

MATERIAL CHANGE NOTICE SUBMISSION DETAILS

MCN Number	2025-11-13-1448
OHCA Review Start Date	January 14, 2026
Anticipated date (unless tolled per regulation) by which OHCA could waive cost and market impact review	March 2, 2026
Anticipated date (unless tolled per regulation) by which OHCA could determine cost and market impact review required	March 16, 2026

SUBMITTER

HEALTH CARE ENTITY CONTACT FOR PUBLIC INQUIRY

Title	CEO
First Name	Diane
Last Name	Hansen
Email Address	diane.hansen@palomarhealth.org
Street Address	2125 Citracado Pkwy
City	Escondido
State	CA
Postal Code	92029

GENERAL

Business Name	Palomar Health
Website	https://www.palomarhealth.org/
Ownership Type	Other Ownership
Other Ownership	CA local healthcare district (H&SCode Division 23)
Tax Status	For-profit
Federal Tax ID	95-6003843
Description of Submitting Organization	Palomar Health ("Submitter") is a local healthcare district organized under H&S Code Div. 23. Since 1948, Submitter has served the North County San Diego healthcare district (the "District"), the largest public healthcare district in CA and one of the 7 largest in the U.S., with quality healthcare services. Submitter provides vital services to District residents, primarily through its 2 full service general acute care hospitals—Palomar Medical Center Poway and Palomar Medical Center Escondido—and related service offerings. In 2017, Submitter was forced to close its Downtown San Diego hospital. Submitter operates the only designated Level II Trauma Center within a 2,200 sq. mile area. Submitter's leadership and operations are motivated by its core tenets: its Mission to heal, comfort and promote health in the communities it serves; its Vision to be the health system of choice for the community, recognized nationally for the highest quality of clinical care and access to comprehensive services; and its Values of compassion, integrity, teamwork, excellence, service and trust. Submitter operates in accordance with its Mission, Vision, and Values

	<p>and has received numerous honors and recognitions, including the 2022 Ass'n of CA Healthcare District's District of the Year, an award created to recognize and honor one healthcare district that improved the health and well-being of its community. Submitter is also the sole corporate member of an affiliated 501(c)(3) non-profit medical group, Palomar Health Medical Group ("PHMG"), an essential component of the Palomar Health delivery system. Submitter is currently in severe financial distress and under threat of a structured reorganization. Submitter's financial position raises the prospect of impending cessation of services. Should the arrangement described herein be cleared expeditiously, it will strengthen the District's existing healthcare resources and will allow District residents to continue receiving services.</p>
Health Care Provider	Yes
For Providers: Desc. of Capacity or Patients served in California	<p>As a California healthcare district, Submitter Palomar Health is a healthcare provider that offers a wide range of healthcare services to the residents of the District. Submitter operates two full service general acute care hospitals and related ancillary services in the District. Palomar Medical Center Escondido is an 11-story, 740,000 square-foot full-service hospital facility located in Escondido, with 318 licensed beds, 12 NICU beds, 72 emergency department bays, 12 operating rooms, 2 cath/EP labs, and more. It provides a comprehensive array of inpatient and outpatient services and offers the only Level II Trauma Center in a 2,200 square mile area. Palomar Medical Center Poway is a hospital located in Poway with 107 licensed beds and 129 distinct part skilled nursing facility beds. The Poway hospital provides a range of inpatient and outpatient services, including emergency services, women's health offerings, and rehabilitation services. Submitter employs approximately 3,518 staff members and has an affiliated medical staff of approximately 700 physicians. Submitter is committed to treating all patients in need, and accepts a broad range of payor types, including Medicare Fee-for-Service, Medicare Advantage, Medi-Cal, commercial plans, and health insurance exchange plans, as well as offering charity care to those without health insurance coverage. Submitter serves a diverse patient population reflective of the broader demographics of the District and San Diego County. In 2024, there were approximately 1,172,490 Medi-Cal enrollees and 814,918 Medicare enrollees in San Diego County.</p>
For Payers: Enrollees per county	

