

VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis

April 22, 2024

COPN Request No. VA-8743

Centra Health, Inc.

Lynchburg, Virginia

Add 52 beds at Centra Lynchburg General Hospital

Applicant

Centra Health, Inc. (Centra) is a 501(c)(3) not-for-profit, non-stock corporation located in Lynchburg, Virginia. Centra is the sole owner and operator of Centra Lynchburg General Hospital (Lynchburg General). Lynchburg General is located in the city of Lynchburg, Health Planning Region (HPR) III, Planning District (PD) 11.

Background

Medical-Surgical Bed Inventory in PD 11

The Division of Certificate of Public Need (DCOPN) notes that nearly all acute care hospital beds in Virginia can be classified as “medical-surgical” beds, with the exception of psychiatric, substance abuse treatment, and rehabilitation beds. As long as the total licensed bed complement is not exceeded, hospitals may configure and use medical-surgical beds, as circumstances require. For this reason, DCOPN has included obstetric (OB), pediatric, and intensive care unit (ICU) beds in the total count of licensed medical-surgical beds (**Table 1**). According to DCOPN records, and as demonstrated by **Table 1** below, the medical- surgical bed inventory of PD 11 consists of 506 beds.

DCOPN notes that pursuant to COPN No. VA-04865 issued December 28, 2023, Centra was approved to relocate its OB and NICU services, including 35 medical-surgical beds to be used as OB beds and a specialty care neonatal intensive care unit from Virginia Baptist Hospital (Virginia Baptist) to Lynchburg General. The relocated services will be in a new to-be-constructed five-story tower at the corner of Tate Springs Road and Atherholt Road. The second and third floor of the newly constructed tower will house the OB and neonatal services. The project is expected to be completed by October 2027, and the services will continue to be offered at Virginia Baptist until the completion of the project.

Table 1. Medical-Surgical Bed Inventory¹ in PD 11

Facility	Licensed Beds	2022 Occupancy Rate
Centra Bedford Memorial Hospital	50	34.79%
Centra Specialty Hospital	36	64.24%
Centra Lynchburg General Hospital	358	82.59%
Centra Virginia Baptist Hospital ²	62	48.47%
Total	506	72.38%

Source: DCOPN Records and VHI (2022)

Proposed Project

The applicant proposes to add 52 beds at Lynchburg General, including 16 ICU beds and 36 medical-surgical beds. To accomplish the expansion, the applicant will convert existing space currently used for other purposes and will convert patient rooms currently used as private rooms, but designed and originally operated as dual occupancy rooms, back to their original semi-private status. According to the applicant, these renovations will not require any construction.

On February 10, 2023, Centra received a permanent variance to the Regulations for the Licensure of Hospitals in Virginia, 12VAC5-41-10 *et seq.* for Lynchburg General. Specifically, the permanent variance to 12VAC5-410-650 (A) is for the clearance on the non-transfer side of patient beds to be reduced from 4 feet to 3 feet, 9 inches for beds located in Lynchburg General’s Neurological Intermediate and ICU unit. The State Health Commissioner’s (Commissioner) letter with regard to the variance said “[r]equiring the Intensive Care rooms to relocate or remodel the existing patient toilet room is clearly impractical and reduction of the clearance by 3 inches is not anticipated to adversely affect safety and patient care and services.”

The applicant explains that Centra recently announced a multi-year modernization initiative that will encompass the most significant facility improvements in Centra’s 36-year history. The first phase of the modernization is the revitalization of Lynchburg General.

The projected capital costs for the proposed project total \$2,730,977. There are no construction costs associated with the proposed project (**Table 2**). The applicant will fund the project using accumulated reserves. Accordingly, there are no financing costs associated with this project.

¹ The Adjudication Officer’s case decision for COPN No. VA-04682 held that DCOPN was in error by including obstetric, intensive care and pediatric patient days in its calculations for medical-surgical bed need, despite those beds being fungible and accordingly, able to convert to medical-surgical beds without COPN authorization. However, because obstetric, intensive care and pediatric beds can be easily converted to medical-surgical beds, thereby changing the medical-surgical inventory without first obtaining COPN authorization, DCOPN maintains that obstetric, intensive care and pediatric beds should be included in the medical-surgical inventory and the corresponding patient days used for medical-surgical bed need calculations.

²Virginia Baptist lists 15 licensed beds as “Alcohol/Drug” in 2022 VHI data. DCOPN has not included these beds in the PD 11 medical-surgical bed inventory. Additionally, pursuant to COPN No. VA-04865, issued December 28, 2023, Centra was approved to relocate its obstetrical and NICU services, including 35 medical-surgical beds and a specialty care neonatal intensive care unit from Virginia Baptist to Lynchburg General. Finally, pursuant to COPN Request No. VA-04835, Centra agreed to convert 10 medical-surgical beds to medical rehabilitation beds.

Table 2. Projected Capital Costs

Direct Construction Costs	\$0
Equipment Not Included in Construction Contract	\$2,638,625
Other Consultant Fees	\$92,352
Total Capital Costs	\$2,730,977

Source: COPN Request No. VA-8743

No construction is required to implement the proposed project. The applicant anticipates an opening date of January 1, 2025.

