

VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis

February 18, 2021

RE: COPN Request No. VA-8540

Reston Hospital Center, LLC

Reston, Virginia

Add 12 Inpatient Medical Rehabilitation Beds

Applicant

Reston Hospital Center, LLC (“Reston”) is a limited liability company formed in 1999 under the laws of the State of Delaware. The ultimate corporate parent of Reston is HCA Healthcare Inc. (“HCA”), headquartered in Nashville, Tennessee. Subsidiaries of Reston include Ashburn Imaging, LLC, Generations Family Practice, Inc., Pavilion 2 Condominium Property, LLC, and Reston Hospitalists, LLC. Reston is located in Reston (Fairfax County), Virginia, Health Planning Region (“HPR”) II, Planning District (“PD”) 8.

Background

As shown in **Table 1** below, five facilities in PD 8 offer inpatient rehabilitation services—four located in community hospitals and one in a freestanding specialty hospital. These services are licensed and COPN authorized to operate 190 medical rehabilitation beds. Two of these services, Reston and Inova Fairfax, were authorized in 2015. They opened in late 2018 and in 2019, respectively. According to 2018 Virginia Health Information (“VHI”) data, the most recent year for which such data is available, utilization of the beds that were operational for the entirety of 2018 was 88.5%, well above the State Medical Facilities Plan (“SMFP”) expansion threshold of 80%. However, when occupancy data for Reston’s 18 medical rehabilitation beds are included, PD 8 utilization drops slightly to 87.6%. DCOPN notes that the utilization rate for Reston includes data for only one month of operation—a start-up month during which utilization is expected to be low.

Additionally, DCOPN notes that when PD 8 occupancy is adjusted to reflect an additional 9,125 available patient days at Inova Fairfax Hospital, assuming there is no increase in the number of medical rehabilitation patients treated in PD 8, occupancy would decrease to approximately 75.0%, below the SMFP expansion threshold.

Table 1. Licensed Inpatient Medical Rehabilitation Beds in PD 8

Facility	Licensed Beds	Licensed Bed Available Days	Patient Days	Occupancy
Encompass Health Rehab Hospital of Northern Virginia	60	21,900	19,735	90.1%
Inova Fairfax Hospital*	25	N/A	N/A	N/A
Inova Mount Vernon Hospital	67	24,455	21,064	86.1%
Reston Hospital Center**	18	558 ¹	12	2.2%
Virginia Hospital Center	20	7,300	6,673	91.4%
Total/Average	190	54,214²	47,484³	87.6%⁴

Source: VHI (2018) and DCOPN records.

*Occupancy data not available. Service established pursuant to COPN No. VA-04486 and became operational in May of 2019.

**Occupancy data reported by VHI is not conclusive as this service was not operational until December 2018.

With regard to Reston specifically, DCOPN again notes that VHI data for 2018 reflects utilization of the 18 beds for only one month of operation, and therefore is not an accurate depiction of actual occupancy at the facility. However, data provided by the applicant indicates that in 2019, the first full year of operation for Reston’s medical rehabilitation service, the 18 beds operated at 76.3% utilization, marginally beneath the SMFP expansion threshold. The applicant further states that for 2020, Reston’s existing rehabilitation beds operated at 90% utilization, with average monthly occupancy of 93% or greater for each of the past seven months. Furthermore, the applicant states that Reston routinely turns away inpatient rehabilitation patients due to capacity constraints. For example, the applicant states that in December 2020, it received more than 200 referrals for rehabilitation services, but only had capacity to accept 35 patients. While DCOPN cannot quantifiably confirm this data, it notes that because the applicant is required to submit this data to VHI, it has relied upon it for purposes of analyzing this Certificate of Public Need (“COPN”) request.

With regard to medical/surgical capacity within PD 8, HCA facilities operate 355 beds, existing in two facilities—Reston and Stone Springs Hospital Center (“Stone Springs”) (**Table 2**). In 2018, medical/surgical utilization at Reston was 61.2%, while utilization at Stone Springs was 10.4%.

¹ VHI’s reporting of available patient days seems to be in error. This number has been recalculated by DCOPN based on Reston’s December 2018 opening date (31 days in December X 18 Beds = 558 available patient days; 12 patient days ÷ 558 available patient days = 2.2% utilization)

² Does not include available patient days for Inova Fairfax Hospital as such data is not yet available from VHI.

³ Does not include patient days for Inova Fairfax Hospital as such data is not yet available from VHI.

⁴ Does not include patient days for Inova Fairfax Hospital as such data is not yet available from VHI.

