



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-8495**
Columbia/HCA John Randolph, Inc. d/b/a John Randolph Medical Center
Expand existing inpatient psychiatric services by converting up to 16 general acute
medical-surgical bds 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 John Randolph Medical Center 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 Tuesday, July 7, 2020 in Board Room 1 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 John Randolph Medical Center 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.

DIRECTOR
(804) 367-2102

ACUTE CARE
(804) 367-2104

COPN
(804) 367-2126



www.vdh.virginia.gov

COMPLAINTS
1-800-955-1819

LONG TERM CARE
(804) 367-2100

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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,

A handwritten signature in blue ink, appearing to read 'Erik Bodin', written over a horizontal line.

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-8495

Columbia/HCA John Randolph, Inc. d/b/a John Randolph Medical Center
Hopewell, Virginia

Expand existing inpatient psychiatric services by converting up to 16 general acute medical-surgical beds to inpatient psychiatric beds

Applicant

Columbia/HCA John Randolph, Inc., doing business as John Randolph Medical Center (JRMC) is a Virginia, for-profit stock corporation. Subsidiaries of the applicant include Appomattox Imaging, LLC and Imaging Services of Appomattox, LLC. JRMC is a wholly-owned subsidiary of HCA Healthcare, Inc. (HCA Health System). JRMC is located in Hopewell, Virginia in Planning District (PD) 19, Health Planning Region (HPR) IV.

Background

JRMC is a 147-bed acute care hospital located in Hopewell, Virginia. JRMC offers a variety of medical and surgical services, including psychiatric services. As demonstrated by **Table 1** below, in addition to JRMC, there are three other providers of inpatient psychiatric services in PD 19. The Division of Certificate of Public Need (DCOPN) notes that Virginia Health Information (VHI) data and DCOPN records indicate that JRMC currently operates 40 adult inpatient psychiatric beds, all of which were reported as staffed as of 2018. Collectively, these psychiatric beds operated at 74.9% of capacity in 2018. VHI data further indicates that of the 288 PD 19 inpatient psychiatric beds licensed in 2018, 250 were staffed. The collective PD 19 psychiatric bed inventory operated at only 62.7% occupancy in 2018.

Table 1. PD 19 Licensed Inpatient Psychiatric Beds and Occupancy: 2018

Facility Name	Bed Classification	Licensed Beds	Staffed Beds	Licensed Bed Occupancy
John Randolph Medical Center	Adult	40	40	74.9%
John Randolph Medical Center	TOTAL	40	40	74.9%
Poplar Springs Hospital	Adult	83	64	77.9%
Poplar Springs Hospital	Child	125	106	47.1%
Poplar Springs Hospital	TOTAL	208	170	57.5%
Southern Virginia Regional Medical Center	Adult	10	10	66.9%
Southern Virginia Regional Medical Center	TOTAL	10	10	66.9%
Southside Regional Medical Center	Adult	30	30	77.4%
Southside Regional Medical Center	TOTAL	30	30	77.4%
Total	Adult	163	144	76.2%
Total	Child	125	106	47.1%
Grand TOTAL/Average	Combined TOTAL	288	250	62.7%

Source: VHI (2018) and DCOPN Records.

VHI data indicates that for 2018, the total PD 19 licensed inpatient inventory consisted of 799 beds that operated at a collective occupancy of 49.7% (Table 2). With regard to JRMC specifically, the 147 licensed inpatient beds operated at a collective occupancy of 47%.

Table 2. PD 19 Licensed Inpatient Bed Inventory¹: 2018

Facility Name	Licensed Beds	Licensed Bed Occupancy
HealthSouth Rehabilitation Hospital of Petersburg	64	79.9%
John Randolph Medical Center	147	47.0%
Poplar Springs Hospital	208	57.5%
Southern Virginia Regional Medical Center	80	18.5%
Southside Regional Medical Center	300	50.2%
TOTAL/Average	799	49.7%

Source: VHI (2018) and DCOPN Records

With regard to medical-surgical beds specifically, VHI data indicates that for 2018, the 366 PD 19 medical-surgical beds operated at a collective utilization of 39.2% (Table 3). More specifically, the 90 medical-surgical beds at JRMC operated at a collective utilization of 37.4% for the same period.

