

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY**  
**Children’s Hospital Program of 2004 (Proposition 61)**

**Staff Summary**  
**Resolution No. CHP 2013-01**  
**April 25, 2013**

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

**Project Site:** 9300 Valley Children’s Place  
Madera, California 93636  
Madera County

**Amounts Requested:** \$4,161,082

Grant # CHCC-06

<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 for reimbursement of previously-incurred costs for the purchase and installation of patient care equipment. The patient care equipment includes already-installed anesthesia machines, ventilators, endoscopic and cardiac ultrasound machines, bedside monitors and other diagnostic and treatment equipment used in the areas of surgery, laboratory, clinics and radiology.

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<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 61 Evaluation Factors:**

Staff evaluated CHCC's project through review of the application and other submitted materials using the six factors identified in Proposition 61.

*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:*

The new diagnostic and treatment equipment 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. For example, CHCC replaced five of the hospital's anesthesia machines that were put into service in 1995 and were past their useful life. They were no longer supported by the manufacturer so the hospital faced having to temporarily close operating rooms and delay or cancel surgeries if the machines were malfunctioning. Such delays could significantly impact surgery scheduling, given that the anesthesia machines are used in more than 6,800 surgeries annually. The new replacement anesthesia machines also incorporate better modes of ventilation so anesthesiologists can optimize ventilation.

CHCC also replaced two of its 10-year old cardiac ultrasounds systems. The older systems' imaging and connectivity limitations prevented them from being used for complex imaging in the cardiac catheterization lab and as support for the cardiac surgery program. The ultrasound and reporting technology available with the new systems addresses all of the old systems' limitations and also provides 3D echocardiography capabilities that are now the clinical standard for cardiac testing. Since the new systems were implemented, use of this technology has provided testing to 2,700 patients in a more timely fashion.

The recently purchased endoscopic ultrasound machine enables CHCC to add new specialty services including Pediatric Endoscopic Retrograde Cholangiopancreatography (ERCP) and Endoscopic Ultrasound (EUS). ERCP is a procedure that combines upper gastrointestinal endoscopy and x-rays to diagnose and treat problems of the bile and pancreatic ducts. EUS provides images and information about the digestive tract and surrounding tissue and organs. EUS, when interfaced with the hospital's electronic medical records system, allows radiologists to trace the disease processes of the hospital's more complex patients. This newly added technology allows CHCC to perform 15 ERCP and 75 EUS procedures per year.

CHCC uses CO<sub>2</sub> laser technology on an average of 20 patients per month. The equipment is primarily used in treating patients with neurological and ear, nose and throat problems, and for the removal of skin lesions. Because CHCC's prior CO<sub>2</sub> laser machine was no longer supported by the manufacturer and deemed unsafe, prior to the purchase of the new equipment, the hospital rented laser equipment on a case by case basis. Now that the hospital has the new laser equipment, this technology is available as needed for both scheduled and unscheduled procedures.

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

CHCC reports that it helps ensure patients receive the best quality care available to them for early diagnosis and treatment by keeping the patient care equipment and diagnostic testing systems current with the latest technologies. Examples of new state-of-the-art patient care equipment that has significantly improved outcomes for CHCC patients include: the bedside patient monitors, the anesthesia machines and the cardiac and endoscopic ultrasound systems.

The ventilation strategies offered by the new anesthesia machines are expected to prevent or reduce potential lung injury and improve patient outcomes by reducing postoperative ventilation time, intensive care unit (ICU) stays, and anesthesia-related mortality.

Replacing the cardiac ultrasound systems improved the diagnostic quality of the images in complex cases. By enhancing the diagnostic value of the images, the systems provide better information used in developing patients' care plans, including whether surgery is required. The hospital found cardiac ultrasounds were being repeated due to the less than optimal image quality provided by the prior equipment. The enhanced technology eliminates that problem.

Bedside monitors provide critical information about a patient's condition. The new monitoring systems allow CHCC's intensive care units (ICU) and operating rooms to use the same monitoring program for the first time, and therefore provide uninterrupted physiologic monitoring when critically ill and potentially unstable patients are transferred to, from and within the operating rooms, ICU and the post-anesthesia care unit.

*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%).

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<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.

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 has been purchased and installed. The hospital acquired the patient care equipment between February 1, 2012 and August 31, 2012 and it is all currently in service delivering care to CHCC patients.

**Sources and Uses of Funds:**

<u>Sources of Funds:</u>		<u>Uses of Funds:</u>	
Prop 61 Request	<u>\$4,161,082</u>	Equipment	<u>\$4,161,082</u>
<b>Total</b>	<b><u>\$4,161,082</u></b>	<b>Total</b>	<b><u>\$4,161,082</u></b>

**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 2013-01 for Children's Hospital Central California to provide a grant not to exceed \$4,161,082 (less costs of issuance) subject to all requirements of the Children's Hospital Program of 2004.

## RESOLUTION NO. CHP 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 2004 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 2004 (Pt. 6 (commencing with Section 1179.10), 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 \$74,000,000 less the bond issuance costs to the Children's Hospital Central California ("Grantee") to finance eligible projects; and

WHEREAS, Authority staff reviewed this 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 \$4,161,082 less the bond issuance 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 \$4,161,082 less the bond issuance 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 Fund (2004) 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 for reimbursement of previously-incurred costs for the purchase and installation of patient care equipment. The patient care equipment includes already-installed anesthesia machines, ventilators, endoscopic and cardiac ultrasound machines, bedside monitors and other diagnostic and treatment equipment used in the areas of surgery, laboratory, clinics and radiology at 9300 Valley Children's Place, Madera, California 93636.