

VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis

June 22, 2020

COPN Request No. VA-8496

HCA Health Services of Virginia, Inc. d/b/a Retreat Doctors' Hospital
Richmond, Virginia

Add 24 inpatient psychiatric beds by transferring 24 psychiatric beds from Parham Doctors' Hospital and converting 24 medical/surgical beds at Retreat Doctors' Hospital to psychiatric beds

Applicant

HCA Health Services of Virginia, Inc. (HCA Virginia) is a for-profit, Virginia stock corporation. HCA Healthcare, Inc., headquartered in Nashville, Tennessee, is the ultimate corporate parent of HCA Virginia. Henrico Doctors' Hospital is an affiliate of HCA Virginia. Retreat Doctors' Hospital (RDH) is a campus of Henrico Doctors' Hospital (HDH) and is located in the City of Richmond, Health Planning Region (HPR) IV, Planning District (PD) 15.

Background

As shown in **Table 1**, there are six providers of inpatient psychiatric services in PD 15: Bon Secours Richmond Community Hospital, Bon Secours St. Mary's Hospital, HCA Chippenham Hospital, HCA Parham Doctors' Hospital (PDH), HCA Retreat Doctors' Hospital and Virginia Commonwealth University (VCU) Health System.

DCOPN notes that COPN No. VA-04463, dated January 19, 2015, authorized HCA Virginia to add 20 psychiatric beds at PDH through the conversion of 20 underutilized medical/surgical beds. On March 7, 2016, the State Health Commissioner (Commissioner) granted HCA Virginia's significant change request to move the 20 psychiatric beds approved to be added at PDH to RDH.

DCOPN further notes that COPN No. VA-04638, dated January 28, 2019, authorized HCA Virginia to add 16 additional psychiatric beds at RDH. This project is expected to be completed in January 2021. Finally, DCOPN notes that COPN No. VA-04702, dated March 16, 2020, authorized HCA Virginia to add 16 inpatient medical rehabilitation beds in the space used for PDH's psychiatric unit. In its application for COPN No. VA-04702, HCA Virginia explained that it planned to submit a future application to relocate the 24 psychiatric beds from PDH to RDH, in an effort to consolidate its inpatient psychiatric services at RDH.

According to Virginia Health Information (VHI) and Division of Certificate of Public Need (DCOPN) records, in 2018, the most recent year for which data is available, 317 of the 330 (96%) of the licensed inpatient psychiatric beds in PD 15 were staffed. In that same year, the occupancy of staffed inpatient psychiatric beds in PD 15 ranged from 54.4% at Bon Secours Richmond Community Hospital to 79% for VCU’s adult inpatient psychiatric beds, with an average occupancy of 70.2%.

As shown in **Table 2**, the medical/surgical bed inventory of PD 15 consists of 2,178 licensed medical-surgical beds. For 2018, the PD 15 medical-surgical inventory operated at a collective occupancy of 62.4 and the 52 staffed medical-surgical beds at RDH operated at a utilization of only 6.6%.

Table 1. Licensed and Staffed Inpatient Psychiatric Beds in PD 15: 2018

Facility	Bed Classification	Licensed Beds	Staffed Beds	Licensed Bed Available Days	Patient Days	Licensed Occupancy
Bon Secours Richmond Community Hospital	Psychiatric Adult	40	40	14,600	7,945	54.4%
	Total	40	40			
Bon Secours St. Mary's Hospital	Psychiatric Adult	32	32	11,680	8,383	71.8%
	Total	32	32			
Chippenham Hospital	Psychiatric Adult	113	113	41,245	30,665	74.3%
	Psychiatric Child	24	24	8,760	5,195	59.3%
	Total	137	137			
Henrico Doctor's Hospital - Parham	Psychiatric Adult	24	24	8,760	6,249	71.3%
	Total	24	24			
Henrico Doctor's Hospital - Retreat*	Psychiatric Adult	20	20	7,300	5,345	73.2%
	Total	20	20			
VCU Health System	Psychiatric Adult	45	40	14,600	11,536	79.0%
	Psychiatric Child	32	24	8,760	5,962	68.1%
	Total	77	64			
Total	Psychiatric Adult	274	269	98,185	70,123	71.4%
Total	Psychiatric Child	56	48	17,520	11,157	63.7%
Grand Total		330	317	115,705	81,280	70.2%

*VHI data is not available for the 16 psychiatric beds added at RDH pursuant to COPN No. VA- 04638 issued January 28, 2019. This project is expected to be completed in January 2021.

