

VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis

March 22, 2021

COPN Request No. VA-8543

Bon Secours St. Francis Medical Center LLC

And Bon Secours Virginia HealthSource, Inc.

Richmond, Virginia

Expand MRI services at Bon Secours Chester Emergency and Imaging Center through the relocation and replacement of a magnetic resonance imaging unit from the Bon Secours Imaging Center – Innsbrook

Applicant

Bon Secours – St. Francis Medical Center, Inc. (St. Francis) is a 501(c)(3) not-for-profit, non-stock, church related membership corporation located in Midlothian (Chesterfield County), Virginia in Planning District (PD) 15, Health Planning Region (HPR) IV. The hospital is owned and operated by Bon Secours – Richmond Health System, a 501(c)(3) Virginia not-for-profit, non-stock, church related membership corporation and the sole corporate member of St. Francis Medical Center. Bon Secours – Richmond Health System is a subsidiary of Bon Secours Health System, which is a church related 501(c)(3) Maryland not-for-profit health care system headquartered in Marriottsville, Maryland.

Bon Secours Virginia HealthSource, Inc., (Healthsource) is a Virginia-domiciled for-profit stock corporation originally formed in April of 1987 as Virginia Health Care Network, taking its current name in September of that same year. Healthsource provides a variety of outpatient healthcare services within the Central Virginia area. Healthsource is a Richmond-based, wholly owned subsidiary of Bon Secours Virginia Health System (BSVHS). BSVHS is a Virginia-domiciled, not-for-profit 501(c)(3) corporation operating a diversified health care system that owns and operates four acute-care hospitals within the greater Richmond area as well as several medical practices within HPR IV and PD 15. Healthsource currently operates a fixed site MRI unit at Bon Secours Imaging Center – Innsbrook, which is in PD 15 and HPR IV.

Background

According to Division of Certificate of Public Need (DCOPN) records, there are 40 COPN authorized magnetic resonance imaging (MRI) scanners, including 38 fixed units and two mobile sites, in PD 15 (**Table 1**).

Table 1. PD 15 COPN Authorized MRI Units

| Facility | Fixed | Mobile |
|--|--------------|---------------|
| Bon Secours Imaging Center at Reynolds Crossing | 2 | 0 |
| Bon Secours Imaging Center Innsbrook | 1 | 0 |
| Bon Secours Memorial Regional Medical Center | 2 | 0 |
| Bon Secours Richmond Community Hospital | 1 | 0 |
| Bon Secours Short Pump Imaging Center | 1 | 0 |
| Bon Secours St. Francis Medical Center | 2 | 1 |
| Bon Secours St. Mary's Hospital | 2 | 0 |
| Bon Secours Westchester Imaging Center | 1 | 0 |
| Chester Imaging Center | 1 | 0 |
| Chesterfield Imaging | 1 | 0 |
| Chippenham Hospital | 1 | 0 |
| Ellen Shaw De Paredes Institute For Women's Imaging ¹ | 1 | 0 |
| Henrico Doctor's Hospital - Parham Doctors' Hospital | 1 | 0 |
| Henrico Doctor's Hospital - Retreat | 1 | 0 |
| Henrico Doctors' Hospital - Forest | 2 | 0 |
| Independence Park Imaging | 1 | 0 |
| Johnston-Willis Hospital | 3 | 0 |
| MEDARVA West Creek Surgery Center | 1 | 0 |
| OrthoVirginia MRI - Parham | 1 | 0 |
| Tuckahoe Orthopedics MRI Center | 1 | 0 |
| VCU Health System | 7 | 0 |
| VCU Medical Center Adult Outpatient Pavilion | 1 | 0 |
| VCU Medical Center at Stony Point Radiology | 1 | 0 |
| VCU NOW Center | 1 | 0 |
| Virginia Urology Center | 0 | 1 |
| West Creek Medical Center | 1 | 0 |
| Total | 38 | 2 |
| Grand Total | 40 | |

Source: DCOPN Records

¹ Dedicated breast MRI authorized pursuant to COPN No. VA-04125.

