



COMMONWEALTH of VIRGINIA

Karen Shelton, MD
State Health Commissioner

Department of Health
P O BOX 2448
RICHMOND, VA 23218

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

June 3, 2024

Adrian Stanton, VP Real Estate Acquisition and Development
Virginia Hospital Center Arlington Health System
1701 North George Mason Drive
Arlington, Virginia 22205

RE: COPN Request No. VA-04888
Virginia Hospital Center Arlington Health System and
South Arlington, LLC
Establish a 146-bed hospital for behavioral health and medical rehabilitation

Dear Mr. Stanton:

In accordance with Chapter 4, Article 1.1 of Title 32.1 of the Code of Virginia of 1950 (the Code), as amended, I reviewed the application and all supporting documents submitted by Virginia Hospital Center Arlington Health System and South Arlington, LLC to establish a 146-bed hospital for behavioral health and medical rehabilitation

As required by Section 32.1-102.3B of the Code, I have considered all factors that must be taken into account in a determination of public need, and I have concluded that **conditional approval** of the request is warranted based on the following findings:

1. The proposed project would improve access to medical rehabilitation and mental health services for a large and fast-growing population of Virginia, addressing high utilization in PD 8.
2. The proposal will add critically needed access for mental health patients with additional barriers to care, including persons on TDOs and the adolescent population.
3. There is strong community involvement and support for the project.
4. No alternatives to the proposed project have been identified, and it is more beneficial than the status quo.

Mr. Adrian Stanton
VHC Health and South Arlington, LLC
June 3, 2024
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5. The proposal to establish a hospital for medical rehabilitation and mental health, South Arlington, LLC, is generally consistent with the applicable standards and criteria of the State Medical Facilities Plan and the principles and policies on which it is grounded, and the 8 Required Considerations of the Code of Virginia
6. The proposal is consistent with Governor Youngkin's "Right Help, Right Now" initiative.
7. The proposed project is unlikely to have a significant negative impact upon the utilization, costs, or charges of other providers of medical rehabilitation and mental health services in PD 8.
8. It supports the educational training mission of an academic medical center.
9. Projected capital costs of the proposed project appear to be reasonable and it is wholly feasible.
10. The HSANV recommended approval of the proposal.
11. There is no known opposition to the project.

This certificate is valid for the period June 3, 2024, through June 2, 2025. The total authorized capital cost of the project is \$161,643,233.

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

Sincerely,



Karen Shelton, MD
State Health Commissioner

Enclosure

cc: Jamie B. Martin, Williams Mullen
Erik Bodin, Director, Division of Certificate of Public Need
Deborah K. Waite, Chief Operating Officer, Virginia Health Information
Reuben Varghese, MD, District Director, Arlington Health District

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

THIS CERTIFIES THAT Virginia Hospital Center Arlington Health System d/b/a VHC Health & South Arlington, LLC is authorized to initiate the proposal as described below.

NAME OF FACILITY: VHC Health Wellness and Behavioral Health Hospital

LOCATION: 601 South Carlin Springs Road, Arlington, Virginia

OWNERSHIP AND CONTROL: VHC Health & South Arlington, LLC

SCOPE OF PROJECT: Establish a 146-bed hospital for behavioral health and medical rehabilitation at VHC Health Wellness and Behavioral Health Hospital. The hospital will have a total of 96 mental health beds (54 new and 42 relocated from Virginia Hospital Center's main campus); and 50 medical rehabilitation beds (30 new and 20 relocated from Virginia Hospital Center's main campus). Capital costs authorized for this project total \$161,643,233. The project is expected to be completed by September 30, 2027. This certificate is issued with the condition that appears on its reverse.



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

Certificate Number: VA-04888

Date of Issuance: June 3, 2024

Expiration Date: June 2, 2025

A handwritten signature in black ink, appearing to read "Karen Shelton".

Karen Shelton, MD, State Health Commissioner

South Arlington, LLC will provide services to all persons 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 8 in an aggregate amount equal to at least 3.0% of South Arlington, LLC's gross patient revenue, consistent with the Virginia Hospital Center Arlington Health System d/b/a VHC Health's system-wide charity condition originally agreed to in 2014. 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. South Arlington, LLC 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. when it 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.

South Arlington, LLC will provide services to individuals who are eligible for benefits under Title XVIII of the Social Security Act (42 U.S.C. § 1395 et seq.), Title XIX of the Social Security Act (42 U.S.C. § 1396 et seq.), and 10 U.S.C. § 1071 et seq. Additionally, South Arlington, 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.



COMMONWEALTH of VIRGINIA

Department of Health

Office of Licensure and Certification

Karen Shelton, MD
State Health Commissioner

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

9960 Mayland Drive, Suite 401
Henrico, Virginia 23233-1485
Fax (804) 527-4502

May 6, 2024

Adrian Stanton, VP Real Estate Acquisition and Development
Virginia Hospital Center Arlington Health System d/b/a VHC Health
1701 North George Mason Drive
Arlington, Virginia 22205

RE: COPN Request No. VA-8744
Virginia Hospital Center Arlington Health System and
South Arlington, LLC
Arlington, Virginia
Establish a 146 bed hospital for behavioral health and medical rehabilitation

Dear Mr. Stanton:

For your consideration, I enclose the Division of Certificate of Public Need (DCOPN) report and recommendations on the above referenced project. The Health Systems Agency of Northern Virginia (HSANV) recommended approval of Virginia Hospital Center Arlington Health System and South Arlington, LLC's request to establish a 146 bed hospital for behavioral health and medical rehabilitation. DCOPN is also recommending **conditional approval** of this application for the reasons listed in the attached staff report.

DCOPN does not believe reconsideration of its recommendations through the convening of an informal fact-finding conference (IFFC) is necessary. However, persons wishing to participate in an IFFC have four days from the date of this letter to submit written notification with the State Health Commissioner, the applicant and DCOPN stating grounds and providing a factual basis for good cause and standing.

Should DCOPN receive a petition for good cause standing, pursuant to *Title 2.2* of the *Code of Virginia*, an informal fact-finding conference (IFFC) will be convened. This IFFC will be scheduled at a date and time to be determined, if necessary. A copy of the procedures for conduct at IFFCs may be found at <http://www.vdh.virginia.gov/OLC/copn/>

Absent a petition for good cause standing, DCOPN will notify you that an IFFC will not be necessary and forward this report and recommendation to the State Health Commissioner.

DIRECTOR
(804) 367-2102

ACUTE CARE
(804) 367-2104

COPN
(804) 367-2126



www.vdh.virginia.gov

COMPLAINTS
1-800-955-1819

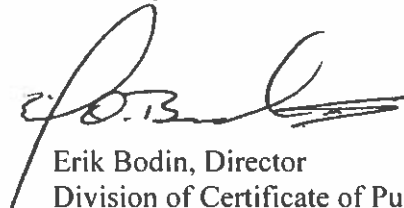
LONG TERM CARE
(804) 367-2100

Mr. Adrian Stanton
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May 6, 2024
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DCOPN would anticipate action by the State Health Commissioner within a few weeks of transmission.

Should you have questions or need further clarification of this report and/or its recommendations, please feel free to call me at (804) 367-1889 or email me at Erik.Bodin@VDH.Virginia.Gov.

Sincerely,

A handwritten signature in black ink, appearing to read 'Erik Bodin', with a stylized flourish at the end.

Erik Bodin, Director
Division of Certificate of Public Need

Enclosures

cc: Vanessa C. MacLeod J.D., Office of Adjudication, Virginia Department of Health
Dean Montgomery, Executive Director, Health Systems Agency of Northern Virginia
Jamie B. Martin, Williams Mullen

VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis

May 6, 2024

RE: COPN Request No. VA-8744

**Virginia Hospital Center Arlington Health System d/b/a VHC Health
& South Arlington, LLC**

Arlington County, Virginia

Establish a 146-bed hospital for behavioral health and medical rehabilitation

Applicants

The applicants are Virginia Hospital Center Arlington Health System d/b/a VHC Health, a non-stock nonprofit corporation, and South Arlington, LLC. South Arlington, LLC is the owner of the proposed VHC Health Wellness and Behavioral Health Hospital (“Wellness Hospital”), and VHC Health is the sole member of South Arlington, LLC. VHC Health is not a subsidiary of any entity or organization. VHC Health proposes to contribute beds to South Arlington, LLC, to be relocated to the Wellness Hospital. The proposed Wellness Hospital is in Planning District (PD) 8, Health Planning Region (HPR) II.

Background

Medical Rehabilitation

According to the 2022 Virginia Health Information (VHI) data, the most recent year for which such data are available, and Division of Certificate of Public Need (DCOPN) records, there are currently five providers of inpatient medical rehabilitation services in PD 8 (**Tables 1 & 2**). Providers reported a total of 190 medical rehabilitation beds in 2022 which had an average occupancy rate of 88.3%. None of the PD 8 providers of inpatient medical rehabilitation had an occupancy of less than 80% in 2022 (**Table 1**). The State Medical Facilities Plan (SMFP) utilizes an 80% occupancy threshold for medical rehabilitation beds when calculating bed need. The proposed project is for the relocation and addition of beds in a new hospital. VHC Health, which proposes to relocate its 20 medical rehabilitation beds to the Wellness Hospital, had the highest utilization rate of those beds in the PD, at 95.2%. According to DCOPN records, there are currently 222 medical rehabilitation beds (**Table 2**) in PD 8.

