

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

**Staff Summary
Resolution No. CHP-3 2016-01
March 24, 2016**

Applicant: Valley Children’s Hospital Grant # CHCC-06-03
9300 Valley Children’s Place
Madera, California 93636
Madera County

Project Sites: 9300 Valley Children’s Place, Madera, CA 93636, Madera County
1190 Olivewood Dr., Suite A, Merced, CA 95348, Merced County
7555 N. Del Mar #101, Fresno, CA 93711, Fresno County
41169 Goodwin Way, Madera, CA 93636, Madera County

Amount Requested: \$11,935,018

Summary of Grant Amounts	Proposition 61	Proposition 3
Eligible Amount	\$74,000,000	\$98,000,000
less previous awards	(74,000,000)	(47,983,229)
less requested amount	0	(11,935,018)
Remaining Amount Eligible (if requested amount is approved)	\$0	\$38,081,753

Description of Applicant:

Valley Children’s Hospital (“VCH” or “the hospital”), formerly known as Children’s Hospital Central California, is a nonprofit acute care pediatric hospital with a current license from the Department of Public Health. The hospital’s audit for fiscal year 2015 (year ending September 30) was submitted and is free of “going concern” language.¹

Project:

VCH is seeking grant funds to reimburse itself for: (1) the cost of relocation and expansion of its Speech and Audiology clinic to its main campus in Madera; (2) the cost of patient care equipment including Phillips monitors in its inpatient units, two ultrasound machines, infant warmers, and ventilators for its Home Care division; (3) the cost of two main chemistry analyzers; and (4) the costs of several Information Technology projects including further enhancements to its Enterprise Picture Archiving Communication System (PACS) and the replacement of its wireless system.

¹ The absence of “going concern” language tends to suggest the organization is in good operational health for that FY. The Authority’s regulations define “Going Concern Qualification” in sections 7030(n) and 7051(n) for Proposition 61 and Proposition 3, respectively.

Proposition 3 Evaluation Factors:

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

Speech and Audiology Clinic:

VCH relocated and expanded its Speech and Audiology clinic to its main campus in Madera to improve access to its patients. Prior to relocating its clinic, patients would have to travel to an off-site clinic located in Fresno. With the clinic being located on the main campus, patients who need to be seen by multiple specialists are now able to visit one location for all of their needs.

Over the last few years, the number of therapy procedures performed in VCH's Speech department increased by approximately 2% per fiscal year ("FY"). In FY 2016, VCH is projecting an increase of approximately 10% from the prior FY. VCH's Audiology department has seen an increase of approximately 43.7% in therapy procedures from FY 2011 to FY 2015. In FY 2016, VCH is anticipating performing approximately 17,500 therapy procedures. As part of the expansion, a second Hearing Aid Lab was added to support its new Hearing Aid Dispensing Program. Prior to this expansion, VCH patients had to travel to the Bay Area to obtain hearing aids. In calendar year 2015, VCH dispensed 303 hearing aid devices to 173 patients, dispensed 11,000 batteries, created 168 ear molds, and repaired 87 devices. In order to support this rapidly growing program, VCH added an additional Audiologist, and an Audiology Aide. VCH is also sponsoring one to two staff members to obtain their Hearing Aid Dispensing License.

Patient Care Equipment:

VCH replaced two of its anesthesia machines to improve access by increased efficiency of use due to higher demands for surgical procedures at the hospital. Surgery cases have increased by approximately 11.4% between FY 2011 and FY 2015 and are projected to increase an additional 2.2% in FY 2016. The new machines provide faster and easier utilization of anesthesia. In addition, the new machines are easier to clean and be made available for use for the next patient. These time savers have decreased the overall anesthesia time, making the operating room more efficient and increasing the number of procedures VCH is able to complete during a day.

