



REQUEST FOR PROPOSALS (RFP)

RFP #: 12.2020

RELEASE DATE: December 1, 2020

FINANCIAL AND STRATEGIC ADVISOR TO REVIEW
OPTIONS AND ALTERNATIVES RELATED TO TENET
LEASE INCLUDING NEW PROGRAMS, SERVICES AND
FACILITIES

RFP SUBMISSION DATE: February 1, 2021

Proposal Contact: info@dhcd.org

DESERET HEALTHCARE DISTRICT

Financial and Strategic Advisor to Review Options and Alternatives to Tenet Lease including the potential of providing new Programs, Services and Facilities

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INTRODUCTION

The Desert Healthcare District (“District”) is a California Special District formed in 1948 with the mission to build a hospital to meet the growing healthcare needs of the residents in Palm Springs and the surrounding areas in the Western Coachella Valley. The Desert Healthcare Foundation (“Foundation”) was founded in 1967 as a subsidiary of the District. Over the years, the Foundation has provided and funded a number of important healthcare services in the communities served by the District. In 1997, after a lengthy public process, the District Board voted unanimously to enter into a lease of its 385-bed, acute-care hospital, to Tenet Health Systems (“Tenet”) for 30 years. Because of the success of the District and Foundation in addressing the healthcare needs of the Western Coachella Valley, special legislation was passed and in 2018 the voters of the Eastern Coachella Valley voted to annex into the District and greatly expand the District boundaries to include the residents of the entire Coachella Valley.

Today the District is governed by a seven-member board elected by the residents in zones representing all of the communities within its boundaries. The District has an annual operating budget of over \$7.2 million, as it pursues its mission to promote good health for its residents through community health initiatives, providing grants of over \$3 million annually, and serving as good stewards in protecting and enhancing the District’s assets. Currently the District is in the process of conducting a comprehensive Community Health Needs Assessment and Health Improvement Plan which will assist the District and Foundation in addressing and allocating their resources to address the important healthcare needs of the communities served by the District.

The 30-year lease with Tenet will expire in just over 6-years (May 30, 2027) and under the terms of the lease, the District’s major asset, the Desert Regional Medical Center (DRMC) and the responsibility to operate it will revert to the District Board. The District, by the issuance of this RFP, is interested in retaining the services of a financial and strategic advisor to assist the District Board in reviewing and considering its options related to DRMC which could include a new lease or sale to Tenet or to an alternative health care provider who would operate the hospital. In accordance with California law, any transaction would be subject to a majority vote of the residents voting in the District. In addition, the financial and strategic advisor would also assist the District in evaluating the strategic alternatives in how the additional resources could further the District goals in meeting the important healthcare needs of the community.

QUALIFICATIONS

In your role as a financial and strategic advisor, please provide responses for each of the following:

1. Provide an overview of your background and experience providing capital markets advice for healthcare districts.
2. Provide any examples of where you have advised California healthcare districts in the lease or sale of their hospital to both for-profit and non-profit organizations.
3. Summarize your experience advising district and/or California-based hospitals as they evaluate strategic and financial considerations, both inside a transaction advisory situation and not.
4. Outline the type, number, and experience you have in developing, evaluating, and/or reviewing clients' strategic plans or initiatives.
5. Summarize your experience and credentials in evaluating community needs, clinical or otherwise, as part of an evaluation of organizational capabilities, capital access/plans/capacity, and/or constraints.
6. Provide references for each of the above.
7. Describe what sets your organization's services apart from your competition, and what unique value-added services could you provide.

SCOPE OF SERVICES

The objectives of the engagement include the following:

1. Develop a fact base for the current situation such as the following:
 - a. The rationale and history of the existing lease structure;
 - b. The District's roles and responsibilities with respect to the lease;
 - c. The principle terms and conditions of the lease, including the legal, regulatory (e.g., seismic), and other factors that impact the District and its constituents; and
 - d. The national and regional context of the evolution of healthcare.
2. The pros and cons of leasing or selling DRMC to a for-profit organization (fair market value).

3. The pros and cons of leasing or selling DRMC to a non-profit organization (non-fair market value).
4. Analysis of healthcare provider landscape in the Coachella Valley and the ability to meet the needs of the community, including but not limited to:
 - a. Consideration of the key healthcare services provided/available to residents of the Coachella Valley, and expected future requirements thereof;
 - b. Review of services/capabilities unmet by existing providers, and the anticipated impacts future population requirements will place on providers;
 - c. Identification of DRMC's and the District's infrastructure, capabilities, and willingness to adequately address the healthcare needs of the community;
 - d. Review of the overall strengths and weaknesses of providers in the Coachella Valley with respect to clinical capabilities; and
 - e. Evaluation of Tenet's proposed approaches to address the healthcare needs of the community.
5. Analysis of the District's strategic plan/vision and its capabilities to accomplish the plan:
 - a. Articulate the District's long-term goals and objectives;
 - b. Evaluation of the merits and considerations of the strategic plan, with linkages to the broader community's healthcare needs, and how the strategic plan furthers the District's goals and objectives; and
 - c. Review of the District's financial position, including the District's obligations, ability to access and/or utilize funds to achieve the strategic plan, and other similar factors.
6. Evaluate the District's strategic alternatives with respect to timing (i.e., pre- and post-lease end), transaction structure (i.e., fair market value and non-fair market value), potential partners, potential proceeds to the District, and other similar factors such as the limitations imposed on the District due to the lease
7. Serve as the primary point of contact with Tenet, and/or other potential partners, in the event the District undertakes a broader solicitation process that addresses constraints from the lease.

FEE STRUCTURE

Describe the firm's fee structure for a fair-market value transaction with a for-profit organization as well as the fee structure for a non-fair-market value transaction with a non-profit. In addition, please provide the fee structure to provide strategic services.

TIMELINE

The RFP process will operate along the following timeline (Note: The District reserves the right to modify the schedule at any time):

Date:	Activity:
December 01, 2020	Release of the Request for Proposals
February 01, 2021	Proposals are due to the District via electronic submission info@dhcd.org by 5:00 pm.
March 01, 2021	Ad hoc Facilities, Programs and Service Committee reviews proposals and staff recommendations
March 23, 2021	Board of Directors reviews and approves applicant
April 01, 2021	Contract begins

DISTRICT LEASE

A copy of the 1997 District Lease can be found on the District's website at:

<https://www.dhcd.org/media/309/Hospital%20Lease%20Agreement%20-%20May%2030%201997%20-%20Desert%20Hospital%20District%20and%20Tenet%20HealthSystem%20Desert%20Inc%20%284%29.pdf>