

Posted  
Monday,  
June 16, 2025



# SPECIAL SESSION BOARD OF DIRECTORS

## Meeting Agenda

Tuesday, June 17, 2025  
3:00 p.m.

Please see page 2 for meeting location options

The Board may take action on any of the items listed below, including items labeled "Informational Only"			Time	Target
I. Call To Order				3:00
II. Establishment Of Quorum			1	3:01
III. Public Comments <sup>1</sup>			30	3:31
IV. Approval of Bylaws, Charters, Resolutions and Other Actions (ADD A)				
a. Capital and Operating Budgets for Fiscal Year 2026 (Pp 6-37)				
i. FY2026 Operating Budget				
ii. FY2026 to FY2027 Capital Plan				
iii. Composite Charge Master Rate Change			30	4:01
V. Final Adjournment				4:01

NOTE: If you need special assistance to participate in the meeting, please call 760.740.6375 with requests 24 hours prior to the event, so we may provide reasonable accommodations.

<sup>1</sup> 3 minutes allowed per speaker. For further details, see Request for Public Comment Process and Policy on page 3 of the agenda.

## Special Session Board of Directors Meeting Meeting Location Options

### Linda Greer Conference Room

2125 Citracado Parkway, Suite 300, Escondido, CA. 92029

- Elected Board Members of the Palomar Health Board of Directors will attend at this location, unless otherwise noticed below
- Non-Board member attendees, and members of the public may also attend at this location

<https://www.microsoft.com/en-us/microsoft-teams/join-a-meeting?rtc=1>

Meeting ID: 264 339 120 218 7

Passcode: DV3ih33p

or

Dial in using your phone at 929.352.2216; Access Code: 407 640 343#<sup>1</sup>

- Non-Board member attendees, and members of the public may also attend the meeting virtually utilizing the above link

- 34800 Bob Wilson Dr., San Diego, CA. 92134

- An elected member of the Board of Directors will be attending the meeting virtually from these locations

<sup>1</sup> New to Microsoft Teams? Get the app now and be ready when your first meeting starts: [Download Teams](#)

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.

(REFERENCED BY [Public Comment Form](#))

Paper copies of this document may not be current and should not be relied on for official purposes. The current version is in Lucidoc at

[https://www.lucidoc.com/cgi/doc-gw.pl?ref=pphealth:21790\\$9](https://www.lucidoc.com/cgi/doc-gw.pl?ref=pphealth:21790$9).

# Special Closed Session Board of Directors Meeting

Meeting will begin at 3:00 p.m.



## Request for Public Comments

*If you would like to make a public comment, submit your request by doing the following:*

- *In Person: Submit a Public Comment Form, or verbally submit a request, to the Board Clerk*
- *Virtual: Enter your name and "Public Comment" in the chat function*

*Those who submit a request will be called on during the Public Comments section and given 3 minutes to speak.*

### **Public Comments Process**

*Pursuant to the Brown Act, the Board of Directors can only take action on items listed on the posted agenda. To ensure comments from the public can be made, there is a 30 minute public comments period at the beginning of the meeting. Each speaker who has requested to make a comment is granted three (3) minutes to speak. The public comment period is an opportunity to address the Board of Directors on agenda items or items of general interest within the subject matter jurisdiction of Palomar Health.*

# ADDENDUM A

# FY2026 Annual Operating and Capital Plan

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**Board Budget Presentation**

June 17, 2025



# Agenda

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## **Executive Summary**

### **FY2026 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**

### **FY2026 Annual Budget Summary / EBIDA Recap**

### **Three-Year Capital Plan**

## Executive Summary

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The FY2026 budget provides a plan to support the mission of caring for our community in the midst of changing market conditions. It puts Palomar Health on a pathway toward financial sustainability.

- Targets EBIDA of \$86.6 million, with growth of \$51.7 million from current projected FY2025 performance
- Continues initiatives to decrease the cost of labor by focusing on reductions in agency, premium pay, and productivity improvement plans
- Maintains current volume projections while continuing multi-year strategies to expand access to care
- Deploys capital resources sparingly to maintain existing facilities and implement new technology
- Prioritizes focus on key organizational goals regarding clinical excellence, patient throughput, and financial improvement



## FY2025 Year in Review

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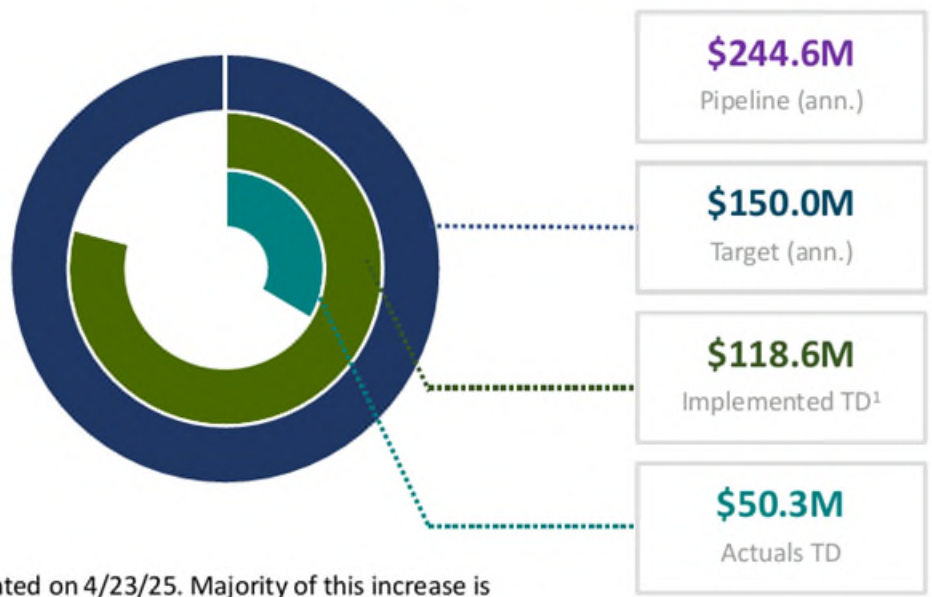
While FY2025 was a challenging year, the progress made in the second half of the year on turnaround projects will carry over into the FY2026 budget.

