

VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis

January 21, 2020

COPN Request No. VA-8452

Medical Imaging of Fredericksburg, LLC.

Fredericksburg, Virginia

Expand CT and MRI services by adding one CT scanner and one MRI Unit

COPN Request No. VA-8474

Spotsylvania Regional Medical Center

Fredericksburg, Virginia

Establish a specialized center for CT imaging with one CT scanner

COPN Request No. VA-8475

Mary Washington Hospital, Inc.

Fredericksburg, Virginia

Expand CT services at Mary Washington Hospital by adding one CT scanner

Applicants

COPN Request No. VA-8452: Medical Imaging of Fredericksburg, LLC

Medical Imaging of Fredericksburg, LLC (MIF) is a Virginia limited liability company jointly owned by MediCorp Services, Inc. (Medicorp Services), a Virginia stock corporation and Virginia Medical Imaging, Inc. (VMI), a Virginia stock corporation. Medicorp, the majority member with a 51% interest, is a for profit subsidiary of the MediCorp Health System. VMI is a Virginia for profit corporation and is the minority member with a 49% interest. The service is proposed at the MIF owned imaging facility located on the campus of Mary Washington Hospital (MWH) in Fredericksburg, Virginia, Health Planning Region (HPR) I, Planning District (PD) 16.

COPN Request No. VA-8474: Spotsylvania Regional Medical Center

Spotsylvania Medical Center, Inc. (SMC) is a Virginia-domiciled for-profit stock corporation that was organized in November 2005. SMC is a wholly-owned subsidiary of HCA Health Services of Virginia, Inc., which in turn is an affiliated entity of HCA, Inc. HCA, Inc., which is headquartered in Nashville, Tennessee, is a for-profit, Delaware domiciled holding company. SMC is the legal name of Spotsylvania Regional Medical Center (SRMC), which is located in Fredericksburg, Virginia, HPR I, PD 16.

COPN Request No. VA-8475: Mary Washington Hospital, Inc.

Mary Washington Hospital, Inc., is owned and operated by Mary Washington Healthcare, a 501 (c)(3) Virginia not-for-profit, non-stock corporation located in the city of Fredericksburg, Virginia, HPR I, PD 16.

Background

Computed Tomography (CT) Scanners and Utilization in PD 16

According to VHI data for 2017 and DCOPN records, there were 10.29 COPN authorized fixed site CT scanners in PD 16 in 2017. For that year, the 10.29 CT scanners in PD 16 had a cumulative utilization rate of 100.5% based on the State Medical Facilities Plan (SMFP) threshold of 7,400 CT procedures per scanner per year (**Table 1**).

DCOPN notes that pursuant to COPN No. VA-03953 issued August 20, 2005, the State Health Commissioner (Commissioner) approved MIF's request to introduce PET/CT services with a "fixed PET unit with CT to be used with and without PET scanning for diagnostic imaging." MIF reports that for 2017, the PET Unit was scheduled for PET services 71% of the time, allowing the PET/CT Unit available for use for CT imaging 29% of the time. Using MIF's self-reported data, DCOPN calculates that MIF's 1.29 CT scanners operated at 111% utilization in 2017, based on the SMFP threshold of 7,400 CT procedures per scanner per year (**Table 1**).

As demonstrated below, there is a confirmed need for 11 CT scanners in PD 16. DCOPN notes that while not included in the 2017 VHI data, DCOPN records indicate that one additional scanner was added to the PD 16 inventory pursuant to COPN No. VA-04561 issued on May 5, 2017, which authorized SRMC to add one CT scanner at a to-be-constructed freestanding emergency department. On March 18, 2019, the Commissioner granted SRMC's significant change request to change the project site from a freestanding emergency department to SRMC's campus. SRMC expects the additional CT scanner to be operational by the end of 2019. Therefore, at present, there is a surplus of one CT scanner within the planning district.

COPN authorized CT scanners = 10.29

Calculated Needed CT scanners in PD 16 = $76,515 \div 7400 = 10.4$

Calculated Need = 11 CT scanners

Current CT scanner surplus = 1

Table 1. COPN Authorized CT Scanners in PD 16

Facility*	Number of Scanners	Number of Scans	Utilization Rate
Mary Washington Hospital	4	30,736	103.8%
Medical Imaging at Lee's Hill	1	5,903	79.8%
Medical Imaging of Fredericksburg	1.29**	10,601	111%
Medical Imaging of North Stafford	1	2,421	32.7%
Sentara Pratt Medical Center Imaging Center	1	622	8.4%
Spotsylvania Regional Medical Center	1	15,363	207.6%
Stafford Hospital Center	1	10,869	146.9%
Total and Average	10.29	76,515	100.5%
Grand Total	11.29***	N/A	N/A

Source: VHI (2017)

*Mary Washington Health system has five facilities providing CT services in PD 16: Mary Washington Hospital, Medical Imaging at Lee’s Hill, Medical Imaging of Fredericksburg, Medical Imaging of North Stafford, and Stafford Hospital Center. Spotsylvania Medical Center is an HCA, Inc. facility and Pratt Medical Imaging Center is a Sentara facility.

**Source: COPN Request No. 8452 PET/CT utilization data breakdown.

***COPN No. VA-04561 issued on May 5, 2017 authorized SRMC to add one CT scanner.

Magnetic Resonance Imaging (MRI) Scanners and Utilization in PD 16

According to VHI data for 2017, the most recent year for which such data is available, there were eight COPN authorized fixed site MRI units in PD 16 in 2017. For that year, the eight fixed MRI units had a cumulative utilization of 78.87% based on the SMFP threshold of 5,000 MRI procedures per fixed site MRI unit per year (**Table 2**).

As demonstrated below, based on eight authorized fixed MRI units in PD 16 and reported MRI volume of 31,549 MRI procedures (3,943.6 scans per scanner) in 2017, there is a need for seven MRI units in PD 16. Therefore, at present, there is a calculated surplus of one MRI scanner in PD 16.

2017 COPN authorized MRI scanners = 8

Calculated Needed MRI scanners in PD 16 = 31,549 ÷ 5,000 = 6.31

Calculated Need = 7

Current MRI scanner surplus = 1

Table 2. PD 16 MRI Units: 2017

Facility	Number of Scanners	Number of Scans	Utilization Rate
Mary Washington Hospital	1	5,041	100.82%
Medical Imaging at Lee's Hill	1	6,463	129.26%
Medical Imaging of Fredericksburg	2	11,175	111.75%
Medical Imaging of North Stafford	1	3,706	74.12%
Sentara Pratt Medical Center Imaging Center	1	599	11.98%
Spotsylvania Regional Medical Center	1	2,589	51.78%
Stafford Hospital Center	1	1,976	39.52%
Total and Average	8	31,549	78.87%

Source: VHI (2017)

Proposed Projects

COPN Request No. VA-8452: Medical Imaging of Fredericksburg, LLC

MIF proposes to expand diagnostic imaging services by adding one CT scanner and one MRI unit at the MIF-owned imaging facility located on the campus of MWH located at 1201 Sam Perry Boulevard, Fredericksburg, Virginia. The proposed units will be located on an existing site within MIF’s facility, which is currently used as non-technical/clinical space. Use of the site would not require expansion of the building. The projected capital costs of the proposed project are \$3,904,642, approximately 29% of which are attributed to direct construction costs (**Table 3**). Capital costs will be funded through internal funds and membership capital. Accordingly, there are no financing costs associated with this project. If the Commissioner approves the project, construction is expected to begin in March 2020 and is projected to be completed in August 2020. The target date of opening is September 7, 2020.

Table 3. Capital and Financing Costs: Medical Imaging of Fredericksburg

Direct Construction Costs	\$1,138,162
Equipment Not Included in Construction Contract	\$2,225,110
Site Acquisition Costs	\$367,858
Architectural and Engineering Fees	\$120,963
Other Consultant Fees	\$22,449
TOTAL Capital Costs	\$3,904,642

Source: COPN Request No. VA-8452

COPN Request No. VA-8474: Spotsylvania Regional Medical Center

SRMC proposes to expand its existing CT service to a newly constructed freestanding emergency department, Chancellor ER. The project would be an extension of SRMC’s imaging services and will serve existing SRMC patients in a location closer to their homes in an area where traffic congestion is an impediment to timely access to care. The proposed project will be located at 5001 Plank Road in Fredericksburg, Virginia, on Route 3, less than three miles from Interstate 95 and four miles from Route 1. The site of the proposed project is located approximately nine miles and 20 minutes normal driving time from SRMC. The projected capital costs of the proposed project are \$14,986,000, approximately 63% of which are attributed to direct construction costs (**Table 4**). Capital costs will be funded through the internal resources of HCA Healthcare, Inc. Accordingly, there are no financing costs associated with this project. If the Commissioner approves the project, construction is expected to begin 14 months after COPN issuance and is projected to be completed 24 months after COPN issuance. The target date of opening is 25 months after COPN issuance.

