

Office of the President

TO MEMBERS OF THE COMMITTEE ON HEALTH SERVICES:

ACTION ITEM

For Meeting of April 18, 2016

ENDORSEMENT OF NEW BED TOWER PROJECT, UCLA MEDICAL CENTER, LOS ANGELES CAMPUS

RECOMMENDATION

The President of the University recommends that the Committee on Health Services endorse the proposed construction of a new bed tower as an expansion of the UCLA Ronald Reagan Hospital on the Westwood campus of the UCLA Medical Center.

BACKGROUND

The UCLA Medical Center is considering the addition of a new bed tower to its Ronald Reagan UCLA Medical Center (RUMC) hospital. This item seeks endorsement of the proposed bed tower project. The project will include a public fundraising effort. The UCLA Medical Center is targeting a significant percentage of the bed tower costs to be offset by about \$300 million in philanthropy and would like to begin fundraising during the immediate pre-planning and planning phase. This fundraising effort is part of the previously approved UCLA Centennial Campaign. The remaining funding of this project would be through a combination of debt financing, cash reserves, and accrued savings.

The proposed, approximately 210,000-gross-square foot (GSF) bed tower project would provide RUMC with up to an additional one-hundred and fifty-six (156) medical/surgical beds for adults and children. These additional mixed-use medical/surgical beds are needed to address the hospital's constrained bed capacity. The majority of beds (104 beds) would be used to address RUMC's adult medical/surgical bed shortage, while the remaining 52 beds would be dedicated to pediatric patients in the Mattel Children's Hospital. These additional 156 medical/surgical beds would increase RUMC's current 278 pediatric and adult medical surgical bed complement to 434. RUMC's total licensed bed capacity would grow from 456 currently to 612, inclusive of the additional medical/surgical beds, intensive care units, and other specialized bed units.

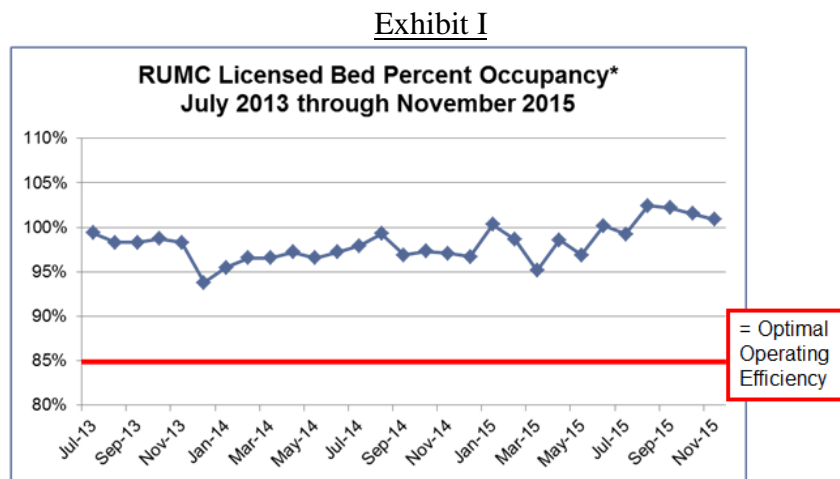
The new bed tower will be designed as a free-leaning children's hospital, meaning connected to another hospital but separately licensed. It is the intent of the Medical Center to obtain a separate Mattel Children's Hospital license upon completion of the project. The new physical plant addition will be built as a basic bed tower, devoid of costly intensive care beds, operating suites,

and procedure/interventional rooms. RUMC will leverage existing ancillary services, e.g., radiology, laboratory, dietary to as great extent as possible, as well as its physical plant, e.g., West Wing elevators, to keep costs at a minimum. The proposed project will have built-in flexibility to reconfigure the pediatric/adult bed ratio, if market forces, closer to project completion, warrant change in adult/pediatric mix of beds demanded.

Following endorsement of the current proposal by the Committee on Health Services, the campus will retain consultants to develop detailed program and design concepts for the new bed tower prior to requesting approval of preliminary plans funding by the Regents' Committee on Grounds and Buildings and the full Board of Regents at their January 2017 meeting.

Project Rationale

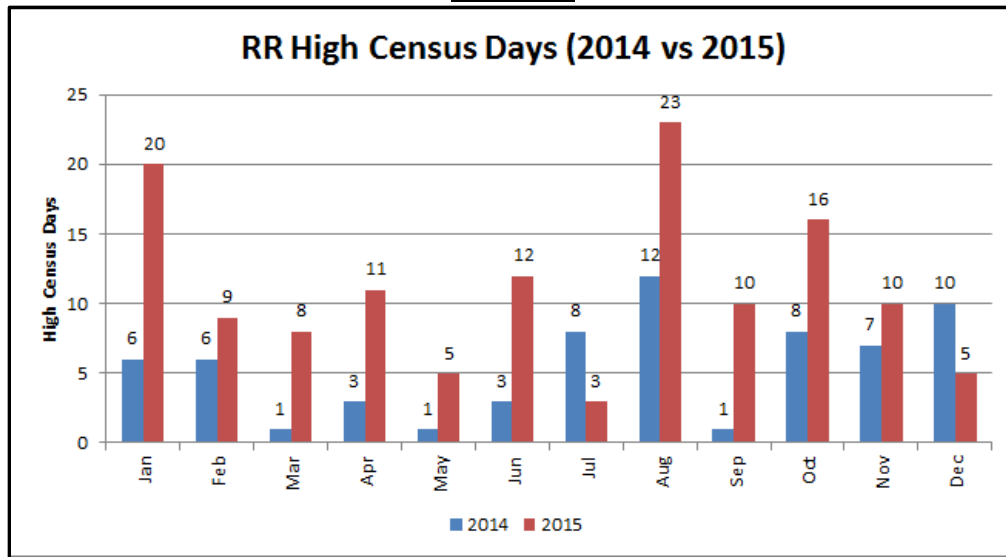
Since its opening in the summer of 2008, Ronald Reagan UCLA Medical Center has operated well above the 85 percent bed occupancy benchmark for optimal operating efficiency, with increasing frequency. Since July 2013, RUMC's midnight census has consistently exceeded this 85 percent bed occupancy benchmark (refer to Exhibit I), based on its hospital licensed beds:



RUMC's medical/surgical bed inventory of 278 beds is inadequately sized for its 120 intensive care unit (ICU) beds. RUMC's medical/surgical beds to ICU beds ratio is only 2.3:1, which is well below the conventional ratio of 4:1.

High Census Alert is another indicator of RUMC's constrained bed capacity. The definition of High Census Alert occurs when either 1) overflow bed census is higher than ten patients, or 2) RUMC's emergency department patients without bed placement ("boarders") exceed 20 patients. The frequency of High Census Alerts doubled from 66 days in 2014 to 132 days in 2015 (refer to Exhibit II):

Exhibit II



High Census Alert occurrences can affect patient satisfaction and access. Lack of beds causes delay for patients' disease-specific treatment until affected patients are transferred to the appropriate acute care clinical service. During high census, there is no bed access for clinically appropriate community patients seeking transfer or admission to RUMC. With respect to lack of community access, 1) RUMC activated diversion of its Emergency Department 44 percent of the time during calendar year 2015, resulting in emergent patients being redirected to other hospitals; and 2) 394 patient transfers from other hospitals to RUMC were canceled during the same twelve-month period.

RUMC's financial performance has been negatively affected by the Hospital's high occupancy, resulting in higher costs and lower revenue. The high inpatient bed demand has required more clinical and non-clinical staff to handle the incremental patient load, room turnover, and patient transport, as well as commensurate increases in supply and equipment costs.

Therefore, the proposed new bed tower would alleviate RUMC's current bed capacity constraints and expand alternatives for Mattel Children's Hospital. However, the most compelling reason for and benefit of this new building addition is that it enables expansion and retention of RUMC's tertiary/quaternary (T/Q) clinical programs. These complex and specialized services are and will remain the Hospital's core emphasis and competitive advantage in the future. T/Q services generate the contribution margins that keep the hospital system financially viable. Equally important, the tertiary/quaternary programs attract faculty subspecialists who are essential for the University's academic research and teaching missions.

Proactive Steps Taken to Address Bed Capacity Issue

RUMC senior leadership has taken the following steps to resolve the Hospital's bed capacity constraints.

Strategically, senior management assessed the potential to relocate the 74-bed Resnick Neuropsychiatric Hospital from the fourth floor to an off-campus setting. This relocation strategy was determined to be unfeasible resulting from the high costs to construct and operate a free-standing psychiatry hospital and the costs to repurpose the existing 74 psychiatric beds to medical/surgical beds. In another strategic move to expand bed capacity, senior management explored potential community hospital partnerships that would leverage bed capacity in these local hospitals. This strategic approach did not yield successful potential community hospital partnerships. However, RUMC leadership was successful in expanding the acute rehabilitation bed capacity by entering into a joint venture with a national rehabilitation company and a major Los Angeles hospital provider.

RUMC's management team has implemented several operational tactics to help alleviate the bed constraints. First, appropriate RUMC inpatients have been moved to Santa Monica UCLA Medical Center and Orthopaedic Hospital (SMH), and occasionally a RUMC Emergency Department patient has been admitted directly to SMH. This tactic has had less impact since SMH is frequently at full inpatient capacity as well. Secondly, additional inpatient beds have been added through the repurposing of the pre- and post-operative care units. RUMC's clinical teams identify and discharge clinically stable and appropriate inpatients directly from the intensive care units. In calendar year 2015, one thousand fifteen hundred and three (1,503) RUMC inpatients were discharged directly from an intensive care unit. Finally, the Medical Center has leased beds from selected skilled nursing facilities to ensure post-discharge placement of complex patients who have been difficult to place.

Timing

The UCLA Medical Center will shortly commence fundraising for the new bed tower project as its major annual Mattel Children's fundraising event is scheduled in May 2016. Moreover, nearly one-quarter of the \$300 million fundraising target (~\$70 million) has been verbally committed by a pediatric hospital donor and announcement of this at the May 2016 fundraiser could generate substantial donor interest. A high-profile donor has volunteered to lead fundraising efforts for this upcoming event. Finally, it should be noted that this proposed project was included as a fundraising goal in the approved UCLA Centennial Campaign, which is now approaching its halfway point.

Key to Acronyms

GSF	Gross Square Foot
ICU	Intensive Care Unit
RUMC	Ronald Regan UCLA Medical Center
SMH	Santa Monica UCLA Medical Center and Orthopaedic Hospital
T/Q	Tertiary/Quaternary