshold for expansion in 2018. Accordingly, DCOPN contends that a reasonable alternative to the proposed project does not exist.

Table 11. Bon Secours Health System Existing Medical-Surgical Inventory/Occupancy[7]: 2018

Facility	Licensed Beds	Staffed Beds	Available Days	Patient Days	Occupancy %
Bon Secours Memorial Regional Medical Center	225	225	82,125	63,191	76.9%
Bon Secours Richmond Community Hospital	104	96	36,135	10,555	29.2%
Bon Secours St. Francis Medical Center*	130	130	47,450	34,343	72.4%
Bon Secours St. Mary's Hospital	391	391	139,415	95,580	68.6%
TOTAL/Average	**905[8]**	**842**	**305,125**	**203,669**	**66.8%**

Source: VHI (2018) and DCOPN Records
*COPN No. VA-04682, issued on November 6, 2019, authorized the addition of 55 total acute care beds (including 42 medical-surgical beds, 9 obstetrical beds and 4 intensive care beds) to the existing inventory.

Table 12. Bon Secours Health System Existing Intensive Care Bed Inventory/Occupancy: 2018

Facility	Licensed Beds	Staffed Beds	Available Days	Patient Days	%
Bon Secours Memorial Regional Medical Center	24	24	8,760	6,890	78.7%
Bon Secours Richmond Community Hospital	5	0	0	0	0.0%
Bon Secours St. Francis Medical Center*	16	16	5,840	3,760	64.4%
Bon Secours St. Mary's Hospital	46	46	16,790	13,479	80.3%
TOTAL/Average	**95[9]**	**86**	**31,390**	**24,129**	**76.9%**

Source: VHI (2018) and DCOPN Records

[6] DCOPN arrived at these calculations by adjusting the number of available patient days to reflect an inventory decrease of 44 beds, while maintaining the same number of actual patient days reported to VHI for 2018.

[7] For reasons discussed elsewhere in this report, Table 11 includes obstetric, intensive care and pediatric beds.

[8] The total number of licensed medical/surgical beds includes the 55 acute care beds added pursuant to COPN No. VA-04682.

[9] The total number of licensed ICU beds includes the four beds added pursuant to COPN No. VA-04682.

*COPN No. VA-04682, issued on November 6, 2019, authorized the addition of 55 total acute care beds (including 4 intensive care beds) to the existing inventory.

(iii) Any recommendation or report of the regional health planning agency regarding an application for a certificate that is required to be submitted to the Commissioner pursuant to subsection B of § 32.1-102.6.

Currently there is no organization in HPR IV designated by the Virginia Department of Health to serve as the Health Planning Agency for PD 15. Therefore, this consideration is not applicable to the review of either proposed project.

(iv) Any costs and benefits of the project.

COPN Request No. VA-8481: VCUHS

The total projected capital cost of the proposed project is $17,553,745, the entirety of which will be funded using the accumulated reserves of the applicant (**Table 3**). Accordingly, there are no financing costs associated with the proposed project. DCOPN concludes that the costs for the proposed project are reasonable when compared to previously approved projects similar in scope to the project proposed by VCUHS.[10] The applicant identified the following benefits of the proposed project:

1. The proposed project improves timely access to medical-surgical and ICU services at VCU Medical Center for VCUHS' broad patient population.

2. The project enables more efficient and cost-effective utilization of resources and more streamlined and patient-centric care delivery.

3. The project increases VCUHS' ability to accommodate transfer requests.

4. The project enhances VCUHS' ability to fulfill its role as the region's only academic medical center and a vital safety net provider in the Commonwealth.

5. The project better positions VCUHS to address future growth in patient demand and surges in bed utilization, allowing better planning for emergency events, a key responsibility for VCUHS given its Level 1 trauma status.

COPN Request No. VA-8482: BSMR

The total projected capital cost of the proposed project is $52,738,157, the entirety of which will be funded using the accumulated reserves of the applicant (**Table 4**). Accordingly, there are no financing costs associated with the proposed project. DCOPN concludes that the costs for the proposed project are reasonable when compared to previously approved projects similar in scope to

[10] COPN No. VA-04682 (PD 15), issued on November 6, 2019, authorized the addition of 55 acute care beds and had a capital cost of $15,764,458. COPN No. VA-04658 (PD 8), issued on May 14, 2019, authorized the addition of 44 medical/surgical beds and had a capital cost of $23,301,950. COPN No. VA-04649 (PD 7), issued on February 19, 2019, authorized the addition of 40 medical/surgical beds and had a capital cost of $18,800,000.

the project proposed by BSMR.[11] The applicant identified the following benefits of the proposed project:

1. The proposed project will minimize nursing fatigue through efficient location of nursing resources.

2. The project will allow for the maximized staff/patient time.

3. The project will provide the latest in technologies and functional planning design.

4. Evidence-based design attributes will be implemented into the design of the new tower.

5. The project will allow BSMR to meet an institution-specific need for additional bed capacity, allow for more flexibility in patient placement, and accommodate growing inpatient volume.

6. The project will respond to high census on various units.

7. The project will provide for an efficient addition of space through a vertical expansion with limited disruptions to the ongoing operations of the facility.

(v) The financial accessibility of the project to the residents of the area to be served, including indigent residents.

