

VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis

August 19, 2025

RE: COPN Request No. VA-8824

Select Specialty Hospital – Richmond
Henrico County

Introduce medical rehabilitation services with the addition of 16 beds¹

Applicant

Select Specialty Hospital -Richmond, Inc. (“SSH Richmond”) is a stock corporation organized under the laws of Delaware and authorized to transact business in Virginia. It is wholly owned by Select Medical Corporation. SSH Richmond has no subsidiaries. It acquired ownership of the long term acute care hospital (LTACH), previously VIBRA Hospital, in June of 2023. SSH Richmond has been the sole occupant of the proposed facility by sublease since June 2023 and the landlord is VIBRA Hospital. The proposed site is in Planning District (PD) 15, Health Planning Region (HPR) IV.

Background

LTACHs are certified as acute care hospitals that treat patients requiring extended hospital-level care, focusing on patients who stay more than 25 days on average. Patients are typically admitted to an LTACH following initial treatment at a general acute care hospital.² LTACHs provide a bridge from the acute care hospital setting to skilled nursing care or home. LTACHs must be freestanding or, if located within an acute care hospital, must be a “hospital within a hospital.” In 2019 the Center for Medicare and Medicaid Services (“CMS”) announced a policy that allows LTACHs to establish distinct part units (“DPUs”) in rehabilitation or psychiatric services. “For instance, under the Final Rule an LTACH could establish a psychiatric DPU, rehabilitation DPU, or both, to be co-located within the hospital. The new unit would be reimbursed under its own excluded reimbursement methodology; however, CMS does prohibit the establishment of DPUs that furnish the same patient services as the hospital.”³ SSH-Richmond proposes to introduce medical rehabilitation with the addition of 16 medical rehabilitation beds on the third floor of the building.

¹ The applicant submitted an updated application on August 14, 2025 reducing the scope of the originally proposed project to 16 beds from 25 beds.

² <https://www.cms.gov/Medicare/Quality-Initiatives-Patient-Assessment-Instruments/LTCH-Quality-Reporting/Downloads/LTCH-QRP-FAQs-May-2017.pdf>

³ <https://advis.com/uncategorized/ltachs-dpu-strategies/>

According to Virginia Health Information (VHI), there were four providers of inpatient medical rehabilitation in PD 15 in 2023, the most recent year for which utilization data are available. These facilities had a total of 234 medical rehabilitation beds that were 84.1% occupied that year (**Table 1**). This is above the 80% occupancy threshold set forth in the State Medical Facilities Plan (SMFP) to add medical rehabilitation beds.

Table 1. Medical Rehabilitation Bed Utilization in 2023, PD 15

Facility Name	Facility Type	Licensed Beds	Licensed Bed Available Days	Patient Days	Occupancy Rate per Licensed Bed
Encompass Health Rehab Hosp of Virginia	Rehabilitation Hospital	40	14,600	12,281	84.1%
Henrico Doctor's Hospital - Parham	Acute Hospital	36	13,140	9,486	72.2%
Johnston-Willis Hospital	Acute Hospital	44	16,060	11,780	73.3%
Sheltering Arms Institute	Rehabilitation Hospital	114	37,960 ⁴	35,174	92.7%
PD 15 Totals and Average		234	81,760	68,721	84.1%

Source: 2023 VHI

Three of the four PD 15 providers of inpatient medical rehabilitation services have been authorized to add medical rehabilitation beds that are not included in the 2023 VHI data. A total of 66 additional medical rehabilitation beds have been authorized in PD 15 but are not yet licensed (**Table 2**). Once all authorized medical rehabilitation beds are licensed in PD 15, there will be 300 medical rehabilitation beds. With the same patient days experienced in 2023, the occupancy of these 300 medical rehabilitation beds would be 62.8% (**Table 2**), well below the SMFP occupancy threshold.

⁴ Sheltering Arms Institute reported Bed Available Days to VHI based on 104 staffed beds, rather than 114 licensed beds, so total Licensed Bed Available Days and differ between Tables 1 and 2.

