

# 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-8732**

UVA Outpatient Imaging Culpeper, LLC  
Culpeper, Virginia

**Expand MRI service by adding 1 MRI**

#### **Applicant**

UVA Outpatient Imaging Culpeper, LLC (“OIC”) is a Virginia, not-for-profit limited liability company. The medical facility is 100% owned by UVA Outpatient Imaging Culpeper, LLC. Its members are Culpeper Memorial Hospital, Incorporated d/b/a UVA Health Culpeper Medical Center with 80% ownership, and Outpatient Imaging Affiliates, LLC (OIA of Virginia) with 20%. OIA is a Nashville, Tennessee based company that develops, owns and manages outpatient imaging centers in partnership with local providers. The site of the facility is 509 S. Main Street, Culpeper Virginia in Planning District (PD) 9, Health Planning Region (HPR) I.

#### **Background**

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>1</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>2</sup>

VHI reported data on three fixed-site MRI scanners in PD 9 for 2021, all three of these were reported by acute care hospitals. UVA Outpatient Imaging Center, Culpeper became operational with one fixed-site CT scanner and one fixed-site MRI scanner in August 2020. OIC did not report data to VHI in 2021 and acknowledged this oversight in its application, documenting 3,483 MRI procedures that year which have now been submitted to VHI. **Table 1** includes these volumes for a more complete analysis of MRI volumes in PD 9 than data available from the published VHI data. In aggregate, PD 9 had MRI volumes in 2021 equal to 55.2% of the State Medical Facilities Plan (SMFP) threshold of 5,000 MRI scans per unit.

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<sup>1</sup> <https://www.hopkinsmedicine.org/health/treatment-tests-and-therapies/magnetic-resonance-imaging-mri>

<sup>2</sup> Ibid.

DCOPN notes that 2022 VHI data were available too late in the process to be fully incorporated into this staff analysis report. DCOPN has identified some incomplete or incorrect data in the 2022 VHI PD 9 data set and it plans to reach out to the affected entities to rectify. A preliminary review of the 2022 VHI data, correcting for incomplete data, shows overall PD 9 MRI utilization was lower than that of 2021 and confirms that DCOPN’s recommendation would not change based upon the updated data.

**Table 1. MRI Utilization, PD 9**

Facility Name	Total Stationary Units	Total MRI Procedures	Average Procedures per unit	% of SMFP
Fauquier Hospital - Hospital in Northern Virginia	2	6,277	3,139	62.8%
Novant Health UVA Health System Culpeper Medical Center	1	1,286	1,286	25.7%
UVA Outpatient Imaging Culpeper, LLC <sup>3</sup>	1	3,483	3,483	69.7%
<b>PD 9<sup>4</sup></b>	<b>4</b>	<b>11,046</b>	<b>2,762</b>	<b>55.2%</b>

Source: 2021 VHI and COPN Request No. VA-8732

As noted in **Table 1**, OIC reported utilization on its MRI scanner equivalent to 69.7% in 2021, the highest utilization that year of the four scanners in PD 9.

**Proposed Projects**

OIC proposes to add a second MRI scanner in remodeled/modernized space at its existing leased site, adding 2,212 square feet to its existing 7,350 square foot space. The proposed project is at 509 South Main Street, Culpeper, Virginia in PD 9. Total projected capital and financing costs for the proposed project are \$3,592,173 of which \$680,654 (19%) is financing costs (**Table 2**). The proposed project is expected to be operational approximately 15 months after a COPN is issued.

**Table 2. Capital Costs, UVA OP Imaging Center Culpeper**

Direct Construction Costs	\$ 704,550
Equipment not included in Construction Contract	\$ 1,911,721
Site Acquisition Costs	\$ 231,198
Architectural and Engineering fees	\$ 64,050
Conventional Loan Financing	\$ 680,654
<b>TOTAL CAPITAL COST</b>	<b>\$ 3,592,173</b>

Source: COPN Request No. VA-8732

<sup>3</sup> UVA Outpatient Imaging Culpeper did not report volumes to VHA in 2021, but its volumes provided in the application for COPN Request No. VA-8732 are included for a more complete picture of PD 9 MRI volumes.

<sup>4</sup> UVA Imaging-Zion Crossroads was reported in PD 9 but is located in PD 10. It was removed from this analysis.

