

VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis Report

July 19, 2022

COPN Request No. VA-8628

Shore Health Services, Inc.

Onancock, Virginia

Add one fixed CT scanner at Shore Memorial Hospital

Applicant

Shore Health Services, Inc. (SHS) is a Virginia-domiciled, not-for-profit, non-stock corporation that was formed in 1995. SHS is the parent entity of Riverside Shore Memorial Hospital (Shore Memorial), a 52-bed general acute care hospital located in Onancock, Virginia, which is located in Planning District (PD) 22 (Virginia's eastern shore), Health Planning Region (HPR) V.

Background

Shore Memorial is a 52-bed general acute-care facility delivering comprehensive healthcare including a wide range of medical, surgical, obstetric, pediatric, orthopedic, radiological, emergency and outpatient services. Shore Memorial is one of two COPN authorized providers of CT services in PD 22 (**Table 1**). In 2020, the last year for which the Division of Certificate of Public Need (DCOPN) has data available from Virginia Health Information (VHI), Shore Memorial's one CT scanner operated at 129.3% of the State Medical Facilities Plan (SMFP) utilization threshold (**Table 4**). According to SHS, in 2021, the single CT scanner at Shore Memorial performed 11,172 scans, which equates to 151% of the SMFP's utilization threshold.

Table 1. PD 22 COPN Authorized Fixed CT Units

Facility	Number of CT Scanners
Chesapeake Bay ENT P.C.	1
Riverside Shore Memorial Hospital	1
TOTAL	2

Source: DCOPN records

Proposed Project

Shore Memorial proposes to expand its CT services through the addition of one 128-slice fixed CT scanner which is to be located in the Radiology Department in the hospital. The applicant states that Shore Memorial has an institutional need to expand its CT services. The proposed CT

scanner would be used predominantly by its emergency room patients, and the existing CT scanner would be dedicated to non-emergent inpatient and outpatient CT scanning needs. The total capital and financing cost of the proposed project is \$1,930,939 (**Table 2**). The applicant states that the proposed will be financed using accumulated reserves.

Table 2. Capital and Financing Costs

Direct Construction Costs	\$803,207
Equipment Not Included in Construction Contract	\$1,032,412
Architectural and Engineering Fees	\$95,320
TOTAL Capital and Financing Costs	\$1,930,939

Source: COPN Request No. VA-8628

Project Definition

Section 32.1-102.1:3 of the Code of Virginia defines a project, in part, as “[t]he addition by an existing medical care facility described in subsection A of any new medical equipment for the provision of...computed tomographic (CT) scanning...” A medical care facility includes “[a]ny facility licensed as a hospital...

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

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

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

The applicant proposes to expand its CT services through the addition of one fixed CT scanner. As discussed above, the applicant asserts that Shore Memorial has an institutional need to expand its CT services, which is supported by the most recent VHI data available to DCOPN (**Table 4**). The applicant additionally asserts that, because the single CT scanner currently at Shore Memorial supports the hospital’s emergency department, elective CT scans are routinely “bumped” to accommodate emergency CT scans. This results in additional scheduling delays and dissatisfied patients. Approval of Shore Memorial’s project will decompress the hospital’s currently overutilized CT service, improve CT scheduling for elective and radiation therapy simulation cases, and create much needed CT-service back-up at Shore Memorial.

Geographically, Shore Memorial is located on U.S. Route 13, which is the main north-south highway artery on the Eastern Shore of Virginia. There is no public transportation on the Eastern Shore. DCOPN is not aware of any other geographic, socioeconomic, cultural, or transportation barriers to access to care.

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

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

DCOPN received eight letters of support for the proposed project, including several letters from Riverside employees, as well as from the Accomack County Board of Supervisors, the County Administrator of Accomack, and the Coordinator of Emergency Management for Northampton County. Collectively, these letters articulated the need for additional CT services in PD 22, particularly as there is currently only one other authorized CT provider in the planning district.

