

VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis

November 21, 2022

COPN Request No. VA-8656

OHI Asset (VA) Moneta, LLC

Moneta, Virginia

Establish a nursing home with 90 relocated beds from within Planning District (PD) 12

Applicant

The owner, OHI Asset (VA) Moneta, LLC is an affiliate of Omega Healthcare Investors, Inc. The sole member of the applicant-entity is OHI Asset HUD SF CA LLC, a Delaware LLC, whose sole member is OHI Healthcare Properties Limited Partnership, a Delaware limited partnership, whose general partner is Omega Healthcare Investors, Inc. a Maryland corporation. Omega is a publicly-held Real Estate Investment Trust which is traded on the New York Stock Exchange. Omega is the largest owner of nursing home real estate properties in the United States, owning at least 741 nursing home properties nationwide, including 25 in Virginia.

The proposed operator, Smith Mountain Lake Health & Rehab Center, LLC (SMLHRC) is an affiliate of Saber Healthcare Holdings Group, LLC (Saber) Beachwood, Ohio. Saber is one of the largest nursing home operating companies in the eastern United States with approximately 100 leased facilities. About half of those are leased from Omega and 20 are located in Virginia. Omega and Saber are separate organizations. For the proposed project, Saber would lease the property from Omega on a long-term, triple net lease basis.

Background

Division of Certificate of Public Need (DCOPN) records show that there are currently thirteen nursing home facilities with 1,929 licensed nursing home beds located in PD 12 (**Table 1**). Virginia Health Information (VHI) data for 2020, the last year for which such data are available, showed that these facilities operated at a collective utilization of 75.2% that year (**Table 1**).

In PD 12, Omega owns the real estate for Mulberry Creek Nursing and Rehab Center (MCNRC) from where the proposed project would relocate 90 beds. It also owns the real estate for Rocky Mount Rehabilitation and Healthcare Center, LLC, and would purchase the site for the proposed project, should it be approved. Omega is affiliated with 24.9% of nursing home beds in PD 12 and the proposed project wouldn't change that.

Saber Health, parent company of the proposed operator SMLHRC, currently operates Rocky Mount Rehabilitation and Healthcare Center, LLC, Danville Healthcare Group, Inc. (d/b/a Stratford Health Center) and Chatham Health and Rehabilitation Center in PD 12; Should the proposed project be approved, Saber would be affiliated with 21.5% of nursing home beds in PD 12.

Table 1. PD 12 Nursing Bed Inventory and 2020 Utilization

Facility Name	Days in the Reporting Period	Licensed Nursing Beds	Patient Days	Available Days	Occupancy Rate
Blue Ridge Nursing Therapy Connection	275	190	42,700	52,250	81.72%
Chatham Health and Rehabilitation Center	366	85	26,283	31,110	84.48%
Danville Healthcare Group Inc (Stratford Health Center)	366	60	17,330	21,960	78.92%
Franklin Health & Rehabilitation Center	366	120	38,213	43,920	87.01%
Gretna Health & Rehabilitation Center	366	90	29,410	32,940	89.28%
King's Grant (C0022)	366	32	9,902	11,712	84.55%
Martinsville Health and Rehab	366	140	37,002	51,240	72.21%
Mulberry Creek Nursing and Rehab Center	347	300	65,120	104,100	62.56%
Piney Forest Health & Rehabilitation Center	366	120	39,395	43,920	89.70%
Riverside Health & Rehabilitation Center	366	180	52,642	65,880	79.91%
Rocky Mountain Rehabilitation and Healthcare Center, LLC	366	180	40,497	65,880	61.47%
Roman Eagle Rehabilitation and Health Care Center, Inc.	366	312	84,521	114,192	74.02%
Stanleytown Health & Rehabilitation Center	366	120	30,566	43,920	69.59%
Total and Average	4,648	1,929	513,581	683,024	75.19%

Source: VHI and DCOPN Records

According to VHI, the MCNRC facility, previously Blue Ridge Rehab Center, saw declining utilization from 2015 to 2018. In January 2020 its operator changed to AFS of Martinsville/Kissito Healthcare, and it reopened under its new name, “Mulberry Creek Nursing and Rehab Center.” The latest five years of utilization data are shown in Table 2. At a five-year average of 80.5% occupancy of its 300 licensed nursing beds, the facility had 242 occupied beds over the past five years of operation, on average. During the most recent year that utilization data are available 2020, the first year under new management, the occupancy rate at MCNRC was 62.6%, meaning 188 beds were in use on average, and 112 were unoccupied. If that same number of beds were occupied, but 90 beds were relocated to the proposed project, MCNRC would have a 89.5% utilization rate of its remaining 210 beds.

