

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
Children's Hospital Program**

**Staff Summary
Resolution CHP No. 2009-03
March 26, 2009**

Applicant: University of California, Irvine Medical Center (Medical Center)
101 The City Drive
Orange, CA 92868
Orange County

Amount Requested: \$30,000,000 **Prior Amount Awarded:** \$0

Description of Applicant:

The Medical Center is a part of the University of California system, which is governed by an independent board composed of 26 members, known as the Board of Regents of the University of California. The Medical Center's 2008 audit (year ending June 30) was submitted with the application and is free of "going concern" language.

Affiliation

The Board of Regents on behalf of the University of California, Irvine, UCI Medical School and the Medical Center entered into an Affiliation Agreement (Agreement) with Children's Hospital of Orange County (CHOC) effective January 1, 2009. The Agreement transfers most of the Medical Center's pediatric services to CHOC. The Medical Center's Neonatal Intensive Care Unit (NICU) was not among the group of services transferred to CHOC.

A significant aspect of the Agreement outlines the Medical Center and CHOC entering into a joint venture agreement to share the revenues and expenses of their respective NICUs. Since the Medical Center is considered a state related entity and CHOC is a private entity, the affiliation potentially triggers a private activity issue under federal tax law. CHFPA staff and Medical Center representatives have had discussions with the State Treasurer's Public Finance Division (PFD) concerning this potential private activity issue and PFD has indicated that holding a TEFRA hearing for the bonds intended to fund this grant will sufficiently address any tax issues that may arise.

Project:

The Medical Center is seeking grant funds as reimbursement for the eligible proportional pediatric costs for constructing a 236-bed replacement hospital, which replaces the main hospital building built in 1960. The new hospital has a 30-bed Neonatal Intensive Care Unit (NICU).

The construction of the building is being done in two phases. The first phase is complete and patients were moved into the new facility earlier this month. The second phase consists of finishing a few floors that were shelled-in with an anticipated completion date of October 2011.

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.

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 new facility is SB 1953 compliant, which mandates that all acute care hospitals in California become compliant with state seismic safety standards by 2030. Additionally, approximately 24% of the Medical Center's net revenue comes from Medi-Cal.

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

The NICU had been running occupancy rates consistently near or at 100%. With the NICU eventually expanding its beds by 50 percent, the Medical Center should be able to minimize or avoid the time patients spend waiting for beds. The larger room space not only brings the NICU into code compliance, but promotes infant stability due to increased natural lighting, the reduction of noise, and increased privacy.

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

The Medical Center provided approximately \$27.5 million and \$21.4 million in charity care for fiscal years 2007 and 2008, respectively

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

The Medical Center's NICU discharges increased from 411 to 467 (13.6%) from Fiscal Year 2006 to Fiscal Year 2008. The Medical Center also has the county's only Level I trauma center and the only American College of Surgeons certified burn center.

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

Under the Agreement, CHOC will serve as the primary educational site. Both parties will integrate their residency programs as soon as possible.

Demonstration of project readiness and project feasibility:

Phase 1 received its Certificate of Final Occupancy on October 29, 2008. Phase 2's anticipated completion date is October 2011.

Sources and Uses of Funds

	Project
Sources of Funds	
Total CHFFA Grant Requested	\$ 30,000,000
Internal and Gift Funds	\$ 74,065,000
Financing	<u>\$ 394,084,000</u>
Total Sources	\$ 498,149,000
 Uses of Funds	
Construct Facilities	\$ 445,328,000
Planning	\$ 34,305,000
Drawings	<u>\$ 18,516,000</u>
Total Uses	\$ 498,149,000

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 a resolution for the University of California Irvine 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.