

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

**Resolution No. CHP-4 2023-04**

**September 28, 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: \$22,216,482.00 Grant #: CHLA-03-04

Summary of Grant Amounts	Proposition 4
Eligible Amount	\$135,000,000.00
less Previous Grant Awards	22,608,558.65
less Requested Grant Amount	22,216,482.00
Remaining Amount Eligible (if requested amount is approved)	\$ 90,174,959.35

**Project:**

Children’s Hospital Los Angeles (CHLA) is seeking Proposition 4 grant moneys to reimburse and fund the renovation, furnishing, and equipping of a vacated space in CHLA’s Duque Building to create a dedicated space for pediatric cardiac imaging services, the Advanced Comprehensive Cardiac Imaging Suite (ACCIS). The pediatric patient care equipment for CHLA’s ACCIS includes, but is not limited to, two new MRI machines.

**Sources of Funds:**

Net Prop 4 Funds <sup>1</sup>	\$21,977,654.82
Internal Funds <sup>2</sup>	<u>238,827.18</u>
<b>Total</b>	<b><u>\$22,216,482.00</u></b>

**Uses of Funds:**

Renovation	\$18,944,491.00
Equipment	<u>3,271,991.00</u>
<b>Total</b>	<b><u>\$22,216,482.00</u></b>

**Staff Recommendation:**

Staff recommends that the Authority approve Resolution No. CHP-4 2023-04 for Children’s Hospital Los Angeles to receive a grant not to exceed \$22,216,482.00 (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 \$21,977,654.82, less costs of issuance and administrative costs.

<sup>2</sup> Internal Funds in the amount of \$238,827.18 will be used to pay the administrative costs (\$22,164.82) and costs of issuance (\$16,662.36).

## **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.*

### **Advanced Comprehensive Cardiac Imaging Suite (ACCIS)**

CHLA plans to convert, equip, and furnish approximately 7,200 square feet of vacant space for its Heart Institute, to establish a dedicated pediatric cardiac imaging scanning suite equipped with two new magnetic resonance imaging (MRI) machines. CHLA performs more cardiac surgeries than any other Los Angeles hospital, has a loyal referring physician base for cardiovascular MRI exams, and expects the new ACCIS will facilitate further growth in cardiac MRI volume and improved access for pediatric patients.

The number of cardiac imaging exams performed at CHLA has plateaued due to a lack of specially trained MRI personnel, scheduling limitations, and operational capacity challenges that the new ACCIS will relieve. CHLA performed 589 cardiac MRI examinations in fiscal year (FY) 2023, 510 in FY 2022, and 510 in FY 2021, respectively.

To accommodate anticipated growth in patient volumes at the ACCIS, the dedicated space will feature two new MRI machines - a 1.5 Tesla (T) MRI machine and a 0.5T MRI machine, patient preparation areas, and support and workspace for medical staff. By creating the new ACCIS, CHLA anticipates that scheduling pediatric outpatients for cardiac MRI examinations will take less than a week and less than 36 hours for inpatients. According to CHLA, it can take over three months for patients to receive a cardiac MRI exam, given the Hospital's current radiology backlog. Additionally, the length of the MRI exams will be reduced from 1.75 hours to 1.25 hours. CHLA projects that within four years of project completion, the cardiac patient volumes will more than double to approximately 2,400 cases from 1,075 annually.

Currently, CHLA's full-time dedicated cardiac MRI imaging team comprises four faculty members. To support the anticipated increase in patient volume, CHLA expects staffing in the new ACCIS to increase by 14 to a total of 18 specialized team members. Dedicated imaging technologists and cardiologists will be in the ACCIS for each examination.

Approximately 61% of CHLA's pediatric cardiac patients are covered under California's Medicaid program (Medi-Cal), California Children's Services<sup>3</sup> (CCS), and California Healthy Families (SCHIP). Between 2020 and 2023, CHLA performed 1,017 cardiac medical services, 2,231 cardiac surgeries, and 26 solid organ transplants. During this period, CHLA provided pediatric health care services to approximately 41,161 Medi-Cal/Medi-Cal Managed Care patients, 933 uninsured patients, and 14,034 commercial patients.

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<sup>3</sup> "California Children's Services" or "CCS" means California Children's Services as defined in the California Code of Regulations, title 22, Section 41410.

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

### **Advanced Comprehensive Cardiac Imaging Suite**

The new ACCIS will enable CHLA to offer advanced services, improve operational efficiency, and introduce opportunities to improve pediatric patients' outcomes by operating two new MRI modalities. The 1.5T MRI machine produces quick sharper images, and the 0.5T MRI machine performs better real-time imaging of a patient's heart. The new MRIs will expose patients to a fraction of the radiation experienced during cardiac catheterization.

The new MRI machines will allow CHLA to offer their pediatric cardiac patients and their families powerful diagnostic imaging that is painless and noninvasive. The detailed images provided by these MRI machines will enable doctors to examine the structure and function of their patients' heart and blood vessels to identify, monitor, and treat complex heart defects by measuring how the heart pumps blood. CHLA's current cardiac MRI machine is an outdated, reconditioned 11-year-old machine. The poor clinical quality offered by the existing MRI machine limits its use and CHLA's ability to measure blood flow and perform angiograms rapidly, which is important in caring for pediatric patients in the intensive care unit.

The advanced technology provided by the new MRI machines will create a faster, more supportive environment and provide CHLA's pediatric patients and their families with a comforting experience by allowing patients as young as four years old, who might otherwise need sedation, to undergo an MRI exam while using virtual reality or video goggles to watch movies or listen to music. CHLA anticipates that using low-field cardiac MRIs, 4D flow imaging, and real-time MRI exams available at ACCIS will cut exam times. Also, the availability of dedicated imaging technologists and cardiologists present in the ACCIS for each examination will improve the quality of every examination, shorten the scan time, and minimize the need to repeat exams, thereby improving pediatric patient outcomes.

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

CHLA's mission is to provide the highest quality 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, family support groups, as well as 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, resulting in approximately 687,525 pediatric patient visits. Approximately 73% of the children receiving services at CHLA were Medi-Cal recipients, and 53% of CHLA's \$763.6 million in net patient revenue in FY 2022 came from governmental health insurance programs, such as Medi-Cal and CCS.

CHLA has financial counselors and Medi-Cal eligibility workers to assist patients' families in finding alternative payment sources from both public and private programs. CHLA is a certified tertiary CCS hospital with 27 certified specialty care centers. It 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 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 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 annually for pediatric training. Over the past five years, about 40% of program graduates have remained in the Los Angeles area, including medically underserved areas in the community, 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 is dedicated exclusively to children and 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.*

Renovation, equipping, and furnishing of the ACCIS project is underway and is expected to be completed by January 2025.

### **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>4</sup>

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<sup>4</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 2023-04**

**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 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 \$22,216,482.00, 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. Pursuant to Health and Safety Code section 1179.85, the Authority hereby approves a grant of \$22,216,482.00, 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 August 1, 2026 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 August 1, 2027 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 and fund the renovation, furnishing, and equipping of a vacated space in CHLA's Duque Building to create a dedicated space for pediatric cardiac imaging services, the Advanced Comprehensive Cardiac Imaging Suite (ACCIS). The pediatric patient care equipment for CHLA's ACCIS includes, but is not limited to, two new MRI machines.