Table 2. Licensed and Authorized Inpatient Medical Rehabilitation Beds, PD 15

Facility	Licensed Beds	Authorized, not Operational	After all Authorized Beds are Operational
Encompass Health Rehabilitation Hospital of Richmond	40 ⁵	20	60
Henrico Doctor's Hospital - Parham Doctors' Hospital	36 ⁶	16	52
Johnston-Willis Hospital	44		44
Sheltering Arms Institute	114 ⁷	30	144
Total/ Average Occupancy	234	66	300
Licensed Bed Available Days (Beds x 365 Days)	85,410		109,500
PD 15 Utilization at 2023 Patient Days (68,721)	80.5%		62.8%

Source: DCOPN Records

Proposed Project

SSH-Richmond's application proposes to introduce a medical rehabilitation service with 16 beds at its long term acute care hospital in Henrico County at 2200 Edward Holland Drive, Richmond, Virginia. The proposed project vacates the third floor, moving existing beds and support services to the first and second floors, and creating 16 private medical rehabilitation rooms on the third floor by renovating 15,616 square feet. The number of long term acute care beds will remain at 60. Should the proposed project be approved the total bed count will be 76 after completion. The projected capital cost of the proposed project is \$9,905,300 (**Table 3**). Capital costs will be funded with accumulated cash-on-hand such that no financing costs will be incurred. Should the proposed project be approved, the applicant's target date to open the medical rehabilitation service is February 1, 2027.

Table 3. Projected Capital Costs, introduce 16 Medical Rehabilitation Beds

Direct Construction Costs	\$7,875,000
Equipment Not Included in Construction Contraction	\$1,530,300
Site Acquisition Costs	\$0
Architectural and Engineering Fees	\$500,000
Total Capital Costs	\$9,905,300

Source: COPN Request No. VA-8824

⁵ COPN No. VA-04928 authorized Encompass Health Rehabilitation Hospital of Richmond to add 20 inpatient medical rehabilitation beds. The project is expected to be complete August 31, 2027

⁶ COPN No. VA-04702 authorized HCA Health Services of Virginia, Inc. to add 16 inpatient medical rehabilitation beds at Parham Doctors' Hospital (PDH). In February 2023, the applicant reported in its Annual Extension Request that the project was delayed due to the COVID-19 pandemic with no anticipated completion date. When the project is complete, PDH will have a total complement of 52 medical rehabilitation beds.

⁷ COPN No. VA-04857 authorized Rehab JV, LLC d/b/a Sheltering Arms Institute to add 30 medical rehabilitation beds for a total complement of 144 medical rehabilitation beds. The project is expected to be completed by August 1, 2025.

Project Definition

Section 32.1-102.1:3 of the Code of Virginia defines a project, in part, as the “[i]ntroduction into an existing medical care facility described in subsection A of ... medical rehabilitation...” and “[a]n increase in the total number of beds ... in an existing medical care facility described in subsection A.” A medical care facility includes “[a]ny facility licensed as a hospital.”

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

In determining whether a public need exists for a proposed project, the following factors shall be taken into account when applicable.

- 1. The extent to which the proposed 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.**

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 rate of 8.9% by the end of the decade is a higher growth rate than that projected for Virginia’s population, 5.8% (**Table 4**). Richmond City, where the proposed project is located, is projected to grow by 8.3%, similar to the growth rate of PD15. Richmond is projected to add nearly 20,000 to its population between 2020 and 2030 (**Table 4**). The Centers for Disease Control and Prevention (“CDC”) reported that 89.3% of inpatient rehabilitation facility patients were over 65 years of age,⁸ making this older population segment important in assessing need for the proposed project. Though the population over age 65 is expected to grow at a higher rate in PD 15 (31.7%) than that of Virginia (26.3%), this age cohort is projected to grow in Richmond by 21.5%, slower than Virginia or PD 15. Richmond is projected to add 6,433 people over age 65 between 2020 and 2030 through aging and in-migration (**Table 4**).

⁸ CDC Fast Stats: Older Adult Health (2020)

Table 4. PD 15 Population Data

Locality	2020 Population	2030 Projected Population	Projected Growth 2020-2030	Percent Growth 2020-2030	65+ 2020 Population	Projected 65+ 2030 Population	Projected Growth 65+	Percent Growth 65+
Charles City	6,773	6,200	-573	-8.5%	1,776	2,184	408	23.0%
Chesterfield	364,548	406,942	42,394	11.6%	58,200	78,858	20,658	35.5%
Goochland	24,727	27,339	2,612	10.6%	5,721	7,865	2,144	37.5%
Hanover	109,979	118,374	8,395	7.6%	20,688	28,681	7,993	38.6%
Henrico	334,389	356,656	22,267	6.7%	55,596	71,680	16,084	28.9%
New Kent	22,945	27,067	4,122	18.0%	4,405	6,216	1,811	41.1%
Powhatan	30,333	32,152	1,819	6.00%	5,848	8,085	2,237	38.3%
Richmond	226,610	245,437	18,827	8.3%	29,874	36,307	6,433	21.5%
PD 15	1,120,304	1,220,167	99,863	8.9%	182,108	239,876	57,768	31.7%
Virginia	8,631,393	9,129,002	497,609	5.8%	1,395,291	1,762,641	367,350	26.3%

