Bob Hemker, CEO/ President
Palomar Health

Crossroads

This is a very important time for our organization – the decisions we make in the coming weeks will have a lasting impact on the face of healthcare in our communities. To ensure that I give you a full explanation of what led to this evening, I would like to begin with a few prepared remarks.

Health care is at a crossroads. Never before in history has our industry gone through such dramatic changes – like those we have seen in the past five years. Much of the change is positive, and will lead to improved patient care, such as the advances in medical technology and medical science. These advances have the potential to dramatically improve the practice of modern health care and the delivery of services to the patient.

Nowhere is that more evident than in Palomar Medical Center, which is one of the most innovative hospitals in the entire country. It was built to provide the highest quality medical care for patients in the Palomar Health district.

Other changes have been more difficult, such as the dramatic changes in the financial structure of health care. Hospitals are being asked to do more with much less, and patients are paying more than they ever have for the services they receive. Physicians and health care workers are being asked to do the same – more with less. It is a challenging time for everybody in the business of healthcare.

Everywhere you go in the health care industry, you hear the same conversations. How are we going to keep up with all these changes? What will the impact be on our medical staff and nurses? How will the patients be impacted? Who is going to pay for all of these changes?

Our leadership team and our board of directors are no different than the rest of the industry. We too are at a crossroads. We constantly ask the same questions and look for answers. We want to make sure that we continue to provide the
communities that we serve with continued access to the highest-quality and safest health care that we can. That is our job, and one that we take very seriously.

To do this, we must look at it from every angle. We need to understand what the best medical care we can provide is? We need to know where these services should be provided. We have to look at what investments in medical technology, infrastructure and information technology advancements we need to make across the District and in all facilities. For Palomar Health Downtown campus, that means at least $172 million. And we have to do all of this in a fiscally prudent manner to ensure that we are doing the best job we can for our community.

That is why we are constantly looking toward the future and trying to determine how Palomar Health needs to change with the industry so that we can continue to grow this organization to meet the future health needs of our patients. And, while we can learn a lot from the past, we must not dwell on it, as the world has changed too much. Our future is going to be dramatically different from the past.

We must always look out and make the tough decisions that need to be made to ensure that we are providing the best health care services we can today, and position our organization up to continue to provide the highest quality services we can for generations to come. Our patients, our community and our internal team deserve that from us, and we will deliver.

Many people have said that the board is being asked to make this decision in only 13 days, and others have said that the decision has already been made. Neither of those is true.

Our board carefully studies the changing healthcare environment and considers the impact those changes may have on our district. They feel a deep responsibility to ensure that our communities continue to have high quality healthcare services now and in the future. Earlier in the spring, they requested that our team perform a thorough due diligence of the viability of the downtown campus, and we have been working hard since then to gather the right people to make sure we are looking at this issue from every angle.
We did an internal analysis of the financial situation, and then hired Kaufman Hall, industry leader in health care, to conduct an independent assessment of the financial situation as well. We are pleased to report that their independent analysis validated our internal assessment. Quite simply, that assessment showed that this organization would save $20 million dollars per year if we were to close the Downtown Campus and consolidate our facilities.

With that type of savings, this organization has the opportunity to become a growth organization. Without it, instead of proactively planning for the healthcare needs of the communities we serve, we will be forced to react to financial pressures around aging building needs, shrinking reimbursements and reduction of services.

Imagine what we can do with $20 million in savings every year. Imagine a brand new birthing center at Palomar Medical Center. Imagine several new operating rooms at Pomerado Hospital. Imagine urgent care facilities in the Escondido community. If you are part of the staff, imagine consistent staffing and scheduling. Imagine having the best technology available to do your job.

Imagine a future where Palomar Health can actually grow to meet the needs of our patients. Imagine having the cash available to finish building out the open spaces at Palomar Medical Center and Pomerado Hospital as we need them.

Imagine… I know I can, and I know our leadership team can. I know our medical staffs can, and I know the rest of our team can as well.

All of this is possible, but in order to do so, we have to make tough decisions. I am here today to share with you the recommendation our leadership team has made to our Board of Directors after months of due diligence to determine the best way to maximize our facilities and continue to offer the best health care services for our community. This is very well thought out, and it is 100 percent doable.

I am confident in this recommendation and I am confident that this is the right thing to do for the future of Palomar Health. Is it an easy decision? -- NO. But it is the right decision.

Many people have spent a great part of their careers working at the Downtown campus. I have worked at Palomar Health 14 years and during that time,
have shared responsibility for that campus. Many others have been going to the Downtown campus for decades to get their health care services. Some people in this room may have been born here (there).

However, a positive memory alone is not reason enough to keep this place open. We all know that this hospital is aged. We know very well that this hospital needs lots of upgrades. After conducting the due diligence that we went through, we also know the money that could be spent on this hospital is much better spent in other ways that support patient care throughout our District.

We all know the board has a difficult decision to make. Myself, the medical staff and the leadership team are here today to share with all of you some of the thinking behind our recommendation to the board. We believe that when you understand the real picture that we face today that this is the right decision. This is the prudent decision. And this decision can set Palomar Health up for a very bright future.

So please allow me to walk you through some of the details on our recommendation, and some of the details on how we would shift services over the next 120 days and then we will open for questions and answers.