COPN Request No. VA-8481: VCUHS
The applicant provided the following with regard to this standard:

> *"VCUHS accepts all patients, without regard to their ability to pay or other considerations. As the largest safety net hospital Commonwealth, VCUHS cares for medically challenging patient populations such as socio-economically challenging patients, uninsured and homeless patients, and a large prisoner population. In fiscal year 2018, 29.6% of VCUHS's adult medical-surgical and ICU patients were either uninsured or underinsured (14.2% indigent and self-pay and 15.4% Medicaid and Medicaid Managed Care).*

The applicant provided assurances that its services would be available to all patients in need of those services, without regard to ability to pay or payment source. However, DCOPN again notes that the applicant's proffered charity care contribution is significantly beneath both the 3.7% HPR IV average for 2018 and the 6.28% VCU Health System contribution for the same period (**Table 6**). Moreover, DCOPN again notes that according to the most recently published U.S. Census data, the poverty rate for the City of Richmond was 24.5%--more than twice that of the statewide average and every other locality within PD 15 (**Table 7**). Accordingly, should the Commissioner approve the

[11] COPN No. VA-04276 (PD 20), issued on November 20, 2014, authorized the renovation and expansion of an existing facility with a new 247,129 gross square foot bed tower and had a capital cost of $130,556,263. COPN No. VA-04208 (PD 7), issued on June 5, 2009, authorized the renovation of 77,707 gross square feet and the expansion of 355,059 square feet with the addition of 18 ICU beds and 16 medical-surgical beds and had a capital cost of $171,166,414.

proposed project, DCOPN recommends a charity care condition equal to at least 3.7% of gross patient services revenues. DCOPN again notes that the recommended charity care condition does include a provision allowing for the reassessment of the charity rate at such time as more reliable data becomes available regarding the impact of Medicaid expansion.

COPN Request No. VA-8482: BSMR

DCOPN again notes that the applicant's proffered charity care contribution is significantly beneath both the 3.7% HPR IV average for 2018 and the 4.42% BSMR contribution for the same period (**Table 6**). Unlike VCUHS, the poverty rate for Hanover County was only 5.2% according to the most recently published U.S. Census data, well beneath the 10.7% statewide average poverty rate. Nonetheless, should the Commissioner approve the proposed project, DCOPN recommends a charity care condition equal to at least 3.7% of gross patient services revenue. DCOPN again notes that the recommended charity care condition includes a provision allowing for the reassessment of the charity rate at such time as more reliable data becomes available regarding the impact of Medicaid expansion.

(vi) At the discretion of the Commissioner, any other factors as may be relevant to the determination of public need for a project;

DCOPN did not identify any other factors, not addressed elsewhere in this staff analysis report, to bring to the attention of the Commissioner.

3. The extent to which the application is consistent with the State Medical Facilities Plan.

The State Medical Facilities Plan (SMFP) contains the criteria and standards for the addition of medical-surgical and intensive care beds. They are as follows:

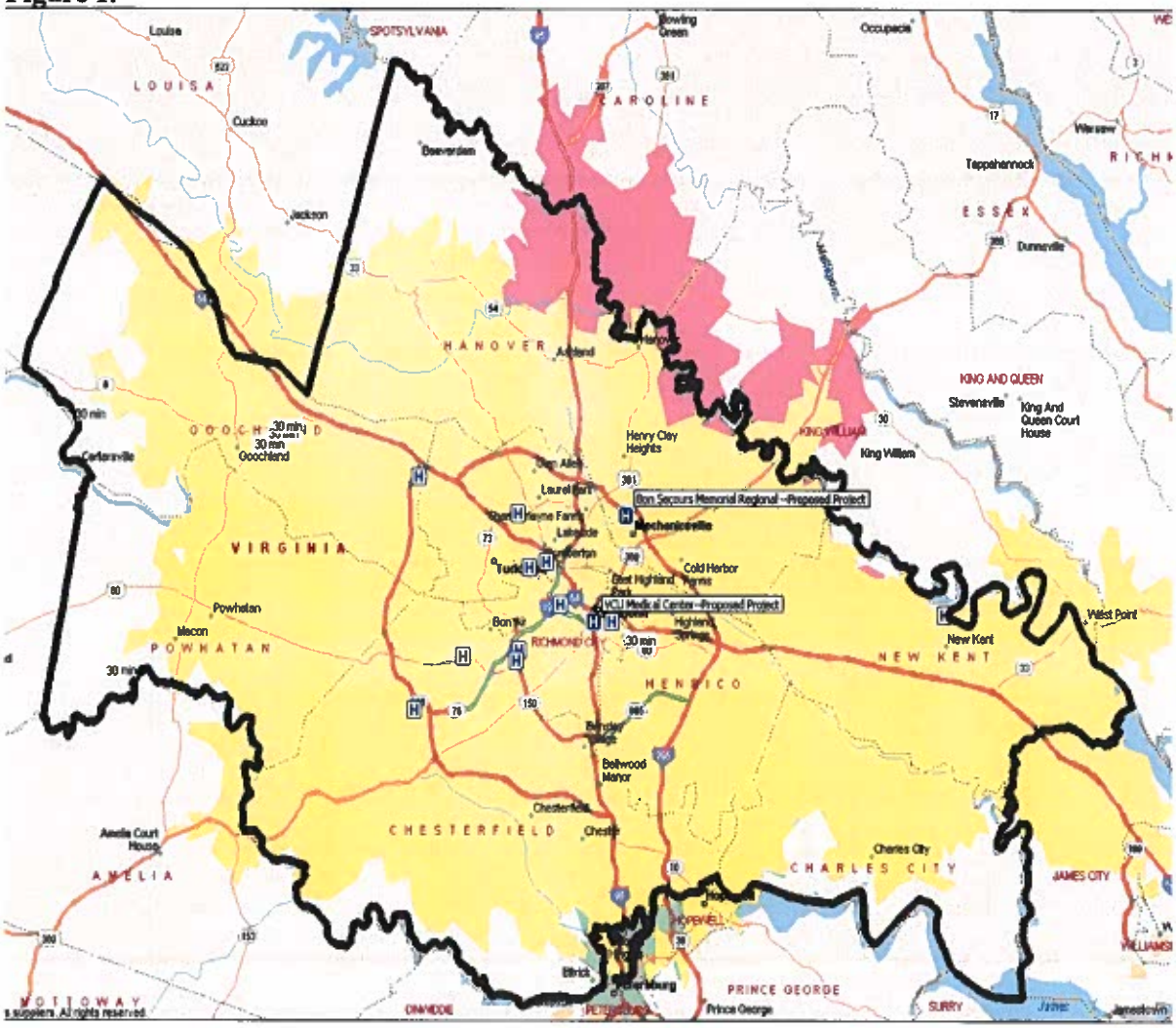
Part VI. Inpatient Bed Requirements

12VAC5-230-520. Travel Time.
Inpatient beds should be within 30 minutes driving time one way under normal conditions of 95% of the population of a health planning district using a mapping software as determined by the commissioner.

