



COMMONWEALTH of VIRGINIA

Karen Shelton, MD
State Health Commissioner

Department of Health
P O BOX 2448
RICHMOND, VA 23218

TTY 7-1-1 OR
1-800-828-1120

September 2, 2025

Erin S. Whaley
Troutman Pepper Locke Building
1001 Haxall Point, 15th floor
Richmond, Virginia 23219

RE: COPN No. VA-04956 (COPN Request No. VA-8805)
Bon Secours St. Francis Medical Center, LLC
Midlothian, Virginia
Planning District (PD) 15
Add 36 Medical Surgical Beds and 4 Intensive Care Unit (ICU) Beds

Dear Ms. Whaley:

In accordance with Chapter 4, Article 1.1 of Title 32.1 of the Code of Virginia of 1950 (the Code), as amended, I reviewed the Certificate of Public Need (COPN) application and all supporting documents submitted by Bon Secours St. Francis Medical Center, LLC to add 36 medical surgical beds and 4 adult ICU beds at Bon Secours St. Francis Medical Center in Midlothian, Virginia.

I have reviewed and adopted the enclosed findings, conclusions, and recommended decision of the adjudication officer that convened the informal fact-finding conference on this application in accordance with the Virginia Administrative Process Act, §2.2-4000 *et seq.* of the Code.

As required by §32.1-102.3(B) of the Code, I have considered all factors that must be taken into account in a determination of public need, and I have concluded that **conditional partial approval**, specifically, conditional approval of the four (4) requested adult ICU beds and denial of the 36 requested medical surgical beds, is warranted based on the following findings:

1. This proposal to add four (4) adult ICU beds is consistent with the COPN law, is in harmony with the State Medical Facilities Plan (SMFP) or public policies, interests, and purposes to which the SMFP and COPN law are dedicated; and Bon Secours St. Francis Medical Center has demonstrated an institutional need for these ICU beds;
2. There is a shortage of adult ICU beds in PD 15 that this proposal to add ICU beds will alleviate;

3. The addition of these 4 ICU beds is unlikely to have a significant negative impact upon the utilization, costs, or charges of other providers of acute care services in PD 15;
4. The addition of these 4 ICU beds is financially viable;
5. This proposal to add 36 medical surgical beds is inconsistent with the COPN law, is not in harmony with the SMFP or public policies, interests, and purposes to which the SMFP and COPN law are dedicated;
6. PD 15 has a surplus of adult medical surgical beds and the applicant's existing beds have not met the occupancy threshold of 80% to demonstrate institutional need for the addition of these beds;
7. Capital costs of the proposed addition of 36 medical surgical beds are higher than similar, recently authorized projects and the competing applicants'; and
8. There is opposition to the proposed addition of 36 medical surgical beds on the grounds that it is premature.

This certificate is valid for the period September 2, 2025 through September 1, 2026. The total authorized capital cost of the project is \$25,334,299, based on prorating of 4 approved adult ICU beds from the 40 requested beds.

Please file two copies of the application for a certificate extension with the Department no later than 30 days before the expiration date of the certificate. Part VIII of the Virginia Medical Care Facilities Certificate of Public Need Rules and Regulations identifies the filing requirements and review procedure for certificate extension requests.

Sincerely,



Karen Shelton, MD
State Health Commissioner

Enclosure

cc: Charis A. Mitchell, Assistant Attorney General, Commonwealth of Virginia
Erik Bodin, Director, Division of Certificate of Public Need
James Jenkins, Acting Director, VDH, Office of Licensure and Certification
Deborah K. Waite, Chief Operating Officer, Virginia Health Information
Alexander P. Samuel, MD, MPH, District Director, Chesterfield Health District
Vanessa MacLeod, Adjudication Officer

COMMONWEALTH OF VIRGINIA
DEPARTMENT OF HEALTH
MEDICAL CARE FACILITIES CERTIFICATE OF PUBLIC NEED

THIS CERTIFIES THAT Bon Secours – St. Francis Medical Center, LLC is authorized to initiate the proposal as described below.

NAME OF FACILITY: Bon Secours – St. Francis Medical Center

LOCATION: 13170 St. Francis Blvd., Midlothian, Virginia 23114

OWNERSHIP AND CONTROL: Bon Secours – St. Francis Medical Center, LLC

SCOPE OF PROJECT: Add four (4) intensive care unit (ICU) beds for a total of 28 ICU beds and a total of 189 acute care beds. Capital costs authorized for this project total \$25,334,299 (allocated direct costs, equipment and bond financing as a percentage of total requested). The project is expected to be completed by February 19, 2029. This certificate is issued with the condition that appears on its reverse.




