

# VIRGINIA DEPARTMENT OF HEALTH

## Office of Licensure and Certification

### Division of Certificate of Public Need

#### Staff Analysis

August 19, 2024

**RE: COPN Request No. VA-8764**

Winchester Medical Center

Winchester, Virginia

Relocate 30 medical rehabilitation beds and add 20 medical rehabilitation beds for a 50-bed rehabilitation unit in a new tower

#### Applicant

Winchester Medical Center, Inc. (WMC) is a not-for-profit, Virginia nonstock corporation. It is wholly owned subsidiary of Valley Health System, a nonstock corporation with six hospitals in Virginia and West Virginia. WMC holds the deed to its campus where the proposed medical rehabilitation tower is located, at 1840 Amherst Street in Winchester, Virginia, in Planning District (PD) 7, Health Planning Region (HPR) I.

#### Background

Winchester Rehabilitation Center is located at 333 Cork Street in Winchester, Virginia, and houses WMC's 30 medical rehabilitation beds, 1.7 miles and 6 minutes from WMC's main hospital campus. Thirteen of the existing patient rooms are semi-private and four are private. WMC sold the Winchester Rehabilitation Center building to NB 333 West Cork Street, LLC in 2014, and has since operated the in facility in the same space, leased from this LLC. The applicant states that the Winchester Rehabilitation Center building is more than 70 years old and its current rooms were built in 1956.

**Table 1. PD 7 Medical Rehabilitation Bed Utilization**

Facility Name	Licensed Beds	Staffed Beds	Licensed Bed Available Days	Patient Days	Occupancy Rate per Licensed Bed
Valley Health Winchester Medical Center	30	30	10,950	5,873	53.6%

Source: 2022 VHI



**Proposed Project**

WMC proposes to construct a new tower on its main campus at 1840 Amherst Street in Winchester with just over 98,000 gross square feet, containing inpatient medical rehabilitation beds, public spaces, outpatient clinics, patient, general staff and building support services, material’s management and a skywalk to access parking, all in support of medical rehabilitation services. The proposed project is the relocation of the 30 medical rehabilitation beds from their current location at Winchester Rehabilitation Center to the new tower, and the addition of 20 new beds. The applicant assumes the vacated space 1.7 miles away will be leased to another entity. The new facility will have all private rooms. The cost of the proposed project is \$49,874,000 with an additional \$53,570,202 in bond financing costs for a total of \$103,444,202 in capital and financing costs (Table 2). Should the proposed project be approved, the target date of opening is December 21, 2026.

**Table 2: WMC Medical Rehabilitation Facility, Inpatient Only**

Direct Construction Costs	\$32,400,000
Equipment Not Included in Construction Contract	\$8,552,000
Site Acquisition Costs	\$0
Site Preparation Costs	\$4,896,000
Architectural and Engineering Fees	\$3,543,000
Other Consulting Fees	\$483,000
Industrial Development Authority Revenue & General Bond Financing	\$53,570,202
<b>Total Capital Costs</b>	<b>\$103,444,202</b>

Source: COPN Request No. VA-8764

**Project Definition**

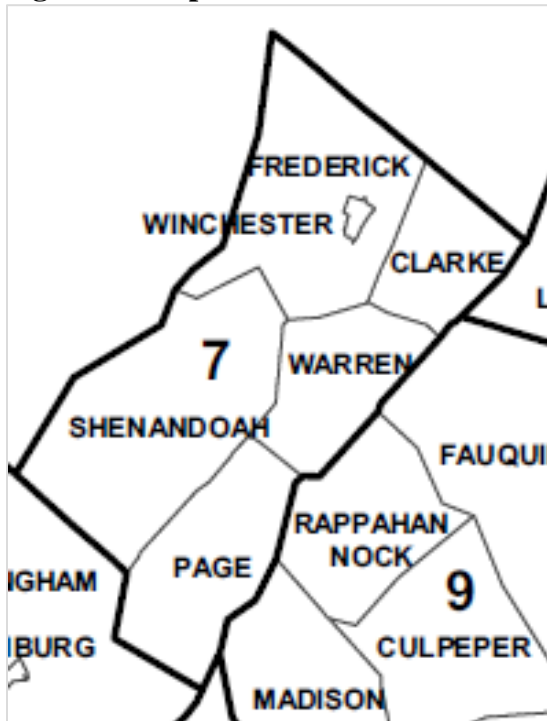
Section 32.1-102.1:3 of the Code of Virginia defines a project, in part, as the “relocation of beds from an existing medical care facility described in subsection A to another existing medical care facility described in subsection A” and “(a)n increase in the total number of beds...in an existing medical care facility described in subsection A. Subsection A includes in “medical care facilities” “any facility licensed as a hospital...”

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

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

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

**Figure 2. Map of PD 7 Localities**



PD 7 is a relatively rural area of Virginia that borders West Virginia to the north. It is expected to have 259,956 people by 2030, 7% more people than it had in 2020 (Table 3). This is a slightly faster growth rate than that of Virginia at 5.8%. The age cohort age 65+, which is most likely to utilize medical rehabilitation services, is expected to grow by 27.5% in PD 7 between 2020 and 2030, again, a slightly higher growth rate than Virginia’s projected growth rate of 26.3% for this age group (Table 3).

