CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
Children's Hospital Program

Staff Summary
Resolution CHP 2008-02
January 31, 2008

Applicant: Children's Hospital of Orange County (CHOC)   # CHOC - 03
455 South Main Street
Orange, CA 92868-3874
Orange County

Project Site: Same as above.

Amount Requested: $23,923,488   **Prior Amount Awarded:** $21,101,413

Description of Applicant:

CHOC is a 501(c)(3) general acute care hospital with a current license from the Department of Health Services. The Fiscal Year 2007 (year ending June 30) audit was submitted and it was free of "going concern" language.

Project:

CHOC is seeking grant funds for several projects. The projects include:

• Hospital remodel and expansion	$19,400,536
• Ambulatory Care Center (ACC) remodel	$2,549,682
• Equipment purchases	$1,973,270
Total	**$23,923,488**

The hospital remodel and expansion consists of several components. First, a tunnel will be constructed to connect CHOC's lower level to the new tower of its neighboring St. Joseph Hospital. CHOC's lower level pharmacy will also be renovated. Secondly, currently vacant space will be remodeled to accommodate a total of 24 new NICU and PICU beds. The third component involves the remodeling of existing office space in the Hematology/Oncology unit to add six adolescent beds and to convert the existing oncology intensive care unit beds from semi-private to private. Lastly, approximately 3,000 square feet will be added to the ground level to eventually become part of a new emergency department. While development of the new emergency department is under construction, the additional 3,000 square feet of space will serve as a lobby area, with improved screening capabilities.

In addition to the above described remodel and expansion, CHOC's Ambulatory Care Center facility is also currently being remodeled, using funds from the prior Children's

Hospital Program grant award. Because of unexpected infrastructure upgrades associated with renovation of CHOC's 55 year old telephone switching center, including upgrades required by Southern California Edison and the Office of Statewide Health Planning and Development (OSHPD), CHOC now requests the additional sums identified above to cover these upgrade costs.

CHOC will also be purchasing various patient care equipment related to the remodeling and expansion projects.

Proposition 61 Evaluation Factors:

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

First, it is worthy of mention that approximately 32 percent of CHOC's net patient revenues come from government programs which means that CHOC's proposed remodeling and expansion will inure to the benefit of a large segment of CHOC's patient population.

More specifically, CHOC's proposed renovations will add 12 new PICU beds and 12 new NICU beds, increasing their NICU capacity to a total of 54 beds and their PICU capacity to 30 beds.

Due to increased demand for teen Oncology beds, CHOC will convert existing office space to a new activity room and classroom. This will allow the existing activity room and classroom to be converted into six new beds.

CHOC's renovations will also produce a brand new emergency room of great benefit to the growing demand for their emergency services. Historically, CHOC has shared ancillary services such as an emergency department and imaging and surgical suites with the adjacent St. Joseph Hospital. With these proposed renovations, CHOC will have its own dedicated emergency room for the benefit of its patients.

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

The remodeled Primary Care Clinic in the Ambulatory Care Center will have a triage room for walk-ins, as well as a centrally located treatment room for children in need of urgent care. CHOC reports that the new waiting/registration areas within this remodeled clinic have been designed to improve patient safety by better separating primary care patients, who are more likely to have infectious conditions, from patients who have more chronic conditions.

As discussed above, CHOC and its neighbor, St. Joseph Hospital, share certain facilities in order to provide a full range of services to their patients. CHOC's proposed tunnel will connect these facilities in a way that will provide a shorter and safer passage for patients traveling between the two facilities.

CHOC's pharmacy needs to expand to keep pace with CHOC's increased volume. The proposed renovations to the pharmacy will not only accommodate new space demands, but it will also allow the pharmacy to satisfy new Food and Drug Administration regulations by creating separate preparation rooms for IV and chemotherapy solutions. Additionally, this increased space will allow CHOC to add two automated pharmaceutical admixture units. These improvements will greatly enhance patient safety and quality control.