Table 2. PD 15 Medical-surgical Bed Inventory in PD 15: 2018

Facility	Licensed Beds	Staffed Beds	Available Days	Patient Days	Licensed Occupancy %
Bon Secours Memorial Regional Medical Center	185	185	67,525	52,848	78.3%
Bon Secours Richmond Community Hospital	59	56	21,535	2,610	12.1%
Bon Secours St. Francis Medical Center*	93	93	33,945	24,675	72.7%
Bon Secours St. Mary's Hospital	251	251	91,615	63,789	69.6%
Chippenham Hospital	213	194	77,745	58,178	74.8%
Henrico Doctor's Hospital—Parham	128	69	46,720	14,363	30.7%
Henrico Doctor's Hospital—Retreat	201	52	73,365	4,852	6.6%
Henrico Doctor's Hospital--Forest	261	159	95,265	48,705	51.1%
Johnston-Willis Hospital	183	160	66,795	44,761	67.0%
VCU Health System	447	438	159,870	141,286	88.4%
Vibra Hospital of Richmond LLC	60	60	21,900	15,827	72.3%
West Creek Medical Center**	97	0	0	0	0%
Total	2,178	1,717	756,280	471,894	62.4%

Source: VHI (2018) and DCOPN Records

*COPN No. VA-04682, issued on November 6, 2019, authorized Bon Secour St. Francis Medical Center to add 42 medical-surgical beds.

** West Creek Medical Center has not yet been constructed.

Proposed Project

RDH is proposing to expand its existing behavioral health services unit by transferring 24 inpatient psychiatric beds from PDH (another campus of HDH) and converting 24 underutilized medical/surgical beds to inpatient psychiatric beds.

As shown in **Table 3**, RDH has a current inventory of 20 inpatient psychiatric beds. Pursuant to COPN No. VA- 04638, RDH will add 16 inpatient psychiatric beds. HCA Virginia requests authorization to add an additional 24 psychiatric beds at RDH, for a resulting complement of 60 inpatient psychiatric beds. RDH's overall inpatient bed inventory will not change as a result of the implementation of COPN No. VA- 04638 or the proposed project (**Table 3**).

Table 3: Retreat Doctors' Hospital Bed Inventory

Bed Type	2018 Licensed Beds	Change in Beds Authorized 1/28/19*	Requested Change in Beds	Resulting Available Beds
Medical/Surgical	201	185	-24	161
Psychiatric	20	36	+24	60
ICU	6	0	0	6
Total	227	227	0	227

Sources: VHI (2018), DCOPN Records and COPN Request No. VA-8496

* COPN No. VA- 04638, issued January 28, 2019, authorized HCA Virginia to add 16 psychiatric beds at RDH. This project is expected to be completed in January 2021.

The projected capital costs of the proposed project total \$3,629,084, of which, 86% represents direct construction costs (**Table 4**). The applicant will fund the project using the internal resources of HCA Healthcare, Inc. Accordingly, there are no financing costs associated with this project.

Table 4. Retreat Doctors' Hospital Projected Capital Costs

Direct Construction Costs	\$3,117,944
Equipment Not Included in Construction Contract	\$273,000
Architectural and Engineering Fees	\$238,140
TOTAL Capital Costs	\$3,629,084

Source: COPN Request No. VA-8496

The applicant projects that construction on the proposed project will begin 12 months after COPN approval, and will be complete 24 months after COPN approval. The applicant anticipates a target date of opening of 25 months after COPN approval.

Project Definition

Section 32.1-102.1 of the Code of Virginia defines a project, in the relevant part, as "...[c]onversion of beds in an existing medical care facility to medical rehabilitation beds or psychiatric beds ..." Section 32.1-102.1 of the Code of Virginia defines a medical care facility, in the relevant part, as "General hospitals."

Required Considerations

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

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

Geographically, RDH is located at 2621 Grove Avenue, Richmond, Virginia 23220 and is readily accessible to the population of Central Virginia because of its proximity to the region's two main interstate highways, Interstate 64 and Interstate 95. RDH is also accessible via Richmond's public transit system. As will be discussed in more detail later in this staff analysis report, DCOPN finds that 95% of the population of PD 15 is within 60 minutes' drive time, one way, under normal driving conditions of existing psychiatric services. Furthermore, the applicant is a current provider of inpatient psychiatric service. Accordingly, DCOPN concludes that the proposed project would not improve geographic access to this service in any meaningful way.

