VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis

December 19, 2024

RE: COPN Request No. VA-8781
Mountain States Health Alliance d/b/a Russell County Hospital
Lebanon, Virginia
Introduce Child and Adolescent Psychiatric Services with 16 Beds

Applicant

Mountain States Health Alliance is a Tennessee nonprofit corporation authorized to transact business in Virginia. Mountain States Health Alliance d/b/a Russell County Hospital ("RCH") is one of its twenty component hospitals. Mountain States Health Alliance is wholly owned by Ballad Health. Mountain States Health Alliance owns Johnston Memorial Hospital, Inc. and Smyth County Community Hospital. RCH is in Planning District (PD) 2, Health Planning Region (HPR) III.

Background

According to Virginia Health Information (VHI) data for 2022, the most recent year for which such data are available, there are currently two providers of inpatient psychiatric services in PD 2 with a total of 30 licensed inpatient psychiatric beds. Of the 30 licensed psychiatric beds, 22 were staffed (73.3%), and occupancy of licensed beds was 51.8% (**Table 1**). DCOPN notes that there are no providers in PD 2 that offer inpatient child and/or adolescent psychiatric services. RCH, the site of the proposed project, is a 78-bed hospital that already offers psychiatric services to adults. In 2022 it staffed 16 of its 20 psychiatric beds (80%) and the 20 licensed beds were 49.7% occupied (**Table 1**).

Table 1. Psychiatric Beds, Utilization and Inventory, PD 2

Facility Name	Class	Total Licensed Beds	Staffed Beds	Licensed Bed Available Days	Patient Days	Utilization
Dickenson Community Hospital	Psych Bed - Other Adult	10	6	3,650	2,048	56.1%
Russell County Hospital	Psych Bed - Other Adult	20	16	7,300	3,627	49.7%
PD 2 Totals and Utilization		**30**	**22**	**10,950**	**5,675**	**51.8%**

Source: 2022 VHI

The State Medical Facilities Plan (SMFP) does not make a distinction for child and adolescent psychiatric services, but this patient population cannot be mixed with the adult psychiatric population. Access to adult psychiatric beds does not provide access for children and adolescents. On September 5, 2023, the Commissioner issued COPN No. VA-04858 authorizing Ballad Health to introduce child and adolescent psychiatric services at Johnston Memorial Hospital ("JMH") in PD 3 through the addition of 16 inpatient psychiatric beds. DCOPN notes that these are the only authorized child and adolescent psychiatric beds in PDs 1, 2, 3 or 4. The closest inpatient child and adolescent psychiatric services are in Salem and Roanoke approximately two and a half hours from the proposed site. Should the proposed project be approved, Ballad Health will surrender COPN No. VA-04858 and provide inpatient child and adolescent services at RCH instead of JMH.

Figure 1 shows in light blue the area within 60 minutes' drive of the proposed project. The green outline is the area within 60 minutes' drive of JMH, the site authorized by COPN No. VA-04858 that would be surrendered should the current project be approved. The orange area in **Figure 1** shows the area within 60 minutes' drive of the two nearest inpatient child and adolescent psychiatric services in Virginia. The map at **Figure 1** is intended to show at a high level that either the JMH site or the RCH site would create access to inpatient child and adolescent psychiatric services in Southwest Virginia where none currently exists. The two sites are approximately 25 minutes apart.

Figure 1. Child and Adolescent Psychiatric Services, HPR III

Proposed Project

The proposed project is the introduction of inpatient child and adolescent psychiatric services with the addition of 16 beds at RCH at 58 Carroll Street in Lebanon, Virginia. RCH proposes ten patient rooms, six rooms with two beds per room (12 beds) and four private rooms with one bed per room (4 beds). The renovated space will be 8,500 square feet on the fourth floor of RCH. Projected capital

costs for the proposed project are $5,500,000 (**Table 2**) funded by a grant from the Virginia Department of Behavioral Health and Developmental Services (DBHDS) such that no financing costs will accrue. Should the proposal be approved, the target date to open the service is October 2026.

