

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY**  
**Children's Hospital Program of 2004**

**Staff Summary**  
**Resolution No. CHP 2010-03**  
**May 27, 2010**

**Applicant:** Children's Hospital & Research Center at Oakland  
dba Children's Hospital Oakland  
747 52<sup>nd</sup> Street  
Oakland, CA 94609  
Alameda County

**Project Sites:**

Main Hospital at 747 52<sup>nd</sup> Street, Oakland, CA 94609

Outpatient Center at 744 52<sup>nd</sup> Street, Oakland, CA 94609

Brentwood Specialty Care Center at 1181 Central Boulevard, Brentwood, CA 94513

Walnut Creek Specialty Care Center at 2401 Shadelands Drive, Walnut Creek, CA 94598

**Amount Requested: \$13,502,968**                      **Prior Amount Awarded: \$59,150,833**

**Description of Applicant:**

Children's Hospital Oakland (CHO) is a non-profit 501(c) (3) general acute care hospital with a current license from the Department of Health Services. The 2008 (year ending December 31) audit was submitted and is free of "going concern" language.<sup>1</sup>

**Project:**

CHO is seeking reimbursement grant funds for two projects:

• Clinical Laboratory Remodel	\$ 6,014,043
• Patient Care Equipment	<u>7,488,925</u>
Total:	<u>\$13,502,968</u>

Clinical Laboratory Remodel:

The clinical laboratory is where the hospital performs its clinical specimen and blood tests. The renovation (already completed by CHO) reconfigured the floor plan to gain

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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.

more space. By removing walls, CHO estimates useable open space increased by 20%. The renovation enabled CHO to meet the new stringent requirements for laboratory accreditation. In December 2009, CHO's renovated laboratory successfully passed a College of American Pathologist (CAP) inspection and earned another two years of accreditation.

#### Patient Care Equipment:

CHO seeks reimbursement for the costs it has already incurred for the replacement/updating of older equipment. Most of the items listed in the application were earmarked for numerous departments including laboratory, surgery and imaging. Two of the largest expenditures were for endoscopy equipment (\$1,382,519), and diagnostic imaging equipment – analog x-ray equipment upgraded to DigitalDiagnost Dual Detector system (\$1,112,790).

#### **Proposition 61 Evaluation Factors:**

Based on the review of the application and other submitted materials, staff evaluated CHO's projects using the six factors identified in Proposition 61 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:*

#### Clinical Lab Renovation:

CHO has been able to provide greater access for more children to have blood testing with the renovation of its clinical laboratory. The pre-analytic section was reconfigured and reengineered to improve accuracy and gain efficiency. The new configuration allows the lab to see up to 15 more patients a day, equating to an approximate increase of 33%.

#### Patient Care Equipment:

The ability to obtain reimbursement for normal capital expenditures helps CHO improve its cash flow thus generally strengthening its ability to improve access to healthcare services for children.

Specifically, however, before the new additional endoscopy equipment was purchased, CHO only had enough endoscopy equipment for two surgical suites. Now, CHO has enough endoscopy equipment for five functioning surgical suites.

CHO also replaced its electrosurgical units (ESU) for its surgical suites (ESU's use electrical current to cut and coagulate tissues during surgery, to prevent blood loss and to keep the operating field free of excess blood during surgeries). CHO's old ESU's were over 12 years old, obsolete and prone to malfunction. Malfunctioning equipment increases surgical time, thus reducing access.

Two new Philips DigitalDiagnost Dual Detector systems were purchased and installed. CHO estimates that 25% to 30% more patients can be seen in the two radiology rooms as a result of the more efficient digital equipment.

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

Clinical Lab Renovation:

CHO's blood bank space expansion has resulted in an approximate 25% increase in capacity. This increase in capacity reduces response time for patient needs and generally contributes to the improvement of child health care.

Patient Care Equipment:

The ultrasound surgical aspirators are used specifically for neurosurgery. The aspirators provide better field of vision, which leads to improved surgical care for the patients and improved health care outcomes. Prior to the acquisition of this equipment, patients requiring certain neurosurgeries had to obtain treatment from other Children's Hospitals such as Lucile Packard Children's Hospital at Stanford or UC San Francisco Medical Center. These same patients now have the option of traveling shorter distances to obtain the care they need of potential relief to patients and their families. .

By upgrading from analog to digital imaging equipment, healthcare outcomes are improved two different ways. Digital imaging allows the physicians to read the images faster thus allowing for quicker diagnosis and a shorter radiation exposure time for patients.

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

CHO is a certified California Children's Services (CCS) hospital<sup>2</sup>. In 2008, CHO provided approximately \$2.9 million in uncompensated and under-compensated care. CHO 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 families of CHO patients.

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

In fiscal year 2009, CHO had approximately 10,872 admissions, 55,498 emergency department visits and 179,854 outpatient visits. 67.4% of the inpatient visits and 58.7% of the outpatient visits were covered by government health insurance programs.

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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.

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

According to CHO, the hospital has the second largest pediatric residency program in California. The program sponsors over 85 residents and fellows, primarily in Primary Care, Hematology-Oncology, Pulmonology, Emergency Medicine and Infectious Diseases. Also, CHO serves as a teaching hospital for 15 other hospitals in Northern California.

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

Clinical lab remodel: The project started in June 2007 and was completed by the end of 2008.

According to CHO, all equipment was acquired (and subsequently installed) between the dates of January 1, 2005 and April 30, 2010 and is currently utilized in the delivery of care to patients.

<b><u>Source of Funds:</u></b>		<b><u>Use of Funds</u></b>	
CHFFA Grant	\$13,502,968	Remodel	\$ 6,014,043
		Equipment Purchases	<u>7,488,925</u>
Total	<u>\$13,502,968</u>	Total	<u>\$13,502,968</u>

**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. 2010-03 for Children's Hospital & Research Center at Oakland to provide a grant not to exceed \$13,502,968 (less costs of issuance), subject to all requirements of the Children's Hospital Program.