

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

**Staff Summary  
Resolution No. CHP-3 2017-01  
February 23, 2017**

**Applicant:** Rady Children’s Hospital - San Diego #CHSD-07-03  
3020 Children’s Way  
San Diego, California 92123-4282  
San Diego County

**Project Sites:** Same as above

**Amount Requested: \$5,379,082**

<b>Summary of Grant Amounts</b>	<b>Proposition 61</b>	<b>Proposition 3</b>
Eligible Amount	\$74,000,000	\$98,000,000
less previous awards	(74,000,000)	(72,580,037)
less requested amount	0	(5,379,082)
<b>Remaining Amount Eligible</b>	<b>\$0</b>	<b>\$20,487,158</b>

**Description of Applicant:**

Rady Children’s Hospital - San Diego (“RCHSD” or the “hospital”) is a nonprofit general acute care hospital with a current license from the California Department of Public Health. The hospital’s fiscal year 2015-16 audited financial statements were submitted and are free of “going concern” language.<sup>1</sup>

**Project:**

RCHSD is seeking grant funds to reimburse the cost of medical equipment. A list of equipment purchased was included with the application. Equipment items purchased include replacements, additions and enhancements for several departments of the hospital for a variety of purposes including: Neonatal Intensive Care Unit equipment (Xltek Video Electroencephalogram “EEG” bedside monitors), infusion delivery equipment (Alaris Medley Infusion Delivery System), radiology diagnostic imaging equipment (Canon Wireless Digital Radiography System) and surgical services equipment (Visualase Laser).

---

<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 3 Evaluation Factors:**

Based on the review of the application and other submitted materials, staff evaluated RCHSD's project 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:*

RCHSD is the sole pediatric hospital and trauma center for San Diego and Imperial Counties. RCHSD provides medically necessary care to patients regardless of their ability to pay. Over half of the hospital's patients do not have private health insurance, and most patients are covered by Medi-Cal.

Upgrading equipment improves access to care by allowing more children to be screened, evaluated, or treated at one time. It allows for expansion of services as the need arises and population increases. With additional equipment, wait times and waiting lists can be reduced, thus expanding the number of children that can be seen on a timely basis. Examples of purchased equipment are described below.

#### Neonatal Intensive Care Unit ("NICU") Equipment

RCHSD has expanded access by purchasing additional NICU bedside monitors (Xltek Video Electroencephalogram "EEG"<sup>2</sup> bedside monitors) for the hospital's cardiac unit. These monitors were needed due to an increase in demand for utilization within the cardiac unit. This demand had gone unmet until the purchase of the additional equipment. The hospital expects that the new equipment will provide access to video EEG studies to at least an additional 165 children in 2017. At least 36 of those children are expected to be neonates who have seizures after cardiac surgery.

#### Infusion Delivery Equipment

RCHSD has expanded access to health care by purchasing additional infusion delivery equipment (Alaris Medley Infusion Delivery System), which consists of 15 central units, 50 Intravenous (IV) pumps and 30 syringe pumps. According to the hospital, the additional equipment has allowed additional patients to be served, and it ensures enough infusion equipment is available to meet the needs of the hospital's growing patient population. Over the past three years, RCHSD has seen an increase of approximately 45,000 patients.

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

Updated equipment contributes to the improvement of children's health care and pediatric outcomes by reducing medical risks and providing life-changing procedures allowed by the employment of the latest medical technology.

---

<sup>2</sup> Electroencephalogram is the measurement of the electrical activity of the brain measured from an array of electrodes on the scalp.

## Radiology Diagnostic Imaging Equipment

The radiology imaging unit purchased a Canon Wireless Digital Radiography System, which is a newer technology upgrade for the main radiology room. It has several advantages including an increased capacity to do bone scans and the ability to be used in more than one procedure room. An example of how this state-of-the-art equipment improves health care outcomes is that compared to older versions, this technology reduces the radiation dosage to patients by 50 percent. A reduction in radiation reduces the risk of side effects from treatment. Also, this system allows for accelerated exams and digital image viewing and storage.

## Surgical Services Equipment

The Visualase Laser (the “laser”) is new technology to RCHSD. The laser works with the hospital’s Robotic Surgical Assistant (“ROSA”), which aids neurosurgeons in the performance of complex surgeries. The laser supports ROSA in RCHSD’s epilepsy surgery program. For those children and teens with intractable seizures, surgeons are able to place an electrode and watch it for 24-48 hours to map the brain and determine where seizures are coming from. Using the laser, the surgeon is able to destroy the neuropathway and disrupt the opportunity for the seizure to go from one part of the brain to another. According to the hospital, the effectiveness of the procedure is permanent and life changing. A teenager, for example, who has suffered from severe intractable seizures their entire life can, after the one-time procedure, go on to drive a car and go to college. The hospital has gone from only being able to provide medication to patients suffering from seizures, to being able to completely eliminate them. To date, RCHSD has employed the laser approximately once a month.

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

In the 2016 fiscal year, RCHSD provided approximately \$373 million in Medi-Cal shortfall (before being offset with Hospital Provider Fees<sup>3</sup>) and \$2.7 million in charity care. At RCHSD, financial counselors are available to assist patients/guarantors to consider seeking coverage from public and private payment programs. Medi-Cal eligibility counselors are available on-site to assist families and financial counselors coordinate with Healthy Families and California Children Services (CCS) enrollment programs. These services are provided in multiple languages.

---

<sup>3</sup> Hospital Provider Fee Program: program was established in 2009 and imposed a provider fee, which is match with federal funding, on certain California general acute care hospitals to provide funding for supplemental payments to hospitals that serve Medi-Cal and uninsured patients.

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

RCHSD is the sole pediatric hospital and trauma center for San Diego and Imperial Counties. RCHSD provides medically necessary care to patients regardless of their ability to pay. Over half of the hospital’s patients do not have private health insurance, and most patients are covered by Medi-Cal. Moreover, RCHSD treats 91% of all hospitalized children in the San Diego region and provides inpatient and outpatient care to an increasing number of children each year, going from approximately 155,000 in 2013 to 219,000 in 2016. RCHSD has a Charity Care Financial Assistance Program to provide partial or full charity care based on guarantor’s ability to pay, as defined by the Federal Poverty Income guidelines.

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

RCHSD serves as the training site for over 300 pediatric family practice and specialty residents from five major residency programs in San Diego – University of California San Diego (“UCSD”) Medical School, Scripps-Chula Vista, Scripps-Mercy, Naval Medical Center San Diego and Naval Hospital Camp Pendleton Naval Medical Center. Several departments at RCHSD also support post-graduate fellowships, which include civilian doctors as well as U.S. Navy and U.S. Air Force medical officers.

RCHSD participates in clinical research to identify new solutions to treat childhood illness and conditions and promote child health. As of Fiscal Year 2015-2016, more than 140 investigators at RCHSD in conjunction with UCSD are participating in 609 active research studies including investigations of new drugs, devices and technics in a variety of pediatric areas with the goal of improving the care of children.

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

RCHSD purchased and acquired medical equipment between December 2015 and November 2016 and all of the equipment has been put into service.

<b><u>Sources of Funds:</u></b>		<b><u>Actual Uses of Funds:</u></b>	
Grant Request	<u>\$ 5,379,082</u>	Equipment	<u>\$ 5,379,082</u>
<b>Total</b>	<b><u>\$ 5,379,082</u></b>	<b>Total</b>	<b><u>\$ 5,379,082</u></b>

**Legal Review:**

The applicant properly completed and submitted relevant documentation for the Authority’s Legal Status Questionnaire.

**Staff Recommendation:**

Staff recommends the Authority approve Resolution No. CHP-3 2017-01 for Rady Children’s Hospital – San Diego to provide a grant not to exceed \$5,379,082 (less issuance and administrative costs) and subject to all requirements of the Children’s Hospital Program of 2008.

**RESOLUTION NO. CHP-3 2017-01**

**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 RADY CHILDREN'S HOSPITAL – SAN DIEGO**

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 Rady Children’s Hospital – San Diego (“Grantee”) to finance eligible projects; and

WHEREAS, Authority staff reviewed the Grantee’s 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 \$5,379,082 less the bond issuance and administrative costs to the Grantee 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 \$5,379,082 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 March 31, 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 March 31, 2018

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

## **EXHIBIT A**

### **PROJECT DESCRIPTION**

The proceeds of the grant will be used by Rady Children's Hospital – San Diego to reimburse the costs associated with purchase of medical equipment. A list of equipment purchased was included with the application. Equipment items purchased include replacements, additions and enhancements for several departments of the hospital for a variety of purposes.