

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (“CHFFA”)  
 Children’s Hospital Program of 2004 (Proposition 61)  
 Children’s Hospital Program 2008 (Proposition 3)**

**Staff Summary**

**Resolution No. CHP 2015-01  
 and  
 Resolution No. CHP-3 2015-03**

**September 24, 2015**

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

**Project Site:** Loma Linda University Children’s Hospital  
 11234 Anderson Street  
 Loma Linda, CA 92354

**Amount Requested:**     **Prop 61:**     \$67,902,990             Grant # LLUMC–03  
                                   **Prop 3:**     \$98,000,000             Grant # LLUMC–01–03

Summary of Grant Amounts	Proposition 61	Proposition 3
Eligible Amount	\$74,000,000	\$98,000,000
less previous awards	(6,097,010)	0
less requested amount	(67,902,990)	(98,000,000)
Remaining Amount Eligible (if requested amount is approved)	\$0	\$0

**Description of Applicant:**

Loma Linda University Children’s Hospital (“LLUCH” or “the hospital”) is a nonprofit acute care pediatric hospital with a current license from the California Department of Public Health. The hospital’s fiscal year 2014 (year ending December 31) audit was submitted and is free of “going concern” language.<sup>1</sup>

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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.

**Project:**

LLUCH is seeking grant funds to fund:

- (1) The construction of a new Children's Hospital Nursing Tower that will provide 202,985 additional square feet dedicated to the Children's Hospital over a shared podium with the Adult Hospital tower. The shared podium will house a new emergency department, new operating rooms, new areas for imaging, diagnostic and treatment services, a new Total Care Birthing Center, and new administrative services, separate Adult and Children's lobbies, kitchens, and cafeterias (See Exhibit A);
- (2) The renovation and expansion of the current Neonatal Intensive Care Unit ("NICU") in the existing tower;
- (3) The renovation/ retrofitting of the separation between the existing Children's Hospital and University Hospital to address current seismic requirements;
- (4) The purchase of equipment for the renovated and newly constructed facilities.

The current estimated budget associated with the project is approximately \$239,391,747. The project is part of the wider \$1,048,895,134 Loma Linda University Medical Center ("LLUMC") Campus Transformation Project ("CTP"), which will replace the existing adult and children's acute care functions in seismically non-compliant space per requirements of the Alfred E. Alquist Hospital Seismic Safety Act of 1983 (Senate Bill 1953). The CTP will be located on the southeast corner of the main campus in the existing front parking lot. The CTP construction is anticipated to start in March 2016 and be completed by November 2019.

Currently, the Pediatric Acute and Adolescent inpatient services are located in the original LLUCH inpatient towers that were built in 1966 and are classified as Structural Performance Category 1 (SPC1). SPC1 rated hospital structures will be considered seismically non-compliant as of January 1, 2020 and the Pediatric Acute and Adolescent inpatient services will no longer be able to be delivered in the original towers to patients in the Inland Counties' service area (Mono, Inyo, San Bernardino, and Riverside). This area is home to more than 1.2 million children under the ages of 18 and is experiencing gradual population growth. Additionally, according to LLUCH, it is among the largest private providers of pediatric Medi-Cal services in the State of California, comprising approximately 74% of the patients seen and treated at LLUCH each year. LLUCH plans to relocate its services to the newly constructed seismically compliant hospital towers as part of the CTP and enable pediatric services to continue without interruption.

LLUCH reported the hospital operated at near 70% occupancy in calendar year 2014 and continues to face significant shortages of beds for critically ill and injured infants and pediatric patients, especially between November and March. As LLUCH expressed, the high occupancy is in part due to the need to utilize double occupancy rooms for individual patients (and thus, functionally closing beds to use) when there are high numbers of children requiring isolation because of infectious illnesses. On average, 16% of LLUCH patients require isolation throughout the year and increases during the winter months to 20% or greater. All rooms at LLUCH currently accommodate two to three patient beds per room; there are no private rooms. In the proposed project, all patient beds will be in private, single patient rooms, which will help eliminate shortages in beds for the critically ill and injured infants and pediatric patients.

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

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

In addition to the inpatient bed shortages mentioned above, the proposed project will:

Expand the Level IV<sup>2</sup> NICU, which currently has 84 patient beds, to add 16 new patient beds. LLUCH is the only Level IV NICU in San Bernardino, Riverside, Inyo, and Mono counties. The Level IV NICU expansion will increase ability to provide this level of care to the expanding region.

