

**ATTACHMENT IV
PROJECT NARRATIVE**

Purpose of Request

The purpose of this application is to relocate and replace the existing Riverside Shore Memorial Hospital (RSMH). A significant amount of planning over a period of years has concluded that renovation or replacement of the facility at its current location is not feasible or cost effective. This COPN application includes a request for a new CT and a new fixed MRI at the new hospital location. COPN reviewable services to be moved (relocated) with the hospital include inpatient beds, operating rooms, SPECT and linear accelerator. Since these services will not be expanded, this COPN application will not specifically address the relevant SMFP criteria. Inpatient beds include medical-surgical, ICU/CCU, obstetrics, and skilled nursing facility beds. The fourteen skilled nursing facility beds being moved are requested to be licensed as swing beds. RSMH is presently licensed for three (3) intermediate care nursery beds and these beds are requested to be moved as well. Bassinets for newborns will also be moved though not subject to COPN review.

In addition, the present Cancer Services building, located on the same campus as the existing hospital, will be renovated to house an outpatient center, including a fixed CT and a pad for mobile MRI¹. The cost for this renovation is not included in Section V of this application, since it will be a separate project and costs will be below the established threshold. It will therefore not be subject to COPN review.

Background

Originally known as Northampton-Accomack² Memorial Hospital, Riverside Shore Memorial Hospital was opened in its current building in 1971, 40 years ago. The facility is presently licensed for 143 beds, including a 13-bed Skilled Nursing Facility and a 14-bed Mental Health Unit. The Emergency Department was renovated in 1996, and in the following year, the Intensive Care Unit, Radiology and Surgery Departments were renovated.

During the 1990's, the Board of Directors created Shore Health Services, Inc., an independent community healthcare delivery system that includes a cancer treatment center, primary care, rehabilitation, home care, and cardiopulmonary wellness services. These facilities are located as follows:

¹ The Certificate of Public Need for both these services list the hospital address as the approved site. The Cancer Services building is also located at that same address; therefore, a COPN application will not have to be filed to have these services remain at the same location.

² It should be noted from the outset that the County of Accomack is spelled differently than the Town of Accomac. Originally, the county was spelled without the "k", but in 1940, the Virginia General Assembly added the extra letter.

Facility	Location
Riverside Shore Cancer Center	Nassawadox, VA
Riverside Shore Cardiopulmonary Wellness Services	Nassawadox, VA
Riverside Shore Cardiopulmonary Wellness Services	Onley, VA
Shore Healthcare at Home	Onley, VA
Riverside Shore Medical Center at Metompinkin	Parksley, VA
Riverside Shore Orthopedic Associates	Nassawadox, VA
Shore Rehab	Nassawadox, VA
Senior Perspectives	Accomac, VA
Riverside Shore Surgical Associates	Nassawadox, VA

Shore Health Services also operates Shore LifeCare at Parksley, a 136-bed long-term care facility.

On September 1, 2009, the Board of Directors formally affiliated with Riverside Health System, changing the name accordingly to Riverside Shore Memorial Hospital ("RSMH").

Affiliation

The affiliation of Riverside Shore Memorial Hospital with Riverside Healthcare Association, Inc. (dba Riverside Health System) is comparable to the relationship between other Riverside hospitals and the parent company. Riverside Healthcare Association, Inc. is the sole member of Shore Health Services, Inc., d/b/a Riverside Shore Memorial Hospital. Shore Health Services, Inc. has its own board of directors, with the chair of that board also serving as a director of the Riverside Health System Board of Directors. Local issues and policy are determined by the local board, and as necessary, ratified by the parent health system board.

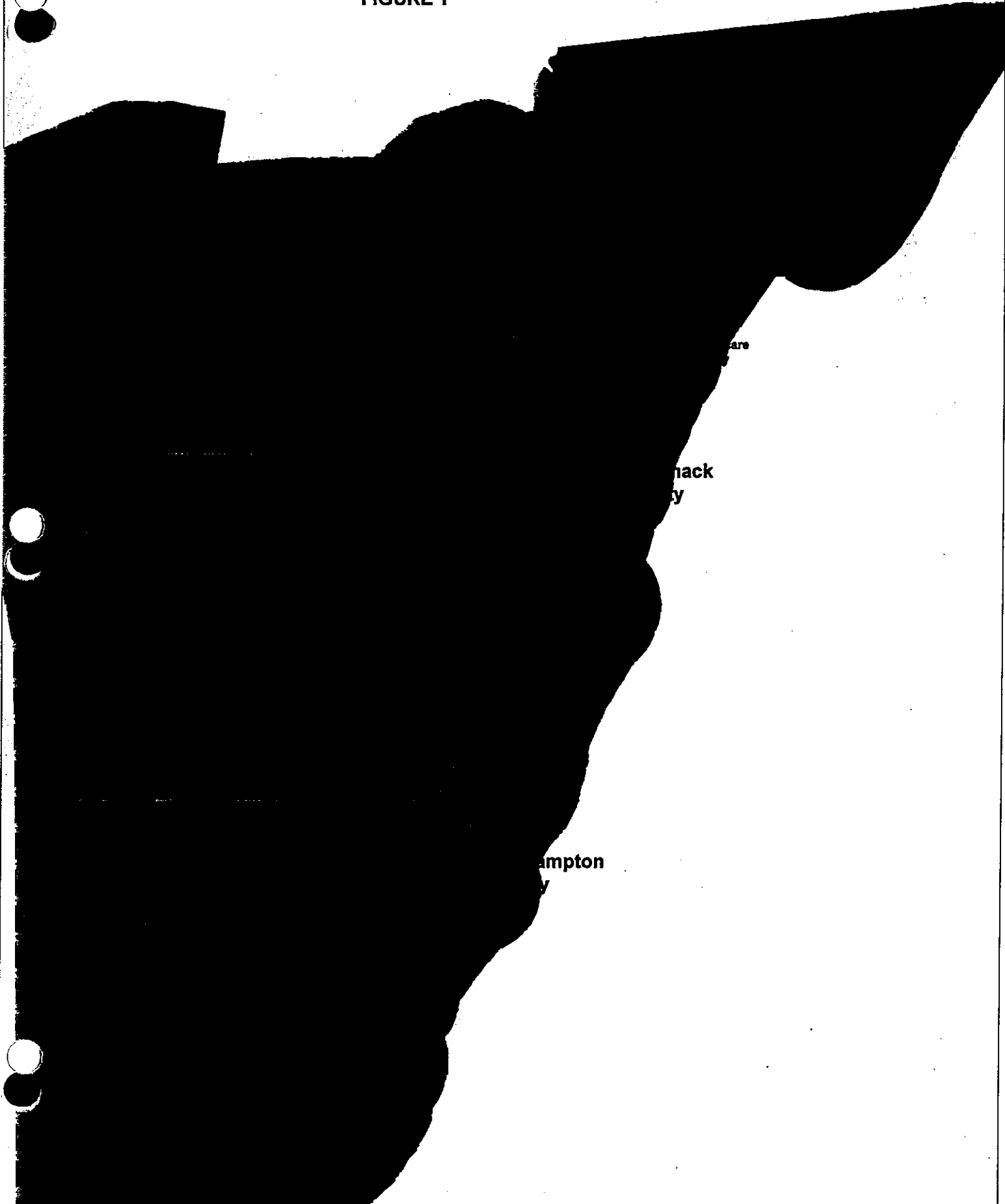
Present Location

The current location of Riverside Shore Memorial Hospital is in Nassawadox, Virginia in Northampton County (Figure 1). The closest acute care hospitals are Sentara Bayside Hospital in Virginia Beach, some 49 miles away and across the Chesapeake Bay Bridge Tunnel, and Peninsula Regional Medical Center in Salisbury, Maryland, a distance of 75 miles³. There is a toll of \$12.00 each way⁴ to cross the Chesapeake Bay Bridge Tunnel, and travel restrictions are imposed

³ According to Mapquest, the distance to Sentara Bayside Hospital is 49.2 miles and 53 minutes. The distance to Peninsula Regional is 75.4 miles and one hour 29 minutes travel.

⁴ Only a \$ 5.00 additional charge is levied on the return trip if the return trip occurs in less than 24 hours.

FIGURE 1



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due to severe weather and high winds. There is no public transportation system, to either mainland Virginia or Maryland.

Proposed Location

A decision has been made to purchase a 48.9-acre parcel of land in Accomac, Virginia (Figure 2). This parcel has frontage on the main north-south highway, U.S. Route 13.

The property is located 18 miles from the existing hospital site, with a travel time of 22 minutes. While the property is currently zoned for agricultural use, Riverside has been assured by the Accomack County Administrator and County Planner that re-zoning will not be an issue. Travel to Sentara Bayside in Virginia Beach from the new site is estimated at 67 miles, and to Peninsula Regional in Salisbury, Maryland at 57 miles.

Existing Building Deficiencies

The Board of Shore Health Services commissioned Paul Finch and Associates ("PFA") to do an assessment of the existing property and buildings in 2007. The resulting report was issued in November 2007 and details the deficiencies in the present plant and infrastructure.

PFA outlined three options (costs are shown in 2007 dollars):

- 1. Continue to operate in the current facility, making necessary repairs, but not perform any improvements, renovations or expansions.

Cost: \$ 13.2 million

- 2. Continue to operate in the current facility, but make necessary repairs, and renovate the plant as outlined in a 2002 master plan. Approximately 55% of the facility would be renovated under this option.

Cost: \$ 45.2 million

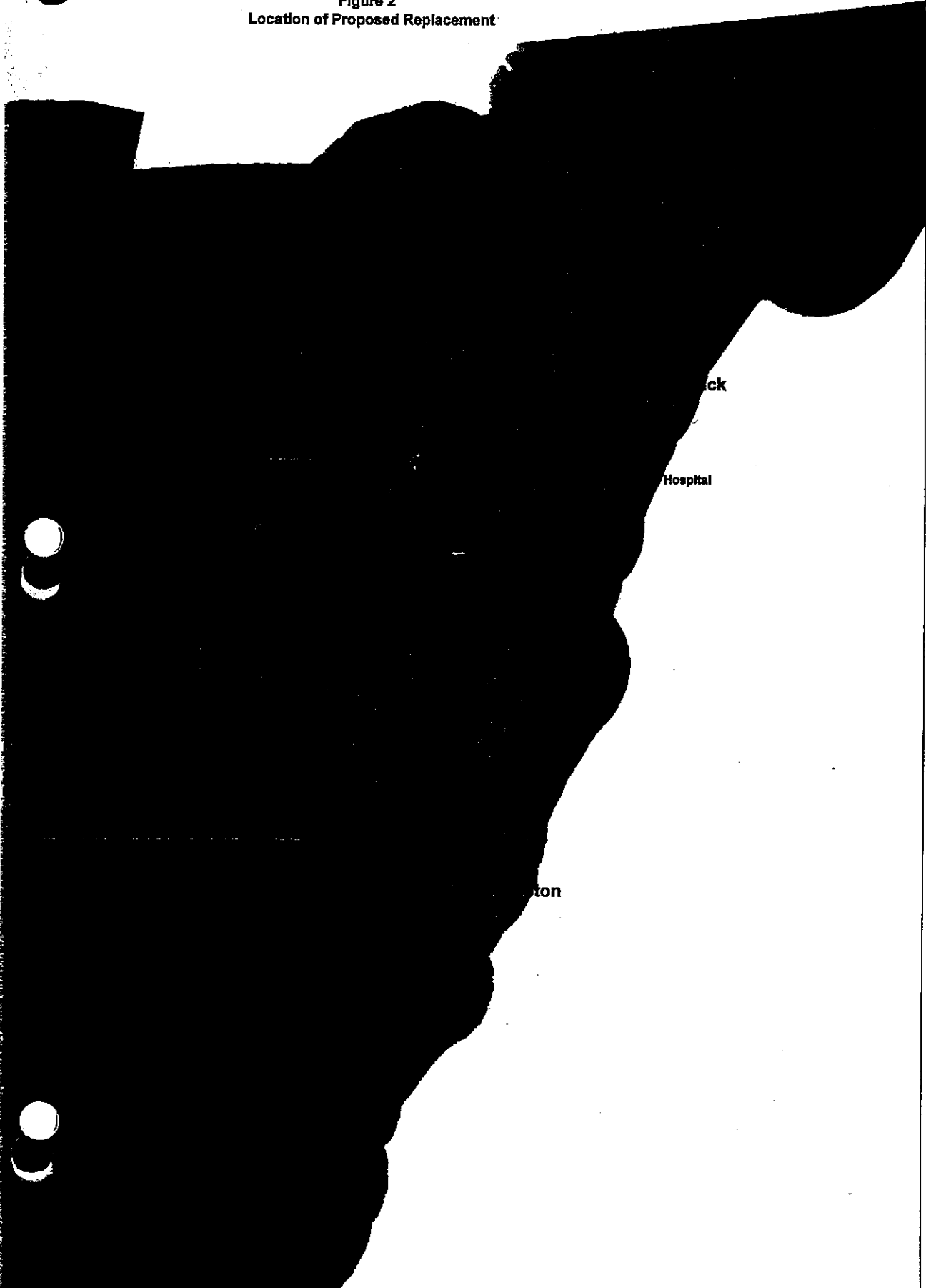
- 3. Build a replacement hospital.

Cost: \$ 45-50 million

The Board has voted to pursue Option # 3.

The deficiencies in the present facility cited by PFA, and which would be only partially resolved by renovating the current plant, are significant and perhaps could not even be fully accomplished at the present site. Most of the

Figure 2
Location of Proposed Replacement



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infrastructure systems could not be retrofitted without major renovation well beyond the costs outlined in Option # 2.

Among the many deficiencies are:

- **Potable Water Supply⁵**
Most of the equipment, from wellheads to the intrafacility distribution system, is original equipment (40 years old), with significant deterioration. Parts are difficult to locate because of age. The entire supply system will have to be replaced.
- **Sewer Treatment System⁶**
This system faces the same issues as the water system. The equipment is original to the building and deteriorating. Parts in many cases cannot be found and have to be special ordered. The entire system, including the lagoon (equalization basin), will have to be replaced.
- **Exterior**
The consultants rated the exterior components as in "fair" to "poor" condition. There are numerous leaks, rust, and cracks, and significant parts of the exterior will have to be removed and replaced.
- **Interiors**
Numerous workflow problems exist throughout the building, with crucial departments not co-located in an efficient manner⁷. Outpatient departments are scattered around the first floor, making patient way-finding difficult. Nursing units are in a square patient tower with rooms on the exterior and support space to the interior. Patient rooms are very small with limited medical gases, electrical power and toilet facilities. To renovate and meet current code requirements, a typical patient floor would have to be reduced to 12-15 rooms, a design that is not efficient to operate or to staff.
- **General**
Asbestos removal will be required with any renovation. Though encapsulated, the replacement of building infrastructure will result in disturbance of this work necessitating removal. Based on the consultant's

⁵ The hospital owns and operates under a permit by the Virginia Department of Health a public water supply that serves the hospital, onsite medical facilities, and private medical offices.

⁶ The hospital owns and operates a sewerage treatment plant, serving the hospital, onsite medical facilities, and private medical offices. The plant is operated under a permit by the Virginia Department of Health and the Virginia Department of Environmental Quality.

⁷ For example, Central Supply is located in a significantly remote area from the surgery suite, requiring soiled and clean case cart movement to occur in a public corridor.

assessment, all major building operating components will have to be replaced:

- Plumbing (including room fixtures)
- Electrical
- Fire alarm
- HVAC
- Air conditioning (including cooling towers)
- Fire suppression systems

Most of these systems are original to the hospital building and are deteriorating, with parts being difficult to locate.

As noted, the Shore Health Services board recognized Option # 3 as the most cost efficient, since partially renovating the existing building (Option # 2) is estimated to cost as much as constructing a new facility. With the deficiencies of the physical plant, Option # 1 is not a viable alternative. Given the circumstances of costs and the extensive patient care disruption that occurs in a significant facility-wide renovation, the decision was made in the best interest of meeting future community healthcare needs in the most effective and efficacious manner.

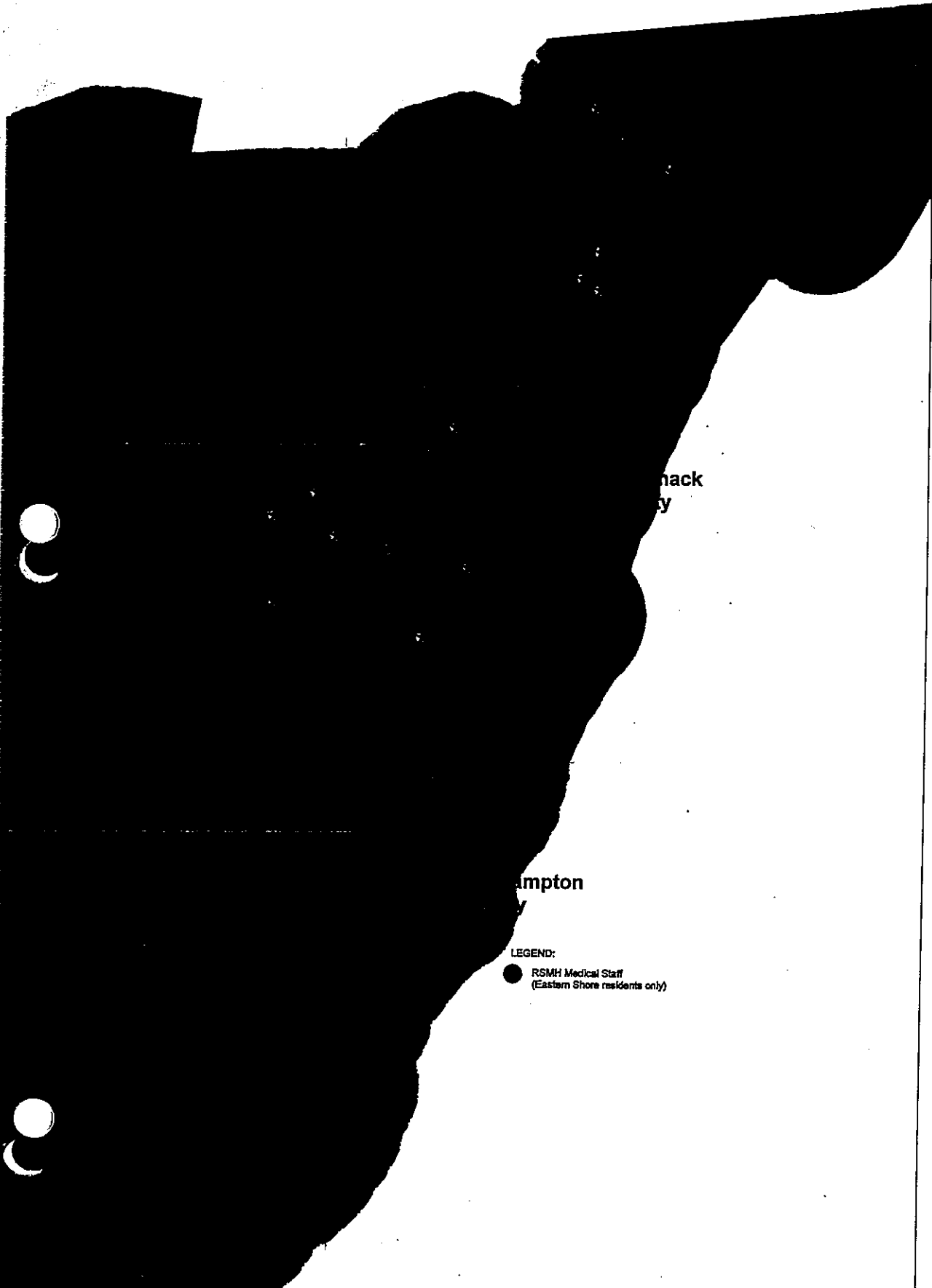
Medical Staff

Riverside Shore Memorial has an active medical staff of 27 physicians (Figure 3), with several specialties represented:

Specialty	Number
Anesthesiology	2
Cardiology	1
Otolaryngology	1
Emergency Medicine (Note A)	2
Family Practice	1
Gastroenterology	1
General Surgery	2
Internal Medicine	3
Ophthalmology	1
Orthopedic Surgery	1
Pathology	1
Pediatrics	4
Psychiatry	2
Pulmonary Medicine	2
Radiology	2
Neurology	1
Total, Active Staff	27

Note A: There are 18 other physicians working in the Emergency Department who are part-time. Active staff privileges at RSMH are reserved for those doctors who live and practice full time on the Eastern Shore.

Figure 3
Riverside Shore Memorial Physicians



Stafford
County

Staffordhampton

LEGEND:
● RSMH Medical Staff
(Eastern Shore residents only)

Other Health Services on The Eastern Shore

Eastern Shore Rural Health System ("ESRHS") operates five community health centers and three dental locations covering both Accomack and Northampton counties⁸. These centers serve more than 26,000 residents, with 25 clinicians (including 11 physician assistants and nurse practitioners) and 140 staff. While accepting most insurance plans, Medicare, and Medicaid, ESRHS has in place a sliding fee scale for underinsured and uninsured patients. Some 30% of the \$11 million annual budget is grant funded; the remainder is financed through donations and patient fees. ESRHS is Joint Commission accredited.

Physician Coverage

There are a total of 58 doctors (Figure 4) in all specialties practicing full-time on the Eastern Shore for a ratio of 108 physicians per 100,000 population. The Virginia ratio is 191 physicians per 100,000 population, nearly twice the Eastern Shore ratio. Riverside has begun to focus on physician recruitment to bring additional doctors to the Eastern Shore, particularly in the area of primary care, to alleviate this shortage problem.

The Eastern Shore of Virginia

"The Eastern Shore of Virginia is a peninsula extending 70 miles from the Maryland state line south to the Chesapeake Bay Bridge-Tunnel. To the east are the 'seaside' marshes, shallow bays and the Barrier Islands bordering the Atlantic Ocean. On the west, or 'bayside' as its called, are a variety of creeks, large and small, flowing into the Chesapeake Bay. The peninsula is divided into two counties: Accomack to the north and Northampton County to the south. Both counties have been involved with water-related activities since John Smith's arrival in 1608."⁹

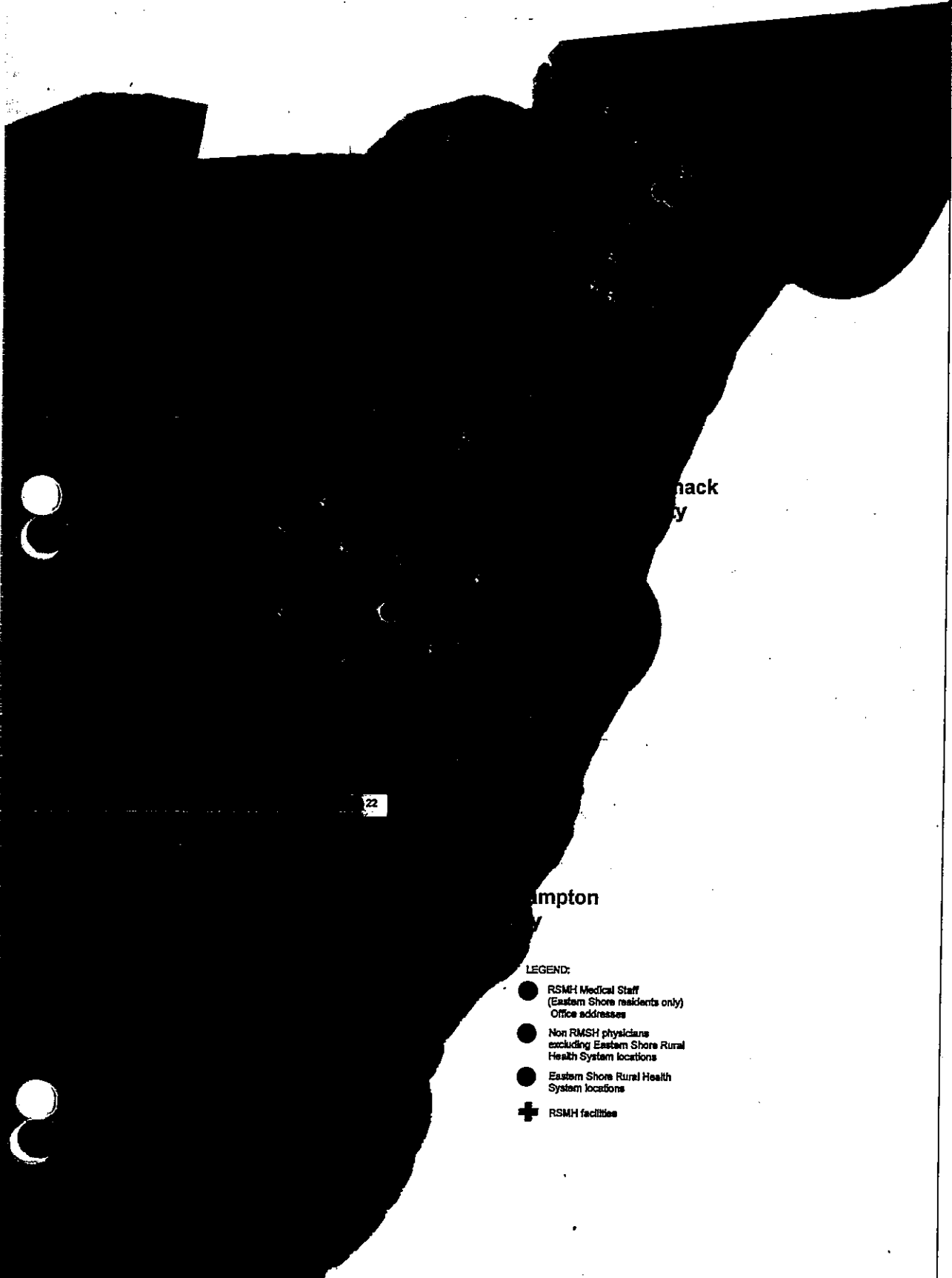
Commercial crabbing, oystering and fishing along with commercial farming operations are the backbone of the Eastern Shore economy. A number of commercial chicken farms supply the two large poultry processing plants with products.

The Nature Conservancy and the Eastern Shore Land Trust have under their protection more than 100,000 acres of the Eastern Shore dedicated to natural habitat and which excludes development. The National Aeronautics and Space Administration maintains the Wallops Island Flight Facility near Chincoteague.

⁸ www.esrh.org

⁹ Eastern Shore Essentials, 2010-2011, Eastern Shore of Virginia Chamber of Commerce.

Figure 4
Locations of Eastern Shore Physicians



Primary Service Area

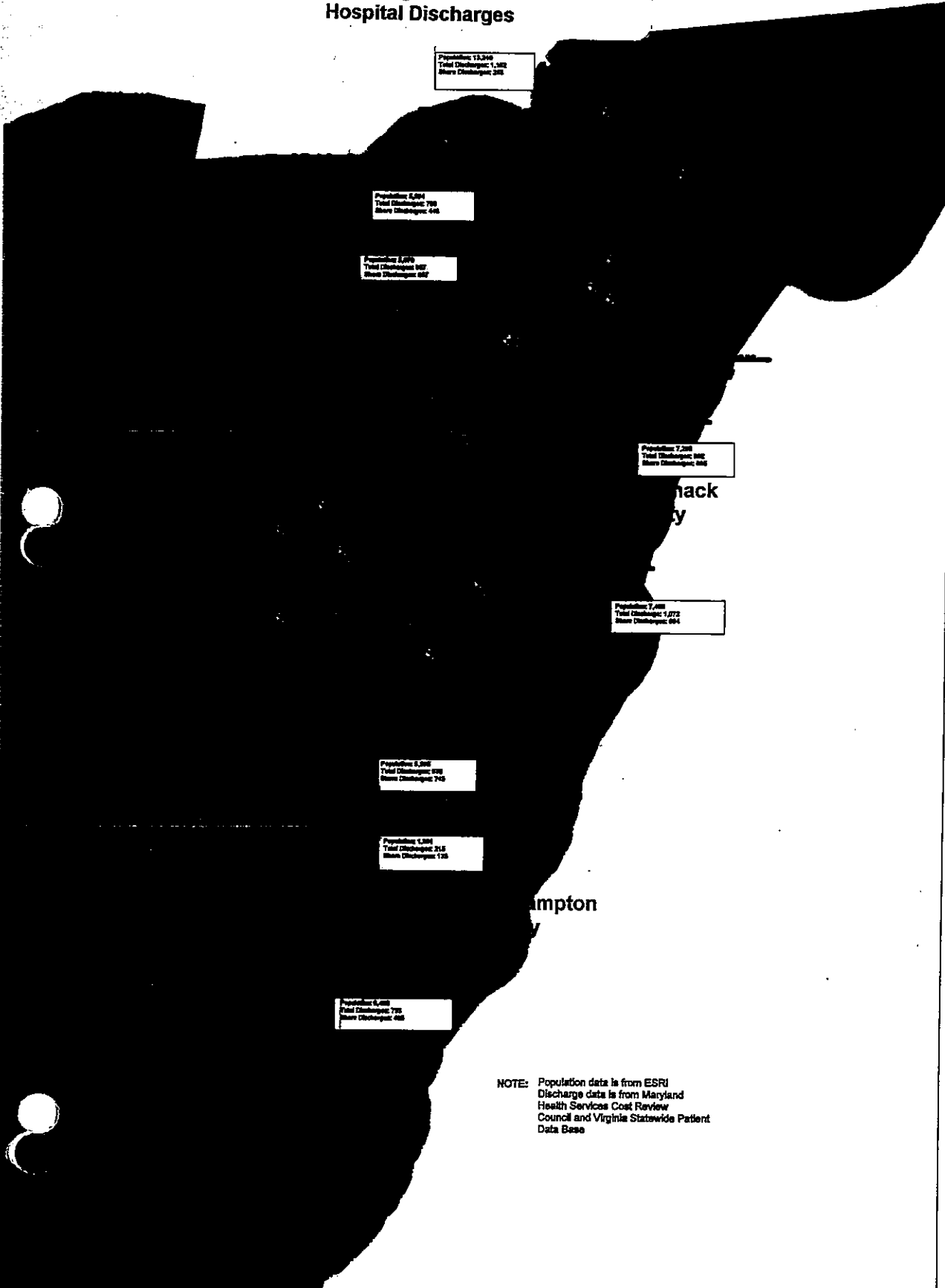
The primary service area includes the counties of Accomack and Northampton. Patient origin data¹⁰ shows nearly 7,000 inpatient admissions excluding newborns during 2009, with 59% of admissions going to Riverside Shore Memorial (Figure 5):

County	Zip Code	Post Office	Maryland Hospitals	Virginia Hospitals	Shore Memorial	Totals	
Accomack County	23301	Accomac	18	36	140	194	
	23302	Assawoman	5	2	3	10	
	23303	Atlantic	97	10	36	143	
	23306	Belle Haven	10	46	108	164	
	23308	Bloxom	53	34	145	232	
	23336	Chincoteague Island	342	24	83	449	
	23337	Wallops Island	48	2	4	54	
	23341	Craddockville	2	10	32	44	
	23356	Greenbackville	89	7	12	108	
	23357	Greenbush	10	19	59	88	
	23358	Hacksneck	2	1	1	4	
	23359	Hallwood	16	7	46	69	
	23389	Harborton	6	3	14	23	
	23395	Hornstown	72	2	21	95	
	23399	Jenkins Bridge	1			1	
	23401	Keller	9		25	51	85
	23404	Locustville			4	12	16
	23407	Mappsville	25	4	81	110	
	23409	Mears	4	1	7	12	
	23410	Melfa	40	56	169	265	
	23412	Modest Town	8	5	5	18	
	23414	Nelsonia	19	9	74	102	
	23415	New Church	116	13	56	185	
	23416	Oak Hall	53	4	29	86	
	23417	Onancock	71	110	348	529	
	23418	Onley	14	27	120	161	
	23420	Painter	18	80	183	281	
	23421	Parksley	122	89	594	805	
	23422	Pungoteague	6	18	41	65	
	23423	Quinby	8	18	40	66	
	23426	Sanford	11		14	25	
	23427	Saxis	25	4	17	46	
	23440	Tangier	87	3	4	94	
	23441	Tasley	4	23	65	92	
23442	Temperanceville	75	9	51	135		

¹⁰ Maryland data comes from the Maryland Health Services Cost Review Commission and is for calendar year 2009. Virginia data is also for calendar 2009 and is from the Statewide Patient Data Base.

Area	Percent 2009 Estimated Eastern Shore Pop	Percent Total Discharges Eastern Shore	Percent Shore Memorial Discharges	Market Share Shore Memorial
Chincoteague/New Church	25%	17%	6%	22%
Mappsville	10%	11%	11%	58%
Parkley	11%	14%	16%	67%
Onancock/Onley	14%	14%	17%	69%
Painter/Wachapreague	14%	16%	17%	65%
Subtotal, Accomack	74%	72%	67%	55%
Nassawadox	10%	14%	18%	78%
Machipongo	4%	3%	3%	62%
Cape Charles	12%	11%	12%	66%
Subtotal, Northampton	25%	28%	33%	71%
Total, Eastern Shore	100%	100%	100%	59%

**Figure 5
Hospital Discharges**



NOTE: Population data is from ESRI
Discharge data is from Maryland
Health Services Cost Review
Council and Virginia Statewide Patient
Data Base

	23480	Wachapreague	7	13	55	75
	23483	Wattsville	9	1		10
	23488	Withams	16	4	12	32
Totals, Accomack County			1,518	723	2,732	4,973
Northampton County	23307	Birdsnest	6	27	72	105
	23310	Cape Charles	9	111	191	311
	23313	Capeville	1	6	17	24
	23316	Cheriton	3	51	159	213
	23347	Eastville	3	59	103	165
	23350	Exmore	20	105	379	504
	23354	Franktown		13	33	46
	23398	Jamesville	4	16	30	50
	23405	Machipongo	4	45	61	110
	23408	Marionville		5	8	13
	23413	Nassawadox	7	52	267	326
	23443	Townsend		15	25	40
	23482	Wardtown	1	2		3
	23486	Willis Wharf		8	26	34
Totals, Northampton County			58	515	1,371	1,944
Totals, Eastern Shore			1,576	1,238	4,103	6,917
Percent of Total Market			23%	18%	59%	100%

Population

Based on the 2007 VEC Population Projections, the total population for the Eastern Shore for 2016 (five year SMFP planning horizon from the due date of COPN decision) is estimated at 55,964 residents, with 74% of the population residing in Accomack County¹¹:

Total Population	2010	2020	2016	2010-2020
Accomack	40,245	42,185	41,409	4.8%
Northampton	13,990	14,932	14,555	6.7%
Total, Eastern Shore	54,235	57,117	55,964	5.3%

Most of the numerical growth in the decade 2010 to 2020 is expected to occur in Accomack County, increasing some 1,940 persons, or 4.8%. Northampton County is estimated to increase by some 1,000 residents, or 6.7%¹². Of significance, the population age 65 and over for both counties is projected to show dramatic percentage increases by 2016 over 2010:

¹¹ These numbers do not reflect the seasonal migrant worker population, which is estimated at 3,000 plus during late summer and early fall harvest seasons.
¹² The VEC projections for Northampton County show a much higher growth than the Weldon Cooper Institute. The latter source indicates a flattening of growth over 2000 to 2010, a total of 2.1% over that decade.

Age 65 and Over	2010	2020	2016	2010-2020
Accomack	6,757	8,115	7,572	20.1%
Northampton	2,777	2,997	2,909	7.9%
Total, Eastern Shore	9,534	11,112	10,481	16.6%
Percent Population	17.6%	19.5%	18.7%	

Nearly one out of every 5 residents on the Eastern Shore in 2016 will be age 65 and over. It should be noted that the age group 65 and over consumes at least four times more healthcare resources than those individuals under age 65. This high proportion of senior citizens is reflected in the percentage of inpatient days (2009) at Riverside Shore Memorial:

Third Party Payor	Admissions	Percent	Patient Days	Percent
Medicare	2,037	50.9%	9,526	60.5%
Medicaid	635	15.9%	1,963	12.5%
Other Government	164	4.1%	544	3.5%
Commercial	633	15.8%	2,159	13.7%
Other (Inc Self Pay)	535	13.4%	1,552	9.9%
Totals	4,004	100.0%	15,744	100.0%

Riverside Shore Memorial ranks 11th of all 64 acute care hospitals in Virginia in combined Medicare and Medicaid as a percent of total Gross Patient Revenue¹³. It is fourth among all Virginia acute care hospitals in the percent of Bad Debt expense (6.5% of Gross Patient Revenues)¹⁴. A significant part of this expense could probably be classified as charity care, given the economic circumstances of many Eastern Shore residents¹⁵.

Selected demographic characteristics¹⁶ for the two counties show a low cost of living index, and a very low median household income. The number of residents in 2008 living at or below the Federal Poverty Level is twice the state average:

Demographic Characteristic	Accomack County	Northampton County	Virginia
Cost of Living Index (2008)	82.1	83.0	100.0
Unemployment Rate, October 2010	7.3%	7.3%	9.0%
Median Resident Age (2008)	39.4	42.4	35.7

¹³ 2009 Industry Report, 2008 Hospital Detail, VHI.

¹⁴ Ibid

¹⁵ Riverside Shore Memorial, like many other Virginia hospitals, uses guidelines from the Indigent Care Trust Fund to establish eligibility for charity. Income verification is required through W-2's or similar documents. Since watermen and many self-employed farmers often do not have these documents, eligibility is difficult to establish, and RSMH does not have the staff to perform in-depth investigations; therefore, many of the possibly eligible accounts are charged to Bad Debts rather than to Charity Care.

¹⁶ Data is from www.city-data/county/

Demographic Characteristic	Accomack County	Northampton County	Virginia
Median Household Income (2008)	\$ 39,683	\$ 37,093	\$ 61,233
Residents Below Poverty Level (2008)	18.0%	20.5	9.6%
Below 50% FPL (2008)	6.4%	6.5%	4.3%
Racial Mix (2008)			
White	61.9%	52.5%	67.5%
Black	31.6%	43.0%	20.3%
Hispanic (exclusive of seasonal)	5.4%	3.5%	6.6%
Other	1.1%	1.0%	5.6%

Health Status of Eastern Shore Residents

The Eastern Shore residents rank in the bottom one-third of all Virginia cities and counties relative to the condition of their health¹⁷. Both Accomack and Northampton counties are about 100th out of the 132 state jurisdictions on health outcomes and mortality. About 20% of all residents describe themselves as being in poor or fair health, and the premature death rate is 42% higher than state figures:

Description	Accomack County	Northampton County	Virginia State
Health outcomes ranking (a)	100	101	
Mortality (a)	101	108	
Poor or fair health (%)	20%	19%	13%
Teen birth rate (b)	67	65	37
Premature death (c)	9,810	10,189	6,872
Cancer incidence - Males (d)	575.5	764.7	515.1
Cancer incidence - Females (d)	373.4	523.2	375.5
Diabetes prevalence (e)	15.4	15.4	6.9

(a) Out of 132 jurisdictions

(b) Per 1,000 females age 15-19

(c) Years of potential life lost before age 75 per 100,000 population

(d) Virginia Cancer Registry 2000-2004, per 100,000 and age adjusted

(e) For both Eastern Shore counties combined - 2005

Teen birth rates are considerably higher than the Virginia average. Cancer incidence rates for both male and female residents in Northampton County are significantly higher than the overall state incidence rate for all cancer sites. Likewise, the prevalence rate for diabetes for both counties is more than twice the rate for Virginia. Other health factors for Eastern Shore residents, such as obesity and heart disease, show similar elevations above statewide rates.

¹⁷ Chronic Disease in Virginia, Virginia Department of Health, Division of Chronic Disease Prevention and Control, 2006 Edition

Hospital admissions per 1,000 population (131.2) appear to be higher for Eastern Shore residents than the average for Eastern Virginia (107.6) as a result of the higher incidence rates and resulting hospitalizations. It should also be noted that Accomack and Northampton counties ranked sixth and seventh (highest) respectively out of 138 Virginia reporting jurisdictions in the number of deaths per 1,000 drivers in 2009¹⁸.

County Population Centers

Neither Accomack County nor Northampton County has any independent cities. However, Accomack has 14 incorporated towns, with 26% of the county's 2008-estimated population¹⁹:

Incorporated Towns	2008 Population
Accomac	524
Belle Haven	458
Bloxom	384
Chincoteague	4,296
Hallwood	275
Keller	164
Melfa	425
Onancock	1,389
Onley	471
Painter	234
Parksley	790
Saxis	320
Tangier	652
Wachapreague	222
Total In Incorporated Towns	10,604
Percent in Incorporated Towns	26%

Northampton County has five incorporated towns, holding 32% of the county's 2008-estimated population:

Incorporated Towns	2008 Population
Cape Charles	1,464
Cheriton	469
Eastville	193
Exmore	1,349
Nassawadox	592
Total In Incorporated Towns	4,067
Percent in Incorporated Towns	32%

¹⁸ Division of Motor Vehicles, 2009 Crash Facts.

¹⁹ Data is for 2008 from <http://virginia.hometownlocator.com/va/>

Major Businesses

The Eastern Shore has 68 businesses²⁰ employing more than 50 individuals (Figure 6):

Number of Employees	Accomack	Northampton
Over 1,000	2	1
500 to 999	1	2
250 to 499	2	1
100 to 249	16	9
50 to 99	18	16
Total, 50 or more employees	39	29

Most of these are located in Accomack County; twenty percent are defense contractors or Federal government installations. The second largest group, with the largest number of employees, is agricultural product processing (e.g., Perdue Products, Tyson Foods). Local government and health care providers are also major employers.

Current Services

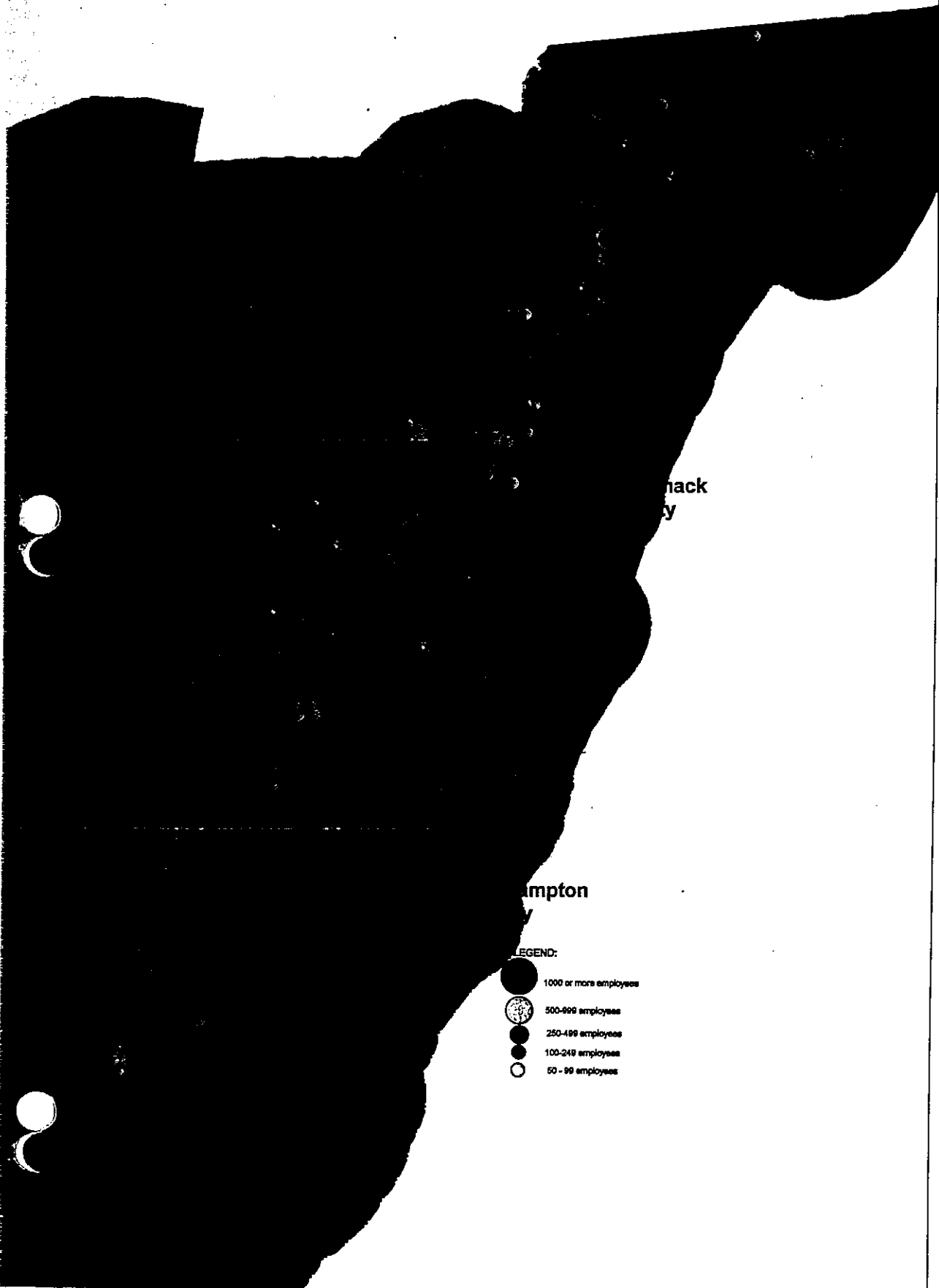
The 2009 operating data provided to VHI for Riverside Shore Memorial Hospital shows the following utilization:

COPN Reviewable Services	Present Location	2009 Volume	Percent Utilized
Acute Care Beds	97	11,290 Patient Days	32%
Intensive Care Beds	11	2,038 Patient Days	51%
Mental Health Beds	14	716 Patient Days	14%
Skilled Nursing Beds	13	3,014 Patient Days	64%
Obstetrical Beds	8	1,700 Patient Days	58%
Operating Rooms #	3	2,949 Cases	56%
Magnetic Resonance Imaging (mobile) #	1	1,573 Procedures	32%
Computed Tomography #	1	7,776 Procedures	105%
SPECT #	1	860 Procedures	86%
Linear Accelerator/Cobalt #	1	3,296 Visits	41%

Based on utilization criteria in the SMFP

²⁰ Virginia Economic Development Partnership, 2008

Figure 6
Eastern Shore Business Locations



It is requested that the following reviewable services be approved for relocation as part of this application:

COPN Reviewable Services	Present Location	New Location
Acute Care Beds	97	46
Intensive Care Beds	11	10
Mental Health Beds	14	0
Skilled Nursing Beds	13	14
Obstetrical Beds	8	8
Operating Rooms	3	3
Magnetic Resonance Imaging	1	1 (new)
Computed Tomography	1	1 (new)
SPECT	1	1
Linear Accelerator/Cobalt	1	1

To be discontinued at the new site will be the mental health unit. The demand for mental health services is such that continued operation of this unit is neither practical for staffing purposes nor financially justifiable. While stabilization of patients with mental health or substance abuse issues will be continued, inpatient care can be provided at alternative sites in Hampton, Virginia Beach or Norfolk.

New Equipment at New Site

Computed Tomography As part of this application, Riverside Shore Memorial Hospital is requesting at the new site a fixed CT scanner and a fixed MRI. As noted above, the fixed CT scanner meets the criteria in the State Medical Facilities Plan under 12VAC5-230-100. This standard states:

"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."

Based on 2009-reported volume, the existing CT scanner at Riverside Shore Memorial Hospital exceeds the threshold volume by 5%. There are no other CT scanners approved for Planning District 22.

Magnetic Resonance Imaging A new fixed MRI is being requested for the replacement hospital. While the MRI volume does not meet the standard for new MRI equipment, it should be noted that the replacement hospital, to operate as a full service hospital, requires the availability of this equipment. For a more complete justification for the fixed MRI, please see the section beginning on page 23.

MRI is commonly used to diagnose or monitor brain and spine abnormalities; musculoskeletal injuries; liver, pancreas, kidney, adrenal and reproductive diseases; and blood vessel diseases. MRI is frequently used instead of CT scan to avoid x-ray radiation. This may be especially applicable to pediatric patients, pregnant women, and those who will need many imaging follow-ups, such as those who need tumor surveillance in cancer treatment.

The State Health Commissioner has issued opinions that MRI, like CT, is a necessary diagnostic tool for community hospitals and particularly those offering emergency services:

"A general hospital of reasonable size, and especially one operating an emergency department, should have an MRI service conveniently available to its patients at all hours and operating substantially under the hospital's control."²¹

Dr. Stroube also stated:

"Like CT scanning, MRI scanning has become a vital diagnostic tool in modern healthcare and a general hospital ought to have ready access to this diagnostic service."²²

There are no other options for diagnostic services on the Eastern Shore; the closest alternatives are across the Chesapeake Bay Bridge Tunnel (49 miles) to Virginia Beach or northward to Maryland (75 miles).

Services Remaining on the Present Campus

The Cancer Services building, opened in 2003, houses medical and radiation oncology, and is located on the campus of Riverside Shore Memorial Hospital. These oncology services will be moved to the new hospital location in Accomac because of the need to be in close proximity to laboratory and pharmacy services.

The present Cancer Services building will be renovated to house an outpatient facility, including a fixed CT and a pad for mobile MRI. These diagnostic services are already located in the existing hospital building and will be moved to the urgent care center. A complete outpatient diagnostic and treatment facility can be offered in a convenient location closer to residents of the lower Eastern Shore. Other diagnostic imaging and facilities for collecting laboratory specimens will also be included in the urgent care setting.

²¹ Decision of Commissioner Stroube, Northern Virginia Community Hospital, Establish MRI Service, COPN No. VA-03842, August 9, 2004.

²² Decision of Commissioner Stroube, COPN Nos. VA – 04035, VA-04036, Mediacorp at Stafford, LLC, and Spotsylvania Medical Center, Inc., August 25, 2006. (approving one MRI at each hospital despite lack of numerical need).

Plans for the disposition of the existing hospital building are being developed.

Proposed Downsized Capacity

Over the past five years, there has been a steady decline in occupancy based on the current bed complement of 143 beds:

Bed Category	2005 % Occupied	2006 % Occupied	2007 % Occupied	2008 % Occupied	2009 % Occupied
Medical-Surgical	40.2%	40.7%	48.4%	33.6%	31.9%
ICU	60.7%	58.8%	36.4%	50.5%	50.8%
Psychiatric	23.7%	29.9%	30.4%	31.2%	14.0%
Obstetrics	36.3%	40.8%	40.5%	37.1%	58.2%
Total Acute	39.9%	41.0%	45.0%	35.0%	33.2%
SNF	82.3%	71.7%	66.6%	63.5%	67.9%
Totals	43.8%	40.7%	46.9%	37.6%	36.3%

Several changes in the national health care delivery system have contributed to a decline in inpatient utilization:

- the expansion of managed care into all payor markets, including Medicaid;
- decreasing average lengths of stay, in part due to per admission payment reductions and use of hospitalists in more effective management of patient stays; and
- increased capabilities in outpatient treatment (e.g., outpatient surgery)

However, there are also nationwide trends that potentially could offset any further reductions in admission rates:

- a high and increasing ratio of patients, particularly elderly, who are readmitted within thirty days of discharge, suggesting inadequate transitional care from the hospital to the community or inadequate community based resources;
- the Patient Protection and Affordable Care Act of 2010 resulting in more individuals covered by insurance; and,
- increasing numbers of elderly who consume four times the health care resources of the under 65 population.

Sg2, a nationwide healthcare consulting firm, has projected that hospital inpatient utilization will decline over the decade 2010 to 2020 a total of 1.9%. Riverside Shore Memorial has built into its projection of inpatient bed needs this decrease in utilization, but increased utilization from treating Virginia Eastern Shore residents at Riverside Shore Memorial rather than those individuals traveling to Maryland or Southside Virginia hospitals.

In the 2009 operating year, Riverside Shore Memorial Hospital showed the following utilization of inpatient beds:

2009	Beds	Patient Days	ADC	% Occupied
Medical-Surgical	97	11,290	30.9	31.9%
ICU	11	2,038	5.6	50.8%
Psychiatric	14	716	2.0	14.0%
Obstetrics	8	1,700	4.7	58.2%
Total Acute	130	15,744	43.1	33.2%
SNF	13	3,221	8.8	67.9%
Totals	143	18,965	52.0	36.3%

A smaller hospital with flexible and interchangeable beds would be more efficient to operate, yet needs to be large enough to provide timely access for patients as necessary. While the planning horizon for this application under the SMFP is five years, the initial construction of the facility has to extend this time frame significantly to twenty years (i.e., 2030) to reduce long-range construction costs, provide a platform for efficient nursing unit size, and facility design factors. Long-range concerns have to include sizing for potable water supply and sewage treatment facilities.

COPN Planning Horizon

For Certificate of Public Need purposes, the planning horizon is 2016, five years following the scheduled decision by the State Health Commissioner. The projected population of the Eastern Shore, based on VEC population forecasts is:

Population	2010	2020	2016
Accomack	40,245	42,185	41,409
Northampton	13,990	14,932	14,555
Totals	54,235	57,117	55,964

Breaking this estimate into the geographical segments described previously in Figure 5:

Areas:	2010	2020	2016
Chincoteague	13,572	14,226	13,965
Mappsville	5,724	6,000	5,890
Parksley	5,815	6,096	5,984
Onancock	7,478	7,839	7,694
Painter	7,655	8,024	7,877
Accomack	40,245	42,185	41,409
Nassawadox	5,549	5,923	5,774
Machipongo	1,996	2,130	2,076
Cape Charles	6,445	6,879	6,705
Northampton	13,990	14,932	14,555
Totals	54,235	57,117	55,964

It is projected by 2016 that Riverside Shore Memorial will have the following occupancy:

Category	Proposed Beds	Patient Days	ADC	Percent Occupied
Medical-Surgical	46	12,536	34.3	74.7%
ICU	10	2,247	6.2	61.6%
Obstetrics	8	1,874	5.1	64.2%
Total Acute	64	16,657	45.6	71.3%
SNF	14	3,286	9.0	64.3
Totals	78	19,943	54.6	70.1%

Projections were based on VEC estimated population growth and a 5% increase in market share for Accomack County, adjusting for an expected decline in utilization (see previous page).

All inpatient beds will be private rooms.

Determination of Bed Need

Assumptions (Not Including SNF beds)

The following assumptions were made in projecting patient days:

- VEC population projections (revised 2007)
- A decline in the utilization rate for inpatients (rate of discharge per 1,000 by county)
- Average length of stay remains the same as experienced in 2009 by RSMH
- Medical-surgical, ICU, and obstetrical beds were considered
- 2015 is the first full year of operation for the new facility
- Benchmark year for total beds is 2030
- Maximum bed size is based on peak occupancies experienced.

Population was forecast to 2030 by region of the Eastern Shore (see Figure 5):

Areas:	2010	2020	2016	2030
Chincoteague	13,572	14,226	13,965	14,922
Mappsville	5,724	6,000	5,890	6,294
Parksley	5,815	6,096	5,984	6,394
Onancock	7,478	7,839	7,694	8,222
Painter	7,655	8,024	7,877	8,417
Accomack	40,245	42,185	41,409	44,249
Nassawadox	5,549	5,923	5,774	6,319
Machipongo	1,996	2,130	2,076	2,273
Cape Charles	6,445	6,879	6,705	7,339
Northampton	13,990	14,932	14,555	15,931
Totals	54,235	57,117	55,964	60,180

Using total discharges²³ from Maryland and Virginia hospitals, the number of discharges per 1,000 population was developed:

Areas:	Discharges	Disc/1,000
Chincoteague	1,162	87.76
Mappsville	760	136.10
Parksley	987	173.98
Onancock	992	135.98
Painter	1,072	143.55
Accomack	4,973	126.67
Nassawadox	976	176.30
Machipongo	215	107.99
Cape Charles	753	117.13
Northampton	1,944	139.29
Totals	6,917	265.96

These rates were modified to show a 1.9% decrease in utilization per decade and applied to population forecasts extending to 2030:

Areas:	Discharges Per 1,000	Discharges 2010	Discharges 2020	Discharges 2030
Chincoteague	87.76	1,191	1,225	1,257
Mappsville	136.10	779	801	822
Parksley	173.98	1,012	1,040	1,068
Onancock	135.98	1,017	1,046	1,073
Painter	143.55	1,099	1,130	1,160
Accomack	126.67	5,098	5,242	5,381
Nassawadox	176.30	978	1,024	1,070
Machipongo	107.99	216	226	236
Cape Charles	117.13	755	790	825
Northampton	139.29	1,949	2,040	2,130
Totals	129.98	7,047	7,282	7,511

From the known total discharges in 2009 and RSMH market share for that year, the number of discharges was projected out to 2030 using the above forecast:

Areas:	2009 RSMH Market Share	Discharges 2010	Discharges 2020	Discharges 2030
Chincoteague	22%	259	267	274
Mappsville	58%	454	467	479
Parksley	67%	673	693	711
Onancock	69%	702	722	741
Painter	65%	711	732	751
Accomack	55%	2,804	2,883	2,959

²³ Exclusive of psychiatric, substance abuse, newborns, pediatrics and skilled nursing facility.

Areas:	2009 RSMH Market Share	Discharges 2010	Discharges 2020	Discharges 2030
Nassawadox	76%	745	780	814
Machipongo	62%	133	140	146
Cape Charles	66%	496	520	542
Northampton	71%	1,384	1,449	1,513
Totals	59%	4,157	4,297	4,432

It is projected that the move to Accomack County will increase the number of discharges by five percent by 2020

Discharges were multiplied by the experienced average length of stay to get expected patient days:

Areas:	2010 Patient Days	2016 Patient Days	2020 Patient Days	2030 Patient Days
Chincoteague	1,014	1,031	1,043	1,070
Mappsville	1,769	1,799	1,819	1,867
Parksley	2,633	2,678	2,708	2,779
Onancock	2,746	2,792	2,823	2,898
Painter	2,782	2,830	2,861	2,937
Accomack	10,944	11,130	11,254	11,551
Nassawadox	2,911	2,995	3,048	3,183
Machipongo	522	537	547	571
Cape Charles	1,941	1,995	2,032	2,121
Northampton	5,374	5,528	5,627	5,875
Totals	16,318	16,657	16,881	17,427

The expected average daily census in 2030 is 49 patients (17,857/365). Using an occupancy factor of 75% (to allow for peak census periods²⁴), this calculation yields 64 beds.

The number of SNF beds was based on historical census of that unit. It is requested that these 14 beds be licensed as swing beds.

The Case For Moving The Hospital

As noted on pages 2, 3, and 4 of this Attachment, the architectural and engineering consultants outlined three alternatives for dealing with the physical plant deficiencies:

²⁴ It should be noted that the normal bell curve associated with variations of census around the annual average daily census does not appear to apply to a rural hospital such as Riverside Shore Memorial. In 2008, daily census figures for medical surgical beds showed exceptional volatility with a high of 54 (seven months with highs greater than 40) and lows of 17 (five months with lows of 20 or less). The annual average daily census was 33.3.

- Make necessary repairs
- Repair and partially (55%) renovate
- Build a replacement hospital

Since 2003, the hospital has lost \$10.6 million equivalent to 2.5 times its current reserves. Charity care in 2009 was 39% higher than in 2003; Bad Debts increased (2003-2009) by 57%. Labor expense, including benefits, increased 44% over this time period while patient days decreased by 12.3%. The hospital cannot continue to sustain these losses and remain solvent:

Fiscal Years	Charity Care	Bad Debts	Excess Revenue Over Expenses (a)
2003	\$ 1,681,855	\$ 6,154,646	\$ (1,841,164)
2004	\$ 1,642,701	\$ 5,596,400	\$ (219,749)
2005	\$ 2,237,070	\$ 7,338,128	\$ (2,053,705)
2006	\$ 2,267,540	\$ 8,038,538	\$ (552,015)
2007	\$ 1,414,128	\$ 8,780,065	\$ 30,713
2008	\$ 2,249,973	\$ 8,992,379	\$ (1,663,314)
2009	\$ 2,331,257	\$ 9,677,992	\$ (4,315,649)
Totals	\$13,824,524	\$ 54,578,148	\$(10,614,883)

(a) Excess revenue over expenses exclusive of non-operating gains or losses

In September 2009, Shore Health Services affiliated with Riverside Health System. This action was taken for a variety of reasons, one of which was the ability to reduce overhead costs by utilizing Riverside's core support services (e.g., materials management, accounting, etc.).

Despite this affiliation, the hospital cannot economically sustain itself (in other words-survive) given the basic issues unless it moves from the present location:

- Deteriorating physical plant
- Increasing expenses
- Decreasing third party reimbursement²⁵
- Growing population away from the current location
- Declining patient demand

Sufficient comment has already been made on the state of the physical plant. At its present size and physical layout, the hospital is inefficient and costly to operate. Although the current licensed capacity is 143 beds, only 45-50 beds are routinely staffed. Despite continuing efforts to keep the labor cost as low as possible without compromising quality or safety, net patient revenues are not growing as fast as expenses. Thus, the continuing deficits.

²⁵ As a result of the Affordable Care Act of 2010, Medicare DRG amounts will be reduced by at least one percent each year beginning in fiscal 2013, and totaling by 2017 some 7.5% from the current base year. Revenue shortfalls have caused a reduction in Virginia Medicaid payments to hospitals from the present 72% of cost to a fiscal year 2012 proposed level of 60% of costs.

A solution to this difficulty is increased net reimbursement, that is, after contractual adjustments (discounts to third party payors) and charity care. A review of the payor mix (based on 2009 discharges) between Riverside Shore patients, Southside Hospitals, and Maryland hospitals²⁶ shows a differing mix:

Accomack County Payor	Shore Memorial	Southside Hospitals	Maryland Hospitals
Medicare	49.1%	37.7%	57.0%
Medicaid	29.2%	22.9%	1.8%
Other Government	0.2%	2.2%	1.4%
Commercial	14.9%	29.7%	33.5%
Other (inc Self Pay)	6.6%	7.6%	6.3%
Total	100.0%	100.0%	100.0%

Northampton County Payor	Shore Memorial	Southside Hospitals	Maryland Hospitals
Medicare	59.5%	45.8%	55.7%
Medicaid	18.4%	14.1%	8.6%
Other Government	0.2%	3.2%	0.0%
Commercial	15.0%	31.1%	25.7%
Other (inc Self Pay)	6.9%	5.9%	10.0%
Total	100.0%	100.0%	100.0%

More than one-fourth of the total discharges from the Eastern Shore are Medicaid, which as explained earlier, pays a current rate of reimbursement of 72% of cost. Because of reductions in state revenue, hospital Medicaid reimbursement is projected to be 60% of cost in FY 2012. Medicare DRG payments are proposed for reduction starting in 2013.

What is needed by Riverside Shore Memorial in order for revenues to meet expenses is attracting patients with commercial insurance coverage²⁷. For both Southside and Maryland hospitals, the proportion of patients from either county with commercial insurance is more than double that percentage of RSMH revenues and this is particularly true for residents of Accomack County.

Attracting these patients in its present location has proven to be very difficult. Most of the commercial plans are offered through employers, and the larger businesses and industries are located further north on the Eastern Shore (Accomack County). There are 32% more businesses with 100 or more employees in Accomack County than in Northampton.

As noted earlier, nearly three quarters of the population of the Eastern Shore is located in Accomack County and this population disparity is forecast to continue

²⁶ Discharges based on 2009 Virginia and Maryland reported data for Eastern Shore residents.

²⁷ Generally higher reimbursement. Most commercial plans pay on the basis of a negotiated rate with the hospital, and usually above costs.

over the next two decades. It is estimated that by 2020, the total inpatient discharges from Accomack County will be three times that of Northampton County, and twice as many will be covered by an insurance that pays cost or better.

In order for the hospital to survive in this changing healthcare environment, it needs to move to an area where:

- The hospital can build a completely new physical plant;
- Both inpatient and outpatient components can be cost efficient to operate;
- The hospital can be in a patient market, which contains an existing favorable demographic and third party payor mix; and,
- Future population growth provides a more stable (as opposed to declining) patient census.

Coupled with this move, the hospital will embark on an aggressive physician recruiting effort to improve referral patterns and to augment those services, which would encourage Eastern Shore residents to remain on the Shore for community hospital level services. Riverside Shore Memorial Hospital remains committed to serving healthcare needs on the entire Eastern Shore, and will continue to have a significant medical campus at its current location in Nassawadox.

State Medical Facility Plan Criteria

The relevant State Medical Facility Plan standard to this project is 12VAC5-230-570, Expansion or relocation of services:

"A. Proposals to relocate beds to a location not contiguous to the existing site should be approved only when:

- 1. Off-site replacement is necessary to correct life safety or building code deficiencies;*
- 2. The population currently served by the beds to be moved will have reasonable access to the beds at the new site, or to neighboring inpatient facilities;*
- 3. The number of beds to be moved off-site is taken out of service at the existing facility;*
- 4. The off-site replacement of beds results in:*
 - a. A decrease in the licensed bed capacity;*
 - b. A substantial cost savings, cost avoidance, or consolidation of underutilized facilities; or*
 - c. Generally improved operating efficiency in the applicant's facility or facilities; and*
- 5. The relocation results in improved distribution of existing resources to meet community needs.*

B. Proposals to relocate beds within a health planning district where underutilized beds are within 30 minutes driving time one way under normal conditions of the site of the proposed relocation should be approved only when the applicant can demonstrate that the proposed relocation will not materially harm existing providers."

Section B of this standard is not applicable to this project since there are no other hospital providers within 30 minutes driving time. Sections A (1) through A (5) are directly relevant to the proposal, and Riverside Shore Memorial Hospital meets all these criteria.

A (1) While the physical plant has not been cited for building code violations, both the potable water supply and the sewerage treatment system, including the distribution infrastructure, are deficient, and require replacement in the near future in order to meet current and pending (2011) standards for operation. As discussed in an earlier section, any replacement would require significant renovation, making it cost prohibitive to do so in the present facility.

A (2) Some 74% of the population lives in Accomack County, and the replacement hospital is proposed to be built in that jurisdiction. Therefore, a greater number of people will have improved access to care. The existing population will have to travel from the existing facility 18 miles, 22 minutes, for inpatient services. For the majority seeking outpatient services, the outpatient center at the existing location will provide a convenient venue.

A (3) The current 143-inpatient beds will be taken out of service at the current location and be replaced with 78 beds at the new location.

- A (4) The off-site replacement will result in:
 - a decrease in the licensed bed capacity,
 - A capital and operational cost savings and consolidation of underutilized resources (decrease in beds), and
 - Greatly improved operational efficiency through construction of a facility that is built to present-day standards (as opposed to the current 40 year old building).

A (5) As noted in A (2), the hospital facilities will be moved to a location accessible to more residents.

Computed Tomography As part of this application, Riverside Shore Memorial Hospital is requesting at the new site a fixed CT scanner and a fixed MRI.

As noted above, the fixed CT scanner meets the criteria in the State Medical Facilities Plan under 12VAC5-230-100. This standard states:

"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."

Based on 2009-reported volume, the existing CT scanner at Riverside Shore Memorial Hospital exceeds the threshold volume by 5% (7,776 scans performed versus 7,400 SMFP threshold). There are no other CT scanners approved for or in operation in Planning District 22.

Magnetic Resonance Imaging While the 2009 MRI volume, as performed on the present mobile MRI, does not meet the SMFP standard for new MRI equipment, the State Medical Facilities Plan is not the only criteria by which COPN applications are evaluated. In fact, the SMFP is one of eight criteria in determining whether a public need for a project has been demonstrated²⁸:

"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;"

It should be noted that the replacement hospital, to operate as a full service hospital, requires the availability of this equipment. MRI is commonly used to diagnose or monitor brain and spine abnormalities; musculoskeletal injuries; liver, pancreas, kidney, adrenal and reproductive diseases; and blood vessel diseases. MRI is used instead of CT scan to avoid x-ray radiation. This may be especially applicable to pediatric patients, young women, and those who will need many imaging follow-ups, such as those who need tumor surveillance in cancer treatment.

The Eastern Shore of Virginia is geographically remote, with nearly 50 miles from the existing hospital site to the closest Virginia MRI. Riverside Shore Memorial is well over one hour to the nearest Maryland facility with MRI services. Socioeconomically, 70% of discharges in 2009 from all hospitals (Maryland and Virginia) were Medicare and Medicaid. Most of the individuals in these third party payment categories have the most difficulties in obtaining transportation to medical care services and there is no public transportation available. Nearly seven percent were self-pay – usually charity care.

To move the (current) mobile MRI between two locations would impose a physical transportation and a financial burden on both patients and the hospital. At least one full day per week would be lost in transporting the unit and setup. Patients needing an MRI in one location while the unit is in another would be required to seek transportation. Inpatients and those being seen in the

²⁸ Code of Virginia, § 32.1-102.3 (B).

emergency department would have to be transported at hospital expense, usually by local volunteer rescue squad if the unit were at the outpatient center.

"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; (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; (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; (iv) any costs and benefits of the project; (v) the financial accessibility of the project to the residents of the area to be served, including indigent residents; and (vi) at the discretion of the Commissioner, any other factors as may be relevant to the determination of public need for a project;*"

Subsections (ii), (iv), and (v) are directly applicable to this MRI project.

(ii) There are limited alternatives to the proposed fixed MRI at the new hospital location. The only viable less costly alternative is to move the mobile MRI between the outpatient center and the hospital. However, as noted earlier, this would create transportation difficulties and lose the travel day between the sites. This alternative is not efficient or more effective in serving the complete needs of the Eastern Shore population.

(iv) The benefits would be timely access to MRI services, and providing access to the higher population density located around the new hospital site. While there is a capital cost to this additional unit, this cost will not result in higher charges or reimbursement since all MRI payments by third parties are fixed.

(v) All patients, regardless of ability to pay would have access to MRI services.

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

The MRI utilization in 2009 was at 32% of the SMFP threshold for an additional unit.

"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;*"

Since there are no other health care systems or services on the Eastern Shore, the competition element is not applicable. The added fixed MRI will improve access to residents on the upper part of Planning District 22, avoiding the present requirement and patient expense of traveling to Northampton County or Maryland for services.

"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;*"

While the utilization of the existing unit may be decreased by the addition of a fixed unit within the relocated hospital, the access and availability of a unit will be improved. Transportation difficulties (there is no public transportation on the Eastern Shore) between the outpatient center and the hospital will be eliminated. Further, an MRI unit will be available as needed for inpatients and emergency department 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;*"

It is less expensive and makes more sense to construct and equip an MRI area in a completely new hospital rather than add on an MRI suite at a later date. Cost of construction would be less, and capital resources would cost less (particularly given the current economic circumstances) than in the future.

Recruiting of much needed physicians to augment the present staff would be much easier given state of the art technology. Further, the residents of Eastern Shore would have greater confidence in Riverside Shore Memorial if higher capabilities were available- in other words, would use the hospital more rather than going for medical care out of the area.

"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; and (iv) at the discretion of the Commissioner, any other factors as may be appropriate; and,*"

The addition of a fixed MRI at the new hospital site would enable the outpatient center, with the dedicated mobile unit, to be more effective and more efficient.

"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, and (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 State Health Commissioner has issued opinions that MRI, like CT, is a necessary diagnostic tool for community hospitals and particularly those offering emergency services:

"A general hospital of reasonable size, and especially one operating an emergency department, should have an MRI service conveniently available to its patients at all hours and operating substantially under the hospital's control."²⁹

Dr. Stroube also stated:

"Like CT scanning, MRI scanning has become a vital diagnostic tool in modern healthcare and a general hospital ought to have ready access to this diagnostic service."³⁰

There are no other options for diagnostic services on the Eastern Shore; the closest alternatives are across the Chesapeake Bay Bridge Tunnel (49 miles) to Virginia Beach or northward to Maryland (75 miles).

Summary

Riverside Shore Memorial Hospital is located in a geographically remote area, Virginia's Eastern Shore. The closest acute care hospitals are Sentara Bayside Hospital in Virginia Beach, some 49 miles away and across the Chesapeake Bay Bridge Tunnel, and Peninsula Regional Medical Center in Salisbury, Maryland, a distance of 75 miles.

A consultant's report issued in November 2007 shows that the physical plant, some 40 years old, is in dire need of replacement. The infrastructure of the facility has significant deficiencies that cannot be easily remedied without major renovation. The estimated capital cost for a complete physical plant overhaul equals or exceeds the expense of building a new hospital. As the PFA consultant's report concluded, the three options are:

1. Continue to operate in the current facility, making necessary repairs, but not perform any improvements, renovations or expansions.
Cost: \$ 13.2 million

2. Continue to operate in the current facility, but make necessary repairs, and renovate the plant as outlined in a 2002 master plan. Approximately 55% of the facility would be renovated under this option.
Cost: \$ 45.2 million

²⁹ Decision of Commissioner Stroube, Northern Virginia Community Hospital, Establish MRI Service, COPN No. VA-03842, August 9, 2004.

³⁰ Decision of Commissioner Stroube, COPN Nos. VA – 04035, VA-04036, Medicorp at Stafford, LLC, and Spotsylvania Medical Center, Inc., August 25, 2006. (approving one MRI at each hospital despite lack of numerical need).

3. **Build a replacement hospital.**
Cost: \$ 45-50 million

The Board has voted to pursue Option # 3. The deficiencies in the present facility cited by PFA, and which would be only partially resolved by renovating the current plant, are significant and perhaps could not even be fully accomplished at the present site. Most of the infrastructure systems could not be retrofitted without major renovation well beyond the costs outlined in Option # 2.

The purpose of this application therefore is to relocate and replace the existing Riverside Shore Memorial Hospital. In addition, the present Cancer Services building, located on the campus of the present hospital, will be renovated to house an outpatient facility, including a fixed CT and a pad for mobile MRI already approved for this site. This COPN application includes a request for a fixed CT and fixed MRI at the new hospital location.

Based on the 2007 VEC Population Projections, the total population for the Eastern Shore for 2016 is estimated at 55,964 residents, with 74% of the population residing in Accomack County. It is for this reason that the Board elected to relocate the facility in Accomack County in Accomac. Some 30% of all Accomack County residents go to Maryland for inpatient care; Riverside Shore Memorial Hospital gets 55% of these admissions. By moving the hospital northward on the Eastern Shore, the new location will make inpatient care more accessible for these residents.

As noted earlier in this Attachment, Eastern Shore residents rank in the bottom one-third of all Virginia cities and counties relative to the condition of their health. Both Accomack and Northampton counties are about 100th out of the 132 state jurisdictions on health outcomes and mortality. About 20% of all residents describe themselves as being in poor or fair health, and the premature death rate is 42% higher than state figures. Teen birth rates are considerably higher than the Virginia average. Cancer incidence rates for both male and female residents in Northampton County are significantly higher than the overall state incidence rate for all cancer sites. Likewise, the prevalence rate for diabetes for both counties is more than twice the rate for Virginia. Other health factors for Eastern Shore residents, such as obesity and heart disease, show similar elevations above statewide rates.

Hospital admissions per 1,000 population (131.2) appear to be higher for Eastern Shore residents than the average for Eastern Virginia (107.6) as a result of the higher incidence rates and resulting hospitalizations. Despite this factor, Riverside Shore Memorial Hospital has experienced a decrease over the past five years in occupancy, in part due to residents going to Maryland and other Virginia hospitals. Some of this out-migration is because of geographic proximity (e.g., upper Accomack residents going to Maryland) and a second factor is the

limited medical staff at the present hospital (e.g., referral patterns, specialists). As part of the affiliation with Riverside, an active physician recruiting effort has begun.

National hospital inpatient data shows a decline in the admission rate to hospitals through at least 2020; however, and because of this trend, Riverside Shore Memorial Hospital is reducing the number of beds proposed for the new hospital. Instead of the present 143-bed configuration, the replacement hospital will house 46 medical surgical beds, 10 intensive care beds, 8 obstetrical beds, and 14 skilled nursing facility beds. The mental health unit currently located in the hospital will be discontinued. This request meets all applicable SMFP standards under 12VAC5-230-570.

As noted earlier, a part of this request is to site a fixed CT scanner and a fixed MRI at the new location. The proposal for the CT scanner meets the SMFP standards under 12VAC5-230-100.

While the request does not meet the SMFP threshold for an additional MRI unit, it does comply with the other required considerations to improve access, provide a more efficient health care delivery system, and reduce the financial and transportation burden of Eastern Shore residents.

In order for the hospital to survive in this changing healthcare environment, it needs to move to an area where:

- The hospital can build a completely new physical plant;
- Both inpatient and outpatient components can be cost efficient to operate;
- The hospital can be in a patient market, which contains an existing favorable demographic and third party payor mix; and,
- Future population growth provides a more stable (as opposed to declining) patient census

Riverside Shore Memorial Hospital has met the healthcare needs of the Eastern Shore residents since 1928, and this proposed Certificate of Public Need will ensure that those healthcare needs are met for decades to come.



Board of Supervisors of Northampton County
P.O. Box 66 • Fastville, Virginia 23347

Katherine H. Nunez
County Administrator

PHONE: 757-678-0440
FAX: 757-678-0483

BOARD OF SUPERVISORS
Willie C. Randall, Chairman
Samuel J. Long, Jr., Vice Chairman
Oliver H. Bennett
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Richard B. Tankard
Laurence J. Trala

MEMORANDUM:

TO: Citizens of Northampton County

FROM: Hospital Task Force:
The Hon. H. Spencer Murray, Supervisor, District 4
The Hon. Richard Tankard, Supervisor, District 6

DATE: March 10, 2011

RE: Riverside Shore Memorial Hospital

On February 28, 2011, the Northampton County Board of Supervisors unanimously passed a motion to oppose Riverside's Certificate of Public Need (COPN) application as currently submitted. We are not attempting to block the construction of a new in-patient facility in Accomack County nor are we attempting to have the new hospital located in Northampton.

We do believe, however, that Riverside has ignored numerous critical impacts to public health and safety in Northampton and has failed to meet the COPN criteria established in Virginia Code and the rules and regulations set forth by the Virginia Department of Health. Specifically:

- * Riverside has not considered or addressed the Virginia Rural Health Plan of 2008 for the entire Eastern Shore community. (See www.va-srhp.org)
- * Riverside has not addressed the impact to Emergency Medical Services (EMS) and Advanced Life Support (ALS) for all communities on the Eastern Shore as shown on maps already provided to Riverside. A future hospital located at Whispering Pines will not allow coverage below Nassawadox. This failure represents an increased threat to loss of life.

Memorandum to Citizens
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* Publicly, Riverside has stated that significant services will remain in Nassawadox. However, in the COPN application, Riverside has not committed to retaining services in Nassawadox such as oncology; i.e, cancer center. In fact, Riverside has not committed to leaving anything in Nassawadox beyond the fixed CAT scan and the pad for mobile MRI.

* Riverside has not responded to requests for information nor alternative solutions for improved critical care access for all Eastern Shore citizens.

There are numerous factual errors and omissions in the COPN application. For instance, the COPN declares there are no other hospitals on the Eastern Shore. We all know that ignores the fact that many Eastern Shore residents receive services from Peninsula General in Salisbury.

On behalf of the Northampton County Board of Supervisors, the Hospital Task Force ^{requests} ~~requests~~ that you write to the Director expressing these and any other concerns you may have. Letters should be addressed to:

Erik O. Bodin, Director
Div. of Certificate of Public Need
9960 Maryland Drive, Suite 401
Richmond, Virginia 23233-1463

And reference: COPN Request Number 7820
Riverside Shore Memorial Hospital
Replacement of a Medical Care Facility

When finished, we will notify County residents of the date, time, and location of the COPN public hearing on the Eastern Shore. If possible, please attend and make your voice heard.

If you have any questions, please feel free to call Ms. Katherine H. Nunez, County Administrator, at 757/678-0440 ext. 19, or any member of the Hospital Task Force.

Yours for a safer Eastern Shore,

Hospital Task Force:

The Hon. H. Spencer Murray, Supervisor, District 4 (smurray@co.northampton.va.us)
The Hon. Richard Tankard, Supervisor, District 6 (mail@richardtankard.com)

Cc: Attorney Stephen K. Fox
Counsel to Northampton County Hospital Task Force

Katherine H. Nunez, County Administrator