

VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis

February 18, 2025

COPN Request No. VA-8792

Danville Regional Medical Center, LLC d/b/a Sovah Health-Danville
Danville, Virginia
Add 8 Medical Rehabilitation Beds

Applicant

Danville Regional Medical Center, LLC is a Delaware limited liability company that owns both Sovah Health – Danville and Sovah Health - Martinsville. Lifepoint Holdings 2, LLC maintains a 100% membership interest in Danville Regional Medical Center, and Lifepoint Health, Inc. is its ultimate parent corporation. The location of the proposed project is Sovah Health – Danville (“SHD”) in Planning District (PD) 12, Health Planning Region (HPR) III.

Background

SHD is a 250-bed community hospital with ten medical rehabilitation beds, the only medical rehabilitation beds in PD 12. According to the 2023 Virginia Health Information (VHI) report, the latest data available, SHD’s ten medical rehabilitation beds had a 56.2% occupancy rate that year (**Table 1**). The number of patient days reported in 2023 was 14.5% higher than 2022 and 73.7% higher than the number of patient days reported in 2021. SHD states that its medical rehabilitation beds were fully staffed beginning in March 2024, and 2024 patient days were 3,057, an 83.8% occupancy rate.¹ SHD’s 25 psychiatric beds had an occupancy rate of 45% and DCOPN calculates SHD’s 215 medical/surgical licensed bed occupancy (including pediatric, ICU, obstetrical and medical/surgical beds) in 2023 to be 24.6%.

Table 1. PD 12 Medical Rehabilitation Beds

Facility	Licensed Beds	Licensed Bed Available Days	Patient Days	Occupancy
Sovah Health - Danville	10	3,650	2,053	56.2%

Source: 2023 VHI

¹ COPN Request No. VA-8792 projected 3,035 medical rehabilitation patient days based on nine months of data, but after the year concluded, the applicant provided actual year-end patient days in 2024 of 3,057.

Proposed Project

The applicant proposes to add eight medical rehabilitation beds through the conversion of eight underutilized medical/surgical beds, resulting in a total of 18 medical rehabilitation beds and 207 medical/surgical beds at SHD. Including its 25 psychiatric beds, the total bed complement at SHD would remain 250 licensed beds. The proposal requires remodeling/modernization of 12,765 square feet in the existing facility, located at 142 S. Main Street, Danville, Virginia. Projected capital costs for the project are \$12,020,000 (**Table 2**) to be funded with accumulated reserves such that no financing costs are incurred. Should the proposed project be approved, the target date of opening is May 1, 2026.

Table 2. Capital Costs, Danville Regional Medical Center, Medical Rehabilitation

Direct Construction Costs	\$ 8,320,000
Equipment not included in Construction Contract	\$ 2,100,000
Architectural and Engineering Fees	\$ 1,600,000
Total Capital Costs	\$ 12,020,000

Source: COPN Request No. VA-8792

Project Definition

Section 32.1-102.1:3 of the Code of Virginia defines a project, in part, as the “(c)onversion of beds in an existing medical care facility described in subsection A to medical rehabilitation beds...” Subsection A includes as a medical facility “any facility licensed as a hospital...”

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

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

- 1. The extent to which the proposed 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 12 is a rural area of Virginia with a population in 2020 of 239,609. PD 12 borders North Carolina to its south (**Figure 1**) and SHD includes Caswell County, North Carolina in its primary service area, a county of about 22,000 people. PD 12 is projected to have 5.4% fewer people by 2030, compared to a 5.8% growth rate across Virginia. The segment of the population age 65 and older, however, is projected to grow in PD 12 by 13.9% between 2020 and 2030 (**Table 3**). This is about half the growth rate projected in the 65 and older population in Virginia. The Centers for Disease Control and Prevention (“CDC”) reported that 89.3% of inpatient rehabilitation facility patients were over 65 years of age,² making this older population segment important in assessing need for the proposed project.

