

VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis

May 19, 2021

COPN Request No. VA-8521

Riverside Hospital, Inc. d/b/a Riverside Regional Medical Center
Newport News, Virginia

Add one general purpose operating room at Peninsula Surgery Center

Applicant

Riverside Hospital, Inc. d/b/a Riverside Regional Medical Center (RRMC) is a Virginia nonstock 501(c)(3) corporation organized in 1982. Riverside is located in Newport News, Virginia, which is located in Planning District (PD) 21, Health Planning Region (HPR) V.

Background

RRMC is a 576-bed acute care community hospital that provides a comprehensive array of inpatient and outpatient services, including but not limited to cardiology, behavioral medicine services, surgery, neonatal, oncology, women's services, and pediatrics.

Peninsula Surgery Center (PSC) is located in a building adjacent to and on the campus of RRMC. PSC opened in 2003 with four operating rooms as a limited liability company with physician partners. In October 2013, the physicians sold their interest to RRMC, the LLC was dissolved and PSC was merged into a department of RRMC. In 2014, PSC transferred one of its general purpose operating rooms (GPORs) to RRMC. PSC provides orthopedic, urologic, gynecologic, podiatric, general, otolaryngologic, ophthalmologic and plastic surgery services in three GPORs. The applicant asserts that PSC is not licensed separately from RRMC and operates as a department of the hospital.

According to Division of Certificate of Public Need (DCOPN) records, there are 59 GPORs located in PD 21. Of these 59 GPORS, 38 are located within acute care hospitals and 21 are located within outpatient surgical hospitals (**Table 1**).

Table 1: PD 21 COPN Authorized GPOR Inventory

Acute Care Hospital	Operating Rooms
Bon Secours Mary Immaculate Hospital	8
Riverside Doctors' Hospital Williamsburg	3
Riverside Regional Medical Center	13
Sentara Careplex Hospital	8
Sentara Williamsburg Regional Medical Center	6
Acute Care Hospital Total	38
Outpatient Surgical Hospital	
Operating Rooms	
Advanced Vision Surgery Center, LLC ¹	1
Bon Secours Surgery Center	2
Careplex Orthopaedic Ambulatory Surgery Center ²	1
CHKD Health & Surgery Center (Newport News)	2
Mary Immaculate Ambulatory Surgery Center	3
Riverside Doctors' Surgery Center	2
Riverside Hampton Surgery Center	2
Riverside Peninsula Surgery Center	3
Sentara Port Warwick Surgery Center	2
Sentara Williamsburg Community Ambulatory	3
Outpatient Surgical Hospital Total	21
Grand Total	59

Source: DCOPN Records

Proposed Project

RRMC proposes to add one GPOR at PSC, which is located at 12000 Warwick Boulevard, Newport News, Virginia, in a building adjacent to and on the campus of RRMC. RRMC is located at 500 J Clyde Morris Boulevard, Newport News, Virginia. PSC is currently authorized to operate three GPORs. However, the applicant explains that four GPORs were constructed and used until 2014 when one GPOR was transferred to RRMC. Therefore, the applicant asserts that there are no construction or capital costs associated with the proposed project and that “[t]he room is already constructed and equipped – the only action that is necessary is to turn on the lights.” Accordingly, no debt financing will be secured. If the State Health Commissioner (Commissioner) approves the project, the target date of opening is 30 days following approval of the COPN.

Project Definition

Section 32.1-102.1:3 of the Code of Virginia defines a project, in relevant part, as the “increase in the total number of...operating rooms in an existing medical care facility...” A medical care facility is defined, in part, as “[a]ny facility licensed as a hospital...”

¹ Dedicated to the specialized services of ophthalmological surgery.

² Dedicated to outpatient orthopaedic surgery.

12VAC5-230-160 Required Considerations

In determining whether a public need exists for a proposed project, the following factors shall be taken into account when applicable:

- 1. The extent to which the proposed service or facility will provide or increase access to needed services for residents of the area to be served, and the effects that the proposed service or facility will have on access to needed services in areas having distinct and unique geographic, socioeconomic, cultural, transportation, and other barriers to care;**

As will be discussed in greater detail in this staff analysis report, the applicant has asserted an institutional need to expand its general purpose surgical services at RRMCMC by adding a GPOR at PSC. According to the applicant, adding the proposed GPOR at RRMCMC is not cost-effective, and to do so would require the relocation of several departments, including pre and post-operating units, and would require adding a floor at RRMCMC. The applicant estimates the cost to add the GPOR at RRMCMC to be \$7.3 million. Alternatively, the addition of one GPOR at PSC would require no construction or capital costs.

Geographically, PSC is located at 12000 Warwick Boulevard, Newport News, Virginia in a building adjacent to and on the campus of RRMCMC, which is located at 500 J Clyde Morris Boulevard, Newport News, Virginia. PSC is located 2.6 miles from Interstate 64 at exit 258, which is centrally located on the Peninsula. Access to Interstate 64 to RRMCMC is by J. Clyde Morris Boulevard, most of which is three lanes in each direction. Additionally, the RRMCMC campus is accessible by public transportation.

