



CHILDREN'S HOSPITAL LOS ANGELES

Annual Report
2018

STATISTICAL REPORT

Fiscal Year 2018

CLINICAL



391
ACTIVE
BEDS



17,081
DISCHARGES



556,706
PATIENT VISITS



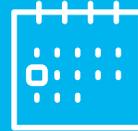
17,150
SURGERIES



854
MEDICAL STAFF
MEMBERS



6,051
EMPLOYEES



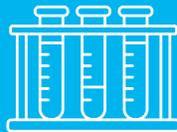
6.5 AVERAGE
LENGTH
OF STAY
DAYS

115,106 PATIENT DAYS

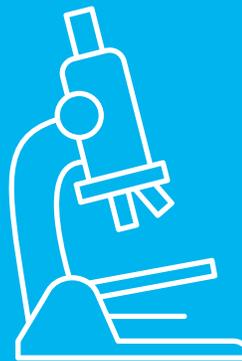
RESEARCH



\$22.6 MILLION
TOTAL NATIONAL
INSTITUTES OF
HEALTH FUNDING



379
ACTIVE
CLINICAL
TRIALS



\$98
MILLION
TOTAL
RESEARCH
FUNDING

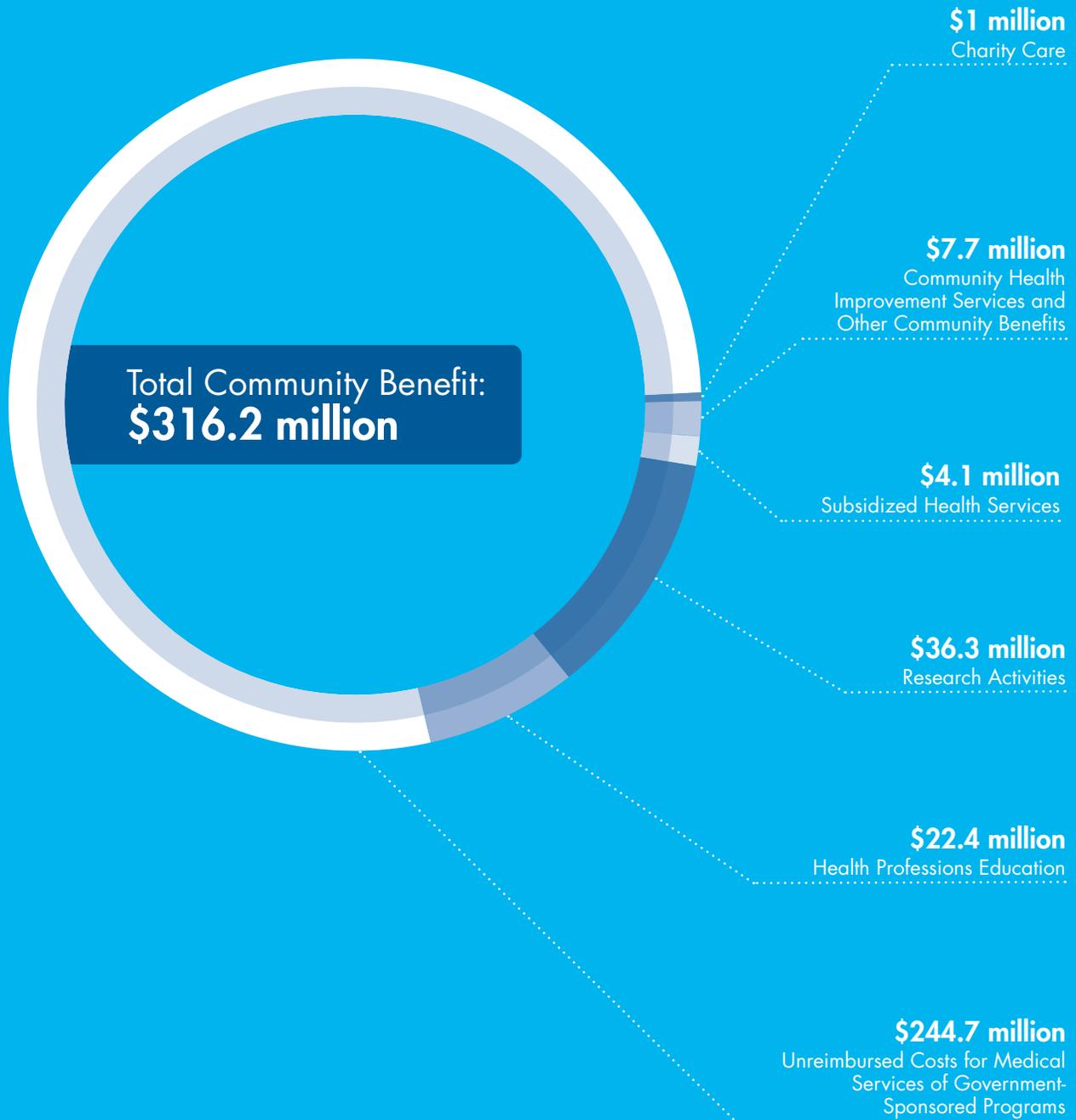
NATIONAL RANKINGS



**NO. 6 IN THE COUNTRY: MORE
SPECIALTIES IN THE TOP 10 THAN EVER**

CHARITY CARE AND OTHER COMMUNITY BENEFITS

Fiscal Year 2018



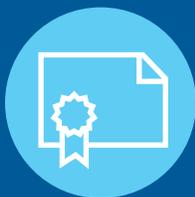
ZONES OF IMPACT



PATIENT CARE

A breakthrough treatment for a blinding retinal degeneration that begins in infancy is being used by physicians at CHLA to restore sight in patients.

Marketed as Luxturna, this gene therapy is delivered surgically to both eyes and replaces a defective gene in the retina with a healthy copy made from artificial DNA, almost instantly improving sight for patients suffering from this genetic disease. The Vision Center at Children's Hospital Los Angeles performed the first of these procedures on the West Coast, and is one of only 10 comprehensive centers in the United States approved to offer the new treatment.



EDUCATION

Educating pediatric caregivers—from general pediatricians to specialists, and from nurses to health care leaders and more—is core to CHLA's mission. By