² CDC Fast Stats: Older Adult Health (2020)

Figure 1. Map of PD 12 and Surrounding Counties

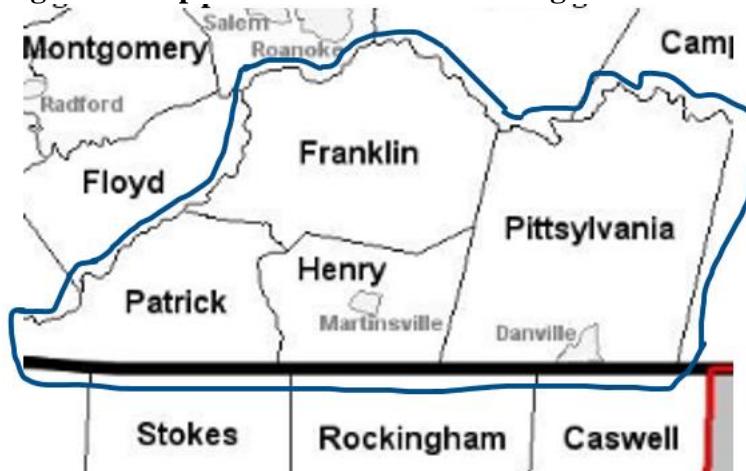


Table 3. PD 12 Population and Growth

Locality	2020	Projected 2030	Population Change 2020-2030	Percent Change	Age 65+ 2020	Age 65+ Projected 2030	Age 65+ Population Change	65+ Percent Change
Franklin County	54,477	52,038	(2,439)	-4.5%	13,555	15,611	2,056	15%
Henry County	50,948	47,061	(3,887)	-7.6%	12,230	13,688	1,458	11.9%
Patrick County	17,608	16,486	(1,122)	-6.4%	4,837	5,561	724	15.0%
Pittsylvania Co.	60,501	56,672	(3,829)	-6.3%	13,969	16,112	2,143	15.3%
Danville City	42,590	41,521	(1,069)	-2.5%	9,528	10,640	1,112	11.7%
Martinsville City	13,485	12,961	(524)	-3.9%	2,912	3,364	452	15.5%
PD 12	239,609	226,739	(12,870)	-5.4%	57,031	64,977	7,946	13.9%
Virginia	8,631,393	9,129,002	497,609	5.8%	1,395,291	1,762,641	367,350	26.3%

Source: Weldon Cooper Center, updated August 2023

Figure 2. SHD and Surrounding Roads



SHD is accessible just off U.S. Route 29 and U.S. Route 58 on South Main Street (**Figure 2**). The Danville Transit system has expanded its routes to include South Main Street, increasing accessibility. Regarding socioeconomic barriers, about 16.3% of PD 12's population lives in poverty, compared with 10.2% in Virginia. Danville City, where the proposed project is located, has the highest poverty rate in PD 12 with a quarter of the population living in poverty (**Table 4**).

Table 4. Poverty Rates in PD 12 Localities

Locality	Percentage of Persons in Poverty
Franklin County	11.4%
Henry County	16.9%
Patrick County	14.4%
Pittsylvania County	13.7%
Danville City	25.0%
Martinsville City	21.8%
PD 12	16.3%
<i>Virginia</i>	<i>10.2%</i>

Source: <https://www.census.gov/quickfacts/fact/table/>

As previously mentioned, SHD has the only medical rehabilitation beds in PD 12. In 2023, the applicant reports that it turned away 143 patients due to lack of bed availability. In 2024, SHD's medical rehabilitation beds became fully staffed and the applicant reports 83.8% average occupancy resulting in denial of admissions due to lack of bed availability, with five to eight pending patients daily.