Table 2 shows projected population growth in PD 21 through 2030. As depicted in **Table 2**, at an average annual growth rate of 0.32%, PD 21's population growth rate from 2010-2020 is below the state's average annual growth rate of 0.77%. Overall, the planning district was projected to add an estimated 15,708 people in the 10-year period ending in 2020—an approximate 3% increase with an average increase of 1,571 people annually. In the 10-year period ending in 2030, the planning district is projected to add an estimated 12,385 people – an approximate 2.5% increase, with an average increase of 1,239 people annually.

Regarding the 65+ age group for PD 21, Weldon-Cooper projects a more rapid increase in population growth (an approximate 35% increase from 2010 to 2020 and approximately 29% from 2020 to 2030). This is significant, as this population group typically uses health care resources, including surgical 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 2. Population Projections for PD 21, 2010-2030

Locality	2010	2020	% Change 2010-2020	Avg Ann % Change 2010-2020	2030	% Change 2020-2030	Avg Ann % Change 2020-2030
James City County	67,009	78,016	16.43%	1.49%	92,210	18.19%	1.69%
York County	65,464	69,582	6.29%	0.60%	75,492	8.49%	0.82%
Hampton	137,436	135,530	-1.39%	-0.14%	127,842	-5.67%	-0.58%
Newport News	180,719	181,581	0.48%	0.05%	179,752	-1.01%	-0.10%
Poquoson	12,150	12,382	1.91%	0.18%	12,635	2.04%	0.20%
Williamsburg	14,068	15,463	9.91%	0.93%	17,008	9.99%	0.96%
Total PD 21	476,846	492,554	3.29%	0.32%	504,939	2.51%	0.25%
PD 21 65+	61,649	83,480	35.41%	3.00%	107,401	28.65%	2.55%
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)

Regarding socioeconomic barriers to access to the applicant’s services, according to regional and statewide data regularly collected by Virginia Health Information (VHI), for 2019, the most recent year for which such data is available, the average amount of charity care provided by HPR V facilities was 3.5% of all reported total gross patient revenues (**Table 3**). In that same year, RRMC provided charity care in the amount of 3.5% of all reported total gross patient revenues. Recent changes to § 32.1-102.4B of the Code of Virginia now require DCOPN to place a charity care condition on every applicant seeking a COPN. DCOPN notes that, if approved, the proposed project should be subject to a charity care condition no less than 3.5% HPR V average.

Table 3. HPR V 2019 Charity Care Contributions

2019 Charity Care Contributions at or below 200% of Federal Poverty Level			
Hospital	Gross Patient Revenues	Adjusted Charity Care Contribution	Percent of Gross Patient Revenue:
Riverside Doctors' Hospital Williamsburg	\$154,484,401	\$8,984,653	5.82%
Riverside Tappahannock Hospital	\$178,917,096	\$10,301,634	5.76%
Riverside Shore Memorial Hospital	\$260,969,719	\$14,708,470	5.64%
Sentara Careplex Hospital	\$957,419,827	\$49,854,327	5.21%
Bon Secours DePaul Medical Center	\$646,905,565	\$33,341,271	5.15%
Riverside Walter Reed Hospital	\$256,987,962	\$11,824,515	4.60%
Bon Secours Maryview Medical Center	\$1,271,861,494	\$53,695,556	4.22%
Sentara Obici Hospital	\$921,265,904	\$37,299,918	4.05%
Sentara Virginia Beach General Hospital	\$1,263,503,075	\$49,259,329	3.90%
Riverside Regional Medical Center	\$2,076,281,863	\$72,651,353	3.50%
Sentara Norfolk General Hospital	\$3,715,953,612	\$128,674,022	3.46%
Sentara Leigh Hospital	\$1,318,114,262	\$39,689,346	3.01%
Sentara Williamsburg Regional Medical Center	\$705,249,390	\$21,107,537	2.99%
Sentara Princess Anne Hospital	\$1,092,371,655	\$31,716,570	2.90%
Bon Secours Mary Immaculate Hospital	\$656,379,835	\$18,964,605	2.89%
Chesapeake Regional Medical Center	\$963,632,536	\$26,148,298	2.71%

2019 Charity Care Contributions at or below 200% of Federal Poverty Level			
Hampton Roads Specialty Hospital	\$31,270,985	\$613,073	1.96%
Bon Secours Southampton Memorial Hospital	\$247,313,417	\$3,200,565	1.29%
Bon Secours Rappahannock General Hospital	\$82,964,493	\$1,067,845	1.29%
Children's Hospital of the King's Daughters	\$1,116,322,433	\$7,869,958	0.70%
Lake Taylor Transitional Care Hospital	\$43,115,803	\$0	0.00%
Hospital For Extended Recovery	\$26,389,988	\$0	0.00%
Total Facilities Reporting			22
Median			3.3%
Total \$ & Mean %	\$17,987,675,315	\$620,972,845	3.5%

Source: VHI (2019)

DCOPN did not identify any other unique geographic, socioeconomic, cultural, transportation, or other barriers to care in the planning district.