Mental Health

Because the SMFP assesses the need for mental health beds based on combined data for psychiatric beds and substance abuse beds, the applicants refer to the combination of psychiatric and substance abuse beds as mental health beds and this report does the same. According to 2022 VHI data and

DCOPN records, there are currently eight providers of inpatient mental health beds in PD 8 (adult, child and substance abuse beds were reported to VHI in separate bed classifications) (**Tables 1 & 2**). Providers reported a total of 479 inpatient mental health beds in 2022 at a utilization of 82.1% (**Table 1**). Note that North Spring Behavioral Healthcare reported its 87 residential beds in error as psychiatric beds, in addition to its 40 licensed inpatient beds correctly reported to VHI in 2022. In addition, COPN No. VA-04773 issued in February 2022 authorized 16 psychiatric beds at VHC that are not yet operational. Subtracting out the 87 residential beds and the 16 beds that were reported to VHI prematurely, PD 8 had 376 licensed mental health beds in 2022. Applying estimated patient days to North Spring's 40 beds (utilizing the PD 8 occupancy rate for mental health beds, absent North Spring) yields a more accurate occupancy rate for PD 8 in 2022 at 78.5%

For mental health beds, the State Medical Facilities Plan (SMFP) utilizes a 75% occupancy rate when calculating bed need. The proposed project is for relocation and addition of mental health beds in a new hospital. VHC Health, which proposes to relocate 42 of its mental health beds to the Wellness Hospital, had a utilization rate of those beds at 75.2% in 2022. According to DCOPN records, there are currently 414 mental health beds in PD 8 (**Table 2**).

Table 3 describes the difference between beds reported to VHI in 2022 and the current number of authorized beds, including reporting discrepancies as well as beds authorized since 2022.

DCOPN notes that the Health Systems Agency of Northern Virginia (HSANV) and the applicants were unable to schedule the HSANV board meeting and public hearing until after the batch cycle deadline. The applicants agreed to delaying all subsequent deadlines accordingly:

“Virginia Code Section 32.1-102.6.B requires that the HSANV review the application within 60 days following the date that begins the review cycle, and thus the April 22 Board meeting will be held after the statutorily established timeframe for HSANV’s review. VHC Health, as the applicant, has the authority to extend any of the deadlines set forth in Virginia Code Section 32.1-102.6. On behalf of VHC Health, I agree that the timeframe for the HSANV’s review may be extended to April 22, 2024, the 72nd day of the review cycle. VHC Health also agrees that the deadline for the DCOPN staff report may be commensurately extended, such that the DCOPN Staff Report will now be due on Monday, May 6, rather than Monday, April 22 (the 12-day extension would put the DCOPN staff report due on May 4, a Saturday, so the due date is the next business day, May 6). VHC Health also agrees that the extensions referenced herein shall not serve as the basis for a deemed approval or a deemed recommendation of approval.”

Table 1. 2022 VHI, Mental Health¹ and Medical Rehabilitation Beds, PD 8

Facility Name	Licensed Beds	Staffed Beds	Licensed Bed Available Days	Patient Days	Occupancy Rate per Licensed Bed
Medical Rehab					
Encompass Health Rehab Hosp of Northern Virginia	60	60	21,900	20,543	93.8%
Inova Fairfax Hospital	25	25	9,125	8,300	91.0%
Inova Mount Vernon Hospital	67	67	24,455	19,576	80.1%
Reston Hospital Center	18	18	6,570	5,893	89.7%
Virginia Hospital Center	20	19	6,935	6,604	95.2%
Medical Rehab Total, PD 8	190	189	68,985	60,916	88.3%
Mental Health					
Dominion Hospital	48	48	17,520	17,244	98.4%
Dominion Hospital (Child)	68	68	24,820	15,863	63.9%
Inova Fairfax Hospital (Alcohol/Drug)	25	25	9,125	6,882	75.4%
Inova Fairfax Hospital	41	41	14,965	14,228	95.1%
Inova Fairfax Hospital (Child)	15	15	5,475	4,389	80.2%
Inova Loudoun Hospital	22	22	8,030	6,609	82.3%
Inova Mount Vernon Hospital	30	30	10,950	8,201	74.9%
North Spring Behavioral Healthcare (Child) ²	127	127	45,625	41,707	91.4%
Stone Springs Hospital Center	17	17	6,205	4,733	76.3%
UVA Health Prince William Medical Center ³	30	18	5,490	2,816	51.3%
Virginia Hospital Center ⁴	56	39	14,600	10,986	75.2%
Mental Health Total, PD 8	479	450	162,805	133,658	82.1%

Source: VHI 2022. COPN Request No. VA-8744

¹ Mental Health Beds are inclusive of inpatient psychiatric and inpatient substance abuse classifications.
² North Spring Behavioral Healthcare included 87 residential beds and volumes in its reporting to VHI, in error.
³ UVA Health Prince William Medical Center reported 181 available days in 2022.
⁴ Virginia Hospital Center provided corrected volumes in the application under review, COPN Request No. VA-8744. In addition, COPN No. VA-04773 issued in February 2022 authorized 16 psychiatric beds at VHC that are not yet operational. Because only 40 of VHC's authorized mental health beds were in operation in 2022, licensed bed available days were corrected in **Table 1** to reflect the 40 beds in service at that time.

Table 2. Authorized Medical Rehabilitation and Psychiatric Beds, PD 8

Facility	Medical Rehabilitation	Psychiatric	Substance Abuse Treatment
Dominion Hospital	0	116	0
Encompass Health Rehab Hospital of Northern Virginia	80	0	0
Inova Fairfax Medical Campus	25	56	25
Inova Loudoun Hospital	0	22	0
Inova Mount Vernon Hospital	67	50	0
North Spring Behavioral Healthcare	0	40	0
UVA Prince William Medical Center d/b/a UVA Health Prince William Medical Center	0	32	0
Reston Hospital Center	30	0	0
Stone Springs Hospital Center	0	17	0
Virginia Hospital Center	20	56	0
PD 8 Total	222	389	25
Source: DCOPN Records	Psychiatric + Substance Abuse Beds=		414*

Table 3. Difference in Bed Count, 2022 VHI vs DCOPN Inventory

Facility	Medical Rehab	Mental Health	Notes
Reported to VHI	190	479	
Encompass Health Rehab Hospital of Northern Virginia	+20	0	COPN No. VA-04784 authorized the addition of 20 medical rehabilitation beds, targeted completion, June 2024.
Inova Mount Vernon Hospital	0	+20	COPN No. VA-04774 authorized the addition of 20 adult inpatient psychiatric beds, completed May 2023.
North Spring Behavioral Healthcare	0	-87	North Spring Behavioral Healthcare included 87 residential beds in its VHI reporting of inpatient psychiatric beds, in error.
UVA Prince William Medical Center d/b/a UVA Health Prince William Medical Center	0	+2	UVA Health Prince William Medical Center reported to VHI two fewer psychiatric beds than it has authorized.
Reston Hospital Center	+12	0	COPN No. VA-04742 authorized the addition of 12 medical rehabilitation beds, targeted for completion, September 2023.
Total Difference in Bed Count	32	-65	
Authorized Beds in PD 8 Inventory	222	414	

Proposed Project

The applicants propose to establish a new 146-bed hospital for behavioral health and medical rehabilitation in a newly constructed facility 2.4 miles, and 10 minutes, from VHC. The beds would consist of medical rehabilitation and mental health beds relocated from VHC Health, and an addition to the number of medical rehabilitation and mental health beds. The development of services envisioned by the applicants is not possible at VHC due to space constraints. The facility will include 65,927 gross square feet for medical rehabilitation and 68,323 gross square feet for

behavioral health/mental health. The proposal also includes 112,500 gross square feet for a structured parking area.

In the arena of medical rehabilitation, the proposed Wellness Hospital will include a therapy gym, infrastructure for state-of-the-art patient care technology and therapy equipment, rooms for multiple therapy protocols, private therapy rooms, a cooking therapy room, an Activities of Daily Living (ADL) therapy suite/apartment and cutting-edge rehabilitation equipment, in addition to the requested 50 all-private inpatient beds regulated by COPN. Mental health services at the Wellness Hospital will include a comprehensive mental health spectrum of care, with outpatient services, an intensive outpatient program (IOP), and a partial hospitalization program (PHP), in addition to the requested 96 semi-private inpatient rooms regulated by COPN. The inpatient mental health services are designed for flexibility with designated behavioral health units for specialty care that can be used for specific age cohorts, separation to chemical dependency units and allow for isolation in case of infectious diseases. The semi-private rooms can be used as private rooms, when appropriate. Notably, the Wellness Hospital will offer a new pediatric and adolescent unit to provide care to that age cohort that is not offered at VHC currently.

VHC Health proposes to relocate 42 of its authorized 56 mental health beds to the Wellness Hospital and all 20 of its medical rehabilitation beds. Vacated space will be renovated for other uses and the 14 beds to remain at VHC will be used for psychiatric services for medically compromised patients with acute psychiatric and acute medical care needs. In addition, the applicants are requesting 54 new mental health beds and 30 new medical rehabilitation beds. See Figure 1.

Figure 1. Proposed Project, Bed Counts Before and After

VHC			New Facility: Wellness Hospital		
Mental Health			Mental Health		
Current Beds	Approved but not Built	Total at VHC	To Relocate from VHC	New	Total
40 (18 IP Adult Psych and 22 Substance Abuse)	16	56			
	to relocate:	-42	42	54	96
	remaining:	14			
Medical Rehab			Medical Rehab		
Current Beds		Total at VHC	To Relocate from VHC	New	Total
20		20			
	to relocate:	-20	20	30	50
	remaining:	0			
Totals:			62	84	146

Projected capital costs of the proposed project total \$161,643,233, approximately 75% of which are direct construction costs (Table 4). The entirety of the capital costs will be funded with accumulated reserves of VHC Health. Accordingly, there are no financing costs associated with this project. VHC Health will forego the project authorized by COPN No. VA-04773 to add 16 mental health beds at VHC (saving approximately \$7 million in renovation costs) and instead build those beds at the proposed Wellness Hospital (included in the 42 relocated beds referenced above). If approved, the project has a targeted completion date of September 2027.

Table 4. Capital Costs, Establish Hospital with Medical Rehab and Psych Beds

Direct Construction Costs	\$127,494,097
Equipment not included in construction costs	\$10,200,000
Site Acquisition Costs	\$5,195,000
Site Preparation Costs	\$6,439,180
Off-Site Costs	\$450,000
Architectural and Engineering fees	\$6,380,464
Other Consulting Fees	\$5,357,492
Tax During Construction	\$127,000
TOTAL CAPITAL COST	\$161,643,233

Source: COPN Request No. VA-8744

Project Definition

Section 32.1-102.1:3 of the Code of Virginia defines a project, in part, as the “[e]stablishment of a medical care facility.” A medical care facility includes “[a]ny facility licensed as a hospital, as defined in § 32.1-123.”

