

Palomar Pomerado Health
BOARD OF DIRECTORS
REGULAR BOARD MEETING
 Palomar Medical Center, Graybill Auditorium, Escondido
 Monday, October 18, 2004

| AGENDA ITEM | DISCUSSION | CONCLUSIONS/ACTION | FOLLOW-UP/RESPONSIBLE PARTY |
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| CALL TO ORDER | 6:30 pm Quorum comprised Directors Bassett, Berger, Kleiter, Krider, Larson, Rivera and Scofield. | | |
| OPENING CEREMONY | The Pledge of Allegiance was recited in unison, followed by an inspirational reading by Chaplain Hard. <i>(attached)</i> . | | |
| MISSION AND VISION STATEMENTS | <p>The PPH mission and vision statements were read by Director Bassett, as follows:</p> <p><i>The mission of Palomar Pomerado Health is to heal, comfort and promote health in the communities we serve.</i></p> <p><i>The vision of PPH is to be the health system of choice for patients, physicians and employees, recognized nationally for the highest quality of clinical care and access to comprehensive services.</i></p> | | |
| NOTICE OF MEETING | Notice of Meeting was mailed consistent with legal requirements | | |
| PUBLIC COMMENTS | Marie Waldron and Ed Gallo from Escondido City Council were welcomed to the meeting. | | |

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| <p>AGAINST PROPOSITION BB -</p> <p>Jim Vander Spek</p> | <p>Mr. Vander Spek relayed that he is a vocal opponent of Proposition BB and that he had recently met with Michael Covert, CEO to present his observations and opinions. He relayed the background of his attending a meeting of the Escondido Chamber of Commerce where the CEO presented as the primary reason for PMC not staying was that the footprint of the site was too small and that eminent domain process was not available to expand. Since then, it appeared to Mr. Vander Spek that the district does have eminent domain powers that it can use to acquire property to expand. He also felt that the Board cannot make a resolution that will guarantee and legally bind the Board into siting a new hospital in Escondido that he considered cannot later be overturned. He asked why the Board did not include this promise when Proposition BB was written and also why centralization close to a freeway will improve accessibility for all residents north of Lake Hodges.</p> <p>Mr. Vander Spek urged that a community hospital be built in San Marcos, an enlarged Pomerado Hospital, and the expansion of the footprint and capacity of PMC, using eminent domain powers if needed. As a long-time resident and business owner in Escondido, he urged the Board to partner with the City of Escondido to make downtown a more vibrant place and to honor the history and sacrifices that have gone into PMC.</p> | | |
| <p>FOR PROPOSITION BB -</p> <p>Poway City Councilor Jay Goldby</p> | <p>Mr. Goldby spoke on behalf of Poway City Council in support of Proposition BB, noting that the Council voted in support of this Proposition so that the District could expand its facilities, noting Directors Bassett, Rivera and Michael Covert's involvement with the community through HealthCare Advisory Councils. He refuted Mr. Vander Spek's</p> | | |

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| | <p>argument against Proposition BB. He felt that PPH currently has the best leader and Board we have ever had, and that this is the time we should promote the passage of Proposition BB.</p> | | |

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| Kenneth H. Lounsbury, Esq. | Mr. Lounsbury stated he is a 34-year resident of Escondido and has had a business in Escondido for very many years. A letter was read out noting that it was well known that he is a strong proponent of Proposition BB. He noted that Mr. Vander Spek has every right to speak out against the Proposition, but he believes that 67% or more of our voters would expect of the Board exactly what they have set out to do in the manner of this Proposition. | | |
| Kitty Demery | A resident of Escondido, Ms Demery stated she had lived in North County for 30 years and volunteers for the PPHFoundation, explaining that she almost lost the life of a loved one as her private hospital could not take her, and was instead taken to PMC. She spoke in strong support of the need for another hospital in North County, lauding everything the Board is doing in planning for the future through Proposition BB which she strongly supports. | | |
| William Wood, Jr. | Mr. Wood, a financial consultant who works and resides in San Marcos, felt that after discussion with the City Manager of San Marcos, the City did not really want to build a hospital there, and that this was unanimous from everyone including the Mobile Home Association of San Marcos. He noted that San Marcos Fire Chiefs and Paramedics want good facilities with easy access and he felt that Michael Covert is one of the most visionary leaders he has met in years. Mr. Wood had taken a tour of PMC and he is in strong support of Proposition BB. He felt that Escondido is lucky and that we have good neighbors in Rancho Bernardo, Poway and San Marcos and that we will pass BB. | | |
| Nicholas Yphantides, M.D. | Dr. Nick Yphantides spoke in re-affirmation of his support for Proposition BB and did not understand the concerns that exist regarding the future of the current PMC facility. He felt that there will be a tremendous amount of economic infusion in the downtown Escondido | | |

