

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
Children's Hospital Program

Staff Summary
Resolution 2005-22
December 1, 2005

Applicant: UCLA Medical Center (Medical Center)
Mattel Children's Hospital (MCH)
10833 Le Conte Avenue
Los Angeles, CA 90095-1365
Los Angeles County

Project Site: 757 Westwood Plaza
Los Angeles, CA 90095-1365

Amount Requested: \$30,000,000

Prior Amount Awarded: \$0

Description of Applicant:

The Medical Center is a part of the University of California system, which is governed by the 26-member Board of Regents of the University of California; an independent board composed of 26 members. The Medical Center operates three facilities – UCLA Medical Center (the Westwood facility), Santa Monica – UCLA Medical Center (the Santa Monica facility) and UCLA Neuropsychiatric Hospital.

MCH operates as a “hospital within a hospital” at the Westwood facility. MCH faculty and staff also provide pediatric care at the Santa Monica facility, which will be rebuilt as part of the reconstruction project described below. The Westwood facility operates as a general acute care hospital with a current license from the Department of Health Services. The Medical Center's 2004 audit (year ending June 30) was submitted with the application and is free of “going concern” language. The 2005 audit is expected to be reviewed and approved by the Regents in mid-December.

Project:

The Medical Center is seeking grant funds as reimbursement for the eligible proportional pediatric costs of constructing a 520-bed replacement hospital. The new hospital will combine both the Westwood facility and the Neuropsychiatric Hospital. The replacement facility is smaller due to higher than anticipated costs for a like facility and due to size and height limitations due to environmental constraints imposed by the campus's long-range plan. However, the new facility will be more efficient at increasing the thru-put of complex patients by using new technology, single occupancy rooms and other factors.

The current bed configuration for MCH is 106 useable pediatric beds consisting of 63 Med/Surg beds, a 23 bed Neonatal Intensive Care Unit (NICU) and a 20 bed Pediatric Intensive Care Unit (PICU).

MCH will have 90 of the 520 licensed beds in the new facility. It will consist of 44 Med/Surg beds, a 22 bed Level III NICU and a 24 bed PICU. This is a reduction of 16 beds from the current bed configuration. However, the feasibility of expanding the replacement NICU by an additional six (6) beds because of the current and future expected demand is being explored. Also, it will have a dedicated 10-bed unlicensed observation unit to accommodate children with intense but short-stay requirements. The facility will have dedicated catherization lab suites for children. Three of the 22 surgical suites are dedicated to pediatric cases and three exam/treatment rooms will be set aside for pediatric cases in the emergency department.

Although MCH will have a net loss of pediatric beds, there are two important facts to keep in mind. First, the NICU and PICU beds will increase by a total of 3 beds. Thus, MCH will be treating more of the sickest of the sick children. Second, the Medical Center is building a replacement facility in Santa Monica. Since that facility will be increasing its number of pediatric beds from 23 to 38 beds, the two hospitals will have a net increase of 21 pediatric beds.

Proposition 61 Evaluation Factors:

Based on the review of the application and other submitted materials, staff evaluated the Corporation's project using the six factors identified in Proposition 61 language.

The grant will contribute toward expansion or improvement of health care access by children eligible for governmental health insurance programs and indigent, underserved, and uninsured children:

The new facility will be SB 1953 compliant. The PICU and NICU are both California Children's Services (CCS) designated regional centers. The combined units will be about 7% larger once construction is complete. The Southern California region served by MCH has a critical need for additional hospital resources for the critically ill newborn and child. The expanded facilities will increase health care access for all children, in particular those that are indigent and uninsured.

The grant will contribute toward the improvement of child health care or pediatric patient outcomes:

By having a new state of the art facility, the Medical Center will be further able to carry out its mission, which is to provide treatment to children in a compassionate manner, to train the next generation of physicians dedicated to children's health and to conduct research that improves the understanding and treatment of pediatric diseases. In the new facilities, MCH will be able to provide advanced healthcare to children with very complex illnesses requiring transplantation, reconstruction and intensive care.

The children's hospital provides uncompensated or undercompensated care to indigent or public pediatric patients:

MCH is a certified CCS hospital. It provided \$3.6 million and \$4.2 million in charity care for fiscal years 2003 and 2004 respectively. It has financial counselors to assist in finding alternative sources of payment from both public and private programs. Also, Medi-Cal eligibility workers are on site to assist the families. All of these efforts are directed towards providing high quality pediatric healthcare services to the vulnerable pediatric populations.

The children's hospital provides services to vulnerable pediatric populations:

MCH had 4,631 admissions for FY'05, 4,444 admissions in FY'04 and 4,346 admissions in FY'03. Approximately 44% of its discharges are eligible for government programs such as Medi-Cal and CCS. MCH had 98,000 outpatient visits in FY'04. MCH has a strategic partnership with the Venice Family Clinic and in 1996 assumed responsibility for the operations of the Burke Health Center. The Venice Family Clinic is the largest free clinic in the country and treats over 5,000 children a year. It also developed a continuity clinic for its residents at the Mid-Valley Clinic. MCH also continues to staff two school-based clinics.

The children's hospital promotes pediatric teaching or research programs:

The UCLA Tri-Campus Pediatric residency program includes 81 residents who are trained at three sites: UCLA, Cedars-Sinai and Olive View Medical Center. The residents also are trained at the Venice Family Clinic and Burke Health Center. MCH and the UCLA School of Medicine are a key element in the training and education of pediatric practitioners for physicians, nurses and all allied healthcare professionals.

The UCLA Department of Pediatrics and MCH are designated as Child Health Research Centers by the National Institute of Child Health and Human Development. The combined entities are 13th in the nation in funding from the National Institute of Health.

Demonstration of project readiness and project feasibility:

The construction contract for the core and the shell was awarded in December 2000. The initial completion date was May 2004 with a September 2004 occupancy date. Several delays ensued. The reasons were varied ranging from fabrication of structural steel, permit approvals from the Office of Statewide Health Planning and Development (OSHPD), tenant improvement bid packages awards, major medical equipment procurement to an OSHPD issued stop work order.

On August 2004, OSHPD issued a partial stop work order, which was lifted on April 22, 2005. According to the Medical Center, OSHPD became concerned that the contractor was getting ahead of the inspection process. Specifically, OSHPD was concerned that the contractor was closing vertical shafts before OSHPD completed its review and granted approval of the seismic bracing submittals for the mechanical, electrical and

plumbing equipment. The campus project management staff worked closely with OSHPD to mitigate these issues. Also, OSHPD assigned additional staff to review the submissions.

At the present time the skin and shell of the building has been completed. Current work is focused on completion of the tenant improvements and finish work within the interior of the building. The Medical Center now anticipates the construction phase to be completed by mid-summer of 2006. After completion of punch-list items, medical equipment licensing and inspections, the anticipated occupancy date is January 31, 2007.

The Regents in 1998 approved a \$598 million construction budget for the replacement facility, which did not include the \$75 million for medical equipment. Currently, the construction component of this project is \$706 million or 18% more than originally projected.

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Sources and Uses of Funds						
				Mattel Children's Hospital	Medical Center	Total Westwood Replacement Hospital
Sources of Funds						
	Total CHFFA Grant Requested			\$ 30,000,000	\$ -	\$ 30,000,000
	Applicant Internal Funds - Donor Funds			\$ 25,515,463	\$ 104,544,537	\$ 130,060,000
	FEMA SHMPH Grant			\$ 26,268,000	\$ 406,500,992	\$ 432,768,992
	FEMA CHS SPS Grant			\$ 688,829	\$ 6,199,464	\$ 6,888,293
	State Match			\$ 4,404,526	\$ 39,640,731	\$ 44,045,257
	State Lease Revenue Bonds			\$ 12,500,000	\$ 112,500,000	\$ 125,000,000
	Hospital Revenue Bonds			\$ 4,800,000	\$ 43,200,000	\$ 48,000,000
		Total Sources		<u>\$ 104,176,818</u>	<u>\$ 712,585,724</u>	<u>\$ 816,762,542</u>
Uses of Funds						
	Construct Facilities			\$ 92,341,436	\$ 613,621,105	\$ 705,962,542
	Purchase Equipment			\$ 7,690,862	\$ 64,309,138	\$ 72,000,000
	Purchase Furniture & Furnishings			\$ 2,008,169	\$ 16,791,831	\$ 18,800,000
	Purchase IT Equipment			\$ 2,136,351	\$ 17,863,649	\$ 20,000,000
		Total Uses		<u>\$ 104,176,818</u>	<u>\$ 712,585,724</u>	<u>\$ 816,762,542</u>

Funds Used to Cover Project Expenses through 9/30/05			
Fund Source			
Applicant Internal Funds - Donor Funds			\$ 44,803,749
FEMA SHMPH Grant			\$ 404,978,794
FEMA CHS SPS Grant			\$ 4,933,596
State Match			\$ 43,881,425
State Lease Revenue Bonds			\$ 106,205,828
Hospital Revenue Bonds			\$ 33,803,743
			<u>\$ 638,607,135</u>

Legal Review:

No information was disclosed to question the financial viability or legal integrity of the Applicant.

CHFFA Bond Issues:

None.

Staff Recommendation:

Staff recommends that the Authority approve a resolution for the UCLA Medical Center to receive a grant not to exceed \$30,000,000 (less Costs of Issuance and Administrative Costs), subject to all requirements of the Children's Hospital Program.