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 SHD supporting the proposed project as well as nine letters of support from local businesses, area residents and physicians. These letters, in aggregate, expressed the following:

- The medical staff is charged with improving quality of care for patients in the community.
- The addition of eight medical rehabilitation beds at SHD will allow residents of the area to have continued access to quality post-acute care.
- The additional medical rehabilitation beds will create greater continuity of post-acute care.
- The proposal will enhance operational efficiencies and quality of inpatient care at SHD.
- The proposed project will contribute to the health of the community
- The medical staff supports the addition of medical rehabilitation beds.
- SHD takes great pride in the delivery of its medical rehabilitation services.
- SHD treats patients recovering from a range of medical issues including stroke, brain or spinal cord injuries and surgery or chronic medical conditions.
- These demand post-acute care is received as soon as possible to maximize outcomes.
- The need for medical rehabilitation beds often follows traumatic incidents and chronic debilitative conditions.

- “I refer many of my patients to SHD for post-acute rehabilitation services.”
- SHD provides excellent patient safety and outstanding quality of care.
- Need for post-acute services is pervasive.
- With approval, SHD will be able to offer convenient and cost-effective care in the inpatient medical rehabilitation setting.
- It will enable SHD to grow its service line and accommodate patients in need of these crucial services.
- The goal for the community is to get patients home and back to their lives as soon as possible.
- Currently, SHD’s medical rehabilitation unit is operating above capacity.
- This is a much-needed service in our community.
- Approval of the proposed project will provide improved access to inpatient medical rehabilitative services in patients’ home communities.

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-8792 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 December 10, 2024. The public comment period closed on January 24, 2025. 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.

SHD’s medical rehabilitation patient days have grown from 1,150 in 2021 to 3,057 in 2024, a 166% increase in three years to an occupancy of 83.8%. This growth coincided with an increase in the number of staffed beds, from five in 2021 and 2022, to nine in 2023 to ten fully staffed beds in 2024. Meanwhile, SHD’s medical/surgical beds were underutilized at 24.6% occupancy as reported to VHI in 2023, the latest year for which such data are available. Conversion of medical/surgical beds that are underutilized to medical rehabilitation beds with high and increasing occupancy, resulting in no addition to overall licensed bed capacity, is a better use of existing resources than the status quo. There are no other providers of inpatient medical rehabilitation in PD 12, so the proposed project will not adversely impact other providers in the area.

(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 12. 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 \$12,020,000, funded entirely with accumulated reserves, so there are no financing costs involved in the proposed project. At \$942 per square foot, the estimated costs of the proposed project are within the range of other recently approved projects to add medical rehabilitation beds at an established facility. For example, COPN No. VA-04784 authorized the addition of 20 beds at Encompass Health Rehabilitation Hospital at \$1,229 per square foot and COPN No. VA-04856 authorized the addition of ten beds at Coastal Virginia Rehabilitation d/b/a Riverside Rehabilitation Hospital at \$828 per square foot.

SHD has described several benefits to the proposed project, stating that approval of the proposal will allow patients to avoid delays in admission to its medical rehabilitation unit and allow them to begin treatment sooner, which contributes to improved outcomes. In 2024, SHD's fully staffed unit faced challenges in accepting external referrals and often denied admissions with five to eight patients daily awaiting admission. The proposal improves access in a rural area and will enable patients to receive inpatient rehabilitation services without travel outside of PD 12.

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

SHD provided 0% charity care in 2022 (at total of \$86,078 on \$932,808,724 in revenue), the latest year for which such data are available (**Table 5**). The proforma provided by the applicant (**Table 6**) includes charity equal to 0.13% of gross patient revenues. These are below the HPR III average of 0.6% (**Table 5**).

