

**Posted
Friday
May 26, 2023**

**FINANCE COMMITTEE MEETING
Agenda
WEDNESDAY, MAY 31, 2023
12:00 NOON**



PLEASE SEE PAGE 2 FOR MEETING LOCATION

*PLEASE TURN OFF CELL PHONES OR SET THEM TO SILENT MODE
UPON ENTERING THE MEETING ROOM*

	<u>Time</u>	<u>Form A Page</u>	<u>Target</u>
CALL TO ORDER .....	.....	.....	12:00
❖ Public Comments ¹ .....	..... 30	.....	12:30
1. Board Finance Committee Follow-ups.....	..... 3	..... 4	12:33
2. * Approval: Minutes – Finance Committee – Wednesday, January 25, 2023 (<i>SEPARATE COVER</i>) .....	..... 2	..... 5	12:35
3. * Approval: Executed Budgeted Routine Physician Agreement(s) (<i>ADD A – Pp8-14</i>) .....	..... 5	..... 6	12:40
4. * Review/Approval: Capital & Operating Budgets for Fiscal Year 2024, Consisting of the Following: (<i>ADD B – Pp15-44</i>).....			
i. * FY2024 Operating Budget.....	..... 60	..... 7	1:40
ii. * FY2024 to FY2026 Capital Plan			
iii. * Composite Charge Master Rate Change.....			
iv. * Five-Year Strategic Financial Plan			
ADJOURNMENT .....	.....	.....	1:40

NOTE: The meeting—without public comments—is scheduled to last 70 minutes, starting at 12:00 noon, with adjournment at 1:10 p.m.

Board Finance Committee – Voting Members		
Laura Barry – Chair	Mike Pacheco – Director	Jeff Griffith, EMT-P - Director
Diane Hansen, President & CEO	Kanchan Koirala, MD, CoS Palomar Medical Center Escondido	Sam Filiciotto, MD, CoS Palomar Medical Center Poway
Board Finance Committee – Alternate Voting Members		
Laurie Edwards-Tate, MS Board Alternate	Andrew Nguyen, MD – CoS-Elect CoS Alternate – Palomar Medical Center Escondido	Mark Goldsworthy, MD – CoS-Elect CoS Alternate – Palomar Medical Center Poway
Board Finance Committee – Non-Voting Members		
Hugh King, CFO	Ryan Olsen, COO	Omar Khawaja, MD, CMO
Mel Russell, RN, CNE		Amanda Pape, Vice President of Finance

NOTE: If you have a disability, please notify us 72 hours prior to the event so that we may provide reasonable accommodations

* Asterisks indicate anticipated action. Action is not limited to those designated items.

¹ See page 3

Board Finance Committee Location Options

- **The Linda Greer Conference Room, 2125 Citracado Parkway, Suite 300, Escondido, CA 92029**
 - Committee members who are elected members of the Board of Directors will attend at this location, unless otherwise noticed below
 - Elected members of the Board of Directors who are not members of the Committee and wish only to observe, non-Board member attendees, and members of the public may also attend at this location
- **Join on your computer, mobile app or room device:** [Click here to join the meeting](#) | Meeting ID: 256 669 184 621 Passcode: kbw7mq | **or**
- **Dial in using your phone (audio only): 929.352.2216 | Phone Conference ID: 215166036#**
 - Elected members of the Board of Directors who are not members of the Committee and wish only to observe, non-Board member attendees, and members of the public may attend the meeting virtually utilizing the above options
- **The Legacy Center Library, 875 Hotel Circle South, San Diego, CA 92108**
 - Elected member of the Board Michael Pacheco will be attending the meeting virtually from this location

DocID: 21790
 Revision: 9
 Status: Official

Source:
 Administrative
 Board of Directors

Applies to Facilities:
 All Palomar Health Facilities

Applies to Departments:
 Board of Directors

Policy: Public Comments and Attendance at Public Board Meetings

I. PURPOSE:

A. It is the intention of the Palomar Health Board of Directors to hear public comment about any topic that is under its jurisdiction. This policy is intended to provide guidelines in the interest of conducting orderly, open public meetings while ensuring that the public is afforded ample opportunity to attend and to address the board at any meetings of the whole board or board committees.

II. DEFINITIONS:

A. None defined.

III. TEXT / STANDARDS OF PRACTICE:

- A. There will be one-time period allotted for public comment at the start of the public meeting. Should the chair determine that further public comment is required during a public meeting, the chair can call for such additional public comment immediately prior to the adjournment of the public meeting. Members of the public who wish to address the Board are asked to complete a [Request for Public Comment form](#) and submit to the Board Assistant prior to or during the meeting. The information requested shall be limited to name, address, phone number and subject, however, the requesting public member shall submit the requested information voluntarily. It will not be a condition of speaking.
- B. Should Board action be requested, it is encouraged that the public requestor include the request on the *Request for Public Comment* as well. Any member of the public who is speaking is encouraged to submit written copies of the presentation. C. The subject matter of any speaker must be germane to Palomar Health's jurisdiction.
- D. Based solely on the number of speaking requests, the Board will set the time allowed for each speaker prior to the public sections of the meeting, but usually will not exceed 3 minutes per speaker, with a cumulative total of thirty minutes.
- E. Questions or comments will be entertained during the "Public Comments" section on the agenda. All public comments will be limited to the designated times, including at all board meetings, committee meetings and board workshops.
- F. All voting and non-voting members of a Board committee will be seated at the table. Name placards will be created as placeholders for those seats for Board members, committee members, staff, and scribes. Any other attendees, staff or public, are welcome to sit at seats that do not have name placards, as well as on any other chairs in the room. For Palomar Health Board meetings, members of the public will sit in a seating area designated for the public.
- G. In the event of a disturbance that is sufficient to impede the proceedings, all persons may be excluded with the exception of newspaper personnel who were not involved in the disturbance in question.
- H. The public shall be afforded those rights listed below (Government Code Section 54953 and 54954).
 - 1. To receive appropriate notice of meetings;
 - 2. To attend with no pre-conditions to attendance;
 - 3. To testify within reasonable limits prior to ordering consideration of the subject in question;
 - 4. To know the result of any ballots cast;
 - 5. To broadcast or record proceedings (conditional on lack of disruption to meeting);
 - 6. To review recordings of meetings within thirty days of recording; minutes to be Board approved before release;
 - 7. To publicly criticize Palomar Health or the Board; and
 - 8. To review without delay agendas of all public meetings and any other writings distributed at the meeting. I. This policy will be reviewed and updated as required or at least every three years.

IV. ADDENDUM:

Original Document Date: 2/94
 Reviewed: 8/95; 1/99; 9/05
 Revision Number: 1 Dated: 9/20/05

Source Administrator Hernandez, Lisa

Document Owner DeBruin, Kevin

Collaborators: Carla Albright, Deanna Peterson, Deborah Hollick, Douglas Moir, Jami Piearson, Jeffrey Griffith, Julie H Avila, Kelly Wells, Laurie Edwards-Tate, Megan Strole, Nancy Calabria, Nanette Irwin, Richard Engel, Sally Valle, Tanya L Howell, Thomas Kumura

Reviewers

Approvals

- Committees: (10/12/2022) Policies & Procedures

- Signers: Kevin DeBruin

Original Effective Date Kevin DeBruin, Chief Legal Officer (10/25/2022 09:21AM PST)

Revised Reviewed [09/20/2005 Rev. 1], [03/13/2009 Rev. 2], [04/14/2012 Rev. 3], [05/01/2014 Rev. 4], [02/03/2017 Rev. 5], [04/22/2019 Rev. 6], [07/10/2019 Rev. 7], [12/02/2021 Rev. 8], [10/25/2022 Rev. 9]

Next Review Date 10/24/2025

Attachments:

(REFERENCED BY [Public Comment Form](#)

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Board Finance Committee Follow-Ups

TO: Board Finance Committee

MEETING DATE: Wednesday, May 30, 2023

FROM: Hubert U. King, Chief Financial Officer

Background: At the Board's request, the Committee Assistant maintains a list of those items on which follow-up information has been requested. Items will remain on the list until each matter has been finalized (*see below*):

Wednesday, January 25, 2023

- It was requested that the Form A related to Drs. Bailey & Schechter be amended to remove the references to Cardiac Rehabilitation & Pulmonary Rehabilitation, prior to distribution to the Board
 - That request was missed when the documents were being prepared for the Board, so the document remained unchanged

Budget Impact: N/A

Staff Recommendation: *Information Only*

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

**Minutes
Board Finance Committee
Wednesday, January 25, 2023**

TO: Board Finance Committee

MEETING DATE: Wednesday, May 31, 2023

FROM: Tanya Howell, Assistant

BY: Hubert U. King, Chief Financial Officer

Background: The minutes of the Board Finance Committee meeting held on Wednesday, January 25, 2023, were still being finalized at the time of publication. If completed before the meeting date, they will either be submitted under separate cover or presented at the meeting.

