



## Office of Health Care Access Certificate of Need Application

### Final Decision

**Applicant:** Day Kimball Hospital

**Docket Number:** 03-30213

**Project Title:** Picture Archiving Communication System (PACS)

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

**Filing Date:** March 15, 2004

**Hearing:** Waived

**Decision Date:** March 24, 2004

**Default Date:** June 13, 2004

**Staff:** Paolo Fiducia

**Project Description:** Day Kimball Hospital (“Hospital”) proposes to replace its film-based imaging system with a Picture Archiving Communication System (“PACS”), at a total proposed capital expenditure of \$2,013,500.

**Nature of Proceedings:** On March 15, 2004, the Office of Health Care Access (“OHCA”) received Day Kimball Hospital Certificate of Need (“CON”) application to replace its film-based imaging system with a PACS at a total proposed capital expenditure of \$2,013,500. The project will involve two phases and will run over a period of 2 budget cycles. The Hospital is a health care facility or institution as defined in Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

On December 3, 2003, 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 Norwich Bulletin* 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, 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**

### **Current Utilization Statistics**

#### **Contribution to Accessibility and Quality of Health Care Delivery in the Region Impact of the Proposal on the Interests of Consumers of Health Care Services and Payers for Such Services**

1. Day Kimball Hospital ("Hospital") is a non-profit acute care hospital located in Putnam, CT. (*December 3, 2003, Letter of Intent, page 2*)
2. Via a two-phased project, the Hospital proposes to replace its film-based imaging system with a Picture Archiving Communication System ("PACS"). The PACS is capable of digitally displaying, transmitting, and storing diagnostic images throughout a health care delivery system. (*December 3, 2003, Letter of Intent, page 6*)
3. The project is intended to serve the following municipalities: Woodstock, Thompson, Eastford, Ashford, Pomfret, Putnam, Killingly, Brooklyn, Plainfield, Sterling, Chaplin, Hampton, and Canterbury. (*December 3, 2003, Letter of Intent, page 2*)
4. The Hospital expects to link all imaging services performed at the Hospital and its two outpatient satellites. (*December 3, 2003, Letter of Intent, page 2*)
5. The data will be accessed through a web-based system available to hospital-based radiologists, clinical staff, and referring physicians. (*December 3, 2003, Letter of Intent, page 6*)
6. PACS images may be viewed on-line, regardless of the location or time of day. Users will access the network either via web viewers or existing PCs. (*December 3, 2003, Letter of Intent, page 6*)
7. The Hospital states that the proposed project is designed to convert all its imaging modalities; (i.e., Radiology, CT Scanning, Ultrasound, Nuclear Medicine, and MRI) from an environment where all images are archived, interpreted, and stored on analog film to a completely digital environment. (*December 3, 2003, Letter of Intent, page 6*)
8. The Hospital asserts that the major benefits of PACS include:

- a. an improvement in the speed and quality of clinical care by streamlining radiological service and consultation,
- b. a reduction in costs associated with film management and processing,
- c. a reduction in the number of repeat exams and also decreasing the length of time for interpretation and diagnosis of data,
- d. an improvement in quality of care and service to patients and physicians,
- e. an improvement in communication between the radiology department and other clinicians both inside and outside the institution, and
- f. a reduction in department space requirements (film storage space will essentially be eliminated over time). (*December 3, 2003, Letter of Intent, page 6*)

9. A two-phased implementation will be conducted over a period of 2 budget cycles. (*December 3, 2003, Letter of Intent, page 6*)

**Table 1: Implementation Schedule**

Phase	Description
Phase I	Acquisition and installation of hardware and software with storage capabilities to accommodate phase II
Phase II	Conversion of plain film radiography to digital images utilizing computerized radiography technology

**Financial Feasibility 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**

10. The proposal has a total capital expenditure of \$2,013,500. (*March 2, 2004, CON Application, page 6*)
11. The Hospital proposes to fund the total capital cost of \$2,013,500 via lease financing. (*March 2, 2004, CON Application, page 7*)
12. The implementation of this project will result in the following:  
Improvement in technologists' efficiency and productivity,  
Reduction in the usage of films, chemicals, and film processing supplies, and  
Reduction in staff costs associated with elimination of 3 FTEs.  
(*March 2, 2004, CON Application, page 8*)
13. The Hospital projects incremental losses from operations related to the proposal of \$111,636 for FY 2004, \$117,852 for FY 2005, and \$124,482 for FY 2006. (*March 2, 2004, CON Application, Income Statement*)
14. The Hospital is expected to experience intermittent incremental losses for operation due to the following reasons:

Hiring of a PACS Administrator  
Lease payments  
Equipment service contracts  
(March 2, 2004, CON Application, page 9)

15. The Hospital's projected payer mix for the first three years of operation associated with the CON proposal is as follows:  
(March 2, 2004, CON Application, page 8)

<b>Payer Mix Percentages</b>			
<b>Payer Source</b>	<b>Year One</b>	<b>Year Two</b>	<b>Year Three</b>
Medicare	37.60%	37.59%	37.59%
Medicaid	8.78%	8.78%	8.78%
TriCare (Champus)	0.33%	0.33%	0.33%
Commercial Insurers	51.05%	51.05%	51.05%
Self-Pay	0.26%	0.26%	0.26%
Workers Compensation	1.99%	1.99%	1.99%
<b>Total Payer Mix</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

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

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

16. There is no State Health Plan in existence at this time. (March 2, 2004, CON Application, page 2)
17. The Hospital has adduced evidence that this proposal is consistent with the Hospital's long-range plan. (March 2, 2004, CON Application, page 2)
18. The Hospital has improved productivity and contained costs through energy conservation, group purchasing, and the application of technology. (March 2, 2004, CON Application, page 4)
19. The proposal will not result in changes to the Hospital's teaching and research responsibilities. (March 2, 2004, CON Application, page 4)
20. There are no distinguishing characteristics of the Hospital's patient/physician mix. (March 2, 2004, CON Application, page 4)
21. The Hospital has sufficient technical, financial and managerial competence to provide efficient and adequate services to the public. (March 2, 2004, CON Application, pages 3)

## Rationale

Day Kimball Hospital proposes to replace its film-based imaging system with a Picture Archiving Communication System at a total capital expenditure of \$2,013,500. The project will be installed over a period of 2 budget cycles. The acquisition of such technology will allow for the digital display, transmission, and storage of diagnostic images throughout a health care delivery system. The Hospital expects to link all imaging services performed at the Hospital and its two outpatient satellites that can be accessed remotely from home or office computers via a web-based system twenty-four hours-per-day, seven days-per-week.

The PACS technology offers several advantages over a film-based imaging system. Such technology will expedite diagnostic imaging, allowing for the timely review of data and the Hospital's ability to meet the projected demand of increased medical imaging volumes. The PACS will facilitate concomitant discussions between physicians and radiologists, permitting the two groups to consult from one's offices. More accurate imaging information is another benefit of the PACS technology. Another benefit is a reduction in the number of repeat exams and a decrease in the length of time necessary for the interpretation and diagnosis of data. Finally, a PACS will eliminate lost or misplaced film.

The capital expenditure associated with the project is \$2,013,500. The Hospital proposes to fund the total capital cost of \$2,013,500 via lease financing. Project implementation will result in savings associated with the films, chemicals, and film processing supplies, as well as reductions in staff costs associated with elimination of 3 FTEs. There will be some minimal incremental losses related to this proposal due to the hiring of a PACS administrator, lease payments and equipment services contracts.

Based on the foregoing Findings and Rationale, the Certificate of Need application of Day Kimball Hospital to acquire a Picture Archiving Communication System, at a total capital expenditure of \$2,013,500, is hereby GRANTED.

## Order

Day Kimball Hospital is hereby authorized to acquire a Picture Archiving Communication System at a total capital expenditure of \$2,013,500, subject to the following conditions:

1. This authorization shall expire on September 30, 2006, unless the Hospital presents evidence to OHCA that the proposal has been completed by that date.
2. The Hospital shall not exceed the approved capital expenditure of \$2,013,500. In the event that the Hospital learns of potential cost increases or expect that the final project costs will exceed those approved, the Hospital shall file with OHCA a request for approval of the revised 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

March 24, 2004

Signed by Cristine A. Vogel  
Commissioner

CAV:pf