Table 2. Medical/Surgical Beds⁵ in PD 8 HCA Facilities

Facility	Licensed Beds	Licensed Beds Available Days	Patient Days	Occupancy
Reston Hospital Center	231	78,475	48,056	61.2%
Stone Springs Hospital Center	124	45,260	4,713	10.4%
Total/Average	355	123,735	52,769	42.6%

Source: VHI (2018) and DCOPN records

Proposed Project

Reston cites an institutional need to expand its existing medical rehabilitation capacity by 12 beds. To accommodate the beds, the applicant proposes to renovate and modernize existing space within the hospital, located immediately adjacent to the existing rehabilitation unit.

The applicant anticipates construction for the proposed project to commence within 21 months of COPN issuance, and to be completed within 29 months of COPN issuance. The applicant anticipates a target date of opening within 30 months of COPN issuance. If approved, schedule allowances may need to be made in order to accommodate the applicant’s response to the COVID-19 pandemic.

The projected capital costs for the proposed project total \$10,087,000 (or \$840,583 per bed) (**Table 3**), the entirety of which will be funded using the accumulated reserves of the applicant. Accordingly, there are no financing costs associated with the proposed project.

Table 3. Projected Capital Costs

Direct Construction Costs	\$7,333,000
Equipment Not Included in Construction Contract	\$1,936,000
Site Preparation Costs	\$150,000
Off-site Costs	\$134,000
Architectural and Engineering Fees	\$534,000
Total Capital Costs	\$10,087,000

Source: COPN Request No. VA-8540

With respect to the collective PD 8 medical rehabilitation complement, approval of the proposed project would result in 202 beds, an increase of approximately 6%. With regard to Reston specifically, approval would increase the medical rehabilitation inventory to 30 beds, an approximate 67% increase. Moreover, approval of the proposed project would increase Reston’s total medical/surgical inventory to 243 beds.

⁵ The Adjudication Officer’s case decision for COPN No. VA-04682 held that DCOPN was in error by including obstetric, intensive care, and pediatric patient days in its calculations for medical/surgical bed need, despite those beds being fungible and accordingly, able to convert to medical/surgical beds without COPN authorization. However, because obstetric, intensive care, and pediatric beds can be easily converted to medical/surgical beds, thereby changing the medical/surgical inventory without first obtaining COPN authorization, DCOPN maintains that obstetric, intensive care, and pediatric beds should be included in the medical/surgical inventory and the corresponding patient days used for medical/surgical bed need calculations.

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 as described in subsection A.” A medical care facility is defined, in part, as “Any facility licensed as a hospital, as defined in § 32.1-123.”

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 project will provide or increase access to health care services for people in the area to be served and the effects that the proposed project will have on access to health care services in areas having distinct and unique geographic, socioeconomic, cultural, transportation, and other barriers to access to health care;**

Reston is well-situated with respect to highway and public transportation access. The hospital is located less than one mile from the Dulles Toll Road (Route 267) and three miles from Route 7, both major east-west arteries serving Loudoun and Fairfax Counties. Within Reston, the hospital is easily accessible from a connection to Town Center Parkway from the east and New Dominion Parkway from the south along Tower Center Drive. Additionally, the campus abuts Fairfax County Parkway—a major north-south connector road through Fairfax county.

Reston is also on the route of several bus services in the Reston area. The Fairfax Connector is an internal bus system for Reston that provides direct public transportation access for residents of Reston and Herndon. The Fairfax Connector also provides connections to the Metrobus for wider geographic coverage and to the Metro system. Bus routes providing access to Reston include 5S of the Fairfax Connection and routes 1, 2, and 3 of the Reston Internal Bus System. Reston is accessible to the Metro system as a result of the Dulles Corridor Metrorail extension, and will become more so as that project is completed. On June 2014, the Wiehle-Reson East Station opened roughly two miles away from Reston. A new station at Reston Town Center approximately one mile away from Reston is scheduled to open in 2021, and the remaining portion of Phase II Metro system will extend westward through Reston, Herndon, and Dulles Airport ending at Route 772 in eastern Loudoun County.

As will be discussed in more detail later in this staff analysis report, DCOPN concludes that at least 95% of the population of PD 8 is within 60 minutes’ drive time, one way, under normal driving conditions, of existing medical rehabilitation services. Furthermore, the applicant is a current provider of this service. Accordingly, DCOPN concludes that the proposed project would not improve geographic access to inpatient bed services in any meaningful way.

