

APPENDICES

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EXHIBITS

A	Form of Opinion of PPH Counsel
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Appendix 1.1-1

Facilities

Palomar Medical Center
555 East Valley Parkway
Escondido, CA 92025

Pomerado Hospital
15615 Pomerado Rd.
Poway, CA 92064

Additional Facility, if and when constructed in accordance with Section 7.8

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Appendix 1.1-2

List of Health Plan Affiliates

Health Plan and the Health Plan Affiliates "actively encourage" their Members and subscribers (Members and subscribers are referred to collectively below as "subscribers") to use contracted providers for non-emergency services through the use of financial incentives as described in Section 1395.6(b)(2)(A) of the California Health and Safety Code. Under the agreements by which the Health Plan Affiliates listed below cover their subscribers' health care, coverage is provided for non-emergency Hospital Services only if the services are covered under those subscribers' agreements. Services that are not covered become the financial obligation of the subscribers.

Kaiser Foundation Health Plan, Inc.
Kaiser Foundation Health Plan of Colorado
Kaiser Foundation Health Plan of Georgia, Inc.
Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc.
Kaiser Foundation Health Plan of the Northwest
Kaiser Foundation Health Plan of Ohio
Group Health Cooperative
Kaiser Foundation Hospitals
Kaiser Permanente Insurance Company
Southern California Permanente Medical Group
The Permanente Medical Group, Inc.
Colorado Permanente Medical Group, P.C.
Hawai Permanente Medical Group, Inc.
Mid-Atlantic Permanente Medical Group, P.C.
Northwest Permanente, P.C., Physicians and Surgeons
Ohio Permanente Medical Group, Inc.
Permanente Dental Associates
The Southeast Permanente Medical Group, Inc.
Desert Medical Group, Inc.
Oasis Independent Practice Association
Alan Schoengold, M.D., P.C. (dba "Seaview Independent Practice Association")
Buenaventura Medical Group

(the latter four entities are "Health Plan Affiliates" only for the limited purpose of health care provided for Kaiser Permanente members for which these entities are financially liable)

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Appendix 1.1-3

Hospital Services

DAILY HOSPITAL SERVICES

Intensive Care Services:

Coronary (Tele)
Medical
Neonatal
Neurosurgical
Pulmonary
Surgical
Definitive Observation Care (Cardiac stepdown Intermediate Care)

Acute Care Services:

Alternate Birthing Center
Medical
Neonatal
Oncology
Orthopedic
Pediatric
Physical Rehabilitation
Post Partum
Surgical
Hospice

Newborn Care Services:

Newborn Nursery Care
Premature Nursery Care
Hospice Care (NOTE: Not maintained in hospital, but available from outside contractor or other hospital.)
Inpatient Care under Custody

Long Term Care:

Skilled Nursing
Sub Acute Care (Licensing in process as of Effective Date)

Psychiatric Services:

Psychiatric Acute -- Adult
Psychiatric Intensive (Isolation) Care

Obstetric Services:

Abortion Services
Combined Labor/Delivery Birthing Room
Delivery Room Services
Labor Room Services

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Surgery Services:

General
Gynecological
Heart
Kidney
Neurosurgical
Open heart
Ophthalmologic
Orthopedic
Otolaryngologic
Pediatric
Spine
Vascular
Plastic
Thoracic
Urologic
Anesthesia Services

Laboratory Services:

Anatomical Pathology
Chemistry
Clinical Pathology
Cytogenetics (NOTE: Not maintained in hospital, but available from outside contractor or other hospital)
Cytology
Hematology
Histocompatibility
Immunology
Microbiology
Necropsy
Serology
Surgical Pathology
Autopsy/Morgue

Diagnostic Imaging Services:

Computed Tomography
Cystoscopy
Magnetic Resonance Imaging (NOTE: Not maintained in hospital, but available from outside contractor or other hospital.)
Ultrasonography
X-ray Radiology
Stereotactic Breast Biopsy

DIAGNOSTIC/THERAPEUTIC SERVICES

Audiology
Cardiac Catheterization
Diagnostic Radioisotope
Echocardiology
Electrocardiology

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Electroencephalography
Electrohyography
Endoscopy
Gastro-Intestinal Laboratory
Lithotripsy (NOTE: Service contracted but hospital-based.)
Nuclear Medicine
Occupational Therapy
Physical Therapy
Peripheral Vascular Laboratory
Pulmonary Function Services
Radiation Therapy
Radioactive Implants
Recreational Therapy
Respiratory Therapy Services
Speech-Language Pathology
Sports Care Medicine
Stress Testing
Therapeutic Radioisotope
X-ray Radiology Therapy
Sleep Laboratory
Forensic Services (SART/CAP)

PSYCHIATRIC SERVICES

Clinic Psychologist Services
Electroconvulsive Therapy (Shock)
Night Care
Psychiatric Services
Psychopharmacological Therapy
Partial Hospitalization Day Program

