

Palomar Pomerado Health
BOARD OF DIRECTORS
REGULAR BOARD MEETING
Palomar Medical Center, Graybill Auditorium, Escondido
Monday, October 20, 2003

| AGENDA ITEM | DISCUSSION | CONCLUSIONS/ACTION | FOLLOW-UP/RESPONSIBLE PARTY |
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| CALL TO ORDER | 6:05 pm | | |
| OPENING CEREMONY | The Pledge of Allegiance was recited in unison, followed by an inspirational reading by Chaplain Hard (<i>attached</i>). | | |
| MISSION AND VISION STATEMENT | <p>Director Scofield</p> <p>The PPH mission and vision statements were read by Director Scofield, 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 is that PPH will have the highest patient satisfaction in California.</i></p> | | |
| ESTABLISHMENT OF QUORUM | Bassett, Berger, Kleiter, Larson, Rivera, Scofield | | |
| NOTICE OF MEETING | Notice of Meeting was mailed consistent with legal requirements | | |
| PUBLIC COMMENTS | Mr. Todd Galli requested Public Comment (<i>attached synopsis</i>) | | CEO to follow up |
| APPROVAL OF MINUTES | | | |
| <ul style="list-style-type: none"> • September 8, 2003 | | <p>MOTION: by Bassett, 2nd by Kleiter and carried unanimously that the regular minutes of the September 8 Board Meeting be approved as submitted.</p> <p>None opposed.</p> | |
| CONSENT AGENDA | | <p>MOTION: by Scofield, 2nd by Kleiter and carried unanimously to approve the Consent Agenda as presented.</p> | |
| PRESENTATION | | | |
| <ul style="list-style-type: none"> ▪ PPH Website Phase II | Tamara Hemmerly presented via Powerpoint | | |

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| | presentation an update on the PPH Phase II updated Website. Enhancements are anticipated on a quarterly basis. | | |
| REPORTS | | | |
| Medical Staff | | | |
| Palomar Medical Center <ul style="list-style-type: none"> • Credentialing | Duane Buringrud, MD, Chief of Staff presented PMC's requests for approval of Credentialing Recommendations. | MOTION: by Scofield, 2 nd by Kleiter and carried to approve the PMC Medical Staff Executive Committee credentialing recommendations for the PMC Medical Staff, as presented. None opposed. Directors Larson and Rivera abstained to avoid potential conflict of interest. | |
| Escondido Surgery Center <ul style="list-style-type: none"> • Credentialing | L. Richard Greenstein, MD, Medical Director, presented requests for approval of Credentials. | MOTION: by Kleiter, 2 nd by Bassett and carried to approve the PMC Medical Staff Executive Committee credentialing recommendations for the Escondido Surgery Center, as presented. None opposed. Directors Larson and Rivera abstained to avoid potential conflict of interest. | |
| Pomerado Hospital | | | |
| <ul style="list-style-type: none"> ▪ Credentialing | George Y. Kung, MD, Chief of Staff presented Pomerado Hospital's requests for approval of Credentialing Recommendations. | MOTION: by Scofield, 2 nd by Bassett and carried to approve the Pomerado Medical Staff Executive Committee credentialing recommendations for the Pomerado Medical Staff, as presented. None opposed. Directors Larson and Rivera abstained to avoid potential conflict of interest. | |
| Administrative | | | |
| Chairperson - Palomar Pomerado Health Foundation | On behalf of Mary Evert, Lori Holt Pfeiler, Mayor of Escondido and Foundation member, presented a verbal report on the Foundation , noting a successful Joint Board Retreat with PPHF and PPH. November 12 was the | | |

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| | <p>anticipated start for the Chairman's Council. In addition, Planned Giving seminars are underway and the Foundation is working with PPH Marketing on the Community Conversations Program. The Employee Campaign goal is to raise \$50,000 and the Annual Fall mailing is also underway. November 13 is the next PPHF Board Meeting. --Dr. Larson noted that we have a \$10 million goal for PPHF fund-raising, and Employees raised \$36,000 this year which was an excellent accomplishment. Ms Holt Pfeiler, who was thanked for her report, stated that there is a close working relationship between PPH and PPHF.</p> | | |

