

VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis

November 19, 2021

COPN Request No. VA-8576

Inova Oakville Ambulatory Surgery Center, LLC

Alexandria, Virginia

Establish an outpatient surgical hospital with three general-purpose operating rooms

COPN Request No. VA-8577

Inova Health Care Services

Loudoun County, Virginia

Add two general-purpose operating rooms at Inova Loudoun Hospital

COPN Request No. VA-8581

Reston Hospital Center, LLC

Reston, Virginia

Add two general-purpose operating rooms at Reston Hospital Center

Applicants

COPN Request No. VA-8576: Inova Oakville Ambulatory Surgery Center, LLC

Inova Oakville Surgery Center, LLC (IOASC) is a limited liability company formed in 2021 under the laws of the Commonwealth of Virginia. IOASC is a division of Inova Health Care Services, Inc. (which does business as Inova Health System), which is a 501(c)(3) Virginia nonprofit, nonstock corporation. The sole member of Inova Health System is the Inova Health System Foundation, Inc. The Inova Health System's offices are located in Falls Church, Virginia. IOASC will be located in Alexandria, Virginia, which is in Planning District (PD) 8, Health Planning Region (HPR) II.

COPN Request No. VA-8577: Inova Health Care Services

Inova Loudoun Hospital (ILH) is a 501(c)(3) Virginia nonstock corporation organized in 1988. ILH is an incorporated division of Inova Health Care Services, Inc. (which does business as Inova Health System), which is also a 501(c)(3) Virginia nonprofit, nonstock corporation. The sole member of Inova Health System is the Inova Health System Foundation, Inc. The Inova Health System's offices are located in Falls Church, Virginia. ILH is located in Leesburg (Loudoun County), Virginia, which is in PD 8, HPR II.

COPN Request No. VA-8581: Reston Hospital Center

Reston Hospital Center, LLC (RHC) is a limited liability company formed in 1999 under the laws of the State of Delaware. The ultimate corporate parent of Reston is HCA Healthcare Inc. (HCA),

headquartered in Nashville, Tennessee. RHC is located in Reston (Fairfax County), Virginia, HPR II, PD 8.

Background

According to Division of Certificate of Public Need (DCOPN) records, there are 205 general purpose operating rooms (GPORs) located in PD 8. Of these 205 GPORs, 145 are located within acute care hospitals and 60 are located within outpatient surgical hospitals (**Table 1**). DCOPN notes that of the 205 operating rooms in PD 8, eight operating rooms are dedicated open-heart surgery, two operating rooms are restricted to vascular access surgeries and two operating rooms are restricted to ophthalmic use

Table 1: PD 8 COPN Authorized GPOR Inventory

Acute Care Hospital	Operating Rooms
Inova Alexandria Hospital	11
Inova Fair Oaks Hospital	12
Inova Fairfax Medical Campus ¹	53
Inova Loudoun Hospital	8
Inova Mount Vernon Hospital	7
UVA Haymarket Medical Center	4
UVA Prince William Medical Center	4
Reston Hospital Center ²	15
Sentara Northern Virginia Medical Center	9
Stone Springs Hospital Center	6
Virginia Hospital Center ³	16
Acute Care Hospital Total	145
Outpatient Surgical Hospital	Operating Rooms
Fairfax Surgical Center	6
Haymarket Surgery Center	2
Healthqare Associates ⁴	2
Inova Ambulatory Surgery Center at Lorton	2
Inova Loudoun Ambulatory Surgery Center	5
Inova McLean Ambulatory Surgery Center	2
Inova Surgery Center at Franconia-Springfield	5
Kaiser Permanente Tysons Corner Surgery Center	7
Kaiser Permanente Woodbridge Surgery Center	4
Lake Ridge Ambulatory Surgical Center	1
Northern Virginia Eye Surgery Center, LLC ⁵	2
Northern Virginia Surgery Center	4

¹ Five ORs dedicated to adult open heart pursuant to COPN No. VA-03650 and one OR dedicated to pediatric open heart.

² COPN No. VA-04677 authorized RHC to add two GPORs, expected completion September 2023.

³ Two ORs dedicated to adult open heart.

⁴ Restricted Use vascular access pursuant to COPN No VA-04587.

⁵ Restricted Use Ophthalmic pursuant to COPN Nos. VA-04033 and 04398.

Pediatric Specialists of Virginia	2
Prince William Ambulatory Surgery Center	4
Reston Surgery Center	6
Stone Springs Surgery Center	2
VHC Ambulatory Surgery Center	4
Outpatient Surgical Hospital Total	60
Grand Total	205

Source: DCOPN Records

Proposed Projects

COPN Request No. VA-8576: Inova Oakville Ambulatory Surgery Center, LLC

IOASC proposes to establish an outpatient surgical hospital (OSH) with three GPORs. The proposed OSH will be located at 2412 Richmond Highway, Alexandria, Virginia, on the second floor of a to-be-constructed four-story, 10,000 square foot building which will also house a 24 hours/7 days per week freestanding emergency department, imaging services, family medicine hub, behavioral health providers, cardiology providers and building support space. The applicant asserts that co-location of these services at a single ambulatory destination will improve access to, and continuity of care by bringing the services to a community where they are needed and away from a busy hospital campus.

The projected capital costs of the proposed project are \$20,013,530, approximately 27.5% of which are attributed to direct construction costs (**Table 2**). Capital costs will be funded through the accumulated reserves of the applicant. Accordingly, there are no financing costs associated with this project. If the State Health Commissioner (Commissioner) approves the project, construction is expected to begin in September 2022, and is projected to be completed in March 2024. The target date of opening is April 2024.

Table 2. Capital and Financing Costs: Inova Oakville Ambulatory Surgery Center

Direct Construction Costs	\$5,503,064
Equipment Not Included in Construction Contract	\$7,896,852
Site Acquisition Costs	\$6,004,050
Architectural and Engineering Fees	\$609,564
Total Capital Costs	\$20,013,530

Source: COPN Request No. VA-8576

COPN Request No. VA-8577: Inova Health Care Services

Inova Health Care Services proposes to add two GPORs at ILH, which is located at 4405 Riverside Parkway, Leesburg, Virginia. ILH is currently authorized to operate eight GPORs, and the proposed project would increase the facility’s GPOR complement to 10. The proposed expansion will be accomplished through the renovation of existing space within ILH’s former Birthing Inn, which was relocated to ILH’s new patient tower in 2020. The proposed

renovations will include the two GPORs, sterile corridor, sterile supply, pre-op and PACU with nine bays, staff locker rooms, staff break area and other miscellaneous support space. The projected capital costs of the proposed project are \$11,969,766, approximately 59% of which are attributed to direct construction costs (**Table 3**). Capital costs will be funded through the accumulated reserves of the applicant. Accordingly, there are no financing costs associated with this project. If the Commissioner approves the project, construction is expected to begin in June 2022, and is projected to be completed in August 2023. The target date of opening is September 1, 2023.

Table 3. Capital and Financing Costs: Inova Loudoun Hospital

Direct Construction Costs	\$7,061,843
Equipment Not Included in Construction Contract	\$3,246,747
Architectural and Engineering Fees	\$1,122,055
Other Consultant Fees	\$539,121
Total Capital Costs	\$11,969,766

Source: COPN Request No. VA-8577

COPN Request No. VA-8581: Reston Hospital Center

RHC proposes to add two GPORs in the existing hospital facility, which is located at 1850 Town Center Parkway, Reston, Virginia. RHC is currently authorized to operate 15 GPORs, and the proposed project would increase the facility’s GPOR complement to 17. DCOPN notes that the applicant’s application materials indicate that it has 12 operational GPORs and has obtained approval for an additional two GPORs (pursuant to COPN No. VA-04677). However, DCOPN records indicate that RHC is authorized to operate 13 GPORs, including one GPOR dedicated to the treatment of Trauma, as indicated in 2019 data from Virginia Health Information (VHI), and has obtained approval for an additional two GPORs (pursuant to COPN No. VA-04677). The proposed project, if approved, will add two GPORs to RHC’s complement and will be accomplished through remodeling and renovating existing hospital space.

The projected capital costs of the proposed project are \$4,507,000, approximately 23% of which are attributed to direct construction costs (**Table 4**). Capital costs will be funded through the internal resources of the applicant. Accordingly, there are no financing costs associated with this project. If the Commissioner approves the project, construction is expected to begin 13 months after receipt of COPN, and is projected to be completed 28 months after receipt of COPN. The target date of opening is 29 months after receipt of COPN.

Table 4. Capital and Financing Costs: Reston Hospital Center

Direct Construction Costs	\$1,019,000
Equipment Not Included in Construction Contract	\$3,415,000
Architectural and Engineering Fees	\$73,000
Total Capital Costs	\$4,507,000

Source: COPN Request No. VA-8581

Project Definitions

COPN Request No. VA-8576: Inova Oakville Ambulatory Surgery Center, LLC

§32.1-102.1 of the Code of Virginia defines a project, in part, as the “[e]stablishment of a medical care facility.” A medical care facility is defined, in part, as “Specialized centers or clinics or that portion of a physician's office developed for the provision of outpatient or ambulatory surgery...”

COPN Request No. VA-8577: Inova Health Care Services

§32.1-102.1:3 of the Code of Virginia (the Code) defines a project, in part, as “An increase in the total number of...operating rooms in an existing medical care facility described in subsection A.” Medical care facilities are further defined, in part, as “Any facility licensed as a hospital, as defined in § 32.1-123.”

