VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis

December 19, 2022

COPN Request No. VA-8665
Foresight Hospital of Patrick County
Stuart, Virginia
Introduce Psychiatric and Substance Abuse Treatment Services with 10 Beds

Applicant

Foresight Hospital and Health Systems, Inc., d/b/a Foresight Hospital of Patrick County, is a Virginia stock corporation formed in 2022. The real estate is owned by Foresight HS Property Holdings-Blue Ridge, LLC. Should the proposed project be approved, the applicant would lease the property from Foresight HS Property Holdings-Blue Ridge, LLC. The parent companies of the operating corporation and the property holdings limited liability company are 100% owned by Sameer K. Suhail, M.D. The facility is located at 18688 Jeb Stuart Highway, Stuart, Virginia in Health Service Area (HSA) III, Planning District (PD) 12.

Background

Pioneer Community Hospital of Patrick was a 25-bed critical access hospital that closed in 2017 as part of the overall voluntary bankruptcy of Pioneer Health. The new owner plans to open Foresight Hospital of Patrick County in early 2023 as a general hospital with 25 medical surgical beds, two operating rooms, one MRI and one CT scanner, as authorized by the 2022 Acts of Assembly Chapter 147. The applicant is seeking a COPN to introduce psychiatric and substance abuse treatment services with ten distinct part beds in addition to the authorized 25 medical surgical beds.

According to the 2021 Virginia Health Information (VHI) data, the most recent year for which such data are available, and Division of Certificate of Public Need (DCOPN) records, there are currently two providers of inpatient psychiatric services in PD 12, with a total of 37 licensed beds. There are no dedicated inpatient alcohol/drug addiction treatment beds in PD 12. In 2021, 83.8% of these licensed psychiatric beds (31 beds) were staffed and the psychiatric beds in PD 12 operated at 52% utilization of licensed beds (**Table 1**).

Table 1. PD 12 Psychiatric Bed Utilization in 2021

Facility Name	Licensed Beds	Staffed Beds	Staffed % of Licensed	Licensed Bed Available Days	Patient Days	Licensed Bed Occupancy
Sovah Health-Danville	25	19	76.0%	9,125	4,080	44.7%
Sovah Health-Martinsville	12	12	100.0%	4,380	2,949	67.3%
Total/Average PD 12	**37**	**31**	**83.8%**	**13,505**	**7,029**	**52.0%**

Source: VHI Data (2021)

Note: No COVID Beds

Compared to statewide occupancy rates of inpatient adult psychiatric and adult drug/alcohol addiction treatment licensed beds, over the latest five years available (2017 to 2021) PD 12 has averaged lower utilization; however, during 2020 and 2021 when COVID restrictions suppressed utilization, occupancy of PD 12 adult psychiatric beds increased, while statewide, occupancy was lower than pre-COVID. During this five-year period, occupancy of psychiatric beds at Sovah Health-Martinsville exceeded the state average, while occupancy at Sovah Health-Danville has been less than the state average. The increased psychiatric bed occupancy in PD 12 during 2020 and 2021 was in part due to higher use of the typically less occupied beds at Sovah Health-Danville (**Table 2**).

Table 2. PD 12 Psychiatric Bed Utilization 2017-2021

Facility Name	2017	2018	2019	2020	2021
Sovah Health-Danville	48.7%	27.8%	32.7%	39.5%	44.7%
Sovah Health-Martinsville	70.7%	64.3%	70.3%	70.8%	67.3%
Total/Average PD 12	**55.9%**	**39.6%**	**44.9%**	**49.6%**	**52.0%**
Virginia*	**67.4%**	**68.0%**	**68.3%**	**62.5%**	**63.5%**

Source: VHI Data

*Adult Psychiatric and Alcohol/Drug Bed Classifications

Proposed Project

The Foresight Hospital of Patrick County facility is on a ten-acre lot in Stuart, Virginia. The proposed project would introduce psychiatric and substance abuse services in just under 5,000 square feet of renovated space, adding ten beds in nine patient rooms, eight private rooms and one semiprivate.

The projected capital costs of the proposed project total $1,822,059 approximately 61% of which represent direct construction costs (**Table 3**). The entirety of the capital costs will be funded using the accumulated reserves of the applicant's ultimate owner, Dr. Sameer K. Suhail. Accordingly, there are no financing costs associated with this project.

