VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis

February 21, 2023

COPN Request No. VA-8677
Centra Rehabilitation Hospital (CRH)
Campbell County, Virginia
Establish a 50-Bed Inpatient Rehabilitation Hospital
through the relocation and addition of beds

Applicants

The applicants are Centra Rehabilitation Hospital, LLC (CRH) and Centra Health, Inc. CRH is a Virginia limited liability company which was established on September 16, 2022. It is a partially owned subsidiary of its members Centra Health, Inc. and LPNT IRF Development 71, LLC. LPNT IRF Development 71, LLC is a subsidiary of Kindred Rehabilitation Services (KRS), a business unit of Lifepoint Health. Centra Health is a Virginia nonstock corporation and is not a subsidiary of any other organization. Centra Health, Inc. is a co-applicant solely for purposes of transferring and relocating 20 inpatient rehabilitation beds and converting and relocating ten medical/surgical beds to the proposed new CRH facility. Centra Health, Inc. would not directly own or operate CRH.

The proposed project will be located in Campbell County, in Planning District (PD) 11 within Health Planning Region (HPR) III near the intersection of Simons Run and Leesville Road. CHR proposes to lease the hospital building from Capital Growth Medvest Lynchburg, LLC, the developer that would construct the proposed facility. Centra Health owns 48 acres of property and, if the proposed project is approved, CRH plans to lease just over five acres, initially.

Background

Centra Health is the only integrated health system in the mostly rural PDs 11 and 14 (adjacent). Centra owns and operates four acute care hospitals within these two PDs. Centra Acute Rehabilitation Center (ARC) is a 20-bed inpatient facility on the license and campus of Centra VBH in Lynchburg, Virginia. Centra ARC is the only provider of inpatient medical rehabilitation in PD 11 and there are none in PD 14. **Table 1** includes VHI information for 2021, the latest year for which such data are available. In 2021, the ARC operated at 69.8% occupancy.

Outside of PD 11, there are five providers offering inpatient rehabilitative services, one to one and a half hours from the proposed facility. Of these, three facilities are larger than the existing

ARC in Lynchburg and likely sites for PD 11 patients to seek more modern, comprehensive services: Carilion Roanoke Community Hospital, with an occupancy of 93% of staffed beds; LewisGale Medical Center with an occupancy of 99.5% of staffed beds and UVA Encompass with an occupancy of 84% of staffed beds, according to utilization reported to VHI in 2021.

Centra ARC has been in service since 1985. It is currently located in a facility constructed in 1977 that was retrofitted from a mental health institution. The applicants assert that due to the age and construction of the building, its infrastructure cannot support a state-of-the-art inpatient rehabilitation facility. For example, its 20 private rooms are too small for current equipment and the ceilings are too low for newer ceiling-mounted patient lift systems; there is no in-wall suction, which limits the ability to care for patients with low-level spinal cord injuries; portable suctioning equipment is often too loud for patients needing a low-stimulation environment; none of Centra ARC's bathrooms are ADA compliant; spaces for ancillary functions are limited and difficult to schedule; elevators original to the building frequently break down, a critical issue when all patients have mobility issues. Renovation to enlarge and upgrade patient rooms, bring bathrooms to compliance, and raise and reinforce ceilings would be cost-prohibitive and reduce the number of patient rooms. No other feasible space for the facility was identified on-campus. After an evaluation of its ability to renovate or build an on-site replacement at Centra VBH, Centra determined that a freestanding replacement facility, without the constraints imposed by existing infrastructure, would be the most cost-effective construction option. Centra has partnered with KRS for its expertise and experience designing and constructing similar physical rehabilitation facilities.

Other providers of Medicare-certified skilled care inpatient rehabilitation beds include area nursing homes and Continuing Care Retirement Communities. These other providers do not provide the level of intensity (hours per day) required by patients in need of acute inpatient rehabilitation services. Additionally, their average length of stay is typically considerably longer than those of acute inpatient rehabilitation units/hospitals. Accordingly, Medicare-certified skilled nursing home beds a do not provide inpatient medical rehabilitation and are excluded from the DCOPN review of the proposed project and not included in the calculation of needed acute rehabilitation beds as provided in the State Medical Facilities Plan (SMFP).

Table 1. Health Planning Region III Acute Medical Rehabilitation Facilities & Utilization

Facility Name	Facility Type	PD	Licensed Beds	Staffed Beds	Licensed Bed Available Days	Patient Days	Occupancy Rate
Virginia Baptist Hospital	Acute Hospital	11	20	20	7,300	5,098	69.84%

Source: VHI 2021

Proposed Project

CRH proposes to construct a freestanding, 50-bed acute medical rehabilitation hospital on a 48-acre lot near the intersection of Simons Run and Leesville Road in Campbell County, Virginia owned by Centra Health. Initially, CRH would lease about five acres. Twenty of the beds would be transferred/relocated from the current Centra ARC; ten beds would be converted from medical/surgical beds at Centra VBH; and twenty beds would be additions to the PD 11

inventory. This facility would be the first and only freestanding inpatient medical rehabilitation hospital in PD 11. It would only be the second in the whole of HPR III, the existing one being in Bristol, Virginia, four hours from the proposed CRH. UVA Encompass Health Rehabilitation Hospital is another, outside of HPR III, over an hour away.

