

The table below shows acute and intensive care patient discharges in the District's service area for calendar years 2004, 2005 and 2006, the latest full year available. Included in the table are the number of discharged patients who reside in the District's service area and the hospitals from which such patients are discharged.

**District Service Area – Acute Care Hospital Discharges  
For Calendar Years 2004, 2005 and 2006**

<u>Hospital</u>	Miles from Closest District Hospital	2004		2005		2006	
		Discharges	Market Share	Discharge s	Market Share	Discharge s	Market Share
Palomar Medical Center	N/A	19,320	42.7%	19,356	41.3%	19,896	41.4%
Pomerado Hospital	N/A	6,355	14.0%	6,694	14.3%	6,507	13.5%
Scripps Memorial Hospital – La Jolla	18	2,918	6.5%	3,090	6.6%	3,372	7.0%
Kaiser Hospital – San Diego	18	2,558	5.7%	2,480	5.3%	2,534	5.3%
Tri-City Medical Center	16	2,046	4.5%	2,098	4.5%	2,194	4.6%
Scripps Green Hospital	18	1,864	4.1%	2,129	4.5%	2,278	4.7%
Children's Hospital – San Diego	22	1,748	3.9%	1,929	4.1%	1,946	4.0%
Sharp Mary Birch Hospital For Women	22	1,712	3.8%	1,842	3.9%	1,898	3.9%
Sharp Memorial Hospital	22	1,594	3.5%	1,559	3.3%	1,412	2.9%
UCSD (Hillcrest & Thornton)	21 & 28	1,575	3.5%	1,454	3.1%	1,639	3.4%
Scripps Memorial Hospital – Encinitas	21	781	1.7%	875	1.9%	915	1.9%
Scripps Mercy Hospital	20	560	1.2%	551	1.2%	539	1.1%
All Other Hospitals*		2,224	4.9%	2,843	6.0%	2,944	6.1%
<b>TOTAL DISCHARGES</b>		<b>45,255</b>	<b>100.0%</b>	<b>46,900</b>	<b>100.0%</b>	<b>48,074</b>	<b>100.0%</b>

Source: Office of Statewide Health Planning and Development Discharge Data Set.

\*Each hospital in the "All Other" category has less than 1% market share.

Note: Columns may not total correctly due to rounding.

Managed care is dominant in the County and a significant portion of patient admissions at the District and other hospitals in the County are based upon relationships and contracts between various managed care networks and the hospitals. Approximately 40.1% of patient revenues of the District during its fiscal year 2007 were derived from managed care networks, including premium revenue under capitated managed care contracts. District management believes these managed care networks in the County have been relatively stable over time.

### Relationship With Kaiser

The District has entered into a Hospital Service Agreement ("Kaiser Agreement") with Kaiser Foundation Hospitals ("Kaiser"). Kaiser is a nonprofit California public benefit corporation that provides hospital services to, or arranges the provision of hospital services for, members of the Kaiser Foundation Health Plan, Inc. ("Health Plan"). Under the Kaiser Agreement, the District is obligated to provide inpatient and outpatient hospital services, primarily at the new PMC hospital, to Kaiser for members of the Health Plan in exchange for

fees based upon a schedule the parties have negotiated including a fee for services rendered per diem and a fixed payment for bed availability guarantees.

The term of the Kaiser Agreement is through September 30, 2020. However, after October 1, 2015, the term is a rolling five-year term that is extended from four to five years each September 30, unless one of the parties has given at least five years' prior written notice of non-renewal. Kaiser can terminate the Kaiser Agreement earlier in certain circumstances. After the District completes and opens the new Palomar Medical Center Campus, the District will be required to provide Kaiser a guaranteed hospital bed capacity. If the District fails to provide the guaranteed hospital beds to Kaiser as needed, the District must provide alternative hospitalization at the Pomerado Hospital or at its own expense, or Kaiser may terminate the Kaiser Agreement and/or seek to revisit its terms. After the opening of the new PMC hospital, Kaiser will be required to make certain fixed payments to the District.

Through September 30, 2017 (unless either party has given notice of termination for cause or it is during the last five years before effectiveness of a non-renewal notice), the District has a right of first opportunity to negotiate with Kaiser to develop or participate with Kaiser in developing (at Kaiser's election) any general acute care hospital Kaiser proposes to develop in the District's service area.

## **HISTORIC FINANCIAL INFORMATION**

### **Summary of Historical Financial Data**

The summary of financial data for the District for the fiscal years ended June 30, 2004, 2005, 2006 and 2007 as shown in the two tables on the following pages, has been derived from the audited consolidated financial statements of the District and its affiliates. This summary should be read in conjunction with the audited consolidated financial statements of the District, together with the related notes and other financial information, appearing in APPENDIX B—“AUDITED FINANCIAL STATEMENTS OF PALOMAR POMERADO HEALTH.”

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