



PALOMAR
POMERADO
HEALTH

**BOARD OF DIRECTORS
AGENDA PACKET**

March 13, 2006

*The mission of Palomar Pomerado Health
is to heal, comfort and promote health
in the communities we serve.*

A California Health Care District (Public Entity)

PALOMAR POMERADO HEALTH BOARD OF DIRECTORS

Marcelo R. Rivera, MD, Chairman
Nancy L. Bassett, RN, MBA, Vice Chairman
Linda C. Greer, RN, Secretary
T. E. Kleiter, Treasurer
Bruce G. Krider, MA
Alan W. Larson, MD
Nancy H. Scofield
Michael H. Covert, President and CEO

*Regular meetings of the Board of Directors are usually held on the second Monday
of each month at 6:30 p.m., unless indicated otherwise
For an agenda, locations or further information
call (858) 675-5106, or visit our website at www.pph.org*

MISSION STATEMENT

***The Mission of Palomar Pomerado Health is to:
Heal, Comfort, Promote Health in the Communities we Serve***

VISION STATEMENT

***Palomar Pomerado Health will 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***

CORE VALUES

Integrity

To be honest and ethical in all we do, regardless of consequences

Innovation and Creativity

To courageously seek and accept new challenges, take risks, and envision new and endless possibilities

Teamwork

To work together toward a common goal, while valuing our difference

Excellence

To continuously strive to meet the highest standards and to surpass all customer expectations

Compassion

*To treat our patients and their families with dignity, respect and empathy at all times and
to be considerate and respectful to colleagues*

Stewardship

To inspire commitment, accountability and a sense of common ownership by all individuals

Affiliated Entities

Escondido Surgery Center * Palomar Medical Center * Palomar Medical Auxiliary & Gift Shop * Palomar Continuing Care Center *
Palomar Pomerado Health Foundation * Palomar Pomerado Home Care * Pomerado Hospital * Pomerado Hospital Auxiliary & Gift Shop *
Palomar Pomerado Health Concern * Ramona Radiology Center * VRC Gateway & Parkway Radiology Center * Villa Pomerado
• Palomar Pomerado North County Health Development, Inc.*

**PALOMAR POMERADO HEALTH
BOARD OF DIRECTORS
REGULAR MEETING AGENDA**

Monday, March 13, 2006

Open Session: 6:30 p.m.

**Pomerado Hospital
15615 Pomerado Road
Meeting Room E
Poway, California 92064**

	<u>Time</u>	<u>Page</u>
I. CALL TO ORDER		
II. OPENING CEREMONY		5
A. Pledge of Allegiance		
B. Recitation – Chaplain David Walden		
C. Mission & Vision – Board Member		
<i>“The mission of Palomar Pomerado Health is to heal, comfort and promote health in the communities we serve.”</i>		
<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>		
III. PUBLIC COMMENTS		5
<i>(5 mins allowed per speaker with cumulative total of 15 min per group – for further details & policy see Request for Public Comment notices available in meeting room).</i>		
IV. * MINUTES		2
Regular Board Meeting – February 13, 2006 <i>(separate cover)</i>		
Special Board Meeting (ERTC Site; Development Agreement etc) – February 23, 2006 <i>(separate cover)</i>		
V. * APPROVAL OF AGENDA to accept the Consent Items as listed		5 1-163
A. Consolidated Financial Statements		
B. Revolving Fund Transfers/Disbursements – January, 2006		
1. Accounts Payable Invoices	\$ 26,263,919.00	
2. Net Payroll	9,094,093.00	
Total	\$ 35,358,012.00	
C. Ratification of Paid Bills		
D. January 2006 & YTD FY 2006 Financial Report		
E. Independent Citizens’ Oversight Committee Minutes – October 5, 2005		
F. Independent Citizens’ Oversight Committee Membership Status Update		
G. Independent Citizens’ Oversight Committee Update – Posting Agendas/Schedules		
H. Pomerado Hospital Administrative Services Agreement – Medical Staff Officers, Department Chairs, QMC Chair – Chief of Staff – Paul E. Tornambe, M.D. – Two-Year Term Chief of Staff elect – Benjamin Kanter, M.D. – Two-Year Term		<i>(Contd...)</i>
<i>“In observance of the ADA (American with Disabilities Act), please notify us at 858-675-5106, 48 hours prior to the meeting so that we may provide reasonable accommodations”</i>		

Chairman, Quality Management Committee – Roger J. Acheatel, M.D.
 – One-Year Term

- I. Hospitalist Programs at Palomar Medical Center and Pomerado Hospital – Hospital Agreement with Neighborhood HealthCare
- J. per Governance Committee February 14, 2006 – Revisions/Retirement of PPH Board Policies

(Pgs 1-79 of
 ADDENDUM "A")

VI. PRESENTATIONS

- A. Environment of Care (EOC) Annual Report 10
 - Kevin Matsukado, Director, Security & Safety
 - Jeffrey Cleek, Safety Officer

VII. REPORTS

- A. Medical Staffs 10

- * 1. Palomar Medical Center – *Robert D. Trifunovic, M.D.* 164-179
 - a. Credentialing/Reappointments
 - b. PMC Dept of Anesthesia Rules & Regulations
- * 2. Escondido Surgery Center – *Marvin W. Levenson, M.D.* 180
 - a. Credentialing/Reappointments
- * 3. Pomerado Hospital – *Paul E. Tornambe, M.D.* 181-182
 - a. Credentialing/Reappointments

B. Administrative

- 1. President of Palomar Pomerado Health Foundation – *Pauline Getz* 5 Verbal Report
 - a. Update on PPHF Activities
- 2. Chairman of the Board – *Marcelo R. Rivera, M.D.* 10 Verbal Report
 - a. Congratulatory letter February 28 from Escondido City Attorney
 - b. Sacramento Legislative Day February 22
 - c. CSUSM Annual Fundraiser March 5
 - * d. **Resolution No. 03.13.06(01)-05** Verifying Continued PPH Board Commitment to the PMC Trauma Program 183-184
- 3. President and CEO – *Michael H. Covert* 20 Verbal Report
 - a. 3rd Annual Leadership Recognition Gala – Friday, March 31
 - b. Quarterly Reports from Executive Staff
 - i. Gerald Bracht, Palomar Medical Center
 - ii. Jim Flinn, Pomerado Hospital
 - iii. Sheila Brown, Clinical Outreach
 - iv. Lorie Shoemaker, Chief Nurse Executive

VIII. INFORMATION ITEMS 185-198 *(Discussion by exception only)*

- A. Rancho Penasquitos Center Update } Strategic Planning
- B. Physician Relations Plan } Strategic Planning
- C. Neuroscience Service Line Update } Strategic Planning
- D. FY '06 Goal Status } Strategic Planning
- E. Annual Review of Bylaws Committee section/
 Position Description } Strategic Planning
- F. Meeting Schedule, 2006 } Governance
- G. Annual Review of Bylaws Committee section } Governance
- H. Annual Review of Committee Position Description } Governance

- I. PPH "Community Service" Brochure } Governance
- J. Legislative/Governmental Relations Update } Governance

IX. COMMITTEE REPORTS – *for Finance and Governance Committees see also under Consent Items*

A. ad hoc Legal Committee – *Marcelo Rivera, M.D., Board Chairman*

- * 1. **Approval:** Recruitment of District in-house legal counsel; and formulation of relevant Board Policy 199

X. BOARD MEMBER COMMENTS/AGENDA ITEMS FOR NEXT MONTH


- A. ACHD Legislative Day March 6/7, Sacramento – *Director T. E. Kleiter*

XI. ADJOURNMENT

**PALOMAR POMERADO HEALTH
CONSOLIDATED DISBURSEMENTS
FOR THE MONTH OF
JANUARY, 2006**

01/01/06	TO	01/31/06	ACCOUNTS PAYABLE INVOICES	\$26,263,919.00
01/13/06	TO	01/27/06	NET PAYROLL	<u>\$9,094,093.00</u>
				\$35,358,012.00

I hereby state that this is an accurate and total listing of all accounts payable, patient refund and payroll fund disbursements by date and type since the last approval.



CHIEF FINANCIAL OFFICER

APPROVAL OF REVOLVING, PATIENT REFUND AND PAYROLL FUND DISBURSEMENTS:

Treasurer, Board of Directors PPH _____

Secretary, Board of Directors PPH _____

This approved document is to be attached to the last revolving fund disbursement page of the applicable financial month for future audit review.

cc: M. Covert, G. Bracht, R. Hemker, J. Flinn

January 2006 & Fiscal YTD 2006 Financial Report

TO: Board of Directors

FROM: Board Finance Committee
Thursday, February 23, 2006

MEETING DATE: Monday, March 13, 2006

FROM: Robert Hemker, CFO

Background: The Board Financial Reports (unaudited) for January 2006 and Fiscal YTD 2006 are submitted for the Board's approval.

Budget Impact: N/A

Staff Recommendation: Staff recommends approval.

Committee Questions:

COMMITTEE RECOMMENDATION: The Finance Committee recommends approval of the Board Financial Reports (unaudited) for January 2006 and Fiscal YTD 2006.

Motion:

Individual Action:

Information:

Required Time:

PALOMAR POMERADO HEALTH

A California Health Care District

BOARD FINANCIAL REPORT

January 2006

(UNAUDITED)

**PREPARED BY THE FINANCE DEPARTMENT
15255 INNOVATION DRIVE, SUITE 202
SAN DIEGO, CA 92128
(858) 675-5223**

PALOMAR POMERADO HEALTH
A California Health Care District

BOARD FINANCIAL REPORT

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Bond Covenant Ratios	8

**PALOMAR POMERADO HEALTH
JANUARY 2006 and YTD FY 2006 FINANCIAL RESULTS
EXECUTIVE SUMMARY and HIGHLIGHTS**

Statistics:

Consolidated acute patient days increased 298 days (3%) to 10,258 in January compared to December's 9,960. YTD acute patient days of 66,187 are slightly (3%) above budget of 64,152. The acute Average Daily Census (ADC) was 331 in January compared to 321 in December. Acute admissions for January YTD were 16,626 compared to budget of 16,312 (2% higher than budget). YTD January SNF patient days were 44,790 compared to budget of 44,533 (.6% variance).

Palomar's YTD acute patient days of 50,164 are above budget at 48,688 (1,476 or 3% higher); however, PMC is experiencing 23% less trauma cases than budget. Palomar's cardiovascular surgery cases are also down by 16% (from budget and prior year) and total surgery cases were down 6% from budget.

Pomerado's acute patient days are 559 days (3.6%) greater than budget (actual = 16,023, budget = 15,464), and almost all of this variance occurred in December & January. The YTD mental health patient days are up 305, medical acute patient days are up 366 and labor/delivery patient days are down 112 from budget.

Balance Sheet:

Current Cash & Cash Equivalents increased \$3.6 million to \$109.9 million in January from \$106.1 million in December. The increase is due to 1) increased patient account collections and 2) receipt of prior period settlements from Medicare. Total Cash and Investments are \$134 million, compared to \$131 million at June 30, 2005. Days cash on hand are 144 compared to 148 at June 30, 2005, still within "A" rated guidelines. Additional amounts paid from working capital for Facility Master Plan usage remaining to be reimbursed of approximately \$20 million dollars or 22 days of cash on hand

Net Accounts Receivable increased approximately \$1 million to \$72.5 million in January as compared to December. Gross A/R days were 52.2 in January, down significantly from December's 56.8 days. June 2005 and 2004 gross A/R days were 70 and 40, respectively. January patient account collections (excluding Capitation) were \$25.3 million, compared to budget of \$26.1 million. YTD patient account collections (excluding capitation) are \$11 million below budget at \$172 million (budget was \$183 million).

Other Assets decreased \$2.1 million to \$4.9 million, mainly due to property tax receipts.

Accounts Payable increased \$2.6 million in January due to the timing of vendor in payments.

Estimated 3rd Party liability increased by \$1.5 million due to the receipt of Medicare prior year settlements.

Income Statement:

Gross Patient Revenue for YTD January reflects a favorable budget variance of \$27 million. This favorable variance is composed of an \$18.4 million favorable volume variance and an \$8.9 million favorable rate variance.

Routine revenue (inpatient room and board) reflects an unfavorable \$1.4 million budget variance. PPH North reflects a favorable variance of \$417 thousand, and PPH South reflects a favorable variance of \$967 thousand, despite the 1,008 patient day increase as a result of the change in mix of business previously noted.

Inpatient Ancillary gross revenue represents a YTD \$21 million favorable budget variance at January. PPH North reflects a favorable variance of \$20.3 million, and PPH South reflected \$626 thousand favorable variance. The main contributors to Palomar's favorable variance were

reflected in the Emergency Room, Cat Scanner, Pharmacy and Patient Supply departments, totaling \$15.6 million higher than budget.

Outpatient revenue reflects a YTD favorable budget variance of \$4.9 million. The majority of this favorable variance is reflected at PPH North at \$6 million, and the majority of this variance is in the Emergency (\$3.6 million) and Pharmacy (\$1.2 million.) Departments.

Deductions from Revenue reflects a YTD unfavorable variance of \$28.6 million. This variance is due to: 1) Disproportional IP Ancillary revenue compared to routine nursing revenue (which results in additional contractual adjustments of approximately \$20 million and is the result of most payer payments being based upon case rate or per diem reimbursement for inpatient services) at Palomar; and, 2) An increase in uninsured patients resulting in charity, undocumented and bad debt write-offs. Total Deductions from Revenue is 68.9% of gross revenue, compared to a budget of 67%.

Deductions from Revenue (excluding Capitation revenue and Bad Debt/Charity/Undocumented expenses) was 64% of Gross Revenue for January YTD, compared to budget of 63%.

The Capitation monies retained by PPH are reflecting a YTD \$3.3 million favorable variance as of January.

Bad debt, charity & undocumented care write-offs reflected a YTD unfavorable \$4.4 million budget variance (\$2.2 million of this variance occurred in January). PPH North is experiencing a higher proportion of uninsured patients than we have experienced in previous years. Bad debt, charity and undocumented write-offs as a percentage of gross revenue are 5.2%, compared to budget of 4.7%. The .5% variance approximates \$3.2 million.

Other Operating Revenue reflects an unfavorable budget variance of \$819 thousand. A large portion of this variance, \$611 thousand, is related to laboratory services that were budgeted in Other Operating Revenue but are being recognized in OP Revenue.

Salaries, Wages & Contract Labor reflects a YTD unfavorable variance of \$2.2 million (January reflected an unfavorable variance of \$817 thousand). This YTD unfavorable variance is composed of: 1) Salaries and Wages – \$259,000 (actual \$92 million); and, 2) Contract Labor – (\$1,970,000) (actual \$7.3 million). PPH North reflects an unfavorable \$2.3 million; PPH South reflects an unfavorable \$649 thousand; and Central Office reflects a favorable \$542 thousand. Nursing educations for new hires is a key contributor to the variance.

Benefits Expense is reflecting a YTD favorable budget variance of \$17 thousand.

Supplies Expense is reflecting a YTD unfavorable budget variance of \$1.7 million. January reflected an unfavorable \$929 thousand budget variance (the majority of the variance was \$475 thousand in prosthesis—notably AICDs – and \$337 thousand in pharmacy). PPH North reflected an unfavorable \$1.9 million variance from budget. The majority of PPH North's variance is in Pharmacy (\$828 thousand), Prosthesis (\$682 thousand) and Surgery General (\$558 thousand).

Prof Fees & Purch Services reflected a favorable budget variance of \$1.4 million, primarily the result of having been budgeted evenly throughout the year.

Non-Operating Income reflects a YTD favorable variance of \$547 thousand in January, including a \$290 thousand favorable investment income variance. Investment income reflects a 2.6% investment rate of return, compared to budget of 2.5%.

Ratios & Margins:

All required bond covenant ratios were achieved in January 2006.

YTD OEBITDA Margin is 7.9%, and Net Income Margin is 3%.

Palomar Pomerado Health
Balanced Scorecard
Financial Indicators
January 31, 2006

October		November		December		January		YTD 2006		% Actual to Bud/PY
Actual	Actual	Actual	Actual	Actual	Actual	Bud/PY	Variance	Actual	Bud/PY	

PPH Indicators:

7.6%	8.6%	5.8%	9.6%	9.9%	-0.3%	97.0%	7.9%	9.8%	-1.9%
\$ 2,403.66	\$ 2,495.98	\$ 2,365.25	\$ 2,332.54	\$ 2,432.74	\$ 100.20		2,396.51	\$ 2,435.68	\$ 39.17
\$ 1,407.71	\$ 1,449.94	\$ 1,361.76	\$ 1,346.58	\$ 1,416.75	\$ 70.17		1,401.49	\$ 1,417.05	\$ 15.56
6.50	5.83	5.88	6.08	6.17	0.09		6.05	6.17	0.12
12,214	12,331	13,089	13,278	13,117	161	101.2%	87,933	86,049	1,884

PPH North Indicators:

5.3%	7.2%	5.6%	12.3%	11.9%	0.4%		8.1%	11.8%	-3.7%
\$ 2,323.64	\$ 2,354.93	\$ 2,243.09	\$ 2,250.84	\$ 2,306.47	\$ 55.63		2,283.36	\$ 2,308.77	\$ 25.41
\$ 1,222.66	\$ 1,210.68	\$ 1,144.45	\$ 1,122.55	\$ 1,180.75	\$ 58.20		1,181.08	\$ 1,181.02	\$ (0.06)
5.61	5.00	4.94	5.07	5.09	0.02		5.10	5.10	-
8,414	8,796	9,269	9,345	9,414	(69)		62,229	61,199	1,030

PPH South Indicators:

10.3%	8.9%	3.1%	2.2%	1.4%	0.8%		4.9%	1.3%	3.6%
\$ 2,315.48	\$ 2,510.15	\$ 2,359.30	\$ 2,247.26	\$ 2,443.48	\$ 196.22		2,373.58	\$ 2,446.70	\$ 73.12
\$ 1,212.00	\$ 1,303.76	\$ 1,230.71	\$ 1,156.12	\$ 1,261.88	\$ 105.76		1,235.38	\$ 1,262.12	\$ 26.74
5.90	5.59	5.73	5.53	5.87	0.34		5.69	5.88	0.19
3,573	3,390	3,606	3,772	3,518	254		24,436	23,348	1,088

**Palomar Pomerado Health
Consolidated Balance Sheet
As of January 31, 2006**

	Current Month	Prior Month	Prior Fiscal Year End
Assets			
Current Assets			
Cash on Hand	\$2,794,335	\$375,736	\$12,663,073
Cash Marketable Securities	107,077,258	105,821,946	96,380,135
Total Cash & Cash Equivalents	109,871,593	106,197,682	109,043,208
Patient Accounts Receivable	163,295,758	171,063,386	190,388,774
Allowance on Accounts	-90,712,543	-99,450,430	-120,586,401
Net Accounts Receivable	72,583,215	71,612,956	69,802,373
Inventories	6,537,498	6,315,113	6,320,951
Prepaid Expenses	2,335,889	2,593,069	2,383,903
Other	4,963,469	7,101,865	828,210
Total Current Assets	196,291,664	193,820,685	188,378,645
Non-Current Assets			
Restricted Assets	87,696,165	85,424,880	12,026,055
Restricted by Donor	284,918	284,224	281,473
Board Designated	24,082,848	26,040,134	22,388,648
Total Restricted Assets	112,063,931	111,749,238	34,696,176
Property Plant & Equipment	329,044,444	330,630,007	337,484,770
Accumulated Depreciation	-217,767,576	-218,275,014	-218,491,576
Construction in Process	44,687,516	41,281,479	28,023,698
Net Property Plant & Equipment	155,964,384	153,636,472	147,016,892
Investment in Related Companies	6,332,625	6,321,473	6,175,837
Deferred Financing Costs	3,327,904	3,333,047	2,311,702
Other Non-Current Assets	1,195,733	1,209,168	1,274,318
Total Non-Current Assets	278,884,577	276,249,398	191,474,925
Total Assets	\$475,176,241	\$470,070,083	\$379,853,570
Liabilities			
Current Liabilities			
Accounts Payable	\$14,488,384	\$11,881,665	\$18,090,054
Accrued Payroll	16,472,527	17,315,838	19,511,491
Accrued PTO	10,026,370	10,269,871	10,212,195
Accrued Interest Payable	3,364,271	2,753,690	708,785
Current Portion of Bonds	12,745,000	12,745,000	6,125,000
Est Third Party Settlements	-613,342	-2,114,526	-4,522,051
Other Current Liabilities	12,917,358	13,783,929	6,642,463
Total Current Liabilities	69,400,569	66,635,467	56,767,937
Long Term Liabilities			
Bonds & Contracts Payable	151,221,989	151,196,908	79,819,688
Fund Balance			
Unrestricted	230,185,920	225,913,348	220,595,825
Restricted for Other Purpose	284,918	284,224	281,473
Board Designated	24,082,848	26,040,134	22,388,648
Total Long Term Liabilities	254,553,686	252,237,706	243,265,946
Total Liabilities / Fund Balance	\$475,176,241	\$470,070,083	\$379,853,570

**PALOMAR POMERADO HEALTH
CONSOLIDATED
FYTD 2006
JAN 06**

	Month Activity		Variance	Variance			\$/Wtg Pt Day
	Actual	Budget		Volume	Rate/Eff	Actual	

Statistics:

Admissions - Acute	16,626	16,312	314				
Admissions - SNF	708	799	(91)				
Patient Days - Acute	66,187	64,152	2,035				
Patient Days - SNF	44,790	44,533	257				
LOS - Acute	3.97	4.00	(0.03)				
LOS - SNF	40.28	37.96	2.32				
Weighted Pt Days	87,933	85,407	2,526				

Revenue:

Gross Revenue	\$ 649,708,469	\$ 622,421,479	\$ 27,286,990	F	\$ 8,878,234	\$ 7,388.68	\$ 7,287.71	\$ 100.97
Deductions from Rev	(446,108,062)	(417,516,792)	(28,591,270)	U	(16,242,781)	(5,073.27)	(4,888.55)	(184.72)
Net Patient Revenue	203,600,407	204,904,687	(1,304,280)	U	6,060,267	(7,364.547)	2,315.40	(83.75)
Other Oper Revenue	5,119,811	5,939,353	(819,542)	U	175,662	(995,204)	58.22	69.54
Total Net Revenue	208,720,218	210,844,040	(2,123,822)	U	6,235,930	(8,359,752)	2,373.63	2,468.70

Expenses:

Salaries, Wages & Contr Labor	99,292,045	97,063,223	(2,228,822)	U	(2,870,745)	641,923	1,129.18	1,136.48	7.30
Benefits	23,945,036	23,962,498	17,462	F	(708,716)	726,178	272.31	280.57	8.26
Supplies	36,514,707	34,788,828	(1,725,879)	U	(1,028,915)	(896,964)	415.26	407.33	(7.93)
Prof Fees & Purch Svc	26,094,224	27,495,399	1,401,175	F	(813,205)	2,214,380	296.75	321.93	25.18
Depreciation	10,241,295	10,009,214	(232,081)	U	(296,033)	63,952	116.47	117.19	0.73
Other	11,719,729	11,803,189	83,460	F	(349,091)	432,551	133.28	138.20	4.92
PPH Allocation	-	3	3	F	(0)	3	-	0.00	0.00
Total Expenses	207,807,036	205,122,354	(2,684,685)	U	(6,066,705)	3,382,023	2,363.24	2,401.70	38.46

Net Inc Before Non-Oper Income

Net Inc Before Non-Oper Income	913,182	5,721,686	(4,808,506)	U	169,225	(4,977,729)	10.38	66.99	(56.61)
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Property Tax Revenue

Property Tax Revenue	6,358,331	6,358,331	-	-	188,054	(188,054)	72.31	74.45	(2.14)
Non-Operating Income	(630,360)	(1,178,149)	547,789	F	(34,845)	582,634	(7.17)	(13.79)	6.63

Net Income (Loss)

Net Income (Loss)	\$ 6,641,153	\$ 10,901,868	\$ (4,260,717)	U	\$ 322,434	\$ (4,583,149)	\$ 75.53	\$ 127.65	\$ (52.12)
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Net Income Margin

Net Income Margin	3.0%	4.9%	-1.9%
OEBITDA Margin w/o Prop Tax	5.0%	7.0%	-2.0%
OEBITDA Margin with Prop Tax	7.9%	9.8%	-1.9%

F= Favorable variance

U= Unfavorable variance

**PALOMAR POMERADO HEALTH
CONSOLIDATED
MTD 2006
JAN 2006**

	Month Activity		Variance	Variance			\$/Wtg Pt Day		
	Actual	Budget		Volume	Rate/Eff	Actual	Budget	Variance	
Statistics:									
Admissions - Acute	2,380	2,352	28						
Admissions - SNF	99	115	(16)						
Patient Days - Acute	10,258	9,250	1,008						
Patient Days - SNF	6,482	6,421	61						
LOS - Acute	3,97	4,00	(0.03)						
LOS - SNF	40,26	37,95	2,31						
Weighted Pt Days	13,278	12,315	963						
Revenue:									
Gross Revenue	\$ 101,036,758	\$ 89,738,729	\$ 11,298,029	F	\$ 4,280,701	\$ 7,609.34	\$ 7,286.95	\$ 322.39	
Deductions from Rev	(70,137,875)	(60,196,380)	(9,941,495)	U	(5,234,299)	(5,282.26)	(4,888.05)	(394.21)	
Net Patient Revenue	30,898,883	29,542,349	1,356,534	F	(953,599)	2,327.07	2,398.89	(71.82)	
Other Oper Revenue	487,382	848,479	(361,097)	U	(427,446)	36.71	68.90	(32.19)	
Total Net Revenue	31,386,265	30,390,828	995,437	F	(1,381,044)	2,363.78	2,467.79	(104.01)	
Expenses:									
Salaries, Wages & Contr Labor	14,810,465	13,992,843	(817,622)	U	276,581	1,115.41	1,136.24	20.83	
Benefits	3,069,404	3,454,472	385,068	F	655,198	231.16	280.51	49.34	
Supplies	5,945,923	5,016,992	(928,931)	U	(536,616)	447.80	407.39	(40.41)	
Prof Fees & Purch Svc	3,875,056	3,950,029	74,973	F	383,855	291.84	320.75	28.91	
Depreciation	1,532,681	1,435,958	(96,723)	U	15,565	115.43	116.60	1.17	
Other	1,319,203	1,694,297	375,094	F	507,583	99.35	137.58	38.23	
PPH Allocation	-	1	1	F	(0)	-	0.00	0.00	
Total Expenses	30,552,732	29,544,592	(1,008,140)	U	1,302,168	2,301.00	2,399.07	98.07	
Net Inc Before Non-Oper Income	833,533	846,236	(12,703)	U	78,876	62.78	68.72	(5.94)	
Property Tax Revenue	908,333	908,333	-	-	(71,029)	68.41	73.76	(5.35)	
Non-Operating Income	(89,686)	(168,307)	78,621	F	91,782	(6.75)	(13.67)	6.91	
Net Income (Loss)	\$ 1,652,180	\$ 1,566,262	\$ 85,918	F	(58,123)	\$ 124.43	\$ 128.81	\$ (4.38)	
Net Income Margin	4.9%	4.9%	0.0%						
OEBITDA Margin w/o Prop Tax	7.0%	7.0%	0.0%						
OEBITDA Margin with Prop Tax	9.6%	9.9%	-0.3%						

F= Favorable variance
U= Unfavorable variance

Palomar Pomerado Health
STATEMENTS OF CASH FLOWS
Fiscal Year 2006

	<u>January</u>	<u>YTD</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income (Loss from operations)	\$ 833,533	\$ 913,180
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation Expense	1,532,681	10,241,294
Provision for bad debts	3,069,712	17,949,503
Changes in operating assets and liabilities		
Patient accounts receivable	(4,039,971)	(20,730,345)
Property Tax and other receivables	(51,411)	(10,738,759)
Inventories	(222,385)	(216,547)
Prepaid expenses and Other Non-Current assets	246,028	(534,977)
Accounts payable	2,606,719	(2,779,920)
Accrued comp	(1,086,812)	(3,224,789)
Estimated settlement amounts due third-party payor	1,501,184	3,908,709
Other current liabilities	41,762	12,633,226
Net cash provided by operating activities	<u>4,431,040</u>	<u>7,420,579</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (purchases) sales on investment	(1,570,005)	(88,064,880)
Interest (Loss) received on investment	340,226	1,983,372
Investment in affiliates	13,435	306,791
Net cash used in investing activities	<u>(1,216,344)</u>	<u>(85,774,717)</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:		
Other	0	0
Receipt of G.O. Bond Taxes	1,321,573	4,877,911
Receipt of district taxes	1,532,031	6,576,238
Net cash used in activities	<u>2,853,604</u>	<u>11,454,149</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of property plant and equipmen	(3,649,702)	(17,684,637)
Proceeds from sale of asset	0	781,634
Interest paid	0	(2,126,354)
Proceeds from issuance of deb	0	82,185,607
Payments of LT Debt	0	(6,125,000)
Net cash used in activities	<u>(3,649,702)</u>	<u>57,031,250</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,418,598	(9,868,739)
CASH AND CASH EQUIVALENTS - Beginning of period	<u>375,736</u>	<u>12,663,073</u>
CASH AND CASH EQUIVALENTS - End of period	<u>\$ 2,794,334</u>	<u>\$ 2,794,334</u>

PALOMAR POMERADO HEALTH BOND COVENANT RATIOS

CUSHION RATIO	Jun-04	Jun-05	Jan-06
Cash and Cash Equivalents	140,057,417	109,043,208	109,871,593
Board Designated Reserves	27,374,261	22,388,648	24,082,848
Trustee-held Funds	11,853,970	12,026,055	9,517,306
Total	179,285,648	143,457,911	143,471,747
Divided by: Max Annual Debt Service (Bond Year 2012)	10,697,594	10,697,594	10,697,594

CUSHION RATIO	16.8	13.4	13.4
REQUIREMENT	1.5	1.5	1.5
	Achieved	Achieved	Achieved

DAYS CASH ON HAND	Jun-04	Jun-05	Jan-06
Cash and Cash Equivalents	140,057,417	109,043,208	109,871,593
Board Designated Reserves	27,374,261	22,388,648	24,082,848
Total	167,431,678	131,431,856	133,954,441
Divide Total by Average Adjusted Expenses per Day			
Total Expenses	311,614,910	340,338,156	207,807,036
Less: Depreciation	14,546,550	16,394,985	10,241,295
Adjusted Expenses	297,068,360	323,943,171	197,565,741
Number of days in period	366	365	215
Average Adjusted Expenses per Day	811,662	887,516	918,910

DAYS CASH ON HAND	206	148	146
REQUIREMENT	90	90	90
	Achieved	Achieved	Achieved

Net Income Available for Debt Service	Jun-04	Jun-05	Jan-06
Excess of revenue over expenses Cur Mo.	2,905,196	1,490,930	1,652,180
Excess of revenues over expenses YTD (General Funds)	16,053,177	17,052,649	6,641,153
ADD:			
Depreciation and Amortization	14,546,550	16,394,985	10,241,295
Interest Expense	5,581,454	5,272,031	2,924,947
Net Income Available for Debt Service	36,181,181	38,719,665	19,807,395

Aggregate Debt Service

1993 Insured Refunding Revenue Bonds	6,017,132	6,020,301	2,619,527
1999 Insured Refunding Revenue Bonds	4,357,728	4,356,844	3,513,851
Aggregate Debt Service	10,374,860	10,377,145	6,133,378

Net Income Available for Debt Service	3.49	3.73	3.23
Required Coverage	1.15	1.15	1.15
	Achieved	Achieved	Achieved

**Independent Citizens' Oversight Committee
Approval of Minutes from Meeting on October 5, 2005**

TO: Board of Directors
FROM: Independent Citizens' Oversight Committee
MEETING DATE: Monday, March 13, 2006
BY: Bob Hemker, CFO

Background: On Wednesday, October 5, 2005, the Palomar Pomerado Health Hospital, Emergency Care, Trauma Center Improvement and Repair Measure Bonds Independent Citizens' Oversight Committee (ICOC) held their second meeting.

Pursuant to §6.4 of the ICOC PP&G, a draft report of all ICOC meetings is to be submitted to the District Board for inclusion in the Board's public records. The draft minutes from the meeting on October 5, 2005, have been reviewed by the ICOC Chair and approved for presentation to the ICOC members and the PPH Board.

Budget Impact: N/A

Staff Recommendation: Approval of the draft minutes from the ICOC meeting held on October 5, 2005

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion: X

Individual Action:

Information:

Required Time:

PARTICIPANT ROSTER

**PALOMAR POMERADO HEALTH
HOSPITAL, EMERGENCY CARE, TRAUMA CENTER IMPROVEMENT AND REPAIR MEASURE BONDS
INDEPENDENT CITIZENS' OVERSIGHT COMMITTEE**

Conference Room A, 15255 Innovation Drive, San Diego, CA

PARTICIPANTS		MEETING DATES											
MEMBERS													
WILLIAM L. CORWIN (AT LARGE)		P	P										
STEPHEN FRIAR (AT LARGE)		P	P										
LEE HUMAN, MD (PHYSICIAN)		E	E										
JERRY KAUFMAN, MPT (BUSINESS ORG) - SECRETARY		P	P										
EDWARD R. LEHMAN (SR CITIZENS' ORG)		P	P										
JOHN MCIVER (AT LARGE)		P	P										
KATHY LEECH MCKINNEY (AT LARGE)		P	P										
MARGARET MOIR (AT LARGE)		P	P										
BOB WELLS (TAXPAYERS' ORG) - VICE CHAIR		P	P										
STEPHEN P. YERXA (AT LARGE) - CHAIR		P	P										
DISTRICT SUPPORT STAFF													
BOB HEIMKER, CFO		P	P										
TANYA HOWELL, EXECUTIVE ASST - SCRIBE		P	P										
GUESTS													
MIKE SHANAHAN, DIRECTOR FACILITIES			P										

[P = Present E = Excused A = Absent]

**Independent Citizens' Oversight Committee
Meeting Minutes – Wednesday, October 5, 2005**

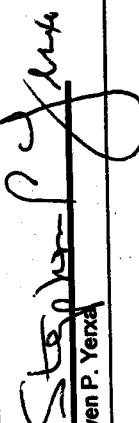


AGENDA ITEM/PURPOSE	DISCUSSION/RECOMMENDATION	ACTION/COMMENTS
I. CALL TO ORDER & ROLL CALL	Meeting called to order at 3:05 p.m. by District CFO Bob Hemker, acting as facilitator.	
II. INFORMATION ITEM	<p>Secretary Jerry Kaufman has a probable conflict of interest pursuant to §5.2.3 of the PP&G, as his grown son is employed at PPH</p> <ul style="list-style-type: none"> • Resignation to be discussed with Bond Counsel before acceptance <ul style="list-style-type: none"> ○ If resignation is accepted, will take to PPH Board for action <ul style="list-style-type: none"> ▪ Replacement as Secretary will need to be appointed ▪ Replacement as Business Org representative will need to be appointed <ul style="list-style-type: none"> • Four other current ICOC members applied as Business Org representatives ▪ No new member would be required as membership would still be at required number of nine <ul style="list-style-type: none"> ○ Term of seat is Class of 2008 <ul style="list-style-type: none"> ▪ Class of 2007 has 4 incumbents, other classes have 3 ▪ 1 Class of 2007 seat will move to Class of 2008 by lot ▪ Margaret Moir drew Class of 2008 	<ul style="list-style-type: none"> • Bob Hemker to confirm with Mr. Kaufman his resignation intent, then confer with Bond Counsel prior to requesting the PPH Board to appoint a new Secretary • John McIver will be nominated to the PPH Board both as Secretary and the replacement Business Org representative
III. OATH OF OFFICE	<ul style="list-style-type: none"> • Postponed to next meeting as Dr. Human was excused from this meeting 	
IV. PUBLIC COMMENTS	<ul style="list-style-type: none"> • Robroy Fawcett <ul style="list-style-type: none"> ○ Letter to ICOC is attached and addresses concerns voiced by Mr. Fawcett at the meeting • Jeff Switzer <ul style="list-style-type: none"> ○ Letter to ICOC is attached and addresses concerns voiced by Mr. Switzer at the meeting 	<p>Chair Steve Yerxa will draft a letter to respond to the particulars as appropriate to the ICOC in both Mr. Fawcett and Mr. Switzer's letters.</p>
V. DISCUSSION AGENDA	<ul style="list-style-type: none"> • ICOC meetings are currently educational, providing overviews of the Facilities Master Plan and the Plan of Finance • Measure BB proceeds <ul style="list-style-type: none"> ○ A portion of the funding for the overall project – never intended to be the sole source of funding (revenue bonds, cash infusion and philanthropic donations are other sources of funding) ○ Funds used will be segmented from the total project funding expenditures when presented to the ICOC, to better enable the Committee to provide oversight on that portion of the costs attributed thereto ○ Legal constraints on use <ul style="list-style-type: none"> ▪ "Bricks and mortar" only – if the building could be picked up and shaken, what would fall out would not be Measure BB fundable ▪ Bond counsel must assert appropriate use before funds can be released • ICOC responsibility to validate expenditures already made to ensure in accordance with Measure BB 	<p>Bond counsel is to be invited to attend the next ICOC meeting.</p>

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Independent Citizens' Oversight Committee Meeting Minutes – Wednesday, October 5, 2005

AGENDA ITEM/PURPOSE	DISCUSSION/RECOMMENDATION	ACTION/COMMENTS
<p>V. A. Executive Summary of PPH Facilities Master Plan (FMP)</p>	<p>Mike Shanahan, Director of Facilities Planning/Development, made a presentation to the ICOC (copy attached)</p> <ul style="list-style-type: none"> o Overview of PPH service area <ul style="list-style-type: none"> o Covers 800 square miles o Third largest healthcare district in the US o Largest in California o Palomar Medical Center (PMC) <ul style="list-style-type: none"> o Originally built in 1953 o Majority of beds in McLeod Tower o New seismic safety requirements originally scheduled to go into effect in 2008, now to go into effect as of 2013 o 370,000 square feet o Pomerado Hospital (POM) <ul style="list-style-type: none"> o Newer campus, built in 1975 o Meets new seismic safety requirements o 168,100 square feet o Total square footage to increase from 538,100 to 1,437,478 o 150 beds to be added with new facility o Potential services at PMC East <ul style="list-style-type: none"> o Acute Rehab hospital o Behavioral Health programs with geriatric & Alzheimer's focus o Ambulatory/urgent care services o Center for advanced surgery o Skilled nursing facility o Educational facilities <ul style="list-style-type: none"> ▪ Wellness center/gym ▪ Magnet high school o Structured parking for the hospital and downtown businesses o Corporate and administrative offices o Housing units o PMC West <ul style="list-style-type: none"> o Champion. Teams and other committees have been doing research, ensuring that services to be offered and facility design are on the leading edge <ul style="list-style-type: none"> ▪ Thinking in terms of operational efficiencies ▪ Learning from interaction with local constituencies, Centers for Healthcare Design, the Pebble Project and the Planetree Project ▪ Reviewing regional and national models o Rooms will be acute adaptable – built to a higher level of acuity that can be reassigned as needed <ul style="list-style-type: none"> ▪ Model meets State of California regulations ▪ Meets nurse staffing ratios ▪ Mock-up is being constructed at the San Marcos Ambulatory Care Center ▪ Concept photos are of "as-built" at facilities elsewhere 	<ul style="list-style-type: none"> o Bob Hemker to provide feedback regarding exact number of deliveries expected for NICU o Environmental Impact Report letters to be provided for review o Hard copies of the slides, the master plan and an updated Gant chart to be provided to ICOC membership

**Independent Citizens' Oversight Committee
Meeting Minutes – Wednesday, October 5, 2005**

AGENDA ITEM/PURPOSE	DISCUSSION/RECOMMENDATION	ACTION/COMMENTS
<p>V. B. Financing Issues and Strategies</p>	<ul style="list-style-type: none"> 1st tranche of bonds has been issued in the amount of \$80 million No current draw-down schedule Rancho Peñasquitos property was purchased with district funds <ul style="list-style-type: none"> Will seek reimbursement from Measure BB funds when expenditures meet the legal requirements City of Escondido has not yet rezoned the ERTC, but the zoning process has been initiated Working with the City on a mutually agreeable outcome regarding PPH's part in the infrastructure around the ERTC 2007 is potential date for breaking ground on PMC West 	
<p>VI. Board Member Comments/Agenda Items for Next Meeting</p>	<ul style="list-style-type: none"> Steve Yerxa requested that the biographical sketches of the members be completed within the next two weeks Online access to PPH Board agendas and minutes was determined to be a PPH Board issue not actionable by the ICOC If the ICOC needs to meet sooner than the next regularly scheduled meeting, at least 30 days' lead time should be given the membership Next meeting is Tuesday, March 28, 2006, at 3:00 p.m. 	<p>Motion by Margaret Moir, 2nd by Ed Lehman and carried to recommend to the PPH Board that the schedule, agendas & minutes for the ICOC be posted to the PPH Web site.</p>
<p>VII. Adjournment</p>	<p>Meeting adjourned at 4:55 p.m.</p>	<p>Motion by Steve Yerxa, 2nd by Margaret Moir and carried to adjourn the meeting.</p>
<p>DRAFT REVIEWED AND APPROVED FOR SUBMISSION TO DISTRICT BOARD</p>	<p>CHAIR  Steven P. Yerxa</p> <p>SECRETARY VACANT</p>	
<p>APPROVED BY DISTRICT BOARD</p>	<p>CHAIR  Marcelo Rivera, M.D.</p> <p>SECRETARY  Linda Greer, R.N.</p>	

Robroy R. Fawcett
1576 Katella Way
Escondido, CA 92027
civics@robroy.cc
<http://esco1.blogspot.com/>

September 29, 2005

Mr. Stephen P. Yerxa, Chair
Independent Citizens' Oversight Committee
(c/o Tayna Howell - Palomar Pomerado Health)
15255 Innovation Drive
San Diego, CA 92128-3410

Re: Issues for Oversight Committee Meeting on October 5, 2005

Dear Mr. Yerxa,

The current agenda for the Oversight Committee meeting shows that Mr. Robert Hemker will be presenting a 30-minute Discussion of **Financing Issues and Strategies** (agenda item V.B.a.). An intriguing part of the PPH-JRM ERTC Option and Purchase Agreement, dated March 18, 2005, is paragraph 4.2.6. Attached are a copy of paragraph 4.2.6 and a summary of my concerns about it. At the PPH board meeting August 30, 2005, Mr. Hemker explained that the Development Agreement of paragraph 4.2.6 "is required to be completed" before the close of escrow on the ERTC property in February of 2006. As of September 16, 2005, PPH and JRM-ERTC had not yet completed the Development Agreement referenced in paragraph 4.2.6 (after 6 months of negotiations). The Development Agreement of paragraph 4.2.6 appears to be a **financing strategy**, and I would request that Oversight Committee ask Mr. Hemker to spend a few minutes during his Discussion addressing paragraph 4.2.6, its meaning, and the consequences of not completing the subject Development Agreement with JRM. The full PPH-JRM ERTC Option and Purchase Agreement is available at:
<http://civics.robroy.cc/ERTCOpt2.PDF>.

During the Oversight Committee meeting, Mr. Mike Shanahan will be presenting a 1-hour Executive Summary of the PPH FMP (agenda item V.A.a.). The PPH Facilities Master Plan (FMP) appears to have a gross error in that the FMP fails to acknowledge approximately 100,000 sq. ft. of compliant hospital space at the Palomar Medical Center (see attached sheet). I would request that the Oversight Committee ask Mr. Shanahan to address the issue of this apparent gross error in the PPH FMP during his 1-hour presentation.

The following items are not on the Oversight Committee meeting agenda, but I would like to see them addressed, and I would like them to be added the agenda:

I. PPH quit posting the agendas for its Board meetings after March 2005. Previously, the agendas were posted at: www.pph.org/body.cfm?id=36. The Oversight Committee should

request that PPH post, on its web site, the agenda for every PPH board meeting, and also the agenda for every other PPH committee meeting connected with the use of Proposition BB funds.

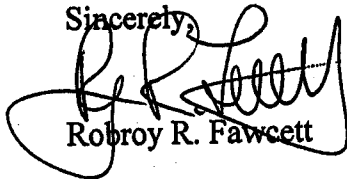
II. Unless a member of the public actually attends a PPH Board meeting, the minutes of the PPH Board meetings are only available by way of an Application for Inspection of Public Records and payment of copying fees. The Oversight Committee should request that PPH post, on its web site, the minutes for every PPH board meeting, and also the minutes for every other PPH committee meeting related to the use of Proposition BB funds. The supporting materials presented at any such meeting also should be posted on the PPH web site.

