

VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis

June 22, 2020

COPN Request No. VA-8489

Pyramid Healthcare, Inc.

Newport News, Virginia

Establish a psychiatric hospital with 40 beds

Applicant

Pyramid Healthcare, Inc. (Pyramid) is a Pennsylvania for-profit stock corporation formed in 1999. Pyramid is a wholly owned subsidiary of Clearview Pyramid Acquisition Co., LLC. Pyramid has a variety of wholly and partially owned subsidiaries spanning across several states including Maryland, Delaware, North Carolina, and Pennsylvania. Pyramid provides behavioral healthcare in a multi-state region that includes over eighty inpatient and outpatient facilities with over 1,000 beds used for residential treatment and/or detoxification services for individuals with substance use disorders. The applicant proposes to establish psychiatric services at Pyramid Healthcare Newport News, an intermediate care facility for the treatment and rehabilitation of individuals with substance abuse. If approved, the facility would be located in Newport News, Virginia, in Health Planning Region (HPR) V, Planning District (PD) 21.

Background

On January 13, 2020, the State Health Commissioner (Commissioner) issued COPN No. VA-04694 to Pyramid Healthcare, Inc., authorizing the establishment of a 120-bed intermediate care facility for the treatment and rehabilitation of individuals with substance abuse disorders.

According to the 2018 Virginia Health Information (VHI) data, the most recent year for which such data is available, and DCOPN records, there are currently two providers of psychiatric services in PD 21 (**Table 1**). Only one of these providers, Riverside Regional Medical Center, offers adult psychiatric care. The applicant asserts that The Pavilion at Williamsburg Place, which was listed in the 2017 VHI data, remains operational but was not included in the 2018 VHI data. The Division of Certificate of Public Need (DCOPN) received confirmation from the Virginia Department of Behavioral Health and Developmental Services (DBHDS) that The Pavilion at Williamsburg is operational and that their license is active and in good standing. In 2018, psychiatric services in PD 21 were operating at a 100.8% occupancy rate.

Table 1. Licensed and Staffed Inpatient Psychiatric Beds in PD 21

Facility Name	Bed Classification	Licensed Beds	Staffed Beds
Newport News Behavioral Health Center	Psychiatric Child	132	132
Newport News Behavioral Health Center	Newport News Behavioral Health Center Total	132	132
Riverside Regional Medical Center	Psychiatric Adult	58	34
Riverside Regional Medical Center	Psychiatric Child	68	31
Riverside Regional Medical Center	Riverside Regional Medical Center Total	126	65
The Pavilion at Williamsburg Place ¹	Psychiatric Adult	66	66
The Pavilion at Williamsburg Place	The Pavilion at Williamsburg Place Total	66	66
Total	Psychiatric Adult	124	100
Total	Psychiatric Child	200	163
Grand Total	Combined Total	324	263

Source: VHI Data & DCOPN and DBHDS (interpolations)

Table 2. PD 21 Psychiatric Bed Utilization in 2018

Facility Name	Licensed Beds	Staffed Beds	Licensed Bed Available Days	Patient Days	Licensed Bed Occupancy Rate
Newport News Behavioral Health Center	132	132	48,180	70,821	147.0% ²
Riverside Regional Medical Center	126	65	45,990	23,506	51.1%
Total / Average	258	197	94,170	94,327	100.2%

Source: VHI Data

Proposed Project

Pyramid proposes to establish a new licensed psychiatric hospital by adding 40 adult psychiatric beds to Pyramid Healthcare Newport News, the facility authorized by the Commissioner with COPN No. VA-04694 for the treatment and rehabilitation of individuals with substance abuse disorders. The applicant states that they will employ an interdisciplinary staff to treat individuals requiring acute psychiatric treatment who also are in need of substance use disorder services. The total capital and financing costs for the project are \$2,567,251 (**Table 3**). The project would be paid for by the use of Pyramid’s accumulated reserves and borrowing under Pyramid’s existing credit facility. Pyramid has stated that the borrowing under the existing credit facility will not impact the cost of providing care in the facility.

¹ The Pavilion at Williamsburg Place was not included in 2018 VHI data, but was confirmed through DCOPN and DBHDS records.

² As this level of occupancy should be impossible, DCOPN questions the accuracy of these numbers.

Table 3. Capital and Financing Costs

Direct Construction Costs	\$2,087,076
Equipment Not Included in Construction Contract	\$250,000
Site Preparation Costs	\$46,000
Architectural & Engineering Fees	\$168,925
Taxes During Construction	\$15,250
Total Capital Costs	\$2,567,251

Source: COPN Request No. VA-8489

Project Definition

Section 32.1 of the Code of Virginia defines a project, in part as, “Establishment of a medical care facility” A medical care facility includes “Psychiatric hospitals and intermediate care facilities established primarily for the medical, psychiatric or psychological treatment and rehabilitation of individuals with substance abuse.”

