

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY**  
**Children’s Hospital Program of 2004**  
**Proposition 61**

**Staff Summary**  
**Resolution No. CHP 2011-02**  
**April 28, 2011**

**Applicant:** Children’s Hospital of Orange County (CHOC) # CHOC - 05  
455 South Main Street  
Orange, CA 92868-3874  
Orange County

**Project Site:** Same as above

**Amount Requested:** \$4,605,578

<b>Summary of Prior Awards to Hospital</b>	<b>2004 Program</b>	<b>2008 Program</b>
Prior Amount Awarded	\$69,394,422	\$98 million
Maximum Allowed for Hospital	\$74 million	\$98 million

**Description of Applicant:**

Children’s Hospital of Orange County (CHOC) is a 501(c)(3) general acute care hospital with a current license from the California Department of Public Health. CHOC’s Fiscal Year 2010 (year ending June 30) audited financial statements were submitted and are free of “going concern” language.<sup>1</sup>

**Project:**

CHOC is seeking grant funds to build a seven-story, 425,000 square foot new tower adjacent to its current hospital. The tower is being built in three phases. This grant will support Phase 1, which will be completed in the fall of 2012. The tower structure will be constructed during Phase 1, resulting in four substantially completed floors plus three additional floors shelled-in<sup>2</sup>. Phase 1 includes “make ready work” such as site preparation including the demolition of an office building.

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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.

<sup>2</sup> “Shell space” is space constructed to meet future needs; it is space enclosed by an exterior building shell, but otherwise unfinished inside.

CHOC's current building is licensed for 232 beds. Once complete, the new structure will add approximately 168 new beds. This means CHOC will have a total of 400 beds when Phase 3 is completed in 2020.

CHOC is adding beds, in part due to services it is acquiring from other entities. Currently, CHOC has a shared services agreement with St. Joseph Hospital of Orange to provide emergency care, surgery, imaging and laboratory services. CHOC intends to provide these services on its own in the newly constructed tower. In addition, under an Affiliation Agreement with the UC Irvine Medical Center, effective January 1, 2009, most of the Medical Center's pediatric services other than the Neonatal Intensive Care Unit transferred to CHOC.

At the May 28, 2009 meeting, the Authority awarded two Children's Hospital grants for this project. One grant was from the Children's Hospital Bond Act of 2004 (Proposition 61) and the other was from the Children's Hospital Bond Act of 2008 (Proposition 3).

**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:*

Approximately 33 percent of CHOC's net patient revenues come from government programs.

Access to care will be improved by transferring to CHOC the services currently provided to CHOC's patients at St. Joseph Hospital of Orange. Also, CHOC plans to increase total licensed bed capacity from 232 to 400 beds (73%) by 2020. From 1998 to 2010, CHOC's inpatient daily census increased 224% from 75 to 168. CHOC's grant application indicates that studies incorporating population growth, market share trends, and program development indicate its need for licensed beds will increase to nearly 400 by 2020.

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

Instead of sharing services with St. Joseph Hospital of Orange, CHOC will have surgical suites and emergency rooms dedicated for the special needs of children who require child-specific treatment and equipment. These patients will also no longer have to be transported between the two facilities via an interconnecting tunnel.

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

CHOC is a certified California Children's Services (CCS)<sup>3</sup> hospital. In Fiscal Year 2010, CHOC provided over \$50.6 million in uncompensated and under-compensated care. In addition to on-site Medi-Cal eligibility workers, CHOC has financial counselors to help families find alternative sources of payment from both public and private programs.

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

CHOC is the leading regional referral center for pediatric sub-specialty care. CHOC's specialty clinics provided 63,033 visits in Fiscal Year 2010. Approximately 61 percent of these patients have government paid insurance or have no insurance at all.

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 Niños in Santa Ana; the CHOC Clinic at the Santa Ana Boys and Girls Club, the CHOC Costa Mesa Clinic in Costa Mesa, and the CHOC Clinic at the Garden Grove Boys and Girls Club.

CHOC also operates four mobile clinics – two in Santa Ana and two in Anaheim – to deliver health services to medically needy, low-income children at targeted schools. Additionally CHOC supports the CHOC BreathMobile, a mobile asthma testing and treatment facility serving Orange County.

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

CHOC's current training program for pediatricians and pediatric sub-specialists supports 64 residents and fellows. In addition to its own residency and fellowship programs, CHOC currently supports residents from the University of California at Irvine, Riverside General Medical Center, Kaiser Permanente and fellows from Harbor-UCLA Medical Center. Pediatric dental residency training is provided in collaboration with University of Southern California. Advanced pediatric psychology internship, fellowship and graduate student training is provided in collaboration with American Psychological Association accredited graduate programs nationally.

The CHOC Research Institute includes the Center for Genetic & Molecular Medicine, Center for Neuroscience Research, Center for Translational Research, and Center for Clinical Research. The Center for Genetic & Molecular Medicine investigates immune and inflammatory disease, metabolic disorders and bleeding disorders. The Center for

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<sup>3</sup> 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.

Neuroscience Research studies the impact of autism on the developing brain and the potential for stem cell treatment of neural injury and disease. The Center for Translational Research is developing less invasive imaging technologies based on spectroscopy and fluorescence. Through the Center for Clinical Research, CHOC patients have access to clinical trials in sixteen pediatric sub-specialties. CHOC, as part of an Orange County Consortium, was selected as one of six initial sites for the federal National Children’s Study which will follow the health of tens of thousands of children from before birth to age 21.

*Demonstration of project readiness and project feasibility:*

Construction has started and is approximately 50% complete. CHOC anticipates Phase 1 construction to be completed by October 2012 and an occupancy date of April 2013.

<u>Sources of Funds:</u>		<u>Uses of Funds</u>	
Proposed Grant	\$ 4,605,578	Construction	\$447,582,344
Previous CHP Grants	126,525,703	Equipment purchases	<u>52,796,450</u>
Bonds	265,000,000		
Capital Campaign	42,410,000		
Internal	<u>61,837,513</u>		
Total	<u>\$500,378,794</u>	Total	<u>\$500,378,794</u>

**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 that the Authority approve Resolution No. CHP 2011-02 to provide a grant not to exceed \$4,605,578 (less costs of issuance), subject to all requirements of the Children’s Hospital Program of 2004.