



COMMONWEALTH of VIRGINIA

Department of Health
PO BOX 2448
RICHMOND, VA 23218

M. Norman Oliver, MD, MA
State Health Commissioner

TTY 7-1-1 OR
1-800-828-1120

January 10, 2022

Ms. Emily W.G. Towey
Hancock, Daniel & Johnson, P.C.
Post Office Box 72050
Richmond, Virginia 23225-2050

RE: COPN No. VA-04766

**Augusta Health Care, Inc., d/b/a Augusta Health, Fishersville, Virginia
Addition of One General-Purpose Operating Room**

Dear Ms. Towey:

In accordance with Chapter 4, Article 1.1 of Title 32.1 of the Code of Virginia of 1950 (the Code), as amended, I reviewed the application and all supporting documents submitted by Augusta Health Care, Inc., doing business as Augusta Health, to add one general-purpose operating room.

As required by Section 32.1-102.3B of the Code, I have considered all factors that must be taken into account in a determination of public need, and I have concluded that **conditional approval** of the request is warranted based on the following findings:

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 capital costs are reasonable.
3. The proposed project appears economically viable both in the immediate and in the long-term.
4. No reasonable alternatives to the proposed project exist.
5. The applicant has adequately demonstrated a unique institutional need for the additional general-purpose operating room.
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 6 providers of surgical services.

This certificate is valid for the period January 10, 2022 through January 9, 2023. The total authorized capital cost of the project is \$971,744.

Please file two copies of the application for a certificate extension with the Department no later than 30 days before the expiration date of the certificate. Part VIII of the Virginia Medical Care Facilities Certificate of Public Need Rules and Regulations identifies the filing requirements and review procedure for certificate extension requests.

Sincerely,

A handwritten signature in blue ink that reads "M. Norman Oliver MD". The signature is fluid and cursive, with the "MD" at the end being more distinct.

M. Norman Oliver, MD, MA
State Health Commissioner

Enclosures

cc: Allyson Tysinger, Senior Assistant Attorney General, Commonwealth of Virginia
Erik Bodin, Director, Division of Certificate of Public Need
Deborah K. Waite, Operations Manager, Virginia Health Information
Elaine Stanek Perry, MD, MS, District Director, Central Shenandoah Health District

COMMONWEALTH OF VIRGINIA
DEPARTMENT OF HEALTH
MEDICAL CARE FACILITIES CERTIFICATE OF PUBLIC NEED

THIS CERTIFIES THAT Augusta Health Care, Inc., doing business as Augusta Health is authorized to initiate the proposal as described below.

NAME OF FACILITY: Augusta Health Care, Inc., doing business as Augusta Health

LOCATION: 78 Medical Center Drive, Fishersville, Virginia 22939

OWNERSHIP AND CONTROL: Augusta Health Care, Inc., doing business as Augusta Health

SCOPE OF PROJECT: Add one general-purpose operating room, resulting in a total complement of twelve general-purpose operating rooms. Capital costs associated with this project total \$971,744. The project is expected to be completed by May 1, 2022. This certificate is issued with the condition that appears on its reverse.



Pursuant to Chapter 4, Article 1:1 of Title 32.1, Sections 32.1-102.1 through 32.1-102.12 of the Code of Virginia (1950), as amended and the policies and procedures promulgated thereunder, this Medical Care Facilities Certificate of Public Need is issued contingent upon substantial and continuing progress towards implementation of the proposal within twelve (12) months from the date of issuance. A progress report shall be submitted to the State Health Commissioner within twelve (12) months from the date of issuance along with adequate assurance of completion within a reasonable time period. The Commissioner reserves the right not to renew this Certificate in the event the applicant fails to fulfill these conditions. This Certificate is non-transferable and is limited to the location, ownership, control and scope of the project shown herein.

Certificate Number: VA-04766

Date of Issuance: January 10, 2022

Expiration Date: January 9, 2023


M. Norman Oliver, MD, MA, State Health Commissioner

Augusta Health Care, Inc., d/b/a Augusta Health will provide general surgical 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 Augusta Health Care, Inc., d/b/a Augusta Health's total patient services revenue derived from general surgical 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. Augusta Health Care, Inc., d/b/a Augusta Health 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.

Augusta Health Care, Inc., d/b/a Augusta Health will provide general surgical 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, Augusta Health Care, Inc., d/b/a Augusta Health will facilitate the development and operation of primary and specialty medical care services in designated medically underserved areas of the applicant's service area.

VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis

November 19, 2021

COPN Request No. VA-8582

Augusta Health Care, Inc., d/b/a Augusta Health

Fishersville, Virginia

Add One General Purpose Operating Room

Applicant

Augusta Health Care, Inc., doing business as Augusta Health (Augusta) is a Virginia not-for-profit 501 (c)(3) corporation that is part of the Mayo Clinic network. Subsidiaries of the applicant include Augusta Medical Group, AHC Community Health Foundation, and Augusta Care Partners, LLC. Augusta Health is located in Fishersville, Virginia in Planning District (PD) 6, within Health Planning Region (HPR) I. Its primary service area includes Staunton City, Waynesboro City, and Augusta County.

Background

According to Division of Certificate of Public Need (DCOPN) records, there are 30 general-purpose operating rooms (GPORs) located in PD 6. Of these 30 GPORs, 29 are located within acute care hospitals and one is located within an outpatient surgical hospital (**Table 1**). DCOPN notes that of the 30 operating rooms in PD 6, two operating rooms at Sentara RMH Medical Center are dedicated to open-heart surgery and one operating room (not yet operational) is restricted to ophthalmic use. While these dedicated-use operating rooms are included in **Table 1** as part of the total PD 6 inventory, they have been excluded from utilization calculations found later in this staff analysis report.

Table 1: PD 8 COPN Authorized GPOR Inventory

Acute Care Hospital	Operating Rooms
Augusta Health	11
Bath County Community Hospital	1
Carilion Stonewall Jackson Hospital	3
Sentara RMH Medical Center	14*
Acute Care Hospital TOTAL	29
Outpatient Surgical Hospital	Operating Rooms
Rockingham Eye Surgery Center**	1
Grand TOTAL	30

Source: DCOPN Records

*Two of Sentara RHM Medical Center's operating rooms are dedicated to open-heart surgery.

**Authorized pursuant to COPN No. VA-04687. Expected to become operational in January 2022.

With regard to Augusta specifically, the applicant currently operates 11 GPORs, six endoscopy/pain special procedure rooms, and one cystoscopy suite. The following specialty surgery services are offered at Augusta: general, ENT, breast, GI endoscopy, GYN, neurosurgery, ophthalmology, oral maxillofacial, orthopedics, pain management, plastics, robotics, thoracic, urology and vascular.

Proposed Project

Augusta proposes to expand GPOR capacity at its facility through the conversion of an existing special procedure room to a GPOR. Minimal renovation is required to bring the special procedure room into compliance with GPOR design requirements. The total projected capital cost of the proposed project is \$971,744, the entirety of which will be funded using the accumulated reserves of the applicant (Table 2). Accordingly, there are no financing costs associated with this project. If approved, the applicant anticipates construction on the proposed project to begin by January 1, 2022, and to be complete by April 1, 2022. The applicant anticipates an opening date of May 1, 2022. The applicant cites a unique institutional need for the proposed additional GPOR.

Table 2. Augusta Capital Costs

Direct Construction Costs	\$571,263
Equipment Not Included in Construction Contract	\$249,211
Site Preparation Cost	\$21,450
Architectural and Engineering fees	\$129,820
TOTAL Capital Costs	\$971,744

Source: COPN Request No. VA-8582

Project Definition

§32.1-102.1:3 of the Code of Virginia (the Code) defines a project, in part, as "An increase in the total number of...operating rooms in an existing medical care facility described in subsection A." Medical care facilities are further defined, in part, as "Any facility licensed as a hospital, as defined in § 32.1-123."

Required Considerations -- § 32.1-102.3, of the Code of Virginia

In determining whether a public need exists for a proposed project, the following factors shall be taken into account when applicable.

- 1. The extent to which the proposed project will provide or increase access to health care services for people in the area to be served and the effects that the proposed project will have on access to health care services in areas having distinct and unique geographic, socioeconomic, cultural, transportation, and other barriers to access to health care;**

Geographically, Augusta fronts Lifecore Drive, which provides direct access to State Route 285. Route 285 connects to Interstate 64 and State Route 250. Augusta is also located near the junction of Interstates 81 and 64, making the location highly accessible.

With regard to public transportation, Augusta supports a regional transportation system through the Central Shenandoah Planning District called Blue Ridge Intercity Transit Express (BRITE). The BRITE system has numerous vans and buses, including handicapped accessible vans, and provides a fixed route transportation service that includes Staunton, Waynesboro and Augusta County. This system services Augusta, and the campus is often a transfer location for individuals utilizing the system. In addition, BRITE provides "on demand" service to patients coming to the hospital for procedures. Augusta currently provides a subsidy to BRITE to provide the public transportation service. In addition, August has an ambulance and transportation service that includes wheelchair van service for patients in the service area.

As will be discussed in more detail later in this staff analysis report, DCOPN notes that general surgical services are well within a 30-minute drive one way under normal conditions of 95% of the population of PD 6. Furthermore, DCOPN notes that the applicant is a current provider of this service. Accordingly, DCOPN contends that approval of the proposed project is not likely to improve geographic access to services in any meaningful way.

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 services revenues (**Table 3**). The Pro Forma Income Statement provided by the applicant (**Table 4**) anticipates a charity care contribution equal to 1.1% of gross revenues derived from general surgical services at Augusta, an amount far less than the average HPR I contribution. DCOPN notes that 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 general surgical services revenue. DCOPN further notes that this condition contains a provision allowing for the reassessment of the charity care 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. Augusta Pro Forma Income Statement

	Year 1 (2022)	Year 2 (2023)
Procedures	3,112	3,205
Gross Revenue	\$430,425	\$443,338
Deductions from Revenue	\$317,608	\$327,136
Net Revenue	\$112,817	\$116,201
Expenses	\$71,205	\$73,333
Depreciation	75	75
Net Income	\$41,537	\$42,794

Source: COPN Request No. VA-8582

Also with regard to socioeconomic barriers to access to services, DCOPN notes that, according to the most recent U.S. Census data, Augusta County, the locality in which Augusta is located, had a poverty rate of 7.3%, a percentage significantly less than the statewide average of 10.7% (Table 5). However, DCOPN notes that with regard to PD 6 as a whole, seven of ten localities had poverty rates higher than the statewide average, with three of those seven being more than double that of the statewide average.

Table 5. Statewide and PD 6 Poverty Rates

Locality	Poverty Rate
Virginia	10.7%
Augusta	7.3%
Bath	9.9%
Highland	12.4%
Rockbridge	11.5%
Rockingham	8.1%
Buena Vista	25.5%
Harrisonburg	28.3%
Lexington	27.4%
Staunton	11.1%
Waynesboro	16.8%

Source: U.S. Census Data (census.gov)

The most recent Weldon-Cooper data projects a total PD 6 population of 324,834 persons by 2030 (Table 6). This represents an approximate 13.3% increase in total population from 2010-2030. Comparatively, Weldon-Cooper projects the total population of Virginia to increase by 16.63% for the same period. With regard to Augusta County specifically, Weldon-Cooper projects a population growth increase of only 8.5% from 2010 to 2030. Regarding the 65 and older age cohort for PD 6, Weldon-Cooper projects a much more rapid increase in population growth (an approximate 56.9% increase from 2010 to 2030) (Table 7). This is significant, as this population group typically uses health care resources, including general surgical services, at a rate much higher than those individuals under the age of 65. With regard to Augusta County specifically, Weldon-Cooper projects the 65 and older age cohort to increase by only 8.5% from 2010 to 2030.

Table 6. Statewide and PD 6 Total Population Projections: 2010-2030

Locality	2010	2020	% Change	2030	% Change	2010-2030 % Change
Virginia	8,001,024	8,765,502	8.17%	9,331,666	7.82%	16.63%
Augusta	73,750	75,734	2.7%	80,035	5.7%	8.5%
Bath	4,731	4,377	(7.5%)	3,980	(9.1%)	(15.9%)
Highland	2,321	2,258	(2.7%)	2,080	(7.9%)	(10.4%)
Rockbridge	22,307	22,636	1.5%	23,290	2.9%	4.4%
Rockingham	76,314	82,720	8.4%	89,156	7.8%	16.8%
Buena Vista	6,650	6,302	(5.2%)	6,222	(1.3%)	(6.4%)
Harrisonburg	48,914	56,012	14.5%	63,037	12.5%	28.9%
Lexington	7,042	7,447	5.8%	7,622	2.3%	8.2%
Staunton	23,746	25,293	6.5%	25,577	1.1%	7.7%
Waynesboro	21,006	22,613	7.7%	23,835	5.4%	13.5%
TOTAL PD 6	286,781	305,392	6.5%	324,834	6.4%	13.3%

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

Table 7. PD 6 Population Projections Age 65+: 2010-2030

Locality	2010	2020	% Change	2030	% Change	2010-2030 % Change
Augusta	11,839	16,687	40.9%	20,388	22.2%	72.2%
Bath	1,052	1,166	10.9%	1,255	7.6%	19.3%
Highland	579	690	19.2%	798	15.6%	37.9%
Rockbridge	4,620	6,364	37.7%	7,688	20.8%	66.4%
Rockingham	11,964	16,179	35.2%	20,685	27.8%	72.9%
Buena Vista	1,068	1,204	12.7%	1,164	(3.3%)	9.0%
Harrisonburg	4,033	4,918	21.9%	5,944	20.9%	47.4%
Lexington	1,077	1,089	1.1%	1,040	(4.4%)	(3.4%)
Staunton	4,690	5,525	17.8%	6,311	14.2%	34.6%
Waynesboro	3,567	3,955	10.9%	4,542	14.8%	27.3%
TOTAL PD 6 65+	44,489	57,777	29.9%	69,815	20.8%	56.9%

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

DCOPN did not identify any other unique geographic, socioeconomic, cultural, transportation, or other barriers to care in the planning district.

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:

- Currently, Augusta's existing operating rooms are operating at or above full capacity. It is necessary for Augusta Health to have adequate operating room capacity in order to continue supporting referrals from the region.
- Too often, many patients requiring elective surgical procedures face scheduling difficulties due to Augusta's operating room utilization nearing capacity. This is difficult for patients and their loved ones who are forced to receive care away from home or experience delays in receiving care away from their communities.
- Limited operating rooms result in surgical providers facing block time shortages. These challenges have a negative impact on recruiting and retaining necessary providers. To ensure provider satisfaction and optimal delivery of patient care, and additional general-purpose operating room is essential.
- With the addition of a general-purpose operating room, access to essential healthcare services is improved. Patients can obtain familiar and high-quality services in a convenient location without leaving their community. Traveling outside of one's community to receive healthcare is often associated with lack of continuity and ultimately poor outcomes. The

addition of this operating room will ensure improved outcomes and effectively reduce healthcare costs.

DCOPN is unaware of any opposition to the proposed project. Additionally, DCOPN did not receive any 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 to hold a public hearing on the proposed project and accordingly, one was not 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;**

Augusta proposes to add one additional GPOR to its existing inventory, resulting in a total complement of 12 GPORs. As will be discussed in more detail later in this staff analysis report, Augusta's existing 11 GPORs operated at a collective utilization of 108.8% in 2019. Furthermore, the applicant reported that utilization is expected to exceed 109% in 2021. DCOPN notes that there are no other Augusta Health System facilities in PD 6 that provide surgical services and that accordingly, there is no available capacity for transfer or reallocation. Accordingly, DCOPN concludes that no reasonable alternatives to the proposed project exist and that the applicant has demonstrated an institutional need for the proposed additional GPOR.

- (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 Health Planning Agency for PD 6. Therefore, this consideration is not applicable to the review of the proposed project.

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

As illustrated in Table 2, the total projected capital costs for the proposed project total \$971,744, 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 high when compared to previously approved PD 6 projects similar in clinical scope (COPN No. VA-4607 authorized the addition of two GPORs and had a capital cost of \$500,000; COPN No. VA-3548 authorized the addition of one GPOR and had a capital cost of \$511,500¹). However, DCOPN notes that when compared to similar, previously approved projects in other planning districts across the Commonwealth, the projected capital costs appear reasonable (COPN No. VA-4747 authorized the addition of one GPOR in PD 8 and had a capital cost of \$1,335,884; COPN No. VA-4707 authorized the addition of one GPOR in PD 20 and had a capital cost of \$1,040,753).

¹ When adjusted for 2.5% annual inflation, cost would be approximately \$838,152 in 2021.

With regard to benefits of the proposed project, the applicant reiterates that there is a unique institutional need for the additional GPOR. The applicant states that approval of the proposed project is necessary for Augusta to continue meeting the needs of 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 surgical services will be accessible to all patients, regardless of financial considerations. Furthermore, as previously discussed, the Pro Forma Income Statement provided by the applicant anticipates a charity care contribution equal to 1.1% of gross revenues derived from general surgical services at Augusta, an amount far less than the average HPR I contribution. DCOPN notes that 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, consistent with the HPR I average, to be derived from total general surgical services revenue. DCOPN further notes that this condition contains a provision allowing for the reassessment of the charity care rate once more reliable data regarding the full impact of Medicaid expansion in the Commonwealth becomes available.

- (vi) **At the discretion of the Commissioner, any other factors as may be relevant to the determination of public need for a 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 V of the State Medical Facilities Plan (SMFP) contains the standards and criteria for the addition of general-purpose operating rooms. They are as follows:

**Part V.
General Surgical Services**

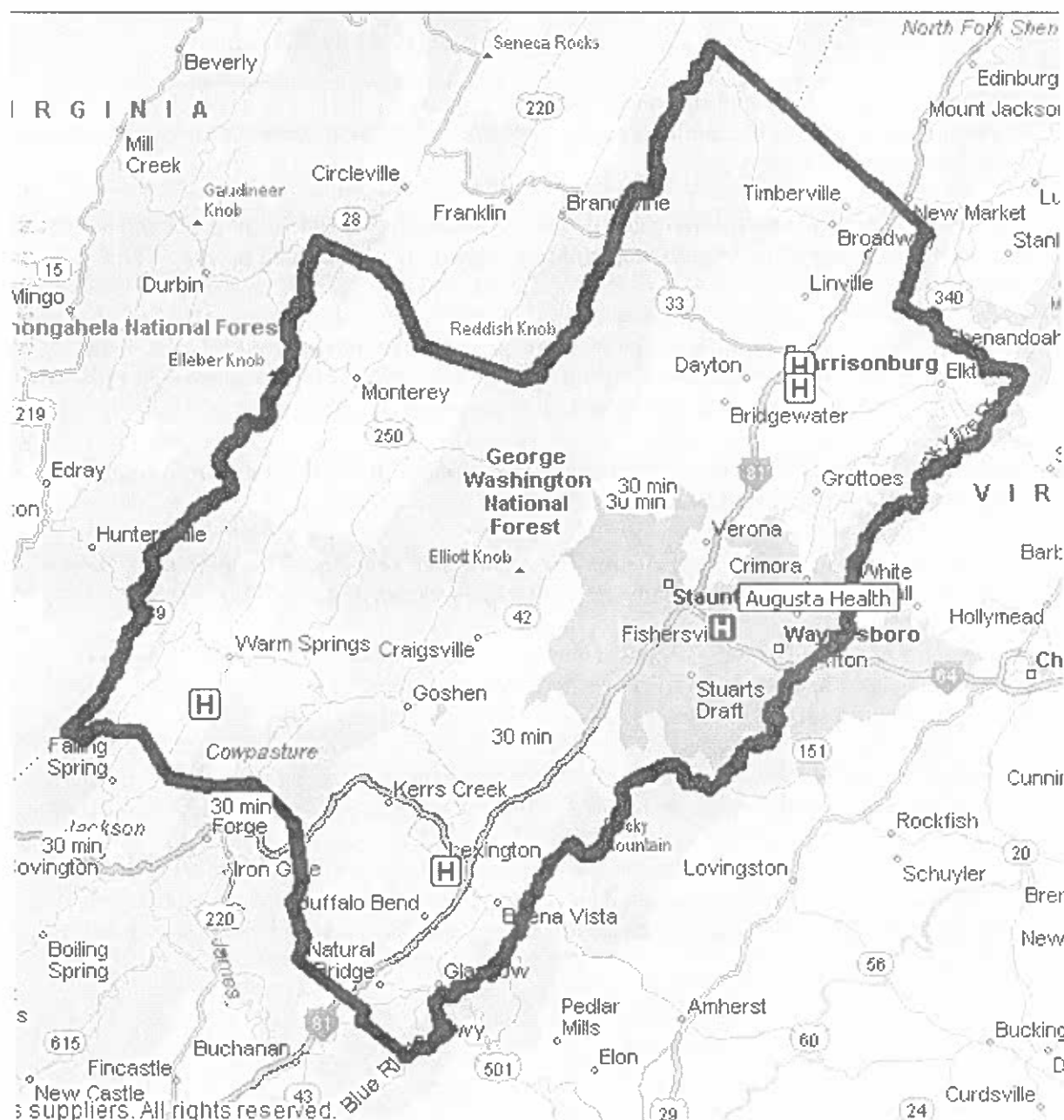
12VAC5-230-490. Travel time.

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

The heavy dark line in **Figure 1** represents the boundary of PD 6. The blue “H” symbol marks the location of the proposed project. The white “H” symbols mark the locations of all other existing providers of surgical services in PD 6. The green shading illustrates the area of PD 6 that is currently within 30 minutes driving time from an existing PD 6 facility that offers surgical services. The pink shaded area represents the area within a 30-minute drive of the applicant, but

not within a 30-minute drive of another existing provider of surgical services. As demonstrated by the map below, surgical services in PD 6 are heavily concentrated in the eastern and southern portions of the planning district. DCOPN notes that the unshaded area of the map below is sparsely populated, indicating that the majority of the population of PD 6 is within 30 minutes driving time to surgical services. Furthermore, DCOPN notes that the applicant is a current provider of surgical services. Accordingly, approval of the proposed project is not likely to significantly increase geographic access to surgical services for residents of PD 6 in any meaningful way. However, DCOPN notes that as the applicant is citing a unique institutional need for the proposed GPOR, geographic access is not the factor that prevents residents of PD 6 from receiving timely access to care.

Figure 1. Map of Surgical Services in Planning District 6



12VAC5-230-500. Need for new service.

- A. The combined number of inpatient and outpatient general purpose surgical operating rooms needed in a health planning district, exclusive of procedure rooms, dedicated cesarean section rooms, operating rooms designated exclusively for cardiac surgery, procedures rooms or VDH-designated trauma services, shall be determined as follows:

$$\text{FOR} = \frac{((\text{ORV} / \text{POP}) \times (\text{PROPOP})) \times \text{AHORV}}{1600}$$

Where:

ORV = the sum of the total inpatient and outpatient general purpose operating room visits in the health planning district in the most recent five years for which general purpose operating room utilization data has been reported by VHI; and

POP = the sum of total population in the health planning district as reported by a demographic entity as determined by the commissioner, for the same five-year period as used in determining ORV.

PROPOP = the projected population of the health planning district five years from the current year as reported by a demographic program as determined by the commissioner.

AHORV = the average hours per general purpose operating room visit in the health planning district for the most recent year for which average hours per general purpose operating room visits have been calculated as reported by VHI.

FOR = future general purpose operating rooms needed in the health planning district five years from the current year.

1600 = available service hours per operating room per year based on 80% utilization of an operating room available 40 hours per week, 50 weeks per year.

The applicant is not proposing to establish a new service, but rather, is proposing to expand existing surgical services. Accordingly, this standard is not applicable to the proposed project. However, in the interest of completeness, DCOPN will address this standard.

This standard is used to assess whether there is currently a need, or excess, of GPORs in PD 6. The preceding formula can also be used to determine the overall need for GPORs within PD 6 five years from the current year, i.e., in the year 2026. Based on operating room utilization submitted to and complied by VHI, for the five-year period from 2015-2019, which is the most recent five-year period for which relevant data is available, the total number of reported inpatient and outpatient GPOR visits to hospital-based and ambulatory surgical centers are shown below in Table 8.

Table 8. Inpatient & Outpatient GPOR Visits in PD 6: 2015-2019

Year	Total Inpatient & Outpatient Operating Room Visits
2015	24,266
2016	19,982
2017	18,723
2018	17,622
2019	18,678
TOTAL	99,271
Average	19,854

Source: VHI (2015-2019)

Based on actual population counts derived as a result of the U.S. Census and population projections as compiled by Weldon Cooper, **Table 9** presents the population estimates for PD 6 for the five years from 2015 to 2019 and the projected population estimate for 2026.

Table 9. PD 6 Population 2015-2019 & 2026

Year	Population
2015	296,087
2016	297,948
2017	299,809
2018	301,670
2019	303,531
TOTAL	1,499,044
Average	299,809
2026	319,002

Source: Weldon Cooper

Based on the above population estimates from Weldon Cooper, and using the average annual increase of 1,861 from 2010 to 2020, and 1,944 from 2020 to 2030, the cumulative total population of PD 6 for the same historical five-year period as referenced above, i.e., 2015-2019, was 1,499,044, while Weldon Cooper projects the population of PD 6 in the year 2026 (PROPOP – five years from the current year) to be 319,002. These figures are necessary for the application of the preceding formula, as follows:

ORV	÷	POP	=	CSUR
Total PD 6 GPOR Visits 2015 to 2019		PD 6 Historical Population 2015 to 2019:		Calculated GPOR Use Rate 2015 to 2019:
99,271		1,499,044		0.0662

CSUR	X	PROPOP	=	PORV
Calculated GPOR Use Rate 2015 to 2019		PD 6 Projected Population 2026		Projected GPOR Visits 2026:
0.0662		319,002		21,118

AHORV is the average hours per operating room visit in the planning district for the most recent year for which average hours per operating room visit has been calculated from information collected by the Virginia Department of Health.

According to VHI data from 2019, the most recent year for which such data is available, there were 37,225 inpatient and outpatient operating room hours for that year² (Table 10). AHORV = 37,225 total inpatient and outpatient operating room hours reported to VHI for 2019, divided by 18,678 total inpatient and outpatient operating room visits reported to VHI for that same year.

$$\text{AHORV} = 1.9930$$

Table 10. 2019 PD 6 General Purpose Operating Room Utilization

Facility	Operating Rooms	Total Hours	Use Per OR	Utilization Rate
Augusta Health	11*	17,414	1,741	108.8%
Bath County Community Hospital	1	714	714	44.6%
Carilion Stonewall Jackson Hospital	3	2,028	676	42.3%
Sentara RMH Medical Center	12	17,069	1,422	88.9%
TOTAL	26	37,225	1,432	89.5%

Source: VHI (2019)

*2019 data reports 10 GPORs, however the applicant currently operates 11 GPORs.

$$\text{FOR} = \frac{((\text{ORV} / \text{POP}) \times (\text{PROPOP})) \times \text{AHORV}}{1600}$$

$$\text{FOR} = \frac{((99,271 / 1,499,044) \times (319,002)) \times 1.9930}{1600}$$

$$\text{FOR} = 42,102.6 / 1600$$

$$\text{FOR} = 26.3 \text{ (27) General Purpose Operating Rooms Needed in PD 6 in 2026}$$

$$\text{Current PD 6 GPOR Inventory (excluding cardiac and ophthalmic ORs): 27}$$

$$\text{Net GPOR Need} = 0$$

As shown above, DCOPN has calculated that there will be no need nor surplus of GPORs in the 2026 planning year. If approved, the proposed project would result in a net surplus of one GPOR in the planning district. DCOPN notes the 26 PD 6 GPORs (excluding cardiac and ophthalmic ORs) in operation in 2019 operated at a collective utilization of 89.5%. Even when considering the eventual impact of the recent addition of one GPOR to the PD 6 inventory, DCOPN concludes that the collective PD 6 inventory operates at relatively high utilization. More specifically, the collective

²² Surgical volume for dedicated cardiac and ophthalmic operating rooms have been excluded from DCOPN calculations.

Augusta inventory operated at 108.8% in 2019, indicating that more capacity is specifically needed at Augusta, in order for the applicant to adequately serve its existing patient population. As has been briefly discussed and as will be discussed in more detail later in this staff analysis report, DCOPN concludes that no reasonable alternative to the proposed project exists and that accordingly, Augusta's current capacity demonstrates an institutional need for expansion.

- B. Projects involving the relocation of existing operating rooms within a health planning district may be authorized when it can be reasonably documented that such relocation will: (i) improve the distribution of surgical services within a health planning district; (ii) result in the provision of the same surgical services at a lower cost to surgical patients in the health planning district; or (iii) optimize the number of operations in the health planning district that are performed on an outpatient basis.**

Not applicable. The applicant is not seeking approval to relocate an existing operating room.

12VAC5-230-510. Staffing.

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

The applicant has provided assurances that surgical services will 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:

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.**

Augusta proposes to add one additional GPOR to its existing complement, resulting in a total complement of 12 GPORs. With a utilization rate of 108.8% in 2019, the most recently available data confirms that Augusta's current capacity demonstrates an institutional need for expansion. Furthermore, the applicant reported that utilization is expected to exceed 109% in 2021. The applicant states that the need for expanded surgical capacity will continue to increase as it recruits

additional surgeons to its medical staff. Information provided by the applicant indicates that in 2021 alone, it has added seven surgeons to its staff (1 spine surgeon; 2 orthopedic surgeons; 1 urologist; 1 breast surgeon; 1 ophthalmologist; and 1 GYN). DCOPN notes that no other Augusta Health System facility exists from which to transfer the requested operating room, and accordingly, there is no available capacity for reallocation. DCOPN concludes that no reasonable alternatives to the proposed project exist. For the preceding reasons, DCOPN concludes that the applicant has adequately demonstrated a unique institutional need for the requested additional GPOR.

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;

Recognizing that the proposed project is intended to meet a unique institutional need, DCOPN does not find that the proposal is intended to foster institutional competition, but rather is intended to ensure Augusta's patient population timely access to needed surgical services. Furthermore, as the applicant is an established provider of surgical services, DCOPN notes that the project would not introduce a new service provider or a new service delivery site to PD 6. Accordingly, DCOPN concludes that the proposed project would not improve geographic access to underserved members of PD 6.

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 already discussed, existing GPORs in PD 8 operated at a collective utilization of 89.5% in 2019. DCOPN notes that when considering all subsequent additions to the PD 6 inventory, should PD 6 volume remain unchanged, approval of the proposed project would result in a collective PD 6 GPOR utilization of approximately 86.2%. DCOPN again notes that the applicant bases its project on a unique institutional need for expansion that, as previously discussed, DCOPN concludes has been adequately demonstrated. Accordingly, DCOPN maintains that no reasonable alternative to the requested additional GPOR exists. Furthermore, as the requested GPOR will serve patients already treated at Augusta, DCOPN contends that the proposed project is not likely to have a significant negative impact upon the utilization of existing surgical services providers in PD 6.

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 Pro Forma Income Statement (**Table 4**) provided by the applicant anticipates retained earnings of \$41,537 by the end of the first year of operation and \$42,794 in year two, illustrating that the proposed project is financially feasible both in the immediate and the long-term. As already discussed, DCOPN contends that while costs for the proposed project are high when compared only to similar and previously authorized projects in PD 6, when compared to previously authorized projects across the Commonwealth as a whole, the capital costs appear reasonable. The applicant ill

fund the project entirely using accumulated reserves and accordingly, there are no financing costs associated with this project.

With regard to staffing, the applicant anticipates the need to hire an additional nine full-time employees to staff the proposed project, six of which are registered nurse positions. DCOPN notes that this is in addition to the 33.5 full-time positions currently advertised as vacant. However, DCOPN notes that the applicant is an established provider of surgical services with a robust employee recruitment and retention plan. Accordingly, DCOPN does not anticipate that the applicant will have difficulty staffing the proposed project. Furthermore, with regard to the staffing required for this specific project and not for hospital vacancies as a whole, due to the low number of employees needed, DCOPN does not anticipate that staffing will result in a significant negative impact on existing providers of surgical services in PD 6.

- 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 would promote quality, cost effectiveness, or both in the delivery of health care services. However, as many surgical procedures are performed on an outpatient basis, the expansion of Augusta's existing service would provide for the potential for provision of health care services on an outpatient basis. DCOPN again notes that each applicant bases its application on a unique institutional need for expansion and that accordingly, the patient population to be served by the proposed project is those patients already receiving care at Augusta. 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.**

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. The proposed project would not contribute to the unique research, training, or clinical mission of a teaching hospital or medical school.

DCOPN Staff Findings and Conclusions

Augusta proposes to expand its existing surgical services through the addition of one new GPOR. The projected capital costs of the proposed project total \$971,744, 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 these costs are 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 Augusta's surgical services program both in the immediate and the long-term. The applicant anticipates a May 1, 2022 date of opening.

Augusta's existing 11 GPORs operated at 108.8% of the SMFP threshold for expansion in 2019. Furthermore, as no other Augusta Health System facility provides surgical services in PD 6, DCOPN concludes that no reasonable alternative to the proposed project exists. Accordingly, DCOPN concludes that the applicant has adequately demonstrated a unique institutional need for the proposed expansion. 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 surgical services gross patient services revenue.

DCOPN Staff Recommendations

The Division of Certificate of Public Need recommends **conditional approval** of Augusta Health Care, Inc., d/b/a Augusta Health's request to add one general-purpose operating room 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 reasonable alternatives to the proposed project exist.
5. The applicant has adequately demonstrated a unique institutional need for the additional general-purpose operating room.
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 6 providers of surgical services.

DCOPN's recommendation is contingent upon Augusta Health Care, Inc., d/b/a Augusta Health's agreement to the following charity care condition:

Augusta Health Care, Inc., d/b/a Augusta Health will provide general surgical services 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 4.16% of Augusta Health Care, Inc., d/b/a Augusta Health's

total patient services revenue derived from general surgical 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. Augusta Health Care, Inc., d/b/a Augusta Health 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.

Augusta Health Care, Inc., d/b/a Augusta Health will provide general surgical 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, Augusta Health Care, Inc., d/b/a Augusta Health will facilitate the development and operation of primary and specialty medical care services in designated medically underserved areas of the applicant's service area.



Care that makes a lifetime.

November 22, 2021

VIA EMAIL (Erik.Bodin@vdh.virginia.gov)

Erik Bodin, Director
Division of Certificate of Public Need
Office of Licensure and Certification
9960 Mayland Drive, Suite 401
Richmond, VA 23233

**Re: COPN Request No. VA-8582
Augusta Health Care, Inc. d/b/a Augusta Health, Fishersville, Virginia
Addition of One General Purpose Operating Room**

Dear Mr. Bodin:

Augusta Health Care, Inc. d/b/a Augusta Health, Fishersville, Virginia ("Augusta") is in receipt of the Division of Certificate of Public Need's ("DCOPN") Staff Report for COPN Request No. VA-8582, dated November 19, 2021, wherein the DCOPN recommended conditional approval of the above-referenced project, subject to the charity care condition outlined in the Staff Report. I am writing to confirm that Augusta agrees to the recommended charity care condition of 3.0 percent.

I appreciate your office's assistance with this project. If you have any questions or require additional information, please contact me at (804) 967-9604.

Sincerely,

Mark LaRosa
VP of Business Development & CSO

cc: Division of Certificate of Public Need (copn@vdh.virginia.gov)
Mary N. Mannix, Augusta Health (MLaRosa@AugustaHealth.com)
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