

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

Resolution No. CHP-4 2020-02

March 26, 2020

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

Project Sites: *See Exhibit 1*

Amount Requested: Proposition 4: \$42,786,269.27 Grant #: VCH-02-04

Summary of Grant Amounts	Proposition 4
Eligible Amount	\$135,000,000.00
less Previous Grant Awards	9,813,345.25
less Requested Grant Amount	42,786,269.27
Remaining Amount Eligible (if requested amount if approved)	\$ 82,400,385.48

Project:

Valley Children's Hospital (VCH or Hospital) is seeking grant funds to reimburse and fund the costs of the eligible pediatric portions of the implementation of an Epic electronic medical record (EMR) system throughout VCH's locations. A list of the eligible project costs was included in the application.

Sources of Funds:

Prop 4 Request	\$42,786,269.27
Internal Funds	9,511,556.07
Total	<u>\$ 52,297,825.34</u>

Uses of Funds:

EMR	\$51,837,872.95
COI	32,089.70
Admin Costs	427,862.69
Total	<u>\$52,297,825.34</u>

Staff Recommendation:

Staff recommends that the Authority approve Resolution No. CHP-4 2020-02 for Valley Children's Hospital to receive a grant not to exceed \$42,786,269.27 (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.

VCH is currently operating five different EMR systems: Meditech for inpatient, emergency, ancillaries, therapy, and testing services; Athena for outpatient specialty practices; Picis for operating room services; and two other EMRs for primary care services. In order to improve efficiency for medical staff in accessing patients' records, the Hospital is in the process of consolidating and implementing one integrated EMR system for all services. The integrated Epic EMR system is expected to improve workflow for clinicians, expand integration of data across inpatient and outpatient medical record systems, provide computerized physician order entry throughout the system, and enhance medication reporting and management. The implementation of an integrated EMR system will benefit VCH's ability to provide safe, efficient, and high-quality health care.

VCH expanded its services outside the main hospital to include clinical partnerships, primary care, and specialty care services throughout the region. The integrated EMR system will provide medical staff with access to comprehensive patient records, allowing for more informed decision making and quality patient care. Improved communication between multidisciplinary departments will provide a collaborative environment in which providers work together to treat the entire patient rather than a single condition.

VCH's Epic EMR system will provide families with a more comprehensive and unified patient portal that will improve communication with their healthcare team, as well as provide families with access to their children's historical medical records, including clinical documents, lab results, prescriptions, etc. The patients and their families would be able to access their medical records even if they received health care outside VCH's system. In addition, VCH also expects increased opportunities for research because data can be easily accessed without having to review manual charts.

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

One of the goals of implementing the Epic EMR system is to prevent medical errors and to share clinical information with outside healthcare entities to a degree that has never been possible before. Sharing clinical information, medication lists, and test results between regional healthcare systems will improve VCH's ability to provide safe, uninterrupted, and cost effective care; avoid unnecessary, duplicative testing; and be alerted to potential medication interactions. Important information such as diagnoses might be noted in the EMR system of an outside healthcare system that also uses the Epic EMR system. Patients' diagnoses will be readily viewable when providers look at the patients' records, since the integrated EMR system provides access to other medical providers that use the Epic EMR system as well. Being aware of prior diagnoses such as asthma,

diabetes or pneumonia can help providers be more informed and provide safer care for the pediatric patients at VCH. The integrated EMR system also will improve outcomes by increasing prescription treatment safety, as it replaces handwritten and often illegible prescription orders and notes from physicians.

The EMR system implemented at VCH was designed for standardized practices, along with consistent and reproducible outcomes across the network. The Hospital expects this capability to improve the overall patient care experience for children and their parents as it better assists providers in proactively managing patient wellness. Regardless of where a patient receives his or her care within the VCH healthcare system, all providers will now have access to a single source of medical records, patient vaccination statuses, as well as preventative care visit schedules. Maximizing the EMR system's ability to help increase efficiency, streamline workflows, and centralize information will benefit VCH's pediatric patients.

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

VCH is the only tertiary and specialized health care facility for children available in the Central Valley, and its service area includes 11 largely rural counties in Central California, that total approximately 45,000 square miles. Through the implementation of an integrated EMR system, the Hospital can ensure that its patients receive the best quality of care available for early diagnosis and treatment. As part of the long-term plan, VCH is expanding its services in the rural areas through outreach clinics and physician-hospital partnerships. The Hospital's mission is to detect and prevent childhood diseases in its earliest stages, ensure the best patient outcomes, and provide high-quality, comprehensive health care services to children, regardless of their ability to pay. In fiscal year 2019, VCH provided approximately \$346,000 in charity care, and the estimated Medi-Cal uncompensated costs were approximately \$116 million. VCH receives supplemental Medi-Cal payments through the California Hospital Fee Program. The fees help offset a portion of hospital Medi-Cal payment shortfalls accrued over current and prior years. The net revenue recognized from this program in fiscal year 2019 exceeded estimated Medi-Cal uncompensated costs.

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

In fiscal year 2019, VCH had 12,139 inpatient admissions, 108,335 emergency department visits, and 163,394 outpatient clinic visits. Medi-Cal benefits covered 75% of the inpatient cases, 77% of the outpatient visits and 77% of total patient visits. In addition to the large portion of Medi-Cal pediatric patients, VCH provided financial assistance and charity care to indigent pediatric patients.

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

VCH has promoted pediatric teaching programs for medical students, residents, and fellows for the past 40 years and is currently teaching over 190 medical students and residents annually. In fiscal year 2015, VCH partnered with Stanford School of Medicine to create the Valley Children's Pediatric Residency Program (Residency Program). The partnership allowed VCH's intern residents to have rotations and learning opportunities at Stanford's Palo Alto campus and for

Stanford's residents to learn at VCH. VCH is now the sponsoring institution of this Residency Program, nationally accredited by the Accreditation Council for Graduate Medical Education (ACGME) and is taking full academic and financial responsibility for the graduates' medical education. The Residency Program currently employs 39 residents, and over 40 of VCH's physicians have received Stanford faculty appointments and will continue to be educated as part of the Residency Program.

VCH also has a research department overseeing the studies of new pediatric drugs, biological products, and medical devices, which increases 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, a research collaborative of more than 200 medical institutions worldwide, that works to identify cancer causes and pioneer new treatments and cures.

Factor 6: Demonstration of project readiness and project feasibility.

According to the timeline provided in the application, implementation of the EMR system began in November 2018. The adoption and system configuration phase was completed in September 2019, the testing phase is scheduled to be completed in February 2020, and the entire project is expected to be completed and operational in April 2020. As of December 31, 2019, VCH has incurred approximately \$25.6 million in costs for the EMR system.

Since the integrated Epic EMR system will be implemented in all of VCH's facilities, which treat both pediatric and certain adult patients, and some of the facilities are not eligible under the Children's Hospital Program of 2018 because they are operated by non-eligible affiliates, grant proceeds can cover only a proportionate share of the entire cost of the project. Authority staff has determined that a proportionate share of 88.3% of the total cost of the EMR system is eligible for reimbursement from grant funds.

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 located in Madera and 28 beds at its three satellite neonatal locations. The Hospital's financial audit for fiscal year 2019 was submitted, and is free of "going concern" language.¹

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).

EXHIBIT 1
PROJECT SITES¹

- 9300 Valley Children's Place, Madera, CA 93636
- 9316 Peck Boulevard, Madera, CA 93636
- 41169 Goodwin Way, Madera, CA 93636
- 9325 Valley Children's Place, Madera, CA 93636
- 115 Mall Drive, Hanford, CA 93230
- 333 Mercy Avenue, Merced, CA 95340
- 1190 Olivewood Drive, Suite A, Merced, CA 95348
- 5085 East McKinley Avenue, Fresno, CA 93727
- 1303 East Herndon Avenue, Fresno, CA 93720
- 1125 East Spruce Way, Suite 101, Fresno, CA 93720
- 1215 34th Street, Bakersfield, CA 93301
- 12500 Stockdale Highway, Bakersfield, CA, 93314
- 220 South Akers, Suite A and Suite B, Visalia, CA, 93291
- 3525 Pelandale Avenue, Modesto, CA 95356

¹ The above project sites are included in the proportionate share calculation as the eligible pediatric portion of the EMR project and will be funded with CHFFA grant funds.

RESOLUTION NO. CHP-4 2020-02

**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 (“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 \$42,786,269.27, less bond issuance and administrative costs, to the Grantee for the eligible project (“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 \$42,786,269.27 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 April 30, 2021.

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 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 April 30, 2022.

Date Approved: _____

EXHIBIT A

PROJECT DESCRIPTION

The proceeds of the grant will be used by Valley Children's Hospital (VCH) to reimburse and fund the costs of the eligible pediatric portions of the implementation of an Epic electronic medical record (EMR) system throughout VCH's locations. A list of the eligible project costs was included in the application.