

# VIRGINIA DEPARTMENT OF HEALTH

## Office of Licensure and Certification

### Division of Certificate of Public Need

#### Staff Analysis

January 19, 2024

**RE: COPN Request No. VA-8721**

Augusta Health Care, Inc. d/b/a Augusta Health

Richmond, Virginia

Expand MRI services through the addition of one fixed MRI scanner

#### Applicant

Augusta Health Care, Inc. d/b/a Augusta Health (Augusta Health) is a 501(c)(3) non-profit organization. Augusta Health wholly owns the following subsidiaries: Augusta Medical Group, AHC Community Health Foundation d/b/a Augusta Health Foundation, and Augusta Care Partners, LLC. Augusta Health is neither partially nor wholly owned by any organizations. Augusta Health is located at 78 Medical Center Drive, Fishersville, Virginia 22939, located within Planning District (PD) 6, further nested within Health Planning Region (HPR) I.

#### Background

##### **Population and Demographics**

PD 6 is located in rural, western Virginia, in the Blue Ridge Mountains. In 2030, PD 6 is projected to be approximately 3.47% of the Virginia statewide population (**Table 1**). The most recent Weldon-Cooper data projects PD 6's population to be approximately 316,725 by 2030; this is a 3.09% increase in population growth from 2020's PD 6 population, which is lower than the statewide average projected growth of 5.60% (**Table 1**). Both the overall population growth and the aged 65+ cohort population growth in PD 6 is slower than that of the statewide averages; the PD 6 65+ cohort is projected to grow by approximately 11.23% between 2020 and 2030 compared to the statewide projected average of 21.52% for the same period (**Table 1**). Taking note of the 65+ cohort growth rate is pertinent as this population group typically uses health care resources, including magnetic resonance imaging (MRI) diagnostic services, at a rate much higher than those individuals under the age of 65.

**Table 1. PD 6 Population by Locality**

Geography Name	2010	2020	% Change 2010-2020	2030	% Change 2020-2030	2020 65+	2030 65+	% Change 2020-2030 65+
Augusta County	73,750	77,487	4.82%	80,060	3.21%	16,687	20,388	18.15%
Bath County	4,731	4,209	-12.40%	3,634	-15.82%	1,166	1,255	7.05%
Highland County	2,321	2,232	-3.99%	2,112	-5.67%	690	798	13.50%
Rockbridge County	22,307	22,650	1.51%	22,663	0.06%	6,364	7,688	17.22%
Rockingham County	76,314	83,757	8.89%	89,893	6.83%	16,179	20,685	21.78%
Buena Vista City	6,650	6,641	-0.14%	6,537	-1.59%	1,204	1,164	-3.41%
Harrisonburg City	48,914	54,810	10.76%	53,930	-1.63%	4,918	5,944	17.27%
Lexington City	7,042	7,479	5.84%	7,489	0.13%	1,089	1,040	-4.64%
Staunton City	23,746	25,750	7.78%	27,356	5.87%	5,525	6,311	12.44%
Waynesboro City	21,006	22,196	5.36%	23,051	3.71%	3,955	4,542	12.92%
<b>PD 6 Totals/Averages</b>	<b>286,781</b>	<b>307,211</b>	<b>2.84%</b>	<b>316,725</b>	<b>3.09%</b>	<b>57,777</b>	<b>69,815</b>	<b>11.23%</b>
<b>Virginia, Statewide</b>	<b>8,001,024</b>	<b>8,644,727</b>	<b>7.45%</b>	<b>9,129,002</b>	<b>5.60%</b>	<b>1,352,448</b>	<b>1,723,382</b>	<b>21.52%</b>

Source: Weldon-Cooper Data made available by the UVA Weldon Cooper Center for Public Service

Much of PD 6 is rural. In 2020, the average per capita income was \$43,359 while the average for Virginians as a whole was \$61,958.<sup>1</sup> Furthermore, based on 2020 data, the poverty rate in rural Virginia is 14.9%, compared with 8.5% in urban areas of the state.<sup>2</sup>

**Table 2. Estimated PD 6 Poverty Rates 2022**

Geography Name	Poverty Rate	% of Total PD 6 Population Living Below the Poverty Line*
Augusta County	7.3%	25.3%
Bath County	19.2%	1.1%
Highland County	12.6%	0.7%
Rockbridge County	10.3%	7.2%
Rockingham County	11.8%	28.4%
Buena Vista City	21.4%	2.1%
Harrisonburg City	25.8%	17.0%
Lexington City	22.8%	2.4%
Staunton City	12.3%	8.6%
Waynesboro City	16.6%	7.3%
PD 6 Average	16.0%	100%
<b>Virginia, Statewide</b>	<b>10.6%</b>	

Source: U.S. Census Bureau

\*2030 projected

The PD 6 average poverty rate for 2022 is 16.0%; using the information in **Table 2**, the weighted poverty rate for PD 6 (based on each locality's population percentage of the total PD 6 population) is 14.0%. The majority of the PD 6 population living in poverty reside in Augusta and Rockingham Counties and Harrisonburg City, at 223,883 persons projected in 2030- or 70.1% of the projected 316,725 total population. The average poverty rate for these three locations (comprising almost three-quarters of the PD) is 15.0%, which is similar to the average and weighted average poverty

<sup>1</sup> <https://www.ruralhealthinfo.org/states/virginia>

<sup>2</sup> Ibid.

rate for the entire PD. Moreover, these figures are all greater than the Virginia average poverty rate of 10.6% (Table 2).

### Magnetic Resonance Imaging

An MRI is a noninvasive medical imaging test that produces detailed images of almost every internal structure in the human body, including organs, bones, muscles, and blood vessels; the images are created using a large magnet and radio waves, and no radiation is produced.<sup>3</sup> An MRI may be used instead of a CT scan when organs or soft tissue are being studied as MRI is better at distinguishing between types of soft tissues and normal and abnormal soft tissues.<sup>4</sup>

The most recent procedural data available by Virginia Health Information (VHI) for PD 6’s MRI units is outlined in Table 3, below. PD 6 has a total of 8 MRI units, one of which is located at Sentara Bridgewater Health Center, and was not operational until August 15, 2023. For 2021, Augusta Health’s average utilization per scanner was 79.9%, with a total of 7,986 procedures total between their two authorized scanners (Table 3).

**Table 3. PD 6 Authorized MRI Units and 2021 Utilization**

Facility	Number of Authorized Units	Total Procedures Performed in 2021	Procedures Per MRI	Utilization Per MRI
Augusta Health	2	7,986	3,993	79.9%
Bath County Community Hospital	1 <sup>1</sup>	62	62	1.2%
Carilion Rockbridge Community Hospital	1	1,277	1,277	25.5%
Sentara RMH Medical Center	3	15,030	5,010	100.2%
Sentara Bridgewater Health Center	1 <sup>2</sup>	N/A	N/A	N/A
<b>Totals/Averages</b>	<b>8 Units Total</b>	<b>24,355 Total</b>	<b>3,480 Average Per Unit<sup>3</sup></b>	<b>68.5% Average Per Unit<sup>4</sup></b>

Sources: DCOPN Inventory Data and VHI 2021 Data

<sup>1</sup>Bath County Community Hospital’s MRI is a mobile unit.

<sup>2</sup>The MRI at Sentara Bridgewater Health Center became operational on August 15, 2023 (COPN No. VA-04719).

<sup>3</sup>Calculated using the 7 units operational during 2021; the average would be 3,045 per unit including the authorized-but-not-operational-during-2021 unit at Sentara Bridgewater Health Center.

<sup>4</sup>Calculated without the mobile unit at Bath County Community Hospital as the SMFP outlines in the Virginia Administrative Code, 12VAC5-230-150, that “[n]o new fixed site MRI services should be approved unless fixed site MRI services in the health planning district performed an average of 5,000 procedures per existing and approved fixed site MRI scanner during the relevant reporting period...”.