**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 of any new medical equipment for the provision of ... magnetic resonance imaging (MRI)...” A medical care facility includes “[a]ny specialized center or clinic or that portion of a physician’s office developed for the provision 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.**

PD 9 had a population of 182,963 in 2020 and is expected to grow by 7.7% by 2030, adding about 14,000 people during that decade. This growth rate is faster than Virginia’s statewide projected growth of 5.8% during the 2020 to 2030 time period (**Table 3**). Culpeper County, where the proposed project is located, will represent almost 30% of the PD 9 by 2030 (**Figure 1**). It is projected to grow at a rate faster than Virginia and PD 9, 9.6%, adding about 5,000 to its population between 2020 and 2030 (**Table 3**).

**Table 3. Population and Growth PD 9**

Locality	2020 Population	2030 Population	Population Change 2020 to 2030	% Growth	2020 Population 65+	2030 Population 65+	Population Change 2020 to 2030 65+	% Growth 65+
Culpeper County	52,552	57,578	5,026	9.6%	8,787	11,439	2,652	30.2%
Fauquier County	72,972	79,584	6,612	9.1%	12,449	16,789	4,340	34.9%
Madison County	13,837	14,160	323	2.3%	3,066	3,895	829	27.0%
Orange County	36,254	38,468	2,214	6.1%	7,965	9,531	1,566	19.7%
Rappahannock County	7,348	7,218	(130)	-1.8%	2,025	2,455	430	21.2%
<b>PD 9</b>	<b>182,963</b>	<b>197,007</b>	<b>14,044</b>	<b>7.7%</b>	<b>34,292</b>	<b>44,108</b>	<b>9,816</b>	<b>28.6%</b>
<i>Virginia, Statewide</i>	<i>8,631,393</i>	<i>9,129,002</i>	<i>497,609</i>	<i>5.8%</i>	<i>1,395,291</i>	<i>1,762,641</i>	<i>367,350</i>	<i>26.3%</i>

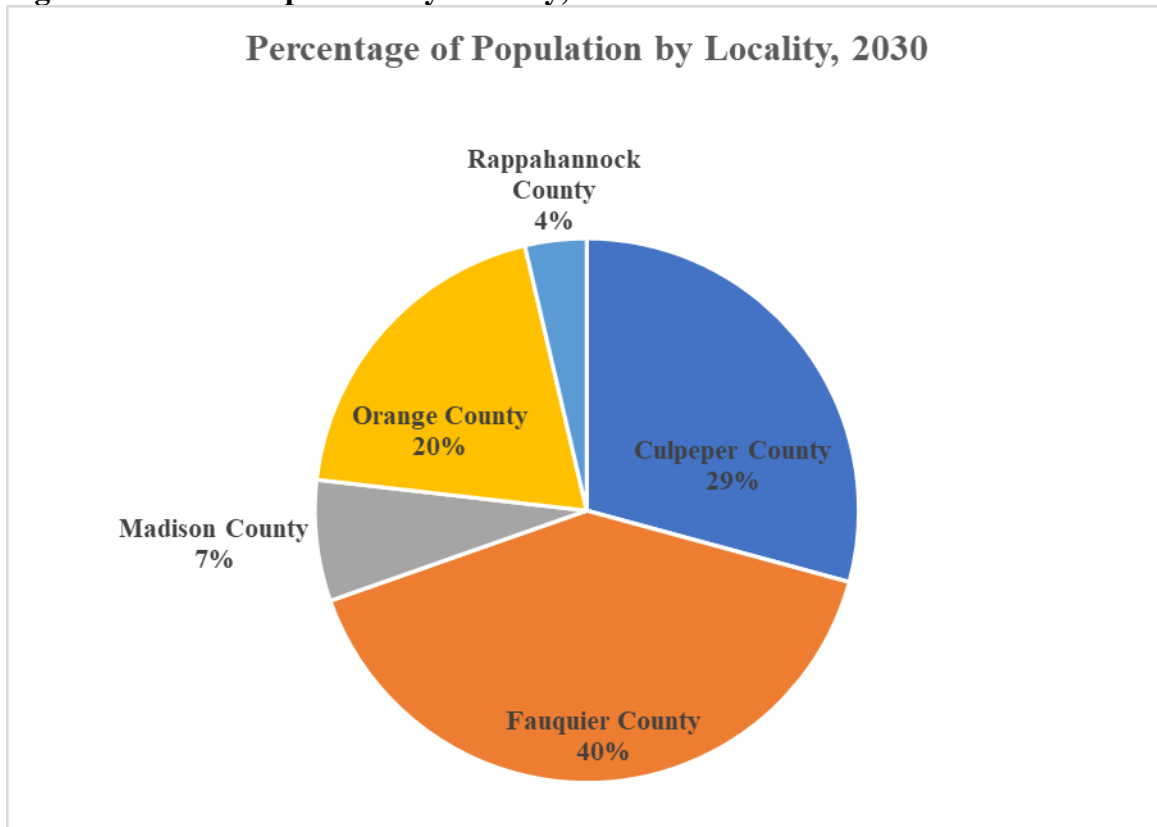
Source: Weldon Cooper, data update August 2023