Pursuant to Chapter 4, Article 1:1 of Title 32.1, Sections 32.1-102.1 through 32.1-102.12 of the Code of Virginia (1950), as amended and the policies and procedures promulgated thereunder, this Medical Care Facilities Certificate of Public Need is issued contingent upon substantial and continuing progress towards implementation of the proposal within twelve (12) months from the date of issuance. A progress report shall be submitted to the State Health Commissioner within twelve (12) months from the date of issuance along with adequate assurance of completion within a reasonable time period. The Commissioner reserves the right not to renew this Certificate in the event the applicant fails to fulfill these conditions. This Certificate is non-transferable and is limited to the location, ownership, control and scope of the project shown herein.

Certificate Number: VA-04956

Date of Issuance: September 2, 2025

Expiration Date: September 1, 2026


Karen Shelton, MD, State Health Commissioner

Bon Secours St. Francis Medical Center, Inc. will provide services to all persons in need of services, regardless of their ability to pay, and will facilitate the development and operation of primary medical care services to medically underserved persons in PD 15 in an aggregate amount equal to 3.0% of Bon Secours St. Francis Medical Center, Inc.'s gross patient revenue, consistent with its facility wide condition. 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. Bon Secours St. Francis Medical Center, 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 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.

Bon Secours St. Francis Medical Center, LLC will provide 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, Bon Secours St. Francis Medical Center, 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.

**Recommended Case Decision
Certificate of Public Need (COPN)
Request Number VA-8805
Bon Secours – St. Francis Medical Center, LLC
Midlothian, Virginia
Planning District (PD) 15
Health Planning Region (HPR) IV
Add 36 Medical Surgical Beds and 4 Intensive Care Unit Beds**

I. Introduction

This document is a recommended case decision, submitted to the State Health Commissioner (hereinafter, “Commissioner”) for consideration. It follows full review of the administrative record pertaining to the above-captioned application, as well as the convening of an informal fact-finding conference (IFFC)¹ conducted in accordance with the Virginia Administrative Process Act² and Title 32.1 of the Code of Virginia.

II. Authority

Article 1.1 of Chapter 4 of Title 32.1 (§32.1-102.1 *et seq.*) of the Code of Virginia (the “COPN Law”) addresses medical care services and provides that “[n]o person shall undertake a project described in [this Article] or regulations of the [State] Board [of Health] at or on behalf of a medical care facility . . . without first obtaining a certificate [of public need] from the Commissioner.”³ The endeavor described and proposed in this application falls within the statutory definition of “project” contained in the COPN law, and thereby, requires a Certificate to be issued before the project may be undertaken.⁴

III. Statement of Facts

The factual basis underlying this recommendation consists of evidence in the administrative record, including, but not limited to, the application giving rise to this review, the testimony of witnesses presented, and written documents prepared by the applicant at and following the IFFC, and the documents prepared by the Division of Certificate of Public Need (“DCOPN”). Specific findings of fact are as follows:

1. Bon Secours – St. Francis Medical Center, LLC. (“St. Francis”) is a not-for-profit, nonstock, church related membership corporation. The hospital is owned and operated by Bon Secours – Richmond Health System, a 501(c)(3) Virginia not-for-profit, non-stock,

¹ The IFFC was held on May 19, 2025. A certified reporter’s transcript (“Tr.”) of the IFFC is in the administrative record (“AR”).

² Va. Code §2.2-4000 *et seq.*

³ Va. Code §32.1-102.1:2(A); (a “Certificate” or COPN).

⁴ Va. Code §§32.1-102.1 and 32.1-102.3.

church related membership corporation and the sole corporate member of St. Francis Medical Center. Bon Secours – Richmond Health System is a subsidiary of Bon Secours Mercy Health, Inc.

2. The applicant seeks approval to add 36 medical surgical beds and 4 intensive care unit (ICU) beds in its Midlothian, Virginia (PD 15) hospital building.
3. The estimated capital costs for the proposed project are \$106,018,984, funded through the accumulated reserves of Bon Secours Mercy Health.
4. DCOPN recommended approval of the 4 ICU beds, and denial of the 36 medical surgical beds.
5. The administrative record on the proposed project closed on June 25, 2025.⁵

A. The Proposed Project in Relation to the Eight Statutory Considerations

The eight statutory considerations provided by the COPN law⁶ appear in bold type below, with statements pertinent to the proposed project.

