



Office Of Health Care Access Certificate of Need Application

Final Decision

Applicant: Hospital of Saint Raphael

Docket Number: 04-30282-CON

Project Title: Replacement of Telephone Switchgear

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

Filing Date: August 17, 2004

Decision Date: November 5, 2004

Default Date: November 15, 2004

Staff Assigned: Paolo Fiducia

Project Description: Hospital of Saint Raphael (“Hospital”) proposes to replace its existing telephone switchgear system with new telephone switchgear system, at a total capital expenditure of \$2,250,000.

Nature of Proceedings: On August 17, 2004, 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 telephone switchgear system with a new telephone switchgear system, at a total capital expenditure of \$2,250,000. 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 Applicant’s Letter of Intent (“LOI”) to file its CON Application was published on April 24, 2004 in the *New Haven*

Register (New Haven). OHCA received no responses from the public concerning the Applicant's proposal.

OHCA's authority to review, 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. Hospital of Saint Raphael ("Hospital") is an acute care general hospital located at 1450 Chapel Street in New Haven, Connecticut. (*April 21, 2004 Letter of Intent, page 2*)
2. The Hospital proposes to replace its 18 year old telephone switchgear system. (*August 17, 2004 CON Application, Page 2*)
3. The Hospital currently has a NEC Private Branch Exchange (PBX) telephone system. Effective in 2004, NEC announced that they will no longer guarantee replacement parts and maintenance support for certain critical hardware and software components of the system. (*August 17, 2004 CON Application, Page 3*)
4. The Hospital proposes to acquire a new telephone switchgear system. The capital expenditure, including software, hardware and construction cost, will total \$2,250,000. (*August 17, 2004 CON Application, Page 9*)
5. The Hospital determined that the new telephone switchgear system should be acquired for the following reasons: (*August 17, 2004 CON Application, page 3*)
 - a. The existing system is obsolete.
 - b. The current system is no longer supported by the vendor including phone switches and phone sets for both campus and remote locations.
 - c. The increasing probability of a telephone service outage which would directly impact patient care and safety.
6. The Hospital anticipates that the new telephone switchgear equipment will enhance the delivery of healthcare by: (*August 17, 2004 CON Application, Page 4*)
 - a. Maintaining all current functionality and providing support for additional redundancy (*August 17, 2004 CON Application, Page 3*);

- b. Mitigating risk by separating the location of the new telephone switches into two locations (*August 17, 2004 CON Application, Page 4*);
 - c. Improving efficiencies in handling call volume in numerous areas of the Hospital, particularly in areas that experience high call volumes such as the Clinics, Patient Information and Relations, Medical Records, the Emergency Department, Operators, Collections, Accounts Payable, Admitting, and Human Resources (*August 17, 2004 CON Application, Page 4*);
 - d. Providing substantial improvements in conferencing capabilities and time efficiencies for management staff (*August 17, 2004 CON Application, Page 4*);
 - e. Advancing and securing the critical function of daily voice communication within the Hospital throughout the Saint Raphael Healthcare System, and with various corporate affiliates (*August 17, 2004 CON Application, Page 5*); and
 - f. Being compliant with Joint Commission on the Accreditation of Healthcare Organization (JCAHO) standards for resilience to failure and disaster events. (*August 17, 2004 CON Application, Page 5*)
7. This project will be implemented in two phases over a period of three years. The anticipated project completion date is December 2008 as follows: (*August 17, 2004 CON Application, Page 4*)

Phase One

- Replace Telephone System
- Add a Second Telephone System
- Establish Redundant Connections between the Telephone Systems
- Create a second Telephone entrance and Fiber Ring
- Install IP Telephones
- Documentation
- Duration – It is anticipated that this phase of the project will run from October 1, 2004 until April 30, 2005.

Phase Two

- Increased Station Redundancy
- Additional Remote Shelves
- Duration - It is anticipated that this phase of the project will run from May 1, 2005 until December 31, 2008.

**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 proposed total capital expenditure of \$2,250,000 for the CON proposal is as follows. *(August 17, 2004 CON Application, page 9)*

Description	Amount
Non-Medical Equipment (Purchase)	\$ 2,050,000
Construction/Renovation	200,000
Total Capital Expenditure	\$2,250,000

9. The proposed total capital expenditure of \$2,250,000 will be funded via the Hospital's equity and lease financing. *(August 17, 2004 CON Application, pages 9 and 10)*

10. The Hospital projects incremental losses from operations of \$311,000, \$426,000 and \$540,000 in FY 2005, FY 2006 and FY 2007, respectively due to increased annual depreciation and amortization expenses, interest expenses and annual maintenance expenses. *(August 17, 2004 CON Application, page 82)*

11. The Hospital's projects total gains in operation of \$6,704,000, \$6,870,000 and \$7,048,000 in FY 2005, FY 2006 and FY 2007, respectively. *(August 17, 2004 CON Application, page 82)*

12. The Hospital's projected payer mix during the first three years of implementation and/or operation of the new Telephone switchgear system is as follows: *(August 17, 2004 CON Application, page 12)*

Payer Source	Current	Year 1	Year 2	Year 3
Medicare	54.4%	54.4%	54.4%	54.4%
Medicaid	7.3%	7.3%	7.3%	7.3%
TriCare	.1%	.1%	.1%	.1%
Total Government Payers	61.8%	61.8%	61.8%	61.8%
Commercial Insurers	34.9%	34.9%	34.9%	34.9%
Self-Pay	.2%	.2%	.2%	.2%
Workers Compensation	1.4%	1.4%	1.4%	1.4%
Total Non-Gov. Payers	36.5%	36.5%	36.5%	36.5%
Uncompensated Care	1.7%	1.7%	1.7%	1.7%
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.:

13. There is no State Health Plan in existence at this time. *(August 17, 2004 CON Application, page 2)*
14. The Hospital has adduced evidence that the proposal is consistent with the Hospital's long-range plan. *(August 17, 2004 CON Application, page 2)*
15. The Hospital has no teaching or research responsibilities that would be affected as a result of the proposal. *(August 17, 2004 CON Application, page 7)*
16. There are no distinguishing or unique characteristics of the Hospital's patient/physician mix related to the proposal. *(August 17, 2004 CON Application, page 8)*
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. *(August 17, 2004 CON Application, page 7)*
18. The Hospital has sufficient technical, financial and managerial competence to provide efficient and adequate service to the public. *(August 17, 2004 CON Application, page 6)*

Rationale

Hospital of Saint Raphael ("Hospital") proposes to replace its existing telephone switchgear system with new telephone switchgear system, at a total capital expenditure of \$2,250,000.

The purpose of this project is to replace old and obsolete telephone switchgear system at the Hospital. The telephone switchgear and related system are integral and vital components of the infrastructure at the Hospital. The existing system exposes the Hospital to significant risk and necessitates the replacement due to the fact that the current vendor will no longer guarantee replacement parts and maintenance support for certain critical hardware and software components of the system. The Hospital anticipates that the new telephone switchgear system will enhance the delivery of healthcare system. The scope of replacement includes phone switches and phone sets for both campus and remote locations. Phone switch replacement includes current internal functionality for voice mail and call cost accounting. The proposal also includes the alteration of the current single hub approach to support additional redundancy. This project will fulfill the critical nature of daily voice communication for the Hospital, the Saint Raphael Healthcare System, and various corporate affiliates. This project will also position the organization to meet Joint Commission requirements for resilience to failure and disaster events. The Hospital states that the enhanced communications capabilities will result in improved customer and patient relations by providing more efficient and streamlined communications with key department and staff. This project will be implemented in two phases over a period of three years. The anticipated project completion date is December 2008.

The CON proposal's total capital expenditure of \$2,250,000 will be funded via the Hospital's Equity and lease financing. The Hospital projects incremental losses from operations of \$311,000, \$426,000 and \$540,000 in FY 2005, FY 2006 and FY 2007, respectively due to increased annual depreciation and amortization expenses, interest expenses and annual maintenance expenses. The Hospital's projects total operating gains of \$6,704,000, \$6,870,000 and \$7,048,000 in FY 2005, FY 2006 and FY 2007, respectively. 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 telephone switchgear system with new telephone switchgear system, at a total capital expenditure of \$2,250,000, is hereby GRANTED.

Order

Hospital of Saint Raphael ("Hospital") is hereby authorized to replace its existing telephone switchgear system with new telephone switchgear system, at a total capital expenditure of \$2,250,000, subject to the following conditions:

1. This authorization shall expire on November 5, 2009. Should the Hospital's replacement telephone switchgear 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 \$2,250,000. 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.
3. The Hospital shall submit to OHCA an executed signed contract within 6 months that it becomes available.

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

November 5, 2004

Signed by Cristine A. Vogel
Commissioner

CAV:pf