

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

Resolution No. CHP-4 2023-01

January 26, 2023

Applicant: Loma Linda University Children’s Hospital
11234 Anderson Street, Suite A, Loma Linda, CA 92354

Project Sites: 11234 Anderson Street, Suite A, Loma Linda, CA 92354
(San Bernadino County), and

The address for the new pediatric Medical Office Building is pending city confirmation – located at the corner of Barton Road and Anderson Street, Loma Linda, CA 92354 (San Bernadino County)

Amount Requested: Proposition 4: \$ 135,000,000.00 Grant #: LLUCH-01-04

Project:

Loma Linda University Children’s Hospital (LLUCH) is seeking Proposition 4 grant moneys to fund six major projects:

- 1) New Pediatric Medical Office Building - construction, equipping, and furnishing.
- 2) Neonatal Intensive Care Unit - expansion, equipping, and furnishing.
- 3) Pediatric Oncology and Infusion Center - relocation and expansion, equipping and furnishing.
- 4) Pediatric Operating Rooms - renovation, equipping and furnishing.
- 5) New Pediatric Psychiatric Inpatient Unit - renovation, equipping and furnishing.
- 6) Reimbursement of eligible pediatric equipment, including, but not limited to, a surgical robot, high frequency jet ventilators, and a transport incubator.

Sources of Funding:

Prop 4 Request	\$135,000,000.00
Internal Funds	13,309,328.00
Philanthropy	15,000,000.00
Total	<u>\$163,309,328.00</u>

Uses of Funding:

Construction/renovation	\$128,587,565.00
Soft costs ¹	6,252,340.00
Equipment	27,018,173.00
Admin and COI ²	<u>1,451,250.00</u>
Total	<u>\$163,309,328.00</u>

Staff Recommendation:

Staff recommends the Authority approve Resolution No. CHP-4 2023-01 for Loma Linda University Children’s Hospital to receive a grant not to exceed \$135,000,000.00 (less costs of issuance and administrative costs), subject to all the requirements of the Children’s Hospital Bond Act of 2018.

¹ Soft costs include IT, architect and engineering fees, permit fees, etc, that are related to construction/renovation.

² Admin and COI are administrative costs and costs of issuance.

Proposition 4 Evaluation Factors:

Staff reviewed the submitted application and other materials in determining whether the applicant satisfactorily met the six factors 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.

New Pediatric Medical Office Building

The new pediatric Medical Office Building (MOB) is a 90,000 square foot (sqft), five story building (see Exhibit A for conceptual design) that will house 23 of LLUCH's existing affiliated subspecialties clinics under one roof, such as cardiology, immunology, neurology, pulmonology, and neurosurgery, all currently located at 14 different locations (see Exhibit B for list of current locations). The MOB will exclusively serve pediatric patients, and grant moneys will be used to fund the construction of the building as well as equipping and furnishing costs. The new location will be within walking distance of LLUCH.

With a growing number of children seeking specialty care, LLUCH has struggled to find ideal locations for its clinic sites and keep up with the growing demand. Pediatric patients are currently seen at 14 different subspecialty clinic locations, most of which are farther away from LLUCH and have reached capacity. The new pediatric MOB will alleviate these challenges by increasing the number of examination rooms from 130 to 150 and allowing over 15,000 additional patients to be seen annually.

The current space constraints and distance between subspecialties also hampers LLUCH's ability to provide a more seamless, whole child approach for children with complex medical conditions. These patients must travel to separate locations, across multiple days, to attend their appointments, which increases the likelihood of missing appointments. LLUCH has a no-show rate of 20%, meaning one in every five patients misses an appointment every day. The new and consolidated clinic space will improve health care access by providing a single place for multiple appointments. As an example, a patient with a complex medical condition, spina bifida for example, could receive care at one location in one day from a pediatric neurosurgeon, pediatric orthopedic surgeon, pediatric plastic surgeon, pediatric urologist, and pediatric pain management in one visit, instead of traveling between six different clinic locations, typically across multiple days.

LLUCH and the affiliated subspecialty clinics provide care for the approximately 1.2 million children in the region, of which 770,000 are eligible for Medi-Cal and 21,000 are enrolled in California Children's Services (CCS)³. Currently, LLUCH receives an average of 90,000 visits annually for subspecialty care services.

³ California Children's Services (CCS) is a statewide program that arranges, directs, and pays for medical care, equipment, and rehabilitation, when these services are authorized by the program. Services can be authorized for children and young adults under 21 years of age who have eligible medical conditions and whose families are unable to pay all or part of their care.

