

VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis

August 21, 2023

COPN Request No. VA-8707

Coastal Virginia Rehabilitation, LLC, d/b/a Riverside Rehabilitation Hospital
Yorktown, Virginia
Add 10 Medical Rehabilitation Beds

Applicants

The applicant is Coastal Virginia Rehabilitation, LLC. (“CVR”), a Virginia limited liability company established in 2014. Hospital Holdings Corporation, a Select Medical affiliate, owns 51% membership interest while a Riverside Health System affiliate owns 49% interest. Riverside Rehabilitation Hospital (“RRH”) is an existing facility. CVR leases property, on which RRH is located and on which the expansion will be constructed, from Riverside Healthcare Association, Inc., a Virginia nonstock corporation. The 8-acre property is located in York County, Virginia Planning District (PD) 21 in the Eastern Virginia Health Planning Region, Health Planning Region (HPR) V.

Background

RRH is the only freestanding medical rehabilitation hospital in PD 21. In fact, there are no other freestanding medical rehabilitation hospitals in HPR V, only acute care hospitals with medical rehabilitation beds. A recognized industry trend is the growth in freestanding rehabilitation hospitals. 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.

Within PD 21, there is only one other provider of inpatient medical rehabilitation, Sentara Williamsburg Regional Medical Center. RRH has 50 of the 56 medical rehabilitation beds in PD 21 (89.3%) and had 90.1% of the patient days in 2021, the last year for which such data are available (**Table 1**). That year, RRH had an occupancy rate of 78.2%. RRH reports patient days equal to 82% occupancy in 2022 and 90.5% the first quarter of 2023.

Specific programs at RRH include:

- Stroke Rehabilitation
- Orthopedic Rehabilitation
- Spinal Cord Injury Rehabilitation

- Amputee Rehabilitation
- Brain Injury Rehabilitation
- Neurologic Rehabilitation
- Medically Complex Rehabilitation

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 required by patients in need of acute inpatient rehabilitation services (three times per day, five days per week). 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 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. Medical Rehabilitation Beds in 2021, PD 21

Facility Name	Licensed Med Rehab Beds	Staffed Med Rehab Beds	Licensed Bed Available Days	Patient Days	Occupancy Rate
Riverside Rehabilitation Hospital	50	50	18,250	14,272	78.2%
Sentara Williamsburg Regional Medical Center	6	6	2,190	1,565	71.5%
Total, PD 21	56	56	20,440	15,837	77.5%

Source: VHI 2021

Proposed Project

RRH proposes to add ten medical rehabilitation beds to its existing 50-bed, facility at 250 Josephs Drive in Yorktown, Virginia. These ten proposed beds would all be additions to the PD 21 inventory. The facility is the only freestanding inpatient medical rehabilitation hospital in PD 21. The addition, which includes a therapy gym expansion, clean supply/nourishment area, a nursing station, medication room and ancillary support suite, would add 7,500 square feet to the facility. Total cost of the proposed project is \$6,213,463 (**Table 2**).

These costs equate to \$828 per square foot and appear reasonable, falling between the costs of two recent projects adding medical rehabilitation beds to existing hospitals, COPN No. VA-04702 at Henrico Doctor’s Hospital at \$689 per square foot and COPN No. VA-04784 at Encompass Health Rehabilitation Hospital at \$1229 per square foot. Capital costs will be financed with accumulated reserves so no financing costs will accrue. The target date of opening is March 1, 2025.

Table 2. Capital and Financing Costs

Direct Construction Costs	\$4,478,263
Equipment not Included in Construction Contract	\$1,128,026
Site Acquisition Costs	\$0
Architectural and Engineering Fees	\$358,261
Other Consulting Fees	\$248,913
TOTAL	\$6,213,463

Source: COPN Request No. VA-8707

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.” 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 21 has a projected growth rate (2020-2030) of 2.5%. This is far lower than the state growth rate projected at 7.8% (**Table 3**). The Centers for Disease Control and Prevention (“CDC”) reports that 87.9% of inpatient rehabilitation facility patients are aged 65 and older,¹ so this is an important demographic segment to the proposed project. The age cohort 65+ in PD 21 is projected to grow by 28.7% between 2020 and 2030, slightly faster than the 65+ age group across Virginia (**Table 4**).