Regarding socioeconomic barriers to access to services, the applicant has provided assurances that it would accept all patients in need of medical rehabilitation services without regard to ability to pay or payment source. Additionally, the Pro Forma Income Statement provided by the applicant anticipates a charity care contribution equal to approximately 4.2% of gross patient services revenue (reflected in the “Deductions from Revenue” line) derived from medical

rehabilitation services (**Table 4**). While this amount is marginally higher than the 4.1% HPR II average, it is significantly higher than the 1.2% contribution made by Reston in 2018 (**Table 5**). Furthermore, DCOPN notes that pursuant to the recent change to §32.1-102.4B of the Code of Virginia, DCOPN is now required to place a charity care condition on all applicants seeking a COPN. Accordingly, should the Commissioner approve the proposed project, DCOPN recommends a charity care condition consistent with the 4.1% HPR II average. 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 4. Reston Pro Forma Income Statement

	Year 1	Year 2
Gross Patient Service Revenue	\$15,675,088	\$17,868,386
Deductions from Revenue	\$10,700,006	\$12,549,305
Net Revenue	\$4,975,083	\$5,319,081
Total Expenses	\$3,382,093	\$3,571,192
Net Income	\$1,592,991	\$1,747,889

Source: COPN Request No. VA-8540

Table 5. HPR II Charity Care Contributions: 2018

Hospital	Gross Patient Revenues	Adjusted Charity Care Contribution	% of Gross Patient Revenue:
Novant Health UVA Health System Prince William Medical Center	\$495,433,432	\$44,647,076	9.01%
Sentara Northern Virginia Medical Center	\$789,301,159	\$56,962,621	7.22%
Inova Mount Vernon Hospital	\$479,308,693	\$25,072,214	5.23%
Inova Alexandria Hospital	\$924,056,506	\$46,277,537	5.01%
Inova Fairfax Hospital	\$3,422,077,165	\$157,062,195	4.70%
Inova Loudoun Hospital	\$730,947,536	\$26,227,153	3.59%
Novant Health UVA Health System Haymarket Medical Center	\$255,870,637	\$8,844,583	3.46%
Inova Fair Oaks Hospital	\$672,995,830	\$22,827,171	3.39%
Virginia Hospital Center	\$1,361,001,590	\$32,175,893	2.36%
StoneSprings Hospital Center	\$204,255,017	\$2,703,533	1.32%
Reston Hospital Center	\$1,323,668,487	\$14,710,834	1.20%
Total Facilities			11
Median			3.6%
Total \$ & Mean %	\$10,658,916,052	\$437,510,810	4.1%

Source: VHI (2018)

The most recent Weldon-Cooper data projects a total PD 8 population of 2,937,128 persons by 2030 (**Table 6**). This represents an approximate 31.7% increase in total population from 2010 to 2030. Comparatively, Weldon-Cooper projects the population of Virginia as a whole to increase by only 16.6% for the same period. With regard to Fairfax County specifically, Weldon-Cooper projects a total population increase of approximately 15.0% from 2010-2030. With regard to the 65 and older age cohort, Weldon-Cooper projects a much more rapid increase (**Table 7**).

Specifically, Weldon-Cooper projects an increase of approximately 114.6% among PD 8’s collective 65 and older age cohort, while an increase of approximately 73.3% is expected among this cohort in Fairfax County. This is important as this age group uses medical care resources, including medical rehabilitation services, at a rate much higher than the rest of the population.

Table 6. Statewide and PD 8 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	7.8%	16.6%
Arlington	207,627	249,298	20.1%	274,339	10.0%	32.1%
Fairfax County	1,081,726	1,162,504	7.5%	1,244,025	7.0%	15.0%
Loudoun	312,311	430,584	37.9%	554,808	28.9%	77.7%
Prince William	402,002	478,134	18.9%	571,844	19.6%	42.3%
Alexandria City	139,966	166,261	18.8%	182,067	9.5%	30.1%
Fairfax City	22,565	25,047	11.0%	26,397	5.4%	17.0%
Falls Church City	12,332	12,332	0.00%	17,032	38.1%	38.1%
Manassas City	37,821	43,099	14.0%	46,332	7.5%	22.5%
Manassas Park City	14,273	17,086	19.7%	20,284	18.7%	42.1%
TOTAL PD 8	2,230,623	2,584,345	15.9%	2,937,128	13.7%	31.7%

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

Table 7. PD 8 Population Projections for 65+ Age Cohort, 2010-2030

Locality	2010	2020	% Change	2030	% Change	2010-2030 % Change
Arlington	18,054	22,515	24.7%	26,951	19.7%	49.3%
Fairfax County	106,290	151,585	42.6%	184,218	21.5%	73.3%
Loudoun	20,425	45,314	121.9%	84,522	86.5%	313.8%
Prince William	27,220	52,698	93.6%	80,830	53.4%	197.0%
Alexandria City	12,806	17,359	35.6%	22,175	27.7%	73.2%
Fairfax City	3,088	3,754	21.6%	4,611	22.8%	49.3%
Falls Church City	1,293	1,908	47.5%	2,317	21.5%	79.2%
Manassas City	2,607	3,930	50.8%	5,387	37.1%	106.7%
Manassas Park City	806	1,426	76.9%	2,258	58.4%	180.2%
TOTAL PD 8	192,589	300,491	56.0%	413,269	37.5%	114.6%

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

DCOPN did not identify any other unique geographic, socioeconomic, cultural, transportation, or other barriers to care in the planning district.

