

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

**Staff Summary  
Resolution No. CHP-3 2013-04  
April 25, 2013**

**Applicant:** Children’s Hospital Central California  
9300 Valley Children’s Place  
Madera, California 93636  
Madera County

**Project Sites:** 9300 Valley Children’s Place, Madera, California 93636  
41169 Goodwin Way, Madera, California 93636  
Madera County

**Amounts Requested:** \$7,428,802

Grant # CHCC-03-03

<b>Summary of Grant Amounts</b>	<b>Proposition 61</b>	<b>Proposition 3</b>
Eligible Amount	\$74,000,000	\$98,000,000
less previous awards	(69,838,918)	(17,283,599)
less requested amount	(4,161,082)	(7,428,802)
Remaining Amount Eligible (if requested amount is approved)	\$0	\$73,287,599

**Description of Applicant:**

Children’s Hospital Central California (“CHCC” or “the hospital”) is a nonprofit acute care pediatric hospital with a current license from the Department of Public Health. The hospital’s Fiscal Year 2012 (year ending September 30) audit was submitted and is free of “going concern” language.<sup>1</sup>

**Project:**

CHCC is seeking grant funds to reimburse: (1) the purchase of patient care equipment that includes already-installed transport incubators, ultrasound machines, sleep systems and other diagnostic and treatment equipment used in the areas of transport, surgery, laboratory, clinics and radiology; (2) 69% of the cost of the purchase of a three-story Medical Office Building (MOB) on CHCC’s campus; and (3) the purchase and installation of a surgery air handler unit.

---

<sup>1</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 sections 7030(n) and 7051(n) for Proposition 61 and Proposition 3, respectively.

### **Proposition 3 Evaluation Factors:**

Staff evaluated CHCC's project through review of the application and other submitted materials using the six factors identified in Proposition 3.

*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:*

#### Patient Equipment:

The new patient care equipment purchased improves access to the only pediatric specialized health care facility available in California's San Joaquin Valley for children who would otherwise be required to travel over 200 miles to the next nearest children's hospital. CHCC's medical transport teams perform over 1,500 transports annually, two-thirds of which are neonatal. The transport team must be able to function as a mobile intensive care unit (ICU) in the space of an ambulance or a helicopter. Specialized equipment is necessary to stabilize and transport sick neonates from referring facilities to CHCC's regional neonatal ICU. CHCC purchased new state-of-the-art incubators to allow the team to transport critical newborns that were previously referred out of the region because of the prior mobile incubator's limited use.

CHCC expanded its diagnostic sleep lab from two beds to four in order to serve more patients. CHCC has the only pediatric ambulatory sleep facility specialized in identifying respiratory-based sleep disorders in the hospital's service area. The hospital reports that since the two beds were added, the wait time for sleep studies has decreased from 5 months to less than 60 days. Likewise, during the period from October 2012 when the additional beds were added through February 2013, 64% more patients were seen in the sleep lab than during the same time period the prior year.

#### Surgery Air Handler Unit:

CHCC replaced the surgery air handler unit that serves four of the hospital's surgery suites and surgical recovery area. The hospital reports that deficiencies in the prior system combined with air quality problems from the surrounding agricultural environment meant that the system's ductwork could potentially have leaked moisture into the surgery suites. Disruption in operating room availability caused by the moisture or ultimate fan failure would have caused surgical delays for patients requiring surgery. Approximately 5,000 surgeries are performed annually in these surgical suites.

#### Medical Office Building:

The MOB is a 43,502 square foot three story building that sits at the east end of the main CHCC campus. Within the MOB, 69% of the building is dedicated to outpatient care, including endocrinology, neurology, urology, and psychology, pediatric specialty clinics and the hospital's Charlie Mitchell Clinic providing pediatric primary care services to patients with complex medical needs. CHCC had a long-term operating lease on the MOB that was set to expire in May 2015. In June 2012, CHCC negotiated the purchase of the existing building as a more cost effective way to assure CHCC can continue to offer on the hospital campus the specialty clinics that otherwise do not exist in the surrounding community.

Many of the children treated in CHCC's MOB have complex, lifelong chronic health conditions requiring them to visit their pediatrician or pediatric specialist located in the MOB on a regular basis. The MOB's location next to the hospital provides easy access for families in and out of the building to see their physicians and, on the occasions that they need to use services in the main hospital, easy access to the hospital as well.

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

Patient Equipment:

CHCC reports that by keeping the patient care equipment and diagnostic testing systems current with the latest technologies, the hospital ensures patients receive the best quality care available to them for early diagnosis and treatment. Examples of new patient care equipment that have significantly improved outcomes for CHCC patients include: transport incubators, a cardiac ultrasound machine and new diagnostic sleep systems.

Shortened inter-facility transport time leads to improved outcomes for the smallest most critically ill newborns. The hospital's new state-of-the-art transport incubator systems enable CHCC's neonatal transport team to provide initial and critical care in the first few hours of life for high risk babies born at other hospitals in the region.

