



## COMMONWEALTH of VIRGINIA

Karen Shelton, MD  
State Health Commissioner

Department of Health  
P O BOX 2448  
RICHMOND, VA 23218

TTY 7-1-1 OR  
1-800-828-1120

February 16, 2024

Emily W.G. Towey  
Hancock Daniel  
4701 Cox Road, Suite 400  
Glen Allen, Virginia 23060

RE: **COPN No. VA-04871**  
**Wellmont Health System d/b/a Norton Community Hospital**  
**Add one fixed CT scanner**

Dear Ms. Towey:

In accordance with Chapter 4, Article 1.1 of Title 32.1 of the Code of Virginia of 1950 (the Code), as amended, I reviewed the application and all supporting documents submitted by Wellmont Health System d/b/a Norton Community Hospital to add a second CT scanner on the Norton Community Hospital (NCH) campus.

As required by Section 32.1-102.3B of the Code, I have considered all factors that must be taken into account in a determination of public need, and I have concluded that **conditional approval** of the request is warranted based on the following findings:

1. The proposed project is generally consistent with the applicable criteria and standards of the State Medical Facilities Plan and the Eight Required Considerations of the Code of Virginia.
2. NCH has a demonstrated institutional need for additional CT capacity.
3. The proposed CT scanner will make CT services more accessible to residents of PD 1 by shifting some of NCH's outpatient CT volumes to a second CT scanner, reducing wait time for emergency services and outpatient CT scans.
4. Approval of this project is more advantageous than the alternative of the status quo.
5. The capital costs are reasonable and consistent with other projects of this type.

Ms. Emily W. G. Towey  
Wellmont Health System d/b/a Norton Community Hospital  
February 16, 2024  
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6. There is no known opposition to the proposed project.

This certificate is valid for the period February 16, 2024 through February 15, 2025. The total authorized capital cost of the project is \$1,835,255

Please file two copies of the application for a certificate extension with the Department no later than 30 days before the expiration date of the certificate. Part VIII of the Virginia Medical Care Facilities Certificate of Public Need Rules and Regulations identifies the filing requirements and review procedure for certificate extension requests.

Sincerely,



Karen Shelton, MD  
State Health Commissioner

Enclosure

cc: Allyson Tysinger, Senior Assistant Attorney General, Commonwealth of Virginia  
Erik Bodin, Director, Division of Certificate of Public Need  
Deborah K. Waite, Chief Operating Officer, Virginia Health Information  
Reisa L. Sloce BS, VCA, District Director, LENOWISCO Health District

COMMONWEALTH OF VIRGINIA  
DEPARTMENT OF HEALTH  
MEDICAL CARE FACILITIES CERTIFICATE OF PUBLIC NEED

THIS CERTIFIES THAT Wellmont Health System d/b/a Norton Community Hospital is authorized to initiate the proposal as described below.

NAME OF FACILITY: Norton Community Hospital  
LOCATION: 1490 Park Avenue, Norton, Virginia 24273

OWNERSHIP AND CONTROL: Wellmont Health System d/b/a Norton Community Hospital

SCOPE OF PROJECT: Add one CT scanner for a total of two on the campus of Norton Community Hospital. Capital costs authorized for this project total \$1,835,255. The project is expected to be completed by November 1, 2025. This certificate is issued with the condition that appears on its reverse.



Pursuant to Chapter 4, Article 1:1 of Title 32.1, Sections 32.1-102.1 through 32.1-102.12 of the Code of Virginia (1950), as amended and the policies and procedures promulgated thereunder, this Medical Care Facilities Certificate of Public Need is issued contingent upon substantial and continuing progress towards implementation of the proposal within twelve (12) months from the date of issuance. A progress report shall be submitted to the State Health Commissioner within twelve (12) months from the date of issuance along with adequate assurance of completion within a reasonable time period. The Commissioner reserves the right not to renew this Certificate in the event the applicant fails to fulfill these conditions. This Certificate is non-transferable and is limited to the location, ownership, control and scope of the project shown herein.

Certificate Number: VA-04871

Date of Issuance: February 16, 2024

Expiration Date: February 15, 2025

Karen Shelton, MD, State Health Commissioner

Norton Community Hospital will provide CT services to all persons in need of these services, regardless of their ability to pay, and will provide as charity care to all indigent persons free services or rate reductions in services and facilitate the development and operation of primary care services to medically underserved persons in an aggregate amount equal to at least 1% of Norton Community Hospital's total patient services revenue derived from C'F 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. Norton Community Hospital will accept a revised percentage based on the regional average after such time regional charity care data valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq. is available from Virginia Health Information. The value of charity care provided to individuals pursuant to this condition shall be based on the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq.

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

January 19, 2024

**VIA EMAIL** ([Erik.Bodin@vdh.virginia.gov](mailto:Erik.Bodin@vdh.virginia.gov))

Erik Bodin, Director  
Division of Certificate of Public Need  
Office of Licensure and Certification  
9960 Mayland Drive, Suite 401  
Richmond, VA 23233

**Re: COPN Request No. VA-8723  
Wellmont Health System d/b/a Norton Community Hospital  
Add One Fixed CT Scanner**

Dear Mr. Bodin:

Wellmont Health System d/b/a Norton Community Hospital ("NCH") is in receipt of the Division of Certificate of Public Need's ("DCOPN") Staff Report for COPN Request No. VA-8723, dated January 19, 2024, wherein the DCOPN recommended that the Commissioner approve the above-referenced project, subject to the charity care conditions outlined in the staff report. I am writing to confirm that NCH accepts the DCOPN's recommendation. NCH agrees to the recommended charity care condition of 1.0 percent and agrees to provide CT 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. NCH agrees to facilitate the development and operation of primary and specialty medical care services in designated medically underserved areas of its service area.

I appreciate your office's assistance with this project. If you have any questions or require additional information, please contact NCH's legal counsel, Emily Towey, at (804) 967-9604.

Sincerely,



Shannon Showalter  
Chief Executive Officer

cc: Sharon Honaker, Project Analyst, DCOPN (*via email*)  
Vanessa MacLeod, J.D., Office of Adjudication, Virginia Department of Health (*via email*)  
Emily W.G. Towey, J.D. (*via email*)





# **VIRGINIA DEPARTMENT OF HEALTH**

## **Office of Licensure and Certification**

### **Division of Certificate of Public Need**

#### **Staff Analysis Report**

January 19, 2024

COPN Request No. VA-8723

Wellmont Health System d/b/a Norton Community Hospital

Norton, Virginia

Add one Fixed CT Scanner

#### **Applicant**

Wellmont Health System d/b/a Norton Community Hospital (“NCH”) is a non-profit Tennessee Corporation in good standing to transact business in Virginia. It is a wholly owned subsidiary of Ballad Health. The proposed project is located in the City of Norton, Virginia, in HPR III, PD 1.

#### **Background**

NCH has served southwest Virginia since 1949, moving to its current building in 1977. It partnered with Mountain States Health Alliance in 2007. In 2018, pursuant to the October 30, 2017 Order and Letter Authorizing a Cooperative Agreement Wellmont Health System and Mountain States Health Alliance merged to form Ballad Health. As a result of the merger Ballad Health became the sole provider of inpatient health care, as well as CT imaging, in southwest Virginia. Likewise, Tennessee authorized a Certificate of Public Advantage allowing the two systems to merge in Tennessee. The resulting Ballad Health is, subject to the active supervision of Virginia and Tennessee, insulated from anti-trust action in the formation of a monopoly in inpatient care.

In July 2021 Ballad Health re-opened a critical access hospital, closed since October 2013, in Lee County, Virginia. The new six bed Lee County Community Hospital includes a CT scanner as well as other services vital to the well-being of the citizens of Lee County. In April of 2023, Holston Medical Group received a COPN to establish a specialized center for imaging with one CT scanner in Scott County, the only non-Ballad CT scanner currently authorized in PD 1.

Division of Certificate of Public Need (“DCOPN”) records show that, excluding CT scanners used solely for simulation with radiation therapy treatment, there are currently 4 COPN authorized fixed CT scanners and no mobile CT scanner sites (**Table 1**) in PD 1. While volumes and utilization declined in 2020 and 2021 with the curtailment of elective procedures during the height of the COVID-19 pandemic, the patient volume reported by Ballad Health in PD 1 for 2022 shows a return to pre-pandemic levels.

**Table 1. PD 1 COPN Authorized Fixed CT Units**

Facilities			Reported CT Volume Per Authorized Scanner				
	Location	Scanners	2018	2019	2020	2021	2022 <sup>1</sup>
Duffield Imaging Center <sup>2</sup>	Duffield	1					
Lee County Community Hospital	Pennington Gap	1					3,947
Lonesome Pine Hospital <sup>3</sup>	Big Stone Gap	1	12,000	11,102	5,677	5,658	5,340
Mountainview Medical Center <sup>4</sup>	Norton	0			1,764		
Norton Community Hospital	Norton	1	10,782	10,376	12,665	9,567	12,986
<b>Total</b>		4	22,782	21,478	20,106	15,225	22,273
<b>Average Volume Per CT Scanner<sup>5</sup></b>			7,594	7,159	6,702	5,075	7,424
<b>Percent of SMFP threshold</b>			102.6%	96.7%	90.6%	68.6%	100.3%

Source: DCOPN records and Ballad Health

DCOPN notes that COPN Request No. VA-8676 to establish a specialized center for CT imaging at the same location as the current proposal, Ballad HealthPlex, was denied in January 2023. The applicant was Wellmont Medical Associates, d/b/a Ballad Health Imaging Center, which would have been a new CT provider leasing space in the building from NCH. That proposal did not improve geographic availability, would have further concentrated CT services in the western part of PD 1 and reduced the opportunity for the addition of beneficial competition, all of which apply to the current proposed project as well. COPN Request No. VA-8676 was a competing applicant in its review cycle and the other applicant was approved and met the CT need in PD 1 at that time. The current applicant is an established Ballad Health provider of CT services with an institutional need for an additional CT scanner.

### **Proposed Project**

NCH proposes to expand its imaging services through the addition of one fixed 64-slice CT scanner in Ballad HealthPlex, located on NCH's campus directly adjacent to the hospital building. The CT scanner is proposed to be in 2,000 square feet of renovated space in the Ballad HealthPlex Building, and the project also includes 16,727 square feet of waiting, circulation and support space.

Projected capital costs for the proposed project are \$1,835,255, all of which will be funded with accumulated reserves such that there are no financing costs involved in the proposed project. (**Table 2**). It is expected to be complete November 1, 2025.

<sup>1</sup> Self-Reported by Ballad Health, not through VHI

<sup>2</sup> COPN No. VA-04843 authorized Duffield Imaging Center, owned by Holston Medical Group, in April 2023, expected to be operational February 1, 2024.

<sup>3</sup> Lonesome Pine Hospital reported 2 CT scanners in 2018 and 2019, with 1 authorized scanner, the second CT scanner was at Mountain View Hospital and reported collectively prior to 2020.

<sup>4</sup> Prior to decommissioning the Mountain View Hospital CT in 2019 its patient volume was reported collectively with Lonesome Pine Hospital's.

<sup>5</sup> Average volumes per scanner are based on the operational scanners each year.

**Table 2. Projected Capital Costs**

Direct Construction Cost	\$ 921,961
Equipment not included in construction contract	\$ 750,000
Architectural and Engineering Fees	\$ 163,294
	<b>\$ 1,835,255</b>

Source: COPN Request No. VA-8723 Application

### **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 ... computed tomographic (CT) scanning...” A medical care facility includes “[a]ny facility licensed as a hospital...”

### **Required Considerations -- § 32.1-102.3 of the Code of Virginia**

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

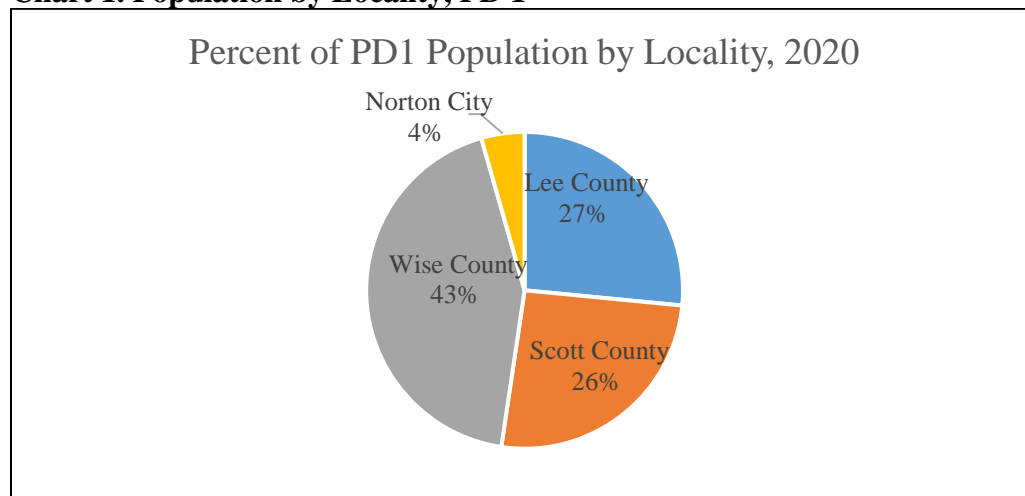
- 1. The extent to which the proposed project will provide or increase access to health care services for people in the area to be served and the effects that the proposed project will have on access to health care services in areas having distinct and unique geographic, socioeconomic, cultural, transportation, and other barriers to access to health care;**

PD 1 is a rural area with a population of under 85,000. Wise County is the most populated jurisdiction in PD 1, with 43% of the PD 1 population (**Chart 1**). The independent city of Norton, where the proposed project is located, has only 4% of the PD 1 population, but is located within the boundaries of Wise County. Patient origin data provided by the applicant show that more than half of NCH’s outpatient CT cases are from residents of Wise County and Norton. More than 10% originate from Kentucky.

The proposed facility is located just off Alternate US-58, a major east-west highway, near its intersection with the north-south Business US-23. The proposed CT scanner will be located on NCH’s campus in the Ballad HealthPlex. Due to this location at NCH, it does not expand geographic access within 30 minutes for areas within PD 1. The applicant also makes no reference to any public transportation availability in the City of Norton but discusses the travel difficulties presented by the area’s mountainous terrain, especially for the frail, elderly population.



**Chart 1. Population by Locality, PD 1**



Source: Weldon-Cooper

According to the most recent projections of UVA Weldon-Cooper Center Demographic Research Group (published in August 2023), PD 1 is expected to experience a decline in population to less than 72,000 by 2030, a 13.9% decrease from the 2020 census. Virginia overall is expected to grow by 5.8% during this same period. The age cohort over 65 will be nearly 25% of the PD 1 population in 2030 compared to 19.3% across Virginia. This 65+ population is projected to remain stable, with a decrease of 1.9% (352 people) in PD 1 over the 10-year period, in contrast to the state's overall growth projection of 26.3% of the over 65 population between 2020 and 2030 (**Table 3**).

**Table 3. PD 1 Population**

Locality	2020	Proj. 2030	Proj. Change 2020-2030	Proj. Growth Rate	65+ 2020	Proj. 65+ 2030	Proj. Change 2020 - 30	Proj. Growth Rate
Lee County	22,173	18,490	(3,683)	-16.6%	4,800	4,433	(367)	-7.7%
Scott County	21,576	19,689	(1,887)	-8.7%	5,297	5,526	229	4.3%
Wise County	36,130	30,366	(5,764)	-16.0%	7,299	7,094	(205)	-2.8%
Norton City	3,687	3,367	(320)	-8.7%	691	682	(9)	-1.3%
<b>PD1</b>	<b>83,566</b>	<b>71,912</b>	<b>(11,654)</b>	<b>-13.9%</b>	<b>18,087</b>	<b>17,735</b>	<b>(352)</b>	<b>-1.9%</b>
Virginia	8,631,393	9,129,002	497,609	5.8%	1,395,291	1,762,641	367,350	26.3%

Source: Weldon-Cooper, 2023

According to best data available, the poverty rates for counties in PD 1 are nearly twice as high as the rate for Virginia (**Table 4**). Ensuring timely access to diagnostic imaging for this older and poorer population will help address socioeconomic barriers to care.

**Table 4. Poverty Rates**

Locality	Poverty Rates <sup>6</sup>
Lee County	25.1%
Norton City	20.4%
Scott County	19.6%
Wise County	19.2%
Virginia	10.6%

Source: US Census Quickfacts

NCH has provided CT volumes for fiscal years 2021 through 2023 which increasingly exceeded the State Medical Facilities Plan (SMFP) threshold for CT imaging. In FY 2023 NCH's CT scanner operated at 180.5% of the SMFP threshold. The applicant asserts that patients experience long delays of up to two weeks despite NCH's extending CT hours of operation. In addition, NCH's CT unit supports its emergency department and all inpatient departments resulting in elective outpatient CT scans getting delayed to accommodate more urgent studies.

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

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

DCOPN received a resolution from NCH's Medical Executive Committee and nine letters of support from the LENOWISCO Planning District Commission, the Wise County Administrator, Lee County Administrator, Virginia Delegate Terry Kilgore, the Industrial Development Authority of Dickenson County, the Miners Exchange Bank, two physicians and a long-time Norton resident. In aggregate, these letters expressed the following:

- NCH provides high quality care to its patients.
- NCH's CT scanner is overutilized.
- NCH has extended CT hours of operation to address high volume.
- It is difficult to schedule elective CT studies in a timely manner due to overutilization.
- NCH delays elective CT scans to accommodate more urgent ones.
- Wait times for CT scans are unacceptable for the delivery of care for patients.
- The additional CT scanner will improve overall quality of care for area residents by enhancing access to important diagnostic services and adding capacity.

**Public Comment**

Section 32.1-102.6 B of the Code of Virginia directs DCOPN to hold one public hearing on each application in a location in the county or city in which the project is proposed or a contiguous county or city in the case of competing applications, or in response to a written request by an elected local government representative, a member of the General Assembly, the Commissioner, the applicant, or a member of the public. COPN Request No. VA-8723 is not competing with

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<sup>6</sup> The Virginia poverty rate is for 2022; poverty rates for PD 1 localities include a note of caution in comparing the data: "Estimates are not comparable to other geographic levels due to methodology differences that may exist between different data sources."

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

DCOPN provided notice to the public regarding this project on November 9, 2023. The public comment period closed on December 26, 2023. DCOPN has received no additional public comment aside from the letters of endorsement included with the application. DCOPN is not aware of any opposition to the proposed project.

**(ii) the availability of reasonable alternatives to the proposed project that would meet the needs of the people in the area to be served in a less costly, more efficient, or more effective manner;**

There appears to be no reasonable alternative to the proposed project. The status quo includes a to-be-operational CT scanner in Scott County which, once operational, will decrease the average PD 1 CT volumes per unit; however, this not yet operational CT scanner is 26 miles away and NCH has an institutional need for additional CT capacity for patients coming to its campus for CT studies. Placing a second CT scanner in an outpatient setting on the NCH campus is more beneficial than the status quo.

**(iii) any recommendation or report of the regional health planning agency regarding an application for a certificate that is required to be submitted to the Commissioner pursuant to subsection B of § 32.1-102.6;**

Currently there is no organization in HPR III designated by the Virginia Department of Health to serve as the Health Planning Agency for PD 1. Therefore, this consideration is not applicable to the review of the proposed project.

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

The proposed project is reasonable in cost as compared to recently authorized similar projects (which vary widely). Though its \$1.8 million capital cost is more than the most recently approved CT project in PD 1, COPN No. VA-04843 at half a million dollars, it is significantly lower cost than COPN No. VA-04863 at \$22 million, or COPN No. VA- 04799 at \$2.8 million, both in PD 2, and COPN No. VA-04803 also in HPR III at \$14 million. It incurs no financing costs and its direct construction cost per square foot, at \$461, is on the low end compared to recent similar projects which range from less than \$300 to over \$8000. The proposed project will reduce wait times and access to a highly utilized CT service in rural PD 1, where there are few options for imaging. It will provide more timely diagnosis and subsequent treatment for patients.

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

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 CT imaging that is no less than the equivalent average for charity care contributions in HPR III. 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.

According to regional and statewide data regularly collected by VHI, for 2021, the average amount of charity care provided by the facilities in HPR III that reported such charity care for that year was 0.5% of all reported total gross patient revenues (**Table 5**). In 2021, NCH provided 2.2% of its gross patient revenues as charity care, well above the HPR III mean. In its proforma, the applicant proffers charity care in the amount of 1% of its patient revenue from CT services. Should the proposed project receive approval, it will be conditioned on the applicant's agreement to provide at least 1% of gross patient revenue as charity care.

**Table 5. Health Planning Region III Charity Care**

HPR III	2021 at 200%		
	Gross Pt Rev	Adjusted Charity Care Provided Below 200%	%
Ridgeview Pavilion (Bristol Region)	\$ 7,039,355	\$ 202,287	2.9%
Rehabilitation Hospital of Bristol, LLC	\$ 17,924,164	\$ 425,516	2.4%
Norton Community Hospital	\$ 192,721,442	\$ 4,326,681	2.2%
Centra Specialty Hospital	\$ 54,375,383	\$ 1,209,721	2.2%
Carilion Franklin Memorial Hospital	\$ 183,022,650	\$ 3,710,846	2.0%
Russell County Medical Center	\$ 114,418,556	\$ 1,817,173	1.6%
Carilion Tazewell Community Hospital	\$ 72,052,309	\$ 931,102	1.3%
Smyth County Community Hospital	\$ 197,730,692	\$ 2,394,391	1.2%
Johnston Memorial Hospital	\$ 793,700,215	\$ 9,589,955	1.2%
Carilion Medical Center	\$ 4,573,096,613	\$ 47,142,780	1.0%
Carilion New River Valley Medical Center	\$ 850,387,927	\$ 7,838,754	0.9%
Carilion Giles Memorial Hospital	\$ 164,758,336	\$ 1,138,319	0.7%
Lewis-Gale Medical Center	\$ 2,622,575,795	\$ 16,278,026	0.6%
Wellmont Lonesome Pine Mountain View Hospital	\$ 439,099,646	\$ 2,474,748	0.6%
LewisGale Hospital-Montgomery	\$ 843,161,635	\$ 4,517,613	0.5%
LewisGale Hospital - Alleghany	\$ 228,965,488	\$ 1,212,396	0.5%
LewisGale Hospital Pulaski	\$ 412,765,905	\$ 1,669,986	0.4%
Centra Health	\$ 3,059,619,663	\$ 9,930,233	0.3%
Bedford Memorial Hospital	\$ 154,732,192	\$ 413,141	0.3%
Buchanan General Hospital	\$ 97,833,827	\$ 149,944	0.2%
Sovah Health-Danville	\$ 970,752,775	\$ (26,593,700)	-2.7%
Twin County Regional Hospital	\$ 253,554,954	\$ 140,601	0.1%
Sovah Health-Martinsville	\$ 716,672,616	\$ 265,419	0.0%
Clinch Valley Medical Center	\$ 630,716,254	\$ 149,413	0.0%
Wythe County Community Hospital	\$ 262,553,121	\$ 14,433	0.0%
Lee County Community Hospital	Not Open until mid-2021		
Total Inpatient Hospitals:			25
HPR III Inpatient Hospital Median			0.6%
HPR III Total Inpatient \$ & Mean %	\$ 17,914,231,513	\$ 91,349,778	0.5%

**Table 5. Health Planning Region III Charity Care**  
(continued)

Roanoke Valley Center for Sight at Martinsville	4,171,197	\$ 70,950	1.7%
Surgery Center of Lynchburg	63,989,376	\$ 828,185	1.3%
Roanoke Valley Center for Sight	21,994,455	\$ 145,829	0.7%
Fairlawn Surgery Center, LLC	9,604,050	\$ 59,615	0.6%
New River Valley Surgery Center	13,704,945	\$ 80,713	0.6%
Roanoke Ambulatory Surgical Center	39,196,002	\$ 162,687	0.4%
Roanoke Valley Center for Sight at Oak Grove	4,662,608	\$ 4,716	0.1%
Blue Ridge Surgery Center	86,296,548	\$ 32,888	0.0%
Piedmont Day Surgery Center	2,959,509	\$ -	0.0%
Surgery Center of Central Virginia	8,632,666	\$ -	0.0%
Total Outpatient Hospitals:			10
<b>HPR III Outpatient Hospital Median</b>			<b>0.5%</b>
<b>HPR III Total Outpatient Hospital \$ &amp; Mean %</b>	\$ 255,211,356	\$ 1,385,583	<b>0.5%</b>
Total Hospitals:			35
<b>HPR III Total Hospital \$ &amp; Mean %</b>	\$ 18,169,442,869	\$ 92,735,361	<b>0.5%</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 proposed project.**

There are no other factors, not addressed elsewhere in the analysis, relevant to the determination of a public need for either project.

### **3. The extent to which the proposed project is consistent with the State Health Services Plan;**

Section 32.1-102.2:1 of the Code of Virginia calls for the State Health Services Plan Task Force to develop recommendations for a comprehensive State Health Services Plan (SHSP). In the interim, DCOPN will consider the consistency of the proposed project with the predecessor of the SHSP, the State Medical Facilities Plan (SMFP). The SMFP contains criteria/standards for the establishment or expansion of CT services. They are as follows:

## **Part II**

### **Diagnostic Imaging Services**

#### **Criteria and Standards for Computed Tomography**

#### **12VAC5-230-90. Travel time.**

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

Figure 1. CT Scanners in PD 1



The heavy black line in **Figure 1** is the boundary of PD 1. The white H icon locates the proposed project. As it is an existing CT site, no new area within a 30-minute drive under normal conditions will be added.

Currently, excluding CT scanners used solely for simulation with radiation therapy treatment, there are four COPN authorized CT scanners in PD 1. The blue H icons indicate facilities that currently offer fixed CT services within hospitals. The blue circle locates the outpatient imaging center approved earlier this year to be established with one CT scanner, expected to be operational in February 2024.

The light blue shading is the area that is within a 30-minute drive under normal conditions of existing CT providers within PD 1. The grey shading illustrates the area that is within a thirty-minute drive under normal driving conditions of CT service providers outside PD 1. Totalling populations of visible towns on its interactive mapping software that lie outside of these shaded areas, DCOPN estimates that over 12% of the population of PD 1 lives more than 30 minutes from a CT service.

#### **12VAC5-230-100. Need for new fixed site or mobile service.**

**A. No new fixed site or mobile CT service should be approved unless fixed site CT services in the health planning district performed an average of 7,400 procedures per existing and approved CT scanner during the relevant reporting period and the proposed new service would not significantly reduce the utilization of existing providers in the health planning district. The utilization of existing scanners operated by a hospital and**



**serving an area distinct from the proposed new service site may be disregarded in computing the average utilization of CT scanners in such health planning district.**

The proposed project is for the addition of one fixed site CT scanner to the existing CT service at NCH rather than the addition of a new fixed site service, so this standard is not applicable. The PD 1 need calculation is included for the sake of thoroughness:

Calculated Needed CT scanners =  
 $21,478^7 \text{ scans in the PD} / 7,400 \text{ scans / scanner} = 2.9 \text{ (3) scanners needed}$

PD 1 Calculated Need = 3 CT scanners

PD 1 Authorized CT scanners = 4 CT scanners  
(excluding CT scanners used solely for simulation with radiation therapy treatment)

PD 1 Calculated Surplus = 1 CT scanner

As noted in **Table 1**, the average utilization of existing CT scanners in the planning district was 7,159 in 2019, the pre-pandemic level, resulting in a rate of 96.7% of the 7,400 procedures per scanner necessary to introduce CT scanning services to a new location at that time under this section of the SMFP. With the addition of the CT expected to be operational in February 2024 and using the Ballad Health reported 2022 volume of 22,273 scans, the updated average volume per authorized scanner is 5,568 or 75.2% of the SMFP threshold to add another CT unit. There is no calculated need for an additional CT scanner in PD 1.

**B. Existing CT scanners used solely for simulation with radiation therapy treatment shall be exempt from the utilization criteria of this article when applying for a COPN. In addition, existing CT scanners used solely for simulation with radiation therapy treatment may be disregarded in computing the average utilization of CT scanners in such health planning district.**

DCOPN has excluded existing CT scanners used solely for simulation prior to the initiation of radiation therapy from its inventory and average utilization of diagnostic CT scanners in PD 1 with respect to the proposed projects.

#### **12VAC5-230-110. Expansion of fixed site service.**

**Proposals to expand an existing medical care facility's CT service through the addition of a CT scanner should be approved when the existing services performed an average of 7,400 procedures per scanner for the relevant reporting period. The commissioner may authorize placement of a new unit at the applicant's existing medical care facility or at a separate location within the applicant's primary service area for CT services, provided the proposed expansion is not likely to significantly reduce the utilization of existing providers in the health planning district.**

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<sup>7</sup> 2019 utilization as reported to VHI is used as the relevant reporting period. While data is available for years up to and including 2021, 2019 is the last year for which CT utilization data is not artificially depressed in response to the COVID-19 pandemic.

The applicant has provided CT utilization data for fiscal years 2021 through 2023. During this period the number of CT procedures has grown by 17% and, at 13,360 CT procedures on its single CT scanner, NCH operated at 180.5% of the SMFP threshold in this section in 2023. Location of an additional CT scanner in outpatient space on NCH's campus will decant volumes from the existing scanner, located within the hospital building, that supports inpatient diagnostics as well as emergency imaging and reduce wait times for CT services. Due to its current high utilization and the location of other CT services across PD 1, the proposed project is not likely to reduce utilization significantly of other CT providers.

**12VAC5-230-120. Adding or expanding mobile CT services.**

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

Not applicable. The proposal does not seek to add or expand mobile CT services or to convert authorized mobile CT scanners to fixed site scanners.

**12VAC5-230-130. Staffing.**

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

The applicant provides assurances that the CT imaging service will continue to be under the direction of a qualified physician.

**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.**

NCH's need has exceeded its CT capacity for several years. NCH is part of Ballad Health system, as are Lonesome Pine Hospital and Lee County Community Hospital, a Critical Access Hospital. Each of these hospitals operates a single CT unit. The CT services at these two facilities support inpatient, outpatient and emergency care in their respective service areas and it is infeasible to consider relocating their CT scanners and leaving them without a CT service. NCH's expansion on its campus meets the institutional need criteria.

### **Required Considerations Continued**

**4. The extent to which the proposed project fosters institutional competition that benefits the area to be served while improving access to essential health care services for all people in the area to be served;**

NCH proposes to add a CT scanner to its imaging service. The proposed project would ultimately be under the control of Ballad Health, the current operator of three of the four CT scanners in PD 1. It would not foster beneficial institutional competition to PD 1. To the contrary, it would increase the market concentration of Ballad Health, which is protected from anti-trust action due to its provision of resources and meeting rural health care needs in the area.

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

The proposed project is the addition of a CT scanner by NCH, a Ballad Health hospital, in an outpatient facility on its campus. If approved, the proposal represents the fourth Ballad Health CT scanner of what will be five in PD 1. NCH has demonstrated an institutional need to expand, and no other Ballad Health facilities in the PD have CT resources that can be reallocated. NCH's current CT scanner supports inpatient, outpatient and emergency services and the applicant asserts its overutilization has caused delays in care including increased wait times in its emergency department. The only authorized CT service in PD 1 not owned by Ballad Health is not yet operational and will be 26 minutes away.

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

The capital costs of the proposal appear reasonable and will be funded with accumulated reserves, incurring no financing costs. The proforma provided by the applicant shows a positive revenue over expenses the first two years of operation (**Table 6**), though the year one excess revenue over expenses is \$65,000 lower than 2023. The application shows that only one additional staff member would be needed to implement the proposed project. DCOPN notes that NCH currently has four vacant radiologic technologist positions, nearly 20% of the total needed.

**Table 6. Norton Community Hospital Proforma**

	<b>Year 1</b>	<b>Year 2</b>
<b>Gross Patient Revenue</b>	<b>\$11,009,446</b>	<b>\$12,137,914</b>
Charity Care	\$110,094	\$121,379
Contractual Deductions	\$9,705,600	\$10,786,971
<b>Net Revenue</b>	<b>\$1,193,752</b>	<b>\$1,229,564</b>
<b>Total Operating Expenses</b>	<b>\$861,796</b>	<b>\$891,375</b>
<b>Excess of Revenue Over Expenses</b>	<b>\$331,956</b>	<b>\$338,189</b>

Source: COPN Request No. VA-8723

- 7. The extent to which the proposed project provides improvements or innovations in the financing and delivery of health care services, as demonstrated by; (i) the introduction of new technology that promotes quality, cost effectiveness, or both in the delivery of health care services; (ii) the potential for provision of health care services on an outpatient basis; (iii) any cooperative efforts to meet regional health care needs; and (iv) at the discretion of the Commissioner, any other factors as may be appropriate; and**

The proposal does not provide innovations in the delivery of health services but does allow for delivery of care in an outpatient facility that will shift some outpatient CT scans from the current highly utilized CT unit at NCH.

- 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 with a teaching hospital associated with a public institution of higher education or a medical school in the area to be served.

### **DCOPN Staff Findings and Conclusion**

The population in PD 1 is rural, relatively small and projected to decrease. Even the 65 and older population, growing across Virginia more rapidly than other age groups, is projected to remain stable or decline slightly. PD 1 is older with a higher poverty rate than Virginia overall with transportation challenges due to mountainous terrain and travel distance to health services.

The proposed project would add a second CT scanner to NCH, a rural hospital in PD 1 with an institutional need for additional CT capacity. It would provide care in a more easily accessible outpatient setting. Though the proposed project will not increase geographic access, it will improve access in a region with limited options for health care services. In particular, the proposed project will reduce wait times for imaging and emergency services at NCH and shift

outpatient CT imaging from a single, overutilized CT unit that currently supports NCH's inpatient, outpatient and emergency services.

The proposal has community support and no known opposition. It is preferable to the status quo in which NCH's single CT scanner operates above 180% of the SMFP standard for full utilization and patients often wait two weeks or more for diagnostic imaging services. Capital costs are reasonable and will not incur financing expenses. The applicant has historically provided relatively high levels of charity care and proffers charity care for CT services at 1%, double the most recent HPR III mean of 0.5% of patient revenues.

There is no calculated need for an additional CT scanner in PD 1 and the proposed project increases market concentration with Ballad Health; however, NCH has an institutional need, and the Cooperative Agreement insulates Ballad Health from antitrust action in exchange for health care resources that may otherwise not be provided in the area. The three other authorized CT services, each with one CT unit, provide necessary geographic access, though their utilization is below the SMFP threshold. At least 12% of the population of PD1 remains more than 30 minutes from a CT service. The proposed project is not likely to reduce utilization of existing providers and it appears to be wholly feasible.

### **Staff Recommendation**

The Division of Certificate of Public Need recommends conditional approval of Norton Community Hospital's COPN Request number VA-8723 to expand its CT service with one CT scanner located on its campus in Norton, Virginia for the following reasons:

1. The proposed project is generally consistent with the applicable criteria and standards of the State Medical Facilities Plan and the Eight Required Considerations of the Code of Virginia.
2. NCH has a demonstrated institutional need for additional CT capacity.
3. The proposed CT scanner will make CT services more accessible to residents of PD 1 by shifting some of NCH's outpatient CT volumes to a second CT scanner, reducing wait time for emergency services and outpatient CT scans.
4. Approval of this project is more advantageous than the alternative of the status quo.
5. The capital costs are reasonable and consistent with other projects of this type.
6. There is no known opposition to the proposed project.

### **Recommended Condition**

Norton Community Hospital will provide CT services to all persons in need of these services, regardless of their ability to pay, and will provide as charity care to all indigent persons free services or rate reductions in services and facilitate the development and operation of primary care services to medically underserved persons in an aggregate amount equal to at least 1% of

Norton Community Hospital's total patient services revenue derived from CT 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. Norton Community Hospital will accept a revised percentage based on the regional average after such time regional charity care data valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq. is available from Virginia Health Information. The value of charity care provided to individuals pursuant to this condition shall be based on the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq.

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