¹ 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 total inpatient bed inventory and the corresponding patient days used for the calculation of inpatient bed occupancy.

Table 3. PD 19 Medical-Surgical Inventory: 2018

Facility Name	Licensed Beds	Licensed Bed Occupancy
John Randolph Medical Center	90	37.4%
Southern Virginia Regional Medical Center	63	12.4%
Southside Regional Medical Center	213	47.9%
TOTAL/Average	366	39.2%

Source: VHI (2018) and DCOPN records

Proposed Project

JRMC proposes to add 16 inpatient psychiatric beds to its existing complement of 40 beds, for a total of 56 inpatient psychiatric beds. The applicant cites a unique institutional need for the proposed project. The new psychiatric beds will be added by converting 16 existing and underutilized medical-surgical beds on the JRMC campus. The new beds will form a specialized unit for complex trauma patients. The complex trauma psychiatric unit (the Trauma Unit) will be located in existing space on the first floor of JRMC’s Wellness Pavilion. The Wellness Pavilion offers inpatient adult behavioral health services to treat a range of disorders including substance abuse, addiction, anxiety, and posttraumatic stress disorder, as well as partial hospitalization and an intensive outpatient program. The applicant states that the Trauma Unit will be the first of its kind in PD 19 and will be designed for the treatment of adults exhibiting acute psychiatric symptoms associated with posttraumatic, dissociative, and other trauma-based disorders. Because the applicant currently provides inpatient psychiatric services, the additional beds can be brought online quickly and efficiently. The applicant anticipates construction to commence within 12 months of COPN issuance, and to be complete within 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 \$2,577,000 (Table 4). The applicant will fund the entire project using accumulated reserves. Accordingly there are no financing costs associated with this project.

Table 4. JRMC Projected Capital Costs

Direct Construction Costs	\$2,312,000
Equipment Not Included in Construction Contract	\$200,000
Architectural and Engineering Fees	\$65,000
TOTAL Capital Costs	\$2,577,000

Source: COPN Request No. VA-8495

Project Definition

Section 32.1 of the Code 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;**

JRMC is located on Route 10 in Hopewell, Virginia. Interstate 295 is approximately four miles away and Interstate 95 is located eight miles from the campus. Although there is not a comprehensive public transportation service currently in the Hopewell area, patients are able to utilize taxis, ride share services, and the various wheelchair vans and ambulances as needed. The applicant stated that the social worker staff at JRMC works efficiently with the public to arrange appropriate transportation as needed. As will be discussed in more detail later in this staff analysis report, DCOPN concludes that at least 95% of the population of PD 19 is within 60 minutes' drive time, one way, under normal driving conditions of existing psychiatric services. However, the applicant states that because the existing JRMC psychiatric service operates near functional capacity, 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 JRMC would likely improve geographic accessibility for patients during the time in which a bed is not available at JRMC.

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 3.45% 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 slightly below the 3.7% HPR IV average reported by VHI for 2018, but significantly higher than the 2.08% reported for JRMC for the same period (Table 6).