Project Definition

§32.1-102.1:3 of the Code of Virginia defines a project, in part, as “[a]n increase in the total number of beds...in an existing medical care facility described in subsection A and §32.1-123 defines a medical care facility 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;**

Geographically, Lynchburg General is located at 1901 Tate Springs Road, Lynchburg, Virginia. According to the applicant, Lynchburg General’s campus is easily accessible by major arterial streets in Lynchburg City and from US Route 29, US Route 501, US Route 460 and US Route 221. Specifically, the Lynchburg General campus is accessible via Langhorne Road from Tate Springs Road, or Atherholt Road. Langhorne Road and Tate Springs Road are both modern, four-lane thoroughfares with traffic lights. Additionally, Centra Health’s P.A.C.E. program (A Program for All-Inclusive Care for the Elderly) provides non-emergent transportation for program participants to medical appointments. Public transportation is provided by the Greater Lynchburg Transit Company and is available to patients with multiple stops per day on the hospital campus.

As depicted in **Table 3** at an average annual growth rate of 0.48%, PD 11’s population growth rate from 2010-2020 is below the state’s average annual growth rate of 0.77%. Overall, the planning district was projected to add an estimated 12,760 people in the 10-year period ending in 2020 – an average increase of 1,275 people annually and 15,206 in the 10-year period ending 2030 – an average increase of 1,520 people annually. Lynchburg City, the location of the proposed project, was expected to experience a population increase of approximately 9.56% from 2010-2020 and 9.34% from 2020-2030, well above the state averages of 8.17% and 7.82%, and the highest in the PD.

Table 3. Population Projections for PD 11, 2010-2030

Locality	2010	2020	% Change 2010-2020	Avg Ann % Change 2010-2020	2030	% Change 2020-2030	Avg Ann % Change 2020-2030
Amherst	32,353	31,831	-1.61%	-0.16%	31,402	-1.35%	-0.14%
Appomattox	14,973	15,866	5.96%	0.57%	16,742	5.52%	0.54%
Bedford	74,898	79,241	5.80%	0.55%	84,604	6.77%	0.66%
Campbell	54,842	55,665	1.50%	0.15%	57,325	2.98%	0.29%
Lynchburg City	75,568	82,791	9.56%	0.89%	90,526	9.34%	0.90%
Total PD 11	252,634	265,394	5.05%	0.48%	280,600	5.73%	0.56%
PD 11 65+	39,662	50,719	27.88%	2.43%	60,780	19.84%	1.83%
Virginia	8,001,024	8,655,021	8.17%	0.77%	9,331,666	7.82%	0.76%
Virginia 65+	976,937	1,352,448	38.44%	3.22%	1,723,382	27.43%	2.45%

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

Regarding socioeconomic barriers to access to the applicant’s services, according to regional and statewide data regularly collected by VHI, for 2021, the most recent year for which such data is available, the average amount of charity care provided by HPR III facilities was 0.51% of all reported total gross patient revenues (**Table 4**). Pursuant to § 32.1-102.4B of the Code of Virginia DCOPN must now place a charity care condition on every applicant seeking a COPN. Accordingly, should the Commissioner approve the proposed project, DCOPN recommends a charity care condition of no less than the 0.51% HPR III average, in addition to any new requirements as found in the revised § 32.1-102.4B of the Code of Virginia.

Table 4. HPR III Charity Care Contributions

2021 Charity Care Contributions at or below 200% of Federal Poverty Level			
Hospital	Gross Patient Revenues	Adjusted Charity Care Contribution	% of Gross Patient Revenue:
Ridgeview Pavilion (Bristol Region)	\$7,039,355	\$202,287	2.87%
Rehabilitation Hospital of Bristol, LLC	\$17,924,164	\$425,516	2.37%
Norton Community Hospital	\$192,721,442	\$4,326,681	2.25%
Centra Specialty Hospital	\$54,375,383	\$1,209,721	2.22%
Carilion Franklin Memorial Hospital	\$183,022,650	\$3,710,846	2.03%
Russell County Medical Center	\$114,418,556	\$1,817,173	1.59%
Carilion Tazewell Community Hospital	\$72,052,309	\$931,102	1.29%
Smyth County Community Hospital	\$197,730,692	\$2,394,391	1.21%
Johnston Memorial Hospital	\$793,700,215	\$9,589,955	1.21%
Carilion Medical Center	\$4,573,096,613	\$47,142,780	1.03%
Carilion New River Valley Medical Center	\$850,387,927	\$7,838,754	0.92%
Carilion Giles Memorial Hospital	\$164,758,336	\$1,138,319	0.69%
Lewis-Gale Medical Center	\$2,622,575,795	\$16,278,026	0.62%
Wellmont Lonesome Pine Mountain View Hospital	\$439,099,646	\$2,474,748	0.56%
LewisGale Hospital-Montgomery	\$843,161,635	\$4,517,613	0.54%
LewisGale Hospital - Alleghany	\$228,965,488	\$1,212,396	0.53%
LewisGale Hospital Pulaski	\$412,765,905	\$1,669,986	0.40%
Centra Health	\$3,059,619,663	\$9,930,233	0.32%

Table 4. HPR III Charity Care Contributions

2021 Charity Care Contributions at or below 200% of Federal Poverty Level			
Bedford Memorial Hospital	\$154,732,192	\$413,141	0.27%
Buchanan General Hospital	\$97,833,827	\$149,944	0.15%
Sovah Health-Danville	\$970,752,775	\$(26,593,700)	-2.74%
Twin County Regional Hospital	\$253,554,954	\$140,601	0.06%
Sovah Health-Martinsville	\$716,672,616	\$265,419	0.04%
Clinch Valley Medical Center	\$630,716,254	\$149,413	0.02%
Wythe County Community Hospital	\$262,553,121	\$14,433	0.01%
Total Facilities Reporting			25
Median			0.6%
Total \$ & Mean %	\$17,914,231,513	\$91,349,778	0.51%

Source: VHI (2021)

DCOPN notes that according to the most recent U.S. Census data, the City of Lynchburg, the location of the proposed project, has a poverty rate of 17.8% - well above the statewide average of 10.3%, and higher than every other locality within PD 11 (**Table 5**). Additionally, the applicant has indicated that its service area includes Amherst, with a poverty rate of 12.4%, Appomattox, with a poverty rate of 11.5%, Bedford, with a poverty rate of 8.8%, and Campbell County, with a poverty rate of 10.9%.

