

VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis

November 20, 2023

COPN Request No. VA-8717

St. Francis Ambulatory Surgery Center LLC

Midlothian, Virginia

Establish an outpatient surgical hospital

Applicant

St. Francis Ambulatory Surgery Center LLC (“SFASC”), a limited liability company formed in Delaware in 2023, will be the owner and operator of the proposed outpatient surgical hospital (OSH). SFASC is wholly owned by BSMH-CSP SV DE LLC, a joint venture between Bon Secours Mercy Health Innovations, LLC (51% interest) and Compass Surgical Partners of BSMH LLC (49% interest). The proposed facility will be in leased space of a medical office building to be constructed on the campus of Bon Secours - St. Francis Medical Center. Bon Secours-Richmond Health System owns the property, and the medical office building will be owned by Bon Secours Mercy Health (BSMH), or an affiliate. The proposed project is located in Planning District (PD) 15, Health Planning Region (HPR) IV.

Bon Secours-St. Francis Medical Center LLC (“St. Francis”) is a Virginia non-profit limited liability company and a co-applicant, having proffered the surrender of COPN No. VA- VA-04517, which authorized two operating rooms (ORs) that are not yet operational, should the proposed project be approved.

Background

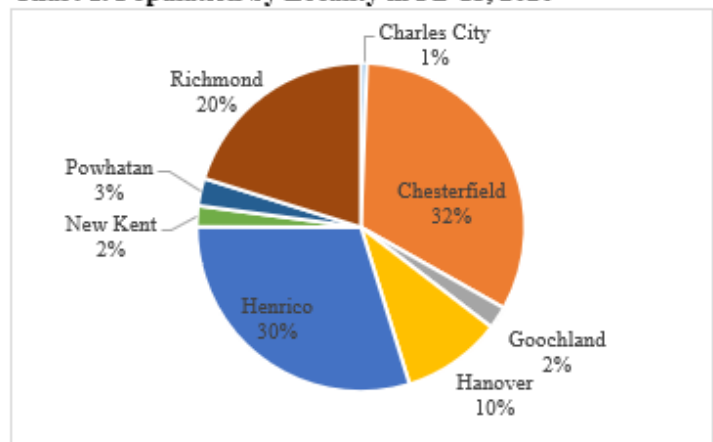
PD 15, in HPR IV in central Virginia, had a population just over 1 million in 2020. Chesterfield County, where the project is proposed to be located, had 32.6% of the PD 15 population in 2020, the most populated locality in the PD (**Table 1/Chart 1**). PD 15 had a higher population growth rate than Virginia in the 2010 to 2020 decade, growing at a rate of 11.8% compared to Virginia which grew at 8.1% during the same time period (**Table 2**). The projected growth for PD 15 is also expected to outpace that of Virginia between 2020 and 2030. The PD 15 projected growth rate is 8.6% while Virginia’s is 5.6% (**Table 2**).

Table 1. Population by Locality in PD 15, 2020

	2020 Population	% of Total PD 15 Population
Charles City	6,758	0.6%
Chesterfield	365,627	32.6%
Goochland	24,809	2.2%
Hanover	110,164	9.8%
Henrico	334,756	29.8%
New Kent	23,069	2.1%
Powhatan	30,355	2.7%
Richmond	226,613	20.2%
PD 15	1,122,151	100.0%

