

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

Staff Summary
Resolution No. CHP-3 2010-01
April 29, 2010

Applicant: Rady Children's Hospital - San Diego (CHSD) # CHSD-01-03
3020 Children's Way
San Diego, CA 92123-4282
San Diego County

Project Site: Same as above.

Amount Requested: \$15,437,693
2008 Program Amount Awarded: \$0
2004 Program Amount Awarded: \$74 million

Description of Applicant:

CHSD is a 501(c)(3) general acute care hospital with a current license from the Department of Health Services. The Fiscal Year 2009 (year ending June 30) audit was submitted and is free of "going concern" language¹.

Project:

CHSD is seeking grant funds to purchase new patient care equipment to be installed in the new Acute Care Pavilion (154 new beds) including bedside monitors, an ultrasound machine, sterilizers for surgical equipment, and infusion pumps for chemotherapy.

Proposition 3 Evaluation Factors:

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

Approximately 54 percent of CHSD's patients have government-sponsored health insurance, which means CHOC's proposed project will benefit a large population of children who are eligible for governmental health insurance programs, as well as indigent, underserved and uninsured children. Additionally, installation of the equipment, including mobile, electro, and hydraulically operated surgical tables, ceiling mounted boom equipment carriers, and

¹ 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.

brighter surgical lights will improve health care delivery as these items are all designed to increase efficiencies and to improve outcomes.

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

The equipment acquisitions will range from bedside monitors and ventilators to general anesthesia machines, all of which will contribute toward the improvement of care and patient outcomes. For example, the new ventilators (Sensor Medics 3100A) use advanced technological features that provide better lung function outcomes for premature infants than for patients placed on traditional ventilators. Another advantage of this new model is that not only can premature babies be better ventilated, but the equipment has extra features of benefit for all pediatric patients.

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

CHSD is a certified California Children's Services (CCS) hospital². Approximately 54 percent of its net patient revenues come from government programs such as Medi-Cal and CCS. In Fiscal Year '09, CHSD provided over \$45 million in uncompensated and under-compensated care. 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 families.

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

In Fiscal Year '09, CHSD cared for over 7,000 CCS patients, which represents about 55 percent of the total patients cared for by CHSD. It is the only hospital in San Diego and the Imperial Counties dedicated solely to pediatrics. CHSD has the only Level 4 (most acute) Neonatal Intensive Care Unit in the region.

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

More than 300 pediatric family practice and specialty residents train at CHSD. The residents come from five San Diego based residency programs from UCSD, Scripps (Chula Vista and Mercy) and from both Balboa and Pendleton Naval Medical Centers.

CHSD's Center for Clinical Research is currently overseeing and conducting over 200 clinical trials investigating new drugs, devices and techniques.

² 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.

Factor 6: Demonstration of project readiness and project feasibility:

The equipment is in the process of being purchased and final purchases will coincide with the completion of the tower.

| <u>Sources of Funds:</u> | | <u>Uses of Funds</u> | |
|--------------------------|--------------|----------------------|--------------|
| CHFFA | \$15,437,693 | Equipment purchases | \$15,437,693 |

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. The Department of Industrial Relations is currently investigating an unrelated matter, the nature and extent of which is confidential until the case is closed. However, the Authority has been reassured that an adverse finding will not materially or detrimentally impact the hospital. Authority staff will continue to keep the board informed as additional information on this issue is received.

Staff Recommendation:

Staff recommends the Authority approve Resolution No. CHP-3 2010-01 to provide a grant not to exceed \$15,437,693 (less issuance and administrative costs), subject to all requirements of the Children's Hospital Program of 2008.