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

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

- 1. The extent to which the proposed service or facility will provide or increase access to needed services for residents of the area to be served, and the effects that the proposed service or facility will have on access to needed services in areas having distinct and unique geographic, socioeconomic, cultural, transportation, and other barriers to access to care.**

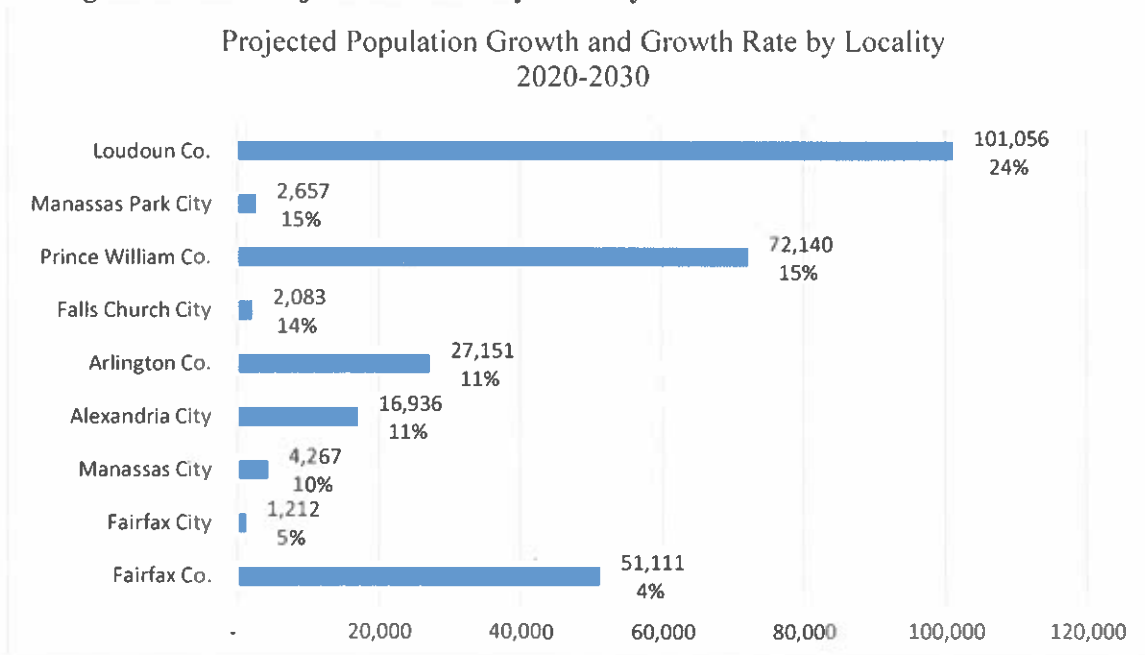
PD 8 is a large and fast-growing area of Virginia, estimated to grow to 2.8 million people, adding nearly 280,000 people between 2020 and 2030. This projected growth rate of 10.9% for PD 8 in the current decade is nearly twice the growth rate projected for Virginia at 5.8%. Arlington County, where the proposed project is located, has a growth rate consistent with that of the PD, much higher than average growth in Virginia. It is projected to increase by over 27,000 people between 2020 and 2030 (Table 5 and Figure 2).

Table 5. Population by Locality, PD 8

Locality	2020 Population	2030 Projected Population	Projected Growth 2020-2030	Percent Growth 2020-2030
Arlington Co.	238,643	265,794	27,151	11.4%
Fairfax Co.	1,150,309	1,201,420	51,111	4.4%
Loudoun Co.	420,959	522,015	101,056	24.0%
Prince William Co.	482,204	554,344	72,140	15.0%
Alexandria City	159,467	176,403	16,936	10.6%
Fairfax City	24,146	25,358	1,212	5.0%
Falls Church City	14,658	16,741	2,083	14.2%
Manassas City	42,772	47,039	4,267	10.0%
Manassas Park City	17,219	19,876	2,657	15.4%
PD 8	2,550,377	2,828,990	278,613	10.9%
<i>Virginia, Statewide</i>	<i>8,631,393</i>	<i>9,129,002</i>	<i>497,609</i>	<i>5.8%</i>

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

Figure 2. PD 8 Projected Growth by Locality



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

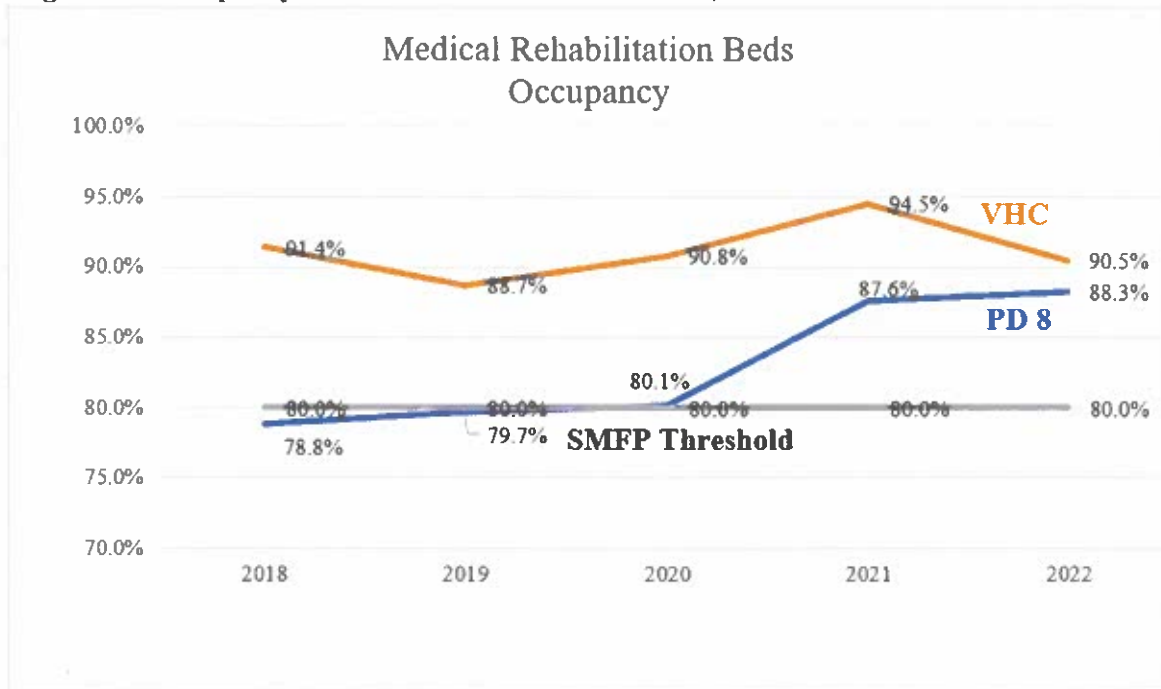
The proposed Wellness Hospital will be located centrally in Arlington County, a suburb of Washington, D.C., with major highway access provided by State Routes 244 (Columbia Pike), 50 (Arlington Boulevard), and 7 (Leesburg Pike) which connect to Interstate 66 to the north and/or Interstate 395 to the south. There is public transportation, including bus service, with two bus stops adjacent to the proposed Wellness Hospital campus, and Washington Metropolitan Area Transportation provides handicapped paratransit. The applicants state that

VHC Health works closely with local organizations to ensure that underserved populations receive excellent clinical care and supportive psychosocial services to address social determinants of health.

Medical Rehabilitation

Occupancy of medical rehabilitation beds in PD 8 has been over the SMFP threshold of 80% for the last three years for which such data are available, 2020–2022. (Figure 3). Including medical rehabilitation beds authorized in PD 8 since 2022 but not yet operational, a 3.2% annual growth in medical rehabilitation patient days would maintain occupancy above the SMFP occupancy threshold. Actual average annual growth in medical rehabilitation patient days has been twice that over the past five years. VHC’s occupancy of medical rehabilitation beds has been over the SMFP threshold for at least the past five years (Figure 3). Although the proposed Wellness Hospital is a new facility, it is near VHC and well within VHC’s primary service area. It is reasonable to assume that the medical rehabilitation beds transferred from VHC would be similarly highly utilized. The applicants state that VHC lacks the capacity to accommodate approximately 5 -6 patients seeking inpatient medical rehabilitation services per month.