training excellent providers, the hospital ensures that future generations of children will have full access to health care services. One hundred percent of physician trainees who graduated from the CHLA Residency Program in 2017 passed the American Board of Pediatrics exam on the first attempt, well above the national average of 75 to 80 percent. More than 1,400 nurses have graduated from CHLA's Versant® RN Residency in Pediatrics, and the hospital's expert nurses teach more than 1,200 nursing students per year.



RESEARCH

With a groundbreaking clinical trial, CHLA is offering hope to children born with hypoplastic left heart syndrome (HLHS)—a rare and serious

heart defect that is fatal if not corrected. Though a trio of surgeries early in life can reroute blood flow through the heart, when HLHS patients reach late adolescence, their reconstructed hearts often begin to deteriorate. CHLA is participating in a new research study, launched by the Mayo Clinic in Minnesota, in which stem cells from a patient's own umbilical cord are injected in the heart muscle at around 6 months of age. The goal is to stimulate heart muscle growth and delay or even prevent heart failure. CHLA is the only West Coast member of the study.



ADVOCACY

The recent passage of Proposition 4 by California voters by a wide margin was a win for children's health care in the state. CHLA collaborated

with the California Children's Hospital Association and other children's hospitals around the state to raise awareness about the proposition. The hospital also enlisted legendary Los Angeles Dodgers baseball announcer Vin Scully to serve as the voice of the Yes on Prop. 4 campaign, and even hosted a visit by Los Angeles Mayor Eric Garcetti, where he announced his endorsement of the initiative. Thanks to California voters, CHLA and other regional children's hospitals will receive vital funding to upgrade facilities and technology, and expand capacity to meet the growing need for pediatric health care in our state.



