

June 28, 2023

Alicia Beymer
Chief Administrative Officer
PeaceHealth Sacred Heart University District
1255 Hilyard St.
Eugene OR, 97401

Re: PeaceHealth Riverbend, LLC dba PeaceHealth Inpatient Rehab (CN #699)
– Application Completeness

Dear Ms. Beymer:

The program has reviewed the Certificate of Need (CN) application submitted by PeaceHealth for a proposed 50 bed inpatient rehabilitation facility in Eugene, Oregon. Under OAR 333-570-0020 the application is complete. Pursuant to OAR 333-570-0040 OHA is requesting the below information necessary for OHA to make an informed decision:

1. Page 5 of the application states that the proposed service area is the contiguous geography of Lane, Linn, Coos, and Douglas counties. What is the market share or discharge rate for ORC in Benton County? Please provide the complete zip code analysis that forms the basis of applicant's service area conclusion.
2. Page 6 of the application states that "less than 20 percent of today's actual rehabilitation discharges are coded with a DRG 945 or 946 code." What are the discharge codes that comprise the remaining rehabilitation discharges? Please clarify why the applicant elected to use this small subset of discharge DRGs.
3. On page 8, Table 2, the applicant provided 2031 population forecasts for all ages. Total population (737,689) was used for purposes of OAR 333-645-0030(1) to arrive at a 52 IRF bed need in 2031. Please clarify if the

applicant's IRF will serve ages 0 to 14 years and if it accounted for the potential diversion of pediatric individuals. Additionally, did the applicant's analysis consider veterans and individuals served by Health Maintenance Organizations? If so, how?

4. On page 13, step 12, the applicant conducted that step of the analysis using a 50-mile radius. Please provide step 12 utilizing a 50 mile by road criteria and the reason a 50-mile non-road radius is proposed.
5. On page 18, applicant states:

After determining the number of discharges associated with these conditions in the Service Area, the LLC narrowed the analysis to include only those patients with a CMS Rehabilitation Impairment Category of 2-5, and then estimated, based on actual LR experience, that 35% of these individuals would be candidates for IRF-level care. With a 15-day length of stay in 2022, an ADC of 7.5-8.0 was estimated. At 85% occupancy, this equates to a bed need of nine. By 2031, based on anticipated population growth, the bed need just for this patient population is projected to be 11.5, rounded to 12.

Please clarify which specific DRGs comprise "CMS Rehabilitation Category of 2-5" as used by the applicant.

6. The data used to evaluate need covers the COVID-19 pandemic. Was this considered by the applicant in evaluating service area, use rates, or market share? If so, how? If not, why not?
7. Page 28 of the application highlights the applicant's unique capacity and ability to address labor shortages. However, Table 3, page 8, indicates that "staff shortages and the high cost of temporary labor constrained growth." Is there any additional information the applicant can offer to explain how Oregon's labor market will support this IRF bed increase? To the extent not already covered in the application, please address applicant's ability to adequately staff the proposed facility in light of projections that Oregon will see faster than national average increases in labors costs and other expenses. Is staffing efficiency reduced by creating

a freestanding facility? Currently, does ORC share any staffing with the main hospital?

8. Page 25 - Please address why rehabilitation services offered by Skilled Nursing Facilities do not comprise some overlap with applicant's services. Please address whether veterans, pediatric patients, or HMO members in need of inpatient rehabilitation services are served by other entities.
9. Exhibit 1, Patient Day Assumptions Table (page 87) provides data regarding "In-migration" and states that estimates are based on "Lifepoint experience." Please clarify what Lifepoint's in-migration experience has been related to inpatient rehabilitation services.
10. Form CN-7 lists negative dividends of \$20,974,132. Please clarify if these are contributions by the owners to pay for debt and other losses.
11. Form CN-10 – Please describe how labor costs were determined and why it is anticipated that they will not grow faster than other expenses.
12. No financial statements from either parent company to show applicant has the capital and ability to finance the new facility. Please provide the recent financial statements for both parent entities.

OHA requests the additional information by August 1, 2023, in order to keep the August 31, 2023, deadline for a public meeting. Please contact Certificate of Need manager, Matt Gilman, if you have any questions regarding this letter or review of your application.

We appreciate your continued cooperation.

Sincerely,



André Ourso, JD, MPH
Center for Health Protection Administrator
Oregon Health Authority
Public Health Division

cc: Dana Selover, Oregon Public Health Division
Matt Gilman, Oregon Public Health Division
Pam Krecklow, Oregon Public Health Division
Andrea Ogston, Oregon Department of Justice
Tony Andrade, Moss Adams
Lori Aoyama, Health Facilities Planning
Eugenia Liu, Oregon Health Care Association
Kristin Milligan, LeadingAge Oregon
David Allm, Oregon Department of Human Services