

VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis

July 19, 2022

COPN Request No. VA-8638

Montgomery Regional Hospital, Inc.

Blacksburg, Virginia

Establish a specialized center for CT imaging with one CT scanner

COPN Request No. VA-8640

Carilion New River Valley Medical Center and New River Valley Surgery Center d/b/a

Carilion Surgery Center New River Valley, LLC

Christiansburg, Virginia

Add one CT scanner at Carilion New River Valley Medical Center

Applicants

COPN Request No. VA-8638: Montgomery Regional Hospital, Inc. (MRH)

Montgomery Regional Hospital, Inc. d/b/a Lewisgale Hospital Montgomery (MRH) is a for-profit, Virginia stock corporation. Blacksburg Imaging, LLC d/b/a LewisGale Imaging Center -- Montgomery (LIC) is a subsidiary of MRH. HCA Healthcare, Inc. is the ultimate corporate parent of MRH. MRH intends to establish its specialized center for CT imaging in Christiansburg, Virginia, which is located in Planning District (PD) 4, Health Planning Region (HPR) III.

COPN Request No. VA-8640: Carilion New River Valley Medical Center (CNRV)

Carilion New River Valley Medical Center (CNRV) is a 501(c)(3) non-profit community hospital located in the town of Christiansburg (Montgomery County), Virginia. CNRV is a wholly-owned subsidiary of Carilion Clinic, which is also a 501(c)(3) non-profit, Virginia non-stock corporation located in Roanoke, Virginia. CNRV is located in PD 4, HPR III.

Background

COPN Request No. VA-8638: Montgomery Regional Hospital, Inc. (MRH)

MRH is 146-bed, general acute-care facility delivering comprehensive healthcare including a wide range of medical, surgical, obstetric, pediatric, orthopedic, emergency and outpatient services to residents of Southwest Virginia and the New River Valley. MRH currently operates one CT scanner in its hospital, as well as one CT scanner at LIC, which is an outpatient imaging facility located across the street from the hospital. (**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), MRH’s two CT scanners operated at 73% of the State Medical Facilities Plan (SMFP) utilization threshold (**Table 10**).

COPN Request No. VA-8640: Carilion New River Valley Medical Center (CNRV)

CNRV is a 110-bed acute care facility offering a wide range of medical services including emergency, obstetric, pediatric, advanced imaging, robotic surgery, and multiple surgical and medical specialties. CNRV currently operates an inventory of three CT scanners. In 2020, the last year for which the DCOPN has data available from VHI, CNRV’s three CT scanners operated at 87.4% of the SMFP utilization threshold (**Table 10**).

PD 4 Background

DCOPN records show that there are currently five COPN authorized providers of CT services in PD 4 (**Table 1**). DCOPN records show that there are currently seven COPN Authorized CT scanners in PD 4. Overall, based on 2020 VHI data, the collective utilization rate for the seven CT scanners in PD 4 was 79.1% (**Table 10**).

Table 1. PD 4 COPN Authorized Fixed CT Units

Facility	Number of CT Scanners
Carilion Giles Community Hospital	1
Carilion New River Valley Medical Center	3
LewisGale Hospital Montgomery	1
LewisGale Hospital Pulaski	1
LewisGale Imaging Center	1
TOTAL	7

Source: DCOPN records

Proposed Projects

COPN Request No. VA-8638: Montgomery Regional Hospital, Inc. (MRH)

MRH proposes to develop a freestanding imaging center with one CT scanner in conjunction with a freestanding emergency department. MRH intends to replace and relocate the existing CT scanner authorized by COPN No. VA-03865, which is currently located across the street from the hospital at LIC. MRH asserts it has an institutional need to expand its CT services in order to decompress demand on the CT scanner at the hospital. The total capital and financing cost of the proposed project is \$14,130,000 (**Table 2**). The applicant states that the proposed project would be financed through internal resources of HCA Healthcare, Inc. Accordingly, there are no financing costs associated with this project.