GROWTH

In the seven years since the hospital's Marion and John E. Anderson Pavilion opened, patient volume in CHLA's Emergency Department has increased by approximately 30,000 visits a year. Surgeries at CHLA have increased by more than 2,000 cases annually in the same period. The hospital consistently operates at or above its budgeted daily census, and has been adding more beds, as well as moving administrative offices to off-site locations, to meet increased demand for care. CHLA is currently planning a future in which it will do even more to meet increasing patient demand, directly and through partnerships across the Los Angeles community.



PHILANTHROPY

The need for CHLA's compassionate care continues to rise and, with the help of generous philanthropists, the institution is doing more than ever to support the health care needs of its patients. An anonymous donation of \$20 million will permit CHLA to expand care in the Maurice Marciano Family Foundation Emergency Department and Trauma Center. Opened in 2011 as part of the state-of-the-art Marion and John E. Anderson Pavilion, the department was originally constructed to handle 65,000 patient visits annually; today, it is operating above capacity, managing almost 90,000 patient visits each year. This transformative gift will allow CHLA to make critical enhancements to the department's existing space while supporting Child Life programs to help children cope with their health care experience.



INNOVATION

CHLA launched an Innovation Studio, designed to bring internal and external communities together to incubate and accelerate processes and technologies that can solve complex problems and transform pediatric care. The studio uses human-centered design and focuses on digital health solutions to address virtual care, social and emotional determinants of health, artificial intelligence, voice recognition, virtual and augmented reality, digital therapeutics and more. CHLA is home to the Food and Drug Administration-funded West Coast Consortium for Technology and Innovation in Pediatrics, which guides pediatric medical device innovators from ideation through commercialization, and houses a portfolio of more than 125 companies. The Innovation Studio's efforts signal CHLA's commitment to improving care for children by disrupting health care from within its own walls.





A Letter From the President and Chief Executive Officer

We are starting off 2019 with impressive outcomes to report from the past year. In nearly every metric, Children's Hospital Los Angeles outperformed its previous best. CHLA cared for more patients, served more families, achieved its highest levels of patient satisfaction, and had more clinical programs ranked in the top five nationally than ever before, all while improving efficiency and fiscal responsibility.

These aren't mere numbers. They have great meaning thanks to the impact we are having on the precious patients and families entrusted to our care. Our strengthened financial outlook means that our strategies are appealing to more families and more providers, and our increase in patient satisfaction means that we are improving care and successfully fulfilling our mission to create hope and build healthier futures.

The final months of 2018 boded well for our efforts to add to our achievements. The passage of Proposition 4 along with recent property acquisitions in the community surrounding the Sunset and Vermont campus permit us to plan for a future in which we are able to care for more children and meet even greater patient demand for our demonstratively superior and compassionate clinical care. We are fortunate to have the outstanding leadership of our Board of Directors and Foundation Board of Trustees throughout all of these developments, and to lead us into our next chapter.

I hope you will see from this Annual Report what a remarkable 2018 the hospital enjoyed, as well as share in my profound optimism for the year ahead. We are especially grateful to the broader Los Angeles community for its support of our mission.

Warmest regards,

A handwritten signature in black ink that reads "Paul S. Viviano". The signature is written in a cursive, flowing style.

PAUL S. VIVIANO

President and Chief Executive Officer

FINANCIAL SUMMARY

BALANCE SHEET

(in thousands)

As of June 30, 2018 and 2017

| | 2018 | 2017 |
|---|--------------------|--------------------|
| Current Assets | \$586,890 | \$289,367 |
| Non-Current Assets | 1,538,306 | 1,466,373 |
| Total Assets | \$2,125,196 | \$1,755,740 |
| Current Liabilities | \$296,855 | \$168,571 |
| Non-Current Liabilities | 493,427 | 499,848 |
| Total Liabilities | \$790,282 | \$668,419 |
| Unrestricted Net Assets | \$990,362 | \$776,322 |
| Temporarily Restricted Net Assets | 157,341 | 132,506 |
| Permanently Restricted Net Assets | 187,211 | 178,493 |
| Total Net Assets | \$1,334,914 | \$1,087,321 |
| Total Liabilities and Net Assets | \$2,125,196 | \$1,755,740 |