RENAL DIALYSIS

Hemodialysis (NOTE: Service contracted but hospital-based.)
Peritoneal (NOTE: Service contracted but hospital-based.)
Organ Acquisition (NOTE: Service not maintained in hospital but available from outside contractor or other hospital.)
Blood Bank
Extracorporeal Membrane Oxygenation
Pharmacy

EMERGENCY SERVICES

Emergency Communications System
Emergency Observation Service
Emergency Room Service
Heliport
Orthopedic Emergency Service

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Psychiatric Emergency Service
Trauma Treatment Emergency Room

CLINIC SERVICES

- **AIDS
- **Alcoholism
- **Allergy
- **Cardiology
- **Chest Medicine
- **Child Diagnosis
- **Child Treatment
- **Communicable Disease
- **Dermatology
- **Diabetes
- **Drug Abuse
- **Hypertension
- **Metabolic
- **Neurology
- **Neonatal
- **Obstetrics
- **Ophthalmology
- **Orthopedic
- **Otolaryngology
- **Pediatric
- **Psychiatric
- **Renal
- **Rheumatic
- **Rural Health
- **Surgery

** NOTE: All of above are clinical services commonly provided in the emergency suite to non-emergency outpatients by hospital-based physicians or residents.

HOME CARE SERVICES

- Home Health Aide Services
- Home Nursing Care (Visiting Nurse)
- Home Physical Medicine Care
- Home Social Service Care
- Home Hospice Care
- Home I.V. Therapy Services (NOTE: Service not maintained in hospital but available from outside contractor or other hospital.)

AMBULATORY SERVICES

- Ambulatory Surgery Services
- Observation (Short Stay) Care
- Satellite Ambulatory Surgery Center (NOTE: Service not maintained in hospital but available from outside contractor or other hospital.)

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Satellite Clinic Services (NOTE: Service not provided in hospital but shared with another hospital under contract.)

OTHER SERVICES

Diabetic Training Class
Dietetic Counseling
Drug Reaction Information
Genetic Counseling
Medical Research
Parent Training Class
Patient Representative
Social Work Service
Toxicology / Antidote Information
Cancer Resource Center

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Confidential Appendix 2.1.1

Hospital-Based Professional Medical Services

APPENDIX 2.1.1 IS CONFIDENTIAL AND IS SUBJECT TO CONFIDENTIAL TREATMENT AND/OR TRADE SECRET PROTECTION UNDER APPLICABLE LAW, IN ACCORDANCE WITH SECTION 8.10 OF THE AGREEMENT.

A. General Statement.

PPH acknowledges and understands the unique relationship among KFH, Medical Group and Health Plan, and understands that a material basis upon which KFH desires to enter into this Agreement is PPH's commitment to provide Medical Group access to Members who require Professional Medical Services while in any of the Facilities. PPH further acknowledges that Medical Group needs to direct the care of Members and, therefore, may desire to provide Professional Medical Services directly, in full or in part, and/or to enter into contracts with hospital-based Independent Physicians providing Professional Medical Services if and to the extent such Independent Physicians have exclusive contracts with PPH to provide any such service on a basis that would prohibit any other physicians (including Medical Group Physicians) from providing the same hospital-based services to patients (including Members) who need such services ("Exclusive HBP Services"). Exclusive HBP Services contracts as of the Effective Date of this Agreement (the "Current Exclusive HBP Contracts") with hospital-based Independent Physicians are for the following departments at PMC and at Pomerado Hospital: anesthesiology, radiology, pathology and emergency department services (collectively, "HBP Service Providers"). In addition, any hospital-based Professional Medical Services at any Facility for a department closed after the Effective Date of the Agreement in accordance with the requirements of Section 6.1 of the Agreement will be deemed to be Exclusive HBP Services.

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4. Waiver of Requirements in Limited Cases. If the requirements of Subsection B.2 above preclude PPH from contracting for or otherwise receiving a necessary service from hospital-based Independent Physicians providing any such hospital-based Professional Medical Services at the time the applicable contract is renewed or opened to bids in response to a request for proposals, despite PPH's best effort to comply with the foregoing requirements, then KFH shall waive the requirement that such a provision is inserted in the applicable IIBP Service Provider's contract, but only for the then upcoming initial or renewal term of such contract (which term in no event shall exceed three (3) years). Thereafter, PPH acknowledges and agrees that each and every requirement of this Appendix 2.1.1 shall apply to each subsequent renewal and/or replacement contract with any IIBP Service Provider.

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Confidential Appendix 2.6.1

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APPENDIX 2.6.1 IS CONFIDENTIAL AND IS SUBJECT TO CONFIDENTIAL TREATMENT AND/OR TRADE SECRET PROTECTION UNDER APPLICABLE LAW, IN ACCORDANCE WITH SECTION 8.10 OF THE AGREEMENT.

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Confidential Appendix 2.6.2

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APPENDIX 2.6.2 IS CONFIDENTIAL AND IS SUBJECT TO CONFIDENTIAL TREATMENT AND/OR TRADE SECRET PROTECTION UNDER APPLICABLE LAW, IN ACCORDANCE WITH SECTION 8.10 OF THE AGREEMENT.