Table 5 shows projected population growth in PD 15 through 2030. As depicted in **Table 5**, at an average annual growth rate of 1.01%, PD 15's population growth rate from 2010-2020 is well above the state's average annual growth rate of 0.77%. Overall, the planning district was

projected to add an estimated 108,937 people in the 10-year period ending in 2020 -- an approximate 11% increase with an average increase of 10,893 people annually. In the 10-year period ending in 2030, the planning district is projected to add an estimated 108,303 people -- an approximate 10% increase with an average increase of 10,830 people annually.

Regarding the 65+ age group for PD 15, Weldon-Cooper projects a more rapid increase in population growth (an approximate 48% increase from 2010 to 2020 and approximately 30% from 2020 to 2030). This is significant, as this population group typically uses health care resources, including inpatient psychiatric services, at a rate much higher than those individuals under the age of 65. Weldon-Cooper further projects that statewide, the 65+ age cohort population will increase at a rate of approximately 38% from 2010 to 2030 and approximately 27% from 2020 to 2030.

Table 5. Population Projections for PD 15, 2010-2030

Locality	2010	2020	% Change 2010-2020	Avg Ann % Change 2010-2020	2030	% Change 2020-2030	Avg Ann % Change 2020-2030
Charles City	7,256	6,982	-3.78%	-1.51%	6,941	-0.59%	0.06%
Chesterfield	316,236	353,841	11.89%	1.10%	396,647	12.10%	1.15%
Goochland	21,717	23,547	8.43%	0.79%	26,702	13.40%	1.27%
Hanover	99,863	109,244	9.39%	0.88%	119,360	9.26%	0.89%
Henrico	306,935	332,103	8.20%	0.77%	363,259	9.38%	0.90%
New Kent	18,429	23,474	27.38%	2.39%	28,104	19.72%	1.82%
Powhatan	28,046	29,909	6.64%	0.63%	33,440	11.81%	1.12%
Richmond city	204,214	232,533	13.87%	1.28%	245,483	5.57%	0.54%
Total PD 15	1,002,696	1,111,633	10.86%	1.01%	1,219,936	9.74%	0.93%
PD 15 65+	116,609	172,249	47.72%	3.88%	224,417	30.29%	2.68%
Virginia	8,001,024	8,655,021	9.30%	0.77%	9,331,666	7.82%	0.76%
Virginia 65+	976,937	1,352,448	38.44%	3.22%	1,723,382	27.43%	2.45%

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

Regarding socioeconomic barriers to access to services, DCOPN notes that, according to the most recent U.S. Census data, the City of Richmond, where the proposed project is located, has a poverty rate of 24.5% -- more than twice that of the statewide average (10.7%) and has the highest poverty rate within PD 15 (**Table 6**). Furthermore, according to regional and statewide data regularly collected by VHI, for 2018, the most recent year for which such data is available, the average amount of charity care provided by HPR IV facilities was 3.7% of all reported total gross patient revenues (**Table 6**). In that same year, HDH, of which RDH is a campus, provided 2.17% of its gross patient revenue in the form of charity care. The applicant asserts that it intends to accept a revised percentage of the regional average when this data becomes available to DCOPN. For these reasons, should the Commissioner approve the proposed project, DCOPN recommends a charity care condition no less than the 3.7% HPR IV average.

Table 6. Statewide and PD 15 Poverty Rates

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

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

Table 7. 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)

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

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

DCOPN received four letters of support for the proposed project from members of the local medical community and a resolution from the Executive Committee of the Medical Staff of HDH unanimously supporting the proposed project. Collectively, these letters of support addressed:

- The high utilization of the behavioral health program at RDH.
- Consolidating psychiatric services on the RDH campus will offer operational efficiencies, including facilitating greater communication among treatment teams and improving overall quality of care.
- Relocating the inpatient psychiatric beds to RDH will increase the number of psychiatric beds in private rooms.
- Allowing HDH to relocate the psychiatric beds to RDH will ensure that when PDH expands its medical rehabilitation services, the 24 inpatient psychiatric beds will remain available to meet public need.
- The additional beds will ensure that patients requiring mental health treatment receive the care they need in a timely manner.