Required Considerations

Pursuant to Section 32.1-102.3 of the Code of Virginia, in determining whether a public need for a project exists, the following factors shall be considered:

- 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;**

Pyramid proposes to establish a new licensed psychiatric hospital by adding 40 adult psychiatric beds to its recently approved 120-bed substance abuse facility. The applicant will employ an interdisciplinary staff to treat individuals requiring acute psychiatric treatment who also are in need of substance use disorder services. As no other service exists in PD 21 that combines substance use disorder treatment and acute psychiatric treatment in a single location, approval of the project will increase access to individuals in need of both treatments and provide a greater continuity of care for them. Additionally, the applicant has stated that they anticipate routinely accepting temporary detention order (TDO) admissions. This is particularly important, as a recent article in *The Virginia Pilot*³ quotes the Virginia Secretary of Health and Human Resources (Secretary), Dr. Daniel Carey, as saying that the Virginia state psychiatric hospital system is in crisis, and that they are currently operating at 127% capacity. The article additionally states that TDOs at Eastern State Hospital, which is located approximately 35 miles from the applicant, have ballooned from 39 in 2013, to 541 in 2018, and quotes Dr. Daniel Herr, the Deputy Commissioner of DBHDS at the time the article was written, as stating that this number was still climbing. As such, approval of the project will increase access to acute psychiatric care while lessening the burden on the state hospital system.

³ Dave Ress, *Virginia's state psychiatric hospitals say they're in "crisis," with beds filled and not enough money*, *Virginia Pilot* (November 19, 2019).

Geographically, the facility will be located within a two-mile drive of US 60 and I-664. Public transport to the facility is readily available. Hampton Roads Transit, the local provider of public transportation, has stops immediately adjacent to the facility's parking lots.

DCOPN is not aware of any geographic, socioeconomic, cultural, or transportation barriers to access to care.

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;

DCOPN received three letters of support for the proposed project from the Norfolk Community Services Board (CSB), the Hampton-Newport News CSB, and a neuropsychologist located in Suffolk. Collectively, these letters indicated that there is a shortage of inpatient psychiatric beds within certain geographic proximity. Moreover, these letters state that these shortages adversely affect outpatient providers, hospital emergency rooms, law enforcement, and placement agencies.

Public Hearing

DCOPN conducted the required public hearing on June 10, 2020 by phone. A total of eleven individuals called in to the public hearing. The project was presented by a representative from Pyramid. One member of the public, an individual associated with Pyramid, spoke in favor of the proposed project. No individuals spoke 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;

As discussed above, the Secretary and the former Deputy Commissioner of DBHDS were quoted in an article from the Virginia Pilot as saying that the state psychiatric hospitals were highly utilized, and that the number of patients under TDO for Eastern State Hospital, which is located approximately 35 miles from the proposed location, are expected to continue to increase. Given that the applicant has expressed that they will routinely accept TDO admissions, approval of the project will lessen the burden on Eastern State Hospital. As such, DCOPN concludes that the proposed project is more advantageous than the alternative of the status quo.

(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 V designated by the Virginia Department of Health to serve as the Health Planning Agency for PD 21. Therefore, this consideration is not applicable to the review of the proposed project.

(iv) any costs and benefits of the project;

The total capital and financing cost for the project is \$2,567,251 (**Table 3**). The costs for the project are reasonable and consistent with previously approved projects to add psychiatric beds. For example, COPN VA-04638 issued to HCA Health Services of Virginia, Inc. to add sixteen psychiatric beds through by converting existing medical/surgical beds, which cost approximately \$2,858,098; and COPN VA- 04382 issued to HCA Health Services of Virginia, Inc. to introduce psychiatric services at Parham Doctors' Hospital by adding 24 psychiatric beds, which cost approximately \$2,194,714. As discussed above, the proposed project to add 40 psychiatric beds will have several benefits. For example, the proposed project combines substance use disorder treatment and acute psychiatric treatment in a single location, which would increase continuity of care for patients that require both substance abuse and psychiatric treatments. Moreover, as discussed above, approval of the project would lessen the burden on a highly utilized state hospital located approximately 35 miles from the proposed location, where it is expected that demand for these services will continue to increase.

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

The applicant asserts that they will accept all forms of payment for services including commercial payors, government payors, and private pay. Pyramid additionally states that they anticipate Medicaid and Medicare beneficiaries to each make up 17.7% of their overall patient mix. Finally, Pyramid states that they anticipate providing charity care equal to 4.6% of their total revenue. As shown in **Table 4** below, the average for charity care contributions in HPR V in 2018, the last year for which VHI has data available, is 5.1%. Accordingly, should the Commissioner approve the proposed project, Pyramid is expected to provide a level of charity care for total gross patient revenues that is no less than the equivalent average for charity care contributions in HPR V.