People aged 65 and older, have a higher utilization rate for MRI services than younger individuals,<sup>5</sup> so they are an important demographic in projects involving MRI imaging. The portion of residents aged 65 and older is projected to be slightly higher in PD 9 (22.4%) than the state (19.3%) in 2030. Nearly 20% of Culpeper County will be 65 or older by 2030, and this age cohort is projected to grow (by in migration and aging) by 30.2% in the 2020-2030 decade. This growth rate is slightly higher than that of PD 9 (28.6%) and Virginia (26.3%)

<sup>5</sup> <https://jamanetwork.com/journals/jama/fullarticle/2749213>

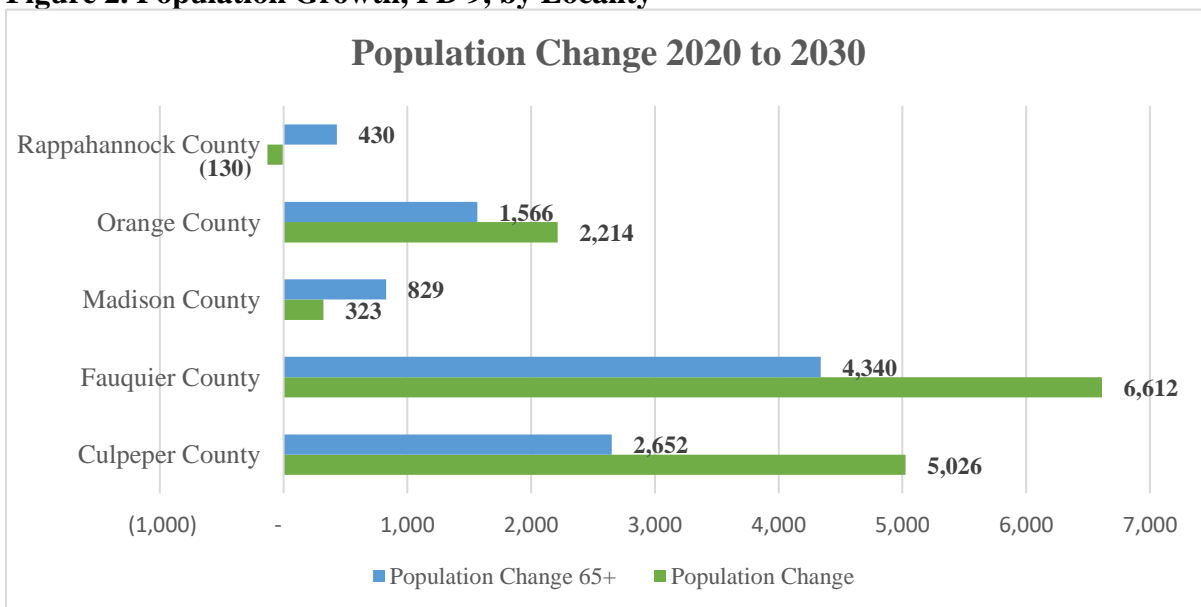
(Table 3). PD 9 will have about 9,816 more people over 65 in 2030 vs 2020, 2,652 of those residing in Culpeper (Figure 2).

Figure 1. Percent Population by Locality, PD 9



Source: Weldon Cooper, data update August 2023

Figure 2. Population Growth, PD 9, by Locality



Source: Weldon Cooper, data update August 2023

OIC is the only freestanding outpatient imaging center in PD 9, so its costs are lower than the hospital-based MRI offerings. Its utilization has not reached the SMFP volume threshold but volumes are increasing quickly. Patients are waiting an average of eight business days and up to two weeks for MRI services at OIC. OIC asserts that it is at functional capacity and an additional MRI will improve timely access to services.

OIC is accessible to Routes 15, 29 and 522 and Virginia Regional Transit stops directly across the street from the facility.

