

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

Staff Summary
Resolution No. CHP-3 2012-02
April 26, 2012

Applicant: Rady Children's Hospital - San Diego #CHSD-04-03
3020 Children's Way
San Diego, California 92123-4282
San Diego County

Project Site: Same as above and at other specified licensed and satellite locations in Encinitas, Oceanside, San Diego, Chula Vista, Escondido, La Mesa, La Jolla, and Solana Beach in San Diego County and Murrieta in Riverside County.

Amount Requested: \$34,141,803

Summary of Grant Amounts	Proposition 61	Proposition 3
Eligible Amount	\$74,000,000	\$98,000,000
less previous awards	(\$74,000,000)	(\$44,534,625)
less requested amount	-	(\$34,141,803)
Remaining Amount Eligible	\$0	\$19,323,572

Description of Applicant:

Rady Children's Hospital-San Diego (RCHSD) is a nonprofit general acute care hospital with a current license from the California Department of Public Health. The Fiscal Year 2011 (year ending June 30) audited financial statements were submitted and are free of "going concern" language¹.

Project

RCHSD 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 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 can also be used to demonstrate regulatory compliance, enhance education and facilitate research.

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.

The RCHSD's EMR system virtually links the hospital and its Children's Health Network Integrated Delivery System (IDS). In addition to RCHSD, the IDS is comprised of Children's Specialists of San Diego, Children's Primary Care Medical Group and Rady Children's Physician Management Services Organization. The IDS 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. The purpose of the IDS is to integrate care within the communities the hospital serves, linking primary care and specialty pediatric providers throughout the San Diego region with the hospital and each other. A central component of and tool for that linkage is the EMR.

Proposition 3 Evaluation Factors:

Based on the review of the application and other submitted materials, staff evaluated the RCHSD's project using the six factors identified in the 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, RCHSD expects efficiencies to be created throughout the entire health system. 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. RCHSD also expects increased opportunities for research because data can be readily accessed without manual chart review.

RCHSD has already realized the benefits of EMR. One illustrative example is in the Emergency Department (ED). In 2008, RCHSD began the EMR project in parts of the hospital including the ED. RCHSD reports that efficiencies resulting from use of their EMR reduced the number of patients who left without being seen in one year by 39% while patient volume increased by 8%.

RCHSD also views EMR as a key element to the recruitment of additional pediatric subspecialists who are in high demand around the country as faculty and clinicians. RCHSD credits its investment in EMR with the successful recruitment of 47 pediatric subspecialists between July 2008 and December 31, 2011 resulting in more children with complex conditions having access to advanced care.

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

One of the goals of the EMR system is to utilize technology to prevent medical errors. An important component of an EMR system is a 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 a variety of 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. The system is still in its baseline measurement stage and RCHSD estimates medication error rates will be reduced by 5% within two years.

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. RCHSD provided a hypothetical example of how this might work in a real world scenario:

A child with complex gastrointestinal (GI) issues, who is on continuous feeds, has chronic renal failure, and pancreatic insufficiency is admitted to the hospital for dehydration. The day after discharge the physician calls the parent to discuss the patient's progress. That conversation is summarized by the physician in the EMR so that any other clinician could see what was discussed and what the plan was. The physician asks the mother to contact her the following week to report on her son's progress. The mother contacts the physician through the patient portal leaving a message that her son is doing well but needs something for a minor GI problem. In addition to addressing the concern, the physician is able to release normal laboratory results to the mother so that she is aware of her son's current status.

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

RCHSD is the hospital where most children in poverty receive treatment in the San Diego region. For example, over 75% of impoverished children under age five who require hospitalization are admitted to RCHSD. Children are treated regardless of their ability to pay. Almost 53% of RCHSD's gross patient revenues are from Medi-Cal and California Children's Services (CCS)². At RCHSD, Medi-Cal eligibility counselors and other financial counselors are available on site to assist eligible families with enrollment in public health insurance programs.

² California Children's Services is a state program managing care and covering treatment costs for children and youth with certain diseases, physical limitations or chronic health problems.

