California Health Facilities Financing Authority (“CHFFA”)
The Children’s Hospital Program of 2018
Frequently Asked Questions (FAQ)
(December 2019)

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General Information

1. What is the difference between a Children's Hospital and an Eligible Hospital?

An Eligible Hospital is defined in law, Health and Safety Code Section 1179.86, subdivision (c), and in Section 7000, subdivision (l) of the regulations as follows:

“A hospital that provides pediatric services to children eligible for the California Children’s Services program that is either (1) a public hospital as defined in Welfare and Institutions Code Section 14105.98(a)(25), or (2) a general acute care hospital licensed pursuant to Health and Safety Code Section 1250 that is, or is an operating entity of, a California nonprofit corporation.”

(Excerpt from The Children’s Hospital Program of 2018 regulations as contained in Title 4, Division 10.)

There are approximately 160 hospitals within California that meet this definition and, therefore, may be eligible to apply for Grant funds.

Children’s Hospitals refer to the same entities that were eligible to receive Grant funds under the Children’s Hospital Programs of 2004 and 2008. Children’s Hospitals are defined in Health and Safety Code Section 1179.82, subdivisions (b)(1) and (b)(2) and in Section 7000, subdivision (h) of the Children’s Hospital Program of 2018 regulations. There are five University of California Children’s Hospitals and eight Non University of California Children’s Hospitals.
2. **What is the typical length of time set by CHFFA for a Grant Period?**

There is no “typical” length of time for a Grant Period. Grant Periods can range from one year up to four, five and even six years, depending on the Project. Projects that involve the purchase and/or installation of equipment will have a shorter Grant Period than those Projects involving renovation or remodeling of an existing building. The breadth of activities, approvals and permits involved in renovation or remodeling are taken into account by CHFFA when determining the length of the Grant Period.

3. **Can a Children’s Hospital and a district hospital apply jointly for funding if the Children’s Hospital is contracted to provide care to the Neonatal Intensive Care Unit (“NICU”) patients?**

A Children’s Hospital and an Eligible Hospital may not apply jointly. The only entities that may apply jointly are Children’s Hospitals as defined in Health and Safety Code section 1179.82, subdivision (b), and they may only apply jointly with another Children’s Hospital. (Please refer to Section 7001 of the Regulations for the entities eligible to apply for a Grant.)

4. **Is there a maximum Grant amount for which a Children’s Hospital or an Eligible Hospital may apply?**

Yes. The following maximum Grant amounts apply until June 30, 2033.

<table>
<thead>
<tr>
<th>Type of Hospital</th>
<th>Maximum Grant Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligible Hospitals</td>
<td>$15 million less Costs of Issuance and Administrative Costs</td>
</tr>
<tr>
<td>University of California Children’s Hospitals</td>
<td>$54 million less Costs of Issuance and Administrative Costs</td>
</tr>
<tr>
<td>Non University of California Children’s Hospitals</td>
<td>$135 million less Costs of Issuance and Administrative Costs</td>
</tr>
</tbody>
</table>

5. **Can hospitals meeting the eligibility requirements receive more than one Grant?**

The ability to apply for and receive more than one Grant is dependent on the type of hospital making application.

**Eligible Hospitals**

Due to the limited amount of Grant funds available to Eligible Hospitals and the number of Eligible Hospitals that may apply for Grant funds, Eligible Hospitals are limited to a single Grant award. (Please see Section 7003.1, subdivision (b) of the regulations.)
Children’s Hospitals

Hospitals defined as Children’s Hospitals may apply for and receive multiple grants as long as the individual hospital does not exceed the maximum amount of Grant funds allowed. A Children’s Hospital that applies jointly with another Children’s Hospital may receive grant funds in excess of its maximum when another Children’s Hospital allows it to be the Lead Grantee on a joint Project and allocates a portion or the total of its available Grant funds to the Lead Grantee.

6. Will there be Subsequent Funding Rounds for Children’s Hospitals and Eligible Hospitals?

Eligible Hospitals. The deadline date for Applications for Grant funds for Eligible Hospitals is 5:00 p.m. (Pacific Time) on March 30, 2020. Applications must be received by CHFFA as of that date and time. No Applications will be accepted after that date and time. If Grant funds remain available after this initial Funding Round, the deadline for a Subsequent Funding Round will be posted on the Authority’s website at https://www.treasurer.ca.gov/chffa.

Children’s Hospitals may apply for their maximum Grant amount until June 30, 2033, at which time the first Funding Round will end. If funds remain for a Subsequent Funding Round, CHFFA will establish a process for determining maximum Grant amounts, and develop a Grant Application for Children’s Hospitals and regulations, no later than July 1, 2033.

7. What is the age limit to be considered as “pediatric patients” for the Children’s Hospital Program?

For purposes of the Children’s Hospital Program, the age range for pediatric patients is from birth to age 18. There is an exception to the age limit for patients up to age 21 if they are receiving treatment for a California Children’s Services (“CCS”) eligible condition. (Please see the definition of Pediatric Services, Section 7000, subdivision (gg).)

Application

1. How do Applicants obtain an Application to apply for Grant funds?

Applications are available at the CHFFA website:

https://www.treasurer.ca.gov/chffa/hospital.asp

There are two distinct Grant Applications to request Grant funds under the Children’s Hospital Program of 2018. The Grant Application for Eligible Hospitals is Form No. CHFFA 10 CHP18-EH (10/2019). The Grant Application for Children’s Hospitals is Form No. CHFFA 10 CHP18-CH (10/2019). Requests for Grant funds submitted on the wrong Application form will not be processed and will be returned.
2. **Is there a page limit for the narrative portion of the Application?**

   **Eligible Hospitals**

   The narrative portion of the Grant Application for Eligible Hospitals is limited to 30 pages in 12 point font such as Arial or Times New Roman, with one inch margins.

   **Children’s Hospitals**

   There is no page limit for the narrative portion of the Grant Application for Children’s Hospitals.

3. **How many copies of the Application are to be submitted to CHFFA?**

   The number of copies of the Application to be submitted to CHFFA is two (an original and one copy) for both Eligible Hospitals and Children’s Hospitals. Please refer to page (i) of the applicable Application for Application Submission Instructions.

4. **May an Eligible Hospital submit an Application if its audited financial statements are rolled up into its parent company’s audited financial statements that have been audited by a reputable third party audit firm?**

   Yes, as long as the Eligible Hospital is an operating entity under the parent company, the Eligible Hospital may submit an Application. “Audited Financial Statements” is defined in Section 7000, subdivision (e) of the regulations as “an examination and report of the financial activities of the Applicant or the California nonprofit corporation of which the Applicant is an operating entity…”

5. **When does the application process begin?**

   The application process (period) differs between a Children’s Hospital and an Eligible Hospital.

   **Eligible Hospital Application Process.** Applications for Eligible Hospitals (Please see Section 7000, subdivision (l) for definition of “Eligible Hospital”) may be submitted at any time until the deadline of the first Funding Round, which is 5:00 p.m. (Pacific Time) on March 30, 2020. However, as the Grant funds for Eligible Hospitals is allocated on a competitive basis, CHFFA will not begin reviewing Applications until after the deadline date. Note: Applications for Grant funds must be received by CHFFA no later than 5:00 p.m. (Pacific Time) on March 30, 2020. Applications received after this day and time will not be processed and will be returned.

   **Children’s Hospital Application Process.** Applications from Children’s Hospitals are now being accepted on an on-going basis and are due the first business day of each month with the following exceptions:

   - (1) For October, Applications are due on October 7.
   - (2) Applications are not accepted in November.
6. Do Eligible Hospital Applicants have a better chance of receiving a grant award if the Application is submitted before other applicants? When will CHFFA start receiving Applications?

Eligible Hospitals may submit an Application at any time until the deadline date for the first Funding Round which is 5:00 p.m. (Pacific Time) on March 30, 2020. The process for review and scoring of Applications will begin after that date. Applications will be reviewed and scored by Authority staff according to the Evaluation Criteria, Section 7007.1 of the regulations, and will be ranked on the final score assigned, from the highest to the lowest. This competitive process for the awarding of Grant funds is necessary due to the number of hospitals eligible to apply for Grant funds and the limited amount of Grant funds available.

7. How long will it take to notify an Applicant that the grant was awarded?

Eligible Hospitals - Applications will not be scored until the close of the first Funding Round, which ends at 5:00 p.m. (Pacific Time) on March 30, 2020. The reviewing and scoring of Applications will be completed within 60 days of the March 30 deadline. Once scores are finalized, Eligible Hospitals that will be recommended to receive Grant funds will be notified prior to the public meeting at which the CHFFA Board will determine Final Allocations/Awards.

Children’s Hospitals - Applications are required by regulation (Please see Section 7006, subdivision (a)) to be reviewed by Authority staff within 60 days from receipt. However, the actual approval of the request for Grant funds may only be given at the regularly scheduled CHFFA Board meetings, which are held monthly except for the month of November.

8. Is there a required timeframe between the approval of a Final Allocation and release of Grant funds?

Specific information and documents are to be provided to CHFFA staff before Grant funds may be released. Please refer to the appropriate regulation section as follows:

   (a) Eligible Hospital, Section 7013.1
   (b) Non University of California Children’s Hospital, Section 7013
   (c) University of California Children’s Hospital, Section 7013.2
9. The Grant Application for Eligible Hospitals requires in Section C, Project Description, Questions #2 (A)(i)(a) and (B)(i)(a), for Eligible Hospitals to provide statistics for “Uncompensated Care Costs”, “Percent of Uncompensated Care Costs”, and “Gross Patient Revenue”. Please provide more specifics on where this information can be obtained.

Eligible Hospital Applicants can compute the required information from the annual Hospital Disclosure Report provided to OSHPD. However, the easiest and most expedient way to obtain this information is from the OSHPD website itself. OSHPD extracts information from the hospital’s annual Hospital Disclosure Report and formats the information as shown in the Application.

These statistics can be found at OSHPD’s webpage at: https://data.chhs.ca.gov/dataset/hospital-annual-financial-data-selected-data-pivot-tables by downloading the Excel file named “2018 Pivot Table – Hospital Annual Selected File”. Download the Excel file, and using the drop down box, select your hospital’s name under the Pivot tab, and click Profile tab. The statistic for your hospital will be shown under the Profile tab. The Excel file under the Profile tab will look like the screenshot provided below.
Eligibility

1. **Is an adult hospital with a NICU eligible to apply for Grant funds from the Children’s Hospital Program of 2018 to expand their NICU?**

An adult hospital is eligible to apply for funding for its NICU if it has “full approval” as a CCS hospital by the Department of Health Care Services. Application for Grant funds is limited to hospitals defined as Eligible Hospitals that provide pediatric services to children eligible for the CCS program. (Please see Section 7000, subdivision (l) for the definition of an Eligible Hospital and Section 7001 of the regulations for eligibility requirements.)

2. **Is a district hospital eligible to apply for Grant funds from the Children’s Hospital Program of 2018?**

A district hospital is eligible to apply for Grant funds from the Children’s Hospital Program of 2018 if it has been granted “full approval” as a CCS hospital by the Department of Health Care Services. (See Section 7001, subdivision (a)(3)(A)). Public hospitals as defined in Welfare and Institutions Code Section 14105.98(a)(25) that provide pediatric services to children eligible for the CCS program may apply for Grant funds. For purposes of the Children’s Hospital Program of 2018, both district hospitals and public hospitals are referred to as Eligible Hospitals in the regulations.

3. **Is a copy of the CCS approval letter of the California nonprofit of which the Eligible Hospital is an operating entity acceptable?**

No. The governing statute, Section 1179.86 of the Health and Safety Code requires that hospitals applying for Grant funds shall provide pediatric services to children eligible for the CCS program. Therefore, in order to serve children eligible for the CCS program, the Eligible Hospital must have “full approval” as a CCS hospital from the Department of Health Care Services.

4. **What documentation is required to meet the eligibility requirement for construction or renovation Projects?**

For construction or renovation Projects, the Applicant or the California nonprofit corporation of which the Applicant is an operating entity shall provide evidence of ownership of the property or a lease agreement showing that the Applicant or the California nonprofit corporation of which the Applicant is an operating entity is a lessee. (Please see Section 7014 for the requirements for such a lease agreement.)
Eligible Project Expenditures

1. Are there restrictions on the use of Grant funds?

Yes. The law governing the Children’s Hospital Program of 2018, distinguishes between the Children’s Hospitals and the Eligible Hospitals in terms of how the Grant funds may be used.

Eligible Hospitals. The use of Grant funds by Eligible Hospitals is specified in Health and Safety Code Section 1179.86, subdivision (c) that states, in part, “The funds shall be used solely for constructing, expanding, remodeling, renovating, furnishing, or equipping the pediatric program of an eligible hospital.”

Children’s Hospitals. The use of Grant funds by Children’s Hospitals is governed by Health and Safety Code Section 1179.82, subdivision (g) that states, in part that a Project means, “constructing, expanding, remodeling, renovating, furnishing, equipping, financing, or refinancing of a children’s hospital to be financed or refinanced with funds provided in whole or in part...” (Emphasis added)

As written, the term “financing, or refinancing” is interpreted to allow the Children’s Hospitals to use Grant funds to purchase property. This language is excluded from the description of how Grant funds may be used by Eligible Hospitals; therefore, Eligible Hospitals may not use Grant funds to purchase property.

2. Are there specific timeframes for the claiming of Project expenditures?

Yes. The law makes a distinction between the Eligible Hospitals and the Children’s Hospitals for the time period in which the Grant funds may be used.

Eligible Hospitals. Eligible Hospitals may only claim Grant funds as an advance or reimbursement of eligible expenditures incurred during the Grant Period of an approved Project. Expenditures incurred prior to receiving a grant award by the Authority are not eligible for Grant funds. (Please see Section 7000, subdivision (u) of the regulations for the definition of a “Grant Period.”)

Children’s Hospitals. The law provides that both University of California and Non University of California Children’s Hospitals may claim reimbursement for the expenditures of “constructing, expanding, remodeling, renovating, furnishing, equipping, financing, or refinancing of a children’s hospital where these expenditures are incurred after January 1, 2018.” (Please see Section 1179.82, subdivision (g) of Health and Safety Code) Non University of California Children’s Hospitals may request Grant funds as an advance for upcoming eligible expenditures or as a reimbursement for an approved Project. However, due to federal tax laws, University of California Children’s Hospitals may not request nor receive Grant funds in advance. University of California Children’s Hospitals only may request Grant funds as a reimbursement of eligible expenditures for an approved Project.
3. **Is fetal innovative equipment an eligible expenditure?**

No. Fetal innovative equipment, such as wireless fetal monitoring, which is solely for the monitoring of the fetus, is not an eligible expenditure. The Grant program only allows funding for equipment for children after birth.

4. **Are Labor and Delivery upgrades and Maternity Unit upgrades eligible expenditures?**

Typically, Labor and Delivery and Maternity Unit expenditures are ineligible as any expenditures related to the care of the mother are not eligible. However, expenditures for dedicated space for the care of a newborn who may need immediate attention, may be an eligible expenditure. Please contact CHFFA for assistance in determining the eligibility of specific expenditures.

5. **Can Grant funds be used for Project expenditures to construct, expand, remodel, furnish, etc. the pediatric program of one of the hospital’s clinics?**

Yes, as long as the clinic is under an Eligible Hospital’s or Children’s Hospital’s license.

6. **Please provide some criteria for determining if expenditures are eligible or ineligible for payment with Grant funds?**

Grant funds must be used for capital expenditures/assets. Thus, Project expenditures must be capitalized in accordance with Generally Accepted Accounting Principles (“GAAP”) to be considered eligible. Project expenditures that are categorized as operating expenses under GAAP and/or items that are disposable are ineligible for payment with Grant funds. Examples of ineligible expenditures include, but are not limited to, office supplies, travel, mileage, coffeemakers, etc. Additionally, the Project must contribute towards expansion or improvement of health care access, and contribute towards improvement of children’s health care or pediatric patient outcomes. Examples of ineligible expenditures include, but are not limited to, landscaping, healing gardens, art, parking lots/garages, playgrounds, donor appreciation signage, etc.

If in doubt, please contact CHFFA for assistance in determining the eligibility of specific expenditures.
Evaluation Criteria

1. Please elaborate on the “readiness and feasibility” portion of the Evaluation Criteria for Eligible Hospitals. Is an Applicant required to have building permits, architect, design, engineering contracts, etc. before knowing if they will get the Grant? Can you provide a scenario to help understand how “feasibility and readiness” works? It appears that an Eligible Hospital should have the above referenced documents at time of Application submission.

Eligible Hospitals applying for Grant funds do not have to be working with OSHPD or have the architecture and engineering contracts signed before they know whether they will get a Grant award. However, Applicants that have done this preliminary work and whose projects are determined “ready and feasible” will score higher, based on the fact that the projects are “shovel ready”. Section 7007.1, subdivision (c)(2)(B)(i) requires Applicants (Eligible Hospitals) with a Project that isn’t ready and feasible, to provide a detailed statement explaining the status of obtaining the necessary documentation within 12 months of Final Allocation/Award.

EXAMPLE: An Eligible Hospital may have completed a feasibility study and is ready to pursue a construction project but still needs to hire an architect, engineering and construction company. If these activities have not been completed at the time of application, the Applicant shall, as specified in regulation, provide a detailed statement explaining the status of obtaining the missing items within 12 months of Final Allocation.

2. The Evaluation Criteria for Project readiness and feasibility (Section 7007, subdivision (c), and Section 7007.1, subdivision (c)), requests documentation such as “architect, design, engineering and construction contracts, if available.” If this documentation is not currently available, will the Evaluation Criteria score be affected?

The purpose of this portion of the Evaluation Criteria is to determine how “ready and feasible” is the Project. Those Applications that provide the necessary documentation for the proposed Project or a timeline that details the status of obtaining the necessary documentation, will score higher than an Application for which no preliminary preparation has been done. Remember, this portion of the Evaluation Criteria focuses on “How well the Applicant demonstrates Project readiness and feasibility”. (Also, see Question 1 and Response)

3. Why is the Evaluation Criteria for the Eligible Hospitals more extensive than that required for the Children’s Hospitals?

As noted, the Evaluation Criteria for the Eligible Hospitals is more extensive than for the Children’s Hospitals. The reason for the distinction is that the Grant funds allocated for the Children’s Hospitals is specified in law as 18 percent of the total funds allocated to the five University Children’s Hospitals and 72 percent of the total funds allocated to the eight Non University Children’s Hospitals. In contrast, ten percent of the Grant funds are allocated to the hospitals defined as “Eligible Hospitals,” of which there are approximately 160 such hospitals. As 160 Eligible Hospitals may potentially be competing for a limited amount of Grant funds, the process for the awarding of the funds is competitive, and the Eligible Hospitals’ Evaluation
Criteria is weighted and Grant awards made based on the highest to the lowest scores. Therefore, the Authority requires more information from the Eligible Hospitals for evaluation and scoring purposes. (Please see Section 7000, subdivision (l) for the definition of an Eligible Hospital and Section 7007.1 of the regulations for the evaluation criteria for Eligible Hospitals and the points allocated to each subsection of the criteria.)

4. The Evaluation Criteria for Eligible Hospitals in Section 7007.1, subdivision (b)(3)(A)(iv) requires a description of “How the Applicant promotes the Pediatric Teaching Program(s) or Pediatric Research Program(s) and, if applicable, how the Project improves or sustains the Pediatric Teaching Program(s) or Pediatric Research Program(s).” Does this mean that Applicants may address either how the Programs are promoted or how the Project will improve or sustain the Programs?

The statute, Health and Safety Code Section 1179.87, subdivision (a)(5), lists as one of the factors to consider when awarding a Grant, “The children’s hospital promotes pediatric teaching or research programs.” (Emphasis added) All Applicants (both Children’s Hospitals and Eligible Hospitals) are required to address how the hospital promotes the pediatric teaching or research programs. In addition, if the proposed Project will improve or sustain the Pediatric Teaching and or Research Program, Eligible Hospitals are requested to provide this information as well. To provide clarity, this regulation, Section 7007.1, subdivision (b)(3)(A)(iv), was rewritten as follows:

“How the Applicant promotes the Pediatric Teaching Program(s) or Pediatric Research Program(s) and, if applicable, how the Project improves or sustains the Pediatric Teaching Program(s) or Pediatric Research Program(s).”

5. When is a third-party feasibility study required?

Eligible Hospitals. The third-party feasibility study is required at the time of application, if applicable. The third-party feasibility study is one of two options by which the Applicant may demonstrate that the Project will be able to generate sufficient revenue to support the on-going operation of new or expanded services and/or research programs. The other option is with a funding letter, or other documentation. (Please see Section 7007.1, subdivision (c)(4)(A)(i) and (c)(4)(A)(ii))

If revenues generated by the Project will be insufficient to support on-going operation of new or expanded services and/or research programs, the Applicant’s revenue shall be sufficient to support the on-going operation. (Please see Section 7007.1, subdivision (c)(4)(B).

Children’s Hospitals. Response is the same as that for the Eligible Hospitals stated above. Regulation reference for Children’s Hospitals is Section 7007, subdivision (c)(4).
6. Are there specific qualifications or requirements in terms of the entities that may prepare the third-party feasibility study?

There are no specified regulatory requirements for the third-party entity, however, they should be an independent entity. The entity providing the feasibility study should have the qualifications/expertise to address each of the subject areas of the feasibility study including, but not limited to, the scope of the services to be provided with the new Project, market share/service area demand analysis, etc. (Please see Section 7007, subdivision (c)(4)(A)(i) for Children’s Hospitals; and Section 7007.1, subdivision (c)(4)(A)(i) for Eligible Hospitals)

7. Section 7007.1, Evaluation Criteria for Eligible Hospitals, requires Eligible Hospitals applying for Grant funds to provide information on the percent of pediatric population served who have special health care needs. For purposes of this reporting, what constitutes a “special health care need”?

The CCS is a state program for children and youth with certain diseases or health problems. CCS provides diagnostic and treatment services, medical case management, and physical and occupational therapy services to children under the age of 21 with CCS-eligible medical conditions (aka special health care needs). Medical eligibility criteria are specified in California Code of Regulations, Title 22, Division 2, Subdivision 7, Chapter 3, Article 2, Sections 41415.2 through 41418.9.

An Overview of CCS Medical Eligibility can be found at DCHS’ webpage:

https://www.dhcs.ca.gov/services/ccs/Pages/medicaleligibility.aspx

Release of Funds

1. Upon approval of a Grant, will the funds be disbursed as an advance or as a reimbursement?

Eligible Hospitals. Grant funds may be released to an Eligible Hospital as an advance or as a reimbursement. Only construction/renovation Projects can receive Grant funds as an advance. The required documentation varies depending on the type of expenditure; e.g., equipment purchases, construction Projects, engineering fees, etc. However, Grant funds shall only be disbursed for expenditures incurred during the Grant Period. (Please see Section 7000, subdivision (u) for the definition of “Grant Period” and Section 7013.1, Release of Funds for Eligible Hospitals for specific requirements.)

Children’s Hospitals. The Non University Children’s Hospitals may receive Grant funds as an advance or as reimbursement. However, due to federal tax laws, a University of California Children’s Hospital may not request nor receive Grant funds as an advance. Both Non University of California and University of California Children’s Hospitals may be reimbursed for eligible Project expenditures incurred after January 1, 2018.
2. If a piece of equipment for pediatrics was purchased prior to the approval date of the Grant, would that incurred expenditure be covered with the Grant funds?

The answer depends on whether the equipment purchase was made by an Eligible Hospital or a Children’s Hospital.

**Eligible Hospitals.** The invoice date of equipment purchases is considered the date the expense was incurred; therefore, the invoice date must fall within the Grant Period.

**Children’s Hospitals.** Children’s Hospitals may be reimbursed for eligible Project expenditures incurred after January 1, 2018. Please see the response to Question #1, directly above.