

# **VIRGINIA DEPARTMENT OF HEALTH**

## **Office of Licensure and Certification**

### **Division of Certificate of Public Need**

#### **Staff Analysis**

February 18, 2025

#### **COPN Request No. VA-8793**

Rehabilitation Hospital Corporation of America, LLC

Richmond, Virginia

Add 20 medical rehabilitation beds

#### **Applicant**

Rehabilitation Corporation of America, LLC (RCA, LLC) is a Delaware limited liability company which was established on December 9, 1991. It was converted from Rehabilitation Hospital Corporation of America effective November 30, 2009. RCA, LLC is a wholly owned subsidiary of Encompass Health Corporation. RCA, LLC operates Encompass Health Rehabilitation Hospital of Richmond (Encompass Richmond), which is located in Planning District (PD) 15 within Health Planning Region (HPR) IV.

#### **Background**

Encompass Health serves patients recovering from debilitating illnesses and injuries including strokes and other neurological disorders, brain injury, spinal cord injuries, amputations and complex orthopedic conditions.

According to the 2023 Virginia Health Information (VHI) data, the most recent year for which such data is available, and Division of Certificate of Public Need (DCOPN) records, there are currently four providers of medical rehabilitation services in PD 15 with 234 licensed beds (**Table 1**). DCOPN notes that 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. DCOPN further notes COPN No. VA-04857 authorized Rehab JV, LLC d/b/a Sheltering Arms Institute (Sheltering Arms) 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. The additional 16 medical rehabilitation beds to be added at PDH and the additional 30 medical rehabilitation beds to be added at Sheltering Arms are not included in the licensed bed count in **Table 1**. In 2023, 224 of the 234 licensed beds were staffed (96%) (**Table 1**). Furthermore, for that same year, PD 15's licensed medical rehabilitation beds operated at an 84.1% occupancy rate.

**Table 1: Licensed Inpatient Medical Rehabilitation Beds in PD 15 and 2023 Utilization**

Facility	Licensed Beds	Staffed Beds	Available Days	Patient Days	Occupancy
Encompass Health Rehabilitation Hospital of Richmond	40	40	14,600	12,281	84.1%
Henrico Doctor's Hospital - Parham Doctors' Hospital	36 <sup>1</sup>	36	13,140	9,486	72.2%
Johnston-Willis Hospital	44	44	16,060	11,780	73.3%
Sheltering Arms Institute	114 <sup>2</sup>	104	37,960	35,174	92.7%
<b>Total/ Average Occupancy</b>	<b>234</b>	<b>224</b>	<b>81,760</b>	<b>68,721</b>	<b>84.1%</b>

Source: DCOPN Records and VHI Data (2023)

### **Proposed Project**

RCA, LLC cites an institutional need to expand its medical rehabilitation bed capacity by adding 20 beds at Encompass Richmond. RCA, LLC proposes to add these beds by constructing a one-story expansion to the existing one-story hospital. The proposed addition will house 14 private rooms, each with a private bath. The additional six new beds will be in private rooms, each with a private bath, located in existing space that will be renovated. Additional project renovations include the renovation of space to accommodate an additional dayroom. The applicant explains that Encompass Richmond's other support services such as the therapy gym, kitchen and dining area and central supply are already sufficiently sized to accommodate the 20-bed expansion.

The projected capital costs of the proposed project total \$19,560,179, 55% of which represent direct construction costs (**Table 2**). The applicant will fund the project using the internal resources of its parent corporation, Encompass Health Corporation. Accordingly, there are no financing costs associated with this project.

**Table 2. Projected Capital Costs**

Direct Construction Costs	\$10,788,679
Equipment Not Included in Construction Contract	\$1,380,000
Site Acquisition Costs	\$4,836,000
Site Preparation Costs	\$1,218,750
Architectural and Engineering Fees	\$870,000
Other Consultant Fees	\$466,750
<b>Total Capital Costs</b>	<b>\$19,560,179</b>

Source: COPN Request No. VA-8793

The applicant projects that construction on the proposed project will begin in July 2026, and will be complete in July 2027. The applicant anticipates a target opening date in August 2027.

<sup>1</sup> 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. The additional 16 medical rehabilitation beds are not included in **Table 1**.

