

VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis

November 21, 2022

COPN Request No. VA-8658

Henrico VA OPCO, LLC, d/b/a August Healthcare at Richmond

Addition of 88 Nursing Home Beds to an Existing Nursing Facility Planning District (PD) 15

Applicant

Henrico VA OPCO, LLC d/b/a August Healthcare at Richmond is the operator of the proposed project, formed for the purpose of owning a long-term lease of 1503 Michaels Road, Richmond, VA (Henrico County), which property is owned by Henrico VA PROPCO, LLC, a related party to the applicant

The owners of August Healthcare at Richmond have 21 other facilities in Virginia. August Healthcare of Richmond acquired the facility, formerly Little Sisters of the Poor, in 2021.

Background

Division of Certificate of Public Need (DCOPN) records show that there are currently 33 nursing home facilities with 4,282 licensed nursing home beds located in Planning District (PD) 15 (**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 80.2% that year (**Table 1**). Little Sisters of the Poor had an average occupancy of 95.7% from 2015 to 2020, prior to its purchase by August Healthcare. Occupancy dropped to below 90% in 2020, according to VHI (**Table 2/ Chart 1**).

The Little Sisters of the Poor facility, now August Healthcare, began operations about 70 years ago. It currently has 32 licensed Medicaid-only certified beds and 40 assisted living beds. August Healthcare has applied for Medicare certification. If approved, the facility would have 120 beds, dually certified for Medicare and Medicaid. August Healthcare's long term care nursing and assisted living services are available on all three floors of the building. The connected independent living building is not part of the proposed project.

Table 1. PD 15 Nursing Bed Inventory and 2020 Utilization

Facility Name	Licensed Nursing Beds	Patient Days	Available Days	Occupancy Rate
Ashland Nursing & Rehabilitation Center	190	55,645	69,540	80.02%
Autumn Care of Mechanicsville	169	48,513	61,854	78.43%
Beaufont Health & Rehabilitation Center	120	35,761	43,920	81.42%
Beth Sholom Home of Virginia	101	29,942	36,966	81.00%
Bonview Rehabilitation and Healthcare (Formerly Envoy of Stratford Hills)	196	49,011	71,736	68.32%
Brandermill Woods Health Care Center	60	18,148	21,960	82.64%
Canterbury Rehabilitation and Healthcare Center	190	25,864	34,960	73.98%
Cedarfield (C0030)	60	19,243	21,900	87.87%
Chesterfield Health & Rehab	90	26,036	32,940	79.04%
Childrens Hospital of Richmond	47	11,722	17,202	68.14%
Covenant Woods (C0060)	62	16,988	22,692	74.86%
Elizabeth Adam Crump Health and Rehab	180	53,027	65,880	80.49%
Envoy Health Care at The Meadows	84	28,115	30,744	91.45%
Envoy Health Care of Westover Hills	174	46,116	63,684	72.41%
Glenburnie Rehabilitation and Nursing Center	125	6,738	11,375	59.24%
Hanover Health & Rehabilitation Center	120	32,017	43,920	72.90%
Henrico Health & Rehabilitation Center	120	30,594	43,920	69.66%
Hermitage Richmond (C0033)	104	20,660	38,064	54.28%
Lakewood Manor Baptist Retirement Comm (C0028)	96	30,757	35,136	87.54%
Laurels of Bon Air	124	37,699	45,384	83.07%
Laurels of University Park	145	49,792	53,070	93.82%
Laurels of Willow Creek	120	38,318	43,920	87.24%
Little Sisters of the Poor	32	10,400	11,712	88.80%
Lucy Corr Village (C0078)	216	71,460	79,056	90.39%
Manor Care-Imperial of Richmond VA, LLC	128	30,187	46,848	64.44%
Manor Care-Richmond	194	59,637	71,004	83.99%
Masonic Home of Virginia (C0012)	67	8,988	24,522	36.65%
Our Lady of Hope Health Center	75	23,659	27,450	86.19%
Parham Healthcare & Rehabilitation Center	180	56,058	65,880	85.09%
Sitter and Barfoot Veterans Care Center	200	67,953	73,200	92.83%
Virginia Home, The Westminster-Canterbury of Richmond (C0037)	130	46,308	47,580	97.33%
Westport Rehabilitation and Nursing Center	225	16,205	20,475	79.15%
PD 15 Totals and Average Occupancy	4,282	1,151,852	1,436,322	80.19%

