



Office Of Health Care Access Certificate of Need Application

Final Decision

Applicant: Norwalk Hospital

Docket Number: 03-3099-CON

Project Title: Purchase and Install an Enterprise Resource Planning System (“ERP”)

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

Filing Date: August 15, 2003

Decision Date: September 15, 2003

Default Date: October 22, 2003

Staff Assigned: Paolo Fiducia

Project Description: Norwalk Hospital (“Hospital”) proposes to replace its current information system with an Enterprise Resource Planning System (“ERP”), at a total capital expenditure of \$1,850,000.

Nature of Proceedings: On August 15, 2003, the Office of Health Care Access (“OHCA”) received a Certificate of Need (“CON”) application from Norwalk Hospital seeking authorization to replace its current information system with an Enterprise Resource Planning System (“ERP”), at a total capital expenditure of \$1,850,000. 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 August 20, 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 Hour* (Norwalk). 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 September 9, 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. Norwalk Hospital ("Hospital") is an acute care general hospital located on Maple Street, Norwalk, Connecticut. (*June 16, 2003 Letter of Intent, Page 2*)
2. The Hospital proposes to replace its existing information system with an Enterprise Resource Planning System ("ERP"), at a total capital expenditure of \$1,850,000. The proposed information system will perform financial, supply chain and human resource functions. (*June 16, 2003 Letter of Intent, page 5*)
3. The Hospital's current information system is functionally antiquated, incomplete and non-integrated, and unable to support the internal demands for instant access to real time information and E-Commerce. The Hospital states that business decisions are handicapped due to poor timeliness of information and inflexibility of applications. (*August 15, 2003 CON Application, Page 3*)
4. The replacement system should provide the following benefits to the Hospital:
 - Integration of business processes and systems for transactional and operational activities resulting in system effectiveness, which will give staff the ability to pursue cost saving opportunities.
 - Automation of procure-to-pay process of supplies, capital assets and patient care items to standardize and control purchasing.
 - Support of Federal, State of Connecticut and Joint Commission on Accreditation of Healthcare Organizations (JCAHO) compliance reporting. (*August 15, 2003 CON Application, Page 3*)

5. The ERP system suite of products consists of the following components:
- Financial Management: includes general ledger, budgeting, fixed asset management; project accounting; funds management; and accounts payable.
 - Supply Chain Management: includes purchasing, inventory management, receiving, and accounts payable.
 - Human Resource Management: includes human resource administration; benefit processing, resume and pension tracking; time management, payroll, position control, applicant tracking; and training.
(August 15, 2003 CON Application, Page 4)
6. The Hospital believes the ERP system provides an information infrastructure that will streamline crucial operational areas to reduce costs, increase efficiency, ensure regulatory compliance, and enhance data integrity and flexibility. *(August 15, 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

7. The Hospital's breakdown of the proposed total capital expenditure of \$1,850,000 for the CON proposal is as follows. *(August 15, 2003 CON Application, Page 22)*

System Component	Amount
Software, Installation, Support	\$671,000
Hardware	\$250,000
Upgrades (Oracle Database)	\$140,544
Training/Implementation	\$752,400
Contingency	\$73,600
Total Capital Expenditure	\$1,850,000

8. The CON proposal's total capital expenditure of \$1,850,000 will be funded entirely from the Hospital's Operating Funds. *(August 15, 2003 CON Application Filing, Page 25)*
9. The Hospital projects the following revenue from operations, total operating expense and gain/(loss) from operations associated with the CON proposal during the first three years of implementation of the ERP system: *(August 15, 2003 CON Application, Attachment 11, Page 530)*

Description	Year 1	Year 2	Year 3
Revenue from Operations	\$188,454,314	\$188,454,314	\$188,454,314
Total Operating Expense	185,734,698	186,254,698	186,624,698
Gain/(Loss) from Operations	\$2,719,616	\$2,199,616	\$1,829,616

10. The Hospital's projected payer mix during the first three years of implementation of the ERP system is as follows: *(August 15, 2003 CON Application, Page 27)*

Payer Source	Current Payer Mix	Year 1	Year 2	Year 3
Medicare	44%	44%	44%	44%
Medicaid	11%	11%	11%	11%
Commercial Insurers	42%	42%	42%	42%
Self-Pay	3%	3%	3%	3%
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.:

11. There is no State Health Plan in existence at this time. *(August 15, 2003 CON Application, Page 2)*
12. The proposal is consistent with the Hospital's long-range plan. *(August 15, 2003 CON Application, Page 2)*
13. The Hospital has no teaching or research responsibilities that would be affected as a result of the proposal. *(August 15, 2003 CON Application, Page 20)*
14. There are no distinguishing or unique characteristics of the Hospital's patient/physician mix related to the proposal. *(August 15, 2003 CON Application, Page 20)*
15. 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 15, 2003 CON Application, Page 19)*
16. The Hospital has sufficient technical, financial and managerial competence to provide efficient and adequate service to the public. *(August 15, 2003 CON Application, Page 18)*

Rationale

Norwalk Hospital (“Hospital”) proposes to replace its current information system with an Enterprise Resource Planning System (“ERP”), at a total capital expenditure of \$1,850,000. The ERP system will perform financial, supply chain and human resource functions.

The Hospital’s current information systems are functionally antiquated, incomplete and non-integrated, and unable to support the internal demands for instant access to real time information and E-Commerce. The Hospital states that business decisions are handicapped due to poor timeliness of information and inflexibility of applications. In addition, the current information systems are not only outdated but also cannot support current business requirements.

The ERP system should provide the following benefits to the Hospital: integration of business processes and systems for transactional and operational activities resulting in system effectiveness which will give staff the ability to pursue cost savings opportunities; automation of procure-to-pay process of supplies, capital assets and patient care items to standardize and control purchasing; and support of federal, state and Joint Commission on Accreditation of Healthcare Organizations (JCAHO) compliance reporting. OHCA finds that the ERP system will provide an information infrastructure that can streamline crucial operational areas to reduce costs, increase efficiency, ensure regulatory compliance, and enhance data integrity and flexibility.

The CON proposal’s total capital expenditure of \$1,850,000 will be funded entirely by the Hospital’s Operating Funds. The Hospital is projecting annual gains from operations of \$2,719,616, \$2,199,616 and \$1,829,616 during the first three years of implementation of the ERP system. Therefore, OHCA finds that the CON proposal will not only improve the quality of the Hospital’s patient care services but that the CON proposal is both financially feasible and cost effective.

Based upon the foregoing Findings and Rationale, the Certificate of Need application of Norwalk Hospital to replace its current information system with an Enterprise Resource Planning System, at a total capital expenditure of \$1,850,000, is hereby GRANTED.

Order

Norwalk Hospital ("Hospital") is hereby authorized to purchase and install an Enterprise Resource Planning System ("ERP"), at a total capital expenditure of \$1,850,000, subject to the following conditions:

1. This authorization shall expire on March 15, 2005. Should the Hospital's replacement information system 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 \$1,850,000. 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

Date signed:
September 15, 2003

Signed by:
Mary M. Heffernan
Commissioner

MMH:pf