

VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis

May 19, 2023

COPN Request No. VA-8690

Richmond Eye and Ear Healthcare Alliance, Inc. d/b/a MEDRVA Healthcare
Richmond, Virginia
Establish an OSH with 2 ORs (1 new, 1 relocated) in Chesterfield County

Applicant

Richmond Eye and Ear Healthcare Alliance, Inc. d/b/a MEDRVA Healthcare (MEDRVA) is a 501(c)(3) not for profit Virginia corporation. MEDRVA was formerly known as MEDARVA and was rebranded in March, 2023. Subsidiaries of MEDRVA include the MEDARVA Foundation, MEDRVA at Stony Point Surgery Center, MEDARVA Physician Services, LLC and Stony Point Medical Office Building, LLC. The proposed outpatient surgical hospital (OSH) will be located in Planning District (PD) 15, Health Planning Region (HPR) IV.

Background

According to Division of Certificate of Public Need (DCOPN) records, there are 201 operating rooms (ORs) located in PD 15 of which 150 are within acute care hospitals, and 51 are within outpatient surgical hospitals (OSH) (**Table 1**).

Table 1: PD 15 COPN Authorized Operating Room Inventory

Facility	Total ORs	Dedicated Cardiac ORs	Restricted Use ORs	Trauma OR	GPORs
Acute Care Hospitals					
Bon Secours Memorial Regional Medical Center	8	1	--	--	7
Bon Secours Richmond Community Hospital	3	--	--	--	3
Bon Secours St. Francis Medical Center	13	--	--	--	13
Bon Secours St. Mary's Hospital	23	2	--	--	21
Chippenham Hospital	14	4	--	1	9
Henrico Doctors' Hospital - Forest	21	2	--	1	18
Henrico Doctor's Hospital - Parham	11	--	--	--	11
Henrico Doctor's Hospital - Retreat	5	--	--	--	5
Johnston-Willis Hospital	16	--	--	--	16
VCU Health System	36 ¹	3	--	2	31
Total ORs in Acute Care Hospitals	150	12	0	4	134

¹ COPN No. VA-04790 authorized the addition of four operating rooms dedicated to pediatric care at VCU Medical Center. This project is expected to be complete by April 30, 2023.

Outpatient Surgical Hospitals					
Facility	Total ORs	Dedicated Cardiac ORs	Restricted Use ORs	Trauma OR	GPORs
American Access Care of Richmond	2	--	2 (Vascular)	--	--
Bon Secours Memorial Ambulatory Surgical Center	5	--	--	--	5
Boulders Ambulatory Surgery Center	4 ²	--	--	--	4
Cataract and Refractive Surgery Center	1	--	1 (Ophthalmic)	--	--
Colon & Rectal Endoscopy Specialists & Surgery Center, LLC	1	--	1 (Colorectal)	--	--
MEDRVA Stony Point Surgery Center	6	--	--	--	6
MEDRVA Surgery Center at West Creek	2	--	--	--	2
MOHS Surgery Center of Richmond Dermatology	1 ³	--	1 (Mohs)	--	--
Skin Surgery Center of Virginia	2	--	2 (Skin Cancer)	--	--
St. Mary's Ambulatory Surgery Center	4	--	--	--	4
Urosurgical Center of Richmond	3	--	3 (Urosurgical)	--	--
VCU Health Courthouse Landing Pavilion	4	--	--	--	4
VCU NOW Center	6	--	--	--	6
VCU Medical Center-Pediatric Outpatient Surgery	2	--	--	--	2
Virginia ENT Surgery Center	1	--	1 (ENT)	--	--
Virginia Eye Institute	5	--	5 (Ophthalmic)	--	--
VSA Vascular Center	2	--	2 (Vascular)	--	--
Total ORs in OSHs	51	0	18	0	33
Grand Total	201	12	18	4	167

Source: DCOPN Records

Proposed Project

MEDRVA proposes to establish a new multispecialty OSH, MEDRVA Surgery Center at Chesterfield, through the relocation of one GPOR from MEDRVA Surgery Center at Stony Point, and the addition of a new specialty operating room dedicated to ophthalmic surgery. The proposed project will be located at 5601 Ironbridge Parkway, Chester, Virginia, and will also house the MEDARVA Foundation's Low Vision Center, co-locating ophthalmic care in one location. The Low Vision Center is a low vision rehabilitation facility that helps people who are vision impaired resume their daily living activities, regain their independence, and improve their quality of life. MEDRVA Surgery Center at Chesterfield anticipates that initial offerings in the general-purpose operating room will include outpatient surgical care in orthopedics, urology, and gynecology.

² COPN No. VA-04792 authorized the addition of one operating room at Boulders Ambulatory Surgery Center. This project is expected to be complete by August 31, 2023.

³ COPN No. VA-047817 authorized the establishment of an outpatient surgical hospital with one operating room dedicated to MOHS surgery and post-MOHS reconstructive surgery procedures. This project is expected to be complete by September 30, 2023.

MEDRVA Surgery Center at Chesterfield will later offer other surgical specialties, including dermatology, plastic and reconstructive surgery, pediatric urology, pediatric dentistry, podiatric surgery, and OB/GYN reproductive endocrinology. In the specialty use operating room, MEDRVA Surgery Center at Chesterfield will offer a full range of outpatient ophthalmic surgical services, including cataract, retina, glaucoma, cornea, vitreoretinal, and ocular plastics. In PD 15, there are six operating rooms dedicated to ophthalmic care (**Table 1**).