Table 4. Capital and Financing Costs: Spotsylvania Regional Medical Center

Direct Construction Costs	\$9,495,000
Equipment Not Included in Construction Contract	\$2,645,000
Site Acquisition Costs	\$1,472,000
Site Preparation Costs	\$387,000
Off Site Costs	\$360,000
Architectural and Engineering Fees	\$627,000
TOTAL Capital Costs	\$14,986,000

Source: COPN Request No. VA-8474

COPN Request No. VA-8475: Mary Washington Hospital, Inc.

MWH proposes to expand its existing CT service on the hospital campus located at 1001 Sam Perry Boulevard, Fredericksburg, Virginia. The proposed project will require the remodel of existing space within the hospital to accommodate the proposed additional CT scanner. The projected capital costs of the proposed project are \$2,884,526, approximately 29% of which are attributed to direct construction costs (**Table 5**). Capital costs will be funded through the internal resources of MWH. Accordingly, there are no financing costs associated with this project. If the Commissioner approves the project, construction is expected to begin in Quarter 1 of 2021 and is projected to be completed in Quarter 1 of 2022. The target date of opening is Quarter 2 of 2022.

Table 5. Capital and Financing Costs: Mary Washington Hospital

Direct Construction Costs	\$848,100
Equipment Not Included in Construction Contract	\$1,753,777
Site Preparation Costs	\$150,000
Architectural and Engineering Fees	\$132,649
TOTAL Capital Costs	\$2,884,526

Source: COPN Request No. VA-8475

Project Definitions

COPN Request No. VA-8452: Medical Imaging of Fredericksburg, LLC

Section 32.1-102.1 of the Code of Virginia defines a project, in relevant part, as the “[a]ddition by an existing medical care facility of any medical equipment for the provision of computed tomographic (CT) scanning” and “... magnetic resonance imaging (MRI)...” a medical care facility, in part, as “specialized centers or clinics developed for the provision of outpatient...computed tomographic scanning and magnetic resonance imaging (MRI)...”

COPN Request No. VA-8474: Spotsylvania Regional Medical Center

Section 32.1-102.1 of the Code of Virginia defines a project, in relevant part, as the “[a]ddition by an existing medical care facility of any medical equipment for the provision of computed tomographic (CT) scanning” a medical care facility, in part, as “specialized centers or clinics developed for the provision of outpatient...computed tomographic scanning...”

COPN Request No. VA-8475: Mary Washington Hospital, Inc.

Section 32.1-102.1 of the Code of Virginia defines a project, in relevant part, as the “[a]ddition by an existing medical care facility of any medical equipment for the provision of computed tomographic (CT) scanning” a medical care facility as “general hospitals...”

The three COPN requests, COPN Request Nos. VA-8452, VA-8474 and VA-8475, are considered competing requests. Per section 12VAC5-220-220 of the Virginia Medical Care Facilities Certificate of Public Need Rules and Regulations, applications for the same or similar services proposed for the same PD are considered competing applications. All three requests that are the subject of this review include an increase in CT scanner capacity in PD 16, and therefore, are considered competing with respect to diagnostic imaging services.

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.**

Table 6 shows projected population growth in PD 16 through 2030. As depicted in **Table 6**, at an average annual growth rate of 1.37%, PD 16’s population growth rate from 2010-2020 is above the state’s average annual growth rate of 0.77%. Overall, the planning district is projected to add an estimated 49,084 people in the 10-year period ending in 2020—an approximate 15% increase with an average increase of 4,908 people annually. In the 10-year period ending in 2030, the planning district is projected to add an estimated 64,218 people – an approximate 17% increase with an average increase of 6,421 people annually.

Regarding the 65+ age group for PD 16, Weldon-Cooper projects a more rapid increase in population growth (an approximate 68% increase from 2010 to 2020 and approximately 46% from 2020 to 2030). This is significant, as this population group typically uses health care resources, including diagnostic imaging services, at a rate much higher than those individuals under the age of 65. Weldon-Cooper further projects that statewide, the 65+ age cohort population will increase at a rate of approximately 38% from 2010 to 2030 and approximately 27% from 2020 to 2030. DCOPN notes that Fredericksburg City, where the proposed projects would be located, is projected to grow at a rate of 2.34% annually from 2010-2020, the largest growth rate in PD 16.

Table 6. Population Projections for PD 16, 2010-2030

Locality	2010	2020	% Change 2010-2020	Avg Ann % Change 2010-2020	2030	% Change 2020-2030	Avg Ann % Change 2020-2030
Caroline	28,545	30,740	7.69%	0.73%	34,821	13.28%	1.25%
King George	23,584	26,429	12.06%	1.12%	31,053	17.50%	1.63%
Spotsylvania	122,397	136,192	11.27%	1.13%	158,025	16.03%	1.06%
Stafford	128,961	154,093	19.49%	1.75%	183,161	18.86%	1.74%
Fredericksburg City	24,286	29,403	21.07%	2.34%	34,015	15.69%	1.47%
Total PD 16	327,773	376,857	14.97%	1.37%	441,075	17.04%	1.19%
PD 16 65+	30,132	50,618	67.99%	5.19%	73,759	45.72%	3.84%
Virginia	8,001,024	8,655,021	8.17%	0.77%	9,331,666	7.82%	0.76%
Virginia 65+	976,937	1,352,448	38.44%	3.22%	1,723,382	27.43%	2.45%

Source: U.S. Census, Weldon Cooper Center Projections (June 2019) and DCOPN (interpolations)

DCOPN also notes that, according to regional and statewide data regularly collected by VHI, for 2018, the most recent year for which such data is available, the average amount of charity care provided by HPR I facilities was 4.5% of all reported total gross patient revenues (**Table 7**).

Table 7. HPR I 2018 Charity Care Contributions

Health Planning Region I			
2018 Charity Care Contributions at or below 200% of Federal Poverty Level			
Hospital	Gross Patient Revenues	Adjusted Charity Care Contribution	Percent of Gross Patient Revenue:
University of Virginia Medical Center	\$5,458,582,571	\$320,837,238	5.88%
Culpeper Regional Hospital	\$353,170,660	\$20,212,457	5.72%
Carilion Stonewall Jackson Hospital	\$111,421,225	\$6,377,158	5.72%
Sentara RMH Medical Center	\$936,446,646	\$49,668,275	5.30%
Augusta Medical Center	\$950,090,570	\$43,074,941	4.53%
Shenandoah Memorial Hospital	\$133,239,115	\$5,104,392	3.83%
Warren Memorial Hospital	\$144,458,311	\$5,453,245	3.77%
Martha Jefferson Hospital	\$680,999,557	\$24,602,596	3.61%
Page Memorial Hospital	\$61,523,920	\$2,121,843	3.45%
Spotsylvania Regional Medical Center	\$509,827,047	\$16,733,022	3.28%
Mary Washington Hospital	\$1,395,008,159	\$41,522,514	3.03%
Stafford Hospital Center	\$295,274,352	\$8,357,218	2.83%
UVA Transitional Care Hospital	\$1,489,750,189	\$37,306,401	2.50%
Fauquier Hospital	\$444,728,304	\$10,241,560	2.30%
Bath Community Hospital	\$22,027,611	\$471,192	2.14%
Winchester Medical Center	\$72,568,503	\$1,273,051	1.75%
Total Facilities			16
Median			3.5%
Total \$ & Mean %	\$13,059,116,740	\$593,357,103	4.5%

COPN Request No. VA-8452: Medical Imaging of Fredericksburg, LLC

The applicant cites an institutional specific need to add one CT scanner and one MRI unit at its imaging facility located on the campus of MWH, which is off State Route 1 in Fredericksburg, Virginia. The campus is accessible from Interstate 95 via Route 3. Additionally, it is less than three miles from the Zone 9 Virginia Railway Express/Amtrak Fredericksburg station. MIF is also accessible by the FRED Transit bus line and allows taxi services on the hospital campus.

Regarding socioeconomic barriers to access to the applicant’s services, according to regional and statewide data regularly collected by VHI, for 2018, the most recent year for which such data is available, the average amount of charity care provided by HPR I facilities was 4.5% of all reported total gross patient revenues (**Table 7**). MIF asserts that it provides services to all patients, regardless of the patient’s payment source and offers discounts and payment plans. Should the Commissioner approve the proposed project, DCOPN recommends a charity care condition no less than the 4.5% HPR I average.

COPN Request No. VA-8474: Spotsylvania Regional Medical Center

The applicant cites an institutional specific need to expand its existing CT service at SRMC. This proposed CT scanner would be located in a newly constructed freestanding emergency department, Chancellor ER. As will be discussed in greater detail later in this staff analysis report, the project would be an extension of SRMC's imaging services. The proposed site for the newly constructed emergency department is located in Spotsylvania County, at 5001 Plank Road, Fredericksburg, Virginia, on Route 3, less than three miles from Interstate 95 and four miles from Route 1. Fredericksburg Regional Transit has three stops within one-tenth of a mile from the proposed site.

Regarding socioeconomic barriers to access to the applicant's services, the applicant has provided assurances that Chancellor ER will accept all patients, regardless of ability to pay or payment source. The applicant has further stated that SRMC has a generous charity care policy under which medically necessary services are provided at no charge to patients whose income is at or below 200% of the federal poverty income guidelines. The applicant has also provided assurances that SRMC will offer discounts for medically necessary care for all patients without insurance who do not otherwise qualify for charity care, regardless of their income level. DCOPN notes that SRMC provided 3.28% of its gross patient revenue as charity care in 2018 (**Table 7**). The applicant asserts that it will comply with any charity care condition imposed by the Commissioner. Should the Commissioner approve the proposed project, DCOPN recommends a charity care condition no less than the 4.5% HPR I average.