Budget Impact: N/A

Staff Recommendation: Recommendation will be made at the meeting.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

EXECUTED, BUDGETED, ROUTINE PHYSICIAN AGREEMENTS

TO: Board Finance Committee

MEETING DATE: Thursday, May 4, 2023

FROM: Hubert U. King, Chief Financial Officer

Background: The following Executed, Budgeted, Routine Physician Agreement became effective as noted below:

PHYSICIAN/GROUP	TYPE OF AGREEMENT
January 2023	
<ul style="list-style-type: none">Mikhail Malek, MD	<ul style="list-style-type: none">Amendment 1 to Medical Director Agreement – Interventional Cardiology Program
April 2023	
<ul style="list-style-type: none">Orthopedic Surgery Associates of North County Medical Group, Inc. – Services of Ariel Palanca, MD	<ul style="list-style-type: none">Department Chair Agreement – Surgery – PMC Poway
<ul style="list-style-type: none">SHPS, PLLC	<ul style="list-style-type: none">TeleRadiology Services Agreement

The standard Form A's and Abstract Tables for each are included as Addendum A.

Staff Recommendation: Approval

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

Capital & Operating Budgets for Fiscal Year 2024

TO: Board Finance Committee

MEETING DATE: Wednesday, May 31, 2023

FROM: Hubert U. King, Chief Financial Officer

Background: The Capital & Operating Budgets for Fiscal Year 2024 consist of the following four components:

- FY2024 Operating Budget
- FY2024 to FY2026 Capital Plan
- Composite Charge Master Rate Change
- Five-Year Strategic Financial Plan

The components are all contained within the presentation attached as Addendum D.

Budget Impact: N/A

Staff Recommendation: Staff recommends approval and requests that each of the four above-listed components be voted on separately.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

ADDENDUM A

**MEDICAL DIRECTOR AGREEMENT
INTERVENTIONAL CARDIOLOGY PROGRAM
MIKHAIL MALEK, M.D. (Amend 1)**

TO: Board Finance Committee

MEETING DATE: Wednesday, May 31, 2023

FROM: Omar Khawaja, MD, MBA, Chief Medical Officer

Background: This amended contract represents the Medical Director Agreement for the Interventional Cardiology Program in accordance with the Medical Staff by-laws, rules and regulations, policies, and procedures of Palomar Health. The Medical Director will manage, generally supervise, and direct the medical administrative operations of the Program.

Budget Impact: Budgeted

Staff Recommendation:

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

PALOMAR HEALTH – AGREEMENT ABSTRACT

Section Reference	Term/Condition	Term/Condition Criteria
	TITLE	1. Malek, Mikhail M.D. - Interventional Cardiology Program - Medical Director Agreement - 10.1.2021 2. Malek, Mikhail M.D. - Interventional Cardiology Program - Amendment 1 to Medical Director Agreement 10.1.2021 - 1.1.2023
	AGREEMENT DATE	1. October 1, 2021 2. February 1, 2023
	PARTIES	Palomar Health, a California healthcare district, and Mikhail Malek, M.D.
	PURPOSE	Hospital owns and operates several acute hospitals and other facilities that require physician leadership and support of the Interventional Cardiology Program.
	SCOPE OF SERVICES	Hospital and physician have agreed that Physician will manage, generally supervise, and direct the medical administrative operations of the Program in accordance with this Agreement.
	PROCUREMENT METHOD	<input type="checkbox"/> Request For Proposal <input checked="" type="checkbox"/> Discretionary
	TERM	1. October 1, 2021 – September 30, 2023 2. February 1, 2023 – September 30, 2023
	RENEWAL	None.
	TERMINATION	Either party may terminate this Agreement without cause upon thirty (30) days' prior written notice.
	FAIR MARKET VALUATION	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO – DATE COMPLETED: 09/13/2021
	COMPENSATION METHODOLOGY	Fair Market Value. The Parties hereby acknowledge and agree that the compensation hereunder is the product of bona fide arms-length negotiations and represents a commercially reasonable and fair market value payment for the Services to be furnished hereunder without regard to the volume or value of a federal health care program or any other business generated by and among the Parties.
	BUDGETED	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO – IMPACT:
	EXCLUSIVITY	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES – EXPLAIN:
	JUSTIFICATION	Need for medical directorship for the Interventional Cardiology Program.
	AGREEMENT NOTICED	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO Methodology & Response:
	ALTERNATIVES/IMPACT	N/A
	Duties	<input checked="" type="checkbox"/> Provision for Staff Education <input checked="" type="checkbox"/> Provision for Medical Staff Education <input checked="" type="checkbox"/> Provision for participation in Quality Improvement <input checked="" type="checkbox"/> Provision for participation in budget process development
	COMMENTS	None.
	APPROVALS REQUIRED	<input checked="" type="checkbox"/> VP <input checked="" type="checkbox"/> CFO <input type="checkbox"/> CEO <input checked="" type="checkbox"/> BOD-Committee – Finance; <input checked="" type="checkbox"/> BOD

**Palomar Medical Center Poway
Administrative Services Agreement
Medical Staff Department Chair**

TO: Board Finance Committee

MEETING DATE: Wednesday, May 31, 2023

FROM: Omar Khawaja, MD, Chief Medical Officer

Background: Palomar Medical Center Poway Medical Staff Department Chairs are provided a stipend for services performed as required by the Medical Staff Bylaws. This agreement serves to document the relationship of the Medical Staff Department Chairs to Palomar Medical Center Poway and the duties to be performed as consideration for the stipend to assure compliance with federal regulations.

Presented is the Contract for the following Department Chair:

Chair, Department of Surgery – Orthopedic Surgery Associates of North County Medical Group, Inc. (Ariel Palanca, M.D.) (this is a name change to her contract, effective 04/01/2023.)

Budget Impact: None.