Table 3. Capital and Financing Costs

Direct Construction Costs	$ 1,108,147
Equipment not included in construction contract	$ 404,775
Site Acquisition Costs	$ 227,100
Site Preparation Cost	$ 25,000
Architectural and Engineering Fees	$ 57,037
Total Capital Cost	**$ 1,822,059**

Source: COPN Request No. VA-8665, Revised 11.21.2022

Construction for the proposed project is expected to begin five months after receipt of a Certificate of Public Need (COPN) and open mid-2024, should the project be approved.

Project Definition

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

Required Considerations -- § 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;**

On December 14, 2022 Governor Glenn Youngkin announced his three-year transformational behavioral health plan "Right Help, Right Now." Governor Youngkin stated, "We are facing a behavioral health crisis across Virginia and the United States. This crisis is present throughout our society, at home, in schools and in the workplace." The issue of access to mental health resources is not unique to PD 12. The proposed project will improve access to behavioral health services, generally, in PD 12, but also address some distinct and unique barriers to access.

The inpatient psychiatric services nearest to Patrick County are those existing in PD 12 or hospitals in northern North Carolina, an average of 45 minutes from Patrick County one way. Law enforcement and first responders spend hours transporting, and sometimes days supervising mentally ill residents of the area or those abusing substances until resources become available in facilities geographically remote from the patient's home. A letter of support from the Patrick County Sheriff's Office notes that deputies transport individuals in need of mental health and often

care for them two to three days before they are admitted into a mental health facility. This takes them away from local duties and creates additional stress on these scarce law enforcement resources. It also creates a situation in which families have less ability to be with the patients, often a critical factor in psychiatric and substance abuse recovery.

The Virginia Rural Health Plan has noted that the rate of substance abuse in Southwest Virginia is higher than the rest of the Commonwealth. Letters of support from community services boards (CSBs), physicians, first responders and other healthcare providers have described substance abuse, temporary detention orders (TDOs) and 911 calls related to mental/emotional/psychological issues as increasing in the area in recent years.

The applicant proposes to implement a policy of financial assistance up to 400% of the Federal Poverty Level (FPL) with some qualifying for 100% financial assistance. Additionally, the applicant will accept Medicaid and work closely with area CSBs. The proforma provided by the applicant includes charity care at a rate of 0.7% of patient revenue, consistent with the Health Planning Region (HPR) III average (**Table 4**).

Table 4: HPR III 2020 Charity Care Contributions

2020 Charity Care Contributions at or below 200% of Federal Poverty Level			
Hospital	**Gross Patient Revenues**	**Adjusted Charity Care Contribution**	**Percent of Gross Patient Revenue:**
Carilion Franklin Memorial Hospital	$146,159,934	$3,708,842	2.54%
Bedford Memorial Hospital	$122,377,242	$2,357,210	1.93%
Dickenson Community Hospital	$25,321,849	$465,722	1.84%
Carilion Tazewell Community Hospital	$57,945,546	$956,508	1.65%
Carilion Giles Memorial Hospital	$107,478,905	$1,438,902	1.34%
Russell County Medical Center	$121,070,842	$1,529,332	1.26%
Wellmont Lonesome Pine Mt. View Hospital	$372,115,538	$4,558,248	1.22%
Carilion Medical Center	$3,983,507,417	$47,514,964	1.19%
Carilion New River Valley Medical Center	$711,175,865	$8,034,717	1.13%
Johnston Memorial Hospital	$855,313,389	$7,815,178	0.91%
Norton Community Hospital	$311,397,944	$2,789,910	0.90%
Smyth County Community Hospital	$198,825,769	$1,746,804	0.88%
Centra Health	$2,649,888,465	$20,969,883	0.79%
LewisGale Hospital -- Montgomery	$680,834,380	$5,052,836	0.74%
Lewis-Gale Medical Center	$2,312,565,268	$16,202,296	0.70%
LewisGale Hospital -- Pulaski	$346,826,376	$2,140,319	0.62%
LewisGale Hospital -- Alleghany	$189,090,272	$708,265	0.37%
Twin County Regional Hospital	$222,632,986	$649,064	0.29%
Clinch Valley Medical Center	$520,600,957	$946,557	0.18%
Buchanan General Hospital	$99,508,254	$105,669	0.11%
Memorial Hospital of Martinsville & Henry County	$668,028,626	$582,956	0.09%
Wythe County Community Hospital	$235,991,599	$93,569	0.04%
Danville Regional Medical Center	$910,930,415	-$19,407,300	-2.13%
Total Facilities Reporting			23
Median			0.9%
Total $ & Mean %	**$15,849,587,838**	**$110,960,451**	**0.7%**