Proposed Project

The applicant proposes to relocate 90 beds from MCNRC to SMLHRC, a new site to be constructed near 400 Scruggs Road in Moneta, Virginia. Both locations are within PD 12 and located just under one hour apart. The applicant states that the proposed facility would be a single-story, 48,900 square foot building on approximately 8 acres, dually-certified for both Medicare and Medicaid and accessible to patients with all payer sources. The proposed project would have 60 patient rooms, half of them single-occupancy and half double-occupancy. According to the applicant, if the proposed project is approved, it will enter into a forbearance agreement with AFS of Martinsville/Kissito, operator of MCNRC, to acquire licensure rights to the 90 nursing home beds

and MCNRC would forgo rights to those licensed beds. The proposed project would add one new nursing home site to PD 12, but no additional licensed nursing home beds. The applicant describes the trend toward single-occupancy nursing home rooms for flexibility in placing patients, patient preference and infection control, and plans for half of the rooms at the proposed facility to be single-occupancy. A support letter from the Chief Operating Officer (CEO) of Kissito indicates that approval of the proposed project would enable MCNRC to create 90 single-occupancy patient rooms should 90 licensed beds be relocated to SMLHRC.

Table 2. Mulberry Creek Nursing & Rehab Center: 2015-2020

Year	Name of Facility	Licensed Nursing Beds	Patient Days	Available Days	Occupancy Rate
2015	Blue Ridge Rehab Center	300	99,637	109,500	91.0%
2016	Blue Ridge Rehab Center	300	95,720	109,500	87.4%
2017	Blue Ridge Rehab Center	300	90,460	109,500	82.6%
2018	Blue Ridge Rehab Center	300	85,479	109,500	78.1%
2019	Data Not Available				
2020	Mulberry Creek Nursing and Rehab Center	300	65,120	104,100	62.6%
	Average Utilization 2015-2020		436,416	542,100	80.5%

Source: VHI

The total capital and financing cost of the proposed project is \$14,392,000 (Table 3). The applicant asserts that costs of the proposed project will be self-funded by the owner.

Table 3. Capital and Financing Costs

Direct Construction Costs	\$ 10,975,000
Equipment Not Included in Construction Contract	\$ 1,250,000
Site Acquisition Costs	\$ 720,000
Site Preparation Costs (included in Direct Construction Costs)	\$ 0
Off-Site Costs	\$ 1,125,000
Architectural and Engineering Fees	\$ 290,000
Taxes & Government Fees During Construction	\$ 32,000
Total Capital Costs	\$ 14,392,000

Source: COPN Request No. 8656

The applicant projects that construction on the proposed project will begin within 18 months of COPN issuance and will be complete within 33 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 “[e]stablishment of a 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;**

According to the Nursing Home Bed Need Forecast for 2022, PD 12 has a surplus of 48 nursing home beds. The proposed project, however, would redistribute nursing home beds without increasing the existing inventory.

Table 4 provides demographic and nursing home bed availability information for PD 12. Nearly a quarter of the population in PD 12 was over 65 years old in 2020 compared to 16% of Virginia overall. The overall population of PD12 is projected to decline by 3.5% between 2020 and 2030, while Virginia is projected to grow by 7.8 during the same period. Franklin County, where the proposed project would be located, is the only county of the cities/counties in PD 12 that is projected to grow (by 7.32% between 2020 and 2030). It will surpass Pittsylvania as the most populated county in PD12 in less than a decade. It also has a higher percentage of people over 65 than the overall planning district, and the highest growth rate in PD 12 for the 65+ population.