Table 2. Capital and Financing Costs

Direct Construction Costs	\$8,714,000
Equipment Not Included in Construction Contract	\$2,855,000
Site Acquisition Costs	\$1,196,000
Site Preparation Costs	\$650,000
Off-Site Costs	\$315,000
Architectural and Engineering Fees	\$400,000
TOTAL Capital and Financing Costs	\$14,130,000

Source: COPN Request No. VA-8638

COPN Request No. VA-8640: Carilion New River Valley Medical Center (CNRV)
CNRV proposes to add a fourth CT scanner to its existing imaging suite at CNRV that is adjacent to the emergency room. CNRV asserts it has an institutional need to expand its CT services and that approval of the proposed project will address this issue. The total capital and financing cost of the proposed project is \$2,254,532 (**Table 3**). This project will be financed using accumulated reserves and a capital lease. It is anticipated that the equipment portion of the project will be financed with a capital lease and any incidental needs financed by accumulated reserves.

Table 3. Capital and Financing Costs

Direct Construction Costs	\$793,165
Equipment Not Included in Construction Contract	\$1,421,367
Architectural and Engineering Fees	\$40,000
TOTAL Capital and Financing Costs	\$2,254,532

Source: COPN Request No. VA-8640

Project Definition

COPN Request No. VA-8638: Montgomery Regional Hospital, Inc. (MRH)

Section 32.1 of the Code of Virginia defines a project, in part as, “The establishment of a medical care facility”; A medical care facility includes “...Specialized centers or clinics or that portion of a physician's office developed for the provision of...computed tomographic (CT) scanning...” and “any facility licensed as a hospital...”

COPN Request No. VA-8640: Carilion New River Valley Medical Center (CNRV)

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

COPN Request No. VA-8638: Montgomery Regional Hospital, Inc. (MRH)

MRH proposes to develop a freestanding imaging center with one CT scanner in conjunction with a freestanding emergency department. MRH intends to replace and relocate the existing CT scanner authorized by COPN No. VA-03865, which is currently located across the street from the hospital at LIC. MRH asserts it has an institutional need to expand its CT services in order to

decompress demand on the CT scanner at the hospital. MRH is located off of Route 460, and is accessible by two Blacksburg Transit public transportation bus lines.

COPN Request No. VA-8640: Carilion New River Valley Medical Center (CNRV)

CNRV proposes to add a fourth CT scanner to its existing imaging suite at CNRV that is adjacent to the emergency room. CNRV asserts it has an institutional need to expand its CT services and that approval of the proposed project will address this issue. CNRV is located just off I-81 at Exit 109, making it accessible to patients across the New River Valley as well as those from rural areas to the south and west. Emergency ground and air transportation is available through Carilion Patient Transportation Services. LifeGuard 11, an emergency transport helicopter, is located on the campus of CNRV. As for public transportation, there is a taxi service in the New River Valley, as well as Uber and Lyft. Both Radford City and Pulaski County Transits will transport to CNRV by appointment.

With regard to socioeconomic barriers to access to services, DCOPN notes that according to the most recent U.S. Census data, every locality within PD 4 has a poverty rate much higher than the 10.7% statewide average (**Table 4**). More specifically, Montgomery County and the City of Radford (located within Montgomery County) have the highest poverty rates of PD 4. For the preceding reasons, should the Commissioner approve the proposed project, DCOPN recommends a charity care condition consistent with the 2020 HPR III average hospital charity care rate and equal to at least 0.7% of gross patient services revenue derived from CT services.

Table 4. Statewide and PD 4 Poverty Rates

Locality	Poverty Rate
Virginia	10.7%
Floyd	12.3%
Giles	12.4%
Montgomery	24.1%
Town of Pulaski	21.9%
Pulaski (County)	14.6%
City of Radford	35.9%

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

The most recent Weldon-Cooper data projects a total PD 4 population of 193,995 persons by 2030 (**Table 5**). This represents an approximate 8.8% increase in total population from 2010 to 2030. Comparatively, Weldon-Cooper projects the total population of Virginia to increase by approximately 16.6% for the same period. With regard to Montgomery County specifically, Weldon-Cooper projects a total population increase of approximately 14.5% from 2010 to 2030. With regard to the 65 and older age cohort, Weldon-Cooper projects a much more rapid increase. Specifically, Weldon-Cooper projects an increase of approximately 47.6% among this age group for all of PD 4, with a 66.3% increase among this age group in Montgomery County, specifically (**Table 6**). This is significant, as this age group utilizes health resources at a rate much higher than other age groups.