Renovate space to convert the Adult Medical Intensive Care Unit ("MICU") to Children's Hospital Hematology /Oncology, Intermediate, and Intensive Care Unit ("ICU") care. LLUCH is expanding its Bone Marrow Transplant (BMT) program and is building additional space to assure capacity to provide BMT, a process to replace unhealthy bone marrow with healthy marrow, to more patients. LLUCH currently treats approximately 25 BMT patients per year with an average length of stay between 45-60 days and post-transplant patients must be in isolation for the duration of their stay. LLUCH stated they do not currently have the capacity to isolate patients in the existing Hematology/Oncology unit (33 beds). When the need for isolating patients exceeds patient capacity, LLUCH has to move other Hematology/Oncology patients to the Pediatric Acute or Adolescent units for care.

Provide a dedicated Intermediate ICU (step-down) unit. Additional beds for patients transitioning from ICU to Acute level of care will allow LLUCH to accept more ICU patients that need the highest level of care. Having a dedicated unit for these patients is expected to allow LLUCH to assure they are having appropriate monitoring and efficient nurse staffing to progress inward to acute care discharge. LLUCH currently has 19 licensed ICU beds that are used primarily for Intermediate patients who qualify to step-down from ICU care, but require more than acute nursing care. LLUCH mentioned that they average approximately 26 patients per day who would qualify for Intermediate level of care. Currently, LLUCH practices spreading the additional patients in available ICU or Acute beds, but this practice creates a challenge of having inefficient nursing ratios in either location.

Provide dedicated, separate space for Pediatric Emergency Services (treatment and waiting areas). LLUCH currently shares Emergency Services waiting and triage spaces with the adults section. Distinct service spaces is anticipated to reduce wait times and overall outpatient length of stay and allow more patients to be seen in a more time efficient manner. According to LLUCH, overall outpatient emergency visit times are in excess of their 4 hour target. The current 19 bed Emergency Services Department faces limited bed capacity undermining their ability to accept patients. As anticipated by LLUCH, a larger Emergency Services Department (additional patient beds) and distinct waiting, check-in and triage areas, will enable LLUCH to provide focused priority to Pediatric patients and increase through-put of patients into treatment spaces while reducing the overall length of stay.

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<sup>2</sup> Level IV NICU is the highest level of care provided to neonatal patients. This level of care is required for a Regional NICU, which status LLUCH currently holds with CCS. Level IV NICU is an intensive care unit that can care for babies as young as 22 to 24 weeks gestational age. Level IV NICUs can provide sophisticated types of respiratory support for very sick babies, and offer a wide variety of neonatal surgeries.

Provide additional shell floor space in the new tower. This extra space can allow for future expansion of services as new technology and services are identified or as population or diseases demand expansion.

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

The proposed project's state-of-the-art Children's Hospital facility will:

Convert all pediatric patient beds to private, single patient rooms. In addition to providing greater patient and family privacy, single patient rooms will allow for expanded capacity as isolation patients and family privacy will not occupy rooms with multiple beds. Single patient rooms will also lessen the likelihood of mistaken patient identities and medical errors, reduce the spread of disease from sharing space with other patients and their families, and allow for greater attention to pain monitoring, which are all quality measures that are part of the Child Hospital Consumer Assessment of Health Care Providers and Systems (Child "HCAHPS") survey. This survey is the first national, standardized, publicly reported survey of patients' perspectives of hospital care.

Dedicate Neuro-NICU beds to expand a newly implemented program. This newly implemented equipment program provides techniques and treatments that prevent brain injury and promote optimal brain development in premature infants born with encephalopathy or other nervous system and/or cardiac disorders. According to LLUCH, it does not currently have dedicated beds for Neuro-NICU monitoring. LLUCH currently has five neuro monitors and base equipment which have to be stored in a patient's room. LLUCH expressed that when 100% capacity is reached (which happens often), the equipment that is not in use has to be stored wherever a spot can be found.

Dedicate Six Complex seizure beds in Pediatric Acute Care unit. Given the demand for expansion of this service amongst new units, LLUCH anticipates the ability to monitor more pediatric patients and improve the diagnosis and treatment of neurological and muscular disorders. LLUCH currently has three permanent and two portable monitored beds in its Pediatric Acute care unit for Electromyography ("EMG") monitoring. These beds are in a shared space with curtain compartments only. According to LLUCH, the current demand for monitoring exceeds five beds on an average daily census basis. Transitioning this functionality to private patient rooms and allowing for additional volume will provide a better patient experience, a safe and stable monitoring resulting in permanently placing equipment in private rooms.

Provide Interdisciplinary Team Rooms on each nursing unit to allow for stronger care coordination between all clinical providers. Adequate meeting space for daily interdisciplinary rounds is anticipated to assist in optimal case management and timely clinical decision making to provide optimal patient care outcomes.

Provide Dedicated, Separate Space for Pediatric Nutritional Services – Kitchen, Cafeteria and formula/milk preparation room. LLUCH currently shares kitchen space with the adult hospital. A dedicated space is expected to reinforce efficient work-flow that is optimally coordinated with dietary staff that review and order the specific patient diets. Today, these services are located in separate areas of the hospital which makes coordination challenging and inefficient.

Provide Expanded Family Rooms & Playrooms. Such facilities can potentially enhance patient and family experience throughout the inpatient stay. Many of the current day rooms in LLUCH's existing hospital are small resulting in family members sitting on window sills or on the floor while visiting patients or waiting to speak with clinicians. Presently, play rooms exist on all LLUCH units but these rooms are small and do not allow for more than 3-5 patients at a time to be in the room with Child Life Specialist.

Provide additional treatment rooms for inpatient MRI & CT services. The additional treatment rooms will allow for more timely testing, quicker diagnosis and treatment reducing the overall length of stay. Focus at the new children's hospital will be on caring for sick and injured children in a family centered environment throughout the continuum of care.

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

According to LLUCH, Medi-Cal patients comprise 74% of the total number of patients seen and treated at LLUCH. As a result, LLUCH has absorbed undercompensated costs in several patient service areas such as California Children's Services (CCS<sup>3</sup>) Team Clinics, home care/family services, extracorporeal membrane oxygenation (ECMO) services, and pediatric transplant services. Within its transplant services, LLUCH provided over \$3 million in undercompensated pediatric stem cell/bone marrow transplant procedures in calendar year 2014. Additionally, LLUCH reported that it provided approximately \$16,364,000 and \$30,313,000 in charity care in fiscal years 2014 and 2013, respectively.

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

LLUCH is a 343-bed pediatric medical facility designed to meet the unique healthcare needs of children. LLUCH offers comprehensive services for more than 1.2 million children within the Inyo, Mono, San Bernardino, and Riverside counties. LLUCH also has California Children Services (CCS) designations as a Tertiary Hospital, Regional Pediatric Intensive Care Unit (PICU), Regional Neonatal Intensive Care Unit (NICU), Neonatal Surgery Center, and Extracorporeal Membrane Oxygenation (ECMO) Center.

In 1984, LLUCH made headlines when its medical team pioneered the first infant heart transplant in the world. LLUCH continues to be a key player in the field of infant heart transplants and pediatric cardiac surgery.

In 2014, LLUCH admitted 13,000 patients and performed 7,300 surgeries on pediatric patients in both patient and ambulatory settings, including 10 pediatric heart transplants, 11 pediatric kidney transplants, and more than 340 surgical pediatric congenital heart repairs. LLUCH teams also transported in excess of 1,200 sick and injured children from community hospitals to LLUCH facilities for a higher level of care in calendar year 2014. Additionally, LLUCH Specialty Care Centers provided integrated, multi-disciplinary care at over 11,000 clinic visits for many of the Inland Empire's sickest children. The total number of outpatient visits to any area of LLUCH was more than 75,000 visits in 2014.

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<sup>3</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.

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

Every year thousands of students from all healthcare disciplines learn practical skills through clinical experiences at LLUCH. As an Academic Health Center, LLUCH currently serves as the pediatric academic resource site for Loma Linda University and more than 60 other nursing and allied healthcare education programs. Programs such as the Pediatric Teaching Office provide crucial training for resident physicians who see more than 20,000 patients each year in a primary care capacity.

The Registered Nurse ("RN") Residency in Pediatrics program 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 the training offered to the 120 interns, residents and fellows who are enrolled in the accredited physician residency program. These programs include general pediatrics, as well as eight subspecialties. The complete scope of the physician residency program is as follows:

- Internal Medicine/Pediatrics
- Pediatric Anesthesiology
- Child Neurology
- Child Abuse
- Pediatrics
- Pediatric Critical Care
- Neonatal Perinatal Medicine
- Pediatric Surgery
- Pediatric Radiology

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

Construction for the Campus Transformation Project ("CTP") is anticipated to start in March 2016 and is estimated to be complete by November 2019.

