

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (Authority)**

**Children's Hospital Program of 2008 (Proposition 3)  
Second Funding Round**

**Resolution No. CHP-3 2020-01**

**July 30, 2020**

**Applicant:** Valley Children's Hospital  
9300 Valley Children's Place  
Madera, California 9363

**Project Site:** 9300 Valley Children's Place, Madera, California 93636, Madera County

**Amount Requested:** Proposition 3: \$243,006.87 Grant #: VCH-09-03

On November 1, 2019 forfeited funds from the Children's Hospital Program of 2008 in the amount of \$243,006.87 became available for a second funding round, on a first-come, first-served basis for applications received from any eligible private non-profit children's hospital.

**Project:**

Valley Children's Hospital (VCH or Hospital) is seeking grant funds to reimburse the costs of two new ultrasound machines and a C-MAC intubation platform (video endoscope).

**Sources of Funds:**

Prop 3 Request \$243,006.87  
Internal Funds 113,491.25

**Total** \$ 356,498.12

**Uses of Funds:**

Equipment \$355,100.83  
Admin Costs 1,215.03  
COI 182.26

**Total** \$356,498.12

**Staff Recommendation:**

Staff recommends that the Authority approve Resolution No. CHP-3 2020-01 for Valley Children's Hospital to receive a grant not to exceed \$243,006.87 (less costs of issuance and administrative costs), subject to all requirements of the Children's Hospital Bond Act of 2008.

**Proposition 3 Evaluation Factors:**

Staff reviewed the provided application and other submitted materials in determining whether the applicant satisfactorily meets the six factors identified in Proposition 3. 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.*

**Ultrasound Machines:**

The Hospital purchased two new ultrasound machines to be able to maintain their standard of care and patient population: one to replace an outdated machine used predominately in the main Ultrasound Department (UD), and one machine to use for ultrasound guided procedures in the Hospital's Interventional Radiology Department (IRD). By replacing an outdated ultrasound machine, the Hospital can better serve its patients with the most technologically advanced equipment. Prior to the purchase, the Hospital had nine ultrasound machines in its UD and none in its newly created IRD. The outdated ultrasound machine that was replaced was over nine years old and was no longer able to meet clinical demand. The new ultrasound machines elevate both department's performance to meet current technology and performance expectations, primarily in the areas of image quality, ease of use, workflow, ergonomics, and portability. In addition, the two new ultrasound machines provide VCH a cost-effective diagnostic tool that can be used across numerous specialties. The new ultrasound machines allow sonoelastography (ultrasound technique for imaging the relative elastic properties of soft tissues) of structures, such as liver elastography performed on obese or cardiac patients to evaluate liver or cardiac disease. Although a Magnetic Resonance Imaging (MRI) elastography is the gold-standard, this lower-cost option ultrasound machine will be an alternative to expand VCH's patient's access to high quality diagnostic care. The UD estimates it will perform over 2,100 ultrasounds in fiscal year 2020. Since older machines are used less frequently, the Hospital would not be able to maintain this volume without the purchase of the new machines.

**C-MAC (video endoscope):**

The Hospital purchased its first C-MAC intubation platform for its Anesthesiology Department (AD). Anatomical and physiological differences between infants, children, and adults make pediatric airways difficult to intubate. The C-MAC offers the ideal airway management tool for the intubation of pediatric and neonatal patients, because the various endoscopes attached to the C-MAC monitor can fit infants and children, giving clinicians real time images of the patients' airways, allowing clinicians to pinpoint any blockages. This machine will expand VCH's patient's access to high quality video imaging during procedures. The C-MAC allows the AD to be better prepared during emergency situations, enabling clinicians to meet a wide variety of patient related challenges. The Hospital estimates that the AD uses the C-MAC on 40% of their pediatric patients, of which approximately 77% are Medi-Cal patients.

The Hospital anticipates a 2.8% increase in inpatient admissions, a 4.3% increase in emergency room visits, and a total 2.8% increase in outpatient clinic visits in fiscal year 2020, of which 77% are expected to be Medi-Cal patients.

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

Ultrasound Machines:

The new ultrasound technology offers significantly improved sonographic resolution due to improved signal processing technology, allowing for image optimization safely and in real time. The new ultrasound machines also allow diagnosticians to distinguish one tissue from another, for example, solid from fluid, finite mass from normal tissue, and to characterize small focal lesions in deeper structures. The enhanced technology of the new ultrasound machines provides a better image that is viewable faster, enhancing efficiency, contributing to better diagnoses and improved pediatric patient outcomes.

C-MAC (video endoscope):

The C-MAC monitor allows for multiple devices (various types of videoscopes) to be plugged in simultaneously. The C-MAC provides real time video visuals, giving physicians the ability to change course in emergency clinical settings. The C-MAC also is a great teaching tool that allows everyone involved in the intubation process to visualize the anatomy concurrently, facilitating successful communication and teamwork. The technology provided by the C-MAC will enable clinicians to have live video of the patients' airways, giving clinicians the ability to spot and remove blockages from the patients' airways in an accurate and timely matter, improving pediatric patient outcomes.

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. 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, which helps offset a portion of 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 (Stanford) 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 will continue to provide educational experiences to students and to encourage the future graduates of VCH's program to stay in the Central Valley as pediatricians and pediatric specialists.

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.*

All pediatric patient care equipment was purchased between January 2019 and April 2019 and is already in service.

**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<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 7051(n).

**RESOLUTION NO. CHP-3 2020-01**

**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 \$243,006.87, 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 \$243,006.87, 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 \$243,006.87, 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 grant period that ends on July 31, 2021.

Section 2. The Executive Director and Deputy Executive Director are 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 and 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. 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 and Deputy Executive Director are hereby authorized and directed, for and on behalf of the Authority, to draw money from the Act Fund not to exceed those amounts approved by the Authority for the Grantee. The Executive Director and Deputy Executive Director are 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 and Deputy Executive Director are hereby authorized and directed, for and on behalf of the Authority, to do any and all things and to execute and deliver any and all documents, which the Executive Director and Deputy Executive Director deem necessary or advisable in order to effectuate the purposes of this Resolution and the transactions contemplated hereby.

Section 5. This Resolution expires July 31, 2022.

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

## **EXHIBIT A**

### **PROJECT DESCRIPTION**

The proceeds of the grant will be used by Valley Children's Hospital to reimburse the cost for two ultrasound machines and a C-MAC intubation platform (video endoscope).