COPN Request No. VA-8475: Mary Washington Hospital, Inc.

The applicant cites an institutional specific need to expand its existing CT service on the hospital campus located at 1001 Sam Perry Boulevard, Fredericksburg, Virginia. MWH is centrally located in Fredericksburg, Virginia. The hospital campus is easily reached from State Route 1, only a short drive from Interstate 95. MWH is also accessible from State Route 3 or State Route 17. MWH is also accessible using the Fredericksburg Regional Transit system.

Regarding socioeconomic barriers to access to the applicant's services, according to regional and statewide data regularly collected by VHI, for 2018, the most recent year for which such data is available, the average amount of charity care provided by HPR I facilities was 4.5% of all reported total gross patient revenues (**Table 7**). In that same year, MWH reported to have provided 3.03% in charity care. Should the Commissioner approve the project, MWH would be expected to provide a level of charity care that is at least equal to the current system wide charity care condition of 2.4% in place for Mary Washington Healthcare, Inc., reflected in its letter dated March 17, 2010 and most recently cited in COPN No. VA-04608.

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.**

COPN Request No. VA-8452: Medical Imaging of Fredericksburg, LLC

DCOPN received 11 letters of support for the proposed project from members of the local medical community. Collectively, these letters articulate several benefits of the project, such as:

(1) more access to affordable care for patients; (2) faster diagnoses; (3) more timely diagnostic reporting; and (4) improved healthcare services in the community. DCOPN received no letters of opposition to the proposed project.

COPN Request No. VA-8474: Spotsylvania Regional Medical Center

DCOPN received 10 letters of support from members of the local medical and emergency services communities and from Delegate Mark L. Cole, House of Delegates. Collectively, these letters addressed: (1) the importance of a reduction in patient transfer times; (2) the importance of CT imaging as a diagnostic tool in emergency medical care, especially in stroke and heart attack treatment; (3) traffic issues in Spotsylvania, which hinder access to treatment in a timely manner; and (4) the overutilization of the CT scanners at SRMC. DCOPN received no letters of opposition to the proposed project.

COPN Request No. VA-8475: Mary Washington Hospital, Inc.

DCOPN received 12 letters of support for the proposed project from members of the local medical community. Collectively, these letters articulate several benefits of the project, such as: (1) the need to reduce patient wait times; (2) the importance of CT imaging as a diagnostic tool; and (3) the population growth expected in PD 16. DCOPN received no letters of opposition to the proposed project.

Public Hearing

DCOPN conducted the required public hearing on January 8, 2020 at the Fredericksburg Branch of the Central Rappahannock Regional Library. A total of 24 individuals were in attendance, including 15 who spoke. Representatives for the respective facilities presented each project. With respect to the MIF project, nine persons in attendance were in support of the project, whereas none were in opposition. With respect to the SRMC project, eight persons in attendance were in support of the project, whereas six persons were in opposition. One person spoke in opposition to the SRMC project, citing the availability of imaging services within close proximity to the proposed site of Chancellor ER, specifically pointing to Sentara Pratt Medical Imaging Center. Finally, with respect to the MWH project, 10 persons in attendance were in support of the project, whereas none were in opposition.

(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.

COPN Request No. VA-8452: Medical Imaging of Fredericksburg, LLC

MIF has not identified any reasonable alternatives to the proposed project that would meet the needs of the population in a less costly, more efficient, or more effective manner. As previously discussed, the applicant has one full time CT scanner and one PET/CT unit that it uses for CT scans 29% of the time. As previously discussed, pursuant to COPN No. VA-03953 issued August 20, 2005, the Commissioner approved MIF's request to introduce PET/CT services with a "fixed PET unit with CT to be used with and without PET scanning for diagnostic imaging." MIF reports that for 2017, the PET Unit was scheduled for PET services 71% of the time, allowing the PET/CT Unit available for use for CT imaging 29% of the time. Also as previously discussed, in 2017, the two fixed site MRI units at MIF performed 11,175 MRI procedures with

a utilization rate of 111.75%. Using MIF's self-reported data, DCOPN calculates that MIF's 1.29 CT scanners operated at 111% utilization in 2017, based on the SMFP threshold of 7,400 CT procedures per scanner per year.

It is also notable that this need for expansion is reflected in the Weldon Cooper population data in regards to PD 16 residents aged 65+, who are anticipated to see an increase of approximately 46% from the years 2020-2030. In comparison, throughout Virginia, this population is expected to increase by approximately 28%. These trends are significant, as these individuals represent the segment of the population that are most in need of diagnostic imaging services. Therefore, DCOPN concludes that the status quo is not a more favorable alternative to the proposed project.

The applicant is part of the Mary Washington Health System, which has five facilities providing CT services in PD 16 (MWH, Medical Imaging at Lee's Hill, MIF, Medical Imaging of North Stafford, and Stafford Hospital Center.) DCOPN notes that the CT scanner at Medical Imaging of North Stafford operated at 32.7% utilization in 2017 and the MRI unit at Stafford Hospital Center operated at 39.5% utilization in that same year. However, despite the low utilization, DCOPN concludes that transferring the CT scanner or MRI unit from these facilities is impractical as this would result in an immediate institutional need at that facility. Furthermore, given that MWH is requesting an additional CT scanner (COPN Request No. VA-8475) and all the other Mary Washington facilities have only one CT scanner and one MRI unit, DCOPN notes that transferring the requested CT scanner or MRI unit from another PD 16 Mary Washington facility is impractical, as this would result in an immediate institutional need at that facility.

COPN Request No. VA-8474: Spotsylvania Regional Medical Center

The applicant has not identified any reasonable alternatives to the proposed project that would meet the needs of the population in a less costly, more efficient or more effective manner. DCOPN observes that the addition of a CT scanner on the SRMC campus could be a reasonable alternative to the proposed project and would serve the purpose of decompressing SRMC's current overutilization. However, as will be described in greater detail later in this staff analysis report, the applicant contends that 40% of its emergency room CT patients live closer to the proposed location of Chancellor ER than to the SRMC campus. Therefore, while the addition of a CT scanner on SRMC's campus would serve to decompress the overutilization of the hospital's CT scanners, it would not improve access for those patients who live closer to the proposed site of Chancellor ER and would otherwise have to drive to SRMC's campus through PD 16's congested traffic.

COPN Request No. VA-8475: Mary Washington Hospital, Inc.

MWH has not identified any reasonable alternatives to the proposed project that would meet the needs of the population in a less costly, more efficient, or more effective manner. As previously discussed, the applicant's four COPN approved CT scanners operated at 103.8% utilization in 2017.

As discussed above, DCOPN notes that a rapid increase of PD 16 residents aged 65+ is expected from 2020-2030. These trends are significant, as these individuals represent the segment of the population that are most in need of diagnostic imaging services. Therefore, DCOPN concludes that the status quo is not a more favorable alternative to the proposed project.

The applicant is part of the Mary Washington Health System, which has five facilities providing CT services in PD 16 (MWH, Medical Imaging at Lee's Hill, MIF, Medical Imaging of North Stafford, and Stafford Hospital Center). As explained above, given that MIF is requesting an additional CT scanner (COPN Request No. VA-8452) and all the other Mary Washington facilities have only one CT scanner, DCOPN notes that transferring the requested CT scanner from another PD 16 Mary Washington facility is impractical, as this would result in an immediate institutional need at that facility.

(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 16. Therefore, this consideration is not applicable to the review of the proposed projects.

(iv) Any costs and benefits of the project.

COPN Request No. VA-8452: Medical Imaging of Fredericksburg, LLC

As demonstrated by **Table 3**, the projected capital costs of the proposed project are \$3,904,642, approximately 29% of which are attributed to direct construction costs. Capital costs will be funded through internal funds and membership capital. Accordingly, there are no financing costs associated with this project. DCOPN concludes that when compared to similar PD 16 projects, these costs are reasonable. For example, COPN No. VA-03683 issued to Pratt Medical Center to add one CT scanner and one MRI unit, which cost approximately \$3,291,523.

The applicant identified the following benefits of the proposed project: (1) it will provide the community with improved access to high value advance outpatient imaging technology; (2) the services will be billed at non-hospital rates; and (3) it will allow the more efficient and accurate diagnosis of patients.

COPN Request No. VA-8474: Spotsylvania Regional Medical Center

As demonstrated by **Table 4**, the projected capital costs of the proposed project are \$14,986,000, approximately 63% of which are attributed to direct construction costs. Capital costs will be funded through the internal resources of HCA Healthcare, Inc. Accordingly, there are no financing costs associated with this project. The costs for the project are considerable but when taking into account the costs associated with the purchase of the CT imaging equipment, \$2,645,000, DCOPN concludes that when compared to similar PD 16 projects, these costs are reasonable. For example, COPN No. VA-04562 issued to Stafford Hospital to add one CT scanner, which cost approximately \$1,043,400.