Neonatal Intensive Care Unit (NICU) Expansion

The NICU expansion project consists of converting nine existing postpartum double occupancy rooms located at LLUCH into single-bed NICU rooms. The postpartum rooms have not been in service since 2021. The total project area is about 7,000 sqft located on the same floor as the existing NICU, which has 15 pods with six to eight patients per pod for a total of 83 beds (see Exhibit C for project floor plan). The creation of single-bed NICU rooms, which will be the first ones at LLUCH, will increase capacity while providing essential space for patients who benefit from isolated recovery spaces. The project scope will also include specialized equipment and furnishings to make the space properly functional.

As the only Level IV⁴ NICU in the region, consisting of San Bernardino, Riverside, Inyo, and Mono counties, LLUCH's NICU cares for over 1,300 babies annually and approximately 80% of them are eligible for Medi-Cal. In recent years, the NICU has experienced bed shortages, and the care teams struggle to accommodate new admissions regularly. If admissions are denied due to bed shortages, families must travel up to two hours to the next closest NICU. This expansion project will increase the NICU existing bed capacity by nine, allowing LLUCH to serve an additional 150 babies per year and increase access to high level NICU care for more families across the region.

Pediatric Oncology and Infusion Center Relocation and Expansion

The pediatric oncology and infusion center will be relocated to a larger space in one of the Cloverleaf towers located at LLUCH. The project will convert approximately 16,000 sqft of unused space, previously used for pediatric inpatient services, to provide diagnostic, care, and infusion services to pediatric cancer patients (see Exhibit D for project floor plan). The project also includes the acquisition of equipment needed for the delivery of infusion drugs and furnishings, such as infusion chairs.

At present, LLUCH is providing oncology and infusion services in an off-campus clinic to approximately 9,000 patients annually, of which 80% are insured by Medi-Cal or CCS. The existing space does not allow for an expansion, and the number of children in need of infusion services exceeds the capacity of the current clinic. The relocation and expansion project will increase the number of pediatric infusion chairs from 17 to 33, the number of pediatric oncology exam rooms from nine to 10 and will add two infusion procedure beds, allowing LLUCH to go from completing approximately 9,000 infusions annually to 11,700 (a 30% increase in services). Additionally, the new location at LLUCH will further improve access to health care by delivering timely emergency support services in circumstances where a child's condition deteriorates during the infusion procedure.

⁴ Level IV NICUs offer the highest level of medical care for newborns and premature infants available. 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 pediatrics subspecialties, pediatric surgical subspecialists, and has pediatric anesthesiologists at the site.

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

Pediatric Operating Rooms (OR) Renovation

LLUCH plans to renovate, equip, and furnish its existing pediatric operating rooms, which are over 30 years old. The renovation includes, but is not limited to, installing new ceiling mounted booms to house laparoscopic equipment, adding new centralized control of the room lighting and video integration, upgrading flooring, and improving the overall appearance to make the rooms less intimidating for pediatric patients. The project will also include modern equipment and multiple monitors to improve surgical visualization, displaying important information, such as vital signs, to increase the quality and efficiency of surgical care (see Exhibit E for pictures of operating room before and after renovation).

The modern equipment will increase LLUCH's ability to perform surgery using minimally invasive techniques for a broad range of pediatric surgical specialties, including general pediatric surgery, urology, neurosurgery, and orthopedics. This will help improve patient outcomes since minimally invasive surgery is associated with faster recovery and fewer post-operative activity limitations.

The upgrade to child-friendly colors and themed wall decorations will make the operating rooms less scary for young patients, which will help reduce their stress and improve their overall surgical experience.

The flooring upgrade will help maintain an appropriate sterile environment for the operating rooms and will be easier to clean. Currently, the old flooring requires extensive cleaning, and it takes approximately 70 minutes to clean a room after a surgery and get it ready for the next. LLUCH expects to reduce the cleaning time between surgeries to 45 minutes, and as a result, LLUCH will be able to schedule two additional surgeries per day. Overall, LLUCH expects to serve 250 more patients annually because of this renovation project.

Addition of Pediatric Psychiatric Inpatient Unit

The project consists of converting approximately 29,000 sqft of space in the Cloverleaf towers located at LLUCH that is currently vacant and was previously used for pediatric inpatient services into a new youth psychiatric inpatient unit to provide intensive treatment in a safe, controlled environment where the patient's safety is the highest priority (see Exhibit F for floor plan). LLUCH serves San Bernadino and Riverside counties, a region with over 4.5 million residents with a very limited number of behavioral health inpatient facilities. The pediatric psychiatric inpatient unit will have 48 new beds and will provide care to children and adolescents who are at immediate risk of hurting themselves or others.

