

VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis

September 20, 2021

COPN Request No. VA-8554

Mary Washington Hospital, Inc.

Fredericksburg, Virginia

Add one fixed MRI scanner

Applicant

Mary Washington Hospital, Inc. (MWH), is owned and operated by Mary Washington Healthcare, a 501 (c)(3) Virginia not-for-profit, non-stock corporation located in the city of Fredericksburg, Virginia, Health Planning Region (HPR) I, Planning District (PD) 16.

Background

According to Division of Certificate of Public Need (DCOPN) records, there are nine certificate of public need (COPN) authorized fixed site magnetic resonance imaging (MRI) scanners in PD 16 (**Table 1**).

Table 1. PD 16 MRI Units

Facility	Units
Mary Washington Hospital	1
Medical Imaging at Lee's Hill	1
Medical Imaging of Fredericksburg	3
Medical Imaging of North Stafford	1
Medicorp Properties, Inc. (formerly Pratt Medical Center Imaging Center)	1
Spotsylvania Regional Medical Center	1
Stafford Hospital Center	1
Total	9

Source: DCOPN records

Proposed Project

MWH proposes to expand its existing MRI service on the hospital campus located at 1001 Sam Perry Boulevard, Fredericksburg, Virginia. The proposed project will require a 1,200 square foot first floor addition to the existing MRI suite, including a new MRI scan room, control room, MRI equipment, storage and circulation space.

Currently, the applicant operates a Philips Ingenia Ambition 1.5 Tesla (T) MRI unit on the main campus of the hospital. The applicant contends that adding a second MRI—and specifically, a 1.5T

wide-bore, short chamber unit—will enable it to maximize overall value, quality and flexibility to manage larger patients and patients who have claustrophobia issues.

The projected capital costs of the proposed project are \$5,331,787, approximately 60% of which are attributed to direct construction costs (**Table 2**). Capital costs will be funded through the accumulated reserves of MWH. Accordingly, there are no financing costs associated with this project. If the State Health Commissioner (Commissioner) approves the project, construction is expected to begin in June of 2023 and is projected to be completed in June of 2024. The target date of opening is September of 2024.

Table 2. Capital and Financing Costs: Mary Washington Hospital

Direct Construction Costs	\$3,198,103
Equipment Not Included in Construction Contract	\$1,791,800
Site Preparation Costs	\$15,000
Off-Site Costs	\$42,724
Architectural and Engineering Fees	\$284,160
Total Capital Costs	\$5,331,787

Source: COPN Request No. VA-8554

Project Definition

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...magnetic resonance imaging (MRI)...” 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 service or facility will provide or increase access to needed services for residents of the area to be served, and the effects that the proposed service or facility will have on access to needed services in areas having distinct and unique geographic, socioeconomic, cultural, transportation, and other barriers to access to care.**

The applicant cites an institutional need to expand its existing MRI service on the hospital campus. MWH is centrally located in Fredericksburg, Virginia and serves primarily Caroline, King George, Spotsylvania, Stafford Counties and the City of Fredericksburg. The hospital campus is easily reached from State Route 1 and is only a short drive from Interstate 95. MWH is also accessible from State Route 3 and State Route 17. MWH is also accessible using the Fredericksburg Regional Transit system.

Table 3 shows projected population growth in PD 16 through 2030. As depicted in **Table 3**, at an average annual growth rate of 1.37%, PD 16’s population growth rate from 2010-2020 was greater than the state’s average annual growth rate of 0.77% for the same period. Overall, the

planning district was projected to add an estimated 49,084 people in the 10-year period ending in 2020—an approximate 15% increase with an average increase of 4,908 people annually. In the 10-year period ending in 2030, the planning district is projected to add an estimated 64,218 people – an approximate 17% increase with an average increase of 6,421 people annually.

Regarding the 65+ age group for PD 16, Weldon-Cooper projects a more rapid increase in population growth (an approximate 68% increase from 2010 to 2020 and approximately 46% from 2020 to 2030). This is significant, as this population group typically uses health care resources, including diagnostic imaging services, at a rate much higher than those individuals under the age of 65. Weldon-Cooper further projects that statewide, the 65+ age cohort population will increase at a rate of approximately 38% from 2010 to 2030 and approximately 27% from 2020 to 2030.

Table 3. Population Projections for PD 16, 2010-2030

Locality	2010	2020	% Change 2010-2020	Avg Ann % Change 2010-2020	2030	% Change 2020-2030	Avg Ann % Change 2020-2030
Caroline	28,545	30,740	7.69%	0.73%	34,821	13.28%	1.25%
King George	23,584	26,429	12.06%	1.12%	31,053	17.50%	1.63%
Spotsylvania	122,397	136,192	11.27%	1.05%	158,025	16.03%	1.50%
Stafford	128,961	154,093	19.49%	1.75%	183,161	18.86%	1.74%
Fredericksburg City	24,286	29,403	21.07%	1.88%	34,015	15.69%	1.47%
Total PD 16	327,773	376,857	14.97%	1.37%	441,075	17.04%	1.59%
PD 16 65+	30,132	50,618	67.99%	5.19%	73,759	45.72%	3.84%
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 I facilities was 3.0% of all reported total gross patient revenues (**Table 4**). In that same year, MWH reported to have provided 0.81% of gross patient revenue in charity care. Pursuant to Section 32.1 – 102.4 of the Code of Virginia, should the Commissioner approve the proposed project, MWH would be expected to provide a level of charity care that is at least equal to the current system wide charity care condition of 2.4% in place for Mary Washington Healthcare, Inc. That is the level of charity care reflected in Mary Washington Healthcare’s letter dated March 17, 2010, and most recently cited in COPN No. VA-04698.

Table 4. 2019 HPR I Charity Care Contributions

2019 Charity Care Contributions at or below 200% of Federal Poverty Level			
Hospital	Gross Patient Revenues	Adjusted Charity Care Contribution	% of Gross Patient Revenue:
University of Virginia Medical Center	\$5,908,975,470	\$281,698,729	4.77%
Culpeper Regional Hospital	\$380,434,774	\$13,782,293	3.62%
Sentara RMH Medical Center	\$990,510,384	\$31,826,597	3.21%
Carilion Stonewall Jackson Hospital	\$128,681,326	\$4,054,332	3.15%
Martha Jefferson Hospital	\$738,572,393	\$16,357,090	2.21%
Shenandoah Memorial Hospital	\$138,346,148	\$2,949,504	2.13%
Page Memorial Hospital	\$67,252,269	\$1,411,441	2.10%
Warren Memorial Hospital	\$159,448,610	\$2,896,105	1.82%
Augusta Medical Center	\$1,084,003,117	\$17,664,291	1.63%
Spotsylvania Regional Medical Center	\$593,173,888	\$9,003,897	1.52%
Winchester Medical Center	\$1,547,423,083	\$22,313,262	1.44%
UVA Transitional Care Hospital	\$62,823,527	\$851,414	1.36%
Bath Community Hospital	\$25,106,383	\$268,755	1.07%
Mary Washington Hospital	\$1,504,703,712	\$12,119,248	0.81%
Stafford Hospital Center	\$321,401,662	\$2,151,628	0.67%
Fauquier Hospital	\$448,588,022	\$2,715,780	0.61%
Total Facilities			16
Median			1.7%
Total \$ & Mean %	\$14,099,444,768	\$422,064,366	3.0%

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 project will meet the needs of the residents of the area to be served, as demonstrated by each of the following:

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

DCOPN received 11 letters of support for the proposed project from members of the local medical community. Collectively, these letters articulate several benefits of the project, such as:

- MWH is one of a few Virginia hospitals offering Level II Trauma services operating with a single MRI unit.
- Population growth in PD 16 is growing, and will continue to drive increasing demand for MRI services.
- Without the addition of an MRI unit, MWH can expect greater challenges to meet accessibility expectations for PD 16.

- MWH imaging services is uniquely qualified to perform highly intricate MRI procedures for complex patients.

DCOPN did not receive any letters of 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-8554 is not competing with another project in this batch cycle and DCOPN did not receive a request to conduct a public hearing for the proposed project. Thus, no public hearing was held.

(ii) The availability of reasonable alternatives to the proposed service or facility that would meet the needs of the population in a less costly, more efficient, or more effective manner.

MWH has expressed an institutional need to expand and has indicated that it 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 noted in **Table 6** below, for 2019, the most recent year for which VHI data is available, MWH's one MRI unit performed 4,829 MRI procedures with a utilization rate of 96.6%, below the SMFP expansion standard of 5,000 procedures per scanner per year. The applicant reports that the MRI scanner performed 4,854 procedures in 2020, which represents a utilization rate of 97% for that year. The applicant is part of the Mary Washington Health System, which has six facilities providing MRI services in PD 16 (MWH, Medical Imaging at Lee's Hill, MIF, Medical Imaging of North Stafford, Medicorp Properties, Inc. (formerly Pratt Medical Center Imaging Center, and Stafford Hospital Center.). As shown in **Table 6** below, the majority of the Mary Washington Health System's MRI units are well utilized. DCOPN notes that the MRI unit at Medical Imaging of North Stafford operated at 80.6% utilization in 2019 and the MRI unit at Stafford Hospital Center operated at 40.2% utilization in that same year (**Table 6**). However, DCOPN concludes that transferring an MRI unit from one of these facilities is impractical, as each facility has only one MRI unit, and this would result in an immediate need at that facility.

DCOPN notes that the applicant's 2019 utilization of its existing MRI unit (**Table 6**) is below the SMFP expansion standard of 5,000 procedures per scanner per year. However, as the applicant states in its application, MWH is one of only a few Virginia hospitals offering Level II Trauma services operating with a single MRI unit (only MWH and Reston Hospital Center have one MRI unit). According to the applicant, imaging support is provided to MWH's emergency department 24 hours day/365 days a year. Therefore, if the single MRI unit is occupied, is experiencing downtime, or being serviced, there is no backup.

Furthermore, the applicant asserts that MWH is the only MWHC facility capable of performing cardiac MRI. The applicant explains that cardiac MRI procedures are more complex and require more imaging time than standard MRI procedures. Cardiac MRI procedures create both static

and moving pictures of the heart and major blood vessels. Adding an MRI unit will allow MWH to perform lengthy specialized procedures, and eliminate the significant backlog for these procedures.

It is also notable that a need for expansion is also reflected in the Weldon Cooper population data with regard to PD 16 residents aged 65+, who are anticipated to see an increase of approximately 46% from the years 2020-2030. In comparison, throughout Virginia, this population is expected to increase by approximately 28%. These trends are significant, as these individuals represent the segment of the population that are most in need of healthcare, including diagnostic imaging services.

In summary, for the reasons discussed above, MWH has demonstrated an institutional need to expand MRI imaging services despite its 2019 utilization being below the SMFP expansion standard of 5,000 procedures per scanner per year. Moreover, for the reasons discussed, 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 I designated by the Virginia Department of Health to serve as the Health Planning Agency for PD 16. Therefore, this consideration is not applicable to the review of the proposed project.

(iv) Any costs and benefits of the project.

As demonstrated by **Table 2**, the projected capital costs of the proposed project are \$5,331,787, approximately 60% of which are attributed to direct construction costs. Capital costs will be funded through the accumulated reserves of MWH. Accordingly, there are no financing costs associated with this project. DCOPN concludes that when compared to similar projects, these costs appear to be somewhat high. For example, COPN VA-04735 issued to First Meridian Medical, LLC t/a MRI & CT Diagnostics to establish fixed MRI services at Lynnhaven Imaging Center by adding one fixed MRI scanner, which is projected to cost approximately \$4,056,066. However, DCOPN notes that the fixed MRI services at Lynnhaven Imaging Center are to be added to an existing office space and, therefore, the direct construction costs are projected to be significantly lower at \$2,007,422. In comparison, the direct construction costs for the MWH project are projected to be \$3,198,103.

The applicant cites the following benefits of the proposed project:

- Adding an MRI unit will allow MWH to meet the growing demand for MRI services, eliminate interruptions to service caused by unplanned downtimes, and reduce the need to transfer patients outside of MWH due to capacity constraints;

- Adding an MRI unit will allow MWH to perform lengthy specialized procedures, such as cardiac and pediatric procedure, which may require anesthesia. There is currently a three-month backlog for these procedures.
- MWH is the only facility in the Mary Washington health system capable of performing cardiac MRI procedures, which are more complex and require more imaging time than standard MRI procedures.
- The 1.5T wide-bore short chamber MRI unit allows for greater flexibility to manage larger patients and patients who have claustrophobia issues.
- MWH is a Level II Trauma Center. MRI is an important follow up procedure for trauma patients who have suffered head and spine injuries.

(v) The financial accessibility of the project to the residents of the area to be served, including indigent residents.

As previously discussed, should the Commissioner approve the project, MWH would be expected to provide a level of charity care that is at least equal to the current system wide charity care condition of 2.4% of gross patient revenue in place for Mary Washington Healthcare, Inc., reflected in its letter dated March 17, 2010 and most recently cited in COPN No. VA-04698. The Pro Forma Income Statement provided by the applicant includes the provision of charity care in the amount of 1.5% (**Table 5**). DCOPN notes that, 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 I facilities was 3.0% of all reported total gross patient revenues (**Table 4**). In that same year, MWH reported to have provided 0.81% in charity care. Pursuant to Section 32.1 – 102.4 of the Code of Virginia, should the Commissioner approve the proposed project, should the Commissioner approve the project, MWH would be expected to provide a level of charity care that is at least equal to the current system wide charity care condition of 2.4% in place for Mary Washington Healthcare, Inc., reflected in its letter dated March 17, 2010 and most recently cited in COPN No. VA-04698.

Table 5. Mary Washington Hospital’s Pro Forma Income Statement

	Year 1	Year 2
Gross Patient Revenue	\$18,870,313	\$19,264,282
Contractual Adjustments	(\$12,303,444)	(\$12,560,312)
Bad Debt	(\$320,795)	(\$327,493)
Charity Care	(\$283,055)	(\$288,964)
Net Revenue	\$5,963,019	\$6,087,513
Total Expenses	(\$2,755,708)	(\$2,819,162)
Net Income	\$3,207,311	\$3,268,351

Source: COPN Request No. VA-8554

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

DCOPN did not identify any other discretionary factors, not discussed elsewhere in this staff analysis report, to bring to the attention of the Commissioner as may be relevant to determining a public need for the proposed projects.

3. The extent to which the application is consistent with the State Medical Facilities Plan.

The SMFP contains criteria/standards for magnetic resonance imaging (MRI) imaging services. They are as follows:

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 2** identifies the boundary of PD 16. The white “H” signs mark the locations of existing COPN approved MRI units located in PD 16. The blue “H” sign marks the location of the proposed project. The yellow shaded area in Figure 1 illustrates the area of PD 16 and the surrounding area that is within a 30-minute drive of existing MRI services. Based on the yellow shaded area in **Figure 2**, it is reasonable to conclude that approximately 95% of the population of PD 16 is within 30 minutes driving-time one-way under normal traffic conditions of MRI services, and approval of the proposed project will not increase geographic access to MRI services because MWH already provides MRI services.

12VAC5-230-150. Need for New Fixed Site Service.

No new fixed site MRI services 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.

As shown in **Table 6** below, the then-existing PD 16 fixed MRI inventory performed a collective MRI volume of 31,570 MRI procedures in 2019. Based on this data, and considering the subsequent addition of one MRI unit at Medical Imaging of Fredericksburg to the PD 16 fixed MRI inventory, DCOPN has calculated a current surplus of two fixed MRI scanners in PD 16 as follows:

2019 COPN authorized fixed MRI units = 8
Needed MRI units = $31,570$ (2019 MRI procedures) \div $5,000$ = 6.3 (7)
2021 MRI unit inventory = 9
Fixed MRI unit surplus = 2

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 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.

MWH has cited an institutional specific need to expand its current MRI services. As noted in **Table 6** below, for 2019, the most recent year for which VHI data is available, MWH's one MRI unit performed 4,829 MRI procedures with a utilization rate of 96.6%, below the SMFP expansion standard of 5,000 procedures per scanner per year.

Table 6. PD 16 COPN Authorized Fixed MRI Units and Utilization: 2019

Facility	Number of Scanners	Number of Scans	Utilization Rate
Mary Washington Hospital	1	4,829	96.6%
Medical Imaging at Lee's Hill	1	6,764	135.3%
Medical Imaging of Fredericksburg ¹	2	10,826	108.3%
Medical Imaging of North Stafford	1	4,032	80.6%
Medicorp Properties, Inc. (formerly Pratt Medical Center Imaging Center) ²	1	0	N/A
Spotsylvania Regional Medical Center	1	3,109	62.2%
Stafford Hospital Center	1	2,010	40.2%
2019 Total and Average	8	31,570	78.9%

Source: VHI Data (2019) and COPN Request No. VA-8554

12VAC5-230-170. Adding or Expanding Mobile MRI Services.

- A. Proposals for mobile MRI scanners shall demonstrate that, for the relevant reporting period, at least 2,400 procedures were performed and that the proposed mobile unit will not significantly reduce the utilization of existing MRI providers in the health planning district.**
- B. Proposals to convert authorized mobile MRI scanners to fixed site scanners shall demonstrate that, for the relevant reporting period, 3,000 procedures were performed by the mobile scanner and that the proposed conversion will not significantly reduce the utilization of existing MRI providers in the health planning district.**

Not applicable. The applicant is not proposing the addition or expansion of a mobile MRI service, nor is the applicant proposing the conversion of a mobile MRI service to a fixed site scanner.

12VAC5-230-180. Staffing.

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

The applicant has provided assurances that the MRI services would be under the direction or supervision of one or more qualified physicians.

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

¹ COPN No. VA-04696 dated February 18, 2020 authorized Medical Imaging of Fredericksburg to add one MRI unit, expected completion August 2020. As such, this unit is not included in the 2019 inventory displayed in Table 6.

² In a letter to the Commissioner, dated December 13, 2019, Eric Fletcher, Senior Vice President, Chief Strategy Officer for Mary Washington Healthcare reported that Medicorp Properties, Inc. acquired the imaging equipment at the facility formerly known as Pratt Medical Center Imaging Center as of January 31, 2020 and planned to begin operating it within 12 months. According to Mary Washington Healthcare, it began operating it in July 2020. As such, Medicorp Properties, Inc. did not provide any MRI scans in 2019.

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 existing MRI unit at MWH perform 4,829 procedures and operated at a utilization rate of 96.6%, below the SMFP threshold for expansion (**Table 6**). However, as previously discussed, DCOPN concludes that the applicant satisfies this standard for the addition of one MRI unit, despite its 2019 utilization being below the SMFP expansion standard. Furthermore, as previously discussed, DCOPN concludes that transferring the requested MRI unit from another facility is not practical, as this would create an immediate need at that facility.

Required Considerations Continued

- 4. The extent to which the proposed service or facility fosters institutional competition that benefits the area to be served while improving access to essential health care services for all persons in the area to be served.**

The applicant has cited an institutional specific need to expand its existing MRI services in an effort to decompress the overutilization of its existing MRI unit. As a result, the primary patient population the proposed project is intended to serve is patients who have already chosen MWH as their care provider. Additionally, the Mary Washington health system operates the vast majority of diagnostic imaging services in PD 16. For these reasons, DCOPN concludes 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 project to the existing health care system of the area to be served, including the utilization and efficiency of existing services or facilities.**

As displayed in **Table 6**, existing fixed MRI scanners in PD 16 operated at a collective utilization of 78.9% in 2019. As already discussed, DCOPN maintains that the applicant has adequately demonstrated an institutional need for the additional MRI unit. Furthermore, as already discussed, DCOPN further concludes that transferring the requested MRI unit from

another Mary Washington facility is not a reasonable alternative to the proposed project. Therefore, DCOPN contends that although the proposed project would add to the existing PD 16 surplus, the project warrants approval. Lastly, because the project hinges upon an 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 16.

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

The Pro Forma Income Statement (**Table 5**) provided by the applicant projects a net profit of \$3,207,311 by the end of the first year of operation and a net profit of \$3,268,351 by the end of year two, indicating that the proposed project is financially feasible both in the immediate and the long-term. The total projected capital cost of the proposed project is \$5,331,787, which will be funded through the accumulated reserves of MWH (**Table 2**). Accordingly, there are no financing costs associated with the proposed project.

The applicant anticipates the need to hire 1.2 radiologic technologists to staff the proposed project. The applicant is an established provider of MRI services and has a well-developed and effective recruitment and employee retention program. Taken together with the limited number of employees needed for this project, DCOPN concludes that the applicant will not have difficulty filling the required positions or that doing so will have a negative impact on other area healthcare providers.

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

The proposal would introduce no new technology that would promote quality or cost effectiveness in the delivery of MRI services. No cooperative efforts to meet regional health care needs were addressed by the applicant. 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.**
 - (ii) Any contribution the teaching hospital or medical school may provide in the delivery, innovation, and improvement of health care for citizens of the Commonwealth, including indigent or underserved populations.**

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

DCOPN Findings and Conclusions

DCOPN finds that the proposed project to expand MRI services through the addition of one fixed MRI unit at Mary Washington Hospital 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, the applicant's one COPN approved MRI unit operated at 96.6% utilization in 2019, below the SMFP threshold for expansion. However, DCOPN finds that MWH has demonstrated an institutional need to expand MRI imaging services despite its 2019 utilization being below the SMFP expansion standard of 5,000 procedures per scanner per year. Moreover, for the reasons discussed, the status quo is not a preferable alternative to the proposed project. The addition of another MRI unit would eliminate interruptions to service caused by unplanned downtime, reduce the need to transfer patients for MRI procedures, allow MWH to perform lengthy, specialized procedures, and allow greater flexibility in managing larger patients and patients who have claustrophobia issues. Most notably, MWH is one of only a few Virginia hospitals offering Level II Trauma services operating with a single MRI unit (only MWH and Reston Hospital Center have one MRI unit). Therefore, if the single MRI unit is occupied, is experiencing downtime, or being serviced, there is no backup. It is also notable that this need for expansion is reflected in the Weldon Cooper population data in regards to PD 16 residents aged 65+, who are anticipated to see an increase of approximately 46% from the years 2020-2030. In comparison, throughout Virginia, this population is expected to increase by approximately 28%. These trends are significant, as these individuals represent the segment of the population that are most in need of healthcare services, including diagnostic imaging services.

Furthermore, there is no known opposition to the proposed project. The projected capital costs of the proposed project are \$5,331,787, approximately 60% of which are attributed to direct construction costs. Capital costs will be funded through the accumulated reserves of MWH. Accordingly, there are no financing costs associated with this project. As previously discussed, DCOPN concludes that when compared to similar projects, these costs appear to be somewhat high. For example, COPN VA-04735 issued to First Meridian Medical, LLC t/a MRI & CT Diagnostics to establish fixed MRI services at Lynnhaven Imaging Center by adding one fixed MRI scanner, which is projected to cost approximately \$4,056,066. However, DCOPN notes that the fixed MRI services at Lynnhaven Imaging Center are to be added to an existing office

space and, therefore, the direct construction costs are projected to be significantly lower at \$2,007,422. In comparison, the direct construction costs for the MWH project are projected to be \$3,198,103.

DCOPN Staff Recommendation

The Division of Certificate of Public Need recommends **conditional approval** of the proposed project to expand diagnostic imaging services by adding one fixed MRI unit at Mary Washington Hospital for the following reasons:

1. The 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 applicant has demonstrated an institutional need to expand.
3. The project is more favorable than the alternative of the status quo.
4. There is no known opposition to the project.

Recommended Condition

This project shall be subject to the 2.4% system-wide charity care condition applicable to Mary Washington Healthcare System, as reflected in Mary Washington Healthcare's letter of March 17, 2010 (Mary Washington Healthcare system-wide condition). Provided, however, that charity care provided under the Mary Washington Healthcare system-wide condition shall be 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.

Mary Washington Hospital 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. In addition to any right to petition the Commissioner contained in the Mary Washington Healthcare system-wide condition, to the extent Mary Washington Healthcare expects its system-wide condition 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. or any revised percentage to materially alter the value of its charity care commitment thereunder, it may petition the Commissioner for a modification to the Mary Washington Healthcare system-wide condition to resolve the expected discrepancy.