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

Public Hearing

DCOPN conducted the required public hearing on June 15, 2020. A total of six individuals participated, including two individuals who spoke. Representatives for RDH presented the project. There was no opposition to the 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;

Neither the applicant nor DCOPN identified any reasonable alternatives to the proposed project, which 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 has calculated a net surplus of 56 inpatient psychiatric beds in PD 15 for the 2025 planning year. However, while maintaining the status quo is an alternative, DCOPN acknowledges that HDH's goal is to consolidate its inpatient psychiatric services at RDH to facilitate greater communication among treatment teams and improve continuity of care. DCOPN further acknowledges that the proposed project will have a neutral effect on both the overall inpatient bed inventory at RDH and the psychiatric bed inventory of PD 15.

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

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

(iv) any costs and benefits of the project;

As shown in **Table 4**, the estimated capital costs of the proposed project are \$3,629,084. If the proposed project is approved, the applicant will fund the entire project using the internal resources of HCA Healthcare, Inc. Accordingly, there are no financing costs associated with this project. DCOPN concludes that when compared to similar PD 15 projects, these costs are reasonable. For example, COPN No. VA-04462 issued to Chippenham & Johnston-Willis Hospitals, Inc. to add 24 Psychiatric Beds at Chippenham Hospital, which cost \$4,344,036.

The applicant identified numerous benefits to the proposed project, including:

- Consolidating psychiatric services on the RDH campus will offer operational efficiencies, including facilitating greater communication among treatment teams and improving overall quality of care.
- Relocating the inpatient psychiatric beds to RDH will increase the number of psychiatric beds in private rooms.
- Allowing HDH to relocate the psychiatric beds to RDH will ensure that when PDH expands its medical rehabilitation services, the 24 inpatient psychiatric beds will remain available to meet public need.
- The project will not add to the existing inventory of inpatient beds in PD 15.

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

The Pro Forma Income Statement provided by the applicant includes as a placeholder the provision of a charity care equal to 3.45% of gross patient services revenue derived from inpatient psychiatric services (reflected in the “Charity” line) (**Table 8**). DCOPN notes that, according to VHI data from 2018, the most recent year for which such data is available, the average amount of charity care provided by HPR IV facilities was 3.7% of all reported total gross patient revenues (**Table 7**). In that same year, HDH, of which RDH is a campus, provided 2.17% of its gross patient revenue in the form of charity care. The applicant asserts that it intends to accept a revised percentage of the regional average when this data becomes available to DCOPN. Should the Commissioner approve the proposed project, DCOPN recommends a charity care condition of no less than the 3.7% HPR IV average.

Table 8. RDH Pro Forma Income Statement

	Year 1	Year 2
Total Gross Revenue	\$54,690,274	\$57,711,164
Deductions from Revenue	\$49,013,876	\$51,721,222
Total Net Revenue	\$9,967,468	\$10,518,035
Total Operating Expenses	\$8,474,190	\$8,604,125
Net Income	\$1,493,280	\$1,843,910