<sup>2</sup> 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 “[a]n increase in the total number of beds...in an existing medical care facility as described in subsection A.” A medical care facility is defined, in part, as “[a]ny facility licensed as a hospital, as defined in § 32.1-123.”

### Required Considerations

Pursuant to Section 32.1-102.3 of the Code of Virginia, in determining whether a public need for a project exists, the following factors shall be considered:

- 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 care;**

Geographically, Encompass Richmond is located at 5700 Fitzhugh Avenue, Richmond, Virginia and is accessible via Interstate-64, Interstate-295 and Broad Street. The Greater Richmond Transit Company has a stop approximately a half mile from the hospital.

PD 15 had a population just over 1.1 million in 2020 and is projected to add nearly 100,000 to its population by 2030. PD 15’s projected growth of 8.9% by the end of the decade 2020-2030 is higher than Virginia’s growth rate of 5.8%. (**Table 3**).

**Table 3. Population by Locality, PD 15**

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	-8.46%	1,776	2,184	408	22.97%
Chesterfield	364,548	406,942	42,394	11.63%	58,200	78,858	20,658	35.49%
Goochland	24,727	27,339	2,612	10.56%	5,721	7,865	2,144	37.48%
Hanover	109,979	118,374	8,395	7.63%	20,688	28,681	7,993	38.64%
Henrico	334,389	356,656	22,267	6.66%	55,596	71,680	16,084	28.93%
New Kent	22,945	27,067	4,122	17.96%	4,405	6,216	1,811	41.11%
Powhatan	30,333	32,152	1,819	6.00%	5,848	8,085	2,237	38.25%
Richmond	226,610	245,437	18,827	8.31%	29,874	36,307	6,433	21.53%
<b>PD 15</b>	<b>1,120,304</b>	<b>1,220,167</b>	<b>99,863</b>	<b>8.91%</b>	<b>182,108</b>	<b>239,876</b>	<b>57,768</b>	<b>31.72%</b>
<b>Virginia</b>	<b>8,631,393</b>	<b>9,129,002</b>	<b>497,609</b>	<b>5.77%</b>	<b>1,395,291</b>	<b>1,762,641</b>	<b>367,350</b>	<b>26.33%</b>

**Source:** United States Census Bureau at <https://data.census.gov/> and Weldon Cooper Center for Public Service, August 2023

According to regional and statewide data regularly collected by VHI, for 2022, the most recent year for which such data is available, the average amount of charity care provided by HPR IV facilities was 0.9% of all reported total gross patient revenues (**Table 4**). Pursuant to § 32.1-102.4B of the Code of Virginia DCOPN must now place a charity care condition on every applicant seeking a COPN. Accordingly, should the State Health Commissioner (Commissioner)

approve the proposed project, DCOPN recommends a charity care condition of no less than the 0.9% HPR IV average, in addition to any new requirements as found in the revised § 32.1-102.4B of the Code of Virginia.

