

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
Children’s Hospital Programs of 2004 and 2008
Propositions 61 and 3**

Staff Summary

**Resolution No. CHP 2012-01
and
Resolution No. CHP-3 2012-03**

June 28, 2012

Applicant: University of California, Davis Medical Center
UC Davis Children’s Hospital
2315 Stockton Boulevard
Sacramento, CA 95817
Sacramento County

Project Site: Same as above

Amounts Requested: Prop 61: \$6,252,492 Grant #UCD-03
Prop 3: \$8,383,723 Grant #UCD-01-03

Summary of Grant Amounts	Proposition 61	Proposition 3
Eligible Amount	\$30,000,000	\$39,200,000
less previous awards	(\$23,747,508)	-
less requested amount	(\$6,252,492)	(\$8,383,723)
Remaining Amount Eligible	\$0	\$30,816,277

Description of Applicant:

The University of California, Davis Medical Center (Medical Center) is a general acute care hospital licensed by the California Department of Public Health. The Medical Center is part of the University of California system, which is governed by the Board of Regents of the University of California. UC Davis Children’s Hospital (UCDCH) is a 120-bed pediatric hospital that operates within the Medical Center.

The Medical Center’s 2011 audit (year ending June 30) was submitted with the application and is free of “going concern” language.¹

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.

Project:

The Medical Center is seeking grant funds to construct and equip a 24-bed Pediatric Intensive Care Unit/Pediatric Cardiac Intensive Care Unit (PICU/PCICU or PICU). The new unit, which opened in November 2011, replaced and combined two old units that consisted of six beds in the 46-year old East Wing (which will eventually be demolished to meet seismic safety requirements) and ten beds in the 29-year old University Tower. The total combined square footage of the old PICU space was approximately 12,500. The new PICU/PCICU is twice the size of the previous PICU space and can accommodate 50 percent more patients. It was constructed in shelled space² on the 10th floor of the Davis Tower, which was built in 1998.

Proposition 61 and Proposition 3 Evaluation Factors:

Staff evaluated the Medical Center's project through review of the application and other submitted materials using the six factors identified in Proposition 61 and 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:

The new PICU/PCICU has increased the number of beds from 16 to 24 resulting in an estimated 500 additional critically ill children who can be treated in this setting annually, for a total of approximately 1,500. In fiscal year 2010, approximately 59 percent of UC Davis pediatric inpatients were eligible for Medi-Cal, Healthy Families,³ California Children's Services (CCS)⁴ or other government insurance programs.

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

The rooms in the new unit are significantly larger than the old rooms at an average 277 square feet versus 188 square feet. The larger room size is mandated by new building codes, and promotes improved patient care by allowing easier access to a variety of equipment such as state-of-the art monitors, ventilators, dialysis machines and extra-corporeal life support (ECLS) equipment. The space more comfortably accommodates parents' presence and participation, which improves the care of the child. For a teaching hospital like UCDCH, additional space also provides a better learning environment for pediatric care providers in training.

² "Shelled space" is space constructed to meet future needs; it is space enclosed by an exterior building shell but otherwise unfinished inside.

³ Healthy Families is low cost health insurance for California children and teens who do not have insurance and whose families' income is modest but too high to qualify for Medi-Cal. "Healthy Families" is California's name for its State Children's Health Insurance Program (SCHIP) program. SCHIP is a federal program that is funded by both the federal and state governments.

⁴ 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.

All but two of 24 beds are now in private rooms. Private rooms reduce the risk of infection, thereby improving care. Two beds devoted to children receiving ECLS are in a shared room since special round-the-clock in-room monitoring is required. ECLS is a modified form of cardiopulmonary bypass used to provide prolonged delivery of oxygen to tissues of patients with potentially reversible respiratory and/or cardiac failure. Children are placed on ECLS when their heart and lungs are not able to provide the body with enough blood flow and oxygen despite standard intensive care support. When ECLS is in use, the child's heart and lungs are bypassed and the blood is oxygenated or carbon dioxide removed from it outside the body (extracorporeal) by an artificial lung and then circulated with the help of an external pump, allowing the heart and lungs to rest.

