

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

Resolution No. CHP-4 2023-03

June 29, 2023

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

Project Site: 9300 Valley Children's Place
Madera, CA 93636

Amount Requested: Proposition 4: \$8,108,663.46 Grant #: VCH-04-04

Summary of Grant Amounts	Proposition 4
Eligible Amount	\$135,000,000.00
less Previous Grant Awards	64,317,621.36
less Requested Grant Amount	8,108,663.46
Remaining Amount Eligible (if requested amount is approved)	\$62,573,715.18

Project:

Valley Children's Hospital (VCH) is seeking Proposition 4 grant moneys to reimburse the costs of eligible pediatric portions of patient care equipment and renovation projects. The patient care equipment includes, but is not limited to, a surgical robot, 10 brain monitors, one x-ray machine, 370 infusion pumps, four operating room power tools, and a pharmacy robot system. The renovation projects include, but are not limited to, the pharmacy remodel and renovations associated with the installation and replacement of equipment.

Sources of Funds:

Net Prop 4 Funds ¹	\$8,021,495.33
Internal Funds ²	<u>889,123.86</u>
Total	\$8,910,619.19

Uses of Funds:

Equipment	\$5,596,173.84
Renovation	<u>3,314,445.35</u>
Total	\$8,910,619.19

Staff Recommendation:

Staff recommends that the Authority approve Resolution No. CHP-4 2023-03 for Valley Children's Hospital to receive a grant not to exceed \$8,108,663.46 (less costs of issuance and administrative costs), subject to all requirements of the Children's Hospital Bond Act of 2018.

¹ Net Prop 4 Funds is the total Prop 4 requested amount of \$8,108,663.46, less costs of issuance and administrative costs.

² Internal Funds will pay for administrative costs (\$81,086.63), costs of issuance (\$6,081.50), and the non-pediatric portion of the project costs (\$801,955.73).

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.

Surgical Robot

VCH purchased a new Da Vinci surgical robot to assist with less invasive surgeries for the urology and general surgery patients. The surgical robot includes a console, vision system, and surgical instruments, allowing surgeons sitting at the console to control the instruments as they perform surgery. The vision system gives surgeons a high-definition view of the surgical area that is magnified 10 times, while the surgical robot instruments move like human hands but with far greater range of motion. The system also has built-in tremor filtration technology to ensure that the surgeon's movements are smooth and precise.

During the first six months of service, the surgical robot assisted in 33 less invasive surgery procedures, and VCH estimates that it will serve approximately 66 patients annually, of which 48 are estimated to be on Medi-Cal.

Brain Monitors

VCH purchased 10 Natus brain monitors to replace four of its existing monitors, which were past their useful life and add six additional monitors. VCH will keep six brain monitors in their Epilepsy Monitoring Unit and four on portable carts to be used as needed. Physicians and technicians use these monitors to observe and record patients, who are having seizures, and the recordings allow physicians to determine the type of seizure the patient is having to assist with putting together a plan of care. Patients being observed for seizures will have two monitors placed in their room at different angles. Typically, during a seizure, the presence of a family member by the patient's side can cause an obstructed view of the patient if using only a single monitor. Two monitors per room allow for proper seizure monitoring, ensuring an accurate diagnosis and thereby improving patient outcomes.

In 2019, prior to replacing the brain monitors, VCH conducted 570 video electroencephalograms (EEGs). After the purchase of the new brain monitors, VCH performed 610 EEGs in 2020, and 741 EEGs in 2021, an increase of 30% from 2019. In 2022, VCH performed 681 EEGs, of which 493 were performed on Medi-Cal patients.

X-ray Machine and Associated Renovation

VCH purchased an x-ray machine for the Radiology Department to replace its existing one, which was past its useful life. The x-ray machine utilizes newer digital radiography technology, which provides superior image quality, while decreasing the amount of radiation to the pediatric patient. For patients requiring frequent radiographs, this innovative technology equates to a reduced dose of radiation, resulting in less risk of radiation complications and overall better patient outcomes. Technologists also must keep young patients still while taking diagnostic

images, which is especially difficult for young children in pain. Being able to move the equipment around the patient to obtain necessary views improves patient comfort and expedites exam times. Grant proceeds will also be used to reimburse the costs of renovations associated with the installation of the new x-ray machine.

After placing the new x-ray machine in service, 649 patients were able to utilize this service in 2022 compared to 438 patients in 2019, of which approximately 467 were on Medi-Cal.

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

Infusion Pumps

VCH purchased 370 large volume infusion pumps to replace the older models that were not working efficiently, forcing VCH to rent infusion pumps when the demand was high. Infusion pumps are used to administer fluids, such as nutrients or medications to patients, and these devices are preferred over manual administration because infusion pumps allow controlled fluid administration - the ability to deliver fluids in small volumes or at precisely programmed rates and intervals. These new infusion pumps are equipped with predetermined clinical guidelines, dose error reduction systems, and drug libraries that provide a comprehensive list of medicines and fluids with dose, volume, and flow rate details.

The new infusion pumps are integrated with VCH's electronic medical record (EMR) system, so the information transmitted by the EMR pre-populates the infusion pumps, reducing keystroke and manual programming errors and providing increased prevention of medication error, thereby improving pediatric patients' health outcomes.

Power Tools for Operating Room

VCH purchased four additional power tools consisting of three neuro drills and one sagittal saw for the operating room. These power tools were added to VCH's 35 existing power tools, and they are used in a variety of surgical procedures that require cutting through bone. For example, the neuro drill is engineered to improve balance and maneuverability for surgeons. By acquiring these additional power tools, VCH can care for more surgical patients concurrently, reducing the number of scheduling conflicts due to unavailability of equipment and provide timely surgery for pediatric patients, thereby improving patients' health outcomes. Additionally, having consistency in VCH's equipment models reduces confusion for staff and allows the hospital to treat patients more effectively. This purchase provides updated and fully functional equipment for VCH's surgical services, including Cardiac Surgery, Plastic Surgery, and Orthopedics. By providing timely surgery for pediatric patients, patients' health outcomes can be improved.

Since purchasing these multiple power tools, VCH was able to increase the number of elective surgeries performed by 5%.

Pharmacy Remodel and Pharmacy Robot System

VCH remodeled their main pharmacy and the intravenous therapy (IV) room to comply with regulatory standards for sterile and non-sterile hazardous compounding rooms, where medications are prepared, dispensed, or administered. The pharmacy remodel included a new

HVAC, new regulatory compliant ceiling HEPA filters with turbo fans to ensure proper hourly air change in the room, and air pressure gradients for infection and environmental control. Additionally, the renovation included changes to the lighting, which assists medical staff when preparing medication.

In addition to the remodeling, VCH replaced their pharmacy robot system. The new pharmacy robot system consists of two pieces of automation - a box picker and an automated tablet packager. These automation pieces improve safety, accuracy, and efficiency in dispensing medication. VCH's previous pharmacy robot system managed about 30% of the pharmacy's workload, while the new pharmacy robot system accommodates nearly 90%, allowing for improved management of medication and greater inventory security and reducing manual tasks for pharmacists and technicians. The picking and dispensing of the medication is driven by barcode technology, which reduces errors and improves patient care and safety.

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

In fiscal year 2022, VCH provided approximately \$182,000 in charity care, and the estimated Medi-Cal uncompensated costs were approximately \$98 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 rural landscape and high concentration of poverty, VCH continues to collaborate with the community to improve public transportation and access to care.

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

In fiscal year 2022, VCH had 10,496 inpatient admissions, 86,895 emergency department visits and 166,276 outpatient clinic visits. 73.7% of the inpatient and 72.3% of the outpatient visits at VCH were covered by Medi-Cal benefits.

VCH is the only tertiary³ 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.

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 over 55 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

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. The services include a full range of medical and surgical care for severely ill children, pediatric residency training within 24-hour CCS-paneled pediatrician coverage, and organized pediatric research program, and community outreach. For a hospital that does not have an accredited pediatric residency training program, it shall have an organized pediatric research program, pediatric specialty consultation, and 24-hour in-house coverage by licensed physicians who have completed an accredited pediatric residency program.

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. In 2022, VCH supported over 240 research studies with 57 studies being for investigational new drugs for pediatrics. VCH faculty and residents contributed to the body of scientific evidence by publishing 103 articles last year.

Factor 6: Demonstration of project readiness and project feasibility.

All patient care equipment was acquired between May 1, 2019, and May 1, 2021, and is already in service. All renovation and remodeling projects were completed by November 1, 2020.

Since VCH also provides labor and delivery services, and adult patients are not eligible under the Children's Hospital Program of 2018, grant proceeds can only cover a proportionate share of the entire costs of the project dedicated to the pediatric patients. Authority staff has determined that a proportionate share of 91% of the total costs of all the proposed equipment and renovation projects is eligible for reimbursement from grant funds.

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:

VCH formerly known as Children's Hospital Central California, founded in 1952, is a nonprofit acute care pediatric hospital, licensed by the California Department of Public Health. VCH offers highly specialized medical and surgical services as Central California's only regional referral center for children. VCH 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. VCH's fiscal year 2022 financial audit is free of "going concern" language.⁴

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 2023-03

**RESOLUTION OF THE CALIFORNIA HEALTH
FACILITIES FINANCING AUTHORITY APPROVING
EXECUTION AND DELIVERY OF GRANT FUNDING
UNDER THE CHILDREN’S HOSPITAL PROGRAM 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 (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, Valley Children’s Hospital (“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 \$8,108,663.46 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 \$8,108,663.46, 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 December 31, 2024 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 December 31, 2025 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 Valley Children's Hospital to reimburse the costs of eligible pediatric portions of patient care equipment and renovation projects. The patient care equipment includes, but is not limited to, a surgical robot, 10 brain monitors, one x-ray machine, 370 infusion pumps, four operating room power tools, and a pharmacy robot system. The renovation projects include, but are not limited to, the pharmacy remodel and renovations associated with the installation and replacement of equipment.