

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

**Staff Summary
Resolution No. CHP-3 2015-01
April 9, 2015**

Applicant: Valley Children’s Hospital Grant # CHCC-05-03
9300 Valley Children’s Place
Madera, California 93636
Madera County

Project Sites: 9300 Valley Children’s Place, Madera, CA 93636, Madera County
1303 E. Herndon Ave., Fresno, CA 93720, Fresno County
7555 N. Del Mar #101, Fresno, CA 93711, Fresno County
41169 Goodwin Way, Madera, CA 93638, Madera County

Amount Requested: \$15,193,272

Summary of Grant Amounts	Proposition 61	Proposition 3
Eligible Amount	\$74,000,000	\$98,000,000
less previous awards	(74,000,000)	(32,789,957)
less requested amount	0	(15,193,272)
Remaining Amount Eligible (if requested amount is approved)	\$0	\$50,016,771

Description of Applicant:

Valley Children’s Hospital (“VCH” or “the hospital”), formerly known as Children’s Hospital Central California, is a nonprofit acute care pediatric hospital with a current license from the Department of Public Health. The hospital’s fiscal year 2014 (year ending September 30) audit was submitted and is free of “going concern” language.¹

Project:

VCH is seeking grant funds to reimburse: (1) the relocation and remodel of the Pulmonology clinic located in the Medical Office Building (MOB) located on VCH’s campus; (2) the addition of an 11th operating room (OR) in the main hospital; (3) the equipping of the new satellite Neonatal Intensive Care Unit (NICU) at Saint Agnes Hospital; (4) the purchase and installation of a laboratory air handler unit in the main hospital; (5) the purchase of patient care equipment that includes: a cardiac ultrasound system, the Emergency Department (ED) patient monitoring system, a nurse call system and a system for rapid identification of

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.

bacterial and fungal microorganisms; and (6) additional information technology devices and software for the hospital's Electronic Medical Record (EMR) system, Enterprise Picture Archiving Communication System (PACS), Protected Health Information security access system and the Patient Portal.

Proposition 3 Evaluation Factors:

Staff evaluated VCH's project through review of the application and other submitted materials using the six factors identified in Proposition 3.

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:

Pulmonology Practice:

VCH relocated the Pulmonology physician practice to the MOB on the hospital campus in 2014. The newly created space enabled VCH to increase the number of exam rooms from seven to ten, include negative pressure rooms to prevent cross-contamination that are particularly important for patients with antibiotic resistant conditions and provide dedicated rooms for cardiopulmonary function testing. VCH's Pulmonology program has grown substantially since the hospital was relocated to its Madera location in 1998. The hospital also reported that the medical care that patients with Pulmonology-based diagnoses receive continues to move from the inpatient to the outpatient care setting. Consequently, Pulmonology outpatient visits at VCH increased 77% between fiscal year 1999 and fiscal year 2013, from 4,637 to 8,208, respectively. To keep up with the increasing demand, the Pulmonology practice expanded from two physicians to four and added a nurse practitioner during this same time period. VCH anticipates that the additional Pulmonology treatment space will assist VCH in meeting its goal to consult 90% of all new patients within 30 days by the end of fiscal year 2015.

Additional Operating Room:

In 2014, VCH completed constructing and equipping an 11th operating room (OR) in the main hospital. The new OR is one of the hospital's three fully integrated OR suites which enables the hospital the ability to perform more complex surgeries in a shorter amount of time. The hospital reports that in the last five years it has experienced increasing demand for accessible operating rooms and expects that surgeries will increase another seven percent in 2015, as the hospital recruits additional surgeons. Demand for endoscopic surgeries increased from 1,045 in 2010 to more than 1,600 in 2014. Similarly, cardiac catheterization minutes increased from fewer than 17,000 in 2010 to over 45,000 in 2014. The hospital also noted that specialty surgery departments such as cardio-thoracic surgery and neurosurgery are performing more complex surgeries that require extra OR time. Prior to construction of the new OR, patients needing non-urgent surgeries such as urology, orthopedics and plastic surgery were scheduling procedures up to four months in advance. At the same time, surgeons and OR staff worked longer shifts to accommodate the emergency department and urgent clinic patients requiring surgery. Since the new OR opened, the hospital has experienced an 18% decrease in the number of urgent surgeries taking place during extra hours after 5 p.m. New equipment purchased for the new OR included an additional anesthesia machine, a surgical bed, monitors, endoscopic equipment, and an incubator.

