

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY  
Children’s Hospital Program of 2008  
Proposition 3**

**Staff Summary  
Resolution No. CHP-3 2012-07  
December 6, 2012**

**Applicant:** Children’s Hospital & Research Center at Oakland                      CHO-02-03  
747 52<sup>nd</sup> Street  
Oakland, CA 94609  
Alameda County

**Project Site:** Same as above and at other specified licensed and satellite locations in Oakland, Pleasanton, Emeryville, and San Leandro in Alameda County, Walnut Creek and Brentwood in Contra Costa County and Larkspur in Marin County.

**Amount Requested:** \$77,749,015

<b>Summary of Grant Amounts</b>	<b>Proposition 61</b>	<b>Proposition 3</b>
Eligible Amount	\$74,000,000	\$98,000,000
less previous awards	(\$74,000,000)	(\$4,854,856)
less requested amount	-	(\$77,749,015)
<b>Remaining Amount Eligible if Requested Amount is Approved</b>	<b>\$0</b>	<b>\$15,396,129</b>

**Description of Applicant:**

Children’s Hospital & Research Center at Oakland (Children’s Hospital Oakland) is a non-profit 501(c)(3) general acute care hospital with a current license from the California Department of Public Health. The 2011 (year ending December 31) audit was submitted and is free of “going concern” language.<sup>1</sup>

**Project:**

Children’s Hospital Oakland is seeking grant funds to design, acquire, and install computer hardware and software for an electronic medical record system (EMR). EMR allows storage, retrieval and modification of records and incorporates logic to assist clinicians and support personnel in their decision-making process across the continuum

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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.

of care. With EMR, the patient's records are integrated and centralized. An EMR provides clinicians with electronic access to real-time patient information that can reduce medication errors; eliminate unnecessary tests; improve communication between inpatient, outpatient and referring physicians; promote best practices; and ultimately improve clinical outcomes. EMR supports quality improvements and reporting on quality measures. It also can be used to demonstrate regulatory compliance, enhance education and facilitate research.

Children's Hospital Oakland's EMR system is the unifying structure for the hospital's efforts to coordinate care delivered in the outpatient and hospital settings, establish consistent medical quality standards, strengthen physician recruitment and optimize research and training opportunities.

### **Proposition 3 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 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:*

By having an integrated system, Children's Hospital Oakland expects efficiencies to be created. Physicians will be able to see electronically what tests have been performed and the results. This is expected to reduce the ordering of unnecessary or duplicative tests, reduce office visit time and perhaps even hospital length of stay, thereby freeing up capacity. Children's Hospital Oakland also expects increased opportunities for research because data can be readily accessed without manual chart review.

One specific example of improving access is to identify high-priority, high-risk patients. At Children's Hospital Oakland, those patients will be flagged by using a "hierarchical recovery list". The patients with serious gaps in care appear at the top of the list. This allows medical professionals and staff to use the list to focus on providing those patients with the necessary care they are missing.

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

One of the goals of EMR is to utilize technology to prevent medical errors. An important component of an EMR system is c CPOE has a function called clinical decision support, which provides clinicians with real-time feedback about a wide-range of diagnostic and treatment-related information as they are entering electronic orders. By running electronic rules in the background, decision support can check for potential errors. Examples include drug interactions, patient allergies to prescribed medications, medication contraindications, and renal- and weight-based dosing. CPOE can also improve quality because it replaces handwritten and often illegible prescription orders from physicians, thereby increasing prescription safety.

Another benefit to EMR is that all notes, telephone contacts, medications, historical information and lab and imaging results are available to all providers in the network at a click of a button: paper files or x-rays no longer are needed to be physically transported from one location to another, reducing delays and misplacement. Importantly, multiple providers at different locations can view the information simultaneously to aid consultation with one another.

A family or patient can access the EMR's patient portal and view clinical information such as allergies, medications, laboratory results and problem lists. They can review historical information to ensure accuracy and answer patient questionnaires which are incorporated into the electronic record at a subsequent visit and reviewed by the clinician, thus improving efficiency. Families can communicate with providers on simple questions and will be able to conduct e-visits in the future for certain defined problems such as a cough, saving time for the family and expense for the system.

*Factor 3: 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<sup>2</sup>. In 2011, the hospital provided approximately \$17.5 million in uncompensated and under-compensated care. Children's Hospital Oakland 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 patients' families.

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

In fiscal year 2011, Children's Hospital Oakland had approximately 10,250 admissions, 47,600 emergency department visits and 264,000 outpatient visits. The government insured proportion of the hospital's payer mix has increased from 61% in fiscal year 2006 to 69% in fiscal year 2011.

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

According to Children's Hospital Oakland, the hospital has the second largest pediatric residency program in California. The program sponsors over eighty-five residents and fellows, primarily in the departments of Primary Care, Hematology-Oncology, Pulmonology, Emergency Medicine and Infectious Diseases. The hospital recently received a \$3.84 grant from the United States Health Resources and Services Administration to fund four additional residents each year over five years with a focus on primary care.

