



## Office Of Health Care Access Certificate of Need Application

### Final Decision

**Applicant:** Yale-New Haven Hospital

**Docket Number:** 03-30171

**Project Title:** Acquire Computed Radiography Equipment

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

**Filing Date:** January 30, 2004

**Decision Date:** February 3, 2004

**Default Date:** April 29, 2004

**Staff Assigned:** Harold M. Oberg

**Project Description:** Yale-New Haven Hospital (“Hospital”) proposes to acquire computed radiography equipment, at a total capital expenditure of \$2,400,000. The proposed acquisition of computed radiography equipment for diagnostic imaging exams is essential for the Hospital’s Department of Diagnostic Imaging to be able to become a filmless operation. Computed radiography technology enables digital image capture of diagnostic imaging exams that can be read and displayed on a computer and reduces the need to transport and hang films for the radiologists and other clinicians to read and interpret.

**Nature of Proceedings:** On January 30, 2004, the Office of Health Care Access (“OHCA”) received a completed Certificate of Need (“CON”) application from Yale-New Haven Hospital to acquire computed radiography equipment, at a total capital expenditure of \$2,400,000. The Hospital is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

On January 13, 2004, the Hospital was informed that a notice to the public regarding OHCA’s receipt of the Hospital’s Letter of Intent (“LOI”) to file its CON application would be published in the *New Haven Register* pursuant to Section 19a-639, C.G.S. as amended by Section 1 of Public Act 03-17. OHCA received no comments from the public concerning the Hospital’s LOI or CON application.

OHCA's authority to review and approve, modify or deny the CON application 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**

1. Yale-New Haven Hospital ("Hospital") is an acute care general hospital located at 20 York Street in New Haven, Connecticut. The Hospital's total licensed bed capacity of 944 beds and bassinets includes 852 licensed beds and 92 licensed bassinets. *(December 23, 2003 CON Application, Page 68)*
2. On December 11, 2000, the Office of Health Care Access ("OHCA") granted a Certificate of Need ("CON") to Yale-New Haven Hospital under Docket Number 00-546 to acquire a Picture Archiving Communication System ("PACS"), at a total capital expenditure of \$8,500,000. *(December 11, 2000 OHCA Final Decision, Yale-New Haven Hospital, Docket Number 00-546)*
3. The PACS is an image storage system that warehouses digital images of X-rays and allows them to be sent to requesters, replacing the need for film to be loaned or reproduced, and it enables computer display image viewing and allows a comparison of previous images with recent studies. *(December 23, 2003 CON Application, Page 5)*
4. The Hospital proposes to acquire computed radiography equipment, at a total capital expenditure of \$2,400,000. The proposed computed radiography equipment, when used with the PACS, will allow radiologic images to be converted to a digital format that can then be directly transmitted to the PACS. Computed radiography technology digitally replaces X-ray film, eliminating the need for film storage and facilitating the transport of radiologic images over the Internet or in compact disc format and permits multiple viewing of these images. *(December 23, 2003 CON Application, Pages 4 and 5)*
5. The proposed acquisition of computed radiography equipment for diagnostic imaging exams is essential for the Hospital's Department of Diagnostic Imaging to be able to become a filmless operation. Computed radiography technology enables digital image capture of diagnostic imaging exams that can be read and displayed on a computer and reduces the need to transport and hang films for the radiologists and other clinicians to read and interpret. The computer equipment required to display the films and integrate with the diagnostic imaging information and voice dictation systems was previously approved in the PACS CON authorization under Docket Number 00-546. *(August 28, 2003 Letter of Intent, Project Description, Pages 4 and 5)*
6. Computed radiography technology digitally replaces X-ray film, which transforms a linear type of imaging process into a more fluid, effective process by providing the following benefits: *(December 23, 2003 CON Application, Page 6)*

- a. Immediate and innumerable copies of radiographic images can be made available at any location at no significant additional cost;
  - b. Image quality improves as radiologists are able to enhance and manipulate the characteristics of an image such as brightness, contrast and magnification;
  - c. A significant decrease in the number of lost films reduces or eliminates the need for repeat exams and time spent searching for misplaced films; and
  - d. The amount of environmentally hazardous chemicals used for film development is significantly reduced.
7. Under the Hospital's current system, physicians and patients experience inconvenience and delays in decision-making resulting from the amount of time spent locating and physically transporting films. In addition, a consultation outside of the Hospital with or by another physician requires that the films or film copies be transported to the physician's office. As a result, films may be lost, misplaced or returned late. *(December 23, 2003 CON Application, Page 6)*
8. Computed radiography technology benefits physicians and patients by retrieving images quickly, by producing multiple copies of images, by providing higher quality images to enhance interpretation, and by reducing the number of repeat exams. Radiologists can quickly assemble and perform side-by-side comparisons with other exams regardless of the modality used to produce the image, which improves the quality of care provided to the patient. *(December 23, 2003 CON Application, Page 6)*

**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 the Payers for Such Services**

9. The Hospital's total capital expenditure of \$2,400,000 for the CON proposal includes \$2,200,000 for the computed radiography equipment and \$200,000 for building renovations. *(December 23, 2003 CON Application, Page 11)*
10. The total capital expenditure of \$2,400,000 for the CON proposal will be funded entirely by a Hospital equity contribution consisting of \$480,000 from operating funds and \$1,920,000 from funded depreciation. *(December 23, 2003 CON Application, Page 12)*
11. The Hospital projects incremental revenue from operations, total operating expense and losses from operations associated with the CON proposal as follows: *(December 23, 2003 CON Application, Page 103)*

**Table 1: Hospital's Incremental Financial Projections for FY 2004, FY 2005 and FY 2006**

Description	FY 2004	FY 2005	FY 2006
Incremental Revenue from Operations	\$0	\$ 0	\$ 0
Incremental Total Operating Expense	0	498,000	713,000
<b>Incremental Loss from Operations</b>	<b>\$0</b>	<b>\$(498,000)</b>	<b>\$(713,000)</b>

12. The Hospital estimates that the proposed computed radiography equipment will be fully operational in the second quarter of FY 2005, and that the projected incremental losses from operations are mainly due to increased annual depreciation and maintenance contract expense. (*January 30, 2004 Completeness Responses, Page 2*)
13. The Hospital projects total facility revenue from operations, total operating expense and gains from operations associated with the CON proposal as follows: (*December 23, 2003 CON Application, Page 103*)

**Table 2: Hospital's Total Facility Financial Projections for FY 2004, FY 2005 and FY 2006**

Description	FY 2004	FY 2005	FY 2006
Revenue from Operations with CON Prop.	\$677,186,000	\$697,501,000	\$718,426,000
Total Operating Expense with CON Prop.	650,574,000	670,589,000	690,907,000
<b>Gain from Operations with CON Prop.</b>	<b>\$ 26,612,000</b>	<b>\$ 26,912,000</b>	<b>\$ 27,519,000</b>

14. The Hospital's projected payer mix for the first three years of operation of the computed radiography equipment is as follows: (*January 30, 2004 Completeness Responses, Page 32*)

**Table 3: Hospital's Three-Year Projected Payer Mix**

Description	Year 1	Year 2	Year 3
Medicare	34.62%	34.62%	34.62%
Medicaid	13.18%	13.18%	13.18%
TriCare (CHAMPUS)	0.36%	0.36%	0.36%
<b>Total Government</b>	<b>48.16%</b>	<b>48.16%</b>	<b>48.16%</b>
Commercial Insurers	50.44%	50.44%	50.44%
Self-Pay	0.46%	0.46%	0.46%
Workers Compensation	0.94%	0.94%	0.94%
<b>Total Non-Government</b>	<b>51.84%</b>	<b>51.84%</b>	<b>51.84%</b>
Uncompensated Care	0.00%	0.00%	0.00%
<b>Total Payer Mix</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

## 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.:

15. There is no State Health Plan in existence at this time. (*December 23, 2003 CON Application, Page 5*)
16. The Hospital has adduced evidence that the proposal is consistent with the Hospital's long-range plan. (*December 23, 2003 CON Application, Page 5*)
17. The Hospital has improved productivity and contained costs by undertaking activities involving energy conservation, group purchasing, reengineering and the application of new technology. (*December 23, 2003 CON Application, Page 9*)
18. The proposal will not result in any change to the Hospital's teaching and research responsibilities. (*December 23, 2003 CON Application, Page 10*)

19. There are no distinguishing or unique characteristics of the Hospital's patient/physician mix related to the proposal. *(December 23, 2003 CON Application, Page 10)*
20. The Hospital has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(December 23, 2003 CON Application, Appendix II, Pages 17 through 53)*

## **Rationale**

Yale-New Haven Hospital ("Hospital") proposes to acquire computed radiography equipment, at a total capital expenditure of \$2,400,000. The proposed acquisition of computed radiography equipment for diagnostic imaging exams is essential for the Hospital's Department of Diagnostic Imaging to be able to become a filmless operation. Computed radiography technology enables digital image capture of diagnostic imaging exams that can be read and displayed on a computer and reduces the need to transport and hang films for the radiologists and other clinicians to read and interpret.

The proposed computed radiography equipment, when used with the Hospital's Picture Archiving Communication System ("PACS"), will allow radiologic images to be converted to a digital format that can then be directly transmitted to the PACS. Computed radiography technology digitally replaces X-ray film, eliminating the need for film storage and facilitating the transport of radiologic images over the Internet or in compact disc format and permits multiple viewing of these images.

Computed radiography technology benefits physicians and patients by retrieving images quickly, by producing multiple copies of images, by providing higher quality images to enhance interpretation, and by reducing the number of repeat exams. Radiologists can quickly assemble and perform side-by-side comparisons with other exams regardless of the modality used to produce the image, which improves the quality of care provided to the patient. Based on the foregoing reasons, OHCA finds that there is a clear public need for the Hospital's CON proposal, and that the CON proposal will improve the quality of existing diagnostic imaging services provided in the New Haven region.

The total capital expenditure for the CON proposal is \$2,400,000, which will be funded entirely by an equity contribution consisting of \$480,000 from the Hospital's operating funds and \$1,920,000 from the Hospital's funded depreciation. The Hospital projects total facility gains from operations of \$26,612,000, \$26,912,000 and \$27,520,000 in FY 2004, FY 2005 and FY 2006, respectively with the CON proposal. The Hospital also projects minimal incremental losses from operations of \$0, \$(498,000) and \$(713,000) in FY 2004, FY 2005 and FY 2006, respectively due to the CON proposal. The projected incremental losses from operations are small relative to the size and scope of the Hospital's total facility financial projections and are mainly due to increased annual depreciation and maintenance contract expense. 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 Yale-New Haven Hospital to acquire computed radiography equipment, at a total capital expenditure of \$2,400,000, is hereby granted.

## Order

Yale-New Haven Hospital (“Hospital”) is hereby authorized to acquire computed radiography equipment, at a total capital expenditure of \$2,400,000, subject to the following conditions:

1. This authorization shall expire on February 28, 2006. Should the Hospital’s project to acquire computed radiography equipment not be completed by that date, the Hospital must seek further approval from OHCA to complete the project beyond that date.
2. The Hospital shall not exceed the approved total capital expenditure of \$2,400,000. In the event that the Hospital learns of potential cost increases or expects that final project costs will exceed those approved, the Hospital shall file with OHCA a request for approval of the revised CON 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

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Date

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Cristine A. Vogel  
Commissioner

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