



DESERT HEALTHCARE **DISTRICT & FOUNDATION**

LEASE-PURCHASE AGREEMENT – Frequently Asked Questions

What is the Desert Healthcare District?

The Desert Healthcare District is a local government agency whose mission is to optimize health at all stages of life for all District residents. The District's geographic boundaries encompass the entire Coachella Valley, which has more than 400,000 residents.

Today, the District is primarily a grantmaking organization. Together, with the Desert Healthcare Foundation, it is one of the largest funders in the valley. It has awarded more than \$100 million to assist residents — especially the underserved — in accessing vitally needed resources, such as primary and behavioral healthcare.

However, the District was formed in 1948 to build a hospital in Palm Springs to improve access to healthcare in the desert communities. It operated Desert Hospital as a nonprofit entity for many years, establishing its Foundation in 1967 to financially support hospital activities.

Ongoing financial challenges prompted the District to bring in a hospital operator in 1997, signing a 30-year lease with Tenet Healthcare Corporation to manage the facility and its staff with some District oversight. The current lease expires on May 30, 2027.

How is the Desert Healthcare District funded?

The District receives revenue from various sources, but a primary source is a small percentage – less than 1 percent – of Riverside County property taxes collected each year from western Coachella Valley residents. The tax revenue averages about \$4 million to \$6 million a year. The District also receives revenue from the Desert Regional Medical Center lease and the leases of other facilities it owns, including La Plaza medical complex in Palm Springs.

Does the Desert Healthcare District own Desert Regional Medical Center?

Yes. The Desert Healthcare District currently owns Desert Regional Medical Center, formerly known as Desert Hospital. The medical center currently has 352 beds, tertiary acute care services, critical care services, and a skilled nursing unit. Tenet has operated the hospital since 1997. In September 2023, Tenet presented a new lease-purchase agreement to the Desert Healthcare District Board.

What does the Lease-Purchase Agreement propose?

The Lease Purchase Agreement (LPA) would extend Tenet's current lease of Desert Regional Medical Center from 2027 to 2057 at which time ownership of Desert Regional Medical Center will transfer to Tenet.

The LPA would pay Desert Healthcare District multiple installments, totaling approximately \$650 million.

The first \$100 million payment would be made in 2027 with annual installments of more than \$20 million over 20 years. The deal would transfer ownership of the hospital to Tenet at the end of the lease with a final payment of \$100 million.

Does Tenet own or operate other hospitals in the area?

Tenet Healthcare owns John F. Kennedy Memorial Hospital in Indio, and it currently leases the Hi-Desert Medical Center in Joshua Tree from the Morongo Basin Healthcare District.

How would the LPA affect the state’s seismic mandates for Desert Regional Medical Center?

Under the terms of the LPA, Tenet will maintain seismic compliance of the hospital —without requiring the support of valley taxpayers. State law currently requires compliance to be completed by 2030.

Could Tenet sell or transfer ownership of Desert Regional Medical Center before the new agreement ends in 2057?

The LPA has restrictions in place to help ensure the District does not lose the revenue of lease payments. These restrictions include limiting whom Tenet could sell the asset to during the first 10 years covered in the agreement. It stipulates that a potential buyer would have to be financially secure to continue payments to the District and to ensure that mandatory seismic work is completed in accordance with the state’s deadline.

How did the Desert Healthcare District arrive at the decision to place the ballot measure?

Following Tenet’s proposal of a LPA in September 2023, the Desert Healthcare District Board engaged with a consultant and its legal counsel to explore the terms of Tenet’s proposal.

During ongoing negotiations, the District remained committed to transparency and keeping the public informed throughout the process. The District invited the community to 11 open forum information sessions and Board meetings during the LPA proposal period. Community members offered valuable feedback, and the District is grateful for opportunities to engage with the public.

The District also provided outreach materials on its website, dhcd.org, and in The Desert Sun. A social media campaign was posted on the following platforms:

Facebook: www.facebook.com/DesertHealthcareDistrict

Instagram: www.instagram.com/deserthealthcare

On August 6, 2024, the District Board took the action required to place Measure AA on the November 5, 2024, ballots for voter consideration.

What is the noncompete clause in the LPA?

The noncompete clause states that the Desert Healthcare District will not make grants for projects that support a competing business or create substantial revenues/save significant expenses for another acute care hospital within the District. ([See the list of competing businesses here.](#))

The District can fund any project not involved in the businesses on the list that are owned by a Federally Qualified Health Center, community service organization, or an acute care hospital outside the District. This includes urgent care centers, psychiatric facilities, skilled nursing facilities, drug treatment and rehabilitation centers.

The noncompete clause makes an exception for Desert Healthcare District's property taxes. The District can make grants to projects owned by Riverside County, up to the amount of property taxes it receives in any year, minus District administration costs.

There are no restrictions on whom Desert Healthcare District can rent to in the highest-need areas, including an acute care hospital in the District. The noncompete clause provides different rules for communities with the highest healthcare needs. Desert Healthcare District has defined those as the government-identified medically underserved areas plus several other designated areas, i.e., Desert Hot Springs. ([See the map/Schedule 12.2 in the lease-purchase agreement.](#))

Outside the highest need areas, the noncompete clause allows Desert Healthcare District to own property and lease it to anyone so long as they are not in a competing business on the list, or if they generate revenues for an acute care hospital in the District.

[Read the full noncompete clause \(Article 12, Page 28\).](#)

What happens next?

Coachella Valley voters will make the final decision on the lease-purchase agreement between the Desert Healthcare District and Tenet Healthcare on Election Day, Nov. 5, 2024.