



PALOMAR
POMERADO
HEALTH

**BOARD OF DIRECTORS
AGENDA PACKET**

May 8, 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
Gary L. Powers
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 *
San Marcos Ambulatory Care Center * Ramona Radiology Center * VRC Gateway & Parkway Radiology Center * Villa Pomerado
• Palomar Pomerado Health Concern* Palomar Pomerado Health Source*Palomar Pomerado North County Health Development, Inc.*
• North San Diego County Health Facilities Financing Authority*

PALOMAR POMERADO HEALTH
BOARD OF DIRECTORS
REGULAR MEETING AGENDA

Monday, May 8, 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 Bill Hard <i>on behalf of Chaplain David Walden</i>								
C. Mission & Vision – Board Member								
<p><i>“The mission of Palomar Pomerado Health is to heal, comfort and promote health in the communities we serve.”</i></p> <p><i>“The vision of PPH is to be the health system of choice for patients, physicians and employees, recognized nationally for the highest quality of clinical care and access to comprehensive services.”</i></p>								
III. OATH OF OFFICE		1-2						
<p><i>- administered by Jim Roth, Esq., Board Member, San Diego North Chamber of Commerce Board of Directors</i></p> <p>Gary L. Powers</p>								
IV. PUBLIC COMMENTS	5							
<p><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></p>								
V. * MINUTES	2							
<p>Regular Board Meeting – April 10, 2006 <i>(separate cover)</i></p> <p>Special Board Meeting – April 25, 2006</p>								
		3-8						
VI. * APPROVAL OF AGENDA to accept the Consent Items as listed	5	9-181						
<p>A. Consolidated Financial Statements</p> <p>B. Revolving Fund Transfers/Disbursements – March, 2006</p> <table style="margin-left: 80px; border-collapse: collapse;"> <tr> <td style="padding-right: 20px;">1. Accounts Payable Invoices</td> <td style="text-align: right;">\$ 24,052,353.00</td> </tr> <tr> <td>2. Net Payroll</td> <td style="text-align: right;"><u>8,788,911.00</u></td> </tr> <tr> <td style="padding-left: 40px;">Total</td> <td style="text-align: right;"><u>\$ 32,841,264.00</u></td> </tr> </table> <p>C. Ratification of Paid Bills</p> <p>D. March 2006 & YTD FY 2006 Financial Report & Back to Budget Presentation</p> <p>E. Administrative Services Agreements PMC <i>(January 1, 2006 – December 31, 2007)</i> - Chief of Staff – Robert D. Trifunovic, MD Chief of Staff elect – John J. Lilley, MD</p> <p style="text-align: center;"><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></p>			1. Accounts Payable Invoices	\$ 24,052,353.00	2. Net Payroll	<u>8,788,911.00</u>	Total	<u>\$ 32,841,264.00</u>
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2. Net Payroll	<u>8,788,911.00</u>							
Total	<u>\$ 32,841,264.00</u>							

- Chairman, Department of Orthopaedics – Paul Milling, MD
- Chairman, Department of Medicine – John J. Lilley, MD
- Chairman, Department of Anesthesia – Pierre Lotzof, MD
- Chairman, Department of Emergency Medicine – Jaime Rivas, MD
- Chairman, Department of Family Practice – Nicholas Jauregui, MD
- Chairman, Department of Radiology – Gary Spoto, MD
- Chairman, Department of OB/GYN – Gregory Langford, MD
- Chairman, Department of Pediatrics – David Golembeski, MD
- Chairman, Department of Trauma – Thomas S. Velky, MD
- Chairman, Department of Pathology – Lachlan Macleay, MD
- Chairman, Quality Management Committee – Daniel Harrison, MD
- F. PPH Independent Citizens' Oversight Committee Minutes – March 28, 2006
- G. Resignation from the ICOC of Lee Human, MD & recommendation to fill vacancy
- H. Governance Committee April 11, 2006 – Revisions to current Board Policies
GOV-20; GOV-25; and QLT-31

VII. PRESENTATIONS

- A. Review of Neighborhood Healthcare
 - Tracy Ream, CEO, Neighborhood Healthcare and
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 - Patrick M. O'Meara, MD
 - * 2. Escondido Surgery Center – Marvin W. Levenson, M.D.
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following Board Appointment April 28, 2006
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 - c. Condolences to Director Bassett
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 - e. CHA/AHA Annual Meeting, Washington, DC April 30-May 4
 - f. Letter regarding Recertification of CEO as a Fellow in the
American College of Healthcare Executives 193-194
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Development Board of Directors to replace former Board Director
Nancy Scofield

- | | | | |
|----|--|----|----------------------|
| 3. | <u>President and CEO – Michael H. Covert</u> | 20 | <i>Verbal Report</i> |
| | a. PMC American College of Surgeons Trauma
Recertification Survey May 8 | | |
| | b. National Hospital Week, including Nurses' Week May 8-12 | | |
| | c. Annual Street Fairs – Rancho Penasquitos May 7; Escondido May 21;
RB Alive Jun 4 | | |
| | d. Board Ethics Training May 12/11:30 am/Innovation | | |
| | e. Pomerado Auxiliary Installation Luncheon May 10/Stoneridge C.C.
& Nurse of the Year Pomerado; Nurse of the Year PMC May 11 | | |
| | f. VHA Annual Meeting May 22 / AHA Governing Council May 31 | | |

IX. INFORMATION ITEMS *(Discussion by exception only)*

- | | | | |
|----|--|----------------------|---------|
| A. | Review of Committee Position Description | } Human Resources | 197-212 |
| B. | Position Manager Software | } Human Resources | |
| C. | Recruitment Plan FY '07 | } Human Resources | |
| D. | Balanced Scorecard | } Human Resources | |
| E. | 2006 Committee Meeting Dates/Times Update | } Human Resources | |
| F. | Women's Service Line Update | } Strategic Planning | |
| G. | Marketing Strategies | } Strategic Planning | |
| H. | Date Change for May Committee Meeting | } Strategic Planning | |
| I. | Review of Internal Audit Committee Role & Responsibilities | } | |
| | Review of Internal Audit Committee Charter | } | |
| | Review of Internal Audit Activity | } Internal Audit | |
| | Demo of AutoAudit | } | |
| | Review of Audit Risk Assessment for 2006 | } | |
| J. | Proposed PPH Bylaws Amendment per March 16 Human
Resources Committee re: Voting Members | } Governance | |
| K. | Hospital Board Vacancy | } Governance | |
| L. | Legislative/Governmental Relations Update | } Governance | |

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

**XI. BOARD MEMBER COMMENTS/AGENDA ITEMS
FOR NEXT MONTH**

XII. ADJOURNMENT

*Asterisks indicate anticipated action;
Action is not limited to those designated items.*

OATH OF OFFICE

TO: Board of Directors

DATE: May 8, 2006

FROM: Michael Covert, CEO

BY: Christine Meaney for Michael Covert

BACKGROUND:

As a result of a vacancy existing on the Board of Directors of Palomar Pomerado Health following the resignation of Mrs. Nancy H. Scofield effective May 1, 2006, an ad hoc Nominating Committee of the full Board was formed to provide input concerning the legally noticed search for a potential board candidate for appointment within the 60-day timeframe. Following a special board meeting held April 28, 2006, a candidate, Mr. Gary L. Powers, was unanimously appointed to the Board.

An Oath of Office will be taken by Mr. Gary L. Powers at which time he will take his seat on the Board.

PALOMAR POMERADO HEALTH

OATH OF OFFICE

*(Chapter 8, Division 4, Title 1, Government Code
and Section 3, Article XX, California Constitution)*

I, **Gary L. Powers**, do solemnly swear or affirm that I will support and defend the Constitution of the United States and of the State of California against all enemies, foreign and domestic; that I will bear true faith and allegiance to the Constitution of the United States and the Constitution of the State of California; that I take this obligation freely, without any mental reservation or purpose of evasion; and that I will well and faithfully discharge the duties upon which I am about to enter; to wit:

**Member of the Board of Directors of
Palomar Pomerado Health**

And I do further swear or affirm that I do not advocate, nor am I a member of any party or organization, political or otherwise, that now advocates the overthrow of the Government of the United States or of the State of California by force or violence or other unlawful means; that within the five years immediately preceding the taking of this oath or affirmation I have not been a member of any party or organization, political or otherwise, that advocated the overthrow of the Government of the United States or of the State of California by force or violence or other unlawful means and that during such time as I hold the office of Member of the Board of Directors of Palomar Pomerado Health, I will not advocate nor become a member of any party or organization, political or otherwise, that advocates the overthrow of the Government of the United States or of the State of California by force or violence or other unlawful means.

Signature

Date

Palomar Pomerado Health
BOARD OF DIRECTORS
SPECIAL BOARD MEETING
Pomerado Hospital, Meeting Room E
Tuesday, April 25, 2006

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
CALL TO ORDER	6:00 pm Quorum comprised Directors Greer, Kleiter, Rivera, Knider, Scofield; Excused – Directors Bassett, Larson		
NOTICE OF MEETING	Notice of Meeting was mailed consistent with legal requirements		
PUBLIC COMMENTS	There were no public comments		
INFORMATION	There were no items for information		
APPROVAL OF MINUTES Finance Committee Meeting – March 28, 2006		MOTION: by Kleiter, 2 nd by Greer to approve the March 28, 2006 minutes as submitted. All in favor. None opposed. Motion carried.	
UPDATED FINANCIAL AND CAPITAL PLAN	Utilizing the attached presentation, Bob Hemker, CFO, began with an overview to address critical questions in regard to the updating of the Strategic Financial and Capital Plan. Capital requirements need to be balanced with what needs to be done operationally to meet plan projections. Timing of financial impacts to expect over the course of the 10 year plan projections were carefully reviewed. Ellen Riley of Kaufman Hall provided detail of the credit analysis outlined in the plan highlighting key indicators on which to focus, including the "A" credit rating indicator from Moody's. In addition, financial projections and capital position analysis were reviewed.	Director Kleiter posed a question in regard to timing of capital purchases. Mr. Hemker responded that capital replacements in existing facilities would remain on track in conjunction with the life cycle of equipment. All capital replacements will be strategically reviewed looking toward the future. It is expected that approximately \$5 million annually of routine capital budget will be allocated toward FMP needs. Director Rivera asked how current available cash is determined. The formula and analysis were reviewed.	

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	<p>The Plan of Finance was presented by Chad Kenan of CitiGroup.</p> <p>Robert Barua, Chad Kenan and Andrew Zuppo of CitiGroup were also in attendance.</p>	<p>Director Greer questioned how a "worst case" scenario would be handled. Mr. Hemker referred to the baseline financial projections and added that even in a "worst case" scenario legal covenant obligations would be covered.</p> <p>Director Rivera asked about increases in managed care rates in historic terms. Mr. Hemker responded that managed care reimbursement increases contained in the plan are not unrealistic based on historic rate increases.</p> <p>Director Scofield asked about the impact of project management to costs. Mr. Hemker responded that all segments of the plan of finance will continue to be monitored in order to take full advantage of current and future construction conditions. Mr. Covert commented that the Board Finance Committee will be staying very close to the numbers operationally and that incremental opening of the new facility can be done if necessary to maintain budget.</p> <p>Dr. Tornambe asked about competition from other organizations and if there was a risk in "closing our doors" if competing organizations established facilities nearby. Mr. Hemker explained that competing organizations would face greater cost of debt than our own if they were to choose to open facilities in close proximity to PPH.</p>	

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
		<p>Director Scofield wished to express her thanks to Mr. Hemker for his diligence during this process and for spending considerable amounts of time in answering questions about the capital and finance plans.</p> <p>Director Rivera asked about the structure of the revenue bond and how it works. Ellen and Bob reviewed the revenue bond alternatives and key decisions yet to be made including: fixed vs. variable rate, credit enhancement availability, and possible use of a hedge strategy.</p> <p>In summary – likely scenario projections presented are conservative in nature; check points are included at every point to ensure financial projections stay on track; construction will be done as need arises to ensure financial budgets are maintained</p> <p>Mr. Hemker stated that PPH is in a position to take the next steps in the financial process in order to move forward with expansion plans.</p> <p>MOTION: Director Kleiter, 2nd Director Krider to approve Resolution No. 04-25-06 (01) –10 authorizing actions necessary to complete implementation of the Facilities Master Plan adopted in 2004, including an increase in the capital project associated with the Facilities Master Plan and approval of a revised plan of Finance and a revised integrated Plan of Finance in connection therewith;</p>	

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AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
		<p>All in favor; None opposed. Motion carried.</p> <p>MOTION: Director Kleiter, 2nd Director Scofield to approve Resolution No. 04-25-06 (02)-11 declaration of Official Intent of Palomar Pomerado Health to Reimburse Certain Expenditures from Proceeds of Indebtedness;</p> <p>All in favor; None opposed. Motion carried.</p> <p>MOTION: Director Kleiter, 2nd Director Krider to approve Resolution No. 04-25-06 (03) – 12 authorizing the issuance of Palomar Pomerado Health revenue bonds in such aggregate principal amount as shall be necessary to provide \$220 million dollars of capital project funds, authorizing a hedging transaction in connection with all or a portion of said bonds, authorizing the execution and delivery of one or more ISDA master agreements, schedules, credit support annexes and confirmations relating to all or a portion of said bonds, authorizing securing municipal bond insurance, a reserve fund instrument and swap insurance in connection with all or a portion of said bonds and said hedging transaction, and authorizing the taking of all actions necessary or</p>	

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
		<p>advisable in connection therewith.;</p> <p>All in favor; None opposed; Motion carried.</p>	
<p>PURCHASE OF LAND & BUILDING AT 2227 ENTERPRISE, ESCONDIDO, CA</p>	<p>Mr. Hemker briefly reviewed the details of the pending acquisition of land at 2227 Enterprise, Escondido, CA for warehousing and supply chain service functions. The determination was made that purchase of this land would be in the best interest of PPH for a variety of reasons. Mr. Hemker outlined those reasons which include: close proximity to the ERTC site, long term solution to supply distribution to all PPH sites, ability to use building space for "mock up" rooms saving PPH \$60,000 - \$70,000 in short term rental space. A third party appraisal resulted in a concluded value raise of \$159 to \$161 per square foot. Escrow is due to close on the property June 15. Purchase price is approximately \$2.9 million dollars, which comes in below the \$3.1 million dollar asking price. Some renovations will be necessary.</p>	<p>MOTION: Director Scofield; 2nd Director Kleiter to approve Resolution No. 04-25-06 (04) - 13 authorizing the acquisition of the land and building known as 2227 Enterprise, Escondido, CA, subject to the counter letter of intent to purchase dated April 10, 2006.</p> <p>All in favor; None opposed; Motion carried.</p> <p>Director Scofield asked regarding cost for renovations. Mr. Hemker responded that the cost would be approximately \$775,000 for renovations.</p> <p>Director Kleiter asked if there were any restrictions in the agreement with the City of Escondido regarding location of the warehouse. Mr. Hemker responded that there were no restrictions in the agreement regarding location of the warehouse within the City of Escondido. The intended use is consistent with current zoning and other businesses in the vicinity.</p>	
<p>ADJOURNMENT</p>	<p>There being no further business of the Special Board meeting, the meeting was adjourned at 7:50 p.m.</p>		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
SIGNATURES <ul style="list-style-type: none"> • Board Secretary • Acting Board Assistant 	<p style="text-align: center;">_____ Linda C. Greer, R.N.</p> <p style="text-align: center;">_____ Nancy M. Wood</p>		

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

03/01/06	TO	03/31/06	ACCOUNTS PAYABLE INVOICES	\$24,052,353.00
03/10/06	TO	03/24/06	NET PAYROLL	<u>\$8,788,911.00</u>
				\$32,841,264.00

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

**March 2006 & Fiscal YTD 2006 Financial Report
and Back-to-Budget Presentation**

TO: Board of Directors
Monday, May 8, 2006

FROM: Board Finance Committee
Tuesday, April 25, 2006

BY: Robert Hemker, CFO

Background: The Board Financial Reports (unaudited) for March 2006 and Fiscal YTD 2006 were presented for the Finance Committee's approval. That presentation included information regarding the mid-year Back-to-Budget issue analysis and strategy.

The Financial Packet is submitted for the Board's approval. A copy of the Back-to-Budget presentation is also being submitted for the Board's information.

Budget Impact: N/A

Staff Recommendation: Staff recommends approval.

Committee Questions:

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

Motion: X

Individual Action:

Information:

Required Time:

PALOMAR POMERADO HEALTH

A California Health Care District

BOARD FINANCIAL REPORT

March 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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PALOMAR POMERADO HEALTH
MARCH 2006 and YTD FY 2006 FINANCIAL RESULTS
EXECUTIVE SUMMARY and HIGHLIGHTS

Statistics:

Consolidated acute patient days increased 922 days (10%) to 10,057 in March compared to February's 9,135 (which is mainly due to February only having 28 days). Actual patient days for March were also 807 days higher than budget of 9,250. YTD acute patient days of 85,379 are slightly (4%) above budget of 81,755. The acute Average Daily Census (ADC) was 324 in March compared to 326 in February. Acute admissions for March YTD were 21,335 compared to budget of 20,788 (2% higher than budget). YTD March SNF patient days were 56,876 compared to budget of 56,754 (.2% variance).

Palomar's YTD acute patient days of 64,333 are above budget at 62,047 (3.7% higher) resulting in a YTD actual ADC of 235 compared to budget of 226. YTD PMC is experiencing 21% less trauma cases than budget. Total surgery cases were down 5.5% from budget (cardiovascular surgery cases are down by 11% from budget).

Pomerado's YTD acute patient days are 1,338 days (6.8%) greater than budget (actual = 21,046, budget = 19,708). YTD actual ADC was 77 compared to budget of 72 and the last 3 months averaged ADC was 84. Admissions of 5,130 were near budget, being off by less than 1%.

Balance Sheet:

Current Cash & Cash Equivalents increased \$8.9 million to \$121 million in March from \$112 million in February. The increase is mainly due to 1) higher patient account collections for the month by \$2.2 million; and, 2) GO Bond reimbursement of \$7.4 million. Total Cash and Investments are \$140.9 million, compared to \$131 million at June 30, 2005. Days cash on hand are 151 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 \$14 million dollars or 15 days of cash on hand.

Net Accounts Receivable increased slightly to \$71.5 million in March as compared to \$71.2 million in February. Gross A/R days were 51.2 in March down slightly from February's 51.6 days. June 2005 and 2004 gross A/R days were 70 and 40, respectively. March patient account collections (excluding Capitation) were \$27.6 million compared to budget of \$26.1 million. YTD patient account collections (excluding capitation) are \$10 million below budget at \$225 million (budget was \$235 million).