The heavy dark line in **Figure 1** identifies the boundary of PD 15. The blue "H" signs mark the locations of each proposed project. The white "H" signs mark the locations of all other existing PD 15 hospitals with inpatient medical-surgical and ICU services. The yellow shading represents the areas of PD 15 that are currently within a 30-minute drive of existing hospitals with medical-surgical and ICU services, not including each proposed project location. The pink shading represents the area that is within a 30-minute drive of BSMR and is not within a 30-minute drive of another existing hospital with medical-surgical or ICU service. The green shading represents the area that is within a 30-minute drive of VCUHS and is not within a 30-minute drive of another existing service, however DCOPN notes that this area does not fall within the boundary of PD 15. Given the amount of shaded area, it is reasonable to conclude that medical-surgical and ICU services are currently available within 30-miniutes normal driving time, one way, under normal conditions of 95% of the population of PD 15. It can also be discerned that the BSMR project would serve a small population of the

planning district that is not within a 30-minute drive of any other existing service. However, as each applicant currently provides both medical-surgical and ICU services, DCOPN concludes that approval of either project would not improve geographic access to medical-surgical or ICU services.

Figure 1.



12VAC5-230-530. Need for New Service.

A. No new inpatient beds should be approved in any health planning district unless:

1. **The resulting number of beds for each bed category contained in this article does not exceed the number of beds projected to be needed for that health planning district for the fifth planning horizon year; and**
2. **The average annual occupancy based on the number of beds in the health planning district for the relevant reporting period is:**
    a. **80% at midnight census for medical-surgical or pediatric beds;**
    b. **65% at midnight census for intensive care beds.**

B. For proposals to convert under-utilized beds that require a capital expenditure with an expenditure exceeding the threshold amount as determined using the formula contained in subsection C of this section, consideration may be given to such proposal if:

1. **There is a projected need in the applicable category of inpatient beds; and**
2. **The applicant can demonstrate that the average annual occupancy of the converted beds would meet the utilization standard for the applicable bed category by the first year of operation.**

For purposes of this part, "underutilized" means less than 80% average annual occupancy for medical-surgical or pediatric beds, when the relocation involves such beds and less than 65% average annual occupancy for intensive care beds when relocation involves such beds.

C. The capital expenditure threshold referenced in subsection B of this section shall be adjusted annually using the percentage increase listed in the Consumer Price Index for All Urban Consumers (CPI-U) for the most recent year as follows:

$$A \times (1 + B)$$

Where:

A = the capital expenditure threshold amount for the previous year; and

B = the percent increase for the expense category "Medical Care" listed in the most recent year available of the CPI-U of the U.S. Bureau of Labor Statistics.

As neither applicant is proposing to establish a new service, this section is not applicable to the review at hand. However, in the interest of completeness, the following calculation demonstrates that there is a projected surplus of 597 medical-surgical beds in PD 15 for the five-year planning horizon. Each of the proposed projects would add to this existing surplus. However, as each applicant relies upon the assertion of a unique institutional need for expansion, DCOPN contends that an existing PD 15 surplus should not alone serve as the basis for the denial of either project.

12VAC5-230-540. Need for Medical-surgical Beds.
The number of medical-surgical beds projected to be needed in a health planning district shall be computed as follows:

1. **Determine the use rate for the medical-surgical beds for the health planning district using the formula:**

$$BUR = (IPD / PoP)$$

Where:

BUR = the bed use rate for the health planning district.
IPD = the sum of total inpatient days in the health planning district for the most recent five years for which inpatient day data has been reported by VHI; and
PoP = the sum of total population 18 years of age and older in the health planning district for the same five years used to determine IPD as reported by a demographic program as determined by the commissioner.

Step 1. PD 15—SMFP Medical-Surgical Bed Use Rate

IPD 2014-2018 Sum of Patient Days Last 5 Years	Pop 2014-2018 Sum Population Age 15+ Last 5 Years	BUR 2014-2018 Bed Use Rate
3,890,563	4,352,160	0.8939

Table 13. PD 15 Inpatient Utilization of General Medical/Surgical Services[12] (2014-2018)

	2014	2015	2016	2017	2018	TOTAL & Average
Authorized Beds	3,446	3,446	3,448	3,448	3,448	**17,236[13]**
Available Patient Days	1,256,330	1,267,280	1,249,782	1,235,875	1,234,415	**6,243,682**
Patient Days	748,782	760,272	776,568	794,516	810,425	**3,890,563**
Occupancy	59.6%	60.0%	62.1%	64.3%	65.7%	**62.3%**

Source: VHI (2014-2018)

[12] DCOPN again notes that the Adjudication Officer's case decision for COPN No. VA-04682 held that DCOPN was in error by including obstetric, intensive care and pediatric patient days in its calculations for medical-surge bed need, despite these beds being fungible and accordingly, able to convert to medical-surgical beds without COPN authorization. However, because obstetric, intensive care and pediatric beds can be easily converted to medical-surgical beds, thereby changing the medical-surgical inventory without first obtaining COPN authorization, DCOPN maintains that obstetric, intensive care and pediatric beds should be included in the medical-surgical inventory and the corresponding patient days used for medical-surgical bed need calculations.

[13] Total number of authorized beds does not include beds added subsequent to 2018.

Table 14. PD 15 Historical and Projected Population (Ages 18+)

	2014	2015	2016	2017	2018	TOTAL 2014-2018	2025 (Projected)
Population	849,983	860,208	870,432	880,657	890,881	**4,352,160**	949,130

Source: Weldon Cooper
Note: While the SMFP requires population data for ages 18+, Weldon Cooper data is broken into age groups by 5-year increments. As such, the calculations above include data for persons aged 15-17 years of age.

