

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

Resolution No. CHP-3 2023-02

July 27, 2023

Applicant: University of California Los Angeles Medical Center
757 Westwood Plaza, Los Angeles, CA 90095

Project Site: Ronald Reagan UCLA Medical Center Santa Monica - UCLA Medical Center
Mattel Children’s Hospital and Orthopaedic Hospital
757 Westwood Plaza, Suite 1320 1250 16th Street
Los Angeles, CA 90095 Santa Monica, CA 90404

Amount Requested: Proposition 3: \$7,958,277.57 Grant #: UCLA-03-03

As of March 30, 2023, forfeited funds in the amount of \$19,185,062.67 from the Children’s Hospital Program of 2008 became available for the third funding round, on a first-come, first-served basis for applications received from any eligible University of California children’s hospital.

Project:

University of California Los Angeles Medical Center (UCLA) is seeking Proposition 3 grant moneys to reimburse and fund the cost of various pediatric patient care equipment for Mattel Children’s Hospital at Ronald Reagan UCLA Medical Center (Mattel) and Santa Monica - UCLA Medical Center and Orthopaedic Hospital (Santa Monica). The patient care equipment includes, but is not limited to, two ultrasound machines, one CT scanner, one RetCam system, three Arctic Sun machines, five Panda Warmers, and one transport isolette.

Sources of Funding:

Uses of Funding:

Net Prop 3 Funds ¹	\$7,912,517.47	Equipment	\$7,958,277.57
Internal Funds ²	45,760.10		
Total	<u>\$7,958,277.57</u>	Total	<u>\$7,958,277.57</u>

Staff Recommendation:

Staff recommends the Authority approve Resolution No. CHP-3 2023-02 for University of California Los Angeles Medical Center to receive a grant not to exceed \$7,958,277.57 (less costs of issuance and administrative costs), subject to all the requirements of the Children’s Hospital Bond Act of 2008.

¹ Net Prop 3 Funds is the total Prop 3 requested amount of \$7,958,277.57, less costs of issuance and administrative costs.

² Internal Funds in the amount of \$45,760.10 will be used to pay the administrative costs (\$39,791.39) and costs of issuance (\$5,968.71).

Proposition 3 Evaluation Factors:

Staff reviewed the submitted application and other materials in determining whether the applicant satisfactorily met the six factors in Proposition 3. Below is a summary of how the applicant met these specific factors.

Factor 1: The grant will contribute towards expansion or improvement of health care access by children eligible for governmental health insurance programs and indigent, underserved, and uninsured children.

Ultrasound Machines:

UCLA plans to replace one existing ultrasound machine that is at the end of its useful life and add one additional machine to its Pediatric Echocardiography Department. UCLA currently has five ultrasound machines used for echocardiograms on pediatric inpatients and outpatients. The echocardiogram is one of the most common cardiac tests to diagnose heart conditions, using sound waves to show how blood flows through the heart and heart valves and testing the heart rhythm through sensors attached to the patient's chest and sometimes legs. The replacement of an existing and outdated ultrasound machine, along with the additional one, will help UCLA meet increased service demand and reduce pediatric patients' wait times.

In Fiscal Year (FY) 2022, UCLA conducted approximately 1,300 echocardiograms on one ultrasound machine, and approximately 37% of the services were provided to Medi-Cal recipients. One additional ultrasound machine would allow UCLA to provide at least 1,300 additional echocardiograms per year.

CT Scanner:

UCLA plans to purchase one additional CT scanner for its inpatient unit, since the only available CT scanner is in the outpatient unit, located in a separate building. The CT scanner is equipped to perform congenital cardiac CT scanning, a non-invasive imaging modality that uses x-rays to create detailed images of a pediatric patient's heart and blood vessels inside the heart. Currently, UCLA's pediatric inpatients needing access to the CT scanner must be transported to the outpatient unit, requiring significant planning and resources (staff) to perform and coordinate the transport, resulting in a delayed determination for the most effective course of treatment, which can range from medications to open heart surgery, ultimately putting the pediatric patient at risk. With the new CT scanner machine in-house, UCLA would be able to reduce patient safety concerns that come with transporting these patients.

In FY 2022, approximately 742 pediatric patients, of which 42.3% were Medi-Cal recipients, were served by the existing CT scanner. UCLA estimates that 100 additional pediatric patients will be served annually upon the purchase of the additional CT scanner.

RetCam System:

UCLA plans to replace one existing RetCam system for their Neonatal Intensive Care Unit (NICU), as the existing one is at the end of its useful life and no longer supported by its manufacturer. The RetCam system is used to examine the circulation of the retinal blood vessels, allowing the healthcare providers to visualize blood flow within the eye and detect anatomical abnormalities. The new RetCam system comes with an enhanced illumination and ultra-wide field of view, enhancing ophthalmic visualization in detail, thereby improving the quality of infant eye exams, allowing early detection of retinopathy of prematurity (ROP) and, therefore, timely intervention.