Table 5. Statewide and PD 4 Total Population Projections, 2010-2030

Locality	2010	2020	% Change	2030	% Change	2010-2030 % Change
Virginia	8,001,024	8,655,021	8.17%	9,331,666	7.82%	16.6%
Floyd	15,279	15,754	3.1%	16,159	2.6%	5.8%
Giles	17,286	16,892	(2.3%)	16,822	(0.41%)	(5.6%)
Montgomery	94,392	100,746	6.7%	108,102	7.3%	14.5%
Pulaski	34,872	34,109	(2.2%)	33,148	(2.8%)	(4.9%)
Radford	16,408	18,446	12.4%	19,403	5.2%	18.3%
TOTAL PD 4	178,237	185,947	4.3%	193,995	4.3%	8.8%

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

Table 6. PD 4 Population Projections for 65+ Age Cohort, 2010-2030

Locality	2010	2020	% Change	2030	% Change	2010-2030 % Change
Floyd	2,686	3,583	33.4%	4,130	15.3%	53.8%
Giles	3,116	3,768	20.9%	4,134	9.7%	32.7%
Montgomery	9,228	12,653	37.1%	15,344	21.3%	66.3%
Pulaski	6,231	7,728	24.0%	8,322	7.7%	33.6%
Radford	1,382	1,411	2.1%	1,498	6.2%	8.4%
TOTAL PD 4	22,643	29,143	28.7%	33,428	14.7%	47.6%

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

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;

COPN Request No. VA-8638: Montgomery Regional Hospital, Inc. (MRH)

MRH received five letters of support from local physicians and emergency service providers including the Blacksburg Volunteer Rescue Squad, Floyd County Lifesaving and Rescue Squad, Riner Volunteer Rescue Squad, and the Montgomery County Fire EMS Department. Collectively, these letters articulated the need for accessible emergency services, as well emphasizing the extent to which CT utilization at MRH needs to be decompressed.

DCOPN received no letters of opposition to the proposed project.

COPN Request No. VA-8640: Carilion New River Valley Medical Center (CNRV)

DCOPN received nine letters of support for the proposed project, eight of which came from Carilion physicians. Collectively, these letters articulated the problems associated with prolonged wait times, and the need for expanding CT capacity at CNRV. This sentiment is

emphasized in a letter from Blue Ridge Cancer Care, who cite the need for scanning capacity for their cancer patients.

DCOPN received no letters of opposition to the proposed project.

Public Hearing

DCOPN provided notice to the public regarding this project on May 10, 2022. The public comment period closed on June 24, 2022. On June 21, 2022, DCOPN held a virtual public hearing for the two competing projects. A total of 27 individuals called in to the virtual public hearing. Six individuals spoke in favor of the MRH project. Two individuals spoke in favor of the CNRV project. None of the individuals attending the public hearing voiced opposition to either proposed project.

(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-8638: Montgomery Regional Hospital, Inc. (MRH)

The status quo is not a viable alternative to the proposed project. As discussed below, MRH's lone hospital-based CT scanner operated at 144.4% of the SMFP threshold in 2021. Under the status quo, the overutilization of the existing fixed CT scanner at MRH would continue, which would likely lead to delays in scheduling of necessary diagnostic imaging and the corresponding treatments. Moreover, as discussed in 12VAC5-230-80 of the SMFP below, relocation of an underutilized CT scanner from within the health system is not a viable alternative to the proposed project. For the reasons discussed above, DCOPN concludes that no alternatives exist 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-8640: Carilion New River Valley Medical Center (CNRV)

The status quo is not a viable alternative to the proposed project. As discussed below, in 2021, the last year for which data is available, CNRV's three fixed CT scanners performed at a utilization rate of 98.9%, which is sufficient to demonstrate it has an institutional need to expand its CT services. Moreover, it is arguable that, without any attempt to alleviate the demand on CNRV's three CT scanners, it is likely that the overutilization of these scanners will inevitably worsen, and delays associated with patient wait times for diagnostic imaging will continue to be exacerbated. Moreover, as discussed in 12VAC5-230-80 of the SMFP below, relocation of an underutilized CT scanner from within the health system is not a viable alternative to the proposed project. For the reasons discussed above, DCOPN concludes that no alternatives exist that would meet the needs of the people in the area to be served in a less costly, more efficient, or more effective manner.

