VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis

December 21, 2020

COPN Request No. VA-8490
Chesapeake Regional Medical Center,
Chesapeake, Virginia
Introduce psychiatric services with 20 adult psychiatric beds at Chesapeake Regional Medical Center

Applicant

Chesapeake Regional Medical Center (CRMC) is a general acute care hospital located in the City of Chesapeake, Virginia. The Chesapeake Hospital Authority, chartered by an Act of the Virginia General Assembly in 1966, is the non-taxable parent company of CRMC. CRMC opened in 1976 and currently provides a comprehensive range of inpatient and outpatient healthcare services. CRMC is located in Planning District (PD) 20, Health Planning Region (HPR) V.

Background

CRMC is the region's only independent adult acute care community hospital. CRMC has been in operation for over forty-four years and provides a variety of services, including obstetrics, oncology and radiation therapy, cardiac catheterization, and diagnostic imaging. According to the 2018 Virginia Health Information (VHI) data, the most recent year for which such data is available, and DCOPN records, there are currently seven providers of psychiatric services in PD 20 (**Table 1**). Of these seven, all but two, Kempsville Center for Behavioral Health and Children's Hospital of the King's Daughters, offers adult psychiatric care. In 2018, the last year for which DCOPN has data available, psychiatric services in PD 20 were operating at a 72.4% occupancy rate.

Table 1. Licensed and Staffed Inpatient Psychiatric Beds in PD 20

Facility Name	Bed Classification	Licensed Beds
Bon Secours Maryview Medical Center	Psych Bed - Adult	42
Bon Secours Maryview Medical Center	Psych Bed - Child	12
Bon Secours Maryview Medical Center	**Psych Inpatient Total**	**54**
Children's Hospital of the King's Daughters[1]	Psych Bed - Child	60
Children's Hospital of the King's Daughters	**Psych Inpatient Total**	**60**
Kempsville Center for Behavioral Health[2]	Psych Bed - Child	106
Kempsville Center for Behavioral Health	**Psych Inpatient Total**	**106**
Sentara Norfolk General Hospital	Psych Bed - Adult	34
Sentara Norfolk General Hospital	**Psych Inpatient Total**	**34**
Sentara Obici Hospital	Psych Bed - Adult	20
Sentara Obici Hospital	**Psych Inpatient Total**	**20**
Sentara Virginia Beach General Hospital	Psych Bed - Adult	24
Sentara Virginia Beach General Hospital	**Psych Inpatient Total**	**24**
Virginia Beach Psychiatric Center	Psych Bed - Adult	100
Virginia Beach Psychiatric Center	**Psych Inpatient Total**	**100**
Total	**Psychiatric Adult**	**220**
Total	**Psychiatric Child**	**178**
Grand Total	**Combined Total**	**398**

Source: VHI Data & DCOPN interpolations

Table 2. PD 20 Psychiatric Bed Utilization in 2018

Facility Name	Licensed Beds	Staffed Beds	Licensed Bed Available Days	Patient Days	Licensed Bed Occupancy Rate
Bon Secours Maryview Medical Center	54	50	18,250	8,403	46.0%
Kempsville Center for Behavioral Health	82	82	29,930	24,805	82.9%
Sentara Norfolk General Hospital	34	28	10,220	8,183	80.1%
Sentara Obici Hospital	20	20	7,300	4,329	59.3%
Sentara Virginia Beach General Hospital	24	24	8,760	7,090	80.9%
Virginia Beach Psychiatric Center	100	100	36,500	27,557	75.5%
Total	**314**	**304**	110,960	80,367	72.4%

Source: VHI Data & DCOPN interpolations

Proposed Project

CRMC proposes to establish psychiatric services at Chesapeake Regional Medical Center through the addition of 20 adult psychiatric beds. The total capital and financing costs for the project are $6,139,142 (**Table 3**). The project would be paid for by the use of CRMC's

[1] The State Health Commissioner ("Commissioner") issued COPN No. VA-04609 to Children's Hospital of the King's Daughters, Inc. on July 16, 2018, which authorized Children's Hospital of the King's Daughters to establish psychiatric services by adding 60 inpatient pediatric psychiatric beds. This project is expected to be completed in July 2022.