Source: Weldon Cooper Intercensal Estimates

Chart 1. Population by Locality in PD 15, 2020



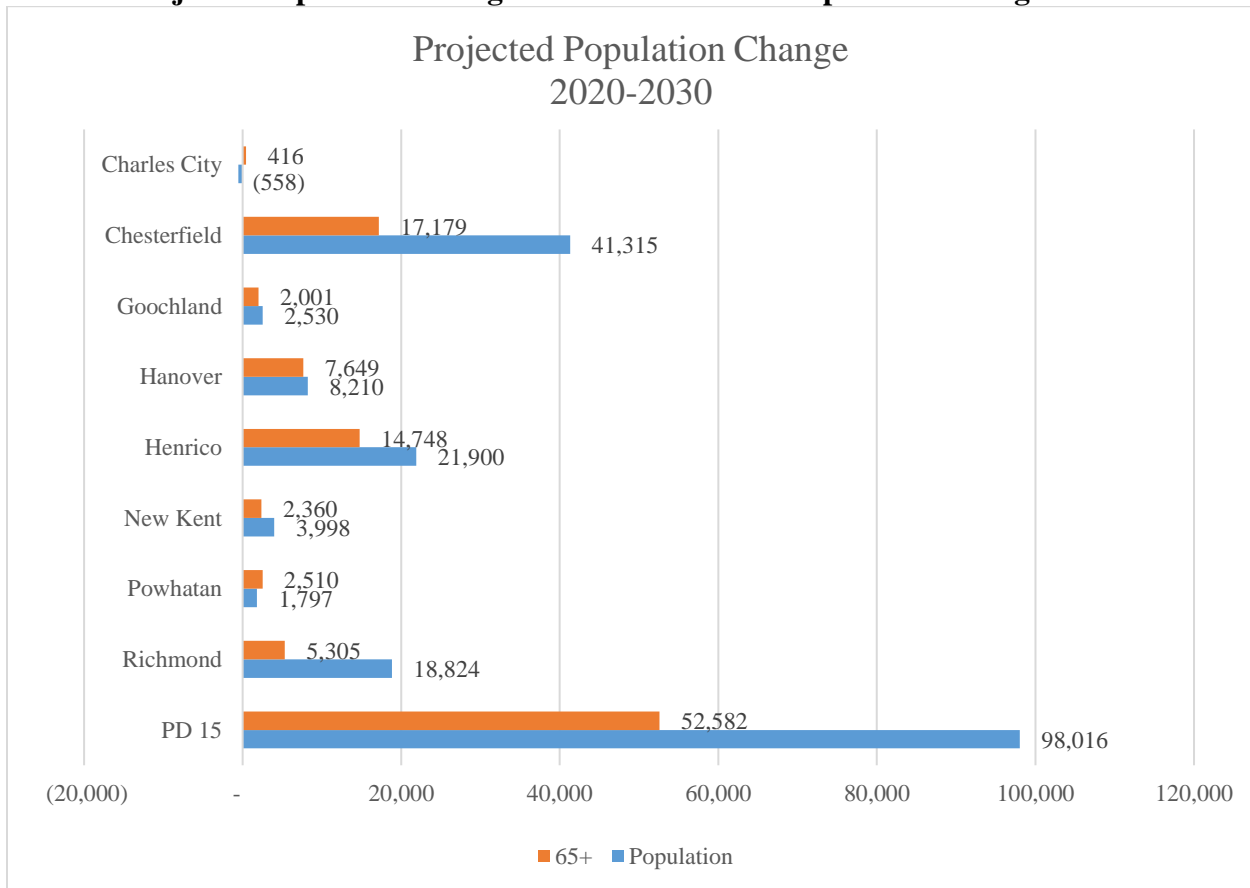
Chesterfield County had a growth rate of 15.6% during the 2010 to 2020 decade and is projected to grow 11.3% between 2020 and 2030, (41,315 more people in 2030 compared to 2020). Chesterfield's is a faster projected population growth rate than PD 15's or Virginia's. The projected rate of change for the population aged 65 and older is also projected to be higher in PD 15 than that of Virginia overall. The 65+ cohort for PD 15 is projected to see an increase of 29.9% between 2020 and 2030, while Virginia is projected to see growth of 27.4% in this age group during the same decade. The growth rate projected for the 65+ cohort in Chesterfield County is higher at 31.1% (Table 2/Chart 2).

Table 2. PD 15 Population Data

	2010 Population	2020 Population	Percent Change 2010- 2020	2030 Projected Population	Proj. Percent Change 2020- 2030	2020 65+ Population	2030 65+ Projected Population	Proj. Percent Change 2020- 2030
Charles City	7,256	6,758	-6.9%	6,200	-8.3%	1,773	2,189	23.4%
Chesterfield	316,236	365,627	15.6%	406,942	11.3%	55,297	72,476	31.1%
Goochland	21,717	24,809	14.2%	27,339	10.2%	5,420	7,421	36.9%
Hanover	99,863	110,164	10.3%	118,374	7.5%	19,807	27,456	38.6%
Henrico	306,935	334,756	9.1%	356,656	6.5%	53,255	68,003	27.7%
New Kent	18,429	23,069	25.2%	27,067	17.3%	4,303	6,663	54.8%
Powhatan	28,046	30,355	8.2%	32,152	5.9%	6,041	8,552	41.5%
Richmond	204,214	226,613	11.0%	245,437	8.3%	26,352	31,657	20.1%
PD 15	1,020,107	1,140,301	11.8%	1,238,825	8.6%	176,028	228,611	29.9%
Virginia	8,001,024	8,646,905	8.1%	9,129,002	5.6%	1,352,448	1,723,382	27.4%

Source: Weldon Cooper Intercensal Estimates

Chart 2. Projected Population Change 2020 to 2030 & 65+ Population Change



Source: Weldon-Cooper Census Data

According to Division of Certificate of Public Need (DCOPN) records, there are 202 ORs located in PD 15 of which 150 are within acute care hospitals, and 52 are within OSHs. Of the 202 ORs, 12 dedicated cardiac ORs and 4 trauma ORs are explicitly excluded from the general purpose OR (GPOR) need calculation. Of the remaining 186, 18 additional ORs are restricted use ORs (**Table 3**).