Table 5. HPR III Charity Care

		2022 at 200%	
HPR III	Gross Pt Rev	Total Charity Care Provided Below 200%	%
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 Inpatient Hospitals:			27
HPR III Total Inpatient \$ & Mean %	\$ 19,149,418,543	\$ 109,235,608	0.6%
Fairlawn Surgery Center, LLC	\$6,266,686	\$ 86,972	1.4%
Surgery Center of Lynchburg	\$71,978,392	\$ 650,781	0.9%
Roanoke Ambulatory Surgical Center	\$41,399,758	\$ 364,061	0.9%
Southwest Virginia Center for Sight	\$1,713,979	\$ 11,841	0.7%
Roanoke Valley Center for Sight	\$22,241,535	\$ 107,090	0.5%
Roanoke Valley Center for Sight at Oak Grove	\$4,952,855	\$ 22,821	0.5%
Roanoke Valley Center for Sight at Martinsville	\$5,105,196	\$ 21,245	0.4%
New River Valley Surgery Center	\$14,607,399	\$ 48,984	0.3%
Eye Surgery Center of Central Virginia, LLC	\$8,979,556	\$ 11,400	0.1%
Blue Ridge Surgery Center	\$106,092,378	\$ 25,571	0.0%
Piedmont Day Surgery Center	\$3,368,071	\$ -	0.0%
Total Outpatient Hospitals:			11
HPR III Total Outpatient Hospital \$ & Mean %	\$ 286,705,805	\$ 1,350,766	0.5%
Total Hospitals:			38
HPR III Total Hospital \$ & Mean %	\$ 19,436,124,348	\$ 110,586,374	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 medical rehabilitation 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 criteria and standards for medical rehabilitation services. They are as follows:

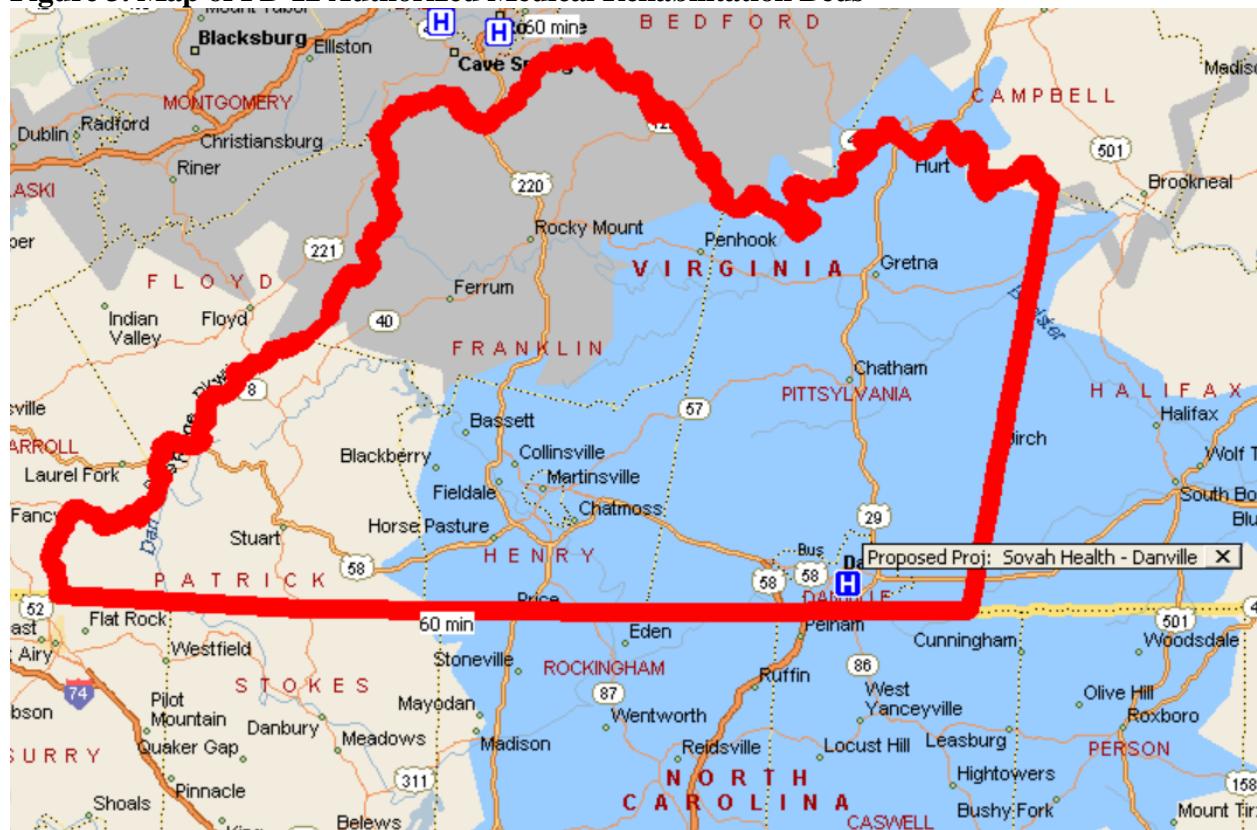
Part XI. Medical Rehabilitation

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.

Figure 3 shows the boundary of PD 12 (in red) and the location of the proposed project at SHD, the only inpatient medical rehabilitation facility in PD 12. The light blue shading shows the area that is within 60 minutes' drive time of PD 12 medical rehabilitation beds. The grey shading encompasses the area of PD 12 within 60 minutes of medical rehabilitation beds outside of PD 12. The area without shading in the southwest portion of PD 12 does not have access to inpatient medical rehabilitation within 60 minutes. It includes nearly all of Patrick County and represents about 7% of the population of PD 12; therefore, this criterion is not met. The proposed project does not expand access beyond the geographic area already within 60 minutes' driving time of a medical rehabilitation service.

Figure 3. Map of PD 12 Authorized Medical Rehabilitation Beds



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.

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.

Statutory Authority

§ 32.1-102.2 of the Code of Virginia.

Not applicable. The proposed project is not the establishment of a new medical rehabilitation service, but expansion of an existing service. To be thorough, the calculation of medical rehabilitation beds needed in PD 12 is as follows:

UR = Patient Days 2023/PD 12 2023 Population = 2,053/235,748 = .009

$((UR*ProPop)/365)/0.8 = ((.009*226,739)/365)/0.8 = 6.99$ (7) beds needed.

Given the extraordinary growth in medical rehabilitation patient days in PD 12 over the past three years and the applicant's provision of PD 12 patient days for 2024, the calculation is also performed using the PD 12 use rate for 2024:

UR = Patient Days 2023/PD 12 2023 Population = 3,057/234,461 = .013

$((UR*ProPop)/365)/0.8 = ((.013*226,739)/365)/0.8 = 10.1$ (11) beds needed.

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

Not applicable. The proposal is not for a new medical rehabilitation service.

2. There is a documented need for the service or beds in the health planning district.

Not applicable. The proposal is not for a new medical rehabilitation service.

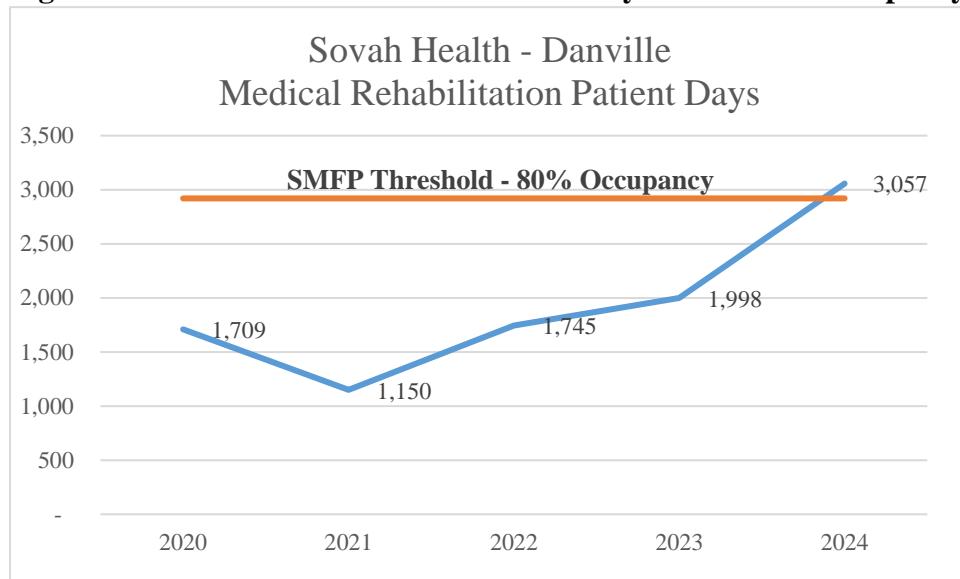
12VAC5-230-820. Expansion of services.

