

Office of the President

TO MEMBERS OF THE COMMITTEE ON GROUNDS AND BUILDINGS:

ACTION ITEM

For Meeting of May 15, 2007

AMENDMENT OF THE BUDGET FOR CAPITAL IMPROVEMENTS AND THE CAPITAL IMPROVEMENT PROGRAM, UCSD MEDICAL CENTER EAST CAMPUS BED TOWER, SAN DIEGO CAMPUS

EXECUTIVE SUMMARY

Campus: San Diego

Project: UCSD Medical Center East Campus Bed Tower

Action: Approval of Preliminary Plans

Total Cost: \$12 million to be funded from hospital reserves

Previous Actions: None

Project Summary: The San Diego campus requests approval to begin design (Preliminary Plans) for the UCSD Medical Center East Campus Bed Tower. This project would build a new bed tower containing approximately 125-150 inpatient beds as an extension of the Thornton Hospital on the East Campus in La Jolla and would support improvements and seismic retrofitting of the Hillcrest hospital by creating additional inpatient capacity within the two-hospital system.

- Issues:
- This approval would allow the campus to proceed with preliminary plans for the East Campus Bed Tower over the next 18 months. Programs to be included as part of this project would be identified as part of the preliminary plans process.
 - The total estimated project cost would be between \$350 million and \$450 million. The project would be supported with gift funds, hospital reserves, and external financing.
 - Preliminary plans are estimated to require \$12 million, which is 2.7 percent to 3.4 percent of the estimated total project cost.

- Completion of this new bed tower would allow the UCSD Medical Center to operate all of its total licensed bed capacity of 505 acute care beds between both the Hillcrest and East Campus locations, adding bed capacity to meet the growing demand in San Diego County.
- Reallocation of beds between the sites would allow for additional improvements at the Hillcrest hospital, where UCSD would continue to operate approximately 250 inpatient beds, including a full spectrum of primary, specialty and emergency services, the Regional Burn Center, and UCSD's Level 1 adult trauma center. UCSD is currently implementing \$80 million in improvements at the Hillcrest hospital, which will allow operation of inpatient beds until 2030 when the hospital facility must be replaced to meet State seismic standards.
- With addition of the new bed tower, the East Campus would operate approximately 255 acute care beds, a full spectrum of outpatient primary and specialty outpatient services, emergency and urgent care services, and expanded cardiac and oncology services.
- Long-range planning for 2030 and beyond would continue in collaboration with the community.
- Project (formerly titled UCSDMC Thornton Bed Tower) is included in the 2006-07 Five-Year Capital Program, Non-State and State Funds.

RECOMMENDATION

The President recommends that the Committee on Grounds and Buildings recommend to The Regents that the 2006-07 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

San Diego: UCSD Medical Center East Campus Bed Tower – preliminary plans – (\$12 million) to be funded from hospital reserves.

A Key to the abbreviations and the project description are attached.

KEY
Capital Improvement Program Abbreviations

S	Studies
P	Preliminary Plans
W	Working Drawings
C	Construction
E	Equipment
-	State Funds (no abbreviation)
F	Federal Funds
G	Gifts
HR	Hospital Reserve Funds
I	California Institutes for Science and Innovation
LB	Bank Loans or Bonds (External Financing includes Garamendi, Bonds, Standby, Interim and Bank Loans)
LR	Regents' Loans (Internal Loans)
N	Reserves other than University Registration Fee (Housing and Parking Reserves)
R	University Registration Fee Reserves
U	Regents' Appropriations (President's Funds, Educational Fund)
X	Campus Funds
CCCI	California Construction Cost Index
EPI	Equipment Price Index

2006-07 Budget for Capital Improvements
and Capital Improvement Program
Scheduled for
Regents' Allocation, Loans, Income Reserves,
University Registration Fee Reserves, Gift Funds,
and Miscellaneous Funds

Campus and Project Title (Total Cost)		Proposed 2006-07	
<u>San Diego</u>			
UCSD Medical Center East Campus Bed Tower	P	\$12,000,000	HR
(\$12,000,000)			

BACKGROUND

The UC San Diego health care system operates two major medical campuses: the UCSD Medical Center East Campus on the eastern portion of the University's campus in La Jolla, and the UCSD Medical Center-Hillcrest located 13 miles to the south. Each Medical Center complex currently supports an acute care hospital and a full spectrum of outpatient primary and specialty medical and surgical services.

