



California Health Strategic Pulse Check

September 2025

Prepared for

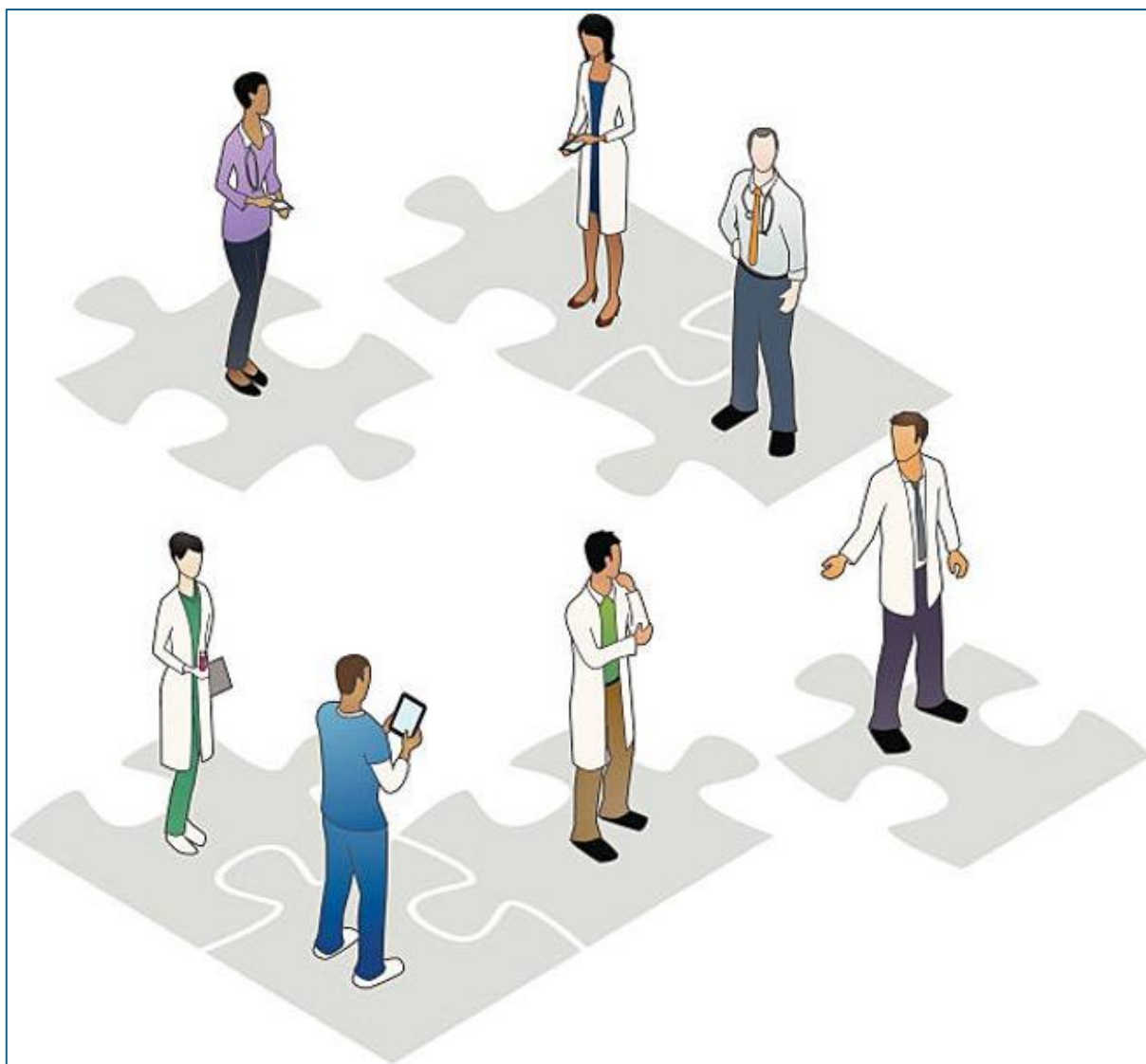
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Prepared by

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1. Executive summary

California Health is a not-for-profit, people-centered healthcare system providing comprehensive care to over 3 million Californians. The organization operates eight hospitals and more than 75 clinics offering primary and specialty services. Two of the largest hospitals, California Medical Center and California Hospital, are reaching capacity for inpatient and surgical services. To position the organization for the

future, SJ Healthcare Advisory seeks to collaborate on a Clinical Delivery System Plan for California Health which aims to address projected clinical facility gaps and support the continued growth of the enterprise.