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.

Figure 4 shows the growth in the number of medical rehabilitation patient days at SHD in the past three years, and 2024 patient days exceeding the SMFP occupancy threshold of 80%. In 2024 SHD's medical rehabilitation beds had an occupancy rate of 83.8%. The proposed addition of eight medical rehabilitation beds would result from conversion of underutilized medical/surgical beds. According to VHI, 2023 occupancy of SHD's 215 medical/surgical licensed beds (including pediatric, ICU, obstetrical and medical/surgical beds) was 24.6%, leaving an average of 189 empty medical/surgical beds each day. Conversion of eight of these to medical rehabilitation beds will have no negative impact on medical/surgical operations.

Figure 4. Sovah Health – Danville Patient Days and SMFP Occupancy Threshold



12VAC5-230-830. Staffing.

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

The applicant provides assurances that the inpatient medical rehabilitation service will be under the direct supervision of one or more qualified physicians.

12VAC5-230-80. When institutional expansion needed.

- A. Notwithstanding any other provisions of this chapter, the commissioner may grant approval for the expansion of services at an existing medical care facility in a health planning district with an excess supply of such services when the proposed expansion can be justified on the basis of a facility's need having exceeded its current service capacity to provide such service or on the geographic remoteness of the facility.**
- B. If a facility with an institutional need to expand is part of a health system, the underutilized services at other facilities within the health system should be reallocated, when appropriate, to the facility with the institutional need to expand before additional services are approved for the applicant. However, underutilized services located at a health system's geographically remote facility may be disregarded when determining institutional need for the proposed project.**
- C. This section is not applicable to nursing facilities pursuant to § 32.1-102.3:2 of the Code of Virginia.**
- D. Applicants shall not use this section to justify a need to establish new services.**

The applicant has an institutional need for medical rehabilitation beds, having experienced high growth in demand over the past three years such that SHD's occupancy of medical rehabilitation beds has exceeded the SMFP threshold of 80%. Sovah has no other inpatient medical rehabilitation services in PD 12 from which to transfer beds; however, the proposal is to convert

underutilized medical/surgical beds to medical rehabilitation beds. This proposal does not involve a nursing facility, and it does not justify establishment of a new service.

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 is unlikely to impact competition. It is the only inpatient medical rehabilitation service in PD 12, and the closest providers of the service in Virginia are over 70 miles away.

- 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.**

There are three acute care hospitals in PD 12: SHD, Sovah Health – Martinsville and Carilion Franklin Memorial Hospital. Each of the Sovah hospitals reported utilization of its medical/surgical beds at about 24% occupancy. Each of the two Sovah hospitals has psychiatric beds with moderate utilization. As previously noted, SHD is the only facility in PD 12 with medical rehabilitation beds.

- 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 proforma income statement provided by the applicant (**Table 6**) demonstrates that the proposed project will have \$2.8 million in income from operations in the first year and \$3.7 million the second year. Capital costs are reasonable and in the range of similar, recently approved projects. The proposal will require an additional 14.5 full-time equivalent staff members to implement, which may prove challenging to recruit in the rural setting; nevertheless, the proposal is feasible.