Table 4: HPR V 2018 Charity Care Contributions

Health Planning Region V			
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 DePaul Medical Center	\$698,996,618	\$53,230,518	7.62%
Sentara Careplex Hospital	\$889,460,665	\$64,660,889	7.27%
Riverside Tappahannock Hospital	\$162,491,011	\$11,307,825	6.96%
Riverside Regional Medical Center	\$1,861,151,990	\$126,769,911	6.81%
Bon Secours Maryview Medical Center	\$1,273,955,832	\$85,038,667	6.68%
Sentara Obici Hospital	\$825,126,790	\$54,851,619	6.65%
Riverside Walter Reed Hospital	\$252,673,741	\$16,571,599	6.56%
Sentara Virginia Beach General Hospital	\$1,210,282,480	\$67,107,518	5.54%
Riverside Doctors' Hospital Williamsburg	\$124,258,743	\$6,791,596	5.47%
Sentara Norfolk General Hospital	\$3,313,578,465	\$168,093,514	5.07%
Riverside Shore Memorial Hospital	\$235,708,877	\$11,934,270	5.06%
Sentara Leigh Hospital	\$1,182,257,169	\$55,810,160	4.72%
Bon Secours Mary Immaculate Hospital	\$675,071,989	\$29,896,497	4.43%
Sentara Princess Anne Hospital	\$967,617,447	\$38,069,270	3.93%
Sentara Williamsburg Regional Medical Center	\$659,049,590	\$24,789,255	3.76%
Chesapeake Regional Medical Center	\$900,598,911	\$15,330,992	1.70%
Hampton Roads Specialty Hospital	\$25,627,019	\$433,771	1.69%
Southampton Memorial Hospital	\$209,949,572	\$3,282,979	1.56%
Bon Secours Rappahannock General Hospital	\$71,220,177	\$1,107,592	1.56%
Children's Hospital of the King's Daughters	\$1,009,437,096	\$6,094,726	0.60%
Lake Taylor Transitional Care Hospital	\$46,761,019	\$0	0.00%
Hospital For Extended Recovery	\$25,515,975	-\$252,369	-0.99%
Total \$ & Mean %	\$16,620,791,176	\$840,920,799	5.1%

Source: VHI Data

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

DCOPN reached out to DBHDS for their input regarding the proposed project, but has not received a response. DCOPN did not identify any other factors, not discussed elsewhere in this staff analysis report, to bring to the Commissioner’s attention regarding the determination of a public need for the proposed project.

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

The State Medical Facilities Plan (SMFP) contains the following relevant standards and criteria for the addition of psychiatric beds. They are as follows:

Part XII. Mental Health Services

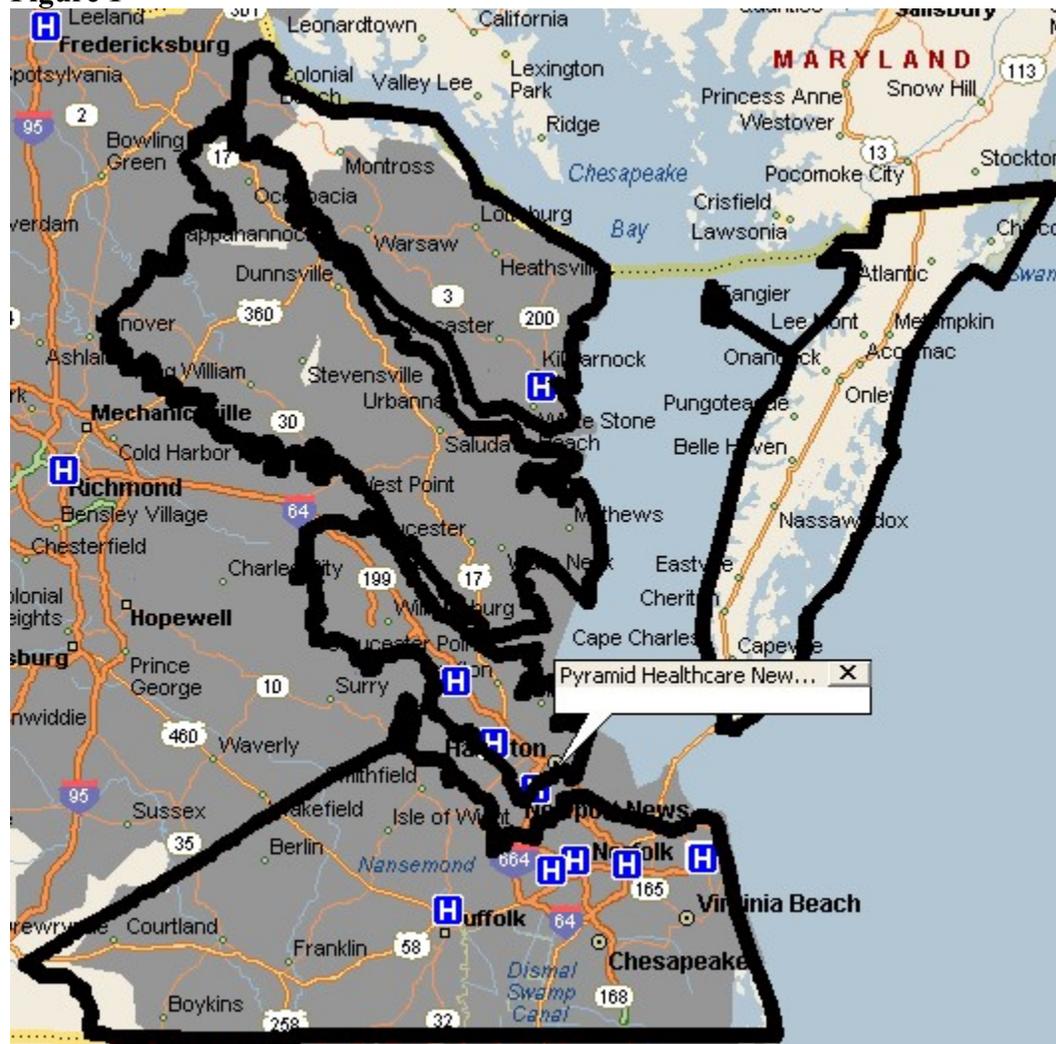
Article 1. Acute Psychiatric and Acute Substance Abuse Disorder Treatment Services