CRH proposes a facility of just under 65,000 square feet to house 50 private rooms with full bathrooms, including specialty care patient rooms and isolation rooms; designated wings on the second floor for stroke and acquired brain injury patients; a therapy suite with a therapy gym and infrastructure for state-of-the-art technology and therapy equipment, a cooking therapy room and an activities of daily living suite/apartment. The patient rooms proposed are double the size of rooms at the current ARC and arranged to increase monitoring and supervision of patients throughout the facility. Handrails would be installed throughout, and patient lifts installed in the ceilings of designated rooms. If approved, the project would be built with contingencies for possible future expansion.

The total capital cost of the proposed project is $75,440,246 (**Table 2**) which would be funded primarily with cash flow revenues and operations through a long-term lease (about 95% of total cost) and with accumulated reserves (about 5%). These costs are reasonable when compared to the latest similar project with capital costs available for comparison. COPN No. VA-04555 authorized Sheltering Arms, a 122,651 square foot, 50-bed facility in PD 15 in 2016. Whereas the CRH proposed costs equate to $1,165 per square foot and about $1.5 million per bed, Sheltering Arms' costs were $974 per square foot and about $2.4 million per bed. The applicants project completion of construction by April 30, 2026 with the project becoming operational on June 30, 2026.

Table 2. Capital and Financing Costs

Direct Construction Costs*	$0
Equipment not Included in Construction Contract	$3,811,554
Site Acquisition Costs*	$71,628,692
TOTAL	**$75,440,246**
Financing Costs	$0
TOTAL Capital & Financing Costs	**$75,440,246**

Source: COPN Request No. VA-8677
Notes: *Included in Site Acquisition Costs are Lease Expense over 15 years, so no costs are in Direct Construction Costs.

Project Definition

Section 32.1-102.1:3 of the Code of Virginia defines a project, in part, as "Establishment of a medical care facility" and "(c)onversion of beds in an existing medical care facility described in subsection A to medical rehabilitation beds…". A medical care facility includes "(a)ny facility licensed as a hospital" which would include rehabilitation hospitals.

12VAC5-230-160 Required Considerations

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

PD 11 is a rural area where residents must travel long distances to centralized services for many types of health care. Centra ARC is the only inpatient medical rehabilitation provider in PD 11. In addition, the adjacent PD 14 has no inpatient medical rehabilitation providers, but Centra does provide acute inpatient care as well as other services in PD14. It is reasonable to assume that patients may come to CRH from PD 14 as well as PD 11 for inpatient rehabilitation services. The limitations of the current aged facility mean that the sole provider cannot offer latest technology or all the specialized rehabilitative services that patients in the area need. The proposed expansion includes updated facilities, state-of-the art technologies, ample parking, and the addition of designated wings for specialized patients, specifically stroke and traumatic brain injury patients.

All physical rehabilitation patients have mobility issues, so a physically accessible facility that is easier to utilize than the current facility would improve access for these patients. The applicants assert that many PD 11 rehabilitation patients receive rehabilitation in skilled nursing facilities, through home care, travel long distances for more current or specialized care, or forego rehabilitation altogether. None of these is ideal for patients' recoveries. Travel for updated services poses a significant economic burden on both patients and family members, which significantly compromises ongoing family support. The proposed project would largely preclude the necessity of outmigration of rehabilitation patients to specialty rehabilitation hospitals in other areas by providing local access to services designed for best patient outcomes.

The closest providers outside of PD 11 large enough to provide more comprehensive services have high utilization and the proposed project is not likely to impact them negatively. To the extent that the single existing provider cannot accept all patients or meet the needs of specialized patients, the proposed project will increase accessibility for a rural area with travel barriers and lacking in the availability of updated services and technology.

The proposed location of CRH borders three main roads in the Lynchburg area and is more accessible to a larger area than the current Centra ARC. A public transit route runs along one side of the property connecting the proposed facility in two directions.

Table 3. Population and Growth Projections

	7/1/2020 Projected Population	Avg. Ann. Rate Chg. 2010-20	7/1/2030 Projected Population	Total Pop. Chg 2020-2030	Total Pct. Chg. 2020-30	Avg. Ann. Rate Chg. 2020-30
PD 11 Total	**265,394**	*0.48%*	**280,600**	*15,206*	5.73%	*0.56%*
Virginia	**8,655,021**	*0.77%*	**9,331,666**	*676,644*	7.82%	*0.76%*
PD 11 Age 65+	**50,719**	*2.43%*	**60,780**	*10,061*	19.84%	*1.83%*
Virginia Age 65+	**1,352,448**	*3.22%*	**1,723,382**	*370,934*	27.43%	*2.45%*

Source: Virginia Employment Commission for 1990 and 2000; Weldon Cooper Center for 2010 and later; PD summations by DCOPN/sac.

Table 3 demonstrates that PD 11 is growing, but at a slower rate than Virginia as a whole. Likewise, the 65+ population is growing, but not as fast as the same age group across the state. The 65 + population as a percentage of total population is higher in PD 11 than across Virginia (19.1% in 2020 compared to 15.6% statewide; 21.7% projected in 2030 as compared to 18.5% statewide). Persons covered by Medicare (65+) are by far the highest utilizers of inpatient medical rehabilitation services. According to the Uniform Data System for Medical Rehabilitation (UDSMR) 61% of inpatient rehabilitation discharges were Medicare Fee-for-service patients in 2019, and an additional 13% were Medicare Advantage patients, for a total of 79% of discharges from inpatient rehabilitation beds were Medicare recipients that year.

DCOPN concludes that the proposed project would improve patient access to state-of-the-art inpatient rehabilitation services in a facility which would provide convenient highway access, visibility and physical accessibility to the surrounding, mostly rural communities.

