

VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis

September 19, 2022

COPN Request No. VA-8645

Woodbine Property 1, LLC

Alexandria, Virginia

Relocate 97 nursing home beds from PD 8 to Woodbine Rehabilitation and Healthcare Center

Applicant

The owner, Woodbine Property 1, LLC (Woodbine Property), is a Virginia Limited Liability Company formed in 2019. The operator, Woodbine Operator, LLC, is also a Virginia Limited Liability Company formed in 2019. The owner and operator entities are related parties and share common ownership. Woodbine Operator, LLC operates Woodbine Rehabilitation and Healthcare Center (Woodbine) in Alexandria, Virginia, in Health Planning Region (HPR) II, Planning District (PD) 8. In November 2019, Woodbine was acquired from Woodbine Rehabilitation and Health Center by Woodbine Property 1, LLC.

Background

Division of Certificate of Public Need (DCOPN) records show that there are currently 4,485 licensed nursing home beds located PD 8 (**Table 1**). Virginia Health Information (VHI) data for 2020, the last year for which such data is available, showed that these facilities operated at a collective utilization of 73.16% that year (**Table 1**).

Table 1. PD 8 Nursing Bed Inventory and 2020 Utilization

Facility	Licensed Nursing Beds	Patient Days	Available Days	Occupancy Rate
Annandale Healthcare Center	222	57,888	81,252	71.25%
Arleigh Burke Pavilion at Vinson Hall	49	14,463	17,934	80.65%
Ashby Ponds	44	12,552	16,104	77.94%
Belvoir Woods Health Care Center	56	13,325	20,496	65.01%
Birmingham Green	180	60,007	65,880	91.09%
Burke Healthcare Center	120	27,045	43,920	61.58%
Cherrydale Health and Rehab Center	180	52,093	65,880	79.07%
Dulles Health and Rehab Center	166	51,647	60,756	85.01%
Envoy of Woodbridge	120	32,750	43,920	74.57%
Envoy of Alexandria	111	33,079	40,626	81.42%
Fairfax Rehabilitation & Nursing Center	200	50,150	60,600	82.76%

Facility	Licensed Nursing Beds	Patient Days	Available Days	Occupancy Rate
The Fountains at Washington House ¹	68	8,755	24,888	35.18%
Gainesville Health & Rehab Center	120	36,703	43,920	83.57%
Goodwin House Alexandria	80	33,511	29,280	114.45%
Goodwin House Baileys Crossroad	73	22,785	26,718	85.28%
Greenspring Village ²	136	N/A	N/A	N/A
Heritage Hall - Leesburg	164	46,342	60,024	77.21%
Hermitage in Northern Virginia	121	9,947	44,286	22.46%
Iliff Nursing & Rehab Center	130	30,405	47,580	63.90%
The Jefferson	31	6,247	11,346	55.06%
Johnson Center at Falcon's Landing	60	15,290	21,960	69.63%
Lake Manassas Health & Rehab	120	37,850	43,920	86.18%
Leewood Healthcare Center ³	132	29,832	43,428	68.69%
Loudoun Nursing and Rehabilitation Center	100	29,428	36,600	80.40%
Manassas Health & Rehab Center	120	38,055	43,920	86.65%
ManorCare Health Services - Alexandria	96	26,557	35,136	75.58%
Manor Care Health Services, Arlington	161	44,506	58,194	76.48%
ManorCare Health Services - Fair Oaks	155	42,826	56,730	75.49%
The Mather ⁴	42	N/A	N/A	N/A
Mount Vernon Healthcare Center	130	36,531	47,580	76.78%
Potomac Falls Health & Rehab Center	150	45,121	54,900	82.19%
Powhatan Nursing Home	160	16,498	58,560	28.17%
Regency Care of Arlington	240	51,052	87,840	58.12%
The Virginian	81	21,565	29,646	72.74%
Westminster at Lake Ridge ⁵	60	N/A	N/A	N/A
Woodbine Rehab & Healthcare Center	307	48,150	56,488	85.24%
Total and Average	4,485	1,082,955	1,480,312	73.16%

Source: VHI (2020) & DCOPN records

The applicant proposes to expand Woodbine, located at 2729 King Street, Alexandria, Virginia, by 97 nursing home beds through the relocation of 97 existing nursing home beds from Hermitage Northern Virginia (Hermitage).

As shown in **Table 2**, Woodbine operated at an average utilization of 85.9% from 2016-2021. DCOPN notes that the Available Days, as reported to VHI for 2020, are for only half of the year – 56,488 Available Days, as opposed to 112,362 Available Days to represent the 366 days in 2020. In response to a request to explain the discrepancy, the applicant asserted, “[t]he new operator of the Woodbine facility took over management on 12/30/2019, and their first period of reportable operating data was for only the six month period 12/30/2019-6/30/2020, which covered only 184 Available Days. The second year of operations [2021] reflects a full year/twelve month period.”

¹ On August 31, 2022, counsel for The Fountains at Washington House, notified the Office of Licensure and Certification that it will permanently closed as of November 1, 2022 and terminate all services.

² Utilization data not reported to VHI for 2020.

³ COPN No. VA-04746, issued May 11, 2021, authorized the addition of 25 nursing home beds, expected completion May 10, 2024.

