

**FINANCE COMMITTEE MEETING**

*(BOARD MEETING WITH RESPECT TO  
BOARD MEMBERS ON THE COMMITTEE)*

**POSTED  
Distributed  
via US Mail  
E-mail & Fax  
Friday  
02/22/08**

Tuesday, February 26, 2008

5:30 p.m. (Dinner via Cafeteria Line for Committee Members & Invited Guests *only*)

6:00 p.m. Meeting

Pomerado Hospital  
15615 Pomerado Road, Poway, CA  
Meeting Room E

	<u>Time</u>	<u>Page</u>	<u>Target</u>
<b>CALL TO ORDER</b> .....	.....	.....	<b>6:00 p.m.</b>
➤ Public Comments .....	5	.....	6:05 p.m.
➤ Information Item(s) .....	5	.....	6:10 p.m.
1. * Approval: Minutes – Tuesday, January 22, 2008 ( <i>Addendum A</i> ).....	5	..... Ag2	6:15 p.m.
2. * Review/Approval: Follow-up Items from Prior Meeting .....	20	..... Ag3	6:35 p.m.
• RAC Update .....		..... Ag4	
• Update on Investments .....		..... Ag5	
• Back to Budget Discussion .....			
3. * Review/Approval: Independent Citizens' Oversight Committee .....	20	..... Ag6	6:55 p.m.
• Notice of Pending Vacancies .....			
• Appointment of Required Nurse/Physician Member .....			
4. * Approval: January 2008 & YTD FY2008 Financial Report ( <i>Addendum B</i> ).....	35	..... Ag7	7:30 p.m.
<b>FINAL ADJOURNMENT</b> .....	.....	.....	<b>7:30 p.m.</b>

***NOTE: If you have a disability, please notify us 72 hours  
prior to the event so that we may provide reasonable accommodations***

Distribution:

Ted Kleiter, Chairperson  
Nancy Bassett, RN  
Bruce Krider  
Marcelo Rivera, MD  
Michael Covert, FACHE  
John Lilley, MD  
Benjamin Kanter, MD  
Linda Bailey, *Alternate*

Bob Hemker  
Gerald Bracht  
Steve Gold

Tanya Howell, Secretary

**Minutes**  
**Finance Committee – January 22, 2008**

**TO:** Board Finance Committee

**MEETING DATE:** Tuesday, February 26, 2008

**FROM:** Tanya Howell, Secretary

**BY:** Bob Hemker, CFO

**Background:** The minutes of the Board Finance Committee meeting held on Tuesday, January 22, 2008, are respectfully submitted for approval (*Addendum A*).

**Budget Impact:** N/A

**Staff Recommendation:** Staff recommends approval of the Tuesday, January 22, 2008, Board Finance Committee minutes.

**Committee Questions:**

**COMMITTEE RECOMMENDATION:**

**Motion:**

**Individual Action:**

**Information:**

**Required Time:**

**Follow-Up Item: RAC Audit**

**TO:** Board Finance Committee

**MEETING DATE:** Tuesday, February 26, 2008

**FROM:** Bob Hemker, CFO

**BACKGROUND:** As a follow-up to discussions at the January 22, 2008, Board Finance Committee meeting, information will be presented at the meeting regarding legal challenges to the RAC Audits that were being contemplated at the State level.

**BUDGET IMPACT:** None

**STAFF RECOMMENDATION:** Information only

**COMMITTEE QUESTIONS:**

**COMMITTEE RECOMMENDATION:**

**Motion:**

**Individual Action:**

**Information:**

**Required Time:**

**Follow-Up Item: Investments Update**

**TO:** Board Finance Committee

**MEETING DATE:** Tuesday, February 26, 2008

**FROM:** Bob Hemker, CFO

**BACKGROUND:** As a follow-up to discussions at the January 22, 2008, Board Finance Committee meeting, information will be presented regarding year-to-date performance of the investments portfolio.

**BUDGET IMPACT:** None

**STAFF RECOMMENDATION:** Information only

**COMMITTEE QUESTIONS:**

**COMMITTEE RECOMMENDATION:**

**Motion:**

**Individual Action:**

**Information:**

**Required Time:**

**Follow-Up Item: Back to Budget Discussion**

**TO:** Board Finance Committee

**MEETING DATE:** Tuesday, February 26, 2008

**FROM:** Michael H. Covert, FACHE, President & CEO  
Bob Hemker, CFO

**BACKGROUND:** As a follow-up to discussions at the January 22, 2008, Board Finance Committee meeting, the budget variance was discussed. Back-to-budget strategies are ongoing and will be discussed as part of the discussion of the January financials.

**BUDGET IMPACT:** None

**STAFF RECOMMENDATION:** Information only

**COMMITTEE QUESTIONS:**

**COMMITTEE RECOMMENDATION:**

**Motion:**

**Individual Action:**

**Information:**

**Required Time:**

**Independent Citizens' Oversight Committee**  
**Pending Term Expirations**  
**Next Steps Required of the Board**

**TO:** Board Finance Committee  
**MEETING DATE:** Tuesday, February 26, 2008  
**BY:** Bob Hemker, CFO

**Background:** When the members of the Palomar Pomerado Health Hospital, Emergency Care, Trauma Center Improvement and Repair Measure Bonds Independent Citizens' Oversight Committee (ICOC) were first seated, members were divided into three classes with initial term lengths of one, two or three years. All terms commenced on June 30, 2005, with expiration dates on June 30<sup>th</sup> of the years 2006, 2007 and 2008, respectively. Subsequent to their initial term, the members of each class were then to serve a second term of two years, with no member allowed to serve more than two consecutive terms.

On June 30, 2008, the members of the first class will each have completed their second and final terms of office:

- One member of that class, Steve Friar, submitted his formal resignation on January 28, 2008, in order to preclude any future potential conflicts of interest with the District as the result of new employment.
  - o Mr. Friar's resignation does not require action by the District Board, as the Policies, Procedures & Guidelines (PP&G) of the ICOC require that there shall be not less than nine (9) members and he was one of ten (10) and not filling a Required Member seat.
- The pending term expirations of the remaining two members in the first class—Kathy Leech-McKinney and George Kung, MD—will in effect create two vacancies on the ICOC: 1) A vacancy in number, as it will reduce the membership to seven (7); and, 2) A vacancy in Required Members, as Dr. Kung was the Nurse/Physician representative required pursuant to the PP&G.
  - o As Marguerite Jackson Dill, PhD, RN, FAAN, is a current member and is qualified to fill the Nurse/Physician vacancy, she may move into the Required Member for Nurse/Physician representative vacancy that will be created upon the expiration of Dr. Kung's final term.

Pursuant to the PP&G, the District Board shall appoint members to the ICOC:

- The District Board shall post notice of vacancies and solicit applications from the general public.
- The District Board designee [the Board Finance Committee] shall review and process applications and make recommendations to the District Board for applicants to fill the vacant position.

**Budget Impact:** N/A

**Staff Recommendation:** Staff recommends: 1) Posting of the two (2) vacancies created by the pending term expirations of Kathy Leech-McKinney and George Kung, MD. Consistent with previous methodology, it is also recommended that the full Finance Committee evaluate all applicants (conducting phone and/or face-to-face interviews with the finalists as warranted) prior to recommending to the District Board the proposed finalists for the vacant seats on the ICOC; and, 2) Appointment of Marguerite Jackson Dill as the Required Member Nurse/Physician representative for the remainder of her term.

**Committee Questions:**

**COMMITTEE RECOMMENDATION:**

**Motion:**

**Individual Action:**

**Information:**

**Required Time:**

## January 2008 & YTD FY2008 Financial Report

**TO:** Board Finance Committee

**MEETING DATE:** Tuesday, February 26, 2008

**FROM:** Robert Hemker, CFO

**Background:** The Board Financial Reports (unaudited) for January 2008 and YTD FY2008 are submitted for the Finance Committee's approval (*Addendum B*).