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| | <p>area and that PMC will not be a deserted facility as it will be put to other uses which will generate trade to the downtown area. He continued to be in full support of Proposition BB which will allow PPH to have a new expanded medical facility with innovative care that is a little more centrally located and will be beneficial to this community.</p> | | |

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| Donna Oba | Donna Oba, from the League of Women Voters, San Diego County, spoke in support of Proposition BB. She relayed that two months previously the League was unsure of the Proposition. They met with the CEO and CFO, in addition to interviewing with PPH Board members and observers, as well as looking closely at the Proposition and the Facilities Master Plan. The League then voted unanimously to support this measure, noting that the Oversight Committee will ensure that the community is served as best as possible. | | |
| Mary Evert | Ms Evert spoke in strong support of Proposition BB indicating her background experience as a former PPH Board Member and knowledge of plan footprints, particularly in connection with the last expansion of these facilities. She is a resident of Rancho Penasquitos and a candidate for the Board in the upcoming elections. She noted that we cannot allow PMC to be involved in seismic problems, hence part of the need for Proposition BB so as to build new and renovate other areas. Ms Evert felt that the City of Escondido is a wonderful partner and she looked forward to this continuing and the hope she can serve the public again. | | |
| Dick Daniels | As Chairman of the Escondido Chamber of Commerce, Mr. Daniels supported Proposition BB from a business community aspect. The Chamber had voted to endorse Proposition BB and the Chamber Board also unanimously endorsed it. He felt that if the Board puts something in writing that the location of the new medical facility will be in the City of Escondido, it would assist in support of Proposition BB. | | |
| Pauline Getz | Ms Getz, speaking in favor of Proposition BB owns a business in Poway and lives near Pomerado Hospital. She represents hundreds of volunteers with hundreds of hours spent in support of the passage of Proposition BB. She | | |

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| <p>Jerry Kolins, M.D.</p> | <p>is very annoyed about what has occurred as a result of one voice. She supports the Board in what they have done in their intensive efforts to arrive at putting BB on the ballot, and that we are not tearing down and not exercising rights of eminent domain and does not believe that people will lose their jobs. We know the cost of a new medical facility and asked why were are back to discussing the issue again. Hundreds of Community Conversations had occurred and Board Members have circulated throughout the community. We must support Proposition BB and know that the Board has the support of so many of the community.</p> <p>Dr. Kolins spoke in further support of Proposition BB stating that it is about better health care, determining that he disagrees with Mr. Ken Lounsbery, in that Dr. Kolins believes we will get 100% approval for Proposition BB and that nobody would oppose this.</p> | | |

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| C N A Representatives Bonnie McKinney – Calpers Defined Benefit Plan | <p>Ms. McKinney, an employee of the ED at PMC for sixteen years, spoke on behalf of C N A and the Defined Benefits Plan noting that in the last month there had been a hotmail distributed by Human Resources that was felt to be misleading information and she was present to request that the Board take a complete review of Calpers as there was great interest in this Plan. The 401A program that employees currently have will leave many unprepared for the financial implications of retirement as there is no prediction as to what a pension might be.</p> | | |
| Facita Balcon | <p>Ms Balcon also spoke in support of Calpers Defined Benefits Plan indicating that employees are very interested.</p> | | |
| APPROVAL OF MINUTES <ul style="list-style-type: none"> • Regular Board Meeting – September 13, 2004 • Special Board Meeting – September 13, 2004 • Special Board Meeting – August 4, 2004 | | <p>MOTION: by Berger, 2nd by Kleiter and carried that the minutes of the Regular and Special Board Meetings of September 13, 2004, and Special Board Meeting of August 4, 2004 be approved as submitted. None opposed.</p> | |
| CONSENT ITEMS | | <p>MOTION: BY Scofield, 2nd by Berger and carried unanimously to approve the Consent Items as submitted.</p> | |
| Administrative (this segment of agenda moved up) | | | |
| Chairman of the Board – Palomar Pomerado Health --Escondido Site Location Board Member Comments | <p>Chairman Larson relayed that in response to some confusion recently regarding a future hospital site in Escondido the following motion was made.</p> <p>Director Berger supported the motion noting that closeness to freeway access was important. He appreciated that somemay may present the opposite side on issues, noting that the Board through investigation and analysis</p> | <p>MOTION: by Kleiter, that the Facilities master Plan and Plan of Finance previously approved by this Board includes the construction of a new acute care hospital at a site other than on the current Palomar Medical Center campus. It is the intent of this Board, subject to obtaining a land site suitable in size and use for a hospital and at a price and terms acceptable to the Board, to locate the new hospital</p> | |

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| | <p>involving many lengthy informational meetings had made an informed decision leading up to Proposition BB.</p> <p>Director Bassett referred to one of the issues raised under Public Comments in which passing reference was made to there being an adversarial rapport between PMC and Pomerado. She stated that as a former employee of twenty-five years she felt strongly this was not the case, and that all are wholly involved in the future well-being of our patients, the health system and the community.</p> <p>Regarding our proposed expansion, as an example, there was no space at PMC for an MRI, so this has to be done in a nearby building. We want access for everyone and being located on the I-15 corridor is the best that can be done. We are very much in favor of expanding to keep pace with population. In reference to the one person who spoke out against Proposition BB under Public Comments, she appreciated that this person had a different point of view.</p> <p>Director Krider, in his years of healthcare experience, noted that our Facilities Master Plan and Plan of Finance makes sense financially. The way we deliver healthcare is different to that of fifty years ago. Regarding the dissenter who spoke under Public Comments, Director Krider felt that this was not a "half-baked" idea, but it was "overbaked", and that this kind of expansion with which he is very familiar, is often undertaken in a few months.</p> <p>Director Kleiter, Vice Chairman, was very concerned that our proposal regarding Proposition BB and our Master Plan was becoming an election issue for the Escondido</p> | <p>in Escondido. 2nd by Director Rivera.</p> <p>All in favor. None opposed. Motion passed unanimously.</p> <p>(Applause from audience followed).</p> | |

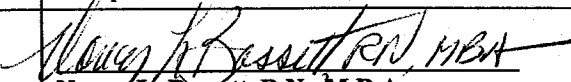

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| | <p>City Council members and it was unfortunate that it had become an issue in that campaign. Having been a former Administrator at Palomar for many years, Director Kleiter felt that he probably knew more about PMC than anyone as he recalled when it was a single-storey building which had grown over the years. Our Master Plan is to move to another site and build new, as it would not be worth our while to retrofit and modernize the existing facility. Instead, PMC would be renovated for less acute patient care and administrative purposes.</p> <p>Chairman Larson stated that he would personally vote for this motion and clearly summarized the intent of the Board. From Public Comments made that evening, it appeared obvious that San Marcos was not the location and that a state of the art hospital for Trauma, Cardiac Care and other much needed programs should be in Escondido. Easy freeway access was important and with helipad available when freeways were jammed. He was a fiscal conservative and was well aware of eminent domain, but this was not something that the Board wished to consider. It was intended to revitalize the current PMC building which would meet relevant codes for less acute care and administrative jobs where seismic regulations are not so important. Our Facilities Master Plan was not a rash decision and received unanimous approval from our physician groups. He wished to pledge that Escondido is our home and we will stay in Escondido.</p> <p>Following the above commentary, Chairman Larson called for those in favor of the proposed Motion.</p> | | |

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| <p>--Medical Facility, Ramona</p> | <p>Director Rivera, M.D., a Ramona resident, then spoke about his taking his Oath of Office to serve on the Palomar Pomerado Health Board of Directors and before that, the Oath of Maimonides to serve the community regardless of social need or backing. In reference to the one dissenter under Public Comments that evening, Director Rivera strongly stated that he did not make empty promises.</p> <p>We adhere to our Mission and Vision Statements. We have an outstanding Cardio Vascular Program, SART Team, Welcome Home Baby Program, and partnership with Kaiser and Children's Hospitals. We have a wide coverage area for Trauma and we take our stewardship seriously. He referred to some Escondido City Councilors, emphasizing again that he did not make empty promises or makes them in a vacuum, noting the amount of time that everyone had spent in arriving at this point.</p> <p>He did not appreciate the idea of condemnation of properties which PPH would not wish to do in our community. We did not need to do this and it made sense to come together in unity and take pride in this bond issue. When in Ramona he often heard the question raised as to what is going to happen with medical facilities in Ramona, and as such he felt the best we can do is work together with a commitment from Director Rivera and the Board by proposing the following motion which he then read out:</p> | <p>MOTION: by Rivera, that the Facilities Master Plan and Plan of Finance previously approved by this Board includes the establishment of a medical facility in the Ramona community.</p> <p>It is the intent of this Board, subject to obtaining a land site suitable in size and use for a medical facility and at a price and terms acceptable to the Board, to locate a medical facility in the Ramona community. 2nd by Director Scofield.</p> <p>All in favor – None opposed. Motion passed unanimously.</p> <p>(Applause from audience followed).</p> | |

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| REPORTS | | | |
| Medical Staff | | | |
| Palomar Medical Center | | | |
| <ul style="list-style-type: none"> ▪ Credentialing | <p>James S. Otoshi, MD., Chief of PMC Medical Staff, presented PMC's requests for approval of Credentialing Recommendations.</p> | <p>MOTION: by Bassett, 2nd by Kleiter and carried to approve the PMC Medical Staff Executive Committee credentialing recommendations for the PMC Medical Staff, as presented. None opposed.</p> <p>Directors Larson and Rivera abstained to avoid potential conflict of interest.</p> | |
| <ul style="list-style-type: none"> ▪ Credentialing Process/Applications | <p>James S. Otoshi, MD., Chief of PMC Medical Staff, presented PMC's request for approval of Credentialing Process/Applications as presented.</p> | <p>MOTION: by Scofield, 2nd by Bassett and carried to approve the PMC Credentialing Process/Applications as presented. None opposed.</p> <p>Directors Larson and Rivera abstained to avoid potential conflict of interest.</p> | |
| <ul style="list-style-type: none"> ▪ Department of Trauma Rules & Regulations | <p>James S. Otoshi, MD., Chief of PMC Medical Staff, presented PMC's request for approval of the Department of Trauma Rules & Regulations as presented.</p> | <p>MOTION: by Bassett, 2nd by Scofield and carried to approve the Department of Trauma Rules and Regulations as presented. None opposed.</p> <p>Directors Larson and Rivera abstained to avoid potential conflict of interest.</p> | |
| <ul style="list-style-type: none"> ▪ Utilization Review Plan | <p>James S. Otoshi, MD., Chief of PMC Medical Staff, presented PMC's request for approval of the Utilization Review Plan as presented.</p> | <p>MOTION: by Scofield, 2nd by Kleiter and carried to approve the Utilization Review Plan as presented. None opposed.</p> <p>Directors Larson and Rivera abstained to avoid potential conflict of interest.</p> | |

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| Escondido Surgery Center | | | |
| <ul style="list-style-type: none"> ▪ Credentialing | <p>L. Richard Greenstein, MD., Medical Director of the Escondido Surgery Center, presented requests for approval of Credentialing Recommendations.</p> | <p>MOTION: by Kleiter, 2nd by Bassett and carried to approve the PMC Medical Staff Executive Committee credentialing recommendations for the Escondido Surgery Center, as presented. None opposed.</p> <p>Directors Larson and Rivera abstained to avoid potential conflict of interest.</p> | |
| Pomerado Hospital | | | |
| <ul style="list-style-type: none"> ▪ Credentialing | <p>Alan J. Conrad, MD., Chief of Pomerado Medical Staff, presented Pomerado Hospital's requests for approval of Credentialing Recommendations.</p> | <p>MOTION: by Scofield, 2nd by Bassett and carried to approve the Pomerado Hospital Medical Staff Executive Committee credentialing recommendations for the Pomerado Medical Staff, as presented. None opposed.</p> <p>Directors Larson and Rivera abstained to avoid potential conflict of interest.</p> | |
| Administrative | | | |
| Chairperson - Palomar Pomerado Health Foundation | <p>G. Douglas Moir, MD., President of the Foundation, presented a verbal report on recent activities of the Foundation noting the recruitment process for a Senior Director of Individual Gifts and Director of Planned Giving and that a diligent search is continuing for qualified persons.</p> <p>A relationship is being developed with a Development Institute for Board Training and formulation of long-term campaign strategy. The Foundation is also funding grant applications with over \$8,000 in grants awarded pending executive committee approval. Voluntary efforts of PPH Foundation Board Members and all Volunteers involved were acknowledged on</p> | | |

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| | behalf of Proposition BB for provision of excellent healthcare for the residents of our area. | | |
| President and CEO | <p>Michael Covert, CEO, referred to the success and appreciation for the Recognition Dinners and Lunches that had recently taken place honoring our long-term employees.</p> <p>Recruitment efforts for a Chief Human Resources Officer are underway.</p> <p>Recognition of Val Tesoro, M.D., our Chief Clinical Effectiveness Officer who is leaving PPH was recorded. (Applause in appreciation followed).</p> <p>Michael Covert stated that he had been invited to serve on the Governance Forum's Council for Trustees.</p> | | |
| PPH Physician Recruitment Policy and Procedure | <i>Deferred- no action</i> | | |
| Resolution No. 10.18.04(01)-11 adopting Grant Application to the San Diego County First 5 Commission | <p>Michael Covert presented Resolution No. 10.18.04(01)-11, regarding Grant Application to the San Diego County First 5 Commission to Build and Equip Children's Health Centers in Ramona and Rancho Penasquitos.</p> <p>Dr. Nick Yphantides expressed excitement at this opportunity.</p> | <p>MOTION: by Bassett, 2nd by Rivera and carried unanimously to adopt Resolution No. 10.18.04(01)-11 regarding Grant Application to the San Diego County First 5 Commission to Build and Equip Children's Health Centers in Ramona and Rancho Penasquitos.</p> <p>All in favor. None opposed.</p> | |
| Bi-Monthly Reports from Executive Staff deferred to November | <i>Deferred to November 15 Board Meeting</i> | | |
| INFORMATION ITEMS | No questions were raised under Information Items | | |
| ▪ Community Relations | | | |
| ▪ Governance | | | |
| ▪ Finance | | | |

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| COMMITTEE REPORTS | | | |
| Governance Committee | Director Bruce Krider, Chairman | | |
| Resolution No. 10.18.04(02)-12 to Amend and Restate the Bylaws of Palomar Pomerado Health | <p>Following submission and review by Governance Committee on September 23, 2004 of the proposed Amended and Restated Bylaws of Palomar Pomerado Health, approval was requested to the amended Bylaws as submitted. Brief discussion ensued.</p> <p>Regarding page 120 of the board packet, Dr. Conrad felt that the title indicated in the Quality Review Committee membership segment should read, "Physician Co-Chair" of Quality Council (<i>and not "Chair"</i>).</p> | <p>MOTION: by Berger, 2nd by Scofield and unanimously approved that the Amended and Restated Bylaws of Palomar Pomerado Health as submitted, with one correction to change the title of "<i>Chair of Quality Council</i>" to "Physician Co-Chair of Quality Council" under the Quality Review Committee membership.</p> <p>All in favor. None opposed. Motion carried.</p> | |
| BOARD MEMBER COMMENTS/AGENDA ITEMS FOR NEXT MONTH | None – <i>deferred to November 15 Board Meeting</i> | | |
| ad hoc CEO Compensation Committee | <p>Chairman Larson referred to the appointment of an ad hoc committee to review the CEO's compensation, which had been recommended by our legal counsel. This ad hoc committee would comprise Director Scofield (Chairperson), Director Bassett and Director Larson. The CEO's contract will be due for review, in addition to review of the tools used, as well as our whole committee structure. Appropriate recommendations will be made to the full Board.</p> | | |
| ADJOURNMENT | 8:30 p.m. | | |
| SIGNATURES <ul style="list-style-type: none"> ▪ Board Secretary ▪ Board Assistant | <p> Nancy L. Bassett, R.N., M.B.A.</p> <p> Christine D. Meaney</p> | | |