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| <p>Chairman of the Board - Palomar Pomerado Health</p> | | | |
| <p>Resolution No. 10.20.03(01)</p> | <p>Director Larson read out a Resolution in its entirety expressing appreciation to Mr. George G. Gigliotti, who recently resigned from the Board after ten years of service.</p> <p>Following the resolution, Director Scofield wished to emphasize to all how much Mr. Gigliotti had done on the Board and that it had been a privilege to serve with him, noting what a fine, talented and generous person he was, giving of his time and energy and regretted his leaving the Board.</p> <p>Director Bassett concurred, noting Mr. Gigliotti was a gentleman of ethics, who always made his point in debate but allowed others to make theirs.</p> <p>Director Kleiter commented that Mr. Gigliotti was a very fair person who has always addressed issues and when a decision was made irrespective of his own feelings, he always supported the decision of the Board.</p> <p>Director Rivera complimented Mr. Gigliotti as being a fair and ethical individual and that it had been a pleasure working with him.</p> <p>Michael Covert, CEO, also complimented Mr. Gigliotti as being Chairman of the Board upon his arrival, noting he had always been responsive and involved, with a dry sense of humor, knowledge of finance, and interest in quality issues and he had appreciated his leadership.</p> <p>Chairman Larson considered that the remarks were well expressed in the Resolution for Mr. Gigliotti, who had been a mentor to him on the Board, and he concurred with board members'</p> | <p>MOTION: by Kleiter, 2nd by Rivera and unanimously carried, to honor Mr. George G. Gigliotti for his ten years of continuous and conscientious service on the Palomar Pomerado Health Board of Directors, by adoption of Resolution No. 10.20.03(01). None opposed.</p> | |

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| | <p>comments.</p> <p>Mr. Gigliotti then verbally replied to the Board, thanking them for their appreciation and support. He noted that he had been through the potential Scripps merger which did not materialize. He thanked Bob Hemker for positively changing PPH's financial position. He also felt that the Shared Rewards Program was a positive step in creating a good working atmosphere within the system. He had created many friends during his time on the Board and that from personal family experience PMC, Pomerado and Villa Pomerado have as much to offer as other healthcare facilities within the San Diego area. Mr. Gigliotti received a standing ovation.</p> | | |

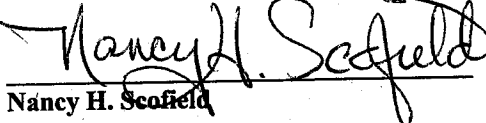
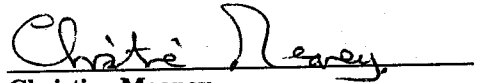
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| <ul style="list-style-type: none"> • Presentation of Award Pin | <p>Chairman Larson presented Mr. Gigliotti with a special award pin in recognition of his ten years on the Board of Directors</p> | | |
| <ul style="list-style-type: none"> • Election of Vice Chair | <p>Due to Mr. Gigliotti's resignation, who at the time held the position of Vice Chairperson on the Board of Directors, PPH Bylaws require that the Board elect a Vice Chair to serve until December, 2003.</p> <p>A call for nomination was made.</p> | <p>MOTION: by Berger, 2nd by Scofield and unanimously carried that the office of Vice Chair be filled by Director T.E. Kleiter.</p> <p>Congratulations were offered by all to Director Kleiter.</p> | |
| <ul style="list-style-type: none"> • Approval of Legal Representation for PPH | | <p>MOTION: by Rivera, 2nd by Bassett and unanimously carried that the firm of Latham & Watkins be retained for general counsel and other matters, excluding labor employment; and the firm of Davis, Wright, Tremaine be retained for labor and employment matters.</p> | |
| <ul style="list-style-type: none"> • Formation of ad hoc Nominating Committee and status to date | <p>Chairman Larson reported that an initial meeting was held September 29, 2003. PPH is required by law to make a board appointment to fill the vacancy in 60 days which would be November 23, 2003. Therefore an application process was opened up for three weeks and Notice of the vacancy was posted to over one hundred organizations, to our facilities, employees, and Auxiliaries. As of Friday, October 17, 2003 we had received three candidate applications, these being from Mr. Bruce Krider, consultant for hospital construction and services; Mr. Clark Hampton, an accountant and business manager with a school board; and Ruth Baer, RN, former Nurse Manager, the latter two candidates having run in the previous election.</p> | | |
| <ul style="list-style-type: none"> • Joint Board Retreat | <p>Chairman Larson commented that a successful Joint Board Retreat was held Saturday, September 27, 2003 between Palomar Pomerado Health Foundation and Palomar Pomerado Health Boards of Directors.</p> | | |