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

- (i) **The level of community support for the proposed project demonstrated by people, businesses, and governmental leaders representing the area to be served;**

Letters of support provided by the applicant addressed the following:

- Reston’s current medical rehabilitation unit is in urgent need of additional rehabilitation bed capacity. Since the opening of the rehabilitation unit less than two years ago, Reston’s 18 existing rehabilitation beds have been highly utilized. Reston requires additional medical rehabilitation beds to continue to meet the needs of its patients and provide high-quality patient care.
- The requested beds will be in a space immediately adjacent to the existing rehabilitation unit, which will make moving between new and current facilities to treat patients convenient for physicians, therapists, and nursing staff.
- Reston is widely recognized by independent organizations for providing superior diagnostic, therapeutic, and surgical services to patients. This project will allow Reston to continue to be a high-quality provider and ensure that each patient receives the rehabilitative care they need.

DCOPN received no letters in opposition to the proposed project.

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

As shown in **Table 1**, the collective PD 8 inpatient medical rehabilitation inventory operated at 87.6% in 2018, well above the SMFP threshold for expansion. Furthermore, the applicant states that the existing 18 medical rehabilitation beds at Reston operated at 90% in 2020, also well above the 80% SMFP expansion threshold. However, DCOPN notes that the collective medical/surgical inventory at Reston (including medical rehabilitation beds) operated at only 61.2% utilization in 2018 (**Table 2**), indicating that the conversion of existing medical/surgical beds to medical rehabilitation beds would arguably be a reasonable and more cost-efficient alternative to the proposed project.

Similarly, the medical/surgical inventory at Stone Springs, also an HCA facility, operated at only 10.4% utilization in 2010, indicating that reallocation of twelve beds from that facility is a reasonable alternative. The applicant states that it considered the question of relocating the service to unused space at Stone Springs, but determined that practical economical and clinical considerations make such a move counterproductive. Furthermore, the Health Systems Agency of Northern Virginia (“HSANV”) determined that there is “...little if any, public benefit in relocating the Reston rehabilitation service to sister facility StoneSprings Hospital Center, or in requiring a reduction in unused beds at StoneSprings Hospital Center to offset the proposed increase at Reston.”⁶ The HSANV added that, “Closing beds at StoneSprings Hospital Center, to offset the increase at Reston, would not affect the cost of the Reston project...Moreover, closing unused beds at StoneSprings Hospital Center, which are five years old, amounts to “mothballing” them, a form of “bed banking” that has the potential to distort regional planning and rational system development.”⁷

⁶ HSANV Board Meeting minutes, February 8, 2021, at 3.

⁷ Id. at 3-4.

(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;

The Health Systems Agency of Northern Virginia (HSANV) Board of Directors reviewed at its February 8, 2021 meeting the COPN application filed by Reston Hospital Center, LLC (COPN Request No. VA-8540) that seeks authorization to add 12 inpatient medical rehabilitation beds. The Board voted on a motion to recommend approval of the application. The motion passed by a vote of ten in favor and none opposed.

The Board based the recommendation on its review of the application, on the HSANV staff report on the proposal, and on the testimony and evidence presented at the February 8, 2021 Board of Directors meeting held on the application. The Board also based its recommendation on several basic findings and conclusions, including:

1. Local demand for hospital based rehabilitation care in Northern Virginia increased substantially in the last decade and is likely to continue to grow, but at a more modest rate, over the next three to five years.
2. There is no indication of a near term regional need for additional hospital based inpatient rehabilitation capacity, and some indication of a modest surplus over the next five years.
3. Unused beds at some services notwithstanding, Reston Hospital Center makes a credible argument that the hospital needs additional inpatient rehabilitation capacity as soon as it can be developed and that the beds requested are likely to be used efficiently.
4. The project is similar to and consistent with a number of service expansion projects that have been authorized locally and statewide on the basis of an institution specific need.

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

As illustrated in **Table 3**, the total projected capital cost of the proposed project is \$10,087,000. Nearly three-fourths of the cost (approximately \$7.3 million) is attributed to direct construction. Capital costs are high, about \$840,584 per bed or \$791 per square foot of new and renovated space. However, DCOPN notes that the costs is consistent with previously approved projects similar in clinical scope.⁸ Additionally, DCOPN notes that the project will be funded entirely using the accumulated reserves of the applicant. Accordingly, there are no financing costs associated with this project.

