

VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis

March 21, 2022

COPN Request No. VA-8607

Sentara Hospitals d/b/a Sentara Obici Hospital
Suffolk, Virginia

Establish a specialized center for MRI imaging on the campus of Sentara Obici Hospital

COPN Request No. VA-8610

First Meridian Medical, LLC t/a MRI & CT Diagnostics
Chesapeake, Virginia

Add one relocated MRI scanner

COPN Request No. VA-8611

Chesapeake Diagnostic Imaging Centers, LLC
Chesapeake, Virginia

Establish a specialized center for MRI imaging with one relocated scanner

Applicants

COPN Request No. VA-8607: Sentara Hospitals d/b/a Sentara Obici Hospital

Sentara Hospitals d/b/a Sentara Obici Hospital (Obici) is a wholly owned subsidiary of Sentara Healthcare (Sentara). Sentara is a 501(c)(3) not-for-profit, non-stock corporation headquartered in Norfolk, Virginia. Obici is located in the City of Suffolk, Virginia, Health Planning Region (HPR) V, Planning District (PD) 20.

COPN Request No. VA-8610: First Meridian Medical, LLC t/a MRI & CT Diagnostics

First Meridian Medical LLC t/a MRI & CT Diagnostics is a member managed Virginia Limited Liability Company converted from First Meridian Medical Corporation on February 27, 2020. First Meridian Medical LLC t/a MRI & CT Diagnostics does business as MRI & CT Diagnostics (First Meridian). CGH Holding Company holds a 100% membership interest in First Meridian. Chesapeake Regional Healthcare is the ultimate corporate parent of MRI & CT Diagnostics. The proposed project would be located in Chesapeake, Virginia in HPR V, PD 20.

COPN Request No. VA-8611: Chesapeake Diagnostic Imaging Centers, LLC

Chesapeake Diagnostic Imaging Centers, LLC (CDIC) is 100% owned by CGH Holding Company, Inc. in Chesapeake, Virginia. CDIC was organized as a limited liability company in Alabama in 1999. Chesapeake Regional Healthcare is the ultimate corporate parent of CDIC. The proposed project would be located in the City of Chesapeake, Virginia in HPR V, Planning District PD 20.

Background

Division of Certificate of Public Need (DCOPN) records show that there are currently 30 COPN authorized fixed-site magnetic resonance imaging (MRI) scanners and five mobile MRI sites in PD 20 (**Table 1**).

Table 1. PD 20 COPN Authorized Fixed MRI Units and Mobile MRI Sites

Facility	Fixed-Site Scanners	Mobile Sites
Bon Secours Health Center at Harbour View	2	0
Bon Secours Maryview Medical Center	1	0
Bon Secours Southampton Medical Center	0	1
Chesapeake Regional Imaging - Kingsborough	2	0
Chesapeake Regional Medical Center	3	0
Children's Hospital of The King's Daughters	2	1
First Meridian d/b/a MRI & CT Diagnostics - Chesapeake	2	0
First Meridian d/b/a MRI & CT Diagnostics - Virginia Beach	2	0
Hanbury Imaging Center	1	0
Lynnhaven Imaging Center	1	0
Riverside Diagnostic Center - Smithfield	0	1
Sentara Advanced Imaging Center - Belleharbour	1	0
Sentara Advanced Imaging Center - Greenbrier Healthplex	0	1
Sentara Advanced Imaging Center - Leigh ¹	2	0
Sentara Advanced Imaging Center - Princess Anne	1	0
Sentara Advanced Imaging Center - St. Luke's	0	1
Sentara Advanced Imaging Center at First Colonial	1	0
Sentara Independence	1	0
Sentara Leigh Hospital	1	0
Sentara Norfolk General Hospital ²	4	0
Sentara Obici Hospital	1	0
Sentara Princess Anne Hospital	1	0
Sentara Virginia Beach General Hospital	1	0
Total	30	5
Grand Total	35	

Source: DCOPN records

Proposed Projects

COPN Request No. VA-8607: Sentara Hospitals d/b/a Sentara Obici Hospital,

Obici proposes to expand MRI services with one MRI unit in a specialized imaging center on the hospital campus located at 2800 Godwin Boulevard, Suffolk, Virginia. If the State Health Commissioner (Commissioner) approves the proposed project, Obici will have a resulting inventory of two MRI units. The imaging center will be built through an addition to an existing outpatient building that currently houses the Sentara Obici Ambulatory Surgery Center.

¹ One MRI unit moved on campus to Sentara Brock Cancer Center pursuant to VA-R-012-20. One MRI unit moved on campus to Sentara Imaging Solutions at North Leigh Campus pursuant to VA-R-013-19. Current inventory at Sentara Advanced Imaging Center – Leigh is 0.

² One MRI unit, authorized pursuant to COPN No. VA-04523 dated August 23, 2016, limited to intraoperative use.

The projected capital costs of the proposed project total \$2,838,250, 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.

Table 2. Obici Projected Capital Costs

Direct Construction	\$1,075,750
Equipment Not Included in Construction Contract	\$1,677,500
Site Acquisition Costs	\$0
Site Preparation Costs	\$0
Architectural and Engineering Fees	\$85,000
Total Capital Costs	\$2,838,250

Source: COPN Request No. VA-8607

Construction for the proposed project is expected to begin by October 2022 and to be completed by September 2023. The applicant anticipates an opening date in October 2023.

COPN Request No. VA-8610: First Meridian Medical, LLC t/a MRI & CT Diagnostics

First Meridian proposes to expand MRI services by relocating and replacing the open MRI unit from its Kingsborough Imaging Center located at 676A Kingsborough Square, Chesapeake, Virginia to MRI & CT Diagnostics – Chesapeake located at 1554 River Birch Run North, Chesapeake, Virginia, which is approximately four miles away. MRI & CT Diagnostics – Chesapeake currently operates two MRI units at the Chesapeake location. According to the applicant, the existing Hitachi Oasis open MRI scanner at Kingsborough is 12 years old and nearing the end of its useful life. Additionally, the Kingsborough site has a number of building-related problems, including inadequate heating, a narrow front door that poses challenges for using assistive devices, insufficiently sized rooms, and a poor layout for patient privacy. The Kingsborough space is leased and the landlord/owner of the site will determine how to use it if the Commissioner approves the proposed project.

The projected capital costs of the proposed project total \$2,714,525, 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.

Table 3. First Meridian Projected Capital Costs

Direct Construction	\$1,257,750
Equipment Not Included in Construction Contract	\$1,311,000
Site Acquisition Costs	\$0
Site Preparation Costs	\$10,000
Architectural and Engineering Fees	\$135,775
Total Capital Costs	\$2,714,525

Source: COPN Request No. VA-8610

Construction for the proposed project is expected to begin seven months after COPN approval and to be completed 18 months after COPN approval. The applicant anticipates an opening date 19 months after COPN approval.

COPN Request No. VA-8611: Chesapeake Diagnostic Imaging Centers, LLC

CDIC proposes to establish MRI services by relocating one MRI unit from its Kingsborough Imaging Center located at 676A Kingsborough Square, Chesapeake, Virginia to the Western Branch site located at 4200 Portsmouth Boulevard, Chesapeake, Virginia, which is approximately 16 miles away. As previously discussed, according to the applicant, the Kingsborough site has a number of building-related problems, including inadequate heating, a narrow front door that poses challenges for using assistive devices, insufficiently sized rooms, and a poor layout for patient privacy. The Kingsborough space is leased and the landlord/owner of the site will determine how to use it if the Commissioner approves the proposed project.

The projected capital costs of the proposed project total \$3,474,944, 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.

Table 4. CDIC Projected Capital Costs

Direct Construction	\$1,788,960
Equipment Not Included in Construction Contract	\$582,000
Site Acquisition Costs	\$847,088
Site Preparation Costs	\$60,000
Architectural and Engineering Fees	\$196,896
Total Capital Costs	\$3,474,944

Source: COPN Request No. VA-8602

Construction for the proposed project is expected to begin seven months after COPN approval and to be completed 18 months after COPN approval. The applicant anticipates an opening date 19 months after COPN approval.

Project Definitions

COPN Request No. VA-8607: Sentara Hospitals d/b/a Sentara Obici Hospital,

Section 32.1-102.1:3 of the Code of Virginia defines a project, in part as the “The addition by an existing medical care facility described in subsection A of any new medical equipment for the provision of...magnetic resonance imaging (MRI)...” A medical care facility includes “[a]ny facility licensed as a hospital, as defined in Section 32.1 – 123.”

COPN Request No. VA-8610: First Meridian Medical, LLC t/a MRI & CT Diagnostics

Section 32.1-102.1:3 of the Code of Virginia defines a project, in part as the “The addition by an existing medical care facility described in subsection A of any new medical equipment for the provision of...magnetic resonance imaging (MRI)...” A medical care facility includes “Any specialized center or clinic or that portion of a physician's office developed for the provision of ... magnetic resonance imaging (MRI)...”

COPN Request No. VA-8611: Chesapeake Diagnostic Imaging Centers, LLC

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 or clinic or that portion of a physician's office developed for the provision of ... magnetic resonance imaging (MRI)...”

The Virginia Medical Care Facilities Certificate of Public Need Rules and Regulations at 12VAC5-220-220 requires that applications for the same or similar services which are proposed for the same planning district shall be considered as competing applications. As all three COPN requests involve MRI services in PD 20, they are deemed to be competing requests.

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;**

As depicted in **Table 5**, at an average annual growth rate of 0.52%, PD 20’s population growth rate is slightly below the state’s average annual growth rate of 0.77%. Overall, the planning district is projected to add an estimated 62,104 people in the 10-year period ending in 2020 – an average increase of 6,210 people annually and 47,742 in the 10-year period ending 2030 – an average increase of 4,774 people annually.

Regarding the 65+ age group for PD 20, Weldon-Cooper projects a more rapid increase in population growth (an approximate 35% increase from 2010 to 2020 and approximately 33% from 2020 to 2030). This is significant, as this population group typically uses health care resources at a rate much higher than those individuals under the age of 65. Weldon-Cooper further projects that statewide, the 65+ age cohort population will increase at a rate of approximately 38% from 2010 to 2030 and approximately 27% from 2020 to 2030.

Table 5. Population Projections for PD 20, 2010-2030

Locality	2010	2020	% Change 2010-2020	Avg Ann % Change 2010-2020	2030	% Change 2020-2030	Avg Ann % Change 2020-2030
Isle of Wight	35,270	38,060	7.91%	0.75%	41,823	9.89%	0.95%
Southampton	18,570	17,739	-4.47%	-0.45%	17,711	-0.16%	-0.02%
Chesapeake	222,209	249,244	12.17%	1.13%	270,506	8.53%	0.82%
Franklin	8,582	8,268	-3.66%	-0.36%	8,140	-1.55%	-0.16%
Norfolk	242,803	246,881	1.68%	0.16%	249,889	1.22%	0.12%
Portsmouth	95,535	95,027	-0.53%	-0.05%	90,715	-4.54%	-0.46%
Suffolk	84,585	94,733	12.00%	1.11%	109,424	15.51%	1.45%
Virginia Beach	437,994	457,699	4.50%	0.43%	467,187	2.07%	0.21%
Total PD 20	1,145,548	1,207,652	5.42%	0.52%	1,255,394	3.95%	0.39%
PD 20 65+	124,196	167,891	35.18%	2.98%	222,845	32.73%	2.87%
Virginia	8,001,024	8,655,021	8.17%	0.77%	9,331,666	7.82%	0.76%
Virginia 65+	976,937	1,352,448	38.44%	3.22%	1,723,382	27.43%	2.45%

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

According to regional and statewide data regularly collected by Virginia Health Information (VHI), for 2020, the most recent year for which such data is available, the average amount of charity care provided by HPR V facilities was 2.5% of all reported total gross patient revenues (Table 6).

Table 6. HPR V Charity Care Contributions: 2020

Charity Care Contributions at or below 200% of Federal Poverty Level			
Hospital	Gross Patient Revenues	Adjusted Charity Care Contribution	Percent of Gross Patient Revenue:
Riverside Tappahannock Hospital	\$165,747,566	\$8,843,478	5.34%
Riverside Shore Memorial Hospital	\$247,007,286	\$10,695,992	4.33%
Riverside Doctors' Hospital Williamsburg	\$149,491,510	\$6,064,567	4.06%
Riverside Walter Reed Hospital	\$252,482,633	\$9,401,927	3.72%
Bon Secours DePaul Medical Center	\$363,165,760	\$12,756,832	3.51%
Sentara Careplex Hospital	\$909,090,883	\$31,651,344	3.48%
Sentara Obici Hospital	\$914,294,131	\$26,301,718	2.88%
Sentara Virginia Beach General Hospital	\$1,265,310,067	\$36,146,887	2.86%
Sentara Norfolk General Hospital	\$3,753,299,758	\$106,756,170	2.84%
Sentara Leigh Hospital	\$1,330,835,003	\$34,335,012	2.58%
Riverside Regional Medical Center	\$2,191,107,102	\$53,859,556	2.46%
Chesapeake Regional Medical Center	\$986,713,280	\$21,292,946	2.16%
Hampton Roads Specialty Hospital	\$46,913,449	\$1,010,073	2.15%
Sentara Princess Anne Hospital	\$1,032,703,976	\$21,443,232	2.08%
Bon Secours Maryview Medical Center	\$1,148,940,309	\$22,068,850	1.92%
Bon Secours Mary Immaculate Hospital	\$620,268,395	\$11,887,663	1.92%
Sentara Williamsburg Regional Medical Center	\$655,360,428	\$11,516,832	1.76%
Bon Secours Rappahannock General Hospital	\$70,546,600	\$1,148,522	1.63%
Children's Hospital of the King's Daughters	\$1,120,616,182	\$4,135,241	0.37%
Bon Secours Southampton Memorial Hospital	\$211,414,625	\$460,731	0.22%
Lake Taylor Transitional Care Hospital	\$44,295,918	\$0	0.00%
Hospital For Extended Recovery	\$30,370,572	\$0	0.00%
Total Facilities Reporting			22
Median			2.35%
Total \$ & Mean %	\$17,509,975,433	\$431,777,573	2.5%

Source: VHI (2020)

COPN Request No. VA-8607: Sentara Hospitals d/b/a Sentara Obici Hospital

Geographically, Obici is located at 2800 Godwin Boulevard, Suffolk, Virginia, approximately 0.4 miles north of U.S. Route 58 on Godwin Boulevard (also called State Routes 10 and 32). U.S. Route 58 is the major east-west divided highway artery that traverses through Suffolk and connects Interstate 95, 64, and 664 with the central business district of Suffolk. Route 10/32 is a secondary north-south arterial roadway that connects downtown Suffolk (Main Street) and the Smithfield/North Suffolk area. Obici is also served by Suffolk Transit, which provides public transit services within Suffolk and links to the Hampton Roads Transit System.

Regarding socioeconomic barriers to access to the applicant's services, according to regional and statewide data regularly collected by VHI, for 2020, the most recent year for which such data is available, the average amount of charity care provided by HPR V facilities was 2.5% of all

reported total gross patient revenues (**Table 6**). For that same year, Obici provided 2.88% of its gross patient revenue in charity care (**Table 6**). Pursuant to § 32.1–102.4 of the Code of Virginia, should the Commissioner approve the proposed project, Obici should be subject to a charity care condition no less than the 2.5% HPR V average, in addition to any new requirements as found in the revised § 32.1-102.4B of the Code of Virginia.

DCOPN is not aware of any other distinct and unique geographic, socioeconomic, cultural, transportation, or other barriers to care that this project would address.

COPN Request No. VA-8610: First Meridian Medical, LLC t/a MRI & CT Diagnostics

Geographically, MRI & CT Diagnostics – Chesapeake is located at 1554 River Birch Run North, Chesapeake, Virginia. MRI & CT Diagnostics – Chesapeake is less than one mile from Exit 289B on Interstate 64. The site is also accessible by the Hampton Roads Transit bus transportation service with a stop less than a block away.

Regarding socioeconomic barriers to access to the applicant’s services, according to regional and statewide data regularly collected by VHI, for 2020, the most recent year for which such data is available, the average amount of charity care provided by HPR V facilities was 2.5% of all reported total gross patient revenues (**Table 6**). Pursuant to § 32.1–102.4 of the Code of Virginia, should the Commissioner approve the proposed project, First Meridian should be subject to a charity care condition no less than the 2.5% HPR V average, in addition to any new requirements as found in the revised § 32.1-102.4B of the Code of Virginia.

DCOPN is not aware of any other distinct and unique geographic, socioeconomic, cultural, transportation, or other barriers to care that this project would address.

COPN Request No. VA-8611: Chesapeake Diagnostic Imaging Centers, LLC

Geographically, CDIC will locate the new diagnostic imaging center at 4200 Portsmouth Boulevard, Chesapeake, Virginia. Portsmouth Boulevard is a major east-west thoroughfare, and less than two miles from I-664. The applicant states that public parking is available at the location. Public transportation is readily available via a Hampton Roads Transit bus located two blocks from the Portsmouth facility.

Regarding socioeconomic barriers to access to the applicant’s services, according to regional and statewide data regularly collected by VHI, for 2020, the most recent year for which such data is available, the average amount of charity care provided by HPR V facilities was 2.5% of all reported total gross patient revenues (**Table 6**). Pursuant to § 32.1–102.4 of the Code of Virginia, should the Commissioner approve the proposed project, CDIC should be subject to a charity care condition no less than the 2.5% HPR V average, in addition to any new requirements as found in the revised § 32.1-102.4B of the Code of Virginia.

DCOPN is not aware of any other distinct and unique geographic, socioeconomic, cultural, transportation, or other barriers to care that this project would address.

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

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

COPN Request No. VA-8607: Sentara Hospitals d/b/a Sentara Obici Hospital

DCOPN received two letters of support for the proposed project from a member of the Obici medical community and a patient of Obici. Collectively, these letters articulate several benefits of the project, including:

- MRI scanning plays an important role in the diagnosis of many diseases, conditions and trauma.
- Obici's one MRI scanner was reported to have operated at 140% utilization for 2019 and 155% in 2021.
- An additional scanner will allow patients to be seen sooner, with fewer disruptions to scheduling and delays in diagnosis and treatment.
- Charging outpatient rates for scans that can be pushed to the on-campus MRI suite will improve workflow in the radiology department and will give patients the opportunity to have a low-cost scan.

DCOPN did not receive any letters in opposition to the proposed project.

Public Hearing

Section 32.1-102.6 B of the Code of Virginia directs DCOPN to hold one public hearing on each application in a location in the county or city in which the project is proposed or a contiguous county or city in the case of competing applications; or in response to a written request by an elected local government representative, a member of the General Assembly, the Commissioner, the applicant, or a member of the public. COPN Request No. VA-8607 is competing with COPN Request Nos. VA-8610 & 8611 in this batch cycle. DCOPN conducted a public hearing on February 16, 2022 by teleconference. A total of 30 individuals attended the teleconference. The project was presented by David Masterson, President of Sentara Obici Hospital and Dr. Sean Tyszko, Vice President of Medical Staff at Sentara Obici Hospital, who discussed:

- The high utilization of the MRI unit at Obici, which has exceeded the SMFP standard since 2014.
- The benefits of placing an additional unit in an outpatient building – more readily accessible, less expensive, decompression of inpatient MRI unit.
- There is currently a three-week wait for outpatient procedures. In 2021, there was a 2.5-hour wait for emergency procedures and 4-9 hours for inpatient procedures.

- Despite efforts to extend weekday hours and weekend hours for outpatient imaging, wait times have not improved.

COPN Request No. VA-8610: First Meridian Medical, LLC t/a MRI & CT Diagnostics

DCOPN received 13 letters of support for the proposed project from members of the Chesapeake medical community, Anthem, business owners in Chesapeake, the Hampton Roads Chamber, and Delegate Glenn R. Davis. Collectively, these letters articulate several benefits of the project, including:

- The existing Hitachi Oasis MRI scanner at Kingsborough is nearing the end of its useful life, and the Kingsborough site presents a number of building related issues.
- The common sense, inventory-neutral redistribution of equipment will improve geographic access for patients already seeking care in PD 20.
- Health insurers, like Anthem, and Virginia consumers depend on competition between health care providers to ensure that health care services are provided at the best price possible and are widely available.
- Independent, freestanding diagnostic imaging sites afford customers with choice in affordable and quality health care.
- Chesapeake Regional has a long history of providing high-quality advanced diagnostic imaging to patients, and delivering prompt, accurate readings to the referring physicians.
- MRI & CT Diagnostics – Chesapeake offers the only open MRI scanner in the PD. An open MRI scanner is a critical resource for claustrophobic and/or bariatric patients for whom a traditional MRI scanner is not an option.
- Patients may postpone or refuse a diagnostic procedure if the cost and/or time involved are too high, which drives up medical costs because the medical condition may worsen without timely intervention.
- Improving meaningful access to low-cost diagnostic imaging reduces health care costs for individuals and insurers, while also improving overall health outcomes.
- A critical component to getting employees back to work after an injury is access to high quality, low cost diagnostic imaging services.

DCOPN did not receive any letters in opposition to the proposed project.

Public Hearing

Section 32.1-102.6 B of the Code of Virginia directs DCOPN to hold one public hearing on each application in a location in the county or city in which the project is proposed or a contiguous county or city in the case of competing applications; or in response to a written request by an elected local government representative, a member of the General Assembly, the Commissioner, the applicant, or a member of the public. COPN Request No. VA-8610 is competing with COPN

Request Nos. VA-8607 & 8611 in this batch cycle. DCOPN conducted a public hearing on February 16, 2022 by teleconference. A total of 22 individuals attended the teleconference. The project was presented by Reese Jackson, President and CEO of Chesapeake Regional Healthcare, who discussed:

- The proposed project is an inventory-neutral relocation and replacement to a location approximately four miles from the current location.
- Kingsborough has many building related issues, including a narrow door, poor heating, insufficiently sized rooms and a poor layout.
- If the proposed project is approved, Chesapeake Regional Healthcare will close the Kingsborough location, which is leased.
- The application received broad support from members of the community.

COPN Request No. VA-8611: Chesapeake Diagnostic Imaging Centers, LLC

DCOPN received 14 letters of support for the proposed project from members of the Chesapeake medical community, Anthem, business owners in Chesapeake, the Hampton Roads Chamber, and Delegate Glenn R. Davis. Collectively, these letters articulate several benefits of the project, including:

- Accommodating the large and growing population of PD 20 by placing advanced imaging services in a location that will improve access to these essential services is necessary for the current and future needs of PD 20's population.
- The western branch location is highly accessible within an area of high population growth, and conveniently located near a range of other medical services.
- The common sense, inventory-neutral redistribution of equipment will improve geographic access for patients already seeking care in PD 20.
- Health insurers, like Anthem, and Virginia consumers depend on competition between health care providers to ensure that health care services are provided at the best price possible and are widely available.
- Independent, freestanding diagnostic imaging sites afford customers with choice in affordable and quality health care.
- Chesapeake Regional has a long history of providing high-quality advanced diagnostic imaging to patients, and delivering prompt, accurate readings to the referring physicians.
- Patients may postpone or refuse a diagnostic procedure if the cost and/or time involved are too high, which drives up medical costs because the medical condition may worsen without timely intervention.

- Improving meaningful access to low-cost diagnostic imaging reduces health care costs for individuals and insurers, while also improving overall health outcomes.
- A critical component to getting employees back to work after an injury is access to high quality, low cost diagnostic imaging services.

DCOPN received one letter of opposition, dated February 23, 2022, from Bon Secours Hampton Roads Health System (Bon Secours Opposition Letter), which contained the following concerns:

- The State Health Commissioner rightly denied a substantially identical application from CDIC on October 8, 2021 (COPN Request No. VA-8538).
- The applicant filed a Letter of Intent for the proposed project in direct response to a Letter of Intent filed by Sentara Obici for a new specialized center with MRI services on its campus (COPN Request No. VA-8607).
- In his decision issued in October 2021, the State Health Commissioner denied the project for the following reasons:
 - The Western Branch project is inconsistent with the State Medical Facilities Plan (SMFP).
 - Approval of the Western Branch project carries the risk of worsening underutilization of several existing MRI scanners in the surrounding area.
 - In relation to the Western Branch project, maintaining the status quo is a preferable alternative.
- Nothing has changed in the Planning District that would warrant a reconsideration of that decision.
- PD 20 continues to be well served by existing providers of MRI services, particularly in the area CDIC proposed to serve, and there is no public need for the project.

On February 25, 2022, the applicant responded to the Bon Secours Opposition Letter, stating:

- Bon Secours wrongly asserts that there are no reasons CDIC's COPN Request No. VA-8611 should receive a different decision than COPN Request No. VA-8538, which was denied by the Commissioner. COPN Request No. VA-8611 differs significantly from COPN Request No. VA-8538 in a number of critical aspects.
- 12 VAC 5-230-150 does not apply to COPN Request No. VA-8611 because the project will neither increase the number of MRI scanners in PD 20, nor increase the number of sites within PD 20 at which MRI is provided. In contrast, DCOPN found that 12 VAC 5-230-150 applied to COPN Request No. VA-8538 because that project would have increased the number of sites within PD 20 at which MRI is provided. Because the project neither increases the number of MRI scanners in PD 20, nor increases the number of sites within PD 20 at which MRI is

provided, COPN Request No. VA-8611 is not, and cannot be inconsistent with 12 VAC 5-230-150.

- As stated in COPN Request No. VA-8611, CDIC is aware that the January 19, 2021 DCOPN report on COPN Request No. VA-8538 asserted that Western Branch was outside the applicant's primary service area and that similar comments were repeated in the Commissioner's decision denying COPN Request No. VA-8538. With respect, that assertion was –and remains – incorrect. As shown in Attachment IV.B.1 to COPN Request No. VA-8611, Western Branch and points west are very much a part of Chesapeake Regional Healthcare's outpatient MRI service area. CDIC believes that DCOPN's January 2021 comments were largely based on erroneous claims in Sentara's December 23, 2020 letter opposing COPN Request No. VA-8538.
- In 2019, Chesapeake Regional Healthcare provided nearly 5,600 outpatient MRI exams to patients who live closer to Western Branch than to any other Chesapeake Regional Healthcare location.
- Sentara no longer asserts that it has underutilized MRI scanners that might be adversely impacted by CDIC's Western Branch project.
- The existing Kingsborough Imaging Center in Chesapeake has a number of building-related problems, including inadequate heating, a narrow front door that poses challenges for patients using assistive devices, insufficiently sized rooms, and a poor layout for patient privacy.
- CDIC should not be forced to continue to operate on the Kingsborough site. Instead, it should be permitted to move its existing MRI equipment to a site within its primary service area that better serves its existing patients without increasing the number of MRI scanners in PD 20 nor the number of sites within PD 20 at which MRI is provided.
- Historically, Chesapeake Regional Healthcare, through its subsidiaries CDIC and MRI & CT Diagnostics, has been the only low cost MRI provider in PD 20.

Public Hearing

Section 32.1-102.6 B of the Code of Virginia directs DCOPN to hold one public hearing on each application in a location in the county or city in which the project is proposed or a contiguous county or city in the case of competing applications; or in response to a written request by an elected local government representative, a member of the General Assembly, the Commissioner, the applicant, or a member of the public. COPN Request No. VA-8611 is competing with COPN Request Nos. VA-8607 & 8610 in this batch cycle. DCOPN conducted a public hearing on February 16, 2022 by teleconference. A total of 22 individuals attended the teleconference. The project was presented by Reese Jackson, President and CEO of Chesapeake Regional Healthcare, who discussed:

- Kingsborough has many building related issues, including a narrow door, poor heating, insufficiently sized rooms and a poor layout.

- If the proposed project is approved, Chesapeake Regional Healthcare will close the Kingsborough location, which is leased.
 - The assertion in COPN Request No. VA-8538 that the Western Branch location is outside of Chesapeake Regional's service area is incorrect.
 - The Western Branch location is part of the Chesapeake Regional service area and is close to thousands of MRI outpatients already served by Chesapeake Regional.
 - The price difference for services versus Sentara is substantial (based on Sentara price estimator tool).
 - The proposed project will improve access to lost cost imaging and improve patient outcomes.
 - The application received broad support from members of the community.
- (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-8607: Sentara Hospitals d/b/a Sentara Obici Hospital

Obici has expressed an institutional need to expand its MRI services. As noted in **Table 10** below, for 2020, the most recent year for which VHI data is available, Obici's one MRI unit performed 6,357 MRI procedures with a utilization rate of 127.14%, well above the SMFP expansion standard of 5,000 procedures per scanner per year. Additionally, the applicant reports that the MRI unit performed 7,631 procedures in 2021, which represents a utilization rate of 152.6% for that year. The applicant is part of the Sentara Health System, which has operates 14 fixed MRIs and 2 mobile sites providing MRI services in PD 20. As shown in **Table 11** below, the majority of the Sentara Health System's fixed site MRI units are well utilized, or the facility operates only one MRI unit. DCOPN notes that the 2020 utilization of Sentara Advanced Imaging Center – Leigh appears to be very low, at only 10.2%. However, the applicant has already reallocated these MRI units – in 2020, one MRI unit was moved through on campus reallocation to Sentara Brock Cancer Center pursuant to COPN Registration VA-R-012-20; and in 2019, one MRI unit was moved through an on campus reallocation to Sentara Imaging Solutions at North Leigh Campus pursuant to COPN Registration VA-R-013-19. Furthermore, the MRI unit at Sentara Imaging Solutions at North Leigh Campus is limited to intraoperative use pursuant to COPN No. VA-04134. The applicant reports that in 2021, the MRI unit at Sentara Brock Cancer Center operated at 73.2% utilization, and the intraoperative MRI unit at Sentara Imaging Solutions operated at a utilization of 24.3%. Therefore, DCOPN concludes that Sentara Health System does not have any underutilized capacity that would be appropriate for reallocation.

It is also notable that a need for expansion is also reflected in the Weldon Cooper population data with regard to PD 20 residents aged 65+, who are anticipated to see an increase of approximately 33% from the years 2020-2030. In comparison, throughout Virginia, this population is expected to increase by approximately 28%. These trends are significant, as these individuals represent

the segment of the population that are most in need of healthcare, including diagnostic imaging services.

In summary, for the reasons discussed above, Obici has demonstrated an institutional need to expand MRI imaging services. Moreover, for the reasons discussed, the status quo is not a preferable alternative to the proposed project.

COPN Request No. VA-8610: First Meridian Medical, LLC t/a MRI & CT Diagnostics

Neither DCOPN nor the applicant identified a reasonable alternative to the proposed project that would meet the needs of the people in the area to be served in a less costly, more efficient, or more effective manner. The proposed project is an inventory-neutral relocation from Chesapeake Regional Imaging - Kingsborough, which is approximately four miles from the location of, and in the same Zip Code as, the proposed project. The applicant asserts that the Kingsborough site has a number of building-related problems, including inadequate heating, a narrow front door that poses challenges for using assistive devices, insufficiently sized rooms, and a poor layout for patient privacy. Additionally, the existing Hitachi Oasis open MRI scanner is 12 years old and nearing the end of its useful life. Consequently, the applicant determine that it makes better sense to install the new open MRI unit, the only open MRI unit in PD 20, at MRI & CT Diagnostics – Chesapeake and close the Kingsborough location. Furthermore, the applicant is already operating MRI services at the MRI & CT Diagnostics – Chesapeake location and the move is within the applicant’s primary service area and within the same Zip Code. As such, the proposed project is highly unlikely to affect the utilization and efficiency of existing providers. For these reasons, DCOPN finds that the proposed project to relocate one fixed MRI unit within PD 20 is more advantageous than maintaining the status quo.

COPN Request No. VA-8611: Chesapeake Diagnostic Imaging Centers, LLC

As noted in **Table 10** below, in 2020, the utilization of existing MRI services in the planning district was only 70.16% of the 5,000 procedures per scanner necessary to introduce a MRI scanning services to a new location under this section of the SMFP. As previously discussed, according to the applicant, the Kingsborough site has a number of building-related problems and the applicant intends to redistribute the remaining assets in order to close the Kingsborough site. DCOPN recognizes the building related issues, but notes that the location of the proposed project is in close proximity to several existing facilities with underutilized MRI services, and approval of the proposed project is likely to exacerbate this underutilization. For these reasons, DCOPN finds that there are reasonable alternatives to the proposed project, including the status quo or moving the MRI unit to a different location.

- (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 V designated by the Virginia Department of Health to serve as the Health Planning Agency for PD 20. Therefore, this consideration is not applicable to the review of the proposed project.

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

COPN Request No. VA-8607: Sentara Hospitals d/b/a Sentara Obici Hospital

As demonstrated by **Table 2**, the projected capital costs of the proposed project are \$2,838,250, approximately 38% of which are attributed to direct construction costs. The capital costs will be funded using the accumulated reserves of the applicant. Accordingly, there are no financing costs associated with this project. DCOPN concludes that when compared to similar projects, these costs are reasonable. For example, COPN No. VA-04751 issued to Inova Reston MRI Center to establish a specialized center for MRI services with one MRI scanner is anticipated to cost approximately \$2,820,000.

The applicant identified numerous benefits of the proposed project, including:

- An additional MRI unit furthers the hospital's goal of improving patient service and access to care by decompressing the high and growing utilization at the hospital, providing access to outpatient imaging services in a more convenient, cost-effective, and patient-focused location.
- The radiologists, technicians and nurses who need to be present for complex advanced imaging needs can move from the hospital to the new facility on campus as needed.
- The layout of the MRI suite will enhance patient access, throughput and comfort.
- Scheduling delays have ramifications for prompt, comprehensive diagnosis and the start of treatment plans. The addition of an MRI unit will not only meet an institutional need but also will improve timely access to lower-cost MRI services for Obici's patients.

COPN Request No. VA-8610: First Meridian Medical, LLC t/a MRI & CT Diagnostics

As demonstrated by **Table 3**, the projected capital costs of the proposed project are \$2,714,525 approximately 46% of which are attributed to direct construction costs and 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. DCOPN concludes that when compared to similar projects, these costs are reasonable. For example, COPN No. VA-04751 issued to Inova Reston MRI Center to establish a specialized center for MRI services with one MRI scanner is anticipated to cost approximately \$2,820,000.

The applicant identified numerous benefits of the proposed project, including:

- The project will allow MRI &CT Diagnostics to continue to provide high quality, cost-effective services to its patients.
- Because of the building related issues at Kingsborough and the expiration of the existing open MRI unit, it makes more sense to install the replacement open MRI scanner at the nearby MRI & CT Diagnostics – Chesapeake.
- The project is inventory-neutral.

- The substantial savings offered at the outpatient imaging center could mean the difference between a patient receiving timely medical care or forgoing the recommended procedure.
- Chesapeake Regional Healthcare offers the only open MRI in PD 20.

COPN Request No. VA-8611: Chesapeake Diagnostic Imaging Centers, LLC

As demonstrated by **Table 4**, the projected capital costs of the proposed project are \$3,474,944 approximately 52% of which are attributed to direct construction costs, and 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. DCOPN concludes that when compared to similar projects, these costs are reasonable. For example, COPN No. VA-04735 issued to First Meridian Medical, LLC t/a MRI & CT Diagnostics to establish a specialized center for MRI services with one fixed MRI scanner is anticipated to cost approximately \$4,056,066.

The applicant identified numerous benefits of the proposed project, including:

- The project is inventory-neutral.
- The relocation is necessary to allow CDIC to provide high quality, cost effective services to patients.
- Chesapeake Regional Healthcare wants to close the Kingsborough site because of the building-related issues.
- Existing space for an MRI unit exists at the site, minimizing the costs.
- Historically, Chesapeake Regional Healthcare has been the only low-cost MRI provider in PD 20.
- In 2019, Chesapeake Regional Healthcare provided nearly 5,600 outpatient MRI scans to patients who live closer to the Western Branch location.

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

COPN Request No. VA-8607: Sentara Hospitals d/b/a Sentara Obici Hospital

The Pro Forma Income Statement provided by the applicant includes the provision of charity care in the amount of 4.8% (**Table 7**). DCOPN notes that, according to regional and statewide data regularly collected by VHI, for 2020, the most recent year for which such data is available, the average amount of charity care provided by HPR V facilities was 2.5% of all reported total gross patient revenues (**Table 5**). As previously discussed, recent changes to § 32.1-102.4B of the Code of Virginia now require DCOPN to place a charity care condition on every applicant seeking a COPN. DCOPN notes that, if approved, the proposed project should be subject to a charity care condition no less than the 2.5% HPR V average, in addition to any new requirements as found in the revised § 32.1-102.4B of the Code of Virginia.

Table 7. Obici Pro Forma Income Statement

	Year 1	Year 2
Total Gross Revenue	\$1,880,179	\$1,944,575
Charity Care	(\$94,799)	(\$98,046)
Net Revenue	\$1,974,978	\$2,042,621
Total Expenses	\$1,896,635	\$1,936,412
Excess of Revenue over Expenses	\$78,343	\$106,209

Source: COPN Request No. VA-8607

COPN Request No. VA-8610: First Meridian Medical, LLC t/a MRI & CT Diagnostics

The Pro Forma Income Statement provided by the applicant includes the provision of charity care in the amount of 3.5% (**Table 8**). DCOPN notes that, according to regional and statewide data regularly collected by VHI, for 2020, the most recent year for which such data is available, the average amount of charity care provided by HPR V facilities was 2.5% of all reported total gross patient revenues (**Table 5**). As previously discussed, recent changes to § 32.1-102.4B of the Code of Virginia now require DCOPN to place a charity care condition on every applicant seeking a COPN. DCOPN notes that, if approved, the proposed project should be subject to a charity care condition no less than the 2.5% HPR V average, in addition to any new requirements as found in the revised § 32.1-102.4B of the Code of Virginia.

Table 8. First Meridian Pro Forma Income Statement

	Year 1	Year 2
Total Gross Revenue	\$7,340,702	\$7,707,737
Charity Care	(\$256,925)	(\$269,771)
Bad Debt	(\$146,814)	(\$154,155)
Contractual Allowances	(\$5,089,235)	(\$5,343,697)
Net Operating Revenue	\$1,847,728	\$1,940,114
Total Operating Expenses	\$1,373,361	\$1,505,136
Net Operating Gain	\$474,367	\$434,978

Source: COPN Request No. VA-8610

COPN Request No. VA-8611: Chesapeake Diagnostic Imaging Centers, LLC

The Pro Forma Income Statement provided by the applicant includes the provision of charity care in the amount of 3.5% (**Table 9**). DCOPN notes that, according to regional and statewide data regularly collected by VHI, for 2020, the most recent year for which such data is available, the average amount of charity care provided by HPR V facilities was 2.5% of all reported total gross patient revenues (**Table 5**). As previously discussed, recent changes to § 32.1-102.4B of the Code of Virginia now require DCOPN to place a charity care condition on every applicant seeking a COPN. DCOPN notes that, if approved, the proposed project should be subject to a charity care condition no less than the 2.5% HPR V average, in addition to any new requirements as found in the revised § 32.1-102.4B of the Code of Virginia.

Table 9. CDIC Pro Forma Income Statement

	Year 1	Year 2
Total Gross Revenue	\$6,121,760	\$6,529,877
Charity Care	(\$214,262)	(\$228,546)
Bad Debt	(\$122,435)	(\$130,598)
Contractual Allowances	(\$4,244,155)	(\$4,527,098)
Net Operating Revenue	\$1,540,908	\$1,643,635
Total Operating Expenses	\$1,267,266	\$1,361,452
Net Operating Gain	\$273,642	\$282,184

Source: COPN Request No. VA-8611

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

COPN Request No. VA-8607: Sentara Hospitals d/b/a Sentara Obici Hospital, and COPN Request No. VA-8610: First Meridian Medical, LLC t/a MRI & CT Diagnostics
 DCOPN did not identify any other discretionary factors, not discussed elsewhere in this staff analysis report, to bring to the attention of the Commissioner as may be relevant to determining a public need for the proposed projects.

COPN Request No. VA-8611: Chesapeake Diagnostic Imaging Centers, LLC

DCOPN notes that CDIC previously submitted COPN Request No. VA-8538 to relocate and replace an MRI scanner from its Kingsborough facility to the location at 4200 Portsmouth Boulevard, Chesapeake, Virginia (Western Branch), which is the same location as the proposed project. This project was recommended for denial by DCOPN, and in his October 8, 2021 decision denying the request, the Commissioner found:

- Approval of the Western Branch project is inconsistent with the SMFP;
- Approval of the Western Branch project carries the risk of worsening underutilization of several existing MRI scanners in the surrounding area;
- Maintaining the status quo is a preferable alternative.

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

Section 32.1-102.2:1 of the Code of Virginia calls for the State Health Services Plan Task Force to develop, by November 1, 2022, recommendations for a comprehensive State Health Services Plan (SHSP). In the interim, these regulations provide the best available criteria and DCOPN will consider the consistency of the proposed project with the predecessor of the SHSP, the State Medical Facilities Plan (SMFP).

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

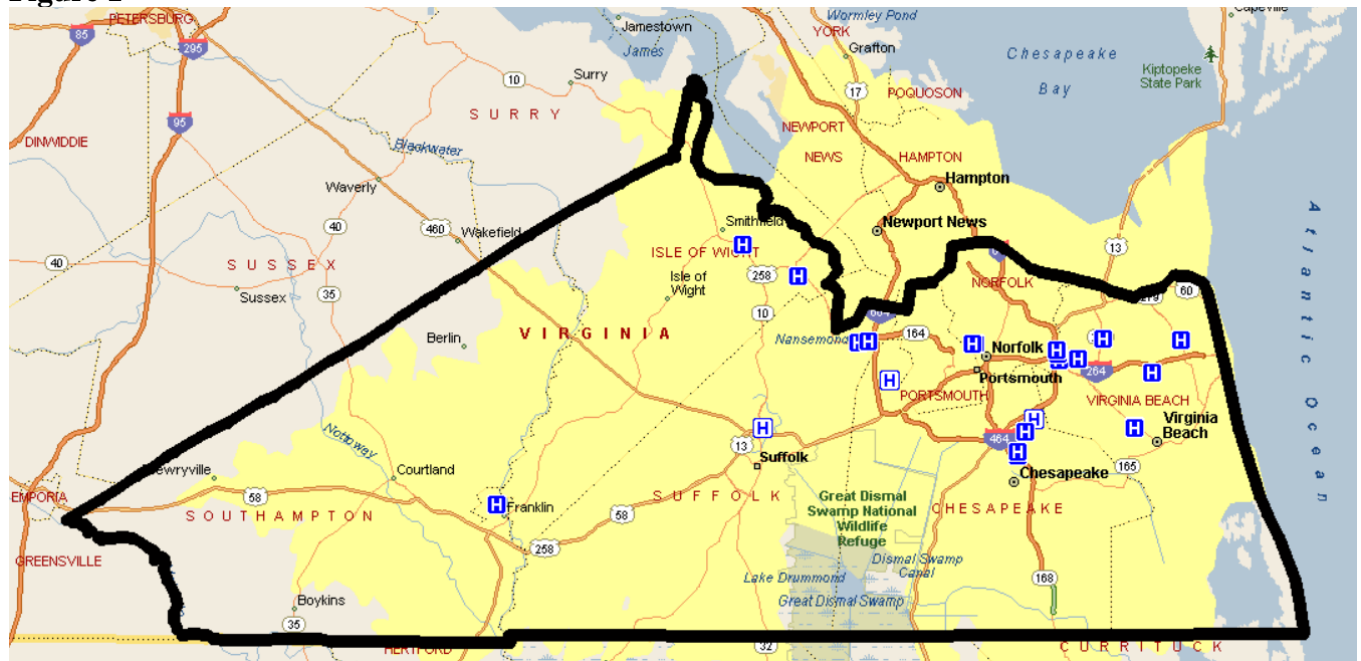
Article 2
Criteria and Standards for Magnetic Resonance Imaging

12VAC5-230-140. Travel time.

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

The heavy black line in **Figure 1** is the boundary of PD 20. The blue “H” symbols mark the locations of existing MRI providers in PD 20. The white “H” symbol mark the locations of the proposed projects. The yellow shaded area includes the area that is within 30 minutes driving time one-way under normal conditions of existing MRI services in PD 20. **Figure 1** clearly illustrates that MRI services are already well within a 30 minute drive under normal conditions of 95% of the residents of PD 20 and approval of the proposed project will not increase geographic access to MRI services in PD 20.

Figure 1



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

No new fixed site MRI service 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 may be disregarded in computing average utilization of MRI scanners in such planning district.

As shown in **Table 10** below, the then-existing PD 20 fixed MRI inventory performed a collective MRI volume of 105,234 MRI procedures in 2020, with an overall utilization of 70.16%. Based on this data, DCOPN has calculated a current surplus of eight fixed MRI scanners in PD 20 as follows:

2020 COPN authorized fixed MRI units = 30
 Needed MRI units = 105,234 (2020 MRI procedures) ÷ 5,000 = 21.05 (22)
 2022 MRI unit inventory = 30
Fixed MRI unit surplus = 8

Table 10. PD 20 COPN Authorized Fixed MRI Units and Utilization: 2020

Facility	Fixed Units	Procedures	Procedures/Unit	Utilization
Bon Secours DePaul Medical Center	1	2,692	2,692	53.84%
Bon Secours Maryview Medical Center	3	7,968	2,656	53.12%
Chesapeake Regional Imaging - Kempsville	1	2,367	2,367	47.34%
Chesapeake Regional Imaging - Kingsborough	2	8,683	4,342	86.83%
Chesapeake Regional Medical Center	3	6,949	2,316	46.33%
Children's Hospital of The King's Daughters	2	5,381	2,691	53.81%
First Meridian d/b/a MRI & CT Diagnostics - Virginia Beach	1	5,712	5,712	114.24%
First Meridian d/b/a MRI & CT Diagnostics - Chesapeake	2	11,556	5,778	115.56%
Sentara Advanced Imaging Center - Belleharbour	1	3,415	3,415	68.30%
Sentara Advanced Imaging Center - Leigh	2	1,020	510	10.20%
Sentara Advanced Imaging Center - Princess Anne	1	3,281	3,281	65.62%
Sentara Advanced Imaging Center at First Colonial	1	3,630	3,630	72.60%
Sentara Independence	1	3,402	3,402	68.04%
Sentara Leigh Hospital	2	7,605	3,803	76.05%
Sentara Norfolk General Hospital	4	12,062	3,016	60.31%
Sentara Obici Hospital	1	6,357	6,357	127.14%
Sentara Princess Anne Hospital	1	6,381	6,381	127.62%
Sentara Virginia Beach General Hospital	1	6,773	6,773	135.46%
Total and Average	30	105,234	3,508	70.16%

Source: VHI Data (2020)

COPN Request No. VA-8607: Sentara Hospitals d/b/a Sentara Obici Hospital, and COPN Request No. VA-8610: First Meridian Medical, LLC t/a MRI & CT Diagnostics

The applicants are not proposing to establish new fixed site MRI services

COPN Request No. VA-8611: Chesapeake Diagnostic Imaging Centers, LLC

The applicant asserts that this section is not applicable because “CDIC is relocating an existing MRI scanner within Chesapeake. The project will neither increase the number of MRI scanners in PD 20 nor increase the number of sites within PD 20 at which MRI is provided.” While DCOPN agrees with the assertion that the project is inventory-neutral with regard to the MRI unit, DCOPN disagrees with the assertion that this section of the SMFP does not apply. The applicant is proposing to establish a medical care facility with MRI services at the Portsmouth Boulevard location, which does not currently offer MRI services. No exception is made in the

language of the SMFP to differentiate between the addition of a fixed site service through the relocation of previously approved MRI units and the addition of a fixed site service through the addition of a new MRI unit.

As noted in **Table 10** above, in 2020, the utilization of existing MRI services in the planning district was only 70.16% of the 5,000 procedures per scanner necessary to introduce a MRI scanning services to a new location under this section of the SMFP. Furthermore, the location of the proposed project is close to several existing facilities with underutilized MRI services. Bon Secours Maryview Medical Center, which is five and one half miles from the location of the proposed project operated at only 53.12% utilization in 2020. Additionally, Sentara Advanced Imaging Center -Belleharbour, is located six miles from the location of the proposed project and operated at only 68.3% utilization in 2020. As such, DCOPN concludes that approval of the proposed project is likely to reduce the patient loads and exacerbate the underutilization of existing MRI providers. Based on the information above, DCOPN concludes that the proposed project does not meet this standard.

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

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

COPN Request No. VA-8607: Sentara Hospitals d/b/a Sentara Obici Hospital

Obici has cited an institutional specific need to expand its current MRI services. As noted in **Table 10** above, for 2020, the most recent year for which VHI data is available, Obici’s one MRI unit performed 6,381 MRI procedures with a utilization rate of 127.14%, well above the SMFP expansion standard of 5,000 procedures per scanner per year.

COPN Request No. VA-8610: First Meridian Medical, LLC t/a MRI & CT Diagnostics

The applicant asserts that this section is not applicable because “MRI & CT Diagnostics is relocating and replacing an existing MRI scanner within Chesapeake. The project will neither increase the number of MRI scanners in PD 20 nor increase the number of sites within PD 20 at which MRI is provided.” While DCOPN agrees with the assertion that the project is inventory-neutral with regard to the MRI unit, DCOPN disagrees with the assertion that this section of the SMFP does not apply. No exception is made in the language of the SMFP to differentiate between the expansion of a fixed site service through the relocation of previously approved MRI units and the expansion of a fixed site service through the addition of a new MRI unit.

Nonetheless, the applicant satisfies this standard. As displayed in **Table 10**, the two MRI units at First Meridian d/b/a MRI & CT Diagnostics –Chesapeake performed 11,556 procedures or 5,778 procedures per machine in 2020.

COPN Request No. VA-8611: Chesapeake Diagnostic Imaging Centers, LLC

Not applicable. The applicant is not proposing to expand an existing fixed site service.

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.**

COPN Request No. VA-8607: Sentara Hospitals d/b/a Sentara Obici Hospital,

COPN Request No. VA-8610: First Meridian Medical, LLC t/a MRI & CT Diagnostics, and

COPN Request No. VA-8611: Chesapeake Diagnostic Imaging Centers, LLC

Not applicable. The applicants are not proposing to add or expand mobile MRI services.

12VAC5-230-180. Staffing.

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

COPN Request No. VA-8607: Sentara Hospitals d/b/a Sentara Obici Hospital,

COPN Request No. VA-8610: First Meridian Medical, LLC t/a MRI & CT Diagnostics, and

COPN Request No. VA-8611: Chesapeake Diagnostic Imaging Centers, LLC

The applicants have provided assurances that all MRI services will be under the direction and supervision of qualified physicians.

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

**Part 1
Definitions and General Information**

12VAC5-230-30. 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 regulation 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 demand of the particular service area.**

COPN Request No. VA-8607: Sentara Hospitals d/b/a Sentara Obici Hospital

Based on an analysis of previous COPN projects, Obici has a consistent history of completing projects on time and within the authorized capital costs. With respect to the proposed project, the projected capital cost is \$2,838,250. The applicant has an established history of meeting state licensure and federal certification regulations. Finally, in 2020, Obici provided 2.88% of its gross patient revenue in the form of charity care.

COPN Request No. VA-8610: First Meridian Medical, LLC t/a MRI & CT Diagnostics

Based on an analysis of previous COPN projects, First Meridian has a consistent history of completing projects on time and within the authorized capital costs. With respect to the proposed project, the projected capital cost is \$2,714,525. Finally, in 2020, Chesapeake Regional Medical Center, the flagship facility of Chesapeake Regional Healthcare provided 2.16% of its gross patient revenue in the form of charity care.

COPN Request No. VA-8611: Chesapeake Diagnostic Imaging Centers, LLC

Based on an analysis of previous COPN projects, CDIC has a consistent history of completing projects on time and within the authorized capital costs. With respect to the proposed project, the projected capital cost is \$3,474,944. Finally, in 2020, Chesapeake Regional Medical Center, the flagship facility of Chesapeake Regional Healthcare provided 2.16% of its gross patient revenue in the form of charity care.

Conclusion

As all applicants have similar histories of on time, on budget delivery, DCOPN concludes that no applicant warrants preference regarding completing projects on time and within the approved capital expenditure or for having lower capital costs. For the same reason, DCOPN does not believe that any applicant warrants preference with respect to meeting state licensure and federal certification regulations or displaying a commitment to charity care.

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

12VAC5-230-80. When Institutional Expansion is Needed.

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

COPN Request No. VA-8607: Sentara Hospitals d/b/a Sentara Obici Hospital

As previously discussed, for 2020, the most recent year for which VHI data is available, the existing MRI unit at Obici performed 6,381 procedures and operated at a utilization rate of 127.14%, well above the SMFP threshold for expansion (**Table 10**). The applicant is part of the Sentara Health System, which has 10 facilities providing MRI services in PD 20. As shown in **Table 11** below, the majority of the Sentara Health System’s MRI units are well utilized. As previously discussed, DCOPN concludes that Sentara Health System does not have any underutilized capacity that would be appropriate for reallocation, as the majority of its MRI units are well utilized, or have already been reallocated.

Table 11. Sentara PD 20 COPN Authorized Fixed CT Units and Utilization: 2020

Facility	Fixed Unit	Procedures	Utilization
Sentara Advanced Imaging Center - Belleharbour	1	3,415	68.30%
Sentara Advanced Imaging Center - Leigh ³	2	1,020	10.20%
Sentara Advanced Imaging Center - Princess Anne	1	3,281	65.62%
Sentara Advanced Imaging Center at First Colonial	1	3,630	72.60%
Sentara Independence	1	3,402	68.04%
Sentara Leigh Hospital	2	7,605	76.05%
Sentara Norfolk General Hospital	4	12,062	60.31%
Sentara Obici Hospital	1	6,357	127.14%
Sentara Princess Anne Hospital	1	6,381	127.62%
Sentara Virginia Beach General Hospital	1	6,773	135.46%
Total and Average	15	53,926	71.90%

Source: VHI Data (2020)

COPN Request No. VA-8610: First Meridian Medical, LLC t/a MRI & CT Diagnostics

Not applicable. The applicant is not asserting an institutional need to expand. However, DCOPN notes that the applicant’s two MRI units at First Meridian d/b/a MRI & CT Diagnostics –Chesapeake, the facility to which the applicant proposed to transfer the MRI unit, performed 11,556 procedures or 5,778 procedures per machine and operated at a utilization of 115.56% in 2020.

COPN Request No. VA-8611: Chesapeake Diagnostic Imaging Centers, LLC

Not applicable. The applicant is not asserting an institutional need to expand.

³ One MRI unit moved on campus to Sentara Brock Cancer Center pursuant to COPN Registration VA-R-012-20. One MRI unit moved on campus to Sentara Imaging Solutions at North Leigh Campus pursuant to COPN Registration VA-R-013-19. Current inventory at Sentara Advanced Imaging Center – Leigh is 0.

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-8607: Sentara Hospitals d/b/a Sentara Obici Hospital

As previously discussed, Obici plans to house the new MRI unit in an outpatient building on the hospital campus. Therefore, the proposed project would offer lower cost of health care for patients who do not require diagnostic imaging services in a hospital setting, thereby providing beneficial market competition and offering services to patients of PD 20 at a lower price point.

COPN Request No. VA-8610: First Meridian Medical, LLC t/a MRI & CT Diagnostics

As an alternative to hospital based services, the proposed project would offer lower cost of health care for patients who do not require diagnostic imaging services in a hospital setting, thereby providing beneficial market competition and offering services to patients of PD 20 at a lower price point.

COPN Request No. VA-8611: Chesapeake Diagnostic Imaging Centers, LLC

As an alternative to hospital based services, the proposed project would offer lower cost of health care for patients who do not require diagnostic imaging services in a hospital setting, thereby providing beneficial market competition and offering services to patients of PD 20 at a lower price point.

- 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-8607: Sentara Hospitals d/b/a Sentara Obici Hospital

As already discussed, DCOPN maintains that the applicant has adequately demonstrated an institutional need for the additional MRI unit. Furthermore, as already discussed, DCOPN further concludes that transferring the requested MRI unit from another Sentara Health System facility is not a reasonable alternative to the proposed project. Therefore, DCOPN contends that although the proposed project would add to the existing PD 20 surplus, the project warrants approval. Lastly, because the project hinges upon an institutional need, DCOPN contends that approval of the proposed project is not likely to have a significant negative impact on existing providers of MRI services in PD 20.

COPN Request No. VA-8610: First Meridian Medical, LLC t/a MRI & CT Diagnostics

As discussed above, the proposed project is an inventory-neutral relocation and replacement of one existing fixed MRI scanner. Furthermore, the applicant is already operating MRI services at the MRI & CT Diagnostics – Chesapeake location and the move is within the applicant's primary service area and within the same Zip Code. As such, the proposed project is highly unlikely to affect the utilization and efficiency of existing providers.

COPN Request No. VA-8611: Chesapeake Diagnostic Imaging Centers, LLC

As discussed above, the location of the proposed project is within five miles of several MRI providers with underutilized MRI scanners and is likely to exacerbate this underutilization.

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-8607: Sentara Hospitals d/b/a Sentara Obici Hospital

As already discussed, DCOPN contends that the projected costs of \$2,838,250 are reasonable when compared to previously authorized projects similar in scope. For example, COPN No. VA-04751 issued to Inova Reston MRI Center to establish a specialized center for MRI services with one MRI scanner is anticipated to cost approximately \$2,820,000. The entirety of the capital costs will be funded using the accumulated reserves of the applicant. Accordingly, there are no financing costs associated with this project. The Pro Forma Income Statement provided by the applicant projects a net profit of \$78,343 from in the first year of operation, and a net profit of \$106,209 in the second year of operation.

With regard to staffing, the applicant states that two additional radiological technologists are required to staff the proposed project. The applicant explains that staff from the current staffing pool will be also rotated through to provide appropriate coverage.

COPN Request No. VA-8610: First Meridian Medical, LLC t/a MRI & CT Diagnostics

As already discussed, DCOPN contends that the projected costs of \$2,714,525 are reasonable when compared to previously authorized projects similar in scope. For example, COPN No. VA-04751 issued to Inova Reston MRI Center to establish a specialized center for MRI services with one MRI scanner is anticipated to cost approximately \$2,820,000. The entirety of the capital costs will be funded using the accumulated reserves of the applicant. Accordingly, there are no financing costs associated with this project. The Pro Forma Income Statement provided by the applicant projects a net profit of \$474,367 from in the first year of operation, and a net profit of \$434,978 in the second year of operation.

With regard to staffing, the applicant states that it plans to transfer staff for the project from the Kingsborough Imaging Center and that no new full time equivalent employees (FTE) are needed.

COPN Request No. VA-8611: Chesapeake Diagnostic Imaging Centers, LLC

As already discussed, DCOPN contends that the projected costs of \$3,474,944 are reasonable when compared to previously authorized projects similar in scope. For example, COPN No. VA-04735 issued to First Meridian Medical, LLC t/a MRI & CT Diagnostics to establish a specialized center for MRI services with one fixed MRI scanner is anticipated to cost approximately \$4,056,066. The entirety of the capital costs will be funded using the accumulated reserves of the applicant. Accordingly, there are no financing costs associated with this project. The Pro Forma Income Statement provided by the applicant projects a net profit of \$273,642 from in the first year of operation, and a net profit of \$282,184 in the second year of operation.

With regard to staffing, the applicant states that it plans to transfer staff for the project from the Kingsborough Imaging Center and that no new FTEs are needed.

- 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-8607: Sentara Hospitals d/b/a Sentara Obici Hospital

The proposed project would not introduce new technology that would promote quality or cost effectiveness in the delivery of inpatient acute care. However, the proposed project will increase the potential for provision of services on an outpatient basis.

COPN Request No. VA-8610: First Meridian Medical, LLC t/a MRI & CT Diagnostics

The proposed project would not introduce new technology that would promote quality or cost effectiveness in the delivery of inpatient acute care. However, the proposed project does preserve the unique capability of an open MRI unit, the only open MRI unit in PD 20.

COPN Request No. VA-8611: Chesapeake Diagnostic Imaging Centers, LLC

The proposed project would not introduce new technology that would promote quality or cost effectiveness in the delivery of inpatient acute care, nor will it increase the potential for provision of services on an outpatient basis, as the provider is already providing the 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 for citizens of the Commonwealth, including indigent or underserved populations.**

COPN Request No. VA-8607: Sentara Hospitals d/b/a Sentara Obici Hospital,

COPN Request No. VA-8610: First Meridian Medical, LLC t/a MRI & CT Diagnostics, and

COPN Request No. VA-8611: Chesapeake Diagnostic Imaging Centers, LLC

None of the applicants are teaching hospitals or affiliated with public institutions of higher education or medical schools in the area to be served. Approval of the proposed projects would not contribute to the unique research, training or clinical mission of a teaching hospital or medical school.

DCOPN Findings and Conclusions

COPN Request No. VA-8607: Sentara Hospitals d/b/a Sentara Obici Hospital

DCOPN finds that Sentara Hospitals d/b/a Sentara Obici Hospital's proposed project to expand MRI services with one MRI unit in a specialized imaging center on the hospital campus is generally consistent with the applicable criteria and standards of the SMFP and the Eight Required Considerations of the Code of Virginia. As previously discussed, the applicant's one COPN approved MRI unit operated at 127.14% utilization in 2020, well above the SMFP threshold for expansion. Additionally, DCOPN concludes that Sentara Health System does not have any underutilized capacity that would be appropriate for reallocation, and that the applicant has demonstrated an institutional need to expand. Moreover, for the reasons discussed, the status quo is not a preferable alternative to the proposed project.

It is also notable that a need for expansion is also reflected in the Weldon Cooper population data with regard to PD 20 residents aged 65+, who are anticipated to see an increase of approximately 33% from the years 2020-2030. In comparison, throughout Virginia, this population is expected to increase by approximately 28%. These trends are significant, as these individuals represent the segment of the population that are most in need of healthcare, including diagnostic imaging services.

DCOPN finds that the total capital costs of the proposed project are reasonable and consistent with previously approved projects similar in scope. Furthermore, DCOPN finds that the project appears to be economically feasible both in the immediate and long-term. Finally, there is no known opposition to the proposed project.

COPN Request No. VA-8610: First Meridian Medical, LLC t/a MRI & CT Diagnostics

DCOPN finds that First Meridian Medical, LLC t/a MRI & CT Diagnostics' proposal to expand MRI services by relocating and replacing an existing MRI unit within PD 20 is generally consistent with the applicable criteria and standards of the SMFP and the Eight Required Considerations of the Code of Virginia. The proposed project is an inventory-neutral relocation of an existing COPN approved MRI unit. Additionally, move is within the applicant's primary service area and within the same Zip Code. Finally, the current location has a number of building related issues and the existing MRI unit is nearing the end of its useful life. For these reasons, DCOPN concludes that the proposed project is more favorable than maintaining the status quo.

DCOPN finds that the total capital costs of the proposed project are reasonable and consistent with previously approved projects similar in scope. Furthermore, DCOPN finds that the project appears to be economically feasible both in the immediate and long-term. Finally, there is no known opposition to the proposed project.

COPN Request No. VA-8611: Chesapeake Diagnostic Imaging Centers, LLC

DCOPN finds that Chesapeake Diagnostic Imaging Centers, LLC's COPN request to establish MRI services by relocating one MRI unit is generally inconsistent with the applicable criteria and standards of the SMFP and the Eight Required Considerations of the Code of Virginia. DCOPN finds that the total capital costs of the proposed project are reasonable and consistent with previously approved projects similar in scope. DCOPN also finds that the project appears to be economically

feasible both in the immediate and long-term. However, as noted in **Table 10**, in 2020, the utilization of existing MRI services in the planning district was only 70.16% of the 5,000 procedures per scanner necessary to introduce a MRI scanning services to a new location under this section of the SMFP. Finally, the location of the proposed project is in close proximity to several existing facilities with underutilized MRI services, and approval of the proposed project is likely to exacerbate this underutilization. Therefore, DCOPN concludes that there are reasonable alternatives to the proposed project, including the status quo.

Finally, DCOPN received written opposition to the proposed project, which cited: (1) the similarities between the proposed project and COPN Request No. VA-8538, which was denied by the Commissioner on October 8, 2021; (2) the unchanged landscape in PD 20; and (3) the lack of public need for the project.

DCOPN Staff Recommendation

COPN Request No. VA-8607: Sentara Hospitals d/b/a Sentara Obici Hospital

The Division of Certificate of Public Need recommends **conditional approval** of Sentara Hospitals d/b/a Sentara Obici Hospital COPN request to expand MRI services through the establishment of a specialized imaging center with one MRI unit on the hospital campus 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 applicant has demonstrated an institutional need to expand its MRI services.
3. The capital costs are reasonable.
4. The proposed project appears economically viable in the long-term.
5. There is no known opposition to the proposed project.
6. The project is more favorable than maintaining the status quo.

Recommended Condition

This project shall be subject to the 4.8% system-wide charity care condition applicable to Sentara Hospitals Hampton Roads, as reflected in COPN No. VA – 04534 (Sentara Hospitals Hampton Roads system-wide condition). Provided, however, that charity care provided under the Sentara Hospitals Hampton Roads 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.

Sentara Hospitals d/b/a Sentara Obici 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 Sentara Hospitals Hampton Roads system-wide condition, to the extent Sentara Hospitals d/b/a Sentara Obici Hospital expects its system-wide condition as valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq. or any revised percentage to materially alter the value of its charity care commitment thereunder, it may petition the Commissioner for a modification to the Sentara Hospitals Hampton Roads system-wide condition to resolve the expected discrepancy.

COPN Request No. VA-8610: First Meridian Medical, LLC t/a MRI & CT Diagnostics

The Division of Certificate of Public Need recommends **conditional approval** of First Meridian Medical, LLC t/a MRI & CT Diagnostics' COPN request to add a third MRI by relocating and replacing one MRI unit within PD 20 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 in the long-term.
4. There is no known opposition to the proposed project.
5. The project is inventory-neutral and is more favorable than maintaining the status quo.

Recommended Condition

First Meridian Medical, LLC t/a MRI & CT Diagnostics will provide MRI services to all persons in need of these services, regardless of their ability to pay, and will provide as charity care to all indigent persons free services or rate reductions in services and will facilitate the development and operation of primary medical care services to medically underserved persons in PD 20 in an aggregate amount equal to at least 2.5% of First Meridian Medical, LLC t/a MRI & CT Diagnostics' gross patient revenue derived from MRI services. 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. First Meridian Medical, LLC t/a MRI & CT Diagnostics 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 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.

First Meridian Medical, LLC t/a MRI & CT Diagnostics will provide MRI care to individuals who are eligible for benefits under Title XVIII of the Social Security Act (42 U.S.C. § 1395 et seq.), Title XIX of the Social Security Act (42 U.S.C. § 1396 et seq.), and 10 U.S.C. § 1071 et seq. Additionally First Meridian Medical, LLC t/a MRI & CT Diagnostics will facilitate the

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

COPN Request No. VA-8611: Chesapeake Diagnostic Imaging Centers, LLC

The Division of Certificate of Public Need recommends **denial** of Chesapeake Diagnostic Imaging Centers, LLC's COPN request establish a specialized center for MRI imaging by relocating one fixed MRI unit within PD 20 for the following reasons:

1. The proposed project is 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 unused capacity in the planning district in close proximity to the location of the proposed project.
3. Maintaining the status quo is a reasonable alternative to the proposed project.
4. The Commissioner denied a substantially similar project in October 2021.