Proposed Project

St. Francis and Healthsource (applicants) propose to relocate and replace one fixed site MRI unit located at the Bon Secours Imaging Center – Innsbrook at 4900 Cox Road, Suite 100, Richmond, Virginia to the Bon Secours Chester Emergency and Imaging Center (Bon Secours Chester), a to be constructed medical center, located at 12021 Jefferson Davis Highway, Chester, Virginia. COPN No. VA-04656, dated May 21, 2019, authorized St. Francis to establish a specialized center for computed tomography (CT) services –Bon Secours Chester. In addition to CT services, Bon Secours Chester will offer emergency services, other imaging services, including women’s imaging, and occupational health services. If the proposed project is approved by the State Health Commissioner (Commissioner), St. Francis will own and operate the new MRI unit to be located at Bon Secours Chester. The proposed fixed site unit will occupy a new MRI suite that will be approximately 1,610 square feet. Following the relocation to Bon Secours Chester, Bon Secours Imaging Center – Innsbrook will be closed. As part of the proposed MRI relocation, St. Francis intends to replace the current Philips 1.5 T MRI unit, which was installed over 12 years ago with a newer model, a General Electric SIGNA Artist 1.5T 64-channel MR28 System.

In May 2019, pursuant to COPN No. VA-04655, Chester Imaging Center, an affiliate of Southside Regional Medical Center, received approval to establish a specialized center for CT and MRI imaging in Chester, Virginia, approximately four miles from the site of Bon Secours Chester. Since that time, Bon Secours acquired Southside Regional Medical Center- now Bon Secours Southside Medical Center and Chester Imaging Center. The applicant reports that Bon Secours has determined that “it would be most prudent not to proceed with establishing the Chester Imaging Facility, due in part to the proximity of the Chester Imaging site to Bon Secours Chester, and the associated potential for duplication of imaging services.” In December 2020, Bon Secours submitted a Significant Change Request for COPN No. VA-04655 to update the site of the project from 210 West Hundred Road, Chester, Virginia, in PD 15, to an existing facility, Colonial Heights Imaging, located at 436 Clairmont Court, Colonial Heights, Virginia, in PD 19, citing the “close proximity of the Chester Imaging site to the already approved and under development Bon Secours Chester Emergency and Imaging Center.” The DCOPN recommended denial of the Significant Change Request because:

- The proposed new location for the site change is not sufficiently proximal to the originally proposed site as approved by COPN NO. VA-04655 and will likely negatively impact other service providers in PD 19; and
- The proposed site change is not appropriately a COPN significant change in that the underlying project definition that forms the premise for the review has changed.

Bon Secours requested an Informal Fact Finding Conference regarding the recommended denial of the Significant Change Request, which is scheduled for March 30, 2021.

The projected capital costs of the proposed project are \$3,272,544, approximately 34% of which are attributed to direct construction costs (**Table 2**). Capital costs will be funded through the accumulated reserves of Bon Secours Richmond. Accordingly, there are no financing costs associated with this project. If the Commissioner approves the project, construction on the

internal MRI space is expected to begin in July 2021 and is projected to be completed in May 2022. The target date of opening is June 2022.

Table 2. COPN Request No. VA-8543: Capital Costs

| | |
|---|--------------------|
| Direct Construction Costs | \$1,114,000 |
| Equipment Not Included in Construction Contract | \$1,679,939 |
| Site Acquisition Costs | \$138,805 |
| Site Preparation Costs | \$260,000 |
| Architectural and Engineering Fees | \$51,900 |
| Other Consultant Fees | \$47,900 |
| Total Capital Costs | \$3,272,544 |

Source: COPN Request No. VA-8543

Project Definition

Section 32.1-102.1:3 of the Code of Virginia defines a project, in part, as the “[i]ntroduction into an existing medical care facility described in subsection A of any magnetic resonance imaging (MRI)...when such medical care facility has not provided such service in the previous 12 months...” A medical care facility includes “[a]ny specialized center or clinic or that portion of a physician's office developed for the provision of magnetic resonance imaging (MRI)...”

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;**

The applicants propose to relocate and replace one fixed site MRI unit located at the Bon Secours Imaging Center – Innsbrook at 4900 Cox Road, Suite 100, Richmond, Virginia to Bon Secours Chester, a to be constructed medical center located at 12021 Jefferson Davis Highway, Chester, Virginia. According to the applicant, the move to the Bon Secours Chester location is primarily motivated by the need for imaging services for Bon Secours patients in the Bon Secours Chester service area.

Geographically, Bon Secours Chester is located along the Jefferson Davis Highway Commercial Corridor in the eastern portion of Chesterfield County, at the intersection of Moore’s Lake Road/Trollingwood Lane and is accessible from major highways in the area, including Interstate I-95. Turn lanes allow for easy access to the site from both northbound and southbound directions. The applicant reports that a traffic light is going to be installed at the northbound intersection of Trollingwood Lane and Jefferson Davis Highway, which will facilitate enhanced access to the site. Bon Secours Chester is not served by public transportation.