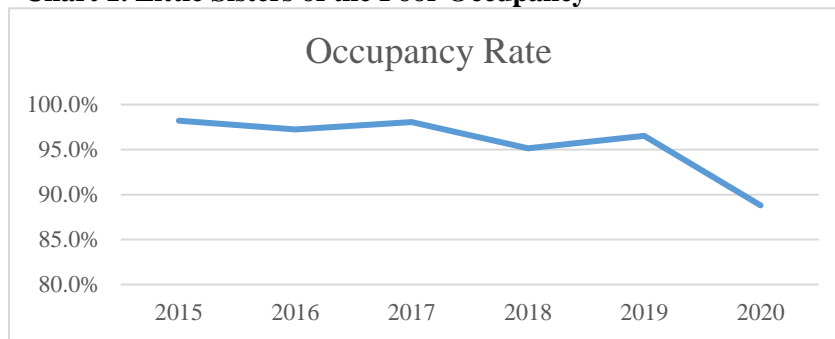
Source: VHI and DCOPN Records

Table 2. Little Sisters of the Poor: 2015-2020

Year	Licensed Nursing Beds	Patient Days	Available Days	Occupancy Rate
2015	32	11,471	11,680	98.2%
2016	32	11,387	11,712	97.2%
2017	32	11,452	11,680	98.0%
2018	32	11,113	11,680	95.1%
2019	32	11,274	11,680	96.52%
2020	32	10400	11712	88.8%
Totals and Average		67,097	70,144	95.66%

Source: VHI

Chart 1. Little Sisters of the Poor Occupancy



Source: VHI

The applicant cites House Bill 2292, codified at §32.1-102.3:7 of the Code of Virginia, known generally as the Bed Transfer Statute, passed in 2013 General Assembly as authorization to apply for the transfer of nursing facility beds from one planning district to another in the absence of a Request for Applications. The four specific requirements of the Bed Transfer Statute are:

- there is a shortage of nursing facility beds in the planning district to which the beds are proposed to be transferred
- the number of nursing facility beds in the planning districts from which beds are proposed to be moved exceed the need for such beds
- the proposed transfer of nursing facility beds would not result in the creation of a need for additional beds in the planning district from which the beds are proposed to be transferred
- the nursing facility beds proposed to be transferred will be made available to individuals in need of nursing facility services in the planning district to which they are transferred without regard to the source of payment for such services.

Proposed Project

August Healthcare proposes to add 88 licensed nursing home beds to its facility in PD 15 in Richmond, formerly Little Sisters of the Poor, through the transfer of beds from PDs 3, 5 and 11. The applicant proposes to convert assisted living space to nursing facility space and remodel/renovate all existing facility space in the 116,500 square foot facility. The applicant states that the proposed project would include accommodations for post-acute, short stay and rehabilitation services; dining areas with “heat and serve” food services; family-style private dining; comfortable

gathering areas; an enhanced rehab gym; a specially designed 20-unit secure area for memory care services. All nursing facility rooms at August Healthcare at Richmond are currently private. The proposed project would decrease the number of one-bed rooms from 32 to 26, and 94 beds would be in two-bed rooms. The applicant states that the nursing facilities from which beds would be transferred would increase the number of private beds at each facility by the corresponding number of reduced licensed beds, should the proposed project be approved.

According to the Nursing Home Bed Need Forecast for 2022 PD 15, the location of the proposed project, has a projected need for 86 additional nursing home beds, while PD 3 has a projected surplus of 184, PD 5 has a projected surplus of 224 and PD 11 has a projected surplus of 103. The proposed project would relocate 29 beds from PD 3, 21 beds from PD 5 and 38 beds from PD 11 (Table 3).