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

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

DCOPN received two letters of commitment from the chair of the Department of Radiology and Medical Imaging and the vice chair, Community Division, Department of Radiology and Medical Imaging at the University of Virginia. It also received six letters of support for the proposed project from the chair of the Culpeper County Board of Supervisors, the Division Superintendent for Culpeper County Public Schools, a member of the Board of Trustees of UVA Community Health, a local business owner (Pepperberries) and long-time resident of Culpeper, and an orthopedic surgeon and a medical oncologist both offering care locally. These letters, in aggregate, expressed the following:

- OIC has played an important role in the Culpeper community.
- There is tremendous need for additional imaging capacity in the Culpeper community.
- The proposed project will improve access to MRI services in the relatively rural Culpeper area.
- Should the application be approved, the addition to MRI services at OIC will continue to be staffed by UVA sub-specialty radiologists.
- Patients don't wish to travel long distances for diagnostic imaging and OIC requires less travel, time and stress for area patients.
- Their insurers don't want to incur higher costs of hospital-based imaging services when there is an alternative.
- OIC is convenient to the Culpeper community and is an Independent Diagnostic Testing Facility (IDTF) that provides a lower-cost option, the only freestanding imaging center in PD 9.
- Having access to advanced imaging in rural community helps reduce disparities in receiving high-quality health care.
- OIC's affiliation with UVA brings high-quality and skill to the community and optimizes best patient outcomes.
- OIC has experienced enormous growth since it opened, expected to far exceed demand in the next three years.
- With its capacity limitations, it is increasingly difficult for patients to get scans quickly and they must access MRI services outside of their community.

- This limited capacity is intolerable for both patients and physicians who want the best imaging available as close to home as possible at the lowest cost possible.

#### Public Hearing

§32.1-102.6B of the Code of Virginia directs DCOPN to hold one public hearing on each application 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-8732 is not competing with another project 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 inviting public comment on November 9, 2023. The public comment period closed on December 26, 2023. Other than the letters of support referenced above, no members of the public commented. There is no known opposition to the project.

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

The status quo is a reasonable alternative to the proposed project. The applicant has provided evidence that the providers in PD 9 were not meeting the projected demand (Advisory Board estimates) of the PD prior to OIC's opening, such that PD 9 residents had to leave the area to access MRI studies; however, hospital-based MRI services in PD 9 are at 30% of the SMFP volume threshold. Patients and payors have demonstrated a clear preference for OIC as outpatient volumes have shifted there from inpatient providers but these other providers in PD 9 have ample capacity to perform additional MRI procedures. UVA Health Culpeper Medical Center, majority owner of OIC has utilization of 25.7% and is located less than two miles from OIC.

#### **(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 9. Therefore, this consideration is not applicable to the review of the proposed project.

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

Total projected capital costs for the proposed project are \$2,911,519, with another \$680,654 in conventional loan financing. The estimated costs are consistent with other recently approved projects to add an MRI at an established facility, COPN Nos. VA-04779 at \$3.6 million, VA-04801 at \$4.6 million and VA-04831 at \$1.9 million, for example.

OIC has described several benefits to the proposed project. It is the only freestanding imaging center in PD 9 so its costs to patients and payors are less than other PD 9 MRI providers, all hospital

based. In fact, some payors deny authorization to hospital-based outpatient MRI scans if an IDTF is available locally. Because of its rapid growth and longer than average MRI procedures, patients have experienced wait times up to two weeks that the proposed project would alleviate. OIC has expanded its hours of operation to 12 hours each weekday and 8.5 hours each Saturday in attempts to accommodate volumes, but wait times continue to grow. The proposal includes a lower-strength MRI magnet than the one currently operational at OIC, which will allow patients with metal orthopedic hardware to access care at OIC. The applicant contends there are also operational efficiencies from operating an MRI site with more than one scanner. Finally, the applicant asserts that its affiliation with UVA and protocols consistent with all UVA sites produce higher quality studies and care for patients.

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

OIC treats all patients regardless of their ability to pay for services. It is the only freestanding outpatient imaging center in PD 9, offering a less expensive alternative than hospital-based imaging and improving financial accessibility to patients. Though OIC is a limited liability company without historical charity care to review, it is partially owned by UVA Health Culpeper Medical Center which provided charity care in the amount of 3.4% in 2021, the latest year for which such data are available. This is well above the HPR I average of 1.9%.

In accordance with section 32.1-102.4.B of the Code of Virginia, should the proposed project receive approval, the project would be conditioned to provide a level of charity care based on gross patient revenues derived from MRI imaging that is no less than the equivalent average for charity care contributions in HPR I. The applicant's pro forma proffers 3.0% charity care. Pursuant to Code of Virginia language any COPN issued for this project will also be conditioned on the applicant's agreement to accept patients who are the recipients of Medicare and Medicaid.

**Table 4. HPR I Charity Care**

HPR I	2021 at 200%			
	Gross Pt Rev	Total Charity Care Provided Below 200%	Adjusted Charity Care	%
UVA Transitional Care Hospital	\$ 53,021,859	\$3,256,725	\$3,256,725	6.1%
Encompass Health Rehab Hosp of Fredericksburg	\$ 42,215,195	\$1,984,765	\$1,984,765	4.7%
Culpeper Regional Hospital	\$ 445,240,580	\$15,076,533	\$15,076,533	3.4%
University of Virginia Medical Center	\$ 6,669,433,774	\$198,965,329	\$198,965,329	3.0%
Sentara RMH Medical Center	\$ 993,414,446	\$18,657,804	\$18,657,804	1.9%
Carilion Rockbridge Community Hospital	\$ 180,498,750	\$2,600,213	\$2,600,213	1.4%
Sentara Martha Jefferson Hospital	\$ 825,488,467	\$11,009,327	\$11,009,327	1.3%
UVA Encompass Health Rehabilitation Hospital	\$ 36,000,152	\$373,808	\$373,808	1.0%
Stafford Hospital Center	\$ 337,420,833	\$3,079,852	\$3,079,852	0.9%
Augusta Health	\$ 1,232,396,858	\$10,863,652	\$10,863,652	0.9%
Page Memorial Hospital	\$ 75,441,642	\$592,000	\$592,000	0.8%
Shenandoah Memorial Hospital	\$ 150,943,059	\$1,183,240	\$1,183,240	0.8%
Mary Washington Hospital	\$ 1,548,595,215	\$11,797,909	\$11,288,574	0.7%
Winchester Medical Center	\$ 1,541,736,262	\$10,319,447	\$10,319,447	0.7%
Spotsylvania Regional Medical Center	\$ 681,942,940	\$4,520,886	\$4,520,886	0.7%
Fauquier Hospital	\$ 462,729,762	\$2,463,787	\$2,463,787	0.5%
Warren Memorial Hospital	\$ 196,713,548	\$977,784	\$977,784	0.5%
Bath Community Hospital	\$ 25,547,880	\$73,591	\$73,591	0.3%
Total Inpatient Hospitals:				18
<b>HPR I Total Inpatient \$ &amp; Mean %</b>	\$ 15,498,781,222	\$ 297,796,652	\$ 297,287,317	<b>1.9%</b>
New Women's Health Charlottesville, LLC.	\$ 2,091	\$2,091	\$2,091	100.0%
Martha Jefferson Outpatient Surgery Center	\$ 22,576,599	\$833,335	\$833,335	3.7%
Monticello Community Surgery Center	\$ 12,465,783	\$193,330	\$193,330	1.6%
Winchester Eye Surgery Center, LLC	\$ 5,532,928	\$50,873	\$50,873	0.9%
Surgery Center of Central Virginia	\$ 69,714,149	\$386,330	\$386,330	0.6%
Fredericksburg Ambulatory Surgery Center	\$ 59,491,440	\$119,752	\$119,752	0.2%
Culpeper Surgery Center, LLC	\$ 19,312,071	\$9,604	\$9,604	0.0%
Valley Health Surgery Center	\$ 11,931,872	\$0	\$0	0.0%
Rockingham Eye Surgery Center	Not Reported			
University of Virginia Medical Center--Battle Building (Outpatient Children's Hospital)	Not Reported			
University of Virginia Musculoskeletal Center at Ivy Mountain	Not Reported			
Total Outpatient Hospitals:				8
<b>HPR I Total Outpatient Hospital \$ &amp; Mean %</b>	\$ 201,026,933	\$ 1,595,315	\$ 1,595,315	<b>0.8%</b>
Total Hospitals:				<b>26</b>
<b>HPR I Total Hospital \$ &amp; Mean %</b>	\$ 15,699,808,155	\$ 299,391,967	\$ 298,882,632	<b>1.9%</b>

Source: VHI



**(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 to determining a public need for the proposed projects.

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

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

The State Medical Facilities Plan (SMFP) contains the criteria and standards for MRI services. They are as follows:

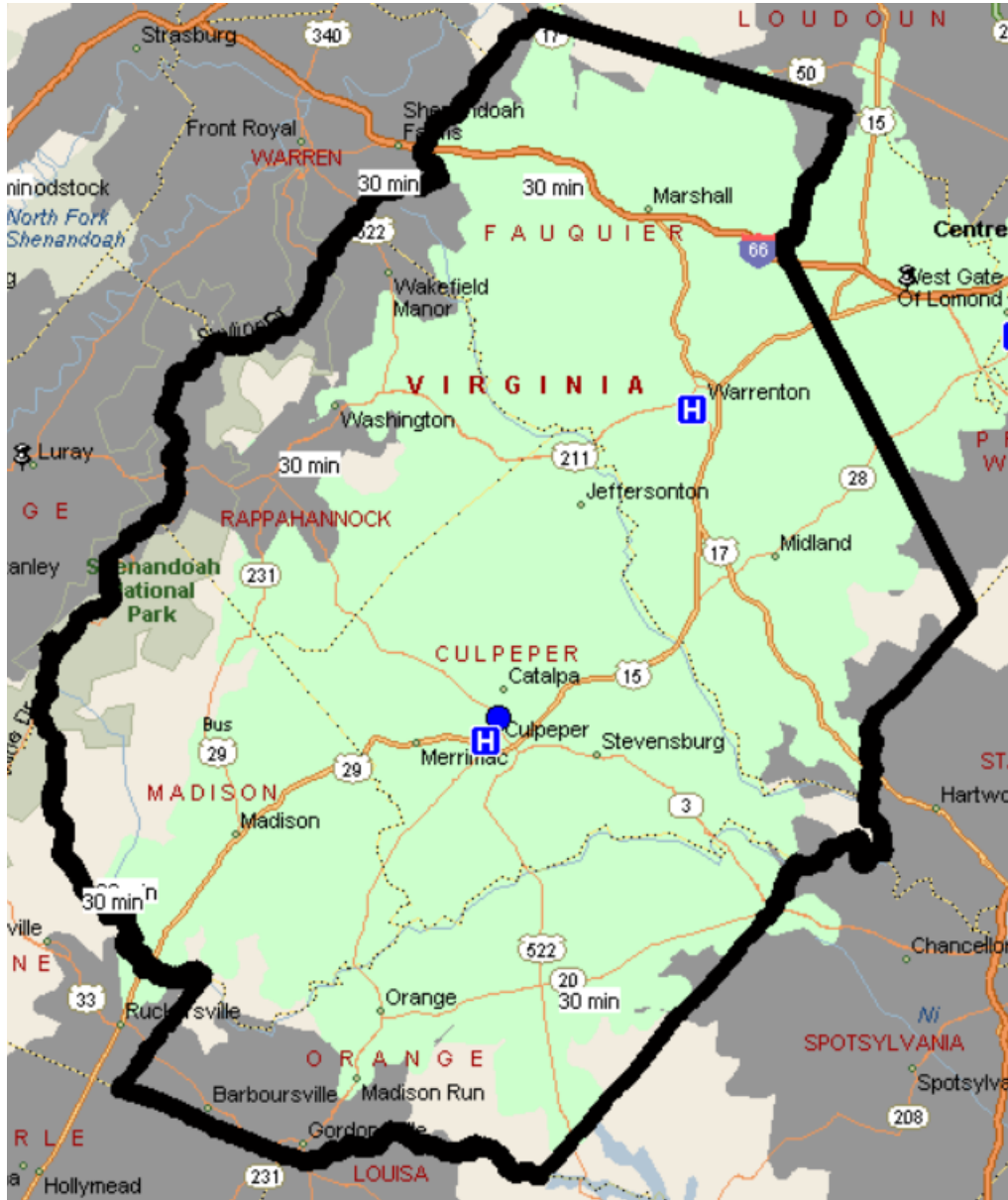
#### **12VAC5-230 Part I, Article 2** **Criteria and Standards for Magnetic Resonance Imaging**

##### **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.**

The light green shaded area in **Figure 3** illustrates the areas in PD 9 that have MRI services available within 30 minutes driving distance. The grey shading shows where MRI coverage is available within 30 minutes' drive from providers outside of the PD. The areas not within the shaded areas include (presumably unpopulated) portions of the Shenandoah National Park and Sky Meadows State Park and the town of Syria, Virginia with a population of 292. These are such sparsely populated areas that at least 95% of the population of PD 9 is certainly within 30 minutes of an MRI provider. The "H" symbols with blue backgrounds are hospital-based MRI scanners and the blue dot is the site of the proposed project, the only freestanding outpatient MRI site in PD 9.

Figure 3. MRI Locations, PD 9



Source: DCOPN Records 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.

The proposal is not for a new MRI site, so this standard is not applicable; however, the PD 9 MRI need is determined as follows: According to 2021 VHI data there were four fixed site MRI units in PD 9 (**Table 1**). The current DCOPN inventory accounts for these four diagnostic MRI scanners, all of them fixed site scanners. At full utilization of the SMFP threshold (5,000 scans), the 11,046 procedures performed in PD 9 in 2021 would represent 2.2 (3) fully utilized MRI scanners, one fewer than are currently authorized.

Needed fixed MRI units =  $11,046 \div 5,000 = 2.2$  (3 MRI scanners)

Utilization Percentage in 2021: 55.2%

Current number of PD 9 authorized fixed site MRI units: 4

**MRI unit surplus = 1**

**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.**

OIC reported 3,483 procedures (69.7% of the SMFP threshold) in fiscal year 2021 and 4,334 (86.7%) procedures in 2023. It projects its volumes will surpass the SMFP threshold in 2025, the year the proposed additional MRI would become operational, should the proposed project be approved.

**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 is not applicable as the proposed project does not involve mobile MRI services.

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

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

OIC provides assurances that its MRI services will continue to be under the direct supervision of one or more qualified physicians.

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

- A. Notwithstanding any other provisions of this chapter, the commissioner may grant approval for the expansion of services at an existing medical care facility in a health planning district with an excess supply of such services when the proposed expansion can be justified on the basis of a facility's need having exceeded its current service capacity to provide such service or on the geographic remoteness of the facility.**
- 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.**

Though OIC MRI volumes have not surpassed the SMFP threshold the applicant asserts that it has an institutional need for an additional MRI scanner. The applicant states that its MRI procedures take longer than the average assumed by the SMFP, due to its affiliation with an academic medical center. The protocols of UVA imaging affiliates and specialized imaging required by some subspecialists' patients extend MRI procedure times at OIC to an average of 39 minutes. Because of this, OIC can perform only 15 scans in a 10-hour day, or 3,750 MRI scans per year. OIC states that it is at 100.3% of this functional capacity on its current MRI scanner.

OIC has expanded its hours of operation in attempts to accommodate volumes, scheduling MRIs 12 hours per day on weekdays and eight and a half hours on Saturdays but wait times for MRI studies continue to grow. In some cases, patients have had to seek MRI imaging outside of PD 9 or in a more expensive hospital setting within PD 9 in order to access the service more timely. A second MRI will spread volumes between two scanners and reduce or eliminate the backlog of patients and allow shorter wait times, improved patient care.

The MRI at UVA Health Culpeper Medical Center cannot be reallocated to OIC because it supports inpatient and emergency services of the hospital. The proposed project is not a nursing facility, and the proposal does not use institutional need to justify the establishment of a new service.

***Required Considerations Continued***

- 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.**

Other providers in PD 9 include UVA Health Culpeper Medical Center (80% owner of OIC) and Fauquier Hospital about 23 miles/32 minutes away. OIC is the only freestanding outpatient imaging center in PD 9, and with its lower costs and convenience, OIC appears to be preferred

by patients and/or payors. MRI volumes at OIC have grown rapidly while those at UVA Culpeper Medical Center have declined, but their combined total is 2,312 (75%) higher than MRI volumes prior to OIC's. This implies that more MRIs of PD 9 residents are being performed within PD 9 than prior to OIC's establishment. (DCOPN notes that updated MRI volumes for Fauquier hospital are not available for 2023, but its geographic remoteness insulates it from significant volume decreases from the proposed project).

**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.**

PD 9 has limited MRI providers, Fauquier Hospital half an hour away, OIC and its majority owner UVA Health Culpeper Medical Center, an acute care facility of UVA Health. UVA Health has 13 MRI scanners across PDs 8, 9 and 10 that averaged 77% utilization in 2021, according to VHI data and including OIC's reported volumes. UVA Health Culpeper Medical Center had the lowest utilization of these by far at 25.7%.

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

The projected costs of the proposed project are reasonable. There are financing costs associated with the proposal at \$681 thousand, but the proforma projects a positive net income in excess of half a million dollars in each of the first two years following implementation of the proposed project (Table 5). Though healthcare staffing is challenging across Virginia, additional human resources required to operationalize are modest at 2 MR technologists. The applicant asserts that its affiliation with UVA will aid in filling these positions and, absent a UVA graduate, it will be able to recruit these from community colleges with which it works without impact to staffing of existing providers.

