

# VIRGINIA DEPARTMENT OF HEALTH

## Office of Licensure and Certification

### Division of Certificate of Public Need

#### Staff Analysis

July 19, 2021

#### **COPN Request No. VA-8558**

Chippenham & Johnston-Willis Hospitals, Inc.

Richmond, Virginia

Add one fixed PET/CT scanner

#### **Applicant**

Chippenham & Johnston-Willis Hospitals, Inc., a Virginia stock corporation, is a proprietary full-service tertiary referral hospital with two campuses – one in the city of Richmond and one in Chesterfield County, Virginia, both in Health Planning Region (HPR) IV, Planning District (PD) 15. The Johnston-Willis campus (Johnston-Willis) is located in northwestern Chesterfield County. The Chippenham campus (Chippenham) is located six miles to the east in the city of Richmond. Chippenham & Johnston-Willis Hospitals, Inc. is owned and operated by HCA Healthcare Inc., (HCA), a for-profit, Delaware-domiciled holding company headquartered in Nashville, Tennessee.

#### **Background**

Johnston-Willis is a 292-bed tertiary care hospital located in Chesterfield County. It is a full service hospital offering inpatient and outpatient services including diagnostic, medical and surgical services.

According to Division of Certificate of Public Need (DCOPN) records, there are currently four COPN- authorized fixed site Positron Emission Tomographic (PET) scanners and three COPN authorized mobile PET sites, for a total of seven operational PET services in PD 15. The proposed project, if approved, would add one fixed-site PET/CT scanner to the PD 15 inventory; however, the overall impact on the PD 15 inventory would likely be neutral, as the applicant is already a provider of mobile PET/CT services from Monday-Friday 7:30 a.m. to 4:30 p.m.

DCOPN notes that the following changes were made to the PET/CT inventory of PD 15 subsequent to 2019:

- Pursuant to COPN No. VA-04619, Bon Secours Health System eliminated its mobile service (which served Memorial Regional Medical Center, St. Francis Medical Center, and St. Mary's Hospital) and established a fixed-site service at Bon Secours Imaging Center at Reynolds Crossing. The project was completed in February 2020.

- COPN No. VA-04733 authorized the conversion of Henrico Doctors’ Hospital – Forest’s mobile PET/CT site to a fixed PET/CT unit. The project is expected to be completed on July 15, 2023.
- Pursuant to COPN No. VA-04590, Virginia Cardiovascular Specialists established a fixed-site PET service. The project was completed on September 11, 2018.

According Virginia Health Information (VHI) data, for 2019, the most recent year for which utilization data is available, the fixed-site PET scanner located at VCU Medical Center, performed 1,758 procedures and the six mobile sites in PD 15 in 2019 performed 3,934 procedures. The collective PD 15 PET inventory (both mobile and fixed) performed 5,692 procedures in 2019 (Table 1).

**Table 1. 2021 PD 15 COPN Authorized PET Units and Mobile Sites and 2019 Procedures**

<b>Fixed PET Units</b>			
<b>Facility</b>	<b># of Units</b>	<b>Type</b>	<b>2019 Procedures</b>
Bon Secours Imaging Center at Reynolds Crossing	1	PET/CT	1,614 <sup>1</sup>
Henrico Doctors’ Hospital—Forest	1	PET/CT	1,035 <sup>2</sup>
Virginia Cardiovascular Specialists	1	PET only	--
VCU Health System	1	PET only	1,758
<b>Total</b>	<b>4</b>		<b>1,758<sup>3</sup></b>
<b>Mobile PET Sites</b>			
<b>Facility</b>	<b># of Sites</b>	<b>Type</b>	<b>Procedures</b>
Henrico Doctors’ Hospital—Parham	1	PET only	--
Johnston-Willis Hospital	1	PET/CT	1,285
West Creek Medical Center	1	PET/CT	--
<b>Total</b>	<b>3</b>		<b>3,934<sup>4</sup></b>
<b>Grand Total</b>	<b>7</b>		<b>5,692</b>

Source: DCOPN records and VHI (2019)

<sup>1</sup> COPN No. VA-04619 authorized the conversion of Bon Secours Health System’s mobile unit, which serviced three Bon Secours mobile sites, (Memorial Regional, St. Francis, and St. Mary’s) to a fixed-site service located at Reynolds Crossing. Accordingly, DCOPN has listed the 2019 VHI procedures data for those three mobile sites with Reynolds Crossing but has not included the number of procedures in the total fixed procedures performed in 2019.

<sup>2</sup> COPN No. VA-04733 authorized the conversion of Henrico Doctors’ Hospital – Forest’s mobile PET/CT site to a fixed PET/CT unit. Expected completion July 15, 2023. Accordingly, DCOPN has not included the number of procedures in the total fixed procedures performed in 2019

<sup>3</sup> This number reflects only those procedures performed on fixed-site units in 2019.

<sup>4</sup> Includes procedures performed at then-existing Bon Secours mobile sites, which were subsequently converted to one fixed-site service, and procedures performed at then-existing Henrico Doctors’ Hospital – Forest, which was subsequently converted to a fixed-site service.

**Proposed Project**

Chippenham & Johnston-Willis Hospitals, Inc. proposes to convert its mobile PET/CT service on the campus of Johnston-Willis located at 1401 Johnston Willis Drive, Richmond, Virginia to a fixed-site PET/CT service. The applicant states that the fixed PET/CT scanner will support its oncology and other specialty services, and will improve patient care. To accomplish the addition, the applicant intends to add approximately 2,940 gross square feet to its existing cancer center at Johnston-Willis.

Johnston-Willis currently offers mobile PET/CT services Monday - Friday from 7:30 a.m. – 4:30 p.m. through the mobile vendor Alliance Imaging. The mobile PET/CT is not available after hours, on weekends or on holidays. The applicant asserts that if the proposed project is approved, it will cease the mobile service and it will offer appointments on the fixed site unit five days per week from 7:30 a.m. – 5:00 p.m., with the potential to provide time-sensitive PET/CT imaging after hours, on weekend, on holidays and on call basis. Further, Johnston-Willis has provided assurances that the CT modality of the requested PET/CT will be used only in conjunction with the PET modality. As shown in **Table 2** below, the applicant projects that it will perform 1,334 procedures in Year 1 and 1,374 procedures in Year 2 of operation of the request fixed site PET/CT scanner.

**Table 2. Johnston-Willis Historic and Projected PET/CT Procedures**

<b>Year</b>	<b>Procedures</b>
Year 2 (Projected)	1,374
Year 1 (Projected)	1,334
2020	1,264
2019	1,285
2018	1,143
2017	1,047
2016	941
2015	853

**Sources:** VHI (2015-2019) and COPN Request No. VA-8558

The applicant asserts that approval of the proposed project will alleviate delays to patient care that are caused by the mobile unit’s limited availability, eliminate logistical issues related to the cramped nature of the mobile unit, and will permit the provision of important diagnostic procedures that it is currently unable to provide. The applicant further states that the addition of a fixed-site scanner is more cost-effective than continuing to pay rent for a mobile unit.

Construction for the proposed project is anticipated to commence within 15 months of COPN issuance and to be completed within 28 months of COPN issuance. The applicant anticipates a target date of opening within 29 months of COPN issuance. The projected capital costs for the proposed project are \$6,261,000, approximately 62% of which are attributable to direct construction costs (**Table 3**). The proposed project will be funded using the internal reserves of HCA Healthcare, Inc. Accordingly, there are no financing costs associated with the proposed project.

**Table 3. Johnston Willis Projected Capital Costs**

Direct Construction Costs	\$3,855,000
Equipment Not Included in Construction Contract	\$2,156,000
Off Site Costs	\$250,000
<b>Total Capital Costs</b>	<b>\$6,261,000</b>

Source: COPN Request No. VA-8558

**Project Definition**

Section 32.1-102.1:3 of the Code of Virginia defines a project, in part, as the “[A]ddition by an existing medical care facility described in subsection A of any new medical equipment for the provision of...positron emission tomographic (PET) scanning...” A medical care facility is defined, in part, 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 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, Johnston-Willis is located at 1401 Johnston Willis Drive, Richmond, Virginia – just off Midlothian Turnpike, a major thoroughfare in Chesterfield County. Midlothian Turnpike intersects the Powhite Parkway, another major thoroughfare, approximately three miles east of Johnston-Willis. Johnston-Willis is not accessible by public transportation.

**Table 4** shows projected population growth in PD 15 through 2030. As depicted in **Table 4**, at an average annual growth rate of 1.01%, PD 15’s population growth rate from 2010-2020 is well above the state’s average annual growth rate of 0.77%. Overall, the planning district is projected to add an estimated 108,937 people in the 10-year period ending in 2020—an approximate 11% increase with an average increase of 10,893 people annually. In the 10-year period ending in 2030, the planning district is projected to add an estimated 108,303 people – an approximate 10% increase with an average increase of 10,830 people annually. DCOPN notes that Chesterfield County, the location of the proposed project, is expected to experience an annual average growth rate of 1.10% from 2010-2020 and 1.15% from 2020-2030, well above the state’s average annual growth rate of 0.77% and 0.76%, respectively.

Regarding the 65+ age group for PD 15, Weldon-Cooper projects a more rapid increase in population growth (an approximate 48% increase from 2010 to 2020 and approximately 30% from 2020 to 2030). Weldon-Cooper further projects that statewide, the 65+ age cohort population will increase at a rate of approximately 38% from 2010 to 2030 and approximately 27% from 2020 to 2030. This is significant, as this age group typically uses health care services at a rate much higher than those under the age 65.

**Table 4. Population Projections for PD 15, 2010-2030**

Locality	2010	2020	2010 - 2020		2030	2020 - 2030	
			% Change	Avg Ann % Change		% Change	Avg Ann % Change
Charles City	7,256	6,982	-3.78%	-1.51%	6,941	-0.59%	0.06%
Chesterfield	316,236	353,841	11.89%	1.10%	396,647	12.10%	1.15%
Goochland	21,717	23,547	8.43%	0.79%	26,702	13.40%	1.27%
Hanover	99,863	109,244	9.39%	0.88%	119,360	9.26%	0.89%
Henrico	306,935	332,103	8.20%	0.77%	363,259	9.38%	0.90%
New Kent	18,429	23,474	27.38%	2.39%	28,104	19.72%	1.82%
Powhatan	28,046	29,909	6.64%	0.63%	33,440	11.81%	1.12%
Richmond city	204,214	232,533	13.87%	1.28%	245,483	5.57%	0.54%
<b>Total PD 15</b>	<b>1,002,696</b>	<b>1,111,633</b>	<b>10.86%</b>	<b>1.01%</b>	<b>1,219,936</b>	<b>9.74%</b>	<b>0.93%</b>
PD 15 65+	<b>116,609</b>	<b>172,249</b>	<b>47.72%</b>	<b>3.88%</b>	<b>224,417</b>	<b>30.29%</b>	<b>2.68%</b>
Virginia	8,001,024	8,655,021	9.30%	0.77%	9,331,666	7.82%	0.76%
Virginia 65+	976,937	1,352,448	38.44%	3.22%	1,723,382	27.43%	2.45%

Source: U.S. Census, Weldon Cooper Center Projections (June 2019) and DCOPN (interpolations)

Regarding socioeconomic barriers to access to the applicant’s services, 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 revenues (**Table 5**). The Pro Forma Income Statement provided by the applicant includes a placeholder for charity care in the amount of 3.7% (**Table 6**). 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, “Johnston-Willis 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 2.7% HPR IV average.

**Table 5. HPR IV Charity Care Contributions: 2019**

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
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%

<b>2019 Charity Care Contributions at or below 200% of Federal Poverty Level</b>			
<b>Hospital</b>	<b>Gross Patient Revenues</b>	<b>Adjusted Charity Care Contribution</b>	<b>Percent of Gross Patient Revenue</b>
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)

**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 Committee of the Medical Staff of CJW Medical Center. Collectively, these items addressed the following:

- A fixed PET/CT scanner will meaningfully improve access to PET scanning for Johnston-Willis’ patients. Efficient and timely PET/CT scanning allows physicians to diagnose and begin critical treatment such as radiation, chemotherapy and/or surgery sooner.
- A stationary PET/CT scanner will remove the need for a patient to travel outside to a trailer to receive a critical PET scan and enable Johnston-Willis to perform scans on critical patients from the intensive care stepdown units.
- A fixed PET/CT scanner will allow Johnston-Willis to perform after-hours PET scans, which will provide physicians with same day or next day biopsy direction to the site of greatest avidity, thereby allowing physicians to begin providing clinical treatment faster.
- The current mobile PET/CT scanner is too narrow to accommodate patient stretchers, beds and ventilators. Furthermore, a PET/CT scanner on a mobile trailer does not have enough room to accommodate the additional equipment necessary for certain treatments, including certain cardiac, prostate and brain imaging. The addition of a fixed PET/CT scanner capable

of performing these types of scans will allow Johnson-Willis to grow its service and improve level of care.

DCOPN received no 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-8558 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;**

Neither DCOPN nor the applicant identified a reasonable alternative 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. Mobile PET/CT services are currently available at Johnston-Willis Monday-Friday 7:30 a.m. to 4:30 p.m., with no after hours, weekend or holiday hours. The applicant reports efficiency issues resulting from the limited availability of the mobile PET/CT equipment, including the inability to schedule appointments on evenings or weekends. The applicant asserts that if the proposed project is approved, it will cease the mobile service and it will offer appointments on the fixed site unit five days per week from 7:30 a.m. – 5:00 p.m., with the potential to provide time-sensitive PET/CT imaging after hours, on weekend, on holidays and on call basis. Furthermore, the applicant describes logistical difficulties with the mobile PET/CT service, including the challenges of navigating patients on gurneys (often with medical equipment) through the cramped areas of the mobile unit. The applicant explains that the door to the mobile unit's scan room is less than three feet wide and the distance between the wall and the table is less than two feet.

Moreover, the applicant asserts that the establishment of a fixed PET/CT will permit Johnston-Willis to provide important diagnostic procedures that it is unable to provide with its current mobile PET/CT unit. The applicant explains:

Several PET/CT agents have short half-lives. These radiotracers need a cyclotron or generator in very close proximity to the PET/CT scanner, and the patient must be properly positioned on the scanning table immediately after injection of the radiotracers to complete the scan. Because of space limitations in the mobile unit's trailer, it is not possible to perform these scans today.

Approval of the proposed project would likely result in shorter wait times for patients by alleviating the delays to patient care that are caused by a mobile unit's limited availability. Additionally, the more spacious fixed-site unit will eliminate the space issued presented by the

mobile service. Finally, the proposed fixed PET/CT unit will be capable of performing additional diagnostic procedures with PET/CT agents that have short half-lives. For these reasons, DCOPN concludes that the proposed project to convert the mobile PET/CT service to a fixed-site PET/CT unit is more favorable than the status quo.

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

Currently there is no organization in HPR IV designated by the Virginia Department of Health to serve as the Health Planning Agency for PD 15. Therefore, this consideration is not applicable to the review of the proposed project.

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

As illustrated in **Table 3**, the total projected capital cost of the proposed project is \$6,261,000, approximately 62% of which are attributable to direct construction costs. The entirety of the project will be funded using the internal reserves of the applicant. Accordingly, there are no financing costs associated with this project. Regarding the construction costs, the applicant explains

Construction costs are significantly higher for a PET suite than for other space. For example, the walls, floors, and ceilings of the PET scan room require extensive shielding, and the radiochemistry room/hot lab must have lead lined walls and storage containers/cabinets to manage dosages and hold radioactive waste until they decay.

DCOPN contends that the costs for the proposed project are higher than previously approved projects similar in scope. For example, COPN No. VA-04733, which authorizes HCA Health Services of Virginia, Inc. d/b/a Henrico Doctors' Hospital to convert on mobile PET/CT to a fixed site service is expected to cost \$3,979,077 and COPN No. VA-04739 to establish a specialized center for PET/CT imaging with one fixed PET/CT unit is expected to cost \$5,011,046.

The applicant cited the following benefits of the proposed project:

- A fixed PET/CT scanner will be better for patient care and is more economically efficient than continuing its contract with the mobile vendor. The cost of purchasing a fixed PET/CT scanner is relatively modest when compared to Johnston-Willis' annual payments to its mobile vendor, and Johnston-Willis expects its operating expenses for the provision of PET/CT imaging will be significantly reduced over time as a result of the project
- A fixed PET/CT scanner that is available 24/7 will alleviate the delays to patient care that are caused by the mobile unit's limited availability.
- The more spacious design of the fixed PET/CT suite will eliminate challenging mobility issues and ensure that the sickest inpatients can receive necessary PET/CT imaging as soon as possible.

- Establishment of a fixed PET/CT service will permit Johnston-Willis to provide important diagnostic procedures it is unable to provide with its current mobile unit.
- (v) **the financial accessibility of the proposed project to people in the area to be served, including indigent people; and**

The Pro Forma Income Statement provided by the applicant includes a placeholder for charity care in the amount of 3.7% (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, “Johnston-Willis 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 IV facilities was 2.7% of all reported total gross patient revenues (Table 5). 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 2.7% HPR IV average.

**Table 6. Johnson-Willis Pro Forma Income Statement**

	<b>Year 1</b>	<b>Year 2</b>
Gross Patient Revenue	\$19,642,394	\$21,831,071
Charity Care	(\$726,769)	(\$807,750)
Bad Debts	(\$451,775)	(\$502,115)
Other Revenue Deductions	(\$14,922,988)	(\$16,444,375)
<b>Net Revenue</b>	<b>\$3,540,862</b>	<b>\$4,076,832</b>
<b>Total Expenses</b>	<b>(\$2,422,663)</b>	<b>(\$2,753,262)</b>
<b>Income</b>	<b>\$1,118,200</b>	<b>\$1,323,569</b>

Source: COPN Request No. VA-8558

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

DCOPN did not identify any other 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 proposed project is consistent with the State Health Services Plan;**

Section 32.1-102.2:1 of the Code of Virginia calls for the State Health Services Plan Task Force to develop, by November 1, 2022, recommendations for a comprehensive State Health Services Plan (“SHSP”). In the interim, DCOPN will consider the consistency of the proposed project with the predecessor of the SHSP, the State Medical Facilities Plan (“SMFP”).

The State Medical Facilities Plan (SMFP) contains criteria/standards for establishment of diagnostic imaging services. They are as follows:

#### **Part II. Diagnostic Imaging Services Article 1. Computed Tomography**

The applicant has provided assurances that the CT modality of the requested PET/CT scanner will be used only in conjunction with the PET modality. Accordingly, in the interest of brevity, DCOPN has omitted this section from its staff analysis report.

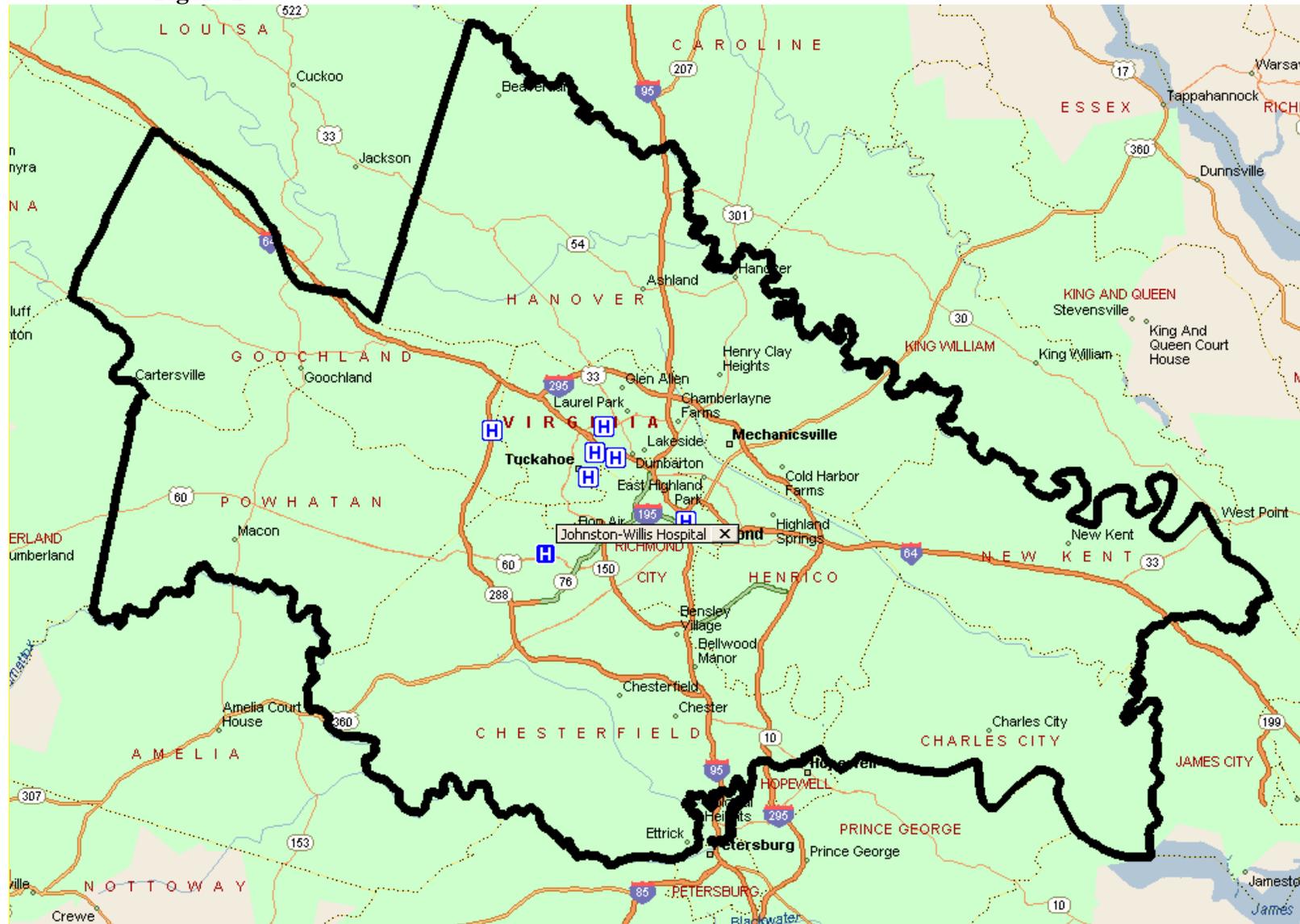
#### **Article 4. Positron Emission Tomography**

##### **12VAC5-230-200. Travel Time.**

**PET services should be within 60 minutes driving time one way under normal conditions of 95% of the health planning district using a mapping software as determined by the commissioner.**

The heavy black line in **Figure 1** represents the boundary of PD 15. The blue “H” sign marks the location of Johnston-Willis. The white “H” signs mark the locations of all other existing fixed PET and mobile PET site services in PD 15. The green shaded area represents the area of PD 15 and surrounding areas that are within 60 minutes’ drive time of existing PD 15 PET services. Given the amount of shaded area, it is evident that PET/CT services currently exist within a 60-minute drive for at least 95% of the population of PD 15. Accordingly, DCOPN concludes that approval of the proposed project would not improve geographic access to PET services for residents of PD 15 in any meaningful way.

Figure 1.



**12VAC5-230-210. Need for New Fixed Site Service.**

- A. If the applicant is a hospital, whether free-standing or within a hospital system, 850 new PET appropriate cases shall have been diagnosed and the hospital shall have provided radiation therapy services with specific ancillary services suitable for the equipment before a new fixed site PET service should be approved for the health planning district.**
- B. No new fixed site PET services should be approved unless an average of 6,000 procedures per existing and approved fixed site PET scanner were performed in the health planning district during the relevant reporting period and the proposed new service would not significantly reduce the utilization of existing fixed site PET 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 PET units in such health planning district.**

**Note: For the purposes of tracking volume utilization, an image taken with a PET/CT scanner that takes concurrent PET/CT images shall be counted as one PET procedure. Images made with PET/CT scanners that can take PET or CT images independently shall be counted as 1 individual PET procedure and CT procedure respectively, unless those images are made concurrently.**

Not applicable, the applicant is not seeking to add a new fixed site PET/CT service, but rather is proposing to convert a COPN authorized mobile PET/CT site to a fixed site PET/CT service

**12VAC5-230-220. Expansion of Fixed Site Services.**

**Proposals to increase the number of PET scanners in an existing PET service should be approved only when the existing scanners performed an average of 6,000 procedures for the relevant reporting period and the proposed expansion would not significantly reduce the utilization of existing fixed site providers in the health planning district.**

Not applicable. The applicant is not proposing to expand an existing fixed-site PET service, but rather, is proposing to convert its existing mobile service to a fixed-site service.

**12VAC5-230-230. Adding or Expanding Mobile PET or PET/CT Services.**

- A. Proposals for mobile PET or PET/CT scanners should demonstrate that, for the relevant reporting period, at least 230 PET or PET/CT appropriate patients were seen and that the proposed mobile unit will not significantly reduce the utilization of existing providers in the health planning district.**

Not applicable. The applicant is not proposing to add or expand an existing mobile PET/CT service, but rather, is proposing to convert a COPN authorized mobile PET/CT site to a fixed site PET/CT service.

- B. Proposals to convert authorized mobile PET or PET/CT scanners to fixed site scanners should demonstrate that, for the relevant reporting period, at least 1,400 procedures were performed by the mobile scanner and that the proposed conversion will not significantly reduce the utilization of existing providers in the health planning district.**

Presently, the applicant offers mobile PET/CT services at Johnston-Willis on Monday - Friday from 7:30 a.m. – 4:30 p.m. through the mobile vendor Alliance Imaging. The mobile PET/CT is not available after hours, on weekends or on holidays. According to VHI data, for 2019, the most recent year for which such data is available, the mobile PET/CT site at Johnston-Willis performed 1,285 scans. The applicant anticipates that it will perform 1,334 and 1,374 scans in years one and two of operation. While these numbers are below the SMFP conversion standard, DCOPN has previously acknowledged the SMFP’s utilization standards for PET/CT services are outdated and that expecting a PET service to reach the threshold suggested by the SMFP amounts to a misconception about the utilization of this modality at the time the SMFP was written, and should be treated as such:

Consistency with SMFP planning guidance in this case is, in effect, an academic exercise. The assumptions underlying the service volume standards, for example, have been superseded by technological developments (e.g., shorter average scan times) and the failure to identify additional clinical applications for the technology. Moreover, none of the existing services met fully the SMFP review criteria and standards when they obtained COPN authorization. (Source: Health Systems Agency of Northern Virginia Staff Report RE: COPN Request No. VA-8327, November 28, 2017).

DCOPN notes that no PET services in the Commonwealth actually met the SMFP’s utilization thresholds of 1,400 procedures per existing and approved mobile PET/CT site in 2019.

**12VAC5-230-240. Staffing.**

**PET services should be under the direction or supervision of one or more qualified physicians. Such physicians shall be designated or authorized by the Nuclear Regulatory Commission or licensed by the Division of Radiologic Health of the Virginia Department of Health, as applicable.**

The applicant provided assurances that PET services will continue to be performed under the direction of the qualified physicians at Radiology Associates of Richmond.

**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;**

DCOPN concludes that the proposed project is not intended to foster institutional competition, but rather is intended to ensure that Johnston Willis’ patients have access to PET/CT services in an efficient, cost-effective, and timely manner. Furthermore, because the applicant is a current provider of PET/CT services and the project would have a neutral impact on the PD 15 PET

inventory, DCOPN does not anticipate a significant impact on existing providers of the service. DCOPN again notes that it is unaware of any opposition to the proposed project.

**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;**

**Table 1** demonstrates that there is arguably ample capacity within the existing PD 15 PET inventory to provide care for Johnston-Willis' patients. However, for reasons previously discussed in more detail throughout this staff analysis report, DCOPN nonetheless contends that maintaining the status quo is less favorable than the proposed project. To reiterate, approval of the proposed project would likely result in shorter wait times for patients by alleviating the delays to patient care that are caused by a mobile unit's limited availability. Additionally, the more spacious fixed-site unit will eliminate the logistical issues presented by the mobile service. Furthermore, the fixed PET/CT scanner would allow the applicant to expand PET/CT services to include diagnostic procedures that it is currently unable to provide because of space limitations in the mobile trailer. DCOPN notes that because the fixed PET/CT will serve patients already being treated at Johnston-Willis, approval of the proposed project is not likely to have a significant negative impact on existing PD 15 providers of PET services.

**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 already discussed, DCOPN contends that the projected costs for the proposed project are higher than previously authorized projects similar in scope. However, the project will be funded entirely through the accumulated reserves of the applicant; and accordingly, there are no financing costs associated with this project. Furthermore, the Pro Forma Income Statement provided by the applicant anticipates a net profit of \$1,118,200 in the first year of operation and \$1,323,569 by year two, illustrating that the proposed project is financially feasible both in the immediate and the long-term. (**Table 6**).

With regard to staffing, the applicant anticipates the need to hire 2.7 additional full-time PET technologists in order to staff the proposed project. DCOPN notes that this is *in addition to* the 108 positions currently vacant at Johnston-Willis. However, the applicant is a current provider of PET/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 15 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 basis; (iii) any cooperative efforts to meet regional health care needs; and (iv) at the discretion of the Commissioner, any other factors as may be appropriate;**

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 factors that have not been addressed elsewhere in this staff analysis report to bring to the attention of the commissioner.

- 8. In the case of a project proposed by or affecting a teaching hospital associated with a public institution of higher education or a medical school in the area to be served, (i) the unique research, training, and clinical mission of the teaching hospital or medical school and (ii) any contribution the teaching hospital or medical school may provide in the delivery, innovation, and improvement of health care 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 Conclusions**

DCOPN finds that the proposed project to convert a mobile PET/CT site to a fixed PET/CT unit 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. The introduction of fixed site PET/CT services at Johnston-Willis will allow for greater scheduling availability, eliminate logistical issues the current mobile PET/CT site presents, and allow the applicant to perform diagnostic tests it is currently unable to perform. For these reasons, DCOPN concludes that the proposed project is more favorable than maintaining the status quo.

Furthermore, DCOPN finds that the project appears to be economically feasible both in the immediate and long-term. Additionally, DCOPN concludes that approval of the proposed project is not likely to have a significant negative impact on the staffing or utilization of existing PET/CT providers. Finally, there is no known opposition to the proposed project.

**DCOPN Staff Recommendation**

The Division of Certificate of Public Need recommends the **conditional approval** of Chippenham & Johnston-Willis Hospitals, Inc.'s request to convert its existing mobile PET/CT service to a fixed-site service at Johnston-Willis 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 proposed project appears economically viable in the immediate and in the long-term.
3. There is no known opposition to the proposed project.
4. The project is more favorable than maintaining the status quo.

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

Chippenham & Johnston-Willis Hospitals, Inc. will provide PET/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 15 in an aggregate amount equal to at least 2.7% of Chippenham & Johnston-Willis Hospitals, Inc.'s gross patient revenue derived from PET/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. 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 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 PET/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 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.