Public Hearing

DCOPN provided notice to the public regarding this project on May 10, 2022. The public comment period closed on June 24, 2022. Section 32.1-102.6 of the Virginia Code mandates that “in the case of competing applications or in response to a written request by an elected local government representative, a member of the General Assembly, the Commissioner, the applicant, or a member of the public, [DCOPN shall] hold one hearing on each application in a location in the county or city in which the project is proposed or a contiguous county or city.” The proposed project is not competing, and no public hearing was requested by the applicant, the Commissioner, an interested party, or member of the public. As such, no public hearing was held.

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

The status quo is not a viable alternative to the proposed project. As shown in **Table 4**, in 2020, the last year for which the DCOPN has data available from VHI, Shore Memorial’s one CT scanner operated at 129.3% of the SMFP’s utilization threshold (**Table 4**). According to SHS, in 2021 (a year for which data from VHI is not yet available), the single CT scanner at Shore Memorial performed 11,172 scans, which equates to 151% of the SMFP’s utilization threshold. Under the status quo, the overutilization of the existing fixed CT scanner at Shore Memorial would continue. Moreover, given that Shore Memorial is one of only two providers of CT services within the PD, this overutilization is highly likely to increase. Additionally, under the status quo, outpatient CT scanning procedures would continue to be delayed or rescheduled for emergency cases. As such, DCOPN concludes that the status quo is not a viable alternative to the proposed project.

(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 22. Therefore, this consideration is not applicable to the review of the proposed project.

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

As discussed above, the total capital and financing cost of the proposed project is \$1,930,939 (**Table 2**), which would be financed using accumulated reserves. The costs for the project are reasonable and consistent with previously approved projects to add one CT scanner. For example, COPN VA-04716 issued to Riverside Hospital, Inc. d/b/a Riverside Regional Medical Center to add one CT scanner, which cost approximately \$1,935,750 in 2020; and COPN VA-04550 issued to University of Virginia Medical Center to add one CT scanner at the Education Resource Center on the UVA campus, which cost approximately \$2,015,000 in 2017. As discussed above, the proposed project would offer several major benefits over the status quo. First, the applicant asserts that, because the single CT scanner at Shore Memorial supports the hospital's emergency department, elective CT scans are routinely "bumped" to accommodate emergency CT scans. Additionally, the applicant asserts that approval of a second CT scanner is also necessary to improve timely access to radiation therapy services at Shore Memorial. The single CT scanner at Shore Memorial is used for CT simulation of radiation therapy services at the hospital. Due to the overutilized CT service, some radiation therapy patients are required to wait seven to ten days for their initial CT simulation study.

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

Source: VHI

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

DCOPN did not identify any other discretionary factors, not discussed elsewhere in this staff analysis report, to bring to the attention of the Commissioner as may be relevant to determining a public need for the proposed project.

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

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

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

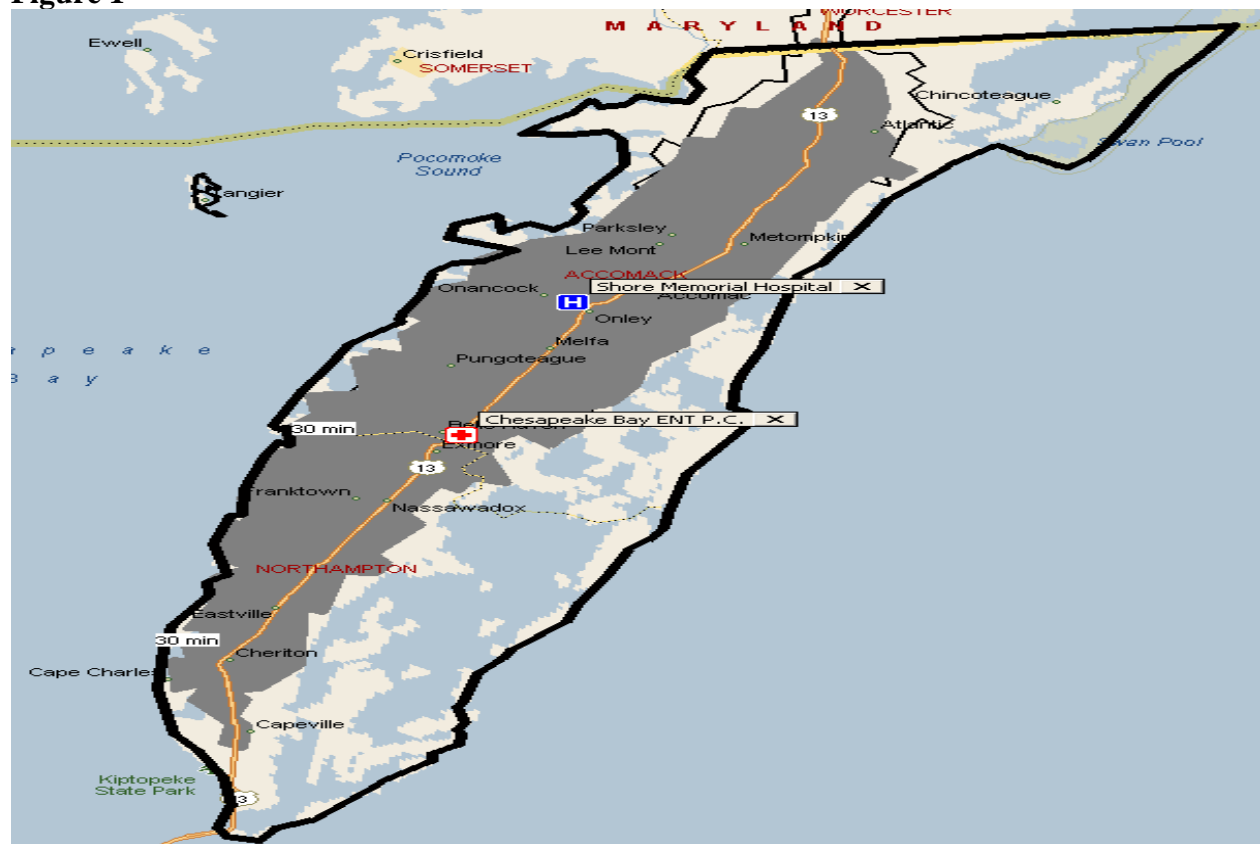
Part II
Diagnostic Imaging Services
Article 1
Criteria and Standards for Computed Tomography

12VAC5-230-90. Travel time.

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

Currently, there are two COPN authorized CT scanners in PD 22. The heavy black line in Figure 1 is the boundary of PD 22. The blue H icon is the location of Shore Memorial, the red cross icon is the location of Chesapeake Bay ENT P.C. The grey shading illustrates the area that is within a thirty-minute drive one way under normal driving conditions of all CT service providers in PD 22. As Figure 1 clearly illustrates, CT services are likely to be within a thirty-minute drive one way under normal driving conditions of 95% of the residents of the planning district. As the applicant is an existing provider of CT services, approval of the proposed project would not affect an increase in access to CT services for those individuals not within a thirty-minute drive one way under normal driving conditions

Figure 1



12VAC5-230-100. Need for new fixed site or mobile service.

A. No new fixed site or mobile CT service should be approved unless fixed site CT services in the health planning district performed an average of 7,400 procedures per existing and approved CT scanner during the relevant reporting period and the proposed new service would not significantly reduce the utilization of existing providers in the health planning district. The utilization of existing scanners operated by a hospital and serving an area distinct from the proposed new service site may be disregarded in computing the average utilization of CT scanners in such health planning district.

Not applicable. As the applicant is an existing provider seeking to expand its fixed site CT services, this section is addressed to illustrate the deficit or surplus of fixed CT services in PD 22.

Calculated Needed Fixed CT Scanners in PD 22

COPN authorized CT scanners = 2

Calculated Needed CT scanners =
9,569 scans in the PD / 7,400 scans / scanner = 1.29 (2) scanners needed

PD 22 Calculated Need = 2 CT scanners

PD 22 Calculated Surplus/Deficit = 0 CT scanners

Table 4. PD 22 COPN Authorized Fixed CT Units: 2020

Facility	Number of CT Scanners	Number of CT Scans	Utilization Rate
Riverside Shore Memorial Hospital	1	9,569	129.3%
Chesapeake Bay ENT ¹	1	0	
TOTAL and Average	1	9,569	129.3%

Source: VHI & DCOPN interpolations

As noted in **Table 4** above, the utilization of Shore Memorial's, and the PD's one CT scanner in 20120 was 129.3% of the 7,400 procedures per scanner. Though there is no surplus or deficit of CT scanners in PD 22, the addition of one scanner would create a surplus. However, as will be discussed, the applicant has a unique institutional need to expand its CT services, the surplus notwithstanding.

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.

There are no CT scanners used solely for simulation in PD 22.

¹ This CT was authorized by COPN No. VA-04749 and was not due to open until June 2022. The CT is restricted to the imaging of the sinus cavity and temporal bone.

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

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

As noted in **Table 4** above, the utilization of Shore Memorial's, and the PD's one CT scanner in 2020 was 129.3% of the 7,400 procedures per scanner necessary to expand fixed CT scanning services under this section of the SMFP in 2020, the latest year for which DCOPN has data available from VHI. Moreover, given the lack of competitors in the area, and the current dominance of Shore Memorial as the leading provider of CT services in the PD, DCOPN concludes that approval of the proposed project would be highly unlikely to have a detrimental effect on the other existing provider in PD 22. As such, DCOPN concludes that the applicant has met this standard.

12VAC5-230-120. Adding or expanding mobile CT services.

- A. Proposals for mobile CT scanners shall demonstrate that, for the relevant reporting period, at least 4,800 procedures were performed and that the proposed mobile unit will not significantly reduce the utilization of existing CT providers in the health planning district.**
- B. Proposals to convert authorized mobile CT scanners to fixed site scanners shall demonstrate that, for the relevant reporting period, at least 6,000 procedures were performed by the mobile CT scanner and that the proposed conversion will not significantly reduce the utilization of existing CT providers in the health planning district.**

Not applicable. The applicant is not seeking to add or expand mobile CT services or to convert authorized mobile CT scanners to fixed site scanners.

12VAC5-230-130. Staffing.

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

The applicant confirmed that CT services would be under the direct supervision of one or more qualified physicians.

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

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

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

As previously discussed, for 2020, the most recent year for which VHI data is available, the one existing CT scanner at Shore Memorial operated at 129.3% of the SMFP’s utilization threshold (Table 4). According to SHS, in 2021, the single CT scanner at Shore Memorial performed 11,172 scans, which equates to 151% of the SMFP’s utilization threshold. Furthermore, as demonstrated by Table 5, DCOPN concludes that there are no other CT scanners within the Riverside Health System that would be appropriate for relocation to Shore Memorial. Consequently, DCOPN concludes that the applicant has demonstrated an institutional need to expand its current service, and that the proposed project is more favorable than all other alternatives.

Table 5: 2020 Riverside Health System CT Scanners

Facility	Number of CT Scanners	Number of CT Scans	Utilization Rate
Riverside Diagnostic & Breast Imaging Center (Oyster Point)	1	5,106	69.0%
Riverside Diagnostic Center - Hampton	1	3,870	52.3%
Riverside Diagnostic Center - Smithfield	1	673	9.1%
Riverside Diagnostic Center - Williamsburg	1	2,889	39.0%
Riverside Doctors' Hospital Williamsburg	1	6,901	93.3%
Riverside Regional Medical Center	2	39,044	263.8%
Riverside Shore Memorial Hospital	1	9,569	129.3%
Riverside Tappahannock Hospital	1	6,684	90.3%
Riverside Walter Reed Hospital	2	15,206	102.7%
TOTAL and Average	11	89,942	110.5%

Source: VHI

Required Considerations Continued

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

As the applicant is one of two providers of CT services in PD 22, and currently the dominant provider of CT services within the PD, the proposed project is highly unlikely to foster institutional competition.

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

As discussed above, there are currently only two authorized CT scanners in PD 22, one of which is operational. As such, DCOPN concludes that it is highly unlikely that the proposed project would detrimentally effect CT services at Chesapeake Bay ENT P.C.

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

As discussed above, the total capital and financing cost of the proposed project is \$1,930,939 (**Table 2**), which would be financed using accumulated reserves. The costs for the project are reasonable and consistent with previously approved projects to add one CT scanner. As such, DCOPN concludes that the proposed project is feasible with regard to financial costs.

With regard to staffing, the applicant anticipates a need for 2 full time equivalent positions for Radiologic Technologists. The applicant asserts that the project will be staffed using existing recruitment and training processes at Shore Memorial. The applicant asserts that the proposed project will not impact staffing at other facilities. DCOPN recognizes that the staffing requirements of the proposed project are modest, and that Riverside Health System has significant recruitment tools available to Shore Memorial. As such, DCOPN concludes that the proposed project is feasible with regards to staffing and will not adversely affect existing providers.

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

As discussed above, the high utilization of the existing CT scanner often leads to outpatient CT scans being delayed or rescheduled in favor of emergent cases. Should the proposed project be approved, the applicant plans to dedicate the proposed CT scanner predominantly to its emergency room patients, while the existing CT scanner would be dedicated to non-emergent inpatient and outpatient CT scanning needs. DCOPN concludes that the proposed project would not significantly improve the delivery of CT services within the PD.

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

Neither DCOPN nor the applicant identified any factors relevant to this consideration. The applicant is not a teaching hospital.

DCOPN Staff Findings and Conclusion

DCOPN finds that the proposed project to expand CT services at Shore Memorial Hospital through the addition of one fixed CT scanner is consistent with the applicable criteria and standards of the SMFP and the Eight Required Considerations of the Code of Virginia. The applicant has met the necessary utilization threshold to expand CT services under 12VAC5-230-110. Additionally, the applicant has demonstrated a unique institutional need for expansion.

Moreover, DCOPN finds that the status quo is not a viable alternative to the proposed project. Under the status quo, the overutilization of the existing fixed CT scanner at Shore Memorial would continue. Moreover, given that Shore Memorial is one of two providers of CT services within the PD, this overutilization is highly likely to increase. Additionally, under the status quo, outpatient CT scanning procedures would continue to be delayed or rescheduled for emergency cases. As such, DCOPN concludes that the status quo is not a viable alternative to the proposed project.

Finally, as discussed above, the DCOPN concludes that the total capital and financing cost of the proposed project, \$1,930,939, is reasonable and consistent with previously approved projects to add one CT scanner.

Staff Recommendation

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

1. The project is consistent with the applicable criteria and standards of the State Medical Facilities Plan and the Eight Required Considerations of the Code of Virginia.
2. The project would address the overutilization of the existing CT scanner at Shore Memorial Hospital
3. The status quo is not a viable alternative to the proposed project.
4. The capital costs are reasonable and consistent with the projects of this type.

Recommended Condition

This project shall be subject to the 4.0% facility-wide charity care condition applicable to Shore Memorial Hospital, as reflected in COPN No. VA – 04313 (Shore Memorial Hospital facility-wide condition). Provided, however, that charity care provided under the Shore Memorial Hospital facility-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.

Shore Health Services, Inc. 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 Shore Memorial Hospital facility-wide condition, to the extent Shore Health Services, Inc. expects its facility-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 Shore Memorial Hospital facility-wide condition to resolve the expected discrepancy.