

**Palm Drive Health Care District
Sonoma West Medical Center
Request for Proposal (RFP)**

Palm Drive Health Care District (“PDHCD” or “District”) is a leading provider of healthcare services in west Sonoma County, California. PDHCD is a community owned and operated public agency with an elected Board of Directors subject to the Brown Act. The District Sphere of Influence or boundary includes Sebastopol, Graton, Occidental, Bodega, Bodega Bay and surrounding areas. The District owns a 37 bed hospital. It is operated by Sonoma West Medical Center, Inc. (SWMC, Inc.), a non-profit 501 (c) (3) company. The District has a management Services and Staffing Agreement (MSSA) with SWMC, Inc.

The hospital is an acute primary care facility that was built in 1976 and its services include a 24-hour emergency department, operating room, intensive/coronary care unit, inpatient medical/surgical unit, out-patient surgery, imaging, enhanced laboratory services, and respiratory, physical and occupational therapies and telemedicine services. We also have a Health Action Chapter actively working on community health efforts.



Sonoma West Medical Center, the hospital campus (“SWMC” or “Hospital”) is located in Sebastopol, California, approximately 60 miles north of San Francisco, in Sonoma County. It serves an area with approximately 65,000 residents and a large number of visitors to this popular tourist destination.

The publicly elected Palm Drive Health Care District Board of Directors (the “Board”), is dedicated to improving the health and well-being of west Sonoma County through leadership, advocacy, support, partnerships and education. The Board’s vision is to foster a healthier community, a thriving acute care hospital and local access to comprehensive health and wellness services. The Board navigates and identifies the health needs and priorities of residents, and provides acute care services, support services and programs in response to these needs. In addition to ensuring local access to quality emergency and acute care services within the District, they bring local partners together to foster policy, system and environmental change to improve the overall health of their community.

After careful thought and deliberation, the Board has determined that it is appropriate to consider options regarding a potential sale of the Hospital. SWMC, Inc. has struggled to generate sufficient revenue to cover the expenses of the Hospital. Through an outreach laboratory services program, SWMC, Inc. briefly generated sufficient profit to meet expenses and pay down debt. However, that program has now been suspended. During the past year, the Hospital revamped its revenue cycle which improved collections significantly. The operating room which was closed for 8 months recently reopened and will bring increased revenue. The Hospital has 2 operating rooms with the potential of 3. One concern is the lack of capital to recruit the necessary surgeons to fully utilize the operating rooms. The Board is committed to keeping the facility open for the community as a hospital or other health care facility, so finding the right buyer to ensure that exceptional local healthcare continues to be delivered in west Sonoma County and the surrounding area is very important.

The purpose of this Request for Proposal (“RFP”) is to provide a structure which allows the Board to differentiate between potential buyers and to give each responding organization an opportunity to articulate what makes them an attractive option for the community. In considering proposals, the Board is interested in identifying a partner having the following characteristics:

- A commitment to the continued provision of quality healthcare services to the residents of west Sonoma County and the surrounding area.
- A shared strategic vision for the future of the District and SWMC.
- A demonstrated culture of quality and accountability.
- Commitment to community health care.
- A proven track record of operational success to ensure the ongoing vitality of SWMC, as a stable and professionally rewarding organization for its employees and medical staff.
- A demonstrated history of following through on promises and commitments.

Information concerning SWMC is available in the attached Confidential Information Memorandum ("CIM") which provides sufficient strategic, financial, and operational information to enable you to respond to this request. As a condition to your receiving the CIM, you will have previously executed a Nondisclosure Agreement with PDHCD. PDHCD reserves the right to amend any written material furnished, or information orally or electronically transmitted to any of the recipients. Additionally, representatives from SWMC and PDHCD will be available for questions or to provide additional information.

Please be assured that all organizations submitting a response will be accorded fair and equal treatment in the review of their respective proposals. At the same time, PDHCD intends to accomplish its stated objectives in a manner that will minimize disruption to the patients, medical staff professionals, employees, and the ongoing business at PDHCD.

To be considered responsive to this RFP, and to allow for appropriate analysis, preliminary proposals should address the elements outlined below and in the following pages. Not all transaction elements will be relevant to all participants.

Background and Information on Your Organization

- **Business Operational Experience**
 - ▶ Describe your current business or business in which you or your affiliates are currently engaged and indicate the number of years of healthcare operational experience you can bring to PDHCD through your operations, governance, and management.

- **Organizational Structure and Current Scope of Services**
 - ▶ Describe the organizational structure or structures under which your business or businesses are conducted (including joint ventures and partnerships) and the current scope of services you provide.
- **Please provide the following information regarding your organization:**
 - ▶ Organizational chart;
 - ▶ Description of your management, including key management personnel;
 - ▶ Description of your relevant experience with the type of transaction proposed;
 - ▶ Tax status;
 - ▶ Governing Board Members;
 - ▶ Locations of facilities and businesses operated;
 - ▶ Description of the nature and extent of medical school affiliations, if any;
 - ▶ Audited financial statements for the most recent three (3) fiscal years and for the current fiscal year (unaudited), if in progress;
 - ▶ Description of the basis on which you believe that you have sufficient current and future financial resources to support the payments due under the terms of the proposed transaction;
 - ▶ identification and contact information for your team members, including legal and financial advisors, if any;
 - ▶ Description of programs you have implemented that have changed healthcare in the communities in which you operate; and
 - ▶ Information that supports a commitment to community health care.
- **Strategic Planning**
 - ▶ Describe your strategic focus, plan, direction, and goals, as well as the challenges you face in achieving these objectives, and how you plan to address these challenges.
 - ▶ Describe how you see PDHCD helping your system accomplish these goals and how you plan to collaborate with PDHCD after the sale.
- **Legal Actions/Inquiries**

- ▶ Describe any prior or current/pending state or federal legal actions/inquiries involving your organization, your management, or Board of Directors.

- Ethical and Religious Directives
 - ▶ Describe any ethical or religious directives of your organization that would impact the future operations of SWMC.

Structure of the Proposed Transaction

In order to achieve the objectives described above, the Board will consider the sale of SWMC for use as a hospital or other health care facility.

- Describe the specific amount, terms, timing, and form of capital commitment you are prepared to make in a relationship with PDHCD or the purchase price you are offering.
- Describe your commitment to assume all post-transaction liabilities of SWMC and provide indemnification of PDHCD against such liabilities, along with evidence of appropriate financial resources to support such indemnification.
- Legal Entity for Agreement with PDHCD
 - Describe the legal entity that will enter into an agreement with PDHCD regarding the transaction that will own, operate, or hold any required licenses for the delivery of healthcare services at SWMC.

Commitments/Objectives

As to each of the Commitments set forth below, you are asked to agree to the Commitment, describe how you are handling similar commitments within your existing organization, and how you intend to ensure meeting the Commitment if you are chosen as the successful party to negotiate with PDHCD.

- Operational Commitments
 - ▶ Describe your commitment to operate SWMC as a hospital or other health care facility for the foreseeable future or suggestions for other ways to operate a medical facility.
 - ▶ Describe the proposed management organization structure for SWMC following the closing of a transaction.
- Rights of Reversion

- ▶ Describe your commitment to provide PDHCD with rights of reversion of the operations and assets of SWMC in the event you fail to meet your purchase commitments.
- **Maintaining Charitable Purposes and Meeting Community Healthcare Needs**
 - ▶ Describe your commitment to improving the delivery of health care services to residents of the District.
 - ▶ How will you partner with the District to meet the current and future healthcare needs of the community?
 - ▶ How will you participate and collaborate with the District in population healthcare?
- **Staffing**
 - ▶ Disposition of current SWMC staff, who are currently employed at the Hospital.
 - Describe your intentions regarding current Hospital employees following the closing of a transaction.
 - Describe any anticipated employee benefit changes.
 - Describe any staffing or other plans to achieve economies of scale
- **Services**
 - ▶ Describe your intention concerning maintenance of existing clinical services at SWMC and indicate the timing of any changes you intend to make to such services.
 - ▶ Describe any new services you anticipate implementing during the next five years.
 - ▶ Describe which, if any, clinical services may not be maintained at SWMC.
- **Clinical Quality Improvement**
 - ▶ **Quality Measurement**
 - Describe your commitment to develop and implement a proven plan for clinical quality measurement utilizing national and regional benchmarks and accountability.
 - ▶ **Staff Development**
 - Describe your commitment to develop and implement a proven plan for improvement of the medical staff, nursing staff and non-physician practitioners with corresponding education and training programs, including development and implementation of centers for excellence in specific clinical areas.
- **Right of First Refusal**
 - ▶ Describe your commitment to afford PDHCD with a right of first refusal in the event you should seek to sell the assets or operations of SWMC following the closing.

■ Strategic Vision

Describe the strategic vision you have for your presence and role in Sonoma County. How does SWMC fit into and allow you to achieve that vision? Describe the strategies that are currently beyond the reach of PDHCD and that are possible with your involvement to deal with evolving payment systems, including a well-designed strategy for Accountable Care and population health management readiness.

After receipt of Preliminary Proposals, PDHCD may, based at its sole discretion, select organizations with which to continue discussions. PDHCD requests that the Preliminary Proposal be as specific and detailed as possible. Site visits at PDHCD facilities and management presentations will not be conducted prior to the first Preliminary Proposal submission deadline.

Furthermore, please do not contact directly any of the SWMC employees, members of PDHCD's Board or Board Committees. Your primary contact will be Alanna Brogan, Executive Director of PDHCD.

■ Timing

This RFP was released on May 16, 2018. Responses must be received by 5:00 p.m. Pacific Time on June 15, 2018. Written questions may be submitted by no later than May 31, 2018. Submit all responses to the RFP, and any questions to Alanna Brogan, at 612 Petaluma Avenue, Sebastopol, CA 95472, with copy to legal counsel, William Arnone, at 3554 Round Barn Blvd., Ste. 303, Santa Rosa, CA 95404.

Sonoma West Medical Center/Palm Drive Health Care District Strategic and/or Confidential Information

1. Mission/Vision
2. Current strategic plans
3. Financials for the last year
4. Capital Budget
5. Cash Flows
6. Accounts Receivable/Accounts Payable
7. Revenue cycle information
8. Utilization statistics
9. Detailed list of current services
10. Physician information
11. Information on employees
12. Audit
13. Appraisal
14. Access to the Building and property for assessment
15. Information on the purchase process
16. Other information as requested.
17. Community Health Information
18. Community Needs Assessment
19. Information on the Sebastopol Area and the residents here.