[2] The Commissioner issued COPN No. VA-04557 to Harbor Point Behavioral Health Center, Inc. d/b/a Kempsville Center for Behavioral Health on March 10, 2017, which authorized Kempsville Center for Behavioral Health to add 24 inpatient pediatric psychiatric beds. This project was expected to be completed on October 30, 2018, but received approval for a significant change extending the projected completion date to June 30, 2020. DCOPN has not received notification that Kempsville Center for Behavioral Health has opened these beds.

accumulated reserves. The applicant states that, because the project would be funded using accumulated reserves, it will not have an impact on the cost of providing care to CRMC's patients.

Table 3. Capital and Financing Costs

Direct Construction Costs	$4,257,225
Equipment Not Included in Construction Contract	$1,288,494
Site Preparation Costs	$107,000
Architectural & Engineering Fees	$436,423
Other Consultant Fees	$50,000
Total Capital Costs	**$6,139,142**

Source: COPN Request No. VA-8490

Project Definition

Section 32.1-102.1:3 of the Code of Virginia defines a project, in part, as "An increase in the total number of beds… in an existing medical care facility" and "the introduction into an existing medical care facility… of any…psychiatric [service]…". A medical care facility is defined, in part, as "any facility licensed as a hospital."

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.**

   CRMC proposes to establish psychiatric services at Chesapeake Regional Medical Center through the addition of 20 adult psychiatric beds. The applicant has stated that they anticipate accepting 365 temporary detention order (TDO) admissions in their first year of operation and 548 in their second year of operation. CRMC additionally states that they do not have any upper limit on the number of TDO admissions to be accepted and will work with Chesapeake Integrated Behavioral Health (CIBH), the local community services board, and the Chesapeake Sheriff's Office to meet the needs of CRMC patients for access to necessary behavioral health services, including TDO admissions. This is particularly important, as a recent article in The Virginia Pilot[3] quotes the Virginia Secretary of Health and Human Resources (Secretary), Dr. Daniel Carey, as saying that the Virginia state psychiatric hospital system is in crisis, and that they are currently operating at 127% capacity. The article additionally states that TDOs at Eastern State Hospital, which is

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

located approximately 60 miles from the applicant, have ballooned from a census of 39 patients in 2013, to 541 patients in 2018, and quotes Dr. Daniel Herr, the Deputy Commissioner of DBHDS at the time the article was written, as stating that this number was still climbing. Additionally, the proposed project has received support from Alison G. Land, FACHE, the current Commissioner of DBHDS. As part of her letter, Commissioner Land asserts that Virginia needs additional available psychiatric beds located in acute care hospitals for dual diagnosis patients. Given CRMC's large commitment to accepting TDO admissions, approval of the project will increase access to acute psychiatric care in a hospital setting while lessening the burden on the state hospital system.

Geographically, CRMC is located less than a half-mile from I-664 and less than two miles from I-64. CRMC asserts that it is located within one hour's driving time of all residents of Southside Hampton Roads. Additionally, public transport to CRMC is readily available by Hampton Roads Transit's Robert Hall Boulevard stop.

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

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

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

DCOPN received 17 letters of support for the proposed project from Virginia Senator Lionell Spruill, Sr., Virginia Delegate C. E. Cliff Hayes, Jr., the Commissioner of the Virginia Department of Behavioral Health and Developmental Services Alison G. Land, the Director of the Chesapeake Health District Dr. Nancy M. Welch, the Provost and CEO Eastern Virginia Medical School, several members of the Chesapeake City government including the City Manager, the Executive Director of CIBH, and the Chesapeake Chief of Police, the president of the National Alliance on Mental Health, Coastal Virginia, and several physicians affiliated with CRMC. Collectively, these letters asserted that there are currently no inpatient psychiatric beds in Chesapeake. Furthermore, the letters indicated that nearly half of TDO admissions in Chesapeake must be taken outside of PD 20 to find a bed. The letters further stated that such travel removes patients from their local behavioral health professionals and support systems, add unnecessary costs, and contributes to state psychiatric hospital overcrowding. DCOPN received no letters opposing the proposed project.