III. The PPH Board of Directors has been using "Special Meetings" in a manner that makes it difficult for a member of the public, who is not part of a newspaper organization, to learn of and attend the special board meetings. The Oversight Committee should request that PPH provide at least 3 days notice to the public for any meeting related to the use of Proposition BB funds. Also, PPH should maintain an email list for notifying persons wishing to be informed of meetings related to the facilities expansion and the use of Proposition BB funds.

IV. Members of the Independent Citizens' Oversight Committee have been addressing the Escondido City Council without identifying their positions as members of this committee. Of most concern are the strident positions that these members of the Oversight Committee have taken with respect to matters directly involving the use of Proposition BB funds. Of particular note are comments made at an Escondido City Council meeting held on August 24, 2005. I request that members of the Independent Citizens' Oversight Committee identify their membership on this Oversight Committee when advocating positions, affecting the use of Proposition BB funds, with members of the public and government bodies.

V. At least one member of the Independent Citizen's Oversight Committee is identified as being a member of the Board of Directors for the Palomar Pomerado Health Foundation (PPHF). As part of the \$800 million planned expansion, about \$50 million is budgeted to come through donations, presumably through PPHF. I wonder whether a Director on the PPHF Board is sufficiently independent to also sit on the Independent Citizens' Oversight Committee.

Sincerely,



Robroy R. Fawcett

Enclosures

cc: (w/o enclosures)
William L. Corwin
Lee Human
Edward R. Lehman
Kathy Leech McKinney
Bob Wells - Vice Chair
Bob Hemker - PPH CFO

Stephen Friar
Jerry Kaufman - Secretary
John McIver
Margaret Moir
Tayna Howell - Scribe
Mike Shanahan - PPH

OPTION TO PURCHASE, PURCHASE AGREEMENT

AND ESCROW INSTRUCTIONS

(Parcels 27 through 29 and 33 through 36)

THIS OPTION TO PURCHASE, PURCHASE AGREEMENT AND ESCROW INSTRUCTIONS ("Agreement") dated as of March 18, 2005 ("Effective Date") is made by and between ~~JRM-ERTC I, L.P., a California limited partnership ("Seller"), and Palomar Pomerado Health, a California Health Care District ("Buyer")~~, with reference to the facts set forth below and constitutes (i) an option to purchase granted by Seller to Buyer, (ii) if said option is exercised, a contract of purchase and sale between the parties, and (iii) escrow instructions to Escrow Agent (as hereinafter defined).

4.2.6 Development Agreement. Immediately upon execution hereof, Buyer and Seller shall use their good faith efforts to expeditiously negotiate the terms of a mutually acceptable development agreement that will set forth the agreement of the parties concerning their future joint development of up to 300,000 square feet of medical office building space and associated parking on portions of the Property to be identified by the Buyer (the "Development Agreement"). If the parties fail to reach an agreement regarding the terms of a mutually acceptable Development Agreement within thirty (30) days after the Effective Date, then either party shall thereafter have the right to terminate this Agreement by written notice to the other, provided that such notice is received before the parties agree upon the terms of the Development Agreement.

Effective Date = March 18, 2005

Effective Date + 30 days = April 17, 2005

After April 17, 2005, either party has the right to terminate!

8.1 Date and Manner of Closing. If Buyer exercises the Option, then Escrow Agent shall close the Escrow ("Closing Date" or "Closing" or "Close of Escrow") on such date as is identified in a written notice by Buyer to Seller and Escrow Agent (the "Closing Notice"), provided that such date is (i) at least ten (10) days after the date of such notice, (ii) no sooner than January 1, 2006, and (iii) no later than February 28, 2006 (subject to Buyer's right to extend the date for Closing pursuant to Section 4.2.5). If Buyer has not delivered the Closing Notice prior to February 1, 2006, then the Closing Date shall be February 28, 2006 (subject to Buyer's right to extend the date for Closing pursuant to Section 4.2.5). The Closing shall occur when and only when each of the following conditions has been satisfied:

A Special Meeting of the PPH Board of Directors was called for June 28, 2005, to consider 6.6 acres known as proposed parcels 27-29 and 30-36 in the ERTC. Negotiating Parties: Robert Hemker and James McCann.

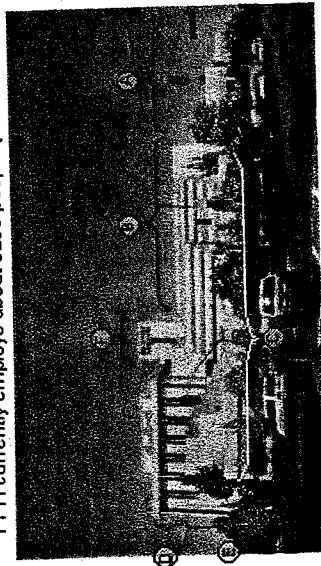
Another Special Meeting (closed door) of the PPH Board of Directors was called for September 12, 2005. Negotiating Parties: Robert Hemker and James McCann.

Email: civics@robroy.cc

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Palomar Medical Center
Escondido, California

PPH currently employs about 3250 people (1850 at PMC)



Building & Completion Year

- A - South Wing 1960 (30,000 ft²)
- B - 7 Story Tower 1968 (160,000 ft²) Hospital + 120,000 ft² parking - 258 spaces
- C - Parking Structure 1966 (283 spaces + Helipad)
- D - McLeod Tower Floors 8 & 9 1974 (94,000 ft²)
- E - McLeod Tower Floors 1-7 1969 (120,000 ft²)
- F - McLeod Tower Elevators 1969
- G - Adams Wing 1960 (38,000 ft²)

180,000 ft²



SB1953 Conforming Structure (usable past 2030 for acute care)

190,000 ft²

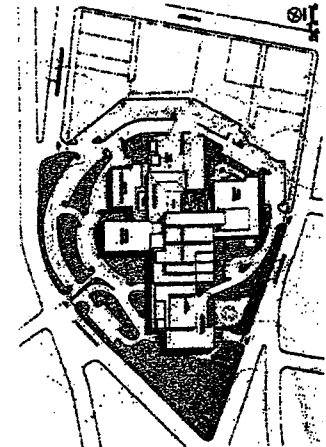


Non-Conforming Structure

Note: Floors 8-9 of the McLeod Tower were completed in 1974. Why not conforming?



The facilities of Palomar Medical Center (PMC) are composed of seven (7) major buildings of which three (3) have been determined to be non-conforming. It has been further determined that all three (3) buildings can not feasibly be upgraded to comply with the intent of the Hospital Seismic Safety Act for services beyond the year 2030. The buildings are the McLeod Tower (1967), the East Extension of the McLeod Tower (1968) and the Adams Wing (1957), which together account for 190,000 square feet (nearly 50% of the total building area of the 282,000 square foot PMC hospital facility. Together, these three buildings house nearly 55% (238-beds) of the 344-bed hospital total, the entire departmental areas for Diagnostic Imaging, Food Services, Materials Handling and Central Sterile, as well as Critical Care Unit, an Emergency Observation Unit, Post-Partum beds, Administrative functions, and a portion of the Central Utility Plant. Of the three non-conforming structures, a further determination has been made that only the Adams Wing structure can be economically upgraded for continued utilization between the years 2008 (or 2013 with an approved acceleration) and 2030.



Existing Palomar Site Plan

$$\frac{190,000}{292,000} = 67\%$$

$$190,000 \div 50\% = 380,000 \text{ ft}^2$$

The facilities of Pomersdo Hospital are comprised of four (4) buildings: the Patient Tower, Ancillary Building (Diagnosis & Treatment), Catheterization Laboratory Addition (Diagnosis and Treatment) and the Power Plant (Central Utilities Plant). All four buildings are conforming and in compliance with the structural provisions of the SB 1953 legislation.

Tanya,

I left paper copies of this letter at your office yesterday. Here is an electronic version which I hope will help you get the document to the Committee Members before the meeting.

Regards,

Jeff

1224 Via Privada
Escondido, CA 92029-7711
(760) 489-8796
jswitzer@evermail.com

October 3, 2005

Mr. Stephen P. Yerxa, Chair
Independent Citizen's Oversight Committee
(c/o Tayna Howell – Palomar Pomerado Health)
15255 (Innovation Drive
San Diego, CA 92128-3410

re: Item for Oversight Committee Meeting of October 5, 2005:
Committee Responsibilities and a Suggested Methodology for Oversight of Proposition BB

Dear Mr. Yerxa,

Your committee has an incredibly important task, a fiduciary responsibility to assure that the funds from Proposition BB are spent wisely and according to the intent and specifics of the Proposition and to openly report all of the information you have and your findings. This essentially means that your group is responsible for continually monitoring the projects which are implemented using BB funds and reporting to the citizens of North County on the results to date and expected future results.

The projects envisioned under Proposition BB cost more than PETCO Park in San Diego. It is a major responsibility and will require a major effort to oversee them for the Public.

In order to accomplish your responsibilities I suggest that you will need to do the following:

Meetings

Meeting often enough to assure that you are kept up-to-date on the Proposition BB Projects. Initially meetings every four weeks would seem appropriate. Key decisions are being made now which will greatly affect the overall outcome. Meetings at least every four weeks would seem appropriate until at least 95% of the funds have been committed. There must be no surprises to the public and the only way to assure that is to meet on a regular basis.

Items to Track – Concept

The Committee needs to understand the schedule, cost and deliverables for the projects under Proposition BB. The current Facilities Master Plan promises specific numbers of nursing beds, ICU beds, operating rooms, over floor area, etc. It also has schedules and cost information. The Committee and the Public must be up-to-date on how current plans match with these values.

Reporting to Citizens

All reports to your Committee from PPH and other sources should be available to the general public. The reports which you prepare must also be available.

Detailed Items to Track and Report:

Facilities Master Plan

All of the expenditures under Proposition BB at PPH must be done according to a Facilities Master Plan (FMP). This plan is specifically listed in Proposition BB and includes deliverables, cost and schedule. An initial version of this plan was prepared in 2004. The most current version of this plan must be available for your Committee and the Public at each meeting. It must reflect the current deliverables for projects under Proposition BB, such as number of beds, operating rooms, clinics, etc. as well as schedules and costs.

The FMP is a key document for determining if BB funds are being spent correctly.

Costs

At each meeting there should be a detailed presentation on the current state of expenditures of BB funds. This presentation should be in enough detail that current status, trends and any variance from plan can be easily understood along with any corrective action to be taken.

A suggestion is that any project over \$1,000,000 be presented in detail or that at least the detail be available in documents provided to the Committee and the Public. Under \$1,000,000 projects could be grouped and presented by major project or site. For a building project for example this reporting could be:

Initial Estimate Current Estimate Variance Committed to-date

For:

- Architectural Services
- Project Management Services
- Other Services
- Site Grading
- Foundation
- Structural Steel
- Etc.

Roll-up summaries of this information by major site component or site would also be presented.

A final roll-up of expenditures vs. Proposition BB funds and other funds would be the high-level item.

Schedule

Overall schedules by major milestone such as site grading, detailed design, OSHPD approval for major projects or by site, need to be presented at each meeting. Schedules for each project over \$1,000,000 need to be presented or available. These schedules should have a granularity of at least monthly. Changes in each schedule from the previous version need to be clearly noted and the effects on the final completion date noted or corrective action plans provided.

Summary

The Committee has a very significant responsibility. It must assure that the funds spent under Proposition BB deliver what was promised under Proposition BB. This includes overall capabilities which were detailed in the Facilities Master Plan when Proposition BB was approved, such as the number of nursing beds, operating rooms, ICU's and ICU rooms, etc. and the estimated costs and schedules.

Monitoring of extensive information on the cost, schedule and deliverables by the Committee and delivery of this information to the Public, will be required to satisfactorily perform the Committee's function.

Sincerely,

Jeff Switzer

Cc:
William L. Corwin
Stephen Friar

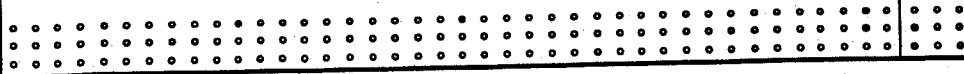
Lee Human
Jerry Kaufman – Secretary
Edward R. Lehman
John McIver
Margaret Moir
Bob Well – Vice Chair
Tayna Howell – Scribe
Bob Hemker – PPH CFO
Mike Shanahan - PPH

Citizen's Oversight Committee—

Facility Master Plan Overview

Michael B. Shanahan, AIA
Palomar Pomerado Health
A California Health Care District

Palomar Pomerado Health



Presentation Structure

Background

- Palomar Pomerado Health System
- The Vision
- The Promise – Redesigning for Community Benefit

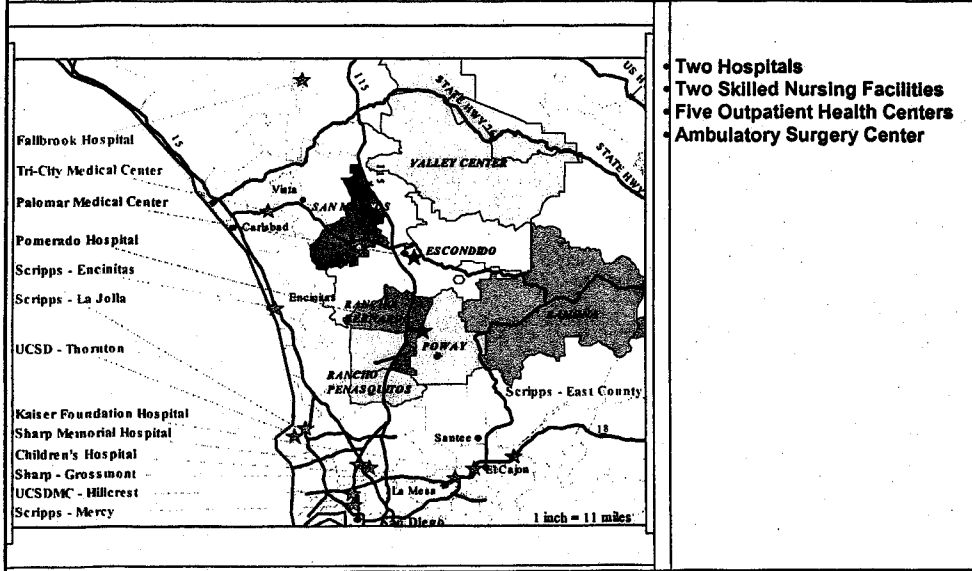
Project Overview

- Palomar West Medical Center
- Pomerado Hospital
- Palomar East Medical Center

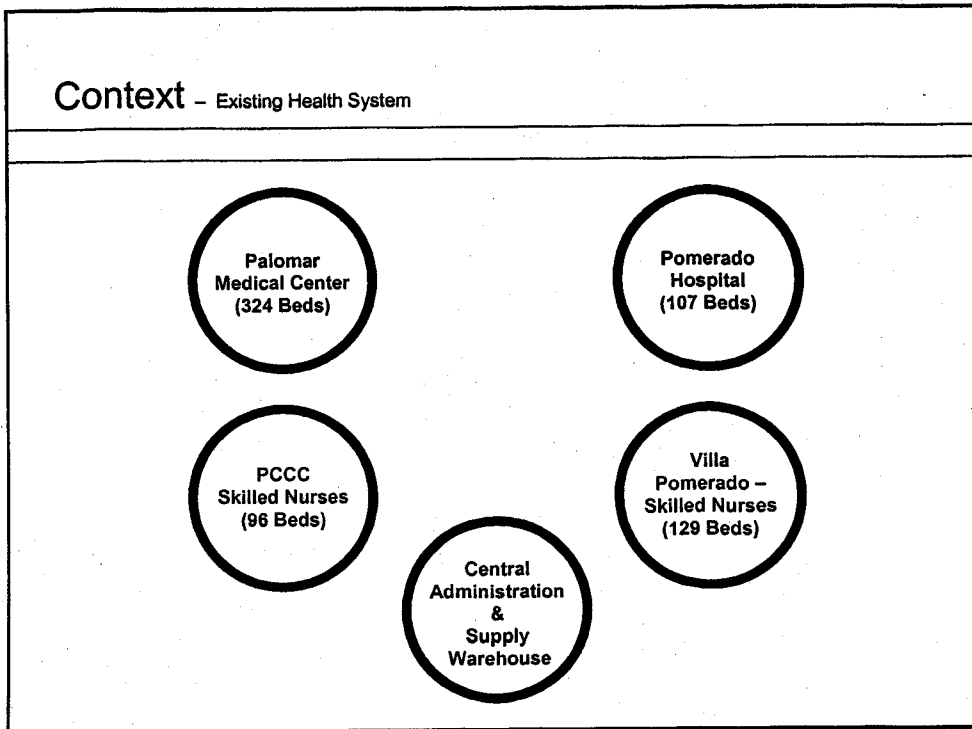
Elements of Innovation

- Program Strategy
- Facilities Design
- Sustainable Environments

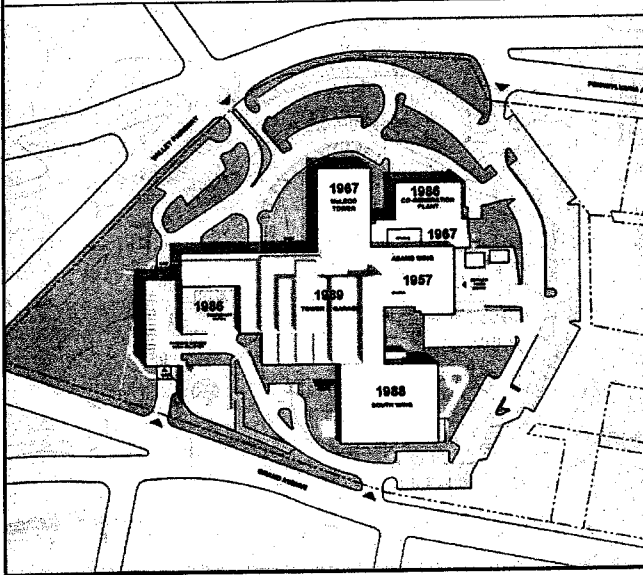
PPH Service Area - North San Diego County



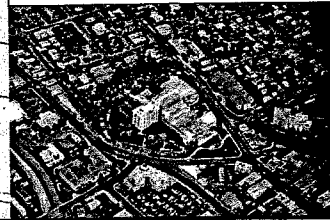
Context - Existing Health System



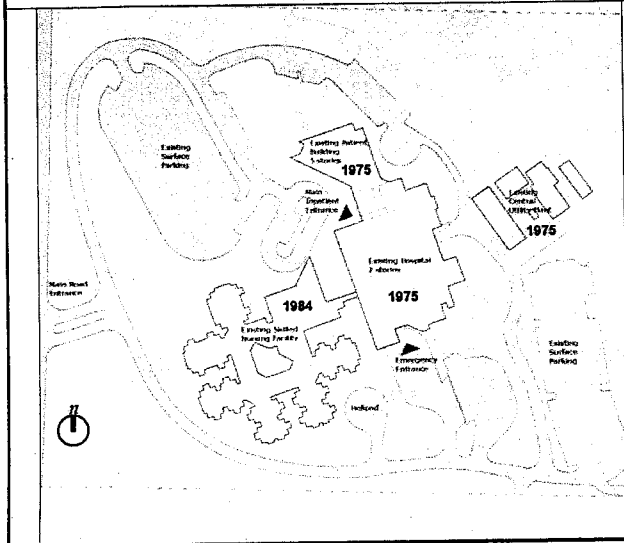
Palomar Medical Center



- Constrained site
- Aging facilities and Infrastructure
- SB-1953 Issues
- Spatial and operational constraints
- Lack of support, storage, and family space
- small patient rooms
- constrained configuration
- difficult circulation patterns



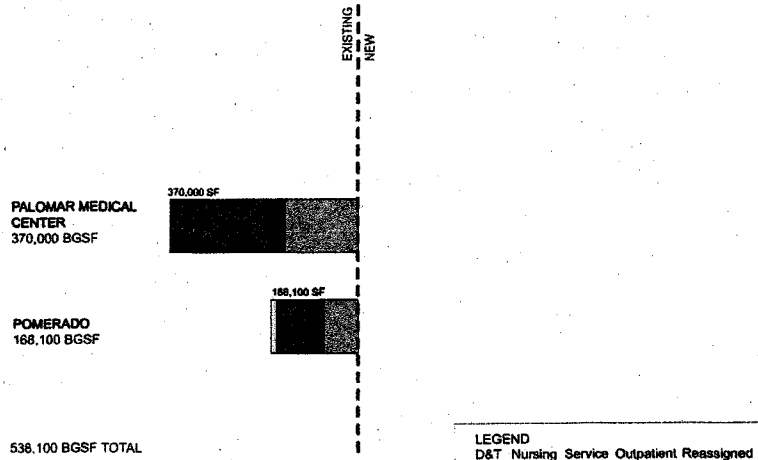
Pomerado Hospital



- Campus Environment
- Spatial and operational constraints
- Lack of support, storage and family space
- Lack of conference facilities
- small patient rooms
- dated configuration



Program - Existing System Wide



Project Drivers

Increasing Population and Demand

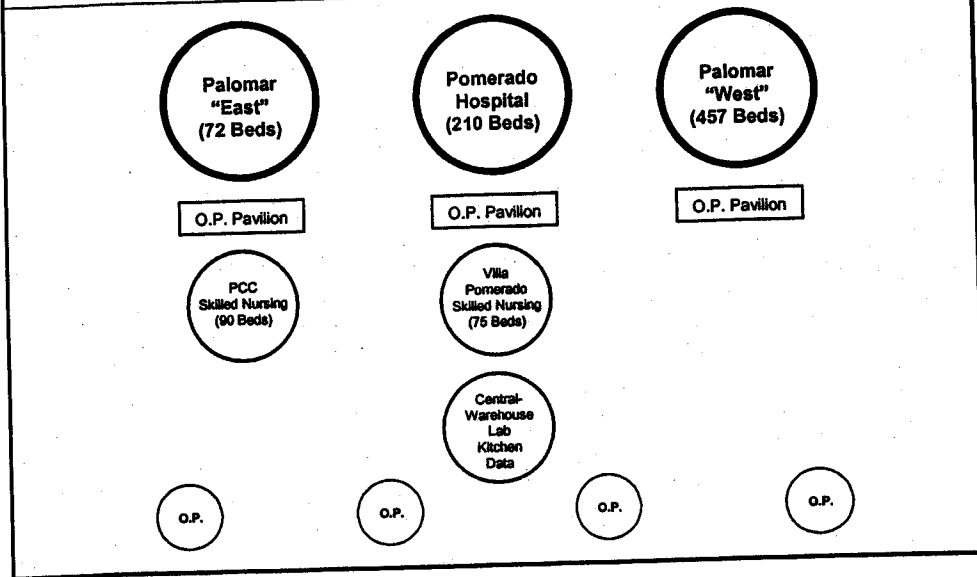
Aging Facilities and Infrastructure

Seismically non-Conforming Facilities

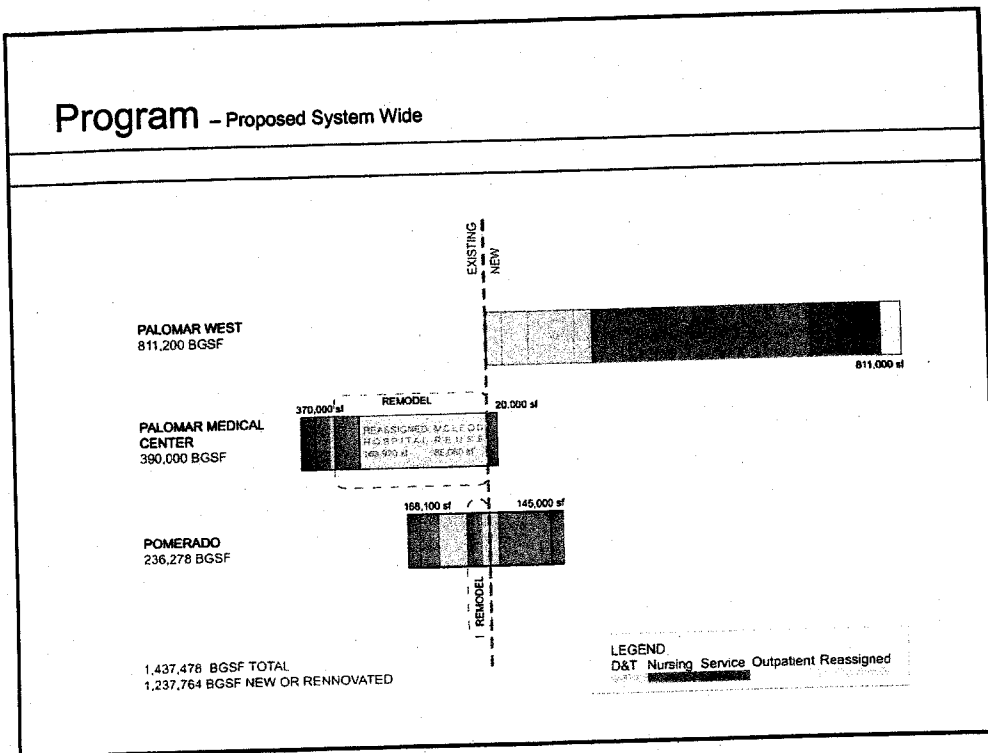
Ability to Improve Healthcare Delivery with New Facilities and Image

Ability to Better Recruit and Retain the Best Staff

Context - Future Health System



Program - Proposed System Wide



The Vision

Palomar Pomerado Health will 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.



The "Promise"

The Best Public Hospital

Highest Quality Care and Safety

Patient Focused and Staff Friendly

Accessible

Efficient

Flexible

Sustainable

Project Overview

Palomar Medical Center-West

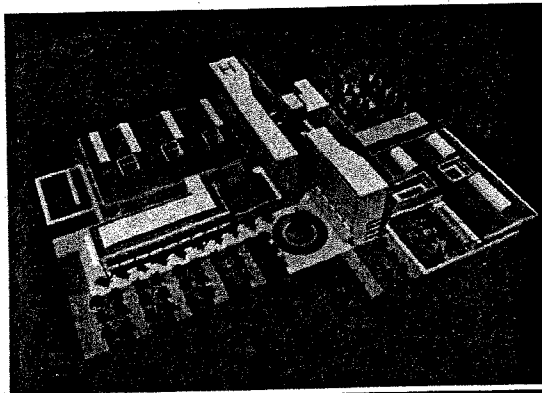


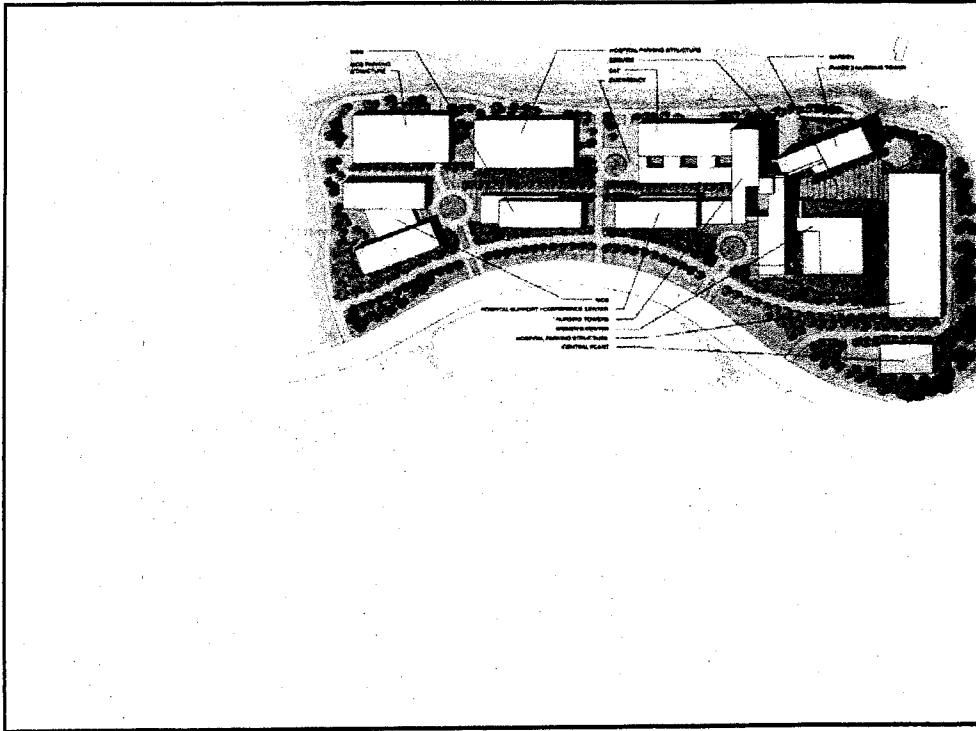
Palomar West

800,000 BGSF Hospital includes:

- 60 ICU Beds (10 shelled)
- 300 Med/Surg Beds (60 shelled)
- 16 Pediatric Beds
- 44 Post-Partum Beds
- 12 NICU Beds
- 12 Operating Rooms (1 OR shelled)
- 5 Cath. Labs. / Interventional Radiology Rooms
- 42 E.D. Stations (6 shelled)
- 17 Imaging Rooms (2 shelled)
- 21 LDR / Antepartum Rooms

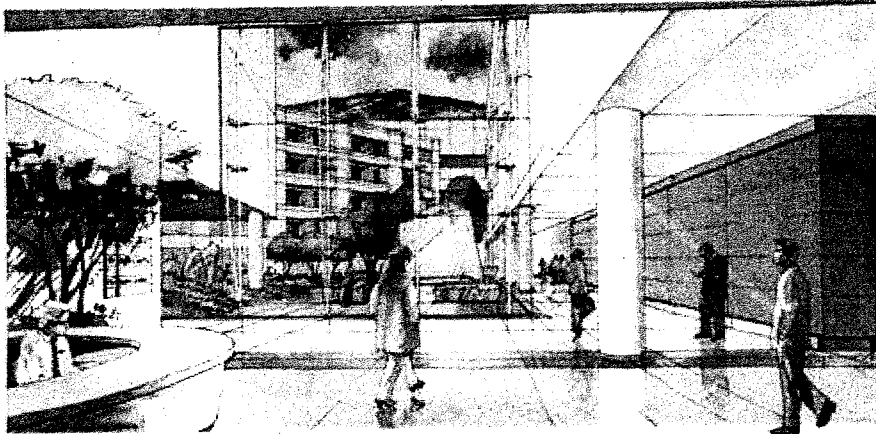
Women's Outpatient Center





Project Overview

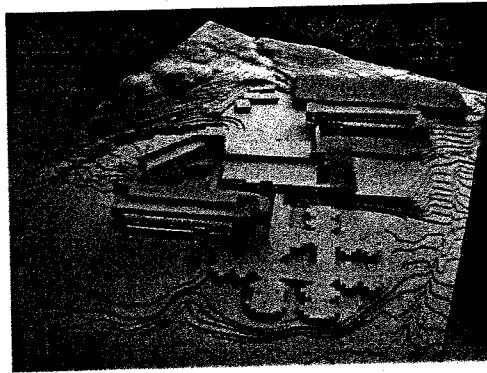
Pomerado Hospital



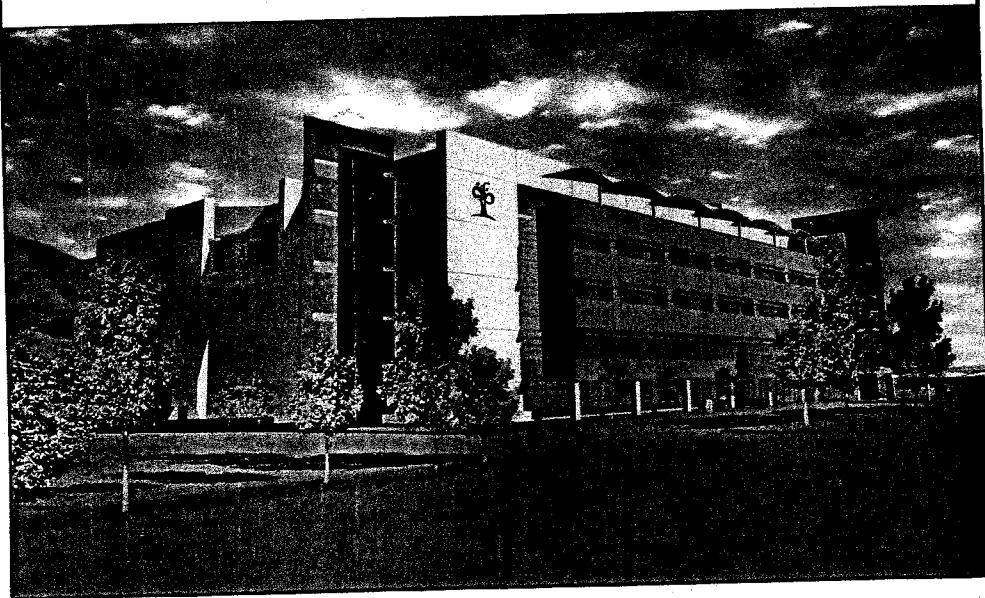
Pomerado Hospital

144,950 BGSF Hospital Expansion, 33,150 DGSF Hospital Remodel, and 88,720 DGSF Hospital to remain includes:

- 24 ICU Beds (8 Beds shelled)
- 148 Med/Surg Beds (60 Beds shelled)
(includes 24 IMC / Telemetry Beds)
- 18 Post-Partum Beds / 6 GYN Beds
- 4 NICU Beds
- 4 Operating Rooms
- 1 Cath. Lab. and Expanded Cardiology
- 22 E.D. Stations
- 4 Imaging Rooms
- 7 LDR / 4 Antepartum Rooms
New Conference / Education Center

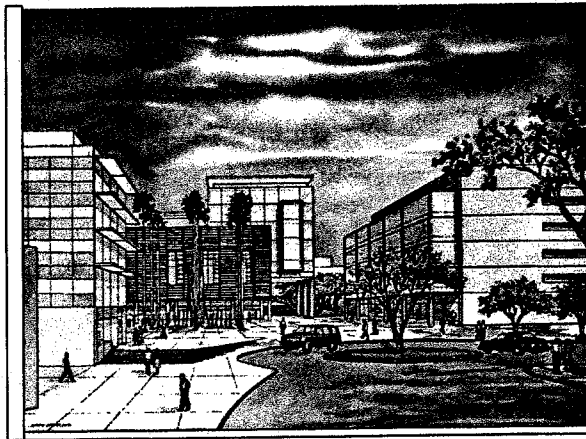


New Patient Tower – Approach View



Project Overview

Palomar Medical Center East



Palomar Medical Center East

Acute Rehab Hospital – 30-50 beds

Behavioral Health Programs – 54 beds
• Geriatric and Alzheimer's Focus

Ambulatory Services
• 23 Hour Urgent Care

Funding Consideration: Off Balance Sheet
• 23 Hour Outpatient Surgery
& Extended Care Hotel

Center for Advanced Surgery
• Visiting doctors and piloting new equipment
technology and practices

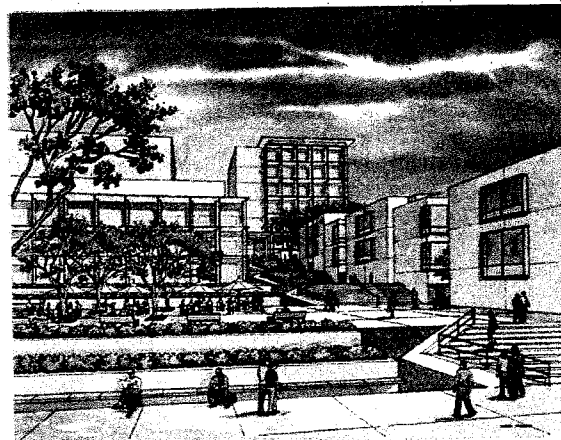
Structured Parking for Hospital and Downtown

Skilled Nursing Facility – 100-150 beds

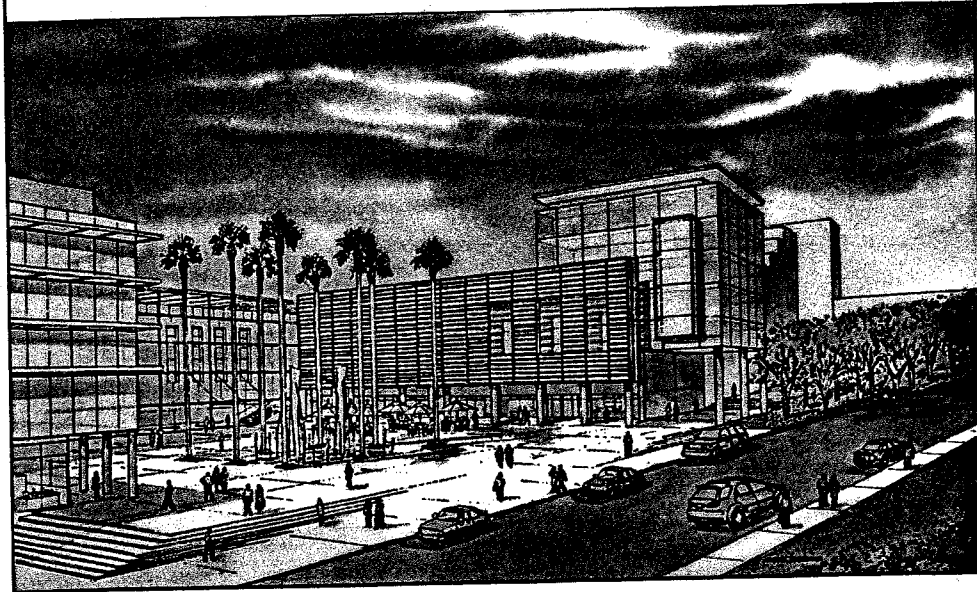
Corporate and Administrative Offices

Educational Facilities
• Wellness / Gym
• Magnet High School

Housing – 150-300 Units
• Short and Long Term Housing for Employees
• Hospital Adjacent Senior Housing
• Assisted Care Housing
• Mixed Use Retail / Commercial



Palomar Medical Center East



Facility Master Plan Summary Project Schedule

PALOMAR MEDICAL CENTER SECOND CAMPUS

Task	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
OUTPATIENT SERVICES PAVILION										
Design / Documents / Plan Review										
Bid / Construction										
Move-in										
HOSPITAL										
Program / Design										
Construction Documents										
Plan Review (OSHPO)										
Bidding										
Construction - Shell										
Construction - Interior										
Move-in										

POMERADO HOSPITAL

Task	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
OUTPATIENT SERVICES PAVILION										
Design / Documents / Plan Review										
Bid / Construction										
Move-in										
HOSPITAL										
Program / Design										
Construction Documents										
Plan Review (OSHPO)										
Bidding										
Construction - Shell										
Construction - Interior										
Construction - Remodel										
Move-in										

PALOMAR MEDICAL CENTER

Task	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Program / Design										
Construction Documents										
Plan Review (OSHPO)										
Bidding										
Pre-Construction Consideration										
Construction - Hosp. Remodel										
Construction - Demolition										
Construction - Misc. and Rehab										
Move-in										

PROJECT BUDGET		Beds	Budget
Program / Scope of Work			\$ x 1,000,000
PALOMAR MEDICAL CENTER SECOND CAMPUS		453	\$531.0
		(70 shell)	
383 Bed Facility (assumes \$40M equip. reuse / annual cap.)			\$473.0
Shell - 60 M/S & 10 ICU Beds / D&T			\$20.0
Outpatient Women's Center			\$8.0
Land Acquisition			\$30.0
PALOMAR MEDICAL CENTER		72	\$73.0
			\$47.0
72 Bed Psych / Rehab Facility Reuse			\$1.0
Outpatient Surgery Center			\$1.0
Outpatient Oncology / Infusion Center			\$24.0
McLeod Improvements (Warm Shell)			
POMERADO HOSPITAL		211	\$139.0
		(88 shell)	
143 Bed Facility			\$81.0
Shell - 60 M/S & 8 ICU Beds			\$22.0
Women's Floor			\$16.0
Outpatient Imaging Center			\$7.0
Outpatient Women's Center			\$4.0
Outpatient Surgery Center			\$9.0
SATELLITE CENTERS			\$10.0
TOTAL		736	\$753.0

Innovation for Community Benefit

Status

- Just completed Initial Phase of Design
- Focus on Space Planning (approx. 1.3 million square feet)
- Collective Effort of Expansion Steering Committee, Champion Teams and User Groups who have Identified Several Areas where Innovation is Starting to Occur
- Certain Aspects of the Innovation can be viewed as Leading Edge - Nationally



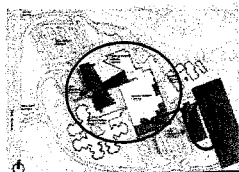
Innovation for Community Benefit

Objectives - To Develop

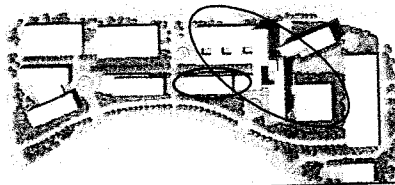
- ... the safest hospital for patients & staff
 - ... the fewest errors
 - ... the lowest infection rates
 - ... the best outcomes
- ... the highest patient & staff satisfaction
- ... the most efficient and cost effective operations
- ... the most environmentally sustainable facilities & operations
- ... the flexibility to accept the future's technology and practice

Innovation for Community Benefit

Program Allocation - "Lowest Cost Setting"



Pomerado Hospital



Palomar West Medical Center

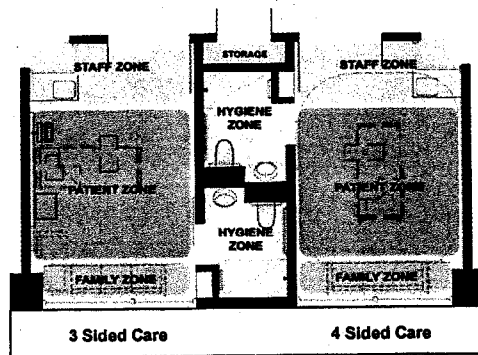
Central Warehouse
Central Kitchen
Data Center
Central Laboratory

Regional Services

Innovation for Community Benefit

Private / Acuity Adaptable Room

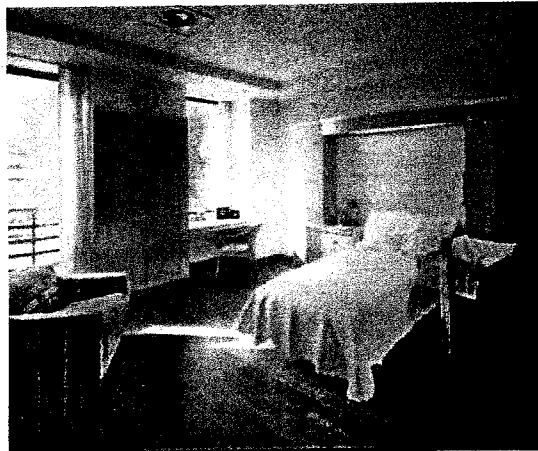
- Designed to allow "3-sided" and "4-sided" care
- Space for distributed work and supply areas
- Improved access to and visibility of the patient
- Dedicated zones within the room
- Large window to the outside (connection with nature)
- Wide door into the bathroom
- Mock up in progress



Innovation for Community Benefit

Environment

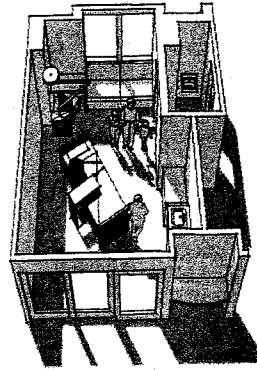
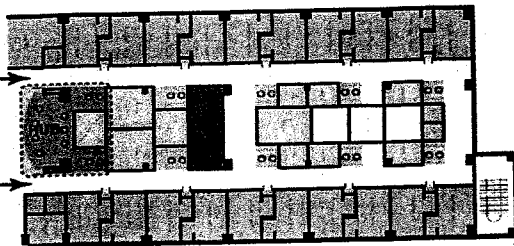
- Non-Institutional Design
- Convertibility of Room/Utility Configuration
- Connection to Nature



Innovation for Community Benefit

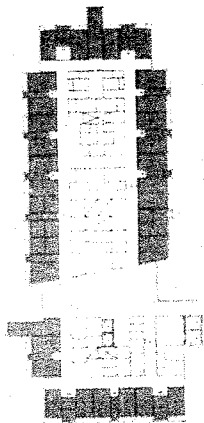
Distributed Nursing

- Improved observation of patient in room
 - Reduced Patient Falls
 - Increased Patient Satisfaction / Safety
- Reduced 'Hunting and Gathering'
 - Shorter walking distances to bedside
- Supports multiple staffing ratios

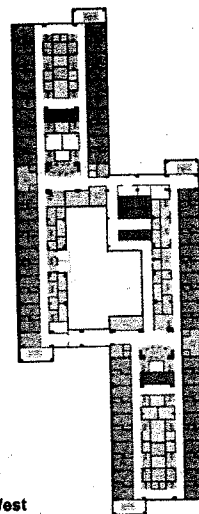


Innovation for Community Benefit

Reassignable Unit Design



Pomerado

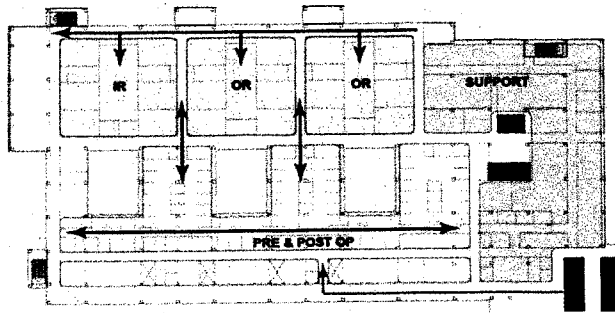
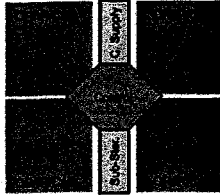


Palomar West

Innovation for Community Benefit

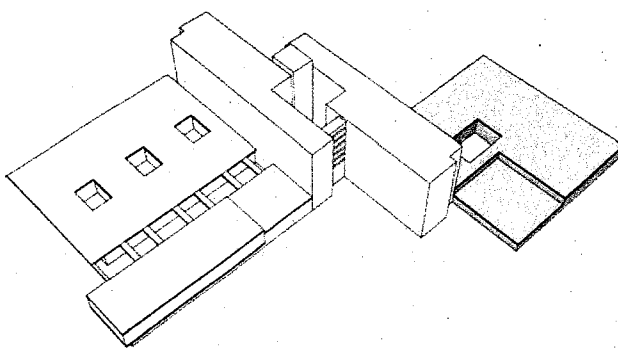
Integrated Interventional Platform

- **Increased Flexibility**
 - Surgery (less invasive)
 - Interventional Radiology (more interventional)
- **Promotes interaction among specialist**
(erosion of "Kingdoms")
- **Staffing efficiencies**

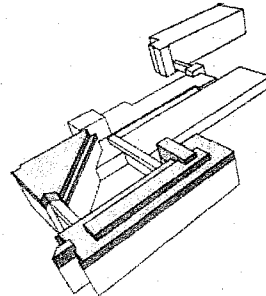


Innovation for Community Benefit

Women & Children's Center • Identify / Image



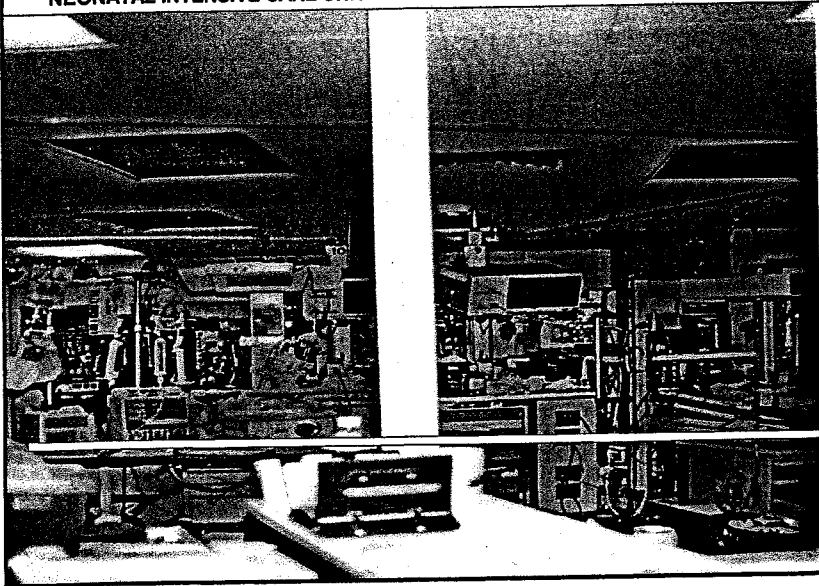
Palomar West Medical Center



Pomerado Hospital

Innovation for Community Benefit

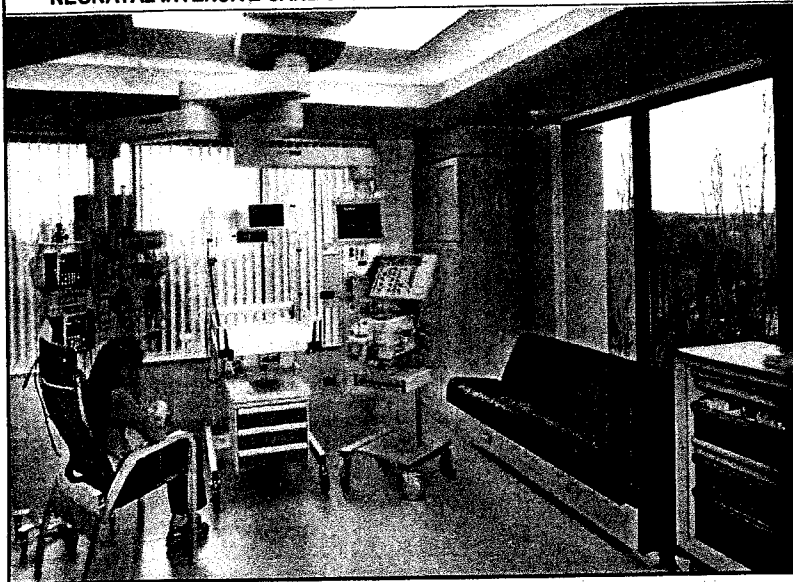
NEONATAL INTENSIVE CARE UNIT



Got Baby?

