

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (“CHFFA”)  
 Children’s Hospital Program of 2004 (Proposition 61)  
 Children’s Hospital Program of 2008 (Proposition 3)**

**Staff Summary**

**Resolution No. CHP 2018-04  
 and  
 Resolution No. CHP-3 2018-03**

**May 24, 2018**

**Applicant:** University of California, Davis Medical Center  
 University of California, Davis Children’s Hospital  
 2315 Stockton Boulevard  
 Sacramento, CA 95817  
 Sacramento County

**Project Site:** Same as above

**Amount Requested:**      **Proposition 61:**              \$128,121              Grant # UCD-04  
    **Proposition 3:**              \$20,394,267              Grant # UCD-03-03

Summary of Grant Amounts	Proposition 61 <i>3<sup>rd</sup> Funding Round</i>	Proposition 3
Eligible Amount	\$128,121	\$39,200,000
less previous awards	N/A	(18,805,733)
less requested amount	(128,121)	(20,394,267)
Remaining Amount Eligible (if requested amount is approved)	\$0	\$0

**Description of Applicant:**

The University of California, Davis Medical Center (“UCDMC” or the “Hospital”) is a general acute care hospital licensed by the California Department of Public Health. The Hospital is part of the University of California system, which is governed by the Board of Regents of the University of California. University of California, Davis Children’s Hospital (“UCDCH”) is a 121-bed pediatric hospital that operates within UCDMC.

The Hospital’s fiscal year 2017 audit (year ending June 30) was submitted with the application and is free of “going concern” language.<sup>1</sup>

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<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.

**Project:**

The Hospital is seeking grant funds to reimburse the renovation and equipping of 17,940 square feet of shelled space on the third floor of the Surgery and Emergency Service Pavilion (“Pavilion”) to accommodate the move of the Children’s Surgery Center (“CSC”). The CSC is currently connected to the seismically-deficient North/South Wing of the Main Hospital, and all of the utilities that service the CSC are routed from the North/South Wing. The North/South Wing must be cleared and physically disconnected from the Main Hospital prior to January 1, 2020, which means the CSC must be relocated prior to the disconnection.

The relocation of the CSC will not only meet California seismic mandates, but it will also support and enhance the pediatric surgical services of UCDC. The project will include six state-of-the-art operating rooms complete with integrated operating room (I-OR) technology; a new pediatrics procedure room; 24 pre and post anesthesia care (PACU) beds; and care provider collaboration and work space.

The current estimated budget associated with the project is \$28,400,000. The CSC renovation started in September 2016 and is anticipated to be completed by July 2018 with the first patient day anticipated to be in late September 2018.

**Proposition 3 Evaluation Factors:**

Staff evaluated the hospital’s project through review of the application and other submitted materials using the six factors identified in Proposition 61 and 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.*

The relocation of the CSC and becoming seismically compliant will allow the Hospital to be able to continue serving the children population of Northern California past January 1, 2020. Approximately 59% of pediatric patients receiving services at the hospital participate in a government health insurance programs and will benefit from the proposed construction and renovation project.

With the relocation, there will be an expansion of two new pediatric-focused operating rooms, which will be phased into operation after the existing four operating rooms are relocated and operational. Additionally, the 24 PACU beds and the addition of a pediatric-focused procedure room will allow the Hospital to have additional capacity to be able to better serve the children’s population of Northern California. Additional operating rooms allow for more children to have life-saving surgical procedures expeditiously, makes-way for faster reaction to emergency events dealing with children, and provides for greater flexibility in scheduling to accommodate family dynamics and needs – all of which contribute to better patient outcomes. Pediatric surgical volumes continue to increase while the current facility continues to age. Over the past year, pediatric surgical volumes increased by 2.7%, from 3,373 cases in fiscal year 2016 to 3,466 cases in fiscal year 2017. In fiscal year 2018, it is projected that there will be an increase in volume by 2,261 cases (total 5,727). The anticipated increase is largely attributed to having the additional two operating rooms and one added procedure space coming via the project as well as the CSC moving to 24/7 operations. Fiscal year 2019 would likely see a modest increase of approximately 2-3% based upon historical volumes.

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

Each year approximately 5,000 children undergoing a range of scheduled and emergent procedures are cared for at the CSC, a family-centered environment designed to support children undergoing surgery and their families in order to improve pediatric patient outcomes.

The CSC is currently located within a single level (plus basement) structure, which is attached to the seismically-deficient North/South Wing of the Main Hospital. The facility encompasses four operating rooms, a recovery room and a large reception area and seating for families to wait for the pre-operative process to begin and during and after the child's treatment.

To continue to improve pediatric patient experiences and outcomes, a larger, modern, waiting and reception (located on the 2<sup>nd</sup> floor of the Pavilion) has already been constructed via a separate project. This waiting area, with state-of-the-art lighting, technology enhancement for families and patients who are waiting, and improved seating and play area is situated just below the current project site where the operating rooms on the 3<sup>rd</sup> floor will be located.

The relocation of the CSC project on the 3<sup>rd</sup> floor of the Pavilion will help improve patient outcomes by: (1) allowing for more pediatric patients to undergo critical and life-saving procedures in a timely manner so that the healing and recovery process can begin sooner; (2) allowing for better coordination between care providers during complex procedures by providing space and technology for surgeons to collaborate together and remotely; (3) facilitating more comfortable pre and post anesthesia care by providing more PACU beds so that the nuances of pediatric patients going into (and coming out of) anesthesia can be managed more effectively; and (4) better determining with new, technologically-enhanced surgical facilities if pediatric patients are good candidates for emerging research studies to improve future care for acutely ill and injured children on a national scale.

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

The Hospital is the only Disproportionate Share Hospital (DSH)<sup>2</sup> in Sacramento County. DSH adjustment payments provide financial help to hospitals that serve a significantly disproportionate number of low-income patients to help cover the costs of care to low-income patients that are not paid by other payers, such as Medicare, Medi-Cal, the Children's Health Insurance Program (CHIP) or other health insurance. According to the Hospital, it is the leading safety-net provider for the region's low-income and underserved populations.

According to UCDCMC, it provides more indigent care than any other hospital in the Sacramento region. In 2016, approximately 39% of all patients at the Hospital had indigent payors versus 23% at other local hospitals. In addition, UCDCMC is the eighth largest provider of indigent sponsored hospitalizations in California and the 12<sup>th</sup> largest provider of Medi-Cal in the state (this includes traditional and managed care Medi-Cal, County, and other indigent).

In fiscal year 2016, approximately 59% of UCDCMC's pediatric inpatients were eligible for Medi-Cal and/or programs such as California Children's Services (CCS), Healthy Families and Medi-Cal's Geographic Managed Care program. Additionally, over 166,000 of the outpatient visits were associated with pediatric patients. Of these, 8,919 were seen in the emergency room,

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<sup>2</sup> States receive an annual federal DSH allotment. Eligible hospitals are referred to as DSH hospitals.

61,715 were seen in the Hospital clinics and 95,592 were seen in the primary care network. Of that total, approximately 35% were covered by Medi-Cal, Health Families, CCS, Geographic Managed Care, and/or other government sponsored programs and approximately 1% was associated with pediatric patients with no coverage.

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

The Hospital cares for the most seriously injured and ill patients and the most medically complex cases from Northern Inland California, an area that includes six million residents located throughout 33 counties from the Oregon border to Merced, and from the Coastal Range to Nevada. Additionally, the hospital's telemedicine program can reach patients located throughout California, from the Oregon border to the Mojave Desert. The patient population reflects the ethnic diversity of the region, providing unique challenges for health professionals caring for families with different cultural origins. According to the Hospital, research has proven the best quality medical care depends on good communication between patients and health-care professionals. Studies of patients who are not proficient in English have shown that they are less likely to understand their illnesses and will have much more difficulty communicating their symptoms or following medical advice.

In an effort to improve the quality of care for hospitalized patients who can't easily communicate in English, UC Davis Health was selected as one of 10 institutions nationwide to participate in a special project called "Speaking Together: National Language Services Network" designed to identify and overcome such challenges.

UC Davis Health has more than 40 interpreters on staff, providing translation services in 19 languages. Medical interpreters for Spanish, Russian and Hmong-speaking patients typically are the most requested of the interpretive services at the medical center in Sacramento.

Also identified as vulnerable are children with rare diseases or misdiagnosed illnesses. UCDC has a full range of specialists and sub-specialists to ensure the highest level of care. These specialties include: Adolescent Medicine; Anesthesiology and Pain; Cardiology; Cardiothoracic Surgery; Cleft and Craniofacial Reconstruction; Critical Care Medicine; Dermatology; Developmental and Behavioral Diseases; Ear, Nose and Throat; Emergency Medicine; Endocrinology; Gastroenterology and Nutrition; General Pediatrics; Genetics; Hematology Immunology; Neonatology; Nephrology and Kidney Transplantation; Neurosurgery; Obesity Treatment; Oncology; Ophthalmology; Orthopedics; Telemedicine; Trauma Medicine; Pediatrics; Psychiatry; Plastic Surgery; Pulmonology; Radiology; Rehabilitation Medicine; Rheumatology; Surgery; and Urology.

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

#### Pediatric Teaching Program

The UC Davis Department of Pediatrics Residency Program is a nationally recognized program for training the future leaders of pediatrics and child health. The program prides itself on innovation and advocacy and is based at the UCDC, which includes:

- The only Level I Pediatric Trauma Center in the region.
- The MIND Institute for neurodevelopmental research and care.
- The Pediatric Telemedicine program.
- The Center for Virtual Care.

UC Davis is the major referral center for a large geographical area including most of Northern California, Western Nevada, and Southern Oregon. This is the only pediatric residency program in Northern California outside of the San Francisco Bay region. The majority of inpatient training occurs at the UCDCH, which includes: the General Pediatric Unit; Pediatric Intensive Care Unit (PICU); Neonatal Intensive Care Unit (NICU).

Subspecialty Consult Services

Ambulatory training takes place in a variety of sites including the Pediatric Emergency Department, the Resident Practice Group, and Urgent Care Clinics located on campus, as well as Kaiser Practices and Shriners Hospital for Children. Community-based education is located in diverse neighborhoods in Sacramento and Yuba counties.

The program accepts 12 residents each year, giving the residency cohesiveness and close interactions between faculty and residents. The faculty is readily accessible with teaching occurring formally at lectures and conferences, and informally on the ward, in the clinics, or at the bedside. Conferences are designed to emphasize “evidence-based” learning strategies helping residents, and faculty alike, sharpen their critical thinking and problem-solving skills.

Pediatric Research Programs

UCDCH’s faculty performs research in many pediatric sub-specialties. The following is a partial list of current research activities broken down by specialty: Pediatric Cardiology Research, Pediatric Critical Care Research, Developmental-Behavioral Pediatric Research, Child Protection Center Research, Pediatric Endocrinology Research, General Pediatrics Research, Pediatric Hematology/Oncology Research, Pediatric Infectious Disease Research, Neonatology Research, Pediatric Nephrology Research, Pediatric Pulmonology Research, and Pediatric Surgery.

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

The Hospital’s Board of Directors approved the project in September 2014 and construction started September 2016. Construction is anticipated to be complete by July 2018 with the first patient day anticipated in September 2018.

<u>Sources of Funds:</u>		<u>Uses of Funds:</u>	
Prop 3 Request	\$ 20,394,267	Renovation	\$ 15,376,655
Prop 61 Request	128,121	Purchase of Equipment	8,825,000
Internal Funds	<u>7,997,612</u>	Architects & Consultants	2,291,345
		Internal Labor	877,000
		Fees, Testing, Issuance & Administrative Costs	855,000
		Furnishings	175,000
		CHFFA Costs of Issuance & Administrative Costs	<u>120,000</u>
<b>Total</b>	<b><u>\$ 28,520,000</u></b>	<b>Total</b>	<b><u>\$ 28,520,000</u></b>

**Legal Review:**

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

**Staff Recommendation:**

Staff recommends that the Authority approve:

- Resolution No. CHP 2018-04 for University of California, Davis Medical Center to provide a grant not to exceed \$128,121, subject to all requirements of the Children's Hospital Program of 2004; and
- Resolution No. CHP-3 2018-03 for University of California, Davis Medical Center to provide a grant not to exceed \$20,394,267 (less costs of issuance and administrative costs), subject to all requirements of the Children's Hospital Program of 2008.

## RESOLUTION NO. CHP 2018-04

### RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY APPROVING EXECUTION AND DELIVERY OF GRANT FUNDING UNDER THE CHILDREN'S HOSPITAL BOND ACT OF 2004 TO UNIVERSITY OF CALIFORNIA, DAVIS 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 2004 (Pt. 6 (commencing with Section 1179.10), 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 \$128,121 to University of California, Davis 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 \$128,121 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 \$128,121 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 September 30, 2019.

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 (2004) 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 September 30, 2019.

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



## **EXHIBIT A**

### **PROJECT DESCRIPTION**

The proceeds of the grant will be used by University of California, Davis Medical Center to reimburse the renovation and equipping of 17,940 square feet of shelled space on the third floor of the Surgery and Emergency Service Pavilion (“Pavilion”) to accommodate the move of the Children’s Surgery Center (“CSC”).

**RESOLUTION NO. CHP-3 2018-03**

**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 UNIVERSITY OF CALIFORNIA, DAVIS 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 \$39,200,00 less the bond issuance and administrative costs to the University of California, Davis 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 \$20,394,267, 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 \$20,394,267, 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 September 30, 2019.

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.

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