

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY  
Children’s Hospital Program of 2008 (Proposition 3)**

**Staff Summary  
Resolution No. CHP-3 2012-04  
August 30, 2012**

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

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

**Amounts Requested:** \$39,200,000

Grant #UCSD-01-03

Summary of Grant Amounts	Proposition 61	Proposition 3
Eligible Amount	\$30,000,000	\$39,200,000
less previous awards	(30,000,000)	-
less requested amount	-	(\$39,200,000)
Remaining Amount Eligible (if requested amount is approved)	\$0	\$0

**Description of Applicant:**

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

The Medical Center, under one license issued by the California Department of Public Health, provides acute care services at two hospitals, the 398-bed Hillcrest Hospital in central San Diego and the 173-bed Thornton Hospital and Sulpizio Cardiovascular Center 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. Pediatric services other than the NICU are provided at Rady Children’s Hospital - San Diego under an affiliation agreement between the two hospitals.

The Medical Center’s 2011 audit (year ending June 30) was submitted with the application and is free of “going concern” language.<sup>1</sup>

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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.

## **Project:**

The Medical Center is seeking grant funds 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 constructing a central utility plant<sup>2</sup>. The new tower will include a 52-bed NICU as part of the Hospital for Women and Infants. The Hospital for Women and Infants will also include: a labor, delivery, recovery and postpartum unit; several dedicated operating rooms; a fetal diagnostics center; and a 12-bed newborn nursery. Other local hospitals have NICUs (including Rady Children's Hospital), but UCSD is the only medical center in San Diego to have both a regional NICU and a labor and delivery service in the same facility. The new NICU will replace the now obsolete Hillcrest NICU and, once construction is completed, the Hillcrest NICU will be closed and all Medical Center NICU services will be transferred to the Jacobs Medical Center. The new tower is scheduled to open for patient care in May 2016. This project is also funded in part by a Proposition 61 grant for \$30 million. That grant has been fully disbursed.

## **Proposition 3 Evaluation Factors:**

Staff evaluated the Medical Center's project through review of the application and other submitted materials using the six factors identified in Proposition 3.

*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 tower at the Hillcrest Hospital that presently houses the NICU was built in 1960. The current space is functionally obsolete. The new facility will meet standards established by SB 1953<sup>3</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 safety standards required by 2030.

The new NICU will increase the number of licensed beds for critically ill infants from 49 to 52. In practice, the current NICU is so small that it cannot operate all licensed beds without crowding.

Approximately 53% of babies treated in the Medical Center's NICU were eligible for Medi-Cal or California Children's Services (CCS) in fiscal year 2011. During this time, an additional 4% of the babies treated in the NICU were not covered by insurance at all.

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<sup>2</sup> Central utility plants are important elements of hospital infrastructure, supporting a facility's complex everyday energy production needs and providing a reliable source of power during disasters. Construction of new or replacement hospitals and major expansions typically include new utility plants.

<sup>3</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 2: The grant will contribute toward the improvement of child health care or pediatric patient outcomes:*

The new 52-bed NICU with 30,000 usable square feet will be four times larger than the current space. The NICU's design uses a "pod" concept to allow for integration of family and nursing staff. Each pod will contain up to six beds. Rooms can be combined or separated using sliding glass doors and can also be used for infection control for highly at-risk patients. Most of the beds in the current NICU facility are in one large room, which does not allow this type of flexibility. A 9-bed unit was added in 2008 but, as renovation of existing space, it had to be located on a separate floor. Each bed in the new unit will include a "smart wall," a technology connection center for monitoring, telemetry, and clinical documentation. In the current facility, it has been difficult to squeeze computers into the highly space-constrained patient care area.

The new NICU will have a dedicated MRI on the same floor, compared to the Hillcrest hospital which has a general use MRI that requires neonates to be transported to a different floor. The new facility will include 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:*

The Medical Center was undercompensated or uncompensated for care received by 57% of the babies in fiscal year 2011. The Medical Center provided approximately \$30.7 million and \$26.1 million in charity care for fiscal years 2011 and 2010, respectively.

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

The current year average daily census is running at 33.3 patient days, with individual days running as high as 42 occupied beds. The Medical Center is projecting the average daily census to increase slightly upon the opening of the Jacobs Medical Center to 37.4 patient days, and periodic spikes in the census are expected to continue. In addition to NICU inpatient services, the Medical Center 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 the Medical Center's 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. The largest current research effort is the national SUPPORT Trial (Neonatal Research Network Surfactant Positive Airway Pressure and Pulse Oximetry Randomized Trial) funded by the National Institute of Child Health and Human Development. The study compares two methods of early respiratory support for extremely premature infants to determine the appropriate oxygen levels needed by such infants. The UCSD Neonatal Program is also evaluating early nutritional interventions, and expanding the role of ultrasound of the heart and bowel to assist in the care of very compromised newborn infants. 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,” began in April 2011. The Medical Center tower construction began in January 2012 and will occur in two phases. The first phase includes 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. Though the new NICU will be opened in May 2016, remodeling in the existing Thornton Hospital for support services to the NICU and to other new units will continue for the following ten months. The anticipated finish date for all of the projects is March 2017.

**Sources and Uses of Funds:**

<u>Sources of Funds:</u>		<u>Actual Uses of Funds:</u>	
Prop 3 Request	\$ 39,200,000	Construction	\$ 564,179,000
Applicant Internal Funds	271,900,000	Remodel	50,721,000
Bank Loan	356,800,000	Equipment	<u>83,000,000</u>
Previous Prop 61 Award	<u>30,000,000</u>	<b>Total</b>	<b><u>\$ 697,900,000</u></b>
<b>Total</b>	<b><u>\$ 697,900,000</u></b>		

**Legal Review:**

Although disclosures were made by the applicant, the information disclosed does not appear to detrimentally affect the financial viability or legal integrity of the applicant.

**Staff Recommendation:**

Staff recommends that the Authority approve Resolution No. CHP-3 2012-04 for the University of California, San Diego Medical Center to receive a grant not to exceed \$39,200,000 (less costs of issuance and administrative costs), subject to all requirements of the Children’s Hospital Program of 2008.

**RESOLUTION NO. CHP-3 2012-04**

**A RESOLUTION OF THE CALIFORNIA HEALTH  
FACILITIES FINANCING AUTHORITY APPROVING  
EXECUTION AND DELIVERY OF GRANT FUNDING  
UNDER THE CHILDREN'S HOSPITAL BOND ACT OF 2008  
TO THE UNIVERSITY OF CALIFORNIA, SAN DIEGO MEDICAL CENTER**

WHEREAS, The California Health Facilities Financing Authority (the "Authority"), a public instrumentality of the State of California, is authorized by the Children's Hospital Bond Act of 2008 (Pt. 6.1 (commencing with Section 1179.50), Div. 1, Health and Safety Code; hereafter the "Act") and implementing regulations to award grants from the proceeds of general obligation bonds in an amount not to exceed \$39,200,000 less the bond issuance and administrative costs to the University of California, San Diego Medical Center (the "Grantee") to finance eligible projects; and

WHEREAS, Authority staff reviewed this application against the eligibility requirements of the Act and implementing regulations and, pursuant to the Act and implementing regulations, recommends approval of a grant in an amount not to exceed \$39,200,000 less the bond issuance and administrative costs to the applicant for the eligible project (the "Project") described in the application;

NOW THEREFORE BE IT RESOLVED by the California Health Facilities Financing Authority, as follows:

Section 1. The Authority hereby approves a grant of \$39,200,000 less the bond issuance and administrative costs to the Grantee to complete the Project as described in the Children's Hospital Program Application and Exhibit A to this Resolution (Exhibit A is hereby incorporated by reference) within a project period that ends on September 30, 2018.

Section 2. The Executive Director is hereby authorized for and on behalf of the Authority, to approve any minor, non-material changes in the Project described in the application submitted to the Authority and extend the project period completion date identified in Section 1 as authorized under the Act and implementing regulations. Nothing in this Resolution shall be construed to require the Authority to provide any additional funding, even if more grants are approved than there is available funding. Any notice to the Grantee shall indicate that the Authority shall not be liable to the Grantee in any manner whatsoever should such funding not be completed for any reason whatsoever.

Section 3. The Executive Director is hereby authorized and directed, for and on behalf of the Authority, to draw money from the Children's Hospital Bond Act Fund (2008) not to exceed those amounts approved by the Authority for the Grantee. The Executive Director is further authorized and directed, for and on behalf of the Authority, to execute and deliver to the Grantee any and all documents necessary to complete the transfer of funds that are consistent with the Act and implementing regulations.

Section 4. The Executive Director of the Authority is hereby authorized and directed to do any and all things and to execute and deliver any and all documents which the Executive Director deems necessary or advisable in order to effectuate the purposes of this Resolution and the transactions contemplated hereby.

Section 5. This Resolution expires September 30, 2018.

Date Approved: \_\_\_\_\_

## **EXHIBIT A**

### **PROJECT DESCRIPTION**

The proceeds of the grant will be used by University of California, San Diego Medical Center to reimburse the eligible proportional pediatric costs for renovating Thornton Hospital, construction a 245-bed new tower adjacent to Thornton Hospital, and construction of the central utility plant located at 9440 Medical Center Drive, La Jolla, CA 92093.