Figure 3. Occupancy of Medical Rehabilitation Beds, PD 8



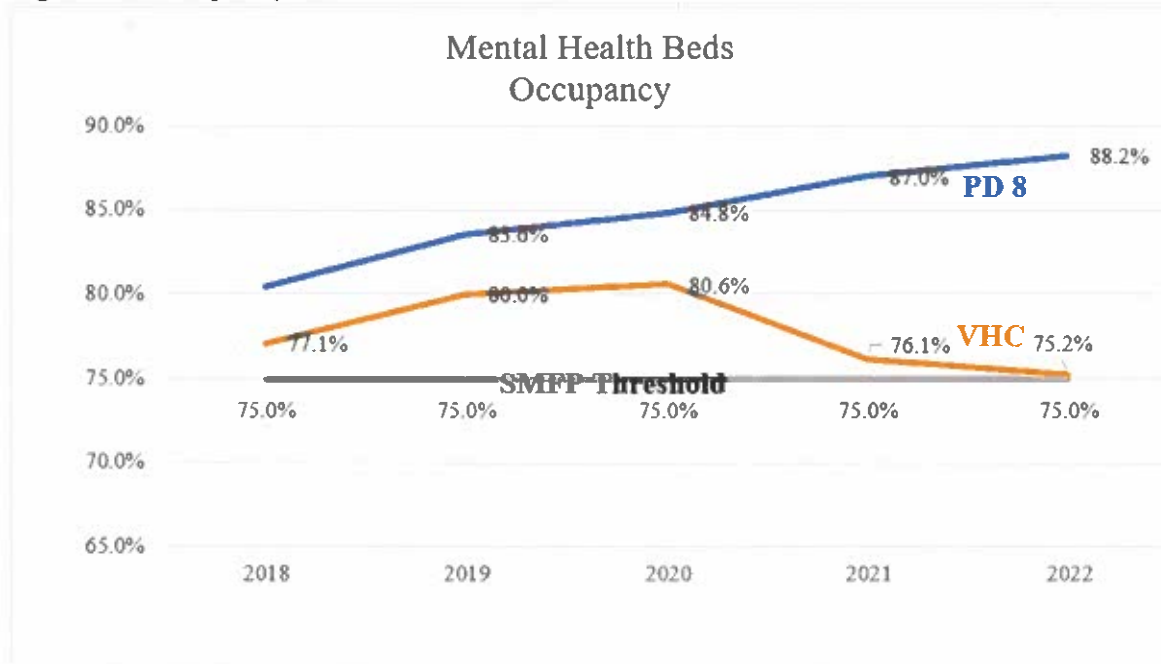
Source: VHI

Mental Health

On December 14, 2022, Governor Glenn Youngkin announced his three-year transformational behavioral health plan “Right Help, Right Now.” Governor Youngkin stated, “We are facing a behavioral health crisis across Virginia and the United States. This crisis is present throughout

our society, at home, in schools and in the workplace.” The issue of access to mental health resources is not unique to PD 8. In addition, mental health access is not limited to inpatient services, and the proposed project enables the provision of access to the spectrum of outpatient, IOP, PHP and inpatient mental health services.

Figure 4. Occupancy of Mental Health Beds, PD 8⁵



Source: VHI

Occupancy of mental health beds in PD 8 (and VHC’s occupancy, individually) has been over the SMFP threshold of 75% for the last five years for which such data are available, 2018 – 2022 (Figure 4). Although the proposed Wellness Hospital is a new facility, it is 2.4 miles from VHC and well within VHC’s primary service area. It is reasonable to assume that the mental health beds transferred from VHC would be similarly highly utilized. The facility had to refer 516 mental health patients to other facilities due to lack of appropriate beds during the 12 months ending in June 2020, 269 of these were patients under temporary detention orders (TDOs). The number referred due to lack of appropriate beds increased to 625 patients (329 TDOs) during the same period ending in 2021. VHC has seen a 54% increase in mental health-related emergency department visits compared to 2020. These are clear indicators of growth in demand for mental health services. VHC has no formal agreement with the local CSB, but the applicants state that it routinely accepts referrals of patients on TDOs, as will the Wellness Hospital.

⁵ PD 8 annual occupancies were calculated with an estimate of North Spring Behavioral Healthcare’s patient days in inpatient psychiatric beds, exclusive of residential beds. This estimate used the PD 8 occupancy, absent all of North Spring’s patient days, and then re-applied that average occupancy to North Spring’s 40 inpatient psychiatric beds.

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 the President of VHC Health's Medical Staff and 20 letters of support for the proposed project from Arlington's County Manager, Chief and Deputy Chief of Police, Superintendent of Schools, Partnership for Children, Youth and Families, Free Clinic, Community Services Board (CSB) leadership and members, Mental Health and Disability Alliance, Commission on Aging, Virginia State Senator Favola, Virginia Delegate Hope, five stakeholder members of VHC's working group for the project, the chair of the joint working group of the Glencarlyn, Forest Glen and Arlington Mill Civic Association, a volunteer of the park adjoining the proposed site, the Northern Virginia branch of the National Alliance on Mental Illness, Virginians Organized for Interfaith Community Engagement and the Northern Virginia Regional Projects Office. These letters, in aggregate, expressed the following:

- VHC operates an acute care hospital in Arlington, the only non-profit hospital not affiliated with a larger system in Northern Virginia.
- It has the only hospital-based mental health unit in Arlington County.
- The VHC medical staff endorses the project.
- The project will support the medical staff's commitment to ensuring high-quality care.
- VHC's 40 licensed behavioral health beds exceed the SMFP's occupancy threshold of 75%.
- For years the state psychiatric hospital system, designed as a safety net, has operated at utilization levels well above what is considered safe for inpatient units.
- The ongoing crisis at the state psychiatric hospitals makes it imperative that community hospitals take on a larger share of providing necessary mental health services for the community.
- In Northern Virginia 92% of TDOs were placed in private hospitals and VHC saw an increase of 11% in those.
- There are significant limitations associated with operating a relatively small number of psychiatric beds, due to co-rooming.
- VHC's previous request for 16 inpatient psychiatric beds were based on pre-COVID numbers, which have spiked in its aftermath.
- The methodology used in this previous request utilized unmet demand for beds for involuntary admissions and now data are available on unmet demand for voluntary admissions.
- Due to the shortage of state psychiatric beds and the "bed of last resort" law, voluntary admissions are turned away to treat court-ordered patients.
- It is estimated that 14% of people aged 60 or older live with a mental health concern.
- A 14-bed unit for medically compromised older adults with behavioral health issues is planned for the main campus.
- VHC's placement of the new hospital in South Arlington will ensure more equitable access for communities of color.
- Beds to treat substance users are in very short supply, particularly those for adolescents.

- Untreated mental health conditions lead to functional impairment, reduced productivity, impacts on relationships and social functioning, fueling crime, domestic abuse and other violence.
- Substance abuse further compounds these issues and can lead to impacts on employment, education and overall community health.
- These detrimental impacts increase involvement and risk to law enforcement.
- Patients experience extensive delays for mental health services before a bed at a different facility can be located.
- Many mental health patients are boarded in VHC's emergency department for several days before transfer.
- Across Northern Virginia this year so far
 - 1,278 individuals were psychiatrically boarded in an emergency room for greater than 8 hours because a bed could not be found.
 - 1,072 patients were boarded between 8 hours and 2 days
 - 169 boarded for 3-5 days
 - 37 boarded for 6 days or longer.
 - Sometimes TDOs expire before a bed is found and patients deemed a danger to themselves or others must be released from custody
- The demand for mental health-related emergency department visits is on the rise and contributes to overcrowding of beds in the emergency department, long wait lists, fragmented care, poor patient outcomes and poor community health.
- Transfers can be cumbersome and increase the burden on patients and their families.
- The proposed project will enable an elevated level of family support which is critical to recovery, and the coordination of behavioral health and educational services will be simpler.
- Throughout waits and transfers, patients on TDOs must remain in the custody of law enforcement, creating a burden on those resources.
- Mental health patients admitted outside of their community experience additional challenges and these situations can cause extremely detrimental outcomes.
- Some letters express personal experiences of being turned away for inpatient psychiatric beds.
- One patient was turned away from VHC twice for lack of an appropriate psychiatric bed and her mother wrote of her suicide after failing to receive appropriate, local care.
- VHC has participated in mental health care planning with Arlington County's Police Department, government officials, Department of Human Services and the CSBs.
- Arlington CSB has worked closely with VHC for seven years; a VHC Behavioral Health Stakeholder Group was established and meets almost monthly to discuss trends, therapeutic design and needs.
- Patients seeking VHC's services need more timely and efficient care in their own community.
- Families have had to wait until loved ones are in an emergency situation before they get help due to gaps in care.
- The proposed project will fill some of the critical gaps by providing additional beds and linking them to IOPs and PHPs for adults and adolescents.
- Services (at the Wellness Hospital) will be tied to mental health services provided by the county and strengthen the community network and support.

- There are very limited options for youth to get the help they need; 50% of youth on TDOs end up in hospitals out of the area and far from their families.
- 25% of individuals served at the Arlington CSB's Crisis Intervention Center are minors who have no place to get the care they need after a crisis.
- There are virtually no options in Virginia for youth who need to withdraw from opioids.
- The number of suicide risk assessments completed in Arlington Public Schools increased 70% since 2020 (to 5,068) with 91 individuals identified as having suicidal ideation and a plan during the last school year; two teens were lost to fatal overdoses.
- VHC is prioritizing the development of a substance use IOP for adolescents and plans to add a mental health IOP for youth as well as IOPs for adults.
- There has been a reduction in beds at Virginia's only state children's psychiatric hospital.
- The current VHC facility is landlocked and maxed out on density under applicable zoning rules.
- The only feasible approach to meeting long-identified needs is a second hospital in Arlington county for mental health beds (to include child and adolescent psychiatric services) and medical rehabilitation.
- The 96 mental health beds outlined in the COPN are comprised of
 - 24 adult behavioral health beds
 - 36 adult substance use beds
 - 24 adolescent behavioral health beds
 - 12 adolescent substance use beds
 - 14 beds to remain at VHC to treat adults with co-occurring behavioral health and physical needs.
- VHC is making efforts to minimize costs and maximize efficiencies and economies of scale by co-locating mental health and medical rehabilitation services.
- VHC's 20 medical rehabilitation beds are overutilized, similarly to its mental health beds.
- The proposed hospital will satisfy VHC's institutional need for additional bed capacity which cannot be accommodated within the existing hospital or on its crowded campus.
- The proposed new hospital will allow VHC to develop its mental health and rehabilitation services and implement a full range of complementary outpatient services—a critical need for Arlington residents.
- It will reduce admission times, improve post-discharge care and decrease the number of law enforcement calls.
- The proposal makes excellent use of the Carlin Springs site, incorporating green space into the design, which will benefit patients.
- The applicants are to be commended on their intended use of the natural environment of the surrounding area to enhance the facility, and its focus on biophilic design.
- The applicants exhibited a “commendable willingness to engage with the community” and listen to thoughts on the proposed facility.
- The Arlington community is suffering unnecessarily and the situation is not sustainable.
- We have heard from youth and parents about the grief and fear they experience every day. The services proposed at VHC are a necessary piece to addressing the crisis.
- The proposed project is not only critical to patients who desperately need appropriate behavioral health services, but to the entire community.

