

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY (“Authority”)

CHAMP II Grant Program

Resolution No. 2015-03

February 26, 2015

Executive Summary:

In 2011, staff requested the Authority authorize a new grant program which was then approved by the Authority, later authorized by Assembly Bill 1467 (Committee on Budget) and signed into law by the Governor on June 27, 2012. The bill authorized the Authority to move \$6.5 million from the Authority’s fund balance into a new account for the new program. During the regulatory process, the Authority named this new grant program the California Health Access Model Program, otherwise now known as the CHAMP grant program.

CHAMP’s purpose is to support innovative methods of delivering health care services more effectively, and to improve access and health outcomes for vulnerable populations and communities by bringing services, including preventive services, to individuals where they live or congregate.

The Authority is in the first of two phases of this new grant program. CHAMP allows the Authority, in its first phase, to award grants to one or more demonstration projects up to a combined total of \$1.5 million. If the evaluation of a completed demonstration project proves successful, the Authority may launch a second phase of the CHAMP grant program to support additional grants up to a combined total of \$5 million so other California communities may replicate and implement the same improved ways of delivering services.

At the January 29, 2014 Authority meeting, the Authority awarded the CHAMP demonstration grant to the San Francisco Health Plan (SFHP) in the amount of up to \$1.5 million to expand and evaluate an existing pilot program for high-risk, high-cost patients to improve their health outcomes and experience of care, as well as to lower costs. This grant allows SFHP to expand its existing pilot to serve an additional 300 high-risk, high-utilizing SFHP members and to more rigorously evaluate the impact on clinical outcomes, member experience and costs through comparison with a control group. The grant funds five community coordinator positions, one social work supervisor, one project manager position, as well as program and enrollee expenses.

The grant agreement with SFHP was signed July 1, 2014 and the first disbursement in the amount of \$356,522.25, representing 25% of the awarded grant amount, was forwarded to SF Health Plan on July 16, 2014.

Four years after the first CHAMP grant program was authorized, staff asks the Authority to authorize additional funding for the CHAMP grant program so that a second demonstration project may be identified and supported. Staff suggests an additional \$6.5 million be moved from the Authority's HELP II fund balance¹ to a new account for this possible CHAMP II grant program.

When this item was presented to the Authority in 2011, staff noted that staff and counsel to CHFFA had worked for several years to explore ways in which the Authority might consider utilizing a portion of its fund balance to benefit underserved and vulnerable populations throughout California in furtherance of CHFFA's mission of promoting important California health access, healthcare improvement and cost containment objectives. Staff noted the recommendation was timely in the context of the State's budgetary difficulties which had then resulted in devastating funding reductions to California's most underserved and vulnerable populations. Staff also noted the recommendation was nicely timed in the context of national health care reform which was challenging all states to find innovative and cost-effective ways of delivering health care to more people than ever before contemplated. Staff submits this context for the original CHAMP grant program remains steady and a good rationale for a second round of the CHAMP grant program. And as noted above, good things are already emerging from the original CHAMP grant program.

In short, the concept staff brings to the Authority involves staff working closely with the State Treasurer to pursue legislative approval to utilize up to \$1.5 million in funds from CHFFA's HELP II fund balance to support a demonstration project designed to advance the innovative delivery of health care to underserved and vulnerable populations throughout California with up to an additional \$5,000,000 for statewide implementation of the innovative model if the demonstration project is able to demonstrate cost savings, improved clinical outcomes and a sustainable state wide model.

If the Authority is interested in pursuing CHAMP II, a legislative vehicle and author for the effort exists. Staff has identified a potential author and placeholder language has been introduced so this option is available to us.

¹ The HELP II fund balance is presently at an all-time high of roughly \$23 million dollars. Staff is actively marketing this program to identify potential new loan applicants and is exploring ways in which the program might be expanded to assist more fiscally challenged health care organizations. The fruits of these efforts will likely bear new borrowers and a recommendation to the Authority for the creation of a new program within the existing HELP II program. In the meantime, staff recommends utilizing some of the Authority's healthy HELP II fund balance for the creation of another competitive grant program that stands to benefit vulnerable and underserved health care populations throughout California. Staff will explore the feasibility of utilizing HELP II funds with the Authority's financial advisor to ensure the HELP II program fund balance may withstand the depletion of the recommended funds yet continue to thrive with the funds remaining.

RESOLUTION NO. 2015-03

RESOLUTION OF THE CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY AUTHORIZING AUTHORITY STAFF TO WORK CLOSELY WITH THE STATE TREASURER TO PURSUE LEGISLATIVE APPROVAL OF A SECOND CHAMP GRANT PROGRAM (“CHAMP II”)

WHEREAS, the mission of the California Health Facilities Financing Authority (the "Authority") is to help eligible and creditworthy non-profit health facilities reduce their cost of capital, and promote important California health access, healthcare improvement and cost containment objectives by providing cost-effective tax-exempt bond, low-cost loan, and direct grant programs;

WHEREAS, the Authority operates a number of financing programs in furtherance of its mission, including a tax-exempt revenue bond program, a low-cost loan program otherwise known as the HELP II loan program, and six separate grant programs, including the Anthem Wellpoint and Cedillo-Alarcón Community Clinic Grant programs, the Children’s Hospital Programs sponsored by Propositions 61 and 3, the Investment in Mental Health Wellness Grant Program and the California Health Access Model Program (“CHAMP”);

WHEREAS, in the context of continued significant state curtailment of funding of health care services for underserved and vulnerable populations and the nation’s relatively recent and ongoing adoption of national health care reform with its renewed emphasis on developing innovative methods of delivering health care, the Authority desires to establish a second CHAMP grant program to be funded from the Authority’s Hospital Equipment Loan Program fund (“HELP II loan fund”) in an amount not to exceed \$6.5 million dollars over the next four years with the aim of advancing the innovative delivery of health care to underserved and vulnerable populations throughout California via a demonstration project and replication grants program as hereinafter described;

WHEREAS, the Authority believes it prudent to initially provide grant funds up to the amount of \$1.5 million to an already substantially underway demonstration project (“Demonstration Project”) led by an organization or institution with a proven track record of successful projects and partnerships designed to change systems and policies to improve health care delivery to underserved populations or communities;

WHEREAS, the Authority desires to follow a successful Demonstration Project (including without limitation, one which creates a new system of health care delivery that is cost effective, produces improved clinical outcomes and can be replicated throughout the state) with a second phase of funding (“Replication Grants”) up to a total amount of \$5 million dollars to assist in replicating the successful system of services statewide;

WHEREAS, the Authority desires to ensure a fair and impartial process for identifying the ideal candidate to receive funding for the Demonstration Project and then, assuming a successful Demonstration Project, the ideal candidates to receive funding for the Replication Grants;

WHEREAS, the Authority deems it desirable to authorize such actions as are necessary to establish CHAMP II benefiting underserved and vulnerable health care populations throughout California;

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

Section 1. The Authority deems it desirable to authorize such actions as are necessary to establish CHAMP II benefiting underserved and vulnerable health care populations throughout California.

Section 2. The Executive Director and members of Authority staff are hereby authorized and directed to work closely with the State Treasurer to pursue legislative approval for the Authority to utilize up to \$6.5 million of the Authority's HELP II loan fund over the next four years with up to \$1.5 million for a Demonstration Project and, if results warrant, up to \$5 million for Replication Grants.

Section 3. The Executive Director shall provide quarterly updates to the Authority concerning the pursuit of legislation and thereafter, the Demonstration Project and Replications Grants.

Section 4. This Resolution shall take effect from and after the date of adoption.

Date of Adoption: _____