Upon admission to this service, all children and adolescents will undergo comprehensive psychiatric and medical assessments performed by a multidisciplinary team, including psychiatrists, pediatricians, child and adolescent psychiatry fellows, registered nurses, clinical therapists, case managers and behavioral care assistants. LLUCH aims to improve outcomes by offering individualized services, including medication management, behavioral programs, dietary support, family therapy and safety planning. Each patient and their family members will participate in ongoing discharge planning for the next level of care after inpatient services are provided.

Eligible Pediatric Equipment

LLUCH is seeking reimbursement for various pediatric equipment for different pediatric departments, including, but not limited to, emergency department, intensive care unit, respiratory care unit, and operating rooms. The equipment list includes, but is not limited to, a surgical robot, high frequency jet ventilators, and a transport incubator.

LLUCH purchased a Da Vinci surgical robot to be used for different types of pediatric surgeries. This robot is relatively new technology used for minimally invasive surgeries, allowing surgeons to perform surgeries with greater accuracy and precision (see Exhibit G for image of the Da Vinci surgical robot). This technology helps improve patient outcomes by reducing pain, creating smaller scars, lowering risk for adverse side effects, minimizing blood loss, and allowing for a faster recovery, a shorter hospital stay, and a quicker return to normal activity. Robotic surgery opens the possibility to perform minimally invasive surgeries, such as bladder, kidney, and ureter reconstructive surgeries on children and allow them to be treated within LLUCH as opposed to be referred to an adult center.

The high frequency jet ventilators (HFJV) are specialty ventilators for the sickest neonates who require additional support unavailable via conventional ventilators, such as the Getinge Servo-u mechanical ventilator or the Dräger VN500 Elite ventilator. Conventional ventilators aim to breathe for patients who cannot breathe on their own. HFJV takes a different approach because it is designed to facilitate gas exchange and deliver gas in short, high velocity spurts, allowing more time for passive exhalation, helping to prevent lung injury in premature babies. LLUCH procured two additional HFJV to add to their existing six and meet patient needs. LLUCH had to rent additional units prior to purchasing this equipment.

LLUCH purchased a Neonatal Transport Incubator (NTI) to support their flight program. Prior to this purchase, LLUCH had three transport incubators and only one of them could support air transportation. The purchase of an additional NTI allows LLUCH to transport neonate patients quickly and safely from its referring facilities to the NICU, which is the only Level IV NICU in the region. The NTI helps improve outcomes by providing a desired warm environment and neuro protection for extremely premature babies. Each year, 400 of the smallest and sickest neonatal patients are transported either by ground or air to receive a higher level of care at the LLUCH NICU.

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

LLUCH is a 364-bed children's hospital that serves a large area, consisting of San Bernardino, Riverside, Inyo, and Mono counties. From January through September 2022, LLUCH has admitted 12,623 pediatric patients and had an average of 243 inpatients per day.

LLUCH absorbs annually uncompensated or undercompensated costs in several patient service areas, such as home care/family services, extracorporeal membrane oxygenation services (a procedure that uses a machine to replace the work of the lungs and occasionally the heart), and pediatric transplant services. In fiscal year 2022, LLUCH provided more than \$7.2 million in charity care to pediatric patients.

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

LLUCH and the affiliated subspecialty clinics provide care to over 1,200,000 children in the region, of which 770,000 are eligible for Medi-Cal and 21,000 are enrolled in CCS. Medi-Cal patients comprise 72% of the total number of patients seen and treated at LLUCH.

LLUCH has CCS designations as a Tertiary Hospital⁵, Regional Pediatric Intensive Care Unit (PICU), Regional NICU, Neonatal Surgery Center, and Extracorporeal Membrane Oxygenation (ECMO) Center.

LLUCH's multiple Specialty Care Centers⁶ support more than 18,000 visits annually for the sickest children by providing integrated, multi-disciplinary care specifically for Medi-Cal and CCS patients. Overall, LLUCH provides services for more than 75,000 Medi-Cal outpatient visits, tests, and procedures annually.

Factor 5: The children's hospital promotes pediatric teaching programs or pediatric research programs.

As an academic health center, LLUCH serves as the pediatric academic resource site for Loma Linda University and more than 60 other nursing and allied healthcare education programs. Every year, thousands of students from all healthcare disciplines learn practical skills through clinical experiences at LLUCH. LLUCH directly supports multiple training programs, such as a pediatric resident teaching clinic office, to provide crucial training for resident physicians who see more than 20,000 Medi-Cal patients each year in a primary care capacity.