⁴ COPN No. VA-04626, issued October 15, 2018, authorized the establishment of a 42-bed nursing facility.

⁵ Utilization data not reported to VHI for 2020.

DCOPN notes that annualizing the 2020 information (96,300 Patient Days and 112,055 Available Days) results in an 85.94% utilization for that year, which is consistent with Woodbine’s historical utilization trends.

Table 2. Woodbine Rehabilitation and Healthcare Center: 2016-2020

Year	Licensed Nursing Beds	Patient Days	Available Days	Occupancy Rate
2016	307	99,286	112,362	88.4%
2017	307	95,663	112,055	85.4%
2018	307	94,017	112,055	83.9%
2019	307	95,836	112,055	85.53%
2020	307	48,150	56,488	85.24%
2021	307	97,570	112,055	87.07%
Average Utilization 2016-2021				85.9%

Source: VHI (2016-2020) and COPN Request No. VA-8645 Application

As shown in **Table 3**, Hermitage operated at an average utilization of 29.3% from 2016-2020, with occupancy declining from 2018-2020.

Table 3. Hermitage Northern Virginia: 2016-2020

Year	Licensed Nursing Beds	Patient Days	Available Days	Occupancy Rate
2016	121	13,488	44,286	30.5%
2017	121	14,408	44,165	32.6%
2018	121	14,773	44,165	33.4%
2019	121	12,061	44,165	27.31%
2020	121	9,947	44,286	22.46%
Average Utilization 2016-2020				29.3%

Source: VHI (2016-2020)

Proposed Project

As previously discussed, the applicant proposes to expand Woodbine, located at 2729 King Street, Alexandria, Virginia, by 97 nursing home beds through the relocation of 97 existing nursing home beds from Hermitage. Woodbine has entered into a forbearance agreement for the 97 beds with Hermitage, which is also located in Alexandria, in PD 8, approximately 3.5 miles from Woodbine. The proposed project would add a four-story, 44,027 square foot building to Woodbine’s campus. The new building will house 129 beds – the 97 nursing homes beds transferred from Hermitage and 32 nursing home beds from the existing Woodbine complement. The new addition will contain a total of 45 single occupant rooms, which will increase Woodbine’s number of private rooms from seven to 52. Additionally, moving 32 beds from the current facility into the new building will eliminate all three and four bed rooms (one bed will be removed from each of the 30 three bed rooms and two beds will be removed from the four bed room). DCOPN notes that approximately 87% (352) of Woodbine’s beds will remain in semi-private rooms.

The total capital and financing cost of the proposed project is \$26,518,851 (**Table 4**). The costs of the proposed project will be self-funded by the applicant’s owners.

Table 4. Capital and Financing Costs

Direct Construction Costs	\$17,034,046
Equipment Not Included in Construction Contract	\$1,690,000
Site Preparation Costs	\$1,703,405
Off-Site Costs	\$5,335,000
Architectural and Engineering Fees	\$696,400
Taxes & Government Fees During Construction	\$60,000
Total Capital Costs	\$26,518,851

Source: COPN Request No. VA-8645

The applicant projects that construction on the proposed project will begin within 16 months of COPN issuance and will be complete within 36 months of COPN issuance. The applicant further projects that resident services will begin within 36 months of COPN issuance.

Project Definitions

Section 32.1-102.1:3 of the Code of Virginia (the Code) defines a project, in part, as “[r]elocation of beds from an existing medical care facility described in subsection A to another existing medical care facility described in subsection A.” Section 32.1-102.1:3 of the Code defines a medical care facility, in part, as “[a]ny facility licensed as a nursing home, 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;**

Woodbine is located at 2729 King Street, Alexandria, Virginia. The surrounding area includes an assisted living and memory care facility, churches, single-family neighborhoods and commercial and retail properties on King Street. Public transportation is prevalent in Alexandria and the facility is accessible via multiple stops along King Street.

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 currently within 30 minutes’ drive time, one way, under normal driving conditions of existing skilled nursing care services. Furthermore, the applicant is a current provider of this service and Hermitage is located approximately four miles from Woodbine. Accordingly, DCOPN concludes that the proposed project would not improve geographic access to this service in any meaningful way.

Regarding socioeconomic barriers to access to services, the applicant has provided assurances that all beds currently and proposed to become operational at Woodbine are and will be fully certified by Medicare and Medicaid. Furthermore, the applicant provided assurances that it serves patients

from all types of payment sources, and patients will be admitted without regard to payment source. **Table 5** below indicates that in 2020, approximately 58% of Woodbine’s nursing home bed utilization was attributed to Medicaid services, with the percentage dropping marginally to approximately 57% in 2021. The applicant projects that by the second year of operation after completion of the proposed project, approximately 57% of nursing home bed utilization will be attributed to Medicaid long-term care services.