The distribution of nursing home beds in PD 12 does not reflect this demographic composition and projected future state. Looking at the number of licensed nursing home beds per population over 65 in Table 4, Franklin County has 20.6 beds per thousand people age 65+. Martinsville City, where MCNRC is located, has 181 beds per thousand 65+ population; The redistribution of nursing home beds from a less populated, younger population to one with a larger and growing older population would improve nursing home access for a population that will have increasing need over the next decade. The applicant anticipates the proposed facility would be 65.1% occupied in the first year of operation and 90% occupied the second year.

The proposed location of SMLHRC is near Smith Mountain Lake, a large body of water bordering Bedford, Franklin and Pittsylvania Counties. The lake makes this an attractive area for retirees but also creates a geographic barrier to access, with very limited roadways to and from the area, and no scheduled public transportation. The proposed project would improve access within this geography.

Table 4. PD 12 Demographic Data

Municipality	2020	7/1/30 Projected Population	Total Chg. In Pop.2020-2030	Total % Chg.2020-30	Avg. Ann.Rate Chg.2020-30	Percentage of Population over 65	
						2020	Proj 2030
Danville	40,169	35,358	-4,811	-11.98%	-1.27%	21%	24%
Franklin	56,237	60,354	4,117	7.32%	0.71%	26%	29%
Henry	50,986	46,764	-4,223	-8.28%	-0.86%	24%	28%
Martinsville	13,002	11,573	-1,429	-10.99%	-1.16%	20%	25%
Patrick	17,682	16,565	-1,116	-6.31%	-0.65%	27%	32%
Pittsylvania	61,379	60,523	-855	-1.39%	-0.14%	23%	27%
PD 12	239,454	231,137	-8,317	-3.47%	-0.35%	24%	28%
Virginia	8,655,021	9,331,666	676,644	7.82%	0.76%	16%	18%
						Beds per 1000 65+ Pre and Post SMLHRC	
65+ Population							
Danville	8,381	8,621	240	2.86%	0.28%	80.2	80.2
Franklin	14,536	17,313	2,777	19.11%	1.76%	20.6	26.8
Henry	12,026	13,248	1,222	10.16%	0.97%	10.0	10.0
Martinsville	2,608	2,861	253	9.69%	0.93%	181.0	146.5
Patrick	4,738	5,359	621	13.10%	1.24%	40.1	40.1
Pittsylvania	14,120	16,364	2,244	15.89%	1.49%	12.4	12.4
PD 12	56,409	63,766	7,356	13.04%	1.23%	34.2	34.2
Virginia	1,352,448	1,723,382	370,934	27.43%	2.45%		

Source: Census and Weldon Cooper Center

Regarding socioeconomic barriers to access to services, the applicant has stated that the 90 beds will be dually-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. The applicant anticipates that in the first and second years of operation 68% of patient days will be Medicaid. This is significantly lower than the latest available average occupancy across PD 12 of Medicaid nursing facilities (2017), 87.4%.

Table 5. PD 12 City/County Populations

Municipality	Population		% of PD 12	
	2020	Proj 2030	2020	Proj 2030
Danville	40,169	35,358	17%	15%
Franklin	56,237	60,354	23%	26%
Henry	50,986	46,764	21%	20%
Martinsville	13,002	11,573	5%	5%
Patrick	17,682	16,565	7%	7%
Pittsylvania	61,379	60,523	26%	26%
PD 12	239,454	231,137	100%	100%

Source: Census and Weldon Cooper Center

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 administrators of Stratford Rehabilitation Center in Danville, Interim Healthcare in Lynchburg, Chatham Health and Rehabilitation in Chatham, Rocky Mount Health and Rehabilitation in Rocky Mount, and the CEO of Kissito in Roanoke; Omnicare, a pharmaceutical business partner; Premier Geriatric Solutions (physician practice) and the Franklin County Administrator. The letters discussed Saber as an efficient and quality provider and business partner and described recent renovations at other Saber-operated facilities in PD 12. Some letters emphasized the need for additional nursing home access in Franklin County through the reallocation of underutilized nursing home beds, and the letter from Kissito described the benefits to MCNRC of transitioning out 90 underutilized beds to create 90 single occupancy rooms, a preferred choice among nursing home residents and a better environment for infection control.

