

Palomar Pomerado Health
FINANCE COMMITTEE MEETING

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

Pomerado Hospital, 15615 Pomerado Road, Poway, California

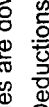
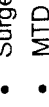
Meeting Room E

Tuesday, August 30, 2005, Meeting Minutes

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP
MEETING CALLED TO ORDER	7:40 p.m. by Chairman Ted Kleiter, who invited the members of the Board of Directors to remain for the Finance Committee meeting.		
ESTABLISHMENT OF QUORUM OF THE FINANCE COMMITTEE	Chairman Ted Kleiter called the roll: He, and Directors Nancy Bassett, R.N., Marcelo Rivera, M.D., and Nancy Scofield, along with members Michael Covert, Paul E. Tornambe, M.D., and James S. Otoshi, M.D., were also present.		
ATTENDANCE	Also in attendance were: Bob Hemker, Gerald Bracht, Jim Flinn and Secretary Tanya Howell. Guests: Robert Barna and Peter Reilly of Citigroup <i>Board of Directors:</i> Alan Larson, M.D., Bruce Krider <i>Staff:</i> Tom Boyle, Sheila Brown, Duane Buringrud, M.D., Marcia Jackson, Susan Linback, Jim Neal, Lorie Shoemaker, Robert Trifunovic, M.D.		
NOTICE OF MEETING	The notice of meeting was mailed before close of business on Friday, August 26, 2005, which is consistent with legal requirements.		
PUBLIC COMMENTS	There were no public comments.		
INFORMATION ITEM(S)	There were no information items.		
UPDATE ON PLAN OF FINANCE AND DEBT POLICY	Peter Reilly of Citigroup, the underwriter of record for PPH, used the attached presentation to review current financing efforts in the ongoing Plan of Finance, as well as to educate and introduce the Committee to the components in the formalization of a Debt Policy. Members of the Finance Committee were presented with a binder containing the "Plan of Finance Roadmap" – a reference tool containing the current and all previous presentations made to the Board regarding the Plan of Finance, as well as a repository for future presentations. Discussion ensued on various components of the presentation, with requests for clarification and/or additional information on presented materials. Discussion items as follows: <ul style="list-style-type: none"> Preliminary conclusions are that – based on a "GALOP" analysis for PPH - a targeted variable rate range of 30%-50% would still manage risk at an appropriate level Peer comparison detail can be found on page 16 of the March 2005 Board presentation (copy attached) Variable rates are not applicable to General Obligation Bonds, <i>only</i> to Revenue Bonds Page 15 – Fixed vs. Variable Rate Products Overview – was flagged as a useful reference page 	Information Only	FORWARDED to the September 12, 2005, Board of Directors meeting as information.

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP
<p>GROUP PURCHASING ORGANIZATION (GPO) AFFILIATION</p>	<ul style="list-style-type: none"> • A Draft Debt Policy – included in the Appendix of the binders – is attached • Citigroup will continue to provide educational sessions to the Board so appropriate recommendations can be made when the Revenue Bond cycle nears in 2006 • Board and Finance Committee members were requested to contact Bob Hemker or Michael Covert with any questions, which would be discussed one-on-one. <p>Chairman Kleiter thanked the gentlemen from Citigroup.</p> <ul style="list-style-type: none"> • PPH is currently an owner/member of Premier • Positives to alternatives with VHA: <ul style="list-style-type: none"> ◦ A more regional rather than national approach – membership is largely in Southern California ◦ Line item assessment of contracts suggests positive pricing trends (some items would be required to change to earn the better pricing, but there are no mandates on product usage) ◦ Purchasing affiliation with VHA would not preclude affiliation with Premier solely for use of their informational/quality benchmarking databases; however, IS is also setting up a comparison of the Premier & VHA databases • Philosophy and cooperation – not just financial differentials – would also be reason enough to change affiliations 	<p>MOTION: By Director Rivera, seconded by Dr. Otoshi, and carried to recommend that Management establish a GPO relationship with VHA and terminate the existing relationship with Premier, according to the terms and timelines determined by Management.</p> <p>NOTE: Director Bassett was excused from the meeting prior to final discussions and vote on this topic; however, there was still a quorum for this and the remaining agenda items.</p>	<p>FORWARDED to the September 12, 2005, Board of Directors meeting with a recommendation for approval.</p>
<p>MINUTES – JULY 28, 2005</p>	<p>No discussion</p>	<p>MOTION: By Director Rivera, seconded by Director Scofield and carried to approve the minutes from the July 28, 2005, Finance Committee meeting as presented.</p>	
<p>CHANGE IN SEPTEMBER 2005 FINANCE COMMITTEE MEETING DATE</p>	<p>No discussion</p>	<p>MOTION: By Director Rivera, seconded by Dr. Otoshi and carried to change the date and location of the Monday, September 26, 2005, Finance Committee meeting to Tuesday, October 4, 2005, in Meeting Room E, Pomerado Hospital, 15615 Pomerado Road, Poway, CA. Dinner at 5:30 p.m. meeting to begin at 6:00 p.m.</p>	<p>FORWARDED to the September 12, 2005, Board of Directors meeting for information.</p>

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP
ADMINISTRATIVE MEDICAL/SURGICAL STABILIZATION SERVICES AGREEMENT	<p>Sheila Brown & Susan Linback led a discussion on "The New Vision Program" provided by SpecialCare Hospital Management Corporation (SHMC):</p> <ul style="list-style-type: none"> • Elective medical detox program SHMC is starting across the country. • Exclusivity for San Diego area for program until saturation reached within District. • Centered at POM to take advantage of excess capacity. • Two-year initial term, with a one-year rollover and a rolling 60-day out provision which would allow exit by end of FY06 if program doesn't meet expectations. • Fixed monthly fee, which would cost about \$270K in program management fees should we opt out • Has not yet been presented to Medical Executive Committee <p>Several members of the Finance Committee voiced concerns that these patients might prove disruptive on a Med/Surge unit.</p>	<p>Tabled until presentation to and approval by the Medical Executive Committee.</p>	
PHYSICIAN RECRUITMENT AGREEMENT JOSUE LEON, M.D.	<p>Presented by Marcia Jackson:</p> <ul style="list-style-type: none"> • Standard agreement • Need in North County for OB/GYN physicians • Third-party contract as Dr. Leon will join the Escondido OB/GYN practice 	<p>MOTION: By Director Rivera, seconded by Dr. Tornambe and carried to approve the Physician Recruitment Agreement with Josue Leon, M.D., as presented.</p>	<p>FORWARDED to the September 12, 2005, Board of Directors meeting with a recommendation for approval.</p>
PROFESSIONAL & MEDICAL DIRECTOR SERVICES AGREEMENTS			
VALLEY RADIOLOGY CONSULTANTS MEDICAL GROUP, INC.		<p>Deferred to September Finance Committee meeting.</p>	
VALLEY PATHOLOGY MEDICAL ASSOCIATES, INC.	<p>Presented by Gerald Bracht:</p> <ul style="list-style-type: none"> • Standard agreement • Term of 5 years • Financial arrangements as previous agreement • Of the 11 ratings responses received from medical groups, 2 made complaints, which were about the rates charged <ul style="list-style-type: none"> ○ Third party language in the agreement provides the medical groups with the ability to petition PPH • \$5.5 of the agreement allows the pathologists to perform anatomical pathology that doesn't flow through PPH labs, which were evaluated for financing & regulatory issues <ul style="list-style-type: none"> ○ The 200 sq.ft. used does not trigger a problem with the 3% rule regarding revenue bond usage, per bond counsel ○ Fair market value allocation of net realizable revenue is consistent with regulatory requirements 	<p>MOTION: By Director Rivera, seconded by Nancy Scofield and carried to approve the Professional and Medical Director Services Agreement with Valley Pathology Medical Associates, Inc., as presented.</p>	<p>FORWARDED to the September 12, 2005, Board of Directors meeting with a recommendation for approval.</p>

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP
<p>JULY 2005 & YTD FY2006 FINANCIAL REPORT</p>	<p>Bob Hemker presented the financials via the attached presentation:</p> <ul style="list-style-type: none"> • First month of the Fiscal Year has been a challenge • PMC volumes are up, but LOS is down year-on-year • No major changes in WPD • ALOS dipped slightly year-on-year <ul style="list-style-type: none"> o Subacute influence on ALOS continues to be monitored • Surgeries are down at PMC, up at POM • MTD Deductions from Revenue had an unfavorable variance attributable to 3 atypical bad debt accounts totaling \$865K • The unfavorable variance in Other Operating Revenue was due to PPHF being down \$64K against budget • GASB accounting rules are used: Investment Income + Interest Expense = Non-operating Income • The Cash Flow Statement—which explains where we got the money and how it was spent—is a new document that will become part of the standard Board financial packets • Collections that were short last year have been put into the carryover goal, and the firm of Gustafson & Associates has been hired as an external advisor to review collections and assist in process re-engineering <p>Jim Flinn made a brief forecast for POM that average daily census and ED visits, as well as the percentage of admissions from ED, will be going up; and that surgeries and births should remain on budget.</p> <p>Gerald Bracht's forecast for POM was that all financials were aligned with what is controllable. Patient days in August are down about 55 days; births are on budget; ED should be up; and surgeries will be short about 30 cases due to loss of full-block days due to physician vacations</p> <p>Dr. Tornambe noted that they are approaching a solution to the ED Call issue, with 75% of the physicians in favor of using NCEMA. The contract is in progress and should be presented at the next Finance Committee meeting.</p>	<p>MOTION: By Director Scofield, seconded by Michael Covert and carried to approve the July 2005 and YTD FY 2006 Financial Report as presented.</p>	<p>FORWARDED to the September 12, 2005, Board of Directors meeting with a recommendation for approval.</p>
<p>ADJOURNMENT</p>	<p>There being no further business, the meeting was adjourned at 9:25 p.m.</p>		
<p>SIGNATURES:</p>	<p> T.E. Kleiter</p> <p> Tanya Howell</p>		
<ul style="list-style-type: none"> • COMMITTEE CHAIRMAN • COMMITTEE SECRETARY 			