Table 5. Woodbine Actual and Projected Payor Source

Payment Source	Actual Patient Days				Projected Patient Days			
	2020	%	2021	%	Year 1	%	Year 2	%
Medicare	5,926	12.31%	13,157	13.48%	16,534	13.46%	17,885	13.46%
Medicaid	27,892	57.93%	55,045	56.42%	69,205	56.35%	74,825	56.32%
Medicaid Specialized Care	5,772	11.99%	12,265	12.57%	15,469	12.60%	16,790	12.64%
Self-Pay	2,505	5.20%	6,721	6.89%	8,449	6.88%	9,125	6.87%
Other	6,055	12.58%	10,382	10.64%	13,160	10.72%	14,235	10.71%
Total	48,150	--	97,570	--	122,817	--	132,860	--

Source: COPN Request No. VA-8645

Table 6 shows projected population growth in PD 8 through 2030. Overall, the planning district was projected to add an estimated 356,377 people in the 10-year period ending in 2020. For the 10-year period ending in 2030, the planning district is projected to add an estimated 350,128 people. DCOPN notes that the population of PD 8 as a whole was expected to increase approximately 16% for the period ending in 2020 and approximately 14% for the period ending in 2030, rates nearly double that of the statewide average. For the City of Alexandria, the location of the proposed project, the population was expected to increase approximately 22% for the period ending in 2020 and approximately 14% for the period ending in 2030.

With regard to the 65 and older age cohort, Weldon-Cooper projects a much more rapid increase (**Table 6**). Specifically, Weldon-Cooper projects an increase of approximately 56% for the period ending in 2020 and approximately 38% for the period ending in 2030.

Table 6. Statewide and PD 8 Total Population Projections, 2010-2030

Locality	2010	2020	% Change 2010-2020	Avg Ann % Change 2010-2020	2030	% Change 2020-2030	Avg Ann % Change 2020-2030
Arlington	139,966	166,261	18.79%	1.69%	182,067	9.51%	0.91%
Fairfax County	207,627	249,298	20.07%	1.80%	274,339	10.04%	0.96%
Loudoun	22,565	25,047	11.00%	1.02%	26,397	5.39%	0.53%
Prince William	1,081,726	1,162,504	7.47%	0.71%	1,244,025	7.01%	0.68%
Alexandria City	12,332	14,988	21.54%	1.92%	17,032	13.64%	1.29%
Fairfax City	312,311	430,584	37.87%	3.18%	554,808	28.85%	2.57%
Falls Church City	37,821	43,099	13.96%	1.28%	46,332	7.50%	0.73%
Manassas City	14,273	17,086	19.71%	1.77%	20,284	18.72%	1.73%
Manassas Park City	402,002	478,134	18.94%	1.71%	571,844	19.60%	1.81%
Total PD 8	2,230,623	2,587,000	15.98%	1.46%	2,937,128	13.53%	1.28%
PD 8 65+	192,589	300,491	56.03%	4.44%	413,269	37.53%	3.24%

Locality	2010	2020	% Change 2010-2020	Avg Ann % Change 2010-2020	2030	% Change 2020-2030	Avg Ann % Change 2020-2030
Virginia	8,001,024	8,655,021	8.17%	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 (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 proposed 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;

DCOPN received letters of support for the proposed project from the medical director of Woodbine Healthcare and Rehabilitation Center and the President and CEO of Pinnacle Living (the ultimate owner of Hermitage), which addressed:

- Woodbine Healthcare and Rehabilitation Center is a leading facility of choice as a skilled rehabilitation and long-term care provider in [the] area.
- The growing elderly population of Alexandria City and the surrounding area, and the increased need for access to skilled rehabilitation and long-term care services.
- Approval of the proposed project will enable the current space to be renovated and continue its long-standing use as a healthcare facility.
- [Pinnacle] can attest to Woodbine’s outstanding reputation, well-deserved high ratings, and excellence in patient care.
- [Pinnacle] is very impressed with not only the high quality and high ratings of the services provided by Woodbine, but also its achieving such accolades while serving high acuity patients, including its Respiratory and Ventilator Care services and its Alzheimer’s resident care.

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

Public Hearing

DCOPN provided notice to the public regarding these projects on July 11, 2022. The public comment period closed on August 25, 2022. On August 8, 2022, HSANV held a public hearing for the four projects. Woodbine’s project was presented by its counsel. No members of the public spoke in support or opposition of the project.

(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 previously discussed, the proposed expansion at Woodbine will be accomplished through the construction of a four-story, 44,027 foot new building on Woodbine's campus, which will house 129 beds – the 97 nursing homes beds transferred from Hermitage and 32 nursing home beds from the existing Woodbine complement. The new addition will contain a total of 45 single occupant rooms, which will increase Woodbine's number of private rooms from seven to 52. Additionally, moving 32 beds from the current facility into the new building will eliminate all 30 of the three bed rooms, and the one four bed room (one bed will be removed from each of the 30 three bed rooms and two beds will be removed from the four bed room). The applicant touts the creation of more private rooms as one of the primary benefits of the proposed project. According to the applicant, "the trend in nursing homes is to increase private rooms" and "[i]ncreasing the number of private rooms at Woodbine is a significant benefit of this project." While DCOPN agrees that the creation of more private rooms at Woodbine is an important benefit, given both market trends and COVID-19 and other infection control concerns, the applicant has offered no barrier that prevents this from being effectuated without the transfer of beds from Hermitage to Woodbine, other than "site and cost constraints." Furthermore, DCOPN notes that under the proposed project, although Woodbine would eliminate all three and four bed rooms, 352 beds of the resulting 404-bed complement would still be in semi-private rooms. Even more specifically, only 45 of the 129 beds in the newly constructed building will be private. In other words, 65% of the rooms in the new building will be semi-private. Although the applicant is eliminating its three bed and four bed rooms and adding 45 more private rooms, the vast majority, or approximately 87%, of Woodbine's beds will remain in semi-private rooms, which is inconsistent with market trends in nursing homes and with one of the applicant's stated goals. Nursing home trends show that private beds are preferable and do not require grouping for infection, gender or behavioral issues. In the alternative, the relocation of beds from semi-private rooms to the new building without transferring beds from Hermitage would allow the applicant to create an even greater number of private rooms, consistent with its goal and the trend in nursing homes.