(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 III designated by the Virginia Department of Health to serve as the Health Planning Agency for PD 4. 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-8638: Montgomery Regional Hospital, Inc. (MRH)

As discussed above, the total capital and financing cost of the proposed project is \$14,130,000 (**Table 2**), which would be financed using accumulated reserves. The costs for the project are reasonable and consistent with previously approved projects to establish a specialized center for CT imaging with one CT scanner. For example, COPN VA-04671 issued to Lewis-Gale Medical Center, LLC d/b/a LewisGale Medical Center to establish a specialized center for CT imaging with one CT scanner, which cost approximately \$11,045,000.

MRH cited several benefits to the proposed project, including:

- Reduced travel time for emergency care and CT services, which is particularly critical in cases where there is evidence of ischemic stroke.
- The new freestanding emergency facility will operate as a department of MRH, and will very helpful in decompressing CT demand at the hospital.

COPN Request No. VA-8640: Carilion New River Valley Medical Center (CNRV)

As discussed above, the total capital and financing cost of the proposed project is \$2,254,532 (**Table 3**), which will be financed using accumulated reserves and a capital lease. It is anticipated that the equipment portion of the project will be financed with a capital lease and any incidental needs financed by 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; 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.

CNRV cited several benefits to the proposed project, including:

- Adding the proposed CT scanner in the existing imaging suite at CNRV adjacent to the emergency room ensures CT capacity for quicker turnaround of emergency patients. The imaging department will be able to scan more patients at the same time and increase turnaround for emergent exams.
- The new scanner will also reduce wait times for routine/non-emergent exams, as discussed previously.

(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-8638: Montgomery Regional Hospital, Inc. (MRH)

The Pro Forma Income Statement provided by the applicant includes the provision of charity care in the amount of 0.7% (Table 6). As **Table 9** below demonstrates, MRH provided 0.74% of its gross patient revenue in the form of charity care in 2020. In accordance with section 32.1-102.4.B of the Code of Virginia, should the proposed project be approved, MRH is expected to provide a level of charity care for total gross patient revenues derived from CT imaging services that is no less than the equivalent average for charity care contributions in HPR III, which is 0.7%.

Table 7. COPN Request No. VA-8638 Pro Forma Income Statement

	Year 1	Year 2
Gross Patient Revenue	\$27,536,640	\$29,573,766
Contractual Allowances and Provision for Bad Debts	(\$23,914,641)	(\$25,683,816)
Charity Allowances	(\$220,293)	(\$236,590)
Net Revenue	\$3,243,152	\$3,483,077
Total Expenses	(\$1,819,224)	(\$1,916,383)
Net Operating Income	\$1,423,929	\$1,566,693

Source: COPN Request No. VA-8638

COPN Request No. VA-8640: Carilion New River Valley Medical Center (CNRV)

The Pro Forma Income Statement provided by the applicant includes the provision of charity care in the amount of 1.7% (Table 6). As **Table 9** below demonstrates, CNRV provided 1.13% of its gross patient revenue in the form of charity care in 2020. In accordance with section 32.1-102.4.B of the Code of Virginia, should the proposed project be approved, CNRV is expected to provide a level of charity care for total gross patient revenues derived from CT imaging services that is no less than the equivalent average for charity care contributions in HPR III, which is 0.7%.

Table 8. COPN Request No. VA-8640 Pro Forma Income Statement

	Year 1	Year 2
Gross Patient Revenue	\$985,781	\$1,035,070
Contractual Allowances and Provision for Bad Debts	(\$691,368)	(\$731,112)
Charity Allowances	(\$16,758)	(\$17,596)
Net Revenue	\$277,655	\$286,362
Total Expenses	(\$249,579)	(\$254,918)
Net Operating Income	\$30,480	\$33,849