Table 6. Proforma Income Statement	Year 1	Year 2
Gross Patient Revenue	\$ 35,077,825	\$ 42,705,097
Charity Care	\$ 47,288	\$ 57,570
Other Deductions	\$ 25,620,219	\$ 31,248,611
Total Operating Revenue	\$ 9,410,318	\$ 11,456,486
Total Operating Expenses	\$ 6,579,288	\$ 7,802,758
Income/(Loss) from Operations	\$ 2,831,030	\$ 3,653,728

Source: COPN Request No. VA-8792

- 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 proposal does not provide innovations in the delivery of health services or allow for delivery of care on an outpatient basis.

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.

SHD is an academic teaching site for residents, medical students, nurses, nurse practitioners, pharmacists and physicians from institutions including Edward Via College of Osteopathic Medicine, Liberty University College of Osteopathic Medicine, Lynchburg College, James Madison University, Danville Community College and Averett University.

DCOPN Staff Findings and Conclusions

The proposed project to convert eight medical/surgical beds to medical rehabilitation beds, for a total of 18 medical rehabilitation beds at SHD, improves access in a rural area with a poverty rate more than double that of Virginia. It expands the only inpatient medical rehabilitation service in PD 12 without adding to the total number of licensed beds at SHD. The service has demonstrated an institutional need, having exceeded 80% occupancy of its medical rehabilitation beds in 2024. The proposal is unlikely to impact any existing providers.

The proposal is generally consistent with the applicable standards and criteria of the State Medical Facilities Plan and the Eight Required Considerations of the Code of Virginia. There is no identified alternative to the proposal that would meet the needs of the population in a less costly, more efficient, or more effective manner. Projected costs of the proposed project are reasonable and in the range of similar, recently approved projects. The proposal is feasible in the immediate and short term. There is no known opposition to the proposed project.

DCOPN Staff Recommendations

The Division of Certificate of Public Need recommends **conditional approval** of Danville Regional Medical Center LLC d/b/a Sovah Health – Danville's COPN Request number VA-8792 to expand its medical rehabilitation service by the conversion of eight medical/surgical beds to medical rehabilitation beds for the following reasons:

1. The proposal to add eight medical rehabilitation beds for a total of 18 medical rehabilitation beds through conversion of underutilized medical/surgical beds is consistent with the applicable standards and criteria of the State Medical Facilities Plan and the Eight Required Considerations of the Code of Virginia.
2. The applicant has demonstrated an institutional need for additional medical rehabilitation beds.

3. There is no known alternative to the proposed project, and it is more beneficial than the status quo.
4. The proposal adds no beds to the applicant's total licensed acute care beds.
5. The capital costs of the proposed project are reasonable.
6. There are no other medical rehabilitation services in PD 12, so the proposed project is unlikely to have a negative impact upon the utilization, costs, or charges of other providers in PD 12.
7. The proposed project appears to be financially viable in the immediate and long-term.
8. There is no known opposition to the project.

DCOPN's recommendation is contingent upon Danville Regional Medical Center LLC d/b/a Sovah Health – Danville's agreement to the following charity care condition:

Danville Regional Medical Center LLC d/b/a Sovah Health – Danville will provide inpatient medical rehabilitation services to all persons in need of this service, 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 12 in an aggregate amount equal to at least 0.6% of Danville Regional Medical Center LLC d/b/a Sovah Health – Danville's gross patient revenue derived from inpatient medical rehabilitation 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. Danville Regional Medical Center LLC d/b/a Sovah Health – Danville will accept the revised charity condition based on 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.

Danville Regional Medical Center LLC d/b/a Sovah Health – Danville will provide inpatient medical rehabilitation 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, Danville Regional Medical Center LLC d/b/a Sovah Health – Danville will facilitate the development and operation of primary and specialty medical care services in designated medically underserved areas of the applicant's service area.