



## Office of Health Care Access Certificate of Need Application

### Final Decision

**Applicant:** Middlesex Hospital

**Docket Number:** 05-30508-CON

**Project Title:** Replacement of Hospital Information System

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

**Filing Date:** July 13, 2005

**Decision Date:** August 31, 2005

**Default Date:** October 11, 2005

**Staff Assigned:** Paolo Fiducia

**Project Description:** Middlesex Hospital (“Hospital”) proposes to replace its existing hospital information system with a new information system, at a total capital expenditure of \$3,500,000.

**Nature of Proceedings:** On July 13, 2005, the Office of Health Care Access (“OHCA”) received a Certificate of Need (“CON”) application from Middlesex Hospital seeking authorization to replace its existing hospital information system with a new information system, at a 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 regarding OHCA’s receipt of the Hospital’s Letter of Intent (LOI) to file its CON Application was published on May 27, 2005 in the *Middletown Press*. OHCA received no responses from the public concerning the Hospital’s proposal.

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

#### Impact of the Proposal on the Hospital'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. Middlesex Hospital ("Hospital") is an acute care general hospital located at 28 Crescent Street in Middletown, Connecticut. *(July 13, 2005, CON application, page 1)*
2. The Hospital proposes to replace its existing hospital information system Mckesson Precision 2000 System with the state-of-the-art, IDX Flowcast System. *(July 13, 2005 CON Application, page 8)*
3. The Hospital states that the new system will address patient accounting, medical records and admissions functions needed to support the hospital's business. *(July 13, 2005 CON Application, page 8)*
4. The Hospital's current software applications are nearing the end of their life. The current system will no longer be supported by the supplying vendors at the conclusion of calendar year 2006. *(July 13, 2005 CON Application, page 8)*
5. The Hospital anticipates that the application of more modern software applications that will result from this project will streamline consumer and payer-related functions such as registration and patient accounting which would be in the interest of consumers and payers. *(July 13, 2005 CON Application, page 13)*
6. The Hospital states that the new system addresses the following functional areas:
  - Census Registration,
  - Medical Records,
  - Patient Accounting and
  - Technology/System*(July 13, 2005 CON Application, page 15)*
7. The Hospital anticipates initiating this project in late summer or early fall of 2005 and expects the implementation will likely be concluded no later than fall of 2006. *(July 13, 2005, Letter of Intent, 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 Payers for Such Services**  
**Consideration of Other Section 19a-637, C.G.S. Principles and Guidelines**

8. The Hospital's proposed total capital expenditure of \$3,500,000 is for non-medical equipment to be financed through funded depreciation. *(July 13, 2005 CON Application, pages 10&11)*
9. The Hospital projects losses from operations incremental to the project of \$(100,000), \$(600,000), and \$(700,000) for Fiscal Years ("FY") 2006, 2007, and 2008, respectively due to non-cash depreciation. *(July 13, 2005 CON Application, Attachment H)*
10. The only incremental financial impact of this project will be the non-cash depreciation expenses associated with this information system replacement project expenditure. There are no incremental revenues associated with the project and no change in volume statistics as a result of this project. *(July 13, 2005 CON Application, page 13)*
11. The Hospital's projected payer mix during the first three years of implementation and/or operation of the new system is as follows: *(July 13, 2005 CON Application, page 12)*

<b>Payer Source</b>	<b>Current</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>
Medicare	39.2%	39.2%	39.2%	39.2%
Medicaid	6.7%	6.7%	6.7%	6.7%
CHAMPUS or TriCare	0.2%	0.2%	0.2%	0.2%
<b>Total Government Payers</b>	<b>46.1%</b>	<b>46.1%</b>	<b>46.1%</b>	<b>46.1%</b>
Commercial Insurers	49.0%	49.0%	49.0%	49.0%
Self-Pay	0.6%	0.6%	0.6%	0.6%
Workers Compensation	4.3%	4.3%	4.3%	4.3%
<b>Total Non-Gov. Payers</b>	<b>53.9%</b>	<b>53.9%</b>	<b>53.9%</b>	<b>53.9%</b>
<b>Total Payer Mix</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

12. There is no State Health Plan in existence at this time. *(July 13, 2005 CON Application, page 5)*
13. The Hospital has adduced evidence that the proposal is consistent with the Hospital's long-range plan. *(July 13, 2005 CON Application, page 5)*
14. The Hospital has no teaching or research responsibilities that would be affected as a result of the proposal. *(July 13, 2005 CON Application, page 8)*
15. There are no distinguishing or unique characteristics of the Hospital's patient/physician mix related to the proposal. *(July 13, 2005 CON Application, page 8)*

16. The Hospital has implemented various activities to improve productivity and contain costs including energy conservation, the application of new technology and group purchasing. *(July 13, 2005 CON Application, page 8)*
17. The Hospital has sufficient technical, financial and managerial competence to provide efficient and adequate service to the public. *(July 13, 2005 CON Application, page 6)*
18. The Hospital's proposal has no impact on the Hospital's current utilization of services.

## Rationale

The Office of Health Care Access (“OHCA”) approaches community and regional need for a proposed service on a case by case basis. Certificate of Need (“CON”) applications do not lend themselves to general applicability due to a variety of complexity 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 proposed services.

Middlesex Hospital (“Hospital”) proposes to replace its existing hospital information systems with a new information system. The Hospital states that the new system will address patient accounting, medical records and admissions functions needed to support the hospital’s business. The Hospital’s current software applications are nearing the end of their life. The current system will no longer be supported by the supplying vendors at the conclusion of calendar year 2006. The Hospital anticipates that the application of more modern software applications that will result from this project will streamline consumer and payer-related functions such as registration and patient accounting which would be in the interest of consumers and payers. Based on the above, OHCA has determined that the proposal will both improve accessibility and quality of the information system.

The Hospital’s proposed total capital expenditure of \$3,500,000 is for non-medical equipment to be financed through funded depreciation. The Hospital projects losses from operations incremental to the project of \$(100,000), \$(600,000), and \$(700,000) for Fiscal Years (“FY”) 2006, 2007, and 2008, respectively due to non-cash depreciation. The only incremental financial impact of this project will be the non-cash depreciation expenses associated with this information system replacement project expenditure. There are no incremental revenues associated with the project and no change in volume statistics as a result of this project. The financial projections appear to be reasonable and achievable. 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 Middlesex Hospital to replace its existing hospital information system with a new information system, at a total capital expenditure of \$3,500,500, is hereby GRANTED.

## Order

Middlesex Hospital (“Hospital”) is hereby authorized to replace its existing hospital information system with a new information system, at a total capital expenditure of \$3,500,000, subject to the following conditions:

1. This authorization shall expire on August 31, 2007. Should the Hospital’s replacement 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 \$3,500,000. 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 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

August 31, 2005

Signed by Cristine A. Vogel  
Commissioner

CAV:pf