COMMONWEALTH of VIRGINIA
Department of Health
Office of Licensure and Certification

M. Norman Oliver, MD, MA
State Health Commissioner

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June 22, 2020

Mr. Thomas J. Stallings
McGuire Woods, LLP
Gateway Plaza
800 East Canal Street
Richmond, Virginia 23219

RE: **COPN Request No. VA-8491**
Columba Alleghany Regional Hospital, Inc. d/b/a LewisGale Hospital Alleghany
Expand inpatient psychiatric services by converting 14 medical-surgical beds to inpatient psychiatric beds

Dear Mr. Stallings:

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 LewisGale Hospital Alleghany is willing to accept the recommendation for conditional approval of this project, please provide documentation of this acceptance *no later than* **June 26, 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 is scheduled for Wednesday, July 1, 2020 in Board Room 4 on the second floor of the Perimeter Center located at 9960 Mayland Drive, Henrico, Virginia at 10:00 a.m. 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 LewisGale Hospital Alleghany 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

June 22, 2020

RE: COPN Request No. VA-8491
Columbia Alleghany Regional Hospital, Inc. d/b/a LewisGale Hospital Alleghany
Low Moor, Virginia
Expand Inpatient Psychiatric Services by Converting 14 Medical-Surgical Beds to Inpatient Psychiatric Beds

Applicant

Columbia Alleghany Regional Hospital, Inc., doing business as LewisGale Hospital Alleghany (LGHA) is a Virginia, for-profit stock corporation. Subsidiaries of the applicant include Alleghany Primary Care, Inc. and Alleghany Specialists, LLC. LGHA is a wholly-owned subsidiary of HCA Healthcare, Inc. (HCA Health System). LGHA is located in Low Moore (Alleghany County), Virginia in Planning District (PD) 5, Health Planning Region (HPR) III.

Background

LGHA is a 205-bed community hospital located in Low Moor (Alleghany County), Virginia. LGHA provides a wide variety of services including: inpatient behavioral health services, internal medicine, emergency medicine, cardiology, vascular surgery, pulmonology, neurology, infectious diseases, dermatology, orthopedics, nephrology, rheumatology, generals surgery, ophthalmology, anesthesiology, radiology, pathology, pediatrics, oncology, psychiatry, and otolaryngology. As demonstrated by **Table 1** below, in addition to LGHA, there are two other providers of inpatient psychiatric services in PD 5. The Division of Certificate of Public Need (DCOPN) notes that Virginia Health Information (VHI) data and DCOPN records indicate that LGHA currently operates 15 adult inpatient psychiatric beds, all of which were staffed as of 2018. Collectively, these beds operated at 83.0% of capacity in 2018. VHI data further indicates that of the 195 PD 5 inpatient psychiatric beds licensed in 2018, 184 were staffed. The collective PD 5 inventory operated at only 50.4% occupancy in 2018.

Table 1. PD 5 Licensed Inpatient Psychiatric Beds and Occupancy: 2018

Facility Name	Bed Classification	Licensed Beds	Staffed Beds	Licensed Bed Occupancy
Carilion Roanoke Memorial Hospital	Adult	35	26	78.7%
Carilion Roanoke Memorial Hospital	Child	16	13	74.7%
Carilion Roanoke Memorial Hospital*	**TOTAL**	**51**	**39**	**77.5%**
LewisGale Hospital—Alleghany	Adult	15	15	83.0%
LewisGale Hospital--Alleghany	**TOTAL**	**15**	**15**	**83.0%**
LewisGale Medical Center	Adult	106	106	36.3%
LewisGale Medical Center	Child	24	24	36.3%
LewisGale Medical Center	**TOTAL**	**130**	**130**	**36.3%**
Total	**Adult**	**156**	**147**	**50.3%**
Total	**Child**	**40**	**37**	**51.7%**
Grand TOTAL/Average	**Combined TOTAL**	**211**[1]	**184**	**50.4%**

Source: VHI (2018) and DCOPN Records.
* 15 inpatient psychiatric beds added at Carilion Roanoke Memorial Hospital pursuant to COPN No. VA-04662, issued on July 15, 2019.

VHI data indicates that for 2018, the PD 5 licensed inpatient bed inventory consisted of 1,448 beds, that operated at a collective occupancy of 54.0% (**Table 2**). With regard to LGHA specifically, the 205 medical-surgical beds operated at a collective occupancy of only 13.5%.