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

(i) the level of community support for the project demonstrated by citizens, businesses, and governmental leaders representing the area to be served;

The applicants provided three letters of support for the proposed project, one from Elizabeth Cook, MD, Medical Staff President of Centra VBH and Lynchburg General Hospitals on behalf of the medical staff; one from Peter Caprise, MD, FAAOS, an orthopedic surgeon, and one from Angela Medina-Bravo, MD, a physiatrist and Medical Director of Centra ARC and CRH. Collectively, these letters stated that Centra strives for best-in-class care and achieves results with its rehabilitation patients that are above average despite facility and technology disadvantages, including grandfathered facilities that are no longer ADA compliant. They described a growing population, and especially in those aged 65 and over, and asserted that rehabilitation patients in the surrounding area out-migrate for care or forego physical rehabilitation altogether.

Public Hearing

§32.1-102.6B of the Code of Virginia directs DCOPN to hold one public hearing on each application 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-8677 is not competing with another project and DCOPN did not receive a request to conduct a public hearing for the proposed project. Thus, no public hearing is held.

DCOPN provided notice to the public regarding this project inviting public comment on December 12, 2022. The public comment period closed on January 26, 2023. Other than the letters of support referenced above, no members of the public commented. There is no known opposition to the project.

(ii) the availability of reasonable alternatives to the proposed service or facility that would meet the needs of the population in a less costly, more efficient, or more effective manner;

Given the age and deficiencies in Centra ARC's existing space, the status quo is not an option. Centra explored the alternatives of renovating existing space or finding other space on the campus of Centra VBH and determined that the time and expense of remediation were prohibitive, and that a new, freestanding rehabilitation hospital, designed specifically for current technologies and practices is not only best care for patients, but the most cost-efficient option to provide inpatient rehabilitation services in PD 11. No other reasonable alternative has been identified.

(iii) any recommendation or report of the regional health planning agency regarding an application for a certificate of public need 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 the Southwest Region. Therefore, this criterion is not applicable to this review

(iv) any costs and benefits of the project;

The total capital costs of the proposed project are $75,440,246 **(Table 2**) which are reasonable and comparable to a similar, recent project. The applicants identified a number of benefits to the proposed project. It would bring the only inpatient medical rehabilitation facility in PD 11 into compliance with ADA and building guidelines, provide functional elevators and adequate therapy spaces. CRH has partnered with KRS to utilize its refined building program for a cost-efficient design. The proposed infrastructure would support spacious, private inpatient rooms with ceiling heights capable of ceiling-mounted patient lift systems. The configuration and building materials would allow for better monitoring of patients and operational efficiencies. Increasing bed capacity will allow for designated patient room wings specialized for stroke and traumatic brain injury. These specialized services are not feasible in the current 20-bed facility but would be with economies of scale gained in a 50-bed facility. The main therapy suite would include a therapy gym, patient care technology (Bionik InMotion Arm for neurological Rehabilitation, a Smart car and the first FDA-cleared exoskeleton for stroke and spinal cord injury rehabilitation), a cooking therapy room and an activities of daily living (ADL) therapy suite/apartment.

DCOPN concludes that the applicants have identified benefits of the proposed project that they are likely to achieve through the collaborative effort with KRS Capital Growth Medvest Lynchburg, LLC, the developer that would construct the proposed facility.

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

The applicants provided assurances that inpatient rehabilitation services will be available to all persons without regard to their ability to pay or their payment source. The Pro Forma Income Statement (**Table 4**) provided by the applicant illustrates the provision of 0.7% charity care based on gross patient services revenue derived from acute rehabilitation services.

Table 4. Pro forma Income Statement

	Year 1	Year 2
Gross Patient Revenue	**$ 30,137,127**	**$ 44,913,574**
Contractual Adjustments	($ 14,929,863)	($ 22,065,598)
Bad Debt	($ 189,726)	($ 290,242)
Charity Care	($ 215,334)	($ 314,395)
Net Patient Revenue	**$ 14,802,204**	**$ 22,243,339**
Other Operating Revenue	$ 74,011	$ 111,217
TOTAL Operating Revenue	**$ 14,876,215**	**$ 22,354,556**
Total Expenses	**$ 16,693,873**	**$ 20,068,428**
Excess of Revenue over Expenses	**$ (1,817,658)**	**$ 2,286,128**

Source: COPN Request No. VA-8677

This percentage is consistent with the HPR III charity care average (**Table 5**) reported to Virginia Health Information (VHI) in 2021. Based on the preceding, DCOPN concludes that approval of the proposed project will ensure financial accessibility by all patients, including indigent patients, to the comprehensive rehabilitation beds and services proposed to be provided by the applicant. Recent changes to § 32.1-102.4B of the Code of Virginia now require DCOPN to place a charity care condition on every applicant seeking a COPN. Should the proposed project be approved, CRH would be subject to a charity care condition of 0.7%, in addition to any new requirements as found in the revised § 32.1-102.4B of the Code of Virginia.

Table 5. 2020 Charity Care, Health Planning Region III

Health Planning Region III			
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

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

No other factors were identified relevant to determination of public need for the proposed project.

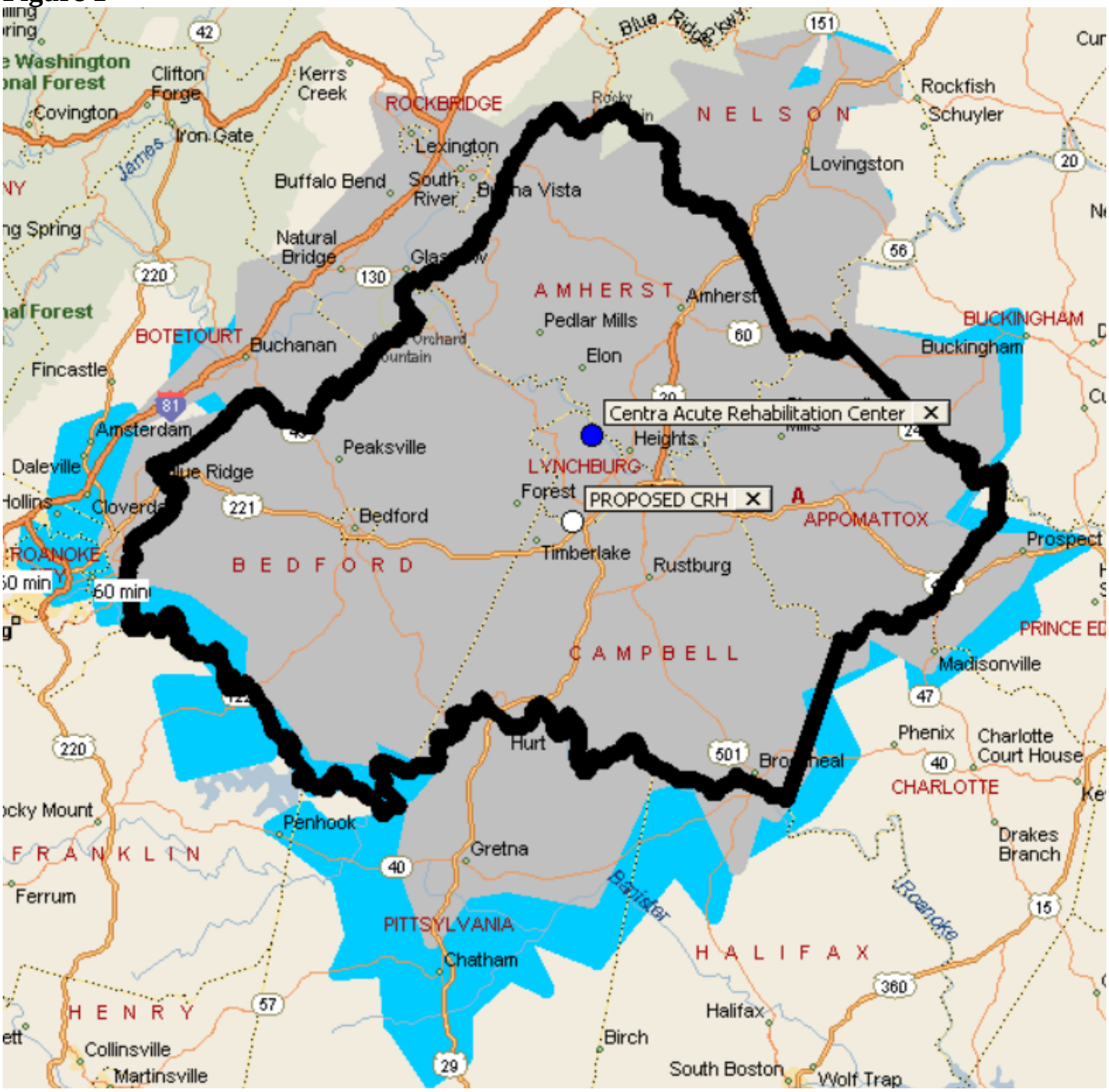
3. The extent to which the application is consistent with the State Medical Facilities Plan;

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, DCOPN will consider the consistency of the proposed project with the predecessor of the SHSP, the SMFP. They are as follows:

Part XI
Medical Rehabilitation

12VAC5-230-800. Travel time.
Medical rehabilitation services should be available within 60 minutes driving time one way under normal driving conditions of 95% of the population of the health planning district using mapping software as determined by the commissioner.

Figure 1



Centra ARC is the only provider of inpatient medical rehabilitation in PD 11 or in the adjacent PD 14 to the south and east. Centra Southside Community Hospital is the only acute care hospital in PD 14. The heavy dark line in **Figure 1** identifies the boundaries of PD 11. The grey

shading illustrates the area that is currently within a 60-minute drive of Centra ARC, marked on the map by a blue dot). The white dot indicates the location of the proposed new facility, and the bright blue shading is the area within 60 minutes of the proposed site that is not currently within a 60-minute drive of Centra ARC. There is only a small area of PD 11 in the northern tip of Amherst County in the George Washington National Forest that is a shorter drive time to the existing ARC than to the proposed CRH. This illustrates that 95% of the population in PD 11 is within 60 minutes of a PD 11 inpatient medical rehabilitation provider currently, and a slightly higher percentage of PD 11 would be within 60 minutes of a PD 11 provider should the proposed project be built.

There are no inpatient rehabilitation facilities within an hour of Lynchburg other than Centra ARC. The closest facilities providing the service outside of PD 11 are: Carilion Roanoke Community Hospital, one hour and 10 minutes to the west of Lynchburg; UVA Encompass Health Rehabilitation Hospital, one hour and 10 minutes to the northeast of Lynchburg; Sovah Health-Danville, one hour and 17 minutes to the south of Lynchburg; LewisGale Medical Center one hour and 18 minutes to the west of Lynchburg and Augusta Medical Center, one hour and 20 minutes to the north of Lynchburg.

12VAC5-230-810. Need for new service.