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

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

DCOPN received one letter of support for the proposed project from Daniel Munn, M.D., Director of the Trauma Program and Chief of Surgery at RRM. Dr. Munn’s letter addressed:

- The surgery center is a department of RRM and is licensed and operated as part of the hospital.
- The general-purpose operating rooms within the hospital proper have been functioning at a level well above the standards in the State Medical Facilities Plan for several years.
- Procedures have to be performed in evenings and on weekends and at a considerable inconvenience to physicians, patients, and families.
- Capital costs to add rooms to the main suite are estimated to be over \$7 million.
- The average growth in general surgical cases at RRM is 4.5% per year and by 2022, total general-purpose hours are expected to be 22,949, including cleanup and prep and cut-to-suture, which would require 15 general-purpose operating rooms to stay within the criteria of the State Medical Facilities Plan.
- 44% of the surgeries at RRM are outpatient procedures, and a portion of those patients without complicating comorbidities could easily be performed in PSC.
- The change could be made immediately, and at no capital cost.

DCOPN also received a letter of opposition regarding the proposed project, dated April 23, 2021, from Bon Secours Hampton Roads (BSHR), which addressed:

- Peninsula Surgery Center should not have been the applicant for this COPN but rather Riverside.
- Peninsula Surgery Center is a department of Riverside, on the Riverside campus, and its utilization should be included in the overall utilization of Riverside.
- VHI does not require defunct legal entities to file utilization data. However, Peninsula Surgery Center, a hospital-based department of Riverside, chose to report their utilization separately – even though they are part and parcel of the same legal entity – using the high utilization in one as a basis in this request to add capacity in the underutilized other.
- As the data accurately depicts in the table above, there is no institution specific need for additional general purpose operating room capacity at Riverside. In fact, based on the most recent two years of data, the general purpose ORs on the campus are increasingly underutilized and do not even meet the threshold for expansion.
- Riverside has testified extensively about ample capacity at Peninsula Surgery Center.
- There is no need for additional operating rooms in Planning District 21. There is a projected surplus of 7.3 general purpose operating rooms in PD 21 by the year 2026.
- Peninsula Surgery Center does not qualify as a Medicare-certified ASC and thus would not meet CMS criteria for a future shift of procedures to an ASC setting.

On May 14, 2021, the applicant responded to BSHR's opposition letter, stating:

- As stated in Section I.B. of the COPN application, Riverside Hospital, Inc. d/b/a Riverside Regional Medical Center is the legal applicant for the project.
- RRMC's GPORs have operated at or near full capacity since 2015.
- In 2018, five active surgeons left RRMC's service area, resulting in a slight decrease in RRMC's GPOR utilization in 2018 and 2019. During that same time frame two years ago, RRMC representatives testified in proceedings for COPN Req. No. VA-8396 that RRMC had some GPOR capacity. However, this is no longer the case. RRMC still has 8 more surgeons on its medical staff today than it did in 2019.
- The 16 GPORs at RRMC have been used for a total of 9,161 hours in 2021 year-to-date. When annualized, this equates to 27,482 total hours for CY 2021 or 107% of the SMFP's 1600HRS/GPOR/year capacity threshold.

- This project clearly addresses a demonstrated institutional need for GPOR expansion at RRM. To meet this public need, there is no less costly alternative to approval of the project.

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-8521 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. Thus, no public hearing was held.

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

The applicant is part of the Riverside Health System, which currently operates 23, or 39%, of the GPORs in PD 21 (**Table 4**). Of these 23 GPORs, 16 are located within acute care hospitals and seven are located within outpatient surgical hospitals. COPN No. VA-04659, dated May 29, 2019 authorized Riverside Regional Medical Center to add one GPOR. RRM reported this GPOR was operational in October 2019. As such, DCOPN calculated RRM's 2019 utilization using a partial year.

According to VHI data for 2019, the most recent year for which such data is available, Riverside Health System's 22.25 GPORs operated at a utilization rate of 84.06% (**Table 4**). As previously discussed, the applicant asserts that PSC is not licensed separately from RRM, and operates as a department of the hospital. As displayed in **Table 4** below, and as explained by the applicant, data is reported to VHI for RRM and PSC separately. As reported to VHI, RRM's 12.25 GPORs operated at a utilization rate of 103.6% and PSC's three GPORs operated at a utilization of 53.8% (**Table 4**).