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.**

St. Francis' service area population is growing. PD 15 had a population of over 1.1 million in 2020 and is projected to add nearly 100,000 to its population by 2030. Its projected growth of 8.9% by the end of the decade is a higher growth rate than that projected for Virginia's population, 5.8%.⁷ Between 2020 to 2030, 42% of the population growth is projected to occur in Chesterfield County.⁸

The hospital is located approximately 1.5 miles west of Route 76 (Powhite Parkway) and approximately half a mile southwest of Route 228 and Center Pointe Parkway interchange. St.

⁵ Tr. at 110.

⁶ The COPN law requires that any decision to issue a Certificate must consider the eight statutory factors enumerated in Virginia Code §32.1-102.3(B) and consistency with the State Health Services Plan. Virginia Code §32.1-102.2:1 calls for the State Health Services Plan Task Force to develop recommendations for a comprehensive State Health Services Plan. Because the State Health Services Plan is still in development, I am considering consistency of the proposed projects with the current regulatory language provided in the State Medical Facilities Plan (SMFP). The SMFP, found in the Virginia Administrative Code (VAC) at 12VAC5-230-10 *et seq.*, is the planning document adopted by the Board of Health, which includes methodologies for projecting need for medical facilities and services, as well as procedures, criteria, and standards of review of applications for projects for medical care facilities and services.

⁷ DCOPN Staff Report at 5 (AR 15/O).

⁸ Tr. at 58.

Francis is accessible to Route 60 (Midlothian Turnpike) and Route 360 (Hull Street Road) via Charter Colony Road and Old Hundred Road and is also accessible to Interstate 95 via Route 228. St. Francis is not served by public transportation, as is true of most of Chesterfield County.

The SMFP threshold for new beds is 80% occupancy of medical surgical beds and 65% for ICU beds.

According to Virginia Health Information (VHI), there were fourteen hospitals that reported acute care utilization data in PD 15 for 2023, the latest year for which such data are available. 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. In the aggregate, they had 3,548 licensed beds with average occupancy of 63.9%.⁹ This is below the SMFP threshold for new beds which is 80% occupancy of medical/surgical beds and 65% for ICU beds.

At the time DCOPN calculated bed need by bed type, there was an ICU bed deficit of 73.2,¹⁰ indicating a need for ICU beds in PD 15.

By contrast, at the time DCOPN calculated bed need by bed type, there was a surplus of 405.8 adult medical surgical beds in PD 15.¹¹ And the recent approval of the Virginia Commonwealth University Health System's application (COPN Request No. VA-8802) would add 29 adult medical surgical beds to that surplus. As such, PD 15 has a surplus of 435 medical surgical beds.

St. Francis implemented 55 new acute care beds in October 2024¹² and asserts that 36 more medical surgical beds are needed to address their utilization and alleged institutional need. Institutional need requires occupancy of 80% of the medical surgical beds. St. Francis' latest published data (2023) included 130 beds (all classes) at 86.4% occupancy. This was prior to its addition of 55 total beds and is not reflective of their current occupancy. Additionally, the medical surgical beds St. Francis had allocated to obstetrical beds were not included in its occupancy calculation, DCOPN estimated occupancy of St. Francis' medical surgical beds (including those allocated to obstetrics) at 76.5%,¹³ which falls below the 80% threshold. St. Francis further offered that, “[i]n 2024, annualized, St. Francis Medical Center's 136 med/surg beds had an occupancy rate of 72 percent.”¹⁴

At IFFC, St. Francis included the obstetrical beds within their calculation, albeit not including 4 beds for which they are approved, which resulted in a 77.2% utilization.¹⁵

⁹ DCOPN Staff Report at 2 (AR 15/O).

¹⁰ *Id.* at 20.

¹¹ *Id.*

¹² St. Francis Proposed Findings of Fact and Conclusions of Law at 6.

¹³ DCOPN Staff Report at 27-28 (AR 15/O).

¹⁴ Application, Exhibit IV.E at 6 (AR 3/C).

¹⁵ St. Francis IFFC Presentation at 14 (St. Francis Exhibit 1).