Source: Weldon Cooper Intercensal Estimates

Table 5 shows that PD 15 has a poverty rate just below that of Virginia (10.7%), but the poverty rate in Richmond is more than double that of Virginia or PD 15 at 24.5%. As to transportation barriers, none are identified. SSH-Richmond has convenient access from Interstates 95, 64 and 195 as well as Route 250. In addition, the proposed site is well-connected to the City of Richmond's public transportation with a Greater Richmond Transit Company bus stop less than 0.2 miles and a 5 minute walk to SSH-Richmond.

The applicant asserts that co-location of LTACH and medical rehabilitation beds will provide patients with access to a new model of care in PD 15 and "allow seamless transition for SSH-Richmond's patients who require acute rehabilitation care." Currently, patients discharged from SSH-Richmond that need inpatient medical rehabilitation transfer to another facility, often outside of the PD, due to their patients' need for ventilator beds; however, one of the existing providers that opposed SSH-Richmond's proposal said that it offers all of the services proposed by the applicant.

Table 5. PD 15 Poverty Rates

Geographic Name	Poverty Rate
Charles City County	12.3%
Chesterfield County	7.6%
Colonial Heights City	13.5%
Goochland County	6.7%
Hanover County	5.2%
Henrico County	9.0%
New Kent County	5.2%
Powhatan County	6.9%
Richmond City	24.5%
PD 15 Totals	10.1%
Virginia	10.7%

Source: Weldon-Cooper Census Data

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 letter of endorsement from SSH-Richmond's Medical Staff President but no other letters documenting community support. The letter of endorsement expressed the following:

- The medical staff enthusiastically supports and endorses SSH-Richmond's request to add 25 medical rehabilitation beds⁹ at the existing hospital.
- The proposed project will optimally meet the rehabilitation needs of patients and introduce a new model of care, integrating long term acute care and inpatient medical rehabilitation services.
- It will significantly improve patients' access to comprehensive medical and rehabilitative care and enhance clinical outcomes.
- SSH-Richmond operates the only long term acute care hospital in HPR IV and cares for Central Virginia's complex and critically ill and injured patients with multiple severe diagnoses and comorbidities.
- Patients struggle with disability, inability to breathe on their own, limited mobility or other limitations.
- Many patients go to SSH-Richmond following an admission at an acute care hospital's intensive care or critical care unit and many face long recoveries and will then be discharged to a medical rehabilitation hospital or nursing facility before going home.

⁹ The applicant has submitted a revised application reducing the scope of the project from 25 to 16 medical rehabilitation beds.

- Approximately 40% of SSH-Richmond's patients require inpatient medical rehabilitation services following their admission. This requires discharge and admission to another facility, which includes logistical and administrative burdens and delays, resulting in fragmentation of care that can undermine recovery, prolong length of stay and increases costs.
- The proposed project allows coordination by multidisciplinary staff on optimal treatment plans to meet patients' medical needs and improve mobility and independence.
- It allows seamless transition between appropriate levels of care improve patient satisfaction and reduce stress for patients and families.

DCOPN also received four letters of opposition to the proposed project from Sheltering Arms Institute ("SAI"), HCA Virginia, the Medical Director of Inpatient Rehabilitation Units at Johnston Willis and Parham Doctors Hospitals, and Encompass Richmond. Sheltering Arms Institute made the following points:

- SSH-Richmond's proposal is inconsistent with the SMFP and will add to the surplus of medical rehabilitation beds in PD 15.
- The proposed project is a duplication of services. SAI already offers the services proposed by SSH-Richmond.
- The proposed site is 1.5 miles from its nearest competitor and 13.6 miles from the existing PD 15 provider that is furthest away.
- The proposal will not correct a maldistribution of medical rehabilitation beds nor improve access to services.
- The project is premature as 66 additional medical rehabilitation beds have been authorized but are not operational. These should be operational before more beds are authorized in the PD.
- The proposal will harm existing providers. SSH-Richmond currently refers patients to SAI (8 in 2024).
- SSH-Richmond proposes to serve the same population that is served by SAI.
- The proposed project will compete for scarce staffing resources, requiring 42.1 FTEs to implement, and detrimentally impact existing providers' ability to staff their authorized bed expansions.