Non-Current Restricted Assets decreased by \$33.6 million mainly due to the use of the GO bond funds for the purchase of the ERTC land and other Master Facility Plan expenses in March.

Construction in Progress increased \$30.9 million mainly due to the ERTC land purchase.

Income Statement:

Gross Patient Revenue for YTD March reflects a favorable budget variance of \$38 million. This favorable variance is composed of a \$34 million favorable volume variance and \$3.9 million favorable rate variance.

Routine revenue (inpatient room and board) reflects a favorable \$2.1 million budget variance. PPH North reflects a favorable variance of \$321 thousand, and PPH South reflected a favorable variance of \$1.82 million.

Inpatient Ancillary gross revenue represents an YTD \$27 million favorable budget variance at March. PPH North reflects a favorable variance of \$26 million and PPH South reflected a \$1 million favorable variance. The main contributors to Palomar's favorable variance are reflected in Pharmacy, Emergency Room and Patient Supply departments totaling \$24.2 million higher than budget.

Outpatient revenue reflects an YTD favorable budget variance of \$7.5 million. The majority of this favorable variance is reflected at PPH North at \$7 million and the majority of this variance is in the Emergency - \$4.7 million and pharmacy - \$1.4 million.

Deductions from Revenue reflects an YTD unfavorable variance of \$34.6 million. This variance is due to 1) disproportional IP Ancillary revenue compared to routine nursing revenue (which results in additional contractual adjustments of approximately \$23 million - this 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 68.2% of gross revenue compared to a budget of 67.3%.

Deductions from Revenue (excluding Capitation revenue and Bad Debt/Charity/Undocumented expenses) was 63.9% of Gross Revenue for March YTD compared to budget of 62.8%.

The Capitation monies retained by PPH are reflecting an YTD \$4 million favorable variance as of March.

Bad debt, charity & undocumented care write-offs reflected an YTD an unfavorable \$4.7 million budget variance. 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 percent of gross revenue is 5.1% compared to budget of 4.7%. The .4% variance approximates \$3.3 million.

Other Operating Revenue reflects an unfavorable budget variance of \$1 million. A large portion of this variance, \$785 thousand, is related to laboratory services that were budgeted in Other Operating Revenue but are being recognized in OP revenue. Included in other operating revenue is Foundation's recognized YTD revenue of \$521 thousand, which is lower than budget by \$54 thousand.

Salaries, Wages & Contract labor reflects an YTD unfavorable variance of \$5 million. This YTD unfavorable variance is composed of: 1) Salaries and Wages - (\$2,260,000 (actual \$119 million); and, 2) Contract Labor - (\$2,734,000) (actual \$9.5 million). PPH North reflects an unfavorable \$3.6 million, PPH South reflects an unfavorable \$1.6 million and Central Office reflects a favorable \$60 thousand. March reflected an unfavorable variance of \$1.1 million (this is partially due to holiday premium paid for President's Day which was expensed in March due to the timing of the pay period end).

Benefits Expense is reflecting an YTD favorable budget variance of \$228 thousand. The month of March reflected a favorable variance of \$508 thousand due to reduced workers compensation expenses.

Supplies Expense is reflecting an YTD unfavorable budget variance of \$2.5 million. March reflected an unfavorable \$330 thousand budget variance, mainly from Palomar. PPH North reflected an unfavorable \$2.8 million variance from budget. The majority of PPH North's variance is in Pharmacy for \$1.1 million, prosthesis for \$726 thousand and general surgery supplies for \$650 thousand.

Prof Fees & Purch Services reflected a favorable budget variance of \$519 thousand. However, March shows a \$609 thousand unfavorable variance to budget mostly due to increased expenses for ED call and Information Technology expenses.

Non-Operating Income reflects an YTD favorable variance of \$709 thousand in March, including a \$520 thousand favorable investment income variance. Investment income reflects a 2.7% investment rate of return compared to budget of 2.5%.

Ratios & Margins:

All required bond covenant ratios were achieved in March 2006.

Palomar Pomerado Health
Consolidated Balance Sheet
As of March 31, 2006

	Current Month	Prior Month	Prior Fiscal Year End
Assets			
Current Assets			
Cash on Hand	\$670,771	\$2,853,592	\$12,663,073
Cash Marketable Securities	120,285,978	109,197,573	96,380,135
Total Cash & Cash Equivalents	120,956,749	112,051,165	109,043,208
Patient Accounts Receivable	161,407,207	160,591,606	190,388,774
Allowance on Accounts	-89,864,055	-89,362,541	-120,586,401
Net Accounts Receivable	71,543,152	71,229,065	69,802,373
Inventories	6,542,965	6,559,174	6,320,951
Prepaid Expenses	2,541,761	2,172,152	2,383,903
Other	6,255,195	5,294,367	828,210
Total Current Assets	207,839,822	197,305,923	188,378,645
Non-Current Assets			
Restricted Assets	53,350,763	86,930,158	12,026,055
Restricted by Donor	285,594	285,594	281,473
Board Designated	19,936,985	22,704,392	22,388,648
Total Restricted Assets	73,573,342	109,920,144	34,696,176
Property Plant & Equipment	325,625,782	327,318,264	337,484,770
Accumulated Depreciation	-216,695,069	-217,113,247	-218,491,576
Construction in Process	77,249,434	46,304,657	28,023,698
Net Property Plant & Equipment	186,180,147	156,509,674	147,016,892
Investment in Related Compan	6,478,419	6,364,360	6,175,837
Deferred Financing Costs	3,325,959	3,326,206	2,311,702
Other Non-Current Assets	1,169,307	1,182,228	1,274,318
Total Non-Current Assets	270,727,174	277,302,613	191,474,925
Total Assets	\$478,566,995	\$474,608,535	\$379,853,570
Liabilities			
Current Liabilities			
Accounts Payable	\$15,084,488	\$14,356,612	\$18,090,054
Accrued Payroll	18,355,006	17,143,475	19,511,491
Accrued PTO	10,728,529	10,531,081	10,212,195
Accrued Interest Payable	2,501,814	1,891,233	708,785
Current Portion of Bonds	12,745,000	12,745,000	6,125,000
Est Third Party Settlements	-2,333,192	-1,377,406	-4,522,051
Other Current Liabilities	11,345,292	11,612,106	6,642,463
Total Current Liabilities	68,426,937	66,902,101	56,767,937
Long Term Liabilities			
Bonds & Contracts Payable	151,272,152	151,247,070	79,819,688
General Fund Balance			
Unrestricted	238,645,327	233,466,899	220,595,825
Restricted for Other Purpose	285,594	285,594	281,473
Board Designated	19,936,985	22,704,392	22,388,648
Total Fund Balance	258,867,906	256,456,885	243,265,946
Total Liabilities / Fund Balance	\$478,566,995	\$474,608,535	\$379,853,570

PALOMAR POMERADO HEALTH
 CONSOLIDATED
 FYTD 2006
 MAR 06

	Month Activity			Variance			\$/Wtg Pt Day		
	Actual	Budget	Variance	Volume	Rate/Eff	Actual	Budget	Variance	
Statistics:									
Admissions - Acute	21,335	20,788	547						
Admissions - SNF	919	1,019	(100)						
Patient Days - Acute	85,379	81,755	3,624						
Patient Days - SNF	56,876	56,754	122						
LOS - Acute	3.97	4.00	(0.03)						
LOS - SNF	40.05	37.95	2.10						
Weighted Pt Days	113,552	108,842	4,710						
Revenue:									
Gross Revenue	\$ 831,501,290	\$ 793,249,778	\$ 38,251,512	F	\$ 3,924,630	\$ 7,322.65	\$ 7,288.09	\$ 34.56	
Deductions from Rev	(566,974,218)	(532,107,669)	(34,866,549)	U	(11,840,262)	(4,993.08)	(4,888.81)	(104.27)	
Net Patient Revenue	264,527,072	261,142,109	3,384,963	F	(7,915,632)	2,329.57	2,399.28	(69.71)	
Other Oper Revenue	6,587,103	7,636,311	(1,049,208)	U	(1,379,660)	58.01	70.16	(12.15)	
Total Net Revenue	271,114,175	268,778,420	2,335,755	F	(9,295,291)	2,387.58	2,469.44	(81.86)	
Expenses:									
Salaries, Wages & Contr Labor	128,712,800	123,718,662	(4,994,138)	U	359,631	1,133.51	1,136.68	3.17	
Benefits	30,314,906	30,543,233	228,327	F	1,550,047	266.97	280.62	13.65	
Supplies	46,913,224	44,343,346	(2,569,878)	U	(650,976)	413.14	407.41	(5.73)	
Prof Fees & Purch Svc	34,643,811	35,163,248	519,437	F	2,041,082	305.09	323.07	17.97	
Depreciation	13,226,086	12,881,130	(344,956)	U	212,459	116.48	118.35	1.87	
Other	15,044,853	15,106,440	61,587	F	715,299	132.49	138.79	6.30	
PPH Allocation	-	3	3	F	(0)	-	0.00	0.00	
Total Expenses	268,855,680	261,756,062	(7,099,618)	U	4,227,545	2,367.69	2,404.92	37.23	
Net Inc Before Non-Oper Income	2,258,495	7,022,358	(4,763,863)	U	(5,067,747)	19.89	64.52	(44.63)	
Property Tax Revenue	8,174,997	8,174,997	-	-	(353,763)	71.99	75.11	(3.12)	
Non-Operating Income	(805,717)	(1,514,763)	709,046	F	774,595	(7.10)	(13.92)	6.82	
Net Income (Loss)	\$ 9,627,775	\$ 13,682,592	\$ (4,054,819)	U	\$ (4,646,914)	\$ 84.79	\$ 125.71	\$ (40.92)	
Net Income Margin	3.3%	4.8%	-1.5%						
OEBITDA Margin w/o Prop Tax	5.4%	7.0%	-1.6%						
OEBITDA Margin with Prop Tax	8.2%	9.8%	-1.6%						

F= Favorable variance
 U= Unfavorable variance

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**PALOMAR POMERADO HEALTH
CONSOLIDATED
MTD 2006
MAR 2006**

	Month Activity		Variance			Variance		\$/Wtg Pt Day		Variance
	Actual	Budget	Budget	Variance		Volume	Rate/Eff	Actual	Budget	
Statistics:										
Admissions - Acute	2,452	2,352		100						
Admissions - SNF	120	115		5						
Patient Days - Acute	10,057	9,250		807						
Patient Days - SNF	6,359	6,421		(62)						
LOS - Acute	3.97	4.00		(0.03)						
LOS - SNF	39.71	37.95		1.76						
Weighted Pt Days	13,539	12,315		1,224						
Revenue:										
Gross Revenue	\$ 95,924,111	\$ 89,738,729	\$ 6,185,382	F	\$ 8,919,221	\$ (2,733,839)	\$ 7,085.02	\$ 7,286.95	\$ (201.92)	
Deductions from Rev	(64,780,297)	(60,196,380)	(4,583,917)	U	(5,982,978)	1,399,061	(4,784.72)	(4,888.05)	103.34	
Net Patient Revenue	31,143,814	29,542,349	1,601,465	F	2,936,243	(1,334,778)	2,300.30	2,398.89	(98.59)	
Other Oper Revenue	879,354	848,479	30,875	F	84,331	(53,456)	64.95	68.90	(3.95)	
Total Net Revenue	32,023,168	30,390,828	1,632,340	F	3,020,574	(1,388,234)	2,365.25	2,467.79	(102.54)	
Expenses:										
Salaries, Wages & Contr Labor	15,076,174	13,992,843	(1,083,331)	U	(1,390,762)	307,431	1,113.54	1,136.24	22.71	
Benefits	2,946,012	3,454,472	508,460	F	(343,343)	851,803	217.59	280.51	62.91	
Supplies	5,347,858	5,016,992	(330,866)	U	(498,644)	167,778	395.00	407.39	12.39	
Prof Fees & Purch Svc	4,559,474	3,950,029	(609,445)	U	(392,597)	(216,848)	336.77	320.75	(16.02)	
Depreciation	1,542,906	1,435,958	(106,948)	U	(142,721)	35,773	113.96	116.60	2.64	
Other	1,696,451	1,694,297	(2,154)	U	(168,398)	166,244	125.30	137.58	12.28	
PPH Allocation	-	1	(2,154)	U	(0)	1	-	0.00	0.00	
Total Expenses	31,168,875	29,544,592	(1,624,283)	U	(2,936,466)	1,312,183	2,302.15	2,399.07	96.92	
Net Inc Before Non-Oper Income	854,293	846,236	8,057	F	84,108	(76,051)	63.10	68.72	(5.62)	
Property Tax Revenue	908,333	908,333	-	-	90,280	(90,280)	67.09	73.76	(6.67)	
Non-Operating Income	(15,404)	(168,307)	152,903	F	(16,728)	169,631	(1.14)	(13.67)	12.53	
Net Income (Loss)	\$ 1,747,222	\$ 1,586,262	\$ 160,960	F	\$ 157,660	\$ 3,300	\$ 129.05	\$ 128.81	\$ 0.24	
Net Income Margin	4.9%	4.9%	0.0%							
OEBITDA Margin w/o Prop Tax	6.8%	7.0%	-0.2%							
OEBITDA Margin with Prop Tax	9.4%	9.9%	-0.5%							

F = Favorable variance
U = Unfavorable variance

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Palomar Pomerado Health
STATEMENTS OF CASH FLOWS
Fiscal Year 2006

	<u>March</u>	<u>YTD</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (Loss from operations)	\$ 854,293	\$ 2,258,492
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation Expense	1,542,906	13,226,085
Provision for bad debts	4,166,929	23,833,954
Changes in operating assets and liabilities		
Patient accounts receivable	(4,481,015)	(25,574,733)
Property Tax and other receivable	(781,755)	(11,664,440)
Inventories	16,209	(222,014)
Prepaid expenses and Other Non-Current asset	(369,609)	(740,849)
Accounts payable	727,876	(2,183,816)
Accrued comp	1,408,979	(640,151)
Estimated settlement amounts due third-party payor	(955,786)	2,188,859
Other current liabilities	641,519	12,877,826
Net cash provided by operating activities	<u>2,770,546</u>	<u>13,359,217</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (purchases) sales on investment	25,258,397	(62,783,011)
Interest (Loss) received on investment	428,910	2,706,612
Investment in affiliate	12,921	211,717
Net cash used in investing activities	<u>25,700,228</u>	<u>(59,864,682)</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:		
Other	0	0
Receipt of G.O. Bond Taxes	222,645	5,343,863
Receipt of District Taxes	262,080	7,071,838
Net cash used in activities	<u>484,725</u>	<u>12,415,701</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of property plant and equipment	(31,138,320)	(50,534,806)
Proceeds from sale of asset	0	781,634
G.O. Bond Interest paid	0	(2,083,619)
Revenue Bond Interest paid	0	(2,126,354)
Proceeds from issuance of debt	0	82,185,607
Payments of LT Debt	0	(6,125,000)
Net cash used in activities	<u>(31,138,320)</u>	<u>22,097,462</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,182,821)	(11,992,302)
CASH AND CASH EQUIVALENTS - Beginning of period	2,853,592	12,663,073
CASH AND CASH EQUIVALENTS - End of period	<u>\$ 670,771</u>	<u>\$ 670,771</u>

PALOMAR POMERADO HEALTH
A California Health Care District
Investment Fund Balances
Quarterly Report

Investment Account	Interest Payable	Interest Rate	Maturity Date	March 31, 2006	Dec. 31, 2005	IN/(DE)CREASE
Fidelity-Institutional Portfolio Treasury Fund	Monthly	4.50%	Demand	\$ 907,635	\$ 898,221	\$ 9,414
State Treasurer Local Agency Investment Fund	Quarterly	4.03%	Demand	22,786,529	15,131,034	7,655,495
Maxicare Health Plans, Inc.	N/A	N/A	Demand	4	4	0
Salomon Brothers	Various	Various	Various	31,136,221	31,200,410	(64,189)
Pacific Income Advisors, Inc.	Various	Various	Various	30,050,949	29,977,491	73,458
Morgan Stanley & Co.	Various	Various	Various	55,201,312	54,815,551	385,761
TOTAL INVESTMENTS AT CURRENT FAIR MARKET VALUE				\$ 140,082,650	\$ 132,022,711	\$ 8,059,939
ACCRUED INTEREST INCOME RECEIVABLE				1,333,542	1,021,813	311,729
Bank of America - Cash in Checking/COR Acct				10,871	322,101	(311,230)
TOTAL VALUE OF INVESTMENT PORTFOLIO				\$ 141,427,063	\$ 133,366,625	\$ 8,060,438
INVESTMENTS						
COMPARATIVE						
03/06	\$140,082,650			\$ 141,141,469	\$ 133,082,401	\$ 8,059,068
03/05	\$130,365,773			285,594	284,224	1,370
03/04	\$151,512,216			\$ 141,427,063	\$ 133,366,625	\$ 8,060,438
03/03	\$139,732,611					

PALOMAR POMERADO HEALTH BOND COVENANT RATIOS

CUSHION RATIO	Jun-04	Jun-05	Mar-06
Cash and Cash Equivalents	140,057,417	109,043,208	120,956,749
Board Designated Reserves	27,374,261	22,388,648	19,936,985
Trustee-held Funds	11,853,970	12,026,055	11,402,132
Total	179,285,648	143,457,911	152,295,866

Divided by:			
Max Annual Debt Service (Bond Year 2012)	10,697,594	10,697,594	10,697,594

CUSHION RATIO	16.8	13.4	14.2
REQUIREMENT	1.5	1.5	1.5
	Achieved	Achieved	Achieved

DAYS CASH ON HAND	Jun-04	Jun-05	Mar-06
Cash and Cash Equivalents	140,057,417	109,043,208	120,956,749
Board Designated Reserves	27,374,261	22,388,648	19,936,985
Total	167,431,678	131,431,856	140,893,734

Divide Total by Average Adjusted Expenses per Day			
Total Expenses	311,614,910	340,338,156	268,855,680
Less: Depreciation	14,546,550	16,394,985	13,226,086
Adjusted Expenses	297,068,360	323,943,171	255,629,594

Number of days in period	366	365	274
Average Adjusted Expenses per Day	811,662	887,516	932,955