The applicant identified the following benefits of the proposed project: (1) it would decompress both CT and emergency department demand at SRMC; (2) it would improve timely and geographic access to both CT services and Emergency Department services for the more than 40% of patients who receive Emergency Department CT scans at SRMC and live closer to the

proposed site of Chancellor ER; and (3) CT imaging is an essential diagnostic tool in an emergency department, especially for stroke and cardiac patients.

COPN Request No. VA-8475: Mary Washington Hospital, Inc.

As demonstrated by **Table 5**, the projected capital costs of the proposed project are \$2,884,526, approximately 29% of which are attributed to direct construction costs. Capital costs will be funded through the internal resources of MWH. Accordingly, there are no financing costs associated with this project. DCOPN concludes that when compared to similar PD 16 projects, these costs are reasonable. For example, COPN No. VA-04562 issued to Stafford Hospital to add one CT scanner, which cost approximately \$1,043,400.

The applicant cites the following benefits of the proposed project: (1) reduction in patient wait times for essential CT services; (2) it will support the hospital's busy emergency department; and (3) it would decompress CT demand at MWH.

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

COPN Request No. VA-8452: Medical Imaging of Fredericksburg, LLC

As previously discussed, the applicant provided assurances that CT and MRI services would be available to all patients, regardless of the patient's payment source. However, to ensure compliance, should the Commissioner approve the proposed project, DCOPN recommends a charity care condition no less than the 4.5% HPR I average (**Table 6**).

COPN Request No. VA-8474: Spotsylvania Regional Medical Center

As previously discussed, the applicant has provided assurances that Chancellor ER will accept all patients, regardless of ability to pay or payment source. The applicant further stated that SRMC has a generous charity care policy and has provided assurances that SRMC will offer discounts for medically necessary care for all patients without insurance who do not otherwise qualify for charity care, regardless of their income level. DCOPN notes that SRMC provided 3.28% of its gross patient revenue as charity care in 2018. The applicant asserts that it will comply with any charity care condition imposed by the Commissioner. Therefore, should the Commissioner approve the proposed project, DCOPN recommends a charity care condition no less than the 4.5% HPR I average (**Table 6**).

COPN Request No. VA-8475: Mary Washington Hospital, Inc.

As previously discussed, should the Commissioner approve the project, MWH would be expected to provide a level of charity care that is at least equal to the current system wide charity care condition of 2.4% in place for Mary Washington Healthcare, Inc., reflected in its letter dated March 17, 2010 and most recently cited in COPN No. VA-04608.

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

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

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

The SMFP contains criteria/standards for computed tomography (CT) imaging services. They are as follows:

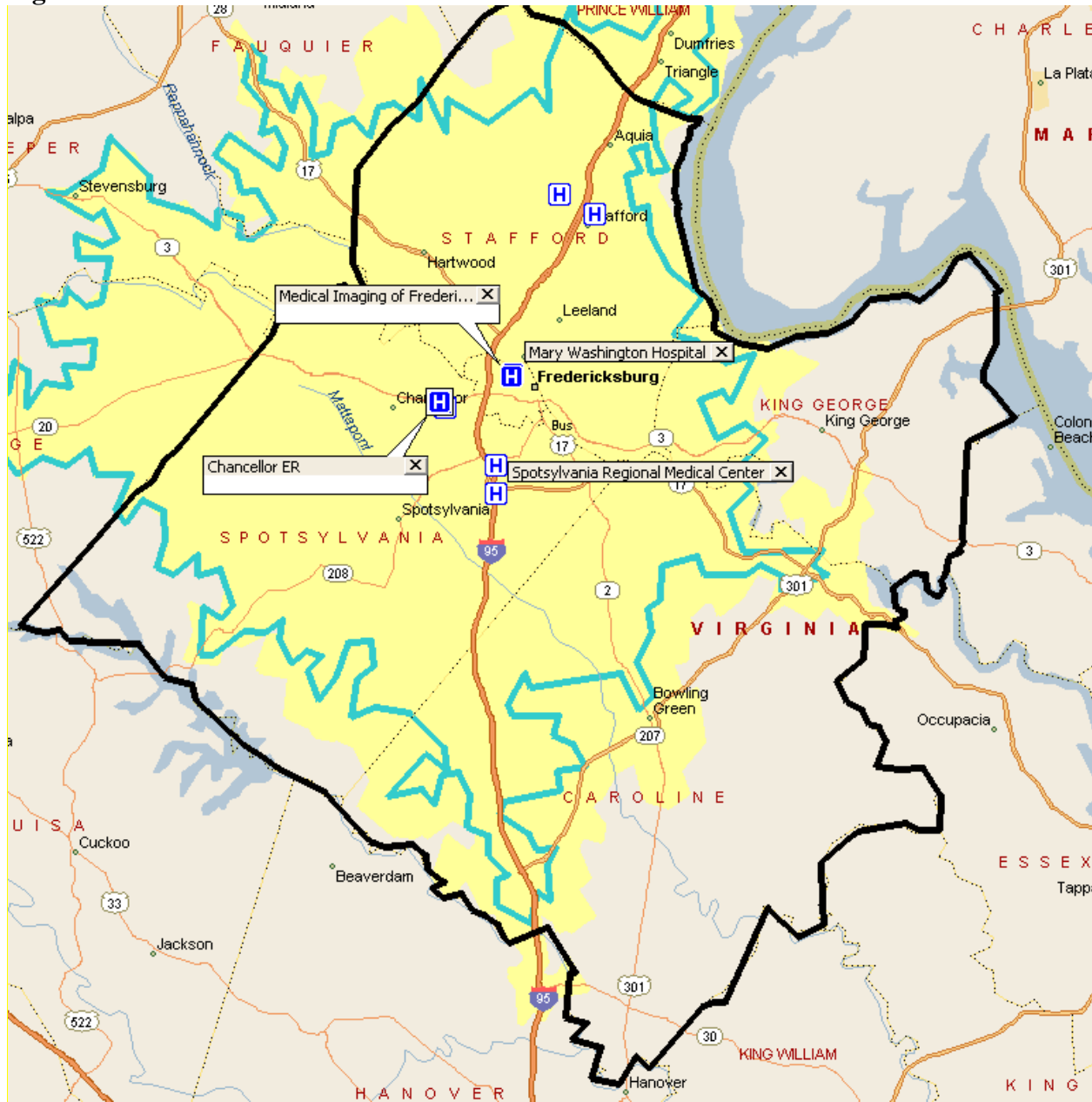
Part II
Diagnostic Imaging Services
Article 1
Criteria and Standards for Computed Tomography

12VAC5-230-90. Travel time.

CT services should be available within 30 minutes driving time one way under normal conditions of 95% of the population of the health planning district using mapping software as determined by the commissioner.

The heavy black line in **Figure 1** identifies the boundary of PD 16. The white “H” signs mark the locations of existing COPN approved CT scanners located in PD 16. The blue “H” signs mark the location of the proposed projects. The yellow shaded area in Figure 1 illustrates the area of PD 16 and the surrounding area that is within a 30-minute drive of existing CT services. The turquoise outline illustrates the area of PD 16 and the surrounding area that would be within a 30-minute drive of the proposed new facility, Chancellor ER. Based on the yellow shaded area in **Figure 1**, it is reasonable to conclude that approximately 95% of the population of PD 16 is within 30 minutes driving-time one-way under normal traffic conditions of CT services. DCOPN concludes that approval of the proposed projects will not increase access to CT services in PD 16 because the area within 30 minutes driving-time one-way under normal traffic conditions is already covered by existing CT providers.

Figure 1



12VAC5-230-100. Need for New Fixed Site or Mobile Service.

- A. No new fixed site or mobile CT service should be approved unless fixed site CT services in the health planning district performed an average of 7,400 procedures per existing and approved CT scanner during the relevant reporting period and the proposed new service would not significantly reduce the utilization of existing providers in the health planning district. The utilization of existing scanners operated by a hospital and serving an area distinct from the proposed new service site may be disregarded in computing the average utilization of CT scanners in such health planning district.**
- B. Existing CT scanners used solely for simulation with radiation therapy treatment shall be exempt from the utilization criteria of this article when applying for a COPN. In addition, existing CT scanners used solely for simulation with radiation therapy treatment may be disregarded in computing the average utilization of T scanners in such health planning district.**

COPN Request No. VA-8452: Medical Imaging of Fredericksburg, LLC

Not applicable, MIF is requesting to expand CT capacity at an existing medical care facility, not to establish a new fixed or mobile CT imaging site.

COPN Request No. VA-8474: Spotsylvania Regional Medical Center

SRMC is not proposing to establish a new fixed site or mobile service, but rather is proposing to expand SRMC's existing CT service to a freestanding emergency department. Historically, DCOPN has analyzed projects such as the current project under 12VAC5-230-110, not 12VAC5-230-100. For example, in the January 22, 2019 DCOPN staff report on COPN Request No. VA-8409 (St. Francis Medical Center's proposal to add a CT scanner at a freestanding emergency department), DCOPN wrote the following with respect to this standard:

“The proposed project would add one CT scanner to the PD 15 inventory. While from a practical standpoint the applicant is establishing a new center, the proposed project is the expansion of an existing CT service and as such, this standard is not applicable to the proposed project.”

