

VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis

July 20, 2020

COPN Request No. VA-8500

Augusta Health Care, Inc. d/b/a Augusta Health
Fishersville, Virginia

Add one MRI scanner and one CT scanner

COPN Request No. VA-8511

Sentara RMH Medical Center
Harrisonburg, Virginia

Add one MRI and one CT scanner

Applicants

COPN Request No. VA-8500: Augusta Health Care, Inc. d/b/a Augusta Health

Augusta Health Care, Inc. d/b/a Augusta Health (Augusta Health) is a Virginia not-for-profit 501 (c)(3) corporation. August Health is located in Fishersville, Virginia in Planning District (PD) 6, Health Planning Region (HPR) I. Its primary service area includes Staunton City, Waynesboro City and Augusta County.

COPN Request No. VA-8511: Sentara RMH Medical Center

Sentara RMH Medical Center (SRMH) is a wholly owned subsidiary of Sentara Blue Ridge, LLC, which is a wholly owned subsidiary of Sentara Hospitals, which is a wholly owned subsidiary of Sentara Healthcare (Sentara), a non-stock, not-for-profit Section 501(c)(3) corporation headquartered in Norfolk, Virginia. SRMH is in Planning District (PD) 6, HPR I.

Background

Computed Tomography (CT) Scanners and Utilization in PD 6

According to Virginia Health Information (VHI) data for 2018 and DCOPN records, there were nine COPN authorized fixed site CT scanners in PD 6. DCOPN observes that all existing CT providers in PD 6 are located within hospitals. At present, the closest non-hospital diagnostic service providers are located outside of PD 6, requiring travel of at least 30 minutes to reach.

Table 1. COPN Authorized CT Scanners in PD 6 and 2018 Utilization

Facility	Number of Scanners	Number of Scans	Utilization Rate
Augusta Health	3	21,183	95.42%
Bath County Community Hospital	1	1,024	13.84%
Carilion Stonewall Jackson Hospital	1	5,098	68.89%
Sentara RMH Medical Center	4	31,880	107.70%
Total CT Scanners/Average Utilization	9	59,185	88.87%

Source: VHI (2018)

Magnetic Resonance Imaging (MRI) Scanners and Utilization in PD 6

According to VHI data for 2018, the most recent year for which such data is available, there were five COPN authorized fixed site MRI units and two mobile sites in PD 6. DCOFN again observes that all existing MRI providers in PD 6 are located within hospitals.

Table 2. PD 6 COPN Authorized MRI Units and Sites: 2018 Utilization

Facility	Fixed Units	Mobile Sites	Fixed MRI Procedures	Fixed MRI Utilization	Mobile MRI Procedures	Mobile MRI Utilization
Augusta Health	2	0	6,713	67.13%	N/A	N/A
Bath County Community Hospital	0	1	N/A	N/A	75	2.50%
Carilion Stonewall Jackson Hospital	0	1	N/A	N/A	1,160	38.67%
Sentara RMH Medical Center	3	0	14,249	94.99%	N/A	N/A
Total MRI Units/ Average Utilization	5	2	20,962	83.85%	1,235	20.58%

Source: VHI (2018)

Proposed Projects

COPN Request No. VA-8500: Augusta Health Care, Inc. d/b/a Augusta Health

Augusta Health proposes to establish a specialized center for diagnostic services with the addition of one CT scanner and one MRI unit at an outpatient imaging facility located on the campus of Augusta Health. The hospital campus is located at 78 Medical Center Drive, Fishersville, Virginia. The outpatient-imaging center will also provide x-ray, ultrasound and fluoroscopy services. The applicant explains that the goal in developing the outpatient imaging facility is to provide cost effective care for patients in a convenient, non-hospital setting.

The projected capital costs of the proposed project are \$4,302,893.72, approximately 33% of which are attributed to direct construction costs (**Table 3**). Capital costs will be funded through the accumulated reserves of the applicant. Accordingly, there are no financing costs associated with this project. If the State Health Commissioner (Commissioner) approves the project,

construction is expected to begin in November 2020 and is projected to be completed in May 2022. The target date of opening is July 1, 2022.

Table 3. Capital and Financing Costs: Augusta Health

Direct Construction Costs	\$1,423,244.09
Equipment Not Included in Construction Contract	\$2,650,000
Site Preparation Costs	\$143,247.25
Architectural and Engineering Fees	\$86,402.38
TOTAL Capital Costs	\$4,302,893.72

Source: COPN Request No. VA-8500

COPN Request No. VA-8511: Sentara RMH Medical Center

SRMH proposes to establish a freestanding diagnostic imaging facility with the addition of one 64-slice CT scanner and one 1.5T MRI unit at the Sentara Bridgewater Health Center at 100 Health Center Drive, Bridgewater, Virginia, in SRMH's service area. The site of the proposed project is located approximately eight miles, and 17 minutes normal driving time from the SRMH campus. The proposed project uses existing health care clinic space in an established health center that offers primary care, physical therapy, lab and x-ray services. The applicant asserts that because the space is currently in use as a health care center, interior renovations are considerably less costly than it would be to add space for the scanners at SRMH, or build a new building.

On July 7, 2020, SRMH notified DCOPN that it was changing the site for the proposed freestanding imaging center from 103 Community Way, Staunton, Virginia (Original Site) to 100 Health Center Drive, Bridgewater, Virginia (New Site). DCOPN notes that the public hearing for COPN Request Nos. 8500 and 8511 was held on July 10, 2020. Per section 12VAC5-220-250 of the Virginia Medical Care Facilities Certificate of Public Need Rules and Regulations, an applicant shall have the right to amend an application at any time. 12VAC5-220-250 further directs that any amendment, which is made to an application following the public hearing and prior to the issuance of a certificate ...,shall constitute a new application.... DCOPN observes that SRMH amended its application to change the location of the proposed project from the Original Site to the New Site prior to the public hearing. Thus, the site change did not constitute a new application and DCOPN reviews the proposed project accordingly.

The projected capital costs of the proposed project are \$5,398,636.87, approximately 21% of which are attributed to direct construction costs (**Table 4**). Capital costs will be funded through the accumulated reserves of the applicant. Accordingly, there are no financing costs associated with this project. If the Commissioner approves the project, construction is expected to begin in March 2021 and is projected to be completed in July 2021. The target date of opening is September 2021.