**Table 4. HPR IV Charity Care Contributions at or below 200% of Federal Poverty Level: 2022**

HPR IV	Gross Patient Revenues	Adjusted Charity Care Contribution	% of Gross Patient Revenue
<b>Inpatient Hospitals</b>			
Encompass Health Rehab Hosp of Petersburg	\$29,926,632	\$1,262,680	4.2%
Bon Secours Southern Virginia Regional Medical Center	\$226,835,907	\$4,487,576	2.0%
Sheltering Arms Institute	\$151,399,824	\$2,530,945	1.7%
Sentara Halifax Regional Hospital	\$309,122,102	\$4,945,782	1.6%
Bon Secours St. Francis Medical Center	\$1,238,984,979	\$19,560,168	1.6%
Bon Secours St. Mary's Hospital	\$2,475,071,483	\$27,800,876	1.1%
Bon Secours Southside Regional Medical Center	\$2,238,925,486	\$23,176,465	1.0%
CJW Medical Center HCA	\$9,414,749,474	\$92,280,367	1.0%
TriCities Hospital HCA	\$1,291,681,768	\$12,190,500	0.9%
Bon Secours Richmond Community Hospital	\$1,099,525,303	\$9,999,109	0.9%
Henrico Doctors' Hospital HCA	\$6,125,759,528	\$50,390,024	0.8%
Bon Secours Memorial Regional Medical Center	\$1,648,605,572	\$10,986,041	0.7%
VCU Health System	\$7,574,785,954	\$45,509,855	0.6%
Poplar Springs Hospital UHS	\$84,621,465	\$328,036	0.4%
Centra Southside Community Hospital	\$357,467,950	\$1,261,207	0.4%
VCU Community Memorial Hospital	\$428,496,287	\$664,258	0.2%
Encompass Health Rehab Hosp of Virginia	\$28,839,933	\$35,972	0.1%
Select Specialty Hospital - Richmond	\$119,460,229	-	0.0%
Cumberland Hospital for Children and Adolescents UHS	\$32,427,799	-	0.0%
Total Inpatient Hospitals:			19
<b>HPR IV Inpatient Hospital Median</b>			0.9%
<b>HPR IV Total Inpatient \$ &amp; Mean %</b>	\$34,876,687,675	\$307,409,861	<b>0.9%</b>
<b>Outpatient Centers</b>			
Boulders Ambulatory Surgery Center HCA	\$133,673,934	\$3,982,385	3.0%
Urosurgical Center of Richmond	\$46,192,499	\$467,587	1.0%
Virginia Eye Institute, Inc.	\$41,539,958	\$362,746	0.9%
St. Mary's Ambulatory Surgery Center	\$51,111,602	\$420,544	0.8%
MEDRVA Surgery Center @ West Creek	\$11,215,428	\$27,326	0.2%
VCU Health Neuroscience, Orthopedic and Wellness Center	\$6,301,892	\$9,063	0.1%
American Access Care of Richmond	\$5,218,308	\$865	0.0%
Cataract and Refractive Surgery Center	\$9,709,070	-	0.0%
MEDRVA Stony Point Surgery Center	\$62,279,534	-	0.0%
Skin Surgery Center of Virginia	\$1,562,293	-	0.0%
Virginia Beach Health Center VLPP	\$2,518,016	-	0.0%
Total Outpatient Hospitals:			11
<b>HPR IV Outpatient Hospital Median</b>	\$371,322,534		
<b>HPR IV Total Outpatient Hospital \$ &amp; Mean %</b>			
Total Hospitals:			30
<b>HPR IV Median</b>			0.3%
<b>HPR IV Total \$ &amp; Mean %</b>	\$35,248,010,209	\$5,270,516	<b>0.9%</b>

Source: VHI (2022)

DCOPN is not aware of any other distinct and unique geographic, socioeconomic, cultural, transportation, or other barriers to care that this project would address.

**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 one letter of support from the medical staff of Encompass Richmond, which addressed:

- The project will allow [Encompass Richmond] to meet the substantial demand placed on [its] existing beds and continue to provide high-quality care to [its] patients.
- [Encompass Richmond's] 40 beds are highly utilized, running 93% occupancy in the first 9 months of 2024, and there are many days throughout the year when the hospital is at 100% occupancy.
- Operating at such a high capacity inevitably means that some patients must wait longer for rehabilitation services, which can adversely affect a patient's recovery time and prognosis.

DCOPN did not receive any letters in opposition to the proposed project.

Public Hearing

Section 32.1-102.6 B of the Code of Virginia directs DCOPN to hold one public hearing on each application in a location in the county or city in which the project is proposed or a contiguous county or city 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-8793 is not competing with another project in this batch cycle and DCOPN did not receive a request to conduct a public hearing for the proposed project. Thus, no public hearing was held.

**(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;**

Neither the applicant nor DCOPN identified any reasonable alternatives to the proposed project, which would meet the needs of the population in a less costly, more efficient, or more effective manner. As will be discussed in more detail later in this staff analysis report, the applicant has shown an institutional need to add 20 medical rehabilitation beds. With a utilization rate of 84.1% in 2023 and 88.2% in 2022, the utilization data confirms that Encompass Richmond's current capacity demonstrates an institutional need for expansion.

The applicant asserts "Encompass Richmond is constrained by its existing capacity, and thus has had instances in which it has had to delay and even turn away inpatient rehabilitation admissions

due to lack of an available appropriate bed.” For these reasons, DCOPN concludes that the status quo is not a reasonable alternative to the proposed project and that the proposed project is the most cost-effective way to address the applicant’s institutional need.

**(iii)any recommendation or report of the regional health planning agency regarding an application for a certificate of public need 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;**

As shown in **Table 2**, the estimated capital costs of the proposed project are \$19,560,179, 55% of which represent direct construction costs (**Table 2**). The applicant will fund the project using its internal resources. Accordingly, there are no financing costs associated with this project. DCOPN concludes that when compared to similar projects, these costs are reasonable. For example, COPN No. VA-04784 issued to Encompass Health Rehabilitation Hospital of Northern Virginia, LLC to add 20 inpatient rehabilitation beds, which is projected to cost approximately \$16,241,268 and COPN No. VA-04486 issued to Inova Health Care Services, Inc. to establish a 25-bed medical rehabilitation unit at Inova Fairfax Hospital, which cost \$15,598,287.

The applicant identified numerous benefits to the proposed project, including:

- Encompass Richmond provides high quality care in an environment specifically designed and constructed to care for patients in need of intensive inpatient rehabilitation and restorative care. For example, Encompass Richmond’s existing 40-bed facility has all private patient rooms with private baths, a large therapy gym with advance rehabilitation technologies, an Activities of Daily Living (ADL) suite, outdoor therapy space, a cafeteria, and a dayroom. The proposed 20-bed addition will also consist of all private rooms with private baths.
- The success of the programs and services is due in large part to the synergy of Encompass’ comprehensive team approach to rehabilitation services and the use of the latest technology and treatments available. As such, the facility design specifically allows for and supports the use of extensive equipment and technology by specially trained in a patient centered environment.
- The proposed expansion is necessary to enable Encompass Richmond to provide high quality inpatient rehabilitation services for its patients.
- Encompass Richmond has an institutional need for additional beds Encompass Richmond’s average annual occupancy has substantially exceeded the SMFP’s 80% standard for years, and its 2024 YTD average annual occupancy is 92.8%. At such high occupancy rates, it is oftentimes challenging to timely admit patients in need of intensive inpatient rehabilitative

care. Moreover, based on historical volume and the increasing and aging population, Encompass Richmond projects that demand for its inpatient rehabilitation services will continue to grow. As demonstrated, the proposed project is necessary for Encompass Richmond to meet the needs of its patients.

- Encompass Richmond is constrained by its existing capacity, and thus has had instances in which it has had to delay and even turn away inpatient rehabilitation admissions due to lack of an available appropriate bed.

**(v) the financial accessibility of the project to the residents of the area to be served, including indigent residents; and**

The Pro Forma Income Statement provided by the applicant includes charity care of 0.9% (Table 5). As previously discussed, pursuant to § 32.1-102.4B of the Code of Virginia DCOPN must now place a charity care condition on every applicant seeking a COPN. Accordingly, should the State Health Commissioner (Commissioner) approve the proposed project, DCOPN recommends a charity care condition of no less than the 0.9% HPR IV average, in addition to any new requirements as found in the revised § 32.1-102.4B of the Code of Virginia.

**Table 5. Pro Forma Income Statement**

	<b>Year 1</b>	<b>Year 2</b>
Gross Patient Revenue	\$39,237,774	\$43,233,092
Contractual and Other Adjustments	(\$7,863,997)	(\$9,320,642)
Charity Care	(\$353,140)	(\$389,098)
Bad Debt Expense	(\$335,023)	(\$362,052)
Deductions from Revenue	(\$8,552,160)	(\$10,071,792)
<b>Net Patient Revenue</b>	<b>\$30,685,614</b>	<b>\$33,161,300</b>
Other Revenue	\$22,446	\$22,559
Total Revenue	\$30,708,060	\$33,183,859
<b>Total Operating Expenses</b>	<b>\$26,032,517</b>	<b>\$28,254,206</b>
<b>Net Income</b>	<b>\$4,675,543</b>	<b>\$4,929,653</b>

Source: COPN Request No. VA-8793

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

DCOPN did not identify any other discretionary factors, not discussed elsewhere in this staff analysis report, to bring to the attention of the Commissioner as may be relevant to determining a public need for the proposed projects.