2. Problem statement

Demand for clinical services is increasing nationwide, as populations continue to grow and health systems experience a surge in volume from older generations. California Health alone saw 100,000 more patients in 2024 than it did in 2023. To accommodate the increasing demand, many health systems move from project to project plugging the gaps *without an overarching plan in place to address their facility challenges*. Without a plan in place, health systems encounter risk across the enterprise, including:

- **Opinions driving projects, not data.** In the absence of hard data on facility condition and utilization, projects will be commissioned on anecdotes and perspectives, which will likely not stand up to leadership and/or board approval.
- **Missed growth opportunities.** Over the next decade, select services such as infusion therapy will grow more than 40%+ while others are expected to contract, such as OB deliveries. Health systems that do not proactively plan facility capacity are less likely to capture strategic growth.
- **Confusion for staff and providers.** Without common standards and metrics for utilization of space, providers and staff will be confused why one capital project may be prioritized over another. This can create distrust between the patient care workforce and administration.
- **Unplanned downtime.** Getting behind on capital replacement can cost organizations millions in lost revenue due to unplanned downtime.

3. Proposed solution

A Clinical Delivery System Plan will establish a single source of truth for California Health's current facility portfolio and future investment priorities. The plan will be data-driven with input from leadership, operations, medical group, strategic planning, finance, facilities and other departments to ensure all necessary perspectives are considered and balanced using a mutually agreed set of criteria. The finished product will provide a comprehensive assessment of the current state facility portfolio along with a year-by-year roadmap for facility capital priorities across the care delivery system.

4. About SJ healthcare advisory

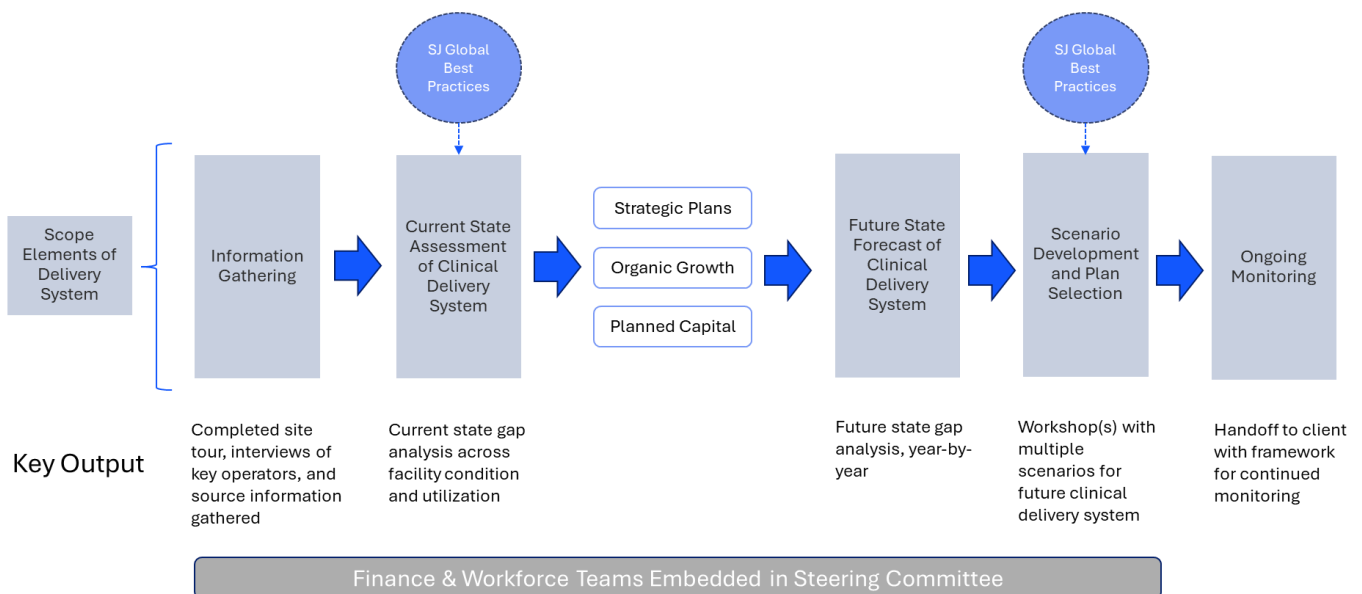
SJ Healthcare Advisory partners with health systems around the world to turn strategy into action. We help clients navigate complex challenges from aging infrastructure, evolving care models and capital constraints by combining data analytics, strategic insight, and integrated design.

