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January 3, 2024

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

FROM: Dean Montgomery

**SUBJECT: Certificate of Public Need Applications
IFRC Springfield, Establish CT Scanning Service (COPN Request VA-8728)
Insight Health, Establish CT Scanning Service (COPN Request VA-8730)
District Hospital Partners, Establish CT Scanning Service (COPN Request VA-8734)
VHC Health, Expand CT Scanning Service (COPN Request VA-8735)**

I. Background and Summaries of the Proposals

Four medical care providers filed certificate of public need (COPN) applications in the current review cycle to establish or expand computed tomography (CT) services in northern Virginia (PD 8).¹ Three — IFRC Springfield, Insight Health, and District Hospital Partners (DHP) — plan to establish new services. VHC Health proposes to expand its CT service in an off campus imaging center. District Hospital Partners (DHP) is a subsidiary of Universal Health Services (UHS).

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 CT scanning service development and use and examines them relative to required regional planning considerations.

The projects vary in terms of location, capital cost and potential health system effects. Three of the applicants now offer CT scanning services in the region. District Hospital Partners provides CT scanning services in the District of Columbia, but not in northern Virginia. Each would add one CT scanner to the authorized regional complement.

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

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A. IFRC Springfield (Fairfax Radiology Center of Springfield), Establish CT Service (COPN Request VA-8728)

IFRC Springfield, which does business as Fairfax Radiology Center of Springfield (FRC), is a joint venture of Inova Health Care Services and Fairfax Radiological Consultants. It seeks COPN authorization to establish a new CT scanning service in Springfield, Virginia.² Table 1 shows current CT capacity and recent reported CT service volumes at authorized Northern Virginia services. IFRC is authorized to operate nine CT scanners in seven locations. Eight of the scanners were in service in 2022. Average use of these scanners is above the nominal Virginia SMPF service volume standard.

Estimated capital costs are \$3,873,508, about 47% (\$1,833,016) of which would be for the scanner and related equipment. The remainder (\$2,040,492) would be for lease interest costs, construction and site acquisition and development expenses. Capital costs would be from internal applicant funds and from the proceeds of a commercial loan. About 60% (\$1,833,016) of the projected capital outlay would be financed.

IFRC Springfield justifies the proposal on the grounds that:

- IFRC CT services are heavily used. Average caseloads are above the Virginia SMFP minimum service volume threshold of 7,400 scans per scanner per year..
- Additional capacity is necessary to meet current and projected demand.
- Projected capital costs are reasonable, within the range seen for similar projects locally and statewide.
- The scanner acquired will permit expansion of IFRC's cardiac CT imaging capability.
- There is no unused capacity within IFRC, Inova Health System, or Fairfax Radiology Consultants to respond to demand in the greater Springfield area.
- The project should not affect demand at other CT scanning services.
- The project is consistent with the regional public need provisions of the Virginia SMFP.

If authorized on schedule, the new CT service should open in about a year, in October of 2024.

B. Insight Health, Establish CT Service (COPN Request VA-8730)

Insight Health (Insight), which does business as Rayus Radiology-Woodbridge (RR-W), seeks COPN authorization to establish a CT scanning service in eastern Prince William County. The scanner acquired would be in Insight's Woodbridge imaging center which now offers MRI scanning and other diagnostic imaging services. The center does not offer CT scanning. The project would increase the number of Insight CT services in northern Virginia to three. Table 1 shows current CT capacity and recent CT service volumes region wide, including Insight's Arlington County and Fairfax City services.

² The joint venture has two members. Inova Health Care Services, a subsidiary of Inova Health System, holds a majority interest. Fairfax Radiological Consultants has a minority interest.

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Estimated capital costs are \$1,152,050. About 38% (\$438,055) would be for the scanner and associated technology. The remainder would be for space acquisition and related expenses. Capital costs would come from internal Insight funds. There would be no direct long-term financing expense.

Insight justifies the proposal on the grounds that:

- There is a documented regional need for additional CT capacity.
- Prince William County has limited options for CT imaging. Woodbridge (eastern Prince William County) is an appropriate location for a new CT service.
- There is no surplus capacity at Insight's Arlington and Fairfax City CT services that could be used to meet the needs of eastern Prince William County residents.
- Insight serves the medically indigent equitably.
- Capital costs are reasonable, within the range seen for similar projects locally and statewide.
- Prince William County CT services have service volumes at or above the Virginia SMFP planning threshold. Establishing a new service in Woodbridge should not affect nearby services negatively.
- The project is consistent with public need formulae of the Virginia State Medical Facility Plan (SMFP), which indicates there is a public need for additional CT scanners.

If authorized on schedule, the new service will be operational near the end of 2024.

C. District Hospital Partners, Establish CT 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).³ DHP is developing a diagnostic imaging center in Falls Church, Virginia.⁴ It seeks COPN authorization to acquire a CT scanner for use in the facility.⁵ DHP now offers CT scanning at three District of Columbia locations, at George Washington University Hospital and two nearby freestanding sites. It does not offer CT scanning in northern Virginia.

Estimated capital costs are \$5,048,379, about one-fifth of which (\$730,477) would be for the CT scanner and associated equipment. The majority (\$4,317,902) would be for site acquisition, construction, and related development expenses.⁶ Payment of capital costs would come from internal UHS funds.

³Universal 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>.

⁴Diagnostic 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.

⁵The District Health Partners application seeks COPN authorization to establish CT and MRI services at the Falls Church site. The MRI element of the application is considered in a separate report.

⁶ The total estimated cost of the DHP diagnostic imaging center is \$10,598,085.

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District Hospital Partners justifies the proposal on the grounds that:

- Establishing an off-campus CT service in PD 8 will permit DHP to serve its northern Virginia patients more conveniently and effectively.
- Northern Virginia CT services have high service volumes, with demand increasing. DHP can attain its projected service volumes without affecting existing CT services negatively.
- There will be a regional need for additional CT capacity in 2025, when DHP's service should open.
- Establishing an off-campus imaging center will permit District Hospital Partners to serve its northern Virginia 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 scanner should be in service in the summer of 2025.

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

Virginia Hospital Center Arlington Health System, which does business as VHC Health, seeks COPN authorization to acquire an additional CT scanner.⁷ 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 CT capacity and recent CT service volumes at authorized Northern Virginia services, including VHC Health.

Estimated capital costs are \$6,352,035, about one-third of which (\$1,430,000) would be for the scanner and associated equipment. The majority (\$4,922,035) would be for construction and related development expenses. Capital costs would come from internal VHC Health funds.

VHC Health justifies the proposal on the grounds that:

- The hospital's CT service volume is high. Demand is increasing and soon will be beyond the capacity of the five CT 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 near-term demand.

⁷The VHC Health application seeks COPN authorization to establish CT and MRI services at the McLean site. The MRI element of the application is considered in a separate report.

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- 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 CT services.
- The project is consistent with the applicable provisions of the Virginia State Medical Facility Plan, including the institutional need provision of the plan as applied in similar circumstances.

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

II. Discussion

A. Northern Virginia CT Scanning Capacity, Use, Trends

There are 71 CT scanners in Northern Virginia authorized for use in diagnostic imaging.⁸ They are distributed widely in hospitals, in satellite hospital emergency department services, and in nonhospital freestanding imaging centers. Distribution by setting is as follows:

- Thirty-six are in hospitals or in buildings on a hospital campus,
- Ten are in freestanding hospital emergency departments,
- Four are hospital services in off-campus sites with other imaging services, and
- Twenty-one are in freestanding settings not linked to a hospital.

Given the number, distribution and service volumes of local CT scanning services, most approvals of additional CT scanning capacity over the last two decades have been at hospital-based services with high service volumes and increasing demand.

CT capacity has increased by more than 50% during the last decade. In addition to the increase in the number of scanners, replacement of older, slower, and less capable equipment with newer, faster, and more capable scanners that accommodate larger numbers of patients has significantly increased the functional capacity at most CT scanning services.⁹

⁸This count includes ten scanners authorized recently that were not in service in 2022 and not included in the Virginia Health Information inventory data presented in Table 1. It excludes CT scanners dedicated to radiation therapy treatment planning and operating room use. It includes one “extra-legal” scanner, Fair Oaks Imaging Center (FOIC), which does not have, and has not sought, COPN authorization. FOIC, established by Reston Radiology Associates, the professional radiology group now known as Reston Radiology Consultants (RRC), provides professional radiology services at Reston Hospital Center. FOIC reported 2,864 scans in 2021. Though never authorized, the service is in the Virginia Department of Health inventory and reports its service volumes as part of the annual licensing survey.

⁹ Onsite replacement of existing diagnostic imaging equipment is not subject to COPN review. Replacement equipment is registered with the Virginia Department of Health. Services usually replace old scanners with higher speed equipment that serves a wider array and larger number of patients. High speed CT services are commonplace in Northern Virginia. They are added to the regional inventory as older equipment is retired. Replacement scanners typically are state-of-the-art equipment that minimizes exposure to ionizing radiation. Most CT scans in Northern Virginia are from such services.

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| Table 1. Northern Virginia CT Scanner Capacity, Service Volumes 2017- 2022 | | | | | | | |
|---|-----------|----------------|----------------|----------------|----------------|----------------|----------------|
| Hospitals | Scanners | | | | | | |
| | 2023 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
| Inova Alexandria Hospital (& Mark Imaging Center) | 4 | 37,943 | 39,562 | 44,933 | 39,335 | 45,944 | 50,908 |
| Inova Fair Oaks Hospital | 3 | 29,752 | 30,608 | 33,010 | 29,171 | 34,828 | 40,468 |
| Inova Fairfax Hospital | 7 | 80,375 | 83,836 | 90,161 | 94,661 | 112,482 | 120,057 |
| Inova Mount Vernon Hospital | 2 | 21,000 | 20,347 | 19,763 | 17,186 | 20,977 | 24,116 |
| Inova Loudoun Hospital Center (2 sites) | 3 | 39,713 | 30,067 | 43,733 | 40,277 | 51,676 | 59,846 |
| UVA Prince William Medical Center ¹ | 2 | 17,126 | 17,000 | 20,889 | 19,334 | 23,716 | 25,440 |
| UVA Prince William Haymarket Center ¹ | 1 | 10,787 | 12,071 | 13,285 | 12,197 | 14,665 | 29,330 |
| Reston Hospital Center | 4 | 23,539 | 25,159 | 29,278 | 27,334 | 32,315 | 33,224 |
| Sentara Northern Virginia Medical Center | 3 | 20,332 | 19,982 | 22,073 | 21,728 | 26,169 | 25,673 |
| Virginia Hospital Center | 4 | 48,085 | 51,021 | 38,997 | 38,869 | 47,231 | 52,263 |
| StoneSprings Hospital Center (SSHC) | 1 | 5,093 | 5,839 | 6,872 | 6,548 | 8,182 | 8,936 |
| Subtotal (Hospitals) | 33 | 330,480 | 335,492 | 362,994 | 346,640 | 418,185 | 470,261 |
| Free-Standing Sites | | | | | | | |
| Inova Ashburn HealthPlex | 1 | 4,445 | 5,182 | 5,673 | 5,787 | 8,092 | 8,267 |
| Fairfax ENT | 1 | - | - | | | 533 | 622 |
| Fairfax MRI & Imaging Center - Tysons | 1 | 2,096 | 2,014 | 2,559 | 2,845 | 3,524 | 4,224 |
| Fairfax Radiological Consultants (Multiple Sites) | 6 | 40,722 | 31,213 | 34,290 | 25,941 | 50,343 | 44,333 |
| Fair Oaks Imaging Center ¹ | 1 | 1,717 | 1,933 | 2,060 | 1,955 | 2,605 | 2,864 |
| Inova HealthPlex-Springfield | 1 | 12,707 | 13,242 | 14,444 | 12,830 | 16,679 | 16,498 |
| Inova Lorton HealthPlex | 1 | 5,856 | 6,178 | 6,347 | 6,165 | 7,504 | 8,725 |
| Inova Emergency Care Center-Fairfax | 1 | 2,506 | 2,784 | 3,147 | 2,870 | 4,039 | 4,629 |
| Insight Imaging-Arlington | 1 | | | | | 199 | 1,978 |
| Insight Imaging-Fairfax | 1 | 3,335 | 3,799 | 3,798 | 4,134 | 4,299 | 3,491 |
| Kaiser Permanente (Multiple Sites) | 7 | 30,658 | 32,000 | 29,495 | 29,366 | 35,442 | 60,922 |
| Woodburn Nuclear Medicine (Metro Region PET) | 1 | - | 1,423 | | | 2,815 | 2,763 |
| Orthopedic Foot & Ankle Center | 1 | - | 683 | 87 | 205 | 168 | 136 |
| Sentara Advanced Imaging - Lake Ridge | 1 | 7,252 | 7,449 | 7,779 | 7,576 | 8,941 | 9,232 |
| Sentara Advanced Imaging - Lorton ² | 1 | 14 | 0 | 0 | | 2 | |
| Sentara Advanced Imaging - Springfield ³ | 1 | 76 | 49 | 0 | 2 | 0 | |
| IRMC Lansdowne, Sterling (Formerly RIA) | 2 | 6,095 | 3,883 | 6,968 | 6,086 | 10,761 | 14,042 |
| Vienna Diagnostic Center (NH-Centerville) | 1 | 131 | 241 | 844 | 1,359 | 1,249 | 1,306 |
| Washington Radiology Associates (Lakeside) | 1 | 2,156 | 2,156 | 2,298 | 2,299 | * | 3,522 |
| Subtotal (Free-Standing Sites) | 28 | 119,876 | 114,229 | 119,789 | 109,420 | 157,195 | 187,554 |
| Total Northern Virginia | 61 | 450,356 | 450,324 | 482,783 | 456,060 | 575,380 | 657,815 |

Source: Virginia Hospital Licensing Reports, Virginia Health Information, 2017 - 2022

¹Unauthorized service operated by Reston Radiology Associates.

*Not Reported

²Being relocated to SNVMC main campus.

³Being relocated in eastern Fairfax County.

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Region wide average CT service caseloads, an estimated 10,784 scans per scanner in 2022, are above the minimum Virginia State Medical Facilities Plan (SMFP) target levels (7,400 scans per scanner per year), but there is wide variation among CT programs and substantial unused capacity, principally in nonhospital freestanding services. The average service volumes in hospital and hospital-affiliated settings was 14,251 procedures per scanner in 2022, about 93% above the nominal planning standard. Average volumes in freestanding imaging centers are low, 6,699 procedures per scanner in 2022, about 9% below the recommended minimum service volume caseload. Three of the current proposals would add capacity in freestanding centers. The VHC Health proposal would expand its service off site in a freestanding center.

Thus, the average service volume at local hospitals in 2022 was about 2.1 times the average volume of nonhospital freestanding services, and nearly twice the Virginia SMFP minimum volume standard. Most hospital-based services routinely operate at annual service volumes much higher than the SMFP standard.

As these data suggest, the Virginia SMFP CT service volume standard of 7,400 scans per scanner per year is a recommended minimum operating threshold, not a measure of capacity or an operating level that in and of itself justifies adding capacity. Most of the unused CT scanning capacity in the region is in chronic low volume freestanding services. There is little unused capacity among hospital services.

Though demand for CT scanning continues to increase at a higher rate of growth than most other medical services, it is worth noting that Northern Virginia resident CT scanning use rates are lower than those reported nationally, in the Washington metropolitan area, and elsewhere in Virginia. The local 2022 use rate was about 15% lower than the statewide Virginia rate and about 20% lower than the average rate elsewhere in the state (Table 2).

| Table 2. Virginia CT Scanning Services | | | | | | | | |
|---|------------|----------|-------------------|-----------|---------------------|--------------------|-----------------|--------------------|
| Capacity, Use, Use Rates by Planning Region, 2022 | | | | | | | | |
| Planning Region | Population | Scanners | CT Patient Visits | CT Scans | CT Visits per 1,000 | CT Scans per 1,000 | Scans per Visit | Visits per Scanner |
| Northwestern Virginia, HPR 1 | 1,405,850 | 51 | 342,014 | 395,385 | 243.3 | 281.2 | 1.2 | 6,706 |
| Northern Virginia, HPR 2 | 2,545,650 | 62 | 448,706 | 577,184 | 176.3 | 226.7 | 1.3 | 7,237 |
| Southwest Virginia, HPR 3 | 1,330,048 | 55 | 294,799 | 392,833 | 221.6 | 295.4 | 1.3 | 5,360 |
| Central Virginia, HPR 4 | 1,504,999 | 51 | 355,621 | 438,156 | 236.3 | 291.1 | 1.2 | 6,973 |
| Eastern Virginia, HPR 5 | 1,897,072 | 65 | 358,983 | 521,945 | 189.2 | 275.1 | 1.5 | 5,523 |
| Virginia | 8,683,619 | 284 | 1,800,123 | 2,325,503 | 207.3 | 267.8 | 1.3 | 6,338 |
| Other Virginia | 6,137,969 | 222 | 1,351,417 | 1,748,319 | 220.2 | 284.8 | 1.3 | 6,087 |

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

Though CT scanning service volumes should continue to increase statewide with population growth and greater reliance on diagnostic imaging in medical practice these regional patterns and variations are longstanding and not likely to change soon.

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Consistency with Planning Guidelines and Principles

The Virginia State Medical Facilities Plan (SMFP) provides guidance in assessing COPN proposals seeking authorization to establish new CT services or to expand existing services: The applicable provisions, sections 12VAC-230-100 and 12VAC5-230-110, read:

“12VAC5-230-100. Need for new fixed site or mobile service.

A. No new fixed site or mobile CT service should be approved unless fixed site CT services in the health planning district performed an average of 7,400 procedures per existing and approved CT scanner during the relevant reporting period and the proposed new service would not significantly reduce the utilization of existing 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 CT scanners in such health planning district.

B. Existing CT scanners used solely for simulation with radiation therapy treatment shall be exempt from the utilization criteria of this article when applying for a COPN. In addition, existing CT scanners used solely for simulation with radiation therapy treatment may be disregarded in computing the average utilization of CT scanners in such health planning district.

12VAC5-230-110. Expansion of fixed site service.

Proposals to expand an existing medical care facility's CT service through the addition of a CT scanner should be approved when the existing services performed an average of 7,400 procedures per scanner for the relevant reporting period. The commissioner may authorize placement of a new unit at the applicant's existing medical care facility or at a separate location within the applicant's primary service area for CT 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. 9.**

Among the applications under consideration, only the VHC Health proposal calls for the expansion of an existing service. The other three entail the establishment of a new medical care facility and service.

With the sharp reported increase in CT scanning caseloads in 2021 and 2022, application of the SMFP public need determination guidance, as interpreted and applied in recent years, suggests a regional public need for between 71 and 83 CT scanners.¹⁰ With the two CT scanners approvals in

¹⁰ Recent reported service volume increases are unusually large. The regional compound annual growth rate (CAGR) between 2018 and 2022 was 9.93%. The reported 2022 service volume (657,815 scans) was about 36% higher than the 2019 service volume (482,783 scans), the year for the COVID-19 induced service disruptions. These are unusually large increases and may prove anomalous.

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2022, the authorized regional complement is now seventy-one diagnostic scanners.¹¹ Application of the public need determination formula specified in the Virginia SMFP suggests that up to twelve additional CT scanners may be authorized. It is arguable that all proposals to add CT capacity satisfy the requirements of the need determination provision of the Virginia SMFP (Section 12VAC5-230-100). It is also evident that the VHC Health proposal, which entails the expansion of the hospital's service, is consistent with (Section 12VAC5-230-110) of the plan.

B. Cost Considerations

Projected capital costs of the projects differ considerably (Table 3). Two of the projects entail developing a multiservice imaging center. Two propose adding CT scanning in existing diagnostic imaging centers that do not offer CT scanning. Three of the capital outlays would come from internal corporate funds. One entails a commercial loan for about 60% of the 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 | | | | | |
|---|--------------------|---------------------|----------------------|-----------|----------------------|
| CT Scanner COPN Applicationa VA-8728, VA-8730, VA-8734, VA-8735 | | | | | |
| Project | Scanners Requested | Capital Cost | | | |
| | | Scanner | Other ¹ | Financing | Total |
| IFRC Springfield, VA-8728 | 1 | \$ 1,833,016 | \$ 2,040,492 | 60% | \$ 3,873,508 |
| Insight Health, VA-8730 | 1 | \$ 438,055 | \$ 713,995 | No | \$ 1,152,050 |
| District Hospital Partners, VA-8734 ² | 1 | \$ 730,477 | \$ 4,317,902 | No | \$ 10,598,085 |
| VHC Health, VA-8735 ² | 1 | \$ 1,430,000 | \$ 4,922,035 | No | \$ 11,774,070 |
| Total | 4 | \$ 4,431,548 | \$ 11,994,424 | | \$ 27,397,713 |

Source: COPN Applications VA-8728, VA-8730, VA-8734, VA-8735

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

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

Collectively, the IFRC Springfield, Insight, District Hospital Partners and VHC Health projects entail a capital outlay of about \$7.1 million to establish three new CT scanning services and add four scanners to the regional licensed complement (Table 3). CT system capital costs range from less than \$500,000 to nearly \$2.0 million. There is nothing inherently problematic about the capital cost of any proposal. All are

The lower need estimate (71 scanners) is based on the reported service volumes of the last five years (2018-2022). The high estimate (83 scanners) is based on the average volume over the last two years (2021-2022).

¹¹ Recent scanners authorized include (IFRC Fairfax Radiology Center of Prosperity) and Reston Hospital Center (Leesburg Emergency Imaging Center).

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within the capital expenditure range seen for similar projects locally and statewide. All would be independent diagnostic testing facilities (IDTFs) and reimbursed accordingly by Medicare and other insurers.

The projects are economically viable as described. The *pro forma* budgets for the initial two years of operations indicate that the applicants expected the projects to be profitable. Profit margins are likely to increase quickly and significantly over the useful lives of the scanners, as depreciation and amortization costs decrease, and expenses are allocated to larger service volumes. 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, IFRC, Insight and VHC Health, have substantial 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 given.

Though costs vary, and the proposals are competing, none of the proposed capital outlays distinguishes a project such that it gives that application an advantage over the others. If found needed, or otherwise desired, each of the capital investments is within an acceptable range.

C. Access Considerations

With 36 CT service delivery sites and 71 widely distributed scanners, Northern Virginians have ready geographic access to CT scanning. All residents in Northern Virginia have access within less than 30 minutes driving time. Neither additional services nor additional scanning capacity are necessary to ensure reasonable access. Of course, new services and additional capacity necessarily expands potential physical access by adding new service delivery sites and making scheduling potentially more convenient.

All applicants commit to providing a reasonable amount of charity care and to serving the medically indigent equitably. There is no reason to doubt these assurances. Economic access to care is not likely to change appreciably with the approval or denial of any proposal.

D. Health System Considerations

The Virginia SMFP public need determination formulation suggests that there is a regional need for additional CT scanning capacity, more than the four additional CT scanners sought by the applicants. Proposals to add capacity are consistent with the public need determination provisions of the plan (Section 12VAC5-230-100 and Section 12VAC5-230-110) as those provisions have been interpreted and applied in recent years.

Nevertheless, the District Hospital Partners application poses a vexing question. Unlike the competing applications, DHP does not have a local CT service. Were its CT service located in Virginia it would not qualify for expansion. DHP has three CT scanners in the District of Columbia, two in George Washington University Hospital and one in a nearby freestanding setting. The hospital scanners have substantial use. The freestanding service has low use, an average of less than 2,000 patients over the last two years. Were

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that service located in northern Virginia it would not qualify for consideration to expand. In addition, DHP's CT patient caseload in northern Virginia, fewer than 1,000 patients annually, is not sufficient to support a freestanding CT service.

Because DHP's current CT scanning 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.

. III. Conclusions and Alternatives for Agency Action

A. Summary Conclusions and Findings

The District Health Partners, IFRC Springfield, Insight Health, and VHC Health applications, and the related data and information gathered, support the following findings and conclusions.

1. Though northern Virginia CT scanning use rates are low, recent increases in demand suggest additional CT capacity is needed.
2. The Virginia SMFP public need determination formulae suggests that there is a regional need for more than the four additional CT scanners proposed by the applicants.
3. The applicants have acceptable charity care policies and practices.
4. The capital costs of the proposals vary, but all are within the capital cost range commonly seen for similar projects locally and elsewhere in Virginia.
5. District Hospital Partners does not have a northern Virginia patient population large enough to support a freestanding CT scanning service. It is a market development venture, not a local service enhancement initiative.
6. With the exception of the District Hospital Partners project, there is no indication of potential or likely negative health system effects.

B. Alternatives for Agency Action

1. The Health Systems Agency of Northern Virginia may recommend to the Commissioner of Health that a Certificate of Public Need authorizing the projects be granted. Support for the proposals could be based on concluding that:

- There is a regional need for additional CT scanners within the planning horizon, over the next three to five years.
- The IFRC Springfield, Insight, and VHC Health proposals are consistent with the applicable provisions of the Virginia SMFP.
- Though problematic in some respects, the potential benefits of the District Hospital Partners application are generally consistent with Virginia SMFP considerations and sound planning.
- Projected capital outlays are within commonly seen ranges for the projects described.

IFRC Springfield, Establish CT Scanning Service (COPN Request VA-8728)
Insight Health, Establish CT Scanning Service (COPN Request VA-8730)
District Hospital Partners, Establish CT Scanning Service (COPN Request VA-8734)
VHC Health, Expand CT Service (COPN Request VA-8735)

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 an applicant:

An unfavorable recommendation for one or more of the applications could be based on concluding that:

- Average regional use of freestanding CT services is low. Additional freestanding capacity is not necessary to maintain or improve access to care.
- The District Hospital Partners project is not consistent with Virginia COPN review considerations, and potentially a problematic precedent.
- The project is not necessary to assure or improve access to care.

IV. Checklist of Mandatory Review Criteria

1. Maintain or Improve Access to Care

Northern Virginia residents have ready access to diagnostic imaging services, including CT scanning. All are within 30 minutes travel time a CT service. With more than two dozen service delivery sites most residents have access to multiple CT services within a 15 to 20 minutes commute. Although the proposed services would help ensure ready access to care, none is necessary to address a geographic barrier to care or otherwise improve access.

2. Meet Needs of Residents

There is no indication that any of the applicants, and their parent corporations, do not try to meet the needs of the patients and communities they serve. Adding the services and capacity proposed should permit each to continue to respond to the clinical needs of their patients and service area populations.

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

Except for the District Hospital Partners project, the proposals are consistent with the Virginia SMFP public need criteria and the planning principles of the Virginia SMFP.

4. Beneficial Institutional Competition while Improving Access to Essential Care

Though the services proposed are not essential, all would contribute to maintaining or improving access to care in some respect. There is no indication or expectation that any project would generate measurable price or quality competition.

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5. Relationship to Existing Health Care System

The applicant organizations are successful CT scanning service providers. None poses a significant health system conflict or problem.

6. Economic, Financial Feasibility

The capital outlays proposed are reasonable, within the ranges commonly seen for similar projects locally and statewide. Each is financially feasible and is likely to be profitable.

7. Financial, Technological Innovations

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

8. Research, Training Contributions and Innovations

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