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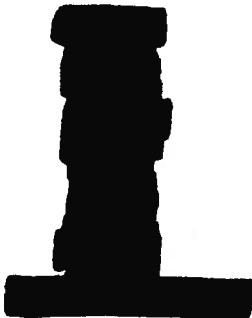

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EXECUTION VERSION

Confidential Attachment A To Appendix 4.1

I. PAYMENT RATES (1), (8), (9), (10), (11), (12), (14), (15), (21)

A. Inpatient Services	All-Inclusive Per Diem Rate
1. General Med/Surg & Peds (Rev. Code 110, 111, 113, 117, 119, 120, 121, 123, 127, 129, 130, 131, 133, 137, 139, 150, 151, 153, 157, 159) DOU (Rev. Code 206) ICU (Rev. Code 200-203, 207, 209) CCU (Rev. Code 210-212, 214, 219) NICU (Rev. Code 173, 174) Cardiac Surgery & Interventional Cardiology (DRGs 104, 105, 106, 107, 108, 109, 110, 111, 115, 116, 117, 118, 124, 125, 504, 505, 516, 517, 518, 526, 527) (19) Mental Health (Rev. Code 114, 124, 134, 154, 204) Acute Rehab (Rev. Code 118, 128, 138, 158)	
2. Specialized Trauma (Rev. Code 208, 683, 684) (7)	Percent of Billed Charges 

B. OB Services (2), (3), (4), (13), (17)	All-Inclusive Case Rate
1. Inpatient Vaginal Delivery (up to two days) (DRG 372-375) Additional Days, Vaginal Delivery C-Section Delivery (up to three days) (DRG 370-371) Additional Days, C Section Delivery Boarder Baby (Rev. Code 170-172) Nurse Midwife (Vaginal Delivery) Nurse Midwife (Assist on C-Section) Tubal Ligation w/ Vag. Delivery Tubal Ligation w/ C-Section	
2. Outpatient OB Services Tubal ligation (OP) (CPT 58670-58673) Antepartum Testing (CPT 59020-59025) (3)	

C. Outpatient Services	All-Inclusive Case Rate
1. Emergency Department (5) Level 1 (09281)	

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Level 2 (99282)
Level 3 (99283)
Level 4 (99284)
Level 5 (99285)



2. Specialized

Critical Care (99291) (18)
Outpatient Trauma (7)
Observation Bed

Payment Rate



Radiology Services (18)
Laboratory Services (18)
All Other Outpatient Services (18)

Specialized (continued)

Cardiac Catheterization (19)
Outpatient Surgery (6), (20)
Group 1 through Group 9
Ungroupable procedures

All-Inclusive Case Rate



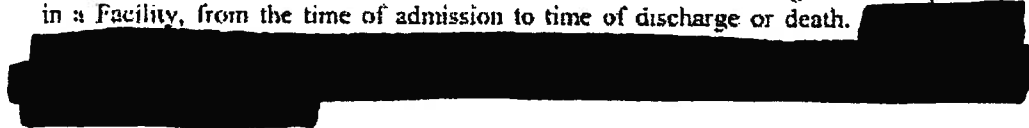
II. PAYMENT FOR ACUTE INPATIENT SERVICES

- A. KFH shall pay PPH for Inpatient Covered Hospital Services provided to a Member (which, for purposes of this confidential Attachment A to Appendix 4.1 only, shall include only Members for whom Health Plan or a Health Plan Affiliate is at risk for payment and shall specifically exclude Regular Medicare Members and Medicare Cost Members) under this Agreement at the applicable payment rate set out in this confidential Attachment A to Appendix 4.1, in each case less any applicable Member Copayment.



- B. The "All-Inclusive Payment Rate" or "All-Inclusive Case Rate," plus reimbursement for excluded items under Footnote (10) below, is the total payment for all medically necessary Covered Hospital Services provided at the level of care appropriate to a Member's care needs (which in each case will be payable by KFH net of applicable Copayments):

- (1) During a hospital inpatient day ("per diem"). For purposes of this Agreement, "hospital inpatient day" or "inpatient day" means each day that a Member is a registered bed patient in a Facility, including the day of admission but excluding the day of discharge.
- (2) During an entire inpatient hospital stay ("per case"). For purposes of this Agreement, "entire inpatient hospital stay" means each day that a Member is a registered bed patient in a Facility, from the time of admission to time of discharge or death.



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- C. In the situation where a Member is seen in the Emergency Department and then admitted as an Inpatient, either directly or after a period of observation, the Emergency Department services are deemed to be part of the inpatient Covered Hospital Services covered under an applicable Inpatient Rate.
- [REDACTED]

III. PAYMENT FOR OUTPATIENT SERVICES

KFH shall pay PPH for authorized outpatient Covered Hospital Services provided to a Member under this Agreement at the applicable payment rate set forth in this confidential Attachment A to Appendix 4.1, less any applicable Member Copayment.

