

Office of the President

TO MEMBERS OF THE HEALTH SERVICES COMMITTEE:

ACTION ITEM

For Meeting of August 14, 2024

**PROPOSED REQUEST FOR APPROVAL OF LA JOLLA MEDICAL CENTER
TOWER 2 AND LA JOLLA OUTPATIENT PAVILION, SAN DIEGO CAMPUS**

EXECUTIVE SUMMARY

UC San Diego Health is proposing to construct a new 250-bed hospital tower and 180,000 gross square foot outpatient pavilion on its La Jolla campus. Patient care volumes on the La Jolla campus have increased significantly since fiscal year 2021, and facilities are near or exceed available capacity. Lack of capacity in inpatient and outpatient settings is limiting UC San Diego Health's ability to meet the health care needs of the community and further support the tri-partite mission. Expanded facilities will allow UC San Diego Health to better serve patients from San Diego County and beyond, grow its destination programs, and position UC San Diego Health to be competitive into the future.

UC San Diego Health is requesting that the Health Services Committee approve its proposal to seek approval of preliminary plans funding, budget and external financing, and design pursuant to the California Environmental Quality Act (CEQA) for the new tower and outpatient pavilion at future meetings of the Finance and Capital Strategies Committee and the Board. The outpatient pavilion is expected to be operational by fall 2028 (fiscal year 2029) and the tower by summer 2031 (fiscal year 2031 or 2032). By authorizing the request to seek approvals through the Finance and Capital Strategies Committee and the Board, no irrevocable commitment is being made; all discretion remains with the Finance and Capital Strategies Committee and the Board of Regents.

RECOMMENDATION

The President of the University recommends that the Health Services Committee approve the San Diego campus' proposal to request recommendation by the Finance and Capital Strategies Committee to the Board of Regents at its future meetings for (1) approval of preliminary plans funding for the La Jolla Medical Center Tower 2 and the La Jolla Outpatient Pavilion; (2) approval of the budget and external financing; and (3) approval of design and action pursuant to California Environmental Quality Act CEQA, and any amendment or modification to the foregoing.

BACKGROUND

UC San Diego Health supports a three-campus strategy integrating clinical care, research, and teaching across its La Jolla and Hillcrest academic campuses, and East Campus community hospital. The La Jolla campus' inpatient footprint consists of three facilities: Thornton Pavilion (opened in 1993), Sulpizio Cardiovascular Center (opened in 2011), and Jacobs Medical Center (opened in 2016) (collectively, herein, referred to as "La Jolla Medical Center"). La Jolla Medical Center is complemented by outpatient care sites on its hospital campus including Koman Outpatient Pavilion, Perlman Medical Offices, and specialty centers at Moores Cancer Center and Shiley Eye Institute.

La Jolla Medical Center is renowned for its specialized tertiary and quaternary care that attracts patients nationally and internationally. The Medical Center provides 63 percent of the total inpatient services provided by UC San Diego Health. Destination clinical and academic programs in cancer, cardiovascular, transplant, women and infants, orthopedics, neurosurgery, and neurology are centered at La Jolla, and the La Jolla Medical Center has experienced significant inpatient census growth between fiscal years 2021 and 2024 in these and other service lines (increase of 77 daily census or 21 percent growth). La Jolla Medical Center is at-capacity with a combined licensed bed count of 418, and an inpatient census that currently exceeds this figure by 6 percent. Due to bed constraints, even with the recent acquisition of East Campus Medical Center, inpatients are being held in non-traditional areas such as the emergency department, and the ability to accept patient transfers from other hospitals is limited. In fiscal year 2024, over 1,100 transfer requests were denied or unrealized due to lack of capacity. Coupled with the overall bed deficit, the La Jolla Medical Center lacks adequate intensive and intermediate care-level beds for the current and growing volume of critical care and complex patients.

La Jolla Medical Center is capacity constrained in other clinical areas as well. Emergency department volume increased by 32 percent between fiscal years 2021 and 2024, as have patient wait times and length of stay. Emergency department bays are operating at over 100 percent utilization, which has necessitated conversion of administrative spaces to overflow units. Imaging services, particularly magnetic resonance imaging (MRI) and computerized tomography (CT), are experiencing long delays and backlogs as inpatient and emergency department volumes grow. In perioperative areas, La Jolla Medical Center lacks cardiac catheterization and electrophysiology suites, and there is an insufficient number of prep-recovery spaces for the existing operating rooms and procedural suites which is affecting patient throughput and delaying cases.

