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April 30, 2024

TO: **Board of Directors, HSANV**
Interested Parties

FROM: **Dean Montgomery**

SUBJECT: **Certificate of Public Need Applications**
Inova Health Care Services, Expand Fair Oaks Hospital Surgery Service
(COPN VA-8746)
District Hospital Partners, Establish Outpatient Surgical Hospital
(COPN Request VA-8751)

I. Context and Summary of the Proposals

A. Issue

Two local medical care providers seek certificate of public need (COPN) authorization to add surgery capacity in northern Virginia (PD 8). District Hospital Partners (DHP), a subsidiary of Universal Health Services (UHS), proposes to establish an outpatient surgical hospital[1] with three licensed operating rooms in Falls Church, VA. Inova Health Care Services (Inova), a subsidiary of Inova Health System, seeks COPN approval to add two general purpose operating rooms at Inova Fair Oaks Hospital (IFOH), increasing its licensed operating room complement to fourteen rooms.

Under Virginia law COPN applications filed in the same review cycle for the same or similar services are deemed competing proposals, requiring comparative review and evaluation. The discussion below places the applications in the context of northern Virginia surgery facility use and development and examines each relative to required planning considerations.

[1] 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.

B. Proposal Summaries

Inova Fair Oaks Hospital

Inova seeks COPN authorization to expand surgery capacity at IFOH. The project would add two general purpose operating rooms (GPORs) to the twelve the hospital is now licensed to maintain. The new operating rooms would be developed by renovating procedure room and support space within the IFOH surgical suite to form two rooms conforming to licensure standards.

Projected capital costs are estimated to be $6,206,701, approximately $2.24 million of which would be for construction and about $3.44 million for equipment. The remainder, about $500,000, would be for site preparation, professional fees, and related expenses.

Development costs would be paid from Inova Health System reserves. There would be no direct financing expense. Table 1 shows recent capacity and service volumes of northern Virginia licensed surgery services, including IFOH.

Inova justifies the proposal on the grounds that:

- Inova Fair Oaks Hospital surgery services have high use, and demand is increasing. Average operating room use exceeds substantially the Virginia State Medical Facilities Plan (SMFP) service volume standard of 1,600 hours per year.
- Additional capacity is needed to permit the hospital to meet current and projected demand.
- Most Inova Health System surgery services have high service volumes and growing caseloads.[2]
- There is no unused surgery capacity within Inova Health System that can be used, or otherwise reallocated, to meet increased demand at IFOH.
- There is no indication that adding capacity at IFOH would negatively affect service volumes at other surgery services, within or outside Inova Health System.
- Projected capital costs are reasonable for the project that would be undertaken.
- The project is consistent with the institutional need provision of the Virginia State Medical Facilities Plan.

If authorized on schedule, the surgery center is expected to open in June of 2025.

[2] Including the joint venture ambulatory surgery center with Children's National Medical Center, Inova Health System maintains 11 distinct surgery services: five acute care hospitals and six ambulatory surgery centers.

District Hospital Partners

District Hospital Partners (DHP), which does business in the Washington, D.C. metropolitan area as George Washington University Hospital (GWUH), is a subsidiary of Universal Health Services (UHS).[3] DHP is developing an outpatient care complex in Falls Church, Virginia. The complex, which DHP calls the West Falls Church Regional Health Center, would be the principal health care element in a Trammel Crow development marketed as the Wellness Center at West Falls.

DHP has a COPN application pending before the Virginia Commissioner of Health to establish CT and MRI scanning services at the site.[4] DHP now offers outpatient surgery and diagnostic imaging in the District of Columbia, but not in Virginia. It seeks certificate of public need (COPN) authorization to establish an outpatient surgical hospital with three licensed operating rooms, unlicensed procedure rooms, and support space in Falls Church.

Projected capital costs for the outpatient complex, which includes elements subject to COPN review (CT and MRI scanning and the surgery center) are estimated to be $32,041,435. It is unclear how much of this capital cost is properly attributed to the surgery center. The application references an "ASC fee" of $6,015,765, but it is unclear if this includes all surgery center development costs.

Whatever the cost of key components, capital expense for the entire center would be paid from DHP and Universal Health Services reserves. There would be no direct financing expense. Table 1 shows recent capacity and service volumes of northern Virginia licensed surgery services. DHP does not have a surgery facility in Virginia.

District Hospital Partners justifies its proposal on the grounds that:

- "DHP aims to expand community access and availability to crucial diagnostic procedures and surgical services, ultimately improving health outcomes for patients across the DMV. The establishment of a continuum of care—including additional ASCs—is integral to this goal." **DHP COPN Application p. 11**
- **"**A growing number of GWUH patients who live and work in Northern Virginia would benefit from the project. It aligns directly with the long-range plan of expanding the GWUH brand of academic medicine to Northern Virginia." **DHP COPN Application p. 8**
- "Historical and projected operating room trends suggest that by 2027, there will be a deficit of 20 operating rooms in PD 8. DHP's proposed ASC will bridge this gap by providing PD 8 with an additional three operating rooms and two procedure rooms.**"** **DHP COPN Application p. 32**

[3]Universal Health Services (UHS) is a national hospital chain. UHS owns and operates George Washington University Hospital in the District of Columbia. Information on UHS is available at http://uhs.com.
[4] HSANV and DCOPN have recommended denial of that proposal. An IFFC will be held on that application on June 3, 2024.

- "The proposed ASC provides convenient access to surgical services for nearly 2 million patients, providing 79 percent of PD 8 residents with access to surgical services within a convenient, 30-minute drive." **DHP COPN Application p. 39**
- **"**Approximately 14 percent of GWUH's total outpatient surgical volume is being delivered to PD 8 residents. DHP's investment in the proposed ASC brings existing surgical service demand to the residents of PD 8." **DHP COPN Application p. 30**

If authorized on schedule the surgery center is expected to open in September of 2026.

II. Discussion

A. Northern Virginia Surgery Services

Northern Virginia has 32 authorized (licensed or to be licensed) surgery facilities: the 11 acute care community hospitals and 21 ambulatory surgery centers (Table 1). Two-thirds of the freestanding surgery centers (14 of 21) are located near and are affiliated with local medical-surgical hospitals. These services are distributed widely in the region (Map 1).

There are numerous unlicensed physician office surgery services. There is no public record of their number, capacity, or service volumes.

Northern Virginia surgery facilities had more than 260 operating rooms in 2022, the most recent year for which reliable comparable service volumes are available. About three-fourths of these are "general-purpose operating rooms" (GPORs). The remainder are rooms dedicated (designed, equipped, and staffed) to specific uses, e.g., cardiovascular surgery, endoscopy, cystoscopy and other "special procedures". Of the 200 general purpose operating rooms authorized, 197 were in service in 2022.[5] All of the dedicated special purpose operating rooms are available for use.

Northern Virginia surgery facilities reported 157,328 surgical cases[6] in general-purpose operating rooms in 2022 (Table 1). This represents more than two-thirds of the total surgical volume reported. It is 3.8%

[5] Six cardiovascular operating rooms (CVORs) at Inova Fairfax Hospital and two cardiovascular operating rooms at Virginia Hospital Center are excluded from this inventory. Two operating rooms designated as trauma rooms (one each at Reston Hospital Center and VHC Health) are included.

[6]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.

Inova Fair Oaks Hospital, Expand Surgery Service (COPN VA-8746)
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Table 1
Northern Virginian Surgery Services Capacity & Use
General Purpose Operating Rooms, 2022

Facility	General Purpose ORs (2023)	Inpatient Cases	Outpatient Cases	Total Cases	Inpatient Hours	Outpatient Hours	Total Hours	Average Time per Case (Hours)
Hospitals								
Inova Alexandria Hospital	11	1,515	5,603	7,118	4,675	13,639	18,314	2.57
Inova Fair Oaks Hospital	12	2,737	8,389	11,126	7,368	17,542	24,910	2.24
Inova Fairfax Hospital	43	11,105	19,472	30,577	38,019	44,613	82,632	2.70
Inova Loudoun Hospital	8	1,921	4,641	6,562	5,770	10,068	15,838	2.41
Inova Mount Vernon Hospital	7	1,124	3,389	4,513	2,924	8,551	11,475	2.54
Reston Hospital Center	16	3,329	6,520	9,849	8,267	11,209	19,476	1.98
Sentara Northern Virginia Medical Center	9	1,010	3,239	4,249	2,693	6,170	8,863	2.09
Stone Springs Hospital Center	4	330	2,095	2,425	739	3,582	4,321	1.78
UVA Health Haymarket Medical Center[1]	4	405	254	659	1,263	555	1,818	2.76
UVA Health Prince William Medical Center[1]	4	252	371	623	585	681	1,266	2.03
Virginia Hospital Center[2]	18	3,839	9,753	13,592	10,715	17,219	27,934	2.06
Total Hospitals	136	27,567	63,726	91,293	83,018	133,829	216,847	2.38
Ambulatory Surgery Centers								
Fairfax Surgical Center	6		8,825	8,825		12,468	12,468	1.41
Haymarket Surgery Center	2		3,724	3,724		5,329	5,329	1.43
HealthQare Services ASC	2		3,209	3,209		2,080	2,080	0.65
Inova Lorton Surgery Center[4]	2		2	2		4	4	2.00
Inova Fairfax Hospital ASC	4		2,064	2,064		5,775	5,775	2.80
Inova Loudoun Asc	5		5,415	5,415		8,580	8,580	1.58
Inova Franconia-Springfield Surgery Cente	5		11,475	4,096		6,821	6,821	1.67
Kaiser Permanente Woodbridge ASC (AKA	4		3,133	3,133		1,462	1,462	0.47
Kaiser Permanente Tysons ASC	8		7,384	7,384		2,079	2,079	0.28
Sentara Lake Ridge ASC	1		977	977		755	755	0.77
McLean ASC	2		1,851	1,851		4,894	4,894	2.64
Northern Virginia Eye Surgery Center	2		4,948	4,948		2,705	2,705	0.55
Northern Virginia Surgery Center	4		4,381	4,381		4,974	4,974	1.14
Pediatric Specialists of Virginia ASC	2		2,228	2,228		2,157	2,157	0.97
Prince William Medical Center ASC	4		5,868	5,868		6,865	6,865	1.17
Reston Surgery Center	6		7,736	7,736		7,459	7,459	0.96
Stone Springs ASC	2		194	194		309	309	1.59
VHC Edison (Authorized 4 GPORs from VHC Health)[1]	0							
Inova Oakview ASC (3 GPORs Being Built)[3]	0							
Total Ambulatory Surgery Centers	61			66,035		74,716	74,716	1.13
Regional Totals	197			157,328			291,563	1.85

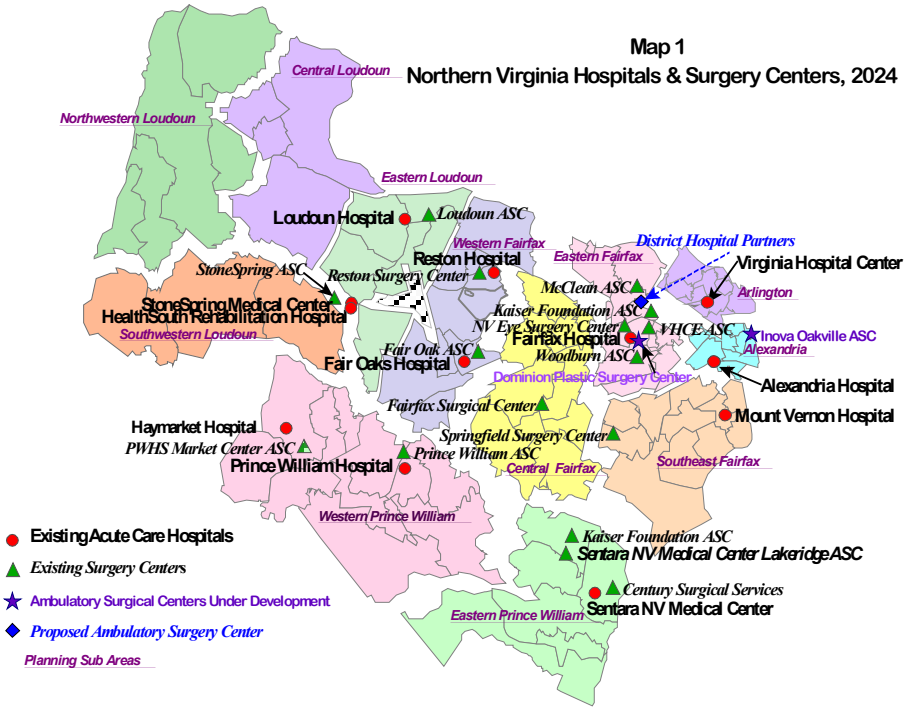
Source: Virginia Health Information, ALSD, 2022; PD8 COPN Applications, 2017-2022.

[1] Service volume (cases) is for the first half of calendar 2022.

[2] VHC Edision opened in 2023 with four general purpose operating rooms "transferred" from VHC Health. With the opening of VHC Edison, the VHC Health licernsed operating room complement decrease to 14.

[3] Authorized three general purpose ooperating rooms in 2021. Project is under development.

[4] Limited service in 2022



higher than the average number of cases reported in 2019, the year before COVID-19 service disruptions in 2020-2021. The compound annual growth rate (CAGR) in surgery cases over the last three years was 1.3%, generally consistent with and presumably reflective of population growth.[7]

The decades-long shift from inpatient to outpatient cases continues, with inpatient cases dropping from 28% of the total in 2013 to about 20% in 2022, a 29% decrease over the decade. Thus, more than three-fourths (79.9% in 2022) of reported surgical cases provided in licensed general purpose operating rooms in Northern Virginia are outpatient procedures. More than two-thirds (69.8%) of hospital surgery cases were outpatient visits in 2022.

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

[7] Northern Virginia is a net importer of surgery patients: more people travel to the region for surgical care than leave the region for surgery. Local surgery rates (cases/surgeries per 1,000 population) are between 30% and 40% lower than national rates and rates elsewhere in Virginia. Annual local surgery caseloads varied considerably over the last decade. The trend has been modestly higher, at a rate roughly equivalent to the population growth rate.

B. Surgery Capacity, Operating Room Need

District Hospital Partners proposes to establish a freestanding outpatient surgery center with three general-purpose rooms. Inova Fair Oaks Hospital proposes to expand its surgery service by adding two general purpose operating rooms. The IFOH operating rooms would be available for use by inpatients and outpatients. Combined the two proposals would add five GPORs to the region's licensed complement. The Virginia State Medical Facilities Plan (SMFP) addresses the question of community (regional) need for surgery capacity. The applicable plan section 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:
>
> $$\underline{\textbf{FOR = ((ORV/POP) x (PROPOP)) x AHORV}}$$
> $$\textbf{1600}$$
>
> 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:

(i) 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 (GPORs available and being built) 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 between seven and twelve operating rooms in 2030 (Table 2).[8]

The most recent five-year period for which Virginia Health Information (VHI) has published surgery service is 2018 - 2022. The reported average time per case in 2022 was 1.85 hours (Table 1 & Table 2). Average use of authorized surgery capacity in 2022 was about 74% of the nominal 2,000 hours per room per year, well below the 80% (1,600 hours) planning standard. Three of the operating rooms authorized (Inova Oakview ASC) were not in service in 2022. 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.[9]

After a lengthy, multi-application review, Dominion Plastic Surgery obtained COPN authorization to establish an outpatient surgical hospital with two general purpose operating rooms earlier this year. This authorization increases the regional GPOR complement to 202 currently.

Use of the specified 2018-2022 service volume data and population data called for by the SMFP operating room need determination formula yields a projected regional need for 190 general purpose operating rooms six years hence (in 2030), twelve fewer than the 2002 now authorized (Table 2). If the recent COVID-19 induced low use in 2020 is excluded from the calculation, the projected need in 2030 is 195 GPORs, seven fewer than the 202 now authorized.

[8] The seven to twelve range is a function how the abnormally low demand/use of 2020 is treated in the calculation. Including year 2020 data decreases the use rate and, consequently, yields the higher surplus (12 GPORs), excluding the 2020 data results in the lower surplus (7 GPORs).
[9] 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.

Table 2. Operating Room Need Calculation

Formula	**FOR = ((ORV/POP) x (PROPOP)) x AHORV / 1600**
Operating Room Visits/Cases (ORV), 2018 - 2022	**736,410**
Population (POP), 2013 - 2017	**12,680,790**
Surgery Use Rate (SUR), Surgery Cases/Visits per 1,000 Population	**58.07**
Proposed Population (PROPOP] 2030	**2,828,990**
Average Hours per OR Visit (AHORV), 2022	**1.85**
Nominal Operating Room Time Available, Hours per Room per Year	**1,600**
Future Operating Room (FOR) Need, 2030	**190**
Authorized Capacity, 2024	**202**
Operating Room Need (Surplus -)	**-12**

Source: VHI ALSD, 2018-2022, Surgery service volumes; UVA Cooper Center, Population data; HSANV, Tabulations and Calculations

Contrary to DHP's calculations, assumptions, and argument, there is a more than adequate licensed surgery capacity to meet regional demand over the planning horizon, by 2029-2030 (Table 2).[10] There is no public need for additional surgery centers or operating rooms.

C. Access Considerations

Inova proposes to expand an existing hospital surgery service. Inova Fair Oaks Hospital would add two general purpose operating rooms, roughly a 17% increase in capacity. There would be no change in the service entry/delivery site, and no change in the primary service area or the population served. The hospital's charity and indigent care policies and practices would not change. The additional capacity would be used to accommodate the current surgery caseload and near-term natural growth in the communities it serves. The additional operating rooms requested would be used by both inpatients and outpatients. There is no indication that adding surgery capacity at IFOH would affect competing services negatively.

[10] 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 of it 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.

District Hospital Partners proposes to establish a new ambulatory surgery center in west Falls Church. The 12,600 sq. ft. center would have three licensed general purpose operating rooms, several unlicensed procedure rooms, and support space. As a new service it would create a new general surgery delivery site in the greater Tysons Corner-Falls Church area of Fairfax County. DHP is unrestrained in its assessment of the potential access value of the site: "The proposed ASC provides convenient access to surgical services for nearly 2 million patients, providing 79 percent of PD 8 residents with access to surgical services within a convenient, 30-minute drive."[11]

This is, of course, a bit of self-interested promotion. Exaggeration to this degree, combined with other fanciful assertions and claims in the proposal, undermines its credibility. The best that can be said for the access implications of the project is that it is unexceptional. The site is within the region's major cluster of operating rooms, near about half of the region's operating room complement. (Map 1). There is no shortage of surgery services or operating rooms in the greater Falls Church-Tysons area. Of course, any new service entails establishing an additional service delivery site which will be convenient for some. To this extent, the DHP project would make outpatient surgery more convenient for some.

D. Economic Considerations

Inova proposes to spend about $6.2 million to add two general purpose operating rooms at Inova Fair Oaks Hospital. This sum includes about $2.24 million in direct construction expense and $3.44 million for equipment. All capital costs would be paid from Inova Health System reserves. There would be no direct financing expense.[12] Projected total and unit costs, e.g., cost per square foot and cost per operating room) are within the range commonly seen for similar projects. If found to be needed, the capital cost of the project, though high, does not weigh against approval.

District Hospital Partners plans to develop an outpatient services complex in west Falls Church. Total projected capital costs for the venture are estimated to be $32,041,435. The project includes a mix of basic laboratory and other medical office diagnostic services (e.g., x-ray, ultrasound), and three more costly components subject to COPN authorization: CT scanning, MRI scanning, and outpatient surgery.[13]

It is unclear from the financial data presented how much of this outlay is properly attributed to the surgery center and other elements of the complex. The application shows an "ASC fee" of $6,015,765, but it is unclear if this refers to all surgery center development costs or essentially the surgery equipment and

[11] DHP COPN Application p. 39
[12] The implicit financing cost of the project is essentially the commercial bond rate for corporate borrowers with strong credit ratings. Inova Health System usually maintains a "AA" plus or minus rating depending on the issue.
[13] As noted above, DHP has COPN applications for the CT and MRI services, submitted in earlier review cycles, pending before the Virginia Commissioner of Health.

furnishings. Nor are the meaning and implications of the term fee evident. Whatever the cost, all capital costs would be paid with DHP and Universal Health Services reserves. There would be no direct financing expense.

Though the information presented does not permit identification of the precise amount attributable to the surgery center, it is evident from the aggregate costs estimates and proration of space and infrastructure costs, that projected total and unit costs (e.g., cost per square foot and cost per operating room) are within the range reported for similar projects. If found to be needed, the capital cost of the DHP project, though high, does not weigh against approval.

Though substantial, there is nothing inherently problematic about the capital costs of either proposal. Both are within the capital expenditure range seen for similar projects locally (PD 8) and statewide.

There is no reason to doubt that the projects can be undertaken and completed as described. Inova Health System and Universal Health Services have ready access to capital markets. The *pro forma* budgets for the initial two years of operations indicate that both applicants expect their project to 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 long history of serving the medically indigent. It 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. If approved, the IFOH project would be so conditioned.

District Hospital Partners does not have a local facility or service but serves substantial numbers of medical indigent patients in the District of Columbia. There is no reason to question DHP's assurances of equitable service to all patients and payors. If approved, the DHP project would be conditioned on a charity care commitment equivalent to the regional (PD 8) hospital charity care average.

III. Conclusions and Alternatives for Agency Action

A. Conclusions

There is no near-term public need for additional surgery facilities or capacity (licensed operating rooms). The IFOH application acknowledges this, noting that the Virginia SMFP operating room public need algorithm indicates that there is likely to be a surplus of fifteen GPORs five years hence, in 2029. Using the same SMFP prescribed methodology, HSANV staff projects an operating room surplus of between seven and twelve rooms in 2030, depending on the weight given to the relatively low surgery caseload in 2020.

District Hospital Partners disagrees with these conclusions. It argues that there will be a regional operating room shortage of twenty GPORs by 2027. The DHP proposal, and argument, are problematic in several respects. Important shortcomings include:

- Reliance on a management consultant report (Alvarez and Marsal) that misapplies the Virginia operating room need methodology. The data used in assessing northern Virginia surgery services is erroneous.
- Failure to recognize, or acknowledge, the distinctiveness of the northern Virginia (PD 8) planning region. There is no consideration of actual local population-based surgery use rates and trends. DHP argues, for example, that the region is underserved in terms of surgery capacity and expressed demand because actual (recorded and reported) northern Virginia resident surgery use is below that of other planning regions and the statewide average.[14]
- An assumption that a surgery center in Falls Church will attract substantial numbers of patients from suburban Maryland and District of Columbia communities. Failure to document, and acknowledge, longstanding medical trade and patient flow patterns in the Washington metropolitan area is surprising and inexcusable.
- Generally, reliance on aspirational marketing concepts and assertions rather than on objective data and analysis.[15]

In short, the DHP proposal appears to be market development oriented and driven. It does not identify a documentable community need or respond to a health system deficiency or problem.

B. Alternatives for Agency Action

1. The HSANV Board of Directors may recommend to the Commissioner of Health that certificates of public need authorizing the projects be granted to both applicants.

   Favorable recommendations could be based on concluding that 1) though there is no near-term regional need for additional surgery services or operating rooms, IFOH qualifies to add surgery capacity under the institutional need provision of the SMFP, and 2) there is precedent locally and statewide for the authorization of surgery centers that are likely to be successful, excess capacity notwithstanding, 3) the capital costs of both are within the range commonly seen locally and statewide.

[14] The nature and quality of the DHP analysis and argument is captured by this passage from the application:
"Virginia averages 11.6 operating rooms per 100,000 residents and 3.5 procedure rooms for the same 100,000 population. However, PD 8, consistent with findings driven by the deficit identified through completing the required formula for determining community need, is most limited in its surgical services accessibility to its residents, falling short by a total of 4 rooms per 100,000 residents, further supporting GWUH's proposed solution to serve residents of PD 8 by bringing a much needed service to the community." **Source: DHP Application, p. 32**.

[15] The proposal has the hallmark of a marketing campaign. The following passage is illustrative:
" The entire purpose of this project is to bring the high-quality academic medicine that patients in the region have come to know and appreciate from downtown Washington, DC to their community in Northern Virginia. DHP was very excited to be selected by the developer of West Falls to be one of the anchor tenants for the Wellness Center and is eager to bring the innovative and integrated model of academic medicine from GWUH to the Falls Church community." **Source: DHP Application, p. 42**

2. The HSANV Board of Directors may recommend to the Commissioner of Health that a certificate of public need not be granted to either applicant.

Unfavorable recommendations could be based on concluding that 1) there is no indication of a current or near-term regional need for an additional surgery capacity, 2) there is accessible unused surgery capacity in several local surgery facilities, and 3) approval of additional capacity should be deferred until the authorized operating rooms being developed are in service and have significant caseloads.

3. The HSANV Board of Directors may recommend to the Commissioner of Health that a certificate of public need be granted to Inova and denied to DHP.

A favorable recommendation on the Inova project could be based on concluding that IFOH readily qualifies to add surgery capacity under the institutional need provision of the SMFP as that provision has been applied historically. An unfavorable recommendation on the DHP proposal could be based on concluding there is no regional need for an additional surgery service or additional capacity within the next five to six years and DHP does not make a credible argument that there is a significant public benefit to the venture.

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 competing IFOH and DHP proposals, neither would alter this circumstance meaningfully.

Given its consistency with the institutional need provision of the Virginia SMFP, it is arguable the Inova project to help maintain reasonable access to surgical services in its primary service area. The DHP argument that there is a current shortage of operating rooms, which will increase over the next few years, is incorrect, analytically flawed and incredulously argued.

2. Meet Needs of Residents

Both Inova and DHP have served residents of the Washington, D. C. metropolitan area for decades, Inova residents of northern Virginia, DHP residents of the District of Columbia. There is no indication or suggestion that either has avoided responding to the medical needs of their respective primary service areas. Northern Virginia is not a significant part of DHPs primary service area. The District of Columbia is not part of Inova Fair Oaks Hospital primary service area.

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

Both proposals would increase the number of operating rooms in PD 8. IFOH would add two GPORs. DHP would add three. The Virginia SMFP operating room need algorithm suggests there is no regional need for additional surgery capacity within the next five to six years.

From this perspective neither proposal is fully consistent with the plan. The principal difference is that the Inova proposal, which calls for additional capacity to meet an internal facility need to respond to current and near-term demand, is consistent with the institutional need provision of the plan as it is commonly interpreted and applied in similar circumstances. The DHP project is for a new service. It does not qualify for consideration to expand under the institutional provision of the plan.

4. Beneficial Institutional Competition while Improving Access to Essential Care

Authorized surgery capacity exceeds current and projected surgery demand. There is no regional need for additional surgery capacity. An additional surgery center is not needed to improve access to care.

Competitive effects, if any, of local surgery services, including ambulatory surgery centers, are difficult to discern. There is no indication that either project is needed to stimulate, or would facilitate, competition among surgery service providers.

It is arguable that adding operating rooms at IFOH is needed to maintain access at the hospital.

5. Relationship to Existing Health Care System

Expansion of the IFOH surgery service is compatible with natural, organic growth and development of the regional operating room complement, consistent with population growth and other demographic changes that generate higher surgical caseloads.

The DHP proposal has the characteristic of a market expansion and development venture rather than a crafted response to an identified market deficiency or a demonstrable public need.

6. Economic, Financial Feasibility

Both projects are financially feasible. *Pro forma* budgets of both projects indicate that the applicants anticipate substantial operating margins and high returns on investments. The projects are financially feasible and economically viable.

7. Financial, Technological Innovations

Neither project involves innovative technologies, practices, or economic elements distinct from those now incorporated in the surgery services offered regionwide. Comparable services are widely available within the planning region and in neighboring jurisdictions.

8. Research, Training Contributions, and Innovations

Neither project has significant research or training elements that warrant special consideration.