

**Palomar Pomerado Health  
Joint BOD/Strategic Planning Committee Meeting**

**TUES., OCT. 16, 2007**

**6:00 P.M. DINNER**

**6:30 P.M. MEETING START**

**⇒ NOTE: LOCATION**

**POMERADO HOSPITAL**

**Conf. Room E**

|    |  | <u>Time</u> | <u>Page</u> |
|----|--|-------------|-------------|
| !  | Call To Order                          |             |             |
| !  | Public Comments                        |             |             |
| 1. | * Approval of Minutes – Sept. 18, 2007 | 5 Minutes   | 1           |
| 2. | Facility Update                        | 90 Minutes  | 7           |
| 3. | * Strategic Plan                       | 15 Minutes  | 8           |
| 4. | Committee Comments, Suggestions        |             |             |

**PLEASE NOTE LATER START TIME OF 6:30 P.M.**

Distribution:

Alan W. Larson, M.D., Chairperson  
Nancy Bassett, R.N., MBA  
Michael Covert, CEO  
Bruce Krider  
Marcelo Rivera, M.D.  
Benjamin Kanter, M.D.  
John Lilley, M.D.

Gerald Bracht  
Duane Buringrud, M.D.  
Bill Chaffin  
Dana Dawson  
Steve Gold  
Lorie Harmon  
Bob Hemker  
Marcia Jackson  
Frank Martin, M.D.  
Lorie Shoemaker  
Robert Trifunovic, M.D.

**NOTE:** *Asterisks indicate anticipated action; action is not limited to those designated items.*

"If you have a disability please notify us at 858-675-5123, 48 hours prior to the event, so that we may provide reasonable accommodations."

## Approval of Minutes

**TO:** Joint BOD/Strategic Planning Committee on October 16, 2007

**FROM:** Lorie Harmon, Secretary

**BACKGROUND:** The Secretary of the Strategic Planning Committee respectfully submits the minutes of the Strategic Planning Committee meeting held on September 18, 2007. The minutes have been reviewed and approved by Dr. Larson, Committee Chair, and Marcia Jackson, Chief Planning Officer.

**BUDGET IMPACT:** None

### COMMITTEE RECOMMENDATION:

**Individual Action:** X

**Palomar Pomerado Health  
STRATEGIC PLANNING COMMITTEE  
PALOMAR MEDICAL CENTER  
September 18, 2007**

| AGENDA ITEM  | DISCUSSION  | CONCLUSION/<br>ACTION  | FOLLOW-UP/<br>RESPONSIBLE<br>PARTY |
|--|---|--|------------------------------------|
| <b>CALL TO ORDER</b>                                 | Dr. Larson called the meeting to order at 6:05 p.m. There were no requests for public comments  |  |                                    |
| <b>ESTABLISHMENT<br/>OF<br/>QUORUM</b>               | Dr. Larson, Nancy Bassett, Michael Covert, Bruce Krider, Dr. Rivera, and Dr. Kanter. Also attending were Gerald Bracht, Dr. Buringrud, Steve Gold, Lorie Harmon, Marcia Jackson, Lorie Shoemaker, and Dr. Trifunovic. Guests: Natalie Bennett, Sheila Brown, Kwaja Floyd, Gustavo Friederichsen, Dr. Kung, Stonish Pierce, Orlando Portale, Steve Tanaka, and Brad Wiscons. |  |                                    |
| <b>NOTICE OF<br/>MEETING</b>                         | The notice of meeting was mailed consistent with legal requirements.  |  |                                    |
| <b>APPROVAL OF<br/>MINUTES – August<br/>14, 2007</b> |   | Motion by<br>Nancy Bassett,<br>seconded by Dr.<br>Kanter, and<br>carried<br>unanimously. |                                    |

| AGENDA ITEM                                | DISCUSSION  | CONCLUSION/<br>ACTION | FOLLOW-UP/<br>RESPONSIBLE<br>PARTY |
|--|---|-----------------------|------------------------------------|
| <p><b>NEUROSCIENCES STRATEGIC PLAN</b></p> | <p>This Strategic Plan provides an analysis and evaluation of the research behind and the necessary steps to implement a Neurosciences Institute at Palomar Pomerado Health. The proposed plan will organize existing services and recommend new programs to offer a comprehensive neurological continuum.</p> <p>The plan for the Neurosciences Institute has been designed to ensure PPH fulfills the commitment of providing accessible services to our community and improving the quality of life of our patients. The methods of analysis included trend, market, product line, gap, and financial.</p> <p>Michael Covert said that PPH's significant challenge is the medical leadership it would need to implement a Neurosciences Institute at PPH, and how we could bring in these leaders.</p> <p>Bruce Krider said that we would need a pivotal leader, a "star," not just a new grad. Dr. Kanter commented that while the plan is terrific, our locations are very dispersed now; but there are many implications for us in the future, especially in the new facilities. Dr. Kung expressed concern over how far behind PPH is, compared to some of the more advanced facilities.</p> <p>Dr. Rivera commented that there are certain specialties he feels comfortable referring patients to, such as minimally invasive spine surgery, and Kyphoplasty; he feels like a stroke center would be reasonable, but if there was a complication, we would need a neurosurgeon who can immediately go in if there were to be an intracranial bleed.</p> <p>Dr. Kanter suggested that we do a pre-Institute plan to set a plan for what we need to do to get really ready for being a Neurosciences Institute.</p> |                       |                                    |

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| AGENDA ITEM | DISCUSSION   | CONCLUSION/<br>ACTION | FOLLOW-UP/<br>RESPONSIBLE<br>PARTY |
|-------------|--|-----------------------|------------------------------------|
|             | <p>Dr. Trifunovic said that we might be being shortsighted. If we were willing to spend substantial money to get a non-new grad, what would we invest in? He suggested that we don't try for everything all at once, but bit-by-it, and then we could be up and running in 2 years.</p> <p>Bruce Krider said that this would be like building any business – we would have options, and we have the capital to make it happen.</p> <p>Dr. Larson said that primary care is consistently an issue; with our limited resources, where are we going to use them? He suggested that we improve upon our services that people access through our emergency rooms, and build on our strengths before we bring in new doctors in other aspects.</p> <p>Michael Covert stated that he has been here before, and suggested that PPH take a different tack – for example, find an expert on Parkinson's or epilepsy as an area of expertise, to differentiate us, to build towards being ready to attract the neurosurgeon star.</p> <p>Dr. Kanter agreed and added that neuro-critical care (like UCLA has) should also be considered.</p> <p>Nancy Bassett commented that it would be a good idea to focus on neurology services for the elderly since Pomerado Hospital has a large retirement community clientele.</p> <p>Michael Covert stated that the next step to be taken would be to do a business plan.</p> |                       |                                    |

| AGENDA ITEM                               | DISCUSSION  | CONCLUSION/<br>ACTION | FOLLOW-UP/<br>RESPONSIBLE<br>PARTY |
|---|---|-----------------------|------------------------------------|
| <p><b>DRIVING INNOVATION PROGRAMS</b></p> | <p>PPH recently created a new position for a Chief Technology and Innovation Officer to be a catalyst to move PPH forward in researching and adopting new technologies and innovative opportunities. Orlando Portale presented a framework for PPH to drive innovation programs in our organization.</p> <p>Michael Covert explained that our desire has been to be an innovative organization, and that he brought Orlando in to help jump-start this. We need to be innovative from the inside, but also to get external partners to work with us on innovative projects.</p> <p>Orlando explained that he views his role as an accelerant, and that Management's role will be to execute the methods of innovation. He further added that increased competitiveness will allow us to produce more competitive, creative ideas, and we will realize a return on investment on these ideas when they come to fruition. We need to infuse innovation into our business strategy, and leverage technology and innovation to improve the health of our community.</p> <p>Orlando discussed many applications of innovative technology that are already in use, including the Life Bed, which measures respiration and heart rate (Mary Oelman is looking at piloting this at Pomerado), Remote Presence Robotics, and Programmable Home Health Monitoring Devices.</p> <p>Dr. Rivera suggested having Orlando make a presentation to the full Board of Directors, and Michael Covert suggested that this could be done as a Board education session once the Board selects a replacement for Gary Powers.</p> |                       |                                    |

| AGENDA ITEM   | DISCUSSION   | CONCLUSION/<br>ACTION | FOLLOW-UP/<br>RESPONSIBLE<br>PARTY |
|---|--|-----------------------|------------------------------------|
| <b>COMMITTEE<br/>COMMENTS,<br/>SUGGESTIONS<br/>ADJOURNMENT</b>            | There were no additional Committee comments or suggestions.<br><br>8:45 p.m. |                       |                                    |
| <b>SIGNATURES</b><br><br>Committee Chairperson<br><br>Recording Secretary | <u>Alan Larson, M.D., Committee Chair</u><br><br><u>Lorie Harmon</u>         |                       |                                    |

## Facility Update

**TO:** Joint BOD/Strategic Planning Committee on October 16, 2007

**FROM:** Mike Shanahan, Director Facilities Planning & Development  
Marcia Jackson, Chief Planning Officer

**BACKGROUND:** On a regular basis, the Strategic Planning Committee meeting is expanded to a full PPH Board meeting for the purpose of reviewing the facilities planning and design. The facilities update will be provided at this meeting.

**BUDGET IMPACT:** None

**STAFF RECOMMENDATION:** For information only

**COMMITTEE RECOMMENDATION:**

**Information:** X



## Strategic Plan

**TO:** Joint BOD/Strategic Planning Committee on October 16, 2007

**FROM:** Marcia Jackson, Chief Planning Officer

**BACKGROUND:** At a previous Strategic Planning Committee meeting, a draft Strategic Plan was presented. At this time, the final Strategic Plan will be presented for Board approval.

**BUDGET IMPACT:** None

**STAFF RECOMMENDATION:** Action – Approval of the PPH Strategic Plan

**COMMITTEE RECOMMENDATION:**

**Action:** X

# **Palomar Pomerado Health**

## **Strategic Plan**

**August 2007**

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## Executive Summary

Palomar Pomerado Health (PPH) is a district healthcare system serving a diversified population in an 800 square mile area in North Inland San Diego County. PPH has established strategic domains and objectives to guide the utilization of all resources toward achieving the mission and vision of the organization. These strategic domains are financial strength, customer service, quality, and workforce and workplace development.

This strategic plan identifies PPH's focus over the next 3-5 years. Business growth is a key thrust for PPH to achieve financial strength. PPH will primarily focus on the district area as its primary service area, with a goal to increase market share from 50-60% to 70-80%. Service line development will be a key strategy to increase market share, with cardiovascular, neurosciences, orthopedics and women's and children's services being the most significant service line focuses. Enhancements to these service lines could also attract in-migration to PPH from surrounding communities. Development of a formalized primary care strategy is a key component of long-term sustainability and growth of market share.

PPH is committed to customer service and quality, with key emphasis being placed on implementing best practices in customer service, demonstrating superior clinical outcomes and achievement of Magnet Recognition Status for the entire health system.

Several multi-year initiatives support workforce and workplace development. Educational partnerships, both to attract middle school and high school students to consider health careers, as well as at the collegiate level to educate individuals who are currently preparing for health careers, are at the core of workforce development efforts. Additionally, providing the best environment for employees to work in and providing learning opportunities are key aspects of attracting and retaining a highly qualified workforce. Workplace development through the multi-year Facilities Master Plan represents a significant effort by PPH to provide the most optimal facilities for delivering and receiving health care services.

PPH is committed to a philosophy of partnership and collaboration in achieving its mission and vision. The focus is on creating partnerships to fill gaps in the healthcare continuum of care and to enhance programs and services being offered to the community. PPH has developed several successful partnerships in the past, including Kaiser Permanente and Children's Hospital, and will continue to nurture new partnerships, such as UCSD.