Table 2. PD 5 Licensed Inpatient Bed Inventory[2]: 2018

Facility Name	Licensed Beds	Licensed Bed Occupancy
Carilion Roanoke Community Hospital*	34	72.8%
Carilion Roanoke Memorial Hospital	703	70.6%
LewisGale Hospital-Alleghany	205	13.5%
Lewis Gale Medical Center	506	47.3%
TOTAL/Average	**1,448**[3]	**54.0%**

Source: VHI (2018) and DCOPN Records

[1] Though not included in the overall calculations for occupancy, the combined total reflects the 15 inpatient psychiatric beds added at Carilion Roanoke Memorial Hospital pursuant to COPN No. VA-04662, issued on July 15, 2019.

[2] Because obstetric, intensive care, pediatric, and rehabilitation beds can be easily converted to medical-surgical beds, thereby changing the medical-surgical inventory without first obtaining COPN authorization, DCOPN has included these beds in the medical-surgical inventory and the corresponding patient days used for the calculation of medical-surgical occupancy.

[3] Though not included in the overall calculations for occupancy, the total reflects the 15 inpatient psychiatric beds added at Carilion Roanoke Memorial Hospital pursuant to COPN No. VA-04662, issued on July 15, 2019.

*15 inpatient psychiatric beds added at Carilion Roanoke Memorial Hospital pursuant to COPN No. VA-04662, issued on July 15, 2019

With regard to medical-surgical beds specifically, the 924 beds PD 5 beds operated at a collective utilization of 52.6% in 2018 (**Table 3**). The 172% medical-surgical beds at LGHA operated at only 6.2% for the same period.

Table 3. PD 5 Medical-Surgical Inventory: 2018

Facility Name	Licensed Beds	Licensed Bed Occupancy
Carilion Roanoke Memorial Hospital	470	71.7%
LewisGale Hospital-Alleghany	172	6.2%
Lewis Gale Medical Center	282	49.0%
TOTAL/Average	**924**	**52.6%**

Source: VHI (2018) and DCOPN records

Proposed Project

LGHA proposes to add 14 adult inpatient psychiatric beds to its existing complement of 15 beds, for a total of 29 inpatient psychiatric beds. The new psychiatric beds will be created by converting 14 existing and underutilized medical-surgical beds on the LGHA campus. The applicant cites an institutional need for the proposed project. LGHA will utilize and renovate existing space on its campus to accommodate the additional inpatient psychiatric beds. Accordingly, LGHA's existing inpatient psychiatric service allows additional psychiatric capacity to be brought online quickly and efficiently. The applicant anticipates construction to commence within 12 months of COPN issuance and to be complete with 24 months of COPN issuance. The applicant anticipates an opening date within 25 months of COPN issuance. 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 $2,526,000 (**Table 4**). The applicant will fund the entire project using accumulated reserves. Accordingly there are no financing costs associated with this project.

Table 4. LGHA Projected Capital Costs

Direct Construction Costs	**$2,022,600**
Equipment Not Included in Construction Contract	$470,400
Architectural and Engineering Fees	$33,000
TOTAL Capital Costs	**$2,526,000**

Source: COPN Request No. VA-8491

Project Definition

Section 32.1 of the Coe of Virginia (the Code) defines a project, in part as the "Conversion of beds at an existing medical care facility to…psychiatric beds." A medical care facility includes "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;**

LGHA is located off I-64, the major highway running through the applicant's service area. LGHA is also accessible via U.S. Route 220, which runs North-South through the area. Affordable transportation to the hospital is provided by Mountain Express, which is operated by Radar Bus. The Mountain Express runs from Clifton Forge to Covington with a stop at LGHA. In addition, there are several private taxi services that also provide transportation to the hospital. As will be discussed in more detail later in this staff analysis report, DCOPN concludes that at least 95% of the population of PD 5 is within 60 minutes' drive time, one way, under normal driving conditions of existing psychiatric services. However, because the existing LGHA psychiatric service operates near functional capacity, the applicant states that there are periods of time when beds are not available and patients are required to receive care elsewhere. Accordingly, DCOPN contends that additional capacity at LGHA would likely improve geographic accessibility for patients during the times in which a bed is not available at LGHA.

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 3.15% of gross patient services revenue derived from inpatient psychiatric services (reflected in the "Deductions from Revenue" line) (**Table 5**). DCOPN notes that this amount is consistent with the HPR III average (**Table 6**).