Table 3. Proposed Redistribution of Nursing Home Beds

PD	Projected Net Need In 2022 () surplus	Proposed Bed Transfers	Projected Net Need After Proposed Project
3	(184)	29	(155)
5	(224)	21	(203)*
11	(103)	38	(65)
15	86	88	(2)

Source: Request for Application, Nursing Home Bed Need Forecast for 2022 and COPN Request No. VA-8658

*Note: COPN Request No. VA-8657 proposed the transfer of 30 additional nursing home beds from PD 5. Should both applications be approved, PD 5 would have a remaining surplus of 173 nursing home beds.

The total capital and financing costs of the proposed project are \$13,364,238 (Table 4) and costs of the proposed project would be self-funded by the owner. The applicant projects that construction on the proposed project will begin within 16 months of COPN issuance and will be complete and that new beds will be serving patients within 36 months of COPN issuance.

Table 4. Capital and Financing Costs

Direct Construction Costs	\$10,075,938
Equipment Not Included in Construction Contract	\$1,440,000
Architectural and Engineering Fees	\$452,000
All Other (not A&E) Consultant Fees	\$1,371,300
Taxes & Government Fees During Construction	\$25,000
Total Capital Costs	\$13,364,238

Source: COPN Request No. 8658

Project Definitions

Section 32.1-102.1:3 of the Code of Virginia (the Code) defines a project, in part, as “[a]n increase in the total number of beds or operating rooms in an existing medical care facility described in subsection A;” and “[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;**

According to the Nursing Home Bed Need Forecast for 2022, PD 15 has a calculated projected net need for 86 nursing home beds. The proposed project would redistribute nursing home beds from PDs 3, 5 and 11, each of which has a calculated projected surplus of nursing home beds (Table 3). The proposed project would redistribute beds to PD 15 from other planning districts without adding nursing home beds to the inventory statewide.

Table 5. Percentage of PDs 65+ and 75+ and Population Change 65+ and 75+

			Change in Population Projected
Percent 65+	2020	Proj. 2030	2020 to 2030
PD 3	23.2%	25.9%	7,993
PD 5	19.8%	22.3%	7,993
PD 11	19.1%	21.7%	10,061
PD 15	15.5%	18.4%	52,167
Virginia	15.6%	15.6%	
Percent 75+	2020	Proj. 2030	
PD 3	9.5%	11.7%	6,445
PD 5	7.9%	10.1%	6,445
PD 11	7.8%	9.6%	6,027
PD 15	5.8%	8.1%	34,506
Virginia	8.0%	8.0%	

Source: Census and Weldon Cooper Center

Note: The 75+ population is a subset of the 65+ population.

Table 5 shows that 15.5% the population in PD 15 was over 65 years old in 2020, about the same as the statewide percentage of 15.6% across Virginia. A higher percentage of the populations of PDs 3, 5 and 11 is over 65 years old. Looking at the 75+ population, a lower percentage of PD 15 is over 75 years of age than Virginia overall, or any of the planning districts from which the proposed project would relocate beds. By 2030, PD 15 will have a higher percentage of 65+ and 75+ than Virginia, but still lower than PDs 3,5 or 7. Care should be taken in transferring nursing

facility beds such that a bed shortage will not be created in the future in those planning districts transferring beds. COPN Request No. VA-8657 also proposed the transfer of nursing home beds from PD 5. Should multiple inter- planning district transfers be approved in a short period of time, the effects of the bed decrease to the contributing planning district could not be assessed before another decrease occurs possibly to the detriment of the contributing planning district.

According to the latest Virginia Health Information (VHI) data available (2020), PDs 3 and 5 already had higher nursing facility occupancy rates than PD 15 (**Table 6**) and transferring beds from those planning districts to PD 15 will increase their occupancy rates and decrease the occupancy in PD 15. The August Healthcare at Richmond facility has averaged 95.7% occupancy over the past five years, so the proposed project would alleviate constraints in access at that facility. Though PDs 3, 5, 11 and 15 are all projected to grow in the 65+ and 75+ age groups between 2020 and 2030, the number of people expected to be added to PD 15 in the 65+ and 75+ age groups will be significantly larger than those in PDs 3,5 and 11 from which the nursing facility beds would be transferred. DCOPN concludes that the proposed project would improve access in PD 15 and prepare the area for growth in the population, but may create access issues, particularly in PDs 3, and 5.

