

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

**Resolution No. CHP-4 2023-02**

**April 27, 2023**

**Applicant:** Children’s Hospital Los Angeles  
4650 West Sunset Boulevard  
Los Angeles, CA 90027

**Project Site:** 4650 West Sunset Boulevard  
Los Angeles, CA 90027

**Amount Requested:** Proposition 4: \$10,775,360.27 Grant #: CHLA-02-04

Summary of Grant Amounts	Proposition 4
Eligible Amount	\$135,000,000.00
less Previous Grant Awards	11,833,198.38
less Requested Grant Amount	10,775,360.27
Remaining Amount Eligible (if requested amount is approved)	\$112,391,441.35

**Project:**

Children’s Hospital Los Angeles (CHLA) is seeking Proposition 4 grant moneys to reimburse the cost 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. The patient care equipment includes, but is not limited to one ventilator, one ultrasound machine, patient monitors, Extracorporeal Membrane Oxygenation (ECMO) machines, dialysis machines and one ultrasonic aspirator system.

**Sources of Funds:**

Net Prop 4 Funds <sup>1</sup>	\$10,659,525.15
Internal Funds <sup>2</sup>	<u>115,835.12</u>
<b>Total</b>	<b><u>\$10,775,360.27</u></b>

**Uses of Funds:**

Equipment	\$10,775,360.27
<b>Total</b>	<b><u>\$10,775,360.27</u></b>

**Staff Recommendation:**

Staff recommends that the Authority approve Resolution No. CHP-4 2023-02 for Children’s Hospital Los Angeles to receive a grant not to exceed \$10,775,360.27 (less costs of issuance and administrative costs), subject to all requirements of the Children’s Hospital Bond Act of 2018.

<sup>1</sup> Net Prop 4 Funds is the total Prop 4 requested amount of \$10,775,360.27, less costs of issuance and administrative costs.

<sup>2</sup> Internal Funds in the amount of \$115,835.12 will be used to pay the administrative costs (\$107,753.60) and costs of issuance (\$8,081.52).

## **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.*

### **Ventilator**

CHLA purchased a ventilator to replace an existing one, which reached the end of its useful life and no longer can be serviced by the manufacturer. The new ventilator is used as needed throughout different departments at CHLA, such as the PICU and NICU for patients who require assistance with breathing. Without replacing the ventilator, CHLA would not be able to meet the increased service demand and provide the level of care required as a certified level III and IV NICU<sup>3</sup>.

In fiscal year (FY) 2022, CHLA treated 1,731 pediatric patients who used a ventilator for breathing, of which 229 were NICU patients. CHLA's number of pediatric patients requiring ventilators increased by 22% in FY 2023 and by 37% within the NICU alone.

### **Ultrasound machine**

CHLA purchased one EPIQ CV ultrasound machine for its non-invasive cardiology program to replace one of the eleven existing ones that is no longer supported by the manufacturer. The ultrasound machine is essential in monitoring patients with cardiac conditions and detecting cardiovascular diseases, helping to determine the most effective course of treatment, which can range from medications to open heart surgery. The new machine is used by CHLA's staff to provide imaging and timely diagnosis of a pediatric patient's heart activity.

CHLA serves approximately 1,818 pediatric patients annually in the non-invasive cardiology program, of which 1,329 pediatric patients are Medi-Cal recipients.

### **Philips Patient Monitors**

CHLA purchased 650 new patient monitors to replace all its existing ones, which are outdated and no longer supported by the manufacturer. The new patient monitors are used to measure pediatric patients' vital signs and allow medical providers to access and share patient data from anywhere throughout the hospital, enabling comprehensive patient visibility and caregiver flexibility. The new patient monitors' capability of capturing a steady stream of patient data helps CHLA's staff in the clinical decision-making process. The patient monitors are essential in a hospital setting, and without them, CHLA would not be able to provide services to its pediatric patients.

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<sup>3</sup> 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. 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 on site.

CHLA uses the patient monitors for approximately 12,429 pediatric patients annually, of which 73.1% are Medi-Cal recipients.

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

### **Extracorporeal Membrane Oxygenation (ECMO) Machines**

CHLA has purchased six new ECMO machines for its Cardiothoracic Intensive Care Unit to replace six outdated ones that are no longer supported by the manufacturer. An ECMO machine uses a pump to circulate blood through an artificial lung back into the bloodstream of a very ill pediatric patient, while maintaining the blood oxygen and carbon dioxide levels in balance. This system provides a heart-lung bypass support, allowing the body to rest and recover by doing the work of the heart and lungs. CHLA, the only California Children's Services (CCS)<sup>4</sup> approved center for ECMO treatment within the Los Angeles County, uses the ECMO machines on pediatric patients who are awaiting a heart transplant, or have life-threatening conditions or injuries that affect the function of their heart or lungs. The new ECMO machines will help CHLA meet increased service demand and reduce pediatric patients' wait times.

In FY 2022, the average length of time of a pediatric patient on an ECMO was six days, with 12 patients being on ECMO for more than 10 days. Since 1987, more than 1,400 pediatric inpatients (52 patients in FY 2022 alone), have benefited from the ECMO treatment.

### **Dialysis Machines**

In order to continue providing comprehensive dialysis services for its pediatric patients, CHLA purchased 12 new dialysis machines for its hemodialysis clinic to replace its existing ones that are no longer serviceable. The new dialysis machines provide a continuous renal replacement therapy for acute kidney injury and fluid overloaded pediatric patients weighing between 2.5 to 10 kgs. By purchasing the new dialysis machines, CHLA can serve approximately 65 pediatric patients, who are not only experiencing kidney failure but might also need a kidney transplant, at any giving time.

In FY 2022, CHLA had 5,158 outpatients visits to the hemodialysis clinic.

### **Ultrasonic Aspirator System**

CHLA has purchased a new ultrasonic aspirator system for its operating rooms and ambulatory surgery centers to replace its existing outdated one. The ultrasonic aspirator system is primarily used by neurosurgeons when removing brain tumors. The ultrasonic aspirator system uses mechanical vibration at ultrasonic frequencies to fragment, emulsify, and aspirate soft tissue during surgery and has a suction and irrigation system built into the tip to increase visibility and prevent overheating. The previous aspirator model would overheat in the middle of the procedure, requiring the surgeon to pause and allow the machine to cool down in order to avoid additional tissue damage. The new ultrasonic aspirator system improves safety and efficiency by providing precise movement during procedures, minimizing the risk of harming surrounding tissue, and is ten times faster than the previous model, thereby shortening procedure time.

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<sup>4</sup> 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, organized pediatric research program, and community outreach.

CHLA performs on average 114 surgeries annually using the ultrasonic aspirator system. CHLA currently performs on average 17,000 surgeries annually and continues to see approximate 1% growth in surgeries each year.

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

CHLA's mission is to provide the highest quality of pediatric medical care, regardless of the family's ability to pay. In FY 2022, CHLA provided approximately \$441 million in community benefits for children living in poverty, such as: parental counseling, educational seminars, and 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.*

In FY 2022, CHLA served approximately 143,000 pediatric inpatient and outpatient individuals, which resulted in approximately 687,525 pediatric patient visits. 73.1% of the children receiving services at CHLA are Medi-Cal recipients. 53% of the CHLA's \$763.6 million net patient revenue for FY 2022 comes from governmental health insurance programs, such as Medi-Cal and CCS.

CHLA has financial counselors and Medi-Cal eligibility workers to assist patient's families in finding alternative sources of payment from both public and private programs. CHLA is a certified tertiary CCS hospital 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.

*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.*

CHLA has purchased all patient care equipment and expects all equipment to be in service by June 30, 2023.

**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:**

CHLA is a nonprofit 501(c)(3) general acute care pediatric hospital with a current license from the California Department of Public Health. CHLA, founded in 1901 in a small house in Los Angeles County, 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. CHLA's financial audit for FY 2022 was submitted and is free of "going concern" language<sup>5</sup>.

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<sup>5</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 2023-02**

**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 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 (Health & Safety Code, §1179.81 et seq; the “Act”), and implementing regulations (Cal. Code Regs., § 7000 et seq.) to award grants from the proceeds of general obligation bonds to finance eligible capital improvement projects for the construction, expansion, remodeling, furnishing, equipping, financing, or refinancing of a children’s hospital, as defined in the Act; and

WHEREAS, Children’s Hospital Los Angeles (“Grantee”) qualifies as an eligible children’s hospital under Health and Safety Code section 1179.82(b); 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 the approval of a grant in an amount not to exceed \$10,775,360.27, 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. Pursuant to Health and Safety Code section 1179.85, the Authority hereby approves a grant of \$10,775,360.27, less bond issuance and administrative costs, to the Grantee to complete the Project as described in the Children’s Hospital Program of 2018 application and Exhibit A to this Resolution (Exhibit A is hereby incorporated by reference) by January 1, 2025 the end of the grant period.

Section 2. For and on behalf of the Authority, the Executive Director and the Deputy Executive Director are hereby authorized and directed to do all of the following:

a) Approve any minor, non-material changes in the Project described in the application submitted to the Authority. Nothing in this Resolution shall not 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 funding not be completed for any reason whatsoever.

b) Extend the grant period end date identified in Section 1. However, any extension approved by the Executive Director and the Deputy Executive Director shall not extend past the grant resolution repeal date.

c) Allocate moneys from the Children’s Hospital Bond Act Fund of 2018, created pursuant to Health and Safety Code section 1179.83, not to exceed those amounts approved by the Authority for the Grantee.

d) Execute and deliver to the Grantee any and all documents necessary to complete the transfer of moneys that are consistent with the Act and implementing regulations.

e) Do any and all things and to execute and deliver any and all documents that the Executive Director and the Deputy Executive Director deem necessary or advisable to effectuate the purposes of this Resolution and the transactions contemplated herein.

Section 3. This Resolution shall repeal on January 1, 2026 unless extended by action of the Authority prior to that date.

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

## **EXHIBIT A**

### **PROJECT DESCRIPTION**

The proceeds of the grant will be used by Children's Hospital Los Angeles to reimburse the cost of patient care equipment for various departments, including the Neonatal Intensive Care Unit, the Pediatric Intensive Care Unit, and the Department of Imaging. The patient care equipment includes, but is not limited to one ventilator, one ultrasound machine, patient monitors, Extracorporeal Membrane Oxygenation (ECMO) machines, dialysis machines and one ultrasonic aspirator system.