The San Diego campus requests approval to proceed with the preliminary plans (P) phase of the UC San Diego Medical Center East Campus Bed Tower Project, to be funded from \$12 million in hospital reserves. During this phase, preliminary plans to build a 125 to 150-bed tower next to the Thornton Hospital by 2014 would be completed. This project is necessary to allow for operation of all UCSD inpatient beds and to proceed with expansion and modernization plans for the Hillcrest campus.

Both UCSD hospitals operate under one license for 505 acute care beds, but only approximately 460 beds can be operated today due to facility limitations. An additional 35 licensed beds comprise UCSD's Child and Adolescent Psychiatry program located off site. The completion of the envisioned East Campus bed tower would allow UCSD to operate all of its 505 licensed beds between both sites, with approximately 235 to 260 beds in Hillcrest and 270 to 245 beds on the East Campus.

Location of specific inpatient care programs between the facilities would be identified through the preliminary plans process, with additional improvements at the Hillcrest hospital to begin after the reallocation of beds to East Campus. In addition, the Hillcrest hospital is being retrofitted to achieve compliance with the 2008 seismic improvement standards mandated by the State through Senate Bill 1953, which will allow UCSD to operate the hospital at least until 2030, when the facility will be out of compliance with more stringent standards. Concurrently,

UCSD will continue implementing plans to expand and enhance outpatient services, including surgical and emergency services, at both sites.

The Hillcrest hospital was leased from the County in 1966 and purchased in 1981 by the University. Licensed for 386 beds, only 341 beds can be utilized due to facility constraints. The hospital's aging infrastructure and structural obsolescence require substantial ongoing investment to support clinical, teaching, and research activities, and maintain patient comfort and safety. The campus is actively making improvements to the Hillcrest facility to meet short-term seismic code requirements and to improve and expand patient care; projects currently in planning or construction at Hillcrest total approximately \$80 million. This work includes approximately \$25 million in programmatic improvements that will increase the emergency department by 50 percent; expand patient care services including the surgical recovery area, diagnostic imaging, regional high-risk obstetrics/ labor and delivery, and the 40-bed Neonatal Intensive Care Unit (NICU); and seismic corrections (\$45 million) and infrastructure improvement projects (\$10 million) that will bring the Hillcrest facility in compliance with 2008 regulations as well as provide necessary upgrades to power, telecommunications, and HVAC systems.

Thornton Hospital, located on UCSD's East Campus (east of Interstate 5 across from the University's general campus in La Jolla and adjacent to UCSD's Science Research Park) opened in 1993 with 119 licensed and available beds. Because Thornton Hospital frequently operates at capacity in a growing market, additional clinical space is vitally needed. The East Campus complex also includes the Moores UCSD Cancer Center, the Shiley Eye Center, and the Perlman Ambulatory Care Center. Groundbreaking for the Sulpizio Family Cardiovascular Center (CVC) will take place in Fall 2007, with completion scheduled for 2010. The Sulpizio CVC project will include the addition of intensive care beds, expanded emergency services, and other patient care space which will provide some additional capacity.

Both UCSD hospitals have a steady census accommodating approximately 21,000 patient discharges annually. The hospitals and health care system are regional centers serving patients from all parts of San Diego County and beyond, with approximately nine percent of patients residing outside of the County. UCSD is also a disproportionate share provider, caring for over 33 percent of the County's uninsured patients, but only eight percent of the San Diego health care market overall. Consequently, approximately \$37 million in unreimbursed costs are absorbed annually by this health system.

UCSD is also expanding outpatient services and upgrading diagnostic and treatment technologies on both of its medical campuses. More than 86 percent of UCSD's patients use only outpatient, urgent care and emergency services, totaling approximately 540,000 outpatient visits a year. This very high proportion of outpatient usage aligns with national data, as improved prevention, diagnosis and management of chronic disease is increasingly occurring in the outpatient setting through the use of improved therapeutics and sophisticated, minimally invasive procedures to treat injury, and disease without hospitalization.

UCSD also has extensive partnerships with community providers, including the Veterans Affairs San Diego Health System, Children's Hospital and Health Center, and San Diego's robust

community clinic system. Plans include broadening and strengthening this network of partnerships, including the application of expanded telemedicine capabilities to improve specialty consultation services provided in collaboration with community-based colleagues, especially for patients in underserved communities.