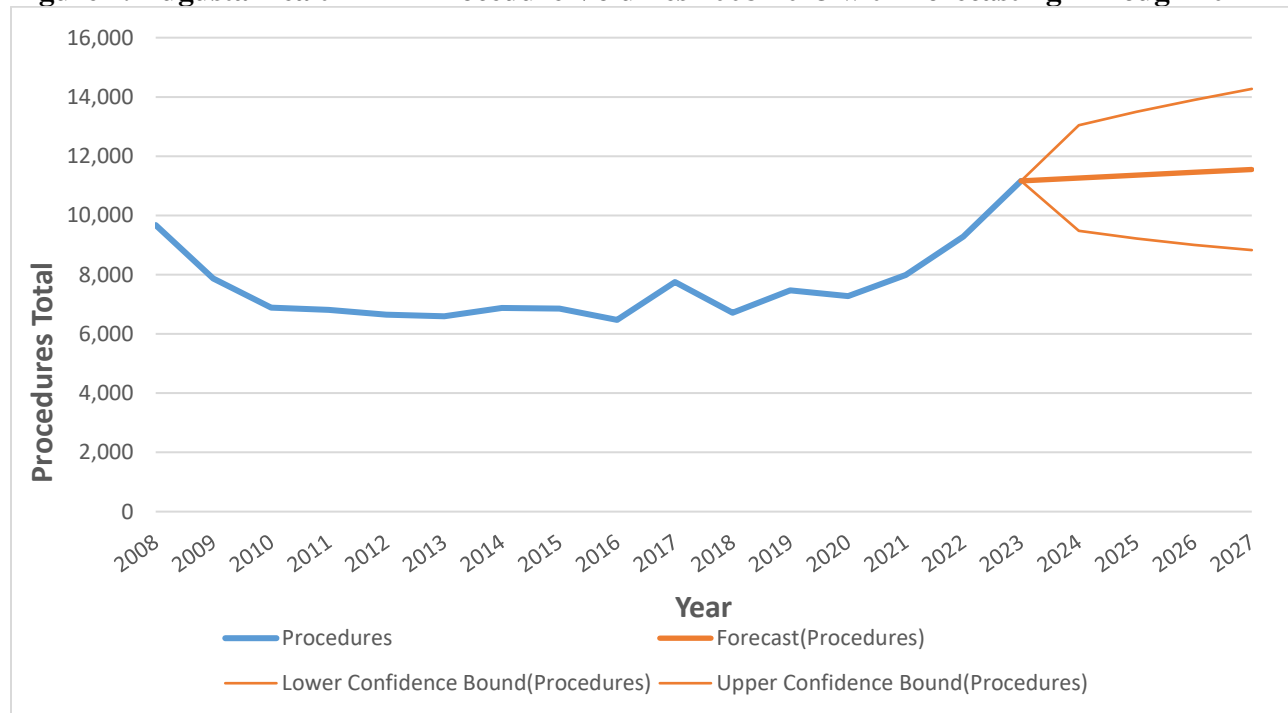
The applicant provided that in 2022 the total MRI procedure volume was 9,282 procedures (or 92.8% of the SMFP utilization threshold) and their projected 2023 MRI procedure volume is 11,164 procedures (or 111.6% of the SMFP utilization threshold). In January 2023, one of Augusta Health’s two MRI scanners was relocated to their Outpatient Pavilion, which the applicant suggests has led to an increased volume of procedures. As depicted in Figure 1, below, Augusta Health’s MRI procedure volumes decreased in 2010, but have been trending positively since 2020. Additionally, the Covid-19 pandemic did not appear to have a substantially negative effect on the MRI volumes at Augusta Health as often seen in other locations statewide (Figure 1). The middle orange line in

<sup>3</sup> <https://www.hopkinsmedicine.org/health/treatment-tests-and-therapies/magnetic-resonance-imaging-mri>

<sup>4</sup> Ibid.

**Figure 1** is a forecasted estimate of Augusta Health’s MRI volumes through 2027 using Excel’s forecasting tool; the top and bottom orange lines represent the upper and lower confidence intervals. The forecast was made with VHI and the applicant provided volumes for 2008-2023 (annualized) and does not account for other variables such as population growth, the increasing use of diagnostic imaging in healthcare, or the relocation of one of the two MRI scanners to the Outpatient Pavilion. The forecast anticipates a modest, increasing procedure volume trend (**Figure 1**).

**Figure 1. Augusta Health MRI Procedure Volumes 2008-2023 with Forecasting Through 2027**



**Sources:** VHI Data 2008-2021 and COPN Request No. VA-8721

\*Important to note that this is a purely mathematical forecast based on prior procedure data from 2008 to 2023. This does not account for physician and patient use patterns, the impact of relocating one of their scanners to an outpatient setting, or a variety of additional factors.

**Table 4. PD 6 Authorized MRI Units and 2021 Utilization**

Facility	Number of Authorized Units	Total Procedures Performed in 2021	Procedures Per MRI	Utilization Per MRI
Augusta Health	2	9,273	4,637	92.7%
Carilion Rockbridge Community Hospital	1 <sup>1</sup>	1,271	1,271	25.4%
Sentara RMH Medical Center	3	14,633	4,878	97.5%
Sentara Bridgewater Health Center	1 <sup>2</sup>	N/A	N/A	N/A
<b>Totals/Averages</b>	<b>8 Units Total</b>	<b>25,177 Total</b>	<b>4,197 Average Per Unit<sup>3</sup></b>	<b>83.9% Average Per Unit<sup>4</sup></b>

Sources: DCOPN Inventory Data and VHI 2021 Data

<sup>1</sup>Carilion Rockbridge Community Hospital’s MRI is reported to VHI as a mobile unit.

<sup>2</sup>The MRI at Sentara Bridgewater Health Center became operational on August 15, 2023 (COPN No. VA-04719).

<sup>3</sup>Calculated using the 6 units operational during 2022; the average would be 3,597 per unit, or 71.9% including the authorized-but-not-operational-during-2022 unit at Sentara Bridgewater Health Center.

<sup>4</sup>Calculated without the mobile unit at Carilion Rockbridge Community Hospital as the SMFP outlines in the Virginia Administrative Code, 12VAC5-230-150, that “[n]o new fixed site MRI services should be approved unless fixed site MRI services in the health planning district performed an average of 5,000 procedures per existing and approved fixed site MRI scanner during the relevant reporting period...”.

In 2022, including the one mobile unit, the average procedures per 6 operational MRIs was 4,197 procedures, or 83.9% of the SMFP threshold (**Table 4**). Not including the mobile unit, the 5 fixed units operational in 2022 performed an average of 4,782 procedures per MRI or 95.6% of the SMFP threshold. Assuming the same volumes in 2023 that were performed in 2022, the six fixed MRI units would perform an average of 3,985 procedures per unit or 79.7% of the SMFP threshold per unit. This does not account for growth likely to occur between 2022 and 2023, nor does it account for the sixth MRI, Sentara Bridgewater Health Center’s MRI, becoming operational on August 15, 2023; the yearly average per unit would be skewed for the year.

According to a 2023 market analysis report conducted by Grand View Research, MRI scans in the US are anticipated to grow by 18.3% between 2023 and 2030<sup>5</sup>, or an average of 2.6% per year. The report cites ongoing research to develop minimally invasive MRI systems, the introduction of artificial intelligence (AI) tools to ease radiologist’s workload, and the development of MRI artifact stabilization software as reasons for the projected increase in MRI volumes.

#### Augusta Health MRI Services

Augusta Health reports that they have increased appointment availability by offering additional appointments earlier and later in the day in addition to weekend slots and have grown their radiology team to include more radiology physicians to provide radiology reads. As a short-term strategy, Augusta Health has also utilized a mobile MRI to decompress the utilization of the two fixed units, but this has not nullified their need for a third fixed site scanner. The mobile unit “alleviates some of the overutilization on the two existing fixed MRI scanners, performing MRI scans in a mobile trailer outside of the hospital and/or Outpatient Imaging Center can have a negative impact on the patient’s overall care experience.”<sup>6</sup>

<sup>5</sup> <https://www.grandviewresearch.com/industry-analysis/us-magnetic-resonance-imaging-market-report#>

<sup>6</sup> COPN Request No. VA-8721

The applicant provided the following table illustrating the breakdown of their MRI utilization from 2021 to 2023:

**Table 5. Augusta Health MRI Utilization 2021-2023**

AUGUSTA HEALTH MRI UTILIZATION (2 Fixed MRI Units)						
LOCATION	2021		2022		ESTIMATED 2023*	
	OUTPATIENT	INPATIENT	OUTPATIENT	INPATIENT	OUTPATIENT	INPATIENT
Hospital	6,995	991	8,188	1,094	4,027	1,314
Outpatient Imaging Center					5,823	
<b>TOTAL MRI Procedures</b>		<b>7,986</b>		<b>9,282</b>		<b>11,164</b>
<i>% of SMFP Threshold</i>		<i>80%</i>		<i>93%</i>		<i>112%</i>

Source: Augusta Health Volumes  
 \*Estimated annual based on actual volume Jan-Aug 2023  
 Note: In 2021 and 2022, Augusta Health's 2 fixed MRI units operated in the main hospital. In January 2023, 1 of the 2 fixed MRI units was moved to the on-campus Outpatient Imaging Center.

Source: COPN Request VA-8721

The data for healthcare in 2021 are generally lower than normal and skew projections because of the effects of the Covid-19 pandemic. The increase in procedures between 2021 and 2022 (**Table 5**) may be distorted due to a mixture of a return to normalcy in addition to the typical expected growth per year. The increase in procedures between 2022 and 2023 (**Table 5**) are likely partially attributable to a normal increase in procedure growth and the movement of one of the MRI units to the outpatient pavilion.