Table 5. LGHA Pro Forma Income Statement

	Year 1	Year 2
Total Gross Revenue	$13,145,000	$15,262,540
Deductions from Revenue	$10,345,472	$12,098,818
Total Net Revenue	**$2,799,529**	**$3,163,722**
Total Operating Expenses	$2,384,076	$2,607,583
Net Income	**$415,454**	**$556,140**

Source: COPN Request No. VA-8491

Table 6. HPR III Charity Care Contributions: 2018

Health Planning Region III			
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:**
Carilion Franklin Memorial Hospital	$140,570,971	$12,554,448	8.93%
Carilion Tazewell Community Hospital	$56,372,076	$4,461,261	7.91%
Carilion New River Valley Medical Center	$641,976,306	$35,497,216	5.53%
Bedford Memorial Hospital	$106,076,131	$5,296,511	4.99%
Carilion Medical Center	$3,558,873,340	$159,649,849	4.49%
Wellmont Lonesome Pine Mt. View Hospital	370345839	16158822	4.36%
Dickenson Community Hospital	$25,823,572	$1,031,068	3.99%
Russell County Medical Center	$110,087,349	$4,369,909	3.97%
Centra Health	$2,328,985,662	$89,202,278	3.83%
Carilion Giles Memorial Hospital	$93,368,852	$3,016,041	3.23%
Smyth County Community Hospital	$191,874,758	$5,908,813	3.08%
Johnston Memorial Hospital	$849,445,825	$23,815,840	2.80%
Norton Community Hospital	$290,440,432	$7,990,982	2.75%
Lewis-Gale Medical Center	$2,081,736,631	$45,082,951	2.17%
Pulaski Community Hospital	$306,530,249	$6,493,909	2.12%
LewisGale Hospital -- Montgomery	$578,517,580	$9,337,489	1.61%
LewisGale Hospital -- Alleghany	$196,433,577	$2,962,798	1.51%
Twin County Regional Hospital	$235,254,272	$2,331,223	0.99%
Clinch Valley Medical Center	$492,663,256	$4,385,186	0.89%
Buchanan General Hospital	$98,290,606	$540,974	0.55%
Memorial Hospital of Martinsville & Henry County	$680,100,049	$2,249,897	0.33%
Wythe County Community Hospital	$224,998,295	$633,916	0.28%
Danville Regional Medical Center	$866,889,606	$377,575	0.04%
Total Facilities Reporting			23
Median			2.8%
Total $ & Mean %	**$14,525,655,234**	**$443,348,956**	**3.1%**

Source: VHI (2018)

Also with regard to socioeconomic barriers to access to services, DCOPN notes that, according to the most recent U.S. Census data, Alleghany County had a poverty rate of 14.8%--significantly higher than the statewide average (10.7%) and all but two other PD 5 jurisdictions (**Table 7**). For the preceding reasons, should the State Health Commissioner (Commissioner) approve the proposed project, DCOPN recommends a charity care condition consistent with the HPR III average and equal to at least 3.1% of gross patient services revenues derived from inpatient psychiatric services at LGHA. DCOPN notes that its recommendation includes a provision allowing for the reassessment of the charity rate when more reliable data becomes available regarding the full impact of Medicaid expansion in the Commonwealth.

Table 7. Statewide and PD 5 Poverty Rates

Locality	Poverty Rate
Virginia	10.7%
Alleghany	14.8%
Botetourt	7.4%
Craig	11.9%
Roanoke County	6.7%
Covington	15.4%
Roanoke City	20.5%
Salem City	9.1%

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

The most recent Weldon-Cooper data projects a total PD 5 population of 284,183 persons by 2030 (**Table 8**). This represents an approximate 1.77% 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 65 and older age cohort in PD 5, Weldon-Cooper projects a much more rapid increase. Weldon-Cooper projects a PD 5 increase of approximately 41.85% among this age cohort from 2010-2030 (**Table 9**). This is significant as this age group typically uses health care services at a rate much higher than those under the age of 65.

Table 8. Statewide and PD 5 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%
Alleghany	16,250	14,950	(8.0%)	13,620	(8.9%)	(16.18%)
Botetourt	33,148	33,387	0.7%	34,484	3.3%	4.03%
Craig	10,380	5,084	(51.02%)	5,020	(1.26%)	(51.64%)
Roanoke	92,376	94,145	1.91%	97,249	3.30%	5.28%
Covington	5,961	5,677	(4.76)	5,281	(7.0%)	(11.41)%
Roanoke City	97,032	100,891	3.98%	102,388	1.48%	5.52%
Salem City	24,082	25,953	7.77%	26,141	0.72%	8.55%
Total PD 5	**279,229**	**280,087**	**0.31%**	**284,183**	**1.46%**	**1.77%**