Table 3 shows projected population growth in PD 15 through 2030. As depicted in **Table 3**, at an average annual growth rate of 1.01%, PD 15’s population growth rate from 2010-2020 is well above the state’s average annual growth rate of 0.77%. Overall, the planning district is projected to add an estimated 108,937 people in the 10-year period ending in 2020—an approximate 11% increase with an average increase of 10,893 people annually. In the 10-year period ending in 2030, the planning district is projected to add an estimated 108,303 people – an approximate 10% increase with an average increase of 10,830 people annually. DCOPN notes that Chesterfield County, the location of the proposed project, is expected to experience an annual average growth rate of 1.10% from 2010-2020 and 1.15% from 2020-2030, well above the state’s average annual growth rate of 0.77% and 0.76%, respectively.

Regarding the 65+ age group for PD 15, Weldon-Cooper projects a more rapid increase in population growth (an approximate 48% increase from 2010 to 2020 and approximately 30% from 2020 to 2030). 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 3. Population Projections for PD 15, 2010-2030

| Locality | | | 2010 - 2020 | | 2030 | 2020 - 2030 | |
|--------------------|------------------|------------------|---------------|------------------|------------------|---------------|------------------|
| | 2010 | 2020 | % Change | Avg Ann % Change | | % Change | Avg Ann % Change |
| Charles City | 7,256 | 6,982 | -3.78% | -1.51% | 6,941 | -0.59% | 0.06% |
| Chesterfield | 316,236 | 353,841 | 11.89% | 1.10% | 396,647 | 12.10% | 1.15% |
| Goochland | 21,717 | 23,547 | 8.43% | 0.79% | 26,702 | 13.40% | 1.27% |
| Hanover | 99,863 | 109,244 | 9.39% | 0.88% | 119,360 | 9.26% | 0.89% |
| Henrico | 306,935 | 332,103 | 8.20% | 0.77% | 363,259 | 9.38% | 0.90% |
| New Kent | 18,429 | 23,474 | 27.38% | 2.39% | 28,104 | 19.72% | 1.82% |
| Powhatan | 28,046 | 29,909 | 6.64% | 0.63% | 33,440 | 11.81% | 1.12% |
| Richmond city | 204,214 | 232,533 | 13.87% | 1.28% | 245,483 | 5.57% | 0.54% |
| Total PD 15 | 1,002,696 | 1,111,633 | 10.86% | 1.01% | 1,219,936 | 9.74% | 0.93% |
| PD 15 65+ | 116,609 | 172,249 | 47.72% | 3.88% | 224,417 | 30.29% | 2.68% |
| Virginia | 8,001,024 | 8,655,021 | 9.30% | 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)

Regarding socioeconomic barriers to access to the applicant’s services, the applicant asserts that all Bon Secours facilities, including the proposed new facility, accept all patients, regardless of ability to pay or payment source. 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 IV facilities was 3.7% of all reported total gross patient revenues (**Table 4**). The Pro Forma Income Statement provided by the applicant includes the provision of charity care in the amount of 3% (**Table 5**). 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 3.7% HPR IV average.

Table 4. HPR IV 2018 Charity Care Contributions

| Hospital | Gross Patient Revenues | Adjusted Charity Care Contribution | Percent of Gross Patient Revenue |
|--|-------------------------|------------------------------------|----------------------------------|
| Bon Secours Richmond Community Hospital | \$674,969,731 | \$42,666,943 | 6.32% |
| VCU Health System | \$5,621,665,960 | \$352,825,510 | 6.28% |
| Southside Community Hospital | \$293,702,705 | \$14,237,351 | 4.85% |
| Bon Secours St. Francis Medical Center | \$970,223,902 | \$43,084,096 | 4.44% |
| Bon Secours Memorial Regional Medical Center | \$1,552,613,092 | \$68,611,063 | 4.42% |
| Bon Secours St. Mary's Hospital | \$2,176,359,866 | \$77,859,815 | 3.58% |
| Sentara Halifax Regional Hospital | \$294,576,590 | \$9,953,244 | 3.38% |
| Southside Regional Medical Center | \$1,956,522,794 | \$63,281,154 | 3.23% |
| VCU Community Memorial Hospital | \$260,605,004 | \$7,269,351 | 2.79% |
| CJW Medical Center | \$6,586,796,429 | \$176,068,998 | 2.67% |
| Henrico Doctors' Hospital | \$4,501,141,313 | \$97,784,217 | 2.17% |
| Southern Virginia Regional Medical Center | \$208,002,057 | \$4,386,121 | 2.11% |
| John Randolph Medical Center | \$839,825,455 | \$17,429,142 | 2.08% |
| Vibra Hospital of Richmond LLC | \$120,847,463 | \$0 | 0.00% |
| Cumberland Hospital for Children and Adolescents | \$60,602,814 | \$0 | 0.00% |
| Total Facilities | | | 15 |
| Median | | | 3.2% |
| Total \$ & Mean % | \$26,118,455,175 | \$975,457,005 | 3.7% |