Adherence to these plans will enable UCSD to efficiently and cost-effectively expand inpatient and outpatient patient services to meet the evolving needs of San Diego's growing population in all regions of the County, in safe and modern facilities on both campuses. These improvements are necessary to support the University's academic, clinical, and public service missions. By making phased investments to improve and expand facilities on both sites, UCSD will maintain financial viability and comply with state seismic standards through 2030, at which time the Hillcrest hospital facility will need to be replaced to conform to SB 1953 standards.

UCSD is actively collaborating with the community to discuss and plan for the strengthening of health services to meet projected countywide needs in the future. Ongoing planning will include development of options for maintaining inpatient services to meet the needs of patients in Central and South San Diego County beyond 2030 in seismically compliant facilities, either through new construction of UCSD facilities or in partnership with other provider systems facing similar challenges. In addition, during the proposed planning, UCSD would begin a formal fundraising campaign to meet the philanthropic targets that are part of the financing model for this project.

In summary, UCSD Medical Center's plans respond to patient demands and to changing trends in medicine by expanding access to inpatient, outpatient, urgent, and emergency services on both medical campuses. UCSD is committed to collaborating with the community to identify and address countywide health needs, while providing leadership in medical and pharmaceutical education and research.

Project Description

The proposed UCSD Medical Center East Campus Bed Tower project would accommodate approximately 125-150 inpatient beds from the Hillcrest hospital into a new tower that would extend the Thornton Hospital on the East Campus in La Jolla. Programs to be relocated as part of this project would be identified as a part of the preliminary plans process. The current timetable projects the beginning of construction in 2011, with completion in 2014.

The proposed preliminary plans work would include:

- planning for long range infrastructure support for the La Jolla site
- updating the physical plan for development of the La Jolla site
- determination of the size and departments to relocate from Hillcrest
- continuing evaluation of options for providing inpatient services to meet the needs of patients in Central and South San Diego County beyond 2030 and achieve compliance with SB 1953 standards
- preparation of schematic design and design development documentation for the La Jolla project
- preparation of detailed cost estimates and schedules

CEQA Compliance

The Final Environmental Impact Report for the 2004 UCSD Long Range Development Plan provided program-level environmental analysis, including the anticipated scope of this expansion of Thornton Hospital. Further project-specific environmental analysis would be prepared and reviewed in conjunction with standing Regents procedures for project design approval.

Funding Plan

The preliminary plans phase is estimated to cost \$12 million (or 2.7 percent to 3.4 percent of the estimated total project cost) and would be funded from hospital reserves. The total cost of the East Campus Bed Tower Project is projected to be between \$350 million to 450 million, to be funded with cash reserves, debt financing, and philanthropy preliminarily estimated as follows:

Hospital cash reserves	\$ 30,000,000 - \$ 50,000,000
Philanthropy	80,000,000 - 100,000,000
New debt	240,000,000 - 300,000,000
Total funding	\$350,000,000 - \$450,000,000

The range of estimated new debt would be within the Medical Center's future debt capacity. During the planning process, as programming is completed for patient services that would be included in the proposed bed tower, detailed financial projections would be developed to confirm the financial feasibility of the project based on refined estimates of patient volumes, payer mix, operating costs, project costs, and funding sources. As updated projections are developed, the scope, size, and cost for this project would be adjusted to meet standard fiduciary requirements and align with the various funding sources anticipated to be available to the Medical Center.

Future Regental Action

The San Diego campus would return to the Committee on Grounds and Buildings in 2008 to present a status update on planning efforts, philanthropy activities, and the financial plan for this Bed Tower Project.

(Attachments)

**PRELIMINARY PLANNING STATISTICS
UCSD MEDICAL CENTER EASTCAMPUS BED TOWER
CAPITAL IMPROVEMENT BUDGET
SAN DIEGO CAMPUS**

<u>Cost Category</u>	<u>Total Amount (\$)</u>	
Site Clearance		
Building		
Exterior Utilities		
Site Development		
A/E Fees ^(a)	\$ 7,116,035	
Campus Administration ^(b)	1,433,320	
Surveys, Tests	160,645	
Special Items ^(c)	\$ 3,290,000	
Contingency		
Total	\$ 12,000,000	
Groups 2 & 3 Equipment		
Total Funding for Preliminary Plans Phase	\$ 12,000,000	2.7%-3.4% of anticipated total project cost

- (a) A/E Fees include basic services for schematic design and design development.
- (b) Campus Administration includes senior management, project management, inspection, contracts, and support.
- (c) Special items include programming, master planning, special consultants, OSHPD preliminary review, code compliance fees, hazardous materials assessment, environmental and legal reviews, project reviews, and record drawings.