**Budget Impact:** N/A

**Staff Recommendation:** Staff recommends approval.

**Committee Questions:**

### COMMITTEE RECOMMENDATION:

**Motion:**

**Individual Action:**

**Information:**

**Required Time:**

# ADDENDUM A



**BOARD FINANCE COMMITTEE MEETING  
(BOARD MEETING WITH RESPECT TO BOARD MEMBERS ON THE COMMITTEE)**

**ATTENDANCE ROSTER & MEETING MINUTES  
CALENDAR YEAR 2008**

MEMBERS	MEETING DATES:										
	1/22/08	2/26/08	3/25/08	4/29/08	5/27/08	7/1/08	7/29/08	8/26/08	9/30/08	10/28/08	12/2/08
NANCY BASSETT, R.N.	P										
TED KLEITER – CHAIR	P										
BRUCE KRIDER, M.A.	P										
MARCELO RIVERA, M.D.	P										
MICHAEL COVERT, FACHE	P										
BEN KANTER, M.D.	E										
JOHN LILLEY, M.D.	P										
<i>LINDA GREER – ALTERNATE</i>											
<i>LINDA BAILEY – 2<sup>ND</sup> ALTERNATE</i>											
<i>ALAN LARSON, M.D. – 3<sup>RD</sup> ALTERNATE</i>											
<b>STAFF ATTENDEES</b>											
BOB HEMKER	P										
GERALD BRACHT	P										
STEVE GOLD	P										
TANYA HOWELL – SECRETARY	P										
<b>INVITED GUESTS</b>	<b>SEE TEXT OF MINUTES FOR NAMES OF GUEST PRESENTERS</b>										

**BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, JANUARY 22, 2008**

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL?
<b>MEETING LOCATION</b>	Graybill Auditorium, Palomar Medical Center, 555 East Valley Parkway, Escondido, CA			
<b>MEETING CALLED TO ORDER</b>	6:04 p.m. by Chair Ted Kleiter			
<b>ESTABLISHMENT OF QUORUM</b>	See roster			
<b>PUBLIC COMMENTS</b>	There were no public comments			
<b>INFORMATION ITEM(S)</b>	<p>Bob Hemker had several information items to present and reminded the Committee that—pursuant to the Brown Act—items not bullet-pointed on the agenda could be presented but could not be discussed:</p> <ul style="list-style-type: none"> <li>• Penn Elm <ul style="list-style-type: none"> <li>o There is the potential that Committee members may be hearing inquiries within the community regarding the capitation agreement with them</li> <li>o We have had a capitated agreement with Penn Elm with regard to Pacificare &amp; Secure Horizons for a few years</li> <li>o We've chosen to end that relationship <ul style="list-style-type: none"> <li>▪ Penn Elm has fallen significantly below the policy-required 5000-life minimum and a positive risk pool</li> <li>▪ PPH has requested a plan from Penn Elm outlining their opportunities to improve the relationship, but none has been forthcoming <ul style="list-style-type: none"> <li>▲ Michael Covert, Bob Hemker, Gerald Bracht and Margie Drobatschewsky have met with the physician numerous times to discuss this issue</li> <li>▲ This is PPH's third attempt to work on a plan to make the relationship work</li> </ul> </li> </ul> </li> <li>o May hear miscommunication that we are turning patients away <ul style="list-style-type: none"> <li>▪ That is not the case</li> <li>▪ Even if there was not a current contract in place, PPH has contracts in place with the plans that would cover those patients</li> </ul> </li> </ul> </li> <li>• One of our vendors in the business office had several computers stolen from their home offices <ul style="list-style-type: none"> <li>o There were approximately 800 patient names, but no other identifiable information on computers</li> <li>o The police have been investigating</li> <li>o Two computers have been recovered <ul style="list-style-type: none"> <li>▪ Thefts appear to have been for computer equipment, not identity theft</li> </ul> </li> </ul> </li> </ul>	<i>Information Only</i>	<ul style="list-style-type: none"> <li>• Bob Hemker/ 6-mo follow-up on ePayables</li> <li>• Bob Hemker/CHA or other legal recourse against RAC Audits?</li> </ul>	<p>Due 072908</p> <p>Due 022608</p>

**BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, JANUARY 22, 2008**

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL?
	<ul style="list-style-type: none"> <li>▪ No apparent attempt to access documents on the computers</li> <li>o The vendor is required to send letters to all affected parties                             <ul style="list-style-type: none"> <li>▪ Luba Halich and Andy Hoang have been actively participating with the vendor from security and media viewpoints, respectively</li> <li>▪ Letters are scheduled to go out this week</li> </ul> </li> <li>o Refer any questions to Bob or Luba's offices</li> <li>• ePayable Solution                             <ul style="list-style-type: none"> <li>o Tim Nguyen, Corporate Controller, has taken the lead in seeking out ways to create opportunities in accounts payable processing</li> <li>o ePayable is such a solution                                     <ul style="list-style-type: none"> <li>▪ Vendors will take the "credit card" for payment</li> <li>▪ Allows us to bundle invoices</li> <li>▪ PPH gets economic credits back in the form of dollars   <ul style="list-style-type: none"> <li>▲ Similar to frequent flier miles on your personal credit card</li> </ul> </li> </ul> </li> <li>o Will ease workload in accounts payable</li> <li>o Vendors pay the discount fees back to the credit card company</li> </ul> </li> <li>• Federal Review of RAC Audits (<i>Attachment 1</i>)                             <ul style="list-style-type: none"> <li>o Previously discussed the concerns at local and state level about inappropriateness of the RAC Audits</li> <li>o Concerns prompted a nationwide moratorium on the program</li> <li>o RAC Auditor PRG-Schultz was audited                                     <ul style="list-style-type: none"> <li>▪ Audit found that inaccurate conclusions had been drawn in approximately 40% of cases</li> <li>▪ Ordered to re-review findings</li> </ul> </li> <li>o Questioned whether there was a legal challenge in the State via CHA, as previous discussions indicated there was a potential to file a class action suit</li> <li>o Any way to assess how much it has cost PPH to meet the demands of the audits?                                     <ul style="list-style-type: none"> <li>▪ We know the aggregate hours taken to copy records, but it would be more intuitive than hard figures – at least a couple of FTEs of value just in compiling paper   <ul style="list-style-type: none"> <li>▲ Does not include the time spent in defense of the denials</li> </ul> </li> </ul> </li> </ul> </li> <li>• Moody's report "Not-for-Profit Healthcare Sector: 2008 Industry Outlook" was discussed at the meeting and may be reviewed via the Moody's website                             <ul style="list-style-type: none"> <li>o Summary indicates PPH faces challenges consistent with the rest of the industry                                     <ul style="list-style-type: none"> <li>▪ Focusing on operational effectiveness</li> <li>▪ Slowing of patient volume growth</li> <li>▪ Higher capital spending</li> </ul> </li> </ul> </li> </ul>			

**BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, JANUARY 22, 2008**

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL?
	<ul style="list-style-type: none"> <li>o Bond insurers are also affected                             <ul style="list-style-type: none"> <li>▪ AmBac—insurer on the 2005 GO Bond issue—was downgraded last Thursday</li> <li>▪ MBIA—insurer on the 2007 GO Bond issue—was on the cusp of being downgraded at the time of that issue</li> <li>▪ FSA—insurer on the Revenue Bonds—has maintained a favorable rating</li> </ul> </li> </ul>			
<b>MINUTES – DECEMBER 4, 2007</b>	No discussion.	<b>MOTION:</b> By Director Rivera, seconded by Director Krider and carried to approve the minutes of from the December 4, 2007, Board Finance Committee meeting as presented. All in favor. None opposed.		
<b>ANNUAL REVIEW OF FINANCE COMMITTEE BYLAWS</b>	Housekeeping item <ul style="list-style-type: none"> <li>• Consistent – no changes recommended</li> </ul>	<b>MOTION:</b> By Director Bassett, seconded by Director Rivera and carried to approve the existing Board Finance Committee Bylaws without revision. All in favor. None opposed.	Forwarded to the February 11, 2008, Board of Directors meeting for information	
<b>REVIEW OF BOARD MEMBER POSITION DESCRIPTION – BOARD FINANCE COMMITTEE</b>	Page 6 of the agenda packet – redline changes – mostly cosmetic, nothing substantive <ul style="list-style-type: none"> <li>• Following discussion on Agenda Item #7b – Board Policy – Expenditure and Requisition Approval Authority                             <ul style="list-style-type: none"> <li>o It was discussed that the Responsibilities section should be amended to include a 9th paragraph, stating that the Board Finance Committee Chair had a responsibility to consult with the Chief Executive Officer on unbudgeted expenditures in excess of \$250,000 as provided in the Board Policy on Expenditure and Requisition Approval Authority</li> </ul> </li> </ul>	<b>MOTION:</b> By Director Bassett, seconded by Director Rivera and carried to recommend approval of the revisions to the Board Member Position Description for Board Finance Committee. All in favor. None opposed.  <b>MOTION:</b> By Director Rivera, seconded by Director Krider and carried to reconsider the review of the Board Member Position Description for the Board Finance Committee. All in favor. None opposed.  <b>MOTION:</b> By Director Rivera, seconded by Director Krider and carried to recommend approval of the staff-recommended revisions as well as the additional responsibility as discussed for the Board Finance Committee chair. All in favor. None opposed.	Forwarded to the February 1, 2008, Board Governance Committee meeting with a recommendation for approval	

**BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, JANUARY 22, 2008**

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL?
<b>DESIGNATION OF SUBORDINATE OFFICERS OF THE DISTRICT</b>	<ul style="list-style-type: none"> <li>• Resolution primarily for banking purposes <i>(Page 8 of agenda packet)</i> <ul style="list-style-type: none"> <li>o Includes certain administrative officers as well as non-officers due to job functions and certain signature capabilities for bank accounts</li> <li>o Updating by name the addition of the position Manager General Accounting</li> </ul> </li> <li>• Chief Administrative Officer – POM, by position, was omitted by oversight and will be added prior to submission of the Resolution for Board approval</li> </ul>	<b>MOTION:</b> By Director Rivera, seconded by Director Krider and carried to recommend approval of the Resolution of the Board of Directors of PPH Designating Subordinate Officers of the District after the addition of Chief Administrative Officer – POM. All in favor. None opposed.	Forwarded to the February 11, 2008, Board of Directors meeting with a recommendation for approval	
<b>INDEPENDENT CITIZENS' OVERSIGHT COMMITTEE (ICOC)</b>				
<b>APPROVAL OF ICOC MINUTES- DECEMBER 18, 2007, ANNUAL MEETING</b>	<p>The Board Finance Committee has responsibility as the conduit for the ICOC to report to the District Board.</p> <p>At the ICOC Annual Meeting, the members reviewed expenditures related to the 2005 General Obligation (GO) Bond tranche that has been spent down. They were also updated with regard to the projects around the District and given insight into the 2007 GO Bond issue, the former for foresight purposes only, as that body cannot take any action on bond proceeds that have not yet been expended. The duty of the ICOC is to validate that GO Bond proceeds were used within the restrictions imposed by Proposition BB.</p> <ul style="list-style-type: none"> <li>• There were no findings of note and the ICOC accepted all expenditures, as noted in their Annual Report</li> <li>• ICOC Member Steve Friar self-disclosed a potential conflict of interest as his firm is preparing to bid for a job on the construction project             <ul style="list-style-type: none"> <li>o Mr. Friar didn't want even a potential appearance of conflict of interest</li> <li>o Counsel has reviewed the matter                 <ul style="list-style-type: none"> <li>■ Found that he is not technically in conflict until/unless his firm is awarded a contract</li> <li>■ The Appendix to the ICOC Procedures, Policies &amp; Guidelines also indicates states that his firm cannot contract with the District until a period of time after he is no longer on the ICOC                     <ul style="list-style-type: none"> <li>▲ Chairman Kleiter asked why there was a problem with prior membership since members of the ICOC are never in a position to award contracts                         <ul style="list-style-type: none"> <li>(a) Original wording was to prevent members/former members of the ICOC from benefitting from the project they were reviewing</li> <li>(b) There was a consensus of the Board Finance Committee that Mr. Friar should resign if his firm was to be considered, and that the firm should not be considered if he did not resign</li> </ul> </li> </ul> </li> <li>■ Will accept Mr. Friar's resignation, but will not ask for it</li> </ul> </li> </ul> </li> <li>• Director Bassett requested clarification of the honorariums that were being reclassified             <ul style="list-style-type: none"> <li>o The term "honorarium" was given to the stipends paid to speakers for the visioning and Hospital of the Future sessions held at the very beginning of the new hospital</li> </ul> </li> </ul>	<b>MOTION:</b> By Director Rivera, seconded by Director Krider and carried to recommend approval of the draft minutes from the ICOC Annual meeting held on December 18, 2007. All in favor. None opposed.	Forwarded to the February 11, 2008, Board of Directors meeting with a recommendation for approval	

**BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, JANUARY 22, 2008**

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL?
	<p>project</p> <ul style="list-style-type: none"> <li>o At their annual meeting in 2006, the ICOC had raised a concern regarding those expenditures                             <ul style="list-style-type: none"> <li>■ Bond counsel and District staff determined that if it raised questions, it was better not pay for those items from Proposition BB, so the charges were backed out and paid for with other funds</li> <li>■ The Finance Department is still in the process of ensuring that all have been backed out and reclassified and was reporting that progress to the ICOC</li> </ul> </li> </ul>			
<b>ICOC ANNUAL REPORT FOR DISTRICT FISCAL YEAR 2006-2007</b>	<p>The ICOC Annual Report (<i>Addendum C of the agenda packet</i>) was included in the discussion regarding the ICOC Minutes.</p>	<b>MOTION:</b> By Director Krider, seconded by Director Bassett and carried to recommend approval of the ICOC Annual Report for District Fiscal Year 2006-2007. All in favor. None opposed.	Forwarded to the February 11, 2008, Board of Directors meeting with a recommendation for approval	
<b>BOARD FINANCE COMMITTEE MEETINGS FOR CALENDAR YEAR 2008</b>	<ul style="list-style-type: none"> <li>• The schedule as submitted is consistent with the prior year's meetings, with consideration requested for a couple of changes                             <ul style="list-style-type: none"> <li>o In consideration of the November/December holidays, the meeting for those months has been consolidated into a meeting on December 2, 2008</li> <li>o Management is requesting that the meeting that would fall on Tuesday, June 24<sup>th</sup>, be moved to Tuesday, July 1<sup>st</sup></li> </ul> </li> <li>• Clarification that the Form A incorrectly states the day, but not the date, for the <b>Monday</b>, June 2<sup>nd</sup>, Board Budget Workshop</li> </ul>	<b>MOTION:</b> By Director Krider, seconded by Director Rivera and carried to approve the schedule of meetings of the Board Finance Committee for Calendar Year 2008, moving the June 24 <sup>th</sup> meeting to July 1 <sup>st</sup> and stipulating the clarification regarding the day of the June 2 <sup>nd</sup> meeting and. All in favor. None opposed.	Forwarded to the February 11, 2008, Board of Directors meeting as information	
<b>BOARD POLICIES/PROCEDURES</b>				
<b>REVISED BOARD POLICY ANNUAL STATEMENT OF INVESTMENT</b>	<p>Standard review</p> <ul style="list-style-type: none"> <li>• Clarifying language to ensure we're following statutory criteria</li> <li>• Took original Policy and extracted procedural steps into a newly created Procedure</li> <li>• Investment advisors' recommendations, with which Management concurred:                             <ul style="list-style-type: none"> <li>o Changes as it relates to rating downgrades and investment downgrades</li> <li>o Adding one section regarding Tax Free investments in entirety</li> <li>o Investable funds changed to NMT 40% in bankers acceptances</li> <li>o Maturity not to exceed 270 days</li> </ul> </li> <li>• Is there any benchmark to which we're holding the firms we use?                             <ul style="list-style-type: none"> <li>o Presented once a year as part of actual performance review</li> <li>o Money is broken into short-, mid- and longer terms                                     <ul style="list-style-type: none"> <li>■ Currently no benefit to going longer due to the market sectors</li> <li>■ Average maturity is about 2 years</li> </ul> </li> </ul> </li> </ul>	<b>MOTION:</b> By Director Krider, seconded by Director Kleiter and carried to recommend approval of the revisions to the Annual Statement of Investment Board Policy. All in favor. None opposed.	<p>Forwarded to the February 11, 2008, Board of Directors meeting with a recommendation for approval</p> <ul style="list-style-type: none"> <li>• Bob Hemker/Update on overall investments</li> </ul>	<p>Due 022608</p>

**BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, JANUARY 22, 2008**

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL?
	<ul style="list-style-type: none"> <li>o Can bring back to next meeting what the money market managers are doing as a whole                             <ul style="list-style-type: none"> <li>■ Low risk, but still need to confirm they're optimizing returns</li> </ul> </li> <li>• Working on where to invest the GO Bond proceeds                             <ul style="list-style-type: none"> <li>o Being careful regarding instruments in which we invest</li> <li>o Looking at utilizing the Local Agency Investment Fund ("LAIF")</li> </ul> </li> <li>• Although not required, Staff had also recommended approval of the newly created Procedure                             <ul style="list-style-type: none"> <li>o Committee felt that step was unnecessary</li> </ul> </li> </ul>			
<p><b>EXPENDITURE &amp; REQUISITION APPROVAL AUTHORITY</b></p>	<p>Referred to Finance Committee from the Governance Committee with a request for a specific review of the CEO's authority, which is currently set at \$500K</p> <ul style="list-style-type: none"> <li>• Requested by Director Krider as it was a finance issue                             <ul style="list-style-type: none"> <li>o Budget is approved by the Board, yet Management has the ability on a daily basis to spend unbudgeted money at the rate of \$500K per transaction with no follow-through by the Board</li> <li>o Requested the advice of the Finance Committee</li> </ul> </li> <li>• Chairman Kleiter indicated that, based on his experience with BETA, which amounts have to do with claims                             <ul style="list-style-type: none"> <li>o Most claims are in excess of \$250K, and some time back the Board approved a request to raise the CEO approvals to our policy limits                                     <ul style="list-style-type: none"> <li>■ Wanted CEO to have the freedom to act quickly when required</li> <li>■ Didn't give the CEO full sole authority – added the requirement to apprise the Board after the fact</li> <li>■ Alternative here might be to include the Chairs of the Board and the Finance Committee   <ul style="list-style-type: none"> <li>▲ Spreads approval</li> <li>▲ Protects CEO as no longer only authorizing official</li> </ul> </li> <li>■ Does the power to approve going to a subordinate affect this decision?   <ul style="list-style-type: none"> <li>▲ Just gives a few more to bear the responsibility</li> </ul> </li> </ul> </li> </ul> </li> <li>• Director Rivera stated that the Board might not understand all of what's on the books right now or coming up                             <ul style="list-style-type: none"> <li>o Thought that enough safeguards had been put in place when it was expanded to \$500K</li> <li>o Unbudgeted expenditures have to come back to the Board within a certain period of time</li> <li>o Might otherwise set unnecessary restrictions</li> <li>o CEO has control over a \$500M budget – doesn't think \$500K is unreasonable</li> <li>o Also commented that—although the focus is always on the \$500K limit—the authority is really “up to” that amount, and the CEO could just be authorizing \$10K</li> </ul> </li> </ul>	<p><b>MOTION:</b> By Director Rivera, seconded by Director Krider and carried to recommend that §§III.B-D of the Board Policy for Expenditure &amp; Requisition Approval Authority be amended as appropriate to provide the following authority, and that the Policy be returned to the Board Governance Committee for review and request for approval:</p> <p>The CEO is authorized to approve transactions up to \$250K, and up to an additional \$250K after consultation with either the Chairman of the Board or with the Chairman of the Board Finance Committee/ Treasurer, with an aggregate approval authority of up to \$500K.</p> <p>All in favor. None opposed.</p> <p><i>In conjunction with this motion, the Board Finance Committee revisited the Board Finance Committee Position Description – please review that section (above) for action taken therewith.</i></p>	<p>Returned to the February 1, 2008, Governance Committee meeting with a recommendation for approval as amended</p>	

**BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, JANUARY 22, 2008**

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL?
	<ul style="list-style-type: none"> <li>• Director Krider's points are regarding §§III.B-D                             <ul style="list-style-type: none"> <li>o Issue deals with having an approved budget and having it changed any number of ways with no mechanism to learn what is going on</li> <li>o Possibility of an approved program/project being cut out in favor of one not specifically approved by the Board                                     <ul style="list-style-type: none"> <li>■ Report on a monthly basis – we changed this program/project, and this is why</li> </ul> </li> <li>o Wants to know that the budget is firmly set</li> <li>o Director Rivera stated that the budget should be a guideline around which to work                                     <ul style="list-style-type: none"> <li>■ Instead of changing limitations, perhaps institute a change in accountability   <ul style="list-style-type: none"> <li>▲ Add a paragraph/section that says when those changes are made, they must be reported to the Finance Committee?</li> </ul> </li> <li>■ Doesn't want to restrict and create bureaucratic processes that might cause loss of opportunities</li> </ul> </li> </ul> </li> <li>• Director Kleiter sees it as two separate issues                             <ul style="list-style-type: none"> <li>o First issue is the amount</li> <li>o Second issue is the reporting relationship to the Board                                     <ul style="list-style-type: none"> <li>■ Director Krider's comment is that the overall budget can be changed, with major adjustments, where one budgeted item is moved to another totally different place   <ul style="list-style-type: none"> <li>▲ This is different than just dealing with the amount</li> </ul> </li> <li>■ If we know a certain amount was approved for a program/project and that money went to a totally different program/project, with the approved one never then being funded, then that information needs to be reported to the Board</li> </ul> </li> </ul> </li> <li>• CEO Michael Covert stated this was really an awkward position for him                             <ul style="list-style-type: none"> <li>o Within the context of \$1B budget, \$500K doesn't sound like a lot                                     <ul style="list-style-type: none"> <li>■ Needs to be done to keep up</li> <li>■ Every other organization in which he has worked – although larger ones that PPH – he had approval authority up to \$1M</li> </ul> </li> <li>o When you are spending dollars and taking away from major programs/projects that were defined in the budget, or dealing with unusual situations where money needed to be spent, he has no issue about reporting through to the Board                                     <ul style="list-style-type: none"> <li>■ If there's a context for non-budgeted items and having to come back for approval, the challenge will be in the context of defining major programs for spending</li> <li>■ What does the Board want in terms of detail, and at what level?   <ul style="list-style-type: none"> <li>▲ We need to address the Board's comfort level in terms of both the approval process and with the report-back period</li> </ul> </li> </ul> </li> </ul> </li> <li>• Director Bassett stated there is a fine line between oversight and management                             <ul style="list-style-type: none"> <li>o The function of the Board is to set the strategic plan and the budget, with</li> </ul> </li> </ul>			



**BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, JANUARY 22, 2008**

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL?
	<p>Management charged with ensuring they are followed</p> <ul style="list-style-type: none"> <li>■ What might we miss if we stopped the \$500K authority (i.e., if there was a piece of property PPH wanted to purchase because it was too good a deal to pass up)</li> <li>• None oppose the emergency issue addressed in §III.D, as we must keep the doors open</li> <li>• Are there any operational/non-budgeted capital issues?                             <ul style="list-style-type: none"> <li>o Are they emergencies?</li> <li>o Is there a problem with having it at that level?</li> <li>o If non-emergency, should it also require approval of one of the Chairs?                                     <ul style="list-style-type: none"> <li>■ At that level, it's going to affect the budget at some time</li> </ul> </li> </ul> </li> <li>• Rather than bringing it to the Board after the fact, at least have one specific Board member to be consulted?                             <ul style="list-style-type: none"> <li>o How could one member know &amp; approve if not all members were consulted?</li> <li>o Taken care of if written into and approved by the Board in a policy – all members will know the authority has been given</li> <li>o Discussion concluded with recommended changes to dollar thresholds and process</li> </ul> </li> </ul>			
<b>AGREEMENTS WITH PHYSICIANS OR PHYSICIAN GROUPS</b>				
<p><b>CLINICAL DIRECTOR SERVICES AGREEMENT</b>                      JASON KERI, M.D. – POM GERO-PSYCHIATRIC UNIT</p>	<ul style="list-style-type: none"> <li>• Standard template</li> <li>• Physician is already doing business on the unit</li> <li>• Brand new – started this month January                             <ul style="list-style-type: none"> <li>o Excellent references from other hospitals</li> <li>o Looking for home base in which to practice</li> <li>o Practice he joined – Senior Medical Associates – works in senior facilities around the county, taking care of seniors in nursing homes &amp; other facilities                                     <ul style="list-style-type: none"> <li>■ In the practice about a year</li> </ul> </li> <li>o PPH has been in discussions for about 6 months</li> </ul> </li> </ul>	<p><b>MOTION:</b> By Director Bassett, seconded by Director Krider and carried to recommend approval of the two-year (January 1, 2008, to December 31, 2010) Clinical Director Services Agreement with Jason Keri, M.D., for the POM Gero-Psychiatric Unit. All in favor. None opposed.</p>	<p>Forwarded to the February 11, 2008, Board of Directors meeting with a recommendation for approval</p>	
<p><b>ADMINISTRATIVE SERVICES AGREEMENTS</b>                      PMC MEDICAL STAFF OFFICERS, DEPARTMENT CHAIRS &amp; QMC CHAIR</p>	<ul style="list-style-type: none"> <li>• Annual renewal of Medical officers and Chairmanships related to various departments at PMC                             <ul style="list-style-type: none"> <li>o 14 individuals affected by motions</li> <li>o Change in roles of who does what, no other changes</li> <li>o Will be brought forward every year in January</li> </ul> </li> </ul>	<p><b>MOTION:</b> By Director Krider, seconded by Michael Covert and carried to recommend approval of the Administrative Services Agreements for the PMC Medical Staff Officers, Department Chairs &amp; QMC Chairs as presented</p> <p>Director Bassett and Dr. Lilley abstained due to potential conflicts of interest. All others in</p>	<p>Forwarded to the February 11, 2008, Board of Directors meeting with a recommendation for approval</p>	

**BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, JANUARY 22, 2008**

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL?
		favor. None opposed.		
<b>FINANCIAL REPORT DECEMBER 2007 &amp; YTD FY2008</b>	<p>Bob Hemker distributed updated Executive Summary &amp; Balanced Scorecard pages (<i>replacement pages for G7-8</i>), amended for clarification; as well as an updated Flash Report through January 17<sup>th</sup> (<i>replaces Pages G67-68</i>). He also distributed copies of the presentation from which he would be speaking, in which the slides were re-sequenced slightly – same information as the document included with the agenda packet, just in a slightly different format (<i>all above handouts incorporated herein as Attachment 2</i>).</p> <p>The presentation is based on the first 6 months of actual performance plus 6 months' projected via the fixed budget and will provide a snapshot of where we are at the first 6 months, where we are going and what the challenges are going to be.</p> <ul style="list-style-type: none"> <li>• Balanced Scorecard (BSC) shows mostly red, a few yellow/green</li> <li>• Bottom bottom line is projected to have a \$5.4M unfavorable variance</li> <li>• At the operational level, net income before non-operating income shows a projected \$7.8M negative variance</li> <li>• Administratively reviewed for any trending up or down going forward, based on last 6 months             <ul style="list-style-type: none"> <li>o Forecast that performance will not degradate or enhance in 6 months</li> <li>o There are no trended issues that will affect the ability to produce budgeted performance in the last 6 months</li> </ul> </li> <li>• 2 notable events caused unbudgeted adjustments             <ul style="list-style-type: none"> <li>o \$2.2M in incentive compensation award in December</li> <li>o \$3M lost due to the wildfires                 <ul style="list-style-type: none"> <li>■ Pre-insurance recovery, with no expectation added back in                     <ul style="list-style-type: none"> <li>▲ Hope of at least 50 cents on dollar</li> </ul> </li> <li>■ FEMA is a secondary payor – uncertain recovery at this time</li> </ul> </li> </ul> </li> <li>• Some exposure in investment income due to market volatility</li> <li>• OEBITDA margin is off about .5% with adjustments added back</li> <li>• What is the potential related to volume strategies?</li> <li>• YTD we are about \$3M off net revenue             <ul style="list-style-type: none"> <li>o Made up by a volume delta and light on discharges</li> <li>o Rate variance is positive – picking up points on managed care renewals</li> </ul> </li> <li>• Case mix index year on year is up about 5% – excluding deliveries             <ul style="list-style-type: none"> <li>o Affected by surgicals – CV surgery is up, as are traumas</li> <li>o Admission shortage is more on the medicine side.</li> </ul> </li> <li>• 99% productivity             <ul style="list-style-type: none"> <li>o Premium pay issue – monitored biweekly</li> <li>o Compared against labor standards                 <ul style="list-style-type: none"> <li>■ Will update labor standards for next year to ensure they are up-to-date</li> </ul> </li> </ul> </li> </ul>	<p><b>MOTION:</b> By Director Rivera, seconded by Director Bassett and carried to approve the Financial Report for December 2007 and YTD FY2008. All in favor. None opposed.</p>	<p>Forwarded to the February 11, 2008, Board of Directors meeting with a recommendation for approval</p> <ul style="list-style-type: none"> <li>• The schedule with the FY08 projections will be added to the financial presentations going forward</li> <li>• Michael Covert indicated that he would bring a laundry list of things we're specifically trying to do to take action and bring ourselves back in line with the budget—line item by line item</li> </ul>	<p>Due at BoD Mtg 021108 or at Fin Ctte 022608</p>

**BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, JANUARY 22, 2008**

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL?
	<ul style="list-style-type: none"> <li>o Productivity is a tool to help measure dollars</li> <li>o About \$2.4M over against budget on overtime pay                             <ul style="list-style-type: none"> <li>■ Rate of pay is causing the additional variance in the Salaries &amp; Wages</li> </ul> </li> <li>o Discussion regarding the issue of on-boarding new staff—with the extra costs incurred by the requirement of working with a mentor who is often on overtime—vs the premium-pay issues associated with hiring travelers rather than on-boarding new staff</li> <li>• Key variances for December (<i>subset pg 8</i>)                             <ul style="list-style-type: none"> <li>o Salary, Wages &amp; Contract Labor have a total negative variance of \$3.2M                                     <ul style="list-style-type: none"> <li>■ There is a comfort level with amount due to explainable variances   <ul style="list-style-type: none"> <li>▲ \$450K cost savings in labor volume</li> <li>▲ -\$2.2M Incentive Comp variance</li> <li>▲ -\$1M in Rate &amp; Efficiency is a rate/premium pay issue</li> <li>▲ -\$299K under Bonus   <ul style="list-style-type: none"> <li>(a) Cash bonus opportunities for staff who help bring people on board</li> </ul> </li> </ul> </li> </ul> </li> <li>o Benefits                                     <ul style="list-style-type: none"> <li>■ FICA is negative variance due to incentive payout</li> <li>■ Pension &amp; other are also negative to some extent due to the incentive payout</li> </ul> </li> <li>o Supplies                                     <ul style="list-style-type: none"> <li>■ \$198K negative variance for Da Vinci   <ul style="list-style-type: none"> <li>▲ On-boarding new service right now and costs haven't yet normalized</li> </ul> </li> </ul> </li> <li>o Other Direct Expenses                                     <ul style="list-style-type: none"> <li>■ POP Rent has now been operationalized and will be an unbudgeted variance the remainder of the year</li> <li>■ Holiday gift cards are a one-time event</li> </ul> </li> </ul> </li> <li>• Key variances YTD                             <ul style="list-style-type: none"> <li>o Other Operating Income                                     <ul style="list-style-type: none"> <li>■ Negative variance for PPH Foundation is contra with Other Direct Expense</li> <li>■ Negative variance for Welcome Home Baby is contra with Professional fees</li> </ul> </li> <li>o Negative contract labor variances are most notably in ER, Intermediate Care and Labor Delivery – not distributed across the system</li> <li>o Professional Fees                                     <ul style="list-style-type: none"> <li>■ Positive variance of \$700K in physician income guarantees   <ul style="list-style-type: none"> <li>▲ Good from a profit and loss standpoint</li> <li>▲ Not good from a recruiting standpoint</li> </ul> </li> </ul> </li> </ul> </li> <li>• What can we do to manage productivity?                             <ul style="list-style-type: none"> <li>o Evaluating going to a daily productivity tool                                     <ul style="list-style-type: none"> <li>■ Productivity management becomes ingrained</li> </ul> </li> </ul> </li> </ul>			

**BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, JANUARY 22, 2008**

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL?
	<ul style="list-style-type: none"> <li>o Biggest challenge is the manual implementation                             <ul style="list-style-type: none"> <li>■ Will eventually be automated, but it need to be learned the manual way first                                     <ul style="list-style-type: none"> <li>▲ Provides discipline</li> <li>▲ Makes it becomes second nature</li> </ul> </li> </ul> </li> <li>o Brings 16- to 17-day reporting cycle on productivity performance down to 2 days</li> <li>o Now is the time to take advantage as a system</li> <li>o Core staff should be able to shift around between facilities</li> <li>• First 6 months becomes the baseline for the FY2009 budgeting cycle on those budgeted items that are not zero-based</li> <li>• We need to pay close attention to volume and the management of Salaries, Wages &amp; Benefits, fine-tuning productivity and supplies</li> <li>• Admissions Acute                             <ul style="list-style-type: none"> <li>o Off about 500</li> </ul> </li> <li>• Patient Days Acute                             <ul style="list-style-type: none"> <li>o Little bit longer Length of Stay (LOS)                                     <ul style="list-style-type: none"> <li>■ If Medicare patient, not much benefit unless acuity related</li> <li>■ If managed care patient and not denied, then receive extra per diem payment</li> <li>■ No-pay or low-paying patients – extra day for stats, nothing in net revenue</li> </ul> </li> </ul> </li> <li>• Surgeries                             <ul style="list-style-type: none"> <li>o In-patient                                     <ul style="list-style-type: none"> <li>■ Up YTD on both campuses – key in terms of where we are</li> <li>■ A little off in December, will watch as we go forward</li> </ul> </li> <li>o Out-patient                                     <ul style="list-style-type: none"> <li>■ Escondido Surgery Center (ESC) is now a department of PPH   <ul style="list-style-type: none"> <li>▲ Recalculated budget lines to add in ESC's budgeted cases</li> <li>▲ Also bringing in actual – actually on a light month in December, as they were off about 135 cases</li> </ul> </li> </ul> </li> <li>o Total is off budget by less than 10 cases</li> </ul> </li> <li>• ER Visits                             <ul style="list-style-type: none"> <li>o Started light, gained momentum – can almost predict 5% growth YoY</li> </ul> </li> <li>• ER Admissions                             <ul style="list-style-type: none"> <li>o Declining admissions from ER – suggests presentations are lower levels of care</li> </ul> </li> <li>• Deliveries                             <ul style="list-style-type: none"> <li>o Budgeted conservatively at POM – running about 10% up over budget</li> <li>o Right on budget at PMC</li> </ul> </li> <li>• Case Mix Index                             <ul style="list-style-type: none"> <li>o Neutralizes out deliveries</li> </ul> </li> </ul>			

**BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, JANUARY 22, 2008**

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL?
	<ul style="list-style-type: none"> <li>o November &amp; December were identical across each campus                             <ul style="list-style-type: none"> <li>■ Numbers are correct</li> </ul> </li> <li>o Longer LOS is being supported by a higher case mix                             <ul style="list-style-type: none"> <li>■ Patients presenting are slightly sicker – not sitting in house longer than needed</li> </ul> </li> <li>• Net Patient Revenue/Adjusted Discharges (AD)                             <ul style="list-style-type: none"> <li>o A slightly positive variance to budget</li> </ul> </li> <li>• Salaries/AD                             <ul style="list-style-type: none"> <li>o Impact of incentive compensation award and fire-related costs – approximately \$3.4M</li> <li>o Negative variance YTD</li> <li>o Consolidated is -\$351K                                     <ul style="list-style-type: none"> <li>■ Balance is premium pay &amp; productivity</li> </ul> </li> <li>o Impact of case mix index is not across the house – takes off part of the delta in rate variance</li> </ul> </li> <li>• Supplies/AD                             <ul style="list-style-type: none"> <li>o Negative variance of \$66K                                     <ul style="list-style-type: none"> <li>■ Focusing on key areas   <ul style="list-style-type: none"> <li>▲ Da Vinci startup at -\$400K+</li> <li>▲ Blood volume is up for a -\$250K variance</li> </ul> </li> <li>■ Cath lab almost has a -\$200K variance</li> </ul> </li> <li>o Nonsurgical vs surgical supplies                                     <ul style="list-style-type: none"> <li>■ Total variance of efficiency</li> <li>■ About \$1M nonsurgical vs \$400K surgical – includes da Vinci</li> <li>■ Mix of units plus expired date issues, wastage, etc., become opportunities</li> <li>■ Need to be putting the rigidity in the supply side that is being implemented in productivity</li> <li>■ Implement management of choice – if efficacy is the same, choose the less costly</li> </ul> </li> <li>o Pharmacy has a \$300K positive variance                                     <ul style="list-style-type: none"> <li>■ Karl Hohengarten was praised for his pharmacy supply management</li> </ul> </li> </ul> </li> <li>• Expenses/AD                             <ul style="list-style-type: none"> <li>o \$489K delta                                     <ul style="list-style-type: none"> <li>■ Wildfires, incentive comp &amp; supplies account for most of the delta</li> <li>■ Everything else is about \$50K</li> </ul> </li> </ul> </li> <li>• Flash Report                             <ul style="list-style-type: none"> <li>o Positive in terms of ADC – almost 2% up</li> <li>o Down on discharges – equates to admissions</li> <li>o Surgeries positive on both campuses</li> </ul> </li> </ul>			

**BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, JANUARY 22, 2008**

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/RESPONSIBLE PARTY	FINAL?
	<ul style="list-style-type: none"> <li>o Births down at both campuses</li> <li>o ER visits are up – will wait to see what the translation to admissions becomes</li> <li>o Traumas continue to be light – similar to December</li> <li>o Labor management                             <ul style="list-style-type: none"> <li>■ Productive hours are favorable</li> <li>■ We’re absorbing the additional volume</li> <li>■ Doing okay on hours, with a negative variance on the dollars</li> </ul> </li> <li>• Chairman Kleiter stated that we should have an ongoing comparison to the annual budget each month to ensure we don’t trend to negative variance, especially in light of the economic situation and its potential negative impact                             <ul style="list-style-type: none"> <li>o Michael Covert indicated that he would bring a laundry list of things we’re specifically trying to do to take action and bring ourselves back in line with the budget – line item by line item—to next month’s meeting</li> <li>o Chairman Kleiter suggested that it might be more appropriate to have that information at the next Board meeting, not waiting until next Finance Committee                                     <ul style="list-style-type: none"> <li>■ Counsel Janine Sarti was asked about protocol regarding reports forward to the Board   <ul style="list-style-type: none"> <li>▲ If the Chair were to make an informational report at a Board meeting, relating what took place at the Finance Committee meeting, would it be bound by the same rules as unagendaed informational items (ie, would board members be prevented from asking questions)?</li> <li>▲ Response was that reports from committees can be discussed, as they are agendaed items; however, decisions other than those made at those committee levels could not be made</li> </ul> </li> </ul> </li> </ul> </li> <li>• Michael Covert volunteered to sit with any Board member to go through detail and bring them up to speed</li> </ul>			
<b>ADJOURNMENT</b>	<b>The meeting was adjourned at 830 p.m.</b>			
<b>SIGNATURES:</b> <ul style="list-style-type: none"> <li>• <b>COMMITTEE CHAIR</b> _____ Ted Kleiter</li> <li>• <b>COMMITTEE SECRETARY</b> _____ Tanya Howell</li> </ul>				

# Attachment 1

**IN BRIEF**

» A new report by the **Bureau of State Audits** concluded that there isn't much difference between for-profit and nonprofit hospitals in terms of providing charity care to indigent patients, but it found that nonprofits more than made up for their tax-exemptions through the provision of community benefits. The board said the true value of the community benefits is hard to determine due to the inconsistency in reporting, but still concluded that the states 223 nonprofit hospitals provided \$656 million in community benefits in 2005— a figure that was 2.7 times the estimated \$242 million in corporate income and property taxes that were not collected by the state due to their nonprofit status. Noting the inconsistency in reporting, the Bureau urged the Legislature to prescribe a mandatory format for reporting and calculating these benefits. Copies of the report are available on the Bureau's website at [www.bsa.ca.gov](http://www.bsa.ca.gov).

» Congressional Democrats held a news conference last week to chastise President Bush for again vetoing a reauthorization bill for the **State Children's Health Insurance Program**. The bill, which had bi-partisan support, would have expanded coverage to 10 million children at a cost of \$35 billion. "I am returning herewith without my approval H.R. 3963, the 'Children's Health Insurance Program Reauthorization Act of 2007.' Like its predecessor, H.R. 976, this bill does not put poor children first and it moves our country's health

« CONTINUED ON PAGE 3 »

**TOP STORIES** CONTINUED FROM PAGE 1

**Blue Shield cont.**

**Jerry Flanagan** of the **Foundation For Taxpayer and Consumer Rights** says the increased scrutiny by state regulators is good news because of the sharp rise in complaints of policy cancellations by the state's major insurers over the past two years. The action against Blue Shield is particularly important, he adds.