Table 2. Capital and Financing Costs, RCH Child and Adolescent Psychiatric Beds

Capital Cost Subsection	Capital Cost at RCH	Difference in Cost, RCH vs JMH site
Direct Construction Costs	$4,715,273	($5,026,577)
Equipment Not Included in Construction Contract	$339,000	($2,217,600)
Architectural & Engineering Fees	$445,727	($516,823)
Other Consultant Fees	$0	($865,216)
HUD-232 Financing	$0	($75,000)
Total Capital Costs	**$5,500,000**	**($8,701,216)**

Source: COPN Request No. VA-8781 and COPN Request No. VA-8697

COPN No. VA-04858 authorized Ballad Health to introduce child and adolescent psychiatric services with sixteen inpatient psychiatric beds at JMH, which would be surrendered should the proposed project be approved. The current proposal adds 16 beds to PD 2; however, in conjunction with the removal of the 16 new beds authorized at JMH (PD 3) there are no beds added to the inventory within HPR III. The applicant asserts that the RCH site is more cost efficient in comparison to the authorized JMH site. Indeed, **Table 2** shows a reduction in cost of more than $8.7 million should Ballad Health forego the previously authorized project at JMH and instead complete the proposed project at RCH.

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 "(i)ntroduction into an existing medical care facility described in subsection A of any…psychiatric…service." Medical care facilities are defined, in part, as "Any facility licensed as a hospital as defined in § 32.1-123…"

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 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 access to care.**

On December 14, 2022, Governor Glenn Youngkin announced his three-year transformational behavioral health plan "Right Help, Right Now," acknowledging deficiencies in access to behavioral health services across the Commonwealth. Governor Youngkin stated, "We are facing

a behavioral health crisis across Virginia and the United States. This crisis is present throughout our society, at home, in schools and in the workplace."

Patients residing in rural areas of Virginia, such as PD 2, have further distances to drive for health care services than those in more urban areas. The availability of inpatient behavioral health resources is even scarcer for children and adolescents. There are only 14 private facilities across Virginia that have child/adolescent psychiatric beds and one state facility in Staunton, Virginia more than three and a half hours from RCH. There are none in PD 2 or in any adjoining PDs. The applicant presents data from DBHDS indicating that 53% of child adolescent patients from PDs 1, 2 and 3 received care outside of Virginia. Of those that found a psychiatric bed within Virginia, 70% were placed more than 5 hours away.

The distance to child and adolescent inpatient psychiatric services from RCH is a significant barrier to access for children and adolescents in need of care, as long-distance travel is difficult for patients already struggling with mental health issues. According to letters of support from area Community Services Boards (CSBs), patient outcomes are more positive with the support of family members, which support is not always possible when inpatient care is hours away. Patients and their families may be discouraged from seeking needed care knowing that resources are not available in their communities and traveling distances for patients and family members also creates logistical and financial burdens.

Regarding socioeconomic barriers to access, **Table 3** indicates that each of the counties in PD 2 has a higher poverty rate than that of Virginia as a whole, and PD 2 has a poverty rate nearly twice that of Virginia. Psychiatric care for children and adolescents closer to home reduces financial burdens of travel for families providing support.

Table 3. 2022 Poverty Rates, PD 2

Virginia	***10.6%***
Buchanan County	26.9%
Dickenson County	23.4%
Russell County	18.4%
Tazewell County	17.6%
PD 2 Percent in Poverty	**20.4%**

Source: https://www.census.gov/data-tools/demo/saipe/#/?s_state=51&s_county=&s_district=&s_geography=county

RCH is easily accessible via US Route 19, a major north-south highway that connects Lebanon, Virginia to nearby towns like Abingdon and the Bristol area. Interstate 81 provides broader connectivity and access to public transportation.

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 a resolution from the medical executive committee of RCH supporting the proposed project. It also received fifteen letters of support for the proposed project from Virginia Senator Todd Pillion, Virginia Delegate Israel O'Quinn, the DBHDS, Russell County's Sheriff, Board of Supervisors, Chamber of Commerce and Division Superintendent of Schools, county residents, physicians and other providers of behavioral health, community services boards, the mayor of Lebanon and chief of police in Abingdon, Virginia.