Table 5. JRMC Pro Forma Income Statement

	Year 1	Year 2
Total Gross Revenue	\$42,412,236	\$48,526,111
Deductions from Revenue	\$38,332,414	\$43,856,178
Total Net Revenue	\$7,964,783	\$9,112,935
Total Operating Expenses	\$7,379,119	\$8,459,394
Net Income	\$585,664	\$653,541

Source: COPN Request No. VA-8495

Table 6. HPR IV Charity Care Contributions: 2018

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

Source: VHI (2018)

Also with regard to socioeconomic barriers to access to services, DCOPN notes that, according to the most recent U.S. Census data, the City of Hopewell had a poverty rate of 21.0%--significantly higher than the statewide average (10.7%) (Table 7). Furthermore, all but two localities in PD 19 had a poverty rate significantly higher than the statewide average. For the preceding reasons, should the State Health Commissioner (Commissioner) approve the proposed project, DCOPN recommends a charity care condition consistent with the HPR IV average, and equal to at least 3.7% of gross patient services revenues derived from inpatient psychiatric services at JRMC. 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 19 Poverty Rates

Locality	Poverty Rate
Virginia	10.7%
Dinwiddie	12.5%
Greensville	26.7%
Prince George	8.9%
Surry	12.9%
Sussex	22.9%
Colonial Heights City	13.5%
Colonial Heights (County)	10.0%
Emporia City	29.0%
Emporia (County)	20.7%
Hopewell City	21.0%
Hopewell (County)	19.7%
Petersburg City	25.8%
Petersburg (County)	24.1%

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

The most recent Weldon-Cooper data projects a total PD 19 population of 173,995 persons by 2030 (Table 8). This represents an approximate 0.3% 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 19, Weldon-Cooper projects a much more rapid increase. Weldon-Cooper projects a PD 19 increase of approximately 50.6% 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 19 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%
Dinwiddie	28,001	28,669	6.3%	30,473	6.3%	8.8%
Greensville	12,243	11,340	(1.7%)	11,144	(1.7%)	(9.0%)
Prince George	35,725	37,613	5.3%	39,408	4.8%	10.3%
Surry	7,058	6,501	(7.9%)	6,282	(3.4%)	(11.0%)
Sussex	12,087	11,370	(5.9%)	10,657	(6.3%)	(11.8%)
Colonial Heights City	17,411	17,631	1.3%	17,766	0.8%	2.0%
Emporia City	5,927	5,462	(7.8%)	5,317	(2.7%)	(10.3%)
Hopewell City	22,591	22,852	1.2%	22,781	(0.3%)	0.8%
Petersburg City	32,420	31,671	(2.3%)	30,166	(4.8%)	(7.0%)
Total PD 19	173,463	173,109	(0.2%)	173,995	0.5%	0.3%

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

Table 9. PD 19 Population Projections for 65+ Age Cohort, 2010-2030

Locality	2010	2020	% Change	2030	% Change	2010-2030 % Change
Dinwiddie	3,826	5,003	30.8%	6,019	20.3%	57.3%
Greensville	1,537	2,099	36.6%	2,437	16.1%	58.6%
Prince George	3,712	5,954	60.4%	8,597	44.4%	131.6%
Surry	1,121	1,418	26.5%	1,781	25.6%	58.9%
Sussex	1,752	2,135	21.9%	2,417	13.2%	38.0%
Colonial Heights City	3,418	3,779	10.6%	4,195	11.0%	22.7%
Emporia City	1,002	1,058	5.6%	1,133	7.1%	13.1%
Hopewell City	3,359	3,715	10.6%	4,269	14.9%	27.1%
Petersburg City	4,854	5,326	9.7%	6,175	15.9%	27.2%
Total PD 19	24,581	30,487	24.0%	37,022	21.4%	50.6%

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 (CSBs) and area medical professionals. Collectively, these letters addressed the following:

- Due to a lack of sufficient psychiatric beds in acute care hospitals, many individuals in PD 19 end up being admitted to state psychiatric facilities. Additional psychiatric beds in the PD 19 service area will increase the opportunity for individuals in need of inpatient psychiatric treatment to be served in a more appropriate setting.
- Part of JRMC’s expansion will be dedicated as a new complex trauma psychiatric unit. The new unit will offer inpatient treatment tailor-made for patients suffering from the psychiatric effects of trauma, including post-traumatic stress and other related conditions.
- JRMC currently offers services, education, and support for behavioral health patients through its partnership with PD 19 CSBs, and this new unit will be a valuable new resource for the patients receiving care through this partnership.
- This project will provide greater access to critical behavioral health treatment for patients suffering from the acute onset of trauma-related conditions, which will in turn improve the availability of general psychiatric care for a broader patient population.
- The high demand for behavioral health services in PD 19 often results in long waiting periods for patients in need of such services, because the inpatient psychiatric beds necessary for their behavioral health needs are often unavailable.
- The proposed unit will relieve demand on JRMC’s inpatient psychiatric unit, which currently operates at full capacity, opening more beds for the treatment of a wide range of psychiatric conditions.

- The beds included in this project will complement JRMC's pre-existing military-only behavioral health unit, improving the hospital's ability to provide essential behavioral health treatment for members of the armed forces.

Poplar Springs Hospital (Poplar Springs) submitted a letter opposing the proposed project. The letter outlined two main concerns.

1. PD 19 is already served by an inpatient psychiatric treatment facility for complex trauma with a dedicated military unit and there is no documented need for additional services.

Poplar Springs correctly states that JRMC's proposed project specifically notes its ability to serve military personnel stationed at Fort Lee who are affected by Post Traumatic Stress Disorder among other trauma-based conditions. Accordingly, Poplar Springs asserts that the proposed project is duplicative of services already offered in PD 19 through Poplar Springs' Patriot Support Program. Poplar Springs further asserts that approval of the JRMC project would not lead to beneficial competition, but rather, would harm Poplar Springs' Patriot Support Program as JRMC attempts to care for the same military population Poplar Springs currently serves. With regard to this assertion, DCOPN notes that one important distinction between the Poplar Springs Patriot Support Program and the proposed project is that the Patriot Support Program serves veterans and military personnel exclusively. This differs from the JRMC proposed project, which would make these services available to civilians. In fact, the applicant stated at the public hearing that it expects the majority of the participants in this program to be civilians. Furthermore, while it is true that there is no current calculated need for additional psychiatric beds in PD 19, DCOPN again notes the applicant cites an institutional need for the additional beds.

2. JRMC has failed to demonstrate an institutional need for its project.

Poplar Springs asserts that JRMC's existing psychiatric service has not exceeded its current capacity. Poplar Springs further states that JRMC "attempts to overcome its noncompliance with the institutional need provision by focusing on its most recent year's occupancy rate, which has not yet been published by Virginia Health Information" and that "It is clear from the historical data that occupancy rates for inpatient psychiatric beds in PD 19 fluctuate...HCA exceeded 80% occupancy once in four years. The historical trend in PD 19 indicates that this one-year occupancy increase is part of the normal fluctuations in occupancy within PD 19." DCOPN disagrees with Poplar Springs' assertion that JRMC's increase in occupancy is simply a normal fluctuation. As **Table 10** below demonstrates, the 40 existing psychiatric beds at JRMC have steadily increased from 2016 to 2018. Additionally, data provided by the applicant demonstrates that this increase has continued into to 2019. During the public hearing, the applicant stated that the 40 existing psychiatric beds have operated at 85% occupancy thus far for 2020. While the data provided by the applicant cannot be quantifiably verified by DCOPN, DCOPN concludes that the data is reasonable given the data that has been reported to VHI over the preceding years. Accordingly, DCOPN contends that based on this upwards trajectory, the applicant's increasing utilization is not a fluctuation and is likely to continue. While the data for 2018 may not necessarily indicate an institutional need for expansion, DCOPN contends that data provided by the applicant for 2019 and 2020 does indicate an institutional need and that the

additional beds are necessary for JRMC to properly care for its patient population. DCOPN further contends that due to the specialized nature of the Poplar Springs Patriot Support Program, JRMC’s project is not likely to have a significant negative impact on utilization at Poplar Springs.