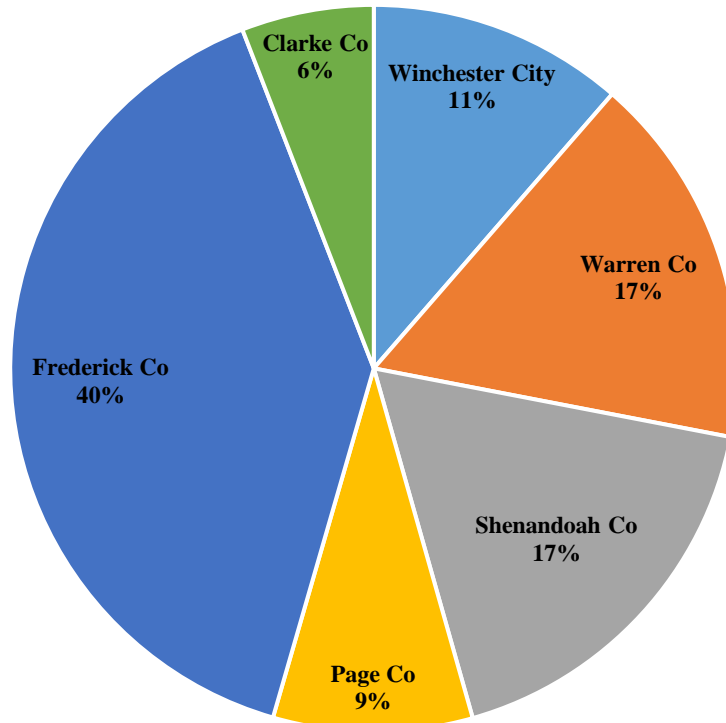
**Table 3. PD 7 Population by County and Percent Change from 2020-2030**

Geography Name	2020	2030	Change 2020 - 2030	% Change 2020-2030	2020 65+	2030 65+	Change 2020 - 2030 65+	% Change 2020-2030 65+
Clarke County	14,783	15,309	526	3.6%	3,248	4,225	977	30.1%
Frederick County	91,419	103,035	11,616	12.7%	16,440	22,438	5,998	36.5%
Page County	23,709	23,041	-668	-2.8%	5,389	6,368	979	18.2%
Shenandoah County	44,186	45,714	1,528	3.5%	9,902	11,523	1,621	16.4%
Warren County	40,727	43,250	2,523	6.2%	6,939	9,162	2,223	32.0%
Winchester City	28,120	29,606	1,486	5.3%	4,696	5,699	1,003	21.4%
<b>PD 7 Totals/Averages</b>	<b>242,944</b>	<b>259,956</b>	<b>17,011</b>	<b>7.0%</b>	<b>46,614</b>	<b>59,414</b>	<b>12,800</b>	<b>27.5%</b>
<i>Virginia</i>	<i>8,631,393</i>	<i>9,129,002</i>	<i>497,609</i>	<i>5.8%</i>	<i>1,395,291</i>	<i>1,762,641</i>	<i>367,350</i>	<i>26.3%</i>

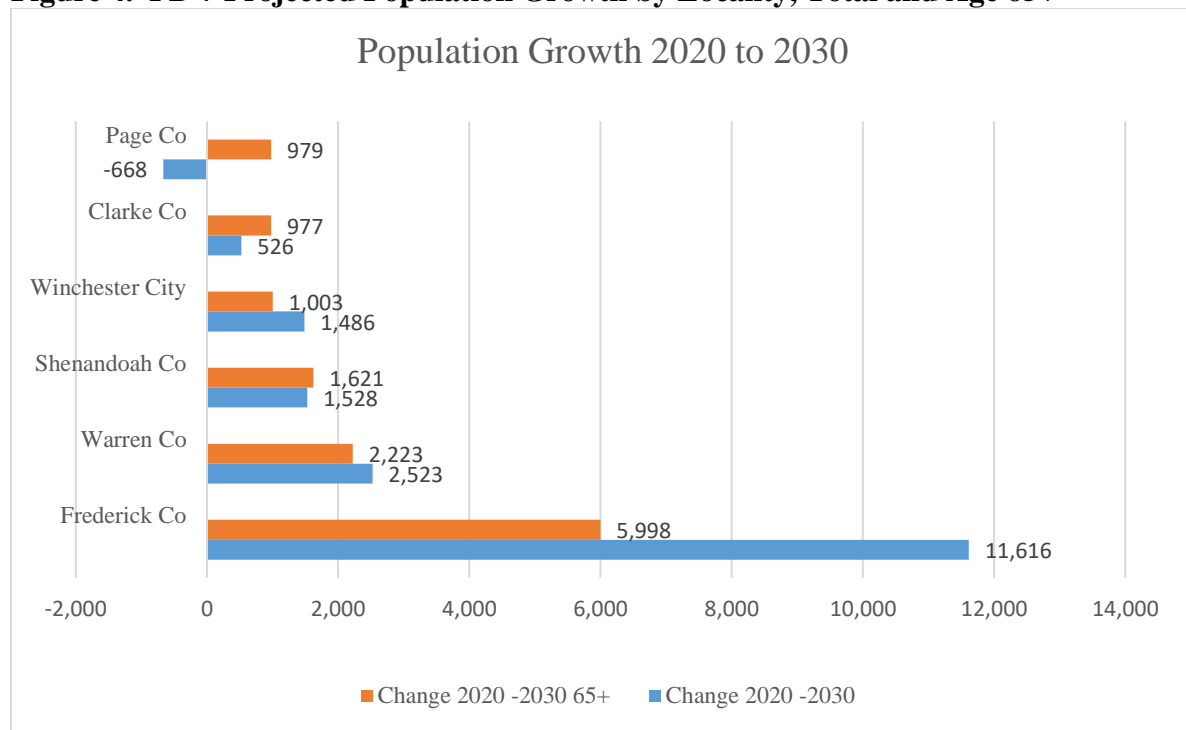
Source: Weldon-Cooper Data from the UVA Weldon Cooper Center for Public Service