Information Technology:

VCH enhanced its current Enterprise Picture Archiving Communication System ("PACS"), which was replaced with Proposition 3 grant funds that were approved in January 2014, with the Tom-Tec System. This system enhances VCH's current PACS with advanced imaging and a quantification system for echocardiography by analyzing and quantifying medical image data in multiple dimensions (2D & 3D/4D). The hospital has seen an approximate increase of 6.6% in imaging cases from FY 2011 to FY 2015. This growth is mainly due to an increase in

the number of patients being seen in the hospital's emergency room ("ER"). ER visits have grown by approximately 71% between FY 2011 and FY 2015. VCH is forecasting an additional 4.4% growth in imaging cases in FY 2016.

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

Patient Care Equipment:

VCH reports that by keeping the patient care equipment current and updating their systems with the latest technologies improves health care outcomes for VCH's patients. Listed below are examples of some of the equipment being requested for reimbursement and how they improve patient outcomes.

VCH purchased Phillips monitors that are designed to provide a more comprehensive monitoring system. Along with the centralized monitoring, VCH is able to provide reliable monitoring systems that have the ability to interface with various devices and its Electronic Medical Record ("EMR") system. Expanding the centralized monitoring feature provides better patient observation and will help detect decompensation earlier in some patients. All of VCH's inpatient units now have centralized monitoring stations that provide 72 hour full disclosure archiving allowing the caregiver to view vital sign changes and determining the baseline of the patient's health status. The new monitors also provide an Admit, Discharge, and Transfer ("ADT") interface for the neonatal intensive-care unit ("NICU") monitor interface with the EMR. Before the upgrade, the NICU nursing staff had to manually admit each patient at the monitor using the patient name, medical record, and account. The ADT interface reduces risk of clerical errors that may occur when staff admits patients manually at the monitor.

VCH replaced two of its existing ultrasound machines with the EPIQ 7G and the CX-50 mobile units. According to VCH, these mobile units provide excellence in image quality, workflow, and clinical care service. VCH's ultrasound department has seen an approximate 8% growth in exams between FY 2013 and FY 2015. Additionally, approximately 30% of the ultrasound cases are performed on children who are unable to be transported to the ultrasound department. These newer units are able to provide a better image that is viewable faster and can easily be transferred electronically, which enhances efficiency and contributes to improved patient outcomes.

VCH replaced its infant warming units with new ones to provide the NICU with a reliable and fully supported warming system that has the most up-to-date warming technology and has allowed staff better access to patients. The new warming tables have built-in scales that allow the baby to be weighed without removing them from the warmer, enhanced infant temperature regulation, an improved mattress, and better access to the patient. The NICU experienced approximately 18,734 patient days in FY 2015, and VCH projects that number to grow by approximately 1.6% in FY2016. VCH's previous warmers were nonadjustable, which did not allow a mom in a wheelchair or bedside chair to be close to her infant. The warmers can also be raised and lowered as needed to accommodate staff and other support equipment.

Chemistry Analyzers:

VCH replaced two of its chemistry analyzers in its lab with the Abbott c4000 and Abbott ci4100. These new analyzers have allowed for consolidation of testing previously performed by other methods and thus reducing the operator time involved. This process supports the hospital's initiative to provide lab results within 30 minutes of receipt of the specimen on all comprehensive metabolic panels, complete blood counts, and urinalysis. The previous analyzers did not have the ability to communicate with EMR software to determine which chemistry tests may be compromised through integrity checks. With the use of middleware software², these analyzers can deliver results to VCH's EMR system. In addition, lab tests have increased from approximately 821,000 in FY 2011 to approximately 918,000 in FY 2015.

Information Technology:

VCH replaced its wireless system to reinforce VCH's quality of patient care by providing an efficient and reliable wireless network. Mobile technology such as laptops and iPads have become prevalent in the hospital and physicians and nurses rely heavily on this technology to perform their jobs. The stability and increased speed provided by the new wireless infrastructure has enhanced performance of all systems and applications that staff and physicians have come to rely.