Table 10. JRMC Psychiatric Bed Historical and Projected Occupancy

Year	Beds	Occupancy
2015	40	87.6%
2016	40	56.2%
2017	40	71.8%
2018	40	74.9%
2019 (provided by applicant)	40	80.8%
2020 (YTD-provided by applicant)	40	85.0%
Year 1 (projected)	56	64%
Year 2 (projected)	56	71%

Source: VHI (2015-2018) and COPN Request No. VA-8495

DCOPN conducted the required public hearing on June 16, 2020. A total of 14 individuals signed in. Of those individuals, one, a representative of Poplar Springs, 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 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 JRMC operated at a collective utilization of 74.9% in 2018 (**Table 1**). However, as discussed above, based on the historical upwards trajectory of occupancy at JRMC and the data for 2019 and 2020 (YTD) provided by the applicant, DCOPN contends that occupancy will continue to increase and that the additional beds are needed in order for JRMC to properly care for its patient population. Furthermore, to accommodate the proposed expansion of psychiatric services, the applicant has proposed to convert 16 underutilized medical-surgical beds at the facility. The existing JRMC medical-surgical inventory, which operated at a collective utilization of only 37.4% in 2018, would conceivably operate at approximately 45.5% upon conversion of 16 medical-surgical beds to psychiatric beds.² DCOPN contends that the proposed project is a better option than maintaining the status quo, as it results in the improved distribution of resources at JRMC.

² This figure was derived by adjusting the number of available patient days to reflect the decrease of 16 medical-surgical beds, while maintaining the number actual medical-surgical patient days reported to VHI for 2018.

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

Currently there is no organization in HPR IV designated by the Virginia Department of Health to serve as the Health Planning Agency for PD 19. Therefore, this consideration is not applicable to the review of this project.

(iv) Any costs and benefits of the project;

The total projected capital cost of the proposed project is \$2,577,000, 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 JRMC.³ The applicant identified the following benefits of the proposed project:

1. The Trauma Unit will be the first of its kind in PD 19. There is currently no specialized complex trauma services in PD 19, PD 15, or the greater central Virginia region. The closest complex trauma unit is Dominion Hospital in northern Virginia.
2. Approval of the proposed project would alleviate the strain currently experienced by the existing psychiatric service at JRMC.

(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 3.45% is slightly lower than the HPR IV average for 2018. DCOPN also again notes that the poverty rate for all but two localities in PD 19, including the City of Hopewell, 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 3.7% 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;

DCOPN reached out to the Department of Behavioral Health and Developmental Services requesting their input regarding the proposed project, but has not received a response. DCOPN

³ COPN No. VA-04501 authorized the addition of nine inpatient psychiatric beds and had a projected capital cost of \$250,000; COPN No. VA-04611 authorized the addition of 20 inpatient psychiatric beds and had a projected capital cost of \$3,503,348.

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 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.