The projected capital costs of the proposed project total \$15,355,061, approximately 60% of which represent direct construction costs (**Table 2**). The direct construction cost for the renovation of the 18,243 square feet is \$503.61 per square foot. The applicant intends to fund the proposed project through a combination of Industrial Development Authority (IDA) bonds, commercial loans, and \$3.4 million of accumulated reserves.

Table 2. MEDRVA Projected Capital Costs

Direct Construction Costs	\$9,187,371
Equipment Not Included in Construction Contract	\$3,591,001
Site Acquisition Costs	\$1,393,000
Site Preparation Costs	\$300,000
Architectural and Engineering Fees	\$734,976
Conventional Loan Financing	\$148,713
Total Capital Costs	\$15,355,061

Source: COPN Request No. VA-8690

Construction on the proposed project is expected to begin on December 1, 2023, and is expected to be completed by June 1, 2024. The applicant anticipates an opening date of July 1, 2024.

Project Definition

§32.1-102.1 of the Code of Virginia defines a project, in part, as the “[e]stablishment of a medical care facility.” A medical care facility includes “[a]ny facility licensed as a hospital, as defined in Section 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 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;**

Geographically, MEDRVA Surgery Center at Chesterfield will be located at 5601 Ironbridge Parkway, Chester, Virginia. This location is located approximately three miles from VA-10, a major throughway in Chesterfield County. There is convenient access to Routes 10 and 288, and Interstate 95. There is no public transportation to the site. However, Greater Richmond Transit

Company offers Community Assisted Ride (CARE) along Route 1 in Chesterfield County. CARE is a shared-ride service that offers origin to destination service to individuals with disabilities. CARE requires reservations made at least one day in advance. MEDRVA also provides indigent patients without their own transportation and in documented need of surgical access with free cab services.

Table 3 shows projected population growth in PD 15 through 2030. As depicted in **Table 3**, at an average annual growth rate of 1.01%, PD 15’s population growth rate from 2010-2020 was well above the state’s average annual growth rate of 0.77%. Overall, the PD was projected to add an estimated 108,937 people in the 10-year period ending in 2020—an approximate 11% increase with an average increase of 10,894 people annually. In the 10-year period ending in 2030, the PD is projected to add an estimated 108,303 people – an approximate 10% increase with an average increase of 10,830 people annually. Chesterfield County, the location of the proposed project is expected to grow approximately 12% in the 10-year periods ending in 2020 and 2030, the third largest growth rate in PD 15.

Regarding the 65+ age group for PD 15, Weldon-Cooper projected a more rapid increase in population growth (an approximate 48% increase from 2010 to 2020 and approximately 30% from 2020 to 2030). Weldon-Cooper further projects that statewide, the 65+ age cohort population will increase at a rate of approximately 38% from 2010 to 2030 and approximately 27% from 2020 to 2030.

Table 3. Population Projections for PD 15, 2010-2030

Locality	2010	2020	2010 - 2020		2030	2020 - 2030	
			% Change	Avg Ann % Change		% Change	Avg Ann % Change
Charles City	7,256	6,982	-3.78%	-1.51%	6,941	-0.59%	0.06%
Chesterfield	316,236	353,841	11.89%	1.10%	396,647	12.10%	1.15%
Goochland	21,717	23,547	8.43%	0.79%	26,702	13.40%	1.27%
Hanover	99,863	109,244	9.39%	0.88%	119,360	9.26%	0.89%
Henrico	306,935	332,103	8.20%	0.77%	363,259	9.38%	0.90%
New Kent	18,429	23,474	27.38%	2.39%	28,104	19.72%	1.82%
Powhatan	28,046	29,909	6.64%	0.63%	33,440	11.81%	1.12%
Richmond city	204,214	232,533	13.87%	1.28%	245,483	5.57%	0.54%
Total PD 15	1,002,696	1,111,633	10.86%	1.01%	1,219,936	9.74%	0.93%
PD 15 65+	116,609	172,249	47.72%	3.88%	224,417	30.29%	2.68%
Virginia	8,001,024	8,655,021	8.17%	0.77%	9,331,666	7.82%	0.76%
Virginia 65+	976,937	1,352,448	38.44%	3.22%	1,723,382	27.43%	2.45%

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

Regarding socioeconomic barriers to access to the applicant’s services, according to regional and statewide data regularly collected by Virginia Health Information (VHI), for 2020, the most recent year for which such data is available, the average amount of charity care provided by HPR IV facilities was 1.3% of all reported total gross patient revenues (**Table 4**). Pursuant to § 32.1-102.4B of the Code of Virginia DCOPN must now place a charity care condition on every

applicant seeking a COPN. Accordingly, should the State Health Commissioner (Commissioner) approve the proposed project, DCOPN recommends a charity care condition of no less than the 1.3% HPR IV average, in addition to any new requirements as found in the revised § 32.1-102.4B of the Code of Virginia.