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<sup>2</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.

Also, Children’s Hospital Oakland serves as a teaching hospital for fifteen other hospitals in Northern California. The hospital provides month-long clinical experiences to more than ninety senior medical students from throughout the country.

Children’s Hospital Oakland Research Institute (CHORI) currently has 250 grants totaling \$42 million. CHORI is sixth in the nation for National Institutes of Health pediatric research funding.

*Factor 6: Demonstration of project readiness and project feasibility:*

According to Children’s Hospital Oakland, the project began in February 2012 and is expected to be completed by January 2014.

<b><u>Source of Funds:</u></b>		<b><u>Use of Funds</u></b>	
CHFFA Grant	\$77,749,015	Equipment Purchases*	\$89,180,329
Internal Funds	<u>11,431,314</u>		
Total	<b>\$89,180,329</b>		

\*Includes capitalized hardware, software, design, and installation costs

The “Medicaid Electronic Health Records (EHR) Incentive Program” provides incentive payments to eligible hospitals as they adopt, implement, upgrade, or demonstrate meaningful use of certified EHR technology. Children’s Hospital Oakland estimates its “Meaningful Use” incentives will be \$2.6 million in the project’s first year and will total \$5.1 million over four years.

**Legal Review:**

No information was disclosed to detrimentally affect the financial viability or legal integrity of the applicant.

**Staff Recommendation:**

Staff recommends the Authority approve Resolution No. CHP-3 2012-07 for Children’s Hospital & Research Center at Oakland to provide a grant not to exceed \$77,749,015 (less issuance and administrative costs), subject to all requirements of the Children’s Hospital Program of 2008.

**RESOLUTION NO. CHP-3 2012-07**

**A RESOLUTION OF THE CALIFORNIA HEALTH  
FACILITIES FINANCING AUTHORITY APPROVING  
EXECUTION AND DELIVERY OF GRANT FUNDING  
UNDER THE CHILDREN'S HOSPITAL BOND ACT OF 2008  
TO THE CHILDREN'S HOSPITAL & RESEARCH CENTER AT OAKLAND**

WHEREAS, The California Health Facilities Financing Authority (the "Authority"), a public instrumentality of the State of California, is authorized by the Children's Hospital Bond Act of 2008 (Pt. 6.1 (commencing with Section 1179.50), Div. 1, Health and Safety Code; hereafter the "Act") and implementing regulations to award grants from the proceeds of general obligation bonds in an amount not to exceed \$98,000,000 less the bond issuance and administrative costs to the Children's Hospital & Research Center at Oakland to finance eligible projects; and

WHEREAS, Authority staff reviewed this application against the eligibility requirements of the Act and implementing regulations and, pursuant to the implementing regulations, recommends approval of a grant in an amount not to exceed \$77,749,015 less the bond issuance and administrative costs to the applicant for the eligible project (the "Project") described in the application;

NOW THEREFORE BE IT RESOLVED by the California Health Facilities Financing Authority, as follows:

Section 1. The Authority hereby approves a grant of \$77,749,015 less the bond issuance and administrative costs to the Grantee to complete the Project as described in the Children's Hospital Program Application and Exhibit A to this Resolution (Exhibit A is hereby incorporated by reference) within a project period that ends on April 30, 2015.

Section 2. The Executive Director is hereby authorized for and on behalf of the Authority, to approve any minor, non-material changes in the Project described in the application submitted to the Authority and extend the project period completion date identified in Section 1 as authorized under the Act and implementing regulations. Nothing in this Resolution shall be construed to require the Authority to provide any additional funding, even if more grants are approved than there is available funding. Any notice to the Grantee shall indicate that the Authority shall not be liable to the Grantee in any manner whatsoever should such funding not be completed for any reason whatsoever.

Section 3. The Executive Director is hereby authorized and directed, for and on behalf of the Authority, to draw money from the Children's Hospital Bond Act Fund (2008) not to exceed those amounts approved by the Authority for the Grantee. The Executive Director is further authorized and directed, for and on behalf of the Authority, to execute and deliver to the Grantee any and all documents necessary to complete the transfer of funds that are consistent with the implementing regulations.

Section 4. The Executive Director of the Authority is hereby authorized and directed to do any and all things and to execute and deliver any and all documents which the Executive Director deems necessary or advisable in order to effectuate the purposes of this Resolution and the transactions contemplated hereby.

Section 5. This Resolution expires April 30, 2015.

Date Approved: \_\_\_\_\_

## **EXHIBIT A**

### **PROJECT DESCRIPTION**

The proceeds of the grant will be used by Children's Hospital & Research Center at Oakland to design, acquire, and install an electronic medical record system (EMR) on the hospital campus located at 747 52<sup>nd</sup> Street, Oakland, CA 94609 and at other specified licensed and satellite locations in Oakland, Pleasanton, Emeryville, and San Leandro in Alameda County, Walnut Creek and Brentwood in Contra Costa County and Larkspur in Marin County.