¹ Centers for Disease Control and Prevention Fast Stats: Older Person’s Health (2017).

Table 3. PD 21 and Statewide Total Population Projections, 2010-2030

Locality	2010	2020	% Change	2030	% Change
Hampton City	137,436	135,530	-1.40%	127,842	-5.70%
James City	67,009	78,016	16.40%	92,210	18.20%
Newport News City	180,719	181,581	0.50%	179,752	-1.00%
Poquoson City	12,150	12,382	1.90%	12,635	2.00%
Williamsburg City	14,068	15,463	9.90%	17,008	10.00%
York	65,464	69,582	6.30%	75,492	8.50%
Total PD 21	476,846	492,554	3.30%	504,939	2.50%
Virginia	8,001,024	8,655,021	8.20%	9,331,666	7.80%

Source: U.S. Census, Weldon Cooper Center Projections (August 2019) and DCOPN (interpolations)

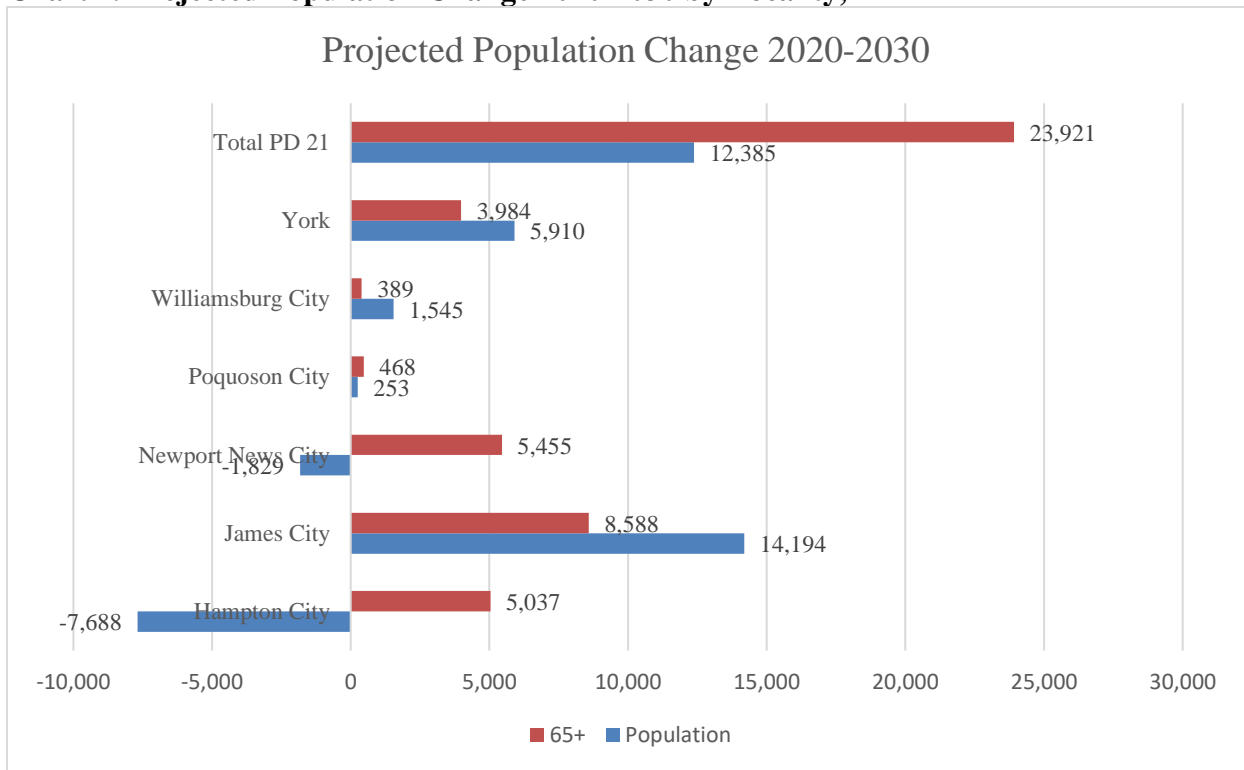
Table 4. PD 21 Population Projections for 65+ Age Cohort, 2010-2030