**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 SMFP. They are as follows:

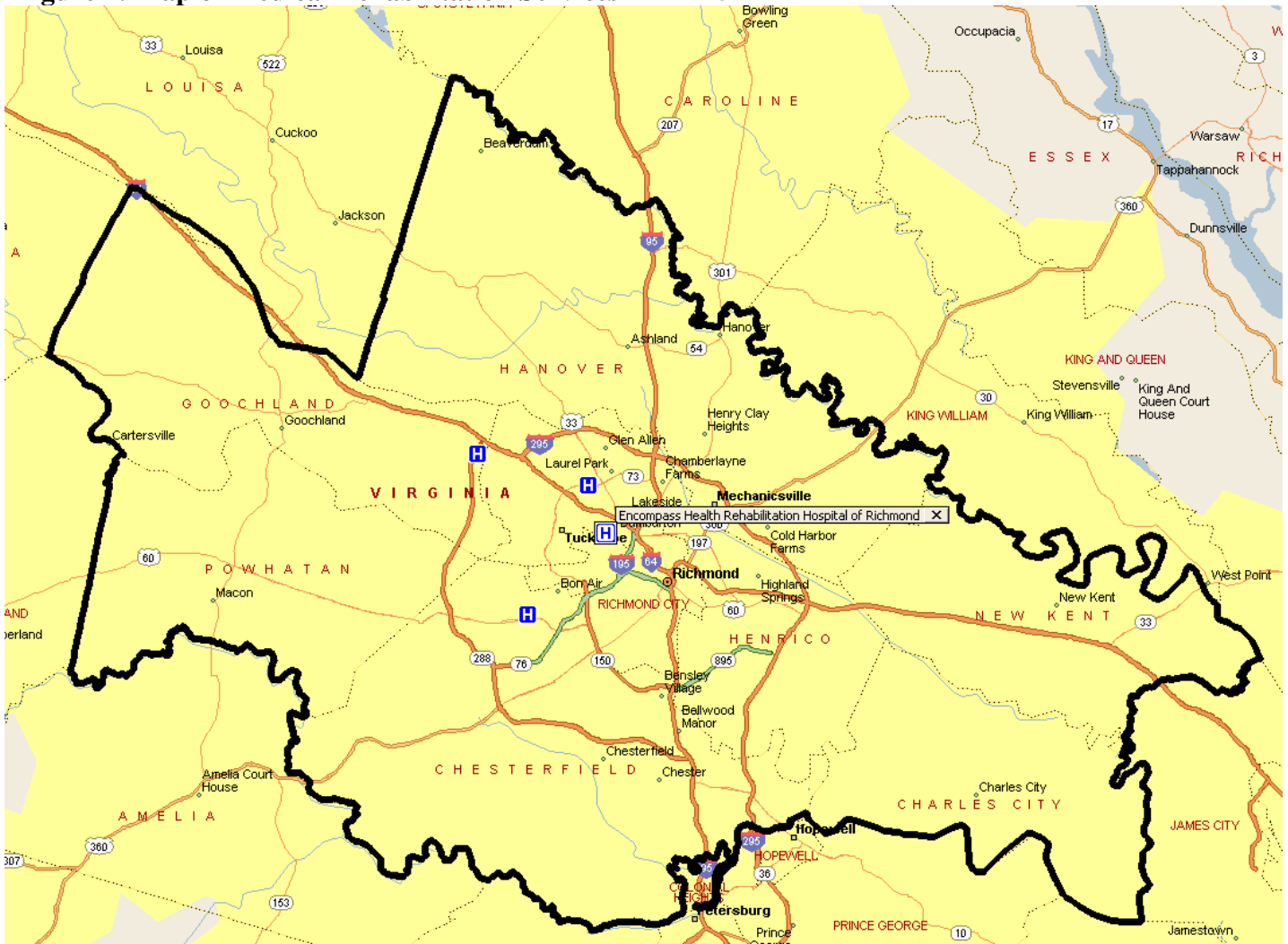
## Part XI Medical Rehabilitation

### 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. Based on the shaded area in **Figure 1**, it is reasonable to conclude that 95% of the population 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**





**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.**

The applicant is not proposing to establish a new service, but rather, to increase its current medical rehabilitation bed inventory by 20. Accordingly, DCOPN concludes that this provision is not applicable to the proposed project. However, DCOPN includes the information below to present a full picture of the medical rehabilitation needs in PD 15.