The medical-surgical bed use rate for 2014-2018 in PD 15 was 0.8939 per capita for the population age 15[14] and over.

2. **Determine the total number of medical-surgical beds needed for the health planning district in five years from the current year using the formula:**

$$\textbf{ProBed} = \frac{\textbf{((BUR x ProPop) / 365)}}{\textbf{0.80}}$$

Where:

ProBed = The projected number of medical-surgical beds needed in the health planning district for five years from the current year.

BUR = the bed use rate for the health planning district determined in subdivision 1 of this section.

ProPop = the projected population 18 years of age and older of the health planning district five years from the current year as reported by a demographic program as determined by the commissioner.

$$\text{ProBed} = \frac{((0.8939 \times 949{,}130) / 365)}{0.80}$$

ProBed = 2,905.6

At a medical-surgical average utilization of 80%, there is a need for 2,906 medical-surgical beds in PD 15 for five years from the current year.

[14] The Weldon Cooper Center for Public Service projects Virginia population on an annual basis by county/city broken down by age in five-year increments. As such, the calculations above include data for those persons age 15-17.

3. Determine the number of medical-surgical beds that are needed in the health planning district for the five year planning horizon year as follows:

$$\textbf{NewBed} = \textbf{ProBed} - \textbf{CurrentBed}$$

Where:

NewBed = the number of new medical-surgical beds that can be established in a health planning district, if the number is positive. If NewBed is a negative number, no additional medical-surgical beds should be authorized for the health planning district.

ProBed = the projected number of medical-surgical beds needed in the health planning district for five years from the current year determined in subdivision 2 of this section.

CurrentBed = the current inventory of licensed and authorized medical-surgical beds in the health planning district.

New Bed = 2,906 – 3,503[15]
New Bed = (597)

At a medical-surgical average utilization of 80%, there is a calculated **surplus of 597 medical-surgical beds** in PD 15.[16]

12VAC5-230-550. Need for Pediatric Beds.

In the interest of brevity, DCOPN has omitted this standard from this staff analysis report as neither project involves inpatient pediatric beds.

[15] Number includes the 55 beds added pursuant to COPN NO. VA-04682.

[16] The Adjudication Officer's case decision for COPN No. VA-04682 held that "When the PD 15 computational surplus of 380 medical/surgical beds identified by St. Francis is adjusted by the 355 unstaffed medical/surgical beds, the computational surplus is reduced to 25 medical/surgical beds." DCOPN notes that in order for a medical care facility to maintain COPN authorization for an unstaffed bed, the facility must be capable of staffing the bed and putting it back online within a 24-hour period. For this reason, DCOPN maintains that unstaffed beds should be included in the total inventory for medical-surgical beds as well as the total number of available patient days. However, DCOPN does note that with regard to unstaffed beds, HCA facilities within PD 15 account for 463 of the 506, or 91.5% of the total unstaffed beds. DCOPN contends that this potentially could have a detrimental impact on health systems, like VCUHS and Bon Secours, who staff the majority of their medical/surgical beds.

12VAC5-230-560. Need for Intensive Care Beds.
The projected need for intensive care beds in a health planning district shall be computed as follows:

1. Determine the use rate for ICU beds for the health planning district using the formula:

ICUBUR = (ICUPD / Pop)

Where:
ICUBUR = the ICU bed use rate for the health planning district.
ICUPD = The sum of total ICU inpatient days in the health planning district for the most recent five years for which inpatient day data has been reported by VHI; and
Pop = The sum of population 18 years of age or older for adults or under 18 for pediatric patients in the health planning district for the same five years used to determine ICUPD as reported by a demographic program as determined by the commissioner.

Step 1. PD 15—SMFP ICU Use Rate

ICUPD 2014-2018 Sum of Patient Days Last 5 Years	Pop 2014-2018 Sum Population Age 15+ Last 5 Years	ICUBUR 2014-2018 Bed Use Rate
478,177	4,352,160	0.1099

Note: While the SMFP requires population data for ages 18+, Weldon Cooper data is broken into age groups by 5-year increments. As such, the calculations above include data for persons aged 15-17 years of age.

Table 15. PD 15 Inpatient Utilization of ICU Services (2014-2018)

	2014	2015	2016	2017	2018	TOTAL & Average
Authorized Beds	374	374	349	357	368	**1,822**[17]
Available Patient Days	136,510	136,510	127,734	129,575	129,210	**659,539**
Patient Days	91,132	93,546	93,541	98,735	101,223	**478,177**
Occupancy	66.8%	68.5%	73.2%	76.2%	78.3%	**72.5%**

Source: VHI (2014-2018)

The ICU bed use rate for 2014-2018 in PD 15 was 0.1099 per capita for the population age 15 and over.[18]

[17] The total number of authorized beds does not include beds added to the PD 15 inventory subsequent to VHI data reporting for 2018.

[18] The Weldon Cooper Center for Public Service projects Virginia population on an annual basis by county/city broken down by five-year increments. As such, the calculations above include data for those persons aged 15-17.

2. **Determine the total number of ICU beds needed for the health planning district, including bed availability for unscheduled admissions, five years from the current year using the formula:**

$$\textbf{ProICUBed} = ((\textbf{ICUBUR} \times \textbf{ProPop}) / 365) / 0.65$$

Where:

ProICUBed = The projected number of ICU beds needed in the health planning district for five years from the current year;

ICUBUR = The ICU bed use rate for the health planning district as determined in subdivision 1 of this section;

ProPop = The projected population 18 years of age or older for adults or under 18 for pediatric patients of the health planning district five years from the current year as reported by a demographic program as determined by the commissioner.

$$\text{ProICUBed} = \frac{((0.1099 \times 949{,}130) / 365)}{0.65}$$

ProICUBed = 439.7

At an ICU average utilization of 65%, there is a need for 440 ICU beds in PD 15 for five years from the current year.