Table 3. PD 15 COPN Authorized Operating Room Inventory

Facility	Total ORs	Dedicated Cardiac ORs	Restricted Use ORs	Trauma OR	Unrestricted 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
Facility	Total ORs	Dedicated Cardiac ORs	Restricted Use ORs	Trauma OR	Unrestricted 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	5	--	--	--	5
MEDRVA Surgery Center at West Creek	2	--	--	--	2
MEDARVA Surgery Center at Chesterfield	2 ³	--	1 (Ophthalmic)	--	1
MOHS Surgery Center of Richmond Dermatology	1 ⁴	--	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	52	0	18	0	34
Grand Total	202	12	18	4	168

Source: DCOPN Records

VHI data from 2021, the last year for which such data are available, show an overall utilization of GPORs (including restricted use ORs) in PD 15 of 97.1% (Table 4). St. Francis had utilization of 100.4% that year in its 11 GPORs. DCOPN notes that Table 3 shows an authorized inventory of 13 ORs at St. Francis, including the two authorized by COPN No. VA-04517 that are not yet operational.

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.

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-04846 authorized the establishment of an outpatient surgical hospital with two operating rooms, one new ophthalmic OR and one GPOR relocated from MEDARVA Stony Point Surgery Center

⁴ 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.

Table 4. General Purpose OR Utilization 2021, PD 15

Facility Name	GPORs	GPOR Hours	Hours per OR	% Utilization
Bon Secours Memorial Regional Medical Center	12	19,241	1,603	100.2%
Bon Secours Richmond Community Hospital	3	967	322	20.1%
Bon Secours St. Francis Medical Center	11	17,677	1,607	100.4%
Bon Secours St. Mary's Hospital	21	35,085	1,671	104.4%
Chippenham Hospital	12	13,466	1,122	70.1%
Henrico Doctors' Hospital - Forest	18	16,814	934	58.4%
Henrico Doctor's Hospital - Parham Doctors' Hospital	11	8,673	788	49.3%
Henrico Doctor's Hospital - Retreat	5	4,368	874	54.6%
Johnston-Willis Hospital	17	20,659	1,215	76.0%
VCU Medical Center	31	72,657	2,344	146.5%
American Access Care of Richmond	2	2,194	1,097	68.6%
Boulders Ambulatory Surgery Center	3	6,089	2,030	126.9%
Cataract and Refractive Surgery Center	1	2,700	2,700	168.8%
MEDARVA Stony Point Surgery Center	6	9,601	1,600	100.0%
MEDARVA Surgery Center @ West Creek	2	3,500	1,750	109.4%
Skin Surgery Center of Virginia	2	1,289	645	40.3%
St. Mary's Ambulatory Surgery Center	4	7,307	1,827	114.2%
Urosurgical Center of Richmond	1	5,076	5,076	317.3%
Virginia Beach Health Center	1	1,040	1,040	65.0%
Virginia Eye Institute, Inc.	5	12,533	2,507	156.7%
Total PD 15 General Purpose ORs	168	260,936	1,553	97.1%

Source: VHI; as noted, GPORs exclude cardiac and trauma ORs but this table includes restricted use ORs reported to VHI in 2021 (coincidentally, the same number as unrestricted ORs in the current inventory).

Proposed Project

SFASC proposes to establish a multi-purposed specialty OSH with two GPORs. The proposed facility will be in 12,840 square feet of leased space, one floor of a two-story building to be constructed on the campus of St. Francis. The projected capital and financing costs are \$17,453,466 of which 15% are financing costs (**Table 5**). The two owners will fund 64.3% of the cost with the remainder funded by a long-term mortgage. The target date of opening is July 30, 2026.

Table 5. Saint Francis Ambulatory Surgery Center, LLC

Direct Construction Costs	\$4,391,280
Equipment Not Included in Construction Contract	\$3,337,594
Site Acquisition Costs	\$6,264,758
Architectural and Engineering Fees	\$702,605
Other Consultant Fees	\$154,577
Conventional Loan Financing	\$2,602,652
Total Capital Costs	\$17,453,466

Source: COPN Request No. VA-8717

Two GPORs were approved in 2016 as an expansion of St. Francis' surgical services based on an institutional need (COPN No. VA-04517). The GPORs were authorized to be located in an OSH

on St. Francis' campus. These two authorized GPORs are not yet operational. Two significant changes have been filed to extend the timeline for that project. The most recent was filed in 2021 and approval was given to extend the project completion to March 31, 2024.

Should the current proposed project be approved, a two OR OSH would be constructed on St. Francis' campus, under ownership independent of the St. Francis hospital structure, as an LLC joint venture between Bon Secours Mercy Health and Compass Surgical Partners. St. Francis provided explicit commitment in writing to DCOPN on November 11, 2023 that COPN No. VA-04517, which authorized two ORs, would be surrendered should the proposed project be approved, for an inventory-neutral result in PD 15. In addition, St. Francis has proffered not to request additional ORs for a minimum of two years from the date an uncontested COPN is issued for the two-OR outpatient surgical hospital project proposed by COPN Request No. VA-8717.