Staff Recommendation: Approval

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

PALOMAR HEALTH – AGREEMENT ABSTRACT

Section Reference	Term/Condition	Term/Condition Criteria
	TITLE	Department Chair Agreement
	AGREEMENT DATE	04/01/2023
	PARTIES	Orthopedic Surgery Associates of North County Medical Group, Inc. (Ariel Palanca, M.D.) and Palomar Medical Center Poway
	PURPOSE	To provide administrative services on behalf of the Palomar Medical Center Poway Medical Staff in accordance with the Medical Staff Bylaws, Plans, and Policies.
	SCOPE OF SERVICES	As per duties defined in the Palomar Medical Center Poway Medical Staff Bylaws and Policies.
	PROCUREMENT METHOD	<input type="checkbox"/> Request For Proposal <input checked="" type="checkbox"/> Discretionary
	TERM	04/01/2023-12/31/2024
	RENEWAL	None
	TERMINATION	As described under Section 5 of the contract.
	FAIR MARKET VALUATION	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO – DATE COMPLETED: 08/09/2022
	COMPENSATION METHODOLOGY	Monthly
	BUDGETED	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO – IMPACT:
	EXCLUSIVITY	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES – EXPLAIN:
	JUSTIFICATION	Department Chair position elected by the Medical Staff in accordance with the Medical Staff Bylaws.
	AGREEMENT NOTICED	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO Methodology & Response: Elected by the Palomar Medical Center Poway Medical Staff.
	ALTERNATIVES/IMPACT	n/a
	Duties	<input type="checkbox"/> Provision for Staff Education <input type="checkbox"/> Provision for Medical Staff Education <input type="checkbox"/> Provision for participation in Quality Improvement <input type="checkbox"/> Provision for participation in budget process development <input checked="" type="checkbox"/> Defined in the Palomar Medical Center Poway Medical Staff Bylaws
	COMMENTS	
	APPROVALS REQUIRED	<input type="checkbox"/> VP <input type="checkbox"/> CFO <input type="checkbox"/> CEO <input type="checkbox"/> BOD Committee _____ <input type="checkbox"/> BOD

**TELERADIOLOGY SERVICES AGREEMENT
SHPS, PLLC**

TO: Board Finance Committee

MEETING DATE: Wednesday, May 31, 2023

FROM: Omar Khawaja, MD, MBA, Chief Medical Officer

Background: Palomar Health (PH) desires to engage SHPS, PLLC (Group) on an independent contractor basis for the provision of the teleradiology and related management and technical services on the terms and conditions contained in this agreement. Group provides teleradiology services to hospitals, imaging centers, medical groups, physician offices and various health care providers through its online platform; radiology practice management services; and the RIS/PACS platform and related IT services.

Budget Impact: Budgeted.

Staff Recommendation:

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

PALOMAR HEALTH – AGREEMENT ABSTRACT

Section Reference	Term/Condition	Term/Condition Criteria
	TITLE	SHPS, PLLC - TeleRadiology Services Agreement
	AGREEMENT DATE	April 3, 2023
	PARTIES	Palomar Health, a California healthcare district, and SHPS, PLLC, an Illinois professional limited liability company
	PURPOSE	To engage Group on an independent contractor basis for the provision of the teleradiology and related management and technical services and Group is willing to accept said engagement, on the terms and conditions contained.
	SCOPE OF SERVICES	Group to provides teleradiology services to hospitals, imaging centers, medical groups, physician offices and various health care providers through its online platform; radiology practice management services; and the RIS/PACS platform and related IT services.
	PROCUREMENT METHOD	<input type="checkbox"/> Request For Proposal <input checked="" type="checkbox"/> Discretionary
	TERM	April 3, 2023 – February 3, 2026 (Auto-renew)
	RENEWAL	None
	TERMINATION	Either Party may terminate this Agreement at any time, with or without cause, by providing the other party at least 90 days prior written notice.
	FAIR MARKET VALUATION	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO – DATE COMPLETED: 05/25/2023
	COMPENSATION METHODOLOGY	Fair Market Value
	BUDGETED	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO – IMPACT:
	EXCLUSIVITY	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES – EXPLAIN:
	JUSTIFICATION	Hospital requires teleradiology services to be provided at Palomar Medical Center Escondido, Palomar Medical Center Poway and Pomerado Outpatient Pavilion.
	AGREEMENT NOTICED	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO Methodology & Response:
	ALTERNATIVES/IMPACT	N/A
	Duties	<input type="checkbox"/> Provision for Staff Education <input type="checkbox"/> Provision for Medical Staff Education <input type="checkbox"/> Provision for participation in Quality Improvement <input type="checkbox"/> Provision for participation in budget process development
	COMMENTS	None.
	APPROVALS REQUIRED	<input checked="" type="checkbox"/> -VP <input checked="" type="checkbox"/> -CFO <input type="checkbox"/> CEO <input checked="" type="checkbox"/> -BOD-Committee – Finance; <input checked="" type="checkbox"/> -BOD

ADDENDUM B

FY2024 Annual Operating and Capital Plan

Board Finance Committee Budget Presentation

May 31, 2023

Agenda

Executive Summary

FY2024 Budget Overview:

- Key Plan Drivers | Inflationary Assumptions

Key Statistical / Growth Indicators

Revenue:

- Key Revenue Assumptions / Payor Mix
- Revenue Trend Analysis

Salaries, Wages, Benefits & FTEs:

- Salary, Benefits, and FTE Trend Analysis

Non Labor Summary

FY2024 Annual Budget Summary / EBIDA Recap

Three-Year Capital Plan

Executive Summary

The FY2024 budget lays out a plan that is focused on meeting the healthcare needs of the district and putting Palomar Health on a pathway toward achieving the five-year strategic financial and capital plan. The plan:

- Targets EBIDA of \$120 million, with growth of \$45 million from current projected FY2023 performance
- Establishes innovative initiatives to stabilize the cost of labor in response to current market conditions
- Incorporates volume growth resulting from multi-year strategies and initiates new plans to improve access to care
- Continues deployment of capital resources to expand key services, maintain existing facilities, and implement technology solutions
- Maintains focus on key organizational goals regarding clinical excellence, outcomes, and patient satisfaction
- Drives alignment of the operating and capital budget with our current year and long-term strategic plan objectives

FY2024 Budget – Key Drivers & Overview

Key Plan Drivers

- Strategic Plan alignment including year-over-year EBIDA improvement, which is consistent with the long-range financial and capital plan targets
- Stable patient volume as growth in key service lines balances shifting market conditions
- Strategic focus on providing comprehensive healthcare to the community by evaluating capacity and aligning plans according to local need and demand
- Continued development of key service lines including Oncology, Cardiology, Orthopedics, Spine, NICU, and Emergency Services
- Changing regulatory requirements and an unstable labor market drive greater need for flexibility in staffing plans
- Expense management strategies identified through comparison to industry benchmarks help offset rising inflation
- Reimbursement enhancement strategies and growth help to offset payor mix shifts driven by the end of the COVID state-of-emergency and other reimbursement pressures

Inflationary Assumptions

- FY2024 budget incorporates inflation in-line with higher nationwide trends
- Palomar Health will continue to mitigate the impact of inflation through strategic utilization and standardization initiatives

Healthcare Industry Inflation Comparison

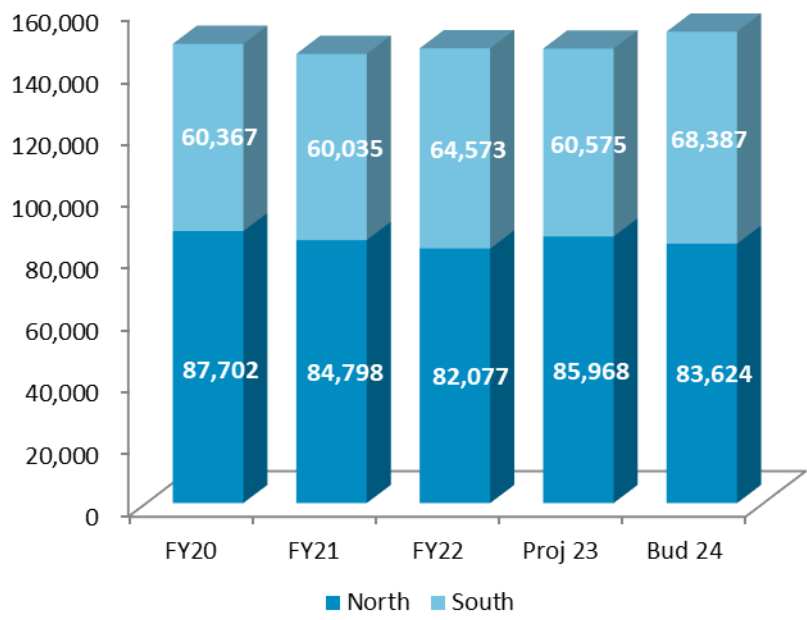
Category / Expense	FY2024 Budget	Industry Expectation
Implants	2.0%	3.0%
General Surgery Supplies	3.0%	4.5%
Surgical Needles & Packs	9.2%	12.0%
Oxygen – Gas	5.0%	12.0%
IV Solutions	4.0%	7.5%
Pharmaceuticals	2.5%	5.0%
Radioactive and X-Ray Material	3.0%	7.0%
Other Medical	3.0%	3-5%
Food	4.0%	6.0%
Linen	3.0%	6.0%
All Other: Cleaning, Forms, Office, Uniforms	3-10%	3-20%

