

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (“Authority”)  
Children’s Hospital Program of 2018 (Proposition 4)**

**Resolution No. CHP-4 2019-01**

**July 25, 2019**

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

**Project Sites:** *See Exhibit 1*

**Amount Requested:** Proposition 4: \$ 9,813,345.25 Grant #: VCH-01-04

| Summary of Grant Amounts                                    | Proposition 4    |
|---|------------------|
| Eligible Amount   | \$135,000,000.00 |
| less Previous Grant Awards                                  | \$0              |
| less Requested Grant Amount                                 | \$9,813,345.25   |
| Remaining Amount Eligible (if requested amount if approved) | \$125,186,654.75 |

**Project:**

Valley Children’s Hospital (“VCH” or the “Hospital”) is seeking grant funds to reimburse the cost of patient care equipment, information technology (“IT”) devices, and renovating and equipping of a fluoroscopy room, a new multi-fusion digital radiography room, and an oncology intravenous room to comply with new quality standards. A list of the patient care equipment and IT related projects were included in the application. Equipment items purchased include, but are not limited to, an x-ray unit, carts for holding inpatient care supplies and equipment, a variety of endoscopic equipment and scopes, and a new distributed antenna system that supports the use of cellular devices for patient care.

**Sources of Funds:**

|                |                               |
|----------------|-------------------------------|
| Prop 4 Request | \$ 9,813,345.25               |
| <b>Total</b>   | <b><u>\$ 9,813,345.25</u></b> |

**Uses of Funds:**

|              |                               |
|--------------|-------------------------------|
| Renovation   | \$ 5,093,096.53               |
| Equipment    | \$ 4,720,248.72               |
| <b>Total</b> | <b><u>\$ 9,813,345.25</u></b> |

**Staff Recommendation:**

Staff recommends that the Authority approve Resolution No. CHP-4 2019-01 for Valley Children’s Hospital to receive a grant not to exceed \$9,813,345.25 less costs of issuance and administrative costs, subject to all requirements of the Children’s Hospital Bond Act of 2018.

#### **Proposition 4 Evaluation Factors:**

Staff reviewed the provided application and other submitted materials in determining whether the applicant satisfactorily met the six factors identified in Proposition 4. Below is a summary of how the applicant met these specific factors below.

*Factor 1: The grant will contribute towards expansion or improvement of health care access by children eligible for governmental health insurance programs and indigent, underserved, and uninsured children.*

#### Endoscopy Equipment and Scopes

The Hospital purchased new flex endoscopes from Olympus. The Hospital experienced an increase in endoscopic cases from 1,482 in fiscal year 2015 to 1,675 cases in fiscal year 2018. Prior to this purchase of new endoscopic equipment and scopes, the Hospital's inventory of scopes and video capture equipment was 7 to 22 years old. Outdated equipment resulted in some patients seeking treatment elsewhere. The endoscopists estimated a volume increase of five additional cases/week or 260 cases/year due to the Hospital's ability to treat more patients.

#### Neurosurgery Equipment

In 2018, the Hospital increased its neurosurgeons from two to four, based on growing demand, which allowed the Hospital to treat an additional 300 cases. To keep up with this growth, the Hospital invested in additional neurosurgery equipment. The Hospital purchased two Clarity Ultrasonic Surgical Aspirator ("CUSA") Tissue Ablation systems from Integra that are used in tumor resections or removals. Prior to this acquisition, the Hospital had one CUSA system and; therefore, it had no backup should a problem arise with this equipment. Delays in this type of surgery, due to out-of-service equipment, led patients decompensating and families becoming anxious.

#### Renovating and Equipping of a Radiography/Fluoroscopy Room

The Hospital completed its renovation of a radiography/fluoroscopy room on January 31, 2019 to accommodate the newly purchased equipment. The Hospital's GE Legacy Radiographic and Fluoroscopy system had reached the end of its useful life, resulting in it being very difficult to find replacement parts. With a high level of equipment failures and challenges in finding parts, it was necessary to upgrade this system to the new state-of-the-art Siemens Luminos Agile Radiography and Fluoroscopy System ("System"). The System offered both fluoroscopic and radiographic capabilities. The dual solution provided greater flexibility for the usage of the room. The System is used on cystography exam (i.e. voiding cystourethrograms) that are critical to evaluating bladder, urethra and kidney functions as well as traditional radiographic exams (i.e., skeletal images). The Hospital performed over 84,000 radiographic and fluoroscopic procedures per year for the past five years. Of these procedures, approximately 2,900 were fluoroscopy exams performed in radiographic/fluoroscopy rooms.

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

#### X-Ray Unit:

The Fujifilm FDR Go Plus mobile x-ray unit ("x-ray unit"), purchased in August 2018, improved the level of radiology services provided at the Hospital. The x-ray unit gave the Hospital a high sensitivity detector that reduced radiation doses. In replacing previous technology, the x-ray unit gave the Hospital higher resolution images that are immediately available for review. The x-ray unit is primarily in the Hospital's intensive care units and it allows physicians to have high quality images at bedside with the minimum need for repositioning the patient.

### Cellular Distributed Antenna System:

In June of 2018, VCH replaced its Cellular Distributed Antenna System to ensure the cellular service within the walls of the Hospital were reliable and uninterrupted. As pager systems become outdated, there had been increased emphasis on the provision of mobile phone service within the Hospital. More physicians and other providers opted to use cell phone technology instead of pagers to relay medical information and communicate with others outside the Hospital regarding the care of the Hospital's patients. Phones were more innovative than pagers and allowed Hospital physicians to relay photographic images and use health monitoring applications. Also, since the Hospital had multiple outreach clinics, it was important for physicians to transfer patient information by phone if one patient was being transferred from a clinic to the main hospital.

### Neurosurgery Equipment:

The Hospital purchased two CUSA Clarity Consoles (CUSA Clarity is a state-of-the-art ultrasonic tissue ablation system which allowed for the quick and safe removal of fibrous tissue) with two custom carts, along with four hand pieces, four surgical trays, and four stabilizing bases. The expansion of the Hospital's neurosurgery equipment was an important step in upgrading the Hospital's neurosurgical capabilities (more equipment means quicker access to surgery). The two CUSA Clarity Consoles offered greater precision than previous equipment in the removal of tissue and reduced surgery times; both of which were effective improving outcomes.

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

In fiscal year 2018, the Hospital had 12,040 inpatient cases and 152,868 outpatient clinic visits. Medi-Cal benefits covered approximately 76% of the inpatient cases (with approximately 78% of patient days covered) and approximately 77% of the outpatient visits treated at the Hospital in fiscal year 2018. In addition to the disproportionate share of its patients whose care was reimbursed by Medi-Cal, VCH provided financial assistance and charity care to indigent pediatric patients.

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

The Hospital's service area includes nine largely rural counties in Central California 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. As part of the long-term plan, the Hospital is expanding the services in the rural areas through outreach clinics and physician-hospital partnerships. It is the Hospital's mission to detect and prevent childhood disease in its earliest stages to ensure the best patient outcomes.

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

For the past 40 years, the Hospital promoted pediatric teaching programs in the education of medical students, residents, and fellows. VCH provides education to over 190 medical students and residents annually.

In fiscal year 2015, VCH partnered with Stanford to create the Valley Children’s Pediatric Residency Program (“Residency Program”). The partnership allowed VCH intern residents to have rotations and learning opportunities at Stanford’s Palo Alto campus and for Stanford’s 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”). The Hospital’s pediatric residency program affiliated with Stanford School of Medicine currently employs 26 residents and has matched its final class of residents in March 2019. Over 40 of VCH’s physicians have applied and received Stanford faculty appointments and will continue to be educated 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. The Hospital 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 and information technology devices were acquired between January 1, 2018 and April 30, 2019 and are all in service.

The renovating and equipping projects (fluoroscopy room, radiography room, and a remodel of the Hospital’s oncology intravenous room) were all completed and placed in service as of January 31, 2019. Only invoices dated after January 1, 2018 were included for these projects.

**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.

**Description of Applicant:**

The Hospital, formerly known as Children’s Hospital Central California, is a nonprofit acute care pediatric Hospital with a current license from the California Department of Public Health. The Hospital was founded in 1952 and is located in Madera County. The Hospital offers highly specialized medical and surgical services as Central California's only regional referral center for children. The Hospital has 358 licensed beds with 330 beds at its main campus and 28 beds at its three satellite neonatal locations. The Hospital’s financial audit for fiscal year 2018 (year ending September 30) was submitted 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 Section 7000(q).

**EXHIBIT 1**  
**PROJECT SITES**

- 9300 Valley Children's Place, Madera, CA 93636
- 115 Mall Drive, Hanford, CA 93230
- 333 Mercy Avenue, Merced, CA 95340
- 1303 E. Herndon Avenue, Fresno, CA 93720
- 1190 Olivewood Drive, Suite A, Merced, CA 95348
- 5085 E. McKinley Avenue, Fresno, CA 93727
- 41169 Goodwin Way, Madera, CA 93636

**RESOLUTION NO. CHP-4 2019-01**

**RESOLUTION OF THE CALIFORNIA HEALTH  
FACILITIES FINANCING AUTHORITY APPROVING  
EXECUTION AND DELIVERY OF GRANT FUNDING  
UNDER THE CHILDREN'S HOSPITAL BOND ACT OF 2018  
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 2018 (Pt. 6.3 (commencing with Section 1179.81), 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 \$135,000,000.00 less the bond issuance and administrative costs to 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 \$ 9,813,345.25, 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 \$ 9,813,345.25 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 July 31, 2020.

Section 2. The Executive Director or the Deputy 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. However, any extension approved by the Executive Director or the Deputy Executive Director shall not surpass the grant resolution expiration date. 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 or the Deputy 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 (2018) 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 July 31, 2020.

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

## **EXHIBIT A**

### **PROJECT DESCRIPTION**

The proceeds of the grant will be used Valley Children's Hospital ("VCH" or the "Hospital") to reimburse the cost of patient care equipment, information technology ("IT") devices, and renovating and equipping of a fluoroscopy room, a new multi-fusion digital radiography room, and an oncology intravenous room to comply with new quality standards. A list of the patient care equipment and IT related projects were included in the application. Equipment items purchased include, but are not limited to, an x-ray unit, carts for holding inpatient care supplies and equipment, a variety of endoscopic equipment and scopes, and a new distributed antenna system that supports the use of cellular devices for patient care.