

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

**Posted
Mailed (US & E-mail)
Faxed
January 18, 2008**

Tuesday, January 22, 2008
5:30 p.m. (Buffet Dinner for Committee Members & Invited Guests *only*)
6:00 p.m. Meeting

Palomar Medical Center
555 East Valley Parkway, Escondido, CA
Graybill Auditorium

	<u>Time</u>	<u>Page</u>	<u>Target</u>
CALL TO ORDER.....		6:00 p.m.
➤ Public Comments.....	5		6:00 p.m.
➤ Information Item(s)			
• Epayables	10		6:05 p.m.
• Federal Review of RAC Audit			
1. * Approval: Minutes – Tuesday, December 4, 2007 (<i>Addendum A</i>).....	5	Ag2	6:15 p.m.
2. * Review/Approval: Annual Review of Finance Committee Bylaws.....	5	Ag3-4	6:20 p.m.
3. * Review/Approval: Review of Board Member Position Description.....	5	Ag5-6	6:25 p.m.
4. * Review/Approval: Designation of Subordinate Officers of the District	5	Ag7-8	6:30 p.m.
5. * Review/Approval: Independent Citizens' Oversight Committee			
• Minutes – December 18, 2007, Annual Meeting (<i>Addendum B</i>).....	5	Ag9	6:35 p.m.
• Draft Annual Report for District Fiscal Year 2006-2007 (<i>Addendum C</i>).....	5	Ag10	6:40 p.m.
6. * Review/Approval: Board Finance Committee Meetings for Calendar Year 2008...	5	Ag11-12	6:45 p.m.
7. Board Policies/Procedures			
• * Review/Approval: Revised Board Policy – Annual Statement of Investment Policy (<i>Addenda D & E</i>).....	5	Ag13-14	6:50 p.m.
• * Review/Approval: Board Policy – Expenditure and Requisition Approval Authority (<i>Addendum F</i>).....	5	Ag15	6:55 p.m.
8. * Review/Approval: Agreement(s) w/Physicians or Physician Groups			
• Clinical Director Services Agreement - Jason Keri, M.D. – POM Gero-Psychiatric Unit.....	5	Ag16-19	7:00 p.m.
• Administrative Services Agreements – Medical Staff Officers, Department Chairs, QMC Chair – PMC	5	Ag20-25	7:05 p.m.
9. * Approval: December 2007 & YTD FY2008 Financial Report (<i>Addendum G</i>).....	25	Ag26	7:10 p.m.
FINAL ADJOURNMENT.....		7:35 p.m.

***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, MA
Marcelo Rivera, MD
Michael Covert, FACHE
John Lilley, MD
Benjamin Kanter, MD
Linda Greer, RN, *Alternate*

Bob Hemker
Gerald Bracht
Steve Gold

Tanya Howell, Secretary

Minutes
Finance Committee – December 4, 2007

TO: Board Finance Committee

MEETING DATE: Tuesday, January 22, 2008

FROM: Tanya Howell, Secretary

BY: Bob Hemker, CFO

Background: The minutes of the Board Finance Committee meeting held on Tuesday, December 4, 2007, are respectfully submitted for approval (*Addendum A*).

Budget Impact: N/A

Staff Recommendation: Staff recommends approval of the Tuesday, December 7, 2007, Board Finance Committee minutes.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

Annual Review of Board Finance Committee Bylaws

TO: Board Finance Committee

MEETING DATE: Tuesday, January 22, 2008

FROM: Bob Hemker, CFO

Background: Annually, the Board Finance Committee is required to review the Bylaws of Palomar Pomerado Health as they relate to the Committee (*excerpt attached*) and recommend any necessary revisions.

Budget Impact: None.