These letters, in aggregate, expressed the following:

- The medical staff at RCH supports the proposal.
- There is a medical need for the addition of child and adolescent psychiatric services in the community.
- There is a critical and growing demand for inpatient psychiatric services for children and adolescents in Southwest Virginia.
- There are presently insufficient resources for patients in psychiatric crisis.
- An emergency medicine provider has seen continued growth in demand, limited capacity in services, patients with extended wait times.
- Scarcity of services means disruptions to care and the proposal will allow patients to obtain services in their home community.
- No other providers in PD 2 offer inpatient psychiatric services for children and adolescents.
- Patients are often being referred outside of the area for treatment.
- The introduction of child and adolescent psychiatric services at RCH will improve the overall quality of care at RCH.
- Local psychiatric providers routinely see patients in crisis that require acute level inpatient care.
- Being able to refer a patient quickly is critically important to the patient's well-being and opportunity for recovery.
- One of two child psychiatrist in the Southwest Virginia area says he's personally seen the impact of lack of services on families in the region.
- Psychiatric facilities that accept children in Virginia are three to five hours away; closer ones are across the state line and for many, their insurance prevents acceptance in these facilities.
- Patients travel to Kingsport, Tennessee, Johnson City, Tennessee or Roanoke, Virginia to obtain care.
- The area is in desperate need of more psychiatric support and resources for children are perhaps the sparsest.
- Lengthy drive times create obstacles to obtaining inpatient psychiatric services.
- The limited resources in the area result in financial and geographic barriers that often delay access to critically important services.
- Families must leave children and adolescents to be treated hours away without family so they can tend to other children and work responsibilities, causing undue stress to an already difficult situation.
- Frontier Health, the CSB for PD 1, supports the creation of access in PD 2 and believes the proposal at RCH will greatly enhance access and quality of care to patients seeking treatment and services in the surrounding area.
- The Mount Rogers CSB also supports the proposal.

- Having resources available for youth to be treated closer to their home allows for enhanced family therapy and discharge planning, reducing overall trauma often experienced by youth in need of inpatient psychiatric services.
- The proposal will contribute to recovery outcomes once patients are discharged.
- The proposal will alleviate the financial and logistical burden patients and their families face when seeking care for their children, such as travel costs and time off work.
- The proposal will greatly enhance access and quality of care to patients seeking treatment in Southwest Virginia.
- A police chief in Southwest Virginia has seen firsthand the devastating effects that the lack of psychiatric beds for juveniles has created.
- Children in need of care sit for days in emergency departments awaiting a bed.
- Law officers have transported children six hours away to Northern Virginia for an available bed.
- "I wondered how anyone would believe that placing a juvenile with two police officers and driving them six hours away from home could help them during this critical mental health crisis they are experiencing. I also wondered if this juvenile would ever seek help again based upon that experience."
- Distances involved preclude essential therapeutic interventions, for example, family therapy.
- Discharge planning is hindered by lack of ongoing working relationships with distant providers.
- RCH is a long-standing provider in the community and has the experience needed to expand its services to children and adolescents.
- Supporters have confidence in RCH's ability to provide this vital care.
- The project would be a huge step forward in correcting the shortfall in providing juvenile psychiatric services.
- DBHDS is a committed partner in the proposed project and is working to make grant funding available for the project should it be approved.
- This is a vital and timely project that will greatly benefit those who are in need.
- It is just the beginning of steps that need to be taken to provide psychiatric care to children in the region.
- As inpatient care expands, so does the need for additional outpatient resources , case management, therapy support and providers.

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-8781 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 October 10, 2024. The public comment period closed on November 25, 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 service or facility that would meet the needs of the population in a less costly, more efficient, or more effective manner.

The status quo includes the introduction of child and adolescent inpatient psychiatric services authorized at JMH. Either the currently proposed project or the JMH site improves access to child and adolescent inpatient psychiatric services in Southwest Virginia. The proposal at hand is projected to cost $8.7 million less than a 16-bed unit at JMH, and RCH has worked with DBHDS to fund the proposal with a grant, further preserving resources of providers in Southwest Virginia. The recently authorized project was approved at JMH despite an operational loss that would require a subsidy from Ballad Health; whereas the currently proposed project is expected to produce income in its first and second years. In addition, RCH currently offers adult psychiatric care and can draw from its experience, established contacts and other resources providing these services in its offering to children and adolescents. The proposal is more beneficial than the status quo and there is no identified alternative that meets the needs of the population in a less costly, more efficient and effective manner.

(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 2. Therefore, this consideration is not applicable to the review of the proposed project.

(iv) Any costs and benefits of the project.

Total projected capital costs for the proposed project are $5,500,000, expected to be funded by a grant from DBHDS, so not only are there no financing costs involved in the proposed project, but many resources of the rural providers in Southwest Virginia are preserved through the grant funding. The estimated costs are not only reasonable, but they represent a savings of $8.7 million over the project authorized by COPN No. VA-04858 at JMH (**Table 2**).

