

## **Nomination for Trustee of the Year Award**

When Daniel Polett joined the new Temple University Hospital Board of Governors as a founding member more than 20 years ago, he came to a stand-alone hospital that was in serious trouble. Located in one of Philadelphia's poorest neighborhoods, with more than 50 percent of its patients being impoverished, Temple was deeply in debt, had no credit rating, no access to public financing absent federal loan guarantees, stagnant admissions and could claim consistency in only one area – negative operating margins.

Today, thanks in no small part to the behind-the-scenes leadership and guidance of Dan, that single hospital has grown into a healthy, five-hospital health system striving toward two goals that would have been unthinkable just a few years ago – to be the premier health system and the employer of choice in the Philadelphia region.

### **Background**

Throughout the late 1970s and 1980s, Temple University Hospital was in a near-constant state of financial peril. Located in one of Philadelphia's poorest communities, Temple was saddled with loans to fund operating losses, an extremely challenging payer mix, millions of dollars in uncompensated care, and a commitment to support the Temple University School of Medicine.

In the late 70s, construction on a new hospital building ground to a halt when local banks called in a \$30 million loan. Temple was forced to use state money that had been set aside for the replacement hospital to pay off the operating-loss loans. The Commonwealth of Pennsylvania eventually acquired the original hospital and the land it sat on to develop the new building that was completed in the mid-80s.

During this time, a Commission set up by the state recommended that Temple University Hospital form its own Board instead of operating solely under Temple University's Board of Trustees. The hospital followed that recommendation and local businessman and Temple neighbor Dan Polett was asked to become one of the new Board's founding members.

Stability for Temple University Hospital didn't come easy in the tough Philadelphia market. In the mid to late-80s, the hospital was again buffeted financially as federal, state and private reimbursement systems moved away from a cost reimbursement methodology to a prospectively determined payment rate. By 1990, Temple was drowning in red ink and threatening to close its busy trauma center in order to stem operating losses. The hospital, after a long battle in Federal Court, eventually reached a landmark settlement with the Commonwealth of Pennsylvania regarding the state's underfunding for medical assistance services under the state's prospective payment system. Through all of this, Dan worked tirelessly to (literally) ensure the survival of the hospital.

In the mid-1990s, the Temple University Health System was formed to manage Temple's growing healthcare services and facilities. As vice chairman of the Health System's Board and as chairman of the Temple University Hospital Finance Committee, Dan was instrumental in putting together the affiliations that eventually grew the System to seven hospitals and more than 10,000 employees at its height. Today, after reconfiguring services and focusing its attention on its core market, the Health System consists of five hospitals and approximately 8,000 employees.

While the first 10 years of his Board membership were eventful to say the least, Dan continued to provide the leadership that Temple would need to flourish. He has been intimately involved in every major decision and strategy involving Temple over the last 24 years. His guidance and business experience, coupled with his deep commitment to Temple, made him – and continue to make him – a pivotal and valuable member of the Board.

### **Temple today**

On Dan's watch, Temple has gone from a single, financially challenged hospital to a robust, growing health system; established several clinical programs – most notably transplantation with an emphasis on heart and lung – as national centers of excellence; completed the total replacement of the Temple University Hospital; built a new, 68-bed children's hospital that opened in 1998; reorganized five North Philadelphia hospitals, all of which are within about a mile of each other; and successfully financed and begun construction of a new \$77 million, 122,000-square-foot ambulatory care center slated to open in 2005. During all of this growth, Temple has maintained fidelity to its community mission and its medical school commitments, and continues to operate one of the busiest emergency departments in Pennsylvania.

Today, the Health System is well on its way toward meeting its goal of becoming the premier health system and employer of choice in Philadelphia.

Consider:

- While in 1990 the then stand-alone Temple University Hospital had only \$94,000 in cash, the Health System now boasts a cash reserve of \$358 million (as of November 30, 2004).
- Prior to 1993, Temple had no credit rating at all and no access to private capital. Today, in one of the nation's most challenging healthcare markets, Temple carries an investment grade rating and has consistent access to cost-effective capital.
- Three years ago, the Health System made the decision to measure its financial health on healthcare operations, which backs out state aid, investment income

and prior-year revenue cost adjustments. The goal was to get to a two percent margin at healthcare operations. When the System began on this path in fiscal year '02, the System's loss on healthcare operations was projected to be \$70 million. The System finished that year at a \$42 million loss. In fiscal year '03, that number was reduced to \$17 million. In '04, the number was \$8.5 million against a budgeted number of \$12 million. The goal in fiscal year '05 is break even. When you add in state aid, investment income and prior-year cost adjustments, the Health System can be projected to earn between \$30-35 million a year.

- In 2004, Moody's Investor Service reviewed the Health System. Moody's moved its "outlook" from negative to positive, noting the Health System's impressive turnaround. In its report, Moody's stated that "if TUHS meets the financial targets established in its FY'05 budget, we would expect to consider a rating upgrade in the near-term."
- Employee morale has performed a 180-degree turn in recent years. In the fall of 2004, the Temple University Health System was named one of the top five "Best Places to Work" by the *Philadelphia Business Journal*.
- After years of cramped space at its hospitals, the Temple University Health System will soon announce an ambitious plan to relocate 700 administrative and "back office" employees to a currently abandoned factory site in North Philadelphia. Temple's presence at the site will help revitalize a long-neglected neighborhood in the City of Philadelphia and spur future growth in that area.
- In the late 1980s and early 90s, Temple University Hospital had approximately 17,000 admissions, 34,000 ER visits and revenues below \$100 million. Today, the Health System has approximately 50,000 admissions, 165,000 ER visits and revenues of \$889 million.

While he would be the first to deflect praise toward the overall team, Dan was instrumental in helping the Health System reach all of these achievements.

### **Dan Polett the man**

A native of Madison, NJ, Dan graduated with honors from Fordham University and began an automotive career in 1960 when he was accepted to an executive training program with the General Motors Corporation. He quickly worked his way up the ranks

and eventually came to own and operate Wilkie Chevrolet, Buick and Subaru in Philadelphia as well as hold ownership in several other local dealerships.

Dan has received numerous awards from Temple, the business community and his church. In 1993 he was honored with the Temple University Hospital Auxiliary Acres of Diamonds Award, the hospital's highest award. In addition to his service with the Health System, Dan is a member of the Temple University Board of Trustees and received the University's Russell Conwell Award as a non-alumnus in 1995.

Dan is on the Board of Directors of several civic and charitable organizations, including St. Ignatius Nursing Home, One on One Leadership Council, St. Francis Home for Boys, St. Gabriel's System and Episcopal Academy. Dan is currently a vice chairman of the Catholic Charities Appeal. He also serves as chairman of the Board of Catholic Social Services. In 1995, he was awarded a lifetime achievement award for his work with the Philadelphia Eagles' "Fly for Leukemia" program. In 1998 he was honored by the Pope and given the Knight Commander of St. Gregory award. Also in 1998, he was awarded an honorary degree for public service from Temple University.

Dan is a man of abiding values – family, faith, service, community and friendship. If asked, numerous Temple administrators both past and present will name Dan as one of their mentors. He is universally described as thoughtful, intelligent, supportive, and approachable. As the Health System's chief financial officer described him, Dan is a man whose "character is beyond reproach."

Dan resides in a Philadelphia suburb with his wife of 41 years and has five children.

## **Conclusion**

In an extremely challenging healthcare market dominated by one private insurer, with the cost of uncompensated care still in the tens of millions, in a city that witnessed the nation's largest health-system bankruptcy take place, with an unwavering commitment to the community and to a medical school, Dan Polett has been instrumental in helping guide Temple not only to survival, but success. It is truly an "against all odds" story.

When asked what he sees as his major accomplishments, Dan humbly replies that he "made himself available." For 24 years, Dan has "made himself available" with his time, his talent, his patience and his determination. Although he admits to having sacrificed business and personal time to attend to his Temple commitments, he will just as quickly tell you that it was worth it.

For all of the reasons outlined above, please consider Dan Polett a worthy recipient of the 2005 Trustee of the Year Award.