Table 4. Riverside Health System GPOR Inventory and 2019 Utilization

Acute Care Hospital	Operating Rooms	Total Hours	Hours/ OR	Utilization %
Riverside Doctors' Hospital Williamsburg	3	3,392	1,130.70	70.70%
Riverside Regional Medical Center	12.25 ³	20,304	1,671	103.60%
Total and Average	15.25	23,696	1,553.84	97.11%
2021 Total	16			
Outpatient Surgical Hospital				
Riverside Doctors' Surgery Center	2	1,192	596	37.30%
Riverside Hampton Surgery Center	2	2,456	1,228	76.80%
Riverside Peninsula Surgery Center	3	2,583	861	53.80%
Total and Average	7	6,231	890.14	55.63%
Grand Total and Average	22.25	29,927	1,345.03	84.06%
2021 Grand Total	23			

Sources: DCOPN Records and VHI (2019)

The applicant asserts that there are no reasonable alternatives that are more favorable than the proposed project, and that the addition of one GPOR at PSC is necessary to address RRMC’s institutional need by shifting outpatient cases from the main hospital surgical suite to PSC. Regarding alternatives, the applicant states:

One solution is to add more operating rooms to RRMC but this option is not cost-effective. To do so would require relocation of several departments, including pre-and post-operating units, and add a floor to RRMC. The cost of this option is estimated at \$7.3 million and would significantly disrupt the on-going surgical activity for an extended period. Because of surgical volumes, a room cannot be transferred from any other Riverside surgical center in PD 21.

In support of its assertion that it has a compelling institutional need for the proposed expansion, the applicant references the 103.6% rate utilization reported by RRMC for its 12.25 GPORs in 2019. However, DCOPN contends that if PSC is, as asserted by the applicant, not licensed separately from RRMC and operates as a department of the hospital, then the utilization rate for institutional need purposes should be the *combined* utilization of the 12.25 GPORs at RRMC and the three GPORs at PSC. Consequently, the utilization of the 15.25 GPORs on the RRMC campus in 2019 was 93.8% (20,304 hours at RRMC plus 2,583 hours at PSC/15.25 GPORs/1600). Moreover, PSC’s three operating rooms, as reported separately to VHI for 2019, operated at only 53.8% utilization and RRMC’s 12.25 operating rooms operated at 103.6% utilization. The applicant asserts that if the proposed project is approved, RRMC could immediately offload appropriate (those without high risk factors and/or comorbidities) outpatient cases from the main hospital surgical suite to PSC. The applicant estimates this amount to equate

³ COPN No. VA-04659, dated May 29, 2019 authorized Riverside Regional Medical Center to add one GPOR. RRMC reported this GPOR was operational in October 2019. As such, DCOPN calculated its 2019 utilization using a partial year.

to a 20% increase in surgical cases performed at PSC with 4,800 surgical hours in Year 1 and 5,008 surgical hours in Year 2. However, if the proposed project to add one GPOR were approved, even with this increase in surgical hours, PSC's four operating rooms would be operating well under the SMFP threshold at 75% utilization in Year 1 and 78% utilization in Year 2. Alternatively, DCOPN observes that the status quo is a reasonable alternative. In other words, RRMC could immediately offload an amount lower than 20% surgical capacity to PSC's currently approved three GPORS, which operated at only 53.8% utilization in 2019, without adding any GPORs to the existing surplus in PD 21. For these reasons, DCOPN concludes that the applicant has not demonstrated an institutional need to expand and the status quo is a reasonable alternative to the proposed project.

Furthermore, regarding available capacity in the health system, as demonstrated in **Table 4**, in 2019, Riverside Health System's 22.25 GPORs operated at a utilization rate of 84.06%, demonstrating available capacity within the health system's existing GPOR complement. Specifically, in 2019, Riverside Doctors' Hospital Williamsburg's three GPORs operated at 70.7% utilization, Riverside Doctors' Surgery Center's two GPORs operated at 37.3% utilization, and Riverside Hampton Surgery Center's two GPORs operated at 76.8% utilization. A review of this data indicates that one of the GPORs at Riverside Doctors' Surgery Center could be relocated to the RRMC campus without creating an institutional need at Riverside Doctors' Surgery Center. In fact, Riverside Doctors' Surgery Center's utilization (using 2019 hours reported to VHI) would be 74.5% after transferring a GPOR to the RRMC campus.

Accordingly, for the reasons discussed above, it can be argued that there are several reasonable alternatives to the proposed project, including:

- The status quo;
- The transfer of an underutilized GPOR from another Riverside facility in PD 21; or
- The offloading from RRMC of an amount lower than 20% surgical capacity to PSC's currently approved three GPORS, which operated at 53.8% utilization in 2019.

(iii) any recommendation or report of the regional health planning agency regarding an application for a certificate of public need 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 V designated by the Virginia Department of Health to serve as the Health Planning Agency for PD 21. Therefore, this consideration is not applicable to the review of the proposed project.