12VAC5-230-840. Travel Time.

Acute psychiatric and acute substance abuse disorder treatment services should be available within 60 minutes driving time one way under normal conditions of 95% of the population using mapping software as determined by the commissioner.

The heavy black lines in Figure 1 are the boundaries of HPR V. The grey shaded area includes all locations that are within 60 minutes driving time one way under normal conditions of psychiatric services in PD 21. Figure 1 clearly illustrates that psychiatric services are already well within a one-hour drive under normal conditions for most of the residents of the health planning region, with the exception of the Eastern Shore. As the proposed location is not within 60 minutes driving time one way under normal conditions of this area, approval of the project will not increase access to residents of the Eastern Shore. DCOPN notes that psychiatric services tend to migrate statewide and that evidence discussed above clearly shows that there is a large need for TDO beds in the area. As such, DCOPN concludes that, while the majority of the population of the health planning region is within 60 minutes driving time one way under normal conditions of psychiatric services, the lack of availability of these services to TDO patients shows a lack of availability of psychiatric services in the area.

Figure 1



12VAC5-230-850. Continuity; Integration.

A. Existing and proposed acute psychiatric and acute substance abuse disorder treatment providers shall have established plans for the provision of services to indigent patients that include:

- 1. The minimum number of unreimbursed patient days to be provided to indigent patients who are not Medicaid recipients;**
- 2. The minimum number of Medicaid-reimbursed patient days to be provided, unless the existing or proposed facility is ineligible for Medicaid participation;**
- 3. The minimum number of unreimbursed patient days to be provided to local community services boards; and**

4. A description of the methods to be utilized in implementing the indigent patient service plan and assuring the provision of the projected levels of unreimbursed and Medicaid-reimbursed patient days.

While there are no minimum days specified by the applicant, Pyramid states that it will accept all forms of payment for services including commercial payors, government payors, and private pay. Pyramid additionally states that they anticipate Medicaid and Medicare beneficiaries to each make up 17.7% of their overall patient mix. Finally, Pyramid states that they anticipate delivering charity care equal to 4.6% of their total revenue. As noted above, as this is below the regional average, should the Commissioner approve the proposed project, Pyramid is expected to provide a level of charity care for total gross patient revenues that is no less than the equivalent average for charity care contributions in HPR V.

Pyramid asserts that the facility will have policies addressing indigent and charity care. Where individuals are not eligible for assistance, the policy will detail how and when care can be provided. The policy will contain guidelines making patients aware of the availability of care and the nature of various payment arrangements.

B. Proposed acute psychiatric and acute substance abuse disorder treatment providers shall have formal agreements with the appropriate local community services boards or behavioral health authority that:

- 1. Specify the number of patient days that will be provided to the community service board;**
- 2. Describe the mechanisms to monitor compliance with charity care provisions;**
- 3. Provide for effective discharge planning for all patients, including return to the patient's place of origin or home state if not Virginia; and**
- 4. Consider admission priorities based on relative medical necessity.**

Pyramid states that they have had extensive conversations with local CSBs in Newport News. The applicant additionally states that, as the opening date draws closer, these relationships will be formalized, where appropriate. Pyramid states that they anticipate CSBs to serve a vital role in the continuum of care for its patients and will collaborate with them to the extent possible. Moreover, the applicant states that they anticipate that a significant portion of the facility's patient referrals will come from local CSBs. Finally, Pyramid states that the acute psychiatric program will also be connected to the statewide network of CSBs and private outpatient mental health providers to assure continuity of care is provided to patients receiving acute care.