The LLUCH Residency in Pediatrics Program for Registered Nurse offers specialized pediatric clinical and didactic training to new graduate nurses from all over the country. The program is designed to train new nurses to meet the challenges and special needs requirements of working in a pediatric hospital setting.

LLUCH demonstrates further commitment to the next generation of children with training offered to 137 interns, residents and fellows who are enrolled in the accredited physician residency program. These programs include general pediatrics as well as eight subspecialties of pediatric anesthesiology, child neurology, child abuse, pediatric critical care, neonatal perinatal medicine, pediatric surgery, pediatric radiology, and pediatric emergency medicine.

⁵ 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.

⁶ Special Care Centers (SCC) provide comprehensive, coordinated health care to CCS and Genetically Handicapped Persons Program clients with specific medical conditions. SCCs are organized around a specific condition or system and are comprised of multi-disciplinary, multi-specialty providers who evaluate the client's medical condition and develop a family-centered health care plan to facilitate the provision of timely, coordinated treatment.

Factor 6: Demonstration of project readiness and project feasibility.

The six major projects are scheduled to be completed at different times. All the pediatric care equipment was acquired between January 1, 2018, and December 1, 2022, and is currently in service. The next project expected to be completed is the NICU expansion, including equipping and furnishing, with renovation starting in December 2023 and estimated to be completed by November 2024. The last project expected to be completed is the new Pediatric MOB, including equipping and furnishing, with construction scheduled to start in June 2024 and to finish in March 2026.

Legal Review:

Staff has reviewed LLUCH's responses to the questions contained in the legal status portion of the application. The Executive Director, in consultation with legal counsel, has determined that the legal issues disclosed do not affect the financial viability or legal integrity of the applicant.

Description of Applicant:

Loma Linda University Children's Hospital is a non-profit 501(c)(3) acute care pediatric hospital with 364 beds serving as the sole children's hospital for approximately 1.2 million children. LLUCH's 84-bed NICU is one of the largest in its county, providing the highest level of care to high-risk patients. LLUCH submitted its most recent audited financial statements for fiscal years 2021 and 2022, which are free of "going concern" language⁷

⁷ 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 California Code of Regulations, title 4, section 7000(q).

EXHIBIT A

CONCEPT DESIGN OF PEDIATRIC MEDICAL OFFICE BUILDING

(Facing North)



(Facing West)



EXHIBIT B

LIST OF CURRENT CLINICS' LOCATIONS

1. 11234 Anderson Street, Suite 6200, Loma Linda
2. 2195 Club Center Drive, Suite G, San Bernardino
3. 25845 Barton Road, Loma Linda
4. 250 Caroline Street, Suite J, San Bernardino
5. 250 Caroline Street, Suite L, San Bernardino
6. 2195 Club Center Drive, Suite A, San Bernardino
7. 11370 Anderson Street, Suite B800, Loma Linda
8. 11370 Anderson Street, Suite 2600, Loma Linda
9. 25455 Barton Road, Suite 108a, Loma Linda
10. 250 Caroline Street, Suite J West, San Bernardino
11. 25455 Barton Road, Suite 102b, Loma Linda
12. 25805 Barton Road, Suite 101, Loma Linda
13. 11370 Anderson Street, Suite 2050, Loma Linda
14. 197 Caroline Street, San Bernardino

MAP OF CURRENT CLINICS' LOCATIONS AND NEW PEDIATRIC MEDICAL OFFICE BUILDING LOCATION

Note: The red stars are the current locations and the green star is the location of the new pediatric Medical Office Building, located diagonally to LLUCH.