The applicant has described several benefits to the proposed project and significantly lower capital cost is the primary one. In addition, RCH already offers adult inpatient psychiatric services so similar experience, contacts and processes are already in place to help implementation of inpatient psychiatric services of children and adolescents proceed more easily. The proposal is expected to produce income for RCH.

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

RCH will accept all sources of payment for services including commercial and government payors and private pay. Additionally, RCH intends to deliver charity care to patients that are unable to pay for the services they require. RCH provided charity care in the amount of 0.2% in 2022, the latest year for which such data are available. This is below the HPR III average of 0.6% (**Table 4**).

Table 4. HPR III Charity Care Contributions

2022 Charity Care Contributions at or below 200% of Federal Poverty Level			
Hospital	**Gross Patient Revenues**	**Adjusted Charity Care Contribution**	**% of Gross Patient Revenue:**
Rehabilitation Hospital of Bristol, LLC	$17,981,903	$504,759	2.8%
Centra Specialty Hospital	$48,716,727	$1,120,485	2.3%
Carilion Franklin Memorial Hospital	$216,535,912	$4,076,850	1.9%
Carilion Tazewell Community Hospital	$84,561,982	$1,031,972	1.2%
Carilion Giles Memorial Hospital	$182,762,966	$2,056,398	1.1%
Carilion Medical Center	$4,626,293,362	$48,146,682	1.0%
Carilion New River Valley Medical Center	$908,326,659	$8,974,962	1.0%
LewisGale Hospital-Montgomery	$945,286,546	$6,043,431	0.6%
LewisGale Hospital - Alleghany	$259,238,606	$1,552,971	0.6%
LewisGale Hospital Pulaski	$465,079,395	$2,565,485	0.6%
Lewis-Gale Medical Center	$2,945,087,457	$16,161,621	0.5%
Centra Health	$3,023,784,179	$10,182,695	0.3%
Smyth County Community Hospital	$214,723,312	$630,654	0.3%
Bedford Memorial Hospital	$175,626,005	$474,228	0.3%
Norton Community Hospital	$291,775,554	$767,018	0.3%
Russell County Medical Center	$135,556,168	$330,439	0.2%
Dickenson Community Hospital	$28,125,420	$68,308	0.2%
Johnston Memorial Hospital	$826,084,738	$1,856,940	0.2%
Wellmont Lonesome Pine Mountain View Hospital	$779,003,003	$1,458,898	0.2%
Lee County Community Hospital	$35,910,227	$49,714	0.1%
Buchanan General Hospital	$116,385,318	$140,702	0.1%
DLP Twin County Regional Healthcare	$255,330,355	$293,349	0.1%
Sovah Health-Martinsville	$677,045,264	$349,080	0.1%
Clinch Valley Medical Center	$656,673,348	$293,630	0.0%
Sovah Health-Danville	$932,808,724	$86,078	0.0%
Wythe County Community Hospital	$292,907,698	$18,259	0.0%
Ridgeview Pavilion (Bristol Region)	$7,807,715	$ -	0.0%
Total Facilities Reporting			27
Total $ & Mean %	$19,149,418,543	$109,235,608	**0.6%**

Source: VHI (2022)

In accordance with section 32.1-102.4.B of the Code of Virginia, should the proposed project receive approval, the project would be conditioned to provide a level of charity care based on gross patient revenues derived from inpatient psychiatric services that is no less than the equivalent average for charity care contributions in HPR III. Pursuant to Code of Virginia language any COPN issued for this project will also be conditioned on the applicant's agreement to accept patients who are the recipients of 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 project.

There are no other factors, not addressed elsewhere in the analysis, relevant to the determination of a public need for either 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 State Medical Facilities Plan (SMFP).