[REDACTED]

IV. FOOTNOTES TO PAYMENT RATES

- (1) Physician fees are not included in these rates.
 - (2) An outpatient visit by a pregnant Member to the Labor and Delivery department prior to admission is not a billable outpatient visit when the woman is subsequently admitted to a Facility.
 - (3) Antepartum testing ordered by a Member's attending physician shall be payable by KFH, unless the Member is admitted for the delivery as a result of the test, in which case the test shall be part of the delivery case rate. Antepartum testing ordered by a Member's attending physicians will have a referral authorization separate from the authorization for the delivery. Antepartum testing not ordered by a Member's attending physician that is the result of a "triage presentation" by the Member, is considered part of the All-Inclusive Rate for the Member's delivery and is not separately billable.
 - (4) Post-discharge anesthesia complications that require patient management services at a Facility are included in the All-Inclusive Case Rate for deliveries under Subsection I.B of this confidential Attachment A to Appendix 4.1.
- [REDACTED]
- [REDACTED]

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Medicare operating CCR on November 1
Interim Stoploss Payment Percent
Actual operating CCR based on audited Medicare cost report
Stoploss Dollar Threshold
Net Billed Charges for a particular stoploss case (no excluded items)
Stoploss Payment Amount using Interim Stoploss Payment Percent ($34.0\% \times \$150,000$)
Stoploss Payment Amount using Actual Stoploss Payment Percent ($34.3\% \times \$150,000$)
Stoploss Settlement Amount Due PPH (\$51,340 less \$51,000)

[REDACTED]

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EXECUTION VERSION

[REDACTED]

Medicare operating CCR on November 1
New Depreciation and Amortization Expense
Total Operating Expenses
Gross Charges (Total Operating Expenses ÷ operating CCR, or \$180,000,000 ÷ 35.0%)
New Depreciation and Amortization Expense as Percent of Gross Charges (\$8,500,000 ÷ \$514,285,714)
Stoploss Payment Percent (Medicare operating CCR less New Depreciation Percent of Gross Charges, or 35.0% minus 1.7% = 33.3%, plus 0.5%)

[REDACTED]

(9) Stoploss Dollar Threshold Amounts:

Routine Stoploss Dollar Threshold
Interventional Cardiology Stoploss Dollar Threshold
NICU Stoploss Dollar Threshold
Cardiac Surgery Stoploss Dollar Threshold

[REDACTED]

Stoploss Case Payment Example:




Case and Fee Schedule Information:

Total Billed Charges
Billed Charges for Excluded Items
Net Billed Charges for Case (Total Billed Charges less charges for Excluded Items):
Routine Stoploss Dollar Threshold:
Stoploss Payment Percent
Payment Percent for Excluded Items
Payment:
Stoploss Payment Amount (Net Billed Charges x Stoploss Payment Percent or \$150,000 x 35.0%)
Excluded Items Payment Amount (\$30,000 x 50.0%)
Total Payment:

[REDACTED]

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- (10) Excluded Items – Excluded from the Case Rates in this confidential Attachment A to Appendix 4.1 and the Stoploss Dollar Thresholds in Footnotes (8) and (9) are implants and pharmaceuticals as described below.

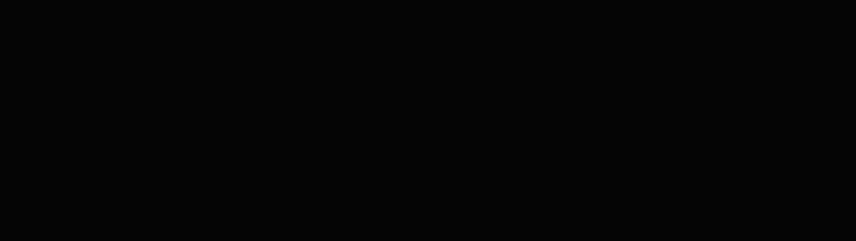
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- 274 Prosthetic/Orthotic Devices
 - 275 Pacemakers
 - 276 Intraocular Lens (IOL)
 - 278 Other Implants
 - 279 Other Supplies/Devices (Rotoblator Burrs, distal protection devices (i.e., guardwire/percussurge), brachytherapy catheters, and cutting balloons)
- 

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



(12) Billed Charges and Discounts.

"Billed Charges" refers to PPH's charges for Hospital Services as set forth in PPH's CDM in effect at time of service. At anytime during the term of this Agreement, should PPH increase its CDM, PPH's Chief Financial Officer shall within 30 calendar days provide KFH with an affidavit attesting to PPH's CDM increase (measured as a percentage) since PPH's prior CDM increase for: (a) all inpatient care, (b) for all outpatient care, (c) ancillary services and d) emergency room services. Such affidavit shall also indicate the dates and frequency of CDM increases since the prior affidavit.

