



Office Of Health Care Access Certificate of Need Application

Final Decision

Applicant: John Dempsey Hospital

Docket Number: 04-30344

Project Title: Acquisition of Electronic Health Information Management System

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

Filing Date: November 30, 2004

Decision Date: January 3, 2005

Default Date: February 28, 2005

Staff Assigned: Steven Lazarus

Project Description: John Dempsey Hospital (“Hospital”) proposes the acquisition and installation of an electronic Health Information Management System (“eHIM”), at a total capital expenditure of \$1,400,848.

Nature of Proceedings: On November 30, 2004, the Office of Health Care Access (“OHCA”) received a Certificate of Need (“CON”) application from John Dempsey Hospital (“Hospital”) seeking authorization for the acquisition and installation of an electronic Health Information Management System (“eHIM”), at a total capital expenditure of \$1,400,848. The Hospital is a health care facility or institution as defined by Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

A notice to the public was published on August 12, 2004 in *The Hartford Courant* (Hartford). OHCA received no responses from the public concerning the Hospital's proposal.

OHCA's authority to review, approve, modify or deny this proposal is established by Section 19a-639, C.G.S. The provision 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) John Dempsey Hospital ("Hospital" or "JDH") is an acute care hospital currently licensed for 204 acute care beds and 20 newborn nursery bassinets that is located at 263 Farmington Avenue in Farmington. It is the teaching hospital for the University of Connecticut Health Center. *(August 28, 2002 www.uchc.edu/hc/info.html)*
- 2) JDH proposes to acquire and install an electronic Health Information Management System ("eHIM"), offered by McKesson Information Solution Inc. *(November 30, 2004, CON Application, Page 2)*
- 3) JDH currently has some basic elements of an electronic medical records system in place. This proposal will expand the current system to:
 - Document imaging;
 - Chart deficiency/completion;
 - Electronic signature;
 - Document distribution;
 - Coding/abstracting and
 - Release of information.*(November 30, 2004, CON Application, Page 2)*
- 4) The proposed system will integrate the Hospital's core information system and its ancillary departmental system, enabling the system to capture additions or changes to its master files such as the master patient index and physician registries. *(November 30, 2004, CON Application, Page 6)*
- 5) The Hospital states that managing the flow of information throughout multiple locations is necessary to improve efficiency. The workflow engine included in this proposal accomplishes this by allowing multiple users across the enterprise to share information on-line, simultaneously, eliminating the need for paper record to travel from location to location. *(November 30, 2004, CON Application, Page 6)*

- 6) The Hospital also plans to utilize the electronic medical record system to manage the release of information processed. The Hospital states that the State of Connecticut requires hospitals to turnaround requests for release of information within 30 days of receipt of the request. The proposed system will be accessed to print images from the patient's legal medical record for release to authorized recipients. It will enable the Hospital to print, fax, e-mail or record to a CD any documents that the patient has requested, thus eliminating much of the time spent locating the records across the enterprise and enabling the Hospital to meet the required turnaround time more efficiently. *(November 30, 2004, CON Application, Page 7)*
- 7) Installing the proposed eHIM system will allow for:
- Paper-based workflows of medical records to be automated, which will accelerate the time to submit claims, fulfill information requests from payers, and review denied claims;
 - Physicians to review and complete charts on-line;
 - Patients' registration process to be more convenient for the patient and more efficient for the registration staff;
 - Days in accounts receivable to be reduced by decreasing time interval between patient discharge, patient record completion, coding and billing;
 - Write-offs due to incomplete or missing documentation, which are typically 1%-2% of net patient revenue, are expected to be reduced; and
(November 30, 2004, CON Application, Page 2)
- 8) The benefits of the proposed eHIM system to the Hospital includes:
- Eliminate storage related costs from archival systems such as microfilm and microfiche;
 - Reduce costs for printing and distribution;
 - Increase cash flow;
 - Increase productivity;
 - Improve security of medical records information;
 - Provide secure access to patient information; and
 - Support HIPAA compliance.
- 9) The Hospital's primary service area includes the town of Avon, Bloomfield, Burlington, Canton, East Hartford, Farmington, Granby, Hartford, New Britain, Newington, Simsbury and West Hartford. *(November 30, 2004, CON Application, Page 3)*
- 10) The Hospital states that several hospitals in the Hospital's service area have installed eHIM systems. This proposal will have no impact on these providers. *(November 30, 2004, CON Application, Page 5)*

**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 total capital expenditure for the proposal is \$1,400,848. *(November 30, 2004, CON Application, Page 11)*
- 12) The Hospital's proposed total capital expenditure of \$1,400,848 for the CON proposal will be funded entirely by an equity contribution from operating funds. *(November 30, 2004, CON Application Page 13)*
- 13) The Hospital will depreciate the cost of the proposal over a five year period. Therefore, the Hospital projects incremental losses from operations due to the project for FYs 2005-2007 of \$(41,101), \$(493,216) and \$(493,216), respectively. *(November 30, 2004, CON Application Page 16)*
- 14) The Hospital projects gains from operations with the project for FYs 2005-2007 of \$4,461,949, \$5,334,782 and \$6,163,942, respectively. *(November 30, 2004, CON Application Page 16)*

**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. *(November 30, 2004, CON Application, Page 2)*
- 16) The Hospital has adduced evidence that the proposal is consistent with the Hospital's long-range plan. *(November 30, 2004, CON Application, Page 2)*
- 17) There are no distinguishing or unique characteristics of the Hospital's patient/ physician mix with regard to the proposal. *(November 30, 2004, CON Application, Page 9)*
- 18) This proposal will have no impact on the Hospital's teaching or research responsibilities. *(November 30, 2004, CON Application, Page 9)*
- 19) The Hospital has implemented various activities to improve productivity and contain costs including energy conservation, group purchasing, the application of technology and other activities involving mercury removal. *(November 30, 2004, CON Application, Page 9)*
- 20) The Hospital has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(November 30, 2004, CON Application, page 8 and Exhibit 4)*

21) The Hospital's rates are sufficient to cover the proposed capital expenditure and the proposed operating costs. *(November 30, 2004, CON Application, page 8 and Exhibit 4)*

Rationale

John Dempsey Hospital ("Hospital") proposes to acquire and install an electronic Health Information Management System ("eHIM"). The proposed eHIM system will be purchased through McKesson Information System, Inc., at a total capital expenditure of \$1,400,848.

The Hospital currently has some basic elements of an electronic medical records system in place. The proposed eHIM system will expand the current system to include document imaging, chart deficiencies/completions, electronic signature, document distribution, coding/abstracting and release of information.

The proposed system will integrate the Hospital's core information system and its ancillary department system, enabling the system to capture additions or changes to its master files, such as mater patient index and physician registries. The Hospital will improve efficiency through managing the flow of information throughout multiple locations and managing the release of information processed. The proposed eHIM system will allow the Hospital to reduce paper-based workflows of medical records through automation, provide physicians the ability to review and complete charts on-line, streamline the patient registration process, reduce accounts receivable and reduce write-offs due to incomplete or missing documentation. The proposed eHIM system will benefit the Hospital by eliminating storage related costs, reducing costs for printing and distribution, increasing cash flow, increase productivity, improving security of medical records and supporting HIPAA compliance. Therefore, OHCA finds that the Hospital's CON proposal will result in improvements in the quality of the delivery of the Hospital's patient care services.

The CON proposal's total capital expenditure of \$1,400,848 will be funded entirely by equity contribution through operating funds. The Hospital projects incremental losses from operations for FYs 2005-2007 of \$(41,101), \$(493,216) and \$(493,216), respectively. The losses are due to the Hospital depreciating the cost of the proposal over a five year period. However, the Hospital projects gains from operations with the project for FYs 2005-2007 of \$4,461,949, \$5,334,782 and \$6,163,942, respectively. Therefore, OHCA finds that the CON proposal will not only improve the quality of the delivery of the Hospital's patient care services but the CON proposal is both financially feasible and cost effective.

Based upon the foregoing Findings and Rationale, the Certificate of Need application of John Dempsey Hospital to acquire and install an electronic Health Information Management System, at a total capital expenditure of \$1,400,848, is hereby GRANTED.

Order

John Dempsey Hospital (“Hospital”) is hereby authorized to acquire and install an electronic Health Information Management System, at a total capital expenditure of \$1,400,848, subject to the following conditions:

1. This authorization shall expire on June 30, 2006. Should the Hospital’s electronic Health Information Management System project not be fully implemented 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 capital expenditure of \$1,400,848. 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 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

January 3, 2005

Signed by Cristine A. Vogel
Commissioner

CAV:sl