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

$$\frac{((UR \times PROPOP) / 365)}{0.80}$$

Where:

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

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

The projected population used for purposes of free-standing, long-term infrastructure is five years from the projected date of opening:

UR = 5,098 medical rehabilitation days in 2021 / 266,915 population = 0.019

PROPOP = 296,678 projected population five years after target opening date

$$\frac{(0.019 \times 296{,}678) / 365}{0.80} = 19.3 \text{ total beds needed (20)}$$

Currently Authorized: 20 beds

20 – 20 = **no shortage or surplus of beds**

The applicant has suggested that a calculation using the utilization rate of 65 and older (those most likely to use inpatient rehabilitation services) may reflect bed need more accurately, though it is not the methodology prescribed by the SMFP. That methodology results in a bed need of 25 in PD 11.

DCOPN recognizes that this calculation methodology understates the bed need because historical utilization at Centra ARC has been suppressed. The age and capability of the current facility prevents Centra ARC from meeting all of the needs in PD 11. The applicants assert reasonably that, due to deficiencies in the service capability in PD 11, patients currently leave the area for care, seek home care or other skilled nursing sources of therapy, or forego care.

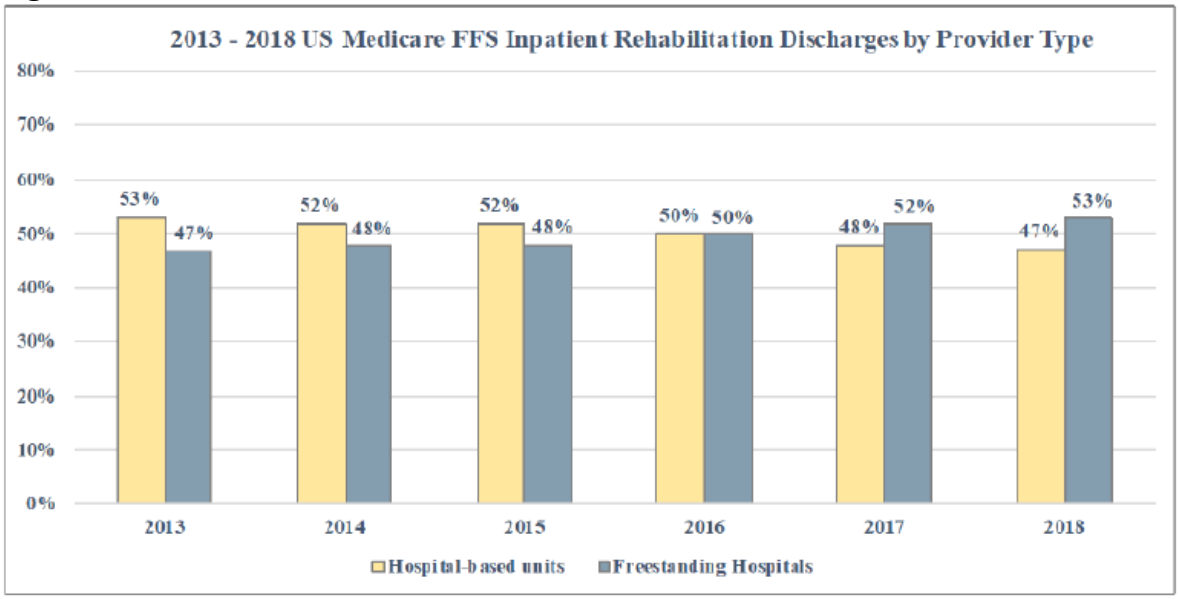
Centra analyzed discharges from its own acute care hospitals, identified patients with diagnoses that would qualify them for inpatient rehabilitation and calculated patient days needed to care for a market share-adjusted portion of these patients. This methodology is reasonable from the perspective of a health system determining achievable volumes for its proposed facility. The assessment yielded an average daily census of 44.3. This would be an occupancy of 88.6% of a 50-bed hospital. The difference between the number of patients historically at Centra ARC and the projected volume at CRH would consist of those getting care at multiple other medical rehabilitation hospitals outside of the PD, those getting home care or less rigorous care at a skilled nursing facility and those that forego care due to barriers to access.

A recognized industry trend is the growth in freestanding rehabilitation hospitals (**Figure 2**). They create larger operating capacities and are better able to create specialized clinical programs and units that cannot be created in smaller, hospital-based units. Smaller, 15- to 20-bed, hospital-based units lack the resources to serve specialized patient groups like stroke, brain and spinal cord injured patients. The proposed 50-bed hospital would allow for specialized care and units as well as greater cost efficiencies. A 2018 MedPAC Report to Congress[1] documented that freestanding rehabilitation hospitals were the lowest cost setting for rehabilitative care and that the median bed size for lowest-cost facilities was 48, while median bed cost for the highest cost facilities was 18.

Centra ARC has 20 inpatient medical rehabilitation beds and Centra has proposed to convert ten medical/surgical beds from Centra VBH to medical rehabilitation beds and transfer these to CRH as well. With 30 beds transferred from Centra Health, the proposed 50-bed facility would require 20 beds to be added to the medical rehabilitation bed inventory in PD 11. This would create a calculated surplus of 20 inpatient medical rehabilitation beds; however, DCOPN agrees that the 50-bed capacity for the proposed facility is appropriate, closer to the size facility that provides the lowest cost care (2018 MedPAC Report), and for cost-effective construction of long-term infrastructure compared to a smaller facility expanded at inflated construction costs in the future, built to serve most patients residing in PDs 11 and 14.