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Tax Identification Number: 95-6003843
Medicare Numbers: Palomar Medical Center--050115
Pomerado Hospital--050636

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Confidential Attachment B to Appendix 4.1

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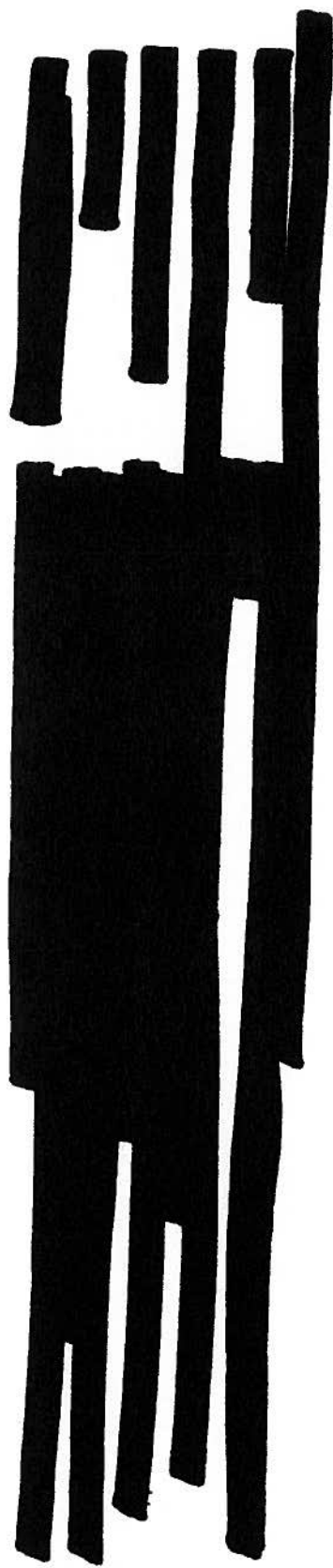
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Confidential Attachment B-1 to Appendix 4.1

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"ATTACHMENT B-1"



Attachment B-2 to Appendix 4.1

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Confidential Attachment C to Appendix 4.1

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Confidential Attachment C-1 to Appendix 4.1

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Attachment C-1

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EXECUTION VERSION

Confidential Attachment C-2 to Appendix 4.1

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Attachment C-2

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EXECUTION VERSION

Appendix 4.2.3

Informal Knox-Keene Act Dispute Resolution Process

1. For claims and payment disputes contact KFH at:

Contact phone number: 800-390-3510

Contact address: Kaiser Permanente Southern California Claims Administration Department
P.O. Box 7102
Pasadena, CA 91109-7102

2. For all other disputes relating to the Agreement, contact KFH at the address and/or phone number set forth in Section 15.15 (Notices) of the Agreement.

EXECUTION VERSION

Appendix 5.1.1-1

Requirements of KP Quality Management Program

PPH agrees to monitor and or provide the following information to KFH's Designee identified in the Manual:

A. WITHIN 72 HOURS AFTER IDENTIFICATION

Sentinel events: Any unexpected occurrence or variation involving death or serious physical or psychological injury or the risk thereof to a Member patient. Serious injury specifically includes loss of limb or function. Sentinel events shall be defined according to PPH's Quality Assurance Plan.

B. WITHIN 14 DAYS AFTER OCCURRENCE

The following adverse occurrences for Member patients shall be reported.

- 1) Significant medication errors which require subsequent medical intervention
- 2) Falls resulting in serious injury which require subsequent medical intervention
- 3) A cluster of Nosocomial infections (3 or more cohorts)
- 4) Serious harm to a patient resulting from a surgical complication

C. WITHIN 30 DAYS AFTER COMPLAINT

Written complaints lodged by Member patients about the quality of care provided by PPH. PPH's personnel, members of PPH's Medical Staff, or representatives of KFH or Medical Group. The above aggregate reporting is part of the quality management process and does not supersede the broader requirements contained in the Agreement concerning the procedure for handling individual complaints (either written or oral).

D. COPY OF QUALITY MANAGEMENT & IMPROVEMENT PROGRAM DESCRIPTION AND ANNUAL EVALUATION

E. UPON REQUEST

- 1) "Patient Satisfaction Survey" results
- 2) Copies of any Regulatory/Accreditation reports and all corrective action plans
- 3) Summary of any mutually agreed upon quality monitoring or performance improvement activities
- 4) Written follow-up response to quality referrals

KFH agrees that all information, records and data collected or maintained about Member patients shall be confidential. KFH, its employees and agents shall maintain the confidentiality of all Member patient information received in the course of performance under this Agreement. No employee or agent of KFH shall discuss, transmit or narrate in any manner any Member patient information of a personal, medical or other nature except as a necessary part of providing services to the Member patient.

