

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

Resolution No. CHP-4 2023-06

December 7, 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: \$44,937,853.00 Grant #: CHLA-04-04

Summary of Grant Amounts	Proposition 4
Eligible Amount	\$135,000,000.00
less Previous Grant Awards	44,825,040.65
less Requested Grant Amount	44,937,853.00
Remaining Amount Eligible (if requested amount is approved)	\$45,237,106.35

Project:

Children’s Hospital Los Angeles (CHLA) is seeking Proposition 4 grant moneys to fund the renovation, equipping, and furnishing of an existing space in CHLA’s Radiology department, located on the first floor of the Duque Building, to expand its Post Anesthesia Care Unit (PACU), and to relocate and expand its Positron Emission Tomography and Computed Tomography (PET/CT), Nuclear Medicine (NM), and Magnetic Resonance Imaging (MRI) departments. The pediatric patient care equipment for CHLA’s radiology expansion project includes, but is not limited to, one PET/CT machine, two NM gamma cameras, and one 3T MRI machine.

Sources of Funds:

Net Prop 4 Funds ¹	\$44,454,771.08
Internal Funds ²	<u>483,081.92</u>
Total	<u>\$44,937,853.00</u>

Uses of Funds:

Renovation	\$35,838,353.00
Equipment	<u>9,099,500.00</u>
Total	<u>\$44,937,853.00</u>

Staff Recommendation:

Staff recommends that the Authority approve Resolution No. CHP-4 2023-06 for Children’s Hospital Los Angeles to receive a grant not to exceed \$44,937,853.00 (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 \$44,454,771.08, less costs of issuance and administrative costs.

² Internal Funds in the amount of \$483,081.92 will be used to pay the administrative costs (\$449,378.53) and costs of issuance (\$33,703.39).

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.

CHLA will renovate, equip, and furnish approximately 15,314 square feet of existing space within CHLA's radiology and imaging services department to serve more patients, decrease diagnosis times, and improve customer satisfaction. In fiscal year (FY) 2023, CHLA performed 140,000 advanced imaging procedures across its six imaging modalities: general radiology, interventional radiology (IR), computed tomography (CT), NM-including PET/CT scanning, MRI, and ultrasound.

The radiology expansion project includes the following: renovation of the existing PACU to increase capacity from 11 to 26 beds and also increase the number of bays used for pre-and post-anesthesia care from 21 to 31; remodeling of the NM space to house new state-of-the-art PET/CT equipment; and expansion of the MRI department to accommodate an additional MRI machine. The radiology expansion project was designed to improve workflow and contain the areas where radioactive materials are used for imaging exams.

Timely access to imaging services is essential to diagnose, stage, monitor, and treat pediatric patients. The number of imaging exams performed at CHLA has plateaued due to scheduling limitations and operational capacity challenges that the radiology expansion project will relieve. Relocating the PET/CT and NM exam spaces and equipment next to one another will create efficiencies for team members who perform both PET/CT and NM services and reduce the potential for radiation exposure. Replacing the outdated equipment, including the PET/CT scanner and three of the five existing NM scanners, and adding an additional 3T MRI machine to the existing 3T MRI and two 1.5T MRI machines will enable CHLA to reduce the imaging exams' backlog. The expansion of the PACU, currently at its maximum capacity, will also allow more pediatric patients to receive imaging services with or without general anesthesia.

CHLA projects that within one year of the completion of the radiology expansion project, the volume of patients receiving advanced imaging under general anesthesia will increase by more than 38% or 3,325. By imaging modality, patient volume will increase by 1,400 MRI, 150 PET/CT, 1,700 IR, and 75 NM exams in the first year alone.

In FY 2023, CHLA provided imaging services for 2,794 IR cases, 116 NM cases, 5,420 MRI cases, and 276 PET/CT cases. During this period, CHLA provided pediatric health care services to approximately 41,161 Medi-Cal/Medi-Cal Managed Care patients and 933 uninsured patients. Approximately 73.3% of CHLA's pediatric patients are covered under Medi-Cal, California Children's Services³ (CCS), and California Healthy Families.

³ 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.*

The radiology expansion project will enable CHLA to offer advanced imaging services, improve operational efficiency, improve pediatric patients' outcomes, and reduce the current backlog for imaging services with or without general anesthesia.

The new PET/CT department will be adjacent to the lab where NM technologists prepare radioactive medicines and the NM department to meet code requirements, control radiation exposure better, and improve staff efficiencies. Improved efficiency is important since CHLA has only four highly trained NM technologists supporting complex PET/CT exams. Relocating the PET/CT and NM departments close to each other will reduce the need for staff to transport radioactive materials across departments throughout CHLA, improve patient safety, and reduce the potential for radiation exposure for other patients and staff. The new space will consist of a PET/CT scan room, control room, injection room, and a room where patients can cool down after receiving radioactive medicines, allowing patients undergoing radiation exams to be safely segregated between the time they receive their injection and their scan, which can range from 60 to 90 minutes.

The updated PET/CT machines will enable CHLA to more accurately diagnose and assess treatment response and disease progression, thereby improving patient outcomes. Additionally, the advanced technology offered by the new MRI machine will provide higher-quality results, shorten scan times, minimize the need to repeat exams, and create a more supportive and comforting experience for CHLA patients and their families.

Currently, patients needing general anesthesia for imaging exams are experiencing the following wait times: 130 days for MRI, 56-70 days for PET/CT, 40-60 days for IR, and 25-30 days for NM scans. Upon the project completion, CHLA expects patient wait times to drop by 16% for MRI, 50% for PET/CT, 40% for IR, and 25% for NM scans.

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 2023, CHLA served approximately 154,000 pediatric inpatient and outpatient individuals, resulting in approximately 706,842 pediatric patient visits. Approximately 69% of the children receiving services at CHLA were Medi-Cal recipients, and 53% of CHLA's \$801.4 million in net patient revenue in FY 2023 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 public and private programs. CHLA is a certified tertiary CCS hospital with 27 certified specialty care centers. 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 trains 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.

The portion of the radiology expansion project that includes the PACU renovation and the PET/CT and NM department relocation, equipping, and furnishing is set to begin in February 2024 and is estimated to be completed by May 2025. The expansion of the MRI department, including equipping and furnishing, is scheduled to start in May 2025 and be completed by December 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.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 2023-06

**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 \$44,937,853.00, 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 \$44,937,853.00, 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 July 1, 2027 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 July 1, 2028 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 fund the renovation, equipping, and furnishing of an existing space in CHLA's Radiology department, located on the first floor of the Duque Building, to expand its Post Anesthesia Care Unit, and to relocate and expand its Positron Emission Tomography and Computed Tomography (PET/CT), Nuclear Medicine (NM), and Magnetic Resonance Imaging (MRI) departments. The pediatric patient care equipment for CHLA's radiology expansion project includes, but is not limited to, one new PET/CT machine, two new NM gamma cameras, and one new 3T MRI machine.