COPN Request No. VA-8581: Reston Hospital Center

§32.1-102.1:3 of the Code of Virginia (the Code) defines a project, in part, as “An increase in the total number of...operating rooms in an existing medical care facility described in subsection A.” Medical care facilities are further defined, in part, as “Any facility licensed as a hospital, as defined in § 32.1-123.”

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

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

- 1. The extent to which the proposed project will provide or increase access to healthcare services for people in the area to be served and the effects that the proposed project will have on access to health care services in areas having distinct and unique geographic, socioeconomic, cultural, transportation, and other barriers to access to health care;**

Table 5 shows projected population growth in PD 8 through 2030. Overall, the planning district was projected to add an estimated 356,377 people in the 10-year period ending in 2020. For the 10-year period ending in 2030, the planning district is projected to add an estimated 350,128 people. DCOPN notes that the population of PD 8 as a whole is expected to increase approximately 16% for the period ending in 2020 and approximately 14% for the period ending in 2030, rates nearly double that of the statewide average. With regard to the 65 and older age cohort, Weldon-Cooper projects a much more rapid increase (**Table 5**). Specifically, Weldon-Cooper projects an increase of approximately 114.6% among PD 8’s collective 65 and older age cohort from 2010-2030. This is significant, as this age group uses medical care resources, including surgical services, at a rate much higher than the rest of the population.

Table 5. Population Projections for PD 8, 2010-2030

Locality	2010	2020	% Change 2010-2020	Avg Ann % Change 2010-2020	2030	% Change 2020-2030	Avg Ann % Change 2020-2030
Arlington	139,966	166,261	18.79%	1.69%	182,067	9.51%	0.91%
Fairfax County	207,627	249,298	20.07%	1.80%	274,339	10.04%	0.96%
Loudoun	22,565	25,047	11.00%	1.02%	26,397	5.39%	0.53%
Prince William	1,081,726	1,162,504	7.47%	0.71%	1,244,025	7.01%	0.68%
Alexandria City	12,332	14,988	21.54%	1.92%	17,032	13.64%	1.29%
Fairfax City	312,311	430,584	37.87%	3.18%	554,808	28.85%	2.57%
Falls Church City	37,821	43,099	13.96%	1.28%	46,332	7.50%	0.73%
Manassas City	14,273	17,086	19.71%	1.77%	20,284	18.72%	1.73%
Manassas Park City	402,002	478,134	18.94%	1.71%	571,844	19.60%	1.81%
Total PD 8	2,230,623	2,587,000	15.98%	1.46%	2,937,128	13.53%	1.28%
PD 8 65+	192,589	300,491	56.03%	4.44%	413,269	37.53%	3.24%
Virginia	8,001,024	8,655,021	8.17%	0.77%	9,331,666	7.82%	0.76%
Virginia 65+	976,937	1,352,448	38.44%	3.22%	1,723,382	27.43%	2.45%

Source: U.S. Census, Weldon Cooper Center Projections (August 2019) and DCOPN (interpolations)

DCOPN notes that according to regional and statewide data regularly collected by VHI for 2019, the most recent year for which such data is available, the average amount of charity care provided by HPR II facilities was 3.9% of all reported total gross patient revenues (Table 6). Recent changes to §32.1-102.4B of the Code of Virginia (the Code) now require DCOPN to place a charity care condition on every applicant seeking a COPN.

Table 6. HPR II Charity Care Contributions: 2019

2019 Charity Care Contributions at or below 200% of Federal Poverty Level			
Hospital	Gross Patient Revenues	Adjusted Charity Care Contribution	Percent of Gross Patient Revenue:
Inova Mount Vernon Hospital	\$522,179,824	\$37,645,405	7.21%
Inova Alexandria Hospital	\$1,024,263,648	\$64,990,632	6.35%
Sentara Northern Virginia Medical Center	\$843,370,034	\$52,990,724	6.28%
UVA Prince William Medical Center	\$538,358,330	\$26,511,528	4.92%
Inova Loudoun Hospital	\$833,003,930	\$39,556,258	4.75%
Inova Fairfax Hospital	\$3,871,812,346	\$156,045,238	4.03%
Inova Fair Oaks Hospital	\$726,706,638	\$27,651,318	3.81%
Virginia Hospital Center	\$1,571,698,958	\$34,673,062	2.21%
UVA Haymarket Medical Center	\$289,627,681	\$5,624,171	1.94%
Reston Hospital Center	\$1,491,147,173	\$19,004,683	1.27%

2019 Charity Care Contributions at or below 200% of Federal Poverty Level			
Hospital	Gross Patient Revenues	Adjusted Charity Care Contribution	Percent of Gross Patient Revenue:
StoneSprings Hospital Center	\$231,498,142	\$1,337,917	0.58%
Total Facilities			11
Median			4.1%
Total \$ & Mean %	\$11,943,666,704	\$466,030,936	3.9%

Source: VHI (2019)

COPN Request No. VA-8576: Inova Oakville Ambulatory Surgery Center, LLC

The proposed location of IOASC is at 2412 Richmond Highway, Alexandria, Virginia. The site is located along a major access road, Route 1 (Richmond Highway), which connects northward to Interstate 395. Route 1 also has a dedicated central transit line for buses with a Metroway stop located one-quarter mile walking distance from the site. Additionally, a new Potomac Yard Metro Station is currently under construction within one-half mile walking distance from the site, and is expected to open in the spring of 2022.

Regarding socioeconomic barriers to access to the applicant’s services, according to regional and statewide data regularly collected by VHI, for 2019, the most recent year for which such data is available, the average amount of charity care provided by HPR II facilities was 3.9% of all reported total gross patient revenues (**Table 6**). As a new facility, IOASC does not have a history of providing charity care. However, the Inova Health System facilities in HPR II displayed above-average charity care in 2019 (**Table 6**). DCOPN notes that the applicant is part of the Inova Health System, and should the Commissioner approve the proposed project, it would be subject to the 4.1% system-wide charity care condition currently in place.

COPN Request No. VA-8577: Inova Health Care Services

ILH is located at 4405 Riverside Parkway, Leesburg, Virginia. ILH is accessed by traveling from I-495 to Leesburg Pike (VA-7) for 20 miles to Claiborne Parkway. ILH is serviced by public bus transportation, with a stop near the main hospital entrance. ILH is also accessible by metro rail at the West Falls Church metro station via the Fairfax Connector and Loudoun Commuter bus service.

Regarding socioeconomic barriers to access to the applicant’s services, according to regional and statewide data regularly collected by VHI, for 2019, the most recent year for which such data is available, the average amount of charity care provided by HPR II facilities was 3.9% of all reported total gross patient revenues (**Table 6**). For that same year, ILH provided 4.75% of its gross patient revenue in charity care (**Table 6**). DCOPN notes that the applicant is part of the Inova Health System, and should the Commissioner approve the proposed project, it would be subject to the 4.1% system-wide charity care condition currently in place.

COPN Request No. VA-8581: Reston Hospital Center

RHC is located at 1850 Town Center Parkway, Reston, Virginia. The hospital campus is located one mile from the Route 267 (Dulles Toll Road) and three miles from Route 7. Both of these roadways are major east-west arteries serving Loudoun and Fairfax Counties. Within Reston, the hospital is accessible from a connection to Town Center Parkway from the east and New Dominion Parkway from the south along Town Center Drive. The hospital also abuts Fairfax County Parkway – a major north/south connector road through Fairfax County. Reston Parkway, which becomes Algonkian Parkway, provides a direct link to eastern Loudoun County. RHC is also on the route of several bus services, including the Fairfax Connector and the Metrobus. RHC is also accessible by the Metro system, with a station approximately two miles away. A new station at Reston Town Center, which is approximately one mile from RHC, will open in early 2022.

Regarding socioeconomic barriers to access to the applicant's services, according to regional and statewide data regularly collected by VHI, for 2019, the most recent year for which such data is available, the average amount of charity care provided by HPR II facilities was 3.9% of all reported total gross patient revenues (**Table 6**). For that same year, RHC provided 1.27% of its gross patient revenue in charity care (**Table 6**). Pursuant to Section 32.1 – 102.4 of the Code of Virginia, should the Commissioner approve the proposed project, RHC should be subject to a charity care condition no less than the 3.9% HPR II average, in addition to any new requirements as found in the revised § 32.1-102.4B of the Code of Virginia.

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

- (i) **The level of community support for the proposed project demonstrated by people, businesses, and governmental leaders representing the area to be served;**

COPN Request No. VA-8576: Inova Oakville Ambulatory Surgery Center, LLC

DCOPN received nine letters of support in support of the proposed project from members of the Inova medical community. Collectively, these letters articulate numerous benefits of the project, including:

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- With the continued advances in anesthesia and surgical care, an increasingly large proportion of procedures are being performed as outpatient procedures.
- In addition to decanting the busy operating rooms at Inova Alexandria Hospital, an ambulatory surgery center provides a great environment for surgeons to perform surgeries.
- Outpatient surgical services will improve quality of care and reduce overall cost of care.
- With the changes in healthcare and dramatic population growth, hospitals and physicians are under ever increasing demand for operating room space and time.
- Inova Alexandria Hospital needs more operating rooms to meet the current demand for surgical services. However, it is not feasible to add more operating rooms at Inova Alexandria Hospital, as the facility is beyond its useful life and must be replaced.

- Shifting appropriate cases away from Inova Fairfax Hospital to Inova Oakville Ambulatory Surgery Center will help Inova Fairfax Hospital decant its busy operating rooms and allow Inova Fairfax Hospital to focus on the most complex cases.

Public Hearing

Section 32.1-102.6 B of the Code of Virginia requires DCOPN to hold one public hearing on each application in a location in the county or city in which the project is proposed or a contiguous county or city in the case of competing applications; or in response to a written request by an elected local government representative, a member of the General Assembly, the Commissioner, the applicant, or a member of the public. Because COPN Request No. VA-8576 represents a competing application, the Health Systems Agency of Northern Virginia (HSANV) conducted the required public hearing on October 18, 2021. There was no public comment on the proposal other than the statements of support submitted with the application.

COPN Request No. VA-8577: Inova Health Care Services

DCOPN received three letters of support in support of the proposed project from members of the ILH medical community. Collectively, these letters articulate numerous benefits of the project, including:

- There has been significant surgical growth at ILH.
- ILH needs more operating rooms to meet the existing and future needs of its patients.

Public Hearing

Section 32.1-102.6 B of the Code of Virginia requires DCOPN to hold one public hearing on each application in a location in the county or city in which the project is proposed or a contiguous county or city in the case of competing applications; or in response to a written request by an elected local government representative, a member of the General Assembly, the Commissioner, the applicant, or a member of the public. Because COPN Request No. VA-8577 represents a competing application, the HSANV conducted the required public hearing on October 18, 2021. There was no public comment on the proposal other than the statements of support submitted with the application.

COPN Request No. VA-8581: Reston Hospital Center

In support of the proposed project, the applicant provided a resolution from the Medical Executive Committee of the Medical Staff of Reston Hospital Center, which addressed:

- Reston Hospital has been widely recognized for its excellence in caring for patients' diagnostic, therapeutic and surgical needs.
- To ensure this level of care continues, it is essential that Reston Hospital establishes two additional general-purpose operating rooms.
- Reston Hospital's existing operating rooms are highly utilized, at or above 100% of the state plan standard for expansion of surgical services since 2015.

- Expanding the number of general-purpose operating rooms at Reston Hospital Center is a necessary step towards ensuring excellent patient care and timely access to appropriate surgical services, both at the hospital and in Planning District 8.

Public Hearing

Section 32.1-102.6 B of the Code of Virginia requires DCOPN to hold one public hearing on each application in a location in the county or city in which the project is proposed or a contiguous county or city in the case of competing applications; or in response to a written request by an elected local government representative, a member of the General Assembly, the Commissioner, the applicant, or a member of the public. Because COPN Request No. VA-8581 represents a competing application, the HSANV conducted the required public hearing on October 18, 2021. There was no public comment on the proposal other than the statements of support submitted with the application.

- (ii) **The availability of reasonable alternatives to the proposed project that would meet the needs of people in the area to be served in a less costly, more effective manner;**

COPN Request No. VA-8576: Inova Oakville Ambulatory Surgery Center, LLC

The applicant explains that the IOASC is proposed for three primary reasons:

1. To improve access to surgical services for the Oakville area population;
2. To address GPOR capacity constraints at Inova Fairfax Hospital (IFH) and Inova Alexandria Hospital (IAH); and
3. To facilitate the planned replacement of IAH, which is beyond its useful life and will be proposed for replacement in the near future.

The most recently published VHI data (2019) reported a 97.8% collective utilization rate among the GPORs in PD 8 (**Table 12**). More specifically, the Inova Health System GPORs at a collective utilization of 113.4%, with IFH operating at 115.6% and IAH operating at 109.7%. Furthermore, as will be discussed in more detail later in this staff analysis report, DCOPN has calculated a net deficit of eight GPORs in PD 8 for the 2026 planning year. Even with the recent additions to the PD 8 inventory, DCOPN observes that the collective PD 8 inventory operates at relatively high utilization. The applicant explains that it cannot pursue onsite expansion at IAH because the hospital is beyond its useful life and will be proposed for replacement in the near future, and that onsite expansion at IFH is not possible due to congestion concerns on the hospital campus. Because the total population of PD 8 is expected to continue to increase at a faster rate than the rest of Virginia as a whole (**Table 5**), and because the existing PD 8 inventory currently operates at a high utilization rate, DCOPN contends that adding three GPORs is advisable. If approved, the proposed project would decrease the PD 8 deficit by three GPORs and allow the Inova Health System to shift appropriate surgical cases from its hospitals to a lower-cost, outpatient setting. Finally, as will be discussed in greater detail below, there are no GPORs within the Inova Health System that are appropriate and available for relocation. Accordingly, DCOPN contends that a reasonable, more efficient alternative to the proposed project does not exist.

COPN Request No. VA-8577: Inova Health Care Services

As will be discussed in greater detail later in this staff analysis report, ILH contends that it has adequately demonstrated an institutional need to expand its existing GPOR complement and that maintaining the status quo is not a viable alternative to the proposed project. Moreover, Inova Health System does not have within the PD any other facilities operating GPORs appropriate and available for relocation. As will be discussed in more detail later in this staff analysis report, DCOPN concludes that a viable alternative to the proposed project does not exist.

COPN Request No. VA-8581: Reston Hospital Center

As will be discussed in greater detail later in this staff analysis report, RHC contends that it has adequately demonstrated an institutional need to expand its existing GPOR complement and that maintaining the status quo is not a viable alternative to the proposed project. Moreover, HCA Health System does not have within the PD any other facilities operating GPORs appropriate and available for relocation. As will be discussed in more detail later in this staff analysis report, DCOPN concludes that a viable alternative to the proposed project does not exist.

- (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;**

COPN Request No. VA-8576: Inova Oakville Ambulatory Surgery Center, LLC

The Health Systems Agency of Northern Virginia (HSANV) Board of Directors reviewed at its October 18, 2021 board meeting the COPN application filed by IOASC (COPN Request VA-8576) that seeks authorization to establish an outpatient surgical hospital with three GPORs. The Board voted unanimously (eleven in favor) to recommend approval of the application. The Board based the recommendation on its review of the application, on the HSANV staff report on the proposal, on the information and testimony presented at the October 18 2021 public hearing and Board of Directors meeting held on the application, and on several basic findings and conclusions, including:

1. The project is consistent with the projected need for general purpose operating rooms (GPORs) derived from the Virginia State Medical Facilities plan formula specified for surgery facilities. The projected Northern Virginia (PD 8) need is eight additional GPORs by 2026.
2. Inova Oakville Ambulatory Surgery Center has provided data and related information showing a need for additional outpatient surgery capacity within Inova Health System, specifically to respond to increasing demand at Inova Alexandria Hospital (IAH) and Inova Fairfax Hospital (IFH).
3. Adding capacity at Inova Oakville ASC to serve some of those now seeking outpatient surgery at IAH and IFH is an appropriate system response to managing growing Inova Health System outpatient surgery demand and surgery facility caseloads.
4. The project is an important first step in the phased modernization and replacement of IAH.

5. The capital cost of the project, though relatively high, is within the range reported for similar projects locally and elsewhere in Virginia.
6. There is no indication that establishing Inova Oakville ASC would have negative health system effects, or otherwise affect competing surgery services negatively.

DCOPN agrees with the HSANV recommendation for approval, and concurs with, and adopts, the attached HSANV staff report and analysis.

COPN Request No. VA-8577: Inova Health Care Services

The Health Systems Agency of Northern Virginia (HSANV) Board of Directors reviewed at its October 18, 2021 board meeting the COPN application filed by ILH (COPN Request VA-8577) that seeks authorization to add two general-purpose operating rooms. The Board voted unanimously (eleven in favor) to recommend approval of the application. The Board based the recommendation on its review of the application, on the HSANV staff report on the proposal, on the information and testimony presented at the October 18, 2021 public hearing and Board of Directors meeting held on the application, and on several basic findings and conclusions, including:

1. The project is consistent with the projected need for general purpose operating rooms (GPORs) derived from the Virginia State Medical Facilities Plan formula specified for surgery facilities. The projected Northern Virginia (PD 8) need is eighth additional GPORs by 2026.
2. Inova Loudoun Hospital has provided data and information showing a need for additional surgical capacity.
3. There is no indication that adding operating rooms to meet demand at ILH would have problematic health system effects, or otherwise affect competing surgery services negatively.
4. The capital cost of the project is within the range reported for similar projects, locally and elsewhere in Virginia.
5. There is no indication that adding capacity to meet current and near term demand at Inova Loudoun Hospital would have negative health system effects, or otherwise affect competing surgery services negatively.

DCOPN agrees with the HSANV recommendation for approval, and concurs with, and adopts, the attached HSANV staff report and analysis.

COPN Request No. VA-8581: Reston Hospital Center

The Health Systems Agency of Northern Virginia (HSANV) Board of Directors reviewed at its October 18, 2021 board meeting the COPN application filed by RHC (COPN Request VA-8581) that seeks authorization to add two general-purpose operating rooms. The Board voted unanimously (eleven in favor) to recommend approval of the application. The Board based the recommendation on its review of the application, on the HSANV staff report on the proposal, on

the information and testimony presented at the October 18, 2021 public hearing and Board of Directors meeting, and on several findings, including:

1. The project is consistent with the projected need for general purpose operating rooms (GPORs) derived from the Virginia State Medical Facilities Plan formula specified for surgery facilities. The projected Northern Virginia (PD 8) need is eight additional GPORs by 2026.
2. Reston Hospital Center has provided data and information showing a need for additional surgery capacity.
3. There is no indication that adding operating rooms to meet demand at RHC would have problematic health system effects, or otherwise affect competing surgery services negatively.
4. The capital cost of the project is within the range reported for similar projects, locally and elsewhere in Virginia.
5. There is no indication that adding capacity to meet current and near term demand at Reston Hospital Center would have negative health system effects, or otherwise affect competing surgery services negatively.

DCOPN agrees with the HSANV recommendation for approval, and concurs with, and adopts, the attached HSANV staff report and analysis.

(iv) Any costs and benefits of the proposed project;

COPN Request No. VA-8576: Inova Oakville Ambulatory Surgery Center, LLC

As demonstrated by **Table 2**, the projected capital costs of the proposed project are \$20,013,530, approximately 27.5% of which are attributed to direct construction costs, the entirety of which will be funded using the accumulated reserves of the applicant (**Table 2**). Accordingly, there are no financing costs associated with this project. DCOPN concludes that when compared to similar projects these costs are significant, but in line with similar projects. For example, COPN No. VA-04691 issued to Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. to establish an outpatient surgical hospital with four ORs costing approximately \$28,261,845.

The applicant identified numerous benefits of the proposed project, including:

- Historically, the Oakville has been underserved by healthcare services. As such, Inova intends to bring a needed complement of ambulatory services, including the proposed OSH, to the area. By establishing the proposed OSH in Oakville, Inova will improve access to ambulatory surgery services for Oakville and the surrounding communities.
- Co-location of the various services at a single ambulatory destination will improve access to, and continuity of, care by bringing the services to a community where they are needed away from a busy hospital campus.

- The IOASC is needed to address GPOR capacity constraints at Inova Alexandria Hospital.
- The IOASC is needed to facilitate the planned replacement of Inova Alexandria Hospital. While Inova Alexandria Hospital's GPORs are overutilized, the hospital is beyond its useful life and will be proposed for replacement in the near future. Accordingly, onsite expansion of surgical services is not feasible.

COPN Request No. VA-8577: Inova Health Care Services

As demonstrated by **Table 3**, the projected capital costs of the proposed project are \$11,969,766, approximately 59% of which are attributed to direct construction costs (**Table 3**). The proposed project will be funded using the accumulated reserves of the applicant. Accordingly, there are no financing costs associated with this project. DCOPN concludes that when compared to similar projects these costs are high and inconsistent with recently approved projects to add two operating rooms. For example, COPN No. VA-04677 issued to Reston Hospital Center to add two GPORs is anticipated to cost approximately \$7,346,000. When comparing the proposed project to other projects, the majority of the difference in costs stems from the large direct construction costs, which are almost double the direct construction costs for the RHC project approved pursuant to COPN No. 04677.

The applicant identified numerous benefits of the proposed project, including:

- If ILH were to maintain its existing GPOR complement, utilization is projected to exceed 119% of the SMFP standard by 2024. To ensure timely access to surgical services for its patient population, ILH conservatively seeks COPN approval for two additional GPORs.
- The expansion of surgical services will ensure ILH is able to meet the public need for surgical services as demand continues to grow.
- In addition to ILH's institutional need, there is currently a calculated need for GPORs in PD 8.

COPN Request No. VA-8581: Reston Hospital Center

As demonstrated by **Table 4**, the projected capital costs of the proposed project are \$4,507,000, approximately 23% of which are attributed to direct construction costs, the entirety of which will be funded using the accumulated reserves of the applicant (**Table 4**). Accordingly, there are no financing costs associated with this project. DCOPN concludes that when compared to similar projects these costs are reasonable. For example, COPN No. VA-04733 issued to Carilion New River Valley Medical Center to add three GPORs is anticipated to cost approximately \$3,284,100.

The applicant identified numerous benefits of the proposed project, including:

- RHC's existing GPORs are highly utilized. This project is necessary for RHC to meet the needs of its patients for surgical services.
- The SMFP calculates a need for additional GPORs in the planning district.

- (v) **The financial accessibility of the proposed project to people in the area to be served, including indigent people; and**

COPN Request No. VA-8576: Inova Oakville Ambulatory Surgery Center, LLC

The Pro Forma Income Statement provided by the applicant acknowledges that the proposed project would be subject to the 4.1% Inova Health System system-wide charity care condition. DCOPN notes that, according to regional and statewide data regularly collected by VHI, for 2019, the most recent year for which such data is available, the average amount of charity care provided by HPR II facilities was 3.9% of all reported total gross patient revenues (**Table 6**). As previously discussed, recent changes to § 32.1-102.4B of the Code of Virginia now require DCOPN to place a charity care condition on every applicant seeking a COPN. DCOPN notes that, if approved, the proposed project should be subject to charity care consistent with the Inova Health System 4.1% system-wide charity care condition, in addition to any new requirements as found in the revised § 32.1-102.4B of the Code of Virginia.

Table 7. IOASC Pro Forma Income Statement

	Year 1	Year 2
Total Gross Revenue	\$13,304,882	\$15,238,242
Contractual Discounts	(\$6,373,038)	(\$7,299,118)
Provision for Charity	(\$266,098)	(\$304,765)
Net Revenue	\$6,665,746	\$7,634,359
Total Operating Expenses	\$5,465,533	\$6,344,130
Income from Operations	\$1,200,213	\$1,290,229

Source: COPN Request No. VA-8576

COPN Request No. VA-8577: Inova Health Care Services

The Pro Forma Income Statement provided by the applicant acknowledges that the proposed project would be subject to the Inova Health Systems system-wide charity care condition. DCOPN notes that, according to regional and statewide data regularly collected by VHI, for 2019, the most recent year for which such data is available, the average amount of charity care provided by HPR II facilities was 3.9% of all reported total gross patient revenues (**Table 6**). As previously discussed, recent changes to § 32.1-102.4B of the Code of Virginia now require DCOPN to place a charity care condition on every applicant seeking a COPN. DCOPN notes that, if approved, the proposed project should be subject to charity care consistent with the Inova Health System 4.1% system-wide charity care condition, in addition to any new requirements as found in the revised § 32.1-102.4B of the Code of Virginia.

Table 8. ILH Pro Forma Income Statement

	Year 1	Year 2
Total Gross Revenue	\$220,496,000	\$230,656,000
Contractuals/Other Discounts	(\$120,832,000)	(\$126,399,000)
Charity Deductions	(\$7,497,000)	(\$7,842,000)
Bad Debt	(\$4,365,000)	(\$4,573,000)
Net Revenue	\$87,803,000	\$91,841,000
Total Operating Expenses	\$79,738,000	\$83,528,000
Income from Operations	\$8,064,000	\$8,313,000

Source: COPN Request No. VA-8577

COPN Request No. VA-8581: Reston Hospital Center

The Pro Forma Income Statement provided by the applicant includes as a placeholder the provision of charity care in the amount of 3.9% of gross patient revenues. DCOPN notes that, according to regional and statewide data regularly collected by VHI, for 2019, the most recent year for which such data is available, the average amount of charity care provided by HPR II facilities was 3.9% of all reported total gross patient revenues (**Table 6**). Pursuant to Section 32.1 – 102.4 of the Code of Virginia, should the Commissioner approve the proposed project, RHC should be subject to a charity care condition no less than the 3.9% HPR II average, in addition to any new requirements as found in the revised § 32.1-102.4B of the Code of Virginia.

Table 9. Reston Hospital Center Pro Forma Income Statement

	Year 1	Year 2
Total Gross Revenue	\$292,526,590	\$315,928,717
Charity Care	(\$11,408,537)	(\$12,321,220)
Bad Debts	(\$21,484,276)	(\$23,203,018)
Contractual Adjustments	(\$205,428,600)	(\$221,862,888)
Net Revenue	\$54,205,177	\$58,541,591
Total Operating Expenses	\$41,283,450	\$44,191,974
Income from Operations	\$12,921,728	\$14,349,618

Source: COPN Request No. VA-8581

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

DCOPN did not identify any other factors, not previously discussed in this staff report, to bring to the Commissioner’s attention with respect to determining a public need for the proposed project.

3. The extent to which the proposed project is consistent with the State Health Services Plan;

§ 32.1-102:1 of the Code of Virginia calls for the State Health Services Plan Task Force to develop, by November 1, 2022, recommendations for a comprehensive State Health Services Plan (SHSP). In the interim, DCOPN will consider the consistency of the proposed project with the predecessor of the SHSP, the SMFP.

Part V of the SMFP contains criteria and standards for the addition of operating rooms. They are as follows:

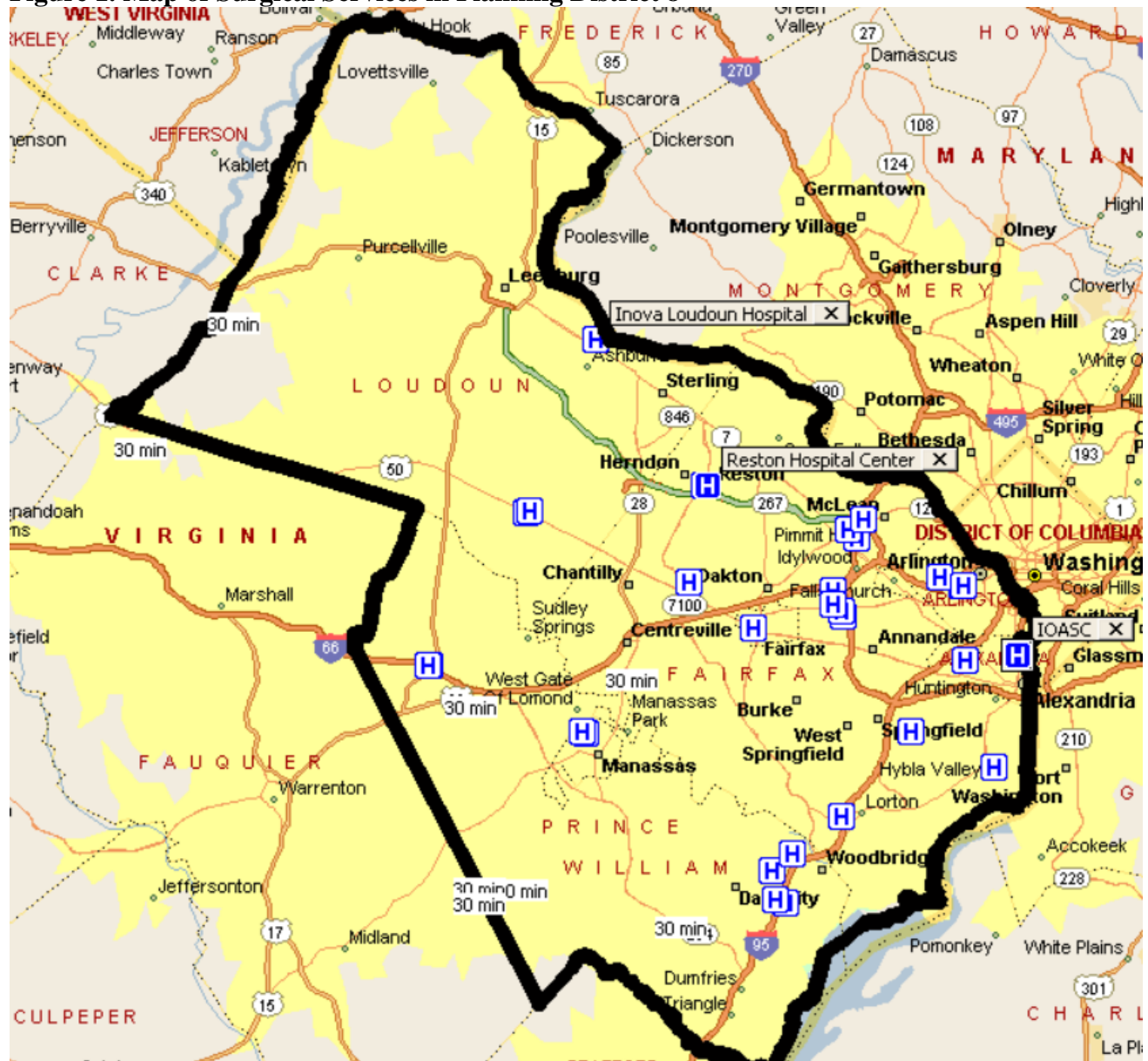
**Part V
General Surgical Services**

12VAC5-230-490. Travel time.

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

The heavy dark line in **Figure 1** represents the boundary of PD 8. The white “H” symbols mark the locations of all existing providers of surgical services in PD 8. The blue “H” symbol marks the locations of the proposed projects. The yellow shading illustrates the area of PD 8 that is currently within 30 minutes driving time from an existing PD 8 facility that offers surgical services. As demonstrated by the map below, surgical services in PD 8 are heavily concentrated in the southeastern portion of the planning district; however, services are readily available within 30 minutes driving time to at least 95% of the population. Therefore, DCOPN contends that approval of the proposed projects would not significantly increase geographic access to surgical services for residents of PD 8 in any meaningful way.

Figure 1. Map of Surgical Services in Planning District 8



12VAC5-230-500. Need for new service.

A. The combined number of inpatient and outpatient general purpose surgical operating rooms needed in a health planning district, exclusive of procedure rooms, dedicated cesarean section rooms, operating rooms designated exclusively for cardiac surgery, procedures rooms or VDH-designated trauma services, shall be determined as follows:

$$\text{FOR} = \frac{((\text{ORV} / \text{POP}) \times (\text{PROPOP})) \times \text{AHORV}}{1600}$$

Where:

ORV = the sum of the total inpatient and outpatient general purpose operating room visits in the health planning district in the most recent five years for which general purpose operating room utilization data has been reported by VHI; and

POP = the sum of total population in the health planning district as reported by a demographic entity as determined by the commissioner, for the same five-year period as used in determining ORV.

PROPOP = the projected population of the health planning district five years from the current year as reported by a demographic program as determined by the commissioner.

AHORV = the average hours per general purpose operating room visit in the health planning district for the most recent year for which average hours per general purpose operating room visits have been calculated as reported by VHI.

FOR = future general purpose operating rooms needed in the health planning district five years from the current year.

1600 = available service hours per operating room per year based on 80% utilization of an operating room available 40 hours per week, 50 weeks per year.

This standard is used to assess whether there is currently a need or excess of GPORs in PD 8. The preceding formula can also be used to determine the overall need for GPORs within PD 8 five years from the current year, i.e., in the year 2026. Based on operating room utilization submitted to and compiled by VHI, for the five-year period from 2015-2019, which is the most recent five-year period for which relevant data is available, the total number of reported inpatient and outpatient GPOR visits to hospital-based and ambulatory surgical centers are shown below in **Table 10**.

Table 10. Inpatient & Outpatient GPOR Visits in PD 8: 2015-2019

Year	Total Inpatient & Outpatient Operating Room Visits
2015	149,414
2016	143,613
2017	144,421
2018	143,874
2019	151,529
Total	732,851
Average	146,570

Source: VHI (2015-2019)

Based on actual population counts derived as a result of the U.S. Census and population projections as compiled by Weldon Cooper, **Table 11** presents the population estimates for PD 8 for the five years from 2015 to 2019 and the projected population estimate for 2026.

Table 11. PD 8 Population 2015-2019 & 2026

Year	Population
2015	2,393,390
2016	2,428,346
2017	2,464,171
2018	2,500,897
2019	2,538,557
Total	12,325,360
Average	2,465,072
2026	2,788,151

Source: Weldon Cooper

Based on the above population estimates from Weldon Cooper, and using the average annual increase of 29,620 from 2010 to 2020, and 27,946 from 2020 to 2030, the cumulative total population of PD 8 for the same historical five-year period as referenced above, i.e., 2015-2019, was 12,325,360, while Weldon Cooper projects the population of PD 8 in the year 2026 (PROPOP – five years from the current year) to be 2,788,151. These figures are necessary for the application of the preceding formula, as follows:

ORV	÷	POP	=	CSUR
Total PD 8 GPOR Visits 2015 to 2019		PD 8 Historical Population 2015 to 2019:		Calculated GPOR Use Rate 2015 to 2019:
732,851		12,325,360		0.0595

CSUR	X	PROPOP	=	PORV
Calculated GPOR Use Rate 2014 to 2018		PD 8 Projected Population 2026		Projected GPOR Visits 2026:
0.0595		2,788,151		165,895

AHORV is the average hours per operating room visit in the planning district for the most recent year for which average hours per operating room visit has been calculated from information collected by the Virginia Department of Health.

According to VHI data from 2019, the most recent year for which such data is available, there were 298,763 inpatient and outpatient operating room hours for that year (**Table 12**). AHORV = 298,763 total inpatient and outpatient operating room hours reported to VHI for 2019, divided by 151,529 total inpatient and outpatient operating room visits reported to VHI for that same year.

$$\text{AHORV} = 1.9717$$

Table 12. 2019 PD 8 General Purpose Operating Room Utilization

Facility	Operating Rooms	Total Hours	Use Per OR	Utilization Rate
Fairfax Surgical Center	6	12,075	2,012.5	125.8%
Haymarket Surgery Center	2	1,742	871.0	54.4%
Inova Alexandria Hospital	11	19,303	1,754.8	109.7%
Inova Ambulatory Surgery Center at Lorton	2	1,298	649.0	40.6%
Inova Fair Oaks Hospital	12	25,148	2,095.7	131.0%
Inova Fairfax Hospital	47	86,932	1,849.6	115.6%
Inova Loudoun Ambulatory Surgery Center	5	11,098	2,219.6	138.7%
Inova Loudoun Hospital	8	13,801	1,725.1	107.8%
Inova Mount Vernon Hospital	7	9,876	1,410.9	88.2%
Inova Surgery Center @ Franconia-Springfield	4	6,747	1,686.8	105.4%
Kaiser Permanente Tysons Corner Surgery Center	11	11,392	1,035.6	64.7%
Lake Ridge Ambulatory Surgical Center	1	1,093	1,093.0	68.3%
McLean Ambulatory Surgery Center	2	2,866	1,433.0	89.6%
Northern Virginia Eye Surgery Center, LLC	2	2,677	1,338.5	83.7%
Northern Virginia Surgery Center	4	4,735	1,183.8	74.0%
UVA Haymarket Medical Center	4	2,106	526.5	32.9%
UVA Prince William Medical Center	4	3,882	970.5	60.7%
Pediatric Specialists of Virginia Ambulatory Surgery Center	2	2,014	1,007.0	62.9%
Prince William Ambulatory Surgery Center	4	2,447	611.8	38.2%
Reston Hospital Center	13	26,849	2,065.3	129.1%
Reston Surgery Center	6	10,272	1,712.0	107.0%
Sentara Northern Virginia Medical Center	9	11,003	1,222.6	76.4%
Stone Springs Hospital Center	7	4,344	620.6	38.8%
Virginia Hospital Center	18	25,063	1,392.4	87.0%
TOTAL	191	298,763	1,564.2	97.8%

Source: VHI (2019)

$$\text{FOR} = \left(\frac{\text{ORV}}{\text{POP}} \times (\text{PROPOP}) \right) \times \frac{\text{AHORV}}{1600}$$

$$\text{FOR} = \left(\frac{732,851}{12,325,360} \times (2,788,151) \right) \times \frac{1.9717}{1600}$$

$$\text{FOR} = 327,095.14 / 1600$$

FOR = 204.43 (205) General Purpose Operating Rooms Needed in PD 8 in 2026

Current PD 8 GPOR Inventory: 205 (Table 1)

Current PD 8 GPOR Inventory excluding cardiac ORs: 197 (Table 1)

Net Deficit: 8 GPORs for 2026 Planning Year

As shown above, DCOPN has calculated a deficit of eight GPORs in PD 8 for the 2026 planning year. If all three proposed projects that are the subject of this staff analysis report are approved, that deficit of eight GPORs will be reduced to one.

COPN Request No. VA-8576: Inova Oakville Ambulatory Surgery Center, LLC

As shown above, DCOPN has calculated a need for eight GPORs in PD 8 for the 2026 planning year. If approved, the proposed project would decrease this deficit by three GPORs. Furthermore, DCOPN notes that the 191 PD 8 GPORs in operation in 2019 operated at a collective utilization of 97.8%. Even with the recent additions to the PD 8 inventory, DCOPN observes that the collective PD 8 inventory operates at relatively high utilization. Because the total population of PD 8 is expected to continue to increase at a faster rate than the rest of Virginia as a whole, and because the existing PD 8 inventory currently operates at a high utilization rate, DCOPN contends that adding three GPORs is advisable. Furthermore, as will be discussed in greater detail below, there are no GPORs within the Inova Health System that are appropriate and available for relocation. Accordingly, DCOPN contends that a reasonable, more efficient alternative to the proposed project does not exist.

COPN Request No. VA-8577: Inova Health Care Services

Inova Health Care Services is not proposing to establish a new service, but rather, proposes to increase its current GPOR complement at ILH. Accordingly, DCOPN concludes that this provision is not applicable to the proposed project. However, DCOPN notes, as will be discussed later in this staff analysis report, that ILH's current capacity demonstrates an institutional need for expansion.

COPN Request No. VA-8581: Reston Hospital Center

RHC is not proposing to establish a new service, but rather, proposes to increase its current GPOR complement. Accordingly, DCOPN concludes that this provision is not applicable to the proposed project. However, DCOPN notes, as will be discussed later in this staff analysis report, that RHC's current capacity demonstrates an institutional need for expansion.

B. Projects involving the relocation of existing operating rooms within a health planning district may be authorized when it can be reasonably documented that such relocation will: (i) improve the distribution of surgical services within a health planning district; (ii) result in the provision of the same surgical services at a lower cost to surgical patients in the health planning district; or (iii) optimize the number of operations in the health planning district that are performed on an outpatient basis.

COPN Request No. VA-8576: Inova Oakville Ambulatory Surgery Center, LLC

Not applicable. The applicant is not seeking approval to relocate an existing operating room.

COPN Request No. VA-8577: Inova Health Care Services

Not applicable. The applicant is not seeking approval to relocate an existing operating room.

COPN Request No. VA-8581: Reston Hospital Center

Not applicable. The applicant is not seeking approval to relocate an existing operating room.

12VAC5-230-510. Staffing.

Surgical services should be under the direction or supervision of one or more qualified physicians.

COPN Request No. VA-8576: Inova Oakville Ambulatory Surgery Center, LLC

The applicant has provided assurances that surgical services will be under the direction or supervision of one or more qualified physicians.

COPN Request No. VA-8577: Inova Health Care Services

The applicant is an existing provider of surgical services and has provided assurances that surgical services will remain under the direction or supervision of one or more qualified physicians.

COPN Request No. VA-8581: Reston Hospital Center

The applicant is an existing provider of surgical services and has provided assurances that surgical services will remain under the direction or supervision of one or more qualified physicians.

The SMFP also contains criteria/standards for when competing applications are received and when institutional expansion is needed. They are as follows:

Part 1

Definitions and General Information

12VAC5-230-30. When Competing Applications Received.

In reviewing competing applications, preference may be given to an applicant who:

- 1. Has an established performance record in completing projects on time and within the authorized operating expenses and capital costs;**
- 2. Has both lower capital costs and operating expenses than his competitors and can demonstrate that his estimates are credible;**
- 3. Can demonstrate a consistent compliance with state licensure and federal certification regulation and a consistent history of few documented complaints, where applicable; or**
- 4. Can demonstrate a commitment to serving his community or service area as evidenced by unreimbursed services to the indigent and providing needed but unprofitable services, taking into account the demand of the particular service area.**

COPN Request No. VA-8576: Inova Oakville Ambulatory Surgery Center, LLC

As a new facility, IOASC does not have a history of completing projects on time and within the authorized capital costs. With respect to the proposed project, the projected capital costs are \$20,013,530. Finally, as a yet-to-be-constructed facility, IOASC has no history of meeting state licensure and federal certification regulations, or of providing charity care. However, DCOPN observes that Inova Health System's provision of charity care in HPR II meets or exceeds the average percentage of charity care provided throughout HPR II. Furthermore, Inova Health System has a consistent history of completing projects on time and within the authorized capital costs, and has an established history of meeting state licensure and federal certification regulations.

COPN Request No. VA-8577: Inova Health Care Services

Based on an analysis of previous COPN projects, ILH has a consistent history of completing projects on time and within the authorized capital costs. With respect to the proposed project, the projected capital costs are \$11,969,766. The applicant has an established history of meeting state licensure and federal certification regulations. Finally, in 2019, ILH provided 4.75% of its gross patient revenue in the form of charity care.

COPN Request No. VA-8581: Reston Hospital Center

Based on an analysis of previous COPN projects, RHC has a consistent history of completing projects on time and within the authorized capital costs. With respect to the proposed project, the projected capital costs are \$4,507,000. The applicant has an established history of meeting state licensure and federal certification regulations. Finally, in 2019, RHC provided 1.27% of its gross patient revenue in the form of charity care.

Conclusion

As all applicants have similar histories of on time, on budget delivery, DCOPN concludes that no applicant warrants preference regarding completing projects on time and within the approved capital expenditure or for having lower capital costs. For the same reason, DCOPN concludes that no applicant warrants preference with respect to meeting state licensure and federal certification regulations, or displaying a commitment to charity care.

12VAC5-230-80. When Institutional Expansion Needed.

- A. Notwithstanding any other provisions of this chapter, the commissioner may grant approval for the expansion of services at an existing medical care facility in a health planning district with an excess supply of such services when the proposed expansion can be justified on the basis of a facility's need having exceeded its current service capacity to provide such service or on the geographic remoteness of the facility.**
- B. If a facility with an institutional need to expand is part of a health system, the underutilized services at other facilities within the health system should be reallocated, when appropriate, to the facility with the institutional need to expand before additional services are approved for the applicant. However, underutilized services located at a health system's geographically remote facility may be disregarded when determining institutional need for the proposed project.**
- C. This section is not applicable to nursing facilities pursuant to § 32.1-102.3:2 of the Code of Virginia.**
- D. Applicants shall not use this section to justify a need to establish a new service.**

COPN Request No. VA-8576: Inova Oakville Ambulatory Surgery Center, LLC

The applicant does assert the overutilization of the GPORs at IAH and IFH as one of the justification for the proposed project. While this information is helpful in assessing the need and status of PD 8 and the Inova Health System's GPORs as a whole, this section must not be used to justify a new service. As such, this provision is not applicable to the proposed project.

COPN Request No. VA-8577: Inova Health Care Services

ILH proposes to add two GPORs, resulting in a total complement of 10 GPORs. With a utilization rate of 126.1% in 2019, the most recently available data confirms that ILH's current

capacity demonstrates an institutional need for expansion. Furthermore, the applicant reported that if ILH were to maintain its existing GPOR complement, utilization is expected to exceed 119% by 2024 and 122% by 2025. Consequently, it can be inferred that approval of two additional GPORs at ILH can be justified based on the facility’s need having exceeded its current service capacity.

As shown in **Table 13** below, all of the Inova PD 8 GPORs exhibited high utilization in 2019, with the exception of Inova Ambulatory Surgery Center at Lorton. However, DCOPN notes that since the 2019 VHI utilization data was collected, the Inova Ambulatory Surgery Center at Lorton transferred one GPOR to the Inova Franconia-Springfield Ambulatory Surgery⁶, and also received approval to recommission that same GPOR, pursuant to COPN No. VA-04747 issued July 8, 2021. Inova Ambulatory Surgery Center at Lorton expected that GPOR to be operational by August 2021. As such, transferring the requested GPORs from Inova Ambulatory Surgery Center at Lorton would be premature and is not practical as capacity was recently added at that facility. For these reasons, DCOPN concludes that transferring the requested GPORs from another Inova facility is not appropriate.

Table 13. Inova Health System General Purpose Operating Room Utilization: 2019

Facility	Operating Rooms	Utilization Rate
Inova Alexandria Hospital	11	109.7%
Inova Ambulatory Surgery Center at Lorton	2	40.6%
Inova Fair Oaks Hospital	12	131.0%
Inova Fairfax Hospital	47	115.6%
Inova Loudoun Ambulatory Surgery Center	5	138.7%
Inova Loudoun Hospital	8	107.8%
Inova Mount Vernon Hospital	7	88.2%
Inova Surgery Center @ Franconia-Springfield	4	105.4%
Total	96	113.4%

Source: VHI (2019)

The applicant is not a nursing facility nor is it proposing to establish a new service and accordingly, sections C and D of this section are not applicable.

COPN Request No. VA-8581: Reston Hospital Center

RHC proposes to add two GPORs, resulting in a total complement of 17 GPORs. With a utilization rate of 129.1% for its 13 operational GPORs in 2019, the most recently available data confirms that RHC’s current capacity demonstrates an institutional need for expansion. In analyzing the potential need for the requested two GPORs at RHC, using 2019 data, DCOPN calculated that, even when adding the requested two GPORs, and the two GPORs approved pursuant to COPN No. VA-04677 the total hours of RHC in 2019 would still result in it operating only slightly below the SMFP threshold (98.7%). As such, DCOPN concludes that RHC has established an institutional need to expand and that the requested number of GPORs are reasonable based on the level of utilization.

⁶ COPN No. VA-04690 authorized the addition of one GPOR to the Inova Franconia-Springfield Ambulatory Surgery Center through the relocation of COPN –authorized capacity from the Inova ASC at Lorton.

As shown in Table 13 below, all of the HCA’s PD 8 GPORs exhibited high utilization in 2019, with the exception of Stone Springs Hospital Center. However, DCOPN notes that on October 8, 2019, the Commissioner adopted the Adjudication Officer’s September 23, 2019 Case Decision regarding the addition of two GPORs at RHC pursuant to COPN No. VA-04677. In the Case Decision, the Adjudication Officer found that relocation from Stone Springs Hospital Center was imprudent and observed, “[r]equiring relocation of ORs from a separate hospital that is relatively new and ramping up its utilization level of various service lines, including surgery, does not seem prudent or with real purpose.” For these reasons, DCOPN concludes that transferring the requested GPORs from another HCA facility is not appropriate.

Table 14. HCA Health System General Purpose Operating Room Utilization: 2019

Facility	Operating Rooms	Utilization Rate
Fairfax Surgical Center	6	125.8%
Reston Hospital Center	13	129.1%
Reston Surgery Center	6	107.0%
Stone Springs Hospital Center	7	38.8%
Total	32	104.6%

Source: VHI (2019)

The applicant is not a nursing facility nor is it proposing to establish a new service and accordingly, sections C and D of this section are not applicable.

Eight Required Considerations Continued

4. The extent to which the proposed project fosters institutional competition that benefits the area to be served while improving access to essential health care services for all people in the area to be served;

COPN Request No. VA-8576: Inova Oakville Ambulatory Surgery Center, LLC

As shown in **Table 1**, Inova Health System operates 105 of the 205 GPORs in PD 8, which represents 51% of PD 8’s GPOR capacity. If the proposed project and the project proposed pursuant to COPN Request No. VA-8577 are approved this amount is increased to over 52%. Therefore, DCOPN concludes that approval of the proposed project would not introduce institutional competition, but still warrants approval for the other reasons discussed in this staff analysis report.

COPN Request No. VA-8577: Inova Health Care Services

As previously discussed, ILH has cited an institutional specific need to expand its surgical services in an effort to decompress the overutilization of the eight GPORs on the hospital campus. As a result, the primary patient population the proposed project is intended to serve is patients who have already chosen ILH as their care provider. As demonstrated by **Figure 1**, the current inventory of operating rooms in PD 8 is sufficient and adequately distributed geographically. Additionally, as previously discussed, DCOPN has calculated a need for eight GPORs within PD 8. If approved, the proposed project would meet a demonstrated institutional need and decrease this deficit. For these reasons, DCOPN concludes that the proposed project is

not intended to, and is unlikely to, foster institutional competition that would benefit the area to be served.

COPN Request No. VA-8581: Reston Hospital Center

As previously discussed, RHC has cited an institutional specific need to expand its surgical services in an effort to decompress the overutilization of its 15 GPORs. As demonstrated by **Figure 1**, the current inventory of operating rooms in PD 8 is sufficient and adequately distributed geographically. Additionally, as previously discussed, DCOPN has calculated a need for eight GPORs within PD 8. If approved, the proposed project would meet a demonstrated institutional need and decrease this deficit. Furthermore, as shown in **Table 1**, Inova Health System operates 105 of the 205 GPORs in PD 8, which represents more than 50% of PD 8's GPOR capacity. In comparison, HCA operates 32 of the 205 GPORs in PD 8, which represents 15.5 % of PD 8's GPOR capacity. Therefore, DCOPN concludes that approval of the proposed project would introduce some beneficial institutional competition.

5. The relationship of the proposed project to the existing health care system of the area to be served, including the utilization and efficiency of existing services or facilities;

COPN Request No. VA-8576: Inova Oakville Ambulatory Surgery Center, LLC

The applicant is part of the Inova Health Care Services System, which has eight facilities providing surgical services in PD 8 (**Table 13**). A review of the surgical utilization at each of these facilities reveals that all but one facility (Inova Ambulatory Surgery Center at Lorton) are operating above or at near-maximum capacity, but for reasons already discussed, none are appropriate for transfer. Furthermore, as previously discussed, DCOPN has calculated a net deficit of eight GPORs in PD 8 for the 2026 planning year. If approved, the proposed project would decrease this deficit by three GPORs. For these reasons, DCOPN contends that approval of the proposed project is more advantageous than the status quo.

COPN Request No. VA-8577: Inova Health Care Services

The applicant is part of the Inova Health Care Services System, which has eight facilities providing surgical services in PD 8 (**Table 13**). A review of the surgical utilization at each of these facilities reveals that all but one facility (Inova Ambulatory Surgery Center at Lorton) are operating above or at near-maximum capacity, but for reasons already discussed, none are appropriate for transfer. Furthermore, as previously discussed, DCOPN has calculated a net deficit of eight GPORs in PD 8 for the 2026 planning year. If approved, the proposed project would meet a demonstrated institutional need and decrease this deficit by two GPORs. For these reasons, DCOPN contends that approval of the proposed project is the most economical way to satisfy this need within PD 8 and the Inova Health System.

COPN Request No. VA-8581: Reston Hospital Center

The applicant is part of the HCA System, which has four facilities providing surgical services in PD 8 (**Table 14**). A review of the surgical utilization at each of these facilities reveals that all but one facility (Stone Springs Hospital Center) are operating above capacity, but for reasons already discussed, none are appropriate for transfer. Furthermore, as previously discussed, DCOPN has calculated a net deficit of eight GPORs in PD 8 for the 2026 planning year. If approved, the proposed project would meet a demonstrated institutional need and decrease this deficit by two

GPORs. For these reasons, DCOPN contends that approval of the proposed project is the most economical way to satisfy this need within PD 8 and the HCA Health System.

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

COPN Request No. VA-8576: Inova Oakville Ambulatory Surgery Center, LLC

The Pro Forma Income Statement provided by the applicant projects a net profit of \$1,200,213 by the end of the first year of operation and a net profit of \$1,290,229 by year 2, indicating that the proposed project is financially feasible both in the immediate and in the long-term (**Table 7**). Projected capital costs for the proposed project total \$20,013,530, the entirety of which will be funded using the accumulated reserves of the applicant (**Table 2**). Accordingly, there are no financing costs associated with this project. As already discussed, DCOPN maintains that costs for the proposed project are significant but consistent with previously approved projects similar in clinical scope.

The applicant anticipates the need to hire 48 full time equivalent employees to staff the proposed project, 15 of which are for registered nurse positions. DCOPN notes that the Inova Health System has a robust employee recruitment and retention program and accordingly, DCOPN maintains that the applicant will not have difficulty filling the required positions or that doing so will have a significant negative impact on existing providers of surgical services.

COPN Request No. VA-8577: Inova Health Care Services

The Pro Forma Income Statement provided by the applicant projects a net profit of \$8,064,000 by the end of the first year of operation and a net profit of \$8,313,000 by year 2, indicating that the proposed project is financially feasible both in the immediate and in the long-term (**Table 8**). Projected capital costs for the proposed project total \$11,969,766, the entirety of which will be funded using the accumulated reserves of the applicant (**Table 3**). Accordingly, there are no financing costs associated with this project. As already discussed, DCOPN maintains that costs for the proposed project are high when compared with previously approved projects similar in scope.

The applicant anticipates the need to hire 17 full time equivalent employees to staff the proposed project, five of which are for registered nurse positions. DCOPN notes that the Inova Health System has a robust employee recruitment and retention program and accordingly, DCOPN maintains that the applicant will not have difficulty filling the required positions or that doing so will have a significant negative impact on existing providers of surgical services.

COPN Request No. VA-8581: Reston Hospital Center

The Pro Forma Income Statement provided by the applicant projects a net profit of \$12,921,728 by the end of the first year of operation and a net profit of \$14,349,618 by year 2, indicating that the proposed project is financially feasible both in the immediate and in the long-term. Projected capital costs for the proposed project total \$4,507,000, the entirety of which will be funded using the internal resources of the applicant. Accordingly, there are no financing costs associated with this project. As already discussed, DCOPN maintains that costs for the proposed project are reasonable and consistent with previously approved projects similar in clinical scope.

The applicant anticipates the need to hire 14 full time equivalent employees to staff the proposed project, 10 of which are for registered nurse positions. The applicant is a current provider of surgical services with a robust employee recruitment and retention plan. Accordingly, DCOPN does not anticipate that the applicant will have difficulty staffing the proposed project or that doing so will have a significant negative impact on other PD 8 providers.

- 7. The extent to which the proposed project provides improvements or innovations in the financing and delivery of health care 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 health care 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**

COPN Request No. VA-8576: Inova Oakville Ambulatory Surgery Center, LLC

DCOPN contends that approval of the proposed project would provide improvement or innovations in the financing and delivery of health care services by expanding outpatient access through increased capacity in a planning district where the majority of GPORs are located in inpatient settings.

COPN Request No. VA-8577: Inova Health Care Services

The proposed project would not provide improvements or innovations in the financing and delivery of health services, as demonstrated by the introduction of new technology that promotes quality, cost effectiveness, or both in the delivery of health care services, or any cooperative efforts to meet regional health care needs. DCOPN did not identify any other factors that have not been discussed elsewhere in this staff analysis report to bring to the attention of the Commissioner.

COPN Request No. VA-8581: Reston Hospital Center

The proposed project would not provide improvements or innovations in the financing and delivery of health services, as demonstrated by the introduction of new technology that promotes quality, cost effectiveness, or both in the delivery of health care services, or any cooperative efforts to meet regional health care needs. DCOPN did not identify any other factors that have not been discussed elsewhere in this staff analysis report to bring to the attention of the Commissioner.

- 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 services for citizens of the Commonwealth, including indigent or underserved populations.**

COPN Request No. VA-8576: Inova Oakville Ambulatory Surgery Center, LLC

The applicant is not a teaching hospital or affiliated with a public institution of higher education or medical school in the area to be served. Approval of the proposed project would not contribute to the unique research, training or clinical mission of a teaching hospital or medical school.

COPN Request No. VA-8577: Inova Health Care Services

The applicant is not a teaching hospital or affiliated with a public institution of higher education or medical school in the area to be served. Approval of the proposed project would not contribute to the unique research, training or clinical mission of a teaching hospital or medical school.

COPN Request No. VA-8581: Reston Hospital Center

The applicant is not a teaching hospital or affiliated with a public institution of higher education or medical school in the area to be served. Approval of the proposed project would not contribute to the unique research, training or clinical mission of a teaching hospital or medical school.

DCOPN Staff Findings and Conclusions

COPN Request No. VA-8576: Inova Oakville Ambulatory Surgery Center, LLC

DCOPN finds that the proposed project to establish an outpatient surgical hospital with three GPORs is generally consistent with the applicable criteria and standards of the State Medical Facilities Plan and the eight Required Considerations of the Code of Virginia. The proposed project would add three GPORs to the existing PD 8 inventory, helping to address the calculated deficit of GPORs within the planning district. Furthermore, the proposed project is more favorable than maintaining the status quo because approval would allow the Inova Health System to shift appropriate surgical cases from its hospitals to a lower-cost, outpatient setting.

DCOPN maintains that the projected capital costs of the proposed project are reasonable and consistent with previously approved projects similar in clinical scope; and notes that because the costs will be funded using accumulated reserves of the applicant, no financing fees are associated with this project. Finally, DCOPN finds that the proposed project will prove financially feasible both in the immediate and in the long-term.

COPN Request No. VA-8577: Inova Health Care Services

DCOPN finds that the proposed project to add two GPORs at Inova Loudoun Hospital is generally consistent with the applicable criteria and standards of the State Medical Facilities Plan and the eight Required Considerations of the Code of Virginia. The proposed project would add two GPORs to the existing PD 8 inventory, helping to address the calculated deficit of GPORs within the planning district. Furthermore, the proposed project is more favorable than maintaining the status quo because approval would result in the decanting of cases from the over utilized ILH.

DCOPN maintains that the projected capital costs of the proposed project are significant and higher than previously approved projects similar in clinical scope. However, DCOPN also notes that because the costs will be funded using accumulated reserves of the applicant, no financing is associated with this project. Finally, DCOPN finds that the proposed project will prove financially feasible both in the immediate and in the long-term.

COPN Request No. VA-8581: Reston Hospital Center

DCOPN finds that the proposed project to add two GPORs at Reston Hospital Center is generally consistent with the applicable criteria and standards of the State Medical Facilities Plan and the eight Required Considerations of the Code of Virginia. The proposed project would add two GPORs to the existing PD 8 inventory, helping to address the calculated deficit of GPORs within the planning district. Furthermore, the proposed project is more favorable than maintaining the status quo because approval would result in the reduction of the overutilization at RHC.

DCOPN maintains that the projected capital costs of the proposed project are reasonable and consistent with previously approved projects similar in clinical scope; and notes that because the costs will be funded using accumulated reserves of the applicant, no financing is associated with this project. Finally, DCOPN finds that the proposed project will prove financially feasible both in the immediate and in the long-term.

DCOPN Staff Recommendation

COPN Request No. VA-8576: Inova Oakville Ambulatory Surgery Center, LLC

The Division of Certificate of Public Need recommends **conditional approval** of Inova Oakville Ambulatory Surgery Center's request to establish an outpatient surgical hospital with three general-purpose operating rooms for the following reasons:

1. The project is generally consistent with the applicable criteria and standards of the State Medical Facilities Plan and the eight Required Considerations of the Code of Virginia.
2. The proposed project would address the calculated deficit of general purpose operating rooms in the health planning district.
3. The capital costs associated with this project are reasonable.
4. There are no reasonable, less costly, more efficient alternatives to the proposed project.
5. The proposed project appears economically viable in the immediate and in the long-term.
6. The Health Systems Agency of Northern Virginia recommended approval of the proposed project.

DCOPN's recommendation is contingent upon Inova Oakville Ambulatory Surgery Center's agreement to the following charity care condition:

This project shall be subject to the 4.1% system-wide charity care condition applicable to Inova Health Care Services, as reflected in COPN No. VA – 04381 (Inova Health Care Services system-wide condition). Provided, however, that charity care provided under the Inova Health Care Services system-wide condition shall be valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq.

Inova Health Care Services will accept a revised percentage based on the regional average after such time regional charity care data valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq. is available from Virginia Health Information. In addition to any right to petition the Commissioner contained in the Inova Health Care Services' system-wide condition, to the extent Inova Health Care Services expects its system-wide condition as valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq. or any revised percentage to materially alter the value of its charity care commitment thereunder, it may petition the Commissioner for a modification to the Inova Health Care Services system-wide condition to resolve the expected discrepancy.

COPN Request No. VA-8577: Inova Health Care Services

The Division of Certificate of Public Need recommends **conditional approval** of Inova Health Care Services' request to add two general-purpose operating rooms at Inova Loudoun Hospital for the following reasons:

1. The project is generally consistent with the applicable criteria and standards of the State Medical Facilities Plan and the eight Required Considerations of the Code of Virginia.
2. The proposed project would address the calculated deficit of general-purpose operating rooms in the health planning district.
3. The applicant has demonstrated an institutional need to expand.
4. There are no reasonable, less costly, more efficient alternatives to the proposed project.
5. The proposed project appears economically viable in the immediate and in the long-term.
6. The Health Systems Agency of Northern Virginia recommended approval of the proposed project.

DCOPN's recommendation is contingent upon Inova Health Care Services' agreement to the following charity care condition:

This project shall be subject to the 4.1% system-wide charity care condition applicable to Inova Health Care Services, as reflected in COPN No. VA – 04381 (Inova Health Care Services system-wide condition). Provided, however, that charity care provided under the Inova Health Care Services system-wide condition shall be valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq.

Inova Health Care Services will accept a revised percentage based on the regional average after such time regional charity care data valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq. is available from Virginia Health

Information. In addition to any right to petition the Commissioner contained in the Inova Health Care Services' system-wide condition, to the extent Inova Health Care Services expects its system-wide condition as valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq. or any revised percentage to materially alter the value of its charity care commitment thereunder, it may petition the Commissioner for a modification to the Inova Health Care Services system-wide condition to resolve the expected discrepancy.

COPN Request No. VA-8581: Reston Hospital Center

The Division of Certificate of Public Need recommends **conditional approval** of Reston Hospital Center's request to add two general-purpose operating room to its existing inventory for the following reasons:

1. The project is generally consistent with the applicable criteria and standards of the State Medical Facilities Plan and the eight Required Considerations of the Code of Virginia.
2. The proposed project would address the calculated deficit of general purpose operating rooms in the health planning district.
3. The applicant has demonstrated an institutional need to expand.
4. The capital costs associated with this project are reasonable.
5. There are no reasonable, less costly, more efficient alternatives to the proposed project.
6. The proposed project appears economically viable in the immediate and in the long-term.
7. The Health Systems Agency of Northern Virginia recommended approval of the proposed project.

DCOPN's recommendation is contingent upon Reston Hospital Center's agreement to the following charity care condition:

Reston Hospital Center will provide surgical services to all persons in need of this service, regardless of their ability to pay, and will provide as charity care to all indigent persons free services or rate reductions in services and will facilitate the development and operation of primary medical care services to medically underserved persons in PD 8 in an aggregate amount equal to at least 3.9% of Reston Hospital Center's gross patient revenue derived from surgical services. Compliance with this condition will be documented to the Division of Certificate of Public Need annually by providing audited or otherwise appropriately certified financial statements documenting compliance with the preceding requirement. Reston Hospital Center will accept a revised percentage based on the regional average after such time regional charity care data valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq. is available from Virginia Health Information. The value of charity care provided individuals pursuant to this condition shall be based on the provider reimbursement

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

Reston Hospital Center will provide surgical care to individuals who are eligible for benefits under Title XVIII of the Social Security Act (42 U.S.C. § 1395 et seq.), Title XIX of the Social Security Act (42 U.S.C. § 1396 et seq.), and 10 U.S.C. § 1071 et seq. Additionally Reston Hospital Center's will facilitate the development and operation of primary and specialty medical care services in designated medically underserved areas of the applicant's service area.