- Execution of a forbearance agreement with Assured Guaranty was a significant focus during the first half of the year
- The forbearance agreement was executed in January 2025
- Several one-time items in FY2025 will not recur in the coming year, improving margin by \$23 million
- Implementation of turnaround projects was the core focus beginning in the second quarter of the fiscal year
- A number of margin improvement projects were implemented by June 2025, though results will not be fully realized until FY2026

# Turnaround Project

Palomar Health has implemented a projected \$118.6M of initiatives and realized \$50.3M in improvement through April

- Key high value initiatives include:
- ❑ \$10.0M **Denials Reduction** | Initial and fatal denials reduction
  - ❑ \$5.0M **Corporate Services** | Departmental reductions and restructuring
  - ❑ \$5.7M **Workforce** | Departmental productivity and premium pay management
  - ❑ \$4.5M **NICU** | Program adjustments
  - ❑ \$4.7M **Villas at Poway** | SNF volume and net income improvement
  - ❑ \$1.0M **OP Imaging** | Revenue capture



Implemented to date value has increased \$8.7M from \$109.9M presented on 4/23/25. Majority of this increase is attributed to Workforce initiatives, including \$3.5M in Perioperative staffing optimization and \$2.2M in premium pay reduction strategies. Remaining increases are due to finalized Purchased Services contracts and growth initiatives.

<sup>1</sup>Implemented to date (TD) reflects pipeline initiatives actively implemented with and projected impact.

# FY2026 Budget – Key Drivers & Overview

## Key Plan Drivers

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- Operating Plan alignment focused on year-over-year EBIDA improvement to improve cash and support progress toward bond covenant compliance
- Ongoing evaluation of community partnerships to support the highest quality of care and expand district-wide service offerings
- Targeted expense management initiatives, informed by industry experts and best practices, to support financial improvement
- Proactive performance monitoring and support frameworks to ensure execution of organizational objectives
- Revenue enhancement and growth strategies designed to mitigate the impact of volume shifts and reimbursement pressures
- Continued growth of key service lines through physician engagement, recruitment and collaboration
- Labor market competition increases the need for flexible staffing models and alignment with industry standards

# Inflationary Assumptions

- FY2026 budget incorporates inflation in-line with higher nationwide trends
- Palomar Health engaged the Huron Consulting Group with a focus on reducing spend on high-cost products in procedural areas

Healthcare Industry Inflation Comparison

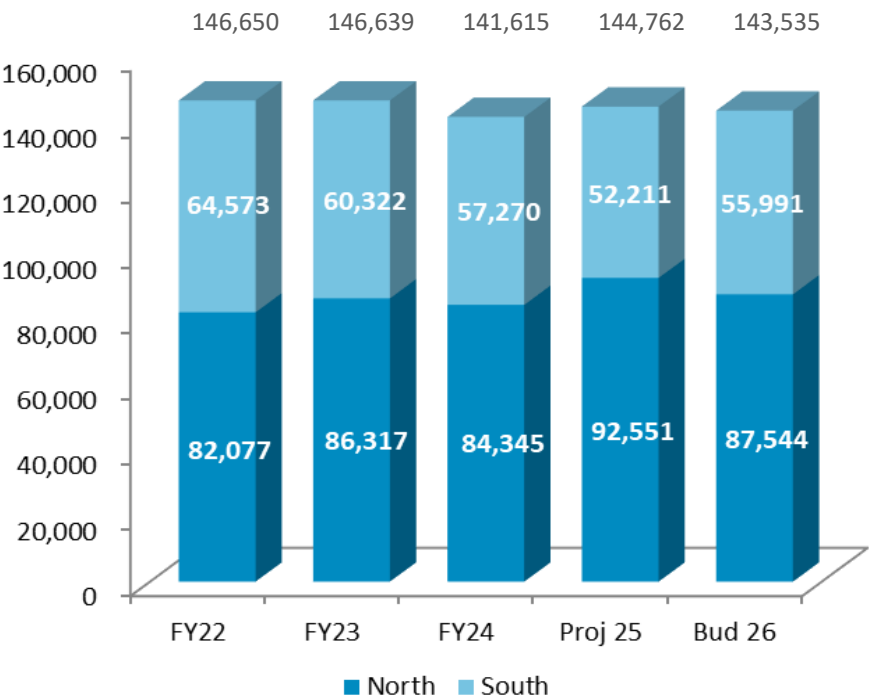
Category / Expense	FY2026 Budget	Industry Expectation
Implants	3.0%	4.0%
General Surgery Supplies	3.0%	3.0%
Surgical Needles & Packs	12.5%	12.5%
Oxygen – Gas	1.0%	0.5%
IV Solutions	3.0%	3.0%
Pharmaceuticals	3.8%	4.0%
Radioactive and X-Ray Material	0.0%	0.0%
Other Medical	4.0%	6.1%
Food	3.0%	3.0%
Linen	4.0%	3.5%
All Other: Cleaning, Forms, Office, Uniforms	1-6%	0-15%

# Key Statistical Indicators

# Key Statistical Indicators | Inpatient

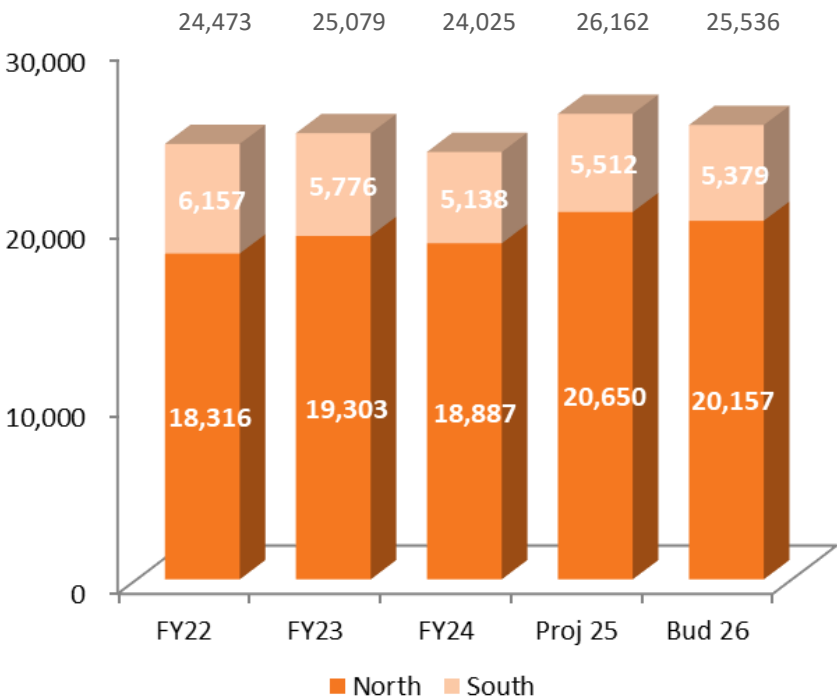
## Total Patient Days (Incl. SNF)

