

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
Children's Hospital Program of 2008

Staff Summary
Resolution No. CHP-3 2010-02
May 27, 2010

Applicant: Children's Hospital Central California (CHCC)
9300 Valley Children's Place
Madera, CA 93636
Madera County

Project Site: Same as above.

Amount Requested: \$9,506,428

Prior Amount Awarded: \$0

Description of Applicant:

CHCC is a 501(c) (3) general acute care hospital with a current license from the Department of Health Services. The Fiscal Year 2009 (year ending September 30) audit was submitted and is free of "going concern" language.¹

Project:

CHCC is seeking grant funds for two projects:

Cardiac Catheterization Laboratory (Cath Lab):	\$3,625,479
Patient care equipment plus installation:	<u>6,383,351</u>
	\$10,008,830
Less donations	<u>(502,402)</u>
	\$ 9,506,428

The current cardiac catheterization laboratory is more than 10 years old and, according to CHCC, is in great need of modernization. CHCC is in the process of building a new laboratory and seeks funding for this purpose, as well as for the reimbursement for equipment already purchased and additional funds to purchase more equipment as discussed more particularly in the remainder of this report.

Proposition 3 Evaluation Factors:

Based on the review of the application and other submitted materials, staff evaluated CHCC's project using the six factors identified in Proposition 3 language.

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

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:

CHCC's primary service area includes ten counties in Central California and encompasses 45,000 square miles. The diagnostic and treatment equipment previously purchased, as well as the equipment CHCC intends to purchase, improves access to the only tertiary and specialized health care available for children who would otherwise be required to travel over 200 miles to the next nearest children's hospital.

For example, the current CT Nuclear medicine camera is over 10 years old and is no longer supported by its manufacturer. The new replacement camera has a dual head which allows the camera to take pictures from two different angles at once. As a result, CHCC anticipates a 20% increase in efficiency, which would mean an additional 20 patients can potentially be seen.

In addition, the acquisition of another MRI will allow CHCC to care for approximately 960 additional patients. Currently, the more than 300 patients on CHCC's waiting list must wait longer than six weeks before they can be scanned.

CHCC reports that another item of equipment, a new blood culture analyzer, will increase capacity by 67%.

The new Catheter Laboratory is replacing a 10 year old laboratory which, according to CHCC, has outlived its usefulness. If the space was not replaced, CHCC contends more than 230 catheter laboratory cases would have to be referred elsewhere, resulting in potentially more than 350 cardiac surgical procedures likely having to be performed in the Bay Area or Southern California.

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

When there is increased access, there is typically an improvement in healthcare outcomes. For example, the new Catheter Laboratory will be able to produce better quality images at a faster rate of speed. Faster images should translate to faster diagnosis with reduced radiation exposure.

By way of another example, the new carbon dioxide analyzers will assist clinicians in adjusting ventilator parameters more effectively. This new capability allows for a one to two day reduction in ventilator days for patients. The reduced number of ventilator days reduces the chance for pneumonia as well as the risk of ventilator-induced lung injury.

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

The CHCC is a certified California Children’s Services (CCS) hospital². Approximately 65% of its net patient revenues come from government programs such as Medi-Cal and CCS. It 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 2009, CHCC had 12,948 inpatient cases, 66,931 emergency department visits and 114,994 outpatient clinic visits. Medi-Cal benefits covered 68% of the inpatient cases and 60.7% of the outpatient visits. CHCC maintains its financial assistance and charity care policies even though the region has chronically high poverty and low philanthropic support.

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

CHCC is affiliated with the University of California, San Francisco Medical School Residency Program and its doctors are faculty for the pediatric residents training at CHCC. CHCC has a long history of clinical research participation and has developed a research institute to implement studies of new pediatric drugs, biological products and medical devices.

Factor 6: Demonstration of project readiness and project feasibility:

Most of the equipment has been purchased by CHCC. The Nuclear Medicine CT is scheduled to be installed and operational by October 2010, with the new MRI anticipated being operational by March 2011. The new Catheter Laboratory was completed in March 2010 and is awaiting final approval from the Office of Statewide Health Planning and Development.

<u>Sources of Funds:</u>		<u>Uses of Funds</u>	
CHFFA	\$9,506,428	Equipment purchases	\$7,231,215
Donations	502,402	Remodel	2,777,615
<u>Total</u>	<u>\$10,008,830</u>	<u>Total</u>	<u>\$10,008,830</u>

Legal Review:

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

Staff Recommendation:

Staff recommends the Authority approve Resolution No. CHP-3 2010-02 to provide a grant not to exceed \$9,506,428 (less issuance and administrative costs), subject to all requirements of the Children’s Hospital Program of 2008.

² 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.