DCOPN notes that few existing psychiatric facilities meet the criteria and standards set forth in 12VAC5-230-850. While some facilities may allocate a specific number of beds for community services boards patients, the identification of the number of unreimbursed patient days to be provided to indigent patients who are not Medicaid recipients, the minimum number of

Medicaid-reimbursed days, the minimum number of unreimbursed patient days to be provided to local community services boards, and a description of the methods to be utilized in implementing the indigent patient service plan, have not been addressed by DCOPN in recent reviews.

C. Providers of acute psychiatric and acute substance abuse disorder treatment serving large geographic areas should establish satellite outpatient facilities to improve patient access where appropriate and feasible.

The applicant is not proposing to establish a satellite outpatient facility to improve patient access.

12VAC5-230-860. Need for New Service.

A. The combined number of acute psychiatric and acute substance abuse disorder treatment beds needed in a health planning district with existing acute psychiatric or acute substance abuse disorder treatment beds or both will be determined as follows:

$$((UR \times PROPOP)/365)/.75$$

Where:

UR = the use rate of the health planning district expressed as the average acute psychiatric and acute substance abuse disorder treatment patient days per population reported for the most recent five-year period; and

PROPOP = the projected population of the health planning district five years from the current year as reported in the most recent published projections by a demographic entity as determined by the Commissioner of the Department of Mental Health, Mental Retardation and Substance Abuse Services.

For purposes of this methodology, no beds shall be included in the inventory of psychiatric or substance abuse disorder beds when these beds (i) are in facilities operated by the Department of Mental Health, Mental Retardation and Substance Abuse Services; (ii) have been converted to other uses; (iii) have been vacant for six months or more; or (iv) are not currently staffed and cannot be staffed for acute psychiatric or substance abuse disorder patient admissions within 24 hours.

UR = Patient Days from 2014-2018 / Population from 2014-2018

UR = 308,431 / 2,420,173

UR = 0.12744

PROPOP = 496,956

Projected Psychiatric Bed Need = $\frac{((UR \times ProPop) / 365)}{0.75}$

$$\text{Projected Psychiatric Bed Need} = \frac{((0.12744 \times 496,956) / 365)}{0.75}$$

$$\text{Projected Psychiatric Bed Need} = 231.4$$

Table 5. PD 21 Inpatient Psychiatric Patient Days (2014– 2018)

Facility Name	2014	2015	2016	2017	2018	Total
Newport News Behavioral Health Center	0	1,737	3,174	40,163	70,821	115,895
Riverside Behavioral Health Center	23,674	6,673	0	0	0	30,347
Riverside Regional Medical Center	0	12,147	25,939	27,762	23,506	89,354
The Pavilion at Williamsburg Place	16,822	17,788	18,955	19,270	0	72,835
Total	40,496	38,345	48,068	87,195	94,327	308,431

Source: VHI Data

Table 6. PD 21 Population (All Ages)

	2014	2015	2016	2017	2018	TOTAL 2014-2018	2025 (Projected)
Population	479,599	480,851	482,272	483,863	487,560	2,414,146	496,956

Source: Weldon Cooper Center Data

Based on the formula above, DCOPN calculates a need for 232 beds by 2025. There are currently 324 licensed beds in the planning district (**Table 1**). Based on the above calculations, there is an anticipated surplus of 92 beds in the planning district by 2025.

This calculation, however, is marred by incomplete data for 2018. As noted throughout this report, the 2018 data for The Pavilion at Williamsburg Place was not reported to VHI. DCOPN confirmed with DBHDS that this location was operational in 2018 and remains operational today. Moreover, as mentioned above, the occupancy reported at Newport News Behavioral Center exceeds what is possible based solely on licensed bed occupancy. As such, DCOPN concludes that the incomplete data for the planning district represents a flaw to the need calculation, such that the actual utilization of the beds, and therefore the need for beds in the planning district, is under reported.

As DCOPN is unable to provide an accurate count of bed need for the area as a result of the incomplete data, DCOPN instead looks towards the utilization and rate of growth in need for psychiatric services in the planning district. While need for psychiatric services in 2014 and 2015 were relatively low, it has been increasing at an extremely high rate to the point that, by 2018, even without the patient days from The Pavilion at Williamsburg Place, the 2018 patient days for the area are more than double those in 2014 and 2015. This growth in need for psychiatric services, based on the assertion made by the former Deputy Commissioner of DBHDS, is expected to continue

Excluding the missing data from The Pavilion at Williamsburg Place, the utilization of the existing psychiatric beds in PD 21 is 100.2% (**Table 2**). The utilization at Riverside Regional

Medical Center, the sole location with adult psychiatric beds in the planning district for whom VHI has data in 2018, is only at 51.6%, but this is a result of licensed beds at the location being unstaffed rather than a lack of need. Were DCOPN to calculate the available patient days using the staffed beds, which, as discussed in detail below, it does not, Riverside Regional Medical Center would be operating at 99.1% utilization.