The applicant provided the following with regard to this standard:

“Reston’s rehab unit is less than two years old and is already constrained by its existing capacity. Reston’s 18 existing rehabilitation beds operated at 76.3% occupancy in 2019,

⁸ COPN No. VA-04486 authorized the introduction of medical rehabilitation services at Inova Fairfax Hospital and had an authorized capital cost of \$14,662,671; COPN No. VA-04487 authorized the addition of five medical rehabilitation beds at HealthSouth Rehabilitation Hospital of Northern Virginia and had an authorized capital cost of

the first year of operation of the rehabilitation unit. 2020 year-to-date utilization (through September 30) of Reston's 18 existing rehabilitation beds has been 88.2%. Reston projects that demand for its inpatient rehabilitation services will continue to grow. Reston projects that its new rehabilitation unit will operate at 77% occupancy in the first full year of operation and 80% in the second full year of operation. This project is necessary for Reston to meet the future needs of its patients."

Additionally, the applicant provided the following:

"Reston's rehabilitation service has been recognized for its high quality. In 2020, Reston was awarded the Top Performer designation by the Unified Data System for Medical Rehabilitation (USDMR), indicating its standing as being in the Top 10 percent of inpatient rehabilitation facilities in the United States for care that is effective, efficient, timely, and patient-centered."

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

As already discussed, the applicant has provided assurances that inpatient rehabilitation services at Reston will be accessible to all patients, regardless of financial considerations. However, recent changes to §32.1-102.4B of the Code of Virginia now require DCOPN to place a charity care condition on every applicant seeking a COPN. Accordingly, should the Commissioner approve the proposed project, DCOPN recommends a charity care condition consistent with the 4.1% HPR II average, to be derived from medical rehabilitation gross patient services revenue.

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

Section 32.1-102:1 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 SMFP.

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

The State Medical Facilities Plan (SMFP) contains criteria and standards for the addition of inpatient medical rehabilitation beds at an existing facility. They are as follows:

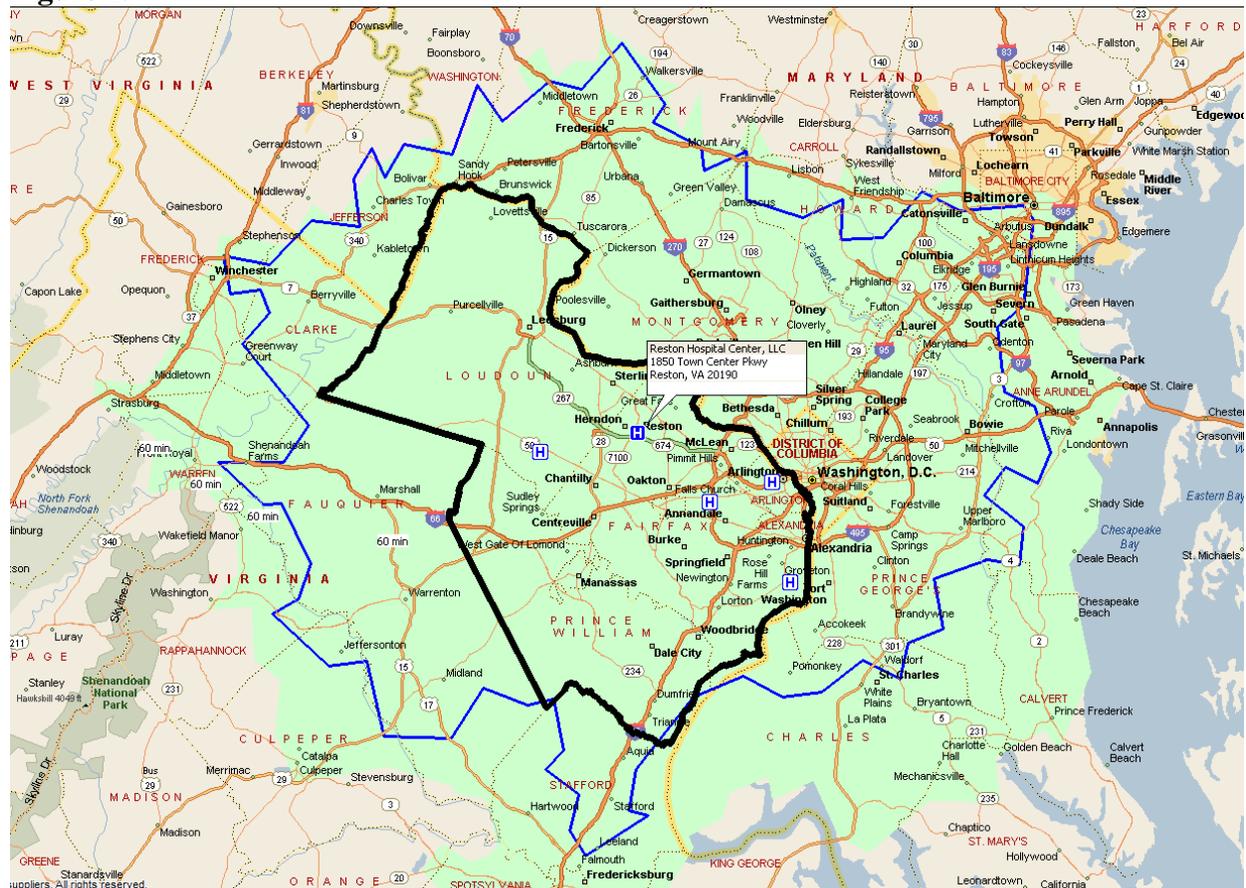
Part XI. Medical Rehabilitation

12VAC5-230-800. Travel Time.

Medical rehabilitation services should be available within 60 minutes driving time one way under normal conditions of 95% of the population of the health planning district using mapping software as determined by the commissioner.

The heavy black line in **Figure 1** represents the boundary of PD 8. The blue “H” sign marks the location of Reston and the proposed project. The white “H” signs mark the locations of all other existing medical rehabilitation services in PD 8. The green shaded area represents the area of PD 8 and surrounding areas that are within 60 minutes’ drive time of existing PD 8 medical rehabilitation services. The thin blue line represents the area within 60 minutes’ drive time of the proposed project. Given the amount and location of shaded area, it is evident that medical rehabilitation services currently exist within a 60-minute drive for at least 95% of the population of PD 8. Furthermore, the applicant currently provides this service. Accordingly, DCOPN concludes that the approval of the proposed project would not improve geographic access to medical rehabilitation services for residents of PD 8 in any meaningful way. However, as the applicant bases its request upon a unique institutional need for expansion, DCOPN notes that geographic access is not what impedes availability of rehabilitation services for the applicant’s patient base.

Figure 1.



12VAC5-230-810. Need for New Service.

A. The number of comprehensive and specialized rehabilitation beds shall be determined as follows:

$$((UR \times PROPOP) / 365) / .80$$

Where:

UR = the use rate expressed as rehabilitation patient days per population in the health planning district as reported by VHI; and

PROPOP = the most recent projected population of the health planning district five years from the current year as published by a demographic entity as determined by the commissioner.

The applicant is a current provider of medical rehabilitation services and therefore, does not propose to establish a new service. Accordingly, this standard is not applicable to the project at hand. However, in the interest of completeness, DCOPN will address this standard.

Based on population estimates from Weldon Cooper, and using a straight-line, average annual increase of 35,638 from 2010 to 2020, and 35,013 from 2020 to 2030, the cumulative total population of PD 8 for the historical five-year period of 2014-2018 was 12,222,255 (**Table 9**). Weldon Cooper projects the population of PD 8 in the year 2026 (PROPOP- five years from the current year) to be 2,797,078. These figures are necessary for the application of the preceding formula, as follows:

$$\text{Rehabilitation Bed Need} = ((UR \times PROPOP) / 365) / .80$$

Where:

UR = Patient days in PD 8 Inpatient Rehabilitation Facilities in 2018 / Population of PD 8 in 2018

UR = 47,484 patient days (Tables 1 and 8) / 2,515,727 people (Table 8)

UR = 0.0189

PROPOP = Projected Population PD 8 in 2026

PROPOP = 2,797,078

$$\text{Rehabilitation Bed Need in PD 8} = ((0.0189 \times 2,797,078) / 365) / 0.80$$

Rehabilitation Bed Need in PD 8 = 181.0 Beds

Current PD 8 Medical Rehabilitation Bed Inventory: 190 beds

Rehabilitation Bed Surplus = 190 – 181

Rehabilitation Bed Surplus = 9

Table 8. Historical Inpatient Medical Rehabilitation Patient Days in PD 8 (2014-2018)

Facility	2014	2015	2016	2017	2018	Total
Encompass Health Rehab Hospital of Northern Virginia	14,294	17,740	18,055	18,568	19,735	88,392
Inova Mount Vernon Hospital	19,013	22,446	21,688	21,243	21,064	105,454
Reston Hospital Center	N/A	N/A	N/A	N/A	12	12
Virginia Hospital Center	6,194	6,662	6,496	6,752	6,673	32,777
Total	39,501	46,848	46,239	46,563	47,484	226,635

Source: VHI (2014-2018)

Table 9. PD 8 Population-All Ages

Year	Population
2014	2,373,175
2015	2,408,813
2016	2,444,451
2017	2,480,089
2018	2,515,727
5 Year Total	12,222,255
2026 Projected (PROPOP)	2,797,078