LOCATIONS

Counties	San Diego
California licenses and numbers	<p>Submitter, a California local healthcare district located in San Diego County, operates two full service general acute care hospitals in the cities of Poway and Escondido, Palomar Medical Center Escondido and Palomar Medical Center Poway. Submitter holds a variety of licenses, registrations and accreditations related to its facilities and service offerings, including:</p> <ol style="list-style-type: none"> 1) Board of Pharmacy Hospital Pharmacy (Government Owned) License No. HPE 19625, issued to Palomar Medical Center Poway Pharmacy 2) Board of Pharmacy Hospital Pharmacy (Government Owned) License No. HPE 50988, issued to Palomar Medical Center Escondido Pharmacy 3) Board of Pharmacy Sterile Compounding Pharmacy (Government Owned) License No. LSE 99930, issued to Palomar Medical Center Pharmacy 4) Board of Pharmacy Sterile Compounding Pharmacy (Government Owned) License No. LSE 99931, issued to Palomar Medical Center Poway 5) Board of Pharmacy Community Pharmacy (Government Owned) License No. PHE 51949, issued to PMC Outpatient Pharmacy 6) California Department of Public Health ("CDPH") General Acute Care Hospital License No. 08000012, issued to Palomar Medical Center Poway 7) California Department of Health Care Services ("DHCS") Medi-Cal Subacute Care Unit Certificate, issued to Palomar Medical Center Poway 8) CDPH General Acute Care Hospital License No. 080000083, issued to Palomar Medical Center Escondido 9) CDPH Certificate of Registration (X-Ray), Registration No. FAC 71433, issued to Palomar Medical Center Escondido 10) CDPH Certificate of Registration (X-Ray), Registration No. FAC 28438, issued to Palomar Medical Center Poway 11) CDPH Certificate of Registration (X-Ray), Registration No. FAC 79050, issued to Palomar Health Radiation Oncology 12) CDPH Radioactive Materials License No. 3096-37, issued to Palomar Health d/b/a Pomerado Hospital Radiology 13) CDPH Radioactive Materials License No. 0819-37, issued to Palomar Health d/b/a Palomar Medical Center 14) CDPH Radioactive Materials License No. 8008-37, issued to Palomar Health d/b/a Palomar Medical Center Radiation Oncology 15) CDPH Clinical Laboratory Registration No. CLR-00343011, issued to Palomar Medical Center Laboratory

	16) CDPH Clinical Laboratory License No. CDF-00003150, issued to Palomar Medical Center Poway 17) CLIA certificates 18) Joint Commission Accreditations 19) FDA Controlled Substance Accreditations 20) FCC Radio Station Authorization
Other States Served	None
Primary Languages used when providing services	English; Arabic; Chinese; Farsi; Russian; Spanish; Tagalog; Vietnamese
Other language if not listed above	

MATERIAL CHANGE

ADDITIONAL ENTITIES

Business Name	Description of the Organization	Ownership Type	Additional MCN Submission
UC San Diego Health ("UCSDH")	UCSDH is an administrative subdivision of The Regents of the University of California, a California constitutional corporation ("The Regents"), and is an affiliate of the University of California, San Diego, another administrative subdivision of The Regents. UCSDH does not fit neatly within the "health care entity" classification as defined in 22 CCR § 97431(g). Rather, it essentially functions as a general umbrella/de facto holding company for various discrete health care operations, including affiliated providers and hospitals in San Diego County. UCSDH's affiliates/affiliated operations consist of various affiliated providers, including the discrete facilities of UCSD Health – Jacobs Medical Center, UCSD Health – Hillcrest Medical Venter, and UCSD Health – East Campus Medical Center (f/k/a Alvarado Hospital). UCSDH's medical center affiliates, if considered in the aggregate, generated the following revenues: FY24 = \$3,722,660,000; FY23 = \$3,256,388,000; FY22 = \$3,061,725,000.	Other	Yes
Arch Health Partners, Inc., dba Palomar Health Medical	Submitter is the sole corporate member of PHMG, a non-profit 501(c)(3) physician practice organized pursuant to HSC Section 1206(l) (EIN 27-1332228). PHMG provides primary and specialty care services at the various Palomar Health facilities. As a clinic operated by a non-profit corporation, PHMG is exempt from state licensure under HSC	Other	No

Group ("PHMG")	<p>Section 1206(l). PHMG provides services within the same area of Palomar Health District, with one additional general surgery clinic in Vista, California (outside of the District's border). Its primary language is English and it utilizes a telephonic translation service (Voyce Global Interpretation) for any other languages needed for patient care services. PHMG serves approximately 140,597 patients, including commercial, Medi-Cal, and Medicare patients. PHMG employs 100 physicians and 37 nurse practitioners and physician assistants.</p> <p>PHMG's total operating revenues for the past three years are as follows:</p> <ul style="list-style-type: none"> • FY25 = \$156,620,709 • FY24 = \$225,101,158 • FY23 = \$212,351,075 <p>Contact person for PHMG: Russ Riehl, President 2125 Citracado Parkway, Ste 300 Escondido, CA 92029 Phone: (760) 815-9631 Email: russ.riehl@phmg.org</p>		
-------------------	--	--	--

CRITERIA

A health care entity with annual revenue, as defined in section 97435(d) , of at least \$25 million or that owns or controls California assets of at least \$25 million, or;	Yes
A health care entity with annual revenue, as defined in section 97435(d) , of at least \$10 million or that owns or controls California assets of at least \$10 million and is a party to a transaction with any health care entity satisfying subsection (b)(1), or	Yes
A health care entity located in a designated primary care health professional shortage area in California, as defined in Part 5 of Subchapter A of Chapter 1 of Title 42 of the Code of Federal Regulations (commencing with section 5.1), available at data.hrsa.gov .	No
To determine if you are located in a primary health care professional shortage area, please visit here	

CIRCUMSTANCES FOR FILING

The proposed fair market value of the transaction is \$25 million or more and the transaction concerns the provision of health care services.	Yes
The transaction involves the sale, transfer, lease, exchange, option, encumbrance, or other disposition of 25% or more of the total California assets of the submitter(s).	Yes

<p>The transaction involves a transfer or change in control, responsibility or governance of the Submitter. A transaction will directly or indirectly transfer control, responsibility, or governance in whole or in part of a material amount of the assets or operations of a health care entity to one or more entities if:</p> <p>(1) The transaction would result in the transfer of 25% or more of the voting power of the members of the governing body of a health care entity, such as by adding one or more members, substituting one or more members, or through any other type of arrangement, written or oral; or</p> <p>(2) The transaction would vest voting rights significant enough to constitute a change in control such as supermajority rights, veto rights, and similar provisions even if ownership shares or representation on a governing body are less than 25%;</p>	Yes
<p>The transaction involves the formation of a new health care entity, affiliation, partnership, joint venture, or parent corporation for the provision of health care services in California that is projected to have at least \$25 million in California-derived annual revenue at normal or stabilized levels of utilization or operation, or transfer of control of California assets related to the provision of health care services valued at \$25 million or more</p>	Yes

TRANSACTION DETAILS

Anticipated Date of Transaction Closure	1/1/2026
Description of the Transaction	<p>The Proposed Transaction involves the formation of a Joint Powers Authority (“JPA”) by Submitter and The Regents of the University of California, on behalf of UC San Diego Health (“UCSDH”). Submitter and UCSDH will each appoint 3 members to JPA’s governing board. Pursuant to a contribution agreement and use agreement between Submitter and UCSDH, Submitter will contribute a minority of its assets to the JPA and will permit the JPA to use the majority of its remaining, non-transferred assets. The contribution agreement and use agreement (executed by Submitter) have been submitted herewith and will be executed by the JPA after the JPA’s first board meeting in accordance with applicable CA law. UCSDH and Submitter have agreed to the terms of each agreement in full, but Submitter is filing this MCN prior to full execution given the urgency of timing to consummate the Proposed Transaction (as further described herein and in Submitter’s request for expedited review submitted herewith). As contemplated in the Joint Powers Agreement governing the formation of the JPA, the parties expect that the ownership of the assets covered by the use agreement eventually will be transferred to the JPA following applicable regulatory approvals. UCSDH will</p>

	contribute financial support and infrastructure improvements to the JPA. The JPA, rather than UCSDH, will become a co-obligor on certain of Submitter's liabilities. This arrangement will significantly strengthen the financial position of Submitter, allowing Submitter to avoid a structured reorganization, satisfy its existing liabilities and comply with its bond debt obligations, while also allowing the public to continue receiving high-quality healthcare services through the JPA. A detailed description of the Proposed Transaction is provided in Attachment A.
Submitted to US Department of Justice or Federal Trade Commission?	No
Submitted to Other Agency?	No
Subject to court proceeding	No
Description of current services provided and expected post-transaction impacts on health care services	(A) Submitter serves District patients. The Proposed Transaction will ensure the continued operation and delivery of essential healthcare services within the District. (B) Submitter owns and operates 2 acute care hospitals with over 400 beds, including 41 perinatal, 12 NICU beds, 72 emergency department bays, and 12 operating rooms. Through these hospitals and Submitter's related service offerings, Submitter provides a comprehensive range of inpatient and outpatient services, including emergency care, cardiovascular surgery, adult and newborn intensive care, nuclear and radiation therapy, infusion services, maternity, women's health, cancer care, orthopedics, rehabilitation, wound care, therapy, lab, hospice, behavioral health, skilled nursing and others. The Proposed Transaction will ensure these services can continue. Absent approval, Submitter faces serious threats of being forced into a structured reorganization and potentially a forced closure, thereby completely eliminating services. Approval of the Proposed Transaction will preserve and enable expansion of services, maintaining and improving access to care. (C) Submitter serves a patient population reflective of San Diego County demographics. Per San Diego County hospital discharge data, the patient population includes persons of all ages, with significant representation among adults aged 27 and over. Approximately 56% of patients are female, and reflect a range of ethnicities including Asian, Black, Hispanic/Latino, and White. For Fiscal Year 2022-23, Submitter's inpatient revenue primarily derived from Medicare Managed Care (30.5%), Medicare Fee-for-Service (24.4%), Medi-Cal Managed Care (18.1%), and Medi-Cal Fee-for-Service (6.2%). Outpatient revenue followed similar trends. Submitter does not expect changes to demographics or types of patients served as a

	<p>result of the transaction. (D) Submitter participates in the Hospital Association of San Diego and Imperial Counties Community Health Needs Assessment, which identified the region's key needs in 2022 as access to health care, aging care and support, behavioral health, youth well-being, chronic health conditions, community safety, and economic stability. Submitter addresses these needs through the service lines described above; through its Charity Care and Financial Assistance Policy, patients receive care regardless of ability to pay and free education programs further support well-being. No decrease to these programs is expected from the Proposed Transaction. Instead, approval will enhance services by expanding access and strengthening operational capacity to meet patient needs. (E) Submitter currently accepts Medi-Cal and Medicare patients; such patients will continue to be received post-transaction. Without the Proposed Transaction, services operated by Submitter risk closure, severely foreclosing care to Medi-Cal and Medicare patients.</p>
<p>Prior mergers or acquisitions that: (A) involved the same or related health care services; (B) involved at least one of the entities, or their parents, subsidiaries, predecessors, or successors, in the proposed transaction; and (C) were closed in the last ten years.</p>	<p>None.</p>
<p>Description of Potential Post Transaction Changes</p>	<p>(A) The Proposed Transaction involves the formation of a Joint Powers Authority ("JPA") by Submitter and UCSDH, to be jointly governed with each party appointing three members to the JPA's governing board. The Proposed Transaction contemplates Submitter transferring ownership of a minority of its assets to the JPA and permitting use of the majority of its other assets, with the JPA assuming responsibility for overseeing the operations of Submitter's hospitals and related facilities and services. UCSDH will contribute financial support and infrastructure improvements to the JPA. Concurrently, the JPA, rather than UCSDH, would become a co-obligor to certain of Submitter's liabilities, offering a path for Submitter to satisfy outstanding liabilities and avoid a structured reorganization. Please see Attachment A for a further description of the Proposed Transaction. Post-transaction, although the ownership and governance structure will shift, the facilities will continue to provide the same high-quality services, with a focus on continuity of care and</p>

	<p>preservation of relationships for patients and providers. (B) The Proposed Transaction will stabilize and support employee staffing and working conditions. Submitter will enter into an employee leasing arrangement with the JPA so its existing employees will continue to offer services to patients post-close. UCSDH will expand personnel that provide services to the JPA. In 2024, due to cash flow issues, Submitter was forced to reduce its workforce by 2%. The Proposed Transaction will stabilize existing operations while enhancing job security for Submitter's employees. Post-transaction, additional staffing needs will arise, creating job growth. The JPA is committed to maintaining protections and benefits for Palomar employees. Submitter will continue to abide by its Union contracts with its employees. (C) At this time, there are no expected changes to City or County contracts as a result of the Proposed Transaction. (D) The Proposed Transaction will not reduce competition or access in the region. Instead, it is designed to preserve services and complement the existing network of care. Submitter currently provides a broad set of essential services and operates as a vital part of the healthcare system. While other providers within 20 miles offer some similar services, including urgent care centers, specialty clinics, and one other hospital, many are already at or near capacity. By preventing closure and stabilizing existing operations, the Proposed Transaction will support regional healthcare access and maintain availability and continuity of care for patients.</p>
<p>Description of the nature, scope, and dates of any pending or planned material changes occurring between the Submitter and any other entity, within the 12 months following the date of the notice</p>	<p>Submitter is in the process of negotiating and transitioning operation of certain NICU beds to Rady Children's Hospital San Diego ("Rady").</p>

Attachment A.
SECTION 6. DESCRIPTION OF THE TRANSACTIONS

1. The goals of the transaction

The primary objective for the proposed transaction (the “Proposed Transaction”) is to ensure that the District’s residents can continue to receive the high-quality healthcare services currently provided at Submitter’s facilities and through its affiliated healthcare providers. The Proposed Transaction will have a number of important benefits, including:

- Allowing patients to continue receiving care from healthcare providers with whom they have long-standing relationships and are in the middle of treatment plans, greatly promoting continuity of care and preventing patients from falling through the cracks in the healthcare delivery system that would significantly widen should Palomar Health (“Submitter”) be forced into a restructuring, immediate business closure or termination of critical service lines;
- Strengthening and expanding the healthcare services currently offered and available to patients at Palomar Medical Center Escondido, Palomar Medical Center Poway, and other locations affiliated with Submitter;
- Strengthening Submitter’s financial position so that it can retain its more than 4,000 employees and avoid catastrophic mass layoffs; and
- Stabilizing and strengthening the overall healthcare delivery system in San Diego County and surrounding counties by avoiding a catastrophic collapse of service availability due to the forced closure of either of the two hospitals and/or related ancillary facilities and the immense disruption associated with terminating contracts and employment agreements with hundreds of healthcare providers.

Submitter has a long and well-established history of serving residents of the District. It cares deeply for its community, its employees, and the many physicians, nurses and other healthcare providers who have spent their careers building relationships treating area residents. Submitter desperately seeks OHCA’s clearance of the Proposed Transaction to avoid the collapse of these relationships and the resulting patient harm from such immense disruption.

2. A summary of the terms of the transaction

The Proposed Transaction involves Submitter and UCSDH collaborating to form a new Joint Powers Authority (“JPA”) that will be governed by a governing body appointed by Submitter and UCSDH. Each of Submitter and UCSDH will appoint three members to the JPA’s six-member governing body. Each of Submitter and UCSDH will contribute various assets and support to the JPA, as follows:

Submitter will contribute:

- Pursuant to a contribution agreement (the “Initial Contribution Agreement”), legal ownership to the JPA of a minority of its assets, including those assets associated with Palomar Medical Center Poway;
- An agreement (the “Use Agreement”) to permit the JPA to use the majority of Submitter’s other assets and to provide certain operational authority over the

Submitter: Palomar Health

- existing healthcare operations, including Palomar Medical Center Escondido; and
- An agreement to lease certain of Submitter's employees to the JPA so that Submitter's existing employees can continue to provide services at Palomar's healthcare facilities after the JPA assumes certain operational rights.

UCSDH will contribute:

- Financial support to support the JPA's operations, allowing Submitter to avoid a disastrous bankruptcy filing;
- Infrastructure support, including the buildout of shelled space at Palomar Medical Center Escondido to allow for expanded patient services and the transition to an upgraded electronic health records system;
- Access to relationships to facilitate the JPA's addition or expansion of clinical services and service lines to the facilities to improve patient access thereby avoid business failure.

The final form of Contribution Agreement and Use Agreement (executed by the Submitter) have been submitted herewith and will be executed by the JPA following the JPA's first board meeting in accordance with applicable California law. UCSDH and Submitter have agreed to the terms of each agreement in full, but Submitter is filing this Notice prior to full execution given the urgency of timing to consummate the Proposed Transaction (as further described herein and in Submitter's request for expedited review submitted herewith).

Post-transaction, the JPA, jointly governed by Submitter and UCSDH's appointed representatives, will be responsible for operating the existing facilities and healthcare operations.

3. A statement of why the transaction is necessary or desirable

The Parties are entering into the Proposed Transaction to ensure continued access to high quality healthcare services to District residents. The Proposed Transaction will provide critical and immediate financial support to Submitter, who is currently facing a grave risk of immediate business failure and forced restructuring. Should the Proposed Transaction not be expeditiously permitted to close, Submitter's business failure would catastrophically reduce critical healthcare services in the region, including the possible closure and loss of two hospitals, multiple related ancillary facilities, loss of access to hundreds of physicians, and termination of thousands of providers and employees.

For decades, Submitter has served the San Diego community with high-quality, essential healthcare services. Submitter is in severe financial distress and in weeks will be unable to maintain its existing operations without the Proposed Transaction. If Submitter is forced into a restructuring, it will lead to devastating impacts on access to care for residents in the North San Diego County region. The Proposed Transaction is necessary for the continued operation of healthcare services to District residents and for the healthcare delivery system at large, as it will allow each of the

Submitter: Palomar Health

various facilities within the area to continue their provision of essential healthcare services to patients and nearby residents.

As its financial situation has declined, Submitter has aggressively sought options with many potential partners and lenders with the goal of ensuring continued access to healthcare services for the District's residents and for continued employment for Palomar's more than 4,000 employees. The Proposed Transaction is the only option to satisfy these objectives, while also offering the added benefit of expanding access to high-quality services.

4. General public impact or benefits of the transaction, including quality and equity measures and impacts

The Proposed Transaction will greatly benefit the public by strengthening and expanding the service offerings in the District, maintaining long-established patient relationships, preserving patient choice, stabilizing working conditions and staffing for thousands, and ensuring a robust and stable healthcare delivery system in the area.

Without clearance of the Proposed Transaction by OHCA, the public, and the healthcare delivery system as a whole, face disastrous consequences resulting from immediate business failure, forced restructuring, and a severe collapse of service and personnel available to treat the area's residents. This would result in a catastrophic loss of physician-patient relationships, disrupted care plans, severely diminished access to care, termination of thousands of jobs, and departures of physicians and other providers from the area.

5. Narrative description of the expected competitive impacts of the transaction; and

The Proposed Transaction will not result in any negative competitive impacts in the North County San Diego market where Submitter currently operates. Both Submitter and UCSDH are existing operators in the region. The Proposed Transaction will not result in a new competitor entering into the hospital market; rather, the Proposed Transaction will preserve multiple providers in the market and will stabilize the facilities and services currently operated in the area.

Failure to timely clear the Proposed Transaction would result in significant negative competitive impacts as the District would face the closure of multiple hospitals and related ancillary facilities, and the loss of access to thousands of physicians and other providers. This loss would significantly lower supply while the demand at the remaining providers would overwhelm the existing healthcare delivery system, leading to long delays to see providers. This would likely drive up costs as patients are forced to visit more expensive care settings (including emergency room visits for patients who are not able to promptly be seen in less expensive care settings), driving up costs for patients and for the healthcare system as a whole.

6. Description of any actions or activities to mitigate any potential adverse impacts of the transaction on the public.

Submitter: Palomar Health

There will be no potential adverse impacts of the Proposed Transaction on the public. As explained above, without prompt clearance of the Proposed Transaction, the public will face serious challenges obtaining ongoing care on a timely basis, will lose long-established physician-patient relationships, will experience significant disruptions to ongoing care plans, and will be forced to seek care on a delayed basis or from far more expensive care settings. Clearance of the Proposed Transaction is vital to avoid devastating consequences for the public.