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

VCH is a certified California Children's Services (CCS) hospital.³ The hospital has financial counselors to assist in finding alternative sources of payment from both public and private programs. In FY 2015, Medi-Cal benefits covered approximately 76.5% of the inpatient cases (with approximately 78.8% of patient days covered) and approximately 76.8% of the outpatient visits treated at VCH. The San Joaquin Valley communities served by VCH are challenged by the some of the state's highest child poverty rates including Fresno (38.9%), Tulare (38%), Kings (38.5%) and Madera (30.7%)⁴.

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

In FY 2015, VCH had 13,704 inpatient cases, 118,298 emergency department visits and 154,857 outpatient clinic visits. VCH's service area includes nine largely rural counties that total approximately 45,000 square miles. Also, VCH is the only tertiary and specialized health care facility available in the Valley for children who otherwise would have to travel over 200 miles to the nearest children's hospital.

The hospital's extensive range of subspecialties provides families with access to pediatric care in the several areas including: cardiology, critical care, emergency medicine, endocrinology, gastroenterology, genetics, hematology, immunology, infectious disease, neonatology, nephrology, neurology, oncology, orthopedics, pulmonology, rehabilitation, rheumatology, surgery and urology.

² Middleware software converts data being fed from a chemistry analyzer and converts it to be uploaded.

³ 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.

⁴ 2015 U.S. Census Bureau.

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

In FY 2015, VCH partnered with Stanford to create the Valley Children's Pediatric Residency Program, which will allow VCH intern residents to have rotations and learning opportunities at the Palo Alto campus and for Stanford's intern residents to learn at VCH. Also, VCH has been involved in the annual education of over 200 medical students, interns, residents and fellows for the past 40 years as a participating site supporting other programs. VCH trains pediatric, family practice, emergency medicine, surgery, and orthopedic surgery residents.

In addition, VCH developed a research department to oversee the studies of new pediatric drugs, biological products, and medical devices which increase its ability to implement and evaluate industry-sponsored studies that may benefit its own patients as well as children around the world. VCH has engaged in over 100 oncology clinical studies.

Factor 6: Demonstration of project readiness and project feasibility:

The Speech and Audiology clinic relocation and expansion was completed on February 9, 2015 and is in service in the delivery of care to patients. The patient care equipment and information technology equipment and software was acquired between October 1, 2014 and December 31, 2015 and are currently in use.

Sources and Uses of Funds:

<u>Sources of Funds:</u>		<u>Uses of Funds:</u>	
Prop 3 Request	\$11,935,018	Remodel	\$3,142,637
		Equipment	\$8,792,381
Total	\$11,935,018	Total	\$11,935,018

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-3 2016-01 for Valley Children's Hospital to provide a grant not to exceed \$11,935,018 (less costs of issuance and administrative costs) and be subject to all requirements of the Children's Hospital Program of 2008.

RESOLUTION NO. CHP-3 2016-01

**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 THE VALLEY CHILDREN'S HOSPITAL**

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 the Valley Children's Hospital ("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 \$11,935,018 less the bond issuance and administrative costs to the Grantee for the eligible project (the "Project") described in the application;

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

Section 1. The Authority hereby approves a grant of \$11,935,018 less the bond issuance and administrative costs to the Grantee to complete the 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 April 28, 2017.

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 Act and 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 April 28, 2017.

Date Approved: _____

EXHIBIT A

PROJECT DESCRIPTION

VCH is seeking grant funds to reimburse itself for: (1) the cost of relocation and expansion of its Speech and Audiology clinic to its main campus in Madera; (2) the cost of patient care equipment including Phillips monitors in its inpatient units, two ultrasound machines, infant warmers, and ventilators for its Home Care division; (3) the cost of two main chemistry analyzers; and (4) the costs of several Information Technology projects including further enhancements to its Enterprise Picture Archiving Communication System (PACS) and the replacement of its wireless system.