

CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY
Children's Hospital Program

Staff Summary
Resolution CHP 2008-04
February 28, 2008

Applicant: Children's Hospital Central California (CHCC)
9300 Valley Children's Place
Madera, CA 93638
Madera County

Project Site: 9300 Valley Children's Place
Madera, CA 93638

Amount Requested: \$5,973,190

Prior Amount Awarded: \$9,079,215

Description of Applicant:

CHCC is a 501(c)(3) general acute care hospital with a current license from the Department of Health Services. The 2007 (year ending September 30) audited financial statements were free of "going concern" language.

Overview

The hospital is a 297-bed pediatric health care facility. It is the 13th largest freestanding pediatric hospital in the United States and is the only one in a rural area. The facility was built in 1998 and is compliant with the SB 1953 2030 requirements.

Project:

CHCC is seeking grant funds for the following two projects:

• Equipment purchases	\$5,261,185
• Less internal funds	(120,000)
• Emergency Department remodel	<u>832,005</u>
Total	\$5,973,190

Equipment purchases

CHCC is requesting grant funds to reimburse for the costs associated with patient care equipment including but not limited to a 16-slice CT scanner, new ventilators, and new ultrasound machine. Additional testing and diagnostic equipment was purchased for surgery, radiology, emergency and ambulatory clinics.

Emergency Department remodel

The emergency department remodeling project converted office space into a new 8-bed minor care area. This area is dedicated to treat children with lower acuity ailments.

Proposition 61 Evaluation Factors:

Based on the review of the application and other submitted materials, staff evaluated CHCC's projects using the six factors identified in Proposition 61 language.

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:

CHCC's primary service area includes nine counties in Central California and encompasses 45,000 square miles. More than 70% of the children cared for are eligible for governmental health insurance programs. The diagnostic and treatment equipment purchased improves access to the only tertiary and specialized health care available for children who would otherwise need to travel over 200 miles to the next nearest children's hospital. Also, adding an additional eight beds to the emergency department will allow more children to be treated.

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

In 2005, the average emergency department wait time was over four hours. After opening the new 8-bed minor care area in 2007, the average wait time was reduced to three hours. CHCC expects that, in spite of a 14% increase in emergency department visits (since 2005), this reduction of wait times should reduce the number of patients who leave before being treated.

The equipment purchases, such as replacing outdated sterilization equipment, gives the families access to the level of quality of care found in larger metropolitan areas of the state. In addition, since CHCC plans to add surgeons to its staff, CHCC believes it is critical for the hospital to purchase equipment with larger and faster capacities.

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

The CHCC is a certified California Children's Services (CCS) hospital. Approximately 68% of its net patient revenues come from government programs such as Medi-Cal and CCS. It has financial counselors to assist in finding alternative sources of payment from both public and private programs. Also, Medi-Cal eligibility workers are on site to assist the families.

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

In fiscal year 2007, CHCC had 11,733 inpatient cases, 51,547 emergency department visits and 113,346 outpatient clinic visits. Medi-Cal benefits covered 68.2% of the inpatient cases and 62.2% of the outpatient visits. CHCC maintains its financial assistance and charity care policies even though the region has chronically high poverty and low philanthropic support.

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

CHCC is affiliated with the University of California, San Francisco Medical School Residency Program and its doctors are faculty for the pediatric residents training at CHCC. CHCC has a long history of clinical research participation and has developed a research institute to implement studies of new pediatric drugs, biological products and medical devices.

Demonstration of project readiness and project feasibility:

The equipment expenditures were incurred from July 1, 2006 through January 31, 2008. All equipment is currently in service and used in the delivery of care to patients, except for the HeartLabs system that needs to be installed.

The planning for the emergency department remodel project started in the fall of 2004 and was completed in April 2007.

CHCC's project funding is detailed as follows:

<u>Sources of Funds:</u>		<u>Uses of Funds</u>	
CHFFA Grant	\$5,973,190	Equipment Purchases	\$5,261,185
Internal	<u>120,000</u>	Remodel	<u>832,005</u>
TOTAL	<u>\$6,093,190</u>	TOTAL	<u>\$6,093,190</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 a resolution to provide a grant not to exceed \$5,973,190 million (less costs of issuance), subject to all requirements of the Children's Hospital Program.