

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

**Staff Summary
Resolution No. CHP 2009-09
June 25, 2009**

Applicant: Children's Hospital & Research Center at Oakland
dba Children's Hospital Oakland
747 52nd Street
Oakland, CA 94609
Alameda County

Project Site: 2401 Shadelands Drive
Walnut Creek, CA 94598
Contra Costa County

Amount Requested: \$28,187,942

Prior Amount Awarded: \$5,828,892

Description of Applicant:

Children's Hospital Oakland is a non-profit 501(c)(3) general acute care hospital with a current license from the Department of Health Services. The 2008 (year ending December 31) audit was submitted and it was free of "going concern" language.

Project:

Children's Hospital Oakland is seeking grant funds to acquire (proportional share), renovate and equip The Children's Specialty Care Center ("Specialty Care Center") located in Walnut Creek. Approximately 50% of the building is leased to other entities. Children's Hospital Oakland is therefore only eligible for a portion of the acquisition costs.

The Specialty Care Center currently has 15 exam rooms, two cast rooms, and a laboratory. Upon completion of remodeling, in addition to the above, the clinic will have an imaging department, two operating rooms, one procedure room and space for induction and recovery for same-day surgery, for a total of about 32,000 square feet of usable space.

History

Children's Hospital Oakland has had a clinic presence in Walnut Creek since 1991. The original clinic had only six exam rooms with no ancillary services such as radiology. Patients had to go off-site for x-rays and return to the clinic with the films to receive care.

Children's Hospital Oakland entered into a lease agreement in 2008 for the current space. Following renovations, the Specialty Care Center opened its examination rooms on January 5, 2009. The Hospital then purchased the building on April 9, 2009.

Proposition 61 Evaluation Factors:

Based on the review of the application and other submitted materials, staff evaluated Children's Hospital Oakland'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:

Approximately 55% of the outpatient visits are covered by Medi-Cal/CCS. 21% of Children's Hospital Oakland patients reside in Contra Costa County. Providing services in Contra Costa County will not only increase access for those residents, but it will also alleviate some of the strain for those same services at the hospital itself. For example, the wait time for MRI's can exceed 30 days. Children's Hospital Oakland expects wait times for certain services such as this to be reduced by 20%

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

By providing outpatient surgery services at this location, Children's Hospital Oakland will be able to free up needed operating time and space for inpatient procedures. For example, the ability of clinic patients to see the doctor, go straight to imaging and then directly to the cast room will ease crowding at the hospital's very busy orthopedic clinic.

Also, Children's Hospital Oakland hopes to reduce the wait time for certain specialty clinics by 20 %. In 2008, the average wait time for these specialty clinics was eight weeks.

Also, the new clinic will provide digital imaging services on-site, thus allowing clinic physicians to review the results at the clinic, as well as being able to discuss it with other physicians at the hospital. One of the new pieces of imaging equipment is an MRI. It is a 3T (Telsa) unit, which will lessen radiation exposure.

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

Children's Hospital Oakland is a certified California Children's Services (CCS) hospital. Approximately 60% of its net patient revenues come from government programs such as Medi-Cal and CCS. It provided approximately \$2.7 million and \$2.9 million in charity care for fiscal years 2007 and 2008 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:

From 2004 to 2008, admissions increased by 22% to approximately 10,800, emergency department visits increased by 6.3% to 50,400, and outpatient visits increased by 33% to 140,700. Over 62% of the inpatient visits were covered by Medi-Cal/CCS.

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

Children's Hospital Oakland has the third largest pediatric residency program in California. The program sponsors over 85 residents and fellows, primarily in Primary Care, Hematology-Oncology, Pulmonology, Emergency Medicine and Infectious Diseases. Also, it serves as a teaching hospital for 15 other hospitals in Northern California.

Children's Hospital Oakland Research Institute was founded in 1958. It currently has 41 grants totaling approximately \$23 million.

Demonstration of project readiness and project feasibility:

Children's Hospital Oakland started the tenant improvements in the summer of 2008. The clinic (15 exam rooms) opened on January 5, 2009. Children's Hospital Oakland expects the second part of the remodeling to be opened on August 3, 2009. The Hospital has indicated that, as leased space becomes available, it will review options (such as reallocating current organization space) which would produce savings, generate revenue, or be budget-neutral.

<u>Source of Funds:</u>		<u>Use of Funds</u>	
CHFFA Grant	\$28,187,942 *	Acquisition	\$14,750,000 *
Loan	7,194,712	Closing costs	146,837 *
Internal	<u>130,063</u>	Renovation	12,432,786
		Equipment Purchases	<u>8,183,094</u>
Total	<u>\$35,512,717</u>	Total	<u>\$35,512,717</u>

* The Specialty Care Center will occupy approximately 50% of the building space. Consequently, this grant award will fund the proportional share of the acquisition cost and closing costs as well as the total renovation and equipment expenditures.

Legal Review:

Although disclosures were made by the applicant, the information disclosed does not appear to detrimentally affect the financial viability or legal integrity of the applicant.

Staff Recommendation:

Staff recommends the Authority approve a resolution for Children's Hospital & Research Center at Oakland to provide a grant not to exceed \$28,187,942 (less costs of issuance), subject to all requirements of the Children's Hospital Program.