Key Statistical Indicators

Key Statistical Indicators | Inpatient

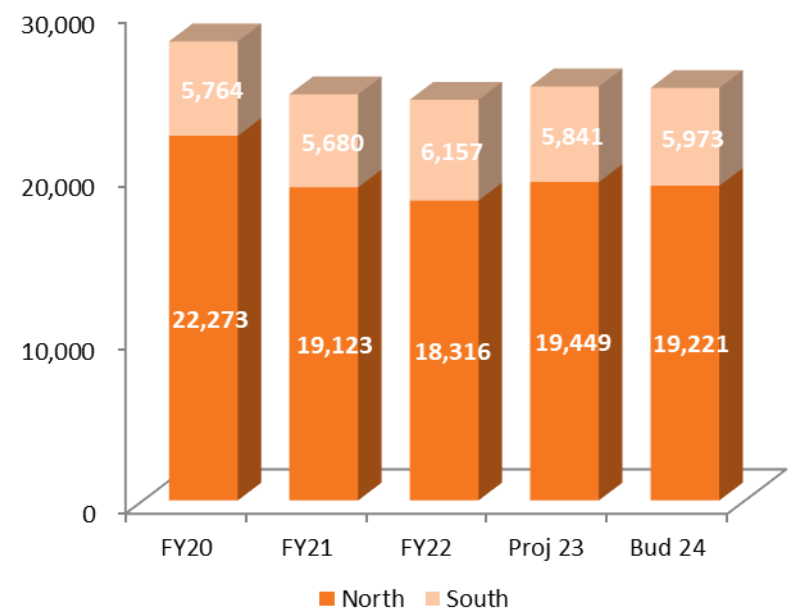
Total Patient Days (Incl. SNF)

FY2024 planned patient days are increasing by 3.7% largely due to increases in skilled nursing and NICU services



Total Discharges (Incl. SNF)

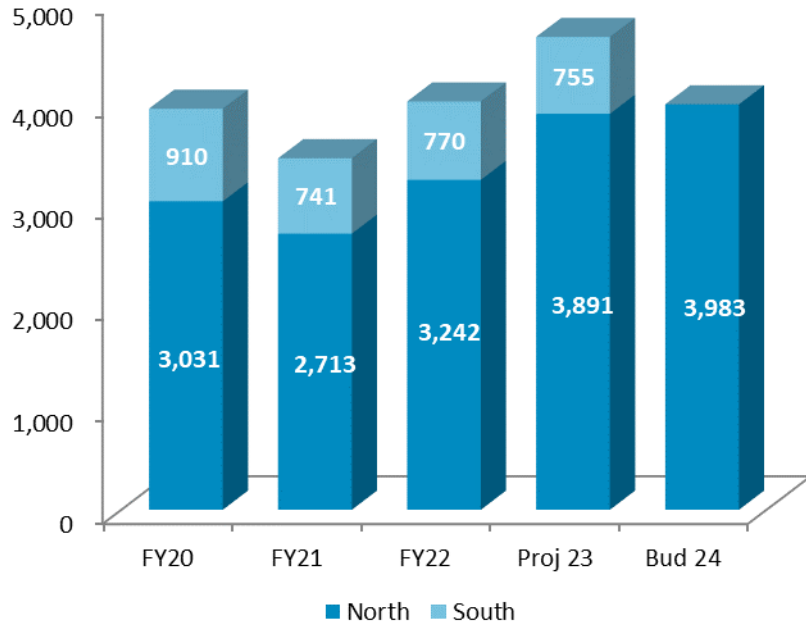
FY2024 discharges are decreasing by 308, or 1.2%, year-over-year



Key Statistical Indicators | Inpatient

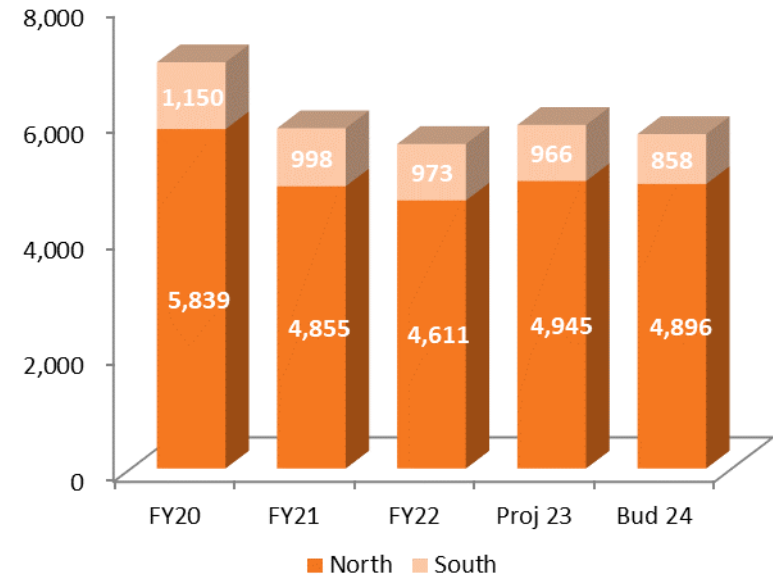
Deliveries

FY2024 deliveries are decreasing by 14.3%, as program consolidation and market forces shift demand



Inpatient Surgeries

FY2024 inpatient surgeries are decreasing by 2.7%, as PMC-Poway no longer performs scheduled cesarean sections

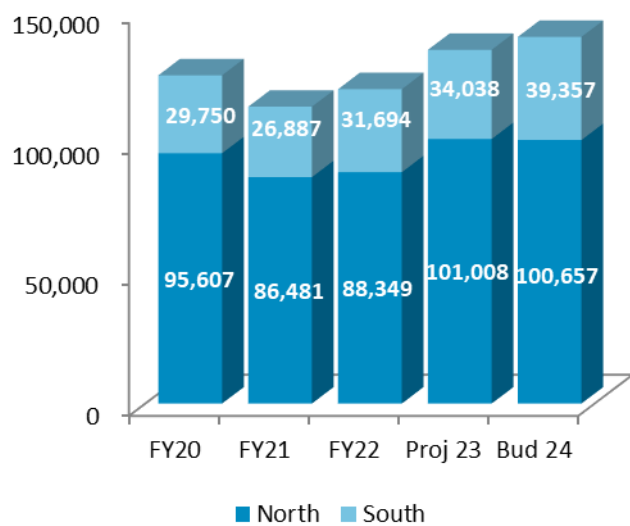


Key Statistical Indicators | Outpatient

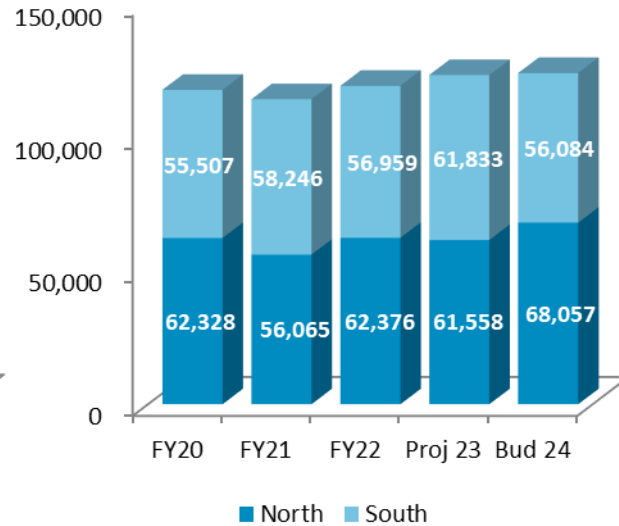
Outpatient Services

- Emergency Department visits are increasing by 4,968, or 3.7%, as demand in the region continues to increase
- Outpatient registrations are relatively flat as growth in key service lines offset a 4.7% planned decrease in outpatient surgery