Table 4. HPR IV Charity Care Contributions: 2020

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)

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

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

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

DCOPN received 15 letters of support for the proposed project from members of the PD 15 medical community, citizens of PD 15 and Roxanne L. Robinson, Delegate, Virginia House of Delegates. Collectively, these letters articulate several benefits of the project, including:

- MEDARVA Healthcare has been a great partner to Access Now, an agency of the Richmond Academy of Medicine, which ensures free specialty medical care for those who have no health insurance. Many of Access Now’s partner specialists deliver care through MEDARVA’s surgical centers.

- Access to operating rooms and medical services for patients in Chesterfield and areas south and east of Richmond is currently challenging. MEDRVA Surgery Center at Chesterfield will address these access concerns.
- According to surgeons performing procedures at MEDRVA's facilities, MEDRVA surgery centers are more affordable than other outpatient surgery centers and hospital outpatient departments in the area.
- Having the surgery center co-located with ophthalmology office practices will aid in addressing any pre-operative or post-operative needs more quickly and effectively.
- Outpatient surgical hospitals are highly efficient and provide high-quality, specialized care at reimbursement rates that create significant savings for the healthcare system.
- As the community ages, and with the advances in optometry and ophthalmic surgery, a dedicated operating room that can offer convenient, timely scheduling is critical.
- Dedicated ophthalmic ORs are more efficient in scheduling and providing specialty procedures. Dedicated ORs also offer more highly trained staff who can perform more complicated and complex ophthalmic surgeries.
- The project would support continued economic development in Chesterfield County by encouraging new providers of specialty healthcare services to open offices near the proposed facility and would also provide new employment opportunities.

DCOPN received one letter in opposition to the proposed project from HCA Virginia., dated April 24, 2023 (HCA Letter). In the HCA Letter, counsel for HCA discusses:

- The Commissioner has already ruled (in a case involving MEDARVA) that institutional need at an existing OSH cannot serve as a basis for establishing a new OSH.
- Moreover, based on statements previously made to the Commissioner, MEDARVA has space to add ORs, should they be needed, at both of its existing OSHs. Therefore, if MEDARVA truly had an institutional need for additional ORs, it should add ORs at one of its existing OSHs, rather than establish a new OSH.
- MEDARVA's claim that it cannot expand at Stony Point is not credible. Having previously operated 8 GPORs at Stony Point, it is not credible for MEDARVA to now assert that it does not have room for more than the 6 ORs it operates there today.
- MEDARVA had previously assured the Commissioner that Stony Point had space to expand beyond the 8 ORs it once operated.
- MEDARVA's COPN Request No. VA-8218 similarly assured the Commissioner that West Creek OSH site "provides a low-cost option for future expansion." To the extent

MEDARVA has an institutional need to add OR capacity and there truly were no space to expand Stony Point, MEDARVA could add ORs at it existing West Creek OSH.

On April 27, 2023, MEDRVA responded to the HCA Letter, stating:

- HCA Virginia counsel is incorrect about the basis for the proposed outpatient surgical hospital and the demonstrated need, as well as the ability to expand MEDRVA Surgery Center at Stony Point.
- The proposed project is necessary to meet an identified need for MEDRVA’s patients seeking outpatient surgical services in the Chesterfield area and for a dedicated ophthalmic operating room. It is not dependent upon a use of “institutional need” for an off-site expansion of services.
- The proposed project will better serve southeastern Chesterfield County residents and others currently traveling 30 minutes or more to MEDRVA Surgery Center at Stony Point’s facility in south Richmond.
- The relocation of an existing general purposed operating room within the same planning district may be authorized when it will improve access to services for patients.
- MEDRVA’s proposal to create one specialty use operating room dedicated to ophthalmic surgery is needed based on current and projected ophthalmic surgery utilization and will increase geographic access to ophthalmic procedures on an outpatient basis.
- MEDRVA’s surgery center at Stony Point is an extremely busy ambulatory surgical center. The new operating room will divert the majority of ophthalmic procedures to the new Chesterfield facility.
- HCA incorrectly asserts that MEDRVA can expand the Stony Point or West Creek surgery center locations in lieu of this proposed project. MEDRVA Surgery Center at Stony Point is currently subject to a lease that will not permit the expansion of the facility and MEDRVA Surgery Center at West Creek does not have the physical room for expansion.
- MEDRVA determined after careful consideration that due to the location of many of its patients and the increasing need for ophthalmic surgeries that the co-location of the relocated general purpose operating room and the new specialty-use ophthalmic operating room was the most appropriate and efficient manner to meet its patients’ needs.

Public Hearing

Section 32.1-102.6 B of the Code of Virginia directs DCOPN to hold one public hearing on each application in a location in the county or city in which the project is proposed or a contiguous county or city in the case of competing applications; or in response to a written request by an elected local government representative, a member of the General Assembly, the Commissioner, the applicant, or a member of the public. COPN Request No. VA-8690 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.

(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;

As previously discussed, MEDRVA proposes to establish a new multispecialty OSH, MEDRVA Surgery Center at Chesterfield, through the relocation of one GPOR and the addition of a new specialty operating room dedicated to ophthalmic surgery. As can be observed in **Figure 1** below, the vast majority of surgical services are concentrated in the central portion of the PD, close to the Richmond metropolitan area, and the location of the proposed project is farther south than any other surgical service in the PD. Therefore, approval of the relocation of one GPOR from MEDRVA Surgery Center at Stony Point to approximately 18 miles south (5601 Ironbridge Parkway, Chester, Virginia) would address a maldistribution of surgical services in PD 15.

Regarding the applicant's request to add one operating room dedicated to ophthalmic surgery, the Commissioner has previously recognized the benefits of specialized operating rooms. In his recommended case decision for COPN Request No. VA-8547, which the Commissioner adopted in his approval of COPN No. VA-04763, the Adjudication Officer notes,

In past decisions, the Commissioner has repeatedly acknowledged the benefits and clinical appropriateness of single-purpose OSHs, even when the procedures performed therein could be performed in a physician's office. In addition, recent medical literature shows that surgeon specialization and concentration of practice have promising effects on outcomes, while significantly reducing complications.

In PD 15, there are six operating rooms dedicated to ophthalmic care (**Table 1**). According to VHI data, for 2021, the most recent year for which such data is available, the operating room at Cataract and Refractive Surgery Center operated at a utilization of 168.8% and the five operating rooms at Virginia Eye Institute, Inc. operated at 156.7% utilization (**Table 8**). The overutilization of all the ophthalmic-dedicated operating rooms in the PD indicates a need for additional ophthalmic-specific capacity.

For these reasons, DCOPN finds that the proposed project to establish an OSH through the relocation of one GPOR and the addition of a new specialty operating room dedicated to ophthalmic surgery in PD 15 is more advantageous than maintaining 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 PD 15. Therefore, this consideration is not applicable to the review of the proposed project.

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

As demonstrated by **Table 2**, the projected capital costs of the proposed project are \$15,355,061, approximately 60% of which represent direct construction costs, and will be funded through a combination of IDA bonds and commercial loans, and \$3.4 million of accumulated reserves. As previously discussed, the direct construction cost for the renovation of the 18,243 square feet is \$503.61 per gross square foot. DCOPN concludes that, when compared with similar projects, these costs are reasonable. For example, COPN No. VA-04817 issued to MOHS Surgery Center of Richmond Dermatology, PLLC to establish an OSH with one operating room dedicated to Mohs surgery is anticipated to cost \$485.77 per gross square foot.

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

- The relocation of one general purpose operating room is necessary to improve geographic accessibility to MEDRVA's patients in southern PD 15 and better distribute resources.
- The addition of a new specialty operating room at the facility will better meet the specific needs of MEDRVA's ophthalmic patients and will alleviate utilization at MSCSP, freeing up additional block time at that facility for surgeons who are currently on a long waiting list.
- MEDRVA Surgery Center at Chesterfield will be conveniently located for patients and surgeons in the southern portion of PD 15, a relatively underserved area, and will accommodate the need of MEDRVA's current and future surgical patients.
- The proposed building will also house the MEDARVA Foundation's Low Vision Center, co-locating necessary ophthalmic care in one location. The Low Vision Center is central Virginia's only low vision rehabilitation facility available to nonveteran patients.
- Approximately 15-20% of MEDRVA's patients are coming from Chesterfield County and another 22.5% of MEDRVA's patients are coming from areas over 25 miles from the existing MEDRVA facilities. Many of these patients reside south and east of the MEDRVA Surgery Center at Chesterfield site and would be better served by the proposed Chesterfield County site.
- As a freestanding, independent outpatient surgical facility, MEDRVA Surgery Center at Chesterfield will afford patients lower cost, higher quality, and more efficient services than that of a general hospital setting.

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

With regard to financial accessibility to its services, the applicant maintains:

MEDRVA facilitates services to those with financial and socioeconomic barriers to care. MEDRVA and its physician partners have a proven record for providing charity care in the community, as they actively participate in the Goochland Free Clinic, Access Now,

and CrossOver Ministry, as well as supporting various charities financially. Each year, MSCSP staff volunteer time, services, and financial aid through its Charity Care Program in order to make healthcare more accessible to those in the service area. MEDRVA provides free or reduced rate care to the indigent, the working poor, and Medicare and Medicaid patients. MEDRVA’s total contribution toward charitable care at MSCSP today exceeds its anticipated charity condition percentage for MEDRVA Surgery Center at Chesterfield of 2.3%.

MEDRVA partners with Access Now, which provides extended care, eye treatments, and surgeries free of charge to over 800 patients in need throughout the Richmond metropolitan area each year. MEDRVA is also partners with CrossOver Ministry, Virginia’s largest free health care clinic, providing services to almost 6,000 patients yearly. MEDRVA has provided ophthalmic services at CrossOver Ministry facilities to hundreds of uninsured patients, most of whom fall outside the usual charity care programs at other facilities.

As previously discussed, pursuant to § 32.1-102.4B of the Code of Virginia DCOPN must now place a charity care condition on every applicant seeking a COPN. Accordingly, should the Commissioner approve the proposed project, DCOPN recommends a charity care condition of no less than the 1.3% HPR IV average, in addition to any new requirements as found in the revised § 32.1-102.4B of the Code of Virginia.