Public Hearing
DCOPN provided notice to the public regarding this project on October 19, 2020. The public comment period closed on December 3, 2020. Section 32.1-102.6 of the Virginia Code mandates that "in the case of competing applications or in response to a written request by an elected local government representative, a member of the General Assembly, the Commissioner, the applicant, or a member of the public, [DCOPN shall] hold one

hearing on each application in a location in the county or city in which the project is proposed or a contiguous county or city." The proposed project is not competing, and no public hearing was requested by the applicant, the Commissioner, an interested party, or member of the public. As such, no public hearing was held.

(ii) the availability of reasonable alternatives to the proposed project that would meet the needs of the people in the area to be served in a less costly, more efficient, or more effective manner;

As discussed above, the Secretary and the former Deputy Commissioner of DBHDS were quoted in an article from the Virginia Pilot as saying that the state psychiatric hospitals were highly utilized, and that the number of patients under TDO for Eastern State Hospital, which is located approximately 60 miles from CRMC, are expected to continue to increase. While the commitment to receiving TDOs that accompanied a recently approved project in PD 21[4] is expected to lessen the burden somewhat, it is highly unlikely that a single project would be sufficient to lessen the aforementioned crisis. Given that the applicant has stated that they anticipate accepting 365 TDO admissions in their first year of operation and 548 in their second year of operation with no upper limit to the number of TDO admissions that they will accept, approval of the project will lessen the burden on Eastern State Hospital. As such, DCOPN concludes that the proposed project is more advantageous than the alternative of the status quo.

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

Currently there is no organization in HPR V designated by the Virginia Department of Health to serve as the Health Planning Agency for PD 20. Therefore, this consideration is not applicable to the review of the proposed project.

(iv) any costs and benefits of the proposed project;

The total capital and financing cost for the project is $6,139,142 (**Table 3**). The costs for the project are reasonable and consistent with previously approved projects to add psychiatric beds. For example, COPN VA-03622 issued to Central Virginia Hospital, L.L.C. to establish psychiatric and substance abuse treatment services by adding 32 inpatient beds, which cost approximately $6,560,999. As discussed above, the proposed project to add 20 psychiatric beds would have several benefits. For example, the proposed project would increase access to dual diagnosis patients who require concurrent psychiatric and medical treatment, which is a service that is currently needed within the Commonwealth, according to the current DBHDS Commissioner. Moreover, as discussed above, approval of the project would lessen the burden on a highly utilized state hospital located approximately 60

[4] COPN No. VA-04710

miles from the proposed location, where it is expected that demand for these services will continue to increase.

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

The applicant asserts that they will provide acute psychiatric services to patients regardless of their ability to pay. CRMC additionally states that they anticipate providing charity care equal to 5% of their total revenue derived from psychiatric services. As **Table 4** below demonstrates, CRMC provided 1.7% of its gross patient revenue in the form of charity care in 2018. In accordance with section 32.1-102.4.B of the Code of Virginia, should the proposed project be approved, CRMC is expected to provide a level of charity care for total gross patient revenues derived from psychiatric services that is no less than the equivalent average for charity care contributions in HPR V.

