

**Palomar Pomerado Health
BOARD OF DIRECTORS
SPECIAL BOARD BUDGET WORKSHOP)**

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

Graybill Auditorium

Monday, June 4, 2007, Meeting Minutes

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP
NOTICE OF MEETING	The notice of meeting was posted on May 31, 2007, which is consistent with legal requirements.		
MEETING CALLED TO ORDER	6:00 p.m. by Chairman Marcelo Rivera		
ESTABLISHMENT OF QUORUM	By roll call. Present: Directors Nancy Bassett, R.N., Linda Greer, R.N., Ted Kleiter, Gary Powers, and Marcelo Rivera, M.D. Absent: Directors Bruce Krider and Alan Larson, M.D.		
PUBLIC COMMENTS	There were no public comments.		
INFORMATION ITEM(S)	There were no information items.		
FISCAL YEAR 2008 OPERATING BUDGET & CAPITAL BUDGET,	<p>Chairman Rivera welcomed everyone, encouraged questions, and then turned the meeting over to Bob Hemker.</p> <p>Mr. Hemker stated that tonight's meeting had been noticed properly to allow the Board to take action on the FY2008 Operating and Capital Budgets if they so chose. He indicated that he would be delving into detail only as requested. Utilizing the presentation included in the attached materials, Mr. Hemker presented the proposed FY2008 Capital and Operating Budgets:</p> <ul style="list-style-type: none"> • Key Drivers <ul style="list-style-type: none"> o Master Facility Plan and 10-year Plan of Finance <ul style="list-style-type: none"> ■ Where do we need to be to reach those goals? • Starting point is the February 2007 YTD financials, annualized forward for the baseline with some zero-based expense categories <ul style="list-style-type: none"> o Build on success of FY2007 operating performance o Resource management provides discipline for productivity management of approximately 100% o Validate volumes across the system <ul style="list-style-type: none"> ■ New books of business and services proportionate to changes in volume ■ What are capacity constraints, if any? o ADC lowered from 320 of FY2007 to 312 for FY2008 o 3% anticipated growth in discharges o Nominal birth rate growth of 1% o No major change in payor mix • Recommending an 8% composite rate increase <ul style="list-style-type: none"> o Consistent with the marketplace 	<p>MOTION: By Director Bassett, seconded by Director Powers, and carried to approve the FY2008 Operating Budget of \$25,083,628 excess revenue over expense as presented</p> <p>MOTION: By Director Rivera, seconded by Director Greer and carried to approve the FY2008 Capital Budget of \$15 million as presented, with \$5 million in reserve for the Facility Master Plan</p> <p>MOTION: By Director Bassett, seconded by Director Rivera and carried to approve a composite 8% rate increase as presented for FY2008</p>	<p>HealthWoRx progress will continue to be reported through the Finance Committee on a quarterly basis</p>

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	<ul style="list-style-type: none"> • SWB <ul style="list-style-type: none"> o No changes to benefit structure o Continuing with current health plan o Employees are taking advantage of the deferred compensation matching program o Merit raises budgeted for October and union employee adjustments per contract <ul style="list-style-type: none"> ■ Adjusted on level of performance o Some new FTE's <ul style="list-style-type: none"> ■ New FTE's are self funded through expense offsets ■ Due in part to replacing registry expense w/our own employees o Approximately 3500 employees – full-time, part-time & per diem <ul style="list-style-type: none"> ■ About 2900 FTE's (Full-Time Equivalents) ■ PPH is one of the key San Diego employers • Supplies <ul style="list-style-type: none"> o While challenging, achievable o Volume and inflation adjusted • Professional fees, purchased services and other direct expenses were budgeted using a “modified zero-based” formula <ul style="list-style-type: none"> o Looked at past history – do we need it? o What is new or coming up? o Significant increase of 5.8% <ul style="list-style-type: none"> ■ New Laborist program with 24/7 coverage ■ Annualized cost of the new Perinatology program ■ \$1.7 million in consulting fees for the HealthWoRx initiative ■ Decrease in legal fees based on SWB increase for in-house legal counsel ■ Welcome Home Baby subcontract provides budget neutral grant revenues ■ \$400 thousand budgeted for branding and Web strategy ■ \$300 thousand for costs of recruitment management ■ \$300 thousand for offsite data protection and recovery services • Magnet <ul style="list-style-type: none"> o Key year for the submittal of our application for Magnet status on a system-wide basis o \$300-500 thousand annual investment in readiness expenses o We have 115 nurses on a waiting list – hallmark of a magnet organization o We will be one of the few (if not the only) hospital districts to accomplish magnet status with the entire continuum of care o There are physician and non-physician champions in many areas of care • Retail Clinics <ul style="list-style-type: none"> o Anticipated shortfall in first year due to on-boarding costs o Will be reviewed further once negotiations are finalized – as operating budget component 		

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	<ul style="list-style-type: none"> • HealthWoRx Initiative <ul style="list-style-type: none"> ○ Strategy with finite timeline ○ Anticipated ROI embedded within the net revenue budget throughout the year ○ Immediate action group is Phase I of the strategy, with an approximate 13-month term for implementation of strategies for immediate action • Capital Budget <ul style="list-style-type: none"> ○ \$15 million – consistent with previous years <ul style="list-style-type: none"> ■ Equipment Pool of \$2 million <ul style="list-style-type: none"> ▲ Listing of items less than \$100 thousand each, with needs identified ■ Medical Equipment Pool of \$2.7 million <ul style="list-style-type: none"> ▲ Listing of items greater than \$100 thousand each ▲ Prioritized with the aid of the Physicians' Capital Advisory Committee (PCAC) through an interdisciplinary process ■ Facilities Renovation Pool of \$3.6 million <ul style="list-style-type: none"> ▲ Key to the maintenance and upgrading of existing facilities ■ Information Technology Pool of \$1.7 million <ul style="list-style-type: none"> ▲ IT across all facilities ○ \$5 million in capital reserve for Facilities Master Plan funding 		
ADJOURNMENT	<p>As both the Capital and Operating Budgets for FY2007 were approved at this meeting with a majority of the Board in attendance, there will be no need to place approval of the budget on the regularly scheduled Board agenda on Monday, June 11, 2007.</p> <p>There being no further business, the meeting was adjourned at 7:30 p.m.</p>		
SIGNATURES: <ul style="list-style-type: none"> • BOARD CHAIR _____ Marcelo Rivera, M.D. • BOARD SECRETARY _____ Linda Greer, R.N. 			