Project Definitions

The Code of Virginia, at Va Code §32.1-102.1 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,” which includes outpatient surgical hospitals.

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

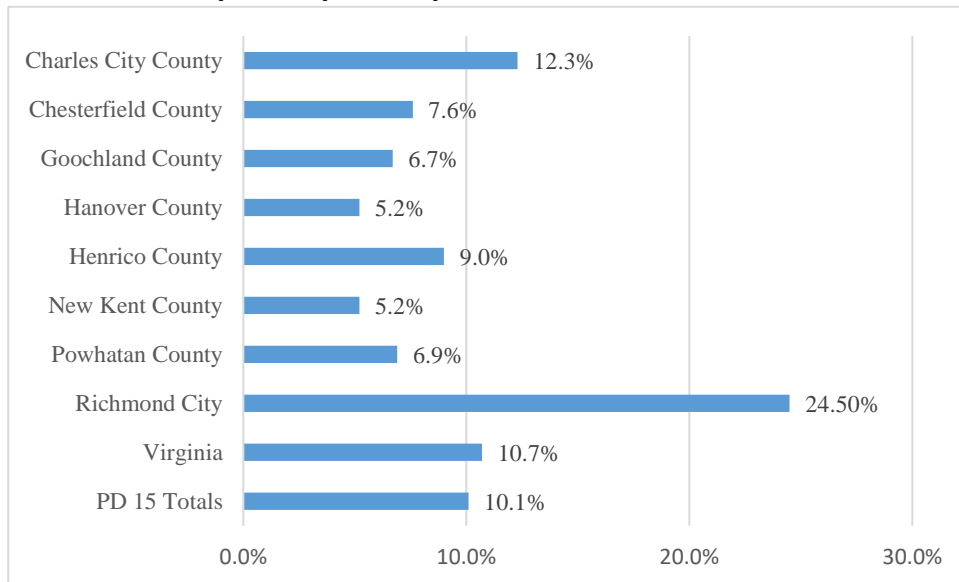
In determining whether a public need exists for a proposed project, the following factors shall be taken into account when applicable.

- 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;**

Demographic projections of Chesterfield County, where the SFASC is proposed to be located, merit consideration of expanding health care resources in the area to accommodate the large, increasing and aging population (**Table 2/Chart 2**). The majority of PD 15's inventory of surgical services is concentrated in the central portion of the PD near the Richmond metropolitan area. The location of the proposed project distributes surgical services further to the south where ORs are scarcer. The location of the proposed project on St. Francis' campus would not expand geographical access beyond the area currently within 30 minutes of surgical care. It is expected to decant outpatient volumes from St. Francis and would help address the continued high OR utilization and delays in surgical care. The applicants assert that it will also accommodate additional block time currently being denied to specialists requesting time in St. Francis' ORs. St. Francis, a 130-bed facility, received approval in 2019 to expand by 55 medical/surgical beds (COPN No. VA-04682). Though the proposal is for an OSH outside of St. Francis' ownership, it is within the ownership of a common parent organization, and the applicants assert that it would add outpatient infrastructure, supporting the hospital expansion and growing demand.

The proposed site is south of the James River and within 1.5 miles of State Routes 76 and 288. It is accessible to Midlothian Turnpike (US Route 60) and Interstates 95 and 64 via State Route 288. It is not accessible by public transportation, as is the case in most of Chesterfield County. Chesterfield County has a below average poverty rate compared to PD 15 and Virginia (**Chart 3**), but St. Francis' charity care percentage compares very favorably to facilities across HPR IV, ranking fourth highest among the 18 hospitals in HPR IV at 1.4% of gross patient revenues (**Table 6**). Although SFASC is a separate entity, it has provided assurances that it will operate in accordance with BSMH's charity care policies.