The State Medical Facilities Plan (SMFP) contains the criteria and standards for mental health services. They are as follows:

Part XII. Mental Health Services

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

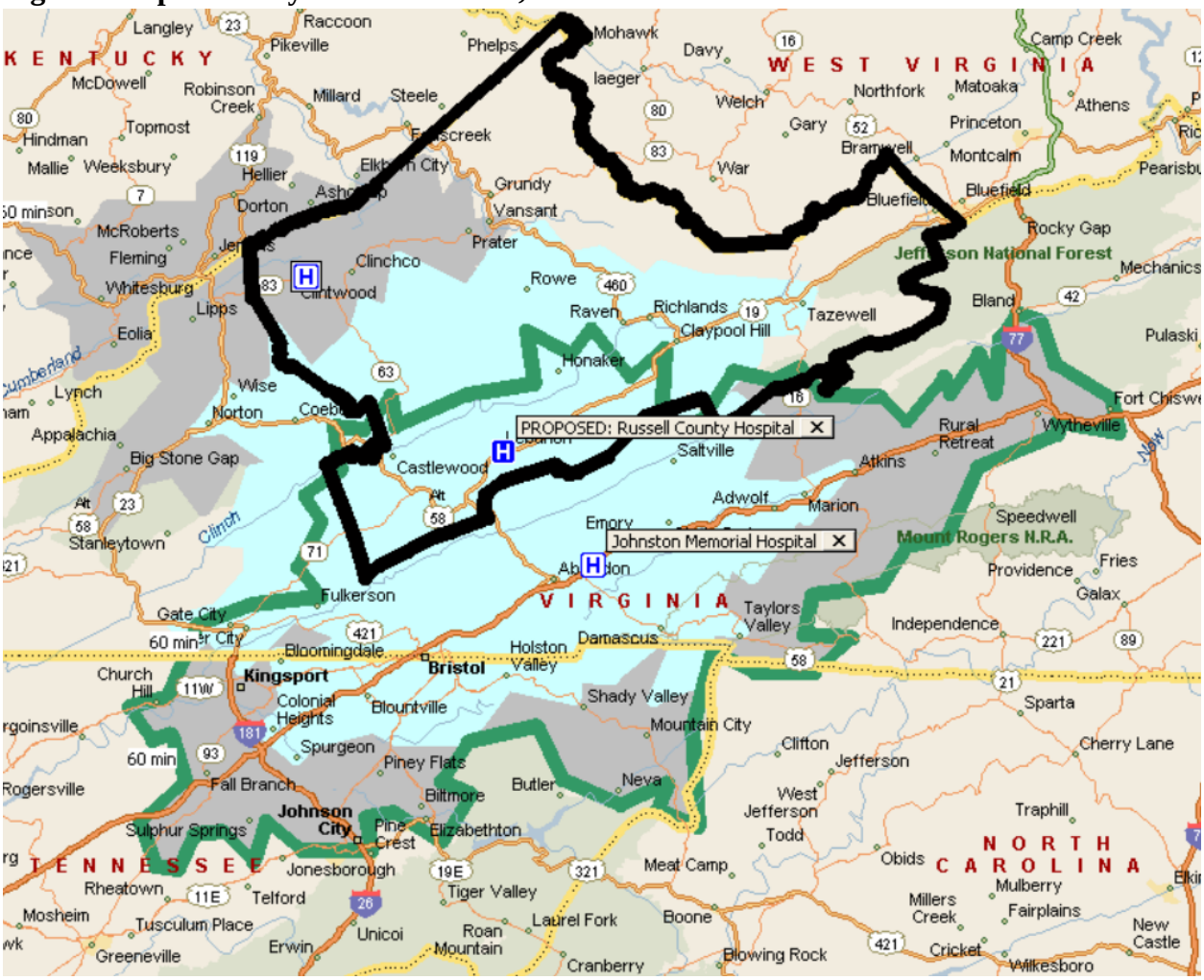
12VAC5-230-840. Travel Time.

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

The black outline on the map in **Figure 2** is the border of PD 2. The light blue shaded area illustrates a 60-minute driving time around the proposed project at RCH which is marked by the blue icon with a white H. The area inside the green border is within 60 minutes' drive from JMH, marked by the white icon with the blue H, where a 16-bed child and adolescent psychiatric unit has been authorized but not constructed. As previously noted, COPN No. VA-04858, which authorized the 16-bed unit at JMH, will be surrendered if the proposed project at RCH is approved. The grey area to the left/west of RCH is within a 60-minute drive from Dickinson Community Hospital that is not covered by the proposed project at RCH. Dickinson Community Hospital has adult psychiatric beds, but no child/adolescent beds.

Though the SMFP does not make a distinction for child and adolescent services, the proposed project is specific to that segment of the population, and the 60-minute drive time standard is not achieved for children and adolescents in PD 2, even with approval of the proposed project. **Figure 1** shows the closest existing psychiatric services for children and adolescents are far outside the 60-minute drive time standard. The proposed project improves geographic access to inpatient child and adolescent psychiatric services.