Residents of Winchester City, where the proposed project is located, are projected to represent 11% of PD 7's population in 2030 and Frederick County, which surrounds Winchester City (**Figure 2**), is projected to have 40% of PD 7's population in 2030 (**Figure 3**). Projected population growth during the 2020 – 2030 decade by locality is shown in **Table 3 and Figure 4**. Winchester and Frederick will have 13,000 more residents by 2030 than they did in 2020 and 7,000 more people over the age of 65.

**Figure 3. Portion of PD 7 Population by Locality**



**Figure 4. PD 7 Projected Population Growth by Locality, Total and Age 65+**



Regarding socioeconomic barriers, PD 7 has a poverty rate comparable to that of Virginia. Winchester City has the highest poverty rate in PD 7 at 13.3% of its population, but Frederick County’s is far less at 6.6% (Table 4).

**Table 4. PD 7 Poverty Rate by Locality**

Geography Name	Poverty Rate
Clarke County	5.8%
Frederick County	6.6%
Page County	12.3%
Shenandoah County	11.4%
Warren County	10.9%
Winchester City	13.3%
<b>PD 7 Average</b>	<b>10.0%</b>
<b>Virginia, Statewide</b>	<b>10.6%</b>

Source: U.S. Census Bureau, 2018-2022 5-Year ACS Data

WMC is situated at the intersections of Routes 50 and 37 and is easily accessible by Interstate 81 (Figure 5) for patients and visitors who reside in rural areas outside of Winchester City. The topography and two-lane highways that connect these communities to major roadways make travel more difficult and hazardous, especially during inclement weather. A local bus service provided by the City of Winchester offers access to the WMC campus for residents.

**Figure 5. Map of WMC Road Access**



Source: Google Maps

**2. The extent to which the project will meet the needs of the residents of the area to be served, as demonstrated by each of the following:**

**(i) The level of community support for the project demonstrated by citizens, businesses, and governmental leaders representing the area to be served.**

DCOPN received a resolution from WMC’s Medical Staff Executive Committee and twenty-one letters of support for the proposed project from individual physicians as well as local schools and other educators, financial institutions, businesses and local board members. These letters, in aggregate, expressed the following:

- The addition of 20 medical rehabilitation beds will enable the hospital to enhance access to rehabilitation services to patients that WMC serves.
- The addition of medical rehabilitation beds will enable the hospital to improve overall quality of care at WMC for rehabilitation patients.
- It will provide services that better serve the patients in the central location within the community.
- The medical staff at WMC supports the COPN to relocate 30 medical rehabilitation beds and the addition of 20 medical rehabilitation beds.
- There was a marked improvement in patient outcomes since the current medical rehabilitation hospital opened. It will be closing when its lease expires.
- The isolated geography impedes transfer of area inpatient units.
- Moving onto WMC’s campus will provide easier access for patients and staff and further improve patient care.
- WMC is working to meet the needs of the region.
- Building a 50-bed medical rehabilitation tower on its campus will benefit individuals recovering from debilitating health events.
- It will deliver modern and state-of-the-art inpatient medical rehabilitation care.

- The proposal will bring together newest technology and most highly trained staff to meet inpatient medical rehabilitation needs of patients in PD 7 and surrounding communities.

#### Public Hearing

§32.1-102.6B of the Code of Virginia directs DCOPN to hold one public hearing on each application in the case of competing applications; or in response to a written request by an elected local government representative, a member of the General Assembly, the Commissioner, the applicant, or a member of the public. COPN Request No. VA-8764 is not competing with another project and DCOPN did not receive a request to conduct a public hearing for the proposed project. Thus, no public hearing was held.

DCOPN provided notice to the public regarding this project on June 10, 2024, inviting public comment. The public comment period closed on July 25, 2024. Other than the letters of support referenced above, no members of the public commented. There is no known opposition to the project.