Furthermore, VHI data demonstrates that in 2020, PD 8 nursing home beds operated well beneath maximum capacity at 73.16% (**Table 1**), indicating that there is ample underutilized inventory within the planning district to provide adequate nursing care to residents of PD 8 for the foreseeable future. Moreover, as discussed in 12VAC5-230-620 below, the applicant does not meet the threshold necessary to expand its current complement of beds, displaying only 85.24% utilization in 2020. Furthermore, the applicant's self-reported 2021 occupancy rate was 87.07%, still below the 90% occupancy rate mandated for expansion.

For these reasons, DCOPN finds that there are reasonable alternatives to the proposed project that do not require the relocation of the 97 nursing home beds from Hermitage.

(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;

HSANV considered COPN Request No. VA-8645 at its August 8, 2022 meeting. The Board voted seven in favor, none opposed and one abstention to recommend that the application be approved. HSANV stated that their recommendation was based on its review of the application, on the HSANV staff report on the proposal, on the testimony and other evidence presented at the August 8, 2022 public hearing, and on several findings and conclusions, including:

1. The project, which entails an intra region transfer of 97 nursing home beds, is licensed capacity neutral, permitting Woodbine to expand without adding to the regional nursing home bed surplus.
2. Notable secondary effects of the project are the elimination of three and four bed patient rooms at Woodbine and the addition of a number of private (one-person) rooms there.
3. The project will result in a sizable increase in Medicare and Medicaid certified beds at Woodbine.
4. Expanding Woodbine Rehabilitation and Healthcare Center is not likely to affect demand or operations at neighboring nursing care facilities.
5. The project is consistent with applicable provisions of the Virginia State Medical Facilities Plan and with the regional planning principles in which the plan is grounded.

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

As demonstrated by **Table 4**, the projected capital costs of the proposed project are \$26,518,851, approximately 64% of which represent direct construction costs. The costs of the proposed project will be self-funded by the applicant's owners. DCOPN concludes that when compared to similar projects, these costs are high. For example, COPN No. VA-04678 issued to Patriots Colony, Inc. d/b/a Patriots Colony at Williamsburg to relocate 60 nursing home beds is anticipated to cost approximately \$15,000,000.

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

- The 97 nursing home beds being transferred to Woodbine are currently underutilized at Hermitage.
- The beds at Hermitage are not currently certified for Medicare and Medicaid, and as a Continuing Care Retirement Community, the Hermitage's beds are not generally available to the public. Woodbine will certify the 97 nursing beds for Medicare and Medicaid.
- Increasing the number of private rooms at Woodbine is a significant benefit of this project. As an older nursing home, Woodbine currently operates 30 of its rooms as triples and one as a quad

room. The trend in nursing homes is to increase private rooms. Woodbine's project will allow it to expand its complement of single occupancy rooms from seven to 52.

- Woodbine is a Specialty Care provider for the provision of ventilator services and is authorized for 63 ventilator beds. The proposed project would allow it to expand access to this service.
- Woodbine's project will not increase the number of licensed nursing home beds in PD 8.
- The nursing home beds will only be relocated 3.5 miles from Hermitage to Woodbine.

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

The applicant states that all beds currently and proposed to become operational at Woodbine are and will be fully certified by Medicare and Medicaid. Furthermore, the 97 nursing beds to be relocated are currently not accessible by all payor sources, but will become dually certified when in use at Woodbine. Additionally, the applicant states that Woodbine currently serves patients from all types of payment sources, and patients will be admitted without regard to payment source. As previously discussed, **Table 5** indicates that in 2020, approximately 58% of nursing home bed utilization was attributed to Medicaid services, with the percentage dropping marginally to approximately 57% in 2021. The applicant projects that by the second year of operation after completion of the proposed project, approximately 57% of nursing home bed utilization will be attributed to Medicaid long-term care services.

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

Surveys at Woodbine

An unannounced standard survey⁶, ending April 23, 2021, was conducted at Woodbine to determine if the facility was in compliance with Federal long term care participation requirements for Medicare and/or Medicaid, and, if applicable, State licensure regulations. Three complaints were investigated during the survey. The complaints were unsubstantiated. Additionally, one deficiency was identified. The survey ending April 23, 2021 found that Woodbine was not in substantial compliance with the participation requirements. The most serious deficiency was an isolated deficiency that constitutes no actual harm with potential for more than minimal harm that is not immediate jeopardy. The facility returned to compliance May 30, 2021.

