

VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis

November 19, 2024

COPN Request No. VA-8779

Heritage Hall XIII, LLC

Front Royal, Virginia, Planning District 7

Add 20 nursing home beds by relocation

Applicant

Heritage Hall XIII, LLC is a Virginia limited liability corporation owned by Heritage Group Holdings VII, LLC (99%) which is owned by Heritage Property Management, Inc., and Heritage Limited VII, LLC (1%) which is owned by Heritage Management VII, Inc. Heritage Hall XIII, LLC owns the facility Front Royal Life Care Corp. d/b/a Heritage Hall Front Royal (“HHFR”). Front Royal Life Care Corp., operator of HHFR is a Subchapter S Corporation, and does not operate any other nursing homes besides HHFR. Neither does Heritage Hall XIII, LLC own or operate any additional healthcare facilities in Virginia. HHFR is located in Front Royal, Virginia in Planning District (“PD”) 7, within Health Planning Region (“HPR”) I.

Background

According to VHI data for 2022, the latest year for which such data are available, there were 11 nursing facilities in PD 7 with 1,003 beds (**Table 1**). Two of these facilities are Continuing Care Retirement Communities (CCRCs) and one is a long-term care unit in an acute care hospital. Utilization of nursing home facility beds across PD 7 was 80.0% in 2022. Lynn Care Center in PD 7, has been authorized to add 52 beds through a transfer from PD 5, expected complete in 2025. All other things equal, this will reduce the overall utilization in PD 7. The applicant facility HHFR had the highest utilization in PD 7 in 2022 at 91%.

Since the implementation of a prospective planning process in 1996, applications for nursing facilities will not be accepted unless the Commissioner of Health determines there is a need and publishes a request for applications (RFA). The latest “Notice of No Need for Certificate of Public Need Applications for Development of Additional Nursing Home Beds” published was for the 2022 Planning Year and it showed that none of the PDs in Virginia qualified for additional beds and no RFA was published. There are exceptions to this process, such as the one the applicant cites for the proposed project, Code of Virginia § 32.1-102.3:7, the so-called “Bed Transfer Statute” which allows the transfer of nursing facility beds from a PD with a calculated surplus to one with a calculated shortage without a request for application (RFA). The latest published projected net bed

need (for 2022) showed a projected net bed need of 21 beds for PD 7 (Per 2 VAC5-230-610C, a projected net bed need of 1-29 is rounded to 0). With the addition of 52 beds at Lynn Care Center, there is a surplus of beds in PD 7, based on the latest published net bed need.

Table 1. PD 7 Nursing Facility Inventory and Utilization (2022)

Facility Name	Facility Type	Total Licensed Nursing Beds	Total Patient Days	Licensed Bed Available Days	Occupancy Rate
Consulate Health Care of Woodstock	Nursing Home	88	28,415	32,120	88.5%
Evergreen Health and Rehab. of Winchester	Nursing Home	176	43,140	64,240	67.2%
Heritage Hall - Front Royal	Nursing Home	60	19,951	21,900	91.1%
Life Care Center of New Market	Nursing Home	118	34,312	43,070	79.7%
Lynn Care Center ¹	Hospital - LTC Unit	120	28,095	40,080	70.1%
Rose Hill Health and Rehab	Nursing Home	120	39,113	43,800	89.3%
Shenandoah Valley Westminster Canterbury	CCRC	51	16,647	18,615	89.4%
Skyline Terrace Convalescent Home	Nursing Home	70	20,549	25,550	80.4%
Skyview Spring Rehab and Nursing Center	Nursing Home	120	39,786	43,800	90.8%
The Village at Orchard Ridge, Inc. (C0083)	CCRC	20	2,579	7,300	35.3%
Winchester Health and Rehabilitation	Nursing Home	60	15,905	20,040	79.4%
PD 7 Totals and Average Occupancy		1,003	288,492	360,515	80.0%

Source: 2022 VHI

Because the proposal is to transfer beds from a nursing facility in PD 14, the 2022 inventory and utilization for PD 14 are included at **Table 2**. Utilization of nursing facility beds in PD 14 is 77.3%. Eight beds were transferred out of PD 14 since the 2022 VHI data were published, which will slightly increase utilization there, all other things equal. The latest published projected net bed need (2022) showed a surplus of 95 beds in PD 14. PD 14 will still have a nursing home bed surplus after deducting the 8 beds already transferred out of the PD, and the proposed 20 beds in the event the current proposal be approved. The facility from which beds are proposed to be transferred (Heritage Hall Blackstone) had an occupancy of 78.3% in 2022. Heritage Hall Blackstone and the applicant HHFR are both managed by American HealthCare, LLC.

