

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

**Staff Summary**  
**Resolution No. CHP-3 2013-03**  
**March 28, 2013**

**Applicant:** Long Beach Memorial Medical Center (LBMMC) #MCH-02-03  
Earl and Loraine Miller Children's Hospital (MCH)  
2801 Atlantic Avenue  
Long Beach, CA 90806  
Los Angeles County

**Project Site:** Same as above.

**Amount Requested:** \$29,466,807

| <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                                             | (\$74,000,000)        | (\$13,139,238)       |
| less requested amount                                            | -                     | (\$29,466,807)       |
| <b>Remaining Amount Eligible if Requested Amount is Approved</b> | <b>\$0</b>            | <b>\$55,393,955</b>  |

**Description of Applicant:**

Earl and Loraine Miller Children's Hospital (MCH) is a general acute care hospital operated and maintained under a license from the Department of Public Health by the Long Beach Memorial Medical Center (LBMMC). LBMMC is a non-profit 501(c)(3) corporation and is part of the non-profit MemorialCare Health System. The Fiscal Year 2012 (year ending June 30) audited financial statement was submitted and is free of "going concern" language.<sup>1</sup>

**Project:**

MCH is seeking grant funds to remodel, equip and furnish a 34-bed Pediatric Intensive Care Unit (PICU), a related physician sleep area, and an inpatient pharmacy. The current PICU is located on the third floor along with the physician sleep area and pharmacy. To make room

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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

for the expanded PICU, the physician sleep area will be relocated to the first floor. The current pharmacy space of roughly 2,000 square feet is located in several places including the third floor, but with these renovations will be consolidated onto the first floor and will occupy a 4,000 square foot space.

MCH will be purchasing approximately \$4.7 million of patient care equipment for the PICU; \$1.9 million for the pharmacy and \$100,000 to equip and furnish the physician sleep area. Some of the equipment to be purchased includes 34 bedside monitors (\$1.3 million), 26 beds (\$1.2 million), 2 robotic IV stations (\$900,000), and 4 work spaces (\$50,000).

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

Based on the review of the application and other submitted materials, staff evaluated MCH'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:*

The hospital's planned expansion will likely immediately translate into improved access for children eligible for governmental health insurance programs, as well as indigent, underserved and uninsured children. The discussion under Factors 3 and 4, below, illustrates the volume of care MCH provides to children in these programs and the renovations themselves are all about improving health care access. For example, the current PICU has 20 beds located in 8 private rooms and 6 semi-private rooms. MCH plans to expand the 20 private and semi-private beds to 34 private rooms. In 2012, the average daily census was close to 90%, but approximately 33% of the time (one out of every three days); the daily census exceeded the 20 available beds, which necessitated use of overflow beds. Capacity issues are further exacerbated during the flu season. When infectious patients need to be isolated, MCH loses capacity when the semi-private rooms can only hold one patient.

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

With increased capacity, patients will be able to be admitted to the PICU in a more timely fashion and not be sent to overflow beds. The new rooms will be designed with environmental adaptations to control sound, lighting, and noise levels. Back in 1983 when the current PICU was constructed, the standard of care was about 120 square feet of floor space per patient bed. Today, the standard is 250 square feet which includes 100 square feet for storage and equipment. There will be sufficient space to handle today's modern medical equipment such as advanced monitoring equipment. The larger rooms will allow families to stay with their ill children.

The new centralized inpatient pediatric pharmacy will be larger and will be equipped with state-of-the-art sterile processing facilities, pharmacy robot and carousels. Besides improving patient safety with the new pharmacy technologies, the preparation of these medicines will be expedited and more quickly delivered to patients.