An unannounced standard survey⁷, ending February 24, 2022, was conducted at Woodbine to determine if the facility was in compliance with Federal long term care participation requirements for Medicare and/or Medicaid, and, if applicable, State licensure regulations. Three complaints were investigated during the survey, and all were substantiated. Additionally

⁶ <https://www.vdh.virginia.gov/content/uploads/sites/96/2021/10/Woodbine-Rehab-and-Healthcare-04-23-2021-Standard.pdf>

⁷ <https://www.vdh.virginia.gov/content/uploads/sites/96/2022/05/woodbine-rehab-02-24-2022-standard.pdf>

17 deficiencies were identified. The survey ending February 24, 2022 found that Woodbine was not in substantial compliance with the participation requirements. The most serious deficiency was a pattern deficiency that constitutes no actual harm with potential for more than minimal harm that is not immediate jeopardy. A revisit survey⁸ was conducted on April 14, 2022. All deficiencies were corrected and the facility was in compliance with all regulations surveyed.

Hermitage's Temporary Licensure Variance

On June 30, 2022, Hermitage sought relief from the Regulations for Licensure of Nursing Facilities at 12VAC5-371-100D, which requires a license to be surrendered within 30 days of discontinuing services when ownership is being transferred or the facility closes. Hermitage's intention is to preserve the 97 nursing home beds that are subject to the forbearance agreement with Woodbine until such time as a decision is made on COPN Request No. VA-8645.

Surrender of the license prior to a decision on COPN Request No. VA-8645 would result in a circumstance in which the 97 nursing home beds would no longer exist as licensed beds and therefore would not be available for relocation. On July 18, 2022, the State Health Commissioner (Commissioner) granted Hermitage a temporary variance from the requirements of 12VAC5-371-100D, which is valid until the earlier of 15 days after a COPN decision is reached on COPN Request No. VA-8645, or December 31, 2022.

COVID-19 Cases at Woodbine

In 2020, the applicant reported 54 COVID-19 cases with seven deaths and 17 hospitalizations. In 2021, the applicant reported 38 COVID-19 cases with three deaths and seven hospitalizations.

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 criteria and standards for the addition of nursing beds. They are as follows:

Part VII. Nursing Facilities

12VAC5-230-600. Travel Time.

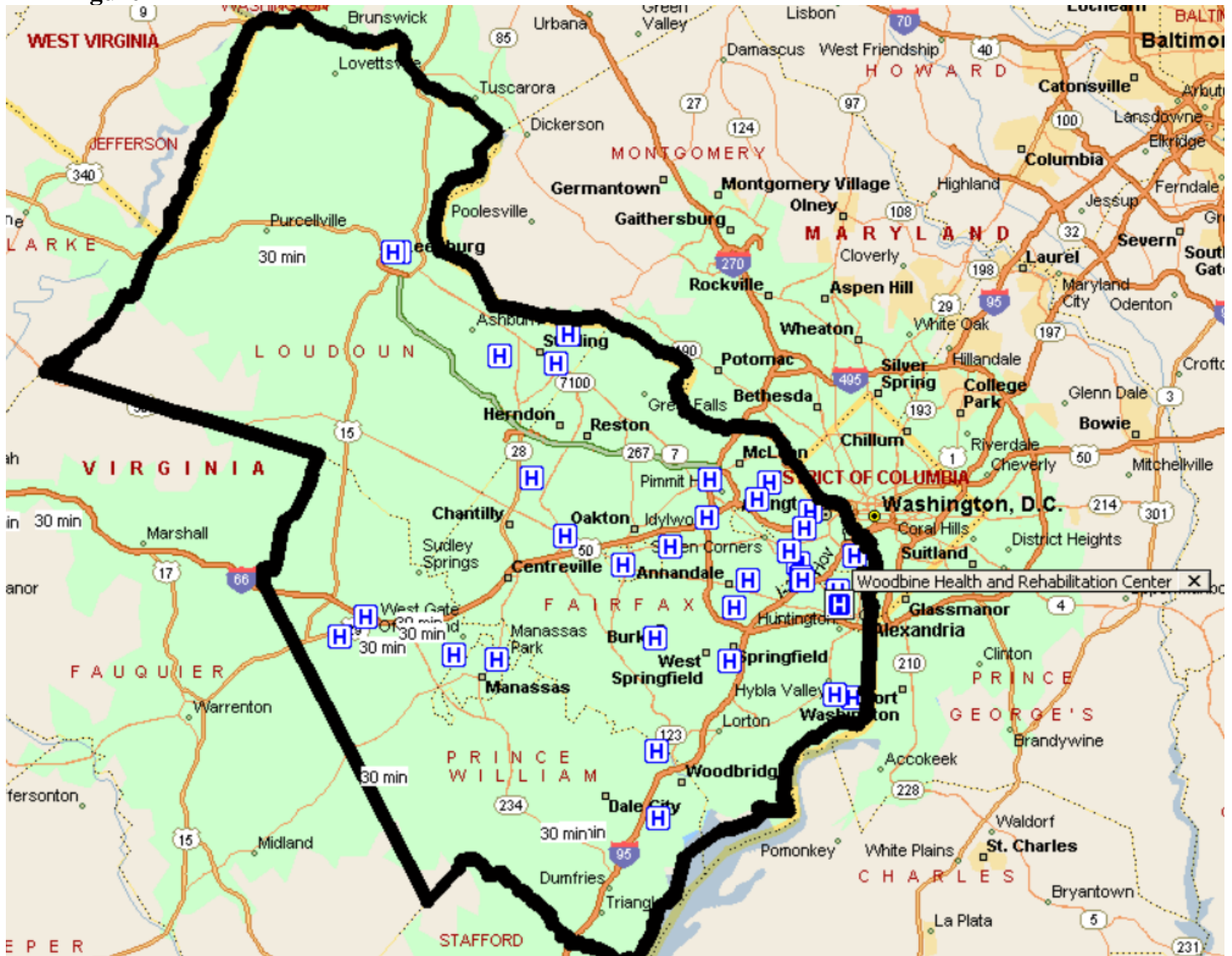
- A. Nursing facility beds should be accessible within 30 minutes driving time one way under normal conditions of 95% of the population in a health planning district using mapping software as determined by the commissioner**