Table 4: HPR V 2018 Charity Care Contributions

Health Planning Region V			
2018 Charity Care Contributions at or below 200% of Federal Poverty Level			
Hospital	**Gross Patient Revenues**	**Adjusted Charity Care Contribution**	**Percent of Gross Patient Revenue:**
Bon Secours DePaul Medical Center	$698,996,618	$53,230,518	7.62%
Sentara Careplex Hospital	$889,460,665	$64,660,889	7.27%
Riverside Tappahannock Hospital	$162,491,011	$11,307,825	6.96%
Riverside Regional Medical Center	$1,861,151,990	$126,769,911	6.81%
Bon Secours Maryview Medical Center	$1,273,955,832	$85,038,667	6.68%
Sentara Obici Hospital	$825,126,790	$54,851,619	6.65%
Riverside Walter Reed Hospital	$252,673,741	$16,571,599	6.56%
Sentara Virginia Beach General Hospital	$1,210,282,480	$67,107,518	5.54%
Riverside Doctors' Hospital Williamsburg	$124,258,743	$6,791,596	5.47%
Sentara Norfolk General Hospital	$3,313,578,465	$168,093,514	5.07%
Riverside Shore Memorial Hospital	$235,708,877	$11,934,270	5.06%
Sentara Leigh Hospital	$1,182,257,169	$55,810,160	4.72%
Bon Secours Mary Immaculate Hospital	$675,071,989	$29,896,497	4.43%
Sentara Princess Anne Hospital	$967,617,447	$38,069,270	3.93%
Sentara Williamsburg Regional Medical Center	$659,049,590	$24,789,255	3.76%
Chesapeake Regional Medical Center	$900,598,911	$15,330,992	1.7%
Hampton Roads Specialty Hospital	$25,627,019	$433,771	1.69%
Southampton Memorial Hospital	$209,949,572	$3,282,979	1.56%
Bon Secours Rappahannock General Hospital	$71,220,177	$1,107,592	1.56%
Children's Hospital of the King's Daughters	$1,009,437,096	$6,094,726	0.6%
Lake Taylor Transitional Care Hospital	$46,761,019	$0	0%
Hospital For Extended Recovery	$25,515,975	-$252,369	-0.99%
Total $ & Mean %	**$16,620,791,176**	**$840,920,799**	**5.1%**

Source: VHI Data

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

As mentioned above, DCOPN received a letter of support for the proposed project from Alison G. Land, FACHE, the current DBHDS Commissioner. In this letter, Commissioner Land raises several points in support of the proposed project. Firstly, Commissioner Land states that DBHDS has identified a need for additional licensed psychiatric beds in Virginia and specifically in the City of Chesapeake, which, despite being the second most populace city in the Commonwealth, lacks any licensed inpatient psychiatric beds. Next, Commissioner Land states that Virginia needs additional psychiatric beds in acute care hospitals to treat dual diagnosis patients. Commissioner Land states that Virginia's dedicated psychiatric hospitals are not well equipped to meet the medical needs of patients with serious or infectious medical issues and that dual diagnosis patients are best cared for in integrated acute care hospitals, like what is proposed by CRMC, that provide both medical and psychiatric care. Finally, Commissioner Land discusses the benefits of psychiatric patients receiving care close to home. Commissioner Land states:

> "Patients also need to receive acute services close to home to facilitate aftercare and avoid readmission. An established local support system, including behavioral health professionals and family, are vital to long-term successful treatment of psychiatric patients. I understand that over half of the TDO transfer patients the Chesapeake Sheriff's Office transports are taken outside of the planning district and over 20% go to Eastern State Hospital. Others travel as far as Marion. These state hospital placements remove Chesapeake residents from their local behavioral health professional and support system, add unnecessary cost, and contribute to state psychiatric hospital overcrowding."

As detailed below, the calculations for psychiatric bed need show a calculated surplus of 104 beds within the planning district by 2025. This however, does not address the specific issues raised by Commissioner Land that led DBHDS to conclude that there is a need for psychiatric beds in acute care hospitals in Chesapeake. In light of the information supplied by Commissioner Land, the large number of proffered TDO admissions by the applicant, and in deference to DBHDS recommendation, DCOPN concludes that, based on the specific and unique circumstances present in the proposed project, the Commissioner should not allow the surplus of beds within the planning district to bar a project determined to be necessary by the governor's Department of Behavioral and Developmental Services Commissioner.

3. The extent to which the proposed project is consistent with the State Health Services Plan;

Section 32.1-102.2:1 of the Code of Virginia calls for the State Health Services Plan Task Force to develop, by November 1, 2022, recommendations for a comprehensive State Health Services Plan ("SHSP"). In the interim, DCOPN will consider the consistency of the proposed project with the predecessor of the SHSP, the State Medical Facilities Plan ("SMFP").