HCA Virginia's opposition letter expressed the following:

- SSH-Richmond's project is premature, at best.
 - A significant number of new rehabilitation beds have been approved in PD 15 but not yet put into service.
 - SSH-Richmond's patients requiring inpatient rehabilitation services are well-served by existing providers
- Relevant COPN precedent confirms the proposal should be denied.
 - The COPN that originally authorized Kindred Hospitals East, LLC (now SSH-Richmond, COPN No. VA-03960) was supported by VCU Health, Bon Secours and HCA Virginia because it was a service not provided at that time and would not significantly affect any existing service.

- The Commissioner denied ICU beds requested in the same request because ICU beds were readily available at existing providers and including them at the LTACH would be unnecessary duplication.
- Similarly, SSH-Richmond can only fill its proposed rehab beds by diverting patients from existing PD 15 rehab providers.
- SSH-Richmond can only meet its projections by adversely impacting existing providers.
 - SSH-Richmond asserts that approximately 40% of its LTACH patients require inpatient rehab services following their discharge (about 165 patients) yet it is projecting more than twice as many rehab patients (391) by Year 2, which must come from existing providers.
- There is no data supporting SSH-Richmond's claims of improved clinical outcomes with in-house medical rehabilitation beds. In HCA Virginia's experience, existing PD 15 inpatient rehab providers offer excellent clinical outcomes for SSH-Richmond's patients.

The letter from Encompass Health Rehabilitation Hospital of Richmond opposed the proposed project with the same arguments made by HCA Virginia.

Randolph Jenkins, MD, Medical Director of Inpatient Rehabilitation Units at Johnston Willis and Parham Doctors Hospitals expressed in his letter of opposition:

- SSH-Richmond asserts that patients will achieve improved clinical outcomes by receiving inpatient rehabilitation facility (IRF)-level care within its LTACH instead of at a community rehabilitation provider.
- This claim is unsubstantiated, and a thorough review of peer-reviewed medical and health service literature reveals no credible evidence supporting this assertion.
- Decades of research have demonstrated that a dedicated IRF has the highest likelihood of returning patients to their communities.
- The applicant is conflating geographic proximity with proven clinical efficacy with no evidence.

SSH-Richmond responded to these opposition letters stating that their arguments are unfounded and offering the following clarification:

- SSH-Richmond's LTACH patients will benefit from early acute care rehabilitation interventions tailored specifically to their individual needs, allowing more comprehensive and timely recovery for patients reducing unnecessary discharge delays.
- Existing and approved beds do not meet the need for SSH-Richmond's project as they do not offer an integrated specialized model designed for patients transitioning from LTACH-level care. For this reason other providers do not fulfill the public need.
- The inventory of approved beds is not determinative of public need. The Commissioner has approved needed resources in cases of a calculated PD-wide surplus or approved but not-yet-operational beds.
- No precedent bars approval of SSH-Richmond's project, as concluded by HCA and Encompass, because the Commissioner denied ICU beds in the original application establishing the LTACH now owned by SSH-Richmond. ICU beds are acute care, while medical rehabilitation beds are a logical extension of the post-acute care continuum and complement LTACH care.

- The project will not materially affect existing providers. SSH-Richmond's patients often fluctuate between LTACH and rehab-level care needs. Many require rehabilitation services but may not be immediately appropriate for transfer due to ongoing medical needs and complexity.
- These patients are often underserved by existing facilities, facing discharge delays from SSH-Richmond because of prolonged length of stay at the LTACH or movement between facilities delaying recovery.
- SSH-Richmond seeks to fill a current gap in PD 15's health care continuum rather than disrupt existing services.
- SSH-Richmond believes that reducing the scope of the proposal from 25 to 16 beds will more efficiently serve its LTACH patients who require inpatient rehabilitation and mitigate concerns about competition for staffing.
- SAI is a "destination inpatient rehabilitation hospital" serving patients across the Commonwealth and over 20 states and the number of patients transferred from SSH-Richmond is less than 0.4% of SAI's discharges.
- Evidence supports the clinical benefits of the project. Though large-scale peer-reviewed studies specific to collocated LTACH-rehab models are limited, emerging literature suggests that these models:
 - Reduce length of stay and hospital readmission rates.
 - Improve functional outcomes.
 - Lower total cost of care.
- CMS' Bundled Payments for Care Improvement and the Patient-Driven Payment Model indicate strong policy support for more integrated, efficient care across the post-acute spectrum.

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-8824 is not competing with another project and DCOPN did not receive a request to conduct a public hearing for the proposed project. Thus, no public hearing was held.

