



Office Of Health Care Access Certificate of Need Application

Final Decision

Applicant: Hartford Hospital

Docket Number: 04-30415-CON

Project Title: The Establishment of a Disaster Recovery Data Center Serving Hartford Hospital, MidState Medical Center and Connecticut Children's Medical Center

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

Filing Date: April 12, 2005

Decision Date: May 27, 2005

Default Date: July 11, 2005

Staff Assigned: Jack A. Huber

Project Description: Hartford Hospital ("Hospital") proposes to establish a disaster recovery data center, at an estimated total capital expenditure of \$3,500,000.

Nature of Proceedings: On April 12, 2005, the Office of Health Care Access ("OHCA") received the Certificate of Need ("CON") application from Hartford Hospital ("Hospital") seeking authorization to establish a disaster recovery data center, at an estimated total capital expenditure of \$3,500,000. 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 concerning OHCA's receipt of the Hospital's Letter of Intent ("LOI") was published in the *Hartford Courant*, on December 30, 2004, pursuant to Section 19a-639, C.G.S. OHCA received no comments 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. Hartford Hospital ("Hospital") is an acute care general hospital located at 80 Seymour Street in Hartford, Connecticut. *(April 12, 2005, CON Application, page 22)*
2. The Hospital provides a broad array of services ranging from community health promotion and disease promotion to primary medical care and tertiary care services. *(December 21, 2004, Letter of Intent, page 8)*
3. The Hospital's information services center, through sophisticated software applications and corresponding hardware, complement and support these services and the Hospital's clinical care mission. *(December 21, 2004, Letter of Intent, page 8)*
4. The software applications reside on equipment that is contained within the information services center located on the Hospital's Hartford campus. The information services center accommodates both equipment and office space for Information Services staff. *(December 21, 2004, Letter of Intent, page 8)*
5. The Hospital proposes to renovate an existing building on its Newington campus to establish a disaster recovery data center ("Center") that will mirror the key application systems utilized by the Hospital's information services center. *(April 12, 2005, CON Application, pages 2 and 3)*
6. The Center's operations will be located at 181 Patricia M. Genova Drive in Newington Connecticut. The Center will be a secured facility that will be geographically apart from the Hospital's main campus and its information services center. *(April 12, 2005, CON Application, page 2)*
7. This physical arrangement will provide the security and redundancy the Hospital is seeking to be able to immediately and accurately restore any files lost on the Hartford campus. *(April 12, 2005, CON Application, page 2)*
8. The need for the proposal is based on the following factors: *(December 21, 2004, Letter of Intent, page 8)*
 - The critical requirement for accurate and timely clinical patient information, as well as financial and management information for Hartford Hospital; and
 - The necessity of assuring appropriate redundancy to maintain and secure the Hospital's clinical, financial and management information by allowing for the continued operation of these key information systems in the event that the Hospital's information services center suffers either a minor or a major casualty.

9. MidState Medical Center (“MMC”) in Meriden, CT, is an affiliate of the Hospital. *(December 21, 2004, Letter of Intent, page 8 and May 25, 2005, Additional Hospital information, p. 1)*
10. The Connecticut Children’s Medical Center (“CCMC”) in Hartford, CT, is a purchaser of such services as biomedical engineering, security, library services as well as other contracted services from the Hospital. *(May 25, 2005, Additional Hospital Information, page 1)*
11. The Hospital’s information services center also supports the information systems management for MMC and the CCMC, through shared service arrangements. *(April 12, 2005, CON Application, page 10)*
12. The proposed Center will provide the necessary disaster data recovery and backup capabilities for MMC and CCMC. *(April 12, 2005, CON Application, page 10)*
13. The importance of secure backup of patient records has been underscored by the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”). This federal law requires all hospitals to establish data backup and disaster recovery plans. *(April 12, 2005, CON Application, page 3)*
14. The CON proposal filed with OHCA under Docket Number: 04-30415-CON, represents the Hospital’s response to the HIPAA data backup and disaster recovery requirements. *(April 12, 2005, CON Application, pages 2 and 3)*
15. There are no proposed changes to any of the community or clinical care services of the Hospital. *(December 21, 2004, LOI, page 8)*

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 the Payers for Such Services
Consideration of Other Section 19a-637, C.G.S. Principles and Guidelines

16. The project’s estimated total capital expenditure is \$3,500,000 and is itemized as follows: *(April 12, 2005, CON Application, pages 6 and 7)*

Table 1: Total Capital Expenditure Itemization

Description	Cost
Non-Medical Equipment	\$2,107,800
Renovation Work	893,800
Contingency/Consulting	388,400
Architectural/Engineering	80,000
Site Work	15,000
Project Management	15,000
Total Capital Expenditure	\$3,500,000

17. The Center's operations will occupy approximately 2,500 square feet of space within the Curtis Building on the Hospital's Newington campus and will accommodate the installation of more than 100 computers, with servers and other associated hardware and software. (*December 21, 2004, Letter of Intent, page 8*)
18. Renovations will be primarily electrical in nature. The proposed project schedule is as follows: (*April 12, 2005, CON Application, pages 7 and 8*)

Table 2: Proposed Project Schedule

Description	Date
Renovation Commencement Date	May 13, 2005
Renovation Completion Date	November 11, 2005
Operation Commencement Date	December 1, 2005

19. The total capital expenditure for the CON proposal will be financed through the following sources: (*April 12, 2005, CON Application, pages 8 and 11*)
- An equity contribution of \$2,310,000 from the Hospital's funded depreciation account; with
 - The remaining amount of \$1,190,000 will be allocated between MMC and CCMC based upon their share of the capital and operating expenses associated with the establishment of the Center: MidState Medical Center will provide \$840,000, while the Connecticut Children's Medical Center will provide \$350,000.
20. The Hospital projects incremental revenue from operations, total operating expense and losses from operations associated with the CON proposal for FY 2006 through FY 2008 as follows: (*April 12, 2005, CON Application, page 10 and Financial Attachment F, pages 33 through 36*)

Table 3: Incremental Financial Projections for FY 2006 - FY 2008

Description	FY 2006	FY 2007	FY 2008
Incremental Revenue from Operations	\$0	\$0	\$0
Incremental Total Operating Expense	\$419,949	\$548,431	\$584,017
Incremental Loss from Operations	(\$419,949)	(\$548,431)	(\$584,017)

21. The Hospital's projected annual incremental losses relating to the project are primarily due to the following factors: (*April 12, 2005, CON Application, page 10 and Financial Attachment F, pages 33 through 36*)
- The Center will not be a revenue producing cost center;
 - Increasing "depreciation expense" relating to the acquisition of required computer equipment to construct the Center; and
 - Additional "other operating" expenses, such as utilities costs, network operating and maintenance expenses and internet access costs related to the implementation of the Center.
22. The Hospital's projected payer mix during the first three years of implementation and operation of the disaster recovery data center is as follows: (*April 12, 2005, CON Application, pages 9 and 10*)

Table 4: Three-Year Projected Payer Mix with the CON Proposal

Payer Mix	Year 1	Year 2	Year 3
Medicare	46.5%	46.5%	46.5%
Medicaid	9.8%	9.8%	9.8%
TriCare (CHAMPUS)	0.1%	0.1%	0.1%
Total Government	55.5%	55.5%	55.5%
Commercial Insurers	36.2%	36.2%	36.2%
Uninsured	8.3%	8.3%	8.3%
Total Non-Government	44.5%	44.5%	44.5%
Total Payer Mix	100.00%	100.00%	100.00%

23. There is no State Health Plan in existence at this time. *(April 12, 2005, CON Application, Page 2)*
24. The Hospital has adduced evidence that the proposal is consistent with the Hospital's long-range plan. *(April 12, 2005, CON Application, Page 2)*
25. The Hospital has improved productivity and contained costs by undertaking energy conservation measures, employing group purchasing practices and participating in activities involving the application of new technology. *(April 12, 2005, CON Application, Pages 4 and 5)*
26. The proposal will not result in any change to the Hospital's teaching and research responsibilities. *(April 12, 2005, CON Application, Page 5)*
27. The Hospital's patient/physician mix is similar to that of other acute care, teaching hospitals. The proposal will not result in any change to this mix. *(April 12, 2005, CON Application, Page 5)*
28. The Hospital has sufficient technical, financial and managerial competence and expertise to provide efficient and adequate service to the public. *(April 12, 2005, CON Application, Page 4 and Appendix A, Pages 12 to 18)*
29. The Hospital's rates are sufficient to cover the proposed capital expenditure and operating costs associated with the proposal. *(April 12, 2005, CON Application, Page 10 and Financial Attachment F, Pages 33 through 36)*

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.

Hartford Hospital (“Hospital”) is an acute care general hospital located at 80 Seymour Street in Hartford, Connecticut. The Hospital provides a broad array of services ranging from community health promotion and disease promotion to primary medical care and tertiary care services. The Hospital’s information services center, through sophisticated software applications and corresponding hardware, complement and support these services and the Hospital’s clinical care mission. The software applications reside on equipment that is contained within the information services center located on the Hospital’s Hartford campus.

The Hospital is proposing to renovate an existing building on its Newington campus for the purpose of establishing a disaster recovery data center (“Center”) that will mirror the key application systems utilized by the Hospital’s information services center. Hartford Hospital’s information services center also supports the information systems applications for two other hospitals, MidState Medical Center (“MMC”) in Meriden and the Connecticut Children’s Medical Center (“CCMC”) in Hartford. Hartford Hospital has been offering information systems management to each hospital through shared service arrangements. The Hospital’s proposed disaster recovery data center will similarly provide the necessary disaster data recovery and backup capabilities for MMC and CCMC. There are no proposed changes to any of the community or clinical care services at Hartford Hospital.

The Hospital determined the need to establish a disaster recovery data center based on the critical requirement for accurate and timely clinical patient information, as well as the need for accurate and timely financial and management information for the Hospital. One of the major facets in achieving accurate and timely hospital information is the necessity of assuring appropriate redundancy to maintain and secure these information systems. The establishment of the proposed disaster recovery data center will allow for the continued operation of these key information systems in the event that the Hospital’s information services center suffers a casualty. Further, the importance of secure backup of patient records has been underscored by the Health Insurance Portability and Accountability Act of 1996 (“HIPAA”). This federal law requires all hospitals to establish data backup and disaster recovery capabilities. This proposal represents the Hospital’s response to the HIPAA data backup and disaster recovery requirements.

The proposed Center will accommodate the installation of computers, servers and other associated hardware and software. The Center’ operations will be situated in the Curtis Building, on the Hospital’s Newington Campus, which is located at 181 Patricia M. Genova Drive in Newington, Connecticut. The Center will be a secured facility of

approximately 2,500 square feet of space. It will be geographically set apart from the Hospital's main campus and its information services center. This physical arrangement will provide the security and redundancy the Hospital is seeking to be able to immediately and accurately restore any files lost at the Hartford campus operation. Renovations will be primarily electrical in nature. Renovation is scheduled to begin in May 2005 with a six month work schedule before completion. The disaster recovery data center is expected to become operational on December 1, 2005.

Based on the above, OHCA finds that there is a clear public need for the Hospital's CON application as proposed. The establishment of the proposed center will improve the Hospital's ability to provide data recovery and backup capabilities, thereby assuring that there will be adequate security and redundancy built into the Hospital's information systems. The proposal will consequently allow for the continued operation of key information systems applications in the event that the information services center currently serving the Hospital, MMC and CCMC suffers a casualty of either minor or major proportions.

The total capital expenditure for the CON proposal is \$3,500,000. The project will be financed entirely through equity contributions from the Hospital and its corporate affiliate hospitals. The Hospital will contribute \$2,310,000 from its funded depreciation account for the project. The remaining \$1,190,000 will be allocated between MMC and CCMC based upon their share of the capital and operating expenses associated with the establishment of the Center. The MidState Medical Center will provide \$840,000, while the Connecticut Children's Medical Center will provide \$350,000 in project funding. The Hospital projects incremental losses from operations of \$419,949 in FY 2006, \$548,431 in FY 2007 and \$584,017 in FY 2008 associated with the project. The Hospital's incremental losses in each fiscal year is primarily due to the following factors: the fact that the Center will be a non-revenue producing unit of the Hospital; increasing depreciation expense associated with the acquisition of the proposed equipment; and additional "other operating" expenses such as utilities costs, network operating and maintenance expenses and internet access costs related to the implementation of the Center. The projected operating losses are not considered to be significant based on the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") requiring all hospitals to establish data backup and disaster recovery capabilities, as well as the scope of the project in relationship to its importance in maintaining an accurate and timely informational systems application for the Hospital. Consequently, the Hospital's financial projections upon which the project is based appear to be reasonable and achievable. OHCA, therefore, 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 Hartford Hospital to renovate an existing building on its Newington campus for the purpose of establishing a disaster recovery data center ("Center") that will serve Hartford Hospital, MidState Medical Center and the Connecticut Children's Medical Center, at an estimated total capital expenditure of \$3,500,000, is hereby GRANTED.

Order

Hartford Hospital ("Hospital") is hereby authorized to establish a disaster recovery data center that will serve the disaster recovery and data backup needs of Hartford Hospital, MidState Medical Center and the Connecticut Children's Medical Center, at a total capital expenditure of \$3,500,000, subject to the following conditions:

1. This authorization shall expire on December 1, 2007. Should the Hospital's disaster recovery data center 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 total capital expenditure of \$3,500,000. 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 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

May 27, 2005

Signed by Cristine A. Vogel
Commissioner

CAV: jah