FY2026 planned patient days are relatively flat to projection



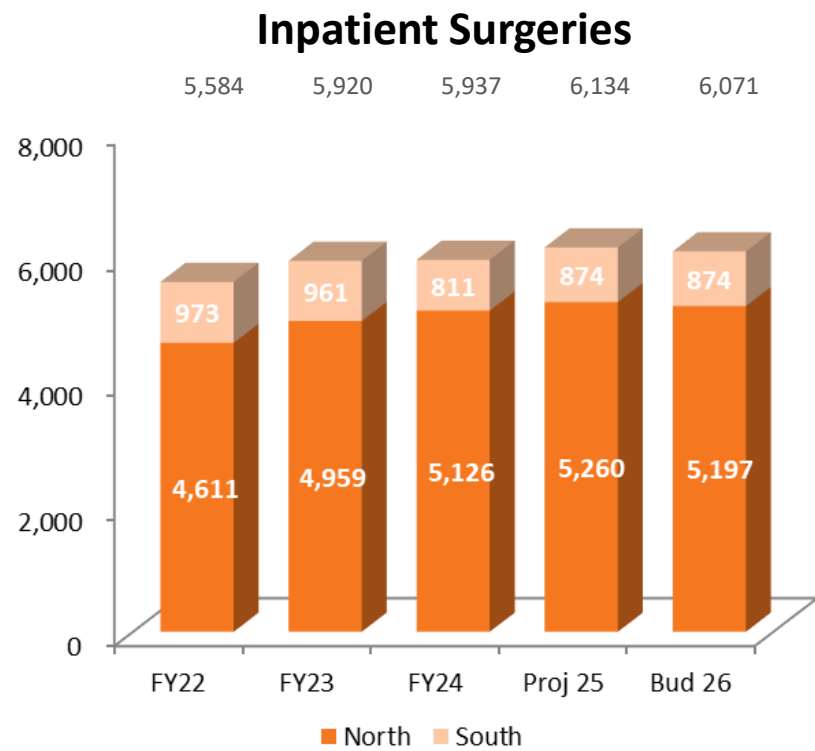
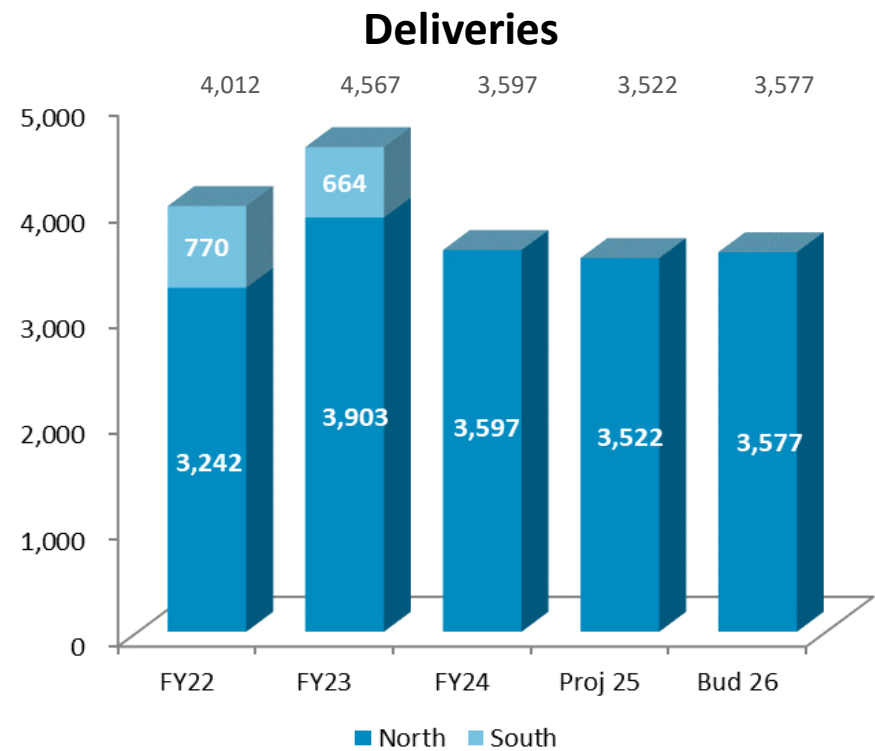
## Total Discharges (Incl. SNF)

FY2026 discharges are comparable year-over-year



# Key Statistical Indicators | Inpatient

Inpatient Deliveries and Inpatient Surgeries are expected to remain comparable to the current year



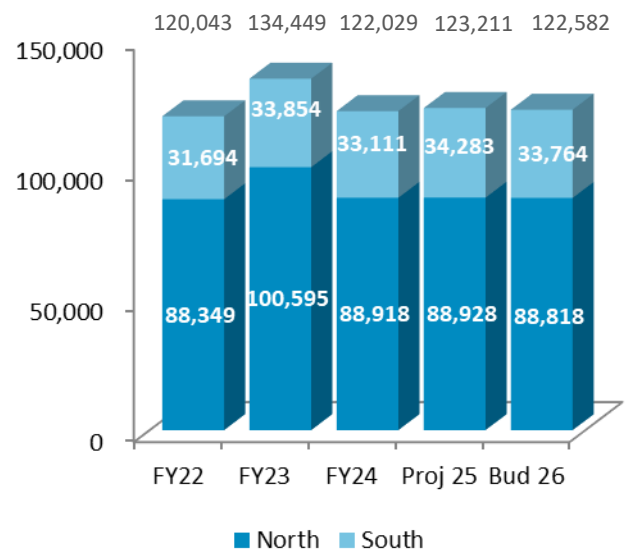


# Key Statistical Indicators | Outpatient

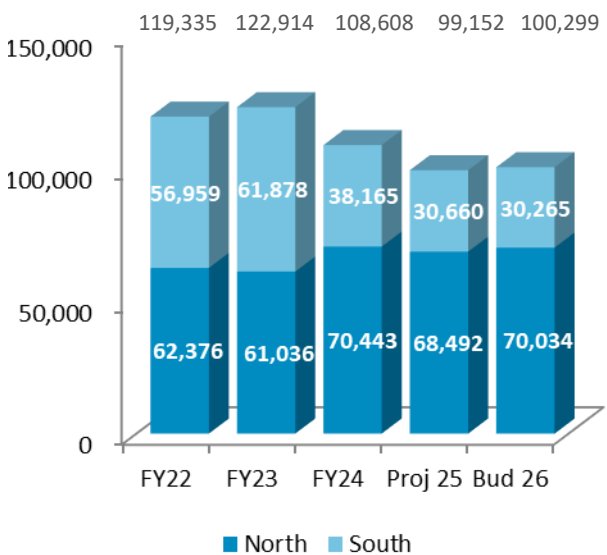
## Outpatient Services

- Emergency Department visits and Outpatient Surgeries are relatively flat year-over-year
- Outpatient registrations are increasing by 1.2% with Infusion Therapy and Radiation Oncology growth