DCOPN also received a letter from the director of the Mid-Atlantic Laborers-Employers Cooperation Education & Trust including comments representing 7,000 members in the Philadelphia, Baltimore and Washington, D.C. metropolitan areas, including thousands in Virginia. The letter requests that the Commissioner consider the local socioeconomic impact of the proposed facility and anticipates a positive impact, employing contractors in the area. It contemplates a potentially negative impact if compensation levels for workers on such a large project are significantly lower than prevailing area pay. The group requests that the Commissioner require VHC Health to provide data to assess impacts on local construction-related workers.

Public Hearing

DCOPN provided notice to the public regarding this project and invited public comment on February 9, 2024. The applicants agreed to extend the public comment period until April 22, consistent with the public hearing. HSANV held the public hearing for the proposed project on April 22, 2024. The proposed project was presented by Adrian Stanton, Vice President, VHC Health, Melody Dickerson, RN, Chief Nursing Officer, VHC Health, and Jamie Martin, Counsel, VHC Health. Four representatives of local mental health service interest groups spoke from the public in support of the application: Deborah Warren, Executive Director, Arlington County Community Services Board (CSB), Wendy Crawford, Chairperson, Arlington County CSB, Steven Gallagher, Arlington County CSB Mental Health Stakeholders Group, and Lizabeth Schuch, Wellness & Recovery Manager, Behavioral Healthcare, Arlington County DH. They stressed the benefits of serving locally those with mental health needs as quickly as possible and the need for a sizable increase in mental health beds to effectively meet the community's needs.

On April 1, 2024, DCOPN sent a summary of the proposed project to the Department of Behavioral Health and Developmental Services (DBHDS) for review and has received no comments in response. 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.

There appears to be no reasonable alternative to the proposed facility that would meet the needs of the population in a less costly, more efficient or more effective manner. Not only are VHC's inpatient psychiatric and medical rehabilitation beds highly utilized, but it is turning away patients due to lack of appropriate beds. Letters of support describe dire need for additional mental health services in the area, and co-locating these services with medical rehabilitation services will increase efficiencies of operation. VHC's current facility is out of space and landlocked, unable to expand in place. For these reasons, the proposed project is more beneficial than the status quo.

(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.

The HSANV Board of Directors reviewed at its April 22, 2024, meeting the COPN application filed by VHC Health and South Arlington, LLC (COPN Request VA-8744) that seeks

authorization to establish a hospital for the provision of medical rehabilitation and mental health services. The Board voted unanimously (thirteen in favor) to recommend approval of the application.

The Board based the recommendation on its review of the application, on the HSANV staff report on the proposal, on the testimony and evidence presented at the April 22, 2024 public hearing and the Board of Directors meeting held on the application, and on several basic findings and conclusions, including:

1. There is an evident public need for additional inpatient capacity for the services VHC Health would establish in south Arlington. The Virginia State Medical Facilities Plan (SMFP) regional bed need algorithm suggests a need for nine acute care psychiatric beds and nine medical rehabilitation beds within the next five to six years.
2. The SMFP methodology does not give sufficient weight to the recent increases in local mental health and medical rehabilitation use rates.
3. A frequently used alternate service need projection method, linear regression of service volumes, suggests a much greater need, approximately 100 additional beds for each service by 2030. Though informative and useful, under current circumstances this method may give too much weight to recent spikes in demand and use rates.
4. The net additional capacity proposed by VHC Health, 30 medical rehabilitation beds and 54 psychiatric beds, is within these boundary estimates.
5. The project is generally consistent with evolving state policy to improve access to mental health services statewide and, thereby, to reduce demand at overburdened state mental hospitals.
6. There is broad community support for the application among clinicians, local officials, and community service organizations. The Arlington County government and the Arlington County Community Services Board endorse the proposal. There is no known opposition.
7. Projected capital costs are reasonable, within the range seen for similar projects locally and statewide.
8. The project is generally consistent with the applicable public need provisions of Virginia State Medical Facilities Plan (SMFP), and the principles and policies on which it is grounded.

(iv) Any costs and benefits of the project.

Total projected capital costs of the proposed project are \$161,643,233, funded entirely with accumulated reserves, so there are no financing costs involved in the proposed project. Though costs for general hospital projects vary greatly, a comparison of cost per bed for several recently approved projects indicates projected costs for the proposed project are reasonable. For example, COPN No. VA-04793 authorized a 192-bed hospital at \$5.4 million per bed; COPN No. VA-04832 authorized a 120-bed hospital at \$7.2 million per bed. These two projects offer more comprehensive acute care services than the proposed project; however, COPN No. VA-04835 authorized a 50-bed hospital strictly for medical rehabilitation services hospital at \$1.5 million per bed. The proposed project for a 146-bed hospital offering medical rehabilitation and mental health beds is estimated at

\$1.1 million per bed. VHC Health will forego the project previously authorized by COPN No. VA-04773 to add 16 mental health beds at VHC (saving approximately \$7 million in renovation costs).

The applicant and letters of support have described benefits to the proposed project, primarily that it addresses barriers to access to medical rehabilitation and mental health services. The shortage of beds for medical rehabilitation is evidenced by PD 8's and VHC's maintaining high utilization of medical rehabilitation beds and VHC's history of turning patients away due to lack of beds. Access issues in the mental health arena appear to be far more dire, also experiencing high utilization and also causing voluntary patients and involuntary patients (on TDOs) to board in emergency rooms for days, and often access care at distant facilities.

Involuntarily admitted mental health patients constitute a threat to themselves or others in the community and require the involvement of law enforcement. When seeking care, patients on TDOs must be accompanied by law enforcement officers that are not able to perform other duties, diverting these resources from other needs in the community. The proposed project will enable the provision of a full spectrum of inpatient and outpatient medical rehabilitation and mental health services, including outpatient therapy, IOP, PHP and inpatient care. Patients will have local and faster access to care saving health care and law enforcement resources and providing access to more options for the most appropriate care for voluntary and involuntary patients. The proposal will add services specific to adolescents, a population with even fewer resources to address mental health and substance use. Co-locating medical rehabilitation with mental health services creates synergies and efficiencies in operation, improving the financial sustainability of the Wellness Hospital.

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

The Wellness Hospital will treat all patients regardless of their ability to pay for services or of their payor source. VHC, which will own the proposed Wellness Hospital, provided charity care in the amount of 1.9% in 2021, the latest year for which such data are available. This is less than the HPR II average of 2.6% (Table 6). In accordance with section 32.1-102.4.B of the Code of Virginia, should the proposed project receive approval, it would receive a charity condition. In their proforma shown at Table 10, the applicants proffer a charity care percentage of 3%, consistent with VHC's systemwide charity condition. 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 II Charity Care Contributions: 2021

Hospital	Gross Patient Revenues	Adjusted Charity Care Contribution	Percent of Gross Patient Revenue:
Inova Alexandria Hospital	\$1,099,098,713	\$48,200,302	4.39%
Inova Mount Vernon Hospital	\$586,328,215	\$23,515,873	4.01%
Encompass Health Rehab Hospital of Northern Virginia	\$44,352,947	\$1,727,170	3.89%
Inova Loudoun Hospital	\$1,063,559,182	\$34,808,182	3.27%
Inova Fairfax Hospital	\$4,579,299,978	\$143,761,495	3.14%
UVA Health Prince William Medical Center	\$620,916,889	\$19,226,771	3.10%
Inova Fair Oaks Hospital	\$756,218,384	\$23,149,143	3.06%
Sentara Northern Virginia Medical Center	\$943,730,551	\$25,008,347	2.65%
Virginia Hospital Center	\$1,828,402,362	\$35,153,100	1.92%
UVA Health Haymarket Medical Center	\$334,178,317	\$3,397,874	1.02%
Dominion Hospital	\$173,930,124	\$1,370,987	0.79%
Reston Hospital Center	\$1,743,343,281	\$11,983,844	0.69%
StoneSprings Hospital Center	\$352,270,979	\$1,575,166	3.60%
North Spring Behavioral Healthcare	\$65,581,626	\$215,233	0.33%
Total Inpatient Hospitals:			14
HPR II Inpatient Hospital Median			3.08%
HPR II Total Inpatient \$ & Mean %	\$14,191,211,548	\$373,093,487	2.63%

Source: VHI (2021)

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

On December 14, 2022, Governor Glenn Youngkin announced his three-year transformational behavioral health plan “Right Help, Right Now.” Governor Youngkin stated, “We are facing a behavioral health crisis across Virginia and the United States. This crisis is present throughout our society, at home, in schools and in the workplace.”

The six pillars of “Right Help, Right Now are:

1. Strive to ensure same-day care for individuals experiencing behavioral health crises.
2. Relieve the law enforcement community’s burden and reduce the criminalization of mental health.
3. Develop more capacity throughout the system, going beyond hospitals, especially community-based services.
4. Provide targeted support for substance use disorder and efforts to prevent overdose.
5. Make the behavioral health workforce a priority, particularly in underserved communities.

6. Identify service innovations and best practices in pre-crisis prevention services, crisis care, post-crisis recovery and support and develop tangible and achievable means to close capacity gaps.

The proposed project is consistent with this state-wide plan and lists as specific resources and benefits several items that will contribute to these pillars within PD 8. It will reduce wait times for care; relieve local law enforcement from escorting patients great distances and/or waiting lengthy periods with patients under TDOs; develop capacity in the continuum of mental health services; provide programs specifically to support substance use disorders; and help to close capacity gaps.

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 bed expansion or relocation and medical rehabilitation and psychiatric services. They are as follows:

12VAC5-230-570. Expansion or relocation of services.

A. Proposals to relocate beds to a location not contiguous to the existing site should be approved only when:

1. Off-site replacement is necessary to correct life safety or building code deficiencies;

Aside from the space constraints that prohibit the addition of bed capacity in place, the applicants state that the building that houses the mental health and medical rehabilitation units is the oldest building on VHC's campus. It was constructed in 1957 and does have age associated deficiencies, including structural deficiencies and design issues. Additionally, other buildings have been attached to this one over time, making it impossible to renovate, remodel or replace the building without disrupting many other services on campus.

