

VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis

March 21, 2023

RE: COPN Request No. VA-8680

Centra Southside Community Hospital, Inc.

Farmville, Virginia

Add One Fixed Site CT Scanner

Applicant

Centra Southside Community Hospital, Inc. (CSCH) is a not-for-profit corporation owned and operated by Southside Community Hospital, Inc. (SCH). SCH is a subsidiary owned by Centra Health, Inc (Centra). SCH is located at 800 Oak Street, Farmville, Virginia 23901, within Planning District (PD) 14, in Health Planning Region (HPR) IV.

Background

CSCH has been in operation since 1927. Until 2006, when the hospital affiliated with Centra, the facility operated as Southside Community Hospital, Inc, an independent community-based 501(c)(3) not-for-profit non-stock corporation. The hospital is the only hospital located in PD 14. It is in the south-central area of Virginia, south of Charlottesville and between the cities of Richmond and Lynchburg.

SCH operates as a 116-bed general acute care hospital that provides a wide range of services. Its inpatient services include medical-surgical (89 beds), intensive care (8 beds), obstetric (19 beds). The hospital also provides an extensive complement of inpatient and outpatient services that consists of two general purpose operating rooms, an emergency department, cardiac catheterization, laboratory services, respiratory and physical therapy services. Diagnostic imaging modalities include CT, MRI, nuclear medicine, x-ray, mammography, interventional radiology and ultrasound.

Table 1. PD 14 CT Scanner*

Facility Name	Total Stationary Units	Total CT Procedures	Percent SMFP Threshold
Centra Southside Community Hospital	1	14,288	193.1%

Source: VHI

* There is only one authorized CT scanner in PD 14

CSCH opened a walk-in clinic in Farmville about four years ago to address generally high utilization of its emergency room, the only emergency service provider in PD 14. The clinic allowed more of

the PD 14 population to stay in the area for care, but the emergency room did not get relief from the clinic from its high utilization, and imaging volumes increased. CSCH's CT scanner operates 24 hours per day 7 days a week to support emergency services and offers patients non-emergent outpatient appointments from early morning to late at night.

CSCH is the site of the only CT scanner in PD 14. It was authorized for a second CT scanner in 2013 (COPN No. VA-04401). That project was not implemented; however shell space was constructed at that time. Virginia Health Information (VHI) for 2021, the latest year for which such data are available, indicates that CSCH operated at 193% of the State Medical Facilities Plan (SMFP) threshold for CT scanners that year (**Table 1**).

Proposed Project

CSCH proposes to add a second CT scanner in its imaging department. It had anticipated expansion and constructed shell space when the imaging department was constructed in 2014. The proposed project would require minor upfitting. The projected costs for the proposed project are \$1,545,882 (**Table 2**) and would be funded entirely with accumulated reserves. Over half of these costs are for the equipment with the second largest category being direct construction.

Table 2. Capital and Financing Costs

Direct Construction Cost	\$697,921
Equipment Not Included in Construction Contract	\$786,776
Architectural and Engineering Fees	\$47,500
Other Consultant Fees	\$13,685
Financing Costs	\$0
Total Capital Cost	\$1,545,882

Source: COPN Request No. VA-8680 Application

Because the shell space requires little renovation, the timeline for the proposed project is relatively short. The target date for the second CT scanner to be operational is November 30, 2023.

Project Definition

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 ... computed tomographic (CT) scanning," A medical care facility includes "Any facility licensed as a hospital, as defined in § 32.1-123..."

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

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

- 1. The extent to which the proposed service or facility will provide or increase access to needed services for residents of the area to be served, and the effects that the proposed service or facility will have on access to needed services in areas having distinct and**

unique geographic, socioeconomic, cultural, transportation, and other barriers to access to care.

CSCH is the only acute care hospital in PD 14 with the only emergency services. Access to its imaging services is critical, as nearly all hospital services and practices in PD 14 rely upon them for diagnostics. CSCH supports the diagnostic work for its emergency department, neurology, oncology, orthopedics, pain management, cardiology, primary care, the walk-in clinic, pulmonology, general surgery, gastroenterology, the ICU, intermediate units, telemedicine, surgical, OB/Gyn and nephrology. Access to all these services is enhanced by the adequate provision of CT services at CSCH.

The single CT scanner at CSCH has operated at over 100% of the SMFP standard for over ten years. In the past three years, it has had a utilization over 150% and CSCH reported volumes equal to 193% of the SMFP standard for 2021. To maintain availability for emergency CT scans, the existing unit is operational 24 hours a day, 7 days per week. Scheduled CTs are made available early morning and late at night, but sometimes must be delayed for emergencies. Current wait times for scheduled CT scans are now up to ten days.

CSCH is located near the middle of PD 14 along U.S. Route 460, one of two primary roads running through PD 14. There is a fixed-route transit service, Farmville Area Bus, that runs seven days a week and has a stop at CSCH. The surrounding communities are rural and many in PD 14 drive more than 30 minutes for imaging services, some more than one hour. Adding a second CT at the site of the one existing CT scanner does not improve geographic access; however, the proposed addition of a second CT scanner would allow the population timelier access. It would also provide redundancy for emergency imaging.

From a socioeconomic perspective, PD 14 had a poverty rate in 2021 of 17%, according to U.S. Census Bureau Quick Facts, compared with an overall poverty rate of 10.2% in Virginia. The proposed project would improve access for a rural and relatively lower income portion of the state.

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

(i) The level of community support for the project demonstrated by citizens, businesses, and governmental leaders representing the area to be served.

DCOPN received three letters of support: two from CSCH's medical staff, one from the medical staff president and the other from the director of radiology; as well as one from the Town Manager of Farmville. These letters expressed the necessity to expand CT services to meet the needs of patients in the area and to reduce wait times for non-emergent CT scans, now approximately ten days.

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 of 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-8680 is not competing with another project in this batch cycle and DCOPN did not receive a request to conduct a public hearing for the proposed project. Thus, no public hearing was held.

The public was notified about the project on January 13, 2023. The public comment period closed on February 27, 2023. There is no known opposition to the proposed project.

(ii) The availability of reasonable alternatives to the proposed service or facility that would meet the needs of the population in a less costly, more efficient, or more effective manner.

There are no reasonable alternatives to the proposed project identified. The high utilization of the existing CT scanner is not sustainable long-term. The proposed project is more beneficial than the status quo.

(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 IV designated by the Virginia Department of Health to serve as the Health Planning Agency for the Central Virginia region. Therefore, this consideration is not applicable to this review.

(iv) Any costs and benefits of the project.

The proposed project would be located in the existing shell space within CSCH's imaging suite. Existing parking and utilities would be used. Construction costs are \$1,545,882 (**Table 2**), reasonable in comparison to other similar projects authorized recently, each proposing to add one CT scanner. For example, COPN No. 04802 projected capital costs of \$1,930,939 and COPN No. 04826 projected capital costs of \$1,417,931.

The benefits of the project are substantial, given that there are no other providers of CT imaging in PD 14. The existing CT service supports medical services offered in PD 14 that require CT imaging to diagnose medical conditions. The single existing CT scanner is overutilized and has operated at over 150% of the SMFP threshold for one scanner for the past three years. As demand has grown recently, the proposed project would spread higher utilization across two CT scanners, decrease wait times, allow efficiencies in staffing, and provide redundancy when a CT scanner is needed for emergencies or if one of the scanners requires maintenance or repair.

(v) The financial accessibility of the project to the residents of the area to be served, including indigent residents.

According to regional and statewide data regularly collected by VHI, the average amount of charity care provided for 2020 by the facilities in HPR IV that reported such charity care for that

year, was 1.3% of all reported total gross patient revenues (**Table 3**). **Table 3** also exhibits CSCH’s charity care for 2020 in the amount of 1.68% of gross patient revenue.

Table 3. 2020 Charity Care Contributions

Health Planning Region IV			
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
Bon Secours St. Francis Medical Center	\$909,600,664	\$28,930,399	3.18%
Bon Secours Richmond Community Hospital	\$916,350,189	\$28,612,659	3.12%
Bon Secours St. Mary's Hospital	\$2,028,786,995	\$51,459,409	2.54%
Bon Secours Memorial Regional Medical Center	\$1,425,167,696	\$28,386,279	1.99%
Centra Southside Community Hospital	\$324,125,273	\$5,447,210	1.68%
Sentara Halifax Regional Hospital	\$279,469,170	\$3,668,115	1.31%
CJW Medical Center	\$7,560,037,769	\$86,592,596	1.15%
VCU Health System	\$6,172,966,084	\$69,698,687	1.13%
John Randolph Medical Center	\$1,032,491,952	\$10,903,791	1.06%
Henrico Doctors' Hospital	\$4,859,466,138	\$51,444,601	1.06%
VCU Community Memorial Hospital	\$317,168,977	\$1,932,837	0.61%
Bon Secours Southern Virginia Regional Medical Center	\$183,898,466	\$1,059,319	0.58%
Bon Secours Southside Regional Medical Center	\$1,875,804,250	\$5,837,542	0.31%
Vibra Hospital of Richmond LLC	\$145,408,947	\$0	0.00%
Cumberland Hospital for Children and Adolescents	\$54,279,874	\$0	0.00%
Total Facilities			15
Median			1.1%
Total \$ & Mean %	\$28,085,022,444	\$373,973,444	1.3%

