

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

**Resolution No. CHP-4 2021-03**

**March 25, 2021**

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

**Project Site:** Same as above.

**Amount Requested:** \$11,905,229.38      Grant #: VCH-03-04

Summary of Grant Amounts	Proposition 4
Eligible Amount	\$135,000,000.00
less Previous Grant Awards	52,599,614.52
less Requested Grant Amount	11,905,229.38
Remaining Amount Eligible (if requested amount if approved)	\$ 70,495,156.10

**Project:**

Valley Children's Hospital (VCH or Hospital) is seeking grant funds to reimburse itself for the cost of renovation projects and patient care equipment. Renovation projects include, but are not limited to: expansion of the sleep laboratory and renovations associated with the installation and replacement of equipment. Patient care equipment include, but are not limited to: monitors, surgical power tools, lights, a portable x-ray machine, and a digital radiography machine.

**Sources of Funds:**

Prop 4 Request                      \$11,905,229.38  
Internal Funds                      127,981.21

**Total**                                      **\$ 12,033,210.59**

**Uses of Funds:**

Renovation                              \$6,460,221.73  
Equipment                              5,445,007.65  
Admin Costs                              119,052.29  
COI    8,928.92

**Total**                                      **\$12,033,210.59**

**Staff Recommendation:**

Staff recommends that the Authority approve Resolution No. CHP-4 2021-03 for Valley Children's Hospital to receive a grant not to exceed \$11,905,229.38 (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.*

### **Sleep Laboratory Expansion**

The Hospital expanded the Sleep Laboratory (Sleep Lab) by creating a dedicated four bed, child-friendly Sleep Lab. The sleep services team at VCH specializes in identifying sleep-related breathing disorders in infants, children and young adults. Prior to the expansion, the sleep studies were performed at night in the Neuro Testing Department. The lack of dedicated space for sleep studies prior to the expansion caused delays in the completion of sleep studies for pediatric patients. There was a total 847 patient visits at the Sleep Lab in 2020, an increase of 126 patients compared to 2019, despite challenges resulting from COVID-19 restrictions on elective studies. The Hospital anticipates approximately 1,400 patient visits at the Sleep Lab in 2021, having already performed 134 sleep studies in January 2021 alone.

### **Monitors**

The Hospital purchased 56 additional monitors for its nurses' stations to facilitate the centralized monitoring of pediatric patients throughout four acute care units. The acute care units include, but are not limited to: the respiratory unit, the medical unit, the infectious diseases unit, and the post-operation surgical unit. Prior to the purchase, the Hospital had 70 monitors for these acute care units, with approximately 140 beds, and had to prioritize and limit patients' admission based on availability of monitors, patients' needs, and medical acuity. The additional 56 monitors facilitate the monitoring of more patients without the need to prioritize. The new generation of monitors contains updated technology, which includes improved algorithms and oxygen saturation monitoring options. The design is ergonomically friendly, and the new mounting solution gives clinicians more flexibility to interact with the screen. The monitors provide a record of the patients' historical vitals data, and the patients' data can be recorded in the Hospital's electronic medical records system automatically, enabling informed decision-making for medical staff and improving patients' access to high-quality care. The Hospital states that an additional 3,200 pediatric patients will benefit annually from centralized monitoring.

### **Surgical Power Tools**

The Hospital purchased an additional 12 cordless drivers, one dual trigger rotary drill, and one sagittal saw, and replaced 23 power tools, including but not limited to: four electric micro drills, four electric oscillating saws, and four electric universal drivers. The consistency in the surgical power tools versions allows for interchangeability of equipment across different patient services, reduces confusion for staff, and reduces scheduling conflicts. The upgraded equipment provides updated and fully functional equipment for all of VCH's surgical services, including

cardiac, plastic, and orthopedic surgeries, thereby expanding the availability of the operating rooms for various services and reducing surgical lead times. The standardization of the surgical power tools allows the surgeons and nurses to focus on the procedures themselves and also allows the Hospital to schedule patients on time, without the consideration of the availability of power tools specific for a particular surgery. The additional surgical power tools allow the Hospital to increase the number of surgeries performed overall, shorten procedure time, as well as provide timely treatment for pediatric patients. The Hospital was able to perform an additional 200 surgical cases throughout multiple services in the fiscal year following the purchase of the surgical power tools.

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

### **Replacement of Lights for Operating Rooms and Pediatric Intensive Care Unit and Associated Renovations**

The Hospital has replaced the lights in eight operating rooms. The Light Emitting Diode (LED) lights in the operating rooms improve pediatric patient outcomes by enhancing the surgical staff's ability to see during delicate surgeries. Prior to the update, the operating rooms were equipped with halogen lights, which required replacements every three months. The halogen lights also generated more heat than the LED lights, causing a challenge for the strict control of the environment's temperature needed during surgery. The LED lights have a brighter white light, which highlights natural tissue markers and makes it easier for the surgeons to operate, and can last 19 years or 60,000 hours. The Hospital performs over 14,000 surgeries per year.

The Hospital also has replaced two exam lights in its Pediatric Intensive Care Unit (PICU). The updated exam lights improve pediatric patient outcomes by enhancing the medical staff's ability to see during medical examinations. The Hospital anticipates that approximately 8,800 pediatric patients will benefit from the replacement of exam lights in the PICU in fiscal year 2021.

### **Digital Radiography Machine and Associated Renovations**

The Hospital has replaced a digital radiography machine in its main Radiology Department. The old machine was purchased in 1998 and was past the end of its useful life, which is approximately five years. The replacement of the machine was essential, allowing the Radiology Department to maintain uninterrupted services for inpatients and outpatients. The new machine has special technology, which reduces the amount of radiation exposure, thereby reducing the exposure risks for patients requiring frequent exams due to their medical needs and improving pediatric patients' outcomes.

### **One Portable X-Ray Unit**

The Hospital purchased an additional portable x-ray unit for its inpatient services. The addition of the new unit to its existing five units will allow VCH to meet growing demand for its inpatient services. The new portable x-ray unit provides higher resolution images and has a highly sensitive detector that reduces radiation exposure to pediatric patients, thus improving pediatric patients' outcomes by improving efficiency and minimizing radiation exposure.

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

In fiscal year 2020, VCH provided approximately \$209,000 in charity care, and the estimated Medi-Cal uncompensated costs were approximately \$101 million. In addition, VCH provides enrollment assistance to uninsured and under-insured pediatric patients who qualify for Medi-Cal, California Children's Services Program or VCH's Financial Assistance Program. Once eligibility is determined, VCH's staff assists the families with completing necessary applications and submitting them to the appropriate agencies. Given the Central Valley's largely rural landscape and high concentration of poverty, VCH continues to work with the community to improve public transportation and access to care.

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

VCH is the only tertiary and specialized health care facility for children in the Central Valley, and its service area covers a wide portion of Central California, including Kern County, San Joaquin County, and northern Santa Barbara and San Luis Obispo Counties. VCH serves a large rural area with a large Medi-Cal population. In addition, VCH is expanding its services in the rural areas through its outreach clinics and physician-hospital partnerships.

In fiscal year 2020, VCH had 10,727 inpatient admissions, 84,720 emergency department visits, and 140,317 outpatient clinic visits. Medi-Cal benefits covered 73.8% of the inpatient cases and 74.6% of the outpatient 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 45 years and is currently teaching over 250 residents and medical students 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 interns and 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 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 started 64 new research studies and enrolled over 1,200 participants in various research projects in calendar year 2020. The Hospital also 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 renovation projects were completed and placed in service by October 1, 2019. All pediatric patient care equipment was purchased between January 1, 2018 and August 31, 2020 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 in Fresno, Hanford and Merced. The Hospital’s financial audit for fiscal year 2020 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 7000(q).

**RESOLUTION NO. CHP-4 2021-03**

**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 (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 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 \$11,905,229.38, 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 \$11,905,229.38, 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 September 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 September 30, 2023.

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

## **EXHIBIT A**

### **PROJECT DESCRIPTION**

The proceeds of the grant will be used by Valley Children's Hospital to reimburse itself for the cost of renovation projects and patient care equipment. Renovation projects include, but are not limited to: expansion of the sleep laboratory and renovations associated with the installation and replacement of equipment. Patient care equipment include, but are not limited to: monitors, surgical power tools, lights, a mobile x-ray machine, and a digital radiography machine.