#### **(ii) The availability of reasonable alternatives to the proposed service or facility that would meet the needs of the population in a less costly, more efficient, or more effective manner.**

Given the age and deficiencies of the current Winchester Rehabilitation Center Building, the status quo does not meet the needs of the population; however, utilization of WMC's 30 beds currently located there was 53.6% in 2022 and 52.2% in 2023, far below the 80% occupancy threshold to add inpatient capacity set forth in the State Medical Facilities Plan (SMFP) at 12VAC5-230-820 (see further discussion below). It is probable that the deficiencies in the existing facility are hindering the utilization of WMC's existing medical rehabilitation beds and that a new facility designed for current technologies and practices will not only provide the best care for patients but will encourage and enable higher utilization of existing beds.

The applicant asserts that it has entered into a management agreement with consultants at Mary Free Bed Rehabilitation (MFB) and they project that in the interim before the new rehabilitation tower is completed occupancy will increase to 85%, significantly higher than its current utilization. Though MFB's methodology for projecting demand appears reasonable and its assumptions are based on years of experience in multiple markets, WMC has not achieved occupancy to demonstrate an institutional need to add 20 medical rehabilitation beds.

A reasonable alternative to the proposed project is the relocation of the 30 existing medical rehabilitation beds to the proposed tower without adding to the medical rehabilitation bed surplus in PD 7 until the need for them has been demonstrated. WMC may apply for additional medical rehabilitation beds when 80% occupancy of its thirty existing beds has been achieved and postpone costs of building out and furnishing the additional rooms prematurely. WMC asserts that it considered the alternative of converting medical/surgical beds to medical rehabilitation beds but decided against it due to increasing and high occupancy. DCOPN calculates WMC's medical/surgical licensed bed occupancy (including pediatric, ICU and obstetrical medical/surgical beds) in 2022 to be 67.3%, according to VHI data, well below the 80%



threshold in the SMFP for adding beds. Patient days provided in COPN Request No. VA-8764 differ from those published in VHI. WMC has stated that its occupancy of medical/surgical licensed beds in 2022 was 76.6%, and 81.1% in year-to-date 2024 but these cannot be substantiated.

**(iii) Any recommendation or report of the regional health planning agency regarding an application for a certificate that is required to be submitted to the Commissioner pursuant to subsection B of § 32.1-102.6.**

Currently there is no organization in HPR I designated by the Virginia Department of Health to serve as the Health Planning Agency for PD 7. Therefore, this consideration is not applicable to the review of the proposed project.

**(iv) Any costs and benefits of the project.**

Total projected capital costs for the proposed project are \$49,874,000, with another \$53,570,202 in Industrial Development Authority Revenue & General Bond Financing for total capital and financing costs of \$103,444,202. The estimated capital costs are less than those of COPN No. VA-04835 which recently authorized the building of a freestanding medical rehabilitation facility at \$75 million, but with the large amount of financing costs required for the proposed facility, the total cost of capital and financing is more than a third higher than this recently authorized project.

The applicant has described several benefits to the proposed project, including a facility with all private rooms. The location on WMC's campus is more convenient and accessible to patients, visitors and staff, and rooms are larger with an infrastructure to support state-of-the-art equipment. Proposed spaces for ancillary treatment are larger. WMC's vision includes coordinated programming for specialty service lines and disease-specific programming not currently offered. The proposal will overcome the deficiencies of its current, aged facility and increase the opportunity for patients to receive care in their home community with the support of family and friends living nearby.

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

WMC treats all patients regardless of their ability to pay for services or of their payor source. In 2022, the latest year for which such data are available, WMC provided charity care in the amount of 0.9% (**Table 5**). This is well below the HPR I average of 1.9% (**Table 5**) but the proforma provided with COPN Request No. VA-8764 included projected charity care for the proposed project in the amount of 1.9%, consistent with the HPR I average. Furthermore, the 2023 Community Benefit Report provided by the applicant states that WMC's parent corporation, Valley Health System, reported community benefit programs with contributions totaling \$111 million.

**Table 5. Charity Care, HPR I Facilities, 2022**

HPR I	Gross Pt Rev	Total Charity Care Provided Below 200%	Adjusted Charity Care	%
Encompass Health Rehab Hosp of Fredericksburg	\$44,295,730	\$2,229,009	\$2,229,009	5.0%
UVA Health Culpeper Medical Center	\$240,048,159	\$7,421,653	\$7,421,653	3.1%
University of Virginia Medical Center	\$7,848,317,103	\$221,917,841	\$221,917,841	2.8%
UVA Transitional Care Hospital	\$33,698,098	\$949,912	\$949,912	2.8%
Sentara RMH Medical Center	\$1,071,307,453	\$23,829,680	\$23,829,680	2.2%
Sentara Martha Jefferson Hospital	\$859,138,273	\$13,611,074	\$13,611,074	1.6%
Carilion Rockbridge Community Hospital	\$198,916,994	\$2,991,170	\$2,991,170	1.5%
Valley Health Winchester Medical Center	\$1,626,765,087	\$15,114,509	\$15,114,509	0.9%
Fauquier Hospital	\$403,961,455	\$3,743,617	\$3,743,617	0.9%
Valley Health Page Memorial Hospital	\$86,671,293	\$784,764	\$784,764	0.9%
Valley Health Shenandoah Memorial Hospital	\$172,624,855	\$1,427,262	\$1,427,262	0.8%
Stafford Hospital Center	\$325,489,642	\$2,667,241	\$2,667,241	0.8%
Valley Health Warren Memorial Hospital	\$214,875,231	\$1,602,856	\$1,602,856	0.7%
Augusta Health	\$1,319,446,005	\$9,441,322	\$9,441,322	0.7%
Spotsylvania Regional Medical Center	\$767,734,481	\$5,368,645	\$5,368,645	0.7%
Mary Washington Hospital	\$1,489,676,899	\$7,943,769	\$7,943,769	0.5%
Bath Community Hospital	\$27,995,987	\$81,827	\$81,827	0.3%
UVA Encompass Health Rehabilitation Hospital	\$35,912,204	\$11,443	\$11,443	0.0%
Total Inpatient Hospitals:				18
<b>HPR I Total Inpatient \$ &amp; Mean %</b>	\$16,766,874,949	\$321,137,594	\$321,137,594	<b>1.9%</b>