As UC San Diego Health continues to build centers of excellence, and expand its physician base and ambulatory footprint, additional inpatient capacity must be developed in unison to meet demand from both this expanded network and to address increased utilization from an aging population requiring more complex care. The proposed new tower on the La Jolla campus will address current infrastructure needs while providing additional capacity to support anticipated growth. Although the new tower will be a considerable financial investment, the growth of

programs and services associated with the tower is anticipated to provide an incremental return that will allow UC San Diego Health to meet its long-term financial goals and support health system initiatives including the redevelopment efforts on its Hillcrest campus.

To accommodate outpatient demand from increased patient volume, UC San Diego Health is proposing a new outpatient pavilion on the La Jolla campus to meet the needs of the current and future patient base. Specialty care clinic visit volume within existing ambulatory facilities on the La Jolla campus exceeds 500,000 annually. Wait times for appointments are higher than benchmarks, and accommodating new patient volume is challenging. Cancer services, a cornerstone of UC San Diego Health, are operating at over 100 percent utilization in infusion therapy and radiation therapy even with extended hours and days of operation. With thousands of cancer patients entering or looking to enter the system every year, capacity issues are hampering the ability to meet these needs. Imaging services are also strained, with select outpatient modalities in Koman Outpatient Pavilion running a 24/7 operation to keep up with demand. While effective in accommodating patient volume, this operating model is not sustainable in the long-term.

The proposed new outpatient pavilion on the La Jolla campus would complement existing ambulatory facilities, alleviate current constraints, and better position the health system for future growth. While inpatient services remain crucial for acute and complex medical conditions, the shift towards outpatient services requires a commensurate, if not greater focus on adding outpatient capacity as inpatient volume grows. With the new outpatient pavilion, UC San Diego Health is looking to focus the facility on select destination programs and develop an outpatient center that would provide a one-stop location for patients to access most services needed or related to their health condition.

PROGRAM DESCRIPTION

The proposed La Jolla Medical Center Tower 2 project would construct a new hospital tower of approximately 4800,000 gross-square-feet and would modify/renovate select areas within the existing hospital. Key elements of the new tower project are described below. These will be refined as clinical program planning continues through the calendar year.

- **Expansion of inpatient platform** – 250 licensed beds in the new tower, adding critical care and general acute care beds; tower will increase proportion of critical care beds on campus from 14 percent of total beds currently to 25 percent of total beds
- **Expansion of the emergency department** – ten additional emergency department bays and a 10-bay clinical decision unit, proximate to the current emergent department
- **Increased number of procedure rooms** – four additional cardiac catheterization and electrophysiology suites
- **Expansion of perioperative platform** – addition of pre-operative and post-anesthesia care units, and post-surgical observation/short-stay spaces

- **Radiology** – addition of imaging to support incremental inpatient and emergency department patients including general radiology (x-ray), ultrasound, MRI, CT

Future detailed space programming for the new tower will address needs within pharmacy, clinical laboratory, central sterile processing, dietary, administrative, and other spaces as an integrative plan for the entire inpatient La Jolla campus.

The proposed Outpatient Pavilion would construct a new hospital-licensed facility of approximately 180,000 gross square feet. The preliminary program for the outpatient pavilion is described below. Final composition of services will be defined as clinical program planning continues through the calendar year.