[1] See *2018 MedPAC Report to Congress* available at https://www.medpac.gov/wp-content/uploads/import_data/scrape_files/docs/default-source/reports/mar18_medpac_ch10_sec.pdf (p. 287).

Figure 2



Source: MedPAC March 2010 - March 2020 Report to Congress. http://medpac.gov/-documents-/reports

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

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

The proposed project, at a new site where medical rehabilitation has not previously been offered, would be the only medical rehabilitation service in PD 11. There is a documented need for rehabilitation services in PD 11 and the new facility would offer specialized services for stroke patients and patients with brain injury.

12VAC5-230-820. Expansion of services.
No additional rehabilitation beds should be authorized for a health planning district in which existing rehabilitation beds were utilized with an average annual occupancy of less than 80% in the most recently reported year.

During 2021, Centra VBH, which houses Centra ARC, reported an occupancy of 69.8% to VHI for its medical rehabilitation beds (**Table 1**). The applicants assert that Centra ARC's utilization is projected to be 70.4% for 2022. Because the facility lacks adequate square footage in patient rooms and therapy areas, technology and modernization, patients living in PD 11 seek care elsewhere, often admitted to facilities over an hour away and depriving them of family support. This outmigration contributes to a utilization rate below this 80% threshold.

The closest facilities providing the service outside of PD 11 are: Carilion Roanoke Community Hospital, one hour and 10 minutes to the west of Lynchburg; UVA Encompass Health Rehabilitation Hospital, one hour and 10 minutes to the northeast of Lynchburg; Sovah Health-

Danville, one hour and 17 minutes to the south of Lynchburg; LewisGale Medical Center one hour and 18 minutes to the west of Lynchburg and Augusta Medical Center, one hour and 20 minutes to the north of Lynchburg.

Of these, three facilities are larger than the existing ARC in Lynchburg and likely sites for PD 11 patients to look for more modern, comprehensive services: Carilion Roanoke Community Hospital, with an occupancy of 93% of staffed beds; LewisGale Medical Center with an occupancy of 99.5% of staffed beds and UVA Encompass with an occupancy of 84% of staffed beds, according to utilization reported to VHI in 2021.

The applicants project that patients from Centra's acute care hospitals appropriate for inpatient rehabilitation would produce an average daily census of 44.3 in a facility capable of caring for all of their patients' needs for those services. Such a facility and utilization would serve to decompress high utilization at surrounding inpatient rehabilitation facilities outside of PD 11.

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

Although the proposed project is not competing, Centra Health has proffered to convert ten medical/surgical beds from Centra VBH to transfer to the proposed CRH, in addition to Centra ARC's 20 medical rehabilitation beds. If the proposed project is approved, this use of underutilized medical/surgical beds would reduce the bed surplus in PD 11 that it would create. Centra VBH has 20 unstaffed, licensed medical/surgical beds and the staffed beds have low occupancy (**Table 6**). Centra VBH and Centra Lynchburg General Hospital, however, operate as a single legal entity with two acute care hospitals. Evaluated together, occupancy of licensed medical/surgical beds is relatively high (76.97%). Conversion of 10 beds to medical rehabilitation beds would increase the combined occupancy of Centra VBH and Lynchburg General licensed medical/surgical beds to 79.25%, without creating a need for additional medical/surgical beds in the process.

Table 6. 2019 VHI Data (Pre-COVID Restrictions)
Before and After 10 Med/Surg Beds are Moved from VBH

Facility Name	Bed Classification	Licensed Beds	Staffed Beds	Occupancy Licensed Beds	Occupancy Staffed Beds
Lynchburg General Hospital	Med/Surg	305	305	84.81%	84.8%
Virginia Baptist Hospital	Med/Surg	42	22	20.03%	38.2%
Combined Days and Occupancy				76.97%	81.7%

Facility Name	Bed Classification	Licensed Beds	Staffed Beds	Occupancy Licensed Beds	Occupancy Staffed Beds
Lynchburg General Hospital	Med/Surg	305	305	84.81%	84.8%
Virginia Baptist Hospital	Med/Surg	32	22	26.28%	38.2%
Combined Days and Occupancy				79.25%	81.7%

12VAC5-230-830. Staffing.
Medical rehabilitation facilities should be under the direction or supervision of one or more qualified physicians.

Assurances were provided by the applicant that the proposed new facility will be under the direction of one or more qualified physicians.

Part VI
Inpatient Bed Requirements

12VAC5-230-570. Expansion or relocation of services.

A. Proposals to relocate beds to a location not contiguous to the existing site should be approved only when:

1. Off-site replacement is necessary to correct life safety or building code deficiencies;

The applicants state that Centra ARC has not been cited for any life safety or building code deficiencies because the aged building is not required to comply with many current requirements; however, Centra ARC does not meet recent building codes or requirements for an inpatient rehabilitation facility. Any renovation to improve the functionality of the building for use in inpatient rehabilitation will require the space to be brought into compliance with current building and ADA code. For example, rooms are too small; none of the bathrooms are ADA compliant as they are too small for assistive devices like wheelchairs and walkers; half of the bathrooms do not have a sink in the toilet rooms; and none contain a private shower. These deficiencies, among others, would be corrected in the proposed newly-constructed facility.

2. The population currently served by the beds to be moved will have reasonable access to the beds at the new site, or to neighboring inpatient facilities;

The proposed facility is nine miles/eighteen minutes from Centra ARC, but in a location closer to primary roadways in Lynchburg, Virginia. The majority of the population in PD 11 would have easier access at the proposed new facility than to the current facility.