Chart 3. Poverty Rate by Locality



Source: Weldon-Cooper Census Data

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

Table 6. Charity Care Contributions, HPR IV

Health Planning Region IV				
2021 Charity Care Contributions at or below 200% of Federal Poverty Level				
HPR IV	2021 at 200%			
	Gross Pt Rev	Total Charity Care Provided Below 200%	Adjusted Charity Care	%
Encompass Health Rehab Hosp of Petersburg	\$ 26,851,240	\$ 1,046,165	\$ 1,046,165	3.9%
Southern Virginia Regional Medical Center	\$ 193,424,382	\$ 6,462,541	\$ 6,462,541	3.3%
Sentara Halifax Regional Hospital	\$ 305,216,000	\$ 5,567,790	\$ 5,567,790	1.8%
Bon Secours St. Francis Medical Center	\$ 1,075,574,864	\$ 15,314,171	\$ 15,314,171	1.4%
Southside Regional Medical Center	\$ 2,000,593,397	\$ 27,695,403	\$ 27,695,403	1.4%
Bon Secours Richmond Community Hospital	\$ 991,036,257	\$ 11,039,087	\$ 11,039,087	1.1%
CJW Medical Center	\$ 8,975,939,621	\$ 87,710,457	\$ 87,710,457	1.0%
Henrico Doctors' Hospital	\$ 5,763,604,659	\$ 52,734,748	\$ 52,734,748	0.9%
VCU Health System	\$ 6,809,570,615	\$ 61,295,221	\$ 61,295,221	0.9%
Bon Secours St. Mary's Hospital	\$ 2,358,088,813	\$ 20,998,912	\$ 20,998,912	0.9%
TriCities Hospital	\$ 1,324,643,208	\$ 9,600,576	\$ 9,600,576	0.7%
Sheltering Arms Institute	\$ 137,252,572	\$ 970,918	\$ 970,918	0.7%
Bon Secours Memorial Regional Medical Center	\$ 1,614,325,924	\$ 9,753,218	\$ 9,753,218	0.6%
Community Memorial Hospital	\$ 343,583,756	\$ 1,572,169	\$ 1,572,169	0.5%
Encompass Health Rehab Hosp of Virginia	\$ 25,150,781	\$ 107,359	\$ 107,359	0.4%
Southside Community Hospital	\$ 383,098,711	\$ 1,431,006	\$ 1,431,006	0.4%
Cumberland Hospital for Children and Adolescents	\$ 39,513,361	\$ -	\$ -	0.0%
Select Specialty Hospital - Richmond	\$ 141,742,321	\$ -	\$ -	0.0%
Total Inpatient Hospitals:				18
HPR IV Inpatient Hospital Median				0.9%
HPR IV Total Inpatient \$ & Mean %	\$ 32,509,210,482	\$ 313,299,741	\$ 313,299,741	1.0%
Boulders Ambulatory Surgery Center	\$ 108,434,022	\$ 3,555,600	\$ 3,555,600	3.3%
St. Mary's Ambulatory Surgery Center	\$ 44,154,385	\$ 634,846	\$ 634,846	1.4%
Urosurgical Center of Richmond	\$ 41,571,274	\$ 544,435	\$ 544,435	1.3%
Virginia Eye Institute, Inc.	\$ 35,627,224	\$ 308,496	\$ 308,496	0.9%
MEDRVA Surgery Center @ West Creek	\$ 9,492,898	\$ 7,975	\$ 7,975	0.1%
American Access Care of Richmond	\$ 5,226,209	\$ -	\$ -	0.0%
Cataract and Refractive Surgery Center	\$ 9,247,035	\$ -	\$ -	0.0%
MEDRVA Stony Point Surgery Center	\$ 58,223,076	\$ -	\$ -	0.0%
Skin Surgery Center of Virginia	\$ 1,454,451	\$ -	\$ -	0.0%
Virginia Beach Health Center VLPP	\$ 2,651,434	\$ -	\$ -	0.0%
Total Outpatient Hospitals:				10
HPR IV Total Outpatient Hospital \$ & Mean %	\$ 316,082,008	\$ 5,051,352	\$ 5,051,352	1.6%
Total Hospitals:				28
HPR IV Total Hospital \$ & Mean %	\$ 32,825,292,490	\$ 318,351,093	\$ 318,351,093	1.0%

Source: VHI

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 a letter of commitment by the medical staff of St. Francis, signed by the Medical Staff President, and five letters of community support for the proposed project. These community support letters are from the executive director of Brookview Assisted Living in Farmville; two former patients of St. Francis, one a lifelong resident of Chesterfield County; a gynecologist and immediate past president of the medical staff; and the Chair of Surgical Services at St. Francis. These letters, in aggregate, expressed the following:

- The proposed project would create a lower-cost option for patients.
- St. Francis has had a positive impact on the community.
- The faith-based commitment of St. Francis has contributed to this impact.
- The area is growing rapidly.
- As health care costs escalate access to cost-effective, high-quality care is important.
- The project is inventory neutral.

Public Comment

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-8717 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.

DCOPN provided notice to the public regarding this project on October 9, 2023. The public comment period closed on November 16, 2023. DCOPN has received no additional public comment aside from the letters of endorsement included with the application. DCOPN is not aware of any opposition to the 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;

There does not appear to be a reasonable alternative to expanding outpatient surgical capacity in the southern portion of PD 15. Presumably, the status quo would entail implementation of the previously authorized OSH (COPN No. VA-04517) to address an institutional need at St. Francis for additional OR capacity. The proposed project differs from the previously approved project in that it creates a joint venture allowing physician investment and collaboration with a partner organization experienced in ambulatory services, which the applicants have determined is a better solution. With the commitments of St. Francis to surrender COPN No. VA-04517 and not

to request additional ORs for institutional need for minimum of two years from the date an uncontested COPN issues for the two OR outpatient surgical hospital project proposed by COPN Request No. VA-8717, should the proposed project be approved, the proposal is inventory neutral and 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 PD 15. Therefore, this consideration is not applicable to the review of the proposed project.