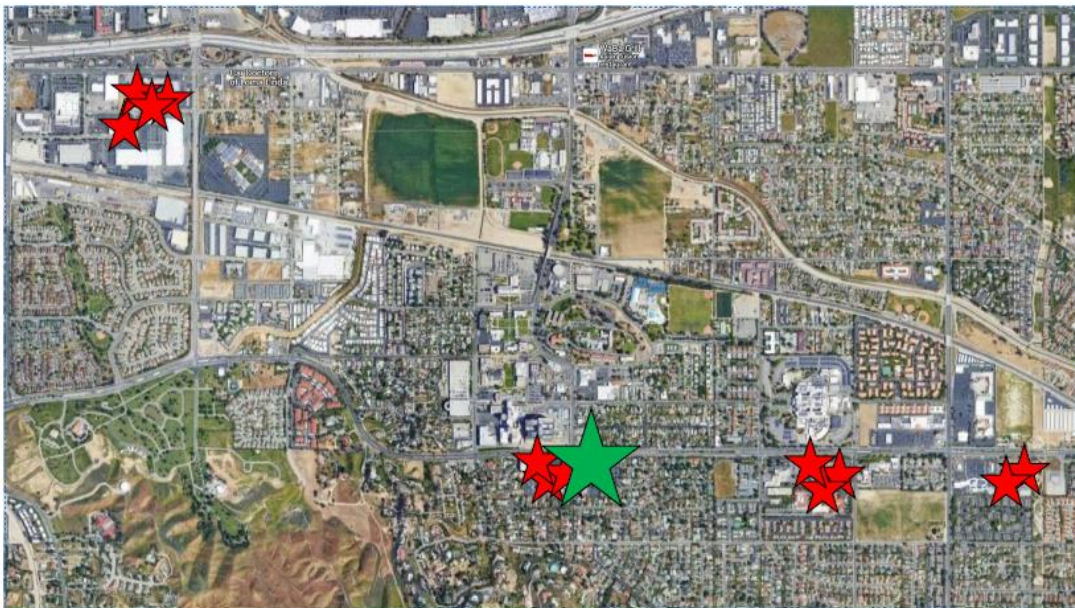


EXHIBIT C
NICU EXPANSION PROJECT

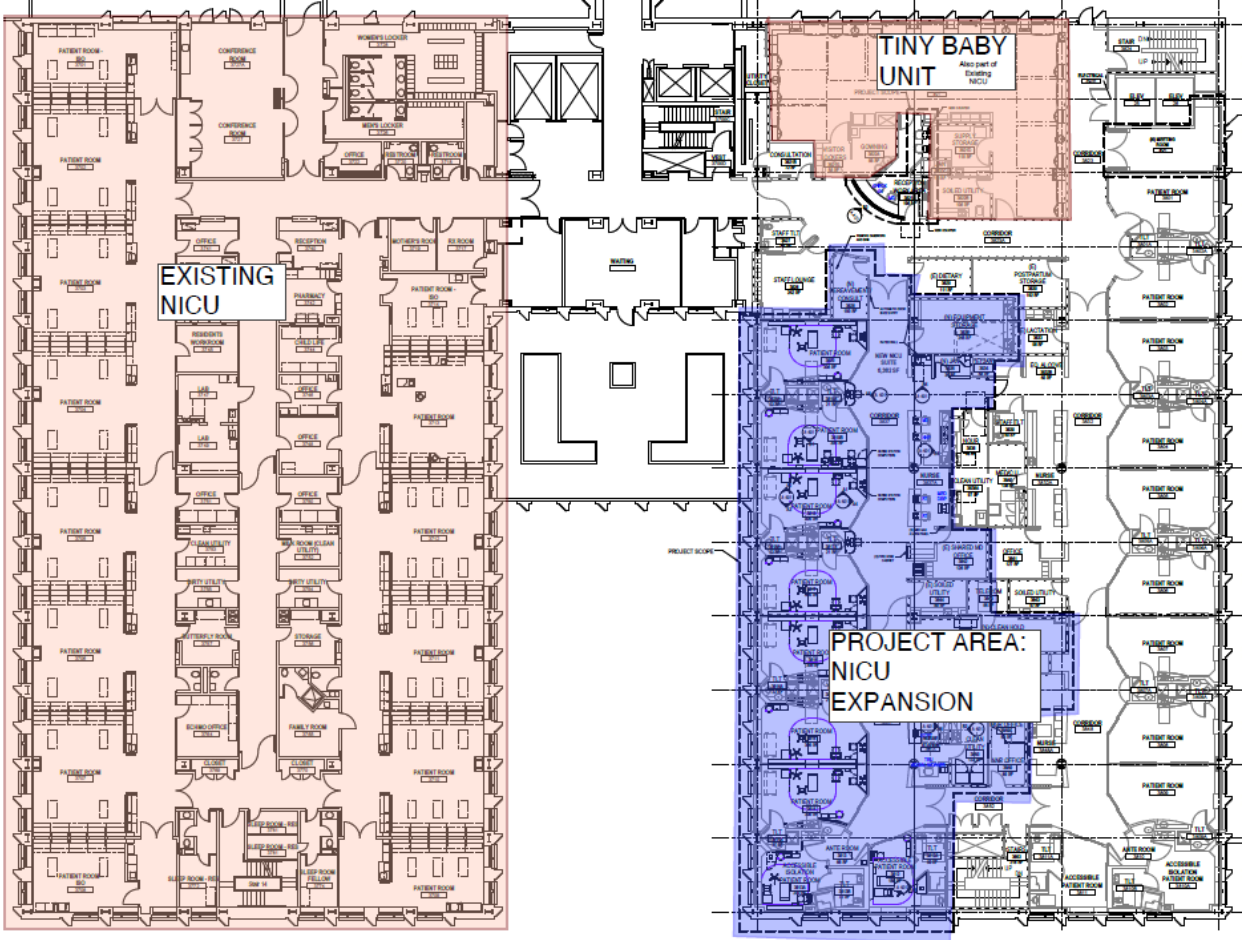


EXHIBIT D

NEW PEDIATRIC ONCOLOGY AND INFUSION CENTER

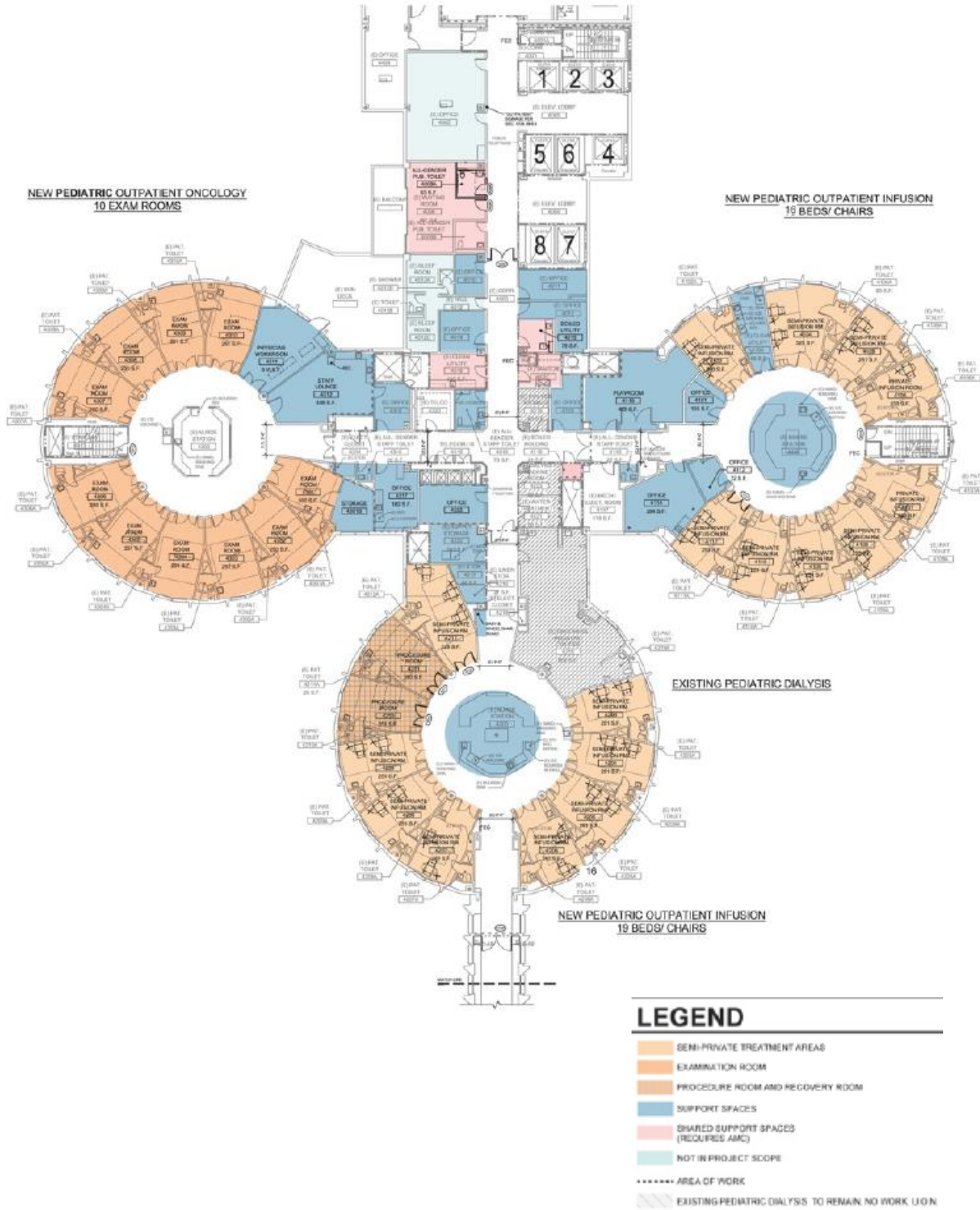


EXHIBIT E

PICTURES OF OPERATING ROOMS BEFORE AND AFTER RENOVATION

(Current)

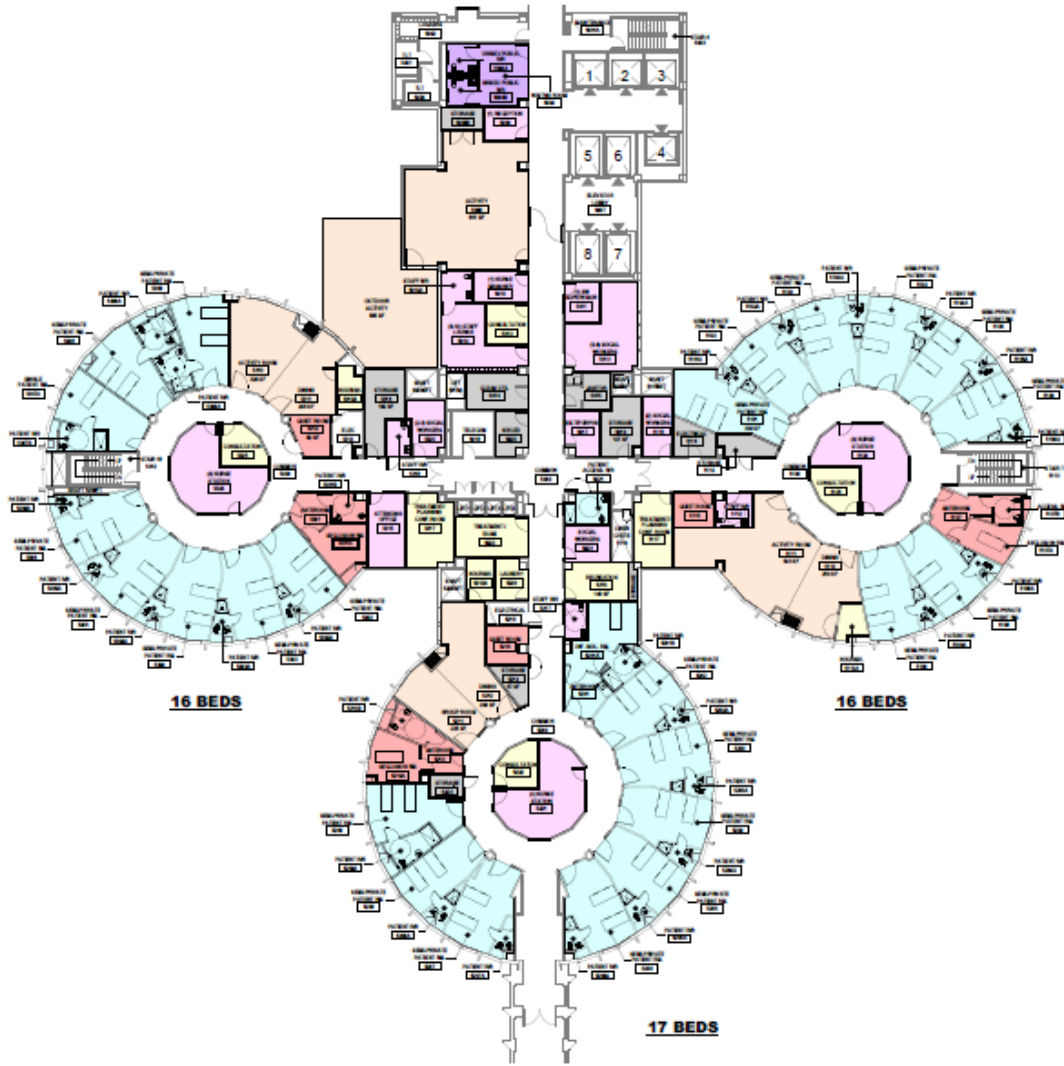


(Renovated)