The number of beds to be moved off-site is taken out of service at the existing facility;

The applicants affirmed that the 20 medical rehabilitation beds at Centra ARC and the 10 medical/surgical beds to be converted would be taken out of service should the proposed project be approved.

3. The off-site replacement of beds results in:

a. A decrease in the licensed bed capacity;

b. A substantial cost savings, cost avoidance, or consolidation of underutilized facilities; or

c. Generally improved operating efficiency in the applicant's facility or facilities; and

The proposed project would result in the addition of beds in PD 11, but the conversion and relocation of medical/surgical beds would reduce the calculated bed surplus created. Due to the age of the existing building, the new, modern facility would operate at a cost savings. The applicants have conducted an evaluation and determined renovation or on-site replacement is cost-prohibitive and that the construction of a freestanding replacement facility without the constraints of antiquated infrastructure is the most cost-effective alternative. In addition, CRH is proposing to build infrastructure to accommodate the needs of surrounding communities into the foreseeable future, which is more cost effective compared to expanding in the future.

Cost savings from the proposed project would be realized from a design that maximizes system efficiency and creates economies of scale, particularly in the provision of specialty rehabilitative care for stroke and brain-injured patients. Energy conservation would be realized through modern systems and green initiatives. For example, lighting fixtures and electrical systems throughout the proposed facility would meet or exceed International Energy Code requirements. Load reduction compared to current excessive energy use is anticipated from up-to-date mechanical or HVAC systems.

d. The relocation results in improved distribution of existing resources to meet community needs.

The proposed relocation of approximately nine miles would maintain services within 60 minutes of a slightly larger area than the current location. It would also provide comprehensive inpatient rehabilitation services to a rural population with limited access currently. The three facilities outside of PD 11 that are larger than the existing ARC in Lynchburg and likely sites for PD 11 patients to look for more modern, comprehensive services are all more than one hour from the proposed CRH site. In addition, their utilization of staffed beds is high, 93% at Carilion Roanoke Community Hospital, 99.5% at LewisGale Medical Center 84% at UVA Encompass, according to utilization reported to VHI in 2021. The proposed CRH may not impact three facilities to a great extent but could provide some decompression of this high utilization.

B. Proposals to relocate beds within a health planning district where underutilized beds are within 30 minutes deriving time one way under normal driving conditions of the site of the proposed relocation should be approved only when the applicant can demonstrate that the proposed relocation will not materially harm existing providers.

Centra ARC is the only provider of inpatient medical rehabilitation beds in PD 11 and no other underutilized medical rehabilitation beds exist within 30 minutes driving time. The closest providers outside of PD 11 experience high utilization. It is unlikely other providers of inpatient medical rehabilitation would be harmed by the proposed project.

Required Considerations Continued

4. The extent to which the proposed service or facility fosters institutional competition that benefits the area to be served while improving access to essential health care services for all persons in the area to be served;

Centra ARC is the only provider of inpatient medical rehabilitation beds in PD 11, so it would not foster competition in the PD. Due to the distance to providers outside of PD 11, access to modern and comprehensive services would be improved for patients in the area.

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

CRH is part of Centra Health, the only health system providing inpatient services in rural PDs 11 and 14. Centra ARC is also the only provider of inpatient medical rehabilitation services in PD 11 and PD 14. Utilization of its 20 beds as reported to VHI in 2021 was 69.8%. The applicant convincingly asserts that deficiencies in the aged building as compared to current building codes and patient expectations are suppressing utilization of the facility, patients are out-migrating to services outside the PD, seeking care with skilled nursing facilities or home health agencies or foregoing medical rehabilitative care altogether, to the detriment of their best achievable health.

6. The feasibility of the project, including the financial benefits of the 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 4**) provided by the applicants illustrates that the proposed project is expected to incur a loss of approximately $1.8 million in its first year of operation, followed by an excess of revenues over expenses of $2.3 million following the Medicare demonstration period. The proposed project appears to be financially feasible in the short and long-term.

The total capital cost of the proposed project is $75,440,246 (**Table 2**) which would be funded primarily with cash flow revenues and operations (about 95% of total cost) and with accumulated reserves (about 5%). These costs are reasonable when compared to the latest similar project with capital costs available for comparison.

The applicants have stated that approximately 39 FTEs would transfer to the proposed facility and about 87 additional FTEs would be needed at CRH. They assert that no difficulty is anticipated in staffing the proposed new facility, since it will be attractive to qualified and experienced care providers to work in a state-of-the-art facility. They also tout the experience and connections of Centra and KRS in recruiting staff and state that the additional staffing will not have an impact on other providers in PD 11, since there are none. There is risk of therapy professionals transferring from other PDs across Virginia. In a climate of staffing challenges, the addition of a large number of FTEs may prove more challenging than the applicants anticipate.

7. The extent to which the project provides improvements or innovations in the financing and delivery of health 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 services on an outpatient basis; (iii) any cooperative efforts to meet regional health care needs; (iv) at the discretion of the Commissioner, any other factors as may be appropriate; and

The current Centra ARC facility has space and building limitations that prevent PD 11 from the benefits of state-of-the-art technologies and therapies. The proposed facility will be constructed for these latest technologies and therapies and offer the population of PD 11 services not available or possible currently. These include a new gym with equipment such as an EksoBionics EksoGT, the first FDA-cleared exoskeleton for stroke and spinal cord injury rehabilitation to assist in relearning walking and building strength to walk independently; a Bionik InMotion Arm interactive therapy system, a robotic assisted shoulder and elbow therapy device to treat patients with neurological conditions such as stroke, traumatic brain injury and spinal cord injury; an independent living apartment to allow patients to practice activities of daily living.