The heavy black line in **Figure 1** identifies the boundary of PD 8. The blue "H" sign marks the location of the proposed project. The white "H" signs mark the locations of all other providers of nursing home care in PD 8. The green shaded area illustrates the area of PD 8 and the surrounding

⁸ <https://www.vdh.virginia.gov/content/uploads/sites/96/2022/05/woodbine-rehab-04-14-2022-revisit-no-def..pdf>

area that is currently within the 30-minute drive time of existing skilled nursing services in PD 8. Given the amount of shaded area, and its location, it is reasonable to conclude that 95% of the PD 8 population is within 30-minutes driving time, one way, under normal driving conditions, of existing skilled nursing services. Furthermore, because the applicant currently provides this service and Hermitage, the facility from which the beds are to be relocated, is located approximately four miles from Woodbine, DCOPN concludes that the proposed project would not improve geographic access for residents of PD 8 in any meaningful way.

Figure 1



B. Nursing facilities should be accessible by public transportation when such systems exist in an area.

As discussed above, the applicant asserts that public transportation is prevalent in Alexandria and the facility is accessible via multiple stops along King Street.

C. Preference may be given to proposals that improve geographic access and reduce travel time to nursing facilities within a health planning district.

The proposed project is not competing with another project. Accordingly, this standard is not applicable.

12VAC5-230-610. Need for New Service.

A. A health planning district should be considered to have a need for additional nursing facility beds when:

- 1. The bed need forecast exceeds the current inventory of beds for the health planning district; and**
- 2. The average annual occupancy of all existing and authorized Medicaid-certified nursing facility beds in the health planning district was at least 93%, excluding the bed inventory and utilization of the Virginia Veterans Care Centers.**

EXCEPTION: When there are facilities that have been in operation less than three years in the health planning district, their occupancy can be excluded from the calculation of average occupancy if the facilities had an annual occupancy of at least 93% in one of its first three years of operation.

B. No health planning district should be considered in need of additional beds if there are unconstructed beds designated as Medicaid certified. This presumption of ‘no need’ for additional beds extends for three years from the issuance date of the certificate.

C. The bed need forecast will be computed as follows:

$$\text{PDBN} = (\text{UR64} \times \text{PP64}) + (\text{UR69} \times \text{PP69}) + (\text{UR74} + \text{PP74}) + \text{UR79} + \text{PP79}) + \text{UR84} + \text{PP84}) + \text{UR85} + \text{PP85})$$

Where:

- PDBN = Planning district bed need.**
- UR64 = The nursing home bed use rate of the population aged 0 to 64 in the health planning district as determined in the most recent nursing home patient origin study authorized by VHI.**
- PP64 = The population aged 0 to 64 projected for the health planning district three years from the current year as most recently published by a demographic program as determined by the commissioner.**
- UR69 = The nursing home bed use rate of the population aged 65 to 69 in the health planning district as determined in the most recent nursing home patient origin study authorized by VHI.**
- PP69 = The population aged 65 to 69 projected for the health planning district three years from the current year as most recently published by a demographic program as determined by the commissioner.**

- **UR74 = The nursing home bed use rate of the population aged 70 to 74 in the health planning district as determined in the most recent nursing home patient origin study authorized by VHI.**
- **PP74 = The population aged 70 to 74 projected for the health planning district three years from the current year as most recently published by a demographic program as determined by the commissioner.**
- **UR79 = The nursing home bed use rate of the population aged 75 to 79 in the health planning district as determined in the most recent nursing home patient origin study authorized by VHI.**
- **PP79 = The population aged 75 to 79 projected for the health planning district three years from the current year as most recently published by a demographic program as determined by the commissioner.**
- **UR84 = The nursing home bed use rate of the population aged 80 to 84 in the health planning district as determined in the most recent nursing home patient origin study authorized by VHI.**
- **PP84 = The population aged 80 to 84 projected for the health planning district three years from the current year as most recently published by a demographic program as determined by the commissioner.**
- **UR85+ = The nursing home bed use rate of the population aged 85 and older in the health planning district as determined in the most recent nursing home patient origin study authorized by VHI.**
- **PP85+ = The population aged 85 and older projected for the health planning district three years from the current year as most recently published by a demographic program as determined by the commissioner.**

Health planning district bed need forecasts will be rounded as follows:

<u>Health Planning District Bed Need</u>	<u>Rounded Bed Need</u>
1-29	0
30-44	30
45-84	60
85-104	90
105-134	120
135-164	150
165-194	180
195-224	210
225+	240

EXCEPTION: When a health planning district has:

- 1. Two or more nursing facilities;**
 - 2. Had an average annual occupancy rate in excess of 93% for the most recent two years for which bed utilization has been reported to VHI; and**
 - 3. Has a forecasted bed need of 15 to 29 beds, then the bed need for this health planning district will be rounded to 30.**
- D. No new freestanding nursing facilities of less than 90 beds should be authorized. However, consideration may be given to a new freestanding facility with fewer than 90 nursing**

facility beds when the applicant can demonstrate that such a facility is justified based on a locality's preference for such smaller facility and there is a documented poor distribution of nursing facility beds within the health planning district.