3. **Determine the number of ICU beds that may be established or relocated within the health planning district for the fifth planning horizon year as follows:**

$$\textbf{NewICUB} = \textbf{ProICUBed} - \textbf{CurrentICUBed}$$

Where:

NewICUBed = The number of new ICU beds that can be established in a health planning district, if the number is positive. If NewICUBed is a negative number, no additional ICU beds should be authorized for the health planning district.

ProICUBed = The projected number of ICU beds needed in the health planning district for five years from the current year as determined in subdivision 2 of this section.

CurrentICUBed = The current inventory of licensed and authorized ICU bed sin the health planning district.

$$\text{NewICUBed} = 440 - 372^{19}$$

NewICUBed = 68

At an ICU average utilization of 65%, there is a **calculated deficit of 68 ICU beds** in PD 15.

[19] Number includes the four ICU beds added pursuant to COPN NO. VA-04682.

12VAC5-230-570. Expansion or Relocation of Services.

A. Proposals to relocate beds to a location not contiguous to the existing site should be approved only when:

1. **Off-site replacement is necessary to correct life safety or building code deficiencies;**
2. **The population currently served by the beds to be moved will have reasonable access to the beds at the new site, or to neighboring inpatient facilities;**
3. **The number of beds to be moved off-site is taken out of service at the existing facility;**
4. **The off-site replacement of beds results in:**
    a. **A decrease in the licensed bed capacity;**
    b. **A substantial cost savings, cost avoidance, or consolidation of underutilized facilities; or**
    c. **Generally improved operating efficiency in the applicant's facility or facilities; and**
5. **The relocation results in improved distribution of existing resources to meet community needs.**

B. Proposals to relocate beds within a health planning district where underutilized beds are within 30 minutes driving time one way under normal conditions of the site of the proposed relocation should be approved only when the applicant can demonstrate that the proposed relocation will not materially harm existing providers.

COPN Request No. VA-8481: VCUHS

The applicant is proposing to expand its existing service through the addition of 72 beds—58 medical-surgical beds and 14 ICU beds. DCOPN again notes that for 2018, the 811 medical-surgical beds at VCUHS operated at a collective occupancy of 82.5%, above the 80% SMFP threshold for expansion (**Table 1**). More specifically, VCUHS' 141 ICU beds operated at a collective 85% occupancy for the same period, significantly above the 65% SMFP threshold for expansion (**Table 2**). Moreover, DCOPN notes that no additional medical-surgical or ICU beds are available for reallocation within the health system. Accordingly, DCOPN concludes that the addition of beds at VCUHS is warranted based on an institutional need, despite the large existing surplus in PD 15. DCOPN concludes that the applicant satisfies this standard with regard to both medical-surgical and ICU beds.

COPN Request No. VA-8482: BSMR

The applicant is proposing to expand its existing service through the addition of 44 beds—33 medical-surgical beds and 11 ICU beds. DCOPN notes that for 2018, the medical-surgical inventory at BSMR operated at 76.9% occupancy, marginally beneath the 80% SMFP threshold for expansion, while the BSMR ICU inventory operated at a collective occupancy of 78.7% for the same period, well above the 65% SMFP threshold for expansion (**Tables 1 and 2**). Although the collective PD 15 Bon Secours Health System medical-surgical inventory operated at only 66.8% for 2018, DCOPN contends that reallocation of beds from within the health system is not a reasonable alternative to the proposed project. First, transferring beds from Bon Secours Richmond Community Hospital would be ill advised due to the facility's status as a disproportional share hospital and participant in the

federal government's 340B drug pricing program. The adjudication officer's case decision for COPN No. VA-04682 stated the following:

> *"Although Bon Secours Richmond Community Hospital's 2017 medical/surgical bed occupancy arguably suggests the hospital may maintain an excess complement of licensed beds, relocation of beds from Richmond Community to St. Francis would be imprudent and inadvisable. Bon Secours Richmond Community Hospital plays an essential role in the health of the population it serves in the historically underserved East End of the City of Richmond and moving beds out of the facility to St. Francis in Chesterfield County would serve only to compromise Bon Secours Richmond Community Hospital's efforts to reinvigorate the community it serves. Importantly, Bon Secours Richmond Community Hospital participates in the federal government's 340B drug pricing program and is a disproportional share hospital (DSH). Participation in these programs, which is impacted in part by the hospital's licensed bed capacity, is an essential component of the hospital's ability to provide ongoing support and investment in the East End."*

Furthermore, as already discussed in this staff analysis report, reallocation of beds from either Bon Secours St. Francis Medical Center or Bon Secours St. Mary's Hospital would likely result in an immediate institutional need at the donor facility. Accordingly, DCOPN contends that the applicant satisfies this standard.

12VAC5-230-580. Long-Term Acute Care Hospitals (LTACHs).

In the interest of brevity, DCOPN omitted this standard from this staff analysis report as neither project involves LTACH beds.

12VAC5-230-590. Staffing.
Inpatient services should be under the direction or supervision of one or more qualified physicians.

Both applicants are established providers of inpatient care beds and services and have provided assurances that the existing and proposed beds will be under the direction of one or more qualified physicians.

The SMFP also contains criteria/standards for when competing applications are received. They are as follows:

Part 1.
Definitions and General Information

12VAC5-230-60. When Competing Applications Received.
In reviewing competing applications, preference may be given to the applicant who:

1. **Has an established performance record in completing projects on time and within the authorized operating expenses and capital costs;**
2. **Has both lower capital costs and operating expenses than his competitors and can demonstrate that his estimates are credible;**
3. **Can demonstrate a consistent compliance with state licensure and federal certification regulations and a consistent history of few documented complaints, where applicable; or**
4. **Can demonstrate a commitment to serving his community or service area as evidenced by unreimbursed services to the indigent and providing needed but unprofitable services, taking into account the demands of the particular service area.**

COPN Request No. VA-8481: VCUHS

VCUHS has a well-established history of completing projects within the authorized capital costs. However, with regard to completing projects on time, well over half of the authorized and completed VCUHS projects became operational after the expected project completion date. With regard to the proposed project, the capital costs ($17,553,745) are significantly less than the BSMR application. Regarding socioeconomic factors relevant to the proposed application, DCOPN notes that the Pro Forma Income Statement provided by the applicant proffered charity care in the amount of 2.8% of gross patient services revenue. DCOPN notes that this amount is significantly beneath the 3.7% regional average, but is marginally higher than the 2.5% proffered by the competing applicant.