Source: VHI Data (2020)

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 Community Services Boards, law enforcement, first responders, local and state government and representatives as well as individual citizens. These included a letter of support signed by the Town of Stuart Mayor K. Ray Weiland, Vice Mayor Rebecca Adcock, Town Manager Bryce Simmons and several Council members (Erica Cipko Wade, Dean Goad, Terry Dalton, Dave Hoback). Letters of support also included Virginia Senator William Stanley, Commonwealth Attorney Dayna Bobbit, House Representative H. Morgan Griffith, Delegate Wren Williams, local physician Richard Cole, M.D. and Economic Development of Patrick County. Collectively, these letters articulate several benefits of the project, including:

- Addressing a long-standing shortage of psychiatric and substance abuse beds
- Resources in a region of high and rising substance abuse and mental/emotional/psychological crises
- Relief for first responders and law enforcement addressing mental health and substance abuse issues.
- Access for patients with mental illness and co-occurring physical and substance-abuse issues
- A local facility to enable TDOs and patients in crisis to receive care without taking law enforcement and first responders from their local duties
- Enhanced ability for families to support patients in crisis

Public Hearing
Section 32.1-102.6 B of the Code of Virginia directs DCOPN to hold one public hearing on each application in a location in the county or city in which the project is proposed or a contiguous county or city in the case of competing applications; or in response to a written request by an elected local government representative, a member of the General Assembly, the Commissioner, the applicant, or a member of the public. COPN Request No. VA-8665 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. Thus, no public hearing was held.

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

There is not an alternative that addresses the large and growing psychiatric and substance abuse needs of PD 12, specifically the underserved area surrounding the proposed project, better than the introduction of inpatient psychiatric beds. The applicant proposes an array of psychiatric resources that would also serve to relieve emergency providers and law enforcement and allow patients to received treatment closer to home. These include emergency services for persons with mental and substance use, inpatient detoxification, inpatient treatment and intensive

outpatient treatment. DCOPN concludes that the proposed project is significantly more advantageous than the alternative of the status quo which is to transfer patients in need of treatment for psychiatric and substance use disorders out of the area for care.

(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 projected capital costs of the proposed project total $1,822,059, approximately 61% of which represent direct construction costs. The entirety of the capital costs will be funded using the accumulated reserves of the applicant's ultimate owner, Dr. Suhail. Accordingly, there are no financing costs associated with this project. DCOPN concludes that when compared to similar projects, these costs are reasonable. Over the past four years the average total cost per bed of inpatient psychiatric projects adding beds was about $280,000. At a projected total cost of $182,206 per bed, the proposed project compares favorably.

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

- Resources in a region of high and rising substance abuse and mental/emotional/psychological crises,
- Long waits in emergency rooms, often days, to find placement of patients.
- Access for patients with mental illness and co-occurring physical and substance-abuse issues,
- A local facility to enable TDOs and patients in crisis to receive care without taking law enforcement and first responders from their local duties, and
- Enhanced ability for families to support patients in crisis.

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

The applicant proposes to implement a policy of financial assistance up to 400% of the Federal Poverty Level (FPL) with some qualifying for 100% financial assistance. Additionally, the applicant will accept Medicaid and work closely with area CSBs. The proforma provided by the applicant includes charity care at a rate of 0.7% of patient revenue, consistent with the Health Planning Region (HPR) III average (**Table 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;

On December 14, 2022 Governor Glenn Youngkin announced his three-year transformational behavioral health plan “Right Help, Right Now.” Governor Youngkin stated, “We are facing a behavioral health crisis across Virginia and the United States. This crisis is present throughout our society, at home, in schools and in the workplace.”

The six pillars of “Right Help, Right Now are:

1. Strive to ensure same-day care for individuals experiencing behavioral health crises.
2. Relieve the law enforcement community’s burden and reduce the criminalization of mental health.
3. Develop more capacity throughout the system, going beyond hospitals, especially community-based services.
4. Provide targeted support for substance use disorder and efforts to prevent overdose.
5. Make the behavioral health workforce a priority, particularly in underserved communities.
6. Identify service innovations and best practices in pre-crisis prevention services, crisis care, post-crisis recovery and support and develop tangible and achievable means to close capacity gaps.