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

Projected capital and financing costs of the proposed project are \$17,453,466, including capital expense of \$14.85 million and financing costs of \$2.6 million (**Table 5**). In total, it is about 8% (\$1.3 million) higher than the capital cost of the OSH previously approved on St. Francis' campus in 2016, due to financing expenses. In the absence of loan financing, the proposed project would have a lower projected cost than the prior St. Francis project which anticipated full funding from accumulated reserves. Projected capital costs are also comparable to recently approved, similar projects. For example, COPN No. VA-04846, issued in August 2023, authorized a two-OR OSH at a capital cost of \$15,355,061, including less than \$150,000 in financing costs.

The benefits of the proposed project are:

- increased health care infrastructure in a well-populated, relatively fast growing and aging area of the state, an improvement in the distribution of surgical services in PD 15.
- an outpatient, lower-cost, option to the community.
- improved access in the reduction of wait times for surgical services and availability of additional block time for surgical specialists.
- Although the proposed OSH is an entity separate from St. Francis, the applicants assert that it will work cooperatively with the hospital and decant high volumes from St. Francis' hospital based GPORs. Inpatient and outpatient OR hours supplied by the applicants for 2022 and 2023 confirm that St. Francis' 11 operational GPORs continue to have OR hours above the SMFP threshold, 100.3% and 123.1% for 2022 and 2023, respectively.
- The proposed project is inventory neutral with St. Francis' surrendering two ORs.

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

The applicants assert that SFASC will accept all patients regardless of ability to pay or payment source. Although SFASC is a separate entity, it has provided assurances that it will operate in accordance with Bon Secours Mercy Health's charity care policies. In its proforma, SFASC proffers

1.3% charity care (Table 7), which is below the St. Francis facility-wide condition, but above the HPR IV average of 1.0% presented in Table 6.

Table 7. St. Francis Ambulatory Surgery Center, LLC, Proforma

	Year 1	Year 2
Gross Patient Revenue	\$11,146,374	\$11,812,299
Charity Care	\$144,903	\$153,560
Bad Debt	\$111,464	\$118,123
Contractual Deductions	\$4,617,943	\$4,893,835
Net Revenue	\$6,272,064	\$6,646,781
Total Operating Expenses	\$6,089,421	\$6,278,350
Excess of Revenue Over Expenses	\$182,643	\$368,431

Source: COPN Request No. VA-8717

Recent changes to § 32.1-102.4B of the Code of Virginia now require the State Health Commissioner to place a charity care condition on every COPN. Accordingly, should the Commissioner approve the proposed project, DCOPN recommends a charity care condition of 1.3% to be derived from gross patient services revenue derived from surgical services that is proffered in the pro forma. The statutorily required conditions of agreement of the applicant to provide 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. will also be recommended. Additionally, it will be recommended the Commissioner condition any COPN on the agreement of the applicant to facilitate the development and operation of primary and specialty medical care services in designated medically underserved areas of the applicant's service area.

- (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 application at hand initially proposed the “relocation” of the two St. Francis ORs authorized by COPN No. VA-04517 but not yet operational; however, § 32.1-102.5 of the Code of Virginia states that “*No certificate issued for a project shall be transferable.*” Following a conversation with the applicant, St. Francis provided commitments 1) to surrender COPN No. VA-04517 should the proposed project be approved, and 2) not to request additional OR capacity for a minimum of two years following the issuance of an uncontested COPN for the 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 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 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 SMFP.

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

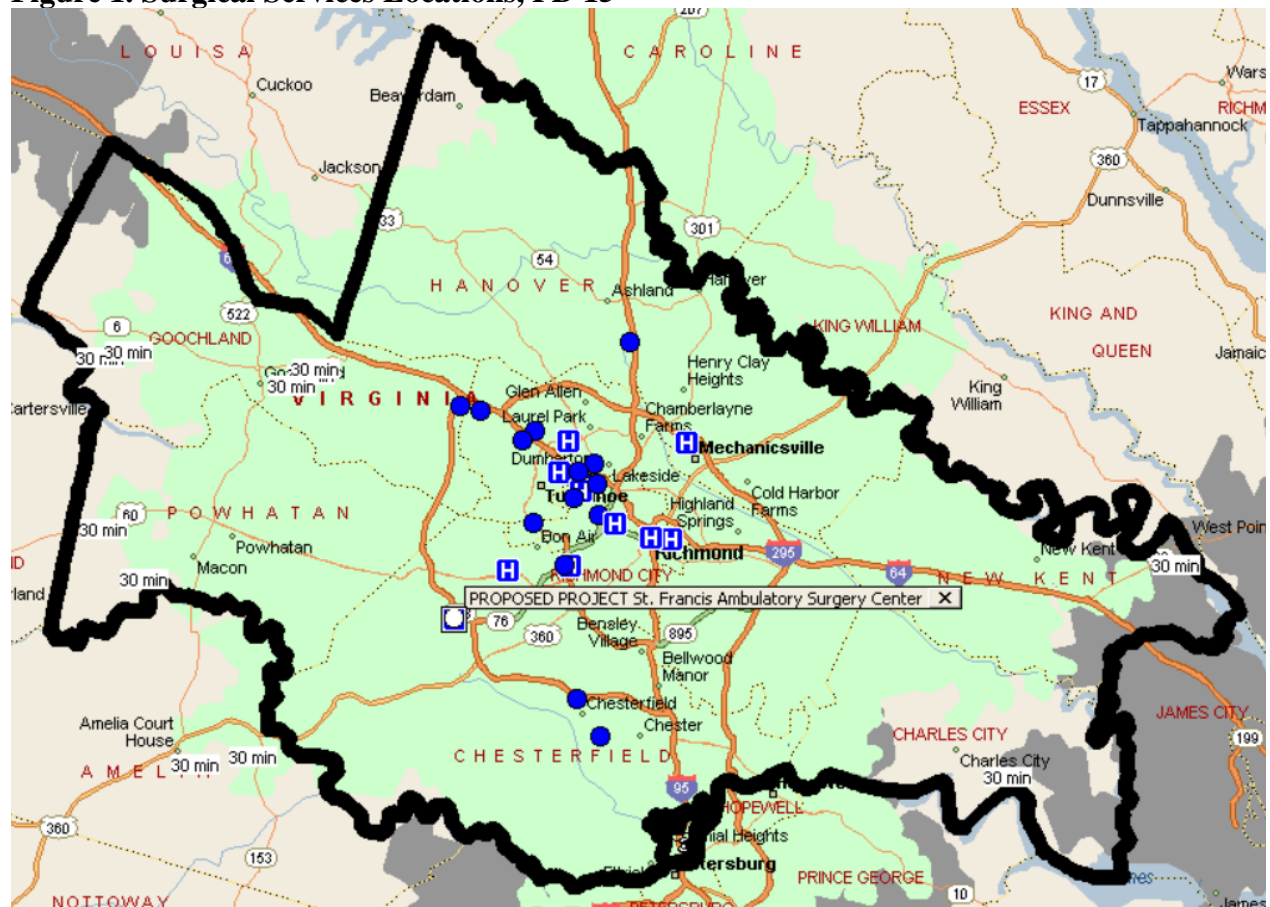
Part V General Surgical Services Criteria and Standards for General Surgical Services

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” symbols on blue backgrounds mark the locations of existing general hospital surgical services within PD 15. The blue circles are existing and authorized OSH sites in PD 15. The white circle locates the proposed project. The light green shaded area represents the areas of PD 15 and surrounding areas that are within 30 minutes’ drive time of existing PD 15 surgical services. The dark grey area is within 30 minutes of additional surgical services located outside of PD 15. The proposed project would not increase the geography located within 30 minutes’ drive time of surgical services.

Figure 1. Surgical Services Locations, PD 15



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.

Components of the GPOR need calculation for PD 15 are derived as follows:

Table 8. Inpatient and Outpatient GPOR Visits in PD15: 2017-2021

Year	Total Inpatient & Outpatient GPOR Visits
2017	136,449
2018	134,998
2019	141,390
2020	121,003
2021	140,196
Total Visits	674,036

Source: VHI (2017-2021)

Table 9. Population of PD 15, 2017 - 2021

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))

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
674,036		5,481,983		0.1229

CSUR	X	PROPOP	=	PORV
Calculated GPOR Use Rate 2017 to 2021		PD 15 Projected Population 2028		Projected GPOR Visits 2028
0.1229		1,195,561		146,934

AHORV is the average hours per operating room visit in the planning district 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 = 260,936 total inpatient and outpatient operating room hours were reported to VHI in 2021, divided by 140,196 total inpatient and outpatient operating room visits reported to VHI for that same year (**Table 8**) equals 1.8612.

The calculation of GPOR need for PD 15 is:

$$\text{FOR} = \frac{((674,036 / 5,481,983) \times (1,195,561)) \times 1.8612}{1600}$$

$$\text{FOR} = 273,474 / 1600$$

FOR = 170.9 (171) General Purpose Operating Rooms Needed in PD 15 in 2028

As defined in 12VAC5-230-500, GPORs are operating rooms (ORs) exclusive of those dedicated to caesarian section, those solely for cardiac surgery, and trauma designated. While there are 202 ORs authorized in PD 15, 186 are GPORs under this definition, yielding a **GPOR surplus of 15**.

Should the proposed project be approved, St. Francis would surrender COPN No. VA-04517, reducing the GPOR surplus to 13 and the proposed two OR OSH would increase the surplus back to 15, resulting in a net neutral impact on PD 15's OR surplus.

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.