Innovation for Community Benefit

NEONATAL INTENSIVE CARE UNIT



180 SF Patient Area

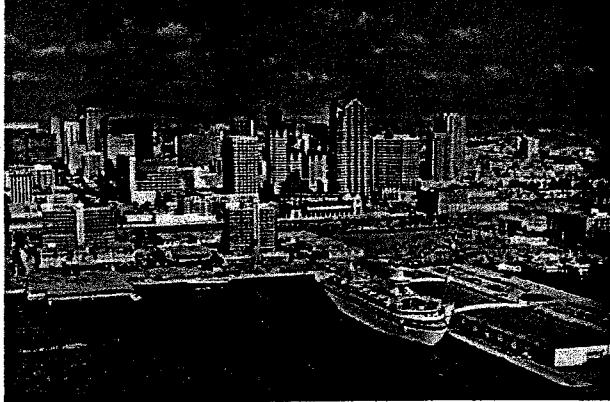
40 SF Family Area

865 SF/BED (DGSF)

Sustainable Healthcare Design

Mission

Protect and enhance the health of the individual and the community



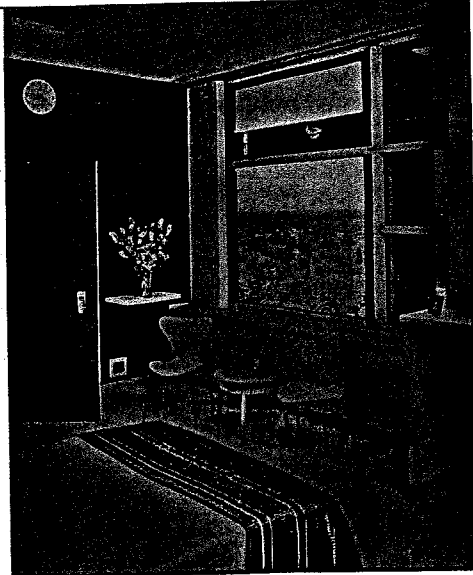
Principles

Reduce Environmental Impact
LEED Certification for Sustainable Hospital
Environments are difficult to attain
Pilot Project for GGHC, Green Guide
for Healthcare



Principles

Create Healing Environments



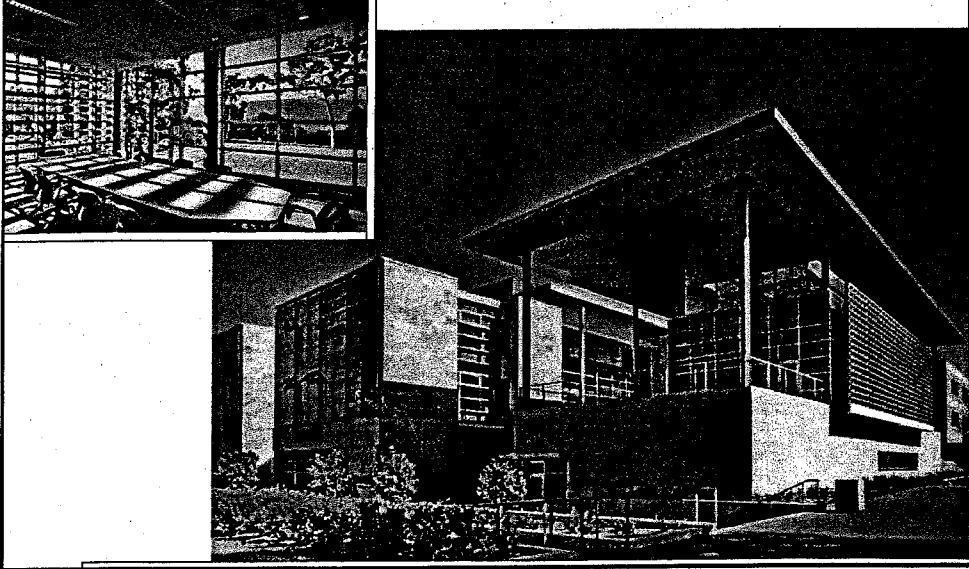
Benefits + Objectives

- Protected Natural Resources
- Protected Ecosystems
- Improved Medical Outcomes
- Healthier Caregivers
- Staff Recruitment & Retention
- Increased Productivity
- Patient Satisfaction



Building Orientation

Daylight



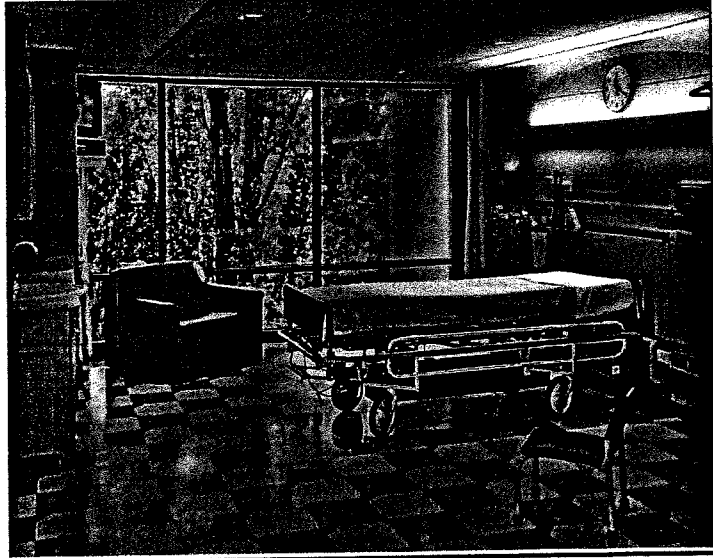
Building Orientation

Daylight



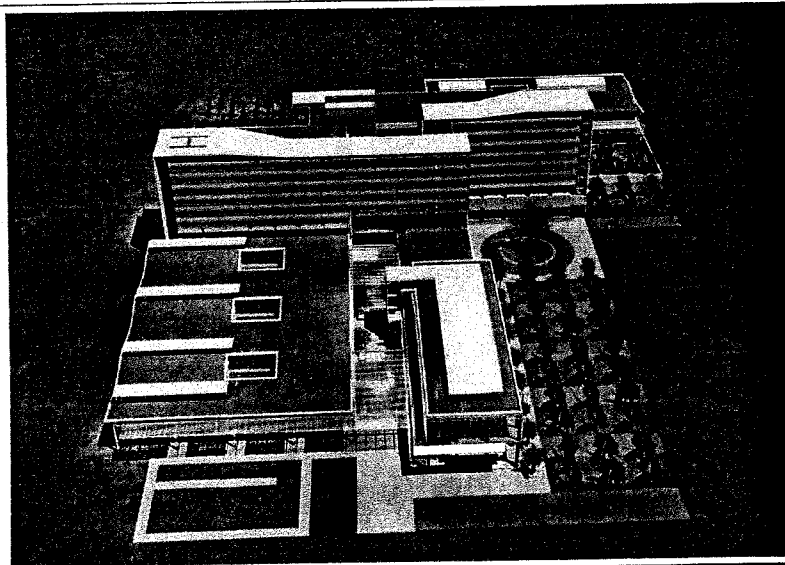
Building Orientation

Views



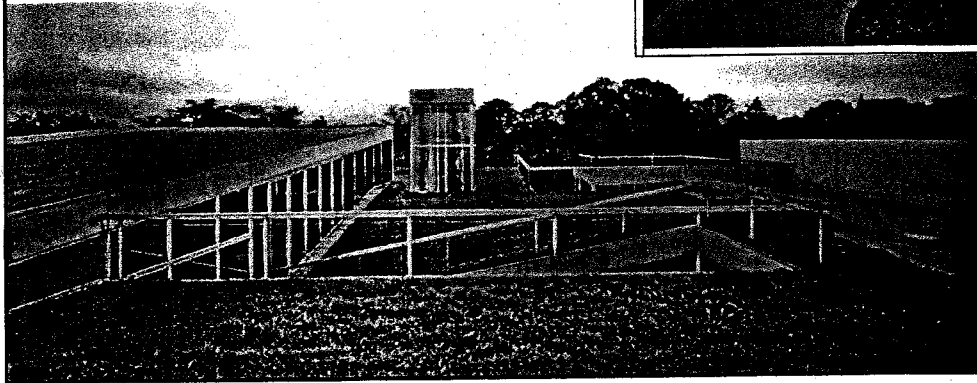
Building Orientation

Views

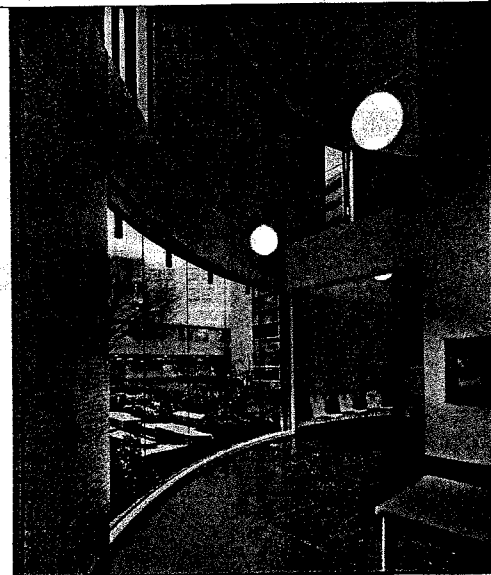
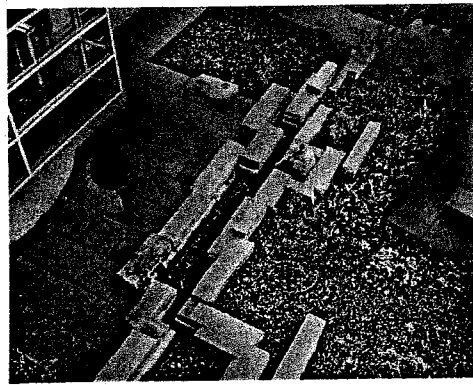


Green Roofs

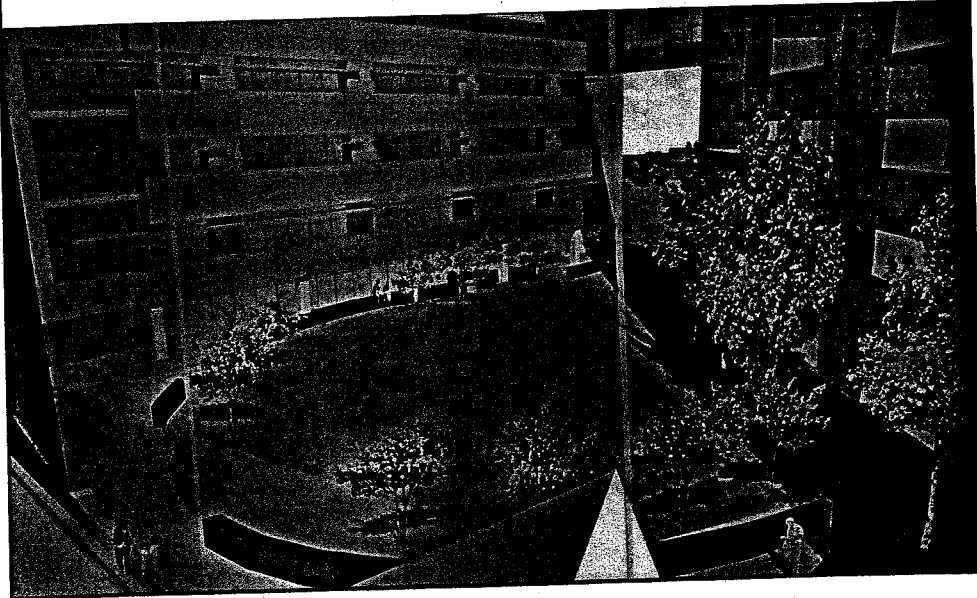
Energy Performance
Reduces Stormwater Runoff
Connection to Nature



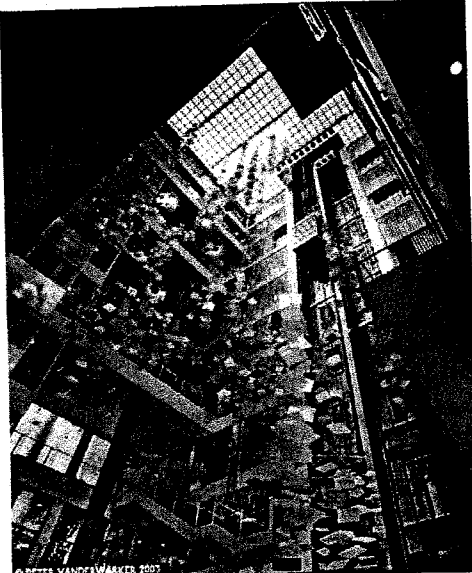
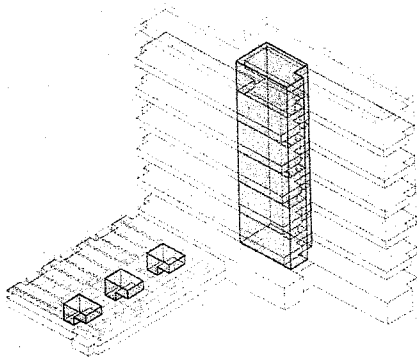
Connection to Nature



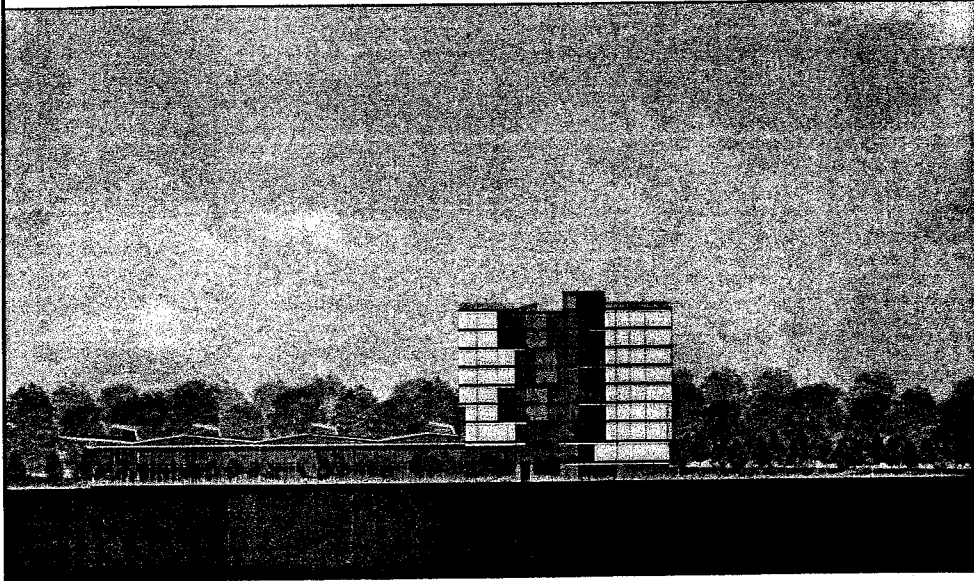
Connection to Nature



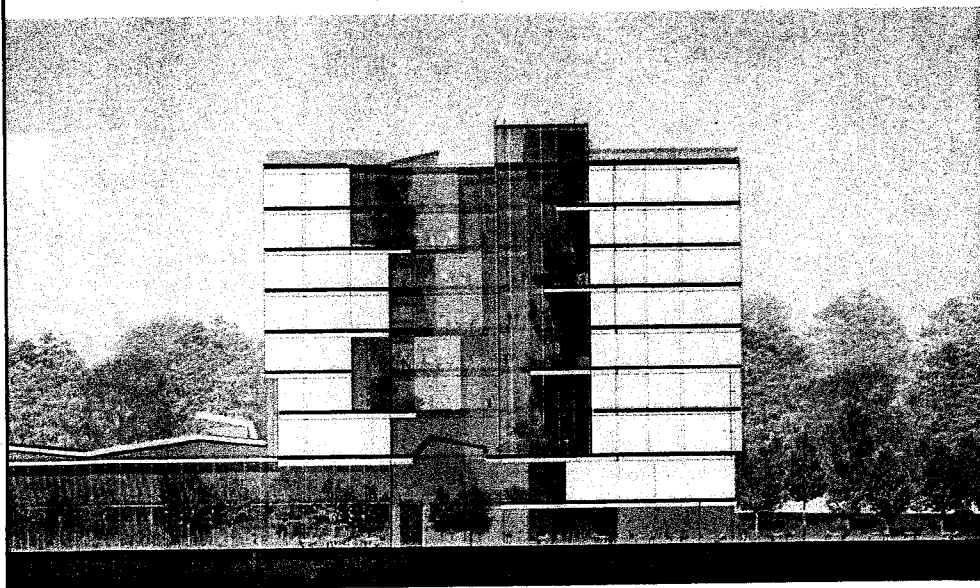
Interior Daylight



Connection to Nature



Connection to Nature



Planning for Innovation

Current Activities

- Room Mock-up Process (Patient Room, OR, LDR, NICU, Nurse Station)
- Integration and Overlay of Innovative Technologies and Medical Equipment
- Budget – Prioritization of the Implementation
Schematic Design Estimation for Palomar West
Schematic Design Estimation for Pomerado



Independent Citizens' Oversight Committee Membership Status Update

TO: Board of Directors
FROM: Independent Citizens' Oversight Committee
MEETING DATE: Monday, March 13, 2006
BY: Bob Hemker, CFO

Background: On Wednesday, October 5, 2005, the Palomar Pomerado Health Hospital, Emergency Care, Trauma Center Improvement and Repair Measure Bonds Independent Citizens' Oversight Committee (ICOC) held their second meeting.

In accordance with §5.2(a)(3) of the ICOC Procedures, Policies & Guidelines (PP&G), which states that members of the ICOC may "not have an immediate family member who is an employee, official, vendor, contractor or consultant of the District," Secretary Jerry Kaufman (*Business Organization representative*) verbally submitted his resignation, as his adult son is employed by Palomar Pomerado Health. Mr. Kaufman's resignation was held in abeyance pending discussions with Bond Counsel, who has since confirmed its propriety. Contingent on that confirmation, the members of the ICOC agreed to nominate current *At Large representative* John McIver as Mr. Kaufman's replacement, both as Secretary and as the **Business Organization representative**. No further action is necessitated by Mr. Kaufman's resignation, as the remaining membership is at the required minimum of nine.

Budget Impact: N/A

Staff Recommendation: Appointment of John McIver both as Secretary of the ICOC and from *At Large* to **Business Organization representative**

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion: X
Individual Action:
Information:
Required Time:

Independent Citizens' Oversight Committee Committee Update

TO: Board of Directors
FROM: Independent Citizens' Oversight Committee
MEETING DATE: Monday, March 13, 2006
BY: Bob Hemker, CFO

Background: On Wednesday, October 5, 2005, the Palomar Pomerado Health Hospital, Emergency Care, Trauma Center Improvement and Repair Measure Bonds Independent Citizens' Oversight Committee (ICOC) held their second meeting.

At that meeting, a motion was made and carried to recommend to the District Board that the schedule, agendas & minutes for ICOC meetings be posted to the PPH Web site. §6.4 of the PP&G addresses the posting of meeting minutes; however, authorization by the District Board would be required for the posting of agendas and schedules.

Budget Impact: N/A

Staff Recommendation: Authorization for the posting of the agendas and schedules for the ICOC to the PPH Web site.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion: X

Individual Action:

Information:

Required Time:

**POMERADO HOSPITAL
ADMINISTRATIVE SERVICES AGREEMENT
MEDICAL STAFF OFFICERS, DEPARTMENT CHAIRS, QMC CHAIR**

TO: Board of Directors

FROM: Board Finance Committee
Thursday, February 23, 2006

MEETING DATE: Monday, March 13, 2006

BY: Jim Flinn, CHE, Chief Administrative Officer, Pomerado Hospital

BACKGROUND: Pomerado Hospital Medical Staff Officers are compensated for services performed as required by the Medical Staff By-laws. These agreements serve to document the relationship of the medical staff officers to PPH and the duties to be performed as consideration for the stipend to assure compliance with Federal regulations.

Presented are identical one-year and two-year Administrative Services Agreements for the Medical Staff Officers and the Chairperson for the Quality Management Committee.

There are three agreements for implementation at Pomerado Hospital:

Chief of Staff – Paul E. Tornambe, M.D. – Two-year term
Chief of Staff Elect – Benjamin Kanter, M.D. – Two-year term
Chairman, Quality Management Committee – Roger J. Acheatel, M.D. – One-year term

BUDGET IMPACT: None

STAFF RECOMMENDATION: Approval

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION: Approval of the two-year (January 31, 2005, through December 31, 2006) Administrative Services Agreements for Chief of Staff and Chief of Staff Elect; and the one-year (January 1, 2006, through December 31, 2006) Administrative Services Agreement for the Chairman of the Quality Management Committee, all at Pomerado Hospital.

Motion: X

Individual Action:

Information:

Required Time:

PALOMAR POMERADO HEALTH - AGREEMENT ABSTRACT

Section Reference	Term/Condition	Term/Condition Criteria
	TITLE	Administrative Services Agreement
	AGREEMENT DATE	Chief of Staff and Chief of Staff-Elect January 1, 2005 Chairman, Quality Management Committee January 1, 2006
	PARTIES	Chief of Staff – Paul E. Tornambè MD Chief of Staff Elect – Benjamin Kanter, MD Chairman, Quality Management Committee – Roger J. Acheatel, MD
	PURPOSE	To provide administrative services on behalf of Pomerado Hospital Medical Staff in accordance with Medical Staff Bylaws.
	SCOPE OF SERVICES	As per duties defined in Exhibit 1.1 of the contract and Pomerado Hospital Medical Staff Bylaws.
	PROCUREMENT METHOD	<input type="checkbox"/> Request For Proposal <input checked="" type="checkbox"/> Discretionary
	TERM	1. January 1, 2005 – December 31, 2006 - Chief of Staff, Chief of Staff Elect, 2. January 1, 2005 – December 31, 2006 Chairman, Quality Management Committee
	RENEWAL	None
	TERMINATION	(a) Practitioner for any reason is not a member in good standing of the Medical Staff at any time during the term of the Agreement. (b) Practitioner is convicted of a criminal offense.
	COMPENSATION METHODOLOGY	Monthly upon submission of required monthly time reports.
	BUDGETED	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO – IMPACT:
	EXCLUSIVITY	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES – EXPLAIN:
	JUSTIFICATION	These are positions elected by the Medical Staff in accordance with Medical Staff Bylaws.
	POSITION POSTED	<input type="checkbox"/> YES <input type="checkbox"/> NO Methodology & Response: N/A – Elected by the Pomerado Hospital Medical Staff
	ALTERNATIVES/IMPACT	N/A
	Duties	Defined in Exhibit 1.1 as well as the Pomerado Hospital Medical Staff Bylaws. May include: <input checked="" type="checkbox"/> Provision for Staff Education <input checked="" type="checkbox"/> Provision for Medical Staff Education <input checked="" type="checkbox"/> Provision for participation in Quality Improvement
	COMMENTS	Legal counsel developed the original agreement template and the agreement.
	APPROVALS REQUIRED	x VP x CFO x CEO x BOD Committee <u> </u> Finance <u> </u> xBOD

ADMINISTRATIVE SERVICES AGREEMENT

by and between

PALOMAR POMERADO HEALTH (“Hospital”)

and

PAUL E. TORNAMBE, M.D. (“Practitioner”)

ADMINISTRATIVE SERVICES AGREEMENT

THIS ADMINISTRATIVE SERVICES AGREEMENT (this "Agreement") is entered into as of January __, 2006 (the "Execution Date"), by and between Palomar Pomerado Health, a local health care district organized under Division 23 of the California Health and Safety Code ("Hospital"), and Paul E. Tornambe, M.D., an individual ("Practitioner"). Hospital and Practitioner are sometimes referred to in this Agreement individually as a "Party" or, collectively, as the "Parties."

RECITALS

A. Hospital owns and operates Pomerado Hospital, an acute care hospital facility located in Poway, California.

B. Practitioner is licensed to practice medicine in the State of California, board certified for the practice of medicine in the specialty of Ophthalmology (the "Specialty") and a member in good standing of Hospital's medical staff (the "Medical Staff").

C. Hospital desires to engage Practitioner to serve as Chief of Staff at Pomerado Hospital, and believes that the following can be achieved if Practitioner assumes such responsibility as set forth in this Agreement: This will enhance the Hospital's organization, procedure standardization, economic efficiency, professional proficiency, and provide other benefits to enhance coordination and cooperation among Pomerado Hospital's providers and users.

D. As of January 1, 2005, pending the execution of this Agreement, Practitioner agreed to provide services as reflected hereunder, and Hospital agreed to compensate Practitioner in a manner consistent with fair market value. Accordingly, Practitioner has been providing services since January 1, 2005 and this Agreement is intended to encompass those services and continue forward until December 31, 2006.

E. Hospital has considered the following factors in determining the necessity and amount of compensation payable to Practitioner pursuant to this Agreement:

1. The nature of Practitioner's duties as contemplated by this Agreement.
2. Practitioner's qualifications.

SS

AGREEMENT

THE PARTIES AGREE AS FOLLOWS:

ARTICLE I. PRACTITIONER'S OBLIGATIONS

1.1 Administrative Services. Practitioner shall provide to Hospital those administrative services set forth on Exhibit 1.1 ("Administrative Services"), upon the terms and subject to the conditions set forth in this Agreement.

1.2 Time Commitment. Practitioner shall devote whatever time is necessary to effectively provide the Administrative Services; provided, however, that Practitioner shall perform Administrative Services a maximum of twenty (20) hours per month. Practitioner shall allocate time to Administrative Services when and as needed and as reasonably requested by Hospital from time to time.

1.3 Availability. On or before the first (1st) day of each month, Practitioner shall inform Hospital of Practitioner's schedule and availability to perform Administrative Services during that month. Practitioner shall use his or her best efforts to adjust such schedule of availability if reasonably requested by Hospital in order to meet Hospital's needs for Administrative Services.

1.4 Personal Services; Absences. This Agreement is entered into by Hospital in reliance on the professional and administrative skills of Practitioner. Practitioner shall be solely responsible for performing Administrative Services and otherwise fulfilling the terms of this Agreement; provided, however, that if Practitioner is temporarily unable to provide Administrative Services due to illness, disability, continuing education responsibilities, or vacation, Practitioner shall designate a qualified replacement to provide Administrative Services pursuant to this Agreement. Such temporary replacement must be approved in writing by Hospital prior to the replacement providing Administrative Services. Practitioner shall ensure that any such designated replacement meets any and all qualifications, obligations and requirements of Practitioner under this Agreement. Practitioner shall be solely responsible for compensating and making any tax filings or withholdings with respect to any designated replacement providing Administrative Services on Practitioner's behalf. If the length of Practitioner's absence is anticipated by Hospital to be or actually is longer than sixty (60) calendar days, the person who provides Administrative Services in Practitioner's absence shall execute a written document agreeing to be bound by this Agreement. Except in the event of absence due to illness or disability, Hospital shall have the right to approve the length of Practitioner's absence, and any unapproved absence shall constitute a breach of this Agreement. Nothing in this Section shall be deemed to limit in any way Hospital's right to terminate this Agreement in accordance with Section 5.2.

1.5 Time Reports. Practitioner shall maintain monthly time reports that provide a true and accurate accounting of the time spent each day by Practitioner providing Administrative Services. Such reports shall be substantially in the form attached as Exhibit 1.5. Practitioner shall submit all time reports to Hospital no later than the tenth (10th) day of each month for Administrative Services provided by Practitioner during the immediately preceding month.

1.6 Medical Staff Membership. Practitioner shall, from and after the Effective Date (as defined in Section 5.1), be a member in good standing in the "active staff" category of the Medical Staff, and maintain all clinical privileges necessary to practice medicine in the Specialty at Hospital; provided, however, that if Practitioner, as of the Effective Date, is not a member in good standing in the "active staff" category of the Medical Staff, or has not obtained all clinical privileges necessary to practice medicine in the Specialty at Hospital, Practitioner shall have a reasonable amount of time to obtain such membership and/or clinical privileges; provided, however, that Practitioner diligently pursues such membership and/or clinical privileges in accordance with the normal procedures set forth in the bylaws, rules, regulations, protocols, guidelines and policies of Hospital and the Medical Staff (collectively, the "**Hospital Rules**"). Practitioner may also obtain and maintain medical staff membership and clinical privileges at any other hospital or health care facility.

1.7 Professional Qualifications. Practitioner shall be duly licensed and qualified to practice medicine in the State of California. Practitioner shall be board certified in the Specialty.

1.8 Continuing Medical Education. Practitioner shall participate in continuing medical education as necessary to maintain licensure, professional competence and skills commensurate with the standards of the medical community, as otherwise required by the medical profession and as required to effectively perform Practitioner's obligations under this Agreement.

1.9 Performance Standards. Practitioner shall comply with and perform the duties under this Agreement in accordance with the Hospital Rules applicable to the performance of Administrative Services.

1.10 Code of Conduct. Practitioner hereby acknowledges receipt of Hospital's Code of Conduct for Physician Agreements, attached to this Agreement as Exhibit 1.10 (the "**Code**"). With respect to Practitioner's business dealings with Hospital and Practitioner's performance of duties under this Agreement, Practitioner shall not act, or fail to act, in any manner which conflicts with or violates the Code, and shall not cause another person to act, or fail to act, in any manner which conflicts with or violates the Code. Practitioner shall comply with the Code as it relates to Practitioner's business relationship with Hospital or any Palomar Pomerado Health System affiliates, subsidiaries, employees, agents, servants, officers, directors, contractors and suppliers of every kind.

1.11 Use of Space. Practitioner shall not use any part of the space that Hospital designates for Practitioner's use as an office for the private practice of medicine, except in an emergency or with Hospital's prior written consent.

1.12 Notification of Certain Events. Practitioner shall notify Hospital in writing within twenty-four (24) hours after Practitioner becomes aware of the occurrence of any one or more of the following events:

(a) Practitioner becomes the subject of, or otherwise materially involved in, any government investigation of Practitioner's business practices or the provision of professional services, including being served with a search warrant in connection with such activities;

(b) Practitioner's medical staff membership or clinical privileges at any hospital are denied, suspended, restricted, revoked or voluntarily relinquished, regardless of the availability of civil or administrative hearing rights or judicial review with respect thereto;

(c) Practitioner becomes the subject of any suit, action or other legal proceeding arising out of Practitioner's professional services;

(d) Practitioner is required to pay damages or any other amount in any malpractice action by way of judgment or settlement;

(e) Practitioner becomes the subject of any disciplinary proceeding or action before any state's medical board or similar agency responsible for professional standards or behavior;

(f) Practitioner becomes incapacitated or disabled from performing Administrative Services, or voluntarily or involuntarily retires from the practice of medicine;

(g) Practitioner's license to practice medicine in the State of California is restricted, suspended or terminated, regardless of the availability of civil or administrative hearing rights or judicial review with respect thereto;

(h) Practitioner is charged with or convicted of a criminal offense;

(i) any act of nature or any other event occurs which has a material adverse effect on Practitioner's ability to provide Administrative Services;

(j) Practitioner is debarred, suspended, excluded or otherwise ineligible to participate in any federal health care programs, as defined at 42 U.S.C. Section 1320(a)-7b(f) ("**Federal Health Care Programs**"), which programs include, but are not limited to, Medicare and Medicaid;

(k) any termination, non-renewal, cancellation or reduction in coverage of any insurance policy required to be maintained by Practitioner under this Agreement; or

(l) Practitioner fails or is otherwise unable to comply with any term of this Agreement.

ARTICLE II. COMPENSATION

2.1 Compensation. In exchange for Practitioner's provision of Administrative Services, Hospital shall compensate Practitioner in accordance with the terms of Exhibit 2.1.

2.2 IRS Form W-9. Upon execution of this Agreement, Practitioner shall furnish a completed and executed copy of IRS Form W-9 which identifies Practitioner's taxpayer identification number.

ARTICLE III. INSURANCE AND INDEMNITY

3.1 Malpractice Liability Insurance. Practitioner shall obtain and continuously maintain professional malpractice liability insurance coverage, issued by an insurance company licensed or otherwise qualified to issue professional liability insurance policies or coverage in the State of California, and acceptable to Hospital, in the amount of at least One Million Dollars (\$1,000,000) per occurrence or claim and Three Million Dollars (\$3,000,000) in the annual aggregate for the acts and omissions of Practitioner. Such coverage shall provide for a date of placement preceding or coinciding with the Effective Date of this Agreement.

3.2 Certificate of Insurance. On or before the Effective Date, Practitioner shall provide Hospital with an original certificate evidencing professional malpractice liability insurance coverage, and shall provide Hospital with proof of continued professional malpractice liability insurance coverage on an annual basis (or as periodically requested by Hospital). Practitioner shall provide Hospital with no less than thirty (30) calendar days' prior written notice of cancellation or any material change in such professional malpractice liability insurance coverage.

3.3 Tail Coverage. If Practitioner's professional malpractice liability insurance is provided on a claims-made basis, upon the expiration or termination of this Agreement for any reason, Practitioner shall continuously maintain such insurance or purchase from an insurance company licensed or otherwise qualified to issue professional liability insurance policies or coverage in the State of California, and acceptable to Hospital, extended reporting period (*i.e.*, "tail") coverage for the longest extended reporting period then available to ensure that insurance coverage in the amount set forth in Section 3.1 of this Agreement is maintained for claims which arise from professional services provided by Practitioner during the term of this Agreement.

3.4 Indemnification.

(a) **Indemnification by Practitioner.** Practitioner shall indemnify, defend and hold harmless Hospital against: (i) any and all liability arising out of Practitioner's failure to comply with the terms of this Agreement, and any injury, loss, claims, or damages arising from the negligent operations, acts, or omissions of Practitioner or Practitioner's employees or agents relating to or arising out of Administrative Services or this Agreement; and (ii) any and all costs and expenses, including reasonable legal expenses, incurred by or on behalf of Hospital in connection with the defense of such claims.

(b) **Indemnification by Hospital.** Hospital shall indemnify, defend and hold harmless Practitioner against: (i) any and all liability arising out of Hospital's failure to comply with the terms of this Agreement, and any injury, loss, claims, or damages arising from the negligent operations, acts, or omissions of Hospital or its employees or agents relating to or arising out of this Agreement; and (ii) any and all costs and expenses, including reasonable legal expenses, incurred by or on behalf of Practitioner in connection with the defense of such claims.

3.5 Cooperation.

(a) The Parties recognize that, during the term of this Agreement and for an undetermined time period thereafter, certain risk management issues, legal issues, claims or actions may arise that involve or could potentially involve the Parties and their respective employees and agents. The Parties further recognize the importance of cooperating with each other in good faith when such issues, claims or actions arise, to the extent such cooperation does not violate any applicable laws, cause the breach of any duties created by any policies of insurance or programs of self-insurance, or otherwise compromise the confidentiality of communications or information regarding the issues, claims or actions. As such, the Parties hereby agree to cooperate in good faith, using their best efforts, to address such risk management and legal issues, claims, or actions.

(b) The Parties further agree that if a controversy, dispute, claim, action or lawsuit (each, an "Action") arises with a third party wherein both the Parties are included as defendants, each Party shall promptly disclose to the other Party in writing the existence and continuing status of the Action and any negotiations relating thereto. Each Party shall make every reasonable attempt to include the other Party in any settlement offer or negotiations. In the event the other Party is not included in the settlement, the settling Party shall immediately disclose to the other Party in writing the acceptance of any settlement and terms relating thereto, if and to the extent allowed by the terms of such settlement.

3.6 Survival of Obligations. The Parties' obligations under this Article III shall survive the expiration or termination of this Agreement for any reason.

ARTICLE IV. RELATIONSHIP BETWEEN THE PARTIES

4.1 Independent Contractor. Practitioner is and shall at all times be an independent contractor with respect to Hospital in meeting Practitioner's responsibilities under this Agreement. Nothing in this Agreement is intended nor shall be construed to create a partnership, employer-employee or joint venture relationship between Hospital and Practitioner.

4.2 Limitation on Control. Hospital shall neither have nor exercise any control or direction over Practitioner's professional medical judgment or the methods by which Practitioner performs professional medical services; provided, however, that Practitioner shall be subject to and shall at all times comply with the Hospital Rules.

4.3 Practice of Medicine. Practitioner and Hospital acknowledge that Hospital is neither authorized nor qualified to engage in any activity which may be construed or deemed to constitute the practice of medicine. To the extent that any act or service required of, or reserved

to, Hospital in this Agreement is construed or deemed to constitute the practice of medicine, the performance of such act or service by Hospital shall be deemed waived or unenforceable, unless this Agreement can be amended to comply with the law, in which case the Parties shall make such amendment.

4.4 No Benefit Contributions. Hospital shall have no obligation under this Agreement to compensate or pay applicable taxes for, or provide employee benefits of any kind (including contributions to government mandated, employment-related insurance and similar programs) to or on behalf of, Practitioner or any other person employed or retained by Practitioner. Notwithstanding the foregoing, if Hospital determines or is advised that it is required by law to compensate or pay applicable taxes for, or provide employee benefits of any kind (including contributions to government mandated, employment-related insurance and similar programs) to or on behalf of, Practitioner or any other person employed or retained by Practitioner, Practitioner shall reimburse Hospital for any such expenditure within thirty (30) calendar days after being notified of such expenditure.

4.5 Non-Solicitation. During the term of this Agreement and for a period of one (1) year thereafter, Practitioner shall not solicit for employment or actually employ any employee of Hospital, or interfere with any relationship, contractual or otherwise, between Hospital and any of its employees.

4.6 Referrals. Practitioner shall be entitled to refer patients to any hospital or other health care facility or provider deemed by Practitioner best qualified to deliver medical services to any particular patient; provided, however, that Practitioner shall not refer any Hospital patient to any provider of health care services which Practitioner knows or should have known is excluded or suspended from participation in, or sanctioned by, any Federal Health Care Program. No term of this Agreement shall be construed as requiring or inducing Practitioner to refer patients to Hospital. Practitioner's rights under this Agreement shall not be dependent in any way on the referral of patients or business to Hospital by Practitioner.