Source: VHI 2022

In accordance with section 32.1-102.4.B of the Code of Virginia, should the proposed project receive approval, the project would be conditioned to provide a level of charity care based on gross patient revenues derived from inpatient medical rehabilitation that is no less than the equivalent average for charity care contributions in HPR I. Pursuant to Code of Virginia language any COPN issued for this project will also be conditioned on the applicant’s agreement to accept patients who are the recipients of Medicare and Medicaid.

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

There are no other factors, not addressed elsewhere in the analysis, relevant to the determination of a public need for either project.

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

Section 32.1-102.2:1 of the Code of Virginia calls for the State Health Services Plan Task Force to develop recommendations for a comprehensive State Health Services Plan (SHSP). In the interim, DCOPN will consider the consistency of the proposed project with the predecessor of the SHSP, the State Medical Facilities Plan (SMFP).

The State Medical Facilities Plan (SMFP) contains the criteria and standards for inpatient beds and medical rehabilitation services. They are as follows:

## **Part VI**

### **Inpatient Bed Requirements**

#### **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;**

The applicant states the current medical rehabilitation rooms at the Winchester Rehabilitation Center were built in 1956. Most of these (13 of 17 rooms) are semi-private rooms that present challenges for continuity and efficiency of care and limit unit expansion due to their age and configuration. The current infrastructure cannot support modern technology and there is no availability of headwall gases, limiting the type and acuity level of patients WMC can admit. The rooms are too small, far outdated from today's standards and codes. Patients share a bathroom and sink, which can be a patient safety and infection control risk as well as a patient dissatisfier.

Medical rehabilitation requires movement to ancillary therapy spaces, dining and public areas, which are limited in the current facility. The main therapy gym is too small for a 30-bed inpatient rehabilitation facility to accommodate requisite services, the dining room is too small which necessitates multiple meal rotations per day. These deficiencies in the current facility, among others, would be corrected in the proposed newly constructed facility. The proposed facility has mechanical and lighting systems, integration of information technology and access to natural views and abundant light, not available currently. The applicant states that "at a minimum, the proposed project will be designed to the latest applicable energy codes."

**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 facility is less than two miles from the current site, so the population currently served will have similar or better access to the service.

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

The applicant has applied for a relocation of its 30 medical rehabilitation beds and stated that its current space at Winchester Rehabilitation Center will be leased to another renter. DCOPN is satisfied that this standard will be fulfilled.

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

**a. A decrease in the licensed bed capacity;**

The proposed project does not result in a decrease in licensed bed capacity.

**b. A substantial cost savings, cost avoidance, or consolidation of underutilized facilities; or**

The applicant states credibly that the current facility is over 70 years old and the costs of maintenance are high.

**c. Generally improved operating efficiency in the applicant's facility or facilities; and**

Significant operational efficiencies will be gained with adequate space and integrated technology. The proposed project would result in larger, all private rooms enabling more patients to be placed without consideration of gender or infection control issues. The therapy gym and dining area (for example) would be built to accommodate projected patient volumes, accommodating more patients at one time and increasing efficiencies. Compared to the aged existing building, the new, modern facility would operate at a cost savings, and be designed to the latest applicable building codes. The proposed new facility will be based on modularization of construction materials to balance aesthetics and construction costs.

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

The proposed relocation of under two miles would primarily improve distribution by placing existing medical rehabilitation beds on WMC's campus, co-locating it with other services and resources.

**B. Proposals to relocate beds within a health planning district where underutilized beds are within 30 minutes deriving time one way under normal driving 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.**

Valley Health Winchester Medical Center is the only provider of inpatient medical rehabilitation beds in PD 7 and no other underutilized medical rehabilitation beds exist within 30 minutes driving time. The closest providers are outside of PD 7 and some have high utilization. It is unlikely other providers of inpatient medical rehabilitation would be materially harmed by the proposed project.

## Part XI

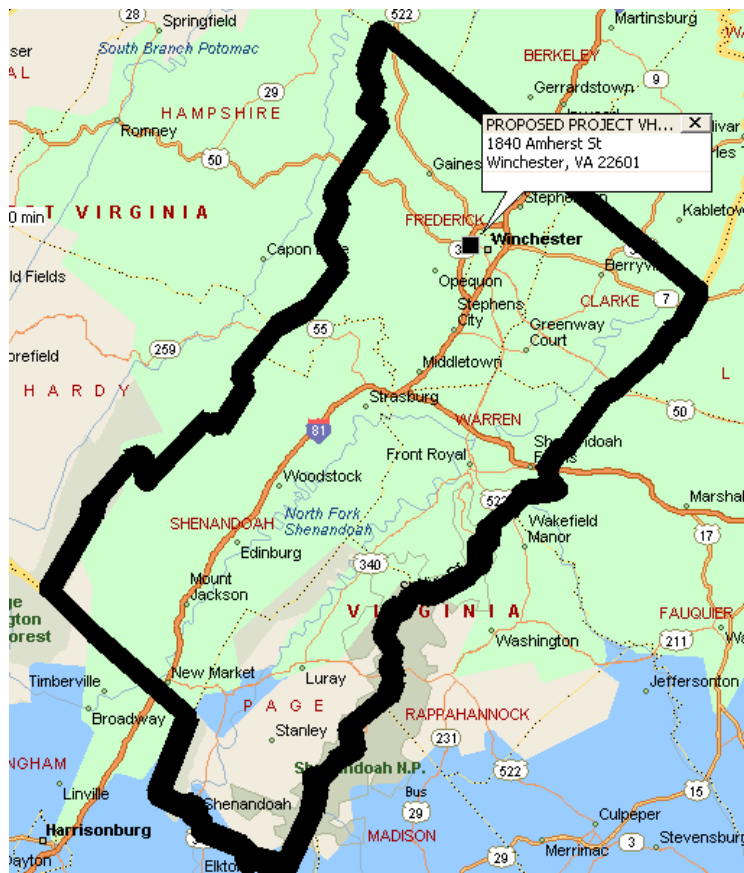
### Medical Rehabilitation

#### 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.

Figure 6 shows the boundary of PD 7 (the bold, black line) and the location of the proposed project, the only inpatient medical rehabilitation facility in the PD. The light green shading shows the area that is within 60 minutes of PD 7 medical rehabilitation beds. The blue shading indicates the area within 60 minutes of medical rehabilitation beds outside of PD 7. The area without shading does not have access to inpatient medical rehabilitation within 60 minutes. It includes portions of the Shenandoah National Park (no population) and the rural towns of Luray and Stanley which represent less than 3% of the population of PD 7. WMC's medical rehabilitation beds already provide services within 60 minutes' drive for more than 95% of the PD 7 population. Due to its proximity to the existing site, the proposed facility does not improve or diminish geographic access.

Figure 6. Medical Rehabilitation Sites in PD 7



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

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

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

**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.**

The proposed project is the relocation and expansion of an existing service, not the addition of a new service so this standard is not applicable. For the sake of thoroughness, the medical rehabilitation bed need was calculated:

UR = 5,873 medical rehabilitation days in 2022 / 246,346 population = 0.024

PROPOP = 258,255 projected population five years from the current year (2029)

$$\underline{(0.024 \times 58,255) / 365} = 13.5 \text{ total beds needed (14)}$$

**0.80**

Currently Authorized: 30 beds

**30 Authorized – 14 PD Bed Need = 16 Medical Rehabilitation Bed Surplus**

DCOPN recognizes that this calculation methodology may understate the bed need because historical utilization of WMC medical rehabilitation beds (which are all of PD 7's rehabilitation beds) has been suppressed due to semi-private rooms and an aged facility. Patients may choose more modern facilities outside of the PD and WMC must refer some patients out due to unavailability of an appropriate bed due to a roommate's gender or infection control issues, or the inability to treat a high-acuity or specialized condition. The age and capability of the current facility prevents WMC from meeting all the medical rehabilitation needs in PD 7. Nevertheless, the calculated number of medical rehabilitation beds needed in PD 7 is half the number of currently authorized beds.

**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**

WMC’s vision for its medical rehabilitation service includes the addition of disease-specific programming for neurological/stroke, oncology, amputation specialty/limb loss program and multiple traumas. These are not currently offered in PD 7.