The new PICU for the first time also includes a Child Life Services and Creative Arts Therapy Program playroom for children who become ambulatory during their hospital stay.

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

The Medical Center provided approximately \$40.9 million and \$40.2 million in charity care for fiscal years 2010 and 2011, respectively. It is the only Disproportionate Share Hospital⁵ (DSH) in Sacramento County. DSH adjustment payments provide financial help to hospitals that serve a significantly disproportionate number of low-income patients to help cover the costs of 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.

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

In addition to the PICU, the UCDCCH facilities include a 36-bed general pediatric medical/surgical unit, a 49-bed neonatal intensive care unit, and an 11-bed pediatric emergency room. UCDCCH has the only Level 1 pediatric trauma center in the region.⁶

The PICU supports UCDCCH's trauma, congenital heart surgery and ECLS programs, all of which serve the inland Northern California region's most vulnerable pediatric patients. UCDCCH had 6,232 admissions in Fiscal Year 2010 of which approximately 2,750 came from the emergency room. In addition to inpatient services, UCDCCH had 166,000 outpatient visits in Fiscal Year 2010 with emergency room visits accounting for 8,900 of those.

The Medical Center's pediatric telemedicine program provides immediate assistance to acutely ill and injured children throughout Northern California. By using high-speed teleconferencing, the telemedicine program offers real-time remote consultation and evaluation in emergency medicine, cardiology, child abuse, child development, and a variety of other subspecialties.

⁵ States receive an annual federal DSH allotment. Eligible hospitals are referred to as DSH hospitals.

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

The Medical Center’s Pediatric Residency Program accepts twelve residents each year. A majority of the inpatient training occurs on the hospital campus. Some of the ambulatory training takes place at urgent care clinics, Kaiser Hospital, Shriners Hospital, and at private offices. The Pediatric Residency Program’s community-based child advocacy program “Community and Health Professionals Together” has received two national awards for its work.

UCDCH’s faculty performs research in many pediatric sub-specialties such as pulmonology, nephrology, endocrinology, hematology, oncology, neonatology, infectious diseases, and child protection.

Factor 6: Demonstration of project readiness and project feasibility:

The construction and equipping of the new PICU is complete, and it has been in use since November 2011.

Sources and Uses of Funds:

<u>Sources of Funds:</u>		<u>Actual Uses of Funds:</u>	
Prop 61 Request	\$6,252,492	Construction	\$ 14,562,154
Prop 3 Request	8,383,723	Equipment	2,981,210
Donations	3,220,446	Furniture	313,297
Total	<u>\$ 17,856,661</u>	Total	<u>\$ 17,856,661</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 2012-01 for the University of California Davis Medical Center to receive a grant not to exceed \$6,252,492 (less costs of issuance and administrative costs), subject to all requirements of the Children’s Hospital Program of 2004 and Resolution No. CHP-3 2012-03 to receive a grant not to exceed \$8,383,723 (less costs of issuance and administrative costs), subject to all requirements of the Children’s Hospital Program of 2008.

RESOLUTION NO. CHP 2012-01

RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY APPROVING EXECUTION AND DELIVERY OF GRANT FUNDING UNDER THE CHILDREN'S HOSPITAL BOND ACT OF 2004 TO UNIVERSITY OF CALIFORNIA, DAVIS MEDICAL CENTER

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 2004 (Pt. 6 (commencing with Section 1179.10), 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 \$30,000,000 less the bond issuance and administrative costs to the University of California, Davis Medical Center's Children's Hospital to finance eligible projects;

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 \$6,252,492 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;

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

Section 1. The Authority hereby approves a grant of \$6,252,492 less the bond issuance and administrative costs to University of California, Davis Medical Center ("Grantee") to complete eligible projects 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 June 30, 2013.

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 of 2004 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 June 30, 2013.

Date Approved: _____

EXHIBIT A

PROJECT DESCRIPTION

The proceeds of the grant will be used by University of California, Davis Medical Center to construct and equip a 24-bed Pediatric Intensive Care Unit/Pediatric Cardiac Intensive Care Unit at 2315 Stockton Boulevard, Sacramento, CA 95817.