To complete the CTP, LLUCH plans to issue revenue bonds in the amount of approximately \$815,970,000 which is expected to successfully close in March 2016. Additionally, Loma Linda University Medical Center's (LLUMC) goal is to generate \$140 million in donations for the CTP and realize \$50 million in savings from operational efficiencies. As of April 2015, LLUMC has received \$127 million in philanthropic commitments for new and expanded hospital priorities. LLUMC appears to be ahead of schedule in meeting the funding goal by March 2016.

Sperry Capital, CHFFA's Financial Advisor, reviewed LLUMC's *Study of Market Need and Financial Feasibility* composed by HFS Consultants including Financial Statements and recent rating reports by Standard & Poor's Rating Services and Fitch Ratings in developing their recommendation for CHFFA to award the grants with two conditions:

1. A successful closing of the anticipated conduit bond financing; and
2. Progress, satisfactory to CHFFA, showing realized savings of at least \$50 million in medical center operations as forecasted in projections published in the June 2015 HFS Feasibility Report through monthly progress updates.

<u>Sources of Funds</u>		<u>Uses of Funds</u>	
Prop 61 Request	\$ 67,902,990	Construction of Facilities	\$ 146,708,512
Prop 3 Request	98,000,000	Renovation	21,872,222
Future Bond Funding	43,434,257	Purchase of Equipment	11,905,232
Philanthropy	<u>30,055,500</u>	Architects & Consultants	26,121,365
		Fees, Testing, Issuance & Administrative Costs	5,604,931
		Furnishings, Communications & Insurance	12,368,591
		Contingency	<u>14,811,894</u>
<b>Total</b>	<b><u>\$ 239,392,747</u></b>	<b>Total</b>	<b><u>\$ 239,392,747</u></b>

**Legal Review:**

LLUCH properly completed and submitted relevant documentation for the Authority's Legal Status Questionnaire.

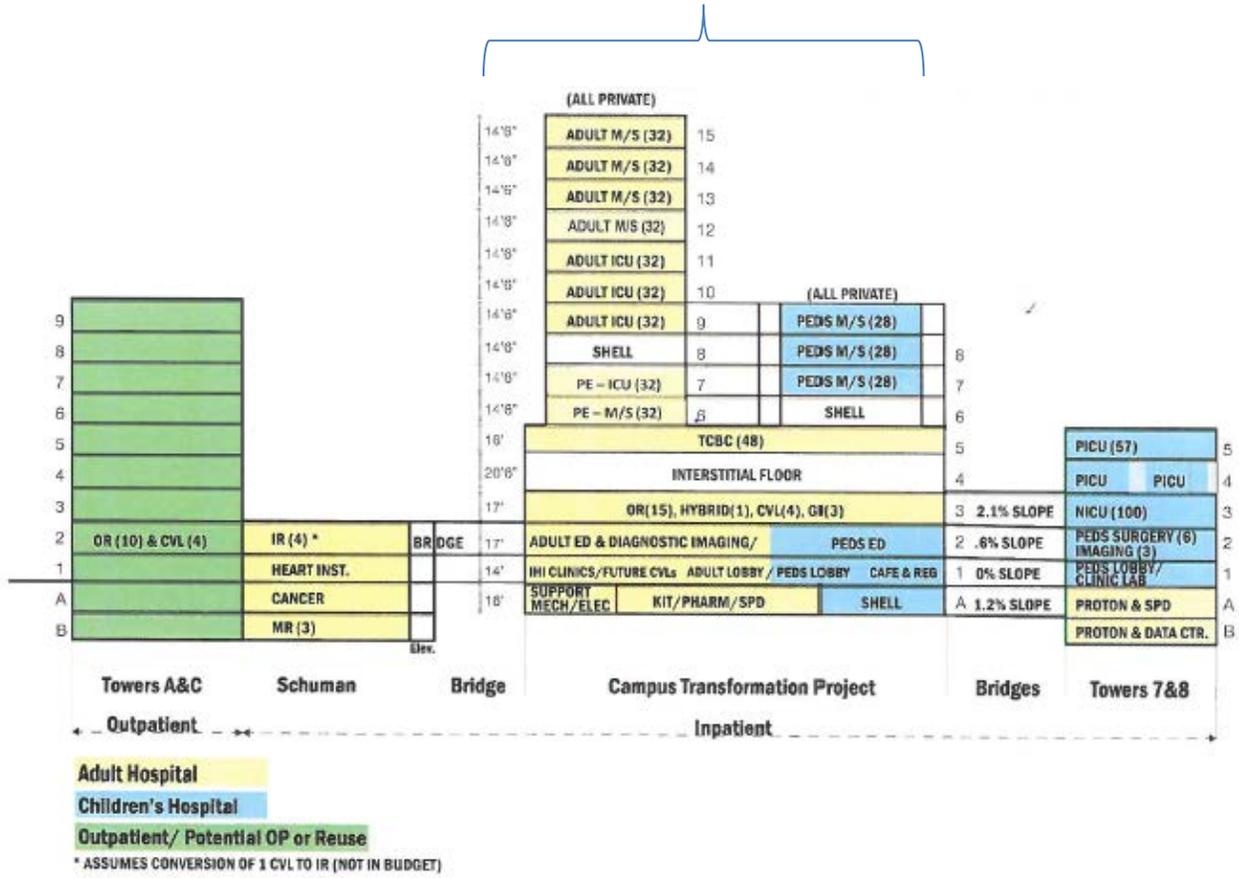
**Staff Recommendation:**

Staff recommends that the Authority approve:

- Resolution No. CHP 2015-01 for Loma Linda University Children's Hospital to receive a grant not to exceed \$67,902,990 (less costs of issuance and administrative costs), subject to all requirements of the Children's Hospital Program of 2004; and
- Resolution No. CHP-3 2015-03 to receive a grant not to exceed \$98,000,000 (less costs of issuance and administrative costs), subject to all requirements of the Children's Hospital Program of 2008.

# Exhibit A

## Campus Transformation Project





**RESOLUTION NO. CHP 2015-01**

**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 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 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 \$67,902,990 less the costs of bond issuance under the Act to the Loma Linda University Children's Hospital ("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 \$67,902,990 less the costs of bond issuance under the Act 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 \$ 67,902,990 less the costs of bond issuance under the Act 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, 2020.

Section 2. The Grant Agreement shall include a provision that Loma Linda University Children's Hospital must, to the satisfaction of the Authority staff, show satisfactory progress of realized savings of at least \$50 million in medical center operations as forecasted in the projections published in the June 2015 HFS Feasibility Report and submit monthly progress reports to the Authority staff prior to any disbursement of grant funds.

Section 3. 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 4. The Executive Director is hereby authorized and directed, for and on behalf of the Authority, to draw money from the Children’s Hospital Fund under the Act 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 5. 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 6. This Resolution expires December 31, 2020.

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

## **EXHIBIT A**

### **PROJECT DESCRIPTION**

The proceeds of the grant will be used by Loma Linda University Children's Hospital to fund:

- (1) The construction of a new Children's Hospital Nursing Tower that will provide 202,985 additional square feet dedicated to the Children's Hospital over a shared podium with the Adult Hospital tower. The shared podium will house a new emergency department, new operating rooms, new areas for imaging, diagnostic and treatment services, a new Total Care Birthing Center, and new administrative services, separate Adult and Children's lobbies, kitchens, and cafeterias;
- (2) The renovation and expansion of the current Neonatal Intensive Care Unit ("NICU") in the existing tower;
- (3) The renovation/ retrofitting of the separation between the existing Children's Hospital and University Hospital to address current seismic requirements;
- (4) The purchase of equipment for the renovated and newly constructed facilities.

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**RESOLUTION NO. CHP-3 2015-03**

**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 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 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 costs of bond issuance and administrative costs under the Act to the Loma Linda University Children's Hospital ("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 \$98,000,000 less the costs of bond issuance and administrative costs under the Act 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 \$98,000,000 less the costs of bond issuance and administrative costs under the Act 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, 2020.

Section 2. The Grant Agreement shall include a provision that Loma Linda University Children's Hospital must, to the satisfaction of the Authority staff, show satisfactory progress of realized savings of at least \$50 million in medical center operations as forecasted in the projections published in the June 2015 HFS Feasibility Report and submit monthly progress reports to the Authority staff prior to any disbursement of grant funds.

Section 3. 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 4. 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 under the Act 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 5. 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 6. This Resolution expires December 31, 2020.

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

## **EXHIBIT A**

### **PROJECT DESCRIPTION**

The proceeds of the grant will be used by Loma Linda University Children's Hospital to fund:

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- (2) The renovation and expansion of the current Neonatal Intensive Care Unit ("NICU") in the existing tower;
- (3) The renovation/ retrofitting of the separation between the existing Children's Hospital and University Hospital to address current seismic requirements;
- (4) The purchase of equipment for the renovated and newly constructed facilities.