

VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis

March 20, 2024

RE: **COPN Request No. VA-8739**

Centra Health, Inc.

Lynchburg, Virginia

Add 1 Fixed Site CT Scanner

Applicant

Centra Health, Inc., (Centra) is a 501(c)(3) not-for-profit, non-stock corporation located in Lynchburg, Virginia. It is not a subsidiary of any organization. Centra is the sole owner and operator of Centra Lynchburg General Hospital (Lynchburg General) and Centra Virginia Baptist Hospital (Virginia Baptist). Lynchburg General and Virginia Baptist are approximately three miles apart in the city of Lynchburg, Health Planning Region (HPR) III, Planning District (PD) 11.

Background

A CT scan is a diagnostic imaging tool that utilizes x-ray technology to produce imaging of the inside of the body and can show bones, muscles, organs, and blood vessels. CT scans are more detailed than plain film x-rays; rather than the standard straight-line x-ray beam, CT imaging uses an x-ray beam that moves in a circle around the body to show structures in much greater detail.¹ The scans can be done with or without contrast; contrast is a substance taken either orally or injected within the body, causing a particular organ or tissue to be seen more clearly.²

VHI reported data on eight diagnostic CT scanners in PD 11 in 2022, the last year for which such data are available. Five of the eight CT scanners are located in acute care hospitals and three are in outpatient facilities. These eight CT scanners averaged 8,597 CT scans per scanner, or 116.2% of the State Medical Facilities Plan (SMFP) threshold of 7,400 procedures per unit that year (**Table 1**). The inventory of diagnostic CT scanners in PD 11 is unchanged since 2022, so the number of authorized scanners in PD11 remains as shown in **Table 1**.

¹ <https://www.hopkinsmedicine.org/health/treatment-tests-and-therapies/computed-tomography-ct-scan#:~:text=Computed%20tomography%20is%20commonly%20referred,fat%2C%20organs%20and%20blood%20vessels.>

² Ibid.

Table 1. PD 11 Inventory and Utilization of CT Services, 2022

Facility Name	Total Stationary Units	Total CT Procedures	Procedures per CT Scanner	Percent of SMFP Threshold
Acute Hospitals				
Bedford Memorial Hospital	1	10,635	10,635	143.7%
Lynchburg General Hospital ³	3	39,824	13,275	179.4%
Virginia Baptist Hospital	1	4,158	4,158	56.2%
Total Hospital Sites, PD 11	5	54,617	10,923	147.6%
Outpatient Imaging Facilities				
Blue Ridge Ear, Nose, Throat and Plastic Surgery ⁴	1	578	578	7.8%
Central Virginia Imaging ⁵	2	13,577	6,789	91.7%
Total Outpatient Imaging Sites	3	14,155	4,718	63.8%
PD 11 Total Volume and Average Utilization	8	68,772	8,597	116.2%

Source: VHI 2022

Proposed Project

The applicant proposes to expand its CT service by one CT scanner. The proposed project will be in the Centra Outpatient Imaging Center in leased space on the first floor of a 130,000 square foot medical office building to be constructed just over half a mile from the Lynchburg General’s campus. The Centra Imaging Center will occupy 4,885 gross square feet of which the proposed CT area will occupy about 731 gross square feet. The applicant indicates the facility will be a department, unit or satellite of Lynchburg General. The proposed project is expected to cost \$6,156,415 (**Table 2**) which will be wholly funded by accumulated reserves. The proposed project is at 2125 Langhorne Road in the independent city of Lynchburg, Virginia (**Figure 1**). If it is approved, it is expected to be operational by March 2026.

Table 2. Capital Costs, Centra Health CT Expansion

Direct Construction Costs	\$319,845
Equipment not included in construction costs	\$1,413,016
Site acquisition Costs ⁶	\$4,248,554
Architectural and Engineering fees	\$175,000
TOTAL CAPITAL COST	\$6,156,415

Source: COPN Request No. VA-8739

³ Lynchburg General was authorized for a 4th CT by COPN No. VA-04403, but it was surrendered in 2016 pursuant to a condition of COPN No. VA 04520. Lynchburg General currently has three diagnostic CT scanners, all located in the hospital.

⁴ The CT scanner at Blue Ridge Ear, Nose, Throat and Plastic Surgery is restricted use and performs CTs only on heads.

⁵ Central Virginia Imaging is 50% owned by Centra.

⁶ Leasehold amount is for the entire imaging center, 4,885 gross square feet.

Figure 1. Location of Proposed Project in Lynchburg City



Source: <https://www.randymajors.org/>

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 ... computer tomography (CT)...” Also defined as a project is the “[e]stablishment of a medical care facility described in subsection A.” A medical care facility includes “[a]ny facility licensed as a hospital” and “[a]ny specialized center or clinic or that portion of a physician’s office developed for the provision of ... computer tomography (CT)...”

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.**

The population in PD 11 was 261,593 in 2020 and is projected to grow by 1.9% to 266,674 by 2030 (**Table 3**). This is a smaller growth rate than the 5.8% projected for Virginia during the 2020 to 2030 decade. The portion of the PD 11 population residing in Lynchburg (where the proposed project is located) is 31%, (**Figure 2**). Lynchburg is projected to grow 2.9%, by the end of the decade, by about 2,300 people (**Table 3**). Due to their central location in the PD and the rurality of the surrounding counties, Centra’s Lynchburg-based facilities draw patients widely from across PD 11.

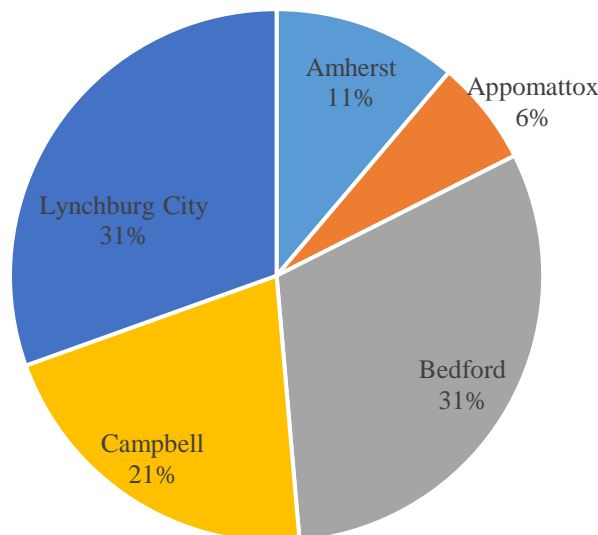
Table 3. Population Projections for PD 11, 2020-2030

Locality	2020	2030	Population Change 2020-2030	Percent Change	2020 Aged 65 and up	2030 Aged 65 and up	Population Change 2020-2030 Aged 65 & up	Percent Change Aged 65 and up
Amherst County	31,307	29,827	-1,480	-4.7%	6,754	7,833	1,079	16.0%
Appomattox County	16,119	17,018	899	5.6%	3,358	4,019	661	19.7%
Bedford County	79,462	82,822	3,360	4.2%	17,848	22,924	5,076	28.4%
Campbell County	55,696	55,739	43	0.1%	11,599	13,501	1,902	16.4%
Lynchburg City	79,009	81,268	2,259	2.9%	12,833	14,399	1,566	12.2%
PD 11	261,593	266,674	5,081	1.9%	52,392	62,677	10,285	19.6%
<i>Virginia</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

Figure 2. Projected 2030 Population of PD 11 by Locality

Projected Population by Locality PD 11, 2030

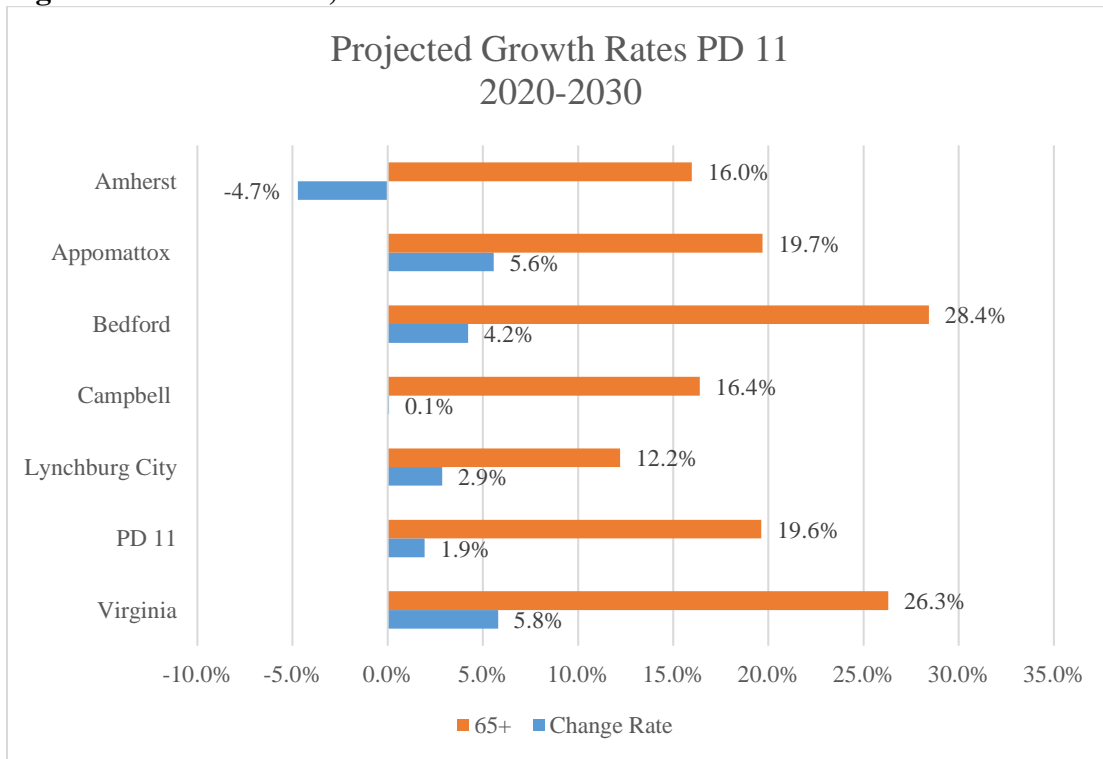


Source: Weldon Cooper, data update August 2023

People aged 65 and older, have a higher utilization rate for advanced imaging services than younger individuals,⁷ so they are an important demographic in projects involving CT imaging. PD 11’s 65 and older population is projected to grow by 19.6% in the 2020 to 2030 decade, less than Virginia with a projected growth rate of 26.3% (**Table 3/Figure 3**). PD 11 is projected to have more than 10,000 additional residents aged 65+ by 2030 than it did in 2020 (**Table 3**).

⁷ <https://jamanetwork.com/journals/jama/fullarticle/2749213>

Figure 3. Growth Rates, Total and for the 65 and Older Cohort



Source: Weldon Cooper, data update August 2023

PD 11 has a poverty rate higher than that of Virginia, and Lynchburg City’s poverty rate is the highest of the localities in PD 11. At 19.6%, the percentage of people living in poverty is 85% higher than that of Virginia (Table 4).

Table 4. Poverty Rates 2022⁸

Locality	Poverty Rate
Amherst	12.8%
Appomattox	12.0%
Bedford	8.4%
Campbell	12.7%
Lynchburg City	19.6%
PD 11	13.2%
<i>Virginia</i>	<i>10.6%</i>

Lynchburg General has the only emergency department in the city. The applicant notes that about 60% of CT scans performed at that facility are associated with emergency visits, which take priority over scheduled outpatient and inpatient CT scans. At a facility that has experienced

⁸ The latest poverty data available are for 2022: https://www.census.gov/data-tools/demo/saige/#/?s_state=51&s_county=51009,51011,51515,51019,51031,51680&s_district=&s_geography=county

utilization over 160% of the SMFP threshold for the past four years, “bumping” non-emergent scans is common and creates delays in imaging studies. Current wait times for routine appointments for outpatient CT scans are about three weeks.

The proposed site is easily accessible by major streets from US Route 29, US Route 501, US Route 460 and US Route 221. Additionally, Centra Health’s Program of All-inclusive Care for the Elderly (P.A.C.E) provides non-emergent transportation for program participants to medical appointments, which will include transporting P.A.C.E. patients to the Centra Imaging Center. Public transport is provided by Greater Lynchburg Transit Company (GLTC) which offers multiple stops per day on the Lynchburg General campus just over half a mile from the proposed site. There is currently a stop a block from the proposed site.

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 a letter of commitment from Raleigh Radiology, which currently provides inpatient and outpatient radiologic interpretive services to Centra Health. The letter expresses the practice’s support for the proposed project and confirms its intention to provide interpretive services for the proposed project. DCOPN also received forty letters of support for the proposed project from physicians, advanced care practitioners, board members, Piedmont Community Health Plan and other members of the public. These letters, in aggregate, expressed the following:

- Centra is committed to improve care in the community and outcomes for its patients with continual efforts to provide advanced services, continuity of care and a comprehensive network of services.
- The proposed project is part of Centra’s multi-year initiative to modernize its health care infrastructure with the most significant facility improvements and capital investments in Centra’s 36-year history.
- Lynchburg General is very busy, and its CT service is operating the most recent year at twice the SMFP threshold.
- Its CT service needs to decompress to avoid delayed or bumped tests or rescheduled procedures.
- CT scans are used to determine the best treatment approaches for patients and it is currently difficult to schedule CT studies in a timely manner.
- Consumers prefer an ambulatory location to a congested hospital campus for services such as advanced imaging services.
- It is easier to access outpatient services at a facility designed to meet the needs of ambulatory patients.
- It will provide easier access to older patients and those with mobility issues.
- The imaging center will be closer to physician offices for patient convenience.
- The center will be billed at lower non-hospital rates, decreasing health care costs.
- With inflation and the cost of many services increasing, lower pricing benefits both patients and insurers.

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-8739 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 January 10, 2024. The public comment period closed on February 26, 2024. 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.

There is no reasonable alternative to the proposed project. CT utilization at Lynchburg General was 179.4% of the SMFP threshold in 2022, the latest year for which VHI data were published (**Table 1**). The applicant reports CT volumes at twice the SMFP volume threshold in 2023 in its application. These volumes substantiate the need for an additional CT scanner. Placement in an outpatient setting allows for a more convenient and lower cost setting than what is currently available at Lynchburg General. Moving scheduled outpatient CT scans out of the hospital with the only emergency department in Lynchburg will benefit emergency patients and inpatients as well as the outpatients seeking CT services with the proposed project. The status quo will maintain high utilization and lengthy waits for CT services.

(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 11. 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 \$6,146,415, funded entirely with accumulated reserves, so there are no financing costs involved in the proposed project. Examples of recently authorized projects to establish CT services are COPN No. VA-04878 at \$3.9 million and COPN No. VA-04876 at \$1.6 million. The proposed project appears to be significantly more costly than these. The applicant included in its capital estimates the leasehold expense for the entire imaging center in which the proposed CT space will be rather than extracting the CT portion of the lease, which inflated costs relative to these other projects. Prorating by allocated square feet yields an estimated capital cost of about \$2.5 million for the CT portion of the imaging center.

The applicant has described several benefits to the proposed project, primarily the alleviation of high utilization of Lynchburg General's CT service consisting of three hospital-based CT scanners.

Lynchburg General has the only emergency department in Lynchburg, and this service places substantial demand for immediate availability of CT studies. Inpatient and scheduled outpatient scans are routinely bumped to prioritize emergency CT scans, and waits for routine outpatient scans are three weeks, delaying diagnosis and treatment of numerous medical conditions. The proposed project will allow more efficiency on existing CT units as well as a more convenient, lower cost option for scheduled outpatient CT studies.

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

The applicant states that Centra will continue to ensure its services are available to all patients regardless of their ability to pay. It asserts that Centra Outpatient Imaging Center's costs will mirror those of an Independent Diagnostic Testing Facility (IDTF), providing lower-cost imaging than what is currently available at Lynchburg General.

Centra Health provided charity care in the amount of 0.3% in 2021, the latest year for which such data are available, lower than the HPR III average of 0.5% (**Table 5**). 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. Consistent with this, the applicant's proforma for the proposal (**Table 6**) projects charity care as 0.5% of gross patient revenue.

Table 5. Health Planning Region III Charity Care

HPR III	Gross Pt Rev	2021 at 200% of the Federal non-Farm Poverty level		
		Total Charity Care Provided Below 200%	Adjusted Charity Care	%
Inpatient Hospitals				
Ridgeview Pavilion (Bristol Region)	\$ 7,039,355	\$ 202,287	\$ 202,287	2.9%
Rehabilitation Hospital of Bristol, LLC	\$ 17,924,164	\$ 425,516	\$ 425,516	2.4%
Norton Community Hospital	\$ 192,721,442	\$ 4,326,681	\$ 4,326,681	2.2%
Centra Specialty Hospital	\$ 54,375,383	\$ 1,209,721	\$ 1,209,721	2.2%
Carilion Franklin Memorial Hospital	\$ 183,022,650	\$ 3,710,846	\$ 3,710,846	2.0%
Russell County Medical Center	\$ 114,418,556	\$ 1,817,173	\$ 1,817,173	1.6%
Carilion Tazewell Community Hospital	\$ 72,052,309	\$ 931,102	\$ 931,102	1.3%
Smyth County Community Hospital	\$ 197,730,692	\$ 2,394,391	\$ 2,394,391	1.2%
Johnston Memorial Hospital	\$ 793,700,215	\$ 9,589,955	\$ 9,589,955	1.2%
Carilion Medical Center	\$ 4,573,096,613	\$ 47,142,780	\$ 47,142,780	1.0%
Carilion New River Valley Medical Center	\$ 850,387,927	\$ 7,838,754	\$ 7,838,754	0.9%
Carilion Giles Memorial Hospital	\$ 164,758,336	\$ 1,138,319	\$ 1,138,319	0.7%
Lewis-Gale Medical Center	\$ 2,622,575,795	\$ 16,278,026	\$ 16,278,026	0.6%
Wellmont Lonesome Pine Mountain View Hospital	\$ 439,099,646	\$ 2,474,748	\$ 2,474,748	0.6%
LewisGale Hospital-Montgomery	\$ 843,161,635	\$ 4,517,613	\$ 4,517,613	0.5%
LewisGale Hospital - Alleghany	\$ 228,965,488	\$ 1,212,396	\$ 1,212,396	0.5%
LewisGale Hospital Pulaski	\$ 412,765,905	\$ 1,669,986	\$ 1,669,986	0.4%
Centra Health	\$ 3,059,619,663	\$ 9,930,233	\$ 9,930,233	0.3%
Bedford Memorial Hospital	\$ 154,732,192	\$ 413,141	\$ 413,141	0.3%
Buchanan General Hospital	\$ 97,833,827	\$ 149,944	\$ 149,944	0.2%
Sovah Health-Danville	\$ 970,752,775	\$ 981,592	\$(26,593,700)	-2.7%
Twin County Regional Hospital	\$ 253,554,954	\$ 140,601	\$ 140,601	0.1%
Sovah Health-Martinsville	\$ 716,672,616	\$ 265,419	\$ 265,419	0.0%
Clinch Valley Medical Center	\$ 630,716,254	\$ 149,413	\$ 149,413	0.0%
Wythe County Community Hospital	\$ 262,553,121	\$ 14,433	\$ 14,433	0.0%
Lee County Community Hospital	Not Open until mid-2021			
Total Inpatient Hospitals:				25
HPR III Total Inpatient \$ & Mean %	\$ 17,914,231,513	\$ 118,925,070	\$ 91,349,778	0.5%
Outpatient Hospitals				
Roanoke Valley Center for Sight at Martinsville	4,171,197	\$ 70,950	\$ 70,950	1.7%
Surgery Center of Lynchburg	63,989,376	\$ 828,185	\$ 828,185	1.3%
Roanoke Valley Center for Sight	21,994,455	\$ 145,829	\$ 145,829	0.7%
Fairlawn Surgery Center, LLC	9,604,050	\$ 59,615	\$ 59,615	0.6%
New River Valley Surgery Center	13,704,945	\$ 80,713	\$ 80,713	0.6%
Roanoke Ambulatory Surgical Center	39,196,002	\$ 162,687	\$ 162,687	0.4%
Roanoke Valley Center for Sight at Oak Grove	4,662,608	\$ 4,716	\$ 4,716	0.1%
Blue Ridge Surgery Center	86,296,548	\$ 32,888	\$ 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
HPR III Total Outpatient Hospital \$ & Mean %	\$ 255,211,356	\$ 1,385,583	\$ 1,385,583	0.5%
Total Hospitals:				35
HPR III Total Hospital \$ & Mean %	\$ 18,169,442,869	\$ 120,310,653	\$ 92,735,361	0.5%

Source: VHI 2021

(vi) At the discretion of the Commissioner, any other factors as may be relevant to the determination of public need for a 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 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 SMFP.

The SMFP contains the criteria and standards for CT services. They are as follows:

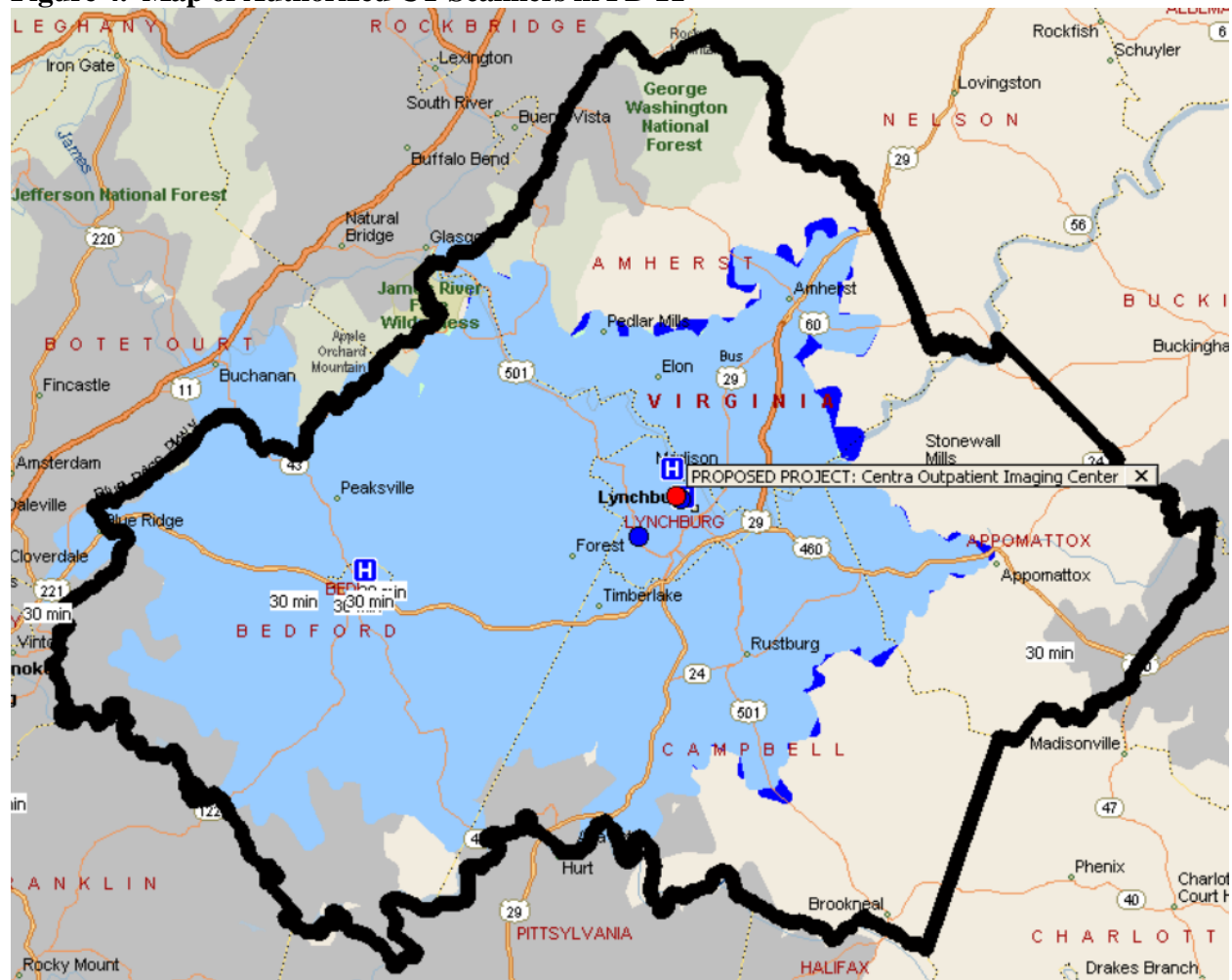
12VAC-5-230 Part I, Article 1 **Criteria and Standards for Computed Tomography**

12VAC5-230-90. Travel time.

CT 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.

Figure 4 shows the locations of authorized CT sites in PD 11. The proposed project is located with a red dot and other PD 11 outpatient CT sites are located with blue dots. The blue icons with white Hs locate the hospital-based CT sites. Note that an outpatient site and a hospital-based site are obscured by the icon for the proposed project. (See **Figure 5** for a magnified map of the immediate area around the proposed project). The light blue shading in **Figure 4** represents the area that is within 30 minutes' drive from existing PD 11 CT scanners. The grey shading shows the area within 30 minutes of CT services outside of PD 11. The dark blue shading is the area within 30 minutes of the proposed project that is not currently within 30 minutes of PD 11 CT services. The proposed project does not expand geographic access substantially, and there are significant portions of PD 11 that do not have CT services within 30 minutes of CT services.

Figure 4. Map of Authorized CT Scanners in PD 11



Source: DCOPN Records and Microsoft Streets & Maps

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.

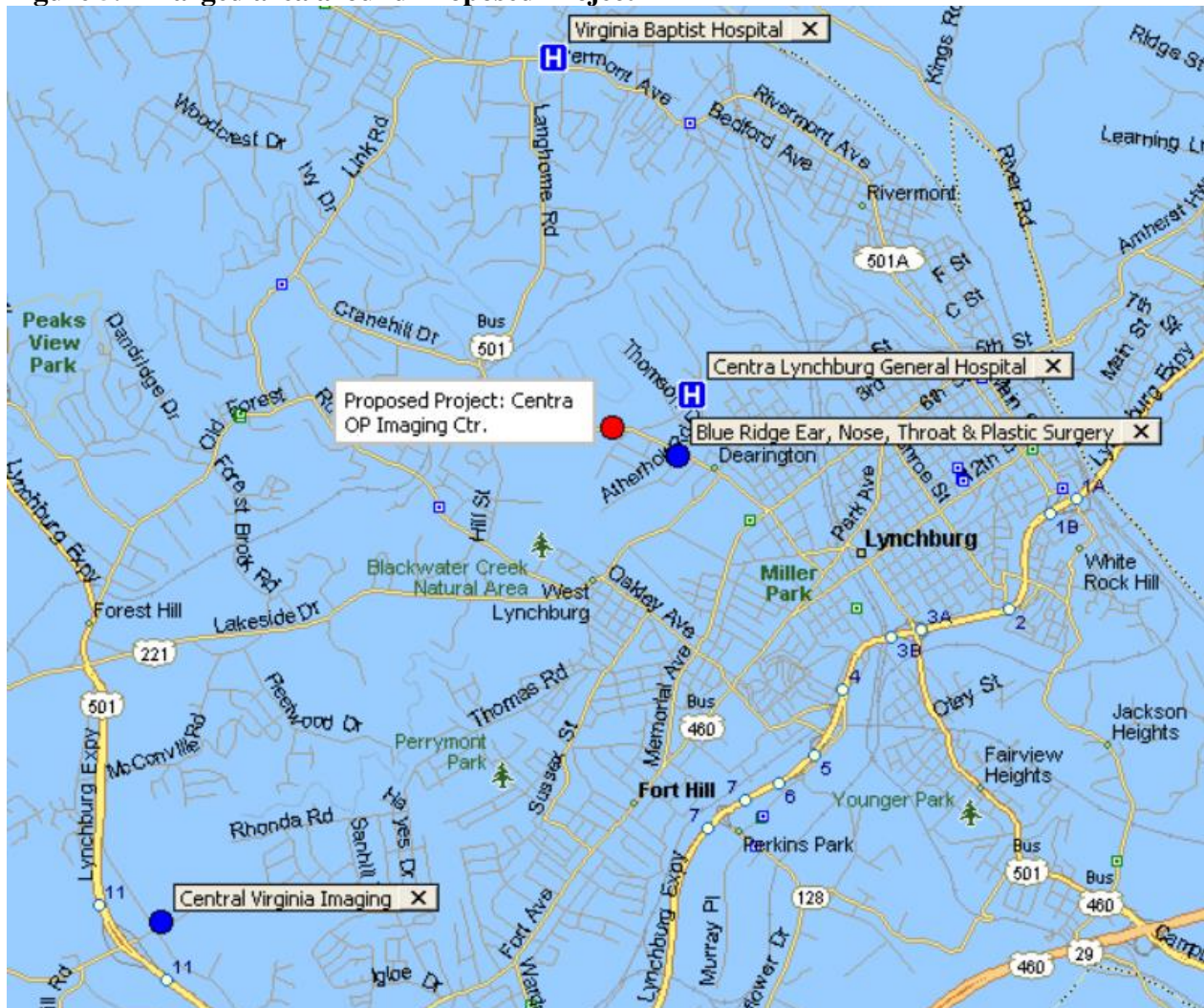
B. Existing CT scanners used solely for simulation with radiation therapy treatment shall be exempt from the utilization criteria of this article when applying for a COPN. In addition, existing CT scanners used solely for simulation with radiation therapy treatment may be disregarded in computing the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

According to VHI data, the average number of CT scans per scanner in PD 11 was 8,597 in 2022 (Table 1), or 116.2% of the volume threshold of 7,400 set forth in this criterion. The 68,772 total CT scans performed in PD 11 in 2022 (Table 1) would fully utilize 9.3 CT scanners at the SMFP

threshold, so there is a need for 10 CT scanners (rounded up). PD 11 has 8 authorized scanners; therefore, there is a deficit of two CT scanners in PD 11. Approval of the proposed project would decrease the deficit to one CT scanner.

Due to the high utilization at Lynchburg General, the addition of the proposed CT site is expected to decant existing volumes currently being performed at Lynchburg General and is not likely to decrease volumes of other existing providers. None of the CT scanners included in this analysis are used solely for simulation with radiation therapy treatment.

Figure 5. Enlarged area around Proposed Project

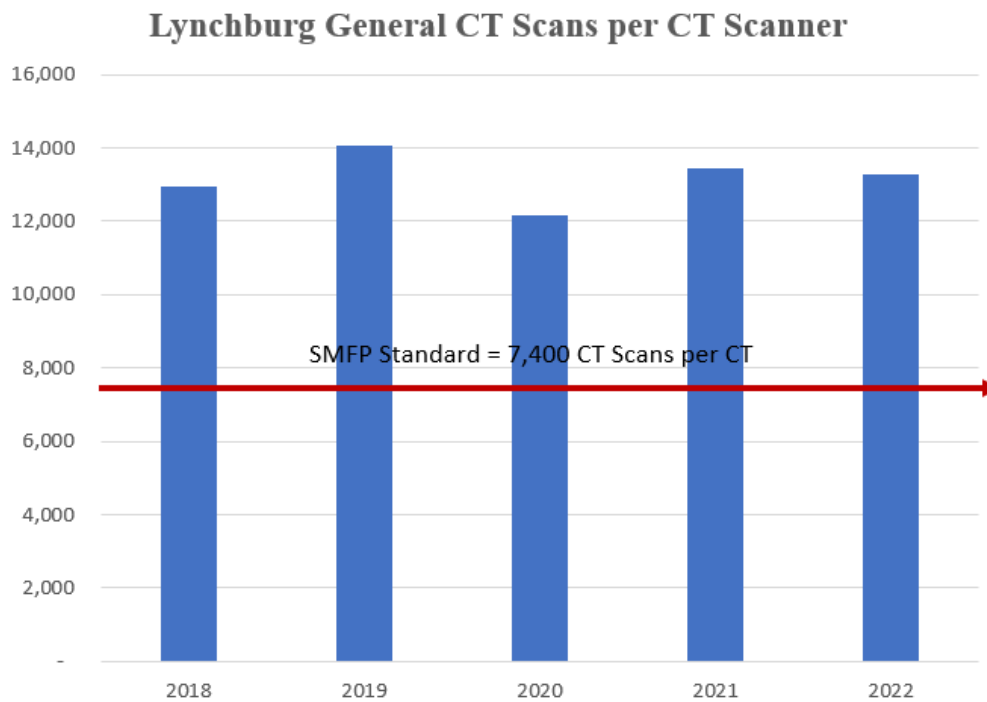


12VAC5-230-110. Expansion of fixed site service.

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.

Lynchburg General performed 39,824 CT scans on its three CT scanners in 2022 (**Table 1 and Figure 6**). This is an average of 13,275 per scanner or 179.4% of the SMFP threshold of 7,400 scans per CT unit. **Figure 6** shows that Lynchburg General has maintained CT volumes above the SMFP standard for the past five years. The applicant submitted CT volumes for 2023 as well, (not yet published by VHI) that equal 200% of the SMFP threshold. The proposed project is located within half a mile from the hospital campus (**Figure 5**), so it is within the applicant’s primary service area for CT services and is expected to decant volumes from Lynchburg General’s very highly utilized CT scanners. The CT scanner at Blue Ridge Ear, Nose, Throat and Plastic Surgery was authorized for restricted use by ENT patients. It is not likely the proposed project will impact volumes of this provider or other existing providers in PD 11.

Figure 6. Lynchburg General CT Scans Per Unit compared to SMFP Threshold



Source: COPN Request No. VA-8739

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 scanner and that the proposed conversion will not significantly reduce the utilization of existing CT providers in the health planning district.

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

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 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.

PD 11 does not have a surplus of CT scanners but a deficit of two CT scanners. Lynchburg General has demonstrated an institutional need for CT capacity, maintaining volumes above the SMFP threshold for five years (**Figure 6**). Centra operates three acute care hospitals in PD 11. Altogether, Centra's existing hospital based CTs operated at 147.6% of the SMFP threshold in 2022 (**Table 1**). Centra Bedford Memorial Hospital had utilization of 143.7% of the SMFP threshold in 2022. Centra Virginia Baptist Hospital had utilization at 56.2% of the SMFP threshold, but its single CT scanner is needed to support services available at that facility and cannot reasonably be reallocated to the proposed project. In addition, Centra holds 50% ownership of Central Virginia Imaging, LLC which was utilized at 91.7% of the SMFP threshold in 2022. Not only is this facility well-utilized, but it is not available for reallocation as it is a separate legal entity.

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.**

The proposal does not foster institutional competition but rather concentrates the CT market even further. Centra currently owns and operates seven of the eight CT scanners in PD 11 (87.5% of CT resources), including Central Virginia Imaging, LLC, a CMS-designated IDTF, of which Centra has 50% ownership. If the proposed project is approved, Centra, will own (or partially own) 8 of 9 authorized CT scanners (89% of CT imaging resources). Though this market concentration is not a desirable outcome, no other providers are seeking to provide the necessary CT imaging resources in the PD.

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.

As noted, Centra Health owns and operates all three of the acute care hospitals in PD 11 and each has a CT service. Lynchburg General is the only hospital in Lynchburg with an emergency department. Virginia Baptist, the other hospital in Lynchburg has a CT scanner to support services provided at that facility, though its utilization is less robust. Together, Centra’s PD 11 hospital-based CT sites operated at 147.6%. Including Central Virginia Imaging, LLC, Centra’s facilities operated at 132% in 2022. The only CT facility in PD 11 not fully or partially owned by Centra is Blue Ridge Ear, Nose, Throat and Plastic Surgery, which is a restricted to head CTs for ENT patients.

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.

Capital costs of the proposal are reasonable as compared to similar, recently authorized projects, and will be funded with accumulated reserves, so no financing costs will accrue. The proforma provided by the applicant (**Table 6**) projects positive income over expenses the first two years of operations. Centra projects only two additional staff members will be needed to operationalize the proposal and its recruitment programs are adequate to obtain them.

Table 6. Proforma Centra Outpatient Imaging Center

	Year 1	Year 2
Gross Revenue	\$ 3,854,392	\$ 3,912,831
Charity Care	\$ 19,657	\$ 19,955
Other Deductions	\$ 2,380,951	\$ 2,417,050
Net Revenue	\$ 1,453,784	\$ 1,475,826
Expenses	\$ 1,089,777	\$ 1,280,845
Income/Loss	\$ 364,007	\$ 194,981

Source: COPN Request No. VA-8739

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 proposal does allow for delivery of care in an outpatient facility and offer CT services at rates lower than hospital-based rates for CT services. It is likely to decant high utilization from the CT services at Lynchburg General and improve the efficiency of operations there. The proposed CT scanner is recent technology with the ability to adapt virtually to any patient independent of size or condition, from pediatric patients up to 500-pound adults.

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.

The applicant is not a teaching hospital associated with a public institution of higher education or a medical school in the area to be served, but states that Centra has a long tradition of learning and teaching. Its health care professionals help mentor and train medical learners and its Office of Medical Education and Student Affairs works with multiple academic partners to place medical learners within Centra's teaching practices.

DCOPN Staff Findings and Conclusions

Centra proposes to expand CT services at Lynchburg General by adding a CT scanner at a new outpatient imaging center co-located with medical office space about half a mile from Lynchburg General. In a relatively rural and slow-growing PD where large areas do not have access to CT services within 30 minutes, the proposed project does not expand geographic access. It does improve access by decanting volumes from the highly utilized CT scanners within Lynchburg General, the only hospital in Lynchburg with an emergency department, and reducing wait times. CT wait times at Lynchburg General are currently about three weeks. DCOPN notes that Lynchburg City has a significantly higher poverty rate than other areas of PD 11 and Virginia. The proposal will improve access financially by offering lower rates for outpatient CT imaging than existing hospital-based services.

The proposal has strong community support, in particular from the medical community, and there is no known opposition to the project. There is no reasonable alternative to the proposed project. The status quo would exacerbate very high utilization and long wait times for CT imaging as demand grows, and it would fail to offer the lower rates of a non-hospital setting. The proposed project is wholly feasible as capital costs appear reasonable and no financing costs will accrue, staffing requirements to implement are minimal, and the applicant projects positive income over expenses in the first two years. It is consistent with applicable standards and criteria of the State Medical Facilities Plan and the 8 Required Considerations of the Code of Virginia. Not only is there a need for two additional CT scanners in PD 11, but Lynchburg General has utilization per scanner of nearly twice the SMFP threshold for adding a CT scanner.

Though the proposed project concentrates another CT scanner with Centra Health in a monopolistic situation, Centra does provide financially accessible CT services that should improve with the availability of lower prices that, the applicant asserts, will mirror those of an IDTF. The mandatory charity condition will also help to ensure financial access. Though not affiliated with a medical school, Centra participates in the education of medical professionals.

DCOPN Staff Recommendations

The Division of Certificate of Public Need recommends **conditional approval** of Centra Health, Inc.'s COPN Request number VA-8739 to expand its CT service with one CT scanner located in Centra Outpatient Imaging Center, near Centra Lynchburg General Hospital for the following reasons:

1. The proposal to expand Centra Health's CT service by one CT scanner in an outpatient facility is consistent with the applicable standards and criteria of the State Medical Facilities Plan and the 8 Required Considerations of the Code of Virginia.
2. PD 11 has a need for two additional CT scanners and the applicant has also demonstrated an institutional specific need for an additional CT scanner.
3. The proposal will improve access by reducing wait times for CT services.
4. The proposed project will offer a lower-cost and more convenient outpatient option for CT services in PD 11.
5. The capital costs of the proposed project are reasonable and no financing costs will accrue in the completion of the proposal.
6. The proposed project is unlikely to have a significant negative impact upon the utilization, costs, or charges of other providers of CT services in PD 11.
7. The proposed project appears to be financially viable in the immediate and long-term.
8. There is no known opposition to the project.

DCOPN's recommendation is contingent upon Centra Health Inc.'s agreement to the following charity care condition:

Centra Outpatient Imaging Center will provide CT imaging 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 will facilitate the development and operation of primary medical care services to medically underserved persons in PD 11 in an aggregate amount equal to at least 0.5% of Centra Outpatient Imaging Center's gross patient revenue derived from CT services. Compliance with this condition will be documented to the Division of Certificate of Public Need annually by providing audited or otherwise appropriately certified financial statements documenting compliance with the preceding requirement. Centra Outpatient Imaging Center will accept the revised charity condition based on data valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq. is available from Virginia Health Information. The value of charity care provided individuals pursuant to this condition shall be based on the provider

reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq.

Centra Outpatient Imaging Center will 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. Additionally, Centra Outpatient Imaging Center will facilitate the development and operation of primary and specialty medical care services in designated medically underserved areas of the applicant's service area.