

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

**Staff Summary
Resolution No. CHP-3 2012-06
September 27, 2012**

Applicant: Children’s Hospital Central California
9300 Valley Children’s Place
Madera, California 93636
Madera County

Project Site: 9300 Valley Children’s Place
Madera, California 93636
Madera County

Amounts Requested: \$7,777,171

Grant #CHCC-02-03

Summary of Grant Amounts	Proposition 61	Proposition 3
Eligible Amount	\$74,000,000	\$98,000,000
less previous awards	(74,000,000)	(9,506,428)
less requested amount	0	(7,777,171)
Remaining Amount Eligible (if requested amount is approved)	\$0	\$80,716,401

Description of Applicant:

Children’s Hospital Central California (“CHCC” or “the hospital”) is a nonprofit acute care pediatric hospital with a current license from the Department of Public Health. The hospital’s Fiscal Year 2011 (year ending September 30) audit was submitted and is free of “going concern” language.¹

Project:

CHCC is seeking grant funds for reimbursement of previously-incurred costs for the implementation of CHCC’s electronic medical records (EMR) system and for purchase and installation of patient care equipment. The EMR includes software, hardware and capitalized consulting costs. The patient care equipment includes already-installed ventilators, an ultrasound machine, infusion pumps, monitors, a computer assisted surgery navigational system and diagnostic equipment used in the areas of surgery, laboratory, clinics, and radiology.

¹ 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 3 Evaluation Factors:

Staff evaluated CHCC'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 diagnostic and treatment equipment purchased improves access to the only tertiary and specialized health care facility available in California's San Joaquin Valley for children who would otherwise be required to travel over 200 miles to the next nearest children's hospital. For example, the hospital's new computer assisted surgical navigational system allows neurosurgeons to more precisely track surgical instruments in relation to the patient anatomy. The old technology required the patient's head to be pinned into an immobilizing frame and consequently could not be used on very small patients. The new technology has enabled the hospital to perform craniotomies and delicate hematoma evacuations on about 30 children per year under the age of one, each of whom would previously have had to be referred out of the area for treatment.

Another example is CHCC's new ultrasound unit, which increased the number of patients receiving the benefits of this diagnostic tool by 40 patients per week, consequently reducing the waiting time by several days.

The newly purchased flow cytometer is routinely used in the diagnosis of blood cancers, among other uses. The sensitivity of this technology makes it capable of detecting one abnormal cell in 10,000 cells, enabling the hospital to provide testing for minimal residual disease in its patients being treated for leukemia or lymphoma. Before obtaining this cytometer, CHCC sent approximately 30 minimal residual disease tests to the University of Washington monthly for analysis; and having the capability onsite provides timelier test results.

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

CHCC advises that it helps ensure patients receive the best quality care available to them for early diagnosis and treatment by keeping the patient care equipment and diagnostic testing systems current with the latest technologies. Examples of new state-of-the art patient care equipment that has significantly improved outcomes for CHCC patients include: an ultrasound machine, transcutaneous monitors², a surgical navigation system, improved infusion pumps and ventilators.

The new ultrasound machine replaced a 10 year old unit that had outdated technology and limited functionality. The new unit's enhanced technology provides a much clearer and quicker viewable image which can easily be transferred electronically, allowing doctors and care givers to more accurately diagnose and treat patients.

² Transcutaneous monitoring is the measurement of oxygen and carbon dioxide on the skin using a gas-measuring electrode. Such monitoring helps detect and reduce the frequency of complications in critically ill patients.

The hospital's prior transcutaneous monitors were discontinued by the manufacturer, and replacement parts were no longer available. Replacing the older monitors allows doctors to make better informed and timelier decisions regarding patient care.

CHCC's new surgical navigational system enhances the accuracy of surgical procedures particularly on very small children such as neonates, including shunt placement and tumor biopsies without immobilizing the child's head in a frame, more accurate orthopedic pin placement and precise localization for tumor removal.

The new "smart" infusion pumps replaced the hospital's older pain management pumps. The technology of new pumps includes a drug library programmed with delivery settings that can be preset by the pharmacy. Therefore, when a drug name is entered into the pump, the preset parameters are displayed, reducing the risk of programming errors at bedside and increasing patient safety by ensuring the patient's proper medication dose.

The hospital's new ventilators decrease how hard children who are on ventilators have to work to breathe. These new ventilators have a triggered response time that is approximately four times as fast as the older ventilators and provide patients immediate relief.

Since 2008, CHCC has been taking steps to implement an EMR system. In the past two years, that effort has focused on the implementation of its "Advanced Clinical System (ACS)". This system is comprised of physician order entry and inpatient clinical documentation. These tools facilitate concurrent viewing and sharing of patient information among the interdisciplinary care team, while reducing the potential for medication errors and adverse drug effects. The system also allows for a "single source of truth" for care-related information which will result in maximized patient safety and improved outcomes, as well as efficient workflow.

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

CHCC is a certified California Children's Services (CCS) hospital.³ In fiscal year 2011, approximately 55% of CHCC's net patient revenues come from government programs such as Medi-Cal and CCS. The hospital 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 of patients.

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

In fiscal year 2011, CHCC had 13,265 inpatient cases, 69,006 emergency department visits and 125,524 outpatient clinic visits. Medi-Cal benefits covered 69.9% of the inpatient cases and 64.6% of the outpatient visits. The San Joaquin Valley communities served by CHCC are challenged by the state's highest rates of child poverty, including Fresno (39%), Tulare (33%), Kings (33%) and Madera (31%).

³ CCS is a statewide program that arranges, directs, and pays for medical care, equipment, and rehabilitation for children and young adults under 21 years of age who have eligible medical conditions and whose families are unable to pay for all or part of their care.

The hospital's extensive range of subspecialties provides families with access to pediatric care in the following areas: cardiology, critical care, emergency medicine, endocrinology, gastroenterology, genetics, hematology, immunology, infectious disease, metabolics, neonatology, nephrology, neurology, oncology, orthopedics, pulmonology, rehabilitation, rheumatology, surgery and urology.

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

CHCC is affiliated with the University of California, San Francisco (UCSF) Medical School Residency Program and its doctors are faculty for the pediatric resident training at CHCC. Additionally, CHCC provides a postgraduate pediatric pharmacy residency program and a fellowship program in critical care pediatric clinical pharmacy. The hospital's nursing education program features a neonatal outreach education program for the region's healthcare providers.

CHCC is engaged in more than 200 research projects, including over 100 oncology clinical studies. In addition to research efforts aimed at developing investigational devices used in cardiac and orthopaedic surgery, CHCC is conducting a retrospective chart review and developing a database to study pediatric valley fever, a flu-like and potentially deadly illness endemic to California's Central Valley caused by inhaling airborne spores of a dirt dwelling fungus.

Factor 6: Demonstration of project readiness and project feasibility:

All of the equipment has been purchased and installed. The hospital acquired the patient care equipment between October 1, 2009 and January 31, 2012 and it is all in service delivering care to CHCC patients. CHCC purchased consulting, hardware and software related to the second phase of the hospital's EMR system, the electronic patient record system, between February 1, 2008 and January 31, 2012. The electronic patient record system has been in use since October 2009.

Sources and Uses of Funds:

<u>Sources of Funds:</u>		<u>Uses of Funds:</u>	
Prop 3 Request	\$ 7,777,171	Equipment	\$ 9,362,306
Applicant Internal Funds	988,592	Remodel	17,434
Donations	613,977	Total	<u>\$ 9,379,740</u>
Total	<u>\$ 9,379,740</u>		

Legal Review:

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

Staff Recommendation:

Staff recommends that the Authority approve Resolution No. CHP-3 2012-06 for Children's Hospital Central California to provide a grant not to exceed \$7,777,171 (less costs of issuance and administrative costs) subject to all requirements of the Children's Hospital Program of 2008.

RESOLUTION NO. CHP-3 2012-06

**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 CHILDREN'S HOSPITAL CENTRAL CALIFORNIA**

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 \$98,000,000 less the bond issuance and administrative costs to the Children's Hospital Central California 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 implementing regulations, recommends approval of a grant in an amount not to exceed \$7,777,171 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 \$7,777,171 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, 2013.

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 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, 2013.

Date Approved: _____

EXHIBIT A

PROJECT DESCRIPTION

The proceeds of the grant will be used by the Children's Hospital Central California for reimbursement of previously-incurred costs for the implementation of CHCC's electronic medical records (EMR) system and for purchase and installation of patient care equipment. The EMR includes software, hardware and capitalized consulting costs. The patient care equipment includes already-installed ventilators, an ultrasound machine, infusion pumps, monitors, a computer assisted surgery navigational system and diagnostic equipment used in the areas of surgery, laboratory, clinics, and radiology at 9300 Valley Children's Place, Madera, California 93636.