

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
Children’s Hospital Program of 2008
Proposition 3

Staff Summary
Resolution No. CHP-3 2013-01
January 31, 2013

Applicant: Children’s Hospital & Research Center at Oakland CHO-03-03
(Children’s Hospital Oakland)
747 52nd Street
Oakland, CA 94609
Alameda County

Project Sites: Patient care equipment at the main hospital (address above) and at other specified licensed and satellite locations in Oakland (Alameda County) and Walnut Creek (Contra Costa County), plus renovations at the following three locations:

5400 Telegraph Avenue
a.k.a. 5275 Claremont Avenue
Oakland, CA 94618 (Petris #1),

5220 Claremont Avenue
Oakland, CA 94618 (Petris #2)

4703 Shattuck Avenue
Oakland, CA 94609 (Shattuck)

Amount Requested: \$12,081,786

Summary of Grant Amounts	Proposition 61	Proposition 3
Eligible Amount	\$74,000,000	\$98,000,000
less previous awards	(\$74,000,000)	(\$82,603,871)
less requested amount	-	(\$12,081,786)
Remaining Amount Eligible if Requested Amount is Approved	\$0	\$3,314,343

Description of Applicant:

Children’s Hospital & Research Center at Oakland (Children’s Hospital Oakland) is a non-profit 501(c)(3) general acute care hospital with a current license from the California Department of Public Health. The 2011 (year ending December 31) audit was submitted and is free of “going concern” language.¹

¹ 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 sections 7030(n) and 7051(n) for Proposition 61 and Proposition 3, respectively.

Background

Children's Hospital Oakland is one of only a few pediatric hospitals in the country with a federally qualified health center (FQHC) and, according to the hospital, is the only one in the country that places an emphasis on treating homeless children. An FQHC is a community-based organization that provides comprehensive primary care and preventive care in federally-designated underserved areas regardless of patients' ability to pay or health insurance status. The Children's Hospital Oakland's FQHC provides primary care and mental health services to the Medi-Cal pediatric population at four sites. The first two sites are the Nicholas C. Petris Clinic #1 (Petris #1) and the Nicholas C. Petris Clinic #2 (Petris #2). The other two sites are school based health clinics.

The high volume of patient care has exceeded capacity at Petris #1 and #2, and has prevented the addition of onsite sub-specialty care. Children's Hospital Oakland devised a solution of moving most of the FQHC's administrative staff out of the buildings into a newly purchased building on Shattuck Avenue (Shattuck) and converting the previous administrative space into clinical space.

Petris #1 is a 50-year old, two-story building. It consists of a 12,200 square foot first floor and a 2,900 square foot basement. Children's Hospital Oakland bought it in 1989 as a temporary home for the Center for the Vulnerable Child (CVC) and Teen Clinic. In 1989, the CVC saw less than 300 homeless children and now the CVC sees more than ten times that number each year. The teen clinic in 1989 saw 486 patients and 1,222 patients in 2010. The number of visits during the same period increased from 1,000 to almost 4,000.

Petris #2 is a 50-year old, two-story building. Each floor has 8,900 square feet of space. As with Petris #1, Children's Hospital Oakland bought Petris #2 in 1989 as a temporary home for its primary care service. Originally, the clinic had 8,900 visits per year which compares to over 31,000 visits today. With 21 exam rooms currently, the average waiting time is 47 minutes.

Both Petris buildings are three blocks away from the hospital. The Shattuck building is a five minute walk from the Petris buildings.

Project:

Children's Hospital Oakland is seeking grant funds to purchase patient care equipment and to renovate three FQHC clinical and administrative services buildings, Petris #1 and #2 and Shattuck. The renovation of both Petris buildings is extensive. Clinical space in both buildings will be increased. In Petris #1, the number of exam rooms will increase from 15 to 20 and in Petris #2, the exam rooms will increase from 21 to 33. The waiting rooms and registration areas will expand. Both buildings will be upgraded to be in compliance with accessibility requirements and to address airflow and air quality issues. Also, Children's Hospital Oakland will make extensive upgrades that will include new flooring, painting, fixtures and repairs to the elevator and to the roof. In the Shattuck building, new modular workstations, lighting and cabling have been installed.

A list of patient care equipment that has been or will be purchased was included with the application. Items on the list with a value in excess of \$100,000 include a patient monitoring system (\$850,000), a heart-lung machine (\$220,000), 18 anesthesia carts (\$525,000), and a bedside language interpreting system (\$150,000).

Proposition 3 Evaluation Factors:

Based on the review of the application and other submitted materials, staff evaluated Children's Hospital Oakland's project using the six factors identified in Proposition 3 language.

Factor 1: The grant will contribute toward expansion or improvement of health care access by children eligible for governmental health insurance programs and indigent, underserved, and uninsured children:

Of the more than 14,000 children who were treated at Petris #1 and #2 in 2011, 98% had government-provided insurance or were uninsured, 38% were homeless or in the child welfare system, English was the second language for 34%, and 52% were 5 years old or younger. Children's Hospital Oakland anticipates primary care clinic volume to increase by at least 50% by 2020. With increased waiting room, registration and clinical space, Children's Hospital Oakland expects the clinic will be able to handle this increased volume.

A couple of examples of how equipment purchases will improve health care access include the remote access Electroencephalography (EEG) system and the video monitoring interpreting (VMI).

- EEG: Prior to the installation of the remote access EEG system, physicians had to go to one location to read and interpret the results. Now, physicians can read the results anywhere on campus and at home. Not only faster diagnosis and treatment can be done, but it will improve convenience for the patients by reducing wait times and minimize the need for additional appointments.
- VMI: Currently, 53 languages are spoken by the patients in the hospital and a quarter of them with English spoken as a second language. When language interpretation is needed, Children's Hospital Oakland calls for its interpreter service and it may take an hour or so before a live in-person interpreter arrives. The VMI is basically a video conferencing system in which the interpreter and the patient and family can see and hear each other in the treatment room without having the interpreter physically present. This allows a greater volume of patients to receive the timely services of an interpreter.

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

The National Committee for Quality Assurance is a leading proponent of the Patient Centered Medical Home (PCMH) and has established a set of standards for transforming a clinic into a PCMH. A PCMH is a healthcare setting that facilitates partnerships between individual patients, their personal physicians, case managers, specialists, and other health

care providers. This partnership requires a closed loop of preserved information from the primary physician to specialists and other providers and back again, rather than one-way, episodic communication. Children's Hospital Oakland intends for its FQHC to become a true PCMH, in which its patients receive nearly all their health care in a coordinated way at the center. With the renovations and expanded health care space, this can be achieved by having the primary physicians, the specialists, and the case managers under one roof. Approximately a third of the patients need to see a specialist. The increased clinical space will allow specialists such as endocrinologists, neurologists, and nephrologists to treat patients in the same building as the primary care doctors. In this way, Children's Hospital Oakland expects to achieve a better continuum of care, more efficient care, fewer tests and faster treatment. Children's Hospital Oakland also expects this team approach to reduce medical errors and improve outcomes.

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

Children's Hospital Oakland is a certified California Children's Services (CCS) hospital². In 2011, the hospital provided approximately \$17.5 million in uncompensated and under-compensated care. Children's Hospital Oakland has financial counselors to assist in finding alternative sources of payment from both public and private programs. Also, Medi-Cal eligibility workers are on site to assist the patients' families.

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

In fiscal year 2011, Children's Hospital Oakland had approximately 10,250 admissions, 47,600 emergency department visits and 264,000 outpatient visits. The government insured proportion of the hospital's payer mix has increased from 61% in fiscal year 2006 to 69% in fiscal year 2011.

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

According to Children's Hospital Oakland, the hospital has the second largest pediatric residency program in California. The program sponsors over eighty-five residents and fellows, primarily in the departments of Primary Care, Hematology-Oncology, Pulmonology, Emergency Medicine and Infectious Diseases. The hospital recently received a \$3.84 million grant from the United States Health Resources and Services Administration to fund four additional residents each year over five years with a focus on primary care.

Also, Children's Hospital Oakland serves as a teaching hospital for fifteen other hospitals in Northern California. The hospital provides month-long clinical experiences to more than ninety senior medical students from throughout the country.

² CCS is a statewide program that arranges, directs, and pays for medical care, equipment, and rehabilitation for children and young adults under 21 years of age who have eligible medical conditions and whose families are unable to pay for all or part of their care.