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

CHOC is a certified California Children's Services (CCS) hospital. Approximately 32 percent of its net patient revenues come from government programs, including Medi-Cal. In Fiscal Year 2007, CHOC provided over $54.9 million in uncompensated and under-compensated care. CHOC has financial counselors to help families find alternative sources of payment from both public and private programs. Medi-Cal eligibility workers are also present on-site to help with this same issue.

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

CHOC is the pediatric safety net for Orange County's most medically vulnerable children. It is the leading regional referral center for pediatric sub-specialty care. Approximately 50 percent of CHOC's patients have government paid insurance or have no insurance at all. From 2003 to 2007, CHOC's discharges have increased from 8,931 to 10,331, equal to a 16 percent increase. For the same period, inpatient days increased 26 percent.

CHOC reaches out to provide preventive and primary care in low-income, high-risk areas where children have limited access to care. CHOC's outreach clinics include the CHOC Orange Community Clinic, located on the main CHOC campus; Clinica CHOC para Ninos in Santa Ana; the CHOC Clinic at the Santa Ana Boys and Girls Club, and the CHOC Costa Mesa Clinic in Costa Mesa. Based on the success of the CHOC Clinic in Santa Ana, CHOC celebrated the opening of the new CHOC Clinic at the Garden Grove Boys and Girls Club in August 2005.

CHOC also operates four mobile clinics – two in Santa Ana and two in Anaheim. These programs were developed in partnership with the Santa Ana and Anaheim Unified School Districts to deliver health services to medically needy children at school sites. The custom-designed mobile vans are staffed with bilingual medical teams to provide "well-child" check-ups, immunizations and primary care to identified low-income children at

targeted schools. Additionally CHOC supports the CHOC BreathMobile, a mobile asthma testing and treatment facility serving Orange County.

During Fiscal Year 2007, CHOC's specialty clinics, primary care clinics and its outreach clinics, including the mobile health clinics, had 135,287 ambulatory care visits, an increase of 15.1 percent over Fiscal Year 2003.

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

CHOC's current training program for pediatricians and pediatric sub-specialists supports 60 residents and fellows. CHOC, in addition to its own residency and fellowship programs, currently supports residents from the University of California at Irvine, Riverside General Medical Center, Kaiser Permanente and fellows from Harbor/University of California Los Angeles. CHOC also provides regular training sessions for medical students from Dartmouth University, Western University and St. George University. In addition, CHOC provides, upon request, clerkships for medical students throughout the world.

CHOC's basic science research laboratories support three primary areas of research: autoimmune and inflammatory disease, cancer and, most recently, the identification and isolation of non-fetal neural stem cells that someday may be cultured and used to replace nerve tissue destroyed by disease or injury. CHOC scientists work closely with CHOC medical staff physicians, as well as researchers from laboratories around the world. CHOC receives grants and contracts from federal agencies, including the National Institute of Health, the Centers for Disease Control and Prevention, and the Maternal and Child Health Bureau. CHOC also receives considerable research funding from private non-profit organizations.

CHOC participates in a number of clinical studies and trials. In February 2007, CHOC's Endocrine Division was selected as one of 15 institutions worldwide to be awarded major affiliate status as part of the Type I Diabetes TrialNet Network. The Network studies the development, prevention and early treatment of Type I diabetes. Because of the clinical research performed at CHOC, its patients have access to clinical trials in various specialties such as cardiology, critical care, endocrinology, hematology, infectious disease, neurosurgery, oncology, pulmonary, and rheumatology.

Demonstration of project readiness and project feasibility:

Several projects have been started and CHOC expects all projects to be completed by December 2009.

Sources of Funds:		Uses of Funds	
CHFFA Grant	$23,923,488	Remodel/construct	$21,950,218
		Equipment purchases	1,973,270
Total	$23,923,488	Total	$23,923,488

Legal Review:

No information was disclosed to question the financial viability or legal integrity of the Applicant.

Staff Recommendation:

Staff recommends approval of a grant not to exceed $23,923,488 (less costs of issuance), subject to all requirements of the Children's Hospital Program.