

# VIRGINIA DEPARTMENT OF HEALTH

## Office of Licensure and Certification

### Division of Certificate of Public Need

#### Staff Analysis

July 19, 2021

#### **COPN Request No. VA-8556**

Chippenham & Johnston-Willis Hospitals, Inc.

Richmond, Virginia

Add One MRI Scanner

#### **Applicant**

Chippenham & Johnston-Willis Hospitals, Inc. (CJWH), a Virginia stock corporation, is a two-campus proprietary full-service tertiary referral hospital located in the City of Richmond and Chesterfield County, Virginia in Planning District (PD) 15 within Health Planning Region (HPR) IV. The Johnston-Willis Campus of CJWH (Johnston-Willis) is located in northwestern Chesterfield County and the Chippenham Campus (Chippenham) is located six miles to the east in the City of Richmond. CJWH is owned and operated by HCA Inc. (HCA), a propriety health care system based in Nashville, Tennessee.

#### **Background-Magnetic Resonance Imaging (MRI) Scanners and Utilization in PD 15**

According to Division of Certificate of Public Need (DCOPN) records, to date, there are 36 COPN authorized fixed-site MRI scanners and two authorized mobile MRI sites in PD 15 (**Table 1**). More specifically, 23 of the authorized fixed-site scanners are located within acute care hospitals while 13 are located within freestanding facilities. According to 2019 Virginia Health Information (VHI) data, the most recent year for which utilization data is available, the then-existing fixed-site MRI scanners in PD 15 operated at a collective utilization of 70.1% based on the State Medical Facilities Plan (SMFP) expansion threshold of 5,000 MRI procedures per MRI scanner per year. DCOPN observes that utilization of hospital-based MRI scanners varies significantly from that of MRI scanners at freestanding facilities. Specifically, hospital-based MRI scanners in PD 15 operated at a collective utilization of 77.5% in 2019, while MRI scanners located in freestanding facilities operated at a collective utilization of only 55.3% for the same period. DCOPN notes that MRI scanners located at both hospital-based facilities and freestanding facilities operated well beneath the SMFP expansion threshold in 2019.

The two mobile MRI scanner sites located in PD 15 operated at a collective utilization of 76.1% in 2019. DCOPN notes that this is significantly beneath the SMFP thresholds for both the expansion of existing mobile MRI services (2,400 procedures per scanner), and the conversion of a mobile scanner to a fixed scanner (3,000 procedures per scanner). With regard to Chippenham's current MRI utilization, its sole existing scanner operated at 120.9% utilization in 2019, demonstrating an exceptionally high utilization rate, supporting an institutional need for additional MRI capacity.

**Table 1. 2019 COPN Authorized MRI Scanners in PD 15**

<b>Fixed MRI Units</b>				
<b>Hospital Based Facility</b>	<b>Units</b>	<b>Scans</b>	<b>Scans/Unit</b>	<b>Utilization</b>
Bon Secours Memorial Regional Medical Center	2	9,289	4,645	92.9%
Bon Secours Richmond Community Hospital	1	731	731	14.6%
Bon Secours St. Francis Medical Center	2 <sup>1</sup>	7,172	7,172	143.4%
Bon Secours St. Mary's Hospital	2	10,356	3,452	69.0%
Chippenham Hospital	1	6,044	6,044	120.9%
Henrico Doctors' Hospital--Parham	1	2,248	2,248	45.0%
Henrico Doctors' Hospital--Retreat	1	719	719	14.4%
Henrico Doctors' Hospital--Forest	2	5,408	2,704	54.1%
Johnston-Willis Hospital	3 <sup>2</sup>	10,932	5,466	109.3%
VCU Medical Center	7 <sup>3</sup>	24,570	4,095	81.9%
West Creek Medical Center	1 <sup>4</sup>	--	--	--
<b>Hospital Based TOTAL and Average</b>	<b>23<sup>5</sup></b>	<b>77,469</b>	<b>3,873</b>	<b>77.5%</b>
<b>Freestanding Facility</b>	<b>Units</b>	<b>Scans</b>	<b>Scans/Unit</b>	<b>Utilization</b>
Bon Secours Imaging Center at Reynolds Crossing	2 <sup>6</sup>	1,878	1,878	37.6%
Bon Secours Imaging Center Innsbrook	1	1,667	1,667	33.3%
Bon Secours West End MRI	1	499	499	10.0%
Bon Secours Westchester Imaging Center	1	2,697	2,697	53.9%
Chesterfield Imaging	1	3,967	3,967	79.3%
Chester Imaging Center	1 <sup>7</sup>	--	--	--
Ellen Shaw De Paredes Institute for Women's Imaging, P.C.	1 <sup>8</sup>	--	--	--
MEDARVA West Creek Surgery Center	1 <sup>9</sup>	--	--	--
NOW Neuroscience, Orthopaedic and Wellness Center	1	66	66	1.3%
OrthoVirginia MRI	1	5,206	5,206	104.1%
Tuckahoe Orthopaedic MRI Center	1	4,726	4,726	94.5%
VCU Medical Center at Stony Point Radiology	1	3,449	3,449	69.0%
<b>Freestanding TOTAL and Average</b>	<b>13<sup>10</sup></b>	<b>27,637</b>	<b>2,764</b>	<b>55.3%</b>
<b>Fixed MRI Unit Grand TOTAL and Average</b>	<b>36<sup>11</sup></b>	<b>105,106</b>	<b>3,504</b>	<b>70.1%</b>
<b>Mobile MRI Units</b>				
<b>Facility</b>	<b>Units</b>	<b>Scans</b>	<b>Scan/Unit</b>	<b>Utilization</b>
Bon Secours St. Francis Medical Center	1	1,528	1,528	63.7%
Virginia Urology	1	2,124	2,124	88.5%
<b>Mobile MRI Unit Grand TOTAL and Average</b>	<b>2</b>	<b>3,652</b>	<b>1,826</b>	<b>76.1%</b>