Locality	2010	2020	% Change	2030	% Change
Hampton City	16,856	20,430	21.20%	25,467	24.70%
James City	13,870	23,287	67.90%	31,875	36.90%
Newport News City	19,219	22,973	19.50%	28,428	23.70%
Poquoson City	1,891	2,451	29.60%	2,919	19.10%
Williamsburg City	1,879	2,616	39.20%	3,005	14.80%
York	7,934	11,723	47.80%	15,707	34.00%
Total PD 21	61,649	83,480	35.40%	107,401	28.70%
Virginia	976,937	1,352,448	38.40%	1,723,382	27.40%

Source: U.S. Census, Weldon Cooper Center Projections (August 2019) and DCOPN (interpolations)

With a total population of about half a million, there will be over 12,000 more people living in PD 21 in 2030 versus 2020. As the population grows and ages beyond 65 years, there will be nearly 24,000 more people age 65+ in 2030 than in 2020 residing in PD 21 (**Chart 1**). This supports the need for increased infrastructure in medical rehabilitation to improve access. RRH is well-positioned for accessibility to the growing 65+ populations in York County, Newport News City and Hampton City which are projected to total 14,476 additional people aged 65 and older in 2030 versus 2020 (**Chart 1**).

Chart 1. Projected Population Change 2020-2030 by Locality, PD 21



Source: U.S. Census, Weldon Cooper Center Projections (August 2019) and DCOPN (interpolations)

RRH is accessible just off of Interstate I-64 across the George Washington Memorial Highway in Yorktown. The Williamsburg Area Transit Authority has expanded its service range in recent years to include Route 17, allowing greater accessibility to RRH via public transportation from James City County as well.

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;

DCOPN received five letters of support for the proposed project from physicians, including the medical director of RRH, and a brigadier general, retired from the air force. Together, the letters expressed the following:

- RRH’s inpatient rehabilitation program provides excellent patient safety and outstanding quality.
- RRH specializes in treating patients recovering from a range of medical issues.
- The nature of these services demands that port-acute care is received as soon as possible to ensure rehabilitative outcomes.
- Post acute service needs in the community remain pervasive.

- The proposed project will ensure that more patients in need of immediate services receive the care they need to resume their daily lives.
- The proposed project will allow RRH to grow its services.
- The proposed project will allow RRH to increase its care delivery to patients in crucial need of post-acute services.
- The proposed project will increase access to more residents of York County.
- The proposed project will promote care continuity for a greater portion of the population in its service area.

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-8707 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 was held.

DCOPN provided notice to the public regarding this project inviting public comment on June 12, 2023. The public comment period closed on July 27, 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;

Because RRH has a demonstrated institutional need, there is not an alternative to expanding capacity at the facility, but DCOPN explored the conversion and relocation of underutilized medical/surgical beds from a Riverside acute care facility in PD 21. VHI data for 2021 indicates that the 30 licensed medical/surgical beds (13 staffed) at Riverside Doctor's Hospital Williamsburg had a utilization of 41.8%. At the same number of patient days but ten fewer licensed beds, the utilization rate of its medical/surgical beds would be 62.8%. The 352 licensed medical/surgical beds (200 staffed) at Riverside Regional Medical Center had a utilization rate of 56.7% according to the 2021 VHI report. At the same number of patient days but ten fewer licensed beds, the utilization rate of medical/surgical beds at Riverside Regional Medical Center would be 58.3%. Note that each of these Riverside acute care hospitals had more than ten unstaffed beds in 2021.