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

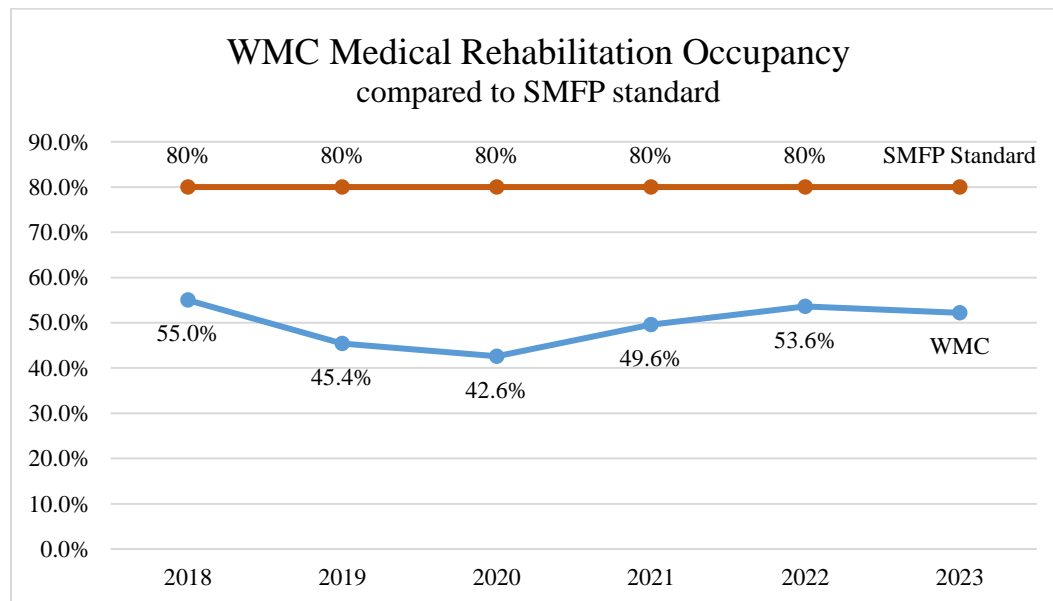
MFB projections document the need for specialty medical rehabilitative services. The applicant provides data indicating that only 24% of total referrals over the past five years have been converted to admissions by reason primarily of the patient choosing home care, a skilled nursing facility or another inpatient rehabilitation facility.

**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.**

Figure 7 illustrates that WMC’s medical rehabilitation beds did not approach the SMFP threshold for expanding services during the past six years, including 2022, the year reported most recently to VHI, and 2023 (reported in COPN Request No. VA-8764 at 52.2%). Because the facility lacks adequate square footage in patient rooms and therapy areas, technology and modernization, patients living in PD 7 seek care elsewhere, which contributes to a utilization rate below this 80% threshold. It is possible that the relocation of WMC’s existing beds will alleviate these barriers to the extent that occupancy will then rise above 80% and demonstrate need for additional beds.

**Figure 7. PD 7/WMC Occupancy Over Time**



Source: VHI and COPN Request No. VA-8764

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

The applicant has not offered the conversion of medical/surgical beds. According to VHI, WMC had an occupancy of 67.3% of its licensed medical/surgical beds in 2022. Patient days presented in COPN Request No. VA-8764 for 2022 differ from VHI's and its supplemental occupancy table shows 76.6% occupancy of its med/surg beds in 2022. WMC asserts that its occupancy of licensed beds year-to-date in 2024 exceeded 80% more than half of the time and is overall at 81.1% occupancy (90.1% of staffed beds). WMC did not provide patient days for 2024 year-to-date and these calculations can't be substantiated with data provided.

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

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

The applicant provided assurances that the relocated medical rehabilitation beds will be under the direction of one or more qualified physicians.

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

**A. Notwithstanding any other provisions of this chapter, the commissioner may grant approval for the expansion of services at an existing medical care facility in a health planning district with an excess supply of such services when the proposed expansion can be justified on the basis of a facility's need having exceeded its current service capacity to provide such service or on the geographic remoteness of the facility.**

**B. If a facility with an institutional need to expand is part of a health system, the underutilized services at other facilities within the health system should be reallocated, when appropriate, to the facility with the institutional need to expand before additional services are approved for the applicant. However, underutilized services located at a health system's geographically remote facility may be disregarded when determining institutional need for the proposed project.**

**C. This section is not applicable to nursing facilities pursuant to § 32.1-102.3:2 of the Code of Virginia.**

**D. Applicants shall not use this section to justify a need to establish new services.**

The applicant asserts that it has an institutional need for additional medical rehabilitation beds, but the bed need calculation and the historical occupancy shown in **Figure 7** illustrate that WMC's need has not exceeded the capacity of its 30 existing beds. None of the smaller hospitals within Valley Health System has beds appropriate to reallocate to the proposed project. WMC asserts that it does not have capacity to convert medical/surgical beds to medical rehabilitation beds, though its occupancy in 2022, according to VHI data, was well below the 80% SMFP standard.



**Required Considerations Continued**

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

The proposed project is unlikely to impact competition. It is the only inpatient medical rehabilitation service in PD 7 and the closest providers of the service in Virginia are an hour and a half away.

- 5. The relationship of the project to the existing health care system of the area to be served, including the utilization and efficiency of existing services or facilities.**

Valley Health has six acute care hospitals located in Virginia and West Virginia, four of them in PD 7. In fact, all the hospitals in PD 7 are Valley Health hospitals. WMC is the largest of the Valley Health hospitals in Virginia and is the only one that has an inpatient medical rehabilitation service. Two of the Valley Health hospitals in PD 7 are critical access hospitals with 25 beds each and the other has 36 beds. WMC is a hub for these surrounding hospitals for higher-acuity and specialized services.

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

The proforma income statement (Table 6) provided by the applicant demonstrates that the proposed project is expected to incur a loss of over half a million dollars in its first year of operation, followed by an excess of revenues over expenses of \$1.2 million in Year 2. The proposed project appears to be financially feasible, particularly in the long term. Total capital costs appear reasonable and comparable to a similar recently approved project. Financing is a large expense of the proposal but spread over a lengthy term its impact each year is less burdensome.