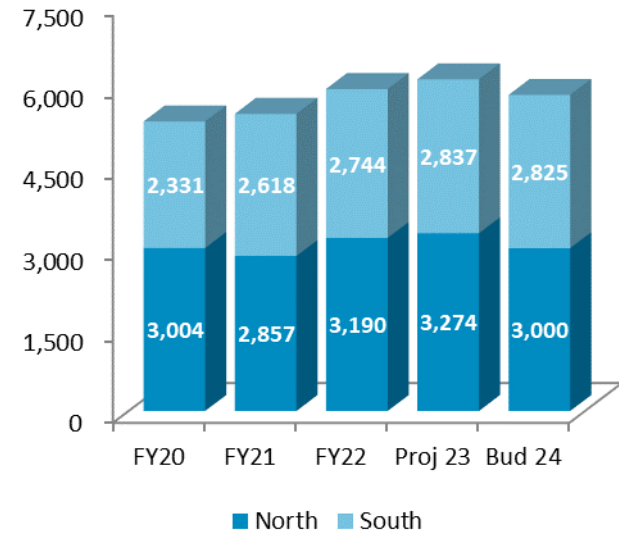
Emergency Visits



Outpatient Registration



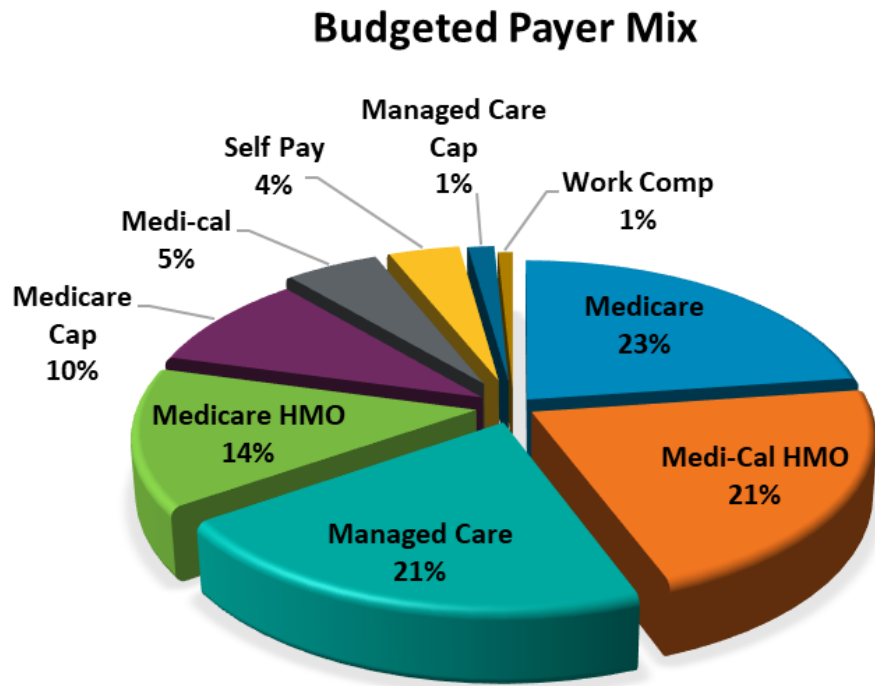
Outpatient Surgery



Revenue

Key Revenue Considerations

Payor Category	Total Charges (\$000s)
Medicare	\$1,251,970
Medi-Cal HMO	\$1,179,638
Managed Care	\$1,158,834
Medicare HMO	\$763,312
Medicare Cap	\$522,524
Medi-Cal	\$281,558
Self Pay	\$213,244
Managed Care Cap	\$78,760
Work Comp	\$43,975
Total	\$5,493,815



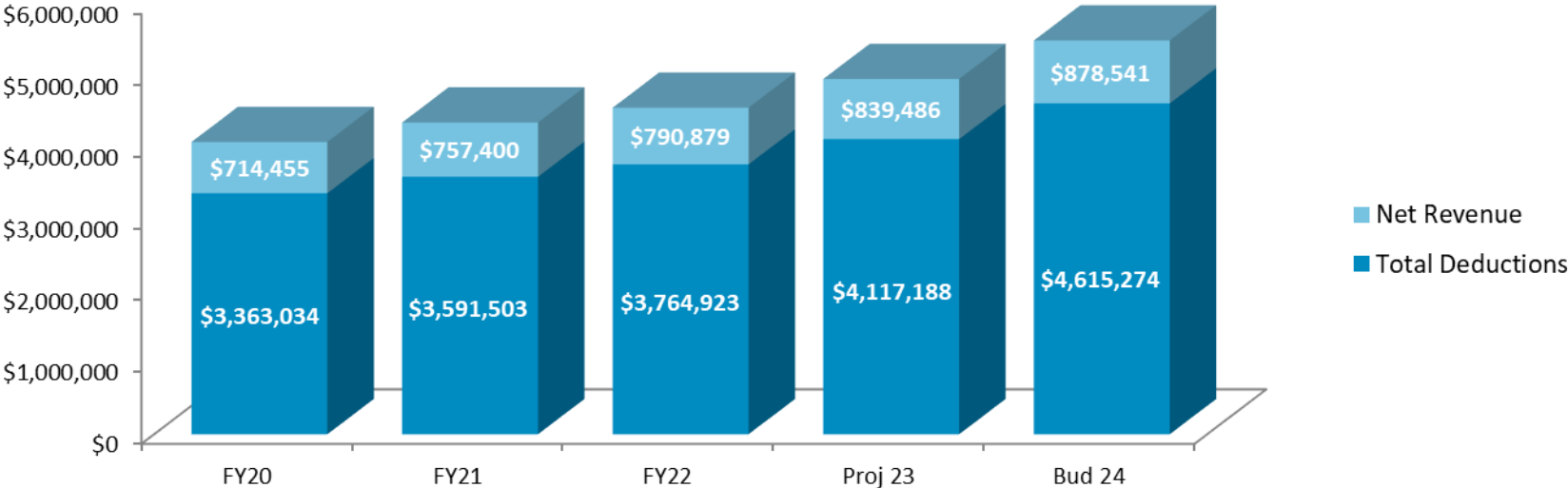
Assumptions:

- Overall effective rate increase of 11.4% (targeted 12%)
- Bad debt and uncompensated care are stable at approximately 2% per year (FY2024 Budget 1.7%; FY2023 = 1.8%)

Revenue Trend Analysis

Net Revenue is anticipated to increase by \$39.1 million, or 4.7%, year over year

Gross Charges and Net Revenue (\$000s)



\$	3,363,034	\$	3,591,503	\$	3,764,923	\$	4,117,188	\$	4,615,274	Total Deductions*
\$	714,455	\$	757,400	\$	790,879	\$	839,486	\$	878,541	Net Revenue
\$	4,077,488	\$	4,348,903	\$	4,555,802	\$	4,956,674	\$	5,493,815	Total Gross Revenue

*Deductions include net capitation impact

Salaries, Wages, Benefits & FTEs

Labor Impact Summary

The FY2024 labor budget establishes a plan to:

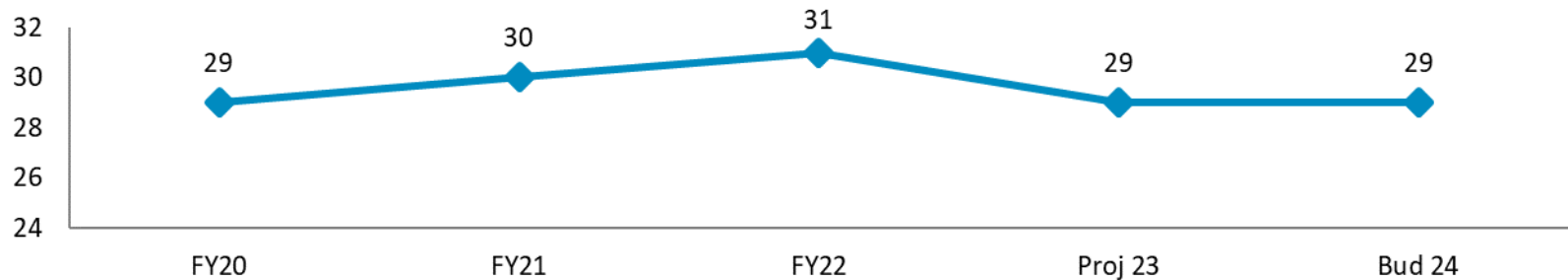
- Attract local talent and create a sustainable workforce
- Reduce reliance on contract labor and premium pay to improve employee experience
- Utilize industry benchmarks to align staffing resources based on need and to increase staffing in areas of strategic growth
- Expand grant-based programs to support forensic health and early-childhood services for the community

2024 Budgeted FTE Roll Forward	FTEs
FY2023 Paid FTEs (as of 3/25/2023)	3,433
Volume-Related Changes	129
Program Consolidations	(151)
Operational Efficiencies	(109)
Targeted FTE Additions	88
FY2024 Paid FTEs	3,390

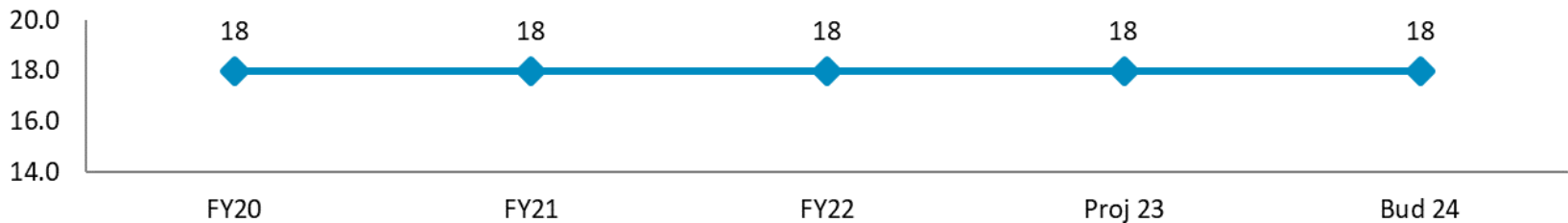
Labor Analysis | FTEs

Budgeted FTEs per adjusted discharge are consistent with current year projections

FTEs per Adjusted Discharge (Incl. SNF)



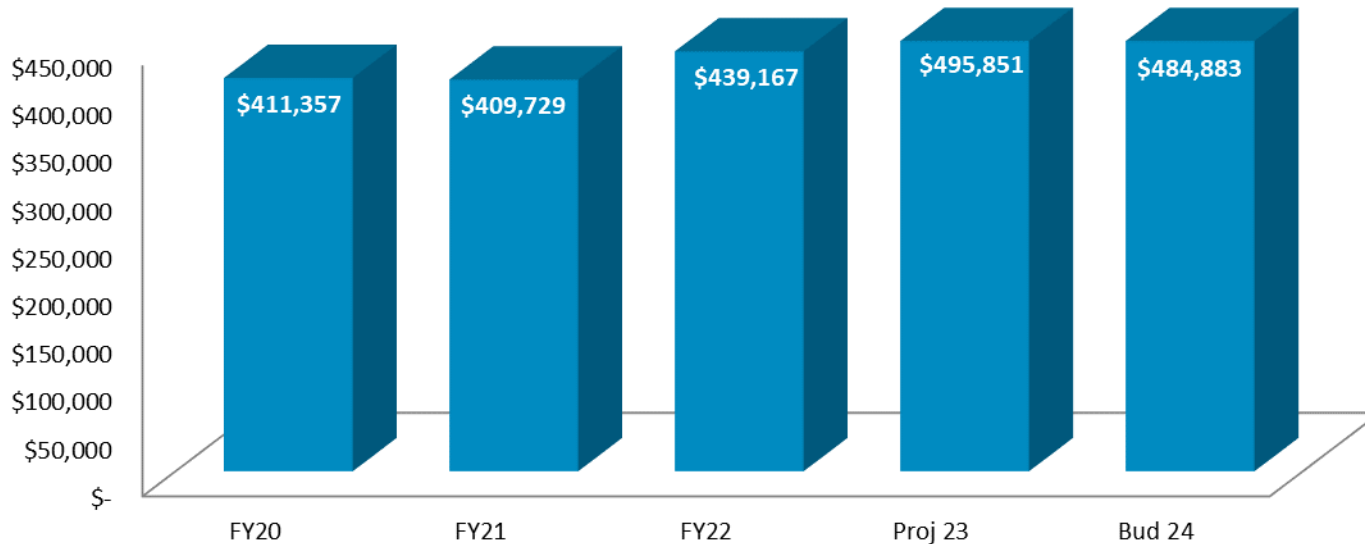
Direct Caregiver FTEs per Adjusted Discharge (Incl. SNF)



Labor Analysis | Salaries, Wages & Benefits

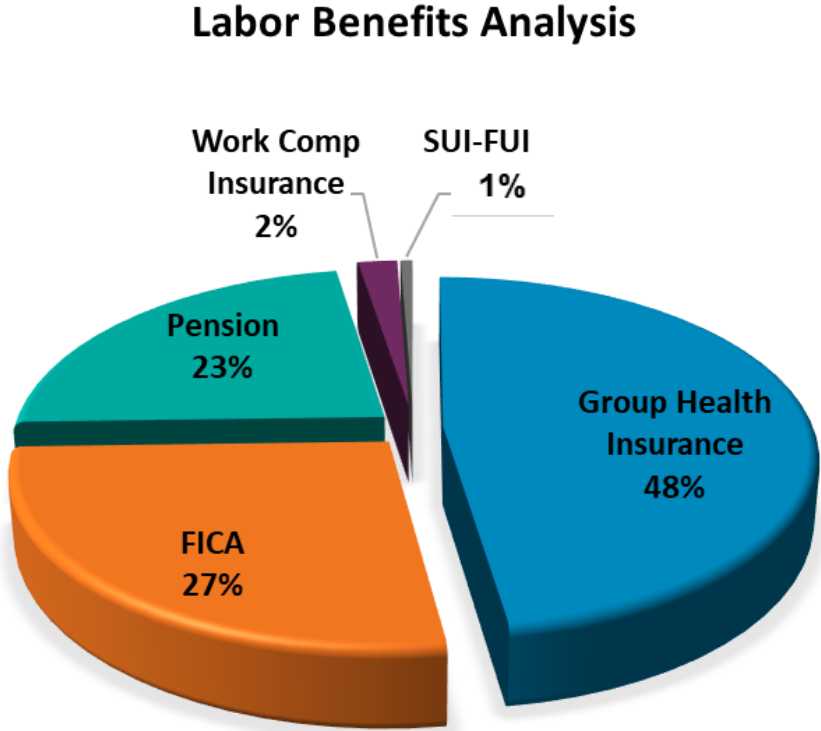
- FY2024 total Salaries, Wages, Contract Labor, and Benefits are expected to decrease by \$11 million, or 2.2%
- Salary increases to recruit and retain employees are offset by reduced reliance on contract labor