The proposed project does not involve the relocation of existing operating rooms, but the surrendering of two ORs should the proposed project be approved.

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 service 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;

Surgical services in PD 15 are offered by several well-utilized providers such that there is not a monopoly or concentration of share in these services across the market (**Table 10**). The proposed project will primarily improve access to surgical care for patients seeking services on St. Francis' campus and will not foster institutional competition.

Table 10. GPORs by System/Owner

Health System/Owner	No. GPORs	% GPORs
HCA	63	33.9%
Bon Secours	53	28.5%
VCU	43	23.1%
MEDARVA	9	4.8%
Virginia Eye Institute	5	2.7%
Urosurgical Center of Richmond	3	1.6%
VSA Vascular Center	2	1.1%
American Access Care of Richmond	2	1.1%
Skin Surgery Center of Virginia	2	1.1%
Cataract and Refractive Surgery Center	1	0.5%
Colon & Rectal Endoscopy Specialists & Surgery Center, LLC	1	0.5%
Virginia ENT Surgery Center	1	0.5%
MOHS Surgery Center of Richmond Dermatology	1	0.5%
	186	100.0%

Source: DCOPN Records

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;

Utilization across PD 15 in 2021, the last year for which such data are available (**Table 4**), shows high average utilization, 97.1%, of ORs controlled by Bon Secours, HCA, VCU and a variety of independent providers of surgical services. In 2021, St. Francis had 11 operational ORs and 2 authorized ORs not yet operational. As previously described, St. Francis has committed to surrendering the two authorized ORs should the proposed project be approved, so that its approval would not add to the inventory of ORs currently authorized in PD 15. The majority of PD 15’s inventory of surgical services is concentrated in the central portion of the PD near the Richmond metropolitan area. The location of the proposed project distributes surgical services further to the south where ORs are scarcer.

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;

DCOPN contends that the projected capital costs of \$14.85 million are reasonable and the comparable to previously authorized projects similar in scope. The proforma projects an excess of revenue over expenses in years one and two. The proposed project appears to be financially feasible in the short and long term. The proposal requires 14 additional full time equivalent (FTE) positions, 9 clinical and 5 administrative/business office staff. As a new provider, SFASC cannot provide a history of vacancies. SFASC claims recruitment efforts will be supported by BSMH. BSMH operates the Bon Secours Memorial College of Nursing in Richmond and collaborates with colleges, universities and established allied health schools and programs as

components of its recruitment efforts. Assuming collaborative recruitment efforts as described, attainment of the human resources required appear to be feasible.

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 does not introduce new technology but does involve the provision of health care services on an outpatient basis.

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

The applicant is not a teaching hospital or affiliated with a public institution of higher education or medical school 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

The proposal is to construct an OSH on the campus of Bon Secours St. Francis Hospital. St. Francis will surrender a COPN authorizing two ORs so that the proposed two OR OSH can be completed without adding to the inventory of authorized ORs. The population, growth and aging of Chesterfield County merit additional surgical services in the area. The proposed project will not expand the geography of PD 15 residents within 30 minutes of surgical care. Location of an OSH on the campus of St. Francis is likely to decant volumes and will provide a lower-cost, outpatient alternative for area residents. St. Francis has committed not to request additional ORs for a minimum of two years from the date an uncontested COPN issues for the proposed project. There is community support for the proposal and DCOPN is not aware of any opposition to the project. The proposal is more beneficial than the status quo. DCOPN concludes that costs are reasonable, benefits are substantial, and the proposed project is likely to expand financial accessibility to residents of PD 15. Though there is a surplus of 15 ORs in PD 15, the proposed project is inventory neutral and will not add to this surplus. Additionally, it represents a distribution of surgical services to an area of PD 15 where these services are scarce, especially relative to population size. The proposed project is feasible in the short- and long-term.

DCOPN Staff Recommendation

The Division of Certificate of Public Need recommends **conditional approval** of St. Francis Ambulatory Surgery Center LLC's COPN request number VA-8717 to establish an outpatient surgical hospital with two operating rooms for the following reasons:

1. The proposed project is generally consistent with the applicable criteria and standards of the State Medical Facilities Plan and the Eight Required Considerations of the Code of Virginia.
2. The proposed project improves access for a well-populated, growing and aging area of PD15, and improves the distribution of surgical services in the PD.
3. The proposal is more beneficial than the status quo.
4. The capital costs are reasonable.
5. The proposed project is inventory neutral.
6. The proposed project appears viable in the short- and long-term.

Recommended Condition

St. Francis Ambulatory Surgery Center LLC 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 will facilitate the development and operation of primary and specialty medical care services to medically underserved persons in PD 15 in an aggregate amount equal to at least 1.3% of St. Francis Ambulatory Surgery Center LLC's gross patient revenue derived from surgical 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. St. Francis Ambulatory Surgery Center 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.

St. Francis Ambulatory Surgery Center LLC 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.