

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
Children’s Hospital Bond Act of 2008 (Proposition 3)**

**Staff Summary
Resolution No. CHP-3 2018-02
May 24, 2018**

Applicant: Valley Children’s Hospital
9300 Valley Children’s Place
Madera, California 93636
Madera County

Grant # CHCC-08-03

Project Sites: 9300 Valley Children’s Place, Madera, CA 93636, Madera County
115 Mall Drive, Hanford, CA 93230, Kings County
333 Merced Ave., Merced, CA 95340, Merced County
1303 E. Herndon Ave., Fresno, CA 93720, Fresno County
1190 Olivewood Dr., Suite A, Merced, CA 95348, Merced County
7555 N. Del Mar Avenue #101, Fresno, CA 93711, Fresno County
41169 Goodwin Way, Madera, CA 93636, Madera County

Amount Requested: \$27,586,729

Summary of Grant Amounts	Proposition 3
Eligible Amount	\$98,000,000
less previous awards	(70,413,271)
less requested amount	(27,586,729)
Remaining Amount Eligible (if requested amount is approved)	\$0

Description of Applicant:

Valley Children’s Hospital (“VCH” or the “Hospital”), formerly known as Children’s Hospital Central California, is a nonprofit acute care pediatric Hospital with a current license from the Department of Public Health. The Hospital’s audit for fiscal year (“FY”) 2017 (year ending September 30) was submitted and is free of “going concern” language.¹

Project:

Valley Children’s Hospital is seeking grant funds to reimburse itself the cost of patient care equipment, information technology (“IT”) projects, the cost of constructing and equipping an Operating Room (“OR”, completed), and the cost of remodeling, constructing and equipping of a Magnetic Resonance Imaging (“MRI”) suite (completed) and an Interventional Radiology (“IR”) suite (currently in the process of being completed). A list of the patient care equipment and IT related projects were included in the application. Equipment items purchased include ventilators, critical care monitors, cardiopulmonary bypass pumps, electrical switchgears, and replacement of its nurse call system.

¹ The absence of “going concern” language tends to suggest the organization is in good operational health for that FY. The Authority’s regulations define “Going Concern Qualification” in sections 7030(n) and 7051(n) for Proposition 61 and Proposition 3, respectively.

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 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:

Below is a description of how a few of the projects the Hospital is requesting grant funds for will improve access to care:

Cardiopulmonary Bypass Pumps:

This year the Hospital replaced two cardiopulmonary bypass pumps (heart-lung machines) because the previous cardiopulmonary bypass pumps (purchased in 2002 and 2003) were being retired. These machines are critical in sustaining life and maintaining circulation of fully oxygenated blood through the bodies of the most critical heart patients. It was necessary to replace the two cardiopulmonary bypass pumps because of their use in most of the Hospital's cardiothoracic surgery cases. According to the Hospital, currently 65% of all cardiothoracic surgery cases are done in conjunction with the cardiopulmonary bypass pump and another 20% of the Hospital's cases require a perfusionist and a cardiopulmonary bypass pump. By replacing the two retired cardiopulmonary bypass pumps with new ones ensures the Hospital has the critical machines required to provide this service to the children of the Central Valley, therefore improving health care access.

Electrical Switchgear:

The Hospital upgraded its electrical switchgear in order to ensure that the Hospital can move seamlessly to its generator backup in the event of a power failure. According to the Hospital, maintaining generator backup is critical to the operation of the entire Hospital. The previous emergency generator switchgear contained controllers, components, and software which were no longer supported by the manufacturer. The purpose of the switchgear is to automatically start, synchronize, and parallel all four generators upon a loss of power. By making sure the Hospital's back-up systems are in place and supported allows the Hospital to admit, diagnose and treat kids without interruption, which ultimately improves access to care of all the Hospitals' patients.

Constructing and Equipping of an Operating Room:

The Hospital decided in 2016 to build out and equip its 10th Operating Room "OR" (completed in April 2018) within the shelled space of the Surgery department to expand the Hospital's operating room schedule, shortening the wait time for emergency and trauma cases to get into the OR, thus improving access to care. According to the Hospital, in FY 2016, the surgery block calendar at the Hospital was more than 90% assigned, therefore it necessary for patients to wait for both urgent and elective surgeries. Some of the Hospital's most impacted specialties were ENT (ears, nose, and throat) and Orthopedics, where wait times were 12 weeks or more. The Hospital's plastic surgery cases experienced wait times of more than 20 weeks. According to the Hospital, surgery cases have grown from 11,830 in FY 2013 to a budgeted 13,500 in FY 2018.

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

Below is a description of how a few of the projects the Hospital is requesting grant funds for will improve patient outcomes:

Nurse Call System:

The Hospital replaced its nurse call system because the old nurse call system was at risk of failure. The new nurse call system features wireless integration, a report manager, and a Patient Administration (ADT) interface. In the old nurse call system, if a call was initiated from a room, the notice went to a dome light on the master station located at the nurse's station. With the wireless integration in the new nurse call system, it allows the Hospital to send notices to wireless devices carried by charge nurses, so they can quickly respond to a call rather than requiring a nurse to return to the station to see a notice. Quick responses to patients' needs improves patient outcomes and assures the highest quality of care to each and every patient.

Remodeling, Constructing, and Equipping of the Interventional Radiology Suite (In Progress):

The Hospital is currently in the process of remodeling an existing space to construct and equip a new Interventional Radiology ("IR") suite in order to keep pace with the rise in the Hospital's increasing number of IR procedures. The Hospital has performed 51 IR procedures in FY 2015, and in FY 2018 VCH expects to exceed 400 cases with the expected demand continuing to grow in the future. Additionally, the Hospital's IR team is using new techniques with needles, tubes, and wires to navigate around the body and provide therapy and treatment. These minimally invasive techniques mean reduced risks, shorter hospital stays, greater comfort, and quicker recovery times for the Hospital's pediatric patients. This care has improved the outcomes for the Hospital's youngest patients. As this program continues to expand with the addition of the new IR suite, it is expected to further improve patient care and outcomes. According to the Hospital, this form of pediatric treatment was new to the Central Valley in 2015 when starting the program.

Remodeling and Equipping of an MRI Suite (Completed):

The Hospital completed its remodel of its MRI suite in April 2017 to eliminate the need for patients to be prepped in the hallway due to lack of space. In addition to the remodel, the Hospital purchased a new MRI machine with features such as high resolution imaging and noise canceling capabilities. The imaging matrix feature of the new MRI machine highlights regions, organs and individual organ features with higher resolution and reduced scan times. The quiet suite feature reduces the noise level by 70%, which may help to reduce the need for anesthesia as noise is one of the key elements in creating fear in the pediatric population. The high resolution imaging and noise cancelling capabilities of the new MRI machine ultimately improve patient outcomes. According to the Hospital, prior to the addition of this machine, this level of imaging technology did not exist in the Central Valley.

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

In FY 2017, Medi-Cal benefits covered approximately 77% of the inpatient cases (with approximately 79.2% of patient days covered) and approximately 76.3% of the outpatient visits treated at VCH. A disproportionate share of the Hospital's patients' care is reimbursed by Medi-Cal. Additionally, VCH provides financial assistance and has charity care policies to support its mission, which is challenging given the poor ratio of philanthropic support from a region with chronically high poverty. The Hospital has financial counselors to assist in finding alternative sources of payment from both public and private programs.

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

Demographic data for VCH service area shows an estimated pediatric population (age 0-17) base of 1,165,338 in 2017. VCH had 12,378 inpatient cases, 120,016 emergency department visits and 154,089 outpatient clinic visits in FY17. VCH's service area includes nine largely rural counties that total approximately 45,000 square miles. Also, VCH is the only tertiary and specialized health care facility available in the Central Valley for children who may otherwise have to travel over 200 miles to the nearest children's Hospital in San Francisco or Los Angeles.

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

Annually, VCH has been involved in the education of approximately 190 medical students, interns, residents and fellows for the past 40 years as a participating site supporting other programs.

In FY 2015, VCH partnered with Stanford to create the Valley Children's Pediatric Residency Program ("Residency Program"), which allows VCH's intern residents to have rotations and learning opportunities at the Palo Alto campus and for Stanford's intern residents to learn at VCH. Since the partnership, VCH is now the sponsoring institution of this Residency Program, taking full academic and financial responsibility for graduate medical education. The Residency Program is nationally accredited by the Accreditation Council for Graduate Medical Education ("ACGME"). VCH matched its first 13 residents for its inaugural class last year and matched another 13 residents this year and next to fill its own Residency Program affiliated with Stanford School of Medicine. Over 40 Valley Children's physicians have applied and received a Stanford faculty appointments and will continue to educate as part of the Residency Program.

In addition to the Residency Program, VCH has a research department to oversee the studies of new pediatric drugs, biological products, and medical devices which increase its ability to implement and evaluate industry-sponsored studies that may benefit its own patients as well as children around the world. VCH is a member of the Children's Oncology Group with over 100 studies open with Oncology patient participation.

Factor 6: Demonstration of project readiness and project feasibility:

All patient care equipment, information technology projects, and renovation and equipping of the Operating Room and MRI Suite were either acquired or completed between October 2015 through April 2018 and all are in service.

Construction and equipping of the Interventional Radiology Suite started in September 2015 and is expected to be completed by October 2018.

Sources and Uses of Funds:

<u>Sources of Funds:</u>		<u>Uses of Funds:</u>	
Prop 3 Request	\$27,586,729	Remodel/Construction	\$22,191,013
Internal Funds	<u>1,697,702</u>	Equipment	<u>7,092,418</u>
Total	<u>\$29,283,431</u>	Total	<u>\$29,283,431</u>

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 the Authority approve Resolution No. CHP-3 2018-02 for Valley Children’s Hospital to provide a grant not to exceed \$27,586,729, less costs of issuance and administrative costs, subject to all requirements of the Children’s Hospital Bond Act of 2008.

RESOLUTION NO. CHP-3 2018-02

**A 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 VALLEY CHILDREN'S HOSPITAL**

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 Valley Children's Hospital ("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 \$27,586,729 less the 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 \$27,586,729 less the 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 October 31, 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.

Section 5. This Resolution expires October 31, 2019.

Date Approved: _____

EXHIBIT A

PROJECT DESCRIPTION

The proceeds of the grant will be used by Valley Children's Hospital to reimburse itself the cost of patient care equipment, information technology ("IT") projects, the cost of constructing and equipping an Operating Room, and the cost of remodeling, constructing and equipping of a Magnetic Resonance Imaging ("MRI") suite and an Interventional Radiology suite. A list of the patient care equipment and IT related projects were included in the application. Equipment items purchased include ventilators, critical care monitors, cardiopulmonary bypass pumps, electrical switchgears, and replacement of its nurse call system.