<b>Table 6. Proforma Income Statement</b>	<b>Year 1</b>	<b>Year 2</b>
<b>Gross Patient Revenue</b>	<b>\$ 28,884,925</b>	<b>\$ 35,772,891</b>
Contractual Adjustments	\$ 8,903,321	\$ 11,233,305
Bad Debt	\$ 252,701	\$ 318,483
Charity Care	\$ 563,256	\$ 697,571
<b>Total Operating Revenue</b>	<b>\$ 19,165,647</b>	<b>\$ 23,523,532</b>
<b>Total Operating Expenses</b>	<b>\$ 19,725,317</b>	<b>\$ 22,296,187</b>
<b>Income/(Loss) from Operations</b>	<b>\$ (559,670)</b>	<b>\$ 1,227,345</b>

Source: COPN Request No. VA-8764

The applicant has stated that its current staff will relocate with its 30 medical rehabilitation beds, but there are currently 28 vacant positions/per diem FTEs. The applicant projects that 48.4 additional FTEs would be required to fully staff 50 medical rehabilitation beds in the proposed tower and these FTEs would be added over time as patient volumes increase. With the healthcare staffing challenges across the state, staffing may prove a barrier to full implementation. The applicant has plans to utilize its relationship with local schools and leverage its MFB management contract to fill required positions which may be effective.

- 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 tower will implement the latest in medical rehabilitation technology to deliver methods and levels of care not currently offered in PD 7. Though not regulated by COPN, the facility does include outpatient clinics and therapy spaces that will be utilized on an outpatient basis.

- 8. In the case of a project proposed by or affecting a teaching hospital associated with a public institution of higher education or a medical school in the area to be served.**

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

Not applicable. The applicant is not a teaching hospital associated with a public institution of higher education or a medical school in the area to be served.

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

The proposed project will improve access to modern and specialized medical rehabilitation in a rural area of the Commonwealth with moderate growth. There is significant public support for the proposal, and no known opposition. There is a calculated surplus of medical rehabilitation beds in PD 7 and utilization at WMC has remained well below the SMFP standard for adding beds. A reasonable alternative is to build the proposed facility and relocate WMC's existing medical rehabilitation beds without adding to the PD 7 surplus until the SMFP threshold is achieved. The applicant asserts there are no underutilized medical/surgical beds within WMC to convert to medical rehabilitation beds.

There are no other providers of inpatient medical rehabilitation in PD 7 so the proposed project is not likely to impact volumes of existing providers. The proposal appears feasible, though staffing is likely to be a challenge currently and in the future. The proposal to relocate beds is consistent with the applicable standards and criteria of the State Medical Facilities Plan and the 8

Required Considerations of the Code of Virginia; however, the addition of beds is inconsistent with relevant criteria.

**DCOPN Staff Recommendations**

The Division of Certificate of Public Need recommends **partial conditional approval** of Winchester Medical Center's COPN Request number VA-8764. Specifically, DCOPN recommends approval of the relocation of 30 medical rehabilitation beds to a new medical rehabilitation tower on the campus of Winchester Medical Center in Winchester, Virginia but recommends denial of the addition of 20 medical rehabilitation beds for the following reasons:

1. The proposal to relocate 30 existing medical rehabilitation beds is consistent with the applicable standards and criteria of the State Medical Facilities Plan and the 8 Required Considerations of the Code of Virginia.
2. Relocation of WMC's beds to a new tower will improve access in PD 7 to a modern and usable rehabilitation facility and specialty rehabilitation services.
3. Capital costs of the proposed project are reasonable.
4. The proposed project is unlikely to have a significant negative impact upon the utilization, costs, or charges of other providers of medical rehabilitation services in PD 7.
5. The proposed project appears to be financially viable in the immediate and long-term, but staffing is likely to prove a challenge.
6. There is no known opposition to the project.
7. The addition of 20 medical rehabilitation beds is inconsistent with the applicable standards and criteria of the State Medical Facilities Plan and the 8 Required Considerations of the Code of Virginia.
8. There is a surplus of medical rehabilitation beds in PD 7 and the applicant's existing beds have relatively low utilization, not demonstrating institutional need for the addition of beds.

DCOPN's recommendation is contingent upon Winchester Medical Center, Inc.'s agreement to the following charity care condition:

Winchester Medical Center, Inc. will provide inpatient medical rehabilitation services to all persons in need of this service, regardless of their ability to pay, and will provide as charity care to all indigent persons free services or rate reductions in services and will facilitate the development and operation of primary medical care services to medically underserved persons in PD 7 in an aggregate amount equal to at least 1.9% of Winchester Medical Center, Inc.'s gross patient revenue derived from inpatient medical rehabilitation services. Compliance with this

condition will be documented to the Division of Certificate of Public Need annually by providing audited or otherwise appropriately certified financial statements documenting compliance with the preceding requirement. Winchester Medical Center, Inc. will accept the revised charity condition based on data valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq. is available from Virginia Health Information. The value of charity care provided individuals pursuant to this condition shall be based on the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq.

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