Table 4. Capital and Financing Costs: Sentara RMH Medical Center

Direct Construction Costs	\$1,115,135
Equipment Not Included in Construction Contract	\$2,461,160
Site Acquisition Costs	\$1,671,970.87
Architectural and Engineering Fees	\$110,371
Other Consultant Fees	\$40,000
TOTAL Capital Costs	\$5,398,636.87

Source: COPN Request No. VA-8511

Project Definitions

COPN Request No. VA-8500: Augusta Health Care, Inc. d/b/a Augusta Health

Section 32.1-102.1:3 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).”

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

COPN Request No. VA-8511: Sentara RMH Medical Center

Section 32.1-102.1:3 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...”

Section 32.1-102.1:3 of the Code of Virginia defines a medical care facility, in part, as “[a]ny specialized center or clinic developed for the provision of outpatient...computed tomographic scanning... and “... magnetic resonance imaging (MRI).”

The two COPN requests, COPN Request Nos. VA-8500, and VA-8511, 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. Both requests that are the subject of this review include an increase in CT and MRI capacity in PD 6, 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 project will provide or increase access to health care services for people in the area to be served, and the effects that the proposed project will have on access to health care services in areas having distinct and unique geographic, socioeconomic, cultural, transportation, and other barriers to access to health care;**

Table 5 shows projected population growth in PD 6 through 2030. As depicted in **Table 5**, at an average annual growth rate of 0.62%, PD 6’s population growth rate from 2010-2020 is in line with the state’s average annual growth rate of 0.77%. Overall, the planning district is projected to add an estimated 18,611 people in the 10-year period ending in 2020—an approximate 7% increase with an average increase of 1,861 people annually. In the 10-year period ending in 2030, the planning district is projected to add an estimated 19,442 people – an approximate 21% increase with an average increase of 1,944 people annually.

Regarding the 65+ age group for PD 6, Weldon-Cooper projects a more rapid increase in population growth (an approximate 30% increase from 2010 to 2020 and approximately 21% 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.

Table 5. Population Projections for PD 6, 2010-2030

Locality	2010	2020	% Change 2010-2020	Avg Ann % Change 2010 - 2020	2030	% Change 2020-2030	Avg Ann % Change 2020-2030
Augusta	73,750	75,734	2.69%	0.26%	80,035	5.68%	0.55%
Bath	4,731	4,377	-7.49%	-0.76%	3,980	-9.06%	-0.94%
Highland	2,321	2,258	-2.72%	-0.27%	2,080	-7.88%	-0.82%
Rockbridge	22,307	22,636	1.47%	0.14%	23,290	2.89%	0.29%
Rockingham	76,314	82,720	8.39%	0.79%	89,156	7.78%	0.75%
Buena Vista City	6,650	6,302	-5.23%	-0.52%	6,222	-1.28%	-0.13%
Harrisonburg City	48,914	56,012	14.51%	1.33%	63,037	12.54%	1.19%
Lexington City	7,042	7,447	5.75%	0.55%	7,622	2.34%	0.23%
Staunton City	23,746	25,293	6.51%	0.62%	25,577	1.13%	0.11%
Waynesboro City	21,006	22,613	7.65%	0.72%	23,835	5.40%	0.53%
Total PD 6	286,781	305,392	6.49%	0.62%	324,834	6.37%	0.62%
PD 6 65+	44,489	57,777	29.87%	2.58%	69,815	20.84%	1.91%
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 6**).

Table 6. HPR I 2018 Charity Care Contributions

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-8500: Augusta Health Care, Inc. d/b/a Augusta Health

Augusta Health proposes to construct a freestanding imaging center on the hospital campus located at 78 Medical Center Drive, Fishersville, Virginia. Geographically, Augusta Health fronts Lifecore Drive, which provides direct access to State Route 285. State Route 285 connects to Interstate 64 and State Route 250. Additionally, Augusta Health supports a regional transportation system through the Central Shenandoah Planning District called Blue Ridge Intercity Transit (BRITE). BRITE provides fixed route transportation services in Augusta Health’s service area and provides on demand services to patients coming to the hospital.

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 6**). In that same year, Augusta Health provided 4.53% of its gross patient revenue in the form of charity care. Pursuant to Section 32.1 – 102.4 of the Code of Virginia, 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-8511: Sentara RMH Medical Center

SRMH proposes to establish a specialized imaging center eight miles from SRMH's campus in existing health care clinic space located at 100 Health Center Drive, Bridgewater, Virginia. Geographically, the proposed site is located on Virginia Route 257, which is a busy commercial route that connects Interstate 81, US Route 11 and Virginia Route 42 in the town of Bridgewater in Rockingham County. The proposed site is served by the City of Harrisonburg Public Transportation division, which operates a regular Bridgewater/Dayton shuttle that serves locations in close proximity to the proposed location.

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 6**). In that same year, SRMH provided 5.3% of its gross patient revenue in the form of charity care. Pursuant to Section 32.1 – 102.4 of the Code of Virginia, should the Commissioner approve the proposed project, DCOPN recommends a charity care condition no less than the 4.5% HPR I average.

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

(i) the level of community support for the proposed project demonstrated by people, businesses, and governmental leaders representing the area to be served;

COPN Request No. VA-8500: Augusta Health Care, Inc. d/b/a Augusta Health

DCOPN received over 80 letters of support for the proposed project from local business owners, community members, community clinicians and Augusta Health medical providers. Collectively, these letters articulate numerous benefits of the project, such as:

- Augusta Health's importance to the community (largest employer in Staunton, Waynesboro and Augusta County) and its responsiveness to the needs of the community;
- Augusta Health's contributions of more than \$50 million in assistance to community through financial assistance, health improvement programs, grants, scholarships and health education;
- The need for non-hospital based diagnostic imaging options in PD 6;
- Reduced financial and logistical burdens for Augusta Health's patients who travel for non-hospital based diagnostic imaging services;
- The advanced technology that will be offered at the outpatient imaging center will allow for advanced imaging services; and
- The quality of service provided at Augusta Health.

Additionally, DCOPN received resolutions from the Augusta Health Medical Executive Committee, the Augusta Regional Chamber of Commerce, the Augusta County Board of

Supervisors, the Waynesboro Economic Development Authority, the City of Staunton, and the City of Waynesboro. Finally, the applicant received thousands of signatures on an online petition supporting the proposed project. The largest portion of individuals who signed the petition are from Augusta Health's primary service area: Staunton, Augusta County and Waynesboro.