Table 5. Statewide and PD 11 Poverty Rates

Locality	Poverty Rate
Virginia	10.3%
Amherst	12.4%
Appomattox	11.5%
Bedford	8.8%
Campbell	10.9%
Lynchburg city	17.8%

Source: U.S. Census Data (census.gov)

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 seven letters in support of the proposed project from members of the Centra Medical Community. Collectively, these letters articulate numerous benefits of the project, including:

- Lynchburg General operates the only emergency department in the greater Lynchburg area and is also the only hospital in town that offers intensive care services. As a result, the hospital and the free-standing ED see over 93,000 emergency department visits combined and the intensive care service at Lynchburg General is one of the busiest in the

Commonwealth – in fact, it is one of the top five busiest intensive care services in Virginia, with occupancies in excess of 85%.

- Lynchburg General needs more ICU beds. For a Level II Trauma Center, it is important to have capacity to accept trauma patients and admit them properly to the right level of care.
- High utilization in medical-surgical beds means that many days out of the year, the hospital is essentially full and new medical-surgical patients cannot be admitted to an inpatient bed. Many have to wait in the emergency department until a bed is available. Some choose to simply leave prior to being admitted, and others simply bypass the hospital altogether and seek care outside the planning district, in hospitals remote from their home and family support.
- Holding patients that should be admitted to an inpatient bed in the emergency department means that the emergency bed is not available for another patient awaiting care in the waiting area. This can delay that patient's care by several hours, possibly making their situation worse, and also result in dissatisfaction for patients and family members that accompany them.
- The hospital's existing footprint can easily accommodate the additional licensed capacity without necessitating extensive or lengthy renovations, meaning that if the beds are approved, Centra will be able to rapidly bring the new beds online as soon as staffing is available.

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

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-8743 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;**

Centra is the only provider of inpatient care in PD 11. Additionally, the applicant reports that Centra recently announced a multi-year modernization initiative that will encompass the most significant facility improvements in Centra's 36-year history. The first phase of the modernization is the revitalization of Lynchburg General.

Neither DCOPN nor the applicant identified a reasonable alternative to the proposed project that would meet the needs of the people in the area to be served in a less costly, more efficient, or more effective manner. The proposed project does not require new construction and can be implemented within months. As will be discussed later in this staff analysis report, in 2022, the medical-surgical beds at Lynchburg General operated at 82.59% utilization and the ICU beds operated at 86.5%, demonstrating an institutional need to expand. Furthermore, the applicant does not have any beds in its health system appropriate for relocation, as the existing beds in the health system have either already been redistributed or are geographically remote in PD 11. For these reasons, DCOPN concludes that maintaining the status quo is not a viable alternative to the proposed project.

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

Currently there is no organization in HPR III designated by the Virginia Department of Health to serve as the Health Planning Agency for PD 11. 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 2**, the projected capital costs of the proposed project are \$2,730,977 or \$52,518 per bed. There are no construction costs associated with the proposed project. DCOPN concludes that when compared to similar projects, these costs are reasonable and consistent with recently approved projects similar in scope. For example, COPN No. VA-04725 issued to The Rector and Visitors of University of Virginia on Behalf of the University of Virginia Medical Center to add 50 medical-surgical beds and 34 ICU beds cost \$4,973,492 or \$59,208 per bed.

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

- The first phase of [Centra's] modernization [plan] is the revitalization of the Lynchburg General campus. By modernizing the campus with contemporary facilities that include the latest innovations in health care, Centra will be able to continue delivering patient centered care, enhancing patient access, and increasing patient and specialty care in the region for years to come.
- The proposed project will be very efficient in terms of construction and operating costs. The project contemplates repurposing existing inpatient room space at Lynchburg General by enabling formerly dual occupancy rooms now used as private rooms back to their original dual occupancy purpose and grouping other units to enable space efficiencies. As a result, the project has no construction costs and relatively low equipment costs.
- Centra Health is one of the largest employers in Planning Districts 11 and 14, and the only provider of inpatient acute care services in Planning District 11. As such, nurses and other health care professionals in the area often seek employment with Centra Health.

- Increasing the efficiency between admission and assignment to a room should greatly reduce these [emergency department] patient departure statistics and improve the overall care patients receive.
- The proposed project is critical to ensure that appropriate medical/surgical and intensive care inpatient bed capacity is available for patients in Planning District 11 and the surrounding counties.
- The proposed project is the least costly, most efficient way to add the needed capacity as it does not require any construction since it is simply returning private rooms to their original dual occupancy and converting some [medical-surgical] rooms to intensive care.
- The project will definitely improve access to essential health care services for residents of the area by offering more intensive care and medical/surgical capacity, quicker access to the right level of care, and minimize potential disruptions caused by lengthy delays in the emergency department.

