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January 3, 2024

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

FROM: **Dean Montgomery**

SUBJECT: **Certificate of Public Need Applications**
 Inova Fairfax Hospital, Expand MRI Service (COPN Request VA-8726)
 IFRC Lansdowne, Expand MRI Service (COPN Request VA-8727)
 District Hospital Partners, Establish MRI Service (COPN Request VA-8734)
 VHC Health, Expand MRI Service (COPN Request VA-8735)

I. Summaries of the Proposals

Four medical care providers filed certificate of public need (COPN) applications in the current review cycle to establish or expand magnetic resonance imaging (MRI) services in northern Virginia (PD 8).¹ Three local service providers—Inova Fairfax Hospital, IFRC Lansdowne and VHC Health—plan to expand existing services. District Hospital Partners (DHP), a subsidiary of Universal Health Services (UHS), plans to establish a new MRI service in Falls Church, VA.

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 MRI service development and use, and examines them relative to required regional planning considerations.

A. Inova Fairfax Hospital, Expand MRI Service (COPN Request VA-8726)

Inova Health Care Services (Inova) seeks COPN authorization to expand the MRI service at Inova Fairfax Hospital (IFH). The hospital now has nine MRI scanners that are used for diagnostic imaging, three in the hospital and six on campus in the Inova Center for Personalized Health. The project would add one MRI scanner in the hospital. Table 1 shows current MRI capacity and recent service volumes at Inova Fairfax Hospital and at other local services.

¹Two of these applications, the District Hospital Partners and VHC Health proposals, also seek COPN approval to acquire CT scanners. The CT elements of these proposals, and competing CT scanner applications, are considered separately in an accompanying report.

Inova Fairfax Hospital, Expand MRI Service (COPN Request VA-8726)
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Estimated capital costs are \$3,838,947, about half of which (\$1,904,392) would be for the scanner and associated equipment. Most of the remainder (\$1,934,555) would be for construction expenses. All capital costs would be paid from internal Inova funds.

Inova justifies the proposal on the grounds that:

- Inova Fairfax Hospital MRI service volumes are high and increasing.
- The hospital's nine MRI scanners have an average annual use higher than the Virginia State Medical Facilities Plan (SMFP) service volume planning standard.
- IFH has an internal, "institution specific" need for additional MRI capacity to meet current and projected demand.
- Given current and projected caseloads, expanding MRI scanning capacity at IFH should not affect service volumes at other imaging services.
- Capital costs are reasonable, within the expected range, for the service and equipment proposed.
- The project is consistent with the applicable provisions of the Virginia State Medical Facility Plan (SMFP), including the institutional need provision of the plan as it has been interpreted and applied in recent years.

If authorized on schedule, the additional scanner would be in service in late 2024.

B. IFRC Lansdowne, Expand MRI Service (COPN Request VA-8727)

IFRC Lansdowne (IFRC-L), which does business as Fairfax Radiology Center of Lansdowne (FRC-L), is a joint venture with two members, Inova Health Care Services and Fairfax Radiological Consultants. Inova Health Care Services, an operating arm of Inova Health System, holds a majority interest in the venture. FRC-L proposes to expand its MRI service by adding a third MRI scanner. Table 1 shows current MRI capacity and recent MRI service volumes at authorized Northern Virginia services, including Fairfax Radiology Center of Lansdowne.

Estimated capital costs are \$6,352,035, more than one-third of which (\$2,402,352) would be for the scanner and associated equipment. The remainder (\$3,992,035) would be for construction and related development expenses. The project would be financed with a mix of FRC-L reserves (40%) and a commercial loan (60%). The scanner and associated technology would be acquired by means of a capital lease with a vendor. FRC-L would own the MRI system at the end of the lease.

IFRC Lansdowne justifies the proposal on the grounds that:

- Fairfax Radiology Center of Lansdowne has high use, higher than the Virginia State Medical Facilities Plan service volume planning standard. Demand is increasing and soon will exceed the capacity of two MRI scanners.
- IFRC-L has an institutional need for additional capacity to meet current and projected near-term demand.

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- There is no unused MRI capacity within Inova Health System, or controlled by Fairfax Radiological Consultants, that can be reallocated or otherwise used to respond to increasing demand at Fairfax Radiology Center of Lansdowne.
- Projected capital costs are reasonable, within the range seen for similar projects locally and statewide.
- Given recent and projected demand at FRC-L, the project is not likely to affect operations at competing MRI services.
- The project is generally consistent with the applicable provisions of the Virginia State Medical Facility Plan (SMFP), including the institutional need provision of the plan, as it has been applied in recent years.

If authorized on schedule, the new scanner should be in service in May of 2025.

C. District Hospital Partners, Establish MRI Service (COPN Request VA-8734)

District Hospital Partners (DHP), which does business in the Washington metropolitan area as George Washington University Hospital (GWUH), is a subsidiary of Universal Health Services (UHS).² DHP is developing a diagnostic imaging center in Falls Church, Virginia.³ It seeks COPN authorization to acquire an MRI scanner for use in the facility.⁴ DHP now offers MRI scanning at three District of Columbia locations, at the hospital and two nearby freestanding sites. It does not offer MRI scanning in northern Virginia.

Estimated capital costs are \$5,549,705, about one-fifth of which (\$1,231,803) would be for the MRI scanner and associated equipment. The majority (\$4,317,902) would be for site acquisition, construction, and related development expenses. Capital costs would be paid from internal UHS funds.

District Hospital Partners justifies the proposal on the grounds that:

- Establishing an off-campus MRI service in PD 8 will permit DHP to serve its northern Virginia patients more conveniently and effectively.
- Northern Virginia MRI services have relatively high service volumes, with demand increasing. DHP can attain its projected service volumes without affecting existing MRI services negatively.

²Universal Health Services (UHS) is a large nation hospital chain. UHS owns and operates George Washington University Hospital in the District of Columbia. Information on UHS is available at <http://uhs.com>.

³ Diagnostic imaging centers are not subject to COPN planning controls. Selected diagnostic imaging equipment and technology are subject to review, e.g., CT scanners, MRI scanners, PET scanners. DHP and other entities are free to establish imaging centers with office based medical services and technology, e.g., x-ray, ultrasound, outside of planning controls.

⁴The DHP application seeks COPN authorization to establish CT and MRI services at the west Falls Church site. The CT element of the application is considered along with competing CT scanner proposals in a separate report.

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- There is likely to be a regional need for additional MRI capacity by 2025, when DHP's service is expected to open.
- Establishing an off-campus imaging center will permit District Hospital Partners to serve many of its diagnostic imaging patients in a less costly setting.
- Projected capital costs are reasonable, within the range seen for similar projects locally, and will not result in higher costs or charges.

If authorized on schedule, the new MRI service should open in the summer of 2025.

D. VHC Health, Expand MRI Service (COPN Request VA-8735)

Virginia Hospital Center Arlington Health System, which does business as VHC Health, seeks COPN authorization to acquire an additional, a fifth, MRI scanner.⁵ The hospital proposes to do so by establishing an off-campus imaging center, to be known as the Virginia Health Outpatient Imaging Center. The Center would be in McLean, VA, collocated with VHC Health's recently opened McLean Tysons Orthopedic Surgery Center. Table 1 shows current MRI capacity and recent MRI service volumes at authorized Northern Virginia services, including VHC Health.

Estimated capital costs are \$6,352,035, about one-third of which (\$2,360,000) would be for the scanner and associated equipment. The majority (\$3,992,035) would be for construction and related development expenses. Capital costs would be paid from internal VHC Health funds.

VHC Health justifies the proposal on the grounds that:

- VHC Health's MRI service is heavily used. Demand is increasing and soon will be beyond the capacity of the four MRI scanners the hospital is authorized to operate.
- Establishing an offsite imaging center will help reduce demand and congestion on the VHC Health campus.
- Establishing an off-campus imaging center will permit VHC Health to serve patients in a more convenient and less costly setting.
- VHC Health has an institutional need for additional capacity to meet projected near-term demand.
- Projected capital costs are within the range seen for similar projects locally and statewide.
- Given increasing demand at the hospital, the project is not likely to affect the use of competing MRI services.
- The project is consistent with the applicable provisions of the Virginia State Medical Facility Plan (SMFP), including the institutional need provision of the plan, as it has been applied in similar circumstances.

If authorized on schedule, the scanner requested should be in service in the summer of 2025.

⁵The VHC Health application seeks COPN authorization to establish CT and MRI services at the McLean site. The CT element of the application is considered along with competing CT scanner proposals in a separate report.

II. Discussion

A. Northern Virginia MRI Scanning Capacity, Use, Trends

There are 56 MRI scanners in Northern Virginia authorized for use in diagnostic imaging. They are widely distributed in various settings. More than half (29 of 56) are in hospitals (Table 1). About one-third (17 of 55, 31%) are freestanding services with no hospital affiliation. The remainder are in joint ventures of local hospital systems and local radiology groups. Most of these services are independent diagnostic testing facilities (IDTFs), rather than hospital outpatient departments.

MRI service volumes and the number of authorized scanners increased substantially in recent years, between 2017 and 2022 (Table 1). Demand increased by 23.5% between 2010 and 2019. With the advent of the COVID-19 epidemic demand fell sharply, 12.4% in 2020 (Table 1). Demand and service volumes rebounded region wide in 2022, returning to the local growth trend. With these gyrations, the compound annual growth rate (CAGR) was about 2.8% over the last decade, between 2012 and 2022.

Average recent use of northern Virginia MRI scanning services in 2022 was below the *minimum* service volume planning standard (5,000 scans 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 scans per scanner, about 87% of the nominal service volume standard. This metric dropped 12.4% to 3,708 scans per scanner in 2020, about 74% of the target value. With the rebound and return to trend in 2021-2022, the regional average was about 4,758 scans per scanner, about 95% of the minimum planning standard. There is no indication of a current or near-term *regional* need for additional MRI services or scanners. There is unused capacity in many imaging centers.

Though reported service volumes vary from year to year, there is no indication that near term (next five years) use rates and average 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 marginally higher than the regional population growth rate.

Unlike most other diagnostic imaging services, average use of freestanding MRI scanners (4,973 scans per scanner in 2022) is comparable to that of hospital-based services, 4,972 scans per scanner in 2022). There is unused capacity in both settings. It is worth noting that much of the unused capacity is in facilities where a second (or third) scanner has been added recently, under the institutional need provision of the Virginia SMFP, to respond to institution specific demand.

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Table 1: MRI Scanner Services: Capacity & Service Volumes Northern Virginia, 2017 - 2022; Capacity, 2023								
	<u>Scanners</u>		<u>MRI Patient Visits</u>					
Hospitals & Hospital Related	2023	Being Added	2017	2018	2019	2020	2021	2022
Inova Alexandria Hospital (& Mark Imaging Center)	3		11,280	11,458	11,367	10,203	11,828	12,148
Inova Fair Oaks Hospital	2		7,738	7,614	7,988	6,673	7,259	7,395
Inova Fairfax Hospital (3) & MRI Center (6)	9		41,178	41,524	44,139	40,704	49,863	52,445
Inova HealthPlex-Lorton	1					1,906	2,360	3,415
Inova HealthPlex-Springfield	1		4,091	3,907	3,844	3,491	3,745	7,030
Inova Mount Vernon Hospital	1		5,495	5,630	5,667	4,477	5,116	5,233
Inova Emergency Care Center-Reston	1		5,671	5,679	5,837	4,633	6,161	6,336
Inova Loudoun Hospital (Lansdowne & Leesburg)	2		8,427	7,987	8,608	7,334	8,126	5,490
UVA Prince William (Manassas & Haymarket) ¹	3		11,379	10,008	14,445	8,724	10,775	10,802
Reston Hospital Center	1		3,954	4,050	4,337	4,002	3,959	4,058
Sentara Northern Virginia Medical Center	1		3,945	2,448	2,974	3,398	3,867	4,262
Stone Springs Hospital Center	1		1,061	1,074	1,302	1,208	1,831	1,723
Virginia Hospital Center	4		15,178	15,140	15,354	12,714	15,746	16,811
Subtotal (Hospitals)	30		119,397	116,519	125,862	109,467	130,636	137,148
<u>Free-Standing Sites</u>								
Inova Ashburn HealthPlex	1							4,527
Medical Imaging Center-Fairfax (InSight)	1		4,665	4,751	4,219	3,992	0	4,640
MRI of Woodbridge (InSight)	2		8,133	8,653	8,379	7,573	8,349	10,436
Medical Imaging Center-Arlington (InSight)	2		7,859	8,147	7,529	7,199	7,451	9,938
Fairfax MRI Center-Tysons	2		9,482	9,583	10,146	8,165	9,937	10,217
Kaiser Permanente - Reston	1		6,136	6,490	6,933	5,007	5,844	5,153
Kaiser Permanente - Woodbridge	2		4,002	4,667	3,864	4,311	5,587	5,552
Kaiser Permanente - Tysons (Falls Church) ²	2		9,523	10,890	9,818	11,166	13,726	12,922
MRI of Reston	4		17,498	18,821	16,890	14,308	20,128	18,408
Sentara Advanced Imaging - Lake Ridge	1		2,419	2,804	2,914	2,123	2,351	2,172
Fairfax Radiology of Lansdowne	2		7,576	6,963	7,397	6,511	7,727	11,421
Fairfax Radiology Center-Sterling	1		3,532	3,527	4,059	2,682	4,040	3,794
Tysons Diagnostic Imaging (Novant)	2		10,578	10,403	7,456	6,092	6,381	14,369
Novant UVA (VDI) Centreville	1		3,371	5,195	6,517	5,635	5,866	6,531
Inova Arlington MRI Center (formerly NV Doctors MRI)	1		0	0	2,226	2,291	3,372	4,500
Washington Radiology Associates-Fairfax	1		3,672	3,672	3,811	3,094	3,200	4,706
Subtotal (Freestanding Services)	26		98,446	104,566	102,158	90,149	108,195	129,286
Regional Total	56		217,843	221,105	228,020	199,616	238,831	266,434

Source: Virginia Health Information (ALSD) and HSAHV Surveys, 2017 - 2022.

¹ 2022 service volume estimated based on six months (January-June, 2022) data.

²2019 Kaiser Tysons estimated.

It is worth noting that unlike the comparatively low use rates for most other acute care services in the region, typically about 30% less 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

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comparable rates in three of the other four planning regions (Table 2).⁶ There is no indication of suppressed demand or significant migration for MRI scanning outside the planning region.

Table 2. Virginia MRI Scanning Services Capacity, Use, Use Rates by Planning Region, 2022								
Planning Region	Population	Scanners	MRI Patient Visits	MRI Scans	MRI Visits per 1,000	MRI Scans per 1,000	Scans per Visit	Visits per Scanner
Northwestern Virginia, HPR 1	1,405,850	35	138,966	148,100	98.8	105.3	1.1	3,970
Northern Virginia, HPR 2	2,545,650	56	236,544	260,723	92.9	102.4	1.1	4,224
Southwest Virginia, HPR 3	1,330,048	35	99,901	111,327	75.1	83.7	1.1	2,854
Central Virginia, HPR 4	1,504,999	42	124,677	143,940	82.8	95.6	1.2	2,969
Eastern Virginia, HPR 5	1,897,072	49	164,426	193,795	86.7	102.2	1.2	3,356
Virginia	8,683,619	217	764,514	857,885	88.0	98.8	1.1	3,523
Other Virginia	6,137,969	161	527,970	597,162	86.0	97.3	1.1	3,279

Source: MRI Data, VHI ALSD, 2022; Population, U.S. Census Bureau

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 sections covering establishing new services and expanding existing services read:

“12VAC5-230-250 - 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.

⁶ 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 lower than rates derived from facility data. The information presented in Table 2 is Virginia Health Information statewide 2022 MRI capacity and use data for Virginia’s five planning regions. Absent statewide population-based MRI use information, these data permit relatively reliable interregional comparisons.

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12VAC5-230-160. Expansion of fixed site service.

Proposals to expand an existing medical care facility's MRI services through the addition of an MRI scanner may be approved when the existing service performed an average of 5,000 MRI procedures per scanner during the relevant reporting period. The commissioner may authorize placement of the new unit at the applicant's existing medical care facility, or at a separate location within the applicant's primary service area for MRI services, provided the proposed expansion is not likely to significantly reduce the utilization of existing providers in the health planning district.” (Virginia State Medical Facilities Plan, p. 10)

Three proposals seek authorization to expand fixed site services. Section 12VAC5-30-160 applies to the Inova Fairfax Hospital, IFRC and the VHC Health proposals. The District Hospital Partners does not have a northern Virginia MRI service. It proposes establishing a new service. Section 12VAC5-30-150 applies.

None of the applicants justify their proposal on the grounds of a documented general regional need, as formulated and called for in the Virginia State Medical Facilities Plan, for additional MRI capacity. Based on their high and growing service volumes, the Inova Fairfax Hospital, IFRC Lansdowne and VHC Health applications request consideration to add capacity under the institutional need provision of the Virginia State Medical Facilities Plan (SMFP). Each argues that it has a service specific need for additional capacity as permitted by Section 12VAC5-230-80 which states:

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

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

B. If a facility with an institutional need to expand is part of a health system, the underutilized services at other facilities within the health system should be reallocated, when appropriate, to the facility with the institutional need to expand before additional services are approved for the applicant. However, underutilized services located at a health system's geographically remote facility may be disregarded when determining institutional need for the proposed project.

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

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

The high and increasing service volumes at Inova Fairfax Hospital, IFRC Lansdowne, and VHC Health support their claims of consistency with Section 12VAC5-230-80. A. Inova Fairfax Hospital and IFRC Lansdowne have average service volumes substantially higher than the Virginia MRI service volume standard of 5,000 cases per scanner annually. VHC Health’s current MRI service volume per scanner is more than 90% of the planning standard and increasing rapidly. At recent growth rates, its caseload will

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exceed the planning standard before the additional scanner requested will be placed in service. All three anticipate continued service volume growth over the next 3 to 5 years. They emphasize the additional capacity requested is needed as soon as it can be added to serve current caseloads more conveniently and efficiently. Each expects to have annual MRI service volumes near or higher than the planning standard shortly after the scanner requested is placed in service.

The three local expansion proposals are not limited by the requirements of Sections Section 12VAC5-230-80. B and Section 12VAC5-230-80. D. None has unused capacity that could be reallocated or repositioned to meet the need for additional capacity at the proposed site. None proposes to develop a new service as that term is construed in the regulations.

District Hospital Partners does not have an MRI service in northern Virginia. Hence, it does not qualify for consideration under the institutional need provision of the Virginia SMFP.⁷ DHP bases its argument for a new service in general terms, that its potential benefits outweigh other considerations and that it can meet its service volume goals without negative health system effects.

As noted below, given its small MRI caseload, DHP would not qualify for consideration to add capacity were it a northern Virginia service provider.

Consistency with Planning Principles and Guidelines

Inova Fairfax Hospital

Inova Fairfax Hospital proposes to expand its MRI service by adding a tenth scanner. The request is based largely on the high use of its MRI service and the need to accommodate increasing demand. Though the hospital has the largest MRI scanner complement in the region (nine scanners), its average annual caseload per scanner is consistently among the highest in the region. In 2022, the hospital provided 58,445 MRI cases, an average service volume was 5,827 scans per scanner.

The scanner that would be acquired would be placed in the main hospital which now has three scanners. Six of the hospital's nine MRI scanners are located on campus in Inova's Center for Personalized Health. Both sites have high use. There is no unused MRI capacity within Inova Health System that could be reallocated or repositioned to meet the need for additional capacity at the hospital.

It is evident that the IFH proposal satisfies the requirements of the MRI service expansion and institutional need provisions of the Virginia State Medical Facilities Plan. There is no indication that adding the capacity requested for IFH would negatively affect other MRI services.

⁷The MRI service volumes at George Washington University Hospital, which are substantially lower than the caseloads of the competing services, would not qualify the proposal for consideration to expand under Section 12VAC5-30-160 or Section 12VAC5-230-80 of the SMFP should the absence of a Virginia service disregarded.

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IFRC Lansdowne

IFRC proposes to expand its MRI service by adding a third scanner at its Lansdowne (northeastern Loudoun County) imaging center. As with Inova Fairfax Hospital, IFRC's request for an additional MRI scanner is based largely on the current high use of its MRI service and the pressure of growing demand. IFRC has two MRI scanners. It reports that, after a decrease in demand in 2021, its MRI service volume increased to 11,421 MRI procedures in 2022 and is expected to be about 13,680 in 2023. These caseloads equate to 5,710 scans per scanner in 2022 and 6,840 scans per scanner in 2023.

The IFRC proposal satisfies the requirements of the MRI service expansion and institutional need provisions of the Virginia State Medical Facilities Plan. There is no unused MRI capacity within Inova Health System, Fairfax Radiology Consultants, or IFRC that could be reallocated or repositioned to meet the need for additional capacity at IFRC Lansdowne. There is no indication that adding the capacity requested by IFRC would affect other MRI services negatively.

District Hospital Partners

District Hospital Partners (DHP), a subsidiary of Universal Health Services, owns and operates George Washington University (GWU) in the District of Columbia. It plans to develop an outpatient care center in Falls Church, VA. When complete, the complex would have three services that are subject to certificate of public need planning controls: CT scanning, MRI scanning, and outpatient surgery. The current application seeks authorization to establish CT and MRI scanning services.⁸

DHP now offers MRI scanning at three District of Columbia locations, at GWU and at two nearby freestanding sites. It does not have an MRI service in northern Virginia.

Establishing a new MRI service, as proposed by District Hospital Partners, is problematic. There is no evidence of a general *regional* need for additional MRI services. The number of northern Virginia residents served by DHP is small, miniscule compared with the competing services. It is evident that the project is a market development venture. DHP's current northern Virginia MRI caseload, less than one patient a day over the last two years, is not sufficient to justify a satellite service. Its viability is dependent on the ability to attract large numbers of northern Virginia patients, residents who now use nearby VHC Health, Inova Health System, Kaiser Permanente, and IFRC services.

⁸ District Hospital Partners has filed a letter of intent (LOI) for an outpatient surgical hospital with three general purpose operating rooms at the site.

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VHC Health

VHC Health proposes to expand its MRI service by adding a fifth scanner. The scanner acquired would be in an off campus ambulatory care center in McLean Virginia. The imaging center, to be known as the Virginia Health Outpatient Imaging Center, would be collocated with VHC Health’s McLean Tysons Orthopedic Surgery Center.

Like IFH and IFRC, VHC Health’s request for an additional MRI scanner is based largely on the current high use of its MRI service and the pressure to respond to increasing demand.

Strictly interpreted, the VHC Health proposal can be construed as not consistent with the service expansion provisions of the SMFP. Recent average use of existing scanners was about 4,600 scans per scanner, 92% of the nominal SMFP planning standard of 5,000 cases per scanner per year. However, service volume changes—recent, current, and projected—qualifies the service for consideration to add capacity under the institutional need provision of the Virginia SMFP. Historically, VHC Health has had one of the more heavily used MRI services in the planning region. It is likely to remain so if permitted to expand.

B. Cost Considerations

Projected capital costs of the projects differ considerably (Table 3). Two of the projects entail the establishment of a multiservice imaging center. Two entail the addition of an MRI scanning system in an existing service. Three are funded internally with corporate funds. One assumes a commercial loan for about 60% of the projected capital outlay. Table 3 summarizes the projected capital outlays. It separates MRI system costs from the other development expenses, some of which are not subject to COPN review.

Table 3. Projected Capital Costs					
MRI Scanner COPN Applicationa VA-8726, VA-8727, VA-8734, VA-8735					
Project	Scanners Requested	<i>Capital Cost</i>			
		Scanner	Other ¹	Financing	Total
Inova Fairfax Hospital, VA-8726	1	\$ 1,904,392	\$ 1,934,555	No	\$ 3,838,947
IFRC Lansdowne, VA-8727	1	\$ 2,402,352	\$ 3,949,683	60%	\$ 6,352,035
District Hospital Partners, VA-8734 ²	1	\$ 1,231,803	\$ 4,317,902	No	\$ 10,598,085
VHC Health, VA-8735 ²	1	\$ 2,360,000	\$ 3,992,035	No	\$ 11,774,070
Total	4	\$ 7,898,547	\$14,194,175		\$ 32,563,137

Source: COPN Applications VA-8726, VA-8727, VA-8734, VA-8735

¹Includes site acquisition and preparation, construction, professional fees, and furnishings.

²Total capital cost of the imaging center, includes elements not subject to COPN review.

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The MRI scanner costs vary by nearly 100%, from about \$1.23 million to about \$2.40 million. The average equipment cost is nearly \$2.0 million. Though substantial, there is nothing inherently problematic about the capital cost of any proposal. All are within the capital expenditure range seen for similar projects locally (PD 8) and statewide. Except for the Inova Fairfax Hospital project, the services would be designated as independent diagnostic testing facilities (IDTFs) and would be reimbursed accordingly by Medicare and other insurers.

There is no reason to doubt that the projects can be undertaken and completed as described. The *pro forma* budgets for the initial two years of operations indicate that the applicants expect the projects to be profitable quickly. Profit margins can be expected to increase significantly over the useful lives of the scanners, as depreciation and amortization costs decrease, and other fixed costs are spread over larger caseloads. Like other diagnostic imaging services, the marginal cost of providing a scan will decrease as demand and service volumes increase.

All applicants commit to providing a reasonable amount of charity care and to serving the medically indigent equitably. Three of the applicants, Inova Fairfax Hospital, IFRC Lansdowne, and VHC Health have long local histories of serving the medically indigent. District Hospital Partners does not have a local service, but there is no reason to doubt the assurances provided.

C. Access Considerations

With 28 MRI services and 56 widely distributed scanners, Northern Virginians have ready geographic access to MRI scanning. Nearly all northern Virginia residents are within less than 30 minutes travel time of several MRI services. Neither additional services nor additional scanners are necessary to ensure reasonable geographical access.

Expansion of the IFH, IFRC Lansdowne and VHC Health MRI services is not likely to have notable health system effects. No change in their primary service areas is likely. Each would permit more flexible, and arguably more convenient, scheduling of patients, particularly as service volumes increase. There is no indication of likely negative effects on other services. The increased capacity requested is needed to meet institution specific caseloads.

Though there is no regional need for additional MRI services, arguably establishing the District Hospital Partners would be convenient for the s northern Virginia residents who use George Washington University Hospital medical services. That number is unusually small, far too small to support a freestanding MRI service. DHP patient origin data indicates that it served fewer than 2,000 MRI patients at its three outpatient MRI services in 2021, 2022, and 2023 (annualized). Fewer than 200 of these patients were from northern Virginia.⁹ Its emphasis on serving its northern Virginia patients more effectively and conveniently notwithstanding, DHP appears to recognize the underlying reality that it does not now have a northern Virginia patient base sufficient to support a local freestanding MRI service. It

⁹ On average, DHP served fewer than one MRI patient a day from northern Virginia over the last two years.

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assumes a first-year caseload of 508 MRI patients, about three times the number of northern Virginia residents served in each of the last three years. The *pro forma* budget assumes a compound all growth rate (CAGR) of 75.02% over the initial five years of operations. It is evident that the District Hospital Partners proposal is a market development initiative.

All the applicants are experienced, successful MRI service providers with acceptable charity care policies and practices. There is no indication that economic access to MRI scanning services would be affected significantly by any of the projects.

D. Health System Considerations

Three of the applications would add capacity to existing heavily used MRI services. The Inova Fairfax Hospital, IFRC Lansdowne, and VHC Health projects appear to be necessary to meet current and anticipated near-term demand. Expanding these services to meet current and projected demand is not likely to have negative health system effects. The scanners and related technology that would be acquired are likely to be used efficiently over their useful lives, permitting more convenient and more efficient operations. These projects appear to be advisable, prudent capital investments to maintain high-volume services.

Establishing a new MRI service, as proposed by District Hospital Partners, has potential negative effects. There is no evidence of a general regional need for additional MRI services. The number of northern Virginia residents served by DHP is miniscule, too few to support a freestanding MRI service. It is evident that the project is a market development venture. Because DHP's current MRI caseload is not sufficient to justify a satellite service in northern Virginia, its viability depends on the ability to attract much larger numbers of northern Virginia patients, those who, absent the DHP service, would continue to use nearby VHC Health, Inova Health System, and Fairfax Radiological Consultants services.

Three of the four proposals under review are seeking an additional MRI scanner under the institutional need provision of the Virginia SMFP. All three qualify for consideration to expand under Section 12VAC5-230-80 of the plan, as it has been applied in similar circumstances in recent years.

The DHP proposal is not needed to respond to a regional need for additional capacity, or to address a health system deficiency.

III. Conclusions and Alternatives for Agency Action

A. Summary Conclusions and Findings

No applicant demonstrates, or otherwise asserts, a regional need for additional capacity. Inova Fairfax Hospital, IFRC Lansdowne, and VHC Health, assert a service specific need to add capacity as permitted by the institutional need provision (Section 12VAC5-230-80) of the Virginia State Medical Facilities Plan. District Hospital Partners justifies its proposal not on a demonstration of public need, but on the basis of potential organizational (George Washington University Hospital) and regional benefits of the proposal.

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The Inova Fairfax Hospital, IFRC Lansdowne, District Health Partners, and VHC Health applications, and the related data and information gathered, support the following findings and conclusions.

1. Use of northern Virginia MRI services varies considerably. Some have sustained high service volumes, others more modest caseloads. Average regional service volumes have ranged between 85% and 95% of the Virginia State Medical Facilities Plan planning standard, 5,000 scans per scanner annually, for much of the last decade.
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 is expected to continue to grow at a rate marginally higher than the population growth rate.
4. Most of the additional capacity authorized over the last decade has been in expansion projects at heavily used services in accordance with the institutional need provision of the Virginia SMFP. Three of the applicants propose similar expansions.
5. Current and projected near term service volumes qualify Inova Fairfax Hospital, IFRC Lansdowne, and VHC Health for consideration to add capacity under sections 12VAC5-230-60 and 12VAC5-230-80 of the Virginia State Medical Facilities Plan as those provisions have been applied to similar proposals in recent years.
6. The IFH, IFRC Lansdowne and VHC Health proposals are consistent with the circumstances and considerations that have resulted in the approval of similar MRI expansion projects, locally and statewide.
7. The capital cost of each proposal is within the range commonly seen locally and elsewhere.
8. There is no indication that any party or population would be disadvantaged or poorly served by the local service expansions.
9. The applicants have acceptable charity care policies and practices.
10. The District Hospital Partners application is distinctive among the competing proposals. It proposes a new service, not expansion of an existing service.
11. District Hospital Partners does not have a northern Virginia patient population large enough to support a freestanding MRI service. It is a market development venture, not a service maintenance or enhancement project.

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 projects be granted.

Support for the proposals could be based on concluding that:

- Three (Inova Fairfax Hospital, IFRC Lansdowne, VHC Health) have high use and qualify for consideration to expand under Section 12VAC5-230-80 of the Virginia SMFP.
- Though there is no near-term regional need for additional MRI capacity, the benefits of each project outweigh concerns about over supply and unnecessary duplication of capacity.

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- Each proposal is consistent with the substance and principles inherent in similar projects that have been authorized locally and statewide.
- Though not consistent with SMFP requirements, the potential benefits of the District Hospital Partners proposal outweigh the likely negative effects at nearby competing services, all of which have high use.
- No project is likely to have significant long-term 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 to one or more of the projects.

A negative recommendation could be based on concluding that:

- There is unused MRI scanning capacity in the region. The project is not necessary to assure reasonable access to MRI services.
- The District Hospital Partners project is not consistent with the service establishment or expansion provisions of the Virginia SMFP.
- Given unused capacity in the region 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 adding capacity at each, and all, of the services that would be expanded are likely to contribute to ensuring ready access to care. No significant negative health system effects are likely.

2. Meet Needs of Residents

The diagnostic imaging needs of the populations and communities the applicants serve are being met by existing service providers, including those proposing expansion of existing heavily used services. A new service is not necessary to respond to a public need for additional MRI capacity.

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

Three of the projects, Inova Fairfax Hospital, IFRC, and VHC Health, are consistent with the service expansion provisions of the Virginia State Medical Facilities Plan, including the institutional need provisions of the plan, with the principles and policies on which the plan is

based, and with the treatment accorded historically to similar proposals to add capacity at high volume diagnostic imaging services.

The District Hospital Partners project is not consistent with public need provisions of the SMFP.

4. Beneficial Institutional Competition while Improving Access to Essential Care

The projects are from existing local MRI services who compete regularly with other service providers. The District Hospital Partners project would introduce a new service provider to northern Virginia. Given the small number of northern Virginia residents served by DHP, it is unclear how competitive the new service would be or whether such competition would be discernibly beneficial. It offers potential competition, principally for the VHC Health service.

5. Relationship to Existing Health Care System

No significant health system effects are likely. The Inova Fairfax Hospital, IFRC Lansdowne, and VHC Health projects should permit more efficient operations. None is likely to affect demand or operations at other MRI services. The District Hospital Partners proposal calls for a new MRI service. Given the small number of MRI patients served by DHP, its success depends developing a caseload of northern Virginia patients who otherwise would use nearby services.

6. Economic, Financial Feasibility

The capital outlays proposed, though relatively high, are within the range commonly seen for MRI projects. All are financially feasible and would be expected to generate substantial returns on investment and operating profits.

7. Financial, Technological Innovations

None of the projects involves innovative technologies, practices or economic aspects that warrant special consideration.

8. Research, Training Contributions, and Innovations

None of the projects includes research or training elements that warrant special consideration.