CHCC's new diagnostic sleep systems allow the hospital to perform studies on medically fragile inpatients that would otherwise not be candidates to have the procedures performed on an outpatient basis. The additional equipment has also allowed CHCC to better accommodate urgent referrals and pre-operative patients to rule out concerns about anesthesia. CHCC is now able to accommodate these needs without delaying procedures or rescheduling other patients.

Surgery Air Handler Unit:

Replacing the surgery air handler unit improved patient outcomes by providing the proper volume of conditioned air to the surgery suites. The proper volume of air ensures that positive pressure in the surgery suites is maintained, minimizing the risk of contaminations from adjacent areas and, at the same time, eliminating the likelihood of moisture that can contribute to mold growth. Equipment breakdowns during surgery can directly affect the health of patients and force the shutdown of a hospital's surgical suites which is a tremendous risk to patient outcomes.

Medical Office Building:

The hospital is evaluating ways to expand its multi-disciplinary approach to providing outpatient services to children who are treated by multiple specialists and who must regularly return to the hospital campus to be treated by these physicians. The expectation is that this evaluation will lead to even more efficient multi-disciplinary clinics where patients will be able to visit the campus one time to be seen by multiple providers. Owning the MOB will allow CHCC to more quickly and efficiently implement changes in how and where these patients are seen.

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

CHCC is a certified California Children's Services (CCS) hospital.<sup>2</sup> The hospital 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 families of patients.

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

In fiscal year 2012, CHCC had 12,772 inpatient cases, 77,994 emergency department visits and 129,850 outpatient clinic visits. Medi-Cal benefits covered 71% of the inpatient cases (with 74.8% of patient days covered) and 65.7% of the outpatient visits. The San Joaquin Valley communities served by CHCC are challenged by the state's highest rates of child poverty, including Fresno (27.1%), Tulare (23.5%), Kings (21.7%) and Madera (19.5%).

The hospital's extensive range of subspecialties provides families with access to pediatric care in the following areas: cardiology, critical care, emergency medicine, endocrinology, gastroenterology, genetics, hematology, immunology, infectious disease, metabolics, neonatology, nephrology, neurology, oncology, orthopedics, pulmonology, rehabilitation, rheumatology, surgery and urology.

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

CHCC is affiliated with the University of California, San Francisco (UCSF) Medical School Residency Program and its doctors are faculty for the pediatric resident training at CHCC. Additionally, CHCC provides a postgraduate pediatric pharmacy residency program and a fellowship program in critical care pediatric clinical pharmacy. The hospital's nursing education program features a neonatal outreach education program for the region's healthcare providers.

CHCC is engaged in more than 200 research projects, including over 100 oncology clinical studies. In addition to research efforts aimed at developing investigational devices used in cardiac and orthopaedic surgery, CHCC is conducting a retrospective chart review and developing a database to study pediatric valley fever, a flu-like and potentially deadly illness endemic to California's Central Valley caused by inhaling airborne spores of a dirt dwelling fungus.

*Factor 6: Demonstration of project readiness and project feasibility:*

All of the equipment and the surgery air handler unit have been purchased and installed. The hospital acquired the patient care equipment between September 1, 2012 and December 31, 2012 and it is currently in service delivering care to CHCC patients. The title to the medical office building was transferred June 8, 2012, and the building is in use.

---

<sup>2</sup> 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.

**Sources and Uses of Funds:**

<u>Sources of Funds:</u>		<u>Uses of Funds:</u>	
Prop 3 Request	\$7,428,802	Acquisition*	\$5,835,749
		Equipment	1,548,225
		Remodel	44,828
<b>Total</b>	<b><u>\$7,428,802</u></b>	<b>Total</b>	<b><u>\$7,428,802</u></b>

\*Total MOB purchase price was \$8,503,325 (including closing costs). CHCC requested grant funding only for the eligible proportions (69%) based on actual use of the space.

**Legal Review:**

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

**Staff Recommendation:**

Staff recommends that the Authority approve Resolution No. CHP-3 2013-04 for Children's Hospital Central California to provide a grant not to exceed \$7,428,802 (less costs of issuance and administrative costs) subject to all requirements of the Children's Hospital Program of 2008.

**RESOLUTION NO. CHP-3 2013-04**

**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 CENTRAL CALIFORNIA**

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 Central California ("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 \$7,428,802 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 \$7,428,802 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 April 30, 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 April 30, 2014.

Date Approved: \_\_\_\_\_

## **EXHIBIT A**

### **PROJECT DESCRIPTION**

The proceeds of the grant will be used by Children's Hospital Central California to reimburse: (1) the purchase of patient care equipment that includes already-installed transport incubators, ultrasound machines, sleep systems and other diagnostic and treatment equipment used in the areas of transport, surgery, laboratory, clinics and radiology; (2) 69% of the cost of the purchase of a three-story Medical Office Building (MOB) on CHCC's campus located at 41169 Goodwin Way, Madera, California 93636; and (3) the purchase and installation of a surgery air handler unit at 9300 Valley Children's Place, Madera, California 93636.