4.7 Physician Compensation Arrangements. Practitioner represents and warrants to Hospital that the compensation paid or to be paid by Practitioner to any physician who is employed or contracted with Practitioner is and will at all times be fair market value for services and items actually provided by such physician, not taking into account the value or volume of referrals or other business generated by such physician for Hospital or any Affiliate (as defined in Section 5.5). Practitioner further represents and warrants to Hospital that Practitioner has and will at all times maintain a written agreement with each physician receiving compensation from Practitioner.

ARTICLE V. TERM AND TERMINATION

5.1 Term. This Agreement shall become effective on January 1, 2005 (the "Effective Date"), and shall continue until December 31, 2006 (the "Expiration Date"), subject to the termination provisions of this Agreement.

5.2 Termination by Hospital. Hospital shall have the right to terminate this Agreement immediately upon the occurrence of any one or more of the following events:

- (a) breach of this Agreement by Practitioner where the breach is not cured within thirty (30) calendar days after Hospital gives written notice of the breach to Practitioner;
- (b) death or permanent disability of Practitioner;
- (c) Practitioner's voluntary retirement from the practice of medicine;
- (d) neglect of professional duty by Practitioner in a manner that violates the Hospital Rules;
- (e) Practitioner's clinical privileges at any hospital are suspended, restricted, revoked or voluntarily relinquished, or Practitioner's medical staff membership at any hospital is suspended or terminated, for reasons relating to quality of care, regardless of the availability of civil or administrative hearing rights or judicial review with respect thereto;
- (f) Practitioner's license to practice medicine in the State of California is restricted, suspended or terminated, regardless of the availability of civil or administrative hearing rights or judicial review with respect thereto;
- (g) except as provided in Section 1.6, Practitioner at any time during the term of the Agreement for any reason is not a member in good standing in the "active staff" category of the Medical Staff or does not hold all clinical privileges at Hospital necessary for Practitioner's performance of Administrative Services;
- (h) Practitioner is charged with or convicted of a criminal offense;
- (i) Practitioner's performance of Administrative Services, in the sole determination of Hospital, jeopardizes the mental or physical health or well-being of patients of Hospital;
- (j) Practitioner is debarred, suspended, excluded or otherwise ineligible to participate in any Federal Health Care Program;
- (k) Practitioner acts, or causes another person to act, in a manner which conflicts with or violates the Code;
- (l) breach of any HIPAA Obligation (as defined in Exhibit 6.5); or
- (m) Practitioner is rendered unable to comply with the terms of this Agreement for any reason.

5.3 Termination without Cause. Either Party may terminate this Agreement without cause, expense or penalty, effective thirty (30) days after written notice of termination is given to the other Party. If this Agreement is terminated prior to the date that is twelve (12) months from the Effective Date (the "One Year Anniversary"), the Parties shall not, at any

time prior to the One Year Anniversary, enter into any other agreement or arrangement for the provision of Administrative Services that modifies, changes, or alters in any way the provisions of this Agreement.

5.4 Termination by Practitioner. Practitioner shall have the right to terminate this Agreement upon breach of this Agreement by Hospital where the breach is not cured within thirty (30) calendar days after Practitioner gives written notice of the breach to Hospital.

5.5 Termination or Modification in the Event of Government Action.

(a) In the event of any Government Action (as defined below), the Parties shall, within ten (10) days after one Party gives written notification of such Government Action to the other Party, meet and confer and negotiate in good faith to attempt to amend this Agreement in order to comply with the Government Action.

(b) If the Parties, after good faith negotiations that shall not exceed thirty (30) days, are unable to mutually agree upon the amendments necessary to comply with the Government Action, or, alternatively, if either Party determines in good faith that compliance with the Government Action is impossible or infeasible, either Party may terminate this Agreement effective ten (10) days after a written notice of termination is given to the other Party.

(c) For the purposes of this Section, "Government Action" shall mean any legislation, statute, law, regulation, rule or procedure passed, adopted or implemented by any federal, state or local government or legislative body or any private agency, or any decision, finding, interpretation or action by any governmental or private agency, court or other third party which, in the opinion of counsel to either Party, as a result or consequence, in whole or in part, of the arrangement between the Parties set forth in this Agreement, if or when implemented, could reasonably be expected to result in or present a material risk of any one or more of the following:

- (i) revocation or threat of revocation of the status of any license, certification or accreditation granted to Hospital or any Affiliate (as defined in Section 5.5(d));
- (ii) revocation or threat of revocation of the federal, state or local tax-exempt status of Hospital, or any Affiliate, or their respective tax-exempt financial obligations;
- (iii) prohibit or restrict the ability of Hospital or any Affiliate to issue tax-exempt bonds, certificates of participation or other tax-exempt financial obligations;
- (iv) prevent Practitioner from being able to access and use the facilities of Hospital or any Affiliate of Hospital;
- (v) violation of or threat of prosecution under 42 U.S.C. Section 1320a-7b(b) (commonly referred to as the "Anti-Kickback law"), 42 U.S.C. Section 1395nn (commonly referred to as the "Stark law") or any comparable state law governing kickbacks, bribes,

rebates or patient referrals if Practitioner referred patients to Hospital or any Affiliate;

- (vi) violation by Hospital of, or threat of prosecution of Hospital under, any law, regulation, rule or procedure applicable to Hospital;
- (vii) prohibit Practitioner, Hospital or any Affiliate from submitting claims or materially reducing the reimbursement received by Hospital or any Affiliate for services provided to patients referred by Practitioner; or
- (viii) subject Hospital, Practitioner, any Affiliate, or any of their respective officers, directors, employees or agents, to civil action or criminal prosecution by any governmental authority or other person or entity or the imposition of any sanction (including any excise tax penalty under Internal Revenue Code Section 4958), on the basis of their approval of or participation in this Agreement or performing their respective obligations under this Agreement.

(d) For the purposes of this Agreement, "Affiliate" shall mean any entity which, directly or indirectly, controls, is controlled by, or is under common control with Hospital.

5.6 Effect of Termination or Expiration. Upon any termination or expiration of this Agreement:

(a) all rights and obligations of the Parties shall cease except (i) those rights and obligations that have accrued and remain unsatisfied prior to the termination or expiration of this Agreement, and (ii) those rights and obligations which expressly survive termination or expiration of this Agreement;

(b) upon Hospital's request, Practitioner shall immediately vacate the premises, removing any and all of Practitioner's personal property, and Hospital may remove and store, at Practitioner's expense, any personal property that Practitioner has not so removed;

(c) Practitioner shall immediately return to Hospital all of Hospital's property, including Hospital's equipment, supplies, furniture, furnishings and patient records, in Practitioner's possession or under Practitioner's control;

(d) Practitioner shall not do anything or cause any other person to do anything that interferes with Hospital's efforts to engage any other person or entity for the provision of Administrative Services, or interferes in any way with any relationship between Hospital and any other person or entity who may be engaged to provide Administrative Services to Hospital; and

(e) the expiration or termination of this Agreement shall not entitle Practitioner to the right to a "fair hearing" or any other similar rights or procedures more particularly set forth in the Medical Staff bylaws.

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ARTICLE VI.
GENERAL PROVISIONS

6.1 Amendment. This Agreement may be modified or amended only by mutual written agreement of the Parties. Any such modification or amendment must be in writing, dated, signed by the Parties and explicitly indicate that such writing modifies or amends this Agreement.

6.2 Assignment. Practitioner may not assign any of Practitioner's rights, interests, duties, or obligations under this Agreement without Hospital's prior written consent, which consent may be given or withheld in Hospital's sole discretion. Any attempted or purported assignment by Practitioner in violation of this Section shall be void. Hospital may, in its sole discretion, assign any or all of its rights, interests, duties, or obligations hereunder to any person or entity without the prior written consent of Practitioner. Subject to the foregoing, this Agreement shall be binding on and shall inure to the benefit of the Parties and their respective heirs, successors, assigns and representatives.

6.3 Attorneys' Fees. If either Party brings an action or proceeding, arising out of or relating to this Agreement, the non-prevailing Party shall pay to the prevailing Party reasonable attorneys' fees and costs incurred in bringing such action, including, without limitation, fees incurred in post judgment motions, contempt proceedings, garnishment, levy, debtor and third party examinations, discovery, bankruptcy litigation, arbitration, trial, and any appeal or review, all of which shall be deemed to have accrued upon the commencement of such action and shall be paid whether or not such action is prosecuted to judgment. Any judgment or order entered shall contain a provision providing for the recovery of attorneys' fees and costs incurred in enforcing such judgment. The prevailing Party shall be the Party who is identified in any judgment or order entered as the Party entitled to recover its costs of suit, whether or not the action or proceeding proceeds to final judgment or award.

6.4 Choice of Law. This Agreement shall be construed in accordance with and governed by the laws of the State of California, without giving effect to any choice of law or conflict of law rules or provisions that would cause the application of the laws of any jurisdiction other than the State of California.

6.5 Compliance with HIPAA. Practitioner shall comply with the HIPAA Obligations as defined and set forth in Exhibit 6.5. The HIPAA Obligations shall survive the expiration or termination of this Agreement for any reason.

6.6 Compliance with Laws. Practitioner shall comply with all applicable laws, ordinances, codes and regulations of federal, state and local governments, including without limitation laws that require Practitioner to disclose any economic interest or relationship with Hospital, and the policies, standards, requirements, guidelines and recommendations of the Joint Commission on Accreditation of Healthcare Organizations ("JCAHO"), all as in effect and amended from time to time.

6.7 Compliance with Medicare Rules. To the extent required by law or regulation, Practitioner shall make available, upon written request from Hospital, the Secretary of Health

and Human Services, the Comptroller General of the United States, or any duly authorized agent or representative of the foregoing, a copy of this Agreement and Practitioner's books, documents and records to the extent necessary to certify the nature and extent of Hospital's costs for services provided by Practitioner. Practitioner shall preserve and make available such books, documents and records for a period which is the longer of ten (10) years after the end of the term of this Agreement, or the length of time required by state or federal law. If Practitioner is requested to disclose books, documents or records pursuant to this Section for any purpose, Practitioner shall notify Hospital of the nature and scope of such request, and Practitioner shall make available, upon written request of Hospital, all such books, documents or records. Practitioner shall indemnify and hold harmless Hospital if any amount of reimbursement is denied or disallowed because of Practitioner's failure to comply with the obligations set forth in this Section. Such indemnity shall include, but not be limited to, the amount of reimbursement denied, plus any interest, penalties and legal costs.

6.8 Confidentiality. Neither Party shall disclose any of the provisions of this Agreement to any person or entity, other than their respective attorneys or accountants, without the prior written consent of the other Party, unless and only to the extent such disclosure is required by law, subpoena or legal process; provided, however, that either Party may disclose the provisions of this Agreement to any person or entity without the prior written consent of the other Party to the extent such disclosure is (a) required by such Party's contracts existing as of the date of this Agreement; or (b) requested by fiscal intermediaries, public agencies or commissions with governmental powers and duties related to disclosure of information which have the right to compel disclosure of such information. Hospital may also disclose the provisions of this Agreement to any person or entity without the prior written consent of Practitioner to the extent such disclosure is requested or required by Hospital's representatives or others in connection with any tax-exempt bond or other financing transactions of Hospital or any Affiliates.

6.9 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

6.10 Dispute Resolution. In the event of any controversy or dispute related to or arising out of this Agreement, the Parties agree to meet and confer in good faith to attempt to resolve the controversy or dispute without an adversary proceeding. If the controversy or dispute is not resolved to the mutual satisfaction of the Parties within five (5) business days of notice of the controversy or dispute, the Parties agree to waive their rights, if any, to a jury trial and pre-trial discovery, and to submit the controversy or dispute to a retired judge or justice pursuant to Section 638 et seq. of the California Code of Civil Procedure, or any successor provision, for resolution in accordance with Chapter 6 (References and Trials by Referees), of Title 8 of Part 2 of the California Code of Civil Procedure, or any successor chapter. The Parties agree that the only proper venue for the submission of claims is the County of San Diego California, and that the hearing before the referee shall be concluded within nine (9) months of the filing and service of the complaint. The Parties reserve the right to contest the referee's decision and to appeal from any award or order of any court.

6.11 Entire Agreement. This Agreement is the entire understanding and agreement of the Parties regarding its subject matter, and supersedes any prior oral or written agreements, representations, understandings or discussions between the Parties with respect to such subject matter. No other understanding between the Parties shall be binding on them unless set forth in writing, signed and attached to this Agreement.

6.12 Exhibits and Attachments. The attached exhibits and attachments, together with all documents incorporated by reference in the exhibits and attachments, form an integral part of this Agreement and are incorporated by reference into this Agreement.

6.13 Force Majeure. Neither Party shall be liable for nonperformance or defective performance or late performance of any of its obligations under this Agreement to the extent and for such periods of time as such nonperformance, defective performance or late performance is due to reasons outside such Party's control, including acts of God, war (declared or undeclared), terrorism, action of any governmental authority, riots, revolutions, fire, floods, explosions, sabotage, nuclear incidents, lightning, weather, earthquakes, storms, sinkholes, epidemics, or strikes (or similar nonperformance or defective performance or late performance of employees, suppliers or subcontractors).

6.14 Headings. The headings in this Agreement are intended solely for convenience of reference and shall be given no effect in the construction or interpretation of this Agreement.

6.15 Income Tax Ramifications. The Parties acknowledge that Practitioner may incur federal and state income tax liabilities from certain of the transactions contemplated by this Agreement, and that Hospital is or may be required to report items of income to Practitioner under relevant income tax laws and regulations. The Parties acknowledge and agree that Hospital has not made any representation to Practitioner with respect to the tax implications of the transactions contemplated by this Agreement, and that statements made by Hospital or its agents, employees, representatives or attorneys shall not be relied upon by Practitioner, and shall not be interpreted or construed as tax advice to Practitioner.

6.16 Litigation Consultation. Practitioner shall not accept consulting assignments or otherwise contract, agree, or enter into any arrangement to provide expert testimony or evaluation on behalf of a plaintiff in connection with any claim against Hospital or any Affiliate named, or expected to be named as a defendant. Practitioner shall not accept similar consulting assignments if (a) the defendants or anticipated defendants include a member of the medical staff of Hospital or any Affiliate, and (b) the matter relates to events that occurred at Hospital or any Affiliate; provided, however, the provisions of this Section shall not apply to situations in which Practitioner served as a treating physician.

6.17 Meaning of Certain Words. Wherever the context may require, any pronouns used in this Agreement shall include the corresponding masculine, feminine, or neuter forms, and the singular form of nouns shall include the plural and vice versa. Unless otherwise specified, "days" shall be considered "calendar days" and "months" shall be considered "calendar months" in this Agreement and its exhibits and attachments.

6.18 No Conflicting Obligations. Practitioner represents and warrants that the execution and delivery of this Agreement and the performance of his or her respective obligations hereunder do not and will not: (a) present a conflict of interest or materially interfere with the performance of his or her respective duties under any other agreement or arrangement; or (b) violate, conflict with, or result in a breach of any provision of, or constitute a default (or an event which, with notice and/or lapse of time, would constitute a default) under, terminate, accelerate the performance required by, or result in a right of termination or acceleration under any of the terms, conditions or provisions of any other agreement, indebtedness, note, bond, indenture, security or pledge agreement, license, franchise, permit, or other instrument or obligation. Practitioner shall immediately inform Hospital of any other agreements to which Practitioner is a party that may present a conflict of interest or materially interfere with performance of his or her duties under this Agreement.

6.19 Non-Discrimination. Practitioner shall not differentiate or discriminate in the provision of medical services on the basis of race, color, national origin, ancestry, religion, sex, marital status, sexual orientation, age, medical condition, medical history, genetics, evidence of insurability, or claims history, in violation of any applicable state, federal or local law or regulation, or Hospital Rules, including, without limitation, the Age Discrimination Act of 1975, the Americans with Disabilities Act and all regulations issued pursuant thereto and as may be amended from time to time. Practitioner and Hospital shall be in full compliance with Section 504 of the Rehabilitation Act of 1973, Titles VI and VII of the 1964 Civil Rights Act, and all regulations issued pursuant thereto and as may be amended from time to time.

6.20 No Third Party Beneficiary Rights. This Agreement shall not confer or be construed to confer any rights or benefits to any person or entity other than the Parties.

6.21 Notices. All notices or communications required or permitted under this Agreement shall be given in writing and shall be delivered to the Party to whom notice is to be given either: (a) by personal delivery (in which case such notice shall be deemed given on the date of delivery); (b) by next business day courier service (e.g., Federal Express, UPS or other similar service) (in which case such notice shall be deemed given on the business day following date of deposit with the courier service); or (c) by United States mail, first class, postage prepaid, registered or certified, return receipt requested (in which case such notice shall be deemed given on the third (3rd) day following the date of deposit with the United States Postal Service). In each case, notice shall be delivered or sent to the address indicated on the signature page, or such other address as provided by a Party, from time to time, pursuant to this Section.

6.22 Participation in Federal Health Care Programs. Practitioner hereby represents that Practitioner is not debarred, suspended, excluded or otherwise ineligible to participate in any Federal Health Care Program.

6.23 Representations. Each Party represents with respect to itself that: (a) no representation or promise not expressly contained in this Agreement has been made by any other Party or by any Parties' agents, employees, representatives or attorneys; (b) this Agreement is not being entered into on the basis of, or in reliance on, any promise or representation, expressed or implied, other than such as are set forth expressly in this Agreement; and (c) Party has been

represented by legal counsel of Party's own choice or has elected not to be represented by legal counsel in this matter.

6.24 Severability. Subject to Section 5.5, if any provision of this Agreement, in whole or in part, or the application of any provision, in whole or in part, is determined to be illegal, invalid or unenforceable by a court of competent jurisdiction and such provision can be severed without substantially changing the bargain reached by the Parties, such provision or part of such provision shall be severed from this Agreement, and such severance shall have no effect upon the enforceability, performance or obligations of the remainder of this Agreement, including the remainder of such provision not determined to be illegal, invalid or unenforceable. If Section 5.5 is applicable, this Section 6.24 shall not be enforced.

6.25 Trade Secrets. During the term of this Agreement, Practitioner will have access to and become acquainted with confidential information and trade secrets of Hospital, including information and data relating to payor contracts and accounts, clients, patients, patient groups, patient lists, billing practices and procedures, business techniques and methods, strategic plans, operations and related data (collectively, "Trade Secrets"). All Trade Secrets are the property of Hospital and used in the course of Hospital's business, and shall be proprietary information protected under the Uniform Trade Secrets Act. Practitioner shall not disclose to any person or entity, directly or indirectly, either during the term of this Agreement or at any time thereafter, any Trade Secrets, or use any Trade Secrets other than in the course of providing Administrative Services under this Agreement. All documents that Practitioner prepares, or Trade Secrets that might be given to Practitioner in the course of providing Administrative Services under this Agreement, are the exclusive property of Hospital, and, without the prior written consent of Hospital, shall not be removed from Hospital's premises.

6.26 Waiver. No delay or failure to require performance of any provision of this Agreement shall constitute a waiver of that provision as to that or any other instance. Any waiver granted by a Party must be in writing to be effective, and shall apply solely to the specific instance expressly stated.

6.27 Waiver of Injunctive or Similar Relief. Upon any breach or termination of this Agreement by Hospital that is determined to be improper by a court or by an arbitrator, Practitioner shall accept monetary damages, if any, as full and complete relief, to the exclusion of any specific performance, or injunctive or similar equitable relief.

[signature page follows]

The Parties have executed this Agreement on the date first above written, and signify their agreement with duly authorized signatures.

HOSPITAL

Palomar Pomerado Health, a local health care district organized under Division 23 of the California Health and Safety Code

By: _____
Its: _____

Address of Hospital:

15255 Innovation Drive
San Diego, CA 92128-3410
Attn: James Neal

PRACTITIONER

Paul E. Tornambe, M.D., an individual

Practitioner's principal contact address:

12630 Monte Vista Road
Poway, CA 92064

Exhibit 1.1

ADMINISTRATIVE SERVICES

Practitioner, as Chief of Staff at Pomerado Hospital, shall provide the following services:

1. Enforce Medical Staff bylaws, rules and regulations, implementing sanctions where indicated, and promoting compliance with procedural safeguards where corrective action has been requested or initiate;
2. Call, preside at, and being responsible for the agenda of all meetings of the Medical Staff;
3. Serve as Chair of the Executive Committee;
4. Serve as a nonvoting member of all other committees of the Medical Staff unless his/her membership on a particular committee is required by the Medical Staff Bylaws;
5. Interact with the Vice president/administrator and the Board of Directors in all matters of mutual concern within the hospital;
6. Appoint members to all standing, special liaison, multidisciplinary, or Medical Staff committees, except otherwise provided by the bylaws and except where otherwise indicated, designating a chairperson of these committees;
7. Represent the views and policies of the Medical Staff to the Board of Directors and to the Vice President/Administrator;
8. Act as the spokesperson for the Medical Staff in external professional and public-relation;
9. Serve on liaison committees with the Board of Directors and administration as well as outside licensing and accreditation agencies civil;
10. Perform such other functions as may be assigned by the Medical Staff bylaws, the Medical Staff or by the Executive Committee.

Exhibit 1.5

MONTHLY TIME REPORT

See Attached.

Exhibit 1.10

CODE

See Attached.

Exhibit 1.10

Exhibit 1.10

Code of Conduct for Physician Agreements

1. I will perform my duties faithfully and to the best of my ability, and in the interest of Hospital as it relates to services provided under this agreement.
2. I will not lie, cheat, steal, or violate any law in connection with my practice at any Hospital facility.
3. I will not pay or arrange for Hospital to pay any person or entity for the referral of patients to Hospital, nor will I accept any payment or arrange for Hospital to accept any payment for referrals from Hospital.
4. I will not participate in any false billing of patients, government entities or any other party, nor will I participate in the preparation of any false cost reports, or other type of report submitted to the government.
5. I will not engage in any conduct or practice that conflicts with interest of Hospital, as it relates to services provided under this agreement.
6. I will not improperly use Hospital's confidential or proprietary information gathered during my association with Hospital for my own personal benefit.
7. I will not obtain any improper personal benefits by virtue of my practice at Hospital facilities.
8. I will notify the compliance officer of Hospital immediately upon the receipt (at work or home) of an inquiry, subpoena (other than for routine licensing or tax matters) or other agency or government request for information regarding Hospital.
9. I will not destroy or alter information or documents in anticipation of or in response to, a request for documents by any applicable government agency or from a court of competent jurisdiction.
10. I will not engage in any business practice intended to unlawfully obtain favorable treatment or business from any government entity, physician, patient, vendor or any other party in a position to provide such treatment or business.
11. I will not accept any gift of more than nominal value, and hospitality or entertainment that because of its source or value might influence my independent judgment in transactions involving Hospital as it relates to services provided under this agreement.
12. I will not provide any gifts to any government or public agency representative as it relates to services provided under this agreement.

13. I will disclose any compensation arrangements or an ownership in a privately-owned entity (not big pharmaceutical or other major public companies and not ownership through mutual funds) that I or a member of my immediate family has.

14. I will not disclose confidential medical information pertaining to Hospital patients without the express written consent of the patient in accordance with HIP AA, other applicable law and Hospital applicable policies or procedures.

15. I will promptly report all violations or suspected violations of this code by myself to the compliance officer of Hospital.

16. I will not conspire with a competitor of Hospital to illegally fix prices, labor cost, allocate markets, or engage in group boycotts.

Exhibit 2.1

COMPENSATION

1. **Compensation.** Hospital shall pay to Practitioner the amount of [REDACTED] per hour up to a maximum of [REDACTED] per month for the provision of Administrative Services.

2. **Timing.** Hospital shall pay the compensation due for Administrative Services performed by Practitioner in the immediately preceding month within five (5) business days after Practitioner's submission of the monthly time report in accordance with this Agreement; provided, however, that if Practitioner does not submit a time sheet within sixty (60) days of the end of the month during which Administrative Services were performed, Hospital shall not be obligated to pay Practitioner for Administrative Services performed during that month.

Exhibit 6.5

OBLIGATIONS UNDER THE HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT OF 1996 ("HIPAA")

1. Definitions.

- a. "Designated Record Set" shall have the meaning given to such term under the Privacy Rule (as defined below).
- b. "HIPAA Obligations" means the obligations of Practitioner as set forth in this Exhibit.
- c. "Privacy Rule" means the HIPAA Regulation that is codified at Title 45 of the Code of Federal Regulations, Parts 160 and 164, or applicable successor provisions, as may be amended from time to time.
- d. "Protected Health Information" means any information, whether oral or recorded in any form or medium that: (i) relates to the past, present or future physical or mental condition of an individual; the provision of health care to an individual; or the past, present or future payment for the provision of health care to an individual, and (ii) identifies the individual or with respect to which there is a reasonable basis to believe the information can be used to identify the individual, or is defined as such under the Privacy Rule.
- e. "Protected Information" means Protected Health Information provided by Hospital to Practitioner or created or received by Practitioner on Hospital's behalf.
- f. "Required by Law" shall have the meaning given to such term under the Privacy Rule.

- 2. **Use of Protected Information.** Practitioner shall not use Protected Information except as permitted by and for the purpose of performing Practitioner's obligations under this Agreement. Practitioner shall not use Protected Information in any manner that would constitute a violation of the Privacy Rule if so used by Hospital.
- 3. **Permitted Disclosures.** Practitioner shall not disclose Protected Information in any manner that would constitute a violation of the Privacy Rule if disclosed by Hospital, except that Practitioner may disclose Protected Information in a manner permitted pursuant to this Agreement or as Required by Law.
- 4. **Appropriate Safeguards.** Practitioner shall implement appropriate safeguards as are necessary to prevent the use or disclosure of Protected Information other than as permitted by this Agreement.

5. **Reporting of Improper Use or Disclosure.** Practitioner shall notify Hospital in writing of any use or disclosure of Protected Information other than as provided for by this Agreement and this Exhibit within two (2) days of becoming aware of such use or disclosure.
6. **Practitioner's Agents.** Practitioner shall ensure that any agents of Practitioner, including subcontractors, to whom Practitioner provides Protected Information, agree in writing to the same restrictions and conditions that apply to Practitioner with respect to such Protected Information.
7. **Access to Protected Information.** Practitioner shall make Protected Information maintained by Practitioner or Practitioner's agents or subcontractors in Designated Record Sets available to Hospital for inspection and copying within ten (10) days of a request by Hospital to enable Hospital to fulfill its obligations under the Privacy Rule.
8. **Amendment of Protected Health Information.** Within ten (10) days of receipt from Hospital for an amendment of Protected Information or a record about an individual contained in a Designated Record Set, Practitioner or Practitioner's agents or subcontractors shall make such Protected Information available to Hospital for amendment and incorporate any such amendment to enable Hospital to fulfill its obligations under the Privacy Rule.
9. **Accounting Rights.** Within ten (10) days of notice by Hospital of a request for an accounting of disclosures of Protected Information, Practitioner and Practitioner's agents or subcontractors shall provide to Hospital an accounting of disclosures sufficient to enable Hospital to fulfill its obligations under the Privacy Rule. As set forth and as limited by the Privacy Rule, Practitioner shall not provide an accounting to Hospital of disclosures: (i) to carry out treatment, payment or health care operations; (ii) to individuals of Protected Information about them; (iii) to persons involved in the individual's care or other notification purposes; (iv) for national security or intelligence purposes; or (v) to correctional institutions or law enforcement officials. [Practitioner agrees to implement a process that allows for an accounting to be collected and maintained by Practitioner and Practitioner's agents or subcontractors for at least six (6) years prior to the request, but not before the compliance date of the Privacy Rule.] At a minimum, such information shall include: (A) the date of disclosure; (B) the name of the entity or person who received Protected Information and, if known, the address of the entity or person; (C) a brief description of Protected Information disclosed; and (D) a brief statement of purpose of the disclosure that reasonably informs the individual of the basis for the disclosure, or copy of the individual's authorization, or a copy of the written request for disclosure.
10. **Governmental Access to Records.** Practitioner shall make his or her internal practices, books and records relating to the use and disclosure of Protected Information available to Hospital or, at the request of Hospital, to the Secretary of the U.S. Department of Health and Human Services, for purposes of determining Hospital's compliance with the Privacy Rule.

11. **Retention of Protected Information.** Except as provided in Sections 12 and 13 of this Exhibit, Practitioner and Practitioner's agents or subcontractors shall retain all Protected Information throughout the term of this Agreement and shall continue to maintain the information required hereunder for a period of six (6) years after expiration or termination of this Agreement.
12. **Term of Obligations.** Practitioner's HIPAA Obligations shall commence as of the compliance date of the Privacy Rule, and shall terminate when all of the Protected Information is destroyed or returned to Hospital, or, if it is infeasible to return or destroy Protected Information, protections are extended to such information, in accordance with Section 14 of this Exhibit.
13. **Effect of Termination.** Upon expiration or termination of this Agreement for any reason, Practitioner shall return or destroy all Protected Information that Practitioner or Practitioner's agents or subcontractors still maintain in any form, and shall retain no copies of such Protected Information. If return or destruction is not feasible, Practitioner shall continue to extend the protections of this Exhibit to such information, and limit further use of such Protected Health Information to those purposes that make the return or destruction of such Protected Health Information infeasible.
14. **Amendment.** The Parties agree to take such action as is necessary to amend HIPAA Obligations from time to time in order for Hospital to comply with the requirements of the Privacy Rule, HIPAA and other applicable laws relating to the security or confidentiality of Protected Health Information.
15. **Interpretation of Obligations.** The HIPAA Obligations shall be interpreted as broadly as necessary to implement and comply with HIPAA and the Privacy Rule. The Parties acknowledge and agree that any ambiguity in the HIPAA Obligations shall be resolved in favor of a meaning that complies and is consistent with HIPAA and the Privacy Rule.



ADMINISTRATIVE SERVICES AGREEMENT

by and between

PALOMAR POMERADO HEALTH (“Hospital”)

and

Benjamin Kanter, M.D. (“Practitioner”)

ADMINISTRATIVE SERVICES AGREEMENT

THIS ADMINISTRATIVE SERVICES AGREEMENT (this "Agreement") is entered into as of January __, 2006 (the "Execution Date"), by and between Palomar Pomerado Health, a local health care district organized under Division 23 of the California Health and Safety Code ("Hospital"), and Benjamin Kanter, M.D., an individual ("Practitioner"). Hospital and Practitioner are sometimes referred to in this Agreement individually as a "Party" or, collectively, as the "Parties."

RECITALS

- A. Hospital owns and operates Pomerado Hospital, an acute care hospital facility located in Poway, California.
- B. Practitioner is licensed to practice medicine in the State of California, board certified for the practice of medicine in the specialty of Internal Medicine (the "Specialty") and a member in good standing of Hospital's medical staff (the "Medical Staff").
- C. Hospital desires to engage Practitioner as an independent contractor to serve as Chief of Staff-Elect at Pomerado Hospital, and believes that the following can be achieved if Practitioner assumes such responsibility as set forth in this Agreement: This will enhance the Hospital's organization, procedure standardization, economic efficiency, professional proficiency, and provide other benefits to enhance coordination and cooperation among the Pomerado Hospital's providers and users.
- D. As of January 1, 2005, pending the execution of this Agreement, Practitioner agreed to provide services as reflected hereunder, and Hospital agreed to compensate Practitioner in a manner consistent with the terms of this Agreement. Accordingly, Practitioner has been providing services since January 1, 2005 and this Agreement is intended to encompass those services and continue forward until December 31, 2006.
- E. Hospital has considered the following factors in determining the necessity and amount of compensation payable to Practitioner pursuant to this Agreement:
1. The nature of Practitioner's duties as contemplated by this Agreement.
 2. Practitioner's qualifications.

AGREEMENT

THE PARTIES AGREE AS FOLLOWS:

ARTICLE I. PRACTITIONER'S OBLIGATIONS

1.1 Administrative Services. Practitioner shall provide to Hospital those administrative services set forth on Exhibit 1.1 ("Administrative Services"), upon the terms and subject to the conditions set forth in this Agreement.

1.2 Time Commitment. Practitioner shall devote whatever time is necessary to effectively provide the Administrative Services; provided, however, that Practitioner shall perform Administrative Services a maximum of ten (10) hours per month. Practitioner shall allocate time to Administrative Services when and as needed and as reasonably requested by Hospital from time to time.

1.3 Availability. On or before the first (1st) day of each month, Practitioner shall inform Hospital of Practitioner's schedule and availability to perform Administrative Services during that month. Practitioner shall use his or her best efforts to adjust such schedule of availability if reasonably requested by Hospital in order to meet Hospital's needs for Administrative Services.

1.4 Personal Services; Absences. This Agreement is entered into by Hospital in reliance on the professional and administrative skills of Practitioner. Practitioner shall be solely responsible for performing Administrative Services and otherwise fulfilling the terms of this Agreement; provided, however, that if Practitioner is temporarily unable to provide Administrative Services due to illness, disability, continuing education responsibilities, or vacation, Practitioner shall designate a qualified replacement to provide Administrative Services pursuant to this Agreement. Such temporary replacement must be approved in writing by Hospital prior to the replacement providing Administrative Services. Practitioner shall ensure that any such designated replacement meets any and all qualifications, obligations and requirements of Practitioner under this Agreement. Practitioner shall be solely responsible for compensating and making any tax filings or withholdings with respect to any designated replacement providing Administrative Services on Practitioner's behalf. If the length of Practitioner's absence is anticipated by Hospital to be or actually is longer than sixty (60) calendar days, the person who provides Administrative Services in Practitioner's absence shall execute a written document agreeing to be bound by this Agreement. Except in the event of absence due to illness or disability, Hospital shall have the right to approve the length of Practitioner's absence, and any unapproved absence shall constitute a breach of this Agreement. Nothing in this Section shall be deemed to limit in any way Hospital's right to terminate this Agreement in accordance with Section 5.2.

1.5 Time Reports. Practitioner shall maintain monthly time reports that provide a true and accurate accounting of the time spent each day by Practitioner providing Administrative Services. Such reports shall be substantially in the form attached as Exhibit 1.5. Practitioner shall submit all time reports to Hospital no later than the tenth (10th) day of each month for Administrative Services provided by Practitioner during the immediately preceding month.

1.6 Medical Staff Membership. Practitioner shall, from and after the Effective Date (as defined in Section 5.1), be a member in good standing in the "active staff" category of the Medical Staff, and maintain all clinical privileges necessary to practice medicine in the Specialty at Hospital; provided, however, that if Practitioner, as of the Effective Date, is not a member in good standing in the "active staff" category of the Medical Staff, or has not obtained all clinical privileges necessary to practice medicine in the Specialty at Hospital, Practitioner shall have a reasonable amount of time to obtain such membership and/or clinical privileges; provided, however, that Practitioner diligently pursues such membership and/or clinical privileges in accordance with the normal procedures set forth in the bylaws, rules, regulations, protocols, guidelines and policies of Hospital and the Medical Staff (collectively, the "**Hospital Rules**"). Practitioner may also obtain and maintain medical staff membership and clinical privileges at any other hospital or health care facility.

1.7 Professional Qualifications. Practitioner shall be duly licensed and qualified to practice medicine in the State of California. Practitioner shall be board certified in the Specialty.

1.8 Continuing Medical Education. Practitioner shall participate in continuing medical education as necessary to maintain licensure, professional competence and skills commensurate with the standards of the medical community, as otherwise required by the medical profession and as required to effectively perform Practitioner's obligations under this Agreement.

1.9 Performance Standards. Practitioner shall comply with and perform the duties under this Agreement in accordance with the Hospital Rules applicable to the performance of Administrative Services.

1.10 Code of Conduct. Practitioner hereby acknowledges receipt of Hospital's Code of Conduct for Physician Agreements, attached to this Agreement as Exhibit 1.10 (the "**Code**"). With respect to Practitioner's business dealings with Hospital and Practitioner's performance of duties under this Agreement, Practitioner shall not act, or fail to act, in any manner which conflicts with or violates the Code, and shall not cause another person to act, or fail to act, in any manner which conflicts with or violates the Code. Practitioner shall comply with the Code as it relates to Practitioner's business relationship with Hospital or any Palomar Pomerado Health System affiliates, subsidiaries, employees, agents, servants, officers, directors, contractors and suppliers of every kind.

1.11 Use of Space. Practitioner shall not use any part of the space that Hospital designates for Practitioner's use as an office for the private practice of medicine, except in an emergency or with Hospital's prior written consent.

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1.12 Notification of Certain Events. Practitioner shall notify Hospital in writing within twenty-four (24) hours after Practitioner becomes aware of the occurrence of any one or more of the following events:

- (a) Practitioner becomes the subject of, or otherwise materially involved in, any government investigation of Practitioner's business practices or the provision of professional services, including being served with a search warrant in connection with such activities;
- (b) Practitioner's medical staff membership or clinical privileges at any hospital are denied, suspended, restricted, revoked or voluntarily relinquished, regardless of the availability of civil or administrative hearing rights or judicial review with respect thereto;
- (c) Practitioner becomes the subject of any suit, action or other legal proceeding arising out of Practitioner's professional services;
- (d) Practitioner is required to pay damages or any other amount in any malpractice action by way of judgment or settlement;
- (e) Practitioner becomes the subject of any disciplinary proceeding or action before any state's medical board or similar agency responsible for professional standards or behavior;
- (f) Practitioner becomes incapacitated or disabled from performing Administrative Services, or voluntarily or involuntarily retires from the practice of medicine;
- (g) Practitioner's license to practice medicine in the State of California is restricted, suspended or terminated, regardless of the availability of civil or administrative hearing rights or judicial review with respect thereto;
- (h) Practitioner is charged with or convicted of a criminal offense;
- (i) any act of nature or any other event occurs which has a material adverse effect on Practitioner's ability to provide Administrative Services;
- (j) Practitioner is debarred, suspended, excluded or otherwise ineligible to participate in any federal health care programs, as defined at 42 U.S.C. Section 1320(a)-7b(f) ("Federal Health Care Programs"), which programs include, but are not limited to, Medicare and Medicaid;
- (k) any termination, non-renewal, cancellation or reduction in coverage of any insurance policy required to be maintained by Practitioner under this Agreement; or
- (l) Practitioner fails or is otherwise unable to comply with any term of this Agreement.

ARTICLE II.
COMPENSATION

2.1 Compensation. In exchange for Practitioner's provision of Administrative Services, Hospital shall compensate Practitioner in accordance with the terms of Exhibit 2.1.

2.2 IRS Form W-9. Upon execution of this Agreement, Practitioner shall furnish a completed and executed copy of IRS Form W-9 which identifies Practitioner's taxpayer identification number.

ARTICLE III.
INSURANCE AND INDEMNITY

3.1 Malpractice Liability Insurance. Practitioner shall obtain and continuously maintain professional malpractice liability insurance coverage, issued by an insurance company licensed or otherwise qualified to issue professional liability insurance policies or coverage in the State of California, and acceptable to Hospital, in the amount of at least One Million Dollars (\$1,000,000) per occurrence or claim and Three Million Dollars (\$3,000,000) in the annual aggregate for the acts and omissions of Practitioner. Such coverage shall provide for a date of placement preceding or coinciding with the Effective Date of this Agreement.

3.2 Certificate of Insurance. On or before the Effective Date, Practitioner shall provide Hospital with an original certificate evidencing professional malpractice liability insurance coverage, and shall provide Hospital with proof of continued professional malpractice liability insurance coverage on an annual basis (or as periodically requested by Hospital). Practitioner shall provide Hospital with no less than thirty (30) calendar days' prior written notice of cancellation or any material change in such professional malpractice liability insurance coverage.

3.3 Tail Coverage. If Practitioner's professional malpractice liability insurance is provided on a claims-made basis, upon the expiration or termination of this Agreement for any reason, Practitioner shall continuously maintain such insurance or purchase from an insurance company licensed or otherwise qualified to issue professional liability insurance policies or coverage in the State of California, and acceptable to Hospital, extended reporting period (*i.e.*, "tail") coverage for the longest extended reporting period then available to ensure that insurance coverage in the amount set forth in Section 3.1 of this Agreement is maintained for claims which arise from professional services provided by Practitioner during the term of this Agreement.

3.4 Indemnification.

(a) **Indemnification by Practitioner.** Practitioner shall indemnify, defend and hold harmless Hospital against: (i) any and all liability arising out of Practitioner's failure to comply with the terms of this Agreement, and any injury, loss, claims, or damages arising from the negligent operations, acts, or omissions of Practitioner or Practitioner's employees or agents relating to or arising out of Administrative Services or this Agreement; and (ii) any and all costs and expenses, including reasonable legal expenses, incurred by or on behalf of Hospital in connection with the defense of such claims.

(b) **Indemnification by Hospital.** Hospital shall indemnify, defend and hold harmless Practitioner against: (i) any and all liability arising out of Hospital's failure to comply with the terms of this Agreement, and any injury, loss, claims, or damages arising from the negligent operations, acts, or omissions of Hospital or its employees or agents relating to or arising out of this Agreement; and (ii) any and all costs and expenses, including reasonable legal expenses, incurred by or on behalf of Practitioner in connection with the defense of such claims.

3.5 **Cooperation.**

(a) The Parties recognize that, during the term of this Agreement and for an undetermined time period thereafter, certain risk management issues, legal issues, claims or actions may arise that involve or could potentially involve the Parties and their respective employees and agents. The Parties further recognize the importance of cooperating with each other in good faith when such issues, claims or actions arise, to the extent such cooperation does not violate any applicable laws, cause the breach of any duties created by any policies of insurance or programs of self-insurance, or otherwise compromise the confidentiality of communications or information regarding the issues, claims or actions. As such, the Parties hereby agree to cooperate in good faith, using their best efforts, to address such risk management and legal issues, claims, or actions.

(b) The Parties further agree that if a controversy, dispute, claim, action or lawsuit (each, an "Action") arises with a third party wherein both the Parties are included as defendants, each Party shall promptly disclose to the other Party in writing the existence and continuing status of the Action and any negotiations relating thereto. Each Party shall make every reasonable attempt to include the other Party in any settlement offer or negotiations. In the event the other Party is not included in the settlement, the settling Party shall immediately disclose to the other Party in writing the acceptance of any settlement and terms relating thereto, if and to the extent allowed by the terms of such settlement.

3.6 **Survival of Obligations.** The Parties' obligations under this Article III shall survive the expiration or termination of this Agreement for any reason.

ARTICLE IV. **RELATIONSHIP BETWEEN THE PARTIES**

4.1 **Independent Contractor.** Practitioner is and shall at all times be an independent contractor with respect to Hospital in meeting Practitioner's responsibilities under this Agreement. Nothing in this Agreement is intended nor shall be construed to create a partnership, employer-employee or joint venture relationship between Hospital and Practitioner.

4.2 **Limitation on Control.** Hospital shall neither have nor exercise any control or direction over Practitioner's professional medical judgment or the methods by which Practitioner performs professional medical services; provided, however, that Practitioner shall be subject to and shall at all times comply with the Hospital Rules.

4.3 **Practice of Medicine.** Practitioner and Hospital acknowledge that Hospital is neither authorized nor qualified to engage in any activity which may be construed or deemed to constitute the practice of medicine. To the extent that any act or service required of, or reserved

to, Hospital in this Agreement is construed or deemed to constitute the practice of medicine, the performance of such act or service by Hospital shall be deemed waived or unenforceable, unless this Agreement can be amended to comply with the law, in which case the Parties shall make such amendment.

4.4 No Benefit Contributions. Hospital shall have no obligation under this Agreement to compensate or pay applicable taxes for, or provide employee benefits of any kind (including contributions to government mandated, employment-related insurance and similar programs) to or on behalf of, Practitioner or any other person employed or retained by Practitioner. Notwithstanding the foregoing, if Hospital determines or is advised that it is required by law to compensate or pay applicable taxes for, or provide employee benefits of any kind (including contributions to government mandated, employment-related insurance and similar programs) to or on behalf of, Practitioner or any other person employed or retained by Practitioner, Practitioner shall reimburse Hospital for any such expenditure within thirty (30) calendar days after being notified of such expenditure.

4.5 Non-Solicitation. During the term of this Agreement and for a period of one (1) year thereafter, Practitioner shall not solicit for employment or actually employ any employee of Hospital, or interfere with any relationship, contractual or otherwise, between Hospital and any of its employees.

4.6 Referrals. Practitioner shall be entitled to refer patients to any hospital or other health care facility or provider deemed by Practitioner best qualified to deliver medical services to any particular patient; provided, however, that Practitioner shall not refer any Hospital patient to any provider of health care services which Practitioner knows or should have known is excluded or suspended from participation in, or sanctioned by, any Federal Health Care Program. No term of this Agreement shall be construed as requiring or inducing Practitioner to refer patients to Hospital. Practitioner's rights under this Agreement shall not be dependent in any way on the referral of patients or business to Hospital by Practitioner.