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

COPN Request No. VA-8511: Sentara RMH Medical Center

DCOPN received four letters of support from members of the local medical community. The letters articulated several benefits of the proposed project, including:

- The importance of access to imaging services for the diagnosis and treatment of SRMH's patients.
- The need for non-hospital based imaging options in PD 6.
- The overutilization of SRMH's three MRI units and four CT scanners and the issues this causes, including: (1) long wait times for non-emergent patients; (2) delays in diagnosis and treatment; (3) and pressure on imaging staff to expand hours and increase throughput.
- Bridgewater is an ideal location to establish a freestanding, outpatient imaging center, which will allow Sentara to decant imaging volumes for patients who live south of Harrisonburg and offer lower cost imaging options to its patients.
- The location of the proposed project will reduce driving times for patients from Staunton, Verona, Weyers Cave, Bridgewater, and other nearby communities.

DCOPN received one letter of opposition to the proposed project from Augusta Health. The letter addressed:

- The primary service area for Augusta Health's freestanding imaging center will have the exact same service area as Augusta Health's existing outpatient CT and MRI services. In contrast, the primary service area for SRMH's project does not match SRMH's primary service area for CT and MRI services and includes portions of Augusta Health's primary service area – Staunton, Augusta County and Waynesboro (SAW region).
- If approved, Augusta Health will shift all clinically appropriate MRI and CT volume from the hospital to the freestanding imaging center, making lower cost nonhospital diagnostic imaging services available for its existing patient population. In contrast, SRMH's project proposes to serve a different patient population than it currently serves by excluding two heavily populated Harrisonburg zip codes from its projected volumes for its proposed project.
- SRMH's site change does not resolve the harmful impact that its project will have on Augusta Health. SRMH's project proposes to cannibalize Augusta Health's CT and MRI cases from the SAW region and is predatory in nature.

- As a community hospital, Augusta Health relies on revenues from diagnostic imaging services to subsidize many services it provides to the community at a loss.

SRMH responded to Augusta Health's letter of opposition. SRMH's letter addressed:

- SRMH's institutional need to expand both its CT and MRI imaging services.
- The Bridgewater location fits squarely into, and serves, SRMH's longtime primary service area, is eight miles from SRMH and 24 miles from Augusta Health.
- There is a clear need for additional CT capacity in PD 6 and a need for CT and MRI capacity at SRMH.
- Public comment at the public hearing reflected a lack of understanding of SRMH's project, including the fact that the project moved to Bridgewater.
- SRMH's and Augusta Health's primary services areas overlap in some communities in PD 6. However, SRMH already has services in Bridgewater and Augusta Health does not.
- An off campus site, dedicated to outpatients has the recognized benefit of keeping outpatients off the hospital campus while diversifying points of access.
- SRMH's project is not predatory. SRMH has always served patients from Augusta County, Staunton and other communities that overlap with Augusta Health's primary service area.
- SRMH's project will improve financial access to diagnostic imaging services by establishing a lower cost facility convenient to patients from large parts of its service area.
- Augusta Health self-reports itself as a financially strong institution; its claims of adverse impact from SRMH's project in Bridgewater are unsubstantiated.
- SRM projects stronger charity care than Augusta Health with regard to the proposed projects.

Public Hearing

DCOPN conducted the required public hearing on July 7, 2020. A total of 61 individuals participated, including 19 individuals who spoke.

COPN Request No. VA-8500: Augusta Health Care, Inc. d/b/a Augusta Health

A representative for Augusta Health presented the proposed project and outlined multiple benefits of the project, including:

- Central location on Augusta Health's campus;
- Part of the Life Core community, which includes 50 medical practices and 185 physicians;
- Addresses the need for a non-hospital provider in PD 6;
- Reduces the need for patients to travel for diagnostic services;

- Addresses August Health’s institutional need to decompress the overutilization on the existing equipment; and
- Will reduce patient wait times for diagnostic imaging services.

15 individuals, including members of the local business, medical, academic and patient communities spoke in favor of the Augusta Health outpatient imaging center. These individuals reiterated the benefits presented by the applicant and also outlined the importance of Augusta Health to the community. No one spoke in opposition to the proposed project.

COPN Request No. VA-8511: Sentara RMH Medical Center

A representative for SRMH and the medical director of imaging at SRMH presented the proposed project and outlined numerous benefits of the project, including:

- Addresses SRMH’s institutional need and to decompress the overutilization on the existing imaging equipment;
- Creates an option for lower cost imaging services;
- Improves timely access to imaging services for SRMH’s patients and prevents rescheduling and directing patients to other imaging centers;
- Will allow for more complex studies, such a guided biopsies, which take longer than diagnostic studies; and
- Allows SRMH to minimize mixing inpatient and outpatient, which is especially important during the Covid-19 pandemic.

Several individuals spoke in opposition to SRMH’s proposed project.

(ii) the availability of reasonable alternatives to the proposed project that would meet the needs of the people in the area to be served in a less costly, more efficient, or more effective manner;

COPN Request No. VA-8500: Augusta Health Care, Inc. d/b/a Augusta Health

Neither DCOPN nor Augusta Health identified a reasonable alternative to adding one CT scanner at a freestanding location on the Augusta Health campus. In 2018, the three fixed site CT scanners at Augusta Health performed 21,183 procedures with a utilization rate of 95.42%. Therefore, Augusta Health has demonstrated an institutional need to expand CT imaging services, and the status quo is not a preferable alternative because it will not allow the applicant to decompress the utilization on its existing CT scanners.

Regarding Augusta Health’s request to add one MRI unit, according to VHI data for 2018, the two fixed site MRI units performed 6,713 procedures with a utilization rate of 67.13%, well below the State Medical Facilities Plan (SMFP) threshold for the addition of capacity. The applicant asserts that the low utilization in 2018 was “an anomaly due to being cut out of network with Anthem for seven months” as Anthem accounts for 21.7% of total MRI procedures. However, the applicant also reports that in 2019, the two MRI units at Augusta Health performed 7,473 procedures with a utilization rate of 74.73%, which displays over 25% capacity still available on the hospital’s two MRI units. As will be discussed in greater detail below, from 2012-2019

Augusta Health's MRI utilization displayed a high of 77.48% (2917) and a low of 65.91% (2013) (**Table 9**).