Given that the SMFP calculations of need for psychiatric beds in the planning district are marred by incomplete data, DCOPN is unable to determine if a surplus truly exists in the area. The growth of utilization of psychiatric services in the area, statements from governmental experts, and the current utilization of psychiatric services in the planning district all indicate that a growing need for additional psychiatric beds exists in the planning district. As such, DCOPN concludes that the applicant has established a need a new services in the planning district.

In their application, Pyramid calculates a very different number from the calculations above. These calculations are listed below with DCOPN interpolations to total certain numbers that were not included in Pyramid's application. This disparity is the result of several incorrect adjustments to the formulas in this section by Pyramid. First, Pyramid excludes all child psychiatric beds from their calculations. The separation of adult and child psychiatric beds is not mandated or permitted within this section of the SMFP. Secondly, Pyramid only includes the beds that are currently staffed, rather than the licensed beds for the planning district. While the SMFP allows for the exclusion of psychiatric beds that have been vacant for six months or more or are not currently staffed and cannot be staffed for acute psychiatric or substance abuse disorder patient admissions within 24 hours, the applicant does not make this argument in the application and provides no evidence in support of either situation. As such, the applicant's approach here is inconsistent with both this section and DCOPN's broader approach to calculations in general. Third, Pyramid utilizes only the adult population from their calculation of both the use rate and the projected population. Again, this approach goes against the clear language of this section of the SMFP as well as DCOPN's historic approach to calculating bed need for a planning district.

$$UR = 0.0823$$

$$PROPOP = 374,451$$

$$\text{Projected Psychiatric Bed Need} = \frac{(UR \times \text{ProPop})}{0.75} / 365$$

$$\text{Projected Psychiatric Bed Need} = \frac{((0.0823 \times 374,451) / 365)}{0.75}$$

$$\text{Projected Psychiatric Bed Need} = 112.6$$

Table 7. PD 21 Inpatient Psychiatric Patient Days (2014– 2018)

Facility Name	2014	2015	2016	2017	2018	Total
Riverside Behavioral Health Center	11,195	5,704	0	0	0	16,899
Riverside Regional Medical Center	0	5,735	13,597	15,389	12,222	46,943
The Pavilion at Williamsburg Place	16,822	17,788	18,955	19,270	19,270 ⁴	92,105
Total	28,017	29,227	32,552	34,659	31,492	155,947

Source: COPN Request No. VA-8489 & DCOPN Interpolations

Table 8. PD 21 Population

	2014	2015	2016	2017	2018	TOTAL 2014-2018	2025 (Projected)
Population	377,385	379,269	379,777	378,781	379,054	2,414,146	374,451

Source: COPN Request No. VA-8489 & DCOPN Interpolations

B. Subject to the provisions of 12VAC5-230-70, no additional acute psychiatric or acute substance abuse disorder treatment beds should be authorized for a health planning district with existing acute psychiatric or acute substance abuse disorder treatment beds or both if the existing inventory of such beds is greater than the need identified using the above methodology.

As stated above, DCOPN calculated a need for 232 beds by 2025 in PD 21. There are currently 324 beds within the planning district (**Table 1**). Based on this information, DCOPN concludes that there is a surplus of 92 beds within the planning district. As such, DCOPN concludes that the proposed project does not meet the criteria set forth in this section of the SMFP.

The applicant’s calculations, once more, differ greatly from those of DCOPN. This, again, is the result of the applicant excluding necessary data in their calculations. Once more, the applicant only includes adult psychiatric beds in their count of beds for the planning district. This, as stated above, is not mandated or permitted within this section of the SMFP. Secondly, the applicant only counts beds that are currently staffed beds rather than licensed beds in their count of beds for the planning district. As noted above, while the SMFP allows the exclusion of certain beds under specific circumstances, the applicant does not make this argument nor provides evidence of these circumstances occurring. As such, this approach is inconsistent with both this section and DCOPN’s broader approach to calculations in general. The applicant’s bed inventory for the planning district is listed below (**Table 9**).

