

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

Resolution No. CHP-4 2020-01

January 30, 2020

Applicant: Lucile Salter Packard Children’s Hospital at Stanford
725 Welch Rd
Palo Alto, California 94304

Project Sites: 725 Welch Road 730 Welch Road
Palo Alto, California 94304 Palo Alto, California 94304

Amount Requested: Proposition 4: \$ 63,366,557.00 Grant #: LPCH-01-04

Summary of Grant Amounts	Proposition 4
Eligible Amount	\$135,000,000.00
less Previous Grant Awards	\$0
less Requested Grant Amount	\$ 63,366,557.00
Remaining Amount Eligible (if requested amount if approved)	\$ 71,633,443.00

Project:

Lucile Salter Packard Children’s Hospital at Stanford (“LPCH” or the “Hospital”) is seeking grant funds to reimburse and fund the costs of eligible pediatric portions of 16 projects consisting of construction/renovation, patient care equipment, and information technology (“IT”) related projects. Construction/renovation projects include, but are not limited to, renovating the Neonatal Intensive Care Unit (“NICU”), adding humidifiers to operating rooms, upgrading the pneumatic tubing system, constructing links between buildings, and replacing the fire sprinkler system. Patient care equipment items include, but are not limited to, Magnetic Resonance Imaging (“MRI”), Slim Flex VID Uretero Scopes, Super-Slim Flexible Fiberoptic Uretero Scopes, infant warmers, portable computed tomography scanners, surgical booms, neonatal resuscitation, and X-Ray units. IT projects include, but are not limited to, radiology imaging solutions and telehealth implementation. A list of the projects was included in the application.

Sources of Funds:

Prop 4 Request \$ 63,366,557.00
Internal Funds 681,190.49

Total \$ 64,047,747.49

Uses of Funds:

Renovation \$ 11,451,297.00
Equipment 51,915,260.00
COI 47,524.92
Admin Costs 633,665.57

Total \$ 64,047,747.49

Staff Recommendation:

Staff recommends that the Authority approve Resolution No. CHP-4 2020-01 for Lucile Salter Packard Children's Hospital at Stanford to receive a grant not to exceed \$63,366,557.00 (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.

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.

Construction for Three Links

In December 2017, LPCH opened a new and adjacent hospital building (the "Main Building") to its existing hospital (the "West Building"), which increased capacity from 149 beds to 361 beds. LPCH added three links located on the first floor, the second floor, and the third floor between the Main Building and the West Building to provide faster and more efficient access for pediatric patients to the different pediatric departments located within both buildings. The links also promote faster treatment by giving staff the means to travel more quickly between patients and different departments, which then creates the ability to treat more patients overall. Additionally, LPCH installed information system equipment in the links to increase the Hospital's network capabilities.

Radiology Equipment Replacement

LPCH plans to remodel and install three new X-Rays in three rooms at its 730 Welch Road location. The remodel entails making the dressing rooms ADA-complaint. The current equipment is past its useful life and is failing, which increases patient waiting and treatment times. Currently, approximately 12,500 patients are served annually. The Hospital will be able to double the current patient amount with the new equipment by reducing the turnaround time between patients. In addition, the updated radiology equipment decreases exposure to radiation.

Flex Ureteroscopes

LPCH purchased urology equipment that allows medical professionals to be able to perform minimally invasive, but highly effective procedures on pediatric patients. The equipment includes Slim Flex VID Uretero Scope and Super-Slim Flexible Fiberoptic Uretero Scopes. This equipment helps treat complex urinary cases by giving medical professionals the tools to take videos and pictures in extremely small, internal body parts. The equipment is designed to be flexible for use on pediatric patients. Because of this equipment, pediatric patients now have access to a specialized kind of care that was previously limited to adults because of the

significantly smaller size of the pediatric patients' anatomy. LPCH estimates that the Flex Ureteroscopes could serve between 100 to 120 pediatric patients per year since LPCH is the only facility in its network that has this equipment and is specialized in these procedures.

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

Neonatal Resuscitation

LPCH purchased a piece of equipment that medical staff use to resuscitate pediatric patients and also record and archive the process. Further, it records the vitals of pediatric patients and records the audio of the resuscitation as well. These recordings are watched and analyzed by medical professionals for the purpose of quality control and treatment improvement. Neonatal resuscitation is a time sensitive treatment, and in the moment, problems and strengths may not be identified. The medical professionals can identify through watching the recordings any treatment problems or treatment successes; therefore, they can continue to improve a treatment procedure by implementing what is observed in the recordings into practice to improve patient outcomes. Annually, approximately 400,000 premature newborns in the United States require resuscitation. Because LPCH also provides specialty care to high risk pregnant women, many of the children born at LPCH need resuscitation.

Humidifier Addition

LPCH outfitted three air handlers with humidifiers, which are meant to serve the Main Building's operating rooms. LPCH did not have humidifiers prior to these being installed. Operating room equipment requires a specific amount of humidity; thus, proper control of that humidity is essential for health and equipment maintenance concerns. Without proper ventilation, airflow, temperature, and humidity regulation, moisture can accumulate and cause fungal and bacterial growth in what is supposed to be a sterile environment. Yet, these specialized pieces of surgical equipment do require a relative level of humidity in the operating room. Therefore, having a built-in system to control the humidity will prevent the need to cancel procedures due to humidity concerns. Further, having humidity levels well controlled will prevent the spread of possible bacterial and fungal infections that may occur from improper ventilation, which directly contributes to better outcomes post procedure. LPCH had approximately 9,500 operations in fiscal year 2019. With the new humidifier, LPCH will be able to improve pediatric patient outcomes by providing safer and more reliable operating rooms.

Pneumatic Tubing System

LPCH renovated and upgraded its pneumatic tube system to interconnect the Hospital. The tubing system transports small supplies and specimens to be tested. The tubing enables expedited treatment because it quickly transfers specimens to be tested by the main laboratory, which allows the medical staff to focus on treatment rather than transporting specimens for testing. In addition, the tubing system allows the lab to receive specimens faster. As a result,

the wait time for laboratory findings could be decreased. Giving the medical staff more face-to-face time creates a patient-focused atmosphere, which then personalizes and individualizes treatment. The medical staff will be able to more frequently check on patients, hear patient concerns, and respond more efficiently and quickly to these concerns if they do not have to take the time to carry the specimens or supplies themselves to different areas of the hospital buildings. Face-to-face treatment promotes better communication about the patients' medical condition, which further enables the patients to be active in their treatment. Thus, the pneumatic tubing system helps with patient outcomes by promoting this patient-focused environment and giving the medical staff the ability to prioritize their time for the patient rather than transporting items or specimens.

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

Between August 2018 and August 2019, the Hospital served 74,689 pediatric patients. LPCH participates in all local Medi-Cal managed care health plans, such as the Health Plan of San Mateo, the Santa Clara Family Health Plan, Blue Cross Medi-Cal Managed Care, Central Coast Alliance for Health, Alameda Alliance etc. LPCH's clinics offer significantly discounted care to low income patients. LPCH supports several Federally Qualified Health Centers ("FQHC") and FQHC look-alike clinics and operates a mobile clinic serving uninsured adolescents without charge. LPCH also operates California Children's Services ("CCS") special-care centers in 19 different specialties such as cardiology and oncology. In fiscal year 2018, LPCH provided care to 24,007 patients with government-program coverage, which amounted to \$212,985,658 worth of care. The Hospital provided 478 patients with charity care, which amounted to \$1,895,526. Cumulatively, the Hospital provided \$214,791,184 in undercompensated care. LPCH also participates in Medicare, and 263 pediatric patients received \$9,024,053 worth of care.

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

The Hospital provides services primarily in the Bay Area as the largest healthcare system dedicated to children. LPCH, through its Community Partnership Program, works closely with community-based organizations, provides funding to, and works collaboratively with experts in the community. LPCH provides approximately \$2.7 million annually to grantees under the Community Partnership Program. LPCH manages the Mobile Adolescent Health Services Program that goes to shelters, continuation schools, and recreation centers to provide both preventative and primary care treatment to uninsured and homeless individuals from ages 12 to 24. Also, LPCH operates the Care-A-Van for Kids program. This program provides transportation to the Hospital if the patient lives outside the 25-mile radius of the Hospital's location and specifically targets patients who may not have the means to commute to the Hospital or lack transportation to treatment. Further, LPCH partnered with the Gardner Family Health Center to provide general pediatric care and is aimed to lower health care costs for uninsured and underinsured pediatric patients.

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

LPCH is considered a teaching hospital for students and graduates of the Stanford University School of Medicine. Further, the Hospital trains students and residents in pharmacy, social work, and nursing. The Hospital's partnership with Stanford University School of Medicine provides students and graduates an opportunity to learn how to treat the most vulnerable pediatric populations. LPCH developed a Community Advocacy Rotation Program as part of the pediatric residency curriculum ten years ago. This program allows residents and interns to work with adolescent pregnancy prevention programs in the community, do outreach for the Healthy Kids insurance program, develop dental-screening programs for low-income children, work on childhood obesity issues, and develop an asthma management and education program with Ravenswood City School District in East Palo Alto. Moreover, beyond just partnering with this program, the Hospital provided \$81,000 in funding to the Community Advocacy Rotation Program. The Community Advocacy Rotation Program takes 34 pediatrics residents participate per year. There are approximately 100 residents participates the program over the three-year pediatric residency.

Factor 6: Demonstration of project readiness and project feasibility.

According to the project timeline provided in LPCH's application, there are 16 projects included in this funding request, of which five are already operational. The remaining projects are set to be operational by December 31, 2023.

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 is a nonprofit 501(c)(3) general acute care pediatric hospital with a current license from the California Department of Public Health. The Hospital was opened in 1991 and is located in Santa Clara County. The Hospital offers everything from primary care to specialty care and has 60 locations within Northern California and has 396 licensed beds. The Hospital's financial audit for fiscal year 2019 was submitted and is free of "going concern" language¹.

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 Section 7000(q).

RESOLUTION NO. CHP-04 2020-01

**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 LUCILE SALTER PACKARD CHILDREN’S HOSPITAL AT STANFORD**

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 Lucile Salter Packard Children’s Hospital at Stanford (“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 \$63,366,557.00, 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 \$63,366,557.00 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 grant period that ends on December 31, 2024.

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 grant 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 or the Deputy 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 or the Deputy 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 or the Deputy 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 December 31, 2025.

Date Approved: _____

EXHIBIT A

PROJECT DESCRIPTION

The proceeds of the grant will be used by Lucile Salter Packard Children's Hospital at Stanford to reimburse and fund the costs of eligible pediatric portions of 16 projects consisting of construction/renovation, patient care equipment, and information technology ("IT") related projects. Construction/renovation projects include, but are not limited to, renovating the Neonatal Intensive Care Unit ("NICU"), adding humidifiers to operating rooms, upgrading the pneumatic tubing system, constructing links between buildings, and replacing the fire sprinkler system. Patient care equipment items include, but are not limited to, Magnetic Resonance Imaging ("MRI"), Slim Flex VID Uretero Scopes, Super-Slim Flexible Fiberoptic Uretero Scopes, infant warmers, portable computed tomography scanners, surgical booms, neonatal resuscitation, and X-Ray units. IT projects include, but are not limited to, radiology imaging solutions and telehealth implementation. A list of the projects was included in the application.