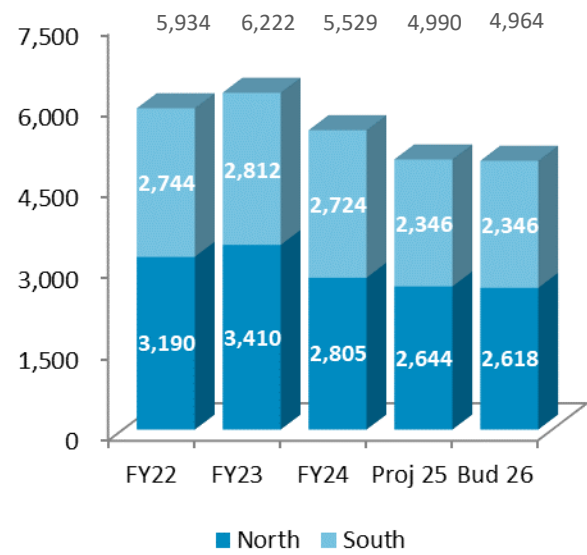
Emergency Visits



Outpatient Registration



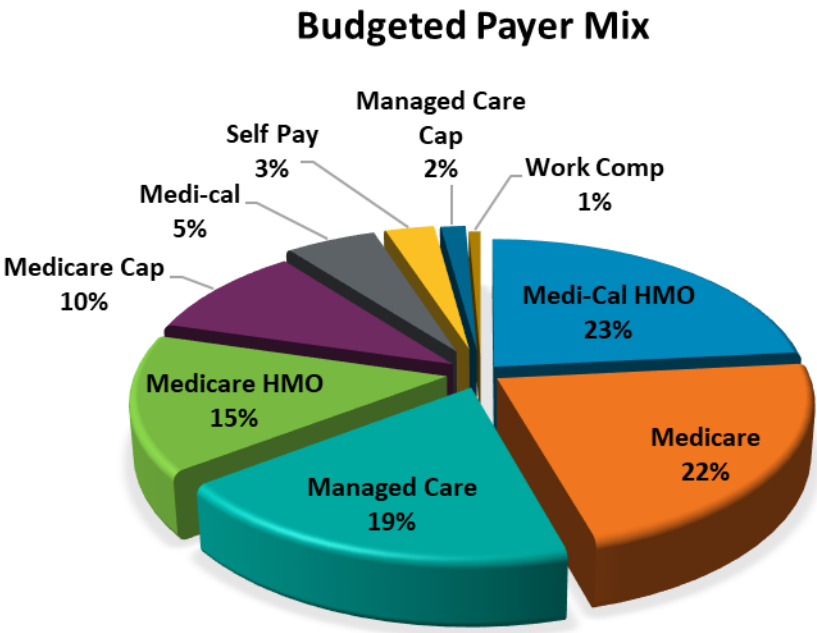
Outpatient Surgery



# Revenue

# Key Revenue Considerations

Payor Category	Total Charges (\$000s)
Medi-Cal HMO	\$1,365,673
Medicare	\$1,298,259
Managed Care	\$1,112,060
Medicare HMO	\$872,321
Medicare Cap	\$582,608
Medi-Cal	\$314,012
Self Pay	\$169,682
Managed Care Cap	\$86,315
Work Comp	\$39,676
Total	\$5,840,606

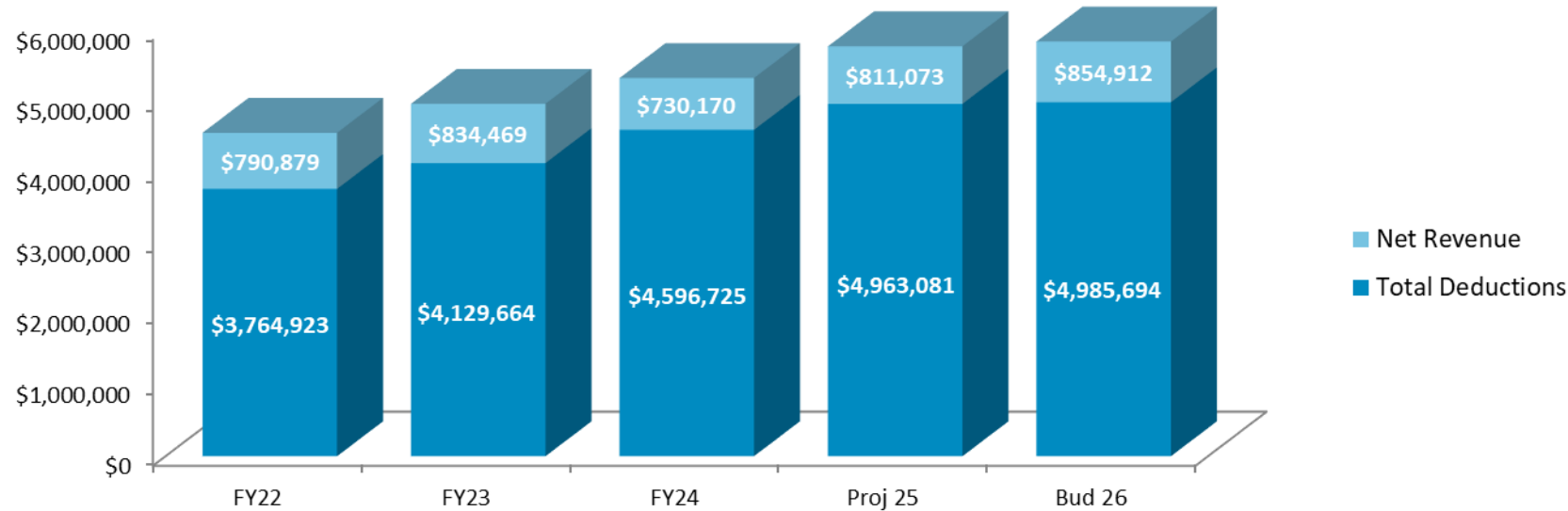


- Assumptions:**
- Overall effective rate increase of 2.6% (targeted 3%)
  - Bad debt and uncompensated care are stable at approximately 2% per year (FY2026 Budget 2.1%; FY2025 = 2.2%)

