

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY**  
**Children's Hospital Program of 2008**  
**Proposition 3**

**Staff Summary**  
**Resolution No. CHP-3 2010-03**  
**September 2, 2010**

**Applicant:** Long Beach Memorial Medical Center (LBMMC) #MCH-01-03  
Earl and Loraine Miller Children's Hospital (MCH)  
2801 Atlantic Avenue  
Long Beach, CA 90806  
Los Angeles County

**Project Site:** Same as above.

**Amount Requested:** \$21,936,555

Proposition 3 - 2008 Program - Amount Awarded: \$0

Proposition 61 - 2004 Program - Amount Awarded: \$74,000,000

**Description of Applicant:**

Earl and Loraine Miller Children's Hospital (MCH) is a general acute care hospital operated and maintained under a license from the Department of Public Health by the Long Beach Memorial Medical Center (LBMMC). LBMMC is a non-profit 501(c)(3) corporation and is part of the non-profit MemorialCare Health System. The Fiscal Year 2009 (year ending June 30), audited financial statement was submitted and is free of "going concern" language.<sup>1</sup>

**Project:**

The MCH is seeking grant funds to construct, equip and furnish the following:

- A 24-bed Neonatal Intensive Care Unit (NICU).
- A 24-bed Pediatric Specialty and Hematology-Oncology Unit.

These units are being constructed in the shelled-in space<sup>2</sup> of the recently constructed new pavilion funded by the Children's Hospital Program Proposition 61 funds (#MCH-01).

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<sup>1</sup> The absence of 'going concern' language tends to suggest the organization is in good operational health for that fiscal year. The Authority's regulations define "Going Concern Qualification" in sections 7030(n) and 7051(n) for Proposition 61 and Proposition 3, respectively

<sup>2</sup> "Shell space" is space constructed to meet future needs; it is space enclosed by an exterior building shell, but otherwise unfinished inside.

### **Proposition 3 Evaluation Factors:**

Based on the review of the application and other submitted materials, staff evaluated the MCH's project using the six factors identified in the Proposition 3 language.

*Factor 1: 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:*

More than 67% of the patients cared for at MCH are enrolled in governmental-sponsored health care, including 43% who are covered by Medi-Cal. MCH currently has 93 NICU patient beds (including 24 new beds opened in December 2009) and operates at more than 85% capacity. According to MCH, the addition of a final 24 NICU beds will allow more sick newborns to be treated in a timely way and create replacement space before renovation and reconstruction begins in the original NICU to bring that space into compliance with current standards of care.

The new Pediatric Specialty and Hematology-Oncology Unit will create 24 additional beds plus associated facilities required by law for specialty care for children with serious and potentially life threatening illnesses, childhood cancer, rare blood disorders, and immunologically suppressed or immunodeficient disorders. This unit, which is currently temporarily located in the general pediatric unit, is licensed for 14 beds and runs an average daily census of 17 to 21. The additional beds will allow MCH to treat more patients, both in the general pediatric population and those with needs for specialty care.

*Factor 2: The grant will contribute toward the improvement of child health care or pediatric patient outcomes:*

MCH expects the use of improved equipment, new space designed for baby-parent interaction, and reductions in delays associated with the transfer of sick newborns to the NICU unit to improve the quality of care and patient outcomes.

MCH reports that, along with the added 24 beds, other improvements to child health care will derive from the Pediatric Specialty and Hematology-Oncology Unit, as the unit will provide more specialized facilities for the care of children with potentially life threatening illnesses, including a separate treatment room where procedures can be completed away from the child's room and private spaces for consultation between parents and caregivers.

*Factor 3: The children's hospital provides uncompensated or undercompensated care to indigent or public pediatric patients:*

In fiscal year 2009, MCH received \$24.5 million Disproportionate Share Funding from the state and federal governments because the hospital sees a disproportionate share of

the underinsured and uninsured.<sup>3</sup> MCH operates under charity care policies that ensure health care free of financial responsibility for patients whose family income is at or below the federal poverty guidelines. MCH also has a cash discount policy to extend affordable health care to more families above the federal poverty threshold but whose income is within 300 percent of the federal poverty level or less. Additionally, MCH treats more than 4,000 patients annually who are covered by Medi-Cal whose treatment costs significantly more than the Medi-Cal reimburses. The shortfall is made up through operating funds and is budgeted in MCH's annual budget.

*Factor 4: The children's hospital provides services to vulnerable pediatric populations:*

For fiscal year 2009, MCH had over 24,000 emergency department visits and 70,200 visits in the pediatric outpatient and special care centers, and admitted over 8,200 pediatric patients. More than 67% of its patients were covered by government health insurance programs. MCH is a provider of comprehensive pediatric healthcare for sick newborns, infants born prematurely, children and adolescents with serious illnesses, complex disorders, congenital anomalies, and multiple special healthcare needs. Twenty-three percent of MCH's patients in 2009 were in the California Children's Services<sup>4</sup> program.

*Factor 5: The children's hospital promotes pediatric teaching or research programs:*

MCH is a major pediatric teaching hospital for University of California Irvine (UCI) and for other universities. UCI's pediatric rotations to MCH consist of an 8 month rotation for first year residents, 7 months for second year residents, and 6 months for third year residents. The program is ACGME-approved<sup>5</sup> for 48 pediatric residents. MCH also hosts pediatric rotations for family medicine residents and emergency medicine residents from UCI.

Over 50 of MCH's medical staff and faculty are engaged in clinical research approved by the Institutional Review Board. Over 100 studies are currently active. The major research focus has been in pediatric oncology, AIDS, infectious diseases and neonatology.

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<sup>3</sup> Disproportionate Share Hospital (DSH) adjustment payments provide financial help to those hospitals that serve a significantly disproportionate number of low-income patients; eligible hospitals are referred to as DSH hospitals. States receive an annual DSH allotment to cover the costs of DSH hospitals that provide care to low-income patients that are not paid by other payers, such as Medicare, Medicaid, the Children's Health Insurance Program (CHIP) or other health insurance. This annual allotment is calculated by law and includes requirements to ensure the DSH payments to individual DSH hospitals are not higher than these actual uncompensated costs.

<sup>4</sup> California Children's Services is a state program managing care and covering treatment costs for children and youth with certain diseases, physical limitations or chronic health problems.

<sup>5</sup> Accreditation Council for Graduate Medical Education

*Factor 6: Demonstration of project readiness and project feasibility:*

MCH anticipates construction to start September, 2010. The NICU's estimated move-in date is mid-September 2011 and the Pediatric Specialty and Hematology-Oncology Unit's projected move-in date is December 2011.

A third party feasibility study was prepared for MCH. The study, in a report entitled "Market Opportunity Assessment," determined that the increasing demand for MCH's services warrants the expansion.

<u>Source of Funds:</u>		<u>Use of Funds</u>	
CHFFA Grant	\$21,936,555	Construction	\$17,471,605
		Equipment Purchases	<u>4,464,950</u>
Total	<u>\$21,936,555</u>	Total	<u>\$21,936,555</u>

**Legal Review:**

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

**Staff Recommendation:**

Staff recommends the Authority approve Resolution No. CHP-3 2010-03 to provide a grant not to exceed \$21,936,555 (less issuance and administrative costs), subject to all requirements of the Children's Hospital Program of 2008.