Figure 2. Inpatient Psychiatric Services, PD 2



12VAC5-230-850. Continuity; Integration.

A. Existing and proposed acute psychiatric and acute substance abuse disorder treatment providers shall have established plans for the provision of services to indigent patients that include:

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

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

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

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

While there are no minimum days specified by the applicant, RCH projects that 72% of patients of the proposed project would be patients insured by Medicaid. As noted above, should the Commissioner approve the proposed project, RCH should be subject to a charity care condition no less than the 0.6% HPR III average, in addition to any new requirements as found in the revised § 32.1-102.4B of the Code of Virginia. The applicant asserts that policies will be in place to address indigent and charity care and, when individuals are not otherwise eligible for assistance from government programs, the policy would provide how and when care can be provided.

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

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

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

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

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

4. Consider admission priorities based on relative medical necessity.

The applicant asserts that it has had extensive conversations with the local CSBs and will formalize relationships closer to the opening date, should the proposed project be approved. RCH anticipates collaborating with CSBs in the continuum of care for patients, expecting referrals from them and providing case management to encourage timely follow-up after discharge. Area CSBs have provided letters of support for the proposed project.

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

The applicant is not proposing to establish a satellite outpatient facility, but states that it will work with the existing statewide network of CSBs and coordinate with outpatient offices and local schools to ensure patient access to outpatient care.

12VAC5-230-860. Need for New Service.

A. The combined number of acute psychiatric and acute substance abuse disorder treatment beds needed in a health planning district with existing acute psychiatric or acute substance abuse disorder treatment beds or both will be determined as follows:

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

Where:

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

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

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

Table 5. PD 2 Psychiatric Beds, Patient Days and Population

Year	Licensed Beds	Staffed Beds	Patient Days	Population All Ages
2018	30	30	6,951	104,642
2019	30	27	6,808	103,032
2020	30	30	7,479	100,689
2021	30	28	6,581	99,286
2022	30	22	5,675	97,953
Total			**33,494**	**505,602**
Projected 2029				87,686

Source: VHI and Weldon Cooper

UR = Patient Days from 2018 to 2022 / Population from 2018 to 2022

From **Table 5**:

UR = 33,494/ 505,602 = 0.06625

((UR x ProPop)/365)/.75 = ((0.06625 x 87,686)/365)/.75 = 21.2

Psychiatric Bed Need in PD 2 = 22 Beds

Licensed Beds, PD 2 (in 2022) = 30

Calculated Surplus of 8 Psychiatric Beds in PD 2

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

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

There is a calculated surplus of eight psychiatric beds in PD 2; however, in this case, the prescribed SMFP calculation underestimates the true volume of patients that need psychiatric beds. For example, the proposed project is for children and adolescents and because there are no operational child/adolescent psychiatric beds in PD 2, none of the patient days associated with PD 2 children and adolescents are included in the PD 2 utilization rate in the SMFP bed need calculation. Patient days associated with children and adolescents residing in PD 2 are counted in the distant facilities to which they are currently transported. The applicant presents data from DBHDS indicating that 53% of child adolescent patients from PDs 1, 2 and 3 received care outside of Virginia, so their associated patient days are not counted by any Virginia facility. In addition, many patients under temporary detention orders (TDOs) are referred to overcrowded state institutions and are likewise not included in the utilization rate.

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

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

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

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

Where:

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

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

There are existing acute psychiatric beds in PD 2 but there are no operational child/adolescent psychiatric beds in PD 2 nor in surrounding PDs. Though 12VAC5-230-860 makes no distinction for child/adolescent psychiatric beds, it is the segment of the population that the proposed project would serve. It is reasonable to modify the prescribed calculation to estimate need for psychiatric beds in PD 2 specific to the child/adolescent population segment.