Source: COPN Request No. VA-8640

Table 9: HPR III 2020 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:
Carilion Franklin Memorial Hospital	\$146,159,934	\$3,708,842	2.54%
Bedford Memorial Hospital	\$122,377,242	\$2,357,210	1.93%
Dickenson Community Hospital	\$25,321,849	\$465,722	1.84%
Carilion Tazewell Community Hospital	\$57,945,546	\$956,508	1.65%
Carilion Giles Memorial Hospital	\$107,478,905	\$1,438,902	1.34%
Russell County Medical Center	\$121,070,842	\$1,529,332	1.26%
Wellmont Lonesome Pine Mt. View Hospital	\$372,115,538	\$4,558,248	1.22%
Carilion Medical Center	\$3,983,507,417	\$47,514,964	1.19%
Carilion New River Valley Medical Center	\$711,175,865	\$8,034,717	1.13%
Johnston Memorial Hospital	\$855,313,389	\$7,815,178	0.91%
Norton Community Hospital	\$311,397,944	\$2,789,910	0.90%
Smyth County Community Hospital	\$198,825,769	\$1,746,804	0.88%
Centra Health	\$2,649,888,465	\$20,969,883	0.79%
LewisGale Hospital -- Montgomery	\$680,834,380	\$5,052,836	0.74%
Lewis-Gale Medical Center	\$2,312,565,268	\$16,202,296	0.70%
LewisGale Hospital -- Pulaski	\$346,826,376	\$2,140,319	0.62%
LewisGale Hospital -- Alleghany	\$189,090,272	\$708,265	0.37%
Twin County Regional Hospital	\$222,632,986	\$649,064	0.29%
Clinch Valley Medical Center	\$520,600,957	\$946,557	0.18%
Buchanan General Hospital	\$99,508,254	\$105,669	0.11%
Memorial Hospital of Martinsville & Henry County	\$668,028,626	\$582,956	0.09%
Wythe County Community Hospital	\$235,991,599	\$93,569	0.04%
Danville Regional Medical Center	\$910,930,415	-\$19,407,300	-2.13%
Total Facilities Reporting			23
Total \$ & Mean %	\$15,849,587,838	\$110,960,451	0.7%

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 projects.

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:

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.

COPN Request No. VA-8638: Montgomery Regional Hospital, Inc. (MRH)

MRH is not proposing to establish a new fixed site or mobile service, but rather is proposing to expand MRH's existing CT service to a freestanding emergency department. Historically, DCOPN has analyzed requests such as the current project under 12VAC5-230-110, not 12VAC5-230-100. For example, in the January 22, 2019 DCOPN staff report on COPN Request No. VA-8409 (St. Francis Medical Center's proposal to add a CT scanner at a freestanding emergency department), DCOPN wrote the following with respect to this standard:

"The proposed project would add one CT scanner to the PD 15 inventory. While from a practical standpoint the applicant is establishing a new center, the proposed project is the expansion of an existing CT service and as such, this standard is not applicable to the proposed project."

The applicant's project is submitted under 12VAC5-230-110, which authorizes hospitals performing more than 7,400 procedures per CT scanner to be approved for a new CT scanner either at the hospital 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." DCOPN concludes that the proposed freestanding emergency department is an extension of the general hospital and that 12VAC5-230-110 is the appropriate standard to apply for this. Accordingly, 12VAC5-230-100 is not applicable to the proposed project.

COPN Request No. VA-8640: Carilion New River Valley Medical Center (CNRV)

Not applicable, CNRV is requesting to add CT capacity at an existing medical care facility, not to establish a new fixed or mobile CT imaging site.

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.

DCOPN has excluded existing CT scanners used solely for simulation prior to the initiation of radiation therapy from its inventory and average utilization of diagnostic CT scanners in PD 4 with respect to the proposed projects.

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.

Calculated Needed Fixed CT Scanners in PD 4

COPN authorized CT scanners = 7

Calculated Needed CT scanners = 40,956 scans in the PD / 7,400 scans / scanner = 5.5 (6) scanners needed

PD 4 Calculated Need = 6 CT scanners

PD 4 Calculated Surplus = 1 CT scanner

Table 10. PD 4 COPN Authorized Fixed CT Units: 2020

Facility	CT Scanners	CT Scans	Utilization %
Carilion Giles Community Hospital	1	4,493	60.7%
Carilion New River Valley Medical Center	3	19,401	87.4%
LewisGale Hospital Montgomery	2	10,809	73.0%
LewisGale Hospital Pulaski	1	6,253	84.5%
TOTAL and Average	7	40,956	79.1%

Source: COPN Requests VA-8638 & 8640 & DCOPN interpolations

COPN Request No. VA-8638: Montgomery Regional Hospital, Inc. (MRH)

As noted in **Table 10** above, the two CT scanners operated by MRH and LIC collectively operated at 73% 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. Data provided by the applicant demonstrates that, for 2021, the CT scanner at MRH operated at a utilization of 144.4%. The specific breakdown for each facility’s utilization can be found in **Table 11** below. As demonstrated below, MRH has an exceedingly high level of utilization for its existing CT scanner. It is unclear why, with an outpatient imaging center located directly across the street from the hospital, that MRH has thus far been unable to decompress its existing demand. However, what is clear, is that MRH’s current utilization is not sustainable without some attempt to offload cases. For the reasons discussed above, DCOPN concludes that the applicant has met this standard.

Table 11. MRH & LIC Fixed CT Units: 2021

Facility	Number of CT Scanners	Number of CT Scans	Utilization %
LewisGale Hospital Montgomery	1	10,692	144.4%
LewisGale Imaging Center	1	1,954	26.4%

Source: COPN Request VA-8638

COPN Request No. VA-8640: Carilion New River Valley Medical Center (CNRV)

As noted in **Table 11** above, the three CT scanners operated by CNRV collectively operated at 87.4% 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. Data provided by the applicant demonstrates that, for 2021, the three CT scanners at CNRV operated at a collective utilization of 98.9%, which is sufficient to demonstrate an institutional need to expand CT capacity. For the reasons discussed above, 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 applicants do not propose 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.

COPN Request No. VA-8638: Montgomery Regional Hospital, Inc. (MRH)

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

COPN Request No. VA-8640: Carilion New River Valley Medical Center (CNRV)

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

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 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.**

COPN Request No. VA-8638: Montgomery Regional Hospital, Inc. (MRH)

Data provided by the applicant demonstrates that, for 2021, one CT scanner at MRH performed 10,692 scans, at a utilization rate of 144.4%, clearly demonstrating an institutional need for expansion.

COPN Request No. VA-8640: Carilion New River Valley Medical Center (CNRV)

Data provided by the applicant demonstrates that, for 2021, the three CT scanners at CNRV operated at a collective utilization of 98.9%, which is sufficient to demonstrate an institutional need to expand CT capacity.

- 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 institutional need for the proposed project.**

COPN Request No. VA-8638: Montgomery Regional Hospital, Inc. (MRH) &

COPN Request No. VA-8640: Carilion New River Valley Medical Center (CNRV)

Though both applicants are part of health systems, DCOPN concludes that there is not an underutilized CT service at another facility within either health system that should be reallocated.

- C. This section is not applicable to nursing facilities pursuant to § 32.1-102.3:2 of the Code of Virginia.**

The proposed projects do not involve nursing facilities.

- D. Applicants shall not use this section to justify a need to establish new services.**

COPN Request No. VA-8638: Montgomery Regional Hospital, Inc. (MRH)

Not applicable. As previously discussed, MRH is not proposing to establish a new fixed site or mobile service, but rather is proposing to expand MRH's existing CT service to a freestanding emergency department. Historically, DCOPN has analyzed requests such as the current project under 12VAC5-230-110, not 12VAC5-230-100. For example, in the January 22, 2019 DCOPN staff report on COPN Request No. VA-8409 (St. Francis Medical Center's proposal to add a CT scanner at a freestanding emergency department).

COPN Request No. VA-8640: Carilion New River Valley Medical Center (CNRV)

Not applicable. CNRV is an existing providers of CT services, and is therefore not using this section to justify a need to establish a new service.

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-8638: Montgomery Regional Hospital, Inc. (MRH)

As the applicant is an existing provider of CT services addressing an institutional need to expand, the proposed project is highly unlikely to foster materially institutional competition. It is notable, however, that MRH intends to relocate its outpatient CT service to a site that is closer to CNRV than its current location. This will likely have a marginally detrimental impact on utilization at CNRV. However, DCOPN notes that CNRV does not oppose MRH's proposed project.

COPN Request No. VA-8640: Carilion New River Valley Medical Center (CNRV)

As the applicant is an existing provider of CT services addressing an institutional need to expand, the proposed project is highly unlikely to foster materially 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;**

COPN Request No. VA-8638: Montgomery Regional Hospital, Inc. (MRH)

As discussed previously, MRH is an existing provider of CT services in PD 4, and the proposed project is meant to offload cases from the over utilized scanner at MRH, while maximizing the usage of the CT scanner that currently resides at LIC. Consequently, DCOPN concludes that the proposed project would not affect the efficacy of existing services in the area to be served.

COPN Request No. VA-8640: Carilion New River Valley Medical Center (CNRV)

As discussed above, as the applicant is an existing provider of CT services addressing an institutional need to expand, the proposed project is highly unlikely to negatively impact existing providers of CT services in PD 4.

- 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-8638: Montgomery Regional Hospital, Inc. (MRH)

As discussed above, the total capital and financing cost of the proposed project is \$14,130,000 (**Table 2**), which would be financed using accumulated reserves. The costs for the project are reasonable and consistent with previously approved projects to establish a specialized center for CT imaging with one CT scanner. For example, COPN VA-04671 issued to Lewis-Gale Medical Center, LLC d/b/a LewisGale Medical Center to establish a specialized center for CT imaging with one CT scanner, which cost approximately \$11,045,000.

With regard to staffing, the applicant anticipates a need for 3.2 FTEs for Radiologic Technologists, and 1 FTE for an administrative-office position. The applicant asserts that the

project will be staffed using existing recruitment and training processes at MRH. 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 MRH has significant recruitment tools available meet this demand. As such, DCOPN concludes that the proposed project is feasible with regards to staffing and will not adversely affect existing providers.

COPN Request No. VA-8640: Carilion New River Valley Medical Center (CNRV)

As discussed above, the total capital and financing cost of the proposed project is \$2,254,532 (**Table 3**), which will be financed using accumulated reserves and a capital lease. It is anticipated that the equipment portion of the project will be financed with a capital lease and any incidental needs financed by 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; 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.

With regard to staffing, the applicant anticipates a need for 6 FTEs for Radiologic Technologists. The applicant asserts that the project will be staffed using existing recruitment and training processes at CNRV. 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 CNRV has significant recruitment tools available meet this demand. 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**

COPN Request No. VA-8638: Montgomery Regional Hospital, Inc. (MRH)

The proposed project does not offer the introduction of new technology that promotes quality, cost effectiveness, or both in the delivery of health care services. While the project proposes to offer CT services on an outpatient basis, LIC currently provides this service, just several miles away from the proposed new site. DCOPN did not identify any other relevant factors to bring to the Commissioner's attention.

COPN Request No. VA-8640: Carilion New River Valley Medical Center (CNRV)

The proposed project does not offer the introduction of new technology that promotes quality, cost effectiveness, or both in the delivery of health care services. However, given the excessive wait times currently experienced by patients needing these scans, as discussed above, DCOPN finds approval of the proposed project would improve access to essential health care services for people in PD 4. DCOPN did not identify any other relevant factors to bring to the Commissioner's attention.

- 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.**

COPN Request No. VA-8638: Montgomery Regional Hospital, Inc. (MRH)

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

COPN Request No. VA-8640: Carilion New River Valley Medical Center (CNRV)

Carilion Clinic is the primary teaching hospital aligned with the Virginia Tech Carilion School of Medicine and Research Institute (VTC). CNRV is a core site for surgical residents from the VTC. CNRV is not only a strategic partner with VTC and the Edward Via College of Osteopathic Medicine (VCOM), but is also affiliated with a number of other schools, providing a Pulmonary Critical Care fellowship, a pharmacy post-doctorate residency and rotations for surgical technicians from Radford University Carilion and for nurses from Radford University, Wytheville Community College and New River Valley Community College.

DCOPN Staff Findings and Conclusion

COPN Request No. VA-8638: Montgomery Regional Hospital, Inc. (MRH)

DCOPN finds that the proposed project to develop a freestanding imaging center with one relocated CT scanner in conjunction with a freestanding emergency department to be consistent with the applicable criteria and standards of the SMFP and the Eight Required Considerations of the Code of Virginia. MRH intends to replace and relocate the existing CT scanner authorized by COPN No. VA-03865, which is currently located across the street from the hospital at LIC.

Based on 2021 data provided by the applicant, MRH's one CT scanner performed at a utilization rate of 144.4%, which is more than sufficient to demonstrate it has an institutional need to expand its CT services in order to decompress demand on the one CT scanner located at the hospital.

Moreover, MRH has demonstrated that the proposed project is more advantageous than the status quo. Without any attempt to alleviate the demand on MRH's sole CT scanner, it is likely that the overutilization of this scanner will inevitably worsen, and delays associated with patient wait times for diagnostic imaging will continue to be exacerbated. Consequently, DCOPN concludes the proposed project is more favorable than the status quo.

Finally, there is no known opposition to the proposed project. The project as it has been proposed has only received letters of support.

COPN Request No. VA-8640: Carilion New River Valley Medical Center (CNRV)

DCOPN finds that the proposed project to add a fourth CT scanner to be consistent with the applicable criteria and standards of the SMFP and the Eight Required Considerations of the Code of Virginia.

Based on 2021 data provided by the applicant, CNRV's three CT scanners performed at a utilization rate of 98.9%, which is sufficient to demonstrate it has an institutional need to expand its CT services.

Moreover, CNRV has demonstrated that the proposed project is more advantageous than the status quo. Without any attempt to alleviate the demand on CNRV's three CT scanners, it is likely that the overutilization of these scanners will inevitably worsen, and delays associated with patient wait times for diagnostic imaging will continue to be exacerbated. Consequently, DCOPN concludes the proposed project is more favorable than the status quo.

Finally, there is no known opposition to the proposed project. The project as it has been proposed has only received letters of support.

Staff Recommendation

COPN Request No. VA-8638: Montgomery Regional Hospital, Inc. (MRH)

The Division of Certificate of Public Need recommends **conditional approval** of Montgomery Regional Hospital, Inc.'s COPN request to establish a specialized center for CT imaging 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. MRH has an institutional need to expand its CT capacity.
3. The proposed project is more advantageous than the status quo.
4. There is no known opposition to the proposed project.

Recommended Condition

Montgomery Regional Hospital, Inc. will provide CT services to all persons in need of this service, regardless of their ability to pay, and will facilitate the development and operation of primary medical care services to medically underserved persons in PD 4 in an aggregate amount equal to at least 0.7% of Montgomery Regional Hospital, Inc.'s gross patient revenue derived from CT 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. Montgomery Regional Hospital, 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. 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.

Montgomery Regional Hospital, Inc. will provide CT 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, Montgomery Regional Hospital, Inc. will facilitate the development and operation of primary and specialty medical care services in designated medically underserved areas of the applicant's service area.

Staff Recommendation

COPN Request No. VA-8640: Carilion New River Valley Medical Center (CNRV)

The Division of Certificate of Public Need recommends **conditional approval** of Carilion New River Valley Medical Center and New River Valley Surgery Center d/b/a Carilion Surgery Center New River Valley, LLC's COPN request to add one CT scanner 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. CNRV has an institutional need to expand its CT capacity.
3. The proposed project is more advantageous than the status quo.
4. There is no known opposition to the proposed project.

Recommended Condition

Carilion New River Valley Medical Center and New River Valley Surgery Center d/b/a Carilion Surgery Center New River Valley, LLC will provide CT services to all persons in need of this service, regardless of their ability to pay, and will facilitate the development and operation of primary medical care services to medically underserved persons in PD 4 in an aggregate amount equal to at least 0.7% of Carilion New River Valley Medical Center and New River Valley Surgery Center d/b/a Carilion Surgery Center New River Valley, LLC's gross patient revenue derived from CT 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. Carilion New River Valley Medical Center and New River Valley Surgery Center d/b/a Carilion Surgery Center New River Valley, LLC 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.

Carilion New River Valley Medical Center and New River Valley Surgery Center d/b/a Carilion Surgery Center New River Valley, LLC will provide CT 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, Carilion New River Valley Medical Center and New River Valley Surgery Center d/b/a Carilion Surgery Center New River Valley, LLC will facilitate the development and operation of primary and specialty medical care services in designated medically underserved areas of the applicant's service area.