EXECUTION VERSION

Appendix 5.1.1-2

Quality Assurance Requirements

1. **Quality Improvement.** PPH shall participate in Health Plan's Quality Improvement ("QI") program, including cooperating with QI activities, providing Health Plan access to medical records to the extent permitted by law, and tracking and regular reporting on mutually agreed upon quality indicators, all in accord with Health Plan's expectations and NCQA standards.
2. **Communications with Members.** PPH's physicians and other personnel licensed or certified to provide Hospital Services to Members hereunder may have open communication to discuss with a Member or a Member's authorized representative all treatment options that such physician or other personnel deems medically appropriate, regardless of benefit coverage limitations, while maintaining confidentiality consistent with the confidentiality provisions set forth in the Agreement.
3. **Utilization Management Decisions.** Utilization management decision-making is based on appropriateness of care and service and existence of coverage. Individuals responsible for utilization management decision making do not receive financial incentives that specifically reward them for issuing denials of coverage or service, or that encourage decisions that result in underutilization.
4. **Credentialing.** PPH shall comply, and shall cause its employed physicians and other personnel to comply, with Health Plan's credentialing requirements. Health Plan retains the right, based on quality issues, to approve new practitioners, providers and sites and to terminate or suspend the right of individual practitioners, providers or sites to treat Members.
5. **Confidentiality.** PPH shall maintain the confidentiality of Member information and records, and all other protected health information, in compliance with the confidentiality provisions set forth in the Agreement and Health Plan's policies regarding protected health information; data shared with employers, whether self-insured or insured, shall not implicitly or explicitly identify a Member without the written consent of the Member, except as permitted by law.
6. **Site Visits and Medical Record Reviews.** PPH shall permit and cooperate with, at reasonable times with reasonable notice, initial and follow-up inspection of its site(s) by representatives of Health Plan, NCQA and other accrediting or licensing organizations on a biannual basis or more frequently as requested by Health Plan. PPH shall permit and cooperate with medical record reviews initiated by Health Plan. PPH shall cause all physicians and other personnel to permit and cooperate with such inspections and medical record reviews.
7. **Subcontracts.** PPH shall require all provisions of this Appendix to be included in any contract or agreement between PPH and any subcontractor providing services for Members.

EXECUTION VERSION

Appendix 7.5.1

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

EXECUTION VERSION

[REDACTED]

[REDACTED]

[REDACTED]

Appendix 7.6.2

[REDACTED]

Appendix 12.1

Exceptions to PPH's Representations and Warranties

None.

EXECUTION VERSION

Appendix 13.3.1(a)(i)(C)

Material Licenses

See attached.

Appendix 13.3.1(a) (i) (C)

Material Licenses

California Department of Health Services Facility License for Palomar Medical Center (Lic. No. 080000083; Issued January 13, 2004)

California Department of Health Services Facility License for Pomerado Hospital Center (Lic. No. 080000173; Issued November, 2003)

California Department of Health Services Facility License for Palomar Continuing Care Center D/P SNF (Lic. No. 080000083; Issued January 13, 2004)

Certificate of Accreditation Issued by Joint Commission on Accreditation of Healthcare Organizations (Effective 2002-2005)

City of Escondido Business License (No. 138062; Issued November 12, 2003)

Hospital Pharmacy Permit for Palomar Medical Center Pharmacy (License No. HPE 34951) (Expires November 1, 2004)

California Department of Health Services Clinical Laboratory License for Palomar Medical Center Laboratory (Issued January 1, 2003)

California Department of Health Services Provisional Tissue Bank License for Palomar Medical Center Laboratory (Issued February 1, 2004)

City of San Diego Certificate of Payment of Business Tax Issued January 1, 2004

County of San Diego Department of Environmental Health Unified Program Facility Permit (Undated)

City of Escondido Business License for Palomar Pomerado Lab Services (Eff. Date October 15, 2003)

County of San Diego Department of Agriculture, Weights, and Measures Device Registration Certificate (Exp. Dec. 31, 2004)

County of San Diego Department of Environmental Health Environmental Health Permit Issued to Palomar Pomerado Hospital (Exp. Dec, 2004)

State of California Heliport Permit (Issued March 24, 1992)

EXECUTION VERSION

Appendix 13.3.1(a)(i)(E)(4)

Work Schedule

To be developed and attached in accordance with Section 13.3.1(a)(i)(E)(4).