Table 2. PD 14 Nursing Facility Inventory and Utilization (2022)

Facility Name	Facility Type	Total Licensed Nursing Beds	Total Patient Days	Licensed Bed Available Days	Occupancy Rate
Farmville Rehab and Healthcare Ctr, LLC ²	Nursing Home	120	30,708	43,800	70.1%
Heritage Hall - Blackstone	Nursing Home	180	51,422	65,700	78.3%
Heritage Hall - Dillwyn	Nursing Home	60	20,505	21,900	93.6%
Holly Manor Rehab and Nursing	Nursing Home	120	24,319	29,400	82.7%
Wayland Nursing and Rehabilitation Center	Nursing Home	90	16,657	32,850	50.7%
Wellsprings at Amelia	Nursing Home	100	34,302	36,500	94.0%
PD 14 Totals and Average Occupancy		610	177,913	230,150	77.3%

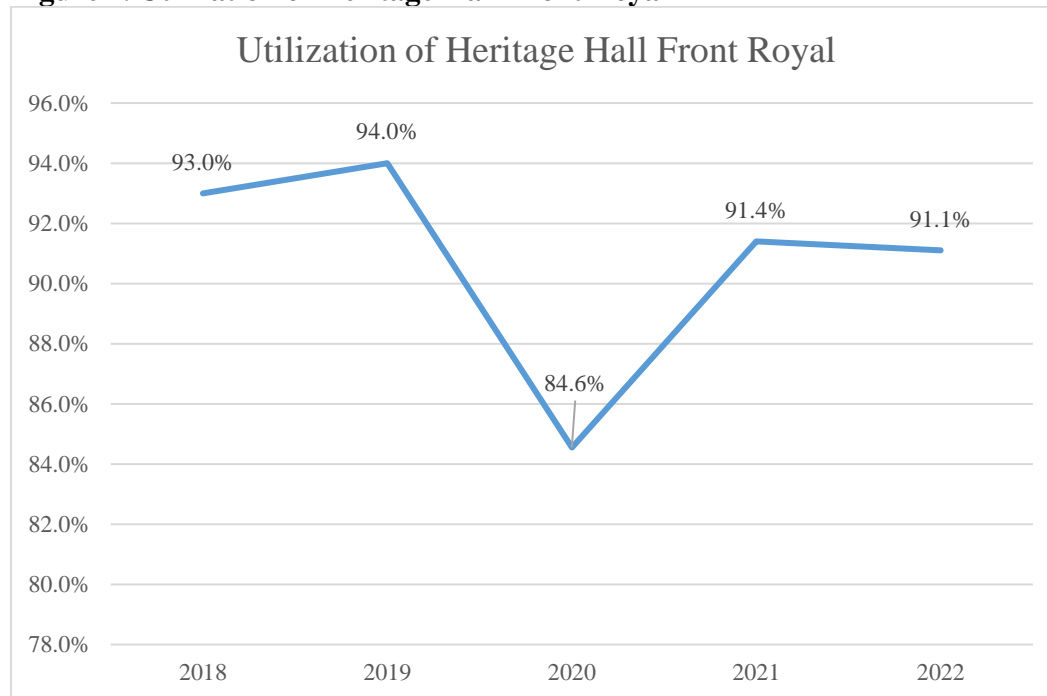
Source: 2022 VHI

¹ COPN No. VA-04789 authorized the addition of 52 beds at Lynn Care Center (transferred from PD 5), expected to be complete 04/25/2025, for a total of 172 beds at Lynn Care Center. Lynn Care Center was formerly Warren Memorial Hospital Long Term Care.

² COPN No. VA-04676, completed 9/1/2022 authorized the transfer of 8 beds from Farmville Health & Rehab to PD16, leaving 112;

Chart 1 shows that the applicant's utilization has been above 90% for the past five years with the exception of 2020 when occupancy was impacted by concerns during the COVID-19 pandemic. HHFR currently has only four private beds. The proposed project includes the relocation of 20 nursing facility beds from Heritage Hall Blackstone in PD 14 to HHFR. Heritage Hall Blackstone's utilization was over 83% before 2020 and has been below 79% over the past five years.

Figure 1. Utilization of Heritage Hall Front Royal



Source: VHI

Proposed Project

HHFR is a 60-bed nursing home offering both short- and long-term skilled nursing services. The proposed project adds 20 nursing home beds to HHFR, located at 400 West Strasburg Road, Front Royal, Virginia, in PD 7 by relocating them from Heritage Hall Blackstone, a 180-bed bed nursing facility in PD 14. The applicant states that the two facilities are under common management by American HealthCare, LLC and that both are owned by common partners who own 16 nursing homes across Virginia, operating under the Heritage Hall brand.

HHFR currently has only four private rooms and the other 56 beds are in 28 semiprivate rooms. The proposed new 12,000 gross square foot addition houses all 20 relocated beds in private rooms. Should the proposal be approved, HHFR would have 24 private rooms and 28 semiprivate rooms for a total of 80 beds, all dually-certified by Medicare and Medicaid. The projected capital costs are \$6,376,000 with HUD financing in the amount of \$7,319,013, for a total of \$13,695,013 in capital and financing costs. Should the proposed project be approved, the target date to open is 36 months after issuance of the COPN.

