

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

**Staff Summary**  
**Resolution CHP-3 2009-02**  
**May 28, 2009**

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

**Project Site:** Same as above.

**Amount Requested:** \$98,000,000  
**Prior 2008 Program Amount Awarded:** \$0  
**Prior 2004 Program Amount Awarded:** \$74 million

**Description of Applicant:**

CHOC is a 501(c)(3) general acute care hospital with a current license from the Department of Health Services. The Fiscal Year 2008 (year ending June 30) audit was submitted and it was free of "going concern" language

**Project:**

CHOC is seeking grant funds to build a seven-story, 425,000 square foot new tower adjacent to its current hospital. The tower will be built in three phases. The grant will only cover Phase 1, which will be completed in the fall of 2012. The structure will be completed during Phase 1, resulting in four substantially completed floors with some miscellaneous shelled space. Three floors will be shelled and completed later. Phase 1 will include "make ready work" such as site preparation including the demolition of an office building.

CHOC's current building is licensed for 232 beds. Once complete, the new structure will have about 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 will be acquiring from other entities. Currently, CHOC has a shared services agreement with St. Joseph's Hospital, which covers emergency, surgery, imaging and laboratory services. CHOC intends to provide these services in the new 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 will be transferred to CHOC.

In addition to using the Proposition 3 funds for this project, CHOC plans to use the balance of its Proposition 61 funds.

**Proposition 3 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 30 percent of CHOC's net patient revenues come from government programs which means CHOC's proposed expansion will benefit a large segment of CHOC's patient population.

Since CHOC will be moving the ancillary services from St. Joseph's, CHOC will have the ability to increase access to those needed services. Also, CHOC plans to increase total licensed bed capacity from 232 to 400 beds (73%) by 2020. From 1998 to 2008, CHOC's inpatient daily census increased by 120% from 75 to 165.

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

Increased capacity means greater access and, in turn, will increase the quality of child health care. Instead of sharing services with St. Joseph's, CHOC will have surgical suites and emergency rooms dedicated for the special needs of children who require child-specific treatment and equipment. The 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) hospital. Approximately 30 percent of its net patient revenues come from government programs, including Medi-Cal. In Fiscal Year 2008, CHOC provided over \$61.5 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. Approximately 50 percent of CHOC's patients have government paid insurance or have no insurance at all.

CHOC reaches out to provide preventive and primary care to 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 Ninos 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.

During Fiscal Year 2008, CHOC’s specialty clinics, primary care clinics and its outreach clinics (including the mobile health clinics) had 146,527 ambulatory care visits, an increase of 12.9 percent over Fiscal Year 2006.

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

CHOC’s current training program for pediatricians and pediatric sub-specialists supports 67 residents and fellows. CHOC, in addition to its own residency and fellowship programs, currently supports residents from the University of California at Irvine, Riverside General Medical Center, Kaiser Permanente and fellows from Harbor/University of California Los Angeles-

CHOC’s basic science research laboratories support three primary areas of research: autoimmune and inflammatory disease, cancer and, most recently, the identification and isolation of non-fetal neural stem cells that someday may be cultured and used to replace nerve tissue destroyed by disease or injury.

*Demonstration of project readiness and project feasibility:*

Site preparation has started. 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>	
Proposition 61 Grant	\$31,084,873	Construction	\$447,582,344
Proposition 3 Grant	98,000,000	<u>Equipment purchases</u>	<u>52,796,450</u>
Bonds	265,000,000		
Capital Campaign	42,410,000		
Internal	<u>63,883,921</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 the Authority approve a resolution to provide a grant not to exceed \$98,000,000 (less issuance and administrative costs), subject to all requirements of the Children’s Hospital Program of 2008.