DAYS CASH ON HAND	206	148	151
REQUIREMENT	90	90	90
	Achieved	Achieved	Achieved

Net Income Available for Debt Service	Jun-04	Jun-05	Mar-06
Excess of revenue over expenses Cur Mo.	2,905,196	1,490,930	1,747,222
Excess of revenues over expenses YTD (General Funds)	16,053,177	17,052,649	9,627,775
ADD:			
Depreciation and Amortization	14,546,550	16,394,985	13,226,086
Interest Expense	5,581,454	5,272,031	3,763,951
Net Income Available for Debt Service	36,181,181	38,719,665	26,617,812

Aggregate Debt Service	Jun-04	Jun-05	Mar-06
1993 Insured Refunding Revenue Bonds	6,017,132	6,020,301	3,027,625
1999 Insured Refunding Revenue Bonds	4,357,728	4,356,844	4,888,514
Aggregate Debt Service	10,374,860	10,377,145	7,916,139

Net Income Available for Debt Service	3.49	3.73	3.36
Required Coverage	1.15	1.15	1.15
	Achieved	Achieved	Achieved

Financial Statements

March 2006

Melanie Van Winkle
Corporate Controller
April 25, 2006

PALOMAR POMERADO HEALTH



**PALOMAR POMERDO HEALTH
SUMMARY OF KEY INDICATORS AND RESULTS
FISCAL YEAR TO DATE - MARCH 2006**

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>FY 2005</u>
<u>ADMISSIONS - Acute:</u>				
Palomar Medical Center	16,205	15,615	590	15,695
Pomerado Hospital	5,130	5,173	(43)	5,093
Total:	<u>21,335</u>	<u>20,788</u>	<u>547</u>	<u>20,788</u>
<u>ADMISSIONS - SNF:</u>				
Palomar Medical Center	466	399	67	372
Pomerado Hospital	453	620	(167)	505
Total:	<u>919</u>	<u>1,019</u>	<u>(100)</u>	<u>877</u>
<u>PATIENT DAYS - Acute:</u>				
Palomar Medical Center	64,333	62,047	2,286	62,057
Pomerado Hospital	21,046	19,708	1,338	18,965
Total:	<u>85,379</u>	<u>81,755</u>	<u>3,624</u>	<u>81,022</u>
<u>PATIENT DAYS- SNF:</u>				
Palomar Medical Center	22,887	24,422	(1,535)	23,938
Pomerado Hospital	33,989	32,332	1,657	31,795
Total:	<u>56,876</u>	<u>56,754</u>	<u>122</u>	<u>55,733</u>

PALOMAR POMERDO HEALTH
SUMMARY OF KEY INDICATORS AND RESULTS
FISCAL YEAR TO DATE - MARCH 2006

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>FY 2005</u>
<u>WEIGHTED PATIENT DAYS:</u>				
Palomar Medical Center	79,843	76,869	2,974	78,298
Pomerado Hospital	32,093	29,831	2,262	29,741
Other Activities	1,616	2,142	(526)	1,965
Total:	113,552	108,842	4,710	110,004
<u>AVERAGE LENGTH OF STAY- Acute:</u>				
Palomar Medical Center	4.05	4.07	(0.02)	4.04
Pomerado Hospital	3.72	3.81	(0.09)	3.72
Total:	3.97	4.00	(0.03)	3.96
<u>AVERAGE LENGTH OF STAY - SNF:</u>				
Palomar Medical Center	50.44	50.44	-	49.47
Pomerado Hospital	28.78	29.55	(0.77)	27.98
Total:	40.05	37.95	2.10	36.98



**PALOMAR POMERDO HEALTH
SUMMARY OF KEY INDICATORS AND RESULTS
FISCAL YEAR TO DATE - MARCH 2006**

	ACTUAL	BUDGET	VARIANCE	FY 2005
<u>EMERGENCY ROOM VISITS & TRAUMA CASES:</u>				
Palomar Medical Center	31,863	30,865	998	30,770
Pomerado Hospital	16,568	15,716	852	15,688
Total:	48,431	46,581	1,850	46,458
<u>EMERGENCY & TRAUMA ADMISSIONS:</u>				
Palomar Medical Center	8,337	7,619	718	7,549
Pomerado Hospital	2,876	2,458	418	2,556
Total:	11,213	10,077	1,136	10,105
<u>SURGERIES:</u>				
Palomar Medical Center	5,860	6,204	(344)	6,042
Pomerado Hospital	2,912	3,050	(138)	2,821
Total:	8,772	9,254	(482)	8,863
<u>BIRTHS:</u>				
Palomar Medical Center	3,219	3,413	(194)	3,325
Pomerado Hospital	839	911	(72)	896
Total:	4,058	4,324	(266)	4,221

Palomar Pomerado Health



**PALOMAR POMERADO HEALTH
CONSOLIDATED
MTD 2006
MAR 2006**

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

	Actual	Budget	Variance
Admissions - Acute	2,452	2,352	100
Admissions - SNF	120	115	5
Patient Days - Acute	10,057	9,250	807
Patient Days - SNF	6,359	6,421	(62)
LOS - Acute	3.97	4.00	(0.03)
LOS - SNF	39.71	37.95	1.76
Weighted Pt Days	13,539	12,315	1,224

	Actual	Budget	Variance	Volume	Rate/Eff	Actual	Budget	Variance
Revenue:								
Gross Revenue	\$ 95,924,111	\$ 89,738,729	\$ 6,185,382	\$ 8,919,221	\$ (2,733,839)	\$ 7,085,02	\$ 7,286,95	\$ (201,92)
Deductions from Rev	(64,780,297)	(60,196,380)	(4,583,917)	(5,982,978)	1,399,061	(4,784,72)	(4,588,05)	103.34
Net Patient Revenue	31,143,814	29,542,349	1,601,465	2,936,243	(1,334,778)	2,300.30	2,398.89	(98.59)
Other Oper Revenue	879,354	848,479	30,875	84,331	(53,456)	64.95	68.90	(3.95)
Total Net Revenue	32,023,168	30,390,828	1,632,340	3,020,574	(1,388,234)	2,365.25	2,467.79	(102.54)
Expenses:								
Salaries, Wages & Contr Labor	15,076,174	13,992,843	(1,083,331)	(1,390,762)	307,431	1,113.54	1,136.24	22.71
Benefits	2,946,012	3,454,472	508,460	(343,343)	851,803	217.59	280.51	62.91
Supplies	5,347,858	5,016,992	(330,866)	(498,644)	167,778	395.00	407.39	12.39
Prof Fees & Purch Svc	4,559,474	3,950,029	(609,445)	(392,597)	(216,848)	336.77	320.75	(16.02)
Depreciation	1,542,906	1,435,958	(106,948)	(142,721)	35,773	113.96	116.60	2.64
Other	1,696,451	1,694,297	(2,154)	(168,398)	166,244	125.30	137.58	12.28
PPH Allocation	-	1	1	(0)	1	-	0.00	0.00
Total Expenses	31,168,875	29,544,592	(1,624,283)	(2,936,466)	1,312,183	2,302.15	2,399.07	96.92
Net Inc Before Non-Oper Income	854,293	846,236	8,057	84,108	(76,051)	63.10	68.72	(5.62)
Property Tax Revenue	908,333	908,333	-	90,280	(90,280)	67.09	73.76	(6.67)
Non-Operating Income	(15,404)	(168,307)	152,903	(16,728)	169,631	(1.14)	(13.67)	12.53
Net Income (Loss)	\$ 1,747,222	\$ 1,586,262	\$ 160,960	\$ 157,660	\$ 3,300	\$ 129.05	\$ 128.81	\$ 0.24
Net Income Margin	4.9%	4.9%	0.0%					
OEBITDA Margin w/o Prop Tax	6.8%	7.0%	-0.2%					
OEBITDA Margin with Prop Tax	9.4%	9.9%	-0.5%					

F= Favorable variance
U= Unfavorable variance



Palomar Pomerado Health

PALOMAR POMERADO HEALTH
 CONSOLIDATED
 FYTD 2006
 MAR 06

	Month Activity		Variance	Variance			\$/Wtg Pt Day		
	Actual	Budget		Volume	Rate/Eff	Actual	Budget	Variance	
Statistics:									
Admissions - Acute	21,335	20,788	547						
Admissions - SNF	919	1,019	(100)						
Patient Days - Acute	85,379	81,755	3,624						
Patient Days - SNF	56,876	56,754	122						
LOS - Acute	3.97	4.00	(0.03)						
LOS - SNF	40.05	37.95	2.10						
Weighted Pt Days	113,552	108,842	4,710						
Revenue:									
Gross Revenue	\$ 831,501,290	\$ 793,249,778	\$ 38,251,512	F	\$ 3,924,630	\$ 7,322.65	\$ 7,288.09	\$ 34.56	
Deductions from Rev	(566,974,218)	(532,107,669)	(34,866,549)	U	(11,840,262)	(4,993.08)	(4,888.81)	(104.27)	
Net Patient Revenue	264,527,072	261,142,109	3,384,963	F	(7,915,632)	2,329.57	2,399.28	(69.71)	
Other Oper Revenue	6,587,103	7,636,311	(1,049,208)	U	330,452	58.01	70.16	(12.15)	
Total Net Revenue	271,114,175	268,778,420	2,335,755	F	11,631,046	2,387.58	2,469.44	(81.86)	
Expenses:									
Salaries, Wages & Contr Labor	128,712,800	123,718,662	(4,994,138)	U	(5,353,769)	1,133.51	1,136.68	3.17	
Benefits	30,314,906	30,543,233	(228,327)	F	(1,321,720)	266.97	280.62	(13.65)	
Supplies	46,913,224	44,343,346	(2,569,878)	U	(1,918,902)	413.14	407.41	(5.73)	
Prof Fees & Purch Svc	34,643,811	35,163,248	(519,437)	F	(1,521,645)	305.09	323.07	(17.97)	
Depreciation	13,226,086	12,881,130	(344,956)	U	(557,415)	116.48	118.35	(1.87)	
Other	15,044,853	15,106,440	(61,587)	F	(653,712)	132.49	138.79	(6.30)	
PPH Allocation	-	3	3	F	(0)	-	0.00	0.00	
Total Expenses	268,855,680	261,756,062	(7,099,618)	U	(11,327,163)	2,367.69	2,404.92	37.23	
Net Inc Before Non-Oper Income	2,258,495	7,022,358	(4,763,863)	U	303,884	19.89	64.52	(44.63)	
Property Tax Revenue	8,174,997	8,174,997	-	-	353,763	71.99	75.11	(3.12)	
Non-Operating Income	(805,717)	(1,514,763)	709,046	F	(65,549)	(7.10)	(13.92)	6.82	
Net Income (Loss)	\$ 9,627,775	\$ 13,682,592	\$ (4,054,819)	U	\$ 592,097	\$ 84.79	\$ 125.71	\$ (40.92)	
Net Income Margin	3.3%	4.8%	-1.5%						
OEBITDA Margin w/o Prop Tax	5.4%	7.0%	-1.6%						
OEBITDA Margin with Prop Tax	8.2%	9.8%	-1.6%						

F = Favorable variance
 U = Unfavorable variance

Palomar Pomerado Health



**PALOMAR POMERADO HEALTH
CONSOLIDATED
Actual Mar 06 YTD + 3 Month Budget
FY06 Projection**

	Actual		Budget		Variance		Rate/Eff		Variance		\$/Wtg Pt Day	
									Volume		Actual	Budget
Statistics:												
Admissions - Acute	28,233	27,686	547									
Admissions - SNF	1,258	1,358	(100)									
Patient Days - Acute	112,527	108,903	3,624									
Patient Days - SNF	75,721	75,599	122									
Weighted Pt Days	149,695	144,985	4,710									
Revenue:												
Gross Revenue	\$ 1,095,038,942	\$ 1,056,787,431	\$ 38,251,511	F	\$ 3,920,588		\$ 7,315.13	\$ 7,288.94				
Deductions from Rev	(743,752,721)	(708,886,173)	(34,866,548)	U	(11,837,587)		(4,968.45)	(4,899.38)				
Net Patient Revenue	351,286,221	347,901,258	3,384,963	F	(7,916,999)		2,346.68	2,398.57				
Other Oper Revenue	9,132,540	10,181,748	(1,049,208)	U	(1,379,973)		61.01	70.23				
Total Net Revenue	360,418,761	358,083,006	2,335,755	F	(9,296,972)		2,407.69	2,469.79				
Expenses:												
Salaries, Wages & Contr Labor	169,800,959	164,806,821	(4,994,138)	U	359,796		1,134.31	1,136.72				
Benefits	40,458,873	40,687,200	228,327	F	1,550,096		270.28	280.63				
Supplies	61,643,719	59,073,841	(2,569,878)	U	(650,798)		411.80	407.45				
Prof Fees & Purch Svc	46,339,093	46,858,531	519,438	F	2,041,690		399.56	323.20				
Depreciation	17,533,960	17,189,004	(344,956)	U	213,448		117.13	118.56				
Other	20,070,855	20,132,441	61,586	F	(654,025)		134.08	138.86				
PPH Allocation	-	2	2	F	(0)		-	0.00				
Total Expenses	355,847,459	348,747,840	(7,099,621)	U	(11,329,464)		2,377.15	2,405.41				
Net Inc Before Non-Oper Income	4,571,302	9,335,166	(4,763,865)	U	(5,067,127)		30.54	64.39				
Property Tax Revenue	10,899,996	10,899,996	-	-	(354,099)		72.81	75.18				
Non-Operating Income	(1,310,638)	(2,019,684)	709,046	F	774,658		(8.78)	(13.93)				
Net Income (Loss)	\$ 14,160,660	\$ 18,215,478	\$ (4,054,819)	U	(4,646,568)		\$ 94.60	\$ 125.64				
Net Income Margin	3.7%	4.8%	-1.1%									
OEBITDA Margin w/o Prop Tax	5.8%	7.0%	-1.2%									
OEBITDA Margin with Prop Tax	8.6%	9.8%	-1.2%									

F= Favorable variance
U= Unfavorable variance



Palomar Pomerado Health
Consolidated Balance Sheet
As of March 31, 2006

	Current Month	Prior Month	Prior Fiscal Year End
Assets			
Current Assets			
Cash on Hand	\$670,771	\$2,853,592	\$12,663,073
Cash Marketable Securities	120,285,978	109,197,573	96,380,135
Total Cash & Cash Equivalents	120,956,749	112,051,165	109,043,208
Patient Accounts Receivable	161,407,207	160,591,606	190,388,774
Allowance on Accounts	-89,864,055	-89,362,541	-120,586,401
Net Accounts Receivable	71,543,152	71,229,065	69,802,373
Inventories	6,542,965	6,559,174	6,320,951
Prepaid Expenses	2,541,761	2,172,152	2,383,903
Other	6,255,195	5,294,367	828,210
Total Current Assets	207,839,822	197,305,923	188,378,645
Non-Current Assets			
Restricted Assets	53,350,763	86,930,158	12,026,055
Restricted by Donor	285,594	285,594	281,473
Board Designated	19,936,985	22,704,392	22,388,648
Total Restricted Assets	73,573,342	109,920,144	34,696,176
Property Plant & Equipment	325,625,782	327,318,264	337,484,770
Accumulated Depreciation	-216,695,069	-217,113,247	-218,491,576
Construction in Process	77,249,434	46,304,657	28,023,698
Net Property Plant & Equipment	186,180,147	156,509,674	147,016,892
Investment in Related Compar	6,478,419	6,364,360	6,175,837
Deferred Financing Costs	3,325,959	3,326,206	2,311,702
Other Non-Current Assets	1,169,307	1,182,228	1,274,318
Total Non-Current Assets	270,727,174	277,302,613	191,474,925
Total Assets	\$478,566,995	\$474,608,535	\$379,853,570
Liabilities			
Current Liabilities			
Accounts Payable	\$15,084,488	\$14,356,612	\$18,090,054
Accrued Payroll	18,355,006	17,143,475	19,511,491
Accrued PTO	10,728,529	10,531,081	10,212,195
Accrued Interest Payable	2,501,814	1,891,233	708,785
Current Portion of Bonds	12,745,000	12,745,000	6,125,000
Est Third Party Settlements	-2,333,192	-1,377,406	-4,522,951
Other Current Liabilities	11,345,292	11,812,106	8,642,463
Total Current Liabilities	68,426,937	66,902,101	56,787,937
Long Term Liabilities			
Bonds & Contracts Payable	151,272,152	151,247,070	79,819,688
General Fund Balance			
Unrestricted	238,645,327	233,466,899	220,595,825
Restricted for Other Purpose	285,594	285,594	281,473
Board Designated	19,936,985	22,704,392	22,388,648
Total Fund Balance	258,867,906	256,456,885	243,265,946
Total Liabilities / Fund Balance	\$478,566,995	\$474,608,535	\$379,853,570

Palomar Pomerado Health



Palomar Pomerado Health
Balanced Scorecard
Financial Indicators
March 31, 2006

	December		January		February		March		YTD 2006		% Actual to Bud/PLY
	Actual		Actual		Actual		Actual		Actual	Variance	

PPH Indicators:

OEBITDA Margin w/Prop Tax Expenses/Wtd Day
SWB/Wtd Day
Prod FTE's/Adj Occupied Bed
Weighted Patient Days

5.8%	9.6%	9.0%	9.4%	9.9%	-0.5%	
\$ 2,365.25	\$ 2,332.54	\$ 2,507.56	\$ 2,333.17	\$ 2,432.74	\$ 99.57	
\$ 1,361.76	\$ 1,346.58	\$ 1,470.53	\$ 1,331.13	\$ 1,416.75	\$ 85.62	
5.88	6.08	6.06	5.95	6.17	0.22	
13,089	13,278	12,083	13,539	12,226	1,313	

PPH North Indicators:

OEBITDA Margin w/Prop Tax Expenses/Wtd Day
SWB/Wtd Day
Prod FTE's/Adj Occupied Bed
Weighted Patient Days

5.6%	12.3%	10.2%	10.1%	11.9%	-1.8%	
\$ 2,243.09	\$ 2,250.84	\$ 2,452.12	\$ 2,258.43	\$ 2,306.47	\$ 48.04	
\$ 1,144.45	\$ 1,122.55	\$ 1,225.03	\$ 1,118.84	\$ 1,180.75	\$ 61.91	
4.94	5.07	5.20	5.06	5.09	0.03	
9,269	9,345	8,261	9,354	8,576	778	

PPH South Indicators:

OEBITDA Margin w/Prop Tax Expenses/Wtd Day
SWB/Wtd Day
Prod FTE's/Adj Occupied Bed
Weighted Patient Days

3.1%	2.2%	7.0%	3.8%	1.4%	2.4%	
\$ 2,359.30	\$ 2,247.26	\$ 2,289.05	\$ 2,235.87	\$ 2,443.48	\$ 207.61	
\$ 1,230.71	\$ 1,156.12	\$ 1,225.33	\$ 1,143.02	\$ 1,261.88	\$ 118.86	
5.73	5.53	5.45	5.36	5.87	0.51	
3,606	3,772	3,653	4,003	3,481	522	

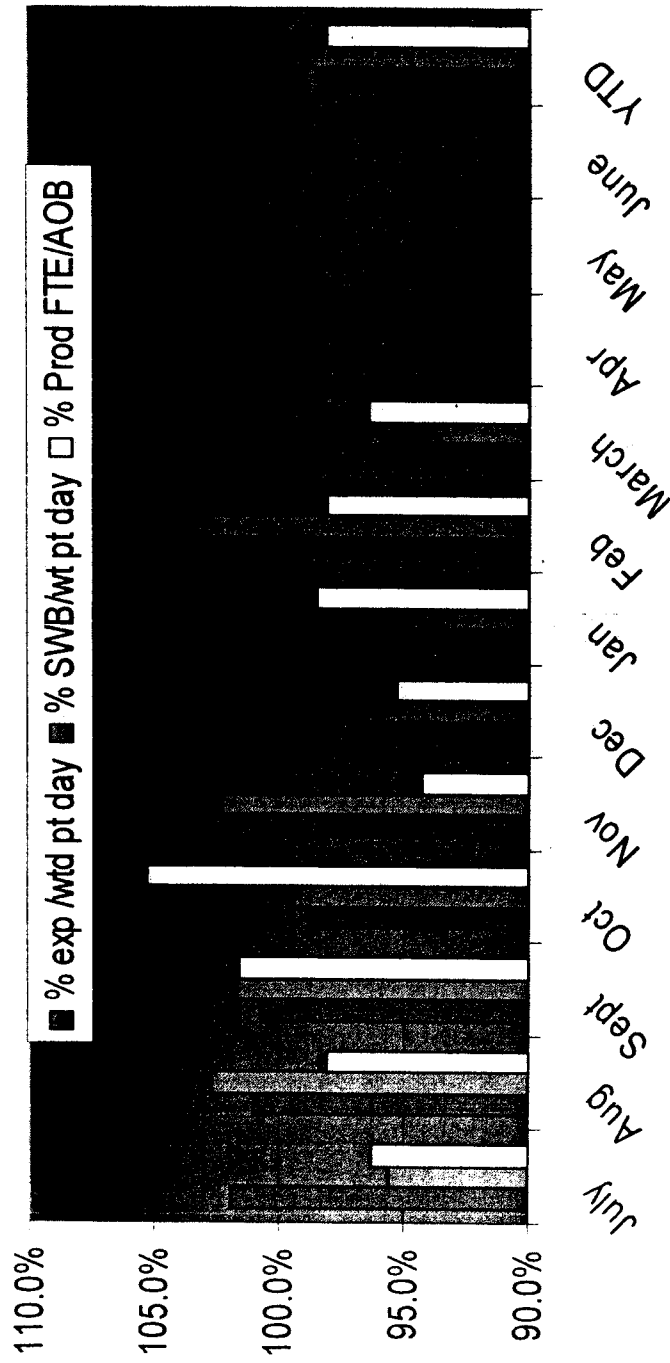
	YTD 2006		% Actual to Bud/PLY
	Actual	Variance	

8.2%	9.8%	-1.6%	
2,400.84	\$ 2,439.20	\$ 38.36	
1,400.48	\$ 1,417.30	\$ 16.82	
6.05	6.17	0.12	
113,552	110,004	3,548	

8.6%	11.8%	-3.2%	
2,297.93	\$ 2,312.08	\$ 14.15	
1,178.35	\$ 1,181.27	\$ 2.92	
5.11	5.10	(0.01)	100.2%
79,843	78,298	1,545	

5.0%	1.3%	3.7%	
2,346.79	\$ 2,449.52	\$ 102.73	
1,222.73	\$ 1,262.29	\$ 39.56	
5.63	5.88	0.25	
32,093	29,741	2,352	

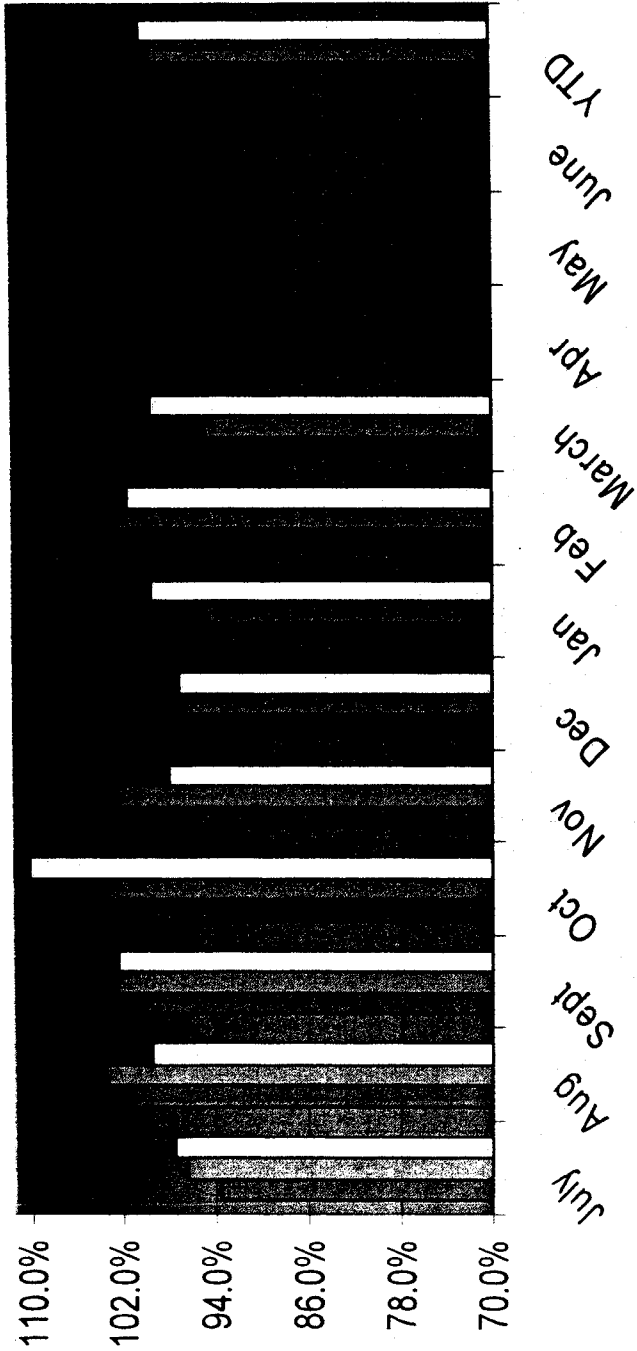
PPH Total Consolidated Financial Indicators BSC-FY06



100-
104%

PPH North Consolidated Financial Indicators BSC-FY06

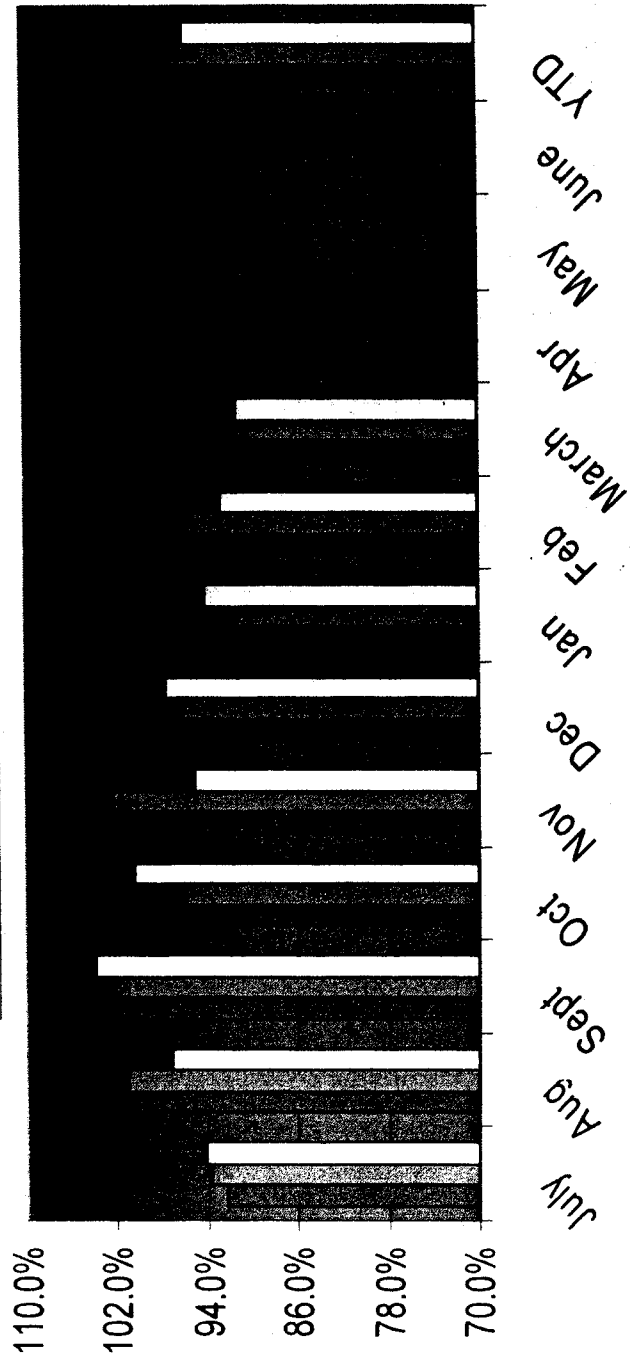
■ % exp /wtd pt day ■ % SWB/Mt pt day □ % Prod FTE/AOB