**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 2022 = **1,140,277**

$$UR = 68,721/1,140,277 = 0.060$$

$$PROPOP \text{ of PD 15 in 2030} = 1,220,167^3$$

$$\frac{((.060 \times 1,220,167)/365)}{0.80} = \mathbf{250.72 \text{ (251) Medical Rehabilitation Beds Needed}}$$

**Rehabilitation Bed Need in PD 15 = 251 Beds**

**Current Inventory of Rehabilitation Beds in PD 15 = 234**

**Rehabilitation Bed Need = 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.

As previously discussed, COPN No. VA-04702 authorized 16 not yet operational medical rehabilitation beds at PDH and COPN No. VA-04857 authorized 30 not yet operational medical rehabilitation beds at Sheltering Arms which are not included in the licensed bed count in **Table 1**. When these beds are put into service, they will more than satisfy the computational need.

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<sup>3</sup> Population sources: Weldon Cooper and DCOPN interpolations.

**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.**

Not applicable. The applicant is not proposing a new medical rehabilitation service, but rather is proposing to increase the bed complement in an existing 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.**

As shown in **Table 1** above, the medical rehabilitation beds in PD 15 operated at 84.1% utilization in 2021. This standard is satisfied.

**12VAC5-230-830. Staffing.**

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

The applicant is an existing provider of medical rehabilitation services and has provided assurances that the requested medical rehabilitation beds would be under the direction of Encompass Richmond's Medical Director, Emily A. Robbins, D.O., a board-certified physiatrist. The applicant meets this standard.

**Part I  
Definitions and General Information**

**12VAC5-230-80. When Institutional Expansion is 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 § 32.1-102.3:1 of the Code of Virginia.**
- D. Applicants shall not use this section to justify a need to establish new services.**

RCA, LLC proposes to add 20 medical rehabilitation beds, resulting in a total complement of 60 medical rehabilitation beds. With a utilization rate of 84.1% in 2023 and 88.2% in 2022, the utilization data confirms that Encompass Richmond's current capacity demonstrates an institutional need for expansion. Furthermore, the applicant is not part of a health system that operates any underutilized medical rehabilitation beds that would be appropriate for reallocation. Therefore, DCOPN maintains the project warrants approval based on Encompass Richmond's institutional need.

### **Required Considerations Continued**

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

The proposed project does not foster institutional competition but seeks to expand bed capacity at an existing facility to meet an institutional need.

**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 and facilities;**

As demonstrated by **Figure 1**, the current inventory of medical rehabilitation beds in PD 15 is sufficient and adequately distributed geographically. As previously discussed, DCOPN has calculated a need for 17 medical rehabilitation beds in PD 15 for the 2030 planning year. Furthermore, COPN No. VA-04702 the 16 authorized but not yet operational medical rehabilitation beds at PDH and the 30 authorized but not yet operational medical rehabilitation beds at Sheltering Arms are not included in the licensed bed count in **Table 1**. When these beds are put into service, they will more than satisfy the computational need. However, as already discussed, the proposed project warrants approval because the applicant has demonstrated an institutional need to expand, and the proposed project is more advantageous than the status quo.

**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 Pro Forma Income Statement (**Table 5**) provided by the applicant projects a net profit of \$4,675,543 by the end of the first year of operation and a net profit of \$4,929,653 by the end of year two, indicating that the proposed project is financially feasible both in the immediate and the long-term. As previously discussed, and as demonstrated by **Table 2**, the total projected capital cost of the proposed project is \$19,560,179, which will be funded through the internal resources of the applicant. Accordingly, there are no financing costs associated with the proposed project.

With regard to staffing, the applicant anticipates the need to hire 15.1 full time equivalent employees (FTEs) to staff the proposed project. The required FTEs are:

- 1.8 Administration-Business Office
- 3.6 Registered Nurses

- 0.8 Licensed Practical Nurses
- 2.5 Nurses' Aides
- 1 Registered Pharmacist
- 0.9 ADA Dieticians
- 0.3 Occupational Therapists
- 0.3 Physical Therapists
- 2.3 Other Health Professionals – Therapy
- 0.9 Case Management
- 0.7 All Other Personnel

The applicant is an established provider of medical rehabilitation services, and provided the following information:

Encompass Richmond has in place numerous innovative approaches to recruit and retain staff members, thus does not anticipate having difficulty hiring the necessary resources for the proposed project.

The three primary components of Encompass Health's employee recruitment and retention strategy are described below, and include:

- Competitive compensation and benefits
- National recruitment strategy
- Relationships with local universities and colleges

Considering the significant resources of Encompass Health to recruit nationally and the relatively small number of incremental staff needed to implement the 20-bed expansion, the proposed project will have no material impact on existing health care providers in the service area. Moreover, as an existing provider, Encompass Richmond will primarily need to recruit direct caregivers for the proposed bed expansion, using its existing support services staff such as dietary, housekeeping and administration already in place.