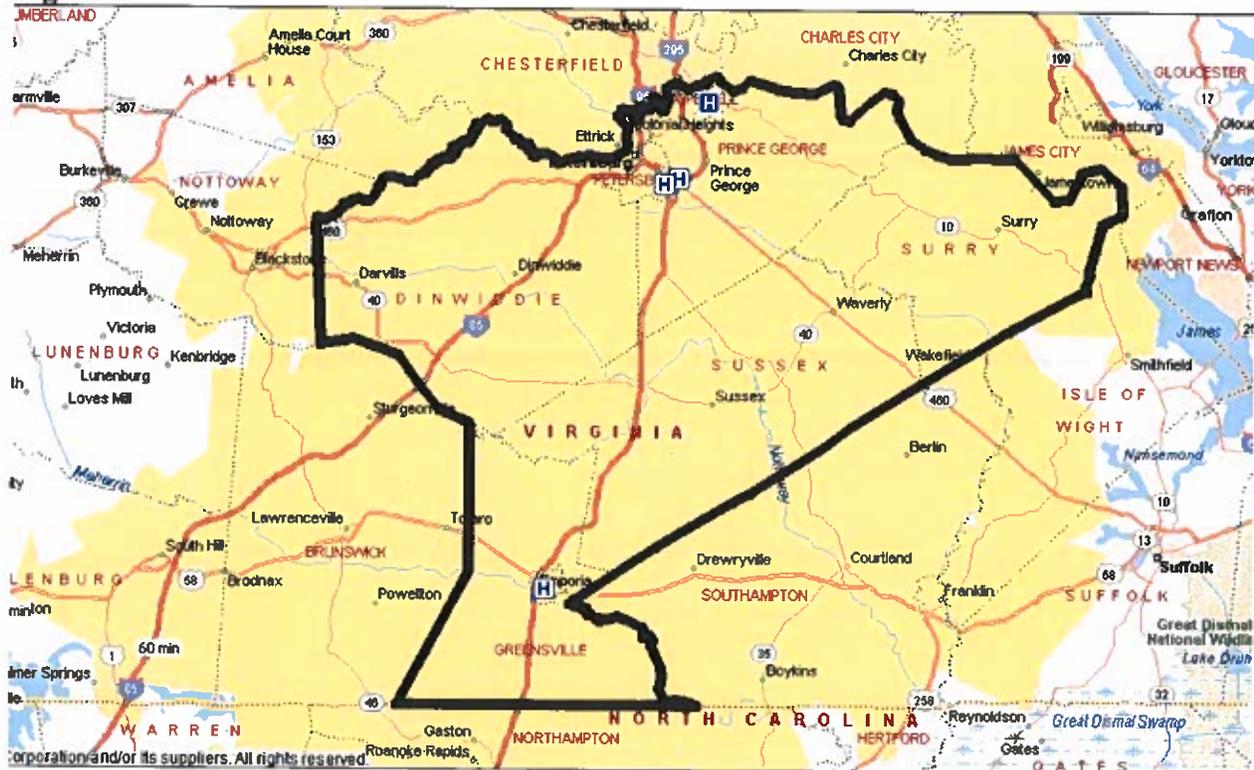
Acute psychiatric and acute substance abuse disorder treatment services should be available within 60 minutes driving time one way under normal conditions of 95% of the population using mapping software as determined by the commissioner.

The heavy black line in **Figure 1** represents the boundary of PD 19. The yellow shaded area represents the areas of PD 19 and surrounding areas that are within 60 minutes' drive time of existing PD 19 psychiatric services. 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 19. 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 19 residents, inpatient psychiatric beds are often unavailable. Distance to existing providers is not the factor that limits access to psychiatric services in PD 19. 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 19. Approval of this project is necessary to meet this standard."

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.**

As previously discussed, JRMC 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 at no charge to uninsured patients whose income is at or below 200% of the federal poverty income guidelines. Furthermore, JRMC offers discounts for medically necessary care for all patients without insurance who do not otherwise qualify for charity care, regardless of their income level. A prompt discount is available to patients in addition to the uninsured patient discount. 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 3.7%.

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 CSBs; however, letters of support provided by the applicant indicate strong CSB support. The applicant stated that the proposed project would give JRMC 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.⁴

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 its campus. However, the applicant's primary service area is not large geographically. Accordingly, this section is not applicable to the proposed project.

⁴ 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.

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.