100-104%

PPH South Consolidated Financial Indicators BSC-FY06

■ % exp /wtd pt day ■ % SWB/wt pt day □ % Prod FTE/AOB

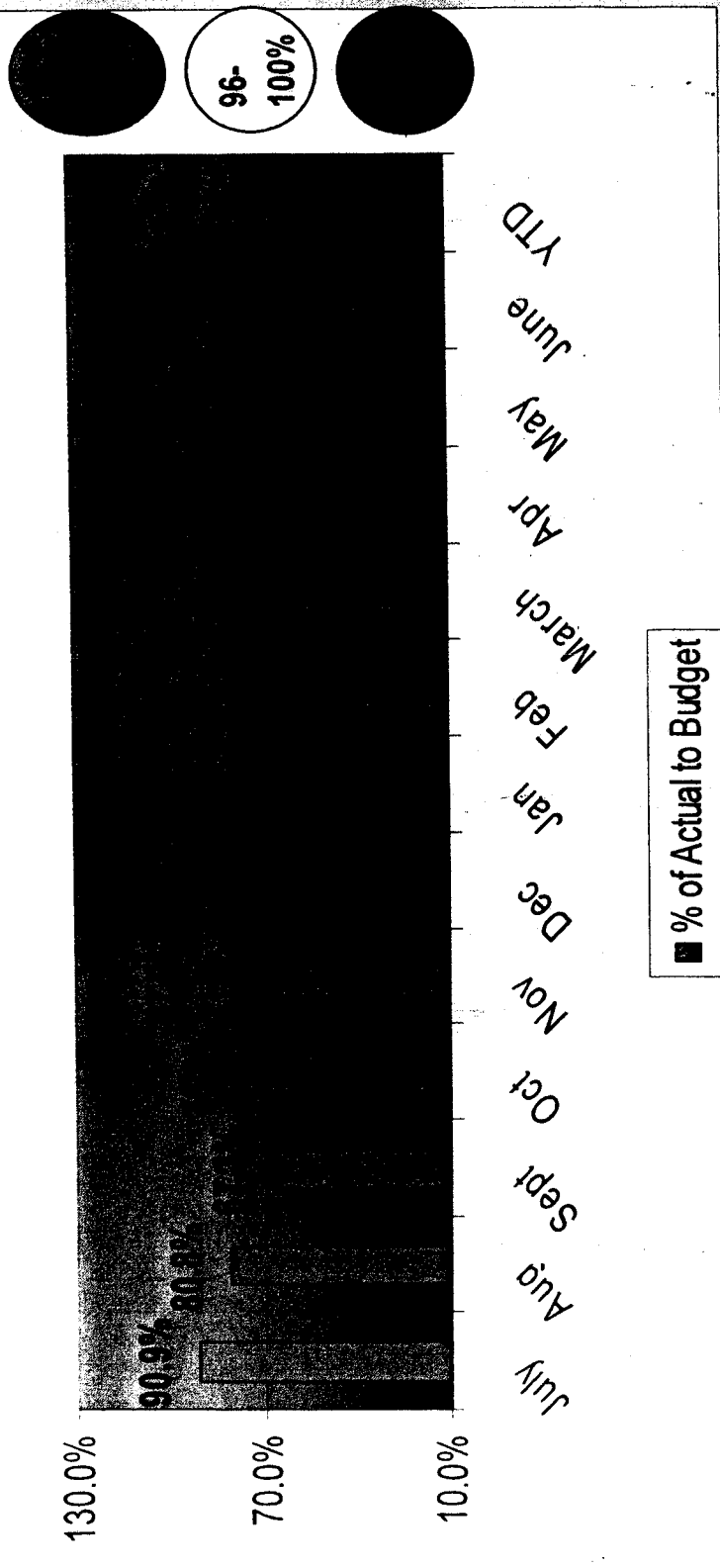


100-104%



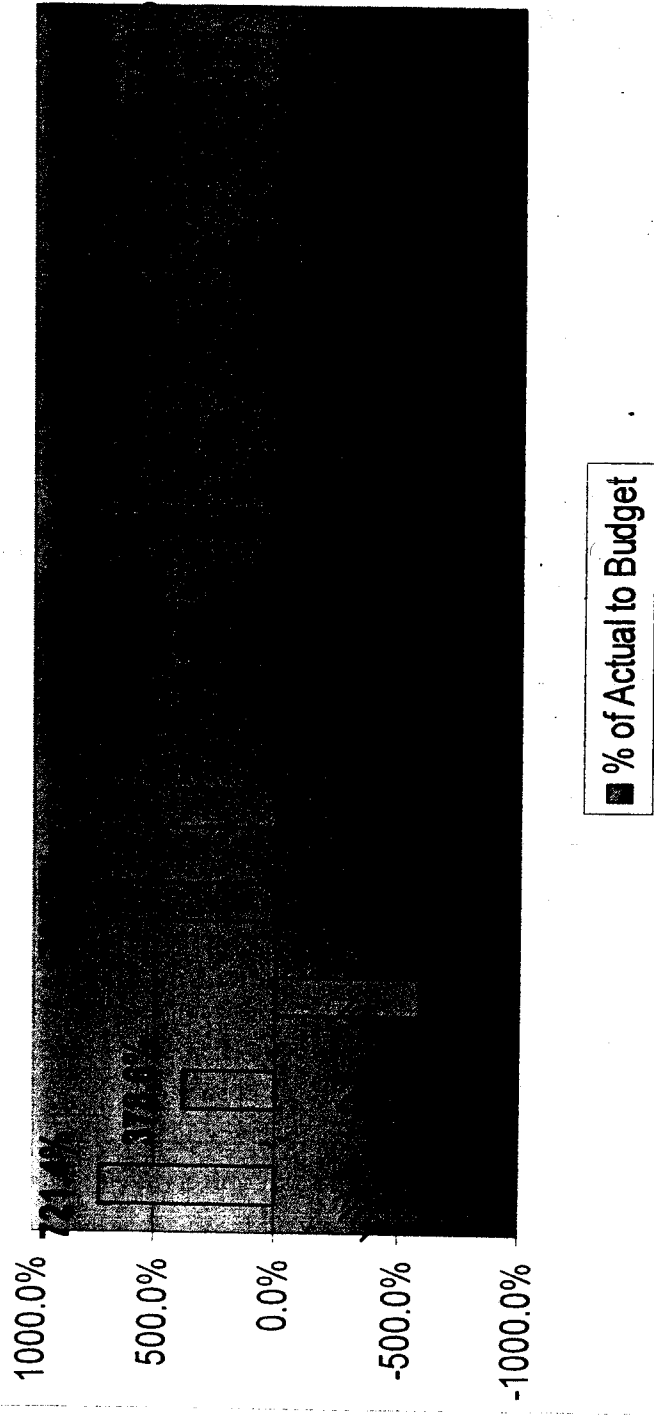
Palomar Pomerado Health

PPH Total Consolidated OEBITDA w/ Prop Taxes - FY06



Palomar Pomerado Health

PPH South Consolidated OEBITDA w/ Prop Taxes - FY06

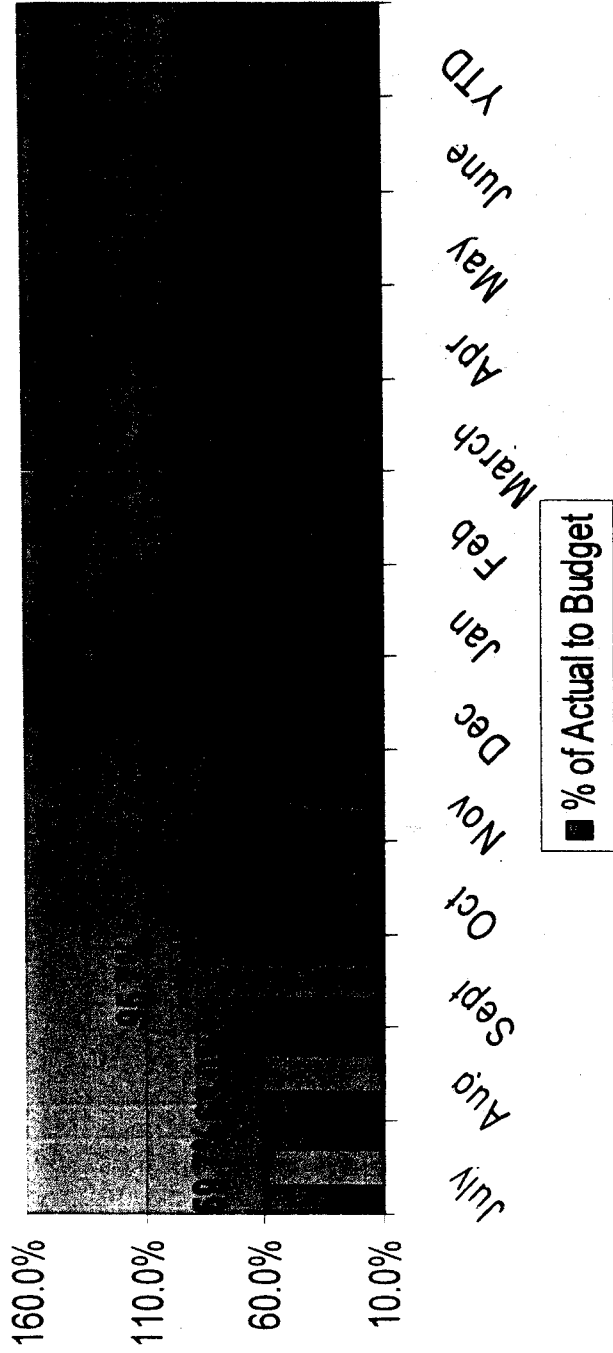


96 - 100%

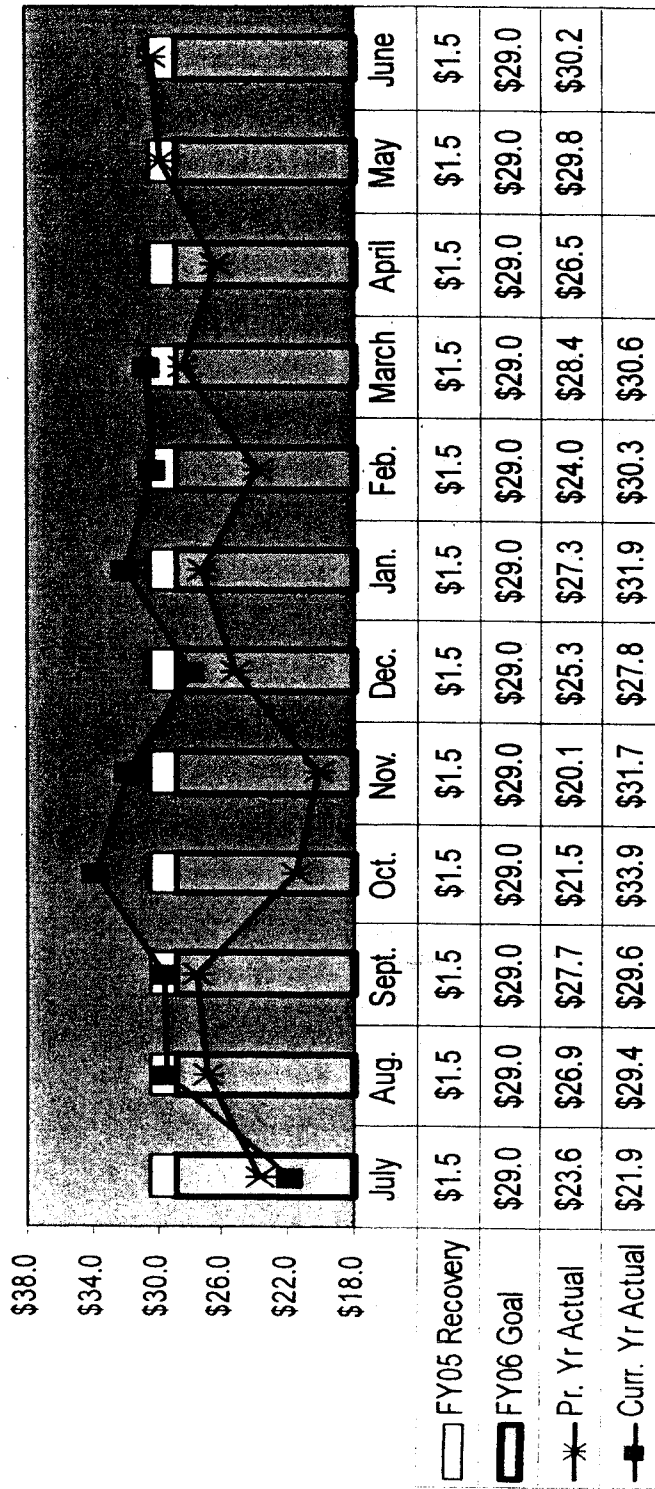
Palomar Pomerado Health



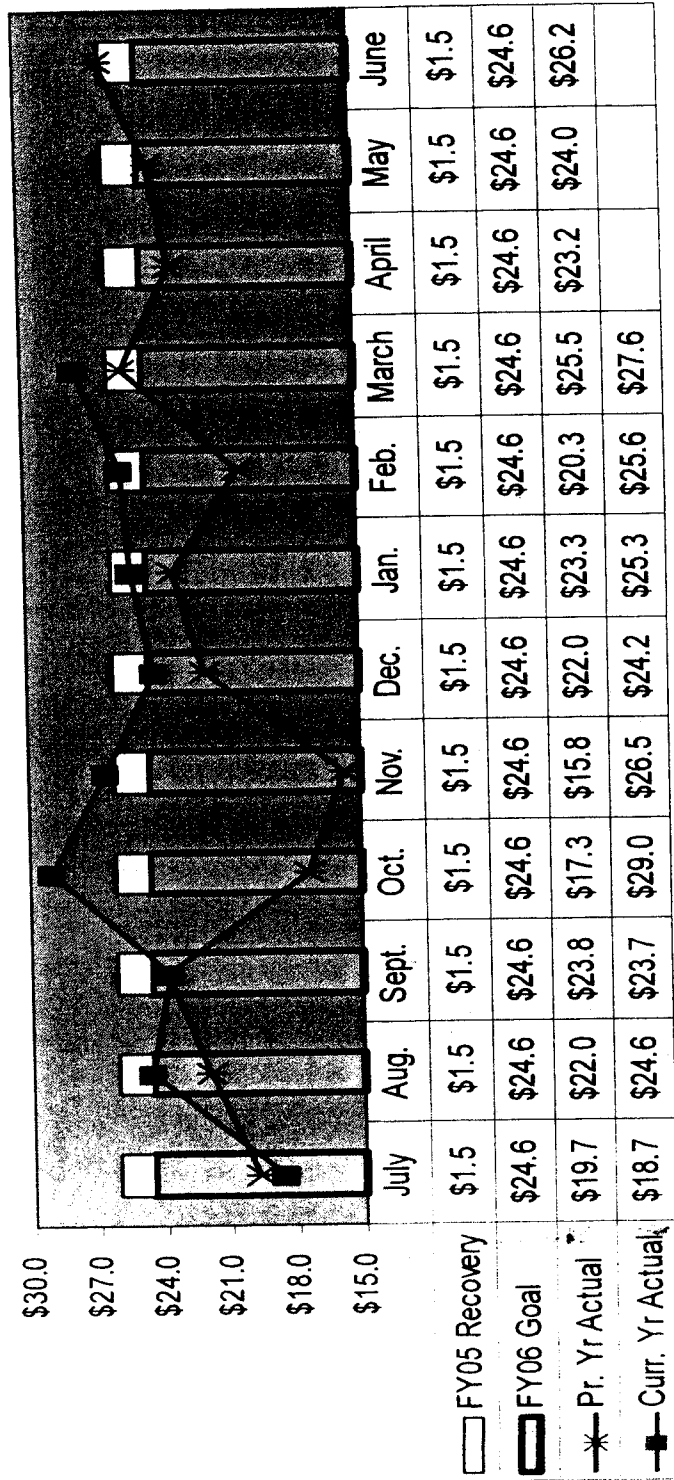
PPH North Consolidated OEBITDA w/ Prop Taxes - FY06



PPH Monthly Collections in Millions

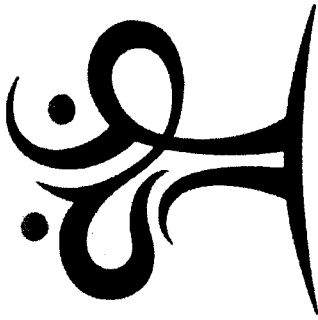


PBS Monthly Collections in Millions



Palomar Pomerado Health
STATEMENTS OF CASH FLOWS
Fiscal Year 2006

	<u>March</u>	<u>YTD</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income (Loss from operations)	\$ 854,293	\$ 2,258,492
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation Expense	1,542,906	13,226,085
Provision for bad debts	4,166,929	23,833,954
Changes in operating assets and liabilities:		
Patient accounts receivable	(4,481,015)	(25,574,733)
Property Tax and other receivables	(781,755)	(11,664,440)
Inventories	16,209	(22,014)
Prepaid expenses and Other Non-Current assets	(369,609)	(740,849)
Accounts payable	727,876	(2,183,816)
Accrued comp	1,408,979	(640,151)
Estimated settlement amounts due third-party payors	(955,786)	2,188,859
Other current liabilities	641,519	12,877,826
Net cash provided by operating activities	<u>2,770,546</u>	<u>13,359,217</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (purchases) sales on investments	25,258,397	(62,783,011)
Interest (Loss) received on investments	428,910	2,706,612
Investment in affiliates	12,921	211,717
Net cash used in investing activities	<u>25,700,228</u>	<u>(59,864,682)</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:		
Other	0	0
Receipt of G.O. Bond Taxes	222,645	5,343,863
Receipt of District Taxes	262,080	7,071,838
Net cash used in activities	<u>484,725</u>	<u>12,415,701</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of property plant and equipment	(31,138,320)	(50,534,806)
Proceeds from sale of asset	0	781,634
G.O. Bond Interest paid	0	(2,083,619)
Revenue Bond Interest paid	0	(2,126,354)
Proceeds from issuance of debt	0	82,185,607
Payments of LT Debt	0	(6,125,000)
Net cash used in activities	<u>(31,138,320)</u>	<u>22,097,462</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(2,182,821)</u>	<u>(11,992,302)</u>
CASH AND CASH EQUIVALENTS - Beginning of period	<u>2,853,592</u>	<u>12,663,073</u>
CASH AND CASH EQUIVALENTS - End of period	<u>\$ 670,771</u>	<u>\$ 670,771</u>



PALOMAR
POMERADO
HEALTH

Fiscal Year 2006
Six Month Financial Update
Update as of 3/31/06
Strategies & Issues Analysis



SUMMARY OF 1/26/06 TARGETED RECOVERY STRATEGIES

	Revenue Opportunities / (Concerns)	Expense Cost Savings	Revenue Related Expense	Total
Denials Management	\$ 500,000		\$	\$ 500,000
Targeted Case Mgmt	184,535			184,535
SNF Rate Increases	1,123,272			1,123,272
Acute Rehab	1,000,000		\$ (189,584)	810,416
Wound Care	666,878		(47,689)	619,189
Managed Care Audits	400,000			400,000
Mental Health	311,721		(100,000)	211,721
MAA Grant	300,000			300,000
Special Care Services	100,000			100,000
Cat Scans	365,000		(100,000)	265,000
Parkway/Gateway	(537,229)		(112,400)	(649,629)
Trauma Volume	(2,521,332)		1,809,522	(711,810)
Physician Recruitment		\$ 410,000		410,000
Supplies		600,000		600,000
Materials Mgmt Changes		200,000		200,000
Information Technology		300,000	(1,641,494)	(1,341,494)
Total Other Variances	206,449		470,230	676,679
Total	\$ 2,099,294	\$ 1,510,000	\$ 88,585	\$ 3,697,879



Strategy / Issue Analysis Impact as of 3/31/06

EMT Member	Name	Issues / Variance	Trend (Explanation/Discussion)	Status as of 3/31/06	Projected Expense Variance for 6 mos ended June 30	Projected Rev Variance for 6 months ended June 30
Opal Reinbold	Quality & Clinical Resource Management	Denials	Recovered to date: \$123,516. Estimated Appeals 1.2M; estimated recovery \$500,000.	\$ 242,000		\$ 500,000
			Targeted case management - Total possible reimbursement \$184,535.			\$ 184,535
Marcia Jackson	Physician Relations	Physician Recruitment	Two budgeted recruits won't arrive until the end of the fiscal year.	\$ 205,000	\$ 410,000	
Sheila Brown	Home Health	Wage Rate	Expected to continue - no opportunity to recover from wage rate issue which accounts for an annualized variance of \$270k. Remainder of variance due to efficiency	\$ (38,000)	\$ (76,631)	
	Acute Rehab	Net Revenue	Gross Revenue better than budget by \$2.658M; expenses only up by \$158k. Volume actually down by 365 days.	\$ 580,000		\$ 1,000,000
		Expense Variance		\$ -	\$ (189,584)	
	SNF		Rate Increases	\$ 433,000		\$ 1,123,272
	SNF	Rental Expense	Hillrom Beds renegotiated		\$ 60,840	
	Mental Health	Net Revenue	Part of unit closed due to construction; Susan said they will make up the current variance with volume.			\$ 311,721
		Expense Variance			\$ (100,000)	
	Wound Care	Net Revenue	Increase in volume - over by 2,368 procedures through November			\$ 666,878
	Private Home Care	Grant Hosting "Fee"	Will receive an administrative hosting fee for this grant		\$ (47,689)	\$ 44,000



Strategy / Issue Analysis Impact as of 3/31/06

EMT Member	Name	Issues / Variance	Trend (Explanation/Discussion)	Status as of 3/31-06	Projected Expense Variance for 6 mos ended June 30	Projected Rev Variance for 6 months ended June 30
Lorlie Shoemaker	Critical Care	Efficiency Variance	Best Productivity is 93% @ current census levels. Over by a total of 5.5 FTE's. Positive rate variance. After backing out variance due to education hours over what was budgeted, and assuming best productivity of 93%, still over by 2.66 FTE's. Staff added for OB coverage. These FTE's added after budget process complete.	\$ (116,000)	\$ (231,000)	\$ 98,000
	Surgery	Efficiency Variance				
	IMC	Efficiency Variance	Best productivity is approximately 80% on IMC unit. However, CCU will continue to make up for IMC unit as patients stay in CCU when 2nd floor IMC is not openend			
	CCU	Efficiency Variance	OFFSET TO IMC			
	Respiratory Therapy	Efficiency Variance	Lots of education due to therapists needing NICU training and new hires	\$ (25,000)	\$ (50,000)	
	Respiratory Therapy	Efficiency Variance	Some efficiencies between departments - Current YTD: +\$77,000			
	Med/Surg	Efficiency Variance	336 hours over each pay period for charge nurse. Education hours charged here for orientation of Tower 2 staff (1400 hours ytd). Not much education needed now.	\$ (55,000)	\$ (110,000)	
	NICU	Efficiency Variance	Same issues in NICU with volume and ALS staffing	\$ (36,000)	\$ (72,000)	
	Surg-Ortho	Efficiency Variance	Best productivity is 97% @ current census levels.	\$ (20,000)	\$ (40,000)	
	PACU	Efficiency Variance	Nurses not charging time appropriately to the IR and the IR patients are in the obs unit.			
	NICU	Efficiency Variance	Current YTD: -\$46,000 and 89% productive			
	IMC	Efficiency Variance	Current YTD: -\$45,000 and 92% productive			
	Med-Oncology	Efficiency Variance	Current YTD: -\$43,000 and 95% productive			
	Med/Surg	Efficiency Variance	Not a budgeted unit. Closed as often as possible.			
	Surgery Clinic	Efficiency Variance	Staff time not charged to surgery for surgical prep.	\$ (28,000)	\$ (56,000)	
	Surgery	Efficiency Variance	Current YTD: -\$17,241, 98%			



Strategy / Issue Analysis

Impact as of 3/31/06

EMT Member	Name	Issues / Variance	Trend (Explanation/Discussion)	Status as of 3/31/06	Projected Expense Variance for 6 mos ended June 30	Projected Rev Variance for 6 months ended June 30
	EEG	Efficiency Variance		\$ (20,000)	\$ (40,000)	
	Nursing Admin	Efficiency Variance	Sitters charged here.	\$ 11,000	\$ 22,665	
	Trauma	Efficiency Variance	YTD -\$14,999: 84% productivity	\$ (6,000)	\$ (12,000)	
	OP Obs	Efficiency Variance	Efficiency doesn't show up in this cost center, need to look at it in conjunction with ED	\$ (3,000)	\$ (6,000)	
	ED	Efficiency Variance	Positive Variance expected to continue	\$ 15,000	\$ 30,000	
	PACU	Efficiency Variance	Positive Variance expected to continue	\$ 5,000	\$ 10,000	
	Nursing Admin	Efficiency Variance	Positive Variance expected to continue	\$ 19,000	\$ 37,000	
	OP Obs	Efficiency Variance	Positive Variance expected to continue	\$ 5,000	\$ 10,000	
	ED	Efficiency Variance	Positive Variance expected to continue	\$ 21,000	\$ 41,000	
	Telemetry	Efficiency Variance	Positive Variance expected to continue	\$ 13,000	\$ 26,000	
	Nursing Admin	Efficiency Variance	Positive Variance expected to continue	\$ 5,000	\$ 10,000	
	LDRP	Efficiency Variance	Positive Variance expected to continue	\$ 3,000	\$ 5,000	
	LDRP	Efficiency Variance	Positive Variance expected to continue	\$ 23,000	\$ 45,000	
	Nurs Qual Educ	Efficiency Variance	Positive Variance expected to continue	\$ -	\$ -	
	Med/Surg	Efficiency Variance	Positive Variance expected to continue	\$ 55,000	\$ 110,000	
Gerald Bracht Parkway		Budgeted for Digital Mammo Revenue	Digital Mammography budgeted as if starting July 1. Not projected to be in place until May or June 2006.	\$ (233,000)		\$ (243,000)
		Redirect Services	Positive Expense Variance General Radiology and Fluoroscopy redirected to PMC	\$ 197,000	\$ (112,400)	
MRI		Utilization of Inhouse MRI: Savings from Payout + Transportation Costs	Utilization of MRI's to date are primarily inpatient. 310 procedures done in the last 5-6 weeks since opening. Only payers that reimb currently are PPO/EPO which account for 25 of the 310 total procedures. Cap also provides some benefit; total cap pat			
Parking		Maintenance	Can hold off on Parking repair		\$ 100,000	

FX



Strategy / Issue Analysis Impact as of 3/31/06

EMT Member	Name	Issues / Variance	Trend (Explanation/Discussion)	Status as of 3/31/06	Projected Expense Variance for 6 mos ended June 30	Projected Rev Variance for 6 months ended June 30
	Clinical Lab	Labor Variance	Staffing issue related to loss of CHC	\$ (87,000)	\$ (173,000)	
	Clinical Lab	Labor Variance	Staffing issue related to loss of CHC	\$ (42,000)	\$ (84,905)	
	Lab Pathology	Labor Variance	Staffing issue related to loss of CHC	\$ (36,000)	\$ (71,792)	
	CT	CT Volume	Growth in procedures	\$ 133,000	\$ (100,000)	\$ 365,000
	Pharmacy	Positive Prod Var		\$ 9,000	\$ 48,700	
	Trauma	Net Revenue Impact	Trauma cases down by 99 through Dec 05	\$ 1,300,000	\$ (2,521,332)	
		Expenses	Trauma cases down by 99 through Dec 05	\$ (1,100,000)	\$ 1,809,522	
	CVS					
Bob Hemker	Materials Mngmnt	Usage / Rate	Higher usage of more expensive medical supplies, including pharmaceuticals. Currently \$796,000 negative variance.	\$ (600,000)	\$ 600,000	
	Materials Mngmnt	Switching to VHA		\$ 20,000	\$ 100,000	
	Materials Mngmnt	Office Automation			\$ 100,000	
	Patient Accting	Efficiency Variance	Current Pay Period: +26,300 and 142%. Would expect them to maintain 100% productivity for remainder of the year.		\$ 96,600	
	PPNC Hlth Dev	Efficiency Variance	Budgeted staffing plan and actual staff differ		\$ (43,110)	
	Medical Records	Efficiency Variance	Current YTD: -\$17,000 96% Current Pay Period: +5,400 and 109%	\$ 9,000	\$ 17,229	



Strategy / Issue Analysis Impact as of 3/31/06

EMT Member	Name	Issues / Variance	Trend (Explanation/Discussion)	Status as of 3/31/06	Projected Expense Variance for 6 mos ended June 30	Projected Rev Variance for 6 months ended June 30
		MAA	Maybe accrued in this FY	\$ 630,000		\$ 300,000
		Capitation				\$ 1,000,000
		Managed Care Audits	Additional Revenue		\$ 250,000	\$ 400,000
		Reduction in Legal Expense				
Jim Flinn	Pomerado Hospital	Gateway Imaging	Expected to Continue unless program is redirected to Pomerado Hospital \$449,335 is annualized negative variance. Currently negative variance is at \$190,000 based on November '06 Financials. Logical areas of consolidation include Ultrasound and Fluoroscopy	\$ (147,000)	\$ 205,710	\$ (294,229)
	Pomerado Hospital and PMC	Structured Flexing Plan for Support departments Food Service and EVS.	Productivity is between 97-123%			
	Administration	Concierge Position	No negative Trend in this department currently \$11,000 over budget in salaries. Negative variance will be eliminated.	\$ 6,000	\$ 11,000	
	Administration	Strategic Planning and Marketing/Advisory Board	\$20,000 cost annually	\$ 10,000	\$ 20,000	
	Administration	Reduce Inpt. Ancillary Services	Currently \$647,000 negative to budget			\$ (647,000)
	Surgery	Reduction of one supervisor position until end of year.	No negative trend in this department	\$ 20,000	\$ 40,000	
	Surgery	Inpatient Surgical Volumes not meeting budget (Estimated Net Revenue)	Negative Variance of (196 cases) due to Kaiser overprojection. Annualized negative variance for Kaiser cases will be 283.	\$ (82,000)		\$ (164,653)

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Strategy / Issue Analysis Impact as of 3/31/06

EMT Member	Name	Issues / Variance	Trend (Explanation/Discussion)	Status as of 3/31/06	Projected Expense Variance for 6 mos ended June 30	Projected Rev Variance for 6 months ended June 30
	Surgery	Outpatient Volumes are significantly favorable to budget (Estimated Net Revenue)	Expenses Positive variance projected to continue. Currently favorable to budget by 135 cases. Annualized positive variance for OP surgical cases will be 327 cases.	\$ 12,000 \$ 37,000	\$ 24,333	\$ 74,101
	Med/Surg	New Special Care Service contract	Expenses Projection for first 4 months of service is at a net profit contribution of \$100,000. March '06-June '06.	\$ (33,000) \$ (55,000)	\$ (65,316)	\$ 100,000
Wailie George	PPH	Excessive / Incidental OT			\$ 140,000	
Steven Tanaka	Information Systems	Wages and Salaries- Positive Variance YTD of \$74,000 Salaries and Wages related to Software System upgrade Surginet Project	Positive variance due to CIO Vacancy, this positive variance is not expected to continue beyond Mid-End February 06. Salaries and wages for employees that will need to be backfilled to work on upgrade	\$ (99,000)	\$ (197,247)	
		Clerical/Administration Temp- Negative Variance YTD of \$36,547	Negative variance due to \$0 Budgeted in FY06 for Contract Labor. Incurring expense for backfill of open Operations/Help Desk positions with contract resources. Expect to fill all open positions by Mar. 06		\$ (150,000)	
		Professional Fees Consulting- Negative Variance YTD of \$216,000	Negative variance due to unbudgeted expense for Contract Oracle DBA, Cerner Surginet, HomeHealth Upgrade, Lawson consulting, Core IS Policies and Procedures, Email Replacement. Negative variance expected to increase with addition of unbudgeted cost for Ce	\$ (240,000)	\$ (804,000)	



Strategy / Issue Analysis Impact as of 3/31/06

EMT Member	Name	Issues / Variance	Trend (Explanation/Discussion)	Status as of 3/31/06	Projected Expense Variance for 6 mos ended June 30	Projected Rev Variance for 6 months ended June 30
	Information Services	Purchases Services Other- Positive variance YTD of \$300,000	Positive Variance due to reclassification of Cermer expenses to Capital. This trend is not expected to continue	\$ 300,000	\$ 300,000	
	Information Services	Other Direct Expenses Outside Training- Positive variance YTD of \$36,000	Positive Variance due to ramp of IS Personal development Plans. This trend is not expected to continue and should reverse over the balance of FY06 to budget.	\$ (18,000)	\$ (36,000)	
	Information Services	Other Direct Expenses Travel- Negative variance YTD of \$9,000	Negative Variance due to under budgeting for travel related to Outside Training. This trend is expected to continue as we develop skill set of IS resources.		\$ (57,200)	
	Information Services	Other Direct Expenses Mileage- Negative variance YTD of \$1,500	Negative Variance due to under budgeting for mileage absed on PPH policy. This trend is expected to continue.	\$ (1,000)	\$ (1,500)	
		Women's Conference	Annual Conference		\$ 123,125	\$ (100,000)
Gustavo Friederichsen	Marketing & Comm		Miscellaneous Reductions		\$ 30,000	
			Grand Total		1,598,585	2,099,294
			COMBINED IMPACT OF BACK TO BUDGET:	1,198,000		\$ 3,697,879

FB

**PALOMAR MEDICAL CENTER
ADMINISTRATIVE SERVICES AGREEMENTS
MEDICAL STAFF OFFICERS, DEPARTMENT CHAIRS, QMC CHAIR**

TO: Board of Directors
Monday, May 8, 2006

FROM: Board Finance Committee
Tuesday, April 25, 2006

BY: Gerald E. Bracht, Chief Administrative Officer

BACKGROUND: Palomar Medical Center Medical Staff Officers and Department Chairs are provided a stipend for services performed as required by the Medical Staff By-laws. These agreements serve to document the relationship of the medical staff officers and department chairs to PPH, and the duties to be performed as consideration for the stipend to assure compliance with Federal regulations.

Presented are two-year Administrative Services Agreements for the Medical Staff Officers, Department Chairs and QMC Chair (*Boiler-plate Agreements, with one full Agreement attached, followed by only those pages from the remaining Agreements that contain officer-specific differences*).

There are thirteen agreements for implementation at Palomar Medical Center:

- Chief of Staff – Robert D. Trifunovic, M.D.
- Chief of Staff Elect – John J. Lilley, M.D.
- Chairman, Department of Orthopaedics – Paul Milling, M.D.
- Chairman, Department of Medicine – John J. Lilley, M.D.
- Chairman, Department of Anesthesia – Pierre Lotzof, M.D.
- Chairman, Department of Emergency Medicine – Jaime Rivas, M.D.
- Chairman, Department of Family Practice – Nicholas Jauregui, M.D.
- Chairman, Department of Radiology – Gary Spoto, M.D.
- Chairman, Department of OB/GYN – Gregory Langford, M.D.
- Chairman, Department of Pediatrics – David Golembeski, M.D.
- Chairman, Department of Trauma – Thomas S. Velky, M.D.
- Chairman, Department of Pathology – Lachlan Macleay, M.D.
- Chairman, Quality Management Committee – Daniel Harrison, M.D.

The attached Agreement Abstract is the same for all thirteen Agreements.

BUDGET IMPACT: None.

STAFF RECOMMENDATION: Approval.

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION: The Board Finance Committee recommends approval of the two-year (**January 1, 2006 through December 31, 2007**) Administrative Services Agreements for the Medical Staff Officers, Department Chairs and QMC Chair at Palomar Medical Center.

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	January 1, 2006
	PARTIES	Medical Staff Officers and Department/QMC Chairs, Palomar Medical Center Medical Staff and PPH
	PURPOSE	To provide administrative services on behalf of Palomar Medical Center Medical Staff in accordance with Medical Staff Bylaws
	SCOPE OF SERVICES	As per duties defined in Exhibit 1.1 of the contract and Palomar Medical Center Medical Staff Bylaws
	PROCUREMENT METHOD	<input type="checkbox"/> Request For Proposal <input checked="" type="checkbox"/> Discretionary
	TERM	January 1, 2006 – December 31, 2007 - Chief of Staff, Chief of Staff Elect, Chair, Quality Management Committee, and Chairmen Departments of Orthopaedics, Medicine, Anesthesia, Emergency Medicine, Family Practice, Radiology, OB/GYN, Pediatrics, Trauma, and Pathology.
	RENEWAL	None
	TERMINATION	As described under §5.2 through §5.5
	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 checked="" type="checkbox"/> NO Methodology & Response: Elected by the Palomar Medical Center Medical Staff
	ALTERNATIVES/IMPACT	N/A
	DUTIES	Defined in Exhibit 1.1 as well as the Palomar Medical Center Medical Staff Bylaws.
	COMMENTS	Agreement templates were developed by legal counsel. The positions are voted upon by Active members of the Medical Staff.
	APPROVALS REQUIRED	<input checked="" type="checkbox"/> VP <input checked="" type="checkbox"/> CFO <input checked="" type="checkbox"/> CEO <input checked="" type="checkbox"/> BOD Committee <input checked="" type="checkbox"/> FINANCE <input checked="" type="checkbox"/> BOD

ADMINISTRATIVE SERVICES AGREEMENT

by and between

PALOMAR POMERADO HEALTH (“Hospital”)

and

ROBERT D. TRIFUNOVIC, 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 Robert D. Trifunovic, 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 Palomar Medical Center, an acute care hospital facility located in Escondido, California.

B. Practitioner is licensed to practice medicine in the State of California, board certified for the practice of medicine in the specialty of obstetrics/gynecology (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 Palomar Medical Center, 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 Palomar Medical Center’s providers and users.

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.
3. Survey of practitioner compensation prepared by Sullivancotter and Associates, Inc.

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 minimum of thirty (30) and a maximum of forty-eight (48) 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 5.4). 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, 2007 (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 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.

5.4 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 5.4(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.

5.5 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 5.4, 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 5.4 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

Robert D. Trifunovic, M.D., an individual

Practitioner's principal contact address:

488 East Valley Parkway, Suite 311
Escondido, CA 92025

Exhibit 1.1

ADMINISTRATIVE SERVICES

Practitioner, as Chief of Staff at Palomar Medical Center, shall provide the following services:

1. Enforce the bylaws, rules and regulations of the Medical Staff implementing sanctions where indicated, and promote compliance with procedural safeguards where corrective action has been requested or initiated.
2. Call, preside at, and be responsible for the agenda of all meetings of the Medical Staff.
3. Serve as chairman of the Executive Committee and serve as a member of the Medical Staffs/Board Liaison Committee.
4. Serve as a nonvoting member of all other committees of the Medical Staff unless Practitioner's membership in a particular committee is required by the Medical Staff Bylaws.
5. Interact with the Administrator and Board of Directors in all matters of mutual concern within the Hospital.
6. Appoint members for all standing and special liaison, multidisciplinary, or Medical Staff committees, except where otherwise provided by the Medical Staff Bylaws and, except where otherwise indicated, designating the chairmen of these committees.
7. Represent the views and policies of the Medical Staff to the Board of Directors and to the Administrator.
8. Be a spokesman for the Medical Staff in external professional and public relations.
9. Serve on liaison committees with the Board of Directors and administration as well as outside licensing or accreditation agencies.
10. Certify to the Board that applicants recommended by the Executive Committee for appointment, advancement or reappointment to the Medical Staff, or to receive authorization to provide patient care services as specified professional personnel, have satisfied all requirements specified by the Medical Staff and the Board.
11. Perform such other functions as may be assigned to Practitioner by the Medical Staff Bylaws, the Medical Staff or by the Executive Committee.

Exhibit 1.5

MONTHLY TIME REPORT

See Attached.

Administration Time Log

PRACTITIONER Robert D. Trifunovic, M.D.

MONTH/YEAR

ADMINISTRATIVE SERVICES	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31		
TOTAL HOURS																																	

PRACTITIONER CERTIFIES THAT THE ABOVE ACCURATELY REPRESENTS THE HOURS PRACTITIONER DEVOTED TO ADMINISTRATIVE SERVICES DURING THE PERIOD OF THIS REPORT.

Robert D. Trifunovic, M.D. _____ Date

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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 HIPAA, 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

JOHN J. LILLEY, 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 John J. Lilley, 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 Palomar Medical Center, an acute care hospital facility located in Escondido, California.

B. Practitioner is licensed to practice medicine in the State of California, board certified for the practice of medicine in the specialty of nephrology (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 Palomar Medical Center, 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 Palomar Medical Center's providers and users.

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.
3. Survey of practitioner compensation prepared by Sullivancotter and Associates, Inc.

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 minimum of ten (10) and a maximum of twenty-four (24) 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.

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: Gerald Bracht
Its: Senior Vice President Hospital
Operations

Address of Hospital:

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

PRACTITIONER

John J. Lilley, M.D., an individual

Practitioner's principal contact address:

625 East Grand Ave.
Escondido, CA 92025

Exhibit 1.1

ADMINISTRATIVE SERVICES

Practitioner as Chief of Staff-Elect at Palomar Medical Center shall provide the following services:

1. Enforce the bylaws, rules and regulations of the Medical Staff implementing sanctions where indicated, and promote compliance with procedural safeguards where corrective action has been requested or initiated.
2. Call, preside at, and be responsible for the agenda of all meetings of the Medical Staff.
3. Serve as chairman of the Executive Committee and serve as a member of the Medical Staffs/Board Liaison Committee.
4. Serve as a nonvoting member of all other committees of the Medical Staff unless Practitioner's membership in a particular committee is required by the Medical Staff Bylaws.
5. Interact with the Administrator and Board of Directors in all matters of mutual concern within the Hospital.
6. Appoint members for all standing and special liaison, multidisciplinary, or Medical Staff committees, except where otherwise provided by the Medical Staff Bylaws and, except where otherwise indicated, designating the chairmen of these committees.
7. Represent the views and policies of the Medical Staff to the Board of Directors and to the Administrator.
8. Be a spokesman for the Medical Staff in external professional and public relations.
9. Serve on liaison committees with the Board of Directors and administration as well as outside licensing or accreditation agencies.
10. Certify to the Board that applicants recommended by the Executive Committee for appointment, advancement or reappointment to the Medical Staff, or to receive authorization to provide patient care services as specified professional personnel, have satisfied all requirements specified by the Medical Staff and the Board.
11. Perform such other functions as may be assigned to Practitioner by the Medical Staff Bylaws, the Medical Staff or by the Executive Committee.

MEDICAL DIRECTORSHIP AGREEMENT

by and between

PALOMAR POMERADO HEALTH SYSTEM (“Hospital”)

and

PAUL C. MILLING, M.D. (“Practitioner”)

MEDICAL DIRECTORSHIP AGREEMENT

THIS MEDICAL DIRECTORSHIP AGREEMENT (this "Agreement") is entered into as of January 1, 2006, by and between Palomar Pomerado Health System, a local health care district organized under Division 23 of the California Health and Safety Code ("Hospital"), and Paul C. Milling, 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 Palomar Medical Center, an acute care hospital facility located in Escondido, California, in which it operates a Department of Orthopaedic Surgery/Rehabilitation (the "Department") under its acute care license.
- B. Practitioner is licensed to practice medicine in the State of California, board certified for the practice of medicine in the specialty of orthopedic surgery (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 Department of Orthopaedic Surgery/Rehabilitation and to provide medical and administrative oversight with respect to the Department, and Hospital believes that enhanced patient care can be achieved if Practitioner assumes such responsibility as set forth in this Agreement.
- D. Practitioner has the following qualifications and expertise to provide the services described in this Agreement: Member is in good standing of the Active Medical Staff of Palomar Medical Center.
- 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.
 3. The benefits to Hospital and Hospital's community resulting from Practitioner's performance of the services described in this Agreement.
 4. Survey of practitioner compensation prepared by Sullivancotter and Associates, Inc.

AGREEMENT

THE PARTIES AGREE AS FOLLOWS:

ARTICLE I. PRACTITIONER'S OBLIGATIONS

1.1 **Director Services.** Practitioner shall provide to Hospital those medical director services set forth on **Exhibit 1.1** ("**Director Services**"), upon the terms and subject to the conditions set forth in this Agreement. Practitioner shall ensure that all Director Services are performed when and as needed, but shall also perform any Director Services when and as requested by Hospital from time to time.

1.2 **Time Commitment.** Practitioner shall devote whatever time is necessary to ensure the operation of a high-quality Department; **provided, however,** that Practitioner shall perform Director Services a minimum of ten (10) hours per month and a maximum of sixteen (16) hours per month. Practitioner shall allocate time to Director Services 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 Director 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 Director Services.

1.4 **Personal Services; Absences.** This Agreement is entered into by Hospital in reliance on the professional and administrative skills of Practitioner. Except as otherwise provided in this Agreement, Practitioner shall be solely responsible for performing Director Services and otherwise fulfilling the terms of this Agreement; **provided, however,** that if Practitioner is temporarily unable to provide Director Services due to illness, disability, continuing education responsibilities, or vacation, Practitioner shall designate a qualified replacement to provide Director Services pursuant to this Agreement. Such temporary replacement must be approved in writing by Hospital prior to the replacement providing Director 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 Director 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 Director Services in Practitioner's absence shall execute a written document in form and substance acceptable to Hospital 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.