"Blue Shield's been hiding behind its nonprofit status, pretending to be one of the good guys," says Flanagan. "This shows health insurers are all cut from the same cloth. Whether nonprofit or for-profit, they're out to increase cash reserves by denying medical care."

Flanagan says FTCCR is pushing for new rules that allow consumers to go to the state watchdog agencies for help before an insurer can cancel a policy. "There needs to be more oversight on the front end, before the harm is done," he says. The underwriting statutes are identical for HMOs and PPOs and clearly require insurers to prove a member intentionally lied on their application before a policy can be rescinded, Flanagan maintains. — *JOHN LEIGHTY*

**Review Faults Medicare Auditor In Nearly 40% Of The Cases Studied**  
 CMS promises changes for national rollout of RAC program

SACRAMENTO— A federal review of Medicare's controversial **Recovery Audit Contractor** program, which has cost California's rehabilitation hospitals more than \$100 million in denied payments, found that the auditor assigned to California arrived at the wrong conclusion in approximately 40 percent of the cases sampled.

The program has been under fire for months as hospitals in the state complained that the auditor, Atlanta-based **PRG-Schultz**, was improperly denying claims submitted by rehabilitation hospitals. The complaints prompted representatives **Lois Capps** (D-Santa Barbara) and **Devin Nunes** (R-Tulare) to introduce legislation this fall to enact a nationwide moratorium on the program, which under current law must be in place nationwide by 2010. The program is currently operating on a demonstration basis in California, Florida and New York, but the **Centers for Medicare and Medicaid Services** in the process of expanding the program into four additional states beginning in March.

The admission of the mistakes was contained in a letter to Capps and Nunes by **Kerry Weems**, acting administrator for CMS. In that letter, Weems said that the "pause" in audit activity that he ordered in August would remain in place through March 27, 2008— the scheduled end to the demonstration. Weems also ordered PRG-Schultz to re-review all claims from inpatient rehabilitation facilities in which

« CONTINUED ON PAGE 3 »



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# Attachment 2

## December 2007 Financial Results Executive Summary and Highlights (cont'd)

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### Income Statement (cont'd):

**Benefits Expense** has a YTD unfavorable budget variance of \$972 thousand. This variance is due to various categories. They are: FICA – unfavorable by \$695 thousand; Health and Dental – unfavorable by \$536 thousand; Workers Compensation – unfavorable by \$231 thousand; and Pension – unfavorable by \$116 thousand. These are partially offset by a favorable variance in Other Benefits of \$608 thousand.

**Supplies Expense** reflects a YTD unfavorable budget variance of \$558 thousand. The unfavorable variance is composed of surgical general supplies at \$416 thousand, other medical supplies at \$368 thousand and other general supplies at \$317. The favorable variance is pharmacy at \$543 thousand.

**Prof Fees & Purchased Services** reflect a YTD favorable budget variance of \$0.6 million. The favorable variance of \$1.2 million in professional fees is due to physician income guarantees not realized and consulting fees in Design/Facility and Welcome Home Baby. The unfavorable variance of \$0.6 million in purchase services is due to contracted purchased services.

**Non-Operating Income** reflects a YTD favorable variance of \$2.4 million. This is mainly due to a favorable investment income variance of \$1.9 million.

### Ratios & Margins:

All required bond covenant ratios were achieved in December 2007.

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## Balanced Scorecard Financial Indicators December 31, 2007

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October					November					December					YTD 2008				
Actual	Actual	Actual	Budget / PY	Variance	% Actual to Budget	Actual	Actual	Actual	Budget / PY	Variance	% Actual to Budget	Actual	Actual	Actual	Budget	Variance	% Actual to Budget	Prior Year Actual	
<b>PPH Indicators:</b>																			
2.6%	7.7%	-0.8%	10.0%	-10.8%	-8.0%	OEBITDA Margin w/Prop Tax	6.5%	9.8%	-3.3%	66.3%	8.8%	\$ 2,888.56	\$ 2,834.52	\$ 2,980.36	\$ 2,705.14	\$ (275.22)	110.2%	2,558.35	
\$ 1,710.00	\$ 1,662.78	\$ 1,871.72	\$ 1,577.84	\$ (233.88)	118.6%	Expenses/Wtd Day	2,781.63	\$ 2,717.27	\$ (64.36)	102.4%	2,521.64	\$ 2,692.66	\$ 2,759.74	\$ 2,811.59	\$ 2,539.26	\$ (272.33)	110.7%	2,438.27	
6.49	6.41	6.94	6.62	-0.32	104.8%	SWB/Wtd Day	1,656.85	\$ 1,578.55	\$ (77.30)	104.9%	1,521.64	\$ 1,345.84	\$ 1,353.05	\$ 1,538.31	\$ 1,304.67	\$ (233.64)	117.9%	1,265.83	
12.775	12,969	13,000	12,813	187	101.5%	Prod FTE's/Adj Occupied Bed	6.53	6.62	0.09	98.9%	6.15	5.31	5.38	5.73	5.35	-0.38	107.1%	5.21	
						Weighted Patient Days	78,374	78,686	(312)	103.8%	75,536	9,203	8,802	9,152	8,911	241	102.7%	52,207	
<b>PPH North Indicators:</b>																			
8.1%	5.4%	-1.5%	11.0%	-12.5%	-13.6%	OEBITDA Margin w/Prop Tax	6.9%	10.8%	-3.9%	63.0%	9.5%	\$ 2,692.66	\$ 2,759.74	\$ 2,811.59	\$ 2,539.26	\$ (272.33)	110.7%	2,438.27	
\$ 1,345.84	\$ 1,353.05	\$ 1,538.31	\$ 1,304.67	\$ (233.64)	117.9%	Expenses/Wtd Day	2,660.83	\$ 2,550.01	\$ (110.82)	104.3%	2,265.83	5.31	5.38	5.73	5.35	-0.38	107.1%	5.21	
						SWB/Wtd Day	1,361.21	\$ 1,305.03	\$ (56.18)	104.3%	1,265.83	9,203	8,802	9,152	8,911	241	102.7%	52,207	
						Prod FTE's/Adj Occupied Bed	5.41	5.27	(0.14)	102.7%	5.21								
						Weighted Patient Days	54,325	54,885	(560)	104.1%	52,207								
<b>PPH South Indicators:</b>																			
-14.8%	11.5%	2.0%	5.7%	-3.7%	-35.1%	OEBITDA Margin w/Prop Tax	4.1%	5.3%	-1.2%	77.4%	5.6%	\$ 2,916.94	\$ 2,573.49	\$ 2,800.78	\$ 2,565.39	\$ (235.39)	109.2%	2,436.42	
\$ 1,411.65	\$ 1,305.00	\$ 1,534.66	\$ 1,303.06	\$ (231.60)	117.8%	Expenses/Wtd Day	2,595.83	\$ 2,577.70	\$ (18.13)	100.7%	2,265.83	6.40	5.90	6.65	6.04	-0.61	110.1%	5.47	
						SWB/Wtd Day	1,336.29	\$ 1,303.37	\$ (32.92)	102.6%	1,258.43	3,334	3,928	3,698	3,700	(2)	99.9%	21,852	
						Prod FTE's/Adj Occupied Bed	6.16	6.06	(0.10)	101.7%	5.47								
						Weighted Patient Days	22,708	22,316	392	103.9%	21,852								