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

As previously discussed, PSC is currently authorized to operate three GPORs. However, the applicant explains that four GPORs were constructed and used until 2014 when one GPOR was transferred to RRMC. Therefore, the applicant asserts that there are no construction or capital costs associated with the proposed project and that "[t]he room is already constructed and equipped – the only action that is necessary is to turn on the lights."

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

- The project can be implemented without any construction or capital costs.
- With the addition of only three employees, the impact on other facilities with regard to staffing will be negligible.
- At least 20% of the RRMC surgical volume can be transferred immediately upon opening the fourth operating room at PSC, reducing the heavy pressure on the operating rooms in the main building.
- Allowing surgeries to be transferred from the main operating rooms to this outpatient setting would result in lower costs to the patients and third party payors.

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

The Pro Forma Income Statement provided by the applicant includes an estimate regarding the provision of charity care in the amount of 4.6% (**Table 5**). DCOPN notes that, according to VHI data from 2019, the most recent year for which such data is available, the average amount of charity care provided by HPR V facilities was 3.5% of all reported total gross patient revenues (**Table 3**). In that same year, RRMC provided charity care in the amount of 3.5% of all reported total gross patient revenues. As previously discussed, recent changes to § 32.1-102.4B of the Code of Virginia now require DCOPN to place a charity care condition on every applicant seeking a COPN. DCOPN notes that, if approved, the proposed project should be subject to a charity care condition no less than the 3.5% HPR average.

Table 5. Pro Forma Income Statement

	Year 1	Year 2
Gross Patient Revenue	\$24,903,519	\$26,672,505
Contractual Adjustments	(\$16,111,233)	(\$17,255,672)
Charity Care	(\$1,145,562)	(\$1,226,935)
Net Revenue	\$7,646,724	\$8,189,898
Total Expenses	(\$7,009,525)	(\$7,325,349)
Net Operating Income	\$637,198	\$864,549

Source: COPN Request No. VA-8521

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

DCOPN did not identify any other factors, not previously discussed in this staff report, to bring to the Commissioner’s attention with respect to determining a public need for the proposed project.

3. The extent to which the application is consistent with the State Medical Facilities 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 State Medical Facilities Plan (SMFP) contains criteria/standards for the addition of general-purpose operating rooms. They are as follows:

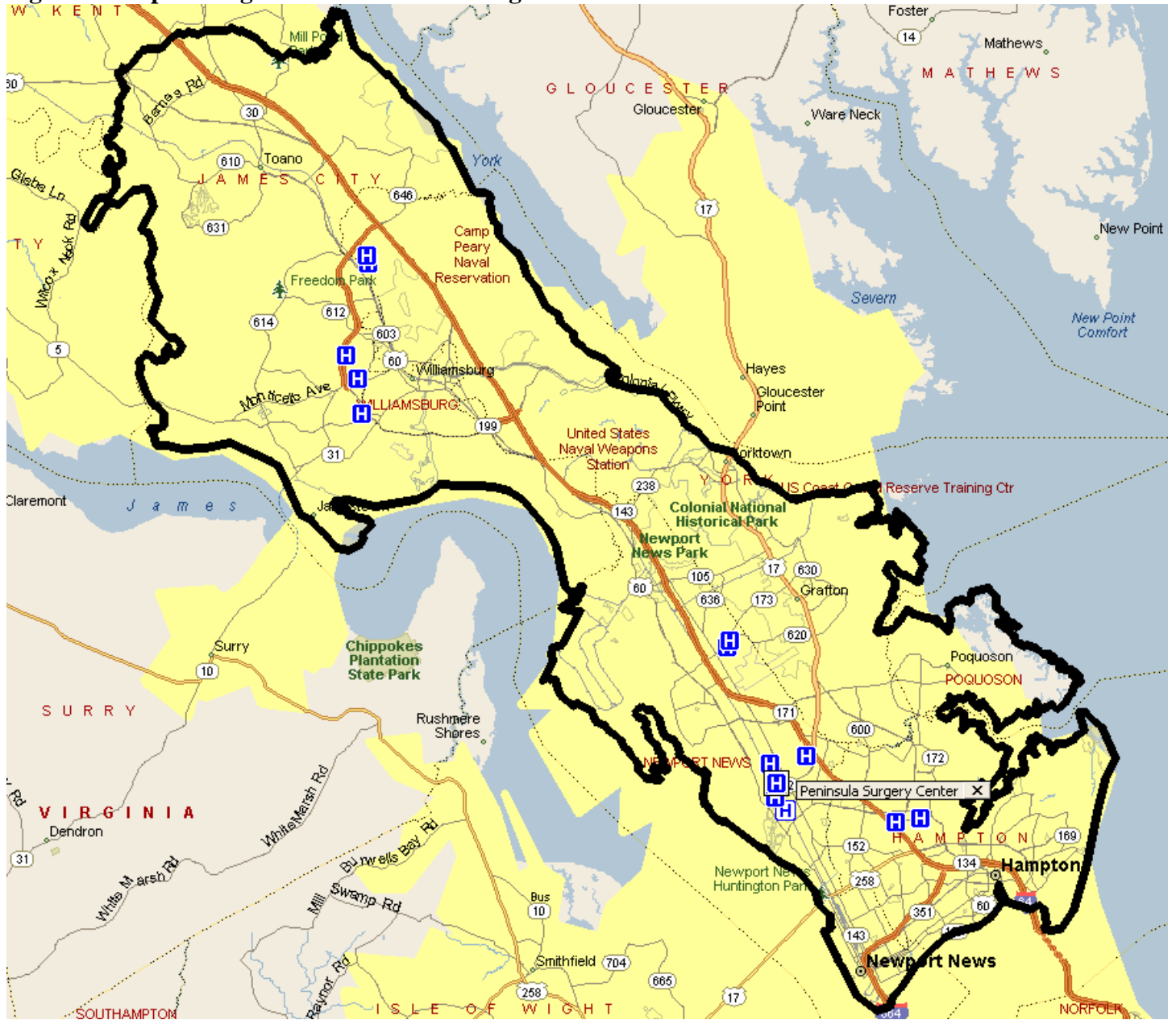
**Part V
General Surgical Services**

12VAC5-230-490. Travel time.

Surgical services should be available within 30 minutes driving time one way under normal conditions for 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 21. The white “H” sign marks the location of the proposed project. The blue “H” signs mark the locations of all other COPN approved GPORs located within PD 21. The yellow shaded area in **Figure 1** illustrates the area of PD 21 and the surrounding area that is within a 30-minute drive of existing surgical services. Given the amount of shaded area, it is reasonable to conclude that surgical services are currently available within 30-minutes normal driving time one way under normal conditions for 95% of the population of PD 21. Therefore, DCOPN concludes that approval of the proposed project would not significantly improve geographic access to surgical services in PD 21.

Figure 1: Map of Surgical Services in Planning District 21



12VAC5-230-500. Need for new service.

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

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

Where:

ORV = the sum of total inpatient and outpatient general purpose operating room visits in the health planning district in the most recent five years for which general purpose operating room utilization data has been reported by VHI [i.e., for the years 2006 through 2010, inclusive]; and

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

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

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

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

1,600 = available service hours per operating room per year based on 80% utilization of an operating room available 40 hours per week, 50 weeks per year.

The preceding formula can also be used to determine the overall need for ORs within PD 21 five years from the current year, *i.e.*, in the year 2026. Based on operating room utilization submitted to, and compiled by VHI, for the five-year period from 2015 to 2019, which is the most recent five-year period for which relevant data is available, the total number of reported inpatient and outpatient GPOR visits to hospital-based and ambulatory surgical centers are shown in **Table 6**.

Table 6. Inpatient & Outpatient GPOR Visits in PD 21: 2015-2019

Year	Total Inpatient & Outpatient Operating Room Visits
2015	46,919
2016	45,753
2017	48,395
2018	47,286
2019	51,236
Total	239,589
Average	47,918

Source: VHI (2015-2019)

Based on actual population counts derived as a result of the U.S. Census and population projections as compiled by Weldon Cooper, **Table 7** presents the population estimates for PD 21 for the five years from 2015 to 2019 and the projected population estimate for 2026.

Table 7. PD 21 Population 2015-2019 & 2026

Year	Population
2015	482,272
2016	483,863
2017	485,626
2018	487,560
2019	489,670
Total	2,428,991
Average	485,798
2026	498,263

Source: Weldon Cooper

Based on the above population estimates from Weldon Cooper and using the average annual increase of 1,664 from 2010 to 2020, and 1,055 from 2020 to 2030, the cumulative total population of PD 21 for the same historical five-year period as referenced above, i.e., 2015-2019, was **2,428,991**, while Weldon Cooper projects the population of PD 21 in the year 2026 (PROPOP-five years from the current year) to be **498,263**. These figures are necessary for the application of the preceding formula, as follows:

ORV	÷	POP	=	CSUR
Total PD 21 GPOR Visits 2015 to 2019		PD 21 Historical Population 2015 to 2019:		Calculated GPOR Use Rate 2015 to 2019:
239,589		2,428,991		0.0986

CSUR	X	PROPOP	=	PORV
Calculated GPOR Use Rate 2015 to 2019:		PD 21 Projected Population 2026		Projected GPOR Visits 2026:
0.0986		498,263		49,129

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

According to VHI data from 2019, the most recent year for which such data is available, there were 81,282 inpatient and outpatient operating room hours for that year (**Table 8**). AHORV = 81,282 total inpatient and outpatient operating room hours reported to VHI for 2019, divided by 51,236 total inpatient and outpatient operating room visits reported to VHI for that same year.