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

The applicant provided assurances that its ICU and medical-surgical services will be available to all those in need, without regard to their ability to pay. As previously discussed, according to regional and statewide data regularly collected by VHI, for 2021, the most recent year for which such data is available, the average amount of charity care provided by HPR III facilities was 0.51% of all reported total gross patient revenues (**Table 4**). Pursuant to § 32.1–102.4 of the Code of Virginia, should the Commissioner approve the proposed project, the applicant should be subject to a charity care condition no less than the 0.51% HPR III average, in addition to any new requirements as found in the revised § 32.1-102.4B of the Code of Virginia.

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

DCOPN did not identify any other discretionary factors, not discussed elsewhere in this staff analysis report, to bring to the attention of the Commissioner as may be relevant to determining a public need for the proposed projects.

3. The extent to which the application is consistent with the State Health Services Plan;

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

The SMFP contains criteria/standards for the addition of inpatient beds. They are as follows:

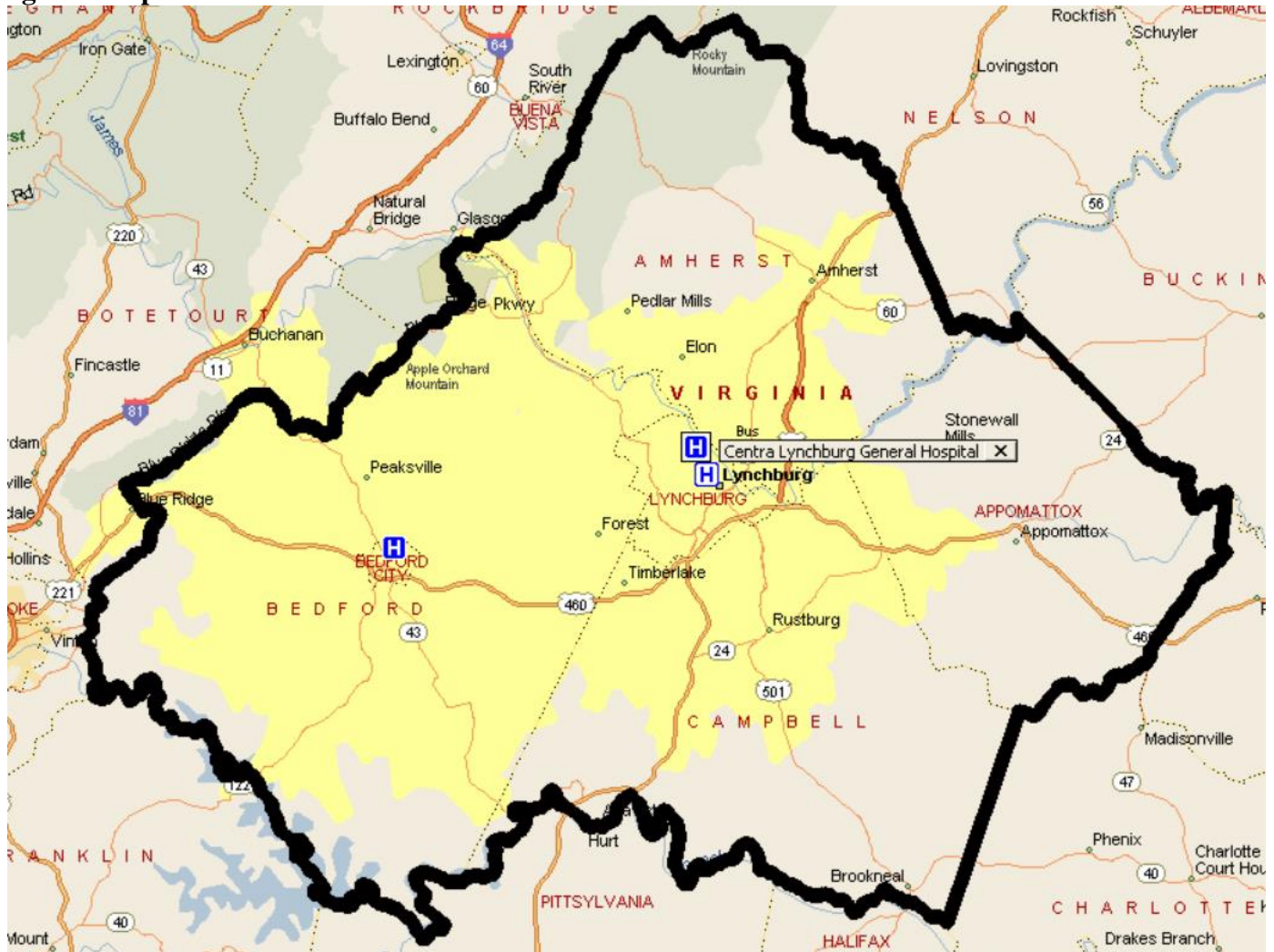
Part VI
Inpatient Bed Requirements

12VAC5-230-520. Travel Time.

Inpatient beds should be available within 30 minutes driving time one way under normal conditions of 95% of the population of a health planning district using mapping software as determined by the commissioner.

The heavy black line in **Figure 1** represents the boundary of PD 11. The white “H” symbol marks the location of the proposed project. The blue “H” symbols mark the locations of all other existing inpatient bed services in PD 11. The yellow shaded area represents the area of PD 11 that is within 30 minutes’ drive time of existing inpatient bed services. Given the amount of shaded area, it is not immediately evident that inpatient bed services currently exist within a 30-minute drive for a least 95% of the population of PD 11. However, the applicant proposes to add medical-surgical beds and ICU beds at a location that already provides these services. Therefore, DCOPN concludes that approval of the proposed project would not improve geographic access to inpatient bed services for persons in PD 11 in any meaningful way.