DCOPN did not identify any other relevant factors to bring to the Commissioner's attention not previously addressed and discussed elsewhere in this staff analysis report.

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.

Centra Health participates in the training of health professionals, working with the School of Nursing, Lynchburg Family Medicine Residency and partnering with Liberty University College of Osteopathic Medicine and the University of Lynchburg Master of Physician Assistant Medicine programs. Area schools utilized Centra facilities for quality medical learning experiences. The applicants state that "Centra offers an innovative approach to medical and allied healthcare education, building precepting models geared toward interprofessional teams in acute and primary care settings."

DCOPN Staff Findings and Conclusions

CRH proposes to construct a freestanding, 50-bed acute medical rehabilitation hospital on a 48-acre lot near the intersection of Simons Run and Leesville Road in Campbell County, Virginia owned by Centra Health. Initially, CRH would lease about five acres. Twenty of the beds would be transferred/relocated from the current Centra ARC, ten underutilized medical/surgical beds would be converted and transferred from Centra VBH, and twenty beds would be additions to the PD 11 inventory. CRH proposes a facility of just under 65,000 square feet to house 50 private rooms with full bathrooms, including specialty care patient rooms and isolation rooms. Centra

ARC, from where 20 inpatient medical rehabilitation beds would be transferred, is the only provider of these services in PD 11, and the adjacent PD 14 has no such services.

The applicants state that Centra ARC has not been cited for any life safety or building code deficiencies because the aged building is not required to comply with many current requirements; however, the applicants have demonstrated deficiencies in the current facility such that status quo is not acceptable. The current building is not capable of supporting inpatient medical rehabilitation services available for optimal patient outcomes. Patients in PD 11 do not currently have access to adequate patient rooms, basic ADA compliant bathrooms or ceiling-mounted patient lifts, much less the latest technologies and therapies. The existing facility is understandably not fully utilized as many alternatives, even with extensive travel, are more attractive than what is currently possible to offer in PD 11.

Fully implemented, the proposed project would create a calculated surplus of inpatient rehabilitation beds in PD 11; however, the SMFP calculation is based upon historical data from the only provider in PD 11, one that is not capable of fully meeting the needs of the population. The applicants' projections based upon discharges from Centra's existing acute care hospitals demonstrate that a 50-bed facility is appropriate and surrounding facilities outside of the area experience high utilization. Given that it will be the sole provider in the PD and that infrastructure would be built, cost-effectively, for the foreseeable future needs, the proposal of 50 beds is not excessive. The proposed project is in substantial compliance with the criteria/standards of the State Medical Facilities Plan regarding medical rehabilitation beds and the 8 Required Considerations of the Code of Virginia.

The total capital cost of the proposed project is $75,440,246 (Table 2) which would be funded primarily with cash flow revenues and operations as well as accumulated reserves. These costs are reasonable. The applicants project the proposed project would be operational on June 30, 2026. The Pro Forma provided by the applicants projects an excess of revenue over expenses after the first (Medicare demonstration) year. DCOPN has some concerns about staffing the proposed project, given the need to recruit 87 additional FTEs to a relatively rural area and the impact of such recruitment on other inpatient rehabilitation facilities in the broader region. The applicants are confident that their recruitment efforts, and industry contacts will be successful in bringing providers to a state-of-the-art facility. DCOPN determines that the project is feasible in the short- and long-term.

DCOPN concludes that the proposed project would improve patient access to state-of-the-art inpatient rehabilitation services in a facility which would provide convenient highway access, visibility and physical accessibility to the surrounding, mostly rural communities.

DCOPN further concludes that the applicants have identified benefits of the proposed project that they are likely to achieve through the collaborative effort with KRS Capital Growth Medvest Lynchburg, LLC, the developer that would construct the proposed facility.

DCOPN concludes that approval of the proposed project will ensure financial accessibility by all patients, including indigent patients, to the comprehensive rehabilitation beds and services proposed to be provided by the applicant.

Staff Recommendation

The Division of Certificate of Public Need recommends **conditional approval** of the proposed project, the establishment of an inpatient rehabilitation hospital with 50 beds, through the transfer of 20 medical rehabilitation beds and 10 beds converted from medical/surgical beds from Centra VBH, and the addition 20 inpatient rehabilitation beds, for the following reasons:

1. The proposed project is generally consistent with the 8 Required Considerations of the Code of Virginia and the relevant provisions of the State Medical Facilities Plan.

2. Replacement of inpatient rehabilitation services to a new, freestanding facility is the only practical solution to plant issues that cannot be corrected reasonably or cost-effectively with an on-site renovation

3. The project will improve access to services in PD 11.

4. The capital cost of the proposed project is reasonable,

5. The proposed project appears financially viable in the short- and long-term.

6. The proposed project will not impact another provider in PD 11 and is unlikely to harm existing providers outside of the PD.

7. There is no known opposition to the proposed project.

8. The proposed project is far more beneficial than the status quo, which does not offer adequate care and experience for patients.

DCOPN's recommendation is contingent on Centra Rehabilitation Hospital's agreement to the following condition:

Centra Rehabilitation Hospital will provide inpatient medical rehabilitation 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 facilitate the development and operation of primary care services to medically underserved persons in an aggregate amount equal to at least 0.7% of Centra Rehabilitation Hospital's total patient services revenue derived from inpatient medical rehabilitation services as 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. 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 Centra Rehabilitation Hospital 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 to 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.

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