

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY**  
**Children's Hospital Program of 2004**  
**Proposition 61**

**Staff Summary**  
**Resolution No. CHP 2011-01**  
**January 27, 2011**

**Applicant:** University of California, San Diego Medical Center #UCSD-01  
9500 Gilman Drive  
La Jolla, CA 92093  
San Diego County

**Project Site:** 9440 Medical Center Drive  
La Jolla, CA 92093  
San Diego County

**Amount Requested:** \$30,000,000

Prior 2004 Program Amount Awarded: \$0

Prior 2008 Program Amount Awarded: \$0

**Description of Applicant:**

The University of California, San Diego Medical Center (Medical Center) is a part of the University of California system, which is governed by the Board of Regents of the University of California.

The Medical Center operates two acute care hospitals: the 398-bed Hillcrest Hospital in central San Diego and Thornton Hospital located on the UC San Diego campus in La Jolla. The Medical Center's largest pediatric hospital program is a 49-bed Neonatal Intensive Care Unit (NICU) currently located at Hillcrest Hospital.

The Medical Center's 2010 audit (year ending June 30) was submitted with the application and is free of "going concern" language.<sup>1</sup>

**Project:**

The Medical Center is seeking grant funds as reimbursement for the eligible proportional pediatric costs for renovating Thornton Hospital, constructing a new 245-bed tower (to be named Jacobs Medical Center) adjacent to Thornton Hospital, and construction of the central utility plant. The new tower will have 52 NICU beds. Once construction is completed, the Hillcrest NICU will be closed, and all Medical Center NICU services will be transferred to the Jacobs Medical Center.

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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.

## **Proposition 61 Evaluation Factors:**

Based on the review of the application and other submitted materials, staff evaluated the Medical Center's project using the six factors identified in Proposition 61 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:*

The Hillcrest bed tower (the facility that houses the NICU) was built in 1960. The current space is functionally obsolete. The new facility will meet standards established by SB 1953<sup>2</sup> which mandated that all acute care hospitals in California become compliant with state seismic safety standards by 2030. According to the Medical Center, upgrading the current facility would be costly and have a limited lifespan since the overall facility does not meet the seismic standards required by 2030. Approximately 21% of the Medical Center's net revenue comes from Medi-Cal.

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

In the current NICU, a single main room is licensed for up to 40 beds. It was most recently modernized in 1986. A 9-bed unit was added in 2008 but, as renovation of existing space, it had to be located on a separate floor. The new NICU will have approximately 30,000 usable square feet, which will be four times larger than the current space. It will have pods that will contain up to six beds. The pods will have sliding dividers to provide privacy for the families. The new NICU will also have six private rooms to be used for infection control. Each bed in the unit will include a "smartwall," a technology connection center for monitoring, telemetry, and clinical documentation. (The current practice is to bring computers into already highly constrained patient care areas.) The new facility will have a dedicated MRI for the NICU and it will be on the same floor, compared to the Hillcrest hospital which has a general-use MRI that requires the neonates to be transported to a different floor. The new facility will also have a larger special procedure room dedicated to the NICU to accommodate endoscopies and other procedures that cannot be performed in the current facility.

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

In fiscal year 2010, 51% of the babies discharged from the Medical Center's NICU received under- or uncompensated care. The Medical Center provided approximately \$28.2 million and \$26.1 million in charity care for fiscal years 2009 and 2010, respectively.

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<sup>2</sup> Senate Bill 1953 was an amendment to the Alfred E. Alquist Hospital Seismic Safety Act of 1983 (Alquist Act). SB 1953 (Chapter 740, 1994), is now chaptered into statute in Sections 130000-130070 of the Alquist Act, and is part of the California Health and Safety Code.

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

Between fiscal years 2008 and 2010, NICU days at UCSD increased 2.3% to an average daily census of 34 beds. In addition to NICU inpatient services, UCSD provides services to vulnerable pediatric patients in other venues. For example, the medical service program of the Division of Dysmorphology evaluates children with birth defects and provides related services and education to their families, the Comprehensive Pediatric Tuberculosis Project is a countywide collaborative program to provide tuberculosis medication under supervision of school staff, and UCSD Community Pediatrics provides low- or no-cost healthcare to Native American children at health clinics serving several reservations.

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

The Medical Center annually trains over 50 pediatric residents and over a dozen internal medicine/pediatric residents. On average, upon completion of training, approximately 70% of the trainees remain in and continue their medical practices in California.

The Medical Center's NICU conducts advanced clinical trials for the care of premature infants and has produced significant advances in neonatal nutrition in particular. As a member of the Vermont Oxford Network, the NICU also participates in long-term follow-up studies, epidemiologic and outcomes research, and quality improvement initiatives. Other research conducted at the Medical Center includes brain development, cystic fibrosis and pediatric cancer pathways. According to the Medical Center, having the NICU located on its principal research campus will strategically position it to allow further integration of patient care and research.

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

The earliest phase of construction work, referred to as "make ready projects," will begin April 2011. The central utility plant construction will begin in April 2012. The tower construction will occur in two phases starting June 2012. The first phase will include the new tower's outer shell and build-out of the sub-basement through the third floor, in addition to the seventh floor. The second phase will include construction of the fourth through tenth floors. The NICU will be located on the tenth floor. The anticipated finish date for all of the projects is October 2016.

## Sources and Uses of Funds

	<b>Project</b>
<b>Sources of Funds</b>	
Total CHFFA Grant Requested	\$ 30,000,000
Future CHFFA Grant Request (Proposition 3)	\$ 39,000,000
External Financing	\$ 356,800,000
Gift Funds	\$ 131,000,000
Hospital Reserves	\$ 72,000,000
Capitalized Leases	<u>\$ 35,000,000</u>
Total Sources	<u>\$ 663,800,000</u>
<b>Uses of Funds</b>	
Construct Facilities	\$ 557,015,000
Remodel	\$ 48,785,000
Purchase Equipment	<u>\$ 58,000,000</u>
Total Uses	<u>\$ 663,800,000</u>

### **Legal Review:**

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

### **Staff Recommendation:**

Staff recommends that the Authority approve Resolution No. CHP 2011-01 for the University of California San Diego 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 of 2004.