Table 5. MEDRVA Pro Forma Income Statement		
	Year 1	Year 2
Total Patient Revenue	\$25,213,143	\$27,166,519
Contractual Adjustments and Bad Debt	(\$14,216,702)	(\$15,314,628)
Charity Care (2.8%)	(\$706,157)	(\$744,933)
Net Patient Services Revenue	\$10,290,284	\$11,106,958
Total Operating Expenses	(\$9,589,752)	(\$9,886,567)
Operating Income	\$700,532	\$1,220,391

Source: COPN Request No. VA-8690

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

The proposed OSH will be co-located with the MEDARVA Foundation’s Low Vision Center. According to its website⁴, the Low Vision Center offers low vision rehabilitation which includes:

- Prescriptions for specific magnifying devices and training on how to use those devices;
- Rehabilitation in reading, writing, shopping, cooking, lighting and glare control;

⁴ “Low Vision Center.” MEDRVA Healthcare. Accessed May 11, 2023. <https://www.medrva.com/for-patients/low-vision-center>.

- Resources for the patient to better understand the frustrations of living with low vision and learning how to adapt.

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

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

Part V of the SMFP contains criteria/standards for the addition of general-purpose operating rooms. They are as follows:

Part V General Surgical Services Criteria and Standards for General Surgical Services

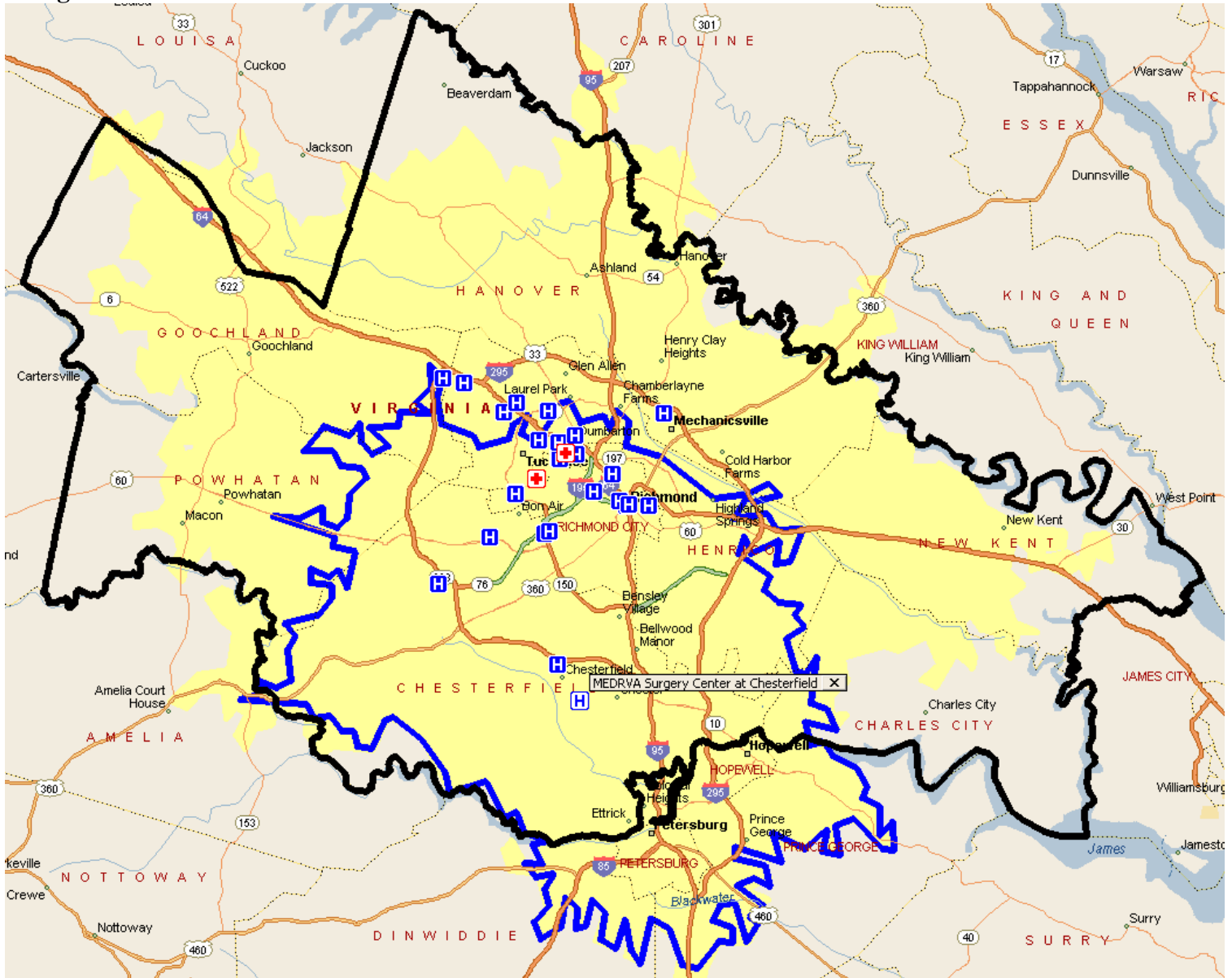
12VAC5-230-490. Travel Time.

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

The heavy black line in **Figure 1** represents the boundary of PD 15. The white “H” symbol marks the locations of the proposed project, and the blue line represents the area that is within 30 minutes’ drive time of the proposed project. The blue “H” symbols mark the locations of all other existing surgical services, both ambulatory and acute care facilities, within PD 15. Additionally, the red cross symbols mark the locations of other providers of ophthalmic surgical services in PD 15. The yellow shaded area represents the areas of PD 15 and surrounding areas that are within 30 minutes’ drive time of existing surgical services. Given the amount and location of shaded area, it is evident that surgical services currently exist within a 30-minute drive for at least 95% of the population of PD 15.

However, as can be observed in **Figure 1**, the vast majority of surgical services are concentrated in the central portion of the PD, close to the Richmond metropolitan area. As shown in **Figure 1**, the location of the proposed project is farther south than any other surgical service in the PD. Additionally, if approved, the location of the proposed project would be 18 miles and 21 miles from the other two providers of ophthalmic surgical services in PD 15, which are both north of the James River. Accordingly, DCOPN concludes that approval of the proposed project would address a maldistribution of surgical services in PD 15 and provide greater access to ophthalmic surgical services for residents in the southern portion of PD 15.

Figure 1



12VAC5-230-500. Need for New Service.

A. The combined number of inpatient and outpatient general purpose surgical operating rooms needed in a health planning district, exclusive of procedure rooms, dedicated cesarean section rooms, operating rooms designated exclusively for cardiac surgery, procedures rooms or VDH-designated trauma services, shall be determined as follows:

$$\text{FOR} = \frac{((\text{ORV}/\text{POP}) \times (\text{PROPOP})) \times \text{AHORV}}{1600}$$

Where:

ORV = the sum of total inpatient and outpatient general purpose operating room visits in the health planning district in the most recent five years for which general purpose operating room utilization data has been reported by VHI; and

POP = the sum of total population in the health planning district as reported by a demographic entity as determined by the commissioner, for the same five-year period as used in determining ORV.

PROPOP = the projected population of the health planning district five years from the current year as reported by a demographic program as determined by the commissioner.

AHORV = the average hours per general purpose operating room visit in the health planning district for the most recent year for which average hours per general purpose operating room visits have been calculated as reported by VHI.

FOR = future general purpose operating rooms needed in the health planning district five years from the current year.

1600 = available service hours per operating room per year based on 80% utilization of an operating room available 40 hours per week, 50 weeks per year.

The preceding formula can be used to affirm whether there is currently an excess of GPORs in PD 15. The preceding formula can also determine the overall need for GPORs within PD 15 five years from the current year, i.e., in the year 2028.

Based on GPOR utilization data submitted to and compiled by VHI, for the five-year period of 2017-2021, which is the most recent five-year period for which relevant data is available, the total and average number of reported inpatient and outpatient operating room visits is shown below in **Table 6**.

Table 6 Inpatient and Outpatient GPOR Visits in PD15: 2017-2021

Year	Total Inpatient & Outpatient GPOR Visits
2017	137,943
2018	136,695
2019	143,270
2020	122,888
2021	142,049
Total	682,845
Average	136,569

Source: VHI (2017-2021)

Based on actual population counts derived as a result of the 2010 U.S. Census, and population projections as compiled by Weldon Cooper, **Table 7** presents the U.S. Census' baseline population estimates for PD 15 for the five years 2017-2021 as follows:

Table 7. PD 15 Population: 2016-2020 and 2027

Year	Population
2017	1,072,468
2018	1,084,014
2019	1,096,002
2020	1,108,448
2021	1,121,051
Total	5,481,983
2028	1,195,561

Source: U.S. Census, Weldon Cooper Center Projections (August 2019))

Based on the above population estimates from the 2010 U.S. Census and population projections as compiled by Weldon Cooper, the cumulative total population of PD 15 for the five-year period 2017-2021, was 5,481,983, while the population of PD 15 in the year 2028 (PROPOP – five years from the current year) is projected to be 1,195,561. These figures are necessary for the application of the preceding formula, as follows:

ORV	÷	POP	=	CSUR
Total PD 15 GPOR Visits 2017 to 2021		PD 15 Historical Population 2017 to 2021		Calculated GPOR Use Rate 2017 to 2021
682,845		5,481,983		0.1246

CSUR	X	PROPOP	=	PORV
Calculated GPOR Use Rate 2017 to 2021		PD 15 Projected Population 2028		Projected GPOR Visits 2028
0.1246		1,195,561		148,967

AHORV is the average hours per operating room visit in the PD for the most recent year for which average hours per operating room visits has been calculated using information collected by the Virginia Department of Health.

AHORV = 266,273 total inpatient and outpatient operating room hours (**Table 8**) reported to VHI in 2021, divided by 142,049 total inpatient and outpatient operating room visits reported to VHI for that same year (**Table 6**).

AHORV = 1.8745

Table 8. 2021 PD 15 General Purpose Operating Room Utilization

Facility	Operating Rooms	Total Hours	Use Per OR	Utilization Rate
American Access Care of Richmond	2	2,194	1,097.0	68.6%
Bon Secours Memorial Regional Medical Center	12	19,241	1,603.4	100.2%
Bon Secours Richmond Community Hospital	3	967	322.3	20.1%
Bon Secours St. Francis Medical Center	11	17,677	1,607.0	100.4%
Bon Secours St. Mary's Hospital	21	35,085	1,670.7	104.4%
Boulders Ambulatory Surgery Center	3	6,089	2,029.7	126.9%
Cataract and Refractive Surgery Center	1	2,700	2,700.0	168.8%
Chippenham Hospital	13	13,554	1,042.6	65.2%
Henrico Doctors' Hospital - Forest	19	16,894	889.2	55.6%
Henrico Doctor's Hospital - Parham Doctors' Hospital	11	8,673	788.5	49.3%
Henrico Doctor's Hospital - Retreat	5	4,368	873.6	54.6%
Johnston-Willis Hospital	17	20,659	1,215.2	76.0%
MEDRVA Stony Point Surgery Center	6	9,601	1,600.2	100.0%
MEDRVA Surgery Center @ West Creek	2	3,500	1,750.0	109.4%
Skin Surgery Center of Virginia	2 ⁵	1,289	644.5	40.3%
St. Mary's Ambulatory Surgery Center	4	7,307	1,826.8	114.2%
Urosurgical Center of Richmond	3 ⁶	5,076	1,692.0	105.8%
VCU Medical Center	33	77,826	2,358.4	147.4%
Virginia Beach Health Center	1	1,040	1,040.0	65.0%
Virginia Eye Institute, Inc.	5	12,533	2,506.6	156.7%
TOTAL	174	266,273	1,530.3	95.6%

Source: VHI (2021) and DCOPN records

$$\text{FOR} = \left(\frac{\text{ORV}}{\text{POP}} \times (\text{PROPOP}) \right) \times \text{AHORV} \\ 1600$$

$$\text{FOR} = \left(\frac{682,845}{5,481,983} \times (1,195,561) \right) \times 1.8745 \\ 1600$$

$$\text{FOR} = 279,238.46 / 1600$$

FOR = 174.52 (175) General Purpose Operating Rooms Needed in PD 15 in 2028
Current PD 15 GPOR Inventory: 185 (Table 1)

Net Surplus: 10 GPORs for 2028 Planning Year

As shown above, DCOPN has calculated a surplus of 10 GPORs in PD 15 for the 2028 planning year. If the Commissioner approves the proposed project, that surplus of 10 GPORs will be increased by one.

⁵ Second operating room limited to the surgical treatment of skin cancers added pursuant to COPN No. VA-04301. VHI data lists as procedure rooms – corrected for utilization calculations in Table 8.

⁶ DCOPN records indicate the Urosurgical Center of Richmond operates three GPORs. Two operating rooms are incorrectly classified in 2021 VHI data– corrected for utilization calculations in Table 8.

However, DCOPN notes that the applicant is seeking approval to add one operating room dedicated to ophthalmic surgery. In PD 15, there are six operating rooms dedicated to ophthalmic care (**Table 1**). According to VHI data, for 2021, the most recent year for which such data is available, the operating room at Cataract and Refractive Surgery Center operated at a utilization of 168.8% and the five operating rooms at Virginia Eye Institute, Inc. operated at 156.7% utilization (**Table 8**). The overutilization of all the ophthalmic-dedicated operating rooms in the PD indicates a need for additional ophthalmic-specific capacity. Therefore, based on the unique need for this type of operating room, DCOPN recommends that in this particular case, the calculated surplus not preclude approval.

B. Projects involving the relocation of existing operating rooms within a health planning district may be authorized when it can be reasonably documented that such relocation will: (i) improve the distribution of surgical services within a health planning district ; (ii) result in the provision of the same surgical services at a lower cost to surgical patients in the health planning district; or (iii) optimize the number of operations in the health planning district that are performed on an outpatient basis.

As previously discussed, approval of the relocation of one GPOR from MEDRVA Surgery Center at Stony Point to the approximately 18 miles south would address a maldistribution of surgical services in PD 15. Currently the majority of surgical services are concentrated in the central portion of the PD close to Richmond City and its surrounding counties. Furthermore, the proposed project does increase the potential for provision of services on an outpatient basis, which is generally lower cost than if performed in a hospital setting.

DCOPN notes that the location of the proposed project is approximately four miles from the future location of VCU Health Courthouse Landing Pavilion, an OSH with four GPORs authorized pursuant to COPN No. VA-04757. In its application requesting approval for VCU Health Courthouse Landing Pavilion, VCU Health System (VCUHS) cited an institutional need to decant from the downtown Richmond location of the main hospital campus those cases that were lower acuity and appropriate for an outpatient setting. Therefore, the patients VCUHS intends to serve at this OSH are those patients who have already chosen VCUHS as their provider. Therefore, it unlikely that approval of the proposed project would negatively affect the utilization of VCU Health Courthouse Landing Pavilion. If approved, MEDRVA Surgery Center at Chesterfield and VCU Health Courthouse Landing Pavilion will be the only OSHs in the southern portion of the PD. Notably, VCUHS did not voice opposition to this proposed project.

12VAC5-230-510. Staffing.

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

The applicant has provided assurances that the proposed surgical services will be under the direction of appropriately qualified physicians.

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 an alternative to hospital-based services, the proposed project would offer lower cost of health care for patients who do not require surgical services in an inpatient hospital setting, thereby providing beneficial market competition and offering services to patients of PD 15 at a lower price point.

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

As discussed above, the dedicated ophthalmic operating rooms in PD 15 are very well utilized. If the proposed project is approved, it will meet a unique need in PD 15, despite the existing surplus. Additionally, approval of the relocation of one GPOR from MEDRVA Surgery Center at Stony Point to the location of the proposed project would address a maldistribution of surgical services in PD 15. As such, DCOPN concludes that approval of the project is highly unlikely to have a material impact on the utilization of providers of surgical services within the PD.

- 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 already discussed, DCOPN contends that the projected costs of \$15,355,01 are reasonable when compared to previously authorized projects similar in scope. As previously discussed, the direct construction cost for the renovation of the 18,243 square feet is \$503.61 per gross square foot. DCOPN concludes that, when compared with similar projects, these costs are reasonable. For example, COPN No. VA-04817 issued to MOHS Surgery Center of Richmond Dermatology, PLLC to establish an OSH with one operating room dedicated to Mohs surgery is anticipated to cost \$485.77 per gross square foot. The applicant intends to fund the proposed project through a combination of Industrial Development Authority (IDA) bonds and commercial loans, and \$3.4 million of accumulated reserves. The Pro Forma Income Statement provided by the applicant projects operating income of \$700,532 from in the first year of operation, and \$1,220,391 in the second year of operation.

With regard to staffing, the applicant anticipates the need to hire 12 Full Time Equivalent (FTEs) to staff the proposed project, seven of which represent registered nurses, one administrative professional, one recovery technician, two surgical technicians and one sterilization technician. The applicant explains:

MEDRVA currently shares staff between MSCSP and MSCWC and will utilize the same model with the addition of MEDRVA Surgery Center at Chesterfield. MEDRVA does not anticipate an immediate need for much additional staff (due to the nature of relocating existing procedures) aside from administrative and maintenance staff. Any additional staff

(10 clinical FTEs) will be recruited as volume increases through MEDRVA's ongoing recruitment activities, including referrals, advertising in local newspapers, and applications accessed through MEDRVA's website, which posts new employment opportunities at MEDRVA facilities. Opening a new location should not negatively impact the current supply of working healthcare professionals.

Considering the modest number of FTEs, the applicant's recruitment plan, and the ability to share staff among its OSHs, DCOPN maintains that the applicant will not have difficulty filling the required positions or that doing so will have a significant negative impact on existing providers of surgical services.

- 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**

The proposed project would not introduce new technology that would promote quality or cost effectiveness in the delivery of inpatient acute care. However, the proposed project will increase the potential for provision of services on an outpatient basis and will introduce an ophthalmic-specific operating room in PD 15.

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

The applicant is not a teaching hospital or affiliated with a public institution of higher education or medical schools in the area to be served. Approval of the proposed project would not contribute to the unique research, training or clinical mission of a teaching hospital or medical school.

DCOPN Findings and Conclusions

DCOPN finds that Richmond Eye and Ear Healthcare Alliance, Inc. d/b/a MEDRVA Healthcare's proposal to establish an OSH through the relocation of one GPOR and the addition of a new specialty operating room dedicated to ophthalmic surgery is generally consistent with the applicable criteria and standards of the SMFP and the Eight Required Considerations of the Code of Virginia. As previously discussed, approval of the relocation of one GPOR from MEDRVA Surgery Center at Stony Point to the location of the proposed project would address a maldistribution of surgical services in PD 15. Additionally, the six operating rooms dedicated to ophthalmic care in PD 15 are overutilized, and the addition of one ophthalmic dedicated operating room will meet a unique

need. For these reasons, DCOPN concludes that the proposed project is more favorable than maintaining the status quo.

DCOPN finds that total capital costs of the proposed project are reasonable and consistent with previously approved projects similar in scope. Furthermore, the project appears to be economically feasible both in the immediate and long-term. Finally, DCOPN recommends that approval of the new operating room be limited to the provision of ophthalmic surgical services.

DCOPN Staff Recommendation

The Division of Certificate of Public Need recommends **conditional approval** of Richmond Eye and Ear Healthcare Alliance, Inc. d/b/a MEDRVA Healthcare's COPN request to establish an OSH through the relocation of one GPOR and the addition of a new specialty operating room dedicated to ophthalmic surgery for the following reasons:

1. The proposed project is generally consistent with the applicable criteria and standards of the State Medical Facilities Plan and the Eight Required Considerations of the Code of Virginia.
2. Relocation of one GPOR to the southern portion of planning district 15 will increase access for residents in that part of the planning district.
3. There is a unique need for additional access to ophthalmic-specific operating rooms in planning district 15.
4. The proposed project appears economically viable in the long-term.
5. The project is more favorable than maintaining the status quo.

Recommended Condition

Richmond Eye and Ear Healthcare Alliance, Inc. d/b/a MEDRVA Healthcare will provide surgical 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 1.3% of Richmond Eye and Ear Healthcare Alliance, Inc. d/b/a MEDRVA Healthcare's total patient services revenue derived from surgical 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 Richmond Eye and Ear Healthcare Alliance, Inc. d/b/a MEDRVA Healthcare 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.

Richmond Eye and Ear Healthcare Alliance, Inc. d/b/a MEDRVA Healthcare will provide surgical 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 Richmond Eye and Ear Healthcare Alliance, Inc. d/b/a MEDRVA Healthcare will facilitate the development and operation of primary and specialty medical care services in designated medically underserved areas of the applicant's service area.