Specifically, St. Francis presented information on its monthly occupancy in 2024, which showed a 77.2% experienced occupancy,¹⁶ which is below the 80% threshold.

Additionally, St. Francis was approved for 165 beds, which should have been in place in 2024; however, the monthly occupancy rate calculation (including the obstetrical beds) only shows 161 beds in place in 2024.¹⁷ DCOPN argues that the 77.2% number is inflated because it is based on utilization with 161 beds, instead of 165 beds, which is 4 beds less than St. Francis was approved for in 2024.¹⁸ Per DCOPN, had the additional 55 beds been completed on time (May of 2023), St. Francis' occupancy calculation would have been even lower than what was presented.¹⁹

St. Francis also presented, a utilization rate for 2025 based on the first quarter of 2025, of 84.6%.²⁰ However, the president of St. Francis acknowledged that the first quarter of a year oftentimes shows a higher utilization rate than the rest of the year due to seasonal illnesses.²¹ By St. Francis' own testimony, the 84.6% utilization rate for 2025 is likely an exaggerated number that will not reflect a reliable and stable expected experienced utilization rate for 2025. As such, relying on the 84.6% utilization rate would create a high probability for an inaccurate analysis.

Though St. Francis has experienced growth in patient days since its construction and for the past year, it has not yet experienced a full year with its 55 new medical surgical beds in operation, and occupancy in its latest experienced full year falls short of demonstrating institutional need.

St. Francis argues that their ability to implement four new ICU beds is incumbent on the approval of the 36 medical surgical beds.²² St. Francis seeks to situate the 4 requested ICU beds in an existing space on the fourth floor. That fourth-floor space currently has 4 existing medical surgical beds, which would have to be relocated. Within this application, St. Francis seeks to build two new floors on an existing inpatient tower, which is where they want to situate the 4 existing medical surgical beds as well as the 36 requested medical surgical beds.

Nonetheless, the proposed project in its entirety is not consistent with public need. The proposed addition of 4 ICU beds is appropriate, but the addition of 36 more medical surgical beds is premature. Operationally, it is unclear where St. Francis would locate the 4 ICU beds based on the information provided.

¹⁶ *Id.*

¹⁷ *Id.*

¹⁸ DCOPN Proposed Findings of Fact Relevant to COPN Request No. VA-8805 at 3.

¹⁹ *Id.*

²⁰ St. Francis IFFC Presentation at 14 (St. Francis Exhibit 1).

²¹ Tr. at 27.

²² Tr. at 36; Correspondence from Ms. Whaley to Ms. Honaker in response to DCOPN Staff Report at 1 (AR 16/P); St. Francis Proposed Findings of Fact and Conclusions of Law at 2.

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; (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; (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; (iv) Any costs and benefits of the project; (v) The financial accessibility of the project to the residents of the area to be served, including indigent residents; (vi) At the discretion of the Commissioner, any other factors as may be relevant to the determination of public need for a project.**

DCOPN received two letters of support on behalf of the Medical Staff at St. Francis, one from Corey Black, MD, CMO of St. Francis and one from Cecilia C. Bergh, MD.²³ DCOPN also received 33 letters of support from providers, community members, and patients.²⁴ These letters of support generally assert that St. Francis' proposal is a considerate and understanding response to growth in the community and will ensure patients will continue to have access to the best care possible.

In addition to these letters of support, DCOPN received a letter of opposition from HCA Virginia arguing that St. Francis' proposal is premature.²⁵ The letter of opposition generally asserts that St. Francis recently underwent a major expansion ("the 43-bed expansion completed last year represented a sizeable 46% increase in medical-surgical capacity at St. Francis")²⁶; St. Francis is not fully utilizing its existing medical surgical beds; the additionally requested beds do not meet the SMFP expansion threshold; and that St. Francis' letter of intent was not filed by the standard letter of intent deadline, but within the 10-day window permitted by 12VAC5-220 180.A. and argues that St. Francis did not intend to file its application in the current batch cycle but did so because two other competing providers requested additional beds. St. Francis responded to the letter of opposition, arguing that their application was not premature; it was the result of carefully considered facility planning; and projects take a significant amount of time to implement.²⁷

As long as the total licensed bed complement is not exceeded, hospitals may configure and use medical surgical beds, as circumstances require. DCOPN argues that a reasonable alternative to the addition of 36 medical surgical beds is to shift beds from obstetrical to medical surgical functions until such time as additional medical surgical beds are 80% occupied.²⁸ obstetric patient days grew 11.5% between 2021 and 2023. St. Francis argues that no reasonable

²³ Application, Exhibit III.I.2 (AR 3/C).