Under the applicant’s calculations, they determined that there is a need for 13 beds in the planning district. The applicant states that the SMFP calculations underestimate the actual need in the planning district. They state that, while it shows that there is a need, it does not accurately capture the volume of patients. The applicant states that the calculations do not consider patients that were likely referred out of the planning district due to capacity issues, including TDO admissions that were referred to state institutions or other facilities. The applicant also states that the calculations underreport the need because they count the beds at The Pavilion at Williamsburg Place, which has a dedicated geriatric unit. For the reasons stated above, DCOPN

⁴ In lieu of the missing 2018 data for The Pavilion at Williamsburg Place, Pyramid substituted the 2017 data for this facility.

concludes that the adjustments to the data by the applicant are outside of what is mandated by the SMFP and do not adopt their calculations.

Table 9. Licensed and Staffed Inpatient Psychiatric Beds in PD 21 in 2018

Facility Name	Staffed Beds
Riverside Regional Medical Center	34
The Pavilion at Williamsburg Place	66
Total	100

Source: COPN Request No. VA-8489

Preference may also be given to the addition of acute psychiatric or acute substance abuse beds dedicated for the treatment of geriatric patients in health planning districts with an excess supply of beds when such additions are justified on the basis of the specialized treatment needs of geriatric patients.

Not applicable. The applicant is not proposing to dedicate the new beds to geriatric patients.

C. No existing acute psychiatric or acute substance disorder abuse treatment beds should be relocated unless it can be reasonably projected that the relocation will not have a negative impact on the ability of existing acute psychiatric or substance abuse disorder treatment providers or both to continue to provide historic levels of service to Medicaid or other indigent patients.

Not applicable. The applicant is not proposing to relocate existing acute psychiatric or acute substance disorder abuse treatment beds.

D. The combined number of acute psychiatric and acute substance abuse disorder treatment beds needed in a health planning district without existing acute psychiatric or acute substance abuse disorder treatment beds will be determined as follows:

$$((UR \times PROPOP)/365)/.75$$

Where:

UR = the use rate of the health planning region in which the health planning district is located expressed as the average acute psychiatric and acute substance abuse disorder treatment patient days per population reported for the most recent five-year period;

PROPOP = the projected population of the health planning district five years from the current year as reported in the most recent published projections by a demographic entity as determined by the Commissioner of the Department of Mental Health, Mental Retardation and Substance Abuse Services.

Not applicable. Inpatient psychiatric services currently exist in PD 21.

E. Preference may be given to the development of needed acute psychiatric beds through the conversion of unused general hospital beds. Preference will also be given to proposals for acute psychiatric and substance abuse beds demonstrating a willingness to accept persons under temporary detention orders (TDO) and that have contractual agreements to serve populations served by community services boards, whether through conversion of underutilized general hospital beds or development of new beds.

As discussed above, a recent article in The Virginia Pilot⁵ establishes a clear need for TDO admissions in the planning district. The article quotes the Secretary as saying that the Virginia state psychiatric hospital system is in crisis, and that they are currently operating at 127% capacity. The article additionally states that TDOs at Eastern State Hospital, which is located approximately 35 miles from the applicant, have ballooned from 39 in 2013, to 541 in 2018, and quotes the deputy commissioner of DBHDS at the time the article was written as stating that this number was still climbing. The applicant has stated that, upon approval, they will establish partnerships with the local CSBs and other community stakeholders to fully determine TDO needs in the area and implement TDO agreements. DCOPN notes that two of the three letters of support received for this project come from local CSBs. Pyramid additionally states that they anticipate routinely accepting TDO admissions.

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;

As the proposed project would introduce psychiatric services at Pyramid's substance abuse facility, the proposed project would foster some degree of institutional competition. As noted above, however, the beds at this location would generally be used to treat individuals requiring acute psychiatric treatment that are also in need of substance use disorder services. Given that this service differs from the traditional acute psychiatric services offered elsewhere in the planning district, the institutional competition fostered by the introduction of services at the location would be more limited than otherwise expected.

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 discussed throughout this report, the proposed project would lessen the burden on the highly utilized state hospital system by routinely accepting TDO admissions. As such, the proposed project would have a beneficial effect on the utilization at this facility. Moreover, as noted above, the proposed beds would generally be used to treat individuals requiring

⁵ Dave Ress, *Virginia's state psychiatric hospitals say they're in "crisis," with beds filled and not enough money*, Virginia Pilot (November 19, 2019).

acute psychiatric treatment that are also in need of substance use disorder services. The treatment of substance abuse and psychiatric disorders in the same location is not offered at any other facility in PD 21. Moreover, DCOPN has shown that the current staffed beds within the Planning District are operating at close to or above capacity. As such, DCOPN concludes that it is highly unlikely that approval of the project would have a negative effect on the utilization of existing providers within the planning district.