INCOME STATEMENT*

(in thousands)

As of June 30, 2018 and 2017

| | 2018 | 2017 |
|--|--------------------|-------------------|
| OPERATING REVENUE | | |
| Net Patient Service Revenue | \$793,369 | \$714,394 |
| All Other Operating Revenue | 207,318 | 199,081 |
| Total Operating Revenue | \$1,000,687 | \$913,475 |
| OPERATING EXPENSES | | |
| Salaries and Employee Benefits | \$620,358 | \$564,344 |
| Professional Fees and Purchased Services | 201,979 | 197,295 |
| Supplies | 143,614 | 134,360 |
| Other | 69,508 | 63,633 |
| Total Operating Expenses | \$1,035,459 | \$959,632 |
| Total Operating Income | (\$34,772) | (\$46,157) |

*Hospital Fee Program-related transactions have been excluded from the Income Statement for both years.

CHLA LEADERSHIP

Hospital and Medical Group Leadership

Paul S. Viviano
President and Chief Executive Officer

Robert Adler, MD, MEd
Chief Medical Officer, CHLA Health System; Senior Advisor to the Chair of Pediatrics (CHLA); Professor of Pediatrics (USC)

Alexandra Carter, MBA, CFRE
Senior Vice President and Chief Development Officer

Steve R. Garske, PhD, MSc
Senior Vice President and Chief Information Officer

Larry J. Harrison, MPH, MBA
Chief Executive Officer, Children's Hospital Los Angeles Medical Group

Marilyn C. Ho, MBA
Administrative Chief of Staff

Karen Kay Imagawa, MD
Chief of Staff; Director, Audrey Hepburn CARES Center; Director, Developmental-Behavioral Pediatrics Program (CHLA); Clinical Assistant Professor of Pediatrics (Clinician Educator) (USC)

Alexander R. Judkins, MD, FCAP, FRCP (Edin)
Pathologist-in-Chief; Head, Department of Pathology and Laboratory Medicine (CHLA); Vice Chair and Associate Professor (Clinical Scholar), Department of Pathology (USC)

Lara M. Khouri, MBA, MPH
Senior Vice President and Chief Strategy Officer, CHLA and Children's Hospital Los Angeles Medical Group

Mark D. Krieger, MD
Billy and Audrey L. Wilder Endowed Chair in Neurosurgery, Interim Chair, Department of Surgery (CHLA); Professor of Clinical Neurological Surgery (USC)

Nancy J. Lee, MSN, RN, NEA-BC
Senior Vice President and Chief Clinical Officer

Pat Levitt, PhD
Vice President, Chief Scientific Officer, Director, The Saban Research Institute, Simms/Mann Chair in Developmental Neurogenetics (CHLA); W.M. Keck Provost Professor of Neurogenetics (USC)

M. Scott Lieberenz, MSA, CPA
Senior Vice President and Chief Financial Officer

Barry Markovitz, MD, MPH
Chair, Department of Anesthesiology Critical Care Medicine (CHLA); Professor of Clinical Pediatrics and Anesthesiology (USC)

Marvin D. Nelson, MD, MBA, FACR
Head, Department of Radiology (CHLA); Professor of Radiology (USC)

Grace E. Oh, JD, MBA
Senior Vice President and General Counsel

Gary Scott, MD
President, Children's Hospital Los Angeles Medical Group; Clinical Professor of Anesthesiology (USC)

Robert E. Shaddy, MD
Pasadena Guild Chair, Pediatrician-in-Chief and Senior Vice President, Academic Affairs (CHLA); Chair, Department of Pediatrics (USC)

James E. Stein, MD, MSc, FACS, FAAP
Senior Vice President and Chief Medical Officer, Ford Theodore Miller Murphy Chair in Surgical Oncology (CHLA); Associate Professor of Clinical Surgery (USC)

Mamoon Syed, MHA
Senior Vice President and Chief People Officer