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

Public Hearing

DCOPN provided notice to the public regarding these projects on September 10, 2022. The public comment period closed on October 25, 2022. No public hearing was required for the proposed 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;

The proposed project is more desirable than the status quo for a number of reasons. As previously discussed, the distribution of nursing home beds in PD 12 is not currently optimal. As shown in Table 4, the only growing county in the planning district, the one with the largest number of people aged 65 or older, and the fastest-growing 65+ population, is the area of PD 12 where the proposed project would be located. Moving nursing home beds from a younger and decreasing population to an area of PD 12 that is older, growing and aging more quickly will better distribute existing, underutilized nursing home resources where they are more likely to be occupied.

VHI data demonstrates that in 2020, PD 12 nursing home beds operated beneath maximum capacity at 75.2% (**Table 1**). The applicant has projected that the proposed facility will have a 90% occupancy in its second year of operation. Redistributing underutilized beds to a location with more nursing bed need will elevate the overall average occupancy in the planning district. The proposed facility would be located in an area of Franklin County that does not currently have access within 30 minutes' drive time of a licensed nursing home in PD 12, improving access to a

geography of the population without the level of access set forth in the State Medical Facility Plan (SMFP).

The relocation of 90 licensed nursing home beds will also enable the creation of more single-occupancy nursing home rooms in PD 12, both at SMLHRC and MCNRC. According to the applicant, the trend in nursing homes is to increase private rooms. Not only do prospective residents prefer private rooms, but they enable room placement without consideration of matching roommates for gender or temperament, and are more effective for infection control. The proposed new facility would offer 30 private rooms, and a letter of support from the operator of MCNRC says it intends to create 90 private rooms there as well, should the proposed project be approved and beds are transferred from that facility.

There are no reasonable alternatives to redistributing existing beds from an underutilized facility such as MCNRC, to an area of greater nursing home need, such as the one surrounding the proposed facility. No other underutilized facilities have been identified from which to transfer beds.

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

Currently there is no organization in HPR III designated by the Virginia Department of Health to serve as the Health Planning Agency for PD 12. Therefore, this consideration is not applicable to the review of the proposed project.

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

As demonstrated by **Table 3**, the estimated capital costs of the proposed project are \$14,392,000, 72.5% of which represent direct construction costs. The applicant asserts that costs of the proposed project will be self-funded by the owner. The per-bed cost of \$159,911 compares favorably to the most recent similar project approved, COPN Number VA-04789. This project is located in PD 7 and approved in April of 2022 to add 60 nursing home beds at \$179,006 per bed.

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

- The area surrounding the proposed project has a demographic and projected population shift that has a high need for nursing home beds relative to the rest of the planning district.
- The proposed site is more than 30 minutes from an existing nursing home facility in PD 12.
- The 90 nursing home beds being transferred to the proposed new facility are currently underutilized at MCNRC.
- The proposed facility will be dually-certified by Medicaid and Medicare.
- The proposed project would increase the number of private rooms available, both at the proposed new site and at the site from which licensed beds would be transferred

(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 the 90 licensed nursing home beds proposed at SMLHRC would be dually-certified by Medicare and Medicaid and that SMLHRC would provide service to patients with all payer sources; however, the applicant projects that in the first and second years of operation 68% of patient days will be Medicaid, significantly lower than the latest reported average occupancy of Medicaid nursing facilities in PD 12 (2017), 87.4%.

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

DCOPN has not identified other factors relevant to the determination of public need for the proposed project.

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:

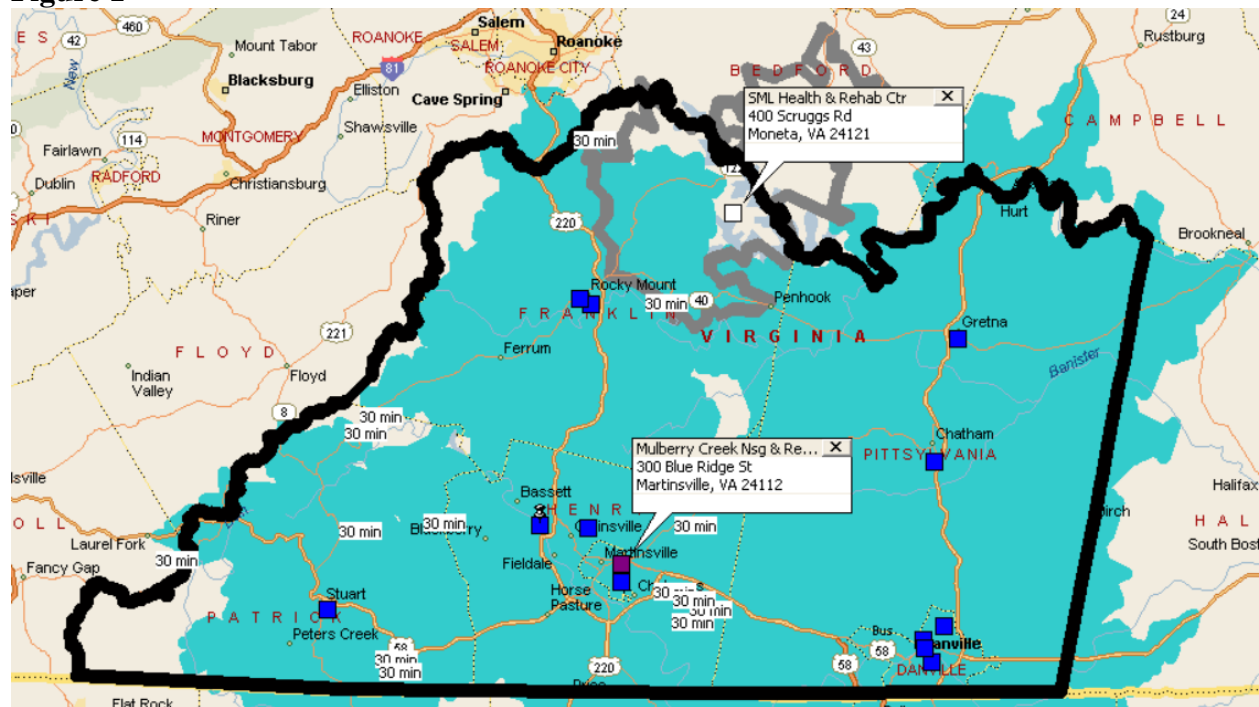
Part VII. Nursing Facilities

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 12. The squares indicate the locations of the nursing home facilities, with the purple one marking MCNRC and the white one indicating the proposed location of SMLHRC. The shaded teal area is within the 30-minute drive time of existing nursing facilities in PD 12. The grey outline around the proposed SMLHRC site shows the area accessible with a 30-minute drive to or from that site. It includes a band of Franklin County adjacent to Smith Mountain Lake that is not currently within 30 minutes of existing PD 12 nursing home facilities. The proposed project will, therefore, improve access in that geography. The nearest nursing homes to the proposed site outside of PD 12 are 30 miles away in Bedford County and 31 minutes away in Roanoke City County.

Figure 1



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

The applicant states that no regularly scheduled public transportation services are available in Franklin County, but on-call point-to-point transport is available.

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 proposed project will not add nursing facility beds in PD 12 and the proposed project meets the 90-bed threshold.

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.

Not applicable. The proposed project would not expand an existing facility.

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 SMLHRC 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 that the proposed facility will present a viable and more accessible alternative for local residents to consider.

As demonstrated by **Table 1**, there are 13 COPN authorized nursing facilities in PD 12, operating 1,929 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 12, as sufficient competition already exists among existing providers.

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 PD 12, Omega owns the real estate for Mulberry Creek Nursing and Rehab Center (MCNRC) from where the proposed project would relocate 90 beds. It also owns the real estate for Rocky Mount Rehabilitation and Healthcare Center, LLC, and would purchase the proposed SMLHRC site, should the proposed project be approved. Omega is affiliated with 24.9% of nursing home beds in PD 12 and the proposed project wouldn't change that. Saber Health operates Rocky Mount Rehabilitation and Healthcare Center, LLC, Danville Healthcare Group, Inc. (d/b/a Stratford Health Center) and Chatham Health and Rehabilitation Center in PD 12, and would be the operator of SMLHRC, should the proposed project be approved. That would affiliate Saber with 21.5% of nursing home beds in PD 12.

The proposed project would reduce the number of licensed nursing home beds at MCNRC, enabling creation of more private rooms. This will increase its utilization/efficiency. Due to demographic factors already discussed, relocating 90 beds to SMLHRC should improve utilization of these beds as well.

