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## September 10, 2025

**TO: Board of Directors, HSANV**

**Interested Parties**

**FROM: Dean Montgomery**

**SUBJECT: Certificate of Public Need Application**

**Franconia Springfield Surgery Center II**

**(COPN Request VA-8835)**

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**I. Summary of the Proposal**

Franconia Springfield Surgery Center II, LLC (FSSC-II), a newly formed subsidiary of Inova Health System, proposes to establish an outpatient surgical hospital[[1]](#footnote-1) in Springfield, Virginia. The center would have four licensed operating rooms, a number unlicensed procedure rooms, and support space.

Projected capital costs are $43,040,598, approximately $15.5 million of which would be for construction and about $10.9 million for equipment. The remainder, about $16.6 million, would be for site acquisition and preparation, professional fees, and related expenses.

Development costs would be paid from internal Inova Health System funds. There would be no direct financing expense. Table 1 shows recent capacity and service volumes at northern Virginia surgery services.

The discussion below places the application in the context of northern Virginia surgery facility development and use and examines it relative to required planning considerations.

Franconia Springfield Surgery Center II justifies the proposal on the grounds that:

* The project, which entails the relocation of licensed surgery capacity from two nearby Inova surgery services, is inventory neutral. There would be no net increase in licensed surgery capacity, regionally or in Inova Health System
* Average use of surgery capacity within Inova Health system is high, above the Virginia State Medical Facilities Plan (SMFP) service volume standard of 1,600 hours per room per year.
* Redistribution of authorized licensed surgery capacity will permit more effective and efficient use of Inova surgery facilities.
* Unused (surplus) surgery capacity elsewhere in the planning region is not a practical alternative to improving the distribution and operating efficiency of Inova Health System surgery services.
* There is no indication or expectation that reallocation of surgery capacity within Inova Health System poses a threat to nearby competing services.
* The project is consistent with applicable provisions of the Virginia State Medical Facilities Plan.

Following completion of the medical office building in which it is to be located, the surgery center is expected to open in 2029.

**II. Discussion**

**A. Northern Virginia Surgery Services**

Northern Virginia has 32 authorized (licensed or authorized and to be licensed) surgery facilities: 11 acute care community hospitals and 21 ambulatory surgery centers (Table 1). About three-fourths (76%) of the freestanding surgery centers (16 of 21) are located near and/or are affiliated with local medical-surgical hospitals. These services are distributed widely in the region (Map 1).[[2]](#footnote-2) Northern Virginia surgery facilities had more than 250 operating rooms in 2023, the most recent year for which comparable service data is available. More than 80% are general-purpose operating rooms.

The remainder are rooms dedicated (designed, equipped, and staffed) to specific uses, e.g., cardiovascular surgery, trauma, endoscopy, cystoscopy and other “special procedures”. Of the 211 general purpose operating rooms authorized, 196 were in service in 2023.[[3]](#footnote-3) All dedicated special purpose operating rooms are available for use.



A map of the hospital and surgery center

AI-generated content may be incorrect.

Northern Virginia surgery facilities reported 157,328 (166,388) surgical cases[[4]](#footnote-4) in general-purpose operating rooms in 2023 (Table 1). It is more than 5.0% more than the regional service volume reported for 2022, and nearly 10% (9.8) higher than the GPOR caseload reported in 2019, the year before COVID-19 service disruptions in 2020-2022. The compound annual growth rate (CAGR) in surgery cases over the previous five years was about 1.9%, notably higher than the population growth rate.[[5]](#footnote-5)

The decades-long shift from inpatient to outpatient surgery continues, with inpatient cases dropping from 28% of the total in 2013 to about 19% in 2023, a 32% decrease over the decade. Thus, more than four-fifths (81.4% in 2023) of reported surgical cases provided in licensed general purpose operating rooms in Northern Virginia are outpatient procedures. More than two-thirds (67.3%) of hospital surgery cases were outpatient visits in 2023.

As these data suggest, outpatient surgery is a critical component of local hospital proficiency and economic stability. It is increasingly important that community hospitals offer outpatient surgery efficiently, on and off campus, to maintain their economic health.

**B. Surgery Capacity, Operating Room Need**

FSSC-II proposes establishing a freestanding outpatient surgery center with four general-purpose rooms.

The licensed operating rooms proposed for FSSC-II would be transferred from other Inova Health System surgery services: two from Inova Mount Vernon Hospital and two from Inova Ambulatory Surgery Center-Lorton. Consequently, the proposal does not entail a net increase in licensed capacity, regionally or within Inova Health System. The Virginia State Medical Facilities Plan (SMFP) addresses the question of community (regional) need for surgery capacity. The applicable plan section (*12VAC5-230-500)* states:

***“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:

**FOR = ((ORV/POP) x (PROPOP)) x 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.

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:

1. improve the distribution of surgical services within a health planning district;

(ii) result in the Virginia 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 SMFP, pp. 22-23)**

Surgery volumes and operating room efficiency vary widely by facility and health system (Table 1). Current and projected supply exceed demand (current and projected surgery cases). The operating room public need determination methodology specified in the Virginia SMFP (Section *12VAC5-230-500)* shows a likely surplus of about fourteen operating rooms in 2030 (Table 2).

The most recent five-year period for which Virginia Health Information (VHI) has published surgery service caseloads is 2019 - 2023. The reported average time per case in 2023 was 1.86 hours (Table 1 & Table 2).

Average use of authorized surgery capacity in 2023 was about 75% of the nominal 2,000 hours per room per year, well below the 80% (1,600 hours) planning standard. Fifteen of the currently authorized operating rooms were not in service in 2023.[[6]](#footnote-6) The average number of cases per authorized room in 2022 was 799 per GPOR in service. The regional average service volume was about 3.2 cases per room per workday.[[7]](#footnote-7)



Use of the specified 2019-2023 service volume data and population data called for by the SMFP operating room public need formula yields a projected regional need for 197 general purpose operating rooms five years hence, fourteen fewer than the 2011 now authorized (Table 2). There is more than adequate licensed surgery capacity to meet regional demand over the planning horizon, by 2030 (Table 2).[[8]](#footnote-8)

**C. Access Considerations**

FSSC-II proposes to establish ambulatory surgery center with four operating in a medical office building on the Inova Franconia-Springfield Hospital campus, one of the hospitals Inova is developing to replace Inova Alexandria Hospital. The hospital, which is scheduled to open in 2028, is authorized to develop a surgery service with five general purpose operating rooms. The Springfield campus now has an array of outpatient services including outpatient surgery. Inova’s Franconia-Springfield Surgery Center has been on the site for more than a decade. With the addition of the hospital and FSSC-II, the Springfield campus would have fourteen operating rooms by the end of the decade (2029).

The capacity that would be relocated to Springfield, two rooms each from Inova Mount Vernon Hospital and two from Inova Lorton Surgery Center, would remain within the overlapping primary service areas of Inova Health System facilities in southeastern Fairfax County. Inova’s Lorton ASC would close. The facility would revert to an unlicensed medical office offering surgical procedures that do not require a sterile licensed environment. Inova expects a majority of those who will use FSSC-II will be orthopedic patients who would otherwise use IMVH. Recent patient origin and destination data indicate that reallocation of capacity within Inova surgical services in southeastern Fairfax County is not likely to affect local access to surgery services negatively.

Inova Health System has acceptable, system-wide charity care and related economic access policies and practices. The structure, and related economic incentives inherent in most freestanding outpatient surgery centers, results in the provision of little charity care and serving relatively small numbers of medically indigent patients.[[9]](#footnote-9) There is no indication, or reason to believe, that redistributing surgery capacity in the manner proposed would reduce or otherwise affect economic access to care.

**D. Economic Considerations**

FSSC-II proposes to spend about $43.0 million to develop a surgery center with four general purpose operating rooms in southeastern Fairfax County, VA. This sum includes about $15.5 million in direct construction expenses, $10.09 million for equipment, and $1.9 million in site preparation, professional fees, and related expenses. The total also includes $15.4 million in site acquisition expense (total payments over the initial ten-year related party space lease). All capital costs would be paid from Inova Health System internal funds. There would be no direct financing expense.[[10]](#footnote-10)

Projected costs are high, excluding the space lease, about $6.9 million per operating room and $535 per square foot in direct construction expense. The comparatively high development costs are largely a function of type of service proposed, a state-of-the-art orthopedic surgery facility. Though higher than the typical ASC, there is nothing inherently problematic about the capital costs of the proposal. They are within the range seen for similar projects locally (PD 8) and elsewhere. If found to be necessary or otherwise warranted, the capital cost of the project does not weigh against approval.

There is no doubt that the project can be undertaken and completed as described. VHC Inova Health System has strong bond ratings and access to capital markets. The history and local experience of Inova surgery services, and the service projections in the application, suggest that FSSC-II is likely to attain target caseloads. The *pro forma* budget for the initial two years of operations indicates that the project should be profitable quickly. Profit margins, and returns on investment, should increase significantly over the useful life of the operating rooms developed and the equipment purchased.

Inova Health System has a charity care agreement with the Virginia Commissioner of Health that assigns a negotiated system wide charity care condition on all Inova COPN projects authorized. As noted above, if approved, the FSSC-II project would be so conditioned.

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

**A. Conclusions**

There is no near-term public need for additional surgery facilities or operating rooms. The Virginia State Medical Facilities Plan (SMFP) operating room public need algorithm indicates that there is likely to be a surplus of more than a dozen GPORs in northern Virginia (PD 8) over the next five years.

FSSC-II acknowledges the current and projected operating room surplus and does not base its argument for an additional surgery service on the Inova Springfield medical campus on a need for additional operating rooms within Inova Health System or regionwide.

It emphasizes that, though the capital expenditure proposed is substantial, the project is inventory neutral. Inova Health System’s authorized surgery capacity would not change. Its share of the local market is not likely to change. The basic applicant argument is that the project is intended and designed to permit more effective use of Inova Health System surgery services and more efficient use of the system’s resources generally.

The project is consistent with the applicable provisions of the Virginia SMFP and related planning considerations that have been applied to similar proposals.

**B. Alternatives for Agency Action**

1. The HSANV Board of Directors may recommend to the Commissioner of Health that a certificate of public need authorizing the project be granted.

A favorable recommendation could be based on concluding that 1) though there is no near-term regional need for additional surgery services or operating rooms, a substantial capital outlay to improve promote more effective use of Inova Health System surgery services has merit, 2) absent disqualifying factors, there is precedent locally and statewide for the authorization of inventory neutral surgery facilities centers that are consistent with the Virginia SMFP planning guidelines, and 3) there is no known opposition to the project.

1. The HSANV Board of Directors may recommend to the Commissioner of Health that a certificate of public need be denied.

An unfavorable recommendation could be based on concluding that 1) there is no indication of a current or near-term regional need for an additional surgery service in the Springfield area of Fairfax County, and 2) approval of additional capacity should be deferred until the authorized operating rooms being developed are in service and have significant caseloads.

**IV. Checklist of Mandatory Review Criteria**

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

Northern Virginia residents have ready access to surgical services, inpatient, outpatient, and office based. Given the size, location, and nature of the FSSC-II proposal, it would not alter this circumstance measurably or meaningfully.

The project entails the reconfiguration of Inova Health System surgery services, closing the underused Lorton service (two operating rooms) and reducing capacity at Inova Mount Vernon Hospital by two rooms. Though there would be no net increase in licensed capacity, the restructuring is expected to permit more efficient use of Inova surgery services, specifically those in southeastern Fairfax County.

1. **Meets the Needs of Residents**

Inova Health System has served residents of northern Virginia for decades. There is no indication or suggestion that it has not responded to the evolving medical needs of the populations served. Inova subsidiaries can be expected to continue to respond to the perceived needs of the communities they serve.

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

The proposal is inventory neutral. There would be no net change in the number of licensed operating rooms within Inova Health System or in the planning region. The project is not inconsistent with any applicable provision of the plan.

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

Authorized surgery capacity exceeds current and near-term projected demand. Surgery capacity is well distributed. There is no regional need for additional general purpose surgery services or operating rooms. Additional surgery centers are not necessary or otherwise needed to improve access to care.

Though the project would establish a new surgery service, there would be no net increase in the number of operating rooms or of surgery capacity generally. The redistribution of licensed capacity proposed is within Inova Health System services. There would be no new competitor.

Competitive effects, if any, of local surgery services, including ambulatory surgery centers, are difficult to discern, much less assess. There is no indication that the project would encourage price or other competition among surgery service providers.

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

Reconfiguration of Inova surgery services by developing an ambulatory surgery center on its Springfield medical campus, within the primary service area of its southeastern Fairfax County services, is compatible with natural, organic growth of its surgery services. and with the development of the regional operating room complement consistent with population growth and related demographic changes.

1. **Economic, Financial Feasibility**

Though relatively expensive, the project is financially feasible. It would be financed with internal funds, with no direct financing expense. Inova Health System, the parent corporation has access to capital markets at favorable rates.

FSSC II’s pro forma budget anticipates substantial operating margins and high returns on investments that will increase over the useful life of the project.

**7. Financial, Technological Innovations**

The project does not involve innovative technologies, practices, or economic elements distinct from those now incorporated in surgery services offered regionwide. Comparable services are widely available within the planning region and in neighboring jurisdictions.

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

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

1. Freestanding surgery centers are licensed as “outpatient surgical hospitals” in Virginia. These facilities usually are referred to generically as ambulatory surgery centers (ASCs). The terms are used interchangeably here. [↑](#footnote-ref-1)
2. There are numerous unlicensed physician office surgery services. There is no public record of their number, capacity, or service volumes. [↑](#footnote-ref-2)
3. Six cardiovascular operating rooms (CVORs) at Inova Fairfax Hospital and two cardiovascular operating rooms at Virginia Hospital Center and two rooms designated as trauma rooms (one each at Reston Hospital Center and VHC Health) are excluded from this inventory. [↑](#footnote-ref-3)
4. The Virginia State Medical Facilities Plan (SMFP) defines surgery service volume in terms of “operating room visits”. The definition reads: *“Operating room visit” means one session in one operating room in an inpatient hospital or outpatient surgical center, which may involve several procedures. Operating room visit may be used interchangeably with "operation" or "case."* Virginia SMFP, p. 4. The surgery volume counts, estimates and projections discussed here are surgery cases, not procedure counts. There may be more than one procedure performed in some operating room visits. [↑](#footnote-ref-4)
5. It should be noted that this relatively high rate is affected (pushed higher) by the conversion of office based operatories to licensed surgery centers. In many instances this results in the shift of a significant number of “procedure” cases to “surgery” cases. Incentivized by the opportunity to obtain a facility fee in addition to a professional fee for some surgery cases, office based service conversions are likely to continue until the disparity ends. [↑](#footnote-ref-5)
6. The seven operating rooms added after 2022 are Inova Oakview ASC (three ORs, Dominion Plastic Surgery ASC (two ORs), and Inova Fair Oaks Hospital (two ORs). [↑](#footnote-ref-6)
7. This calculation assumes all cases are handled in a five-day work week. Cases handled on weekends and after normal hours as emergency or urgent cases are treated as if they occurred during the regular 40-hour work week. Consequently, the average number of cases per day within normal working hours is less than the calculated 3.2 cases per room per day. [↑](#footnote-ref-7)
8. It is worth noting that Virginia SMFP operating room need determination formula overestimates demand relative to supply because it treats demand (cases/visits/procedures) as if all occurs within a 2,000-hour work year, 40 hours per week for 50 weeks a year. At many facilities between five and ten percent of cases are handled outside the standard work week. The assumed 2,000 hours per operating room per year is discounted by 20% to 1,600 hours, the number used in the formula to indicate the number of hours an operating room is assumed to be available for use each year. [↑](#footnote-ref-8)
9. FSSC-II anticipates a 2.0% charity care caseload. If approved, the higher Inova system charity care requirement in effect at the time will be applied to the project. [↑](#footnote-ref-9)
10. The implicit financing cost of the project is essentially the commercial bond rate for corporate borrowers with strong credit ratings. Inova Health System has such ratings. [↑](#footnote-ref-10)