DCOPN asked the applicant if conversion and relocation of underutilized medical/surgical beds to RRH had been considered. The applicant responded, in part:

“Because RRH is not wholly owned by the Riverside Health System, it should not be considered a ‘part of a health system’ for purposes of 12 VAC 5-230-80(B)... As Riverside Health System is a minority owner of RRH, it would not be appropriate to convert underutilized beds of Riverside Health System facilities to expand bed capacity at RRH. “

(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 V designated by the Virginia Department of Health to serve as the Health Planning Agency for the Eastern Virginia Health Planning Region. Therefore, this criterion is not applicable to this review.

(iv) any costs and benefits of the project;

The capital costs of the proposed project are \$6,213,463 (Table 2) which are reasonable and comparable to similar, recent projects. RRH has an institutional need as it has demonstrated high bed occupancy. This high occupancy causes patients seeking inpatient medical rehabilitation to experience delays in admission. Because the nature of rehabilitative services requires post-acute care is received as soon as possible to ensure rehabilitative outcomes delays are not optimal to patient care. High occupancy at RRH also causes diversions to other facilities further away, denying patients’ families convenient access to provide support to patients. Benefits to the proposed project are better accessibility for those seeking care, fewer delays, better continuity of care, and more patients having the ability to receive rehabilitation services closer to home.

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

RRH provided assurances that inpatient rehabilitation services will be available to all persons without regard to their ability to pay or their payment source. The applicant further stated that most patients are covered by Medicare and the majority of patients who are not are covered by Medicaid such that there is limited opportunity to provide charity care on the inpatient medical rehabilitation unit.

Table 5. Pro forma Income Statement

	Year 1	Year 2
Gross Patient Revenue	\$74,765,814	\$81,274,838
Total Contractuals	\$40,991,277	\$45,527,867
Charity Care	\$0	\$0
Net Patient Revenue	\$33,774,537	\$35,746,971
Other Operating Revenue	\$60,931	\$63,977
Total Operating Revenue	\$33,835,468	\$35,810,948
Total Operating Expenses	\$24,816,952	\$26,271,741
Excess of Revenue over Expenses	\$9,018,516	\$9,539,207
Interest, Taxes, Depreciation, Amortization, Management Fee	\$3,418,107	\$3,536,453
Net Income Before Minority Interest	\$5,600,409	\$6,002,754

Source: COPN Request No. VA-8707

Consistent with this, no charity care was included in the proforma income statement (**Table 5**), and the percentage of patient revenue provided as charity care by Riverside Rehabilitation Hospital was 0.5% in 2021, the last year for which such data are available. This is significantly lower than the mean charity percentage in HPR V, 2.2% (**Chart 6**). Recent changes to § 32.1-102.4B of the Code of Virginia, however, now require DCOPN to place a charity care condition on every applicant seeking a COPN. Should the proposed project be approved, RRH would be subject to a charity care condition of 2.2%, equal to the mean charity percentage in HPR V in 2021, the latest charity percentage data available (**Table 6**), in addition to any new requirements as found in the revised § 32.1-102.4B of the Code of Virginia.