Staff Recommendation: Recommend approval of existing Bylaws without revision.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

6.2.1 Finance Committee.

- (a) Voting Membership. The Finance Committee shall consist of seven voting members, four members of the Board, the President and Chief Executive Officer and the Chief of Medical Staff from each hospital. One alternate Committee member shall also be appointed by the Chairperson who shall attend Committee meetings and enjoy voting rights on the Committee only when serving as an alternate for a voting Committee member. The Chairperson of the Board may appoint the Treasurer as the chairperson of the Finance Committee.
- (b) Non-Voting Membership. The Chief Financial Officer (CFO), the Chief Administrative Officers Palomar Medical Center and Pomerado Hospital and a nurse representative.
- (c) Duties. The duties of the Committee shall include but are not limited to:
 - (i) Review the preliminary, annual operating budgets for the District and Facilities and other entities;
 - (ii) Develop and recommend to the Board the final, annual, operating budgets;
 - (iii) Develop and recommend to the Board a three-year, capital expenditure plan that shall be updated at least annually. The capital expenditure plan shall include and identify anticipated sources of financing for and objectives of each proposed capital expenditure in excess of \$100,000;
 - (iv) Review and recommend approval of the monthly financial statements to the Board.
 - (v) Recommend to the Board cost containment measures and policies;
 - (vi) Review annually those policies and procedures within its purview and report the results of such review to the Governance Committee. Such reports shall include recommendations regarding the modification of existing or creation of new policies and procedures; and
 - (vii) Perform such other duties as may be assigned by the Board.

**Review of Board Member Position Description
for Board Finance Committee**

TO: Board Finance Committee

MEETING DATE: Tuesday, January 22, 2008

FROM: Bob Hemker, CFO

Background: The Board Finance Committee is required to periodically review the Board Member Position Description for Palomar Pomerado Health as it relates to the Committee and recommend/approve any revisions.

It is proposed that the Function be amended as noted on the attached redline excerpt. Other recommended amendments are merely cosmetic.

Budget Impact: None.

Staff Recommendation: Recommend approval of the revisions to the Board Member Position Description.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

PALOMAR POMERADO HEALTH BOARD
FINANCE COMMITTEE

Board Member Position Description

Function:

It is the responsibility of the Board Member to provide oversight to ensure the financial viability of the organization through the effective establishment of sound policies and development of a system of controls to safeguard the preservation and use of assets and resources.

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Responsibilities:

1. Review and approve annual and long range operating cash, operational and Capital Budgets for the System.
2. Develop and maintain sound understanding of the services of the District's revenues and expenses and its economic environment.
3. Approve methods of financing major capital asset renovations, replacements and additions.
4. Review financial reports and operating statistics on a regular basis to ensure that the organization takes appropriate action in response to operating trends in achievement of financial goals.
5. Evaluate and approve financial plans for new business ventures, programs, and services and establish criteria to measure their ongoing viability.
6. Develop programs and communications in order to enhance the understanding of other members in regard to financial matters of the system.
7. Provision of a brief one-page Committee Summary of Accomplishments for the respective Calendar Year to the Annual Board Self-Evaluation Meeting (per Governance Committee of 1-20-05 & Board Meeting of 2-7-05).
8. Performs other duties as may be assigned by the Committee Chair/Treasurer of the Board.

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Requirements:

1. Interest and willingness to commit time and energy to completion of Finance Committee responsibilities and meeting requirements.
2. A knowledge of basic Healthcare finance issues and economics and a willingness to expand one's knowledge in the areas of financial management, productivity, revenue and cash management, alternative delivery systems and prepared health plans, governmental payor systems, etc.
3. An understanding of systems of Internal control and Audit Committee.
4. An interest in the development of Information Technology and systems that support the use of such.
5. Commitment to comply with the other requirements of Board members as outlined in the member's position description.

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DESIGNATION OF SUBORDINATE OFFICERS OF THE DISTRICT

TO: Board Finance Committee

MEETING DATE: Tuesday, January 22, 2008

FROM: Bob Hemker, CFO

Background: Attached for the Committee's review and approval is a Resolution designating current officers of the District. This Resolution supersedes previous such Resolutions. The designation begins with the President and CEO and includes those members within the Executive Management Team who have been granted signature authority for the District. In addition, for certain banking matters, specified individuals from the Finance Department need to be designated as authorized non-officer signatories.

There are various requests for the production of this designation of officers of the District, including that for "corporate" officers. The CEO is granted authority by District Bylaws to designate officers; the State of California requires approval by the Board.