The ratio of outpatient to inpatient procedures has remained fairly constant, even with the relocation of one unit to the outpatient pavilion (**Table 5**):

- 2021: 87.6% outpatient procedures of total procedures
- 2022: 88.2% outpatient procedures of total procedures
- 2023: 88.2% outpatient procedures of total procedures

In 2022, the outpatient MRI procedures were 117.1% of the 2021 volumes, and in 2023, the MRI procedures are projected to be 120.3% of the 2022 volumes (**Table 5**). The applicant anticipates that procedure volume for the new MRI for Year 1 (estimated 2025) is 6,039 procedures (or 120.8% of the SMFP utilization threshold), 7,100 procedures for Year 2 (estimated 2026) (or 142.0% of the SMFP utilization threshold), and 7,668 procedures for Year 3 (estimated 2027) (or 153.4% of the SMFP utilization threshold).

These projections appear to assume that the 2022 to 2023 growth is to continue. Assuming the national projection of 2.6% growth in MRI procedure volumes per year between 2023 and 2030, DCOPN calculated the following:

**Table 6. Possible Growth in Procedure Volumes Using National Trend**

	2023		2024		2025		2026		2027	
	OP	IP	OP	IP	OP	IP	OP	IP	OP	IP
<b>Hospital</b>	4,027	1,314	4,132	1,349	4,237	1,384	4,342	1,419	4,447	1,454
<b>OP Imaging Center</b>	5,823		5,975		6,127		6,279		6,431	
<b>Total MRI Procedures</b>	11,164		11,456		11,748		12,040		12,332	
<b>% SMFP Utilization</b>	111.6%		114.6%		117.5%		120.4%		123.3%	

Sources: COPN Request No. VA-8721 & DCOPN Calculations

**Table 6** illustrates that with a conservative national average of projected MRI procedure growth, Augusta Health’s volumes project a consistent utilization above the SMFP threshold. Additionally, the OP Imaging Center MRI is over the 5,000 procedure threshold in 2023 and the combined inpatient and outpatient procedures for the MRI in the hospital are above the SMFP threshold, too.

The applicant reports that Augusta Health patients requiring outpatient MRI scans are experiencing longer than optimal wait times (the optimal wait time for MRI is 3-5 days). Examples include: Augusta Health’s patients requiring MRI exams of the prostate must wait 4 to 6 weeks and patients requiring contrasted MRI exams must currently wait 2-3 weeks.

**Proposed Project**

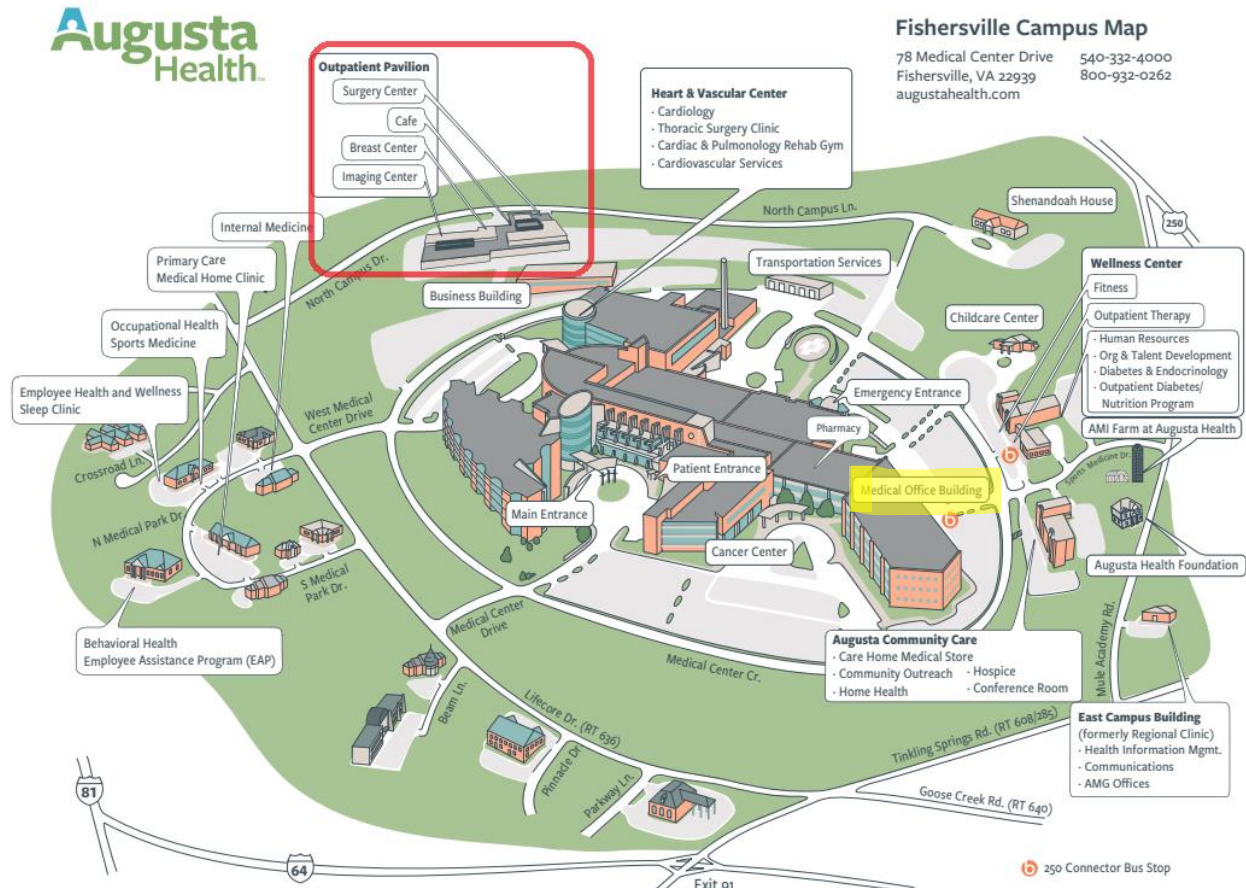
Augusta Health is proposing to expand MRI services at the Outpatient Imaging Center, located in their Outpatient Pavilion adjacent to the Augusta Health campus (**Figure 2**) through the addition of a 1.5 Tesla MRI unit, for a total complement of three MRI units at Augusta Health. At present, one of Augusta Health’s two MRI scanners is located in the Outpatient Pavilion (located on the Augusta Health hospital campus<sup>7</sup>) where a shell space was constructed during the Pavilion’s construction to house a potential second MRI unit. Of the net 12,019 square feet (13,113 gross square feet) of space in the Outpatient Pavilion dedicated to the imaging center, a net 826 square feet (901 gross square feet) of space will be upfitted with the proposed MRI. The Outpatient Pavilion has all necessary utilities required currently connected and operational.

The Outpatient Imaging Center in the Outpatient Pavilion opened in January 2023; the imaging center offers computed tomography, MRI, X-ray, ultrasound, and fluoroscopy services. The applicant is proposing the expansion to meet an institutional need as a result of the increased use of MRI services at their Outpatient Imaging Center (which allows for outpatient imaging at a lower price point than when offered in an acute hospital setting).

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<sup>7</sup> COPN No. VA-04718

Figure 2. Augusta Health Campus Map



Source: Augusta Health website with DCOPN highlighting the Outpatient Pavilion

The project is anticipated to have a total capital cost of \$2,696,000, 100% of which is to be paid through accumulated reserves. Augusta Health provided the following estimated timeline for project completion:

Date of Drawings:	Preliminary: February 2024	Final: March 2024
Date of Construction:	Begin: April 2024	Completion: December 2024
Target Date of Opening:	January 1, 2025	

**Project Definition**

Section 32.1-102.1:3 of the Code of Virginia defines a project, in part, as the “addition by an existing medical care facility described in subsection A[, to include a]ny facility licensed as a hospital[, of ... magnetic resonance imaging (MRI) ...”

**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

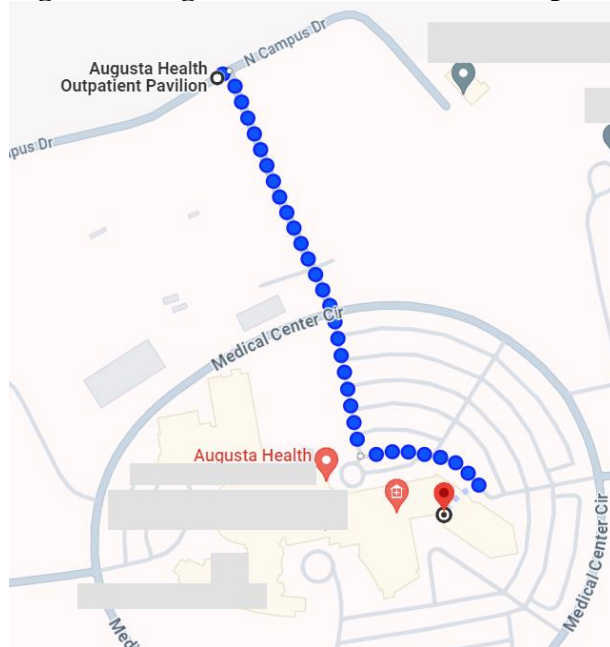


service or facility will have on access to needed services in areas having distinct and unique geographic, socioeconomic, cultural, transportation, and other barriers to access to care.

Augusta Health fronts Lifecore Drive (**Figure 2**) which provides direct access to State Route 285. Route 285 connects to Interstate 64 and State Route 250. Augusta Health is also located near the junction of Interstates 64 and 81.

Augusta County, Waynesboro, and Staunton are serviced by the Blue Ridge Intercity Transit Express (BRITE) public transportation bus line<sup>8</sup>. BRITE also has “on demand” services specifically for patients needing transportation for medical procedures. Highlighted in **Figure 2** is the Augusta Health Medical Office Building (MOB) where a bus station is located for patients. The Augusta Health MOB bus stop is located approximately 0.3 miles, or a 6-minute walk, from the Outpatient Pavilion (**Figure 3**). Augusta Health reports providing a “significant subsidy” to BRITE towards operating the public transportation service. Furthermore, Augusta Health has an ambulance service that includes wheelchair van transportation for “patients in the area.”<sup>9</sup>

**Figure 3. Augusta Health MOB Bus Stop to Project Location**



Sources: britebus.org and Google Maps

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.**

<sup>8</sup> Britebus.org

<sup>9</sup> COPN Request No. VA-8721

DCOPN received sixteen letters of support for the proposed project from the Augusta Health medical community, local leaders, area providers, and patients. Collectively, these letters articulate difficulties with the status quo and several benefits of the project, including:

- Patients are waiting “... for an appointment longer than we would like due to high utilization of our two current MRI scanners and limited availability of MRI equipment available. This causes stress and delays care. ... If our COPN is approved, we will be able to provide patients greater access to MRI services while mitigating inconveniences and the need to travel or wait for an appointment. Additionally, patients will be pleased and benefit from the low-cost option that allows them to stay in their community.”<sup>10</sup>
- “Currently, Augusta Health operates two MRI scanners which are overutilized. To accommodate this high volume, Augusta Health has extended hours of operation, added weekend hours for outpatient MRI scans, and added a mobile MRI unit to decompress the high utilization. ... The addition of one fixed MRI scanner at Augusta Health will improve the overall quality of care for area residents by enhancing patient access to important diagnostic imaging services.”<sup>11</sup>
- “... I know the students at Murphey Deming College of Health Sciences at Mary Baldwin University would benefit as well. This project will allow Augusta Health to continue delivering high quality, essential healthcare services to this community, provide more timely access to local patients, and allow Murphy Deming students to learn from the most up to date medical practices and equipment during their clinicals with Augusta Health.”<sup>12</sup>

DCOPN received one letter of opposition from Douglas J. Moyer, President of Sentara RMH Medical Center (Sentara), which is located approximately 30 minutes from the applicant’s facility. The letter of opposition included the following information:

- “Adding a new asset will result in unnecessary duplication of healthcare resources in the PD.”
  - The PD 6 total volumes for 2018-2022 were provided<sup>13</sup> as:

PD 6 Fixed MRI Combined Volumes			
Year	Total Vol	Volume/Unit	SMFP
2018	20,962	4,192	83.8%
2019	22,190	4,438	88.8%
2020	20,493	4,099	82.0%
2021	23,016	4,603	92.1%
2022	23,906	4,781	95.6%

Source: VHI EPICS ALSD Data, 2022 Release

- “...based on 2022 utilization data, there is neither a surplus nor a deficit of fixed site scanners in PD 6, indicating that an additional scanner will create unnecessary capacity and duplication of services.”

<sup>10</sup> Support letter from Augusta Health’s Vice President – Medical Affairs & Chief Medical Officer, Mahfuz Hoq, MD, MPH

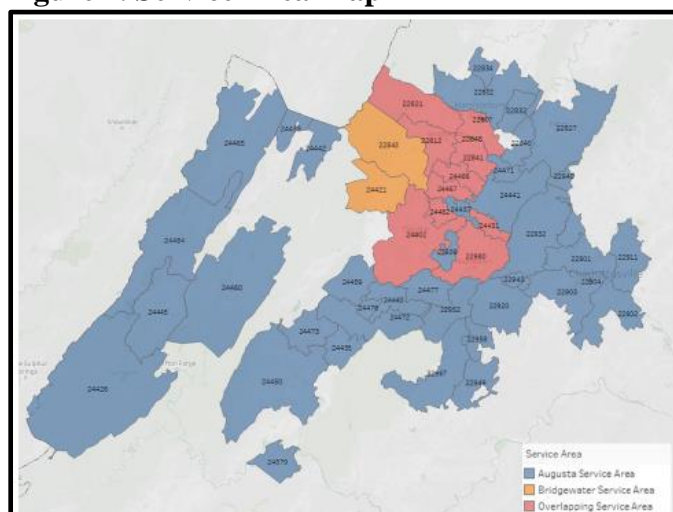
<sup>11</sup> Support letter from Augusta Health’s President of Medical Staff, Susie Jones, MD

<sup>12</sup> Support Letter from Mary Baldwin University’s President, Dr. Jeff Stein

<sup>13</sup> DCOPN has not received 2022 volumes from VHI at the writing of this staff report.

- Using 2022 data there is a calculated need of 4.8, or 5 scanners in PD 6, yielding no need for an additional scanner.
- "...it is premature to approve an additional fixed MRI unit in the Planning District until the impact of Sentara's new unit<sup>14</sup> on utilization and need is fully understood."
- "There was an annual average growth rate of 3.9% for PD 6 between 2021 and 2022. Advisory Board's 2022 Imaging Market Trends projected 0.0% growth nationally for MRI services between 2021 and 2026. ... Advisory Board's Market Scenario Planner tool estimates MRI growth between 2022-2027 to be 3.9% resulting in a compound annual growth rate of 0.8% in Sentara's Blue Ridge Market, which encompasses Planning District 6." Even with this information, there would not be a need for an additional scanner.
- "Augusta applied for an additional fixed site MRI unit in 2020, which was denied. In the staff report for that application, the Division of Certificate of Public Need ("DCOPN") noted that that there was a need for five MRI scanners in PD 6 and that Augusta's MRI utilization was consistently below the SMFP expansion standard of 5,000 procedures per scanner per year. DCOPN further stated that the status quo was preferable to Augusta's "proposed project because maintaining the status quo would not exacerbate an already-existing underutilization of MRI units in PD 6..."<sup>4</sup> Based on 2022 utilization and the addition of Sentara's MRI at the Bridgewater AIC, the need for fixed MRI scanners remains unchanged and DCOPN's determination regarding Augusta's previous application continues to be supported by the data."
- "The Proposed Project Will Adversely Impact Existing Providers."
  - Augusta Health's "...proposed service area includes a significant overlap with Sentara Bridgewater AIC service area and even extends up into Harrisonburg where Sentara is located." The following service area map was provided:

**Figure 4. Service Area Map**



**Source:** Opposition Letter from Douglas J. Moyer, President of Sentara RMH Medical Center

<sup>14</sup> Sentara's outpatient center MRI became operational on August 15, 2023.

- Approximately 22% of Augusta Health’s “...outpatient scans were performed on patients residing in zip codes from Sentara’s Bridgewater AIC service area.” Augusta Health performed 1,794 of their 8,185 outpatient scans (from which 22% is derived). “If ,, Augusta [Health]’s application is approved, it realizes its projected 20.4% MRI growth in 2023, and 22% of those scans continue to come from the Bridgewater AIC service area, then Augusta will perform 2,167 MRI scans on patients residing in the Bridgewater AIC service area.”
- The volumes projected for Years 1, 2, and 3 for Sentara Bridgewater AIC’s fixed MRI combined with Augusta Health’s estimated 2023 volume from Bridgewater AIC service means there would be a need for a total number of scans that supersedes the Advisory Board’s market growth projections for the overlapping service area.
- “Recent Utilization and Population Trends Do Not Support Augusta’s Projected Volume.”
  - “To justify its institutional need claim, Augusta includes extraordinary 20.4% estimated growth in MRI scans for 2023, which would increase its SMFP utilization from 92.7% to 111.6% in just one year. However, this growth does not comport with historical MRI growth patterns at both Augusta and within the broader Planning District, national and market growth trends, or projected population growth in the Planning District.”
  - Between 2018-2022, Augusta Health “experienced steady volume growth.” Excluding Covid-19 impacts, Augusta Health’s “historical year-over-year MRI volume in recent years has been in the 3.9%-5.9% range as per the data reported to VHI from 2018-2022.”

***DCOPN Analysis of Opposition Letter:*** Sentara argues that nothing has changed since the 2020 staff report recommendation and COPN partial denial (denied the MRI component of the request) for Augusta Health to obtain another fixed MRI scanner<sup>15</sup>. During this same application cycle, Sentara Bridgewater AIC’s project was competing<sup>16</sup> and ultimately approved. DCOPN’s staff report for COPN Req. Nos. 8500 & 8511 included the following alternative for Augusta Health’s request for an additional MRI unit:

*“Regarding Augusta Health’s request to add one MRI unit, according to VHI data for 2018, the two fixed site MRI units performed 6,713 procedures with a utilization rate of 67.13%, well below the State Medical Facilities Plan (SMFP) threshold for the addition of capacity. The applicant asserts that the low utilization in 2018 was “an anomaly due to being cut out of network with Anthem for seven months” as Anthem accounts for 21.7% of total MRI procedures. However, the applicant also reports that in 2019, the two MRI units at Augusta Health performed 7,473 procedures with a utilization rate of 74.73%, which displays over 25% capacity still available on the hospital’s two MRI units. ... [F]rom 2012-2019 Augusta Health’s MRI utilization displayed a high of 77.48% (2[0]17) and a low of 65.91% (2013)...”*

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<sup>15</sup> COPN Request No. VA-8500, resulting in partial approval for a computed tomography scanner (denial of MRI scanner) via COPN No. VA-04718.

<sup>16</sup> COPN Request No. VA-8511 resulting in COPN No. VA-04719.

Additionally, Required Consideration 4 of the staff report for COPN Req. Nos. VA-8500 & VA-8511 included the following describing the extent to which the proposed project fosters institutional competition:

*“As an alternative to hospital based services, both proposed projects would offer lower cost of health care for patients who do not require diagnostic imaging services in a hospital setting. Furthermore, both hospital systems are already providing diagnostic imaging services in PD 6.*

COPN Request No. VA-8500: Augusta Health Care, Inc. d/b/a Augusta Health  
*The applicant has cited an institutional specific need to expand its existing CT and MRI services in an effort to decompress the overutilization of its CT scanners and MRI unit. Augusta Health proposes to achieve this decompression through the establishment of an outpatient imaging facility on the hospital’s campus. As a result, the primary patient population the proposed project is intended to serve is patients who have already chosen Augusta Health as their care provider. For these reasons, DCOPN concludes that the proposed project is not intended to, and is unlikely to, foster institutional competition that would benefit the area to be served.*

COPN Request No. VA-8511: Sentara RMH Medical Center  
*With a 2018 utilization rate of 107.7% for its four CT scanners and 94.99% for its three MRI units, DCOPN concludes that SRMH has adequately demonstrated an institutional specific need to expand its existing diagnostic imaging services.”*

As with the recommendation for the approval of the Sentara Bridgewater AIC project, Augusta Health has illustrated institutional need following the implementation of the recommendation by DCOPN to relocate one of the two fixed MRI units from within the hospital.

The applicant responded to the opposition letter with a response letter that included the following information:

- “Augusta Health’s project addresses an institutional need for MRI service expansion at Augusta Health; therefore, under the SMFP the Commissioner should approve Augusta Health’s project regardless of the service capacity of other MRI scanners in PD 6.”
  - “Sentara also suggests that Augusta Health’s project is not necessary, because Sentara’s new MRI scanner at Bridgewater Advanced Imaging Center (“AIC”) is not yet fully utilized. However, Sentara’s arguments are not relevant to Augusta Health’s project. Augusta Health’s project proposes to address an institutional need for MRI expansion on Augusta Health’s campus. Under the SMFP, the Commissioner may approve an MRI expansion proposal regardless of the service capacity of other MRI units in the planning district when the proposed MRI expansion is justified based on a facility’s institutional need for MRI expansion.”

- “Under the institutional need criterion of the SMFP, the utilization of other MRI scanners in PD 6 should not impact the outcome of Augusta Health’s COPN application. Nor should Sentara’s PD 6 MRI projections based on national Advisory Board statistics and trends which fail to account for the unique circumstances causing MRI overutilization on Augusta Health’s campus.”
- “At the time of the COPN application, Augusta Health provided 2023 annual MRI volume estimates based on actual MRI utilization between January and August 2023. In its letter, Sentara alleges that Augusta Health’s 2023 MRI volume estimates, which reflected 20.4% annual growth between 2022 and 2023, are “unrealistic.” But actual 2023 MRI volumes at Augusta Health were **higher** than previously estimated in Augusta Health’s COPN application. Augusta actually experienced 20.9% MRI volume growth from 2022 to 2023, reaching 112.2% of the SMFP MRI capacity threshold.”
- “While growth in MRI utilization at Augusta Health can be attributed to multiple factors, the January 2023 opening of Augusta Health’s new state-of-the-art Outpatient Imaging Center has had the greatest impact on outpatient MRI volumes at Augusta Health. The Outpatient Imaging Center operates as a low cost, nonhospital diagnostic imaging center. ... In 2023, the MRI unit in Augusta Health’s Outpatient Imaging Center performed 5,906 MRI scans (118% of the SMFP’s MRI capacity standard).”
- “Health patients requiring outpatient MRI scans are experiencing longer than optimal wait times (optimal wait time for MRI is 3-5 days). By way of example, Augusta Health’s patients requiring MRI exams of the prostate must wait 4 to 6 weeks. Patients requiring contrasted MRI exams must currently wait 2-3 weeks.”
- “Approval of Augusta Health’s project will not adversely impact existing providers.”
  - “Sentara expresses a concern that there is a “significant overlap” between Augusta’s Health’s service area and that of the new Sentara Bridgewater AIC, which recently opened in October 2023. Augusta Health acknowledges the service areas overlap. In fact, when the MRI unit at Sentara Bridgewater AIC was under COPN review (COPN Req. No. VA-8511), Augusta Health opposed the project raising the same concern now raised by Sentara.”
  - “Although Sentara argued that the MRI at Sentara Bridgewater AIC was needed to decompress overutilization of MRI services at Sentara Rockingham Memorial Hospital, the Sentara Bridgewater MRI unit proposed to serve a different patient population than the population served by Sentara Rockingham Memorial Hospital. During the COPN review process for COPN Req. No. VA-8511, Sentara projected that 61% of its Bridgewater-located imaging center’s volumes would originate from Augusta Health’s historic primary service area.”
  - “It is no surprise that 22% of Augusta Health’s 2022 outpatient MRI patients originated from the area that Sentara Bridgewater AIC now boldly claims as its own.<sup>11</sup> To be clear, these patients did not originate from Sentara

- Bridgewater AIC’s service area, these patients originated from Augusta Health’s historic primary service area.”
- “Augusta Health attempted to point out the predatory nature of the Sentara Bridgewater AIC project during the 2020 review of COPN Req. No. VA-8511. Regardless of concerns voiced by Augusta Health and in response to arguments made by Sentara that its project was only intended to serve Sentara Rockingham Memorial Hospital patients, the DCOPN determined that the Sentara Bridgewater AIC was located a sufficient distance (27 miles) from Augusta Health; therefore, approval of the Sentara Bridgewater AIC project would not harm Augusta Health.”

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-8721 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 service or facility that would meet the needs of the population in a less costly, more efficient, or more effective manner.**

DCOPN did not discover the availability of reasonable alternatives to the proposed project that would meet the needs of the population in a less costly, more efficient, or more effective manner. Augusta Health has extended hours, scheduled scanning for weekends, and has implemented a mobile MRI to alleviate procedure congestion and are still struggling to provide outpatient appointments within a time frame preferred by their providers. While another outpatient imaging facility is being opened by Sentara in the near future in PD 6, Augusta Health is proposing this project to alleviate congestion of its own patient population needs.

**(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 I designated by the Virginia Department of Health to serve as the Health Planning Agency for PD 6. Therefore, this consideration does not apply to the review of the proposed project.

**(iv) Any costs and benefits of the project.**

The total capital cost of the project is \$2,696,000 (discussed below in Required Consideration 6, **Table 7**), 100% of which is to be paid through accumulated reserves. No additional staff needs to be hired upon completion of the project to operate the services. While DCOPN is unable to quantify specifically how much the scheduling times will be reduced if the project

is approved, DCOPN reasonably concludes that the addition of one fixed MRI scanner to complement the existing MRI scanner in the Outpatient Pavilion would decrease wait times for scheduling patient procedures as well as alleviate the additional, abnormal hours staff have been working to accommodate the diagnostic imaging needs of patients.

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

The applicant has provided assurances that MRI services will be accessible to all patients, regardless of financial considerations. In 2021, the most recent data available, Augusta Health reports 0.88% of their gross revenues to be charity, which is less than the average of HPR I of 1.92%, but it is similar to the inpatient hospital mean for HPR I of 0.90%. The Pro Forma Income Statement provided by the applicant anticipates a charity care contribution equal to 0.7% of gross revenues derived from MRI services at Augusta Health, an amount consistent with the average HPR I contribution listed in 2020, the data previously available during the writing of their application. Recent changes to §32.16-102.4B of the Code of Virginia now require DCOPN to place a charity care condition on all applicants seeking a COPN. For this reason, DCOPN recommends that the proposed project, if approved, be subject to a 1.92% charity care condition, to be derived from total MRI gross patient services revenues, consistent with the most recently available HPR I average. DCOPN again notes that its recommendation includes a provision allowing for the reassessment of the charity care rate at such time as more reliable data becomes available regarding the full impact of Medicaid expansion in the Commonwealth.

Health Planning Region I			
2021 Charity Care Contributions at or below 200% of Federal Poverty Level			
Hospital	Gross Patient Revenues	Adjusted Charity Care Contribution	Percent of Gross Patient Revenue:
UVA Transitional Care Hospital	\$ 53,021,859	\$3,256,725	6.14%
Encompass Health Rehab Hosp of Fredericksburg	\$ 42,215,195	\$1,984,765	4.70%
Culpeper Regional Hospital	\$ 445,240,580	\$15,076,533	3.39%
University of Virginia Medical Center	\$ 6,669,433,774	\$198,965,329	2.98%
Sentara RMH Medical Center	\$ 993,414,446	\$18,657,804	1.88%
Carilion Rockbridge Community Hospital	\$ 180,498,750	\$2,600,213	1.44%
Sentara Martha Jefferson Hospital	\$ 825,488,467	\$11,009,327	1.33%
UVA Encompass Health Rehabilitation Hospital	\$ 36,000,152	\$373,808	1.04%
Stafford Hospital Center	\$ 337,420,833	\$3,079,852	0.91%
Augusta Health	\$ 1,232,396,858	\$10,863,652	0.88%
Page Memorial Hospital	\$ 75,441,642	\$592,000	0.78%
Shenandoah Memorial Hospital	\$ 150,943,059	\$1,183,240	0.78%
Mary Washington Hospital	\$ 1,548,595,215	\$11,288,574	0.73%
Winchester Medical Center	\$ 1,541,736,262	\$10,319,447	0.67%
Spotsylvania Regional Medical Center	\$ 681,942,940	\$4,520,886	0.66%
Fauquier Hospital	\$ 462,729,762	\$2,463,787	0.53%
Warren Memorial Hospital	\$ 196,713,548	\$977,784	0.50%
Bath Community Hospital	\$ 25,547,880	\$73,591	0.29%
Total Inpatient Hospitals:			18
<b>HPR I Inpatient Hospital Median</b>			0.90%
<b>HPR I Total Inpatient \$ &amp; Mean %</b>			<b>1.92%</b>



**(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 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.

### **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, 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 II, Article 2 of the State Medical Facilities Plan (SMFP) contains the standards and criteria for the establishment of diagnostic services. They are as follows:

#### **Part II. Diagnostic Imaging Services**

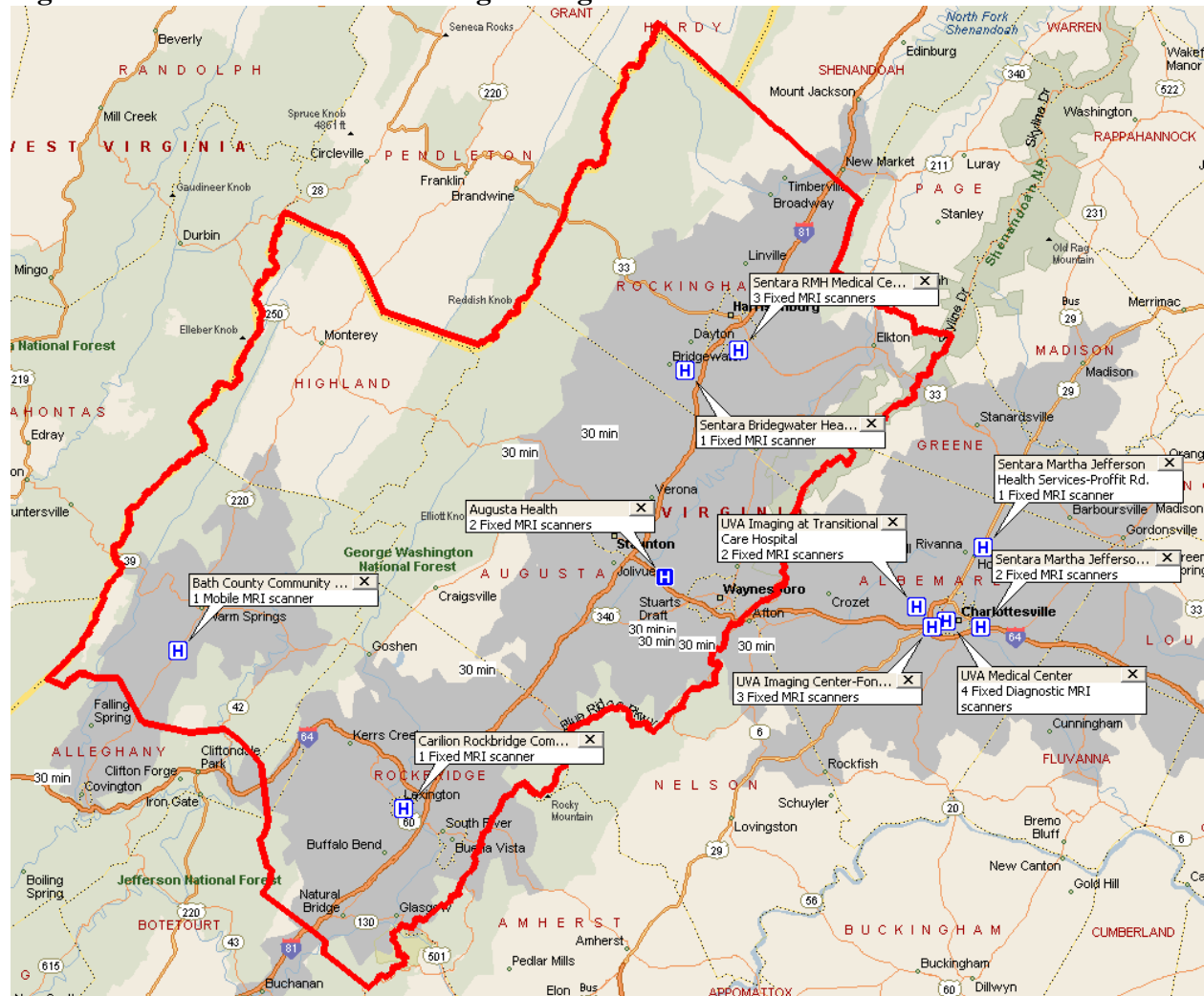
##### **Article 2. Criteria and Standards for Magnetic Resonance Imaging**

###### **12VAC5-230-140. Travel time.**

**MRI 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.**

There are a total of eight MRI scanners in PD 6, one of which is a mobile unit at Bath County Community Hospital. Outlined in grey in **Figure 5** is the geographic area of PD 6 that is within a 30-minute driving distance of a diagnostic MRI scanner (either one located within PD 6 or in Charlottesville, in PD 10). The larger two towns not within the 30-minute driving distance threshold are Monterey and Craigsville, Virginia. Monterey had a population of 166 persons in 2020, while Craigsville had a population of 904 persons in 2020. Of the 307,211 population of PD 6 in 2020 (Table 1), Monterey and Craigsville comprise 0.35% of the total PD 6 population; it appears reasonable that the remaining uncovered geographic areas are not significantly populated as the majority of the uncovered area is the George Washington National Forest. Using this calculation, approximately 99.65% of the PD 6 population has access to MRI services located within the Virginia state boundary.

Figure 5. MRI Units in PD 6 and Neighboring Charlottesville



Sources: DCOPN Inventory, Google Maps, and Microsoft Streets & Trips

**12VAC5-230-150. Need for new fixed site service.**

No new fixed site MRI services should be approved unless fixed site MRI services in the health planning district performed an average of 5,000 procedures per existing and approved fixed site MRI scanner during the relevant reporting period and the proposed new service would not significantly reduce the utilization of existing fixed site MRI providers in the health planning district. The utilization of existing scanners operated by a hospital and serving an area distinct from the proposed new service site may be disregarded in computing the average utilization of MRI scanners in such health planning district.

This provision of the SMFP is not applicable as the applicant is not proposing to establish a new fixed site service.

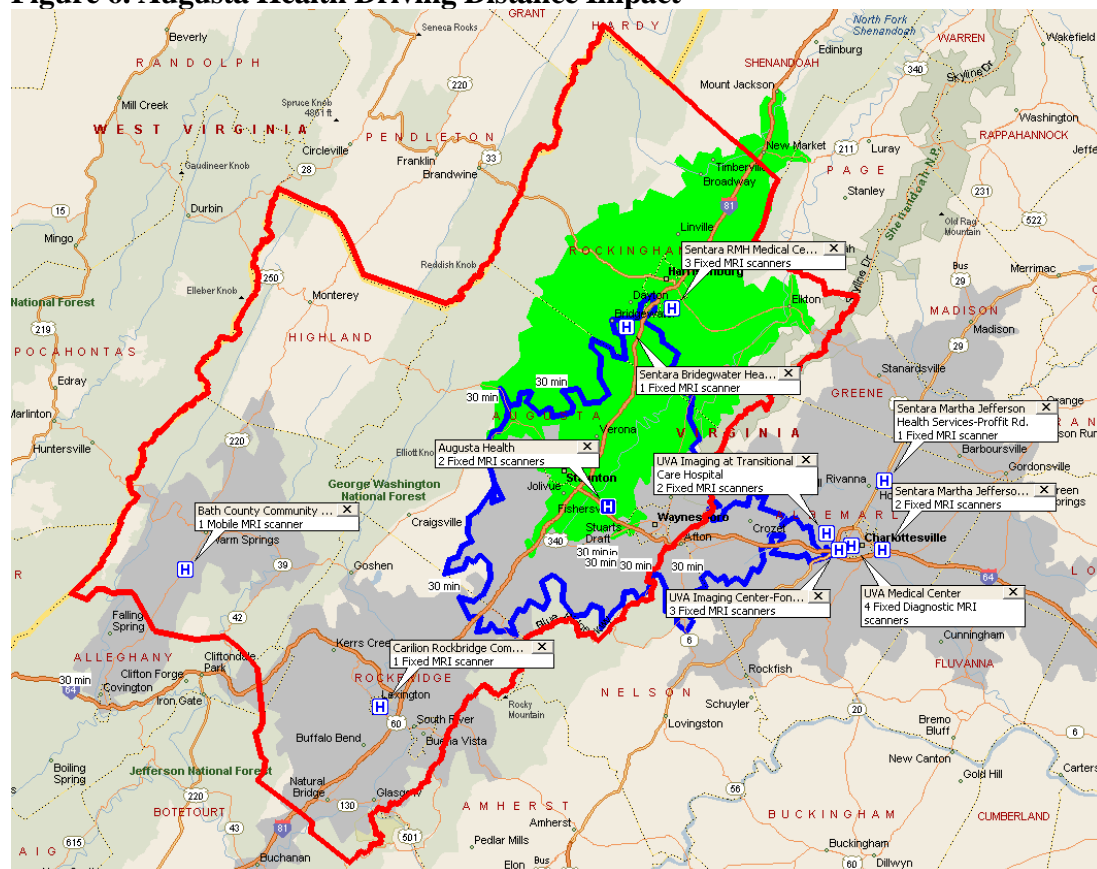
**12VAC5-230-160. Expansion of fixed site service.**

Proposals to expand an existing medical care facility's MRI services through the addition of an MRI scanner may be approved when the existing service performed an average of 5,000 MRI

procedures per scanner during the relevant reporting period. The commissioner may authorize placement of the new unit at the applicant's existing medical care facility, or at a separate location within the applicant's primary service area for MRI services, provided the proposed expansion is not likely to significantly reduce the utilization of existing providers in the health planning district.

The green shaded area of **Figure 6** illustrates the geographic area within a 30-minute driving distance of Sentara RMH Medical Center and Sentara Bridgewater Health Center's MRI services. The solid blue line illustrates the geographic area within a 30-minute driving distance to Augusta Health's MRI services. The Augusta Health MRI services overlap the other, recently operational, freestanding MRI imaging service at Sentara Bridgewater Health Center's 30-minute driving distance radius. However, the applicant is proposing to expand their MRI services based upon institutional need. Additionally, neither Sentara Bridgewater Health Center no other area MRI service providers opposed this project.

**Figure 6. Augusta Health Driving Distance Impact**



Sources: DCOPN Inventory, Google Maps, and Microsoft Streets & Trips

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

**A. Notwithstanding any other provisions of this chapter, the commissioner may grant approval for the expansion of services at an existing medical care facility in a health planning district with an excess supply of such services when the proposed expansion can be justified on**

the basis of a facility's need having exceeded its current service capacity to provide such service or on the geographic remoteness of the facility.

**B. If a facility with an institutional need to expand is part of a health system, the underutilized services at other facilities within the health system should be reallocated, when appropriate, to the facility with the institutional need to expand before additional services are approved for the applicant. However, underutilized services located at a health system's geographically remote facility may be disregarded when determining institutional need for the proposed project.**

**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.**

On July 20, 2020, DCOPN issued a staff report regarding competing COPN Request Nos. VA-8500 & 8511, where Sentara RMH Medical Center (SRMHMC) proposed adding one MRI and one computed tomography (CT) scanner and Augusta Health proposed adding one MRI and one CT scanner. The result of the analysis was DCOPN's recommendation of approval and subsequent State Health Commissioner approval of SRMHMC's project (culminating in the establishment of Sentara Bridgewater Health Center via COPN No. VA-04719, issued August 31, 2020, and completed August 15, 2023) and DCOPN's recommendation of partial approval and subsequent partial approval for the CT portion of Augusta Health's project and denial of the MRI portion of the project.

The staff report completed by DCOPN for COPN Request Nos. VA-8500 & 8511 states the following:

- "Using 2018 VHI data, DCOPN calculated neither a need nor a surplus of MRI units in PD 6. However, approval of the request for an additional MRI unit would exacerbate unused capacity in PD 6 and at Augusta Health specifically, where in 2018 there was over 30% available capacity."
- "However, DCOPN concludes that the project warrants approval despite the surplus because SRMH has demonstrated an institutional need to expand. Accordingly, DCOPN contends that while approval may have some impact on PD 6's other providers of diagnostic imaging services, that impact is not likely to be destabilizing because the primary patient population the proposed project is intended to serve is patients who have already chosen SRMH as their care provider."
- "DCOPN finds that maintaining the status quo is preferable to the proposed project [by Augusta Health] because maintaining the status quo would not exacerbate an already-existing underutilization of MRI units in PD 6. Furthermore, the applicant's two existing MRI units had over 30% available capacity in 2018."
- COPN Request No. VA-8500: Augusta Health Care, Inc. d/b/a Augusta Health
- "The Division of Certificate of Public Need recommends denial of Augusta Health Care, Inc. d/b/a Augusta Health's request to expand diagnostic imaging services by adding one fixed MRI unit at Augusta Health for the following reasons:

- 1. The proposed project is generally inconsistent with the applicable criteria and standards of the State Medical Facilities Plan and the Eight Required Considerations of the Code of Virginia.
- 2. There is excess capacity of MRI units in PD 6 and at Augusta Health.
- 3. Augusta Health's MRI utilization volume is insufficient to demonstrate an institutional specific need to add MRI capacity.
- 4. There are reasonable alternatives to the proposed project, including maintaining the status quo."

The reasoning for DCOPN's recommendation for denial of Augusta Health's proposal for another MRI unit was founded upon the lack of public need for an additional MRI in the PD as well as Augusta Health not having an institutional need for an additional MRI unit. The competing application was recommended for approval, and ultimately approved based upon institutional need because "[i]n 2018, the most recent year for which VHI data is available, ... the three MRI units [at SRMHMC] operated at 94.99% utilization." DCOPN noted that the additional MRI unit based on institutional need would not likely have a destabilizing effect on area providers as the proposed project is intended to serve existing patients.

In 2021, VHI reports an average utilization of 79.9% of their MRI scanners at Augusta Health (**Table 3**). However, SMFP calculated utilization data provided by the applicant reports 92.8% for 2022 (corroborated by VHI data in **Table 4**) and 111.6% for 2023. Using the same argument that led to COPN No. VA-04719 suggests that Augusta Health is experiencing an institutional need for an additional unit and due to their proposed project's intention of serving existing Augusta Health patients, the project is not likely to have a destabilizing effect on area providers.

**12VAC5-230-170. Adding or expanding mobile MRI services.**

**A. Proposals for mobile MRI scanners shall demonstrate that, for the relevant reporting period, at least 2,400 procedures were performed and that the proposed mobile unit will not significantly reduce the utilization of existing MRI providers in the health planning district.**

**B. Proposals to convert authorized mobile MRI scanners to fixed site scanners shall demonstrate that, for the relevant reporting period, 3,000 procedures were performed by the mobile scanner and that the proposed conversion will not significantly reduce the utilization of existing MRI providers in the health planning district.**

This provision of the SMFP is not applicable as the applicant is not proposing to add or expand mobile MRI services.

**12VAC5-230-180. Staffing.**

**MRI services should be under the direct supervision of one or more qualified physicians.**

The applicant provided assurances that MRI services will continue to be under the direct supervision of one or more qualified physicians.

**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.**

The Federal Trade Commission finds that “[c]ompetition in health care markets benefits consumers because it helps contain costs, improve quality, and encourage innovation.”<sup>17</sup> PD 6 residents at present have access to two freestanding outpatient imaging centers with MRI services, one of which is located in the Augusta Health Outpatient Pavilion. The approval of the proposed project would allow for Augusta Health to be able to serve patients timelier, with staff working more traditional hours compared to their current extended hours. While the other freestanding outpatient MRI services provider’s utilization is unknown, that outpatient facility was established to alleviate institutional need. Approval of the proposed project would allow for Augusta Health to remain competitive with Sentara’s MRI services provision.

**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.**

In 2021, VHI reports 24,355 total MRI procedures performed in PD 6 (62 of which were performed on the only mobile MRI unit in PD 6) (**Table 3**). Using the SMFP threshold of 5,000 procedures per fixed MRI scanner, PD 6, using 2021 data, needs 5 fixed MRI scanners. The PD currently has 7 fixed MRI scanners and one mobile MRI scanner. It is important to also note that the Covid-19 pandemic impacted service provision in a variety of ways, some of which created an unexpected decline in volumes. Despite the surplus of MRI scanners in PD 6, DCOPN concludes that the project warrants approval regarding this consideration despite the surplus because Augusta Health has demonstrated an institutional need to expand when considering the present (2023) data provided by the applicant. Accordingly, DCOPN contends that while approval may have some impact on PD 6’s other providers of diagnostic imaging services, that impact is not likely to be destabilizing because the primary patient population the proposed project is intended to serve is patients who have already chosen Augusta Health as their care provider. Furthermore, approval of the project would not hurt staffing for other MRI service providers as the project would require no additional staffing.

**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.**

Augusta Health anticipates spending a total capital cost of \$2,696,000, all of which will be funded through accumulated reserves (**Table 7**). The total capital costs associated with this project appear reasonable when compared with the following:

- COPN No. VA-04829, issued February 9, 2023, authorizing Inova Reston MRI Center, LLC to expand MRI services through the addition of one fixed MRI scanner with an authorized capital cost of \$2,618,538.

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<sup>17</sup> <https://www.ftc.gov/advice-guidance/competition-guidance/industry-guidance/competition-health-care-marketplace>

- COPN No. VA-04787, issued April 25, 2022, authorizing Sentara Hospitals to expand MRI services at Sentara Obici Hospital through the addition of one MRI scanner with an authorized total capital cost of \$2,838,250.

**Table 7. Total Capital Cost Summary**

<b>Direct Construction Costs – Sub-total</b>		<b>\$909,000</b>
	Cost of Materials	\$637,000
	Cost of Labor	\$77,000
	Builder’s Overhead	\$72,000
	Builder’s Profit	\$40,000
	Allocation for Contingencies	\$83,000
<b>Equipment Not Included in the Construction Contract – Sub-total</b>		<b>\$1,650,000</b>
	1.5T MRI Scanner	\$1,650,000
<b>Architectural and Engineering Fees – Sub-total</b>		<b>\$137,000</b>
	Architect’s Design Fee	\$46,000
	Engineering Fees	\$91,000
<b>Total Capital Cost</b>		<b>\$2,696,000</b>

Source: COPN Request No. VA-8721

The Pro Forma provided by the applicant (summarized in **Table 8**) indicated a projected loss of \$84,000 for Year 1, a profit of \$92,000 for Year 2, and a profit of \$196,000 for Year 3. The projected procedure volume for the new MRI for Year 1 (estimated 2025) is 6,039 procedures (or 120.8% of the SMFP utilization threshold). 7,100 procedures for Year 2 (estimated 2026) (or 142.0% of the SMFP utilization threshold), and 7,668 procedures for Year 3 (estimated 2027) (or 153.4% of the SMFP utilization threshold). When compared to the projections in the forecast illustrated in **Figure 1**, if Augusta Health redistributes some of the outpatient volumes that are currently performed in the Augusta Health acute care hospital to the proposed MRI in the Outpatient Pavilion, the Pro Forma projections would appear reasonable.

**Table 8. Pro Forma Summary**

	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
<b>Total Procedures</b>	6,039	7,100	7,668
<b>Patient Revenues</b>	\$20,176,000	\$23,721,000	\$25,618,000
<b>Total Deductions (less Charity Care and Contractual Adjustments)</b>	(\$17,859,000)	(\$20,997,000)	(\$22,677,000)
<b>Total Net Revenue</b>	\$2,317,000	\$2,724,000	\$2,942,000
<b>Total Operating Expenses</b>	(\$1,710,000)	(\$1,940,000)	(\$2,053,000)
<b>Pre-Tax (Loss)/Gains</b>	(\$85,000)	\$92,000	\$196,000

Source: COPN Request No. VA-8721

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 project would not introduce new technology, but it would increase the availability of MRI services at Augusta Health's freestanding, outpatient imaging center. Increasing the freestanding outpatient MRI scheduling for patients would reduce volumes of MRI procedures performed at Augusta Health's the acute care MRI unit, ultimately reducing healthcare costs for patients and the healthcare system. 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 the extent to which the project provides improvements or innovations in the financing and delivery of health services.

**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 Summary and Findings**

Both the overall population and the 65+ cohort populations in PD 6 are growing; however, they are growing at a rate faster than that of the statewide averages (**Table 1**). The PD 6 average poverty rate is 16.0% compared to the statewide average of 10.6% (**Table 2**). Furthermore, the PD 6 population is only anticipated to be 3.47% of the statewide population in 2030 (**Table 1**). Despite the rural nature of PD 6, the BRITE public transportation is available for patients in the surrounding community of Augusta Health (**Figure 3**).

There are eight MRI scanners in PD 6, one of which is a mobile unit located in rural Bath County Community Hospital (which only performed 62 MRI scans in 2021) (**Table 3**). One of the seven fixed scanners, located at Sentara Bridgewater Health Center, became operational in 2023 and thus has no data to contribute to the utilization calculation. Assuming the 5,000 procedures per scanner SMFP threshold, the average utilization of the six operational MRI units in 2021 was 81.0%; however, using the 2021 volumes and the now operational seventh fixed site scanner, the average utilization would have been 68.5% per scanner. Augusta Health's utilization for its two fixed units was at 79.9% in 2021, 92.8% in 2022, and is projected to be 111.6% at the end of 2023 (**Figure 1**). Augusta Health relocating one of its two MRI scanners to its newly constructed Outpatient Pavilion has increased volumes that they expect to continue.

There was support for the project from the Augusta Health medical community, local leaders, area providers, and patients. DCOPN received one letter of opposition. The letter made points that were not generally applicable as the applicant is asking for an additional fixed-site scanner due to institutional need and not need within the PD overall. There does not appear to be any reasonable alternatives that would meet the needs of the population in a less costly, more efficient, or more effective manner. Augusta Health has extended their outpatient MRI operating hours, scheduled scanning for weekends, and has implemented a mobile MRI to try and alleviate



some of the MRI wait times; these have not been enough and the status quo is not able to continue providing the timeliness of service the providers are needing for medical decision making.

The project would not add any geographic area coverage for the PD; approximately 99.65% of the PD 6 population has access to MRI services within 30 minutes driving distance from their homes. The project does not appear likely to have a substantial impact on other area providers (**Figure 5**). Furthermore, the approval of the recently operational Sentara Bridgewater Medical Center's freestanding, outpatient MRI service was approved (COPN No. VA-04719) mainly on the basis of institutional need; Sentara's project was not anticipated to have a detrimental effect on other providers. The Augusta Health project being reviewed is comparable to the COPN No. VA-04719 project as it is proposing an expansion based upon institutional need and also appears to not likely have a detrimental effect on other providers.

Approval of the project would allow for increased competition and would allow Augusta Health the opportunity to continue to compete with Sentara's MRI services. Despite the calculated surplus of MRIs in the PD, DCOPN finds that the applicant's institutional need for an additional MRI scanner outweighs the likely negligible impact on other area providers. Moreover, this project would not require the hiring of additional staff and the impact that could have on other providers in the area during a time of healthcare worker shortages.

The total capital cost of the project, \$2,696,000, appears reasonable compared to two recently approved projects of a similar size and scope (**Table 5**). Furthermore, the applicant anticipates a loss for Year 1 of operation but anticipates a profit from Year 2 forward (**Table 6**). The project would not introduce new technology but would expand the scheduling availability for a lower-cost imaging option in rural PD 6.

The applicant anticipated a charity care condition of 0.7%, consistent with the HPR I average from 2020; DCOPN recently received updated charity care averages, with an average of 1.92% for HPR I. DCOPN recommends a 1.92% charity care condition in light of the recently available data from VHI.

### **DCOPN Staff Recommendations**

COPN Request No. VA-8721 – Augusta Health Care, Inc. d/b/a Augusta Health

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

1. The proposal to expand MRI imaging services with one fixed MRI scanner at the Augusta Health Outpatient Imaging Center is generally consistent with the applicable standards and criteria of the State Medical Facilities Plan and the 8 Required Considerations of the Code of Virginia.
2. The applicant has demonstrated an institutional-specific need for expansion of MRI services.
3. There does not appear to be any less costly alternative to the proposed project.

4. The capital costs of the proposed project are reasonable.
5. The proposed project is unlikely to have a significant negative impact upon the utilization, costs, or charges of other providers of MRI service providers in PD 6.
6. The proposed project appears to be financially viable in the immediate and long term.

### **Charity Conditions**

DCOPN's recommendation is contingent upon Augusta Health Care, Inc. d/b/a Augusta Health's agreement to the following charity care condition:

Augusta Health Care, Inc. d/b/a Augusta Health will provide magnetic resonance imaging (MRI) services to all persons in need of this service, 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 1.92% of Augusta Health Care, Inc. d/b/a Augusta Health's total patient services revenue derived from MRI 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. Augusta Health Care, Inc. d/b/a Augusta Health 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.

Augusta Health Care, Inc. d/b/a Augusta Health will provide MRI 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, Augusta Health Care, Inc. d/b/a Augusta Health will facilitate the development and operation of primary and specialty medical care services in designated medically underserved areas of the applicant's service area.