

VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis

November 19, 2024

RE: COPN Request No. VA-8778

Eisenhower, LLC

Alexandria, Virginia

Establish an outpatient surgical hospital with 2 operating rooms

RE: COPN Request No. VA-8780

North VA Surgicenter, LLC

Herndon, Virginia

Establish an outpatient surgical hospital with 4 operating rooms

Applicants

Eisenhower, LLC is a wholly owned subsidiary of Virginia Hospital Center Arlington Health System d/b/a VHC Health (“VHC Health”). VHC Health is a Virginia non-stock corporation that has several subsidiaries including real estate holding companies, The VHC Health Foundation, VHC Health Pediatrics, Inc., Arlington Urgent Care, LLC, Virginia Hospital Center Physician Group, LLC and joint venture McClean Tysons Orthopedic Surgery Center, LLC. The proposed facility, VHC Health Ambulatory Surgery Center – Alexandria (“VHC Alexandria”) is in Planning District (PD) 8, Health Planning Region (HPR) II.

North VA Surgicenter, LLC (“North VA”), a limited liability company, is owned by a single member, Surgicare of North VA, LLC, also a limited liability company authorized to do business in Virginia. Its ultimate corporate parent is HCA Healthcare, Inc. North VA Surgicenter, LLC is expected to be owned by North VA Surgicenter, LLC and OrthoVirginia, Inc. in the future. The proposed facility is in PD 8, HPR II.

Background

Table 1 displays data for general purpose operating rooms (GPORs) in PD 8 as reported to Virginia Health Information (VHI) for 2022, the most recent year for which such data are available. Of the 190 GPORs reported, 130 were in acute care hospitals and 60 in outpatient surgical hospitals (OSHS). **Table 1** does not include those restricted to open heart or designated trauma ORs, only general and ambulatory ORs. **Table 2** enumerates the ORs in PD 8 that are excluded from the GPOR need calculation by 12VAC5-230-500 of the State Medical Facilities Plan (SMFP). The overall utilization of PD 8 GPORs in 2022, based on hours of use, was 95.5% of the threshold of

1,600 hours per OR set forth in the SMFP. The hospital based ORs had an average utilization of 106.4% of the SMFP standard and the OSH sites averaged 71.8% utilization.

Table 1. PD 8 GPOR Counts, Hours and Utilization

Facility Name	GPORs	Hours	Average Hrs. per OR	% of SMFP Threshold
Acute Hospitals				
Inova Alexandria Hospital	11	18,314	1,665	104.1%
Inova Fair Oaks Hospital	12	24,910	2,076	129.7%
Inova Fairfax Hospital	47	88,407	1,881	117.6%
Inova Loudoun Hospital	8	15,838	1,980	123.7%
Inova Mount Vernon Hospital	7	11,475	1,639	102.5%
Reston Hospital Center	13	19,020	1,463	91.4%
Sentara Northern Virginia Medical Center	9	8,863	985	61.5%
Stone Springs Hospital Center	4	4,321	1,080	67.5%
UVA Health Haymarket Medical Center	1	1,818	1,818	113.6%
UVA Health Prince William Medical Center	1	1,266	1,266	79.1%
Virginia Hospital Center	17	27,077	1,593	99.5%
Acute Hospital Totals and Averages	130	221,309	1,702	106.4%
Outpatient Surgical Hospital				
Fairfax Surgical Center	6	12,468	2,078	129.9%
Haymarket Surgery Center	2	5,329	2,665	166.5%
HealthQare Services ASC, LLC	2	2,080	1,040	65.0%
Inova Ambulatory Surgery Center at Lorton, LLC	2	4	2	0.1%
Inova Loudoun Ambulatory Surgery Center, LLC	5	8,580	1,716	107.3%
Inova Surgery Center @ Franconia-Springfield	5	6,821	1,364	85.3%
Kaiser Permanente - Woodbridge Surgery Center (AKA Caton Hill Center)	6	1,462	244	15.2%
Kaiser Permanente Tysons Corner Surgery Center	8	2,079	260	16.2%
Lake Ridge Ambulatory Surgery Center, LLC	1	755	755	47.2%
McLean Ambulatory Surgery Center, LLC	2	4,894	2,447	152.9%
Northern Virginia Eye Surgery Center, LLC	2	2,705	1,353	84.5%
Northern Virginia Surgery Center	4	4,974	1,244	77.7%
Pediatric Specialists of Virginia Ambulatory Surgery Center	2	2,157	1,079	67.4%
Prince William Ambulatory Surgery Center	4	6,865	1,716	107.3%
Reston Surgery Center	6	7,459	1,243	77.7%
Stone Springs Ambulatory Surgery Center	3	309	103	6.4%
OP Surgical Hospital Totals and Averages	60	68,941	1,149	71.8%
PD 8 Totals and Averages	190	290,250	1,528	95.5%

Source: 2022 VHI

Table 2. 2022 VHI, PD8 ORs Excluded from GPOR Calculation

Facility Name	ORs	Class
Reston Hospital Center	1	Trauma
Virginia Hospital Center	1	Trauma
Inova Fairfax Hospital	5	Cardiac - Adult
Virginia Hospital Center	2	Cardiac - Adult
Inova Fairfax Hospital	1	Cardiac - Pediatric

Source: 2022 VHI

According to Division of Certificate of Public Need (DCOPN) records, there are currently 217 ORs authorized in PD 8 and 207 of these are GPORs (**Table 3**). DCOPN notes that of the 207 GPORs in the inventory, two are restricted to ophthalmic procedures, two to vascular access and two to plastic surgeries. **Table 4** shows the difference in the number of GPORs reported to VHI in PD 8 for 2022 and the current GPOR inventory in PD 8.

For clarity, VHC Health, which is proposing VHC Alexandria, now has 13 GPORs at Virginia Hospital Center and 4 GPORs at McClean Tysons Orthopedic Surgery Center, LLC, which is partially owned by OrthoVirginia.¹ McClean Tysons Orthopedic Surgery Center, LLC was established through the relocation of 4 GPORs from Virginia Hospital Center. Because it opened in November 2022 it is not in the latest VHI data (**Table 1**). Virginia Hospital Center additionally has one trauma OR and two adult cardiac ORs that are not included in the definition, count or calculation of GPORs (**Table 2**).

The GPORs in PD 8 ultimately owned by HCA Healthcare, Inc., the corporate parent of the proposed North VA Surgicenter, LLC, are at Reston Hospital Center, Stone Springs Hospital Center, Fairfax Surgical Center, Reston Surgery Center and Stone Springs Ambulatory Surgery Center. From the 2022 VHI data in **Table 1**, these facilities had a total of 32 GPORs with average utilization of 1,362 hours per GPORs, 85.1% of the SMFP threshold. Since the 2022 data were reported, Reston Hospital Center has added 4 GPORs (COPN Nos. VA-04677 and VA-04772, **Table 3**). Reston Hospital Center additionally has one trauma OR that is not included in the definition, count or calculation of GPORs (**Table 2**). The number of GPORs reported to VHI in 2022 for the Stone Springs Hospital Center and Stone Springs Ambulatory Surgery Center differ from DCOPN's inventory (**Tables 3 and 4**).

¹ The facility now named "McClean Tysons Orthopedic Surgery Center, LLC" is shown as "VHC Ambulatory Surgery Center" in DCOPN's inventory, Tables 3 and 4.

Table 3. PD 8, Authorized Inventory, Operating Rooms

Facility	Total Authorized ORs	GPORs	Adult Open Heart ORs	Pediatric Open Heart ORs	Trauma ORs
Acute Hospitals					
Inova Alexandria Hospital	11	11	0	0	0
Inova Fair Oaks Hospital	14	14	0	0	0
Inova Fairfax Medical Campus	53	47	5	1	0
Inova Loudoun Hospital	10	10	0	0	0
Inova Mount Vernon Hospital	7	7	0	0	0
Reston Hospital Center	17	16	0	0	1
Sentara Northern Virginia Medical Center	9	9	0	0	0
Stone Springs Hospital Center	6	6	0	0	0
UVA Prince William Medical Center d/b/a UVA Health Haymarket Medical Center	4	4	0	0	0
UVA Prince William Medical Center d/b/a UVA Health Prince William Medical Center	4	4	0	0	0
Virginia Hospital Center	16	13	2	0	1
Total Acute Hospital Operating Rooms	151	141	7	1	2
Outpatient Surgical Hospitals					
Dominion Plastic Surgery, LLC	2	2	0	0	0
Fairfax Surgical Center	6	6	0	0	0
Haymarket Surgery Center	2	2	0	0	0
Healthqare Associates	2	2	0	0	0
Inova Ambulatory Surgery Center at Lorton	2	2	0	0	0
Inova Loudoun Ambulatory Surgery Center	5	5	0	0	0
Inova McLean Ambulatory Surgery Center	3	3	0	0	0
Inova Oakville Ambulatory Surgery Center	3	3	0	0	0
Inova Surgery Center at Franconia-Springfield	5	5	0	0	0
Kaiser Permanente Tysons Corner Surgery Center	7	7	0	0	0
Kaiser Permanente Woodbridge Surgery Center	4	4	0	0	0
Lake Ridge Ambulatory Surgical Center	1	1	0	0	0
Northern Virginia Eye Surgery Center, LLC	2	2	0	0	0
Northern Virginia Surgery Center	4	4	0	0	0
Pediatric Specialists of Virginia	2	2	0	0	0
Prince William Ambulatory Surgery Center	4	4	0	0	0
Reston Surgery Center	6	6	0	0	0
Stone Springs Surgery Center	2	2	0	0	0
VHC Ambulatory Surgery Center	4	4	0	0	0
Total OP Surgical Hospital ORs	66	66	0	0	0
PD 8 Total Authorized	217	207	7	1	2

Source: DCOPN Records

Table 4. Difference in Count of GPORs, 2022 VHI vs DCOPN Inventory

Facility	GPORs	Notes
Reported to VHI, 2022	190	
Inova Fair Oaks Hospital	2	COPN No. VA-04890 authorized the addition of 2 GPORs, expected complete 6/1/25
Inova Loudoun Hospital	2	COPN No. VA-04771 authorized the addition of 2 GPORs, expected complete 9/1/23.
Reston Hospital Center	3	COPN Nos. VA-04677 and VA-04772 each authorized the addition of 2 GPORs; all 4 were completed 3/6/24; Both of the applications for these noted that RHC had 12 existing GPORs prior to adding these, but it reported 13 General + 1 Trauma OR to VHI in 2022.
Stone Springs Hospital Center	2	Reported 4 GPORs to VHI; authorized for 6.
UVA Health Haymarket Medical Center	3	Has reported 1 OR to VHI for a number of years, but 4 are authorized.
UVA Health Prince William Medical Center	3	Has reported 1 OR to VHI for a number of years, but 4 are authorized.
Virginia Hospital Center	-4	COPN No. VA-04689 authorized the relocation of 4 GPORs from Virginia Hospital Center to establish VHC Ambulatory Surgery, now McClean Tysons Orthopedic Surgery Center, LLC, completed 11/2022.
VHC Ambulatory Surgery	4	COPN No. VA-04689 authorized the relocation of 4 GPORs from Virginia Hospital Center to establish VHC Ambulatory Surgery, now McClean Tysons Orthopedic Surgery Center, LLC, completed 11/2022.
Dominion Plastic Surgery	2	COPN No. VA-04881 authorized the establishment of a 2-OR OSH in 3/6/2024
Kaiser Permanente - Woodbridge Surgery Center (AKA Caton Hill Center)	-2	Reported 6 GPORs to VHI, authorized for 4.
Kaiser Permanente Tysons Corner Surgery Center	-1	Reported 8 GPORs to VHI, authorized for 7.
Inova Oakville Ambulatory Surgery Center, LLC	3	COPN No. VA-04770 authorized this OSH, expected complete 4/30/24.
McLean Ambulatory Surgery Center, LLC	1	COPN No. VA-04845 authorized the addition of one GPOR, expected to be complete 2/15/25.
Stone Springs Ambulatory Surgery Center	-1	Reported 3 GPORs to VHI; authorized for 2.
Total Difference in Count of GPORs	17	
Authorized GPORs in PD 8 Inventory	207	

Source: DCOPN Records

Proposed Projects

VA-8778- VHC Alexandria

Eisenhower, LLC proposes to establish an OSH with two operating rooms at 3601 Eisenhower Avenue, Alexandria, Virginia, approximately 13 miles from Virginia Hospital Center, through the renovation of an existing building and the addition of two new GPORs to the PD 8 inventory. Estimated capital costs are \$9,072,895 (**Table 5**) which will be funded entirely with VHC Health's

accumulated reserves, so no financing costs will accrue. Should the proposed project be approved the target date to begin operation is November 1, 2026.

Table 5. Estimated Capital Costs for VHC Alexandria

Direct Construction Costs	\$ 4,176,646
Equipment not included in Construction Contract	\$ 4,257,802
Site Acquisition Costs	\$ -
Off-Site Costs	\$ -
Architectural and Engineering Fees	\$ 638,447
Total Capital Costs	\$ 9,072,895

Source: COPN Request No. VA-8778

VA-8780-North VA

North VA Surgicenter, LLC proposes to establish an OSH with four operating rooms at 13350 Franklin Farm Road #100, Herndon, Virginia. The proposal is to relocate two GPORs from Reston Hospital Center and add two new GPORs to the PD 8 inventory and convert the OrthoVirginia four-room in-office operatory suite in Herndon to a dedicated orthopedic OSH. North VA Surgicenter anticipates that OrthoVirginia will eventually be joint owner in the facility. Estimated capital costs of the proposal are \$7,274,829 (**Table 6**), funded entirely with accumulated reserves of HCA Healthcare, Inc., so no financing costs will accrue. Should the proposed project be approved the target date to begin operation is November 1, 2026.

Table 6. Estimated Capital Costs for North VA Surgicenter, LLC

Direct Construction Costs	\$ 4,022,250
Equipment not included in Construction Contract	\$ 550,000
Site Acquisition Costs	\$ 2,304,829
Off-Site Costs	\$ 106,000
Architectural and Engineering fees	\$ 291,750
Total Capital Costs	\$ 7,274,829

Source: COPN Request No. VA-8780

Project Definition

VA-8778- VHC Alexandria and VA-8780-North VA

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 medical care facility includes “[a]ny licensed hospital” including “hospitals known by varying nomenclature or designation such as... outpatient surgical...”

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

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

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

PD 8 is a large and fast-growing area of Virginia, estimated to grow to 2.8 million people, adding nearly 280,000 people between 2020 and 2030. This projected growth of 10.9% for PD 8 in the current decade is nearly twice the growth rate projected for Virginia at 5.8% (**Table 7**). **Figure 1** is a map of the localities in PD 8. The older population utilizes health care services at a higher rate than the rest of the population and it is an important segment to examine. The number of people over 65 is expected to grow by nearly 98,000 people in PD 8 between 2020 and 2030, through in-migration and aging. This is 32% growth, compared to Virginia's projected growth of 26.3% for the 65+ segment during the same period (**Table 7**).

Table 7. Population by Locality, PD 8

Locality	2020 Population	2030 Projected Population	Projected Growth 2020-2030	Percent Growth 2020-2030	65+ 2020 Population	Projected 65+ 2030 Population	Projected Growth 65+	Percent Growth 65+
Arlington Co.	238,643	265,794	27,151	11.4%	25,333	28,501	3,168	12.5%
Fairfax Co.	1,150,309	1,201,420	51,111	4.4%	158,687	195,132	36,445	23.0%
Loudoun Co.	420,959	522,015	101,056	24.0%	41,497	65,844	24,347	58.7%
Prince William Co.	482,204	554,344	72,140	15.0%	50,522	76,112	25,590	50.7%
Alexandria City	159,467	176,403	16,936	10.6%	18,758	22,941	4,183	22.3%
Fairfax City	24,146	25,358	1,212	5.0%	3,871	4,726	855	22.1%
Falls Church City	14,658	16,741	2,083	14.2%	2,185	2,545	360	16.5%
Manassas City	42,772	47,039	4,267	10.0%	4,505	6,593	2,088	46.4%
Manassas Park City	17,219	19,876	2,657	15.4%	1,343	2,162	819	61.0%
PD 8	2,550,377	2,828,990	278,613	10.9%	306,701	404,555	97,854	31.9%
<i>Virginia, Statewide</i>	<i>8,631,393</i>	<i>9,129,002</i>	<i>497,609</i>	<i>5.8%</i>	<i>1,395,291</i>	<i>1,762,641</i>	<i>367,350</i>	<i>26.3%</i>

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

VA-8778- VHC Alexandria

Alexandria City, where Eisenhower, LLC is proposing its project, is expected to represent 6% of residents of PD 8 by 2030 (**Table 7**). It is projected to grow by nearly 17,000 people (10.6%, consistent with the PD 8 projected growth rate) during the 2020 to 2030 decade. Its population over age 65 is projected to grow by about 4,200, during the decade, a 22.3% growth rate, slower than that of PD 8 and Virginia (**Table 7/Figure 3**). VHC Alexandria's projected primary service area, based on VHC Health's outpatient surgery patient origins, includes Alexandria as well as parts of Arlington and Fairfax Counties and Falls Church. Poverty rates in PD 8 are lower in each locality than that of Virginia (**Table 8**). Alexandria City's is among the highest in PD 8 at 9.0%, still lower than that of Virginia. The proposed VHC Alexandria is located less than a mile from the Capital Beltway (Interstate 495) and is easily accessible through the interchange at Interstate 405 and Route 611. It is located near several Metro stations/stops and participates in

the Alexandria City Transportation Management Plan supporting transportation management programs and improvements.

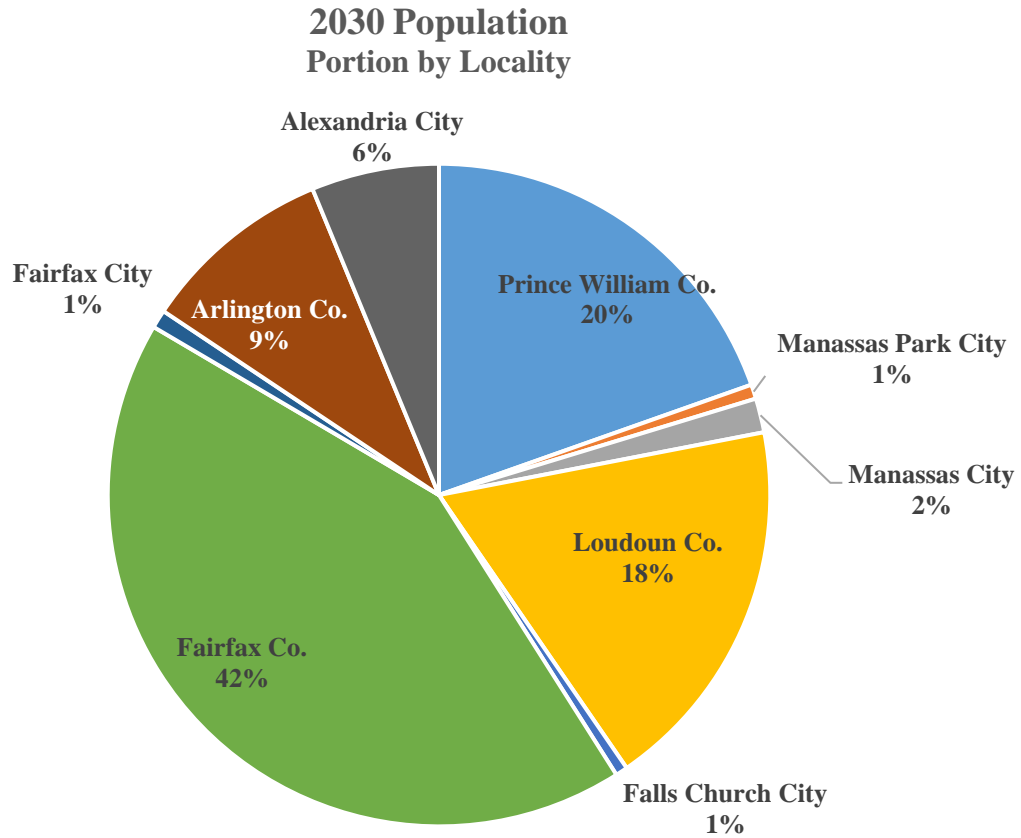
Figure 1. Map of PD 8 Localities



VA-8780-North VA

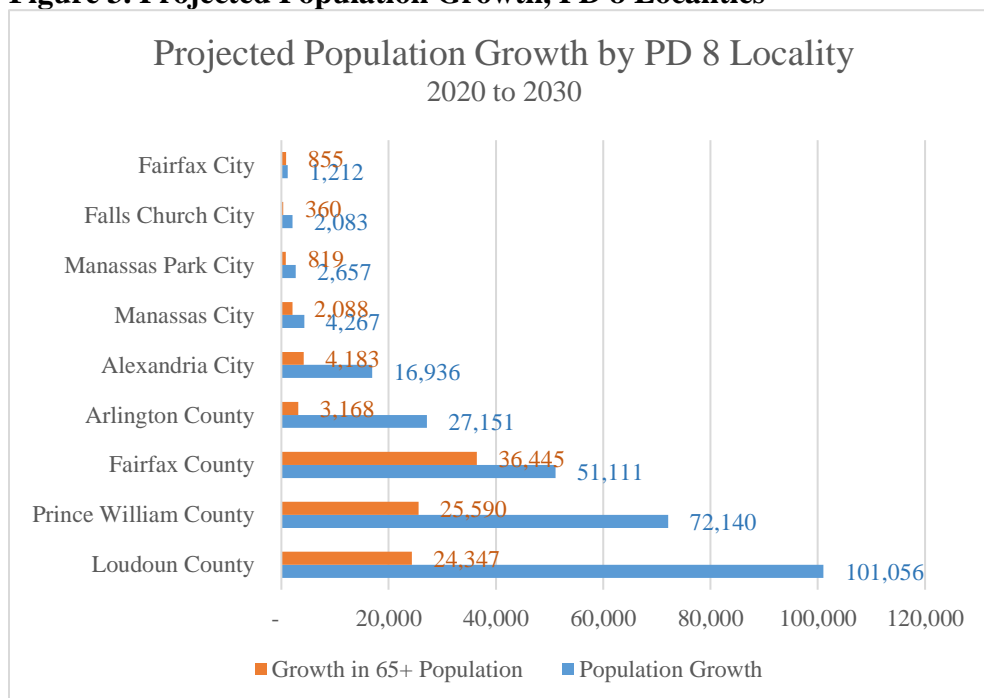
Herndon where the proposed North VA Surgicenter project is located, is in Fairfax County, which represents 42% of the PD 8 population (**Figure 2**). Fairfax County is projected to grow by 4.4% between 2020 and 2030, more slowly than PD 8 overall and more slowly than Virginia (**Table 7**). This amounts to an increase of over 51,000 people across the county during the decade. The growth rate in Fairfax County for the 65 and older population is 23.0% between 2020 and 2030, also a slower rate than PD 8 or Virginia, but an addition in population of over 36,000 in the older age cohort (**Table 7 & Figure 3**). Fairfax County's poverty rate is 5.9%, lower than that of PD 8 and far lower than Virginia's (**Table 8**). The proposed site is on Franklin Farms Road off Route 286 between Route 50 and Dulles Access Road. The Fairfax Connector bus line stops nearby and the Herndon Metro stop is approximately four miles away.

Figure 2. Portion of PD 8 Projected 2030 Population by Locality



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

Figure 3. Projected Population Growth, PD 8 Localities



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

Table 8. 2022 Poverty Rates, PD 8

Locality	% in Poverty
Arlington County	6.8%
Fairfax County	5.9%
Loudoun County	3.8%
Prince William County	6.9%
Alexandria city	9.0%
Fairfax city	7.6%
Falls Church city	4.1%
Manassas city	9.1%
Manassas Park city	8.9%
PD 8	6.1%
Virginia	10.6%

Source: US Census Bureau, Small Area Income and Poverty Estimates

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

(i) The level of community support for the project demonstrated by citizens, businesses, and governmental leaders representing the area to be served.

VA-8778- VHC Alexandria

DCOPN received a letter of commitment from VHC Health's medical staff to staff and provide all physician related services, and three additional letters of support from the chief of the primary care division and vice chief of the Surgery Department at VHC Health and from the surgery services director of the VHC Physician Group. The letters in aggregate expressed the following:

- The proposed ambulatory surgery center (ASC) will allow VHC to free up much-needed capacity at the hospital
- This will allow VHC to better serve higher-acuity patients
- It will provide VHC Health outpatients with an alternative, lower-cost site of care.
- The proposed ASC will be VHC's first off-campus multispecialty ASC.
- It will offer general surgery alongside a variety of outpatient services including gastroenterology, gynecology and otolaryngology.
- As a board-certified urology surgeon, I rely on surgical services at the hospital and routinely operate on lower-acuity outpatients requiring procedures that do not necessitate the expensive resources of a hospital setting.
- Many ambulatory urology procedures are preferably performed in a lower-cost outpatient setting.
- As a general and bariatric surgeon, I am aware of the unmet needs for our surgical patients and routinely operate on patients requiring lower-acuity outpatient procedures that don't require a hospital setting.
- VHC's operating rooms are beyond capacity and increasingly strained, including lower-acuity outpatients and high-acuity complex trauma patients.
- I have seen utilization of our surgical services continuously grow.
- Outpatients must at times be rescheduled or delayed to a later time to accommodate patients with more urgent needs.
- As a board-certified Internal Medicine physician, I frequently refer patients to surgical specialists for needed ambulatory surgical care.
- There is insufficient surgical capacity at VHC.
- The proposed outpatient surgical center is optimally situated to meet the needs of patients for more availability and better geographic, financial and logistic access.
- The project will be located centrally in Alexandria City of the West End, a longstanding part of VHC Health's service area.
- The area is projected to grow.
- The proposal will offer outpatients a welcome alternative site of care, enhancing VHC Health's high quality specialized surgical services in a lower-cost setting.
- The project is critically needed to expand VHC's operating room capacity and to diversify its delivery models and settings.

In addition to these letters of support, DCOPN received a letter of opposition on October 23, 2024 from Dominion Plastic Surgery, a reconstructive surgery practice in Falls Church with a two-OR outpatient surgical hospital restricted to reconstructive surgery. The letter expresses concerns that the proposed facility may take patients from smaller outpatient centers and harm their viability. It notes that the proposed facility is less than five miles from Inova Mount Vernon Hospital and just over one mile from INOVA Alexandria Hospital and asserts it would compete

with INOVA rather than expand access. The opposition letter states that the cost of the facility seems high, that Dominion Plastic Surgery, just starting to ramp up, could potentially be deprived of patient volumes. The letter also states that services in existing facilities would likely be less expensive than the proposed project.

In response, Eisenhower, LLC sent a letter on November 1, 2024, stating that the proposed VHC Alexandria is “squarely inside VHC’s primary service area” and will improve access to general purpose outpatient surgery for existing VHC Health patients. It states that Dominion’s letter is “surprising, perplexing and unfounded.” Eisenhower’s response letter provides background of Dominion’s conversion of physician operatory procedure rooms to operating rooms restricted to plastic surgery procedures, including reconstructive procedures not otherwise offered in PD 8 on patients, including those residing outside the PD. The proposed VHC Alexandria will not provide the same services and its application does not list plastic surgery services as anticipated to be performed at VHC Alexandria. Dominion ASC is outside of the projected primary service area of VHC Alexandria, 20-30 minutes away, according to the response letter. It is unlikely that VHC Alexandria would take any patients from Dominion, much less significant volumes.

Eisenhower, LLC expresses furthermore that Dominion’s concern about VHC’s impact on the larger Inova Health is not supported by facts as Inova Health has five times as many ORs as VHC and had seven times as many surgical procedures in 2022. The letter also addresses Dominion’s assertion that VHC Alexandria’s capital costs are “astronomical” stating that they are comparable to similar approved projects, though more than Dominion’s “paper exercise” of converting its operatory procedure rooms to ORs. Eisenhower, LLC’s response letter concludes that Dominion’s opposition is unfounded.

VA-8780-North VA Surgicenter

DCOPN received a letter of commitment from the Chief Executive Officer of OrthoVirginia, Inc. The letter expressed the following:

- OrthoVirginia is the largest provider of orthopedic services providing medically necessary care to patients from its patients from 14 sites.
- OrthoVirginia works with all major health systems in PD 8 and is very familiar with the PD 8 healthcare landscape.
- Not many years ago, virtually all orthopedic surgeries were performed at inpatient hospitals.
- There is not a sufficient number of lower cost settings available to patients in PD 8 who require orthopedic care.
- An increasing number of orthopedic surgery procedures can now be appropriately performed in a high quality, lower cost outpatient setting.
- Most patients receive better, faster and more affordable care when their surgery is performed in a dedicated orthopedic outpatient facility, with better patient experience/satisfaction.
- The Commissioner has repeatedly acknowledged the benefits and clinical appropriateness of single-purpose OSHs.
- Surgery performed in an outpatient setting is significantly less expensive for the patient and the payer than the same surgery performed in a hospital.

- The high cost of surgery in the hospital leads some patients to go without needed surgery altogether.
- The existing operatory has been very positive for privately insured patients. Patients covered by government insurance programs are not able to benefit from this enhanced level of care because without being an OSH with licensed operating rooms an ambulatory surgery center cannot enroll with government payers.
- Most patients with government payers receive surgery at one of the area hospitals which typically have longer wait times, higher costs, and more challenging accessibility, especially for patients with mobility difficulties.
- Approval of the proposal would enable OrthoVirginia's Medicare, Medicaid and Tricare patients to experience the same clinical benefits as those with commercial payers.
- These patients are spread across every hospital in PD 8 and OrthoVirginia intends to continue performing clinically appropriate surgeries at all of these hospitals, such that impact on any single hospital would be minimal.
- OrthoVirginia intends to staff North VA Surgicenter upon its opening as an OSH.

In addition to this letter of commitment, DCOPN received a letter of opposition from Inova Health System stating that COPN Request No. VA-8780 is inconsistent with the SMFP and that PD 8 already has a substantial surplus of GPOR capacity such that there is no public need for it. In particular, Inova says the requested two new GPORs that add to the surplus in PD 8 are inconsistent with the SMFP. The letter quantifies the PD 8 surplus as 8.3% of the PD 8 GPOR inventory and asserts that Reston Hospital Center is responsible for nearly 30% of PD 8's existing surplus GPOR capacity. Inova's letter says that the proposal is inconsistent with the section of the SMFP that applies to relocation of existing GPOR capacity because the proposal is for two new GPORs in addition to those it proposes to relocate. It states that Reston Hospital Center's OR hours have declined and its claim that it is only able to relocate two GPORs is unsubstantiated. Inova states that the status quo is the least costly alternative, contending that operatories are the lowest cost alternative for commercial payers and that there is ample capacity in PD 8 in existing OSH's.

Public Hearings

Section 32.1-102.6B of the Code of Virginia directs DCOPN to hold one public hearing on each application in the case of competing applications; or in response to a written request by an elected local government representative, a member of the General Assembly, the Commissioner, the applicant, or a member of the public. On November 11, 2024, the Health Systems Agency of Northern Virginia (HSANV) held public hearings for the two projects.

VA-8778- VHC Alexandria

The proposed project was presented by Adrian Stanton, Vice President, VHC Health; Brian Stone, MD, Chief Medical Officer, VHC Health; and Christopher Lane, President & CEO, VHC Health. The presenters emphasized that VHC Health surgical services are heavily used, substantially more than the SMFP standard. Additional capacity is needed to meet current and projected demand. Given ongoing shift from inpatient to outpatient surgery and space limitations on the VHC Health campus, a freestanding outpatient surgical facility is the appropriate expansion option. The site is well within VHC Health's primary service area. Unused operating room capacity elsewhere in the planning region is not a practical alternative to

adding capacity within VHC Health which has an institutional need for additional GPORs. VHC Health has a systemwide charity care agreement, 3% of gross patient charges, that would apply to the Eisenhower, LLC service. In response to questions, the presenters confirmed that it is likely that the Eisenhower service will be syndicated with VHC Health retaining a majority interest. The location in eastern Alexandria is well positioned in relation to the VHC main campus and success of VHC Alexandria does not depend on establishment of a new service area or attracting a new patient population.

VA-8780-North VA

The proposed project was presented by Ryan Miller, Vice President-Operations, HCA Capital Division, Ambulatory Surgery Division; Tom Stallings, Counsel for North VA Surgicenter; Nathan Vooys, CEO, Reston Hospital; and George Aguilar, MD, OrthoVirginia.

The presenters emphasized that the proposal entails the conversion of an existing OrthoVirginia operatory into an OSH with four licensed operating rooms and support space. The purpose of the project is to permit OrthoVirginia to serve government insured outpatient surgery patients on site rather than treat them in a nearby hospital or other surgery center. Two of the four operating rooms requested would be “transferred” from the licensed complement of Reston Hospital Center. The net increase in licensed capacity would be two operating rooms. There is precedent for authorizing additional capacity, absent a regional or institutional need, under circumstances that now apply in PD 8 and within local HCA surgery services. Given current and projected demand at local HCA surgery services, no more than two operating rooms can be transferred from existing services. Given the high caseload in the operatory to be converted, the growth in outpatient surgery demand regionwide, there is no reason to expect a noticeable effect on other surgery services. The project is a relatively low-cost way to add beneficial surgery capacity. The conversion would permit more efficient operations and be more convenient for surgeons and patients alike.

In response to questions, the presenters confirmed that North VA Surgicenter is likely to be syndicated, principally among OrthoVirginia surgeons treating patients at the facility. The surgery service would be a closed service such that only OrthoVirginia surgeons would be granted privileges to practice. HCA will retain a majority interest in the facility. No more than two ORs can be transferred from existing HCA surgery services. A surgery center with only two licensed ORs is not adequate. Commercial and private pay patients could not be served as they are now in unlicensed operatory rooms. Based on experience in Richmond HCA surgery services the government payors at North VA Surgicenter are likely to be more than 50%. OrthoVirginia does not track information on the number of Medicare, Medicaid and Tricare patients referred elsewhere for outpatient surgery.

DCOPN provided notice to the public regarding these projects inviting public comment on September 11, 2024. The public comment period closed on October 26, 2024. Other than the letters of support and opposition referenced above, no members of the public commented on either project.

(ii) The availability of reasonable alternatives to the proposed service or facility that would meet the needs of the population in a less costly, more efficient, or more effective manner.

VA-8778- VHC Alexandria

The basis on which Eisenhower, LLC proposes the establishment of VHC Alexandria is to decant volumes of existing VHC surgical patients from its highly utilized GPORs. As VHC is landlocked and there is no space for additional capacity on its campus, an off-campus surgical hospital will provide GPOR access and in a more convenient and lower cost setting for patients. The proposed site is in VHC Health's service area. The proposal is more beneficial than the status quo.

VHC Health reported operating room hours equal to 100% of the SMFP utilization threshold for its GPORs to VHI in 2022 and reports 134% in its 13 GPORs for 2023, subsequent to relocating four GPORs to an OSH two years ago. Had these four GPORs not been relocated, VHC's reported GPOR hours in 2023 would still be over the SMFP threshold, so the relocation did not create the utilization above the SMFP threshold. This high utilization is causing operational inefficiencies including delayed and rescheduled surgeries and long and late surgical days for physicians and staff. There is no alternative to GPOR capacity for VHC patients and space constraints prohibit building GPORs on its campus. There is no identified reasonable alternative to the proposed project to build an OSH off-site of VHC Health's campus.

VA-8780- North VA

North VA is proposing to transfer two GPORs and add two new GPORs to the PD 8 inventory to establish a dedicated orthopedic OSH to improve outpatient access for patients with Medicare, Medicaid and other government payers. The Commissioner has repeatedly acknowledged the benefits and clinical appropriateness of single-purpose OSHs. In recent years, CMS has removed several orthopedic procedures from its "inpatient only" list causing providers to shift these procedures to the lower cost, more efficient outpatient setting. Commercial insurers will pay for these procedures in a physician operatory such as the one which OrthoVirginia currently operates at the site that is proposed to be converted to an OSH. For governmental payors to pay for these procedures, the facility must be an OSH with licensed operating rooms. An alternative to the proposed project is the status quo, but that would mean Medicare, Medicaid and Tricare patients coming to Reston Hospital Center would have to pay higher, hospital-based prices and not have access to the acknowledged benefits of single-purpose OSHs.

In a PD with a significant surplus of GPORs, adding more exacerbates the surplus further and creates underutilized resources. Neither Reston Hospital Center nor parent HCA, Inc.'s facilities in PD 8 in aggregate have utilization over the SMFP threshold, i.e., they have excess capacity. Another alternative to the proposed project is the relocation of all four GPORs from Reston Hospital Center. The applicant considered this alternative and deemed it infeasible. Its 17 GPORs reported 18,697 hours in 2023, enough hours for 100% utilization at the SMFP threshold of 12 GPORs (five fewer than its current complement). Reston Hospital Center will be using one GPOR to offer open heart surgery in the near future. Should the proposal be approved, two GPORs would relocate to North VA along with some of its orthopedic volumes. At current volumes, Reston Hospital Center's remaining 14 GPORs would operate at somewhat less than 83.5% utilization; however, the applicant stated at its public hearing that Reston Hospital Center has twelve additional surgeons joining its medical staff in the next six months and has committed OR time to

each. In aggregate, these committed surgeons will utilize Reston Hospital Center's excess OR capacity. No reasonable alternative has been identified to the proposed project.

(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.

The HSANV Board of Directors reviewed both projects at its November 11, 2024, board meeting.

VA-8778- VHC Alexandria

The board voted ten in favor, and none opposed to recommend approval of the project. The recommendation was based upon the following findings and conclusions:

1. VHC Health surgery services have high service volumes and demand is growing. Service volumes are substantially above the service planning guideline of 1,600 hours per operating room annually delineated in the SMFP.
2. There is no unused surgery capacity within VHC Health that can be reallocated or otherwise used to respond to increasing demand at Virginia Hospital Center.
3. Adding operating rooms in the satellite ambulatory surgery center proposed is not likely to affect use at other surgery services.
4. The capital cost of the project is within the range reported for similar projects authorized locally and elsewhere in Virginia.
5. Though there is no indication of a general, regionwide need for additional GPORs, the proposal is permissible under, and consistent with the institutional need provision of the SMFP as that consideration is now commonly interpreted and applied.

VA-8780-North VA

The board voted nine in favor, and one opposed to recommend approval of the project. The recommendation was based upon the following findings and conclusions:

1. The North VA Surgicenter proposal entails the conversion of an existing OrthoVirginia medical operatory to a licensed surgery center with four licensed operating rooms and support space.
2. Two of the four operating rooms requested would be transferred from the licensed operating room complement at Reston Hospital Center.
3. Though there is substantial surplus surgery capacity in the planning region and North VA Surgicenter does not qualify for consideration under the institutional need provision of the Virginia SMFP, the potential benefits of the project outweigh concerns implicit in adding two operating rooms to the regional surplus.
4. The capital cost of the project is within the range reported for similar projects authorized locally and elsewhere in Virginia.
5. Success of the project does not depend on acquiring a new patient population or establishing a new service area. There is no indication of likelihood that the project would affect other service providers negatively.

(iv) Any costs and benefits of the project.

VA-8778- VHC Alexandria

Total projected capital cost for the proposed project is \$9,072,895, (\$4,536,448 per OR) funded in its entirety with accumulated reserves, so no financing costs are involved in the proposed project. The estimated costs are consistent with other recently approved projects to establish outpatient surgical hospitals. For example, COPN No. VA-04867 was approved at a cost of \$8.7 million per OR and COPN No. VA-04892 was approved for three GPORs at a cost of \$6.9 million per OR.

The applicant has described several benefits to the proposed project, primarily its resulting improvements in access to area residents, especially those seeking care at VHC Health. The proposed project addresses a need for additional GPOR capacity at VHC. Based on VHC's patient origin data, 42% of its surgical patients reside in the VHC Alexandria PSA. It would not only improve access and wait times for outpatient surgical services but decant volumes in the highly utilized inpatient GPORs on the VHC campus, allowing more access for higher acuity surgeries as well. The proposal is a multispecialty outpatient surgery hospital, a lower cost setting than what is currently available for many VHC Health patients.

VA-8780-North VA

Total projected capital costs for the proposed project are \$7,274,829 (\$1,818,707 per OR), funded in its entirety with accumulated reserves of HCA Healthcare, Inc., so there are no financing costs involved in the proposed project. The estimated costs are lower than other recently approved projects to establish outpatient surgical hospitals, such as COPN No. VA-04867 and COPN No. VA-04892 listed above.

The applicant has described several benefits to the proposed project, such as the demonstrated higher quality, efficiency, navigability and patient satisfaction of a single specialty OSH over a hospital setting. In recent years, CMS has removed several orthopedic procedures from its "inpatient only" list causing providers to shift these procedures to the outpatient setting. While patients with commercial payers can access physician operatories or ambulatory surgery centers without certified GPORs, government payers will only pay for procedures in an OSH with certified and licensed GPORs. The primary benefit is expanded access to orthopedic procedures for patients with Medicaid, Medicare and Tricare in the superior single specialty OSH.

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

VA-8778- VHC Alexandria

VHC Health treats all patients regardless of their ability to pay for services or of their payor source as will VHC Alexandria. VHC Health, the parent organization of the proposed project, provided charity care in the amount of 2.3% of gross patient revenue in 2022, the latest year for which such data are available. This is above the HPR average of 1.9% that year (**Table 9**). An outpatient setting is a lower-cost alternative, not currently available to most patients seeking care at VHC Health. The proforma provided (**Table 13**) includes 3% charity care, consistent with VHC Health's systemwide charity condition.

In accordance with section 32.1-102.4.B of the Code of Virginia, should the proposed project receive approval, the project would be conditioned to provide a level of charity care based on VHC Health's systemwide charity condition. Pursuant to Code of Virginia language any COPN issued

for this project will also be conditioned on the applicant's agreement to accept patients who are the recipients of Medicare and Medicaid.

VA-8780-North VA

Reston Hospital Center, from where the applicant proposes to transfer two GPORs, provided charity care in the amount of 0.8% in 2022, the latest year for which such data are available (HCA facilities combined also provided 0.8% charity care that year). This is well below the HPR I average of 1.9% (**Table 9**). An outpatient setting is a lower-cost alternative that is less available to patients needing orthopedic procedures with government payers such as Medicare, Medicaid and Tricare. In addition, the applicant stated at its public hearing that commercial patients would not be charged more in the proposed OSH than they are paying in the current physician operatory. The proforma provided (**Table 14**) includes 1.9% charity care, consistent with the HPR II average.

In accordance with section 32.1-102.4.B of the Code of Virginia, should the proposed project receive approval, the project would be conditioned to provide a level of charity care based on the HPR II average charity care percentage. Pursuant to Code of Virginia language any COPN issued for this project will also be conditioned on the applicant's agreement to accept patients who are the recipients of Medicare and Medicaid.

Table 9. HPR II Charity Care Contributions: 2022

Hospital	Gross Patient Revenues	Adjusted Charity Care Contribution	Percent of Gross Patient Revenue:
Encompass Health Rehab Hosp of Northern Virginia	\$44,278,869	\$1,731,629	3.9%
Sentara Northern Virginia Medical Center	\$944,136,646	\$32,219,014	3.4%
Inova Mount Vernon Hospital	\$641,472,447	\$17,706,001	2.7%
Inova Alexandria Hospital	\$1,197,261,807	\$29,265,924	2.4%
Virginia Hospital Center	\$1,986,450,290	\$47,061,276	2.3%
Inova Fairfax Hospital	\$5,214,506,184	\$116,268,953	2.2%
Inova Loudoun Hospital	\$1,228,076,373	\$24,600,105	2.0%
Inova Fair Oaks Hospital	\$872,902,867	\$16,347,102	1.8%
Dominion Hospital	\$171,735,320	\$1,891,758	1.1%
Reston Hospital Center	\$1,890,705,104	\$16,603,148	0.8%
StoneSprings Hospital Center	\$442,376,284	\$3,383,896	0.7%
North Spring Behavioral Healthcare	\$72,918,890	\$259,529	0.3%
UVA Health Prince William Medical Center	\$329,053,447	\$704,161	0.2%
UVA Health Haymarket Medical Center	\$183,865,488	\$174,114	0.1%
Total Inpatient Hospitals:			14
HPR II Inpatient Hospital Median			1.9%
HPR II Total Inpatient \$ & Mean %	\$15,219,740,016	\$308,216,610	2.0%
Lake Ridge Ambulatory Surgical Center	\$12,134,108	\$210,500	1.7%
Stone Springs Ambulatory Surgery Center	\$3,999,113	\$59,669	1.5%
Northern Virginia Eye Surgery Center, LLC	\$14,479,800	\$63,197	0.4%
Haymarket Surgery Center	\$51,205,003	\$50,954	0.1%
Northern Virginia Surgery Center	\$59,865,180	\$47,316	0.1%
Reston Surgery Center	\$140,221,295	\$58,510	0.0%
Prince William Ambulatory Surgery Center	\$50,752,301	\$4,623	0.0%
Fairfax Surgical Center	\$141,540,392	\$209	0.0%
HealthQare Services ASC, LLC	\$8,526,020	\$0	0.0%
Inova Ambulatory Surgery Center at Lorton	\$1,977,872	\$0	0.0%
Inova Loudoun Ambulatory Surgery Center	\$86,732,059	\$0	0.0%
Inova Surgery Center @ Franconia-Springfield	\$86,936,077	\$0	0.0%
Kaiser Permanente Caton Hill Ambulatory Surgery Center	\$10,357,476	\$0	0.0%
Kaiser Permanente Tysons Corner Surgery Center	\$55,063,020	\$0	0.0%
McLean Ambulatory Surgery Center	\$38,502,416	\$0	0.0%
Pediatric Specialists of Virginia Ambulatory Surgery Center	\$9,138,277	\$0	0.0%
VHC Ambulatory Surgery Center	Not Open until Nov 2022	\$ -	
Total Outpatient Hospitals:			16
HPR II Outpatient Hospital Median			0.0%
HPR II Total Outpatient Hospital \$ & Mean %	\$ 771,430,409	\$ 494,978	0.1%
Total Hospitals:			30
HPR II Total Hospital \$ & Mean %	\$ 15,991,170,425	\$ 308,711,588	1.9%

Source: VHI (2022)

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

There are no other factors, not addressed elsewhere in the analysis, relevant to the determination of a public need for either project.

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

Section 32.1-102.2:1 of the Code of Virginia calls for the State Health Services Plan Task Force to develop recommendations for a comprehensive State Health Services Plan (SHSP). In the interim, DCOPN will consider the consistency of the proposed project with the predecessor of the SHSP, the State Medical Facilities Plan (SMFP).

Part V of the SMFP contains criteria/standards for the addition of general-purpose operating rooms. They are as follows:

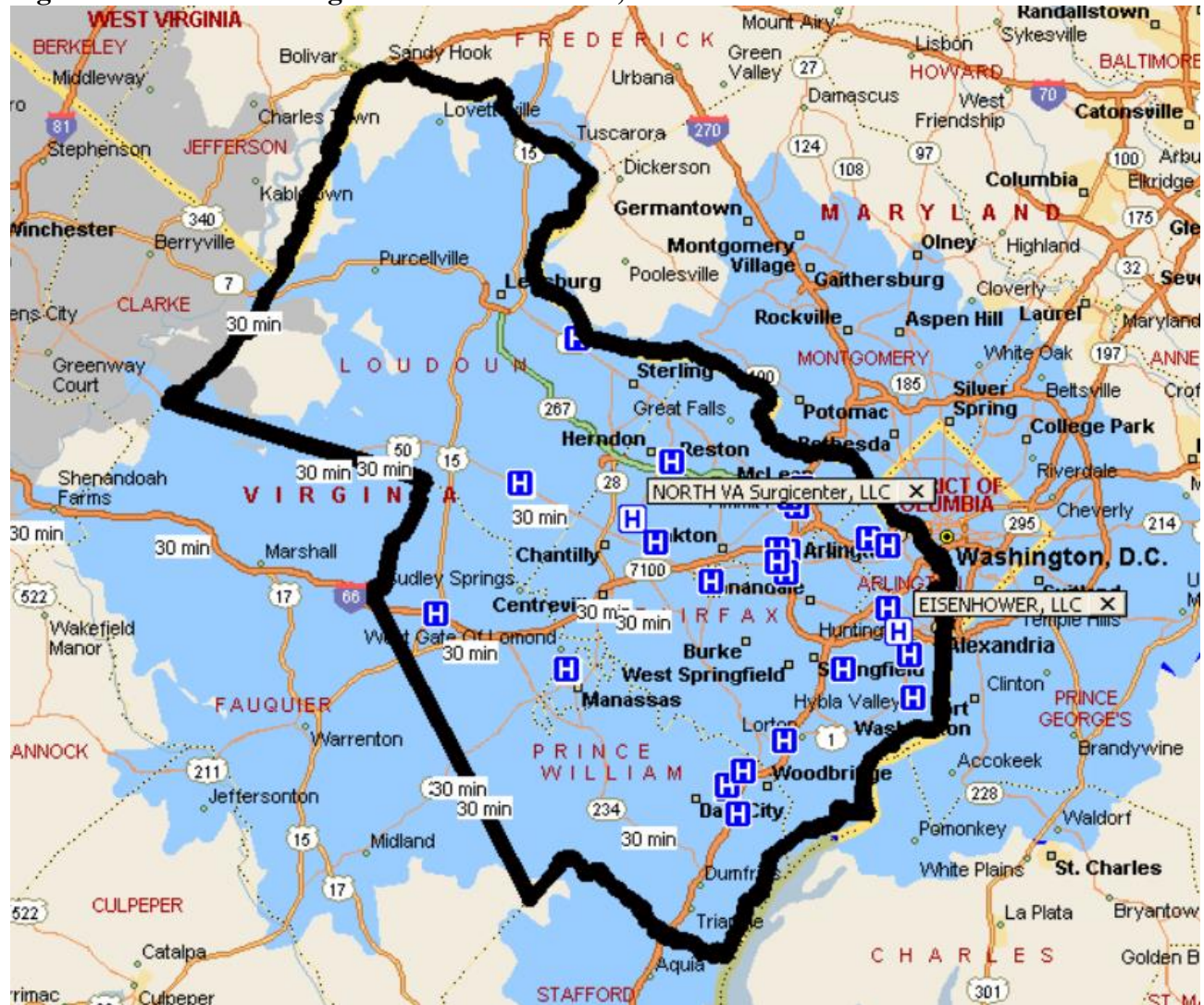
**Part V General Surgical Services
Criteria and Standards for General Surgical Services**

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.

The heavy black line in **Figure 4** represents the boundary of PD 8. The blue symbols with white Hs mark the locations of existing GPOR sites in PD 8. The white symbols with a blue Hs locate the proposed projects, labeled. The light blue shaded area in **Figure 4** shows the area that is within 30 minutes driving time from an existing provider of surgical services in PD 8. Parts of Purcellville and Lovettsville are not within this driving time nor are they within 30 minutes from Virginia surgical providers outside of PD 8. The combined population of both cities is 11,600, only 0.45% of the total population of PD 8, indicating that certainly less than 1% of the PD 8 population is outside of the 30-minute driving time criteria. Neither of the proposed projects improves geographic access to surgical services within 30 minutes driving time in the PD.

Figure 4. Authorized Surgical Service Locations, PD 8



Source: DCOPN Records and Microsoft Streets & Trips

12VAC5-230-500. Need for New Service.

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

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

Where:

ORV = the sum of 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.

Components of the GPOR need calculation for PD 8 are derived as follows:

Table 10. Inpatient and Outpatient GPOR Visits in PD8: 2018-2022

Year	Total Inpatient & Outpatient GPOR Visits
2018	143,502
2019	151,050
2020	129,387
2021	153,869
2022	156,671
Total Visits	734,479

Source: VHI (2018-2022)

Table 11. Population of PD 8, 2018 - 2022

Year	Population
2018	2,519,355
2019	2,537,498
2020	2,549,839
2021	2,547,686
2022	2,558,969
Total	12,713,347
2029	2,791,489

Source: Weldon Cooper Center for Public Service, Demographics Research Group, www.demographics.coopercenter.org, January 2024.

ORV	÷	POP	=	CSUR
Total PD 8 GPOR Visits 2018 to 2022		PD 8 Historical Population 2018 to 2022		Calculated GPOR Use Rate 2018 to 2022
734,479		12,713,347		0.058

CSUR	X	PROPOP	=	PORV
Calculated GPOR Use Rate 2018 to 2022		PD 8 Projected Population 2029		Projected GPOR Visits 2029
0.058		2,791,489		161,906.4

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 visits has been calculated using information collected by the Virginia Department of Health.

AHORV = 290,250 total inpatient and outpatient operating room hours were reported to VHI in 2022 (**Table 1**), divided by 156,671 total inpatient and outpatient operating room visits reported to VHI for that same year equals 1.853.

The calculation of GPOR need for PD 8 is:

$$\text{FOR} = \frac{((734,479 / 12,713,347) \times (2,791,489)) \times 1.853}{1600}$$

$$\text{FOR} = 300,013 / 1600$$

$$\text{FOR} = 187.5 \text{ (188) General Purpose Operating Rooms Needed in PD 8 in 2029}$$

As defined in 12VAC5-230-500, GPORs are operating rooms (ORs) exclusive of those dedicated to caesarian section, those solely for cardiac surgery, and trauma designated. While there are 217 ORs authorized in PD 8, 207 are GPORs under this definition (**Table 3**), yielding a **surplus of 19 ORs**.

VA-8778- VHC Alexandria

Despite the substantial surplus of GPORs in PD 8, DCOPN recommends, in the case of Eisenhower, LLC, that the Commissioner approve the establishment of a new multispecialty OSH with two GPORs to be added to the PD 8 inventory. The proposed project ensures VHC Health patients have access to surgical services in its primary service area. GPORs cannot be constructed on VHC's land-locked campus. Based on VHC's patient origin data, 42% of its surgical patients reside in the VHC Alexandria PSA. The proposal not only provides GPORs with which to decant volumes from highly utilized GPORs at VHC, but also a lower cost outpatient setting for procedures currently not available to most of VHC's surgical patients. DCOPN's recommendation of approval is reasonable due to these benefits.

VA-8780-North VA

Despite the substantial surplus of GPORs in PD 8, DCOPN recommends, in the case of North VA Surgicenter, that the Commissioner approve the proposed four-OR single specialty orthopedic OSH that would add two new GPORs to the PD 8 inventory. The proposal would allow orthopedic patients with government payors (Medicare, Medicaid and Tricare) to have procedures in a more convenient, lower cost outpatient setting. Commercial patients will continue to have access as they currently do. Increasingly, orthopedic procedures are shifting to the outpatient setting and the Commissioner has repeatedly acknowledged the benefits and clinical appropriateness of single-purpose OSHs. Though Reston Hospital Center as well as PD 8 HCA facilities in aggregate had surgical capacity according to the latest published VHI data, one of its underutilized GPORs is committed to its open-heart program under development and the remainder are committed to new surgeons that will begin operating in the fall and winter. DCOPN's recommendation of approval is reasonable due to these benefits and constraints.

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.

VA-8778- VHC Alexandria

This section does not apply to the proposed project.

VA-8780-North VA

The relocation of two GPORs that is proposed by the applicant, improves access for orthopedic patients with governmental payers. CMS has recently encouraged the shift of several orthopedic procedures historically on its "inpatient only list" to be performed in the lower cost, more convenient outpatient setting. The proposed relocation of GPORs to a dedicated orthopedic OSH improves the distribution of underutilized GPORs at Reston Hospital Center, results in the provision of orthopedic surgeries at a lower cost to patients and government payers and increases the number of operations performed on an outpatient basis.

12VAC5-230-510. Staffing.

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

Both of the applicants have provided assurances that the proposed surgical service will be under the direction of appropriately qualified physicians.

12VAC5-230-80. When institutional expansion needed.

A. Notwithstanding any other provisions of this chapter, the commissioner may grant approval for the expansion of services at an existing medical care facility in a health planning district with an excess supply of such services when the proposed expansion can be justified on the basis of a facility's need having exceeded its current service capacity to provide such service or on the geographic remoteness of the facility.

- B. If a facility with an institutional need to expand is part of a health system, the underutilized services at other facilities within the health system should be reallocated, when appropriate, to the facility with the institutional need to expand before additional services are approved for the applicant. However, underutilized services located at a health system's geographically remote facility may be disregarded when determining institutional need for the proposed project.**
- C. This section is not applicable to nursing facilities pursuant to § 32.1-102.3:2 of the Code of Virginia.**
- D. Applicants shall not use this section to justify a need to establish new services.**

VA-8778- VHC Alexandria

VHC Alexandria is a new facility with no existing surgical services so this section is not applicable. The applicant has asserted an institutional need for additional GPOR capacity for VHC Health but the proposed project is not evaluated under this section.

VA-8780-North VA

This section is not applicable to this proposal.

Required Considerations Continued

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

Inova Health System controls about 50% of operating rooms in the PD 8 inventory, nearly three times the number of the next largest provider of surgical services in the PD. Inova's GPORs are well-utilized, having 111.8% of the SMFP threshold of 1600 hours per GPOR in 2022 (**Table 12**), the latest year for which such data are available. Inova's current inventory is 107 GPORs, HCA has 36 GPORs and VHC has 17 GPORs.

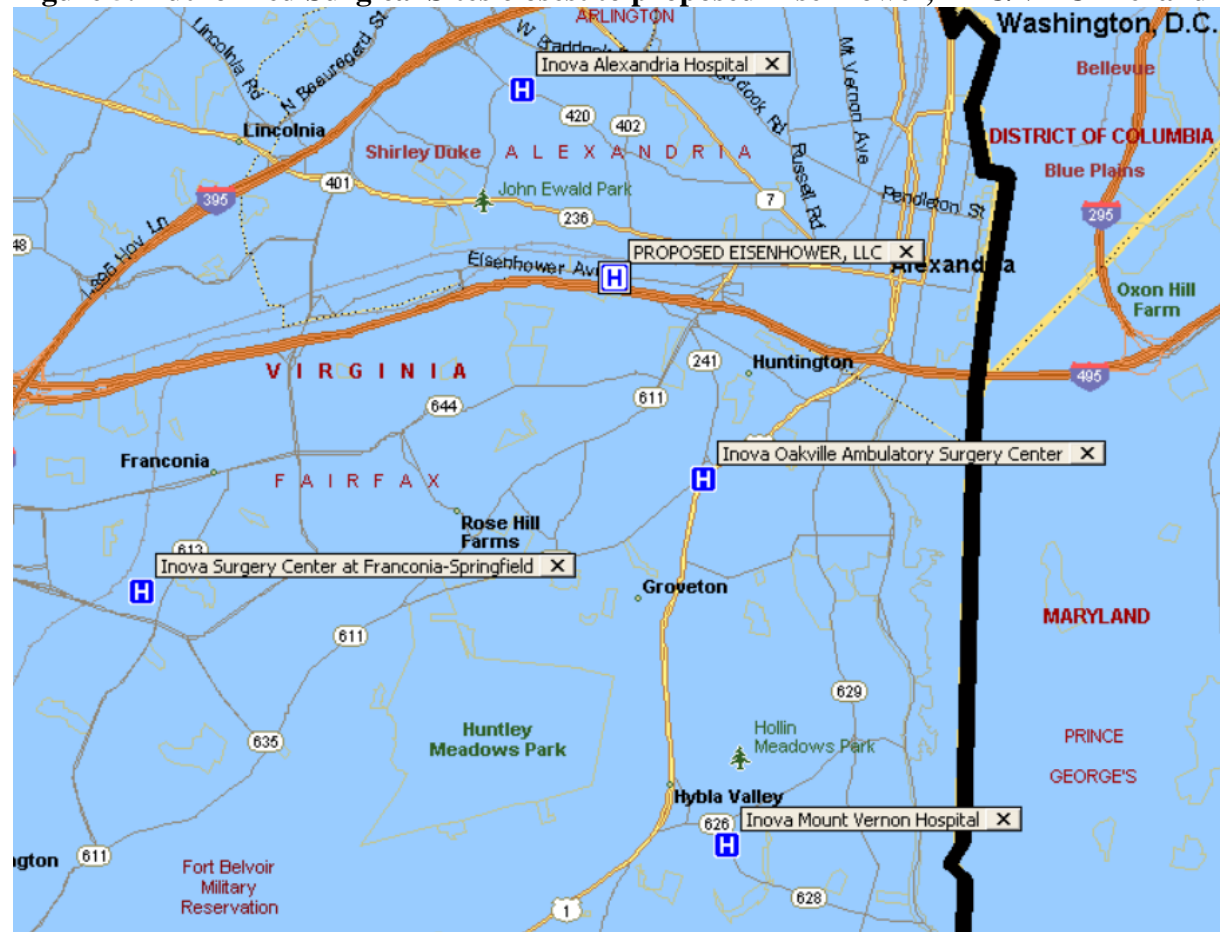
VA-8778- VHC Alexandria

Figure 5 shows a map of providers in the vicinity of the proposed project, all Inova facilities. The proposal improves access for patients that choose VHC Health and fosters beneficial institutional competition by increasing its number of GPORs and promoting its viability as a competitive provider in a PD dominated by a single provider. Although Inova's newest OSH, Inova Oakville Ambulatory Surgery Care is 5.1 miles/18 minutes from the proposed VHC Alexandria site, VHC Alexandria expands access for its established patient base that chooses VHC Health for care.

Facility Name	GPORs	Hours	Average Hrs. per OR	% of SMFP Threshold
Inova Acute Hospitals				
Inova Alexandria Hospital	11	18,314	1,665	104.1%
Inova Fair Oaks Hospital	12	24,910	2,076	129.7%
Inova Fairfax Hospital	47	88,407	1,881	117.6%
Inova Loudoun Hospital	8	15,838	1,980	123.7%
Inova Mount Vernon Hospital	7	11,475	1,639	102.5%
Inova Acute Hospital Totals and Averages	85	158,944	1,870	116.9%
Inova Outpatient Surgical Hospital				
Inova Ambulatory Surgery Center at Lorton, LLC	2	4	2	0.1%
Inova Loudoun Ambulatory Surgery Center, LLC	5	8,580	1,716	107.3%
Inova Surgery Center @ Franconia-Springfield	5	6,821	1,364	85.3%
McLean Ambulatory Surgery Center, LLC	2	4,894	2,447	152.9%
Northern Virginia Surgery Center	4	4,974	1,244	77.7%
Inova OP Surgical Hospital Totals and Averages	18	25,273	1,404	87.8%
Inova Totals and Averages	103	184,217	1,789	111.8%

Source: VHI 2022

Figure 5. Authorized Surgical Sites closest to proposed Eisenhower, LLC/VHC Alexandria



VA-8780-North VA

HCA Health has two acute care hospitals in PD 8, Reston Hospital Center and StoneSprings Hospital Center; and three OSHs, Fairfax Surgical Center, Reston Surgical Center and StoneSprings ASC. The proposed North VA site is 15.6 miles/22 minutes from McClean Tysons Orthopedic Surgery Center, LLC (VHC Ambulatory Center), VHC Health's dedicated orthopedic OSH which opened in 2022 and is also partially owned by OrthoVirginia. The common ownership by OrthoVirginia of both McClean Tysons Orthopedic Surgery Center, LLC and the proposed North VA site calls into question whether the two facilities compete at all. The project appears to foster beneficial competition in that it improves viability of HCA's facilities in PD 8, a PD dominated by a single provider.

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

VA-8778-VHC Alexandria

VHC Health has 13 GPORs operating at 134% of the SMFP threshold in 2023. It opened McClean Tysons Orthopedic Surgery Center, LLC (VHC Ambulatory Center) in 2022 by relocating four GPORs. The proposal supports VHC Health by providing another access point within its primary service area, decompressing highly utilized GPORs at VHC Health and offering a lower cost multispecialty outpatient surgery alternative. VHC Health plans to co-locate other health services at VHC Alexandria in the future.

VA-8780-North VA

HCA Health has two acute care hospitals, Reston Hospital Center and StoneSprings Hospital Center; and three OSHs, Fairfax Surgical Center, Reston Surgical Center and StoneSprings ASC. Altogether, these facilities have reported 49,710 GPOR hours in their 36 GPORs in 2023, 86.3% utilization of the SMFP threshold. Reston Hospital Center's 17 GPORs reported 18,697 hours in 2023, an average utilization per GPOR of just under 70% of the SMFP threshold. Though this indicates current underutilized GPOR resources at Reston Hospital Center, the hospital has committed one GPOR for an authorized open heart surgery program under development and two additional GPORs to new surgeons to begin practice in upcoming months. Should the proposal be approved, two GPORs would relocate to North VA along with some orthopedic volumes. The proposal provides an access point for orthopedic patients with government payer sources.

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

VA-8778-VHC Alexandria

Capital costs of the proposed project are reasonable. The proforma (**Table 13**) projects positive income over half a million dollars in its first year of operation and nearly one million dollars by year two. The proposal requires 22 additional full time equivalent (FTE) staff members, significant in a time of shortage in health care workers. The applicant's reputation and relationships with educational programs will enable VHC Health to secure adequate staffing.

Table 13. Pro forma, VHC Alexandria

	Year 1	Year 2
Gross Patient Revenue	\$ 9,071,367	\$ 10,537,905
Contractual Adjustments	\$ 5,079,966	\$ 5,901,227
Bad Debt	\$ 90,714	\$ 105,379
Charity Care	\$ 272,141	\$ 316,137
Total Operating Revenue	\$ 3,628,546	\$ 4,215,162
Total Operating Expenses	\$ 3,079,538	\$ 3,296,614
Income/(Loss) from Operations	\$ 549,008	\$ 918,548

Source: COPN Request No. VA-8778

VA-8780-North VA

Capital costs of the proposed project are reasonable. The proforma (**Table 4**) projects positive income over \$700,000 dollars in its first and second years of operation. The proposal requires only two additional full time equivalent (FTE) staff members since OrthoVirginia is already providing surgical services at the proposed site.

Table 14. Pro forma, North VA Surgicenter, LLC

	Year 1	Year 2
Gross Patient Revenue	\$ 156,852,476	\$ 162,342,313
Contractual Adjustments	\$ 133,324,605	\$ 137,990,966
Bad Debt	\$ 329,390	\$ 340,919
Charity Care	\$ 2,980,197	\$ 3,084,504
Total Operating Revenue	\$ 20,218,284	\$ 20,925,924
Total Operating Expenses	\$ 19,490,188	\$ 20,182,448
Income/(Loss) from Operations	\$ 728,096	\$ 743,476

Source: COPN Request No. VA-8780

- 7. The extent to which the project provides improvements or innovations in the financing and delivery of health services, as demonstrated by: (i) The introduction of new technology that promotes quality, cost effectiveness, or both in the delivery of health care services. (ii) The potential for provision of services on an outpatient basis. (iii) Any cooperative efforts to meet regional health care needs. (iv) At the discretion of the Commissioner, any other factors as may be appropriate.**

VA-8778-VHC Alexandria

Though the proposal is the first outpatient multispecialty surgical facility at VHC Health, it is not an innovation in the delivery of health services. It does allow for delivery of care in an outpatient facility likely to decant high utilization from the GPORs at VHC Health.

VA-8780-North VA

Dedicated orthopedic OSHs have been demonstrated to deliver higher quality, lower costs and better patient satisfaction as compared to hospitals. The proposal provides services on an outpatient basis and is a joint venture with OrthoVirginia, a prominent provider of orthopedic services across Virginia.

8. In the case of a project proposed by or affecting a teaching hospital associated with a public institution of higher education or a medical school in the area to be served.

(i) The unique research, training, and clinical mission of the teaching hospital or medical school. (ii) Any contribution the teaching hospital or medical school may provide in the delivery, innovation, and improvement of health care for citizens of the Commonwealth, including indigent or underserved populations.

VA-8778-VHC Alexandria

VHC Health partners with numerous educational institutions and health care organizations such as Georgetown University School of Medicine and Medstar Georgetown University and Medstar Washington Hospital Center and hosts clinical rotations for residents in various specialties. The applicant asserts that the proposed project will support VHC's research, training and clinical mission by providing necessary surgical capacity and decompressing high utilization in its GPORs.

VA-8780-North VA

The applicant is not affiliated with a school of medicine but sponsors and endorses statewide education and outreach programs in nursing and other clinical training.

DCOPN Staff Findings and Conclusions

PD 8 is a highly populated and fast-growing area of Virginia. It has a substantial surplus of 19 GPORs.

VA-8778-VHC Alexandria

The proposal is the first VHC Health multispecialty OSH. (VHC opened a dedicated orthopedic OSH in 2022 in conjunction with OrthoVirginia). VHC has utilization in its GPORs above the SMFP threshold and no space to construct additional capacity on VHC's main campus. The proposal is generally consistent with the intent of applicable standards and criteria of the State Medical Facilities Plan and the 8 Required Considerations of the Code of Virginia. Though the SMFP does not allow for off-site expansion of surgical services to alleviate an institution-specific need, the proposed OSH improves patient access in VHC's primary service area and offers a lower-cost outpatient option for patients already choosing VHC Health. By decanting volumes from highly utilized GPORs in the hospital, the proposal improves access and efficiency of procedures performed on the main campus as well. The proposal enjoys the support of VHC's medical staff but there is also opposition from a recently opened dedicated reconstructive surgery OSH. The HSANV recommended approval of the proposal. There is no alternative to GPOR capacity for VHC patients. There is no identified reasonable alternative to the proposed project. Capital costs are reasonable and there are no financing costs. The proposal is wholly feasible.

VA-8780-North VA

The proposal is to establish a dedicated orthopedic OSH with four GPORs by relocating two from Reston Hospital Center and adding two to the GPOR inventory in PD 8. Though there is a substantial surplus of GPORs in PD 8, the proposal is generally consistent with applicable standards and criteria of the State Medical Facilities Plan and the 8 Required Considerations of the Code of Virginia. The proposed dedicated orthopedic OSH improves access to orthopedic surgery for patients with government payers, such as Medicare, Medicaid and Tricare. It offers a higher quality, lower cost outpatient option for patients with government payers. The proposal is

supported by OrthoVirginia which will eventually have partial ownership. It also has opposition from Inova Health, the dominant health care provider in PD 8. The HSANV recommended approval of the proposal. There is no identified reasonable more beneficial alternative to the provision of outpatient orthopedic services for patients with government payers. Capital costs are reasonable and there are no financing costs. The proposal is wholly feasible.

DCOPN Staff Recommendations

VA-8778-VHC Alexandria

The Division of Certificate of Public Need recommends **conditional approval** of Eisenhower, LLC's COPN Request number VA-8778 to establish an outpatient surgical hospital in Alexandria, Virginia for the following reasons:

1. The proposal for Eisenhower, LLC to establish an outpatient surgical hospital in Alexandria, Virginia improves access for VHC patients in a highly populated, fast-growing area of Virginia.
2. The proposal is generally consistent with the intent of applicable standards and criteria of the State Medical Facilities Plan and the 8 Required Considerations of the Code of Virginia.
3. The capital costs of the proposed project are reasonable.
4. The proposed project is unlikely to have a significant negative impact upon the utilization, costs, or charges of other providers of surgical services in PD 8.
5. The proposal fosters beneficial competition in a PD dominated by one health system.
6. HSANV has recommended approval of the project.
7. The proposed project is wholly feasible in the immediate and long-term.

DCOPN's recommendation is contingent upon Eisenhower, LLC's agreement to the following charity care condition:

This project shall be subject to the Virginia Hospital Center Arlington Health System d/b/a Virginia Hospital Center ("VHC Health") systemwide charity condition attached to COPN No. VA-04447, effective August 13, 2014 (currently 3.0%). Provided that the charity care provided under the VHC Health systemwide 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. VHC Health 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. are available from Virginia Health Information. In addition to any right of VHC Health to seek modification or adjustment described in the VHC Health systemwide condition, to the extent VHC Health expects its systemwide 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 of the VHC Health systemwide condition to resolve the expected discrepancy.

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

VA-8780-North VA

The Division of Certificate of Public Need recommends **conditional approval** of North VA Surgicenter, LLC's COPN Request number VA-8780 to establish a dedicated orthopedic outpatient surgical hospital in Herndon, Virginia by relocating two general purpose operating rooms from Reston Hospital Center and adding two new operating rooms for the following reasons:

- 1 The proposal for North VA Surgicenter, LLC to establish a dedicated orthopedic outpatient surgical hospital in Herndon, Virginia improves orthopedic access in a highly populated, fast-growing area of Virginia.
- 2 The proposal to establish a dedicated orthopedic outpatient surgical hospital at North VA Surgicenter, LLC by relocating two general purpose operating rooms from Reston Hospital Center and adding two new GPORs is generally consistent with the applicable standards and criteria of the State Medical Facilities Plan and the 8 Required Considerations of the Code of Virginia.
- 3 The proposal fosters beneficial competition in a PD dominated by one health system.
- 4 The capital costs of the proposed project are reasonable.
- 5 HSANV has recommended approval of the project.
- 6 The proposed project is unlikely to have a significant negative impact upon the utilization, costs, or charges of other providers of surgical services in PD 8
- 7 The proposed project appears to be financially viable in the immediate and long-term.

DCOPN's recommendation is contingent upon North VA Surgicenter, LLC's agreement to the following charity care condition.

North VA Surgicenter, LLC will provide orthopedic surgical services to all persons in need of this service, regardless of their ability to pay, and will provide as charity care to all indigent persons free services or rate reductions in services and will facilitate the development and operation of primary medical care services to medically underserved persons in PD 8 in an aggregate amount

equal to at least 1.9% of North VA Surgicenter, LLC's gross patient revenue derived from surgical services. Compliance with this condition will be documented to the Division of Certificate of Public Need annually by providing audited or otherwise appropriately certified financial statements documenting compliance with the preceding requirement. North VA Surgicenter, LLC will accept the revised condition based on data valued under the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq. when it is available from Virginia Health Information. The value of charity care provided individuals pursuant to this condition shall be based on the provider reimbursement methodology utilized by the Centers for Medicare and Medicaid Services for reimbursement under Title XVIII of the Social Security Act, 42 U.S.C. § 1395 et seq.

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