Table 3. Estimated Capital Costs, Heritage Hall Front Royal

Direct Construction Costs	\$4,800,000
Equipment Not included in Construction Contract	\$535,000
Site Preparation Costs	\$800,000
Architectural and Engineering Fees	\$241,000
HUD Financing	\$7,319,013
Capital and Financing Costs	\$13,695,013

Source: COPN Request No. VA-8779

Project Definitions

Section 32.1-102.1:3 of the Code of Virginia (the Code) defines a project, in part, as “[a]n increase in the total number of beds or operating rooms in an existing medical care facility described in subsection A;” and “[r]elocation of beds from an existing medical care facility described in subsection A to another existing medical care facility described in subsection A.” Section 32.1-102.1:3 of the Code defines a medical care facility, in part, as “[a]ny facility licensed as a nursing home, as defined in § 32.1-123.”

Required Considerations -- § 32.1-102.3, of the Code of Virginia

- 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;**

PD 7 is a relatively rural area of Virginia that borders West Virginia to the north. It is expected to have 259,956 people by 2030, 7% more people than it had in 2020 (**Table 4**). This is a slightly faster growth rate than that of Virginia at 5.8%. The age cohort age 65+, which is most likely to utilize nursing facilities, is expected to grow by 27.5% in PD 7 between 2020 and 2030, again, a slightly higher growth rate than Virginia’s projected growth rate of 26.3% for this age group (**Table 4**).

Figure 2. Map of PD 7 Localities

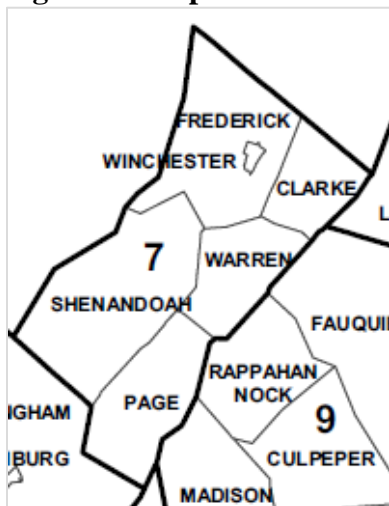


Table 4. PD 7 Population by County and Percent Change from 2020-2030

Geography Name	2020	2030	Change 2020 - 2030	% Change 2020- 2030	2020 65+	2030 65+	Change 2020 - 2030 65+	% Change 2020- 2030 65+
Clarke County	14,783	15,309	526	3.6%	3,248	4,225	977	30.1%
Frederick County	91,419	103,035	11,616	12.7%	16,440	22,438	5,998	36.5%
Page County	23,709	23,041	-668	-2.8%	5,389	6,368	979	18.2%
Shenandoah County	44,186	45,714	1,528	3.5%	9,902	11,523	1,621	16.4%
Warren County	40,727	43,250	2,523	6.2%	6,939	9,162	2,223	32.0%
Winchester City	28,120	29,606	1,486	5.3%	4,696	5,699	1,003	21.4%
PD 7 Totals/Averages	242,944	259,956	17,011	7.0%	46,614	59,414	12,800	27.5%
Virginia	8,631,393	9,129,002	497,609	5.8%	1,395,291	1,762,641	367,350	26.3%

Source: Weldon-Cooper Data from the UVA Weldon Cooper Center for Public Service

Residents of Warren County (**Figure 2**), where the proposed project is located, are projected to represent 17% of PD 7's population in 2030 (**Figure 3**). Population growth during the 2020 – 2030 decade by locality is shown in **Table 4 and Figure 4**. Warren County will have 2,523 more residents by 2030 than they did in 2020 and 2,223 more people over the age of 65.