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

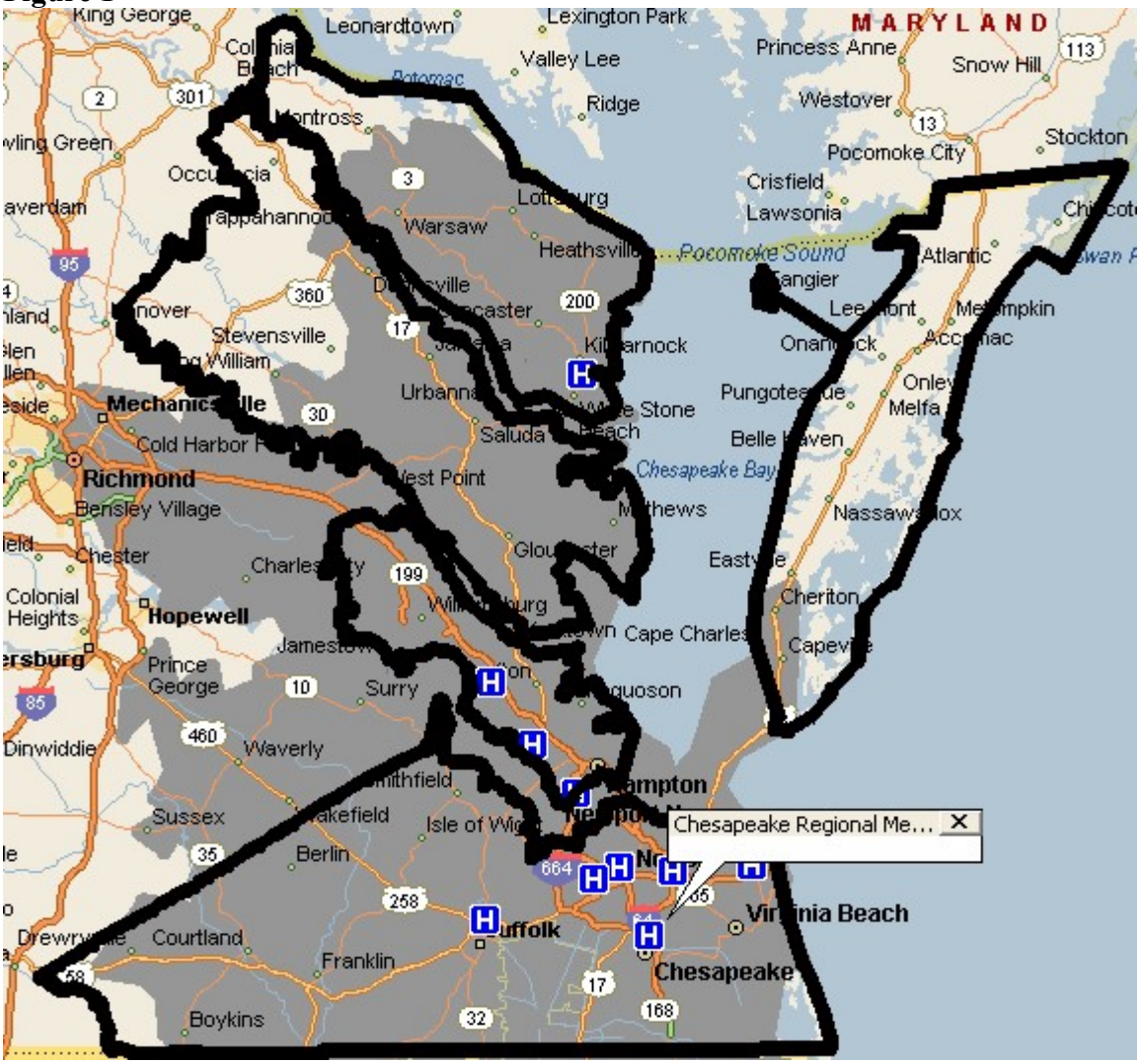
Part XII. Mental Health Services

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

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

The heavy black lines in Figure 1 are the boundaries of HPR V. The locations marked with a blue H denote the locations in HPR V that provide psychiatric services. The grey shaded area includes all locations that are within 60 minutes driving time one way under normal conditions of psychiatric services in PD 20. Figure 1 clearly illustrates that psychiatric services are already well within a one-hour drive under normal conditions for of most of the residents of the health planning region, with the exception of the Eastern Shore. As the proposed location is not within 60 minutes driving time one way under normal conditions of this area, approval of the project will not increase access to residents of the Eastern Shore. DCOPN notes that psychiatric services tend to migrate statewide and that evidence discussed above clearly shows that there is a large need for TDO beds in the area. As such, DCOPN concludes that, while the majority of the population of the health planning region is within 60 minutes driving time one way under normal conditions of psychiatric services, the lack of availability of these services to TDO patients shows a lack of availability of psychiatric services in the area.

