



## Office of Health Care Access Certificate of Need Application

### Final Decision

**Applicant:** Hartford Hospital

**Docket Number:** 03-30016

**Project Title:** Acquire and Implement an Enterprise-Wide Picture Archiving and Communications System (PACS)

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

**Filing Date:** April 21, 2003

**Hearing:** Waived

**Decision Date:** May 22, 2003

**Default Date:** July 20, 2003

**Staff:** Harold M. Oberg and Paolo Fiducia

**Project Description:** Hartford Hospital (“Hospital”) proposes to replace its existing film-based imaging system and acquire and implement an enterprise-wide Picture Archiving Communication System (“PACS”), at a total capital expenditure of \$4,400,000. The proposed PACS would replace the Hospital’s existing Mini-PACS, which is currently leased and would be removed from service when the proposed PACS becomes operational.

**Nature of Proceedings:** On April 21, 2003, the Office of Health Care Access (“OHCA”) received a Certificate of Need (“CON”) application from Hartford Hospital to replace its existing film-based imaging system and acquire and implement an enterprise-wide PACS, at a total capital expenditure of \$4,400,000. The Hospital is a health care facility or institution as defined in Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

The Hospital requested a waiver of hearing for the CON application pursuant to Section 19a-643-45 of OHCA's Regulations, and claimed that the CON application is non-substantive as defined in Section 19a-643-95(3) of OHCA's Regulations. On April 30, 2003, the Hospital was informed that the CON application was eligible for consideration of waiver of hearing, and a notice to the public was published in the *Hartford Courant*. OHCA received no comments from the public concerning the Hospital's request for waiver of hearing during the public comment period, and therefore on May 19, 2003, OHCA granted the Hospital's request for waiver of hearing.

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**

*Each finding of fact included in this Final Decision has been taken from the CON application and related CON filings. A source reference is included with each finding of fact. All CON applicants must attest to the accuracy and correctness of the information submitted to OHCA as part of the CON application process.*

### **Clear Public Need**

#### **Proposal's Contribution to the Quality of Health Care Delivery in the Region**

1. Hartford Hospital ("Hospital") is an acute care general hospital located at 80 Seymour Street and 400 Washington Street in Hartford. The Hospital's total licensed bed capacity of 867 beds and bassinets includes 819 licensed beds and 48 licensed bassinets. *(April 21, 2003 CON Application, Page 14)*
2. The Hospital proposes to replace its existing film-based imaging system and acquire and implement an enterprise-wide Picture Archiving Communication System ("PACS") that would largely replace its existing film-based system, at a total capital expenditure of \$4,400,000. The PACS would enable the Hospital's Radiology Department to provide digital images and test results throughout its clinical areas and also to its referring physicians' offices and homes via the Internet. *(January 13, 2003 Letter of Intent, Page 7)*
3. The Hospital stated that the need for the CON proposal is based upon the following: *(April 21, 2003 CON Application, Page 2)*
  - a. increasingly complex imaging results, which place enormous strain on a traditional film-based image viewing system;
  - b. a concern that film-based systems contain an inherent risk of lost or misplaced films, or other unavailability of films due to their being in the possession of another person or institution;

- c. a desire on the part of patients and physicians to expedite treatment decisions, which are based on the results of these examinations, for reasons of convenience as well as patient well-being;
  - d. the need to remain current with technology from a competitive viewpoint; and
  - e. the desire to allow multiple viewers, without regard to geographic location, the ability to view and analyze radiographic images simultaneously, facilitating the coordination of opinions from various specialists in “real time”.
4. The Hospital currently operates a “Mini-PACS”, which is a part of the Hospital’s CT scanner network. The Mini-PACS is currently being leased and will be removed from service when the proposed enterprise-wide PACS becomes operational. *(April 21, 2003 CON Application, Page 2)*
  5. The Hospital also stated that the ability of multiple parties to view the results simultaneously would facilitate and expedite consultations, reducing waiting times, and would enable specialists geographically distant to participate in important patient care decisions. Saving the exam results on compact discs would greatly improve the Hospital’s ability to retrieve the stored images and provide a redundancy, which would reduce or eliminate the danger of losing them. *(April 21, 2003 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**

6. The Hospital’s CON proposal includes the following capital expenditure components: *(April 21, 2003 CON Application, Pages 5, 6 and 12)*

**Table 1: Hospital’s Proposed Total Capital Expenditure**

<b>Description</b>	<b>Amount</b>
PACS Equipment	\$3,677,873
Building Renovations	140,000
Implementation Costs	532,127
Contingency Fund	50,000
<b>Total Capital Expenditure</b>	<b>\$4,400,000</b>

7. The Hospital would fund the CON proposal’s total capital expenditure of \$4,400,000 entirely through an equity contribution from the Hospital’s funded depreciation. *(April 21, 2003 CON Application, Page 6)*
8. The Hospital projects incremental revenue from operation, total operating expense and gain/(loss) from operations with the CON proposal as follows: *(April 21, 2003 CON Application, Page 10)*

**Table 2: Hospital's Incremental Financial Projections for FY 2003, FY 2004 and FY 2005**

Description	FY 2003	FY 2004	FY 2005
Incremental Revenue from Operations	\$ 0	\$ 0	\$ 0
Incremental Total Operating Expense	(144,000)	664,639	944,024
<b>Incremental Gain/(Loss) from Operations</b>	<b>\$ 144,000</b>	<b>\$(664,639)</b>	<b>\$(944,024)</b>

9. The Hospital projects total facility revenue from operations, total operating expense and gain/(loss) from operations with the CON proposal as follows: *(April 21, 2003 CON Application, Page 10)*

**Table 3: Hospital's Total Facility Financial Projections for FY 2003, FY 2004 and FY 2005**

Description	FY 2003	FY 2004	FY 2005
Revenue from Operations with the proposal	\$478,986,792	\$500,223,558	\$516,101,964
Total Operating Expense with the proposal	478,696,676	496,971,878	510,986,570
<b>Gain from Operations with the proposal</b>	<b>\$ 290,116</b>	<b>\$ 3,251,680</b>	<b>\$ 5,115,394</b>

10. The Hospital stated that there is no patient revenue associated with the CON proposal and indicated that the largest annual incremental operating expense amount is \$880,000, which is associated with project-related depreciation and amortization expense. *(April 21, 2003 CON Application, Pages 8 and 11)*
11. The Hospital's projected payer mix during the first three years of implementation and operation of the CON proposal is as follows: *(April 21, 2003 CON Application, Pages 7 and 8)*

**Table 4: Hospital's 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	47.0%	47.0%	47.0%	47.0%
Medicaid	9.8%	9.8%	9.8%	9.8%
TriCare (Champus)	0.1%	0.1%	0.1%	0.1%
<b>Total Government. Payers</b>	<b>56.9%</b>	<b>56.9%</b>	<b>56.9%</b>	<b>56.9%</b>
Commercial Insurers	34.7%	34.7%	34.7%	34.7%
Self-Pay	5.3%	5.3%	5.3%	5.3%
<b>Total Non-Govt. Payers</b>	<b>40.0%</b>	<b>40.0%</b>	<b>40.0%</b>	<b>40.0%</b>
Uncompensated Care	3.1%	3.1%	3.1%	3.1%
<b>Total Hospital Payer Mix</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</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.:

12. There is no State Health Plan in existence at this time. *(April 21, 2003 CON Application, Page 2)*
13. The Hospital has adduced evidence that the proposal is consistent with the Hospital's long-range plan. *(April 21, 2003 CON Application, Page 2)*
14. The Hospital has improved productivity and contained costs by undertaking energy conservation and group purchasing activities. *(April 21, 2003 CON Application, Page 4)*
15. The Hospital's proposal will provide benefits to the Hospital's teaching and research responsibilities because the proposal would greatly improve the acquisition of radiological data for clinical trials, allow multiple viewers access to the images simultaneously, and facilitate long-distance sharing of findings. *(April 21, 2003 CON Application, Page 4)*
16. There are no distinguishing or unique characteristics of the Hospital's patient/physician mix. *(April 21, 2003 CON Application, Page 5)*
17. The Hospital has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(April 29, 2003 Supplemental CON Application filing, Pages 2 through 7)*

## **Rationale**

Hartford Hospital ("Hospital") proposes to acquire and implement an enterprise-wide Picture Archiving Communication System ("PACS"), which would largely replace the Hospital's existing film-based system, at a total capital expenditure of \$4,400,000. The PACS would enable the Hospital's Radiology Department to provide digital images and test results throughout its clinical areas and also to its referring physicians' offices and homes via the Internet. The proposed PACS would replace the Hospital's existing Mini-PACS, which is currently leased and which the Hospital would remove from service when the proposed PACS becomes operational.

The PACS offers significant improvements to patient care by eliminating the threat of lost films and by allowing immediate access by multiple viewers. This immediacy would help to reduce physician and patient waiting times for exam results and for follow-up care and treatment. The ability of multiple parties to view the results simultaneously would facilitate and expedite consultations reducing waiting times, and would enable specialists geographically distant to participate in important patient care decisions. Saving the exam results on compact discs would greatly improve the Hospital's ability to retrieve the stored images and provide a redundancy, which would reduce or eliminate the danger of losing them. Therefore, OHCA finds that the Hospital's CON proposal will be of great benefit to the quality of health care delivery in the region.

The total capital expenditure associated with the CON proposal is \$4,400,000, which will be funded entirely by an equity contribution from the Hospital's funded depreciation. The Hospital projects total facility gains from operations with the CON proposal of \$290,116, \$3,251,680 and \$5,115,394 in FY 2003, FY 2004 and FY 2005, respectively. Since there is no patient revenue associated with the CON proposal, project implementation will result in small incremental operating losses relative to the size and scope of the Hospital's total overall financial projections. This is primarily due to project-related annual depreciation and amortization expense of \$880,000 per year. Therefore, OHCA finds that the CON proposal is both financially feasible and cost effective.

Based on the foregoing Findings and Rationale, the Certificate of Need application of Hartford Hospital to replace its existing film-based imaging system and acquire and implement an enterprise-wide Picture Archiving Communication System, at a total capital expenditure of \$4,400,000, is hereby GRANTED.

**Order**

Hartford Hospital ("Hospital") is hereby authorized to replace its existing film-based imaging system and acquire and implement an enterprise-wide Picture Archiving Communication System ("PACS"), at a total capital expenditure of \$4,400,000, subject to the following conditions:

1. This authorization shall expire on May 31, 2005. Should the Hospital's PACS 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 \$4,400,000. 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

Date Signed:  
May 22, 2003

Signed by:  
Mary M. Heffernan  
Commissioner

MMH:ho

**Table Descriptions**

**Hartford Hospital  
Acquire and Implement an Enterprise-Wide Picture Archiving  
and Communications System (PACS)  
CON Final Decision, Docket Number 03-30016**

**Table 1**

**Title: Hospital's Proposed Total Capital Expenditure**

The total capital expenditure for the proposal is \$4,400,000 and includes \$3,677,873 for the purchase of the PACS equipment, \$140,000 for building renovations, \$532,127 for project implementation costs and \$50,000 for a project contingency fund.

**Table 2**

**Title: Hospital's Incremental Financial Projections for FY 2003, FY 2004 and FY 2005**

Projected incremental revenue from operations for the proposal is \$0 in FY 2003, \$0 in FY 2004 and \$0 in FY 2005. Projected incremental total operating expense for the proposal is \$(144,000) in FY 2003, \$664,639 in FY 2004 and \$944,024 in FY 2005. The projected incremental gain from operations for the proposal is \$144,000 in FY 2003 and projected incremental losses from operations for the proposal are \$(664,639) in FY 2004 and \$(944,024) in FY 2005.

**Table 3**

**Title: Hospital's Total Facility Financial Projections for FY 2003, FY 2004 and FY 2005**

Protected total facility revenue from operations with the proposal is \$478,986,792 in FY 2003, \$500,223,558 in FY 2004 and \$516,101,964 in FY 2005. Projected total facility total operating expense with the proposal is \$478,696,676 in FY 2003, \$496,971,878 in FY 2004 and \$510,986,570 in FY 2005. Projected total facility gains from operations with the proposal are \$290,116 in FY 2003, \$3,251,680 in FY 2004 and \$5,115,394 in FY 2005.

**Table 4**

**Title: Hospital's Three-Year Projected Payer Mix**

The projected payer mix remains constant in each category for the first three years of implementation and operation of the PACS project. Total Government reimbursement is projected to account for 56.9% of total reimbursement with Medicare at 47.0%, Medicaid at 9.8% and TriCare (Champus) at 0.1%. Total Non-Government reimbursement is projected to account for 40.0% of total reimbursement with Commercial Insurers at 34.7%, Self-Pay Patients at 5.3% and Workers Compensation at 0.0%. Uncompensated Care is projected to be 3.1% of total reimbursement.