

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

Resolution No. CHP-4 2021-01

January 28, 2021

Applicant: Children's Hospital Los Angeles
4650 West Sunset Boulevard
Los Angeles, California 90027

Project Sites: 4650 West Sunset Boulevard
Los Angeles, California 90027

Amount Requested: Proposition 4: \$ 11,954,167.00 Grant #: CHLA-01-04

Summary of Grant Amounts	Proposition 4
Eligible Amount	\$135,000,000.00
less Previous Grant Awards	0.00
less Requested Grant Amount	11,954,167.00
Remaining Amount Eligible (if requested amount is approved)	\$123,045,833.00

Project:

Children's Hospital Los Angeles (CHLA or the Hospital) is seeking grant funds to reimburse the costs of patient care equipment for various departments, including the Neonatal Intensive Care Unit (NICU), the Pediatric Intensive Care Unit (PICU), and the Department of Imaging. Equipment items already purchased include, but are not limited to, ventilators, surgical beds, an echocardiography machine, a benchmark platform, a portable scanner, and an automated inoculation delivery system.

Sources of Funds:

Prop 4 Request	\$11,954,167.00
Hospital Funds	128,507.30
Total	<u>\$12,082,674.30</u>

Uses of Funds:

Equipment	\$11,954,167.00
Admin Costs	119,541.67
COI	8,965.63
Total	<u>\$12,082,674.30</u>

Staff Recommendation:

Staff recommends that the Authority approve Resolution No. CHP-4 2021-01 for Children's Hospital Los Angeles to receive a grant not to exceed \$11,954,167.00 (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 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.

Ventilators

The Hospital purchased eight additional ventilators to meet regulatory requirements. The additional ventilators, used by patients who require assistance with breathing, will be in the PICU and the NICU, as well as in other inpatient departments throughout the Hospital as needed. The Hospital currently has 58 licensed pediatric beds for the NICU and 24 licensed pediatric beds for the PICU but only 57 ventilators, and without the additional ventilators, it would not be able to provide the level of care as a certified level III NICU¹ and level IV NICU². In calendar year 2019, the number of patients requiring ventilators increased by 18.9% overall and 22.7% within the NICU when compared to calendar year 2018. In addition, regulations require CHLA to ensure that it has enough ventilators to properly treat the pediatric patients receiving care. In Fiscal Year (FY) 2019, CHLA treated 1,227 pediatric patients who were on ventilators.

CHLA serves on average 17,184 pediatric inpatients annually, with an expected 3% annual increase. In FY 2019, the Hospital served approximately 146,000 pediatric inpatient and outpatient individuals, of which 74% are Medi-Cal recipients.

Echocardiography (EKG) Machine

CHLA has purchased a new EKG machine for the Non-Invasive Cardiology Department to replace an over ten-year old equipment that was no longer supported by the manufacturer. This new EKG machine is essential in diagnosing and recommending treatment plans for pediatric patients with cardiovascular diseases and comes with an updated central processing unit that produces better quality imaging of the heart. The higher quality images enhance CHLA's ability to test and diagnose pediatric patients' heart problems faster and more accurately and to provide targeted treatment efficiently. In addition, the new EKG machine helps CHLA meet the increased service demand and reduces pediatric patients' wait times. For some pediatric patients with life-threatening conditions, having a timely EKG exam can be crucial, and long wait times could force the critically ill children to seek treatment elsewhere.

Approximately 1,818 pediatric patients annually will benefit from the new EKG machine.

¹ A Level III NICU has the capability to provide various intensive care for babies born at 28 weeks and above. The intensive care, includes but is not limited to, sustained life support, a full range of respiratory support, and advanced imaging.

² A Level IV NICU provides the same level of care as Level III NICU as well as additional services, including but not limited to a full range of pediatric subspecialties, pediatric surgical subspecialists, and has pediatric anesthesiologists at the site.

Benchmark Ultra IHC Platform

The Hospital purchased one Benchmark Ultra IHC Platform for the Pathology and Laboratory Department to replace the existing platform, which has a limited testing capacity. This equipment is used to perform abnormal cell tests for tumors, helping to determine the most effective course of treatment. Certain tumor cells express unique markers, and when the targeted antibodies combine with the tumor markers during the test, the medical staff can identify the prognosis of the disease and recommend targeted treatment plans tailored for that specific pediatric patient. Thus, the new equipment will increase access to testing and provide timely diagnosis and treatment.

Approximately 15,000 pediatric patients will benefit from this equipment annually.

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

Portable Computed Tomography (CT) Scanner

The Hospital purchased one new portable CT scanner for the Radiology Department to perform brain CT exams for the pediatric patients. Prior to the purchase, CHLA had two fixed CT scanners and one portable CT scanner. The additional portable CT scanner will enable CHLA to serve its pediatric patients in the event that the main portable CT scanner is broken or out of service. This portable CT scanner will be used for neurological pediatric patients who are deemed unsafe for transport, due to their medical condition, from their bedsides to the fixed CT scanner. Without the back-up portable CT scanner, the Hospital might be forced to risk transporting critically ill pediatric patients to the fixed CT scanner or forego the CT scan entirely if the only portable CT scanner is broken or out of service, both options having possible negative implications for the pediatric patients' care.

On average, the Hospital uses the portable CT scanner on approximately 232 pediatric patients a year.

Surgical Beds

The Hospital purchased nine surgical beds for its operating rooms (OR) and ambulatory surgery centers (ASC) to replace existing ones that are over 16 years old and lack certain technical features. The OR/ASC provide various surgical services, such as spinal alignment for scoliosis patients, appendectomies, neurological/brain surgeries, and organ transplantation. By replacing nine of its surgical beds, CHLA is able to standardize all its beds to have the same features. The new replacement surgical beds will allow the physicians and nurses to focus on the procedures themselves and also allow the Hospital to schedule patients in any operating room without the consideration of the bed's model compatibility to a particular surgery. Before the replacement of the surgical beds, there was a waitlist for the OR because of the beds' compatibilities with specific surgeries. The purchase of the new surgical beds is allowing CHLA to increase the number of surgeries performed overall, shorten the procedure time, as well as the pediatric patients' time under anesthesia, reducing the risk of complications, and allowing patients to return home quicker to recover.

CHLA currently performs 17,000 surgeries a year on average and continues to see an approximate 1% growth in surgeries each year.

Automated Inoculation Delivery System (AIM)

The Hospital purchased one AIM for the Microbiology Department to inoculate and read bacterial susceptibility panels used in determining the cause of a specific infection. The current inoculation process is manual and poses safety and contamination risks due to aerosols and waste disposal. The automated method improves accuracy and decreases the need for repeat testing. The new AIM allows faster patient infection testing and helps providers develop treatment plans more quickly, while decreasing potential inaccuracies.

The Microbiology Department performs approximately 15,000 pediatric patient infection tests annually.

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. In FY 2019, the Hospital provided approximately \$297.18 million in community benefits for children living in poverty, such as: parental counseling, educational seminars, family support groups and provided financial assistance, including Medi-Cal means-test programs, and subsidized health services to indigent pediatric patients.

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

CHLA's child and family centered facilities, expertise and proficiency of pediatric doctors and nurses, and technologies, designed with the unique needs of children in mind, serve the majority of vulnerable children in the Los Angeles County region. CHLA has financial counselors and Medi-Cal eligibility workers to assist patient families in finding alternative sources of payment from both public and private programs. CHLA is a certified tertiary California Children's Services (CCS) hospital³ with 27 certified specialty care centers and provides services to children with special needs, which are among the most medically vulnerable children in the region. CHLA and its medical group provide CCS program support and are committed to expanding access to services, improving health care outcomes for the pediatric patients and family satisfaction with the full range of services provided, and implementing greater efficiencies and reduced costs of care and services.

³ For the purpose of CCS, a tertiary hospital is a referral hospital providing comprehensive, multidisciplinary, regionalized pediatric care to children from birth up to 21 years of age. This includes the provision of a full range of medical and surgical care for severely ill children, pediatric residency training within 24-hour CCS-paneled pediatrician coverage, an organized pediatric research program, and community outreach.

In FY 2019, the Hospital served approximately 146,000 pediatric inpatient and outpatient individuals, which resulted in approximately 565,000 pediatric patient visits. 74% of the children receiving services at CHLA are Medi-Cal recipients. 55% of the CHLA's \$823.5 million net patient revenue for FY 2019 comes from governmental health insurance programs, such as Medi-Cal and CCS.

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

CHLA promotes both physician and registered nurse training and provides training to over 200 pediatric and subspecialty fellows annually. Additionally, over 500 residents and fellows from other institutions rotate through CHLA each year for pediatric training. Over the past five years, about 40% of graduates have remained in the Los Angeles area, including in medically underserved areas, as practicing pediatricians. CHLA conducts pediatric research through its Saban Research Institute and the University of Southern California-CHLA Institute of Pediatric Clinical Research. The Saban Research Institute, dedicated exclusively to children, has 300 researchers engaged in 1,710 studies, clinical trials and community-based research and health services.

Factor 6: Demonstration of project readiness and project feasibility.

All patient care equipment to be reimbursed with grant funds was purchased between January 1, 2018 and June 30, 2020 and is currently placed in operation.

Legal Review:

Although disclosures were made by the applicant, the information disclosed does not appear to detrimentally affect the 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, founded in 1901 in a small house in Los Angeles County, today offers more than 350 pediatric specialty programs and services to meet the needs of its patients. As the first pediatric hospital in Southern California, CHLA relies on the generosity of philanthropists in the community to support patient care, leading-edge education of the caregivers of tomorrow and innovative research efforts that impact children at the Hospital and around the world. The Hospital's financial audit for FY 2019 was submitted and is free of "going concern" language⁴.

⁴ 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-4 2021-01

**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 CHILDREN’S HOSPITAL LOS ANGELES**

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 Los Angeles (“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 \$11,954,167.00, 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 \$11,954,167.00, 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 June 30, 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 the 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 June 30, 2023.

Date Approved: _____

EXHIBIT A

PROJECT DESCRIPTION

The proceeds of the grant will be used by Children's Hospital Los Angeles to reimburse the costs of patient care equipment for various departments, including the Neonatal Intensive Care Unit, the Pediatric Care Unit, and the Department of Imaging. Equipment items purchased, include but are not limited to: ventilators, surgical beds, an echocardiography machine, a benchmark platform, a portable scanner, and an automated inoculation delivery system.