The applicant's project is submitted under 12VAC5-230-110, which authorizes hospitals performing more than 7,400 procedures per CT scanner to be approved for a new CT scanner either at the hospital or “at a separate location within the applicant's primary service area for CT services, provided the proposed expansion is not likely to significantly reduce the utilization of existing providers in the health planning district.” DCOPN concludes that the proposed freestanding emergency department is an extension of the general hospital and that 12VAC5-230-110 is the appropriate standard to apply for this. Accordingly, 12VAC5-230-100 is not applicable to the proposed project.

COPN Request No. VA-8475: Mary Washington Hospital, Inc.

Not applicable, MWH is requesting to add CT capacity at an existing medical care facility, not to establish a new fixed or mobile CT imaging site.

12VAC5-230-110. Expansion of fixed site service.

Proposals to expand an existing medical care facility's CT service through the addition of a CT scanner should be approved when the existing services performed an average of 7,400 procedures per scanner for the relevant reporting period. The commissioner may authorize placement of a new unit at the applicant's existing medical care facility or at a separate location within the applicant's primary service area for CT services, provided the proposed expansion is not likely to significantly reduce the utilization of existing providers in the health planning district.

COPN Request No. VA-8452: Medical Imaging of Fredericksburg, LLC

MIF has cited an institutional specific need to expand its current CT services. As previously discussed, the applicant has one full time CT scanner and one PET/CT unit that it uses for CT scans 29% of the time. In 2017, MIF's 1.29 CT scanners operated at 111% utilization, above the SMFP expansion standard of 7,400 CT procedures per scanner per year.

COPN Request No. VA-8474: Spotsylvania Regional Medical Center

The applicant cites an institutional specific need to expand its current CT service at SRMC through the establishment of a specialized center for CT imaging at a to-be-constructed freestanding emergency department, Chancellor ER. DCOPN notes that the development of freestanding emergency departments are not subject to COPN review and approval by the Commissioner.

As discussed above, the proposed CT service at Chancellor ER will function as an extension of SRMC's CT service. The applicant's project is submitted under 12VAC5-230-110, which authorizes hospitals performing more than 7,400 procedures per CT scanner to be approved for a new CT scanner either at the hospital or "at a separate location within the applicant's primary service area for CT services, provided the proposed expansion is not likely to significantly reduce the utilization of existing providers in the health planning district."

For 2017, the most recent year for which VHI data is available, the CT scanner at SRMC operated at 207.6%, well above the SMFP threshold for expansion. DCOPN notes that while not included in the 2017 VHI data, DCOPN records indicate that SRMC was granted approval to add one additional scanner pursuant to COPN No. VA-04561 issued on May 5, 2017. At the time of the approval, COPN No. VA-04561 authorized SRMC to add the CT scanner at a to-be-constructed freestanding emergency department. On March 18, 2019, the Commissioner granted SRMC's significant change request to modify the project site from a freestanding emergency department to SRMC's campus. SRMC expects the additional CT scanner to be operational by the end of 2019. However, even if this additional CT scanner was factored into the 2017 utilization calculation, DCOPN finds that the two CT scanners would still be over utilized at 103.8% of the SMFP threshold of 7,400 CT procedures per scanner per year.

The applicant asserts that more than 40% of emergency department CT scans at SRMC are performed on patients living closer to the proposed location of Chancellor ER than to SRMC and states that in 2018, SRMC performed more than 4,000 emergency room scans on these patients.

The applicant further asserts that the proposed location of Chancellor ER is in SRMC's primary service area and the Zip Code, 22407, from which SRMC draws the highest percentage of its CT patients. Therefore, the development of a center for CT imaging in the proposed location would decompress utilization at SRMC and improve access for those patients who live closer to the proposed site of Chancellor and ER and would otherwise have to drive to SRMC's campus through PD 16's congested traffic.

DCOPN notes that Sentara Pratt Medical Center is located less than a mile from the proposed location of Chancellor ER. VHI data from 2017, which is the most recent year for which such data is available, shows that in that year, Sentara Pratt Medical Center's one CT scanner displayed only 8.4% utilization. Because the primary patient population the proposed project is intended to serve is patients who have already chosen SRMC as their care provider, DCOPN concludes that approval of the proposed project will not cause Sentara Pratt Medical Center's already low utilization to be reduced.

COPN Request No. VA-8475: Mary Washington Hospital, Inc.

MWH has cited an institutional specific need to expand its current CT services on the MWH campus. For 2017, the most recent year for which VHI data is available, the existing four COPN approved CT scanners at MWH operated at a collective utilization of 103.8%, above the SMFP threshold for expansion.

12VAC5-230-120. Adding or expanding mobile CT services.

- A. Proposals for mobile CT scanners shall demonstrate that, for the relevant reporting period, at least 4,800 procedures were performed and that the proposed mobile unit will not significantly reduce the utilization of existing CT providers in the health planning district.**
- B. Proposals to convert authorized mobile CT scanners to fixed site scanners shall demonstrate that, for the relevant reporting period, at least 6,000 procedures were performed by the mobile CT scanner and that the proposed conversion will not significantly reduce the utilization of existing CT providers in the health planning district.**

Not applicable to the proposed projects. The applicants do not seek to add or expand mobile CT services. Accordingly, this standard is not applicable to the proposed projects.

12VAC5-230-130. Staffing.

CT services should be under the direction or supervision of one or more qualified physicians.

All three applicants have confirmed that CT services will be under the direction or supervision of one or more qualified physicians.

The SMFP contains criteria/standards for magnetic resonance imaging (MRI) imaging services. They are as follows:

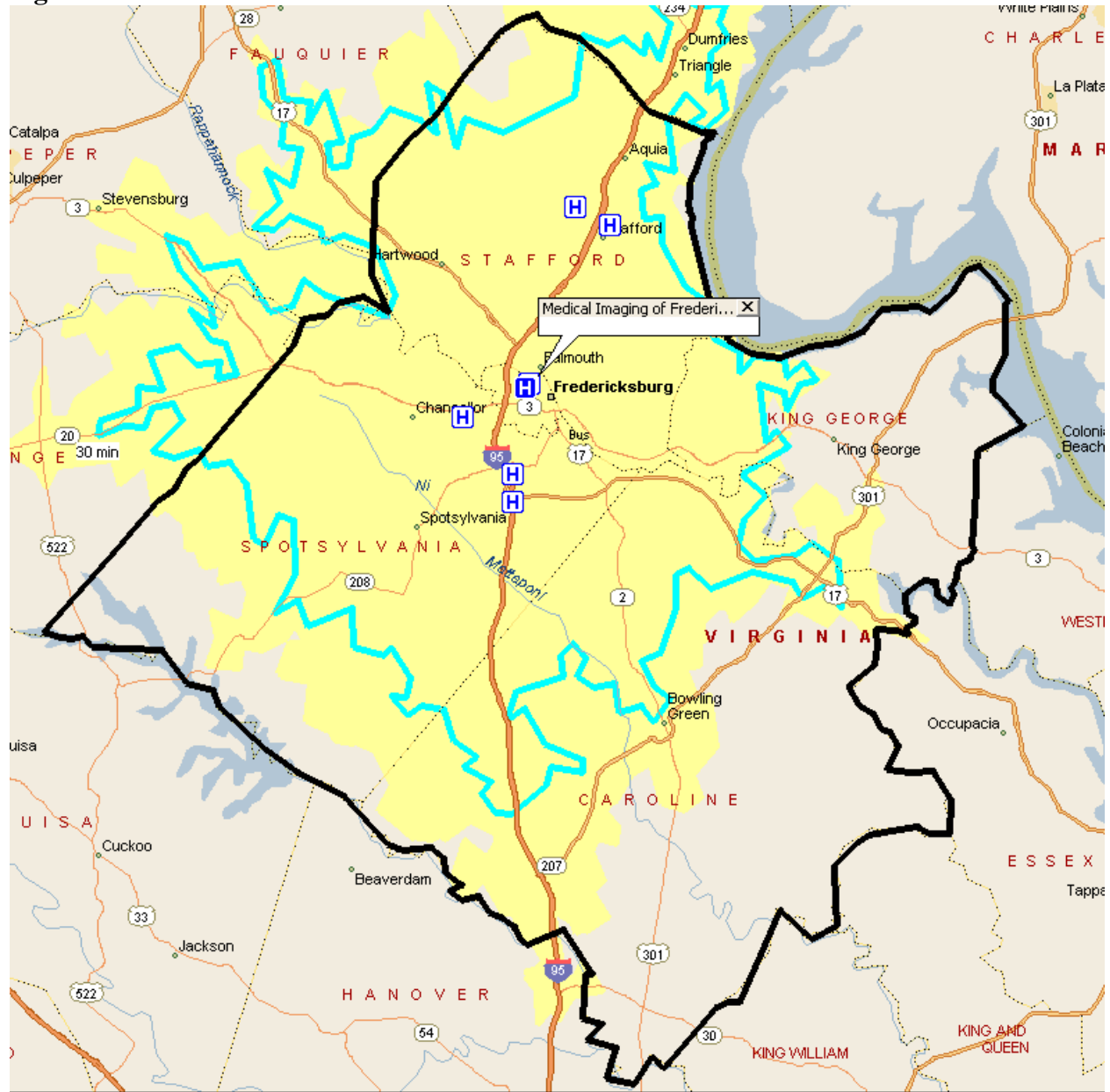
Article 2. Criteria and Standards for Magnetic Resonance Imaging

12VAC5-230-140. Travel Time.

MRI services should be within 30 minutes driving time one way under normal conditions of 95% of the population of the health planning district using a mapping software as determined by the commissioner.

The heavy black line in **Figure 2** identifies the boundary of PD 16. The white “H” signs mark the locations of existing COPN approved MRI units located in PD 16. The blue “H” sign marks the location of the proposed project. The yellow shaded area in Figure 1 illustrates the area of PD 16 and the surrounding area that is within a 30-minute drive of existing MRI services. The turquoise outline illustrates the area of PD 16 and the surrounding area that would be within a 30-minute drive of the proposed new MRI service at MIF. Based on the yellow shaded area in **Figure 2**, it is reasonable to conclude that approximately 95% of the population of PD 16 is within 30 minutes driving-time one-way under normal traffic conditions of MRI services. Therefore, DCOPN concludes that approval of the proposed projects will not increase access to MRI services in PD 16 because the area within 30 minutes driving-time one-way under normal traffic conditions from MIF is already covered by existing MRI providers.

Figure 2.



12VAC5-230-150. Need for New Fixed Site Service.

No new fixed site MRI services should be approved unless fixed site MRI services in the health planning district performed an average of 5,000 procedures per existing and approved fixed site MRI scanner during the relevant reporting period and the proposed new service would not significantly reduce the utilization of existing fixed site MRI providers in the health planning district. The utilization of existing scanners operated by a hospital and serving an area distinct from the proposed new service site may be disregarded in computing the average utilization of MRI scanners in such health planning district.

Not applicable, MIF is requesting to expand MRI capacity at an existing medical care facility, not to establish a new fixed MRI imaging site.

12VAC5-230-160. Expansion of Fixed Site Service.

Proposals to expand an existing medical care facility's MRI services through the addition of an MRI scanner may be approved when the existing service performed an average of 5,000 MRI procedures per scanner during the relevant reporting period. The commissioner may authorize placement of the new unit at the applicant's existing medical care facility, or at a separate location within the applicant's primary service area for MRI services, provided the proposed expansion is not likely to significantly reduce the utilization of existing providers in the health planning district.

MIF has cited an institutional specific need to expand its current MRI services. For 2017, the most recent year for which VHI data is available, the two fixed site MRI units at MIF performed 11,175 MRI procedures (5,587/scanner) with a utilization rate of 111.75%, above the SMFP expansion standard of 5,000 procedures per scanner per year.

12VAC5-230-170. Adding or Expanding Mobile MRI Services.

- A. Proposals for mobile MRI scanners shall demonstrate that, for the relevant reporting period, at least 2,400 procedures were performed and that the proposed mobile unit will not significantly reduce the utilization of existing MRI providers in the health planning district.**
- B. Proposals to convert authorized mobile MRI scanners to fixed site scanners shall demonstrate that, for the relevant reporting period, 3,000 procedures were performed by the mobile scanner and that the proposed conversion will not significantly reduce the utilization of existing MRI providers in the health planning district.**

Not applicable. The applicant is not proposing the addition or expansion of a mobile MRI service, nor is the applicant proposing the conversion of a mobile MRI service to a fixed site scanner.

12VAC5-230-180. Staffing.

MRI services should be under the direct supervision of one or more qualified physicians.

The applicant has provided assurances that the proposed project would be under the direction or supervision of one or more qualified physicians.

The SMFP also contains criteria/standards for when institutional expansion is needed. They are as follows:

12VAC5-230-80. When Institutional Expansion is Needed.

- 1. Notwithstanding any other provisions of this chapter, the commissioner may grant approval for the expansion of services at an existing medical 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.**
- 2. 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.**
- 3. This section is not applicable to nursing facilities pursuant to §32.1-102.3:2 of the Code of Virginia.**
- 4. Applicants shall not use this section to justify a need to establish new services.**

COPN Request No. VA-8452: Medical Imaging of Fredericksburg, LLC

As previously discussed, the applicant has one full time CT scanner and one PET/CT unit that it uses for CT scans 29% of the time. In 2017, MIF's 1.29 CT scanners operated at 111% utilization, above the SMFP expansion standard of 7,400 CT procedures per scanner per year. Furthermore, the two fixed site MRI units at MIF performed 11,175 MRI procedures with a utilization rate of 111.75%, above the SMFP expansion standard of 5,000 procedures per scanner per year. DCOPN concludes that the applicant satisfies this standard for both the addition of a CT scanner and an MRI unit. As previously discussed, the applicant is part of the Mary Washington Health system, which has nine facilities providing CT and MRI services in PD 16. However, as already discussed, DCOPN concludes that transferring the requested CT scanner or MRI unit from another facility is not practical, as this would create an immediate institutional need at that facility.

COPN Request No. VA-8474: Spotsylvania Regional Medical Center

As previously discussed, for 2017, the most recent year for which VHI data is available, the existing COPN approved CT scanner at SRMC operated at a utilization of 207.6%, well above the SMFP threshold for expansion. DCOPN notes that SRMC will incorporate an additional CT scanner on the hospital's campus pursuant to COPN No. VA-04561. However, even if this additional CT scanner was factored into the 2017 utilization calculation, DCOPN finds that the two CT scanners would still be over utilized at 103.8% of the SMFP threshold of 7,400 CT procedures per scanner per year. DCOPN concludes that the applicant satisfies this standard for the addition of a CT scanner.

COPN Request No. VA-8475: Mary Washington Hospital, Inc.

As previously discussed, for 2017, the most recent year for which VHI data is available, the existing four COPN approved CT scanners at MWH operated at a collective utilization of

103.8%, above the SMFP threshold for expansion. DCOPN concludes that the applicant satisfies this standard for both the addition of a CT scanner. As previously discussed, DCOPN concludes that transferring the requested CT scanner or MRI unit from another facility is not practical, as this would create an immediate institutional need at that facility.

Part 1 Definitions and General Information

12VAC5-230-30. When Competing Applications Received.

In reviewing competing applications, preference may be given to an applicant who:

- 1. Has an established performance record in completing projects on time and within the authorized operating expenses and capital costs;**
- 2. Has both lower capital costs and operating expenses than his competitors and can demonstrate that his estimates are credible;**
- 3. Can demonstrate a consistent compliance with state licensure and federal certification regulation and a consistent history of few documented complaints, where applicable; or**
- 4. Can demonstrate a commitment to serving his community or service area as evidenced by unreimbursed services to the indigent and providing needed but unprofitable services, taking into account the demand of the particular service area.**

COPN Request No. VA-8452: Medical Imaging of Fredericksburg, LLC

Based on an analysis of previous COPN projects, MIF has a consistent history of completing projects on time and within the authorized capital costs. With respect to the proposed project, the projected capital cost is \$3,904,642. The applicant has an established history of meeting state licensure and federal certification regulations. Finally, MIF asserts that it provides services to all patients, regardless of the patient's payment source and offers discounts and payment plans. . DCOPN is unable to confirm the level of charity care provided by MIF because, in the most recent data available to DCOPN, MIF did not report any charity care contributions to VHI.

COPN Request No. VA-8474: Spotsylvania Regional Medical Center

Based on an analysis of previous COPN projects, SRMC has a consistent history of completing projects on time and within the authorized capital costs. With respect to the proposed project, the projected capital cost is \$14,986,000. The costs for the project are considerable but when taking into account the costs associated with the purchase of the CT imaging equipment, \$2,645,000, the costs are reasonable. For example, COPN No. VA-04562 issued to Stafford Hospital to add one CT scanner, which cost approximately \$1,043,400. The applicant has an established history of meeting state licensure and federal certification regulations. Finally, SRMC provided 3.28% charity care in 2018 and has offered the acceptance of any charity care in connection with the proposed project.

COPN Request No. VA-8475: Mary Washington Hospital, Inc.

Based on an analysis of previous COPN projects, Mary Washington Hospital has a consistent history of completing projects on time and within the authorized capital costs. With respect to the proposed project, the projected capital cost is \$2,884,526. The applicant has an established history

of meeting state licensure and federal certification regulations. Finally, Mary Washington Hospital is subject to a 2.4% system wide charity care condition.

Conclusion

As all three applicants have similar histories of on time, on budget delivery, DCOPN does not believe that any applicant warrants preference regarding completing projects on time and within the approved capital expenditure or for having lower capital costs. For the same reason, DCOPN does not believe that any applicant warrants preference with respect to meeting state licensure and federal certification regulations or displaying a commitment to charity care.

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.

COPN Request No. VA-8452: Medical Imaging of Fredericksburg, LLC

The applicant has cited an institutional specific need to expand its existing CT series in an effort to decompress the overutilization of its CT scanners and MRI unit. As a result, the primary patient population the proposed project is intended to serve is patients who have already chosen MIF as their care provider. Additionally, MIF is part of the Mary Washington health system, which operates the vast majority of diagnostic imaging services in PD 16. For these reasons, DCOPN concludes that the proposed project is not intended to, and is unlikely to, foster institutional competition that would benefit the area to be served.

COPN Request No. VA-8474: Spotsylvania Regional Medical Center

With a 2017 utilization rate of 207.6%, DCOPN concludes that SRMC has adequately demonstrated an institutional specific need to expand its existing CT service. While the expanded CT service is meant to decompress the overutilization at SRMC, DCOPN notes that the vast majority of diagnostic imaging services in PD 16 are under the control of the Mary Washington health system. Therefore, the expansion of services from another hospital system, HCA, may foster institutional competition in the PD.

DCOPN notes that Sentara Pratt Medical Center is located less than a mile from the proposed location of Chancellor ER. VHI data from 2017, which is the most recent year for which such data is available, shows that in that year, Sentara Pratt Medical Center's one CT scanner displayed only 8.4% utilization. Because the primary patient population the proposed project is intended to serve is patients who have already chosen SRMC as their care provider, DCOPN concludes that approval of the proposed project will not cause Sentara Pratt Medical Center's already low utilization to be reduced.

COPN Request No. VA-8475: Mary Washington Hospital, Inc.

The applicant has cited an institutional specific need to expand its existing CT services in an effort to decompress the overutilization of the four CT scanners on the hospital campus. As a result, the primary patient population the proposed project is intended to serve is patients who

have already chosen MWH as their care provider. Additionally, the Mary Washington health system operates the vast majority of diagnostic imaging services in PD 16. For these reasons, DCOPN concludes that the proposed project is not intended to, and is unlikely to, foster institutional competition that would benefit the area to be served.

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.

COPN Request No. VA-8452: Medical Imaging of Fredericksburg, LLC

As previously discussed, DCOPN has calculated a net surplus of one CT scanner and one MRI unit in PD 16. If approved, the proposed project would add to both surpluses. However, DCOPN contends that the proposed project warrants approval despite the calculated surpluses because MIF has demonstrated an institutional specific need to expand. The applicant is part of the Mary Washington Health system, which has nine facilities providing CT and MRI services in PD 16. However, as already discussed, DCOPN concludes that because MWH is requesting an additional CT scanner and the other Mary Washington facilities have only one CT scanner and one MRI unit each, transferring the requested CT scanner or MRI unit from another facility is not a reasonable alternative to the proposed project.

COPN Request No. VA-8474: Spotsylvania Regional Medical Center

The applicant is part of the HCA health system, which does not have other facilities providing CT services in PD 16. The approval of one the addition of one CT scanner can be justified based on the facility's need having exceeded its current service capacity. Therefore, DCOPN contends that although the proposed project would add to the existing PD 16 surplus, the project warrants approval.

COPN Request No. VA-8475: Mary Washington Hospital, Inc.

The approval of the addition of one CT scanner at MWH can be justified based on the facility's need having exceeded its current service capacity. As already discussed, DCOPN further concludes that transferring the requested CT scanner from another Mary Washington facility is not a reasonable alternative to the proposed project. Therefore, DCOPN contends that although the proposed project would add to the existing PD 16 surplus, the project warrants approval.

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.

COPN Request No. VA-8452: Medical Imaging of Fredericksburg, LLC

The Pro Forma Income Statement (**Table 8**) provided by the applicant projects a net profit of \$385,828 by the end of the first year of operation and a net profit of \$342,269 by the end of year two, indicating that the proposed project is financially feasible both in the immediate and the long-term. As previously discussed, and as demonstrated by **Table 3**, the total projected capital cost of the proposed project is \$3,904,642, which will be funded through internal funds and membership capital. Accordingly, there are no financing costs associated with the proposed project.

Table 8. MIF Pro Forma Income Statement

	Year 1	Year 2
Gross Revenue	\$9,420,419	\$11,086,232
Deductions from Revenue	(\$7,313,405)	(\$8,671,813)
Net Patient Services Revenue	\$2,107,014	\$2,414,420
Total Operating Expenses	\$1,721,186	\$2,072,151
Net Income	\$385,828	\$342,269

Source: COPN Request No. VA-8452

The applicant anticipates the need to hire 3.1 full time equivalent employees (FTEs) to staff the proposed project. These employees are as follows: 1 other health professional and 2.1 radiologic technologists. The applicant is an established provider of CT and MRI services and has a well-developed and effective recruitment and employee retention program. Taken together with the limited number of employees needed for this project, DCOPN concludes that the applicant will not have difficulty filling the required positions or that doing so will have a negative impact on other area healthcare providers.

COPN Request No. VA-8474: Spotsylvania Regional Medical Center

The Pro Forma Income Statement (**Table 9**) provided by the applicant projects a net profit of \$405,796 by the end of the first year of operation and a net profit of \$649,218 by the end of year two, indicating that the proposed project is financially feasible both in the immediate and the long-term. As previously discussed, and as demonstrated by **Table 4**, the total projected capital cost of the proposed project is \$14,986,000, which will be funded through internal funds and membership capital. Accordingly, there are no financing costs associated with the proposed project.

Table 9. SRMC Pro Forma Income Statement

	Year 1	Year 2
Gross Revenue	\$8,113,990	\$10,370,838
Deductions from Revenue	(\$6,896,591)	(\$8,793,154)
Net Patient Services Revenue	\$1,237,399	\$1,577,684
Total Operating Expenses	\$831,603	\$928,466
Net Income	\$405,796	\$649,218

Source: COPN Request No. VA-8474

The applicant anticipates the need to hire 4.8 full time equivalent employees (FTEs) to staff the proposed project. These employees are as follows: 4.6 radiologic technologists and 0.2 administration-business office. As a department of SRMC, the applicant an established provider of CT services and will implement HCA’s multi-faceted approach to recruiting the additional staff required for the proposed project. As such, DCOPN concludes that the applicant will not have difficulty filling the required positions.

COPN Request No. VA-8475: Mary Washington Hospital, Inc.

The Pro Forma Income Statement (**Table 10**) provided by the applicant projects a net profit of \$20,826 by the end of the first year of operation and a net profit of \$21,526 by the end of year two, indicating that the proposed project is financially feasible both in the immediate and the long-term. The total projected capital cost of the proposed project is \$2,884,526, which will be funded through the internal resources of MWH (**Table 5**). Accordingly, there are no financing costs associated with the proposed project.

Table 10. MWH Pro Forma Income Statement

	Year 1	Year 2
Gross Revenue	\$105,927	\$109,450
Deductions from Revenue	(\$81,976)	(\$84,704)
Net Patient Services Revenue	\$23,950	\$24,747
Total Operating Expenses	\$3,124	\$3,221
Net Income	\$20,826	\$21,526

Source: COPN Request No. VA-8475

The applicant anticipates the need to hire 5 full time equivalent employees (FTEs) to staff the proposed project. These employees are as follows: 3 radiologic technologists and 2 nurses aides, orderlies and attendants. The applicant is an established provider of CT services and has a well-developed and effective recruitment and employee retention program. Taken together with the limited number of employees needed for this project, DCOPN concludes that the applicant will not have difficulty filling the required positions or that doing so will have a negative impact on other area healthcare providers.

- 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.**

COPN Request No. VA-8452: Medical Imaging of Fredericksburg, LLC

The proposed project does not offer the introduction of new technology that promotes quality, cost effectiveness, or both in the delivery of health care services. However, the proposed project does increase the potential for provision of services on an outpatient basis. DCOPN did not identify any other factors that have not been addressed elsewhere in this staff analysis report to bring to the attention of the commissioner.

COPN Request No. VA-8474: Spotsylvania Regional Medical Center

The proposed project does not offer the introduction of new technology that promotes quality, cost effectiveness, or both in the delivery of health care services. However, the proposed project does increase the potential for provision of services on an outpatient basis, while helping to decompress the over utilized CT scanners located on the SRMC main campus. DCOPN did not

identify any other factors that have not been addressed elsewhere in this staff analysis report to bring to the attention of the commissioner.

COPN Request No. VA-8475: Mary Washington Hospital, Inc.

The proposal would introduce no new technology that would promote quality or cost effectiveness in the delivery of CT services. No cooperative efforts to meet regional health care needs were addressed by the applicant. DCOPN did not identify any other factors that have not been addressed elsewhere in this staff analysis report to bring to the attention of the commissioner.

- 8. In the case of a project proposed by or affecting a teaching hospital associated with a public institution of higher education or a medical school in the area to be served.**
- (i) The unique research, training, and clinical mission of the teaching hospital or medical school.**
 - (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.**

COPN Request No. VA-8452: Medical Imaging of Fredericksburg, LLC

Not applicable. The applicant is not a teaching hospital or affiliated with a public institution of higher education or medical school in the area to be served. Approval of the proposed project would not contribute to the unique research, training or clinical mission of a teaching hospital or medical school.

COPN Request No. VA-8474: Spotsylvania Regional Medical Center

Not applicable. The applicant is not a teaching hospital or affiliated with a public institution of higher education or medical school in the area to be served. Approval of the proposed project would not contribute to the unique research, training or clinical mission of a teaching hospital or medical school.

COPN Request No. VA-8475: Mary Washington Hospital, Inc.

Not applicable. The applicant is not a teaching hospital or affiliated with a public institution of higher education or medical school in the area to be served. Approval of the proposed project would not contribute to the unique research, training or clinical mission of a teaching hospital or medical school.

DCOPN Findings and Conclusions

COPN Request No. VA-8452: Medical Imaging of Fredericksburg, LLC

DCOPN finds that the proposed project to expand diagnostic imaging services at MIF through the addition of one CT scanner and one MRI unit is generally consistent with the applicable criteria and standards of the SMFP and the eight Required Considerations of the Code of Virginia. As previously discussed, in 2017, MIF's 1.29 CT scanners operated at 111% utilization, above the SMFP expansion standard of 7,400 CT procedures per scanner per year. Furthermore, the two fixed site MRI units at MIF performed 11,175 MRI procedures with a

utilization rate of 111.75%, above the SMFP expansion standard of 5,000 procedures per scanner per year. Therefore, the applicant has demonstrated an institutional specific need to expand.

Moreover, DCOPN finds that the proposed project is more advantageous than the status quo. As previously discussed, both CT scanners and MRI unit at MIF exceeded the SMFP expansion in 2017. Addition of another fully dedicated CT scanner and MRI unit would allow more patients to receive timely diagnoses, as well as reduce wait times for scheduled appointments. It is also notable that this need for expansion is reflected in the Weldon Cooper population data in regards to PD 16 residents aged 65+, who are anticipated to see an increase of approximately 46% from the years 2020-2030. In comparison, throughout Virginia, this population is expected to increase by approximately 28%. These trends are significant, as these individuals represent the segment of the population that are most in need of diagnostic imaging services.

Furthermore, there is no known opposition to the proposed project. Finally, DCOPN finds that the total capital and financing costs for the project are reasonable. The total capital costs of the proposed project are \$3,904,642, approximately 29% of which are attributed to direct construction costs. Capital costs will be funded through internal funds and membership capital. Accordingly, there are no financing costs associated with this project. DCOPN concludes that when compared to similar PD 16 projects, these costs are reasonable. For example, COPN No. VA-03683 issued to Pratt Medical Center to add one CT scanner and one MRI unit, which cost approximately \$3,291,523.

COPN Request No. VA-8474: Spotsylvania Regional Medical Center

DCOPN finds that the proposed project to expand diagnostic imaging services at SRMC to a newly constructed freestanding emergency department, Chancellor ER, is generally consistent with the applicable criteria and standards of the SMFP and the eight Required Considerations of the Code of Virginia. As previously discussed, in 2017, the most recent year for which VHI data is available, the CT scanner at SRMC operated at 207.6%, well above the SMFP threshold for expansion. Therefore, the applicant has demonstrated an institutional specific need to expand.

Moreover, DCOPN finds that the proposed project is more advantageous than the status quo or the addition of another CT scanner at SRMC. The addition of another CT scanner would allow more patients to receive timely diagnoses, as well as reduce wait times for scheduled appointments. Furthermore, the applicant contends that 40% of its emergency room CT patients live closer to the proposed location of Chancellor ER than to the SRMC campus. However, while the addition of a CT scanner on SRMC's campus would serve to decompress the overutilization of the hospital's CT scanners, it would not improve access for those patients who live closer to the proposed site of Chancellor and ER and would otherwise have to drive to SRMC's campus through PD 16's congested traffic.

Finally, DCOPN finds that the total capital and financing costs for the project are reasonable. The projected capital costs of the proposed project are \$14,986,000, approximately 63% of which are attributed to direct construction costs (**Table 4**). Capital costs will be funded through the internal resources of HCA Healthcare, Inc. Accordingly, there are no financing costs associated with this project. The costs for the project are considerable but when taking into account the costs associated with the purchase of the CT imaging equipment, \$2,645,000, DCOPN concludes that when

compared to similar PD 16 projects, these costs are reasonable. For example, COPN No. VA-04562 issued to Stafford Hospital to add one CT scanner, which cost approximately \$1,043,400.

COPN Request No. VA-8475: Mary Washington Hospital, Inc.

DCOPN finds that the proposed project to expand CT services through the addition of one CT scanner at Mary Washington Hospital is generally consistent with the applicable criteria and standards of the SMFP and the eight Required Considerations of the Code of Virginia. As previously discussed, the applicant's four COPN approved CT scanners operated at 103.8% utilization in 2017. Therefore, the applicant has demonstrated an institutional specific need to expand.

Moreover, DCOPN finds that the proposed project is more advantageous than the status quo. As previously discussed, the four CT scanners at MWH exceeded the SMFP expansion in 2017. Addition of another CT scanner would allow more patients to receive timely diagnoses, as well as reduce wait times for scheduled appointments. It is also notable that this need for expansion is reflected in the Weldon Cooper population data in regards to PD 16 residents aged 65+, who are anticipated to see an increase of approximately 46% from the years 2020-2030. In comparison, throughout Virginia, this population is expected to increase by approximately 28%. These trends are significant, as these individuals represent the segment of the population that are most in need of diagnostic imaging services.

Furthermore, there is no known opposition to the proposed project. Finally, DCOPN finds that the total capital and financing costs for the project are reasonable. The projected capital costs of the proposed project are \$2,884,526, approximately 29% of which are attributed to direct construction costs. Capital costs will be funded through the internal resources of MWH. Accordingly, there are no financing costs associated with this project. DCOPN concludes that when compared to similar PD 16 projects, these costs are reasonable. For example, COPN No. VA-04562 issued to Stafford Hospital to add one CT scanner, which cost approximately \$1,043,400.

DCOPN Staff Recommendation

COPN Request No. VA-8452: Medical Imaging of Fredericksburg, LLC

The Division of Certificate of Public Need recommends **conditional approval** of the proposed project to expand diagnostic imaging services by adding one fixed CT scanner and one MRI unit at Medical Imaging of Fredericksburg for the following reasons:

1. The project is generally consistent with the applicable criteria and standards of the State Medical Facilities Plan and the eight Required Considerations of the Code of Virginia.
2. The applicant has demonstrated an institutional need to expand.
3. The project is more favorable than the alternative of the status quo.
4. There is no known opposition to the project.
5. The capital and financing costs are reasonable.

Recommended Condition

Medical Imaging of Fredericksburg will provide CT and MRI 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 facilitate the development and operation of primary care services to medically underserved persons in an aggregate amount equal to at least 4.5% of Medical Imaging of Fredericksburg's total patient services revenue derived from CT and MRI services provided at Medical Imaging of Fredericksburg as valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq. Compliance with this condition will be documented to the Division of Certificate of Public Need annually by providing audited or otherwise appropriately certified financial statements documenting compliance with the preceding requirement. Medical Imaging of Fredericksburg will accept a revised percentage based on the regional average after such time regional charity care data valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq. is available from Virginia Health Information. The value of charity care provided to individuals pursuant to this condition shall be based on the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq.

COPN Request No. VA-8474: Spotsylvania Regional Medical Center

The Division of Certificate of Public Need recommends **conditional approval** of the proposed project to expand diagnostic imaging services at SRMC to a newly constructed freestanding emergency department, Chancellor ER for the following reasons:

1. The project is generally consistent with the applicable criteria and standards of the State Medical Facilities Plan and the eight Required Considerations of the Code of Virginia.
2. The applicant has demonstrated an institutional need to expand.
3. The project is more favorable than the alternative of the status quo.
4. The capital and financing costs are reasonable.

Recommended Condition

Spotsylvania Regional Medical Center will provide CT 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 facilitate the development and operation of primary care services to medically underserved persons in an aggregate amount equal to at least 4.5% of Spotsylvania Regional Medical Center's total patient services revenue derived from CT provided at Chancellor Emergency Department as valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq. Compliance with this

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

COPN Request No. VA-8475: Mary Washington Hospital, Inc.

The Division of Certificate of Public Need recommends **conditional approval** of the proposed project to expand diagnostic imaging services by adding one fixed CT scanner at Mary Washington Hospital for the following reasons:

1. The project is generally consistent with the applicable criteria and standards of the State Medical Facilities Plan and the eight Required Considerations of the Code of Virginia.
2. The applicant has demonstrated an institutional need to expand.
3. The project is more favorable than the alternative of the status quo.
4. There is no known opposition to the project.
5. The capital and financing costs are reasonable.

Recommended Condition

Mary Washington Hospital will provide CT 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 facilitate the development and operation of primary care services to medically underserved persons. Such service obligation shall be included in and subject to Mary Washington Healthcare's system-wide charity care condition (as reflected in Mary Washington Healthcare's letter of March 17, 2010) of 2.4% of Mary Washington Hospitals' total patient services revenue as valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq. Compliance with this condition will be documented to the Division of Certificate of Public Need annually by providing audited or otherwise appropriately certified financial statements documenting compliance with the preceding requirement. Mary Washington Hospital will accept a revised percentage based on the regional average after such time regional charity care data valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq. is available from Virginia Health Information. The

value of charity care provided to individuals pursuant to this condition shall be based on the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq.