

**The Future of Health Care in Northampton County:
An Assessment of Options
(Draft – February 2, 2014)**

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On August 9, 2011, a Certificate of Public Need (COPN) was issued by the Commissioner of Health to allow for the relocation of Riverside Shore Memorial Hospital from its present location in Nassawadox in Northampton County to a location in Accomack County. The new location is ~~approximately 16 miles~~ **18 miles** north of the current location and is expected to open in 2015. The relocation of the hospital, although generally centrally located along the Eastern Shore, creates a new set of access problems for primary and emergency health care to residents of Northampton County, particularly those on the southern end of the county, who will be faced with a longer drive to the new hospital, or an already long drive across the Chesapeake Bay Bridge Tunnel for care at Hampton Roads area hospitals. Along with the departure of inpatient hospital service from the county also goes many diagnostic services, emergency services, and primary care physician services.

In response to the relocation of the hospital, the Northampton County Board of Supervisors has formed a committee to examine options for maintaining a health care infrastructure within the communities throughout the county. The committee requested the assistance of the Virginia Rural Health Resource Center to evaluate options for the provision of primary care and other diagnostic and emergency services. This report discusses numerous options that may be considered by the Committee in securing the health care infrastructure in the County.

Comments on the Relocation of the Hospital and Implications of the Certificate of Public Need Law

Shore Memorial Hospital has been in its current location for over 40 years, and has been a part of Northampton County since the late 1920s. The concerns regarding the potential impact of the relocation on the economy and health care system of the County are valid, especially given that the elderly population 65 years of age and older currently exceeds 20% of the total population (Virginia Employment Commission, 2009) and the high rate of poverty in the County. According to the US Census Bureau's Small Area Income and Poverty Estimates from 2009, 20.8% of the population lives below the Federal Poverty Level (FPL), and another 20.6% lives between 100% and 200% of the FPL. Additionally, over 75% of the students in the school system receive free or reduced price lunches (Virginia Department of Education, 2010-2011). Though the hospital itself has been a non-profit organization and not generally subject to property and other taxes, the businesses and physician practices that support the hospital are taxable. Elimination of those businesses from the tax base through relocation will have a negative impact on the revenues for the County.

As part of its COPN application, Riverside Health System provided assurances that it would continue to provide services along the lines of an urgent care center at its present site in Nassawadox, assurances that were recognized by the hearing officer for an informal fact finding conference held for the

application. Additionally, it is also reflected in his findings that Riverside will maintain a CT scanner at the current site, while adding an additional scanner at the new facility. Additionally, although Shore Memorial attempted to add another MRI scanner, the hearing officer noted that the hospital provides MRI services through a mobile unit parked full time at the hospital, and because utilization of that scanner was well below state thresholds for the addition of another scanner, the addition of another scanner was not approved. Rather, it was suggested that the mobile unit could be moved between the two sites, a strategy that has been used effectively for decades. The Commissioner instead approved only the construction of a mobile pad at the new facility. This would not prevent, however, Shore Memorial Hospital from relocating the MRI to Accomack County five days per week.

Though detailed plans for the urgent care center and/or diagnostic imaging center have not been presented or largely discussed to date, the fact that the **current facility will retain a COPN for both the CT scanner and as a mobile MRI site is significant**. COPNs for imaging services are site specific, and to relocate a scanner will involve public review and approval. Once an organization receives a COPN, they effectively have a franchise on that service that may largely prevent other providers from entering a market. It is rare that a large organization would simply surrender the COPN, which potentially opens opportunities for other competitors to enter the area.

In order to prevent a COPN recipient from getting a COPN keep others out of the market area, the COPN law also provides that if a service is not provided for a period of over 12 months, it would need to file a new COPN application to continue to operate the service, or stated another way, it would provide opportunities for competing applicants to step in to provide those services (see the Code of Virginia, §32.1-102.1, Definition of “Project”, paragraph 5). It is likely that in order to maintain its market position on the Eastern Shore, Riverside Health System will desire to continue to operate this equipment. An urgent care center and freestanding diagnostic imaging facility with a full range of imaging modalities, will help to support the utilization of CT or MRI.

The above referenced COPN may play an active role in how the County decides to proceed with various projects to strengthen the health care system. In the following pages, various health care resources will be discussed, along with the advantages and disadvantages of developing and operating each.

Critical Access Hospital

A Critical Access Hospital (CAH) is a special type of hospital certified by the Centers for Medicare and Medicaid Services (CMS). This type of hospital was specially designed to serve the needs of rural communities which have a large need for outpatient and emergency services, some need for inpatient services, including skilled nursing services, but with an ever-changing shift in utilization patterns. Among the requirements to become certified as a CAH, the facility must be located at least 35 miles from another hospital (including specialty hospitals, children’s hospitals, and even psychiatric hospitals), must have no more than 25 inpatient beds, and must have an emergency department available 24 hours per day, staffed by a minimum of a non-physician provider such as a nurse practitioner or physician’s assistant, with on-site physician services available when needed. Additionally, the CAH must have

The COPN application and Dept. of Health approval is for the placement of the CT scanner, etc. in a nearby building (currently known as the Cancer Center), not the Hospital.

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written agreements for transportation services as well as with a larger referral hospital to accept transfers and to assist with other things such as quality improvement, and they must maintain a 96 hour average length of stay as an acute care patient. The CAH does not have to be part of a larger system. About a quarter of all hospitals in the country are CAHs, including seven in Virginia, all located in the western half of the state.

For meeting these requirements, the CAH is given some flexibility in how they deliver care. For example, inpatient beds can be certified as swing beds, and therefore the CAH can provide a long term care component. In the event that there are no inpatients in the hospital, the staff can go home. For this, the CAH is reimbursed on the basis of costs for Medicare patients only. In some states, Medicaid also reimburses on a cost basis, however, Virginia is not one of those states. This can mean a substantial improvement in revenue, but many CAHs still struggle financially.

CAHs have come under scrutiny by the Department of Health and Human Services, largely because they do not meet the distance requirements. Their ability to be reimbursed on a cost basis is seen as a drain to the Medicare budget. The result of this has been a discouragement of the development and certification of new CAHs, even to the point where rumors are that they will not be certifying new CAHs at all.

In order for a CAH to be developed and certified, the CAH would have to be located at least 35 miles from the nearest hospital. Since VRHRC could not find an address for the new site, to gain an approximation of the area where the hospital might be developed, we utilized Onley, Virginia to Cape Charles, Virginia. The distance from the center of Onley to Cape Charles is 35.63 miles. To the south across the Chesapeake Bay, the closest hospital, using the CMS rule that includes all specialty hospitals, is Lake Taylor Transitional Care Hospital at 1309 Kempsville Road in Norfolk. The distance from that hospital to the intersection on US 13 to turn off to Cape Charles is 34.9 miles. So essentially, there is only a very small area, most likely within the community of Cape Charles to even consider placing a CAH. Ideally, the best place to locate a CAH would be along US 13, however, this option appears to be impossible because of the distances to the two closest hospitals.

Though a CAH must be licensed for acute care beds, the limit is 25, but there is no minimum. One CAH located in the coalfields of southwest Virginia has been creative in how it uses its beds. The facility was originally a two story, 50-bed hospital, with the patient care area located on the second floor. It went bankrupt and closed several years ago. The Coalfields Economic Development Authority (CEDA) purchased the facility, and eventually contracted Mountain States Health Alliance through Norton Community Hospital to operate Dickenson Community Hospital. When it opened, it was licensed for 25 beds, but only put two in operation, those being located on the first floor adjacent to the emergency department nurses station so that staff would be available 24 hours per day. Though they have had a small number of admissions, they have been able to maintain an emergency department and imaging presence in their community. However, as long as Riverside is able to maintain the COPN [for](#) the CT scanner and mobile MRI site, a CAH in the Cape Charles area would only be able to offer basic imaging services.

Advantages of a CAH

The development of a CAH would have several advantages, including:

- Establishment of inpatient services within Northampton County
- Establishment of 24 hour emergency services to the end of the county which will be most impacted by the relocation of the existing hospital.

Disadvantages of a CAH

While the promise of establishing inpatient services in the southern end of the county would be beneficial, there are a number of significant issues that would have to be overcome before this type of facility would be successful:

- **Cost.** To build even a small hospital such as this would likely cost tens of millions of dollars for the bricks and mortar as well as the equipment. The budget for the new, 78-bed hospital is over \$80 million, or roughly an average of about \$1 million per bed.
- **Time.** The time it took from the filing of the COPN application to the estimated completion of the facility will be approaching five years.
- **COPN.** The sponsor of the project would need to file a COPN begin the project. The approval of the certificate is based on need, and given that Shore Memorial was approved for significantly fewer beds than its current license, there is no demonstrable need for new beds on the Eastern Shore. The trend for many years in areas absent of population growth is to reduce the number of inpatient beds, not increase them. VRHRC believes this trend will continue in favor of a couple of major medical centers with many outlying facilities to feed the big hospitals. That is essentially the purpose of the new facility approved in Accomack County.
- **Lack of medical staff.** The development of a new hospital requires at least a minimal medical staff to feed it patients, and to care for those patients once in the hospital. This would require additional development concurrent with the planning and development for another facility. Recruitment of staff without the support of a major health care system may present challenges to completing the task. Though Eastern Virginia Rural Health has a good network of facilities across the Eastern Shore, there is not one presently in the Cape Charles area.
- **Without a CAH certification,** the ability of a hospital in the Cape Charles area to be financially feasible is in question.

Comment and Recommendation

Though any community would like to have a hospital close at hand within their county, in today's healthcare environment, consolidation of multiple types of health care providers and hospitals into systems with a large hospital at its core is now the norm, as are longer transit times to receive care. The distance requirements of the CAH program to the next nearest hospital limit the potential area of development to a very localized area which currently does not have a significant health care infrastructure to support the development of this type of facility. Additionally, Virginia Medicaid, unlike

some other states, does not reimburse CAHs on a more favorable cost basis, and the state's CAHs continue to struggle financially, despite the enhance reimbursement offered by Medicare. VRHRC believes that the development of a CAH may be a very long range goal, however, it is not a solution to the short term problems facing Northampton County residents.

Freestanding Emergency Department

Another option that has been discussed is that of developing a freestanding emergency department. Under this concept, an emergency department would be developed to treat urgent events and stabilize more emergent patients until transportation could arrive to transfer them to the Hampton Roads area, whether that be by helicopter or by ambulance. The staff would likely consist of a physician 24 hours per day and other support staff as would likely be found in an emergency department at a small rural hospital. There are numerous emergency department staffing groups that might be of assistance in assuring that there is adequate coverage.

Although freestanding emergency departments have been around for several decades (one in Fairfax County was established in Reston in the mid-1970's), they have begun to see extensive growth across the country in both urban and rural areas. As a result, they have come under more significant scrutiny by state regulators and third party payors, including Medicare. Although VRHRC has not been able to identify good statistics as to ownership of these facilities, anecdotal information suggests that sponsors of these facilities are generally larger hospitals or hospital systems. And for good reason. First, freestanding emergency departments are expensive to build, equip, and operate. These facilities are expected to maintain continuous operations with physician staffing around the clock. Second, emergency departments are often loss leaders for their hospitals, and freestanding emergency departments can be expected to have the same fate. Emergency departments must take all comers regardless of their ability to pay, and must stabilize a patient before asking about their insurance. Given that the population on the Eastern Shore tends to be older and on Medicare, have a higher rate of patients without insurance or on Medicaid, the potential for lower levels of reimbursement than might be seen from commercial payors, might increase the likelihood of a facility that operates with a negative margin. Additionally, charges at these facilities will tend to be higher for many of the services that might normally be seen in physician office, thus, there is a financial impact on a personal basis in the form of increased deductibles and co-pays.

Conceptually, the freestanding emergency department might be the right strategy to mitigate the access issues created by the relocation of Shore Memorial Hospital. For the EMS agencies that must respond to more critical emergencies, a facility of this type would offer them an alternative to take a patient for stabilization when a longer drive to the new hospital could result in greater complications for the patient. As opposed to urgent care centers, freestanding emergency rooms should be acceptable by most insurers for reimbursement to ambulance providers. But the financial risk to the owners of these facilities may not outweigh the benefits to the ambulance providers.

[Are there any regulatory hoops to jump thru to establish a Freestanding Emergency Department today?](#)

There is one good model located in a rural area of Virginia that should be watched over the next few years to determine whether a freestanding emergency department will be a viable option, especially when combined with other services. Centra Health, located in Lynchburg, has started on construction of a center in Gretna in the northern part of Pittsylvania County that will include a 24-hour emergency department to be staffed with physicians and will have a 64-slice CT scanner on site, thanks to the approval of a COPN application. Gretna is located about 45 minutes from the nearest hospital. The facility will also house a medical practice, wellness center, physical therapy gym, laboratory services, and radiology services including digital x-ray, ultrasound, and mammography. There will be a helipad next to the facility, and an ambulance service with a crew stationed at the facility. The 50,000 square foot building will have 10 treatment bays in their ED. The cost of the facility is expected to be near \$24 million. Operations are expected to commence in 2015. This facility may be larger than what would be needed in Northampton County, since Pittsylvania County is much larger, both in terms of land mass as well as population.

If there is a desire to operate a freestanding center with a CT scanner, one should recall the earlier conversation that Riverside maintains the COPN for both a CT scanner and a site for mobile MRI. As long as Riverside maintains this site and utilization rises enough to warrant another scanner within the entire planning district, there will not be an opportunity for an outside entity to secure a COPN.

Advantages of a Freestanding Emergency Department

Among the advantages to the community include:

- 24 hour accessibility to emergency services by residents of Northampton County
- Staffed with physicians
- Has broader range of equipment and potential to meet a broader range of needs on site than an urgent care center
- Should be a destination that will allow emergency responders to bill for their services

Disadvantages of a Freestanding Urgent Care Center

Among the disadvantages of a freestanding emergency department include:

- High cost of operation due to 24 availability, physician coverage at all times
- Subject to greater regulatory oversight
- Must take all comers without regard to their ability to pay or payment source
- Within Northampton County, population is perceived to more dependent on governmental payment sources than commercial insurers. The latter group would normally provide financial stability to a type of facility, an emergency department, which is often a loss leader for a hospital.
- Freestanding emergency departments are coming under increasing scrutiny because of higher costs than would be the case if a patient went to a physician practice when emergency care was not needed.

- Without the direct linkage (i.e., ownership) to a hospital or health care system, financial stability may be questionable.

Comments and Recommendation

Conceptually, the freestanding emergency department is a very good solution to meeting the emergency needs of the community. Financially, however, given the population size of Northampton County, this is not the best alternative to develop new services. The fact that Riverside has not made its future plans for the current hospital may be a function of the political and regulatory environment in which this type of facility is facing. Without the ability to provide CT services, the financial position will be weakened as patients seek care at the new hospital. At the current time, VRHRC cannot recommend pursuing this type of facility. However, VRHRC also suggests that the County may want to monitor the progress and performance of the new center in Gretna to see if it meets the expectations of the health care system and the community.

Urgent Care Center

The term “urgent care center” has a wide variety of meanings in today’s health care environment. An urgent care center can include a small area located in a grocery store, pharmacy or other similar location to a freestanding facility. Their staffing can range from a non-physician practitioner to one or more physicians. This is largely because there are few regulations that define their operations, and, therefore, the scope of services each has to offer. Generally speaking, however, they are proprietary in nature, formed as an investment by physicians or others who see this as potentially profitable, but more hospital systems, both for profit and non-profit, are operating these centers as well as part of their services. They often, but not always, tend to be open later hours into the evening to serve the needs of a population when physician offices are not open, which often becomes an access problem when not open. Because they are not regulated, there is more flexibility in what services can be offered, what hours they are offered, and the types of providers that serve the patients who seek care there. There are also no requirements in place that include urgent care centers as providers that must see patients regardless of their ability to pay or their payment source, though most would be morally obligated to care for a patient with potentially emergent conditions while seeking an emergency transfer.

These centers can be developed for a much lower price tag than either of the above mentioned facilities. There are several proprietary companies serving the state, with corporate offices both in and outside of Virginia, that may be willing to establish and operate a center at no cost to the County. If a proprietary organization is selected, additional tax revenues might accrue to the County. The low cost of development suggests that more than one location could be established, potentially creating competition among providers that would be beneficial to the community in terms of improved quality and lower pricing to attract customers to their locations. Urgent care centers generally do not serve as patients’ medical homes, and therefore there would continue to be a need to recruit and retain

physicians and non-physician providers to the area. An urgent care center could be developed or included with other physician office buildings to provide improved continuity of care as a one stop location for medical care.

There may be opportunities for these entities to seek funding from the economic development authority for Northampton County, as well as Rural Development loans and grants from the United States Department of Agriculture to develop properties to house these providers. Several years ago in the coalfields of Virginia, the Coalfields Economic Development Authority purchased the hospital facility in Dickenson County and then sought out an operator to manage its day-to-day operations. The hospital was able to re-open, and continues to provide inpatient and outpatient care, though it still struggles with reimbursement to the large uninsured population in the county. Northampton County might wish to spearhead the development of a shell facility to house numerous healthcare providers and suppliers that would complement each other.

One disadvantage of urgent care centers is that they are generally not a destination for ambulances to take patients in emergent situations and receive reimbursement. Patients requiring such care would still need to be taken to a hospital emergency department. This will continue to provide strain on the County's EMS system.

Advantages of an Urgent Care Center

Among the advantages of an urgent care center are:

- Urgent care centers can be developed in a number of settings at a relatively lower cost than other hospital facilities and freestanding emergency departments
- They are generally more cost effective to operate, in part due to not being open at low volume time periods, such as is the case with freestanding emergency centers
- They can be developed in conjunction with and within other retail venues, and at multiple locations throughout the County at relatively low cost
- Several propriety operators can develop sites at the request of the County, potentially creating additional tax revenue, reducing risk to the County, and creating price and quality competition that will benefit the consumer

Disadvantages of an Urgent Care Center

Urgent Care Centers has some disadvantages, including:

- They are not open at all times patients may need care
- Urgent care centers may not have a physician on duty at all times the center is open, thus the scope of services that can be rendered may change or be limited.
- There is a profit motive driving the development of urgent care centers, so it may be difficult to attract companies if their analysis questions the profitability of the practice.

- If the local EMS system bills for services, urgent care centers are not acceptable destination points to allow EMS agencies to be reimbursed.
- Emergency conditions should still be transported to local hospitals

Comments and Recommendation

Development of one or more urgent care centers within Northampton County may be the most cost effective way to assure the availability of some degree of care for urgent conditions and after hours. Some urgent care centers may also expand their service offerings to include such things as occupational medicine services or other services to meet the specific needs of your community. Urgent care centers are not designed to be the medical home for their patients, so the availability of primary care providers will still need to remain a priority among those responsible for overseeing the County's Health Care system.

Urgent care centers can be developed at a lower cost than other types of facilities, but one must be careful to attract services that patients will use. If the decision is made to attract one or more urgent care providers, Northampton County should be specific in the expectation for services to be provided. This is especially true if any tax incentives are to be used. These might include the types of providers to be present, hours of operation, and perhaps highlight other needed service to see if they can provide those services.

Federally Qualified Health Center/Community Health Center

The term Federally Qualified Health Center (FQHC) can refer to several types of facilities that provide a comprehensive array of health care services. Included are migrant health centers, FQHC look-alikes, and Community Health Center (CHC). Eastern Shore Rural Health is a CHC, which has several medical offices on the Eastern Shore. All of these types of facilities are reimbursed on a cost basis for the services they perform to Medicare and Medicaid patients. Other insurance companies are billed as though the practice is a traditional practice. They must also offer or arrange to offer through other sources a wide range of services such as dental, family planning, immunizations, preventive services, and so on. They must also take all age groups of patients, and may not refuse services to anyone regardless of their ability to pay. What is different about a CHC is they have applied for approval as a Section 330 provider. Through the Section 330 program, a CHC can access grants from the federal government to cover at least some of the costs of caring for the uninsured who meet certain income levels. Additionally, capital funds have been available for the construction and improvement of facilities, hence all of the construction activity in recent years to improve some of Eastern Shore Rural Health's facilities.

But becoming a Community Health Center is an extremely competitive process. Last year, only 26 "new start" grants were awarded for centers to become full CHCs across the country, and only about twice as many expansion grants were awarded. Since these are very competitive, if there is already a CHC

operating in area, it will be very difficult, if not impossible, for a new start grant to be awarded. That would not prevent, however, an existing CHC from receiving an expansion award to provide services in areas where there is a shortage of services. But awards are also given to areas with the lowest Index of **Medical Underservice Score**, and Northampton County actually has a score near the upper limit, suggesting that is less likely that the addition of another CHC site in the County will occur in the near future.

But another option could be the development of an FQHC look-alike program. Under this program, a facility identical to an FQHC can be developed and approved for enhanced reimbursement provided they meet all of the qualification of the CHC. These are community run organizations, as over half of the board of directors must be users of the facility. Look-alikes would not be candidates to receive the grants to cover the uninsured, nor would they be eligible for the capital funds for facility development. They should, however, be eligible to participate in such things as recruitment programs through the National Health Service Corp.

FQHCs can provide a wide array of services, and may do so at any time of day, night, or day of the week. Thus, one could provide extended hours to meet the needs of the community that cannot make appointments during normal business hours. The development of an FQHC Look-alike might alleviate some of the uninsured load from Eastern Shore Rural Health, but there is a danger of taking too much uninsured patient load into the practice, since a look-alike does not receive payments to assist with those patients.

Physician Practices and Rural Health Clinics

There is clear concern among those of the Committee to which this report is being addressed that in addition to losing the hospital to the neighboring county, there will also be a loss of physicians. **This does not appear to be a result of the move itself, but rather an aging physician population that does not intend to move with the hospital, but rather retire.** This will require a new influx of physicians into the community. In order for the new hospital to be successful, Riverside Health System will have to have good referral patterns from Northampton County. Riverside will have an incentive to purchase older practices if they did not already own them, or create new practices to maintain access points in the County.

Northampton County may also want to assist in this recruitment effort. This might take the form of the development of a medical complex that might consist of medical office suites and other businesses to support the medical practices. In developing such a complex, however, only about one third of practicing physicians are doing so independently, or in other words, separate from a health system or larger group medical practice. This number is declining at a rapid rate, so careful analysis needs to be done to size such a facility for the proper number of independent physician practices.

One program which has provided an incentive to some rural practices is the Rural Health Clinic (RHC) program. In past years, this has provided a substantial financial benefit to many practices. But the gap

What determines this "Index of Medical Underservice Score"? With the move of the hospital, does this affect our score? If so, how often is it recalculated?

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This section dealing with Federally Qualified Health Center/Community Health Center did not have a Comments and Recommendations section, like all of the other sections of this report.

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The committee did not agree with this characterization in terms of the hospital move is a factor in the decision of some physicians choosing to retire at this time because the alternative of moving with the hospital was not palatable.

in reimbursement for the cost-based RHC program and that of the traditional physician practice is closing, and the incentives are not as good as they once were. Efforts have been underway to correct this problem, particularly raising the cap on the average reimbursement per visit but no one is sure when or if they will occur. Additionally, during 2014, Medicaid reimbursement will equal Medicare reimbursement for primary care physicians that sign up for the program, which may negate the former financial benefit.

An RHC operates much like a physician practice. An RHC is required to have a non-physician provider, including a Physician Assistant or Nurse Practitioner at least 50% the practice is open. The PA or NP must be employed (W2 employee) through the practice. There are a number of other typically non-burdensome requirements for certification. Physicians who can meet the staffing requirements should be encouraged to have an evaluation done to determine whether the RHC program is a good fit for them. RHC certification also opens opportunities for recruitment of additional providers to the practice. An advantage of the RHC program over the FQHC program is that the practice may limit the patient base they can see, and they are not obligated to provide a sliding fee scale or take everyone regardless of their ability to pay, unless there is a desire to participate in the NHSC programs. Ownership of the RHC may be for-profit, something that is not possible under and FQHC scenario.

Conclusion

(To be completed after further discussion with the committee). PLEASE INCLUDE YOUR CONCLUSIONS – see the Committee discussion in the box to the right.

The Committee concurred that the best approach for the county to pursue at this time is a several pronged approach: 1) work with existing providers to look at expanded hours of coverage for the evenings and weekends; 2) engage discussions with providers to look toward an Urgent Care facility for the future; and expand EMS coverage. The committee agreed that our current population is a deterrent to most of the options listed in the report but that we should keep abreast of what other communities are doing for when our population may start to grow so that we can re-examine the feasibility of explore the other types of medical facilities.