EXHIBIT F

NEW PEDIATRIC INPATIENT PSYCHIATRIC UNIT



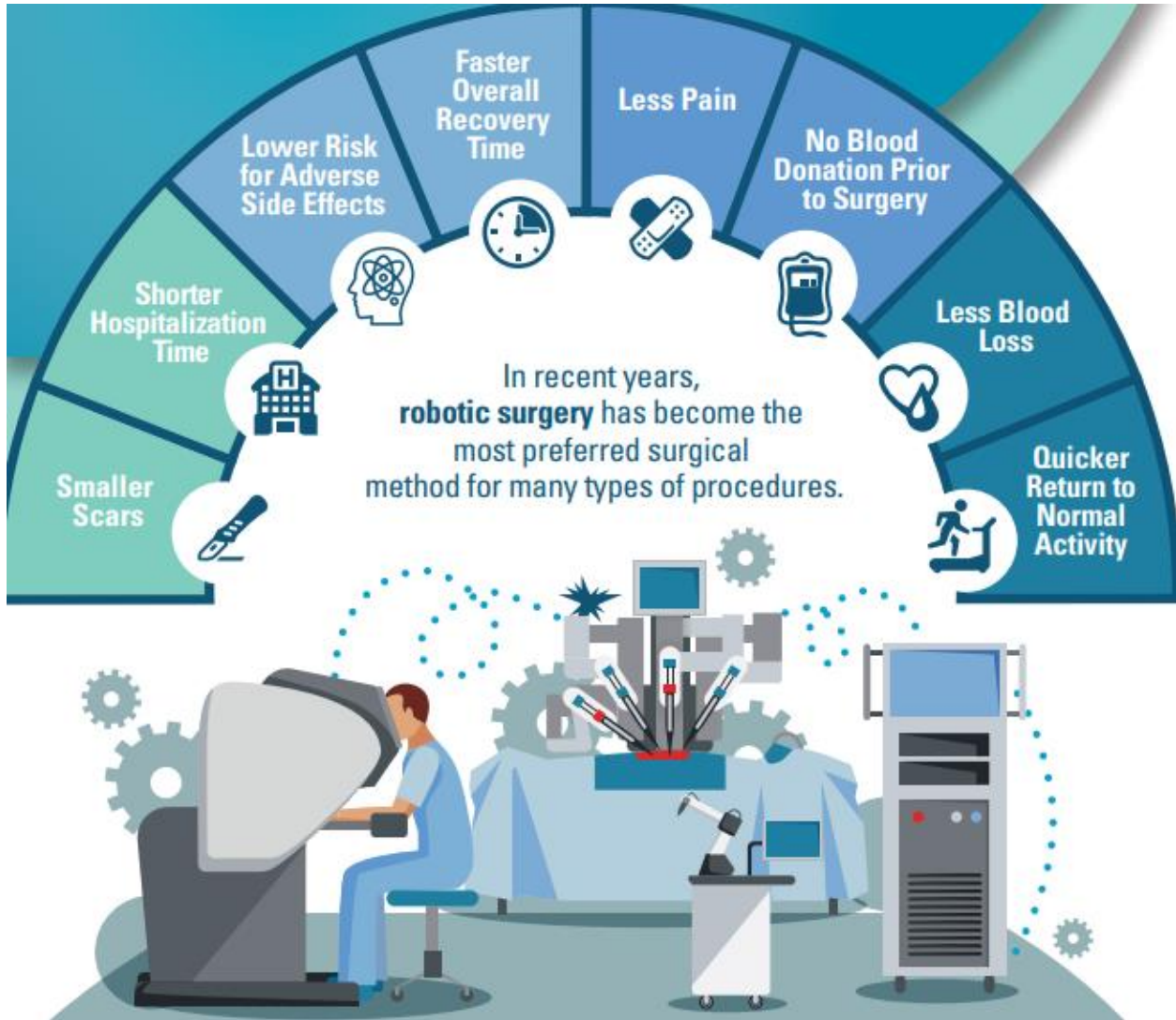
TOTAL BEDS - 48

LEGEND

- PATIENT ROOM
- PATIENT ACTIVITY / DINING / THERAPY
- SECLUSION / QUIET
- THERAPY SUPPORT
- SUPPORT SPACE
- NURSING SUPPORT
- PUBLIC

EXHIBIT G

IMAGE OF ROBOTIC SURGERY SYSTEM



RESOLUTION NO. CHP-4 2023-01

**RESOLUTION OF THE CALIFORNIA HEALTH
FACILITIES FINANCING AUTHORITY APPROVING
EXECUTION AND DELIVERY OF GRANT FUNDING
UNDER THE CHILDREN’S HOSPITAL PROGRAM OF 2018
TO LOMA LINDA UNIVERSITY 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, Loma Linda University 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 \$135,000,000.00, 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 \$135,000,000.00, 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 May 1, 2028, 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 May 1, 2029, 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 Loma Linda University Children's Hospital to fund six major projects:

- 1) New Pediatric Medical Office Building - construction, equipping, and furnishing.
- 2) Neonatal Intensive Care Unit – expansion, equipping, and furnishing.
- 3) Pediatric Oncology and Infusion Center - relocation and expansion, equipping and furnishing.
- 4) Pediatric Operating Rooms - renovation, equipping, and furnishing.
- 5) New Pediatric Psychiatric Inpatient Unit - renovation, equipping, and furnishing.
- 6) Reimbursement of eligible pediatric equipment, including, but not limited to, a surgical robot, high frequency jet ventilators, and a transport incubator.