



# COMMONWEALTH of VIRGINIA

Department of Health

Office of Licensure and Certification

M. Norman Oliver, MD, MA  
State Health Commissioner

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Henrico, Virginia 23233-  
1485  
Fax (804) 527-4502

May 19, 2020

Ms. Sharon K. Honaker  
Planning Consultant  
Carilion Clinic  
213 McClanahan Street, SW, 4<sup>th</sup> Floor, Suite 400  
Roanoke, Virginia 24014

RE: **COPN Request No. VA-8486**  
**Carilion New River Valley Medical Center, Christiansburg, Virginia**  
**Add three general purpose operating rooms**

Dear Ms. Honaker:

For your consideration, I enclose the Division of Certificate of Public Need (DCOPN) report and recommendation on the above referenced project. DCOPN is recommending **conditional partial approval** of this application for the reasons listed in the attached staff report.

If Carilion New River Valley Medical Center is willing to accept the recommendation for conditional partial approval of this project, please provide documentation of this acceptance *no later than May 26, 2020*. If not willing to accept, before the State Health Commissioner makes his decision on this project, the Department will convene an informal-fact-finding conference (IFFC) pursuant to *Title 2.2 of the Code of Virginia*. This IFFC will be conducted on a date, time, and location to be determined. A copy of the procedures for conduct at IFFCs may be found at <http://www.vdh.virginia.gov/OLC/copn/>

Persons wishing to participate in an IFFC have four days from the date of this letter to submit written notification to the State Health Commissioner, DCOPN and the applicant stating a factual basis for good cause standing. If no person has submitted written notification stating grounds and providing a factual basis for good cause standing and Carilion New River Valley Medical Center accepts the conditional approval, DCOPN will then notify you of the cancellation of the scheduled IFFC. DCOPN would then anticipate action by the State Health Commissioner within a few weeks of transmission.

DIRECTOR  
(804) 367-2102

ACUTE CARE  
(804) 367-2104

COPN  
(804) 367-2126



[www.vdh.virginia.gov](http://www.vdh.virginia.gov)

COMPLAINTS  
1-800-955-1819

LONG TERM CARE  
(804) 367-2100

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

Sincerely,

A handwritten signature in blue ink, appearing to read 'Erik Bodin', written over a horizontal line.

Erik Bodin, Director  
Division of Certificate of Public Need

Enclosures

cc: Douglas R. Harris, J.D., Office of Adjudication, Virginia Department of Health

# VIRGINIA DEPARTMENT OF HEALTH

## Office of Licensure and Certification

### Division of Certificate of Public Need

#### Staff Analysis

May 19, 2020

**RE: COPN Request No. VA-8486**  
Carilion New River Valley Medical Center  
Christiansburg, Virginia  
Add Three General Purpose Operating Rooms

#### Applicant

Carilion New River Valley Medical Center (CNRV) is a 501(c)(3) non-profit community hospital located in the town of Christiansburg (Montgomery County), Virginia. CNRV is a wholly-owned subsidiary of Carilion Clinic, which is also a 501(c)(3) non-profit, Virginia non-stock corporation located in Roanoke, Virginia. New River Valley Surgery Center (Surgery Center) is the only existing subsidiary of CNRV. CNRV is located in Health Planning Region (HPR) III, Planning District (PD) 4.

#### Background

According to 2018 Virginia Health Information (VHI) data, collectively, there are 20 certificate of public need (COPN) authorized general-purpose operating rooms (GPORs) located in PD 4 (Table 1). The 17 GPORs located within acute care hospitals operated at a collective utilization of 96.1%, while the three GPORs located at the PD's sole existing outpatient surgical hospital (OSH) operated at a collective utilization of 50.9% for the same period. Together, all 20 PD 4 GPORs operated at a collective utilization of 89.3% for 2018. More specifically, the five GPORs located at CNRV operated at a collective utilization of 167.3% for the same period.

**Table 1. 2018 PD 4 General Purpose Operating Rooms and Utilization**

<b>Acute Care Hospitals</b>	<b>ORs</b>	<b>Total Hours</b>	<b>Hours/OR</b>	<b>Occupancy</b>
Carilion Giles Community Hospital	2	759	379.5	23.7%
Carilion New River Valley Medical Center	5	13,384	2,678.8	167.3%
LewisGale Hospital Montgomery	6	10,496	1,749.3	109.3%
Lewis Gale Hospital Pulaski	4	1,498	374.5	23.4%
<b>TOTAL and Average</b>	<b>17</b>	<b>26,137</b>	<b>1,537.5</b>	<b>96.1%</b>
<b>Outpatient Surgical Hospitals</b>	<b>ORs</b>	<b>Total Hours</b>	<b>Hours/OR</b>	<b>Occupancy</b>
New River Valley Surgery Center	3	2,441	813.7	50.9%
<b>GRAND TOTAL and Average</b>	<b>20</b>	<b>28,578</b>	<b>1,428.9</b>	<b>89.3%</b>