- **Development of Musculoskeletal, Spine, and Neurosciences Institute** – centralized location for all required outpatient services related to orthopedic, spine, and neuro conditions to streamline the patient experience and better support team-based care model and innovation; includes consultation and treatment, rehabilitation services, diagnostics, and possibly targeted research space and conference/education/office space
- **New perioperative platform** – at least six outpatient operating and procedural rooms, pre-operative and post-anesthesia care units, and central sterile processing
- **Infusion** – non-oncology infusion to support growing need and use of infusion therapies for neurological and other conditions; includes campus-wide consolidation of outpatient non-oncology infusion in the new pavilion, and the transfer of these services from Moores Cancer Center
- **Radiology** – outpatient imaging including x-ray, ultrasound, MRI, CT, and positron emission tomography (PET)
- **Building support** – materials management, storage, receiving, and housekeeping

With the opening of the new outpatient pavilion, approximately 35,000 gross square feet of clinical services and programs in Koman Outpatient Pavilion will relocate to the new facility. The preliminary program for backfill within Koman Outpatient Pavilion includes conversion of existing spaces and adding oncology infusion treatment bays/rooms. As noted, La Jolla campus-based infusion services are currently operating at over 100 percent utilization and more chairs are required to support current and future patient demand. Expanded oncology infusion will also complement the existing breast health/breast cancer infusion program within Koman Outpatient Pavilion. Koman Outpatient Pavilion backfill will be a separate project with approvals sought at a future date.

Long Range Development Plan

The project sites for the two proposed projects are within the La Jolla Medical Campus located on the eastern portion of UC San Diego's La Jolla Campus (Attachments 1 and 2). Both locations are consistent with the land use designation "Academic Healthcare" of the 2018 La

Jolla Campus Long Range Development Plan (2018 LRDP). While the proposed Outpatient Pavilion generally aligns with the 2018 LRDP as approved by the Regents in November 2018, the proposed hospital tower would be outside the development assumptions. An Update to the 2018 LRDP and accompanying Subsequent Environmental Impact Report (SEIR) are currently being prepared to accommodate increased growth across campus, including the proposed healthcare expansion in the La Jolla Medical Center. The Update and SEIR will analyze, in part, up to 400 beds (850,000 gross square feet) for the hospital site along with other increased development needs across campus. UCSD plans to present these documents to the Regents for review, approval, and certification in spring 2025. Approval of the updated LRDP and SEIR will occur prior to seeking Regental approval for the budget, financing, design, and CEQA for the proposed Outpatient Pavilion and Medical Center Tower projects.

Project Schedule

UC San Diego Health plans to request approval of the Outpatient Pavilion Preliminary Plans funding at the September 2024 Regents meeting. To follow, UC San Diego Health plans to request approval of the Hospital Tower 2 Preliminary Plans funding in late calendar year 2024 or early calendar year 2025. Other project approvals will be sought at future meeting(s) of the Regents, as needed.

UC San Diego Health is currently finalizing the clinical program for the new hospital tower and outpatient pavilion, which will confirm the clinical services and capacity needs for each facility. This phase is expected to be completed in winter 2024, in coordination with the beginning of the architectural design process. Pending approval by the Regents at future dates of the budget, financing, and design of the projects, the outpatient pavilion construction is expected to start in spring 2026 with operations commencing in fall 2028 (fiscal year 2029), while the hospital tower construction is expected to start in fall 2027 with operations commencing in summer 2031 (fiscal year 2031 or 2032).

Financial Considerations

Preliminary budgets (facility only, full project cost) are \$1.0 billion to \$1.5 billion for the new tower construction and \$250 million to \$300 million for the outpatient pavilion. Project fund sources would include external financing, State grant funds, and philanthropy. The total project costs, detailed funding plan, and financial feasibility for the new tower and outpatient pavilion will be presented to the Regents at the time of full budget and external financing approval.

Current plans are to present the new tower and outpatient pavilion projects to the Regents separately, with the outpatient pavilion being presented first in the September 2024 session for Preliminary Plans funding.

The outpatient pavilion Preliminary Plans funding of \$30 million will be funded from hospital reserves. As of June 30, 2023, UC San Diego medical center has a 7.1 percent operating margin, 4.5x debt service coverage, and 53 days cash on hand, excluding the non-cash pension and OPEB items, which is allowed by the University's Debt Policy. Over a ten-year projection period, minimum operating margin is projected to be 9.9 percent and debt service coverage is