Table 6. 2021 Charity Care Percentage, HPR V

Health Planning Region V			
2021 Charity Care Contributions at 200% of Federal Poverty Level			
Hospital	Gross Pt Rev	Adjusted Charity Care	%
Shore Memorial Hospital	\$ 269,907,727	\$9,422,924	3.5%
Sentara Careplex Hospital	\$ 1,017,574,248	\$34,066,691	3.3%
Sentara Norfolk General Hospital	\$ 4,140,257,319	\$128,762,704	3.1%
Riverside Doctors' Hospital Williamsburg	\$ 179,426,271	\$5,432,225	3.0%
VCU Health Tappahannock Hospital	\$ 92,960,711	\$2,700,950	2.9%
Sentara Obici Hospital	\$ 1,087,729,489	\$30,962,016	2.8%
Riverside Walter Reed Hospital	\$ 287,948,364	\$7,863,937	2.7%
Chesapeake General Hospital	\$ 1,072,529,357	\$27,311,983	2.5%
Select Specialty Hospital-Hampton Roads	\$ 52,682,414	\$1,306,102	2.5%
Sentara Virginia Beach General Hospital	\$ 1,498,811,465	\$32,606,150	2.2%
Sentara Leigh Hospital	\$ 1,693,550,753	\$35,862,784	2.1%
Riverside Regional Medical Center	\$ 2,520,629,397	\$50,712,093	2.0%
Newport News Behavioral Health Center	\$ 34,327,936	\$674,329	2.0%
Sentara Princess Anne Hospital	\$ 1,211,917,351	\$20,507,610	1.7%
Sentara Williamsburg Regional Medical Center	\$ 730,844,393	\$11,014,243	1.5%
Rappahannock General Hospital	\$ 84,262,971	\$1,208,624	1.4%
Southampton Medical Center	\$ 202,382,082	\$2,878,626	1.4%
Bon Secours Mary Immaculate Hospital	\$ 695,764,105	\$4,616,676	0.7%
Bon Secours Maryview Medical Center	\$ 1,277,812,385	\$7,962,270	0.6%
Riverside Rehabilitation Hospital	\$ 48,989,384	\$248,297	0.5%
Virginia Beach Psychiatric Center	\$ 53,896,135	\$261,760	0.5%
Children's Hospital of the King's Daughters	\$ 1,148,982,976	\$3,770,291	0.3%
Hospital For Extended Recovery	\$ 29,149,289	\$68,918	0.2%
Kempsville Center for Behavioral Health	\$ 45,848,943	\$0	0.0%
Lake Taylor Transitional Care Hospital	\$ 46,260,612	\$0	0.0%
HPR V Median			2.0%
HPR V Total \$ & Mean%	\$ 19,524,446,077	\$ 420,222,203	2.2%

(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:

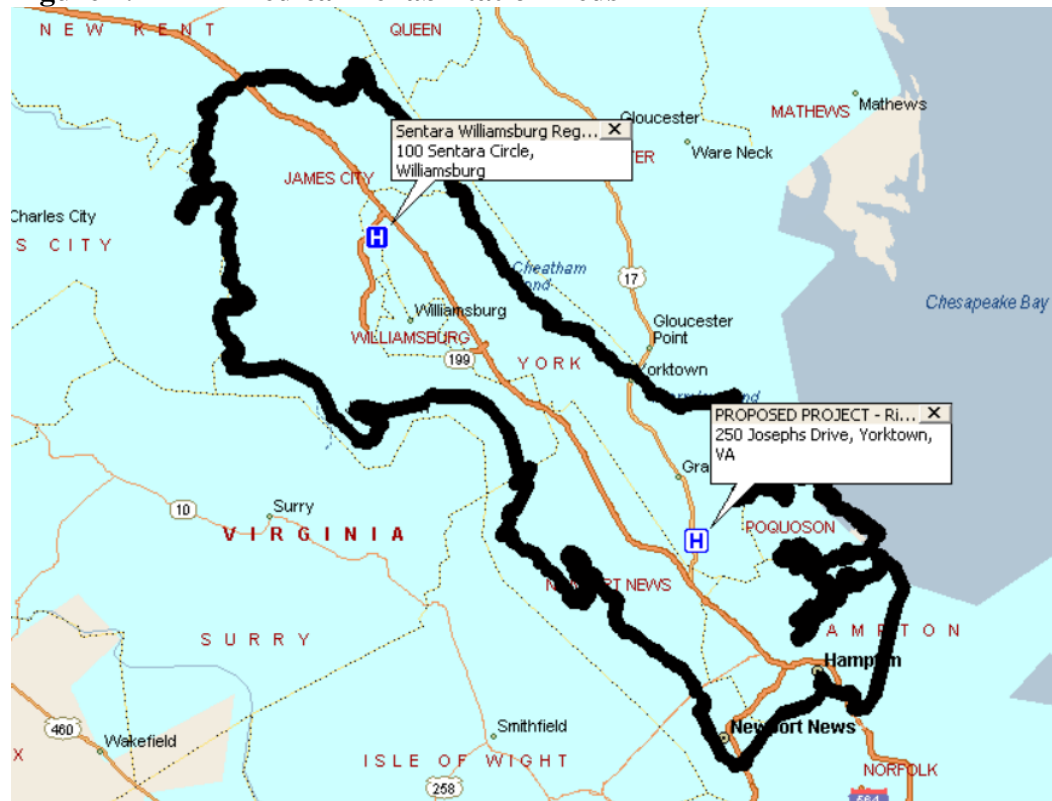
**Part XI
Medical Rehabilitation**

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.