In the absence of child/adolescent psychiatric beds/patient days in PD 2, the need for child/adolescent psychiatric beds in PD 2 is calculated as follows, using the HPR III child/adolescent use rate:

$$UR = \frac{\text{Child/Adolescent Psychiatric Patient Days from 2018 to 2022 (HPR III)}}{\text{Population age 6 to 17 from 2018 to 2025 (HPR III)}}$$

From **Table 6:**

UR = 63,278 / 879,761 = 0.072

((UR x ProPop PD 2 age 6 to 17)/365)/.75 = ((0.072 x 15,097)/365)/.75 = 3.97

Child/Adolescent Psychiatric Bed Need in PD 2 = 4 Beds

Staffed Child/Adolescent Psychiatric Beds, PD 2 (in 2022) = 0

Calculated Shortage in PD 3 = 4 Child/Adolescent Psychiatric Beds

The applicant presents data from DBHDS indicating that 53% of child and adolescent psychiatric inpatients from PDs 1, 2 and 3 received care outside of Virginia, so their patient days are not included in the bed need calculation above. The use rate for PD 3 should be at least double that of the above calculation merely to account for patients currently leaving the Commonwealth for care. Patient days of child and adolescent patients under temporary detention orders (TDOs) that are referred to the one state institution in Staunton, Virginia (outside of HPR III) that serves children and adolescents are likewise not included in the utilization rate above.

Though bed need calculation is on a PD basis, there are no child/adolescent psychiatric beds in PDs 1, 2 or 3 so the proposed project will become the closest facility serving inpatient child and adolescent psychiatric patients in three adjacent PDs. Patient origin data from RCH's adult inpatient psychiatric service (calendar year 2023) shows that 72.5% of its patients reside outside of PD 2, confirming a broader expected service area than PD 2. According to the DCOPN staff

report for COPN Request No. VA-8697 (the JMH site), the calculated child/adolescent bed shortage in adjoining PD 3 is 31 beds, before accounting for out-of-state and TDO admissions out of HPR III.

Table 6. PD 2 Child/Adolescent Bed Need (HPR III Use Rate)

Year	C/A Psych Beds in PD2	C/A Psych Patient Days, HPR III	HPR III Population Ages 6 to 17
2018	0	11,790	176,738
2019	0	14,097	175,922
2020	0	12,719	174,908
2021	0	12,932	174,634
2022	0	11,668	174,365
Total	**0**	**63,278**	**879,761**
Projected 2029 PD 2 Population, Age 6 to 17			15,097

Source: VHI, Weldon Cooper and DCOPN projections

Considering all of these factors DCOPN concludes there is a dire shortage of inpatient psychiatric beds for children and adolescents in PD 2 and the surrounding area.

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

The proposed project is not competing with another project and is not proposing the conversion of general hospital beds. RCH has expressed a willingness to accept children/adolescents under TDOs, should the proposed project be approved.

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 institutional competition. There are no other providers of inpatient child/adolescent psychiatric services in PD 2, or adjacent PDs 1 and 3.

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 or facilities.**

RCH is one of five acute care hospitals in rural PD 2. The others are Buchanan General Hospital, Carilion Tazewell Community Hospital, Clinch Valley Medical Center and Dickenson Community Hospital. Dickenson Community Hospital is the only hospital in PD 2 besides RCH that offers inpatient psychiatric services, but it does not have child and adolescent beds.

RCH is part of Ballad Health System and the applicant states that approval of the proposal will provide a "clear referral pathway for patients from nearby facilities including JMH, Bristol Regional Medical Center, Smyth County Community Hospital, Norton Community Hospital, Lonesome Pine Hospital, Dickenson County Community Hospital and Lee County Community Hospital." RCH is also a member of the Ballad Health Niswonger Children's Network, linking it to pediatric care in the region.

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.

Projected capital costs of the proposed project, at $5.5 million, are reasonable, funded by a DBHDS grant so there are no financing costs, and $8.7 million less than the inpatient child and adolescent psychiatric service authorized by COPN No. VA-04858 at JMH. The proforma for the proposal (**Table 7**) shows positive income in the first year, growing to over half a million dollars in year two.

Table 7. RCH Child/Adolescent Psychiatric Bed Pro Forma Income Statement

	Year 1	Year 2
Total Gross Patient Revenue	**$4,671,182**	**$7,006,774**
Contractual Allowances	$1,861,716	$2,776,473
Charity Care	$28,027	$42,041
Net Revenue	**$2,781,439**	**$4,188,260**
Total Operating Expenses	**$2,723,515**	**$3,595,424**
Depreciation	$5,000	$5,000
Pre-Tax Income	**$52,924**	**$587,836**

Source: COPN Request No. VA-8781

The proposed project will require 22.3 additional full-time equivalent (FTE) employees and RCH has 6.3 current vacancies. In addition to job fairs and other recruiting events, JMH states that Ballad Health has existing relationships with local colleges and universities. The applicant states that locum providers will be considered and utilized to ensure capacity and bed availability.

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.

The proposed project will not introduce new technology that would promote quality or cost effectiveness in the delivery of inpatient health services or increase the potential for the provision of health care services on an outpatient basis. The proposed project received support from several local CSBs and the applicant has expressed its intention to accept patients under TDOs. DCOPN did not identify any other factors, not discussed 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.

RCH will leverage Ballad Health's formal clinical training affiliation with the Edward Via Virginia College of Osteopathic Medicine to ensure programs, training and preceptorships are available in the child and adolescent inpatient psychiatry unit.

DCOPN Staff Findings and Conclusions

The proposed project will provide necessary access to care for children and adolescents in PD 2 and surrounding PDs, alleviating geographic and socioeconomic barriers for residents of rural Southwest Virginia. The proposed project will be financially accessible to area children and adolescents. There is no identified alternative to the proposed project. It is superior to the status quo, providing local inpatient psychiatric services for children and adolescents in PD 2 and the surrounding PDs at a cost savings of $8.7 million in comparison to the JMH site authorized by COPN No. VA-04858, which will be surrendered should the current proposal be approved. Proposed costs are reasonable and there are significant benefits to the proposed project. It will benefit from RCH's experience, contacts and resources providing adult psychiatric services and is projected to be profitable, whereas a loss was projected at the JMH site. There is widespread and strong community support for the proposed project, and it aligns with Governor Youngkin's behavioral health initiatives.

The proposed project generally consistent with the applicable criteria and standards of the SMFP and the Eight Required Considerations of the Code of Virginia. While there is a calculated surplus of psychiatric beds in PD 2, the proposed project is specific to inpatient child/adolescent psychiatric services. There is a calculated bed need for the child/adolescent segment of the population even though a large number of patient days associated with PD 2 residents are not included in the PD 2 use rate. There are no child/adolescent psychiatric beds in PD 2 and the proposed project will result in the only child/adolescent psychiatric beds in the Commonwealth west of Salem, Virginia. The proposed project would serve to address a shortage and maldistribution of inpatient psychiatric services for children and adolescents in PD 2 and other portions of Southwest Virginia.

The proposed project is financially feasible in the short- and long-term. As health care staffing is challenging across the state, Governor Youngkin's intention to focus on the behavioral health workforce is timely to the proposed project. Due to Ballad Health's affiliation, the proposed

project is likely to further the educational mission of an area medical school that emphasizes the education of doctors to provide care in rural areas.

DCOPN Staff Recommendations

DCOPN recommends **conditional approval** of Mountain States Health Alliance d/b/a Russell County Hospital's request to introduce child/adolescent psychiatric services with 16 inpatient beds restricted to the provision of child/adolescent psychiatric services for the following reasons:

1. The proposed project supports Governor Youngkin's behavioral health initiative.

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

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

4. The capital costs of the proposed project are reasonable and far less than the beds authorized by COPN No. VA-04858, which will be surrendered, and the project will be funded by a grant from DBHDS.

5. The proposal is financially feasible in the short-and long-term.

6. The proposed project has strong community support including the support of local community services boards.

7. There is no opposition to the proposed project.

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

DCOPN's recommendation is contingent upon Mountain States Health Alliance d/b/a Russell County Hospital's agreement to the following charity care condition:

Mountain States Health Alliance d/b/a Russell County Hospital will provide child and adolescent inpatient psychiatric services to all persons in need of these services, regardless of their ability to pay, and will provide as charity care to all indigent persons free services or rate reductions in services and will facilitate the development and operation of primary medical care services to medically underserved persons in PD 2 in an aggregate amount equal to at least 0.6% of Mountain States Health Alliance d/b/a Russell County Hospital's gross patient revenue derived from inpatient psychiatric services. Compliance with this condition will be documented to the Division of Certificate of Public Need annually by providing audited or otherwise appropriately certified financial statements documenting compliance with the preceding requirement. Mountain States Health Alliance d/b/a Russell County Hospital will accept a revised percentage based on the regional average after such time as regional charity care data valued under the provider

reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq. is available from Virginia Health Information. The value of charity care provided individuals pursuant to this condition shall be based on the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq.

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