- E. When evaluating the capital cost of a project, consideration may be given to projects that use the current methodology as determined by the Department of Medical Assistance Services.
- F. Preference may be given to projects that replace outdated and functionally obsolete facilities with modern facilities that result in the more cost-efficient resident services in a more aesthetically pleasing and comfortable environment.

Not applicable. The applicant is seeking to expand its existing complement of nursing home beds.

12VAC5-230-620. Expansion of Services.

Proposals to increase an existing nursing facility's bed capacity should not be approved unless the facility has operated for at least two years and the average annual occupancy of the facility's existing beds was at least 90% in the relevant reporting period as reported to VHI.

Note: Exceptions will be considered for facilities that operated at less than 90% average annual occupancy in the most recent year for which bed utilization has been reported when the facility offers short stay services causing an average annual occupancy lower than 90% for the facility.

In addressing this standard, the applicant asserts, "Woodbine's occupancy is well maintained at high average levels for the planning district and has fully recovered from the effects of the pandemic." As previously discussed, in 2020, the last year for which DCOPN has data available from VHI, the applicant operated at an 85.24% occupancy rate (**Table 1**), below the 90% occupancy rate mandated by 12VAC5-230-620. As previously noted, the Available Days, as reported to VHI for 2020, are for only half of the year – 56,488 Available Days, as opposed to 112,362 Available Days to represent the 366 days in 2020. In response to a request to explain the discrepancy, the applicant asserted, "[t]he new operator of the Woodbine facility took over management on 12/30/2019, and their first period of reportable operating data was for only the six month period 12/30/2019-6/30/2020, which covered only 184 Available Days. The second year of operations [2021] reflects a full year/twelve month period." DCOPN notes that annualizing the 2020 information (96,300 Patient Days and 112,055 Available Days) results in an 85.94% utilization for that year, which is consistent with Woodbines historical utilization trends. Furthermore, the applicant's self-reported 2021 occupancy rate was 87.07%, still below the 90% occupancy rate mandated by this section (**Table 2**). As the applicant's utilization is below this threshold, DCOPN concludes that the applicant does not meet this standard.

12VAC5-230-630. Continuing Care Retirement Communities.

Proposals for the development of new nursing facilities or the expansion of existing facilities by continuing care retirement communities (CCRC) will be considered when:

1. The facility is registered with the State Corporation Commission as a continuing care provider pursuant to Chapter 49 (§38.2-4900 et seq.) of Title 38.2 of the Code of Virginia;

2. **The number of nursing facility beds requested in the initial application does not exceed the lesser of 20% of the continuing care retirement community's total number of beds that are not nursing home beds or 60 beds;**
3. **The number of new nursing facility beds requested in any subsequent application does not cause the continuing care retirement community's total number of nursing home beds to exceed 20% of its total number of beds that are not nursing facility beds; and**
4. **The continuing care retirement community has established a qualified resident assistance policy.**

This provision is not applicable to the proposed project, as the applicant is not a continuing care retirement community.

12VAC5-230-640. Staffing.

Nursing facilities shall be under the direction or supervision of a licensed nursing home administrator and staffed by licensed and certified nursing personnel qualified as required by law.

The applicant asserts that Woodbine is and will be staffed by appropriate and sufficient professional and non-professional staff to comply with all regulatory requirements. The applicant further asserts that future staffing levels and patterns are projected to comply with increased Centers for Medicare and Medicaid Services (CMS) 5-STAR rating guidelines.

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;**

In addressing this consideration, the applicant asserts:

Approval of this application will add private (single person) room beds, eliminate all three and four person room beds, better meet the growing population needs, and improve Woodbine's ability to more effectively compete for short term rehab stays. Additionally, Woodbine believes that the increased Medicaid certified bed capacity will improve financial access to nursing home beds for the [PD's] long term care population in general, and Alexandria in particular.

As demonstrated by **Table 1**, there are 36 COPN authorized nursing facilities in PD 8, operating 4,485 nursing home beds, operated by different owners and operators. DCOPN contends that the proposed project is not likely to foster additional institutional competition benefiting PD 8, as sufficient competition already exists among existing providers. Furthermore, as displayed in **Table 1**, the existing nursing home beds operated at 73.16% utilization in 2020, indicating ample capacity to accommodate those seeing long-term care in PD 8.

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;

In addressing this consideration, the applicant asserts, “Woodbine Rehabilitation and Healthcare Center has served the residents of the Primary Service Area for almost 60 years, and as such has excellent connectivity to the existing healthcare system serving the area, and the region. The proposed project will not negatively impact existing providers.” DCOPN again notes that VHI data demonstrates that in 2020, PD 8 nursing home beds operated well beneath maximum capacity at 73.16% utilization (**Table 1**), indicating that there is ample underutilized inventory within the planning district to provide adequate nursing care to residents of PD 8 for the foreseeable future. However, because the beds are existing licensed nursing home beds in PD 8, the proposed project is unlikely to affect existing services or facilities.