DCOPN notes that according to VHI data for 2023, the applicant staffed all 40 of its licensed beds. Considering the applicant's robust recruitment and retention program and its ability to staff its existing medical rehabilitation beds, DCOPN concludes that the applicant will not have difficulty filling the required positions.

- 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; and (iv) At the discretion of the Commissioner, any other factors as may be appropriate.**

The proposed project will not introduce new technology that would promote quality or cost effectiveness in the delivery of inpatient acute care. Nor does the proposed project increase the potential for provision of services on an outpatient basis. DCOPN did not identify any other factors

that have not been discussed elsewhere in this staff analysis report to bring to the attention of the Commissioner.

- 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, 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.**

With regard to this consideration, the applicant explains:

Encompass develops relationships/training programs with local universities and college, community colleges and other training agencies to create and support a nation-wide workforce.

The same relationships provide physical therapy, occupational therapy, speech language pathology, nursing and other students to opportunity to participate in clinical and technical rotations at Encompass facilities around the country. Encompass Health's Clinical Affiliation Coordinator works with field experience coordinators and department chairs at academic institutions to ensure the clinical training program is meeting the specific needs of the affiliated school.

### **DCOPN Staff Findings and Conclusions**

DCOPN finds that Rehabilitation Hospital Corporation of America, LLC's COPN Request No. VA-8793 to expand medical rehabilitation services at Encompass Richmond through the addition of 20 medical rehabilitation beds is generally consistent with the applicable criteria and standards of the SMFP and the Eight Required Considerations of the Code of Virginia. If the proposed project is approved, Encompass Richmond will have a total complement of 60 medical rehabilitation beds. As shown in **Table 1** above, the medical rehabilitation beds in PD 15 operated at 84.1% utilization in 2023. Furthermore, as previously discussed, in 2021, the 40 medical rehabilitation beds at Encompass Richmond operated at a utilization rate of 84.1% in 2023 and 88.2% in 2022. Therefore, the applicant has demonstrated an institutional specific need to expand.

As previously discussed, there is no known opposition to the proposed project. DCOPN maintains that the projected capital costs of the proposed project are reasonable and consistent with previously approved projects similar in clinical scope. Moreover, DCOPN concludes that the proposed project is more favorable than maintaining the status quo. Finally, DCOPN finds that the proposed project will prove financially feasible both in the immediate and in the long-term.

### DCOPN Staff Recommendation

The Division of Certificate of Public Need recommends **conditional approval** of Rehabilitation Hospital Corporation of America, LLC's Certificate of Public Need Request number VA-8793 to add 20 medical rehabilitation beds at Encompass Richmond for the following reasons:

1. The project is generally consistent with the applicable criteria and standards of the State Medical Facilities Plan and the eight Required Considerations of the Code of Virginia.
2. A reasonable, less costly, more efficient alternative to the proposed project does not exist.
3. There is no known opposition to the project.
4. The applicant has adequately demonstrated an institutional need to increase capacity.

DCOPN's recommendation is contingent upon Rehabilitation Hospital Corporation of America, LLC's agreement to the following charity care condition:

Rehabilitation Hospital Corporation of America, LLC will provide inpatient medical rehabilitation services to all persons in need of these services, regardless of their ability to pay, and will provide as charity care to all indigent persons free services or rate reductions in services and facilitate the development and operation of primary care services to medically underserved persons in an aggregate amount equal to at least 0.9% of Rehabilitation Hospital Corporation of America, LLC's total patient services revenue derived from inpatient medical rehabilitation services as 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. 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. Rehabilitation Hospital Corporation of America, LLC 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 to 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.

Rehabilitation Hospital Corporation of America, LLC will provide inpatient medical rehabilitation care to individuals who are eligible for benefits under Title XVIII of the Social Security Act (42 U.S.C. § 1395 et seq.), Title XIX of the Social Security Act (42 U.S.C. § 1396 et seq.), and 10 U.S.C. § 1071 et seq. Additionally Rehabilitation Hospital Corporation of America, LLC will facilitate the development and operation of primary and specialty medical care services in designated medically underserved areas of the applicant's service area.