Children’s Hospital Oakland Research Institute (CHORI) currently has 250 grants totaling \$42 million. CHORI is sixth in the nation for National Institutes of Health pediatric research funding.

Factor 6: Demonstration of project readiness and project feasibility:

According to Children’s Hospital Oakland, the renovations began in June 2012 and are expected to be completed by December 31, 2013. The equipment purchases will occur from January 2012 to December 2013.

<u>Source of Funds:</u>		<u>Use of Funds*</u>	
CHFFA Grant	\$12,081,786	Renovation	\$9,478,155
Federal grant	2,913,505	Equipment Purchases	5,517,136
Internal	<u>2,276,498</u>	Purchase building	<u>2,276,498</u>
Total	\$17,271,789	Total	\$17,271,789

* Grant proceeds will be used for renovation and patient care equipment only.

Legal Review:

No information was disclosed to detrimentally affect the financial viability or legal integrity of the applicant.

Staff Recommendation:

Staff recommends the Authority approve Resolution No. CHP-3 2013-01 for Children’s Hospital & Research Center at Oakland to provide a grant not to exceed \$12,081,786 (less issuance and administrative costs), subject to all requirements of the Children’s Hospital Program of 2008.

RESOLUTION NO. CHP-3 2013-01

**A RESOLUTION OF THE CALIFORNIA HEALTH
FACILITIES FINANCING AUTHORITY APPROVING
EXECUTION AND DELIVERY OF GRANT FUNDING
UNDER THE CHILDREN'S HOSPITAL BOND ACT OF 2008
TO THE CHILDREN'S HOSPITAL & RESEARCH CENTER AT OAKLAND**

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 2008 (Pt. 6.1 (commencing with Section 1179.50), Div. 1, Health and Safety Code; hereafter the "Act") and implementing regulations to award grants from the proceeds of general obligation bonds in an amount not to exceed \$98,000,000 less the bond issuance and administrative costs to the Children's Hospital & Research Center at Oakland ("Grantee") to finance eligible projects; 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 approval of a grant in an amount not to exceed \$12,081,786 less the 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. The Authority hereby approves a grant of \$12,081,786 less the bond issuance and administrative costs to the Grantee to complete the Project as described in the Children's Hospital Program Application and Exhibit A to this Resolution (Exhibit A is hereby incorporated by reference) within a project period that ends on December 31, 2014.

Section 2. The Executive Director is hereby authorized for and on behalf of the Authority, to approve any minor, non-material changes in the Project described in the application submitted to the Authority and extend the project period completion date identified in Section 1 as authorized under the Act and implementing regulations. Nothing in this Resolution shall be construed to require the Authority to provide any additional funding, even if more grants are approved than there is available funding. Any notice to the Grantee shall indicate that the Authority shall not be liable to the Grantee in any manner whatsoever should such funding not be completed for any reason whatsoever.

Section 3. The Executive Director is hereby authorized and directed, for and on behalf of the Authority, to draw money from the Children's Hospital Bond Act Fund (2008) not to exceed those amounts approved by the Authority for the Grantee. The Executive Director is further authorized and directed, for and on behalf of the Authority, to execute and deliver to the Grantee any and all documents necessary to complete the transfer of funds that are consistent with the Act and implementing regulations.

Section 4. The Executive Director of the Authority is hereby authorized and directed to do any and all things and to execute and deliver any and all documents which the Executive Director deems necessary or advisable in order to effectuate the purposes of this Resolution and the transactions contemplated hereby.

Section 5. This Resolution expires December 31, 2014.

Date Approved: _____

EXHIBIT A

PROJECT DESCRIPTION

The proceeds of the grant will be used by Children's Hospital & Research Center at Oakland to purchase patient care equipment for the hospital campus located at 747 52nd Street, Oakland, California 94609 and at other specified licensed and satellite locations in Oakland and Walnut Creek, and to renovate three buildings used for its federally qualified health center (FQHC). The buildings are:

- 5400 Telegraph Avenue (also known as 5275 Claremont Avenue), Oakland, California 94618 (Petris #1)
- 5220 Claremont Avenue, Oakland, California 94618 (Petris #2)
- 4703 Shattuck Avenue Oakland, California 94609 (Shattuck)