



Office of Health Care Access Certificate of Need Application

Final Decision

Applicant: Yale-New Haven Hospital

Docket Number: 04-30388-CON

Project Title: Perioperative Information Tracking System
("POINTS") Replacement Project

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

Filing Date: January 7, 2005

Decision Date: January 31, 2005

Default Date: April 5, 2005

Staff: Jack A. Huber

Project Description: Yale-New Haven Hospital ("Hospital") proposes to replace its existing perioperative information system and acquire and implement a hospital-wide Perioperative Information Tracking System ("POINTS"), at a total capital expenditure of \$1,583,711. The proposed "POINTS" would replace the Hospital's existing 15 year old perioperative information system, which would be removed from service when the proposed "POINTS" becomes operational.

Nature of Proceedings: On January 7, 2005, the Office of Health Care Access ("OHCA") received a Certificate of Need ("CON") application from Yale-New Haven Hospital ("Hospital") to replace its existing perioperative information system and acquire and implement a hospital-wide Perioperative Information Tracking System ("POINTS"), at a total capital expenditure of \$1,583,711. The Hospital is a health care facility or institution as defined in Section 19a-630 of the Connecticut General Statutes ("C.G.S.").

A notice to the public concerning OHCA's receipt of the Hospital's CON application was published in the *New Haven Register* on November 15, 2004. OHCA received no response from the public concerning the Hospital's proposal.

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

Impact of the Proposal on the Applicant's Current Utilization Statistics **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. Yale-New Haven Hospital ("Hospital") is an acute care hospital located at 20 York Street in New Haven, Connecticut. The Hospital's total licensed bed capacity is 944 beds and bassinets, consisting of 852 licensed beds and 92 licensed bassinets. (*October 21, 2004, CON Letter of Intent, Attachment 1*)
2. The Hospital manages a perioperative service, which includes thirty-seven (37) operating rooms and forty-two (42) post-anesthesia care unit beds. Access to the hospital operating room scheduling is critical in meeting the needs of over six hundred (600) surgeons with Hospital privileges and seventy (70) affiliated anesthesiologists. More than 23,000 surgeries are performed at the Hospital annually with anticipated surgical volume of 24,889, 25,637 and 26,405 in Fiscal Year 2005, 2006 and 2007, respectfully. (*January 5, 2005, CON Application, page 9*)
3. The Hospital proposes to replace its existing perioperative information system (identified as its operating room information system or "ORIS") and acquire and implement a hospital-wide Perioperative Information Tracking System ("POINTS"), at an estimated total capital expenditure of \$1,583,711. (*January 5, 2005, CON Application, page 9*)
4. The "ORIS" system has been responsible for the scheduling of surgical procedures, projecting resource allocation for perioperative services, providing inventory control for perioperative materials management, and handling a portion of the intraoperative patient documentation. (*October 21, 2004, CON Letter of Intent, page 8*)
5. The "ORIS" system is fifteen (15) years old and is near the end of its useful life. The system has limited functionality, operates on a DOS-based computer platform, and will no longer be supported by the vendor effective March 2006. The system's limitations require a significant amount of manual work that must be accomplished by hospital staff that could be avoided by replacing the current system. (*October 21, 2004, CON Letter of Intent, page 8 and January 5, 2005, CON Application, pages 9 & 25*)

6. The proposed system is a General Electric Healthcare, Centricity Perioperative™ Manager. Project work is scheduled to commence on March 1, 2005, with the system becoming fully operational on or about October 1, 2006. The “ORIS” system will be removed from service when the proposed “POINTS” becomes fully operational. *(January 5, 2005, CON Application, page 9)*
7. The Hospital states that the proposed “POINTS” will enhance the technical support given to perioperative patients and surgical staff. It is a windows-based system that will provide all of the current functionality, while improving patient access and care. Improved functionality will include the following: *(October 21, 2004, CON Letter of Intent, pages 8 & 9)*
 - Automated documentation for all areas of nursing and anesthesia patient care (i.e. preadmission, intra- and post-operative) will be completed electronically at the point of care;
 - New interfaces will enhance patient safety initiatives and improved intraoperative monitoring of patients;
 - Time devoted to direct patient care will increase due to easier access to the patient record;
 - Hospital staff physicians and surgical office personnel will be able to schedule operations with greater efficiency and completeness through web-link interfacing;
 - Enhancements to the materials management and accounting practices and processes will reduce waste and save operating expenses;
 - Improved routine and ad hoc clinical and statistical data reporting capabilities;
 - Streamlined maintenance of the surgical preference cards relating to supplies and other applicable resources needed for the surgical procedures; and
 - The system will allow for an online, real-time back-up process.

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

8. The replacement project’s total capital expenditure is \$1,583,711, which consists of \$1,051,812 in equipment costs and \$531,899 in implementation costs. *(January 7, 2005, CON Application, page 23)*
9. The Hospital proposes to fund the total capital expenditure entirely through Hospital operating funds and funded depreciation. *(January 7, 2005, CON Application, page 26)*
10. The Hospital projects total facility revenue from operations, total operating expense and gain/(loss) from operations with the CON proposal as follows: *(January 7, 2005, CON Application, Attachment VI and pages 118 & 119)*

Table 1: Hospital's Total Facility Financial Projections for FY 2005, FY 2006 and FY 2007

Description	FY 2005	FY 2006	FY 2007
Revenue from Operations with the proposal	\$786,309,000	\$831,409,000	\$878,927,000
Total Operating Expense with the proposal	764,102,000	819,264,000	866,287,000
Gain from Operations with the proposal	\$ 24,991,000	\$ 17,897,000	\$ 18,564,000

11. The Hospital anticipates the project will result in cost savings totaling \$72,000 in Year 2 of operation from reductions to salaries/fringe benefits expenses and supplies/drug expenses. (*January 7, 2005, CON Application, Attachment VI and pages 118 & 119*)
12. The Hospital's current and projected payer mix during the first three years of implementation and operation of the CON proposal is as follows:
 (*January 7, 2005, CON Application, page 27 & 28*)

Table 2: Hospital's Current and Projected Three-Year Payer Mix

Description	Current Payer Mix	Year One Projected Payer Mix	Year Two Projected Payer Mix	Year Three Projected Payer Mix
Medicare	37.20%	38.58%	33.48%	33.08%
Medicaid	13.10%	11.80%	11.08%	10.77%
TriCare (Champus)	0.36%	0.36%	0.36%	0.36%
Total Government. Payers	48.66%	45.74%	44.92%	44.21%
Commercial Insurers	49.86%	50.67%	51.10%	51.77%
Self-Pay	0.31%	2.42%	2.19%	2.22%
Total Non-Govt. Payers	51.34%	54.26%	55.08%	55.79%
Uncompensated Care*	-	-	-	-
Total Hospital Payer Mix	100.0%	100.0%	100.0%	100.0%

Note: Uncompensated care is included as part of payer categories above. Payer mix is based on net revenue.

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.:

13. There is no State Health Plan in existence at this time. (*January 7, 2005, CON Application, page 10*)
14. The Hospital has adduced evidence that the proposal is consistent with the Hospital's long-range plan. (*January 7, 2005, CON Application, Page 10*)

15. The Hospital has improved productivity and contained costs by undertaking energy conservation measures regarding its facilities; participating in activities involving the application of new technology; and employing group purchasing practices in its procurement of supplies and equipment. (*January 7, 2005, CON Application, page 21*)
16. The proposal will not result in any changes to the Hospital's teaching and research responsibilities. (*January 7, 2005, CON Application, page 21*)
17. The Hospital's patient/physician mix is similar to that of other teaching and community hospitals offering an array of primary to quaternary patient services. (*January 7, 2005, CON Application, page 21*)
18. The Hospital has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. (*January 7, 2005, CON Application, Page 19 & 20, and Attachment 11*)

Rationale

Yale-New Haven Hospital ("Hospital") proposes to replace its existing perioperative information system ("ORIS") and acquire and implement a hospital-wide Perioperative Information Tracking System ("POINTS"), at a total capital expenditure of \$1,583,711. The "ORIS" has been responsible for the scheduling of surgical procedures, resource allocation for perioperative services, inventory control for perioperative materials management, and a portion of the intraoperative patient documentation.

The Hospital's current "ORIS" is fifteen (15) years old and is nearing the end of its useful life. The system has limited functionality and will no longer be supported by the vendor effective March 2006. The system's limitations require a significant amount of manual work that must be accomplished by hospital staff that could be avoided by replacing the current system. The proposed General Electric Healthcare, Centricity Perioperative™ Tracking System will provide all of the current functionality, while improving patient access and care. Improved system functionality will include automated documentation for all areas of nursing and anesthesia patient care, which will be accomplished electronically at the point of care; increased physician/office staff access to the scheduling process and the capability to schedule surgical cases with greater efficiency and completeness; improved routine and ad hoc clinical/statistical data reporting capabilities; and streamlining the maintenance of the surgical preference cards, relating to the resources required to perform a given surgical procedure. In addition, the improved functionality of the proposed system will enhance patient safety initiatives; improve the intraoperative monitoring of surgical patients; increase the time devoted to direct patient care, due to easier access to a patient's record; and reduce waste and save operating expenses due to enhancements to the materials management and accounting processes. Replacing the current system is necessary to ensure that the Hospital has the essential tools and capabilities to provide quality surgical services. Therefore, based on the above, OHCA finds that the Hospital's CON proposal will be of benefit to the quality of health care delivery in the region.

The total capital expenditure associated with the CON proposal is \$1,583,711, which will be funded entirely through Hospital operating funds and funded depreciation. The Hospital projects total facility gains from operations with the CON proposal of \$24,991,000, \$17,897,000 and \$18,564,000 in FY 2005, FY 2006 and FY 2007, respectively. The volume and financials projections appear to be reasonable and achievable. Therefore, OHCA finds that the CON proposal will not only improve the quality of health care in the region, but that the proposal is, also, financially feasible and cost effective.

Based on the foregoing Findings and Rationale, the Certificate of Need application of Yale-New Haven Hospital to replace its existing perioperative information system and acquire and implement a hospital-wide Perioperative Information Tracking System (“POINTS”), at a total capital expenditure of \$1,583,711, is hereby GRANTED.

Order

Yale-New Haven Hospital (“Hospital”) is hereby authorized to replace its existing perioperative information system and acquire and implement a hospital-wide Perioperative Information Tracking System (“POINTS”), at a total capital expenditure of \$1,583,711, subject to the following conditions:

1. This authorization shall expire on January 31, 2006. Should the Hospital’s “POINTS” project 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 capital expenditure of \$1,583,711. In the event that the Hospital learns of potential cost increases or expects that the 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

January 31, 2005

Signed by Cristine A. Vogel
Commissioner

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