Figure 1: Inpatient Beds in PD 11



12VAC5-230-530. Need for New Service.

A. No new inpatient beds should be approved in any health planning district unless:

- 1. The resulting number of beds for each bed category contained in this article does not exceed the number of beds to be needed for that health planning district for the fifth planning horizon year; and**
- 2. The average annual occupancy based on the number of beds in the health planning district for the relevant reporting period is:**
 - a. 80% at midnight census for medical-surgical and pediatric beds;**
 - b. 65% at midnight census for intensive care beds.**

B. For proposals to convert under-utilized beds that require a capital expenditure of \$15 million or more, consideration may be given to such proposals if:

- 1. There is a projected need in the applicable category of inpatient beds; and**
- 2. The applicant can demonstrate that the average annual occupancy of the converted beds would meet the utilization standard for the applicable bed category by the first year of operation.**

For purposes of this part, “utilization” means less than 80% average annual occupancy for medical-surgical or pediatric beds, when the relocation involves such beds and less than 65% average annual occupancy for intensive care beds when the relocation involves such beds.

C. The capital expenditure threshold referenced in subsection B of this section shall be adjusted annually using the percentage increase listed in the Consumer Price Index for All Urban Consumers (CPI-U) for the most recent year as follows:

$$A \times (1 + B)$$

Where:

A = the capital expenditure threshold amount for the previous year; and

B = the percent increase for the expense category “Medical Care” listed in the most recent year available of the CPI-U of the U.S. Bureau of Labor Statistics.

According to VHI data for 2022, the most recent year for which such data is available, and as demonstrated by **Table 6** below, the medical-surgical bed inventory of PD 11 consisted of 506 medical-surgical beds for that year. Additionally, in 2022, the PD 11 medical-surgical bed inventory operated at a collective occupancy of 72.38%. The calculation below demonstrates that there is a projected surplus 39 medical-surgical beds in PD 11 for the five-year planning horizon.

The applicant is proposing to expand its existing service through the addition of 36 medical-surgical beds and 16 ICU beds. DCOPN notes that for 2022, the 358 medical-surgical beds at Lynchburg General operated at a collective occupancy of 82.59%, above the 80% SMFP threshold for expansion (**Table 6**). As shown in **Table 6** below, the 358 medical-surgical beds at Lynchburg General were fully staffed in 2022. Although the beds at the other Centra facilities were not fully staffed for that year, as will be discussed in greater detail later in this staff analysis report, the beds are either geographically remote or are already planned for relocation. As previously discussed, COPN No. VA-04865 issued December 28, 2023, Centra was approved to relocate its obstetrical and NICU services, including 35 medical-surgical beds, and a specialty care neonatal intensive care unit, from Virginia Baptist to Lynchburg General. Even with the additional 35 beds, Lynchburg General’s medical-surgical bed utilization would still be 80.22%.³

³ Using 393 medical-surgical beds (current Lynchburg General inventory plus 35 additional OB beds, and Lynchburg General’s 2022 VHI patient days of 107,194 and Virginia Baptist’s 2022 VHI OB bed patient days of 7,151.

Table 6. Medical-Surgical Bed Inventory and Utilization⁴ in PD 11: 2022

Facility	Licensed Beds	Staffed Beds	Available Days	Patient Days	Occupancy %
Bedford Memorial Hospital	50	34	18,250	6,349	34.79%
Centra Specialty Hospital	36	28	13,140	8,441	64.24%
Lynchburg General Hospital	358	358	130,670	107,914	82.59%
Virginia Baptist Hospital	62	52	22,630	10,968	48.47%
Total/Average	506	472	184,690	133,672	72.38%

Source: VHI (2022) and DCOPN Interpolations

12VAC5-230-540. Need for Medical-surgical Beds.

The number of medical-surgical beds projected to be needed in a health planning district shall be computed as follows:

1. Determine the use rate for medical-surgical beds for the health planning district using the formula:

$$BUR = (IPD/PoP)$$

Where:

BUR = the bed use rate for the health planning district.

IPD = the sum of the total inpatient days in the health planning district for the most recent five years for which inpatient day data has been reported to VHI; and

PoP= the sum of the total population 18 years of age and older in the health planning district for the same five years used to determine IPD as reported by a demographic program as determined by the commissioner.

Table 7: PD 11 Medical – Surgical Beds Occupancy (2018-2022)

Year	Licensed Beds	Staffed Beds	Available Days	Patient Days	Occupancy Rate
2018	521	491	190,165	125,080	65.8%
2019	521	466	190,165	130,516	68.6%
2020	521	468	190,686	126,081	66.1%
2021	521	472	190,165	133,002	69.9%
2022	506	472	184,690	133,672	72.4%
Total	2,590	2,369	945,871	648,351	68.5%

Source: VHI (2018-2022) and DCOPN Interpolations

⁴ The Adjudication Officer’s case decision for COPN No. VA-04682 held that DCOPN was in error by including obstetric, intensive care and pediatric patient days in its calculations for medical-surgical bed need, despite those beds being fungible and accordingly, able to convert to medical-surgical beds without COPN authorization. However, because obstetric, intensive care and pediatric beds can be easily converted to medical-surgical beds, thereby changing the medical-surgical inventory without first obtaining COPN authorization, DCOPN maintains that obstetric, intensive care and pediatric beds should be included in the medical-surgical inventory and the corresponding patient days used for medical-surgical bed need calculations.