4.7 Physician Compensation Arrangements. Practitioner represents and warrants to Hospital that the compensation paid or to be paid by Practitioner to any physician who is employed or contracted with Practitioner is and will at all times be fair market value for services and items actually provided by such physician, not taking into account the value or volume of referrals or other business generated by such physician for Hospital or any Affiliate (as defined in Section 5.5). Practitioner further represents and warrants to Hospital that Practitioner has and will at all times maintain a written agreement with each physician receiving compensation from Practitioner.

ARTICLE V. TERM AND TERMINATION

5.1 Term. This Agreement shall become effective on January 1, 2005 (the "Effective Date"), and shall continue until December 31, 2006 (the "Expiration Date"), subject to the termination provisions of this Agreement.

5.2 Termination by Hospital. Hospital shall have the right to terminate this Agreement immediately upon the occurrence of any one or more of the following events:

- (a) breach of this Agreement by Practitioner where the breach is not cured within thirty (30) calendar days after Hospital gives written notice of the breach to Practitioner;
- (b) death or permanent disability of Practitioner;
- (c) Practitioner's voluntary retirement from the practice of medicine;
- (d) neglect of professional duty by Practitioner in a manner that violates the Hospital Rules;
- (e) Practitioner's clinical privileges at any hospital are suspended, restricted, revoked or voluntarily relinquished, or Practitioner's medical staff membership at any hospital is suspended or terminated, for reasons relating to quality of care, regardless of the availability of civil or administrative hearing rights or judicial review with respect thereto;
- (f) Practitioner's license to practice medicine in the State of California is restricted, suspended or terminated, regardless of the availability of civil or administrative hearing rights or judicial review with respect thereto;
- (g) except as provided in Section 1.6, Practitioner at any time during the term of the Agreement for any reason is not a member in good standing in the "active staff" category of the Medical Staff or does not hold all clinical privileges at Hospital necessary for Practitioner's performance of Administrative Services;
- (h) Practitioner is charged with or convicted of a criminal offense;
- (i) Practitioner's performance of Administrative Services, in the sole determination of Hospital, jeopardizes the mental or physical health or well-being of patients of Hospital;
- (j) Practitioner is debarred, suspended, excluded or otherwise ineligible to participate in any Federal Health Care Program;
- (k) Practitioner acts, or causes another person to act, in a manner which conflicts with or violates the Code;
- (l) breach of any HIPAA Obligation (as defined in Exhibit 6.5); or
- (m) Practitioner is rendered unable to comply with the terms of this Agreement for any reason.

5.3 Termination without Cause. Either Party may terminate this Agreement without cause, expense or penalty, effective thirty (30) days after written notice of termination is given to the other Party. If this Agreement is terminated prior to the date that is twelve (12) months from the Effective Date (the "One Year Anniversary"), the Parties shall not, at any

time prior to the One Year Anniversary, enter into any other agreement or arrangement for the provision of Administrative Services that modifies, changes, or alters in any way the provisions of this Agreement.

5.4 Termination by Practitioner. Practitioner shall have the right to terminate this Agreement upon breach of this Agreement by Hospital where the breach is not cured within thirty (30) calendar days after Practitioner gives written notice of the breach to Hospital.

5.5 Termination or Modification in the Event of Government Action.

(a) In the event of any Government Action (as defined below), the Parties shall, within ten (10) days after one Party gives written notification of such Government Action to the other Party, meet and confer and negotiate in good faith to attempt to amend this Agreement in order to comply with the Government Action.

(b) If the Parties, after good faith negotiations that shall not exceed thirty (30) days, are unable to mutually agree upon the amendments necessary to comply with the Government Action, or, alternatively, if either Party determines in good faith that compliance with the Government Action is impossible or infeasible, either Party may terminate this Agreement effective ten (10) days after a written notice of termination is given to the other Party.

(c) For the purposes of this Section, "Government Action" shall mean any legislation, statute, law, regulation, rule or procedure passed, adopted or implemented by any federal, state or local government or legislative body or any private agency, or any decision, finding, interpretation or action by any governmental or private agency, court or other third party which, in the opinion of counsel to either Party, as a result or consequence, in whole or in part, of the arrangement between the Parties set forth in this Agreement, if or when implemented, could reasonably be expected to result in or present a material risk of any one or more of the following:

- (i) revocation or threat of revocation of the status of any license, certification or accreditation granted to Hospital or any Affiliate (as defined in Section 5.5(d));
- (ii) revocation or threat of revocation of the federal, state or local tax-exempt status of Hospital, or any Affiliate, or their respective tax-exempt financial obligations;
- (iii) prohibit or restrict the ability of Hospital or any Affiliate to issue tax-exempt bonds, certificates of participation or other tax-exempt financial obligations;
- (iv) prevent Practitioner from being able to access and use the facilities of Hospital or any Affiliate of Hospital;
- (v) violation of or threat of prosecution under 42 U.S.C. Section 1320a-7b(b) (commonly referred to as the "Anti-Kickback law"), 42 U.S.C. Section 1395nn (commonly referred to as the "Stark law") or any comparable state law governing kickbacks, bribes,

rebates or patient referrals if Practitioner referred patients to Hospital or any Affiliate;

- (vi) violation by Hospital of, or threat of prosecution of Hospital under, any law, regulation, rule or procedure applicable to Hospital;
- (vii) prohibit Practitioner, Hospital or any Affiliate from submitting claims or materially reducing the reimbursement received by Hospital or any Affiliate for services provided to patients referred by Practitioner; or
- (viii) subject Hospital, Practitioner, any Affiliate, or any of their respective officers, directors, employees or agents, to civil action or criminal prosecution by any governmental authority or other person or entity or the imposition of any sanction (including any excise tax penalty under Internal Revenue Code Section 4958), on the basis of their approval of or participation in this Agreement or performing their respective obligations under this Agreement.

(d) For the purposes of this Agreement, "Affiliate" shall mean any entity which, directly or indirectly, controls, is controlled by, or is under common control with Hospital.

5.6 Effect of Termination or Expiration. Upon any termination or expiration of this Agreement:

(a) all rights and obligations of the Parties shall cease except (i) those rights and obligations that have accrued and remain unsatisfied prior to the termination or expiration of this Agreement, and (ii) those rights and obligations which expressly survive termination or expiration of this Agreement;

(b) upon Hospital's request, Practitioner shall immediately vacate the premises, removing any and all of Practitioner's personal property, and Hospital may remove and store, at Practitioner's expense, any personal property that Practitioner has not so removed;

(c) Practitioner shall immediately return to Hospital all of Hospital's property, including Hospital's equipment, supplies, furniture, furnishings and patient records, in Practitioner's possession or under Practitioner's control;

(d) Practitioner shall not do anything or cause any other person to do anything that interferes with Hospital's efforts to engage any other person or entity for the provision of Administrative Services, or interferes in any way with any relationship between Hospital and any other person or entity who may be engaged to provide Administrative Services to Hospital; and

(e) the expiration or termination of this Agreement shall not entitle Practitioner to the right to a "fair hearing" or any other similar rights or procedures more particularly set forth in the Medical Staff bylaws.

ARTICLE VI.
GENERAL PROVISIONS

6.1 Amendment. This Agreement may be modified or amended only by mutual written agreement of the Parties. Any such modification or amendment must be in writing, dated, signed by the Parties and explicitly indicate that such writing modifies or amends this Agreement.

6.2 Assignment. Practitioner may not assign any of Practitioner's rights, interests, duties, or obligations under this Agreement without Hospital's prior written consent, which consent may be given or withheld in Hospital's sole discretion. Any attempted or purported assignment by Practitioner in violation of this Section shall be void. Hospital may, in its sole discretion, assign any or all of its rights, interests, duties, or obligations hereunder to any person or entity without the prior written consent of Practitioner. Subject to the foregoing, this Agreement shall be binding on and shall inure to the benefit of the Parties and their respective heirs, successors, assigns and representatives.

6.3 Attorneys' Fees. If either Party brings an action or proceeding, arising out of or relating to this Agreement, the non-prevailing Party shall pay to the prevailing Party reasonable attorneys' fees and costs incurred in bringing such action, including, without limitation, fees incurred in post judgment motions, contempt proceedings, garnishment, levy, debtor and third party examinations, discovery, bankruptcy litigation, arbitration, trial, and any appeal or review, all of which shall be deemed to have accrued upon the commencement of such action and shall be paid whether or not such action is prosecuted to judgment. Any judgment or order entered shall contain a provision providing for the recovery of attorneys' fees and costs incurred in enforcing such judgment. The prevailing Party shall be the Party who is identified in any judgment or order entered as the Party entitled to recover its costs of suit, whether or not the action or proceeding proceeds to final judgment or award.

6.4 Choice of Law. This Agreement shall be construed in accordance with and governed by the laws of the State of California, without giving effect to any choice of law or conflict of law rules or provisions that would cause the application of the laws of any jurisdiction other than the State of California.

6.5 Compliance with HIPAA. Practitioner shall comply with the HIPAA Obligations as defined and set forth in Exhibit 6.5. The HIPAA Obligations shall survive the expiration or termination of this Agreement for any reason.

6.6 Compliance with Laws. Practitioner shall comply with all applicable laws, ordinances, codes and regulations of federal, state and local governments, including without limitation laws that require Practitioner to disclose any economic interest or relationship with Hospital, and the policies, standards, requirements, guidelines and recommendations of the Joint Commission on Accreditation of Healthcare Organizations ("JCAHO"), all as in effect and amended from time to time.

6.7 Compliance with Medicare Rules. To the extent required by law or regulation, Practitioner shall make available, upon written request from Hospital, the Secretary of Health

and Human Services, the Comptroller General of the United States, or any duly authorized agent or representative of the foregoing, a copy of this Agreement and Practitioner's books, documents and records to the extent necessary to certify the nature and extent of Hospital's costs for services provided by Practitioner. Practitioner shall preserve and make available such books, documents and records for a period which is the longer of ten (10) years after the end of the term of this Agreement, or the length of time required by state or federal law. If Practitioner is requested to disclose books, documents or records pursuant to this Section for any purpose, Practitioner shall notify Hospital of the nature and scope of such request, and Practitioner shall make available, upon written request of Hospital, all such books, documents or records. Practitioner shall indemnify and hold harmless Hospital if any amount of reimbursement is denied or disallowed because of Practitioner's failure to comply with the obligations set forth in this Section. Such indemnity shall include, but not be limited to, the amount of reimbursement denied, plus any interest, penalties and legal costs.

6.8 Confidentiality. Neither Party shall disclose any of the provisions of this Agreement to any person or entity, other than their respective attorneys or accountants, without the prior written consent of the other Party, unless and only to the extent such disclosure is required by law, subpoena or legal process; provided, however, that either Party may disclose the provisions of this Agreement to any person or entity without the prior written consent of the other Party to the extent such disclosure is (a) required by such Party's contracts existing as of the date of this Agreement; or (b) requested by fiscal intermediaries, public agencies or commissions with governmental powers and duties related to disclosure of information which have the right to compel disclosure of such information. Hospital may also disclose the provisions of this Agreement to any person or entity without the prior written consent of Practitioner to the extent such disclosure is requested or required by Hospital's representatives or others in connection with any tax-exempt bond or other financing transactions of Hospital or any Affiliates.

6.9 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

6.10 Dispute Resolution. In the event of any controversy or dispute related to or arising out of this Agreement, the Parties agree to meet and confer in good faith to attempt to resolve the controversy or dispute without an adversary proceeding. If the controversy or dispute is not resolved to the mutual satisfaction of the Parties within five (5) business days of notice of the controversy or dispute, the Parties agree to waive their rights, if any, to a jury trial and pre-trial discovery, and to submit the controversy or dispute to a retired judge or justice pursuant to Section 638 et seq. of the California Code of Civil Procedure, or any successor provision, for resolution in accordance with Chapter 6 (References and Trials by Referees), of Title 8 of Part 2 of the California Code of Civil Procedure, or any successor chapter. The Parties agree that the only proper venue for the submission of claims is the County of San Diego California, and that the hearing before the referee shall be concluded within nine (9) months of the filing and service of the complaint. The Parties reserve the right to contest the referee's decision and to appeal from any award or order of any court.

6.11 Entire Agreement. This Agreement is the entire understanding and agreement of the Parties regarding its subject matter, and supersedes any prior oral or written agreements, representations, understandings or discussions between the Parties with respect to such subject matter. No other understanding between the Parties shall be binding on them unless set forth in writing, signed and attached to this Agreement.

6.12 Exhibits and Attachments. The attached exhibits and attachments, together with all documents incorporated by reference in the exhibits and attachments, form an integral part of this Agreement and are incorporated by reference into this Agreement.

6.13 Force Majeure. Neither Party shall be liable for nonperformance or defective performance or late performance of any of its obligations under this Agreement to the extent and for such periods of time as such nonperformance, defective performance or late performance is due to reasons outside such Party's control, including acts of God, war (declared or undeclared), terrorism, action of any governmental authority, riots, revolutions, fire, floods, explosions, sabotage, nuclear incidents, lightning, weather, earthquakes, storms, sinkholes, epidemics, or strikes (or similar nonperformance or defective performance or late performance of employees, suppliers or subcontractors).

6.14 Headings. The headings in this Agreement are intended solely for convenience of reference and shall be given no effect in the construction or interpretation of this Agreement.

6.15 Income Tax Ramifications. The Parties acknowledge that Practitioner may incur federal and state income tax liabilities from certain of the transactions contemplated by this Agreement, and that Hospital is or may be required to report items of income to Practitioner under relevant income tax laws and regulations. The Parties acknowledge and agree that Hospital has not made any representation to Practitioner with respect to the tax implications of the transactions contemplated by this Agreement, and that statements made by Hospital or its agents, employees, representatives or attorneys shall not be relied upon by Practitioner, and shall not be interpreted or construed as tax advice to Practitioner.

6.16 Litigation Consultation. Practitioner shall not accept consulting assignments or otherwise contract, agree, or enter into any arrangement to provide expert testimony or evaluation on behalf of a plaintiff in connection with any claim against Hospital or any Affiliate named, or expected to be named as a defendant. Practitioner shall not accept similar consulting assignments if (a) the defendants or anticipated defendants include a member of the medical staff of Hospital or any Affiliate, and (b) the matter relates to events that occurred at Hospital or any Affiliate; provided, however, the provisions of this Section shall not apply to situations in which Practitioner served as a treating physician.

6.17 Meaning of Certain Words. Wherever the context may require, any pronouns used in this Agreement shall include the corresponding masculine, feminine, or neuter forms, and the singular form of nouns shall include the plural and vice versa. Unless otherwise specified, "days" shall be considered "calendar days" and "months" shall be considered "calendar months" in this Agreement and its exhibits and attachments.

6.18 No Conflicting Obligations. Practitioner represents and warrants that the execution and delivery of this Agreement and the performance of his or her respective obligations hereunder do not and will not: (a) present a conflict of interest or materially interfere with the performance of his or her respective duties under any other agreement or arrangement; or (b) violate, conflict with, or result in a breach of any provision of, or constitute a default (or an event which, with notice and/or lapse of time, would constitute a default) under, terminate, accelerate the performance required by, or result in a right of termination or acceleration under any of the terms, conditions or provisions of any other agreement, indebtedness, note, bond, indenture, security or pledge agreement, license, franchise, permit, or other instrument or obligation. Practitioner shall immediately inform Hospital of any other agreements to which Practitioner is a party that may present a conflict of interest or materially interfere with performance of his or her duties under this Agreement.

6.19 Non-Discrimination. Practitioner shall not differentiate or discriminate in the provision of medical services on the basis of race, color, national origin, ancestry, religion, sex, marital status, sexual orientation, age, medical condition, medical history, genetics, evidence of insurability, or claims history, in violation of any applicable state, federal or local law or regulation, or Hospital Rules, including, without limitation, the Age Discrimination Act of 1975, the Americans with Disabilities Act and all regulations issued pursuant thereto and as may be amended from time to time. Practitioner and Hospital shall be in full compliance with Section 504 of the Rehabilitation Act of 1973, Titles VI and VII of the 1964 Civil Rights Act, and all regulations issued pursuant thereto and as may be amended from time to time.

6.20 No Third Party Beneficiary Rights. This Agreement shall not confer or be construed to confer any rights or benefits to any person or entity other than the Parties.

6.21 Notices. All notices or communications required or permitted under this Agreement shall be given in writing and shall be delivered to the Party to whom notice is to be given either: (a) by personal delivery (in which case such notice shall be deemed given on the date of delivery); (b) by next business day courier service (e.g., Federal Express, UPS or other similar service) (in which case such notice shall be deemed given on the business day following date of deposit with the courier service); or (c) by United States mail, first class, postage prepaid, registered or certified, return receipt requested (in which case such notice shall be deemed given on the third (3rd) day following the date of deposit with the United States Postal Service). In each case, notice shall be delivered or sent to the address indicated on the signature page, or such other address as provided by a Party, from time to time, pursuant to this Section.

6.22 Participation in Federal Health Care Programs. Practitioner hereby represents that Practitioner is not debarred, suspended, excluded or otherwise ineligible to participate in any Federal Health Care Program.

6.23 Representations. Each Party represents with respect to itself that: (a) no representation or promise not expressly contained in this Agreement has been made by any other Party or by any Parties' agents, employees, representatives or attorneys; (b) this Agreement is not being entered into on the basis of, or in reliance on, any promise or representation, expressed or implied, other than such as are set forth expressly in this Agreement; and (c) Party has been

represented by legal counsel of Party's own choice or has elected not to be represented by legal counsel in this matter.

6.24 Severability. Subject to Section 5.5, if any provision of this Agreement, in whole or in part, or the application of any provision, in whole or in part, is determined to be illegal, invalid or unenforceable by a court of competent jurisdiction and such provision can be severed without substantially changing the bargain reached by the Parties, such provision or part of such provision shall be severed from this Agreement, and such severance shall have no effect upon the enforceability, performance or obligations of the remainder of this Agreement, including the remainder of such provision not determined to be illegal, invalid or unenforceable. If Section 5.5 is applicable, this Section 6.24 shall not be enforced.

6.25 Trade Secrets. During the term of this Agreement, Practitioner will have access to and become acquainted with confidential information and trade secrets of Hospital, including information and data relating to payor contracts and accounts, clients, patients, patient groups, patient lists, billing practices and procedures, business techniques and methods, strategic plans, operations and related data (collectively, "Trade Secrets"). All Trade Secrets are the property of Hospital and used in the course of Hospital's business, and shall be proprietary information protected under the Uniform Trade Secrets Act. Practitioner shall not disclose to any person or entity, directly or indirectly, either during the term of this Agreement or at any time thereafter, any Trade Secrets, or use any Trade Secrets other than in the course of providing Administrative Services under this Agreement. All documents that Practitioner prepares, or Trade Secrets that might be given to Practitioner in the course of providing Administrative Services under this Agreement, are the exclusive property of Hospital, and, without the prior written consent of Hospital, shall not be removed from Hospital's premises.

6.26 Waiver. No delay or failure to require performance of any provision of this Agreement shall constitute a waiver of that provision as to that or any other instance. Any waiver granted by a Party must be in writing to be effective, and shall apply solely to the specific instance expressly stated.

6.27 Waiver of Injunctive or Similar Relief. Upon any breach or termination of this Agreement by Hospital that is determined to be improper by a court or by an arbitrator, Practitioner shall accept monetary damages, if any, as full and complete relief, to the exclusion of any specific performance, or injunctive or similar equitable relief.

[signature page follows]

The Parties have executed this Agreement on the date first above written, and signify their agreement with duly authorized signatures.

HOSPITAL

Palomar Pomerado Health, a local health care district organized under Division 23 of the California Health and Safety Code

By: _____
Its: _____

Address of Hospital:

15255 Innovation Drive
San Diego, CA 92128-3410
Attn: James Neal

PRACTITIONER

Benjamin Kanter, M.D., an individual

Practitioner's principal contact address:

488 East Valley Parkway
Escondido, CA 92025

Exhibit 1.1

ADMINISTRATIVE SERVICES

Practitioner as Chief of Staff-Elect at Pomerado Hospital shall provide the following services:

1. Assume the duties and the authority of the Chief of Staff in the absence of the Chief of Staff;
2. Shall be a member of the Medical Staff Executive Committee;
3. Be the chairperson of the Bylaws Committee which is a subcommittee of the Executive Committee;
4. Serve as the Vice Chair of the Quality Management Committee; and
5. Perform other such duties as the Chief of Staff may assign or as delegated by the Executive Committee.

Exhibit 1.5

MONTHLY TIME REPORT

See Attached.

Exhibit 1.10

CODE

See Attached.

Exhibit 1.10

Code of Conduct for Physician Agreements

1. I will perform my duties faithfully and to the best of my ability, and in the interest of Hospital as it relates to services provided under this agreement.
2. I will not lie, cheat, steal, or violate any law in connection with my practice at any Hospital facility.
3. I will not pay or arrange for Hospital to pay any person or entity for the referral of patients to Hospital, nor will I accept any payment or arrange for Hospital to accept any payment for referrals from Hospital.
4. I will not participate in any false billing of patients, government entities or any other party, nor will I participate in the preparation of any false cost reports, or other type of report submitted to the government.
5. I will not engage in any conduct or practice that conflicts with interest of Hospital, as it relates to services provided under this agreement.
6. I will not improperly use Hospital's confidential or proprietary information gathered during my association with Hospital for my own personal benefit.
7. I will not obtain any improper personal benefits by virtue of my practice at Hospital facilities.
8. I will notify the compliance officer of Hospital immediately upon the receipt (at work or home) of an inquiry, subpoena (other than for routine licensing or tax matters) or other agency or government request for information regarding Hospital.
9. I will not destroy or alter information or documents in anticipation of or in response to, a request for documents by any applicable government agency or from a court of competent jurisdiction.
10. I will not engage in any business practice intended to unlawfully obtain favorable treatment or business from any government entity, physician, patient, vendor or any other party in a position to provide such treatment or business.
11. I will not accept any gift of more than nominal value, and hospitality or entertainment that because of its source or value might influence my independent judgment in transactions involving Hospital as it relates to services provided under this agreement.
12. I will not provide any gifts to any government or public agency representative as it relates to services provided under this agreement.

13. I will disclose any compensation arrangements or an ownership in a privately-owned entity (not big pharmaceutical or other major public companies and not ownership through mutual funds) that I or a member of my immediate family has.

14. I will not disclose confidential medical information pertaining to Hospital patients without the express written consent of the patient in accordance with HIP AA, other applicable law and Hospital applicable policies or procedures.

15. I will promptly report all violations or suspected violations of this code by myself to the compliance officer of Hospital.

16. I will not conspire with a competitor of Hospital to illegally fix prices, labor cost, allocate markets, or engage in group boycotts.

Exhibit 2.1

COMPENSATION

1. **Compensation.** Hospital shall pay to Practitioner the amount of [REDACTED] per hour up to a maximum of [REDACTED] per month for the provision of Administrative Services.

2. **Timing.** Hospital shall pay the compensation due for Administrative Services performed by Practitioner in the immediately preceding month within five (5) business days after Practitioner's submission of the monthly time report in accordance with this Agreement; provided, however, that if Practitioner does not submit a time sheet within sixty (60) days of the end of the month during which Administrative Services were performed, Hospital shall not be obligated to pay Practitioner for Administrative Services performed during that month.

Exhibit 6.5

OBLIGATIONS UNDER THE HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT OF 1996 ("HIPAA")

1. Definitions.

- a. "Designated Record Set" shall have the meaning given to such term under the Privacy Rule (as defined below).
- b. "HIPAA Obligations" means the obligations of Practitioner as set forth in this Exhibit.
- c. "Privacy Rule" means the HIPAA Regulation that is codified at Title 45 of the Code of Federal Regulations, Parts 160 and 164, or applicable successor provisions, as may be amended from time to time.
- d. "Protected Health Information" means any information, whether oral or recorded in any form or medium that: (i) relates to the past, present or future physical or mental condition of an individual; the provision of health care to an individual; or the past, present or future payment for the provision of health care to an individual, and (ii) identifies the individual or with respect to which there is a reasonable basis to believe the information can be used to identify the individual, or is defined as such under the Privacy Rule.
- e. "Protected Information" means Protected Health Information provided by Hospital to Practitioner or created or received by Practitioner on Hospital's behalf.
- f. "Required by Law" shall have the meaning given to such term under the Privacy Rule.

2. Use of Protected Information. Practitioner shall not use Protected Information except as permitted by and for the purpose of performing Practitioner's obligations under this Agreement. Practitioner shall not use Protected Information in any manner that would constitute a violation of the Privacy Rule if so used by Hospital.

3. Permitted Disclosures. Practitioner shall not disclose Protected Information in any manner that would constitute a violation of the Privacy Rule if disclosed by Hospital, except that Practitioner may disclose Protected Information in a manner permitted pursuant to this Agreement or as Required by Law.

4. Appropriate Safeguards. Practitioner shall implement appropriate safeguards as are necessary to prevent the use or disclosure of Protected Information other than as permitted by this Agreement.

5. **Reporting of Improper Use or Disclosure.** Practitioner shall notify Hospital in writing of any use or disclosure of Protected Information other than as provided for by this Agreement and this Exhibit within two (2) days of becoming aware of such use or disclosure.
6. **Practitioner's Agents.** Practitioner shall ensure that any agents of Practitioner, including subcontractors, to whom Practitioner provides Protected Information, agree in writing to the same restrictions and conditions that apply to Practitioner with respect to such Protected Information.
7. **Access to Protected Information.** Practitioner shall make Protected Information maintained by Practitioner or Practitioner's agents or subcontractors in Designated Record Sets available to Hospital for inspection and copying within ten (10) days of a request by Hospital to enable Hospital to fulfill its obligations under the Privacy Rule.
8. **Amendment of Protected Health Information.** Within ten (10) days of receipt from Hospital for an amendment of Protected Information or a record about an individual contained in a Designated Record Set, Practitioner or Practitioner's agents or subcontractors shall make such Protected Information available to Hospital for amendment and incorporate any such amendment to enable Hospital to fulfill its obligations under the Privacy Rule.
9. **Accounting Rights.** Within ten (10) days of notice by Hospital of a request for an accounting of disclosures of Protected Information, Practitioner and Practitioner's agents or subcontractors shall provide to Hospital an accounting of disclosures sufficient to enable Hospital to fulfill its obligations under the Privacy Rule. As set forth and as limited by the Privacy Rule, Practitioner shall not provide an accounting to Hospital of disclosures: (i) to carry out treatment, payment or health care operations; (ii) to individuals of Protected Information about them; (iii) to persons involved in the individual's care or other notification purposes; (iv) for national security or intelligence purposes; or (v) to correctional institutions or law enforcement officials. [Practitioner agrees to implement a process that allows for an accounting to be collected and maintained by Practitioner and Practitioner's agents or subcontractors for at least six (6) years prior to the request, but not before the compliance date of the Privacy Rule.] At a minimum, such information shall include: (A) the date of disclosure; (B) the name of the entity or person who received Protected Information and, if known, the address of the entity or person; (C) a brief description of Protected Information disclosed; and (D) a brief statement of purpose of the disclosure that reasonably informs the individual of the basis for the disclosure, or copy of the individual's authorization, or a copy of the written request for disclosure.
10. **Governmental Access to Records.** Practitioner shall make his or her internal practices, books and records relating to the use and disclosure of Protected Information available to Hospital or, at the request of Hospital, to the Secretary of the U.S. Department of Health and Human Services, for purposes of determining Hospital's compliance with the Privacy Rule.

11. **Retention of Protected Information.** Except as provided in Sections 12 and 13 of this Exhibit, Practitioner and Practitioner's agents or subcontractors shall retain all Protected Information throughout the term of this Agreement and shall continue to maintain the information required hereunder for a period of six (6) years after expiration or termination of this Agreement.
12. **Term of Obligations.** Practitioner's HIPAA Obligations shall commence as of the compliance date of the Privacy Rule, and shall terminate when all of the Protected Information is destroyed or returned to Hospital, or, if it is infeasible to return or destroy Protected Information, protections are extended to such information, in accordance with Section 14 of this Exhibit.
13. **Effect of Termination.** Upon expiration or termination of this Agreement for any reason, Practitioner shall return or destroy all Protected Information that Practitioner or Practitioner's agents or subcontractors still maintain in any form, and shall retain no copies of such Protected Information. If return or destruction is not feasible, Practitioner shall continue to extend the protections of this Exhibit to such information, and limit further use of such Protected Health Information to those purposes that make the return or destruction of such Protected Health Information infeasible.
14. **Amendment.** The Parties agree to take such action as is necessary to amend HIPAA Obligations from time to time in order for Hospital to comply with the requirements of the Privacy Rule, HIPAA and other applicable laws relating to the security or confidentiality of Protected Health Information.
15. **Interpretation of Obligations.** The HIPAA Obligations shall be interpreted as broadly as necessary to implement and comply with HIPAA and the Privacy Rule. The Parties acknowledge and agree that any ambiguity in the HIPAA Obligations shall be resolved in favor of a meaning that complies and is consistent with HIPAA and the Privacy Rule.

ADMINISTRATIVE SERVICES AGREEMENT

by and between

PALOMAR POMERADO HEALTH (“Hospital”)

and

ROGER J. ACHEATEL, M.D. (“Practitioner”)

ADMINISTRATIVE SERVICES AGREEMENT

THIS ADMINISTRATIVE SERVICES AGREEMENT (this "Agreement") is entered into as of January 1, 2006 (the "Execution Date"), by and between Palomar Pomerado Health, a local health care district organized under Division 23 of the California Health and Safety Code ("Hospital"), and Roger J. Acheatel, M.D., an individual ("Practitioner"). Hospital and Practitioner are sometimes referred to in this Agreement individually as a "Party" or, collectively, as the "Parties."

RECITALS

A. Hospital owns and operates Pomerado Hospital, an acute care hospital facility located in Poway, California.

B. Practitioner is licensed to practice medicine in the State of California, board certified for the practice of medicine in the specialty of Cardiology (the "Specialty") and a member in good standing of Hospital's medical staff (the "Medical Staff").

C. Hospital desires to engage Practitioner as an independent contractor to serve as Chairman of the Quality Management Committee at Pomerado Hospital, and believes that the following can be achieved if Practitioner assumes such responsibility as set forth in this Agreement: This will enhance the Hospital's organization, procedure standardization, economic efficiency, professional proficiency, and provide other benefits to enhance coordination and cooperation at Pomerado Hospital.

D. Hospital has considered the following factors in determining the necessity and amount of compensation payable to Practitioner pursuant to this Agreement:

1. The nature of Practitioner's duties as contemplated by this Agreement.
2. Practitioner's qualifications.

AGREEMENT

THE PARTIES AGREE AS FOLLOWS:

ARTICLE I. PRACTITIONER'S OBLIGATIONS

1.1 **Administrative Services.** Practitioner shall provide to Hospital those administrative services set forth on Exhibit 1.1 ("Administrative Services"), upon the terms and subject to the conditions set forth in this Agreement.

1.2 **Time Commitment.** Practitioner shall devote whatever time is necessary to effectively provide the Administrative Services; provided, however, that Practitioner shall perform Administrative Services a maximum of fifteen (15) hours per month. Practitioner shall allocate time to Administrative Services when and as needed and as reasonably requested by Hospital from time to time.

1.3 **Availability.** On or before the first (1st) day of each month, Practitioner shall inform Hospital of Practitioner's schedule and availability to perform Administrative Services during that month. Practitioner shall use his or her best efforts to adjust such schedule of availability if reasonably requested by Hospital in order to meet Hospital's needs for Administrative Services.

1.4 **Personal Services; Absences.** This Agreement is entered into by Hospital in reliance on the professional and administrative skills of Practitioner. Practitioner shall be solely responsible for performing Administrative Services and otherwise fulfilling the terms of this Agreement; provided, however, that if Practitioner is temporarily unable to provide Administrative Services due to illness, disability, continuing education responsibilities, or vacation, Practitioner shall designate a qualified replacement to provide Administrative Services pursuant to this Agreement. Such temporary replacement must be approved in writing by Hospital prior to the replacement providing Administrative Services. Practitioner shall ensure that any such designated replacement meets any and all qualifications, obligations and requirements of Practitioner under this Agreement. Practitioner shall be solely responsible for compensating and making any tax filings or withholdings with respect to any designated replacement providing Administrative Services on Practitioner's behalf. If the length of Practitioner's absence is anticipated by Hospital to be or actually is longer than sixty (60) calendar days, the person who provides Administrative Services in Practitioner's absence shall execute a written document agreeing to be bound by this Agreement. Except in the event of absence due to illness or disability, Hospital shall have the right to approve the length of Practitioner's absence, and any unapproved absence shall constitute a breach of this Agreement. Nothing in this Section shall be deemed to limit in any way Hospital's right to terminate this Agreement in accordance with Section 5.2.

1.5 Time Reports. Practitioner shall maintain monthly time reports that provide a true and accurate accounting of the time spent each day by Practitioner providing Administrative Services. Such reports shall be substantially in the form attached as Exhibit 1.5. Practitioner shall submit all time reports to Hospital no later than the tenth (10th) day of each month for Administrative Services provided by Practitioner during the immediately preceding month.

1.6 Medical Staff Membership. Practitioner shall, from and after the Effective Date (as defined in Section 5.1), be a member in good standing in the "active staff" category of the Medical Staff, and maintain all clinical privileges necessary to practice medicine in the Specialty at Hospital; provided, however, that if Practitioner, as of the Effective Date, is not a member in good standing in the "active staff" category of the Medical Staff, or has not obtained all clinical privileges necessary to practice medicine in the Specialty at Hospital, Practitioner shall have a reasonable amount of time to obtain such membership and/or clinical privileges; provided, however, that Practitioner diligently pursues such membership and/or clinical privileges in accordance with the normal procedures set forth in the bylaws, rules, regulations, protocols, guidelines and policies of Hospital and the Medical Staff (collectively, the "**Hospital Rules**"). Practitioner may also obtain and maintain medical staff membership and clinical privileges at any other hospital or health care facility.

1.7 Professional Qualifications. Practitioner shall be duly licensed and qualified to practice medicine in the State of California. Practitioner shall be board certified in the Specialty.

1.8 Continuing Medical Education. Practitioner shall participate in continuing medical education as necessary to maintain licensure, professional competence and skills commensurate with the standards of the medical community, as otherwise required by the medical profession and as required to effectively perform Practitioner's obligations under this Agreement.

1.9 Performance Standards. Practitioner shall comply with and perform the duties under this Agreement in accordance with the Hospital Rules applicable to the performance of Administrative Services.

1.10 Code of Conduct. Practitioner hereby acknowledges receipt of Hospital's Code of Conduct for Physician Agreements, attached to this Agreement as Exhibit 1.10 (the "**Code**"). With respect to Practitioner's business dealings with Hospital and Practitioner's performance of duties under this Agreement, Practitioner shall not act, or fail to act, in any manner which conflicts with or violates the Code, and shall not cause another person to act, or fail to act, in any manner which conflicts with or violates the Code. Practitioner shall comply with the Code as it relates to Practitioner's business relationship with Hospital or any Palomar Pomerado Health System affiliates, subsidiaries, employees, agents, servants, officers, directors, contractors and suppliers of every kind.

1.11 Use of Space. Practitioner shall not use any part of the space that Hospital designates for Practitioner's use as an office for the private practice of medicine, except in an emergency or with Hospital's prior written consent.

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1.12 Notification of Certain Events. Practitioner shall notify Hospital in writing within twenty-four (24) hours after Practitioner becomes aware of the occurrence of any one or more of the following events:

- (a) Practitioner becomes the subject of, or otherwise materially involved in, any government investigation of Practitioner's business practices or the provision of professional services, including being served with a search warrant in connection with such activities;
- (b) Practitioner's medical staff membership or clinical privileges at any hospital are denied, suspended, restricted, revoked or voluntarily relinquished, regardless of the availability of civil or administrative hearing rights or judicial review with respect thereto;
- (c) Practitioner becomes the subject of any suit, action or other legal proceeding arising out of Practitioner's professional services;
- (d) Practitioner is required to pay damages or any other amount in any malpractice action by way of judgment or settlement;
- (e) Practitioner becomes the subject of any disciplinary proceeding or action before any state's medical board or similar agency responsible for professional standards or behavior;
- (f) Practitioner becomes incapacitated or disabled from performing Administrative Services, or voluntarily or involuntarily retires from the practice of medicine;
- (g) Practitioner's license to practice medicine in the State of California is restricted, suspended or terminated, regardless of the availability of civil or administrative hearing rights or judicial review with respect thereto;
- (h) Practitioner is charged with or convicted of a criminal offense;
- (i) any act of nature or any other event occurs which has a material adverse effect on Practitioner's ability to provide Administrative Services;
- (j) Practitioner is debarred, suspended, excluded or otherwise ineligible to participate in any federal health care programs, as defined at 42 U.S.C. Section 1320(a)-7b(f) ("Federal Health Care Programs"), which programs include, but are not limited to, Medicare and Medicaid;
- (k) any termination, non-renewal, cancellation or reduction in coverage of any insurance policy required to be maintained by Practitioner under this Agreement; or
- (l) Practitioner fails or is otherwise unable to comply with any term of this Agreement.

ARTICLE II.
COMPENSATION

2.1 Compensation. In exchange for Practitioner's provision of Administrative Services, Hospital shall compensate Practitioner in accordance with the terms of Exhibit 2.1.

2.2 IRS Form W-9. Upon execution of this Agreement, Practitioner shall furnish a completed and executed copy of IRS Form W-9 which identifies Practitioner's taxpayer identification number.

ARTICLE III.
INSURANCE AND INDEMNITY

3.1 Malpractice Liability Insurance. Practitioner shall obtain and continuously maintain professional malpractice liability insurance coverage, issued by an insurance company licensed or otherwise qualified to issue professional liability insurance policies or coverage in the State of California, and acceptable to Hospital, in the amount of at least One Million Dollars (\$1,000,000) per occurrence or claim and Three Million Dollars (\$3,000,000) in the annual aggregate for the acts and omissions of Practitioner. Such coverage shall provide for a date of placement preceding or coinciding with the Effective Date of this Agreement.

3.2 Certificate of Insurance. On or before the Effective Date, Practitioner shall provide Hospital with an original certificate evidencing professional malpractice liability insurance coverage, and shall provide Hospital with proof of continued professional malpractice liability insurance coverage on an annual basis (or as periodically requested by Hospital). Practitioner shall provide Hospital with no less than thirty (30) calendar days' prior written notice of cancellation or any material change in such professional malpractice liability insurance coverage.

3.3 Tail Coverage. If Practitioner's professional malpractice liability insurance is provided on a claims-made basis, upon the expiration or termination of this Agreement for any reason, Practitioner shall continuously maintain such insurance or purchase from an insurance company licensed or otherwise qualified to issue professional liability insurance policies or coverage in the State of California, and acceptable to Hospital, extended reporting period (*i.e.*, "tail") coverage for the longest extended reporting period then available to ensure that insurance coverage in the amount set forth in Section 3.1 of this Agreement is maintained for claims which arise from professional services provided by Practitioner during the term of this Agreement.

3.4 Indemnification.

(a) **Indemnification by Practitioner.** Practitioner shall indemnify, defend and hold harmless Hospital against: (i) any and all liability arising out of Practitioner's failure to comply with the terms of this Agreement, and any injury, loss, claims, or damages arising from the negligent operations, acts, or omissions of Practitioner or Practitioner's employees or agents relating to or arising out of Administrative Services or this Agreement; and (ii) any and all costs and expenses, including reasonable legal expenses, incurred by or on behalf of Hospital in connection with the defense of such claims.

(b) **Indemnification by Hospital.** Hospital shall indemnify, defend and hold harmless Practitioner against: (i) any and all liability arising out of Hospital's failure to comply with the terms of this Agreement, and any injury, loss, claims, or damages arising from the negligent operations, acts, or omissions of Hospital or its employees or agents relating to or arising out of this Agreement; and (ii) any and all costs and expenses, including reasonable legal expenses, incurred by or on behalf of Practitioner in connection with the defense of such claims.

3.5 **Cooperation.**

(a) The Parties recognize that, during the term of this Agreement and for an undetermined time period thereafter, certain risk management issues, legal issues, claims or actions may arise that involve or could potentially involve the Parties and their respective employees and agents. The Parties further recognize the importance of cooperating with each other in good faith when such issues, claims or actions arise, to the extent such cooperation does not violate any applicable laws, cause the breach of any duties created by any policies of insurance or programs of self-insurance, or otherwise compromise the confidentiality of communications or information regarding the issues, claims or actions. As such, the Parties hereby agree to cooperate in good faith, using their best efforts, to address such risk management and legal issues, claims, or actions.

(b) The Parties further agree that if a controversy, dispute, claim, action or lawsuit (each, an "Action") arises with a third party wherein both the Parties are included as defendants, each Party shall promptly disclose to the other Party in writing the existence and continuing status of the Action and any negotiations relating thereto. Each Party shall make every reasonable attempt to include the other Party in any settlement offer or negotiations. In the event the other Party is not included in the settlement, the settling Party shall immediately disclose to the other Party in writing the acceptance of any settlement and terms relating thereto, if and to the extent allowed by the terms of such settlement.

3.6 **Survival of Obligations.** The Parties' obligations under this Article III shall survive the expiration or termination of this Agreement for any reason.

ARTICLE IV. **RELATIONSHIP BETWEEN THE PARTIES**

4.1 **Independent Contractor.** Practitioner is and shall at all times be an independent contractor with respect to Hospital in meeting Practitioner's responsibilities under this Agreement. Nothing in this Agreement is intended nor shall be construed to create a partnership, employer-employee or joint venture relationship between Hospital and Practitioner.

4.2 **Limitation on Control.** Hospital shall neither have nor exercise any control or direction over Practitioner's professional medical judgment or the methods by which Practitioner performs professional medical services; provided, however, that Practitioner shall be subject to and shall at all times comply with the Hospital Rules.

4.3 **Practice of Medicine.** Practitioner and Hospital acknowledge that Hospital is neither authorized nor qualified to engage in any activity which may be construed or deemed to constitute the practice of medicine. To the extent that any act or service required of, or reserved

to, Hospital in this Agreement is construed or deemed to constitute the practice of medicine, the performance of such act or service by Hospital shall be deemed waived or unenforceable, unless this Agreement can be amended to comply with the law, in which case the Parties shall make such amendment.

4.4 No Benefit Contributions. Hospital shall have no obligation under this Agreement to compensate or pay applicable taxes for, or provide employee benefits of any kind (including contributions to government mandated, employment-related insurance and similar programs) to or on behalf of, Practitioner or any other person employed or retained by Practitioner. Notwithstanding the foregoing, if Hospital determines or is advised that it is required by law to compensate or pay applicable taxes for, or provide employee benefits of any kind (including contributions to government mandated, employment-related insurance and similar programs) to or on behalf of, Practitioner or any other person employed or retained by Practitioner, Practitioner shall reimburse Hospital for any such expenditure within thirty (30) calendar days after being notified of such expenditure.

4.5 Non-Solicitation. During the term of this Agreement and for a period of one (1) year thereafter, Practitioner shall not solicit for employment or actually employ any employee of Hospital, or interfere with any relationship, contractual or otherwise, between Hospital and any of its employees.

4.6 Referrals. Practitioner shall be entitled to refer patients to any hospital or other health care facility or provider deemed by Practitioner best qualified to deliver medical services to any particular patient; provided, however, that Practitioner shall not refer any Hospital patient to any provider of health care services which Practitioner knows or should have known is excluded or suspended from participation in, or sanctioned by, any Federal Health Care Program. No term of this Agreement shall be construed as requiring or inducing Practitioner to refer patients to Hospital. Practitioner's rights under this Agreement shall not be dependent in any way on the referral of patients or business to Hospital by Practitioner.

4.7 Physician Compensation Arrangements. Practitioner represents and warrants to Hospital that the compensation paid or to be paid by Practitioner to any physician who is employed or contracted with Practitioner is and will at all times be fair market value for services and items actually provided by such physician, not taking into account the value or volume of referrals or other business generated by such physician for Hospital or any Affiliate (as defined in Section 5.5). Practitioner further represents and warrants to Hospital that Practitioner has and will at all times maintain a written agreement with each physician receiving compensation from Practitioner.