Laboratory Air Handler Unit:

VCH replaced the air handler unit for the hospital's main laboratory. The hospital reports that deficiencies in the prior system combined with air quality problems from the surrounding agricultural environment meant that the system's ductwork could potentially have leaked moisture into the laboratory. The proper volume of air created by the new unit ensures that positive pressure is maintained, minimizing the risk of contamination and eliminating the likelihood of moisture. The hospital reports that the number of laboratory tests performed has been steadily increasing over the last five years from 782,000 tests in fiscal year 2010 to 947,000 in fiscal year 2014 and is expected to exceed 1 million in fiscal year 2015.

Patient Equipment:

VCH is seeking reimbursement for the specialized medical equipment associated with equipping a new eight-bed community Level III NICU² at Saint Agnes Medical Center, a partner hospital in Fresno. New equipment purchased for the NICU includes nursing workstations, sofa/sleepers for parents, warming lamps, monitors, pulse oximeters, respiratory equipment and intravenous pumps. VCH had already been operating a 6-bed Level II NICU at Saint Agnes. Since the new NICU opened in late 2013, the hospital has seen an increase in patient days. The hospital reported that 1,301 patient days were attributable to the combined Level II and Level III NICU's in fiscal year 2013 as compared with 2,171 for fiscal year 2014. The hospital projects over 2,900 patient days for the fiscal year 2015 for the combined Level II and Level III units at Saint Agnes Medical Center.

Information Technology:

The Patient Portal project is designed to improve patient access to health information by providing patients and their families the ability to view the results of tests and communicate in a secure manner with physicians and other care givers resulting in improved follow up care. The Patient Portal also enables patients and their families to schedule and check their appointments on-line as needed and register for appointments on-line. The hospital found that the access provided by the Patient Portal has resulted in a decrease in missed patient appointments and enhanced the opportunity for follow-up care. The Patient Portal also offers patients and their families continuous access to care providers as their questions and concerns arise.

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

Patient Equipment:

VCH reports that by keeping the patient care equipment and diagnostic testing systems current with the latest technologies, the hospital can ensure that patients receive the best quality of care available to them for early diagnosis and treatment.

² Level III designation means the unit must meet strict state regulatory criteria to provide the necessary care for very sick infants who need immediate surgery, or who weigh less than 2 pounds. Level II designation means the unit must provide specialty care to infants who are less than 32 weeks or less than 1500 grams who are moderately ill with problems expected to resolve quickly or who are convalescing after intensive care.

An example of new patient care equipment that has significantly improved outcomes for VCH patients includes a MALDI-TOF Biotyper system which provides for rapid identification of bacteria and fungus in blood cultures. The new system performs this analysis in less than ten minutes at a cost of approximately \$0.50 per sample, whereas VCH's previous method took one to two days at a cost of approximately \$5.00 per sample. VCH says that the ability to identify microorganisms sooner has improved the quality of care by reducing unnecessary treatment and decreasing the time patients are in the hospital.

Replacing the cardiac ultrasound system improves patient outcomes by providing the latest ultrasound and reporting technology that provide the 3D capabilities that are now the clinical standard for cardiac testing. This new technology enhances the diagnostic value of cardiac tests, giving providers the information necessary to determine the most beneficial interventions or surgical procedures. In fiscal year 2014 over 22,000 echocardiology procedures were performed at VCH and the hospital projects that more than 24,000 will be performed in fiscal year 2015.

Replacing the nurse call system that supports the outpatient lab and the Gastroenterology, Nephrology, and Ear, Nose and Throat ambulatory clinics improves patient outcomes by ensuring patient safety. The new system provides state-of-the-art functionality as well as the flexibility to link to wireless systems for alerts. In fiscal year 2014, it became necessary for VCH to replace its existing nurse call system when the audible alert feature in the Outpatient Lab began to malfunction. Although the existing system provided a light on the annunciator panel, the audible alert feature is critical in notifying nursing personnel and is also a requirement of the Office Statewide Health Planning (OSHPD) for clinic offices and lavatories. The hospital intends to further evaluate the hospital-wide alert system over the next few years.

Replacing the patient monitoring system provides the Emergency Department (ED) with new, reliable and fully supported monitoring technology improving patient safety, patient care and outcomes. Prior to this improvement, the ED was utilizing monitors that were installed when the hospital was built in 1998 and were incapable of being networked to a central station. The new monitoring system enables staff to monitor ventilation and vital signs and is connected to a wireless network making it compatible with the hospital's Electronic Medical Record (EMR). The ED, which treated nearly 100,000 patients in fiscal year 2014 is one of VCH's fastest growing clinical areas.