Step 1. PD 11—SMFP Medical-Surgical Use Rate

PD 2018-2022 Sum of Patient Days Last 5 Years	Pop 2018-2022 Sum Population Age 15+ Last 5 Years	ICUBUR 2018-2022 Bed Use Rate
648,351	1,103,159	0.5877

Note: While the SMFP requires population data for ages 18+, Weldon Cooper data is broken into age groups by 5-year increments. As such, the calculations above include data for persons aged 15-17 years of age.

$$\text{BUR} = (648,351/1,103,159)$$

- Determine the total number of medical-surgical beds needed for the health planning district in five years from the current year using the formula:**

$$\text{ProBed} = \frac{((\text{BUR} \times \text{ProPop}) / 365)}{0.80}$$

Where:

- ProBed** = the projected number of medical-surgical beds needed in the health planning district for five years from the current year.
- BUR** = the bed use rate for the health planning district determined in subdivision 1 of this section.
- ProPop** = the projected population 18 years of age and older of the health planning district five years from the current year as reported by a demographic program as determined by the commissioner.

$$\text{ProBed} = \frac{((0.05877 \times 231,876) / 365)}{0.80}$$

$$\text{ProBed} = 466.7 (467)$$

- Determine the number of medical-surgical beds that are needed in the health planning district for the five-year planning horizon year as follows:**

$$\text{NewBed} = \text{ProBed} - \text{CurrentBed}$$

Where:

- NewBed** = the number of new medical-surgical beds that can be established in a Health planning district, if the number is positive. If NewBed is negative, No additional medical-surgical beds should be authorized in the health Planning district.

ProBed = the projected number of medical-surgical beds needed in the health Planning district for five years from the current year as determined in Subdivision 2 of this section.

CurrentBed = the current inventory of licensed and authorized medical-surgical Beds in the health planning district.

$$\begin{aligned} \text{NewBed} &= 467 (\text{ProBed}) - 506 (\text{CurrentBed}) \\ \text{NewBed} &= -39 \end{aligned}$$

DCOPN has calculated a surplus of 39 medical-surgical beds in PD 11.

12VAC5-230-550. Need for Pediatric Beds.

In the interest of brevity, this calculation has been omitted from this DCOPN staff analysis report as the applicant is not proposing to add pediatric beds.

12VAC5-230-560. Need for Intensive Care Beds.

The projected need for intensive care beds in a health planning district shall be computed as follows:

1. Determine the use rate for ICU beds for the health planning district using the formula:

$$\text{ICUBUR} = (\text{ICUPD}/\text{Pop})$$

Where:

ICUBUR = The ICU bed use rate for the health planning district.

ICUPD = The sum of total ICU inpatient days in the health planning district for the most recent five years for which inpatient day data has been reported by VHI; and

Pop = The sum of population 18 years of age or older for adults or under 18 for pediatric patients in the health planning district for the same five years used to determine ICUPD as reported by a demographic program as determined by the commissioner.

According to VHI data for 2022, the most recent year for which such data is available, and as demonstrated by **Table 8** below, the ICU inventory of PD 11 consisted of 85 beds for that year. Additionally, for 2022, the PD 11 ICU bed inventory operated at a collective occupancy of 74.75%. DCOPN notes that nearly all acute care hospital beds in Virginia are licensed as medical-surgical beds, with the exception of psychiatric, substance abuse treatment, and rehabilitation beds, which are licensed separately. As long as the total licensed bed complement is not exceeded, hospitals may configure and use medical-surgical beds as circumstances require. For this reason, DCOPN has included all beds categorized as ICU in the 2022 VHI data in **Table 8** but this number may change at the facility's discretion, as long as the total licensed bed complement is not exceeded.

Table 8. ICU Inventory and Utilization in PD 11: 2022

Facility	Licensed Beds	Staffed Beds	Licensed Bed Available Days	Patient Days	Occupancy Rate per Licensed Bed
Bedford Memorial Hospital	6	6	2,190	1,174	53.61%
Centra Specialty Hospital	36	28	13,140	8,441	64.24%
Lynchburg General Hospital	43	43	15,695	13,576	86.50%
Total	85	77	31,025	23,191	74.75%

Source: VHI (2022) and DCOPN Interpolations

Step 1. PD 11—SMFP ICU Use Rate

ICUPD 2018-2022 Sum of Patient Days Last 5 Years	Pop 2018-2022 Sum Population Age 15+ Last 5 Years	ICUBUR 2018-2022 Bed Use Rate
108,219	1,103,159	0.0981

Note: While the SMFP requires population data for ages 18+, Weldon Cooper data is broken into age groups by 5-year increments. As such, the calculations above include data for persons aged 15-17 years of age.

Table 9: PD 11 ICU Beds Occupancy (2018-2022)

Year	Licensed Beds	Staffed Beds	Available Days	Patient Days	Occupancy Rate
2018	113	99	41,245	20,366	49.38%
2019	85	71	31,025	20,499	66.07%
2020	85	73	31,110	21,406	68.81%
2021	85	77	31,025	22,757	73.35%
2022	85	77	31,025	23,191	74.75%
Total	453	397	165,430	108,219	65.42%

Source: VHI (2018-2022) and DCOPN Interpolations

The ICU bed use rate for 2018-2022 in PD 11 was 0.0981 per capita for the population age 15 and over.⁵

- Determine the total number of ICU beds needed for the health planning district, including bed availability for unscheduled admissions, five years from the current year using the formula:**

$$\text{ProICUBed} = ((\text{ICUBUR} \times \text{ProPop})/365)/0.65$$

Where:

ProICUBed = The projected number of ICU beds needed in the health planning district for five years from the current year;

ICUBUR = The ICU bed use rate for the health planning district as determine in subdivision 1 of this section;

⁵ The Weldon Cooper Center for Public Service projects Virginia population on an annual basis by county/city broken down by five-year increments. As such, the calculations above include data for those persons aged 15-17.

