University of California, Irvine: New University Hospital Development and Related Medical Center Renovation Projects

Presentation to University of California Board of Regents:
Ground and Buildings Committee
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Chancellor

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PROJECT BACKGROUND

• Focus of original project was to provide replacement space to address seismic needs
• Shell space was included to accommodate growth-related needs
• Budget restrictions at the time limited site work and the clinical laboratory replacement space (the latter needed since the building housing the laboratory must be demolished)
• Proposed projects will complete development of the new hospital and will improve two existing facilities
CURRENT HOSPITAL

- Former county hospital (earliest part of building erected in 1914)
- Current structure built in 1962 (but using 1951 plans)
- Purchased by UC Regents in 1976
- Additional tower added in 1981
- Chao Family Comprehensive Center added in 1990
- Neuropsychiatric building added in 1993
- Not designed for teaching
- Multi-bed rooms decrease operational efficiency and patient satisfaction and create concerns about patient privacy
- Does not meet seismic code (SB1953)
FACTS ABOUT NEW UNIVERSITY HOSPITAL (CURRENT PROJECT)

• $393 Million (including equipment)
• Largest construction job in Orange County
• First “design-build” hospital in California
• 21 months of computerized 3-D modeling before start
• 85% complete so far
• On budget!
• Ahead of schedule (3.5 months)!
• No outstanding claims!
CURRENT PROJECT APPROVAL

- Lease Revenue Bonds: $235 million
- External Financing: 63 million
- Hospital Reserves: 26 million
- Philanthropy: 48 million
- Capital Leases: 21 million

TOTAL: $393 million

(191 licensed beds)
ISSUES

- Bed capacity is insufficient to meet teaching and clinical service needs optimally.
- More cost-effective to enhance capacity now than at a future date (prices lower; interest rates dropping; construction crew onsite; building still opened up; ahead of schedule on current project).
- Proposed completion project restores the bed capacity originally envisioned at the outset of the project but for which funds were unavailable.
- Debt capacity sufficient for facility enhancement.
January 2007 – 45% Complete
December 2007 – 85% Complete
Copper glass beacon for health care
Mock-Ups

Typical Med Surg Room – 280 sq.ft.

Typical Operating Room - 625 sq.ft.
Note: Future Development of Shelled Space to Expand Radiology
Shelled Space
Planned for
24 beds - 23 hr
Stay Unit
Shelled Space Planned for 4 additional ORs

2 additional ORs being built now

RF Shielding (MRI – OR)
LEVELS FIVE TO SEVEN

(Note: Level 7 – 30 shelled medical-surgical beds)
SUMMARY OF PROPOSAL

• Four-story replacement clinical laboratory building (current laboratory is in buildings that will be demolished) (November Regents meeting: approval for P and partial W-C) (Need final PWCE)

• Site improvements to permit expansion (i.e., demolition of one building constructed in 1914 and another constructed in 1962, to permit construction of a driveway and a covered patient entrance or “porte cochere”)

• Complete the shelled 45 medical-surgical beds (floors 3 & 7) 24-bed limited stay unit (first floor) 4 more operating rooms (second floor)(19 total) Expansion of imaging services (basement)
RELATED MEDICAL CENTER PROJECTS

- Remodeling of labor and delivery suite, obstetrics unit (Tower 1A – second and third floors) (adjacent to the New University Hospital)
- Remodeling of the clinical components of the Chao Family Comprehensive Cancer Center (outpatient cancer facility built in 1990): infusion therapy suite, expanded pharmacy, patient waiting areas (across the street from New University Hospital)
RESULTING NUMBER OF BEDS

Building 1A (existing hospital tower) = 107 beds
Building 3 (67 neuropsychiatry &
14 acute rehabilitation) = 81 beds
New hospital = 236 beds
TOTAL: 424 beds (licensed)

(Plus 19 operating rooms; 36 pre-operative and post-operative beds; 24 limited stay-unit beds)
COMPLETION:

- Phase 1 = January 2009 (original projection); now October 2008
- Phase 2 (today’s proposal) = Mid to late 2011
• January 2008:

(1) New University Hospital Site Improvements -
Demolition of buildings 1 and 10
Redevelopment to provide garden and outdoor dining
Covered patient entrance ("porte cochere")
Reconfiguration of main entrance road to provide access to hospital

COST: $23,972,000 (external financing)
OUTLINE OF REGENTS ITEMS

• January 2008:

(2) UCI Medical Center Clinical Laboratory Replacement Building -
Four-story, 48,000 gsf building (replaces space in buildings 1 and 10, which will be demolished)

COST: $49,497,000 (external financing $43,297,000; capital leases $6,200,000)
OUTLINE OF REGENTS ITEMS (cont)

- January 2008:

  (3) New University Hospital Shell-Space Completion –
  45 medicine-surgery beds
  24 limited-stay unit beds
  4 additional operating rooms
  Expansion of radiology into basement

  COST: $139,044,000 (external financing $115,322,000; capital
  leases $23,722,000)
OUTLINE OF REGENTS ITEMS (cont)

• January 2008:

(4) UCI Medical Center Building 1A Renovation, Floors 2 and 3 – Obstetrics, Labor and Delivery (built in 1981)

   COST: $13,612,000 (external financing $11,813,000; capital leases $1,799,000)

(5) Chao Family Comprehensive Cancer Center Remodel (built in 1990)
   (outpatient facility – renovation of clinical portion only) (NCI designation)

   COST: $16,098,000 (external financing $14,291,000; capital leases $1,807,000)
**OUTLINE OF REGENTS ITEMS (cont)**

- January 2008: TOTAL

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<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Site improvements</td>
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<tr>
<td>Laboratory replacement</td>
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<tr>
<td>Shell-space completion</td>
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<tr>
<td>Tower 1A renovation</td>
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<tr>
<td>Cancer center remodel</td>
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<td><strong>TOTAL:</strong></td>
<td><strong>$242,223,000</strong></td>
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(External financing 208,695,000)
(Capital leases 33,528,000)
TOTAL EXPANDED PROJECT

- Original project $371,720,000
- November 2007 augmentation 21,208,000
- Enhancement 242,223,000
- TOTAL: $635,151,000
  (Lease revenue bonds 235,000,000
   External financing 271,615,000
   Capital leases 54,319,000
   Philanthropy 47,500,000
   Hospital reserves 26,717,000)
RESULTING FINANCIAL PERFORMANCE

- Outpatient visits: 457,000 (2007) to 520,000 (2013)
- Total operating revenue: $489,000,000 (2007) to $807,000,000 (2013)
- Total operating expenses: $448,000,000 (2007) to $742,000,000 (2013)
FINANCIAL PERFORMANCE (cont.)

• Projected net income:
  $45,000,000 (2007) to $52,000,000 (2013)
• Days cash on hand:
• Total operating margin:
  9.2% (2007) to 6.4% (2013)
• Debt service coverage:
  6.6 (2007) to 3.1 (2013)
### DEBT CAPACITY
(Lehman Brothers)

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QUESTIONS?