**Table 5. Pro Forma, UVA Outpatient Imaging Culpeper, LLC**

	Year 1	Year 2
<b>Gross Revenue</b>	<b>\$ 22,633,882</b>	<b>\$24,708,581</b>
Indigent Care	\$ 587,462	\$ 734,322
Bad Debt Expense	\$ 174,789	\$ 191,220
Contractual Allowanced	\$ 19,061,466	\$20,663,118
<b>Total Deductions</b>	<b>\$ 19,823,717</b>	<b>\$21,588,660</b>
<b>Net Revenue</b>	<b>\$ 2,810,165</b>	<b>\$ 3,119,921</b>
<b>Operating Expenses</b>	<b>\$ 2,221,704</b>	<b>\$ 2,581,216</b>
<b>Net Income</b>	<b>\$ 588,461</b>	<b>\$ 538,705</b>

Source: COPN Request No. VA-8732

**7. The extent to which the project provides improvements or innovations in the financing and delivery of health services, as demonstrated by: (i) The introduction of new**

**technology that promotes quality, cost effectiveness, or both in the delivery of health care services. (ii) The potential for provision of services on an outpatient basis. (iii) Any cooperative efforts to meet regional health care needs. (iv) At the discretion of the Commissioner, any other factors as may be appropriate.**

The proposed project is the expansion of the only freestanding outpatient imaging facility in PD 9. It is an IDTF and preferred by patients and payors for its lower cost as services are in an outpatient setting. The applicant states that when OIC opened UVA Health had the knowledge and intention that imaging volumes would decrease at UVA Health Culpeper Medical Center so that area residents would have access to lower-cost imaging 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.**

OIC is affiliated with UVA Health which has a three-part mission to provide research, training and clinical care to the benefit of Virginia. MRI services are offered at OIC, providing access closer to home for PD 9 residents, and to indigent and underserved populations, a component of the mission of UVA Health.

**DCOPN Staff Findings and Conclusions**

PD 9 is a relatively rural PD with three providers of MRI services. It is a slightly older and faster growing area than Virginia overall. OIC is a limited liability company, majority owned by UVA Health Culpeper Medical Center. It is the only freestanding outpatient imaging center in PD 9. OIC proposes to add a second MRI scanner based on institutional need, contending that it is operating above its functional capacity. The applicant calculates its functional capacity based upon its own longer-than-average scan times due to UVA's MRI imaging protocols. It has not exceeded the SMFP volume threshold for MRI expansion.

The proposed project at an existing provider does not expand geographic access in the PD but has potential to reduce wait times for outpatient MRIs. OIC's volumes have grown rapidly since its opening and there is evidence that PD 9 residents that were leaving the area for MRI services, possibly seeking a lower cost provider, are now receiving MRI imaging at OIC within PD 9. Existing MRI providers have ample capacity in MRI services. The proposal has support from the community and no opposition has been documented.

In letters of support, physicians have reported long wait times, patients receiving care in higher-cost settings and/or patients leaving the area for MRI scans, despite OIC's expansion of operating hours in attempt to accommodate demand. Projected capital costs are reasonable and consistent with similar, recently authorized projects. The applicant has provided assurances of continued financial accessibility. It is wholly feasible in the short and long term.

PD 9 has a surplus of one MRI scanner with utilization of 55.2% in 2021. OIC's utilization was 86.7% in 2023 and its majority owner hospital was at a very low (25.7%) utilization in 2021. OIC projects its MRI volumes will reach the SMFP threshold within two years. DCOPN concludes that the application for the addition of an MRI scanner at OIC is premature. OIC has not demonstrated an institutional need for an additional MRI. The proposal is inconsistent with the applicable standards of the SMFP and the 8 Required Considerations of the Code of Virginia.

### **DCOPN Staff Recommendations**

DCOPN recommends **denial** of COPN Request no. VA-8732, UVA Outpatient Imaging Culpeper, LLC's request to add a second MRI for the following reasons:

1. The proposal to add a second MRI at UVA Outpatient Imaging Culpeper, LLC is inconsistent with the applicable standards of the SMFP and the 8 Required Considerations of the Code of Virginia.
2. PD 9 has a surplus of one MRI scanner and UVA Health Culpeper Medical Center, majority owner of UVA Outpatient Imaging Culpeper, LLC has ample MRI capacity.
3. The applicant has not demonstrated an institution-specific need for MRI expansion.
4. The status quo is a reasonable alternative to the proposed project.