



COMMONWEALTH of VIRGINIA

Colin M. Greene, MD, MPH
State Health Commissioner

Department of Health
P O BOX 2448
RICHMOND, VA 23218

TTY 7-1-1 OR
1-800-828-1120

July 8, 2022

Mr. Paul Dreyer
Senior Director, Strategic Planning
8110 Gatehouse Road, Suite 500 West
Falls Church, Virginia 22042

RE: **COPN No. VA-04793**

**Inova Healthcare Services, Alexandria, Virginia
Relocate and partially replace Inova Alexandria Hospital through the relocation of 192 acute care beds, six operating rooms, two CT scanners, one MRI scanner, two linear accelerators, brachytherapy services, two cardiac catheterization labs, and specialty level neonatal special care services from Inova Alexandria Hospital to the Landmark site and the addition of one fixed CT scanner at the Landmark site**

Dear Mr. Dreyer:

In accordance with Chapter 4, Article 1.1 of Title 32.1 of the Code of Virginia of 1950 (the Code), as amended, I reviewed the application and all supporting documents submitted by Inova Healthcare Services to relocate and partially replace Inova Alexandria Hospital through the relocation of 192 acute care beds, six operating rooms, two CT scanners, one MRI scanner, two linear accelerators, brachytherapy services, two cardiac catheterization labs, and specialty level neonatal special care services from Inova Alexandria Hospital to the Landmark site and the addition of one fixed CT scanner at the Landmark site.

As required by Section 32.1-102.3B of the Code, I have considered all factors that must be taken into account in a determination of public need, and I have concluded that **conditional approval** of the request is warranted based on the following findings:

1. The relocation of the services from Inova Alexandria Hospital and the addition of one fixed CT scanner 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. There is not a reasonable alternative to the relocation of the Inova Alexandria Hospital services that would meet the needs of the people in the area to be served in a less costly, more efficient, or more effective manner.

3. Approval of the relocation of Inova Alexandria Hospital services will prevent significant ongoing expenses accrued on the upkeep of the aging Inova Alexandria Hospital.
4. The status quo is not a viable alternative to the addition of one fixed CT scanner.
5. The proposed project appears economically viable both in the immediate and in the long-term.
6. The capital costs, while high are acceptable for the scope of the proposed project.
7. The Health Systems Agency of Northern Virginia voted unanimously to recommend approval of the proposed project.

This certificate is valid for the period July 8, 2022 through July 7, 2023. The total authorized capital cost of the project is \$1,038,131,760.

Please file two copies of the application for a certificate extension with the Department and one copy with the regional health planning agency no later than 30 days before the expiration date of the certificate. Part VIII of the Virginia Medical Care Facilities Certificate of Public Need Rules and Regulations identifies the filing requirements and review procedure for certificate extension requests.

Sincerely,



Colin M. Greene, MD, MPH
State Health Commissioner

Enclosure

cc: Allyson Tysinger, Senior Assistant Attorney General, Commonwealth of Virginia
Erik Bodin, Director, Division of Certificate of Public Need
Deborah K. Waite, Chief Operating Officer, Virginia Health Information
David Rose, MD, MBA, FAAP, District Director, Alexandria Health District

COMMONWEALTH OF VIRGINIA
DEPARTMENT OF HEALTH
MEDICAL CARE FACILITIES CERTIFICATE OF PUBLIC NEED

THIS CERTIFIES THAT Inova Health Care Services is authorized to initiate the proposal as described below.

NAME OF FACILITY: Inova Alexandria Hospital

LOCATION: The site of the former Landmark Mall near the intersection of Duke Street and I-395 in Alexandria City

OWNERSHIP AND CONTROL: Inova Health Care Services

SCOPE OF PROJECT: Relocate and partially replace Inova Alexandria Hospital through the relocation of 192 acute care beds, six operating rooms, two CT scanners, one MRI scanner, two linear accelerators, brachytherapy services, two cardiac catheterization labs, and specialty level neonatal special care services from Inova Alexandria Hospital to the Landmark site and the addition of one fixed CT scanner at the Landmark site. Capital costs associated with this project total \$1,038,131,760. The project is expected to be completed by January 31, 2028. This certificate is issued with the condition that appears on its reverse.



Pursuant to Chapter 4, Article 11 of Title 32.1, Sections 32.1-102.1 through 32.1-102.12 of the Code of Virginia (1950), as amended and the policies and procedures promulgated thereunder, this Medical Care Facilities Certificate of Public Need is issued contingent upon substantial and continuing progress towards implementation of the proposal within twelve (12) months from the date of issuance. A progress report shall be submitted to the State Health Commissioner within twelve (12) months from the date of issuance along with adequate assurance of completion within a reasonable time period. The Commissioner reserves the right not to renew this Certificate in the event the applicant fails to fulfill these conditions. This Certificate is non-transferable and is limited to the location, ownership, control and scope of the project shown herein.

Certificate Number: VA-04793

Date of Issuance: July 8, 2022

Expiration Date: July 7, 2023

Colin M. Greene, MD, MPH, State Health Commissioner

This project shall be subject to the system-wide charity care condition applicable to Inova Health Care Services, as reflected in COPN No. VA-04381 and revised by the Commissioner's January 4, 2016 Reconsideration of Inova's Health System's System Wide Charity Care Condition (Inova Health Care Services system-wide condition). Pursuant to the 2016 reconsideration, the Inova Health Care Services system-wide charity care condition reset to 3.9% as of January 1, 2022. 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 System 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 System-Wide condition, to the extent Inova Health System expects its Inova 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 System-Wide condition to resolve the expected discrepancy

COPN Request No. VA-8612

Inova Health Care Services

Alexandria, Virginia

Relocation and partial replacement of InovaAlexandria Hospital to include: 192 acute care
beds, 8 operating rooms, 3 CTs, 2 MRIs, 2linear accelerators with SRS/SRT,brachytherapy services, specialty care neonatalservices, and 2 cardiac catheterization labs**COPN Request No. VA-8613**

Inova Health Care Services

Alexandria, Virginia

Relocation and partial replacement of InovaAlexandria Hospital to include: 120 acute care
beds, 8 operating rooms, 3 CTs, and 2 MRIs**STIPULATION**

IT IS HEREBY STIPULATED AND AGREED, by and among Inova Health Care Services ("Inova"), by counsel, and the Virginia Department of Health ("the Department"), Office of Licensure and Certification's Division of Certificate of Public Need ("DCOPN"), by its Director, (collectively, "the Parties") as follows:

1. The Parties mutually desire to avoid further expense in Certificate of Public Need ("COPN") matters that do not require extensive additional administrative procedure. The Parties further recognize that this stipulation benefits the public interest and judicial efficiency. This stipulation reflects a narrowly tailored exception to the routine review process and is being employed by the Parties due to particular facts and circumstances of the above-referenced applications.
2. Inova submitted a COPN application for a project involving the relocation and partial replacement of Inova Alexandria Hospital from its current location at 4320 Seminary Road in Alexandria, Virginia, to a new hospital facility (the "Landmark Replacement Hospital") to be developed at the site of the former Landmark Mall in Planning District ("PD") 8 and to include 192 acute care beds, 8 operation rooms, 3 CT scanners, 2 MRI scanners, 2 linear accelerators with SRS/SRT, brachytherapy services, specialty level neonatal special care services, and 2 cardiac catheterization laboratories (COPN Request No. VA-8612).
3. Inova also submitted a COPN application for a project involving the relocation and partial replacement of Inova Alexandria Hospital from its current location at 4320 Seminary Road in Alexandria, Virginia, to a new hospital facility (the "Springfield Replacement Hospital") to be developed at a site immediately adjacent to the Inova Springfield HealthPlex in PD 8 and to include 120 acute care beds, 8 operating rooms, 3 CT scanners, and 2 MRI scanners (COPN Request No. VA-8613).
4. Together, Inova's COPN Request No. VA-8612 and COPN Request No. VA-8613 propose the relocation and full replacement of Inova Alexandria Hospital.
5. Inova's COPN Request No. VA-8612 and COPN Request No. VA-8613 are currently under review in the same COPN batch review cycle. No other projects are being reviewed in PD 8 in the COPN batch review cycle in which COPN Request No. VA-8612 and COPN Request No. VA-8613 are being reviewed.

6. DCOPN issued a recommendation of conditional partial approval for COPN Request No. VA-8612, recommending approval of the relocation of 192 acute care beds, 6 operating rooms, 2 CT scanners, 1 MRI scanner, 2 linear accelerators, brachytherapy services, 2 cardiac catheterization laboratories, and specialty level neonatal special care services from Inova Alexandria Hospital to the Landmark Replacement Hospital, subject to Inova's agreement to a recommended charity care condition. DCOPN issued a recommendation of denial as to those components of COPN Request No. VA-8612 proposing the addition of 1 new MRI scanner and 2 new operating rooms. Inova has accepted DCOPN's recommendations on COPN Request No. VA-8612, including its conditional approval and denial recommendations, and has reached agreement with DCOPN on a recommended charity care condition. Documentation of Inova's acceptance and agreement is attached at Exhibit A.
7. DCOPN also issued a recommendation of conditional partial approval for COPN Request No. VA-8613, recommending approval of the relocation of 110 acute care beds from Inova Alexandria Hospital, 5 operating rooms from Inova Alexandria Hospital, 2 CT scanners, including 1 from Inova Alexandria Hospital and 1 from the Inova Springfield HealthPlex, and 2 MRI scanners, including 1 from Inova Alexandria Hospital and 1 from the Inova Springfield HealthPlex, and the addition of 1 new fixed CT scanner to the Springfield Replacement Hospital, subject to Inova's agreement to a recommended charity care condition. DCOPN issued a recommendation of denial as to those components of COPN Request No. VA-8613 proposing the relocation of 10 additional beds from Inova Mount Vernon Hospital to the Springfield Replacement Hospital and the addition of 3 new operating rooms. Inova has accepted DCOPN's recommendations on COPN Request No. VA-8613, including its conditional approval and denial recommendations, and has reached agreement with DCOPN on a recommended charity care condition. Documentation of Inova's acceptance and agreement is attached at Exhibit A.
8. No petitions seeking to establish good cause standing ("Good Cause Petitions") were filed with regard to COPN Request No. VA-8612 as of the deadline for filing such Good Cause Petitions pursuant to Virginia Code Section 32.1-102.6(E).
9. One Good Cause Petition was filed with regard to COPN Request No. VA-8613 in accordance with the deadline for filing such Good Cause Petitions. Such Good Cause Petition was filed by Virginia Hospital Center ("VHC").
10. The VHC Good Cause Petition ordinarily would trigger the convening of an informal fact-finding conference ("IFFC") on the VHC Good Cause Petition (the "Good Cause IFFC") and an IFFC on the competing applications (COPN Request Nos. VA-8612 and VA-8613) (the "Case-in-Chief IFFC"); each such IFFC would be convened by the Department's Adjudication Officer.
11. While the Parties recognize that the State Health Commissioner (the "Commissioner") has the ultimate authority to determine whether a Case-in-Chief IFFC is necessary, the Parties have agreed that it is not necessary to address COPN Request No. VA-8612 at a Case-in-Chief IFFC because (i) Inova has accepted DCOPN's recommendations on COPN Request No. VA-8612, including its conditional approval and denial recommendations, and has reached agreement with DCOPN on a recommended charity care condition, such that there is no compelling contrary fact basis or information that could be relied upon in making an

adverse decision on COPN Request No. VA-8612; and (ii) the VHC Good Cause Petition does not seek to establish "good cause" with regard to COPN Request No. VA-8612. Furthermore, Inova, as the applicant for both COPN Request No. VA-8612 and COPN Request No. VA-8613, does not oppose COPN Request No. VA-8612 or the DCOPN's recommendation thereon, provided that an approval of COPN Request No. VA-8612 does not serve as a basis for denying Inova's COPN Request No. VA-8613.

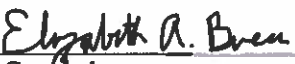
12. DCOPN's analysis of COPN Request No. VA-8612 constitutes a sufficient record of public need for the relocation and partial replacement of the Inova Alexandria Hospital to the Landmark Replacement Hospital with the following COPN-regulated units of capacity: 192 acute care beds, 6 operating rooms, 2 CT scanners, 1 MRI scanner, 2 linear accelerators, brachytherapy services, 2 cardiac catheterization laboratories, and specialty level neonatal special care services. As such, the Parties have agreed that no report from the Department's Adjudication Officer is necessary on COPN Request No. VA-8612. This agreement stems from an interest in promoting judicial efficiency.
13. Inova and DCOPN have agreed that DCOPN may forward COPN Request No. VA-8612 and the executed version of this stipulation to the Commissioner with DCOPN's recommendation that he issue a COPN for the relocation of 192 acute care beds, 6 operating rooms, 2 CT scanners, 1 MRI scanner, 2 linear accelerators, brachytherapy services, 2 cardiac catheterization laboratories, and specialty level neonatal special care services from Inova Alexandria Hospital to the Landmark Replacement Hospital as would otherwise be permitted under Va. Code § 32.1-102.6(D) & (E) if there had been no competing application. Inova and DCOPN agree that it is not necessary to send the Adjudication Officer's recommendation on the project remaining in the administrative review as a result of the VHC Good Cause Petition, COPN Request No. VA-8613, with the recommendation that the Commissioner issue a COPN for COPN Request No. VA-8612. Inova agrees that DCOPN may forward COPN Request No. VA-8612 to the Commissioner for approval immediately.
14. Inova and DCOPN agree that the Department shall deem the record closed with respect to COPN Request No. VA-8612 upon the signing of this stipulation by or on behalf of Inova and DCOPN, pursuant to Va. Code § 32.1-102.6(E)(5).
15. Inova and DCOPN entered into this stipulation with full knowledge and understanding that this stipulation cannot infringe upon the Commissioner's statutory duty to exercise his professional discretion in a manner consistent with the authority granted in Title 32.1 of the Code of Virginia.
16. Inova and DCOPN must sign this stipulation before submission to the Department. To expedite the process of signing this agreement, the Parties may execute this stipulation in any number of counterparts with the same effect as if the Parties had signed the same document. All counterparts will be construed together and shall constitute one agreement. Signatures transmitted by facsimile or as PDF attachments to e-mail shall have the same effect as original signatures. A final, consolidated document with all signatures included will be created and submitted for the Department's files. This stipulation shall become effective on the date signed by DCOPN on behalf of the Department.

~~[SIGNATURES APPEAR ON THE FOLLOWING PAGE]~~

[SIGNATURE PAGE TO THAT CERTAIN STIPULATION BY AND AMONG INOVA HEALTH CARE SERVICES AND THE VIRGINIA DEPARTMENT OF HEALTH OFFICE OF LICENSURE AND CERTIFICATION'S DIVISION OF CERTIFICATE OF PUBLIC NEED.]

Respectfully submitted,

Inova Health Care Services


By Counsel
Elizabeth A. Breen, Esquire

06/06/2022
Date

Division of Certificate of Public Need


By Erik O. Bodin, III, Director

6 June 2022
Date

From: [Megibow, Nicholas](#)
To: [Dreyer, Paul](#)
Cc: [Breen, Elizabeth](#); [HSANV_DM](#); [Douglas Harris](#); [Erik Bodin](#); [Mannino Piero kwr84763](#)
Subject: Re: COPN Request Nos. VA-8612 & 8613
Date: Monday, April 25, 2022 10:05:45 AM

Caution: This email originated from outside of the firm.

Good morning Paul,

I'm looping in Erik and Piero so they have a record of this as well. I've talked with Erik and we are fine with the updated charity language consistent with the discussion we had in January. I'll follow up with you tomorrow once the good cause petition window has closed

Thanks,
Nick

On Fri, Apr 22, 2022 at 3:26 PM Dreyer, Paul <Paul.Dreyer@inova.org> wrote:

Nick,

Thank you for the thoroughly prepared staff report for the two Inova projects (COPN VA-8612 and COPN VA-8613). We accept the recommendation of partial conditional approval of these projects, though would like to amend the condition to the revised language below. This language more accurately describes, we believe, the current charity care agreement and more clearly states the condition requirement as of January 1, 2022. Inova's system-wide condition was reset as of January 1, 2017 and every 5 years thereafter, resulting in a reset on January 1, 2022. Based on the 3.9% HPR-wide average in VHI-published 2019 data, which was the latest available on that date, the Inova system-wide condition should, as of January 1, 2022, be 3.9%.

The language below we propose for both Inova projects (COPN VA-8612 and COPN VA-8613) to more clearly state the reset to the current regional charity care average. If you have questions or concerns about changing the language certainly feel free to reach out to me via e-mail or my phone number listed below. Thank you.

Proposed Revisions to DCOPN Charity Care Recommendations for COPN Request Nos. VA-8612 and VA-8613:

This project shall be subject to the system-wide charity care condition applicable to Inova Health Care Services, as reflected in COPN No. VA-04381 and revised by the Commissioner's January 4, 2016 Reconsideration of Inova's Health System's System Wide Charity Care Condition (Inova Health Care Services system-wide condition). Pursuant to the 2016 reconsideration, the Inova Health Care Services system-wide charity care condition reset to 3.9% as of January 1, 2022. 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.

Paul Dreyer

Sr. Director, Strategy & Planning

Inova Health System

8110 Gatehouse Road, Suite 500W
Falls Church, VA, 22042

C 703-403-7598

From: Megibow, Nicholas <nicholas.megibow@vdh.virginia.gov>
Sent: Thursday, April 21, 2022 2:35 PM
To: Dreyer, Paul <Paul.Dreyer@inova.org>
Cc: HSANV_DM <hsanv@aol.com>; Douglas Harris <doug.harris@vdh.virginia.gov>
Subject: COPN Request Nos. VA-8612 & 8613

*****ATTENTION: This email originated from outside of Inova. Please proceed with caution if asked to click links or open attachments.*****

Good afternoon Paul,

Attached please find the staff report and cover letters for the above referenced projects. Please let me know if you have any issues opening these documents.

Thanks,

Nick

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Please note: Our office is on a remote-work plan in an effort to mitigate the spread of COVID-19. We have full access to our telephones, email and documents. If you need to reach me by telephone, please call my office number – 804-367-2144. Thank you.

Nick Megibow, JD
Project Analyst
Division of Certificate of Public Need
Virginia Department of Health
(804) 367-2144

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Please note: Our office is on a remote-work plan in an effort to mitigate the spread of COVID-19. We have full access to our telephones, email and documents. If you need to reach me by telephone, please call my office number – 804-367-2144. Thank you.

Nick Megibow, JD
Project Analyst
Division of Certificate of Public Need
Virginia Department of Health
(804) 367-2144

VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis

April 21, 2022

COPN Request No. VA-8612

Inova Healthcare Services

Alexandria, Virginia

Relocation and partial replacement of Inova Alexandria Hospital to include: 192 acute care beds, 8 operating rooms, 3 CTs, 2 MRIs, 2 linear accelerators with SRS/SRT, brachytherapy services, specialty care neonatal services, and 2 cardiac catheterization labs

COPN Request No. VA-8613

Inova Healthcare Services

Alexandria, Virginia

Relocation and partial replacement of Inova Alexandria Hospital to include: 120 acute care beds, 8 operating rooms, 3 CTs, and 2 MRIs

Applicants

COPN Request No. VA-8612: Inova Alexandria Hospital (Landmark)

Inova Health Care Services d/b/a Inova Alexandria Hospital (Landmark) is a 501(c)(3) Virginia non-stock corporation. Inova Health System Foundation, a 501(c)(3) Virginia non-stock corporation, is the sole owner of IAH. IAH is located in Alexandria, Virginia, PD 8, HPR II.

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

Inova Health Care Services d/b/a Inova Springfield Hospital (ISH) is a 501(c)(3) Virginia non-stock corporation. Inova Health System Foundation, a 501(c)(3) Virginia non-stock corporation, is the sole owner of IAH. IAH is located in Alexandria, Virginia, PD 8, HPR II.

Background

Inova Alexandria Hospital

IAH is a 302-bed acute care hospital. IAH provides a variety of COPN authorized services that are addressed in the relevant sections below.

CT Services in PD 8

IAH is one of 43 COPN authorized providers of CT services in PD 8 (Table 1). Division of Certificate of Public Need (DCOPN) records show that IAH currently is authorized to operate three fixed CT scanners. According to DCOPN records, there are currently 65 COPN authorized fixed CT scanners in PD 8. A recent DCOPN report notes that this differs from the Health Systems Agency of Northern Virginia's (HSANV) records by two CT scanners. This discrepancy is partially explained by the exclusion of the Metropolitan ENT & Facial Plastic Surgery CT scanner. HSANV reports that this scanner was taken out of service several years ago. As the certificate, at the time of this report, has not been surrendered or revoked, DCOPN has included it in its inventory. The other CT scanner accounting for this discrepancy is the PET/CT scanner located at Metro Region PET

Center. While the diagnostic imaging machine located at Metro Region is a PET/CT scanner, its significant use as a CT scanner without PET functionality along with no prohibition against this behavior, either in assertions made by the applicant during review of the project or by the Commissioner when issuing the scanner, necessitates its inclusion. DCOPN notes that its inclusion in the inventory should not be construed to authorize the addition of a CT scanner without PET functionality at this location. In 2020, the last year for which the DCOPN has data available from Virginia Health Information (VHI), IAH's three CT scanners operated at 156.8% of the of the SMFP utilization threshold (**Table 14**).

Table 1. PD 8 COPN Authorized Fixed CT Units

Facility	Number of Scanners
Centreville-Clifton Imaging Center - Fairfax Radiology	1
Fair Oaks Imaging Center	1
Fairfax Diagnostic Imaging Center	1
Fairfax ENT & Plastic Surgery Center	1
Fairfax MRI and Imaging Center at Tysons	1
Fairfax Radiology Center at Prosperity	1
Fairfax Radiology Center at Woodburn	2
Inova Alexandria Hospital	3
Inova Ashburn Healthplex	1
Inova Emergency Room of Fairfax City	1
Inova Fair Oaks Hospital	3
Inova Fairfax Hospital	7
Inova HealthPlex - Franconia/Springfield	1
Inova Imaging Center - Leesburg	1
Inova Imaging Center-Mark Center	1
Inova Lorton HealthPlex	1
Inova Loudoun Hospital	2
Inova Mount Vernon Hospital	2
Inova Oakville Ambulatory Center in the City of Alexandria	1
Insight Imaging - Arlington	1
Insight Imaging - Fairfax / Medical Imaging Center of Fairfax	1
Kaiser Permanente - Reston Medical Center	1
Kaiser Permanente - Tysons Corner Imaging Center	1
Kaiser Permanente - Woodbridge Imaging Center	1
Lakeside at Loudoun Tech Center	1
Metro Region PET Center	1
Metropolitan ENT & Facial Plastic Surgery	1
Novant Health Imaging Tysons Corner	1
Novant Health UVA Health System Imaging – Centreville	1
Orthopaedic Foot and Ankle Center	1
Prince William Hospital d/b/a UVA Haymarket Medical Center	2
Prince William Hospital d/b/a UVA Prince William Medical Center	2
Radiology Imaging Associates at Lansdowne	1
Radiology Imaging Associates at Sterling	1
Reston Hospital Center	3
Sentara Advanced Imaging Center - Alexandria	1
Sentara Lake Ridge Ambulatory Care Center	1
Sentara Northern Virginia Medical Center	2
Sentara Northern Virginia Medical Center - Century Medical Office Building	1
StoneSprings Hospital Center	2
Tysons Corner Emergency Center	1
VHC Emergency & Imaging Center	1
Virginia Hospital Center	4
Total	65

Source: DCOPN records

MRI Services in PD 8

IAH is one of 34 COPN authorized providers of MRI services in PD 8 (Table 2). DCOPN records show that IAH currently is authorized to operate two MRI scanners. According to DCOPN records, there are currently 57 MRI scanners in PD 8. In 2020, the last year for which the

DCOPN has data available from VHI, IAH's two MRI scanners operated at 70.6% of the of the State Medical Facilities Plan (SMFP) utilization threshold (**Table 15**).

Table 2. PD 8 COPN Authorized Fixed MRI Units

Facility	Number of Scanners
Fairfax MRI and Imaging Center at Tysons	1
Fairfax MRI Center at Reston	1
Inova Alexandria Hospital	2
Inova Fair Oaks Hospital	2
Inova Fairfax Medical Campus	4
Inova Center for Personalized Health	5
Inova Imaging Center - Ballston	1
Inova Imaging Center - Mark Center	1
Inova Loudoun Diagnostic Imaging Center -- Leesburg	1
Inova Lorton Healthplex	1
Inova Loudoun Hospital	1
Inova Mount Vernon Hospital	1
Inova Reston MRI Center	1
Inova Springfield HealthPlex	1
Insight Imaging - Arlington / Medical Imaging Center of Arlington	2
Insight Imaging - Fairfax / Medical Imaging Center of Fairfax	1
Insight Imaging Woodbridge / Medical Imaging Center of Woodbridge	2
Kaiser Permanente - Reston Medical Center	1
Kaiser Permanente - Tysons Corner Imaging Center	2
Kaiser Permanente - Woodbridge Imaging Center	2
Lakeside at Loudoun Tech Center	1
MRI of Reston	4
Novant Imaging Centerville dba Vienna Diagnostic Imaging	2
Prince William Hospital d/b/a UVA Haymarket Medical Center	1
Prince William Hospital d/b/a UVA Prince William Medical Center	2
Radiology Imaging Associates at Lansdowne	2
Radiology Imaging Associates at Sterling	1
Reston Hospital Center	1
Sentara Advanced Imaging Center - Lake Ridge	1
Sentara Northern Virginia Medical Center	1
StoneSprings Hospital Center	1
Tysons Corner Diagnostic Imaging	2
Virginia Hospital Center	4
Washington Radiology Associates, PC	1
Total	57

Source: DCOPN records

Radiation Therapy Services in PD 8

IAH is one of ten COPN authorized providers of radiation therapy services in PD 8 (**Table 3**). DCOPN records show that IAH currently is authorized to operate two linear accelerators and provide brachytherapy services. According to DCOPN records, there are currently 20 linear accelerators in PD 8. In 2020, the last year for which the DCOPN has data available from VHI, IAH's two linear accelerators operated at 40.1% of the of the SMFP utilization threshold (**Table 16**).

Table 3. PD 8 COPN Authorized Linear Accelerators

Facility	Number of Scanners
Inova Alexandria Hospital	2
Inova Fair Oaks Hospital	2
Inova Fairfax Medical Campus	4
Inova Loudoun Hospital	1
Novant Health UVA Cancer Center - Lake Manassas	1
Potomac Radiation Oncology Center	1
Reston Hospital Center	3
Sentara Northern Virginia Medical Center	1
Virginia Cancer Specialists	2
Virginia Hospital Center	3
Total	20

Source: DCOPN records

Cardiac Catheterization Services in PD 8

IAH is one of eight COPN authorized providers of cardiac catheterization services in PD 8 (Table 4). DCOPN records show that IAH currently is authorized to operate two cardiac catheterization labs. According to DCOPN records, there are currently 22 cardiac catheterization labs in PD 8. In 2020, the last year for which the DCOPN has data available from VHI, IAH's two cardiac catheterization labs operated at 60.9% of the of the SMFP utilization threshold (Table 18).

Table 4. PD 8 COPN Authorized Cardiac Catheterization Labs

Facility	Number of Scanners
Inova Alexandria Hospital	2
Inova Fairfax Medical Campus	2
Inova Loudoun Hospital	4
Prince William Hospital d/b/a UVA Prince William Medical Center	1
Reston Hospital Center	1
Sentara Northern Virginia Medical Center	1
StoneSprings Hospital Center	2
Virginia Hospital Center	3
Total	22

Source: DCOPN records

Surgical Services in PD 8

IAH is one of 28 COPN authorized providers of surgical services in PD 8 (Table 5). DCOPN records show that IAH currently is authorized to operate 11 general purpose operating rooms. According to DCOPN records, there are currently 205 general purpose operating rooms in PD 8. In 2019, the last year for which the DCOPN has data available from VHI, IAH's 11 general purpose operating rooms operated at 103.5% of the of the SMFP utilization threshold (Table 22).

Table 5. PD 8 COPN Authorized General Purpose Operating Room

Acute Care Hospital	Operating Rooms
Inova Alexandria Hospital	11
Inova Fair Oaks Hospital	12
Inova Fairfax Medical Campus	53
Inova Loudoun Hospital	8
Inova Mount Vernon Hospital	7
Prince William Hospital d/b/a UVA Haymarket Medical Center	4
Prince William Hospital d/b/a UVA Prince William Medical Center	4
Reston Hospital Center	15
Sentara Northern Virginia Medical Center	9
StoneSprings Hospital Center	6
Virginia Hospital Center	16
Acute Care Hospital Total	145
Outpatient Surgical Hospital	Operating Rooms
Fairfax Surgical Center	6
Haymarket Surgery Center	2
Healthcare Associates	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	2
Northern Virginia Surgery Center	4
Pediatric Specialists of Virginia	2
Prince William Ambulatory Surgery Center	4
Reston Surgery Center	6
StoneSprings Surgery Center	2
VHC Ambulatory Surgery Center	4
Outpatient Surgical Hospital Total	60
Total Operating Rooms in PD 8	205

Source: DCOPN records

Medical/Surgical Bed Inventory in PD 8

IAH is one of 11 COPN authorized providers of inpatient medical/surgical services in PD 8 (Table 6). DCOPN records show that IAH currently is authorized to operate 302 medical/surgical beds¹. According to DCOPN records, there are currently 2,681 medical/surgical beds in PD 8. In 2020, the last year for which the DCOPN has data available from VHI, IAH's 302 medical/surgical beds operated at 52.1% of the of the SMFP utilization threshold (Table 7).

¹ The Adjudication Officer's case decision for COPN No. VA-04682 held that DCOPN was in error by including obstetric, intensive care, and pediatric patient days in its calculations for medical/surgical bed need, despite those beds being fungible and accordingly, able to convert to medical/surgical beds without COPN authorization. However, because obstetric, intensive care, and pediatric beds can be easily converted to medical/surgical beds, thereby changing the medical/surgical inventory without first obtaining COPN authorization, DCOPN maintains that obstetric, intensive care, and pediatric beds should be included in the medical/surgical inventory and the corresponding patient days used for medical/surgical bed need calculations.

Table 6. PD 8 Licensed Medical/Surgical Beds: 2022

Facility	Number of Beds
Inova Alexandria Hospital	302
Inova Fair Oaks Hospital	174
Inova Fairfax Medical Campus	892
Inova Loudoun Hospital	161
Inova Mount Vernon Hospital	140
Prince William Hospital d/b/a UVA Haymarket Medical Center	60
Prince William Hospital d/b/a UVA Prince William Medical Center	98
Reston Hospital Center	213
Sentara Northern Virginia Medical Center	183
StoneSprings Hospital Center	124
Virginia Hospital Center	334
Total	2,681

Source: DCOPN records

Table 7: PD 8 Medical/Surgical Bed Utilization: 2020

Facility	Licensed Beds	Staffed Beds	Licensed Bed Available Days	Patient Days	Utilization Rate
Inova Alexandria Hospital	302	302	110,532	57,598	52.1%
Inova Fair Oaks Hospital	174	174	63,684	33,921	53.3%
Inova Fairfax Hospital	796	796	366,111	201,610	55.1%
Inova Loudoun Hospital	189	189	69,174	44,383	64.2%
Inova Mount Vernon Hospital	140	140	51,240	23,667	46.2%
Prince William Hospital d/b/a UVA Haymarket Medical Center	60	26	17,980	6,998	38.9%
Prince William Hospital d/b/a UVA Prince William Medical Center	100	72	34,138	23,604	69.1%
Reston Hospital Center	213	213	77,958	48,503	62.2%
Sentara Northern Virginia Medical Center	183	183	66,978	46,435	69.3%
StoneSprings Hospital Center	124	120	45,260	4,831	10.7%
Virginia Hospital Center	377	349	127,385	90,478	71.0%
Grand Total	2,658	2,564	1,030,440	582,028	56.5%

Source: VHI 2020 Data

Neonatal Special Care Services in PD 8

IAH is one of nine COPN authorized providers of neonatal special care services in PD 8 (Table 8). Additionally, IAH is one of six providers of specialty level neonatal care in PD 8. Two providers provide intermediate level neonatal care and one provider provides subspecialty neonatal care. In 2020, the last year for which the DCOPN has data available from VHI, IAH's 16 specialty level neonatal special care bassinets operated at 54.7% of the of the SMFP utilization threshold (Table 23).

Table 8. PD 8 Neonatal Special Care Providers

Facility	Level of Neonatal Care
Inova Alexandria Hospital	Specialty
Inova Fair Oaks Hospital	Specialty
Inova Fairfax Hospital	Subspecialty
Inova Loudoun Hospital	Specialty
Novant Health UVA Health System Haymarket Medical Center	Intermediate
Novant Health UVA Health System Prince William Medical Center	Specialty
Reston Hospital Center	Specialty
Sentara Northern Virginia Medical Center	Intermediate
Virginia Hospital Center	Specialty

Source: DCOPN records

Proposed Projects

COPN Request No. VA-8612: Inova Alexandria Hospital (Landmark)

The applicant proposes to relocate and replace IAH. The new IAH location (Landmark) would be located at the former Landmark Mall property, located near the intersection of Duke Street and Interstate 395. The applicant asserts that the establishment of the relocated IAH at Landmark and ISH will accomplish the full replacement of Inova Alexandria Hospital. If the proposed projects are approved, the land on which the current IAH is located will be sold. The applicant asserts that, based on local zoning and community concerns, the land will likely be used to develop residential housing. The Landmark site is located approximately 2.9 miles from IAH.

The applicant proposes to relocate 192 acute care beds, consisting of 124 medical/surgical beds, 36 intensive care beds, and 32 obstetric beds, six operating rooms, two CT scanners, and one MRI scanner. The proposed project would also relocate the radiation therapy services located at the original IAH, consisting of two linear accelerators and brachytherapy services, to this location. The proposed project would additionally relocate the specialty level neonatal special care services from the original IAH to this location. Finally, the proposed project would relocate the two cardiac catheterization labs from the original IAH to this location. The proposed project would additionally add two general purpose operating rooms, one CT scanner, and one MRI scanner. Should the proposed project be approved, Landmark would have 192 acute care beds, eight operating rooms, three fixed CT scanners, two fixed MRI scanners, two cardiac catheterization labs, two linear accelerators with SRS/SRT capabilities, brachytherapy services, and specialty care neonatal services.

The total capital and financing cost of the proposed project is \$1,455,989,952 (**Table 9**). The applicant states that the proposed project would be financed using 71% bond financing and paying for the remaining 29% using accumulated reserves. This amounts to \$737,073,549.60 paid for using bond financing and \$301,058,210.40 paid using accumulated reserves. The applicant asserts that the capital and interest expenses for the replacement hospital projects are not expected to impact the cost of care.

Table 9. Capital and Financing Costs

Direct Construction Costs	\$677,940,460
Equipment Not Included in Construction Contract	\$183,596,046
Site Acquisition Costs	\$95
Site Preparation Costs	\$4,080,861
Architectural and Engineering Fees	\$58,770,698
Industrial Development Authority Revenue & General Revenue Bond Financing	\$113,743,600
Total Capital Costs	\$1,038,131,760
Total Interest Costs on Long Term Financing	\$417,858,192
TOTAL Capital and Financing Costs	\$1,455,989,952

Source: COPN Request No. VA-8612

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

The applicant proposes to establish a new hospital, ISH, on property located immediately adjacent to Inova Springfield Healthplex (Healthplex). The applicant asserts that the establishment of the relocated IAH at Landmark and ISH will accomplish the full replacement of Inova Alexandria Hospital. If the proposed projects are approved, the land on which the current IAH is located will be sold. The applicant asserts that, based on local zoning and community concerns, the land will likely be used to develop residential housing. The ISH site is located approximately 8.9 miles from IAH.

The applicant proposes to relocate 120 acute care beds, consisting of 96 medical/surgical beds and 24 intensive care beds. 110 of these beds will be relocated from the original IAH, and 10 of these beds will be relocated from Inova Mount Vernon Hospital. In addition to these beds, ISH will relocate five general purpose operating rooms from IAH. ISH will also relocate two CT scanners, one from the original IAH, and one from Healthplex. Finally, ISH will relocate two MRI scanners, one from the original IAH, and one from Healthplex. Should the proposed project receive approval, Healthplex would cease to offer CT and MRI services. In addition to these relocations, the proposed project seeks to add three additional operating rooms and one additional CT scanner as part of this project. Should the proposed project be approved, ISH would have 120 acute care beds, consisting of 96 medical/surgical beds and 24 intensive care beds, eight operating rooms, three fixed CT scanners, and two fixed MRI scanners.

The total capital and financing cost of the proposed project is \$859,615,365 (Table 10). The applicant states that the proposed project would be financed using 72.8% bond financing and paying for the remaining 27.2% using accumulated reserves. This amounts to \$445,198,026 paid for using bond financing and \$166,337,724 paid using accumulated reserves. The applicant asserts that the capital and interest expenses for the replacement hospital projects are not expected to impact the cost of care.

Table 10. Capital and Financing Costs

Direct Construction Costs	\$393,757,837
Equipment Not Included in Construction Contract	\$103,902,250
Site Acquisition Costs	\$0
Site Preparation Costs	\$2,530,236
Architectural and Engineering Fees	\$48,007,301
Industrial Development Authority Revenue & General Revenue Bond Financing	\$63,338,126
Total Capital Costs	\$611,535,750
Total Interest Costs on Long Term Financing	\$248,079,615
TOTAL Capital and Financing Costs	\$859,615,365

Source: COPN Request No. VA-8613

Project Definitions

COPN Request No. VA-8612: Inova Alexandria Hospital (Landmark) & COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

Section 32.1-102.1:3 of the Code of Virginia defines a project, in part, as the “[e]stablishment of a medical care facility described in subsection A,” “[a]n increase in the total number of ...operating rooms in an existing medical care facility described in subsection A,” “[r]elocation of beds from an existing medical care facility described in subsection A to another existing medical care facility described in subsection A,” and “[t]he addition by an existing medical care facility described in subsection A of any new medical equipment for the provision of...computed tomographic (CT) scanning, [and] magnetic resonance imaging (MRI)....” A medical care facility includes “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 health care 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;**

COPN Request No. VA-8612: Inova Alexandria Hospital (Landmark)

The applicant proposes to relocate 192 acute care beds, six operating rooms, two CT scanners, one MRI scanner, two linear accelerators, brachytherapy services, two cardiac catheterization labs, and specialty level neonatal special care services. The relocation of these services, in conjunction with COPN Request No. VA-8613, would effectuate the relocation of all services from IAH. The applicant asserts that the current IAH facilities are well beyond their useful life and must be replaced. This fact is generally agreed upon by HSNV and the parties opposing this project. The applicant additionally asserts that all studies undertaken to determine the best method of replacing IAH showed that on-site replacement was not feasible because of significant additional costs, the landlocked nature of IAH, and zoning agreements limiting various aspects of the building. This fact is also generally agreed upon by HSNV and the parties opposing this project. The applicant anticipates that, between 2022 and 2028, the cost of repairs and

replacements to IAH, beyond ordinary operations and maintenance expenses, are expected to total between \$135,000,000 to \$165,000,000, or approximately between \$19,285,714.29 and \$23,571,428.57 annually. The applicant asserts that these additional expenditures, considered in light of expected cost escalation, would well exceed the capital expenditures anticipated through 2028 should the proposed projects not receive approval. DCOPN reached out to the applicant to determine if a more specific estimate regarding costs after 2028. The applicant responded:

“We know the additional capital investments would be considerable – substantially in excess of the capital expenditures required to persevere operations through 2028 -- because the facility will be even more aged as the years go on, but there is not enough information available in the present day for us to specifically quantify the dollar amount of future capital investments that would become necessary that far into the future. Outside of capital investments, Inova is currently spending \$9.7 million annually on ongoing maintenance of Inova Alexandria Hospital. We expect these annual maintenance expenses to increase over time, and to be greater in 2028 and beyond than they are today. But attempting to quantify capital investments beyond 2028 (which would be above and beyond the ongoing operations and maintenance expenses) is just too speculative.”

As the applicant was unable to provide DCOPN with anticipated costs, DCOPN can only continue to utilize the calculated approximate annual cost between 2022 and 2028 when determining costs past that point. Approval of the proposed project, in conjunction with COPN Request No. VA-8613, would allow the replacement and modernization of IAH and the avoidance in substantial annual costs, which is predicted to, at the very least, continue in perpetuity. The applicant additionally proposes to add two general purpose operating rooms, one CT scanner, and one MRI scanner. Should DCOPN determine that the expansion of any of these services is appropriate, which is addressed in the relevant SMFP sections below, it would address an institutional need established based on the high utilization at IAH.

Geographically, Landmark would be located on the west side of the Landmark mall property at the intersection of Duke Street and I-395. The applicant states that multiple bus routes serve this site and the site is located one mile from the Van Dorn Street Metro Station. A search by DCOPN shows that public transportation is available via bus at the Landmark Mall Roadway & Mall Entrance stop located at the Landmark location. If this bus stop does not continue to exist following the redevelopment of the Landmark mall property, a bus stop exists at Duke and Walker, by the area that would be occupied by the Landmark location. Parking would be available at an existing parking garage on the property.

As both projects are located in the City of Alexandria, population data and projections are addressed in a separate section below. DCOPN is not aware of any other geographic, socioeconomic, cultural, or transportation barriers to access to care.

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

The applicant proposes to relocate 120 acute care beds, 110 of which will be from IAH and 10 of which will be from Inova Mount Vernon Hospital, five operating rooms, two CT scanners, one

from IAH and one from Healthplex, and two MRI scanners, one from IAH and one from Healthplex. The relocation of these services, in conjunction with COPN Request No. VA-8612, would effectuate the relocation of all services from IAH. As discussed above, the applicant asserts, and DCOPN, HSANV, and the two parties that submitted letters of opposition agree, that the replacement of IAH is necessary and that relocation on the IAH campus is not a viable option. Additionally, the applicant asserts that they anticipate that, between 2022 and 2028, the cost of repairs and replacements to IAH, beyond ordinary operations and maintenance expenses, are expected to total between \$135,000,000 to \$165,000,000, or approximately between \$19,285,714.29 and \$23,571,428.57 annually. The applicant asserts that these additional expenditures, considered in light of expected cost escalation, would well exceed the capital expenditures anticipated through 2028. However, as the applicant was unable to provide DCOPN with anticipated costs, DCOPN can only continue to utilize the calculated approximate annual cost between 2022 and 2028 when determining costs past that point. Approval of the proposed project, in conjunction with COPN Request No. VA-8612, would allow the replacement and modernization of IAH and the avoidance in substantial annual costs, which is predicted to, at the very least, continue in perpetuity. The applicant additionally proposes to add three general purpose operating rooms and one CT scanner. Should DCOPN determine that the expansion of any of these services is appropriate, which is addressed in the relevant SMFP sections below, it would address an institutional need established based on the high utilization at IAH.

Geographically, ISH is located along the Franconia-Springfield Parkway and is accessible via I-95, at an exit 2.4 miles from the location, and I-495, at an exit 2.8 miles from the location. Regarding public transportation, the applicant asserts that multiple bus routes serve nearby Walker Lane and Beulah Street and the site is located one-half mile from both the Franconia-Springfield blue-line Metro station as well as the Fredericksburg VRE line station. The applicant did not address any difficulties or benefits related to parking at SLH.

As both projects are located in the City of Alexandria, population data and projections are addressed in a separate section below. DCOPN is not aware of any other geographic, socioeconomic, cultural, or transportation barriers to access to care.

Population Information for PD 8 and the City of Alexandria

Weldon-Cooper data projects a total PD 8 population of 2,937,128 residents by 2030 (**Table 11**), which represents an approximate 31.7% increase in total population from 2010 to 2030. This is a much larger percentage increase than the total for Virginia, which will increase by approximately 16.6% for the same period. With regard to the City of Alexandria specifically, Weldon-Cooper projects a total population increase of 42,101, or approximately 30.1%, from 2010 to 2030. This total population increase is fifth among the nine areas listed in **Table 9**, and sixth in percentage increase among the nine areas listed.

With regard to the 65 and older age cohort, Weldon-Cooper projects a total PD 8 population of 413,269 by 2030 (**Table 12**), which represents an approximate 37.5% increase in total population from 2010 to 2030. This is a much larger percentage increase than the total for Virginia, which will increase by approximately 27.4% for the same period. With regard to the City of Alexandria specifically, Weldon-Cooper projects a total population increase of 9,369, or approximately 73.2% from 2010 to 2030. This total population increase is fourth among the nine areas listed in **Table 10**,

and seventh in percentage increase among the nine areas listed. DCOPN notes that, while the total population increase is ranked much higher than the percentage increase, it is only 17% of the total population increase of the next highest ranked area.

Table 11. PD 8 and Statewide Total Population Projections, 2010-2030

Locality	2010	2020	% Change	2030	% Change	2010-2030 % Change
Alexandria City	139,966	166,261	18.8%	182,067	9.5%	30.1%
Arlington	207,627	249,298	20.1%	274,339	10.0%	32.1%
Fairfax City	22,565	25,047	11.0%	26,397	5.4%	17.0%
Fairfax County	1,081,726	1,162,504	7.5%	1,244,025	7.0%	15.0%
Falls Church City	12,332	14,988	21.5%	17,032	13.6%	38.1%
Loudoun	312,311	430,584	37.9%	554,808	28.9%	77.6%
Manassas City	37,821	43,099	14.0%	46,332	7.5%	22.5%
Manassas Park City	14,273	17,086	19.7%	20,284	18.7%	42.1%
Prince William	402,002	478,134	18.9%	571,844	19.6%	42.2%
Total PD 8	2,230,623	2,587,000	16.0%	2,937,128	13.5%	31.7%
Virginia	8,001,024	8,655,021	8.2%	9,331,666	7.8%	16.6%

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

Table 12. PD 8 Population Projections for 65+ Age Cohort, 2010-2030

Locality	2010	2020	% Change	2030	% Change	2010-2030 % Change
Arlington	18,054	22,515	24.7%	26,951	19.7%	49.3%
Fairfax County	106,290	151,585	42.6%	184,218	21.5%	73.3%
Loudoun	20,425	45,314	121.9%	84,522	86.5%	313.8%
Prince William	27,220	52,698	93.6%	80,830	53.4%	197.0%
Alexandria City	12,806	17,359	35.6%	22,175	27.7%	73.2%
Fairfax City	3,088	3,754	21.6%	4,611	22.8%	49.3%
Falls Church City	1,293	1,908	47.5%	2,317	21.5%	79.2%
Manassas City	2,607	3,930	50.8%	5,387	37.0%	106.6%
Manassas Park City	806	1,426	76.9%	2,258	58.3%	180.1%
Total PD 8	192,589	300,491	56.0%	413,269	37.5%	114.6%
Virginia	976,937	1,352,448	38.4%	1,723,382	27.4%	76.4%

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

2. The extent to which the proposed project will meet the needs of the 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;

Letters of Support

DCOPN received 35 letters of support, all of which address both projects, from the following individuals:

- The Mayor and Vice Mayor of the City of Alexandria
- The Chairman of the Fairfax County Board of Supervisors
- The director of the Arlington Health Department
- The City of Alexandria and Fairfax County Chiefs of Police

- The Fire Chiefs of the City of Alexandria and Fairfax County Fire Departments
- The Directors of the Alexandria City and Greater Springfield Chambers of Commerce
- The Lee District Supervisor of the Fairfax County Board of Supervisors
- The CEO of United Community
- The Executive Director of Neighborhood Health
- The Executive Director of Community Partnerships and Engagements for the Alexandria City Public Schools
- The Executive Director for the Center for Alexandria's Children
- A Chair for the Partnership for a Healthier Alexandria
- Physicians and other medical professional affiliated with Inova Healthcare Services.

Collectively, these letters asserted that the proposed projects will improve access to acute and emergency services for local communities. Moreover, the letters assert that the projects will “provide efficient high-quality care in state-of-the-art facilities.”

Letters of Opposition

DCOPN received two letters of opposition regarding COPN Request No. VA-8613 from two health care providers in PD 8, HCA of Virginia (HCA) and Virginia Hospital Center (VHC). HCA, in their letter, raises the issue that the replacement of one hospital with two new hospitals is not consistent with COPN precedent. The applicant responded to this assertion with several examples where a new hospital is established using part of an existing hospital that remains following the establishment of the new hospital. DCOPN disagrees with the applicant that this is analogous. In all cases, the original hospital remains following the establishment of the new hospital, whereas in this case, two new hospitals are produced. DCOPN also disagrees, however, with HCA's implication that one of these projects should be denied merely because there are no previous decisions supporting the approval. By their very nature, favorable decisions made lacking precedent must exist in order to establish the precedent considered necessary by HCA. HCA additionally states that, if new precedent is established, it must be applied everywhere and could not be “one standard for Inova and a different, more stringent standard for everyone else.” DCOPN agrees with HCA's assertion, as it is entirely consistent with DCOPN policy and recent staff reports. DCOPN notes, however, that, should the proposed project be approved, such cases would need to so closely align with the exact conditions of these project as to be incredibly uncommon. Instances where the Commissioner has carved out a specialized exception based on very specific circumstances have always been narrowly tailored and rarely applied, and this case would be no different.

VHC asserts that there is not a public need for the replacement of all beds at the hospital. The requirements of 12VAC5-230-570, discussed below, do not include an examination of the utilization of the relocated beds. Given the utilization focused analysis found in the majority of the SMFP, DCOPN concludes that this is intentional. As stated by the applicant, older hospitals, particularly those nearing, or past, the end of their life often find patients eschewing these locations in favor of newer hospitals within the health system. This ultimately results in lower utilization at this location, which would lead to the hospital being penalized when trying to replace the aging hospital. There is nothing in 12VAC5-230-570 that authorizes DCOPN to mandate the reduction of beds as part of the relocation, nor is there any

requirement that such reduction occurs in order for the applicant to be consistent with this section. While DCOPN is sympathetic to idea that a method of evaluating the necessity of underutilized or understaffed beds in the planning district would be beneficial, it will not assume authority that is clearly not granted to it by the SMFP.

VHC additionally states that the relocation of IAH could be effectuated through the relocation of all resources to the Landmark location. This assertion is discussed along with other alternatives below. VHC additionally asserts that the proposed projects are significantly more expensive than previously approved projects and duplicate resources. These assertions are addressed when discussing the costs of the projects below.

Both HCA and VHC assert that COPN Request No. VA-8613 is inconsistent with the SMFP. The specific objections, which focus on 12VAC5-230-570.B, are addressed in that section below. Finally, both HCA and VHC assert that the proposed projects would harm institutional competition. These assertions are addressed in the relevant sections below. Both Inova and HSANV submitted letters responding to these letters of opposition. Where appropriate, the responses in their letters are addressed or included in the relevant sections.

Public Hearing

DCOPN provided notice to the public regarding this project on February 22, 2022. The public comment period closed on March 28, 2022. On March 14, 2022, HSANV held a public hearing for both projects. Both projects were presented by four representatives of the applicants. Three members of the public additionally spoke in support of the proposed projects. HCA and VHC spoke in opposition of COPN Request No. VA-8613 (ISH). Where applicable, the objections made by the two parties at the public hearing are addressed alongside their aforementioned letters of opposition.

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

The applicant asserts, and DCOPN, HSANV, and the opposing parties agree, that the aging IAH needs to be replaced. The applicant anticipates that, between 2022 and 2028, the cost of repairs and replacements to IAH, beyond ordinary operations and maintenance expenses, are expected to total between \$135,000,000 to \$165,000,000, or approximately between \$19,285,715 and \$23,571,429 annually. The applicant asserts that these additional expenditures, considered in light of expected cost escalation, would well exceed the capital expenditures anticipated through 2028. While DCOPN is disappointed that the applicant was not able to provide a more exact cost estimate past 2028, it acknowledges that the costs even at the levels anticipated for 2022-2028 annually, are unreasonable additional expenses in perpetuity. As such, DCOPN concludes that the status quo is not a viable alternative to the proposed projects.

Both HCA and VHC, in their letters of opposition, assert that the placement of all IAH services at solely the Landmark location is a viable alternative to the proposed project. DCOPN disagrees with this assertion. First, the placement of all services at Landmark would

not allow for any potential growth at this location beyond what currently exists. The approval of such a project by DCOPN would be extremely poor health planning. First, to approve such an expensive hospital that would effectively be unable to make any updates or grow would be incredibly wasteful as it would likely require either another costly relocation or expansion of satellite offices to address the over utilization of certain services. The second option could work against them as Inova may attempt, because of the lack of available space, to expand into areas closer to the opposing parties' service areas. The proposed project would address these potential issues by reducing the ability for Inova to address its heavy utilization through expansion outside of the hospitals' campuses.

Additionally, the applicant asserts that the placement of all services at the Landmark location would dramatically increase the cost of the proposed projects. The applicant asserts that this alternative would cost \$300,000,000 over the cost of both projects combined due to the constraints of the site. Moreover, this alternative would add an additional three years onto the project completion timeline. DCOPN notes that, based on the stated upkeep costs, this would also add approximately between \$57,857,143 and \$70,714,286 in repairs and replacements to IAH beyond ordinary operations and maintenance expenses. These costs could potentially be more than this calculation, but DCOPN is unable to quantify this without additional data from the applicant.

For the reasons discussed above, DCOPN concludes that the placement of all services at the Landmark location is not a viable alternative to the proposed projects. Regarding other alternatives not presented in the letters of opposition, the applicant asserts, and DCOPN, HSANV, and the opposing parties agree, that the replacement of IAH at its original location is not a feasible alternative. Additionally, while DCOPN has considered the alternative denying the project for Inova to identifying a separate location that could house all services with room for growth, DCOPN defers to HSANV's expertise regarding HPR II. As such, DCOPN joins HSANV in accepting the assertion that such a location does not exist within Alexandria.

Having explored and ruled out the potential alternatives to the relocation portion of the project, DCOPN concludes that there is not a reasonable alternatives to the relocation of portion of the proposed projects that would meet the needs of the people in the area to be served in a less costly, more efficient, or more effective manner.

Regarding the requested expansion of certain services, the status quo is not a viable alternative to those services that DCOPN concludes meet the utilization thresholds necessary to justify the expansion of these services. Under the status quo, the high utilization of these services would continue and, most likely, increase. Regarding those services that DCOPN may determine do not meet this necessary threshold, a preferable alternative would be the building of shell space where the CT scanner, MRI scanner, or operating room was planned to be placed. In this way, the applicant can prepare for their anticipated need without the premature authorization of services that objective data does not show to be necessary at this time. In this way, the applicant can reduce any future costs that may result when applying to expand these services once the objective data shows a need for the expansion of these services.

(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-8612: Inova Alexandria Hospital (Landmark)

HSANV considered this proposed project at its March 14, 2022 meeting. The Board voted nine in favor and none opposed to recommend that the application be approved. HSANV stated that their recommendation was based on its review of the application, on the HSANV staff report on the proposal, on the testimony and other evidence presented at the March 14, 2022 public hearing and board of directors meeting held on the application, and on several findings and conclusions, including:

1. Inova Alexandria, an essential community hospital, is a dated facility poorly located to continue to serve the greater Alexandria area.
2. Independent evaluation of the hospital indicates that it needs to be replaced with a modern, properly sized facility or facilities. Local planning restrictions and community opposition to replacing the hospital on site necessitate offsite replacement.
3. Inova and the City of Alexandria have been unable to identify an acceptable site within Alexandria that would permit replacement of an appropriately sized facility at a single location.
4. The sites selected for the proposed replacement facilities are within the hospital's primary service area, near the center of the population it has served for decades.
5. The projects entails a licensed bed for licensed bed replacement, with no increase the number of licensed hospital beds in the planning region.
6. The projected capital costs are high. Financing conditions are favorable. The project is financially feasible.
7. The application appears to satisfy regulatory planning requirements including those specified in the Virginia State Medical Facilities Plan, for the replacement and relocation of hospitals in Virginia

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

HSANV considered this proposed project at its March 14, 2022 meeting. The Board voted eight in favor and one opposed to recommend that the application be approved. HSANV stated that their recommendation was based on its review of the application, on the HSANV staff report on the proposal, on the testimony and other evidence presented at the March 14, 2022 public hearing and board of directors meeting held on the application, and on several findings and conclusions, including:

1. Inova Alexandria, an essential community hospital, is a dated facility poorly located to continue to serve the greater Alexandria area.
2. Independent evaluation of the hospital indicates that it needs to be replaced with a modern, properly sized facility or facilities. Local planning restrictions and community opposition to replacing the hospital on site necessitate offsite replacement.
3. Inova and the City of Alexandria have been unable to identify an acceptable site within Alexandria that would permit replacement of an appropriately sized facility at a single location.
4. The sites selected for the replacement facilities are within the hospital's primary service area, near the center of the population it has served for decades.
5. The project entails a license bed for licensed bed replacement, with no increase the number of licensed hospital beds in the planning region.
6. The projected capital costs are high. Financing conditions are favorable. The project is financially feasible.
7. The proposal appears to satisfy regulatory planning requirements including those specified in the Virginia State Medical Facilities Plan, for the replacement and relocation of hospitals in Virginia.

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

COPN Request No. VA-8612: Inova Alexandria Hospital (Landmark)

The total capital and financing cost of the proposed project is \$1,455,989,952 (Table 9). The applicant states that the proposed project would be financed using 71% bond financing and paying for the remaining 29% using accumulated reserves. This amounts to \$737,073,550 paid for using bond financing and \$301,058,211 paid using accumulated reserves. The applicant asserts that the capital and interest expenses for the replacement hospital projects are not expected to impact the cost of care. VHC asserts in their letter of opposition that the costs of this project are exceptionally high compared to past projects. VHC cites COPN No. VA-03931, issued in 2005 to Northern Virginia Community Hospital, LLC to establish StoneSprings Hospital, which cost approximately \$1.6M per bed, and COPN No. VA-04282, issued in 2010 to Prince William Health System to establish UVA Haymarket Medical Center, which cost approximately \$1.6M per bed. VHC states that, comparatively, this location would cost approximately \$5.4M per bed. DCOPN disagrees with VHC's analysis, as it ignores the fact that a plethora of services are being relocated from IAH as part of this project. These costs include such services as specialty level neonatal care services, cardiac catheterization services, and radiation therapy services that typically would not be included in other projects establishing a new hospital. As such, DCOPN does not agree that these comparisons are appropriate. As there are not appropriate comparable projects in DCOPN's record, DCOPN defers to HSANV, as the regional experts on issues such as real estate and construction costs. DCOPN therefore concludes that while the costs are high, they are acceptable for the scope of the proposed project. The proposed project would offer several

benefits over the status quo. The project, in conjunction with COPN Request No. VA-8613, would allow for the replacement of the aging IAH facility, which DCOPN, HSANV, and the two parties that submitted letters of opposition agree is necessary. As discussed above, other potential options to replace IAH are not viable alternatives. Moreover, the relocation of resources from IAH to the new location would eliminate the ongoing substantial costs to Inova that are being accrued to maintain the aging IAH facility.

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

The total capital and financing cost of the proposed project is \$859,615,365 (Table 10). The applicant states that the proposed project would be financed using 72.8% bond financing and paying for the remaining 27.2% using accumulated reserves. This amounts to \$445,198,026 paid for using bond financing and \$166,337,724 paid using accumulated reserves. The applicant asserts that the capital and interest expenses for the replacement hospital projects are not expected to impact the cost of care. VHC asserts in their letter of opposition that the costs of this project are exceptionally high compared to past projects. VHC cites COPN No. VA-03931, issued in 2005 to Northern Virginia Community Hospital, LLC to establish StoneSprings Hospital, which cost approximately \$1.6M per bed, and COPN No. VA-04282, issued in 2010 to Prince William Health System to establish UVA Haymarket Medical Center, which cost approximately \$1.6M per bed. VHC states that, comparatively, this location would cost approximately \$5.1M per bed. DCOPN notes that there has been a more recent approved project establishing a hospital. In 2022, the Commissioner issued COPN No. VA-04785 to Riverside Hospital, Inc. to establish a hospital in Isle of Wight. This hospital, despite being in a significantly more rural location, cost approximately \$2M per bed. While this is still a far cry from the \$5.1M per bed calculated for this project. This is significantly more than Sentara Obici Hospital's \$1.36M per bed a scant four years prior. Examining this escalation in a much shorter time in an area that has been traditionally less expensive is instructive when examining the cost escalation in the time period between the cited certificates and the current requests. While the cost is extremely high per bed, given the significantly longer amount of time in an area that is notoriously expensive, DCOPN cannot find the costs *prima facie* unreasonable. In such cases, DCOPN defers to HSANV, as the regional experts on issues such as real estate and construction costs. DCOPN therefore concludes that while the costs are high, they are acceptable for the scope of the proposed project. The proposed project would offer several benefits over the status quo. The project, in conjunction with COPN Request No. VA-8612, would allow for the replacement of the aging IAH facility, which DCOPN, HSANV, and the two parties that submitted letters of opposition agree is necessary. As discussed above, other potential options to replace IAH are not viable alternatives. Moreover, the relocation of resources from IAH to the new location would eliminate the ongoing substantial costs to Inova that are being accrued to maintain the aging IAH facility.

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

As Table 11 below demonstrates, IAH provided 6.1% of its gross patient revenue in the form of charity care in 2020. In accordance with section 32.1-102.4.B of the Code of Virginia, should the proposed project be approved, IAH is expected to provide a level of charity care for total gross patient revenues derived from its COPN authorized services that is no less than the equivalent average for charity care contributions in HPR II.

Table 13: HPR II 2020 Charity Care Contributions

Hospital	Gross Patient Revenues	Adjusted Charity Care Contribution	Percent of Gross Patient Revenue:
Inova Alexandria Hospital	\$949,158,182	\$57,879,875	6.1%
Inova Mount Vernon Hospital	\$499,398,426	\$29,342,493	5.88%
Inova Loudoun Hospital	\$817,869,692	\$35,123,877	4.29%
Novant Health UVA Health System Prince William Medical Center	\$530,326,336	\$21,923,014	4.13%
Inova Fairfax Hospital	\$3,855,962,450	\$147,813,100	3.83%
Sentara Northern Virginia Medical Center	\$823,831,674	\$29,925,512	3.63%
Inova Fair Oaks Hospital	\$649,476,560	\$21,302,369	3.28%
Virginia Hospital Center	\$1,491,327,243	\$29,205,595	1.96%
Novant Health UVA Health System Haymarket Medical Center	\$284,391,247	\$4,747,340	1.67%
Reston Hospital Center	\$1,535,959,085	\$19,925,030	1.30%
StoneSprings Hospital Center	\$247,806,370	\$1,302,439	0.53%
Total \$ & Mean %	\$11,685,507,265	\$398,490,644	3.4%

Source: VHI

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

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

Section 32.1-102.2:1 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.

The SMFP contains criteria/standards for the establishment or expansion of CT services. They are as follows:

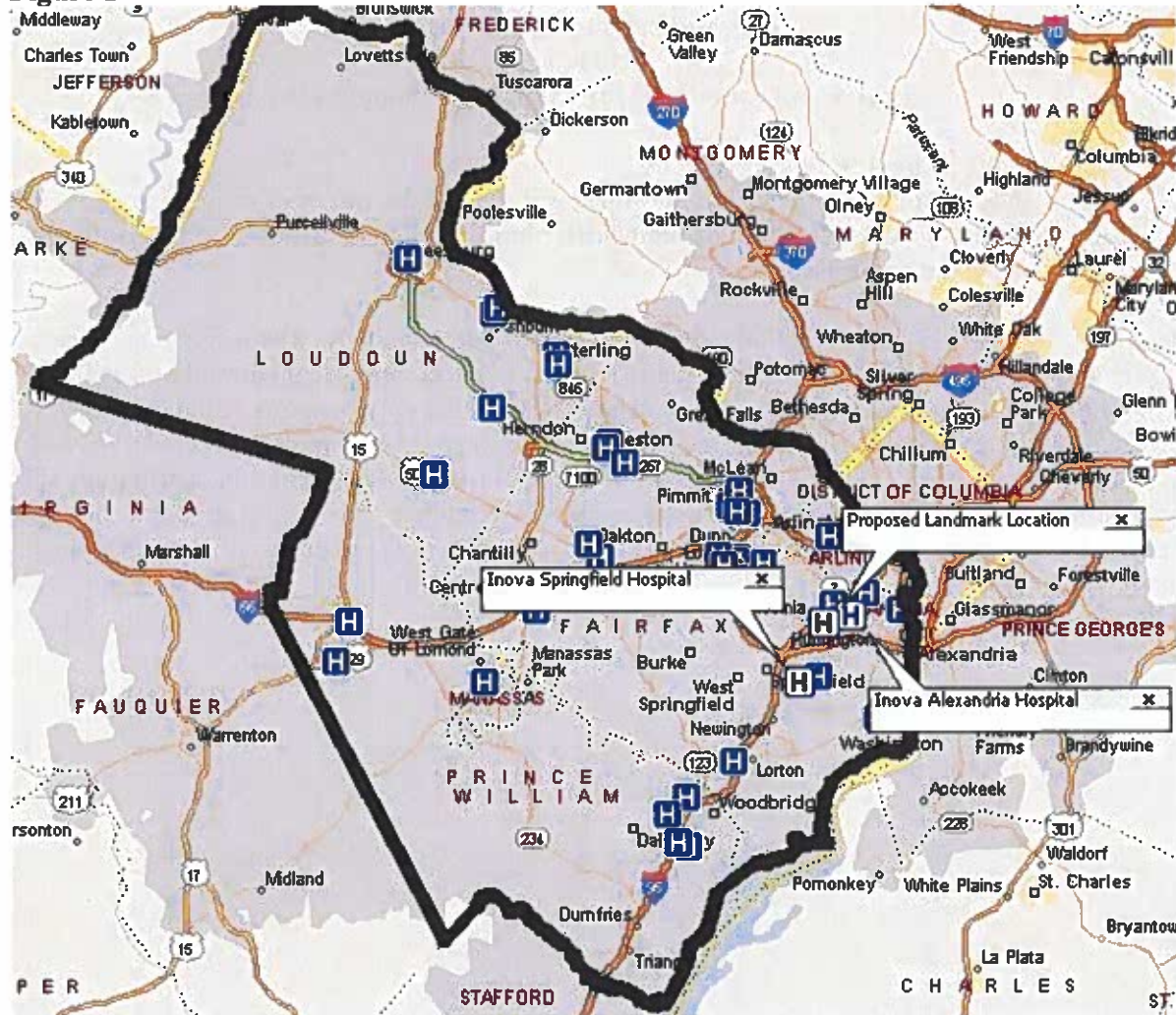
Part II
Diagnostic Imaging Services
Article 1
Criteria and Standards for Computed Tomography

12VAC5-230-140. Travel time.

CT 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.

Currently, there are 43 COPN authorized CT service providers in PD 8. The heavy black line in **Figure 1** is the boundary of PD 8. The blue H icons indicate facilities that currently offer fixed CT scanning services. The white H icons indicate IAH and the two locations of the proposed facilities. The grey shading illustrates the area that is within a thirty-minute drive under normal driving conditions of all CT service providers in PD 8. Based on the population distribution of the planning district, **Figure 1** clearly illustrates that CT scanning services are already well within a thirty-minute drive under normal conditions for 95% of the population of the planning district.

Figure 1



12VAC5-230-100. Need for new fixed site or mobile service.

- A. No new fixed site or mobile CT service should be approved unless fixed site CT services in the health planning district performed an average of 7,400 procedures per existing and approved CT scanner during the relevant reporting period and the proposed new service would not significantly reduce the utilization of existing providers in the health planning district. The utilization of existing scanners operated by a hospital and serving an area distinct from the proposed new service site may be disregarded in computing the average utilization of CT scanners in such health planning district.

Calculated Needed Fixed CT Scanners in PD 8

COPN authorized CT scanners = 65

Calculated Needed CT scanners =

456,394 scans in the PD / 7,400 scans / scanner = 61.7 (62) scanners needed

PD 8 Calculated Need = 62 CT scanners

PD 8 Calculated Surplus = 3 CT scanners

Table 14. PD 8 COPN Authorized Fixed CT Units: 2020

Facility	Number of Scanners	Number of Scans	Utilization Rate
Centreville / Clifton Imaging Center	1	5,662	76.5%
Fair Oaks Imaging Center	1	1,955	26.4%
Fairfax Diagnostic Imaging Center	1	3,914	52.9%
Fairfax MRI and Imaging Center at Tysons	1	2,845	38.4%
Fairfax Radiology Center of Sterling	1	2,549	34.4%
Inova Alexandria Hospital	3	34,809	156.8%
Inova Ashburn Healthplex	1	5,787	78.2%
Inova Fair Oaks Hospital	3	29,171	131.4%
Inova Fairfax Hospital	6	94,661	213.2%
Inova Imaging Center - Leesburg	1	9,741	131.6%
Inova Imaging Center-Mark Center	1	4,526	61.2%
Inova Lorton HealthPlex	1	6,165	83.3%
Inova Loudoun Hospital	2	30,536	206.3%
Inova Mount Vernon Hospital	2	17,186	116.1%
Inova Springfield HealthPlex	1	12,830	173.4%
Insight Imaging - Fairfax / Medical Imaging Center of Fairfax	1	4,134	55.9%
Kaiser Permanente - Reston Medical Center	1	4,890	66.1%
Kaiser Permanente - Woodbridge Medical Center	5	8,268	22.3%
Kaiser Permanente Tysons Corner Surgery Center	11	16,208	19.9%
Lakeside @ Loudoun Tech Center 1	1	2,299	31.1%
Metro Region PET Center	1	2,158	29.2%
Novant Health UVA Health System Haymarket Medical Center	1	12,197	164.8%
Novant Health UVA Health System Prince William Medical Center	2	19,334	130.6%
Novant Imaging Centerville dba Vienna Diagnostic Imaging	1	1,359	18.4%
Orthopaedic Foot and Ankle Center of Washington	1	205	2.8%
Prosperity Imaging Center	1	5,263	71.1%
Radiology Imaging Associates at Lansdowne	1	3,537	47.8%
Reston Hospital Center	4	27,344	92.4%
Sentara Advanced Imaging Center - Lake Ridge	1	7,576	102.4%
Sentara Advanced Imaging Center - Springfield	1	2	0.0%
Sentara Northern Virginia Medical Center	2	21,728	146.8%
StoneSprings Hospital Center	1	6,548	88.5%
Tysons Corner Diagnostic Imaging	1	1,036	14.0%
Virginia Hospital Center	3	38,869	175.1%
Woodburn Diagnostic Center	2	11,102	75.0%
2020 Total and Average	68	456,394	90.7%

Source: VHI & DCOPN interpolations

As noted in **Table 14** above, the utilization of existing CT scanners in the planning district was 90.7% of the 7,400 procedures per scanner necessary to introduce CT scanning services to a new location under this section of the SMFP. Moreover, DCOPN calculates a surplus of three fixed CT scanners in the planning district. The applicant states this standard does not apply to either project. DCOPN disagrees with this assertion. No exception is made in the language of the SMFP to differentiate between the establishment of a new service through the relocation of previously approved CT scanners and the establishment of a new service through the addition of a new CT scanner. As this distinction is made elsewhere in the SMFP, and will be discussed in the relevant section, *inclusio unius est exclusio alterius* would indicate that no such distinction was intended for this section when the SMFP was drafted. Moreover, the application of this standard to a relocation of an existing service is vital in determining if a need exists for the relocated service, both in the proposed area and in the planning district. As such, the applicant does not meet this standard.

However, DCOPN acknowledges that the denial of CT relocation as part of a large hospital replacement request, which is based on a significant need to replace an aging structure, would frustrate the guiding principles of the SMFP found in 12VAC5-230-30.4². Moreover, DCOPN concludes that forcing hospitals to surrender significantly utilized services during the relocation of a hospital based on such a determination would produce a chilling effect that would discourage hospitals from making choices that would ensure the best care for their patients. Finally, DCOPN notes that IAH's CT scanning service is heavily utilized and would be necessary for the effective treatment of patients by other services at the two proposed locations.

As such, while the applicant does not meet this threshold, DCOPN recommends that the Commissioner, in this specific instance, does not allow this standard to bar the relocation of the existing CT scanners from IAH to either proposed location. This recommendation is predicated on the approval of the broader project establishing each hospital, and should not be construed to indicate that the Commissioner should approve the relocation of the CT scanners at IAH absent the replacement of all services from IAH.

Both HCA and VHC assert, in their letters of opposition, that the proposed projects would adversely affect existing providers in PD 8. However, these assertions discuss the effect of the proposed projects more broadly and are therefore discussed elsewhere in the staff report. No assertions are made by HCA or VHC regarding the effect either project would have on the utilization of their CT scanners. Moreover, DCOPN did not identify any specific factors that would lead to the CT relocation portion of the proposed projects affecting either providers' CT scanner utilization. Absent direct objections by these providers or any factors identified by DCOPN showing the likelihood that either relocation would significantly reduce the utilization of existing providers in PD 8, DCOPN concludes that both projects meet this prong.

Regarding the requested CT scanners that would be added to the CT inventory of the planning district, rather than those being relocated from IAH, DCOPN will address those scanners in 12VAC5-230-110 below.

² "The COPN program seeks to encourage the conversion of facilities to new and efficient uses and the reallocation of resources to meet evolving community needs."

- B. Existing CT scanners used solely for simulation with radiation therapy treatment shall be exempt from the utilization criteria of this article when applying for a COPN. In addition, existing CT scanners used solely for simulation with radiation therapy treatment may be disregarded in computing the average utilization of CT scanners in such health planning district.**

DCOPN has excluded existing CT scanners used solely for simulation prior to the initiation of radiation therapy from its inventory and average utilization of diagnostic CT scanners in PD 8 with respect to the proposed projects.

12VAC5-230-110. Expansion of fixed site service.

Proposals to expand an existing medical care facility's CT service through the addition of a CT scanner should be approved when the existing services performed an average of 7,400 procedures per scanner for the relevant reporting period. The commissioner may authorize placement of a new unit at the applicant's existing medical care facility or at a separate location within the applicant's primary service area for CT services, provided the proposed expansion is not likely to significantly reduce the utilization of existing providers in the health planning district.

COPN Request No. VA-8612: Inova Alexandria Hospital (Landmark)

In 2020, the last year for which DCOPN has data available from VHI, IAH's three fixed CT scanners operated at 156.8% of the SMFP threshold. On February 7, 2022, the Commissioner issued COPN No. VA-04776, which authorized the establishment of CT services at Inova Oakville Ambulatory Surgical Center. This authorization was based, in part, on it being used to decompress the highly utilized CT scanners at IAH. As such, DCOPN includes this CT scanner when determining the number of additional scanners necessary to alleviate the high utilization of IAH's CT scanners. Including the Inova Oakville Ambulatory Surgical Center CT scanner, DCOPN calculates that IAH's utilization justifies the addition of one CT scanner in order to bring this utilization below the SMFP threshold. As such, DCOPN concludes that the applicant meets this standard for the Landmark location.

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

As only one CT scanner would be necessary to reduce IAH's utilization below the SMFP threshold, IAH's utilization is not sufficient to justify the addition of one CT scanner at this location. However, DCOPN notes that one of the CT scanners at this location would be relocated from the Inova Springfield HealthPlex, which would be located on the same campus as ISH. The Inova Springfield HealthPlex CT scanner operated at 173.4% of the SMPF threshold in 2020, the last year DCOPN has data available from VHI. The very high utilization of the relocated CT scanner at a location proximate to the proposed location is sufficient to justify the addition of the requested third CT scanner at ISH. As such, DCOPN concludes that the applicant meets this standard for the ISH location.

12VAC5-230-120. Adding or expanding mobile CT services.

- A. Proposals for mobile CT scanners shall demonstrate that, for the relevant reporting period, at least 4,800 procedures were performed and that the proposed mobile unit will not significantly reduce the utilization of existing CT providers in the health planning district.**
- B. Proposals to convert authorized mobile CT scanners to fixed site scanners shall demonstrate that, for the relevant reporting period, at least 6,000 procedures were performed by the mobile CT scanner and that the proposed conversion will not significantly reduce the utilization of existing CT providers in the health planning district.**

Not applicable. The applicants do not propose to add or expand mobile CT services or to convert authorized mobile CT scanners to fixed site scanners.

12VAC5-230-130. Staffing.

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

The applicant states that IAH's CT services are currently under the direct supervision of board-certified radiologists. The applicant further states that CT services at both locations will remain under the same level of supervision.

The SMFP also contains criteria/standards for the establishment or expansion of MRI services. They are as follows:

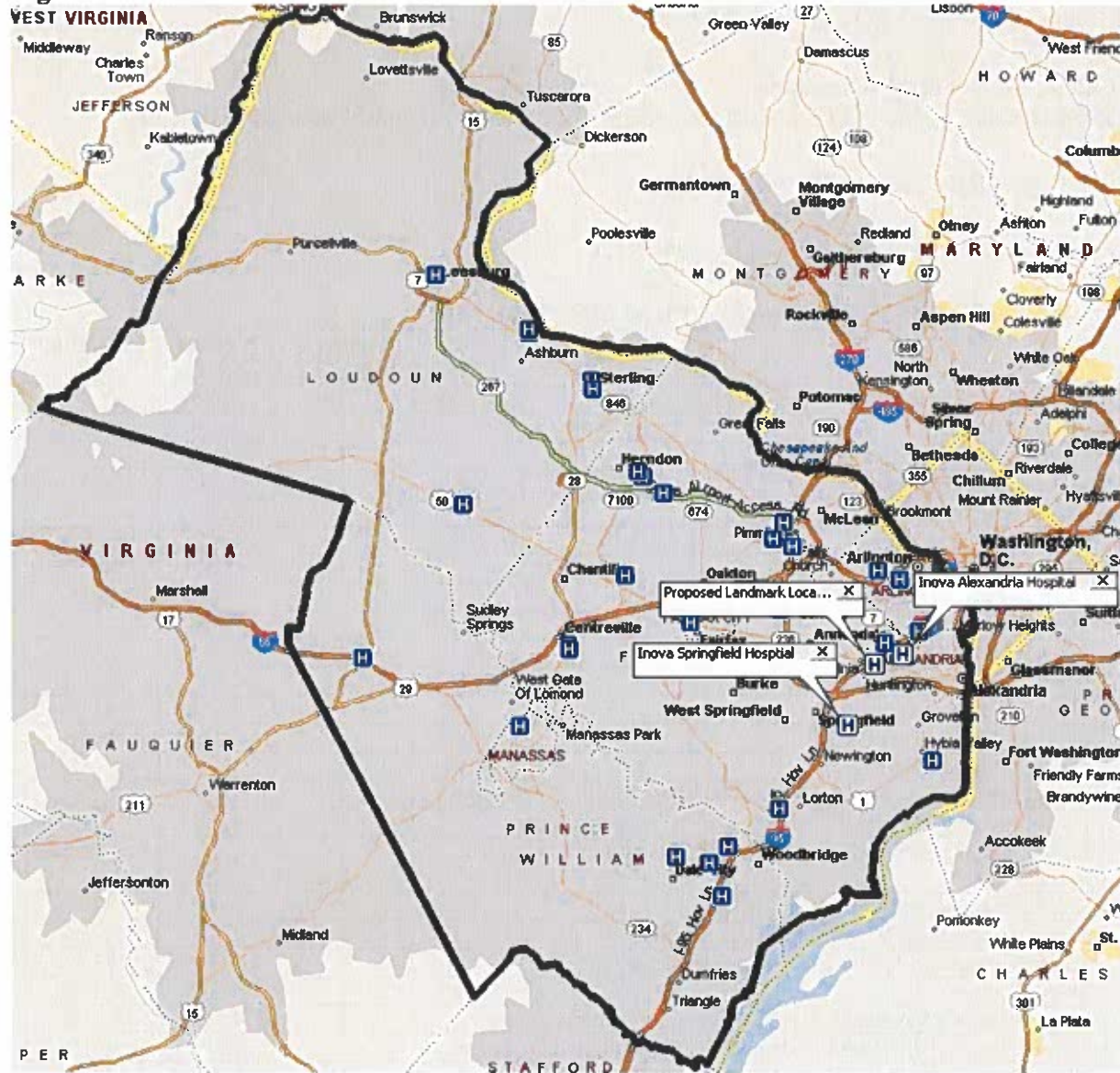
Part II
Diagnostic Imaging Services
Article 2
Criteria and Standards for Magnetic Resonance Imaging

12VAC5-230-140. Travel time.

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

Currently, there are 34 COPN authorized MRI service providers in PD 8. The heavy black line in **Figure 2** is the boundary of PD 8. The blue H icons indicate facilities that currently offer fixed MRI scanning services. The white H icons indicate IAH and the two locations of the proposed facilities. The grey shading illustrates the area that is within a thirty-minute drive under normal driving conditions of all MRI service providers in PD 8. Based on the population distribution of the planning district, **Figure 2** clearly illustrates that MRI scanning services are already well within a thirty-minute drive under normal conditions for 95% of the population of the planning district.

Figure 2



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

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

Calculated Needed Fixed MRI Scanners in PD 8
COPN authorized MRI scanners = 57

Calculated Needed MRI scanners =
199,616 scans in the PD / 5,000 scans / scanner = 39.9 (40) scanners needed

PD 8 Calculated Need = 40 MRI scanners

PD 8 Calculated Surplus = 17 MRI scanners

Table 15. PD 8 COPN Authorized Fixed MRI Units: 2020

Facility	Number of Scanners	Number of Scans	Utilization Rate
Fairfax MRI and Imaging Center at Tysons	2	8,165	81.7%
Fairfax MRI Center at Reston	1	4,633	92.7%
Fairfax Radiology Center of Sterling	1	2,682	53.6%
Inova Alexandria Hospital	2	7,062	70.6%
Inova Arlington MRI Center	1	2,291	45.8%
Inova Fair Oaks Hospital	2	6,673	66.7%
Inova Fairfax Hospital	3	13,633	90.9%
Inova Fairfax MRI Center	6	27,071	90.2%
Inova Imaging Center - Leesburg	1	2,186	43.7%
Inova Imaging Center-Mark Center	1	3,141	62.8%
Inova Lorton HealthPlex	1	1,906	38.1%
Inova Loudoun Hospital	1	5,148	103.0%
Inova Mount Vernon Hospital	1	4,477	89.5%
Inova Springfield HealthPlex	1	3,491	69.8%
Insight Imaging - Arlington / Medical Imaging Center of Arlington	2	7,199	72.0%
Insight Imaging - Fairfax / Medical Imaging Center of Fairfax	1	3,992	79.8%
Insight Imaging Woodbridge / Medical Imaging Center of Woodbridge	2	7,573	75.7%
Kaiser Permanente - Reston Medical Center	1	5,007	100.1%
Kaiser Permanente - Woodbridge Medical Center	1	4,311	86.2%
Kaiser Permanente Tysons Corner Surgery Center	1	11,166	223.3%
MRI of Reston	4	14,308	71.5%
Novant Health UVA Health System Haymarket Medical Center	1	4,110	82.2%
Novant Health UVA Health System Prince William Medical Center	2	4,614	46.1%
Novant Imaging Centerville dba Vienna Diagnostic Imaging	1	5,635	112.7%
Radiology Imaging Associates at Lansdowne	2	6,511	65.1%
Reston Hospital Center	1	4,002	80.0%
Sentara Advanced Imaging Center - Lake Ridge	1	2,123	42.5%
Sentara Northern Virginia Medical Center	1	3,398	68.0%
StoneSprings Hospital Center	1	1,208	24.2%
Tysons Corner Diagnostic Imaging	2	6,092	60.9%
Virginia Hospital Center	3	12,714	84.8%
Washington Radiology Associates, PC	1	3,094	61.9%
2020 Total and Average	52	199,616	76.8%

Source: VHI & DCOPN interpolations

As noted in Table 15 above, the utilization of existing MRI scanners in the planning district was 76.8% of the 7,400 procedures per scanner necessary to introduce MRI scanning services to a

new location under this section of the SMFP. Moreover, DCOPN calculates a surplus of seventeen fixed MRI scanners in the planning district.

The applicant states this standard does not apply to either project. DCOPN disagrees with this assertion. As discussed above, no exception is made in the language of the SMFP to differentiate between the establishment of a new service through the relocation of previously approved MRI scanners and the establishment of a new service through the addition of a new MRI scanner. As this distinction is made elsewhere in the SMFP, and will be discussed in the relevant section, *inclusio unius est exclusio alterius* would indicate that no such distinction was intended for this section when the SMFP was drafted. Moreover, the application of this standard to a relocation of an existing service is vital in determining if a need exists for the relocated service, both in the proposed area and in the planning district. As such, the applicant does not meet this standard.

However, DCOPN acknowledges that the denial of MRI relocation as part of a large hospital replacement request, which is based on a significant need to replace an aging structure, would frustrate the guiding principles of the SMFP found in 12VAC5-230-30.4. Moreover, DCOPN concludes that forcing hospitals to surrender significantly utilized services when relocating a hospital based on such a determination would produce a chilling effect that would discourage hospitals from making choices that would ensure the best care for their patients. Finally, DCOPN notes that IAH and Inova Springfield HealthPlex's MRI scanning service are sufficiently heavily utilized that the removal of one machine would result in an institutional need with the remaining scanners, based on VHI's 2020 data for these locations. Finally, DCOPN acknowledges that MRI services would be necessary for the effective treatment of patients by other services offered at the two proposed locations.

As such, while the applicant does not meet this threshold, DCOPN recommends that the Commissioner, in this specific instance, does not allow this standard to bar the relocation of the existing MRI scanners from IAH to either proposed location. This recommendation is predicated on the approval of the broader project establishing each hospital and should not be construed to indicate that the Commissioner should approve the relocation of the MRI scanners at IAH absent the replacement of all services from IAH.

Both HCA and VHC assert, in their letters of opposition, that the proposed projects would adversely affect exiting providers in PD 8. However, these assertions discuss the effect of the proposed projects more broadly and are therefore discussed elsewhere in the staff report. No assertions are made by HCA or VHC regarding the effect either project would have on the utilization of their MRI scanners. Moreover, DCON did not identify any specific factors that would lead to the MRI relocation portion of the proposed projects affecting either providers' MRI scanner utilization. Absent direct objections by these providers, or any factors identified by DCOPN showing the likelihood that either relocation would significantly reduce the utilization of existing providers in PD 8, DCOPN concludes that both projects meet this prong.

Regarding the requested MRI scanner that would be added to the MRI inventory of the planning district, rather than those being relocated from IAH, DCOPN will address that scanner in 12VAC5-230-160 below.

12VAC5-230-160. Expansion of fixed site service.

Proposals to expand an existing medical care facility's MRI services through the addition of an MRI scanner may be approved when the existing service performed an average of 5,000 MRI procedures per scanner during the relevant reporting period. The commissioner may authorize placement of the new unit at the applicant's existing medical care facility, or at a separate location within the applicant's primary service area for MRI services, provided the proposed expansion is not likely to significantly reduce the utilization of existing providers in the health planning district.

COPN Request No. VA-8612: Inova Alexandria Hospital (Landmark)

As discussed above, IAH's utilization only reached 70.6% of the SMFP threshold necessary to justify the addition of an additional fixed MRI scanner in 2020, the last year for which DCOPN has data available from VHI. While arguments can be made about the effect of COVID-19 on the utilization of services, the applicant only reached 82.6% of the required threshold in 2019 as well. As such, DCOPN concludes that the applicant does not meet the standard necessary to expand its MRI services at this location.

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

Not applicable. The proposed project is seeking to establish fixed MRI services at a new location. The applicant is not seeking to expand MRI services beyond what has been previously authorized.

12VAC5-230-120. Adding or expanding mobile CT services.

- A. Proposals for mobile MRI scanners shall demonstrate that, for the relevant reporting period, at least 2,400 procedures were performed and that the proposed mobile unit will not significantly reduce the utilization of existing MRI providers in the health planning district.**
- B. Proposals to convert authorized mobile MRI scanners to fixed site scanners shall demonstrate that, for the relevant reporting period, 3,000 procedures were performed by the mobile scanner and that the proposed conversion will not significantly reduce the utilization of existing MRI providers in the health planning district.**

Not applicable. The proposed projects do not propose to add or expand mobile MRI services or to convert authorized mobile MRI scanners to fixed site scanners.

12VAC5-230-130. Staffing.

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

The applicant states that IAH's MRI services are currently under the direct supervision of board-certified radiologists. The applicant additionally states that the MRI services at both locations will remain under the same level of supervision.

The SMFP contains criteria/standards for radiation therapy services. They are as follows:

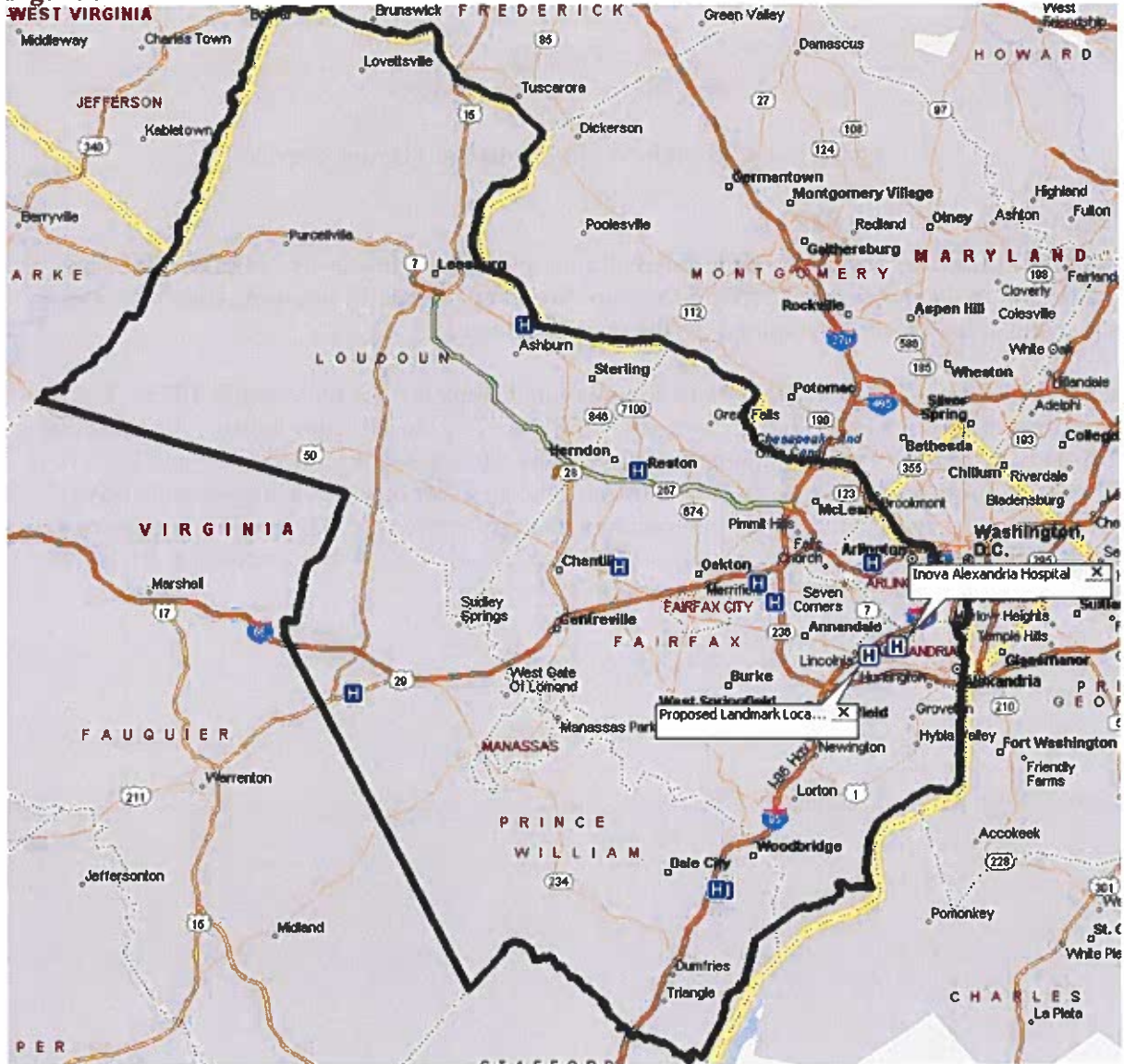
Part III
Radiation Therapy Services
Article 1
Criteria and Standards for Radiation Therapy Services

12VAC5-230-280. Travel time.

Radiation therapy services should be available within 60 minutes driving time one way under normal conditions of 95% of the population of the health planning district using a mapping software as determined by the commissioner.

Currently, there are ten COPN authorized radiation therapy service providers in PD 8. The heavy black line in **Figure 3** is the boundary of PD 8. The blue H icons indicate facilities that currently offer fixed radiation therapy services. The white H icons indicate LAH and the Landmark location. The grey shading illustrates the area that is within a sixty-minute drive under normal driving conditions of all radiation therapy service providers in PD 8. **Figure 3** clearly illustrates that radiation therapy services are already well within a one-hour drive under normal conditions for all residents of the planning district.

Figure 3



12VAC5-230-290. Need for new service.

A. No new radiation therapy service should be approved unless:

1. Existing radiation therapy machines located in the health planning district performed an average of 8,000 procedures per existing and approved radiation therapy machine in the relevant reporting period; and
2. The new service will perform at least 5,000 procedures by the second year of operation without significantly reducing the utilization of existing providers in the health planning district.

COPN Request No. VA-8612: Inova Alexandria Hospital (Landmark)

The applicant states this standard does not apply to either project. DCOPN disagrees with this assertion. As discussed above, no exception is made in the language of the SMFP to differentiate between the establishment of a new service through the relocation of previously approved linear accelerators and the establishment of a new service through the addition of a new linear accelerator. As this distinction is made elsewhere in the SMFP, and will be discussed in the relevant section, *inclusio unius est exclusio alterius* would indicate that no such distinction was intended for this section when the SMFP was drafted. Moreover, the application of this standard to a relocation of an existing service is vital in determining if a need exists for the relocated service, both in the proposed area and in the planning district.

Regarding the first prong of this section of the SMFP, the linear accelerators of PD 8 only performed 51.4% of the requisite threshold for this section (**Table 16**). As such, DCOPN concludes that the applicant does not meet this threshold. However, DCOPN acknowledges that the denial of the relocation of an existing radiation therapy program as part of a large hospital replacement request, which is based on a significant need to replace an aging structure, would frustrate the guiding principles of the SMFP found in 12VAC5-230-30.4. Moreover, DCOPN concludes that forcing hospitals to surrender important treatment services when relocating a hospital based on such a determination would produce a chilling effect that would discourage hospitals from making choices that would ensure the best care for their patients. As such, while the applicant does not meet this threshold, DCOPN recommends that the Commissioner, in this specific instance, does not allow this standard to bar the relocation of the existing radiation therapy services from IAH to the Landmark location. This recommendation is predicated on the approval of the broader project establishing each hospital and should not be construed to indicate that the Commissioner should approve the relocation of the radiation therapy services at IAH absent the replacement of all services from IAH.

DCOPN notes that, analyzing the current utilization of the two linear accelerators at IAH, it could be argued that the number of linear accelerators at this location could be reduced from two to one without creating an institutional need at Landmark. While DCOPN finds such analysis necessary with these projects, reduction in the number of linear accelerators would not be appropriate in this instance. Despite the relatively low utilization discussed above, DCOPN calculated below in **Table 16** that a deficit of two linear accelerators in the next three years is predicted in PD 8. The reduction of linear accelerators at the Landmark location would further exacerbate this deficit and would likely result in delays in receiving important cancer treatment services. As such, despite the current low utilization of the linear accelerators at IAH, DCOPN does not recommend a reduction in the number of linear accelerators at the Landmark location.

Regarding the second prong of this section, DCOPN finds it highly likely that the Landmark service will perform at least 5,000 procedures by the second year of operation without significantly reducing the utilization of existing providers in PD 8. IAH performed 6,413 procedures in 2020, the last year DCOPN has data available from VHI. While this was between two linear accelerators, this portion of the test merely requires that the service as a whole meets this threshold. Given Landmark's proximity to IAH, DCOPN concludes that it is highly likely that at least this level of service volume could be anticipated when the service is relocated to Landmark.

Both HCA and VHC assert, in their letters of opposition, that the proposed projects, in conjunction, would adversely affect exiting providers in PD 8. However, these assertions discuss the effect of the proposed projects more broadly and are therefore discussed elsewhere in the staff report. No assertions are made by HCA or VHC regarding the effect either project would have on the utilization of their radiation therapy services. Moreover, DCOPN did not identify any specific factors that would lead to the relocation of radiation therapy services portion of the proposed projects affecting either providers' radiation therapy utilization. Absent direct objections by these providers or any factors identified by DCOPN showing the likelihood that either relocation would significantly reduce the utilization of existing providers in PD 8, DCOPN concludes the proposed project meets this prong.

For the reasons discussed above, DCOPN concludes that the applicant meets the second prong of this section.

Table 16. PD 8 COPN Authorized Linear Accelerators: 2020

Facility	Number of Accelerators	Number of Procedures	Utilization Rate
Inova Alexandria Hospital	2	6,413	40.1%
Inova Fair Oaks Hospital	2	6,566	41.0%
Inova Fairfax Hospital	6	20,166	42.0%
Inova Loudoun Hospital	1	6,654	83.2%
Novant Health UVA Cancer Center	2	9,084	56.8%
Potomac Radiation Oncology Center	1	5,551	69.4%
Reston Hospital Center	1	4,601	57.5%
Virginia Cancer Specialists	2	10,559	66.0%
Virginia Hospital Center	3	12,574	52.4%
2020 Total and Average	20	82,168	51.4%

Source: VHI & DCOPN interpolations

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

Not applicable. The proposed project for ISH does not involve radiation therapy services.

B. The number of radiation therapy machines needed in a health planning district will be determined as follows:

$$\text{Population} \times \text{Cancer Incidence Rate} \times 60\%$$

320

where:

1. The population is projected to be at least 150,000 people three years from the current year as reported in the most current projections of a demographic entity as determined by the commissioner;
2. The cancer incidence rate as determined by data from the Statewide Cancer Registry;
3. 60% is the estimated number of new cancer cases in a health planning district that are treatable with radiation therapy; and

- 4. 320 is 100% utilization of a radiation therapy machine based upon an anticipated average of 25 procedures per case.**

COPN Request No. VA-8612: Inova Alexandria Hospital (Landmark)

Table 17 below shows the projected population and new cancer cases requiring radiation therapy in PD 8. Based on the SMFP methodology for determining need for linear accelerators in the planning district, there is a need for 22 linear accelerators in PD 8 through 2025. As there are 20 COPN approved linear accelerators in PD 8, there will be a projected deficit of two linear accelerators in the planning district by 2025.

Table 17. Number of radiation therapy machines needed in PD 8

Locality	PD 8 Area 2025 Population	Cancer Incidence Rate (Per 100,000)	2025 Projected Cancer Cases	New Cancer Cases Requiring RT	Linear Accelerators Needed
Total PD 8	1,161,685	411.00	11,315	6,789	22

Source: U.S. Census, Weldon Cooper Center Projections (June 2019) and DCOPN (interpolations) and National Cancer Institute Incidence Rates Table (Latest Five-Year Average)

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

Not applicable. The proposed project for ISH does not involve radiation therapy services.

- C. Proposals for new radiation therapy services located less than 60 minutes driving time one way, under normal conditions, from any site that radiation therapy services are available shall demonstrate that the proposed new services will perform an average of 4,500 procedures annually by the second year of operation, without significantly reducing the utilization of existing services in the health planning district.**

COPN Request No. VA-8612: Inova Alexandria Hospital (Landmark)

As discussed above, DCOPN concluded that it was highly likely that the service at Landmark would perform at least 5,000 procedures based on the utilization of the linear accelerators at IAH and, based on its proximity, the likelihood that this level of service volume could be anticipated when the service is relocated to Landmark. As such, DCOPN conclude that the applicant meets this threshold.

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

Not applicable. The proposed project for ISH does not involve radiation therapy services.

12VAC5-230-300. Expansion of service.

Proposals to expand radiation therapy services should be approved only when all existing radiation therapy services operated by the applicant in the health planning district have performed an average of 8,000 procedures for the relevant reporting period and the proposed expansion would not significantly reduce the utilization of existing providers.

Not applicable. The proposed projects do not involve an expansion of a radiation therapy service.

12VAC5-230-310. Statewide Cancer Registry.

Facilities with radiation therapy services shall participate in the Statewide Cancer Registry as required by Article 9 (§ 32.1-70 et seq.) of Chapter 2 of Title 32.1 of the Code of Virginia

COPN Request No. VA-8612: Inova Alexandria Hospital (Landmark)

The applicant asserts IAH participates in both the Virginia Cancer Registry and with an active cancer registry specific to Inova hospitals. The applicant additionally asserts that the Landmark location would continue to participate in both registries.

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

Not applicable. The proposed project for ISH does not involve radiation therapy services.

12VAC5-230-320. Staffing.

Radiation therapy services should be under the direction or supervision of one or more qualified physicians designated or authorized by the Nuclear Regulatory Commission or the Division of Radiologic Health of the Virginia Department of Health, as applicable.

COPN Request No. VA-8612: Inova Alexandria Hospital (Landmark)

The applicant states that IAH's radiation therapy services are currently under the direction and supervision of board-certified radiation oncologists. The applicant additionally states that radiation therapy services will remain under such supervision should the proposed project receive approval.

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

Not applicable. The proposed project for ISH does not involve radiation therapy services.

The SMFP contains criteria/standards for cardiac catheterization services. They are as follows:

Part IV
Cardiac Services
Article 1
Criteria and Standards for Cardiac Catheterization Services

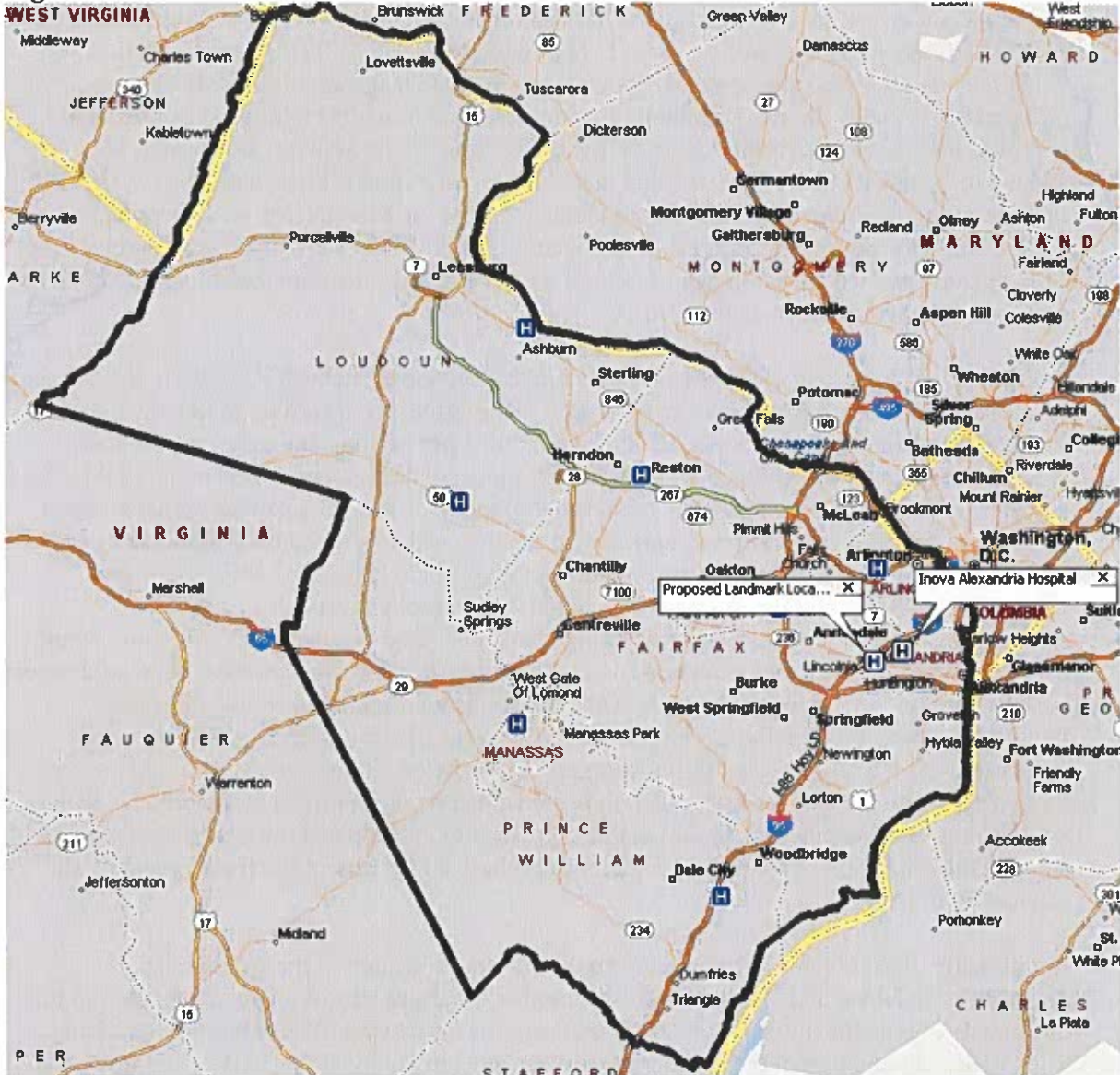
12VAC5-230-380. Travel Time.

Cardiac catheterization services should be within 60 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.

Currently, there are eight COPN authorized cardiac catheterization service providers in PD 8. The heavy dark line in **Figure 4** identifies the boundaries of PD 8. The blue H icons indicate facilities that currently offer cardiac catheterization services. The white H icons indicate IAH and the Landmark location. The grey shading illustrates the area that is within a sixty-minute drive under normal driving conditions of all cardiac catheterization service providers in PD 8. Based on the shaded areas in **Figure 4**, it is reasonable to conclude that all of the population of PD 8

are currently within 60 minutes driving time one way under normal traffic conditions of cardiac catheterization services.

Figure 4



12VAC5-230-390. Need for New Service.

A. No new fixed site cardiac catheterization service should be approved for a health planning district unless:

- 1. Existing fixed site cardiac catheterization services located in the health planning district performed an average of 1,200 cardiac catheterization DEPs per existing and approved laboratory for the relevant reporting period;**
- 2. The proposed new service will perform an average of 200 DEPs in the first year of operation and 500 DEPs in the second year of operation;**

3. The utilization of existing services in the health planning district will not be significantly reduced.

COPN Request No. VA-8612: Inova Alexandria Hospital (Landmark)

The applicant asserts that this standard is not applicable as they are merely seeking to relocate the cardiac catheterization services from IAH to Landmark. DCOPN disagrees with this assertion. As discussed above, no exception is made in the language of the SMFP to differentiate between the establishment of a new service through the relocation of previously approved cardiac catheterization labs and the establishment of a new service through the addition of a new cardiac catheterization lab. As this distinction is made elsewhere in the SMFP, *inclusio unius est exclusio alterius* would indicate that no such distinction was intended for this section when the SMFP was drafted. Moreover, the application of this standard to a relocation of an existing service is vital in determining if a need exists for the relocated service, both in the proposed area and in the planning district.

Regarding the first prong of the test mandated in this section of the SMFP, in 2020, the last year for which DCOPN has data available from VHI, the existing fixed cardiac catheterization services located in PD 8 performed 72.4% of the DEPs per existing and approved laboratory (Table 18). As such DCOPN concludes that the applicant does not meet this required threshold. However, DCOPN acknowledges that the denial of the relocation of a cardiac catheterization program as part of a large hospital replacement request, which is based on a significant need to replace an aging structure, would frustrate the guiding principles of the SMFP found in 12VAC5-230-30.4. Moreover, DCOPN concludes that forcing hospitals to surrender significantly utilized services when relocating a hospital based on such a determination would produce a chilling effect that would discourage hospitals from making choices that would ensure the best care for their patients. As such, while the applicant does not meet this threshold, DCOPN recommends that the Commissioner, in this specific instance, does not allow this standard to bar the relocation of the existing cardiac catheterization services from IAH to the Landmark location. This recommendation is predicated on the approval of the broader project establishing each hospital and should not be construed to indicate that the Commissioner should approve the relocation of the radiation therapy services at IAH absent the replacement of all services from IAH.

Additionally, DCOPN notes that, analyzing the current utilization of the two cardiac catheterization labs at IAH, reduction of the number of labs as part of the relocation would not be prudent. Given the utilization in 2020, the last year for which DCOPN has data available from VHI, the reduction of the number of cardiac catheterization labs at IAH would immediately result in an institutional need to expand services. As such, DCOPN concludes that the relocation of both cardiac catheterization labs is necessary to avoid the immediate creation of an institutional need at the Landmark location.

During this period, IAH's two cardiac catheterization labs performed 1,462, or 731 DEPs per existing and approved laboratory (Table 18). As this is significantly above the DEPs required by the second prong in both years one and two, DCOPN concludes that the applicant meets the required threshold for the second prong. Regarding the final prong, the proposed project would not increase the number of cardiac catheterization labs or number of facilities offering cardiac

catheterization services in PD 8. Moreover, while both HCA and VHC assert, in their letters of opposition, that the proposed projects would adversely affect existing providers in PD 8, they do not raise any specific objections to how the proposed projects would affect their cardiac catheterization services. Moreover, DCOPN did not identify any specific factors that would lead to the cardiac catheterization relocation portion of the proposed projects affecting either providers' cardiac catheterization scanner utilization. Absent direct objections by these providers or any factors identified by DCOPN showing the likelihood that either relocation would significantly reduce the utilization of existing providers in PD 8, DCOPN concludes that the Landmark project meet this prong.

Table 18. IAH Adult Cardiac Catheterization Utilization (in DEPs) (2016-2020)

	# of Labs	Diagnostic	Therapeutic	Same Session	Total DEPs ³	Utilization Rate
Inova Alexandria Hospital	2	681	29	241	1,462	60.9%
Inova Fairfax Hospital	7	3,152	288	1,025	6,803	81.0%
Inova Loudoun Hospital	2	438	17	317	1,423	59.3%
Novant Health UVA Health System Prince William Medical Center	2	501	35	352	1,627	67.8%
Reston Hospital Center	1	356	144	203	1,253	104.4%
Sentara Northern Virginia Medical Center	2	677	6	205	1,304	54.3%
StoneSprings Hospital Center	1	11	16	4	55	4.6%
Virginia Hospital Center	4	1,207	273	856	4,321	90.0%
2020 Total and Average	21	7,023	808	3,203	18,248	72.4%

Source: VHI

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

Not applicable. The proposed project for ISH does not involve cardiac catheterization services.

- B. Proposals for mobile cardiac catheterization laboratories will be provided at a site located on the campus of an inpatient hospital. Additionally, applicants for proposed mobile cardiac catheterization laboratories shall be able to project that they will perform an average of 200 DEPs in the first year of operation and 350 DEPs in the second year of operation without significantly reducing the utilization of existing laboratories in the health planning district below 1,200 procedures.**

Not applicable. Neither applicant is proposing to establish mobile cardiac catheterization services.

³ DEPs are calculated as follows: "A diagnostic procedure equals 1 DEP, a therapeutic procedure equals 2 DEPs, a same session procedure (diagnostic and therapeutic) equals 3 DEPs..." (12VAC5-230-10).

- C. Preference may be given to a project that locates new cardiac catheterization services at an inpatient hospital that is 60 minutes or more driving time one way under normal conditions from existing services if the applicant can demonstrate that the proposed new laboratory will perform an average of 200 DEPS in the first year of operation and 400 DEPs in the second year of operation without significantly reducing the utilization of existing laboratories in the health planning district.**

COPN Request No. VA-8612: Inova Alexandria Hospital (Landmark)

As discussed above, DCOPN concluded that it was highly likely that the Landmark project would perform in excess of these DEPs in the relevant years without significantly reducing the utilization of existing laboratories in PD 8.

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

Not applicable. The proposed project for ISH does not involve cardiac catheterization services.

12VAC5-230-400. Expansion of Services.

Proposals to increase cardiac catheterization services should be approved only when:

- A. All existing cardiac catheterization laboratories operated by the applicant's facilities where the proposed expansion is to occur have performed an average of 1,200 DEPs per existing and approved laboratory for the relevant reporting period; and**
- B. The applicant can demonstrate that the expanded service will achieve an average of 200 DEPs per laboratory in the first 12 months of operation and 400 DEPs in the second 12 months of operation without significantly reducing the utilization of existing cardiac catheterization laboratories in the health planning district.**

Not applicable. Neither project is seeking to expand cardiac catheterization services.

12VAC5-230-410. Pediatric Cardiac Catheterization.

No new or expanded pediatric cardiac catheterization should be approved unless:

- A. The proposed service will be provided at an inpatient hospital with open heart surgery services, pediatric tertiary care services or specialty or subspecialty level neonatal special care;**
- B. The applicant can demonstrate that the proposed laboratory will perform at least 100 pediatric cardiac catheterization procedures in the first year of operation and 200 pediatric cardiac catheterization procedures in the second year of operation; and**
- C. The utilization of existing pediatric cardiac catheterization laboratories in the health planning district will not be reduced below 100 procedures per year.**

Not applicable. Neither proposed project proposes to establish or expand pediatric cardiac catheterization services.

12VAC5-230-420. Non-emergent Cardiac Catheterization.

- A. Simple therapeutic cardiac catheterization. Proposals to provide simple therapeutic cardiac catheterization are not required to offer open heart surgery service available on-site in the same hospital in which the proposed simple therapeutic service will be located. However, these programs shall adhere to the requirements described in subdivisions 1 through 9 of this subsection.**

The programs shall:

- 1. Participate in the Virginia Heart Attack Coalition, the Virginia Cardiac Services Quality Initiative, and the Action Registry-Get with the Guidelines or National Cardiovascular Data Registry to monitor quality and outcomes;**

COPN Request No. VA-8612: Inova Alexandria Hospital (Landmark)

The applicant asserts that IAH currently participates in the Virginia Heart Attack Coalition, the Virginia Cardiac Services Quality Initiative, the Chest Pain – MI Registry, and the National Cardiovascular Data Registry. The applicant additionally asserts that such participation would continue should the proposed project receive approval.

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

Not applicable. The proposed project for ISH does not involve cardiac catheterization services.

- 2. Adhere to strict patient-selection criteria;**

COPN Request No. VA-8612: Inova Alexandria Hospital (Landmark)

The applicant asserts that IAH maintains strict patient selection criteria, which involve evaluation of each prospective cardiac catheterization patient using the Mayo Clinic Risk Score model and American College of Cardiology/Society for Cardiovascular Angiography & Interventions risk evaluation criteria. The applicant additionally asserts that this strict patient selection criteria will remain in place should the proposed project receive approval.

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

Not applicable. The proposed project for ISH does not involve cardiac catheterization services.

- 3. Perform annual institutional volumes of 300 cardiac catheterization procedures, of which at least 75 should be percutaneous coronary intervention (PCI) or as dictated by American College of Cardiology (ACC)/American Heart Association (AHA) Guidelines for Cardiac Catheterization and Cardiac Catheterization Laboratories effective 1991;**

COPN Request No. VA-8612: Inova Alexandria Hospital (Landmark)

In 2020, the last year for which DCOPN has data available from VHI, IAH performed 681 diagnostic cardiac catheterizations, 29 therapeutic cardiac catheterizations, and 241 cardiac catheterizations that were both diagnostic and therapeutic in the same session.

Given the proximity of Landmark to IAH, it is highly likely that the majority of the patients that received cardiac catheterization services at IAH will continue to visit Landmark if the proposed project receives approval.

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

Not applicable. The proposed project for ISH does not involve cardiac catheterization services.

4. Use only AHA/ACC-qualified operators who meet the standards for training and competency;

COPN Request No. VA-8612: Inova Alexandria Hospital (Landmark)

The applicant asserts that all cardiologists who perform cardiac catheterization procedures at IAH must be AHA/ACC-qualified. This means the cardiologist must be board certified or board eligible in interventional cardiology with certification completed within two years. The applicant additionally asserts that such qualification requirements would remain in place should the proposed project receive approval.

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

Not applicable. The proposed project for ISH does not involve cardiac catheterization services.

5. Demonstrate appropriate planning for program development and complete both a primary PCI development program and an elective PCI development program that includes routine care process and case selection review;

COPN Request No. VA-8612: Inova Alexandria Hospital (Landmark)

The applicant asserts that, as an established provider of cardiac catheterization services, IAH maintains in place a primary and elective PCI program, which includes focused review on quality and other related initiatives. The applicant additionally states that this program will remain in place should the proposed project receive approval.

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

Not applicable. The proposed project for ISH does not involve cardiac catheterization services.

6. Develop and maintain a quality and error management program;

COPN Request No. VA-8612: Inova Alexandria Hospital (Landmark)

The applicant asserts that, as an established provider of cardiac catheterization services, IAH maintains a comprehensive quality and error management program. The applicant additionally provides a more detailed explanation of the various parts of this program. DCOPN concurs that this program is sufficient to meet the standards set in this section. The applicant additionally asserts that this program will remain in place should the proposed project receive approval.

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

Not applicable. The proposed project for ISH does not involve cardiac catheterization services.

7. Provide PCI 24 hours a day, seven days a week;

COPN Request No. VA-8612: Inova Alexandria Hospital (Landmark)

The applicant asserts that IAH's PCI and STEMI program operates 24 hours per day, 7 days per week and would continue to do so should the proposed project receive approval.

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

Not applicable. The proposed project for ISH does not involve cardiac catheterization services.

8. Develop and maintain necessary agreements with a tertiary facility that must agree to accept emergent and nonemergent transfers for additional medical care, cardiac surgery, or intervention; and

COPN Request No. VA-8612: Inova Alexandria Hospital (Landmark)

The applicant states that IAH has arrangements in place with Inova Fairfax Hospital, a quaternary care hospital, to accept emergent and non-emergent medical care, cardiac surgery, or other interventions that are not provided at IAH. The applicant additionally states that the same arrangements with Inova Fairfax Hospital would remain in place for Landmark.

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

Not applicable. The proposed project for ISH does not involve cardiac catheterization services.

9. Develop and maintain agreements with an ambulance service capable of advanced life support and intra-aortic balloon pump transfer that guarantees a 30-minute or less response time.

COPN Request No. VA-8612: Inova Alexandria Hospital (Landmark)

The applicant states that Inova Health System maintains agreements with Midwest Medical Transport that require 20-minute or less response time for emergency transports.

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

Not applicable. The proposed project for ISH does not involve cardiac catheterization services.

- B. Complex therapeutic cardiac catheterization. Proposals to provide complex therapeutic cardiac catheterization should be approved only when open heart surgery services are available on-site in the same hospital in which the proposed complex therapeutic service will be located. Additionally, these complex therapeutic cardiac catheterization programs will be required to participate in the Virginia Cardiac Services Quality Initiative and the Virginia Heart Attack Coalition.**

COPN Request No. VA-8612: Inova Alexandria Hospital (Landmark)

IAH does not provide complex therapeutic cardiac catheterizations and does not propose to offer them at Landmark.

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

Not applicable. The proposed project for ISH does not involve cardiac catheterization services.

12VAC5-230-430. Staffing.

- A. Cardiac catheterization services should have a medical director who is board certified in cardiology and has clinical experience in performing physiologic and angiographic procedures;**

COPN Request No. VA-8612: Inova Alexandria Hospital (Landmark)

The applicant states that IAH's Medical Director for cardiac catheterization services is board certified in cardiology and has clinical experience in performing physiologic and angiographic procedures. The applicant additionally states that the Medical Director for cardiac catheterization procedures is expected to remain in this position upon their relocation to Landmark.

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

Not applicable. The proposed project for ISH does not involve cardiac catheterization services.

- B. In the case of pediatric cardiac catheterization services, the medical director should be board-certified in pediatric cardiology and have clinical experience in performing physiologic and angiographic procedures.**

Not applicable. Neither proposed project involves the establishment of expansion of pediatric cardiac catheterization services.

- C. Cardiac catheterization services should be under the direct supervision of one or more qualified physicians. Such physicians should have clinical experience performing physiologic and angiographic procedures.**

COPN Request No. VA-8612: Inova Alexandria Hospital (Landmark)

The applicant states that IAH's cardiac catheterization services are currently under the direct supervision of board-certified physicians with clinical experience performing physiologic and angiographic procedures. The applicant additionally states that radiation therapy services will remain under such supervision should the proposed project receive approval.

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

Not applicable. The proposed project for ISH does not involve cardiac catheterization services.

D. Pediatric catheterization services should be under the direct supervision of one or more qualified physicians. Such physicians should have clinical experience in performing pediatric physiologic and angiographic procedures.

Not applicable. Neither proposed project involves the establishment or expansion of pediatric cardiac catheterization services.

The SMFP contains criteria/standards for general surgical services. They are as follows:

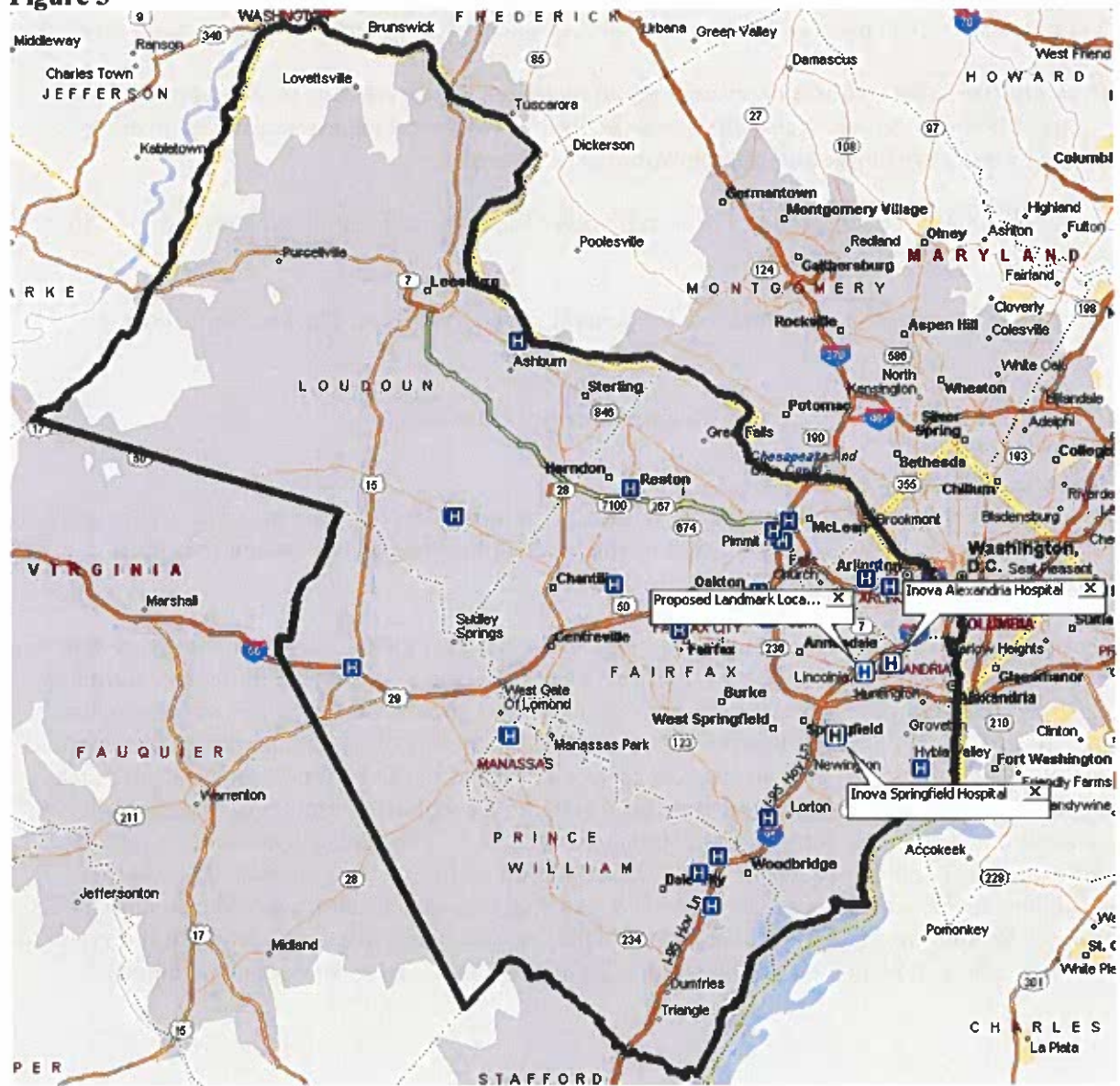
**Part V
General Surgical Services**

12VAC5-230-490. Travel Time.

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

Currently, there are 28 COPN authorized surgical service providers in PD 8. The heavy dark line in **Figure 5** identifies the boundaries of PD 8. The blue H icons indicate facilities that currently offer surgical services. The white H icons indicate IAH and the two locations of the proposed facilities. The grey shading illustrates the area that is within a thirty-minute drive under normal driving conditions of all general surgical service providers in PD 8. Based on the shaded areas in **Figure 5**, it is difficult to determine if surgical services are within 30 minutes driving time one way under normal conditions for 95% of the population of PD 8. The applicant asserts that surgical services are generally available in PD 8 within 30 minutes driving time one way under normal conditions for 95% of the population of PD 8. As both proposed locations would be within IAH's Primary Service Area (PSA), neither proposed project would improve access to surgical services to any residents of PD 8 not within 30 minutes driving time one way under normal conditions.

Figure 5



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:

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

Where:

ORV = the sum of 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.

The applicant asserts that this standard is not applicable as they are merely seeking to relocate the surgical services from IAH to the two new facilities. DCOPN disagrees with this assertion. As discussed above, no exception is made in the language of the SMFP to differentiate between the establishment of a new service through the relocation of previously approved operating rooms and the establishment of a new service through the addition of new operating rooms. As this distinction is made elsewhere in the SMFP, *inclusio unius est exclusio alterius* would indicate that no such distinction was intended for this section when the SMFP was drafted. Moreover, the application of this standard to a relocation of an existing service is vital in determining if a need exists for the relocated service, both in the proposed area and in the planning district.

The preceding formula can be used to affirm whether there is currently an excess of general purpose operating rooms (GPORs) in PD 8. The preceding formula can also determine the overall need for ORs within PD 8 five years from the current year, i.e., in the year 2027. The current GPOR inventory for PD 8 is broken down by facility in **Table 5** above.

Based on operating room utilization submitted to and compiled by VHI, for the five year period 2016 through 2020, which is the most recent five-year time span for which relevant data is available, the total number of reported inpatient and outpatient OR visits to hospital-based and outpatient surgical hospitals are shown in **Table 19**.

**Table 19: Inpatient & Outpatient GPOR
Utilization in PD 8: 2016-2020**

Year	Total Inpatient & Outpatient OR Visits
2016	143,613
2017	144,421
2018	144,742
2019	108,985
2020	129,841
Total	671,602
Average	134,320

Source: 2016-2020 VHI Data and COPN Records

Based on actual population counts derived as a result of the 2010 U.S. census, and population projections as compiled by Weldon Cooper, **Table 20** presents the U.S. Census' baseline population estimates for Planning District 15 for the five years 2016-2020 as follows:

Table 20: PD 8 Population: 2016-2020 & 2027

Year	Population
2016	2,428,346
2017	2,464,171
2018	2,500,897
2019	2,538,557
2020	2,577,187
Total	12,509,157
Average	2,501,831
2027	2,824,195

Source: Weldon Cooper

Based on the above population estimates from the 2010 U.S. Census and extrapolating, DCOPN calculates an 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, 2016-2020, was 12,509,157, while the population of PD 8 in the year 2027 (PROPOP – five years from the current year) is projected to be 2,824,195. These figures are necessary for the application of the preceding formula, as follows:

ORV	÷	POP	=	CSUR
Total PD 8 GPOR Visits 2016 to 2020:		PD 8 Historical Population 2016 to 2020:		Calculated GPOR Use Rate 2016 to 2020:
671,602		12,509,157		0.0537

CSUR	*	PROPOP	=	PORV
Calculated GPOR Use Rate 2016 to 2020:		PD 8 Projected Population 2027:		Projected GPOR Visits 2027:
0.0537		2,824,195		151,659

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.

AHORV = 265,635 total inpatient and outpatient OR hours (Table 21) reported to VHI for 2020, divided by 129,841 total inpatient and outpatient OR visits reported to VHI for that same year (Table 19);

Table 21: PD 8 Total OR Room Hours: 2020

Facility	Inpatient OR Hours	Outpatient OR Hours	Total Hours
Fairfax Surgical Center	0	10,390	10,390
Haymarket Surgery Center	0	2,576	2,576
Inova Alexandria Hospital	6,721	11,503	18,224
Inova Ambulatory Surgery Center at Lorton	0	9	9
Inova Fair Oaks Hospital	6,813	15,810	22,623
Inova Fairfax Hospital	34,216	43,714	77,930
Inova Loudoun Ambulatory Surgery Center	0	6,448	6,448
Inova Loudoun Hospital	4,644	8,935	13,579
Inova Mount Vernon Hospital	4,409	4,504	8,913
Inova Surgery Center @ Franconia-Springfield	0	6,263	6,263
Kaiser Permanente Tysons Corner Surgery Center	0	12,143	12,143
Lake Ridge Ambulatory Surgical Center	0	670	670
McLean Ambulatory Surgery Center	0	3,113	3,113
Northern Virginia Eye Surgery Center, LLC	0	2,471	2,471
Northern Virginia Surgery Center	0	4,006	4,006
Novant Health UVA Health System Haymarket Medical Center	1,996	1,033	3,029
Novant Health UVA Health System Prince William Medical Center	1,255	1,437	2,692
Pediatric Specialists of Virginia Ambulatory Surgery Center	0	1,870	1,870
Prince William Ambulatory Surgery Center	0	2,727	2,727
Reston Hospital Center	13,824	12,258	26,082
Reston Surgery Center	0	6,770	6,770
Sentara Northern Virginia Medical Center	3,779	4,607	8,386
StoneSprings Hospital Center	379	1,863	2,242
Virginia Hospital Center	10,801	11,678	22,479
Grand Total	88,837	176,798	265,635

Source: VHI 2020 Data

$$\text{AHORV} = 2.0458$$

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

$$\text{FOR} = \frac{0.0537 \times 2,824,195 \times 2.0458}{1600}$$

$$\text{FOR} = 310,264.54 \div 1,600$$

$$\text{FOR} = 193.92 \text{ (194)}$$

Current PD 8 GPOR inventory: 205

Net Surplus: 11 GPORs for 2027 planning year

Using the above methodologies, there is a predicted need for 194 GPORs in PD 8 by 2027. As such, the conclusion would be logically reached there will be a surplus of 11 ORs in the planning district by the year 2027. The applicant asserts that there is an institutional need to expand its surgical services. The applicant's assertions and DCOPN's analysis of their argument is addressed in the relevant section below.

- 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.**

The applicant once more asserts that this is not applicable to the proposed projects. This is especially confusing as this section directly addresses the relocation of existing operating rooms to establish a general surgical service at a new location, which is undeniably a portion of both projects. The applicant asserts that the current operating rooms at IAH are substantially undersized by modern standards, do not meet FGI guidelines, and do not have adequate sterile space. As such, many patients have chosen to receive surgical services at Inova Fairfax Hospital and Inova Mount Vernon Hospital. Moreover, the relocation of the proposed projects will rectify these issues and allow patients that are located closer to either the Landmark or ISH locations to receive surgical services there. This would allow the applicant to address the high utilization at IFH without the addition of new operating rooms in PD 8 (Table 22). For these reasons, DCOPN concludes that the proposed projects would improve the distribution of surgical services within PD 8 compared to their current state.

Table 22: PD 8 Operating Room Utilization: 2020

Facility	Operating Rooms	Total Hours	Use Per OR	Utilization Rate
Fairfax Surgical Center	6	10,390	1,731.7	108.2%
Haymarket Surgery Center	2	2,576	1,288.0	80.5%
Inova Alexandria Hospital	11	18,224	1,656.7	103.5%
Inova Ambulatory Surgery Center at Lorton	1	9	9.0	0.6%
Inova Fair Oaks Hospital	12	22,623	1,885.3	117.8%
Inova Fairfax Hospital	47	77,930	1,658.1	103.6%
Inova Loudoun Ambulatory Surgery Center	5	6,448	1,289.6	80.6%
Inova Loudoun Hospital	8	13,579	1,697.4	106.1%
Inova Mount Vernon Hospital	7	8,913	1,273.3	79.6%
Inova Surgery Center @ Franconia-Springfield	5	6,263	1,252.6	78.3%
Kaiser Permanente Tysons Corner Surgery Center	11	12,143	1,103.9	69.0%
Lake Ridge Ambulatory Surgical Center	1	670	670.0	41.9%
McLean Ambulatory Surgery Center	2	3,113	1,556.5	97.3%
Northern Virginia Eye Surgery Center, LLC	2	2,471	1,235.5	77.2%
Northern Virginia Surgery Center	4	4,006	1,001.5	62.6%
Novant Health UVA Health System Haymarket Medical Center	1	3,029	3,029.0	189.3%
Novant Health UVA Health System Prince William Medical Center	1	2,692	2,692.0	168.3%
Pediatric Specialists of Virginia Ambulatory Surgery Center	2	1,870	935.0	58.4%
Prince William Ambulatory Surgery Center	4	2,727	681.8	42.6%
Reston Hospital Center	13	26,082	2,006.3	125.4%
Reston Surgery Center	6	6,770	1,128.3	70.5%
Sentara Northern Virginia Medical Center	9	8,386	931.8	58.2%
StoneSprings Hospital Center	7	2,242	320.3	20.0%
Virginia Hospital Center	18	22,479	1,248.8	78.1%
Grand Total	185	265,635	1,435.9	89.7%

Source: VHI 2020 Data

12VAC5-230-510. Staffing.

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

The applicant states that IAH's surgical services are currently under the direction and supervision of a board certified physician Medical Director. The applicant additionally states that surgical services will remain under such supervision should the proposed projects receive approval.

The SMFP contains criteria/standards for inpatient bed services. They are as follows:

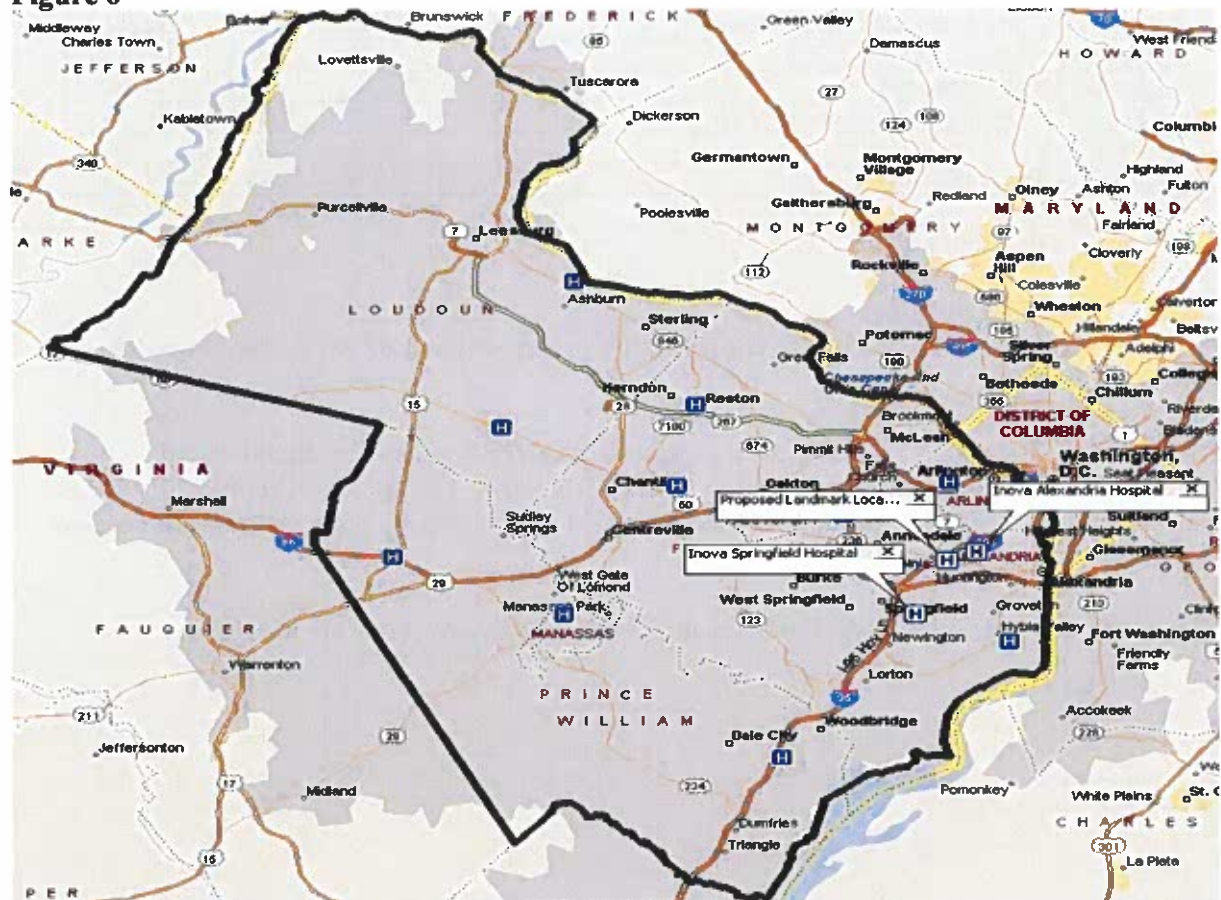
Part VI Inpatient Bed Requirements

12VAC5-230-520. Travel Time.

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

Currently, there are eight COPN authorized inpatient service providers in PD 8. The heavy dark line in **Figure 6** identifies the boundaries of PD 8. The blue H icons indicate facilities that currently offer inpatient services. The white H icons indicate IAH and the two locations of the proposed facilities. The grey shading illustrates the area that is within a thirty-minute drive under normal driving conditions of all general surgical service providers in PD 8. Based on the shaded areas in **Figure 6**, it is difficult to determine if inpatient bed services are within 30 minutes driving time one way under normal conditions for 95% of the population of PD 8. The applicant asserts that inpatient bed services are generally available in PD 8 within 30 minutes driving time one way under normal conditions for 95% of the population of PD 8. As both proposed locations would be within IAH's PSA, neither proposed project would improve access to inpatient bed services to any residents of PD 8 not within 30 minutes driving time one way under normal conditions.

Figure 6



12VAC5-230-530. Need for New Service.

- A. No new inpatient beds should be approved in any health planning district unless:**
- 1. The resulting number of beds for each bed category contained in this article does not exceed the number of beds projected to be needed for that health planning district for the fifth planning horizon year; and**
 - 2. The average annual occupancy based on the number of beds in the health planning district for the relevant reporting period is:**
 - a. 80% at midnight census for medical/surgical or pediatric beds;**
 - b. 65% at midnight census for intensive care beds.**
- B. For proposals to convert under-utilized beds that require a capital expenditure with an expenditure exceeding the threshold amount as determined using the formula contained in subsection C of this section, consideration may be given to such proposal if:**
- 1. There is a projected need in the applicable category of inpatient beds; and**
 - 2. The applicant can demonstrate that the average annual occupancy of the converted beds would meet the utilization standard for the applicable bed category by the first year of operation.**

For purposes of this part, “underutilized” means less than 80% average annual occupancy for medical/surgical or pediatric beds, when the relocation involves such beds and less than 65% average annual occupancy for intensive care beds when relocation involves such beds.

- C. The capital expenditure threshold referenced in subsection B of this section shall be adjusted annually using the percentage increase listed in the Consumer Price Index for All Urban Consumers (CPI-U) for the most recent year as follows:**

$$A \times (1 + B)$$

Where:

- A = the capital expenditure threshold amount for the previous year; and**
B = the percent increase for the expense category “Medical Care” listed in the most recent year available of the CPI-U of the U.S. Bureau of Labor Statistics.

As the applicant is seeking to relocate existing licensed beds from IAH and Inova Mount Vernon Hospital, rather than adding new beds or converting underutilized beds to another applicable category of inpatient beds, this relocation is addressed in 12VAC5-230-570 below.

12VAC5-230-540. Need for Medical/surgical Beds.

The number of medical/surgical beds projected to be needed in a health planning district shall be computed as follows:

- 1. Determine the use rate for the medical/surgical beds for the health planning district using the formula:**

$$BUR = (IPD / PoP)$$

Where:

BUR = the bed use rate for the health planning district.

IPD = the sum of total inpatient days in the health planning district for the most recent five years for which inpatient day data has been reported by VHI; and
PoP = the sum of total population 18 years of age and older in the health planning district for the same five years used to determine IPD as reported by a demographic program as determined by the commissioner.

2. Determine the total number of medical/surgical beds needed for the health planning district in five years from the current year using the formula:

$$\text{ProBed} = \frac{(\text{BUR} \times \text{ProPop}) / 365}{0.80}$$

Where:

ProBed = The projected number of medical/surgical beds needed in the health planning district for five years from the current year.

BUR = the bed use rate for the health planning district determined in subdivision 1 of this section.

ProPop = the projected population 18 years of age and older of the health planning district five years from the current year as reported by a demographic program as determined by the commissioner.

3. Determine the number of medical/surgical beds that are needed in the health planning district for the five year planning horizon year as follows:

$$\text{NewBed} = \text{ProBed} - \text{CurrentBed}$$

Where:

NewBed = the number of new medical/surgical beds that can be established in a health planning district, if the number is positive. If NewBed is a negative number, no additional medical/surgical beds should be authorized for the health planning district.

ProBed = the projected number of medical/surgical beds needed in the health planning district for five years from the current year determined in subdivision 2 of this section.

CurrentBed = the current inventory of licensed and authorized medical/surgical beds in the health planning district.

While the proposed projects include medical/surgical beds, it is in the framework of the relocation of these beds from IAH and Inova Mount Vernon Hospital rather than the addition of new beds to the planning district. As such, DCOPN addresses this portion of the project in 12VAC5-230-570, which specifically addresses the relocation of beds, below. Any arguments made in the letters of opposition regarding the necessity of the number of beds being relocated, as well as the applicant's responses, will be addressed in that section below.

12VAC5-230-550. Need for Pediatric Beds.

The number of pediatric beds projected to be needed in a health planning district shall be computed as follows:

1. Determine the use rate for pediatric beds for the health planning district using the formula:

$$\text{PBUR} = (\text{PIPD} / \text{PedPop})$$

Where:

PBUR = The pediatric bed use rate for the health planning district.

PIPD = The sum of total pediatric inpatient days in the health planning district for the most recent five years for which inpatient days data has been reported by VHI; and

PedPop = The sum of population under 18 years of age in the health planning district for the same five years used to determine PIPD as reported by a demographic program as determined by the commissioner.

2. Determine the total number of pediatric beds needed to the health planning district in five years from the current year using the formula:

$$\text{ProPedBed} = \frac{((\text{PBUR} \times \text{ProPedPop}) / 365)}{0.80}$$

Where:

ProPedBed = The projected number of pediatric beds needed in the health planning district for five years from the current year.

PBUR = The pediatric bed use rate for the health planning district determined in subdivision 1 of this section.

ProPedPop = The projected population under 18 years of age of the health planning district five years from the current year as reported by a demographic program as determined by the commissioner.

3. Determine the number of pediatric beds needed within the health planning district for the fifth planning horizon year as follows:

$$\text{NewPedBed} = \text{ProPedBed} - \text{CurrentPedBed}$$

Where:

NewPedBed = the number of new pediatric beds that can be established in a health planning district, if the number is positive. If NewPedBed is a negative number, no additional pediatric beds should be authorized for the health planning district.

ProPedBed = the projected number of pediatric beds needed in the health planning district for five years from the current year determined in subdivision 2 of this section.

CurrentPedBed = the current inventory of licensed and authorized pediatric beds in the health planning district.

Not applicable. The proposed projects do not seek to establish or expand pediatric care beds.

12VAC5-230-560. Need for Intensive Care Beds.

The projected need for intensive care beds in a health planning district shall be computed as follows:

- 1. Determine the use rate for ICU beds for the health planning district using the formula:**

$$\text{ICUBUR} = (\text{ICUPD} / \text{Pop})$$

Where:

ICUBUR = the ICU bed use rate for the health planning district.

ICUPD = The sum of total ICU inpatient days in the health planning district for the most recent five years for which inpatient day data has been reported by VHI; and

Pop = The sum of population 18 years of age or older for adults or under 18 for pediatric patients in the health planning district for the same five years used to determine ICUPD as reported by a demographic program as determined by the commissioner.

- 2. Determine the total number of ICU beds needed for the health planning district, including bed availability for unscheduled admissions, five years from the current year using the formula:**

$$\text{ProICUBed} = ((\text{ICUBUR} \times \text{ProPop}) / 365) / 0.65$$

Where:

ProICUBed = The projected number of ICU beds needed in the health planning district for five years from the current year;

ICUBUR = The ICU bed use rate for the health planning district as determined in subdivision 1 of this section;

ProPop = The projected population 18 years of age or older for adults or under 18 for pediatric patients of the health planning district five years from the current year as reported by a demographic program as determined by the commissioner.

- 3. Determine the number of ICU beds that may be established or relocated within the health planning district for the fifth planning horizon year as follows:**

$$\text{NewICUBed} = \text{ProICUBed} - \text{CurrentICUBed}$$

Where:

NewICUBed = The number of new ICU beds that can be established in a health planning district, if the number is positive. If NewICUBed is a negative

number, no additional ICU beds should be authorized for the health planning district.

ProICUBed = The projected number of ICU beds needed in the health planning district for five years from the current year as determined in subdivision 2 of this section.

CurrentICUBed = The current inventory of licensed and authorized ICU bed sin the health planning district.

While the proposed projects include ICU beds, it is in the framework of the relocation of these beds from IAH and Inova Mount Vernon Hospital rather than the addition of new beds to the planning district. As such, DCOPN addresses this portion of the project in 12VAC5-230-570, which specifically addresses the relocation of beds, below. Any arguments made in the letters of opposition regarding the necessity of the number of beds being relocated, as well as the applicant's responses, will be addressed in that section below.

12VAC5-230-570. Expansion or Relocation of Services.

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

1. Off-site replacement is necessary to correct life safety or building code deficiencies;

The request to relocate IAH's beds to Landmark and ISH stems from a need to replace IAH and bring the facilities in line with modern standards. Moreover, all parties, including those that oppose the projects, recognize the necessity of the replacement of IAH. As such, DCOPN concludes that both projects meets this standard with regard to these beds. Regarding the relocation of the 10 beds from Inova Mount Vernon Hospital, no arguments are made regarding the replacement being necessary to correct life safety or building code deficiencies. As such, DCOPN concludes that these beds do not meet this standard.

2. The population currently served by the beds to be moved will have reasonable access to the beds at the new site, or to neighboring inpatient facilities;

Given the proximity of both Landmark and ISH to IAH and ISH's proximity to Inova Mount Vernon Hospital, DCOPN concludes that the beds to be moved would be reasonably accessible to the patients at these locations.

3. The number of beds to be moved off-site is taken out of service at the existing facility;

The applicant agrees that the number of beds to be moved off-site would be taken out of service at IAH and Inova Mount Vernon Hospital.

4. The off-site replacement of beds results in:

- a. A decrease in the licensed bed capacity;**
- b. A substantial cost savings, cost avoidance, or consolidation of underutilized facilities; or**
- c. Generally improved operating efficiency in the applicant's facility or facilities; and**

As stated above, the applicant anticipates that, between 2022 and 2028, the cost of repairs and replacements to IAH, beyond ordinary operations and maintenance expenses, are expected to total between \$135,000,000 to \$165,000,000, or approximately between \$19,285,714 and \$23,571,429 annually. The applicant asserts that these additional expenditures, considered in light of expected cost escalation, would well exceed the capital expenditures anticipated through 2028 should the proposed projects not receive approval. Based on these assertions, as well as the supplementary documentation provided by the applicants in support of these assertions, DCOPN concludes that approval of the relocation of the beds at IAH would result in substantial cost avoidance for the applicant. Regarding the beds relocated from Inova Mount Vernon Hospital, the applicants do not adequately establish that these beds meet any of these criteria. As such, DCOPN concludes that the beds relocated from Inova Mount Vernon Hospital do not meet this standard.

5. The relocation results in improved distribution of existing resources to meet community needs.

The proposed projects would address the need to replace IAH and bring the facilities in line with modern standards. Moreover, the distribution of these beds between the two locations was calculated based on service data showing the location of IAH and Inova Mount Vernon Hospital patients. As such, these projects would locate the necessary beds in better facilities in more convenient locations to IAH's current patients.

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

In its letter of opposition, HCA states that COPN Request No. VA-8613 would materially harm existing providers. HCA bases this argument on the projected increase in patient days provided by the applicant and states that this could only come from existing providers in other health systems. HCA additionally states that the patients could not come from existing Inova facilities because Inova is not proposing to relocate the requested additional operating rooms, CT scanners, and MRI scanner from other Inova locations. DCOPN disagrees with HCA's assertions as they are too speculative to accurately be relied upon. Moreover, HCA provides no specific information that would allow DCOPN to identify in what way the proposed projects would harm any HCA facility or other provider in the planning district. The mere assertion that it would be harmful, particularly when coupled with such unsubstantiated arguments, is not sufficient to rebut the evidence presented by the applicant regarding the lack of material harm the proposed projects would cause to existing providers. Finally, DCOPN notes that the request to relocate resources, when not clearly necessary

to receive a recommendation of approval from DCOPN for a proposed project, is incredibly rare in COPN applications. As such, DCOPN cannot attribute any particular pattern of behavior not found in the average COPN application.

In its letter of opposition, VHC cites available capacity at other Inova facilities, the overlap of PSAs between VHC and the two proposed facilities, and the addition of new beds at VHC as reasons why the proposed projects would cause material harm to existing providers. The existing capacity at Inova facilities is not particularly dispositive when discussing the harm to other existing providers. As major focus of both applications addresses the benefits of the proposed projects in relation to these providers. As such, it seems highly unlikely that Inova would move forward with these projects if they were detrimental to their other locations. Regarding the overlap of PSAs, DCOPN does not dispute this assertion. However, given the crowded landscape of PD 8, particularly close to Washington, D.C., this overlap is not uncommon. Moreover, the applicant is not pressing further into VHC's area, nor are they introducing new beds into the area, but instead are merely providing better, more modern facilities than they are able to at IAH. While DCOPN acknowledges Inova has a significant portion of the market in PD 8, and will address that more fully in other areas of the staff report, the denial of a project solely because it would allow the applicant to provide a modern facility that may be more attractive to patients would frustrate one of the stated intents of the SMFP, found in 12VAC5-230-30.4. Regarding VHC's argument regarding their new beds, VHC states that some of their beds will not be operational until 2023 and that approval is premature when these beds are still under development. As previously stated, the proposed projects would add no additional beds to the inventory, nor would they relocate beds closer to VHC. As such, the date of opening of VHC's beds do not materially affect the proposed projects. Regarding any potential argument that may be hiding in this statement regarding VHC's ability to solidify a patient base that would utilize these beds, the target open date of these beds would still be five years before the predicted closure date of IAH and the commencement of either facility. As such, VHC has ample time to make use of these new beds prior to the date when either project would be available for patient use.

For the reasons discussed above, DCOPN concludes that the letters of opposition have failed to establish that the proposed projects would materially harm existing providers. Both projects merely seek to relocate the existing beds within the primary services areas of IAH and Inova Mount Vernon Hospital. Moreover, outside of these two competing providers whose concerns have been addressed, no other provider in the service area has raised any concerns about the proposed projects. Additionally, the proposed projects have received broad community support. As such, given the lack of introduction of beds outside of their service area, the lack of opposition beyond those arguments previously discussed, and the broad community support, DCOPN concludes that the evidence presented shows that the proposed projects would not materially harm existing providers.

12VAC5-230-580. Long-Term Acute Care Hospitals (LTACHs).

- A. LTACHs will not be considered as a separate category for planning or licensing purposes. All LTACH beds remain part of the inventory of inpatient hospital beds.**
- B. A LTACH shall only be approved if an existing hospital converts existing medical/surgical beds to LTACH beds or if there is an identified need for LTACH beds within a health planning district. New LTACH beds that would result in an increase in total licensed beds above 165% of the average daily census for the health planning district will not be approved. Excess inpatient beds within an applicant's existing acute care facilities must be converted to fill any unmet need for additional LTACH beds.**
- C. If an existing or host hospital converts existing beds for use as LTACH beds, those beds must be delicensed from the bed inventory of the existing hospital. If the LTACH ceases to exist, terminates its services, or does not offer services for a period of 12 months within its first year of operation, the beds delicensed by the host hospital to establish the LTACH shall revert back to that host hospital.**

If the LTACH ceases operation in subsequent years of operation, the host hospital may reacquire the LTACH beds by obtaining a COPN, provided the beds are to be used exclusively for their original intended purpose and the application meets all other applicable project delivery requirements. Such an application shall not be subject to the standard batch review cycle and shall be processed as allowed under Part VI (12VAC5-220-280 et seq.) of the Virginia Medical Care Facilities Certificate of Public Need Rules and Regulations.

- D. The application shall delineate the service area for the LTACH by documenting the expected areas from which it is expected to draw patients.**
- E. A LTACH shall be established for 10 or more beds.**
- F. A LTACH shall become certified by the Centers for Medicare and Medicaid Services (CMS) as a long-term acute care hospital and shall not convert to a hospital for patients needing a length of stay of less than 25 days without obtaining a certificate of public need.**
 - 1. If the LTACH fails to meet the CMS requirements as a LTACH within 12 months after beginning operation, it may apply for a six-month extension of its COPN.**
 - 2. If the LTACH fails to meet the CMS requirements as a LTACH within the extension period, then the COPN granted pursuant to this section shall expire automatically.**

Not applicable. The proposed projects are not seeking to introduce LTACH beds.

12VAC5-230-590. Staffing.

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

The applicant states that IAH's inpatient services are currently under the direction of qualified physicians. The applicant additionally states that inpatient services will remain under such supervision should the proposed projects receive approval.

The SMFP contains criteria/standards for obstetrical services. They are as follows:

**Part XIII
Perinatal and Obstetrical Services
Article 2
Neonatal Special Care Services**

12VAC5-230-940. Travel time.

A. Intermediate level neonatal special care services should be located within 30 minutes driving time one way under normal conditions of hospitals providing general level newborn services using mapping software as determined by the commissioner.

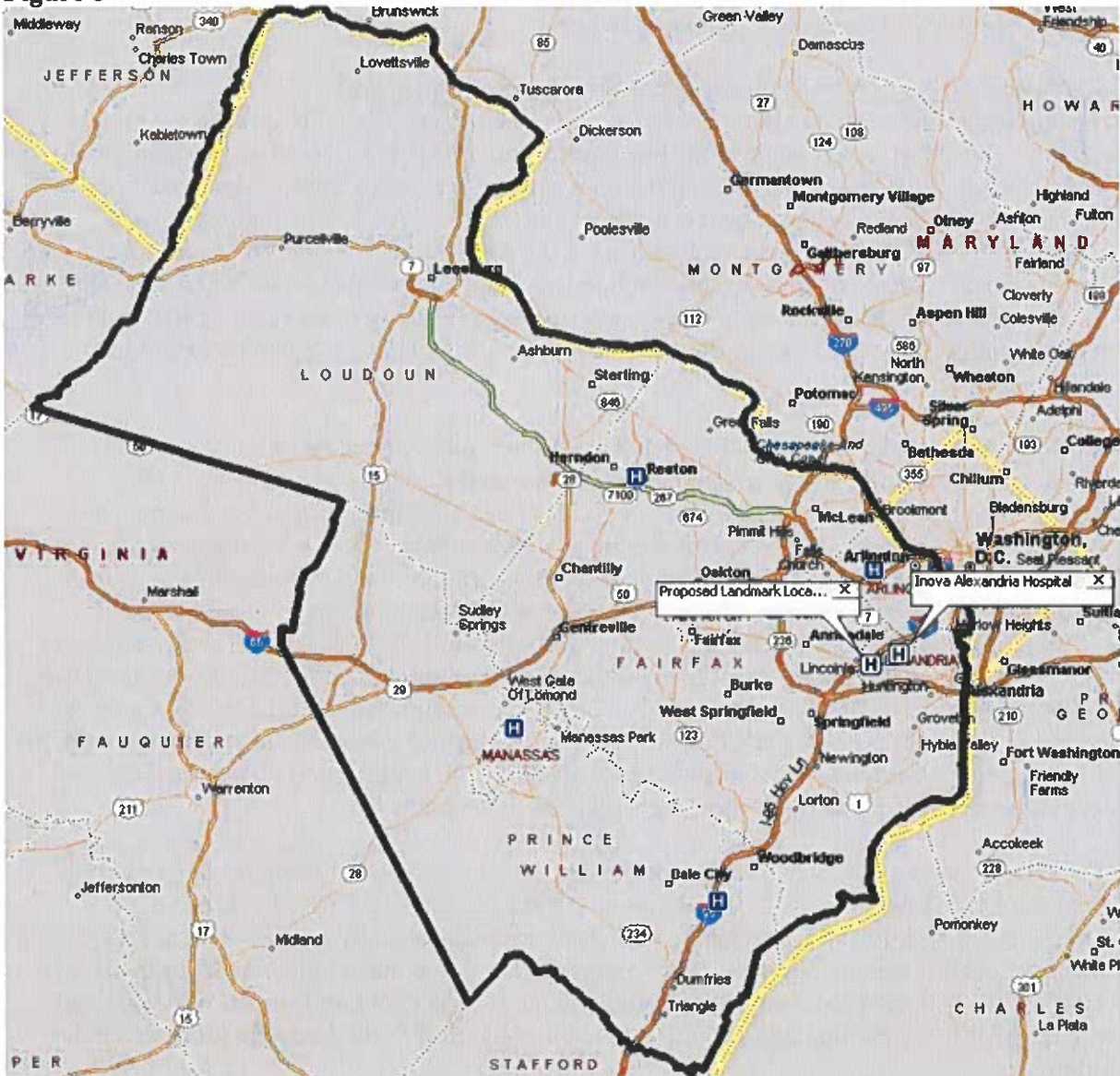
There are two intermediate-level nurseries in HPR II, UVA Health System Haymarket Medical Center and Sentara Northern Virginia Medical Center. Additionally, there are six specialty-level nurseries (Inova Alexandria Hospital, Inova Fair Oaks Hospital, Inova Loudoun Hospital, UVA Health System Prince William Medical Center, Reston Hospital Center, and Virginia Hospital Center) and one subspecialty-level nursery (Inova Fairfax Hospital) in HPR II, which also offer intermediate-level neonatal special care.

The heavy dark line in **Figure 7** identifies the boundaries of PD 8. The blue H icons indicate facilities that currently offer intermediate neonatal services. The white H icons indicate IAH and the Landmark location. The grey shading illustrates the area that is within a thirty-minute drive under normal driving conditions of all intermediate level neonatal special care service providers in PD 8. Based on the shaded areas in **Figure 7**, it is difficult to determine if intermediate level neonatal special care services are within 30 minutes driving time one way under normal conditions for 95% of the population of PD 8. However, as both proposed locations would be within IAH's PSA, neither proposed project would improve access to inpatient bed services to any residents of PD 8 not within 30 minutes driving time one way under normal conditions.

- As discussed above, there are six specialty-level nurseries, Inova Alexandria Hospital, Inova Fair Oaks Hospital, Inova Loudoun Hospital, UVA Health System Prince William Medical Center, Reston Hospital Center, and Virginia Hospital Center. There is additionally one subspecialty-level nursery, Inova Fairfax Hospital, in HPR II, which also offers specialty-level neonatal special care.

The heavy dark line in **Figure 8** identifies the boundaries of PD 8. The blue H icons indicate facilities that currently offer specialty and subspecialty neonatal special care services. The white H icons indicate IAH and the Landmark location. The grey shading illustrates the area that is within a ninety-minute drive under normal driving conditions of all specialty and subspecialty neonatal special care service providers in PD 8. Based on the shaded areas in **Figure 8**, it is reasonable to conclude that all of the population of PD 8 are currently within 90 minutes driving time one way under normal traffic conditions of cardiac catheterization services

Figure 8



12VAC5-230-950. Need for new service.

No new level of neonatal service shall be offered by a hospital unless that hospital has first obtained a COPN granting approval to provide each level of service.

It is the express intent of the applicant to obtain COPN approval for the proposed project.

12VAC5-230-960. Intermediate level newborn services.

A. Existing intermediate level newborn services as designated in 12VAC5-410-443 should achieve 85% average annual occupancy before new intermediate level newborn services can be added to the health planning region.

COPN Request No. VA-8612: Inova Alexandria Hospital (Landmark)

The applicant states this standard does not apply to the project. DCOPN disagrees with this assertion. No exception is made in the language of the SMFP to differentiate between the establishment of a new service through the relocation of previously approved neonatal care service and the establishment of a new neonatal care service. As this distinction is made elsewhere in the SMFP, and will be discussed in the relevant section, *inclusio unius est exclusio alterius* would indicate that no such distinction was intended for this section when the SMFP was drafted. Moreover, the application of this standard to a relocation of an existing service is vital in determining if a need exists for the relocated service, both in the proposed area and in the planning district.

The definition of “bed” in the SMFP excludes bassinets and, regardless of the service level, bassinets are neither COPN approved nor licensed as to the number of bassinets. COPN authorization and licensing relate *only to the level* of neonatal special care, i.e. intermediate, specialty or subspecialty level. Therefore, the available number of such bassinets, either in total or at any specific level, is not a fixed number for any period of time. Because hospitals may increase or decrease the number of bassinets without COPN authorization or notice, the availability and occupancy of existing bassinets reported to VHI by hospitals with special care nursery services may often be arbitrary. Furthermore, in the adjudication officer’s good cause standing report for COPN Request No. VA-7283 (Bon Secours St. Francis Medical Center’s request to introduce specialty level nursery services), in which Chippenham and Johnston-Willis Hospitals, Inc. were found to have good cause standing, the adjudication officer reached the conclusion that this standard is “meaningless” and “unworkable.”

However, on January 6, 2020, the Commissioner issued a decision in response to Lewis Gale Medical Center’s request for Reconsideration of the December 13, 2019 denial of COPN Request No. VA-8391, which sought to introduce neonatal specialty care services at Lewis-Gale Medical Center in Salem, Virginia. The Commissioner found that a public need for the [Lewis Gale] project had not been demonstrated and that the [Lewis Gale] project was not consistent with the SMFP. Regarding this specific provision of the SMFP, the Commissioner stated the following:

“I acknowledge that the definition of “beds” in the SMFP excludes bassinets, that bassinets are not COPN-approved or otherwise licensed as to the number of bassinets, that hospitals may increase or decrease the number of bassinets at will, and that the

availability and occupancy of existing bassinets may often be arbitrary. I do not agree necessarily that this renders the SMFP provisions meaningless...”

DCOPN notes that the average utilization of all intermediate, specialty, and subspecialty level nurseries (which may also be used to provide intermediate level care) in HPR II in 2020, was far below 85% at only 60.8% (Table 23). As such, DCOPN concludes that the applicant does not meet this threshold.

However, DCOPN acknowledges that the denial of the relocation of neonatal care services as part of a large hospital replacement request, which is based on a significant need to replace an aging structure, would frustrate the guiding principles of the SMFP found in 12VAC5-230-30.4⁴. Moreover, DCOPN concludes that forcing hospitals to surrender vital services during the relocation of a hospital based on such a determination would produce a chilling effect that would discourage hospitals from making choices that would ensure the best care for their patients. Finally, DCOPN notes that the relocation of IAH’s neonatal care services would be inventory neutral as IAH’s neonatal care services would cease to operate when Landmark’s neonatal care services commenced.

As such, while the applicant does not meet this threshold, DCOPN recommends that the Commissioner, in this specific instance, does not allow this standard to bar the relocation of the neonatal care services from IAH to Landmark. This recommendation is predicated on the approval of the broader project establishing each hospital and should not be construed to indicate that the Commissioner should approve the relocation of the neonatal care services at IAH absent the replacement of all services from IAH.

Table 23: PD 8 Intermediate Neonatal Special Care Utilization: 2020

Facility	Level of Neonatal Care	# of Bassinets	Available Days	Patient Days	Utilization
Inova Alexandria Hospital	Specialty	16	5,856	3,205	54.7%
Inova Fair Oaks Hospital	Specialty	19	6,935	2,948	42.5%
Inova Fairfax Hospital	Subspecialty	108	39,528	26,387	66.8%
Inova Loudoun Hospital	Specialty	12	4,392	2,223	50.6%
Novant Health UVA Health System Haymarket Medical Center	Intermediate	1	480	46	9.6%
Novant Health UVA Health System Prince William Medical Center	Specialty	6	4,392	2,061	46.9%
Reston Hospital Center	Specialty	16	5,840	4,340	74.3%
Sentara Northern Virginia Medical Center	Intermediate	5	1,830	1,034	56.5%
Virginia Hospital Center	Specialty	14	5,124	2,978	58.1%
Grand Total		197	74,377	45,222	60.8%

Source: VHI 2020 Data

⁴ “The COPN program seeks to encourage the conversion of facilities to new and efficient uses and the reallocation of resources to meet evolving community needs.”

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

Not applicable. The proposed project does not include neonatal services.

B. Intermediate level newborn services as designated in 12VAC5-410-443 should contain a minimum of six bassinets.

COPN Request No. VA-8612: Inova Alexandria Hospital (Landmark)

The proposed project seeks to relocate neonatal services from IAH to Landmark. The 2020 data from VHI shows that IAH currently has 48 bassinets, consisting of 32 general and 16 specialty bassinets. DCOPN concludes that the applicant has satisfied this standard.

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

Not applicable. The proposed project does not include neonatal services.

C. No more than four bassinets for intermediate level newborn services as designated in 12VAC5-410-443 per 1,000 live births should be established in each health planning region.

COPN Request No. VA-8612: Inova Alexandria Hospital (Landmark)

The applicant states this standard does not apply to the project. DCOPN disagrees with this assertion. No exception is made in the language of the SMFP to differentiate between the establishment of a new service through the relocation of previously approved neonatal care service and the establishment of a new neonatal care service. As this distinction is made elsewhere in the SMFP, and will be discussed in the relevant section, *inclusio unius est exclusio alterius* would indicate that no such distinction was intended for this section when the SMFP was drafted. Moreover, the application of this standard to a relocation of an existing service is vital in determining if a need exists for the relocated service, both in the proposed area and in the planning district.

As previously discussed, because bassinets are neither COPN-approved nor licensed and hospitals may increase or decrease the number of bassinets without COPN authorization or notice, the availability and occupancy of existing bassinets reported to VHI by special care nurseries may often be arbitrary, thus this standard is considered to be “meaningless” and “unworkable” by DCOPN.

DCOPN notes that according to VHI data for 2020, the most recent year for which such data is available, there were 29,202 live births in HPR II (**Table 24**), representing a maximum of 117 intermediate-level bassinets in HPR II. While there are only six bassinets currently existing in HPR II that are specifically designated as “intermediate-level,” as previously discussed, bassinets within COPN approved special care nurseries may be utilized interchangeably at their approved level or at a lower level, but not at a higher level than approved within that facility. Therefore, the subspecialty and specialty level nurseries in HPR II may also provide intermediate level care. DCOPN notes that 197 bassinets are authorized for intermediate, specialty or subspecialty care in HPR II. Thus, it could be argued that a large surplus of special care bassinets already exists in HPR II.

However, DCOPN acknowledges that the denial of the relocation of neonatal care services as part of a large hospital replacement request, which is based on a significant need to replace an aging structure, would frustrate the guiding principles of the SMFP found in 12VAC5-230-30.4. Moreover, DCOPN concludes that forcing hospitals to surrender vital services during the relocation of a hospital based on such a determination would produce a chilling effect that would discourage hospitals from making choices that would ensure the best care for their patients. Finally, DCOPN notes that the relocation of IAH's neonatal care services would be inventory neutral as IAH's neonatal care services would cease to operate when Landmark's neonatal care services commenced.

As such, while the applicant does not meet this threshold, DCOPN recommends that the Commissioner, in this specific instance, does not allow this standard to bar the relocation of the neonatal care services from IAH to Landmark. This recommendation is predicated on the approval of the broader project establishing each hospital and should not be construed to indicate that the Commissioner should approve the relocation of the neonatal care services at IAH absent the replacement of all services from IAH.

Table 24: PD 8 Live Births: 2020

Facility	Number of Births
Inova Alexandria Hospital	3,080
Inova Fair Oaks Hospital	2,855
Inova Fairfax Medical Campus	9,649
Inova Loudoun Hospital	2,438
Novant Health UVA Health System Haymarket Medical Center	291
Novant Health UVA Health System Prince William Medical Center	1,581
Reston Hospital Center	2,994
Sentara Northern Virginia Medical Center	1,328
StoneSprings Hospital Center	714
Virginia Hospital Center	4,272
Grand Total	29,202

Source: VHI 2020 Data

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

Not applicable. The proposed project does not include neonatal services.

12VAC5-230-970. Specialty level newborn services.

- A. Existing specialty level newborn services as designated in 12VAC5-410-443 should achieve 85% average annual occupancy before new specialty level newborn services can be added to the health planning region.**

COPN Request No. VA-8612: Inova Alexandria Hospital (Landmark)

The applicant states this standard does not apply to the project. DCOPN disagrees with this assertion. No exception is made in the language of the SMFP to differentiate between the establishment of a new service through the relocation of previously approved neonatal care service and the establishment of a new neonatal care service. As this distinction is made elsewhere in the SMFP, and will be discussed in the relevant section, *inclusio unius est exclusio alterius* would indicate that no such distinction was intended for this section when the SMFP was drafted. Moreover, the application of this standard to a relocation of an existing service is vital

in determining if a need exists for the relocated service, both in the proposed area and in the planning district.

The definition of “bed” in the SMFP excludes bassinets and, regardless of the service level, bassinets are neither COPN approved nor licensed as to the number of bassinets. COPN authorization and licensing relate *only to the level* of neonatal special care, i.e. intermediate, specialty or subspecialty level. Therefore, the available number of such bassinets, either in total or at any specific level, is not a fixed number for any period of time. Because hospitals may increase or decrease the number of bassinets without COPN authorization or notice, the availability and occupancy of existing bassinets reported to VHI by hospitals with special care nursery services may often be arbitrary. Furthermore, in the adjudication officer’s good cause standing report for COPN Request No. VA-7283 (Bon Secours St. Francis Medical Center’s request to introduce specialty level nursery services), in which Chippenham and Johnston-Willis Hospitals, Inc. were found to have good cause standing, the adjudication officer reached the conclusion that this standard is “meaningless” and “unworkable.”

However, on January 6, 2020, the Commissioner issued a decision in response to Lewis Gale Medical Center’s request for Reconsideration of the December 13, 2019 denial of COPN Request No. VA-8391, which sought to introduce neonatal specialty care services at Lewis-Gale Medical Center in Salem, Virginia. The Commissioner found that a public need for the [Lewis Gale] project had not been demonstrated and that the [Lewis Gale] project was not consistent with the SMFP. Regarding this specific provision of the SMFP, the Commissioner stated the following:

“I acknowledge that the definition of “beds” in the SMFP excludes bassinets, that bassinets are not COPN-approved or otherwise licensed as to the number of bassinets, that hospitals may increase or decrease the number of bassinets at will, and that the availability an occupancy of existing bassinets may often be arbitrary. I do not agree necessarily that this renders the SMFP provisions meaningless...”

DCOPN notes that the average utilization of all specialty and subspecialty level nurseries (which may also be used to provide specialty level care) in HPR II in 2020, was far below 85% at only 61.3% (**Table 25**).

However, DCOPN acknowledges that the denial of the relocation of specialty neonatal care services as part of a large hospital replacement request, which is based on a significant need to replace an aging structure, would frustrate the guiding principles of the SMFP found in 12VAC5-230-30.4. Moreover, DCOPN concludes that forcing hospitals to surrender vital services during the relocation of a hospital based on such a determination would produce a chilling effect that would discourage hospitals from making choices that would ensure the best care for their patients. Finally, DCOPN notes that the relocation of IAH’s specialty neonatal care services would be inventory neutral as IAH’s neonatal care services would cease to operate when Landmark’s specialty neonatal care services commenced.

As such, while the applicant does not meet this threshold, DCOPN recommends that the Commissioner, in this specific instance, does not allow this standard to bar the relocation of the

specialty neonatal care services from IAH to Landmark. This recommendation is predicated on the approval of the broader project establishing each hospital and should not be construed to indicate that the Commissioner should approve the relocation of the neonatal care services at IAH absent the replacement of all services from IAH.

Table 25: PD 8 Neonatal Special Care Utilization: 2020

Facility	Level of Neonatal Care	# of Bassinets	Available Days	Patient Days	Utilization
Inova Alexandria Hospital	Specialty	16	5,856	3,205	54.7%
Inova Fair Oaks Hospital	Specialty	19	6,935	2,948	42.5%
Inova Fairfax Hospital	Subspecialty	108	39,528	26,387	66.8%
Inova Loudoun Hospital	Specialty	12	4,392	2,223	50.6%
Novant Health UVA Health System Prince William Medical Center	Specialty	6	4,392	2,061	46.9%
Reston Hospital Center	Specialty	16	5,840	4,340	74.3%
Virginia Hospital Center	Specialty	14	5,124	2,978	58.1%
Grand Total		191	72,067	44,142	61.3%

Source: VHI 2020 Data

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

Not applicable. The proposed project does not include neonatal services.

B. Specialty level newborn services as designated in 12VAC-410-443 should contain a minimum of 18 bassinets.

COPN Request No. VA-8612: Inova Alexandria Hospital (Landmark)

While the VHI data for 2020 only shows 16 specialty bassinets, DCOPN once more notes that the available number of such bassinets, either in total or at any specific level, is not a fixed number for any period of time. Because hospitals may increase or decrease the number of bassinets without COPN authorization or notice, the availability and occupancy of existing bassinets reported to VHI by hospitals with special care nursery services may often be arbitrary. As the applicant current shows a total of 48 bassinets at IAH, which could be converted into specialty bassinets without COPN authorization or notice, DCOPN concludes that the applicant meets this standard.

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

Not applicable. The proposed project does not include neonatal services.

C. No more than four bassinets for specialty level newborn services as designated in 12VAC5-410-443 per 1,000 live births should be established in each health planning region.

COPN Request No. VA-8612: Inova Alexandria Hospital (Landmark)

The applicant states this standard does not apply to the project. DCOPN disagrees with this assertion. No exception is made in the language of the SMFP to differentiate between the establishment of a new service through the relocation of previously approved neonatal care service and the establishment of a new neonatal care service. As this distinction is made elsewhere in the SMFP, and will be discussed in the relevant section, *inclusio unius est exclusio*

alterius would indicate that no such distinction was intended for this section when the SMFP was drafted. Moreover, the application of this standard to a relocation of an existing service is vital in determining if a need exists for the relocated service, both in the proposed area and in the planning district.

As previously discussed, because bassinets are neither COPN-approved nor licensed and hospitals may increase or decrease the number of bassinets without COPN authorization or notice, the availability and occupancy of existing bassinets reported to VHI by special care nurseries may often be arbitrary, thus this standard is considered to be “meaningless” and “unworkable” by DCOPN.

However, DCOPN notes that according to VHI data for 2020, the most recent year for which such data is available, there were 29,202 live births in HPR II (Table 24), representing a maximum of 117 specialty-level bassinets in HPR II. While there are only 83 bassinets currently existing in HPR II that are specifically designated as “specialty-level,” as previously discussed, bassinets within COPN approved special care nurseries may be utilized interchangeably at their approved level or at a lower level, but not at a higher level than approved within that facility. Therefore, the intermediate and subspecialty level nurseries in HPR II, with the exception of UVA Health System Haymarket Medical Center and Sentara Northern Virginia Medical Center, may also provide specialty level care. DCOPN notes that this equates to 191 bassinets that are authorized for intermediate, specialty or subspecialty care in HPR II. Thus, it could be argued that a large surplus of special care bassinets already exists in HPR II.

However, DCOPN acknowledges that the denial of the relocation of specialty neonatal care services as part of a large hospital replacement request, which is based on a significant need to replace an aging structure, would frustrate the guiding principles of the SMFP found in 12VAC5-230-30.4. Moreover, DCOPN concludes that forcing hospitals to surrender vital services during the relocation of a hospital based on such a determination would produce a chilling effect that would discourage hospitals from making choices that would ensure the best care for their patients. Finally, DCOPN notes that the relocation of IAH’s specialty neonatal care services would be inventory neutral as IAH’s neonatal care services would cease to operate when Landmark’s specialty neonatal care services commenced.

As such, while the applicant does not meet this threshold, DCOPN recommends that the Commissioner, in this specific instance, does not allow this standard to bar the relocation of the specialty neonatal care services from IAH to Landmark. This recommendation is predicated on the approval of the broader project establishing each hospital and should not be construed to indicate that the Commissioner should approve the relocation of the neonatal care services at IAH absent the replacement of all services from IAH.

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

Not applicable. The proposed project does not include neonatal services.

- D. Proposals to establish specialty level services as designated in 12VAC5-410-443 shall demonstrate that service volumes of existing specialty level newborn service providers located within the travel time listed in 12VAC5-230-940 will not be significantly reduced.**

COPN Request No. VA-8612: Inova Alexandria Hospital (Landmark)

The applicant states this standard does not apply to the project. DCOPN disagrees with this assertion. No exception is made in the language of the SMFP to differentiate between the establishment of a new service through the relocation of previously approved neonatal care service and the establishment of a new neonatal care service. As this distinction is made elsewhere in the SMFP, and will be discussed in the relevant section, *inclusio unius est exclusio alterius* would indicate that no such distinction was intended for this section when the SMFP was drafted. Moreover, the application of this standard to a relocation of an existing service is vital in determining if a need exists for the relocated service, both in the proposed area and in the planning district.

In the case of this project, the applicant is merely relocating an existing specialty level neonatal care service from its original location to a replacement hospital located reasonably close to the original location. Moreover, DCOPN notes that the proposed project would be inventory neutral as neonatal care services would cease to operate at IAH once they commence at Landmark. Finally, both letters of opposition state that they have no objection to the general relocation of services from IAH to Landmark to effectuate the replacement of the aging IAH. As such, DCOPN concludes that the relocation of the specialty level neonatal care services at IAH to Landmark would not significantly reduce the service volumes of existing providers.

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

Not applicable. The proposed project does not include neonatal services.

12VAC5-230-980. Subspecialty level newborn services.

- A. Existing subspecialty level newborn services as designated in 12VAC5-410-443 should achieve 85% average annual occupancy before new subspecialty level newborn services can be added to the health planning region.**
- B. Subspecialty level newborn services as designated in 12VAC5-410-443 should contain a minimum of 18 bassinets.**
- C. No more than four bassinets for subspecialty level newborn services as designated in 12VAC-410-443, per 1,000 live births should be established in each health planning region.**
- D. Proposals to establish subspecialty level newborn services as designated in 12VAC5-410-443 shall demonstrate that service volumes of existing subspecialty level newborn providers located within the travel time listed in 12VAC-230-940 will not be significantly reduced.**

Not applicable. Neither project is proposing to introduce subspecialty level newborn services.

12VAC5-230-990. Neonatal services.

The application shall identify the service area and the levels of service of all the hospitals to be served by the proposed service.

The applicant identified the service area and the levels of service of all hospitals to be served by the proposed service.

12VAC5-230-100. Staffing.

All levels of neonatal special care services should be under the direction or supervision of one or more qualified physicians as described in 12VAC5-410-443.

COPN Request No. VA-8612: Inova Alexandria Hospital (Landmark)

The applicant states that IAH's Specialty level NICU services are currently under the direct supervision of board-certified neonatologists. The applicant additionally states that Specialty level NICU services will remain under such supervision should the proposed projects receive approval.

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

Not applicable. The proposed project does not include neonatal services.

Part 1.

Definitions and General Information

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.

As discussed above, in addition to the relocation of services from IAH, the applicant is, across the two projects, attempting to add five additional operating rooms, two CT scanners, and one MRI scanner. DCOPN determined in 12VAC5-230-110 above that the requested CT scanners were justified by the high utilization of the CT scanners at IAH and Inova Springfield HealthPlex. Under 12VAC5-230-160, DCOPN determined that the utilization at IAH was insufficient to justify the expansion of MRI services. The analysis under this section, utilizing the same data, remains unchanged with regards to MRI services.

Regarding the requested five additional ORs, DCOPN finds that the applicant's utilization at IAH does not justify this number of ORs. In 2020, the last year for which DCOPN has data available from VHI, IAH only operated at 103.5% of the SMFP threshold (Table 22). Moreover, the utilization at IAH has not changed materially per OR in the past five years (Table 26). DCOPN notes that, while the utilization may not justify the addition of five operating rooms, it is sufficient to justify the addition of one more operating room. As the applicant ultimately intends to have the same number of operating rooms at both locations, DCOPN concludes that the addition of one operating room at ISH, which would lead to each location

authorized for six of the requested eight operating rooms would be the best method of effectuating the applicants goals despite not approving the four additional operating rooms.

Table 26. IAH OR Utilization: 2016-2020

	Operating Rooms	Total Hours	Use Per OR	Utilization Rate
2016	10	17,487	1,748.7	109.3%
2017	10	17,184	1,718.4	107.4%
2018	11	17,102	1,554.7	97.2%
2019	11	19,303	1,754.8	109.7%
2020	11	18,224	1,656.7	103.5%

Source: VHI

- 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.**

Regarding the one operating room, DCOPN notes that Inova Ambulatory Surgery Center at Lorton only operated at 0.6% of the SMFP threshold in 2020, the last year for which data is available from VHI. Additionally, utilization at this location has been steadily dropping for several years before this (Table 27). As shown in Table 5 above, DCOPN records show two operating rooms at Inova Ambulatory Surgery Center at Lorton. The relocation of one of these two operating rooms to the Springfield location would relocate an underutilized operating room while addressing the institutional need identified at IAH to expand its surgical services without adding another operating room to a planning district with a sizeable surplus.

Table 27. Inova Ambulatory Surgery Center at Lorton OR Utilization: 2017-2020

	Operating Rooms	Total Hours	Use Per OR	Utilization Rate
2017	2	2,748	1,374.0	85.9%
2018	2	2,285	1,142.5	71.4%
2019	2	1,298	649.0	40.6%
2020	1	9	9.0	0.6%

Source: VHI

- C. This section is not applicable to nursing facilities pursuant to § 32.1-102.3:2 of the Code of Virginia.**

The applicant is not seeking to use institutional need to add nursing beds.

- D. Applicants shall not use this section to justify a need to establish new services.**

While DCOPN identified the need for one operating room at IAH and identified an underutilized operating room in the health system that could be relocated to address this need, both proposed projects are establishing a new surgical service at Landmark and ISH. As such, this section cannot be used to increase the number of operating rooms at either location at this point. As discussed above, shell space for the requested additional services not recommended for approval

could be built as part of the project. If the proposed projects are approved, the applicant could then request COPN authorization to expand these services once a need to expand has been established at Landmark or ISH.

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;

The proposed project would not foster institutional competition that benefits the area to be served. While HSANV makes the argument that the proposed projects would introduce beneficial competition by allowing IAH to better compete and stabilize or reverse its decline. DCOPN disagrees with this assertion. While DCOPN acknowledges the decline of IAH's utilization, Inova's market share within this planning district, discussed below, is sufficiently large that the further strengthening its position could not generate beneficial competition, particularly within an area so dominated with Inova Health System facilities. On the other side of this consideration, because the proposed hospitals are being placed in an area so already dominated by Inova facilities, it is not likely that the proposed projects would materially detrimentally affect providers outside this primary service area.

Both HCA and VHC, in their letters opposing COPN Request No. VA-8613, state that the proposed projects would be harmful to beneficial competition in PD 8. In support of their argument, HCA states that, in 2020, Inova provided 57% of the total patient days and that approval of both locations would "exacerbate this already-problematic situation and harm beneficial institutional competition." DCOPN disagrees with this assumption, as the applicant is not adding additional beds. While DCOPN does concur that the proposed projects will not produce any beneficial competition, the information and arguments presented by HCA do not provide any concrete evidence with which the conclusion that the proposed projects would be harmful to institutional competition could be reached.

VHC argues that the proposed projects would be harmful to VHC on several accounts. First, the applicant asserts that a 47% of VHC's discharges come from the primary service areas of Landmark and ISH. Next the applicant states that the anticipated diversion of patient volumes it attributes to these hospitals would likely be amplified by the "halo effect" of the new hospitals. As discussed above, DCOPN does not dispute this assertion. However, given the crowded landscape of PD 8, particularly close to Washington, D.C., this overlap is not uncommon. Moreover, while DCOPN is sympathetic to VHC's concerns regarding its utilization, it also notes that VHC has the highest bed utilization in the planning district (Table 7). As such, DCOPN finds it unlikely that a provider with such a loyal and large patient base would be affected materially by the relocation of beds within an area already dominated by Inova facilities. VHC also states that, a diversion of patients would be necessary to ensure the sustainability of the hospital. DCOPN disagrees with this assertion. While the introduction of a new hospital, and new beds within the planning district, certainly would cause this result, this is merely the relocation of existing beds within the planning district. As these beds have been being utilized by patients for years prior to this project, a patient base already exists to ensure the sustainability of the hospital.

For the reasons discussed above, DCOPN concludes that neither project would foster institutional competition that benefits the area to be served nor would it materially detrimentally affect beneficial institutional competition in PD 8.

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;

As discussed throughout this report, HCA and VHC contend that COPN Request No. VA-8613 would detrimentally affect the utilization and efficiency of their facilities. Outside of the discussions of bed utilization, this assertion is stated broadly. DCOPN has addressed this concern in the relevant sections above and determined that the relocation of services to these locations would not materially detrimentally affect the utilization of VHC and HCA facilities. Regarding the addition of new scanners or operating rooms requested by Inova as part of this project, DCOPN has only recommended approval of these additions in instances where there was a clear institutional need. In these instances, because of the established institutional need, these additions would not affect the utilization and efficiency of existing services.

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-8612: Inova Alexandria Hospital (Landmark)

The Pro Forma Income Statement (**Table 28**) provided by the applicant projects a net profit of \$19,606,000 by the end of the first year of operation and a net profit of \$21,607,000 by the end of year two for the proposed project. The projected operating revenues of both projects equate to roughly 35% of the total revenue for Inova Health System based the historical data gleaned from the provided financial statements for the past two years. Given the number of Inova facilities in PD 8, this predicted percentage of Inova's profits seems somewhat high. The total capital and financing cost of the proposed project is \$1,455,989,952 (**Table 9**). The applicant states that the proposed project would be financed using 71% bond financing and paying for the remaining 29% using accumulated reserves. This amounts to \$737,073,550 paid for using bond financing and \$301,058,210 paid using accumulated reserves. Approximately 65.3% of the total capital cost is attributed to direct construction costs and 16.7% is attributed to the cost of equipment. When including the financing costs, approximately 46.6% of the total capital and financing costs is attributed to direct construction costs, 12.6% is attributed to the costs of equipment, and 28.7% is attributed to total interest costs on long term financing. The applicant asserts that the capital and interest expenses for the replacement hospital projects are not expected to impact the cost of care. Looking at the applicant's accumulated reserves, the applicant has ample available funds to pay for this project, including the financing costs, if necessary. As such, despite finding the anticipated percentage of Inova's annual revenues attributed to these two projects somewhat questionable, DCOPN ultimately concludes that the proposed project is feasible with regard to financial costs in both the immediate and the long-term.

Table 28. Landmark Pro Forma Income Statement

	Year 1	Year 2
Gross Revenue	\$1,195,474,000	\$1,268,981,000
Deductions from Revenue	\$795,510,000	\$854,075,000
Net Patient Services Revenue	\$399,964,000	\$414,906,000
Other Operating Revenue	\$1,552,000	\$1,599,000
Net Patient Revenue	\$401,516,000	\$416,505,000
Total Operating Expenses	\$381,910,000	\$394,898,000
Excess Revenue Over Expenses	\$19,606,000	\$21,607,000

Source: COPN Request No. VA-8612 & DCOPN interpolations

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

The Pro Forma Income Statement (Table 29) provided by the applicant projects a net profit of \$780,159,000 by the end of the first year of operation and a net profit of \$813,940,000 by the end of year two for the proposed project. The projected operating revenues of both projects equate to roughly 35% of the total revenue for Inova Health System based the historical data gleaned from the provided financial statements for the past two years. The projected operating revenues of both projects equate to roughly 35% of the total revenue for Inova Health System based the historical data gleaned from the provided financial statements for the past two years. Given the number of Inova facilities in PD 8, this predicted percentage of Inova's profits seems somewhat high. The total capital and financing cost of the proposed project is \$859,615,365 (Table 10). The applicant states that the proposed project would be financed using 72.8% bond financing and paying for the remaining 27.2% using accumulated reserves. This amounts to \$445,198,026 paid for using bond financing and \$166,337,724 paid using accumulated reserves. Approximately 64.4% of the total capital costs is attributed to direct construction costs and 17% is attributed to the costs of equipment. When including the financing costs, approximately 45.8% of the total capital and financing costs is attributed to direct construction costs, 12.1% is attributed to the costs of equipment, and 28.9% is attributed to total interest costs on long term financing. The applicant asserts that the capital and interest expenses for the replacement hospital projects are not expected to impact the cost of care. Looking at the applicant's accumulated reserves, the applicant has ample available funds to pay for this project, including the financing costs, if necessary. As such, despite finding the anticipated percentage of Inova's annual revenues attributed to these two projects somewhat questionable, DCOPN ultimately concludes that the proposed project is feasible with regard to financial costs in both the immediate and the long-term.

Table 29. ISH Pro Forma Income Statement

	Year 1	Year 2
Gross Revenue	\$780,159,000	\$813,940,000
Deductions from Revenue	\$517,689,000	\$544,675,000
Net Patient Services Revenue	\$262,470,000	\$269,265,000
Other Operating Revenue	\$850,000	\$850,000
Net Patient Revenue	\$263,320,000	\$270,115,000
Total Operating Expenses	\$245,408,000	\$252,342,000
Excess Revenue Over Expenses	\$17,912,000	\$17,773,000

Source: COPN Request No. VA-8613 & DCOPN interpolations

COPN Request No. VA-8612: Inova Alexandria Hospital (Landmark) & COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

With regard to staffing, the applicant anticipates a need for 237.9 additional FTEs, including 107.2 FTEs for Registered Nurses and 42.9 FTEs for Radiologic Technologists. As this number is reported in both applications, DCOPN assumes that this calculation is for both projects. DCOPN additionally notes that there is an additional 185.5 vacant FTEs, including 102.9 FTEs for Registered Nurses and 25.5 FTEs for technologists, reported at IAH. Combined, this amounts to a total of 423.4 FTEs, including 210.1 FTEs for Registered Nurses and 68.4 FTEs for Technologists that will need to be recruited to be at full staff. HCA, in their letter of opposition expresses concern and alarm at this vast amount of required additional staffing resources. Given the scope of these staffing requirements, particularly given the current national nursing shortage, DCOPN shares in HCA's concern with these numbers. However, while HCA expresses concern, it does not make any assertions regarding any affect this large scale staffing requirements would have on its own locations. Similarly, while VHC expresses concern regarding how the staffing of both locations could affect costs when discussing the cost per bed of the proposed projects, they do not make any assertions regarding any staffing issues that could result from this large scale staffing requirement. Given the depth and scope of both parties' arguments opposing the projects, it seems unreasonable to assume that such a frequently raised argument was merely overlooked. As such, DCOPN can only assume that neither party sees these massive staffing requirements as a threat to their own staffing needs.

Regarding recruitment methods, the applicant first states that they expect many staff of the existing Inova Alexandria Hospital will transition their employment to the replacement hospitals. This statement is concerning, as it implies that the massive required 423.4 FTEs could potentially be significantly higher. Regarding recruitment methods, Inova states that "additional staffing needs will be met through the following initiatives:

- Recruiting initiatives targeted at labor pools that have historically been underutilized in the health care industry (e.g., minorities, seniors, retired military personnel, etc.), and in geographic areas well outside Northern Virginia, expanding the pool of available workers, without draining resources from other facilities.
- Initiatives to bolster the size and quality of the health services labor pool in Northern Virginia over the long-term by promoting health care career paths among area youth, benefitting all area health care providers with a vibrant and enthusiastic labor pool.
- Inova has and will continue to foster close relationships with the many nursing and allied health schools/programs in the region.
- Inova's Nursing Professional Practice Department will leverage partnerships with local nursing schools to place students into Senior Practicums within our facilities.
- Deploy a greater mix of new grad nurses and allied health professionals (e.g. Initiative to bring on board 1200 new grad nurses in the next year).
- Leverage advanced analytics to reach outside of the Northern Virginia region for top talent.
- Highlight relocation assistance that is offered for all positions that require relocation.
- Highlight the sign-on bonus program for critical positions throughout the system.
- Initiatives to facilitate direct hires of international nurses at all care facilities.

- Implement strategies focused on transitioning students/interns into full-time professionals.
- Identify those in clinical technician and support roles to enroll in additional education and professional development for continued growth within Inova.
- Continuously monitor trends in the recruitment/employment market and adapt to generational expectations to create a truly unique recruitment experience.
- Make use of advanced analytics to monitor trends locally, regionally, and nationally for benefits, compensation, and workplace standards to ensure that Inova is at the forefront of team member recruitment and retention efforts.

The applicant asserts that they do not expect the proposed projects to have a negative impact on the staffing of other facilities in the area. The applicant states that “each replacement hospital’s staffing needs are expected to be met in significant part through the relocation of staff from the existing Inova Alexandria Hospital and that additional staffing needs are projected based on incremental growth and are expected to be met by continued growth over time in Inova’s employee base through the development pipelines described...above.” DCOPN, in a recent staff report, referred to these staffing initiatives as “ambitious and long-term plans regarding staffing.”⁵ Despite this, given the volume of required staff, DCOPN is highly concerned regarding the staffing requirements with these projects. However, given that no concerns were expressed by the opposing parties regarding the affect these large staffing requirements would have on their facilities, the aforementioned ambitious and long-term plans from Inova, and the significant amount of time before the opening of these locations, during which Inova can recruit the necessary staff, DCOPN cautiously concludes that the proposed projects are feasible with regards to staffing. DCOPN additionally notes, however, that it will be paying close attention to these efforts in order to determine if such weight should be placed on Inova’s assertions moving forward.

- 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-8612: Inova Alexandria Hospital (Landmark)

The applicant does not raise any arguments regarding how the proposed project would provide improvements or innovations in the financing and delivery of health services as demonstrated by the introduction of new technology that promotes quality of cost effectiveness, nor improvements in the potential for provisions of health care services on an outpatient basis. The applicant does not make any arguments regarding the potential for provision of health care services on an outpatient basis or any cooperative efforts to meet regional health care needs. DCOPN did not identify any other factors as may be appropriate to bring to the Commissioner’s attention.

⁵ DCOPN Staff Report COPN Request Nos. VA-8559, 8595, 8596, & 8603 p.29.

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

The applicant does not raise any arguments regarding how the proposed project would provide improvements or innovations in the financing and delivery of health services as demonstrated by the introduction of new technology that promotes quality of cost effectiveness, nor improvements in the potential for provisions of health care services on an outpatient basis. Regarding the provision of health care services on an outpatient basis, DCOPN notes that the proposed project would reduce the outpatient imaging options for CT and MRI scanners by one facility. However, if the applicant did not include this as part of their project, DCOPN would have likely suggested the relocation of these imaging devices as part of its review. Given this, DCOPN can hardly penalize the applicant for anticipating the likely suggested course of action from DCOPN and therefore cannot hold the elimination of CT and MRI services at Healthplex as part of this project against the applicant. DCOPN did not identify any other factors as may be appropriate to bring to the Commissioner's attention.

- 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.**

IAH is not a teaching hospital associated with a public institution of higher education or a medical school in the area to be served. The applicant does not make any assertions regarding either proposed location acting as a teaching hospital associated with a public institution of higher education or a medical school in the area to be served. Accordingly, this standard is not applicable to the proposed projects.

DCOPN Staff Findings and Conclusions

COPN Request No. VA-8612: Inova Alexandria Hospital (Landmark)

DCOPN finds that the proposed project to relocate 192 acute care beds, six operating rooms, two CT scanners, one MRI scanner, two linear accelerators, brachytherapy services, two cardiac catheterization labs, and specialty level neonatal special care services is generally consistent with the applicable criteria and standards of the SMFP and the Eight Required Considerations of the Code of Virginia. While the proposed project does not meet many of the applicable sections of the SMFP related to the establishment of a new service at Landmark, DCOPN recommends that the Commissioner, in this specific instance, not allow those specific standards to bar the relocation of these services from IAH to the Landmark location. This recommendation was predicated the approval of the broader project establishing each hospital and should not be construed to indicate that the Commissioner should approve the relocation of these services at IAH absent the replacement of all services from IAH. Regarding the addition of one new fixed CT scanner, DCOPN finds that this request is consistent with the applicable criteria and standards of the SMFP and the Eight Required Considerations of the Code of Virginia. The applicant has established an institutional need to expand CT services based on the high utilization at IAH. Regarding the addition of one MRI scanner, DCOPN finds that this request is inconsistent with the applicable criteria and standards of the SMFP and the Eight Required Considerations of the Code of

Virginia. The utilization at IAH is not sufficient to establish an institutional need to expand MRI services at Landmark. Regarding the request to add two operating rooms at Landmark, DCOPN finds that this request is inconsistent with the applicable criteria and standards of the SMFP and the Eight Required Considerations of the Code of Virginia. As the applicant is establishing a new surgical service at Landmark, the use of the institutional need section to expand the number of operating rooms is not appropriate.

Moreover, DCOPN finds that there is not a reasonable alternative to the relocation portion of the proposed project that would meet the needs of the people in the area to be served in a less costly, more efficient, or more effective manner. All parties agree that the maintenance of the status quo and the replacement of IAH on its original campus are not viable alternatives to the proposed project. Moreover, DCOPN established that the relocation of all of IAH's services to the Landmark location is not a viable alternative as well. The creation of an expensive new hospital without the ability to expand is poor health planning and such a project would accrue significant delays and substantial expenses beyond the combined costs of both projects. Additionally, alternative sites where the applicant could place all of its resources are not available. As such, DCOPN concludes that there is not a reasonable alternative to the relocation of portion of the proposed project that would meet the needs of the people in the area to be served in a less costly, more efficient, or more effective manner. With regards to the expansion of CT services portion of the proposed project, DCOPN concludes that the status quo is not a viable alternative to the proposed project. Maintaining the status quo would result in the continued high utilization of the scanners at this location and would not address the institutional need to expand. With regards to the expansion of MRI and the operating rooms, a preferable alternative to the proposed project is would be the building of shell space where the MRI scanner and operating rooms were planned to be placed. In this way, the applicant can prepare for their anticipated need without the premature authorization of services that objective data does not show to be necessary at this time. In this way, the applicant can reduce any future costs that may result when applying to expand these services once the objective data shows a need for the expansion of these services.

Additionally, the HSNV Board voted nine in favor and none opposed to recommend that the application be approved. Finally, DCOPN finds that the total capital costs of the proposed project are \$1,455,989,952 (**Table 9**). The applicant states that the proposed project would be financed using 71% bond financing and paying for the remaining 29% using accumulated reserves. This amounts to \$737,073,549.60 paid for using bond financing and \$301,058,210.40 paid using accumulated reserves. The applicant asserts that the capital and interest expenses for the replacement hospital projects are not expected to impact the cost of care. While prior projects cost substantially less per bed than the proposed project, the compared projects represent the establishment of new hospitals rather than the relocation of a significant number of services from an existing hospital to a new location. As there are not appropriate comparable projects in DCOPN's record, DCOPN defers to HSNV, as the regional experts on issues such as real estate and construction costs. DCOPN therefore concludes that while the costs are high, they are acceptable for the scope of the proposed project.

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

DCOPN finds that the proposed project to relocate 110 acute care beds from IAH, five operating rooms from IAH, two CT scanners, one from IAH and one from Healthplex, and two MRI scanners, one from IAH and one from Healthplex, is generally consistent with the applicable criteria and standards of the SMFP and the Eight Required Considerations of the Code of Virginia. While the proposed project does not meet many of the applicable sections of the SMFP related to the establishment of a new service at ISH, DCOPN recommends that the Commissioner, in this specific instance, does not allow those specific standards to bar the relocation of these services from IAH to the ISH. This recommendation was predicated the approval of the broader project establishing each hospital and should not be construed to indicate that the Commissioner should approve the relocation of these services at IAH absent the replacement of all services from IAH. Regarding the addition of one new fixed CT scanner, DCOPN finds that this request is consistent with the applicable criteria and standards of the SMFP and the Eight Required Considerations of the Code of Virginia. The applicant has established an institutional need to expand CT services based on the high utilization at Healthplex. Regarding the relocation of 10 beds from Inova Mount Vernon Hospital, DCOPN finds that this request is inconsistent with the applicable criteria and standards of the SMFP and the Eight Required Considerations of the Code of Virginia. The applicant failed to meet the standards necessary to justify the relocation of these beds under 12VAC5-230-570. Regarding the request to add three operating rooms at ISH, DCOPN finds that this request is inconsistent with the applicable criteria and standards of the SMFP and the Eight Required Considerations of the Code of Virginia. As the applicant is establishing a new surgical service at Landmark, the use of the institutional need section to expand the number of operating rooms is not appropriate.

Moreover, DCOPN finds that that there is not a reasonable alternative to the relocation portion of the proposed project that would meet the needs of the people in the area to be served in a less costly, more efficient, or more effective manner. All parties agree that the maintenance of the status quo and the replacement of IAH on its original campus are not viable alternatives to the proposed project. Moreover, DCOPN established that the location of all of IAH's services at the Landmark location is not a viable alternative as well. The creation of an expensive new hospital without the ability to expand is poor health planning and such a project would accrue significant delays and substantial expenses beyond the combined costs of both projects. Additionally, alternative sites where the applicant could place all of its resources are not available. As such, DCOPN concludes that there is not a reasonable alternative to the relocation of portion of the proposed project that would meet the needs of the people in the area to be served in a less costly, more efficient, or more effective manner. With regards to the expansion of CT services portion of the proposed project, DCOPN concludes that the status quo is not a viable alternative to the proposed project. Maintaining the status quo would result in the continued high utilization of the scanners at this location and would not address the institutional need to expand. With regards to the expansion of the operating rooms and the transfer of the 10 beds from Inova Mount Vernon Hospital, a preferable alternative to the proposed project is would be the building of shell space where operating rooms were planned to be placed. In this way, the applicant can prepare for their anticipated need without the premature authorization of services that objective data does not show to be necessary at this time. In this way, the applicant can reduce any future costs that may result when applying to expand these services once the objective data shows a need for the expansion of these services.

Additionally, the HSNV Board voted eight in favor and one opposed to recommend that the application be approved. Finally, DCOPN finds that the total capital costs of the proposed project are \$859,615,365 (Table 10). The applicant states that the proposed project would be financed using 72.8% bond financing and paying for the remaining 27.2% using accumulated reserves. This amounts to \$445,198,026 paid for using bond financing and \$166,337,724 paid using accumulated reserves. The applicant asserts that the capital and interest expenses for the replacement hospital projects are not expected to impact the cost of care. While prior projects cost substantially less per bed than the proposed project, these projects are over a decade removed from the current project. Moreover, the most recently approved hospital project shows a significant increase in cost per bed from the next most recently approved hospital from that area, despite being merely four years apart. While the cost is extremely high per bed, given the significantly longer amount of time in an area that is notoriously expensive, DCOPN cannot find the costs *prima facie* unreasonable. In such cases, DCOPN defers to HSNV, as the regional experts on issues such as real estate and construction costs. DCOPN therefore concludes that while the costs are high, they are acceptable for the scope of the proposed project.

DCOPN Staff Recommendation

COPN Request No. VA-8612: Inova Alexandria Hospital (Landmark)

The Division of Certificate of Public Need recommends **conditional partial approval** of Inova Healthcare Services' request to a partial relocation of Inova Alexandria Hospital. Recommended for approval is to relocate 192 acute care beds, six operating rooms, two CT scanners, one MRI scanner, two linear accelerators, brachytherapy services, two cardiac catheterization labs, and specialty level neonatal special care services from Inova Alexandria Hospital to the proposed Landmark site and the addition of one fixed CT scanner at the Landmark site for the following reasons:

1. The relocation of the services from Inova Alexandria Hospital and the addition of one fixed CT scanner 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. There is not a reasonable alternative to the relocation of the Inova Alexandria Hospital services that would meet the needs of the people in the area to be served in a less costly, more efficient, or more effective manner
3. Approval of the relocation of Inova Alexandria Hospital services will prevent significant ongoing expenses accrued on the upkeep of the aging Inova Alexandria Hospital.
4. The status quo is not a viable alternative to the addition of one fixed CT scanner.
5. The proposed project appears economically viable both in the immediate and in the long-term.
6. The capital costs, while high are acceptable for the scope of the proposed project.

7. The Health Systems Agency of Northern Virginia voted unanimously to recommend approval of the proposed project.

DCOPN's recommendation is contingent upon Inova Healthcare 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.

The Division of Certificate of Public Need recommends **denial** of Inova Healthcare Services' request to add one fixed MRI scanner and two operating rooms to the Landmark site location for the following reasons:

1. The addition of one fixed MRI scanner and two operating rooms at the proposed Landmark site is inconsistent with the applicable criteria and standards of the State Medical Facilities Plan and the Eight Required Considerations of the Code of Virginia.
2. The applicant has not adequately demonstrated a unique institutional need for the addition of one fixed MRI scanner.
3. The request to add two operating rooms while establishing surgical services at the Landmark location are inconsistent with the provisions of 12VAC5-230-80.
4. A preferable alternative to the addition of one fixed MRI scanner and two operating rooms at the proposed Landmark site is the building of shell space where the denied services were planned to be placed until such a time that the applicant can establish a need for these services.

COPN Request No. VA-8613: Inova Springfield Hospital (ISH)

The Division of Certificate of Public Need recommends **conditional partial approval** of Inova Healthcare Services' request to a partial relocation of Inova Alexandria Hospital. Recommended for approval is to relocate 110 acute care beds from Inova Alexandria Hospital, five operating rooms from Inova Alexandria Hospital, two CT scanners, one from Inova Alexandria Hospital and one from Inova Springfield HealthPlex, and two MRI scanners, one from Inova Alexandria Hospital and one from Inova Springfield HealthPlex, and the addition of one fixed CT scanner at Inova Springfield Hospital for the following reasons:

1. The relocation of the services from Inova Alexandria Hospital and the addition of one fixed CT scanner 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. There is not a reasonable alternative to the relocation of Inova Alexandria Hospital services that would meet the needs of the people in the area to be served in a less costly, more efficient, or more effective manner
3. Approval of the relocation of Inova Alexandria Hospital services will prevent significant ongoing expenses accrued on the upkeep of the aging Inova Alexandria Hospital.
4. The status quo is not a viable alternative to the addition of one fixed CT scanner.
5. The proposed project appears economically viable both in the immediate and in the long-term.
6. The capital costs, while high are acceptable for the scope of the proposed project.
7. The Health Systems Agency of Northern Virginia recommended approval of the proposed project.

DCOPN's recommendation is contingent upon Inova Healthcare 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.

The Division of Certificate of Public Need recommends **denial** of Inova Healthcare Services' request to relocate 10 beds from Inova Mount Vernon Hospital to Inova Springfield Hospital and add three operating rooms to Inova Springfield Hospital for the following reasons:

1. The relocation of ten beds from Inova Mount Vernon Hospital to Inova Springfield Hospital and addition three operating rooms to Inova Springfield Hospital is inconsistent with the applicable criteria and standards of the State Medical Facilities Plan and the Eight Required Considerations of the Code of Virginia.
2. The relocation of the ten beds from Inova Mount Vernon Hospital to Inova Springfield Hospital are inconsistent with the provisions of 12VAC5-230-570.
5. The request to add three operating rooms while establishing surgical services at the Inova Springfield Hospital are inconsistent with the provisions of 12VAC5-230-80.
3. A preferable alternative to the relocation of ten beds from Inova Mount Vernon Hospital to Inova Springfield Hospital and addition three operating rooms to Inova Springfield Hospital is the building of shell space where the denied services were planned to be placed until such a time that the applicant can establish a need for these services.

Health Systems Agency of Northern Virginia

**3040 William Drive, Suite 200
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Email: hsanv@aol.com**

March 21, 2022

Erik Bodin, Director, DCOPN
Office of Licensure and Certification
Virginia Department of Health
9960 Mayland Drive, Suite 401
Richmond, VA 23233-1463

Dear Mr. Bodin:

The Health Systems Agency of Northern Virginia (HSANV) Board of Directors reviewed at its March 14, 2022 meeting the certificate of public need (COPN) application filed by Inova Health Care Services (IHCS) seeking authorization to replace and relocate Inova Alexandria Hospital (COPN Request # VA-8612) in Alexandria, VA. The board voted nine in favor and none opposed to recommend approval of the application.

The board bases the recommendation on its review of the application, on the HSANV staff report on the proposal, on the information and testimony presented at the March 14, 2022 public hearing and board of directors meeting, and on several basic findings and conclusions, including:

1. Inova Alexandria, an essential community hospital, is a dated facility poorly located to continue to serve the greater Alexandria area.
2. Independent evaluation of the hospital indicates that it needs to be replaced with a modern, properly sized facility or facilities. Local planning restrictions and community opposition to replacing the hospital on site necessitate offsite replacement.
3. Inova and the City of Alexandria have been unable to identify an acceptable site within Alexandria that would permit replacement of an appropriately sized facility at a single location.
4. The sites selected for the proposed replacement facilities are within the hospital's primary service area, near the center of the population it has served for decades.
5. The projects entails a licensed bed for licensed bed replacement, with no increase the number of licensed hospital beds in the planning region.
6. The projected capital costs are high. Financing conditions are favorable. The project is financially feasible.
7. The application appears to satisfy regulatory planning requirements including those specified in the Virginia State Medical Facilities Plan, for the replacement and relocation of hospitals in Virginia

Erik Bodin
COPN Request VA-8612
March 21, 2022
Page 2

Copies of the HSNV staff report on the application and minutes of the March 14, 2022 public hearing and HSNV board meeting held on the proposal are enclosed.

If we can provide additional information, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "Dean Montgomery". The signature is fluid and cursive, with the first name "Dean" and last name "Montgomery" clearly distinguishable.

Dean Montgomery
Executive Director

cc: Elizabeth Breen, Hunton Andrews Kurth, Counsel, Inova Loudoun Hospital
Paul Dryer, Senior Director, Inova Strategy & Planning, Inova Health System
Tom Fonseca, Chairperson, HSNV

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March 14, 2022

TO: Board of Directors, HSA of Northern Virginia
Interested Parties

FROM: Dean Montgomery

SUBJECT: Certificate of Public Need Applications
Inova Health Care Services, Relocate and Replace Inova Alexandria Hospital
(COPN Request VA-8612)
Inova Health Care Services, Relocate and Replace Inova Alexandria Hospital
(COPN Request VA-8613)

I. Background and Summary of the Proposals

A. Issue

Inova Health Care Services, a subsidiary and operating arm of Inova Health System, has submitted two certificate of public need (COPN) applications to replace and relocate Inova Alexandria Hospital (IAH). Though the applications are complementary and come from the same parent corporation, under Virginia law and governing medical facility planning requirements the proposals are considered competing applications, requiring comparative review under applicable COPN regulations and processes.¹ COPN regulations and planning standards governing new hospital development and hospital inpatient bed supply apply equally to both proposals. The discussion below examines the proposals under required planning considerations and in the context of Northern Virginia hospital capacity, service use, and market conditions.

¹ Applications filed in the same review cycle for the same or similar service(s) are considered competing. In this instance the applications are complementary in that each calls for the relocation and replacement of a portion of the IAH's licensed capacity. A distinction inherent in these applications is that, whether considered as competing or essentially as elements of a single initiative and goal, they entail the replacement of Inova Alexandria Hospital with two smaller hospitals in new locations. Both proposed sites are southwest of the current location within the hospital's primary service area.

**B. Inova Health Care Services, Relocate and Replace Inova Alexandria Hospital
(COPN Request VA-8612) -- Landmark Replacement Hospital**

Inova Alexandria Hospital is a full service community hospital currently licensed to operate 302 beds, 194 of which are used as general purpose medical-surgical beds. In addition to the 194 medical-surgical beds, the hospital has 58 obstetrics beds and a 50 bed intensive care service. Table 1 shows current licensed bed capacity and recent (2019) inpatient use at IAH and other local medical surgical hospitals.

IHCS seeks authorization for the partial replacement of IAH with a 192 bed community hospital in Alexandria southwest of the current location. The hospital would be built on a leased City of Alexandria owned parcel being redeveloped at the former Landmark Shopping Center site. The proposed location is near the intersection of Duke Street and Interstate 395. The 192 licensed bed complement would be allocated as 124 general purpose medical-surgical beds, 38 intensive care beds, and 32 obstetrics beds.²

IAH serves principally residents of the City of Alexandria, south Arlington County and nearby communities in southeast Fairfax County. The replacement hospital at Landmark would be about three miles southwest of the current site, within the hospital's primary service area (Map 1). The project would not increase the region's licensed bed complement.

Projected capital costs total \$1,038,131,760, about two-thirds (65.3%) of which would be direct construction expense (\$677,940,460). Capital costs would be paid from an industrial revenue bond issue (71%) and from internal Inova Health System funds (29%).

IHCS justifies the proposal on the grounds that

- Inova Alexandria Hospital is aged and increasingly obsolete. Most clinical and related patient service space was designed and built about 50 years ago. The hospital is undersized, and poorly designed to accommodate state of the art medical equipment and technology.
- Analyses of the 31 acre campus and aged structures indicate that replacement of the hospital on site is all but impossible. On site redevelopment is opposed by the residential community that surrounds the hospital. Zoning restrictions limit building height. Replacement on site

²Nearly all acute care hospital beds in Virginia are licensed as "medical-surgical" beds. The exceptions are psychiatric, substance abuse treatment, and rehabilitation beds which are separately licensed. Licensed medical-surgical beds may be used as hospital management chooses to allocate them. Beds allocated to obstetrics, pediatrics, intensive care and other inpatient service lines are licensed as medical-surgical beds. As long as the total licensed bed complement is not exceeded, hospitals may configure and use medical-surgical beds as experience dictates.

Medical-surgical beds may be dually licensed as medical-surgical and psychiatric beds, permitting them to be allocated to either use at the discretion of the operator without additional regulatory approval. None of the IAH beds are dually licensed.

would be unusually difficult, entailing a lengthy set of incremental changes that likely would be unduly costly if attempted.

- The proposed Alexandria replacement site, about three miles southwest of the current location, near the intersection of Interstate 395 and Duke Street, is in the hospital's primary service area (Map 1).
- The project would not change the number of licensed hospital beds in the region, and should not affect negatively demand or operations of competing hospitals.
- The proposal is consistent with applicable provisions of the Virginia State Medical Facilities Plan (SMFP), notably subsection 12 VAC 5-230-570. *Expansion or relocation of services*, that apply to hospital replacement and relocation projects.

If authorized, the project would be complete in about six years, in early 2028.

C. Inova Health Care Services, Relocate and Replace Inova Alexandria Hospital (COPN Request VA-8613) – Springfield Replacement Hospital

As a complementary proposal to COPN Request VA-8612 (IAH Landmark Replacement Hospital application), IHCS seeks authorization for the partial replacement of IAH with a 120 bed community hospital on a site about six miles southwest of the current location. The smaller new hospital would be located on a site adjacent to IHCS's Inova Franconia-Springfield HealthPlex which is located along the Franconia-Springfield Parkway (6355 Walker Lane, Alexandria), near the intersection of the parkway at Beulah Street. The 120 licensed bed complement would be designated as 94 general purpose medical-surgical beds and 26 intensive care beds. The project would not increase the regional licensed bed complement.

IAH serves principally residents of Alexandria, south Arlington and nearby areas of southeast Fairfax County. The replacement hospital in Springfield would be located about six miles southwest of the current site, within the hospital's primary service area. The project would not increase the regional licensed bed complement.

Capital costs are projected to total \$859,615,365, nearly half (45.8%) of which would be direct construction expense. Capital costs would be paid from a bond issue (71%) and from internal Inova Health System funds (29%). Current bed capacity and 2019 inpatient use at IAH and other local hospitals are shown in Table 1.

IHCS justifies the proposal on the grounds that

- Inova Alexandria Hospital is aged and increasingly obsolete. Most clinical and related patient service space was designed and built about 50 years ago. The hospital is undersized, and poorly designed to accommodate state of the art medical equipment and technology.
- Analyses of the 31 acre campus and aged structures indicate that replacement of the hospital on site is all but impossible. On site redevelopment is opposed by the residential community that surrounds the hospital. Zoning restrictions limit building height. Replacement on site

would be unusually difficult, entailing a lengthy set of incremental changes that likely would be unduly costly if attempted.

- Complementary to the Landmark replacement proposal, the site permits expansion if additional capacity is needed over useful life of the facility.
- The proposed replacement site, about six miles southwest of the current location, along the Franconia-Springfield Parkway near Beulah Street, is in the hospital's primary service area (Map 1).
- The project would not change the number of licensed hospital beds in the region, and should not affect negatively demand or operations at competing hospitals.
- The proposal is consistent with applicable provisions of the Virginia State Medical Facilities Plan (SMFP), notably subsection 12 VAC 5-230-570. *Expansion or relocation of services*, that apply to hospital replacement and relocation projects.

II. Discussion

A. Northern Virginia Hospital Capacity, Use, Trends

Northern Virginia has eleven (11) acute care community hospitals.³ These hospitals are now licensed to operate 2,951 beds, with more than 100 additional beds authorized and being developed. Table 1 summarizes operating capacity and use of licensed beds at each hospital and region wide in 2019, the most recent year for which reliable comparable service volumes are available.⁴

Average occupancy of licensed beds was about 64% in 2019 (Table 1). If the beds and service volumes of Stone Springs Hospital Center (SSHC), the most recently (2015) opened facility with unusually low use, are excluded from the calculation, average regional occupancy was about 66%. On average about one-fourth of the operational licensed hospital beds were unfilled in Northern Virginia hospitals in 2019.

With the exception of Inova Fairfax Hospital and Virginia Hospital Center, which is the process of adding 66 medical surgical and 17 psychiatric beds, hospitals with the higher occupancy (and lower vacancy) rates did not have exceptionally or undesirably high occupancy. None of the others had use levels that approach the minimum recommended occupancy level of 80% delineated in the Virginia State Medical Facilities Plan (Table 1).

³This count excludes two private freestanding psychiatric facilities, Dominion Hospital (116 beds) in Falls Church and North Spring Health Care (40 beds) in Loudoun County, and a specialty rehabilitation hospital, Encompass Health Rehabilitation Hospital of Northern Virginia (60 beds).

⁴Unlike calendar years 2020 and 2021, 2019 demand and service volumes were not affected by the COVID-19 epidemic and public health emergency. Responses to the pandemic resulted in a number of unanticipated distortions in demand and service offerings in 2020 and 2021. Reliable vetted data for those years is not yet available.

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Table 1. Northern Virginia Hospital Capacity and Use, 2019

Hospital	Licensed Beds ¹	Discharges	Patient Days	Average Occupancy	ALOS (Days)	Market Share ²
Inova Alexandria Hospital	302	14,305	58,963	53.5%	4.12	9.5%
Inova Fair Oaks Hospital	174	11,017	36,913	58.1%	3.35	7.3%
Inova Fairfax Hospital	928	48,626	241,609	71.3%	4.97	32.2%
Inova Loudoun Hospital	211	9,517	50,598	65.7%	5.32	6.3%
Inova Mount Vernon Hospital	237	8,395	51,587	59.6%	6.14	5.6%
UVA Haymarket Medical Center ³	60	3,481	9,739	44.5%	2.80	2.3%
UVA Prince William Medical Center	130	6,897	29,964	63.1%	4.34	4.6%
Reston Hospital Center	231	13,721	52,157	61.9%	3.80	9.1%
Sentara Northern Virginia Medical Center	183	10,202	42,134	63.1%	4.13	6.8%
StoneSprings Hospital Center ⁴	124	1,667	4,349	9.6%	2.61	1.1%
Virginia Hospital Center ⁵	371	23,238	109,816	81.1%	4.73	15.4%
Total	2,951	151,066	687,829	63.9%	4.55	100%

Source: Virginia Health Information, ALSD, 2019

Note: Discharges and patient days are facility based data. The counts include local resident use and those residing outside of PD 8.

¹ Licensed complement, September 2020.

² Market share calculation based on percentage of reported discharges.

³ Haymarket Medical Center opened in 2014.

⁴ StoneSprings Hospital Center opened in 2015.

⁵ VHC is authorized to operate 437 beds; 66 additional beds will be placed in service over the next 3 to 4 years.

Service volumes (discharges, patient days) vary among hospitals from year to year, but hospital use rates among Northern Virginian residents have been decreasing for more than three decades. Aggregate regional use (expressed demand) has been relatively stable (Table 2), despite large population increases, population aging, and decreased use of hospital services outside the planning region (principally District of Columbia hospitals) by residents of Northern Virginia.

These data, and the trend they document, indicate there is no near term regional need for additional inpatient hospital capacity. As a replacement relocation initiative, the IAH proposals do not contemplate or otherwise entail an increase in bed capacity. The notably high use of Inova Fairfax Hospital, contrasted with the much lower service volumes at IAH and other nearby facilities, suggests that making practical changes at IAH that may result in it serving larger numbers of those in its service area using Inova Fairfax Hospital has merit.

Summary descriptive statistics of hospital use in Northern Virginia over the last three decades illustrate the nature and strength of local acute care inpatient hospital market trends:

- Northern Virginia's population *increased* by about 128% between 1980 and 2019, growing from 1,105,714 in 1980 to 2,520,751 in 2019.

- The regional hospital inpatient day use rate *decreased* by about 61% over this period, dropping from 798 hospital days per 1,000 persons in 1980 to 310 days per 1,000 in 2019.⁵
- Aggregate demand measured by the average daily inpatient census in Northern Virginia Hospitals was fell steadily between 1980 and 2019, decreasing from 2,144 patients per day in 1980 to 1,884 patients per day in 2019, 12.1%.
- Decreased use rates have offset population growth and aging. Decreased rates are largely a function of favorable demography, improved medical technology and practice, and the shift from inpatient to outpatient care where permissible and appropriate.

It is noteworthy that during this period Northern Virginia changed from a net exporter of hospital patients, largely to District of Columbia hospitals, to a net importer of patients, largely from bordering Virginia jurisdictions. This pattern is well established and is not likely to change soon.

Table 2. Northern Virginia Hospital Capacity and Use, 2005 & 2019

Hospital	Licensed Beds ¹		Discharges		Patient Days		Occupancy		ALOS ⁵		Market Share ²	
	2005	2020	2005	2019	2005	2019	2005	2019	2005	2019	2005	2019
Inova Alexandria Hospital	308	302	16,355	14,305	76,706	58,963	68.2%	53.5%	4.7	4.1	11.1%	9.5%
Inova Fair Oaks Hospital	182	174	12,089	11,017	43,658	36,913	65.7%	58.1%	3.6	3.4	8.2%	7.3%
Inova Fairfax Hospital	833	928	51,496	48,626	246,716	241,609	81.1%	71.3%	4.8	5.0	34.9%	32.2%
Inova Loudoun Hospital	155	211	10,605	9,517	44,484	50,598	78.6%	65.7%	4.2	5.3	7.2%	6.3%
Inova Mount Vernon Hospital	237	237	8,698	8,395	61,147	51,587	70.7%	59.6%	7.0	6.1	5.9%	5.6%
UVA Haymarket Medical Center ³		60		3,481		9,739		44.5%		2.8		2.3%
UVA Prince William Medical Center	170	130	10,662	6,897	40,259	29,964	64.9%	63.1%	3.8	4.3	7.2%	4.6%
Reston Hospital Center	187	231	11,104	13,721	40,671	52,157	59.6%	61.9%	3.7	3.8	7.5%	9.1%
Sentara Northern Virginia Medical Center	153	183	9,902	10,202	37,391	42,134	67.0%	63.1%	3.8	4.1	6.7%	6.8%
StoneSprings Hospital Center ⁴		124		1,667		4,349		9.6%		2.6		1.1%
Virginia Hospital Center ⁵	334	371	16,373	23,238	84,664	109,816	69.4%	81.1%	5.2	4.7	11.1%	15.4%
Total	2,723	2,951	147,734	151,066	678,342	687,829	68.3%	63.9%	4.6	4.6	100%	100%
Change: 2005 - 2019		228		3,332		9,487		-4.4%				
Compound Annual Growth Rate: 2005 - 2019				0.16%		0.10%						

Source: Virginia Health Information, ALSD, 2005 - 2019

¹ Licensed complements, 2005 and September 2020.

² Market share share calculation based on share of reported discharges.

³ UVA Haymarket Medical Center opened in 2014.

⁴ StoneSprings Hospital Center opened in 2015.

⁵ ALOS = Average Length of Stay measured in inpatient days.

⁵ VHC is authorized to operate 437 beds; 66 additional beds are being developed.

Over the last decade and a half, the number of licensed acute care hospital beds grew by about 8.4%, from 2,723 in 2005 to 2,951 in 2019. Despite unusually strong population growth and aging, aggregate inpatient demand at local hospitals has not increased significantly. As measured by the number of hospital discharges and the number of days spent in licensed hospital beds, demand

⁵ These data and calculations are of facility based hospital discharge and inpatient day data. Population based (Northern Virginia resident) hospital use rates (discharges and inpatient days per 1,000 Northern Virginia residents) are lower, substantially lower than national, state, and Washington metropolitan area rates. They too have been decreasing for decades. NV hospitals are serving larger numbers of patients from outside the planning region. Decrease in the local resident hospitalization rate accounts for all of the moderation in local expressed demand.

increased by only 3,322 discharges (2.3%) and 9,487 inpatient days (1.4%) between 2005 and 2019 (Table 2). These modest increases in aggregate demand are noteworthy given substantial population growth during the decade, from about 2.0 million in 2005 to nearly 2.5 million in 2019, an increase of nearly 25%.

Regional service volumes and market share changes over the last decade and a half are revealing. The region gained two hospitals, UVA Haymarket Medical Center (60 beds) in 2014 and StoneSprings Hospital Center (124 beds) in 2015. There was not a pressing regional need for either. Both facilities are relocations of licensed capacity from existing facilities, Northern Virginia Community Hospital and UVA Prince William Medical Center. After more than a half decade of operations, both have notably low demand and relatively small service volumes. The demand developers assumed, and projected, has yet to materialize. Their average market share in 2019 was less than 2%. The experience of UVA Haymarket and StoneSprings Hospital Center indicates that care should be taken in relocating licensed capacity to ensure that the replacement capacity is needed and the location chosen is appropriate.

Equally informative, Inova Health System's market share decreased between 2005 and 2019. Though its service volume grew modestly (5.2%), Inova's share of regional discharges decreased by 9.5% and its share of regional inpatient days of care provided by 8.3%.⁶ Inova Alexandria Hospital has had the greatest market share loss over the last couple of decades. Between 2005 and 2019, for example, IAH lost 2,050 discharges and 17,743 inpatient days, decreases of 12.5% and 23.1% respectively (Table 2). Virginia Hospital Center and Reston Hospital Center had dramatic market share gains, 41.9% and 23.6% respectively. Both benefitted from service expansion and a shift of Kaiser Foundation Health Plan patients from Inova Health System facilities.

These data and the patterns they reflect, and the large Inova Alexandria Hospital market share losses in a growing market, appear to support the IHCS view that the location and physical deterioration of IAH contributed to its service volume decreases and have weakened its competitive position. Even with its service volume and market share losses, IAH remains an essential community hospital in the greater Alexandria area.

Planning Guidance

The Virginia State Medical Facilities Plan (SMFP) provides guidance on assessing COPN proposals to replace and relocate COPN covered medical facilities and services. The applicable plan section reads:

Part VI Inpatient Bed Requirements

⁶ Though its decreases in market share over the last two decades have been substantial, Inova Health System hospitals combined still have a majority share of the regional inpatient market, between 50% and 60% depending on how the market is defined, broadly to include specialty facilities or narrowly as community medical-surgical facilities.

12VAC5-230-570. Expansion or relocation of services.

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

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

B. Proposals to relocate beds within a health planning district where underutilized beds are within 30 minutes driving time one way under normal conditions of the site of the proposed relocation should be approved only when the applicant can demonstrate that the proposed relocation will not materially harm existing providers." Source: Virginia State Medical Facilities Plan, p.28

Subparagraph 12VAC5-230-570A applies to the IAH applications. The relocation sites, roughly three and six miles from the current location, are not contiguous. Subparagraph 12VAC5-230-570B does not apply. There is no low use hospital located within 30 minutes travel time of the current or proposed IAH sites. The region's two chronically low volume facilities, StoneSpring Hospital Center (SSHC) and UVA Haymarket Medical Center UVAHMC), are more than 30 minutes average travel time from the IAH locations. Their primary services areas do not include Alexandria, southeast Fairfax County or south Arlington. Changes in the location of IAH will not affect demand at or use of SSHC or UVAHMC.

Individually and collectively the IAH replacement proposals appear to satisfy the requirements of Subparagraph 12VAC5-230-570A. Each proposes fewer licensed beds than the current IAH licensed complement. Though combined they propose a total of 312 beds to replace the 302 IAH beds, the applications specify a licensed bed for licensed bed replacement of Inova Health System acute care beds.⁷ All of the beds, related services, and COPN reviewable equipment would be located within

⁷ It is arguable that, collectively, the proposals entail a ten bed increase in the IAH licensed bed complement. As presented, the applications call for a total of 312 beds to replace the 302 beds at IAH, with the proviso that 312 Inova Health System beds will be delicensed as the new hospitals open. The 312 of the beds removed from licensure rolls would come from IAH (302) and 10 from another Inova hospital, presumably Inova Mount Vernon Hospital. Virginia SMFP guidance is silent on this more complex arrangement and, thus, appears to be agnostic on it. Bed for bed replacement involving multiple sources for licensed bed forfeiture does not appear problematic. It has been proposed by a number of COPN applicants and accepted in a number of instances.

the current IAH primary service area (Map 1). There is no data or other evidence that suggests relocation of IAH as proposed is likely to affect negatively any competing service.

Hospitals nearest the proposed relocation sites, Inova Fairfax Hospital (IFH), Inova Mount Vernon Hospital (IMVH) and Virginia Hospital Center (VHC), are either sister Inova Health System facilities (IFH & IMVH) or have high use and increasing demand (IFH & VCH). The replacement facilities would be closer to Sentara Northern Virginia Medical Center (SNVMC), but not close enough to affect meaningfully use of SNVMC by residents of Alexandria and southeast Fairfax County. The IAH and SNVMC primary service areas do not overlap.

B. Access Considerations

Replacing IAH with two smaller facilities within the hospital's primary service area is not likely to affect access to care significantly. Physical and geographic access to IAH would be enhanced but system wide effects are likely to be minimal.

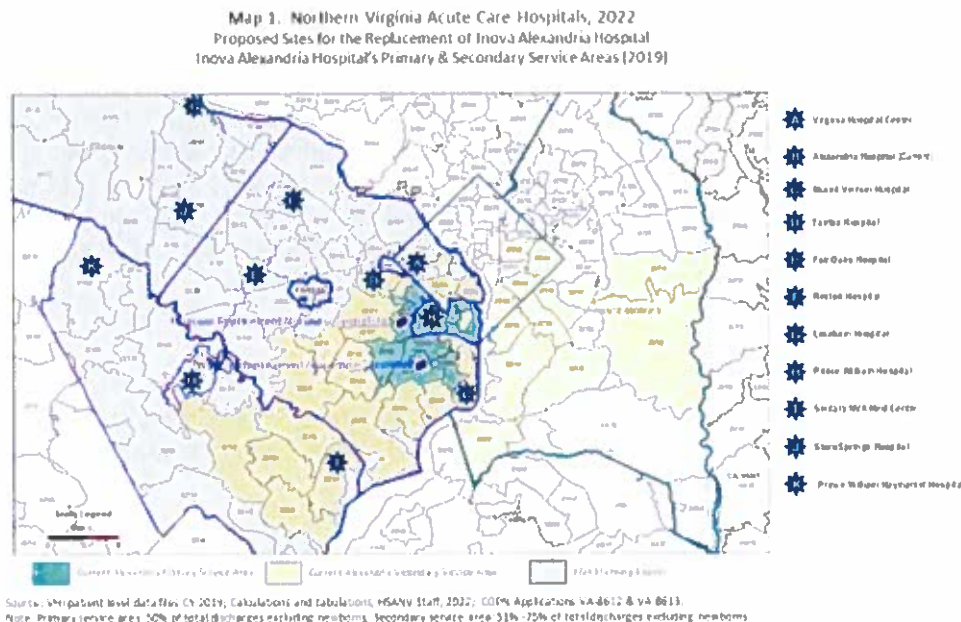
Though the project would result in two inpatient service delivery sites, there would be less duplication than adding a second hospital might suggest. There would be no licensed bed increase and the Springfield facility would be located adjacent to Inova Franconia-Springfield HealthPlex, a major outpatient services complex with a heavily used surgery center and emergency service.⁸ The outpatient complex would not be merged with or otherwise incorporated in the hospital, but the freestanding Healthplex emergency service would be closed when the new facility opens.

Among Northern Virginia hospitals, IAH has the second largest number of emergency department visits, second only to Inova Fairfax Hospital. In 2019 about 9.5% of those registering at IAH's emergency department were admitted to inpatient services. These admissions accounted for 65% of IAH admissions. This pattern compares with a regional average of about 12.5% of emergency department registrants admitted to inpatient status and 51% of admissions coming through the emergency service. These data suggest IAH has become highly dependent on its emergency service, much more than most other local hospitals.⁹ It is in the interest of both the hospital and the communities it serves to locate where physical entry and egress are convenient and relatively easy.

⁸ The Franconia-Springfield HealthPlex emergency service is organized and operated under the IAH hospital license.

⁹ Locally, only Sentara Northern Virginia Medical Center, which gets nearly three-fourths (73% in 2019) of its inpatients from emergency department admissions, is most dependent on emergency department admissions.

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The proposed new hospital locations are about three and six miles southwest of the current location. Both are within the current primary service area, the geographic area from which IAH gets the majority of its patients and the communities that identify most intensively with the hospital and rely on it for care (Map 1). The Landmark relocation site is in the same zip code as the current facility. Near major travel routes, with multiple points of entry and egress and larger parking facilities than the current campus, the proposed sites should improve access to IAH services.

Other than IAH and Inova Health System, the principal beneficiary of the relocation of IAH, could be Virginia Hospital Center (VHC). The IAH and VHC primary service areas overlap. Patient origin and patient destination data suggest that with relocation of IAH three to six miles southwest VHC is likely to gain a larger share of the south Arlington and north Alexandria patient population.

The new facilities would be part of the same hospital system. Inova Health System charity care and Medicaid program participation policies and practices would not change. Billing and debt collection policies would not change. Economic access to care is not likely to change as a result of the relocation.

C. Cost Considerations

Inova proposes to spend about \$1.65 billion to replace and relocate Inova Alexandria Hospital (Table 3), approximately \$1.04 billion for a fully equipped 192 bed facility in southwest Alexandria (Landmark site) and nearly \$612 million for a fully equipped 120 bed hospital in Springfield, VA. Both developments would be “green field” projects, new medical surgical hospitals built from the

ground up. Each facility would be sized and equipped to accommodate modest increases in demand expected as a result of projected population growth in the hospital's service area. All diagnostic and treatment equipment subject to COPN regulation, e.g., CT and MRI scanners, cardiac catheterization laboratories, operating rooms, linear accelerators, would be new purchases.¹⁰ Neither project entails renovation or other construction at the current site. The IAH Seminary Road campus will be closed when the replacement hospitals are licensed and initiate service. The vacated site will be sold and is likely to be used for residential housing.

Table 3. Projected Capital Costs COPN Applications: VA-8612, VA-8613								
Project	Licensed Beds	Capital Cost				Total	Construction Cost per Bed	Total Capital Cost per Bed
		Construction	Equipment	Financing	Site Prep/Other			
IAH Landmark Replacement Hospital (VA-8612)	192	\$677,940,460	\$183,596,046	\$113,743,600	\$62,851,654	\$1,038,131,760	\$3,330,940	\$5,406,936
IAH Springfield Replacement Hospital (VA-8613)	120	\$393,757,837	\$103,902,250	\$63,338,126	\$50,537,537	\$611,535,750	\$3,281,315	\$5,096,131
Total	312	\$1,071,698,297	\$1,859,945	\$177,081,726	\$113,389,191	\$1,649,667,510	\$3,434,930	\$5,287,396

Source: IHCS COPN Application VA-8612 & IHCS COPN Application VA-8613, March 2022.

Projected capital outlays are high in both aggregate and unit cost terms. Individually and collectively, they are the largest proposed hospital investments contemplated in the planning region. The projected average construction cost is about \$3.4 million per licensed bed, and about \$1,023 per gross square foot of the space developed. Total development costs are projected to be about \$5.3 million per licensed bed.

As with most projects of this size and magnitude, the new facilities would entail substantial debt financing. IHCS anticipates a \$1,182,059,000 30 year bond issue at 3.0% to cover about 71% of the total capital expense. The remainder of nearly half a billion (\$478,403,578), about 29% of the projected total outlay, would come from internal Inova Health System funds.

IHCS notes that the current low interest rate environment for credit worthy borrowers is propitious and that returns on Inova reserve investments are expected to be higher than the cost of capital, making a relatively high debt load an attractive option. Inova Health System has maintained a strong, investment grade credit posture over the last decade. The favorable financing terms IHCS anticipates are likely.¹¹

¹⁰ Given the minimum projected development schedule of six years plus, it is likely that all, or nearly all of the IAH specialized diagnostic and treatment equipment will have reached the end of their useful lives and will need to be replaced with state-of-the art equipment and technology.

¹¹ Inova and other health care systems obtain funds from operations, from investment of retained capital, and from borrowing. Their bond interest rate is determined by the credit rating assigned by a handful of rating services. Recent ratings received by Inova Health Systems include.

Based on Inova Health System's financial standing and its operating success over the last couple of decades, there is little doubt that the IHCS projects are financially feasible and are likely to perform well over their useful lives.

D. Health System Considerations

The IHCS projects would replace IAH with two smaller facilities, one in Alexandria and one in the nearby Springfield area of Fairfax County. The larger new hospital (192 beds) would be located in

S&P Global Ratings assigned its "AA+" long-term rating to Falls Church, VA.-based Inova Health System Foundation's \$500 million series 2018A and 2018B revenue bonds. Concurrently, S&P affirmed the "AA+" long-term rating and underlying rating on Inova's outstanding debt.

The assignment and affirmations are a result of Inova's strong enterprise profile, characterized by its leading market share, wide array of service offerings and favorable service area. In addition, S&P acknowledged Inova's strong financial performance, low leverage and high unrestricted reserves.

<https://www.alacrastore.com/cgi-bin/alacraswitchISAPI.dll>

Moody's (2020)

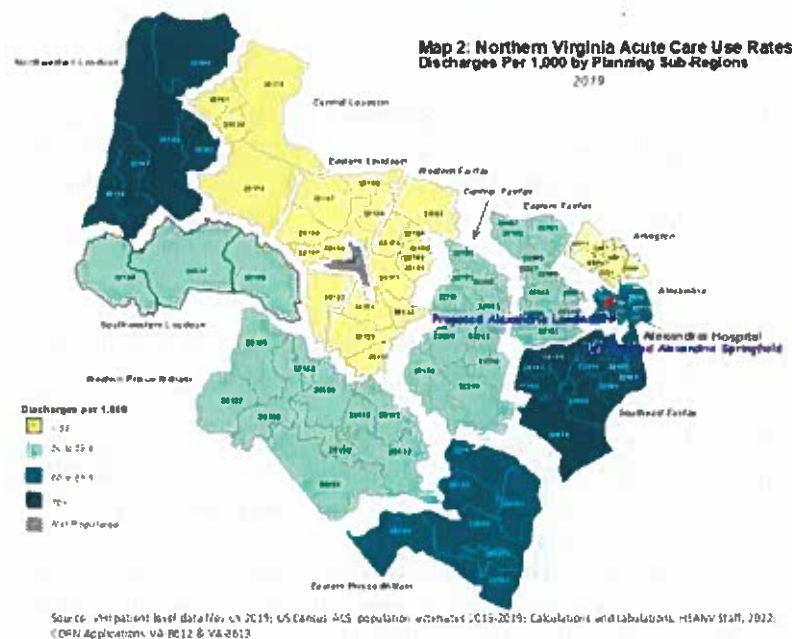
New York, December 11, 2020 -- Moody's Investors Service has affirmed the Aa2, Aa2/VMIG 1 and P-1 assigned to Inova Health System's (VA) outstanding debt. The rating outlook is stable. The action affects approximately \$1.62 billion of debt.

Affirmation of the Aa2 reflects Inova's strong pre-covid operating platform, solid financial and demand recovery in the third quarter, management's deft response to the pandemic's challenges, and federal relief funding that will all drive strong full FY 2020 margins. Likewise, having fully repaid CMS funds (August 2020), the Aa2 anticipates the balance sheet will remain exceptionally strong supported by cash-flow that will be consistent with historic levels and proceeds from recent borrowings, including temporary draws on lines of credit. To that end, unrestricted cash and investments will provide ample cushion for debt, including a May 2021 put, and any unexpected disruptions to operations. Offsets to credit strengths include concerns that financial leverage, as measured by scope of operations, will remain higher than average, capital spending plans through 2021 will be elevated, and competition will continue to increase as the market further consolidates. https://www.moody.com/research/Moodys-affirms-Inova-Health-Systems-VA-Aa2-Aa2VMIG-1-and--PR_906889701

southwest Alexandra. Both would be located in IAH's primary service area. This is appropriate as residents of the IAH primary service area have a notably higher hospitalization rate than the rest of the planning region (Map 2).

Though Northern Virginia (PD 8) as a whole has a low hospitalization rate, about 58 discharges per 1,000 population in recent years, health status and hospital use rates vary considerably within the region. Residents in the IAH primary service area have a relatively high hospitalization rate compared with the region as a whole. The IAH primary service area population's hospitalization rate is about 75 discharges per 1,000 population, nearly 30% higher than the regional rate.

The relatively high hospital use rate, and heavy emergency department use, suggest that a modern appropriately located and sized hospital is needed in the greater Alexandria area. With comparatively high demand in its primary service area, an appropriately located replacement for IAH would not need to attract patients from competing services to succeed.



Though no increase in licensed beds is proposed, the applications do call for capacity increases in some COPN regulated equipment and services. Collectively, the number of CT scanners would be increased from four to six, the number of MRI scanners from three to four, and the number of operating rooms from eleven to sixteen. Existing cardiac catheterization laboratories and linear accelerators would be replaced but not increased in number. All existing COPN regulated equipment and services would be replaced with state-of-the-art equipment and technology. Given that like kind replacement of COPN regulated equipment and service requires notification but not COPN approval

and additions to authorized capacity are subject to COPN review, it is arguable that expansions of COPN regulated equipment services should be separated from the applications and require market entry review independent of the hospital replacement proposals and, thereby, be open to competition from other COPN applicants.

Recent patient origin, patient destination, market share, patient flow and service area demarcation data indicate that relocation IAH within its primary service area, in one facility or in two as proposed, poses no discernible risk to any other service provider. Analysis of these data, in the light of projected demographic changes, suggests that the most likely measurable delivery system effect would be a modest increase in Virginia Hospital Center's market share in south Arlington and north Alexandria. Potential reductions in patient flow from the IAH primary service area to Inova Fairfax Hospital or Inova Mount Vernon Hospital, as contemplated by the applicant, will be encouraged and if successful welcomed by IHCS.

III. Conclusions and Alternatives for Agency Action

A. Findings and Conclusions

Inova Alexandria Hospital, the first hospital established in Northern Virginia, has served the greater Alexandria area (Alexandria, south Arlington County, and southeast Fairfax County) at its current location (Seminary Road) for more than 50 years. It is now an aging and increasingly obsolete facility on a problematic site in western Alexandria. Inova Health Care Services proposes to replace the hospital with a 192 bed facility in southeast Alexandria and a 120 bed facility in nearby Springfield, VA.

Examination of the proposals in the light of ongoing hospital use patterns and trends and recent market changes support several findings and conclusions, including:

1. Low hospital use rates are endemic in Northern Virginia. Hospital discharge and patient day rates have been substantially below national, state and metropolitan area rates for more than three decades. They remain so. There is no indication of a regional need for additional hospitals or hospital beds.
2. Though regional hospitalization rates are low, hospital use among residents of the IAH primary service area is a relatively high, about 30% higher than the regional average.
3. The IHCS proposals are complementary. They would result in two new hospitals, but there would be no increase in the number of licensed beds or in the number of emergency services.
4. Independent assessments of the Inova Alexandria Hospital campus and the clinical structures on it indicate that the hospital needs to be replaced with a modern, properly sized facility or facilities.
5. There has long been opposition to expanding or replacing IAH on site from the residential community in which the hospital is located.
6. Land use restrictions and community opposition make on site replacement of the hospital impractical and inadvisable.

7. Inova Health System and the City of Alexandria have not been able to identify an acceptable site within the city that would permit construction of an appropriately sized replacement facility with space for future expansion.
8. The sites selected for the proposed new hospitals permit replacement of the hospital near the center of its historic service area.
9. Individually and collectively, the IHCS proposals appear to satisfy the requirements specified in the Virginia State Medical Facilities Plan for the replacement and relocation of hospitals.
10. Given the proposed locations and licensed capacities proposed for the two new hospitals, there is little likelihood of a significant change in the IAH service area.
11. There is no indication that relocation of IAH as proposed would affect other service providers negatively. Any reduction in the numbers of IAH service area residents using Inova Fairfax Hospital or Inova Mount Vernon Hospital would be seen as positive by IHCS.
12. Other than IAH itself, Virginia Hospital Center may benefit most from the relocation of IAH an additional three to six miles south of VHC. If this occurs, VHC is likely to gain market share in south Arlington and north Alexandria at the expense of IAH.
13. Projected capital costs of both projects are extraordinarily high for the space and number of beds proposed.
14. Though there is wide support for the projects in Alexandria and southeast Fairfax County, the project is opposed by two competitors, HCA of Virginia and Virginia Hospital Center.

B. Alternatives for Agency Action

1. The Health Systems Agency of Northern Virginia may recommend to the Commissioner of Health that Certificates of Public Need authorizing the projects be granted.

Support for approving both proposals could be based on concluding that the applicant has shown that

- There is a pressing need to modernize and right size Inova Alexandria Hospital.
 - The most feasible way to modernize the IAH is to replace the hospital off site.
 - The option chosen by IHCS, to replace IAH with two smaller hospitals within its primary service area rather than on one site, appears prudent and may be necessary.
 - There is no indication that the projects, individually or collectively, would affect other service providers negatively.
 - The proposals appear to be compatible with the hospital expansion and relocation provisions (12VAC5-230-570) of the Virginia State Medical Facilities Plan (SMFP).
2. The Health Systems Agency of Northern Virginia may recommend to the Commissioner of Health that a Certificate of Public Need not be granted to one or both proposals.

Unfavorable recommendations could be based on concluding that

- Inova Alexandria Hospital should be replaced off site at a single location.
- The sites selected should be reexamined to determine which is more appropriate as a single replacement site, with the understanding that the location should be within Alexandria, if possible.
- The unusually high cost of the projects should be reexamined to determine if substantial lower capital costs can be achieved by shifting to a single location.

IV. Checklist of Mandatory Review Criteria

1. Maintain or Improve Access to Care

There are 11 widely distributed acute care community hospitals in Northern Virginia. These facilities are located such that virtually all Northern Virginia residents have ready access to multiple services. The IHCS projects would result in the establishment of two acute care community hospitals to replace IAH, increasing the number of local facilities to twelve. By definition adding a service delivery site would improve geographic access for some. In this regard it should be noted, however, that the number of hospital emergency services and the number of inpatient beds would not increase.

Developing attractive modern facilities to replace the aging and deteriorating IAH should improve access in the greater Alexandria area. Both new hospitals would be located in the current primary service area. There is no expectation that the established service area will change appreciably.

Inova Health System and IAH have acceptable charity care policies and practices. There would be no material change in access to care among uninsured and low-income residents.

2. Meet Needs of Residents

Inova Health Care Services and IAH are established providers of acute care hospital services. IAH has a well-defined service area and service delivery profile. Though in decline in recent years, IAH is well regarded and provides invaluable service to residents of Alexandria and southeast Fairfax County.

The COPN proposals to modernize and reposition the hospital indicate a desire to continue to be the principal provider of hospital services to these populations. There is no indication that IAH is not trying to meet the needs of the communities and populations it serves.

3. Consistency with Virginia State Medical Facilities Plan (SMFP)

The Virginia State Medical Facilities Plan (SMFP) provides policy guidance governing the replacement and relocation of community hospitals. Individually and collectively the IHCS

proposals appear to be consistent with substance and spirit of that guidance and meet the requirements delineated in it.

Relevant policy guidance does not address the question of replacing a hospital with multiple facilities, but there is no indication that, if necessary or otherwise warranted, such action is prohibited or inadvisable. There are multiple precedents of COPN proposals to subdivide licensed bed capacity to facilitate establishment of a new off campus hospital or other medical care facility.

4. Beneficial Institutional Competition while Improving Access to Essential Care

Neither project would introduce a new service provider. They would establish new, arguably more accessible service delivery sites. Inova Health System and its subsidiaries are effective competitors. Modernizing IAH and relocating its capacity within its primary service area should permit the hospital to compete more effectively and thereby stabilize or reverse its decline over the last couple of decades.

Inova Alexandria Hospital is an essential community hospital. A healthy, competitive IAH is in the public interest and should be encouraged within permissible limits. A modern, more competitive IAH would enhance access to a wide array of medical services in Alexandria and southeast Fairfax County.

5. Relationship to Existing Health Care System

Inova Health System and its IHCS and IAH subsidiaries are established providers of a wide array of hospital services. Modernizing an aged and increasingly obsolete Inova Alexandria Hospital is a necessary and prudential investment in the local hospital system. The projects are conservative and prudential in their projections of future demand and service volumes. There is no indication or reason to believe that individually or collectively the projects would affect other service providers negatively. The potential reduction in demand at Inova Fairfax Hospital and Inova Mount Vernon Hospital would be local health system positive.

6. Economic, Financial Feasibility

The capital outlays proposed by IHCS are unusually high, the largest total and unit cost projects reported in Northern Virginia (PD 8) to date.

Though costly and leveraged, with 71% of the estimated capital outlay borrowed, both projects are financially feasible and likely to be sound investments. With a strong investment grade credit rating Inova Health System should be able to finance the projects on favorable terms,

7. Financial, Technological Innovations

Neither project entails innovative technologies, practices or economic elements that warrant special consideration.

8. Research, Training Contributions and Innovations

Neither of the projects has a significant research or training element.