The entirety of the population of PD 21 is within one hour of medical rehabilitation services. The proposed project will not increase geographic access since it is at an existing provider site.

Figure 1. PD 21 Medical Rehabilitation Beds



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.

RRH is not proposing a new service, but the expansion of an existing service. For the sake of completeness, the number of medical rehabilitation beds needed in PD 21 is calculated as follows:

Number of medical rehabilitation patient days in PD 21 in 2021= 15,837

Population of PD 21 in 2021 = 493,152

UR = 15,837/493,152 = .032

PROPOP of PD 21 in 2028 = 501,309²

$$\frac{((.032 \times 501,309)/365)}{0.80} = 54.9 \text{ (55) Medical Rehabilitation Beds Needed, PD 21}$$

There are currently 56 medical rehabilitation beds in PD 21, or a **surplus of one medical rehabilitation bed**. The proposed addition of 10 beds would create a total surplus of 11 medical rehabilitation beds in PD 21.

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.**

Not applicable. RRH is not proposing a new medical rehabilitation service.

² Population sources: Weldon Cooper and DCOPN interpolations.

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.

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

Medical rehabilitation facilities should be under the direction or supervision of one or more qualified physicians.

According to VHI data for 2021, the latest year for which such data are available, PD 21 medical rehabilitation beds had an occupancy of 77.5%, falling short of the 80% threshold in the SMFP. The applicant calculated a PD 21 occupancy of 81% for the following year by utilizing its own 2022 patient days and projecting no other growth in PD 21. Based on historical growth, this is a conservative projection.

The proposed project does not include the conversion of medical/surgical beds. As an existing provider, RRH has a qualified medical director, Dr. C. Renee Moss. The proposed project would be under Dr. Moss' direction as well.

12VAC5-230-80. When institutional expansion needed.

A. Notwithstanding any other provisions of this chapter, the commissioner may grant approval for the expansion of services at an existing medical care facility in a health planning district with an excess supply of such services when the proposed expansion can be justified on the basis of a facility's need having exceeded its current service capacity to provide such service or on the geographic remoteness of the facility.

B. If a facility with an institutional need to expand is part of a health system, the underutilized services at other facilities within the health system should be reallocated, when appropriate, to the facility with the institutional need to expand before additional services are approved for the applicant. However, underutilized services located at a health system's geographically remote facility may be disregarded when determining institutional need for the proposed project.

C. This section is not applicable to nursing facilities pursuant to § [32.1-102.3:2](#) of the Code of Virginia.

D. Applicants shall not use this section to justify a need to establish new services.

According to VHI, the applicant had an occupancy of 78.2% in 2021. RRH has provided 2022 patient days in its application equaling 82% occupancy, demonstrating an institutional need for additional beds. During the first quarter of 2023, RRH reports an occupancy over 90% and relates that patients are now required to wait for available beds or are turned away to seek care further from home due to lack of bed availability.

Medical rehabilitation beds are not available at other Riverside facilities in PD 21; however, conversion of underutilized medical/surgical beds was explored. The applicant stated that RRH is under different ownership than Riverside's acute care facilities, that Riverside is a minority owner of RRH and that RRH should not be considered "part of a health system" for purposes of 12 VAC 5-230-80 B.

C.&D. The proposed project is not a nursing facility and RRH's institutional need is not for a new service.

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;

The proposed project does not foster beneficial institutional competition but seeks to expand bed capacity at an existing facility to meet an institutional need.

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;

RRH is the only freestanding rehabilitation hospital in HPR V and large enough, with 50 beds currently, to utilize economies of scale and provide a range of specialized services that smaller facilities cannot easily provide, such as rehabilitation for stroke, orthopedic, spinal cord injury, brain injury and neurological. Inpatient medical rehabilitation is also provided by a 6-bed unit at Sentara Williamsburg Regional Medical Center.

A subsidiary of Riverside Health System has minority share of RRH. Riverside Health System also operates Riverside Doctor's Hospital Williamsburg and Riverside Regional Medical Center within PD 21. Neither of these acute care hospitals offers inpatient medical rehabilitation beds.

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 provided by the applicant (**Table 5**) anticipates positive net income for the additional beds in both the first and second years of operation (\$5.6 million and \$6 million, respectively). Total capital costs for the proposed project are reasonable and consistent with those of other recently approved additions to medical rehabilitation hospitals. RRH reports five full-time equivalent (FTE) vacancies. The proposed project will increase the need for RRH personnel by 16. Healthcare staffing is a growing challenge across Virginia. RRH asserts its low turnover rate combined with its affiliations with academic institutions that provide a "pipeline for staffing...health care professionals" will enable staffing when the proposed project is completed.

- 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**

Not applicable. The proposal does not include new technologies or innovations in the financing or delivery of health services or provision of services on an outpatient basis.

- 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 proposed project does not affect a teaching hospital associated with a medical school or public institution of higher education.

DCOPN Staff Findings and Conclusions

RRH, a freestanding medical rehabilitation hospital in Yorktown, Virginia, proposes to add ten beds for a total of sixty medical rehabilitation beds. Its larger operating capacity enables RRH to offer specialty programs for stroke, orthopedic, spinal cord injury, amputee, brain injury, neurologic and medically complex rehabilitation patients. The only other provider of inpatient medical rehabilitation services is an acute care hospital with six medical rehabilitation beds. Capital costs for the proposed project appear to be reasonable and will be funded by accumulated reserves, so no financing costs would be incurred.

Though the proposed project will not expand geographic access, it will improve access for the population over age 65 in PD 21, which is growing faster than that of 65+ cohort across the state. Due to its high utilization, last reported at over 90% occupancy, RRH has delayed admissions and diverted patients to facilities further away, and the proposed project would help alleviate these barriers. RRH has demonstrated an institutional need and no reasonable alternatives to the proposed project have been identified. The proposed project is not likely to decrease volumes for other existing providers as it has an institutional need for infrastructure to accommodate existing and growing demand. RRH has demonstrated community support for the proposed project, primarily from members of the medical community, and there is no documented opposition.

Medicare is the primary payor for rehabilitative services and RRH asserts that Medicaid is available to pay for medical rehabilitation for most other patients without Medicare. Though the proposed project is available to patients regardless of their ability to pay and with all payment sources RRH does not anticipate provision of charity care; nevertheless, the proposed project appears to be financially accessible.

The proposed project is feasible in both the short- and long-term. It is generally consistent with the 8 Required Considerations of the Code of Virginia and the relevant provisions of the State Medical Facilities Plan.

Staff Recommendation

The Division of Certificate of Public Need recommends **conditional approval** of the proposed project, the addition of ten medical rehabilitation beds at Coastal Virginia Rehabilitation, LLC, d/b/a Riverside Rehabilitation Hospital, 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. The project will improve access to services in PD 21.
3. The capital cost of the proposed project is reasonable,
4. The proposed project appears financially viable in the short- and long-term.
5. The proposed project will not significantly impact another provider in PD 21.
6. There is no known opposition to the proposed project.
7. The proposed project is more beneficial than the status quo and no reasonable alternatives have been identified.

DCOPN's recommendation is contingent on Coastal Virginia Rehabilitation, LLC's agreement to the following condition:

Coastal Virginia Rehabilitation, LLC 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 2.2% of Coastal Virginia Rehabilitation, LLC'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 Coastal Virginia Rehabilitation, LLC 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.

Coastal Virginia Rehabilitation, LLC 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 Coastal Virginia Rehabilitation, LLC will facilitate the development and operation of primary and specialty medical care services in designated medically underserved areas of the applicant's service area.