ARTICLE V. TERM AND TERMINATION

5.1 Term. This Agreement shall become effective on January 1, 2006 (the "Effective Date"), and shall continue until December 31, 2006 (the "Expiration Date"), subject to the termination provisions of this Agreement.

5.2 Termination by Hospital. Hospital shall have the right to terminate this Agreement immediately upon the occurrence of any one or more of the following events:

- (a) breach of this Agreement by Practitioner where the breach is not cured within thirty (30) calendar days after Hospital gives written notice of the breach to Practitioner;
- (b) death or permanent disability of Practitioner;
- (c) Practitioner's voluntary retirement from the practice of medicine;
- (d) neglect of professional duty by Practitioner in a manner that violates the Hospital Rules;
- (e) Practitioner's clinical privileges at any hospital are suspended, restricted, revoked or voluntarily relinquished, or Practitioner's medical staff membership at any hospital is suspended or terminated, for reasons relating to quality of care, regardless of the availability of civil or administrative hearing rights or judicial review with respect thereto;
- (f) Practitioner's license to practice medicine in the State of California is restricted, suspended or terminated, regardless of the availability of civil or administrative hearing rights or judicial review with respect thereto;
- (g) except as provided in Section 1.6, Practitioner at any time during the term of the Agreement for any reason is not a member in good standing in the "active staff" category of the Medical Staff or does not hold all clinical privileges at Hospital necessary for Practitioner's performance of Administrative Services;
- (h) Practitioner is charged with or convicted of a criminal offense;
- (i) Practitioner's performance of Administrative Services, in the sole determination of Hospital, jeopardizes the mental or physical health or well-being of patients of Hospital;
- (j) Practitioner is debarred, suspended, excluded or otherwise ineligible to participate in any Federal Health Care Program;
- (k) Practitioner acts, or causes another person to act, in a manner which conflicts with or violates the Code;
- (l) breach of any HIPAA Obligation (as defined in Exhibit 6.5); or
- (m) Practitioner is rendered unable to comply with the terms of this Agreement for any reason.

5.3 Termination without Cause. Either Party may terminate this Agreement without cause, expense or penalty, effective thirty (30) days after written notice of termination is given to the other Party. If this Agreement is terminated prior to the date that is twelve (12) months from the Effective Date (the "**One Year Anniversary**"), the Parties shall not, at any

time prior to the One Year Anniversary, enter into any other agreement or arrangement for the provision of Administrative Services that modifies, changes, or alters in any way the provisions of this Agreement.

5.4 Termination by Practitioner. Practitioner shall have the right to terminate this Agreement upon breach of this Agreement by Hospital where the breach is not cured within thirty (30) calendar days after Practitioner gives written notice of the breach to Hospital.

5.5 Termination or Modification in the Event of Government Action.

(a) In the event of any Government Action (as defined below), the Parties shall, within ten (10) days after one Party gives written notification of such Government Action to the other Party, meet and confer and negotiate in good faith to attempt to amend this Agreement in order to comply with the Government Action.

(b) If the Parties, after good faith negotiations that shall not exceed thirty (30) days, are unable to mutually agree upon the amendments necessary to comply with the Government Action, or, alternatively, if either Party determines in good faith that compliance with the Government Action is impossible or infeasible, either Party may terminate this Agreement effective ten (10) days after a written notice of termination is given to the other Party.

(c) For the purposes of this Section, "Government Action" shall mean any legislation, statute, law, regulation, rule or procedure passed, adopted or implemented by any federal, state or local government or legislative body or any private agency, or any decision, finding, interpretation or action by any governmental or private agency, court or other third party which, in the opinion of counsel to either Party, as a result or consequence, in whole or in part, of the arrangement between the Parties set forth in this Agreement, if or when implemented, could reasonably be expected to result in or present a material risk of any one or more of the following:

- (i) revocation or threat of revocation of the status of any license, certification or accreditation granted to Hospital or any Affiliate (as defined in Section 5.5(d));
- (ii) revocation or threat of revocation of the federal, state or local tax-exempt status of Hospital, or any Affiliate, or their respective tax-exempt financial obligations;
- (iii) prohibit or restrict the ability of Hospital or any Affiliate to issue tax-exempt bonds, certificates of participation or other tax-exempt financial obligations;
- (iv) prevent Practitioner from being able to access and use the facilities of Hospital or any Affiliate of Hospital;
- (v) violation of or threat of prosecution under 42 U.S.C. Section 1320a-7b(b) (commonly referred to as the "Anti-Kickback law"), 42 U.S.C. Section 1395nn (commonly referred to as the "Stark law") or any comparable state law governing kickbacks, bribes,

rebates or patient referrals if Practitioner referred patients to Hospital or any Affiliate;

- (vi) violation by Hospital of, or threat of prosecution of Hospital under, any law, regulation, rule or procedure applicable to Hospital;
- (vii) prohibit Practitioner, Hospital or any Affiliate from submitting claims or materially reducing the reimbursement received by Hospital or any Affiliate for services provided to patients referred by Practitioner; or
- (viii) subject Hospital, Practitioner, any Affiliate, or any of their respective officers, directors, employees or agents, to civil action or criminal prosecution by any governmental authority or other person or entity or the imposition of any sanction (including any excise tax penalty under Internal Revenue Code Section 4958), on the basis of their approval of or participation in this Agreement or performing their respective obligations under this Agreement.

(d) For the purposes of this Agreement, “Affiliate” shall mean any entity which, directly or indirectly, controls, is controlled by, or is under common control with Hospital.

5.6 Effect of Termination or Expiration. Upon any termination or expiration of this Agreement:

(a) all rights and obligations of the Parties shall cease except (i) those rights and obligations that have accrued and remain unsatisfied prior to the termination or expiration of this Agreement, and (ii) those rights and obligations which expressly survive termination or expiration of this Agreement;

(b) upon Hospital’s request, Practitioner shall immediately vacate the premises, removing any and all of Practitioner’s personal property, and Hospital may remove and store, at Practitioner’s expense, any personal property that Practitioner has not so removed;

(c) Practitioner shall immediately return to Hospital all of Hospital’s property, including Hospital’s equipment, supplies, furniture, furnishings and patient records, in Practitioner’s possession or under Practitioner’s control;

(d) Practitioner shall not do anything or cause any other person to do anything that interferes with Hospital’s efforts to engage any other person or entity for the provision of Administrative Services, or interferes in any way with any relationship between Hospital and any other person or entity who may be engaged to provide Administrative Services to Hospital; and

(e) the expiration or termination of this Agreement shall not entitle Practitioner to the right to a “fair hearing” or any other similar rights or procedures more particularly set forth in the Medical Staff bylaws.

ARTICLE VI.
GENERAL PROVISIONS

6.1 Amendment. This Agreement may be modified or amended only by mutual written agreement of the Parties. Any such modification or amendment must be in writing, dated, signed by the Parties and explicitly indicate that such writing modifies or amends this Agreement.

6.2 Assignment. Practitioner may not assign any of Practitioner's rights, interests, duties, or obligations under this Agreement without Hospital's prior written consent, which consent may be given or withheld in Hospital's sole discretion. Any attempted or purported assignment by Practitioner in violation of this Section shall be void. Hospital may, in its sole discretion, assign any or all of its rights, interests, duties, or obligations hereunder to any person or entity without the prior written consent of Practitioner. Subject to the foregoing, this Agreement shall be binding on and shall inure to the benefit of the Parties and their respective heirs, successors, assigns and representatives.

6.3 Attorneys' Fees. If either Party brings an action or proceeding, arising out of or relating to this Agreement, the non-prevailing Party shall pay to the prevailing Party reasonable attorneys' fees and costs incurred in bringing such action, including, without limitation, fees incurred in post judgment motions, contempt proceedings, garnishment, levy, debtor and third party examinations, discovery, bankruptcy litigation, arbitration, trial, and any appeal or review, all of which shall be deemed to have accrued upon the commencement of such action and shall be paid whether or not such action is prosecuted to judgment. Any judgment or order entered shall contain a provision providing for the recovery of attorneys' fees and costs incurred in enforcing such judgment. The prevailing Party shall be the Party who is identified in any judgment or order entered as the Party entitled to recover its costs of suit, whether or not the action or proceeding proceeds to final judgment or award.

6.4 Choice of Law. This Agreement shall be construed in accordance with and governed by the laws of the State of California, without giving effect to any choice of law or conflict of law rules or provisions that would cause the application of the laws of any jurisdiction other than the State of California.

6.5 Compliance with HIPAA. Practitioner shall comply with the HIPAA Obligations as defined and set forth in Exhibit 6.5. The HIPAA Obligations shall survive the expiration or termination of this Agreement for any reason.

6.6 Compliance with Laws. Practitioner shall comply with all applicable laws, ordinances, codes and regulations of federal, state and local governments, including without limitation laws that require Practitioner to disclose any economic interest or relationship with Hospital, and the policies, standards, requirements, guidelines and recommendations of the Joint Commission on Accreditation of Healthcare Organizations ("JCAHO"), all as in effect and amended from time to time.

6.7 Compliance with Medicare Rules. To the extent required by law or regulation, Practitioner shall make available, upon written request from Hospital, the Secretary of Health

and Human Services, the Comptroller General of the United States, or any duly authorized agent or representative of the foregoing, a copy of this Agreement and Practitioner's books, documents and records to the extent necessary to certify the nature and extent of Hospital's costs for services provided by Practitioner. Practitioner shall preserve and make available such books, documents and records for a period which is the longer of ten (10) years after the end of the term of this Agreement, or the length of time required by state or federal law. If Practitioner is requested to disclose books, documents or records pursuant to this Section for any purpose, Practitioner shall notify Hospital of the nature and scope of such request, and Practitioner shall make available, upon written request of Hospital, all such books, documents or records. Practitioner shall indemnify and hold harmless Hospital if any amount of reimbursement is denied or disallowed because of Practitioner's failure to comply with the obligations set forth in this Section. Such indemnity shall include, but not be limited to, the amount of reimbursement denied, plus any interest, penalties and legal costs.

6.8 Confidentiality. Neither Party shall disclose any of the provisions of this Agreement to any person or entity, other than their respective attorneys or accountants, without the prior written consent of the other Party, unless and only to the extent such disclosure is required by law, subpoena or legal process; provided, however, that either Party may disclose the provisions of this Agreement to any person or entity without the prior written consent of the other Party to the extent such disclosure is (a) required by such Party's contracts existing as of the date of this Agreement; or (b) requested by fiscal intermediaries, public agencies or commissions with governmental powers and duties related to disclosure of information which have the right to compel disclosure of such information. Hospital may also disclose the provisions of this Agreement to any person or entity without the prior written consent of Practitioner to the extent such disclosure is requested or required by Hospital's representatives or others in connection with any tax-exempt bond or other financing transactions of Hospital or any Affiliates.

6.9 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

6.10 Dispute Resolution. In the event of any controversy or dispute related to or arising out of this Agreement, the Parties agree to meet and confer in good faith to attempt to resolve the controversy or dispute without an adversary proceeding. If the controversy or dispute is not resolved to the mutual satisfaction of the Parties within five (5) business days of notice of the controversy or dispute, the Parties agree to waive their rights, if any, to a jury trial and pre-trial discovery, and to submit the controversy or dispute to a retired judge or justice pursuant to Section 638 et seq. of the California Code of Civil Procedure, or any successor provision, for resolution in accordance with Chapter 6 (References and Trials by Referees), of Title 8 of Part 2 of the California Code of Civil Procedure, or any successor chapter. The Parties agree that the only proper venue for the submission of claims is the County of San Diego California, and that the hearing before the referee shall be concluded within nine (9) months of the filing and service of the complaint. The Parties reserve the right to contest the referee's decision and to appeal from any award or order of any court.

6.11 Entire Agreement. This Agreement is the entire understanding and agreement of the Parties regarding its subject matter, and supersedes any prior oral or written agreements, representations, understandings or discussions between the Parties with respect to such subject matter. No other understanding between the Parties shall be binding on them unless set forth in writing, signed and attached to this Agreement.

6.12 Exhibits and Attachments. The attached exhibits and attachments, together with all documents incorporated by reference in the exhibits and attachments, form an integral part of this Agreement and are incorporated by reference into this Agreement.

6.13 Force Majeure. Neither Party shall be liable for nonperformance or defective performance or late performance of any of its obligations under this Agreement to the extent and for such periods of time as such nonperformance, defective performance or late performance is due to reasons outside such Party's control, including acts of God, war (declared or undeclared), terrorism, action of any governmental authority, riots, revolutions, fire, floods, explosions, sabotage, nuclear incidents, lightning, weather, earthquakes, storms, sinkholes, epidemics, or strikes (or similar nonperformance or defective performance or late performance of employees, suppliers or subcontractors).

6.14 Headings. The headings in this Agreement are intended solely for convenience of reference and shall be given no effect in the construction or interpretation of this Agreement.

6.15 Income Tax Ramifications. The Parties acknowledge that Practitioner may incur federal and state income tax liabilities from certain of the transactions contemplated by this Agreement, and that Hospital is or may be required to report items of income to Practitioner under relevant income tax laws and regulations. The Parties acknowledge and agree that Hospital has not made any representation to Practitioner with respect to the tax implications of the transactions contemplated by this Agreement, and that statements made by Hospital or its agents, employees, representatives or attorneys shall not be relied upon by Practitioner, and shall not be interpreted or construed as tax advice to Practitioner.

6.16 Litigation Consultation. Practitioner shall not accept consulting assignments or otherwise contract, agree, or enter into any arrangement to provide expert testimony or evaluation on behalf of a plaintiff in connection with any claim against Hospital or any Affiliate named, or expected to be named as a defendant. Practitioner shall not accept similar consulting assignments if (a) the defendants or anticipated defendants include a member of the medical staff of Hospital or any Affiliate, and (b) the matter relates to events that occurred at Hospital or any Affiliate; provided, however, the provisions of this Section shall not apply to situations in which Practitioner served as a treating physician.

6.17 Meaning of Certain Words. Wherever the context may require, any pronouns used in this Agreement shall include the corresponding masculine, feminine, or neuter forms, and the singular form of nouns shall include the plural and vice versa. Unless otherwise specified, "days" shall be considered "calendar days" and "months" shall be considered "calendar months" in this Agreement and its exhibits and attachments.

6.18 No Conflicting Obligations. Practitioner represents and warrants that the execution and delivery of this Agreement and the performance of his or her respective obligations hereunder do not and will not: (a) present a conflict of interest or materially interfere with the performance of his or her respective duties under any other agreement or arrangement; or (b) violate, conflict with, or result in a breach of any provision of, or constitute a default (or an event which, with notice and/or lapse of time, would constitute a default) under, terminate, accelerate the performance required by, or result in a right of termination or acceleration under any of the terms, conditions or provisions of any other agreement, indebtedness, note, bond, indenture, security or pledge agreement, license, franchise, permit, or other instrument or obligation. Practitioner shall immediately inform Hospital of any other agreements to which Practitioner is a party that may present a conflict of interest or materially interfere with performance of his or her duties under this Agreement.

6.19 Non-Discrimination. Practitioner shall not differentiate or discriminate in the provision of medical services on the basis of race, color, national origin, ancestry, religion, sex, marital status, sexual orientation, age, medical condition, medical history, genetics, evidence of insurability, or claims history, in violation of any applicable state, federal or local law or regulation, or Hospital Rules, including, without limitation, the Age Discrimination Act of 1975, the Americans with Disabilities Act and all regulations issued pursuant thereto and as may be amended from time to time. Practitioner and Hospital shall be in full compliance with Section 504 of the Rehabilitation Act of 1973, Titles VI and VII of the 1964 Civil Rights Act, and all regulations issued pursuant thereto and as may be amended from time to time.

6.20 No Third Party Beneficiary Rights. This Agreement shall not confer or be construed to confer any rights or benefits to any person or entity other than the Parties.

6.21 Notices. All notices or communications required or permitted under this Agreement shall be given in writing and shall be delivered to the Party to whom notice is to be given either: (a) by personal delivery (in which case such notice shall be deemed given on the date of delivery); (b) by next business day courier service (*e.g.*, Federal Express, UPS or other similar service) (in which case such notice shall be deemed given on the business day following date of deposit with the courier service); or (c) by United States mail, first class, postage prepaid, registered or certified, return receipt requested (in which case such notice shall be deemed given on the third (3rd) day following the date of deposit with the United States Postal Service). In each case, notice shall be delivered or sent to the address indicated on the signature page, or such other address as provided by a Party, from time to time, pursuant to this Section.

6.22 Participation in Federal Health Care Programs. Practitioner hereby represents that Practitioner is not debarred, suspended, excluded or otherwise ineligible to participate in any Federal Health Care Program.

6.23 Representations. Each Party represents with respect to itself that: (a) no representation or promise not expressly contained in this Agreement has been made by any other Party or by any Parties' agents, employees, representatives or attorneys; (b) this Agreement is not being entered into on the basis of, or in reliance on, any promise or representation, expressed or implied, other than such as are set forth expressly in this Agreement; and (c) Party has been

represented by legal counsel of Party's own choice or has elected not to be represented by legal counsel in this matter.

6.24 Severability. Subject to Section 5.5, if any provision of this Agreement, in whole or in part, or the application of any provision, in whole or in part, is determined to be illegal, invalid or unenforceable by a court of competent jurisdiction and such provision can be severed without substantially changing the bargain reached by the Parties, such provision or part of such provision shall be severed from this Agreement, and such severance shall have no effect upon the enforceability, performance or obligations of the remainder of this Agreement, including the remainder of such provision not determined to be illegal, invalid or unenforceable. If Section 5.5 is applicable, this Section 6.24 shall not be enforced.

6.25 Trade Secrets. During the term of this Agreement, Practitioner will have access to and become acquainted with confidential information and trade secrets of Hospital, including information and data relating to payor contracts and accounts, clients, patients, patient groups, patient lists, billing practices and procedures, business techniques and methods, strategic plans, operations and related data (collectively, "Trade Secrets"). All Trade Secrets are the property of Hospital and used in the course of Hospital's business, and shall be proprietary information protected under the Uniform Trade Secrets Act. Practitioner shall not disclose to any person or entity, directly or indirectly, either during the term of this Agreement or at any time thereafter, any Trade Secrets, or use any Trade Secrets other than in the course of providing Administrative Services under this Agreement. All documents that Practitioner prepares, or Trade Secrets that might be given to Practitioner in the course of providing Administrative Services under this Agreement, are the exclusive property of Hospital, and, without the prior written consent of Hospital, shall not be removed from Hospital's premises.

6.26 Waiver. No delay or failure to require performance of any provision of this Agreement shall constitute a waiver of that provision as to that or any other instance. Any waiver granted by a Party must be in writing to be effective, and shall apply solely to the specific instance expressly stated.

6.27 Waiver of Injunctive or Similar Relief. Upon any breach or termination of this Agreement by Hospital that is determined to be improper by a court or by an arbitrator, Practitioner shall accept monetary damages, if any, as full and complete relief, to the exclusion of any specific performance, or injunctive or similar equitable relief.

[signature page follows]

The Parties have executed this Agreement on the date first above written, and signify their agreement with duly authorized signatures.

HOSPITAL

Palomar Pomerado Health, a local health care district organized under Division 23 of the California Health and Safety Code

By: _____
Its: _____

Address of Hospital:

15255 Innovation Drive
San Diego, CA 92128-3410
Attn: James Neal

PRACTITIONER

Roger J. Acheatel, M.D., an individual

Practitioner's principal contact address:

488 East Valley Parkway
Escondido, CA 92025

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Exhibit 1.1

ADMINISTRATIVE SERVICES

Practitioner, as Chairman of the Quality Management Committee at Pomerado Hospital shall provide the following services:

1. Establish systems to identify opportunities to improve performance;
2. Review summary reports and recommendations from each department to determine if appropriate action has been taken to correct significant variances and deficiencies;
3. Coordinate performance improvement functions and reporting from each department;
4. Oversee resolution of interdepartmental conflicts regarding specific quality issues or trends;
5. Support the medical staff and hospital departments in fulfilling required functions;
6. Review summary reports and recommendations to determine if appropriate action has been taken to correct identified problems and improve performance;
7. Communicate appropriate information across departments and services when multidisciplinary opportunities for improvement are identified;
8. Routinely major and assess results of actions taken to improve performance; and
9. Submit a regular confidential reports and recommendations to the executive committees and board quality review committee.

Exhibit 1.5

MONTHLY TIME REPORT

See Attached.

Exhibit 1.10

CODE

See Attached.

Exhibit 1.10

Code of Conduct for Physician Agreements

1. I will perform my duties faithfully and to the best of my ability, and in the interest of Hospital as it relates to services provided under this agreement.
2. I will not lie, cheat, steal, or violate any law in connection with my practice at any Hospital facility.
3. I will not pay or arrange for Hospital to pay any person or entity for the referral of patients to Hospital, nor will I accept any payment or arrange for Hospital to accept any payment for referrals from Hospital.
4. I will not participate in any false billing of patients, government entities or any other party, nor will I participate in the preparation of any false cost reports, or other type of report submitted to the government.
5. I will not engage in any conduct or practice that conflicts with interest of Hospital, as it relates to services provided under this agreement.
6. I will not improperly use Hospital's confidential or proprietary information gathered during my association with Hospital for my own personal benefit.
7. I will not obtain any improper personal benefits by virtue of my practice at Hospital facilities.
8. I will notify the compliance officer of Hospital immediately upon the receipt (at work or home) of an inquiry, subpoena (other than for routine licensing or tax matters) or other agency or government request for information regarding Hospital.
9. I will not destroy or alter information or documents in anticipation of or in response to, a request for documents by any applicable government agency or from a court of competent jurisdiction.
10. I will not engage in any business practice intended to unlawfully obtain favorable treatment or business from any government entity, physician, patient, vendor or any other party in a position to provide such treatment or business.
11. I will not accept any gift of more than nominal value, and hospitality or entertainment that because of its source or value might influence my independent judgment in transactions involving Hospital as it relates to services provided under this agreement.
12. I will not provide any gifts to any government or public agency representative as it relates to services provided under this agreement.

13. I will disclose any compensation arrangements or an ownership in a privately-owned entity (not big pharmaceutical or other major public companies and not ownership through mutual funds) that I or a member of my immediate family has.

14. I will not disclose confidential medical information pertaining to Hospital patients without the express written consent of the patient in accordance with HIP AA, other applicable law and Hospital applicable policies or procedures.

15. I will promptly report all violations or suspected violations of this code by myself to the compliance officer of Hospital.

16. I will not conspire with a competitor of Hospital to illegally fix prices, labor cost, allocate markets, or engage in group boycotts.

Exhibit 2.1

COMPENSATION

1. **Compensation.** Hospital shall pay to Practitioner the amount of [REDACTED]

[REDACTED] per hour up to a maximum of [REDACTED]

[REDACTED] per month for the provision of Administrative Services.

2. **Timing.** Hospital shall pay the compensation due for Administrative Services performed by Practitioner in the immediately preceding month within five (5) business days after Practitioner's submission of the monthly time report in accordance with this Agreement; provided, however, that if Practitioner does not submit a time sheet within sixty (60) days of the end of the month during which Administrative Services were performed, Hospital shall not be obligated to pay Practitioner for Administrative Services performed during that month.

Exhibit 6.5

**OBLIGATIONS UNDER THE HEALTH INSURANCE PORTABILITY AND
ACCOUNTABILITY ACT OF 1996 ("HIPAA")**

1. Definitions.

- a. "Designated Record Set" shall have the meaning given to such term under the Privacy Rule (as defined below).
- b. "HIPAA Obligations" means the obligations of Practitioner as set forth in this Exhibit.
- c. "Privacy Rule" means the HIPAA Regulation that is codified at Title 45 of the Code of Federal Regulations, Parts 160 and 164, or applicable successor provisions, as may be amended from time to time.
- d. "Protected Health Information" means any information, whether oral or recorded in any form or medium that: (i) relates to the past, present or future physical or mental condition of an individual; the provision of health care to an individual; or the past, present or future payment for the provision of health care to an individual, and (ii) identifies the individual or with respect to which there is a reasonable basis to believe the information can be used to identify the individual, or is defined as such under the Privacy Rule.
- e. "Protected Information" means Protected Health Information provided by Hospital to Practitioner or created or received by Practitioner on Hospital's behalf.
- f. "Required by Law" shall have the meaning given to such term under the Privacy Rule.

2. **Use of Protected Information.** Practitioner shall not use Protected Information except as permitted by and for the purpose of performing Practitioner's obligations under this Agreement. Practitioner shall not use Protected Information in any manner that would constitute a violation of the Privacy Rule if so used by Hospital.

3. **Permitted Disclosures.** Practitioner shall not disclose Protected Information in any manner that would constitute a violation of the Privacy Rule if disclosed by Hospital, except that Practitioner may disclose Protected Information in a manner permitted pursuant to this Agreement or as Required by Law.

4. **Appropriate Safeguards.** Practitioner shall implement appropriate safeguards as are necessary to prevent the use or disclosure of Protected Information other than as permitted by this Agreement.

5. **Reporting of Improper Use or Disclosure.** Practitioner shall notify Hospital in writing of any use or disclosure of Protected Information other than as provided for by this Agreement and this Exhibit within two (2) days of becoming aware of such use or disclosure.
6. **Practitioner's Agents.** Practitioner shall ensure that any agents of Practitioner, including subcontractors, to whom Practitioner provides Protected Information, agree in writing to the same restrictions and conditions that apply to Practitioner with respect to such Protected Information.
7. **Access to Protected Information.** Practitioner shall make Protected Information maintained by Practitioner or Practitioner's agents or subcontractors in Designated Record Sets available to Hospital for inspection and copying within ten (10) days of a request by Hospital to enable Hospital to fulfill its obligations under the Privacy Rule.
8. **Amendment of Protected Health Information.** Within ten (10) days of receipt from Hospital for an amendment of Protected Information or a record about an individual contained in a Designated Record Set, Practitioner or Practitioner's agents or subcontractors shall make such Protected Information available to Hospital for amendment and incorporate any such amendment to enable Hospital to fulfill its obligations under the Privacy Rule.
9. **Accounting Rights.** Within ten (10) days of notice by Hospital of a request for an accounting of disclosures of Protected Information, Practitioner and Practitioner's agents or subcontractors shall provide to Hospital an accounting of disclosures sufficient to enable Hospital to fulfill its obligations under the Privacy Rule. As set forth and as limited by the Privacy Rule, Practitioner shall not provide an accounting to Hospital of disclosures: (i) to carry out treatment, payment or health care operations; (ii) to individuals of Protected Information about them; (iii) to persons involved in the individual's care or other notification purposes; (iv) for national security or intelligence purposes; or (v) to correctional institutions or law enforcement officials. [Practitioner agrees to implement a process that allows for an accounting to be collected and maintained by Practitioner and Practitioner's agents or subcontractors for at least six (6) years prior to the request, but not before the compliance date of the Privacy Rule.] At a minimum, such information shall include: (A) the date of disclosure; (B) the name of the entity or person who received Protected Information and, if known, the address of the entity or person; (C) a brief description of Protected Information disclosed; and (D) a brief statement of purpose of the disclosure that reasonably informs the individual of the basis for the disclosure, or copy of the individual's authorization, or a copy of the written request for disclosure.
10. **Governmental Access to Records.** Practitioner shall make his or her internal practices, books and records relating to the use and disclosure of Protected Information available to Hospital or, at the request of Hospital, to the Secretary of the U.S. Department of Health and Human Services, for purposes of determining Hospital's compliance with the Privacy Rule.

11. **Retention of Protected Information.** Except as provided in Sections 12 and 13 of this Exhibit, Practitioner and Practitioner's agents or subcontractors shall retain all Protected Information throughout the term of this Agreement and shall continue to maintain the information required hereunder for a period of six (6) years after expiration or termination of this Agreement.
12. **Term of Obligations.** Practitioner's HIPAA Obligations shall commence as of the compliance date of the Privacy Rule, and shall terminate when all of the Protected Information is destroyed or returned to Hospital, or, if it is infeasible to return or destroy Protected Information, protections are extended to such information, in accordance with Section 14 of this Exhibit.
13. **Effect of Termination.** Upon expiration or termination of this Agreement for any reason, Practitioner shall return or destroy all Protected Information that Practitioner or Practitioner's agents or subcontractors still maintain in any form, and shall retain no copies of such Protected Information. If return or destruction is not feasible, Practitioner shall continue to extend the protections of this Exhibit to such information, and limit further use of such Protected Health Information to those purposes that make the return or destruction of such Protected Health Information infeasible.
14. **Amendment.** The Parties agree to take such action as is necessary to amend HIPAA Obligations from time to time in order for Hospital to comply with the requirements of the Privacy Rule, HIPAA and other applicable laws relating to the security or confidentiality of Protected Health Information.
15. **Interpretation of Obligations.** The HIPAA Obligations shall be interpreted as broadly as necessary to implement and comply with HIPAA and the Privacy Rule. The Parties acknowledge and agree that any ambiguity in the HIPAA Obligations shall be resolved in favor of a meaning that complies and is consistent with HIPAA and the Privacy Rule.

Hospitalist Programs at Palomar Medical Center and Pomerado Hospital

TO: Board of Directors

FROM: Board Finance Committee
Thursday, February 23, 2006

MEETING DATE: Monday, March 13, 2006

FROM: Jim Flinn, Chief Administrative Officer, Pomerado Hospital

Background: In the past, PPH had different agreements with separate providers for Hospitalist services for the Adult, Pediatrics and Skilled Nursing Programs within the District. PPH has been negotiating with Neighborhood HealthCare to consolidate the Adult and Skilled Nursing Facility Hospitalist Agreements. Facilities included in this consolidated Agreement are Palomar Medical Center and Pomerado Hospital, as well as Villa Pomerado and Palomar Continuing Care Center.

Consolidation of these programs will assure adequate coverage at each facility for the services outlined in the Agreement. Specific performance criteria have been incorporated into the Agreement to assure the highest quality of care, appropriate utilization of resources, and continued efforts toward performance improvement.

Information regarding the status of this Agreement was presented at the Finance Committee meeting.

Budget Impact: N/A

Staff Recommendation: Staff recommended approval.

Committee Questions:

COMMITTEE RECOMMENDATION: The Finance Committee recommends approval of the negotiated Hospitalist Agreement with Neighborhood HealthCare.

Motion: X

Individual Action:

Information:

Required Time:

PALOMAR POMERADO HEALTH - AGREEMENT ABSTRACT

Section Reference	Term/Condition	Term/Condition Criteria
	TITLE	Adult Medicine and Skilled Nursing Facility Hospitalist Services – Palomar Medical Center, Pomerado Hospital and Skilled Nursing Facilities
Recitals	AGREEMENT DATE	January 1, 2006
Recitals	PARTIES	1) PPH 2) Neighborhood Healthcare
	PURPOSE	To provide coverage for unassigned patients at both hospitals & at both Skilled Nursing Facilities
	SCOPE OF SERVICES	To provide Adult Medicine and Skilled Nursing Facility on-call coverage and case management services to unassigned and referred patients
	PROCUREMENT METHOD	<input checked="" type="checkbox"/> Request For Proposal <input type="checkbox"/> Discretionary
	TERM	January 1, 2005 through December 31, 2007
	RENEWAL	None
	TERMINATION	Immediately for cause or within 30 days of written notice without cause.
	COMPENSATION METHODOLOGY	Monthly payment on or before the 15 th of each month with supporting documentation of the prior month's records of services.
	BUDGETED	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO - IMPACT: None
	EXCLUSIVITY	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES – EXPLAIN:
	JUSTIFICATION	Required to provide adequate coverage of unassigned patients presenting to the emergency department-requiring services.
	POSITION POSTED	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO Methodology & Response: Discussed in Psychiatric Committee with all eligible providers. RFP was done.
	ALTERNATIVES/IMPACT	
	Duties	x Provision for Staff Education x Provision for Medical Staff Education x Provision for participation in Quality Improvement x Provision for participation in budget process development
	LEGAL REVIEW	Attorney developed template agreement used.
	COMMENTS	
	APPROVALS REQUIRED	<input checked="" type="checkbox"/> VP <input checked="" type="checkbox"/> CFO <input checked="" type="checkbox"/> CEO <input checked="" type="checkbox"/> <input type="checkbox"/> BOD Committee <u>Finance</u> <input checked="" type="checkbox"/> BOD

**ADULT MEDICINE AND SKILLED NURSING FACILITY
HOSPITALIST SERVICE AGREEMENT**

between

**PALOMAR POMERADO HEALTH,
a local health care district**

and

**NEIGHBORHOOD HEALTHCARE
a California non-profit corporation**

October 1, 2005

**ADULT MEDICINE AND SKILLED NURSING FACILITY HOSPITALIST
SERVICE AGREEMENT**

THIS ADULT MEDICINE AND SKILLED NURSING FACILITY HOSPITALIST SERVICE AGREEMENT ("Agreement") is made and entered into effective October 1, 2005 by and between Palomar Pomerado Health, a local health care district organized pursuant to Division 23 of California Health and Safety Code ("PPH") and Neighborhood Healthcare, a California non-profit corporation ("NHC").

RECITALS

A. PPH is the owner and operator of Palomar Medical Center, a general acute care hospital, located at 555 East Valley Parkway, Escondido, California and Pomerado Hospital, located at 15615 Pomerado Road, Poway, California. PPH also owns and operates two Skilled Nursing Facilities, Palomar Continuing Care Center, at 1817 Avenida Del Diablo Escondido, California and Villa Pomerado, which is located on the Pomerado Hospital Campus ("Hospital"). Both Palomar Medical Center and Pomerado Hospital operate a fully licensed and qualified emergency room facility (the "Emergency Room").

B. Hospital operates an Adult medicine and Skilled Nursing Facilities Hospitalist Program ("Program").

C. NHC is a California nonprofit corporation duly organized and qualified to provide community clinic services under the laws of the state of California, whose physician providers are duly qualified and licensed to practice medicine in the State of California and experienced in the rendition of adult medicine, family practice and Skilled Nursing Facility care, and have or will obtain medical staff Skilled Nursing Facility and/or internal medicine privileges at Hospital.

D. In connection with the operation of the Program, Hospital must arrange for qualified physicians ("Covering Physicians") to be available to accept referrals from community physicians for adult medicine and Skilled Nursing Facility patients requiring admission to Hospital ("Adult medicine and Skilled Nursing Facility Hospitalist Services"). Program consists of facilities and equipment owned by Hospital and staffed by Hospital employees.

E. Hospital and NHC acknowledge and agree that this Agreement shall supercede the agreements, if any, previously entered into by the parties for the provision of Adult Medicine and Skilled Nursing Facility Hospitalist Services.

F. It is the intent of both Hospital and NHC that the terms and conditions of this Agreement, and the manner in which services are to be performed hereunder, fulfill and comply with all requirements of any applicable "safe harbor" or exception to Stark I

and Stark II including, but in no way limited to, the applicable requirements set forth in regulations promulgated by the Department of Health and Human Services, Office of Inspector General, and in the Ethics in Patient Referral Act.

A G R E E M E N T

NOW, THEREFORE, in consideration of the mutual covenants and promises set forth herein, and for such other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. NHC RESPONSIBILITIES

1.1 **Community Referrals:** Beginning January 1, 2006, NHC shall arrange for its employed or contracted physicians (hereinafter, the Covering Physicians) to (a) provide On-Call Services to the Emergency Department, 24 hours a day, seven days a week for adult medicine and Skilled Nursing Facility patients. As used in this Agreement, "On-Call Services" mean that a Covering Physician shall be available to provide emergency services (including consultation) to a patient when both (i) an Emergency Department physician on duty considers it necessary that a patient immediately receive the services of a Covering Physician and (ii) that patient is not already under the care of a physician who is available to admit or provide attending services at Hospital (an "Unassigned Patient"). If requested by the Emergency Department attending physician, the Covering Physician must be present in the Hospital or Emergency Department within thirty (30) minutes from the time of phone contact. Further, the Covering Physician and/or Hospital Team Leader shall provide or arrange for the provision of follow-up care or holding orders for any Emergency Department Unassigned Patient if the Covering Physician directly attended to the Unassigned Patient in the Emergency Department, or if the Covering Physician provided telephone consultation to the Emergency Department attending physician. Covering Physician or NHC are not obligated to follow-up other Emergency Department patients, but will see outpatient referrals from the Emergency Department in accordance with Covering Physician's insurance and office policies and with the Department of Medicine Rules and Regulations; (b) be available 24 hours a day, seven days a week to accept referrals for unassigned patients from community physicians for Skilled Nursing Facility patients ("Patients") requiring admission to Hospital. Covering Physician will act as attending physician for such referred Patients and ensure regular communication with referring physician as to the status of Patients. Covering Physician shall return Patients to care of referring physician upon discharge from adult medicine and Skilled Nursing Facility hospitalist program.

1.2 **Adult Medicine and Skilled Nursing Facility Hospitalist Services:** NHC shall ensure the completion of Adult Medicine and Skilled Nursing Facility Hospitalist Services as outlined in Exhibit "A" attached hereto and made a part of this agreement.

1.3 **Acknowledgment by Covering Physician:** Notwithstanding anything herein to the contrary, all obligations and prohibitions imposed on NHC pursuant to this Agreement are equally applicable to each and every Covering Physician providing Adult Medicine and Skilled Nursing Facility Hospitalist Services hereunder, and NHC shall ensure that each such Covering Physician agrees to be bound by such obligations and prohibitions and executes the Acknowledgement Form, attached hereto as Exhibit "B", in order to further evidence each Covering Physician's assent.

1.4 **Use of Premises:** In order to preserve Hospital's exemption from property and other taxes, pursuant to state and federal law, Hospital space must be used for Hospital purposes only, which include the provision of Adult Medicine and Skilled Nursing Facility Hospitalist Services hereunder by Covering Physician. Consequently, no part of the Hospital premises shall be used at any time by Covering Physician as an office for personal use, including for the general/private practice of medicine. Covering Physician shall not incur any financial obligation on behalf of Hospital without Hospital's prior written consent, which consent shall be in Hospital's sole and absolute discretion.

1.5 **Non-Exclusive Services:** Hospital understands and acknowledges that Covering Physician is engaged in the private practice of medicine, and may also provide similar Adult Medicine and Skilled Nursing Facility Hospitalist Services to other organizations. This Agreement shall not, in any way, limit Covering Physician's private practice, or NHC and Covering Physician's provision of Adult Medicine and Skilled Nursing Facility Hospitalist Services to other organizations. Similarly, Hospital is free to contract with other entities or individuals to provide similar services as it may require.

1.6 **Referral Prohibition:** NHC shall ensure that Covering Physician shall not knowingly refer or admit any patient to any hospital or other provider of health care services which has been excluded from participation in the Medicare program.

1.7 **Independent Contractor:**

1.7.1 In the performance of the duties and obligations of NHC and the Covering Physician(s) hereunder, it is mutually understood and agreed that NHC and the Covering Physician are at all times acting and performing as an independent contractor, and nothing in this Agreement is intended nor shall be construed to create between Hospital and NHC and the Covering Physician, an employer/employee, joint venture, lease or landlord/tenant relationship. In that regard, Hospital shall neither have nor exercise any control or direction over the methods by which Covering Physician performs his or her duties, work, functions or Adult Medicine and Skilled Nursing Facility Hospitalist Services or over Covering Physician's best medical, professional or clinical judgment. The standards of medical practice and professional duties of Covering Physician shall be determined by the Medical Staff and prevailing professional standards. In furtherance of the independent status of the parties, Covering Physician shall not hold himself or herself out as an officer, agent or employee of Hospital, and shall take all

reasonable steps to disavow such status or relationship in every instance where a reasonable party might assume that such a relationship exists between the parties.

1.7.2 In the event any governmental entity, including without limitation, the Internal Revenue Service, should question or challenge the independent contractor status of Covering Physician with respect to Hospital and the Adult Medicine and Skilled Nursing Facility Hospitalist Services rendered hereunder, the parties mutually agree that both NHC, on behalf of Covering Physician, and Hospital shall have the right to participate in any discussion or negotiation occurring with such governmental entity, regardless of who initiated such discussions or negotiations. In the event the governmental entity concludes that an independent contractor relationship does not exist, Hospital may terminate this Agreement immediately upon written notice to NHC on behalf of Covering Physician.

1.8 **Loss or Limitation:** NHC shall promptly notify Hospital if Covering Physician is subject to any loss, sanction, suspension or material limitation of his or her license, federal Drug Enforcement Agency ("DEA") number, right to participate in the Medicare or Medi-Cal programs, malpractice insurance or Medical Staff membership or clinical privileges at Hospital or any other hospital or managed care organization.

1.9 **Medical Records and Claims:** NHC shall ensure that Covering Physician shall cause a complete medical record to be timely and legibly prepared and maintained for each Program patient. This record shall be made on forms provided by Hospital. NHC shall ensure that Covering Physician shall maintain the records of the Program, and all medical records and charts of Program patients, in accordance with industry standards, and in compliance with all state and federal laws and regulations, the regulations and requirements of the voluntary professional facility accrediting institutions in which Hospital participates, and the Medical Staff Bylaws and Hospital Bylaws. NHC shall ensure that Covering Physician shall maintain and provide all such books, records and charts to patients and Hospital, and to state and federal agencies, including without limitation the California Commissioner of Corporations or its successor, as may be necessary for Covering Physician and/or Hospital to comply with applicable state, federal, and local law and regulation and with contracts between Hospital and payors. NHC shall ensure that Covering Physician shall cooperate with Hospital in completion of such claim forms for Program patients as may be required by insurance carriers, health care service plans, governmental agencies or other payors. NHC shall ensure that Covering Physician shall cause the records and information to be retained for at least six (6) years after the termination of this Agreement. The parties acknowledge and agree that any and all PPH financial books and records, medical records and charts, and any other document associated with the Program or the provision of Administrative Services pursuant to this Agreement shall be and remain the property of Hospital, subject to the rights in said records and charts by the applicable patient.

1.10 **Covering Physician Warranties:** NHC represents and warrants and shall cause the Covering Physician to represent and warrant to Hospital that Covering Physician is now and shall remain throughout the term of this Agreement (a) duly licensed to practice medicine in the State of California; (b) a member of the active or provisional professional staff of Hospital, with clinical privileges sufficient to permit Covering Physician to perform all services required of Covering Physician under Section 1 of this Agreement; (c) Board certified or eligible in the specialty of Internal Medicine or Board Certified or Board-eligible in the specialty of Family Practice with demonstrated experience in Skilled Nursing Facilities; and (d) in legitimate possession of all customary narcotics and controlled substances numbers and licenses. Covering Physician further represents and warrants to Hospital that (a) Covering Physician's license to practice medicine in any state has never been suspended, revoked or restricted; (b) Covering Physician has never been excluded from participation in, or sanctioned by, any state or federal health care program, including, but not limited to Medicare or Medicaid; and (c) Covering Physician has never been denied membership or reappointment of membership on the medical staff of any hospital and no hospital medical staff membership or clinical privileges of Covering Physician have ever been suspended, curtailed or revoked for a medical disciplinary cause or reason. All Covering Physicians providing Adult Medicine and Skilled Nursing Facility Hospitalist Services must be approved in writing by Hospital.

2. HOSPITAL OBLIGATIONS

2.1 **Space and Use of Premises:** Hospital shall provide reasonable assistance to NHC on behalf of Covering Physicians to provide efficient and effective care for Patients and Unassigned Patients. Hospital agrees to provide to NHC on behalf of Covering Physicians the items listed on Exhibit "C" attached to this Agreement. Such space and facilities may change from time to time depending upon needs, as determined by Hospital in its sole discretion.

2.2 **Equipment:** Hospital shall furnish for the use of the Program such equipment as is deemed necessary by mutual agreement of the Parties for the proper operation of the Program. Hospital shall keep and maintain this equipment in good order and repair and replace such equipment as necessary. Obligations of Hospital under this Section shall be subject to the availability of funds and obtaining all necessary government approvals, if any.

2.3 **Hospital Services and Supplies:** Hospital shall provide or arrange for the provision of ordinary janitorial services, maintenance, housekeeping services, disposal of clinical waste, laundry and utilities, together with such other Hospital services, including medical records, administrative, local and long distance telephone services, engineering services, and expendable supplies as Hospital deems necessary for the proper operation and conduct of the Program.