PPH is an organization committed to innovation and creativity and is taking some tangible steps to demonstrate and actualize this commitment. This includes the establishment of a Research Institute and a structured framework to seek, study, develop and implement innovative opportunities.

PPH Leadership recognizes that focus, accountability and communication are the key disciplines necessary for the successful execution of this strategic plan and for the achievement of the organization's mission and vision.

## Palomar Pomerado Health Strategic Overview

The mission of Palomar Pomerado Health is to heal, comfort and promote health in the communities we serve.

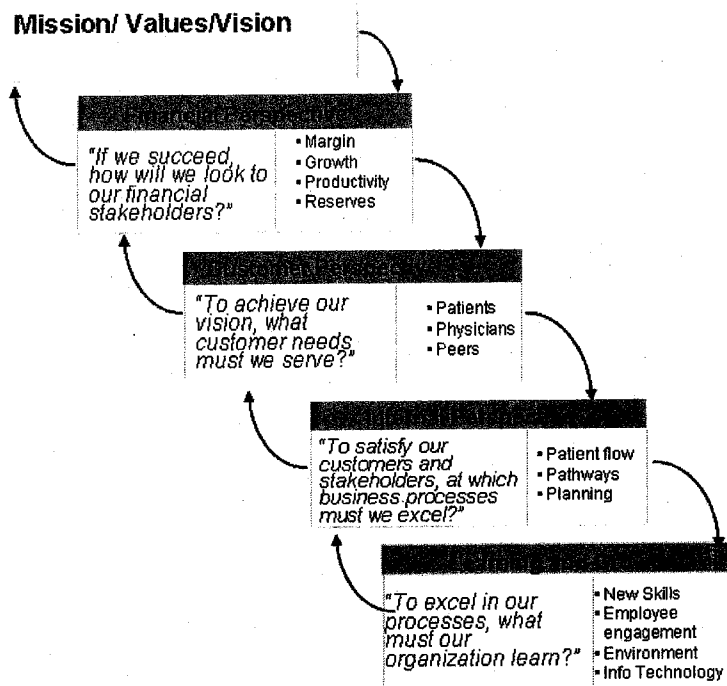
The vision is to be the health system of choice for patients, physicians and employees, recognized nationally for the highest quality of clinical care and access to comprehensive services.

Below are Palomar Pomerado Health's Values:

- Integrity—Be honest and ethical in all we do regardless of consequences
- Innovation and Creativity—Courageously seek and accept new challenges; take risks. Envision new and endless possibilities
- Teamwork—Work together toward a common goal while valuing our differences
- Excellence—Continuously strive to meet the highest standards, to surpass all customer expectations
- Compassion—Treat our patients and their families with dignity, respect, and empathy at all times. Be considerate and respectful to colleagues
- Stewardship—Inspire commitment, accountability, and a sense of common ownership by all individuals

In order to realize this mission and vision, Palomar Pomerado Health utilizes a balanced scorecard as the strategic framework and has established strategic domains and objectives to guide the utilization of all resources: time, treasure and talent. PPH selected its balanced scorecard domains to reflect the key strategic imperatives that PPH believes it must excel in to achieve the Mission and Vision. All efforts to achieve the Mission and Vision will be undertaken in a manner that is consistent with PPH's Values. The strategic domains are financial strength, customer service, quality, and workforce and workplace development. The diagram below shows the linkages among PPH's balanced scorecard domains.

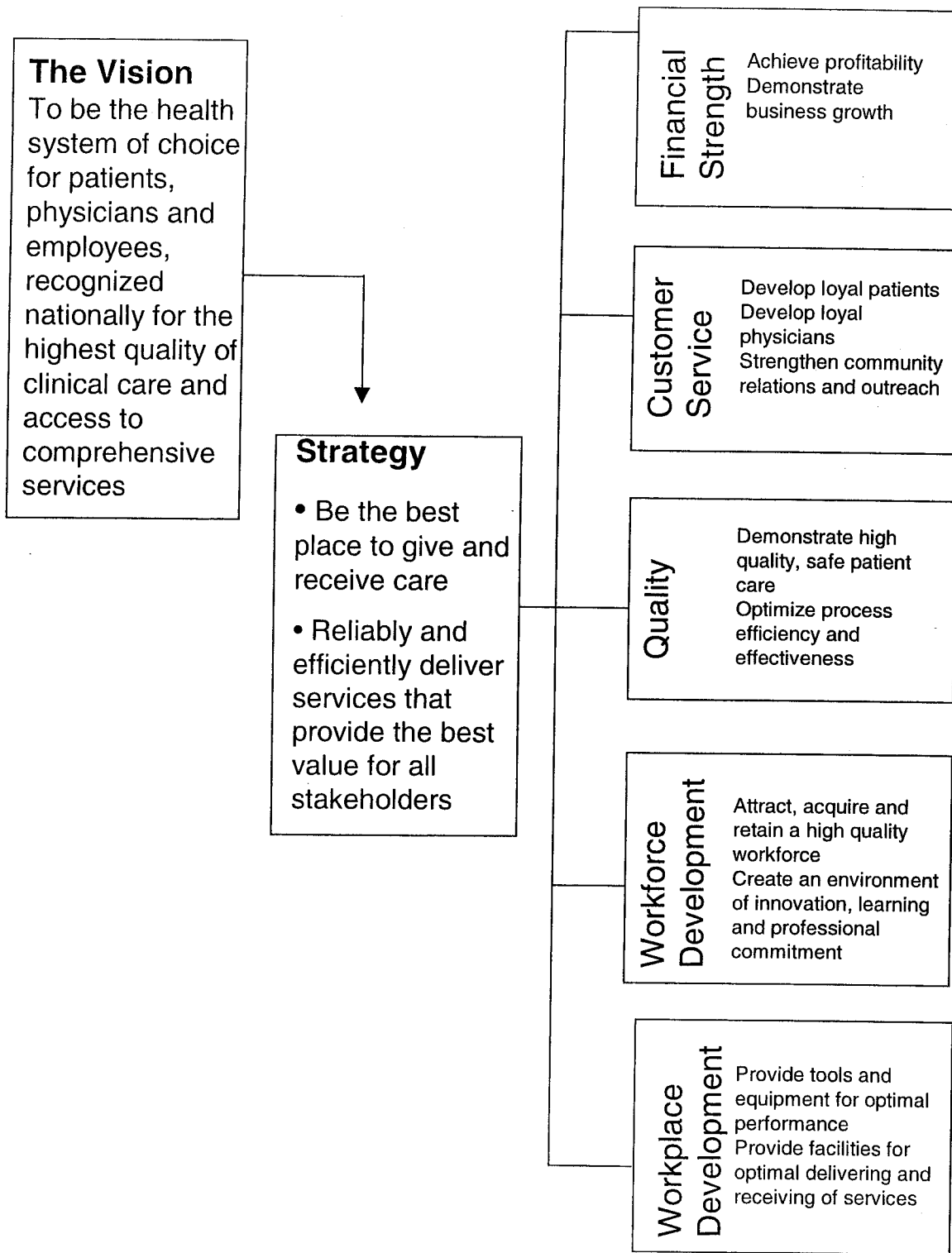
# Causal Relationships among Domains Help Define Successful Strategy



Reference: Balanced Scorecard Collaborative

The fundamental element in achieving the mission and vision is to have high quality employees who are engaged and motivated so they can focus on the care and services provided to patients. They have to have the equipment and facilities to support that care. Highly skilled employees provide high quality, safe care and services. PPH must provide high quality, safe care, but also must meet customer expectations to be treated with respect and compassion in a well-organized manner. Building relationships with patients, physicians and the community through excellent customer service and high quality safe care will enable PPH to be the provider of choice. Being the provider of choice will enhance PPH's reputation and will result in business growth. Business growth and strong financial performance will ensure PPH has the funds necessary to reinvest in staff, equipment and facilities to continually enhance the programs and services provided to the community.

The diagram below depicts the 3 – 5 year strategic objectives for PPH.



PPH has adopted long-term goals, strategic objectives, and outcome measures for each domain to move towards the vision. Each year PPH establishes initiatives to close the

gap between the existing situation and the long-term goals and objectives. Many of the initiatives are multi-year. Appendix A shows the initiatives for FY08. Annual planning in subsequent years will involve assessment of initiative achievement and development of additional initiatives as needed to continually progress towards the vision and to overcome the key challenges.

| Domain                | Long-Term Goal (FY09)   | Objective   | Outcome Measure  |
|-----------------------|---|---|--|
| Financial Strength    | Achieve Moody's As bond rating  | <ol style="list-style-type: none"> <li>1. Achieve profitability</li> <li>2. Demonstrate business growth</li> </ol>  | <ol style="list-style-type: none"> <li>1. OEBITDA margin including property tax revenue</li> <li>2. Weighted patient days</li> </ol>   |
| Customer Service      | Achieve 90 <sup>th</sup> percentile for patient and physician loyalty   | <ol style="list-style-type: none"> <li>1. Develop loyal patients</li> <li>2. Develop loyal physicians</li> <li>3. Strengthen community relationships and outreach</li> </ol>                    | <ol style="list-style-type: none"> <li>1. Patient loyalty scores</li> <li>2. Physician loyalty scores</li> <li>3. Community and Partnership survey</li> </ol>                      |
| Quality               | Achieve national recognition for clinical quality and performance excellence, including achieving the California Baldrige Award and Magnet Recognition status | <ol style="list-style-type: none"> <li>1. Demonstrate high quality, safe patient care</li> <li>2. Optimize process efficiency and effectiveness</li> </ol>                                      | <ol style="list-style-type: none"> <li>1. Core measures</li> <li>2. % of time department standards are met</li> </ol>  |
| Workforce Development | Achieve national recognition as one of the top health systems to work for and achieve 90 <sup>th</sup> percentile on employee engagement                      | <ol style="list-style-type: none"> <li>1. Attract, acquire and retain a high quality workforce</li> <li>2. Create an environment of innovation, learning and professional commitment</li> </ol> | <ol style="list-style-type: none"> <li>1. Employee engagement scores</li> <li>2. Mgmt composite score on Gallup question have had opportunity at work to learn and grow</li> </ol> |
| Workplace Development | Achieve national recognition for development of state-of-the-art facilities and technology  | <ol style="list-style-type: none"> <li>1. Provide the tools and equipment for optimal performance</li> <li>2. Provide facilities for optimal delivery and receiving of services</li> </ol>      | <ol style="list-style-type: none"> <li>1. Score on Gallup question about tools and equipment to do job</li> <li>2. Facilities Master Plan</li> </ol>                               |



## INDUSTRY AND ENVIRONMENTAL SCAN

In Moody's "Not-for-Profit Healthcare Sector: 2007 Industry Outlook," Moody's projects stable operating performance and financial position for not-for-profit hospitals and health systems in calendar year 2007, with some uncertainty for 2008 and 2009.

Moody's identified relatively favorable Medicare rates, stable national and state economies and better management of financial resources and strategic initiatives as contributing factors for the stable outlook. However, they anticipate that weak growth in patient volume, increasing competition for inpatient and outpatient volume, and higher capital spending will challenge the industry in the coming years. Moody's also expects increased federal scrutiny over not-for-profit hospital's tax-exempt status and hospital billing practices will require a greater amount of management's time and board's oversight.