ProPop = The projected population 18 years of age or older for adults or under 18 for pediatric patients of the health planning district five years from the current year as reported by a demographic program as determined by the commissioner.

$$\text{ProICUBed} = \frac{((0.0981 \times 1,103,159) / 365)}{0.65}$$

$$\text{ProICUBed} = 95.9 \text{ (96)}$$

There is a calculated need for 96 ICU beds in PD 11 for five years from the current year.

- 3. Determine the number of ICU beds that may be established or relocated within the health planning district for the fifth planning horizon planning year as follows:**

$$\text{NewICUB} = \text{ProICUBed} - \text{CurrentICUBed}$$

Where:

NewICUBed = The number of new ICU beds that can be established in a health planning district, if the number is positive. If NewICUBed is a negative number, no additional ICU beds should be authorized for the health planning district.

ProICUBed = The projected number of ICU beds needed in the health planning district for five years from the current year as determined in subdivision 2 of this section.

CurrentICUBed = The current inventory of licensed and authorized ICU beds in the health planning district.

$$\text{NewICUBed} = 95.9 - 85 \text{ (Table 5)}$$

$$\text{NewICUBed} = 10.9 \text{ (11) (need)}$$

There is a need for 11 new ICU beds in PD 11. Approval of the proposed project would add 16 ICU beds to the PD 11 inventory, resulting in a nominal surplus of five ICU beds, but as will be discussed later in this staff analysis report, the applicant has demonstrated an institutional need to expand. DCOPN notes as previously discussed, any hospital can convert existing medical-surgical beds to ICU beds without COPN authorization.

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;**
- 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;**
- 3. The number of beds to be moved off-site is taken out of service at the existing facility;**
- 4. 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 efficiency in the applicant's facility or facilities; and
5. The relocation results in improved distribution of existing resources to meet community needs.

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

Not applicable. The applicant is not proposing to relocate services.

12VAC5-230-580. Long-Term Acute Care Hospitals (LTACHs)

In the interest of brevity, this standard has been omitted, as the applicant is not proposing to add LTACH beds or to convert existing beds to LTACH beds.

12VAC5-230-590. Staffing.

Inpatient beds should be under the direction of one or more qualified physicians.

The applicant is an established provider of inpatient services and provided assurances that the inpatient services will be under the direction of one or more qualified physicians.

The SMFP also contains criteria/standards for when institutional expansion is needed. They are as follows:

12VAC5-230-80. When Institutional Expansion is Needed.

1. **Notwithstanding any other provisions of this chapter, the commissioner may grant approval for the expansion of services at an existing medical 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.**
2. **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.**
3. **This section is not applicable to nursing facilities pursuant to §32.1-102.3:2 of the Code of Virginia.**
4. **Applicants shall not use this section to justify a need to establish new services.**

As previously discussed, for 2022, the most recent year for which VHI data is available, the 358 medical-surgical beds at Lynchburg General operated at a utilization rate of 82.59% and 43 ICU

beds operated at a utilization rate of 86.5%. Centra is the only provider of inpatient services in PD 11. As previously discussed, COPN No. VA-04865 issued December 28, 2023, Centra was approved to relocate its obstetrical and NICU services, including 35 medical-surgical beds and a specialty care neonatal intensive care unit from Virginia Baptist to Lynchburg General. Even with the additional 35 beds, Lynchburg General's medical-surgical bed utilization would still be 80.22%.⁶

As shown in **Tables 6 and 8** above, the medical-surgical beds at Virginia Baptist and the medical-surgical and ICU beds at Bedford Memorial appear to have available capacity. With regard to Virginia Baptist, as previously noted, Virginia Baptist lists 15 licensed beds as "Alcohol/Drug" in 2022 VHI data. DCOPN has not included these beds in the PD 11 medical-surgical bed inventory. Additionally, pursuant to COPN No. VA-04865 issued December 28, 2023, Centra was approved to relocate its obstetrical and NICU services, including 35 medical-surgical beds and a specialty care neonatal intensive care unit from Virginia Baptist to Lynchburg General. Finally, pursuant to COPN Request No. VA-04835, Centra agreed to convert 10 medical-surgical beds to medical rehabilitation beds. When removing these beds from Virginia Baptist's available inventory, it is left with 17 medical-surgical beds. With such a low inventory, moving any number of beds from Virginia Baptist could quickly cause an institutional need to add medical-surgical beds at that facility. With regard to Bedford Memorial, it is located in the western side of PD 11, and at over 40 minutes from Lynchburg General can be considered geographically remote. For these reasons, DCOPN concludes that the applicant does not have any underutilized capacity that would be appropriate for reallocation.

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;

Centra is the only provider of medical-surgical and ICU services in PD 11. Therefore, it is unlikely that the proposed project will 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;

Centra is the only provider of inpatient care services in PD 11. Thus, the effect will be only on Centra's services.

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;

As already discussed, DCOPN concludes that when compared to similar projects, these costs are reasonable and consistent with recently approved projects similar in scope. For example, COPN No. VA-04725 issued to The Rector and Visitors of University of Virginia on Behalf of the University of Virginia Medical Center to add 50 medical-surgical beds and 34 ICU beds cost

⁶ Using 393 medical-surgical beds (current Lynchburg General inventory plus 35 additional OB beds and Lynchburg General's 2022 VHI patient days of 107,194 and Virginia Baptist's 2022 VHI OB bed patient days of 7,151.