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 Pro Forma Income Statement (**Table 7**) provided by the applicant anticipates a net profit of \$2,672,820 in year one and \$5,693,834 in year two, illustrating that the proposed project is financially feasible in the immediate and the long-term, assuming the applicant is able to fill the requested beds. As already discussed, DCOPN contends that the projected capital costs for the proposed project are high when compared to previously authorized projects similar in scope. The applicant will fund the project entirely using the owner’s funds. Accordingly, there are no financing costs associated with this project. Therefore, DCOPN concludes that the proposed project is feasible with regard to financial costs.

Table 7. Woodbine Pro Forma Income Statement

	Year 1	Year 2
Total Gross Patient Care Services Revenue	\$61,642,700	\$66,701,613
Deductions from Revenue	(\$8,928,557)	(\$9,659,578)
Net Patient Care Services Revenue	\$52,714,143	\$57,042,035
Other (Non-Patient Care) Revenue	\$1,160,844	\$1,263,453
Total-Net Revenue	\$53,874,986	\$53,305,488
Direct Patient Care Expenses	\$30,000,001	\$30,640,332
Indirect Patient Care Expenses	\$12,002,165	\$12,771,323
Capital-Related Expenses	\$9,550,000	\$10,550,000
Total Expenses	\$51,202,166	\$52,611,654
Per Diem Expenses	\$419.45	\$395.99
Net Income (before income taxes)	\$2,672,820	\$5,693,834

Source: COPN Request No. VA-8645

With regard to staffing, the applicant anticipates the need to hire 123.93 additional full time equivalent (FTEs) of positions, including 112.24 FTEs of nursing personnel in order to staff the proposed project. The applicant states that Marquis, Woodbine’s administrative and management consultant, employs a full time recruiter position exclusive to Woodbine, which has proven to be very effective. The applicant further asserts that Woodbine is a fully competitive recruiter and

employer of nursing staff in the market. Nonetheless, given the very large number of nursing positions, DCOPN is highly concerned that staffing for this project will prove incredibly difficult. A review of the applicant's website shows that it is currently recruiting for the positions below, in addition to the 112.24 FTEs needed to staff the proposed project.

- Infection Preventionist Registered Nurse;
- Quality Assurance Registered Nurse;
- Registered Nurse Unit Manager;
- Licensed Practical Nurse; and
- Certified Nursing Assistant.

Even should staffing be possible, it is extremely unlikely that it could be effectuated without detrimentally affecting existing providers due to the large number of nursing personnel needed currently and to staff the proposed project. As such, DCOPN must ultimately conclude that the proposed project is not feasible with regard to staffing.

- 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 applicant is not proposing to introduce new technology that promotes quality, cost effectiveness, or both in the delivery of health care services. Nor is the applicant proposing the potential for provision of health care services on an outpatient basis. The applicant does not provide, nor has it proposed to provide, improvements or innovations in the financing and delivery of health services as demonstrated by cooperative efforts to meet regional health care needs. DCOPN did not identify any other factors, not addressed 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. 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.

DCOPN Staff Findings and Conclusions

DCOPN finds that the proposed project to transfer 97 nursing home beds from Hermitage to Woodbine is not consistent with the applicable criteria and standards of the SMFP and the Eight

Required Considerations of the Code of Virginia. The applicant does not meet the standard for expansion, as required by 12VAC5-230-620. In 2020, the last year for which DCOPN has data available from VHI, the applicant operated at an 85.24% occupancy rate (**Table 1**), below the 90% occupancy rate mandated by the SMFP.

Moreover, DCOPN finds that there are reasonable alternatives to the proposed project that do not require the relocation of the 97 nursing home beds from Hermitage. Although the applicant is eliminating its three bed and four bed rooms and adding 45 more private rooms, the vast majority, or approximately 87%, of Woodbine's beds will remain in semi-private rooms, which is inconsistent with market trends in nursing homes and with one of the applicant's stated goals. In the alternative, the relocation of beds from semi-private rooms to the new building without transferring beds from Hermitage would allow the applicant to create an even greater number of private rooms.

Additionally, DCOPN finds that when compared to similar projects, the total capital costs for the proposed project are high. For example, COPN No. VA-04678 issued to Patriots Colony, Inc. d/b/a Patriots Colony at Williamsburg to relocate 60 nursing home beds is anticipated to cost approximately \$15,000,000. Additionally, due to the large number of nursing personnel currently needed and to staff the proposed project DCOPN concludes that the proposed project is not feasible with regard to staffing.

DCOPN Staff Recommendations

The Division of Certificate of Public Need recommends **denial** of Woodbine Property 1, LLC's COPN Request to relocate 97 nursing home beds within PD 8. DCOPN's recommendation is based on the following findings:

1. The project is not consistent with the applicable criteria and standards of the SMFP and the Eight Required Considerations of the Code of Virginia.
2. The applicant has not satisfied the required expansion standard.
3. There are reasonable alternatives that are preferable to the proposed project.
4. The capital costs for the proposed project are high when compared to similar projects.
5. The proposed project is not feasible with regard to staffing.