The applicant is an established provider of psychiatric services. Accordingly, JRMC 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.

$$\begin{aligned} UR &= \text{Patient Days from 2014-2018} / \text{Population from 2014-2018} \\ UR &= 297,547 / 866,253 \\ UR &= 0.3435 \end{aligned}$$

$$PROPOP = 173,995$$

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

$$\text{Projected Psychiatric Bed Need} = \frac{((0.3435 \times 173,995) / 365)}{0.75}$$

$$\text{Projected Psychiatric Bed Need in 2025} = 218.3$$

Table 11. PD 19 Inpatient Psychiatric Patient Days (2014-2018)

Facility Name	2014	2015	2016	2017	2018	TOTAL
John Randolph Medical Center	7,642	7,678	8,226	10,477	10,930	44,953
Poplar Springs Hospital	52,973	31,897	32,370	42,749	39,694	199,683
Southern Virginia Regional Medical	2,172	2,179	2,245	2,065	2,442	11,103
Southside Regional Medical Center	8,022	7,856	8,574	8,776	8,480	41,708
TOTAL	70,909	49,610	51,415	64,067	61,546	297,547

Source: VHI (2014-2018)

Table 12. PD 19 Population (All Ages)

	2014	2015	2016	2017	2018	TOTAL 2014-2018	2025 (Projected)
Population	173,321	173,268	173,251	173,215	173,180	866,253	173,995

Source: Weldon Cooper Center Data (DCOPN interpolations)

Based on the above calculations, DCOPN has calculated a projected psychiatric bed need of 219 (218.3) for the 2025 planning horizon. As shown above in **Table 1**, there is an existing PD 19 inventory of 288 inpatient psychiatric beds. Accordingly, DCOPN has calculated a projected *surplus* of 70 (69.7) inpatient psychiatric beds for 2025. Approval of the proposed project would increase this surplus by 16, resulting in a total surplus of 86 (85.7) inpatient psychiatric beds. However, DCOPN again notes that the applicant has proposed to convert 16 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 19 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 19 for the 2025 planning horizon, for reasons already discussed in this staff analysis report, DCOPN concludes that the applicant has adequately demonstrated a unique institutional specific need for the proposed 16 psychiatric beds. Furthermore, DCOPN again notes that by converting 16 underutilized medical-surgical beds at JRMC, the project would provide for the improved distribution of healthcare resources in PD 19. 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 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 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:

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

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 19.

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. JRMC has proposed to convert 16 existing and underutilized medical-surgical beds to accommodate the psychiatric expansion. Furthermore, JRMC provided assurances that it currently accepts, and will continue to accept, persons under temporary detention order (TDO) for inpatient psychiatric services. DCOPN notes that JRMC is an active partner with the local CSB and the proposed project enjoys wide support from multiple CSBs 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 care facility in a health planning district with an excess supply of such services when the proposed expansion can be justified on the basis of a facility's need having exceeded its current service capacity to provide such 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 JRMC operated at a collective utilization of 74.9% in 2018, indicating that at that time, JRMC had sufficient capacity to care for its existing patient population. However, as already discussed, data provided by the applicant for 2019 through 2020 (YTD) indicates that occupancy among JRMC's psychiatric beds is steadily increasing, and will continue to do so into the future. Again, while DCOPN cannot quantifiably confirm this data, DCOPN notes that based on data previously reported to VHI and the steady, upwards trajectory of that data in recent years, the data provided by the applicant for 2019 and 2020 (YTD) appears to be reasonable. DCOPN contends that while the 74.9% reported for 2018 may not necessarily indicate an institutional need for additional capacity, the 85% occupancy reported for 2020 (YTD) certainly does. Furthermore, to accommodate the proposed expansion of psychiatric services, the applicant has proposed to convert 16 underutilized medical-surgical beds at the facility. The existing JRMC medical-surgical inventory, which operated at a collective utilization of only 37.4% in 2018 (Table 3), would conceivably operate at approximately 45.5% upon the conversion of 16 medical-surgical beds to psychiatric beds.⁵ DCOPN contends that the proposed project is a better option than maintaining the status quo, as it results in the improved distribution of resources at JRMC while also addressing the overutilization of JRMC's existing psychiatric inventory. DCOPN also notes that no other existing psychiatric capacity exists in PD 19 within the HCA Health System for transfer. Accordingly, DCOPN concludes that the applicant satisfies this standard.

