



## Office of Health Care Access Certificate of Need Application

### Final Decision

**Applicant:** Yale-New Haven Hospital

**Docket Number:** 04-30421-CON

**Project Title:** Patient Monitoring and Monitoring Station Replacement Project

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

**Filing Date:** April 8, 2005

**Decision Date:** April 29, 2005

**Default Date:** July 7, 2005

**Staff:** Jack A. Huber

**Project Description:** Yale-New Haven Hospital (“Hospital”) proposes to replace its existing patient monitors and associated monitoring stations, at an estimated total capital expenditure of \$6,500,000.

**Nature of Proceedings:** On April 8, 2005, the Office of Health Care Access (“OHCA”) received a Certificate of Need (“CON”) application from Yale-New Haven Hospital (“Hospital”) seeking authorization to replace its existing patient monitors and associated monitoring stations, at a estimated total capital expenditure of \$6,500,000. 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 Letter of Intent was published in the *New Haven Register* on January 17, 2005, pursuant to Section 19a-639, C.G.S. 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, general hospital located at 20 York Street in New Haven, Connecticut. (*December 30, 2004, CON Letter of Intent, Attachment 2*)
2. Patient monitors are electronic devices routinely used in acute care hospitals to continuously monitor a patient's vital signs and other physiological conditions. The clinical information that is collected by the monitor is then communicated to Hospital practitioners and clinicians through a centrally-located patient monitoring system. (*December 30, 2004, CON Letter of Intent, Cover Letter, page 1*)
3. The Hospital proposes to replace all of its existing patient monitors and associated monitoring stations, excluding those monitors and stations located in the Hospital's operating and recovery room departments, at a total capital expenditure of \$6,500,000. (*January 5, 2005, CON Application, Cover Letter, page 1*)
4. The Hospital bases the need for the proposal on the present monitors being at or beyond their useful life, with a portion of the existing units no longer being serviceable. The monitoring units have a useful life of approximately ten years. The Hospital's existing patient monitors are ten to fifteen years old. (*January 5, 2005, CON Application, page 5*)
5. The Hospital has negotiated a contract with Phillips Medical Systems to replace 447 patient monitors, 92 central monitoring stations and 218 telemetry units. (*January 5, 2005, 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**

6. The replacement project's total capital expenditure is \$6,500,000. The expenditure consists of \$6,245,100 in equipment costs and \$254,900 in implementation costs. (*April 8, 2005, CON Application, page 9*)
7. The Hospital proposes to fund the total capital expenditure entirely through Hospital equity consisting of \$5,200,000 in operating funds and \$1,300,000 in funded depreciation. (*April 8, 2005, CON Application, pages 11 & 12*)
8. With no projected impact on Hospital operations for FY 2005, the Hospital projects incremental total facility revenue from operations, total operating expense and losses from operations with the CON proposal as follows: (*April 8, 2005, CON Application, Attachment 5, page 47*)

**Table 1: Financial Projections for FY 2006 and FY 2007 Due to Proposal**

Description	FY 2006	FY 2007
Incremental Revenue from Operations	\$0	\$0
Incremental Total Operating Expense	\$929,000	\$929,000
<b>Incremental Loss from Operations</b>	<b>(\$929,000)</b>	<b>(\$ 929,000)</b>

9. The projected incremental losses from operations are due to increased depreciation expense associated with the capital expenditure made in the earlier years of implementation of the CON proposal. (*April 8, 2005, CON Application, Attachment 5, page 47*)
10. The Hospital's current and projected payer mix during the first three years of implementation of the replacement program is as follows: (*April 8, 2005, CON Application, page 13*)

**Table 2: 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	33.74%	33.48%	33.08%	32.96%
Medicaid	11.41%	11.08%	10.77%	10.42%
TriCare (Champus)	0.36%	0.36%	0.36%	0.36%
<b>Total Government. Payers</b>	<b>45.52%</b>	<b>44.92%</b>	<b>44.21%</b>	<b>43.74%</b>
Commercial Insurers	50.54%	51.10%	51.77%	52.22%
Self-Pay	2.16%	2.19%	2.22%	2.24%
<b>Total Non-Govt. Payers</b>	<b>54.48%</b>	<b>55.08%</b>	<b>55.79%</b>	<b>56.26%</b>
<b>Total Hospital Payer Mix</b>	<b>100.00%</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.:

11. There is no State Health Plan in existence at this time. (*April 8, 2005, CON Application, page 5*)
12. The Hospital has adduced evidence that the proposal is consistent with the Hospital's long-range plan. (*April 8, 2005, CON Application, page 5*)
13. 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. (*April 8, 2005, CON Application, page 8*)
14. The proposal will not result in any changes to the Hospital's teaching and research responsibilities. (*April 8, 2005, CON Application, page 8*)
15. 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. (*April 8, 2005, CON Application, page 9*)
16. The Hospital has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. (*April 8, 2005, CON Application, page 7 and Attachment 1*)
17. The Hospital's rates are sufficient to cover the proposed capital expenditure and operating costs associated with the proposal. (*April 8, 2005, CON Application, Attachment 5, page 47*)

## Rationale

The Office of Health Care Access ("OHCA") approaches community and regional need for Certificate of Need ("CON") proposals on a case by case basis. CON applications do not lend themselves to general applicability due to a variety 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 proposal.

Yale-New Haven Hospital (“Hospital”) is an acute care, general hospital located at 20 York Street in New Haven, Connecticut. The Hospital proposes to replace all of its existing patient monitors and associated monitoring stations, excluding those monitors and stations located in the Hospital’s operating and recovery room departments, at an estimated total capital expenditure of \$6,500,000. Patient monitors are electronic devices routinely used in acute care hospitals to continuously monitor a patient’s vital signs and other physiological conditions. The clinical information that is collected by the monitor is then communicated to Hospital practitioners and clinicians through a centrally-located patient monitoring system.

The Hospital’s current monitors and monitoring stations are between ten and fifteen years old and are at or beyond their useful life. Some units have limited functionality, with a number that are no longer serviceable. The proposed Phillips Medical Systems replacement units and stations will provide all of the current functionality, while improving patient monitoring and care. Replacing the current system is necessary to ensure that the Hospital has the essential tools and capabilities to provide quality patient care services. Therefore, based on the above, OHCA finds that the Hospital’s CON proposal to replace its patient monitors and monitoring stations will be of benefit to the quality of health care delivery in the region.

The total capital expenditure associated with the CON proposal is \$6,500,000, which will be funded entirely through Hospital equity, \$5,200,000 in operating funds and \$1,300,000 in funded depreciation. The Hospital projects an incremental total facility loss from operations with the CON proposal of \$929,000 each in FY 2006 and FY 2007. While the projected incremental losses are due to increasing depreciation expense associated with the proposal, the projected losses are not significant based on the overall scope of the replacement program and the affect the proposal has on the financial condition of the Hospital. 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 all of its existing patient monitors and associated monitoring stations, excluding those monitors and stations located in the Hospital’s operating and recovery room departments, at a total capital expenditure of \$6,500,000, is hereby GRANTED.

## Order

Yale-New Haven Hospital (“Hospital”) is hereby authorized to replace its existing patient monitors and associated monitoring stations, excluding those monitors and stations located in the Hospital’s operating and recovery room departments, at a total capital expenditure of \$6,500,000, subject to the following conditions:

1. This authorization shall expire on April 29, 2007. Should the Hospital’s patient monitor replacement 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 \$6,500,000. 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

April 29, 2005

Signed by Cristine A. Vogel  
Commissioner

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