The proposed project is consistent with this state-wide plan and lists as specific resources and benefits several items that will contribute to these pillars within PD 12.

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

Section 32.1-102.2:1 of the Code of Virginia calls for the State Health Services Plan Task Force to develop recommendations for a comprehensive State Health Services Plan (SHSP). In the interim, these regulations provide the best available criteria and DCOPN will consider the consistency of the proposed project with the predecessor of the SHSP, the State Medical Facilities Plan (SMFP).

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

Part XII. Mental Health Services

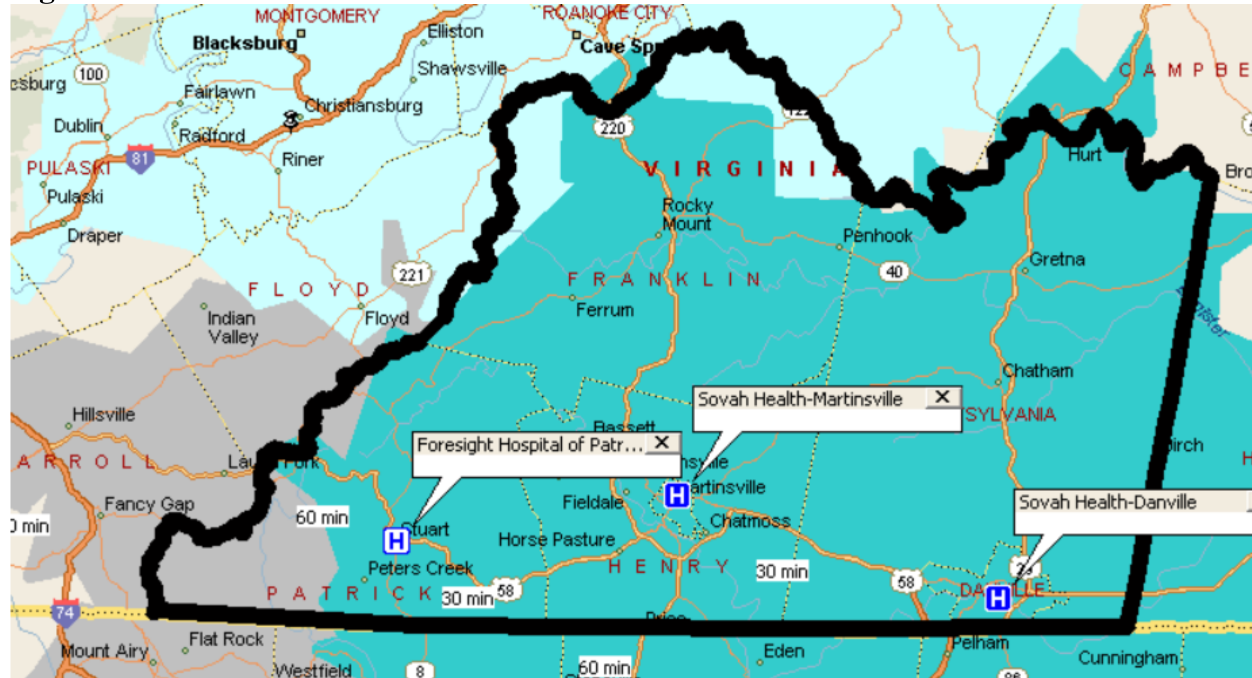
Article 1. Acute Psychiatric and Acute Substance Abuse Disorder Treatment Services

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

The heavy dark line in **Figure 1** is the boundary of PD 12. The blue background “H” symbols mark the location of existing inpatient psychiatric beds. The white background “H” marks the location of the proposed project. The teal shaded area is the area within 60 minutes driving-time one-way under normal traffic conditions of existing inpatient psychiatric services in PD 12. The lighter green area is within 60 minutes of inpatient psychiatric providers outside of PD 12. The

grey shaded area represents the area that is not within 60 minutes of existing Virginia providers of inpatient psychiatric care. The grey area would be additional area covered by Foresight Hospital. It represents an area that does not meet the SMFP travel time standard but would meet it should the proposed project be approved.