# Revenue Trend Analysis

Net Revenue is anticipated to increase by \$66.5 million, or 1.2%, year-over-year

Gross Charges and Net Revenue (\$000s)



\$	3,764,923	\$	4,129,664	\$	4,596,725	\$	4,963,081	\$	4,985,694	Total Deductions*
\$	790,879	\$	834,469	\$	730,170	\$	811,073	\$	854,912	Net Revenue
\$	4,555,802	\$	4,964,132	\$	5,326,895	\$	5,774,154	\$	5,840,606	Total Gross Revenue

\*Deductions include net capitation impact

# Salaries, Wages, Benefits & FTEs

# Labor Impact Summary

The FY2026 labor budget establishes a plan to:

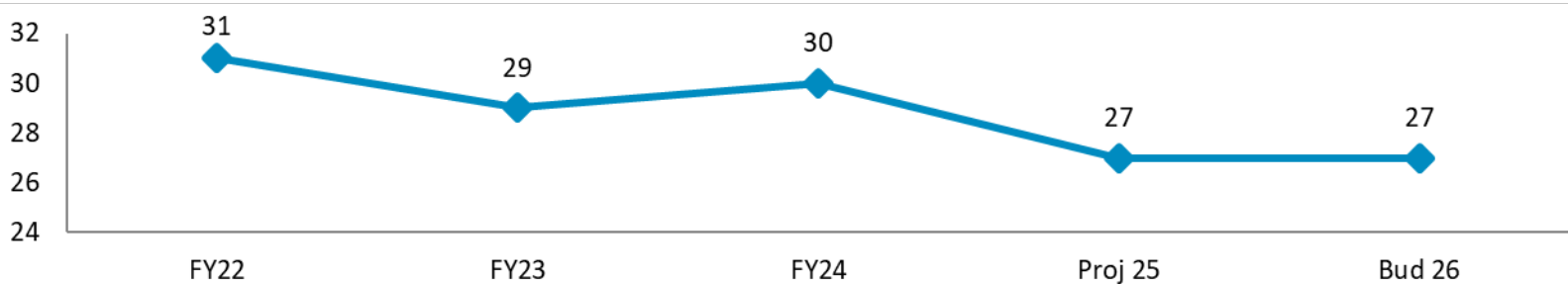
- Utilize industry and internal benchmarks to right-size staffing to volumes and mandated staffing requirements
- Reduce contract labor and premium pay by increasing internal float pools and hiring initiatives to retain and recruit staff
- Continue current initiatives to drive operational efficiencies by changes to skill-mix, operational improvement plans, and program changes

2026 Budgeted FTE Roll Forward	FTEs
<b>FY2025 Paid FTEs (as of 3/22/2025)</b>	<b>3,074</b>
Volume and FTE Adjustments	84
Reduction in Force	(66)
Program Changes	(32)
<b>FY2026 Paid FTEs</b>	<b>3,061</b>

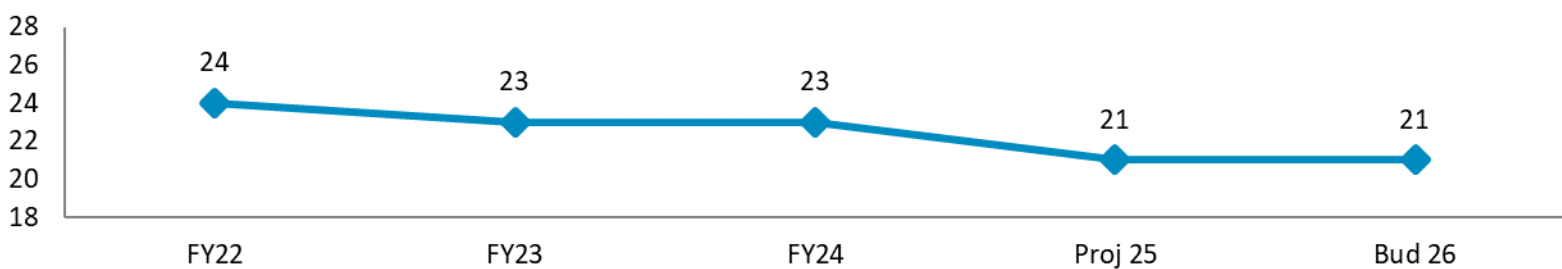
# Labor Analysis | FTEs

Budgeted FTEs per adjusted discharge are consistent with current year projections, reducing from prior years as operational improvements drive efficiencies

