

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

Resolution Number CHP-4 2020-04

December 3, 2020

Applicant: Children's Hospital & Research Center at Oakland
747 52nd Street
Oakland, California 94609

Project Sites: 747 52nd Street
Oakland, California 94609

Amount Requested: Proposition 4: \$ 20,217,336.37 Grant #: CHO-02-04

Summary of Grant Amounts	Proposition 4
Eligible Amount	\$135,000,000.00
less Previous Grant Awards	26,090,472.58
less Requested Grant Amount	20,217,336.37
Remaining Amount Eligible (if requested amount if approved)	\$88,692,191.05

Project:

Children's Hospital & Research Center at Oakland (CHO or Hospital) is seeking grant funds to reimburse and fund the costs of four projects. The projects include: relocating and renovating General Acute Care Services (GACS) into two connected seismically compliant buildings and relocating, renovating and expanding the Center for Child Protection (CCP), Environmental Services (ES), and the Pediatric Intensive Care Unit (PICU).

Sources of Funds:

Prop 4 Request \$20,217,336.37
Internal Funds 71,823,298.00

Total \$92,040,634.37

Uses of Funds:

Renovation \$78,920,744.00
Equipment 12,902,554.00
Admin Costs 202,173.36
COI 15,163.01

Total \$92,040,634.37

Staff Recommendation:

Staff recommends the Authority approve Resolution Number CHP-4 2020-04 for Children's Hospital & Research Center at Oakland to receive a grant not to exceed \$20,217,336.37 (less costs of issuance and administrative costs), subject to all requirements of the Children's Hospital Program 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.

General Acute Care Services - Relocation and Renovation

CHO plans to relocate the GACS from the seismically non-compliant B/C Wing to the seismically compliant connected D&T building and Patient Tower that will also be renovated. The GACS are critical core functions that a hospital must provide in order to maintain its operational license. The GACS that are being relocated are the Hospital's 24/7 telephone operator station for general and emergency communication (Private Branch Exchange or PBX), the pharmacy, the morgue, and the central sterile processing department. The Hospital needs to relocate the GACS into a seismically compliant building by June 15, 2022, otherwise it would be forced to cease operations, and the Hospital's pediatric patients would have to seek treatment elsewhere. The relocation and renovation project preserves access to healthcare. In Fiscal Year (FY) 2019, CHO served approximately 80,000 individual pediatric patients through more than 9,000 inpatient visits, 40,000 urgent/emergency visits, and 200,000 non-urgent outpatient visits. Of these visits, about 70% were reimbursed by Medi-Cal.

Center for Child Protection – Relocation and Renovation

CHO plans to relocate, renovate and expand the CCP, which provides services for child abuse assessment and evaluation from the D&T Building to the first floor of the Patient Tower. The CCP currently serves approximately 700 pediatric patients annually and has only one exam room, which limits the number of patients seen at a time. The proposed renovation will expand the CCP by adding one additional exam room, enabling the Hospital to reduce patient wait times and ensure more timely treatment, thereby increasing access to treatment. The Hospital anticipates that this renovation and expansion will allow the CCP to potentially serve an additional 300 patients annually to meet the increasing need for clinical services that the Hospital is experiencing.

Environmental Services – Relocation and Renovation

ES provides essential janitorial and sanitation services to the Hospital. The renovation of the existing ES location will increase equipment storage space, which will allow for co-location of critical ES equipment and supplies, resulting in improved efficiency in cleaning and preparing rooms following patients' discharges as well as reduce wait-times for inpatient beds to become available. Currently, supplies and equipment are located in multiple areas of the Hospital, which is highly inefficient for staff workflows.

Pediatric Inpatient Care Unit – Relocation and Renovation

The Hospital plans to relocate and reconfigure the existing PICU from two large wards with 23 beds to one physical space with 21 private rooms and one double occupancy room. The PICU will be relocated from the 3rd floor of the D&T Building to one general area on the 2nd floor of the connected D&T Building and Patient Tower and will expand it from 4,458 square-feet to 20,692 square-feet. The PICU admits over 1,600 patients annually and has

the capacity to serve up to 23 patients at any given time; however, because of infection control considerations, the PICU is often unable to serve at its maximum capacity. This limitation of treatment capacity is directly related to the existing PICU layout, which has only five isolation rooms and forces the Hospital to turn away additional patients who require isolation. Following completion of the relocation and renovation project, the Hospital will no longer experience this capacity limitation for critically ill infectious patients in the PICU.

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

General Acute Care Services - Relocation and Renovation

The relocation of the GACS into a seismically complaint building ensures that the Hospital stays open and continues to provide healthcare. CHO specializes in pediatric care and offers a variety of services and pediatric subspecialties. Closing the Hospital would place a burden on pediatric patients in terms of wait time or travel time for treatment elsewhere. Timely treatment is a major factor in patient outcomes, directly impacting the patient's overall condition. It would be devastating for pediatric care and pediatric outcomes to lose a hospital that provides a wide range of services to pediatric patients.

Center for Child Protection – Relocation and Renovation

The CCP's purpose is to evaluate pediatric abuse victims, and it currently provides services in only one exam room. Renovating and adding an additional CCP exam room will improve pediatric patients' outcomes by limiting wait-time, increasing patients' comfort, and reducing their stress levels.

Environmental Services – Relocation and Renovation

The renovation of the existing ES location will allow the Hospital to consolidate the ES equipment and supplies into a single location, resulting in improved efficiency in cleaning and preparing rooms following patient discharge, reducing delays for patients waiting in the emergency department and the outpatient clinics for an inpatient bed to become available. Improved patient outcomes are directly related to timely treatment, and reducing delays ultimately improves patient outcomes.

Pediatric Inpatient Care Unit – Relocation and Renovation

The current PICU layout limits isolation treatment and lacks privacy. By completing the renovation and reconfiguration of the PICU, the Hospital can provide proper isolation treatment and can limit the need to transfer patients to other hospitals to receive isolation care. If the Hospital can isolate contagious patients, there is less chance of an already fragile pediatric patient suffering any compounded complications from contracting an additional illness. The treatment environment impacts outcomes by altering the patients' mood and mindset, contributing to the patients' recovery. The PICU expansion will allow families to stay with the patient and will remove the wards' environmental noise and lighting stressors. Further, since the Hospital will have all the rooms in the same general area, medical staff will be able to streamline care by reducing travel time between wards.

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

The Hospital's mission is to provide the highest quality of pediatric medical care, regardless of the family's ability to pay. For FY 2019, the Hospital served approximately 80,000 inpatient and outpatient individuals, of which over two-thirds were insured through the Medi-Cal program. In that year, CHO incurred \$196 million in the unreimbursed cost of care provided to patients with government-sponsored health care coverage (largely Medi-Cal) and also provided \$1.8 million in uncompensated charity care.

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

CHO is the only children's hospital in a nine-county service area, is one of only three Level 1 Pediatric Trauma Centers in Northern California and serves as the major provider of pediatric subspecialty services for patients with Medi-Cal in this region. The Hospital operates the only Federally Qualified Health Center (FQHC) in the nation devoted solely to pediatric patients. The FQHC provides primary care services, including preventative care, chronic disease management, behavioral health, and immunizations to 8,000-9,000 patients annually. Within the FQHC is the Center for the Vulnerable Child that provides medical care, psychotherapy, and navigational social services to approximately 3,000 children annually who are identified as particularly high risk and vulnerable. Additionally, the FQHC operates two school-based health centers in Oakland.

The Hospital also sponsors the Claremont Primary Care Clinic, which is a pediatric primary care provider with a patient population that is 95% Medi-Cal eligible and provides services, such as preventative care, chronic disease management, behavior health, and immunizations.

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

CHO has one of the largest pediatric teaching programs in the western United States. The Hospital hosts approximately 80 pediatric residents per year as well as 200-300 non-pediatric residents that temporarily rotate through CHO for pediatric treatment experience. For academic year 2018-2019, CHO provided month-long medical training in 13 different pediatric specialties to 100 medical students from medical schools across the United States. Additionally, University of California San Francisco's (UCSF) third-year medical students rotate through CHO as one of their core pediatric teaching sites; additionally, UCSF's second-year medical students rotate through CHO for their introduction into clinical medicine. CHO also includes the Children's Hospital Oakland Research Institute, which focuses on childhood disease research.

Factor 6: Demonstration of project readiness and project feasibility.

According to the project timeline provided in the Hospital's application, CHO's three projects were started in April 2019 and are scheduled to be completed by May 2021. The Hospital is anticipating seeing the first round of patients in July 2021 for all services except for the pharmacy. For the pharmacy, the Hospital anticipates the project to be completed and operational by August 31, 2021 due to the requirements for additional licensing and inspections.

Legal Review:

Although disclosures were made by the applicant, the information disclosed does not appear to detrimentally affect its financial viability or legal integrity.

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 1912 and is located in Alameda County. The Hospital offers everything from primary care to over 30 pediatric subspecialties. Further, CHO is one of only five American College of Surgeons verified Level 1 Pediatric Trauma Center hospitals in California and has specialized staff and facilities to treat rare pediatric illnesses. The Hospital's financial audit for FY 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 2020-04

**RESOLUTION OF THE CALIFORNIA HEALTH
FACILITIES FINANCING AUTHORITY APPROVING
EXECUTION AND DELIVERY OF GRANT FUNDING
UNDER THE CHILDREN’S HOSPITAL PROGRAM OF 2018
TO CHILDREN’S HOSPITAL & RESEARCH CENTER AT OAKLAND**

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 Children’s Hospital & Research Center at Oakland (“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 \$20,217,336.37, 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 \$20,217,336.37, 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 August 31, 2022.

Section 2. The Executive Director and the 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 the 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 the 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 August 31, 2023.

Date Approved: _____

EXHIBIT A

PROJECT DESCRIPTION

The proceeds of the grant will be used by the Children's Hospital & Research Center at Oakland to reimburse and fund the costs of relocating and renovating General Acute Care Services into two seismically compliant buildings, and relocating, renovating and expanding the Center for Child Protection, Environmental Services, and the Pediatric Intensive Care Unit.