

# VIRGINIA DEPARTMENT OF HEALTH

## Office of Licensure and Certification

### Division of Certificate of Public Need

#### Staff Analysis Report

September 20, 2021

COPN Request No. VA-8570  
Community Memorial Hospital  
South Hill, Virginia  
Expand CT Services with the Addition of One Fixed CT scanner

#### Applicant

Community Memorial Hospital (CMH) is a 501(c)(3) not-for-profit, Virginia domiciled non-stock corporation. The sole member of CMH is Virginia Commonwealth University Health System Authority. The proposed project would be located in the Town of South Hill, Virginia in Health Planning Region (HPR) IV, Planning District (PD) 13.

#### Background

CMH is a 70-bed hospital that provides a variety of services including cardiology, neurology, orthopedics, stroke care, and emergency services. On July 1, 2014, Virginia Commonwealth University Health System Authority acquired CMH. On November 15, 2014, the Virginia State Health Commissioner (Commissioner) issued COPN No. VA-04457 authorizing the relocation and replacement of Community Memorial Hospital to its present location. CMH is one of two COPN authorized providers of CT services in PD 13 (**Table 1**). In 2019, the last year for which the Division of Certificate of Public Need (DCOPN) has data available from Virginia Health Information (VHI), CMH's one CT scanner operated at 154.4% of the State Medical Facilities Plan (SMFP) utilization threshold (**Table 4**).

**Table 1. PD 13 COPN Authorized Fixed CT Units**

Facility	Number of Scanners
Sentara Halifax Regional Hospital	1
VCU Community Memorial Hospital	1
<b>Total</b>	<b>2</b>

Source: DCOPN records

#### Proposed Project

The applicant proposes to expand its CT services through the addition of one fixed CT scanner located in renovated space near to its Emergency Department. The applicant states that CMH has an institutional need to expand its CT services. The proposed CT scanner would be used

predominantly by its emergency room patients, and the existing CT scanner would be dedicated to non-emergent inpatient and outpatient CT scanning needs. The total capital and financing cost of the proposed project is \$1,981,232 (**Table 2**). The applicant states that the proposed will be financed using accumulated reserves. The applicant asserts that it does not anticipate that the proposed project will affect the cost of its services.

**Table 2. Capital and Financing Costs**

Direct Construction Costs	\$538,000
Equipment Not Included in Construction Contract	\$1,213,232
Site Preparation Costs	\$110,000
Architectural and Engineering Fees	\$120,000
<b>TOTAL Capital and Financing Costs</b>	<b>\$1,981,232</b>

Source: COPN Request No. VA-8570

### **Project Definition**

Section 32.1-102.1:3 of the Code of Virginia defines a project, in part, as “[t]he 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 § 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;**

The applicant proposes to expand its CT services through the addition of one fixed CT scanner. As discussed above, the applicant asserts that CMH has an institutional need to expand its CT services, which is supported by the most recent VHI data available to DCOPN (**Table 4**). The applicant additionally asserts that the overutilization of its existing scanner has led to outpatient cases being delayed or rescheduled to accommodate emergency cases. Should the proposed project be approved, the proposed CT scanner would be used predominantly by its emergency room patients and the existing CT scanner would be dedicated to non-emergent inpatient and outpatient CT scanning needs. DCOPN concludes that approval of the proposed project would address the burden on CMH’s existing CT scanner and eliminate instances of non-emergent inpatient and outpatient CT scanning procedures needing to be delayed or rescheduled for emergency cases.

Geographically, CMH is located on US-1 and near to the intersection of I-85 and US-58 and immediately off an exit ramp of I-85. Limited public transportation is available via a bus provided by Lake County Agency on Aging. The applicant did not address any difficulties or benefits related to parking at CMH.

DCOPN is not aware of any other geographic, socioeconomic, cultural, or transportation barriers to access to care.

**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;**

DCOPN received four letters of support from Victoria Fire and Rescue, the radiologists contracted to provide radiological services at CMH, and the medical directors of the stroke center and emergency services at CMH. Collectively, these letters articulated the high utilization of the existing CT scanner, and the need for additional CT capacity at CMH.

Public Hearing

DCOPN provided notice to the public regarding this project on July 9, 2021. The public comment period closed on August 24, 2021. Section 32.1-102.6 of the Virginia Code mandates that “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, [DCOPN shall] hold one hearing on each application in a location in the county or city in which the project is proposed or a contiguous county or city.” The proposed project is not competing, and no public hearing was requested by the applicant, the Commissioner, an interested party, or member of the public. As such, no public hearing was held.

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

The status quo is not a viable alternative to the proposed project. As shown in **Table 4** below, CMH’s one fixed CT scanner operated at 154.4% of the SMFP threshold in 2019, the last year for which DCOPN has data from VHI. Under the status quo, the overutilization of the existing fixed CT scanner at CMH would continue. Moreover, given that CMH is the only provider of CT services within a thirty-minute drive one way under normal driving conditions, this overutilization is highly likely to increase. Additionally, under the status quo, outpatient CT scanning procedures would continue to be delayed or rescheduled for emergency cases. Finally, under the status quo, the calculated need for additional CT scanners in PD 13 discussed below would not be partially addressed. As such, DCOPN concludes that the status quo is not a viable 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 IV designated by the Virginia Department of Health to serve as the Health Planning Agency for PD 13. Therefore, this consideration is not applicable to the review of the proposed project.

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

As discussed above, the total capital and financing cost of the proposed project is \$1,981,232 (**Table 2**), which would be financed using accumulated reserves. The costs for the project are reasonable and consistent with previously approved projects to add one CT scanner. For example, COPN VA-04716 issued to Riverside Hospital, Inc. d/b/a Riverside Regional Medical Center to add one CT scanner, which cost approximately \$1,935,750; and COPN VA-04550 issued to University of Virginia Medical Center to add one CT scanner at the Education Resource Center on the UVA campus, which cost approximately \$2,015,000. As discussed above, the proposed project would offer two major benefits over the status quo. First, the proposed project would reduce the burden on CMH's one over utilized fixed CT scanner. Additionally, the proposed project would eliminate the delays and rescheduling of non-emergent CT scanning procedures currently occurring at CMH.

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

According to regional and statewide data regularly collected by VHI, for 2019, the average amount of charity care provided by the facilities in HPR IV that reported such charity care for that year was 2.7% of all reported total gross patient revenues. During this period, the applicant reported charity care of 4.41% of all reported total gross patient revenues. In accordance with section 32.1-102.4.B of the Code of Virginia, should the proposed project receive approval, CMH is expected to provide a level of charity care for total gross patient revenues that is no less than the equivalent average for charity care contributions in HPR IV.

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

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

Source: VHI

**(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 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 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 SMFP.

The SMFP contains criteria/standards for the establishment or expansion of CT services. They are as follows:

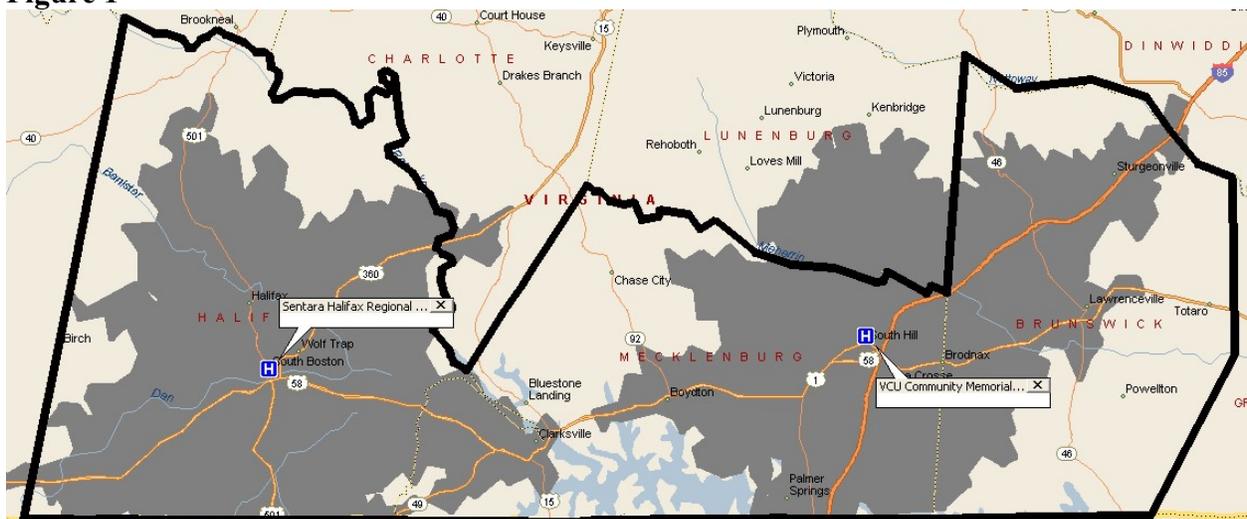
**Part II**  
**Diagnostic Imaging Services**  
**Article 1**  
**Criteria and Standards for Computed Tomography**

**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.**

Currently, there are two COPN authorized CT scanners in PD 13. The heavy black line in Figure 1 is the boundary of PD 13. The blue H icons indicate facilities that currently offer fixed CT services. The grey shading illustrates the area that is within a thirty-minute drive one way under normal driving conditions of all CT service providers in PD 13. As Figure 1 clearly illustrates, CT services are unlikely to be within a thirty-minute drive one way under normal driving conditions of 95% of the residents of the planning district. However, as the applicant is an existing provider of CT services, approval of the proposed project would not affect an increase in access to CT services for those individuals not within a thirty-minute drive one way under normal driving conditions

**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.**

Not applicable. As the applicant is an existing provider seeking to expand its fixed site CT services, this section is addressed to illustrate the deficit or surplus of fixed CT services in PD 13.

Calculated Needed Fixed CT Scanners in PD 13

COPN authorized CT scanners = 2

Calculated Needed CT scanners =

22,953 scans in the PD / 7,400 scans / scanner = 3.1 (4) scanners needed

PD 13 Calculated Need = 4 CT scanners

PD 13 Calculated Deficit = 2 CT scanners

**Table 4. PD 13 COPN Authorized Fixed CT Units: 2019**

Facility	Number of Scanners	Number of Scans	Utilization Rate
Sentara Halifax Regional Hospital	1	11,525	155.7%
VCU Community Memorial Hospital	1	11,428	154.4%
<b>2019 Total and Average</b>	<b>2</b>	<b>22,953</b>	<b>155.1%</b>

Source: VHI & DCOPN interpolations

As noted in **Table 4** above, the utilization of existing CT scanners in the planning district was 155.1% of the 7,400 procedures per scanner necessary to introduce CT scanning services to a new location under this section of the SMFP. Moreover, DCOPN calculates a deficit of two fixed CT scanners in the planning district.

**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 diagnostic CT scanners in PD 13 with respect to the proposed projects.

**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 noted in **Table 4** above, the one CT scanner located at CMH operated at 154.4% of the 7,400 procedures per scanner necessary to expand fixed CT scanning services under this section of the SMFP in 2019, the latest year for which DCOPN has data available from VHI. Moreover, given the high utilization of both CT scanners in PD 13, neither of which are within a thirty-minute drive of the other, DCOPN concludes that approval of the proposed project would be highly unlikely to have a detrimental effect on the other existing provider in PD 13. As such, DCOPN concludes that the applicant has met this standard.

**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 to add or expand mobile CT services or to convert authorized mobile CT scanners to fixed site scanners.

**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 would be under the direct supervision of one or more qualified physicians.

### Required Considerations Continued

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

As the applicant is one of two providers of CT services in PD 13, and the only provider of CT services within a thirty-minute drive one way of the facility, the proposed project is highly unlikely to foster institutional competition.

- 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 discussed above, both CT scanners in the planning district were operating significantly in excess of the SMFP threshold in 2019, the last year for which DCOPN has data from VHI. Moreover, DCOPN has not received any opposition to the proposed project from the other provider of CT services in PD 13. As such, DCOPN concludes that it is highly unlikely that the proposed project would detrimentally effect CT services at Sentara Halifax Regional Hospital, the other provider of CT services in PD 13.

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

The total capital and financing cost of the proposed project is \$1,981,232 (**Table 2**). The costs for the project are reasonable and consistent with previously approved projects to add one CT scanner. For example, COPN VA-04716 issued to Riverside Hospital, Inc. d/b/a Riverside Regional Medical Center to add one CT scanner, which cost approximately \$1,935,750; and COPN VA-04550 issued to University of Virginia Medical Center to add one CT scanner at the Education Resource Center on the UVA campus, which cost approximately \$2,015,000. As discussed above, the applicant states the proposed project would be financed using accumulated reserves. Moreover, the applicant asserts that it does not anticipate that the proposed project will affect the cost of its services. As such, DCOPN concludes that the proposed project is feasible with regard to financial costs.

With regard to staffing, the applicant anticipates a need for 1.2 FTEs for Radiologic Technologists. The applicant asserts that the project will be staffed using existing recruitment and training processes at CMH. The applicant asserts that the proposed project will not impact staffing at other facilities. In support of this, the applicant states that CMH is the only provider of CT scanning services in its service area and only one of two providers in PD 13. DCOPN does not find this argument particularly compelling. A small group of service providers in a given area can result in a smaller pool of available applicants, which in turn can result in either a lack of available staff or loss of staff by existing providers to the proposed project. Despite this, DCOPN recognizes that the staffing requirements of the proposed project are modest, and that Virginia Commonwealth University Health System Authority has significant recruitment

tools available to CMH. As such, DCOPN concludes that the proposed project is feasible with regards to staffing and will not adversely affect existing providers.

- 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; and**

As discussed above, the high utilization of the existing CT scanner often leads to outpatient CT scans being delayed or rescheduled in favor of emergent cases. Should the proposed project be approved, the applicant plans to dedicate the current existing CT scanner to non-emergent cases, which would greatly reduce the likelihood these delays or rescheduling from occurring. Moreover, DCOPN notes that the applicant is the only provider of CT services within a thirty-minute drive one way of the facility. As such, DCOPN concludes that the proposed project would improve the delivery of CT services with the thirty-minute drive one way of CMH.

- 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.**

Neither DCOPN nor the applicant identified any factors relevant to this consideration. While Virginia Commonwealth University Health System Authority owns and operates MCV, the teaching hospital associated with Virginia Commonwealth University, CMH is located approximately 78 miles from MCV.

### **DCOPN Staff Findings and Conclusion**

DCOPN finds that the proposed project to expand CT services at Community Memorial Hospital through the addition of one fixed CT scanner is consistent with the applicable criteria and standards of the SMFP and the Eight Required Considerations of the Code of Virginia. The applicant has met the necessary utilization threshold to expand CT services at CMH under 12VAC5-230-110. Additionally, there is a calculated deficit of two CT scanners in PD 13.

Moreover, DCOPN finds that the status quo is not a viable alternative to the proposed project. Under the status quo, the overutilization of the existing fixed CT scanner at CMH would continue. Moreover, given that CMH is the only provider of CT services within a thirty-minute drive one way under normal driving conditions, this overutilization is highly likely to increase. Additionally, under the status quo, outpatient CT scanning procedures would continue to be

delayed or rescheduled for emergency cases. As such, DCOPN concludes that the status quo is not a viable alternative to the proposed project.

Finally, DCOPN finds that the total capital costs of the proposed project are \$1,981,232 (**Table 2**), which would be financed using accumulated reserves. The costs for the project are reasonable and consistent with previously approved projects to add one CT scanner. For example, COPN VA-04716 issued to Riverside Hospital, Inc. d/b/a Riverside Regional Medical Center to add one CT scanner, which cost approximately \$1,935,750; and COPN VA-04550 issued to University of Virginia Medical Center to add one CT scanner at the Education Resource Center on the UVA campus, which cost approximately \$2,015,000.

### **Staff Recommendation**

The Division of Certificate of Public Need recommends **conditional approval** of Community Memorial Hospital's COPN request to expand CT services with the addition of one fixed CT scanner at Community Memorial Hospital for the following reasons:

1. The project is 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 project would address the overutilization of the existing CT scanner at Community Memorial Hospital
3. There is a calculated deficit of CT scanners in the planning district.
4. The status quo is not a viable alternative to the proposed project.
5. The capital costs are reasonable and consistent with the projects of this type.

### **Recommended Condition**

Community Memorial Hospital will provide CT services to all persons in need of these services, regardless of their ability to pay, and will provide as charity care to all indigent persons free services or rate reductions in services and facilitate the development and operation of primary care services to medically underserved persons in an aggregate amount equal to at least 2.7% of Community Memorial Hospital's total patient services revenue derived from CT services as valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq. Compliance with this condition will be documented to the Division of Certificate of Public Need annually by providing audited or otherwise appropriately certified financial statements documenting compliance with the preceding requirement. Community Memorial 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. The value of charity care provided to individuals pursuant to this condition shall be based on the provider

reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq.

Community Memorial Hospital 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 Community Memorial Hospital will facilitate the development and operation of primary and specialty medical care services in designated medically underserved areas of the applicant's service area.