2.4 **Hospital Personnel:** Hospital will provide all non-physician personnel, including nurses, technicians, and clerical personnel that Hospital deems necessary for the Program. Hospital shall consult with Covering Physician regarding Program personnel. With the advice and recommendation of Covering Physician, Hospital will establish and classify all non-physician positions and designate the persons assigned to each non-physician position. While Covering Physician will have input into non-physician employee performance reviews from a quality of care and technical standpoint, it is specifically agreed that Hospital will retain ultimate control of the selection, scheduling, and discharge of such employees and/or any direct disciplinary measures as needed. Covering Physician shall, at no time during the term of this Agreement, or for a period of one (1) year immediately following termination of this Agreement, interfere with any contractual relationship between Hospital and any of its employees.

2.5 **Hospital Performance:** The responsibilities of Hospital pursuant to Section 2 hereof shall be subject to Hospital's usual purchasing practices, budget limitations, governmental approvals, and applicable laws and regulations.

2.7 **Performance Evaluation:** There shall be a Joint Operations Committee established to evaluate the performance of the parties subject to this agreement. The committee shall consist of the following from each party:

Hospital representatives shall include, but will not be limited to:

- Chief Administrative officers from both PMC and POM
- Associate Chief Nurses from both PMC and POM
- Chief Medical Quality Officer, PPH

NCH representatives shall include, but will not be limited to:

- Chief Executive Officer
- Chief Medical Officer
- Medical Directors from both PMC and POM

The criteria for evaluating the effectiveness of the program is contained in both attachments "A" and "C".

3. BILLING AND COMPENSATION

3.1 Adult Medicine and Skilled Nursing Facility Hospitalist Services:

Whereas NHC is solely responsible for paying Covering Physicians, in consideration of the Adult Medicine and Skilled Nursing Facility Hospitalist Services to be provided by NHC to Hospital under Section 1 of this Agreement, Hospital agrees to pay to NHC a total of [REDACTED]

[REDACTED] per year through March 31, 2005 (includes pediatrics) and [REDACTED] beginning April 1, 2005 (after pediatrics is eliminated) payable in monthly installments on or before the fifteenth day of each month, with respect to the following calendar month. Compensation will increase by five percent (5%) for amounts due NHC by Hospital in year two of this agreement. NHC shall be solely responsible for the satisfaction of any and all obligations with respect to any Covering Physician, partner, shareholder, associate, employee or contractor it retains, employees or contracts with to assist in its performance of Adult Medicine and Skilled Nursing Facility Hospitalist Services pursuant to this Agreement. Such obligations shall include, but not be limited to, payment of all federal and state withholding taxes applicable to employees, compliance with federal and state wage-hour (including overtime), workers' compensation, or unemployment insurance obligations, and other applicable taxes and contributions to government-mandated employment related insurance and similar programs, if any. At the request of Hospital, NHC shall provide Hospital with certificates or other evidence satisfactory to Hospital that NHC has complied with such requirements.

3.2 Responsibility for Payment: NHC shall solely be responsible for the payment of any Covering Physicians or others to whom NHC may delegate any of the duties hereunder.

3.3 Professional Fees: NHC on behalf of Covering Physician (or Covering Physician's designated agent) may bill the patients for services rendered while providing Adult Medicine and Skilled Nursing Facility Hospitalist Services and any follow-up services rendered hereunder at Covering Physician's usual and customary charges for such services. Nothing herein shall be construed as rendering Hospital liable (whether as a primary obligor or as a guarantor) for any such charges, it being understood that the only compensation to be paid for Hospital is pursuant to Section 3.1. NHC on behalf of Covering Physicians (or Covering Physicians' designated agent) shall be responsible for, and solely entitled to, billing and collection of all billable charges for medical procedures performed while providing Adult Medicine and Skilled Nursing Facility Hospitalist Services and any follow-up services rendered by the Covering Physicians.

4. TERM AND TERMINATION

4.1 Term: This Agreement shall commence on January 1, 2006 and shall expire on January 1, 2008, unless terminated earlier as otherwise provided in this Agreement.

4.2 Termination of Agreement:

4.2.1 Notwithstanding any other provisions of this Agreement, this Agreement may be terminated upon any of the following:

4.2.1.1 Hospital and NHC may terminate this Agreement, without cause or penalty, by giving no less than ninety (90) days prior written notice to the other party.

4.2.1.2 Hospital and NHC may terminate this Agreement on thirty (30) days' prior written notice to the other party if the party to whom such notice is given is in breach of any material provision of this Agreement. The party giving such notice of termination shall set forth in the notice the facts underlying its claim that the other party is in breach of this Agreement. Notwithstanding the foregoing, this Agreement shall not terminate in the event that the breaching party cures the breach, to the satisfaction of the non-breaching party, within twenty (20) days of the receipt of such notice.

4.2.2 Notwithstanding the foregoing, Hospital shall have the right to immediately terminate this Agreement, by giving written notice to NHC, upon the occurrence of any one (1) or more of the following events:

4.2.2.1 If Hospital determines in good faith that any aspect of the performance of NHC or any Covering Physician hereunder endangers patient safety; if NHC utilizes individuals who have not been approved by Hospital or continues to utilize Covering Physicians that Hospital has requested to be removed from service in accordance with Section 4.3; or if the insurance required by NHC hereunder is canceled, decreased, or not renewed for any reason; or

4.2.2.2 If NHC fails to maintain compliance with all of the representations and warranties set forth in this Agreement; or

4.2.3 In the event the parties are unable to develop a revised Agreement, Hospital may elect to terminate this Agreement upon thirty (30) days written notice to NHC.

4.2.4 In the event legal counsel for Hospital and NHC advises that this Agreement or any practices which could be, or are, employed in exercising rights under this Agreement poses a material risk of violating any of the legal requirements or any legal requirement related to Hospital's tax exempt status or tax exempt bond financing, the parties in good faith shall undertake to revise this Agreement to comply with such legal requirements. In the event the parties are unable to agree upon the revised terms within thirty (30) days thereafter, Hospital and NHC may terminate this Agreement immediately upon written notice to the other.

4.3 **Withdrawal of Covering Physicians:** Upon request by Hospital, NHC shall remove from service under this Agreement any Covering Physician, without limiting its rights under Section 4.2 or any other provision of this Agreement, who:

4.3.1 Is disabled for more than thirty (30) consecutive days or is disabled for more than thirty (30) days in a ninety (90) day period;

4.3.2 Engages in conduct that jeopardizes the health, safety, or welfare of any person or, in the sole opinion of Hospital, jeopardizes the Hospital's reputation.

4.3.3 Fails to meet the qualifications specified in this Agreement;

4.3.4 Has his or her Medical Staff membership, Medical Staff clinical privileges, or license to practice medicine terminated (whether voluntarily or involuntarily), restricted or suspended.

4.3.5 Is convicted of any crime punishable as a felony;

4.3.6 Fails to maintain professional liability insurance as required by this Agreement;

4.3.7 Fails to comply with any of the terms or conditions of this Agreement after being given notice of that failure and a reasonable opportunity to comply; or

4.3.8 Is excluded from participation in any state or federal health care program, including, but not limited to Medicare or Medicaid.

In addition to removing any such Covering Physician, NHC shall obtain, at its cost and expense, a substitute for the removed Covering Physician or otherwise demonstrate its capabilities for continued coverage and service required by this Agreement. Failure to do so shall constitute a material breach of this Agreement, subject to Section 4.2.2.

4.4 **Effect of Termination:**

4.4.1 Upon expiration or termination of this Agreement, neither Hospital or NHC shall have any further obligation hereunder except for (i) obligations due and owing that arose prior to the date of termination; and (ii) obligations, promises or covenants contained herein which expressly extend beyond the term of this Agreement.

4.4.2 Upon expiration or termination of this Agreement, and upon Hospital's request, Covering Physician shall immediately vacate the Program premises on the effective date of the termination or expiration, removing at such time any and all

of Covering Physician's personal property. Hospital may remove and store, at Covering Physician's expense, any personal property that Covering Physician does not remove.

4.4.3 Following the expiration or termination of this Agreement, Covering Physician shall not do anything that might interfere with any Hospital effort to contract with any other individual or entity for the provision of services or to interfere in any way with any relationship between Hospital and physicians who may replace Covering Physician.

5. HIPAA COMPLIANCE AGREEMENT

5.1 Definitions:

5.1.1 "HIPAA" shall mean the Health Insurance Portability and Accountability Act of 1996 and any regulations promulgated thereunder, including but not limited to the Standards for Privacy of Individually Identifiable Health Information found at 45 C.F.R. Parts 160 and 164 ("Privacy Standards"), and the Standards for Electronic Transactions found at 45 C.F.R. Parts 160 and 162 ("Transaction Standards").

5.1.2 "Protected Health Information" or "PHI" shall mean information maintained or disclosed by PPH to NHC electronically, on paper or orally that identifies an individual and relates the individual's health, healthcare treatment or healthcare payment, as defined in the Privacy Standards. Protected Health Information also includes information that would be classified as confidential patient information under any other state or federal law.

5.2 HIPAA Privacy Compliance:

5.2.1 Facilities are Covered Entities that provide health care as defined under Section 1171 of HIPAA. Facilities may provide access to or disclose Protected Health Information to NHC so that NHC may fulfill each of their obligations under this Agreement. Such Protected Health Information shall be provided solely for the purposes set forth in the Agreement.

5.2.2 NHC shall, and shall cause each Staff Member to take all reasonable steps to handle and disclose Protected Health Information provided to it by Facilities, or created by NHC for Facilities, directly or indirectly, in a manner such that the security and privacy of the information shall be maintained and use appropriate safeguards to prevent use or disclosure of the information other than as described herein. Specifically, NHC shall, and shall cause each Physician to:

5.2.2.1 Use and disclose Protected Health Information solely for the benefit of Hospital, NHC or for its own internal administration or management, and shall not disclose any such information to third parties except as required by law or as

explicitly authorized by Hospital, NHC, as applicable, or the patient to whom the Protected Health Information pertains.

5.2.2.2 Ensure that all of NHC's agents, subcontractors or affiliates to whom they provide Protected Health Information agree to the same restrictions and conditions for use and disclosure of Protected Health Information that apply to NHC.

5.2.2.3 Allow for amendment of designated record sets, account for disclosures by NHC of PHI for purposes other than for treatment, payment or health care operations as those terms are defined in the Privacy Standards, and make records available so that the individual to whom the Protected Health Information pertains may review, access and obtain a copy of such record, consistent with the policies and procedures of Facilities, as applicable, for any record containing Protected Health Information received from or created for Facilities, as applicable.

5.2.2.4 Make all internal practices, books and records relating to the use and disclosure of Protected Health Information available to the Secretary of the Department of Health and Human Services ("DHHS") for purposes of determining Hospital's and/or NHC's compliance with HIPAA.

5.2.3 NHC agrees, and shall cause each Staff Member to agree, with respect to PHI generated by or for Facilities, or part of a designated record set designated as the PPH records, to comply and shall require any of their contractors and subcontractors to comply with all reasonable and necessary policies and procedures drafted by Hospital for purposes of complying with the Privacy Standards, or other applicable state or federal health information privacy laws or data security requirements; provided however, that (i) Hospital and/or NHC, as applicable, shall provide such policies and procedures to NHC, who in turn shall provide them to Physicians, at least one hundred twenty (120) days prior to the final compliance date set for implementation of such policies and procedures; and (ii) NHC, as applicable, shall demonstrate to the satisfaction of Hospital and/or NHC compliance with such policies and procedures no later than sixty (60) days prior to the final compliance date established by Facilities, as applicable. PPH shall provide NHC with written statement of non-compliance. NHC shall have the opportunity to cure any such matters of non-compliance. In the event NHC and PPH cannot resolve non-compliance disputes, such disputes shall be submitted for dispute resolution as set forth in Section 10.10.1.

5.2.4 Facilities may request at any time prior to the final compliance date for the Privacy Standards and at reasonable times thereafter, a statement of assurance from NHC that NHC has in place sufficient controls and procedures to manage all Protected Health Information provided to NHC, as applicable, by Facilities in a manner so that the security and privacy of such information shall be maintained. NHC shall notify Facilities, as applicable, within five (5) business days of any instance in which security or privacy of PHI contained in or relating to a PPH medical record in their possession may have been breached or in which any use or disclosure of Protected Health

Information not provided for in this Agreement may have occurred, and provide a description of the steps NHC intend(s) to take or has taken to rectify the security or privacy breach.

5.2.5 Facilities shall name NHC as an Affiliated Entity operating under the Notice of Privacy Practices for PPH.

5.3 HIPAA Transaction Code Set Compliance:

5.3.1 Pursuant to the HIPAA Transaction Standards and to the policies and procedures of PPH, with respect to the transfer of PHI or other patient identifiable health information electronically (other than via facsimile), PPH shall adopt a set of industry standard codes to be used with such electronic transactions. PPH shall be responsible for providing to NHC appropriate transaction and code sets consistent with the Transaction Standards for purposes of billing and payment of services relating to Facilities patients. PPH shall not be responsible for creating any transaction or code set relating to any non-PPH transaction undertaken by NHC.

6. INSURANCE AND INDEMNIFICATION

6.1 **Covering Physician Insurance:** NHC shall maintain, at NHC's sole expense, a policy or policies of professional liability insurance as required by this Section. Such insurance shall provide coverage for NHC as the named insured, and such policy shall cover any acts of NHC or the Covering Physician's professional negligence which may have occurred during the relevant term and said policies of insurance shall be written with limits of liability of at least the minimum coverage required from time to time by Hospital's Medical Staff Bylaws, but in any event not less than One Million Dollars (\$1,000,000) per claim/Three Million Dollars (\$3,000,000) annual aggregate for "claims made" insurance coverage. NHC further shall maintain "continuous coverage," as defined by this Section for the entire relevant term. The relevant term shall commence with the effective date of the first agreement between the parties regarding the matters described herein, and shall continue through the term of this Agreement, as well as any extensions or renewals hereof, and for a period thereafter of no less than four (4) years. In order to maintain continuous coverage for the entire relevant term, NHC shall, if it changes insurers for any reason, take the necessary actions required in order to provide continuous coverage by either obtaining "tail" insurance from the preceding carriers, or "nose" insurance from the subsequent carriers. In order to satisfy the requirements of this Section, the "tail" insurance must be of either an unlimited type or of the type which would extend the discovery period beyond the last effective day of the last contract between the parties for a period of four (4) years. In order to satisfy the requirements of this Section for "nose" insurance, the retroactive effective date for such insurance must be at least the first date of the relevant term noted above. NHC will provide proof of current insurance and, in the event of modification, termination, expiration, non-renewal

or cancellation of any of the aforesaid policies of insurance, NHC shall give Hospital and PPH written notice thereof within five (5) business days of NHC's receipt of such notification from any of its insurers. In the event NHC fails to procure, maintain or pay for said insurance as required herein, Hospital shall have the right, but not be obligated to obtain such insurance. In that event, NHC shall reimburse Hospital for the cost thereof and failure to repay the same upon demand by Hospital shall constitute a material breach hereunder.

6.2 Indemnification:

6.2.1 NHC shall indemnify Hospital, its parents and subsidiaries, officers, directors, trustees, attorneys, employees and agents, individually and collectively, from any claim, demand, liability, loss, judgment, settlement, suit, action, cost or expense, including attorneys' fees, that result from the failure of NHC or Covering Physician to perform the duties, obligations and services under this Agreement or Covering Physician's negligent provision of services under this Agreement to any intended recipient under this Agreement.

6.2.2 Hospital shall indemnify NHC from any claim, demand, liability, loss, judgment, settlement, suit, action, cost or expense, including attorneys' fees, that result from Hospital's failure to perform the duties and obligations required to be performed by Hospital under this Agreement.

7. GENERAL PROVISIONS

7.1 Litigation Consultation: NHC shall ensure that Covering Physician shall make himself or herself available to Hospital, at no cost to Hospital, to testify as an expert or factual witness, or to provide assistance to gather facts or information in the event that any complaint, claim or action is pursued against Hospital, or its directors, officers or employees based upon a claim of negligence, malpractice or any other cause of action, except where Covering Physician is named as an adverse party.

7.2 Confidentiality:

7.2.1 This Agreement is personal and confidential between the parties. The parties shall not release information concerning this Agreement to any person without the written consent of the other party. NHC shall instruct any Covering Physicians providing services under this Agreement that its terms and conditions are confidential and are not to be divulged to third parties. This prohibition against release of information shall not apply to any information required to be released by contracts existing as of the date of this Agreement, or to fiscal intermediaries, public agencies or commissions with government powers and duties related to disclosure of information having the right to compel disclosure of such information, nor to any information otherwise compelled to be released by process of law, nor to any information required to

be disclosed to Hospital's representatives or others in connection with Hospital's or PPH's tax exempt bonds or other financing transactions.

7.2.2 All records, files, proceedings, and related information of NHC, Hospital, and the Medical Staff and its committees pertaining to the evaluation and improvements of the quality of patient care at Hospital shall be kept strictly confidential by NHC. NHC shall not voluntarily disclose such confidential information, either orally or in writing, except as expressly required by law or pursuant to written authorization by Hospital. This provision shall survive the termination of this Agreement.

7.2.3 Notwithstanding any provision herein to the contrary, any and all patient records and charts produced as a result of Hospital and NHC's performance under this Agreement shall be and remain the property of Hospital. Both during and after the term of this Agreement, NHC shall be permitted to inspect and/or duplicate, at NHC's expense, any individual chart or record to the extent necessary to meet its professional responsibilities to such patient(s) and/or to assist in the defense of any malpractice or similar claim to which such chart or record may be pertinent, provided that such inspection or duplication is permitted and conducted in accordance with the applicable legal requirements and pursuant to commonly accepted standards of patient confidentiality. NHC shall be solely responsible for maintaining patient confidentiality with respect to any information obtained by him or her pursuant to this Section.

7.2.4 NHC acknowledges that, in connection with its performance under this Agreement, NHC may or will have access to and the use of confidential information and trade secrets ("Confidential Information") of Hospital related to the Program and its operations, which include, but are not limited to, financial statements, internal memoranda, reports, patient lists, and other materials or records of a proprietary nature. In order to protect the Confidential Information, NHC agrees that neither it nor its Covered Physicians, after the date of this Agreement and for so long as any such Confidential Information remains confidential, secret or otherwise wholly or partially protectable, use such information (except in connection with the performance of duties hereunder) or divulge the Confidential Information to any third party, without first obtaining the prior written consent of the Chief Executive Officer of PPH, or his or her designee.

7.3 Access to NHC and Covering Physician Books and Records.

7.3.1 NHC shall, in connection with the subject of this Agreement, cooperate fully with Hospital, by, among other things, maintaining and making available all necessary books, documents and records in order to assure that Hospital will be able to meet all requirements for participation and payment associated with public or private third party payment programs, including matters covered by Section 1861(v)(1)(I) of the Social Security Act, as amended.

7.3.2 For the purpose of implementing Section 1861(v)(1)(I) of the Social Security Act, and any written regulations thereto, NHC shall comply with the following statutory requirements governing the maintenance of documentation to verify the cost of services rendered under this Agreement:

7.3.2.1 Until the expiration of four (4) years after the furnishing of services pursuant to the Agreement, NHC shall make available to the Secretary of Health and Human Services and the Comptroller General of the United States, or their duly authorized representatives, upon written request of any of them, this Agreement, and all books, documents and records that are necessary to certify the nature and extent of the cost of services hereunder, and

7.3.2.2 If NHC carries out any of the duties of this Agreement through a subcontract with a value or cost of Ten Thousand Dollars (\$10,000) or more over a twelve (12) month period with a related organization, such subcontract shall contain a clause to the effect that, until the expiration of four (4) years after the furnishing of such services pursuant to such subcontract, the related organization shall make available, upon written request to the Secretary or the Comptroller General, or any of their duly authorized representatives, the subcontract, and books, documents, and records of such organization that are necessary to verify the nature and extent of such costs.

7.3.3 If NHC is requested to disclose books, documents or records pursuant to this Section, NHC shall notify Hospital of the nature and scope of such request and NHC shall make available, upon written request of Hospital, all such books, documents or records, during regular business hours of NHC.

7.3.4 This Section pertains solely to the maintenance and disclosure of specified records and shall have no effect on the right of the parties to this Agreement to make assignments or delegations.

7.4 **Compliance with Laws:**

7.4.1 NHC shall comply with the bylaws, rules, regulations, policies and standards of Hospital and its Medical Staff, as may be in effect from time to time. Covering Physician shall comply with all applicable laws, rules, and regulations of all governmental authorities and accrediting agencies having jurisdiction over Hospital, physicians, and/or this Agreement, including all hospital and professional licensure and reimbursement laws, regulations, and policies.

7.4.2 NHC agrees not to differentiate or discriminate in its provision of medical services to patients due to race, color, national origin, ancestry, religion, sex, marital status, sexual orientation, age, medical condition, medical history, genetics, evidence of insurability, or claims history, in violation of any applicable state, federal or local law, or the rules and regulations of Hospital, with respect to such matters. In this regard and not by way of limitation to any other provision hereof, Covering Physician

shall comply with the Age Discrimination Act of 1975 and the Americans with Disabilities Act, as amended, and all regulations issued pursuant thereto applicable to Covering Physician's services under this Agreement.

7.5 Changes in Laws: In the event there are any changes in Medi-Cal, Medicare, JCAHO accreditation guidelines or requirements, federal or state tax exemption requirements, and/or substantial changes under other public or private health and/or hospital care insurance programs or policies which may have a material effect on the operations of Hospital, Hospital may elect to renegotiate this Agreement. Hospital shall indicate the basis upon which it has determined that such a material impact on its operations may result. In any case where such notice is provided, both parties shall negotiate in good faith during the thirty (30) day period thereafter in an effort to develop a revised Agreement, which, to the extent reasonably practicable, will adequately protect the interests of both parties in light of the changes which constituted the basis for the exercise of this provision.

7.6 Verification of Costs:

7.6.1 If and to the extent required by Section 1395x(v)(1) of Title 42 of the United States Code, until the expiration of four (4) years after termination of this agreement, Palomar Pomerado Health shall make available, upon written request to the Secretary of the United States Department of Health and Human Services, or upon request to the Comptroller General of the United States General Accounting Office, or any of their duly authorized representatives, a copy of this agreement and such books, documents and records as are necessary to certify the nature and extent of costs of services provided by Palomar Pomerado Health under this Agreement. Palomar Pomerado Health further agrees that, in the event Palomar Pomerado Health carries out any of its duties under this agreement through a subcontract with a related organization with a value or cost of Ten Thousand Dollars (\$10,000) or more over a twelve month period, such subcontract shall contain a provision requiring the related organization to make available until the expiration of four (4) years after the furnishing of such services pursuant to such subcontract upon written request to the Secretary of the United States Department of Health and Human Services, or upon request to the Comptroller General of the United States General Accounting Office, or any of their duly authorized representatives, a copy of such subcontract and such books, documents and records of such organization as are necessary to verify the nature and extent of such costs.

7.7 Anti-Referral Laws:

7.7.1 Nothing in this Agreement, nor any other written or oral agreement, nor any consideration in connection with this Agreement contemplates or requires the admission or referral of any patient to Hospital. This Agreement is not intended to influence Covering Physician's judgment in choosing the medical facility appropriate for the proper care and treatment of their patients.

7.7.2 Hospital and NHC acknowledge and agree that (i) this Agreement covers all of the services provided by NHC to Hospital or by Hospital to NHC with respect to Program; and (ii) the overall value of the services by and between Hospital and NHC are substantially equivalent. In the event Hospital and NHC enter into any other agreements pursuant to which NHC provides services to Hospital or Hospital provides services to NHC, Hospital and NHC shall execute and attach hereto an addendum that cross-references any such other agreements.

7.8 **Disclosure of Interests:** In order to permit compliance with federal anti-referral statutes and regulations commonly known as Stark I and II (42 U.S.C. Section 1395nn), as those statutes and regulations may be amended from time to time, NHC and Covering Physician agrees to provide to Hospital upon execution of this Agreement with information sufficient to disclose any ownership, investment or compensation interest or arrangement of NHC and Covering Physician or any of NHC or Covering Physician's immediate family members, in any entity providing "designated health services", as that term is defined in applicable statutes and regulations. In addition, NHC and Covering Physician shall immediately inform Hospital of any other arrangements that may present a conflict of interest or materially interfere with NHC or Covering Physician's performance of its duties under this Agreement. Hospital may exercise its right to terminate this Agreement under Section 4.2.2 above if NHC or Covering Physician pursues or engages in conduct that constitutes a conflict of interest or that materially interferes with (or is reasonably anticipated to interfere) with NHC and Covering Physician's performance under this Agreement.

7.9 **Dispute Resolution:**

7.9.1 In the event of any dispute or disagreement between the parties with respect to this Agreement, Hospital and NHC may make a written request for a special meeting for the resolution of the dispute (the "Special Meeting") that identifies the nature of the dispute to be resolved. The Special Meeting shall be held at a mutually agreeable location within ten (10) days of a written request for the meeting. The Special Meeting shall be attended by representatives with settlement authority from Hospital, NHC and Covering Physician (who may choose to be accompanied by legal counsel) to attempt in good faith to resolve the dispute.

7.9.2 If a dispute has not been resolved through the Special Meeting process described in Section 6.9.1 above, the arbitration process shall be utilized and Hospital and NHC may commence arbitration by giving written notice to the other party demanding arbitration. There shall be one (1) impartial third party arbitrator. If the parties are unable to agree upon a mutually acceptable arbitrator within thirty (30) days after the demand for arbitration is given, then the parties stipulate to the arbitration before a single impartial third party arbitrator who is a retired judge on the San Diego panel of JAMS/Endispute, Inc. and who is selected by the then serving chief administrative officer of JAMS/Endispute, Inc. The substantive internal law (and not the conflict of laws) of

the State of California shall be applied by the arbitrator to the resolution of the dispute. The parties shall have the rights of discovery as provided for in Part 4 of the California Civil Code Procedure and the provisions of Section 1283.05 of the California Code of Civil Procedure, or as those provisions are amended. These provisions are incorporated by reference into this Agreement pursuant to the provisions of Section 1283.1(b) of the California Code of Civil Procedure.

7.9.3 The arbitration shall take place in the County of San Diego State of California, unless the parties otherwise agree in writing. All decisions of the arbitrator shall be final, binding, and conclusive on all parties subject to appeal or being set aside only on the grounds set forth in the California Code of Civil Procedure, and, except as otherwise set forth in Section 6.9.4 below, shall be the only method of resolving disputes or matters subject to arbitration pursuant to this Agreement.

7.9.4 Notwithstanding the contrary provisions of this Section 6.9, each of the parties hereto shall have the right to apply for and obtain a temporary restraining order or other temporary, interim or permanent injunctive or equitable relief from a court of competent jurisdiction in order to enforce the provisions of any part of this Agreement as may be necessary to protect its rights under those Sections.

7.10 **Assignment and Delegation:** Neither this Agreement nor any of the rights or duties under this Agreement may be assigned or delegated by NHC or Covering Physician without the prior written consent of Hospital, except as expressly authorized in this Agreement. Any attempted or purported assignment by NHC or Covering Physician in violation of this provision shall be void. Hospital, in the exercise of its sole and absolute discretion, shall have the right at any time to assign, delegate or in any manner transfer all or any portion of its interests, obligations or duties under this Agreement to any person, group or entity without the consent of NHC or Covering Physician.

7.11 **Binding on Successors in Interest:** The provisions of this Agreement and obligations arising hereunder shall extend to and be binding upon and inure to the benefit of the assigns and successors of each of the parties hereto.

7.12 **Notice:** Any notice required to be given hereunder shall be in writing and delivered personally or by overnight delivery or sent by registered or certified mail, return receipt requested, at the applicable addresses listed below, or at such other addresses as a party may hereafter designate to the other:

If to PPH and/or Hospital: Pomerado Hospital
15615 Pomerado Road
Poway, CA 92064

Attn: Chief Administrative Officer

If to Covering Physician: Neighborhood Healthcare

425 North Date Street
Escondido, CA 92025

Attention: Executive Director

All notices shall be deemed to be given on the date of delivery if delivered personally or by overnight delivery, or five (5) business days after such notice is deposited in the United States mail, addressed and sent as provided above.

7.13 **Governing Law:** The validity, interpretation, and performance of this Agreement shall be governed by and construed in accordance with the laws of the State of California and the United States.

7.14 **Severability:** The provisions of this Agreement shall be deemed severable. If any portion shall be held invalid, illegal or unenforceable for any reason, the remainder of this Agreement shall be effective and binding upon the parties.

7.15 Compliance with Hospital Standards: NHC shall ensure that Covering Physician shall comply with Hospital's corporate compliance programs, including but not limited to the Performance Improvement Plan, Provision of Patient Care Plan, Environment of Care Plan, Patient Safety Plan, Infection Surveillance Plan, Confidentiality Policy and Management of Information Plan. Covering Physician shall cooperate with Hospital corporate compliance audits, reviews, and investigations that relate to Covering Physician and/or any of the services provided by Covering Physician under this Agreement. Such cooperation shall include, without limitation, the provision of any and all Covering Physician documents and/or information related to Covering Physician activities, including the provision of Adult Medicine and Skilled Nursing Facility Hospitalist Services under this Agreement. In addition, as requested by Hospital, Covering Physician shall participate in corporate compliance-related seminars and educational programs sponsored by Hospital as part of Hospital's corporate compliance program. NHC and Covering Physician shall ensure that all personnel retained by NHC on behalf of Covering Physician either directly or indirectly to provide services under this Agreement have not been subject, or are currently not subject, to sanction or exclusion from participation under any federal or state health care program. Any such personnel retained by NHC on behalf of Covering Physician who become so sanctioned or excluded during the term of this Agreement shall be immediately removed by NHC and shall be thereafter excluded from the provision of services under this Agreement.

7.16 Captions: Any captions to or headings of the articles, sections, subsections, paragraphs or subparagraphs of this Agreement are solely for the convenience of the parties, are not part of this Agreement, and shall not be used for interpretation or determination of the validity of this Agreement or any provision hereof.

7.17 Entire Agreement; Amendment: The making, execution, and delivery of this Agreement by the parties has not been induced by any representations, statements, warranties or agreements other than those herein expressed. This Agreement embodies the entire understanding of the parties, and there are no further or other agreements or understandings, written or oral, in effect between the parties hereto relating to the subject matter hereof, unless expressly referred to by reference herein. This Agreement supersedes and terminates any previous oral or written agreements between the parties hereto with respect to the subject matter of this Agreement, and any such prior agreement is null and void. This Agreement may be amended or modified only by an instrument in writing signed by both parties to this Agreement.

7.18 Waiver of Provisions: Any waiver of any terms, covenants and/or conditions hereof must be in writing and signed by the parties. A waiver of any of the terms, covenants and/or conditions hereof shall not be construed as a waiver of any other terms, covenants and/or conditions hereof, nor shall any waiver constitute a continuing waiver.

7.19 **Attorneys' Fees:** In the event that any action, including mediation or arbitration, is brought by Hospital or NHC hereto to enforce or interpret the terms of this Agreement, the prevailing party in such action shall be entitled to its costs and reasonable attorneys' fees and costs incurred from the non-prevailing party, in addition to such other relief as the court or arbitrator may deem appropriate.

7.20 **Force Majeure:** Neither Hospital nor NHC shall be liable nor deemed to be in default for any delay, interruption or failure in performance under this Agreement deemed resulting, directly or indirectly, from Acts of God, civil or military authority, war, accidents, fires, explosions, earthquakes, floods, failure of transportation, machinery or supplies, vandalism, riots, civil disturbances, strike or other work interruptions by Hospital and NHC's employees, or any similar or dissimilar cause beyond the reasonable control of Hospital and NHC. However, both parties shall make good faith efforts to perform under this Agreement in the event of any such circumstances. In the event Hospital determines that Hospital facilities have been entirely or substantially destroyed by any of the above, this Agreement may be terminated by Hospital and NHC upon ten (10) days written notice to the other.

7.21 **Gender And Number:** Whenever the context hereof requires, the gender of all words shall include the masculine, feminine, and neuter, and the number of all words shall include the singular and plural.

7.22 **Counterparts:** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all such counterparts together shall constitute but one and the same instrument.

7.23 **Tax Exempt Financing:** In the event PPH or Hospital decides to seek tax exempt financing, NHC agrees to amend this Agreement as may be necessary in order for Hospital to obtain such financing. Immediately upon request for Hospital, NHC shall execute any and all such amendments presented by Hospital and shall return the fully executed original amendments to Hospital promptly.

7.24 **Non-Discrimination:** Each of the parties hereto represents and warrants that it is and at all times during the term of this Agreement will be in full compliance with Section 504 of the Rehabilitation Act of 1973 and Titles VI and VII of the 1964 Civil Rights Act, as amended and all regulations issued pursuant thereto.

7.25 **Incorporation of Exhibits:** All schedules, exhibits, and recitals referred to in this Agreement are an integral part of this Agreement and are incorporated in full in this Agreement by this reference.

This Adult Medicine and Skilled Nursing Facility Hospitalist Service Agreement is executed at Escondido, California as of the date set forth above.

**PALOMAR POMERADO HEALTH
("PPH")**

By: _____

Print Name: _____

Date: _____

**NEIGHBORHOOD HEALTHCARE
("NHC")**

By: _____

Print Name: _____

Date: _____

EXHIBIT A

Adult Medicine and Skilled Nursing Facility Hospitalist Service

The following list is a representation of the services to be provided by NHC.

- Recruit Qualified Physicians
- Train Adult Medicine and Skilled Nursing Facility Hospitalists
- Provide Program Orientation for Entire Medical Staff
- Orientation and Training for Hospital's Healthcare Team
- Ensure ongoing communication with:
 - Patient and Family
 - Patients Primary Care Physician
 - Associated Specialists
 - Health Plans
- Attend regularly scheduled meetings to review program performance with:
 - Administration/Nursing
 - Emergency Department
 - Quality Management Committee
 - Hospital Resource Committee
 - Joint Operating Committee
- On an on-going basis provide for:
 - Morning interdisciplinary report
 - Back-up Adult Medicine and Skilled Nursing Facility Hospitalist coverage
 - Arranging Specialty consults
 - Coordination with Case Managers
 - Coordination with Emergency Department
 - Coordination with Patients Primary Care Physician
 - Return care of patient on discharge to referring physician
 - Adherence to Medical Staff By-Laws/Rules & Regulations
 - Formulary compliance
 - Post Acute Care integration (as appropriate)
- Participate in the departments' operating and capital budget development. In cooperation with Hospital, proactively identify, pursue and promote opportunities to improve the quality and delivery of clinical services, effective utilization of resources and clinical outcomes of patients served. The follow is a listing of performance criteria that has been agreed upon by the two parties, related to the Acute Care and Skilled Nursing Facility Hospitalist Service:

1. ACUTE CARE SERVICES STANDARDS:

- Assist in development and implementation of appropriate Clinical Pathways to include but not limited to:

- Congestive Heart Failure
 - a. Nosocomial/Community Acquired Phneumonia
 - b. Acute Coronary Syndrome/Chest Pain
 - c. Diabetic Ketoacidosis
 - d. Hyperglycemic Hyperosmolar Nonketotic COMA
 - e. Cerebrovascular Accident
 - f. And other mutually agreed upon Pathways
- Develop education and Demonstrate 98% compliance with CMS/Premier Core Measures.
- Participate in the development of annual goals and participate in on going reviews with the appropriate District representatives that demonstrate optimization of a reduction of 3rd party payor denials. Develop annual goals and participate in on going reviews with appropriate District representatives that demonstrate appropriate utilization of inpatient ancillary services.
- Demonstrated cooperation and coordination with Hospital Case Management to meet the District's budgeted average length of stay.

2. SKILLED NURSING FACILITY SERVICES:

- Standards of Practice outlined in the Skilled Nursing Facilities Medical Directorship policy for Palomar Pomerado Health #20131.

EXHIBIT B

ACKNOWLEDGEMENT

I, _____ (Covering Physician), hereby acknowledge that I have read and understood the Adult Medicine and Skilled Nursing Facility Hospitalist Service Agreement by and between Palomar Pomerado Health and Neighborhood Healthcare (the "Agreement") and agree to abide by all terms and conditions of the Agreement.

COVERING PHYSICIAN

Signed _____ Date: _____

Name: _____

(Please Print)

EXHIBIT C

PPH will provide to NHC at each location where NHC provides Program services and at PPH's Expense:

- Provision of medical records to support billing and collection functions. Ideally, this access would be electronic in nature.
- Provision of patient demographics to support billing and collection activities. Ideally, this access would be electronic in nature.
- Office Space: 600-800 square feet of space near the ER which is furnished with:
 - a. A minimum of two hospital-linked computers capable of word processing and printer access, and Internet high-speed access.
 - b. Two desks with office chairs, plus a conference table for rounds and a spare desk to be used by Case Manager.
 - c. Printer/fax/copier.
 - d. Two telephones with four extensions.
 - e. One wall-mounted white board.
 - f. One file cabinet.
 - g. Routine office supplies.
 - h. Cell phones for use within the hospital.
 - i. Up-to-date subscription for all Program Physicians, renewed annually during the term of this Agreement.

Staff:

Adequate staff (adequacy determined by ratio of patient census to staff) as mutually agreed upon by the parties) to include:

- a. Shared Clerk
- b. Shared Case Manager
- c. Shared Social Worker
- d. Medical Records staff to provide copying and retrieval of records as needed.

MEDICAL STAFF SERVICES

February 28, 2006



TO: Board of Directors
BOARD MEETING DATE: March 13, 2006
FROM: Robert D. Trifunovic, M.D., Chief of Staff
PMC Medical Staff Executive Committee
SUBJECT: Medical Staff Credentialing Recommendations

PALOMAR MEDICAL CENTER

- I. Provisional Appointment (03/13/2006 – 02/29/2008)
Maribeth S. Chong, M.D., Internal Medicine
Paul J. Cotton, M.D., Anesthesiology
Christopher P. Gorman, M.D., Psychiatry (Includes PCCC)
Bach K. Nguyen, M.D., Family Practice
Khuram A. Sial, M.D., Pain Management/Physical Medicine and Rehabilitation
Raluan G. Soltero, M.D., Plastic Surgery
- II. Reinstatement to Provisional Status
Scott H. Meyer, M.D., Neurosurgery (03/13/2006 – 05/31/2006)
- III. Change from Associate to Active Category
David A. Haffie, D.O., Family Practice
- IV. Change from Active to Associate Category
Radharani Gattu, M.D., Family Practice
- V. Additional Privileges
Jeffrey S. Schiffman, M.D., Orthopaedic Surgery
 - Artificial Disc Replacement
- VI. Voluntary Resignations/Withdrawal of Membership
Bruce W. Adams, D.D.S., Dentistry (Effective 03/21/2006)
Taylor G. Fletcher, M.D., Emergency Medicine (Effective 03/31/2006)
Ted W. Gay, M.D., Infectious Disease (Effective 03/13/2006)
John Hannig, M.D., OB/GYN (Effective 09/30/2005)
Robert O. Woodbury, M.D., General Surgery (Effective 03/31/2006)
- VII. Allied Health Professional Appointment (03/13/2006 – 02/29/2008)
Jacqueline A. Ingle, R.N., Clinical Research Coordinator; Sponsor: Dr. Schechter
Gary L. Meyer, P.A.-C., Physician Assistant; Sponsor: Dr. Yoo
Susan L. Phillips, R.N., Clinical Research Coordinator; Sponsors: Drs. Bender, Burrows, Hirsch, Kanter, Otoshi and Trestman.
Tara L. Willnerd, M.S., Evoked Potential Technician/Audiologist; Sponsors: Drs. Marcisz, V. Tantuwaya, Stern, and Yoo.

PALOMAR MEDICAL
CENTER
555 East Valley Parkway
Escondido, CA 92025
Tel 760.739.3140
Fax 760.739.2926

POMERADO
HOSPITAL
15615 Pomerado Road
Poway, CA 92064
Tel 858.613.4664
Fax 858.613.4217

ESCONDIDO
SURGERY CENTER
343 East Second Avenue
Escondido, CA 92025
Tel 760.480.6606
Fax 760.480.1288

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VIII. Allied Health Professional Resignations/Withdrawals

Linda K. Beckwith, M.A., Evoked Potential Tech (Effective 08/31/2005)

Mary P. McCarthy, N.P., Nurse Practitioner (Effective 03/13/2006)

Deborah J. Velez, N.P., Nurse Practitioner (Effective 03/13/2006)

IX. Reappointments Effective 04/01/2006 – 03/31/2008

Craig M. Burrows, M.D.	Pulmonary Disease	Dept of Medicine	Active
Byron C. Chow, M.D.	Pediatrics	Dept of Pediatrics	Active
William C. Cory, M.D.	Internal Medicine	Dept of Medicine	Active
Keyvan Esmaeili, M.D. (Includes PCCC)	Physical Medicine & Rehab	Dept of Ortho/Rehab	Active
David P. Fischbach, M.D.	Anesthesiology	Dept of Anesthesia	Active
Mohammad Imandoust, M.D.	Pediatrics	Dept of Pediatrics	Active
Emmet W. Lee, M.D. (Includes PCCC)	Internal Medicine	Dept of Medicine	Active
Brian W. Meyerhoff, M.D. (Includes PCCC)	Internal Medicine	Dept of Medicine	Active
Donald T. Miller, M.D.	Pediatrics	Dept of Pediatrics	Active
G. Douglas Moir, M.D.	Cardiology	Dept of Medicine	Active
Martin I. Oretsky, M.D.	Emergency Medicine	Dept of Emergency Med	Active
Donald G. Paige, M.D. (Changed from Active to Courtesy Status)	Family/General Practice	Dept of Family Practice	Courtesy
Emerito D. Posadas, M.D.	Pediatrics	Dept of Pediatrics	Active
Bruce K. Reisman, M.D.	Otolaryngology	Dept of Surgery	Courtesy
George J. Rodriguez, M.D. (Includes PCCC)	Internal Medicine	Dept of Medicine	Active
Robert S. Roth, M.D.	Internal Medicine	Dept of Medicine	Active
Mark S. Stern, M.D.	Neurosurgery	Dept of Surgery	Active
Nicole Tremain, M.D. (Includes PCCC)	Internal Medicine	Dept of Medicine	Active
Gerald P. Unhold, DMD, M.D. (Changed from Courtesy to Associate Status)	Oral & Maxillofacial Surgery	Dept of Surgery	Associate
David I. Wolf, M.D. (Changed from Courtesy to Associate Status)	Dermatology	Dept of Medicine	Associate
Phillip G. Zentner, M.D.	Radiation Oncology	Dept of Radiology	Associate

X. Allied Health Professional Reappointment

Richard Bravo, Evoked Potential Technician; Sponsors: Drs. Chesler, McKinley, Yoo and Marcisz.
(Effective 04/01/2006 – 03/31/2008)

Corrine Carroll, R.N., Registered Nurse; Sponsors: Drs. MacDonald and Unhold.
(Effective 04/01/2006 – 03/31/2008)

Certification by and Recommendation of Chief of Staff:

As Chief of Staff of Palomar Medical Center, I certify that the procedures described in the Medical Staff Bylaws for appointment, reappointment or alteration of staff membership or the granting of privileges and that the policy of the Palomar Pomerado Health System's Board of Directors regarding such practices have been properly followed. I recommend that the action requested in each case be taken by the Board of Directors.