Source: VHI (2018) and DCOPN records

**Proposed Project**

CNRV proposes to add three additional GPORs at its facility located at 2900 Lamb Circle in Christiansburg, Virginia. One of the three requested GPORs would be transferred from the Surgery Center and two would be new to the PD 4 inventory. Accordingly, the proposed project, if approved, would result in a net increase of two GPORs within the planning district. CRNV has two procedure rooms and an obstetric operating room that meet the physical specifications for GPORs. If approved, the space that previously occupied the GPOR at the Surgery Center would be converted to a procedure room. As a result, the proposed project can be completed with little renovation and minimal capital cost. The applicant states that capital costs will primarily be incurred to enhance the post-anesthesia care unit (PACU) supporting the requested GPORs.

The total projected capital cost of the proposed project is \$3,284,100, with approximately 75% of the cost attributed to direct construction (Table 2). The applicant proposes to fund the entirety of the project using accumulated reserves. Accordingly, there are no financing costs associated with this project. The application provided that construction for the proposed project would begin on May 1, 2020, with an anticipated completion date of April 30, 2021 and a target opening date of May 1, 2021. However, further conversations with the applicant revealed that construction for the proposed project will not commence until the next fiscal year due to implications resulting from the current COVID-19 pandemic.

**Table 2. CNRV Projected Capital & Financing Costs**

Direct Construction	\$2,454,100
Equipment Not Included in Contract	\$510,000
Architectural & Engineering Fees	\$320,000
<b>TOTAL Capital Costs</b>	<b>\$3,284,100</b>

Source: COPN Request No. VA-8486

**Project Definition**

Section 32.1-102.1 of the Code of Virginia (the Code) defines a project, in part, as “an increase in the total number of...operating rooms in an existing medical care facility.” Medical care facilities are defined, in part, as “general hospitals.”

**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;**

CNRV is located just off I-81 at Exit 109, making it accessible to patients across the New River Valley as well as those from rural areas to the south and west. Emergency ground and air transportation is available through Carilion Patient Transportation Services. LifeGuard 11, an emergency transport helicopter, is located on the campus of CNRV. As for public transportation, there is a taxi service in the New River Valley, as well as Uber and Lyft. Both Radford City and Pulaski County Transits will transport to CNRV by appointment.

As will be discussed in more detail later in this staff analysis report, DCOPN concludes that at least 95% of the population of PD 4 is within 30 minutes' drive time, one way, under normal driving conditions of existing surgical services. Furthermore, the applicant is a current provider of surgical services. Accordingly, DCOPN concludes that the proposed project would not improve geographic access to this service in any meaningful way. However, DCOPN notes that while each acute care hospital in PD 4 offers surgical services, CNRV offers some surgical specialties not available elsewhere in the planning district, such as urology, vascular surgery, hand surgery and orthopaedic spine surgery. CNRV is also the only hospital in PD 4 with on-site air transport, enabling it to quickly transport trauma patients to Carilion Medical Center in Roanoke, which has the only level one trauma center and the only neonatal intensive care unit in HPR III.

Regarding socioeconomic barriers to access to services, the applicant has provided assurances that it would accept all patients in need of care without regard to ability to pay or payment source. Additionally, the Pro Forma Income Statement provided by the applicant proffered a charity care contribution equal to approximately 1.8% of gross patient services revenue (Table 3). DCOPN notes that this amount is significantly beneath the 5.53% contributed by CNRV for 2018, as well as the 3.1% HPR III average for the same period (Table 4).

**Table 3. CNRV Pro Forma Income Statement**

	<b>2022</b>	<b>2023</b>
Total Patient Service Revenue	\$843,445	\$877,182
Charity Care	\$15,067	\$15,670
Contractual Adjustments & Bad Debt	\$581,794	\$609,998
<b>Net Patient Service Revenue</b>	<b>\$246,583</b>	<b>\$251,515</b>
Total Operating Revenue	\$249,644	\$254,575
Total Expenses	\$214,752	\$219,097
<b>Operating Income</b>	<b>\$34,892</b>	<b>\$35,479</b>
Capital Budget (in thousands)	\$900	\$900