²⁴ Application, Exhibit IV.H.2 (AR3/3); AR 9/I; AR 10/J; AR 12/L.

²⁵ HCA Opposition Letter (AR 13/M).

²⁶ *Id.* at 1.

²⁷ St. Francis Response to Opposition Letter (AR 14/N).

²⁸ DCOPN Staff Report at 33 (AR 15/O).

alternatives exist, co-locating medical surgical beds with obstetric beds is inappropriate, and that obstetric beds and medical surgical beds are not interchangeable.²⁹

No regional health planning agency exists for the purpose of reviewing projects proposed in HPR IV. That factor is not applicable, without prejudice to the applicant.

Total projected capital costs for the proposed project are \$106,018,984, funded by accumulated reserves of Bon Secour Mercy Health, so there are no resulting debt service costs for the proposed project. Looking at the cost of direct construction to add beds per square foot, DCOPN asserts this is somewhat higher than the projected costs of other similar recently authorized projects.³⁰ Looking at costs for hospital renovations and bed expansion (e.g., adding a new tower and major campus renovation), St. Francis asserts these costs are reasonable and consistent with other projects.³¹ Considering the expense of adding the beds based on the cost of direct construction related to the beds, the cost of the proposed project appears higher than other, similar projects.

For the proposed 4 ICU Beds, St. Francis asserts that the beds would go into existing space on the fourth floor of St. Francis Medical Center's existing inpatient tower adjacent to the existing ICU.³² St. Francis did not offer costs related to the 4 ICU beds in isolation, only total costs of the entire proposed project. The fourth floor patient unit area breakdown is 19,181 gross square feet with 16,897 net square feet.³³ This existing space is currently occupied by 4 existing medical surgical beds.³⁴ I estimate the cost of adding the 4 ICU beds to this space at \$25,334,299. I arrived at this number by taking 10% of the direct construction costs, 50% of the equipment costs, and 100% of the architectural and engineering fees, and 100% of other consulting fees.

St. Francis argues they are committed to providing healthcare to all patients, regardless of their ability to pay. St. Francis is subject to a 3.0% hospital-wide charity care condition established in 2003 through a condition imposed on COPN No. VA-03713. St. Francis' charity as a percentage of gross patient revenue in 2022 was 1.6%.³⁵

No factors, other than those discussed elsewhere in this document, relating to the review of this project are clearly remarkable or appear to call for the exercise of the Commissioner's discretion in identifying or evaluating them in relation to the proposed project.

²⁹ St. Francis Proposed Findings of Fact and Conclusions of Law at 12-13.

³⁰ DCOPN Staff Report at 15 (AR 15/O).

³¹ St. Francis Proposed Findings of Fact and Conclusions of Law at 2.

³² Application at 10 (AR 3/C).

³³ *Id.* at Exhibit IIE.

³⁴ *Id.* at 10.

³⁵ DCOPN Staff Report at 17, 26 (AR 15/O).

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

More than 95% of the PD 15 population is within a 30-minute drive of an acute care hospital. The proposed project is at an existing hospital and does not expand geographic access. St. Francis is an established provider of inpatient acute care services and asserts that it will continue to operate all beds under the direction and supervision of one or more qualified physicians.

Per DCOPN's bed-need calculations by bed type for PD 15, there is a need for ICU beds (Adult ICU deficit of 73.2); and a medical surgical bed surplus (Adult Med/Surg surplus of 405.8).³⁶

St. Francis seeks to add 4 adult ICU beds and 36 medical surgical beds.

There is a need for about 73 adult ICU beds in PD 15. Should these 4 ICU beds be authorized, there will still be a shortage of adult ICU beds in PD 15. St. Francis has demonstrated need for adult ICU beds, having exceeded the 65% occupancy threshold for ICU beds set forth in the SMFP.

With a surplus of nearly 435 beds, there is no public need for new medical surgical beds in PD 15. Regarding the medical surgical beds, St. Francis argues an institutional need despite the surplus in medical surgical beds in PD 15.

The 2023 VHI report was based on utilization prior to the addition of 55 beds at St. Francis. St. Francis' project adding 55 beds was completed October 2024. At the time of the application's submission to DCOPN, DCOPN asserted that St. Francis provided historical data for 2023 and projected utilization for 2024 through 2031 for medical surgical beds, which excluded the obstetric beds.³⁷ Based on those numbers, St. Francis predicted a 79% occupancy at the end of 2025 of medical surgical beds, without consideration of the obstetric beds. By not including the obstetric beds in their calculation, the 79% occupancy rate calculated by St. Francis is likely higher than it would be if all of the medical surgical type of beds were included in the occupancy rate calculation. Also, St. Francis reported an occupancy of 56.5% in the 29 medical surgical beds allocated to obstetrics in 2023 and is projecting 64.7% occupancy of these 29 beds in 2030. If the obstetric beds had 64.7% occupancy in 2025, overall medical surgical bed occupancy would be 76.5%,³⁸ falling short of the SMFP threshold for adding medical surgical beds.

At the IFFC, St. Francis presented information on its monthly occupancy in 2024, which showed a 77.2% experienced occupancy,³⁹ which is below the 80% threshold, and did not include all of beds for which St. Francis is approved for. The 77.2% calculation is based on 161 beds, but St. Francis is approved for 4 more beds for a total of 165 beds. By not including those 4

³⁶ *Id.* at 20.

³⁷ DCOPN Staff Report at 27 (AR 15/O).

³⁸ *Id.* at 27-28.

³⁹ St. Francis IFFC Presentation at 14 (St. Francis Exhibit 1).

approved beds (165 total), the 77.2% calculation using the 161 beds is likely high. St. Francis further presented, in the same exhibit, a utilization rate for 2025 based on the first quarter of 2025, of 84.6%. However, the president of St. Francis acknowledged that the first quarter of a year oftentimes shows a higher utilization rate than the rest of the year due to seasonal illnesses.⁴⁰ By St. Francis' own testimony, the 84.6% utilization rate for 2025 is likely an exaggerated number that will not reflect a reliable and stable expected experienced utilization rate for 2025. As such, relying on the 84.6% utilization rate would create a high probability for an inaccurate analysis.

Though St. Francis has experienced growth in patient days since its construction and for the past year, it has not yet experienced a full year with its 55 new medical surgical beds in operation, and occupancy in its latest experienced full year falls short of demonstrating institutional need.

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.

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.

St. Francis is one of four Bon Secours hospitals operating in PD 15. Bon Secours controls 949 of the 3,569 beds in PD 15 (26.6%).⁴¹ St. Francis is the only Bon Secours hospital south of the James River and is located in Chesterfield County, the fastest growing county in PD 15.

St. Francis is proposing expansion of its licensed bed capacity by 36 medical surgical beds and 4 adult ICU beds based on an institutional need.

6. The feasibility of the project, including the financial benefits of the project to the applicant, the cost of construction, the availability of financial and human resources, and the cost of capital.

The project is feasible, overall. Approval of the project would be substantially beneficial to the applicant, increasing revenue-generating resources.

For the 36 proposed medical surgical beds, St. Francis asserts that the beds would be developed via new construction as a two-story vertical expansion above an existing inpatient tower on the St. Francis Medical Center campus and would comprise of the sixth and seventh floors of that tower.⁴² The total gross square feet added through the proposed expansion would

⁴⁰ Tr. at 27.

⁴¹ DCOPN Staff Report at 29 (AR 15/O).

⁴² *Id.*

be 58,400 square feet, which is comprised of the roof/penthouse, seventh floor and roof/sixth floor.⁴³ If the 36 medical surgical bed expansion is approved, then St. Francis plans on moving the 4 existing medical surgical beds in its existing space on the 4th floor to the newly constructed area.⁴⁴ Resources for construction and operation appear generally available, although the proposed capital costs (\$106,018,984.00)⁴⁵ are higher than similar, recently authorized projects.⁴⁶

For the proposed 4 ICU Beds, St. Francis asserts that the beds would go into existing space on the fourth floor of St. Francis Medical Center's existing inpatient tower adjacent to the existing ICU.⁴⁷ St. Francis did not offer costs related to the 4 ICU beds in isolation, only total capital costs of the entire proposed project. The fourth floor patient unit area breakdown is 19,181 gross square feet with 16,897 net square feet.⁴⁸ This existing space is currently occupied by 4 existing medical surgical beds.⁴⁹ I estimate the cost of adding the 4 ICU beds to this space at \$25,334,299. I arrived at this number by taking 10% of the direct construction costs, 50% of the equipment costs, and 100% of the architectural and engineering fees, and 100% of other consulting fees.