Source: COPN Request No. VA-8496

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

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

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

Part XII. Mental Health Services

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

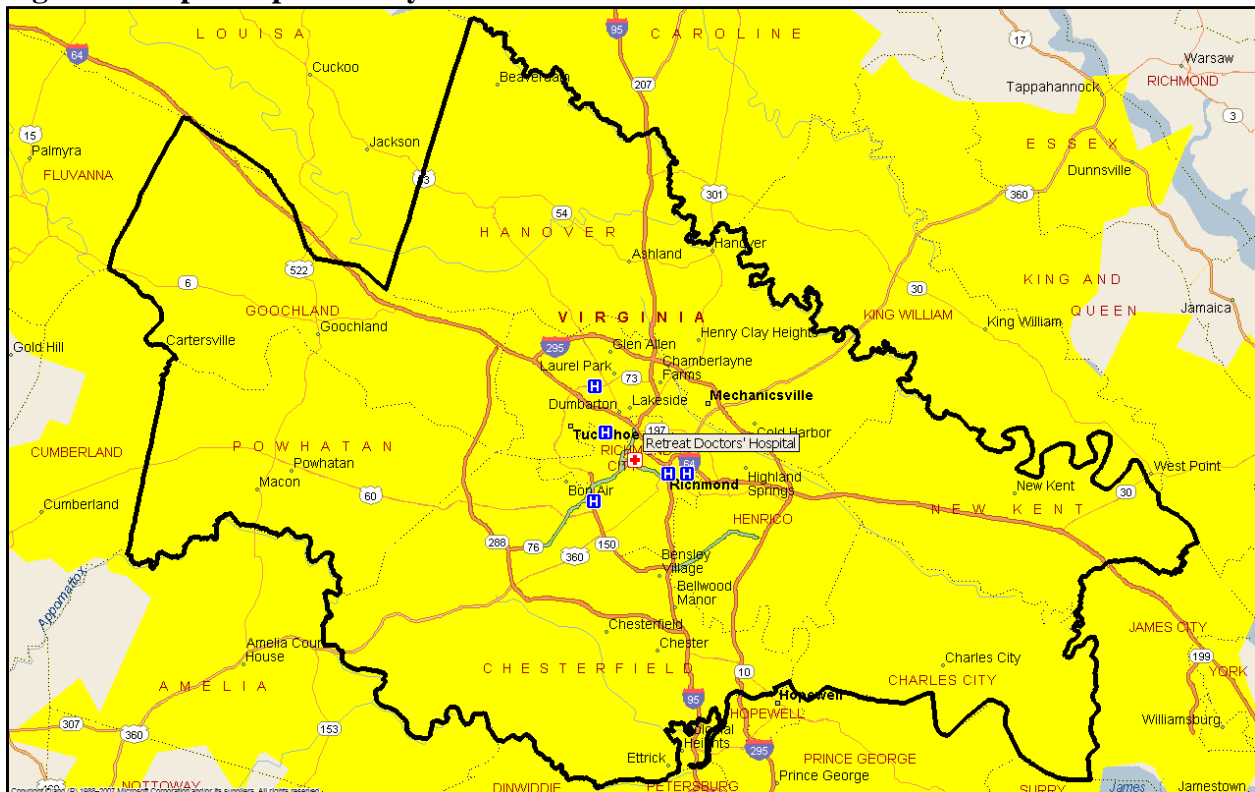
12VAC5-230-840. Travel Time.

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

As shown in **Figure 1**, there are currently seven licensed inpatient psychiatric facilities in PD 15: Bon Secours Richmond Community Hospital, Bon Secours St. Mary’s Hospital, HCA Chippenham Hospital, PDH, RDH, VCU Medical Center, and VCU’s Virginia Treatment Center for Children.

The heavy dark line in **Figure 1** is the boundary of PD 15. The yellow shaded area is within 60 minutes driving-time one-way under normal traffic conditions of inpatient psychiatric services in PD 15. DCOPN concludes that it is clear that 95% of the population of PD 15 resides within 60 minutes driving-time one-way under normal traffic conditions of inpatient psychiatric services.

Figure 1. Map of Inpatient Psychiatric Services in PD 15



Source: DCOPN Records

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.**

RDH has a 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 level. Furthermore, RDH offers discounts for medically necessary care for all patients without insurance who do not otherwise qualify for charity care, regardless of their income. However, DCOPN notes that HDH's charity care contribution in 2018 of 2.17% of gross patient revenue was significantly below the HPR IV average of 3.7% of gross patient revenue (Table 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.**

Although RDH did not provide proof that it has formal agreements with community services boards, it is an existing provider of inpatient psychiatric services in PD 15 and the proposed project received strong support from Daily Planet Health Services, a community health center that provides behavioral health services.

DCOPN notes that few existing psychiatric facilities meet the criteria and standards set forth in 12VAC5-230-850. While some facilities may allocate a specific number of beds for community services boards patients, the identification of the number of unreimbursed patient days to be provided to indigent patients who are not Medicaid recipients, the minimum number of Medicaid-reimbursed days, the minimum number of unreimbursed patient days to be provide to local community services boards, and a description of the methods to be utilized in implementing the indigent patient service plan, have not been addressed by DCOPN in recent reviews.