Total Salaries, Wages & Benefits (\$000s)



Labor Analysis | Benefits (Excl. PTO)

Type of Benefit	% of Total Benefits
Group Health Insurance	48%
FICA	27%
Pension	23%
Workers' Compensation Insurance	2%
SUI-FUI	1%
Total Benefit Spend (\$000s)	\$98,657



Significant Impacts

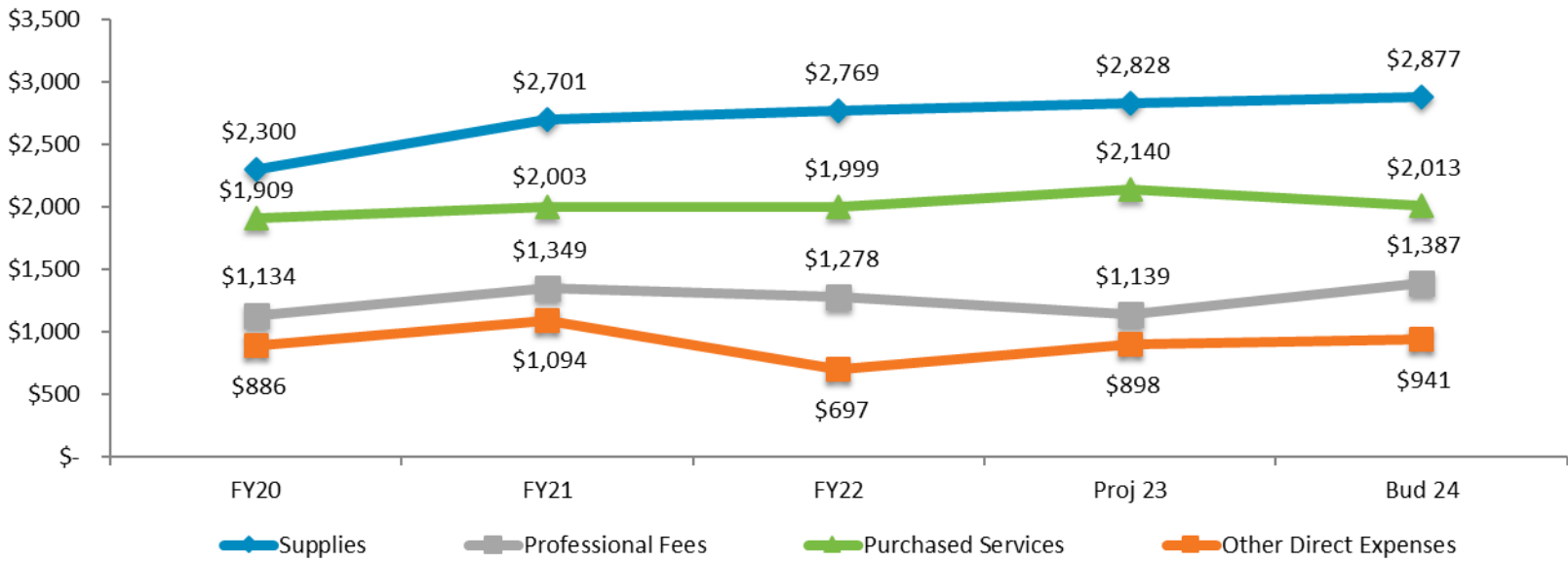
- FICA, pension, and group health insurance are increasing along with increased FTE projections
- Workers' compensation insurance costs continue to decrease as a result of employee safety initiatives

Non Labor Analysis

Non Labor Analysis | Summary

- FY2024 Non-Labor Expense* is increasing \$7.5 million, or 2.5%, year over year
- Reduction in contracted Purchased Service expenses help offset inflationary increases in Supplies and Professional Fees

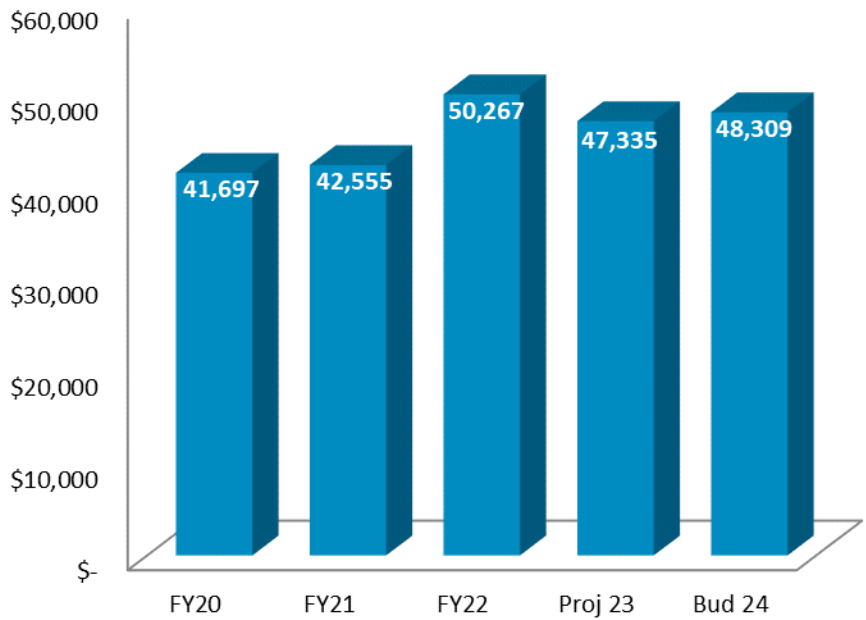
Trended Non Labor Expense per Adj. Discharge+SNF



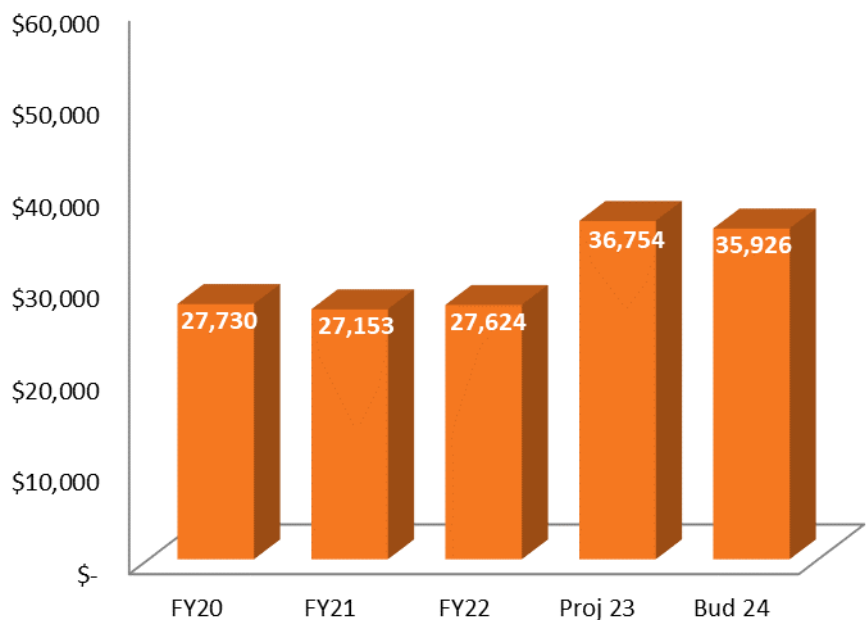
*excludes depreciation

Depreciation and Interest Expense

Depreciation Expense (\$000s)



