

VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis

July 19, 2024

RE: COPN Request No. VA-8759

Valley Health Advanced MRI (VHAM)

Medical Circle, LLC

Winchester, Virginia

Expand Specialized Center for Diagnostic Imaging By Relocation of Existing MRI Unit

Applicant

Medical Circle, LLC d/b/a Valley Health Advanced MRI (VHAM) is a nonprofit limited liability company. The applicant is 51% owned by Valley Health System and 49% owned by LOF Enterprises, LLC, which is indirectly owned by Winchester Orthopaedic Associates, Ltd, Winchester Neurological Consultants, Inc., and Virginia Brain and Spine Center, Inc. VHAM operates a Phillips Ingenia Elition X HFO 3.0T MRI System on the Winchester Medical Center campus in Winchester, Virginia . The MRI unit is located in Planning District (PD) 7, in Health Planning Region (HPR) I.

Background Information

PD 7 Population and Demographics

PD 7 is generally rural and is projected to make up approximately 2.9% of the statewide population in 2030. Between 2020 and 2030, the PD 7 population is projected to grow by approximately 4.3%, which is slightly less compared to the forecasted statewide average growth rate of 5.3% for the same period (**Table 1**). The age 65+ cohort in PD 7 is anticipated to increase from 45,093 to 57,841 persons between 2020 and 2030, a growth of 20.4%. This is slightly less than the statewide projected growth rate of 21.5% in 65 and older age group during the same period (**Table 1**). The growth of the 65+ cohort is of particular importance as this demographic group tends to use health care resources, including magnetic resonance imaging (MRI) services, at a higher rate while facing more barriers to access to care.

Table 1. PD7 Population by County and Percent Change from 2020-2030

Geography Name	2020	2030	% Change 2020-2030	2020 65+	2030 65+	% Change 2020-2030 65+
Clarke County	14,783	15,309	3.4%	3,026	3,941	23.2%
Frederick County	91,419	103,035	11.3%	15,622	21,735	28.1%
Page County	23,709	23,041	-2.9%	5,139	5,969	13.9%
Shenandoah County	44,186	45,714	3.3%	10,198	11,893	14.3%
Warren County	40,727	43,250	5.8%	6,596	8,795	25.0%
Winchester City	28,120	29,606	5.0%	4,512	5,508	18.1%
PD 7 Totals/Averages	242,944	259,956	4.3%	45,093	57,841	20.4%
Virginia (Statewide)	8,644,727	9,129,002	5.3%	1,352,448	1,723,382	21.5%

Source: Weldon-Cooper Data from the UVA Weldon Cooper Center for Public Service

Furthermore, in part due to its mostly rural location, the average PD 7 poverty rate is 10.0%, which is slightly lower than the average statewide rate of 10.6% (Table 2). The poverty rate is 13.3% in Winchester, where the proposed project is located.

Table 2. PD 7 Poverty Rates 2023 & Percentage of Total Population

Geography Name	Poverty Rate	% of Total PD 7 Population*
Clarke County	5.8%	5.9%
Frederick County	6.6%	39.6%
Page County	12.3%	8.6%
Shenandoah County	11.4%	17.6%
Warren County	10.9%	16.6%
Winchester City	13.3%	11.4%
PD 7 Totals/Averages	10.0%	100.0%
Virginia, Statewide	10.6%	N/A

Source: U.S. Census Bureau, 2018-2022 5-Year ACS Data

*Calculated using 2030 projected numbers from Table 1

Magnetic Resonance Imaging (MRI)

An MRI is a noninvasive diagnostic technology using a nuclear spectrometer to produce electronic images of specific atoms and molecular structures in solids, especially human cells, tissues and organs¹; the images are created using a large magnet and radio waves, and no radiation is produced.² MRIs are also better at distinguishing between types of soft tissues and between normal and abnormal soft tissues compared to other imaging tools, such as computed tomography (CT) scans.

The utilization data in Table 3 is derived from information reported to Virginia Health Information (VHI) for 2022, the latest year for which such data are available. The average utilization rate per scanner in PD 7, calculated based on the State Medical Facilities Plan (SMFP) threshold of 5,000 procedures per fixed scanner, was 68.0%. Utilization based on only fixed site MRI units in the PD was 80%. Utilization at VHAM was 1,814 scans representing 36.3% of the SMFP threshold (Table

¹ <https://law.lis.virginia.gov/admincode/title12/agency5/chapter230/section10/>

² <https://www.nibib.nih.gov/science-education/science-topics/magnetic-resonance-imaging-mri>

3). Since the 2022 VHI reporting, Valley Health Shenandoah Memorial Hospital was authorized (COPN No. VA-04872) to convert its mobile MRI to a fixed site MRI.

Table 3. PD 7 MRIs and 2022 SMFP Utilization

Facility	Number of MRIs	Mobile/Fixed	Total Procedures	Utilization per Scanner
Valley Health Page Memorial Hospital	1	Mobile	866	17.3%
Valley Health Shenandoah Memorial Hospital	1	Mobile	2,356	47.1%
Valley Health Warren Memorial Hospital	1	Fixed	3,074	61.5%
Valley Health Winchester Medical Center	3	Fixed	12,420	82.8%
Valley Open MRI – Medical Circle (Valley Health)	1	Fixed	1,814	36.3%
Winchester Imaging*	1	Fixed	6,683	133.7%
Totals/Averages	8		27,213	68.0%
Fixed Site MRIs	6		23,991	80.0%

Sources: DCOPN Records and VHI 2022 Data

*The applicant reports utilization volume for 2022 was 6,690 procedures

Long Wait Times for Services

VHAM reports that currently, Valley Health patients experience long wait times reaching up to 42 days to access routine and specialty services that can be performed using VHAM’s MRI unit, due to struggles with staffing of supervising physicians at the current site.

VHAM provides the following information on average MRI wait times for Valley Health patients:

- Routine studies: 7-14 days
- Specialty studies (prostate, rectal, breast): 14-21 days
- Joint arthrograms: 28-42 days

Proposed Project

VHAM is proposing to relocate an existing MRI unit authorized under COPN No. VA-04019 (December 2007) from VHAM’s current site on Winchester Medical Center’s campus (1830 Amherst Street) to a new site at 160 Exeter Drive, Winchester, Virginia. The MRI unit’s current location is an outdated modular building, and once relocated, the current site at 1830 Amherst Street will be demolished to create additional green space on Winchester Medical Center’s Campus. The proposed site is approximately 1.7 miles from the current site. To accommodate the MRI unit, an existing suite (Suite 101) on the first floor of the building at 160 Exeter Drive will be renovated. Construction will consist of new finishes, wall protection, medical gases, and electrical power drops.

The total capital cost of the proposed project is projected to be \$2,123,365 (**Table 4**), of which \$1,173,365 (55.26%) is to be paid through VHAM cash reserves and \$950,000 (44.74%) is to be paid through commercial loans. Should the proposed project be approved, target date of opening is June 30, 2025.

Table 4. Total Capital Cost Summary

Direct Construction Costs Sub-total	\$467,063.04
Cost of materials	\$457,643
Allocation for contingencies	\$9,420.04
Equipment Not Included in the Construction Contract Sub-total	\$201,400
Major Medical Equipment	\$111,400
Other (rigging)	\$90,000
Site Acquisition Costs Sub-total	\$816,287
Leasehold Annual Rent	\$816,287
Site Preparation Costs Sub-total	\$431,197
Site Utilities	\$241,500
WMC-MRI-Building/MEP Demolition	\$189,697
Architectural and Engineering Fees Sub-total	\$28,750
Architect's design fee	\$28,750
Conventional Mortgage Loan Financing Sub-total	\$178,668
Dollar amount of construction loan	\$950,000
Estimated loan interest cost	\$178,668.32
Total Capital Cost	\$2,123,365

Source: COPN Request No. VA-8759

Project Definition

Section 32.1-102.1:3 of the Code of Virginia defines a project, in part, as the “[e]stablishment of a medical care facility described in subsection A.” 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.

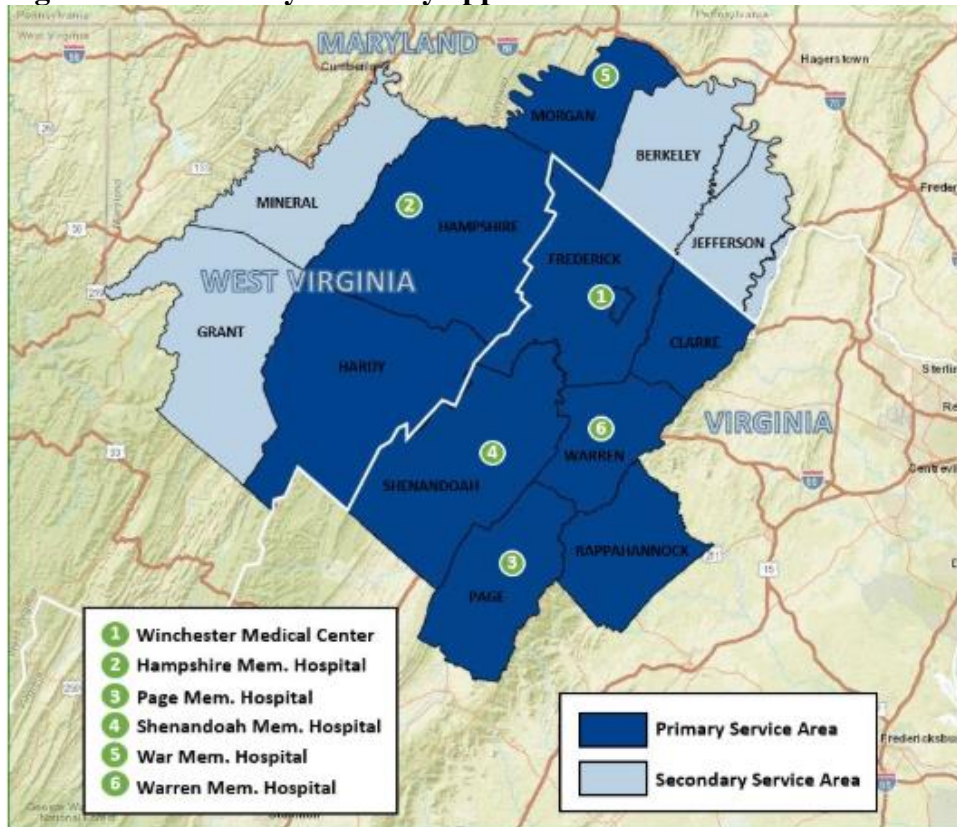
- 1. The extent to which the proposed service or facility will provide or increase access to needed services for residents of the area to be served, and the effects that the proposed service or facility will have on access to needed services in areas having distinct and unique geographic, socioeconomic,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

The proposed site at 160 Exeter Drive is situated at the intersection of Route 522 and Route 37 and is easily accessible via Interstates 66 and 81. The location provides adequate access for patients, visitors, staff, and emergency medical vehicles. Many of the service area patients reside in highly rural, mountainous communities, and the topography and two-lane highways that connect these communities make travel hazardous during times of inclement weather.

Depicted in **Figure 1** is a map of the communities served by VHAM. The applicant defines its primary service area (PSA) to be the Frederick, Clark, Shenandoah, Warren, Page, and

Rappahannock counties and Winchester City in Virginia, and its secondary service area (SSA) consists of areas in West Virginia.

Figure 1. Community served by applicant



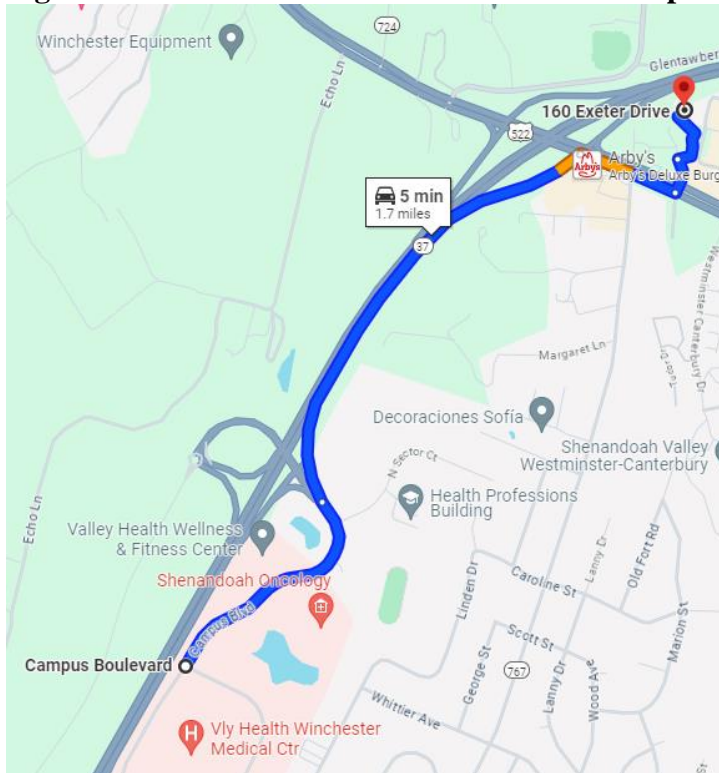
Source: ESRI 2010, created by Winchester Medical Center Planning and Business Development³

To access VHAM’s current location, patients must navigate a busy hospital campus where it can be difficult to obtain parking. The site is also tucked behind other buildings on Winchester Medical Center’s campus, making VHAM’s MRI services inconvenient for patients to access. Although located off the Winchester Medical Center’s campus, the proposed new MRI site on Exeter Drive is on the first floor (Suite 101) of the building, making VHAM’s MRI services easy-to-find upon patients’ arrival at the site. The proposed site is also located just 1.7 miles from Winchester Medical Center (**Figure 2**), meaning patients and staff will still have easy access to the medical campus if needed. By relocating VHAM’s existing MRI service to the site on Exeter Drive, the proposed project will provide state-of-the-art equipment at a better access point for patients in PD 7.

Winchester Radiologists, P.C., is located in the Exeter Drive building and operates an MRI scanner in a different suite on the same floor as the proposed site. The applicant states that the radiologists support approval of the proposed project due to overutilization of Winchester Imaging’s existing MRI and that the colocation will afford greater opportunities for staffing of VHAM’s MRI scanner.

³ <https://www.valleyhealthlink.com/documents/content/WMC-CHNA-2022.pdf>

Figure 2. Travel Time Between Current and Proposed Location



Source: Google Maps

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

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

DCOPN received no letters of opposition and 10 letters of support from local providers, including Winchester Radiologists, P.C. which operates Winchester Imaging, located at the proposed site, and the Valley Health medical community. Collectively, these letters articulate several benefits of the project, including:

- Continued growth in the demand for imaging services;
- Relocation will alleviate long wait times that result in patient frustration and potential adverse outcomes delaying the standard of care; and
- The benefits of relocation to use an underutilized unit to its fullest potential by providing more access to targeted exams and optimize patient imaging.

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-8759 is not competing with

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

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

DCOPN did not discover any reasonable alternatives to the proposed service that would meet the needs of the population in a less costly, more efficient, or more effective manner. Approval of the project will improve the distribution of existing MRI resources in the rural PD 7 community without adding to the PD's overall MRI inventory and it will reduce wait times for MRI studies. The proposal will improve access to a wider range of MRI studies, could reduce costs for patients and the healthcare system and alleviate some difficulties surrounding physical access to VHAM's MRI, resulting in more efficient delivery of care involving MRI imaging needs.

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

Currently there is no organization in HPR I designated by the Virginia Department of Health to serve as the Health Planning Agency for PD 7. Therefore, this consideration is not applicable to the review of the proposed project.

(iv) Any costs and benefits of the project.

The total capital cost of the project is \$2,123,365, of which \$950,000 is to be paid through commercial loans at a cost of \$178,668. An additional 4 full time equivalents (FTEs) will be needed by 2028 to accommodate projected MRI volumes. If approved, VHAM anticipates that the relocated unit will perform approximately 2,500 MRI scans/year immediately after opening increasing to approximately 4,500 scans by 2028.

With more optimized MRI usage, this project will improve timeliness and ease of access for patients in the local community as wait times will be reduced, the need to travel for special studies or faster procedures will not be necessary, and the number of staff available for emergencies will increase as well.

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

The applicant has provided assurances that MRI services will be accessible to all patients, regardless of payor source, and that approval of the proposed project will not impact the cost of care to the patient. For 2022, the most recent year for which such data is available, the average amount of charity care provided by HPR I facilities was 1.9% of gross patient revenues. VHAM did not include charity care in its proforma (**Table 7**).

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. 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. DCOPN recommends that VHAM be subject to a 1.9% charity care condition, to be derived from total MRI gross patient services revenues, in line with the HPR I average.

Table 5. Charity Care, HPR I Facilities, 2022

HPR I	Gross Pt Rev	Total Charity Care Provided Below 200%	Adjusted Charity Care	%
Encompass Health Rehab Hosp of Fredericksburg	\$44,295,730	\$2,229,009	\$2,229,009	5.0%
UVA Health Culpeper Medical Center	\$240,048,159	\$7,421,653	\$7,421,653	3.1%
University of Virginia Medical Center	\$7,848,317,103	\$221,917,841	\$221,917,841	2.8%
UVA Transitional Care Hospital	\$33,698,098	\$949,912	\$949,912	2.8%
Sentara RMH Medical Center	\$1,071,307,453	\$23,829,680	\$23,829,680	2.2%
Sentara Martha Jefferson Hospital	\$859,138,273	\$13,611,074	\$13,611,074	1.6%
Carilion Rockbridge Community Hospital	\$198,916,994	\$2,991,170	\$2,991,170	1.5%
Valley Health Winchester Medical Center	\$1,626,765,087	\$15,114,509	\$15,114,509	0.9%
Fauquier Hospital	\$403,961,455	\$3,743,617	\$3,743,617	0.9%
Valley Health Page Memorial Hospital	\$86,671,293	\$784,764	\$784,764	0.9%
Valley Health Shenandoah Memorial Hospital	\$172,624,855	\$1,427,262	\$1,427,262	0.8%
Stafford Hospital Center	\$325,489,642	\$2,667,241	\$2,667,241	0.8%
Valley Health Warren Memorial Hospital	\$214,875,231	\$1,602,856	\$1,602,856	0.7%
Augusta Health	\$1,319,446,005	\$9,441,322	\$9,441,322	0.7%
Spotsylvania Regional Medical Center	\$767,734,481	\$5,368,645	\$5,368,645	0.7%
Mary Washington Hospital	\$1,489,676,899	\$7,943,769	\$7,943,769	0.5%
Bath Community Hospital	\$27,995,987	\$81,827	\$81,827	0.3%
UVA Encompass Health Rehabilitation Hospital	\$35,912,204	\$11,443	\$11,443	0.0%
Total Inpatient Hospitals:				18
HPR I Total Inpatient \$ & Mean %	\$16,766,874,949	\$321,137,594	\$321,137,594	1.9%

Source: VHI 2022

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

DCOPN did not identify any other discretionary factors not discussed elsewhere in this staff analysis report to bring to the attention of the Commissioner as may be relevant in determining a public need for the proposed project.

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

Section 32.1-102.2:1 of the Code of Virginia calls for the State Health Services Plan Task Force to develop recommendations for a comprehensive State Health Services Plan (SHSP). In the interim, these

regulations provide the best available criteria and DCOPN will consider the consistency of the proposed project with the predecessor of the SHSP, the State Medical Facilities Plan (SMFP).

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

Part II. Diagnostic Imaging Services

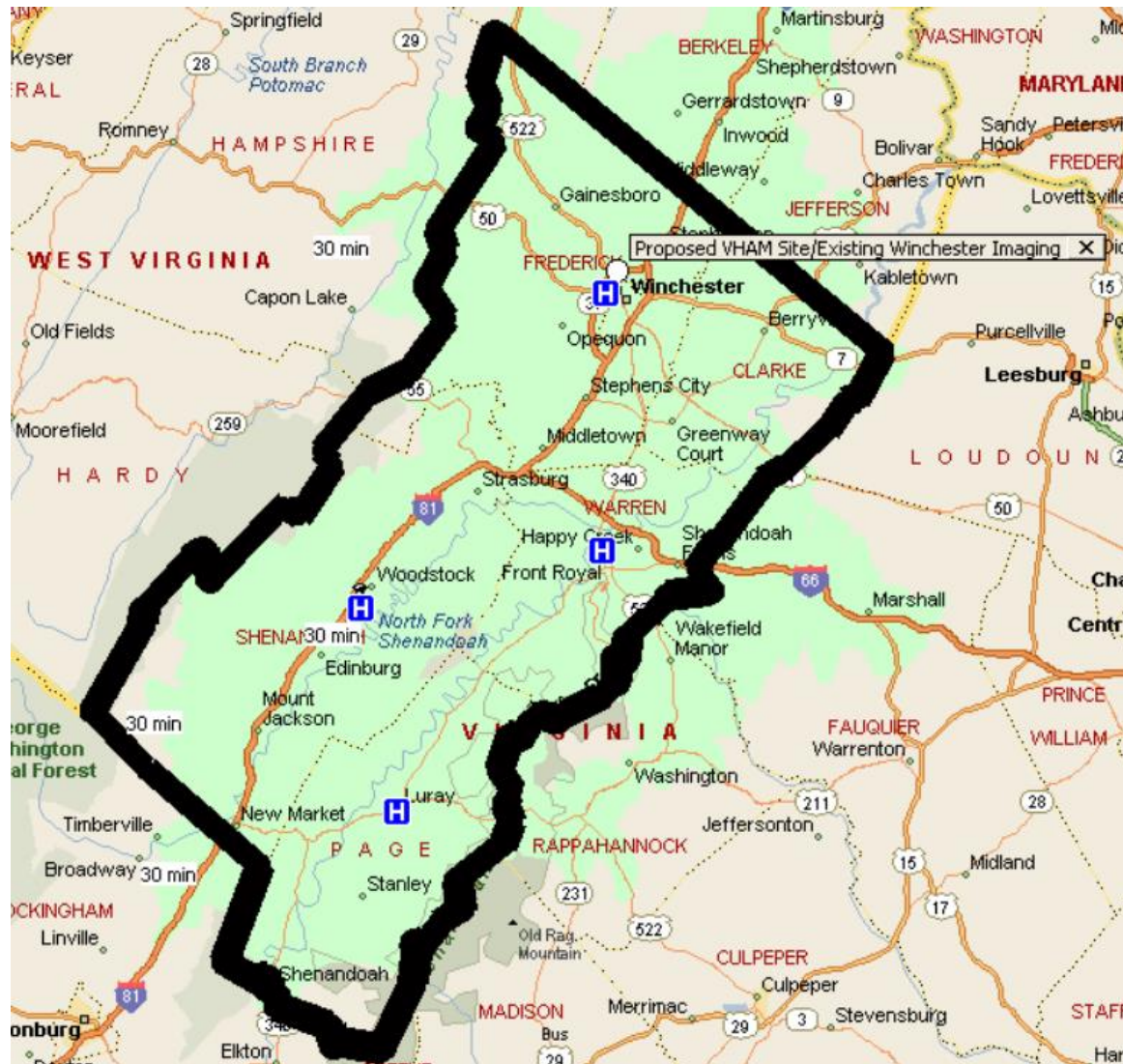
Article 2. Criteria and Standards for Magnetic Resonance Imaging

12VAC5-230-140. Travel time.

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

Figure 3 illustrates PD 7 and its authorized MRI sites. The black line is the boundary of PD 7. The green shaded area is the area within 30 minutes' drive time of MRI services located in PD 7. The majority of the PD 7 population clusters around the towns or major thoroughfares, where they have access to MRI services within a 30-minute driving distance. As the areas not covered by the green shading in **Figure 3** are extremely rural and thus not densely populated, it is reasonable to assume that approximately 95% of the PD 7 population is currently within the 30-minute driving distance threshold dictated by the SMFP. The proposed project will not improve geographic access in PD 7.

Figure 3. PD 7 MRI Providers and Driving Time



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

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

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

According to 2022 VHI data, PD 7 fixed site MRIs operated at 80.0% of the SMFP threshold, performing 23,991 MRI procedures on 6 fixed site units. Valley Health Shenandoah Memorial Hospital has since been authorized to convert its mobile unit to a fixed unit. The 23,991 MRI procedures, when performed on the 7 fixed site scanners currently authorized in PD 7 would

average 3,427 scans per unit, falling short of the SMFP standard at 68.5%. VHAM, however, is proposing to establish a new fixed site for MRI services through the relocation of an existing MRI unit which will not add to the MRI inventory in PD 7.

Although VHAM has experienced steady growth in MRI utilization in recent years, its MRI service has been consistently underutilized (**Table 6**). In 2023, the VHAM unit performed 1,843 MRI scans, which is 36.9% of the SMFP threshold for MRI units. In comparison, Winchester Imaging, which currently operates a fixed MRI unit at the proposed site, performed 6,912 procedures in 2023, which is 138.2% of the SMFP threshold (**Table 6**). The operators of Winchester Imaging support the re-location of the VHAM MRI to help decompress its high utilization. With this in mind, approval of the proposed project will neither add a new MRI unit to PD 7's inventory nor negatively impact existing MRI services in the area; instead, the proposed project seeks to improve the utilization of the VHAM unit and decompress MRI volumes of an existing MRI.

VHAM expects greater utilization of the MRI unit in the proposed Exeter Drive location, which is easier to access by patients compared to VHAM's current location. VHAM predicts that the MRI unit will perform approximately 2,500 procedures after relocating, and projected utilization by its fifth year of operation is 4,500 procedures annually. Furthermore, since Exeter Drive site will be collocated with Winchester Radiologists, P.C. and Winchester Imaging, the proposed project will present greater opportunities to staff the VHAM MRI unit with supervising physicians without causing harm to existing providers in PD 7.

Table 6. Comparing Fixed MRI Scanner Utilization: VHAM and Winchester Imaging

	Number of Fixed MRI Scanners	2019	2020	2021	2022	2023
Valley Health Advanced MRI (VHAM)	1	1678	1671	1771	1814	1843
Winchester Imaging	1	6523	5993	6528	6683	6912

Source: COPN Request No. VA-8759

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.

This provision of the SMFP is not applicable as the applicant is not proposing the expansion of a fixed site MRI service.

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.

This provision is not applicable as the applicant is not proposing to add or expand a mobile MRI site.

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

This provision of the SMFP is not applicable as the applicant is not proposing to convert authorized mobile MRI scanners to fixed site scanners.

12VAC5-230-180. Staffing.

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

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

4. The extent to which the proposed service or facility fosters institutional competition that benefits the area to be served while improving access to essential health care services for all persons in the area to be served.

The proposed project would provide an easier-to-access fixed MRI service for patients within a 30-minute driving distance in PD 7. While the additional study capabilities may reduce volumes from another fixed MRI unit (Winchester Imaging) at the proposed site, study capabilities will be collocated, and VHAM seeks to reduce overutilization of the MRI service at Winchester Imaging, not replace it. Furthermore, Valley Health System is the owner or joint owner of all MRI service providers in PD 7; thus, a relocation of the VHAM scanner is not likely to have an impact on institutional competition.

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.

Using the 5,000 procedures SMFP threshold, the average utilization per MRI scanner in PD 7 in 2022 was 80.0% (**Table 3**). Utilization of all fixed MRI units is less than 100%, and utilization of the VHAM fixed MRI scanner in 2023 is only 36.9% of the SMFP threshold (**Table 4**). In contrast, the MRI unit at Winchester Imaging is currently overutilized. In 2023, Winchester Imaging performed 6,912 scans, operating at 138.2% of the SMFP's capacity threshold for units. If approved, this project will decompress MRI overutilization at Winchester Imaging by creating opportunities to shift MRI volumes. Furthermore, Winchester Imaging's 1.2 Hitachi MRI does not currently offer breast, prostate and rectal studies, while the VHAM scanner does. If approved, the collocated MRI services at Winchester Imaging and VHAM will complement one another. Both VHAM and Winchester Imaging are jointly owned with Valley Health System, which is the parent

of all MRI services providers in PD 7. As such, the utilization and the efficiency for providing services in PD 7 is predicted to improve without change in overall provider competition following a relocation to the Exeter Drive site.

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.

Projected capital cost of the proposed project is projected to be \$2,123,365 to be funded through VHAM cash reserves and commercial loans. The applicant had provided reassurances that given the project’s association with WOA and WNC and their reputation in the community, commercially reasonable terms will be available from local banks. Projected capital costs are slightly lower compared to the following two projects of similar size and scope (adjusted for inflation):

- COPN No. VA-7873, authorizing University of Virginia Imaging, LLC in PD 10 HPR 1 on March 2, 2012, to relocate one MRI unit within PD 10 with a total capital cost of \$1,923,500 (\$2,800,031.65⁴ when adjusted for inflation).
- COPN No. VA-8502, authorizing Warren Memorial Hospital in PD 7 HPR I on November 20, 2020, to add one fixed MRI scanner and one fixed CT scanner with a recalculated capital cost of \$1,460,200 (\$2,544,287.88 when adjusted for inflation) after subtracting the cost of the major medical equipment (\$2,311,644).

With this in mind, the total capital cost of the project appears reasonable.

The first year of operation after relocation is anticipated to yield income over \$1.8 million, and nearly \$2.7 million in the second year (**Table 7**). The proposed project appears to be financially viable for the short and long-term. The project would require a modest staffing addition of 4 FTEs which is also wholly feasible.

Table 7. Proforma Medical Circle , LLC d/b/a Valley Health Advanced MRI

	Year 1	Year 2
Gross Revenue	\$ 3,857,000	\$ 4,408,000
Charity Care	\$ -	\$ -
Net Revenue	\$ 3,857,000	\$ 4,408,000
Expenses	\$ 1,994,621	\$ 1,710,412
Income/Loss	\$ 1,862,379	\$ 2,697,588

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

⁴ Calculated using the Consumer Price Index (CPI) made available by the Bureau of Labor Statistics. The most recent calculations available at the time of the writing of this staff report are for June 2024.

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, and (iv) At the discretion of the Commissioner, any other factors as may be appropriate.

The project would not bring new technology to PD 7, but it would make existing MRI services easier to access, particularly in a mostly rural region where difficult terrain poses accessibility challenges. VHAM has provided assurances to uphold the continuity of care for its patients, such as creating an electronic medical records system to facilitate communication among providers and if necessary, transfer digitized data electronically to other facilities at which the scanned patient will receive services. The services would also continue to be provided on an outpatient basis. The quality and ability for additional studies to be performed at the Exeter Drive site and patients residing within a 30-minute one way drive would increase, and the relocation of the VHAM MRI unit will add specialty studies (prostate, rectal, breast) to the capabilities of the existing Winchester Imaging at the proposed site. DCOPN did not identify any other discretionary factors, not discussed elsewhere in this staff analysis report, to bring to the attention of the Commissioner as may be relevant in determining the extent to which the project provides improvements or innovations in the financing and delivery of health services.

8. In the case of a project proposed by or affecting a teaching hospital associated with a public institution of higher education or a medical school in the area to be served.

(i) The unique research, training, and clinical mission of the teaching hospital or medical school. (ii) Any contribution the teaching hospital or medical school may provide in the delivery, innovation, and improvement of health care for citizens of the Commonwealth, including indigent or underserved populations.

Not applicable. The applicant is not affiliated with a teaching hospital associated with a public institution of higher education or a medical school in the area to be served.

DCOPN Staff Summary and Findings

The PD 7 population, particularly the aged 65+ cohort, is expected to grow between 2020 and 2030, albeit at a rate slightly lower than the projected statewide averages. In part due to its mostly rural location, the PSA for VHAM experiences poverty at rates comparable to statewide averages.

In 2022, the average utilization rate per fixed MRI scanner was 80.0% of the threshold set by the SMFP. Despite steady growth in patient population, however, the utilization of the VHAM scanner was only 1,1814 scans, representing less than 37% of the SMFP threshold. VHAM patients also experience long wait times to access routine and specialty services that can be performed using VHAM's MRI unit due to difficulties in accessing the current site and radiology staffing challenges.

The total capital cost is slightly lower compared to other projects of similar size and scope, so the cost of the proposed project appears reasonable. A modest increase of 4.0 FTEs is needed for the

first year of operation of this project; this is not likely to have a substantial effect on other area MRI service providers.

There was no opposition to the project, and DCOPN received 10 letters of support from local providers and the Valley Health medical community. DCOPN did not identify any reasonable alternatives to the proposed project that would meet the needs of this rural, relatively geographically isolated community in a less costly, more efficient, or more effective manner.

Presently, approximately 95% or more of the PD 7 population has access to MRI services within a 30-minute drive time and the proposed project would not improve geographic access. The proposed project would not add to the PD 7 inventory but would rather relocate an existing MRI scanner on Winchester Medical Center's campus to a new site located 1.7 miles away at 160 Exeter Drive. The new site is more convenient for patients to access, particularly those with limited mobility, while diverting overutilization of another scanner at the same site (Winchester Imaging) that is currently operating at 138.2% of the SMFP threshold. Consequently, the proposed project will present greater opportunities to staff the VHAM MRI unit with supervising physicians without significantly reducing the utilization of existing providers in PD 7.

DCOPN Staff Recommendations

COPN Request No. VA-8759 – Valley Health Advanced MRI (VHAM); Medical Circle, LLC

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

1. The proposal to relocate an existing MRI unit (VHAM) to another site within PD 7 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. The proposed project does not add to the inventory in PD 7 but represents a better distribution of existing MRI services.
3. There does not appear to a reasonable alternative to the proposed project and it is more beneficial than the status quo.
4. The proposed project is wholly feasible in the short- and long-term.
5. There is no known opposition to the project.

Charity Condition

DCOPN's recommendation is contingent upon Medical Circle, LLC d/b/a Valley Health Advanced MRI's agreement to the following charity care condition:

Medical Circle, LLC d/b/a Valley Health Advanced MRI will provide magnetic resonance imaging (MRI) services to all persons in need of this service, regardless of their ability to pay, and will

provide as charity care to all indigent persons free services or rate reductions in services and facilitate the development and operation of primary care services to medically underserved persons in an aggregate amount equal to at least 1.9% of Medical Circle, LLC d/b/a Valley Health Advanced MRI's total patient services revenue derived from MRI services as valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq. Compliance with this condition will be documented to the Division of Certificate of Public Need annually by providing audited or otherwise appropriately certified financial statements documenting compliance with the preceding requirement. Medical Circle, LLC d/b/a Valley Health Advanced MRI 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.

Medical Circle, LLC d/b/a Valley Health Advanced MRI will provide MRI services to individuals who are eligible for benefits under Title XVIII of the Social Security Act (42 U.S.C. § 1395 et seq.), Title XIX of the Social Security Act (42 U.S.C. § 1396 et seq.), and 10 U.S.C. § 1071 et seq. Additionally, Medical Circle, LLC d/b/a Valley Health Advanced MRI will facilitate the development and operation of primary and specialty medical care services in designated medically underserved areas of the applicant's service areas.