Budget Impact: N/A

Staff Recommendation: Staff recommends approval Resolution of the Board of Directors of Palomar Pomerado Health Designating Subordinate Officers of the District.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

RESOLUTION NO. xx.xx.08 (xx) – xx

**RESOLUTION OF THE BOARD OF DIRECTORS
OF PALOMAR POMERADO HEALTH
DESIGNATING SUBORDINATE OFFICERS OF THE DISTRICT**

WHEREAS, Palomar Pomerado Health (the “District”) is a local health care district duly organized and existing under The Local Health Care District Law, constituting Division 23 of the Health and Safety Code of the State of California (the "District Act"); and

WHEREAS, the Board of Directors (the “Board”) has the authority to designate subordinate officers under Section 7.9 of the District Bylaws; and

WHEREAS, for purposes of conducting District business and to meet certain operational requirements, the Board desires to designate the subordinate officers described herein; and further designates other non-officers described herein;

NOW, THEREFORE, BE IT RESOLVED, that the following subordinate officers and non-officer subordinates of the District are hereby designated, which designation supersedes previous such resolutions:

President and CEO
Chief Administrative Officer – Palomar Medical Center
Chief Financial Officer
Chief Human Resources Officer
Chief Planning Officer
Corporate Controller
Manager General Accounting

PASSED AND ADOPTED at a meeting of the Board of Directors of Palomar Pomerado Health held on February 11, 2008, by the following vote:

AYES:

NOES:

ABSTAINING:

ABSENT:

Dated: February 11, 2008

ATTESTED:

BY: _____
Bruce G. Krider, MA
Chair, Board of Directors
Palomar Pomerado Health

Linda Bailey
Secretary, Board of Directors
Palomar Pomerado Health

Independent Citizens' Oversight Committee
Approval of Minutes from Annual Meeting, December 18, 2007

TO: Board Finance Committee

FROM: Independent Citizens' Oversight Committee

MEETING DATE: Tuesday, January 22, 2008

BY: Bob Hemker, CFO

Background: On Tuesday, December 18, 2007, the Palomar Pomerado Health Hospital, Emergency Care, Trauma Center Improvement and Repair Measure Bonds Independent Citizens' Oversight Committee (ICOC) held their annual meeting.

Pursuant to §6.4 of the ICOC PP&G, a draft report of all ICOC meetings is to be submitted to the District Board for inclusion in the Board's public records. The draft minutes from the Annual Meeting of December 18, 2007, have been reviewed by the Chair and the Secretary of the ICOC and approved for presentation to the ICOC members and the District Board (*Addendum B*).

Budget Impact: N/A

Staff Recommendation: Approval of the draft minutes from the ICOC Annual Meeting held on December 18, 2007.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

Independent Citizens' Oversight Committee
Review of Annual Report for District Fiscal Year 2006-2007

TO: Board Finance Committee

FROM: Independent Citizens' Oversight Committee

MEETING DATE: Tuesday, January 22, 2008

BY: Bob Hemker, CFO

Background: On Tuesday, December 18, 2007, the Palomar Pomerado Health Hospital, Emergency Care, Trauma Center Improvement and Repair Measure Bonds Independent Citizens' Oversight Committee (ICOC) held their annual meeting.

At that meeting, the ICOC reviewed the District Expenditure Report, which details the reconciliation of funds expended from the proceeds of the General Obligation Bonds issued pursuant to Measure BB. Following that review, the ICOC concluded that PPH is in compliance with the requirements of Measure BB. Pursuant to §3.2 of the ICOC PP&G, the Annual Report of the ICOC for District Fiscal Year 2006-2007 is herewith submitted to the District Board for consideration and response (*Addendum C*). The ICOC will review the District Board's response at their next regularly scheduled meeting and will make final approval—or correction and amendment and approval—and will then submit the final report for inclusion in the District Board's public records.

Budget Impact: N/A

Staff Recommendation: Staff recommends approval of the Annual Report of the ICOC for District Fiscal Year 2006-2007.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

2008 Board Finance Committee Meeting Dates

TO: Board Finance Committee

MEETING DATE: Tuesday, January 22, 2008

FROM: Tanya Howell, Secretary

BY: Bob Hemker, CFO

Background: Based on key financial dates regarding the monthly closing of financial results, as well as the calendars of the Board members on the Committee, Finance Committee meetings for the 2007 calendar year were held during the last week of the month.

Continuing the meetings on the last Tuesday evening of the month will be discussed, with an exception for the months of November/December, which have historically been held in a combined meeting on the first Tuesday in December. Other exceptions to the schedule are a request by Management to move the June 24, 2008, meeting to the following week, on Tuesday, July 1, 2008; and the addition of a Joint Board/Finance Committee Budget Workshop on Tuesday, June 2, 2008.

Alternatively, the meetings could be held on the fourth (4th) Tuesday evening of the month (3 remaining months have 5 Tuesdays); or as daytime meetings on Tuesdays or other weekdays.

Preliminary schedule—with the meetings rotating between Pomerado Hospital and Palomar Medical Center—is attached, based upon historical practice.

Budget Impact: N/A

Staff Recommendation: Meeting schedule as per discussion at meeting and resulting Committee consensus.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

**PALOMAR POMERADO HEALTH
FINANCE COMMITTEE MEETING SCHEDULE
CALENDAR YEAR 2008**



Last Tuesday of every month¹

Meeting start time is 6:00 p.m. for all meetings, preceded by dinner² at 5:30 p.m.

<u>DATE</u>		<u>LOCATION OF MEETING</u>
Tuesday January 22, 2008		Palomar Medical Center Graybill Auditorium
Tuesday February 26, 2008		Pomerado Hospital Conference Room E
Tuesday March 25, 2008		Palomar Medical Center Graybill Auditorium
Tuesday April 29, 2008		Pomerado Hospital Conference Room E
Tuesday May 27, 2008		Palomar Medical Center Graybill Auditorium
June 2, 2008	Budget Workshop & Board Meeting Full Board Attendance	Palomar Medical Center Graybill Auditorium
Tuesday July 1, 2008		Pomerado Hospital Conference Room E
Tuesday July 29, 2008		Palomar Medical Center Graybill Auditorium
Tuesday August 26, 2008		Pomerado Hospital Conference Room E
Tuesday September 30, 2008		Palomar Medical Center Graybill Auditorium
Tuesday October 28, 2008		Pomerado Hospital Conference Room E
Tuesday December 2, 2008		Palomar Medical Center Graybill Auditorium

¹ **Exceptions noted in red**

² **Dinner will be catered at Palomar Medical Center and via the cafeteria line at Pomerado Hospital**

Revised Board Policy

Annual Adoption of Statement of Investment

TO: Board Finance Committee

MEETING DATE: Tuesday, January 22, 2008

BY: Bob Hemker, CFO

Background: In concert with Morgan Stanley and the Compliance Office, the Board Policy for Annual Adoption of Statement of Investment has been reviewed and updated. Specifically, the previous Policy was redrafted to create a separate Policy (*Addendum D*) with a corresponding separate Procedure (*Addendum E*).

In addition, the following changes were made in both documents:

1. Compliance with current Government Code §§ 1090, 81000 and 53600-53646 was reviewed
2. Removed the word “System” from all instances of Palomar Pomerado Health
3. Combined the Policy and the Board resolution into one document (§§ I.C-F)
4. Changed all instances of “Investment Committee” to “Finance Committee”

In the Procedure, the following sections now read:

1. §III.B.1:
 1. **Delegation of authority to Chief Financial Officer:** The PPH Chief Financial Officer is delegated responsibility for all decisions regarding the sale or purchase of individual investments on behalf of PPH. This delegation shall be reviewed annually by the Board through the Finance Committee. Any re-delegation shall be recorded in the minutes of these meetings.
2. §III.B.2.b.:
 - b. Annual review by governing board. The Board of Directors through the Finance Committee shall annually review the investment Policy upon presentation by the Chief Financial Officer, and also shall consider any changes to the Policy during the public meeting.
3. §III.B.2.e.:
 - e. **Rating Downgrades.** PPH may from time to time have investments in a security whose rating is downgraded below the quality criteria permitted by this investment policy. The Chief Financial Officer shall be notified by the portfolio manager within two (2) business days of any such security, including any security whose rating is put on notice for possible downgrade, and said security shall be reviewed for action. The Chief Financial Officer shall approve the decision to retain the security until maturity, to sell (or put) the security, or put the security on a “watch list” for possible future action.
4. §III.D.2.c.(3) – added in its entirety:

(3) PPH is regarded as a tax-exempt entity, so investments in this category – which are generally “Tax Free” – should be avoided unless taxable or net returns are competitive with alternative approved asset classes.
5. §III.D.2.d.(2):
 - (2) No more than 40 percent (40%) of PPH’s Investable Funds may be invested in all bankers acceptances.