In year 2022, UCLA conducted approximately 300 screenings for ROP on approximately 75 pediatric patients using the RetCam system in the NICU. UCLA estimates a 3% increase of screening for ROP after the purchase of the new RetCam system.

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

Arctic Sun machines:

UCLA purchased three Arctic Sun machines to replace two of its existing ones, which were at the end of their useful lives, and have one additional machine as a backup for its NICU. The Arctic Sun machines are used for therapeutic hypothermia treatment for newborns diagnosed with moderate-to-severe neonatal hypoxic-ischemic encephalopathy, a brain damage caused by lack of oxygen to the brain before or shortly after birth. Therapeutic hypothermia treatment lowers a newborn's body temperature to prevent or minimize brain damage, thereby reducing the risks of severe disability. The new and updated Arctic Sun machines offer temperature control, quick cooling induction, and 100% targeted temperature range accuracy. All three Arctic Sun machines will be housed at Mattel due to the higher volume of pediatric patients, while one of them will be used as back-up at Mattel or Santa Monica as needed.

Approximately 40 NICU patients used the Arctic Sun machines from 2020 through 2022.

Panda Warmers:

UCLA plans to replace five of its 10 existing Panda Warmers, which are at the end of their useful lives. The Panda Warmers are used in critical emergencies to transport pediatric patients to the NICU, while providing a temperature and humidity-controlled environment. The new Panda Warmers combine neonatal thermoregulation and respiratory support with electrocardiogram capability into a single, versatile device, and are highly effective in preventing hypothermia, which is a significant problem associated with an increased risk of neonatal death and poor neurological outcomes.

Annually, approximately 1,661 newborns are using the Panda Warmers in UCLA's nursery and labor and delivery department. UCLA estimates that 1,760 additional newborns will be served annually upon the purchase of the new Panda Warmers.

Transport Isolette:

UCLA plans to replace its existing transport isolette for its Neonatal/ Pediatric Transport Department, as it is extremely worn out and breaks down frequently, placing the pediatric patients' safety at risk. The new and updated transport isolette seeks to emulate the NICU environment by maintaining a warm environment and isolating the newborn from germs, permitting un-interrupted care during transportation by air or ground to and from UCLA's hospitals, and providing specific treatments when needed, such as oxygen delivery, cardiac monitoring, conventional and high-frequency ventilation, nitric oxide treatment, and thermoregulation. The acquisition of the new transport isolette will improve pediatric patients' health outcomes by providing a secure, safe, temperature-controlled environment during air and ground transportation.

UCLA anticipates transporting approximately 150-175 pediatric patients per year with the transport isolette.

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

In calendar year 2022, UCLA incurred \$79.5 million in combined undercompensated and uncompensated costs of care to pediatric patients with government-sponsored health care coverage (largely Medi-Cal). In calendar year 2022, Medi-Cal pediatric patients accounted for 40% of the pediatric inpatient cases and 47% of the patient days at UCLA. California Children's Services (CCS)³ pediatric patients accounted for 19% of the inpatient cases and 29% of the patient days at UCLA. During calendar year 2022, Mattel cared for 1,446 pediatric patients, of which approximately 46% were Medi-Cal covered.

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

During the calendar year 2022, UCLA served 5,221 pediatric patients of which 2,157 (41.3%) were Medi-Cal insured. Mattel continues to demonstrate its strong commitment to vulnerable pediatric populations.

Mattel is a tertiary/quaternary⁴ acute care provider, accessible to all pediatric patients, regardless of insurance designation, within its regional geographic area. In addition to pediatric oncology services, the hospital provides pediatric emergency, pediatric intensive care, neonatal intensive care, brain surgery, heart surgery (including pediatric transplants), kidney and liver transplants, pediatric mental health care and research into neuro-developmental disorders, including autism.

UCLA's NICU and pediatric intensive care unit are CCS designated regional centers and serve as a resource for community physicians and hospitals to refer very sick neonates and children to an academic center with a broad spectrum of specialized pediatric care. Mattel has 23 CCS-designated Specialty Care Centers that provide comprehensive care to neonates and children with a broad range of complex conditions.

Another program at Mattel that impacts vulnerable pediatric populations is the CHAT (Community Health Advocacy Training) residency program. The goal of the CHAT residency program is to develop culturally competent pediatricians with knowledge and skills needed to work effectively within the community.

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

The UCLA Pediatrics Residency Training Program has 96 residents and excels in providing a diverse, innovative and evidence-based curriculum for pediatric trainees that result in well-rounded pediatricians capable and committed to serving underserved communities. UCLA's pediatric residents provide comprehensive care for infants, children, and adolescents whose socioeconomic, ethnic, and cultural diversity reflects the diversity of Los Angeles. Over half of UCLA's residents elect to participate in community outreach and mentorship activities with

³ "California Children's Services" or "CCS" means California Children's Services as defined in the California Code of Regulations, title 22, Section 41410.