Information Technology:

As the hospital moves further toward Electronic Medical Record (EMR) keeping and enhanced clinical documentation, it is necessary for the hospital to convert document images, expand data storage capabilities, improve information security and allow meaningful use of these technologies to improve patient care. The following projects are directed at improving these objectives: expanded storage infrastructure supporting the hospital's EMR system; updated infrastructure supporting the (PACS) digital imaging system; conversion to a fully integrated document imaging system; and implementation of a protected health information (PHI) authentication system providing secure access to patient medical records and test results.

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

VCH is a certified California Children's Services (CCS) hospital.³ The hospital has financial counselors to assist in finding alternative sources of payment from both public and private programs. In fiscal year 2014, Medi-Cal benefits covered 75.4% of the inpatient cases (with 78.5% of patient days covered) and 72.8% of the outpatient visits. The San Joaquin Valley communities served by VCH are challenged by the state's highest rates of child poverty, including Fresno (42.0%), Tulare (39.8%), Kings (28.0%) and Madera (32.2%).

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

In fiscal year 2014, VCH had 12,695 inpatient cases, 99,908 ED visits and 142,303 outpatient clinic visits. VCH's service area includes nine largely rural counties totaling 45,000 square miles. The nearest children's hospital is over 200 miles away.

The hospital's extensive range of subspecialties provides families with access to pediatric care in the following areas: cardiology, critical care, emergency medicine, endocrinology, gastroenterology, genetics, hematology, immunology, infectious disease, metabolics, neonatology, nephrology, neurology, oncology, orthopedics, pulmonology, rehabilitation, rheumatology, surgery and urology.

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

VCH is affiliated with the University of California, San Francisco (UCSF) Medical School Residency Program and VCH's doctors are faculty for the pediatric resident training at VCH. Additionally, VCH currently provides a postgraduate pediatric pharmacy residency program and a fellowship program in critical care and pediatric clinical pharmacy. The hospital's nursing education program features a neonatal outreach education program for the region's healthcare providers. The hospital is planning to establish its own pediatric residency program that could be expanded to include a pediatric fellowship program as well.

VCH is engaged in more than 160 research projects, including nearly 100 oncology/hematology clinical studies. In addition to research efforts aimed at developing investigational devices used in cardiac and orthopedic surgery, VCH is developing a database to study pediatric valley fever, a flu-like and potentially deadly illness endemic to California's Central Valley caused by inhaling airborne spores of a dirt dwelling fungus. VCH is also currently engaged in research studies related to childhood diabetes and obesity.

Factor 6: Demonstration of project readiness and project feasibility:

The Pulmonology physician practice was relocated in 2014 and construction and equipping of the 11th operating room was completed in 2014. The laboratory air handler unit, the patient care equipment, and information technology equipment and software were purchased between December 1, 2012 and December 31, 2014 and are currently in use.

³ 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.

Sources and Uses of Funds:

<u>Sources of Funds:</u>		<u>Uses of Funds:</u>	
Prop 3 Request	\$15,193,272	Remodel	\$2,240,432
		Equipment	\$12,952,840
Total	<u>\$15,193,272</u>	Total	<u>\$15,193,272</u>

Legal Review:

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

Staff Recommendation:

Staff recommends that the Authority approve Resolution No. CHP-3 2015-01 for Valley Children’s Hospital California to provide a grant not to exceed \$15,193,272 (less costs of issuance and administrative costs) subject to all requirements of the Children’s Hospital Program of 2008.

RESOLUTION NO. CHP-3 2015-01

**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 VALLEY CHILDREN'S HOSPITAL**

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 Valley Children's Hospital ("Grantee") to finance eligible projects; and

WHEREAS, Authority staff reviewed the Grantee's application against the eligibility requirements of the Act and implementing regulations and, pursuant to the Act and implementing regulations, recommends approval of a grant in an amount not to exceed \$15,193,272 less the bond issuance and administrative costs to the Grantee 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 \$15,193,272 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 29, 2016.

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 Act and 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 29, 2016.

Date Approved: _____

EXHIBIT A

PROJECT DESCRIPTION

The proceeds of the grant will be used by Valley Children's Hospital (VCH) to reimburse the costs of remodeling and equipping the Pulmonology physician's clinic located at 41169 Goodwyn Way, Madera, California 93638; remodeling and equipping an additional operating room, the purchase and installation of a laboratory air handler unit and the acquisition of patient care equipment and additional information technology devices and software for the Electronic Medical Record (EMR) system, the Enterprise Picture Archiving Communication System (PACS), Protected Health Information security and the Patient Portal for the hospital campus at 9300 Valley Children's Place, Madera, California 93636; equipping the new satellite Neonatal Intensive Care Unit (NICU) at St. Agnes Hospital located at 1303 E. Herndon Ave, Fresno, CA 93710; and the acquisition of new patient care equipment located at 7555 N. Del Mar #101, Fresno, California 93720.