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

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

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

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

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

Where:

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

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

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

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

Table 9. PD 15 Inpatient Psychiatric Patient Days in PD 15 (2014 – 2018)

Facility Name	2014	2015	2016	2017	2018	Total
Bon Secours Richmond Community Hospital	8,732	7,808	7,490	7,669	7,945	39,644
Bon Secours St. Mary's Hospital	8,976	8,763	8,664	7,697	8,383	42,483
HCA Chippenham Hospital	34,274	33,639	35,443	37,348	35,860	176,564
HCA Parham Doctors' Hospital	5,232	6,164	6,264	6,633	6,249	30,542
HCA Retreat Doctors' Hospital	N/A	N/A	N/A	2,407	5,345	7,752
VCU Health System	16,103	17,438	16,204	17,358	17,498	84,601
Total	73,317	73,812	74,065	79,112	81,280	381,586

Source: VHI Data (2014-2018)

Based on population estimates from Weldon Cooper, and using a straight-line, average annual increase of 108,937 from 2010 to 2020, and 108,303 from 2020 to 2030, the cumulative total population of PD 15 for the same historical five-year period as referenced above, 2014-2018, was 8,281,595 while Weldon Cooper projects the population of PD 15 in the year 2025 (**PROPOP** - five years from the current year) to be 1,653,147.

Table 10. PD 15 Population (All Ages)

Year	Population
2014	1,438,445
2015	1,547,382
2016	1,656,319
2017	1,765,256
2018	1,874,193
5 Year Total	8,281,595
2025 Projected	1,653,147

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

These figures are necessary for the application of the preceding formula, as follows:

$$\text{Projected Psychiatric Bed Need} = ((\text{UR} \times \text{PROPOP})/365)/.75$$

Where:

UR = Patient Days in PD 15 Psychiatric Beds from 2014-2018 / Total population in PD 15 from 2014- 2018

UR = 381,586 patient days (**Table 9**) / 8,281,595 people (**Table 10**)

UR = **0.0461**

PROPOP = Projected Population of PD 15 in 2025

PROPOP = **1,653,147**

$$\text{Projected Psychiatric Bed Need} = \frac{((0.0461 \times 1,653,147) / 365)}{0.75}$$

Projected Psychiatric Bed Need in 2025 = 278.3

Current Inventory of Psychiatric Beds in PD 15 = 330

Psychiatric Bed Surplus in PD 15 = 56

There is an existing inventory of 330 inpatient psychiatric beds in PD 15 (**Table 1**). Based on the preceding calculation, there will be a projected surplus of 56 inpatient psychiatric beds in PD 15 in planning year 2025. Accordingly, there is no calculated need for additional inpatient psychiatric beds in PD 15. However, the applicant is not proposing to establish a new service, but rather, to increase its current inpatient psychiatric bed inventory at RDH by transferring 24 inpatient psychiatric beds from PDH. Accordingly, DCOPN concludes that this provision is not applicable to the proposed project. Furthermore, DCOPN notes the proposed project will not add to the current inventory of inpatient psychiatric beds in PD 15, as these beds are already operating at PDH.

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 needs of geriatric patients.

As previously stated, there is a large projected surplus of inpatient psychiatric beds in PD 15 for the 2025 planning year. However, DCOPN acknowledges that HDH's goal is to consolidate its inpatient psychiatric services at RDH to facilitate greater communication among treatment teams and improve continuity of care, and that no beds will be added to the PD 15 inventory as a result of the proposed project.

Furthermore, DCOPN again notes that by converting 24 grossly underutilized medical-surgical beds at RDH, the project would provide for the improved distribution of healthcare resources in PD 15. Accordingly, DCOPN contends that the proposed project is more favorable than maintaining the status quo.

C. No existing acute psychiatric or acute substance abuse disorder 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.

As shown in **Table 1**, the average occupancy rate of licensed psychiatric beds in PD 15 was 70.2% in 2018. Based on the average occupancy rate of existing psychiatric beds in PD 15 and the neutral effect the proposed project will have on the existing inventory of inpatient psychiatric beds in PD 15, DCOPN concludes that the proposed project will not negatively affect 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 in PD 15.

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 15.

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.

The applicant is proposing to convert 24 underutilized medical/surgical beds to 24 inpatient psychiatric beds at RDH. As previously discussed, RDH's 201 licensed (52 staffed) medical/surgical beds had an occupancy rate of 6.6% in 2018, the most recent year for which

VHI data is available. Thus, converting 24 medical/surgical beds to psychiatric beds will not result in overutilization of medical/surgical beds at RDH, as these beds are grossly underutilized.

As previously discussed, although the applicant did not provide proof that it has formal agreements with community services boards, it is an existing provider of inpatient psychiatric services in PD 15 and the proposed project received strong support from Daily Planet Health Services, a community health center that provides behavioral health services.