⁴ For the purpose of CCS, a tertiary hospital is a referral hospital providing comprehensive, multidisciplinary, regionalized pediatric care to children from birth up to 21 years of age. This includes the provision of a full range of medical and surgical care for severely ill children, pediatric residency training, organized pediatric research program, and community outreach. Quaternary care is considered an extension of tertiary care and is even more specialized. Not every hospital or medical center offers quaternary care. The types of quaternary care include but are not limited to: experimental medicine and procedures, uncommon and specialized surgeries.

students ranging from elementary to medical school. UCLA’s residents receive training in settings in which more than 80% of pediatric patients are covered by Medi-Cal. All three years throughout their training, residents rotate at Olive View Medical Center - a county hospital - where they care for and manage patients in the emergency room, urgent care, primary care clinic, and inpatient ward. Over the last five years, almost half of graduating residents chose a primary care career path, and almost 30% work in primary care practice in underserved areas. UCLA also promotes pediatric research through the UCLA Children's Discovery and Innovation Institute in the following main areas: brain and behavior, cancer and regeneration, infection, inflammation, and immunity, neonatal health and development, and nutrition, metabolism and growth. Mattel has \$43 million in ongoing external research grant support for studies ranging from basic science to clinical studies, to community-based research.

Factor 6: Demonstration of project readiness and project feasibility.

UCLA anticipates all equipment purchases to be completed and all equipment to be placed in service by June 30, 2026.

Legal Review:

Although disclosures were made by the applicant, the information disclosed does not appear to detrimentally affect its financial viability or legal integrity.

Description of Applicant:

UCLA is a general acute care hospital with 446 beds at Ronald Reagan UCLA Medical Center and 281 beds at Santa Monica - UCLA Medical Center and Orthopaedic Hospital, licensed by the California Department of Public Health. UCLA is a part of the University of California system, which is governed by the Board of Regents of the University of California.

UCLA submitted its most recent audited financial statements for fiscal year 2022, which are free of “going concern” language.⁵

⁵ 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 California Code of Regulations, title 4, section 7051.

RESOLUTION NO. CHP-3 2023-02

**RESOLUTION OF THE CALIFORNIA HEALTH
FACILITIES FINANCING AUTHORITY APPROVING
EXECUTION AND DELIVERY OF GRANT FUNDING
UNDER THE CHILDREN’S HOSPITAL PROGRAM OF 2008
TO UNIVERSITY OF CALIFORNIA LOS ANGELES 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 2008 (Health & Safety Code, §1179.50 et seq; the “Act”) and implementing regulations (Cal. Code Regs, § 7051 et seq.) to award grants from the proceeds of general obligation bonds to finance eligible capital improvement projects for the construction, expansion, remodeling, furnishing, equipping, financing, or refinancing of a children’s hospital, as defined in the Act; and

WHEREAS, University of California Los Angeles Medical Center (“Grantee”) qualifies as an eligible entity under the Health and Safety Code, section 1179.51(b); 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 \$7,958,277.57, less 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. Pursuant to Health and Safety Code, section 1179.55, the Authority hereby approves a grant of \$7,958,277.57, less bond issuance and administrative costs, to the Grantee to complete the Project as described in the Children’s Hospital Program of 2008 application and Exhibit A to this Resolution (Exhibit A is hereby incorporated by reference) by January 1, 2028, the end of the project period.

Section 2. For and on behalf of the Authority, the Executive Director and the Deputy Executive Director are hereby authorized and directed to do all of the following:

a) Approve any minor, non-material changes in the Project described in the application submitted to the Authority. Nothing in this Resolution shall not be construed to require the Authority to provide any additional funding. Any notice to the Grantee shall indicate that the Authority shall not be liable to the Grantee in any manner whatsoever should funding not be completed for any reason whatsoever.

b) Extend the project period end date identified in Section 1. However, any extension approved by the Executive Director and the Deputy Executive Director shall not extend past the grant resolution repeal date.

c) Allocate moneys from the Children’s Hospital Bond Act Fund of 2008, created pursuant to Health and Safety Code section 1179.53, not to exceed those amounts approved by the Authority for the Grantee.

d) Execute and deliver to the Grantee any and all documents necessary to complete the transfer of moneys that are consistent with the Act and implementing regulations.

e) Do any and all things and to execute and deliver any and all documents that the Executive Director and the Deputy Executive Director deem necessary or advisable to effectuate the purposes of this Resolution and the transactions contemplated herein.

Section 3. This Resolution shall repeal on January 1, 2029, unless extended by action of the Authority prior to that date.

Date Approved: _____

EXHIBIT A

PROJECT DESCRIPTION

The proceeds of the grant will be used by University of California Los Angeles Medical Center to reimburse and fund the cost of various pediatric patient care equipment for Mattel Children's Hospital at Ronald Reagan UCLA Medical Center and Santa Monica - UCLA Medical Center and Orthopaedic Hospital. The patient care equipment includes, but is not limited to two ultrasound machines, one CT scanner, one RetCam system, three Arctic Sun machines, five Panda Warmers, and one transport isolette.