COPN Request No. VA-8482: BSMR

Bon Secours Richmond Health System has a well-established history of completing projects within the authorized capital costs. However, the applicant does not have a consistent history of competing projects by the expected project completion date. With regard to the proposed project, the projected capital costs ($52,738,157) are significantly greater than those of the competing applicant, however DCOPN concludes the costs are reasonable when compared to previously approved projects similar in scope. Regarding socioeconomic factors relevant to the proposed application, DCOPN notes that the Pro Forma Income Statement provided by the applicant proffered charity care in the amount of 2.5% of gross patient services revenue. DCOPN notes that this amount is significantly beneath the regional average and marginally beneath the 2.8% proffered by the competing applicant.

Conclusion

DCOPN does not believe that either applicant deserves preference regarding completing projects on time and within the approved capital budget. However, DCOPN does contend that VCUHS deserves preference regarding charity care contribution due to its longstanding history of being the planning district's largest provider of charity care as well as the area's safety net provider. While projected capital costs for the VCUHS project are significantly less than those of BSMR, DCOPN does not

believe that this warrants preference as the BSMR costs are reasonable when compared to previously approved projects similar in scope.

The SMFP also contains criteria/standards for when institutional expansion is needed. They are as follows:

Part 1.
Definitions and General Information

12VAC5-230-80. When Institutional Expansion Needed.

A. Notwithstanding any other provisions of this chapter, the commissioner may grant approval for the expansion of services at an existing medical care facility in a health planning district with an excess supply of such services when the proposed expansion can be justified on the basis of a facility's need having exceeded its current service capacity to provide such service or on the geographic remoteness of the facility.

B. If a facility with an institutional need to expand is part of a health system, the underutilized services at other facilities within the health system should be reallocated, when appropriate, to the facility with the institutional need to expand before additional services are approved for the applicant. However, underutilized services located at a health system's geographically remote facility may be disregarded when determining institutional need for the proposed project.

C. This section is not applicable to nursing facilities pursuant to § 32.1-102.3:2 of the Code of Virginia.

D. Applicants shall not use this section to justify a need to establish new services.

COPN Request No. VA-8481: VCUHS

As already discussed, the applicant's existing medical-surgical beds operated at a collective occupancy of 82.5% in 2018, above the 80% SMFP threshold for expansion. Furthermore, data provided by the applicant states that for 2019, the existing inpatient medical-surgical beds operated at a collective occupancy of 87%. More specifically, VCUHS' ICU beds operated at a collective 85% occupancy in 2018, significantly above the 65% SMFP threshold for expansion. No underutilized medical-surgical or ICU beds are available for reallocation within the health system. Accordingly, DCOPN concludes that the applicant as adequately demonstrated an institutional need for additional medical-surgical and ICU bed capacity.

COPN Request No. VA-8482: BSMR

As already discussed, BSMR's existing medical-surgical beds operated at 76.9% occupancy in 2018, marginally beneath the 80% SMFP threshold for expansion. Furthermore, data provided by the applicant states that for 2019, the existing inpatient medical-surgical beds operated at a collective occupancy of 81.4%, marginally above the required 80% threshold. More specifically, BSMR's ICU beds operated at a collective occupancy of 78.7% in 2018, well above the 65% SMFP threshold for expansion. For reasons previously discussed in more detail throughout this staff analysis report, DCOPN contends that reallocation of beds from within the Bon Secours Health System is not a reasonable alternative to the proposed project. Accordingly, DCOPN contends that the applicant has adequately demonstrated an institutional need to increase capacity at BSMR.

Required Considerations Continued

4. The extent to which the proposed service or facility fosters institutional competition that benefits the area to be served while improving access to essential health care services for all persons in the area to be served;

Each applicant bases its respective application on an institutional need to expand existing inventory. Accordingly, neither project is intended to foster institutional competition within PD 15. Furthermore, as each applicant is an established provider of inpatient bed services, DCOPN concludes that neither project will improve geographic access to underserved members of the population of PD 15.

5. The relationship of the project to the existing health care system of the area to be served, including the utilization and efficiency of existing services or facilities;

As previously discussed, approval of each project would lessen the calculated deficit of ICU beds within the planning district while also addressing the applicants' demonstrated institutional need. With regard to the requested medical-surgical beds, approval of each project would add to the large existing PD 15 surplus, however DCOPN again notes the high occupancy of existing medical-surgical beds at each facility and the lack of ability to transfer from within either health system. Accordingly, DCOPN contends that each applicant has adequately demonstrated an institutional need to increase its respective medical-surgical and ICU inventories to properly care for its patient population.

6. The feasibility of the project, including the financial benefits of the project to the applicant, the cost of construction, the availability of financial and human resources, and the cost of capital;

COPN Request No. VA-8481: VCUHS
As already discussed, DCOPN contends that the projected costs for the proposed project are reasonable when compared to previously authorized projects similar in scope. Furthermore, the Pro Forma Income Statement provided by the applicant projects a net profit of $85,606,615 in the first year of operation and $88,969,134 by year two. The applicant will fund the proposed project entirely with accumulated reserves. Accordingly, there are no financing costs associated with this project.