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 6**) provided by the applicant anticipates a net loss of \$1,97,720 in year one and a net profit of \$1,143,107 in year two, illustrating that the proposed project is financially feasible in the near and the long-term, assuming the applicant is able to fill the requested beds. The projected capital costs for the proposed project are reasonable 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 6. Smith Mountain Lake Health & Rehab Center

Pro Forma Income Statement	Year 1	Year 2
Total Gross Patient Care Services Revenue	\$8,744,324	\$12,096,574
Deductions from Revenue	\$1,353,372	\$1,876,006
Net Patient Care Services Revenue	\$7,390,952	\$10,220,568
Other (Non-Patient Care) Revenue	\$3,000	\$3,000
Total-Net Revenue	\$7,393,952	\$10,223,568
Direct Patient Care Expenses	\$4,095,281	\$5,118,424
Indirect Patient Care Expenses	\$2,156,391	\$2,622,037
Capital-Related Expenses	\$1,340,000	\$1,340,000
Total Expenses	\$7,591,672	\$9,080,461
Per Diem Expenses	\$354.90	\$307.14
Net Income (before income taxes)	(\$197,720)	\$1,143,107

Source: Application COPN Request No. VA-8656

With regard to staffing, the applicant anticipates the need to hire 98.8 full time equivalent (FTEs) of positions, including 68.8 FTEs of nursing personnel in order to staff the proposed project. The applicant states that other facilities operated by Saber have successfully recruited to fill open

positions locally and expect to be able to at the proposed site as well. The applicant asserts that the proposed site would be an alternative for healthcare personnel that live in the area rather than driving to Roanoke or Lynchburg.

- 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 90 nursing home beds from MCNRC to the proposed SMLHRC consistent with the applicable criteria and standards of the SMFP and the Eight Required Considerations of the Code of Virginia. Though there is an oversupply of nursing home beds in PD 12, the proposed project would not increase them, but would relocate 90 underutilized beds to a new site with a growing and aging population and less availability of nursing home beds. It would enable an increase in the number of private nursing home rooms by 120 (30 at SMLHRC and 90 at MCNRC).

DCOPN finds that there are no reasonable alternatives to redistributing underutilized nursing home beds within PD 12, and no other site has been presented as an alternative. The proposed site is in the only county in PD 12 where the population is growing and it would offer access within a 30-minute drive to a strip of Franklin County currently without that availability.

Additionally, DCOPN finds that when compared to similar projects, the total capital costs for the proposed project compare favorably. For example, COPN Number VA-04789 was recently approved in PD 7 at a cost of \$179,006 per bed, compared to \$159,911 for the proposed project. DCOPN also find the proposed project feasible with regard to finances, staffing and other resources.

DCOPN Staff Recommendations

The Division of Certificate of Public Need recommends **conditional approval** of OHI Asset (VA) Moneta, LLC's COPN Request to relocate 90 nursing home beds within PD 12. DCOPN's recommendation is based on the following findings:

1. The project is generally consistent with the applicable criteria and standards of the SMFP and the Eight Required Considerations of the Code of Virginia.
2. The project does not add nursing home beds to the inventory of PD 12 but relocates 90 underutilized beds for a distribution more consistent with the population, demographics and growth of the planning district.
3. Consistent with industry trends, the proposed project would enable the addition of 120 private nursing home rooms.
4. No reasonable alternatives have been identified that are preferable to the proposed project.
5. The capital costs for the proposed project compare favorably to similar projects and would be self-funded by the owner.
6. The proposed project is feasible with regard to finances, staffing and other resources.

Recommended Condition:

In accordance with § 32.1-102.4 of the Code of Virginia, Smith Mountain Lake Health & Rehab Center, LLC will provide nursing home services to persons as needed, without regard to their ability to pay for them. Smith Mountain Lake Health & Rehab Center, LLC will provide nursing home services to individuals who are eligible for benefits under Title XVIII of the Social Security Act (42 U.S.C. § 1395 et seq.), Title XIX of the Social Security Act (42 U.S.C. § 1396 et seq.), and 10 U.S.C. § 1071 et seq.