AHORV = 1.5864

Table 8. 2019 PD 21 General Purpose Operating Rooms Utilization

Acute Care Hospital	Operating Rooms	Total Hours	Hours/ OR	Utilization %
Bon Secours Mary Immaculate Hospital	10	13,387	1,338.7	83.7%
Riverside Doctors' Hospital Williamsburg	3	3,392	1,130.7	70.7%
Riverside Regional Medical Center	12.25 ⁴	20,304	1,671	103.6%
Sentara Careplex Hospital	8	13,368	1,671	104.4%
Sentara Williamsburg Regional Medical Center	6	11,378	1,896.3	118.5%
Total and Average	39.25	61,829	1,575.26	98.45%
Outpatient Surgical Hospital				
Advanced Vision Surgery Center, LLC	1	2,700	2,700	168.8%
Careplex Orthopaedic Ambulatory Surgery Center	1	4,133	4,133	258.3%
CHKD Health & Surgery Center (Newport News)	2	1,958	979	61.2%
Mary Immaculate Ambulatory Surgery Center	3	3,524	1,174.7	73.4%
Riverside Doctors' Surgery Center	2	1,192	596	37.3%
Riverside Hampton Surgery Center	2	2,456	1,228	76.8%
Riverside Peninsula Surgery Center	3	2,583	861	53.8%
Sentara Port Warwick Surgery Center	2	236	118	7.4%
Sentara Williamsburg Community Ambulatory	2	671	335.5	21.0%
Total and Average	18	19,453	1,081	67.55%
Grand Total and Average	57.25	81,282	1,420	88.74%

Source: VHI (2019)

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

$$\text{FOR} \frac{0.0986 \times 498,263 \times 1.5864}{1600}$$

$$\text{FOR} = 77,937.82 \div 1,600$$

FOR = 48.71 (49) General Purpose Operating Rooms Needed in PD 21 in 2026

Current PD 21 GPOR inventory: 59

Net Surplus: 10 GPORs for 2026 planning year

Using the above methodologies, the conclusion would be logically reached that there will not be a need to increase the number of general purpose operating rooms in PD 21, as the current inventory of 59 GPOR's exceeds the number of GPORs needed for the 2026 planning year.

⁴ COPN No. VA-04659, dated May 29, 2019 authorized Riverside Regional Medical Center to add one GPOR. RRMC reported this GPOR was operational in October 2019. As such, DCOPN calculated its 2019 utilization using a partial year.

DCOPN notes that from 2018 to 2019, total surgical cases increased 8.3% from 47,286 in 2018 to 51,236 in 2019. However, from 2018 to 2019 total surgical hours decreased 4.1% from 84,729 in 2018 to 81,282 in 2019. Although the analysis using 2018 utilization displayed a minor surplus of only one GPOR, because of the decrease in surgical hours, there now exists a much larger surplus of 10 GPORs for the 2026 planning year.

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

Not applicable. The applicant is not seeking approval to relocate an existing operating room.

12VAC5-230-510. Staffing.

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

The applicant is an existing provider of surgical services, and has provided assurances that surgical services will remain under the direction or supervision of one or more qualified physicians. The applicant meets this standard.

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

A. Notwithstanding any other provisions of this chapter, the commissioner may grant approval for the expansion of services at an existing medical care facility in a health planning district with an excess supply of such services when the proposed expansion can be justified on the basis of a facility's need having exceeded its current service capacity to provide such service or on the geographic remoteness of the facility.

As previously discussed, DCOPN contends that if PSC, as described by the applicant, is not licensed separately from RRMC and operates as a department of the hospital, then the utilization rate for institutional need purposes should be the *combined* utilization of the 12.25 GPORs at RRMC and the three GPORs at PSC. Consequently, the utilization of the 15.25 GPORs on the RRMC campus in 2019 was 93.8% (20,304 hours at RRMC plus 2,583 hours at PSC) and DCOPN concludes that the applicant has not demonstrated an institutional need to expand.

- B. If a facility with an institutional need to expand is part of a health system, the underutilized services at other facilities within the health system should be reallocated, when appropriate, to the facility with the institutional need to expand before additional services are approved for the applicant. However, underutilized services located at a health system's geographically remote facility may be disregarded when determining institutional need for the proposed project.**

As previously discussed, the applicant is part of the Riverside Health System, which currently operates 23 GPORs in PD 21. A review of the surgical utilization at each of these facilities reveals that the GPORs in the Riverside Health System operated at a collective utilization of 84.06% in 2019, demonstrating available capacity within the health system's existing GPOR complement (**Table 4**). Specifically, in 2019, Riverside Doctors' Hospital Williamsburg's three GPORs operated at 70.7% utilization, Riverside Doctors' Surgery Center's two GPORs operated at 37.3% utilization, and Riverside Hampton Surgery Center's two GPORs operated at 76.8% utilization. DCOPN observes that one of the GPORs at Riverside Doctors' Surgery Center could be relocated to the RRMC campus without creating an institutional need at Riverside Doctors' Surgery Center. In fact, Riverside Doctors' Surgery Center's utilization (using 2019 hours reported to VHI) would be 74.5% after transferring a GPOR to the RRMC campus. Moreover, PSC's three operating rooms, as reported separately to VHI for 2019, operated at 53.8% utilization (**Table 4**). RRMC could immediately offload an amount lower than 20% surgical capacity to PSC's currently approved three GPORS, which operated at only 53.8% utilization in 2019.

These options are preferable from a health planning perspective, as neither would increase the current surplus of operating rooms in PD 21, and both would better distribute RRMC's existing GPOR capacity.

- C. This section is not applicable to nursing facilities pursuant to § 32.1-102.3:2 of the Code of Virginia.**

The proposed project does not involve a nursing facility.

- D. Applicants shall not use this section to justify a need to establish new services.**

The applicant is an existing provider of surgical services.

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 previously discussed, the applicant has cited an institutional specific need to expand its surgical services by adding one GPOR at PSC, in an effort to decompress the overutilization of the 13 GPORs in the RRMC building. As demonstrated by **Figure 1**, the current inventory of

operating rooms in PD 21 is sufficient and adequately distributed geographically. Additionally, there is already an existing surplus of GPORs within PD 21.

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;

As previously discussed, DCOPN has calculated a net surplus of 10 GPORs in PD 21 for the 2026 planning year. If approved, the proposed project would add to the surplus. The applicant is part of the Riverside Health System, which has facilities providing surgical services throughout PD 21. The 2019 utilization data for these facilities demonstrates available capacity within the health system's existing GPOR complement.

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

The Pro Forma Income Statement (**Table 5**) provided by the applicant projects a net profit of \$637,198 by the end of the first year of operation and a net profit of \$864,549 by the end of year two, indicating that the proposed project is financially feasible both in the immediate and in the long-term. As previously discussed, the applicant asserts that there are no construction or capital costs associated with the proposed project and that “[t]he room is already constructed and equipped – the only action that is necessary is to turn on the lights.” Accordingly, no debt financing will be secured.

The applicant anticipates the need to hire three full time equivalent employees (FTE) to staff the proposed project. All of the needed FTEs are registered nurses.

The applicant reports that Riverside Health System receives a number of employment applicants for positions weekly, of which several are registered nurses and operating room technologists. It is from this pool that Riverside Health System recruits applicants. Additionally, RRMCM provides a wide variety of training programs in health professions. Through its accredited Riverside College of Health Careers, RRMCM trains radiologic technologists, surgical technologists, registered nurses, licensed practical nurses, certified nursing assistants, renal dialysis technicians, medical assistants and unit secretaries. Because the applicant is an established provider and requires very limited additional staff, DCOPN concludes that the applicant will not have difficulty filling the required positions.

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

The proposed project does not offer the introduction of new technology that promotes quality, cost effectiveness, or both in the delivery of health care services. The applicant is already an existing provider of outpatient surgical services.

- 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.**

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

DCOPN Staff Findings and Conclusions

DCOPN finds that Riverside Hospital, Inc. d/b/a Riverside Regional Medical Center's COPN request to add one general purpose operating room in PD 21 is generally inconsistent with the applicable criteria and standards of the SMFP and the Eight Required Considerations of the Code of Virginia. DCOPN also finds that the project appears to be economically feasible both in the immediate and long-term. However, the applicant's existing GPOR complement operated at 93.8% utilization in 2019 and, therefore, the applicant has not demonstrated an institutional need to expand. Moreover, DCOPN calculated a surplus of 10 GPORs in the planning district. Approval of the proposed project would add to this surplus, without offering a unique benefit in meeting public healthcare needs. Furthermore, there are providers in PD 21 with available GPOR capacity, including facilities in the Riverside Health System. Moreover, DCOPN concludes that there are several reasonable alternatives to the proposed project, including the status quo or the transfer of a GPOR from an underutilized Riverside facility.

Finally, DCOPN received written opposition to the proposed project, which cited: (1) no institution specific need for additional GPOR capacity at Riverside; (2) the surplus of GPORs in PD 21; and (3) the capacity at PSC.

DCOPN Staff Recommendation

The Division of Certificate of Public Need recommends **denial** of Riverside Hospital, Inc. d/b/a Riverside Regional Medical Center's COPN request to add one general purpose operating room in PD 21 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 a calculated surplus of general purpose operating rooms in PD 21 and approval of the proposed project would add to this surplus without offering a unique benefit in meeting public healthcare needs.
3. There is underutilized GPOR inventory in PD 21, and specifically within Riverside Health System's GPOR complement.
4. There are reasonable alternatives to the proposed project.
5. Written opposition to the proposed project was filed with DCOPN.