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

Table 9. PD 5 Population Projections for 65+ Age Cohort, 2010-2030

Locality	2010	2020	% Change	2030	% Change	2010-2030 % Change
Alleghany	3,305	3,769	14.04%	3,921	4.03%	18.64%
Botetourt	5,425	7,580	39.72%	9,033	19.17%	66.51%
Craig	886	1,170	32.05%	1,411	20.60%	59.26%
Roanoke	15,912	20,785	30.62%	23,605	13.57%	48.35%
Covington	1,116	1,111	(0.45%)	1,204	8.37%	7.89%
Roanoke City	13,836	16,230	17.30%	18,763	15.61%	35.61%
Salem City	4,240	4,795	13.09%	5,498	14.66%	29.67%
Total PD 5	**44,720**	**55,440**	**23,97%**	**63,435**	**14.42 %**	**41.85%**

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

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;**

The applicant provided numerous letters of support for the proposed project from local community services boards, medical professionals associated with LGHA, elected officials, local law enforcement, local business organizations, area healthcare providers, area educational institutions, and the Virginia Department of Behavioral Health and Development Services (DBHDS). Collectively, these letters addressed the following:

- LGHA's current inpatient psychiatric service is at capacity. LGHA needs additional inpatient psychiatric beds to ensure each resident in the community receives the care they need and deserve.
- LGHA's project is consistent with the Rockbridge Area Community Services Board's mission to help prevent and treat mental illness, developmental disabilities, and substance abuse, and to enhance the quality of life of individuals who experience those conditions.
- The LGHA project will ensure that the community has the resources necessary to appropriately help each individual battling mental illness.
- LGHA's existing psychiatric beds operated at 90% capacity in 2019, indicating an immediate need for additional inpatient psychiatric beds. LGHA's plans to address this need by converting 14 medical-surgical beds to inpatient psychiatric beds, thereby not changing the total number of licensed beds at the hospital, is efficient.
- The project will provide much-need inpatient mental health services in an underserved community, and it will also stabilize the hospital's future and boost economic prospects.
- Due to an increase in emergency evaluations, data has shown a dramatic increase in the distance that local enforcement agencies are required to travel to fulfill their statutory obligations for transportation of individuals subject to temporary detention orders (TDOs). IN 2019, the average mileage per transport for an adult patient was 13w miles and that is a 62% increase over miles traveled in 2014. Because of the shortage of local behavioral health beds, individuals from the LGHA catchment area are regularly

transported to areas such as Richmond and the Eastern Shore, and emergency services staff must call multiple hospitals to determine if there is a bed available that would be appropriate given the individual's needs. Transferring these individuals out of town further traumatizes them and makes it difficult for families to engage in the recovery process. This, in turn, also puts them at risk for poorer outcomes and poses challenges in the discharge planning process.

- Following the passage of "last resort" legislation in 2014, Virginia's state hospitals are recently average a 96% census. At times, the census is inflated 98% or even over 100% capacity. Given the significant safety concerns to patients and staff, addressing the state hospital census crisis is a priority of the Administration.

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

DCOPN conducted the required public hearing on June 9, 2020. A total of 11 individuals called in. Of those individuals, two spoke in favor of the LGHA 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 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 inpatient psychiatric services. Existing psychiatric beds at LGHA operated at a collective utilization of 83.0% in 2018, well above the SMFP threshold for expansion (**Table 1**). Furthermore, to accommodate the proposed expansion of psychiatric services, the applicant has proposed to convert 14 grossly underutilized medical-surgical beds at the facility. The existing LGHA medical-surgical inventory, which operated at a collective utilization of only 6.2% in 2018 (**Table 3**), would conceivably operate at approximately 6.7% upon conversion of 14 medical-surgical beds to psychiatric beds.[4] Although the resulting increase in medical-surgical utilization is nominal, DCOPN contends that the proposed project is nonetheless a better option than maintaining the status quo, as it results in the improved distribution of resources at LGHA while also addressing the overutilization of LGHA's existing psychiatric 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 III designated by the Virginia Department of Health to serve as the Health Planning Agency for PD 5. Therefore, this consideration is not applicable to the review of this project.

[4] This figure was derived by adjusting the number of available patient days to reflect the decrease of 14 medical-surgical beds, while maintaining the number actual medical-surgical patient days reported to VHI for 2018.

(iv) Any costs and benefits of the project;

The total projected capital cost of the proposed project is $2,526,000, 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 the project proposed by LGHA.[5] The applicant identified the following benefits of the proposed project:

1. Approval of the proposed project would alleviate the strain currently experienced by local community service boards and law enforcement.
2. Approval of the proposed project would address the institutional need currently experienced at LGHA.