DCOPN provided notice to the public regarding this project inviting public comment on June 10, 2025. The public comment period closed on July 25, 2025. Other than the letters of support and opposition referenced above, no members of the public commented.

(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 is a reasonable alternative to the proposed project. The latest occupancy reported by SSH-Richmond to VHI in 2023 was 40.3%. The applicant reported an occupancy of 65.8% of licensed beds in 2024, still well below the SMFP threshold of 80% for medical/surgical beds. Medical rehabilitation beds in PD 15 had an occupancy of 84.1% in 2023 (**Table 1**), the latest year for which such data are available. Three of the four existing medical rehabilitation providers

in PD 15 have been authorized to add a total of 66 more medical rehabilitation beds that are not included in the 2023 VHI data, for a total of 300 authorized medical rehabilitation beds. At the 2023 number of patient days, these 300 medical rehabilitation beds had an occupancy of 62.8% (**Table 2**), well below the SMFP occupancy threshold to add medical rehabilitation beds.

COPN Request No. VA-7116, which authorized the LTACH, originally owned by Kindred Hospital Richmond and now owned by SSH-Richmond at the same site, included a list of services to be provided. Rehabilitation services such as pulmonary rehabilitation, ventilator services/weaning, stroke rehabilitation, amputee rehabilitation, joint replacement rehabilitation, physical therapy, respiratory therapy, speech-language pathology and occupational therapy were originally proposed to be services provided by the LTACH and are services permitted in an LTACH setting. Another reasonable alternative is to provide these services in existing LTACH beds without adding new medical rehabilitation beds in a facility with capacity that is already capable of providing these services.

(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 IV designated by the Virginia Department of Health to serve as the regional health planning agency for PD 15. Accordingly, 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 \$9,905,300 (**Table 3**), to be funded with cash-on-hand so there are no financing costs involved in the proposed project. The estimated costs are within the range of other recently approved projects to add medical rehabilitation beds at an established facility. The proposal equates to \$587,831 in direct construction and equipment costs per bed, compared to COPN No. VA-04928, issued to Rehabilitation Hospital Corporation of America, LLC authorizing direct construction plus equipment costs of \$608,434 per bed, and VA-04857, issued to Rehab JV, LLC dba Sheltering Arms Institute authorizing direct construction plus equipment costs per bed of \$187,500, for example.

The suggested benefit of the proposal is better service for SSH-Richmond's existing patients, with enhanced integration of care and access to inpatient medical rehabilitation services at the same site, avoiding the inconvenience and discomfort of transferring from the LTACH to a medical rehabilitation hospital. SSH-Richmond is the only LTACH in PD 15 and the applicant asserts that integration of medical rehabilitation beds within an LTACH is an innovative model of care that will result in improved outcomes. SSH-Richmond contends that it is difficult to place patients requiring ventilator care in medical rehabilitation beds or nursing home beds, and that these patients are routinely discharged to facilities outside of PD 15 for ventilator liberation (the process of weaning a patient off of mechanical ventilation). The applicant asserts the proposed project will alleviate this circumstance for its patients.

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

SSH-Richmond provided no charity care in 2023, its first year operating the LTACH and the latest year for which such data are available, while the average charity care as a percentage of gross revenue in HPR IV was 0.9% (**Table 6**). The proforma provided by the applicant (**Table 7**) assumes charity care in the amount of 0.9%, consistent with the HPR average. 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 medical rehabilitation services that is no less than the equivalent average for charity care contributions in HPR IV. 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.

