

VIRGINIA DEPARTMENT OF HEALTH
Office of Licensure and Certification
Division of Certificate of Public Need
Staff Analysis

January 19, 2022

COPN Request No. VA-8597
Shenandoah Memorial Hospital
Woodstock, Virginia
Add One Fixed CT Scanner

Applicant

Shenandoah Memorial Hospital (SMH) is a not-for-profit 501(c)(3) corporation located in Woodstock, Virginia in Planning District (PD) 7 within Health Planning Region (HPR) I. The sole member of SMH is Valley Health System, a Virginia nonstock corporation. Subsidiaries of the applicant include the Shenandoah Memorial Hospital Foundation, also headquartered in Woodstock, Virginia.

Background

Operating as a critical access hospital, SMH has provided a comprehensive range of medical service and care to residents of PD 7 for more than 65 years. Services currently provided by the applicant include 24/7 emergency services, inpatient and outpatient surgical services, cardiopulmonary services, women's care, diabetes management, behavioral health, sleep lab services, and various health and wellness programs. With regard to computed tomography (CT) services specifically, SMH is currently authorized to operate one CT scanner on the main hospital campus.

According to Virginia Health Information (VHI) data, the nine CT scanners that were operational in PD 7 in 2019 operated at a collective utilization of 109.8%, or 8,127 procedures per unit (**Table 1**). DCOPN notes that, since 2019, two additional CT scanners have been added to the PD 7 inventory, both located at Valley Health Winchester Medical Center, as notated in **Table 1** below. DCOPN notes that utilization of CT scanners at hospital-based facilities varies from that of CT scanners located at freestanding facilities. Specifically, in 2019, the eight CT scanners located at hospital-based facilities in PD 7 operated at a collective utilization of 112.4% (8,316 procedures per unit), far exceeding the State Medical Facilities Plan (SMFP) expansion threshold of 7,400 procedures per scanner per year, while utilization of the CT scanner located at PD 7's sole freestanding facility operated at a utilization of 89.4% (6,614 procedures per unit) for the same period.

Table 1. COPN Authorized CT Units and Utilization in PD 7: 2019

Hospital Based Facilities	Units	Procedures¹	Procedures/Unit²	Utilization³
<i>Valley Health Page Memorial Hospital</i>	1	4,653	4,653	62.9%
<i>Valley Health Shenandoah Memorial Hospital</i>	1	8,709	8,709	117.7%
Valley Health Warren Memorial Hospital	1	9,384	9,384	126.8%
Valley Health Winchester Medical Center	7**	43,781	8,756	118.3%
Hospital Based TOTAL and Average	10⁴	66,527	8,316	112.4%
Freestanding Facilities	Units	Procedures	Procedures/Unit	Utilization
Winchester Imaging	1	6,614	6,614	89.4%
Grand TOTAL and Average	11⁵	73,141	8,127	109.8%

Source: 2019 VHI data and DCOPN records

*Note: Italics denote Critical Access Hospital

**COPN No. VA-04594, issued on March 6, 2018, authorized the addition of a fifth CT scanner, which became operational in May 2020. Additionally, COPN No. VA-04699, issued on February 18, 2020, authorized the addition of one intraoperative CT scanner, which became operational in October 2020. As these units were not operational in 2019, utilization for these machines has not been included in Table 1, above. DCOPN notes that of Valley Health Winchester Medical Center’s seven authorized CT scanners, one unit is a dedicated CT simulator and one unit is an intraoperative scanner.

DCOPN notes that all PD 7 providers of CT services operate within the Valley Health System.

Proposed Project

SMH proposes to add a second CT scanner at its facility located at 759 South Main Street in Woodstock, Virginia. To accommodate the proposed expansion, the applicant intends to remodel and modernize existing space within the main hospital. The applicant states that currently, emergency room patients take precedence over previously scheduled outpatient appointments, resulting in the frequent backlog of patients needing to use the existing scanner. The applicant states that having a second CT scanner at SMH will improve wait times for both inpatients and outpatients, as the second unit will allow the existing unit to be used strictly for emergency department patients, thereby satisfying the institutional need cited by the applicant.

¹ All data in this column derived from 2019 VHI data.

² All data in this column computed using 2019 VHI data.

³ All utilization data computed using 2019 VHI data.

⁴ While not included in overall calculations for procedures and utilization, this number reflects the two CT scanners added to the Valley Health Winchester Medical Center inventory subsequent to 2019.

⁵ While not included in overall calculations for procedures and utilization, this number reflects the two CT scanners added to the PD 7 CT inventory subsequent to 2019.

The projected capital costs of the proposed project total \$1,424,985 (**Table 2**), the entirety of which will be funded using the accumulated reserves of the applicant. Accordingly, there are no financing costs associated with this project. The applicant anticipates construction on the proposed project to begin on July 1, 2022 and anticipates patient service to commence on December 1, 2022.

Table 2. SMH Projected Capital Costs

Direct Construction Costs	\$479,500
Equipment Not Included in Construction Contract	\$847,85
Architectural and Engineering Fees	\$75,000
Other Consultant Fees	\$23,000
TOTAL Capital Costs	\$1,424,985

Source: COPN Request No. VA-8597

Project Definition

Section 32.1-102.1:3 of the Code of Virginia defines a project, in part, as “The addition by an existing medical care facility described in subsection A of any new medical equipment for the provision of...computed tomography (CT) scanning...” A medical care facility includes “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, the proposed project will be located on the main SMH hospital campus at 759 South Main Street in Woodstock, Virginia. The hospital is easily accessible by Interstate 81 (the major road through the county) and Route 11. The hospital is located on Route 11, which is the second major road through the county, and approximately one half mile from Route 42. This location promotes access by patients, visitors and staff, and emergency vehicles. SMH also has a helipad located near the emergency department for receiving and dispatching emergency air transports. Even though there is adequate and suitable highway access to SMH, it is worth noting that the topography and two-lane highways that connect the communities within the SMH primary service area to major highways make travel more difficult and hazardous, and thus, lengthens commute times during periods of inclement weather. As will be discussed in more detail later in this staff analysis report, at least 95% of the population of PD 7 is within a 30 minute drive time, one way, under normal driving conditions of existing CT services. However, the applicant states that, because its sole existing CT scanner operates at maximum capacity, geographic access is not the factor that prohibits access to timely care for residents of PD 7.

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 in HPR I was 3.0% of all reported gross patient services revenues (**Table 3**). More specifically, SMH contributed 2.13% of gross patient services revenue in 2019, an amount lower than the HPR I average. DCOPN notes that the Pro Forma Income Statement provided by the applicant (**Table 4**) does not specifically anticipate a charity care contribution, however, recent changes to §32.1-102.4B of the Code of Virginia now require DCOPN to place a charity care condition on all applicants seeking a COPN. For this reason, DCOPN recommends that the proposed project, if approved, be subject to a 3.0% charity care condition, to be derived from total CT gross patient services revenue, consistent with the HPR I average. DCOPN further notes that this condition contains a provision allowing for the reassessment of the charity rate once more reliable data regarding the full impact of Medicaid expansion in the Commonwealth becomes available.

Table 3. 2019 HPR I Charity Care Contributions

Hospital	Gross Patient Revenues	Adjusted Charity Care Contribution	Percent 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)

Table 4. SMH Pro Forma Income Statement

	Year 1 (2023)	Year 2 (2024)
Total CT Scans	10,124	10,474
Gross Patient Revenue	\$21,8070,498	\$22,626,498
Deductions from Revenue	\$13,869,582	\$14,360,982
Net Revenue	\$8,000,916	\$8,265,516
Operating Expenses	\$1,121,827	\$1,130,980
Net Income	\$6,879,089	\$7,134,536

Source: COPN Request No. VA-8597

Also with regard to socioeconomic barriers to access to services, DCOPN notes that, according to the most recent U.S. Census data, Shenandoah County, the locality in which SMH is located, had a poverty rate of 10.1%, a percentage greater than the 9.2% statewide average (**Table 5**). DCOPN also notes that within PD 7, four of six localities had poverty rates higher than the statewide average.

Table 5. Statewide and PD 7 Poverty Rates

Locality	Poverty Rate
Virginia	9.2%
Clarke	6.2%
Frederick	7.4%
Page	11.3%
Shenandoah	10.1%
Warren	10.1%
Winchester City	16.3%

Source: U.S. Census Data (census.gov). Population estimates July 1, 2021.

The most recent Weldon-Cooper data projects a total PD 7 population of 18,913,870 by 2030 (**Table 6**). This represents an approximate 16.7% increase in total population from 2010-2030. Comparatively, Weldon-Cooper projects the total population of Virginia to increase by 16.6% for the same period. With regard to Shenandoah County specifically, Weldon-Cooper projects a total population growth increase of 11.9% from 2010 to 2030. Regarding the 65 and older age cohort, Weldon-Cooper projects a much more rapid increase in population growth. With regard to PD 7 collectively, a 76.8% increase is projected, while an increase of 76.4% is projected statewide. This is significant, as this population group typically uses health care resources, including CT services, at a rate much higher than those individuals under the age of 65.

Table 6. Statewide and PD 7 Population Projections, 2010-2030

Locality	2010	2020	% Change	2030	% Change	2010-2030 % Change
Virginia	8,001,024	8,655,021	8.2%	9,331,666	7.8%	16.6%
Clarke	8,001,024	8,655,021	8.2%	9,331,666	7.8%	16.6%
Frederick	78,305	90,115	15.1%	104,608	16.1%	33.6%
Page	24,042	23,838	(0.8%)	23,888	0.2%	(0.6%)
Shenandoah	41,993	43,233	3.0%	46,984	8.7%	11.9%
Warren	37,575	40,164	6.9%	44,053	9.7%	17.2%
Winchester City	26,203	28,804	9.9%	31,005	7.6%	18.3%
Total PD 7	16,210,166	17,536,196	8.2%	18,913,870	7.9%	16.7%
PD 7 65+	32,713	45,093	37.8%	57,841	28.3%	76.8%
Virginia 65+	976,937	1,352,448	38.4%	1,723,382	27.4%	76.4%

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

DCOPN did not identify any other unique geographic, socioeconomic, cultural, transportation, or other barriers to care in the planning district which are not discussed elsewhere in this staff analysis report.

2. The extent to which the proposed project will meet the needs of the people in the area to be served, as demonstrated by each of the following:

- (i) The level of community support for the proposed project demonstrated by people, businesses, and governmental leaders representing the area to be served;**

The applicant provided numerous letters of support for the proposed project. Collectively, these letters addressed the following:

- As the local population has continued to grow, the demand for imaging services has increased. SMH’s project will expand the current imaging capacity for CT services and allow SMH to continue to deliver necessary services to the community and provide timely access to local patients.
- The project would greatly enhance access to essential CT services. Because of the growth in the SMH service area, patients are facing long wait times for imaging services and sometimes seeking care in other cities. This is inconvenient and disruptive to efficient delivery of care.
- With increased patient demand and expansion of the professional medical community, patients have experienced extended wait times and disruptions in care when seeking CT scans. Additional capacity at SMH would alleviate these issues and allow patients to

obtain comprehensive care in their home community. The addition of CT equipment will enhance access and contribute to the broad complement of services available at SMH.

DCOPN is unaware of any opposition to the proposed project.

§32.1-102.6B 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 State Health Commissioner (Commissioner), the applicant, or a member of the public. COPN Request No. VA-8597 is not competing with another project in this batch cycle nor did DCOPN 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 the people in the area to be served in a less costly, more efficient, or more effective manner;**

As will be discussed in more detail later in this staff analysis report, DCOPN calculated a current net surplus of one CT scanner in PD 7. However, when the two PD 7 CT scanners restricted to intraoperative use and CT simulation are removed from the inventory, the result is a net deficit of one CT scanner. Additionally, as **Table 1** demonstrates, the nine CT units in operation at SMH in 2019 operated at a collective utilization of 117.7% (8,709 procedures per scanner), far exceeding the SMFP expansion threshold of 7,400 procedures per unit. Accordingly, maintaining the status quo is not a viable option. Furthermore, while each authorized CT unit in PD 7 operates within the Valley Health System, DCOPN nonetheless maintains that there is no existing capacity available for transfer. Only two facilities in PD 7 operated below maximum capacity in 2019—Valley Health Page Memorial Hospital (Page Memorial) and Winchester Imaging. While the sole unit at Page Memorial operated at only 62.9% in 2019, DCOPN notes that Page Memorial is a critical access hospital and that as such, the reallocation of that facility's sole CT unit would be ill advised. With regard to Winchester Imaging, DCOPN notes that the sole existing scanner at this facility operated at 89.4% in 2019, only marginally beneath maximum capacity and further contends that as PD 7's sole freestanding diagnostic imaging facility, reallocation from that facility would be less advantageous than the proposed project. Accordingly, DCOPN maintains that no reasonable alternative to the proposed project exists.

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

Currently there is no organization in HPR I designated by the Virginia Department of Health to serve as the Health Planning Agency for PD 7. Therefore, this consideration is not applicable to the review of the proposed project.

(iv) Any costs and benefits of the proposed project;

As demonstrated by **Table 2**, the projected capital cost of the proposed project is \$1,424,985, the entirety of which will be funded using the accumulated reserves of the applicant. Accordingly, there are no financing costs associated with this project. DCOPN concludes that the costs for the proposed project are reasonable and consistent with previously approved PD 7 projects similar in clinical scope (COPN No. VA-04699 authorized the addition of one intraoperative CT scanner and had an authorized capital cost of \$1,744,450; COPN No. VA-04594 authorized the addition of one CT scanner and had an authorized capital cost of \$942,264; COPN No. VA-04334 authorized the addition of one CT scanner and had an authorized capital cost of \$950,291; COPN No. VA-04090 authorized the addition of one CT scanner and had an authorized capital cost of \$2,263,331).

With regard to benefits of the proposed project, the applicant reiterates that there is a unique institutional need for the additional CT scanner as the existing unit operates above 100% of the SMFP threshold for expansion. The applicant states that the existing unit is no longer capable of adequately serving its patient population and that accordingly, approval of the proposed project is necessary for SMH to provide timely access to care for its patients.

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

The applicant has provided assurances that CT services will be accessible to all patients, regardless of financial considerations. Furthermore, as previously discussed, the Pro Forma Income Statement provided by the applicant does not specifically anticipate a charity care contribution. However, as already discussed, recent changes to §32.16-102.4B of the Code of Virginia now require COPN to place a charity care condition on all applicants seeking a COPN. For this reason, DCOPN recommends that the proposed project, if approved, be subject to a 3.0% charity care condition, to be derived from total CT gross patient services revenues, consistent with the HPR I average. DCOPN again notes that its recommendation includes a provision allowing for the reassessment of the charity care rate at such time as more reliable data becomes available regarding the full impact of Medicaid expansion in the Commonwealth.

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

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 in determining a public need for the proposed project.

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 projects with the predecessor of the SHSP, the State Medical Facilities Plan (SMFP).

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

Part II, Article 1 of the State Medical Facilities Plan (SMFP) contains the standards and criteria for the expansion of CT services at an existing facility. They are as follows:

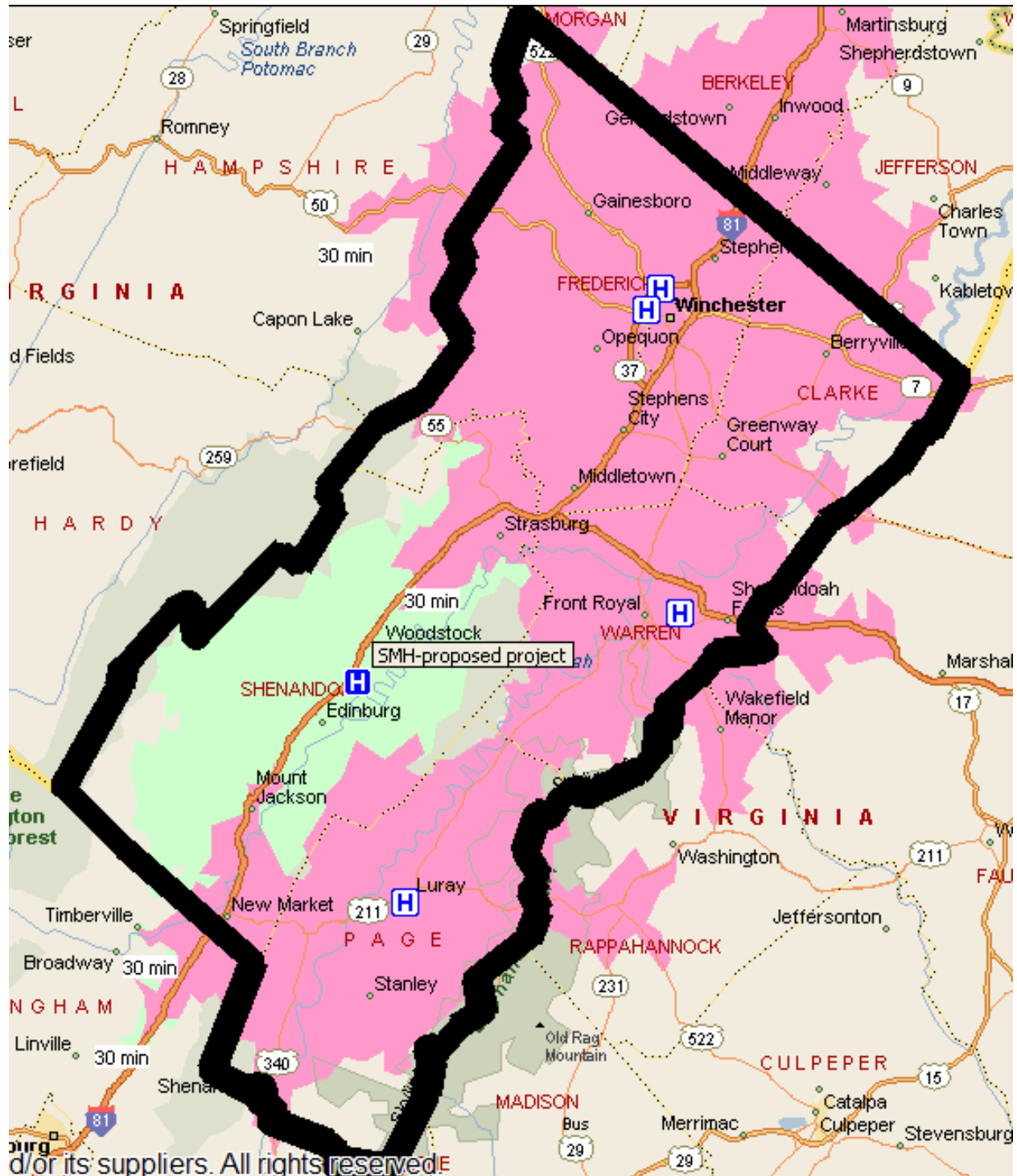
**Part II. Diagnostic Imaging Services
Article 1. Criteria and Standards for Computed Tomography**

12VAC5-230-90. Travel time.

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

The heavy black line in **Figure 1** identifies the boundaries of PD 7. The blue “H” sign marks the location of the proposed project, while the white “H” signs mark the locations of all other existing PD 7 providers of CT services. The green shaded area represents the areas of PD 7 that are within a 30 minutes’ drive of the proposed project, but not also within a 30 minutes’ drive of another PD 7 provider of CT services. The pink shaded area represents the areas of PD 7 that are within a 30 minutes’ drive of existing PD 7 providers of CT services, but not also within the same drive time of the proposed project. Based on the amount and location of shading, it appears that CT services currently exist within a 30-minute drive for at least 95% of the population of PD 7. Furthermore, as the applicant is a current provider of CT services, DCOPN concludes that approval of the proposed project is not likely to improve geographic access to services in any meaningful way. However, as the applicant cites an institutional need for the proposed additional CT unit, DCOPN contends that geographic access is not the factor that prevents the SMH patient population from receiving timely access to care.

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 no significantly reduce the utilization of existing providers in the health planning district. The utilization of existing scanners operated by a hospital 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.**
- 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.**

The applicant is not seeking to add a new fixed-site service, but rather, is proposing to expand an existing service. Accordingly, this standard is not applicable to the proposed project. The information below is presented for informational purposes only.

As noted in **Table 1**, in 2019, the most recent year for which such data from VHI is available, the nine CT scanners operational in PD 7 operated at a collective utilization of 109.8% (8,127 procedures per scanner) based on the SMFP expansion threshold of 7,400 CT procedures per scanner per year. Using 2019 VHI data, based on nine COPN authorized fixed CT scanners in PD 7 and reported CT volume of 73,141 procedures, there is a need for 9.8 (10) CT scanners in PD 7. DCOPN notes that the 2019 VHI data does not take into account the two CT scanners added to the PD 7 inventory since 2019. Therefore, at present, there is a calculated surplus of one CT scanner in PD 7.

2019 COPN authorized CT units per VHI data: 9
Calculated Needed CT units: $73,141 \text{ total scans} \div 7,400 = 9.8 (10)$
2021 CT scanner inventory: 11
CT scanner surplus: 1

However, DCOPN contends that the project warrants approval despite this calculated surplus. First, although there is a calculated net surplus of one CT scanner, DCOPN notes that, of Valley Health Winchester Medical Center's seven authorized CT scanners, one unit is a dedicated CT simulator, and one unit is an intraoperative CT scanner. When each of these units, as a result of their specialized nature, are removed from the collective PD 7 inventory, there is a recalculated total of nine CT scanners and a resulting deficit of one CT scanner. Secondly, as will be discussed in more detail later in this staff analysis report, DCOPN contends that the applicant has adequately demonstrated a unique institutional need for the proposed project. DCOPN consequently concludes that approval of the proposed project would address the deficit in PD 7 while simultaneously alleviating the overutilization of the sole existing SMH scanner.

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

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

As will be discussed in more detail later in this staff analysis report, the applicant has adequately demonstrated an institutional need to expand its current CT service. For 2019, the most recent year for which VHI data is available, the sole existing COPN approved CT scanner at SMH operated at a utilization rate of 117.7% (8,709 procedures per unit), far exceeding the 7,400 procedure threshold for expansion. Furthermore, data provided by the applicant indicates that while utilization at SMH dipped to 106% (7,840 procedure) in 2020, the sole existing CT unit operated at approximately 127% (9,430 procedures) in 2021 (**Table 7**). DCOPN notes that the decrease in utilization in 2021 is likely due to the impact of the COVID-19 pandemic and the temporary halt to elective procedures. Further, while DCOPN cannot quantifiably confirm the data provided by the applicant for 2020 and 2021, based on historical utilization trends and population growth, the applicant’s data appears to be reasonable. Additionally, DCOPN notes that the applicant projects the expanded service to operate at approximately 68.4% (10,124 procedures per scanner) in 2023 and at approximately 70.8% (10,474 procedures) in 2024. Again, based on historical increases in utilization as well as population, DCOPN concludes that these projections are reasonable. Finally, as briefly discussed, DCOPN concludes that no available capacity exists within the PD 7 Valley Health System for transfer, and that approval of the proposed project would address the overutilization experienced at SMH without having a significant negative impact on other area providers of CT services.

Table 7. Historical and Projected SMH CT Inventory and Utilization

Year	Units	Procedures	Procedures/Unit	Utilization
2015	1	5,988	5,988	80.9%
2016	1	6,190	6,190	83.6%
2017	1	6,916	6,916	93.5%
2018	1	7,542	7,542	101.9%
2019	1	8,709	8,709	117.7%
2020	1	7,840	7,840	105.9%
2021	1	9,430	9,430	127.4%
2023 (projected)	2	10,124	5,062	68.4%
2024 (projected)	2	10,474	5,237	70.8%

Source: VHI (2015-2019) and COPN Request No. VA-8597

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 scanner and that the proposed conversion will no significantly reduce the utilization of existing CT providers in the health planning district.**

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

12VAC5-230-130. Staffing.

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

The applicant has provided assurances that CT services at SMH will be under the direct supervision of one or more qualified physicians.

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

12VAC5-230-80. When institutional expansion needed.

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

As previously discussed, in 2019, the most recent year for which VHI data is available, the sole existing CT scanner at SMH operated at a utilization rate of 117.8%. Accordingly, maintaining the status quo is not a viable option. Also as previously discussed, DCOPN concludes that no available capacity exists within the PD 7 Valley Health System for reallocation to SMH. Accordingly, DCOPN maintains that no reasonable alternatives to the proposed project exist. DCOPN concludes that the applicant has adequately demonstrated a unique institutional need to expand its current service.

Eight Required Considerations Continued

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

The applicant has cited an institutional need to expand its existing CT service in an effort to decompress the utilization of the existing CT scanner on the hospital campus. As a result, the primary patient population this project would serve is patients who have already chosen SMH as their care provider. Furthermore, DCOPN again notes that each PD 7 provider of CT services operates as part of the Valley Health System. For these reasons, DCOPN contends that the proposed project is not intended to, and is unlikely to, foster institutional competition that would benefit the area to be served nor is it likely to have a significant negative impact on existing providers of CT services. Additionally, as the applicant is an established provider of CT services, DCOPN concludes that approval of the proposed project will not improve geographic access to underserved members of the population of PD 7 in any meaningful way.

5. The relationship of the proposed project to the existing health care system of the area to be served, including the utilization and efficiency of existing services or facilities;

As previously discussed, DCOPN has calculated a current net surplus of one CT scanner in PD 7. If approved, the proposed project would increase this surplus to two CT scanners. However, DCOPN contends that the proposed project warrants approval despite the nominal surplus, because SMH has adequately demonstrated a unique institutional need for the expansion due to its existing scanner operating above maximum capacity. Additionally, as already discussed, DCOPN contends that two existing CT scanners—the CT simulator and CT scanner dedicated to intraoperative use, both located at Winchester Medical Center—are removed from the inventory, the result is a recalculated deficit of one CT scanner. Furthermore, DCOPN reiterates that the primary patient population which would be served by this project are those patients who have already chosen SMH as their care provider. Finally, as each existing PD 7 provider of CT services operates under the Valley Health System, DCOPN concludes that approval of the proposed project is not likely to have a significant negative impact on any existing provider of CT 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 reasonable and consistent with previously authorized projects similar in clinical scope. Furthermore, the Pro Forma Income Statement (**Table 4**) provided by the applicant anticipates a net profit of \$6,879,089 in the first year of operation and \$7,134,536 by year two, indicating that the proposed project is financially feasible both in the immediate and the long-term. The applicant will fund the project entirely with accumulated reserves and accordingly, there are no financing costs associated with this project.

With regard to staffing, the applicant does not anticipate the need to hire any additional full-time employees in order to staff the proposed project. However, DCOPN notes that currently, there are 11 vacant positions at SMH. The applicant is a current provider of CT services with a robust employee recruitment and retention program. Accordingly, DCOPN concludes that should the need for additional staff arise, it does not anticipate that the applicant will have difficulty staffing the proposed project or that doing so would have a significant negative impact on other PD 7 providers of CT services.

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

The proposed project does not offer the introduction of new technology that promotes quality, cost effectiveness, or both in the delivery of health care services. However, the proposed project would improve the delivery of health care services at SMH by addressing the overutilization of its existing CT scanner. DCOPN again notes that the applicant bases its application on a unique institutional need for expansion and that accordingly, the patient population to be served is those patients already receiving care at SMH. For these reasons, DCOPN concludes that approval of the proposed project would result in timelier patient treatment.

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

The applicant is not a teaching hospital associated with a public institution of higher education or a medical school in the area to be served. Accordingly, this standard is not applicable to the proposed project.

DCOPN Staff Findings and Conclusions

SMH proposes to expand its existing CT service by adding one additional CT scanner at its main hospital campus. The applicant states that having a second CT scanner at SMH will improve wait times for both inpatients and outpatients as the second unit will allow the existing unit to be used strictly for emergency department patients, thereby satisfying the institutional need cited by the applicant. The projected capital costs of the proposed project total \$1,424,985, the entirety of which will be funded using the accumulated reserves of the applicant. Accordingly, there are no financing costs associated with this project. DCOPN finds the total capital cost to be reasonable and consistent with previously approved projects similar in clinical scope. Additionally, the Pro Forma Income Statement provided by the applicant indicates that the proposed project would

contribute to the overall profitability of SMH's CT program both in the immediate and the long-term. The applicant has provided a projected opening date of December 1, 2022.

In 2019, SMH's sole existing CT scanner operated at 117.7% utilization, far exceeding the SMFP expansion threshold. Although all existing PD 7 providers of CT services operate within the Valley Health System, DCOPN nonetheless concludes that no available capacity exists for reallocation. First, only two facilities operated beneath maximum capacity. The first, Valley Health Page Memorial, is a critical access hospital and DCOPN contends that relocating that facility's sole scanner would be ill-advised. The second, Winchester Imaging, operates at relatively high capacity (89.4%) and is also PD 7's sole freestanding provider of CT services. Accordingly, reallocation from that facility is not as advantageous as the proposed project. For these reasons, DCOPN concludes that no reasonable alternatives to the proposed project exist and that the applicant has adequately demonstrated an institutional need for the additional scanner. Should the Commissioner approve the proposed project, DCOPN recommends a charity care condition equal to 3.0%, consistent with the HPR I average, to be derived from CT gross patient services revenue.

DCOPN concludes that SMH's proposed project is generally consistent with the applicable criteria and standards of the SMFP and the Eight Required Considerations of the Code of Virginia. Additionally, DCOPN notes that there is no known opposition to the proposed project and that approval is not likely to have a significant negative impact on the utilization or staffing of existing facilities.

DCOPN Staff Recommendation

The Division of Certificate of Public Need recommends **conditional approval** of Valley Health Shenandoah Memorial Hospital's request to add one CT scanner for the following reasons:

1. The proposed project is generally consistent with the applicable criteria and standards of the State Medical Facilities Plan and the Eight Required Considerations of the Code of Virginia.
2. The capital costs are reasonable.
3. The proposed project appears economically viable both in the immediate and in the long-term.
4. No better alternative to the proposed project exists.
5. The applicant has adequately demonstrated a unique institutional need for the additional CT scanner.
6. There is no known opposition to the proposed project.
7. Approval of the proposed project is not likely to have a significant negative impact on the staffing or utilization of existing PD 7 providers of CT services.

DCOPN's recommendation is contingent upon Valley Health Shenandoah Memorial Hospital's agreement to the following charity care condition:

Valley Health Shenandoah Memorial Hospital will provide computed tomography services to all persons in need of this service, regardless of their ability to pay, and will provide as charity care to all indigent persons free services or rate reductions in services and facilitate the development and operation of primary care services to medically underserved persons in an aggregate amount equal to at least 3.0% of Valley Health Shenandoah 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. Valley Health Shenandoah 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.

Valley Health Shenandoah Memorial Hospital will provide CT services to individuals who are eligible for benefits under Title XVIII of the Social Security Act (42 U.S.C. § 1395 et seq.), Title XIX of the Social Security Act (42 U.S.C. § 1396 et seq.), and 10 U.S.C. § 1071 et seq. Additionally, Valley Health Shenandoah 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.