

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
Children’s Hospital Bond Act of 2008 (Proposition 3)

Staff Summary
Resolution No. CHP-3 2017-02
April 27, 2017

Applicant: Valley Children’s Hospital Grant # CHCC-07-03
9300 Valley Children’s Place
Madera, California 93636
Madera County

Project Sites: 9300 Valley Children’s Place, Madera, CA 93636, Madera County
1025 N. Douty Street, Hanford, CA 93230, Kings County
333 Merced Ave., Merced, CA 95340, Merced County
1303 E. Herndon Ave., Fresno, CA 93720, Fresno County
1190 Olivewood Dr., Suite A, Merced, CA 95348, Merced County
7555 N. Del Mar Avenue #101, Fresno, CA 93711, Fresno County
41169 Goodwin Way, Madera, CA 93636, Madera County

Amount Requested: \$10,694,570

Summary of Grant Amounts	Proposition 3
Eligible Amount	\$98,000,000
less previous awards	(59,918,247)
less requested amount	(10,694,570)
Remaining Amount Eligible (if requested amount is approved)	\$27,387,183

Description of Applicant:

Valley Children’s Hospital (“VCH” or the “hospital”), formerly known as Children’s Hospital Central California, is a nonprofit acute care pediatric hospital with a current license from the Department of Public Health. The hospital’s audit for fiscal year 2016 (year ending September 30) was submitted and is free of “going concern” language.¹

Project:

VCH is seeking grant funds to reimburse itself the cost of equipment, construction for modifications necessary to install equipment, and information technology (“IT”) related projects. A list of the equipment, construction costs, and IT related projects were included in the application. Equipment items purchased include fluoroscopy equipment, Philips patient monitors, an air handler unit, ultrasound machines, infant warmers, ventilators, a public address system upgrade, and an x-ray blood irradiator. IT related projects include data center infrastructure upgrades.

All equipment and software were bought and installed between October 27, 2015 and January 31, 2017 and are currently in use by the hospital.

¹ The absence of “going concern” language tends to suggest the organization is in good operational health for that FY. 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 the hospital'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:

Fluoroscopy equipment:

The replacement of fluoroscopy equipment improves access to care by improving patient throughput² for imaging procedures. Fluoroscopy is an imaging technique that uses X-rays to obtain real-time moving images of the interior of an object. According to the hospital, improving throughput has become a necessity due to increasing demands for imaging procedures at VCH. In the last five years, radiology procedures have increased from 81,810 patients in fiscal year ("FY") 2012 to 84,841 patients in FY 2016, while interventional radiology procedures went from just 53 patients in FY 2015 to 257 patients in FY 2016. The new fluoroscopy machine features an ergonomic design that includes a height-adjustable table that is accessible from all sides, is also more dependable than the old fluoroscopy machine, and is expected to decrease downtime for repairs. These time savers will make the hospital's Imaging Department more efficient; and therefore, increase the number of patient procedures VCH is able to process in a day.

Air Handler Unit:

VCH replaced its air handler unit for its Emergency Department ("ED"). According to the hospital, the air handler unit in the hospital's ED is a critical component to improving patient outcomes and patient safety. Air handler units maintain temperatures and air flows throughout different areas of the hospital. The proper volume of air ensures positive pressure is maintained to minimize the risk of contamination from other areas. According to the hospital, as the unit becomes older, it becomes less and less effective and begins leaking small amounts of moisture from condensation into the ductwork. This ineffectiveness can lead to mold growth and water leakage in the hospital. This moisture can also contribute to fan wheel breakage. If an air handler unit is completely down, then the department has to be shut down for repairs. It is critical that the ED remains open and safe with dependable equipment in order to ensure the best patient outcomes. VCH's ED has experienced rapid growth in visits, increasing by approximately 75% between FY 2011 (69,006 ED visits) and FY 2016 (121,852 ED visits). By replacing the air handler unit, the hospital improves health care access by reducing the risk of having its ED shut down.

Information Technology Related Project:

The hospital's data center infrastructure project added redundant power (backup power) to most of its on-campus intermediate distribution frames ("IDFs"). According to the hospital, adding redundant power greatly reduces the possibility of a complete loss of power. A complete loss of power could cause some patient care equipment to stop working until power is restored. Adding redundant power to the hospital's IDFs increases the likelihood that patient care equipment will be available and reliable anytime a patient should need it.

² Throughput is a term applied to analytic instruments specifying the number of tests that can be performed in a given time.

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

New patient care equipment improves health care outcomes for the hospital's patients. Examples of equipment requested for reimbursement and how patient health outcomes will be improved are described below:

Infant Warmers:

The hospital's Neonatal Intensive Care Unit ("NICU") experienced 18,903 patient days in FY 2016. VCH replaced 31 of its infant warming tables. According to VCH, replacing the infant warmers supports the hospital's commitment to quality patient care by providing equipment that is dependable to use, supported by the manufacturer and ensures reliability for patient care and patient safety. The new warming tables have built in scales allowing the baby to be weighed without removing them from the warmer, enhanced infant temperature regulation, and better access to the patient. The warmers have the ability to rise or be lowered as needed to accommodate staff and other support equipment. The new warming units provide the NICU with a reliable and fully supported warming system and allows staff better access to the patient.

Blood Irradiator:

When an infant with an under-developed immune system or an oncology patient with a weakened immune system needs a blood transfusion, the blood must first be irradiated to render it more likely to be accepted without issue by the patient's body. Before the replacement of VCH's blood irradiator, the treatment of donor blood prior to transfusion required a radioactive substance. The new blood irradiator system uses x-ray technology to produce an equivalent result for the hospital's patients needing transfusions without any threat of interruption due to security problems. This replacement reduces patient risk and ultimately improves health care outcomes for patients at VCH. A breach in security surrounding VCH's radioactive materials can result in radiation exposure to the surrounding population and environment and may also result in violence if the reason for the breach is theft of radioactive materials by those who would use them in weapons. Although the chances are low, a breach in security can result in violence and exposure, as well as a shutdown of the irradiation process for some time.

Philips Patient Monitors:

VCH replaced 22 of its Philips patient monitors with 22 new ones. The new Philips patient monitors allow for communication with the hospital's centralized monitoring stations. The new Philips patient monitors allow the hospital's physicians and nurses to look back through the records for vital sign changes that may have occurred without notice, thus allowing them to better pinpoint the best treatment. The new patient monitors also have the ability to interface with various devices and the electronic medical records system, thus reducing input errors and improving throughput. The replacement of the aging patient monitors improves patient care outcomes at VCH due to its ability to provide physicians and nurses immediate information on patients.

Ultrasound Machines:

The hospital purchased eight new ultrasound machines to replace outdated equipment and expand capacity. The hospital's Ultrasound Department has seen a 21% growth in exams between FY 2013 and FY 2016. Two of VCH's outdated ultrasound machines have been replaced (by two of the eight new ultrasound machines purchased) because the ultrasound machines had limited connectivity to newer software applications used to transfer, view, and save images. The Ultrasound Department procedures require equipment with the highest level of precision and image clarity in order to make a correct diagnosis the first time. The need for scanning precision increases as the size of the patient decreases. The Ultrasound Department sees an average of 44 patients per day. The current technology (newer software applications) provides a better image that is viewable faster and can easily be transferred electronically which enhances efficiency and contributes to improved patient outcomes.

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

In FY 2016, Medi-Cal benefits covered approximately 76.5% of the inpatient cases (with approximately 77.5% of patient days covered) and approximately 77.4% of the outpatient visits treated at VCH. VCH is a certified California Children's Services (CCS) hospital.³ The hospital has financial counselors to assist in finding alternative sources of payment from both public and private programs.

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

Demographic data for VCH service area shows an estimated pediatric population (age 0-17) base of 1,166,180 in 2016. In FY 2016, VCH had 12,966 inpatient cases, 121,852 emergency department visits and 156,142 outpatient clinic visits. VCH's service area includes nine largely rural counties that total approximately 45,000 square miles. Also, VCH is the only tertiary and specialized health care facility available in the Central Valley for children who may otherwise have to travel over 200 miles to the nearest children's hospital in San Francisco or Los Angeles.

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

Annually, VCH has been involved in the education of approximately 190 medical students, interns, residents and fellows for the past 40 years as a participating site supporting other programs. VCH trains pediatric, family practice, emergency medicine, surgery, and orthopedic surgery residents.

In FY 2015, VCH partnered with Stanford to create the Valley Children's Pediatric Residency Program ("Resident Program"), which allows VCH's intern residents to have rotations and learning opportunities at the Palo Alto campus and for Stanford's intern residents to learn at VCH. Since the partnership, VCH is now the sponsoring institution of this residency program, taking full academic and financial responsibility for graduate medical education. The residency program is nationally accredited by the Accreditation Council for Graduate Medical Education ("ACGME"). In March 2017, VCH recruited its inaugural class for its own pediatric residency program affiliated with Stanford School of Medicine. The inaugural class will have 13 residents.

³ 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.

In addition to the Resident Program, VCH has a research department to oversee the studies of new pediatric drugs, biological products, and medical devices which increase its ability to implement and evaluate industry-sponsored studies that may benefit its own patients as well as children around the world. VCH is a member of the Children's Oncology Group with over 100 studies open with Oncology patient participation.

Factor 6: Demonstration of project readiness and project feasibility:

All equipment and software were bought and installed between October 27, 2015 and January 31, 2017 and are currently in use.

Sources and Uses of Funds:

<u>Sources of Funds:</u>		<u>Uses of Funds:</u>	
Prop 3 Request	\$10,694,570	Equipment	\$8,460,925
		Remodel	2,233,645
Total	<u>\$10,694,570</u>	Total	<u>\$10,694,570</u>

Legal Review:

Staff has received and reviewed the Eligibility, Legal Status Questionnaire, and Religious Due Diligence documentation. All documentation satisfies the Authority's requirements.

Staff Recommendation:

Staff recommends the Authority approve Resolution No. CHP-3 2017-02 for Valley Children's Hospital to provide a grant not to exceed \$10,694,570, less costs of issuance and administrative costs, subject to all requirements of the Children's Hospital Bond Act of 2008.

RESOLUTION NO. CHP-3 2017-02

**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 VALLEY 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 bond issuance and administrative costs to the Valley 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 \$10,694,570 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 \$10,694,570 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 27, 2018.

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 27, 2018.

Date Approved: _____

EXHIBIT A

PROJECT DESCRIPTION

The proceeds of the grant will be used by Valley Children's Hospital (the "Hospital") to reimburse the costs of equipment, construction for modifications necessary to install equipment, and information technology ("IT") related projects. A list of the equipment, construction costs, and IT related projects are included in the Hospital's grant application. Equipment items purchased include fluoroscopy equipment, Philips patient monitors, an air handler unit, ultrasound machines, infant warmers, ventilators, a public address system upgrade, and an x-ray blood irradiator. IT related projects include data center infrastructure upgrades. All equipment and software were purchased and installed between October 27, 2015 and January 31, 2017 and are currently in use by the Hospital.