

# Desert Healthcare District Background (DHCD)

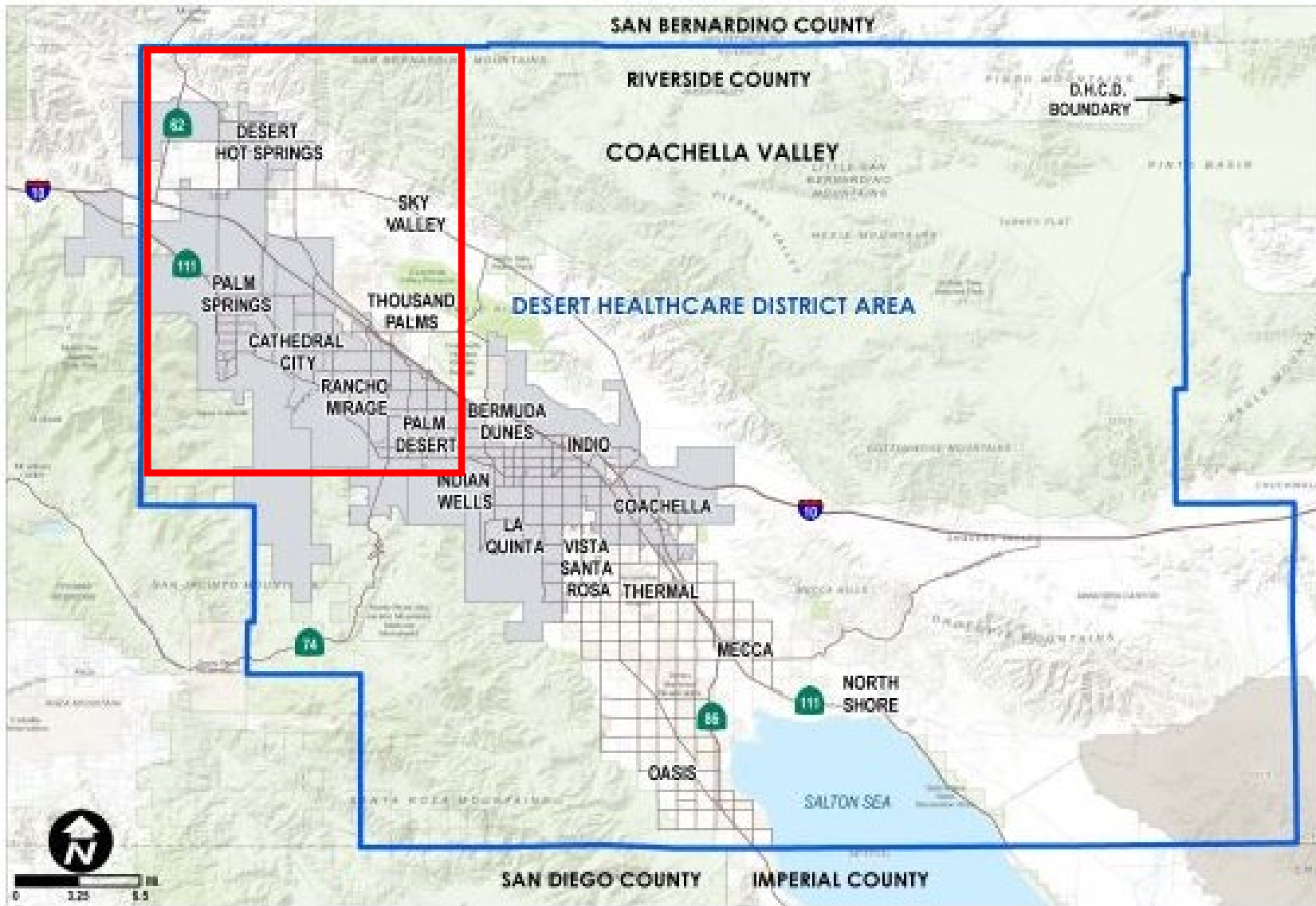
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- The DHCD created in 1948 for the purpose of providing hospital services to the residents of the district. The Board then built and operated Desert Hospital, now known as Desert Regional Medical Center (DRMC)
- Annual revenue approx. \$13M with \$9M of that funded through property tax dollars within the **original** district
- \$87M in totals assets as of *May 31, 2024*, with \$71M of that in cash and investments.
- Since 1999, more than \$70 million has been allocated through a best-practices, grant administration department. District revenues from property tax, a medical building asset, and an investment portfolio support these efforts.

## Desert Healthcare District Background (DHCD) (continued)

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- On Election Day, November 6, 2018, Coachella Valley voters overwhelmingly approved extending the district boundaries east of Cook Street. More than doubling the coverage area, the expansion enlarged the District to include La Quinta, Indio, Coachella, the rest of Palm Desert and Indian Wells, Bermuda Dunes, Thermal, Mecca, North Shore and other unincorporated communities.



**DESERT HEALTHCARE DISTRICT BOUNDARY**  
**MEASURE BB - NOVEMBER 6, 2018**  
**ESTIMATED POPULATION: 450,000**



DATE: 11/09/2018  
 DATA SOURCES: AERIS/GE  
 COUNTY IFCGIS, DRCG  
 USGS, ESRI, M&A CONSULTING, INC.

# Desert Regional Medical Center

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- Desert Regional Medical Center is a 385-bed acute care hospital and El Mirador Medical Plaza a 1 63,000 sq. ft. Medical Office Building located in Palm Springs.
- In 1997, the Board voted to lease the hospital to Tenet Systems for 30 years with a prepaid lease.
- DHCD is currently in the final stages of negotiating a lease/purchase agreement with a planned vote by their board on July 23

## Tenet / DCN's Revised Proposal – Economic Terms

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- Tenet / DCN shall make an initial payment to the District of \$100,000,000 on May 31, 2027
- On May 31, 2028, Tenet / DCN shall make the first of nineteen annual payments to the District of \$19,536,814, which shall increase each year subject to an annual escalator
- Tenet / DCN shall make a final payment of \$100,000,000 to the District on May 31, 2057, at which time, title to DRMC shall fully transfer to Tenet / DCN
- Total payments to the District will be approximately **\$650 million**
- When adjusted for the time value of money to the Effective Date (using an 8.0% discount rate) this is equivalent to the fair market value of DRMC (the “Business Enterprise Value”) as determined by VMG, plus a \$10,000,000 premium

## **Additional Provisions of the Proposed New Lease**

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- **The New Lease will contain language to ensure that the District and Tenet / DCN continue to work as partners to expand care throughout the District's entire geography**
- **The New Lease will contain a provision whereby Tenet / DCN commits to pursue an expansion of the Emergency Department and Admitting area at JFK Memorial Hospital (currently estimated to be \$60 million)**
- **The New Lease would contain a non-compete clause similar to what exists in the current lease, with a territory matching the District's current boundaries**

# The Non-Compete Clause

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The restrictive covenant states:

- Neither the DHCD nor its Foundation
- Will directly or indirectly
- Provide financial assistance
- To any hospital or other health care facility, provider, or business within the geographical boundaries of the District Without Tenet's prior written consent (which Tenet may withhold in its sole and absolute discretion)
- This restriction is even broader than in the current lease; arguably, by including "other health care facilities" and "other health care providers," the lease prohibits the DHCD and its Foundation from awarding grant funds to organizations (like DAP Health) and other similar local facilities/providers (unless Tenet approves the grant application).

# The Non-Compete Clause (continued)

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- Interestingly, in addition to the core restrictive covenant language, the clause includes a direct statement that the DHCD and its Foundation cannot provide financial support to another acute care hospital within the District's boundaries.
- The DHCD and Tenet also included a new concept in the draft lease that seemingly permits the DHCD to work with Eisenhower to improve access to healthcare for District residents – but such projects must be “outside the scope of Eisenhower’s licensure” and must be “provided free of charge . . . or otherwise do not generate revenue that is reflected on the financial statements” of Eisenhower.
- Not only has Tenet reserved the power to approve/disapprove grant applications, but in the new lease, the DHCD and its Foundation must provide written notice to Tenet of any grant application that may implicate the non-compete clause. And Tenet has 30 days in which to review the notice and either approve/deny the application.
- There is new language at the end of the new non-compete clause that contemplates a legal challenge to the language – i.e., the DHCD has to defend, indemnify and hold harmless Tenet in any such claim/lawsuit.



# The Non-Compete Clause (The Policy Problem)

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- Allowing an out-of-state, for-profit company to control and restrict the distribution of our local taxpayer funds is a direct violation of fundamental public policy principles.
- This arrangement undermines the Desert Healthcare District's mission - and its purpose for existence - to serve the healthcare needs of our community without external corporate interference.
- It is crucial to safeguard our local resources and ensure that decisions about their use are made by those who genuinely prioritize and understand the needs of our community. We must reject any agreement that compromises our autonomy and the well-being of our residents