Table 6. HPR IV Charity Care Contributions: 2023

HPR IV	2023 at 200%		
	Gross Pt Rev	Total Charity Care Provided Below 200%	%
Inpatient Hospitals			
HPR IV			
Encompass Health Rehab Hosp of Petersburg	\$31,902,584	\$1,128,654	3.5%
Bon Secours Southern Virginia Regional Medical Center	\$250,713,603	\$5,572,556	2.2%
Sentara Halifax Regional Hospital	\$341,148,455	\$6,200,157	1.8%
Bon Secours St. Francis Medical Center	\$1,479,291,082	\$24,657,029	1.7%
Bon Secours Richmond Community Hospital	\$1,241,191,742	\$16,711,399	1.3%
Bon Secours St. Mary's Hospital	\$2,762,282,294	\$34,017,353	1.2%
Sheltering Arms Institute	\$186,535,950	\$2,177,014	1.2%
Bon Secours Southside Regional Medical Center	\$2,565,858,345	\$28,890,515	1.1%
CJW Medical Center HCA	\$10,527,250,615	\$100,362,996	1.0%
VCU Health System	\$8,145,377,150	\$66,362,509	0.8%
TriCities Hospital HCA	\$1,371,999,484	\$10,527,708	0.8%
Henrico Doctors' Hospital HCA	\$6,907,258,982	\$38,780,978	0.6%
Bon Secours Memorial Regional Medical Center	\$1,828,188,155	\$9,964,617	0.5%
Centra Southside Community Hospital	\$384,039,049	\$1,652,238	0.4%
Poplar Springs Hospital UHS	\$88,939,433	\$376,070	0.4%
VCU Community Memorial Hospital	\$421,895,877	\$1,677,139	0.4%
Encompass Health Rehab Hosp of Virginia	\$28,432,919	\$13,720	0.0%
Select Speciality Hospital - Richmond	\$53,310,288	\$0	0.0%
Cumberland Hospital for Children and Adolescents UHS	\$30,897,129	\$0	0.0%
Total Inpatient Hospitals:			19
HPR IV Total Inpatient \$ & Mean %	\$38,646,513,136	\$349,072,652	0.9%
Outpatient Centers			
HPR IV			
Boulders Ambulatory Surgery Center HCA	\$178,430,144	\$2,835,945	1.6%
American Access Care of Richmond	\$5,614,196	\$78,601	1.4%
Urosurgical Center of Richmond	\$46,830,464	\$384,074	0.8%
Virginia Eye Institute, Inc.	\$51,667,075	\$387,608	0.8%
VCU Health Neuroscience, Orthopedic and Wellness Center	\$67,292,975	\$414,824	0.6%
St. Mary's Ambulatory Surgery Center	\$54,839,934	\$252,107	0.5%
MEDRVA Surgery Center @ West Creek	\$12,554,561	\$20,580	0.2%
Virginia ENT Surgery Center	\$25,926,435	\$10,589	0.0%
MEDRVA Stony Point Surgery Center	\$64,547,579	\$0	0.0%
Cataract and Refractive Surgery Center	\$7,916,214	\$0	0.0%
Virginia Beach Health Center VLPP	\$2,270,805	\$0	0.0%
Skin Surgery Center of Virginia	\$1,542,518	\$0	0.0%
Total Outpatient Hospitals:			12
HPR IV Total Outpatient Hospital \$ & Mean %	\$519,432,900	\$4,384,328	0.8%
Total Hospitals:			31
HPR IV Total \$ & Mean %	\$39,165,946,036	\$353,456,980	0.9%

Source: VHI 2023

(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 this 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 medical rehabilitation services. They are as follows:

Part XI

Medical Rehabilitation

12VAC5-230-800. Travel Time.

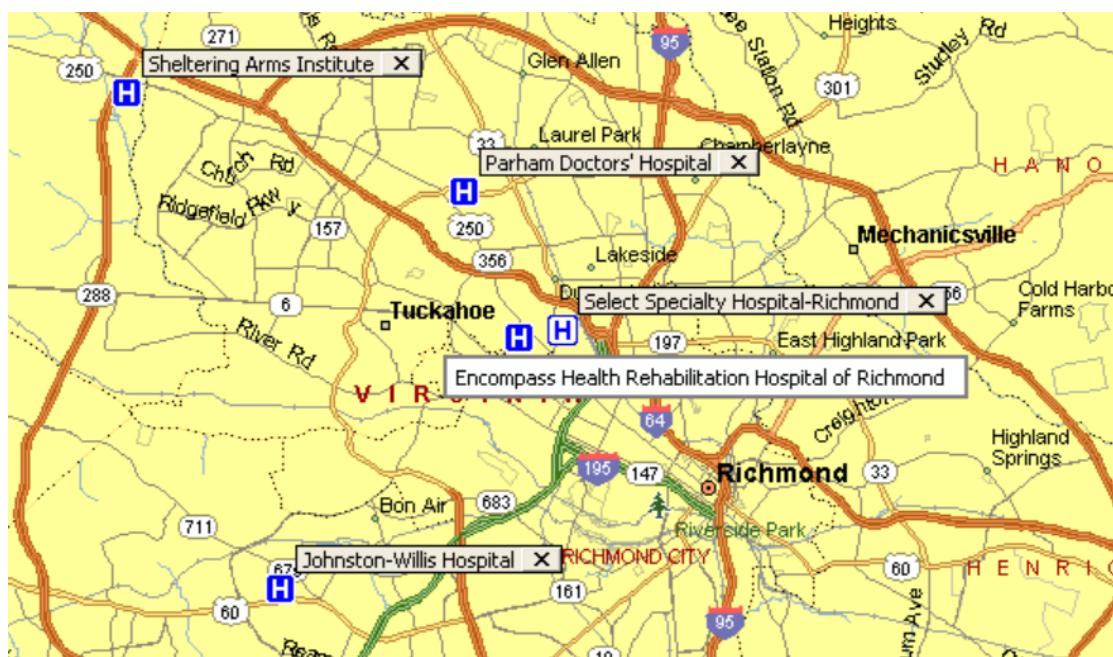
Medical rehabilitation services should be available within 60 minutes driving time one way under normal conditions of 95% of the population of the health planning district using mapping software as determined by the commissioner.