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 HDH's goal to consolidate psychiatric services at RDH. Accordingly, the project is not intended to foster institutional competition within PD 15; rather, it is intended to meet an increasing need for psychiatric beds at RDH. Furthermore, as the applicant is an established provider of inpatient psychiatric services and the proposed project will have a neutral effect on the psychiatric bed inventory of PD 15, DCOPN concludes that the project will not improve geographic access to underserved members of the population of PD 15 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 shown in **Table 1**, the average occupancy rate of licensed psychiatric beds in PD 15 was 70.2% in 2018. Based on the average occupancy rate of existing psychiatric beds in PD 15, DCOPN concludes that the proposed project will not negatively affect the utilization or efficiency of existing services or facilities in PD 15. Furthermore, DCOPN notes that RDH will place the additional 24 beds in single-occupancy rooms. Inpatient psychiatric bed occupancy rates are often constrained when facilities have dual-occupancy rooms because patients in dual-occupancy rooms must be matched based on diagnosis, gender, and age. RDH's proposal will maximize occupancy rates and provide patients and their families with more privacy.

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 \$1,493,280 in the first year of operation and \$1,843,910 by year two. The applicant will fund the proposed project entirely with accumulated reserves. Accordingly, there are no financing costs associated with this project.

The applicant anticipates the need to hire 24 full time equivalent employees (FTEs) to staff the proposed project. These employees are as follows:

- 10 Registered Nurses
- 8 Nurses' Aides, Orderlies and Attendants
- 2 Psychiatric Social Workers
- 4 Other Health Professionals/Other Personnel

The applicant is an established provider of inpatient psychiatric services, and will implement HCA's multi-faceted approach to recruiting the additional staff required for the proposed project. As such, DCOPN concludes that the applicant will not have difficulty filling the required positions.

- 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; and**

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. The proposed project will not increase the provision of services on an outpatient basis.

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

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

DCOPN Staff Findings and Conclusions

DCOPN finds that the proposed project to add 24 inpatient psychiatric beds at RDH by relocating 24 inpatient psychiatric beds from PDH and converting 24 medical/surgical beds 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 15 for 2025 planning year, the applicant has expressed a plan to consolidate its inpatient psychiatric services at RDH and the proposed project will have a neutral effect on the inventory of psychiatric beds in PD 15. Therefore, DCOPN finds that the proposed project is more favorable than maintaining the status quo. Furthermore, because the applicant

has proposed to convert 24 grossly underutilized medical-surgical beds at RDH to accommodate the additional psychiatric beds, the project would result in the improved distribution of resources at RDH.

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 15 providers of inpatient psychiatric services and there is no known opposition to the proposed project.

Staff Recommendation

DCOPN recommends **conditional approval** of HCA Health Services of Virginia, Inc. d/b/a Retreat Doctors' Hospital's request to add 24 Psychiatric beds at Retreat Doctors' Hospital for the following reasons:

1. The proposed project is consistent with the applicable criteria and standards of the State Medical Facilities Plan and the Eight Required Considerations of the Code of Virginia.
2. The proposed project is more favorable than the status quo.
3. The proposed project will have a neutral effect on the bed inventory in PD 15.
4. The capital cost of the proposed project is reasonable.
5. Approval of the proposed project is not likely to have a significant negative impact on the existing providers of inpatient psychiatric services in PD 15.

DCOPN's recommendation is contingent upon HCA Health Services of Virginia, Inc. d/b/a Retreat Doctors' Hospital's agreement to the following charity care condition:

HCA Health Services of Virginia, Inc. d/b/a Retreat Doctors' Hospital will provide inpatient psychiatric services to all persons in need of this service, regardless of their ability to pay, and will provide as charity care to all indigent persons free services or rate reductions in services and facilitate inpatient psychiatric services to medically underserved persons in an aggregate amount equal to at least 3.7% of HCA Health Services of Virginia, Inc. d/b/a Retreat Doctors' Hospital's total patient services revenue derived from inpatient psychiatric services provided at Retreat Doctors' Hospital as valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq. Compliance with this condition will be documented to the Division of Certificate of Public Need annually by providing audited or otherwise appropriately certified financial statements documenting compliance with the preceding requirement. HCA Health Services of Virginia, Inc. d/b/a Retreat Doctors' Hospital will accept a revised percentage based on the regional average after such time regional charity care data valued under the provider reimbursement methodology utilized by the Centers for

Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq. is available from Virginia Health Information. The value of charity care provided to individuals pursuant to this condition shall be based on the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq.