

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
Children's Hospital Program**

**Staff Summary
Resolution CHP 2007-05
October 25, 2007**

Applicant: University of California, Davis Medical Center (Medical Center)
UC Davis Children's Hospital (UCDCH)
2315 Stockton Boulevard
Sacramento, CA 95817
Sacramento County

Amount Requested: \$8,394,089

Prior Amount Awarded: \$0

Update

The Authority originally approved this grant award on March 23, 2006. The original amount approved was \$9,157,038. Staff has been working with the Medical Center to sort out various documentation issues for this completed project. This amount has been revised to reflect the submitted and verified eligible expenditures.

The original resolution (2006-04) expired on March 31, 2007. Therefore a new resolution is needed to allow the Executive Director to execute the grant agreement and to disburse the grant funds.

Other than the change in the requested amount and this update, the staff report is the same as the one presented to the Authority on March 23, 2006.

Description of Applicant:

The Medical Center is a part of the University of California system, which is governed by the Board of Regents of the University of California; an independent board composed of 26 members. The Medical Center's 2005 audit (year ending June 30) was submitted with the application and is free of "going concern" language. UCDCH operates within the Medical Center.

Project:

The Medical Center is seeking grant funds as reimbursement for the eligible proportional pediatric costs for finishing the fifth and twelfth floors of its Davis Tower and for the reimbursement of patient care equipment. The Neonatal Intensive Care Unit (NICU) is located on the fifth floor and has 49 beds. This replaced the 38-bed unit in what is known as the North-South Tower. The twelfth floor is for adults and not eligible for this program.

The construction of the Davis Tower is to be in four phases. The first phase, completed in 1998, consisted of constructing the building and finishing eight of the fourteen floors (one floor is below grade.) Phase II completed the third and fourteenth floors (there is no thirteenth floor) in 2003. Phase III finished the fifth and twelfth floors in September 2005. Phase IV is in the design phase to complete the tenth and eleventh floors. The tenth floor will be for pediatrics.

The equipment purchases to be reimbursed nearly furnished the entire fifth floor. Some significant equipment purchases include two transport incubators with state-of-the-art ventilators and monitoring equipment. Other equipment purchases include incubators, infant warmers, two newborn hearing screeners and a NICU monitoring system.

Proposition 61 Evaluation Factors:

Based on the review of the application and other submitted materials, staff evaluated the Medical Center's project using the six factors identified in Proposition 61 language.

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 facility is SB 1953 compliant, which mandates that all acute care hospitals in California become compliant with state seismic safety standards by 2030. The Northern California region served by UCDCH has a critical need for additional hospital resources for the critically ill newborn and child. The expanded facilities will increase health care access for all neonates, in particular those who are indigent and uninsured. UCDCH is the leading provider of inpatient and outpatient care to children in the Sacramento region.

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

The NICU had been running occupancy rates of between 85 and 90 percent. With the NICU expanding its beds by 34 percent, UCDCH should be able to avoid having patients wait for beds. The larger room space not only brings the NICU into code compliance, but promotes infant stability due to more natural light, the reduction of noise and increased privacy.

Equipment upgrades increases the welfare of the neonates. For example, the new neonate transport with state-of-the-art ventilators and monitors will help ensure safer transport for the neonates from Northern California, Nevada and the Central Valley. Specialized diagnostic and therapeutic equipment includes ventilation using an oscillator and jet ventilators to treat infants who are experiencing respiratory distress and other breathing difficulties.

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

UCDCH is a certified California Children's Services hospital. It provided \$18 million and \$21 million in charity care for fiscal years 2004 and 2005, respectively. It 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.

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

UCDCH is the leading safety-net provider for children for inland Northern California. It had 6,647 admissions in Fiscal Year 2005, and 6,359 admissions in Fiscal Year 2004. Approximately 56 percent of its discharges are eligible for government programs such as Medi-Cal and CCS. UCDCH had 196,000 outpatient visits in Fiscal Year 2005, and 192,000 visits in Fiscal Year 2004.

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

UCDCH has 45 residents and fellows. A majority of the inpatient training occurs on campus. Some of the ambulatory training takes place at urgent care clinics, Kaiser Hospital, Shriners Hospital, and at private offices.

UCDCH performs research in many specialties such as cardiology, child development, genetics, neonatology and pulmonology. Some of the research programs are Expression of the Fragile X Gene, Early Childhood Health Effects of Air Pollution, and Development of Treatments for Osteogenesis Imperfecta.

Demonstration of project readiness and project feasibility:

The construction permit was issued in July 2003 and the project was finished in September 2005.

Sources and Uses of Funds

	Phase III Project	
Sources of Funds		
Total CHFFA Grant Requested	\$ 9,157,038	*
Applicant Internal Funds	\$ 8,497,050	
State Lease Revenue Bonds	\$ 7,841,000	
Total Sources	\$ 25,495,088	
 Uses of Funds		
Construct Facilities	\$ 18,898,828	
Purchase Equipment	\$ 3,065,326	
Fees (A&E/PP& C)	\$ 2,605,273	
Surveys, Tests, Plans, Specs	\$ 441,614	
Special Items	\$ 484,047	
Total Uses	\$ 25,495,088	

*This amount was from the original application, but as noted is now \$8,394,089
The Medical Center will make up the difference with additional internal funds.

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 a resolution for the University of California Davis Medical Center to receive a grant not to exceed \$8,394,089 (less Costs of Issuance and Administrative Costs), subject to all requirements of the Children's Hospital Program.