



COMMONWEALTH of VIRGINIA

Department of Health

Office of Licensure and Certification

Karen Shelton, MD
State Health Commissioner

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Henrico, Virginia 23233-1485
Fax (804) 527-4502

May 19, 2025

Matthew M. Cobb
Williams Mullen
200 S. 10th Street, Suite 1600
Richmond, Virginia 23219

**RE: COPN Request No. VA-8810
Central Virginia Surgi-Center, L.P.
Fredericksburg, Virginia
Addition of a fifth operating room**

Dear Mr. Cobb:

For your consideration, I enclose the Division of Certificate of Public Need (DCOPN) report and recommendation on the above referenced project. DCOPN is recommending **conditional approval** of this application for the reasons listed in the attached staff report.

If Central Virginia Surgi-Center is willing to accept the recommendation for conditional approval of this project, please provide documentation of this acceptance *no later than May 23, 2025*. If not willing to accept, before the State Health Commissioner makes her decision on this project, the Department will convene an informal-fact-finding conference (IFFC) pursuant to *Title 2.2 of the Code of Virginia*. This IFFC has been scheduled for Friday, June 6, 2025 beginning at 10:00 a.m. in Board Room 2 of the Perimeter Center located at 9960 Mayland Drive in Henrico, Virginia. A copy of the procedures for conduct at IFFCs may be found at <http://www.vdh.virginia.gov/OLC/copn/>

Persons wishing to participate in an IFFC have four days from the date of this letter to submit written notification to the State Health Commissioner, DCOPN and the applicant stating a factual basis for good cause standing. If no person has submitted written notification stating grounds and providing a factual basis for good cause standing DCOPN will then notify you of the cancellation of the scheduled IFFC. DCOPN would then anticipate action by the State Health Commissioner within a few weeks of transmission.

DIRECTOR
(804) 367-2102

ACUTE CARE
(804) 367-2104

COPN
(804) 367-2126

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Should you have any questions or need further clarification about this review process, please feel free to contact me at (804) 367-1889 or by email at Erik.Bodin@VDH.Virginia.Gov.

Sincerely,



Erik Bodin, Director
Division of Certificate of Public Need

Enclosures

cc: Vanessa MacLeod, J.D., Office of Adjudication, Virginia Department of Health
Douglas R. Harris, J.D., Office of Adjudication, Virginia Department of Health

VIRGINIA DEPARTMENT OF HEALTH

Office of Licensure and Certification

Division of Certificate of Public Need

Staff Analysis

May 19, 2025

RE: COPN Request No. VA-8810
Surgi-Center of Central Virginia
Fredericksburg, Virginia
Add 1 operating room

RE: COPN Request No. VA-8811
Fredericksburg Ambulatory Surgery Center LLC
Fredericksburg, Virginia
Add 2 operating rooms

Applicants

Central Virginia Surgi-Center, LP is a Virginia limited partnership with USP Fredericksburg, Inc. of Dallas, Texas, as the general partner. USP Fredericksburg, Inc. and Surgi-Center of Central Virginia, Inc. are the limited partners. Surgi-Center of Central Virginia is a subsidiary of United Surgical Partners, Inc, which is a subsidiary of Tenet Health. The existing outpatient surgical hospital (OSH) Surgi-Center of Central Virginia is in Planning District (PD 16), Health Planning Region (HPR) I.

Fredericksburg Ambulatory Surgery Center, LLC (“Fredericksburg ASC”), a limited liability company, is owned (63%) by Mary Washington Healthcare Services, Inc., formerly Snowden Services, Inc., and by physician investors owning the remaining 37% (no individual physician holds more than 2% membership in Fredericksburg ASC, LLC. The Fredericksburg ASC outpatient surgical hospital is in Fredericksburg, Virginia which is in PD 16, HPR I.

Background

Table 1 displays data for general purpose operating rooms (GPORs) in PD 16 as reported to Virginia Health Information (VHI) for 2023, the most recent year for which such data are available. Of the 30 GPORs reported, 20 (66%) were in acute care hospitals and 10 in OSHs. **Table 1** does not include those restricted to open heart or designated trauma (1 OR at Mary Washington Hospital) ORs, only general and ambulatory ORs. The overall utilization of PD 16 GPORs in 2023, based on hours of use, was 86.3% of the threshold of 1,600 hours per OR set forth in the SMFP. The hospital based ORs had an average utilization of 78.7% of the SMFP standard and the OSH sites averaged 101.6% utilization.

Table 1. PD 16 GPOR Counts, Hours and Utilization

Facility Name	GPORs	Hours	Average Hrs. per OR	% of SMFP Threshold
Acute Hospitals				
Mary Washington Hospital	12	15,483	1,290	80.6%
Spotsylvania Regional Medical Center	4	4,090	1,023	63.9%
Stafford Hospital	4	5,603	1,401	87.5%
Acute Hospital Totals and Averages	20	25,176	1,259	78.7%
Outpatient Surgical Hospital				
Fredericksburg Ambulatory Surgery Center	6	9,465	1,578	98.6
Surgi-Center of Central Virginia	4	6,798	1,700	106.2%
OP Surgical Hospital Totals and Averages	10	16,263	1,626	101.6%
PD 16 Totals and Averages	30	41,439	1,381	86.3%

Source: 2023 VHI

According to Division of Certificate of Public Need (DCOPN) records, there are no additional ORs that have been authorized in PD 16 not reflected in the 2023 VHI report

Proposed Projects

VA-8810- Surgi-Center of Central Virginia

Surgi-Center of Central Virginia proposes adding a fifth OR in an existing OSH at 1500 Dixon Street, Suite 101, Fredericksburg, Virginia. Estimated capital costs are \$200,000 (**Table 2**) which will be funded entirely with Surgi-Center of Central Virginia's accumulated reserves, so no financing costs will accrue. Should the proposed project be approved the target date to begin operation is within three months of COPN approval.

Table 2. Estimated Capital Costs for Surgi-Center of Central Virginia

Direct Construction Costs	\$ 50,000
Equipment not included in Construction Contract	\$ 150,000
Site Acquisition Costs	\$ -
Off-Site Costs	\$ -
Architectural and Engineering Fees	\$ -
Total Capital Costs	\$ 200,000

Source: COPN Request No. VA-8810

VA-8811-Fredericksburg ASC

Fredericksburg ASC proposes adding a seventh and eighth OR in an existing OSH at 1201 Sam Perry Boulevard, Suite 101C, Fredericksburg, Virginia. Estimated capital costs of the proposal are \$4,194,329 (**Table 3**), funded from tenant allowances from MediCorp Properties, Inc., the landlord and operating cash flow, so no financing costs will accrue. Should the proposed project be approved the target date to begin operation July 1, 2027.

Table 3. Estimated Capital Costs for Fredericksburg ASC

Direct Construction Costs	\$ 1,426,915
Equipment not included in Construction Contract	\$ 2,559,750
Site Acquisition Costs (lease)	\$ 50,215
Off-Site Costs	\$ 0
Architectural and Engineering fees	\$ 138,910
Permits, Testing and Impact Fees	\$ 18,539
Total Capital Costs	\$ 4,194,329

Source: COPN Request No. VA-8811

Project Definition

VA-8810- Surgi-Center of Central Virginia and VA-8811-Fredericksburg ASC

Section 32.1-102.1:3 of the Code of Virginia defines a project, in part, as the (a)n increase in the total number of beds or operating rooms in an existing 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.

- 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 16 had 382,551 people in 2020 and is projected to add 48,509 more people by 2030, growing to 431,060, a 12.7% growth in population during the decade (Table 4). This is more than twice the rate of growth projected for Virginia during the same period. The City of Fredericksburg, where the proposed projects are located, has the second smallest population of the localities in PD 16. However, with the City of Fredericksburg centrally located in PD 16 the residents of the higher population surrounding counties make use of the services in the city.

Table 4. Population by Locality, PD 16

Locality	2020 Population	2030 Projected Population	Projected Growth 2020 - 2030	Percent Growth Projected
Caroline County	30,887	32,753	1,866	6.0%
King George County	26,723	29,434	2,711	10.1%
Spotsylvania County	140,032	155,407	15,375	11.0%
Stafford County	156,927	182,243	25,316	16.1%
Fredericksburg City	27,982	31,224	3,242	11.6%
PD 16	382,551	431,060	48,509	12.7%
Virginia Statewide	8,631,393	9,129,002	497,609	5.8%

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

To provide context for socioeconomic barriers, DCOPN compared poverty rates in PD 16 (Table 5). With the exception of Fredericksburg City (jurisdiction of the projects), PD 16 localities have a lower percentage of people living in poverty than the average across Virginia. Stafford County's poverty rate is the lowest of the PD 16 localities.

Table 5. PD 16 Poverty Rates¹

Geographic Name	Rate
Caroline County	9.7%
Fredericksburg City	14.1%
King George County	6.8%
Spotsylvania County	7.5%
Stafford County	5.4%
PD 16 Totals	8.7%
Virginia	10.7%

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-8810- Surgi-Center of Central Virginia

DCOPN did not receive any letters of support or opposition to the requested project.

VA-8811-Fredericksburg ASC

DCOPN received three identical letters of support from members of Fredericksburg ASC's Governance Council, all in leadership positions with Mary Washington Healthcare. The letter(s) expressed the following:

- The need to meet the needs of a growing population and resulting growing medical staff.

In addition, DCOPN received a letter of opposition from Spotsylvania Medical Center stating that there is a surplus of ORs in PD 16 and that the addition of two ORs is not supported. The letter states that any additional OR at Fredericksburg ASC should be added by relocating underutilized OR capacity from Mary Washington Healthcare, the majority member of Fredericksburg ASC.

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 April 14, 2025, the Virginia Department of Health held public hearings for the two projects.

¹ <https://www.indexmundi.com/facts/united-states/quick-facts/virginia/percent-of-people-of-all-ages-in-poverty#table>

VA-8810- Surgi-Center of Central Virginia

The proposed project was presented by the applicant's representatives. No member of the public spoke in favor or opposition to the project.

VA-8811-Fredericksburg ASC

The proposed project was presented by the applicant's representatives. No member of the public spoke in favor or opposition to the 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-8810- Surgi-Center of Central Virginia

The basis on which Surgi-Center of Central Virginia proposes the addition of an OR is to meet the demand on their existing capacity. Their existing four ORs are operating at 106.2% of the SMFP standard for the addition of capacity (Table 1). No reasonable alternative to the addition of capacity has been identified.

VA-8811- Fredericksburg ASC

Fredericksburg ASC is proposes the addition of two OR, their seventh and eighth, to meet the demand on their existing capacity. In their letter of opposition to the project Spotsylvania Medical Center advances that Mary Washington Hospital should, as the majority member of Fredericksburg ASC, transfer OR capacity to Fredericksburg ASC. Mary Washington Hospital claims this is not a reasonable alternative since they do not have underutilized OR capacity. Mary Washington Hospital reported to VHI operating at 80.6% of the SMFP standard in 2023 and reports they are at 101% of the 1,600 hour standard in 2024 (an increase of 326 hours in each of their 12 ORs). This level of utilization has not yet been included in the VHI data.

Additionally, Mary Washington Health Care, owner of Mary Washington Hospital, is not the sole owner of Fredericksburg ASC. Mary Washington Health Care claims to not have the authority to compel the other partners in Fredericksburg ASC to accept a deal to transfer (unavailable) OR capacity from Mary Washington Hospital.

(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.

Currently there is no organization in HPR I designated by the Virginia Department of Health to serve as the Health Planning Agency for PD 16. Therefore, this consideration is not applicable to the review of the proposed project.

(iv) Any costs and benefits of the project.

VA-8810- Surgi-Center of Central Virginia

Total projected capital cost for the proposed project is \$200,000, 75% of which is for equipment, funded in its entirety with accumulated reserves, so no financing costs are involved in the proposed project. Project costs are so low because the project calls for the conversion of an existing procedure room to an OR.

The applicant has described several benefits to the proposed project, primarily its resulting improvements in access to area residents by reducing wait time via increased capacity.

VA-8811-Fredericksburg ASC

Total projected capital costs for the proposed project are \$4,194,329 (\$2,097,165 per OR), 61% of which is for equipment, funded from tenant allowance and operating cash flow, 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.

VA-8810- Surgi-Center of Central Virginia and VA-8811-Fredericksburg ASC

The estimated costs of both requests are consistent with other recently approved projects to establish outpatient surgical hospitals. For example, COPN No. VA-04845 was approved at a cost of \$8.5 million for McLean Ambulatory Surgery Center to add an OR, COPN No. VA-04913 was approved to convert an existing procedure room to an OR at \$98,958 and COPN No. VA-04890 was approved to add two GPORs at a cost of \$6.2 million, (\$3.1 million per OR).

The applicants have described several benefits to the proposed projects, primarily its resulting improvements in access to area residents by reducing wait time via increased capacity.

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

VA-8810- Surgi-Center of Central Virginia and VA-8811-Fredericksburg ASC

In accordance with section 32.1-102.4.B of the Code of Virginia, should the proposed project(s) receive approval, each project would be conditioned to provide a level of charity care based on the regional average charity care rate provided. Pursuant to Code of Virginia language any COPN issued for these projects will also be conditioned on the applicant's agreements to accept patients who are the recipients of Medicare and Medicaid.

Table 6. Charity Care, HPR I Facilities, 2022

HPR I	Gross Pt Rev	Total Charity Care Provided Below 200%	Adjusted Charity Care	%
Encompass Health Rehab Hosp of Fredericksburg	\$44,295,730	\$2,229,009	\$2,229,009	5.0%
UVA Health Culpeper Medical Center	\$240,048,159	\$7,421,653	\$7,421,653	3.1%
University of Virginia Medical Center	\$7,848,317,103	\$221,917,841	\$221,917,841	2.8%
UVA Transitional Care Hospital	\$33,698,098	\$949,912	\$949,912	2.8%
Sentara RMH Medical Center	\$1,071,307,453	\$23,829,680	\$23,829,680	2.2%
Sentara Martha Jefferson Hospital	\$859,138,273	\$13,611,074	\$13,611,074	1.6%
Carilion Rockbridge Community Hospital	\$198,916,994	\$2,991,170	\$2,991,170	1.5%
Valley Health Winchester Medical Center	\$1,626,765,087	\$15,114,509	\$15,114,509	0.9%
Fauquier Hospital	\$403,961,455	\$3,743,617	\$3,743,617	0.9%
Valley Health Page Memorial Hospital	\$86,671,293	\$784,764	\$784,764	0.9%
Valley Health Shenandoah Memorial Hospital	\$172,624,855	\$1,427,262	\$1,427,262	0.8%
Stafford Hospital Center	\$325,489,642	\$2,667,241	\$2,667,241	0.8%
Valley Health Warren Memorial Hospital	\$214,875,231	\$1,602,856	\$1,602,856	0.7%
Augusta Health	\$1,319,446,005	\$9,441,322	\$9,441,322	0.7%
Spotsylvania Regional Medical Center	\$767,734,481	\$5,368,645	\$5,368,645	0.7%
Mary Washington Hospital	\$1,489,676,899	\$7,943,769	\$7,943,769	0.5%
Bath Community Hospital	\$27,995,987	\$81,827	\$81,827	0.3%
UVA Encompass Health Rehabilitation Hospital	\$35,912,204	\$11,443	\$11,443	0.0%
Total Inpatient Hospitals:				18
HPR I Total Inpatient \$ & Mean %	\$16,766,874,949	\$321,137,594	\$321,137,594	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:

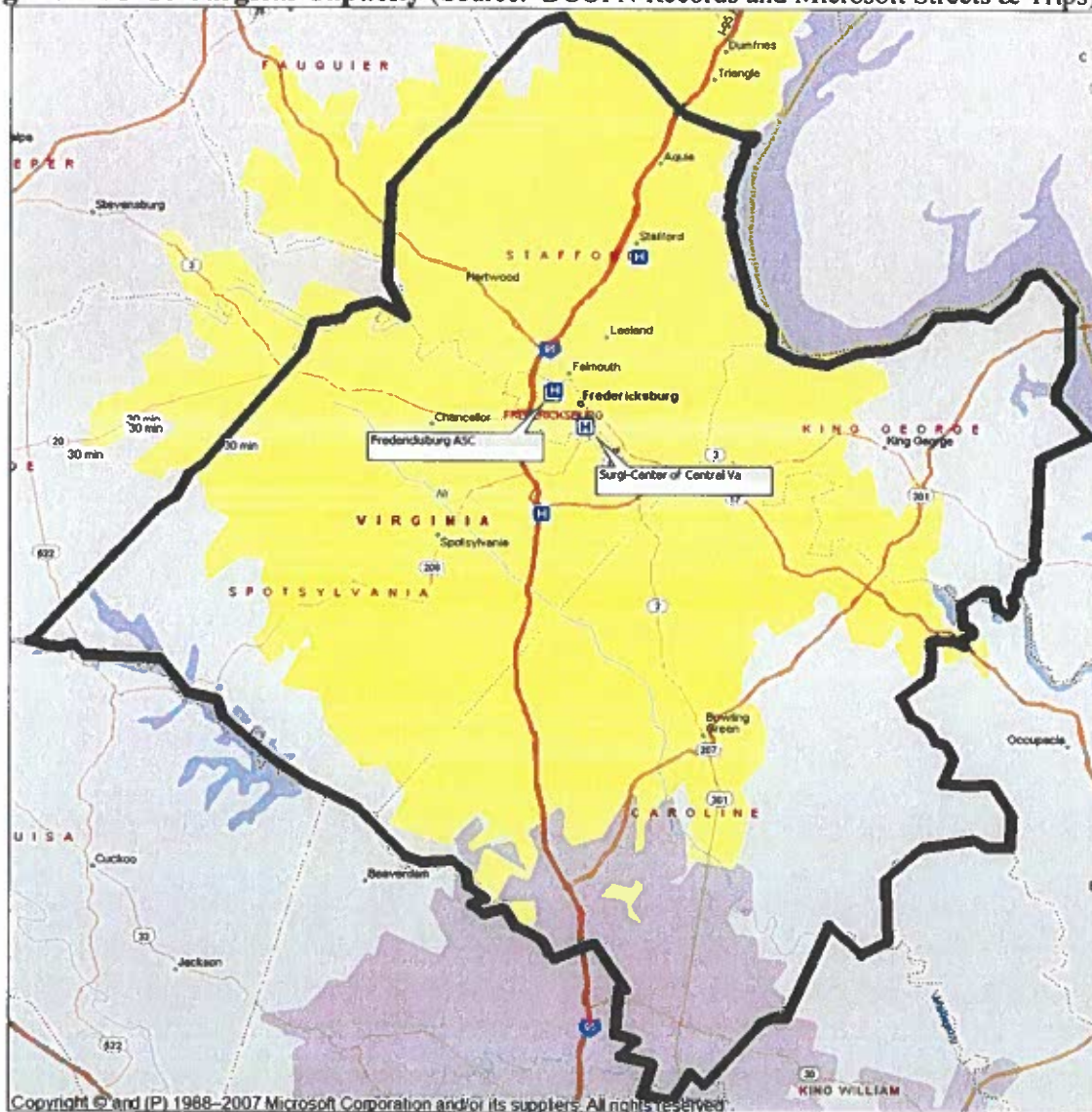
Part V General Surgical Services Criteria and Standards for General Surgical Services

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 1** represents the boundary of PD 16. The blue symbols with white Hs mark the locations of existing inpatient hospitals GPOR sites in PD 16. The white symbols with a blue Hs locate the outpatient surgical hospitals with GPORs and are the locations of the proposed projects, labeled. The light yellow shaded area in **Figure 1** shows the area that is within 30 minutes driving time from an existing provider of surgical services in PD 16. The light grey shading is that portion of PD 16 that is within a 30-minute drive of GPOR providers located outside PD 16. Parts of eastern and southwestern PD 16 are not within 30-minutes driving time of surgical providers. These areas are the more rural and less densely populated areas of PD 16. Neither of the proposed projects improves geographic access to surgical services within 30 minutes driving time in the PD since they are both in existing OSHs.

Figure 1 PD 16 Surgical Capacity (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 16 are derived as follows:

Table 7. Inpatient and Outpatient GPOR Visits in PD16: 2019-2023

Year	Total Inpatient & Outpatient GPOR Visits
2019	23,875
2020	25,131
2021	23,784
2022	23,668
2023	25,847
Total Visits	122,305

Source: VHI (2019-2023)

Table 8. Population of PD 16, 2019 - 2023

Year	Population
2019	374,128
2020	383,455
2021	387,068
2022	395,898
2023	400,385
Total	1,940,934
2030	431,060

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

ORV	÷	POP	=	CSUR
Total PD 16 GPOR Visits 2019 to 2023		PD 8 Historical Population 2019 to 2023		Calculated GPOR Use Rate 2018 to 2022
122,305		1,940,934		0.063

CSUR	X	PROPOP	=	PORV
Calculated GPOR Use Rate 2019 to 2023		PD 16 Projected Population 2030		Projected GPOR Visits 2030
0.063		431,060		27,163

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 = 41,439 total inpatient and outpatient operating room hours were reported to VHI in 2023 (**Table 1**), divided by 25,847 total inpatient and outpatient operating room visits reported to VHI for that same year equals 1.603.

The calculation of GPOR need for PD 16 is:

$$\text{FOR} = \frac{((122,305 / 1,940,934) \times (431,060)) \times 1.603}{1600}$$

$$\text{FOR} = 43,542 / 1600$$

$$\text{FOR} = 27.2 \text{ (28) General Purpose Operating Rooms Needed in PD 16 in 2030}$$

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 31 ORs authorized in PD 16, 30 are GPORs under this definition (**Table 1**), yielding a surplus of 2 ORs.

VA-8810 Surgi-Center of Central Virginia and VA-8811-Fredericksburg ASC

Despite the surplus of GPORs in PD 16, DCOPN finds that the ORs in the two OSHs in PD 16, both applicants, are well utilized at an average of 101.6% of the SMFP standard, with the four ORs at Surgi-Center of Central Virginia experiencing a somewhat higher utilization (106.2%) as compared to Fredericksburg ASC's six ORs (98.6%). While the SMFP standard of 1,600 hours does not represent capacity for an OR, it does represent the utilization level at which it is appropriate to add capacity, taking into account the lead time to develop and fund such expansion projects.

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-8810 Surgi-Center of Central Virginia and VA-8811-Fredericksburg ASC

This section does not apply to the proposed projects.

12VAC5-230-510. Staffing.

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

VA-8810 Surgi-Center of Central Virginia and VA-8811-Fredericksburg ASC

Both of the applicants have provided assurances that the proposed increases in surgical capacity 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.

VA-8810 Surgi-Center of Central Virginia

Surgi-Center of Central Virginia exceeded the SMFP 1,600 hour per OR in 2023, operating at 106.2% of the standard.

VA-8811-Fredericksburg ASC

While Fredericksburg ASC did not exceed the SMFP 1,600 per OR stand in 2023, at 98.6% of the standard they are very close. Since 2020 Fredericksburg ASC has shown a steady increase in utilization, going from 1,185 hours per OR (74% of the SMFP standard) to 1,578 hours per OR in 2023 (98.6% of the SMFP standard).

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.

While Fredericksburg ASC is partially owned by Mary Washington Health Care, they are reportedly not part of (a subsidiary of) the hospital system. Neither applicant is part of a system that can transfer ORs to meet the applicant's patient's demands.

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

Not applicable, neither applicant is a nursing facility.

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

Not applicable, neither applicant is seeking to establish a new service.

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.

Mary Washington Health Care controls about 40% of operating rooms outright in the PD 16 inventory. Surgi-Center of Central Virginia has 40% of the dedicated outpatient OR (in OSHs) capacity and Fredericksburg ASC has the remaining 60%. As the applicant's are both existing providers with established patient bases, it is unlikely that either project will significantly impact institutional competition in PD 16. If both projects are approved the distribution of dedicated outpatient OR (in OSHs) will shift slightly toward Fredericksburg ASC with 61% of such ORs, with Surgi-Center of Central Virginia dropping to 39%. It is also unlikely that such a shift will impact the provision of surgical services in PD 16.

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.

Each applicant is one of the two OSH's serving PD 16. Both are well established in the PD. The surgical volume projections that will be served by the additional OR capacity reflect the growing population of the area and are not necessarily expected to be attracted away from other providers, especially from the inpatient hospitals' surgical services.

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-8810 Surgi-Center of Central Virginia

Capital costs of the proposed project are reasonable. The proforma (Table 9) projects positive income in its first year of operation of the fifth OR with an operating margin of 33.3% in the second year as compared to an operating margin of 33.7% in 2023 with four ORs. The applicant claims that no additional staff are required for the addition of the fifth OR.

Table 9. Pro forma, Surgi-Center of Central Virginia

	Year 1	Year 2
Gross Patient Revenue	\$ 122,061,700	\$ 131,216,388
Contractual Adjustments	\$ 98,009,407	\$ 105,360,113
Bad Debt	\$ 576,710	\$ 582,477
Charity Care	\$ 0	\$ 0
Net Operating Revenue	\$ 22,734,528	\$ 23,311,542
Total Operating Expenses	\$ 15,196,186	\$ 15,548,123
Income/(Loss) from Operations	\$ 7,538,342	\$ 7,763,418
Operating Margin	33.2%	33.3%

Source: COPN Request No. VA-8810

VA-8811-Fredericksburg ASC

Capital costs of the proposed projects are reasonable. The proforma (Table 10) projects positive income in its first year of operating the requested seventh and eighth ORs with an operating margin of 24.3% in the second year. The proposal requires 5.6 additional full-time equivalent (FTE) staff members.

Table 10. Pro forma, Fredericksburg ASC, LLC

	Year 1	Year 2
Gross Patient Revenue	\$ 79,827,319	\$ 80,897,513
Deductions	\$ 48,778,515	\$ 48,546,752
Charity Care	\$ 1,915,856	\$ 1,941,540
Total Operating Revenue	\$ 29,132,948	\$ 30,409,221
Total Operating Expenses	\$ 21,808,504	\$ 23,011,017
Income/(Loss) from Operations	\$ 7,324,444	\$ 7,398,204
Operating Margin	25.1%	24.3%

Source: COPN Request No. VA-8811

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.

Both proposals are for the addition of OR capacity, they are not an innovation in the delivery of health services. They do allow for, and enhance, the delivery of care in an outpatient facility.

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-8810 Surgi-Center of Central Virginia

Surgi-Center of Central Virginia does not mention any utilization of the facility supporting the research, training, and clinical mission of the teaching hospital or medical school.

VA-8811-Fredericksburg ASC

The applicant is not affiliated with a school of medicine but anticipates that anesthesiology and general surgery residents will rotate through the facility.

DCOPN Staff Findings and Conclusions

PD 16 is a growing area of Virginia. It has a small surplus of 2 GPORs.

VA-8810- Surgi-Center of Central Virginia

The proposal is to add a fifth OR in one of the two OSHs in PD 16. Surgi-Center of Central Virginia has utilization in its four existing GPORs above the SMFP threshold, demonstrating an institutional need to increase OR capacity. 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. The proposal improves access and efficiency of procedures performed by reducing wait times for surgery. There is no alternative to adding GPOR capacity for Surgi-Center of Central Virginia 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-8811-Fredericksburg ASC

The proposal is to add a seventh and eighth OR in one of the two OSHs in PD 16. Though there is a surplus of GPORs in PD 16, 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 argument from opposition that the addition of two ORs when a surplus exists and, at best, one additional OR should be authorized, is offset by the demonstrated population growth and utilization of the existing outpatient surgical capacity. The proposal is supported by Mary Washington Health Care, a part owner of the facility. It also has opposition from HCA's Spotsylvania Regional Medical Center, the only non-Mary Washington Health Care owned general hospital in PD 16, (one of three total PD 16 general hospitals). There is no identified reasonable more beneficial alternative to the project. Capital costs are reasonable and there are no financing costs. The proposal is wholly feasible.

DCOPN Staff Recommendations

VA-8810- Surgi-Center of Central Virginia

The Division of Certificate of Public Need recommends **conditional approval** of Surgi-Center of Central Virginia's COPN Request number VA-8810 to add an operating room for a total of five operating rooms in the outpatient surgical hospital in Fredericksburg, Virginia for the following reasons:

1. The proposal for Surgi-Center of Central Virginia to add a fifth OR meets an institutional need for additional surgical capacity.
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 16.
5. The proposed project is wholly feasible in the immediate and long-term.

DCOPN's recommendation is contingent upon Surgi-Center of Central Virginia's agreement to the following charity care condition:

Surgi-Center of Central Virginia will provide surgical services to all persons in need of this service, regardless of their ability to pay, and will provide as charity care to all indigent persons free services or rate reductions in services and will facilitate the development and operation of primary medical care services to medically underserved persons in PD 16 in an aggregate amount equal to at least 1.9% of Surgi-Center of Central Virginia'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. Surgi-Center of Central Virginia 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.

Surgi-Center of Central Virginia 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, Surgi-Center of Central Virginia 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-8811- Fredericksburg Ambulatory Surgery Center, LLC

The Division of Certificate of Public Need recommends **conditional approval** of Fredericksburg Ambulatory Surgery Center, LLC's COPN Request number VA-8811 to add two operating rooms for a total of eight operating rooms in the outpatient surgical hospital in Fredericksburg, Virginia for the following reasons:

1. The proposal for Surgi-Center of Central Virginia to add a fifth OR meets an institutional need for additional surgical capacity.
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 16.
5. The proposed project is wholly feasible in the immediate and long-term.

DCOPN's recommendation is contingent upon Fredericksburg ASC, LLC's agreement to the following charity care condition.

Fredericksburg Ambulatory Surgery Center, LLC will provide surgical services to all persons in need of this service, regardless of their ability to pay, and will provide as charity care to all indigent persons free services or rate reductions in services and will facilitate the development and operation of primary medical care services to medically underserved persons in PD 16 in an aggregate amount equal to at least 1.9% of Fredericksburg Ambulatory Surgery Center, LLC 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. Fredericksburg Ambulatory Surgery Center, 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.

Fredericksburg Ambulatory Surgery Center, 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, Fredericksburg Ambulatory Surgery Center, 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.