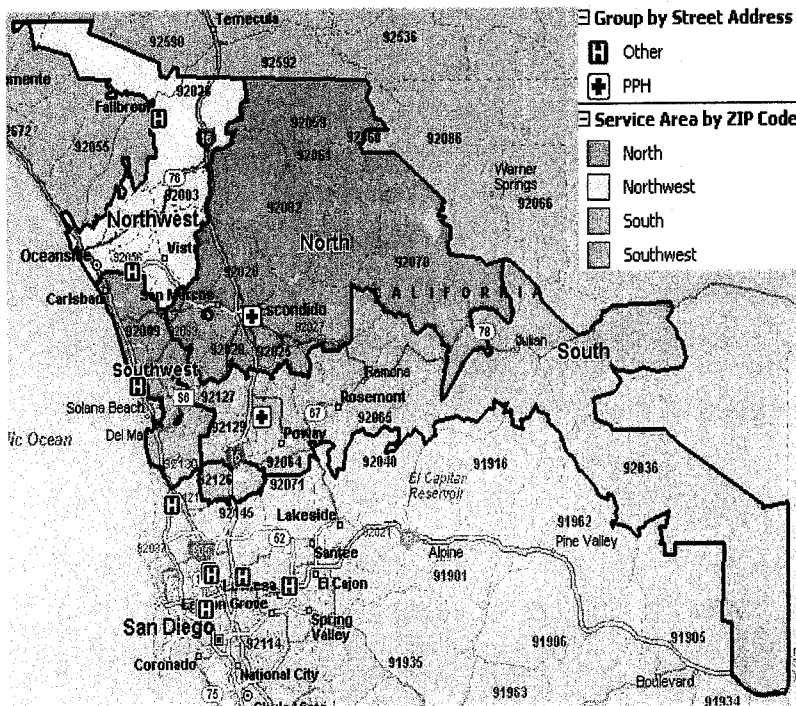
Despite experiencing a relatively stable period, healthcare is still a very challenging industry. There are legislative/political impacts, severe economic pressures, demographic and healthcare behavior factors, technological changes and competitive forces. Amidst all of the challenges, PPH Leadership has identified the following key challenges that must be addressed in strategic planning:

- Workforce shortages
- Financial resources to support PPH Mission
- Competition and market growth
- Establishing a culture that promotes PPH Values and Behavior Standards
- Reliable delivery of services using systematic processes

## MARKET ASSESSMENT

Palomar Pomerado Health, a California Healthcare District, has provided healthcare to the Inland North San Diego County community for over 50 years, and is the largest public hospital district in California, covering approximately 800 square miles. While PPH has the only acute care hospitals within the district boundaries, there is significant competition from Scripps Clinic and Sharp Rees Steely Medical Group, each with numerous physicians providing service through medical offices located within the District. These physicians then utilize Scripps and Sharp hospitals and outpatient facilities for their patients' services. These managed care networks provide the single greatest competitive threat to PPH. Information within this market assessment will show that there is greater competition from Scripps and Sharp in the southern portion of the service area, due to the closer proximity of those hospitals and the presence of Scripps Clinic and Sharp Rees Steely offices in Carmel Mountain Ranch and Rancho Bernardo.

PPH's District area, highlighted as the North and South clusters on the map below, comprises the primary service area. Approximately 75% of the patients who are hospitalized at Palomar and Pomerado reside within this primary service area. As part of the strategic planning process, the District area was analyzed as well as two geographic clusters which border the District area: the Northwest cluster includes Fallbrook, Vista and Oceanside, and the Southwest cluster includes Carlsbad, Del Mar, and Carmel Valley. The map below shows the four clusters that were analyzed.



As shown in Table 1 over 50% of PPH patients originate from the north cluster, which has been consistent over the past 3 years.

**Table 1  
PPH Inpatient Volume Trends**

| <i>Cluster</i>            | <i>Cases</i>  |               |               | <i>% of Total Cases</i> |               |               | <i>2003 - 2005 Change</i> |             |
|---------------------------|---------------|---------------|---------------|-------------------------|---------------|---------------|---------------------------|-------------|
|                           | <i>2003</i>   | <i>2004</i>   | <i>2005</i>   | <i>2003</i>             | <i>2004</i>   | <i>2005</i>   | <i>Cases</i>              | <i>%</i>    |
| North                     | 14,743        | 15,584        | 15,510        | 52.0%                   | 53.3%         | 52.6%         | 767                       | 5.2%        |
| South                     | 6,634         | 6,429         | 6,782         | 23.4%                   | 22.0%         | 23.0%         | 148                       | 2.2%        |
| Northwest                 | 2,912         | 2,957         | 2,821         | 10.3%                   | 10.1%         | 9.6%          | (91)                      | (3.1%)      |
| Southwest                 | 1,086         | 931           | 938           | 3.8%                    | 3.2%          | 3.2%          | (148)                     | (13.6%)     |
| <b>Service Area TOTAL</b> | <b>25,375</b> | <b>25,901</b> | <b>26,051</b> | <b>89.5%</b>            | <b>88.6%</b>  | <b>88.3%</b>  | <b>676</b>                | <b>2.7%</b> |
| Immigration               | 2,984         | 3,334         | 3,458         | 10.5%                   | 11.4%         | 11.7%         | 474                       | 15.9%       |
| <b>TOTAL</b>              | <b>28,359</b> | <b>29,235</b> | <b>29,509</b> | <b>100.0%</b>           | <b>100.0%</b> | <b>100.0%</b> | <b>1,150</b>              | <b>4.1%</b> |

Population growth is quite favorable in the PPH service area, and is one key reason for the need for added capacity for the health system. Table 2 shows the population growth from 2006-2011 projected for each of the clusters as well as some information about the population breakdown by age. The projected growth rate of 8.6% is higher than the projected growth rate for the U.S., 4.9%.

**Table 2  
2006-2011 Population Growth**

Source: Claritas

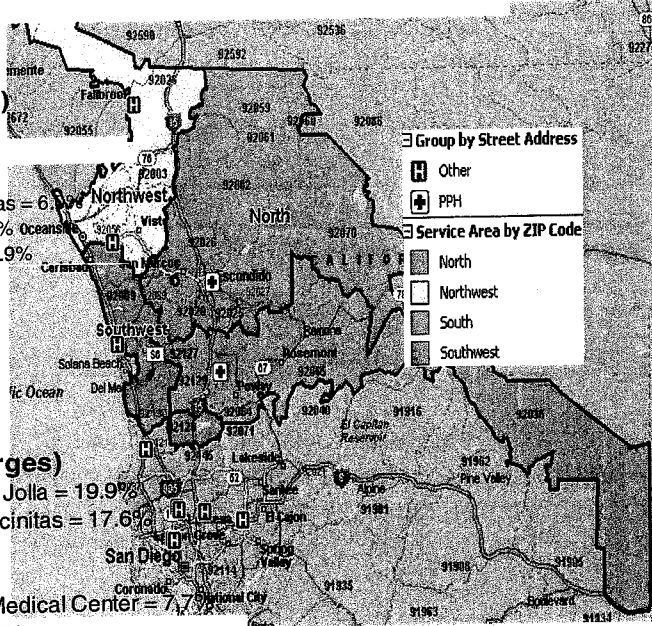
The graphic below and Table 3 show the market share by hospital by cluster, that is, of the people who reside in a given geography who were hospitalized, what hospital they were admitted to. The graphics show that PPH is dominant in the north cluster and has growth opportunities in the south cluster.

**Total Area (87,478 Discharges)**

1. Palomar Medical Center = 22.3%
2. Tri-City Medical Center = 18.8%
3. Scripps Memorial Hospital - La Jolla = 8.4%
4. Pomerado Hospital = 7.5%
5. Scripps Memorial Hospital - Encinitas = 6.7%
6. Kaiser Fnd Hosp - San Diego = 5.4%

**Northwest (26,482 Discharges)**

- Tri-City Medical Center = 48.6%
- Palomar Medical Center = 9.8%
- Fallbrook Hospital District = 7.6%
- Scripps Memorial Hospital - Encinitas = 6.5%
- Kaiser Fnd Hosp - San Diego = 4.4%
- Children'S Hospital - San Diego = 3.9%



**North (24,795 Discharges)**

1. Palomar Medical Center = 58.0%
2. Tri-City Medical Center = 7.4%
3. Pomerado Hospital = 4.5%
4. Children'S Hospital - San Diego = 4.4%
5. Kaiser Fnd Hosp - San Diego = 4.1%
6. Scripps Memorial Hospital - La Jolla = 3.7%

**Southwest (20,033 Discharges)**

- Scripps Memorial Hospital - La Jolla = 19.9%
- Scripps Memorial Hospital - Encinitas = 17.6%
- Tri-City Medical Center = 8.6%
- Scripps Green Hospital = 7.7%
- University Of Calif-San Diego Medical Center = 7.7%
- Palomar Medical Center = 2.5%

**South (16,168 Discharges)**

1. Pomerado Hospital = 29.4%
2. Palomar Medical Center = 12.6%
3. Scripps Memorial Hospital - La Jolla = 9.1%
4. Kaiser Fnd Hosp - San Diego = 7.7%
5. Scripps Green Hospital = 7.4%
6. Sharp Memorial Hospital = 7.3%

**Table 3  
PPH Market Share by Geographic Cluster**

| Cluster   | Palomar Market Share | Pomerado Market Share | PPH Total Market Share |
|-----------|----------------------|-----------------------|------------------------|
| North     | 58.0%                | 4.5%                  | 62.5%                  |
| South     | 12.6%                | 29.4%                 | 42.0%                  |
| Northwest | 9.8%                 | 0.9%                  | 10.7%                  |
| Southwest | 2.5%                 | 2.1%                  | 4.6%                   |
| Total     | 22.3%                | 7.5%                  | 29.8%                  |

While PPH has a very strong market share in the north cluster, the strength varies substantially within the two key north cluster cities. PPH has over 70% market share in Escondido, but only 42.6% market share in San Marcos.

**Escondido (15,332 Discharges)**

1. Palomar Medical Center = 66.8%
2. Pomerado Hospital = 5.1%
3. Children's Hospital - San Diego = 4.5%
4. Kaiser Fnd Hosp - San Diego = 3.9%
5. Scripps Green Hospital = 2.8%
6. Scripps Memorial Hospital - La Jolla = 2.6%

**San Marcos (7,241 Discharges)**

1. Palomar Medical Center = 39.3%
2. Tri-City Medical Center = 19.5%
3. Scripps Memorial Hospital - Encinitas = 7.0%
4. Scripps Memorial Hospital - La Jolla = 6.4%
5. Scripps Green Hospital = 5.7%
6. Kaiser Fnd Hosp - San Diego = 4.8%
7. Pomerado Hospital = 3.3%

Payor mix varies by cluster. Table 4 shows that the south and southwest clusters have a more favorable payor mix.

**Table 4  
Payor Mix by Geographic Cluster**

| Cluster      | Total Cases   | Medi-Cal     | Medicare     | Private Coverage | Kaiser       | Self Pay/Other |
|--------------|---------------|--------------|--------------|------------------|--------------|----------------|
| North        | 24,795        | 19.2%        | 32.3%        | 27.4%            | 11.2%        | 9.9%           |
| South        | 16,168        | 8.4%         | 33.7%        | 40.4%            | 11.2%        | 6.3%           |
| Northwest    | 26,481        | 19.5%        | 34.5%        | 26.7%            | 8.7%         | 10.6%          |
| Southwest    | 20,033        | 7.4%         | 30.0%        | 46.8%            | 9.2%         | 6.6%           |
| <b>TOTAL</b> | <b>87,478</b> | <b>14.6%</b> | <b>32.7%</b> | <b>34.0%</b>     | <b>10.0%</b> | <b>8.7%</b>    |

It is important to have looked at a wider geography than the PPH service area, however, there is additional opportunity within the north and south clusters which should be the first focus of PPH in terms of growing business. Particularly in the south cluster, PPH has significant opportunity for volume growth. Market opportunity was segmented by service line and payor to identify if there are specific aspects in which PPH underperforms.

**Table 5  
PPH Market Share by Payor**

| Payor            | North Cluster PPH Market Share | South Cluster PPH Market Share |
|------------------|--------------------------------|--------------------------------|
| Medi-Cal         | 80.3%                          | 58.0%                          |
| Medicare         | 68.7%                          | 60.6%                          |
| Private Coverage | 48.4%                          | 28.9%                          |
| Kaiser           | 52.3%                          | 20.6%                          |
| Self Pay/Other   | 58.9%                          | 42.8%                          |
| Total            | 62.6%                          | 41.9%                          |

In both geographic regions, PPH underperforms with regard to market share among patients with private coverage. PPH has strongest market share among patients covered by Medi-Cal and Medicare insurance.