Revised Board Policy Annual Adoption of Statement of Investment

6. §III.D.2.e.(3) – bullet #2:

- Shall not exceed 270 days maturity, as authorized in California State Code Section 53601.

7. §III.D.2.k. *Mortgage or Asset-backed Pass-through Securities*: – deleted in its entirety:

Given the recent crises in the collateralized debt market, particularly in the mortgage sector, Morgan Stanley recommended that this asset class be removed as an approved security as capital preservation might not be achieved.

8. §III.E.2. – Instrument #11, Mortgage and asset-backed securities: – deleted in its entirety, in accordance with the deletion of §III.D.2.k.

Budget Impact: N/A

Staff Recommendations: 1) Staff recommends approval of the Policy as drafted.

2) As the Procedure is newly drafted and was extracted from the previous Policy and Procedure, Staff also requests approval of the Procedure (*not usually required*).

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

Review of Board Policy Expenditure and Requisition Approval Authority

TO: Board Finance Committee

MEETING DATE: Tuesday, January 22, 2008

BY: Bob Hemker, CFO

Background: At its December 7, 2007, meeting, the Board Governance Committee reviewed Board Policy FIN-12, Expenditure and Approval Authority, and passed on a request for the Board Finance Committee to review the maximum expenditure authority of the CEO of PPH, currently set at \$500,000 (*§§III.B-D – See Addendum F*).

Budget Impact: N/A

Staff Recommendation: Staff will make a recommendation following Committee discussion.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

**CLINICAL DIRECTOR SERVICES AGREEMENT
POMERADO HOSPITAL
GERO-PSYCHIATRIC UNIT**

TO: Board Finance Committee

DATE: Tuesday, January 22, 2008

FROM: Sheila Brown, R.N., M.B.A., Chief Clinical Outreach Officer
Susan Linback, R.N., M.B.A., Service Line Administrator, Behavioral Health

BACKGROUND: This is a request to approve the Psychiatric Clinical Director Agreement with Jason Keri, M.D. Dr. Keri will provide Clinical Director coverage and medical leadership for the Pomerado Hospital Inpatient Gero-Psychiatric Unit. This treatment program provides needed services to acutely ill patients who suffer from severe mental health disorders in both the adult and Senior populations.

BUDGET IMPACT: No Budget Impact

STAFF RECOMMENDATION: Approval

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

PALOMAR POMERADO HEALTH - AGREEMENT ABSTRACT

Section Reference	Term/Condition	Term/Condition Criteria
	TITLE	Clinical Director Services Agreement – Pomerado Hospital Gero-Psychiatric Unit Jason Keri, M.D.
	AGREEMENT DATE	January 1, 2008
	PARTIES	1) PPH 2) Jason Keri, M.D.
Recitals E	PURPOSE	To provide Psychiatric oversight for Pomerado Hospital's Inpatient Gero-Psychiatric Unit
Exhibit A	SCOPE OF SERVICES	Jason Keri, M.D., will provide Clinical Director coverage for Pomerado Hospital's Gero-Psychiatric Unit. This treatment program provides needed services to acutely ill patients who suffer from mental health disorders, both the adult and Senior populations, with a special focus on the Senior population.
	PROCUREMENT METHOD	<input type="checkbox"/> Request for Proposal <input checked="" type="checkbox"/> Discretionary
4.1	TERM	January 1, 2008 through December 31, 2010
	RENEWAL	N/A
4.3 4.4	TERMINATION	a. Immediately for cause b. Not less than 90 days of written notice without cause
3.1	COMPENSATION METHODOLOGY	Monthly payment on or before the 15 th of each month with supporting documentation of the prior month's time records.
	BUDGETED	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO - IMPACT: None.
	EXCLUSIVITY	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES – EXPLAIN:
	JUSTIFICATION	In order to remain compliant with CMS requirements for Inpatient Behavioral Health Services, medical oversight is required.
	POSITION NOTICED	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO METHODOLOGY & RESPONSE: Posted in Medical Staff Offices for 30 days
	ALTERNATIVES/IMPACT	Proceeding without this arrangement would cause the services to be out of compliance with CMS requirements and jeopardize ongoing mental health to a vulnerable population.
Exhibit A	DUTIES	<input checked="" type="checkbox"/> PROVISION FOR STAFF EDUCATION <input checked="" type="checkbox"/> PROVISION FOR MEDICAL STAFF EDUCATION <input checked="" type="checkbox"/> PROVISION FOR PARTICIPATION IN QUALITY IMPROVEMENT
	COMMENTS	
	APPROVALS REQUIRED	<input checked="" type="checkbox"/> Officer <input checked="" type="checkbox"/> CFO <input checked="" type="checkbox"/> CEO <input checked="" type="checkbox"/> BOD Finance Committee <input checked="" type="checkbox"/> BOD

CLINICAL DIRECTOR SERVICES AGREEMENT

between

**PALOMAR POMERADO HEALTH,
a local hospital district**

and

Jason Keri, M.D.

January 1, 2008

CLINICAL DIRECTOR SERVICES AGREEMENT

THIS CLINICAL DIRECTOR SERVICES AGREEMENT (“Agreement”) is made and entered on January 1, 2008 by and between Palomar Pomerado Health, a California Health District, organized in accordance with section 23 of California Health and Safety Code. (“PPH”) and Jason Keri, M.D. (“Clinical Director”).

RECITALS

A. PPH is the owner and operator of Pomerado Hospital, a general acute care hospital located at 15615 Pomerado Road, Poway, California (“Hospital”).

B. Hospital operates a Gero-Psychiatric Unit, formerly known as the Behavioral Medicine Center or “BMC” (the “Department”), which includes twelve (12) psychiatric beds and is part of a continuum of PPH’s Behavioral Health Services.

C. Clinical Director is a physician who is qualified and licensed to practice medicine in the State of California, is experienced and qualified in the specialized field of Psychiatry, and who is a member of the Medical Staff of Hospital (“Medical Staff”).

D. Departments consist of facilities and equipment owned by Hospital and staffed by Hospital employees.

E. PPH desires to retain Clinical Director to provide certain administrative services (“Administrative Services”) in the operation of the Department. PPH has determined that this proposed arrangement with Clinical Director will enhance the Department’s and Hospital’s organization, procedure standardization, economic efficiency, professional proficiency, and provide other benefits to enhance coordination and cooperation among the Department’s providers and users.

F. Hospital and Clinical Director acknowledge and agree that this Agreement shall supercede the agreements, if any, previously entered into by the parties for the provision of Administrative Services.

G. It is the intent of both Hospital and Clinical Director that the terms and conditions of this Agreement, and the manner in which services are to be performed hereunder, fulfill and comply with all applicable requirements of any applicable “safe harbor” or exception to Stark I and II including, but in no way limited to, the applicable requirements set forth in regulations promulgated by the Department of Health and Human Services, Office of Inspector General, and in the Ethics in Patient Referral Act.

PALOMAR MEDICAL CENTER
ADMINISTRATIVE SERVICES AGREEMENTS
MEDICAL STAFF OFFICERS, DEPARTMENT CHAIRS, QMC CHAIR

TO: Board Finance Committee

MEETING DATE: Tuesday, January 22, 2008

BY: Gerald E. Bracht, Chief Administrative Officer

BACKGROUND: Palomar Medical Center Medical Staff Officers and Department Chairs are provided a stipend for services performed as required by the Medical Staff By-laws. These agreements serve to document the relationship of the medical staff officers and department chairs to PPH, and the duties to be performed as consideration for the stipend to assure compliance with Federal regulations.

Presented is the Administrative Services Agreement for the Medical Staff Officers, Department Chairs and QMC Chair.

The agreement encompasses the roles of 14 individuals at Palomar Medical Center:

- Chief of Staff – John J. Lilley, M.D.
- Chief of Staff Elect – Richard C. Engel, M.D.
- Chairman, Department of Surgery – Jeffrey Rosenburg, M.D.
- Chairman, Department of Orthopaedics – Joseph M. Mann, III, M.D.
- Chairman, Department of Medicine – Craig M. Burrows, M.D.
- Chairman, Department of Anesthesia – Peter M. Lucas, M.D.
- Chairman, Department of Emergency Medicine – Jaime Rivas, M.D.
- Chairman, Department of Family Practice – James H. Schultz, M.D.
- Chairman, Department of Radiology – Gary Spoto, M.D.
- Chairman, Department of OB/GYN – Jerome L. Sinsky, M.D.
- Chairman, Department of Pediatrics – Edward J. Epstein, M.D.
- Chairman, Department of Trauma – John T. Steele, M.D.
- Chairman, Department of Pathology – Lachlan Macleay, M.D.
- Chairman, Quality Management Committee – Daniel Harrison, M.D.

The attached Agreement Abstract is the same for all fourteen individuals.

BUDGET IMPACT: None.

STAFF RECOMMENDATION: Approval.

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion: X

Individual Action:

Information:

Required Time:

PALOMAR POMERADO HEALTH - AGREEMENT ABSTRACT

Section Reference	Term/Condition	Term/Condition Criteria
	TITLE	Agreement to Reimburse Medical Staff for Department Chair, QMC Chair, Chief of Staff and Chief of Staff Elect Compensation
	AGREEMENT DATE	January 1, 2008
	PARTIES	Medical Staff Officers and Department/QMC Chairs, Palomar Medical Center Medical Staff and PPH
	PURPOSE	To provide administrative services on behalf of Palomar Medical Center Medical Staff in accordance with Medical Staff Bylaws
	SCOPE OF SERVICES	As per duties defined in Palomar Medical Center Medical Staff Bylaws
	PROCUREMENT METHOD	<input type="checkbox"/> Request For Proposal <input checked="" type="checkbox"/> Discretionary
	TERM	January 1, 2008 – December 31, 2008 - Chief of Staff, Chief of Staff Elect, Chair, Quality Management Committee, and Chairmen Departments of Surgery, Orthopaedics, Medicine, Anesthesia, Emergency Medicine, Family Practice, Radiology, OB/GYN, Pediatrics, Trauma, and Pathology.
	RENEWAL	None
	TERMINATION	As described under §4
	COMPENSATION METHODOLOGY	Monthly after submission of payment documentation.
	BUDGETED	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO – IMPACT:
	EXCLUSIVITY	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES – EXPLAIN:
	JUSTIFICATION	These are positions elected or appointed by the Medical Staff in accordance with Medical Staff Bylaws.
	POSITION POSTED	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO Methodology & Response: Elected/Appointed by the Palomar Medical Center Medical Staff
	ALTERNATIVES/IMPACT	N/A
	DUTIES	Defined in the Palomar Medical Center Medical Staff Bylaws.
	COMMENTS	The agreement template was developed by legal counsel in 2007. The positions are voted upon by Active members of the Medical Staff.
	APPROVALS REQUIRED	<input checked="" type="checkbox"/> VP <input checked="" type="checkbox"/> CFO <input checked="" type="checkbox"/> CEO <input checked="" type="checkbox"/> BOD Committee <u>FINANCE</u> <input checked="" type="checkbox"/> BOD

December 6, 2007

John J. Lilley, M.D.
Palomar Medical Center Medical Staff
555 East Valley Parkway
Escondido, CA 92025

Re: Agreement to reimburse Medical Staff for Department Chair, QMC Chair,
Chief of Staff and Chief of Staff Elect Compensation

Dear Doctor Lilley:

Palomar Pomerado Health (“PPH”), a hospital district organized under California Health & Safety Code, Division 23 and Palomar Medical Center Medical Staff (“Medical Staff”) hereby enter into this letter agreement (“Letter Agreement”) by the terms of which PPH will reimburse Medical Staff for a portion of the compensation provided by Medical Staff to certain physicians under department and committee chair/officer agreements. PPH is the owner and operator of Palomar Medical Center (“hospital”) located at 555 East Valley Parkway, Escondido, California.

1. Department Chair, QMC Chair, Chief of Staff and Chief of Staff Elect Agreements

Medical Staff has entered into those arrangements listed on Exhibit A (the “Arrangements”) with certain physicians (“Physicians”) to chair departments/committees, or to serve as Chief of Staff or Chief of Staff Elect at Hospital. Medical Staff represents and warrants that the duties and responsibilities are set out in the Medical Staff Bylaws and other documents. Medical Staff further represents and warrants that its arrangements with the Physicians provide compensation that is fair market value for the services provided and is not determined in any manner that takes into account the value or volume of referrals or other business generated by the Physician to PPH.

2. Financial Terms

Medical Staff shall be solely responsible for compensating Physicians pursuant to the terms of the Arrangements. Medical Staff shall submit to PPH documentation reflecting the compensation provided by Medical Staff to the Physicians pursuant to the Arrangements no later than the tenth (10th) day of each month. PPH shall provide reimbursement to Medical Staff as follows:

John J. Lilley, M.D.

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- 1) seventy-five percent (75%) of the amounts provided to the Chief of Staff Elect;
- and
- 2) fifty percent (50%) of the amounts provided to the Physicians pursuant to all of the other Arrangements.

PPH shall provide such reimbursement within ten (10) business days after Medical Staff's submission to PPH of the payment documentation. PPH shall provide such reimbursement in recognition of the fact that the Physicians, by the terms of their agreements with Medical Staff, provide services which in part benefit PPH.

3. Term

This letter agreement will have a term of one year, beginning January 1, 2008, and ending January 1, 2009, unless sooner terminated as otherwise provided in the agreement contemplated by this letter of intent.

4. Termination

PPH will have the right to terminate the agreement upon the occurrence of any of the following events:

- (i) With or without cause, in either case without penalty, upon ninety (90) days written notice to Medical Staff.
- (ii) Any breach of the Agreement by Medical Staff which is not cured within thirty (30) days after written notice is given by PPH to Medical Staff.
- (iii) Upon such other conditions as agreed upon by Medical Staff and PPH.

5. Publicity

Except as required by law, no party shall make any public announcement with respect to the agreement proposed by this letter of intent without the express written consent of the other parties.

6. Controlling Law

This letter of intent shall be governed by and construed and enforced in accordance with the laws of the State of California.

7. Counterparts

This letter agreement may be executed in counterparts, each of which shall be an original, but all of which together shall constitute one and the same agreement.

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Sincerely,

Michael H. Covert
President/CEO
Palomar Pomerado Health

Accepted and agreed to by Medical Staff as of _____

John J. Lilley, M.D.
Chief of Staff

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Exhibit A

<u>Physician</u>	<u>Position</u>	<u>Term</u>	<u>Monthly Comp.</u>
John J. Lilley, M.D.	Chief of Staff	08/01/07-12/31/11	
Richard C. Engel, M.D.	Chief of Staff Elect	09/01/07-12/31/11	
Jeffrey Rosenburg, M.D.	Chair, Surgery Dept.	07/01/07-12/31/09	
Craig M. Burrows, M.D.	Chair, Medicine Dept.	09/01/07-12/31/09	
Jerome L. Sinsky, M.D.	Chair, OB/GYN Dept.	01/01/08-12/31/09	
Edward J. Epstein, M.D.	Chair, Pediatric Dept.	01/01/08-12/31/09	
Jaime B. Rivas, M.D.	Chair, Emergency Medicine Dept.	01/01/08-12/31/09	
Gary P. Spoto, M.D.	Chair, Radiology Dept.	01/01/08-12/31/09	
John T. Steele, M.D.	Chair, Trauma Dept.	06/01/07-12/31/09	
Peter M. Lucas, M.D.	Chair, Anesthesia Dept.	01/01/08-12/31/09	
Lachlan Macleay, M.D.	Chair, Pathology Dept.	01/01/08-12/31/09	
James H. Schultz, M.D.	Chair, Family Practice Dept.	04/01/07-12/31/08	
Joseph M. Mann, III, M.D.	Chair, Ortho/Rehab Dept.	01/01/08-12/31/09	
Daniel C. Harrison, M.D.	Chair, QMC	01/01/08-12/31/08	

December 2007 & YTD FY2008 Financial Report

TO: Board Finance Committee

MEETING DATE: Tuesday, January 22, 2008

FROM: Robert Hemker, CFO

Background: The Board Financial Reports (unaudited) for December 2007 and YTD FY2008 are submitted for the Finance Committee's approval (*Addendum G*).

Budget Impact: N/A

Staff Recommendation: Staff recommends approval.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time: