



Office Of Health Care Access Certificate of Need Application

Final Decision

Applicant: Stamford Health System, Inc.

Docket Number: 03-30156-CON

Project Title: Replacement of Health Information System

Statutory Reference: Section 19a-639 of the Connecticut General Statutes

Filing Date: November 24, 2003

Hearing: Waived

Decision Date: January 5, 2004

Default Date: February 22, 2004

Staff Assigned: Laurie Greci

Project Description: Stamford Health System, Inc. (“SHS”) proposes to replace its existing health information system with a new integrated clinical, financial, and ancillary information system, at a total capital expenditure of \$7,000,000.

Nature of Proceedings: On November 24, 2003, the Office of Health Care Access (“OHCA”) received a Certificate of Need (“CON”) application from Stamford Health System, Inc. seeking authorization to replace its existing health information system with a new integrated clinical, financial, and ancillary information system, at a total capital expenditure of \$7,000,000. SHS is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

On December 14, 2003, a notice to the public was published in the *Stamford Advocate* announcing the SHS's proposal to replace its health information system as a total capital expenditure of \$7,000,000. OHCA received no comments from the public concerning the proposal.

OHCA's authority to review and approve, modify or deny this proposal is established by Section 19a-639, C.G.S. The provisions of this section as well as the principles and guidelines set forth in Section 19a-637, C.G.S., were fully considered by OHCA in its review.

Findings of Fact

Clear Public Need

Proposal's Contribution to the Quality of Health Care Delivery in the Region **Proposal's Contribution to the Accessibility of Health Care Delivery in the Region**

1. Stamford Health System, Inc. ("SHS") operates an acute care general hospital located at 1 Shelburne Road in Stamford, Connecticut. *(November 24, 2003, CON Application, Exhibit D)*
2. SHS currently utilizes McKesson HBOC Star ("McKesson System") as its core system to provide information access and storage services to its administrative and clinical personnel. *(November 24, 2003, CON Application, Page 2)*
3. SHS bases the need to replace the McKesson System on the following:
The applications that are not integrated;
Insufficient support services were made available to SHS; and
Operating the system required additional staff.
(November 24, 2003, CON Application, Exhibit B, page 2)
4. In addition to the above, SHS has identified that its Information Systems department has higher than industry average operating costs, most of which is attributable to the support and maintenance of the McKesson System. *(November 24, 2003, CON Application, Page 2)*
5. SHS engaged Cap Gemini Ernest & Young ("CGE&Y") to develop a business case for changing to its Health Information System and to evaluate alternative vendors for a new system. *(November 24, 2003, CON Application, Page 2)*
6. CGE&Y performed a comparative analysis of products available from McKesson, Medical Information Technology, Inc. ("Meditech"), and Eclipsys Corporation. The analysis included a review of the corporate strengths and weaknesses, functionality, and cost of the three systems. The review determined that the Meditech system would provide SHS with significantly greater value than the other two products. *(November 24, 2003, CON Application, Exhibit B, page 11)*

7. SHS proposes to acquire from Meditech a new system that includes hardware, software, and service agreements. The hardware to be provided will include file and electronic medical record servers, various application, print and backup servers, and associated components. *(November 24, 2003, CON Application, Exhibit H)*
8. The software will include patient registration and revenue management, patient care management, imaging, general financials, information technology for physicians, laboratory, health information management, ambulatory management, pharmacy, and reporting and decision support applications. *(www.meditech.com)*
9. SHS determined that the new Meditech System should be acquired for the following reasons:
 - Significantly greater value than the current product used;
 - Potential cost savings of \$15 million over 5 years; and
 - Least expensive of the products analyzed by CGE&Y in both capital and operating costs.*(August 7, 2003, Letter of Intent, Project Description)*
10. The implementation of the Meditech System will occur over 18 to 24 months. The data transition will be planned to ensure adequate and appropriate availability of data resources. A comprehensive training plan will be provided to the users. Once a thorough test plan has been conducted to ensure appropriate functionality and performance, the Meditech System and the McKessons system will be run simultaneously. Once operating performance is established, the McKessons system will be dismantled. *(November 24, 2003, CON Application, page 15)*

Financial Feasibility and Cost Effectiveness of the Proposal and its Impact on the Applicant's Rates and Financial Condition
Impact of the Proposal on the Interests of Consumers of Health Care Services and Payers for Such Services

11. The components of the costs associated with SHS's proposal are presented in the following table:

Table 1: Cost Components of the Proposal

Component Description	Amount
Meditech Software License	\$ 2,760,540
Meditech Implementation Services	1,480,000
Meditech Hardware	928,600
Document Imaging Hardware	770,000
Document Imaging Software and Services	630,000
Datamax Barcode Printers	72,000
Wireless Local Area Network	42,500
Datavision Carts	94,650
Misc. Costs	220,000
Total Capital Expenditure (rounded to nearest ten thousand)	\$ 7,000,000

(November 24, 2003, CON Application, Exhibit G)

12. The CON proposal's total capital expenditure of \$7,000,000 will be funded entirely from SHS's operating funds. *(November 24, 2003, CON Application, page 10)*
13. The depreciation of the acquired equipment is given in the following table:

Table 2: Depreciation Information

Component Description	Average Useful Life in Years	Amount per Year
Meditech Software License	5	\$ 552,108
Meditech Implementation Services	5	296,000
Meditech Hardware	3	309,533
Document Imaging Hardware	3	256,667
Document Imaging Software & Services	5	126,000
Datamax Barcode Printers	3	24,000
Wireless Local Area Network	3	14,167
Datavision Carts	3	31,550
Miscellaneous Costs	5	44,000
Total Depreciation for Years 1, 2, and 3		\$1,654,025

(November 24, 2003, CON Application, Exhibit I)

14. As the Hospital used a conservative depreciation schedule of a 3-year life for hardware and a 5-year life for the system software, the proposal will result in incremental losses of \$589,000 and \$357,000 in Fiscal Years ("FY") 2005 and 2006, respectively. These project losses will be offset by the potential operating and capital costs savings of nearly \$15 million that the Meditech system will save over the initial five year of the project. *(November 24, 2003, CON Application, page 12)*
15. The proposal's projected total facility revenue from operations with the CON proposal are projected to \$3,989,000, \$4,225, 000, and \$4,611,000 for FY 2004, 2005, and 2006, respectively. *(November 24, 2003, CON Application, page 11)*

Consideration of Other Section 19a-637, C.G.S. Principles and Guidelines

The following findings are made pursuant to the principles and guidelines set forth in Section 19a-637, C.G.S.:

16. There is no State Health Plan in existence at this time. *(November 24, 2003, CON Application, page 2)*
17. SHS has adduced evidence that the proposal is consistent with SHS's long-range plan. *(November 24, 2003, CON Application, page 2)*
18. SHS has no teaching or research responsibilities that would be affected by the proposal. *(November 24, 2003, CON Application, page 5)*

19. There are no distinguishing or unique characteristics of SHS's patient/ physician mix related to the proposal. *(November 24, 2003, CON Application, page 6)*
20. SHS has implemented various activities to improve productivity and contain costs including energy conservation, reengineering of its operations, the application of new technology, and group purchasing. *(November 24, 2003, CON Application, pages 4 and 5)*
21. SHS has sufficient technical, financial, and managerial competence to provide efficient and adequate service to the public. *(November 24, 2003, CON Application, Exhibit C)*

Rationale

Stamford Health System, Inc. ("Hospital") proposes to replace its existing health information system with a new integrated clinical, financial, and ancillary information system, at a total capital expenditure of \$7,000,000. SHS proposes to purchase a new Meditech System, including hardware, software, and implementation services.

The current system has become inefficient and fragmented. The applications are not integrated and the Hospital has insufficient support services to maintain and operate the system. The proposed replacement information system will allow SHS to implement programs designed to improve its clinical, financial, and ancillary information needs in a more cost effective and efficient manner.

The CON proposal's total capital expenditure of \$7,000,00 will be funded entirely by SHS's operating funds. The proposal will result in incremental losses of \$589,000 and \$357,000 in Fiscal Years ("FY") 2005 and 2006, respectively. These losses will be offset by the potential operating and capital costs savings of nearly \$15 million that migrating to the Medical system will save over the initial five year of the project. SHS projects that total facility revenues will exceed \$3.9 million in FYs 2004, 2005, and 2006. Therefore, OHCA finds that the CON proposal is both financially feasible and cost effective.

Based upon the foregoing Findings and Rationale, the Certificate of Need application of Stamford Health System, Inc. to replace its existing health information system with a new integrated clinical, financial, and ancillary information system, at a total capital expenditure of \$7,000,000 is hereby GRANTED.

Order

Stamford Health System, Inc. (“Hospital”) is hereby authorized to replace its existing clinical and financial information system with a new integrated clinical and financial information system, at a total capital expenditure of \$7,000,000, subject to the following conditions:

1. This authorization shall expire on March 15, 2005. Should SHS’s replacement health information system project not be fully implemented by that date, SHS must seek further approval from OHCA to complete the project beyond that date.
2. SHS shall not exceed the approved capital expenditure of \$7,000,000. In the event that SHS learns of potential cost increases or expects that final project costs will exceed those approved, SHS shall file with OHCA a request for approval of the revised project budget.

All of the foregoing constitutes the final order of the Office of Health Care Access in this matter.

By Order of the
Office of Health Care Access

Date

Commissioner

:lkg