Source: VHI (2018)

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;**

The applicant provided 16 letters of support for the proposed project from medical professionals associated with Bon Secours. Collectively, these letters addressed the following:

- MRI is the preferred modality for diagnosing and monitoring various conditions. It provides physicians with accurate images of the abnormalities within the body. With MRI, physicians can monitor the progression of disease, evaluate changes after surgery and precisely plan treatment options.
- Adding MRI services at the Bon Secours Chester Emergency and Imaging Center, which is a convenient location for patients and providers, will support the comprehensive needs and improve access to MRI services for residents of the Chester area.

- Relocating an underused MRI unit from an already well-served area maintains the status quo of MRI inventory.
- Offering the service within the Bon Secours Health System provides continuity of care and quicker results.

DCOPN received one letter of opposition, dated March 16, 2021, from Dominion Imaging (Dominion Imaging letter). The Dominion Imaging letter asserts:

- Innsbrook is currently the only Bon Secours imaging facility in PD 15 that does not bill at hospital-based rates.
- Approval of the project would have a deleterious effect on the public health of patients in need of outpatient CT and MRI services in PD 15.
- For Bon Secours to make representations to DCOPN about the lower cost of CT and MRI services at its only imaging facility that does not bill at hospital-based rates, while simultaneously seeking COPN approval to move those CT and MRI units to locations that would bill at more than 200% of the Innsbrook rates, is disingenuous at best.
- Approval of the Innsbrook Project would further exacerbate the current socio economic barriers to vital CT and MRI services that patients experience in PD-15 as a result of the hospital systems' near-complete dominance over these services within the PD-15 market.

On March 19, 2021, Bon Secours replied to the Dominion Imaging letter, stating:

- Dominion Imaging's letter, submitted over its counsel's signature, misrepresents Bon Secours' opposition to Dominion Imaging's COPN Request No. VA-8532. At no point did Bon Secours "tout[] the pricing at its Innsbrook facility." The pricing information in question was limited to a rebuttal of certain inaccurate self-pay rates that Dominion Imaging misrepresented as fact to the Adjudication Officer at the informal fact-finding conference on its project.
- Dominion Imaging's related assertion that the pending Bon Secours projects constitute an "opportunistic money-grab" is as incendiary as it is untrue. The Bon Secours Richmond Health System is a faith-based, nonprofit health system that provides care to all individuals regardless of ability to pay.
- The imaging projects currently under review are proposed for the purpose of consolidating existing COPN-approved resources across Bon Secours' PD 15 sites that already provide (or are approved to provide) COPN-regulated imaging services, and to ensure that the two primary forms of COPN-regulated advanced imaging (i.e., CT and MRI) are co-located with one another at the same freestanding sites, thereby improving access to patients.

- Although the administrative record on Dominion Imaging’s project has closed, Bon Secours notes (as it did in its letters of opposition to COPN Request No. VA-8532) that whether or not a COPN-regulated project is affiliated with a health system is irrelevant to a determination of public need under the COPN law. Likewise, the COPN law is not a rate setting mechanism and does not regulate medical care facilities’ billing structures.

Public Hearing

Section 32.1-102.6 B of the Code of Virginia directs DCOPN to hold one public hearing on each application in a location in the county or city in which the project is proposed or a contiguous county or city in the case of competing applications; or in response to a written request by an elected local government representative, a member of the General Assembly, the Commissioner, the applicant, or a member of the public. COPN Request No. VA-8543 is not competing with another project in this batch cycle and DCOPN did not receive a request to conduct a public hearing for the proposed project. Therefore, no public hearing was held.

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

The applicant did not identify any reasonable alternatives to the proposed project that would meet the needs of the population in a less costly, more efficient, or more effective manner. While it could be argued that maintaining the status quo or closing one of the underutilized MRI services in PD 15 could be reasonable alternatives, DCOPN finds that the proposed project is more advantageous than these alternatives, as it would result in a better distribution of MRI services in PD 15, specifically in the southern most region of the planning district. Moreover, the proposed relocation is likely to increase the utilization of the MRI scanner, as well as improve medical treatment for patients who live closer to Bon Secours Chester than to other MRI providers in PD 15. Finally, the project is inventory neutral. For these reasons, DCOPN concludes that the proposed project is more advantageous than maintaining the status quo.