August 14, 2024

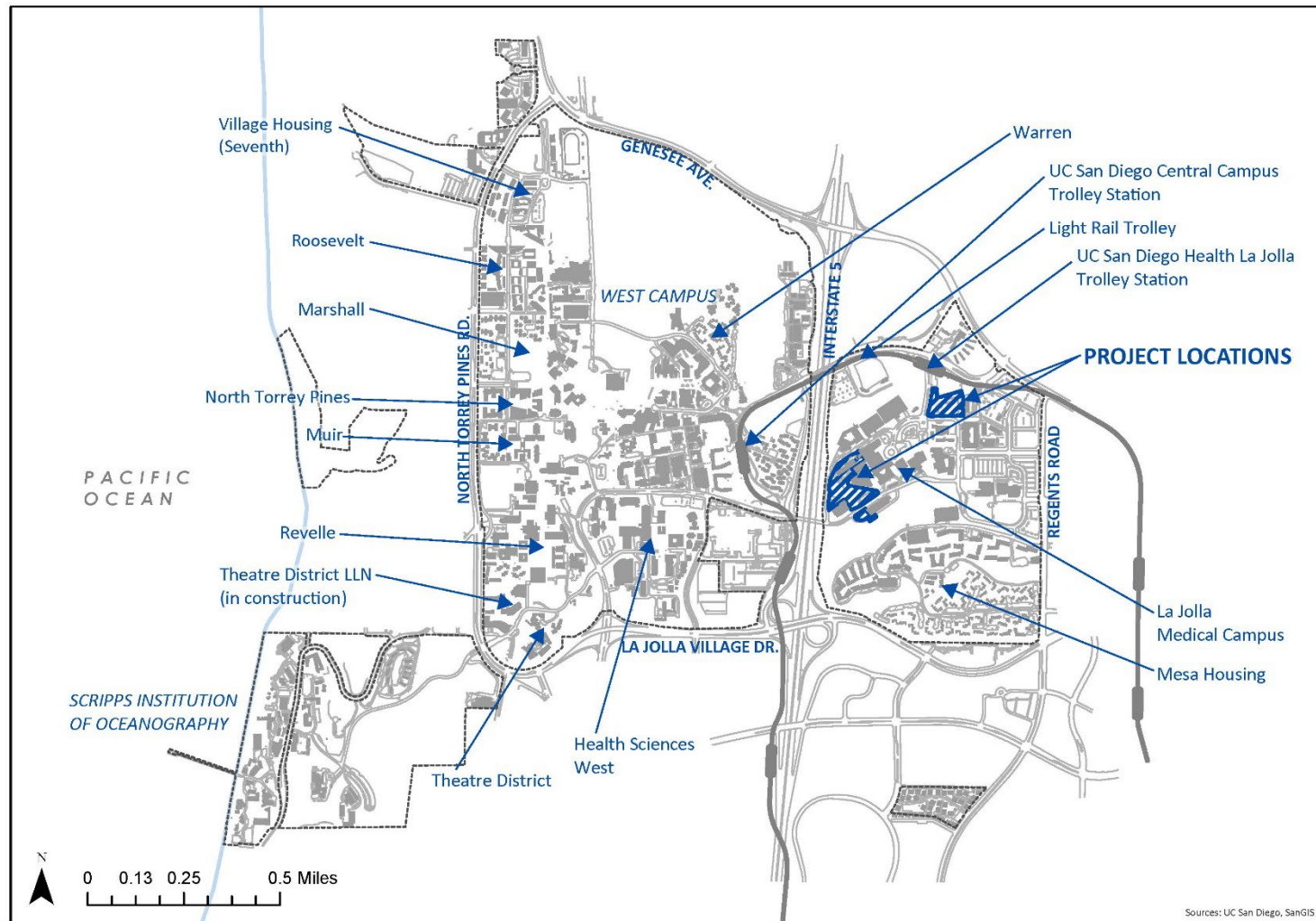
projected to be 6.0x, which meet the requirements of the University's Debt Policy. Days' cash on hand is projected to range from a low of 45 days to a high of 71 days, which does not meet the requirement of the University's Debt Policy, which ranges from 70 to 90 days during the projection period.

KEY TO ACRONYMS

CEQA	California Environmental Quality Act
EIR	Environmental Impact Report
LRDP	Long-Range Development Plan
SEIR	Subsequent Environmental Impact Report

ATTACHMENTS

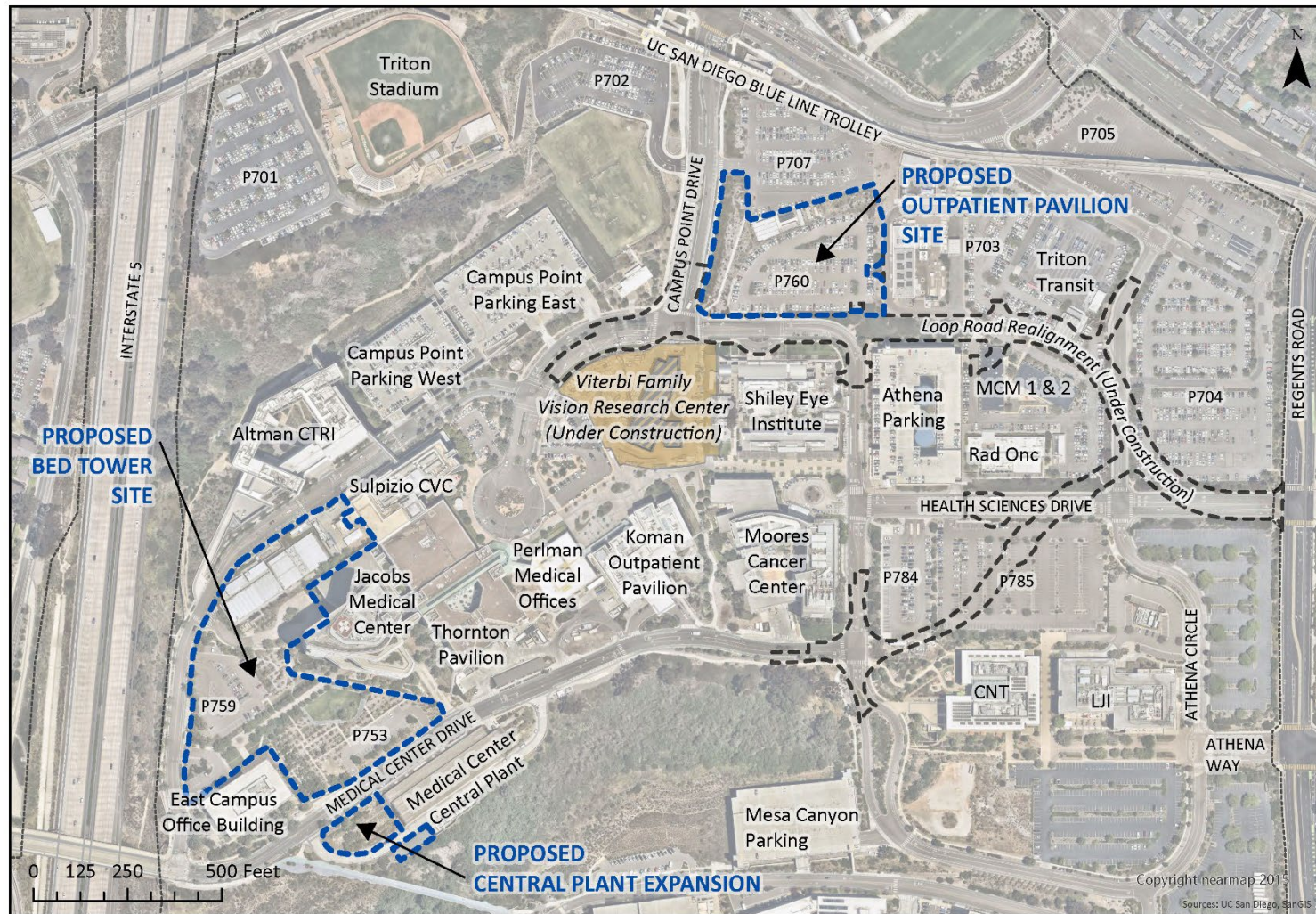
Attachment 1:	Project Location Map
Attachment 2:	Project Site Map



La Jolla Bed Tower/Central Plant Expansion and La Jolla Outpatient Pavilion
Project Locations

Created 07/08/2024

UC San Diego



La Jolla Bed Tower/Central Plant Expansion and La Jolla Outpatient Pavilion
Project Sites

Created 07/08/2024

UC San Diego