⁵ This figure was derived by adjusting the number of available patient days to reflect the decrease of 16 medical-surgical beds, while maintaining the number of actual patient days reported to VHI for 2018.

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 19, but rather to meet an existing need at JRMC. 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 19 in any meaningful way. DCOPN again notes the letter opposing this project submitted by Poplar Springs, which asserts that approval of the proposed project would detrimentally impact the utilization of psychiatric beds within the Patriot Support Program at that facility. DCOPN again notes that the Patriot Support Program serves veterans and military personnel exclusively, while the applicant expects its program to be comprised mainly of civilians. Accordingly, while the proposed project would inevitably have some impact on the utilization of Poplar Springs, DCOPN contends that this impact is not likely to be destabilizing.

- 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 19. Accordingly, approval of the proposed project is likely to have some negative impact on the utilization of existing PD 19 facilities. However, DCOPN contends that based on data submitted by the applicant for 2019 and 2020 (YTD), as well as the steady, upwards trajectory of data reported by VHI for JRMC from 2015-2018, the applicant has adequately demonstrated a unique institutional need for the additional psychiatric beds in order to properly care for its patient population. Additionally, DCOPN again notes that no additional psychiatric capacity exists in PD 19 within the HCA Health System for transfer. Accordingly, DCOPN concludes that the applicant's proposal satisfies 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 \$585,664 in the first year of operation and \$653,541 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 28 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 52 vacant positions in addition to the 28 FTEs needed for this project (and a total of 383 current FTEs). DCOPN notes that several of these positions coincide with the positions needed to staff this project (registered nurses, nurses' aides, orderlies, and attendants). 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. Additionally, HCA has a multi-faceted approach to staff development, which places particular emphasis on expanding the pool staff. As a result of these programs, the applicant states that there are a number of students enrolled in health careers around the Commonwealth who are expected to enter the workforce as HCA employees.

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. However, the proposed project would form a specialized unit for complex trauma patients and would be the first of its kind in PD 19 and surrounding areas. DCOPN contends that the project would improve the delivery of health care services at JRMC 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. JRMC 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:

- Centura College
- Fortis College
- Grand Canyon University
- John Tyler Community College
- J. Sargeant Reynolds Community College
- Piedmont Virginia Community College

- South University
- Southside Regional Medical Center School of Radiology
- Virginia Commonwealth University
- Virginia State University
- Walden University

DCOPN Findings and Conclusions

DCOPN finds that the proposed project to add 16 inpatient psychiatric beds at JRMC 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 19 for the 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 16 inpatient psychiatric beds is more favorable than maintaining the status quo. Because the applicant has proposed to convert 16 underutilized medical-surgical beds at JRMC to accommodate the additional psychiatric beds, the project would result in the improved distribution of resources at JRMC. DCOPN further notes that because JRMC is the only HCA Health System facility in PD 19, no additional psychiatric capacity exists for relocation.

The project enjoys broad support from area healthcare providers and CSBs. 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 19 providers of inpatient psychiatric services.

DCOPN Staff Recommendation

The Division of Certificate of Public Need recommends **conditional approval** of Columbia/HCA John Randolph, Inc. d/b/a John Randolph Medical Center's COPN Request No. VA-8495 to expand inpatient psychiatric services by converting 16 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 area health professionals and CSBs in PD 19.
5. The proposed project is more favorable than maintaining the status quo.
6. The applicant has adequately demonstrated an institutional need to expand existing inpatient psychiatric services at JRMC.

7. Approval of the proposed project is not likely to have a significant negative impact on the existing providers of inpatient psychiatric services in PD 19.

DCOPN's recommendation is contingent on John Randolph Medical Center's agreement to the following charity care condition:

John Randolph Medical Center 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 19 in an aggregate amount equal to at least 3.7% of John Randolph Medical Center'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. John Randolph Medical Center 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.