FTEs per Adjusted Discharge

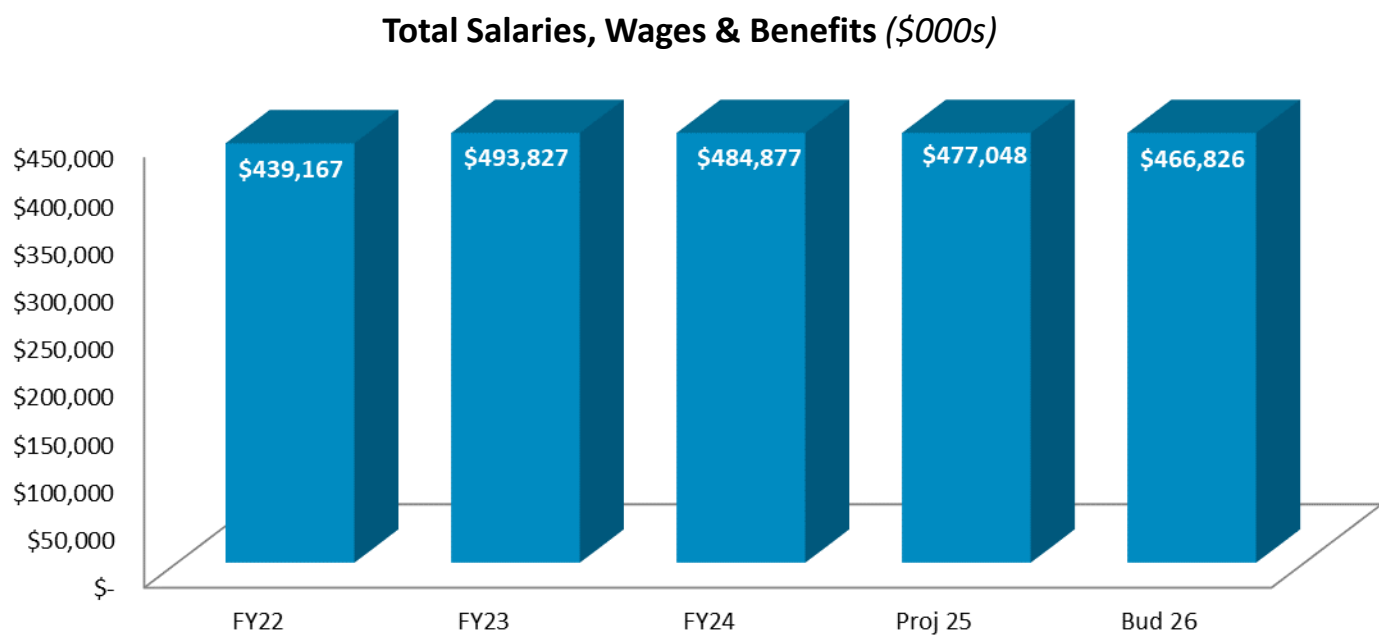


Direct Caregiver (Incl. Support) FTEs per Adjusted Discharge



# Labor Analysis | Salaries, Wages & Benefits

- FY2026 total Salaries, Wages, Contract Labor, and Benefits are expected to decrease by \$10.2 million, or 2.1%
- Salary increases to recruit and retain employees are offset by reduced reliance on contract labor, premium pay, and total worked hours



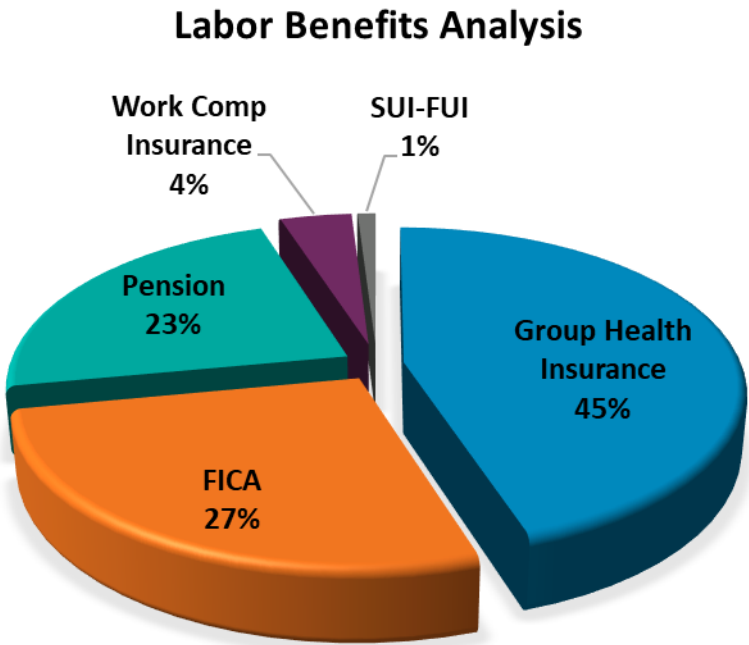


# Labor Analysis | Benefits (Excl. PTO)

Type of Benefit	% of Total Benefits
Group Health Insurance	45%
FICA	27%
Pension	23%
Workers' Compensation Insurance	4%
SUI-FUI	1%
Total Benefit Spend (\$000s)	\$98,105

## Significant Impacts

- Benefit expenses are flat year-over-year
- While targeted initiatives to move Palomar to Sharp Health Plan showed some improvement on trended cost, much of that cost was taken back when our employees were added to our capitated program
- Will work on plan design adjustments to help control future costs

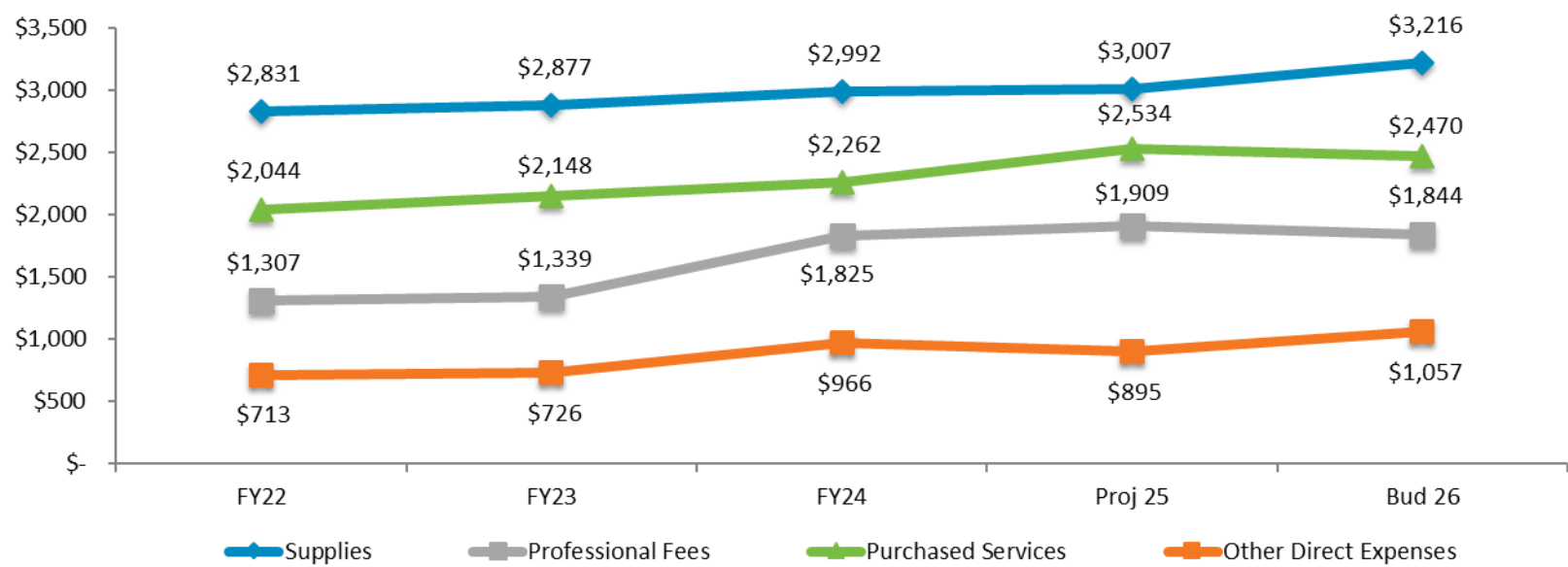


# Non Labor Analysis

# Non Labor Analysis | Summary

FY2026 Non-Labor Expense\* is decreasing \$3.8 million, or 1.1%, year-over-year

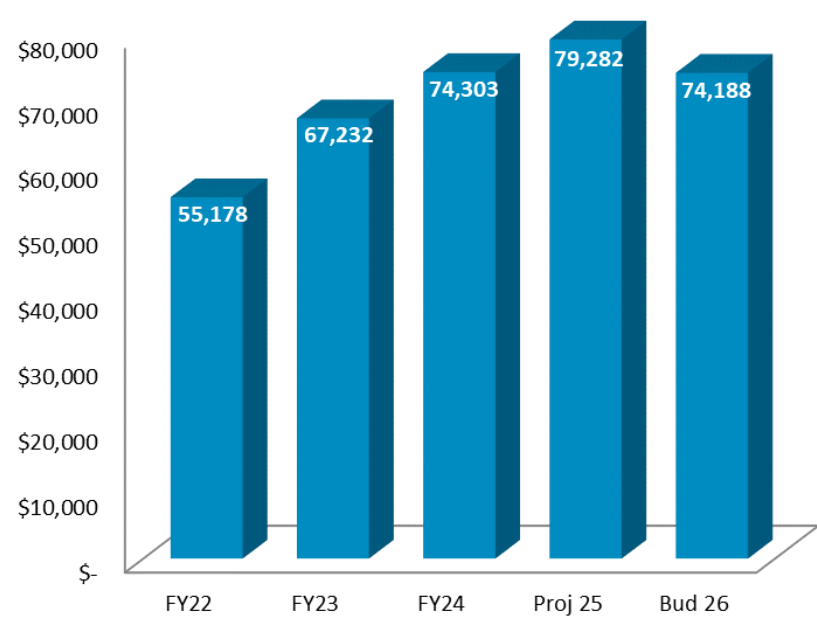
Trended Non Labor Expense per Adj. Discharge (excl. SNF)



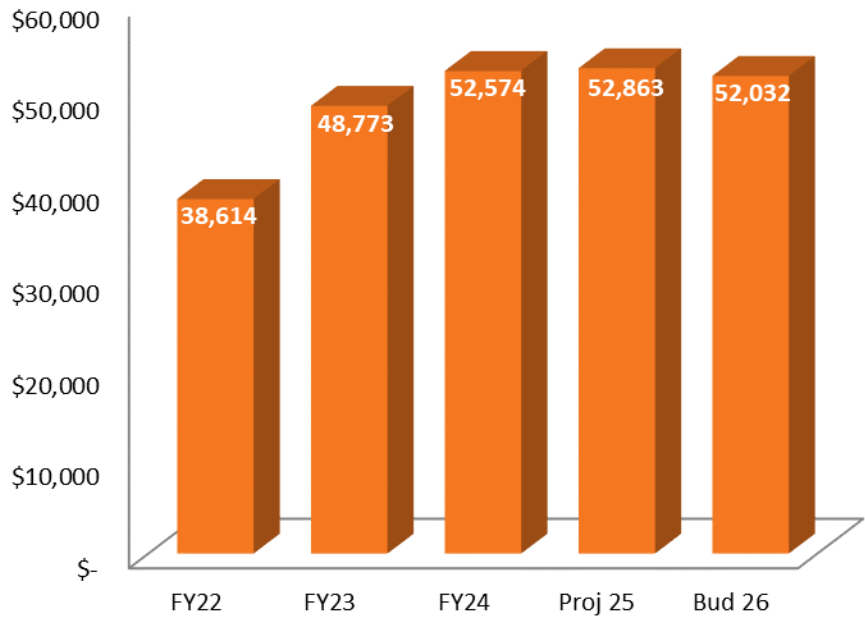
\*excludes depreciation

# Depreciation and Interest Expense

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



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

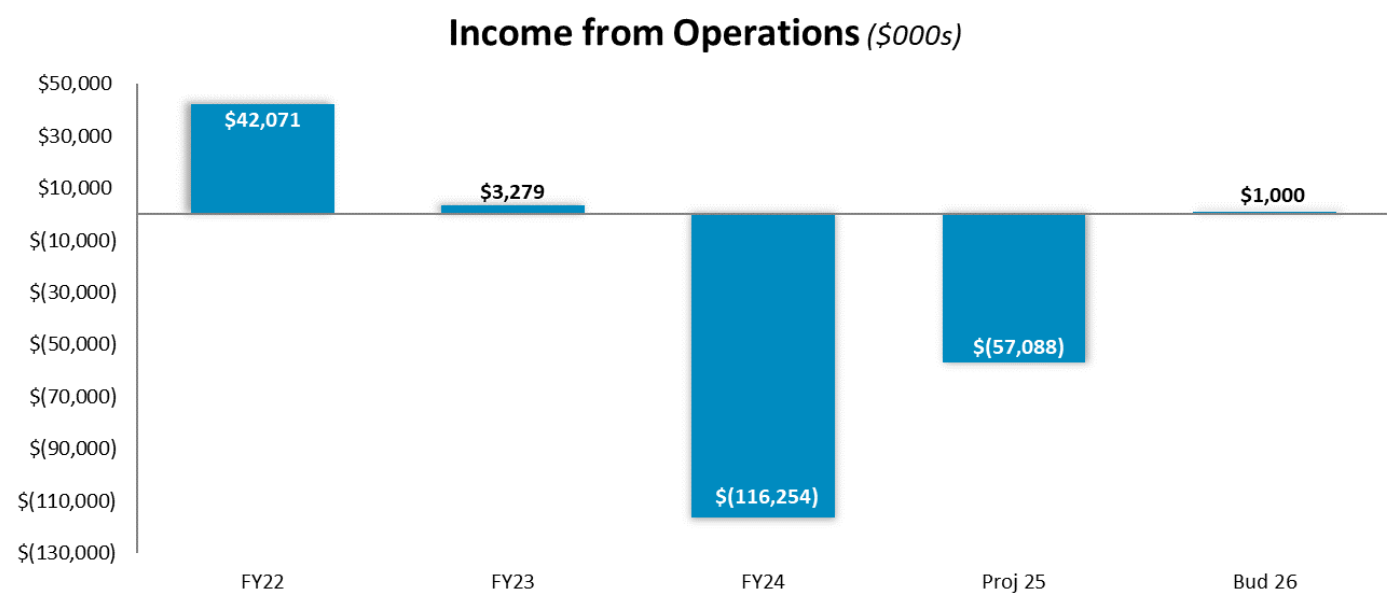


\*Interest Expense reflected for leases & revenue bonds only

# Annual Operating Budget Summary & EBIDA Recap

# Income from Operations

- FY2026 Income from Operations is planned to increase by \$58.1 million from FY2025 projections
- The increase will result from execution of margin improvement strategies related to our turnaround plan and targeted physician recruitment



# Annual Operating Budget Summary and Trend

	FY2023 Results	FY2024 Results	FY2025 Projection	FY2026 Budget
<b>Revenue:</b>				
Net Revenue	834,468,693	730,169,594	814,032,700	854,911,606
Other Operating Revenue	12,229,805	13,655,480	11,286,574	13,917,481
<b>Total Operating Revenue</b>	<b>\$ 846,698,498</b>	<b>\$ 743,825,074</b>	<b>\$ 825,319,274</b>	<b>\$ 868,829,087</b>
<b>Expenses:</b>				
Salaries, Wages, Registry, Benefits	493,826,609	484,876,508	478,788,884	466,825,954
Supplies	119,389,719	118,009,078	123,233,202	129,037,327
Depreciation	55,346,937	57,894,071	61,844,926	56,442,530
Other	174,856,250	199,299,252	218,748,674	215,523,276
<b>Total Operating Expense</b>	<b>\$ 843,419,514</b>	<b>\$ 860,078,909</b>	<b>\$ 882,615,686</b>	<b>\$ 867,829,087</b>
Operating Income	3,278,984	(116,253,835)	(57,296,411)	1,000,000
Non-Operating Income (Loss)	27,515,544	25,088,276	21,995,071	18,471,469
Non-Operating Depreciation Expense	(11,885,042)	(16,408,812)	(17,726,650)	(17,745,603)
(Interest Expense)	(36,735,757)	(36,293,425)	(36,887,432)	(36,985,897)
Unrealized (Loss) gain on interest rate swap	5,324,960	0	0	0
(ROU Interest)	(12,037,107)	(16,280,740)	(16,168,465)	(15,045,981)
Property Tax Revenue	21,982,534	23,366,471	24,449,949	25,700,000
<b>Income (Loss)</b>	<b>\$ (2,555,884)</b>	<b>\$ (136,782,065)</b>	<b>\$ (81,633,939)</b>	<b>\$ (24,606,011)</b>
PHMG Foundation Support	29,800,000	46,350,000	42,000,000	42,000,000
PHMG New Providers / Strategic Initiatives	3,200,000	3,850,000	3,000,000	1,000,000
Net Margin %	-0.3%	-18.4%	-9.9%	-2.8%
OEBIDA Margin (Excl. Property Tax Rev)	6.9%	-7.8%	0.6%	6.6%
OEBIDA Margin (Incl. Property Tax Rev)	9.5%	-4.7%	3.5%	9.6%
EBIDA Margin	12.8%	-1.3%	6.2%	11.7%
Debt Service Coverage Ratio	1.57	(1.13)	(0.12)	1.08
Total Uncompensated Care & Bad Debt	83,825,356	108,743,234	126,948,441	124,624,087
Total Uncompensated Care as % of Gross	1.69%	2.04%	2.19%	2.13%

## FY2026 EBIDA Recap (\$000s)

	FY2023 Results	FY2024 Results	FY2025 Projected	FY2026 Budget
Net Income from Ops (Excl. Interest Expense)	3,279	(116,254)	(57,296)	1,000
Depreciation Expense	55,347	57,894	61,845	56,443
<b>OEBIDA</b>	<b>\$ 58,626</b>	<b>\$ (58,360)</b>	<b>\$ 4,549</b>	<b>\$ 57,443</b>
OEBIDA Margin (Excl. Property Tax Rev)	6.9%	-7.8%	0.6%	6.6%
OEBIDA Margin (Incl. Property Tax Rev)	9.5%	-4.7%	3.5%	9.6%
Non-Operating Depreciation Expense	11,885	16,409	17,727	17,746
<b>EBIDA</b>	<b>108,124</b>	<b>(9,905)</b>	<b>50,994</b>	<b>101,614</b>
<b>EBIDA Margin</b>	<b>12.8%</b>	<b>-1.3%</b>	<b>6.2%</b>	<b>11.7%</b>
Total Uncompensated Care & Bad Debt	83,825	108,743	126,948	124,624
Total Uncompensated Care as % of Gross	1.69%	2.04%	2.19%	2.13%
Net Income / (Loss) after Non-Op Income	<b>\$ (2,556)</b>	<b>\$ (136,782)</b>	<b>\$ (81,634)</b>	<b>\$ (24,606)</b>



# 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)

	FY2026	FY2027	FY2028	Total Project Spend
<b>Funded from Unrestricted Cash</b>				
Equipment	5,000	4,000	3,500	12,500
IT Infrastructure & Projects	2,500	3,000	4,500	10,000
Facility Renovation	500	1,000	2,500	4,000
Total	8,000	8,000	10,500	26,500
<b>Funded from Restricted Cash</b>				
Infrastructure Funded by Bonds	30,000	32,000	-	62,000
Externally Funded Projects	500	500	1,500	2,500
Total	30,500	32,500	1,500	64,500
<b>Grand Total</b>	<b>38,500</b>	<b>40,500</b>	<b>12,000</b>	<b>91,000</b>

# FY2026 Budget Summary & Key Take-Aways

## Summary

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- ➔ **FY2026 Budget sets achievable targets and more closely aligns with our turnaround plan. It requires success in the following areas:**
  - A 5% growth in Net Patient Revenue year-over-year, with continued contributions from supplemental programs to augment revenues from the growing Medi-Cal population
  - Talent acquisition, retention of key staff, leveraging the float pool, and implementing skill-mix changes to reduce contract labor utilization and premium pay spend
  - Continued implementation of expense management initiatives to align with volume and staffing requirements and turnaround objectives
- ➔ **Successful execution will allow Palomar Health to:**
  - Experience modest year-over-year growth and continue to execute on the financial turnaround plan
  - Deploy sufficient capital to meet the needs of the organization and community while improving liquidity
  - Achieve net income improvement of \$57.0 million year-over-year; and operating income improvement of \$58.3 million