Figure 1



12VAC5-230-850. Continuity; Integration.
A. Existing and proposed acute psychiatric and acute substance abuse disorder treatment providers shall have established plans for the provision of services to indigent patients that include:

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

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

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

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

While there are no minimum days specified by the applicant, Foresight Hospital of Patrick County has stated that it would accept Medicaid patients and work closely with area CSBs to meet the needs in the area, should the project be approved. The applicant has described a financial assistance policy whereby patients whose gross income is less than or equal to 150% of

the FPL may qualify for 100% financial assistance adjustment, and a sliding scale for cost sharing for uninsured patients with a gross income up to 400% of FPL. Should the Commissioner approve the proposed project DCOPN recommends the applicant be subject to a charity care condition of a rate that is no less than the 0.7%, HPR III average, of the revenue from psychiatric and substance use disorder treatment, in addition to any new requirements as found in the revised § 32.1-102.4B of the Code of Virginia.

DCOPN notes that few existing psychiatric facilities meet the criteria and standards set forth in 12VAC5-230-850. While some facilities may allocate a specific number of beds for CSB patients, the identification of the number of unreimbursed patient days to be provided to indigent patients who are not Medicaid recipients, the minimum number of Medicaid-reimbursed days, the minimum number of unreimbursed patient days to be provided to local CSBs, and a description of the methods to be utilized in implementing the indigent patient service plan, have not been addressed by DCOPN in recent reviews.

B. Proposed acute psychiatric and acute substance abuse disorder treatment providers shall have formal agreements with the appropriate local community services boards or behavioral health authority that:

1. Specify the number of patient days that will be provided to the community service board;

2. Describe the mechanisms to monitor compliance with charity care provisions;

3. Provide for effective discharge planning for all patients, including return to the patient's place of origin or home state if not Virginia; and

4. Consider admission priorities based on relative medical necessity.

DCOPN received letters of enthusiastic support from area CSBs for the proposed project. The applicant has asserted that is would coordinate with CSBs and other area mental health providers and advocates to help meet the mental health needs in the area, should the Commissioner approve the project. DCOPN notes that few existing psychiatric facilities meet the criteria and standards set forth in 12VAC5-230-850 and it has not been addressed by DCOPN in recent reviews as a reason to deny proposed projects.

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

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

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

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

Where:

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

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

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

UR = Patient Days from 2017-2021 / Population from 2017-2021
UR = 32,713 (**Table 5**) / 1,202,275 (**Table 6**)
UR = 0.027

PROPOP (in 2027) = 233,632

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

$$\text{Projected Psychiatric Bed Need} = \frac{((.02721 \times 233{,}632) / 365}{0.75}$$

Projected Psychiatric Bed Need = 23.2 (24)

Table 5. PD 12 Inpatient Psychiatric Patient Days (2017– 2021)

Year	Licensed Beds	Staffed Beds	Staffed Bed Available Days*	Patient Days	Occupancy Rate per Staffed Bed
2017	37	31	11,315	7,545	66.68%
2018	37	31	11,315	5,348	47.26%
2019	37	31	11,315	6,068	53.63%
2020	37	31	11,284	6,723	59.58%
2021	37	31	11,315	7,029	62.12%
Total	**185**	**155**	**56,544**	**32,713**	57.85%

Source: VHI

*Per SMFP methodology, unstaffed beds are excluded

Table 6. PD 12 Population (All Ages)

	2017	2018	2019	2020	2021	Total 2017-2021	Proj. 2027
Population	242,372	241,400	240,427	239,454	238,622	1,202,275	233,632

Source: Weldon Cooper; DCOPN Interpolation

Based on the formula above, DCOPN calculates a need for 24 beds by 2027. There are currently 31staffed beds in the planning district (**Table 5**). Although occupancy of inpatient psychiatric beds in the PD has increased consistently over the past four years, even the last two years when COVID restrictions were in effect, there is an anticipated surplus of seven beds in the planning district by 2027.

This calculated surplus appears inconsistent with the expressions of psychiatric bed need and wait times described in letters of support from local government, Community Services Boards (CSBs), medical personnel, law enforcement and others living and providing services in the area. There is an acknowledged deficit in psychiatric resources across Virginia, such that Governor Youngkin has announced a multi-year plan to address the need. Some PDs across Virginia have reported much higher utilization than PD 12, and overall, the occupancy of staffed psychiatric and substance abuse beds statewide is about 70%. Significantly, VHI data do not include state psychiatric facilities. Mal-distribution of beds and placement of patients without resources may be contributing factors in long waits for inpatient placements.