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

In fiscal year 2012, MCH received \$23 million Disproportionate Share Funding from the state and federal governments because the hospital sees a disproportionate share of the underinsured and uninsured.<sup>2</sup> MCH operates under charity care policies that ensure health care free of financial responsibility for patients whose family income is at or below the federal poverty guidelines. MCH also has a cash discount policy to extend affordable health care to more families above the federal poverty threshold but whose income is within 300 percent of the federal poverty level or less. Additionally, MCH treats more than 4,000 patients annually who are covered by Medi-Cal whose treatment costs significantly more than Medi-Cal reimburses. The shortfall is made up through operating funds and is budgeted in MCH's annual budget.

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

For fiscal year 2012, MCH had over 70,200 visits in the pediatric outpatient and special care centers, treated 31,900 in the emergency department and admitted over 8,000 pediatric patients. More than 74% of the patients cared for at MCH are enrolled in governmental-sponsored health care, including 47% who are covered by Medi-Cal. MCH is a provider of comprehensive pediatric healthcare for sick newborns, infants born prematurely, children and adolescents with serious illnesses, complex disorders, congenital anomalies, and multiple special healthcare needs. Twenty-four percent of MCH's patients in 2011 were in the California Children's Services<sup>3</sup> program.

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

MCH is a major pediatric teaching hospital for University of California Irvine (UCI) and for other universities. UCI's pediatric rotations to MCH consist of an 8 month rotation for first year residents, 7 months for second year residents, and 6 months for third year residents. The program is ACGME-approved<sup>4</sup> for 54 pediatric residents. MCH also hosts pediatric rotations for family medicine residents and emergency medicine residents from UCI.

Over 50 of MCH's medical staff and faculty are engaged in clinical research. Over 163 studies are currently active. The major research focus has been in pediatric oncology, AIDS, infectious diseases and neonatology.

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<sup>2</sup> Disproportionate Share Hospital (DSH) adjustment payments provide financial help to those hospitals that serve a significantly disproportionate number of low-income patients; eligible hospitals are referred to as DSH hospitals. States receive an annual DSH allotment to cover the costs of DSH hospitals that provide care to low-income patients that are not paid by other payers, such as Medicare, Medicaid, the Children's Health Insurance Program (CHIP) or other health insurance. This annual allotment is calculated by law and includes requirements to ensure the DSH payments to individual DSH hospitals are not higher than these actual uncompensated costs.

<sup>3</sup> California Children's Services is a state program managing care and covering treatment costs for children and youth with certain diseases, physical limitations or chronic health problems.

<sup>4</sup> Accreditation Council for Graduate Medical Education

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

According to Miller Children's Hospital, renovations will begin in April 2014 and are expected to be completed by April 2018. The equipment purchases will occur during the same timeframe.

| <b><u>Source of Funds:</u></b> |                     | <b><u>Use of Funds</u></b> |                     |
|--------------------------------|---------------------|----------------------------|---------------------|
| CHFFA Grant                    | \$29,466,807        | Renovation                 | \$22,705,461        |
|                                |                     | Equipment Purchases        | <u>6,761,346</u>    |
| Total                          | <b>\$29,466,807</b> | Total                      | <b>\$29,466,807</b> |

**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 2013-03 for Long Beach Memorial Medical Center to provide a grant not to exceed \$29,466,807 (less issuance and administrative costs), subject to all requirements of the Children's Hospital Program of 2008.

## Miller Children's Hospital

### PICU - Patient Rooms



## **RESOLUTION NO. CHP-3 2013-03**

### **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 LONG BEACH MEMORIAL MEDICAL CENTER**

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 Long Beach Memorial Medical Center ("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 \$29,466,807 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 \$29,466,807 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 October 31, 2019.

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 October 31, 2019.

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

## **EXHIBIT A**

### **PROJECT DESCRIPTION**

The proceeds of the grant will be used by the Long Beach Memorial Medical Center to remodel, equip and furnish a 34-bed Pediatric Intensive Care Unit, a related physician sleep area, and an inpatient pharmacy for the hospital campus located at 2801 Atlantic Avenue, Long Beach, California 90806.