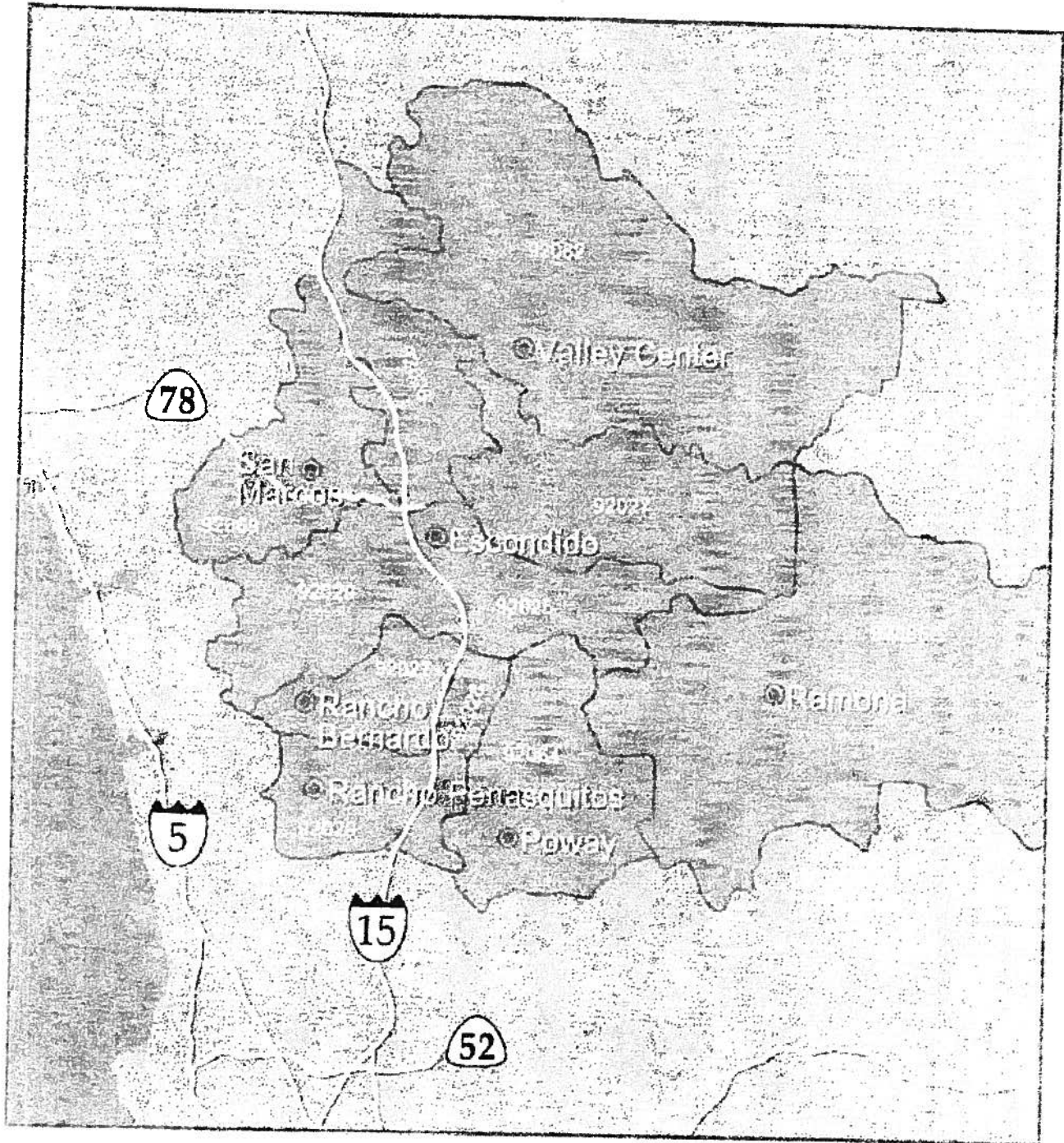
EXECUTION VERSION

Appendix 15.22

Defined Area

See attached map for a general description. The Defined Area shall be the Palomar Pomerado Health health care district as it is defined under applicable state law and administrative authority on the Effective Date.

Palomar Pomerado District Map



EXECUTION VERSION

Exhibit A

Form of PPH Counsel Opinion

See attached.

ATTORNEYS



Davis Wright Tremaine LLP

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February 26, 2004

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FEB 27 2004

LEGAL DEPARTMENT

Dan Lantry
Kaiser Health Plan Foundation
One Kaiser Plaza
21st Floor Lakeside
Oakland, CA 94612

Re: Davis Wright Tremaine Legal Opinion

Dear Dan:

Enclosed please find our legal opinion (the "Opinion") of this date prepared in connection with the execution and delivery of the Hospital Services Agreement by and between our client, Palomar Pomerado Health, and Kaiser Foundation Hospitals, effective as of February 1, 2004. We are delivering the Opinion to be held by you in escrow, subject to release only upon my emailed instructions to you.

Very truly yours,

Davis Wright Tremaine LLP

John P. Krave

Enclosure

cc: Robert Hemker

AW



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LEVUE

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February 26, 2004

Kaiser Foundation Hospitals
393 E. Walnut Street
Pasadena, CA 91188
Attn: Legal Department, Business Section

Re: Hospital Services Agreement between Kaiser Foundation Hospitals and Palomar
Pomerado Health, effective as of February 1, 2004

Ladies and Gentlemen:

We have acted as special counsel to Palomar Pomerado Health, a California statutory hospital district ("PPH"), with respect to the negotiation and drafting of that certain Hospital Services Agreement between Kaiser Foundation Hospitals, a California nonprofit public benefit corporation ("KFH") and PPH, effective as of February 1, 2004 (the "Agreement"). We have been requested by PPH to deliver this opinion letter to KFH in connection with the execution and delivery of the Agreement.

We have reviewed the Agreement and such other documents as we have considered necessary or appropriate for the purposes of this opinion, including Division 23 of the California Health & Safety Code, certifications of a recent date of the Secretary of State of the State of California as to the valid existence and good standing of PPH, resolutions regarding the Agreement and proceedings related thereto adopted by the governing board of PPH at its meeting of January 20, 2004, copies of the notices of the meeting of the governing board of PPH of January 20, 2004, together with certifications of the Secretary of PPH as to the accuracy thereof and the mailing and posting of such notices as are required by law, and the Certificate of Robert Hemker, Senior Vice-President/Chief Financial Officer of PPH, dated the date hereof (the "Officer's Certificate").

All capitalized terms used and not otherwise defined herein shall have the meanings for such terms specified in the Agreement.



In conducting our examination, we have assumed, without investigation: The genuineness of all signatures, other than those of officers of PPH; the correctness of all certificates; the authenticity of all documents submitted to us as originals; the conformity to original documents of all documents submitted to us as certified or photostatic copies; the authenticity of the originals of such copies; and the accuracy and completeness of all records made available to us other than by PPH. We have also relied on the Officer's Certificate with respect to the factual matters stated therein. Nothing has come to our attention that would lead us to believe that the Officer's Certificate is inaccurate in any material respect.

Whenever a statement herein is qualified by the phrase "to our knowledge," or by any other similar phrase, or where it is noted that nothing has come to our attention, it means that the opinion stated is based solely on the conscious awareness of information by one or more of the following persons as to the matters being opined on: (i) the attorney who signs this opinion letter and (ii) the attorneys at our firm who have been actively involved in negotiating the transaction and preparing the Agreement.

This opinion letter is to be interpreted in accordance with the Guidelines for the Preparation of Closing Opinions issued by the Committee on Legal Opinions of the American Bar Association's Business Law Section as published in 57 Business Lawyer 875 (February 2002).

Based on such review, and such other considerations of law and fact as we believe to be relevant, and subject to the qualifications set forth below, we are of the opinion that:

1. PPH is a California statutory healthcare district organized pursuant to Division 23 of the California Health and Safety Code, validly existing under the laws of, and qualified to transact business in, the State of California.
2. PPH has all necessary legal right, power and authority to (a) enter into, execute and deliver the Agreement and (b) to consummate and perform the transactions contemplated therein.
3. The execution and delivery of the Agreement, and the consummation and performance of the transactions contemplated thereby, have been duly authorized by all necessary action on the part of PPH.
4. The execution and delivery of the Agreement by PPH and the consummation of the transactions contemplated thereby, and the fulfillment of or compliance with the terms and conditions thereof do not and will not in any material respect conflict with or constitute on the part of PPH a violation or breach of or default (with due notice or the passage of time or both) under (i) any applicable statutory law or regulation; (ii) terms of any of the Material Contracts (as defined below); or (iii) to our knowledge, any applicable court or administrative decree or order. The Material Contracts are six written contracts for hospital and related healthcare goods



and services identified in the Officer's Certificate as accounting in the aggregate for at least ninety percent (90%) of PPH's total managed care revenues (excepting managed care revenues from Health Plan or any Health Plan Affiliate) from its hospital operations in its fiscal year ending June 30, 2003.

5. No consent, permission, authorization, order, or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of the Agreement or the consummation of any transaction contemplated thereby by PPH, except as have been obtained or made and as are in full force and effect.

6. PPH has a valid, unrevoked and unexpired license from the California Department of Health Services to operate general acute care hospitals under the names Palomar Medical Center and Pomerado Hospital (together, the "Hospitals"), and nothing has come to our attention that would lead us to believe that PPH lacks any other material license necessary for the operation of the Hospitals as general acute care hospitals. PPH is a participating provider in the Medicare program, and the Hospitals are accredited as general acute care hospitals by the Joint Commission on the Accreditation of Healthcare Organizations ("JCAHO"). PPH has all necessary legal power and authority to operate the Hospitals as contemplated by the Agreement.

The opinions expressed in this letter are subject to the following qualifications:

a. The laws covered by the opinions expressed herein are limited to the law of the State of California and the federal laws of the United States.

b. Our opinions in Paragraph 6 relating to PPH's general acute care hospital license, participation in the Medicare program, and accreditation by JCAHO are based solely on (i) our review of General Acute Care Hospital Licenses numbered 080000083 (Palomar Medical Center) and 080000173 (Pomerado Hospital) issued to PPH, PPH's Medicare provider agreement and the letter of accreditation issued by JCAHO to PPH with respect to the period from 2002 to 2005, and (ii) certifications in the Officer's Certificate that the foregoing have not been modified, terminated, or revoked.

This opinion letter is delivered as of February 1, 2004 and without any undertaking to advise you of any changes of law or fact that occur after the date of this opinion letter even though the changes may affect a legal analysis or conclusion or an information confirmation in this opinion letter.

Kaiser Foundation Hospitals
February 26, 2004
Page 4



Subject to the foregoing, this opinion letter may be relied upon by you only in connection with the Agreement described in the initial paragraph of this opinion letter and may not be used or relied upon by you for any other purpose or by any other person for any purpose whatsoever without, in each instance, our prior written consent.

Very truly yours,

Davis Wright Tremain

Davis Wright Tremain LLP