Routinely PD 12 psychiatric and substance abuse patients have to be placed great distances from their residences and adding to the inventory of inpatient psychiatric beds in PD 12 will enable placement from a broader region than PD 12. DCOPN concludes that the demonstrated wait times, burden on the area’s resources and statewide need supersede the calculated bed surplus. The proposed project is more advantageous than the alternative of the status quo.

Table 7. Statewide Adult Psychiatric and Substance Abuse Bed Occupancy

PD	Licensed Beds	Staffed Beds	Occupancy Licensed Beds	Occupancy Staffed Beds
1	none			
2	30	28	60.1%	64.4%
3	48	32	43.0%	64.5%
4	52	35	59.2%	88.0%
5	164	141	39.2%	45.6%
6	48	48	66.7%	66.7%
7	36	36	72.2%	72.2%
8	251	238	79.4%	83.4%
9	none			
10	25	25	80.0%	80.0%
11	44	44	61.7%	61.7%
12	37	31	52.0%	62.1%
13	none			
14	none			
15	277	272	63.7%	64.9%
16	90	82	67.3%	73.9%
17	10	10	55.5%	55.5%
18	none			
19	164	155	67.1%	71.0%
20	242	214	55.5%	62.8%
21	144	96	58.8%	88.2%
	1662	**1487**	**61.9%**	**69.2%**

Source: VHI

Note: Does not include state facilities

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

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

The applicant is not proposing to dedicate the new beds to geriatric patients.
DCOPN calculates a surplus of seven beds within PD 12; however, Governor Youngkin's announcement of a transformational behavioral health plan includes the expansion of mental

health resources statewide. The surplus of psychiatric beds in PD 12 may be used to treat patients from other planning districts, particularly those placed under a TDO.

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

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

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

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

Where:

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

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

Not applicable. Inpatient psychiatric services currently exist in PD 12.

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

The proposed project does not intend to convert general hospital beds. Following the bankruptcy of Pioneer Health five years ago, Foresight Hospital of Patrick County is re-opening as a local 25-bed acute care hospital in 2023. All of the 25 beds will be medical surgical beds. The proposed project is an additional ten beds dedicated to the inpatient treatment of patients with psychiatric and/or substance abuse issues. The applicant maintains that it would accept persons under TDO and plans to coordinate with local CSBs to meet needs should the Commissioner approve the project.

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;

The proposed project would serve a rural area and would be located more than thirty miles from the closest inpatient psychiatric beds. It is unlikely to foster institutional competition.

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;

Based on two to three day wait times for placement into inpatient psychiatric/substance abuse beds for patients in PD 12 (and across the Commonwealth of Virginia) there is a broad and evident need for additional mental health resources. The proposed project is consistent with the plan announced this week to invest in, expand and transform behavioral health in Virginia over the next three years. The proposed project would help to address some of the resource shortage and allow more timely care in inpatient psychiatric facilities across the region.

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 projected capital costs of the proposed project total $1,822,059 approximately 61% of which represent direct construction costs (**Table 3**). The entirety of the capital costs will be funded using the accumulated reserves of the applicant's ultimate owner, Dr. Sameer K. Suhail. Accordingly, there are no financing costs associated with this project. DCOPN concludes that when compared to similar projects, these costs are reasonable, in fact the cost per bed on the proposed project is lower than the average of similar projects over the past four years.

The pro forma income statement provided by the applicant (**Table 8**) projects an excess of revenue over expenses of $69,460 from in the first year of operation, and $792,580 in the second year of operation.

Table 8. Foresight Hospital of Patrick County
Pro Forma Income Statement

	Year 1	Year 2
Total Gross Patient Revenue	**$3,832,500**	**$5,475,000**
Charity Care	($26,828)	($38,325)
Bad Debt	($221,658)	($254,907)
Other Revenue Deductions	($1,742,067)	($2,179,384)
Net Operating Revenue	**$1,841,947**	**$3,002,384**
Total Operating Expenses	($1,772,487)	($2,209,804)
Excess of Revenue Over Expenses	**$69,460**	**$792,580**

Source: COPN Request No. VA-8665

With regard to staffing, the applicant anticipates the need to hire 16 additional full time equivalent employees to staff the proposed project, including:

- 4 registered nurses
- 2 administrative personnel
- 1 psychiatric social worker
- 8 mental health counselors
- 1 individual and group therapist

The applicant has identified Dr. Suhail as medical director of the behavioral health unit and has received resumes from experienced behavioral health providers interested in working in the new unit. Recruitment plans include agencies such as Indeed and Linkedin. Due to the general shortage in healthcare workers, especially in behavioral health, DCOPN has some concerns about Foresight Hospital of Patrick County's ability to attract a full complement of staff members immediately.