2. The population currently served by the beds to be moved will have reasonable access to the beds at the new site, or to neighboring inpatient facilities;

The proposed Wellness Hospital is 2.4 miles and 10 minutes away from VHC's campus, within its primary service area. Access to the building will be easier than navigating access to the services where they currently exist.

3. The number of beds to be moved off-site is taken out of service at the existing facility;

The applicants assert that the beds relocated to the proposed Wellness Hospital will be taken out of service at VHC. Fourteen mental health beds will remain at VHC (as described in the Proposed Project section of this report) and no medical rehabilitation beds will remain at VHC.

4. The off-site replacement of beds results in:

- a. A decrease in the licensed bed capacity;**
- b. A substantial cost savings, cost avoidance, or consolidation of underutilized facilities; or**
- c. Generally improved operating efficiency in the applicant's facility or facilities; and**

The purpose of the project is an increase in bed capacity to improve access, as the current bed complement and configuration are inadequate to meet demand for essential services. It will not decrease licensed bed capacity. The proposal will allow the applicants to avoid the costs of the previously approved COPN No. VA-04773 to add 16 mental health beds at VHC (saving approximately \$7 million in renovation costs). The new facility will be able to provide much enhanced services as well as improved operational efficiency.

5. The relocation results in improved distribution of existing resources to meet community needs.

Due to the need to expand access, the relocated beds, combined with additional beds at the proposed Wellness Hospital will result in an improved distribution of beds. There is no space on the VHC campus to accommodate the needed services in their current location.

B. Proposals to relocate beds within a health planning district where underutilized beds are within 30 minutes driving time one way under normal conditions of the site of the proposed relocation should be approved only when the applicant can demonstrate that the proposed relocation will not materially harm existing providers.

None of the existing providers of inpatient medical rehabilitation in PD 8 had underutilized medical rehabilitation beds as reported to VHI in 2022 (Table 1). Of PD 8 inpatient mental health providers, only UVA Prince William Hospital had underutilized mental health beds in 2022. This was due to renovations that year and the lower occupancy was expected to be temporary (Table 1). Underutilization at UVA Prince William is inapplicable, as it is 45 minutes from the proposed Wellness Hospital, outside of the 30-minute driving time used in this section.

VHC cannot accommodate the demand for medical rehabilitation and mental health services, and routinely turns away patients due to lack of beds. VHC cannot build additional beds on its campus due to space constraints and seeks to establish the proposed Wellness Hospital in close proximity to serve the patients currently seeking services at VHC. The proposal is not likely to impact existing providers, but instead will decrease or eliminate the number of patients it has been turning away.

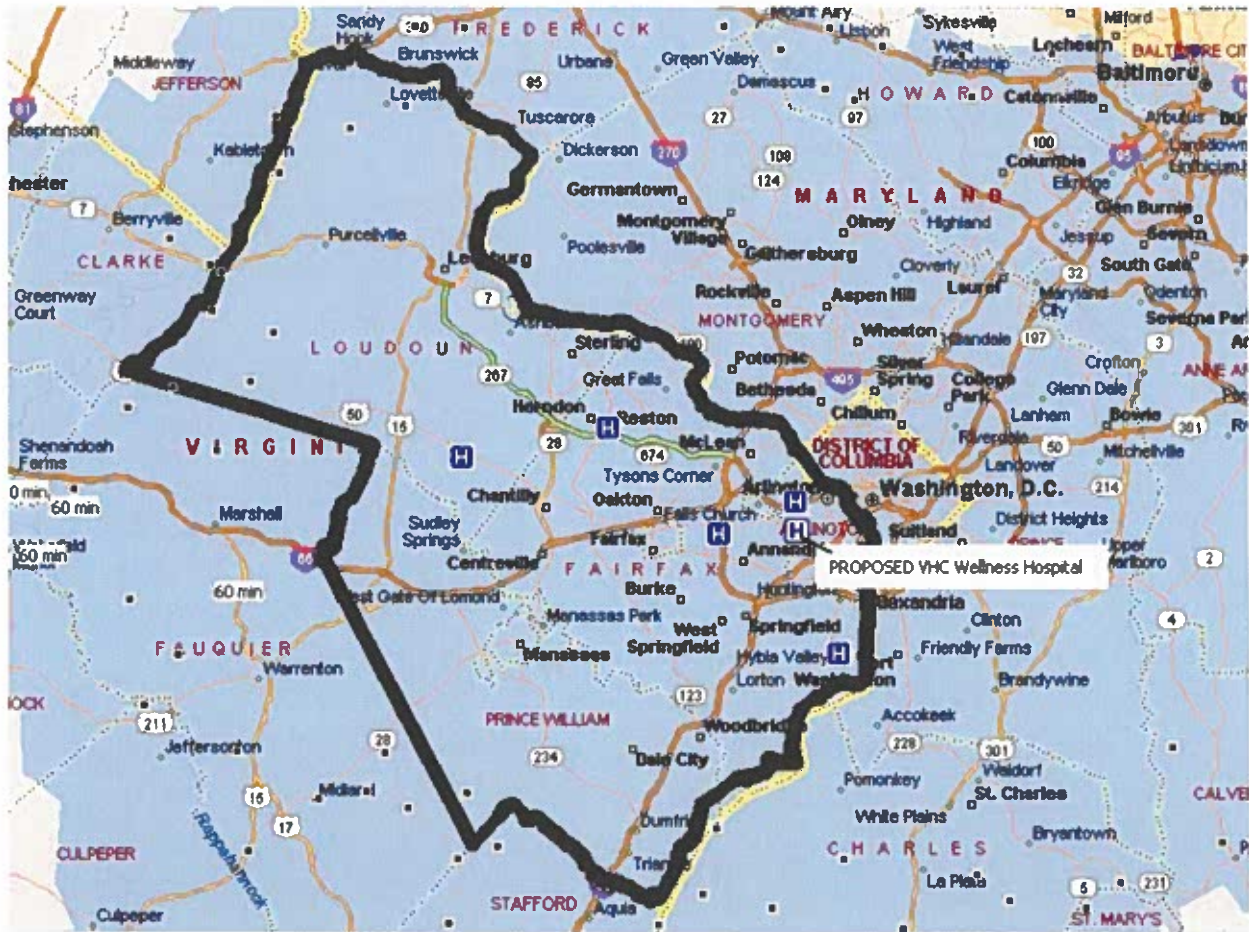
Part XI
Medical Rehabilitation

12VAC5-230-800. Travel time.

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

The heavy dark line in **Figure 4** is the boundary of PD 8. The blue background “H” symbols mark the location of existing medical rehabilitation beds. The white background “H” marks the location of the proposed project. The blue shaded area is the area within 60 minutes driving-time one-way under normal traffic conditions of existing medical rehabilitation services in PD 8. The entirety of the population of PD 8 is within one hour of medical rehabilitation services. The proposed project will not increase geographic access since it is close to an existing provider.

Figure 4. PD 8 Inpatient Medical Rehabilitation Facilities



12VAC5-230-810. Need for new service.

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

$$\frac{((UR \times PROPOP) / 365)}$$

0.80

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.

VHC and South Arlington, LLC are not proposing a new service, but the relocation of beds to a new hospital and the addition of beds. For the sake of completeness, the number of medical rehabilitation beds needed in PD 8 is calculated as follows:

Table 7. Medical Rehabilitation Bed Need Calculation, PD 8

	2018	2019	2020	2021	2022	TOTAL 2018-2022	2029
Medical Rehabilitation Patient Days	47,484	52,913	55,412	60,457	60,916	277,182	
Population	2,500,897	2,538,557	2,550,377	2,578,238	2,606,100	12,774,169	2,801,129
5-Year Utilization Rate	<i>5 Yr Total Days / 5 Yr Total Population</i>					0.022	0.022
Projected Patient Days in 5 Years	<i>Utilization Rate x Projected Population in 5 Yrs</i>						60,781
Medical Rehabilitation Beds Needed in 5 Years (80% occupancy)	<i>(Projected Patient Days / 365 Days) / .80</i>						208
						Current Authorized Medical Rehab Beds:	222

Sources: VHI and Weldon Cooper Center for Public Service. August 2023

Surplus
14

Medical rehabilitation beds have been authorized since the latest VHI report at Reston Hospital Center (28 minutes from the proposed Wellness Hospital) and Encompass Health Rehab Hospital of Northern Virginia (45 minutes away) (Table 3). These additions, totaling 32 beds, were both granted based on institutional need at each of the two facilities. These added beds account for the calculated surplus of 14 medical rehabilitation beds in PD 8.

- 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 proposed Wellness Hospital will be designed for patients with neurological conditions including stroke, acquired brain injury, traumatic and non-traumatic spinal cord injuries, multiple sclerosis, and Parkinson's as well as other rehabilitation conditions. Cutting edge rehabilitation equipment will be provided. The applicants do not argue a new specialty will be provided. VHC, from where beds are proposed to relocate, is routinely turning away patients, which indicates a need for beds in the Arlington area.

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.

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

Medical Rehabilitation beds in PD 8 have maintained an average occupancy above the SMFP threshold of 80% for three years (**Figure 3**). VHC is independent of a health system and its beds, exclusive of medical rehabilitation and mental health beds, had an occupancy of 75% in 2022 (**Table 8**), so no medical surgical beds are available to convert to medical rehabilitation. The proposed Wellness Hospital will be under the direction or supervision of qualified physicians.