The applicant suggests that the alternative of relocating one of the MRI units from the hospital to the outpatient imaging center is not a viable option because it intends to acquire a new 3Tesla (3T) MRI unit for the outpatient imaging center, which will allow for more complex MRI procedures. DCOPN observes that the applicant could relocate one of the MRI units from the hospital and simultaneously upgrade to a 3T MRI unit, and the remaining unit in the hospital would still have approximately 10% available capacity based on the number of MRI procedures performed in 2018.

For these reasons, DCOPN concludes that maintaining the status quo is preferable to the request to add one MRI unit because of the existing underutilization of both of the MRI units on the Augusta Health campus and other MRI units in PD 6.

COPN Request No. VA-8511: Sentara RMH Medical Center

As shown in **Table 1**, the applicant operates four CT scanners and three MRI units. For 2018, the four fixed site CT scanners performed 31,880 procedures with a utilization rate of 107.7% and the three fixed site MRI units performed 14,249 procedures with a utilization rate of 94.99%. The applicant reports that in 2019, the four fixed site CT scanners performed 32,411 procedures with a utilization rate of 109.5% and the three MRI units performed 14,720 procedures with a utilization rate of 98.1%. To address its institutional need, SRMH proposes to establish a diagnostic imaging facility at the Sentara Bridgewater Health Center in Bridgewater, Virginia.

DCOPN and the applicant observe that the addition of imaging capacity on the SRMH campus may be a reasonable alternative to the proposed project and would serve the purpose of decompressing SRMH's current overutilization. The applicant asserts that adding a fifth CT scanner and a fourth MRI unit on the hospital campus will not address scheduling concerns associated with managing high volumes of inpatients, emergency patients and outpatients at the hospital based imaging department. By establishing an outpatient imaging center, the applicant will be able to reallocate thousands of outpatient procedures to free up capacity on the hospital's CT scanners and MRI units. Furthermore, siting the additional CT scanner and MRI unit at an already established outpatient health center is much less costly than the construction that would be required to make room for the additional capacity on the hospital's campus.

Moreover, DCOPN finds that the proposed project is more advantageous than the status quo. As previously discussed, both CT scanners at SRMH exceeded the SMFP expansion threshold in 2018 and the three MRI units operated at 94.99%, just below the SMFP threshold for expansion. Addition of another CT scanner and MRI unit would allow more patients to receive timely diagnoses, as well as reduce wait times for scheduled appointments.

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

(iv) any costs and benefits of the proposed project;

COPN Request No. VA-8500: Augusta Health Care, Inc. d/b/a Augusta Health

As demonstrated by **Table 3**, the projected capital costs of the proposed project are \$4,302,893.72, approximately 33% of which are attributed to direct construction costs. Capital costs will be funded through the accumulated reserves of the applicant. Accordingly, there are no financing costs associated with this project. DCOPN concludes that when compared to similar diagnostic imaging projects, these costs are reasonable. For example, COPN No. VA-04696 issued to Medical Imaging of Fredericksburg to add one CT scanner and one MRI unit, which cost approximately \$3,904,641.

The applicant identified numerous benefits of the proposed project, including:

- Enhances access to healthcare in Augusta County, Waynesboro and Staunton;
- Provides essential dedicated outpatient diagnostic imaging service in response to growing demand;
- Easily accessible on the Augusta Health campus;
- Provides cost-effective care for patients in a convenient setting; and
- Eases the burden on existing Augusta Health hospital based resources.

COPN Request No. VA-8511: Sentara RMH Medical Center

As demonstrated by **Table 4**, the projected capital costs of the proposed project are \$5,398,636.87, approximately 21% of which are attributed to direct construction costs. Capital costs will be funded through the accumulated reserves of the applicant. Accordingly, there are no financing costs associated with this project. As discussed above, DCOPN concludes that when compared to similar diagnostic imaging projects, these costs are reasonable.

The applicant identified numerous benefits of the proposed project, including:

- Addresses a compelling and demonstrated institutional need for more capacity to better serve SRMH's patients;
- Improves access to timely imaging services for all patients by decanting thousands of outpatient scans to an alternative site of care;
- Improves geographic access to outpatient imaging for patients residing in the central, southern and western portions of SRMH's service area; and
- Establishes a much-needed lower cost imaging option for resident of PD 6, reducing the cost of care for patients and payors.

- (v) the financial accessibility of the proposed project to the people in the area to be served, including indigent people; and

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The Pro Forma Income Statement provided by the applicant includes the provision of charity care in the amount of 1.6% (Table 7). DCOPN notes that, according to VHI data from 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 6). In that same year, Augusta Health provided 4.53% of its gross patient revenue in the form of charity care. Pursuant to Section 32.1 – 102.4 of the Code of Virginia, should the Commissioner approve the proposed project, DCOPN recommends a charity care condition of no less than the 4.5% HPR I average.

Table 7. Augusta Health’s Pro Forma Income Statement

	Year 1	Year 2
Total Gross Revenue	\$10,217	\$12,775
Contractual Adjustments	(\$7,244)	(\$7,397)
Charity Care Writeoffs	(\$163)	(\$167)
Bad Debts	(\$153)	(\$157)
Total Net Patient Revenue	\$2,656	\$2,732
Operating Expenses	\$1,516	\$1,541
Net Income	\$544	\$595

Source: COPN Request No. VA-8500

COPN Request No. VA-8511: Sentara RMH Medical Center

The Pro Forma Income Statement provided by the applicant projected that 4.53% of SRMH’s diagnostic services at the Bridgewater facility would be attributed to the “Self-Pay & Charity” payor type (Table 8). However, the applicant provided assurances that the proposed project will be financially accessible to all patients regardless of their ability to pay or payment source. DCOPN notes that, according to VHI data from 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 3). In that same year, SRMH provided 5.3% of its gross patient revenue in the form of charity care. Pursuant to Section 32.1 – 102.4 of the Code of Virginia should the Commissioner approve the proposed project, DCOPN recommends a charity care condition of no less than the 4.5% HPR I average.

Table 8. SRMH’s Pro Forma Income Statement

	Year 1	Year 2
Total Gross Revenue	\$21,300,721	\$26,056,192
Contractuals and Bad Debt	(\$19,991,813)	(\$24,516,057)
Net Revenue	\$1,308,909	\$1,540,135
Total Operating Expenses	(\$1,420,308)	(\$1,517,030)
Net Income	(\$111,399)	\$23,104

Source: COPN Request No. VA-8511

(vi) at the discretion of the Commissioner, any other factors as may be relevant to the determination of public need for a proposed 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 Health Services Plan;

Section 32.1-102.2:1 of the Code of Virginia calls for the State Health Services Plan Task Force to develop, by November 1, 2022, recommendations for a comprehensive State Health Services Plan (SHSP). In the interim, these regulations provide the best available criteria and DCOPN will consider the consistency of the proposed project with the predecessor of the SHSP, the SMFP.

The State Medical Facilities Plan (SMFP) contains standards and criteria for the addition of diagnostic services. They are as follows:

Part II. Diagnostic Imaging Services

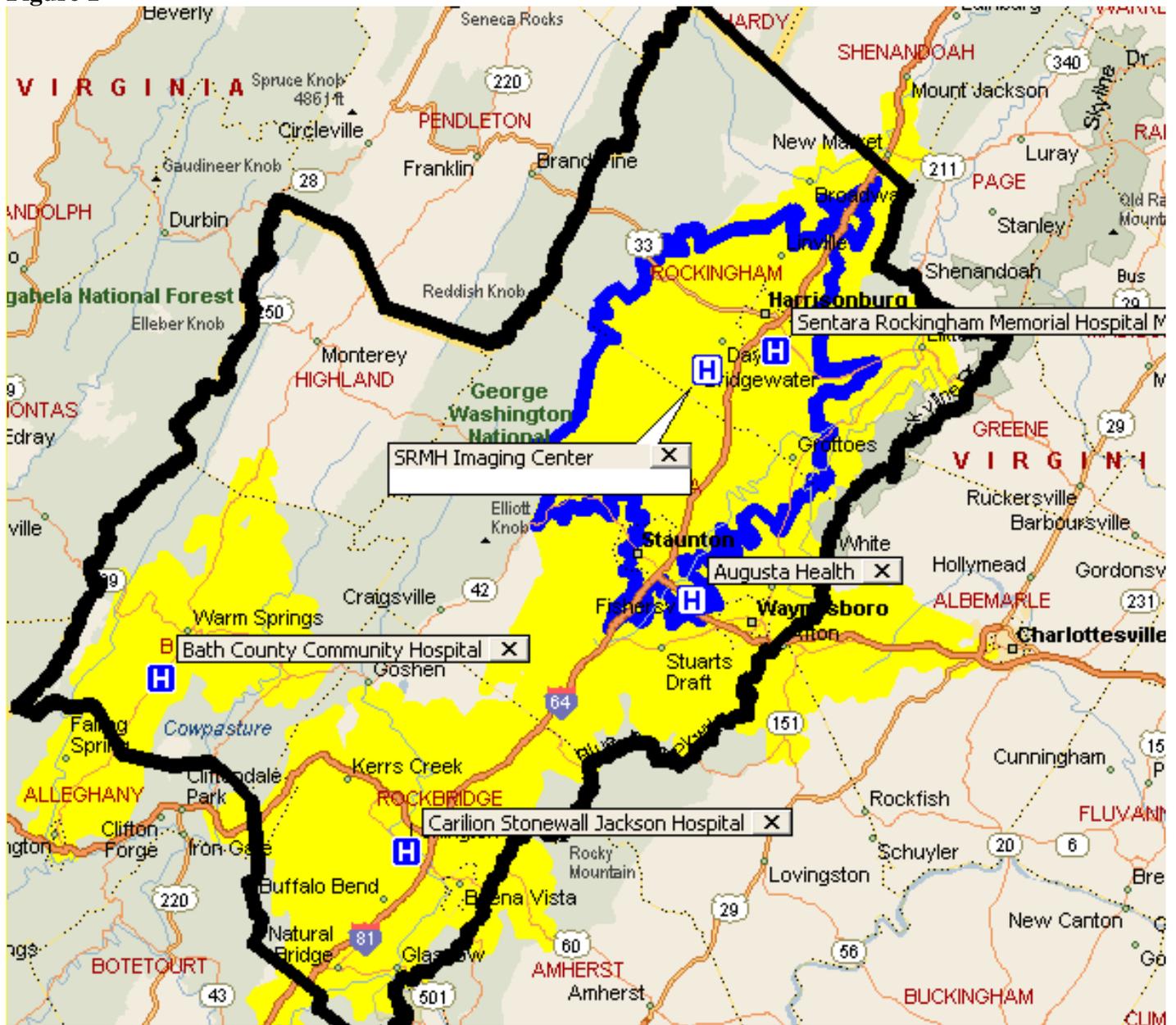
Article 1. Criteria and Standards for Computed Tomography

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 6. The blue “H” signs mark the locations of existing COPN approved CT scanners located in PD 6. The white “H” signs mark the location of the proposed projects. The yellow shaded area in Figure 1 illustrates the area of PD 6 and the surrounding area that is within a 30-minute drive of existing CT services. The blue outline illustrates the area of PD 6 and the surrounding area that would be within a 30-minute drive of the new facility proposed pursuant to COPN Request No. VA-8511. The facility proposed pursuant to COPN Request No. VA-8500 will be located on the campus of Augusta Health, and thus, the existing CT service at Augusta Health covers an identical area. Based on the yellow shaded area in **Figure 1**, it is reasonable to conclude that approximately 95% of the population of PD 6 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 geographic access to CT services in PD 6 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.**

For 2018, the nine CT scanners in PD 6 had a cumulative utilization rate of 88.87% based on the SMFP threshold of 7,400 CT procedures per scanner per year (**Table 1**). Using 2018 VHI data, (the most current reported data available) based on nine authorized fixed CT scanners in PD 6 (**Table 1**) and reported CT volume of 59,185 CT scans (6,576.1 scans per scanner), there is a calculated need for eight CT scanners in PD 6. Therefore, at present, there is a surplus of one CT scanner within the planning district.

2018 COPN authorized CT scanners = 9
Calculated Needed CT scanners = $59,185 \div 7400 = 7.99$
Need = 8 CT scanners
CT scanner surplus = 1

However, DCOPN notes, and **Figure 1** displays, that the fixed site CT scanners located at Carilion Stonewall Jackson Hospital and Bath County Community Hospital are approximately 40 miles and 60 miles west, respectively, of the location of the proposed project and the other PD 6 CT scanners. These facilities are geographically distant and are likely to serve distinct patient populations from those patients who receive treatment at Augusta Health. 12VAC5-230-100 directs “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.” Disregarding Stonewall Jackson Hospital’s and Bath County Community Hospital’s utilization from the 2018 cumulative utilization of PD 6’s CT scanners increases the cumulative utilization to 102.4%, which demonstrates the need for additional capacity.

COPN Request No. VA-8500: Augusta Health Care, Inc. d/b/a Augusta Health

Augusta Health is not proposing to establish a new fixed site service, but rather is proposing to expand its existing CT service to an outpatient imaging center on the hospital campus. 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.”

12VAC5-230-110 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 on campus outpatient imaging center 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.

Nevertheless, if DCOPN considered this proposal the establishment of a new service, this consideration would be substantially met. According to VHI data, in 2018, there were nine COPN authorized CT scanners in PD 6 with a cumulative utilization of 88.87% (**Table 1**). Using 2018 VHI data, based on nine COPN authorized fixed CT scanners in PD 6 and reported CT volume of 59,185 CT scans (6,576 scans per scanner), there is a calculated surplus of one CT scanner in PD 6. The proposed project would add one CT scanner to the PD 6 inventory.

COPN Request No. VA-8511: Sentara RMH Medical Center

Not applicable, SRMH cites an institutional need to expand CT capacity, not to establish a new fixed or mobile CT imaging site. As outlined above, SRMH’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.”

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-8500: Augusta Health Care, Inc. d/b/a Augusta Health

Augusta Health has shown an institutional specific need to expand its current CT services. As previously discussed, the applicant has three fixed site CT scanners on the hospital campus. In 2018, Augusta Health’s three CT scanners operated at 95.42% utilization, only slightly below the SMFP expansion standard of 7,400 CT procedures per scanner per year. The applicant reports that in 2019, the three CT scanners performed 25,284 procedures and operated at 113.9% utilization. The applicant asserts that the low utilization in 2018 was “an anomaly due to being cut out of network with Anthem for seven months” as Anthem accounts for 1.9% of total CT procedures.

As previously discussed, 12VAC5-230-110 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.” Patient origin data for 2019 shows that the vast majority of Augusta Health’s outpatient CT and MRI procedures, over 93%, were performed on patients originating from Augusta Health’s primary service area: Augusta County, Waynesboro City, Rockbridge County, Staunton City and the surrounding areas. As a result, the primary patient population the proposed project is intended to serve is patients who have already chosen Augusta Health as their care provider. Furthermore, because the proposed project will be located on the hospital campus, it is unlikely to significantly reduce the utilization of existing service providers. DCOPN concludes that the applicant satisfies this standard.

COPN Request No. VA-8511: Sentara RMH Medical Center

As previously discussed, the proposed 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.”

SRMH has shown an institutional specific need to expand its current CT services. The applicant operates four CT scanners on the hospital campus. For 2018, the most recent year for which VHI data is available, the four CT scanners at SRMH operated at 107.7%, above the SMFP threshold for expansion. The applicant projects that the outpatient imaging center will primarily serve Sentara patients residing in Rockingham County, northern Augusta County and Staunton city. As a result, the primary patient population the proposed project is intended to serve is patients who have already chosen SRMH as their care provider. Furthermore, because the proposed project will be located proximal to the hospital campus, it is unlikely to significantly reduce the utilization of existing service providers. DCOPN concludes that the applicant satisfies this standard.

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.

Both 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 MRI providers in PD 6 are identical to the CT providers as identified in **Figure 1**. The heavy black line in **Figure 1** identifies the boundary of PD 6. The blue “H” signs mark the locations of existing COPN approved MRI units located in PD 6. The white “H” signs mark the location of the proposed projects. The yellow shaded area in Figure 1 illustrates the area of PD 6 and the surrounding area that is within a 30-minute drive of existing MRI services. The blue outline illustrates the area of PD 6 and the surrounding area that would be within a 30-minute drive of the new facility proposed pursuant to COPN Request No. VA-8511. The facility proposed pursuant to COPN Request No. VA-8500 will be located on the campus of Augusta Health, and thus, the existing MRI service at Augusta Health covers an identical area. Based on the yellow shaded area in **Figure 1**, it is reasonable to conclude that approximately 95% of the population of PD 6 is within 30 minutes driving-time one-way under normal traffic conditions of MRI services. DCOPN concludes that approval of the proposed projects will not increase geographic access to MRI services in PD 6 because the area within 30 minutes driving-time one-way under normal traffic conditions is already covered by existing MRI providers.

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.

For 2018, the five fixed site MRI units in PD 6 had a cumulative utilization of 83.85% based on the SMFP threshold of 5,000 MRI procedures per fixed site MRI unit per year, and the two mobile MRI sites displayed a cumulative utilization of 20.58% based on the SMFP threshold of 3,000 MRI procedures per mobile MRI unit per year (**Table 2**). As demonstrated below, based on five authorized fixed MRI units in PD 6 and reported MRI volume of 20,962 MRI procedures

(4,192.4 scans per scanner) in 2018, there is a need for five MRI units in PD 6. Therefore, at present, there is neither a need nor a surplus of MRI scanners in PD 6.

2018 COPN authorized MRI scanners = 5

Calculated Needed MRI scanners in PD 6 = $20,962 \div 5,000 = 4.2$

Need = 5

Current MRI scanner need/surplus = 0

COPN Request No. VA-8500: Augusta Health Care, Inc. d/b/a Augusta Health

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

COPN Request No. VA-8511: Sentara RMH Medical Center

Not applicable, SRMH cites an institutional need to expand MRI capacity, 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.

COPN Request No. VA-8500: Augusta Health Care, Inc. d/b/a Augusta Health

Augusta Health has cited an institutional need to expand its current MRI services at the hospital and based on PD 6's overall MRI utilization of 83.85%. As previously discussed, for 2018, the most recent year for which VHI data is available, the two fixed site MRI units at Augusta Health performed 6,713 MRI procedures with a utilization rate of 67.13%, well below the SMFP expansion standard of 5,000 procedures per scanner per year. The applicant asserts that the low utilization in 2018 was "an anomaly due to being cut out of network with Anthem for seven months" as Anthem accounts for 21.7% of total MRI patients at Augusta Health. However, the applicant also reports that in 2019, the two MRI units at Augusta Health performed 7,473 procedures with a utilization rate of 74.73%, which exhibits over 25% capacity still available on the hospital's two MRI units (**Table 9**). DCOPN notes that the applicant's MRI utilization from 2012-2019 was consistently below the SMFP expansion standard of 5,000 procedures per scanner per year, with a high of 77.48% in 2017 and a low of 65.91% in 2013 (**Table 9**).

