

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-8762
Spotsylvania Regional Medical Center
Fredericksburg, Virginia
Establish a medical care facility with 1 CT scanner**

Applicant

Spotsylvania Medical Center, Inc. d/b/a Spotsylvania Regional Medical Center (SRMC), is a Virginia-domiciled for-profit stock corporation that was organized in November 2005. SRMC is a wholly owned subsidiary of HCA Health Services of Virginia, Inc., which in turn is an affiliated entity of HCA, Inc. HCA, Inc., headquartered in Nashville, Tennessee, is a for-profit, Delaware domiciled holding company. The proposed facility, Stafford ER and Imaging Center at 56 McWhirt Loop is a new site located in Stafford County in Planning District (PD) 16 within Health Planning Region (HPR) I.

Background

According to VHI data reported for fiscal year 2022, the latest year for which such data are available, PD 16 had 11 fixed-site CT scanners with an average utilization of 8,778 per scanner, or 118.6% of the State Medical Facilities Plan (SMFP) (**Table 1**). The applicant points out that all CT sites reporting CT volumes in PD 16 that year, except SRMC, are owned by Mary Washington Healthcare. Mary Washington Healthcare owned nine of the eleven fixed CTs (82%) and performed 80% of the CT volumes.

Table 1. Utilization, CT Scanners in PD 16

Facility Name	Number of Fixed CT Scanners	CT Procedures	CT Procedures per Scanner	% of SMFP Threshold
Mary Washington Hospital	4	37,133	9,283	125.4%
Medical Imaging at Lee's Hill	1	8,520	8,520	115.1%
Medical Imaging of Fredericksburg	1	14,583	14,583	197.1%
Medical Imaging of North Stafford	1	3,697	3,697	50.0%
Spotsylvania Regional Medical Center	2	18,919	9,460	127.8%
Stafford Hospital	2	13,709	6,855	92.6%
PD 16 Volumes and % of SMFP threshold	11	96,561	8,778	118.6%

Source: VHI 2022

There are currently 16 CT scanners authorized for PD 16, including the CT component of the PET/CT scanner at Medical Imaging of Fredericksburg (**Table 2**). This is one of the rare instances in Virginia in which a site has requested that the CT capability of a PET/CT be authorized to take CT scans independent from PET imaging. **Table 3** summarizes the difference between the current authorized inventory and the reported number of CT scanners in the 2022 VHI report. SRMC opened Fredericksburg ER in February 2023 and Mary Washington Healthcare added CT scanners at Medical Imaging of Fredericksburg and Mary Washington Hospital. In addition, the authorized fixed CT at Medicorp-Mary Washington Healthcare Imaging Center has been operated as a mobile CT and reported minimal volumes from 2019 to 2022. Mary Washington Healthcare brought this CT scanner back to fixed site operation, relocated in October 2023 at Medical Center at Harrison’s Crossing.

Table 2. Authorized CT Scanners, PD 16

Facility	Diagnostic CT Scanners
Chancellor ER (<i>Fredericksburg ER</i>)	1
Mary Washington Hospital	5
Medical Imaging at Harrison's Crossing	1
Medical Imaging at Lee's Hill	1
Medical Imaging of Fredericksburg	3
Medical Imaging of North Stafford	1
Medicorp-Mary Washington Healthcare Imaging Center (<i>formerly Prat</i>)	0
Spotsylvania Regional Medical Center	2
Stafford Hospital Center	2
Authorized CT Scanners, PD 16	16

Source: DCOPN Records

HCA added one CT scanner (Fredericksburg ER) and operates three of the sixteen PD 16 authorized scanners (19%) while Mary Washington Healthcare operates four more CT scanners than it reported for 2022, thirteen of the sixteen (81%). Similar to Fredericksburg ER, the proposed project includes a freestanding emergency department (FSED) as well as CT services. FSEDs do not require a Certificate of Public Need (COPN); however, CT scanners allow for more robust services at this type of facility and do require a COPN. This analysis is to determine need for CT services.

Table 3. Difference in CT Count, 2022 VHI vs DCOPN Inventory

Facility	CTs	Notes
Medicorp-Mary Washington Healthcare Imaging Center	+1	COPN No. VA-03683 authorized one fixed CT scanner. It was reported as a mobile 2019-2022.
Medicorp-Mary Washington Healthcare Imaging Center	-1	COPN No. VA-04796 authorized the relocation of the fixed CT to Medical Imaging Harrison's Crossing (completed 10/15/23).
Medical Imaging of Harrison's Crossing	+1	COPN No. VA-04796 authorized the relocation of the fixed CT to Medical Imaging Harrison's Crossing (completed 10/15/23).
Fredericksburg ER	+1	COPN No. VA-04697 authorized Fredericksburg ER, aka Chancellor ER (completed 2/23).
Mary Washington Hospital	+1	COPN No. VA-04698 authorized the addition of 1 CT Scanner (to be completed 1/16/26)
Medical Imaging of Fredericksburg	+2	COPN No. VA-04696 authorized the addition of one CT scanner (to be completed 6/2/2025); also, COPN No. VA- 03953 authorized the separate use of the CT capability of the PET/CT scanner.
Total Difference in CT Scanner Count	+5	
Authorized CT Scanners in PD 16 Inventory	16	

Source: DCOPN Records

Proposed Project

SRMC proposes to establish a new CT site with one CT scanner at a newly constructed facility, Stafford ER and Imaging Center at 56 McWhirt Loop in Stafford County, based on an institutional need for additional CT capacity. The proposed facility is a 16,854 square foot building with 3,968 square feet allocated to diagnostic and imaging services including X-ray. CT, mammography and ultrasound. The capital expenses associated with the CT component of the proposed facility are broken out in **Table 4**. The proposal will be funded with accumulated reserves. Should it be approved, the target date to begin operations is January 2027.

Table 4: Capital Costs, CT Imaging at Stafford ER and Imaging Center

Direct Construction Costs	\$319,500
Equipment Not Included in Construction Contract	\$560,000
Site Acquisition Costs	\$55,102
Site Preparation Costs	\$51,000
Offsite Costs	\$12,000
Architectural and Engineering Fees	\$19,000
Total Capital Costs	\$1,016,602

Source: COPN Request No. VA-8762

Project Definition

Section 32.1-102.1:3 of the Code of Virginia defines a project, in part, as the “establishment 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 computed tomographic (CT) scanning...”

Required Considerations -- § 32.1-102.3, of the Code of Virginia

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

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

PD 16 had 382,551 people in 2020 and is projected to add 48,509 more people by 2030, growing to 431,060, a 12.7% growth in population during the decade (**Table 5**). This is more than twice the rate of growth projected for Virginia during the same period. Stafford County, where the proposed project is located, has the largest population of the localities in PD 16 (**Table 1/Figure 1**), is projected to grow by the largest number of people (**Table 1/Figure 2**) and has the highest percentage of growth projected of the PD 16 localities (**Table 1**).

Table 5. Population by Locality, PD 16

Locality	2020 Population	2030 Projected Population	Projected Growth 2020 - 2030	Percent Growth Projected
Caroline County	30,887	32,753	1,866	6.0%
King George County	26,723	29,434	2,711	10.1%
Spotsylvania County	140,032	155,407	15,375	11.0%
Stafford County	156,927	182,243	25,316	16.1%
Fredericksburg City	27,982	31,224	3,242	11.6%
PD 16	382,551	431,060	48,509	12.7%
<i>Virginia Statewide</i>	<i>8,631,393</i>	<i>9,129,002</i>	<i>497,609</i>	<i>5.8%</i>

Sourced from United States Census Bureau at <https://data.census.gov/> and Weldon Cooper Center for Public Service, August 2023

Figure 1. Population by Locality in PD 16

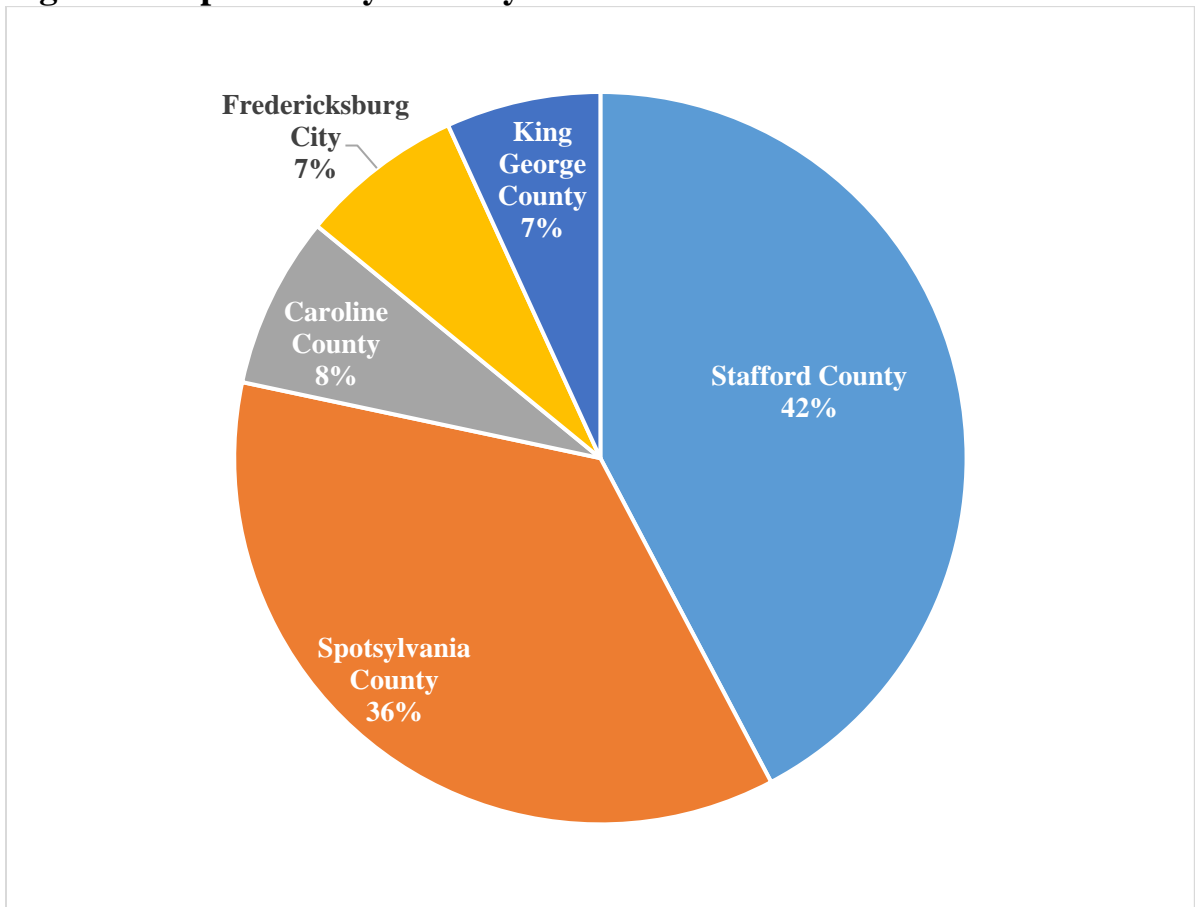
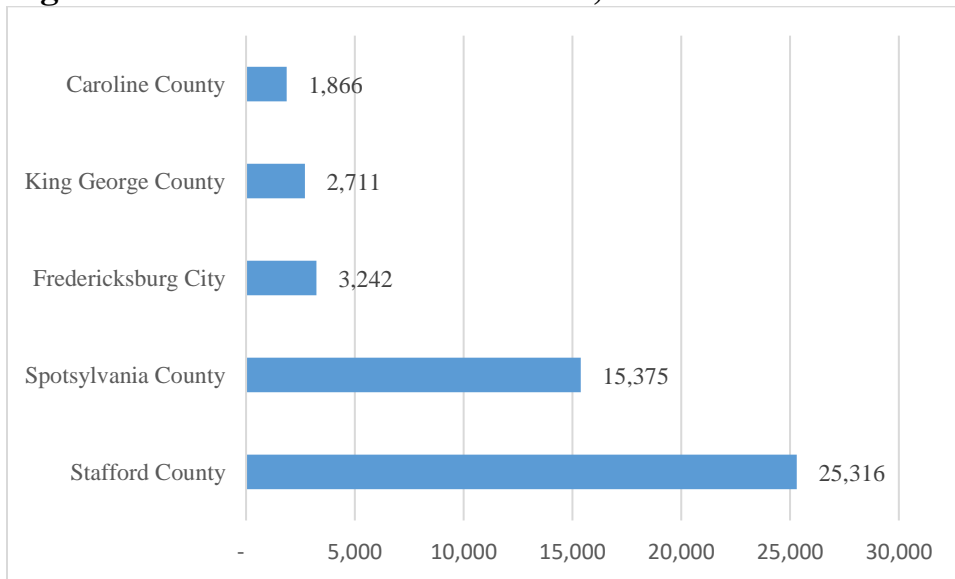


Figure 2. Growth in PD 16 Localities, 2020 to 2030



To provide context for socioeconomic barriers, DCOPN compared poverty rates in PD 16 (Table 6). With the exception of Fredericksburg City, PD 16 localities have a lower percentage of people living in poverty than the average across Virginia. Stafford County’s poverty rate is the lowest of the PD 16 localities.

Table 6. PD 16 Poverty Rates¹

Geographic Name	Rate
Caroline County	9.7%
Fredericksburg City	14.1%
King George County	6.8%
Spotsylvania County	7.5%
Stafford County	5.4%
PD 16 Totals	8.7%
<i>Virginia</i>	<i>10.7%</i>

The applicant states that the proposed site is highly accessible along Warrenton Road, a main thoroughfare for travel from the west into Stafford County and the only artery leading to Interstate 95. It is also easily accessible, a few minutes’ walk from three different public transportation stops for the Fredericksburg Regional Transit (the FRED Bus) and nearby some high-growth neighborhoods. The applicant contends that the Rappahannock River creates a geographic barrier to travel, and traffic delays are frequent where travelers traverse the river. The proposed Stafford ER and Imaging Center would be the first SRMC site offering CT services north of the river and create access for SRMC patients living in that area of PD 16.

¹ <https://www.indexmundi.com/facts/united-states/quick-facts/virginia/percent-of-people-of-all-ages-in-poverty#table>

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 Radiology Associates of Richmond, which currently provides radiology services to SRMC and to Fredericksburg ER, to support Stafford ER and Imaging Center as well. DCOPN also received seven letters of support for the proposed project from Virginia Senator Tara Durant, Virginia Delegates Joshua Cole and Bobby Orrock, Primary and Urgent Care, Virginia Cardiovascular Consultants, Central Virginia Orthopaedics & Sports Medicine, Cardiology Associates of Fredericksburg, Ltd. These letters, in aggregate, expressed the following:

- Stafford County has experienced significant growth in recent years and this is expected to continue.
- It is imperative to ensure residents have timely access to healthcare resources.
- Close and convenient access to emergency services is absolutely critical to give patients their best chance for successful recovery.
- CT imaging is a critical tool to diagnose and treat a variety of emergent and non-emergent heart conditions, for example, obstructions of blood flow to the heart.
- Chest CT is critical to enabling the physician to diagnose the patient and begin critical, even lifesaving treatment.
- CT imaging is essential to the practice of orthopedic surgery, depicting bones, joints and surrounding soft tissue for surgeons to evaluate for infection, defects or structural damages.
- We rely on accurate diagnosis of conditions to provide patients with effective treatment.
- I hear from constituents about the need for improved access and the importance of choice and competition in the region's health system.
- When Mary Washington was the only provider of hospital services in Fredericksburg, patients were hungry for choice.
- SRMC has offered an excellent and important alternative.
- SRMC has earned an excellent reputation.
- SRMC consistently provides exceptional patient care.
- Radiology Associates of Richmond, the oldest private radiology practice in the country, will provide physician coverage and medical direction at the proposed facility.
- Patients of both SRMC and Mary Washington have benefitted from the enhanced choice and introduction of institutional competition.
- Patients in the region deserve choice and competition among healthcare competitors.
- One of the most important aspects of providing quality care is listening to needs of patients.
- Individuals have strong preferences for one health system or another based on past experiences, insurance and/or doctors.
- Stafford County faces unique challenges including chronic traffic congestion; the region is notorious for heavy traffic, which impedes patients' ability to access their provider of choice.
- Patients often complain that timely access to care is hindered by traffic congestions and chokeholds crossing the Rappahannock River.

- Patients preferring SRMC will drive further to access care from their preferred provider.
- The proposed project will ensure that patients who prefer SRMC can reach one of its sites as quickly as possible.
- The proposed site will be ideally located to provide an access point for SRMC's existing patients, removing the unnecessary traffic burden and hindrance to time-sensitive medical care.
- Establishing Stafford ER and Imaging Center will improve access for patients who already choose SRMC but live closer to the Stafford ER and Imaging Center site or Fredericksburg ER.
- The proposal will produce better patient outcomes because it will reduce the time required to access time-sensitive and emergency and CT imaging services affiliated with SRMC.
- Mary Washington already has locations both north and south of the river, but SRMC only has those services south of the river.
- It is commonsense that SRMC should similarly be permitted to offer CT imaging and emergency care on both sides of the river.
- The proposal provides access to an HCA provider both north and south of the Rappahannock River.
- The proposed project will ensure patients who currently trust SRMC receive the care they need sooner and in a location much closer to home for many.
- The proposed project offers immense benefits for patients.
- Approval of the proposed project is best for our patients.
- The proposal ensures SRMC's existing patients have access to emergency medical and advanced diagnostic services from their preferred provider closer to where they work and live.

DCOPN received four letters of opposition to the project from Mary Washington Healthcare, Radiology Associates of Fredericksburg (RAF), Fredericksburg Emergency Medical Alliance, Inc. (FEMA), and Medical Imaging of Fredericksburg (MIF). These letters expressed the following:

- SRMC's proposed project will not address its alleged institution-specific need for additional CT capacity, specific to its campus, located in Spotsylvania County.
- The project is inconsistent with 12VAC 5-230-110, the provision of the SMFP that relates to CT service expansions.
- Mary Washington Healthcare has no objection to an on-campus expansion of CT services at SRMC.
- There is no need, however, to expand SRMC's CT services to Stafford ER and this action will not reduce the heavy utilization of the 2 CT units on SRMC campus.
- The Stafford ER site is approximately 12 miles from SRMC and 7 miles from SRMC's freestanding Fredericksburg ER.
- Fredericksburg ER is approximately 9 driving miles north of SRMC (closer than the proposed site) and has done nothing to reduce utilization of the 2 CT units on the SRMC campus.
- Fredericksburg ER was approved based on DCOPN's assessment that the development of a center for CT imaging at that location would decompress utilization at SRMC and

improve access for those patients who live closer to Fredericksburg ER than SRMC's campus.

- CT volume has continued to grow on the SRMC campus, generating yet another claim of institution-specific need, which SRMC seeks to use to expand its footprint to the north.
- In 2022, before opening Fredericksburg ER, SRMC reported 18,919 CT scans on its 2 hospital-based CT units (128% of SMFP standard).
- In 2023, CT utilization for the two units grew to 19,680 scans (133% of the SMFP standard) and Fredericksburg ER performed 4,434 its first year (60% of the SMFP standard).
- DCOPN cannot expect Stafford ER, further away, to reduce utilization on SRMC's main campus.
- Placement of the proposed facility is geographically between other facilities with travel times not prohibitive with CT volumes well below the SMFP threshold, it is certain the proposal will greatly reduce utilization of existing scanners.
- PD 16 has several existing, convenient options for receiving imaging services, including those already established by SRMC that are not being fully utilized.
- The number of existing emergency departments in PD 16 should be considered. PD 16 now has six emergency departments, two of which have been operational for less than 18 months, not long enough to fully understand the impact to CT volume and emergency department visits.
- The CT scanner at Medical Imaging of North Stafford has capacity available a reasonable distance from the approved site and the proposal would greatly reduce utilization of the scanner.
- SRMC projects annual scans at Stafford ER the second year of operation to reach 2,566 scans, only 35% of the SMFP CT threshold, but more than half the volumes seen at Medical Imaging in North Stafford. If the proposal is approved, it is likely both sites would be vastly underutilized.
- PD 16 is well served by existing CT services, especially in the vicinity of the proposed project.
- SRMC's Fredericksburg ER has operated the last year far below the SMFP threshold and provides opportunity for patients in Fredericksburg and South Stafford to receive services from a scanner with ample capacity.
- It is no secret the Interstate 95 corridor is busy and often inconvenient, but there are several secondary roads that patients can use and would experience similar travel times receiving services at existing facilities.
- As SRMC points out, there are imaging options on both sides of the Rappahannock River.
- When SRMC was introduced in 2007, "beneficial competition" was in the statement from the Health Commissioner with the assumption that it would not pose substantial harm to any existing provider of services.
- Facilities served by Radiology Associates of Fredericksburg (RAF), including those under Mary Washington Healthcare and Medical Imaging of Fredericksburg have been providing quality imaging to the region for decades.
- RAF physicians are well trained and experienced, capable of meeting the needs of patients in PD 16 who receive care at any of the facilities it serves.

- A review of publicly available SRMC patient origin data demonstrates SRMC's proposal is disguised as a proposal to decompress CT and emergency department utilization but is an effort by HCA to expand SRMC's market share in PD 16 by redirecting patients from other providers.
- In 2023, SRMC performed just 471 CT scans (2.4% of the total CT volume performed on its 2 SRMC CT scanners) on patients originating from zip code 22406 where it proposes to construct Stafford ER.
- Six of the ten zip codes identified as comprising SRMC's PSA are closer to SRMC or Fredericksburg ER than the proposed Stafford ER site and two of the ten are as accessible to SRMC and/or Fredericksburg ER as they would be to the proposed Stafford ER.
- The proposed Stafford ER does not appear to be located in SRMC's PSA for CT services, making it inconsistent with 12 VAC5-230-110.
- PSA for publicly available data (which excludes outpatient) show 22406 is outside of top zip codes that represent 75% of SRMC's patients.
- SRMC is clearly proposing the Stafford ER to redirect patients from existing providers and the proposed project will negatively impact existing providers.
- The proposal will drive increased volume to SRMC's hospital.
- A large, comprehensive Veteran's Affairs (VA) Clinic will be opening in PD 16 in the coming year which is likely to lower utilization of existing CT services in PD 16. Though VA facilities do not report to VHI, they still make an impact on utilization of existing providers.
- Mary Washington Healthcare, RAF, FEMA and MIF respectfully request denial of SRMC's proposal because there is no public need at this time; SRMC's institutional need is not portable to Stafford.

DCOPN also received a letter in response to Mary Washington Healthcare's opposition letter which made the following points:

- Mary Washington seeks to preserve its overwhelming market dominance.
- Mary Washington has 13 of 16 (81%) CT scanners and 6 of 8 (75%) CT sites in PD 16.
- When the Commissioner approved the establishment of SRMC, the Commissioner intended that it should introduce an element of beneficial competition and offer local choice in acute care services to residents of PD 16.
- Stafford ER and Imaging Center is necessary to ensure SRMC appropriately serves its patients and acts as a viable counterweight and competitor to the PD's dominant provider.
- Mary Washington urges the Commissioner to constrain SRMC's ability to serve its patients by restricting SRMC to its two existing sites south of the Rappahannock River.
- The Rappahannock River is a significant traffic chokehold in PD 16.
- Mary Washington already offers CT imaging at multiple locations on both sides of the river.
- Stafford ER and Imaging Center would be the first and only SRMC site offering CT services north of the river.
- The proposed project allows SRMC to improve access for existing patients at a location closer to where many live and work.

- Mary Washington wants a low bar for itself that permits multiple locations on both sides of the river, but a different, higher bar for SRMC that limits its number of locations.
- The Commissioner should reject more restrictive standards on the minority provider.
- Mary Washington's arguments amount to little more than a request that the Commissioner perpetuate Mary Washington's near monopoly.
- The 22406 zip code, where the proposed site is located in SRMC's primary service area.
- Mary Washington's letter acknowledges that 22406 falls within the smallest number of zip codes from which at least 75% of SRMC's CT patient population resides, which meets the definition of primary service area and the longstanding manner in which it has been calculated.
- An example is presented in which Mary Washington uses the same methodology in COPN Request No. VA-8363.
- This indicates that Mary Washington is inappropriately asking the Commissioner to apply a more onerous standard on SRMC than on Mary Washington.
- Mary Washington's predictions of significant reductions in utilization of its CT services are not credible.
- SRMC's projections are based on existing patients and historical growth, not on diverting patients from Mary Washington.
- By year one of operation, SRMC it projected to perform 3,222 emergency and outpatient CT scans on patients that live closer to that site than to SRMC or Fredericksburg ER
- This is significantly more than the number of CT procedures projected to be performed at Stafford ER and Imaging Center, conservatively assuming 75% will continue to be performed at SRMC; therefore, Stafford ER and Imaging Center is not likely to impact utilization at any other PD 16 provider.
- The Commissioner should not be concerned that Mary Washington will be harmed as it dominates PD 16 and the proposed Stafford ER and Imaging Center is approximately 10 miles from Mary Washington Stafford Hospital, and Mary Washington Hospital and Mary Washington Medical Imaging of Fredericksburg are approximately 5 miles away on the other side of the river.
- Mary Washington makes the fallacious argument that Fredericksburg ER has not reduced utilization at SRMC's hospital campus because CT utilization at SRMC has increased in the year since Fredericksburg ER opened.
- This is flawed reasoning and disregards the rapid growth in the area. The question is whether Fredericksburg ER reduced CT utilization at SRMC compared to what it would have been had Fredericksburg ER not performed 4,434 CT scans in its first year of operation.
- As stated in letters of support, SRMC patients are deeply loyal and do not want to obtain care at Mary Washington.
- SRMC patients should be provided opportunity to access their preferred provider at reasonably accessible locations on both sides of the river.
- The Stafford ER and Imaging Center is fully consistent with the SMFP.

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-8762 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 May 10, 2024. The public comment period closed on June 24, 2024. Other than the letters of support and opposition mentioned above, no other public comment was received.

(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.

Given the high utilization at SRMC there is no reasonable alternative to adding CT capacity. With the chronic traffic congestion consistently described and the landscape of CT services in PD 16, it is explicitly allowed and, in this case, appears beneficial for SRMC to place the additional CT capacity at a site remote from the hospital to provide access to its patients that live and work north of the Rappahannock River. There is no alternative identified to meet the needs of the population more effectively.

DCOPN considered arguments in the letters of opposition from existing providers in PD 16. Though these letters articulate that there are already CT sites with capacity available for patients, and that there is not a public need for the proposed project, no CT sites exist north of the Rappahannock River and the traffic congestion and delays it produces, for patients that prefer or have insurance requiring utilization of SRMC's services. Existing Mary Washington sites are not reasonable alternatives. While patients preferring Mary Washington's services have ample convenient sites across the PD, this is not the case for patients preferring SRMC's services, and no other site has been identified to serve these patients other than the proposed facility.

(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 16. 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 Stafford ER and Imaging Center are just over \$22 million, but projected capital costs for the COPN regulated portion for CT services is just over \$1 million. The entirety of the facility will be funded with accumulated reserves so there are no financing costs involved in the proposed project. The estimated costs are consistent with other recently approved projects to establish CT services, such as COPN No. VA-04879 at \$1.2 million and VA-04878 at \$3.9 million.

The applicant has described several benefits to the proposed project. It provides access to SRMC CT services in an area of PD 16 that has a geographic barrier to patients receiving care from their preferred provider. SRMC has an institutional need for additional CT capacity, and the proposed project is likely to decant volumes from existing SRMC patients that live closer to the proposed site. Additionally, the proposal fosters beneficial competition in a PD with a dominant health system.

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

SRMC treats all patients regardless of their ability to pay for services or of their payor source. It provided charity care in the amount of 0.7% in 2022, the latest year for which such data are available. This is below the HPR I average of 1.9% (Table 7). The proforma for the proposed project (Table 8) estimates charity care at 1.9% of gross patient revenue.

Table 7. Charity Care, PD 10 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

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 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.

(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 State Medical Facilities Plan (SMFP).

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

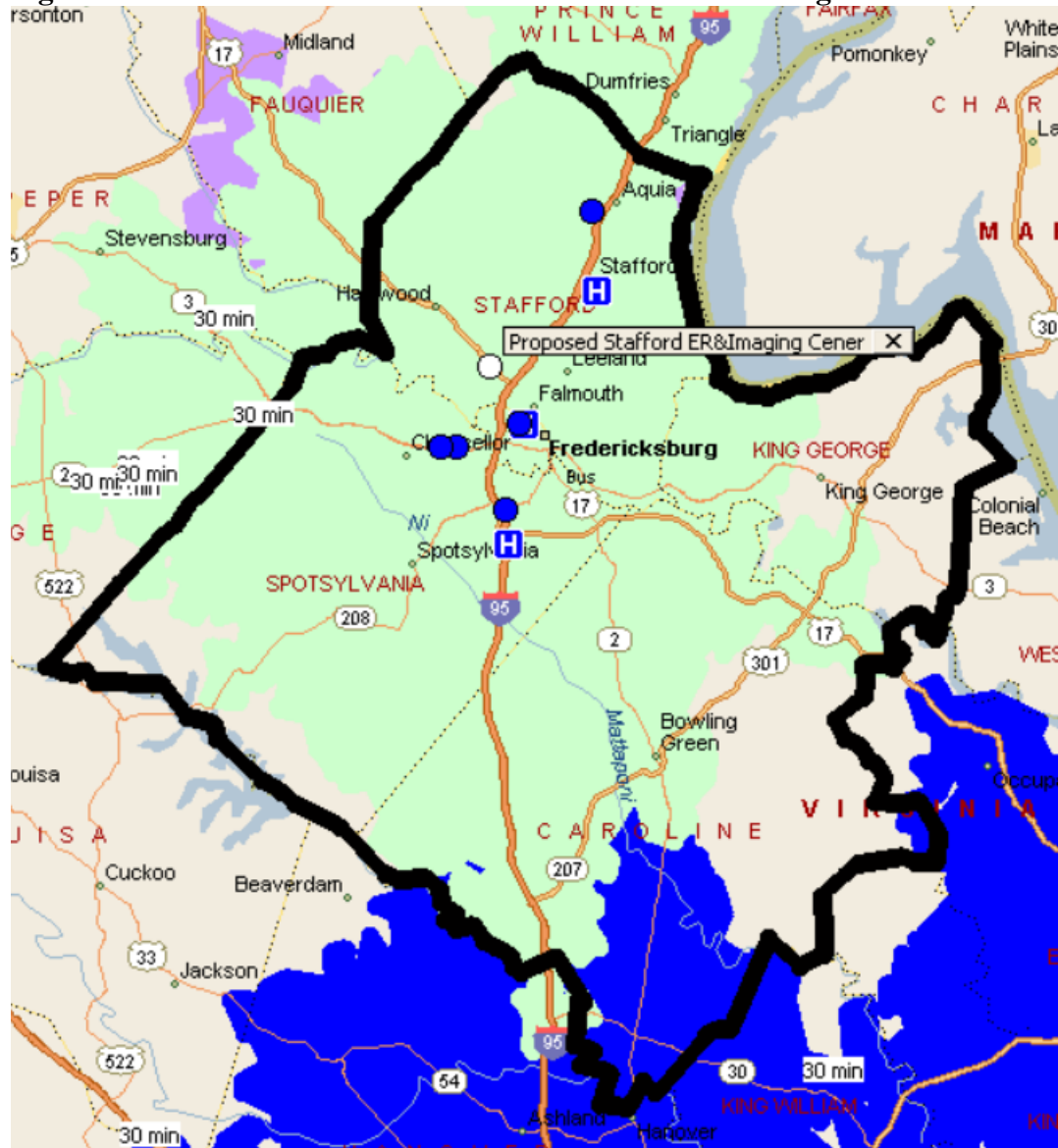
12VAC-5-230 Part I, Article 1 **Criteria and Standards for Computed Tomography**

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.

The light green shaded area in **Figure 3** illustrates the areas within 30 minutes driving distance from CT services in PD 16. The white dot locates the proposed project, the “H” symbols are hospital-based CT scanners and the blue dots are outpatient CT sites. The dark blue illustrates CT coverage within 30 minutes from providers outside of the PD. The primary population centers in PD 16 are within 30 minutes’ drive time of CT services but given the rurality of the substantial areas of PD 16 outside of this drive time, it is difficult to determine whether or not this standard is currently met. The light purple showing the area that the proposed project would add to the area covered by PD 16 CT services within 30 minutes is outside of the PD and would not expand geographic access should the proposal be approved.

Figure 3. PD 16 CT Services Locations and 30 Minutes Driving Distance



Source: DCOPN Records and Microsoft Streets & Maps

*Note: The blue dots are outpatient CT sites, the blue "H"s are hospitals with CTs, and the white dot is the proposed site.

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.

The proposed project is the expansion of an existing CT service rather than the addition of a new service but for the sake of thoroughness, the PD 16 need is calculated: According to 2022 VHI data, the most recent available, there were 11 CT scanners in PD 16 with an average utilization of 8,778 CT procedures per scanner, 118.6% percent of the SMFP threshold (**Table 1**). Only Stafford Hospital and Medical Imaging North Stafford operated below 100% of the SMFP threshold (93% and 50% utilization, respectively). Several CT scanners have been authorized in PD 16 since the latest VHI data were published. The current DCOPN inventory accounts for 16 CT scanners for diagnostic imaging use (see **Table 2**). Spread over the 16 diagnostic scanners now authorized, the 96,561 procedures performed in 2022 would yield an average of 6,035 CT scans per unit, 82% of the SMFP threshold.

At utilization of the SMFP standard of 7,400 scans per year, the 96,561 scans performed in 2022 would represent 13.05 fully utilized CT scanners.

Needed CT units = $96,561 \div 7,400 = 13.05$ (14)

Utilization Percentage in 2022: 118.6%

Current number of PD 16 authorized CT units: 16

CT unit surplus = 2

None of the CT scanners included in this assessment is exclusively for CT simulation.

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.

According to 2022 VHI data, SRMC's two CT scanners performed an average of 9,460 CT scans per unit, 128% of the SMFP guideline. In its application SRMC reported that it performed 19,680 CT scans on its two scanners in 2023 (133% of the SMFP standard) and Fredericksburg ER performed 4,434 during its first twelve months of operation (60% of the SMFP standard). SRMC's three operational scanners performed an average of 8,038 procedures per CT scanner, 109% of the SMFP threshold, demonstrating institutional need for additional capacity. SRMC is proposing a separate location, Stafford Emergency and Imaging Center at which to add one CT scanner to serve existing SRMC patients in its primary service area north of the Rappahannock River, as explicitly allowed by this guideline. A letter of opposition questioned whether the site is within SRMC's primary service area. It appears that SRMC calculated its primary service area for CT services appropriately and consistently with previous applications and the proposed site is within its primary

service area. Although only a small percentage of SRMC's CT patients reside in the zip code in question, it projects that its current patients residing in nearby zip codes will access CT services at the proposed facility. The proposed site is ten miles/fifteen minutes from Mary Washington's Stafford Hospital and 17 minutes/13.5 miles from Mary Washington's Medical Imaging North Stafford, the least utilized site in PD 16. Overall, Mary Washington Healthcare operated at 117% of the SMFP threshold in 2022.

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.

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.**

SRMC has demonstrated an institutional need to expand its CT service, having operated at 133% utilization of its hospital-based CT scanners and reporting 109% utilization of all three of its scanners, including Fredericksburg ER, in 2023. Fredericksburg ER opened just over a year ago

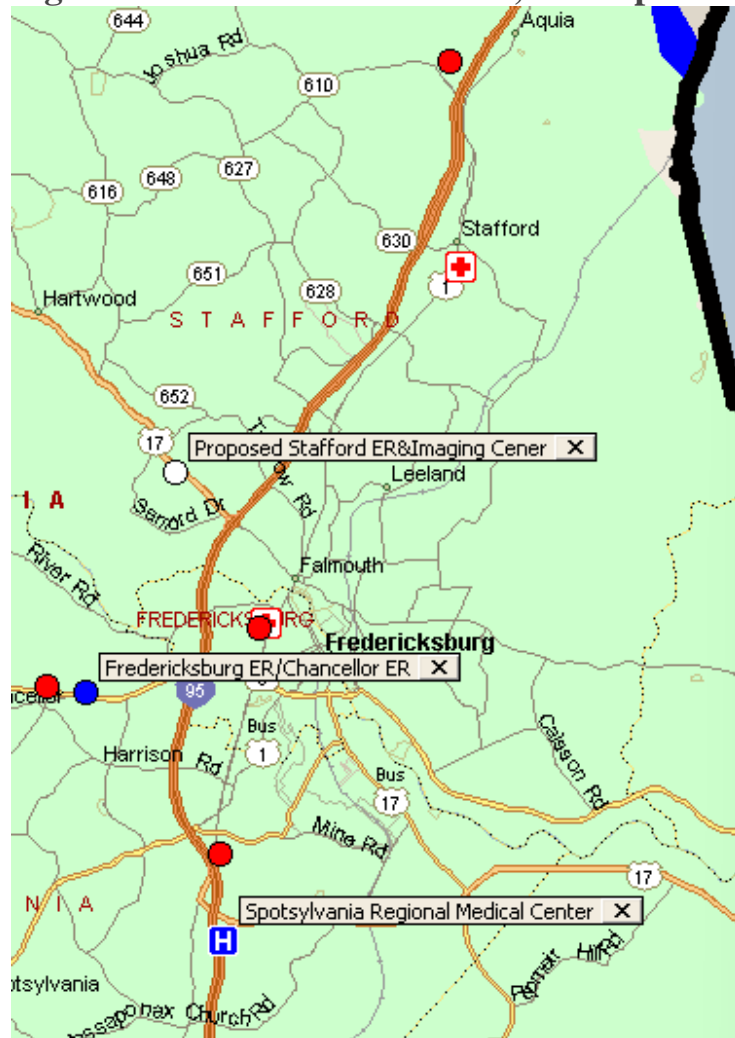
with one CT scanner and has 60% utilization so far. It cannot reasonably be reallocated for the proposed project. Both Fredericksburg ER and the proposed Stafford ER and Imaging Center are meant to decant volumes from the highly utilized SRMC CT scanners. The proposal does not involve a nursing facility and is not justifying a new service.

Required Considerations Continued

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

Figure 4 illustrates the two health systems operating in PD 16, with the six Mary Washington Healthcare's facilities in red and SRMC's two in blue. The white dot locates the proposed project. Prior to SRMC's opening in 2010, Mary Washington Healthcare had a monopoly in CT services. It currently owns six of the eight CT sites authorized in PD 16 (75%), 13 of the 16 CT scanners (81%) and performed 80% of the CT scans performed in PD 16 in 2022. SRMC was initially approved, in part, to provide an alternative health provider for residents of PD 16. There is currently no SRMC CT choice north of the Rappahannock River, a geographic boundary that creates traffic congestion and delays for PD 16 patients. The proposed project will provide CT access to patients who choose SRMC for health services that live north of the Rappahannock River. It provides additional capacity for SRMC's highly utilized CT services and fosters institutional competition beneficial to the PD.

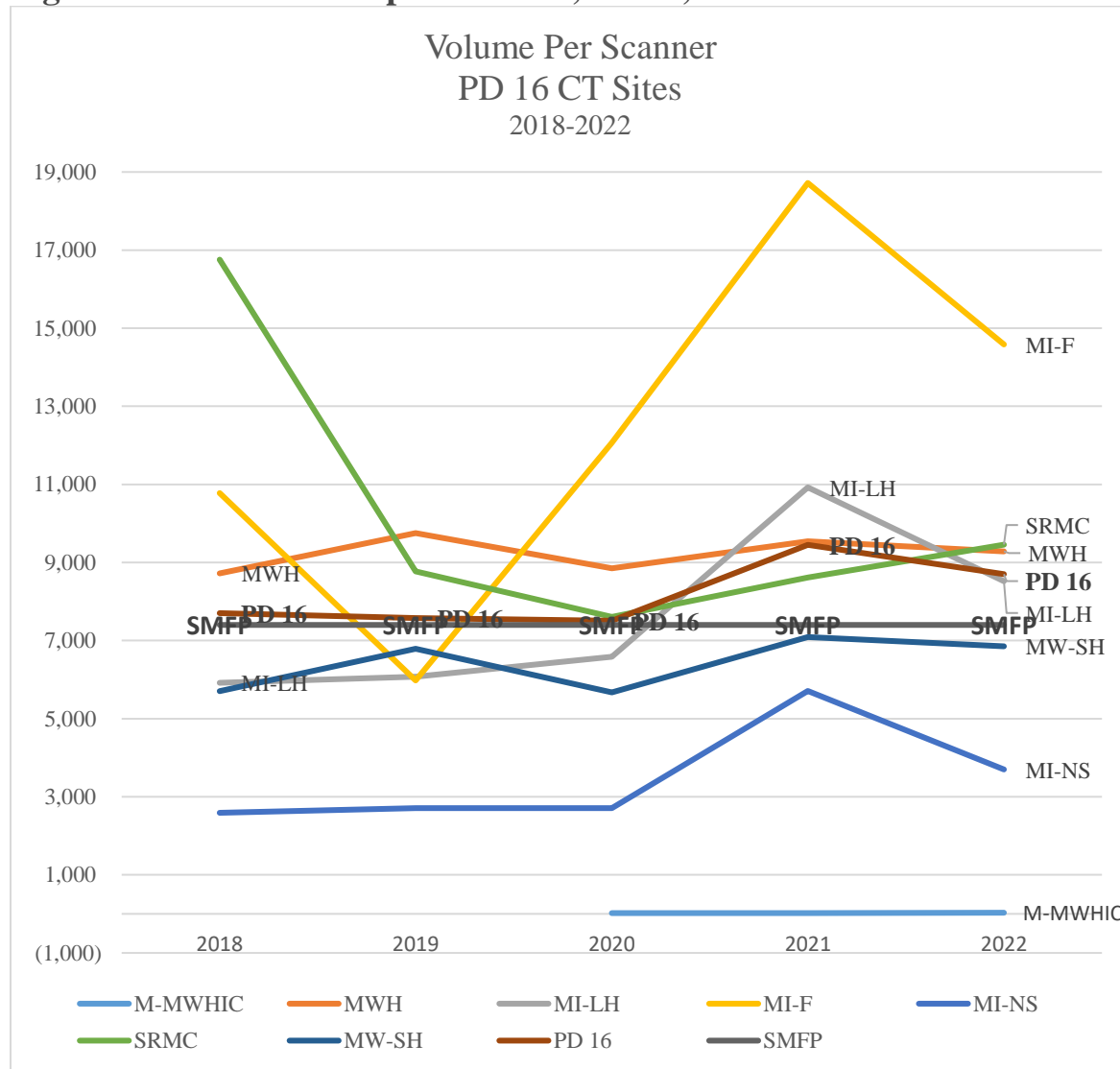
Figure 4. CT Facilities in PD 16, Blowup View



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.

Figure 5 shows that PD 16's CT scanners have maintained high utilization above the SMFP threshold over the past five years. SRMC and nearly all of Mary Washington's sites are at capacity or nearly at capacity as of 2022. The exceptions are Medical Imaging in North Stafford and Medicorp-Mary Washington Healthcare Imaging, now reallocated to Mary Washington's Medical Imaging at Harrison Crossing just opened in October 2023. The latter site, though authorized as a fixed site, was retained by functioning as a mobile site operating at minimal volumes, until opening as essentially a new fixed CT last year, 2 minutes/0.9 miles from SRMC's Fredericksburg ER.

Figure 5. CT Utilization per Scanner, PD 16, Latest Five Years Available



Despite its letter of opposition, there is little evidence that SRMC has significantly impacted Mary Washington’s ability to operate and grow robust services in PD 16.

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

The proposed project is wholly feasible with reasonable capital costs of \$1,016,602, consistent with similar, recently authorized projects to be funded with accumulated reserves such that no capital costs will accrue. The proforma (Table 8) projects a positive net income over \$300,000 in each of its first two years of operation. A modest staff addition of 4.2 radiologic technologists will be required to operationalize the proposed project.

Table 8. Proforma CT at Stafford ED and Imaging Center

	Year 1	Year 2
Gross Revenue	\$ 7,388,128	\$ 7,923,808
Contractual Adjustments	\$ 5,958,764	\$ 6,390,715
Charity Care	\$ 140,374	\$ 150,552
Other Deductions	\$ 66,493	\$ 71,314
Net Revenue	\$ 1,222,497	\$ 1,311,227
Expenses	\$ 908,478	\$ 978,893
Income/Loss	\$ 314,019	\$ 332,334

Source: COPN Request No. VA-8762

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 not provide innovations in the delivery of health services but does allow for delivery of care in an outpatient facility likely to decant high utilization from the CT services at SRMC.

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 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 Conclusions

SRMC has demonstrated an institutional need for additional CT capacity and proposes to establish a specialized center for CT imaging at a new facility in Stafford County, Stafford ER and Imaging Center. The population of PD 16 is projected to grow in the current decade at a rate twice as high as that of Virginia. Stafford County is projected to grow at a rate very nearly three times that of Virginia. The area experiences frequent traffic congestion and the Rappahannock River is a geographic barrier to efficient travel. SRMC opened in 2010. It was approved, in part, to provide an alternative health provider for PD 16, served prior to 2010 only by Mary

Washington Healthcare. Mary Washington operates 80% of the CT scanners in PD 16, located in sites across the PD and operating robustly. PD 16's CT utilization has averaged above the SMFP threshold over the past five years. The proposed project does not improve geographic access generally across PD 16 but does improve access to patients that prefer SRMC for care. As of February 2023, these patients have two CT sites available and none north of the geographic boundary of the river and related traffic congestion. Though DCOPN received letters of opposition from existing providers, there is no alternative identified that meets the needs of the population better than the proposal and it is more beneficial than the status quo. The proposal fosters institutional competition beneficial to PD 16.

The proposal is generally consistent with the applicable standards and criteria of the State Medical Facilities Plan and the 8 Required Considerations of the Code of Virginia. The proposed project is not likely to decrease volumes at existing providers significantly. It is wholly feasible, with reasonable projected costs consistent with similar recently approved projects, funded with accumulated reserves and only modest recruiting will be required.

DCOPN Staff Recommendations

The Division of Certificate of Public Need recommends **conditional approval** of Spotsylvania Medical Center Inc., d/b/a Spotsylvania Regional Medical Center's COPN Request number VA-8762 to expand its CT service with one CT scanner located in an outpatient facility, Stafford ER and Imaging Center in Stafford County for the following reasons:

1. The proposal to establish a specialized center for CT imaging at a newly constructed facility, Stafford ER and Imaging Center, is generally consistent with the applicable standards and criteria of the State Medical Facilities Plan and the 8 Required Considerations of the Code of Virginia.
2. The applicant has demonstrated an institution-specific need for CT services.
3. The proposed project is located in a very fast-growing area of Virginia with geographic barriers to access that the proposed project will help to address for the applicant's patients.
4. There is no reasonable alternative identified to the proposed project.
5. The capital costs of the proposed project are reasonable and will be funded with accumulated reserves, incurring no financing costs.
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 16.
7. The proposed project is wholly feasible in the immediate and long-term both financially and with regard to human resources needed.

8. The proposal fosters institutional competition in an area with a dominant CT provider that will benefit the PD.

DCOPN's recommendation is contingent upon Spotsylvania Medical Center Inc., d/b/a Spotsylvania Regional Medical Center's agreement to the following charity care condition:

Spotsylvania Medical Center Inc., d/b/a Spotsylvania Regional Medical 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 16 in an aggregate amount equal to at least 1.9% of Spotsylvania Medical Center Inc., d/b/a Spotsylvania Regional Medical 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. Spotsylvania Medical Center Inc., d/b/a Spotsylvania Regional Medical 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.

Spotsylvania Medical Center Inc., d/b/a Spotsylvania Regional Medical 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, Spotsylvania Medical Center Inc., d/b/a Spotsylvania Regional Medical 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.