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

As **Table 1** above demonstrates, there is an existing inventory of 190 medical rehabilitation beds in PD 8. Based on the preceding calculation, which relied on the most recently available VHI data (2018), there will be a projected surplus of nine medical rehabilitation beds in PD 8 in planning year 2026. Accordingly, there is no calculated need for additional inpatient medical rehabilitation beds. The proposed project, if approved, would increase this surplus to 21. However, as will be discussed in more detail later in this staff analysis report, the applicant bases its request upon a unique institutional need to increase its existing medical rehabilitation capacity. DCOPN contends that the applicant has adequately demonstrated this need, and accordingly, concludes that the proposed project warrants approval despite the applicant not satisfying this standard.

B. Proposals for new medical rehabilitation beds should be considered when the applicant can demonstrate that:

- 1. The rehabilitation specialty proposed is not currently offered in the health planning district; and**
- 2. There is documented need for the service or beds in the health planning district.**

As discussed, there are four other providers of inpatient medical rehabilitation services in PD 8. The applicant did not identify a rehabilitation specialty that is not currently offered in PD 8.

Based on DCOPN’s application of the bed need methodology provided in 12VAC5-230-810, there is no documented need for new medical rehabilitation beds in PD 8. However, as will be discussed in more detail later in this staff analysis report, though the proposed project would add to the existing PD 8 medical rehabilitation bed surplus, the applicant’s current capacity demonstrates an institutional need for expansion.

12VAC5-230-820. Expansion of Services.

No additional rehabilitation beds should be authorized for a health planning district in which existing rehabilitation beds were utilized with an average annual occupancy of less than 80% in the most recently reported year.

Preference may be given to a project to expand rehabilitation beds by converting underutilized medical/surgical beds.

As previously discussed, Reston has cited an institutional need to expand its current medical rehabilitation services. Currently, the applicant operates 18 medical rehabilitation beds. According to the applicant, these beds operated at a collective utilization of 76.3% in 2019, the first full year of operation, and 90% in 2020, well above the 80% SMFP expansion threshold. Additionally, the collective PD 8 medical rehabilitation inventory operated at 87.6% in 2018, well above the 80% expansion threshold set forth in the SMFP. However, as already noted, assuming there is no increase in the number of medical rehabilitation patients treated in PD 8, utilization in the planning district is likely to decrease upon continued operation of the 25 beds added at Inova Fairfax Hospital in 2019. Nonetheless, DCOPN concludes that the utilization data provided by the applicant adequately demonstrates that Reston's current capacity demonstrates an institutional need for expansion.

12VAC5-230-830. Staffing.

Medical rehabilitation facilities should be under the direction or supervision of one or more qualified physicians.

The applicant is an existing provider of medical rehabilitation services and has provided assurances that the requested medical rehabilitation beds will be under the direction of Dr. Etesam. The applicant satisfies this standard.

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

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

- A. Notwithstanding any other provision 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 service 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 system's 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.**

Reston proposes to add 12 medical rehabilitation beds, resulting in a total inventory of 30 medical rehabilitation beds. With a utilization rate of 76.3% in 2019 and 90% in 2020, the utilization data confirms that Reston's current capacity demonstrates an institutional need for expansion. Consequently, it can be inferred that approval of the 12 additional medical rehabilitation beds at Reston can be justified based on the facility's need having exceeded its current service capacity. While reallocating twelve underutilized medical/surgical beds from StoneSprings is a reasonable alternative to the proposed project, as already discussed, the project as proposed presents a more favorable option. Therefore, DCOPN contends that although the proposed project would add to the existing PD 8 surplus of medical rehabilitation beds, the applicant has adequately demonstrated an institutional need for expansion and accordingly, the project warrants approval.

Eight 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;**

DCOPN does not find that the proposed project is intended to foster institutional competition, but rather is intended to ensure Reston's patients adequate access to medical rehabilitation services in an efficient and timely manner. Furthermore, because the applicant is a current provider of medical rehabilitation services and has adequately demonstrated a unique institutional need to expand its existing medical rehabilitation complement, DCOPN does not anticipate a significant impact on existing providers. DCOPN again notes that it is unaware of any opposition to the proposed project.

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

Table 1 demonstrates that the collective existing PD 8 medical rehabilitation inventory operated at 87.6% utilization in 2018, well above the 80% SMFP threshold for expansion. Additionally, Reston's existing medical rehabilitation inventory operated at 90% occupancy in 2020. Accordingly,

for reasons already discussed elsewhere in this staff analysis report, DCOPN contends that the applicant has adequately demonstrated an institutional need to expand its medical rehabilitation service. Furthermore, the applicant states that more than 90% of those admitted to Reston's rehabilitation service to date have been referrals from within the hospital's acute care caseload, with only about 8% of admissions coming from external sources. For these reasons, DCOPN contends that approval of the proposed project is not likely to have a significant negative impact on existing PD 8 providers of medical rehabilitation services.

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;

As already discussed, DCOPN contends that the projected costs for the proposed project, while high, are consistent with previously authorized projects similar in clinical scope. The project will be funded entirely using the accumulated reserves of the applicant and accordingly, there are no financing costs associated with the project. Furthermore, the Pro Forma Income Statement provided by the applicant anticipates a net profit of \$1,592,991 in the first year of operation and \$1,747,889 by year two, illustrating that the proposed project is financially feasible both in the immediate and the long-term (**Table 4**).

With regard to staffing, the applicant anticipates the need to hire 28 additional full-time employees in order to staff the proposed project. DCOPN notes that this is *in addition to* the 124 positions currently vacant at Reston, the majority of which are registered nurse positions. However, the applicant is a current provider of medical rehabilitation services with a robust employee recruitment and retention plan. Accordingly, DCOPN does not anticipate that the applicant will have difficult staffing the proposed project or that doing so will have a significant negative impact on other PD 8 providers.

The applicant provided the following, in part, with regard to this standard:

“To address short-term fluctuations in staffing or to provide interim staffing solutions for its facilities, HCA hospitals develop 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.”

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; (ii) the potential for provision of health care 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 proposed project does not provide improvements or innovations in the financing and delivery of health services as demonstrated by the introduction of new technology that promotes quality of cost

effectiveness, nor does it provide improvements in the potential for provisions of health care services on an outpatient basis. Regarding cooperative efforts to meet regional health care needs, DCOPN notes that the applicant has transfer agreements with Children's National Medical Center, George Washington University Hospital, Inova Fairfax Hospital, and Washington Hospital Center.

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 services for citizens of the Commonwealth, including indigent or underserved populations.

The applicant is not a teaching hospital associated with a public institution of higher education or a medical school in the area to be served. However, the applicant does sponsor and endorse statewide education and outreach programs intended to attract current student enrollees in state nursing schools by offering on-site preceptor clinical training to support student nursing education. The applicant states that the goal of the preceptor program is to make a positive impact on the labor pool, build relationships with educators while assisting with curriculum development, support nurse training programs, expose students to the world of healthcare, and support the communities that HCA serves. HCA also provides additional support through clinical rotation sites and provides adjunct faculty in their health service programs.

DCOPN Staff Findings and Conclusions

Reston is requesting authorization to add 12 additional inpatient medical rehabilitation beds to its existing complement of 18 beds. The total projected capital cost of the proposed project is \$10,087,000, the entirety of which will be funded using the accumulated reserves of the applicant. Accordingly, there are no financing costs associated with this project. DCOPN concludes that the cost is consistent with previously approved projects similar in clinical scope. Furthermore, DCOPN concludes that the proposed project appears to be economically feasible both in the mediate and in the 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 8 providers of inpatient medical rehabilitation services.

DCOPN finds that the project 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 calculated surplus of medical rehabilitation beds in the planning district for the 2026 planning horizon, DCOPN concludes that the applicant has adequately demonstrated a unique institutional need to expand its existing medical rehabilitation service and that consequently, the project warrants approval despite the calculated surplus. DCOPN additionally contends that while reasonable alternatives to the proposed project exist, for reasons discussed in more detail throughout this staff analysis report, the project, as proposed, is a more favorable option.

DCOPN Staff Recommendation

The Division of Certificate of Public Need recommends the **conditional approval** of Reston Hospital Center, LLC's request to add 12 inpatient medical rehabilitation beds at Reston Hospital Center for the following reasons:

1. The proposed project is generally 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 capital costs are reasonable.
3. The proposed project appears economically viable in the immediate and in the long-term.
4. There is no known opposition to the proposed project.
5. The applicant has adequately demonstrated a unique institutional need to expand its existing medical rehabilitation service.
6. The Health Systems Agency of Northern Virginia recommended approval of the proposed project.

DCOPN's recommendation is contingent upon Reston Hospital Center, LLC's agreement to the following charity care condition.

Reston Hospital Center, LLC will provide inpatient medical rehabilitation 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 8 in an aggregate amount equal to at least 4.1% of Reston Hospital Center, LLC's gross patient revenue derived from inpatient medical rehabilitation 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. Reston Hospital Center, LLC 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.

Reston Hospital Center, LLC will provide inpatient medical rehabilitation care 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 Reston Hospital Center, LLC will facilitate the development and operation of primary and specialty medical care services in designated medically underserved areas of the applicant's service area.