With regard to staffing, the applicant anticipates the need to hire an additional 79 full-time employees in order to staff the proposed project. DCOPN contends that this number is low for the scale of the project, and that the applicant will likely need more than the stated 79 employees to properly staff the additional beds. However, DCOPN also notes that the applicant is an established provider of inpatient bed services with a robust employee retention plan. Accordingly, DCOPN does not anticipate that the applicant will have difficulty staffing the proposed project or that doing so will have a significant negative impact on existing providers of this service. With regard to this standard, the applicant provided the following:

> *"VCUHS has a concentrated focus on workforce development to reduce turnover, to become an employer of choice, and to maintain designation as a magnet facility by the American Nursing*

Association. Key initiatives have been developed in areas such as education, career development, family/work life balance, community outreach, housing, transportation, and compensation. These initiatives have minimized turnover, which is a key factor in the limited number of new personnel that will need to be added for this project. VCUHS will utilize its existing recruitment and training processes to fill needed positions. Due to the initiatives and accomplishments noted above and the unique training programs developed by VCUHS as part of being an academic medical center in partnership with VCU and area schools of nursing, VCUHS does not anticipate having issues filling these positions...Given VCUHS' ability to train recent graduates for these new positions and VCUHS' ability to attract new hires from a broad geography, the project is not anticipated to have a significant impact on staffing at other facilities in the area."

DCOPN also notes that VCUHS has numerous transfer agreements in place with hospitals across the Commonwealth of Virginia.

COPN Request No. VA-8482: BSMR

As already discussed, DCOPN contends that the projected costs for the proposed project are reasonable when compared to previously authorized projects similar in scope. Furthermore, the Pro Forma Income Statement provided by the applicant projects a net profit of $64,612,431 in the first year of operation and $67,323,931 by year two. The applicant will fund the proposed project entirely with accumulated reserves. Accordingly, there are no financing costs associated with this project. With regard to staffing, the applicant anticipates the need to hire 156.6 full-time employees in order to staff the proposed project. DCOPN notes that the applicant is an established provider of inpatient bed services with a robust employee retention plan. Accordingly, DCOPN does not anticipate that the applicant would have difficulty staffing the proposed project, or that doing so will have a significant negative impact on existing facilities. With regard to this standard, the applicant provided the following:

"Bon Secours and its affiliated entities (including Memorial Regional) across the Commonwealth utilize comprehensive recruitment methods, including advertisement in area newspapers, online job websites, employment fairs at local health education schools and colleges, professional publications and journals, recruiting firms, etc. Recruitment efforts take place locally, regionally, statewide, and nationally as deemed necessary....

"In addition, Bon Secours and its affiliated entities—specifically Memorial Regional—operate at a college of nursing health professions, and collaborate with colleges, universities, and established allied health schools and programs to facilitate training of new health care professionals at Bon Secours facilities throughout the Commonwealth. These relationships have helped Bon Secours recruit new staff into the area. In addition, nurses generally are more attracted to hospitals with magnet certification, such as Memorial Regional.

"The proposed project is not expected to negatively impact staffing of other providers. Memorial Regional anticipates staff will be hired gradually as the new licensed beds are placed into service..."

DCOPN also notes that BSMR, as part of the Bon Secours Richmond Health System, works collaboratively with Bon Secours St. Mary's Hospital and Bon Secours Richmond Community Hospital in Richmond, as well as Bon Secours St. Francis Medical Center in Midlothian, to share personnel, facilities, services, and equipment. It also serves as a referral resource for inpatient hospital admissions that cannot be accommodated at Bon Secours Rappahannock General Hospital in Kilmarnock.

7. **The extent to which the project provides improvements or innovations in the financing and delivery of health services, as demonstrated by: (i) The introduction of new technology that promotes quality, cost effectiveness, or both in the delivery of health care services; (ii) The potential for provision of services on an outpatient basis; (iii) Any cooperative efforts to meet regional health care needs; (iv) At the discretion of the Commissioner, any other factors as may be appropriate; and**

DCOPN concludes that neither project provides improvements or innovations in the financing and delivery of health services as demonstrated by the introduction of new technology that promotes quality, cost effectiveness, or both in in the delivery of health care services, nor does either proposed project provide for the provision of services on an outpatient basis. However, DCOPN again notes that each proposed project would ultimately address the calculated deficit of ICU beds in PD 15. With regard to medical-surgical beds specifically, DCOPN further concludes that although the approval of either project would add to the existing PD 15 surplus, approval would address an institutional need adequately demonstrated by each applicant. DCOPN did not identify any other relevant factors to bring to the Commissioner's attention.

8. **In the case of a project proposed by or affecting a teaching hospital associated with a public institution of higher education or a medical school in the area to be served: (i) The unique research, training, and clinical mission of the teaching hospital or medical school; (ii) Any contribution the teaching hospital or medical school may provide in the delivery, innovation, and improvement of health care for citizens of the Commonwealth, including indigent or underserved populations.**

COPN Request No. VA-8481: VCUHS

As an academic medical center, VCUHS employees more than 800 physicians in 200 specialties and offers a comprehensive and integrated system of care. Its clinical trials give patients access to advanced diagnostics and medical treatments and technologies before they are widely available. Additionally, VCUHS provides vital training in various specialties to medical students, interns, residents, and fellows who are in training programs at VCU. The proposed bed addition would enhance learning opportunities by improving the efficiency of operations and care delivery and the ability of attending physicians to focus more on VCUHS' teaching mission and less on the operational challenges of overcrowded units.

COPN Request No. VA-8482: BSMR

Not applicable. The applicant is not a teaching hospital or affiliated with a public institution of higher education or medical school in the area to be served. Approval of the proposed project would not contribute to the unique research, training or clinical mission of a teaching hospital or medical school

DCOPN Staff Findings and Conclusions

COPN Request No. VA-8481: VCUHS

VCUHS proposes to increase its existing licensed bed capacity by 72 beds—58 medical-surgical beds and 14 ICU beds. Forty-nine of the fifty-eight medical-surgical beds will be located in space currently occupied by VCUHS' impatient rehabilitation program, located on the first and second floors of the North Hospital. The remaining nine medical-surgical beds will be implemented at the Main Hospital and at the Critical Care Hospital. The 14 proposed ICU beds will be located in the existing Critical Care Hospital. The projected capital costs of the proposed project total $17,553,745, the entirety of which will be funded using the accumulated reserves of the applicant. Accordingly, there are no financing costs associated with this project. DCOPN concludes that these costs are reasonable. The project is expected to be complete by November 30, 2020 with a projected opening date of January 1, 2021. DCOPN notes that if approved, schedule allowances may need to be made to accommodate the applicant's response to the COVID-19 pandemic.