The proposal requires 84.7 additional full-time equivalent staff members to operationalize.⁵⁰ St. Francis reports that it currently has 36 vacant positions.⁵¹ Yet, St. Francis asserts it is confident that it will secure adequate staffing.

- 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 at St. Francis does not introduce new technology but the applicant asserts that it contributes to effective delivery of high-quality care by providing more timely access for inpatients at St. Francis. The proposal does not involve provision of outpatient care, and the applicant does not cite any cooperative efforts.

⁴³ *Id.* at 13.

⁴⁴ *Id.* at 10.

⁴⁵ Application at 57, Exhibit II.E at 1 (AR 3/C); IFFC Presentation at 5 (St. Francis Exhibit 1).

⁴⁶ DCOPN Staff Report at 30, 36 (AR 15/O).

⁴⁷ Application at 10 (AR 3/C).

⁴⁸ *Id.* at Exhibit II.E.

⁴⁹ *Id.* at 10.

⁵⁰ Application at 27 (AR 3/C).

⁵¹ DCOPN Staff Report at 30 (AR 15/O).

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 serve (i) The unique research, training, and clinical mission of the teaching hospital or medical school, and (ii) Any contribution the teaching hospital or medical school may provide in the delivery, innovation, and improvement of health care for citizens of the Commonwealth, including indigent or underserved populations.**

Not applicable, without prejudice to the applicant.

Conclusions and Recommendation

I recommend conditional partial approval of St. Francis' proposed project. Specifically, I recommend approval of the addition of four (4) adult ICU beds but recommend denial of the addition of 36 medical surgical beds. Markedly, St. Francis asserts that it will only accept a full approval, not partial approval of the proposed project.

36 Medical Surgical Beds: Based on review of the evidence contained in the administrative record regarding the adult medical surgical beds, the proposed project does not merit approval under the COPN law. Specific reasons for this recommended decision include:

- i. The addition of 36 medical surgical beds is inconsistent with the COPN law, is not in harmony with the SMFP or public policies, interests, and purposes to which the SMFP and COPN law are dedicated;
- ii. PD 15 has a surplus of 435 medical surgical beds;
- iii. The applicant's existing beds have not met the occupancy threshold of 80% to demonstrate institutional need for the addition of beds;
- iv. Authorization of additional adult medical surgical beds is premature;
- v. A reasonable alternative to the proposed project is the status quo;
- vi. Capital costs of the proposed project are slightly higher than similar, recently approved projects; and
- vii. There is documented opposition to the proposed project.

4 Adult ICU Beds: Based on review of the evidence contained in the administrative record regarding these 4 adult ICU beds, the proposed project merits conditional approval under the COPN law because it meets a public need. St. Francis should receive a Certificate authorizing the 4 adult ICU bed project, issued with recognition of a charity care condition of 3% of St. Francis' gross patient revenue, consistent with its facility wide condition. Specific reasons for this recommended decision include:

- i. St. Francis' proposal to add four (4) adult ICU beds is consistent with the COPN law, is in harmony with the SMFP or public policies, interests, and purposes to which the SMFP and COPN law are dedicated;
- ii. St. Francis has demonstrated an institutional need for 4 adult ICU beds;
- iii. There is a shortage of adult ICU beds that the proposal will alleviate, and for which there are no less costly or more efficient alternatives;

- i. The addition of 4 ICU beds appears financially feasible;
- ii. The addition of 4 ICU beds is unlikely to impact existing providers significantly;
and
- iii. The proposed project should be contingent upon a 3% charity care condition, as proffered by the applicant.

Of note, St. Francis has stated that it cannot operationalize the 4 adult ICU beds independent of the addition of the 36 medical surgical beds.⁵² As explained above, I do not recommend approval of the 36 medical surgical beds.

Respectfully submitted,



Vanessa MacLeod, JD
Adjudication Officer

August 1, 2025

⁵² Tr. at 36; Correspondence from Ms. Whaley to Ms. Honaker in response to DCOPN Staff Report at 1 (AR 16/P); St. Francis Proposed Findings of Fact and Conclusions of Law at 2.