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| President and CEO | | | |
| <ul style="list-style-type: none"> • Introduction of Assistant to CEO | <p>Michael Covert, CEO, introduced Gelsy Shiell, noting that Ms Shiell had most recently worked for the leadership of Bridge Medical and he feels fortunate in having her as his Assistant. Christine Meaney, former Assistant to the CEO, had taken over from Rose Godfrey as Assistant to the Board.</p> | | |
| <ul style="list-style-type: none"> • September 2003 Values in Action Recipient | <p>Michael Covert congratulated Jean Kellum, Unit Secretary noted by her peers as possessing excellent computer skills and knowledge of HIPAA regulations.</p> | | |
| <ul style="list-style-type: none"> • ACHD Annual Meeting | <p>Michael Covert reported on this meeting, stating that 40 out of 45 hospital districts within California were represented. Legislative updates from Sacramento were also provided at the meeting.</p> | | |
| <ul style="list-style-type: none"> • Memorandum of Understanding (MOU) | <p>Mr. Covert commented upon a meeting he had with Dr. Art Gonzalez, CEO of Tri-City Medical Center, noting that PPH will go back to its Finance Committee to request \$150,000 to assist California State University San Marcos in engaging a consultant for the CSUSM nursing degree program. PPH has approached Tri-City to share in this requested funding and it is expected that, should they participate, they will share in 50% of the costs. It was anticipated that we will have several joint board meetings with Tri-City and both CEOs are developing a good working relationship.</p> | | |
| <ul style="list-style-type: none"> • Employee Service Awards | <p>In recognizing over 590 employees, with over 123 attending a special luncheon and others having been invited to a special evening dinner honoring 15 years – 35 years employment with PPH, Mr. Covert felt it was an honor for so many employees to be with the system over a period of time and he has been extremely pleased with the employees he has met in this regard.</p> | | |

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| | Director Scofield wished to remind of the Unity Awards Luncheon to be held Friday, October 24 and hoped that all could attend. | | |
| INFORMATION ITEMS | | | |
| <ul style="list-style-type: none"> ▪ Human Resources | Director Bassett said that this dashboard provided a good review. She would be interested in seeing an increase of RNs and a decrease of outside travelers and per diems with tracking to accommodate this. Director Kleiter acknowledged that he had asked Finance to track to ensure the cost of travelers is separated out. | | |
| <ul style="list-style-type: none"> ▪ Community Relations | Director Bassett referred to the top of p.74 of the packet regarding domestic violence, adding that there are men also involved in this situation and they also need to be coached and mentored. Director Rivera agreed. | | |
| <ul style="list-style-type: none"> ▪ ad hoc Nursing Future | Director Bassett felt that this ad hoc committee had done a fantastic job over this past year in accomplishing many of its aims toward strong nurse recruitment, training and refresher courses for nurses. She also congratulated Mr. Covert for his valued input and support. | | |