7. **The extent to which the proposed project provides improvements or innovations in the financing and delivery of health care services, as demonstrated by; (i) the introduction of new technology that promotes quality, cost effectiveness, or both in the delivery of health care services; (ii) the potential for provision of health care services on an outpatient basis; (iii) any cooperative efforts to meet regional health care needs; and (iv) at the discretion of the Commissioner, any other factors as may be appropriate; and**

The proposed project will not introduce new technology that would promote quality or cost effectiveness in the delivery of inpatient health services, or increase the potential for the provision of health care services on an outpatient basis, though there are complementary services described that would enhance outpatient offerings in PD12.

8. **In the case of a project proposed by or affecting a teaching hospital associated with a public institution of higher education or a medical school in the area to be served, (i) the unique research, training, and clinical mission of the teaching hospital or medical school, and (ii) any contribution the teaching hospital or medical school may provide in**

the delivery, innovation, and improvement of health care 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 introduce inpatient psychiatric services at Foresight Hospital of Patrick County with the addition of ten inpatient psychiatric beds is generally consistent with the applicable criteria and standards of the SMFP and the Eight Required Considerations of the Code of Virginia. While the SMFP shows an excess of psychiatric beds in the planning district, DCOPN concludes that the need for TDO admissions in the area, addressing wait times for mental health placement and alleviating the current strain on law enforcement and first providers have priority rather than avoiding an additional calculated surplus.

The proposed project is consistent with Governor Youngkin's new behavioral health initiative and, along with its complementary emergency and intensive outpatient services, Foresight Hospital of Patrick County's proposed inpatient psychiatric and substance abuse beds would support several of the plan's stated pillars. For example, the proposed project has potential to relieve the law enforcement community's burden and reduce the criminalization of mental health; develop more capacity throughout the system, going beyond hospitals, especially community-based services; and provide targeted support for substance use disorder and efforts to prevent overdose.

The proposed project is cost-efficient with projected capital costs per bed below the average of projects recently approved by the Commissioner. Furthermore, these costs will not entail financing costs as they will be paid with accumulated reserves. The applicant states its intention to accept Medicaid and work closely with local CSBs. It is strongly supported by local CSBs and includes a financial assistance program to help address access for the uninsured. Additionally, there is no known opposition from other providers, health care professionals or community representatives. DCOPN finds that the proposed project is more advantageous than the alternative of the status quo.

Staff Recommendation

DCOPN recommends **conditional approval** of Foresight Hospital of Patrick County's request to introduce psychiatric and substance abuse services and add ten inpatient psychiatric beds for the following reasons:

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

2. The proposed project will contribute to the goals of Governor Youngkin's transformational behavioral health plan.

3. The proposed project will lessen the burden on law enforcement and first responders in PD 12.

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

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

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

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

8. The applicant has committed to coordinate with CSBs to meet community needs and offer financial assistance to persons below (up to) 400% of the FPL.

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

DCOPN's recommendation is contingent upon Foresight Hospital of Patrick County's agreement to the following charity care condition:

Foresight Hospital of Patrick County will provide inpatient psychiatric services to all persons in need of these services, regardless of their ability to pay, and will provide as charity care to all indigent persons free services or rate reductions in services and will facilitate the development and operation of primary medical care services to medically underserved persons in PD 12 in an aggregate amount equal to at least 0.7% of Foresight Hospital of Patrick County's gross patient revenue derived from inpatient psychiatric services. Compliance with this condition will be documented to the Division of Certificate of Public Need annually by providing audited or otherwise appropriately certified financial statements documenting compliance with the preceding requirement. Foresight Hospital of Patrick County will accept a revised percentage based on the regional average after such time regional charity care data valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq. is available from Virginia Health Information. The value of charity care provided individuals pursuant to this condition shall be based on the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq.

Foresight Hospital of Patrick County will provide inpatient psychiatric care to individuals who are eligible for benefits under Title XVIII of the Social Security Act (42 U.S.C. § 1395 et seq.), Title XIX of the Social Security Act (42 U.S.C. § 1396 et seq.), and 10 U.S.C. § 1071 et seq. Foresight Hospital of Patrick County will facilitate the development and operation of primary and specialty medical care services in designated medically underserved areas of the applicant's service area.