PPH market share also varies significantly by service line as shown in Table 6 below.

**Table 6  
PPH Market Share by Service Line**

| Service Line        | North Cluster PPH Market Share | South Cluster PPH Market Share |
|---------------------|--------------------------------|--------------------------------|
| Obstetrics Delivery | 73.1%                          | 35.7%                          |
| General Medicine    | 67.7%                          | 53.0%                          |
| Orthopedics         | 54.2%                          | 39.9%                          |

|                                   |       |       |
|-----------------------------------|-------|-------|
| Cardiology                        | 74.7% | 60.9% |
| General Surgery                   | 60.1% | 41.6% |
| Pulmonary                         | 71.1% | 55.5% |
| Cardiac/vascular/thoracic surgery | 50.4% | 34.4% |
| Neurology                         | 73.3% | 56.8% |
| Neonate                           | 53.6% | 22.0% |
| Oncology                          | 46.9% | 30.8% |
| Nephrology/Urology                | 62.3% | 50.1% |
| GYN                               | 52.4% | 31.3% |
| OB non-delivery                   | 58.9% | 17.5% |
| Neurosurgery                      | 38.3% | 22.4% |
| Other                             | 43.3% | 25.1% |

In the north cluster, PPH has strongest market share for Cardiology, Neurology, OB Deliveries, Pulmonary and General Medicine. In the south cluster, PPH has strongest market share for Cardiology, Neurology, Pulmonary, General Medicine and Nephrology/Urology. Noticeably, PPH market share substantially drops among the surgical service lines. For instance, the strong market share for cardiology does not translate into strong market share for cardiac/vascular/thoracic surgery.

## FINANCIAL STRENGTH

Palomar Pomerado Health must remain a financially strong organization in order to fund the development efforts necessary to achieve the vision of becoming the “health system of choice for patients, physicians and employees, recognized nationally for the highest quality of clinical care and access to comprehensive services.”

Palomar Pomerado Health established a 10-year financial plan, which identified the necessary financial performance required to effectively fund the Facilities Master Plan.

| Ratio/Statistic                           | Moody's "A"<br>Rated<br>Hospitals | Projected       |           |           |           |           |           |           |            |            |            |            |
|---|-----------------------------------|-----------------|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------|------------|------------|
|   |                                   | Audited<br>2006 | 2007      | 2008      | 2009      | 2010      | 2011      | 2012      | 2013       | 2014       | 2015       | 2016       |
| Total Operating Revenue                   | \$391,162                         | \$397,497       | \$428,403 | \$451,431 | \$476,980 | \$505,018 | \$534,846 | \$575,441 | \$604,823  | \$635,920  | \$668,824  | \$703,661  |
| Operating Income                          | \$11,658                          | (\$4,408)       | \$4,910   | \$3,129   | \$5,811   | \$5,864   | (\$8,223) | (\$8,673) | (\$10,529) | (\$16,443) | (\$21,442) | (\$22,284) |
| Net Income                                | \$21,837                          | \$20,982        | \$23,271  | \$22,399  | \$25,359  | \$28,560  | \$13,848  | \$12,949  | \$14,095   | \$10,548   | \$7,162    | \$7,964    |
| Cash Flow (Net Inc + Depr)                | \$49,314                          | \$39,719        | \$42,045  | \$43,721  | \$49,019  | \$57,830  | \$62,065  | \$75,658  | \$76,512   | \$76,831   | \$77,350   | \$77,858   |
| Unrestricted Cash                         | \$245,912                         | \$121,703       | \$160,921 | \$190,015 | \$227,135 | \$254,500 | \$152,725 | \$215,464 | \$361,189  | \$426,840  | \$492,511  | \$552,065  |
| EBIDA                                     | \$38,179                          | \$44,125        | \$46,749  | \$52,834  | \$58,272  | \$66,629  | \$70,385  | \$83,558  | \$87,354   | \$90,514   | \$92,883   | \$95,286   |
| Long-Term Debt                            | \$138,549                         | \$151,347       | \$324,787 | \$315,712 | \$445,552 | \$435,272 | \$527,382 | \$519,072 | \$510,317  | \$501,102  | \$486,097  | \$476,202  |
| <b>Profitability</b>                      |                                   |                 |           |           |           |           |           |           |            |            |            |            |
| Operating Margin                          | 3.3%                              | (1.1%)          | 1.1%      | 0.7%      | 1.2%      | 1.2%      | (1.5%)    | (1.5%)    | (1.7%)     | (2.6%)     | (3.2%)     | (3.2%)     |
| Operating Margin (Including Property Tax) | 3.3%                              | 1.8%            | 4.1%      | 3.5%      | 4.0%      | 3.8%      | 1.0%      | 0.9%      | 0.6%       | (0.3%)     | (1.0%)     | (1.0%)     |
| Excess Margin                             | 5.9%                              | 5.0%            | 5.2%      | 4.8%      | 5.1%      | 5.4%      | 2.5%      | 2.2%      | 2.2%       | 1.6%       | 1.0%       | 1.1%       |
| EBIDA Margin                              | 12.0%                             | 11.1%           | 10.9%     | 11.7%     | 12.2%     | 13.2%     | 13.2%     | 14.5%     | 14.4%      | 14.2%      | 13.9%      | 13.5%      |
| <b>Liquidity</b>                          |                                   |                 |           |           |           |           |           |           |            |            |            |            |
| Cash to Debt                              | 124.2%                            | 80.4%           | 49.5%     | 60.2%     | 51.0%     | 58.5%     | 29.0%     | 41.5%     | 70.8%      | 85.2%      | 101.3%     | 115.9%     |
| Days Cash On Hand (days)                  | 173                               | 116             | 145       | 162       | 185       | 198       | 113       | 151       | 238        | 266        | 290        | 307        |
| Days in A/R, net                          | 48.9                              | 66.8            | 61.8      | 59.8      | 57.8      | 55.8      | 54.8      | 53.8      | 52.8       | 51.8       | 50.8       | 50.3       |

PPH has two primary objectives within this strategic domain: 1) to achieve profitability and 2) to grow business. PPH desires to increase its current market share of 50-60% to 70-80% within the district as well as to grow the business it captures from neighboring communities. The outcome measures, which are used to track the achievement of these objectives, are OEBITDA and Weighted Patient Days. Several key initiatives have been established to improve profitability and to grow business:

- Develop, implement and operationalize a patient focused revenue cycle plan, inclusive of all business and clinical aspects. This initiative is referred to as HealthWoRx.
- Develop and implement a primary care growth strategy
- Finalize and implement strategic and business plans for key clinical service lines
- Develop and implement an Outpatient Services Plan
- Facilitate development of collaborative opportunities

These initiatives are multi-year, with action plans and milestones established for each year of the initiative. These initiatives will assist PPH in addressing two key challenges: 1) financial resources to support PPH mission, and 2) competition and market growth.

## HealthWoRx

The purpose of HealthWoRx is to completely rebuild the patient business processes at Palomar Pomerado Health from beginning to end. It will develop a seamless flow that, from the moment an inquiry about treatment is received, to the day the patient account reaches zero balance, is efficient, clear, measurable, and easy to understand for patients, families and physicians. The redesign of processes will be based on patient needs and customer preferences with the expectation that such a design will foster community loyalty to PPH for all their healthcare needs. A key goal of this strategy will be to improve the revenue cycle to assure that all expected net revenue is realized.

## Primary Care Growth Strategy

It is critical that community members select primary care relationships with physicians and services affiliated with PPH so that specialty referrals, diagnostic, treatment and continuum of care services will remain within the PPH system. In the Market Assessment section the strong presence of Scripps Clinic and Sharp Rees Steely Medical Group were identified as significant competitive threats. Once community members develop their physician relationships with these two groups, and their respective managed care networks, there is very little opportunity for PPH to participate in providing their healthcare services. Despite the critical importance of establishing this primary care relationship, to date, PPH has had minimal structured strategy to attempt to attract and retain community members beginning with their primary care relationship. The purpose of this initiative is to develop and implement such a strategy. The primary care growth strategy is in fact many sub-initiatives that will contribute to providing additional avenues by which community members will become aligned with PPH in the beginning of their healthcare processes. Key elements of the primary care growth strategy include:

- Identification/stratification of present primary groups to partner with in specific areas to be served
- Identification of new zip codes for development and kinds of primary care physicians required
- Establishment of alternative structures to supply primary care physicians in zip codes to be served
  - Evaluation of Foundation Model in support of present primary care physician groups
  - Direct assistance in recruitment of physicians to support present groups
  - Evaluation of Clinic-based Model for the satellite facilities
  - Establishment of a specific recruitment program to support zip codes not served or wanting to be served by present groups or solo practitioners, including potential establishment of a new group with expansion capabilities
  - Recruitment of physician(s)/groups from secondary markets
  - Expand primary care medical group relationships with UCSD physician group
- Evaluate alternative programs to expand referral pattern to PCP/Specialists



- Establishment of retail clinic network
- Expansion of Corporate Health program
- Aggressive expansion of health fairs/screening programs to support specialty referral efforts for women's/cardiac/neuro/ortho services
- Outreach effort within churches-to include faith-based clinics
- Establishment of alternative/integrative medicine clinics
- Establishment of major clinic screening programs specifically for self-referring services, such as diabetes/obesity/cardiac
- Creation of Geriatrics referral program
- Establish budget to support primary care strategy-based on priorities of recruitment and expansion into zip codes identified for PPH penetration
- Create a measurement vehicle to track market penetration, referral pattern to specialists, utilization of PPH services, net financial growth

As part of assessing the community physician supply and demand, PPH retained Medical Development Specialists (MDS) to perform a Physician Needs Study to analyze the current supply of physicians in the community by specialty compared with the projected needs for physicians based on the community population and demographics. The results of the study are shown in Table 7. MDS very strongly identified a community need for additional primary care physicians. This shortage of primary care physicians indicates that a core element of the primary care strategy must include recruitment of additional primary care physicians to the community. PPH is working closely with the primary care groups associated with PPH to assist them in growing the number of physicians in their groups.

| Substantial Physician Needs (> 10)   | Moderate Physician Needs (6-10)   | Slight Needs (1-5)   | Specialties at/near Equilibrium   | Adequate Supply   |
|--|---|--|---|---|
| <ul style="list-style-type: none"> <li>● Family Practice</li> <li>● Internal Medicine</li> <li>● OB/GYN</li> <li>● Psychiatry</li> </ul> | <ul style="list-style-type: none"> <li>● General Surgery</li> <li>● Oncology</li> <li>● Physical Medicine</li> <li>● Urology</li> <li>● ENT (acute need)</li> </ul> | <ul style="list-style-type: none"> <li>● Allergy</li> <li>● Cardiology</li> <li>● Dermatology</li> <li>● Endocrinology</li> <li>● Gastroenterology</li> <li>● Infectious Disease</li> <li>● Neurology</li> <li>● Radiation Oncology</li> <li>● Rheumatology</li> <li>● Cardiac Surgery</li> <li>● Pediatrics</li> <li>● Plastic Surgery</li> </ul> | <ul style="list-style-type: none"> <li>● Nephrology</li> <li>● Pulmonary Medicine</li> <li>● Ophthalmology</li> <li>● Neurosurgery</li> </ul> | <ul style="list-style-type: none"> <li>● Orthopedics</li> </ul> |

Where appropriate, PPH has utilized a risk sharing capitation strategy with affiliated medical groups and IPAs. This has aligned PPH with these primary care-based groups more strongly. Additional alignment has occurred with Centre for Health Care with their recent relocation into the Pomerado Outpatient Pavilion. PPH views this as very positive.

## Service Line Development

Service Line excellence and branding have been utilized for decades in the healthcare industry as a key strategy for business growth as well as fundraising. While PPH offers comprehensive services, with the exception of transplants and burn services, there is a desire to focus on some key service lines for program development and strategic marketing opportunities. As shown in the Market Assessment section, PPH's market share strength varies considerably by service line.

**Table 8**  
**PPH Market Share by Service Line**

| Service Line                      | North Cluster<br>PPH Market Share | South Cluster<br>PPH Market Share |
|-----------------------------------|-----------------------------------|-----------------------------------|
| Obstetrics Delivery               | 73.1%                             | 35.7%                             |
| General Medicine                  | 67.7%                             | 53.0%                             |
| Orthopedics                       | 54.2%                             | 39.9%                             |
| Cardiology                        | 74.7%                             | 60.9%                             |
| General Surgery                   | 60.1%                             | 41.6%                             |
| Pulmonary                         | 71.1%                             | 55.5%                             |
| Cardiac/vascular/thoracic surgery | 50.4%                             | 34.4%                             |
| Neurology                         | 73.3%                             | 56.8%                             |
| Neonate                           | 53.6%                             | 22.0%                             |
| Oncology                          | 46.9%                             | 30.8%                             |
| Nephrology/Urology                | 62.3%                             | 50.1%                             |
| GYN                               | 52.4%                             | 31.3%                             |
| OB non-delivery                   | 58.9%                             | 17.5%                             |
| Neurosurgery                      | 38.3%                             | 22.4%                             |
| Other                             | 43.3%                             | 25.1%                             |

The financial benefit to PPH also varies by service line as shown in Table 9 below.

**Table 9  
Contribution Margin per Case by Specialty by Hospital**

| PPH                      |                 | PMC                      |                 | POM                      |                 |
|--------------------------|-----------------|--------------------------|-----------------|--------------------------|-----------------|
| Summary                  | Avg. CM / case  | Summary                  | Avg. CM / case  | Summary                  | Avg. CM / case  |
| Neurosurgery             | \$ 13,572       | Cardiac Thoracic Surgery | \$ 12,876       | Neurosurgery             | \$ 21,060       |
| Cardiac Thoracic Surgery | \$ 13,178       | Neurosurgery             | \$ 12,685       | Cardiac Thoracic Surgery | \$ 17,899       |
| Vascular Surgery         | \$ 5,991        | General Surgery          | \$ 6,516        | Vascular Surgery         | \$ 8,481        |
| Oncology                 | \$ 5,399        | Vascular Surgery         | \$ 5,578        | Oncology                 | \$ 8,180        |
| General Surgery          | \$ 5,318        | Oncology                 | \$ 4,660        | GYN                      | \$ 3,378        |
| All Other - Medical      | \$ 4,670        | Neurology                | \$ 3,862        | General Surgery          | \$ 2,781        |
| Neurology                | \$ 3,976        | Orthopedics              | \$ 3,855        | General Medicine         | \$ 2,602        |
| General Medicine         | \$ 3,075        | General Medicine         | \$ 3,276        | All Other - Surgical     | \$ 2,093        |
| Orthopedics              | \$ 3,068        | Neonate                  | \$ 2,918        | Orthopedics              | \$ 2,058        |
| GYN                      | \$ 2,725        | Pulmonary                | \$ 2,873        | Neurology                | \$ 1,723        |
| Pulmonary                | \$ 2,661        | Nephrology Urology       | \$ 2,638        | Obstetrics Delivery      | \$ 1,684        |
| Nephrology Urology       | \$ 2,364        | GYN                      | \$ 2,403        | Obstetrics ND            | \$ 1,590        |
| Neonate                  | \$ 2,296        | All Other - Surgical     | \$ 2,064        | Cardiology               | \$ 1,014        |
| All Other - Surgical     | \$ 2,080        | Cardiology               | \$ 1,718        | Nephrology Urology       | \$ 946          |
| Cardiology               | \$ 1,625        | All Other - Medical      | \$ 937          | Pulmonary                | \$ 425          |
| Obstetrics ND            | \$ 994          | Obstetrics ND            | \$ 935          | All Other - Medical      | \$ 108          |
| Obstetrics Delivery      | \$ 688          | Obstetrics Delivery      | \$ 428          | Neonate                  | \$ (153)        |
| <b>Total</b>             | <b>\$ 2,676</b> | <b>Total</b>             | <b>\$ 2,687</b> | <b>Grand Total</b>       | <b>\$ 1,894</b> |

Source: Finance Department, FY06 data

Neurosurgery, Cardiac Thoracic Surgery, Vascular Surgery, Oncology, and General Surgery are the five highest margin services at PPH and PMC. These service lines represent four of the top five at Pomerado Hospital.

In taking into account market volume, PPH market share, and PPH financial contribution by service line, it is possible to see the potential financial opportunity available by service line (see Table 10).

**Table 10  
Financial Opportunity by Service Line**

| Service Line                      | Market Discharges | Available Discharges | PPH Discharges | Market Share | Gross Margin Per Discharge | Market Potential |
|-----------------------------------|-------------------|----------------------|----------------|--------------|----------------------------|------------------|
| Cardiac Vascular Thoracic Surgery | 6,110             | 4,777                | 1,333          | 21.8%        | \$4,415                    | \$21,089,245     |
| General Surgery                   | 9,045             | 6,404                | 2,641          | 29.2%        | \$1,127                    | \$7,217,906      |
| General Medicine                  | 13,588            | 9,110                | 4,478          | 33.0%        | \$734                      | \$6,682,536      |
| Oncology                          | 4,058             | 3,199                | 860            | 21.2%        | \$2,074                    | \$6,633,587      |
| Neurology                         | 4,915             | 3,091                | 1,824          | 37.1%        | \$1,298                    | \$4,011,877      |
| Neurosurgery                      | 998               | 832                  | 166            | 16.7%        | \$4,875                    | \$4,056,747      |
| Orthopedics                       | 11,559            | 8,495                | 3,064          | 26.5%        | \$370                      | \$3,142,855      |
| OB GYN                            | 2,511             | 1,966                | 544            | 21.7%        | \$1,444                    | \$2,838,573      |
| Neonate                           | 4,992             | 3,995                | 997            | 20.0%        | \$588                      | \$2,350,476      |
| All Other - Surgical              | 1,408             | 1,147                | 261            | 21.5%        | \$504                      | \$578,088        |
| Obstetrics ND                     | 1,377             | 1,067                | 310            | 22.5%        | (\$4)                      | (\$3,795)        |
| Nephrology Urology                | 3,975             | 2,730                | 1,245          | 31.3%        | (\$113)                    | (\$309,348)      |

|                     |                |               |               |              |              |                     |
|---------------------|----------------|---------------|---------------|--------------|--------------|---------------------|
| Cardiology          | 9,584          | 5,917         | 3,667         | 38.3%        | (\$140)      | (\$828,215)         |
| All Other - Medical | 8,319          | 6,778         | 1,541         | 18.5%        | (\$435)      | (\$2,946,605)       |
| Pulmonary           | 7,179          | 4,597         | 2,583         | 36.0%        | (\$673)      | (\$3,095,789)       |
| Obstetrics Delivery | 17,024         | 11,418        | 5,605         | 32.9%        | (\$625)      | (\$7,136,878)       |
| <b>Total</b>        | <b>106,640</b> | <b>75,522</b> | <b>31,118</b> | <b>29.2%</b> | <b>\$965</b> | <b>\$44,281,261</b> |

As part of this strategic planning process, PPH reassessed its service line priorities. External consultants from Kaufman Hall worked on this project with PPH Management and Service Line Administrators with a retreat inclusive of Board, management and physician leadership. The results of the analysis are that PPH will focus on cardiovascular, neurosciences, orthopedics, and women's services. The initiative for these service lines includes the creation of business plans and specific implementation plans. Additionally, an assessment will be done for oncology to determine if this should also be a prioritized service line. Executive summaries of several service line strategic and business plans are provided in Appendix B for reference.

The development of a physician growth strategy that focuses on aggressive expansion of primary care is a critical element in supporting these service line developments. There must be an appropriate primary care base from which to gain the referrals for these service lines. The MDS Physician Needs study also highlights some specialty shortages that will need to be addressed for the service lines (see Table 7). In particular, additional OB/GYN physicians will be critical to the Women's service line. There is a slight need for additional cardiologists and cardiac surgeons, impacting the cardiovascular service line as well as neurology needs that would impact the neuroscience service line development. Each individual plan will address the specific recruitments targeted for each service line, but all service lines will benefit from a stronger primary care structure within PPH.

### **Outpatient Services Plan**

Over the past several years, ambulatory care has become the "revenue king" of the health care industry, accounting for almost half of the \$1.1 trillion year 2000 industry revenue (Gardner, Modern Healthcare, 12/3/01). Technological advancements such as MRI, ultrasound, and minimally invasive surgery have facilitated more rapid diagnosis, less invasive treatments, and reduced length of stay, enabling the shift of many procedures to the outpatient setting. According to Health Care Strategic Management (Zuckerman, February 2002), market research also indicates that consumer preference for ambulatory care has driven the construction of numerous freestanding centers, many of which resemble upscale hotels.

PPH certainly acknowledges the growth in outpatient healthcare services, and the facility master plan calls for PPH to establish several new outpatient satellite centers. With land already purchased in Rancho Peñasquitos and Ramona, significant resources will be put into the planning, design, building and successful opening of these two centers. A developer partner will be sought to help defray the costs associated with these projects and to manage any medical offices which are developed as part of these projects.

Additionally, PPH is in the process of final tenant improvements and operational planning to open outpatient imaging, an outpatient women's center, an infusion center and an outpatient surgery and endoscopy center in a portion of the new 175,000 sq.ft. Pomerado Outpatient Pavilion (located on the Pomerado Hospital campus). The successful opening of these centers will be a key initiative in FY08 (see more under Workplace Development section).

PPH has also just opened a new Wound Care and Hyperbaric Center in San Marcos. Additional outpatient centers are planned for San Marcos and Valley Center. With the emphasis and amount of outpatient facilities PPH is developing, it is necessary to develop a comprehensive strategic plan for outpatient services. This plan will define which services should be placed where, based on community need and market opportunity. This plan will be completed in FY'08.

### **Collaborative Opportunities**

In an effort to stem the potential threat of new competing centers, improve physician alignment and find additional equity sources, PPH will pursue several joint venture or partnership opportunities. Initial priorities for collaborative opportunities are the outpatient surgery and endoscopy centers and the outpatient-imaging center in the Pomerado Outpatient Pavilion. Additionally, PPH is seeking a collaborative business venture for the Trilogy Stereotactic Radiosurgery equipment and program, which will open mid-FY 2008 at Palomar Medical Center.

An additional collaborative opportunity is the establishment of Retail Clinics. The Retail Clinics provide an opportunity to partner with the key primary care groups in the area to provide medical oversight to the clinics. The Retail Clinics will meet consumer desire for convenience for the very low acuity health needs, as well as provide a source for capturing potential new patients into PPH's primary care partners, and ultimately to provide referrals to PPH specialists and to PPH inpatient and outpatient services.

Establishing these collaborative ventures is viewed as critical to securing the volume and capital required for the success of these new centers and services including the continuum services of acute patient care.

## **CUSTOMER SERVICE**

Due in part to the Internet and the push for public disclosure and transparency, the healthcare consumer is more informed, savvy and discerning than ever before. Publicly reported information on hospital quality and patient satisfaction will change how patients select their healthcare providers.

The establishment of HCAHPS, a national standardized survey instrument designed to assess patients' perspective, and CHART, the State of California standardized public reporting tool, are making much more information readily available to the public.

PPH is mindful of this changing healthcare environment and is focused on exceeding customer expectations and clinical and operational excellence as key strategies for the organization.

Building relationships with patients, physicians and the community through excellent customer service and high quality, safe care will enable PPH to be the provider of choice.

With regards to customer service, PPH has established the following objectives:

- Develop loyal patients
- Develop loyal physicians
- Strengthen community relationships and outreach

Excellence in customer service will result in high patient and physician loyalty and thus help address the key challenge of competition and market growth.

The initiatives being undertaken to improve customer service are:

- Systematically implement best practices in patient loyalty
- Aggregate customer feedback and develop a plan to analyze and respond to trends
- Resolve physicians' issues to improve physician confidence in administration and nursing and regularly communicate
- Develop a plan regarding PPH's strategy for addressing community health improvement

### **Best Practices in Patient Loyalty**

In the summer of 2006, PPH began utilizing Press Ganey to measure patient satisfaction and loyalty. Press Ganey provides significant training and education materials to assist hospitals in improving customer service. This initiative focuses on sharing this information with all staff to institute best practices at PPH. The Patient Loyalty Service Excellence Work Group is one of the key teams charged with learning about and recommending best practices for PPH. A recent publication by Press Ganey Associates Inc., "What Patients Love, Press Ganey's Guide to HCAHPS," provides very specific, proven techniques that hospitals can implement to improve patient satisfaction. This guidebook is a key tool for this initiative.

## Aggregate Customer Feedback

Soliciting patient feedback is merely one step in the customer satisfaction process. Aggregating, analyzing and developing appropriate responses and action plans based on the feedback are critical processes to improving customer service. PPH's performance on the latter steps was identified as an opportunity for improvement in the recent California Award for Performance Excellence (CAPE) evaluation.

To improve performance a system-wide feedback and complaint database software, called MIDAS, will be installed and initiated at PPH in FY'08. Staff on every unit will be trained how to input patient feedback into the system. Having this information computerized will enable aggregation, analysis and then action planning.

## Physician Loyalty

While consumerism is increasing in healthcare decisions, physicians are still the primary decision maker for where patients will be hospitalized. Thus, physicians are a key source for patient volume to the Palomar Pomerado Health system. Their satisfaction with, and loyalty to, PPH is critical to the ultimate success of the organization.

To help measure physician loyalty, and to prioritize opportunities for improvement, PPH has utilized Gallup's Physician Loyalty survey tool. The last survey undertaken in mid-2006 identified specific critical drivers of physician engagement for Palomar Medical Center and Pomerado Hospital.

Most Critical Drivers of Physician Engagement at Palomar Medical Center:

1. The ability of the hospital administration to manage the hospital effectively
2. The quality of communication between the medical staff and the executive administration
3. The mission and values are a central focus of hospital operations
4. The opportunity for involvement in hospital-related discussions
5. Effective pain management
6. The efficiency of patient flow in the ER

Most Critical Drivers of Physician Engagement at Pomerado Hospital

1. The competency of staff nurses
2. The delivery of consistently high quality care across shifts and departments
3. The established protocols to handle situations in absence of a doctor
4. The overall quality of nursing care
5. The teamwork between doctors and nurses
6. Physician's ability to establish standard orders to be followed in his/her absence

Administration and Nursing are working collaboratively at both hospitals to implement specific actions to address these issues. The goal will be to see marked improvement when the study is repeated at the end of FY08.

## **Community Health Improvement**

PPH's commitment to health promotion and illness prevention is very strong. Since 1992, PPH has facilitated Health Care Advisory Councils (HCACs) throughout the district. These Advisory Councils have been a tremendous source for sharing information and developing collaborative programs to address the health issues in each community. The priority areas and projects for the HCACs are shown below:

### **Poway/Rancho Bernardo/Rancho Peñasquitos**

#### **Access to Care**

- Every Child Insured!
- Poway Clinic
- PPH Satellite Medical Facility
- Health Resource Directory

#### **At-risk Youth**

- Violence Prevention Project – Poway Unified School District (PUSD)

#### **Isolated Seniors**

- Jewish Family Services Rides and Smiles

#### **Obesity Prevention**

- Diabetes/Obesity Screening and Intervention Program
- Running Clubs – PUSD

### **San Marcos**

#### **Isolated Seniors/Mental Health**

- Taxi Voucher Program
- SOCS Box Training Program (Training “friendly visitors” on mental health issues)

#### **At-risk Youth**

- Panorama Teen and Family Resource Center
- San Marcos at-risk Youth Group

#### **Access to Care**

- Passport to Health model

### **Escondido**

#### **Obesity prevention**

- Gardening/nutrition program – UC Davis Cooperative Extension

#### **Access to care**

- Passport to Health model
- Congregations for Civic Action

### **Ramona/Julian**

#### **Obesity Prevention**

- Obesity and Diabetes Intervention/Screening Program
- Healthy Living Scholarship Fund



At-risk Youth  
BEST Mentoring Program  
Access to Care  
Every Child Insured!  
Health Resource Directory  
Ramona Satellite Medical Facility

**Pala/Pauma/Valley Center**

Obesity  
Obesity and Diabetes Intervention/Screening Program  
Diabetes Improvement Control Program  
Health Careers  
Health and Safety and Career Day

**Committee on Alcohol/Tobacco and Other Drugs**

Over the Counter/Prescription Drug Abuse among Teens and College-Age  
Students ToolBox

In 2005 PPH developed a community health needs assessment called the Community Health Check. This health report provides the basis upon which community health programs and interventions can be targeted, developed, and evaluated with the ultimate goal of improving the health of the community and its members. This Community Health Check was a key source of information by which the HCACs established the above priorities. The Community Health Check will be performed again during FY'08.

In addition to undertaking the community needs assessment, PPH will also be developing a formal survey to measure community outreach and strategic relationships. This survey will be completed by community members and leaders throughout the district. The needs assessment and this survey will both provide key information for the development of PPH's strategy for addressing community health improvement.

## QUALITY

One of the core strategies for Palomar Pomerado Health is to reliably and efficiently deliver services that provide the best value for all stakeholders. For patients, this involves providing high quality, safe care. The long-term goal in this domain is to achieve national recognition for clinical quality and performance excellence, including achieving the California Award for Performance Excellence (California Baldrige Award) and Magnet Recognition Status. PPH has acknowledged the industry trend towards pay-for-performance, and has been proactive in joining the CMS Core Measure Demonstration Project.

Within this domain, PPH has established these objectives:

- Demonstrate high quality, safe patient care
- Optimize process efficiency and effectiveness

The key initiatives are:

- Systematically implement best practices to achieve reliable delivery of evidence-based care
- Integrate the Joint Commission preparation process into our daily work activities
- Achieve Magnet Recognition Status

These initiatives will assist in addressing the key challenge of reliable delivery of services using systematic processes.

### Systematically Implement Best Practices

Within the CMS Demonstration Project, initially 5 top diagnoses were selected for initial focus: congestive heart failure, hip and knee surgical patients, pneumonia, acute myocardial infarction (AMI), and open heart surgery (CABG). PPH formed multi-disciplinary best practice teams for each focus area. These teams have been involved in many activities including updating and creating education packets for patients and families, continuing education of physicians and nurses, working with outside agencies to more closely align the inpatient stay to outpatient services, developing a standardized "hand-off" communication to include time, dose and route of medications, and creating a vaccine screening tool.

These best practice teams continue to monitor indicators to ensure best practices are maintained and that improvements are being achieved as expected. As CMS expands diagnoses and procedures for inclusion in the Demonstration Project, PPH initiates additional teams to champion processes that enable PPH to achieve national recognition as a best practice health system. The most current additions are in the surgical areas.

### Integrate Joint Commission Preparation

The Joint Commission accreditation process has evolved over the years with the current emphasis being on operational and clinical tracers. This tracer methodology involves following a patient encounter or a business or support process from beginning to end to

identify what worked well and where processes and systems fail. The effort within this initiative is to make the tracer methodology, and the continuous performance improvement culture that goes with it, to be a regular part of how PPH operates on a daily basis. The initiative will be to hardwire these opportunities and to document the outcomes of these processes.

### **Achieve Magnet Recognition Status**

In 1983, the American Academy of Nursing's Task Force on Nursing Practice in Hospitals conducted a study to identify and describe variables that created an environment that resulted in recruitment and retention of well qualified nurses and promoted quality patient care. Of the 163 hospitals included in the study, 41 exhibited distinct characteristics that appeared related to their ability to attract and retain professional nurses. These facilities were described as "magnet" hospitals and the identified characteristics became known as the "Forces of Magnetism". The purpose of the Magnet Recognition Program, administered by the American Nurses Credential Center, is to provide a framework to recognize facilities that provide the very best in patient care and support professional nursing practice. Imbedded within the program are opportunities to disseminate and share best practices between nurses, and among hospital systems.

Based on research that documents that Magnet-designated hospitals achieve better patient outcomes, improved patient satisfaction, and improved nurse satisfaction, recruitment and retention, PPH decided that it would strive to receive Magnet Recognition for all aspects of the health system. There are very few health systems that have achieved Magnet Recognition for their entire continuum of services: home care, acute care and skilled nursing facilities. The Magnet journey is a multi-year process and is a key initiative to support both quality and workforce development.

## WORKFORCE DEVELOPMENT

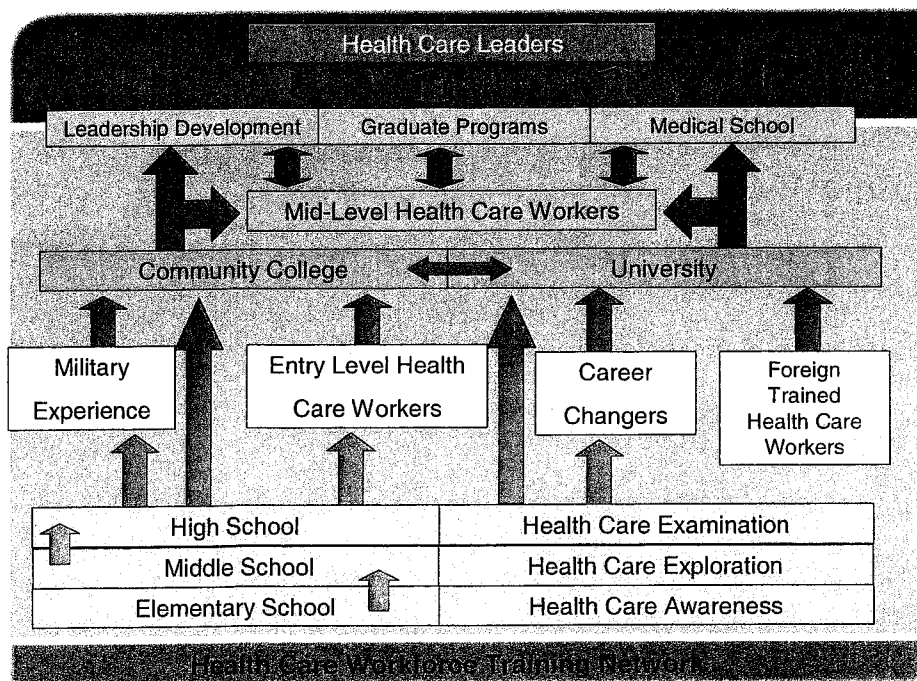
Palomar Pomerado Health must have a motivated, engaged, and prepared workforce in order to provide the highest quality of care and service to patients. Emphasis on workforce development addresses two identified key challenges: 1) workforce shortages; and 2) establishing a culture that promotes PPH values and behavior standards.

With regards to workforce development, PPH has established these objectives:

- Attract, acquire and retain a high quality workforce
- Create an environment of innovation, learning and professional commitment

Workforce shortages have significant impact on PPH's ability to achieve the first objective. The current situation is severe; however, it will be further exacerbated by the new, expanded facilities and programs brought on line over the next 4 years. A strategic workforce analysis has been completed for five critical job categories reflecting the replacement need through 2015. The analysis reviewed normal turnover by occupation, anticipated growth resulting in increased FTE's and retirement of staff. This analysis allows the identification of various sources for recruitment, approaches to phased retirement and the competencies and qualifications required.

Strategies to increase qualified providers are both short- and long-term. The graphic below depicts the Health Care Workforce Training Network that shows the framework for PPH's efforts in this area.



PPH continues to invest in long-term strategies for workforce development.

- Need to make younger folks aware and interested in healthcare careers:
  - Middle school program

- High school health academies
- High school red shirt program
- Critical Care Extenders
- For those already in or actively pursuing education in a healthcare career, need to establish an early link to PPH
  - Scholarship programs
  - Mira Costa College LVN to RN program
  - Palomar College – expand instructors
  - CSUSM – establish BSN program

Shorter-term strategies include:

- Greatly improve quality and resources dedicated to recruitment efforts
- Actively monitor metrics associated with recruitment and retention
- Clinical rotations for students

PPH has been a leader in establishing relationships and partnerships to increase the number of nurses in the community through the establishment of the BSN program at CSUSM and supporting expanded instructors at Palomar College and Mira Costa College. PPH will apply this same collaborative philosophy to extend educational partnerships to selected additional disciplines to address other severe shortages. PPH has also recognized the importance of providing a diverse workforce and has developed an initiative named CLAS – Culturally and Linguistically Appropriate Services.

The National Center for Cultural Competence has identified the following six essential reasons why cultural competency is a timely and necessary step for health care organizations: The CLAS Challenge:

1. To respond to current and projected demographic changes in the United States.
2. To eliminate long-standing disparities in the health status of people of diverse, racial, ethnic, and cultural backgrounds.
3. To improve the quality of services and health outcomes.
4. To meet legislative, regulatory and accreditation mandates.
5. To gain a competitive edge in the marketplace.
6. To decrease the likelihood of liability/malpractice claims.

Retention efforts are also critical to achieve the objective to attract, acquire and retain a high quality workforce. A new initiative to support this is to implement behavioral and skills assessment tools in the hiring process. The effort here is to hire candidates with the proper skills and values and behaviors consistent with PPH. Other on-going retention efforts include:

- Competitive salary and benefits
- Providing an environment in which people want to work
- Management and leadership development

The second objective in the workforce development domain is to create an environment of innovation, learning, and professional commitment. There are aspects of this for all employees, but PPH is initially emphasizing focus on supervisors, managers, directors, service line administrators and senior management. This approach is supported by Gallup research that indicates a primary reason why employees leave an organization is

due to the supervisor or manager. It is important to provide the management team with tools and training to be highly effective in their roles.

The initiatives for this objective are:

- Implement a systematic approach for management talent identification and succession planning
- Implement a comprehensive management orientation and leadership development program

Establishment of an electronically based Learning Management System provides a vibrant platform to increase educational and leadership development offerings at PPH. With infrastructure put in place in FY'07, the focus in FY'08 is to provide high quality, consistent management and leadership education to all supervisors and above at PPH. The consistent education will help address the challenge of creating a culture to promote PPH values and behavior standards.

In FY'08 there are two key new programs being implemented as part of the initiatives. Management 101 is designed to provide fundamental skills necessary for leadership success. The program is highly interactive and engages the audience in adult learning opportunities. A blended learning approach utilizes Harvard Manage Mentor and live classroom sessions. Management 101 will be provided for all supervisors and all new managers at PPH. Other managers are also welcome to take the program.

The second program is Leadership Development. This program includes several Leadership Modules based on Jim Kouzes' and Barry Posner's "The Leadership Challenge." This introduces five best practices: Model the Way, Inspire a Shared Vision, Challenge the Process, Inspire Others to Act, and Encourage the Heart. The Leadership Development Program also includes feedback on leadership behavior through a 360 multi-rater assessment process.

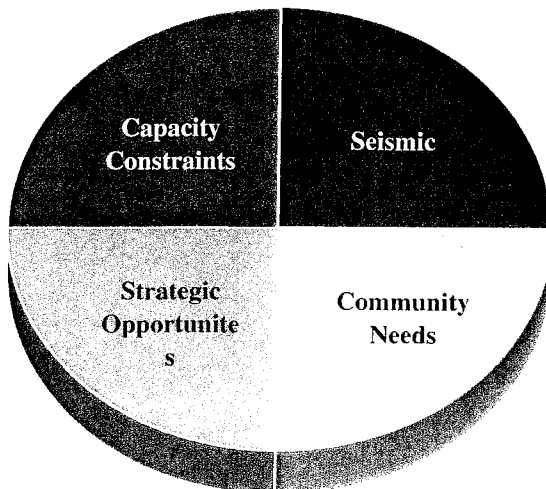
## WORKPLACE DEVELOPMENT

Palomar Pomerado Health strives to provide the optimal environment in which employees work and in which customers receive care. Two objectives have been established within this domain:

- Provide the tools and equipment for optimal performance
- Provide facilities for optimal delivery and receiving of services

Efforts within the workplace development domain help to address the key challenge of competition and market growth as well as reliable delivery of services using systematic processes. There are many healthcare facility developments taking place throughout San Diego County, and California, in part due to the seismic regulations. Having modern facilities featuring healing environments will be important in the competitive marketplace. Additionally, evidence-based design research has documented many ways in which facility design can enhance patient safety, patient satisfaction and staff satisfaction thus supporting reliable delivery of services using systematic processes.

PPH's efforts with regards to major facility enhancements began several years ago. A Facilities Master Plan (FMP) was adopted by the PPH Board of Directors in July 2004. The FMP was driven by a confluence of several key drivers.



1. Capacity constraints
2. Seismic Compliance required by 2013
3. Strategic opportunities, including leveraging the Kaiser relationship
4. Leading provider to growing community

A diversified Plan of Finance was established and approved by the Board of Directors to fund the Facilities Master Plan:

- Successful passage of Measure BB yielding \$496 million of tax support
- General Obligation Bonds

- Revenue Bonds
- Possible Restructuring of Existing Debt
- Combination of Cash from Operations and Philanthropy/capital campaign

Below is a summary of each of the key projects in the Facilities Master.

**Palomar Medical Center West – New Campus**

670,000 BGSF Hospital & 130,000 BGSF Outpatient Services Pavilion includes:

- 168 Acuity Assignable Beds
- 192 Med/Surg Beds
- 16 Pediatric Beds
- 44 Postpartum Beds
- 16 NICU Beds
- 13 Operating Rooms
- 5 Cath Labs/Interventional Radiology Rooms
- 48 E.D. Stations, 15 Imaging Rooms
- 20 LDR/Antepartum Rooms
- Women’s Outpatient Center
- Conference/Education Center

**Palomar Medical Center East - Existing Campus**

- 24 Psych Beds (Adult)
- 18 Psych Beds (Geriatric)
- 30 Acute Rehab Beds
- Rehabilitation Therapy
- Radiation Therapy
- Additional Opportunities
- Urgent Care Center
- Outpatient Surgery Center
- Mixed Use Retail/Commercial Campus
  - Corporate And Administrative Offices
  - Housing 150 – 300 Units
    - Short Term Employee Housing
    - Transitional & Long Term
    - Employee Housing
    - Senior & Elderly Resident Care
  - Skilled Nursing Facility 100 – 150 beds
  - Educational facilities
    - Wellness Gym/Resources/Training

**Pomeroado Hospital**

144,950 BGSF Hospital Expansion, 33,150 DGSF Hospital Remodel, and 88,720 DGSF Hospital to remain includes:

- 72 Acuity Assignable Beds
- 90 Med/Surg/Telemetry Beds
- 18 Postpartum Beds / 6 GYN Beds



- 4 NICU Beds
- 4 Operating Rooms
- 2 Cath Lab/Interventional Radiology Rooms
- 26 E.D. Stations
- 5 Imaging Rooms
- 11 LDR/Antepartum Rooms
- New Conference/Education Center

### **Palomar Pomerado Health Satellite Centers**

- Establish up to 4 outpatient satellite centers
- Have purchased site in Rancho Peñasquitos and Ramona for development
- Increase capacity for growing populations
- Community access and convenience
- Increased market share and hospital feeder
- Enhance geographic dispersion of physicians loyal to PPH

PPH has completed planning and design for the Pomerado Hospital expansion and the new Escondido Hospital. Planning and design concepts are underway for the existing downtown PMC campus as well as for the Rancho Peñasquitos and Ramona satellite centers. Much of the emphasis in the next few years will be to prepare for the physical transition and cultural and skills transformation that will be needed to occupy the new facilities.

In addition to focusing on these major physical facility upgrades, over the past few years PPH has also undertaken installation of new computer systems for virtually all aspects of the organization. While many aspects of the information technology transition went well, the overall Cerner installation has been somewhat problematic and remains an area of focus within this domain.

There are several initiatives associated with achieving the objectives within the workplace development domain:

- Optimize Phase 1 Cerner system
- Implement Information and Technology decision making structure in order to more effectively prioritize resources
- Develop and initiate pilot projects and innovations linked to future facility development
- Plan and commission successful opening of new facilities
- Initiate philanthropic Capital Campaign

### **Optimize Phase 1 Cerner System**

It is important and necessary to achieve a high level of stability of Phase 1 of the Cerner installation in order to move forward into Phase 2 and the movement towards an Electronic Health Record (EHR) and Computerized Physician Order Entry (CPOE). There is a task force dedicated to working on this project for finalization before the end

of FY08. Additionally, a Physician Advisory Group has been formed to work on Phase 1, EHR and CPOE.

### **Information and Technology Decision Making Structure**

Technology deployed and integrated in a well-planned manner has the potential to significantly improve the delivery of high quality patient care, improve staff and physician efficiency and drive down health costs. Unfortunately, most healthcare organizations do not have a long-range plan for technology adoption and investments. Without a technology roadmap, and well-defined technology adoption processes, hospitals are likely to install systems that operate in isolation and may not provide the infrastructure necessary for emerging technologies. This initiative will develop a more formalized, integrated, and comprehensive approach to information and technology decision making at PPH. This initiative will establish a best practice approach at PPH leveraging the Control Objectives for Information and related Technology (COBIT) methodology adopted by the IT Governance Institute. PPH will use a Rapid Design and Validation Process using straw models and content developed by a team and validated by key stakeholders, constituents and internal/external experts.

### **Initiate Pilot Projects and Innovations**

It is becoming very clear that the physical transition and the skill, process, and culture transformations that will be required to successfully provide the kind of innovative care that has been designed into the new facilities will be a tremendous undertaking. This initiative emphasizes the establishment of pilot projects to test materials, equipment and processes in real, operational settings. One such pilot will be to test various flooring and wall covering materials in unit renovations that are planned for in the routine capital budget for FY08. Installation of some ceiling lifts in existing patient rooms to test this equipment in actual patient care settings is another pilot project. PPH is working with the State of California Department of Health Services to attempt to secure approval to establish a pilot-nursing unit for acuity adaptable care. In addition to specific pilot projects, PPH will undertake education and planning for the physical, skill and cultural transformations.

### **Plan and Commission Successful Opening of New Facilities**

The first phase of the facility plan at Pomerado Hospital will open in FY08 with the opening of an imaging center, a women's center, an infusion center, a lab draw center, and an outpatient surgery and endoscopy center in the new Pomerado Outpatient Pavilion. Significant planning and preparation will be necessary to successfully open these centers.

### **Initiate Philanthropic Campaign**

Palomar Pomerado Health Foundation has completed a planning study to determine the feasibility of undertaking a significant capital campaign in support of the facilities master plan. The results of that study have positively indicated the likelihood of PPHF being

able to successfully undertake a capital campaign of at least \$55 million. This initiative will take approximately 4 years to complete.

## Research and Development

One of the newer objectives articulated for PPH is to create an environment of innovation, learning and professional commitment. This supports PPH's Innovation and Creativity value. PPH is undertaking several initiatives to make innovation and learning a core element of PPH's culture and processes. These include the establishment of a Research Institute and the establishment of a senior position dedicated to innovation and technology.

### Research Institute

Through Palomar Pomerado Health North County Health Development (Health Development, a 501 c 3 not-for-profit organization formed to support PPH's grant activities), a PPH Research Institute is in the very early stages of development. The goal of this Research Institute is to create a centralized organization for physicians, nurses, and allied health professionals to advance care of patients through innovative research at Palomar Pomerado Health. Currently research at PPH is fairly limited and diffuse with no central focus or organization except for the work of the Investigational Review Committee (IRC). Physicians who are conducting clinical trials or other types of research are poorly supported and the research being done has limited exposure, thus it is not positively influencing the public's perception of PPH's clinical expertise, nor is it assisting in attracting additional high quality physicians or other clinicians.

Establishment of this Research Institute will result in:

- Increase number of clinical therapies
- Create an environment for new technologies and care protocols to be developed
- Increase patient volumes for our clinician partners
- Improve physician and staff satisfaction
- Improve recruitment and retention of physicians and other clinicians
- Enhance community and industry recognition
- Help build strategic alliances and relationships with key healthcare providers, health plans, pharmaceutical/biotechnology companies and funding agencies
- Create a learning environment that is focused on continuous quality and process improvement leading to better safety and medical decision making
- Support fundraising campaigns that will benefit the District at large

The types of research that are anticipated for the Research Institute include:

- Translational Research
- Drug trials
- Medical device studies
- Disease management
- Process improvement studies
- Patient safety and quality of care research
- Architectural design studies
- Community health and wellness studies
- Information systems design and development research
- Other management initiated studies

- Alternative/Complementary Medicine studies

As noted above, the Research Institute will be a conduit for strengthening strategic alliances. In particular, the focus initially is with UCSD and USD. For USD, the focus collaboration will be for nursing research. For UCSD the opportunities are broader, including the School of Medicine for clinical trials and translation research, Jacobs School of Engineering for device and robotics development and studies, Graduate Studies and Research by tapping into the wealth of PhD candidates who are interested in clinical research, Rady School of Management for system studies and a potential linkages for future PPH managers, and Skaggs School of Pharmacy and Pharmaceutical Sciences for drug safety and informatics studies, as well as a potential source for recruitment of future pharmacists for PPH.

The Research Institute will also work to leverage opportunities that we are becoming aware of through existing relationships, such as through Dr. Richard Satava, a member of our Expert Advisory Panel. Dr. Satava has shared with PPH that the military has a large portfolio of advanced research projects. They have a need to test these new devices and procedures - not only in the battlefield environment, but in a civilian hospital environment as well. The establishment of the Research Institute provides the necessary infrastructure and innovative climate to open PPH up to such opportunities.

PPH Medical Staff support for the development of this Research Institute has been very strong. Dr. Just serves as the Medical Director. Other physicians who are taking leadership roles or are actively engaged include Dr. Buringrud, Dr. McKinley, Dr. Bernstein, Dr. Kolins, Dr. Tornambe, Dr. Ho, Dr. Hirsch, and Dr. Conrad. Dozens of other physicians have been involved in early discussions and are quite supportive of this initiative.

The Research Institute will contribute positively to several of the strategic domains:

- Business growth
  - Improve PPH's image and reputation
  - Attract new patients to PPH
  - Attract new physicians to PPH
- Customer Service
  - Improve physician loyalty among physicians who participate in research
- Quality
  - Research of new technologies and care protocols
- Workforce Development
  - Improve staff satisfaction, recruitment, and retention for those staff that want to be involved in research

### **Driving Innovation Programs**

To support the objective to create an innovative environment a leadership position has been created for a Chief Technology and Innovation Officer. Through this leader a framework has been established to transform PPH into an organization that actively seeks, studies, develops and implements innovative opportunities. The core steps in this process are:

## **Idea Creation**

Theme → Affect → Cluster → Pathway → Catalyst

## **Idea Realization**

Idea package → Screen → Study → Advise → Approve

+ Plan → Resource → Integrate → Launch → Study

The intent is to create several idea packages that can then be prioritized based on the investment required and the competitiveness of that idea.

For each Idea Creation the following aspects are defined to develop the idea package:

- Theme: a unifying or dominant idea, motif
- Affect: to act on; produce an effect or change in
- Cluster: a group of the same or similar elements gathered or occurring closely together
- Pathway: a path, course, route or way
- Catalyst: an agent that provokes or speeds significant change or action

Sourcing and engaging catalysts are keys to developing innovative opportunities. Catalysts may include venture-backed companies, government and foundations, established technology companies and strategic business partners. PPH will differentiate itself as being a healthcare organization that is actively seeking these partners in order to improve healthcare.

## Partnership Development

There have been several initiatives described in this Strategic Plan that involve the establishment or strengthening of partnerships and collaborations. PPH has a business philosophy that embraces the value of partnering with external entities and organizations in order to best achieve the vision of the organization.

### Kaiser Partnership

Kaiser Permanente has had a relationship with PPH for many years. The relationship began in the late 1990s with a contract for Kaiser obstetric patients to have their babies delivered at Palomar Medical Center. The partnership has grown over the years to additional types of patients, as PPH capacity has permitted, and as Kaiser has expanded their physician presence in North County. Kaiser Permanente operates one hospital in San Diego County, down in Mission Gorge (referred to as their Zion facility). This hospital has substantial seismic compliance shortfalls, as well as operates at or near capacity most of the year. In 2001-2002 Kaiser carefully studied their facility options with regards to how to increase hospital capacity, particularly in North County. What resulted is a long-term contract between Kaiser Permanente and PPH for PPH to provide inpatient hospital services to Kaiser's North County membership for nearly all inpatient care upon opening the PMC-West new campus. The new hospital has been sized to have adequate capacity to meet Kaiser's needs as well as the needs of all of the community-based physicians currently practicing at Palomar Medical Center, including planning for growth in population and market share.

This partnership not only provides financial benefit for PPH with the opening of the new facilities, but also enables PPH to better fulfill its mission and vision for all residents of the District area, not just non-Kaiser members.

### UCSD

A partnership with an academic medical center can provide many benefits to PPH. Over the past 1-2 years, PPH has been exploring a variety of opportunities with UCSD to see if there are mutually beneficial avenues of collaboration that can be pursued. The list below highlights some of the opportunities under exploration:

- Opportunity to establish clinical rotations for residents to train at PPH facilities in a variety of specialties
- Exposure of residents to practice opportunities in Inland North County with the goal of attracting these physicians to come to practice in the PPH community
- Linkages for the Research Institute
- Awareness and access to tertiary services not provided by PPH but needed by our patients and community members
- Sharing of best practices, clinical and business
- Cooperative relationship with the School of Pharmacy, again for best practices as well as attracting graduates
- Early exposure to PPH by pre-medicine students through the college-level workforce development program

The branding opportunity of linking PPH with an academic medical center could be a factor in differentiating PPH from Scripps and Sharp.

### **Children's Hospital and Children's Specialist Medical Group**

There is a lack of pediatric capacity in San Diego County. This shortage provided the impetus for PPH and Children's Hospital to establish a collaborative relationship in the early 2000s. The goal was that through the adoption of many of Children's Hospital's protocols for lower acuity, common pediatric diagnosis, PPH would retain many pediatric admissions at Palomar Medical Center. This provides the added census necessary at Palomar Medical Center to maintain clinical competencies as well as to financially support PMC providing this service in North County. Children's Hospital benefits by limiting census of lower acuity patients to reserve capacity for those more acute, specialty patients who are best served at Children's Hospital. This partnership has provided the basis for the two organizations to work collaboratively on efforts to best serve the pediatric population.

In addition to partnering with Children's Hospital, PPH has also been working to establish stronger collaboration with Children's Specialist Medical Group. With the opening of their new medical office building in Escondido, more pediatric specialists will be available to pediatric patients in North San Diego County and South Riverside County. This additional specialist availability could enhance the volume of patients at PMC, by providing specialists willing to treat patients in a North County hospital. PPH will be actively working with Children's Specialists to identify such opportunities and determine what is required to bring them to fruition.

PPH will continue to embrace and seek out partnerships and collaborations that support PPH's strategic domains.



## Strategic Marketing Plan

A Strategic Marketing Plan has been developed which defines the tactics and solutions to accomplish the following:

- Re-brand the institution
- Generate business/revenue growth
- Expand market share in essential service lines
- Increase customer acquisitions via the Web
- Establish PPH as the preeminent health care system serving the Inland North County San Diego region
- Create the most comprehensive and innovative legislative agenda/strategy

Accomplishing these goals will take place over a few years. Some of the key tactics in the Strategic Marketing Plan are:

- A transitional logo including a new type treatment and supporting tagline will be in use until new name and brand are established.
- Customer Relationship Management (CRM)
- Web communications
- TV advertising
- Public relations
- Government relations/public affairs
- Community health and development
- Service line/campus-focused marketing efforts
- New Movers campaign
- CaptivCast (hospital based digital feeds via plasma screens)
- ER communications campaign
- Women's conference
- Dial Don't Drive public service campaign
- Graphic standard manual development
- Naming strategy
- LaDainian Tomlinson partnership and creation of Project21SD

## Appendix A

## PPH FY08 Initiatives

| Domain             | Long-Term Goal (FY09)   | Objective   | Outcome Measure  | FY08 Initiatives  |
|--------------------|---|---|--|---|
| Financial Strength | Achieve Moody's As bond rating  | Achieve profitability<br><br>Demonstrate business growth  | OEBITDA margin including property tax revenue<br><br>Weighted patient days                     | <ul style="list-style-type: none"> <li>• Revenue Cycle program</li> <li>• Primary care growth strategy</li> <li>• Service line development</li> <li>• Develop Outpatient Services Plan</li> <li>• Collaborative opportunities</li> </ul>  |
| Customer Service   | Achieve 90 <sup>th</sup> percentile for patient and physician loyalty   | Develop loyal patients<br><br>Develop loyal physicians<br><br>Strengthen community relationships and outreach | Patient loyalty scores<br><br>Physician loyalty scores<br><br>Community and Partnership survey | <ul style="list-style-type: none"> <li>• Systematically implement best practices in patient loyalty</li> <li>• Aggregate customer feedback and develop a plan to analyze and respond to trends</li> <li>• Resolve physicians' issues to improve MD confidence in administration and nursing and regularly communicate</li> <li>• Develop a plan regarding PPH's strategy for addressing community health improvement</li> </ul> |
| Quality            | Achieve national recognition for clinical quality and performance excellence, including achieving the California Baldrige Award and Magnet Recognition status | Demonstrate high quality, safe patient care<br><br>Optimize process efficiency and effectiveness              | Core measures<br><br>% of time department standards are met                                    | <ul style="list-style-type: none"> <li>• Systematically implement best practices to achieve reliable delivery of evidenced-based care</li> <li>• Integrate the Joint Commission preparation process into our daily work activities</li> <li>• Complete all steps for Magnet site visit</li> </ul>   |

| Domain                | Long-Term Goal (FY09)  | Objective   | Outcome Measure   | FY08 Initiatives   |
|-----------------------|--|---|---|--|
| Workplace Development | Achieve national recognition for development of state-of-the-art facilities and technology | <p>Provide the tools and equipment for optimal performance</p> <p>Provide facilities for optimal delivery and receiving of services</p> | <p>Score on Gallup question about tools and equipment to do job</p> <p>Facilities Master Plan</p> | <ul style="list-style-type: none"> <li>• Optimize Phase 1 Cerner system</li> <li>• Implement Information and Technology decision making structure in order to more effectively prioritize resources</li> <li>• Develop and initiate pilot projects and innovations linked to future facility development</li> <li>• Plan and commission successful opening of new facilities</li> <li>• Initiate philanthropic Capital Campaign</li> </ul> |