Figure 3. Portion of PD 7 Population by Locality

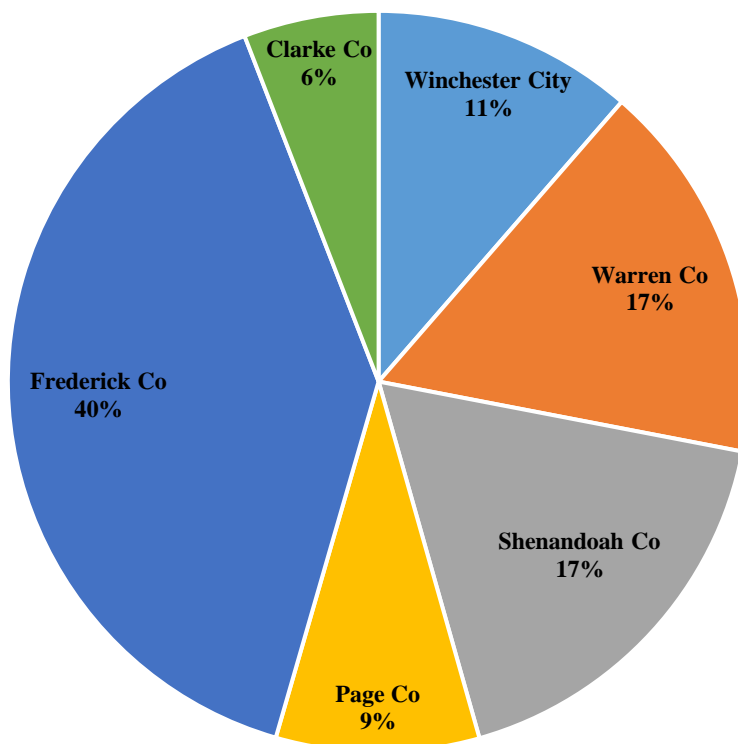
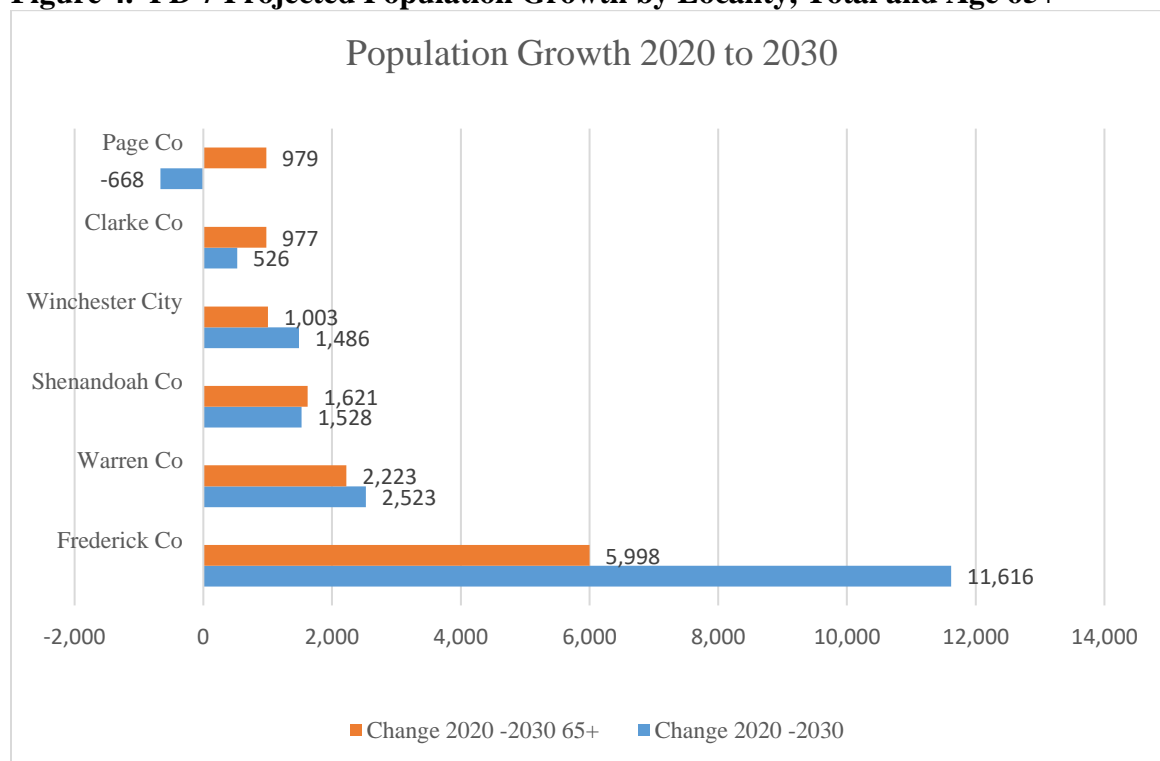


Figure 4. PD 7 Projected Population Growth by Locality, Total and Age 65+



Regarding socioeconomic barriers, PD 7 has a poverty rate comparable to that of Virginia. Warren County has a poverty rate of 10.9% of its population, slightly higher than that of the PD or state. (Table 5).

Table 5. PD 7 Poverty Rate by Locality

Geography Name	Poverty Rate
Clarke County	5.8%
Frederick County	6.6%
Page County	12.3%
Shenandoah County	11.4%
Warren County	10.9%
Winchester City	13.3%
PD 7 Average	10.0%
Virginia, Statewide	10.6%

Source: U.S. Census Bureau, 2018-2022 5-Year ACS Data

HHFR is centrally located in Front Royal near the intersection of Routes 66 and 522. It is 1.7 miles from the Crooked Run Park & Ride stop on the Valley Flyer route of the Virginia Breeze. The Valley Flyer route begins in Blacksburg and connects the New River Valley and Shenandoah Valley to Washington, D.C. Front Royal also has a robust public trolley system.

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 a letter of commitment from HHFR's medical director and a letter of support from Virginia Senator Timmy F. French. These letters expressed the following:

- The Front Royal area is underserved and would benefit greatly from the additional 20 beds.
- There is particular need for modern private rooms in Front Royal.
- From a medical standpoint, private rooms will be a huge asset in providing excellent care.
- Private rooms have a large protective benefit and provide future benefit for any ongoing isolation needs for residents.
- Excellent patient care will always be our top priority and the medical director and staff have no concerns about coverage with the added beds.
- Too many of our families are forced to search outside of the area for care, especially for private rooms.
- The expansion will allow families the convenience of remaining together in their community.
- The expansion will also provide additional jobs to Front Royal.
- Adding beds will certainly help our community in providing care for the increasing number of people in need of short-and long-term rehabilitation service.

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-8779 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 September 11, 2024. The public comment period closed on October 26, 2024. 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 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 status quo is an alternative that avoids the costs incurred for the proposed project. Maintaining the status quo, however, is not preferable to the proposed project. HHFR is a small facility with high quality and a consistently high occupancy in a rural community. CMS awarded HHFR five out of five stars in 2024. It currently has only four private rooms so adding 20 private rooms will improve

HHFR's ability to isolate patients, when medically needed, place patients without cohabitation constraints and improve patient experience. The contributing 180-bed facility in PD 14, Heritage Hall Blackstone had on average 39 empty nursing home beds on a given day in 2022, the last year for which such data are available. Transferring 20 beds from the facility relocates unused beds and allows that facility to convert semiprivate rooms to fully private rooms, improving availability of the preferred private rooms.

(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 I designated by the Virginia Department of Health to serve as the Health Planning Agency for PD 7. Therefore, this consideration is not applicable to the review of the proposed project.

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

The applicant estimates capital costs at \$6,376,000, (\$531 per square foot). Costs for nursing facility projects are variable, but these estimated costs are comparable to those of COPN No. VA-04869, approved earlier this year at \$573 per square foot. The proposed project has HUD financing at \$7,319,013, for a total cost of \$13,695,013, more than doubling capital costs alone (**Table 3**).

There are a number of benefits to the proposed project. It offers improved access to private rooms in a well-utilized nursing facility with five out of five star rating from CMS. Relocating 20 underutilized beds from Heritage Hall Blackstone allows the contributing facility to convert existing semiprivate rooms to fully private rooms, also improving access to the preferred private rooms in the contributing facility without decreasing its ability to accommodate demand. Though there is current nursing home capacity in PD 7 based on occupancy, HHFR has had utilization over 91% the past several years, with the exception of 2020 when COVID concerns caused nursing home occupancy to drop. (**Chart 5**).

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

The applicant states that HHFR serves all residents without regard to payment source. Additionally, all 80 licensed nursing home beds that will be operational at HHFR should the proposed project be approved (60 current + 20 relocated), will be dually certified by Medicare and Medicaid.

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

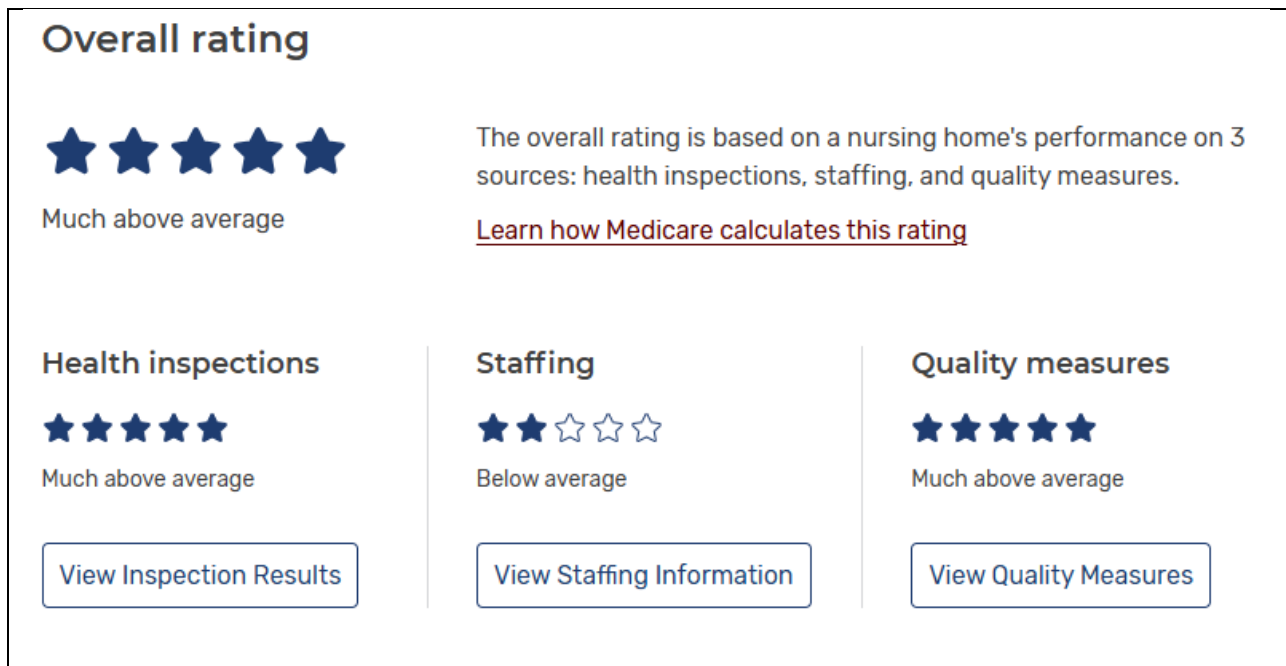
The proposed project is submitted under Code of Virginia § 32.1-102.3:7, the so-called "Bed Transfer Statute" which allows the transfer of nursing facility beds from a PD with a calculated surplus to one with a calculated shortage without a request for application (RFA). The four criteria in the statute are:

- There is a shortage of nursing home beds in the planning district to which the beds are proposed to be transferred;
- The number of nursing home beds in the planning district from which beds are proposed to be moved exceeds the need for such beds;
- The proposed transfer of nursing home beds would not create a need for additional beds in the planning district from which the beds are proposed to be transferred; and
- The nursing home beds proposed to be transferred will be made available to individuals in need of nursing home services in the planning district to which they are proposed to be transferred without regard to the source of payment for such services.

DCOPN notes that three of the four criteria are fulfilled by the proposed project. As noted previously, the latest published projected net bed need (for 2022) showed a projected net bed need of 21 beds for PD 7. With the addition of 52 beds authorized at Lynn Care Center in PD 7 to be completed in 2025, there is a calculated surplus of beds in PD 7. The applicant sites an updated bed need projection for which DCOPN cannot confirm approved data sources, which yields a small bed need after the 52 beds are added to PD 7 at Lynn Care Center. The nursing facility bed occupancy in PD 7 is 80% compared to an even lower occupancy in PD 14 of 77.3%.

Another factor to consider is quality of care. CMS Star ratings for the facility requesting to add nursing home beds are provided. For 2024 HHFR achieved an overall rating of five out of five stars, above average. It also achieved five out of five on Quality measures, but two out of five (below average) for Staffing (**Figure 5**).

Figure 5. CMS Star Ratings for Heritage Hall Front Royal, 2024



Source: <https://www.medicare.gov/care-compare/details/nursing-home/495301/view-all?city=Front%20Royal&state=VA&zipcode=22630>

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

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

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

Part VII. Nursing Facilities

12VAC5-230-600. Travel Time.

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

The heavy black line in **Figure 6** identifies the boundary of PD 7. The white icons with blue Hs indicate the location of the nursing home facilities in the planning district, with the blue one with a white H marking HHFR. The shaded green area is within the 30-minute drive time of existing nursing facilities in PD 7. Nearly all of PD 7 is within a 30-minute drive time of a nursing facility including the most populated area around Winchester. Nursing facilities are already accessible to over 95% of the population. The proposed project will not impact geographic accessibility since it is at an existing nursing facility.

[illegible]

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

C. Preference may be given to proposals that improve geographic access and reduce travel time to nursing facilities within a health planning district.

The proposed project is not competing with another project. Accordingly, this standard is not applicable.

12VAC5-230-610. Need for New Service.

A. A health planning district should be considered to have a need for additional nursing facility beds when:

- 1. The bed need forecast exceeds the current inventory of beds for the health planning district; and**
- 2. The average annual occupancy of all existing and authorized Medicaid-certified nursing facility beds in the health planning district was at least 93%, excluding the bed inventory and utilization of the Virginia Veterans Care Centers.**

EXCEPTION: When there are facilities that have been in operation less than three years in the health planning district, their occupancy can be excluded from the calculation of average occupancy if the facilities had an annual occupancy of at least 93% in one of its first three years of operation.

B. No health planning district should be considered in need of additional beds if there are unconstructed beds designated as Medicaid certified. This presumption of ‘no need’ for additional beds extends for three years from the issuance date of the certificate.

C. The bed need forecast will be computed as follows:

$$\text{PDBN} = (\text{UR64} \times \text{PP64}) + (\text{UR69} \times \text{PP69}) + (\text{UR74} + \text{PP74}) + \text{UR79} + \text{PP79} + \text{UR84} + \text{PP84} + \text{UR85} + \text{PP85}$$

Where:

- **PDBN = Planning district bed need.**
- **UR64 = The nursing home bed use rate of the population aged 0 to 64 in the health planning district as determined in the most recent nursing home patient origin study authorized by VHI.**
- **PP64 = The population aged 0 to 64 projected for the health planning district three years from the current year as most recently published by a demographic program as determined by the commissioner.**
- **UR69 = The nursing home bed use rate of the population aged 65 to 69 in the health planning district as determined in the most recent nursing home patient origin study authorized by VHI.**
- **PP69 = The population aged 65 to 69 projected for the health planning district three years from the current year as most recently published by a demographic program as determined by the commissioner.**
- **UR74 = The nursing home bed use rate of the population aged 70 to 74 in the health planning district as determined in the most recent nursing home patient origin study authorized by VHI.**
- **PP74 = The population aged 70 to 74 projected for the health planning district three years from the current year as most recently published by a demographic program as determined by the commissioner.**
- **UR79 = The nursing home bed use rate of the population aged 75 to 79 in the health planning district as determined in the most recent nursing home patient origin study authorized by VHI.**
- **PP79 = The population aged 75 to 79 projected for the health planning district three years from the current year as most recently published by a demographic program as determined by the commissioner.**

- **UR84** = The nursing home bed use rate of the population aged 80 to 84 in the health planning district as determined in the most recent nursing home patient origin study authorized by VHI.
- **PP84** = The population aged 80 to 84 projected for the health planning district three years from the current year as most recently published by a demographic program as determined by the commissioner.
- **UR85+** = The nursing home bed use rate of the population aged 85 and older in the health planning district as determined in the most recent nursing home patient origin study authorized by VHI.
- **PP85+** = The population aged 85 and older projected for the health planning district three years from the current year as most recently published by a demographic program as determined by the commissioner.

Health planning district bed need forecasts will be rounded as follows:

<u>Health Planning District Bed Need</u>	<u>Rounded Bed Need</u>
1-29	0
30-44	30
45-84	60
85-104	90
105-134	120
135-164	150
165-194	180
195-224	210
225+	240

EXCEPTION: When a health planning district has:

1. Two or more nursing facilities;
 2. Had an average annual occupancy rate in excess of 93% for the most recent two years for which bed utilization has been reported to VHI; and
 3. Has a forecasted bed need of 15 to 29 beds, then the bed need for this health planning district will be rounded to 30.
- D.** No new freestanding nursing facilities of less than 90 beds should be authorized. However, consideration may be given to a new freestanding facility with fewer than 90 nursing facility beds when the applicant can demonstrate that such a facility is justified based on a locality's preference for such smaller facility and there is a documented poor distribution of nursing facility beds within the health planning district.
- E.** When evaluating the capital cost of a project, consideration may be given to projects that use the current methodology as determined by the Department of Medical Assistance Services.
- F.** Preference may be given to projects that replace outdated and functionally obsolete facilities with modern facilities that result in the more cost-efficient resident services in a more aesthetically pleasing and comfortable environment.

Not applicable, the applicant is not proposing to establish a new nursing home service.

12VAC5-230-620. Expansion of Services.

Proposals to increase an existing nursing facility's bed capacity should not be approved unless the facility has operated for at least two years and the average annual occupancy of the facility's existing beds was at least 90% in the relevant reporting period as reported to VHI.

Note: Exceptions will be considered for facilities that operated at less than 90% average annual occupancy in the most recent year for which bed utilization has been reported when the facility offers short stay services causing an average annual occupancy lower than 90% for the facility.

HHFR operated above 91% over the last five years for which data are available (from 2018 to 2022) with the exception of 2020 (**Chart 1**) when COVID concerns impacted occupancy of all nursing facilities in Virginia.

12VAC5-230-630. Continuing Care Retirement Communities.

Proposals for the development of new nursing facilities or the expansion of existing facilities by continuing care retirement communities (CCRC) will be considered when:

1. The facility is registered with the State Corporation Commission as a continuing care provider pursuant to Chapter 49 (§38.2-4900 et seq.) of Title 38.2 of the Code of Virginia;
2. The number of nursing facility beds requested in the initial application does not exceed the lesser of 20% of the continuing care retirement community's total number of beds that are not nursing home beds or 60 beds;
3. The number of new nursing facility beds requested in any subsequent application does not cause the continuing care retirement community's total number of nursing home beds to exceed 20% of its total number of beds that are not nursing facility beds; and
4. The continuing care retirement community has established a qualified resident assistance policy.

This provision is not applicable to the proposed project, as the applicant is not a continuing care retirement community.

12VAC5-230-640. Staffing.

Nursing facilities shall be under the direction or supervision of a licensed nursing home administrator and staffed by licensed and certified nursing personnel qualified as required by law.

The applicant asserts that the facility is and will be staffed appropriately to comply with all regulatory requirements.

Required Considerations Continued

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

There are eleven nursing facilities with multiple owners across PD 7 such that no unhealthy market concentration exists. The proposed project would not foster beneficial competition in the area.

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

Based on 2022 VHI data, there were 213 vacant nursing home beds in PD 7 on any given day, only 5 at HHFR daily on average. In the contributing PD 14 there were fewer, 123 vacant nursing home beds in 2022 on any given day, and 39 of them, nearly one third of PD 14 vacancies, were at Heritage Hall Blackstone, the proposed contributing facility. Should the proposed project be approved, Heritage Hall Blackstone would still be about 88% occupied, at 2022 volumes.

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;

Capital costs per bed for the proposed project are comparable to the latest approved similar project, though financing costs of the proposal create a much higher overall cost (**Table 3**). The proforma provided by the applicant (**Table 6**) projects an income for HHFR of over \$1.5 million each of the first two years after completion of the proposal. DCOPN notes that this is about half a million dollars more than the year before completion of the project. The applicant projects the need for 16.9 additional full time equivalent (FTE) staff members and states that it has a successful recruitment and retention program that has produced low staff turnover and will enable the additional recruitment of needed staff.

Table 6. Pro forma, Heritage Hall Front Royal

	Year 1	Year 2
Gross Patient Revenue	\$ 9,577,848	\$ 10,265,872
Deductions	\$ -	\$ -
Total Net Revenue	\$ 9,577,848	\$ 10,265,872
Direct Patient Care Expenses	\$ 3,910,224	\$ 4,593,078
Indirect Patient Care Expenses	\$ 3,347,822	\$ 3,392,318
Other Expenses	\$ 750,299	\$ 750,668
Total Operating Expenses	\$ 8,008,345	\$ 8,736,064
Income/(Loss) (before taxes)	\$ 1,569,503	\$ 1,529,808

Source: COPN Request No. VA-8779

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

The applicant is not proposing to introduce new technology that promotes quality, cost effectiveness, or both in the delivery of health care services, nor is the applicant proposing the potential for provision of health care services on an outpatient basis. DCOPN did not identify any other factors, not addressed elsewhere in this staff analysis report, to bring to the Commissioner's attention regarding the determination of a public need for the proposed project.

- 8. In the case of a project proposed by or affecting a teaching hospital associated with a public institution of higher education or a medical school in the area to be served,**
- (i) The unique research, training, and clinical mission of the teaching hospital or medical school.**
 - (ii) Any contribution the teaching hospital or medical school may provide in the delivery, innovation, and improvement of health care for citizens of the Commonwealth, including indigent or underserved populations.**

Not applicable. The applicant is not a teaching hospital associated with a public institution of higher education or a medical school in the area to be served.

DCOPN Staff Findings and Conclusions

The proposed project relocates 20 beds from Heritage Hall Blackstone in PD 14 to Heritage Hall Front Royal in PD 7, citing the so-called "Bed Transfer Statute" (Code of Virginia § 32.1-102.3:7). Three of the four criteria are met for acceptance of the COPN Request No. VA-8779 application under this statute. According to the latest "Notice of No Need for Certificate of Public Need Applications for Development of Additional Nursing Home Beds" published for the 2022 Planning Year, there is not a shortage of beds in PD 7 after an authorized 52-bed addition is completed in PD 7 in 2025. PD 7 has a higher nursing home bed occupancy than does PD 14 from where the beds would be transferred.

The proposal is generally consistent with the SMFP and relevant sections of the Code of Virginia. HHFR's occupancy has surpassed the threshold set forth in the SMFP that allows expansion. HHFR has occupancy above the 90% SMFP standard for expansion, while the proposed contributing facility's last published occupancy (2022) was 78.3% of its 180 beds, leaving 39 vacant beds on average per day.

The proposal does not increase geographical access within a 30-minute drive time but improves access to a highly utilized facility in PD7 that is also highly rated by CMS. It increases the complement of private beds at both HHFR and the contributing facility in PD 14 and does not create a shortage of nursing home beds in PD 14 nor at the contributing facility. All of the current and proposed beds at HHFR are financially accessible to patients with all payer sources, dually certified Medicaid and Medicare.

The proposed project is preferable to the status quo. No reasonable alternatives had been identified 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. Although estimated capital and

financing costs are higher than recently approved similar projects, the proposed project is feasible in the short- and long-term.

There is no known opposition to the proposed project.

DCOPN Staff Recommendations

The Division of Certificate of Public Need recommends **approval** Heritage Hall XIII, LLC's COPN Request to relocate 20 nursing home beds from Heritage Hall Blackstone in PD 14 for the following reasons:

1. The proposal improves access to a highly utilized, highly rated nursing facility, including access for people with all payor sources.
2. The proposed project is generally consistent with the SMFP and relevant sections of the Code of Virginia.
3. The proposal adds 20 private beds at the applicant's facility and creates space for an increased complement of private beds in the contributing facility.
4. The proposed project does not create a bed shortage in the PD from which beds will transfer.
5. The proposal is preferable to the status quo.
6. The proposal is feasible in the short- and long-term.
7. There is no documented opposition to the proposed project.