Table 8. VHC's Bed Utilization

Class	Licensed Beds	Licensed Bed Available Days	Patient Days	Occupancy
Adult ICU	40	14,235	7,082	50%
Med/Surg	266	98,915	83,039	84%
Obstetric	58	20,805	11,765	57%
Pediatric	13	2,190	79	4%
Source: VHI 2022		136,145	101,965	75%

Part XII. Mental Health Services

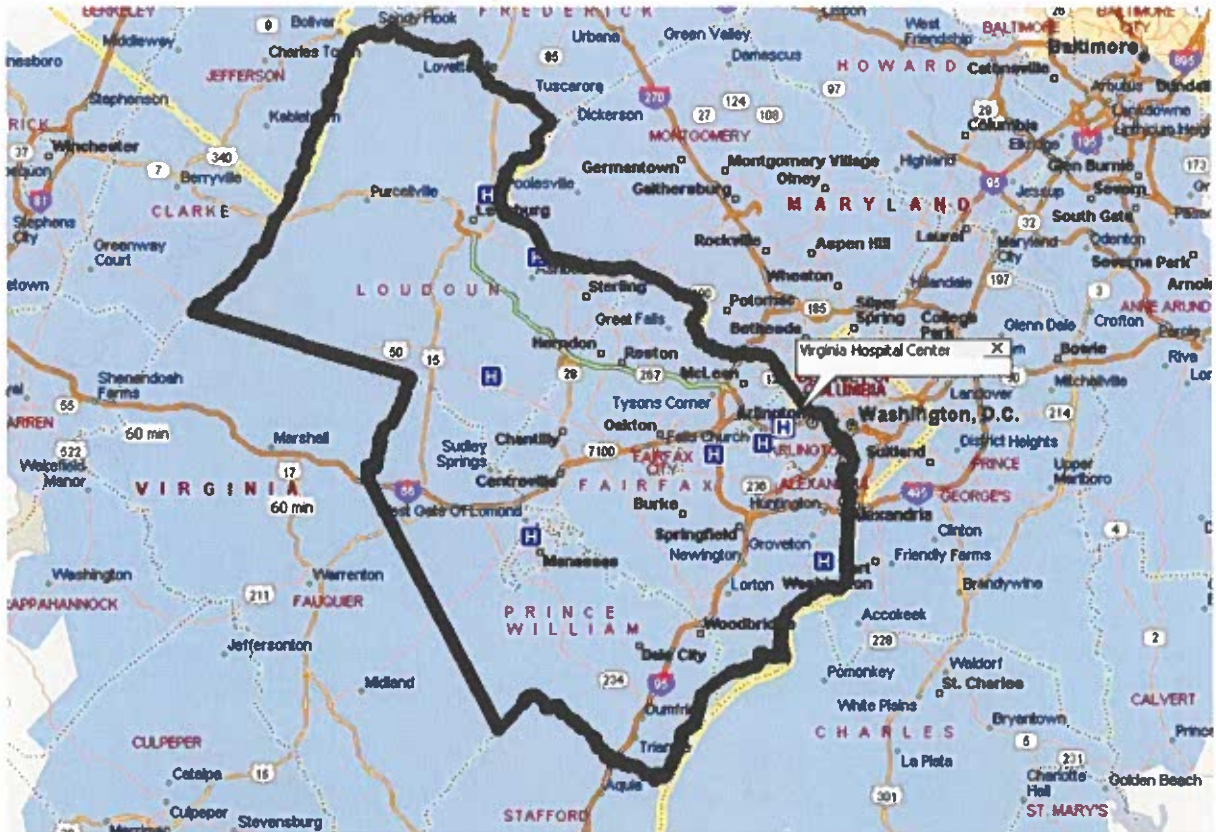
Article 1. Acute Psychiatric and Acute Substance Abuse Disorder Treatment Services

12VAC5-230-840. Travel Time.

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

The heavy dark line in **Figure 5** is the boundary of PD 8. The blue background “H” symbols mark the location of existing inpatient psychiatric beds. The white background “H” marks the location of the proposed project. The blue shaded area is the area within 60 minutes driving-time one-way under normal traffic conditions of existing inpatient psychiatric and substance abuse services in PD 8. The entirety of the population of PD 8 is within one hour of psychiatric and substance abuse treatment services. The proposed project will not increase geographic access since it is close to an existing provider.

Figure 5. PD 8 Inpatient Psychiatric and Substance Abuse Treatment Facilities



12VAC5-230-850. Continuity; Integration.

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

- 1. The minimum number of unreimbursed patient days to be provided to indigent patients who are not Medicaid recipients;**
- 2. The minimum number of Medicaid-reimbursed patient days to be provided, unless the existing or proposed facility is ineligible for Medicaid participation;**
- 3. The minimum number of unreimbursed patient days to be provided to local community services boards; and**
- 4. A description of the methods to be utilized in implementing the indigent patient service plan and assuring the provision of the projected levels of unreimbursed and Medicaid-reimbursed patient days.**

The applicants describe a generous policy, mirroring VHC's, to ensure acute inpatient psychiatric services are financially available to all patients of the Wellness Hospital, including uninsured, underinsured, and indigent patients. Under that policy, services needed by uninsured patients with incomes at or below 200% of the federal poverty guidelines are provided acute psychiatric inpatient services free of charge. VHC also offers discounts for all medically necessary care for all uninsured (self-pay) patients who do not qualify for free care under its financial assistance policy, and offers flexible payment plans for all patients. Medicaid and Emergency Medicaid coverage is available for many low-income patients who might not otherwise qualify for charity care. The applicants project that 45% of the Wellness Hospital's inpatient mental health discharges will be Medicaid and 3.5% will be unreimbursed by Medicaid, Medicare or commercial insurance plans.

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

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

- 1. Specify the number of patient days that will be provided to the community service board;**
- 2. Describe the mechanisms to monitor compliance with charity care provisions;**

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

4. Consider admission priorities based on relative medical necessity.

DCOPN received letters of enthusiastic support from the area CSB and several of its members for the proposed project. The applicants have asserted that the Wellness Hospital will coordinate with CSBs and other area mental health providers and advocate to help meet the mental health needs in the area, as VHC does. The applicants state that VHC has no formal agreement with the local CSB, but it routinely accepts referrals of patients on TDOs, as will the Wellness Hospital.

DCOPN notes that few existing psychiatric facilities meet the criteria and standards set forth in 12VAC5-230-850 and it has not been addressed by DCOPN in recent reviews as a reason to deny proposed projects.

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

Though the applicant is not proposing to establish a satellite outpatient facility, the proposed general hospital facility will improve access and provide an expanded and comprehensive spectrum of outpatient services, to include adolescent IOP services, adult IOP services, adult recovery and wellness IOP services, as well as PHP services.

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

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

$$((UR \times PROPOP)/365)/.75$$

Where:

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

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

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

currently staffed and cannot be staffed for acute psychiatric or substance abuse disorder patient admissions within 24 hours.

VHC and South Arlington, LLC are not proposing a new service, but the relocation of an existing service and the addition of beds. For the sake of completeness, the number of mental health beds needed in PD 8 is calculated as follows:

Table 9. Mental Health Bed Need Calculation, PD 8

	2018	2019	2020	2021	2022	TOTAL 2018-2022	2029
Mental Health Patient Days⁶	88,943	97,911	98,914	106,381	103,408	495,557	
Population	2,500,897	2,538,557	2,550,377	2,578,238	2,606,100	12,774,169	2,801,129
5-Year Utilization Rate	<i>5 Yr Total Days / 5 Yr Total Population</i>					0.039	0.039
Projected Patient Days in 5 Years	<i>Utilization Rate x Projected Population in 5 Yrs</i>						108,666
Mental Health Beds Needed in 5 Years (75% occupancy)	<i>(Projected Patient Days / 365 Days) / .75</i>						397
						Current Authorized Mental Health Beds:	414
						Surplus	17

Sources: VHI and Weldon Cooper Center for Public Service, August 2023

Based on the formula above, DCOPN calculates a surplus of 17 mental health beds in PD 8. The twenty mental health beds that have been authorized at Inova Mount Vernon Hospital based on institutional need (41 minutes from the proposed Wellness Hospital) since the latest VHI report (Table 3) shifted the calculation from a small bed need to a surplus.

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

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

There is an acknowledged deficit in psychiatric resources across Virginia, such that Governor Youngkin has announced a multi-year plan to address the need. Maldistribution of beds and placement of patients without resources may be contributing factors in long waits for inpatient placements. The calculated surplus of 17 beds is inconsistent with the expressions of psychiatric bed need and wait times described in letters of support from local government, CSB, medical personnel, law enforcement and others living and providing services in the area. Governor

⁶ Mental Health Patient Days include an estimate of North Spring Behavioral Healthcare’s acute care psychiatric beds and elimination of the reported residential patient days.

Youngkin's announcement of a transformational behavioral health plan includes the expansion of mental health resources statewide.

PD 8 psychiatric and substance abuse patients routinely must be placed great distances from their residences. Because the utilization rate is based on patient days associated with patients actually placed in an inpatient bed in PD 8, the placement of patients at distant facilities due to the lack of bed availability impacts the need calculation. It eliminates patient days from the legitimate calculation of the mental health bed utilization rate for the PD 8 population. The prescribed bed need calculation appears to underestimate bed need when patient days have been suppressed historically due to lack of access. Significantly, VHI data do not include state psychiatric facilities, several of which have reported utilization over 100% capacity. Northern Virginia Mental Health Institute reported 99% utilization in 2023, according to a December 2023 report from the Joint Legislative Audit and Review Commission (JLARC)⁷.

A 2021 article on benchmarks for needed psychiatric beds references 2018 Substance Abuse and Mental Health Services Administration (SAMSHA) data. The mean number of mental health beds per 100,000 across the U.S. was 39.0 (31.4 median).⁸ Variation by state ranged from 18.2 beds per 100,000 in Nevada to 126.7 beds per 100,000 in Louisiana. The calculation for PD 8 using its 2029 projected population is 14.8 beds per 100,000 (if no mental health beds are added). With the requested 54 beds, PD 8 would have 16.7 mental health beds per population. At the U.S. median of 31.4 mental health beds per 100,000, PD 8 would have 880 mental health beds, more than twice its current inventory.

DCOPN concludes that the demonstrated wait times, burden on the area's resources and statewide need supersede the calculated bed surplus in PD 8. DCOPN recommends that, in this particular instance, the Commissioner approve the proposed project despite the calculated surplus because the proposed project is more advantageous than the alternative of the status quo.

Though the applicant is not proposing to dedicate the new beds to geriatric patients, the 14-bed unit to remain at VHC will be for patients with mental health and medical comorbidities; therefore, it is likely to care for an older age cohort.

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

It is unlikely the proposed relocation of mental health beds will impact the ability of existing providers to provide historic levels of service to Medicaid or other indigent patients.

⁷ <https://jlarc.virginia.gov/landing-2023-virginias-state-psychiatric-hospitals.asp>

⁸

<https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8625568/#:~:text=In%202018%2C%20the%20mean%20population.the%2025.0%20to%2042.2%20range>

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

$$((UR \times PROPOP)/365)/.75$$

Where:

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

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

Not applicable. Inpatient psychiatric services currently exist in PD 8.

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

The proposed project does not intend to convert general hospital beds. The applicants maintain that the proposed Wellness Hospital will accept persons under TDOs and plans to coordinate with the local CSB to meet needs should the Commissioner approve the project.

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.

Though Inova is the dominant health system in PD 8, it's portions of medical rehabilitation and mental health beds are 44% and 38%, respectively, and several other providers exist such that there is not unhealthy market concentration in medical rehabilitation or mental health care services in PD 8.

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.

VHC is the only hospital in PD 8 not affiliated with a larger health system and currently the only hospital in Arlington County. VHC considers being a critical low-cost provider in PD 8 a part of its mission. The proposed Wellness Hospital, to be owned and run consistently with VHC’s operations, is an effective and efficient means of expanding essential services, currently overutilized across the PD, in a new facility through the relocation of existing beds and addition of new 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 projected capital costs of the proposed project total \$161,643,233, the entirety of which will be funded through accumulated reserves such that no financing costs will accrue. These costs are reasonable for the scope of the project. The pro forma income statement provided (Table 10) projects an excess of revenue over expense of nearly \$3 million in the second year of operation.

Table 10. Proforma VHC and South Arlington Hospital for Behavioral Health and Medical Rehab

	Year 1	Year 2
Gross Revenue	\$ 56,500,859	\$ 93,063,633
Charity Care	\$ 1,695,026	\$ 2,791,909
Bad Debts	\$ 631,361	\$ 1,100,316
Contractual Deductions	\$ 24,611,912	\$ 39,009,957
Net Revenue	\$ 29,562,560	\$ 50,161,451
Expenses	\$ 35,383,208	\$ 47,231,671
Income/Loss	\$ (5,820,648)	\$ 2,929,780

Source: COPN Request No. VA-8744

The applicants have clarified that full staffing for VHC’s current inpatient psychiatric and medical rehabilitation units is 41.9 full-time equivalents (FTEs), of which 2.4 FTEs are vacant. Estimating that 85% of this current staff transfers to the Wellness Hospital, the proposed project will require 263.6 additional FTEs. This is a significant number of additional human resources given statewide (and national) shortages in health care workers. The applicants have cited the strengthening of their retention efforts, cross-training and numerous affiliations with educational and training facilities in Northern Virginia and the District of Columbia, as well as its certification in transitioning new graduate registered nurses through the first 12 months of practice as effective strategies in fulfilling the human resource need.

7. The extent to which the project provides improvements or innovations in the financing and delivery of health services, as demonstrated by: (i) The introduction of new technology that promotes quality, cost effectiveness, or both in the delivery of health care services. (ii) The potential for provision of services on an outpatient basis. (iii) Any cooperative efforts to meet regional health care needs. (iv) At the discretion of the Commissioner, any other factors as may be appropriate.

The proposed Wellness Hospital will not introduce new technology but will improve access to the latest medical rehabilitation equipment for enhanced quality, cost-effectiveness and care outcomes for patients. It will also provide the space necessary to fully implement outpatient mental health programs, including IOPs and PHPs, effective in relapse prevention, continuity of care, access to strong support systems and more convenient integration of services into patients' daily lives. The applicants state that the proposal is a culmination of 10 years of discussions and collaborations with various community stakeholders, including Arlington County officials and governmental agencies, the local CSB, local advocacy groups, community organizations and patients. The Wellness Hospital will collaborate with the local CSB and other agencies to meet the needs of mental health patients and provide care, at CSB request, without regard to reimbursement status of the patient, including patients on TDOs.

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.

VHC is an academic medical center that partners with numerous educational institutions and health care organizations. Its affiliates include Medstar Georgetown University and Medstar Washington Hospital Center, Kaiser Permanente, and Children's National Medical Center. In addition, VHC Health is closely affiliated with numerous educational and training facilities in Northern Virginia and the District of Columbia, including Marymount University, Northern Virginia Community College, George Mason University, Georgetown University, George Washington University, James Madison University, Catholic University, Shenandoah University, Stratford University, and Chamberlain University. Through various programs, VHC hosts clinical rotations for residents in various specialties and regularly receives students and residents for hands-on training at the hospital. The proposed project will enable VHC to expand on its educational training mission by providing medical students with mental health and medical rehabilitation training opportunities in a new facility.

DCOPN Staff Findings and Conclusions

The proposed location of the Wellness Hospital is within a large and fast-growing population of Virginia in VHC's primary service area. Lack of bed availability for both medical rehabilitation and mental health beds in PD 8 is a barrier to access. The proposal seeks to accommodate the demand for medical rehabilitation and mental health services in Arlington that is not adequately served by VHC's complement and configuration of beds and services. VHC is unable to expand in place. The proposed project is not likely to impact existing providers significantly, and it will improve access to essential services in PD 8. The proposal is more beneficial than the status quo.

There is significant community support. In fact, organizations in the Arlington area have participated in the planning of the project and consider it to be critical. There is no known opposition to the proposed project. The HSANV voted unanimously to recommend approval of the

poposed project. The proposal is wholly feasible with regard to capital, financial viability and human resources.

The proposal to establish a hospital for medical rehabilitation and mental health, South Arlington, LLC, is generally consistent with the applicable standards and criteria of the State Medical Facilities Plan and the 8 Required Considerations of the Code of Virginia. The proposal is consistent with Governor Youngkin's "Right Help, Right Now" initiative to improve access to mental health services. The proposed project will improve access for patients, including those on TDOs, and add inpatient and outpatient services specific to adolescents, a population reported to be particularly underserved. It supports the educational training mission of an academic medical center.

DCOPN Staff Recommendations

The Division of Certificate of Public Need recommends conditional approval of Virginia Hospital Center Arlington Health System d/b/a VHC Health & South Arlington, LLC's COPN Request number VA-8744 to establish a hospital for medical rehabilitation and mental health in Arlington, Virginia for the following reasons:

1. The proposed project would improve access to medical rehabilitation and mental health services for a large and fast-growing population of Virginia, addressing high utilization in PD 8.
2. The proposal will add critically needed access for mental health patients with additional barriers to care, including persons on TDOs and the adolescent population.
3. There is strong community involvement and support for the project.
4. No alternatives to the proposed project have been identified, and it is more beneficial than the status quo.
9. The proposal to establish a hospital for medical rehabilitation and mental health, South Arlington, LLC, is generally consistent with the applicable standards and criteria of the State Medical Facilities Plan and the principles and policies on which it is grounded, and the 8 Required Considerations of the Code of Virginia
5. The proposal is consistent with Governor Youngkin's "Right Help, Right Now" initiative.
6. The proposed project is unlikely to have a significant negative impact upon the utilization, costs, or charges of other providers of medical rehabilitation and mental health services in PD 8.
7. It supports the educational training mission of an academic medical center.
8. Projected capital costs of the proposed project appear to be reasonable and it is wholly feasible.

9. The HSANV recommended approval of the proposal.
10. There is no known opposition to the project.

DCOPN's recommendation is contingent upon Virginia Hospital Center Arlington Health System d/b/a VHC Health and South Arlington, LLC's agreement to the following charity care condition:

VA- South Arlington, LLC will provide services to all persons 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 8 in an aggregate amount equal to at least 3.0% of South Arlington, LLC's gross patient revenue, consistent with the Virginia Hospital Center Arlington Health System d/b/a VHC Health's system-wide charity condition originally agreed to in 2014. 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. South Arlington, LLC 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. when it 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.

South Arlington, LLC will provide services to individuals who are eligible for benefits under Title XVIII of the Social Security Act (42 U.S.C. § 1395 et seq.), Title XIX of the Social Security Act (42 U.S.C. § 1396 et seq.), and 10 U.S.C. § 1071 et seq. Additionally, South Arlington, 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.



May 9, 2024

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VIA ELECTRONIC MAIL (erik.bodin@vdh.virginia.gov)

Erik O. Bodin, III
Director, Division of COPN
Virginia Department of Health
9960 Mayland Drive - Suite 401
Henrico, Virginia 23233

**RE: Acceptance of Charity Care Condition
COPN Request No. VA-8744
Virginia Hospital Center Arlington Health System d/b/a VHC Health &
South Arlington, LLC
Establishment of an Acute Care Hospital with 146 Beds (50 Inpatient Medical
Rehabilitation Beds and 96 Behavioral Health Beds) in Planning District 8**

Dear Mr. Bodin:

I write on behalf of Virginia Hospital Center Arlington Health System d/b/a VHC Health and South Arlington, LLC, in follow-up to the staff report issued by the Division of Certificate of Public Need ("DCOPN") on May 6, 2024, regarding the above-referenced Certificate of Public Need application. VHC Health and South Arlington, LLC, appreciate DCOPN's recommendation of conditional approval of the application and are pleased to accept the recommended charity care condition as set forth in the DCOPN staff report.

On behalf of VHC Health and South Arlington, LLC, thank you for DCOPN's diligent review of the project and for the favorable recommendation. As always, please let me know of any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Adrian Stanton'.

Adrian Stanton
Vice President, Real Estate Acquisition and Development
VHC Health

cc: Dean Montgomery, Executive Director, Health Systems Agency of Northern Virginia
Sharon Honaker, Project Analyst, Division of Certificate of Public Need
Jamie Martin, Esquire, Williams Mullen