(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 IV designated by the Virginia Department of Health to serve as the Health Planning Agency for PD 15. Therefore, this consideration is not applicable to the review of the proposed project.

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

As demonstrated by **Table 2**, the projected capital costs of the proposed project are \$3,272,544, approximately 34% of which are attributed to direct construction costs. Capital costs will be funded through the accumulated reserves of Bon Secours Richmond. DCOPN concludes that when compared to similar projects, these costs are reasonable. For example, COPN No. VA-04525 issued to VCU Health System to add one MRI unit at the Children's Hospital of Richmond Pavilion, which cost approximately \$3,722,339.

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

- Initiation of MRI services would complement the scope of advanced imaging services that will be available at Bon Secours Chester.
- By relocating the MRI from Innsbrook to Bon Secours Chester, closing the Innsbrook location, and maintaining in place the PD 19 MRI that was approved for relocation to the Chester Imaging Center in PD 15, Bon Secours will improve operational efficiencies, lower cost and improve access to residents of the service area without negatively impacting access to MRI services elsewhere in PD 15.
- Relocation of an MRI unit to Bon Secours Chester is a logical place to situate MRI services to improve access to the service for patients who reside closer to Bon Secours Chester.
- The project is inventory neutral.

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

The Pro Forma Income Statement provided by the applicant includes the provision of charity care in the amount of 3% (**Table 5**). 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 IV facilities was 3.7% of all reported total gross patient revenues (**Table 4**). 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 3.7% HPR IV average.

Table 5. Pro Forma Income Statement

| | Year 1 | Year 2 |
|-------------------------------|--------------------|--------------------|
| Gross Patient Revenue | \$2,823,912 | \$4,033,848 |
| Contractuals | (\$2,033,217) | (\$2,894,286) |
| Charity Care | (\$84,717) | (\$121,015) |
| Net Patient Revenue | \$705,978 | \$1,018,547 |
| Total Operating Expenses | (\$497,411) | (\$626,833) |
| Income from Operations | \$208,567 | \$391,714 |

Source: COPN Request No. VA-8543

(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 proposed project 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, DCOPN will consider the consistency of the proposed project with the predecessor of the SHSP, the State Medical Facilities Plan (SMFP).

The SMFP contains criteria/standards for the establishment or expansion of MRI services. They are as follows:

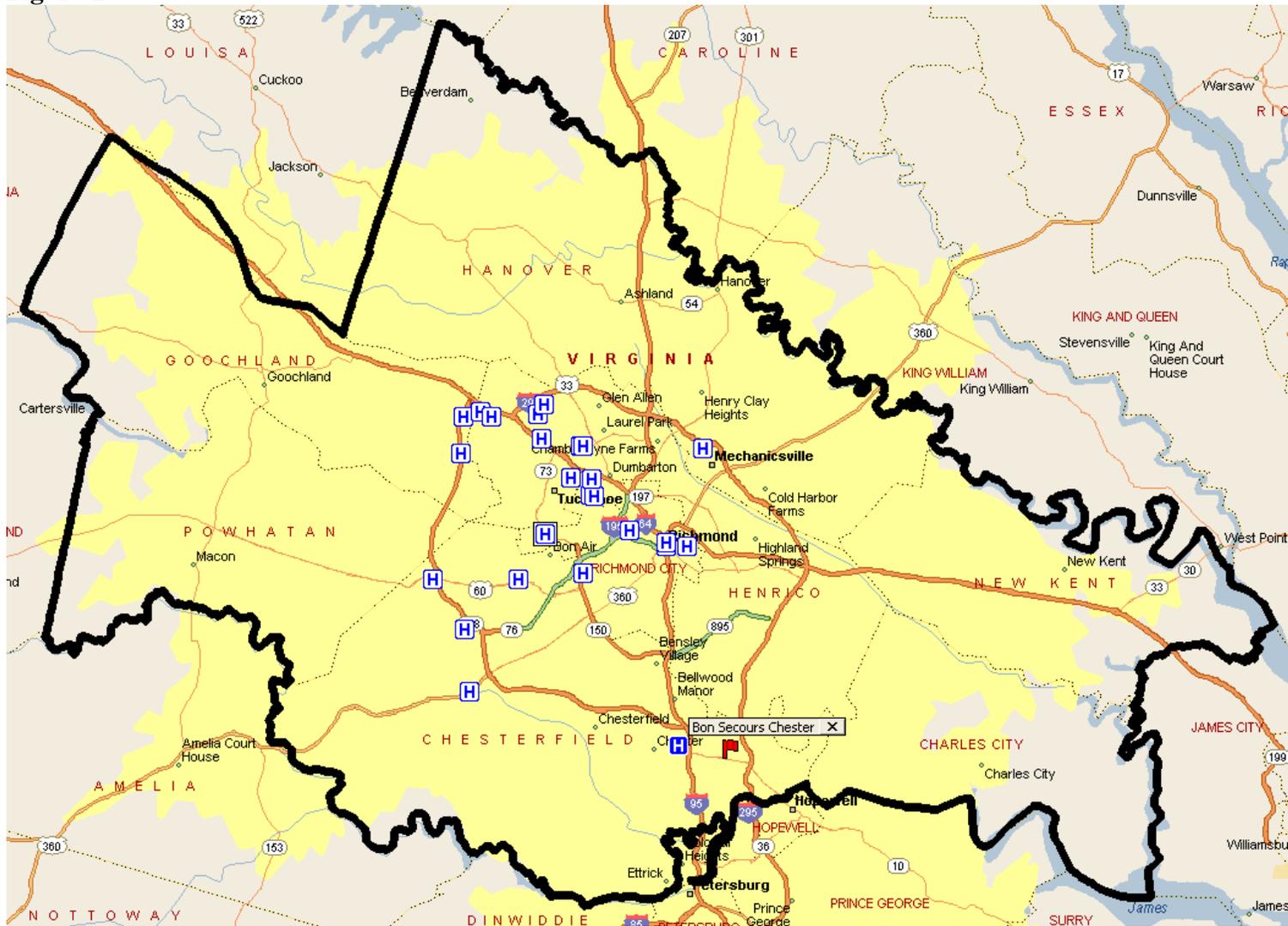
Part II Diagnostic Imaging Services
Article 2
Criteria and Standards for Magnetic Resonance Imaging

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 mapping software as determined by the commissioner.

The heavy dark line in **Figure 1** identifies the boundaries of PD 15. The white “H” symbols mark the locations of existing MRI providers in PD 15. The blue “H” symbol marks the location of the location of the proposed project. The red flag symbol marks the location of Chester Imaging Center, approved pursuant to COPN No. VA-04655, which Bon Secours has acquired and does not plan to move forward with establishing. The yellow shading illustrates the area that is within a thirty-minute drive under normal driving conditions of all MRI service providers in PD 15. Given the amount of shaded area, it is reasonable to conclude that MRI services are currently available within 30-minutes normal driving time one way under normal conditions of 95% of the population of PD 15. However, DCOPN notes that existing MRI services are heavily concentrated around the Richmond metropolitan area and very few are located in the southern portion of PD 15.

Figure 1



12VAC5-230-150. Need for new fixed site service.

No new fixed site MRI service 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 may be disregarded in computing average utilization of MRI scanners in such planning district.

The applicants are not seeking to add a new fixed site MRI service, but rather to relocate an existing service. However, the information below is provided for illustrative purposes.

As noted in **Table 6** below, for 2018, the most recent year for which data from VHI is available, the 30 fixed site MRI units in PD 15 operated at a collective utilization of 69.4% based on the SMFP threshold of 5,000 procedures per unit per year. Using 2018 VHI data, based on 30 COPN

authorized fixed MRI units in PD 15 (**Table 6**) and reported MRI volume of 100,569 MRI procedures, there is a need for 20.1 MRI units in PD 15. DCOPN notes that the 2018 VHI data does not take into account the eight MRI units added to the PD 15 inventory since 2018. Therefore, at present, there is a calculated surplus of 17 MRI Units in PD 15.

2018 COPN authorized fixed MRI units = 30

Calculated Needed MRI units = 100,569 total scans ÷ 5,000 (scans/SMFP MRI standard) = 20.1

Need = 20.1 MRI units

(21) MRI units needed

2020 MRI unit inventory = 38

MRI unit surplus = 17

Table 6. PD 15 COPN Authorized Fixed MRI Units and Utilization: 2018

| Facility | Number of Scanners | Number of Scans | Utilization Rate |
|--|--------------------|-----------------|------------------|
| Bon Secours Imaging Center at Reynolds Crossing | 1 | 1,634 | 32.7% |
| Bon Secours Imaging Center Innsbrook | 1 | 1,634 | 32.7% |
| Bon Secours Memorial Regional Medical Center | 2 | 9,699 | 97.0% |
| Bon Secours Midlothian Imaging Center | 1 | 2,349 | 47.0% |
| Bon Secours Richmond Community Hospital | 1 | 824 | 16.5% |
| Bon Secours St. Francis Medical Center | 1 | 5,178 | 103.6% |
| Bon Secours St. Mary's Hospital | 2 | 10,941 | 109.4% |
| Bon Secours West End MRI | 1 | 741 | 14.8% |
| Bon Secours Westchester Imaging Center | 1 | 2,629 | 52.6% |
| Chesterfield Imaging | 1 | 3,737 | 74.7% |
| Chippenham Hospital | 1 | 5,345 | 106.9% |
| Ellen Shaw De Paredes Institute For Women's Imaging ² | 1 | N/A | N/A |
| Henrico Doctor's Hospital - Parham Doctors' Hospital | 1 | 2,307 | 46.1% |
| Henrico Doctor's Hospital - Retreat | 1 | 665 | 13.3% |
| Henrico Doctors' Hospital - Forest | 2 | 5,442 | 54.4% |
| Independence Park Imaging | 1 | 3,134 | 62.7% |
| Johnston-Willis Hospital | 2 | 8,686 | 86.9% |
| OrthoVirginia MRI | 1 | 5,334 | 106.7% |
| Tuckahoe Orthopedic MRI Center | 1 | 4,556 | 91.1% |
| VCU Health System | 6 | 21,083 | 70.3% |
| VCU Medical Center at Stony Point Radiology | 1 | 4,651 | 93.0% |
| 2018 Total and Average | 30 | 100,569 | 69.4% |

Source: VHI Data (2018)

² The Ellen De Shaw De Paredes Institute for Women's Imaging reported 1,225 outpatient visits and 0 procedures to VHI for 2018. Therefore, utilization data for this provider was not included in Table 11.

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.

Not applicable, the applicant is not seeking approval to expand an existing medical care facility's MRI service though the addition of an MRI unit.

12VAC5-230-170. Adding or expanding mobile MRI services.

A. Proposals for mobile MRI scanners shall demonstrate that, for the relevant reporting period, at least 2,400 procedures were performed and that the proposed mobile unit will not significantly reduce the utilization of existing MRI providers in the health-planning district.

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

Not applicable. The applicant is not proposing the addition or expansion of a mobile MRI service.

12VAC5-230-180. Staffing.

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

The applicant confirmed that MRI services will be provided under the direct supervision of one or more qualified physicians. Specifically, the proposed project will be staffed by board certified radiologists.

Eight 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 discussed above, the proposed project involves the relocation and simultaneous upgrade of existing MRI services. As such, the proposed project will have a neutral effect on the total number of licensed MRIs in PD 15, but will allow for better distribution of MRI services in PD 15, specifically in the southern portion of the planning district. For that reason, it is unlikely that the proposed project will introduce significant competition with other area providers of MRI services that would benefit the area to be served. DCOPN does not anticipate that the proposed project would have a significant negative impact on any other providers in PD 15.

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;

The applicant is part of the Bon Secours Health System, which currently has nine facilities that provide MRI services in PD 15 (**Table 1**). A review of the 2018 VHI utilization data, the most recent year for which such data is available, at Bon Secours’ facilities reveals that there were six facilities in the health system with underutilized MRI services in 2018 (**Table 7**): (1) Bon Secours Imaging Center at Reynolds Crossing (one scanner operated at 32.7%); (2) Bon Secours Imaging Center at Innsbrook (one scanner operated at 32.7%); (3) Bon Secours Midlothian Imaging Center (one scanner operated at 47%); (4) Bon Secours Richmond Community Hospital (one scanner operated at 16.5%); (4) Bon Secours West End MRI (one scanner operated at 14.8%); and (4) Bon Secours Westchester Imaging Center (one scanner operated at 52.6%). Overall, the 2018 VHI data demonstrates that the average utilization rate for all Bon Secours Health System MRI units in PD 15 in 2018 was 64.78%. The applicant seeks approval to transfer the underutilized unit at Bon Secours Imaging Center – Innsbrook to Bon Secours Chester to address the underutilization and the concentration of MRI units in the Richmond metropolitan area.