Source: VHI (2019) and DCOPN Records

<sup>1</sup> Second fixed MRI scanner authorized pursuant to COPN No. VA-04673, issued on September 3, 2019.

<sup>2</sup> Third fixed MRI scanner authorized pursuant to COPN No. VA-04657, issued on May 21, 2019.

<sup>3</sup> One fixed MRI scanner added at the VCU Medical Center Adult Outpatient Pavilion pursuant to COPN No. VA-04717, issued on August 31, 2020.

<sup>4</sup> COPN No. VA-04179, issued on November 10, 2008, authorized the establishment of West Creek Medical Center, to include one fixed MRI scanner. Project is expected to be complete by December 31, 2021.

<sup>5</sup> Though not used in the calculation for overall utilization, this number reflects those changes to the PD 15 fixed-site MRI inventory enumerated above.

<sup>6</sup> Second fixed MRI scanner authorized pursuant to COPN No. VA-04654, issued on April 25, 2019.

<sup>7</sup> COPN No. VA-04655 authorized the establishment of Chester Imaging Center, to include one fixed MRI scanner.

<sup>8</sup> 2019 VHI data does not include information for this facility.

<sup>9</sup> COPN No. VA-04612, issued July 20, 2018, authorized the addition of this facility, to include one MRI scanner.

<sup>10</sup> Though not used in the calculation for overall utilization, this number reflects those changes to the PD 15 MRI inventory enumerated above.

<sup>11</sup> Though not used in the calculation for overall utilization, this number reflects those additions to the PD 15 inventory enumerated above.

**Proposed Project**

Chippenham proposes to expand its existing MRI service through the addition of one MRI scanner. If approved, the project would result in two operational MRI scanners at Chippenham. The proposed additional scanner will be located in existing space within the hospital campus, immediately adjacent to the existing MRI suite. The applicant cites an institutional need for the proposed project.

The projected capital costs of the proposed project total \$3,701,138, the entirety of which will be funded using the accumulated reserves of the applicant (**Table 2**). Accordingly, there are no financing costs associated with this project.

**Table 2. Chippenham Projected Capital Costs**

Direct Construction Costs	\$1,670,000
Equipment Not Included in Construction Contract	\$1,919,538
Architectural and Engineering Fees	\$105,600
Other Consultant Fees	\$6,000
<b>TOTAL Capital Costs</b>	<b>\$3,701,138</b>

Source: COPN Request No. VA-8556

Construction for the proposed project is anticipated to commence within 13 months of COPN issuance, and to be complete within 25 months of COPN issuance. The applicant projects a target date of opening within 26 months of COPN issuance.

**Project Definition**

§ 32.1-102.1:3 of the Code of Virginia defines a project, in part, as “The addition by an existing medical care facility described in subsection A of any new medical equipment for the provision of...magnetic resonance imaging (MRI)...” A medical care facility is further described as “Any facility licensed as a hospital, as defined in § 32.1-123.”

**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 consideration, 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;**

Chippenham is well-served by public transit and public road systems. The Greater Richmond Transit Company (GRTC) provides ADA-compliant, curb-to-curb transport to individuals with disabilities through its CARE paratransit service. GRTC directly serves the Chippenham campus by its Forest Hill bus route. Chippenham is easily accessible by car and is located at the intersection of Chippenham Parkway and Jahnke Road.

Regarding socioeconomic barriers to access to the applicant’s services, according to regional and statewide data regularly collected by VHI, for 2019, the most recent year for which such data is available, the average amount of charity care provided by HPR IV facilities was 2.7% of all reported total gross patient service revenues (**Table 3**). The Pro Forma Income Statement provided by the applicant (**Table 4**) anticipates a charity care contribution equal to 3.7% of total gross patient revenues derived from MRI services (reflected in the “Deductions from Revenue” line). DCOPN notes that this amount is well above the HPR IV average reported by VHI for 2019, as well as the 1.46% reported by CJWH for the same period. Furthermore, DCOPN notes that pursuant to recent changes to § 32.1-102.4B of the Code of Virginia, DCOPN is now required to place a charity care condition on all applicants seeking a COPN. Accordingly, should the Commissioner approve the proposed project, DCOPN recommends a charity care condition consistent with the 3.7% contribution anticipated by the applicant. DCOPN notes that its recommendation includes a provision allowing for the reassessment of the charity care rate when more reliable data becomes available regarding the full impact of Medicaid expansion in the Commonwealth.

**Table 3. 2019 HPR IV Charity Care Contributions**

Hospital	Gross Patient Revenues	Adjusted Charity Care Contribution	Percent of Gross Patient Revenue
VCU Health System	\$6,157,295,438	\$337,198,732	5.48%
Bon Secours Richmond Community Hospital	\$821,906,538	\$34,703,353	4.22%
VCU Community Memorial Hospital	\$299,864,540	\$13,214,243	4.41%
Sentara Halifax Regional Hospital	\$296,240,103	\$11,849,658	4.00%
Bon Secours St. Francis Medical Center	\$1,020,058,202	\$36,854,815	3.61%
Bon Secours Memorial Regional Medical Center	\$1,562,406,719	\$43,217,694	2.77%
Bon Secours St. Mary's Hospital	\$2,226,799,125	\$59,804,440	2.69%
Centra Southside Community Hospital	\$335,602,265	\$8,611,288	2.57%
Bon Secours Southside Regional Medical Center	\$2,094,715,568	\$34,597,144	1.65%
CJW Medical Center	\$7,394,600,760	\$107,675,784	1.46%
John Randolph Medical Center	\$980,419,839	\$13,467,848	1.37%
Henrico Doctors' Hospital	\$4,822,100,793	\$53,542,021	1.11%
Bon Secours Southern Virginia Regional Medical Center	\$223,258,497	\$1,196,980	0.54%
Vibra Hospital of Richmond LLC	\$131,865,765	\$0	0.00%
Cumberland Hospital for Children and Adolescents	\$64,413,240	\$0	0.00%
Total Facilities			15
Median			2.6%
<b>Total \$ &amp; Mean %</b>	<b>\$28,431,547,392</b>	<b>\$755,934,000</b>	<b>2.7%</b>

Source: VHI (2019)

**Table 4. Chippenham Pro Forma Income Statement**

	<b>Year 1</b>	<b>Year 2</b>
Gross Patient Services Revenue	\$46,254,671	\$50,294,829
Deductions from Revenue	\$34,973,690	\$24,061,889
<b>Net Patient Services Revenue</b>	<b>\$11,280,981</b>	<b>\$13,116,470</b>
Expenses	\$11,154,531	\$12,902,931
<b>Net Income</b>	<b>\$126,450</b>	<b>\$213,539</b>

Source: COPN Request No. VA-8556

Also with regard to socioeconomic barriers to access to services, DCOPN notes that, according to the most recent U.S. Census data, two localities within PD 15 (Charles City and Richmond City) had poverty rates higher than the 10.7% statewide average (**Table 5**).

**Table 5. Statewide and PD 15 Poverty Rates**

<b>Locality</b>	<b>Poverty Rate</b>
Virginia	10.7%
Charles City	12.5%
Chesterfield	6.6%
Goochland	6.2%
Hanover	5.1%
Henrico	8.7%
New Kent	5.0%
Powhatan	5.4%
Richmond City	23.2%

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

The most recent Weldon-Cooper data projects a total PD 15 population of 1,219,936 persons by 2030 (**Table 6**). This represents an approximate 21.7% increase in total population from 2010 to 2030. Comparatively, Weldon-Cooper projects the total population of Virginia to increase by approximately 16.63% for the same period. With regard to the 65 and older age cohort in PD 15, Weldon-Cooper projects a much more rapid increase. Weldon-Cooper projects a PD 15 increase of approximately 92.5% among this age cohort from 2010-2030 (**Table 7**). This is significant, as this age group typically uses health care services, including diagnostic imaging services, at a rate much higher than those under the age 65.

**Table 6. Statewide and PD 15 Total Population Projections, 2010-2030**

Locality	2010	2020	% Change	2030	% Change	2010-2030 % Change
Virginia	8,001,024	8,655,021	8.17%	9,331,666	7.82%	16.63%
Charles City	7,256	6,982	(3.8%)	6,941	(0.6%)	(4.3%)
Chesterfield	316,236	353,841	11.9%	396,647	12.1%	25.4%
Goochland	21,717	23,547	8.4%	26,702	13.4%	23.0%
Hanover	99,863	109,244	9.4%	119,360	9.3%	19.5%
Henrico	306,935	332,103	8.2%	363,259	9.4%	18.4%
New Kent	18,429	23,474	27.4%	28,104	19.7%	52.5%
Powhatan	28,046	29,909	6.6%	33,440	11.8%	19.2%
Richmond City	204,214	232,533	13.9%	245,483	5.6%	20.2%
<b>Total PD 15</b>	<b>1,002,696</b>	<b>1,111,633</b>	<b>10.9%</b>	<b>1,219,936</b>	<b>9.7%</b>	<b>21.7%</b>

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

**Table 7. PD 15 Population Projections for 65+ Age Cohort, 2010-2030**

Locality	2010	2020	% Change	2030	% Change	2010-2030 % Change
Charles City	1,214	1,773	46.1%	2,189	23.4%	80.3%
Chesterfield	32,878	55,297	68.2%	72,476	31.1%	120.4%
Goochland	3,237	5,420	67.4%	7,421	36.9%	129.3%
Hanover	13,104	19,807	51.2%	27,456	38.6%	109.5%
Henrico	37,924	53,255	40.4%	68,003	27.7%	79.3%
New Kent	2,226	4,303	93.3%	6,663	54.8%	199.3%
Powhatan	3,407	6,041	77.3%	8,552	41.5%	151.0%
Richmond City	22,619	26,352	16.5%	31,657	20.1%	40.0%
<b>Total PD 15</b>	<b>116,609</b>	<b>172,249</b>	<b>47.7%</b>	<b>224,417</b>	<b>30.3%</b>	<b>92.5%</b>

**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 numerous letters of support for the proposed project from area physicians. Collectively, these letters addressed the following:

- The proposed project will allow Chippenham to continue providing quality patient care by addressing the substantial demand for scans placed on the hospital’s existing MRI scanner. An MRI scan is an invaluable tool for assessing a variety of cardiologic conditions, but the demand for scans continues to grow and the existing MRI scanner at

Chippenham is highly utilized. This high utilization rate directly impacts patient care by delaying accurate and timely diagnosis and treatment.

- Diagnostic imaging involving the use of an MRI scanner can provide invaluable information to physicians treating a variety of conditions, from cardiac diseases to neurological conditions and orthopedic injuries. Regardless of the disease or condition being treated, however, the delivery of high-quality patient care depends on accurate and prompt assessment of a patient's condition. The existing MRI scanner at Chippenham Hospital operates at high capacity as demand for scans continues to grow. This high utilization means that patients experience longer wait times to receive scans, which in turn unnecessarily delays the timely diagnosis essential to positive patient outcomes. Adding an MRI scanner at Chippenham Hospital will alleviate the logistical demands placed on the current scanner, allowing patients to more quickly receive the scans needed for their care.
- MRI scanning services are essential to the practice of orthopedic surgery and used to image bones, joints, and surrounding soft tissue for infection and structural damage or defects. The detailed imagery provided by an MRI scan taken before surgery is essential to determining an approach to a procedure. The existing scanner at Chippenham Hospital, however, is highly utilized as demand for MRI scans increases. This high utilization leads to longer wait-times for patients, which in turn leads to delays in diagnosing and treating patients' injuries and conditions. The addition of a second MRI scanner at Chippenham Hospital would address unnecessary delays in providing high-quality care to patients, which in turn would lead to better patient outcomes.
- MRI scans are used to diagnose stroke, traumatic brain injuries, tumors in the brain and spinal cord, abnormal brain development, and some neurodegenerative disorders among many other injuries and conditions. For many of these conditions, timely and accurate diagnosis and treatment are essential to positive outcomes. The existing scanner at Chippenham is highly utilized, and demand for scans continues to increase. Operating at such a high capacity means that patients must wait longer to receive scans, which adversely affects both timely diagnosis and treatment. The existence of an additional MRI scanner at Chippenham Hospital would ensure that patients with these and a host of other illnesses and injuries receive the timely care they deserve.

DCOPN received no letters in opposition to the proposed project. Additionally, DCOPN did not receive any request by an elected local government representative, a member of the General Assembly, the Commissioner, the applicant, or a member of the public to hold a public hearing on the proposed project and accordingly, one was not held.

- (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;**

As previously discussed, 2019 VHI data reported a 70.1% collective utilization rate among all existing fixed MRI scanners in PD 15 (**Table 1**). This data demonstrates that existing fixed MRI scanners in PD 15 operated well beneath the SMFP expansion threshold of 5,000 scans per unit in 2019, and that generally, the public need for MRI scans in PD 15 was being met. As will be discussed in more detail below, DCOPN has calculated a current surplus of 15 fixed-site MRI scanners in PD 15. DCOPN concludes that, based on this data, there is ample excess capacity within the planning district to accommodate the residents of PD 15. However, DCOPN contends that maintaining the status quo is not a better alternative to the proposed project, despite the underutilized existing inventory of PD 15, and the calculated surplus. While approval of the proposed project would result in one additional fixed MRI scanner in the planning district, thereby increasing the total PD 15 surplus by one, as will be discussed in more detail later in this staff analysis report, DCOPN maintains that the applicant has adequately demonstrated a unique institutional need for the additional MRI scanner. First, the existing scanner at Chippenham operated at 120.9% utilization in 2019, well above the SMFP threshold for expansion. Furthermore, DCOPN concludes that within the PD 15 collective HCA Health System MRI inventory, only one facility (Henrico Doctors' Hospital—Forest) has additional MRI capacity available for transfer; however, relocating a scanner from that facility is not practical, as doing so would result in the overutilization of the remaining scanner (108.2%). DCOPN further notes that, while Johnston-Willis has three MRI units available, the most recently acquired unit was authorized upon a demonstration of institutional need, and accordingly, relocating a unit from that facility would be imprudent. Accordingly, DCOPN concludes that no reasonable alternative to the proposed project exists.

- (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 illustrated in **Table 2**, the total projected capital cost of the proposed project is \$3,701,138, the entirety of which will be funded using the accumulated reserves of the applicant. Accordingly, there are no financing costs associated with this project. DCOPN concludes that the costs for the proposed project are reasonable and consistent with previously approved projects in PD 15 similar in clinical scope (COPN No. VA-04717 authorized the addition of one fixed MRI scanner and one fixed CT scanner and had an authorized capital cost of \$6,808,481; COPN No. VA-04673 authorized the expansion of MRI services through the relocation and replacement of one MRI unit and had an authorized capital cost of \$2,719,388; COPN No. VA-04654 authorized the

addition of one MRI unit and had an authorized capital cost of \$2,790,388; COPN No. VA-04525 authorized the addition of one MRI unit and had an authorized capital cost of \$4,304,851).

With regard to benefits of the proposed project, the applicant reiterates that the addition of one MRI scanner is necessary to satisfy an institutional need at Chippenham, and that approval of the proposed project would further the applicant's long-standing commitment to highly-accessible, high-quality patient care.

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

As already discussed, the applicant has provided assurances that MRI services at Chippenham will be accessible to all patients, regardless of financial considerations. Additionally, the Pro Forma Income Statement provided by the applicant anticipates a charity care contribution equal to 3.7% of gross patient services revenue derived from MRI services, an amount well above the 2.7% 2019 HPR IV average and the 1.46% reported by CJWH for the same period (**Tables 2 and 3**). Furthermore, DCOPN again notes that 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. Accordingly, should the commissioner approve the proposed project, DCOPN recommends a charity care condition consistent with the 3.7% contribution anticipated by the applicant. DCOPN again notes that its recommendation includes a provision allowing for the reassessment of the charity rate at such time as more reliable data becomes available regarding the full impact of Medicaid expansion in the Commonwealth.

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

Section 32.1-102:1 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 SMFP.

**3. The extent to which the proposed project is consistent with the State Health Services Plan;**

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

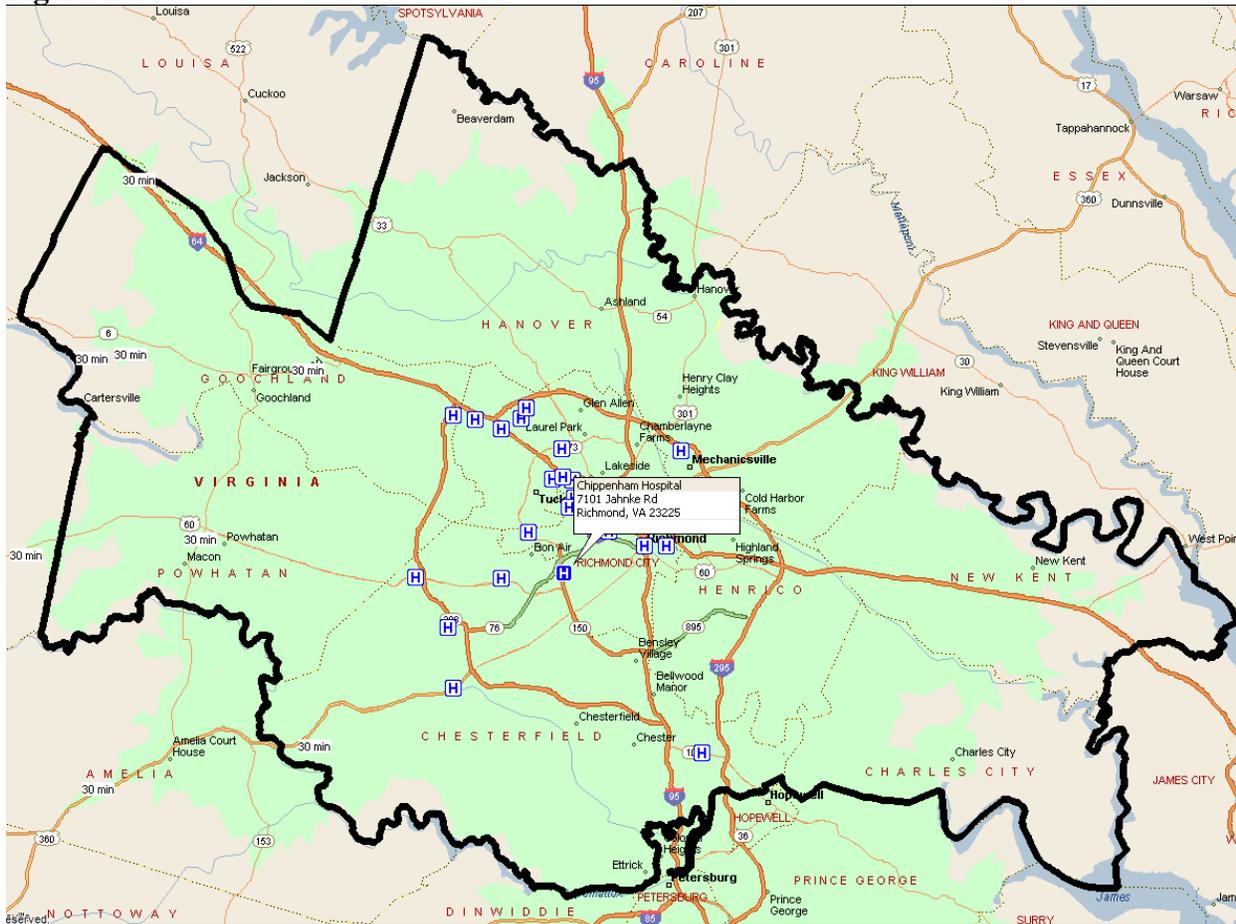
**Part II.**  
**Diagnostic Imaging Services**  
**Article 2.**  
**Criteria and Standards for Magnetic Resonance Imaging**

**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 a mapping software as determined by the commissioner.**

The heavy black line in **Figure 1** identifies the boundary of PD 15. The blue “H” sign marks the location of the proposed project. The white “H” signs mark the locations of all other existing fixed and mobile MRI services located in PD 15. The green shaded area illustrates the area of PD 15 and the surrounding area that is currently within a 30-minute drive of existing MRI services. The amount and location of this shading illustrates that there is currently no area within 30 minutes of Chippenham that is not also within a 30 minutes’ drive time of another existing provider. Furthermore, given the amount and location of shaded area, it is evident that MRI services currently exist with a 30-minute drive for at least 95% of the population of PD 15. DCOPN also notes that the applicant is a current provider of MRI services, and accordingly, approval of the proposed project would not improve geographical access to this service for residents of PD 15 in any meaningful way. However, DCOPN notes that, because the applicant cites an institutional need for the requested additional MRI scanner, it is not geographic access that prevents patients at Chippenham hospital from receiving timely access to care.

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 site may be disregarded in computing the average utilization of MRI scanners in such health planning district.

The applicant is not proposing to establish a new fixed site MRI service, but rather to expand an existing service. Accordingly, this standard is not applicable to the review at hand. However, in the interest of completeness, DCOPN will address this standard.

VHI data reports that the then-existing PD 15 fixed MRI inventory performed a collective MRI volume of 105,106 MRI procedures (3,504 procedures per scanner) in 2019 (**Table 1**). Based on this data, and considering subsequent additions to the PD 15 fixed MRI inventory, DCOPN has calculated a current surplus of 15 fixed MRI scanners in PD 15 as follows:

COPN authorized fixed MRI units = 36  
Needed MRI units =  $105,106 \div 5,000 = 21$   
Utilization Percentage in 2019: 70.1%  
**Fixed MRI unit surplus = 15**

However, as has been briefly discussed and will be discussed in more detail later in this staff analysis report, DCOPN concludes that the applicant has adequately demonstrated a unique institutional need for expansion and thus, the proposed project warrants approval despite the large calculated surplus within the planning district.

**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.**

VHI data reports that in 2019, Chippenham's sole existing fixed MRI unit performed 6,044 procedures (operating at 120.9% utilization), well above the 5,000 procedure per unit expansion threshold required under the SMFP. Additionally, the applicant reports increased utilization for 2020, with its existing scanner operating at 124% utilization (6,195 procedures). Accordingly, DCOPN concludes that the applicant has satisfied 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.**

The applicant is not proposing to add or expand a mobile MRI service. Accordingly, this standard is not applicable.

**12VAC5-230-180. Staffing.**

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

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

**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 the health planning district with an excess supply of such services when the proposed expansion can be justified on the basis of a facility's need having exceeded its current service capacity to provide such service or on the geographic remoteness of the facility.**
- B. If a facility with an institutional need to expand is part of a health system, the underutilized services at other facilities within the health system should be reallocated, when appropriate, to the facility with the institutional need to expand before additional services are approved for the applicant. However, underutilized services located at a health system's geographically remote facility may be disregarded when determining institutional need for the proposed project.**
- C. This section is not applicable to nursing facilities pursuant to § 32.1-102.3:2 of the Code of Virginia.**
- D. Applicants shall not use this section to justify a need to establish new services.**

As discussed, in 2019, Chippenham's sole existing MRI scanner operated at 120.9% utilization (6,044 procedures), well above the SMFP threshold for expansion. While the collective PD 15 HCA Health System inventory operated at only 63.4% for the same period, DCOPN nonetheless concludes that no capacity within the health system is practical for transfer. First, only two facilities within the health system have more than one authorized MRI scanner (Henrico Doctors' Hospital--Forest and CJWH). While the two units at Henrico Doctors' Hospital-Forest operated at only 54.1% utilization in 2019, reducing that facility's complement to one unit would result in the overutilization of the remaining unit (108.2%).<sup>12</sup> Additionally, DCOPN notes that while Johnston-Willis has three MRI scanners, the most recent scanner was added in 2019 upon a demonstration of institutional need, and accordingly, DCOPN maintains that transfer from that facility would be imprudent. Finally, DCOPN notes that in 2019, the MRI scanner at Henrico Doctors' Hospital--Retreat (Retreat) operated at only 14.4% utilization. However, DCOPN concludes that transferring the MRI scanner from Retreat to Chippenham would be imprudent as it would result in the Retreat patient population being transferred outside of the health system for any needed inpatient MRI scan or alternatively, transferred to Henrico Doctors' Hospital--Forest, nearly eight miles away.

Accordingly, DCOPN concludes that the applicant has adequately demonstrated a unique institutional need for the requested additional fixed MRI scanner.

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<sup>12</sup> Utilization derived by maintaining the same number of procedures reported for 2019 while adjusting the number of units to one.

**Table 8. PD 15 HCA Health System Fixed MRI Utilization: 2019**

HCA Facility	Units	Scans	Scan/Unit	Utilization
Chippenham Hospital	1	6,044	6,044	120.9%
Henrico Doctors' Hospital--Parham	1	2,248	2,248	45.0%
Henrico Doctors' Hospital--Retreat	1	719	719	14.4%
Henrico Doctors' Hospital--Forest	2	5,408	2,704	54.1%
Johnston-Willis Hospital	3 <sup>13</sup>	10,932	5,466	109.3%
<b>TOTAL and Average</b>	<b>8</b>	<b>25,351</b>	<b>3,169</b>	<b>63.4%</b>

Source: VHI (2019) and DCOPN records

**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;**

Recognizing that the proposed project is intended to meet a unique institutional need, DCOPN does not find that the proposal is intended to foster institutional competition, but rather is intended to ensure Chippenham's patients access to needed MRI services. Furthermore, as the applicant is an established provider of MRI services, DCOPN concludes that the project will not improve geographic access to underserved members of 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;**

As already discussed, existing fixed MRI scanners in PD 15 operated at a collective utilization of 70.1% in 2019 while existing mobile MRI sites operated at a collective utilization of 76.1%. DCOPN notes that were the proposed project to be approved and patient volume within PD 15 remain unchanged, the resulting PD 15 fixed-MRI utilization would be approximately 56.8%. More specifically, fixed MRI scanners within the PD 15 HCA Health System operated at a collective utilization of 63.4% in 2019, while the sole existing scanner at Chippenham operated at 120.9%, well above the SMFP threshold for expansion. Approval of the proposed project would result in a collective health system utilization of 51.9% and a resulting utilization of approximately 60.4%. DCOPN maintains that the applicant has adequately demonstrated a unique institutional need for the additional MRI unit. Furthermore, as already discussed, DCOPN concludes that maintaining the status quo is not a viable option to the proposed project and accordingly, a more favorable alternative does not exist. Lastly, because the project hinges upon a unique institutional need, DCOPN contends that approval of the proposed project is not likely to have a significant negative impact on existing providers of MRI services in PD 15.

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<sup>13</sup> Third fixed MRI scanner authorized pursuant to COPN No. VA-04657, issued on May 21, 2019.

**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;**

The Pro Forma Income Statement (**Table 4**) provided by the applicant anticipates a net profit of \$126,450 by the end of the first year of operation and \$213,539 in year two, illustrating that the proposed project is financially feasible both in the immediate and the long-term. As already discussed, DCOPN contends that the projected capital costs for the proposed project are reasonable when compared to previously authorized projects similar in scope. The applicant will fund the project entirely using accumulated reserves and accordingly, there are no financing costs associated with this project.

With regard to staffing, the applicant anticipates the need to hire an additional 2.7 full-time employees to staff the proposed project. DCOPN notes that this is in addition to the 157 positions currently vacant at Chippenham. DCOPN notes that the applicant is an established provider of MRI services with a robust employee retention plan. Accordingly, DCOPN does not anticipate that the applicant will have difficulty staffing the proposed project or that doing so will have a significant negative impact on existing providers of MRI services.

**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 healthcare needs; and (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, nor does it provide for the potential for the provision of health care services on an outpatient basis. DCOPN notes that the patient population to be served by the proposed project is those patients already receiving care at Chippenham, and accordingly, DCOPN concludes that approval of the proposed project would result in timelier patient treatment.

**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.**

The applicant is not a teaching hospital associated with a public institution of higher education or a medical school in the area to be served. However, DCOPN notes that through the years, the applicant has contributed to the education of the Commonwealth's future healthcare providers. The applicant provided the following with regard to this standard:

*“Through the years, HCA Virginia Health System has provided substantial funds to colleges, universities, and other initiatives and programs for health professional training. CJW has affiliation agreements for clinical rotations with the following health professional education programs: America Sentinel University, Butler University, Capella University, Chamberlain University, Chester Career College, Creighton University, ECPI, Emory University, Galen College of Nursing, Georgetown University, Great Bay Community College, James Madison University, J. Sargent Reynolds Community College, Liberty University, Longwood University, Mary Baldwin University, Radford University, South University, Virginia State University, St. Catherine University, Virginia Tech, Walden University, Western Governors University, and Wingate Universtiy.”*

### **DCOPN Staff Findings and Conclusions**

The applicant proposes to increase the existing MRI inventory at Chippenham Hospital by one unit, resulting in a total of two MRI scanners. The projected capital costs of the proposed project total \$3,701,138, the entirety of which will be funded using the accumulated reserves of the applicant. Accordingly, there are no financing costs associated with the proposed project. DCOPN concludes that these costs are reasonable and consistent with previously approved projects similar in clinical scope. The applicant has provided a projected opening date within 26 months of COPN issuance.

DCOPN has calculated a surplus of 15 MRI scanners in PD 15. The applicant’s proposal would increase this surplus by one, however DCOPN concludes that the applicant has adequately demonstrated a unique institutional need for the additional scanner and accordingly, contends that the project warrants approval despite the calculated surplus. DCOPN additionally finds that no reasonable, less costly, or more favorable alternative to the project exists. DCOPN finds that the proposed project will prove financially feasible both in the immediate and the long-term. Should the Commissioner approve the proposed project, DCOPN recommends a charity care condition equal to the 3.7% contribution anticipated by the applicant.

### **DCOPN Staff Recommendation**

The Division of Certificate of Public Need recommends **conditional approval** of the proposed project to add one fixed MRI scanner at Chippenham Hospital for the following reasons:

1. The proposed project is generally consistent with the applicable criteria and standards of the State Medical Facilities Plan and the Eight Required Considerations of the Code of Virginia.
2. The capital costs are reasonable.
3. The proposed project appears economically viable both in the immediate and in the long-term.
4. No reasonable alternatives to the proposed project exist.

5. The applicant has adequately demonstrated a unique institutional need for the addition of the requested MRI.
6. There is no known opposition to the proposed project.
7. Approval of the proposed project is not likely to have a significant negative impact on existing providers of MRI services.

DCOPN's recommendation is contingent upon Chippenham & Johnston-Willis Hospitals, Inc.'s agreement to the following charity care condition:

Chippenham & Johnston-Willis Hospitals, Inc. will provide 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 3.7% of Chippenham & Johnston-Willis Hospitals, Inc.'s total patient services revenue derived from MRI services provided at Chippenham Hospital 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. Chippenham & Johnston-Willis Hospitals, Inc. 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.

Chippenham & Johnston-Willis Hospitals, Inc. will provide surgical services 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, Chippenham & Johnston-Willis Hospitals, Inc. will facilitate the development and operation of primary and specialty medical care services in designated medically underserved areas of the applicant's service area.