

VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis

February 2, 2022

COPN Request No. VA-8593

Medical Imaging of Fredericksburg, LLC

Fredericksburg, Virginia

Add One MRI Scanner

COPN Request No. VA-8594

MediCorp Properties, Inc.

Fredericksburg, Virginia

Establish a Diagnostic Imaging
Center through the Relocation of
One CT Scanner and One MRI
Scanner

Applicants

COPN Request No. VA-8593: Medical Imaging of Fredericksburg, LLC (MIF)

Medical Imaging of Fredericksburg, LLC (MIF) is a Virginia limited liability company jointly owned by MediCorp Services, Inc. (MediCorp) and Virginia Medical Imaging, Inc. (VMI).

MediCorp, the majority member with a 51% interest, is a for-profit subsidiary of the MediCorp Health System. VMI is the minority member with a 49% interest. The proposed project pertains to the MIF-owned Medical Imaging at Lee's Hill facility, which is located in Fredericksburg, Virginia in Planning District (PD) 16 within Health Planning Region (HPR) I.

COPN Request No. VA-8594: MediCorp Properties, Inc. (MPI)

MediCorp Properties, Inc. (MPI) is a Virginia nonstock corporation located in Fredericksburg, Virginia in PD 16 within HPR I. The sole member of MCP is Mary Washington Healthcare, a 501(c)(3) Virginia not-for-profit, non-stock corporation.

Background

CT Services in PD 16

According to Virginia Health Information (VHI) data, the 12 diagnostic CT scanners that were operational in PD 16 in 2019 operated at a collective utilization of 102.3%, or an average of 7,573 procedures per unit (**Table 1**). DCOPN notes that since 2019, three additional CT scanners have been added to the PD 16 inventory, as noted in **Table 1** below. DCOPN notes that utilization of CT scanners at hospital-based facilities varies significantly from that of CT scanners located at freestanding facilities. Specifically, in 2019, the eight diagnostic CT scanners located at hospital-based facilities in PD 16 operated at a collective utilization of 118.5% (8,767 procedures per unit), far exceeding the State Medical Facilities Plan (SMFP) expansion threshold of 7,400 procedures per scanner per year, while the four operational scanners at freestanding facilities operated at only 70.1% (5,185 procedures per unit) for the same period. DCOPN notes that all CT scanners used solely for simulation purposes have been excluded from **Table 1** below.

Table 1. COPN Authorized Diagnostic CT Units and Utilization in PD 16: 2019

Hospital Based Facilities	Units ¹	Procedures	Procedures/Unit	Utilization ²
Mary Washington Hospital	5*	39,008	9,752	131.8%
Spotsylvania Regional Medical Center	2	17,547	8,774	118.6%
Stafford Hospital Center	2	13,579	6,790	91.8%
Hospital Based TOTAL and Average	9³	70,134	8,767	118.5%
Freestanding Facilities				
Chancellor ER	1**	--	--	--
Medical Imaging at Lee's Hill	1	6,075	6,075	82.1%
Medical Imaging of Fredericksburg	3***	11,957	5,979	80.8%
Medical Imaging of North Stafford	1	2,708	2,708	36.6%
Freestanding TOTAL and Average	6⁴	20,740	5,185	70.1%
Grand TOTAL and Average	15⁵	90,874	7,573	102.3%

Source: 2019 VHI data and DCOPN records

*COPN No. VA-04698, issued in February 2020 and expected to become operational in March of 2022, authorized the addition of one CT scanner.

**COPN No. VA-04697, issued in February 2020, authorized the establishment of Chancellor ER, a freestanding facility to include one CT scanner. This unit is not yet operational and thus, utilization data is not available from VHI.

***COPN No. VA-04696, issued in February 2020, authorized the addition of a third CT scanner and is not yet operational.

MRI Services in PD 16

According to Virginia Health Information (VHI) data, the seven MRI scanners that were operational in PD 16 in 2019 operated at a collective utilization of 59.3%, or an average of 2,963 procedures per unit (**Table 2**). DCOPN notes that since 2019, two additional MRI scanners have been added to the PD 16 inventory, as noted in **Table 2** below. DCOPN notes that utilization of MRI scanners at hospital-based facilities varies significantly from that of MRI scanners located at freestanding facilities. Specifically, in 2019, the three MRI scanners located at hospital-based facilities in PD 16 operated at a collective utilization of 66.3% (3,316 procedures per unit), falling short of the SMFP expansion threshold of 5,000 procedures per scanner per year, while the four operational scanners at freestanding facilities operated at only 54% (2,699 procedures per unit) for the same period. Additionally, DCOPN notes that while information for Medical Imaging of Fredericksburg was not included in the 2019 VHI data, as the scanner at that facility appears to have been operational during the relevant reporting period, the unit has been included in the number of scanners used to calculate the cumulative PD 16 utilization.

¹ For purposes of inventory and utilization, all CT units used solely for simulation purposes have been removed from **Table 1**.

² All utilization calculations made using 2019 VHI data for procedures performed and number of units.

³ While not included in the overall calculations for utilization, this number reflects additions to the PD 16 inventory made subsequent to 2019.

⁴ While not included in the overall calculations for utilization, this number reflects the current PD 16 inventory and includes all additions made subsequent to 2019.

⁵ While not included in the overall calculations for utilization, this number reflects the current PD 16 inventory and includes all additions made subsequent to 2019.

Table 2. COPN Authorized MRI Units and Utilization in PD 16: 2019

Hospital Based Facilities	Units	Procedures	Procedures/Unit	Utilization⁶
Mary Washington Hospital	2*	4,829	4,829	96.6%
Spotsylvania Regional Medical Center	1	3,109	3,109	62.2%
Stafford Hospital Center	1	2,010	2,010	40.2%
Hospital Based TOTAL and Average	4⁷	9,948	3,316	66.3%
Freestanding Facilities				
Medical Imaging at Lee's Hill	1	6,764	6,764	135.3%
Medical Imaging of Fredericksburg	3**	--	--	--
Medical Imaging of North Stafford	1	4,032	4,032	80.6%
Freestanding TOTAL and Average	5⁸	10,796	2,699	54.0%
Grand TOTAL and Average	9⁹	20,744	2,963	59.3%

Source: 2019 VHI data and DCOPN records

*COPN No. VA-04759, issued in November 2021, authorized the addition of a second MRI scanner and is not yet operational.

**COPN No. VA-04696, issued in February 2020, authorized the addition of one MRI scanner and is not yet operational. Additionally, utilization data for this facility was not reported to VHI for 2019. However, because the unit was operational in 2019, this scanner has been included in the inventory and used for the calculation of PD 16 utilization.

COPN Request No. VA-8593: Medical Imaging of Fredericksburg, LLC (MIF)

As demonstrated in **Table 2** above, the existing MRI scanner at the Medical Imaging at Lee's Hill facility operated at 135.3% utilization (6,764 procedures) in 2019, far surpassing the SMFP expansion threshold of 5,000 procedures per unit.

COPN Request No. VA-8594: MediCorp Properties, Inc. (MPI)

Utilization data for the former Pratt facility was not reported to VHI in 2019. As will be discussed in more detail throughout this staff analysis report, DCOPN concludes that the applicant has failed to demonstrate that the CT and MRI units proposed to be transferred as part of this project were operational in 2019, thus DCOPN concludes that a COPN for new equipment is required.

Proposed Projects

COPN Request No. VA-8593: Medical Imaging of Fredericksburg, LLC (MIF)

MIF seeks authorization to add a second MRI unit at its Medical Imaging at Lee's Hill (Lee's Hill) facility in order to satisfy an institutional need. The proposed project will be located in a building expansion and interior fit out within the existing facility. The 1,138 gross square foot building addition and 660 gross square foot interior renovation will support fit out for an MRI magnet room including control, equipment room, and patient support spaces. The new MRI area will be integrated

⁶ All utilization calculations made using 2019 VHI data for procedures performed and number of units.

⁷⁷ While not included in the overall calculations for utilization, this number reflects the current PD 16 inventory and includes all additions made subsequent to 2019.

⁸ While not included in the overall calculations for utilization, this number reflects the current PD 16 inventory and includes all additions made subsequent to 2019.

⁹ While not included in the overall calculations for utilization, this number reflects the current PD 16 inventory and includes all additions made subsequent to 2019.

into the existing imaging facility, designed to allow efficient and collocated use of MRI personnel and resources.

The projected capital costs of the proposed project total \$3,052,521, the entirety of which will be funded using the accumulated reserves of the applicant (**Table 3**). Accordingly, there are no financing costs associated with this project. The applicant expects construction on the proposed project to begin on May 1, 2022 and to be complete by February 1, 2023. The applicant anticipates a September 7, 2022 date of opening.

Table 3. MIF Projected Capital Costs

Direct Construction Costs	\$1,367,276
Equipment Not Included in Construction Contract	\$1,064,071
Site Acquisition Costs	\$341,006
Site Preparation Costs	\$26,543
Architectural and Engineering Fees	\$240,540
Other Consultant Fees	\$13,086
TOTAL Capital Costs	\$3,052,521

Source: COPN Request No. VA-8593

COPN Request No. VA-8594: MediCorp Properties, Inc. (MPI)

MPI seeks to establish a freestanding imaging facility (Medical Imaging—Harrison Crossing) for the provision of CT and MRI services through the relocation and replacement of one CT unit and one MRI unit from its facility located at 12101 Carol Lane in Fredericksburg—the former Sentara Pratt Medical Center Imaging Center. The proposed new location will be located at 5501 Plank Road in Fredericksburg, approximately 1.8 miles from the current site. Upon completion of the proposed project, the Carol Lane facility will be converted for use as a Graduate Medical Education facility. The applicant states that the purpose of the Graduate Medical Education program is to address the shortages of Primary Care and other specialties in PD 16 and that the Carol Lane site is critical to allow for the expansion of the program.

In addition to CT and MRI services, the proposed new facility will also include X-Ray, ultrasound, and mammography. These services will be offered alongside a collocated freestanding emergency department. The project will be located in a new, single-story building within the Harrison Crossing shopping complex on the Route 3 corridor in Spotsylvania County. The overall square footage of the proposed facility will be 8,610 gross square feet, including approximately 2,300 square feet for a CT scan room, control room, patient changing and prep rooms, plus an MRI scan room including control, equipment, and patient support spaces. Furthermore, the transferred MRI unit will be replaced with an open MRI.

The projected capital costs of the proposed project total \$4,499,805, the entirety of which will be funded using the accumulated reserves of the applicant (**Table 4**). Accordingly, there are no financing costs associated with this project. The applicant anticipates construction on the proposed project to begin on June 1, 2022 and to be complete by June 1, 2023. The applicant anticipates a July 1, 2023 date of opening.

Table 4. MPI Projected Capital Costs

Direct Construction Costs	\$1,940,636
Equipment Not Included in Construction Contract	\$2,046,102
Site Acquisition Costs	\$140,000
Site Preparation Costs	\$1,12,500
Architectural and Engineering Fees	\$235,331
Other Consultant Fees	\$12,736
Taxes During Construction	\$12,500
TOTAL Capital Costs	\$4,499,805

Source: COPN Request No. VA-8594

Project Definitions

COPN Request No. VA-8593: Medical Imaging of Fredericksburg, LLC (MIF)

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...magnetic resonance imaging (MRI)...” A medical care facility includes “Any specialized center...developed for the provision of...magnetic resonance imaging (MRI)...”

COPN Request No. VA-8594: MediCorp Properties, Inc. (MPI)

Section 32.1-102.1:3 of the Code of Virginia defines a project, in part, as the “Establishment of a medical care facility described in subsection A.” A medical care facility includes “Any specialized center...developed for the provision of...computed tomographic (CT) scanning, magnetic resonance imaging (MRI)...”

The two COPN requests which are the subject of this staff analysis report, COPN Request No. VA-8593 and COPN Request No. VA-8594, are considered competing requests. Per section 12VAC5-220-220 of the Virginia Medical Care Facilities Certificate of Public Need Rules and Regulations, applications for the same or similar services proposed for the same PD are considered competing applications. Both requests that are the subject of this review include an increase in MRI scanner capacity in PD 16 and, therefore, are considered competing with respect to diagnostic imaging services.

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;**

COPN Request No. VA-8593: Medical Imaging of Fredericksburg, LLC (MIF)

Geographically, the proposed project will be located just off State Route 1 in Spotsylvania County. It is easily accessible from Interstate 95 and State Route 1. The facility can be accessed through several secondary roads for patients who are not comfortable traveling on major

highways and is proximate to Route 17 and Route 208, accommodating populations to both the east and west. The facility is also located 5.1 miles from the Virginia Railway Express/Amtrak Fredericksburg Station, and 6.5 miles from the Spotsylvania Station (both serving Zone 9). The facility also has access to the FRED Transit bus transportation system (Routes S1, S4, and S5). As will be discussed in more detail later in this staff analysis report, at least 95% of the population of PD 16 appears to be located within a 30 minute drive time, one way, under normal driving conditions of existing MRI services. However, the applicant states that because its sole existing MRI scanner operates at maximum capacity, geographic access is not the factor that prohibits access to timely care for residents of PD 16.

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 5**). DCOPN notes that the Pro Forma Income Statement provided by the applicant (**Table 6**) anticipates a charity care contribution equal to 3.0% of gross patient services revenue derived from MRI services (reflected in the “Deductions from Revenue” line). While this amount is in line with the average HPR I contribution, DCOPN notes that as part of the Mary Washington Health System, the proposed project, if approved, would be subject to the existing 2.4% system-wide charity care condition currently in place, reflected in its letter dated March 17, 2010 and most recently cited in COPN No. VA-04698.

Table 5. 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 6. MIF Pro Forma Income Statement

	Year 1	Year 2
Gross Patient Revenue	\$7,214,689.14	\$7,967,836.91
Deductions from Revenue	\$5,524,898.73	\$6,150,994.13
Net Revenue	\$1,689,790	\$1,816,843
Operating Expenses	\$1,270,720	\$1,441,634
Net Income	\$419,070	\$375,208

Source: COPN Request No. VA-8593

Regarding the socioeconomic barriers to access to services, DCOPN notes that, according to the most recent U.S. Census data, Fredericksburg City, the locality in which the proposed project is located, had a poverty rate of 15.5%, a percentage nearly double that of the 9.2% statewide average (**Table 7**). DCOPN also notes that within PD 16, two of five localities had poverty rates higher than the statewide average.

Table 7. Statewide and PD 16 Poverty Rates

Locality	Poverty Rate
Virginia	9.2%
Caroline	9.8%
King George	6.0%
Spotsylvania	6.6%
Stafford	5.4%
Fredericksburg City	15.5%

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

The most recent Weldon-Cooper data projects a total PD 16 population of 441,075 persons by 2030 (**Table 8**). This represents an approximate 34.6% increase in total population from 2010-2030. Comparatively, Weldon-Cooper projects the total population of Virginia to increase by only 16.6% for the same period. With regard to Fredericksburg City specifically, Weldon-Cooper projects a total population growth increase of 40.1% 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 16 collectively, a 144.8% increase is projected, while an increase of only 76.4% is projected statewide. This is significant, as this population group typically uses health care resources, including diagnostic imaging services such as MRI services, at a rate much higher than those individuals under the age of 65.

Table 8. Statewide and PD 16 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%
Caroline	28,545	30,740	7.7%	34,821	13.3%	22.0%
King George	23,584	26,429	12.1%	31,053	17.5%	31.7%
Spotsylvania	122,397	136,192	11.3%	158,025	16.0%	29.1%
Stafford	128,961	154,093	19.5%	183,161	18.9%	42.0%
Fredericksburg City	24,286	29,403	21.1%	34,015	15.7%	40.1%
Total PD 16	327,773	376,857	15.0%	441,075	17.0%	34.6%

PD 16 65+	30,132	50,618	68.0%	73,759	45.7%	144.8%
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.

COPN Request No. VA-8594: MediCorp Properties, Inc. (MPI)

Geographically, the proposed project will be located off State Route 3 West in Spotsylvania County. The site is accessible from Interstate 95 via State Route 3, along secondary roads including Harrison Road, Gordon Road, and River Road via State Route 620, and is located 6.6 miles from the Virginia Railway Express/Amtrak Fredericksburg (Zone 9) station. As will be discussed in more detail later in this staff analysis report, at least 95% of the population of PD 16 appears to be located within a 30 minute drive time, one way, under normal driving conditions of existing CT and MRI services. However, the applicant states that the project is needed in order to accommodate a growing educational program and that accordingly, lack of geographic access is not the driving factor for the proposed project.

Regarding socioeconomic barriers to access to the applicant’s services, the Pro Forma Income Statement provided by the applicant (**Table 9**) anticipates a charity care contribution equal to 2.5% of gross patient services revenue derived from CT and MRI services (reflected in the “Deductions from Revenue” line), an amount slightly beneath the 3.0% HPR I average (**Table 5**). However, as part of the Mary Washington Health System, the proposed project, if approved, would be subject to the existing 2.4% system-wide charity care condition currently in place, reflected in its letter dated March 17, 2010 and most recently cited in COPN No. VA-04698.

Table 9. MPI Pro Forma Income Statement

	Year 1	Year 2
Gross Patient Revenue	\$9,951,057	\$12,319,669
Deductions from Revenue	\$8,014,584	\$9,986,274
Net Revenue	\$1,936,473	\$2,333,395
FSED Income from Under Arrangement Payments	\$1,010,689	\$1,074,373
TOTAL Net Patient Revenue and FSED Payments	\$2,947,162.49	\$3,407,767.49
Operating Expenses	\$2,739,347	\$3,426,567
Net Income from Operations	\$207,816	\$161,200
Cumulative Net Income	\$207,816	\$369,016

Source: COPN Request No. VA-8594

Also with regard to socioeconomic barriers to access to services, DCOPN again notes that Fredericksburg City, the locality in which the proposed project is located, had a poverty rate of 15.5%, a percentage nearly double that of the 9.2% statewide average (**Table 7**). Additionally, as discussed above, DCOPN reiterates that both the total PD 16 population, as well as the 65 and older age cohort in PD 16, is growing a rate much higher than the Commonwealth as a whole (**Table 8**).

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;**

COPN Request No. VA-8593: Medical Imaging of Fredericksburg, LLC (MIF)

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

- The availability of additional high-end imaging services will provide more timely reporting and strengthen communication between referring practices, radiologists, and patients. By providing additional MRI services, patients will have access to more options for more affordable care and will encourage patients to pursue imaging services they may not otherwise access.
- Approving the addition of the MRI services requested by the applicant will give patients more options for their care and may lead to faster diagnosis and subsequently, improved outcomes. The ability to access this care within the Fredericksburg area is more necessary than ever, as the patient population is steadily growing.
- With insurance policies often requiring high-end imaging to be performed in a non-hospital setting, the availability of outpatient imaging services has become an immediate necessity. The proposed project will reduce payor and patient costs while maintaining the same level of safety and clinical efficacy as those provided in a hospital setting.
- The proposed project will benefit the patients in the Fredericksburg community by providing more accessible imaging, without the need to travel outside the area for these services at a more affordable cost.

DCOPN is unaware of any opposition to the proposed project.

COPN Request No. VA-8594: MediCorp Properties, Inc. (MPI)

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

- Faster and lower cost freestanding imaging is integral to ensuring patients are receiving the highest quality care when they need it. The proposed project is an important step toward this goal. Approving the relocation of the MRI and CT services will give patients more options for their care and may lead to faster diagnosis and subsequently, improved

outcomes. The ability to access this care within the Fredericksburg area is more necessary than ever, as the patient population is steadily growing.

- The proposed project will benefit patients in the community by providing more accessible imaging, without the need to travel outside the area for these vital services at a more affordable cost. Patients will directly benefit from the addition of these services, providing prompt communication between referring physicians, focusing on more efficient care.
- The proposed project will be collocated in the same building as a freestanding emergency department. Non-hospital based diagnostic imaging centers, such as the one being proposed by the applicant, offer an affordable alternative to hospital-based imaging services that reduce payor and patient costs while maintaining the same level of safety and clinical efficacy as those provided in a hospital setting.

DCOPN received two letters expressing opposition to the proposed project, each from Spotsylvania Regional Medical Center (SRMC). The first letter discussed the following key points, in brief:

1) The COPN for the CT and MRI scanners to be relocated has expired.

While the applicant claims that its project will involve the relocation and replacement of CT and MRI equipment from the former Sentara Pratt Imaging Center, the application actually requires approval of new CT and MRI scanners because the Sentara Pratt Imaging Center reported no CT and MRI scans for 2019. Pursuant to Virginia Code §32.1-102.1:3.B.5, COPN authorization is required before an existing medical care facility may introduce “computed tomographic (CT) scanning [or] magnetic resonance imaging (MRI)...when such medical care facility has not provided such service in the previous 12 months.” Because the Sentara Pratt Imaging Center performed no CT or MRI procedures in 2019, it is no longer authorized to provide CT or MRI services, and a new COPN authorizing the addition of CT and MRI capacity would be required before Sentara Pratt Imaging Center had an authorized CT or MRI scanner that could be “relocated.”

2) There is no public need for the project.

SRMC was approved to establish CT imaging at Chancellor ER pursuant to COPN No. VA-04697, issued on February 18, 2020. Chancellor ER is located at 5001 Plank Road (Route 3), less than a mile from MediCorp’s proposed 5501 Plank Road site. Although MediCorp’s application makes no reference to the soon-to-be-opened Chancellor ER, it is clear that the application is a direct—and predatory—response to that project. On January 14, 2020, during the review of the Chancellor ER CT application, Mary Washington Healthcare (MWHC) submitted a letter detailing why there was no need for the additional ER or CT services along Plank Road, stating, in part:

“The project should be denied because there is no need for a [sic] CT unit at this location; the area SRMC proposes to serve is already saturated with existing providers of

diagnostic imaging (i.e., CT), as well as emergency department services. There are no fewer than five existing CT services locations within 10 miles of the proposed location, with three of the sites located within five miles...

“To the extent the second CT scanner is not sufficient to address demand for CT services at SRMC, the appropriate response would be to approve a third CT unit at SRMC—not at a location remote from the hospital which is already saturated by existing providers of CT and emergency department services.”

Of course, the circumstances Mary Washington described in its letter have only become more pronounced. After Chancellor ER opens, there will be nine approved CT scanners within six miles of the MediCorp Plank Road site. MWHC’s comments about the area being “saturated by existing CT and emergency department services” will be even more pronounced after Chancellor ER opens.

3) The project is premature.

Even if there were an arguable public need for MediCorp’s project (which there is not), the project would clearly be premature. Before approving a second CT scanner at a freestanding ER on Plank Road, the impact of the already-approved CT service at Chancellor ER should be assessed. After Chancellor ER is established, data will be available to evaluate whether there is—or is not—a public need for a freestanding ER CT service in such close proximity.

In response to SRMC’s letter of opposition, the applicant asserts SRMC’s opposition is without merit and should be disregarded, providing the following, in brief:

1) The COPN for the CT and MRI units that are the subject of the relocation project proposed by COPN Request No. VA-8594 remains valid and has not expired.

MWHC notified the Commissioner and DCOPN in December 2019 of MPI’s intent to acquire the former Sentara Pratt Imaging Center from Sentara Northern Virginia Medical Center (SNVMC). MPI completed its acquisition of the facility in January 2020, consistent with the timeline described in the Acquisition Notice. As set forth in the Acquisition Notice, SNVMC provided CT and MRI services at the facility through September 30, 2019, when it suspended the services. Prior to MWHC’s submission of the Acquisition Notice, counsel to SNVMC and MWHC discussed with DCOPN representatives SNVMC’s suspension of CT and MRI services at the facility and MWHC’s plans to reinstate the services within 12 months of service suspension consistent with the “12-month rule” following MPI’s acquisition of the facility. Consistent with its conversations with DCOPN and the Acquisition Notice, MWHC recommended the provision of CT and MRI services following MPI’s acquisition within 12 months of SNVMC’s September 2019 suspension of services. As the age of the fixed CT and MRI units places them beyond their useful life, all CT and MRI imaging services at the facility are currently provided through an arrangement with a mobile vendor. At no point under MPI’s ownership has the facility suspended or otherwise failed to offer CT or MRI imaging services in violation of the “12-month-rule.” Additionally, the applicant states that SRMC’s claim rests entirely on the VHI Annual Licensure Survey Data reported for the former Sentara Pratt Medical Center Imaging Center for 2019. MPI

did not acquire this facility until January 2020. SNVMC provided CT and MRI imaging services at the site through September 30, 2019, but having sold the center to MPI in the first month of 2020, evidently did not report any calendar year 2019 volume for the facility to VHI.

2) The proposed imaging center relocation is not predatory.

SRMC's opposition to the proposed project is almost entirely based on the project's location, with SRMC claiming that the proposed site of the relocated imaging center is "predatory" because it is 0.8 miles from the COPN –approved site for SRMC's Chancellor ER CT service. But if any project is predatory, it is SRMC's Chancellor ER. SREMC chose the site for its Chancellor ER knowing full well that it is just 0.3 miles, and essentially across the street from, the existing Carol Lane Imaging Center. Although MWHC could establish a freestanding emergency department at the Carol Lane site, relocation of the imaging center and development of a co-located freestanding emergency center at the proposed 5501 Plank Road location will result in existing CT and MRI imaging services being moved farther away from—not closer to—SRMC's Chancellor ER location.

3) The project will promote beneficial competition.

The assertion that MPI's relocation of its existing CT and MRI diagnostic imaging center to a site that is farther away from SMRC's chosen Chancellor ER location will somehow "promote destructive competition" is without merit. While SMRC tries to reinforce its baseless argument by claiming that PD 16 "remains dominated by Mary Washington Healthcare," approval of the proposed project will have no impact on the number of COPN-authorized CT or MRI units, capacity or number of sites in PD 16. The project is entirely inventory neutral. Relocation of the existing CT and MRI services to a to-be-developed imaging center that will be collocated with a freestanding emergency department will improve access to diagnostic imaging services for MWHC's patient population, enable MWHC to decompress utilization of the Mary Washington Hospital emergency room at its main hospital campus, and provide for improved utilization of existing COPN-authorized imaging assets in PD 16.

In response to the applicant's response to its letter of opposition, SRMC provided the following key points, in brief:

- 1) Mary Washington's letter asserts that the Carol Lane (former Pratt) facility complied with the "12-month rule," but provides no evidence whatsoever to support this assertion. Notably, Mary Washington provides no evidence to support its assertion that Sentara provided CT and MRI services at the facility through September 30, 2019. While Mary Washington suggests that Sentara somehow forgot to report its 2019 volume to VHI, that is not the case. Sentara did report its 2019 volumes to VHI, and Sentara informed VHI that its 2019 CT and MRI volumes were zero, as evidenced by the 2019 VHI EPICS Report for Sentara Pratt Medical Imaging Center.
- 2) Mary Washington's December 13, 2021 letter wholly ignores its January 14, 2020 letter in which it details why there was no need for additional ER or CT services along Plank Road.

- 3) Mary Washington's letter does not deny that its project is predatory. Instead, Mary Washington tries to change the subject by (wrongly) asserting that SRMC's Chancellor ER was predatory first. The Commissioner and DCOPN have already ruled otherwise.
- 4) MediCorp's project will foster harmful competition. SRMC was approved, in part, to introduce beneficial competition to PD 16, which remains dominated by Mary Washington Healthcare.
- 5) Even if there were an arguable public need for the proposed project (which there is not), the project would clearly be premature. Before approving a second CT scanner at a freestanding ER on Plank Road, the impact of the already-approved CT service at Chancellor ER should be assessed.

DCOPN agrees that the CT and MRI services proposed for relocation have been discontinued, having failed to provide the services for at least 12 months, resulting in the effective closure of the facility/imaging services and therefore the loss of COPN authorization, and accordingly, that the application actually requires approval for new CT and MRI capacity. Pursuant to Virginia Code §32.1-102.1:3.B.5, COPN authorization is required before a medical care facility may introduce "computed tomographic (CT) scanning [or] magnetic resonance imaging (MRI)...when such medical care facility has not provided such service in the previous 12 months. DCOPN asked the applicant to provide additional information demonstrating that the units in question were operational in 2019. In response, the applicant provided an affidavit outlining the following key points:

- 1) Sentara's records indicate that Potomac Hospital Corporation of Prince William, a division of Sentara, purchased the facility from Pratt Medical Center in 2019. It was Sentara's understanding that the units had been operating regularly throughout 2019. Specifically, based upon a review of Sentara's files, it appears that immediately prior to that transaction, Alfredo Lopez, Director of the Imaging Service Line for Sentara, confirmed with Debbie Nance, Chief Operating Officer of Pratt Medical Center, that the units had been in use through late September 2019. Records indicate that Sentara understood that the last date of service for the units was on or about September 27, 2019.
- 2) It appears that Pratt Medical Center did not complete any VHI reporting to reflect its own utilization. However, the applicant's records indicate that Sentara timely completed the 2019 VHI report for the Sentara Pratt Medical Imaging Center, but the report did not reflect the units' utilization for the entire calendar year of 2019, which would have included nine months of the units' utilization under the ownership of Pratt Medical Center. Instead, the report reflected only the last three months of 2019 in which the units were owned by Sentara. The filing was accompanied by an email explanation, which indicated as follows: "*Confirming the 1xMRI and 1xCT under Pratt, Sentara briefly owned in 2019, no patients were scanned while under Sentara ownership, and the physical assets and COPN license were sold.*"

- 3) Applicant files indicate that, prior to the closing of Sentara’s sale of the Carol Lane Facility, including its MRI and CT units, to MediCorp, the DCOPN confirmed the validity of the underlying COPN for transfer and the transaction’s consistency with the 12-month rule.

Additionally, the applicant provided copies of its existing mobile CT and MRI vendor contracts as well as data regarding the number of procedures performed in 2020 and 2021 at the Carol Lane facility. DCOPN notes that the mobile vendor contracts provided by the applicant were signed in January of 2022. While this demonstrates that the applicant has a current mobile vendor for CT and MRI services, it does not provide evidence that the CT and MRI service was operational in 2019 (or 2020 and 2021, for that matter). DCOPN additionally notes that the data provided by the applicant does not include data for 2019 (**Table 10**). While DCOPN understands that the applicant did not own the facility in 2019 and therefore was not responsible for its VHI submission, the fact remains that the applicant has not provided quantifiable proof that the units were operational at all in 2019. While the applicant asserts that Sentara completed the timely submission of its VHI report for 2019, DCOPN again notes that data for the Carol Lane Facility was not included in the 2019 VHI Report and that even if it were, the applicant’s affidavit states that Sentara performed no scans on the units in 2019. In conclusion, DCOPN maintains that while the applicant asserts the Carol Lane facility complied with the “12-month rule,” it provided no evidence whatsoever to support this assertion. More specifically, the applicant failed to provide any evidence to support its assertion that CT and MRI services were provided at the facility though September 30, 2019.

Table 10. Carol Lane CT and MRI Procedures: 2020 and 2021

	MRI	CT
2020		
August	6	1
October	0	1
December	2	0
Total Actual Procedures	8	2
No Shows/Cancellations	3	0
Total Scheduled Procedures	11	2
2021		
April	1	1
June	3	0
October	0	1
December	3	0
Total Actual Procedures	7	2
No Shows/Cancellations	5	0
Total Scheduled Procedures	12	2

Source: COPN Request No. VA-8594

Public Hearing

DCOPN conducted the required public hearing for the proposed projects on December 13, 2021. As a result of the ongoing COVID-19 pandemic, the hearing was held telephonically. A total of 25 persons called in to the hearing.

With regard to COPN Request No. VA-8593, a total of 20 callers indicated support for the proposed project, none indicated opposition, and two indicated no position. Ten persons elected to speak in support of the proposed project with none electing to speak in opposition.

With regard to COPN Request No. VA-8594, a total of 16 callers indicated support for the proposed project and five indicated opposition. Nine callers elected to speak in support of the proposed project, while one elected to speak in opposition.

- (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;**

COPN Request No. VA-8593: Medical Imaging of Fredericksburg, LLC (MIF)

As will be discussed in more detail later in this staff analysis report, DCOPN calculated a current net surplus of four MRI scanners in PD 16. However, as will also be discussed in more detail, DCOPN concludes that the proposed project warrants approval despite this calculated surplus. Specifically, DCOPN Concludes that the applicant has adequately demonstrated a unique institutional need for the additional MRI scanner and accordingly, that no reasonable alternatives to the proposed project exist which would serve the residents of PD 16 in a less costly, more efficient, or more effective manner.

COPN Request No. VA-8594: MediCorp Properties, Inc. (MPI)

As discussed, DCOPN calculated a current net surplus of two CT scanners and four MRI scanners in PD 16. The applicant asserts that because it proposes to relocate an existing CT and MRI scanner to its new imaging facility, the project is ultimately inventory neutral and would not add to the existing surpluses. However, for reasons discussed throughout this staff analysis report, DCOPN concludes that the CT and MRI services proposed for relocation have been discontinued, having failed to provide the service for at least 12 months, resulting in the effective closure of the facility/imaging services and therefore the loss of COPN authorization, and accordingly, that the application actually requires approval for new CT and MRI capacity.

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

Currently there is no organization in HPR I designated by the Virginia Department of Health to serve as the Health Planning Agency for PD 16. Therefore, this consideration is not applicable to the review of either proposed project.

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

COPN Request No. VA-8593: Medical Imaging of Fredericksburg, LLC (MIF)

As demonstrated by **Table 3**, the projected capital costs of the proposed project is \$3,052,521, 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 16 projects similar in clinical

scope (COPN No. VA-04759 authorized the addition of one MRI scanner and had a capital cost of \$5,331,787).

With regard to benefits of the proposed project, the applicant provided the following:

1. Approval of the proposed project will satisfy an institutional need for additional capacity and allow MIF to provide timely access to care for its patients.
2. The project efficiently uses existing space and resources, minimizing the space needed for an additional MRI unit and its associated support space.
3. The project's design and construction are cost effective, allowing for lower build-out costs and reducing the cost for providing imaging services, as it makes use of shared technologist space and waiting room space, limiting duplication of needs of space.
4. The project design uses existing space required for information technology hardware and networking. This information technology provides secure, vendor-neutral instant messaging of clinical communication and inquiry between ordering provider and radiologist, provides secure web-based communication of clinical information, medical images, and reports using vendor and organizational neutral technology.
5. The project design allows continuation of the imaging facility being an ACR Diagnostic Imaging Center of Excellence by meeting ACR DICOE requirements including physical environment, patient safety systems, patient confidentiality, patient privacy, medical record management, and infection control requirements and standards.
6. The project meets the current and future needs of PD 16 patients for access to affordable advanced outpatient imaging in an accessible location, in a high quality and patient focused environment. These are important elements of the Senate Finance HHR Subcommittee's 2016 Priority Report and the COPN Workgroup's recommendation to reflect the Institute for Healthcare's Triple Aim.
7. The project provides outpatients access to high quality, high satisfaction services in a lower cost setting where appointments are not cancelled or delayed due to competing needs for MRI technology by priority inpatients.
8. The project enables PD 16 hospitals to continue focusing their resources on emergency, inpatient, and surgical patients.
9. The project design meets the Imaging Faculty's plan for being a non-hospital-based medical imaging provider that offers integrated and collaborate clinical services.

COPN Request No. VA-8594: MediCorp Properties, Inc. (MPI)

As demonstrated by **Table 4**, the projected capital costs of the proposed project is \$4,499,805, 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 16 projects similar in clinical scope (COPN No. VA-04696 authorized the addition of one CT and one MRI unit and had a capital cost of \$3,904,641; COPN No. VA-04697 authorized the establishment of a specialized center for CT imaging and had a capital cost of \$3,904,642; COPN No. VA-04759 authorized the addition of one MRI scanner and had a capital cost of \$5,331,787).

With regard to benefits of the proposed project, the applicant provided the following:

1. The project relocates and replaces the current CT and MRI units at the Carol Lane location with a new fixed CT unit and a new fixed OPEN MRI unit at a new, state of the art, imaging facility.
 2. The project provides outpatients access to high quality, high satisfaction advanced diagnostic imaging services in a lower cost freestanding outpatient setting where appointments are not cancelled or delayed.
 3. The project design meets the imaging facility's plan for being a low-cost provider to the community, billing for patient services under Medicare's Physician Fee Schedule and offering integrated and collaborate clinical services.
 4. The project supports a freestanding emergency department, including emergency CT services.
 5. The project meets the current and future need for access to affordable advanced outpatient imaging, in an accessible location, in a high quality and patient focused environment.
 6. The project design includes space for information technology hardware and networking that provides secure, vendor neutral electronic instant messaging of clinical communication and inquiry between ordering provider and radiologist, and for electronic communication of clinical information, medical images, and reports using vendor and organizational neutral technology.
 7. The project design supports the imaging facility's ability to achieve the ACR designation of Imaging Center of Excellence by meeting the requirements including physical environment, patient safety systems, patient confidentiality, patient privacy, medical record management, and infection control requirements of the ACR DICOE standards. Currently, MIF, LLC imaging facilities, including its imaging centers for women, are the only imaging centers in Virginia, including hospital affiliated centers, with ACR DICOE Accreditation.
- (v) **The financial accessibility of the proposed project to the people in the area to be served, including indigent people; and**

Each applicant has provided assurances that its requested diagnostic imaging services will be accessible to all patients, regardless of financial considerations. Furthermore, as previously discussed, while the Pro Forma Income Statements provided by the applicants anticipate charity

care contributions, DCOPN notes that each applicant operates as part of the Mary Washington Health System. Accordingly, should either proposed project be approved, it would be subject to the existing 2.4% system-wide charity care condition currently in place, reflected in Mary Washington Healthcare's letter dated March 17, 2010 and most recently cited in COPN No. VA-04698.

- (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).

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 either proposed project.

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 CT services. They are as follows:

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

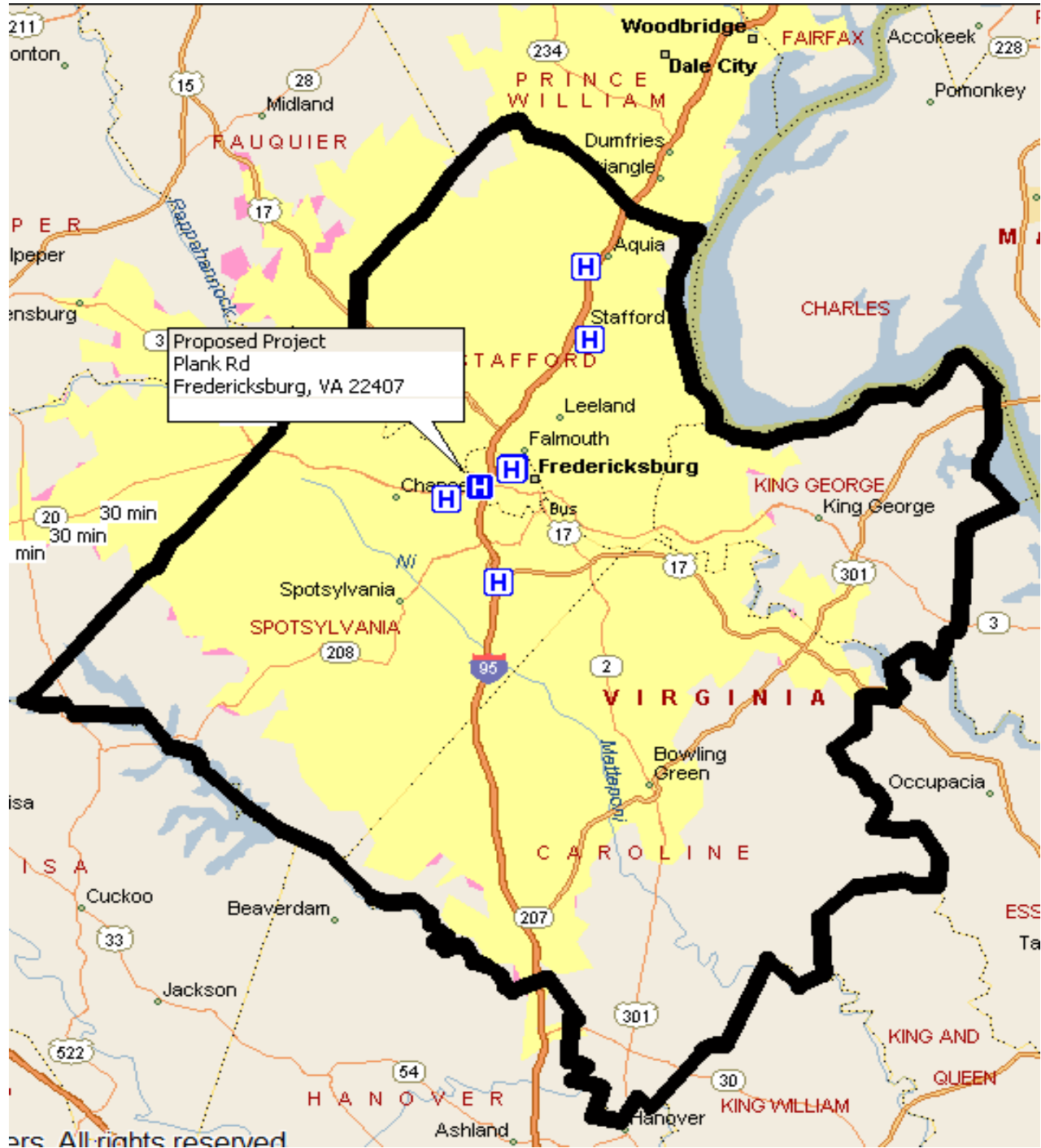
COPN Request No. VA-8593, submitted by Medical Imaging of Fredericksburg, LLC, does not involve CT services. Accordingly, the following section of this staff analysis report only pertains to COPN Request No. VA-8594, submitted by MediCorp Properties, Inc.

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 16. The blue "H" sign marks the location of the proposed project, while the white "H" signs mark the locations of all other existing PD 16 providers of CT services. The yellow shaded area represents the areas of PD 16 that are within a 30 minutes' drive of existing PD 16 providers of CT services and also the proposed new facility. 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 16. Furthermore, as the applicant is a current provider of CT services and proposes to relocate its imaging facility a short distance, DCOPN concludes that approval of the proposed project is not likely to improve geographic access to services in any meaningful way.

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.**

As noted in **Table 1**, in 2019, the most recent year for which such data from VHI is available, the 12 diagnostic CT scanners operational in PD 16 operated at a collective utilization of 102.3% (7,573 procedures per scanner) based on the SMFP expansion threshold of 7,400 CT procedures per scanner per year. Using 2019 VHI data, based on 12 COPN authorized fixed diagnostic CT scanners in PD 16 and reported CT volume of 90,874 total procedures, there is a need for 12.3 (13) CT scanners in PD 16. DCOPN notes that the 2019 VHI data does not take into account the three CT scanners added to the PD 16 inventory since 2019. Therefore, at present, there is a calculated surplus of two CT scanners in PD 16. DCOPN further notes that because none of these additional CT scanners are currently operational, none are currently contributing volume to the collective PD 16 number of scans performed.

2019 COPN authorized diagnostic CT units per VHI data: 12
Calculated Needed CT units: $90,874 \text{ total scans} \div 7,400 = 12.3 (13)$
2021 CT scanner inventory: 15
CT scanner surplus: 2

The applicant asserts that because it proposes to relocate an existing CT scanner to its new imaging facility, the project is ultimately inventory neutral and would not add to the existing surplus in PD 16. However, for reasons discussed throughout this staff analysis report, DCOPN concludes that the CT service proposed for relocation has been discontinued, having failed to provide the service for at least 12 months, resulting in the effective closure of the facility/imaging service and therefore the loss of COPN authorization, and accordingly, that the application actually requires approval for new CT capacity. Due to this existing surplus, and for reasons discussed in more detail throughout this staff analysis report, DCOPN concludes that there is no current need for additional CT capacity within PD 16.

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.

The applicant is not proposing to expand an existing service, but rather to establish a new, freestanding diagnostic imaging center. Accordingly, this standard is not applicable to the proposed project.

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 the proposed new facility will be under the direct supervision of one or more qualified physicians.

Part II, Article 2 of the State Medical Facilities Plan (SMFP) contains the standards and criteria for MRI services. They are as follows:

Part II. Diagnostic Imaging Services
Article 2. Criteria and Standards for Magnetic Resonance Imaging

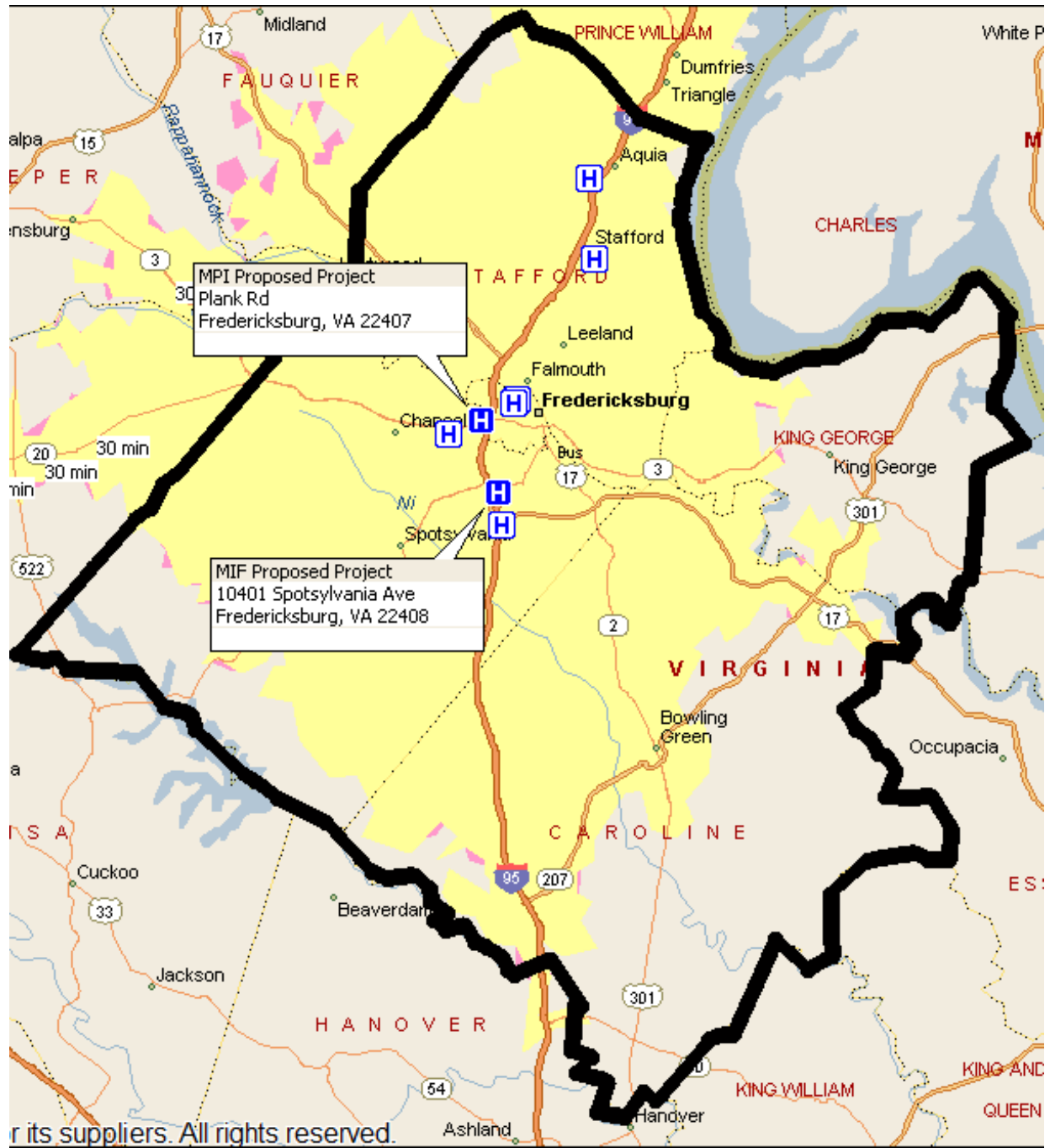
12VAC5-230-140. Travel time.

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

The heavy black line in **Figure 1** identifies the boundary of PD 16. The blue "H" signs mark the locations of the proposed projects. The white "H" signs mark the locations of all other existing MRI services located in PD 16. The yellow shaded area illustrates the area of PD 16 and the surrounding area that is currently within a 30-minute drive of existing MRI services. Based on the amount and location of shading, it appears that MRI services currently exist within a 30-minute drive for at least 95% of the population of PD 16.

With regard to MIF, DCOPN notes that the applicant is a current provider of MRI services and that accordingly, approval of the proposed project would not improve geographic access to services for residents of PD 16 in any meaningful way. However, as the applicant cites an institutional specific need for the additional MRI scanner, DCOPN notes that it is not geographic access that prohibits access to services for MIF's patients. Rather, service is limited due to the current scanner operating well-above maximum capacity. With regard to MPI, DCOPN notes that the applicant proposes to relocate its service only a short distance away from its current facility and that accordingly, approval of the project would not improve geographic access to services in any meaningful way.

Figure 2.



12VAC5-230-150. Need for new fixed site service.

No new fixed site MRI services should be approved unless fixed site MRI services in the health planning district performed an average of 5,000 procedures per existing and approved fixed site MRI scanner during the relevant reporting period and the proposed new service would not significantly reduce the utilization of existing fixed site MRI providers in the health planning district. The utilization of existing scanners operated by a hospital and serving an area distinct from the proposed new service site may be disregarded in computing the average utilization of MRI scanners in such health planning district.

COPN Request No. VA-8593: Medical Imaging of Fredericksburg, LLC (MIF)

The applicant is not seeking to establish 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 with regard to this project.

As noted in **Table 2**, in 2019, the most recent year for which such data from VHI is available, the seven MRI scanners operational in PD 16 operated at a collective utilization of 59.3% (2,963 procedures per unit) based on the SMFP expansion threshold of 5,000 MRI procedures per scanner per year. Using 2019 VHI data, based on seven COPN authorized fixed MRI scanners in PD 16 and reported MRI volume of 20,744 total procedures, there is a need for 4.1 (5) MRI scanners in PD 16. DCOPN notes that 2019 VHI data does not take into account the two MRI scanners added to the PD 16 inventory since 2019. Therefore, at present there is a calculated surplus of four MRI scanners in PD 16. As will be discussed in more detail later in this staff analysis report, DCOPN concludes that the applicant has adequately demonstrated a unique institutional need for the requested CT scanner and that the proposed project warrants approval despite this calculated surplus.

2019 COPN authorized MRI units per VHI data: 7
Calculated Needed MRI Units: $20,744 \text{ total scans} \div 5,000 = 4.1 (5)$
2021 MRI scanner inventory: 9
MRI scanner surplus: 4

COPN Request No. VA-8594: MediCorp Properties, Inc. (MPI)

As previously discussed, DCOPN has calculated a net surplus of four MRI scanners within PD 16. As with the CT portion of its proposed project, the applicant asserts that because it proposes to relocate an existing MRI scanner to its new facility, the project is ultimately inventory neutral and would not add to the existing surplus in PD 16. However, for reasons already discussed throughout this staff analysis report, DCOPN concludes that the MRI service proposed for relocation has been discontinued, having failed to provide the service for at least 12 months, resulting in the effective closure of the facility/imaging service and therefore the loss of COPN authorization, and accordingly, that the application actually requires approval for new MRI capacity.

12VAC5-230-160. Expansion of a fixed site service.

Proposals to expand an existing medical care facility's MRI services through the addition of an MRI scanner may be approved when the existing service performed an average of 5,000 MRI procedures per scanner during the relevant reporting period. The commissioner may authorize placement of the new unit at the applicant's existing medical facility, or at a separate location within the applicant's primary service area for MRI services, provided the proposed expansion is not likely to significantly reduce the utilization of existing providers in the health planning district.

COPN Request No. VA-8593: Medical Imaging of Fredericksburg, LLC (MIF)

In 2019, the most recent year for which VHI data is available, the existing MRI scanner at the Lee's Hill facility operated at 135.3% utilization (**Table 2**), far exceeding the SMFP expansion threshold of 5,000 procedures per unit. Furthermore, as already 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 further concludes that the applicant has adequately demonstrated a unique institutional need for the proposed additional MRI scanner. Accordingly, DCOPN concludes that the applicant has satisfied this standard.

COPN Request No. VA-8594: MediCorp Properties, Inc. (MPI)

The applicant is not proposing to expand a fixed site service, but rather, is proposing to establish a new freestanding diagnostic imaging facility. Accordingly, this standard is not applicable to the proposed project.

12VAC5-230-170. Adding or expanding mobile MRI services.

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

Neither applicant is proposing to add or expand mobile MRI services and accordingly, this standard is not applicable to the review of either project.

12VAC5-230-180. Staffing.

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

Each applicant has provided assurances that their respective projects, if approved, would 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.**

COPN Request No. VA-8593: Medical Imaging of Fredericksburg, LLC (MIF)

As previously discussed, in 2019, the most recent year for which VHI data is available, the MRI scanner at the Lee's Hill facility operated at a utilization rate of 135.3%, far surpassing the SMFP expansion threshold of 5,000 procedures per scanner (**Tables 2 and 11**). Accordingly, maintaining the status quo is not a viable option. Furthermore, DCOPN concludes that there is no excess capacity within the Mary Washington Health System suitable for transfer to the Lee's Hill facility. While DCOPN was not provided with utilization data for the Medical Imaging of Fredericksburg for 2019, it notes that COPN No. VA-04696, issued in February 2020, authorized the addition of a third MRI scanner based on an institutional need for expansion. Furthermore, while Medical Imaging of North Stafford did not operate at maximum capacity in 2019, it operated at a high enough volume to conclude that transfer would not be practical. Accordingly, DCOPN maintains that no reasonable alternatives to the proposed project exist and that the applicant has adequately demonstrated a unique institutional need for expansion.

Table 11. Mary Washington Health System MRI Units and Utilization: 2019

Facility	Units	Procedures	Procedures/Unit	Utilization ¹⁰
Mary Washington Hospital	2*	4,829	4,829	96.6%
Medical Imaging at Lee's Hill	1	6,764	6,764	135.3%
Medical Imaging of Fredericksburg	3**	--	--	--
Medical Imaging of North Stafford	1	4,032	4,032	80.6%
TOTAL and Average	7¹¹	15,625	3,125	62.5%

Source: 2019 VHI data and DCOPN records

*COPN No. VA-04759, issued in November 2021, authorized the addition of a second MRI scanner and is not yet operational.

**COPN No. VA-04696, issued in February 2020, authorized the addition of one MRI scanner and is not yet operational. Additionally, utilization data for this facility was not reported to VHI for 2019. However, because the unit was operational in 2019, this scanner has been included in the inventory and used for the calculation of PD 16 utilization.

COPN Request No. VA-8594: MediCorp Properties, Inc. (MPI)

This applicant has not cited an institutional need for the proposed project and accordingly, this provision is not applicable.

**Part 1
 Definitions and General Information**

12VAC5-230-60. When competing applications received.

In reviewing competing applications, preference may be given to an applicant who:

- 1) Has an established performance record in completing projects on time and within the authorized operating expenses and capital costs;**
- 2) Has both lower capital costs and operating expenses than his competitors and can demonstrate that his estimates are credible;**
- 3) Can demonstrate a consistent compliance with state licensure and federal certification regulations and a consistent history of few documented complaints, where applicable; or**
- 4) Can demonstrate a commitment to serving his community or service area as evidenced by unreimbursed services to the indigent and providing needed but unprofitable services, taking into account the demands of the particular service area.**

COPN Request No. VA-8593: Medical Imaging of Fredericksburg, LLC (MIF)

Based on an analysis of previous DCOPN projects, the applicant generally has a history of completing projects on time and within the authorized capital costs. With respect to the proposed project, the capital costs (\$3,052,521) are comparatively much lower than the MPI project; however, DCOPN notes that the projects do vastly differ in clinical scope. DCOPN is unaware of any ongoing or extraordinary documented complaints involving this applicant. DCOPN further observes that with regard to the anticipated charity care contribution, as part of the Mary Washington Health System, the project would be subject to the system-wide charity care condition currently in place, just as the competing applicant would.

¹⁰ All utilization calculations made using 2019 VHI data for procedures performed and number of units.

¹¹ While not included in the overall calculations for utilization, this number reflects the current PD 16 inventory and includes all additions made subsequent to 2019.

COPN Request No. VA-8594: MediCorp Properties, Inc. (MPI)

Based on an analysis of previous DCOPN projects, the applicant generally has a history of completing projects on time and within the authorized capital costs. With respect to the proposed project, the capital costs (\$4,499,805) are comparatively much higher than the MIF project; however, DCOPN notes that the projects do vastly differ in clinical scope. DCOPN is unaware of any ongoing or extraordinary documented complaints involving this applicant. DCOPN further observes that with regard to the anticipated charity care contribution, as part of the Mary Washington Health System, the project would be subject to the system-wide charity care condition currently in place, just as the competing applicant would.

Conclusion

Due to the difference in clinical scope of the projects, DCOPN contends that neither applicant deserves preference with regard to lower capital costs. With regard to charity care contributions, DCOPN concludes that neither applicant deserves preference as they would each be subject to the same existing system-wide charity care condition. As both applicants have a history of one time, on budget delivery, DCOPN concludes that neither applicant deserves preference regarding completing projects on time and within the approved capital budget or with respect to meeting state licensure and federal certification regulations.

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;**

COPN Request No. VA-8593: Medical Imaging of Fredericksburg, LLC (MIF)

The applicant has cited an institutional need to expand its existing MRI service in an effort to decompress its existing scanner. As a result, the primary patient population this project would serve is patients who have already chosen MIF as their care provider and accordingly, any negative impact the proposed project may have on the staffing or utilization of existing providers of MRI services is not likely to be destabilizing. Furthermore, DCOPN notes that all but three existing PD 16 facilities that provide MRI services operate as part of the Mary Washington Health System. Accordingly, DCOPN contends that the proposed project is unlikely to foster institutional competition that would benefit the area to be served. Finally, DCOPN again notes that because the applicant is a current provider of MRI services, the proposed project is not likely to improve geographic access to MRI services in any meaningful way.

COPN Request No. VA-8594: MediCorp Properties, Inc. (MPI)

First, DCOPN reiterates its conclusion that the COPN for the CT and MRI units proposed for transfer have been discontinued, having failed to provide the services for at least 12 months, resulting in the effective closure of the facility/imaging services and therefore the loss of COPN authorization, and accordingly, that the application actually requires approval for new CT and MRI capacity. However, DCOPN nonetheless concludes that the proposed project would not foster institutional competition that benefits the area to be served. The applicant proposes to relocate the CT and MRI scanners only a short distance away, in order accommodate a growing educational program. Accordingly, the patient population to be served at the new facility would

theoretically be those patients who have already chosen MPI as its care provider. However, DCOPN notes that the proposed new freestanding ER would be located less than one mile away from the not-yet-operational freestanding Chancellor ER, which already has COPN authorization for an MRI scanner. Accordingly, approval of the proposed project is likely to have a negative impact on the utilization of Chancellor ER, once it becomes operational.

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;

COPN Request No. VA-8593: Medical Imaging of Fredericksburg, LLC (MIF)

As previously discussed, DCOPN has calculated a current net surplus of four MRI scanners in PD 16. If approved, the project would increase this surplus to five. However, DCOPN contends that the proposed project warrants approval despite the surplus because MIF 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 the patient population to be served by the proposed additional scanner is those patients who have already chosen MIF as their care provider and that accordingly, approval of the proposed project is not likely to have a significant negative impact on the utilization of existing PD 16 providers of MRI services.

COPN Request No. VA-8594: MediCorp Properties, Inc. (MPI)

DCOPN reiterates its conclusion that the COPN for the CT and MRI units proposed for transfer has expired, and thus, a COPN for new equipment, and not the transfer of existing equipment, is actually required. DCOPN has calculated a net surplus of two CT scanners and four MRI scanners in PD 16. Accordingly, it could be argued that excess CT and MRI capacity exists within the planning district and there is no need for additional units. In its January 14, 2020 letter opposing the project that ultimately resulted in the establishment of an imaging center at Chancellor ER, the applicant agreed there was no public need for additional equipment, stating the following:

“The project should be denied because there is no public need for a [sic] CT unit at this location; the area SRMC proposes to serve is already saturated with existing providers of diagnostic imaging (i.e., CT), as well as emergency department services. There are no fewer than 5 existing CT services locations within 10 miles of the proposed location, with 3 of the sites located within 5 miles...”

Furthermore, DCOPN again notes that even if there were a need for additional CT and MRI units in PD 16, the proposed project is likely to have a significant negative impact on the utilization of the not-yet-operational Chancellor ER, a facility located less than one mile from the proposed project's location.

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;

COPN Request No. VA-8593: Medical Imaging of Fredericksburg, LLC (MIF)

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 6**) provided by the applicant anticipates a net profit of \$419,070 in the first year of operation and \$375,208 by year two, indicating that the proposed project is financially feasible both in the immediate and in the long-term. The applicant will 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 2.2 full-time employees in order to staff the proposed project. DCOPN notes that currently, there are 3.4 vacant positions at the facility. The applicant is a current provider of MRI services with a robust employee recruitment and retention program. Accordingly, DCOPN does not anticipate that the applicant will have difficulty staffing the project or that doing so will have a significant negative impact on the staffing of other PD 16 providers.

COPN Request No. VA-8594: MediCorp Properties, Inc. (MPI)

As already discussed, DCOPN concludes 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 9**) provided by the applicant anticipates a net profit of \$207,816 in the first year of operation and \$369,016 by year two, indicating that the proposed project is financially feasible both in the immediate and in the long-term. The applicant will 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 16 full-time employees in order to staff the proposed project. The applicant is a current provider of CT and MRI services with a robust employee recruitment and retention plan. Accordingly, DCOPN does not anticipate that the applicant will have difficulty staffing the project or that doing so will have a destabilizing impact on the staffing of other PD 16 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

COPN Request No. VA-8593: Medical Imaging of Fredericksburg, LLC (MIF)

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 the Lee's Hill facility by addressing the

overutilization of its existing MRI 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 the Lee's Hill facility. For these reasons, DCOPN concludes that approval of the proposed project would result in timelier patient treatment.

COPN Request No. VA-8594: MediCorp Properties, Inc. (MPI)

The proposed project does not provide improvements or innovations in the financing and delivery of health services as demonstrated by the introduction of new technology that promotes quality or cost effectiveness. However, approval of the proposed project would provide for the potential for provision of health care services on an outpatient basis.

- 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.**

Neither applicant is 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 either proposed project.

DCOPN Staff Findings and Conclusions

COPN Request No. VA-8593: Medical Imaging of Fredericksburg, LLC (MIF)

MIF proposes to expand its existing MRI service by adding one additional MRI scanner. The applicant cites an institutional need for the additional scanner, stating that its current machine operates above maximum capacity. The projected capital costs of the proposed project total \$3,052, 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 costs 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 MIF's MRI program both in the immediate and the long-term.

In 2019, the sole MRI scanner at the Lee's Hill facility operated at 135.3% utilization, far surpassing the SMFP expansion threshold of 5,000 procedures per scanner per year. Accordingly, DCOPN concludes that maintaining the status quo is not a viable option. DCOPN further concludes that no available capacity exists within the Mary Washington Health System for transfer and that accordingly, the applicant has adequately demonstrated a unique institutional need for the additional MRI scanner. Should the Commissioner approve the proposed project, DCOPN notes that it would be subject to the existing 2.4% system-wide charity care condition currently in place, reflected in its letter dated March 17, 2010 and most recently cited in COPN No. VA-04698.

DCOPN concludes that the MIF 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 PD 16 providers of MRI services.

COPN Request No. VA-8594: MediCorp Properties, Inc. (MPI)

MPI proposes to establish a medical care facility for the provision of CT and MRI services, to be collocated with a freestanding emergency department. The projected capital costs of the proposed project total \$4,499,805, 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 costs 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 be financially viable, both in the immediate and in the long-term.

DCOPN reiterates its conclusion that the COPN for the CT and MRI units proposed for transfer has expired, and thus, a COPN for new equipment, and not the transfer of existing equipment, is actually required. DCOPN has calculated a net surplus of two CT scanners and four MRI scanners in PD 16. Accordingly, it could be argued that excess CT and MRI capacity exists within the planning district and there is no need for additional units. Furthermore, DCOPN again notes that even if there were a need for additional CT and MRI units in PD 16, the proposed project is likely to have a significant negative impact on the utilization of the not-yet-operational Chancellor ER, a facility located less than one mile from the proposed project's location.

Should the Commissioner approve the proposed project, DCOPN notes that it would be subject to the existing 2.4% system-wide charity care condition currently in place, reflected in its letter dated March 17, 2010 and most recently cited in COPN No. VA-04698.

DCOPN concludes that the MPI project is generally inconsistent 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 known opposition to the proposed project and that approval is likely to have a significant negative impact on the utilization of the not-yet-operational Chancellor ER.

DCOPN Staff Recommendations

COPN Request No. VA-8593: Medical Imaging of Fredericksburg, LLC (MIF)

The Division of Certificate of Public Need recommends **conditional approval** of Medical Imaging of Fredericksburg, LLC's request to add one MRI 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 MRI 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 16 providers of MRI services.

DCOPN's recommendation is contingent upon Medical Imaging of Fredericksburg, LLC's agreement to the following charity care condition:

This project shall be subject to the 2.4% system-wide charity care condition applicable to Mary Washington Healthcare System, as reflected in Mary Washington Healthcare's letter of March 17, 2010 (Mary Washington Healthcare system-wide condition). Provided, however, that charity care provided under the Mary Washington Healthcare system-wide condition shall be valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq.

Mary Washington Hospital will accept a revised percentage based on the regional average after such time regional charity care data valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq. is available from Virginia Health Information. In addition to any right to petition the Commissioner contained in the Mary Washington Healthcare system-wide condition, to the extent Mary Washington Healthcare expects its system-wide condition as valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq. or any revised percentage to materially alter the value of its charity care commitment thereunder, it may petition the Commissioner for a modification of the Mary Washington Healthcare system-wide condition to resolve the expected discrepancy.

COPN Request No. VA-8594: MediCorp Properties, Inc. (MPI)

The Division of Certificate of Public Need recommends **denial** of MediCorp Properties, Inc.'s request to establish a medical care facility for the provision of CT and MRI services for the following reasons:

1. The proposed project is generally inconsistent with the applicable criteria and standards of the State Medical Facilities Plan and the Eight Required Considerations of the Code of Virginia.
2. There is calculated surplus of both CT and MRI scanners in PD 16.
3. There is known opposition to the proposed project.

4. Approval of the proposed project is likely to have a significant negative impact on the utilization of existing PD 16 providers of CT and MRI services.