In today's complex healthcare landscape, SJ serves as your trusted advisor in strategic facility planning needs. Our healthcare clients range from small health systems to complex, multi-state hospital networks in both the private and public sectors. SJ's unique market capability lies in our **end-to-end project lifecycle solutions** that leverage our **in-house data analytics, finance, design, architecture and engineering teams** every step of the planning journey. By taking a multi-disciplinary approach, we ensure every aspect of a facility strategy is considered.

5. Project approach

To develop a Clinical Delivery System Plan, we follow a sequential process that builds from one step to the next to ensure the planning work aligns with leadership expectations along the way. Once scoped, the project begins by gathering facility and utilization data to inform the current state assessment. Our team will then apply global expertise on healthcare facility operations to ensure elements such as facility condition and throughput align with industry best practice. The current state assessment is summarized in the first client deliverable, a gap analysis showing capacity challenges and opportunities across the system.

Once the current state gap analysis is reviewed and approved, future predictions will be established based on multiple sources including the organization's own strategic and capital plans as well as industry sources for organic growth. The forecasted demand for clinical services is then translated into multiple Clinical Delivery System scenarios based on client feedback and SJ's experience in other markets. A workshop or series of workshops will then follow to select a preferred plan, which is documented in a comprehensive final deliverable to be used by the client for annual and long-range planning and continuous monitoring.



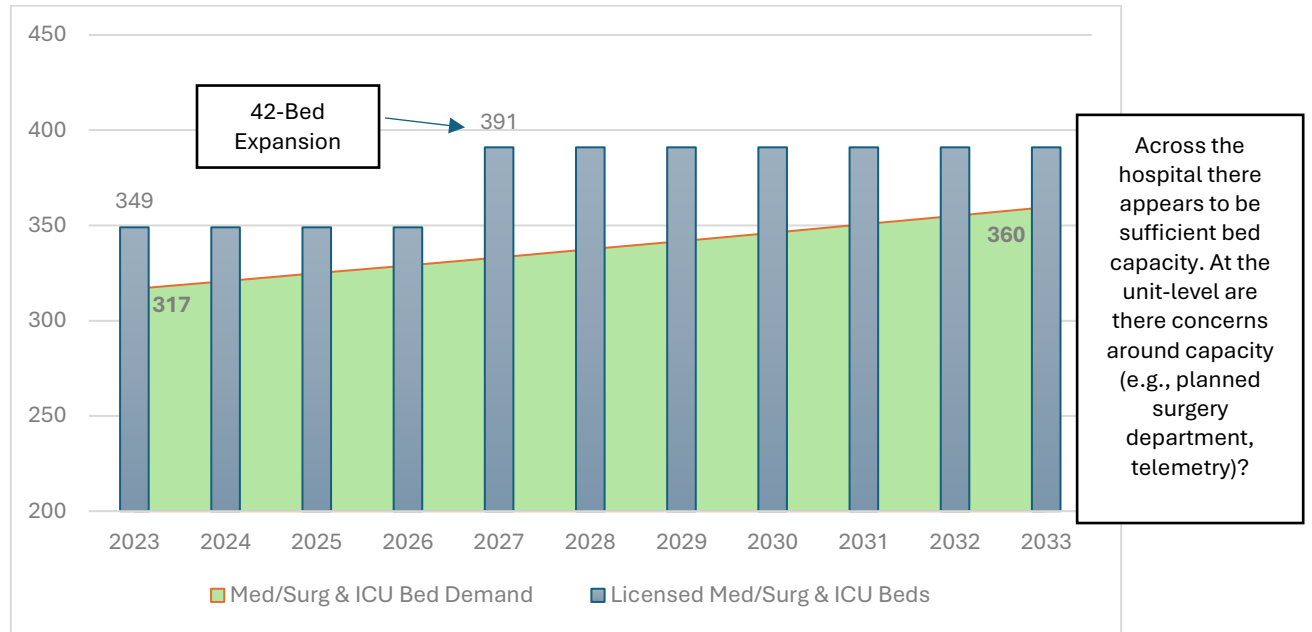
6. Inpatient capacity preview, California Health

Using data from the California Department of Healthcare Access and Information (HCAI), California Health's current inpatient utilization indicates California Medical Center and California Hospital operating near peak capacity. The smaller hospitals in the portfolio have moderate utilization.

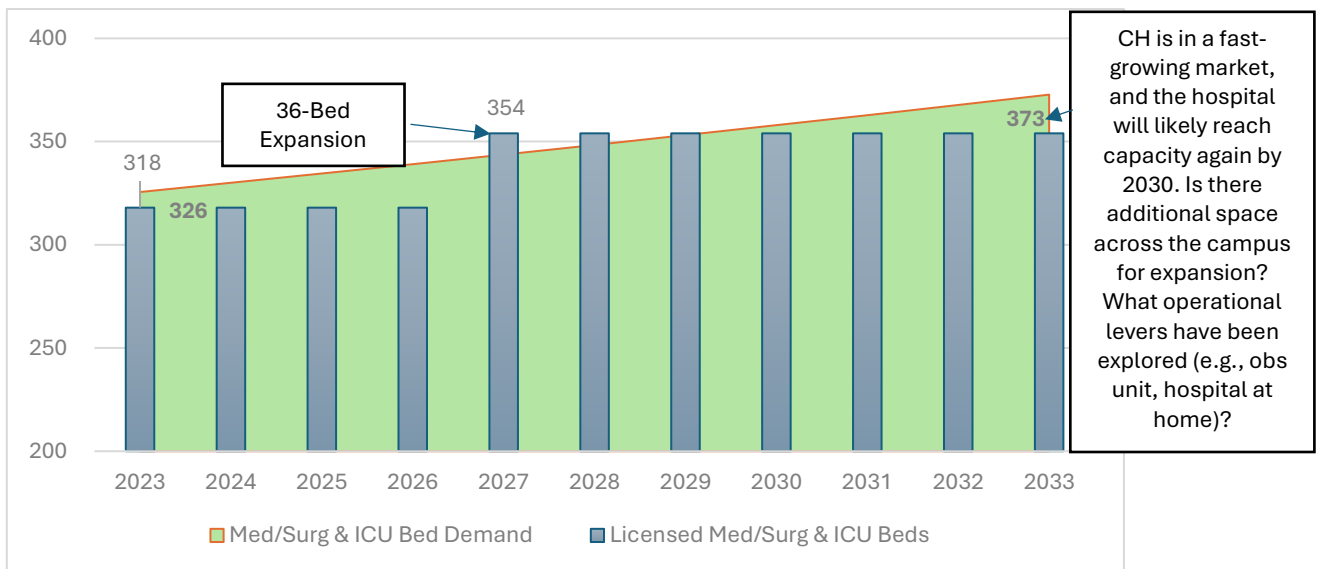
In the medium term, California Health is well positioned to meet the projected inpatient demand due to acute care bed expansions at both main hospitals. The bed expansions are assumed to be completed by 2027 and will comprise a net increase of 42 beds at California Medical Center and 36 beds at California Hospital.

NOTE: the inpatient bed analysis is focused on adult acute care and excludes pediatric, perinatal, psych and rehab.

California Medical Center - Inpatient Bed Supply & Demand Projection^{1,2}



California Hospital - Inpatient Bed Supply & Demand Projection^{1,2}



All California Health Hospital Sites - Inpatient Bed Supply & Demand

	Licensed Med/Surg & ICU Beds	Med/Surg & ICU Bed Demand	Percent Capacity
California Health's Hospital Portfolio, By Site	318	326	102%
	349	317	91%
	41	30	74%
	44	27	61%
	64	39	60%
	14	2	15%

¹ Includes Med/Surg, Intensive Care, Burn, and Coronary. Excludes perinatal, psych, pediatric, rehab

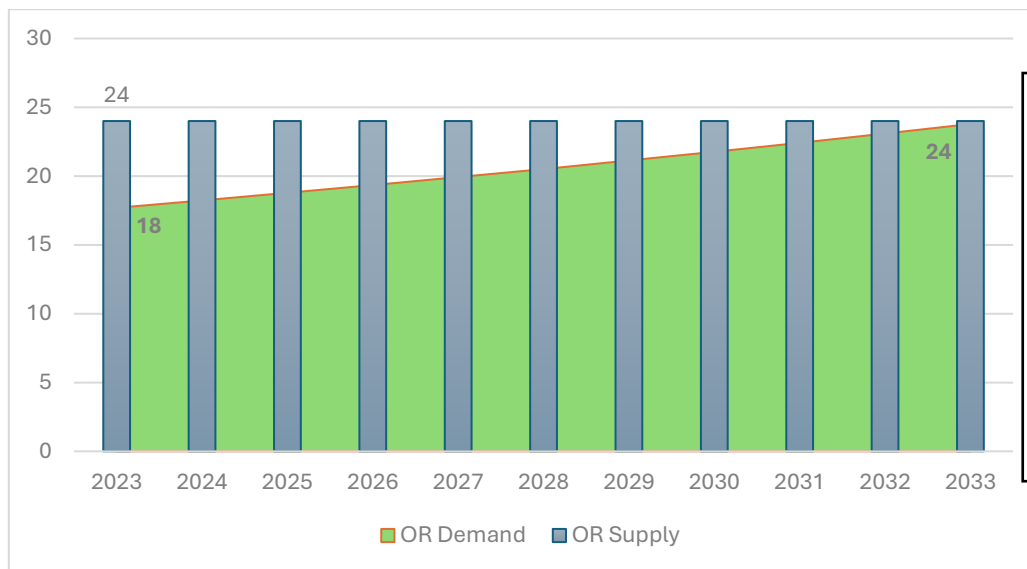
² Demand assumes 90% utilization and organic growth (e.g., population) only

7. Operating room capacity preview, California Health

In addition to inpatient beds, it is important to evaluate the other, essential services of a hospital campus such as operating rooms. Publicly reported data on the operating room environment suggests both California Medical Center and California Hospital are nearing or at capacity for operating rooms.^{3,4}

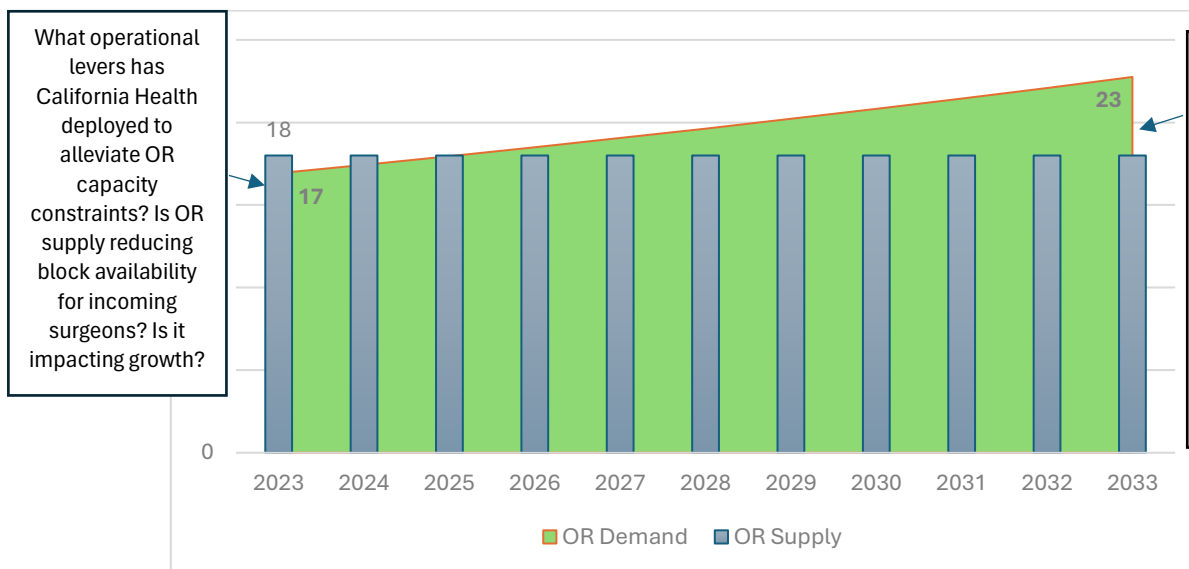
As a profit-generating service for many hospitals, surgical growth is essential to meeting budgets and ensuring financial health. Lack of operating room capacity will make it difficult to recruit new surgeons and may drive a higher medicine mix into the hospital.

California Medical Center – OR Supply & Demand Projection⁵



How can the ASC across the street support the main campus as it nears surgical capacity? If we reviewed cardiac procedure room capacity, would we see a similar story?

California Hospital – OR Supply & Demand Projection



What operational levers has California Health deployed to alleviate OR capacity constraints? Is OR supply reducing block availability for incoming surgeons? Is it impacting growth?

Has CH offloaded lower-acuity surgical cases to freestanding locations (e.g., ophthalmology, hand, ENT)? What are the options to expand surgical capacity?

³ Assessment is not inclusive of Ambulatory Surgery Center sites of care

⁴ Assumes 260 working days per year, 10 hours per day Monday – Friday, and 30-minute turnaround time. Surgical minutes utilized from HCAI data for Fiscal Year 2023

⁵ Assumes 3% CAGR, which comprises a blend of Inpatient, HOPD surgical growth

All California Health Hospital Sites – OR Supply & Demand Projection

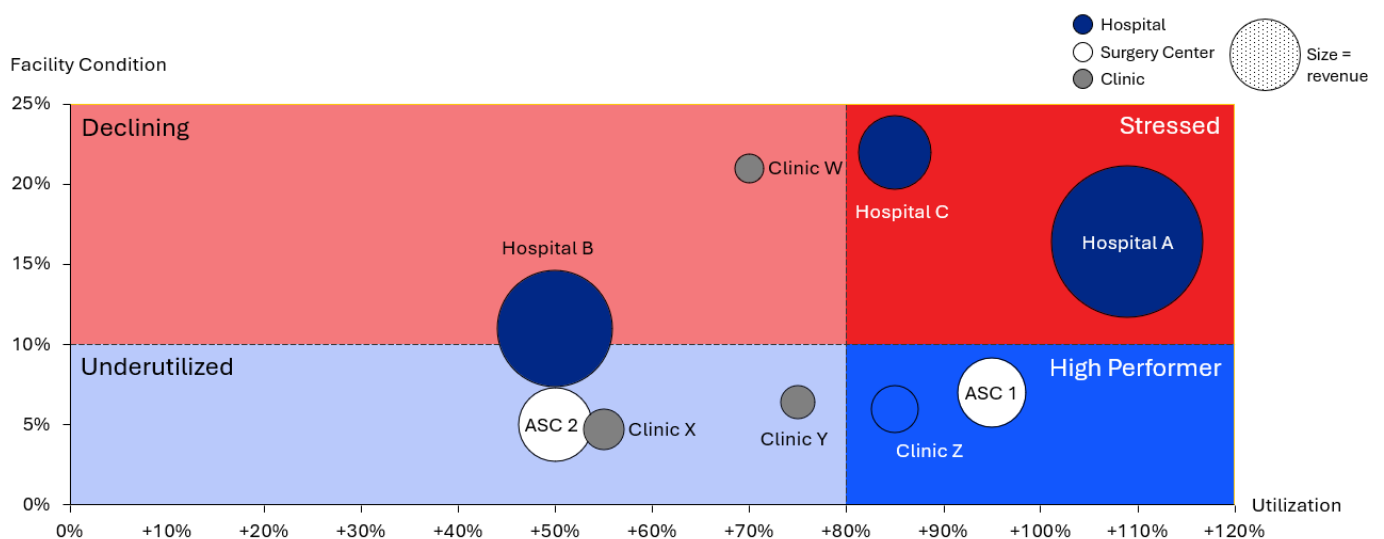
	Number of OR's	OR Demand	Percent Capacity
California Health's Hospital Portfolio, By Site	18	17	94%
	24	17.7	74%
	4	2.7	68%
	4	2.4	61%
	5	2.3	45%
	3	0.8	26%

A more rigorous review of California Health's facility portfolio will be needed using the organization's own, encounter-level data before hard conclusions can be reached. Additionally, the scope should be expanded beyond inpatient beds and operating rooms to include procedure rooms (e.g., cardiac), high-end imaging, infusion, clinics, etc. to provide a holistic view of the assets within the organization.

8. SJ Facility Index™

In addition to utilization, it is equally important to consider the condition of existing facilities within a health system. This will ensure that capital gets replaced/renovated at the right time and impact on the existing operation is minimized. It also keeps healthcare systems nimble, so when growth projects are developed, they are not burdened by expensive fixes to the existing infrastructure.

By combining the utilization and condition of healthcare assets, along with revenue, the SJ Facility Index™ creates a simple visual to prioritize investments across a health system's portfolio. A client example is provided below:



9. SJ healthcare advisory services team

Our team welcomes the opportunity to discuss this evaluation with you. Please contact us for next steps on how we can add value to the California Health organization.



Thomas Quigley, AIA

Global Head of Healthcare
New York, NY
30+ Years in Industry

→ Thomas' experience spans complex healthcare projects across the U.S., Europe, and Asia, with a strong focus on academic medical centers and strategic capital planning.

→ In the U.S., he has directed major healthcare projects including the UPMC Mercy Vision Institute in Pittsburgh, the Grady Correll Pavilion in Atlanta, and the award-winning Cedars-Sinai Advanced Health Sciences Pavilion in California.

→ His leadership on nationally recognized projects such as the Penn Medicine Princeton Medical Center and the Washington University Medical Center Campus Renewal exemplifies his expertise in delivering transformative outcomes in healthcare environments.



Christy Lindsey, MBA

Head of Healthcare Advisory
Los Angeles, CA
20+ Years in Industry

→ Christy is a seasoned healthcare executive with expertise in aligning capital, operations, and facilities with system-wide transformation goals.

→ Her experience extends to capital planning and healthcare infrastructure, having led over \$3 billion in annual investments across hospital campuses, medical office buildings, and enterprise facility portfolios for a leading 40-hospital, integrated not-for-profit health system

→ Christy has led region-wide strategic initiatives and operational transformation for a \$5 billion not-for-profit health system, aligning clinical, financial, and real estate strategies to improve performance, efficiency, and long-term system value.



Tim Patmont, MHA

Head of Strategy & Finance
Seattle, WA
15+ Years in Industry

→ Tim is a healthcare strategist and finance leader with over a decade of experience guiding major facility, service line, and capital planning initiatives for leading academic and integrated health systems.

→ He led strategy development for a \$1.74B acute care tower for an academic medical center. He directed multiple \$100M+ outpatient medical office building expansions.

→ Tim's background in health system strategy and finance enables a disciplined, data-driven approach to aligning infrastructure investments with long-term growth objectives and evolving clinical priorities.