Table 6. 2020 PD Occupancy

Planning District	Occupancy Rate
3	80.99%
5	81.85%
11	77.09%
15	80.19%

Source: VHI 2020

Regarding socioeconomic barriers to access to services, the applicant has stated that all 120 beds at August Healthcare at Richmond, should the proposed project be approved, will be dually-certified by Medicare and Medicaid. The applicant has stated the expected distribution of residents would be 63% Medicaid and 37% Medicare. 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.

Henrico County provides bus services to area residents which will help address transportation barriers. The applicant states that Greater Richmond Transit Company (GRTC) bus stops are within walking distance of August Healthcare at Richmond. 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 from Bon Secours St. Mary's, Central Virginia Healthcare Coalition, Little Sisters of the Poor, and Dr. Mohammad Farooq, MD, FCCP, FAASM, CMD, Medical Director of August Healthcare at Richmond. The letters, in aggregate, discuss the need for additional long-term and skilled nursing facility beds in the area and the quality and programmatic expertise of August Healthcare.

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

Public Hearing

DCOPN provided notice to the public regarding COPN Request No. VA-8658 on September 10, 2022. The public comment period closed on October 25, 2022. The proposed project is not competing with another project in this batch cycle and DCOPN did not receive a request to conduct a public hearing for the proposed project, so 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;

At the planning district level, the status quo is a reasonable alternative to the proposed project. The facility now operated by August Healthcare at Richmond has a history of high occupancy. According to 2020 VHI data (**Table 1**), Little Sisters of the Poor had an occupancy of 88.8%, greater than 27 of the other 32 facilities in PD 15. The facility was had over 95% occupancy in the five previous years and decreased from 96.5% in 2019. In 2020, PD 15 nursing home beds operated beneath maximum capacity, at 80.2% (**Table 1**). The addition of 88 beds in PD 15 would decrease this occupancy further.

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 project would reduce the number of private rooms at August Healthcare at Richmond but increase the number of private rooms in PDs 3, 5 and 11.

Though transfer of beds to August Healthcare at Richmond may alleviate capacity constraints at that facility, it would exacerbate low utilization in PD 15 and potentially create access issues in PDs 3 and 5 in the future. The status quo is a reasonable and less costly alternative to the proposed project.

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

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

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

As demonstrated by **Table 3**, the estimated capital costs of the proposed project are \$13,364,238, 75.4% 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 \$151,866 is consistent with recently approved projects. COPN Number VA-04789, located in PD 7 and approved in April of 2022 had a per-bed cost of \$179,006 per bed and COPN Number 04746 in PD 8 and approved in May 2021 had a per-bed cost of \$137,261

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

- Addressing the calculated shortage of nursing facility beds in PD 15.
- The proposed facility will be dually-certified by Medicaid and Medicare.
- The proposed project would allow for the addition of a memory care unit.
- It would allow for the creation of additional private rooms in PDs 3, 5 and 11.

(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 120 licensed nursing home beds proposed at August Healthcare at Richmond would be dually-certified by Medicare and Medicaid and that August Healthcare at Richmond 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 15 (2017), 87.6%.

(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:

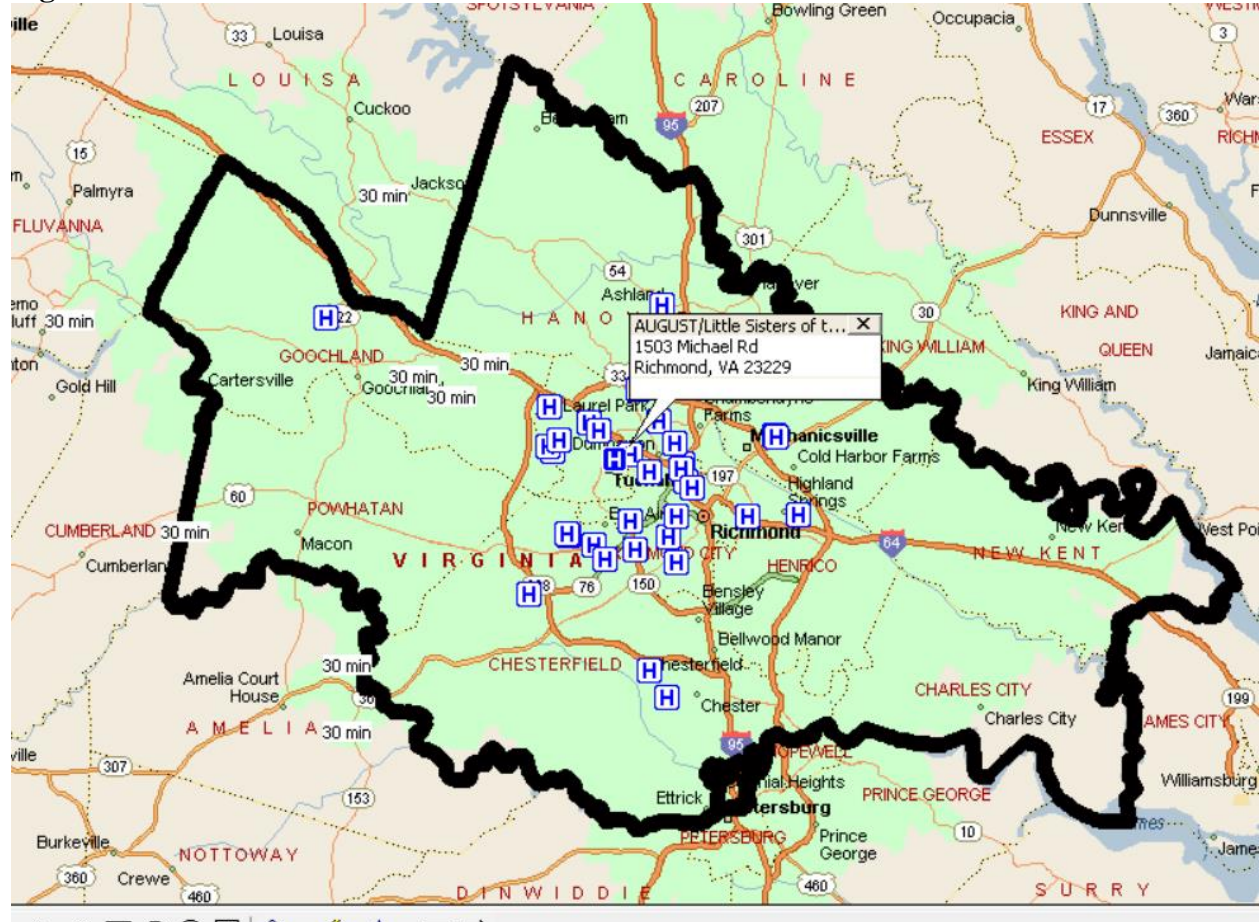
Part VII. Nursing Facilities

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 15. The white H symbols indicate the locations of the nursing home facilities in the planning district, with the blue one marking August Healthcare at Richmond. The shaded green area is within the 30-minute drive time of existing nursing facilities in PD 15. With only a small, sparsely populated area of PD 15 outside of a 30-minute drive, nursing facilities are already accessible to 95% of the population. The proposed project will not impact geographic accessibility.

Figure 1



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

Henrico County provides bus services to area residents and the applicant states that Greater Richmond Transit Company (GRTC) bus stops are within walking distance of August Healthcare at Richmond.

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.

The latest Nursing Home Bed Need Forecast indicates a deficit of 86 beds in PD 15 but indicates that PD 15 does not qualify for additional beds due to low occupancy. The applicant cites §32.1-102.3:7 of the Code of Virginia, as authorization to apply for the transfer of nursing facility beds from one planning district to another in the absence of a Request for Applications. The four specific requirements of the Bed Transfer Statute are:

- there is a shortage of nursing facility beds in the planning district to which the beds are proposed to be transferred
- the number of nursing facility beds in the planning districts from which beds are proposed to be moved exceed the need for such beds
- the proposed transfer of nursing facility beds would not result in the creation of a need for additional beds in the planning district from which the beds are proposed to be transferred
- the nursing facility beds proposed to be transferred will be made available to individuals in need of nursing facility services in the planning district to which they are transferred without regard to the source of payment for such services.

These requirements are met by the proposed project. Please see **Table 3**.

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.

The occupancy of August Healthcare at Richmond, formerly Little Sisters of the Poor, was below 90% during the latest year reported to VHI (2020). The applicant provides short-term rehab services as well as long-term care. The decreased utilization in 2020 was likely impacted by COVID restrictions. It had an occupancy over 95% during the previous five years.

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 the facility is and will be staffed appropriately to comply with all regulatory requirements.

Required Considerations Continued

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

As demonstrated by **Table 1**, there are currently 33 nursing home facilities with 4,282 licensed nursing home beds located in planning district 15. DCOPN contends that the proposed project is not likely to foster additional institutional competition benefiting PD 15, 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;**

The facility has been in operation in PD 15 for seventy years, and under the current operator since June 2021. The proposed project is not likely to have a large impact on existing providers in PD 15.

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 positive net income in years one and two, illustrating that the proposed project is financially feasible in the

near and the long-term. 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 7. August Healthcare at Richmond

Pro Forma Income Statement	Year 1	Year 2
Total Gross Patient Care Services Revenue	\$12,825,478	\$16,776,161
Deductions from Revenue	\$2,242,687	\$2,927,638
Net Patient Care Services Revenue	\$10,582,791	\$13,848,523
Other (Non-Patient Care) Revenue	\$3,000	\$3,000
Total-Net Revenue	\$10,585,791	\$13,851,523
Direct Patient Care Expenses	\$5,397,416	\$6,705,145
Indirect Patient Care Expenses	\$2,947,547	\$3,525,168
Capital-Related Expenses	\$1,640,000	\$1,640,000
Total Expenses	\$9,984,963	\$11,870,313
Per Diem Expenses	\$331.61	\$301.12
Net Income (before income taxes)	\$600,828	\$1,981,210

Source: Application COPN Request No. VA-8658

With regard to staffing, the applicant has indicated that it needs 129.8 FTEs for the proposed total facility with proposed direct care staffing based on the CMS 5-STAR staffing model. The applicant states that it has a history of recruiting locally to fill open staff positions and anticipates that this success will continue 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

The applicant cites §32.1-102.3:7 of the Code of Virginia, as authorization to apply for the transfer of nursing facility beds from one planning district to another in the absence of a Request for Applications. The four specific requirements of the Bed Transfer Statute are met by the proposed project; however, care should be taken in transferring nursing facility beds such that a bed shortage will not be created in the future in those planning districts transferring beds. An additional application has been submitted, also proposing the transfer of beds from PD 5 to another planning district. Should multiple inter- planning district transfers be approved in a short period of time, the effects of the bed decrease to the contributing planning district could not be assessed before another decrease occurs possibly to the detriment of the contributing planning district.

According to the Nursing Home Bed Need Forecast there is a calculated bed need in PD15 and a calculated surplus in PDs 3, 5 and 11; however, PDs 3 and 5 have higher utilization than PD 15. Though the proposed project would not change the inventory of nursing facility beds statewide, shifting beds between planning districts must take into account the impact of the receiving and contributing planning districts.

Additionally, 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 project would reduce the number of private rooms at August Healthcare at Richmond.

DCOPN sees merit in alleviating high utilization at a long-standing facility, and in the additional of the proposed memory care unit; however, that the status quo is a reasonable alternative to redistributing nursing home beds from planning districts with higher utilization than PD 15.

DCOPN Staff Recommendations

The Division of Certificate of Public Need recommends **partial conditional approval** of Henrico VA OPCO, LLC, d/b/a August Healthcare at Richmond's COPN Request to relocate nursing home beds to PD 15, supporting the transfer of 38 beds from PD 11 or the following reasons:

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 and with the Bed Transfer Statute (HB 2292).
2. The proposed project does not add nursing home beds to the statewide inventory but the DCOPN recommendation redistributes beds from a planning district with a projected bed surplus and a lower occupancy to PD 15.
3. The proposed project would enable the addition of 38 private nursing home rooms in PD 11 as vacated space is created by the bed relocation.
4. The capital costs for the proposed project are consistent with similar projects and would be self-funded by the owner.
5. The proposed project is feasible with regard to finances, staffing and other resources.