*** Interest Expense** (\$000s)



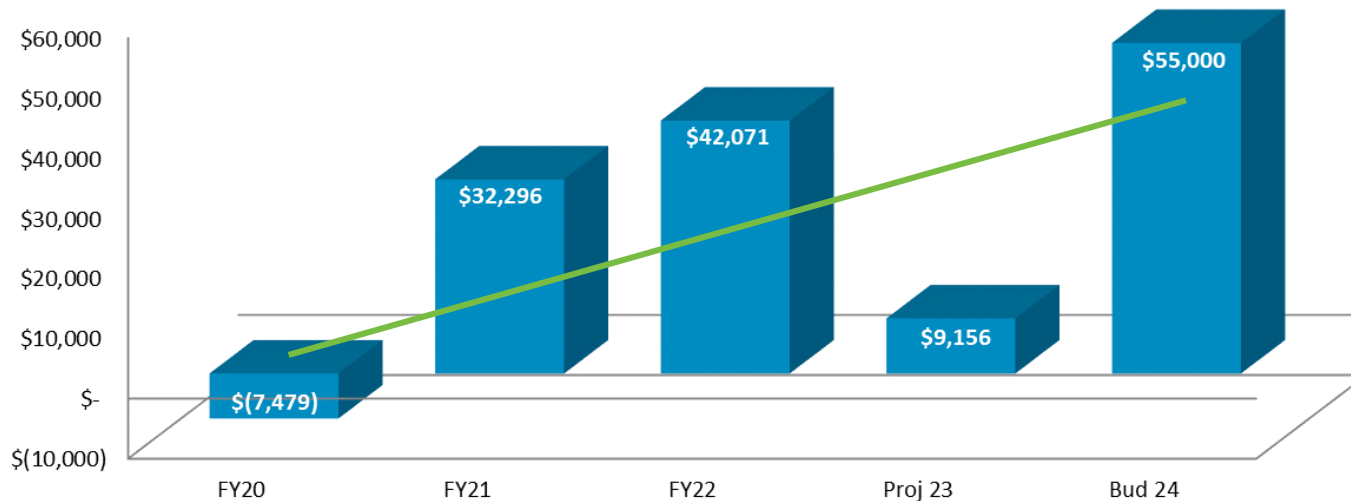
*Interest Expense reflected for leases & revenue bonds only

Annual Operating Budget Summary & EBIDA Recap

Income from Operations

- FY2024 Income from Operations is planned to increase by \$45.8 million from FY2023 projections
- The increase will result from strategic volume growth and targeted expense management strategies designed to align next year's financial results with the five-year strategic financial plan

Income from Operations (\$000s)



Annual Operating Budget Summary and Trend

	FY2021 Results	FY2022 Results	FY2023 Projection	FY2024 Budget
Revenue:				
Net Revenue	757,399,651	790,879,243	839,485,517	878,540,632
Other Operating Revenue	9,899,382	9,232,228	10,789,233	15,030,964
Total Operating Revenue	\$ 767,299,032	\$ 800,111,471	\$ 850,274,750	\$ 893,571,596
Expenses:				
Salaries, Wages, Registry, Benefits	409,728,562	439,167,372	495,851,229	484,883,049
Supplies	106,833,220	110,289,837	120,276,497	121,730,073
Depreciation	42,555,205	50,267,077	47,335,365	48,308,669
Other	175,886,344	158,316,592	177,655,905	183,649,805
Total Operating Expense	\$ 735,003,330	\$ 758,040,878	\$ 841,118,996	\$ 838,571,596
Operating Income	32,295,702	42,070,592	9,155,754	55,000,000
Non-Operating Income (Loss)	4,509,195	5,998,813	9,990,138	4,836,222
(Interest Expense)	(27,153,206)	(27,623,516)	(36,754,480)	(35,926,396)
Unrealized (Loss) gain on interest rate swap	9,444,610	13,152,115	7,093,469	0
(ROU Interest)	0	(10,990,065)	(10,941,090)	(11,511,101)
Property Tax Revenue	19,319,455	20,184,290	20,081,661	23,500,000
Income (Loss)	\$ 38,415,755	\$ 42,792,228	\$ (1,374,548)	\$ 35,898,725
PHMG Foundation Support	21,500,000	27,000,000	33,000,000	42,000,000
PHMG New Providers / Strategic Initiatives	0	0	0	4,350,000
Net Margin %	5.0%	5.3%	-0.2%	4.0%
OEBIDA Margin (Excl. Property Tax Rev)	9.8%	11.5%	6.6%	11.6%
OEBIDA Margin (Incl. Property Tax Rev)	12.3%	14.1%	9.0%	14.2%
EBIDA Margin	12.9%	13.4%	9.7%	13.4%
Total Uncompensated Care & Bad Debt	95,388,405	83,824,508	89,935,049	93,117,352
Total Uncompensated Care as % of Gross	2.19%	1.84%	1.81%	1.69%

FY2024 EBIDA Recap (\$000s)

	FY2021 Results	FY2022 Results	FY2023 Projected	FY2024 Budget
Net Income from Ops (Excl. Interest Expense)	32,296	42,071	9,156	55,000
Depreciation Expense	42,555	50,267	47,335	48,309
OEBIDA	\$ 74,851	\$ 92,338	\$ 56,491	\$ 103,309
OEBIDA Margin (Excl. Property Tax Rev)	9.8%	11.5%	6.6%	11.6%
OEBIDA Margin (Incl. Property Tax Rev)	12.3%	14.1%	9.0%	14.2%
EBIDA	98,680	107,531	75,622	120,134
EBIDA Margin	12.9%	13.4%	8.9%	13.4%
Total Uncompensated Care & Bad Debt	95,388	83,825	89,935	93,117
Total Uncompensated Care as % of Gross	2.19%	1.84%	1.81%	1.69%
Net Income / (Loss) after Non-Op Income	\$ 38,416	\$ 42,792	\$ (1,375)	\$ 35,899

Capital Plan

Capital Plan | Three-Year Planning Process

During the preparation of the three-year plan, capital priorities are based on:

- Equipment reaching end of useful life
- Organizational strategic initiatives and expansion of services in the community
- Enhancing the IT capabilities of the organization to improve physician, staff, and patient experience
- Deploying capital across the entire district
- Balancing the needs vs. resources of the organization

Funding sources for capital projects and acquisitions include:

- Proceeds from Certificates of Participation (COP) issuances
- Cash from operations
- Equipment Leases
- Tenant Improvement Funds
- Foundation fundraising

Capital Plan | Three-Year Summary

Three-Year Capital Budget Summary (\$000s)

Funded by Restricted & Unrestricted Cash:

	FY2024	FY2025	FY2026	Total Project Spend
Equipment				
Routine Replacement	4,496	4,011	3,396	11,903
Bed Replacement	941	941	941	2,823
Total	5,437	4,952	4,337	14,726
Facilities				
New Floor Buildout - Escondido	31,025	46,600	-	77,625
Facilities Renovation - Escondido	7,597	5,140	-	12,737
Facilities Renovation - Poway	22,678	4,973	2,000	29,651
Total	61,300	56,713	2,000	120,013
IT Infrastructure & Projects	8,933	11,205	12,205	32,343
Strategic Capital	4,500	2,500	10,000	17,000
Grand Total	80,170	75,370	28,542	184,082

FY2024 Budget Summary & Key Take-Aways

Summary

➔ **FY2024 Budget sets achievable targets and ties to the Strategic Financial & Capital Plan. It requires success in the following areas:**

- Effective execution of planned strategies to increase volume in key service lines
- A 4.7% growth in Net Patient Revenue year-over-year, with continued contributions from supplemental programs to augment revenues from the growing Medi-Cal population
- Successful recruitment of key staff to reduce reliance on contract labor and premium pay
- Continued implementation of expense management initiatives to align with industry benchmarks

➔ **Successful execution will allow Palomar Health to:**

- Expand local healthcare services to better serve the members of the district
- Deploy sufficient capital to meet the needs of the organization while improving liquidity
- Continue improvements in clinical excellence and patient satisfaction
- Achieve net income improvement of \$37.3 million year-over-year; and operating income improvement of \$45.8 million