Source: VHI 2020 Charity Care Contribution Data

The pro forma provided by the applicant (**Table 4**) includes charity care equal to 2.5% of gross patient revenue for CT services during the first two years after implementation of the proposed project at CSCH. 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. Should the proposed project be approved, CSCH would be subject to a charity care condition of the 2.5% proffered, in addition to any new requirements as found in the revised § 32.1-102.4B of the Code of Virginia.

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

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

Table 4. Pro Forma, CT Services at CSCH

	Project Only (Incremental)	
	2025	2026
Gross Patient Revenue	\$ 46,834,429	\$ 47,771,118
Discounts/Contractual Allowances	\$ 40,745,953	\$ 41,560,872
Charity Care	\$ 1,170,861	\$ 1,194,278
Deductions from Patient Revenue	\$ 41,916,814	\$ 42,755,150
Net Patient Revenue	\$ 4,917,615	\$ 5,015,968
Total Operating Expenses	\$ 3,201,388	\$ 3,384,238
Excess of Revenue over Expenses	\$ 1,716,227	\$ 1,631,730

Source: COPN Request No. 8680

3. The extent to which the application is consistent with the State Medical Facilities Plan.

Section 32.1-102.2:1 of the Code of Virginia calls for the State Health Services Plan Task Force to develop 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 State Medical Facilities Plan (SMFP).

Part II, Article 1 of the SMFP contains the standards and criteria for the establishment of diagnostic services. They are as follows:

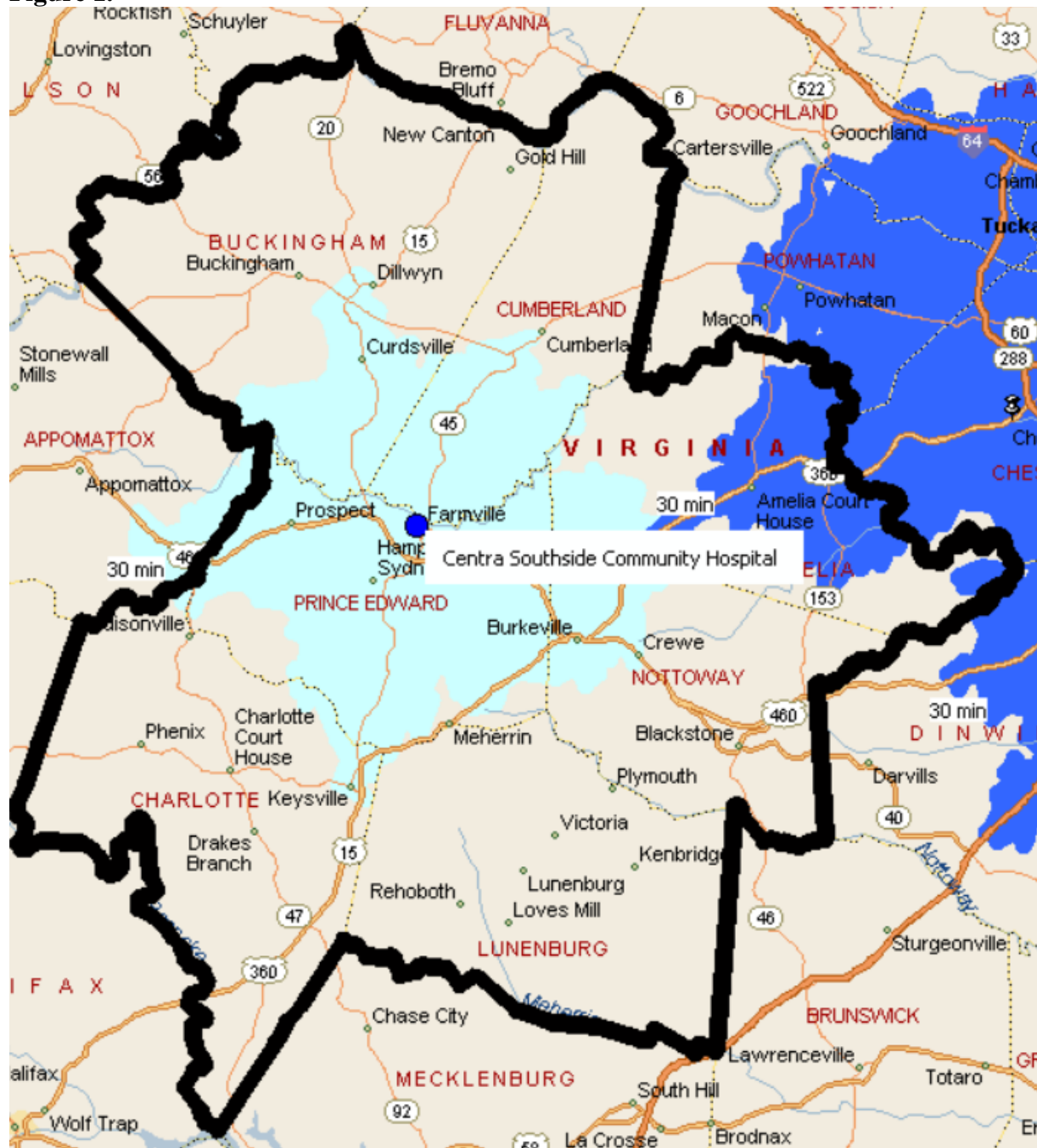
Part II. Diagnostic Imaging Services
Article 1. Criteria and Standards for Computed Tomography

12VAC5-230-90. Travel time.

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

The heavy black line in **Figure 1** identifies the boundaries of PD 14. The blue dot is the location of the only existing CT scanner in PD 14 as well as the location of the proposed project which would add a second CT scanner at CSCH. The light blue shading on the map indicates a 30-minute drive time from CSCH. The dark blue shaded area represents areas within a 30-minute drive time from CT scanners outside of PD 14. Clearly, the travel time criterion is not being fulfilled for PD 14 as large areas of the PD are outside of a 30-minute drive time from CT services. The proposed project will not provide any improvement in geographic access to CT services within 30 minutes within PD 14.

Figure 1.



Source: DCOPN

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 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. The applicant does not propose a new fixed site or mobile service; nevertheless, there is a calculated need for an additional CT scanner in PD 14:

CT Procedures Performed in PD 14 during 2021= 14,288
@ 7,400 procedures per CT scanner =1.93 (2) CT scanners are needed
Existing and authorized CT scanners = 1
Shortage of 1 CT Scanner in PD 14

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 in PD 14 used solely for simulation with radiation therapy treatment.

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.

The proposed project fulfills this criterion. As indicated in **Table 1**, CSCH reported 14,288 procedures performed on its existing CT scanner in 2021, approaching twice the volume threshold set forth here. PD 14 operated at 193.1% of the volume threshold and CSCH demonstrated a facility-specific need for an additional CT scanner.

2VAC5-230-120. Adding or expanding mobile CT services.

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

Not applicable. The applicant is not seeking authorization to convert an authorized mobile CT scanner to a fixed-site CT scanner.

12VAC5-230-130. Staffing.

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

The applicant has provided assurances that CT services at CSCH will be under the direct supervision of one or more qualified physicians/radiologists.

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.**

PD 14 does not have a surplus of CT scanners, but the applicant’s existing scanner operated at 193.1% of the SMFP threshold in 2021 and has operated above 150% of the threshold for the past three years. CSCH is part of Centra Health System. **Table 5** shows that the other Centra facilities, all located in adjacent PD 11, are not available to be reallocated. They are too distant, have CT services that are also too well-utilized, or sites that have only one CT scanner.

Table 5. Other Centra Facilities, CT Utilization and Distance

Facility Name	PD	CT Scanners	CT Procs.	CT Procs. /Scanner	% of SMFP Threshold	Miles from CSCH
Bedford Memorial Hospital	11	1	9,147	9147	123.6%	72.2
Lynchburg General Hospital	11	3	40,366	13455	181.8%	49.6
Virginia Baptist Hospital	11	1	4,036	4036	54.5%	52.7
Totals and Averages		5	53,549	10710	144.7%	

Source: VHI 2021

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

Because the existing CT scanner at CSCH is the only one in PD 14, the proposed project will not foster institutional competition with an existing provider.

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

Imaging services in Chesterfield (PD 15) are the only CT services other than those at CSCH within 30 minutes of any part of PD 14.

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

The pro forma provided by the applicant (**Table 4**) indicates that CT services at CSCH would have an excess of revenues over expenses in the first and second years of implementing the proposed project. Capital costs estimated at \$1,545,882 (**Table 2**) are reasonable for the type of project proposed and would be funded with accumulated reserves, thus no financing costs would be required. Only 2.8 additional staff members are needed to operationalize the proposed project and the applicant expresses that they would be able to recruit and fill these positions.

The proposed project is wholly feasible with regard to cost of construction, financial benefits and human resources.

7. The extent to which the project provides improvements or innovations in the financing and delivery of health 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 services on an outpatient basis.**
- (iii) Any cooperative efforts to meet regional health care needs.**
- (iv) At the discretion of the Commissioner, any other factors as may be appropriate.**

The proposed project does not provide improvements or innovations in the financing and delivery of health services. DCOPN did not identify any other discretionary factors, not discussed elsewhere in this staff analysis report, to bring to the attention of the Commissioner as may be relevant in determining a public need for the proposed project.

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.

Not applicable. The applicant is not affiliated with a teaching hospital associated with a public institution of higher education or a medical school in the area to be served.

DCOPN Staff Findings and Conclusions

CSCH proposes to add a second CT scanner in its existing imaging suite. The applicant's CT scanner is the only one in PD 14 and it has had high utilization, over 100% of the SMFP threshold for at least the past ten years and over 150% of the threshold for the last three years available from VHI; therefore, there is a need for an additional CT scanner in the PD and CSCH has a facility-specific need as well. The CT services at CSCH support the diagnostic needs of many services in the area and are essential to the provision of health care in PD 14.

The proposed project enhances access in a PD that has a poverty rate higher than the Virginia average. The proposed project is consistent with SMFP criteria.

CSCH has shell space for the additional scanner; capital costs are reasonable at \$1,545,882, and should the proposed project be approved, would be funded entirely with accumulated reserves. The proposed project could be implemented within a relatively short timeline. It is wholly feasible from financial benefit, cost and human resource perspectives.

The proposed project is more beneficial than the status quo and there is no other alternative identified to the proposed project.

DCOPN Staff Recommendations

COPN Request No. VA-8680 – Centra Southside Community Hospital

The Division of Certificate of Public Need recommends the **conditional approval** of this project for the following reasons:

1. The proposal to add a second CT scanner at CSCH is consistent with the applicable standards and criteria of the State Medical Facilities Plan and the 8 Required Considerations of the Code of Virginia.
2. As the sole provider of CT services in PD 14, CSCH's CT imaging is essential to the provision of many health services in the PD and the applicant has demonstrated an institution-specific need for an additional CT scanner.
3. There is no alternative to the proposed project, and it is more beneficial than the status quo.
4. The capital costs of the proposed project are reasonable.

5. The proposed project will have no impact on another provider of CT services.
6. The proposed project appears to be financially viable in the immediate and long-term.
7. There is no known opposition to the project.

DCOPN's recommendation is contingent on Centra Southside Hospital's agreement to the following condition:

Centra Southside Community Hospital will provide CT imaging 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 facilitate the development and operation of primary care services to medically underserved persons in an aggregate amount equal to at least 2.5% of Centra Southside Community Hospital's total patient services revenue derived from CT imaging services as valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq. Compliance with this condition will be documented to the Division of Certificate of Public Need annually by providing audited or otherwise appropriately certified financial statements documenting compliance with the preceding requirement Centra Southside Community 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. The value of charity care provided to individuals pursuant to this condition shall be based on the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq.

Centra Southside Community Hospital will provide CT imaging services to individuals who are eligible for benefits under Title XVIII of the Social Security Act (42 U.S.C. § 1395 et seq.), Title XIX of the Social Security Act (42 U.S.C. § 1396 et seq.), and 10 U.S.C. § 1071 et seq. Additionally Centra Southside Community Hospital will facilitate the development and operation of primary and specialty medical care services in designated medically underserved areas of the applicant's service area.