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;

The total capital and financing cost for the project is \$2,567,251 (**Table 3**). The costs for the project are reasonable and consistent with previously approved projects to add psychiatric beds. For example, COPN VA-04638 issued to HCA Health Services of Virginia, Inc. to add sixteen psychiatric beds through by converting existing medical/surgical beds, which cost approximately \$2,858,098; and COPN VA- 04382 issued to HCA Health Services of Virginia, Inc. to introduce psychiatric services at Parham Doctors' Hospital by adding 24 psychiatric beds, which cost approximately \$2,194,714. The proposed project would require a significant amount of additional human resources. Pyramid states that they would require 56 FTEs for the proposed project, including 10 registered nurses, 11 licensed practical nurses, and 21 behavioral health technicians. The applicant asserts that they employ over 2,300 behavioral health professionals nationwide and will staff the facility with a combination of the existing workforce in the area and current Pyramid employees who will have the opportunity to transfer to the new location. DCOPN finds the amount of staff required, particularly those positions listed above, to be concerning. While no existing providers in the area expressed any opposition to the project or concerns about the potential impact on their staffing, DCOPN notes that there are vacancies at existing behavioral health providers for both registered nurses and licensed practical nurses.

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;

Not applicable. The proposed project will not introduce new technology that would promote quality or cost effectiveness in the delivery of inpatient health services.

(ii) the potential for provision of services on an outpatient basis;

The applicant states that outpatient services for local clients that do not have a previous established provider in the area will be provided on site.

(iii) any cooperative efforts to meet regional health care needs; and

As previously discussed, the proposed project received support from the two local CSBs. Additionally, as discussed above, the applicant has stated that, upon approval, they will establish partnerships with the local CSBs and other community stakeholders to fully determine TDO needs in the area and implement TDO agreements. DCOPN concludes that approval of the project will allow the applicant to coordinate with the local community service boards to ensure regional health care needs are met.

(iv) at the discretion of the Commissioner, any other factors as may be appropriate;

DCOPN did not identify any other factors, not discussed elsewhere in this staff analysis report, to bring to the Commissioner's attention regarding the determination of a public need for the proposed project.

- 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, and (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.**

Not applicable. The applicant is not a teaching hospital associated with a public institution of higher education or a medical school in the area to be served.

DCOPN Staff Findings and Conclusions

DCOPN finds that the proposed project to establish psychiatric services at Pyramid Healthcare Newport News by adding 40 psychiatric beds is generally consistent with the applicable criteria and standards of the SMFP and the Eight Required Considerations of the Code of Virginia. While the SMFP shows an excess of beds in the planning district, DCOPN concludes that the need for TDO admissions in the area and Pyramid's willingness to accept TDO admissions supersede this surplus.

Moreover, DCOPN finds that the proposed project is more advantageous than the alternative of the status quo. For example, the proposed project combines substance use disorder treatment and acute psychiatric treatment in a single location, which would increase continuity of care for patients that require both substance abuse and psychiatric treatments. Moreover, as discussed above, approval of the project would lessen the burden on a highly utilized state hospital located approximately 35 miles from the proposed location that expects to continue to see an increase in demand.

Furthermore, the project is supported by two local CSBs. Additionally, there is no known opposition from other providers, health care professionals or community representatives. Finally, DCOPN finds that the total capital and financing cost for the project of \$2,567,251 (**Table 3**) are reasonable and consistent with previously approved projects to add psychiatric beds. For example, COPN VA-04638 issued to HCA Health Services of Virginia, Inc. to add sixteen

psychiatric beds through by converting existing medical/surgical beds, which cost approximately \$2,858,098; and COPN VA- 04382 issued to HCA Health Services of Virginia, Inc. to introduce psychiatric services at Parham Doctors' Hospital by adding 24 psychiatric beds, which cost approximately \$2,194,714.

Staff Recommendation

DCOPN recommends **conditional approval** of Pyramid Healthcare, Inc.'s request to establish psychiatric services at Pyramid Healthcare Newport News by adding 40 psychiatric beds for the following reasons:

1. The proposed project is 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 proposed project will lessen the burden on highly utilized state hospitals.
3. The proposed project is more advantageous than the status quo.
4. The capital costs of the proposed project are reasonable.
5. DCOPN did not receive any opposition to the proposed project.
6. The applicant has committed to accepting all patients presenting under temporary detention orders.
7. The proposed project is supported by local community service boards.

DCOPN's recommendation is contingent upon the applicant's agreement to the following indigent care condition for psychiatric services at Pyramid's Newport News location:

Pyramid Healthcare, Inc. will provide psychiatric services to all persons in need of this service, regardless of their ability to pay, and will provide as charity care to all indigent persons free services or rate reductions in services and facilitate the development and operation of primary care services to medically underserved persons in an aggregate amount equal to at least 5.1% of Pyramid Healthcare, Inc.'s total patient services revenue derived from psychiatric services provided at Pyramid Healthcare, Inc. d/b/a Pyramid Healthcare Newport News as 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. 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. Pyramid Healthcare, 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.