Figure 1



12VAC5-230-850. Continuity; Integration.

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

1. The minimum number of unreimbursed patient days to be provided to indigent patients who are not Medicaid recipients;

2. The minimum number of Medicaid-reimbursed patient days to be provided, unless the existing or proposed facility is ineligible for Medicaid participation;

3. The minimum number of unreimbursed patient days to be provided to local community services boards; and

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

The applicant states that they will provide acute psychiatric services to patients regardless of their ability to pay. CRMC additionally states that they work with CIBH to provide additional needed services to patients who need temporary involuntary treatment or other indigent patients who are not Medicaid recipients. CRMC is in the process of putting a plan in place that will, if the project is approved, provide set minimum amounts of patient days to CIBH indigent patients who are not Medicaid and Medicaid recipients. The applicant states that CRMC and CIBH will collaborate to ensure that these benchmarks are met. Finally, CRMC states that they anticipate delivering charity care equal to 5% of their total revenue. As noted above, as this is below the regional average, should the Commissioner approve the proposed project, CRMC is expected to provide a level of charity care for total gross patient revenues that is no less than the equivalent average for charity care contributions in HPR V.

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.

CRMC states that they plan to work extensively with CIBH and other local community services boards to ensure that psychiatric services at CRMC are available to local community members. The applicant additionally asserts that its relationship as a municipal health system to CIBH will improve coordination with intake and discharge of patients to CIBH affiliated outpatient services. CRMC and CIBH are finalizing a formal agreement that will ensure CIBH patients access to CRMC's inpatient psychiatric services and will help these patients seamlessly transition between CRMC's inpatient and outpatient services and CIBH's outpatient services. This agreement will additionally provide a set minimum amount of patient days for CIBH patients and controls will be put in place to ensure these minimum benchmarks are met including periodic reporting by CRMC to CIBH. Under this agreement CIBH patients will be prioritized based on their relatively medical necessity.

DCOPN notes that few existing psychiatric facilities meet the criteria and standards set forth in 12VAC5-230-850. While some facilities may allocate a specific number of beds for community services boards patients, the identification of the number of unreimbursed patient

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

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

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

12VAC5-230-860. Need for New Service.
A. The combined number of acute psychiatric and acute substance abuse disorder treatment beds needed in a health planning district with existing acute psychiatric or acute substance abuse disorder treatment beds or both will be determined as follows:

((UR x PROPOP)/365)/.75

Where:

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

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

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

UR = Patient Days from 2014-2018 / Population from 2014-2018
UR = 382,977 / 4,755,768
UR = 0.08053

PROPOP = 997,376

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

$$\text{Projected Psychiatric Bed Need} = \frac{((0.08053 \times 997{,}376) / 365}{0.75}$$

Projected Psychiatric Bed Need = 293.4

Table 5. PD 20 Inpatient Psychiatric Patient Days (2014– 2018)

Facility Name	2014	2015	2016	2017	2018	Total
Bon Secours Maryview Medical Center	13,804	12,547	9,007	8,836	8,403	52,597
Kempsville Center for Behavioral Health	23,198	12,960	13,603	24,952	24,805	99,518
Sentara Norfolk General Hospital	8,229	8,549	8,525	7,867	8,183	41,353
Sentara Obici Hospital	2,656	2,933	3,109	3,158	4,329	16,185
Sentara Virginia Beach General Hospital	4,938	7,014	7,356	7,002	7,090	33,400
Virginia Beach Psychiatric Center	28,249	28,117	28,392	27,609	27,557	139,924
Total	**81,074**	**72,120**	**69,992**	**79,424**	**80,367**	**382,977**

Source: VHI Data

Table 6. PD 20 Population (All Ages)

	2014	2015	2016	2017	2018	TOTAL 2014-2018	2025 (Projected)
Population	939,369	944,894	950,782	957,042	963,681	**4,755,768**	997,376

Source: Weldon Cooper Center Data

Based on the formula above, DCOPN calculates a need for 294 psychiatric beds by 2025. There are currently 398 licensed psychiatric beds in the planning district (**Table 1**). Based on the above calculations, there is an anticipated surplus of 104 psychiatric beds in the planning district by 2025.

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

As stated above, DCOPN calculated a need for 294 psychiatric beds by 2025 in PD 20. There are currently 398 psychiatric beds within the planning district (**Table 1**). Based on this information, DCOPN concludes that there is a surplus of 104 psychiatric beds within the planning district. As such, DCOPN concludes that the proposed project does not meet the criteria set forth in this section of the SMFP.

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

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

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

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

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

((UR x PROPOP)/365)/.75

Where:

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

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

Not applicable. Inpatient psychiatric services currently exist in PD 20.

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

As discussed above, a recent article in The Virginia Pilot[5] establishes a clear need for TDO admissions in the planning district. The article quotes the Secretary as saying that the Virginia state psychiatric hospital system is in crisis, and that they are currently operating at 127% capacity. The article additionally states that TDOs at Eastern State Hospital, which is located approximately 60 miles from the applicant, have ballooned from 39 in 2013, to 541 in 2018, and quotes the deputy commissioner of DBHDS at the time the article was written as stating that this number was still climbing. The applicant has stated that they anticipate accepting 365 TDO admissions in their first year of operation and 548 in their second year of operation.

Required Considerations Continued

4. **The extent to which the proposed project fosters institutional competition that benefits the area to be served while improving access to essential health care services for all people in the area to be served;**

   As noted above, one of the major issues raised by Commissioner Land when discussing the need for the proposed project was the lack of psychiatric facilities in Chesapeake and the large number of TDO admissions that were forced to travel outside of the planning district. While DCOPN would generally conclude that the introduction of a new provider would foster some degree of institutional competition, based on the information provided by the DBHDS Commissioner, DCOPN must concludes that any institutional competition generated by approval of the project would be de minimis.

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

   As discussed throughout this report, the proposed project would lessen the burden on the highly utilized state hospital system by accepting a large number of TDO admissions. As such, the proposed project would have a beneficial effect on the utilization of struggling state psychiatric hospitals.

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

   The total capital and financing cost for the project is $6,139,142 (**Table 3**). The costs for the project are reasonable and consistent with previously approved projects to add psychiatric beds. For example, COPN VA-03622 issued to Central Virginia Hospital, L.L.C. to establish psychiatric and substance abuse treatment services by adding 32 inpatient beds, which cost approximately $6,560,999. As discussed above, the proposed project would be funded entirely by CRMC's accumulated reserves and the applicant has stated that the proposed project will not have an impact on the cost of providing care to CRMC's patients.

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

As such, DCOPN concludes that the proposed project is feasible with regard to financial costs.

The proposed project would require a significant amount of additional human resources. CRMC states that they would require 52.9 FTEs for the proposed project, including 33.6 FTEs dedicated to registered nurses, licensed practical nurses, nurse's aides, orderlies and attendants. The applicant asserts that the required staff would be recruited by the CRMC Human Resources Department and that, when possible, positions would be filled internally. The applicant additionally states that positions would be posted on the CRMC job board and could be promoted within professional organizations to find qualified candidates. Moreover, the applicant states that they collaborate with area colleges and nursing school to hire recent graduates when appropriate. Finally, the applicant states CRMC and Eastern Virginia Medical School will jointly recruit other professional staff as needed to meet the demands of CRMC's behavioral health program. DCOPN finds the amount of staff required, particularly the nursing positions listed above, to be concerning. While no existing providers in the area expressed any opposition to the project or concerns about the potential impact on their staffing, DCOPN notes that there are vacancies at existing behavioral health providers for both registered nurses and licensed practical nurses.

7. **The extent to which the proposed project provides improvements or innovations in the financing and delivery of health care services, as demonstrated by;**

(i) the introduction of new technology that promotes quality, cost effectiveness, or both in the delivery of health care services;

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

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

As mentioned above, CRMC asserts that its relationship as a municipal health system to CIBH will improve coordination with intake and discharge of patients to CIBH affiliated outpatient services.

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

As previously discussed, CRMC and CIBH are finalizing a formal agreement that will ensure CIBH patients access to CRMC's inpatient psychiatric services and will help these patients seamlessly transition between CRMC's inpatient and outpatient services and CIBH's outpatient services. This agreement will additionally provide a set minimum amount of patient days for CIBH patients and controls will be put in place to ensure these minimum benchmarks are met including periodic reporting by CRMC to CIBH. CRMC anticipates accepting 365 TDO admissions in their first year of operation and 548 in their second year of operation with no upper limit to the number of TDO admissions that they will accept. DCOPN concludes that approval of the project will allow the applicant to

coordinate with the local community service boards to ensure regional health care needs are met.

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

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

8. **In the case of a project proposed by or affecting a teaching hospital associated with a public institution of higher education or a medical school in the area to be served,**
(i) The unique research, training, and clinical mission of the teaching hospital or medical school.
(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. CRMC is not affiliated with a teaching hospital associated with a public institution of higher education or a medical school in the area to be served.

DCOPN Staff Findings and Conclusions

DCOPN finds that the proposed project to establish psychiatric services at Chesapeake Regional Medical Center by adding 20 psychiatric beds is generally consistent with the applicable criteria and standards of the SMFP and the Eight Required Considerations of the Code of Virginia. While the SMFP shows an excess of beds in the planning district, DCOPN concludes that the need for TDO admissions in the area and CRMC's willingness to accept TDO admissions supersede this surplus.

Moreover, DCOPN finds that the proposed project is more advantageous than the alternative of the status quo. For example, the proposed project would increase access to dual diagnosis patients who require concurrent psychiatric and medical treatment, which is a service that is currently needed within the Commonwealth according to the current DBHDS Commissioner. Moreover, as discussed above, approval of the project would lessen the burden on a highly utilized state hospital located approximately 60 miles from the proposed location that expects to continue to see an increase in demand.

Furthermore, the project is supported by Chesapeake Integrated Behavioral Health, the local community services board. Additionally, there is no known opposition from other providers, health care professionals or community representatives. Finally, DCOPN finds that the total capital and financing cost for the project of $6,139,142 (**Table 3**) are reasonable and consistent with previously approved projects to add psychiatric beds. For example, COPN VA-03622 issued to Central Virginia Hospital, L.L.C. to establish psychiatric and substance abuse treatment services by adding 32 inpatient beds, which cost approximately $6,560,999.

Staff Recommendation

DCOPN recommends **conditional approval** of Chesapeake Regional Medical Center's request to establish psychiatric services by adding 20 psychiatric beds for the following reasons:

1. The proposed project is consistent with the applicable criteria and standards of the State Medical Facilities Plan and the Eight Required Considerations of the Code of Virginia.

2. The proposed project will lessen the burden on highly utilized state hospitals.

3. The proposed project is more advantageous than the status quo.

4. The capital costs of the proposed project are reasonable.

5. DCOPN did not receive any opposition to the proposed project.

6. The applicant has committed to accepting all patients presenting under temporary detention orders.

7. The proposed project is supported by local community service boards.

DCOPN's recommendation is contingent upon the applicant's agreement to the following indigent care condition for psychiatric services at Chesapeake Regional Medical Center:

Chesapeake Hospital Authority d/b/a Chesapeake Regional Medical Center will provide psychiatric services to all persons in need of these services, regardless of their ability to pay, and will provide as charity care to all indigent persons free services or rate reductions in services and facilitate the development and operation of primary care services to medically underserved persons in an aggregate amount equal to at least 5.1% of Chesapeake Hospital Authority d/b/a Chesapeake Regional Medical Center's total patient services revenue derived from psychiatric services provided at Chesapeake Regional Medical Center 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. Chesapeake Hospital Authority d/b/a Chesapeake Regional 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 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. § 1et seq.

Chesapeake Hospital Authority d/b/a Chesapeake Regional Medical Center will provide psychiatric services to individuals who are eligible for benefits under Title XVIII of the Social Security Act (42 U.S.C. § 1395 et seq.), Title XIX of the Social Security Act (42 U.S.C. § 1396 et seq.), and 10 U.S.C. § 1071 et seq. Additionally Chesapeake Hospital Authority d/b/a Chesapeake Regional Medical Center will facilitate the development and operation of primary and specialty medical care services in designated medically underserved areas of the applicant's service area.