DCOPN concludes that approval of the proposed project would address the calculated deficit of ICU beds in PD 15. Moreover, while approval of the proposed project would ultimately add to the existing PD 15 surplus of medical-surgical beds, DCOPN concludes that the applicant has adequately demonstrated an institutional need to expand its existing medical-surgical inventory. DCOPN further concludes that no reasonable alternative to the proposed project exists.
The project has vast community support and there is no known opposition from other providers, health care professionals or community representatives. DCOPN finds that the proposed project will prove financially feasible both in the immediate and in the long-term. However, should the Commissioner approve the proposed project, DCOPN recommends a charity care condition equal to at least 3.7% of gross patient services revenues which is consistent with the HPR IV average for 2018.

COPN Request No. VA-8482

BSMR proposes to increase its existing licensed bed capacity by 44 beds—33 medical-surgical beds and 11 ICU beds. To accommodate the bed expansion, the applicant proposes to construct a two-story vertical expansion to the existing hospital structure, to be located above Emergency Services on Level 1 and Intensive Care Services on Level 2. The applicant will also renovate selected areas of the hospital to accommodate the connectivity and flow of patients, staff, and materials. The new third level will house 12 ICU beds and 12 medical-surgical beds. The new fourth level will house 24 medical-surgical beds. The capital costs for the proposed project total $52,738,157, the entirety of which will be funded using the accumulated reserves of the applicant. Accordingly, there are no financing costs associated with this project. DCOPN concludes that these costs are reasonable. The projected is expected to be complete within 28 months following COPN issuance, with an anticipated opening date within 30 months following COPN issuance. DCPON notes that if approved, schedule allowances may need to be made to accommodate the applicant's response to the COVID-19 pandemic.

DCOPN concludes that approval of the proposed project would address the calculated deficit of ICU beds in PD 15. Moreover, while approval of the proposed project would ultimately add to the existing PD 15 surplus of medical-surgical beds, DCOPN concludes that the applicant has

adequately demonstrated an institutional need to expand its existing medical-surgical inventory. DCOPN further concludes that no reasonable alternative to the proposed project exists.
The project has vast community support and there is no known opposition from other providers, health care professionals or community representatives. DCOPN finds that the proposed project will prove financially feasible both in the immediate and in the long-term. However, should the Commissioner approve the proposed project, DCOPN recommends a charity care condition equal to at least 3.7% of gross patient services revenues which is consistent with the HPR IV average for 2018.

DCOPN Staff Recommendations

COPN Request No. VA-8481: VCUHS
The Division of Certificate of Public Need recommends the **conditional approval** of Virginia Commonwealth University Health System Authority's COPN Request No. VA-8481 to add 58 adult medical-surgical beds and 14 intensive care unit beds. DCOPN's recommendation is based on the following findings:

1. The proposed project is generally consistent with the applicable criteria and standards of the State Medical Facilities Plan and the Eight Required Considerations of the Code of Virginia.
2. The applicant has adequately demonstrated an institutional need to expand its existing inventory of medical-surgical and intensive care unit beds.
3. There is a calculated deficit of intensive care unit beds in PD 15.
4. There is no known opposition to the proposed project.
5. The project is financially feasible.
6. The projected capital costs are reasonable.
7. Approval of the proposed project is not likely have a significant negative impact on existing providers of inpatient bed services.

DCOPN's recommendation is contingent upon Virginia Commonwealth University Health System's agreement to the following charity care condition:

Virginia Commonwealth University Health System Authority will provide inpatient bed services to all persons in need of this service, regardless of their ability to pay, and will facilitate the development and operation of primary medical care services to medically underserved persons in PD 15 in an aggregate amount equal to at least 3.7% of Virginia Commonwealth University Health System's gross patient revenue derived from inpatient bed services. Compliance with this condition will be documented to the Division of Certificate of Public Need annually by providing audited or otherwise appropriately certified financial statements documenting compliance with the preceding requirement. Virginia Commonwealth University Health System Authority will accept a revised percentage based on the regional average after such time regional charity care data valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq. is available from Virginia Health Information. The value of charity care provided to individuals pursuant to this condition shall be based on the provider

reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq.

COPN Request No. VA-8482: BSMR

The Division of Certificate of Public Need recommends the **conditional approval** of Bon Secours Memorial Regional Medical Center Inc's COPN Request No. VA-8482 to add 11 intensive care unit beds, with a total projected capital cost of $52,738,157, for the following reasons:

1. The proposed project is generally consistent with the applicable criteria and standards of the State Medical Facilities Plan and the Eight Required Considerations of the Code of Virginia.
2. The applicant has adequately demonstrated an institutional need to expand its existing inventory of medical-surgical and intensive care unit beds.
3. There is a calculated deficit of intensive care unit beds in PD 15.
4. There is no known opposition to the proposed project.
5. The project is financially feasible.
6. The projected capital costs are reasonable.
7. Approval of the proposed project is not likely have a significant negative impact on existing providers of inpatient bed services.

DCOPN's recommendation is contingent upon Bon Secours Memorial Regional Medical Center's agreement to the following charity care condition:

Bon Secours Memorial Regional Medical Center, Inc. will provide inpatient bed services to all persons in need of this service, regardless of their ability to pay, and will facilitate the development and operation of primary medical care services to medically underserved persons in PD 15 in an aggregate amount equal to at least 3.7% of Bon Secours Memorial Regional Medical Center's gross patient revenue derived from inpatient bed services. Compliance with this condition will be documented to the Division of Certificate of Public Need annually by providing audited or otherwise appropriately certified financial statements documenting compliance with the preceding requirement. Bon Secours Memorial Regional Medical Center, Inc. will accept a revised percentage based on the regional average after such time regional charity care data valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq. is available from Virginia Health Information. The value of charity care provided to individuals pursuant to this condition shall be based on the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq.