

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

**Staff Summary
Resolution No. CHP-3 2018-01
February 22, 2018**

Applicant: Long Beach Memorial Medical Center
Earl and Loraine Miller Children’s Hospital
2801 Atlantic Avenue
Long Beach, CA 90806
Los Angeles County

#MCH-03-03

Project Site: Same as above

Amount Requested: \$55,396,670

Summary of Grant Amounts	Proposition 3
Eligible Amount	\$98,000,000
less previous awards	(\$42,603,330)
less requested amount	(\$55,396,670)
Remaining Amount Eligible if Requested Amount is Approved	\$0

Description of Applicant:

Earl and Loraine Miller Children’s Hospital (“MCH” or the “Hospital”) is a general acute care hospital operated and maintained under a license from the Department of Public Health by the Long Beach Memorial Medical Center (“LBMCC”). LBMCC is a non-profit 501(c)(3) corporation and is part of the non-profit MemorialCare Health System. The Fiscal Year 2016 (year ending June 30) audited financial statement was submitted and is free of “going concern” language.¹

Project:

Long Beach Memorial Medical Center, Earl and Loraine Miller Children’s Hospital is seeking grant funds to construct, equip, and furnish a new 4-story, 80,000 square foot Children’s Outpatient Medical Office Building (“MOB”) Tower and to renovate the existing children’s hospital building to meet SPC-4D² seismic upgrade requirements.

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.

² SPC -4D is a new Structural Performance Category that is part of the 2016 California Building Standards Code, which allows noncompliant buildings to go past the 2030 seismic compliance deadline.

Construction of a new Children's Outpatient MOB Tower will enable the Hospital to consolidate 28³ separately located outpatient specialty centers into a single location. The completion of seismic renovation requirements in the existing children's hospital building to meet SPC-4D seismic requirements will allow the Hospital to extend the availability of up to 160 acute care beds for seriously ill or injured children beyond 2030.

Proposition 3 Evaluation Factors:

Based on the review of the application and other submitted materials, staff evaluated MCH'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:

Over the past five years, the number of patients in need of pediatric outpatient multispecialty care at MCH has increased at a rate of more than four percent (4%) per year, from 55,000 in FY 2014 to 64,000 in FY 2017. According to MCH, the need for services continues to exceed capacity. MCH conducted a feasibility study that showed growth projections reflecting an average increase of 4.1% in outpatient clinic volumes through 2022, which led to their plans for the development of a Children's Outpatient MOB Tower.

Children's Outpatient MOB Tower Project

Construction of a new 4-story, 80,000 square foot Children's Outpatient MOB Tower will enable the hospital to consolidate 28 separately located outpatient specialty centers into a single location, which according to the Hospital would improve timely access to high quality, multispecialty care. Approximately, 45,000 square feet will be developed initially on the first, second and a portion of the third floors. Constructing, equipping and furnishing of a consolidated Children's Outpatient MOB Tower will expand and improve access to comprehensive, inter-professional, co-managed and coordinated services through increased capacity, improved efficiencies, and advanced clinical and operational systems design and patient flow. The Children's Outpatient MOB Tower will include "shelled" space on the fourth floor to allow for future growth to meet the growing community needs.

SPC-4D Seismic Upgrade to Existing Children's Hospital Building

Renovation of the existing MCH original building for SPC-4D seismic designation will ensure capacity to access 160 acute and critical inpatient beds for children from birth to 21 years of age at MCH will continue beyond 2030 to meet the current and future needs of the growing community.

³ List of the 28 specialty clinics: Cardiology, Craniofacial/Cleft Lip & Palate, Endocrinology, Gastroenterology, Hemophilia, Hematology-Oncology, High Risk Infant Program, Hypertonicity Center, Infectious Disease / Immunologic Disorders including HIV, Metabolic Disorders, Pulmonary / Cystic Fibrosis, NICU, PICU, Rehabilitation, Renal (Dialysis, Urology and Nephrology), Rheumatology, Sickle Cell, SpinaBifida (Spinal birth defect), Pediatric Palliative & Hospice Care, Newborn Hearing Screening, Ear, Nose and Throat Clinic, Food Allergy Clinic, Healthy Tomorrows Project: Youth to Adult Care Transition Project, Neurology, Neurosurgery Clinic, Orthopedic Clinic, Pediatric Surgery Clinic, and Plastic Surgery Clinic.

More than 67% of patients receiving services at MCH are eligible for and participate in government health insurance programs and will benefit from the proposed construction and renovation projects.

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

Children's Outpatient MOB Tower Project

Currently, more than 28 pediatric outpatient specialty centers and clinics serving children and youth with special healthcare needs are scattered across the LBMMC/MCH campus in 10 locations and in 20 individual suites.

The Children's Outpatient MOB Tower Project will bring outpatient specialty services together under one roof facilitating efficiencies in utilization of resources and essential improvements in health care outcomes. Families will no longer need to visit multiple locations to have all of a child's special health care needs met. Space will be designed to manage the current and growing volume of children in need of timely access to services. Integration of services and better co-management between providers in the care of the whole child will improve outcomes.

Standards as developed for Outpatient Centers by the Institute for Patient and Family Centered Care will be incorporated into the architectural design and planning of the Children's Outpatient MOB Tower. The design of the Children's Outpatient MOB Tower will include mechanisms for control of sound, ambient lighting, and other features that have been directly linked with improved patient safety, quality of care, satisfaction, and privacy for children, parents and family members.

SPC-4D Seismic Upgrade to Existing Children's Hospital Building

Compliance with SPC-4D seismic requirements (for the Existing Children's Hospital Building) will ensure timely admission and therapeutic treatment for acute and critical medical management will be maintained through the retention of 160 licensed acute care beds for infants, critically ill children and adolescents beyond 2030.

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

MCH operates under charity care policies that ensure health care free of financial responsibility for patients/families falling at or below the current Federal Poverty Guidelines. In addition, MCH operates under a cash discount policy that assures affordable health care to all children/families above the charity care threshold but who are equal to or below 300% of the Federal Poverty Level.

Another significant direct benefit to residents in the community is the care provided to patients covered under the California Medi-Cal program. Medi-Cal subsidizes, but does not fully cover, the cost of services provided to low-income individuals. MCH treated over 4,400 such cases in fiscal year ("FY") 2017, many for highly complex diagnoses requiring tertiary care at significant cost. The shortfall is made up through operating funds, and is budgeted in the Hospital's annual budget. Medi-Cal, California Children Services ("CCS") and charity patients represent 75% of MCH inpatient days in FY 2017.

In FY 2016, MCH received approximately \$23 million Disproportionate Share Funding from the state and federal governments because the Hospital sees a disproportionate share of the underinsured and uninsured.⁴ By awarding the supplemental funding, the State and Federal governments recognized the extent to which MCHLB continues to provide care to the underinsured and uninsured children in the greater Long Beach area.

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

MCH is a CCS designated tertiary level pediatric care facility and the "safety net" provider for the community's most vulnerable and under-served children. MCH cares for children of all ages, from newborns to adolescents. The current population of children under 18 years of age residing within a 20-mile radius of the hospital from Southern Los Angeles to North Orange County Regions served by MCH has grown to over 3 million children.

MCH provides quality care to all children in need of acute pediatric and specialty care. For FY 2017, MCH had 88,549 outpatient visits, 13,665 inpatient visits, and over 67 percent of patients treated at MCH were enrolled in some form of government sponsored insurance programs (Medi-Cal, CCS, etc.).

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

MCH is a major pediatric teaching hospital for the University of California Irvine ("UCI"), as well as other universities in the region. The Hospital is staffed around the clock with residents and supervising physicians. UCI's pediatric rotation consists of an eight month rotation for the first year residents, a seven month rotation for second year residents, and a six month rotation for third year residents. MCH's educational and research programs keep it at the leading edge in prevention, diagnosis and treatment of illnesses and injuries, and in the enhancement of children's health.

The residency program is accredited by Accreditation Council for Graduate Medical Education (ACGME) and is approved for 90 pediatric residents.

Also, over 163 pediatric studies are currently active, and approximately 40 new studies are submitted for Institutional Review Board approval each year. The major research focus has been in the areas of pediatric oncology, AIDS, pediatric infectious diseases, pediatric pharmacy, critical care and neonatology.

⁴ Disproportionate Share Hospital ("DSH") adjustment payments provide financial help to those hospitals that serve a significantly disproportionate number of low-income patients; eligible hospitals are referred to as DSH hospitals. States receive an annual DSH allotment to cover the costs of DSH hospitals that provide care to low-income patients that are not paid by other payers, such as Medicare, Medicaid, the Children's Health Insurance Program ("CHIP") or other health insurance. This annual allotment is calculated by law and includes requirements to ensure the DSH payments to individual DSH hospitals are not higher than these actual uncompensated costs.

Factor 6: Demonstration of project readiness and project feasibility:

The Hospital's Board of Directors have reviewed and approved implementation of the projects (Children's Outpatient MOB Tower and Seismic upgrade of existing children's hospital building) contingent upon funding through the Children's Hospital Program of 2008. A general conceptual design and site selection for the projects have been completed.

According to the Hospital, the projects (Children's Outpatient MOB Tower and seismic upgrade of existing children's hospital building) will begin in February 2018. The Hospital expects completion of the seismic upgrade of the existing children's hospital building by April 2021 and the Children's Outpatient MOB Tower project by February 2022.

Source of Funds:

CHFFA Grant	\$55,396,670
Internal Funds	<u>\$34,603,330</u>

Use of Funds:

Construction	\$42,718,330
Remodel/Renovate	\$12,580,000
Furnishings/Equipment	\$1,943,566
A&E, Permits, and Related Costs	\$7,752,590
Soft Costs/Contingencies	<u>\$25,005,514</u>

Total **\$90,000,000**

Total **\$90,000,000**

Legal Review:

No information was disclosed to detrimentally affect the financial viability or legal integrity of the applicant.

Staff Recommendation:

Staff recommends the Authority approve Resolution No. CHP-3 2018-01 for Long Beach Memorial Medical Center to provide a grant not to exceed \$55,396,670 (less issuance and administrative costs), subject to all requirements of the Children's Hospital Program of 2008.

RESOLUTION NO. CHP-3 2018-01

**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 THE LONG BEACH MEMORIAL MEDICAL CENTER**

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 Long Beach Memorial Medical Center (“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 \$55,396,670, less 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 \$55,396,670, less 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 February 28, 2023.

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 February 28, 2023

Date Approved: _____

EXHIBIT A

PROJECT DESCRIPTION

The proceeds of the grant will be used by Long Beach Memorial Medical Center, Earl and Loraine Miller Children's Hospital to construct, equip, and furnish a new 4-story, 80,000 square foot Children's Outpatient Medical Office Building ("MOB") Tower and to renovate the existing children's hospital building to meet SPC-4D seismic upgrade requirements.