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

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. DCOPN again notes that the applicant's proffered charity care contribution of 3.15% is consistent with the HPR III average for 2018. DCOPN also again notes that the poverty rate for both Alleghany County and PD 5 as a whole is significantly higher than the statewide average. Accordingly, should the Commissioner approve the proposed project, DCOPN recommends a charity care condition equal to at least 3.1% of gross patient services revenue derived from inpatient psychiatric services. 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 full impact of Medicaid expansion in the Commonwealth of Virginia.

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

DBHDS did not respond to DCOPN's request for comment regarding this application. However, DCOPN again notes that DBHDS did submit a formal letter in support of the project. 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.

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[5] COPN No. VA-04662, issued on July 5, 2019, authorized the addition of 15 psychiatric beds at Carilion Roanoke Memorial Hospital and had a capital cost of $180,000. COPN No. VA-04608, issued on July 16, 2018, authorized the addition of 20 psychiatric beds at Snowden at Fredericksburg and had a capital cost of $5,763,380.

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 expansion of psychiatric services at an existing medial facility. They are as follows:

Part XII. Mental Health Services
Article 1. Acute Psychiatric and Acute Substance Abuse Disorder Treatment Services

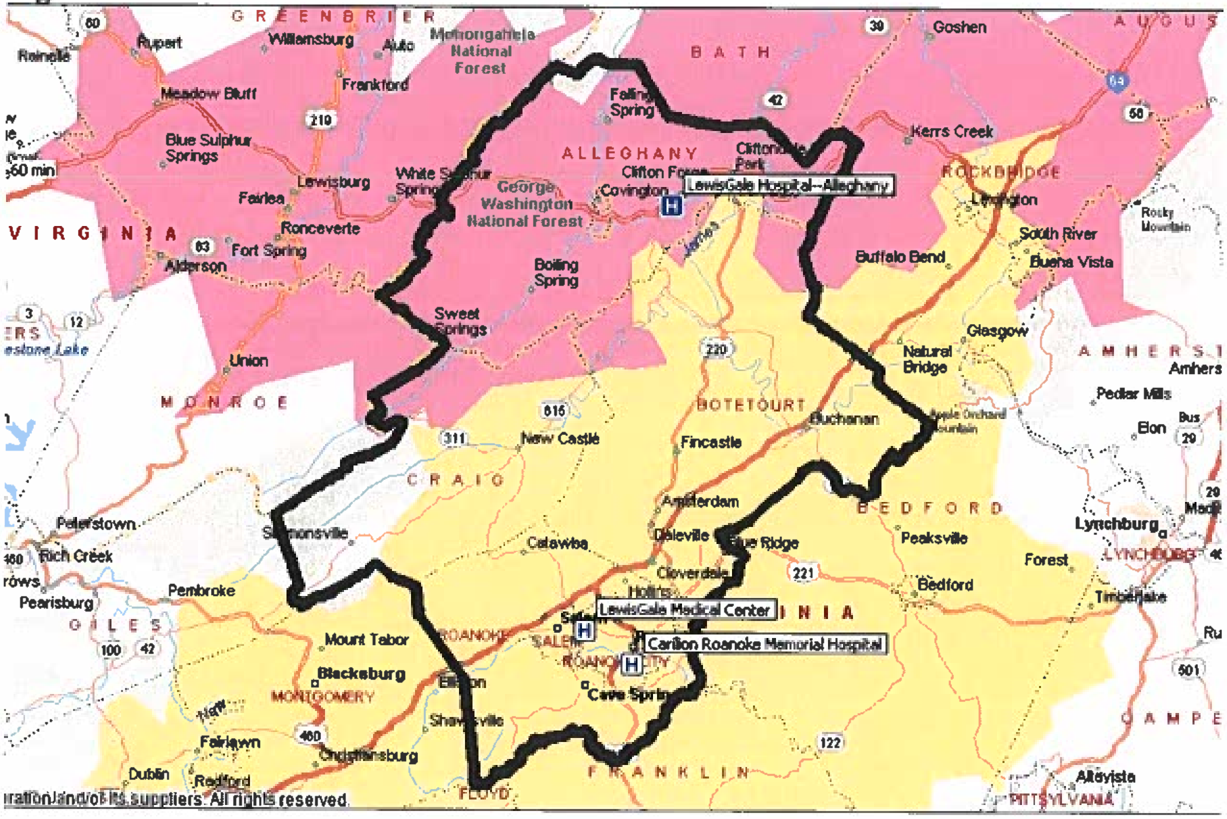
12VAC5-230-840. Travel Time.
Acute psychiatric and acute substance abuse disorder treatment services should be available within 60 minutes driving time one way under normal conditions of 95% of the population using mapping software as determined by the commissioner.

The heavy black line in **Figure 1** represents the boundary of PD 5. The pink shaded area represents the areas of PD 5 and surrounding areas that are within 60 minutes' drive time, one way, under normal driving conditions of LGHA, but not within 60 minutes' drive time of another existing PD 5 psychiatric service. The yellow shaded area represents the areas of PD 5 and surrounding areas that are within 60 minutes' drive time of existing PD 5 psychiatric services other than LGHA. Given the amount and location of the shaded area, it is evident that psychiatric services are already well within a one-hour drive for at least 95% of the population of PD 5. As the proposed project would be located in a facility that already offers psychiatric services, it would not improve geographical access to this service in any meaningful way.

The applicant provided the following with regard to this standard:

> *"While inpatient psychiatric providers are located within a 60-minute drive of PD 5 residents, inpatient psychiatric beds are often unavailable. Distance to existing providers is not the factor that limits access to psychiatric services in PD 5. Rather, high utilization of existing services, combined with difficulty in placing patients due to acuity, gender constraints, infectious disease, and patient safety concerns make existing inpatient psychiatric services all too often unavailable to patients in need in PD 5. Approval of this project is necessary to meet this standard."*

Figure 1.


LewisGale Hospital--Alleghany
LewisGale Medical Center
Carilion Roanoke Memorial Hospital
Covington
Clifton Forge
Salem
Cave Spring
Blacksburg
Christiansburg
Lexington
Buena Vista
Lynchburg
Bedford
Fincastle
Buchanan
Daleville
New Castle
Lewisburg
ALLEGHANY
BOTETOURT
CRAIG
BEDFORD
ROCKBRIDGE
MONTGOMERY
FRANKLIN
GILES
MONROE
BATH

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.**

As previously discussed, LGHA has stated that it accepts all patients, regardless of ability to pay or payment source and that it has a generous charity care policy under which medically necessary services are provided and patient responsibility is written-off 100% for patients whose income is at or below 200% of the federal poverty income guidelines. Furthermore, LGHA discounts medically necessary care for all patients who do not otherwise qualify for charity care with income up to 400% of the federal poverty income guidelines. Although the applicant did not specifically address or quantify the number of patient days or methodology for meeting the needs of indigent patients as enumerated in this section, DCOPN contends that the applicant has reasonably stated its intention to assure service to this patient population without restriction. As discussed above, should the Commissioner approve the proposed project, DCOPN recommends a charity care condition of 3.1%.

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.**

The applicant does not have formal agreements with area community service boards (CSBs); however, letters of support provided by the applicant indicate strong CSB support. The applicant stated that the proposed project would give LGHA the beds and ancillary space it needs to increase its coordination with CSBs and other area mental health providers and advocates to help meet the needs of the community.

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 CSB 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 CSBs, and a description of the methods to be utilized in implementing the indigent patient service plan, have not been addressed by recent COPN applicants for inpatient psychiatric beds. This appears to be a standard that, while well intentioned, is not routinely addressed by applicants and has not been regarded by DCOPN or the Commissioner as a primary reason for not approving inpatient psychiatric bed projects.[6]

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 did not identify any planned efforts to develop and implement satellite outpatient psychiatric and substance abuse disorder treatment programs or have facilities located off tis campus. However, the applicant's primary service area is not large geographically. Accordingly, this section is not applicable to the proposed project.

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 x 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.

The applicant is an established provider of psychiatric services. Accordingly, LGHA is not proposing the establishment of a new service. However, the calculations enumerated in this section are required to address 12VAC5-230-860.B, below.

[6] DCOPN Staff Report on COPN Request Nos. VA-7956 and 7960, at 16; DCOPN Staff Report on COPN Request No. VA-8365, at 11; DCOPN Staff Report on COPN Request No. VA-8367, at 12.

UR = Patient Days from 2014-2018 / Population from 2014-2018
UR = 169,762 / 1,389,785
UR = 0.1221

PROPOP = 282,138

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

$$\text{Projected Psychiatric Bed Need} = \frac{((0.1221 \text{ x } 282{,}138) / 365)}{0.75}$$

Projected Psychiatric Bed Need in 2025 = 125.8

Table 10. PD 5 Inpatient Psychiatric Patient Days (2014-2018)

Facility Name	2014	2015	2016	2017	2018	TOTAL
Carilion Roanoke Memorial	14,261	14,832	16,362	15,751	14,418	75,624
LewisGale Hospital Alleghany	3,643	4,074	3,575	3,860	4,526	19,678
LewisGale Medical Center	12,706	14,908	13,557	16,028	17,241	74,440
TOTAL	**30,610**	**33,814**	**33,494**	**35,639**	**36,205**	**169,762**

Source: VHI (2014-2018)

Table 11. PD 5 Population (All Ages)

	2014	2015	2016	2017	2018	TOTAL 2014-2018	2025 (Projected)
Population	276,891	277,424	277,957	278,490	279,023	**1,389,785**	282,138

Source: Weldon Cooper Center Data (DCOPN interpolations)

Based on the above calculations, DCOPN has calculated a projected psychiatric bed need of 125.8 for the 2025 planning horizon. As previously demonstrated in **Table 1**, there is an existing PD 5 inventory of 211 inpatient psychiatric beds. Accordingly, DCOPN has calculated a projected *surplus* of 85 inpatient psychiatric beds for 2025. Approval of the proposed project would increase this surplus by 14, resulting in a total surplus of 99 inpatient psychiatric beds. However, DCOPN again notes that the applicant has proposed to convert 14 grossly underutilized medical-surgical beds to psychiatric beds, a service with high utilization. Accordingly, DCOPN contends that the proposed project warrants approval despite the stated PD 5 surplus.

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.

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 of geriatric patients.

As previously stated, although there is a large projected surplus of inpatient psychiatric beds in PD 5 for the 2025 planning horizon, DCOPN concludes that the applicant has adequately demonstrated a unique institutional specific need for the proposed 14 psychiatric beds. Furthermore, DCOPN again notes that by converting 14 grossly underutilized medical-surgical beds at LGHA, the project would provide for the improved distribution of healthcare resources in PD 5. Accordingly, DCOPN contends that the proposed project is more favorable than maintaining the status quo.

C. No existing acute psychiatric or acute substance disorder abuse treatment beds should be relocated unless it can be reasonably projected that the relocation ill 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 acute psychiatric or acute substance abuse disorder 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 x 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 5.

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.

DCOPN contends that the applicant's proposal qualifies for preference under this provision. LGHA has proposed to convert 14 existing and underutilized medical-surgical beds to accommodate the psychiatric expansion. Furthermore, LGHA provided assurances that it currently accepts, and will continue to accept, persons under TDO for inpatient psychiatric services. DCOPN notes that LGHA is an active partner with the local CSB and the proposed project enjoys wide support from multiple CSB's in the applicant's primary and secondary service areas.

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

Part I. Definitions and General Information

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

A. Notwithstanding any other provisions of this chapter, the commissioner may grant approval for the expansion of services at an existing medical are 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 services 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 systems 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 a new service.

As previously discussed, DCOPN contends that the applicant has adequately demonstrated a unique institutional need to expand its existing inpatient psychiatric services. Existing psychiatric beds at LGHA operated at a collective utilization of 83.0% in 2018, well above the SMFP threshold for expansion (**Table 1**). Furthermore, to accommodate the proposed expansion of psychiatric services, the applicant has proposed to convert 14 grossly underutilized medical-surgical beds at the facility. The existing LGHA medical-surgical inventory, which operated at a collective utilization of only 6.2% in 2018 (**Table 3**), would conceivably operate at approximately 6.7% upon the conversion of 14 medical-surgical beds to psychiatric beds.[7]

[7] This figure was derived by adjusting the number of available patient days to reflect the decrease of 14 medical-surgical beds, while maintaining the number of actual patient days reported to VHI for 2018.

Although the resulting increase in medical-surgical utilization is nominal, DCOPN contends that the proposed project is nonetheless a better option than maintaining the status quo, as it results in the improved distribution of resources at LGHA while also addressing the overutilization of LGHA's existing psychiatric inventory. DCPON also notes that while existing psychiatric capacity exists within the HCA health system at LewisGale Medical Center, the applicant's proposal to convert underutilized medical-surgical beds at LGHA satisfies subsection B of this standard.

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;

The applicant bases its application on an institutional need to expand existing inpatient psychiatric inventory. Accordingly, the project is not intended to foster institutional competition within PD 5. Furthermore, as the applicant is an established provider of inpatient psychiatric services, DCOPN concludes that the project will not improve geographic access to underserved members of the population of PD 5 in any meaningful way.

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 the proposed project would add to the calculated surplus of inpatient psychiatric beds in PD 5. Accordingly, approval of the proposed project is likely to have some negative impact on the utilization of existing PD 5 facilities. However, DCOPN again notes that the applicant cites, and has adequately demonstrated, a unique institutional need for the additional psychiatric beds in order to properly care for its patient population. While underutilized psychiatric capacity exists within the HCA health system in PD 5, as discussed, DCOPN contends that the conversion of grossly underutilized medical-surgical beds at LGHA satisfies the requirements of 12VAC5-230-80.

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;

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 $415,454 in the first year of operation and $556,140 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 18.7 full-time employees (FTEs) in order to staff the proposed project. The applicant overviewed its well-developed employee recruitment and retention program, which appears to be effective. The applicant states that currently, the facility has seven vacant positions in addition to the 18.7 FTEs needed for this project. To address short-term fluctuations in staffing or to provide interim staffing solutions for its facilities, HCA hospitals develop a per diem staff and certified "float" pools, which are hospital-based reserve staff for peaks in volume, This provides hospitals with a group of highly trained health workers that can be accessed in periods of high demand. Beyond allowing hospitals to accommodate fluctuating patient volumes with appropriate staffing levels, this approach also serves to reduce costs. DCOPN does not anticipate that the applicant will experience any significant difficulty in filling the required additional positions or that doing so will have a significant negative impact on existing facilities in the area.

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

The applicant does not propose to provide improvements or innovations in the financing of psychiatric healthcare services, nor does it propose to introduce new technology that promotes quality and/or cost effectiveness in the delivery of health care services. It would however, improve the delivery of health service at LGHA by addressing the overutilization of existing inpatient psychiatric beds at the facility.

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. LGHA is not a teaching hospital associated with a public institution of higher education or a medical school in the area served by the project. However, DCOPN notes that the applicant has affiliation agreements for clinical rotations with the following health professional education programs:

- Dabney S. Lancaster Community College
- Virginia Western Community College
- Edward Via College of Osteopathic Medicine (VCOM)
- West Virginia School of Osteopathic Medicine (WVSOM)
- University of Charleston (Pharmacy and Radiology students)
- Radford University (Physical Therapy students)
- Murphy Deming College of Health Sciences (Physician Assistant students)
- New River Community and Technical School (Medical Laboratory Technicians and EMT/Paramedic Programs)

DCOPN Findings and Conclusions

DCOPN finds that the proposed project to add 14 inpatient psychiatric beds at LGHA is generally consistent with the applicable criteria and standards of the SMFP and the Eight Required Considerations of the Code of Virginia. While there is a large projected surplus of psychiatric beds in PD 5 for 2025 planning year, the applicant has adequately demonstrated a unique institutional need for the additional inpatient psychiatric beds. Moreover, DCOPN finds that the proposed project to add 14 inpatient psychiatric beds is more favorable than maintaining the status quo. Because the applicant has proposed to convert 14 grossly underutilized medical-surgical beds at LGHA to accommodate the additional psychiatric beds, the project would result in the improved distribution of resources at LGHA.

The project enjoys broad support from area healthcare providers, CSBs, and law enforcement. Additionally, there is no known opposition to the proposed project. DCOPN finds that the total capital costs of the proposed project are reasonable and consistent with previously approved projects similar in scope. Furthermore, DCOPN finds that the project appears to be economically feasible both in the immediate and long-term. Finally, DCOPN concludes that approval of the proposed project is not likely to have a significant negative impact on the staffing or utilization of existing PD 5 providers of inpatient psychiatric services.

DCOPN Staff Recommendation

The Division of Certificate of Public Need recommends **conditional approval** of LewisGale Hospital Alleghany's COPN Request No. VA-8491 to expand inpatient psychiatric services by converting 14 medical-surgical beds to inpatient psychiatric 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 Medial Facilities Plan and the Eight Required Considerations of the Code of Virginia.
2. The capital cost of the proposed project is reasonable.
3. The proposed project appears to be economically viable in the immediate and long-term.
4. The proposed project enjoys broad support from local behavior health organizations and elected officials in PD 5.
5. There is no known opposition to the proposed project.
6. The proposed project more favorable than maintaining the status quo.
7. The applicant has adequately demonstrated an institutional need to expand existing inpatient psychiatric services at LGHA.
8. Approval of the proposed project is not likely to have a significant negative impact on the existing providers of inpatient psychiatric services in PD 5.

DCOPN's recommendation is contingent on LewisGale Hospital Alleghany's agreement to the following charity care condition:

Lewis Gale Hospital Alleghany will provide inpatient psychiatric 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 5 in an aggregate amount equal to at least 3.1% of LewisGale Hospital Alleghany's gross patient revenue derived from inpatient psychiatric 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. LewisGale Hospital Alleghany 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 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.