Therefore, with respect to the applicant's request to add one MRI unit, DCOPN concludes that maintaining the status quo is preferable to the proposed project because maintaining the status quo would not exacerbate an already-existing underutilization of MRI units in PD 6 and specifically at Augusta Health. Accordingly, the applicant does not meet this standard.

Table 9. Augusta Health’s Historical Fixed Site MRI Volumes

	2012	2013	2014	2015	2016	2017	2018	2019
Total MRI Procedures	6,645	6,591	6,871	6,852	7,421	7,748	6,713	7,473
MRI Units	2	2	2	2	2	2	2	2
Procedures per Unit	3,323	3,296	3,436	3,426	3,711	3,874	3,347	3,737
Utilization	66.45%	65.91%	68.71%	68.52%	74.21%	77.48%	67.13%	74.73%

Source: VHI (2012-2018) and COPN Request No. VA-8500

COPN Request No. VA-8511: Sentara RMH Medical Center

The applicant cites an institutional specific need to expand its current MRI service at SRMH through the establishment of a freestanding imaging center. The proposed project is submitted under 12VAC5-230-160, which authorizes hospitals performing more than 5,000 MRI procedures to be approved for a new MRI scanner either at the hospital 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.” For 2018, the most recent year for which VHI data is available, the three MRI units at SRMH operated at 94.99%, just below the SMFP threshold for expansion. The applicant reports that the utilization increased to 98% for 2019.

As previously discussed, the applicant projects that the outpatient imaging center will primarily serve Sentara patients residing in Rockingham County, northern Augusta County and Staunton city. As a result, the primary patient population the proposed project is intended to serve is patients who have already chosen SRMH as their care provider. Furthermore, because the proposed project will be located proximal to the SRMH campus and 27 miles from Augusta Health, it is unlikely to significantly reduce the utilization of existing service providers. DCOPN concludes that the applicant satisfies this standard. DCOPN concludes that the applicant satisfies this standard.

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.**

COPN Request No. VA-8500: Augusta Health Care, Inc. d/b/a Augusta Health

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.

COPN Request No. VA-8511: Sentara RMH Medical Center

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.

Both applicants have 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-8500: Augusta Health Care, Inc. d/b/a Augusta Health

As previously discussed, for 2018, the most recent year for which VHI data is available, the three existing COPN approved CT scanner at Augusta Health operated at a utilization of 95.42%, and the two MRI units operated at 67.13% utilization. The applicant does not have other facilities providing diagnostic imaging services in PD 6. As previously discussed, DCOPN concludes that the applicant satisfies this standard for the addition of one CT scanner but does not satisfy the standard for the addition of one MRI unit.

COPN Request No. VA-8511: Sentara RMH Medical Center

As previously discussed, for 2018, the most recent year for which VHI data is available, the four existing COPN approved CT scanner at SRMH operated at a utilization of 107.7%, and the three MRI units operated at 94.99% utilization. The applicant is part of the Sentara Health System, which does not have other facilities providing diagnostic imaging services in PD 6. DCOPN concludes that the applicant satisfies this standard for the addition of one CT scanner and one MRI unit.

The SMFP also contains criteria/standards for when competing applications are received. They are as follows:

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-8500: Augusta Health Care, Inc. d/b/a Augusta Health

Based on an analysis of previous COPN projects, Augusta 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 \$4,302,893.72. The applicant has an established history of meeting state licensure and federal certification regulations. Finally, in 2018, Augusta Health provided 4.53% of its gross patient revenue in the form of charity care.

COPN Request No. VA-8511: Sentara RMH Medical Center

Based on an analysis of previous COPN projects, SRMH 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 \$5,421,394.87. The applicant has an established history of meeting state licensure and federal certification regulations. Finally, in 2018, SRMH provided 5.3% of its gross patient revenue in the form of charity care.

Conclusion

As both applicants have similar histories of on time, on budget delivery, DCOPN concludes that neither 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 project fosters institutional competition that benefits the area to be served while improving access to essential health care services for all people in the area to be served;

As an alternative to hospital based services, both proposed projects would offer lower cost of health care for patients who do not require diagnostic imaging services in a hospital setting. Furthermore, both hospital systems are already providing diagnostic imaging services in PD 6.

COPN Request No. VA-8500: Augusta Health Care, Inc. d/b/a Augusta Health

The applicant has cited an institutional specific need to expand its existing CT and MRI services in an effort to decompress the overutilization of its CT scanners and MRI unit. Augusta Health proposes to achieve this decompression through the establishment of an outpatient imaging facility on the hospital's campus. As a result, the primary patient population the proposed project is intended to serve is patients who have already chosen Augusta Health as their care provider. 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-8511: Sentara RMH Medical Center

With a 2018 utilization rate of 107.7% for its four CT scanners and 94.99% for its three MRI units, DCOPN concludes that SRMH has adequately demonstrated an institutional specific need to expand its existing diagnostic imaging services.

5. The relationship of the proposed 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-8500: Augusta Health Care, Inc. d/b/a Augusta Health

Augusta Health does not have other facilities providing CT services in PD 6. As previously discussed, DCOPN has calculated a surplus of one CT scanner in PD 6. However, the approval of the addition of one CT scanner on the Augusta Health campus 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 6 CT scanner surplus, the project warrants approval based on Augusta Health's institutional need.

As already discussed, the five existing fixed site MRI units in PD operated at a collective utilization of 83.85% in 2018 and the two mobile MRI units operated at a utilization of 20.58% (**Table 2**). Using 2018 VHI data, DCOPN calculated neither a need nor a surplus of MRI units in PD 6. However, approval of the request for an additional MRI unit would exacerbate unused capacity in PD 6 and at Augusta Health specifically, where in 2018 there was over 30% available capacity.

COPN Request No. VA-8511: Sentara RMH Medical Center

As previously discussed, DCOPN has calculated a surplus of one CT scanner and neither a need nor a surplus of MRI units in PD 6. If approved, the proposed project would add to the existing

PD 6 CT surplus and create a surplus of MRI units. However, DCOPN concludes that the project warrants approval despite the surplus because SRMH has demonstrated an institutional need to expand. Accordingly, DCOPN contends that while approval may have some impact on PD 6's other providers of diagnostic imaging services, that impact is not likely to be destabilizing because the primary patient population the proposed project is intended to serve is patients who have already chosen SRMH as their care provider.

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

COPN Request No. VA-8500: Augusta Health Care, Inc. d/b/a Augusta Health

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 \$544 in the first year of operation and \$595 by year two. The applicant will fund the proposed project entirely with accumulated reserves. Accordingly, there are no financing costs associated with this project.

The applicant anticipates the need to hire eight full time equivalent employees (FTEs) to staff the proposed project. These FTEs are as follows: two Administration-Business Staff; one Registered Nurse; two MRI technicians; two CT technicians; and one Imaging Patient Assistant. The applicant is an established provider of CT and MRI services and has a well-developed and effective recruitment 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-8511: Sentara RMH Medical Center

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 deficit of \$111,399 in the first year of operation and a profit of \$23,104 by year two. The applicant will fund the proposed project entirely with accumulated reserves. Accordingly, there are no financing costs associated with this project.

The applicant anticipates the need to hire six full time equivalent employees (FTEs) to staff the proposed project. These FTEs are as follows: One Administration-Business Staff; one Licensed Practical Nurse/Nurses Aides/Orderlies; and four Radiologic Technologists. The applicant is an established provider of CT and MRI services and has a well-developed and effective recruitment program, which includes working with area nursing programs. 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 proposed project provides improvements or innovations in the financing and delivery of health care 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 health care 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; and**

Neither proposed project offers the introduction of new technology that promotes quality, cost effectiveness, or both in the delivery of health care services. However, both proposed projects increase the potential for provision of services on an outpatient basis, offering considerably lower costs than those offered in a hospital setting.

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, 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.**

COPN Request No. VA-8500: Augusta Health Care, Inc. d/b/a Augusta Health

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-8511: Sentara RMH Medical Center

SRMH serves as a teaching hospital for nurses from area schools of nursing, including James Madison University, Eastern Mennonite University, Blue Ridge Community College, and plans to work with Bridgewater College for recruitment of non-clinical staffing.

DCOPN Findings and Conclusions

COPN Request No. VA-8500: Augusta Health Care, Inc. d/b/a Augusta Health

DCOPN finds that the CT portion of the proposed project is generally consistent with the applicable criteria and standards of the SMFP and the Eight Required Considerations of the Code of Virginia. Approval of the proposed project will address the applicant's demonstrated institutional need for additional CT capacity. Moreover, DCOPN finds that no reasonable alternatives to the CT portion of the request are more favorable than the proposed project. Finally, DCOPN concludes that approval of the CT portion of the proposed project is not likely to have a significant negative impact on the staffing or utilization of existing PD 6 providers of CT services.

With regard to the MRI portion of the applicant's proposal, DCOPN finds the project to be generally inconsistent with the SMFP and the Eight Required Considerations of the Code of Virginia. DCOPN finds that maintaining the status quo is preferable to the proposed project because maintaining the status quo would not exacerbate an already-existing underutilization of MRI units in PD 6. Furthermore, the applicant's two existing MRI units had over 30% available capacity in 2018.

The proposed project enjoys broad support from local business owners, community members, community clinicians and Augusta Health medical providers and there is no known opposition to the project. Furthermore, DCOPN finds that the total capital costs of the proposed project are reasonable and consistent with previously approved projects similar in scope. Finally, DCOPN finds that the project appears to be economically feasible both in the immediate and long-term.

COPN Request No. VA-8511: Sentara RMH Medical Center

DCOPN finds that the proposed project to expand CT and MRI imaging services at Sentara Rockingham Memorial Hospital to a freestanding diagnostic imaging center 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. In 2018, the most recent year for which VHI data is available, the four CT scanners at SRMH operated at 107.7%, above the SMFP threshold for expansion and the three MRI units operated at 94.99% utilization. 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 or MRI unit on the SRMH campus. Finally, DCOPN finds that the total capital and financing costs for the project are reasonable. The projected capital costs of the proposed project are \$5,398,636.87, approximately 21% of which are attributed to direct construction costs (**Table 4**). Capital costs will be funded through the accumulated reserves of the applicant. Accordingly, there are no financing costs associated with this project. DCOPN concludes that when compared to similar diagnostic imaging projects, these costs are reasonable and consistent with previously approved projects similar in scope. Finally, DCOPN finds that the project appears to be economically feasible both in the immediate and long-term.

DCOPN Staff Recommendation

COPN Request No. VA-8500: Augusta Health Care, Inc. d/b/a Augusta Health

The Division of Certificate of Public Need recommends **denial** of Augusta Health Care, Inc. d/b/a Augusta Health's request to expand diagnostic imaging services by adding one fixed MRI unit at Augusta Health for the following reasons:

1. The proposed project is generally inconsistent with the applicable criteria and standards of the State Medical Facilities Plan and the Eight Required Considerations of the Code of Virginia.
2. There is excess capacity of MRI units in PD 6 and at Augusta Health.

3. Augusta Health's MRI utilization volume is insufficient to demonstrate an institutional specific need to add MRI capacity.
4. There are reasonable alternatives to the proposed project, including maintaining the status quo.

The Division of Certificate of Public Need recommends **conditional approval** of Augusta Health Care, Inc. d/b/a Augusta Health's request to expand diagnostic imaging services by adding one fixed CT scanner at Augusta Health 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 CT imaging capacity.
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.
6. The project appears to be economically feasible both in the immediate and long-term.
7. The project establishes a lower cost imaging option for residents of PD 6.

Recommended Condition

Augusta Health Care, Inc. d/b/a Augusta Health 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 Augusta Health Care, Inc. d/b/a Augusta Health's total patient services revenue derived from CT services provided at Augusta Health 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. Augusta Health Care, Inc. d/b/a Augusta Health 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.

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

COPN Request No. VA-8511: Sentara RMH Medical Center

The Division of Certificate of Public Need recommends **conditional approval** of the proposed project to expand diagnostic imaging services at Sentara RMH Medical Center to a freestanding diagnostic imaging center by adding one CT scanner and one MRI scanner 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 CT and MRI imaging capacity at the proposed site.
3. The project is more favorable than the alternative of the status quo.
4. The capital and financing costs are reasonable.
5. The project appears to be economically feasible both in the immediate and long-term.
6. The project establishes a lower cost imaging option for residents of PD 6.

Recommended Condition

Sentara RMH Medical Center 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 Sentara RMH Medical Center's total patient services revenue derived from CT and MRI services provided at Sentara RMH Medical Center 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. Sentara RMH 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.

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