\$4,973,492 or \$59,208 per bed. The applicant will fund the project using accumulated reserves. Accordingly, there are no financing costs associated with this project. The Pro Forma Income Statement provided by the applicant (**Table 10**) projects a net profit of \$161,653,304 from in the first year of operation, and a net profit of \$170,402,555 in the second year of operation, indicating that the proposed project will prove financially feasible both in the immediate and in the long-term.

Table 10. Lynchburg General Pro Forma Income Statement

	Year 1	Year 2
Total Gross Revenue	\$1,470,182,042	\$1,558,539,395
Contractual Allowances	(\$1,107,573,803)	(\$1,174,138,546)
Charity Care	(\$7,497,928)	(\$7,948,551)
Bad Debt	(\$2,940,364)	(\$3,117,079)
Net Revenue	\$352,169,946	\$373,335,219
Total Operating Expenses	\$190,516,642	\$202,932,664
Net Income	\$161,653,304	\$170,402,555

Source: COPN Request No. VA-8743

With regard to staffing, the applicant anticipates the need for 82.1 full time equivalent (FTE) employees to staff the proposed project. These FTEs include 67.4 registered nurses and 14.7 nurses’ aides, orderlies and attendants. The applicant explains:

Centra Health is one of the largest employers in Planning Districts 11 and 14, and the only provider of inpatient acute care services in Planning District 11. As such, nurses and other health care professionals in the area often seek employment with Centra Health. Centra Health will leverage its recruiting efforts to ensure that the additional beds are fully staffed with qualified and experienced providers.

Centra’s recruitment methods include:

- Centra Health operates a nursing college – the Centra College, which offers a two-year associate degree in nursing and a Bachelor of Science in Nursing for RNs.
- Centra Health also partners with local college programs that offer bachelor’s degrees in nursing – those include accredited programs at both Liberty University and the University of Lynchburg. Both colleges have two (2) classes starting every year, providing a pool of graduates from which Centra Health can recruit.
- In addition, Centra Health has also developed the Centra Internal Traveler Team (CITT) to help supply emergency, critical, intermediate, and acute care departments (including medical-surgical) with experienced Centra Health employed supplemental staff. This CITT will be used to help staff the new beds as utilization ramps up and additional permanent staff is in place.
- Since the COVID-19 pandemic in 2020, Centra Health has been proactively hiring into that critical care need over the past three (3) years. As Centra Health transitioned out of the pandemic, it continued to experience a need for critical care volume in its Neuro population. As

a result, the CITT is currently staffed at 130 FTEs and the resource team is staffed to 39 FTEs – Centra Health feels confident that it can find the necessary critical care nurses from this pool.

- Centra Health will continue to take a multifaceted approach in its recruitment efforts. This multifaceted approach includes posting available positions on Centra Health’s careers page and utilizing other third-party online platforms for recruitment, such as LinkedIn, Indeed and university career fairs.
- 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 would not introduce any new technologies, or any services that could be offered on an outpatient basis, nor are there any cooperative efforts to meet healthcare needs. DCOPN did not identify any other discretionary factors to bring to the Commissioner’s attention.

- 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.**

The applicant is not a teaching hospital or affiliated with a public institution of higher education or medical school in the area to be served. The proposed project would not contribute to the unique research, training, or clinical mission of a teaching hospital or medical school.

DCOPN Findings and Conclusions

DCOPN finds that Centra Health, Inc’s COPN Request No. VA-8743 to add 52 beds, including 36 medical- surgical beds and 16 ICU beds at Lynchburg General is generally consistent with the applicable criteria and standards of the SMFP and the eight Required Considerations of the Code of Virginia. Centra is the only provider of inpatient care services in PD 11. Thus, the effect will be only on Centra’s services. Moreover, a reasonable, less costly, more efficient alternative to the proposed project does not exist. Furthermore, the proposed project is more advantageous than maintaining the status quo, and the applicant has shown an institutional need to expand. Finally, DCOPN finds that the proposed project will prove financially feasible both in the immediate and in the long-term.

DCOPN Staff Recommendation

The Division of Certificate of Public Need recommends **conditional approval** of Centra Health, Inc's COPN Request No. VA-8743 to add 52 beds, including 36 medical-surgical beds and 16 ICU beds at Lynchburg General for the following reasons:

1. The 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. A reasonable, less costly, more efficient alternative to the proposed project does not exist.
3. The applicant has demonstrated an institutional need to expand.
4. There is no known opposition to the project.
5. The proposed project appears economically viable in the immediate and in the long-term.

DCOPN's recommendation is contingent upon Centra Health, Inc's agreement to the following charity care condition:

Centra Health, Inc. will provide inpatient medical-surgical bed and intensive care unit 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 0.51% of Centra Health, Inc.'s total patient services revenue derived from inpatient bed and intensive care unit 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 Health, Inc. 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 Health, Inc. will provide inpatient medical-surgical bed and intensive care unit services to individuals who are eligible for benefits under Title XVIII of the Social Security Act (42 U.S.C. § 1395 et seq.), Title XIX of the Social Security Act (42 U.S.C. § 1396 et seq.), and 10 U.S.C. § 1071 et seq. Additionally Centra Health, Inc. will facilitate the development and operation of primary and specialty medical care services in designated medically underserved areas of the applicant's service area.