The heavy black line in **Figure 1** shows the boundary of PD 15. The blue “H” symbols mark the locations of existing medical rehabilitation providers in PD 15. The white “H” symbol marks the location of the proposed project. The yellow shading illustrates the area that is within a 60-minute driving time of the existing rehabilitation facilities in PD 15 and shows that all of PD 15 is within 60 minutes driving-time one-way under normal traffic conditions of inpatient medical rehabilitation services.

Figure 1: Map of Medical Rehabilitation Services in PD 15



Figure 2. Enlarged, Locations of Medical Rehabilitation Competitors, PD 15



12VAC5-230-810. Need for New Service.

A. The number of comprehensive and specialized rehabilitation beds shall be determined as follows:

$$((UR \times PROPOP)/365)/.80$$

Where:

UR = the use rate expressed as rehabilitation patient days per population in the health planning district as reported by VHI; and

PROPOP = the most recent projected population of the health planning district five years from the current year as published by a demographic entity as determined by the commissioner.

Rehabilitation Bed Need = $((UR \times PROPOP)/365)/0.80$

Number of medical rehabilitation patient days in PD 15 in 2023 = **68,721**

Population of PD 15 in 2023 = **1,150,263**

$$UR = 68,721/1,150,263 = 0.060$$

$$PROPOP \text{ of PD 15 in 2030} = 1,220,167^{10}$$

$$((.060 \times 1,220,167)/365)$$

$$0.80 = 250.72 \text{ (251) Medical Rehabilitation Beds Needed}$$

Rehabilitation Bed Need in PD 15 = 251 Beds

Current Inventory of Rehabilitation Beds in PD 15 = 234

Rehabilitation Bed Deficit = 17

As shown above, DCOPN has calculated a need for 251 medical rehabilitation beds in PD 15 for the 2030 planning year. As shown in **Table 1**, there is an existing licensed inventory of 234 medical rehabilitation beds in PD 15. Therefore, based on the preceding calculation, there will be a projected need for 17 medical rehabilitation beds in PD 15 in planning year 2030.

Table 2 shows that 66 additional medical rehabilitation beds have been authorized in PD 15 but are not yet operational. These are not included in the licensed bed count in **Table 1**. When these beds are put into service, there will be a total of 300 medical rehabilitation beds which will more than satisfy computational need. In fact, the authorized 300 beds will create a surplus of 49 medical rehabilitation beds.

¹⁰ Population sources: Weldon Cooper

Bed Surplus (including authorized beds not yet licensed) = 300 – 251 = 49

B. Proposals for new medical rehabilitation beds should be considered when the applicant can demonstrate that:

- 1. The rehabilitation specialty proposed is not currently offered in the health planning district; and**
- 2. There is a documented need for the service or beds in the health planning district.**

The applicant states that its proposed medical rehabilitation service will focus on eating, ventilator liberation, mobility, speaking and cognitive rehabilitation. It contends that most inpatient rehabilitation hospitals and skilled nursing facilities will not accept patients who are on a ventilator and these patients are currently referred outside of PD 15 for inpatient medical rehabilitation beds with ventilator capability. SSH-Richmond asserts that the proposed service will accommodate these patients.

12VAC5-230-820. Expansion of Services.

No additional rehabilitation beds should be authorized for a health planning district in which existing rehabilitation beds were utilized with an average annual occupancy of less than 80% in the most recently reported year.

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

Not applicable. The applicant is not proposing the expansion of an existing service but rather is proposing to introduce a new medical rehabilitation service.

12VAC5-230-830. Staffing.

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

The applicant has made assurances that the proposed service will be under the supervision of one or more qualified physicians.

Required Considerations Continued

4. The extent to which the proposed service or facility fosters institutional competition that benefits the area to be served while improving access to essential health care services for all persons in the area to be served.

The proposed project does not foster beneficial competition. The four existing providers represent multiple organizations such that no unhealthy market concentration exists in PD 15

inpatient medical rehabilitation services. The current inventory, including authorized beds not yet in operation, is adequate for inpatient medical rehabilitation demand.

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.

SSH- Richmond is not affiliated with an existing health care system in PD 15. Patients are typically admitted to an LTACH following initial treatment at a general acute care hospital and LTACHs provide an important bridge from the acute care hospital setting to skilled nursing care or home. SSH-Richmond is the only LTACH in PD 15 and HPR IV, and its establishment was supported by acute care hospitals in the area, in part because its current unique services do not compete with existing providers.

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.

Capital costs for the proposal are \$9,905,300 (**Table 3**), to be funded with cash-on-hand so there are no financing costs involved in the proposed project. These costs are reasonable and in the range of other recently authorized projects to add medical rehabilitation beds at an existing facility. The proforma provided by the applicant (**Table 7**) anticipates a loss of \$2.8 million the first year after implementation and a loss of \$703,033 and second year.

Table 7. Proforma, Add 16 Medical Rehab Beds

	Year 1	Year 2
Gross Revenue	\$17,444,267	\$25,923,589
Charity Care	\$156,998	\$233,312
Other Deductions	\$12,428,181	\$18,567,340
Total Net Revenue	\$4,859,088	\$7,122,937
Total Expenses	\$7,661,446	\$7,825,970
Net Income Before Taxes	(\$2,802,358)	(\$703,033)

Source: COPN Request No. VA-8824

The proposed project requires an additional 37.1 full time equivalent (FTE) staff members. The applicant currently has 39 FTE vacancies out of a full staffing of 166.5 FTEs; nearly one quarter of its positions are vacant. Opposition from existing providers expresses concerns about the added competition for specialized rehabilitation staff should the proposal be approved. Three of the four existing providers will need to recruit in order to staff the authorized 66 beds in PD 15 that are not yet in service. In an environment of healthcare staffing shortages, adequate staffing may prove challenging.

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 applicant asserts that the integration of inpatient medical rehabilitation beds into an LTACH is a new model of care from which its patients will benefit. The proposal does not promote delivery of care in an outpatient facility. The applicant has not described any cooperative efforts in meeting regional health care needs. There are no additional factors not considered elsewhere in this analysis.

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

Select Specialty Hospital -Richmond, Inc. proposes to establish an inpatient medical rehabilitation service with 16 beds within its long term acute care hospital (LTACH). The proposed project is in a relatively highly populated and high-growth area of the Commonwealth. Projected capital costs of the proposed project are reasonable; however, the provided proforma projects a significant loss the first two years of operation. In addition, the applicant's current staffing vacancies and competition with existing, expanding providers to recruit specialized FTEs, will present a challenge in fully staffing the proposed beds.

DCOPN finds the proposal inconsistent with the applicable criteria and standards of the SMFP and the Eight Required Considerations of the Code of Virginia. The four existing providers of inpatient medical rehabilitation in PD 15 had an aggregate occupancy of 84.1% in their medical rehabilitation beds in 2023, the latest year for which data are available, which is above the SMFP threshold to add a service; however, the 66 medical rehabilitation beds that are authorized but not yet operational in PD 15 will create a surplus of beds. The applicant had an occupancy of 68.5% in 2024 and as is able to provide many rehabilitative services in its existing LTACH beds without the proposed medical rehabilitation beds. The proposed project is likely to impact utilization of existing providers negatively and there is significant opposition from all existing providers. The status quo is a reasonable alternative to the proposed project.

DCOPN Staff Recommendations

The Division of Certificate of Public Need recommends **denial** of Select Specialty Hospital - Richmond, Inc.'s COPN Request number VA-8824 to introduce inpatient medical rehabilitation services with 16 beds at its facility in Henrico County, Virginia for the following reasons:

1. The proposal to introduce inpatient medical rehabilitation services with 16 beds at Select Specialty Hospital -Richmond, Inc. is inconsistent with the applicable standards and criteria of the State Medical Facilities Plan and the Eight Required Considerations of the Code of Virginia.
2. The proposed project is likely to have a significant negative impact upon the utilization, costs, or charges of existing providers of inpatient medical rehabilitation in PD 15.
3. There are authorized medical rehabilitation beds in the PD that are not yet operational.
4. The applicant projects a significant loss the first two years of operation.
5. Staffing the proposed project will present a challenge and compete with existing providers to staff previously authorized expansions with specialized rehabilitation professionals.
6. There is significant opposition to the project.
7. The status quo is a reasonable alternative to the proposed project.