



Office of Health Care Access Certificate of Need Application

Final Decision

Applicant: Hospital of Saint Raphael

Docket Number: 04-30409-CON

Project Title: Replacement of Laboratory Information System

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

Filing Date: March 28, 2005

Decision Date: April 18, 2005

Default Date: June 27, 2005

Staff Assigned: Kim Martone

Project Description: Hospital of Saint Raphael (“Hospital”) proposes to replace its existing laboratory and blood bank systems with a new state-of-the-art fully-integrated laboratory system, at a total capital expenditure of \$1,887,500.

Nature of Proceedings: On March 28, 2005, the Office of Health Care Access (“OHCA”) received a Certificate of Need (“CON”) application from Hospital of Saint Raphael seeking authorization to replace its existing laboratory and blood bank systems with a new state-of-the-art fully-integrated laboratory system, at a total capital expenditure of \$1,887,500. 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 regarding OHCA’s receipt of the Hospital’s Letter of Intent (LOI) to file its CON Application was published on December 14, 2004 in the *New Haven*

Register. OHCA received no responses from the public concerning the Hospital's 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. The Hospital of Saint Raphael ("Hospital") is an acute care general hospital located at 1450 Chapel Street in New Haven, Connecticut. *(March 28, 2005, CON application, page 1)*
2. The Hospital proposes to replace its Misys/Ulticare Laboratory and Mediware/Hemocare Blood Bank systems with the state-of-the-art, fully integrated Misys Laboratory system. *(March 28, 2005 CON Application, page 2)*
3. The Ulticare Laboratory system was purchased as part of the Hospital's Ulticare patient information system in 1989, with the laboratory components coming on-line in 1994. In 2003, Misys Corporation purchased the Ulticare clinical suite from PerSe, which includes the Hospital's laboratory system. *(March 28, 2005 CON Application, pages 2&3)*
3. The Hospital believes that Misys will sunset the PerSe laboratory within two years. Misys developed its own laboratory system and it is continually struggling to get resources to maintain components of the PerSe product. *(March 28, 2005 CON Application, page 3)*
5. The Hospital stated that the proposed replacement of the current obsolete laboratory information system will allow laboratory data to be fully integrated with other clinical systems including the blood bank. *(March 28, 2005 CON Application, page 2)*
6. The Hospital stated that the blood bank system, purchased in 2000, has been sunsetted by the vendor and no further development will be performed as of October 2005. *(March 28, 2005 CON Application, page 2)*
7. The Hospital based the need for the replacement laboratory and blood bank system on the following: *(March 28, 2005, CON Application, page 3)*
 - Fully-integrated system with same vendor;
 - Improved productivity; and
 - Improved turnaround times in processing laboratory results.

8. The Hospital stated that the current system lacks basic interface integration with various laboratory departments and centers, which causes the following:
- Significant inefficiencies in processing laboratory results;
 - Manual entering of blood culture results – an inefficient use of technologist time and a patient safety issue due to the greater chance of data errors;
 - Delays in turnaround time of critical laboratory results; and
 - Manual workarounds of laboratory staff with reference laboratories.
- (March 28, 2005, CON Application, page 3)*
9. The Hospital stated that the fully integrated laboratory and blood bank system from Misys will include critical instrument interfaces and advanced features such as wireless devices. *(March 28, 2005, CON Application, page 3)*

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

10. The Hospital’s proposed total capital expenditure of \$1,887,500 is for non-medical equipment to be financed through lease financing. *(March 28, 2005 CON Application, pages 7&8)*
11. The Hospital projects losses from operations incremental to the project of \$(243,350), \$(560,444), and \$(628,188) for Fiscal Years (“FY”) 2005, 2006, and 2007, respectively due to non-cash depreciation and interest expenses. *(March 28, 2005 CON Application, Attachment 10)*
12. The Hospital projects gains from total operations of the Hospital with the project of \$3,439,766, \$3,270,556, and \$3,355,812 for FYs 2005, FY 2006 and FY 2007, respectively. *(March 28, 2005 CON Application, Attachment 10)*
13. The Hospital’s projected payer mix during the first three years of implementation and/or operation of the new system is as follows: *(March 28, 2005 CON Application, page 9)*

Payer Source	Current	Year 1	Year 2	Year 3
Medicare	56.0%	56.0%	56.0%	56.0%
Medicaid	7.4%	7.4%	7.4%	7.4%
CHAMPUS or TriCare	.1%	.1%	.1%	.1%
Total Government Payers	63.5%	63.5%	63.5%	63.5%
Commercial Insurers	33.6%	33.6%	33.6%	33.6%
Uninsured	1.9%	1.9%	1.9%	1.9%
Workers Compensation	1.0%	1.0%	1.0%	1.0%
Total Non-Gov. Payers	36.5%	36.5%	36.5%	36.5%
Total Payer Mix	100%	100%	100%	100%

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.:

18. There is no State Health Plan in existence at this time. *(March 28, 2005 CON Application, page 2)*
19. The Hospital has adduced evidence that the proposal is consistent with the Hospital's long-range plan. *(March 28, 2005 CON Application, page 2)*
20. The Hospital has no teaching or research responsibilities that would be affected as a result of the proposal. *(March 28, 2005 CON Application, page 48)*
21. There are no distinguishing or unique characteristics of the Hospital's patient/physician mix related to the proposal. *(March 28, 2005 CON Application, page 5)*
22. The Hospital 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. *(March 28, 2005 CON Application, page 4)*
23. The Hospital has sufficient technical, financial and managerial competence to provide efficient and adequate service to the public. *(March 28, 2005 CON Application, page 3 and Attachment 2)*
24. The Hospital's proposal has no impact on the Hospital's current utilization of services.

Rationale

The Office of Health Care Access (“OHCA”) approaches community and regional need for a proposed service on a case by case basis. Certificate of Need (“CON”) applications do not lend themselves to general applicability due to a variety of complexity of factors, which may affect any given proposal; e.g. the characteristics of the population to be served, the nature of the existing services, the specific types of services proposed to be offered, the current utilization of services and the financial feasibility of the proposed services.

The Hospital of Saint Raphael (“Hospital”) proposes to replace its existing laboratory and blood bank information systems with a new laboratory system. The Hospital based the need for the replacement system on the importance of having a full-integrated state-of-the-art laboratory and blood bank system which will significantly improve productivity and turnaround times in processing laboratory results. The current laboratory and blood bank systems are operated by two different vendors who are both sunsetting their laboratory systems due to advancements in technology. The current systems are 12 year old out-dated inefficient systems which lack basic interface instrument integration. This absence of integration has caused significant inefficiencies in processing laboratory results; manual entering of blood cultures resulting in the inefficient use of technologist time and patient safety issues due to the greater chance of data errors; delays in turnaround time of critical laboratory results; and manual workarounds of laboratory staff with reference laboratories. Based on the above, OHCA has determined that the proposal will both improve accessibility and quality of the laboratory system.

The CON proposal’s total capital expenditure of \$1,887,500 is for non-medical equipment to be financed through lease financing. The Hospital projects losses from operations incremental to the project of \$(243,350), \$(560,444), and \$(628,188) for Fiscal Years (“FY”) 2005, 2006, and 2007, respectively due to non-cash depreciation and interest expenses. The Hospital projects gains from total operations of the Hospital with the project of \$3,439,766, \$3,270,556, and \$3,355,812 for FYs 2005, FY 2006 and FY 2007, respectively. The financial projections appear to be reasonable and achievable. 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 Hospital of Saint Raphael to replace its existing laboratory information system with a new laboratory system, at a total capital expenditure of \$1,887,500, is hereby GRANTED.

Order

Hospital of Saint Raphael ("Hospital") is hereby authorized to replace its existing laboratory information system with a new laboratory system, at a total capital expenditure of \$1,887,500, subject to the following conditions:

1. This authorization shall expire on April 18, 2006. Should the Hospital's replacement laboratory system project not be fully implemented by that date, the Hospital must seek further approval from OHCA to complete the project beyond that date.
3. The Hospital shall not exceed the approved capital expenditure of \$1,887,500. 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

April 18, 2005

Signed by Cristine A. Vogel
Commissioner

CAV:km