**PALOMAR POMERADO HEALTH SYSTEM
PROVISIONAL APPOINTMENT
March, 2006**

PERSONAL INFORMATION

Provider Name & Title	Corrie D. Broudy, M.D.
PPHS Facilities	Pomerado Hospital (Villa Pomerado)

SPECIALTIES/BOARD CERTIFICATION

Specialties	Internal Medicine – Certified 2003
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ORGANIZATIONAL NAME

Name	San Diego Arthritis Medical Clinic
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EDUCATION/AFFILIATION INFORMATION

Medical Education Information	Albert Einstein College of Medicine, New York, New York FROM: 08/26/1996 TO: 06/01/2000 Doctor of Medicine Degree
Internship Information	N/A
Residency Information	Montefiore Medical Center, Bronx, New York Internal Medicine From: 07/01/2000 To: 06/30/2003
Fellowship Information	Stanford University Medical Center, Stanford, CA Rheumatology From: 07/01/2003 To: 06/30/2005
Current Affiliation Information	None

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**PALOMAR POMERADO HEALTH SYSTEM
PROVISIONAL APPOINTMENT
March, 2006**

PERSONAL INFORMATION

<i>Provider Name & Title</i>	Maribeth S. Chong, M.D.
<i>PPHS Facilities</i>	Pomerado Hospital Palomar Medical Center

SPECIALTIES/BOARD CERTIFICATION

<i>Specialties</i>	Internal Medicine – Certified 1996
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ORGANIZATIONAL NAME

<i>Name</i>	Well Being Medical Clinic
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EDUCATION/AFFILIATION INFORMATION

<i>Medical Education Information</i>	University of Texas, Houston Health Science Center FROM: 09/01/1989 TO: 05/29/1993 Doctor of Medicine Degree
<i>Internship Information</i>	University of New Mexico, Albuquerque Internal Medicine From: 06/24/1993 To: 06/30/1994
<i>Residency Information</i>	Virginia Mason Medical Center, Seattle, WA Internal Medicine From: 07/01/1994 To: 06/30/1996
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	Tri-City Medical Center

**PALOMAR POMERADO HEALTH SYSTEM
PROVISIONAL APPOINTMENT
March, 2006**

PERSONAL INFORMATION

<i>Provider Name & Title</i>	Paul J. Cotten, M.D.
<i>PPHS Facilities</i>	Escondido Surgery Center Pomerado Hospital Palomar Medical Center

SPECIALTIES/BOARD CERTIFICATION

<i>Specialties</i>	Anesthesiology – Certified 1998
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ORGANIZATIONAL NAME

<i>Name</i>	Anesthesia Consultants of CA
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EDUCATION/AFFILIATION INFORMATION

<i>Medical Education Information</i>	University of South Dakota, Vermillion FROM: 08/10/1987 TO: 05/10/1991
<i>Internship Information</i>	University of California, Irvine Internal Medicine From: 06/23/1991 To: 06/22/1992
<i>Residency Information</i>	University of Southern California, Los Angeles Anesthesia From: 07/01/1992 To: 06/30/1995
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	Sharp Coronado Hospital Sharp Memorial Hospital, Chula Vista Sharp Chula Vista Surgery Center

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**PALOMAR POMERADO HEALTH SYSTEM
PROVISIONAL APPOINTMENT
March, 2006**

PERSONAL INFORMATION

<i>Provider Name & Title</i>	Christopher P. Gorman, M.D.
<i>PPHS Facilities</i>	Pomerado Hospital (Villa Pomerado) Palomar Medical Center (PCCC)

SPECIALTIES/BOARD CERTIFICATION

<i>Specialties</i>	Psychiatry – Certified 1986
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ORGANIZATIONAL NAME

<i>Name</i>	Psychiatric Centers at SD
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EDUCATION/AFFILIATION INFORMATION

<i>Medical Education Information</i>	University of Alberta, Edmonton, Canada FROM: 09/01/1976 TO: 06/30/1980 Doctor of Medicine Degree
<i>Internship Information</i>	Royal Jubilee Hospital, Victoria, BC, Canada Rotating From: 07/01/1980 To: 06/30/1981
<i>Residency Information</i>	University of Alberta Psychiatry From: 07/01/1981 To: 06/30/1985
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	University of Calgary, Canada

**PALOMAR POMERADO HEALTH SYSTEM
PROVISIONAL APPOINTMENT
March, 2006**

PERSONAL INFORMATION

<i>Provider Name & Title</i>	Alison A. Learn, M.D.
<i>PPHS Facilities</i>	Pomerado Hospital

SPECIALTIES/BOARD CERTIFICATION

<i>Specialties</i>	Otolaryngology – Certified 1998
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ORGANIZATIONAL NAME

<i>Name</i>	Alison A. Learn, M.D.
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EDUCATION/AFFILIATION INFORMATION

<i>Medical Education Information</i>	University of Southern California, Los Angeles FROM: 09/01/1988 TO: 06/01/1992 Doctor of Medicine Degree
<i>Internship Information</i>	N/A
<i>Residency Information</i>	LAC/University of Southern California Medical Center Otolaryngology From: 06/24/1992 To: 06/19/1997
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	N/A

**PALOMAR POMERADO HEALTH SYSTEM
PROVISIONAL APPOINTMENT
March, 2006**

PERSONAL INFORMATION

<i>Provider Name & Title</i>	Bach K. Nguyen, M.D.
<i>PPHS Facilities</i>	Palomar Medical Center

SPECIALTIES/BOARD CERTIFICATION

<i>Specialties</i>	Family Practice – Not Board Certified
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ORGANIZATIONAL NAME

<i>Name</i>	Graybill Medical Group
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EDUCATION/AFFILIATION INFORMATION

<i>Medical Education Information</i>	Ross University School of Medicine, Dominica, West Indies FROM: 08/01/1998 TO: 07/31/2002 Doctor of Medicine Degree
<i>Internship Information</i>	N/A
<i>Residency Information</i>	University of Missouri-Columbia Family Practice From: 07/01/2002 To: 12/31/2005
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	None

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**PALOMAR POMERADO HEALTH SYSTEM
PROVISIONAL APPOINTMENT
March, 2006**

PERSONAL INFORMATION

Provider Name & Title	Khuram A. Sial, M.D.
PPHS Facilities	Pomerado Hospital Palomar Medical Center

SPECIALTIES/BOARD CERTIFICATION

Specialties	Physical Medicine & Rehab – Not Certified Pain Management – Not Certified
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ORGANIZATIONAL NAME

Name	Pain and Spine Solutions
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EDUCATION/AFFILIATION INFORMATION

Medical Education Information	Ross University School of Medicine, Dominica, West Indies From: 01/01/1996 To: 06/02/2000 Doctor of Medicine Degree
Internship Information	Riverside Regional Medical Center, Newport News, VA Transitional From: 06/26/2000 To: 06/26/2001
Residency Information	Baylor College of Medicine, Houston, TX Physical Medicine/Rehabilitation From: 08/01/2001 To: 07/31/2004
Fellowship Information	Beth Israel Deaconess Medical Center, Boston, MA Pain Management From: 08/01/2004 To: 09/30/2005
Current Affiliation Information	HealthSouth New England Rehabilitation Hospital, Woburn, MA Youville Hospital & Rehabilitation Center, Cambridge, MA HealthSouth Braintree Rehabilitation Hospital, Braintree, MA

**PALOMAR POMERADO HEALTH SYSTEM
PROVISIONAL APPOINTMENT
March, 2006**

PERSONAL INFORMATION

<i>Provider Name & Title</i>	Raluan G. Soltero, M.D.
<i>PPHS Facilities</i>	Palomar Medical Center

SPECIALTIES/BOARD CERTIFICATION

<i>Specialties</i>	Plastic Surgery –Certified 2002
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ORGANIZATIONAL NAME

<i>Name</i>	Ron G. Soltero, M.D.
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EDUCATION/AFFILIATION INFORMATION

<i>Medical Education Information</i>	Georgetown University School of Medicine, Washington, DC FROM: 09/01/1986 TO: 05/25/1991 Doctor of Medicine Degree
<i>Internship Information</i>	N/A
<i>Residency Information</i>	Georgetown University Medical Center General Surgery From: 06/24/1991 To: 06/23/1994 General Surgery Residency University of California, San Diego Plastic Surgery From: 07/01/1998 To: 06/30/2000
<i>Fellowship Information</i>	University of California, San Diego Burn From: 07/01/1995 To: 03/31/1998 Burn Surgery Clinic & Lab Research
<i>Current Affiliation Information</i>	University of California, San Diego Scripps Memorial Hospital, La Jolla

**PALOMAR POMERADO HEALTH SYSTEM
PROVISIONAL APPOINTMENT
March, 2006**

PERSONAL INFORMATION

Provider Name & Title	Robert M. Stein, M.D.
PPHS Facilities	Pomerado Hospital

SPECIALTIES/BOARD CERTIFICATION

Specialties	Internal Medicine - Certified 1972 Cardiovascular Disease - Certified 1975
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ORGANIZATIONAL NAME

Name	Palomar Medical Group
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EDUCATION/AFFILIATION INFORMATION

Medical Education Information	Thomas Jefferson University Hospital, Philadelphia, PA FROM: 09/14/1964 TO: 05/31/1968
Internship Information	Boston City Hospital, MA Medicine From: 07/01/1968 To: 06/30/1969
Residency Information	Boston City Hospital Medicine From: 07/01/1969 To: 06/30/1970 Columbia-Presbyterian Medical Center Medicine From: 07/01/1970 To: 06/30/1971 Columbia-Presbyterian Medical Center, New York, New York Cardiology From: 08/15/1974 To: 09/30/1975
Fellowship Information	Columbia-Presbyterian Medical Center Cardiology From: 07/01/1971 To: 08/31/1972
Current Affiliation Information	Scripps Mercy Hospital Palomar Medical Center

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**PALOMAR POMERADO HEALTH SYSTEM
PROVISIONAL APPOINTMENT
March, 2006**

PERSONAL INFORMATION

<i>Provider Name & Title</i>	Edmond P. Young, M.D.
<i>PPHS Facilities</i>	Pomerado Hospital

SPECIALTIES/BOARD CERTIFICATION

<i>Specialties</i>	Orthopaedic Surgery Certified - 1999
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ORGANIZATIONAL NAME

<i>Name</i>	Kaiser Permanente
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EDUCATION/AFFILIATION INFORMATION

<i>Medical Education Information</i>	University of California, Davis FROM: 09/26/1985 TO: 06/16/1989
<i>Internship Information</i>	University of California, San Diego General Surgery From: 07/01/1989 To: 06/30/1990
<i>Residency Information</i>	University of California, San Diego Orthopaedics From: 07/01/1992 To: 06/30/1996
<i>Fellowship Information</i>	University of California, San Diego Research From: 07/01/1990 To: 06/30/1991 NIH Postdoctoral Research University of California, San Francisco Sports Medicine From: 08/01/1996 To: 07/31/1997
<i>Current Affiliation Information</i>	Sharp Coronado Hospital Kaiser Permanente, San Diego

**PALOMAR POMERADO HEALTH
ALLIED HEALTH PROFESSIONAL
APPOINTMENTS
FOR MARCH 2006**

NAME: Michael Avilez, O.T.
SPECIALTY: Orthopaedic Technician
SERVICES: Orthopaedic Technician for the Kaiser Orthopaedic Surgeons at Pomerado Hospital
TRAINING: Grossmont College, La Mesa, CA
 Orthopaedic Technician Certificate 08/22/83-08/02/84
 A.S. degree Orthopaedic Technology 08/22/83-06/03/86
PRACTICE: Orthopaedic Technician, Kaiser Permanente, San Diego, CA 12/04/89-Present
 Orthopaedic Technician, Childrens Hospital, San Diego, CA 1984-12/1989
SPONSORS: Kaiser Orthopaedic Surgeons at Pomerado Hospital
CERTIFICATION: None
FACILITY: Pomerado Hospital

NAME: Jason Bouchard-Marshall
SPECIALTY: Orthopaedic Technician
SERVICES: Orthopaedic Technician for the Kaiser Orthopaedic Surgeons at Pomerado Hospital
TRAINING: U.S. Navy Corps School
 Basic Hospital Corps School/Orthopaedic Cast Room Tech 01/01/93-09/30/93
PRACTICE: Orthopaedic Technician, Kaiser Permanente, San Diego, CA 06/01/98-Present
 Orthopaedic Technician, U.S. Navy 01/01/93-06/01/98
SPONSORS: Kaiser Orthopaedic Surgeons at Pomerado Hospital
CERTIFICATION: None
FACILITY: Pomerado Hospital

NAME: Jacqueline Ingle, R.N.
SPECIALTY: Registered Nurse/Clinical Research Coordinator
SERVICES: Registered Nurse for Clinical Research Studies for Roger Schechter, M.D.
TRAINING: Palomar College, San Marcos, CA
 Associate of Arts Degree in Nursing 09/01/99-12/01/01
PRACTICE: Registered Nurse Clinical Research Study Coordinator for Roger Schechter, M.D. 11/01/05-Present
 Registered Nurse, Pomerado Hospital, Poway CA 01/06/03-Present
 Registered Nurse, Scripps Memorial Hospital, La Jolla, CA 01/07/02-01/06/03
 Health Care Assistant, Palomar Medical Center, Escondido, CA 09/05/00-12/31/00
SPONSORS: Roger Schechter, M.D.,
CERTIFICATION: None
FACILITIES: Palomar Medical Center

**PALOMAR POMERADO HEALTH
ALLIED HEALTH PROFESSIONAL
APPOINTMENTS
FOR MARCH 2006 (continued)**

Page two

NAME:	Christopher S. Mayberry, P.A.-C.	
SPECIALTY:	Physician Assistant	
SERVICES:	Physician Assistant services for Kaiser Orthopaedic Surgeons at Pomerado Hospital	
TRAINING:	Finch University of Health Sciences, Chicago Medical School, North Chicago, IL	
	Master of Science – Physician Assistant Practice	05/01/00-06/07/02
	Chicago Medical School, Illinois Bone and Joint Institute Park Ridge, IL	
	Orthopaedic Physician Assistant Residency program	07/10/03-06/30/04
PRACTICE:	Physician Assistant, Dept of Orthopaedics, Kaiser Permanente, San Diego, CA	08/02/04-Present
	Physician Assistant, Interna/ Medicine/Occupational Medicine, Hassan Bacchus, M.D., Lancaster, CA	01/01/03-06/30/03
SPONSORS:	Kaiser Orthopaedic Surgeons at Pomerado Hospital	
CERTIFICATION:	National Commission on Certification of Physician Assistants	2002
FACILITY:	Pomerado Hospital	
NAME:	John Patrick McKnight	
SPECIALTY:	Orthopaedic Technician	
SERVICES:	Orthopaedic Technician for the Kaiser Orthopaedic Surgeons at Pomerado Hospital	
TRAINING:	Kaiser Permanente, San Diego, CA	
	On the job training	1970-1971
PRACTICE:	Orthopaedic Technician, Kaiser Permanente, San Diego, CA	03/01/77-Present
	Surgical Technician, Mission Bay Hospital, San Diego, CA	1/01/76-03/01/77
	Orthopaedic Technician/Surgery Assistant, Kaiser Permanente, San Diego, CA	01/01/71-08/31/74
SPONSORS:	Kaiser Orthopaedic Surgeons at Pomerado Hospital	
CERTIFICATION:	None	
FACILITY:	Pomerado Hospital	
NAME:	Gary L. Meyer, P.A.-C.	
SPECIALTY:	Physician Assistant	
SERVICES:	Physician Assistant	
TRAINING:	State University of New York – Stony Brook	
	Bachelor of Science/Physician Assistant Certificate	07/01/02-06/30/04
PRACTICE:	Physician Assistant, P.A. Surgical Services, La Mesa, CA	08/01/05-Present
	Physician Assistant, Anthony Sanzone, M.D., Chula Vista, CA	10/01/04-08/01/05
SPONSOR:	Kevin Yoo, M.D.	
CERTIFICATION:	National Commission on Certification of Physician Assistants	2004
FACILITY:	Palomar Medical Center, Escondido Surgery Center	

**PALOMAR POMERADO HEALTH
ALLIED HEALTH PROFESSIONAL
APPOINTMENTS
FOR MARCH 2006 (continued)**

Page three

NAME:	Susan L. Phillips, R.N.	
SPECIALTY:	Registered Nurse/Clinical Research Coordinator	
SERVICES:	Registered Nurse for Clinical Research Studies for Escondido Pulmonary Medical Group	
TRAINING:	Palomar College, San Marcos, CA Associate of Arts Degree in Nursing	09/01/90-12/15/97
PRACTICE:	Registered Nurse Clinical Research Study Coordinator for Escondido Pulmonary Medical Group, Escondido, CA	11/07/05-Present
	Registered Nurse and HealthCare Assistant, Palomar PomeradoHealth Medical Assistant, Penn Elm Family Practice, Escondido, CA	05/24/96-Present 4/01/93-01/01/95
SPONSORS:	Frank Bender, M.D., Craig Burrows, Gregory Hirsch, M.D., Benjamin Kanter, M.D., James Otoshi, M.D., Kenneth Trestman, M.D.	
CERTIFICATION:	None	
FACILITIES:	Palomar Medical Center and Pomerado Hospital	
NAME:	Tara L. Willnard, M.S.	
SPECIALTY:	Audiology/Evoked Potential Technician	
SERVICES:	Evoked Potential Technician/Intraoperative Monitoring	
TRAINING:	Southwest Texas State University, San Marcos TX Bachelor of Science in Communicative Disorders	9/01/00-05/12/01
	Lamar University, Beaumont, TX Master of Science in Audiology	8/22/01-08/16/03
PRACTICE:	Intraoperative Monitoring Specialist, Neurodynamics, Inc., San Diego, CA	04/01/05-Present
	Audiologist , Hearing Balance Centers, Hurst, TX Audiologist, Balance Institute of San Diego, San Diego, CA	08/01/04-03/31/05 09/19/03-07/22/04
SPONSORS:	Thomas Marcisz, M.D., Mark Stern, M.D., Vrijesh Tantuwaya, M.D., Kevin Yoo, M.D.,	
CERTIFICATION:	American Speech-Language Hearing Association	2004
FACILITIES:	Palomar Medical Center	



March 7, 2006

TO: Board of Directors

BOARD MEETING DATE: March 13, 2006

FROM: Robert Trifunovic, M.D., Chief of Staff
PMC Medical Staff Executive Committee

SUBJECT: Department of Anesthesia Rules and Regulations

At the Executive Committee meeting for Palomar Medical Center, the following modifications to the Department of Anesthesia Rules and Regulations were approved for forwarding to the Board of Directors with a recommendation for approval.

Rationale

The Department of Anesthesia has recommended that the requirements for monitoring of cardiovascular anesthesia should be left to the discretion of the chairman of the Department based on training and experience provided. This does not impact the general monitoring requirements for anesthesia.

POLICY FOR ANESTHESIA PRIVILEGES

Cardiovascular Surgery Including Bypass

1. Requests to perform anesthesia for cardiovascular surgical cases including bypass must be accompanied by the following:
 - a) Documentation by a letter from the director of an American Medical Association or American Osteopathic Association approved anesthesiology training program verifying administration of anesthesia for cardiovascular surgery with bypass.
 - b) Documentation of cases within the preceding 18 months involving the following skills:
 - 1) cardiac output monitoring (5 cases)
 - 2) arterial pressure monitoring (5 cases)
 - 3) CVP or PA line placement (5 cases)
 - 4) hemodynamic management involving currently approved cardiovascular agents (5 cases)
 - 5) use of anticoagulants and/or diagnosis and treatment of coagulation disorders (5 cases)
 - 6) anesthetics (general) administered to patients under treatment for angina (5 cases)
 - 7) general anesthetics administered to patients under treatment for CHF (5 cases)
 - c) An anesthesiologist who has not administered anesthesia for cardiovascular surgery with bypass within the preceding 18 months will be assisted for at least 5 cases by department members with cardiovascular privileges or until the applicant has satisfactorily demonstrated proficiency.
 - d) Notwithstanding the three major anesthetic cases, ~~an anesthesiologist will be monitored for at least 5 cardiovascular cases~~ **further monitoring in cardiovascular anesthesia will be determined at the discretion of the chairman.**

MEDICAL STAFF SERVICES



DATE: February 28, 2006
MEMO TO: Palomar Pomerado Health
Board of Directors
FROM: Marvin Levenson, M.D.
Medical Director, Escondido Surgery Center
RE: Medical Staff Recommendations

The Medical Staff of Palomar Medical Center approved the following credentialing recommendations for Escondido Surgery Center for submission to the Board of Directors:

Appointment:

- ◆ Paul J. Cotton, M.D., Anesthesiology (03/13/2006 – 02/29/2008)

Voluntary Resignations/Withdrawals:

- ◆ Bruce W. Adams, D.D.S., Dentistry (Effective 03/21/2006)
- ◆ John Hannig, M.D., OB/GYN (Effective 09/30/2005)
- ◆ Robert O. Woodbury, M.D., General Surgery (Effective 03/31/2006)

Allied Health Professional Appointment:

- ◆ Gary L. Meyer, P.A.-C., Physician Assistant; Sponsor: Dr. Yoo

Reappointment:

04/01/2006 – 03/31/2008

- ◆ David P. Fischbach, M.D., Anesthesiology
- ◆ Mark S. Stern, M.D., Neurosurgery
- ◆ Gerald P. Unhold, DMD, M.D., Oral & Maxillofacial Surgery

Allied Health Professional Reappointment:

04/01/2006 – 03/31/2008

- ◆ Corrine Carroll, R.N., Registered Nurse; Sponsors: Drs. MacDonald and Unhold.

Certification by and Recommendation of Escondido Surgery Center Medical Director:

As Medical Director of Escondido Surgery Center, I certify that the procedures described in the Escondido Surgery Center Bylaws for appointment, reappointment or the granting of privileges and that the policy of the Palomar Pomerado Health Board of Directors regarding such practices have been properly followed. I recommend that the action requested in each case be taken by the Board of Directors.

PALOMAR MEDICAL
CENTER
555 East Valley Parkway
Escondido, CA 92025
Tel 760.739.3140
Fax 760.739.2926

POMERADO
HOSPITAL
15615 Pomerado Road
Poway, CA 92064
Tel 858.613.4664
Fax 858.613.4217

ESCONDIDO
SURGERY CENTER
343 East Second Avenue
Escondido, CA 92025
Tel 760.480.6606
Fax 760.480.1288

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Pomerado Hospital Medical Staff Services

15615 Pomerado Road

Poway, CA 92064

Phone – (858) 613-4664

FAX - (858) 613-4217

DATE: March 1, 2006
TO: Board of Directors - March 13, 2006 Meeting
FROM: Paul E. Tornambe, M.D., Chief of Staff, Pomerado Hospital Medical Staff
SUBJECT: Medical Staff Credentials Recommendations – February 2006:

Provisional Appointments: (03/13/2006 – 02/28/2008)

Corrie D. Broudy, M.D. – Medicine (includes Villa)
Maribeth S. Chong, M.D. - Medicine
Paul J. Cotten, M.D. – Anesthesia
Christopher P. Gorman, M.D. – Medicine (includes Villa)
Alison A. Learn, M.D. Surgery
Khurman A. Sial, M.D. – Medicine
Robert M. Stein, M.D. - Medicine
Edmond Young, M.D. – Surgery

Biennial Reappointments: (04/01/2006 – 03/31/2008)

William S. Bate, M.D. – Affiliate - Surgery
Craig M. Burrows, M.D.- Active - Medicine
Gary A. Cohen, M.D. – Affiliate - Medicine
Keyvan Esmaeili, M.D. – Courtesy - Medicine
John C. Gill, M.D. – Active – Emergency Medicine
Walter L. Millar, M.D. – Active - Anesthesia
G. Douglas Moir, M.D. – Courtesy - Medicine
Martin I. Oretsky, M.D. – Courtesy – Emergency Medicine
Bruce K. Reisman, M.D. – Courtesy - Surgery
Sara G. Rosenthal, M.D. – Consulting - Radiology
Mark S. Stern, M.D. – Active - Surgery
Gerald P. Unhold, DMD, M.D. – Affiliate - Surgery
Robert J. Vallone, D.P.M. – Active – Surgery (includes Villa)
Edward A. Venn-Watson, M.D. – Active - Surgery
Mark A. Vierra, M.D. – Affiliate - Medicine

Advancements:

Riaz Bokhari, M.D. – Surgery – Advanced to Courtesy Category (includes Villa)
Edward M. Gurrola, M.D. - Anesthesia – Advanced to Active Category
Carl A. Miller, M.D. – Anesthesia - Advanced to Active Category
Steffen Moldovan, M.D. – Surgery – Advanced to Active Category
Kevin Schwartz, M.D. – Anesthesia – Advanced to Active Category

Allied Health Appointments: (03/13/2006 – 02/28/2008)

Michael A. Avilez, O.T. - Sponsors Kaiser Physicians
Jason M. Bouchard-Marshall, O.T. – Sponsors Kaiser Physicians
Christopher S. Mayberry, P.A.-C – Sponsors Kaiser Physicians
John P. McKnight, O.T. – Sponsors Kaiser Physicians
Susan L. Phillips, R.N. – Sponsors – Escondido Pulmonary

Voluntary Resignations/Withdrawal of Membership:

My-Le Truong, M.D. – Anesthesia

Ted W. Gay, M.D. - Medicine

Taylor G. Fletcher, M.D. – Emergency Medicine

Allied Health Resignation:

Deborah J. Velez, N.P. – Sponsors – Kaiser Physicians

POMERADO HOSPITAL

Certification by and Recommendation of Chief of Staff: As Chief of Staff of Pomerado Hospital, I certify that the procedures described in the Medical Staff Bylaws for appointment, reappointment, or alternation of staff membership or the granting of privileges and the policy of the Palomar Pomerado Health System's Board of Directors regarding such practices have been properly followed. I recommend that the Board of Directors take the action requested in each case.

**Continuation of Support for the Trauma Program
at Palomar Medical Center, Escondido**

TO: Board of Directors
DATE: March 13, 2006
FROM: Marcelo R. Rivera, M.D.
Board Chairman
BY: Christine Meaney, Board Assistant

BACKGROUND: The Director of Trauma Services at Palomar Medical Center has informed that the American College of Surgeons requires from the hospital's governing body every three (3) years, a resolution supporting the trauma center. This will be needed for the next American College of Surgeons Survey on May 8 and 9, 2006.

The provision of trauma care is essential to the mission of Palomar Pomerado Health, therefore the Board of Directors is requested to approve the Resolution as submitted which indicates support for the continuation of the trauma program at Palomar Medical Center for the benefit of the residents of Inland North County.

A Board Resolution is attached.

BUDGET IMPACT: None

STAFF RECOMMENDATION: Board approval requested

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action: X

Information:

Required Time:

PALOMAR POMERADO HEALTH

RESOLUTION NO. 03.13.06(01)-05

**RESOLUTION OF THE BOARD OF DIRECTORS OF
PALOMAR POMERADO HEALTH
FOR CONTINUATION OF SUPPORT FOR THE TRAUMA PROGRAM
AT PALOMAR MEDICAL CENTER, ESCONDIDO**

WHEREAS, the American College of Surgeons requires from the hospital's governing body every three (3) years a resolution supporting the trauma center;

WHEREAS, the next American College of Surgeons Survey will be May 8 and 9, 2006;

WHEREAS, provision of trauma care is essential to the mission of Palomar Pomerado Health; and

WHEREAS, the Palomar Pomerado Health Board of Directors continues to support the trauma program at Palomar Medical Center for the benefit of the residents of Inland North County.

APPROVED AND ADOPTED at a meeting of the Board of Directors of Palomar Pomerado Health held on March 13, 2006, by the following vote:

AYES:

NOES:

ABSTAINING:

ABSENT:

DATED: March 13, 2006

APPROVED:

Marcelo R. Rivera, M.D.
Chairman, Board of Directors
Palomar Pomerado Health

ATTESTED:

Linda C. Greer, R.N.
Secretary, Board of Directors
Palomar Pomerado Health

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Rancho Peñasquitos Center Update

TO: PPH Board of Directors
DATE: March 13, 2006
FROM: Strategic Planning Committee on February 21, 2006
BY: Marcia Jackson, Chief Planning Officer

BACKGROUND: Staff has continued to work with the architect and construction management firm on options for this satellite health care center site. An update was presented to the Committee.

Mike Shanahan told the Committee that the Planning and Architectural Team developed several planning options, and they are continuing to study 2 of those options as follows:

1. **Option C** – New 55,000square foot (SF) Clinic
2. **Option F** – Retain 15,000 SF Church Nave, and add a secondary 40,000 SF Clinic

On January 19, 2006, the City of San Diego Planning Commission unanimously agreed to initiate the process to study rezoning the residentially zoned property to allow a medical facility.

Option C was discussed, which would involve replacing the existing Maranatha Chapel with the new clinic.

Option F was also discussed, which would leave the Maranatha Church as-is, and add a two-story clinic.

PPH is in the process of costing out the two options, including traffic count, noise, & air quality analyses. The Project Team is determining which option would be most viable, and will present to the full PPH Board of Directors at the March 16 Joint BOD/Strategic Planning Committee meeting. Once a direction is chosen, a preliminary master plan will be developed and submitted to the City of San Diego.

BUDGET IMPACT: Unknown

COMMITTEE RECOMMENDATION:

Information: X

Physician Relations Plan

TO: PPH Board of Directors
DATE: March 13, 2006
FROM: Strategic Planning Committee on February 21, 2006
BY: Marcia Jackson, Chief Planning Officer
Trish Bartel, Interim Director Physician Relations

BACKGROUND: One of the system-wide initiatives for FY '06 is to develop a comprehensive Physician Relations Plan. Such plan has been prepared and was shared with the Strategic Planning Committee for input.

Trish Bartel, Interim Physician Relations Director, presented the draft Physician Development Plan. She emphasized that PPH needs to develop a strong collaboration with the physicians, especially since physicians today are facing challenges of rising costs, declining reimbursements, and longer hours.

PPH is highly reliant on a core group of physician users; the top 25 admitting physicians account for 53% of PMC total admissions in 2005, and 67% of POM total admissions in 2005. Overall, we are undersupplied in OB, ENT, cardiology, psychiatry, surgery and primary care. Approximately 30% of PPH physicians are over the age of 55, and it is essential to retain and grow PPH's current physician business.

The Physician Development Plan consists of many components, including physician recruitment, new physician support, physician retention and engagement (including a PPH sales team), physician retirement planning, physician analysis & tracking, and redesigning the Physician Development Department.

The Physician Development Plan presentation concluded with the following:

- It is a priority to develop a formalized physician strategy to ensure physician retention and recruitment
- Physician development sets precedence for the entire company. It is important for all directors, service line administrators, and EMT to build strong relationships with the physician within their service lines and/or hospitals
- It is time for PPH to create opportunities with our physician to enhance collaboration, increase revenues, and improve clinical outcomes

BUDGET IMPACT: Unknown

COMMITTEE RECOMMENDATION:

Information: X

Neuroscience Service Line Update

TO: PPH Board of Directors
DATE: March 13, 2006
FROM: Strategic Planning Committee on February 21, 2006
BY: Marcia Jackson, Chief Planning Officer
Mary Oelman, Associate Chief Nursing Officer, Pomerado
Stonish Pierce, Administrative Fellow

BACKGROUND: Neuroscience is one of the prioritized service lines. Stonish Pierce, Mary Oelman, and Marcia Jackson presented an update on the neurosciences service line planning process, including:

- Review of neurosciences sub-specialties – spine, trauma, neuro-oncology, neurodegenerative diseases, cerebrovascular care, and others
- Pros of developing neurosciences service line
 - Neuroscience can be a very profitable service line
 - First-mover advantage
 - Robust underlying demand
 - Neurosciences may eventually surpass cardiac services as the new pillar of profitability for hospitals
 - PPH currently has large percentage of market share for neurosciences
- Challenges of developing neurosciences service line
 - Cost of neurosciences technology
 - Referral-based business nature of hospital neurosciences
 - Unresponsive reimbursement to new device costs
 - Branding clinical quality to establish market differentiation
 - Small and shrinking supply of neurosurgeons
 - Neuroscience programs require multidisciplinary physician participation

SWOT recap

- Strengths
 - New facility development
 - Spine strength – equipment, support staff, MDs
 - PPH currently has 52.1% market share for neurosciences throughout PPH service area
- Opportunities
 - Good location
 - Volume growth improves outcomes
 - Develop comprehensive Stroke Program/Center
 - Research opportunities
 - Develop a spine center, not just “star” docs
- Weaknesses/Threats
 - Lack of image guided equipment
 - No in-house equipment
 - Disjointed spine surgeons
 - Lack of consistency in stroke care

Neuroscience Service Line Update

- PPH physician interest to date
 - Spine, stroke, Neuro-ICU with step-down
 - Trauma
 - Stroke
 - Spine
 - Long-term acuity adaptable
 - Neuro intensivist
 - Spacicity clinic

Key forecast: neurosurgery & neuro facilities

- 2 - 5 Years
 - Expanded use of computer-assisted surgery
 - Use of Gamma Knife expands to many indications
 - Use of catheters to deliver radiation microspheres to the brain
 - Surgical simulation precedes difficult cases
- 5 Years & Beyond
 - Continued development of drugs based on biological understanding of cancer
 - Intra-operative MRI capabilities crucial for leading edge neurological service lines
 - Increased credentialing of primary stroke centers
 - Stenting reduces OR use for carotid endarterectomy; shifts volume to interventional radiology

Different types of stroke center certifications were discussed, including:

- Primary Stroke Center (PSC) Certification
 - Would differentiate PPH in chronic care management of stroke patients
 - PPH has largest percentage of stroke patients in San Diego County
 - Would assist in our development of a neuroscience service line
- JCAHO Stroke Center Certification
 - Certification is valid for two years unless revoked by JCAHO

The next steps to be taken include:

- Joint Board/Strategic Planning Committee meeting update
- Stroke certification decision
- Develop neurosciences Strategic Plan
- Business plan development for prioritized sub-specialties

BUDGET IMPACT: Unknown

COMMITTEE RECOMMENDATION:

Information: X

FY '06 Goal Status

TO: PPH Board of Directors
DATE: March 13, 2006
FROM: Strategic Planning Committee on February 21, 2006
BY: Marcia Jackson, Chief Planning Officer

BACKGROUND: The Committee received a status update on the FY '06 Goals. Due to technical difficulties, the presentation of this agenda item was cut short, and an informal discussion of the FY'06 Goal Status took place. Normally, this report would be provided utilizing the Balanced Scorecard software through the PPH Intranet.

BUDGET IMPACT: None

COMMITTEE RECOMMENDATION:

Information: X

Review & Approve Committee Bylaw Section & Position Description

TO: PPH Board of Directors

DATE: March 13, 2006

FROM: Strategic Planning Committee on February 21, 2006

BY: Marcia Jackson, Chief Planning Officer

BACKGROUND: Annually, each Board Committee is to review and approve the sections of the Bylaws pertaining to the Committee.

BUDGET IMPACT: None

COMMITTEE COMMENTS, QUESTIONS: After discussion, the Committee approved the Bylaws as they stand, with Ted Kleiter motioning to approve the Bylaws, and Nancy Bassett, RN, seconding the motion, which was carried unanimously.

COMMITTEE RECOMMENDATION: No changes made

Information: X

**Governance Committee
Meeting Schedule 2006**

TO: Board of Directors
DATE: March 13, 2006
FROM: Governance Committee, February 14, 2006
BY: Christine Meaney, Secretary to Governance Committee

BACKGROUND: In order to establish frequency and locations for 2006 Governance Committee Meetings, the Committee was requested to consider the most feasible times bearing in mind current bi-monthly meetings, or quarterly, etc., including time/day of the week.

Following discussion the Committee agreed to continue meeting through 2006 on a **bi-monthly basis on April 11; June 13; Aug 8; Oct 10; Dec 12 at PMC, Escondido from 10 a.m. – Noon.** Room location for these meetings has since been reserved in the **PMC Café Conference Room/2nd Floor.**

BUDGET IMPACT: None

STAFF RECOMMENDATION: Informational

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:

**Governance Committee
Annual Review of PPH Bylaws**

TO: Board of Directors

DATE: March 13, 2006

FROM: Governance Committee, February 14, 2006

BY: Christine Meaney, Secretary to Committee

BACKGROUND: Annual review of the Governance Committee section of PPH Bylaws was requested.

The Committee reviewed the section of the Bylaws pertaining to Governance Committee and no amendments were found necessary.

BUDGET IMPACT: None

STAFF RECOMMENDATION: Informational

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:

**Governance Committee
Annual Review of Board Member Position Description**

TO: Board of Directors

DATE: March 13, 2006

FROM: Governance Committee, February 14, 2006

BY: Christine Meaney, Secretary to Committee

BACKGROUND: Annual review of Board Member Position Description for Governance Committee was requested.

The Committee reviewed the relevant Position Description for Governance Committee and no amendments were found necessary.

BUDGET IMPACT: None

STAFF RECOMMENDATION: Informational

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:

**Governance Committee
Community Service Brochure**

TO: Board of Directors
DATE: March 13, 2006
FROM: Governance Committee, February 14, 2006
BY: Christine Meaney, Secretary to Committee

BACKGROUND: Prior to the 2004 election, the Board requested development of a brochure that could be distributed to potential Board member candidates. The attached brochure was developed to provide the reader with information about the roles, responsibilities and suggested qualities of Board members. The Committee reviewed it, requesting that Board members and the Chair of the Foundation provide input into the brochure so as to fully include the necessary information to be ready for the lead up to the 2004 election.

This brochure was then finalized, printed and distributed to various locations including PPH facilities, doctors' offices, libraries etc for the public's information.

As 2006 is election year, the Committee was requested to review this brochure which originally received a great deal of thought and input from the Governance Committee and had ultimately been compiled to everyone's satisfaction. There were sufficient number of current brochures still available for distribution without having to re-print, and the Committee was asked to review/approve this particular brochure. Following review, the only amendment noted was one by Gustavo Friederichsen, Marketing & Communications for revision of the logo type treatment. This aside, the Committee agreed that the current brochure as presented was acceptable as printed, with no amendments. As a result, we would be able to utilize the remainder of those already printed for re-distribution to the various locations and in good time prior to the 2006 election.

BUDGET IMPACT: None

STAFF RECOMMENDATION: Informational

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:

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Mission Statement

The mission of Palomar Pomerado Health is to Heal Comfort & Promote Health in the communities we serve.

Vision Statement

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.

Core Values

Integrity
To be honest and ethical in all we do, regardless of consequences

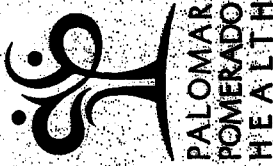
Innovation and Creativity
To courageously seek and accept new challenges, take risks; envision new and endless possibilities

Teamwork
To work together toward a common goal, while valuing our differences

Excellence
To continuously strive to meet the highest standards and to surpass all customer expectations

Compassion
To treat our patients and their families with dignity, respect and empathy at all times, and to be considerate and respectful to colleagues

Stewardship
To inspire commitment, accountability and a sense of common ownership by all individuals



If You're Interested

Contact the Board of Directors: 858.675.5100.
Application packet available mid-July in election year; filing due in August.
Candidate statement beneficial but not required. Cost based on number of registered voters (approximately \$1200).
Contact current board members through above number.
Contact Registrar of Voters at 858.694.3405/
www.sdvote.com

Palomar Pomerado Health is a hospital district—a tax-exempt, political subdivision of the State of California, organized under the Health and Safety Code to provide for the health care needs of the residents of the district. It is the largest public health-care district in the state of California.

Palomar Pomerado Health Board of Directors

Considering Community Service? Giving Back in a Serious Way

If you have a background or skills in:

- Business
- Management
- Finance
- Health Care
- Community Service
- Education

Have a passion for:

- Public Service
- Making a Meaningful Contribution to Community Wellness

Are concerned about:

- The Health Care of the Community

And would like a challenging but rewarding experience in a complex and dynamic environment, you may be an ideal candidate for service on the governing board of our local health system, Palomar Pomerado Health.

What is a Governing Board?

The governing body of Palomar Pomerado Health (PPH) is comprised of seven members of the community who are elected by the residents of the district. PPH includes: Palomar Medical Center, Palomar Continuing Care Center and Escondido Surgery Center in Escondido and Pomerado Hospital and Villa Pomerado in Poway and is affiliated with the Palomar Pomerado Health Foundation. The major responsibilities of the Board are the development of the strategic plan for implementation by management, establishment and approval of the annual budget and capital expenditure plan approval and setting of all policy, and the hiring and dismissal, when appropriate, of the CEO.

the role of a Board Member includes policy setting, oversight to assure fiscal solvency, and evaluation of the CEO, with expectations of working with the Board and through the CEO to achieve these objectives. Members should be of the highest ethics and integrity as to act as role models for the institution.

Effective governance requires the ability to:

- Govern rather than to manage
- Set aside personal agendas for the good of the organization
- Balance financial realities with social obligations
- Accept legal liability for individual and board actions
- Prioritize with finite resources
- Understand the role of governance as well as the limitations
- Recognize and avoid conflicts of interest while serving the public
- Keep an open mind and be willing to work collaboratively to achieve a common goal for community betterment
- Maintain strict confidentiality
- Think strategically
- Make a positive and innovative contribution
- Keep schedule flexible

"Things I wish I had known before I applied:"

- Time commitment
- Preparation and attendance for board and committee meetings typically 20-40 hours a month
- Attendance on volunteer basis at functions of other groups
 - Hospitals
 - Foundation
 - Auxiliaries
 - Employees
 - Community Service Organizations
 - Health Care Advisory Councils
 - Paid Outside Educational Meeting
- Requirements (minimum of one per year, two encouraged)
- Interaction with press and legislators
- Board speaks with unanimity outside of closed sessions
- Dealing with unhappy constituents

Conflicts of Interests:

The Political Reform Act prohibits public officials' from making, participating in making or attempting to influence governmental decisions in which they have a financial interest. The Act provides a test to determine if a conflict exists. Elected officials are required to file financial disclosure statements which are public records.

Qualifications:

Registered voter residing within the district. Full financial disclosure mandated to avoid conflict of interest. Financial interests may be basis for disqualification.

Term: Four years

Time: 20-40 hours a month in meeting attendance/preparation

Compensation:

Position is one of volunteerism. Expense reimbursement and token compensation are allowed

Constituency:

The constituency of the board is the entire district: Board membership is no forum for individual crusades or hidden agendas

Legal liability:

Trustees are not normally personally liable for damages or injury caused in the performance of duties; exceptions exist for non-authorized acts, fraud, malice or corruption. Except for such cases, as well as conflict of interest, defense and indemnity is provided by the district.

Palomar Pomerado Health is a public health care district, organized under the Health and Safety Code to provide for the health care needs of the residents. The members of the board are elected public officials.

Rewards

Community Trust

A public board is elected to be trustees of the health care needs of the community and to serve as stewards for the management of those services.

Challenge

There is no business as complex, as regulated and as fiscally challenged as modern health care, especially in the competitive market-place of Southern California. As the largest public health care district in California, PPH is also one of the largest employers in North County.

Opportunity for Community Service

As the exclusive hospital provider in our district, our communities depend on our acute care facilities and expansive network of services to promote and maintain community health.

Personal Growth

Learn about the political process "first hand." Become educated about this industry, learn to interface effectively with the public, press, employees and other elected officials.

Opportunity to Be Part of a Noble Effort.

Health care services are essentially a community social service. The most effective health systems are governed by local citizens committed to community health and wellness.



Governance Committee
Legislative/Governmental Relations Update

TO: Board of Directors
DATE: March 13, 2006
FROM: Governance Committee, February 14, 2006
BY: Christine Meaney, Secretary to Committee

BACKGROUND: So that regular information may be provided to this Committee, Gustavo Friederichsen, Chief Marketing and Communication Officer, provided an update on legislative/governmental issues.

Public Affairs Workbook binders were distributed by Gustavo to the Committee for future use.

Following discussion on visits with legislators, Director Kleiter noted the advantages of direct access at ACHD Legislative Day and other ACHD events as opposed to other organizations whereby an assistant is often assigned instead. Gustavo anticipated that he would arrange a local Legislative Day to likely include the Press, and to emphasize our proactive stance on current or proposed legislation. A likely time period may be a Friday in April.

The Committee was aware of support in California for the proposed Tobacco Tax increase. In addition, it was understood that severe budget cuts were being proposed by the Federal Government. The Committee agreed that a resolution stating our strong opposition to proposed Federal budget cuts, including financial implications to PPH, would be drafted by Gustavo Friederichsen and Bob Hemker, CFO. It was subsequently noted that the resolution would be taken to Finance Committee and thence to the Board for approval so that it may be sent to our legislators.

BUDGET IMPACT: None

**STAFF
RECOMMENDATION:** Informational

COMMITTEE QUESTIONS:

**Governance Committee
Legislative/Governmental Relations Update**

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

ad hoc Legal Committee

TO: Board of Directors
DATE: March 13, 2006
FROM: Marcelo R. Rivera, M.D.
Board Chairman
BY: Michael Covert, CEO

BACKGROUND: As a result of periodic review of utilization of legal counsel and the numerous projects currently underway, Chairman Rivera called for an ad hoc Legal Committee to be set up. Meetings of this ad hoc Committee were held February 16 and March 9, 2006 to determine the current needs of the District.

Following deliberations, the ad hoc Committee recommends approval by the Board to the following:

That the CEO be requested to pursue the recruitment of a District in-house legal counsel; and that a Board Policy be codified to assure coordination of both in-house and outside legal counsel.

BUDGET IMPACT: Neutral

COMMITTEE RECOMMENDATION: Board approval requested

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion: X

Individual Action:

Information:

Required Time: