



## Office Of Health Care Access Certificate of Need Application

### Final Decision

**Applicant:** Milford Hospital

**Docket Number:** 03-30155-CON

**Project Title:** Replacement of Integrated Clinical and Financial Information System

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

**Filing Date:** October 3, 2003

**Hearing:** Waived

**Decision Date:** October 21, 2003

**Default Date:** January 4, 2004

**Staff Assigned:** Paolo Fiducia

**Project Description:** Milford Hospital ("Hospital") proposes to replace its existing clinical and financial information system with a new integrated clinical and financial information system, at a total capital expenditure of \$3,730,784.

**Nature of Proceedings:** On October 3, 2003, the Office of Health Care Access ("OHCA") received a Certificate of Need ("CON") application from Milford Hospital seeking authorization to replace its existing clinical information system with a new integrated clinical and financial information system, at a total capital expenditure of \$3,730,784. The Hospital is a health care facility or institution as defined by 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 October 3, 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 New Haven Register. OHCA received no comments from the public concerning the Hospital's request for a waiver of hearing during the public comment period, and therefore on October 20, 2003, OHCA granted the Hospital's request for a waiver of hearing.

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. Milford Hospital ("Hospital") is an acute care general hospital located at 300 Seaside Avenue in Milford, Connecticut. *(August 4, 2003 Letter of Intent, page 3)*
2. The Hospital proposes to replace its 20 year old clinical and financial information system. *(October 3, 2003 CON Application, Page 2)*
3. The current information system does not conform to the privacy requirements and will not be in compliance with the proposed HIPAA security requirements. *(October 3, 2003 CON Application, Page 2)*
4. The Hospital proposes to acquire a new Meditech integrated clinical and financial information system ("Meditech System"). The capital expenditure, including software, hardware and implementation cost, will total \$3,730,784. *(October 3, 2003 CON Application, Page 3)*
5. The Hospital determined that the new Meditech System should be acquired for the following reasons: *(August 4, 2003, Letter of Intent, page 9)*
  - a. The mainframe computer is at the end of its life cycle.
  - b. The existing system will not support future operating system releases and will lose hardware support from its vendor.
  - c. The entire system requires an inordinate amount of support, which is costly to the hospital.

- d. The existing system provides limited flexibility and is cumbersome for end-users requiring constant MIS technical help.
  - e. The connectivity technology is outdated, therefore the system is unreliable, unstable and difficult to repair and replace.
  - f. It is impossible to integrate clinical and financial information with the current system.
6. The Hospital anticipates that the new Meditech System's will enhance the delivery of healthcare as follows: *(October 3, 2003 CON Application, Page 3)*
- a. Physicians will have immediate access to comprehensive patient information while making patient care decisions. Additionally, the replacement information system will proactively alert the physician before a prescribing error is made. *(October 3, 2003 CON Application, Page 3)*
  - b. Nursing staff will benefit from the replacement information system documentation techniques, which will reduce the amount of time required to complete documentation, allowing them to spend more time in direct patient care. *(October 3, 2003 CON Application, Page 3)*
  - c. The need for an integrated system is also mandated by statutes regarding access to and privacy of patient information and the regulatory reporting requirements to federal and state agencies. *(October 3, 2003 CON Application, Page 3)*
7. The Hospital projects the hardware will be purchased and the software will be installed in FY 2004. The Meditech System is projected to "go live" on October 1, 2004. *(October 3, 2003 CON Application, Page 4)*

**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 Hospital's breakdown of the proposed total capital expenditure of \$3,730,784 for the CON proposal is as follows. *(October 3, 2003 CON Application, Attachment F)*

<b>Description</b>	<b>Amount</b>
Hardware Costs (Purchase)	\$ 1,074,234
Software Costs (Purchase)	1,460,445
Implementation Costs	863,855
Misc. Costs	332,250
<b>Total Capital Expenditure</b>	<b>\$3,730,784</b>

9. The CON proposal's total capital expenditure of \$3,730,784 will be funded entirely from the Hospital's Operating Funds. *(October 3, 2003 CON Application, page 8)*
10. The Hospital projects total facility revenue from operations, total operating expense and losses from operations with the CON proposal as follows: *(October 3, 2003 CON Application, page 11)*

Description	FY 2004	FY 2005	FY 2006
Revenue from Operations with the proposal	\$62,449,024	\$65,541,475	\$68,788,549
Total Operating Expense with the proposal	\$62,981,765	\$65,915,043	\$69,156,381
<b>(Loss) from Operations with the proposal</b>	<b>\$(532,741)</b>	<b>\$(373,568)</b>	<b>\$(367,832)</b>

11. The project related losses from operations are due to increased annual depreciation and amortization expenses of \$179,667, \$557,490 and \$755,648 in FY 2004, FY 2005 and FY 2006, respectively. *(October 3, 2003 CON Application, page 11)*
12. The Hospital's projected payer mix during the first three years of implementation and/or operation of the new Meditech System is as follows: *(October 3, 2003 CON Application, pages 9 & 10)*

Payer Source	Current	Year 1	Year 2	Year 3
Medicare	37.06%	37.06%	37.06%	37.06%
Medicaid	4.43%	4.43%	4.43%	4.43%
TriCare	.10%	.10%	.10%	.10%
<b>Total Government Payers</b>	<b>41.59%</b>	<b>41.59%</b>	<b>41.59%</b>	<b>41.59%</b>
Commercial Insurers	49.49%	49.49%	49.49%	49.49%
Self-Pay	1.78%	1.78%	1.78%	1.78%
Workers Compensation	1.97%	1.97%	1.97%	1.97%
<b>Total Non-Gov. Payers</b>	<b>53.24%</b>	<b>53.24%</b>	<b>53.24%</b>	<b>53.24%</b>
Uncompensated Care	5.17%	5.17%	5.17%	5.17%
<b>Total Payer Mix</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</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.:

13. There is no State Health Plan in existence at this time. *(October 3, 2003 CON Application, page 2)*
14. The Hospital has adduced evidence that the proposal is consistent with the Hospital's long-range plan. *(October 3, 2003 CON Application, page 2)*
15. The Hospital has no teaching or research responsibilities that would be affected as a result of the proposal. *(October 3, 2003 CON Application, page 5)*

16. There are no distinguishing or unique characteristics of the Hospital's patient/physician mix related to the proposal. *(October 3, 2003 CON Application, page 5)*
17. 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. *(October 3, 2003 CON Application, pages 4 and 5)*
18. The Hospital has sufficient technical, financial and managerial competence to provide efficient and adequate service to the public. *(October 3, 2003 CON Application, page 4)*

## **Rationale**

Milford Hospital ("Hospital") proposes to replace its existing clinical information system with a new integrated clinical and financial information system, at a total capital expenditure of \$3,730,784. The Hospital proposes to replace its existing clinical information system with a new Meditech integrated clinical and financial information system ("Meditech System").

The current system would require major extensive upgrades to adapt to current and near future regulatory and functional needs dictated by the Health Insurance Portability and Accountability Act ("HIPAA"). The proposed replacement information system will allow the Hospital to implement programs designed to improve quality of care, disseminate information to external entities, manage reimbursement issues and meet compliance regulations in a more cost effective and efficient manner. The Hospital anticipates that the replacement information system will enhance the delivery of healthcare. Physicians will have immediate access to comprehensive patient information while making patient care decisions. In addition, the replacement information system will reduce the time needed for nurses to complete documentation thereby allowing them to spend more time in direct patient care. A new state of the art information system will enable Milford Hospital to be compliant with federal laws.

The CON proposal's total capital expenditure of \$3,730,784 will be funded entirely by the Hospital's Operating Funds. The Hospital projects losses of \$(532,741), \$(373,568) and \$(367,832) for FY 2004, FY 2005 and FY 2006, respectively. The losses are due to increased annual depreciation and amortization. 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 Milford Hospital to replace its existing clinical information system with a new integrated clinical and financial information system, at a total capital expenditure of \$3,730,784, is hereby GRANTED.

## Order

Milford Hospital ("Hospital") is hereby authorized to replace its existing clinical and financial information system with a new integrated clinical and financial information system, at a total capital expenditure of \$3,730,784, subject to the following conditions:

1. This authorization shall expire on October 21, 2005. Should the Hospital's replacement clinical and financial information 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 \$3,730,784. 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

Date signed:  
October 21, 2003

Signed by:  
Mary M. Heffernan  
Commissioner

MMH:pf