

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

Staff Summary
Resolution No. CHP-3 2013-05
May 30, 2013

Applicant: Rady Children's Hospital - San Diego #CHSD-05-03
3020 Children's Way
San Diego, California 92123-4282
San Diego County

Project Site: Same as above.

Amount Requested: \$2,188,859

Summary of Grant Amounts	Proposition 61	Proposition 3
Eligible Amount	\$74,000,000	\$98,000,000
less previous awards	(\$74,000,000)	(\$69,720,942)
less requested amount	-	(\$2,188,859)
Remaining Amount Eligible	\$0	\$26,090,199

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 2012 (year ending June 30) audited financial statements were submitted and are free of "going concern" language¹.

Project

RCHSD is seeking grant funds to reimburse the costs associated with renovating and equipping both the relocated Helen M. Bernardy Center for Medically Fragile Children and the interventional catheterization laboratory (cath lab).

Background

The Bernardy Center is a skilled nursing and sub-acute facility for children who are age 15 and younger and have multiple medical problems or physical and developmental delays that require 24-hour nursing care. Some of the children have suffered severe trauma such as near

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.

drowning or have been in a major accident or have irreparable damage from congenital defect or serious disease. This year, for the fifth year in a row, the *U.S News & World Report* named the Bernardy Center as one of the best nursing homes in the nation out of more than 15,500 facilities, with its highest rating of five stars out of five. The Bernardy Center used to be housed in an older, separate building on the hospital campus. The Joint Commission and the State of California's Office of Statewide Health Planning and Development had concerns about the older building, including inadequate air conditioning and seismic issues. When the new Acute Care Pavilion opened in 2010, the hematology/oncology department moved into the new tower. This opened up space for the Bernardy Center to move into the main hospital building.

The cath lab was stripped to the studs and was renovated to meet current standards. This also made it easier to install the new equipment.

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:

The old Bernardy Center did not have built-in gas lines so oxygen had to be supplied by oxygen bottles. The new space has built-in lines. This allows patients who need constant ventilator support to be admitted. By having these type of patients admitted to the Bernardy Center, beds in the hospital's critical care unit are now open for other patients. Also, the old building only had 1 single bed room out of 26 rooms. The new space now has 10 single bed rooms out of 25. Children with higher technology needs and teenagers need single rooms.

Approximately 500 patients are diagnosed and treated on an annual basis in the cath lab. The old equipment and space was antiquated. For example, the old equipment became inoperable 34 times during a year's period and was no longer supported by the manufacturer. As a result, 50 patients were on the waiting list. Since the cath lab project was completed in October 2012, the waiting list has been cut in half.

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

A key benefit of having the Bernardy Center within the hospital is the immediacy of the emergency department and access to a full range of care if a patient's condition deteriorates. Even though the old Bernardy Center was on the hospital campus, if a patient coded, 911 would have to be called and the child would receive acute care about 30 minutes later. In the ten minutes until the ambulance arrived, CPR would have to be administered. In the new location, every hospital service is available, and the Bernardy Center has code blue capability with a one minute response time. A physician, crash cart and defibrillator are immediately available. Also by having built-in oxygen lines, medical personnel are freed from monitoring the oxygen tank levels and having to change the tanks, reducing risk of medical error.

The new vascular x-ray system allows for better live imaging capabilities with increased resolution, making it easier for physicians to make prompt medically related decisions. The new equipment also reduces exposure to harmful radiation

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.

In fiscal year 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 fiscal year 2012, RCHSD received \$4.4 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 fiscal year 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 fiscal year 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 cancer, cardiology and heart surgery programs among the nation's best.

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.

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 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.

Factor 6: Demonstration of project readiness and project feasibility:

The Bernardy Center project was completed in April 2012 and the catheterization lab was completed in October 2012.

<u>Sources of Funds:</u>		<u>Actual Uses of Funds:</u>	
Grant Request	\$2,188,859	Construction	\$1,751,134
Donations	<u>1,021,866</u>	Equipment	<u>1,459,591</u>
Total	<u>\$3,210,725</u>	Total	<u>\$3,210,725</u>

Legal Review:

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

Staff Recommendation:

Staff recommends the Authority approve Resolution No. CHP-3 2013-05 for Rady Children’s Hospital – San Diego to provide a grant not to exceed \$2,188,859 (less issuance and administrative costs) subject to all requirements of the Children’s Hospital Program of 2008.

RESOLUTION NO. CHP-3 2013-05

**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. 6.1 (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 Rady Children's Hospital – San Diego ("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 \$2,188,859 less the bond issuance and administrative costs to the Grantee for the eligible project (the "Project") described in the application; and

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

Section 1. The Authority hereby approves a grant of \$2,188,859 less the bond issuance and administrative costs to the Grantee to complete eligible 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 May 31, 2014.

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 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 May 31, 2014.

Date Approved: _____

EXHIBIT A

PROJECT DESCRIPTION

The proceeds of the grant will be used by Rady Children's Hospital – San Diego to reimburse the costs associated with renovating and equipping both the relocated Helen M. Bernardy Center for Medically Fragile Children and the interventional catheterization laboratory on the hospital campus located at 3020 Children's Way, San Diego, California 92123.