Health Systems Agency of Northern Virginia

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#### December 30, 2025

### TO: Board of Directors, HSANV

**Interested Parties**

**FROM: Dean Montgomery**

### SUBJECT: Certificate of Public Need Application

**Inova Reston MRI Center, Establish an MRI Service (COPN Request VA-8848)**

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**I. Summary of the Proposal**

Inova Reston MRI Center (IRMC), a joint venture of Inova Health Care Services and Fairfax Radiological Consultants proposes to establish an MRI service in Fairfax County (COPN Request VA-8848).[[1]](#footnote-1)

The service would be collocated with the diagnostic imaging center doing business as FRC of Prosperity at 8503 Arlington Boulevard, Fairfax, Virginia. Imaging services currently at the location include X-ray, ultrasound, CT scanning, and nuclear medicine. IRMC plans to sublease space from IFRC, a separate Inova Health Care Services-Fairfax Radiological Consultants joint venture.[[2]](#footnote-2)

Inova Reston MRI Center has three MRI services which are authorized to operate five MRI scanners, two each at Reston-Herndon MRI Center and Tysons MRI Imaging Center, and one at its Centreville MRI Center. This project would establish a new IRMC service with one MRI scanner. Projected capital costs total $3,772,642.

Table 1 shows current MRI capacity and recent service volumes at local MRI services.

IRMC justifies the proposal on the grounds that:

* IRMC diagnostic imaging services have high use. Demand is increasing.
* IRMC’s three MRI services have an average annual caseload substantially higher than the Virginia State Medical Facilities Plan (SMFP) service volume planning standard. Average use of IRMC scanners in 2024 was more than 50% higher than the nominal planning service volume standard of 5,000 patient visits per year.
* There is no unused capacity within IRMC, or in related Inova Health System and Fairfax Radiological Consultants services, that can be reallocated or otherwise used to respond to increasing demand.
* Given current and projected caseloads, expanding IRMC’s MRI capacity should not affect noticeably demand or service volumes at other imaging services.
* Capital costs are within the expected range for the service and equipment proposed.
* The project is generally consistent with applicable provisions of the Virginia State Medical Facility Plan (SMFP) as they have been applied in recent years.

If authorized on schedule, the scanner requested is likely to be in service in mid-May 2027.

**II. Discussion**

1. **Northern Virginia MRI Scanning Capacity, Use, Trends**

There are 58 MRI scanners in Northern Virginia authorized for use in diagnostic imaging. They are widely distributed in various settings. Half (29 of 58) are in hospitals. Four of the hospital-based services are in satellite emergency departments. Nearly one-third (19 of 58) are freestanding services with no hospital affiliation. The remainder are in joint ventures of hospital systems and local radiology groups. Most freestanding services are classified and reimbursed by insurers as independent diagnostic testing facilities (IDTFs), rather than as hospital outpatient departments.

MRI service volumes and the number of authorized scanners increased substantially in recent years. Between 2019 and 2024 demand, measured by the number of MRI patient visits reported in licensing surveys, increased by 23.5%. The compound annual growth rate (CAGR) in regional MRI caseloads was about 2.8% over the last decade and nearly 3.5% between 2019 and 2024.

Though demand has increased substantially over the last five years. Average service use of authorized northern Virginia MRI scanning services in 2024 remained below the *minimum* service volume planning standard (5,000 patient visits per scanner per year) specified in the Virginia SMFP. In 2019, the year before the dislocations induced by the COVID-19 epidemic, average use was 4,320 cases per scanner, about 87% of the nominal service volume standard. Average use dropped 12.4% to 3,708 cases per scanner in 2020, about 74% of the target value. Demand rebounded and returned to trend in 2022. The regional average was 4,150 patient visits per scanner in 2024, about 83% of the planning standard. Average use of scanners in operation in 2024 was 4,368 patient visits, about 87% of the service volume standard. Demand has rebounded from the lows of 2020-2021 and is now increasing steadily but there is no indication of a current or near-term *regional* need for additional MRI services or scanners.



Though reported service volumes vary from year to year, there is no indication that near term use rates and annual increases in demand are likely to vary significantly from the experience of the last decade. MRI demand is likely to continue to increase at a rate somewhat higher than the population growth rate.

Unlike most other diagnostic imaging services, average use of freestanding MRI scanners (4,516 patient visits per scanner in 2024) is comparable to that of hospital-based services (4,691patient visits per scanner in 2024). There is unused capacity in both settings. It is worth noting that most of the unused capacity is in services where a second (or third) scanner has been added recently, usually in accordance with the institutional need provision of the Virginia SMFP, to respond to institution specific demand at a heavily used service.

It is worth noting that unlike the comparatively low use rates for most other acute care services in the region, typically about 30% lower than rates elsewhere in Virginia, northern Virginia MRI scanning use rates and service volumes are comparable to those reported in other Virginia planning regions. The local facility MRI service volumes and scan rates are higher than the statewide averages and greater than comparable rates in three of the other four planning regions (Table 2). There is no indication of suppressed demand or significant migration for MRI scanning outside the planning region.

Northern Virginia MRI patient visit and scan rates are, respectively, 11% and 7% higher than elsewhere in Virginia. The number of patient visits per scanner in northern Virginia is significantly higher (about 45% higher) than elsewhere in Virginia. This pattern, which suggests relatively efficient use of local authorized capacity and, implicitly, less capital cost per patient visit and scan, flows from distinctive regional demographic and geographic factors.[[3]](#footnote-3)



Given no evident regional need for additional MRI capacity, the question of authorizing additional scanners, whether in the form of new services or expansions of existing services, is a matter of weighing the inherent merit of such proposals against their potential negative effects.

***SMFP Planning Guidance***

The Virginia State Medical Facilities Plan (SMFP) provides planning guidance for establishing and expanding MRI services. The section covering establishing new services reads:

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**“12VAC5-230-150 - Need for new fixed site service.**

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

Inova Reston MRI Center proposes establishing a new MRI service. Section 12VAC5-230-150 applies.

***Consistency with Planning Principles and Guidelines***

Inova Reston MRI Center proposes to develop a new MRI service in central Fairfax County (near Inova Fairfax Hospital). The request is based on high and increasing use of its existing services. Average use of these services exceeds substantially the specified service volume of 5,000 cases per scanner specified in the Virginia SMFP.

There is no unused MRI capacity within IRMC, Fairfax Radiological Consultants, Inova Health System, or related Inova-Fairfax Radiological Consultants joint ventures that can be used to meet the need for additional capacity. There is no indication that adding the capacity requested would negatively affect other MRI services.

**B. Cost Considerations**

Projected capital costs of the IRMC project, which total $3,772,642, are within the range commonly seen for similar projects. The scanner and associated equipment account for slightly less than half of the projected outlay, $1,650,162 [44%]. Most of the remainder would be for construction ($1,144,720, about 30%), space lease expense ($897,260, about 24%), and architectural and engineering fees ($80,500, about 2%. The project would be financed with a commercial loan of about $2.9 million (76.2%) and IRMC revenue. Expected loan terms six years at 5.5% annually.

The proposed service would be an independent diagnostic testing facility (IDTF) and would be paid accordingly by Medicare and other insurers.

The project can be undertaken and completed as described. IRMC expects to provide 9,500 scans during the first two years of operations. The *pro forma* budget for these years indicates that IRMC anticipates the service to be profitable quickly. Average charges and revenue per scan are expected to be $2,729 and $1,064, respectively, during the initial two years. These assumptions yield an estimated profit of $504 per scan, which equates to about 47% of projected net income.[[4]](#footnote-4)

Profit margins are likely to increase significantly over the useful life of the scanner purchased, as depreciation and amortization costs decrease and fixed costs are spread over larger caseloads. As with other diagnostic imaging services, the marginal cost of providing a scan will decrease as demand and service volumes increase and fixed costs decrease. The implicit return on investment is high.

Inova Health Care Services (Inova) and Fairfax Radiological Consultants (FRC), the members of the joint venture, commit to providing a reasonable amount of charity and reduced-price care. Both have histories of doing so.

##### Access Considerations

With 30 MRI services and 58 widely distributed scanners, Northern Virginians have ready geographic access to MRI scanning. Nearly all northern Virginia residents are within less than 30 minutes travel to several MRI services. Neither additional services nor additional scanners are necessary to ensure reasonable geographical access.

Though neither an additional MRI service, nor another scanner, is necessary to permit access to needed care, adding a service and scanner in central Fairfax County by a heavily used service provider is not likely to have notable negative health system effects. Located near Inova Fairfax Hospital, and in an area served by numerous services, the new service should permit more flexible, and arguably more convenient, scheduling of patients as service volumes increase. There is no indication of likely negative effects on nearby services. All the MRI services in central Fairfax County, the area in which the new service would be located, have substantial service volumes. Some are adding capacity.

IRMC is an experienced, successful MRI service provider with established charity care policies and practices. There is no indication that economic access to MRI scanning services would be affected materially by the project.

##### Health System Considerations

Inova Reston MRI Center’s proposal to establish a new service, rather than expand one of its existing services, to meet current and near-term demand does not qualify for consideration to add capacity under the institutional need provision of the Virgina State Medical Facilities Plan. It is unlikely that adding a service in the proposed location (Arlington Boulevard just west of the Capital Beltway (I 495), will affect operations of neighboring services. The are now more than a dozen MRI scanners within ten minutes of travel to the site. Most of them are owned and operated by Inova Health System and Fairfax Radiological consultants. All have high, and growing service volumes.

Although inconsistent with the regional need provision of the Virginia SMFP, the scanner that would be acquired is likely to be used efficiently during its useful life. The project appears to be prudent response timed to meet near term and projected demand.

**III. Conclusions and Alternatives for Agency Action**

**A. Summary Conclusions and Findings**

IRMC does not assert a regional need for additional MRI capacity. It argues that current and projected near term service volumes, and increasing demand, justify establishing a new service at an affiliated Inova Health Care Services-Fairfax Radiological Consultants joint venture to respond to internal IRMC demand.

The application, and related market information, support the following findings and conclusions:

1. Use of northern Virginia MRI services varies considerably. Some have sustained high service volumes and others more modest caseloads. Over the last decade, average regional service volumes ranged between 85% and 95% of Virginia SMFP planning guidance, 5,000 cases per scanner annually.
2. There is no indication of a current or near-term *regional* need for additional MRI services or capacity.
3. Regional demand for MRI services, which grew at a compound annual rate of more than 3.0% over the last five years, is expected to continue to grow faster than population growth over the next three to five years.
4. Most of the additional capacity authorized over the last decade has been in expansion projects at heavily used services, usually in accordance with the institutional need provision of Virginia’s SMFP.
5. As a proposed new service, the IRMC proposal does not qualify for consideration under the institutional need provision of the SMFP.
6. Nevertheless, the proposal is similar in most respects to the many MRI service expansion projects authorized under the institutional need provision. IRMC demonstrates that its services have high use and increasing demand, and that there is no unused capacity within IRMC or in affiliated Inova Health Care Services and Fairfax Radiological Consultants services that can respond appropriately to increasing demand at IRMC.
7. The capital cost of the proposal is within the range commonly seen for similar services locally and elsewhere.
8. IRMC has acceptable charity care policies and practices.
9. There is no indication that the project would have negative health system effects.

**B. Alternatives for Agency Action**

* 1. The Health Systems Agency of Northern Virginia may recommend to the Commissioner of Health that a Certificate of Public Need authorizing the project be granted.

Support for the proposal could be based on concluding that:

* + IRMC’s MRI services have sustained high use. Demand is increasing. Additional capacity is necessary to meet current and projected demand.
  + Though there is no near-term regional need for additional MRI capacity, the potential benefit of the project outweighs concerns about over supply, unnecessary duplication of capacity, and potential negative effects on other MRI service providers.
  + The proposal is generally consistent with the substance and principles inherent in similar projects that have been authorized locally and statewide.
  + The project is not likely to have significant negative health system effects.

2. The Health Systems Agency of Northern Virginia may recommend to the Commissioner of Health that a Certificate of Public Need not be granted.

A negative recommendation could be based on concluding that:

* There is unused MRI scanning capacity in the region. The project is not necessary to ensure reasonable access to MRI services.
* Given unused capacity in the region, and the geographic distribution of that capacity, the proposed capital outlay is not necessary to improve access to care or to address an identified system deficiency.

**IV. Checklist of Mandatory Review Criteria**

* + 1. **Maintain or Improve Access to Care**

Northern Virginia residents have ready access to diagnostic imaging services, including magnetic resonance imaging. There is no documented regional need for additional MRI services or capacity.

Nevertheless, it is evident that, over its useful life, the IRMC project is likely to contribute to maintaining access to care. No enduring negative health system effects are expected or likely.

1. **Meet the Needs of Residents**

The diagnostic imaging needs of the populations and communities IRMC serves, and proposes to serve, are being met by existing service providers, including IRMC. The project would not change local market dynamics noticeably.

1. **Consistency with Virginia State Medical Facilities Plan (SMFP)**

The proposal is not consistent with the public need service volume standard of the Virginia SMFP. Under the applicable planning guidance, there is no region wide need for additional MRI services or MRI scanners.

IRMC argues that additional capacity is necessary because its services are being used to capacity, demand is increasing, and there is no unused capacity elsewhere in the region that can be used, or otherwise relied upon, to meet increasing demand at IRMC services.

1. **Beneficial Institutional Competition while Improving Access to Essential Care**

The proposal is from an existing MRI service provider that competes regularly with other service providers. No price competition is suggested or anticipated. Physical and economic access to MRI services would not be changed appreciably. Arguably, the new service proposed would help maintain convenient access to MRI scanning.

**5. Relationship to Existing Health Care System**

No significant health system effects are likely. The IRMC proposal should permit more efficient operations within IRMC but is not likely to affect demand or operations at other MRI services.

**6. Economic, Financial Feasibility**

The capital outlay proposed is high, but within the range commonly seen for MRI projects. It is financially feasible and is expected to generate substantial operating profits. The implicit return on investment is high. The *pro forma* budget quantifies these expectations.

**7. Financial, Technological Innovations**

The project does not involve innovative technologies, practices or economic aspects that warrant special consideration.

**8. Research, Training Contributions, and Innovations**

The project does not include research or training elements that warrant special consideration.

1. Inova Health Care Services is the operating arm of Inova Health System. Fairfax Radiological Consultants, the region’s largest radiology practice, provides professional radiology services at most Inova Health System facilities. Inova Health System holds a majority interest in IRMC and IFRC. [↑](#footnote-ref-1)
2. Prosperity MRI Center. IFRC, LLC and IRMC, LLC have overlapping physician membership. [↑](#footnote-ref-2)
3. The information discussed here is reported facility use data, not population-based data. Northern Virginia is a net importer of MRI services, so indigenous northern Virginia use rates are somewhat lower than rates derived from facility data. The information presented in Table 2 is Virginia Health Information statewide 2024 MRI capacity and use data for Virginia’s five planning regions. Absent statewide population-based MRI use information, these data are the most reliable available to make interregional comparisons. [↑](#footnote-ref-3)
4. These estimates include recognition of debt service, depreciation and amortization expenses. [↑](#footnote-ref-4)