



## Office of Health Care Access Certificate of Need Application

### Final Decision

**Applicant:** Eastern Connecticut Health Network

**Docket Number:** 05-30578-CON

**Project Title:** Acquisition of Picture Archiving Communication System

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

**Filing Date:** November 10, 2005

**Decision Date:** December 8, 2005

**Default Date:** February 8, 2005

**Staff:** Sharon Malinowski

**Project Description:** Eastern Connecticut Health Network (“ECHN”) proposes to acquire a Picture Archiving and Communication Systems (“PACS”), at a proposed total capital expenditure of \$2,588,447.

**Nature of Proceedings:** On November 10, 2005, the Office of Health Care Access (“OHCA”) received Eastern Connecticut Health Network’s Certificate of Need (“CON”) application to acquire a PACS at a proposed total capital expenditure of \$2,588,447. The ECHN is a health care facility or institution as defined in Section 19a-630 of the Connecticut General Statutes (“C.G.S.”).

Pursuant to Sections 19a-638 and 19a-639, C.G.S., a notice to the public concerning OHCA’s receipt of the Applicant’s Letter of Intent was published in the Journal Inquirer on September 9, 2005. OHCA received no responses from the public concerning the Applicant’s proposal. Pursuant to Public Act 05-75, three individuals or an individual representing an entity with five or more people had until December 1, 2005, the twenty-first calendar day following the filing of

the Applicant's CON Application, to request that OHCA hold a public hearing on the Applicant's proposal. OHCA received no hearing requests from the public by December 1, 2005.

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**

#### **Current Utilization Statistics**

#### **Contribution to Accessibility and Quality of Health Care Delivery in the Region**

1. Eastern Connecticut Health Network ("ECHN") is a health care system consisting of Manchester Memorial Hospital, Rockville General Hospital and other affiliates including a nursing home, an outpatient center and a women's wellness center. Manchester Memorial Hospital is located at 71 Haynes Street Manchester, Connecticut. Rockville General Hospital is located at 31 Union Street Rockville, Connecticut. *(November 10, 2005, Initial CON Application, pages 1 and 57)*
2. ECHN's primary and secondary service areas include the towns of Andover, Ashford, Bolton, Columbia, Coventry, East Hartford, East Windsor, Ellington, Glastonbury, Hebron, Manchester, Mansfield, Somers, South Windsor, Stafford/Union, Tolland, Vernon and Willington. *(August 30, 2005, Letter of Intent, page 3)*
3. ECHN proposes to acquire and install a Picture Archiving and Communication System ("PACS"). *(November 10, 2005 Initial CON Application, page 2)*
4. PACS is a widely accepted tool used to efficiently deploy radiological resources, and will enable all ECHN locations to have timely access to physician's interpretations of medical images and consultations for attending physicians because of the capability for remote reading that it creates. Radiologists can read and interpret images taken anywhere within the ECHN network. *(November 10, 2005, Initial CON Application, page 2)*
5. ECHN expects improvements in medical imaging work flow, as PACS facilitates more efficient patient throughput by reducing the time elapsed between image capture and image viewing. This reduction is the result of the elimination of film processing time. The image is instantly captured and reviewed by the technologist, with near simultaneous viewing by the radiologist to ensure that the image is sufficient for the radiologist to interpret. *(November 10, 2005, Initial CON Application, page 2)*
6. ECHN stated that patient needs are served by reducing the need for repeated imaging studies due to lost or misplaced films; physicians needs are served by increasing the

availability of historic images for comparison in both interpretation and physician consultation; and both patients and physicians are served with expedited treatment decision-making. *(November 10, 2005, Initial CON Application, page 2)*

7. ECHN stated that geographic barriers to access will be removed because digital images are stored and used in PACS, so historic images will be available to the radiologist regardless of the site at which the new image is taken, without involving the transportation of physical film. *(November 10, 2005, Initial CON Application, page 3)*
8. ECHN plans to follow the standard of practice guidelines established by the American College of Radiology for PACS. *(November 10, 2005, Initial CON Application, pages 4 and 46)*

**Financial Feasibility 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 19a-637, C.G.S.  
Principles and Guidelines**

9. The proposal has a total capital expenditure of \$2,588,447. *(November 10, 2005, Initial CON Application, page 8)*
10. ECHN proposes to fund the total expenditure of \$2,588,447 through a conventional loan. *(November 10, 2005, Initial CON Application, page 9)*
11. ECHN projects incremental losses from operations related to the CON proposal of \$242,526, \$418,783 and \$283,781 for FYs 2006, 2007 and 2008, respectively, which are due to Salaries and Fringe Benefits, Professional / Contracted Services and non-cash depreciation and amortization expenses. *(November 10, 2005, Initial CON Application, Exhibit 15)*
12. The project will initially result in incremental losses because it requires additional expenditures for equipment lease payments and staffing costs, with no associated increases in revenue. However, these losses are partially offset by expected cost savings in the areas of film, file storage, and clerical costs. The initial losses are expected to diminish as efficiency increases, which in turn will result in increased throughput and cost savings, over time. *(November 10, 2005, CON Application, page 10)*
13. ECHN projects gains from total operations with the CON proposal of \$2,405,125, \$3,109,327 and \$3,714,589 for FYs 2006, 2007 and 2008, respectively. *(November 10, 2005, CON Application, Exhibit 15)*
14. There is no State Health Plan in existence at this time. *(November 10, 2005, Initial CON Application, page 2)*
15. ECHN has asserted that this proposal is consistent with the ECHN's long-range plan. *(November 10, 2005, CON Application, page 2)*

16. ECHN has improved productivity and contained costs through energy conservation, group purchasing and application of technology. *(November 10, 2005, CON Application, page 5)*
17. The proposal will result in no changes to ECHN's teaching and research responsibilities. *(November 10, 2005, Initial CON Application, page 5)*
18. There are no distinguishing characteristics of ECHN's patient/physician mix. *(November 10, 2005, CON Application, page 9)*
19. ECHN has sufficient technical, financial and managerial competence to provide efficient and adequate services to the public. *(May 3, 2005, CON Application, page 4 and Exhibit 3)*

## 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.

Eastern Connecticut Health Network ("ECHN") is a health care system consisting of Manchester Memorial Hospital, Rockville General Hospital and other affiliates including a nursing home, an outpatient center and a women's wellness center. Manchester Memorial Hospital is located at 71 Haynes Street Manchester, Connecticut. Rockville General Hospital is located at 31 Union Street Rockville, Connecticut. ECHN proposes to acquire a Picture Archiving Communication System. The acquisition of such technology will allow for the digital display, transmission, and storage of diagnostic images.

ECHN based the need for the PACS proposal on the advantages of this technology. The PACS technology will provide ECHN with the ability to capture radiographs in digital formats, aid in storing and reviewing digital images on-line, eliminate time consuming processes associated with traditional film-based systems, eliminate trafficking of physical films between physicians, as well as improve the technologist's efficiency and productivity. Based on the above, OHCA finds that ECHN's acquisition of the proposed PACS technology will improve accessibility and quality of health services in the region.

The proposed total capital expenditure associated with the project is \$2,588,447. The ECHN proposes to fund the proposed total capital expenditure of \$ 2,588,447 through a conventional loan. ECHN projects incremental losses from operations related to the CON proposal of \$242,526, \$418,783 and \$283,781 for FYs 2006, 2007 and 2008, respectively, which are due to Salaries and Fringe Benefits, Professional / Contracted Services and non-cash depreciation and amortization expenses. The ECHN projects gains from total operations with the CON proposal of \$2,405,125, \$3,109,327 and \$3,714,589 for FYs 2006,

2007 and 2008, respectively. Project implementation will result in reduction in the usage of films, chemicals and film processing supplies. Therefore, OHCA finds that the CON proposal will not only improve access to care for the community it serves, but ECHN's proposal is also financially feasible and cost effective.

Based on the foregoing Findings and Rationale, the Certificate of Need application of Eastern Connecticut Health Network to acquire a Picture Archiving Communication System, at a total capital expenditure of \$2,588,447, is hereby GRANTED.

## Order

Eastern Connecticut Health Network is hereby authorized to acquire a Picture Archiving Communication System at a total capital expenditure of \$2,588,447, subject to the following conditions:

1. This authorization shall expire on December 31, 2008, unless ECHN presents evidence to OHCA that the proposal has been completed by that date.
2. ECHN shall not exceed the approved capital expenditure of \$2,588,447. In the event that ECHN learns of potential cost increases or expect that the final project costs will exceed those approved, ECHN shall file with OHCA a request for approval of the revised 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

December 8, 2005

Signed by Cristine A. Vogel  
Commissioner

CAV:sl