Weighted Patient Days is compared with Prior Year Actual

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Weekly Flash Report									G67
January 08	Jan 4 - 10	Jan 11-17			MTD Total	MTD Budget	% Variance		
ADC (Acute)	315	320	0	0	318	312	1.83		
PMC	241	235	0	0	238	235	1.13		
POM	74	85	0	0	79	76	3.98		
PCCC	86	83	0	0	84	88	(3.86)		
VP	124	126	0	0	125	123	1.16		
Patient Days (Acute)	2207	2238	0	0	4,445	4,365	1.83		
PMC	1690	1643			3,333	3,296	1.13		
POM	517	595			1,112	1,069	3.98		
PCCC	599	582			1,181	1,228	(3.86)		
VP	866	882			1,748	1,728	1.16		
Discharges	537	597	0	0	1,134	1,141	(0.59)		
PMC	420	448			868	880	(1.33)		
POM	117	149			266	261	1.90		
Number of Surgeries	224	261	0	0	485	444	9.14		
PMC	141	175			316	302	4.75		
POM	83	86			169	143	18.42		
Number of Births	98	99	0	0	197	210	(6.39)		
PMC	81	81			162	168	(3.83)		
POM	17	18			35	42	(16.67)		
Outpatient Visits (inc. L	2052	1936	0	0	3,988	3,881	2.75		
PMC	1322	1234			2,556	2,562	(0.25)		
POM	730	702			1,432	1,319	8.59		
ER Visits	1766	1867	0	0	3,633	3,349	8.49		
PMC	1195	1273			2,468	2,232	10.56		
POM	571	594			1,165	1,116	4.35		
Trauma Visits	15	14	0	0	29	55	(46.93)		
IP	11	14			25	46	(45.73)		
OP	4	0			4	9	(53.38)		

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Weekly Flash Report (cont'd)									G68
January 08	Jan 4 - 10	Jan 11-17			MTD Total	MTD Budget	% Variance		
Gross IP Revenue	19,400,880	20,257,865			39,658,745	39,671,731	(0.03)		
Gross OP Revenue	6,680,706	7,130,602			13,811,308	12,090,585	14.23		
Cash Collection	11,771,417	6,649,278			18,420,695	19,532,379	(5.69)		
Days cash on hand	99	93			93	80			
Prod Hrs (PP14 )	187,572				187,572	191,981	2.30		
PMC - North	112,744				112,744	113,766	0.90		
POM - South	48,990				48,990	49,674	1.38		
Others	25,838	-	-	-	25,838	28,541	9.47		
Prod \$ (PP 14)	5,976,617				5,976,617	5,915,932	(1.03)		
PMC - North	3,657,277				3,657,277	3,542,053	(3.25)		
POM - South	1,489,290				1,489,290	1,431,302	(4.05)		
Others	830,050	-	-	-	830,050	942,577	11.94		

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**PALOMAR POMERADO HEALTH  
CONSOLIDATED  
ADJUSTED Actual Dec 07 YTD + 6 Month Budget  
FY 08 Projection**

Statistics:	6 Act + 6 Bud			FY 08 Budget		Variance	Variance		S/Adjusted Discharges	
	6 Act + 6 Bud	FY 08 Budget		Volume	Rate/Elf		Actual	Budget	Variance	
Admissions - Acute	29,298	29,827	(529)							
Admissions - SNF	1,105	1,147	(42)							
Patient Days - Acute	113,119	114,111	(992)							
Patient Days - SNF	76,720	77,263	(543)							
Adjusted Discharges	39,913	40,397	(484)							
<b>Revenue:</b>										
Net Patient Revenue	414,042,757	414,382,200	(339,443) U	(4,964,749)	4,625,306	10,374	10,258	116		
Other Oper Revenue	12,304,340	15,097,695	(2,793,355) U	(180,886)	(2,612,380)	328	374	(65)		
<b>Total Net Revenue</b>	<b>426,347,097</b>	<b>429,479,895</b>	<b>(3,132,798) U</b>	<b>(5,145,635)</b>	<b>2,012,926</b>	<b>10,682</b>	<b>10,631</b>	<b>50</b>		
<b>Expenses:</b>										
Salaries, Wages & Contr Labor	201,947,186	197,354,158	(4,593,028) U	2,364,517	(6,957,545)	5,060	4,885	(174)		
Benefits	50,729,496	49,757,147	(972,349) U	596,145	(1,568,494)	1,271	1,232	(39)		
Supplies	63,472,658	62,914,273	(558,385) U	753,781	(1,312,166)	1,590	1,557	(33)		
other not listed										
<b>Total Expenses</b>	<b>423,367,253</b>	<b>418,692,003</b>	<b>(4,675,250) U</b>	<b>5,016,386</b>	<b>(9,691,636)</b>	<b>10,607</b>	<b>10,364</b>	<b>(243)</b>		
<b>Net Inc Before Non-Oper Income</b>	<b>2,979,844</b>	<b>10,787,803</b>	<b>(7,807,958) U</b>	<b>(129,250)</b>	<b>(7,678,709)</b>	<b>75</b>	<b>267</b>	<b>(192)</b>		
<b>Adjustments:</b>										
Incentive Compensation	2,200,000		2,200,000	-	2,200,000	55	-	55		
Impact of October Wildfires (A)	3,000,000		3,000,000	-	3,000,000	75	-	75		
<b>Adj. Net Inc Before Non-Op Inc.</b>	<b>8,179,844</b>	<b>10,787,803</b>	<b>(2,607,959)</b>	<b>(129,250)</b>	<b>(2,478,709)</b>	<b>205</b>	<b>267</b>	<b>(62)</b>		
Property Tax Revenue	13,500,000	13,500,000	-	(161,745)	161,745	338	334	4		
Non-Operating Income	3,212,319	795,822	2,416,497 F	(9,535)	2,426,032	80	20	61		
<b>Net Income (Loss)</b>	<b>\$ 24,892,163</b>	<b>\$ 25,083,625</b>	<b>\$ (191,462) U</b>	<b>(300,529)</b>	<b>(109,067)</b>	<b>624</b>	<b>621</b>	<b>3</b>		
Net Income Margin	5.5%	5.6%	-0.1%							
OEBITDA Margin w/o Prop Tax	6.6%	7.1%	-0.5%							
OEBITDA Margin with Prop Tax	9.6%	10.1%	-0.5%							

(A): net revenue \$ 1.4 million  
labor expenses \$ 1.2 million  
non-labor expenses \$ .4 million



**Key Variance Explanations  
YTD December 31, 2007**

**PALOMAR POMERADO HEALTH  
YTD Key Variance Explanations through December 2007**

	Actual	Budget	Variance
<b>Adjusted Discharges</b>	<b>19,822</b>	<b>20,306</b>	<b>(484)</b>
<b>Gross Patient Revenue:</b>	<b>692,195,258</b>	<b>680,339,986</b>	<b>11,855,272</b>
Volume Variance			(16,216,121)
Rate Variance			28,071,393
<b>Other Operating Revenue:</b>	<b>4,755,539</b>	<b>7,548,804</b>	<b>(2,793,265)</b>
PPH Foundation			(1,769,010)
PPHC Health Development			(670,646)
Home Health Outreach			(533,099)
Welcome Home Baby			(458,921)
<b>Salaries &amp; Wages:</b>	<b>98,329,130</b>	<b>94,741,238</b>	<b>(3,587,892)</b>
Volume Variance			2,256,188
Rate Variance			(5,844,080)
Incentive Bonus		(2,215,392)	
P-TO Coupon		(514,855)	
<b>Benefits:</b>	<b>25,984,209</b>	<b>25,011,860</b>	<b>(972,349)</b>
FICA			(694,862)
<b>Contract Labor:</b>	<b>5,462,095</b>	<b>4,456,960</b>	<b>(1,005,135)</b>
20-7910 Emergency Room (including Salary & Wages = - \$150k var)			(403,810)
20-6160 Intermediate Care (including Salary & Wages = +150k var)			(359,867)
20-6400 Labor Delivery (including Salary & Wages = -109k var)			(323,815)
Other			122,357
<b>Professional Fees:</b>	<b>14,602,331</b>	<b>15,805,774</b>	<b>1,203,443</b>
Admin Legal Fees			(152,980)
WHB Other Pro Fees (for First Five Commission Subcontractors)			405,594
Physician Income Guarantees Not Realized			703,735
<b>Supplies:</b>	<b>32,186,175</b>	<b>31,627,790</b>	<b>(558,385)</b>
<b>Purchased Services:</b>	<b>16,300,929</b>	<b>15,689,892</b>	<b>(611,037)</b>
Repairs & Maintenance			(534,071)
Disaster Relief Expenses			(253,372)
<b>Depreciation:</b>	<b>10,981,206</b>	<b>10,649,142</b>	<b>(332,064)</b>
<b>Other Direct Expense:</b>	<b>12,044,505</b>	<b>13,232,676</b>	<b>1,188,171</b>
Foundation			1,008,113
<b>Net Income From Operations</b>	<b>(3,141,266)</b>	<b>8,031,395</b>	<b>(7,807,955)</b>

