

VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis

July 19, 2021

COPN Request No. VA-8557

Lewis-Gale Medical Center, LLC

Salem, Virginia

Add one CT scanner

Applicant

Lewis-Gale Medical Center, LLC (LGMC) is Delaware Limited Liability Company established in 1998. LGMC is a subsidiary of HCA Healthcare, Inc., a for-profit operator of healthcare facilities founded in 1968 and based in Nashville, Tennessee. LGMC is a 506-bed acute care hospital located in Salem, Virginia in Health Planning Region (HPR) III, Planning District (PD) 5.

Background

According to Division of Certificate of Public Need (DCOPN) records, there are 15 COPN authorized fixed site computed tomography (CT) scanners in PD 5 (**Table 1**).

Table 1. PD 5 COPN Authorized CT Units

Facility	Fixed CT Scanners	Mobile CT Scanners	Total
Carilion Imaging Services-Botetourt County	1	0	1
Carilion Roanoke Memorial Hospital	8	0	8
Insight Imaging - Roanoke	1	0	1
Lewis Gale Emergency Center	1	0	1
LewisGale Hospital - Alleghany	1	0	1
LewisGale Medical Center ¹	2	0	2
Roanoke ER ²	1	0	1
Total	15	0	15

Source: DCOPN records

Proposed Project

LGMC proposes to expand its existing CT services through the addition of one CT scanner. The applicant states that it needs to add an additional CT scanner to its existing complement of two CT scanners to meet an institutional need. If the proposed project is approved, LGMC will have a

¹ Pursuant to COPN No. VA-3904, LewisGale Medical Center also has one CT simulator dedicated to radiation therapy treatment planning. This CT simulator is not included in Table 1's count of diagnostic CT scanners in PD 5.

² One CT scanner approved pursuant to COPN No. VA-04671, expected completion April 2022.

resulting complement of three CT scanners. The projected capital costs of the proposed project are \$745,634, 13.5% of which are attributed to direct construction costs (**Table 2**). Capital costs will be funded entirely using the internal resources of the applicant. Accordingly, there are no financing costs associated with the proposed project. Construction on the proposed project is anticipated to begin eight months after COPN issuance and to be completed 12 months after COPN issuance. The target date of opening is 13 months after COPN issuance.

Table 2. LGMC’s Projected Capital Costs

Direct Construction Costs	\$100,714
Equipment Not Included in Construction Contract	\$618,260
Architectural and Engineering Fees	\$26,660
Total Capital Costs	\$745,634

Source: COPN Request No. VA-8557

Project Definitions

Section 32.1-102.1:3 of the Code of Virginia defines a project, in part as the, “The addition by an existing medical care facility described in subsection A of any new medical equipment for the provision of...computed tomographic (CT) scanning...” A medical care facility includes “[a]ny facility licensed as a hospital, as defined in Section 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 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;**

Geographically, LGMC is located at 1900 Electric Road, Salem, Virginia. The hospital campus is accessible via highway from Interstate 81 and Route 220 via Route 419. LGMC is served by the Valley Metro Bus Line and by area cab companies. Additionally, LGMC has an FAA-listed heliport pad on site to receive patients via helicopter transport in emergency situations.

Table 3 shows projected population growth in PD 5 through 2030. As depicted in **Table 3**, at an average annual growth rate of 0.19%, PD 5’s growth rate from 2010-2020 is below the state’s average annual growth rate of 0.77%. Overall, the planning district is projected to add an estimated 5,329 people in the 10-year period ending in 2020—an approximate 1.94% increase with an average increase of 533 people annually. In the 10-year period ending in 2030, the planning district is projected to add an estimated 4,096 people – an approximate 1.46% increase with an average increase of 410 people annually.

Regarding the 65+ age group for PD 5, Weldon-Cooper projects a more rapid increase in population growth (an approximate 24% increase from 2010 to 2020 and approximately 14% 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. 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 3. Population Projections for PD 5, 2010-2030

Locality			2010 - 2020				2020 - 2030	
	2010	2020	% Change	Avg Ann % Change	2030	% Change	Avg Ann % Change	
Alleghany	16,250	14,950	-8.00%	-0.81%	13,620	-8.90%	-0.93%	
Botetourt	33,148	33,387	0.72%	0.07%	34,484	3.29%	0.32%	
Craig	10,380	5,084	-51.02%	-6.73%	5,020	-1.27%	-0.13%	
Roanoke County	92,376	94,145	1.91%	0.19%	97,249	3.30%	0.32%	
Covington city	5,961	5,677	-4.76%	-0.47%	5,281	-6.97%	-0.72%	
Roanoke city	97,032	100,891	3.98%	0.38%	102,388	1.48%	0.15%	
Salem city	24,802	25,953	4.64%	0.44%	26,141	0.72%	0.07%	
Total PD 5	274,759	280,088	1.94%	0.19%	284,184	1.46%	0.15%	
PD 5 65+	44,720	55,442	23.97%	2.12%	63,434	14.42%	1.36%	
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 VHI, for 2019, the most recent year for which such data is available, the average amount of charity care provided by HPR III facilities was 1.6% (Table 4). The Pro Forma Income Statement provided by the applicant includes a placeholder for charity care in the amount of 1.6% (Table 5). The applicant explained that it calculated this amount to be the HPR average based on most-recent available data at the time of the submission of the application. The applicant further explained, “LGMC intends to accept the revised percentage of the regional average based on the CMS provider reimbursement methodology when regional charity care data valued under the CMS methodology becomes available to DCOPN.” 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 1.6% HPR III average.

Table 4. 2019 HPR III 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:
Carilion Franklin Memorial Hospital	\$151,201,325	\$6,677,672	4.42%
Dickenson Community Hospital	\$25,351,508	\$928,420	3.66%
Wellmont Lonesome Pine Mt. View Hospital	\$390,073,389	\$13,498,881	3.46%
Carilion Tazewell Community Hospital	\$62,008,894	\$2,071,457	3.34%
Carilion New River Valley Medical Center	\$738,306,843	\$20,469,127	2.77%

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:
Carilion Medical Center	\$4,068,259,340	\$105,984,180	2.61%
Carilion Giles Memorial Hospital	\$102,107,168	\$2,603,534	2.55%
Russell County Medical Center	\$124,033,055	\$2,964,704	2.39%
Norton Community Hospital	\$319,225,076	\$6,779,613	2.12%
Smyth County Community Hospital	\$213,627,381	\$4,308,217	2.02%
Johnston Memorial Hospital	\$889,740,579	\$17,870,544	2.01%
Bedford Memorial Hospital	\$129,289,507	\$2,513,096	1.94%
Centra Health	\$2,600,865,348	\$41,780,244	1.61%
Lewis-Gale Medical Center	\$2,121,321,310	\$21,145,842	1.00%
LewisGale Hospital -- Montgomery	\$658,786,131	\$5,276,155	0.80%
LewisGale Hospital -- Pulaski	\$339,877,654	\$2,029,419	0.60%
Clinch Valley Medical Center	\$547,087,883	\$3,000,603	0.55%
LewisGale Hospital -- Alleghany	\$212,218,793	\$1,046,051	0.49%
Twin County Regional Hospital	\$257,431,228	\$1,068,667	0.42%
Buchanan General Hospital	\$101,667,920	\$403,430	0.40%
Wythe County Community Hospital	\$257,623,709	\$406,156	0.16%
Memorial Hospital of Martinsville & Henry County	\$736,050,736	\$1,113,236	0.15%
Danville Regional Medical Center	\$965,570,236	-\$15,516,656	-1.61%
Total Facilities Reporting			23
Median			1.9%
Total \$ & Mean %	\$16,011,725,013	\$248,422,592	1.6%

Source: VHI (2019)

DCOPN is not aware of any other distinct and unique geographic, socioeconomic, cultural, transportation, or other barriers to care that this project would address.

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 four letters of support for the proposed project from the local medical community, and a resolution from the Executive Medical Committee of LGMC. Collectively, these items addressed the following:

- A CT scan is one of the fastest, most accurate methods for determining the cause of acute chest or abdominal pain because of the detailed cross-sectional images it generates. Delays

in treating such conditions because of high demand on the hospital's existing CT scanners are unnecessary and avoidable.

- A CT scan can provide critical information for the treatment of many injuries, including stroke. A CT scan can help the treating physician differentiate between a hemorrhagic or ischemic stroke, a key piece of information with implications for patient outcomes.
- The CT scanners at LGMC are highly utilized. In 2019 and 2020, the two existing scanners at LGMC averaged more than 150% of the threshold for expansion as outlined in the SMFP.
- Due to the high utilization of the two current CT scanners at LGMC, patients often experience increased wait time, which can in turn, lead to delays in diagnosis and treatment and adversely affect patient outcomes.
- Expanding LGMC's CT service will allow for more timely and higher-quality patient care. A third CT scanner will decompress the volume of scan performed by the existing scanners, reduce wait times for scans, and obtain diagnoses and treatment more quickly for patients.

DCOPN did not receive any letters in opposition to the proposed 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-8557 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 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 has not identified 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. As will be discussed in greater detail later in this staff analysis report, the applicant has asserted an institutional need to expand its CT service. For 2019, the two existing COPN approved CT scanners at LGMC operated at a utilization of 164.3%. Although the applicant is part of the HCA Virginia Health System, which operates two freestanding emergency departments offering CT services in PD 5 – Lewis Gale Emergency Center and Roanoke ER, DCOPN concludes that transferring a CT scanner from one of these facilities is impractical, as this would result in an immediate institutional need at that facility. Regarding Lewis Gale Emergency Center, only one CT scanner is available and transferring would result in a need at that facility. Regarding Roanoke ER, DCOPN has only recently (September 2019) determined a need exists at this facility and the CT scanner is not yet operational. Therefore utilization data for this facility is not

yet available. In summary, LGMC has demonstrated an institutional need to expand CT imaging services, and the status quo is not a preferable alternative to the proposed project.

(iii) any recommendation or report of the regional health planning agency regarding an application for a certificate that is required to be submitted to the Commissioner pursuant to subsection B of § 32.1-102.6;

Currently there is no organization in HPR III designated by the Virginia Department of Health to serve as the Health Planning Agency for PD 5. 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 \$745,634, approximately 13% of which are attributed to direct construction costs and approximately 83% of which are attributed to equipment costs. Capital costs will be funded through the accumulated reserves of the applicant. Accordingly, there are no financing costs associated with this project. DCOPN concludes that the costs for the proposed project are reasonable when compared with previously approved projects in PD 5 similar in clinical scope. For example, COPN No. VA-04615 issued to Carilion Medical Center to add two CT scanners cost approximately \$2,881,448, of which approximately 13% of which was attributed to direct construction costs and 86% of which was attributed to equipment costs.

The applicant identified the following benefits of the proposed project:

- The two existing scanners at LGMC have operated well above 100% of the SMFP threshold for expansion of CT services for the last three years. This project is necessary for LGMC to meet the needs of its patients.
- A third CT scanner is needed at LGMC in order to ensure timely service to its patients.
- This project will serve existing patients at LGMC and will not affect the utilization of other providers.

(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 1.6% (**Table 5**). The applicant explained that it calculated this amount to be the HPR average based on most-recent available data at the time of the submission of the application. The applicant further explained, “LGMC intends to accept the revised percentage of the regional average based on the CMS provider reimbursement methodology when regional charity care data valued under the CMS methodology becomes available to DCOPN.” 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 III facilities was 1.6% of all reported total gross patient revenues (**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 of no less than the 1.6% HPR III average.

Table 5. LGMC’s Pro Forma Income Statement

	Year 1	Year 2
Gross Patient Revenue	\$129,187,762	\$137,913,201
Contractual Adjustments	(\$118,798,074)	(\$126,646,080)
Charity	(\$2,067,004)	(\$2,206,611)
Bad Debt	(\$3,746,445)	(\$3,999,483)
Net Revenue	\$4,576,238	\$5,061,027
Total Expenses	(\$2,192,018)	(\$2,307,509)
Net Income	\$2,384,221	\$2,753,518

Source: COPN Request No. VA-8557

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

The applicant is part of the HCA Virginia Health System, which operates two freestanding emergency departments offering CT services in PD 5 – Lewis Gale Emergency Center and Roanoke ER. In its application to establish CT services at Roanoke ER, LGMC recognized decompression of the hospital’s overutilized CT service as a benefit of the request CT scanner, stating:

LewisGale has an institutional need for an additional CT scanner. In 2018, LewisGale performed 22,019 CT procedures on its two existing CT scanners, or 149% of the SMFP standard. Consistent with the SMFP, Lewis Gale plans to expand its CT service through the addition of a CT scanner at Roanoke ER, which is located in LewisGale’s primary service area.

DCOPN notes that Roanoke ER’s CT service is expected to be completed in April 2022, and therefore utilization data for this facility is not yet available.

Similarly, in its request to relocate a CT scanner from Lewis Gale Imaging at Brambleton to Lewis Gale Emergency Center, the support letters provided by the applicant listed the reduced demand on the existing CT scanners at the hospital as a benefit of the proposed project:

Radiology Associates of Roanoke fully supports the above-captioned COPN project because it will improve access to CT services, both by locating a CT scanner in a highly accessible freestanding emergency center and by reducing demand on the existing CT scanners at LewisGale Medical Center, which have volumes above the State’s plan standard.

Additionally in its application to establish CT services at Lewis Gale Emergency Center, LGMC recognized decompression of the hospital’s overutilized CT service as a benefit of the request CT scanner, stating:

In addition to improving access for patients living closer to LewisGale Emergency Center, this project will improve access to essential emergency and CT scanning services by decompressing demand for these services at the hospital. LewisGales' emergency department is quite busy and the three CT scanners at the hospital operate above the SMFP's 7,400 scans per scanner per year standard.

As shown in **Table 6**, LGMC's two CT scanners operated at a utilization of 164.3% in 2019. Additionally, LGMC's CT scanners performed 22,019 scans in 2018, displaying a utilization of 149%. Lewis Gale Emergency Center's 2019 utilization was 32.1%. DCOPN notes that decompressing LGMC's overutilized CT scanners through the addition of CT services at a freestanding emergency department, does not appear to have been a successful strategy, as evidence by the 2018 and 2019 utilization trends of LGMC and Lewis Gale Emergency Center.

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, these regulations provide the best available criteria and 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 CT and MRI services. They are as follows:

Part II Diagnostic Imaging Services

Article 1

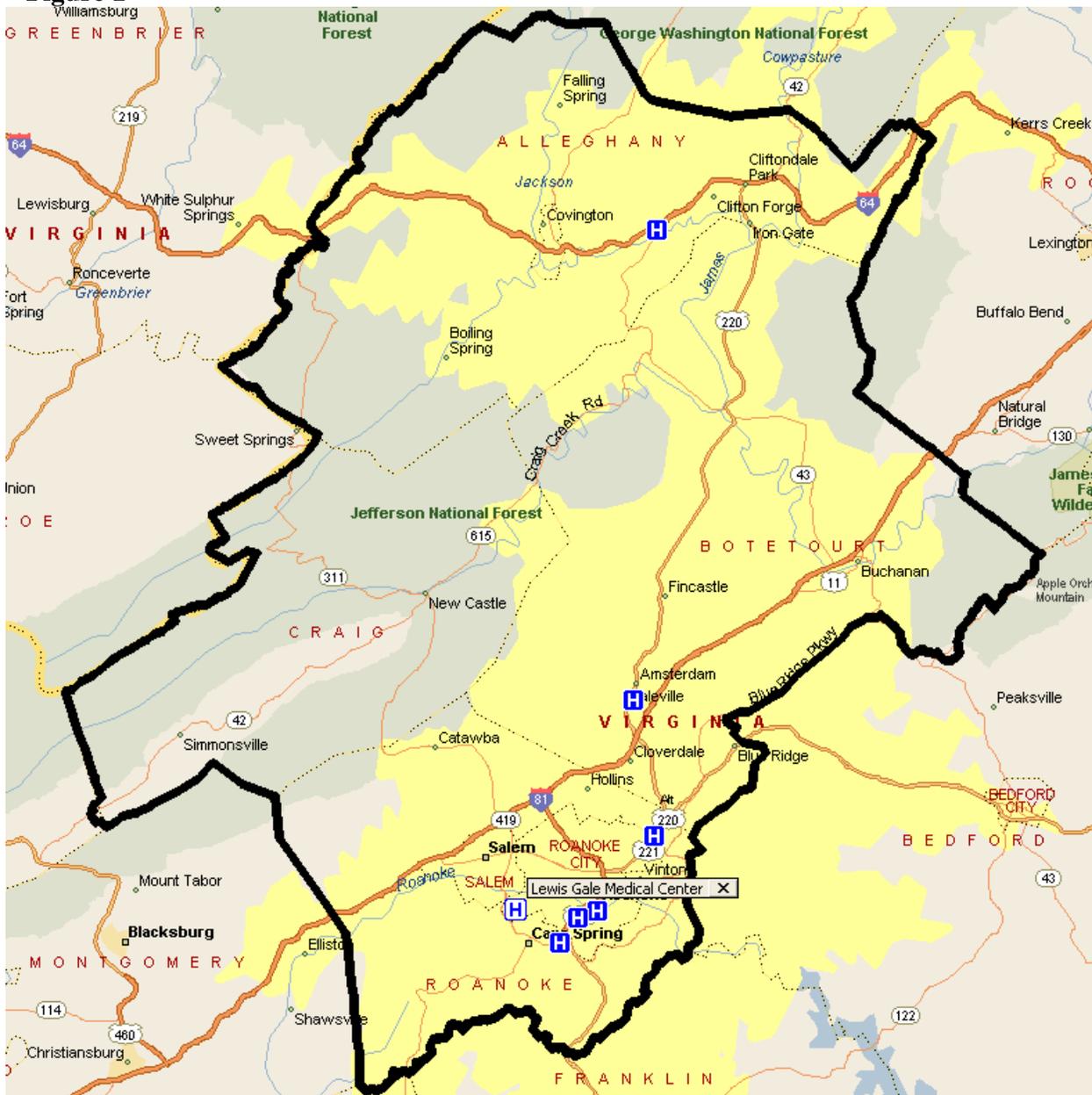
Criteria and Standards for Computed Tomography

12VAC5-230-90. Travel time.

CT services should be available within 30 minutes driving time one way under normal conditions of 95% of the population of the health planning district using mapping software as determined by the commissioner.

The heavy black line in Figure 1 is the boundary of PD 5. The blue "H" symbols mark the locations of existing CT providers in PD 5. The white "H" symbols mark the location of the proposed project. The yellow shaded area includes all locations that are within 30 minutes driving time one-way under normal conditions of CT services in PD 5. As the proposed project would be located in a facility that already offers CT services, it would not improve geographical access to this service in any meaningful way.

Figure 1



12VAC5-230-100. Need for new fixed site or mobile service.

- A. No new fixed site or mobile CT service should be approved unless fixed site CT services in the health planning district performed an average of 7,400 procedures per existing and approved CT scanner during the relevant reporting period and the proposed new service would not significantly reduce the utilization of existing providers in the health planning district. The utilization of existing scanners operated by a hospital and serving an area distinct from the proposed new service site may be disregarded in computing the average utilization of CT scanners in such health planning district.**

The applicant is not seeking to add a new fixed site service, but rather, is seeking to expand an existing service. The information below is presented for informational purposes only. As noted in **Table 6** below, for 2019, the most recent year for which data from Virginia Health Information (VHI) is available, the 14 fixed site CT scanners in PD 5 operated at a collective utilization of 101.86% based on the SMFP threshold of 7,400 CT procedures per scanner per year. Using 2019 VHI data, based on 14 COPN authorized fixed CT scanners in PD 5 (**Table 6**) and reported CT volume of 105,529 procedures, there is a need for 14.3 (15) CT scanners in PD 5. DCOPN notes that the 2019 VHI data does not take into account the one CT scanner added to the PD 5 inventory since 2019. Therefore, at present, there is neither a surplus nor a deficit of CT scanners in PD 5.

2019 COPN authorized fixed CT scanners = 14
 Calculated Needed CT scanners = 105,529 total scans ÷ 7,400 (scans/SMFP CT standard) = 14.3
 (15) CT scanners needed
 Need = 15 CT scanners
 2021 CT scanner Inventory = 15
CT scanner surplus/deficit = 0

Table 6. PD 5 COPN Authorized Fixed CT Units: 2019

Facility	Number of Scanners	Number of Scans	Utilization Rate
Carilion Imaging Services-Botetourt Ct	1	2,168	29.30%
Carilion Roanoke Memorial Hospital	8	67,515	114.05%
Insight Imaging - Roanoke	1	2,884	38.97%
Lewis Gale Emergency Center ³	1	2,378	32.14%
LewisGale Hospital - Alleghany	1	6,267	84.69%
LewisGale Medical Center	2	24,317	164.30%
2019 Total and Average	14⁴	105,529	101.86%

Source: VHI (2019)

³ One CT scanner relocated from LewisGale Imaging at Brambleton, completed December 2017. Applicant provided breakdown of scans for LewisGale Medical Center and Lewis Gale Emergency Center, as procedures were reported combined to VHI.

⁴ One CT scanner approved pursuant to COPN No. VA-04671, expected completion April 2022. 2021 inventory of PD 5 CT scanners is 15.

- B. Existing CT scanners used solely for simulation with radiation therapy treatment shall be exempt from the utilization criteria of this article when applying for a COPN. In addition, existing CT scanners used solely for simulation with radiation therapy treatment may be disregarded in computing the average utilization of CT scanners in such health planning district.**

DCOPN has excluded existing CT scanners used solely for simulation prior to the initiation of radiation therapy from its inventory and average utilization of CT scanners in PD 5.

12VAC5-230-110. Expansion of fixed site service.

Proposals to expand an existing medical care facility's CT service through the addition of a CT scanner should be approved when the existing services performed an average of 7,400 procedures per scanner for the relevant reporting period. The commissioner may authorize placement of a new unit at the applicant's existing medical care facility or at a separate location within the applicant's primary service area for CT services, provided the proposed expansion is not likely to significantly reduce the utilization of existing providers in the health planning district.

As will be discussed in greater detail later in this staff analysis report, LGMC has demonstrated an institutional need to expand its current CT service. For 2019, the most recent year for which VHI data is available, the two existing COPN approved CT scanners at LGMC operated at a utilization of 164.3%.

12VAC5-230-120. Adding or expanding mobile CT services.

- A. Proposals for mobile CT scanners shall demonstrate that, for the relevant reporting period, at least 4,800 procedures were performed and that the proposed mobile unit will not significantly reduce the utilization of existing CT providers in the health planning district.**
- B. Proposals to convert authorized mobile CT scanners to fixed site scanners shall demonstrate that, for the relevant reporting period, at least 6,000 procedures were performed by the mobile CT scanner and that the proposed conversion will not significantly reduce the utilization of existing CT providers in the health planning district.**

Not applicable. The applicant is not seeking authorization to convert an authorized mobile CT scanner to a fixed site CT scanner.

12VAC5-230-130. Staffing.

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

The applicant confirmed that CT services will be provided under the direct supervision of one or more qualified physicians. Specifically, the proposed project will be under the direction of Radiology Associates of Roanoke, P.C.

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

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

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

As previously discussed, for 2019, the most recent year for which VHI data is available, the two existing COPN approved CT scanners at LGMC operated at a utilization of 164.3%. As previously discussed, the applicant is part of the HCA Virginia Health System, which operates two freestanding emergency departments offering CT services in PD 5 – Lewis Gale Emergency Center and Roanoke ER. DCOPN notes that Roanoke ER's CT service is expected to be completed in April 2022, and therefore utilization data for this facility is not yet available. For 2019, Lewis Gale Emergency Center's one CT scanner operated at a utilization rate of 32.14%. However, despite the low utilization, DCOPN concludes that transferring the CT scanner from these facilities is impractical, as this would result in an immediate institutional need at that facility.

DCOPN concludes that the applicant has demonstrated an institutional need to expand its current service by adding one CT scanner on the hospital campus of LGMC.

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;**

The applicant has cited an institutional need to expand its existing CT services in an effort to decompress the utilization of the two existing CT scanners on the hospital campus. As a result, the primary patient population this project would serve is patients who have already chosen LGMC as their care provider. For these reasons, DCOPN contends that the proposed project is not intended to, and is unlikely to, foster institutional competition that would benefit the area to be served.

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 determined that there is neither a surplus nor a deficit of CT scanners in PD 5. If approved, the proposed project would create a surplus of one CT scanner. However, DCOPN contends that the proposed project warrants approval despite the nominal surplus because LGMC has demonstrated an institutional specific need to expand. As previously discussed, the applicant is part of the HCA Virginia Health System, which operates two freestanding emergency departments offering CT services in PD 5 – Lewis Gale Emergency Center and Roanoke ER. DCOPN notes that Roanoke ER's CT service is expected to be completed in April 2022, and therefore utilization data for this facility is not yet available. For 2019, Lewis Gale Emergency Center's one CT scanner operated at a utilization rate of 32.14%. However, despite the low utilization, DCOPN concludes that transferring a CT scanner from one of these facilities is impractical, as this would result in an immediate institutional need at that facility.

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 previously discussed, the projected capital costs of the proposed project are \$745,634, approximately 13% of which are attributed to direct construction costs. Capital costs will be funded through the accumulated reserves of the applicant. Accordingly, there are no financing costs associated with this project. As previously discussed, DCOPN concludes that when compared to similar projects, these costs are reasonable. Furthermore, the Pro Forma Income Statement provided by the applicant projects income of \$2,384,221 in the first year of operation and \$2,753,518 by year two.

The applicant anticipates the need to hire two radiological technologists to staff the proposed project. DCOPN notes that this is *in addition to* the 208 positions currently vacant at LGMC. However, the applicant is a current provider of CT services with a robust employee recruitment and retention program. 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 other PD 5 facilities.

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 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 proposed project will not increase the provision of services on an outpatient basis. 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.**

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, the applicant does sponsor and endorse statewide education and outreach programs intended to attract current student enrollees in state nursing schools by offering on-site preceptor clinical training to support student-nursing education. The applicant states that the goal of the preceptor program is to make a positive impact on the labor pool, build relationships with educators while assisting with curriculum development, support nurse training programs, expose students to the world of healthcare, and support the communities that HCA serves. HCA also provides additional support to nursing schools and community colleges through clinical rotation sites and provides adjunct faculty in their health service programs.

DCOPN Staff Findings and Conclusion

DCOPN finds that LGMC's proposed project to expand CT services through the addition of one CT scanner is generally consistent with the applicable criteria and standards of the SMFP and the Eight Required Considerations of the Code of Virginia. As previously discussed, in 2019, LGMC's two CT scanners operated at 164.3% utilization, above the SMFP expansion standard of 7,400 CT procedures per scanner per year. Therefore, the applicant has demonstrated an institutional specific need to expand, and DCOPN concludes that the proposed project is more advantageous than the status quo.

DCOPN finds that the total capital and financing costs for the project are reasonable. The total capital costs of the proposed project are \$745,634, approximately 13% of which are attributed to direct construction costs. Capital costs will be funded through the accumulated reserves of the applicant. Accordingly, there are no financing costs associated with this project. DCOPN concludes that when compared to similar projects, these costs are reasonable. Finally, there is no known opposition to the proposed project.

DCOPN Staff Recommendation

The Division of Certificate of Public Need recommends **conditional approval** of Lewis Gale Medical Center, LLC's COPN request to add one CT scanner 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 in the long-term.
4. There is no known opposition to the proposed project.

5. The applicant has demonstrated an institutional need to expand and the proposed project is more favorable than maintaining the status quo.

Recommended Condition

DCOPN's recommendation is contingent upon Lewis Gale Medical Center, LLC's agreement to the following condition:

Lewis Gale Medical Center, LLC will provide CT 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 5 in an aggregate amount equal to at least 1.6% of Lewis Gale Medical Center, LLC's gross patient revenue derived from CT 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. Lewis Gale 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.

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