Table 7. PD 15 Bon Secours’ MRI Units and Utilization: 2018

| Facility | Number of Scanners | Number of Scans | Utilization Rate |
|---|---------------------------|------------------------|-------------------------|
| Bon Secours Imaging Center at Reynolds Crossing | 1 | 1,634 | 32.7% |
| Bon Secours Imaging Center Innsbrook | 1 | 1,634 | 32.7% |
| Bon Secours Memorial Regional Medical Center | 2 | 9,699 | 97.0% |
| Bon Secours Midlothian Imaging Center | 1 | 2,349 | 47.0% |
| Bon Secours Richmond Community Hospital | 1 | 824 | 16.5% |
| Bon Secours St. Francis Medical Center | 1 | 5,178 | 103.6% |
| Bon Secours St. Mary's Hospital | 2 | 10,941 | 109.4% |
| Bon Secours West End MRI | 1 | 741 | 14.8% |
| Bon Secours Westchester Imaging Center | 1 | 2,629 | 52.6% |
| 2018 Total and Average | 11 | 35,629 | 64.78% |

Source: VHI Data (2018)

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;

As discussed above, the total capital costs of the proposed project are \$3,272,544 (**Table 2**). Capital costs will be funded entirely using accumulated reserves. Accordingly, there are no financing costs associated with the proposed project. As previously discussed, these costs are reasonable when compared to similar projects. Furthermore, the Pro Forma Income Statement provided by the applicant anticipates a net profit of \$208,567 in the first year of operation and \$391,714 by year two, illustrating that the proposed project is financially feasible in both the immediate and the long-term (**Table 5**).

The applicant anticipates the need to hire 1.8 radiologic technicians to staff the proposed MRI service. The applicant reports that it will first offer MRI technologists currently employed at the Bon Secours Imaging Center at Innsbrook the opportunity to relocate to Bon Secours Chester. Should the need for additional staff remain, the applicant is an established provider of MRI services and has a well-developed and effective recruitment and employee retention program. For these reasons, DCOPN finds that the applicant will not likely have difficulty filling the required positions, or that doing so will have a significant negative impact upon 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 bases; (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**

The proposal would introduce no new technology that would promote quality in the delivery of MRI services. However, the proposed project would promote cost effectiveness in the delivery of MRI services on an outpatient basis. No cooperative efforts to meet regional health care needs were addressed by the applicant. 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 services for citizens of the Commonwealth, including indigent or underserved populations.**

Bon Secours and its entities operate two schools of nursing health professions, and collaborate with colleges, universities, and established allied health schools and programs to facilitate training of new health care professionals at Bon Secours' facilities throughout the Commonwealth.

DCOPN Staff Findings and Conclusion

DCOPN finds that Bon Secours St. Francis Medical Center, LLC and Bon Secours Virginia HealthSource, Inc.'s request to relocate existing MRI services within PD 15 is generally consistent with the applicable criteria and standards of the SMFP and the Eight Required Considerations of the Code of Virginia. The proposed project is an inventory neutral relocation and replacement of an existing COPN approve MRI unit. Moreover, the proposed relocation is likely to increase the utilization of the MRI scanner, as well as improve medical treatment for patients who live closer to Bon Secours Chester than to other MRI providers in PD 15. For these reasons, DCOPN finds that the proposed project is more advantageous than the status quo, as it would result in better distribution of MRI services in PD 15, specifically in the southern most region of the planning district.

DCOPN finds that the total capital costs of the proposed project are reasonable and consistent with previously approved projects similar in scope. Furthermore, DCOPN finds that the project appears to be economically feasible both in the immediate and long-term.

DCOPN Staff Recommendation

The Division of Certificate of Public Need recommends **conditional approval** of Bon Secours St. Francis Medical Center, LLC and Bon Secours Virginia HealthSource, Inc.'s request to relocate and upgrade one MRI unit from Bon Secours Imaging Center – Innsbrook to the Bon Secours Chester Emergency and Imaging Center for the following reasons:

1. The proposed project is generally consistent with the SMFP;
2. The proposed project is a relocation and replacement of an existing authorized MRI unit and will not add to the surplus of MRI units in PD 15;
3. The capital costs of the proposed project are reasonable.
4. There does not appear to be a more reasonable alternative to the proposed project.

DCOPN's recommendation is contingent upon Bon Secours St. Francis Medical Center, LLC's agreement to the following charity care condition:

Recommended Condition

Bon Secours St. Francis Medical Center, LLC will provide MRI 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 15 in an aggregate amount equal to at least 3.7% of Bon Secours St. Francis Medical Center, LLC's gross patient revenue derived from MRI 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. Bon Secours St. Francis Medical Center, LLC 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 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.

Bon Secours St. Francis Medical Center, LLC will provide 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 Bon Secours St. Francis Medical Center, LLC will facilitate the development and operation of primary and specialty medical care services in designated medically underserved areas of the applicant's service area.