In FY 2011, RCHSD provided approximately \$66 million in uncompensated and undercompensated medical care services, including \$59.5 million in Medi-Cal shortfall (up from \$40 million in 2009) and \$6.8 million in charity care (up from \$5.7 million in 2009). In FY 2011, RCHSD received \$5.9 million in Disproportionate Share Funding from the state and federal governments because the hospital sees a disproportionate share of the underinsured and uninsured.³

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

The regulations for the Children's Hospital Program define "vulnerable pediatric populations" as pediatric patients served by government health insurance programs and pediatric patients with special health care needs irrespective of insurance status. CCS patients are therefore by definition vulnerable pediatric patients since they have special health care needs and CCS is a government health insurance program. RCHSD cared for over 7,900 children in the CCS program in FY 2011. RCHSD maintains CCS-approved clinics throughout San Diego County. RCHSD has the only Level-1 pediatric trauma center⁴ in the region, and its emergency room and urgent care visits exceeded 100,000 in FY 2010. The hospital maintains pediatric sub-specialist physicians on the hospital medical staff. In its 2011-12 edition of "Best Children's Hospitals," U.S. News & World Report ranked RCHSD's its cancer, cardiology and heart surgery programs among the nation's best.

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

As the only teaching and training hospital for pediatric medicine in the San Diego area, RCHSD serves as the training site for over 300 pediatric family practice and specialty residents from five San Diego based residency programs: UCSD Medical School, Scripps (Chula Vista and Mercy), Naval Medical Center San Diego; and Naval Hospital Camp Pendleton Naval Medical Center. The hospital also offers fellowships in approximately 21 pediatric sub-specialties.

In partnership with the University of California San Diego, RCHSD's hospital and research center are participating in over 375 research studies, covering a wide range of specialty areas. Research occurs in all medical disciplines within RCHSD such as cardiology, orthopedics, dermatology, and infectious diseases, as well as within specialized research organizations such as the Laboratory for Research on the Neuroscience of Autism, the Child and Adolescent Services Research Center, and the Center for Child Health Outcomes.

³ Disproportionate Share Hospital (DSH) adjustment payments provide financial help to those hospitals that serve a significantly disproportionate number of low-income patients; eligible hospitals are referred to as DSH hospitals. States receive an annual DSH allotment to cover the costs of DSH hospitals that provide care to low-income patients that are not paid by other payers, such as Medicare, Medicaid, the Children's Health Insurance Program (CHIP) or other health insurance.

⁴ Trauma centers vary in their specific capabilities and are identified by "Level" designation: Level-1 is the highest. Higher levels of trauma centers will have highly sophisticated medical diagnostic equipment and trauma surgeons available, including those trained in such specialties as neurosurgery and orthopedic surgery.

Factor 6: Demonstration of project readiness and project feasibility:

The project began in August 2008 and is expected to be completed by August 2014.

<u>Sources of Funds:</u>		<u>Actual Uses of Funds:</u>	
Current Grant Request	\$ 34,141,803	Equipment*	\$ 49,367,015
2008 CSCDA Bonds	<u>15,225,212</u>		
Total	<u>\$ 49,367,015</u>	Total	<u>\$ 49,367,015</u>

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

Legal Review:

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

Staff Recommendation:

Staff recommends the Authority approve a resolution for Rady Children's Hospital – San Diego to provide a grant not to exceed \$34,141,803 (less issuance and administrative costs) subject to all requirements of the Children's Hospital Program of 2008.

RESOLUTION NO. CHP-3 2012-02

**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 RADY CHILDREN'S HOSPITAL – SAN DIEGO**

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 (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 Rady Children's Hospital – San Diego 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, approved an initial allocation of an amount not to exceed \$34,141,803 less the bond issuance and administrative costs to the applicant for the eligible projects described in the application; and

WHEREAS, Authority staff recommends approval of the final allocation by the Authority in the form of a grant; and

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

Section 1. The Authority hereby approves a grant of \$34,141,803 less the bond issuance and administrative costs to the Rady Children's Hospital – San Diego ("Grantee") to complete eligible projects as described in the Children's Hospital Program Application and Exhibit A to this Resolution (which is hereby incorporated by reference) within a project period that ends on February 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 Program Fund 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 that have heretofore been approved as to form by the Authority 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 February 29, 2016.

Date Approved: _____

EXHIBIT A

PROJECT DESCRIPTION

The proceeds of the grant will be used by Rady Children's Hospital – San Diego to design, acquire, and install an electronic medical record system (EMR) on the hospital campus located at 3020 Children's Way, San Diego, CA 92123 and at other specified licensed and satellite locations in Encinitas, Oceanside, San Diego, Chula Vista, Escondido, La Mesa, La Jolla, and Solana Beach in San Diego County and Murrieta in Riverside County.