Source: COPN Request No. VA-8486

**Table 4. HPR III Charity Care Contributions: 2018**

<b>Health Planning Region III</b>			
<b>2018 Charity Care Contributions at or below 200% of Federal Poverty Level</b>			
<b>Hospital</b>	<b>Gross Patient Revenues</b>	<b>Adjusted Charity Care Contribution</b>	<b>Percent of Gross Patient Revenue:</b>
Carilion Franklin Memorial Hospital	\$140,570,971	\$12,554,448	8.93%
Carilion Tazewell Community Hospital	\$56,372,076	\$4,461,261	7.91%
Carilion New River Valley Medical Center	\$641,976,306	\$35,497,216	5.53%
Bedford Memorial Hospital	\$106,076,131	\$5,296,511	4.99%
Carilion Medical Center	\$3,558,873,340	\$159,649,849	4.49%
Wellmont Lonesome Pine Mt. View Hospital	370345839	16158822	4.36%
Dickenson Community Hospital	\$25,823,572	\$1,031,068	3.99%
Russell County Medical Center	\$110,087,349	\$4,369,909	3.97%
Centra Health	\$2,328,985,662	\$89,202,278	3.83%
Carilion Giles Memorial Hospital	\$93,368,852	\$3,016,041	3.23%
Smyth County Community Hospital	\$191,874,758	\$5,908,813	3.08%
Johnston Memorial Hospital	\$849,445,825	\$23,815,840	2.80%
Norton Community Hospital	\$290,440,432	\$7,990,982	2.75%
Lewis-Gale Medical Center	\$2,081,736,631	\$45,082,951	2.17%
Pulaski Community Hospital	\$306,530,249	\$6,493,909	2.12%
LewisGale Hospital -- Montgomery	\$578,517,580	\$9,337,489	1.61%
LewisGale Hospital -- Alleghany	\$196,433,577	\$2,962,798	1.51%
Twin County Regional Hospital	\$235,254,272	\$2,331,223	0.99%
Clinch Valley Medical Center	\$492,663,256	\$4,385,186	0.89%
Buchanan General Hospital	\$98,290,606	\$540,974	0.55%
Memorial Hospital of Martinsville & Henry County	\$680,100,049	\$2,249,897	0.33%
Wythe County Community Hospital	\$224,998,295	\$633,916	0.28%
Danville Regional Medical Center	\$866,889,606	\$377,575	0.04%
Total Facilities Reporting			23
Median			2.8%
<b>Total \$ &amp; Mean %</b>	<b>\$14,525,655,234</b>	<b>\$443,348,956</b>	<b>3.1%</b>

Source: VHI (2018)

Also with regard to socioeconomic barriers to access to services, DCOPN notes that according to the most recent U.S. Census data, every locality within PD 4 has a poverty rate much higher than the 10.7% statewide average (Table 5). More specifically, Montgomery County and the City of Radford (located within Montgomery County) have the highest poverty rates of PD 4. For the preceding reasons, should the Commissioner approve the proposed project, DCOPN recommends a charity care condition consistent with the 2018 HPR III average hospital charity care rate and equal to at least 3.1% of gross patient services revenue derived from surgical services. DCOPN notes that its recommendation includes a provision allowing for the reassessment of the charity rate when more reliable data regarding the full impact of Medicaid expansion in Virginia becomes available.

**Table 5. Statewide and PD 4 Poverty Rates**

Locality	Poverty Rate
Virginia	10.7%
Floyd	12.3%
Giles	12.4%
Montgomery	24.1%
Town of Pulaski	21.9%
Pulaski (County)	14.6%
City of Radford	35.9%

Source: U.S. Census Data (census.gov)

The most recent Weldon-Cooper data projects a total PD 4 population of 193,995 persons by 2030 (Table 6). This represents an approximate 8.8% increase in total population from 2010 to 2030. Comparatively, Weldon-Cooper projects the total population of Virginia to increase by approximately 16.6% for the same period. With regard to Montgomery County specifically, Weldon-Cooper projects a total population increase of approximately 14.5% from 2010 to 2030. With regard to the 65 and older age cohort, Weldon-Cooper projects a much more rapid increase. Specifically, Weldon-Cooper projects an increase of approximately 47.6% among this age group for all of PD 4, with a 66.3% increase among this age group in Montgomery County, specifically (Table 7). This is significant, as this age group utilizes health resources at a rate much higher than other age groups.

**Table 6. Statewide and PD 4 Total Population Projections, 2010-2030**

Locality	2010	2020	% Change	2030	% Change	2010-2030 % Change
Virginia	8,001,024	8,655,021	8.17%	9,331,666	7.82%	16.6%
Floyd	15,279	15,754	3.1%	16,159	2.6%	5.8%
Giles	17,286	16,892	(2.3%)	16,822	(0.41%)	(5.6%)
Montgomery	94,392	100,746	6.7%	108,102	7.3%	14.5%
Pulaski	34,872	34,109	(2.2%)	33,148	(2.8%)	(4.9%)
Radford	16,408	18,446	12.4%	19,403	5.2%	18.3%
<b>TOTAL PD 4</b>	<b>178,237</b>	<b>185,947</b>	<b>4.3%</b>	<b>193,995</b>	<b>4.3%</b>	<b>8.8%</b>

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

**Table 7. PD 4 Population Projections for 65+ Age Cohort, 2010-2030**

Locality	2010	2020	% Change	2030	% Change	2010-2030 % Change
Floyd	2,686	3,583	33.4%	4,130	15.3%	53.8%
Giles	3,116	3,768	20.9%	4,134	9.7%	32.7%
Montgomery	9,228	12,653	37.1%	15,344	21.3%	66.3%
Pulaski	6,231	7,728	24.0%	8,322	7.7%	33.6%
Radford	1,382	1,411	2.1%	1,498	6.2%	8.4%
<b>TOTAL PD 4</b>	<b>22,643</b>	<b>29,143</b>	<b>28.7%</b>	<b>33,428</b>	<b>14.7%</b>	<b>47.6%</b>

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

**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;**

The applicant provided numerous letters of support for the proposed project from surgeons and medical professionals associated with CNRV. Collectively, these letters addressed the following:

1. CNRV's five existing GPORs currently operate well above what the state considers to be full capacity.
2. Surgical volumes have increased at CNRV as it has added additional surgical specialists and seen additional emergent/trauma cases from the southwest. This has resulted in a shortage of operating room availability, and patients have begun to experience longer wait times for critical services.
3. Surgeons are currently experiencing inefficiencies in their practices due to the insufficient operating room capacity.

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

DCOPN conducted the required public hearing on May 6, 2020. A total of six individuals were in attendance, of which, two elected to speak in favor of the proposed project. No individual indicated opposition to the proposed 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;**

As previously discussed, VHI reports that CNRV's five existing GPORs operated at a collective utilization of 167.3% in 2018, significantly above the SMFP threshold for expansion (Table 1). Accordingly, maintaining the status quo is not a viable option. Furthermore, while the Surgery Center's three existing GPORs operated at only 50.9% for 2018, the applicant's proposal to transfer one of the three requested GPORs from that facility would ultimately result in a collective utilization of 76.3% among the two remaining GPORs.<sup>1</sup> Accordingly, only one GPOR is available for transfer from the Surgery Center. However, DCOPN notes that Carilion Giles Community Hospital's two existing GPORs operated at only 23.7% capacity for 2018. DCOPN calculated that the transfer of one GPOR from that facility would ultimately result in an occupancy rate of 40.6%, still well beneath the SMFP threshold for expansion. Furthermore, relocation of a GPOR from Carilion Giles Community Hospital would provide for the improved distribution of resources among the Carilion health system while resulting in a net increase of only one GPOR to the PD 4 inventory, should the proposed project be approved.

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<sup>1</sup> Resulting utilization calculated by adjusting the number of GPORs to reflect the relocation of one GPOR, while maintaining the same number of total GPOR hours.



**(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 III designated by the Virginia Department of Health to serve as the Health Planning Agency for PD 4. Therefore, this consideration is not applicable to the review of the proposed project.

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

The total projected capital cost of the proposed project is \$3,284,100, the entirety of which will be funded using the accumulated reserves of the applicant (Table 2). Accordingly, there are no financing costs associated with this project. DCOPN concludes that the costs for the proposed project are reasonable when compared to previously approved projects similar in scope.<sup>2</sup> The applicant identified the following benefits of the proposed project:

1. The proposed project would ensure appropriate operating room capacity essential to providing efficient, timely surgical care, especially for those surgeries that are not available elsewhere in the planning district such as urology, vascular surgery, hand surgery and orthopaedic spine surgery.
2. The proposed project would provide adequate operating room capacity for the increased volumes and higher-acuity complement of surgical patients that the CNRV campus has seen in recent years.

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

The applicant provided assurances that its services would be available to all patients in need of those services, without regard to ability to pay or payment source. However, DCOPN again notes that the applicant's proffered charity care contribution is significantly below both the 3.1% HPR III average for 2018 and the 5.3% NVRC contribution for the same period (Table 4). Moreover, DCOPN again notes that according to the most recently published U.S. Census data, the poverty rates for Radford City and Montgomery County are the highest poverty rates in PD 4. For these reasons, should the Commissioner approve the proposed project, DCOPN recommends a charity care condition equal to at least 3.1% of gross patient service revenues derived from surgical services, consistent with the HPRI III average. DCOPN again notes that the recommended charity care condition does include a provision for the reassessment of the charity rate at such time as more reliable data becomes available regarding the impact of Medicaid expansion.

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<sup>2</sup> COPN No. VA-04636 authorized the addition of four operating rooms at Carilion Roanoke Community Hospital and had a capital cost of \$14,556,931; COPN No. VA-04258 authorized the addition of two operating rooms at Lewis-Gale Medical Center and had a capital cost of \$3,998,716.

**(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 factors, not addressed elsewhere in this staff analysis report, to bring to the attention of the Commissioner.

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

The State Medical Facilities Plan (SMFP) contains criteria and standards for the establishment of outpatient surgical hospitals and for the expansion of surgical services at an existing medical facility. They are as follows:

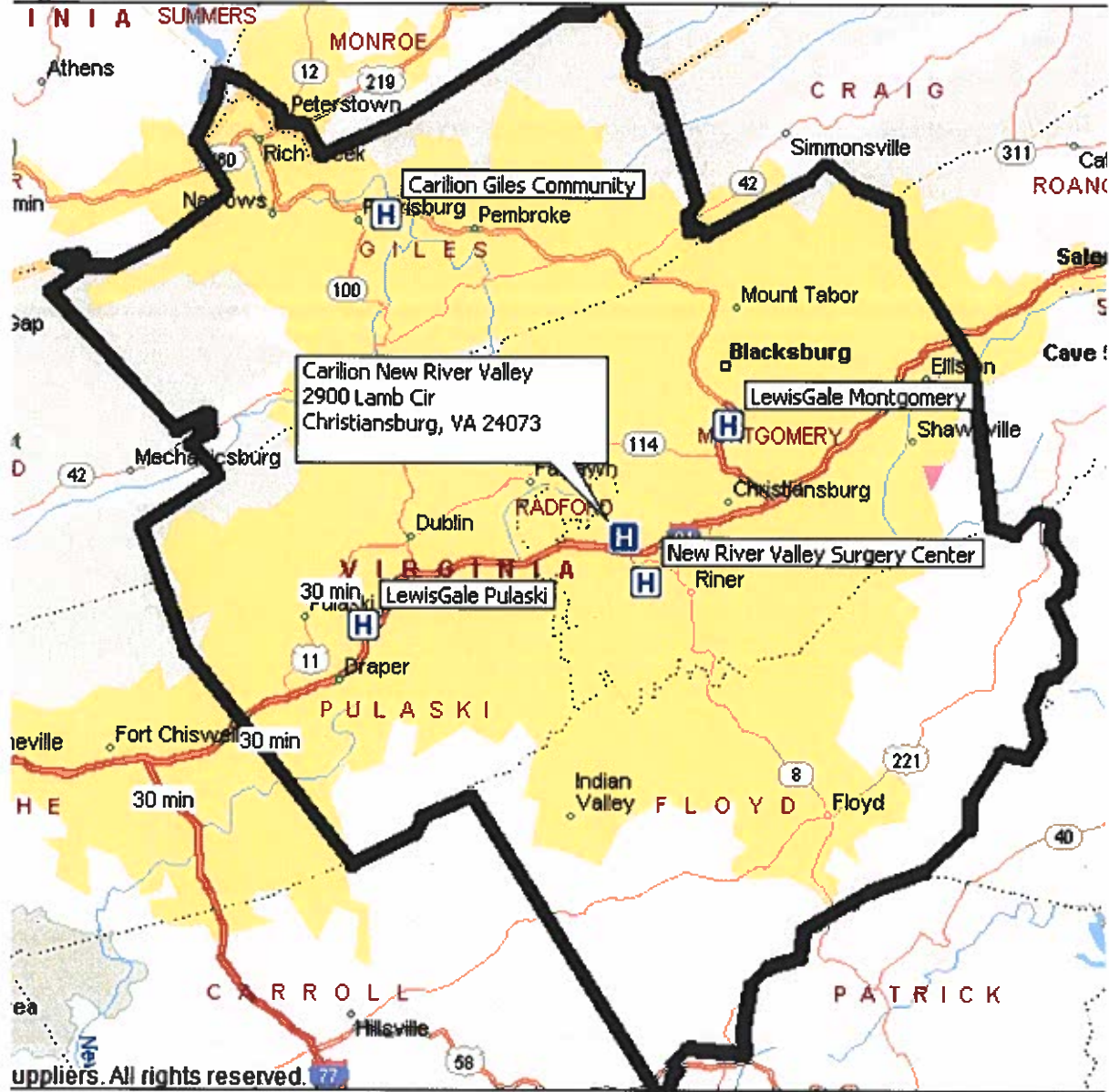
**Part V  
General Surgical Services**

**12VAC5-230-490. Travel Time.**

**Surgical 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 4. The white “H” signs in **Figure 1** mark the locations of all existing (both inpatient and outpatient) COPN approved GPORs located within PD 4. The blue “H” sign marks the location of the proposed project. The yellow shaded area represents the area of PD 4 that is within a 30-minute drive of existing inpatient and outpatient surgical services, other than CNRV. The pink shaded area represents the area of PD 4 that is within a 30-minute drive of CNRV, but not another PD 4 provider. Given the amount of shading and the location of shaded area, it is reasonable to conclude that surgical services currently are available within 30-minutes normal driving time, one way, under normal conditions of 95% of the population of PD 4. Additionally, DCOPN notes that because the applicant is an existing provider of surgical services, approval of the project would not improve geographical access in any meaningful way.

Figure 1.



**12VAC5-230-500. Need for New Service.**

- A. The combined number of inpatient and outpatient general purpose surgical operating rooms needed in a health planning district, exclusive of procedure rooms, dedicated cesarean section rooms, operating rooms designated exclusively for cardiac surgery, procedure rooms or VDH-designated trauma services, shall be determined as follows:**

$$\text{FOR} = \frac{((\text{ORV}/\text{POP}) \times (\text{PROPOP})) \times \text{AHORV}}{1600}$$

**Where:**

**ORV = the sum of total inpatient and outpatient general purpose operating room visits in the health planning district in the most recent five years for which general purpose operating room utilization data has been reported by VHI; and**

**POP = the sum of total population in the health planning district as reported by a demographic entity as determined by the commissioner, for the same five-year period as used in determining ORV.**

**PROPOP = the projected population of the health planning district five years from the current year as reported by a demographic program as determined by the commissioner.**

**AHORV = the average hours per general purpose operating room visit in the health planning district for the most recent year for which average hours per general purpose operating room visits have been calculated as reported by VHI.**

**FOR = future general purpose operating rooms needed in the health planning district five years from the current year.**

**1600 = available service hours per operating room per year based on 80% utilization of an operating room available 40 hours per week, 50 weeks per year.**

The applicant is not proposing to establish a new service, but rather, to expand an existing service. However, in the interest of completeness, DCOPN will address this standard. The preceding formula can be used to affirm whether there is currently an excess of GPORs in PD 4. The preceding formula can also determine the overall need for operating rooms within PD 4 five years from the current year, i.e., in the year 2025. The current GPOR inventory for PD 4 is shown broken down by facility, category, and utilization rate above in **Table 1**.

Based on operating room utilization data submitted to and compiled by VHI, for the five year period of 2014-2018, which is the most recent five-year period for which relevant data is available, the total and average number of reported inpatient and outpatient operating room visits is shown in **Table 8**.

**Table 8. Inpatient & Outpatient GPOR Visits in PD 4: 2014-2018**

Year	Total Inpatient & Outpatient Operating Room Visits
2014	12,205
2015	12,959
2016	13,494
2017	13,362
2018	13,555
<b>TOTAL</b>	<b>65,575</b>
<b>Average</b>	<b>13,115</b>

Source: 2014-2018 VHI Data

Based on actual population counts derived as a result of the 2010 U.S. census, and population projections as compiled by Weldon Cooper, **Table 9** presents the U.S. Census' baseline population estimates for PD 4 for the five years 2014-2018 as follows:

**Table 9. PD 4 Population: 2014-2018 and 2025**

Year	Population
2014	181,321
2015	182,092
2016	182,863
2017	183,634
2018	184,405
<b>TOTAL</b>	<b>914,315</b>
<b>2025</b>	<b>189,971</b>

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

Based on the above population estimates from the 2010 U.S. Census, and using a straight-line, average annual increase of 771 from 2010 to 2020 and 804.8 from 2020 to 2030, the cumulative total population of PD 4 for the same historical five-year period as referenced above, i.e., 2014-2018, was 914,315, while the population of PD 4 in the year 2025 (PROPOP – five years from the current year) is projected to be 189,971. These figures are necessary for the application of the preceding formula as follows:

ORV	÷	POP	=	CSUR
Total PD 4 GPOR Visits 2014 to 2018		PD 4 Historical Population 2014 to 2018		Calculated GPOR Use Rate 2014 to 2018
65,575		914,315		0.07172

CSUR	X	PROPOP	=	PORV
Calculated GPOR Use Rate 2014 to 2018		PD 4 Projected Population 2025		Projected GPOR Visits 2025
0.07172		189,971		13,625

AHORV is the average hours per operating room visit in the planning district for the most recent year for which average hours per operating room visit has been calculated from information collected by the Virginia Department of Health.

AHORV = 28,578 total inpatient and outpatient operating room hours (**Table 1**) reported to VHI for 2018, divided by 13,555 total inpatient and outpatient operating room visits reported to VHI for that same year.

$$\text{AHORV} = 2.1083$$

$$\text{FOR} = \frac{((\text{ORV/POP}) \times (\text{PROPOP})) \times \text{AHORV}}{1,600}$$

$$\text{FOR} = \frac{((65,575/914,315) \times (189,971)) \times 2.1083}{1,600}$$

$$\text{FOR} = \frac{0.0717 \times 189,971 \times 2.1083}{1,600}$$

$$\text{FOR} = 28,717 \div 1,600$$

**FOR = 17.95 (18) General Purpose Operating Rooms Needed in PD 4 in 2025**

**Current PD 4 GPOR inventory: 20**

**Net Surplus: 2 GPORs for 2025 planning year**

Using the above methodologies, the conclusion would be logically reached that there will not be a need to increase the number of general purpose operating rooms in PD 4, as the current inventory of 20 GPORs exceeds this amount. DCOPN again notes that the five existing GPORs at CNRV currently operate significantly above the SMFP threshold for expansion. However, DCOPN further notes that in addition to the one GPOR to be located from the Surgery Center, available capacity for transfer exists at Carilion Giles Community Hospital. Accordingly, while the applicant has demonstrated a unique institutional need for expansion, DCOPN contends that that two of the three requested GPORs should be relocated from within the Carilion health system and that only one additional GPOR should be added to the existing PD 4 inventory.

**B. Projects involving the relocation of existing operating rooms within a health planning district may be authorized when it can be reasonably documented that such relocation will: (i) improve the distribution of surgical services within a health planning district; (ii) result in the provision of the same surgical services at a lower cost to surgical patients in the health planning district; or (iii) optimize the number of operations in the health planning district that are performed on an outpatient basis.**

As previously discussed, the applicant proposes to relocate one of the three requested GPORs from the Surgery Center. In 2018, the Surgery Center operated at a collective utilization of only 50.9%. Also as previously discussed, the two existing GPORs at Carilion Giles Community Hospital operated at only 23.7% in 2018. Accordingly, DCOPN contends that the transfer of one of the three requested GPORs from this facility is appropriate, as doing so would provide for the improved distribution of resources within the Carilion health system while addressing the institutional need for expansion at CNRV. Additionally, the transfer of two GPORs from within the Carilion health system would result in the addition of only one GPOR to the existing PD 4 surplus.

**12VAC5-230-510. Staffing.**

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

The applicant has provided assurances that all surgical services will be under the direction and supervision of qualified physicians.

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

**Part I  
Definitions and General Information**

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

- A. Notwithstanding any other provisions of this chapter, the commissioner may grant approval for the expansion of services at an existing medical care facility in a health planning district with an excess supply of such services when the proposed expansion can be justified on the basis of a facility's need having exceeded its current service capacity to provide such service or on the geographic remoteness of the facility.**
- B. If a facility with an institutional need to expand is part of a health system, the underutilized services at other facilities within the health system should be reallocated, when appropriate, to the facility with the institutional need to expand before additional services are approved for the applicant. However, underutilized services located at a health system's geographically remote facility may be disregarded when determining institutional need for the proposed project.**
- C. This section is not applicable to nursing facilities pursuant to § 32.1-102.3:1 of the Code of Virginia.**
- D. Applicants shall not use this section to justify a need to establish new services.**

The applicant proposes to add three GPORs to its existing inventory, resulting in a total complement of 8 GPORs, two of which would be new to the PD 4 inventory. With a 2018 utilization rate of 167.3%, the most recently available data confirms that CNRV's current capacity demonstrates an institutional need for expansion. Consequently, it can be inferred that approval of the proposed project can be justified on the bases of the facility's need having exceeded its current service capacity. For reasons discussed in more detail previously in this staff analysis report, DCOPN further concludes that in addition to the one GPOR that will be relocated from the Surgery Center as part of this proposal, available capacity for relocation exists within the Carilion health system at Carilion Giles Community Hospital. Accordingly, DCOPN concludes that a reasonable alternative to the proposed project exists.

**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 applicant bases its application on an institutional need to expand existing inventory. Accordingly, this project is not intended to foster institutional competition within PD 4. Furthermore, as the applicant is an established provider of surgical services, DCOPN concludes that the project will not improve geographic access to underserved members of PD 4.



**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;**

As previously discussed, DCOPN calculated a net surplus of two GPORs in PD 4 for the 2025 planning horizon. While the applicant has adequately demonstrated an institutional need to expand its existing inventory, DCOPN notes that available capacity for relocation currently exists at Carilion Giles Community Hospital. DCOPN contends that in addition to the one GPOR that will be transferred from the Surgery Center as part of this request, the additional transfer of one GPOR from Carilion Giles Community Hospital would result in the improved distribution of resources among the Carilion health system while minimizing the impact to the existing PD 4 surplus. DCOPN also contends that because the proposed project is based upon an institutional need, partial approval is not likely to have a significant negative impact upon the utilization of existing area providers of surgical services. Regarding coordination and affiliation with other facilities, the applicant provided the following:

*“Carilion Clinic is able to aggregate physicians and support subspecialties in the more densely-populated Roanoke Valley that can't be fully supported by CNRV's more rural service area. In recent years, Carilion Clinic has deployed specialists to CNRV to ensure adequate specialty coverage and more specialized services convenient to the New River Valley. CNRV shares physicians from CMC in the following specialties: Gastroenterology, Orthopaedics, Ortho/Spine, Interventional Radiology, ENT, and Pulmonary/Critical Care.”*

**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;**

As already discussed, DCOPN contends that the projected costs for the proposed project are reasonable when compared to previously authorized projects similar in scope. Furthermore, the Pro Forma Income Statement provided by the applicant projects a net profit of \$34,898 in the first year of operation and \$35,478 by year two, indicating that the proposed project is financially feasible. The applicant will fund the project using accumulated reserves. Accordingly, there are no financing costs associated with this project.

With regard to staffing, the applicant anticipates the need to hire an additional nine full-time employees in order to staff the proposed GPORs and additional PACU space. DCOPN notes that the applicant is an established provider of surgical services with a robust employee retention plan. Accordingly, DCOPN does not anticipate that the applicant will have difficulty staffing the proposed project or that doing so will have a significant negative impact on existing providers of surgical services. With regard to this standard, the applicant provided the following:

*“Carilion uses a comprehensive strategy in recruitment of personnel. Nursing and other clinical positions are posted on Carilion's website, as well as on various job boards. Carilion also contacts instructors at local institutions with nursing and other clinical programs. CNRV serves as a clinical rotation for nursing/health care education programs in the area. This also serves as a recruitment tool for CNRV.”*

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

DCOPN concludes that the proposed project does not provide improvements or innovations in the financing and delivery of health services as demonstrated by the introduction of new technology that promotes quality, cost effectiveness, or both in the delivery of health care services, nor does it provide for the provision of services on an outpatient basis. However, DCOPN again notes that while the proposed project would ultimately add to the existing surplus in PD 4, approval of the project would address an institutional need adequately demonstrated by the applicant. DCOPN again recommends the relocation of one GPOR from Carilion Giles Community Hospital, resulting in a net addition of one GPOR to the existing PD 4 surplus. DCOPN did not identify any other relevant factors to bring to the Commissioner's attention.

- 8. In the case of a project proposed by or affecting a teaching hospital associated with a public institution of higher education or a medical school in the area to be served: (i) The unique research, training, and clinical mission of the teaching hospital or medical school; and (ii) Any contribution the teaching hospital or medical school may provide in the delivery, innovation, and improvement of health care for citizens of the Commonwealth, including indigent or underserved populations.**

Carilion Clinic is the primary teaching hospital aligned with the Virginia Tech Carilion School of Medicine and Research Institute (VTC). CNRV is a core site for surgical residents from the VTC. CNRV is not only a strategic partner with VTC and the Edward Via College of Osteopathic Medicine (VCOM), but is also affiliated with a number of other schools, providing a Pulmonary Critical Care fellowship, a pharmacy post-doctorate residency and rotations for surgical technicians from Radford University Carilion and for nurses from Radford University, Wytheville Community College and New River Valley Community College.

### **DCOPN Findings and Conclusions**

CNRV proposes to increase its existing licensed GPOR capacity by three GPORs, resulting in a total inventory of eight GPORs. One of the requested GPORs will be transferred from the New River Valley Surgery Center, while two GPORs will be new to the PD 4 inventory. The projected capital costs of the proposed project total \$3,284,100, the entirety of which will be funded using the accumulated reserves of the applicant. Accordingly, there are no financing costs associated with this project. DCOPN concludes that these costs are reasonable when compared to previously approved projects similar in clinical scope. The applicant has provided a projected opening date of May 1, 2021. DCOPN notes that if approved, schedule allowances may need to be made to accommodate the applicant's response to the COVID-19 pandemic.

The applicant's proposal would ultimately add two additional GPORs to the existing surplus in PD 4. While DCOPN concludes that the applicant has adequately demonstrated an institutional need to

expand its existing GPOR inventory, DCOPN contends that available occupancy exists within the Carilion health system—specifically at Carilion Giles Community Hospital. Accordingly, DCOPN concludes that a reasonable alternative to the proposed project exists. DCOPN finds that the proposed project will prove financially feasible both in the immediate and in the long-term. However, should the Commissioner approve the proposed project, DCOPN recommends a charity care condition equal to at least 3.1% of gross patient services revenues, which is consistent with the HPR III average for 2018.

### **DCOPN Staff Recommendation**

The Division of Certificate of Public Need recommends the **partial conditional approval** of Carilion New River Valley Medical Center’s COPN Request No. VA-8486 to add three general-purpose operating rooms. Specifically, DCOPN recommends approval of the addition of one operating room that is new to the PD 4 inventory, and two operating rooms to be relocated from within the existing Carilion Clinic health system. DCOPN’s recommendation is based on the following findings:

1. The proposed 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 adequately demonstrated an institutional need to expand its existing inventory of general-purpose operating rooms.
3. There is no known opposition to the proposed project.
4. The project is financially feasible.
5. The projected capital costs are reasonable.
6. Approval of the proposed project is not likely to have a significant negative impact on existing providers of surgical services.

DCOPN’s recommendation is contingent upon Carilion New River Valley Medical Center’s agreement to the following charity care condition:

Carilion New River Valley Medical Center will provide surgical services to all persons in need of this service, regardless of their ability to pay, and will facilitate the development and operation of primary medical care services to medically underserved persons in PD 4 in an aggregate amount equal to at least 3.1% of Carilion New River Valley Medical Center’s gross patient revenue derived from surgical 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. Carilion New River Valley 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.