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| COMMITTEE REPORTS | | | |
| Human Resources | | | |
| <ul style="list-style-type: none"> • Pension & Deferred Compensation Plan Changes | <p>Following explanation by Director Kleiter relative to the 401A money purchase pension plan and the 457 Deferred Compensation Plan which had been revised to ensure that they are contemporary and competitive, to reflect collective bargaining agreements, and to address the Executive Pension Replacement Plan approved by the Board in February 2000, but not previously implemented, motions were requested to approve the revisions as suggested by the HR Committee via the Pension Committee.</p> | <p>MOTION: by Kleiter, 2nd by Bassett and unanimously approved, to revise the 401A Money Purchase Pension Plan as proposed.</p> <p>MOTION: by Kleiter, 2nd by Bassett and unanimously approved, to revise the 457 Deferred Compensation Plan as proposed.</p> | |
| <ul style="list-style-type: none"> • ad hoc Incentive Compensation Committee | <p>Following a meeting held October 7, 2003, Chairman Larson referred to the Shared Reward Payout, FY 2003 and to the Director/Executive Incentive Results and Payout, FY 2003, requesting motions as a result of audit reports confirming that the necessary financial "triggers" had been reached.</p> | <p>MOTION: by Kleiter, 2nd by Bassett and unanimously approved that the Shared Reward Payout for FY 2003 be granted to all eligible PPH employees, total not to exceed \$1,385,021, within FY 2003 budgeted amount. None opposed.</p> <p>MOTION: by Kleiter, 2nd by Bassett and unanimously approved that the Director/Executive Incentive Results and Payout for FY 2003 be approved for eligible directors and executives, total not to exceed \$1,013,900, within FY 2003 budgeted amount. None opposed.</p> | |
| Finance | | | |
| <ul style="list-style-type: none"> • Resolution No. 10.20.03(02) | | <p>MOTION: by Kleiter, 2nd by Berger and unanimously carried that authorization be given for second signature on PPH Central Accounts Payable Checks.</p> | |
| <ul style="list-style-type: none"> • Resolution No. 10.20.03(03) | | <p>MOTION: by Rivera, 2nd by Bassett and unanimously carried that authorization be given for second signature on PPIA General Checking.</p> | |
| <ul style="list-style-type: none"> • Resolution No. 10.20.03(04) | | <p>MOTION: by Kleiter, 2nd by Berger and unanimously carried that</p> | |

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| | | authorization be given for second signature on PPH TPA Checking. | |
| <ul style="list-style-type: none"> Facility Planning Capital for Enhanced Bed Capacity | | MOTION: by Rivera, 2 nd by Bassett and unanimously approved for the capital budget override of \$2 million to increase the bed capacity at Palomar Medical Center, contingent upon State approval of the final plan. | |
| <ul style="list-style-type: none"> Property and Casualty Insurance Renewal | | MOTION: by Rivera, 2 nd by Bassett and unanimously approved for the proposed Property and Casualty Insurance policy, recognizing the exclusion of any Earthquake insurance coverage. Congratulations were extended to Bob Hemker. | |
| BOARD MEMBER COMMENTS/AGENDA ITEMS FOR NEXT MONTH | <ul style="list-style-type: none"> Director Bassett referred to Escondido Street Fair being held this coming weekend, with flu shots being available. Director Berger voiced concern over public comments being made which had no connection to agenda items. Director Kleiter noted that public board comments are important as part of our service as a public entity and that those speaking are allowed to comment at the start of the meeting during a specific timeframe on any matter that may, or may not be on the agenda. Director Bassett acknowledged that this also promoted goodwill and allowed the public to air their comments or concerns. | | |
| ADJOURNMENT TO CLOSED SESSION | 7:50 p.m. | | |
| OPEN SESSION RESUMES/FINAL ADJOURNMENT | <ul style="list-style-type: none"> Resolution No. 10.20.03(05) | MOTION: by Rivera, 2 nd by Kleiter and unanimously carried that Resolution No. 10.20.03(05) be approved as presented. | |
| | <ul style="list-style-type: none"> Approval of CEO Goals FY 2004 | MOTION: by Rivera, 2 nd by Kleiter | |

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| | | and unanimously carried that the CEO Goals for FY 2004 be approved as presented. | |
| | <ul style="list-style-type: none"> • Approval of CEO Bonus FY 2003 | <p>MOTION: by Berger, 2nd by Rivera and unanimously carried that the CEO's bonus for the first six months of Mr. Covert's tenure (January – June, 2003) be in an amount of \$75,000.00. None opposed.</p> <p>Chairman Larson commented that Mr. Covert's evaluation had been superior. In response, Mr. Covert was personally appreciative of the support he has been shown by the Board and sincerely thanked them.</p> | |
| | <ul style="list-style-type: none"> • Recognition Banquet | <p>Chairman Larson encouraged a recognition banquet for the leaders within our system from amongst physicians, chiefs of staff, retiring volunteers, Foundation, etc. This event should be planned for sometime between November and January.</p> | |
| FINAL ADJOURNMENT | Meeting adjourned at 9:00 p.m. | | |
| SIGNATURES | <ul style="list-style-type: none"> ▪ Board Secretary  Nancy H. Scofield ▪ Board Assistant  Christine Meaney | | |

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