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

HOSPITAL

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

By: _____
Its: _____

PRACTITIONER

Paul C. Milling, M.D., an individual

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Exhibit 1.1

DIRECTOR SERVICES

Practitioner, as Chairman of the Department, shall:

1. Supervise the professional, medical and administrative activities within the clinical areas of the Department such as participating in the development of policies, procedures, practices and planning of the Medical Staff and Hospital.
2. Serve on the Executive Committee in accordance with Section 11.3.1 of the Medical Staff Bylaws.
3. Maintain continuing assessment and improvement of the quality of care, treatment and services, review of the professional performance of all Members of the Medical Staff (the "Members") with privileges in the Department and assure preparation of biennial assessment of all Members for consideration by the Credentials Committee, Executive Committee and Board of Directors.
4. Enforce the bylaws, rules and regulations and department rules and regulations.
5. Transmit to the Executive Committee the Department's recommendations concerning the granting of privileges to Members and the results of any disciplinary measure or changes in privileges.
6. Have responsibility for implementation of any actions taken by the Executive Committee.
7. Supervise, by means of appropriate committees
 - a. peer review of individual Members holding privileges in the Department including an ongoing program of non disciplinary practitioner observation;
 - b. audit of disease entities and morbidity and mortality;
 - c. the presentation of educational programs using any deficiencies or suboptimal patterns of care detected by review as subjects; and
 - d. subsequent review to assure that improved performance has occurred.
8. Participate in every phase of administration of the Department through cooperation with nursing and administration in matters affecting patient care, including personnel, supplies, special regulations, standing orders, and techniques.
9. Provide emergency room backup list.
10. Assist in the preparation of such annual reports, including budgetary planning, pertaining to the Department as may be required by the Executive Committee and Administrator.

11. Request consultant representatives from other departments. Such representatives shall have the approval of their own department chairman. This process shall continue until mutually satisfactory representatives are chosen.
12. Act as presiding officer at Department meetings.
13. Assess and recommend to the relevant hospital authority off-site sources for needed patient care, treatment and services not provided by the Department or the organization.
14. Coordinate and integrating interdepartmental and intradepartmental services.

MEDICAL DIRECTORSHIP AGREEMENT

by and between

PALOMAR POMERADO HEALTH SYSTEM (“Hospital”)

and

JOHN J. LILLEY, M.D. (“Practitioner”)

MEDICAL DIRECTORSHIP AGREEMENT

THIS MEDICAL DIRECTORSHIP AGREEMENT (this "Agreement") is entered into as of January 1, 2006, by and between Palomar Pomerado Health System, a local health care district organized under Division 23 of the California Health and Safety Code ("Hospital"), and John J. Lilley, 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 Palomar Medical Center, an acute care hospital facility located in Escondido, California, in which it operates a Department of Medicine (the "Department") under its acute care license.

B. Practitioner is licensed to practice medicine in the State of California, board certified for the practice of medicine in the specialty of nephrology (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 Department of Medicine and to provide medical and administrative oversight with respect to the Department, and Hospital believes that enhanced patient care can be achieved if Practitioner assumes such responsibility as set forth in this Agreement.

D. Practitioner has the following qualifications and expertise to provide the services described in this Agreement: Member is in good standing of the Active Medical Staff of Palomar Medical Center.

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.
3. The benefits to Hospital and Hospital's community resulting from Practitioner's performance of the services described in this Agreement.
4. Survey of practitioner compensation prepared by Sullivancotter and Associates, Inc.

AGREEMENT

THE PARTIES AGREE AS FOLLOWS:

ARTICLE I. PRACTITIONER'S OBLIGATIONS

1.1 Director Services. Practitioner shall provide to Hospital those medical director services set forth on Exhibit 1.1 ("Director Services"), upon the terms and subject to the conditions set forth in this Agreement. Practitioner shall ensure that all Director Services are performed when and as needed, but shall also perform any Director Services when and as requested by Hospital from time to time.

1.2 Time Commitment. Practitioner shall devote whatever time is necessary to ensure the operation of a high-quality Department; **provided, however,** that Practitioner shall perform Director Services a minimum of ten (10) hours per month and a maximum of sixteen (16) hours per month. Practitioner shall allocate time to Director Services 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 Director 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 Director Services.

1.4 Personal Services; Absences. This Agreement is entered into by Hospital in reliance on the professional and administrative skills of Practitioner. Except as otherwise provided in this Agreement, Practitioner shall be solely responsible for performing Director Services and otherwise fulfilling the terms of this Agreement; **provided, however,** that if Practitioner is temporarily unable to provide Director Services due to illness, disability, continuing education responsibilities, or vacation, Practitioner shall designate a qualified replacement to provide Director Services pursuant to this Agreement. Such temporary replacement must be approved in writing by Hospital prior to the replacement providing Director 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 Director 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 Director Services in Practitioner's absence shall execute a written document in form and substance acceptable to Hospital 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.

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

HOSPITAL

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

By: _____
Its: _____

PRACTITIONER

John J. Lilley, M.D., an individual

Exhibit 1.1

DIRECTOR SERVICES

Practitioner, as Chairman of the Department, shall:

1. Supervise the professional, medical and administrative activities within the clinical areas of the Department such as participating in the development of policies, procedures, practices and planning of the Medical Staff and Hospital.
2. Serve on the Executive Committee in accordance with Section 11.3.1 of the Medical Staff Bylaws.
3. Maintain continuing assessment and improvement of the quality of care, treatment and services, review of the professional performance of all Members of the Medical Staff (the "Members") with privileges in the Department and assure preparation of biennial assessment of all Members for consideration by the Credentials Committee, Executive Committee and Board of Directors.
4. Enforce the bylaws, rules and regulations and department rules and regulations.
5. Transmit to the Executive Committee the Department's recommendations concerning the granting of privileges to Members and the results of any disciplinary measure or changes in privileges.
6. Have responsibility for implementation of any actions taken by the Executive Committee.
7. Supervise, by means of appropriate committees
 - a. peer review of individual Members holding privileges in the Department including an ongoing program of non disciplinary practitioner observation;
 - b. audit of disease entities and morbidity and mortality;
 - c. the presentation of educational programs using any deficiencies or suboptimal patterns of care detected by review as subjects; and
 - d. subsequent review to assure that improved performance has occurred.
8. Participate in every phase of administration of the Department through cooperation with nursing and administration in matters affecting patient care, including personnel, supplies, special regulations, standing orders, and techniques.
9. Provide emergency room backup list.
10. Assist in the preparation of such annual reports, including budgetary planning, pertaining to the Department as may be required by the Executive Committee and Administrator.

11. Request consultant representatives from other departments. Such representatives shall have the approval of their own department chairman. This process shall continue until mutually satisfactory representatives are chosen.
12. Act as presiding officer at Department meetings.
13. Assess and recommend to the relevant hospital authority off-site sources for needed patient care, treatment and services not provided by the Department or the organization.
14. Coordinate and integrating interdepartmental and intradepartmental services.

MEDICAL DIRECTORSHIP AGREEMENT

by and between

PALOMAR POMERADO HEALTH SYSTEM (“Hospital”)

and

PIERRE R. LOTZOF, M.D. (“Practitioner”)

MEDICAL DIRECTORSHIP AGREEMENT

THIS MEDICAL DIRECTORSHIP AGREEMENT (this “**Agreement**”) is entered into as of January 1, 2006, by and between Palomar Pomerado Health System, a local health care district organized under Division 23 of the California Health and Safety Code (“**Hospital**”), and Pierre R. Lotzof, 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 Palomar Medical Center, an acute care hospital facility located in Escondido, California, in which it operates a Department of Anesthesia (the “**Department**”) under its acute care license.
- B. Practitioner is licensed to practice medicine in the State of California, board certified for the practice of medicine in the specialty of anesthesiology (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 Department of Anesthesia and to provide medical and administrative oversight with respect to the Department, and Hospital believes that enhanced patient care can be achieved if Practitioner assumes such responsibility as set forth in this Agreement.
- D. Practitioner has the following qualifications and expertise to provide the services described in this Agreement: Member is in good standing of the Active Medical Staff of Palomar Medical Center.
- 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.
 3. The benefits to Hospital and Hospital’s community resulting from Practitioner’s performance of the services described in this Agreement.
 4. Survey of practitioner compensation prepared by Sullivancotter and Associates, Inc.

AGREEMENT

THE PARTIES AGREE AS FOLLOWS:

ARTICLE I. PRACTITIONER'S OBLIGATIONS

1.1 Director Services. Practitioner shall provide to Hospital those medical director services set forth on **Exhibit 1.1** ("**Director Services**"), upon the terms and subject to the conditions set forth in this Agreement. Practitioner shall ensure that all Director Services are performed when and as needed, but shall also perform any Director Services when and as requested by Hospital from time to time.

1.2 Time Commitment. Practitioner shall devote whatever time is necessary to ensure the operation of a high-quality Department; **provided, however**, that Practitioner shall perform Director Services a minimum of ~~ten~~ (10) hours per month and a maximum of ~~sixteen~~ (16) hours per month. Practitioner shall allocate time to Director Services 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 Director 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 Director Services.

1.4 Personal Services; Absences. This Agreement is entered into by Hospital in reliance on the professional and administrative skills of Practitioner. Except as otherwise provided in this Agreement, Practitioner shall be solely responsible for performing Director Services and otherwise fulfilling the terms of this Agreement; **provided, however**, that if Practitioner is temporarily unable to provide Director Services due to illness, disability, continuing education responsibilities, or vacation, Practitioner shall designate a qualified replacement to provide Director Services pursuant to this Agreement. Such temporary replacement must be approved in writing by Hospital prior to the replacement providing Director 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 Director 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 Director Services in Practitioner's absence shall execute a written document in form and substance acceptable to Hospital 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.

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

HOSPITAL

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

By: _____
Its: _____

PRACTITIONER

Pierre R. Lotzof, M.D., an individual

Exhibit 1.1

DIRECTOR SERVICES

Practitioner, as Chairman of the Department, shall:

1. Supervise the professional, medical and administrative activities within the clinical areas of the Department such as participating in the development of policies, procedures, practices and planning of the Medical Staff and Hospital.
2. Serve on the Executive Committee in accordance with Section 11.3.1 of the Medical Staff Bylaws.
3. Maintain continuing assessment and improvement of the quality of care, treatment and services, review of the professional performance of all Members of the Medical Staff (the "Members") with privileges in the Department and assure preparation of biennial assessment of all Members for consideration by the Credentials Committee, Executive Committee and Board of Directors.
4. Enforce the bylaws, rules and regulations and department rules and regulations.
5. Transmit to the Executive Committee the Department's recommendations concerning the granting of privileges to Members and the results of any disciplinary measure or changes in privileges.
6. Have responsibility for implementation of any actions taken by the Executive Committee.
7. Supervise, by means of appropriate committees
 - a. peer review of individual Members holding privileges in the Department including an ongoing program of non disciplinary practitioner observation;
 - b. audit of disease entities and morbidity and mortality;
 - c. the presentation of educational programs using any deficiencies or suboptimal patterns of care detected by review as subjects; and
 - d. subsequent review to assure that improved performance has occurred.
8. Participate in every phase of administration of the Department through cooperation with nursing and administration in matters affecting patient care, including personnel, supplies, special regulations, standing orders, and techniques.
9. Provide emergency room backup list.
10. Assist in the preparation of such annual reports, including budgetary planning, pertaining to the Department as may be required by the Executive Committee and Administrator.

11. Request consultant representatives from other departments. Such representatives shall have the approval of their own department chairman. This process shall continue until mutually satisfactory representatives are chosen.
12. Act as presiding officer at Department meetings.
13. Assess and recommend to the relevant hospital authority off-site sources for needed patient care, treatment and services not provided by the Department or the organization.
14. Coordinate and integrating interdepartmental and intradepartmental services.

MEDICAL DIRECTORSHIP AGREEMENT

by and between

PALOMAR POMERADO HEALTH SYSTEM (“Hospital”)

and

JAIME B. RIVAS, M.D. (“Practitioner”)

MEDICAL DIRECTORSHIP AGREEMENT

THIS MEDICAL DIRECTORSHIP AGREEMENT (this "Agreement") is entered into as of January 1, 2006, by and between Palomar Pomerado Health System, a local health care district organized under Division 23 of the California Health and Safety Code ("Hospital"), and Jaime B. Rivas, 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 Palomar Medical Center, an acute care hospital facility located in Escondido, California, in which it operates a Department of Emergency Medicine (the "Department") under its acute care license.
- B. Practitioner is licensed to practice medicine in the State of California, board certified for the practice of medicine in the specialty of emergency services (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 Department of Emergency Medicine and to provide medical and administrative oversight with respect to the Department, and Hospital believes that enhanced patient care can be achieved if Practitioner assumes such responsibility as set forth in this Agreement.
- D. Practitioner has the following qualifications and expertise to provide the services described in this Agreement: Member is in good standing of the Active Medical Staff of Palomar Medical Center.
- 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.
 3. The benefits to Hospital and Hospital's community resulting from Practitioner's performance of the services described in this Agreement.
 4. Survey of practitioner compensation prepared by Sullivancotter and Associates, Inc.

AGREEMENT

THE PARTIES AGREE AS FOLLOWS:

ARTICLE I. PRACTITIONER'S OBLIGATIONS

1.1 Director Services. Practitioner shall provide to Hospital those medical director services set forth on **Exhibit 1.1 ("Director Services")**, upon the terms and subject to the conditions set forth in this Agreement. Practitioner shall ensure that all Director Services are performed when and as needed, but shall also perform any Director Services when and as requested by Hospital from time to time.

1.2 Time Commitment. Practitioner shall devote whatever time is necessary to ensure the operation of a high-quality Department; **provided, however**, that Practitioner shall perform Director Services a minimum of ten (10) hours per month and a maximum of sixteen (16) hours per month. Practitioner shall allocate time to Director Services 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 Director 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 Director Services.

1.4 Personal Services; Absences. This Agreement is entered into by Hospital in reliance on the professional and administrative skills of Practitioner. Except as otherwise provided in this Agreement, Practitioner shall be solely responsible for performing Director Services and otherwise fulfilling the terms of this Agreement; **provided, however**, that if Practitioner is temporarily unable to provide Director Services due to illness, disability, continuing education responsibilities, or vacation, Practitioner shall designate a qualified replacement to provide Director Services pursuant to this Agreement. Such temporary replacement must be approved in writing by Hospital prior to the replacement providing Director 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 Director 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 Director Services in Practitioner's absence shall execute a written document in form and substance acceptable to Hospital 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.

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

HOSPITAL

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

By: _____

Its: _____

PRACTITIONER

Jaime B. Rivas, M.D., an individual

Exhibit 1.1

DIRECTOR SERVICES

Practitioner, as Chairman of the Department, shall:

1. Supervise the professional, medical and administrative activities within the clinical areas of the Department such as participating in the development of policies, procedures, practices and planning of the Medical Staff and Hospital.
2. Serve on the Executive Committee in accordance with Section 11.3.1 of the Medical Staff Bylaws.
3. Maintain continuing assessment and improvement of the quality of care, treatment and services, review of the professional performance of all Members of the Medical Staff (the "Members") with privileges in the Department and assure preparation of biennial assessment of all Members for consideration by the Credentials Committee, Executive Committee and Board of Directors.
4. Enforce the bylaws, rules and regulations and department rules and regulations.
5. Transmit to the Executive Committee the Department's recommendations concerning the granting of privileges to Members and the results of any disciplinary measure or changes in privileges.
6. Have responsibility for implementation of any actions taken by the Executive Committee.
7. Supervise, by means of appropriate committees
 - a. peer review of individual Members holding privileges in the Department including an ongoing program of non disciplinary practitioner observation;
 - b. audit of disease entities and morbidity and mortality;
 - c. the presentation of educational programs using any deficiencies or suboptimal patterns of care detected by review as subjects; and
 - d. subsequent review to assure that improved performance has occurred.
8. Participate in every phase of administration of the Department through cooperation with nursing and administration in matters affecting patient care, including personnel, supplies, special regulations, standing orders, and techniques.
9. Provide emergency room backup list.
10. Assist in the preparation of such annual reports, including budgetary planning, pertaining to the Department as may be required by the Executive Committee and Administrator.

11. Request consultant representatives from other departments. Such representatives shall have the approval of their own department chairman. This process shall continue until mutually satisfactory representatives are chosen.
12. Act as presiding officer at Department meetings.
13. Assess and recommend to the relevant hospital authority off-site sources for needed patient care, treatment and services not provided by the Department or the organization.
14. Coordinate and integrating interdepartmental and intradepartmental services.

MEDICAL DIRECTORSHIP AGREEMENT

by and between

PALOMAR POMERADO HEALTH SYSTEM ("Hospital")

and

NICHOLAS J. JAUREGUI, M.D. ("Practitioner")

MEDICAL DIRECTORSHIP AGREEMENT

THIS MEDICAL DIRECTORSHIP AGREEMENT (this "Agreement") is entered into as of January 1, 2006, by and between Palomar Pomerado Health System, a local health care district organized under Division 23 of the California Health and Safety Code ("Hospital"), and Nicholas J. Jauregui, 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 Palomar Medical Center, an acute care hospital facility located in Escondido, California, in which it operates a Family Practice Department (the "Department") under its acute care license.

B. Practitioner is licensed to practice medicine in the State of California, board certified for the practice of medicine in the specialty of family practice (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 Department of Family Practice and to provide medical and administrative oversight with respect to the Department, and Hospital believes that enhanced patient care can be achieved if Practitioner assumes such responsibility as set forth in this Agreement.

D. Practitioner has the following qualifications and expertise to provide the services described in this Agreement: Member is in good standing of the Active Medical Staff of Palomar Medical Center.

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.
3. The benefits to Hospital and Hospital's community resulting from Practitioner's performance of the services described in this Agreement.
4. Survey of practitioner compensation prepared by Sullivancotter and Associates, Inc.

AGREEMENT

THE PARTIES AGREE AS FOLLOWS:

ARTICLE I. PRACTITIONER'S OBLIGATIONS

1.1 Director Services. Practitioner shall provide to Hospital those medical director services set forth on **Exhibit 1.1 ("Director Services")**, upon the terms and subject to the conditions set forth in this Agreement. Practitioner shall ensure that all Director Services are performed when and as needed, but shall also perform any Director Services when and as requested by Hospital from time to time.

1.2 Time Commitment. Practitioner shall devote whatever time is necessary to ensure the operation of a high-quality Department; **provided, however**, that Practitioner shall perform Director Services a minimum of ten (10) hours per month and a maximum of sixteen (16) hours per month. Practitioner shall allocate time to Director Services 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 Director 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 Director Services.

1.4 Personal Services; Absences. This Agreement is entered into by Hospital in reliance on the professional and administrative skills of Practitioner. Except as otherwise provided in this Agreement, Practitioner shall be solely responsible for performing Director Services and otherwise fulfilling the terms of this Agreement; **provided, however**, that if Practitioner is temporarily unable to provide Director Services due to illness, disability, continuing education responsibilities, or vacation, Practitioner shall designate a qualified replacement to provide Director Services pursuant to this Agreement. Such temporary replacement must be approved in writing by Hospital prior to the replacement providing Director 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 Director 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 Director Services in Practitioner's absence shall execute a written document in form and substance acceptable to Hospital 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.

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

HOSPITAL

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

By: _____

Its: _____

PRACTITIONER

Nicholas J. Jauregui, M.D., an individual

Exhibit 1.1

DIRECTOR SERVICES

Practitioner, as Chairman of the Department, shall:

1. Supervise the professional, medical and administrative activities within the clinical areas of the Department such as participating in the development of policies, procedures, practices and planning of the Medical Staff and Hospital.
2. Serve on the Executive Committee in accordance with Section 11.3.1 of the Medical Staff Bylaws.
3. Maintain continuing assessment and improvement of the quality of care, treatment and services, review of the professional performance of all Members of the Medical Staff (the "Members") with privileges in the Department and assure preparation of biennial assessment of all Members for consideration by the Credentials Committee, Executive Committee and Board of Directors.
4. Enforce the bylaws, rules and regulations and department rules and regulations.
5. Transmit to the Executive Committee the Department's recommendations concerning the granting of privileges to Members and the results of any disciplinary measure or changes in privileges.
6. Have responsibility for implementation of any actions taken by the Executive Committee.
7. Supervise, by means of appropriate committees
 - a. peer review of individual Members holding privileges in the Department including an ongoing program of non disciplinary practitioner observation;
 - b. audit of disease entities and morbidity and mortality;
 - c. the presentation of educational programs using any deficiencies or suboptimal patterns of care detected by review as subjects; and
 - d. subsequent review to assure that improved performance has occurred.
8. Participate in every phase of administration of the Department through cooperation with nursing and administration in matters affecting patient care, including personnel, supplies, special regulations, standing orders, and techniques.
9. Provide emergency room backup list.
10. Assist in the preparation of such annual reports, including budgetary planning, pertaining to the Department as may be required by the Executive Committee and Administrator.

11. Request consultant representatives from other departments. Such representatives shall have the approval of their own department chairman. This process shall continue until mutually satisfactory representatives are chosen.
12. Act as presiding officer at Department meetings.
13. Assess and recommend to the relevant hospital authority off-site sources for needed patient care, treatment and services not provided by the Department or the organization.
14. Coordinate and integrating interdepartmental and intradepartmental services.

MEDICAL DIRECTORSHIP AGREEMENT

by and between

PALOMAR POMERADO HEALTH SYSTEM ("Hospital")

and

GARY P. SPOTO, M.D. ("Practitioner")

MEDICAL DIRECTORSHIP AGREEMENT

THIS MEDICAL DIRECTORSHIP AGREEMENT (this "Agreement") is entered into as of January 1, 2006, by and between Palomar Pomerado Health System, a local health care district organized under Division 23 of the California Health and Safety Code ("Hospital"), and Gary P. Spoto, 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 Palomar Medical Center, an acute care hospital facility located in Escondido, California, in which it operates a Radiology Department (the "Department") under its acute care license.

B. Practitioner is licensed to practice medicine in the State of California, board certified for the practice of medicine in the specialty of radiology (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 Department of Radiology and to provide medical and administrative oversight with respect to the Department, and Hospital believes that enhanced patient care can be achieved if Practitioner assumes such responsibility as set forth in this Agreement.

D. Practitioner has the following qualifications and expertise to provide the services described in this Agreement: Member is in good standing of the Active Medical Staff of Palomar Medical Center.

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.
3. The benefits to Hospital and Hospital's community resulting from Practitioner's performance of the services described in this Agreement.
4. Survey of practitioner compensation prepared by Sullivancotter and Associates, Inc.

AGREEMENT

THE PARTIES AGREE AS FOLLOWS:

ARTICLE I. PRACTITIONER'S OBLIGATIONS

1.1 **Director Services.** Practitioner shall provide to Hospital those medical director services set forth on **Exhibit 1.1 ("Director Services")**, upon the terms and subject to the conditions set forth in this Agreement. Practitioner shall ensure that all Director Services are performed when and as needed, but shall also perform any Director Services when and as requested by Hospital from time to time.

1.2 **Time Commitment.** Practitioner shall devote whatever time is necessary to ensure the operation of a high-quality Department; **provided, however**, that Practitioner shall perform Director Services a minimum of ten (10) hours per month and a maximum of sixteen (16) hours per month. Practitioner shall allocate time to Director Services 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 Director 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 Director Services.

1.4 **Personal Services; Absences.** This Agreement is entered into by Hospital in reliance on the professional and administrative skills of Practitioner. Except as otherwise provided in this Agreement, Practitioner shall be solely responsible for performing Director Services and otherwise fulfilling the terms of this Agreement; **provided, however**, that if Practitioner is temporarily unable to provide Director Services due to illness, disability, continuing education responsibilities, or vacation, Practitioner shall designate a qualified replacement to provide Director Services pursuant to this Agreement. Such temporary replacement must be approved in writing by Hospital prior to the replacement providing Director 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 Director 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 Director Services in Practitioner's absence shall execute a written document in form and substance acceptable to Hospital 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.

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

HOSPITAL

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

By: _____

Its: _____

PRACTITIONER

Gary P. Spoto, M.D., an individual

Exhibit 1.1

DIRECTOR SERVICES

Practitioner, as Chairman of the Department, shall:

1. Supervise the professional, medical and administrative activities within the clinical areas of the Department such as participating in the development of policies, procedures, practices and planning of the Medical Staff and Hospital.
2. Serve on the Executive Committee in accordance with Section 11.3.1 of the Medical Staff Bylaws.
3. Maintain continuing assessment and improvement of the quality of care, treatment and services, review of the professional performance of all Members of the Medical Staff (the "Members") with privileges in the Department and assure preparation of biennial assessment of all Members for consideration by the Credentials Committee, Executive Committee and Board of Directors.
4. Enforce the bylaws, rules and regulations and department rules and regulations.
5. Transmit to the Executive Committee the Department's recommendations concerning the granting of privileges to Members and the results of any disciplinary measure or changes in privileges.
6. Have responsibility for implementation of any actions taken by the Executive Committee.
7. Supervise, by means of appropriate committees
 - a. peer review of individual Members holding privileges in the Department including an ongoing program of non disciplinary practitioner observation;
 - b. audit of disease entities and morbidity and mortality;
 - c. the presentation of educational programs using any deficiencies or suboptimal patterns of care detected by review as subjects; and
 - d. subsequent review to assure that improved performance has occurred.
8. Participate in every phase of administration of the Department through cooperation with nursing and administration in matters affecting patient care, including personnel, supplies, special regulations, standing orders, and techniques.
9. Provide emergency room backup list.
10. Assist in the preparation of such annual reports, including budgetary planning, pertaining to the Department as may be required by the Executive Committee and Administrator.

11. Request consultant representatives from other departments. Such representatives shall have the approval of their own department chairman. This process shall continue until mutually satisfactory representatives are chosen.
12. Act as presiding officer at Department meetings.
13. Assess and recommend to the relevant hospital authority off-site sources for needed patient care, treatment and services not provided by the Department or the organization.
14. Coordinate and integrating interdepartmental and intradepartmental services.

MEDICAL DIRECTORSHIP AGREEMENT

by and between

PALOMAR POMERADO HEALTH SYSTEM ("Hospital")

and

GREGORY A. LANGFORD, M.D. ("Practitioner")

MEDICAL DIRECTORSHIP AGREEMENT

THIS MEDICAL DIRECTORSHIP AGREEMENT (this "Agreement") is entered into as of January 1, 2006, by and between Palomar Pomerado Health System, a local health care district organized under Division 23 of the California Health and Safety Code ("Hospital"), and Gregory A. Langford, 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 Palomar Medical Center, an acute care hospital facility located in Escondido, California, in which it operates a Obstetrics and Gynecology Department (the "Department") under its acute care license.
- B. Practitioner is licensed to practice medicine in the State of California, board certified for the practice of medicine in the specialty of obstetrics/gynecology (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 Department of Obstetrics and Gynecology and to provide medical and administrative oversight with respect to the Department, and Hospital believes that enhanced patient care can be achieved if Practitioner assumes such responsibility as set forth in this Agreement.
- D. Practitioner has the following qualifications and expertise to provide the services described in this Agreement: Member is in good standing of the Active Medical Staff of Palomar Medical Center.
- 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.
 3. The benefits to Hospital and Hospital's community resulting from Practitioner's performance of the services described in this Agreement.
 4. Survey of practitioner compensation prepared by Sullivancotter and Associates, Inc.

AGREEMENT

THE PARTIES AGREE AS FOLLOWS:

ARTICLE I. PRACTITIONER'S OBLIGATIONS

1.1 Director Services. Practitioner shall provide to Hospital those medical director services set forth on **Exhibit 1.1 ("Director Services")**, upon the terms and subject to the conditions set forth in this Agreement. Practitioner shall ensure that all Director Services are performed when and as needed, but shall also perform any Director Services when and as requested by Hospital from time to time.

1.2 Time Commitment. Practitioner shall devote whatever time is necessary to ensure the operation of a high-quality Department; **provided, however**, that Practitioner shall perform Director Services a minimum of ten (10) hours per month and a maximum of sixteen (16) hours per month. Practitioner shall allocate time to Director Services 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 Director 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 Director Services.

1.4 Personal Services; Absences. This Agreement is entered into by Hospital in reliance on the professional and administrative skills of Practitioner. Except as otherwise provided in this Agreement, Practitioner shall be solely responsible for performing Director Services and otherwise fulfilling the terms of this Agreement; **provided, however**, that if Practitioner is temporarily unable to provide Director Services due to illness, disability, continuing education responsibilities, or vacation, Practitioner shall designate a qualified replacement to provide Director Services pursuant to this Agreement. Such temporary replacement must be approved in writing by Hospital prior to the replacement providing Director 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 Director 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 Director Services in Practitioner's absence shall execute a written document in form and substance acceptable to Hospital 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.

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

HOSPITAL

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

By: _____
Its: _____

PRACTITIONER

Gregory A. Langford, M.D., an individual

Exhibit 1.1

DIRECTOR SERVICES

Practitioner, as Chairman of the Department, shall:

1. Supervise the professional, medical and administrative activities within the clinical areas of the Department such as participating in the development of policies, procedures, practices and planning of the Medical Staff and Hospital.
2. Serve on the Executive Committee in accordance with Section 11.3.1 of the Medical Staff Bylaws.
3. Maintain continuing assessment and improvement of the quality of care, treatment and services, review of the professional performance of all Members of the Medical Staff (the "Members") with privileges in the Department and assure preparation of biennial assessment of all Members for consideration by the Credentials Committee, Executive Committee and Board of Directors.
4. Enforce the bylaws, rules and regulations and department rules and regulations.
5. Transmit to the Executive Committee the Department's recommendations concerning the granting of privileges to Members and the results of any disciplinary measure or changes in privileges.
6. Have responsibility for implementation of any actions taken by the Executive Committee.
7. Supervise, by means of appropriate committees
 - a. peer review of individual Members holding privileges in the Department including an ongoing program of non disciplinary practitioner observation;
 - b. audit of disease entities and morbidity and mortality;
 - c. the presentation of educational programs using any deficiencies or suboptimal patterns of care detected by review as subjects; and
 - d. subsequent review to assure that improved performance has occurred.
8. Participate in every phase of administration of the Department through cooperation with nursing and administration in matters affecting patient care, including personnel, supplies, special regulations, standing orders, and techniques.
9. Provide emergency room backup list.
10. Assist in the preparation of such annual reports, including budgetary planning, pertaining to the Department as may be required by the Executive Committee and Administrator.

11. Request consultant representatives from other departments. Such representatives shall have the approval of their own department chairman. This process shall continue until mutually satisfactory representatives are chosen.
12. Act as presiding officer at Department meetings.
13. Assess and recommend to the relevant hospital authority off-site sources for needed patient care, treatment and services not provided by the Department or the organization.
14. Coordinate and integrating interdepartmental and intradepartmental services.

MEDICAL DIRECTORSHIP AGREEMENT

by and between

PALOMAR POMERADO HEALTH SYSTEM (“Hospital”)

and

DAVID J. GOLEMBESKI, M.D. (“Practitioner”)

MEDICAL DIRECTORSHIP AGREEMENT

THIS MEDICAL DIRECTORSHIP AGREEMENT (this "Agreement") is entered into as of January 1, 2006, by and between Palomar Pomerado Health System, a local health care district organized under Division 23 of the California Health and Safety Code ("Hospital"), and David J. Golembeski, 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 Palomar Medical Center, an acute care hospital facility located in Escondido, California, in which it operates a Pediatrics Department (the "Department") under its acute care license.

B. Practitioner is licensed to practice medicine in the State of California, board certified for the practice of medicine in the specialty of pediatrics (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 Department of Pediatrics and to provide medical and administrative oversight with respect to the Department, and Hospital believes that enhanced patient care can be achieved if Practitioner assumes such responsibility as set forth in this Agreement.

D. Practitioner has the following qualifications and expertise to provide the services described in this Agreement: Member is in good standing of the Active Medical Staff of Palomar Medical Center.

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.
3. The benefits to Hospital and Hospital's community resulting from Practitioner's performance of the services described in this Agreement.
4. Survey of practitioner compensation prepared by Sullivancotter and Associates, Inc.

AGREEMENT

THE PARTIES AGREE AS FOLLOWS:

ARTICLE I. PRACTITIONER'S OBLIGATIONS

1.1 **Director Services.** Practitioner shall provide to Hospital those medical director services set forth on **Exhibit 1.1** ("**Director Services**"), upon the terms and subject to the conditions set forth in this Agreement. Practitioner shall ensure that all Director Services are performed when and as needed, but shall also perform any Director Services when and as requested by Hospital from time to time.

1.2 **Time Commitment.** Practitioner shall devote whatever time is necessary to ensure the operation of a high-quality Department; **provided, however,** that Practitioner shall perform Director Services a minimum of ten (10) hours per month and a maximum of sixteen (16) hours per month. Practitioner shall allocate time to Director Services 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 Director 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 Director Services.

1.4 **Personal Services; Absences.** This Agreement is entered into by Hospital in reliance on the professional and administrative skills of Practitioner. Except as otherwise provided in this Agreement, Practitioner shall be solely responsible for performing Director Services and otherwise fulfilling the terms of this Agreement; **provided, however,** that if Practitioner is temporarily unable to provide Director Services due to illness, disability, continuing education responsibilities, or vacation, Practitioner shall designate a qualified replacement to provide Director Services pursuant to this Agreement. Such temporary replacement must be approved in writing by Hospital prior to the replacement providing Director 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 Director 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 Director Services in Practitioner's absence shall execute a written document in form and substance acceptable to Hospital 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.

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

HOSPITAL

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

By: _____
Its: _____

PRACTITIONER

David J. Golembeski, M.D., an individual

Exhibit 1.1

DIRECTOR SERVICES

Practitioner, as Chairman of the Department, shall:

1. Supervise the professional, medical and administrative activities within the clinical areas of the Department such as participating in the development of policies, procedures, practices and planning of the Medical Staff and Hospital.
2. Serve on the Executive Committee in accordance with Section 11.3.1 of the Medical Staff Bylaws.
3. Maintain continuing assessment and improvement of the quality of care, treatment and services, review of the professional performance of all Members of the Medical Staff (the "Members") with privileges in the Department and assure preparation of biennial assessment of all Members for consideration by the Credentials Committee, Executive Committee and Board of Directors.
4. Enforce the bylaws, rules and regulations and department rules and regulations.
5. Transmit to the Executive Committee the Department's recommendations concerning the granting of privileges to Members and the results of any disciplinary measure or changes in privileges.
6. Have responsibility for implementation of any actions taken by the Executive Committee.
7. Supervise, by means of appropriate committees
 - a. peer review of individual Members holding privileges in the Department including an ongoing program of non disciplinary practitioner observation;
 - b. audit of disease entities and morbidity and mortality;
 - c. the presentation of educational programs using any deficiencies or suboptimal patterns of care detected by review as subjects; and
 - d. subsequent review to assure that improved performance has occurred.
8. Participate in every phase of administration of the Department through cooperation with nursing and administration in matters affecting patient care, including personnel, supplies, special regulations, standing orders, and techniques.
9. Provide emergency room backup list.
10. Assist in the preparation of such annual reports, including budgetary planning, pertaining to the Department as may be required by the Executive Committee and Administrator.

11. Request consultant representatives from other departments. Such representatives shall have the approval of their own department chairman. This process shall continue until mutually satisfactory representatives are chosen.
12. Act as presiding officer at Department meetings.
13. Assess and recommend to the relevant hospital authority off-site sources for needed patient care, treatment and services not provided by the Department or the organization.
14. Coordinate and integrating interdepartmental and intradepartmental services.

MEDICAL DIRECTORSHIP AGREEMENT

by and between

PALOMAR POMERADO HEALTH SYSTEM (“Hospital”)

and

THOMAS S. VELKY, M.D. (“Practitioner”)

MEDICAL DIRECTORSHIP AGREEMENT

THIS MEDICAL DIRECTORSHIP AGREEMENT (this “**Agreement**”) is entered into as of January 1, 2006, by and between Palomar Pomerado Health System, a local health care district organized under Division 23 of the California Health and Safety Code (“**Hospital**”), and Thomas S. Velky, 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 Palomar Medical Center, an acute care hospital facility located in Escondido, California, in which it operates a Trauma Department (the “**Department**”) under its acute care license.
- B. Practitioner is licensed to practice medicine in the State of California, board certified for the practice of medicine in the specialty of surgery (general) (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 Department of Trauma and to provide medical and administrative oversight with respect to the Department, and Hospital believes that enhanced patient care can be achieved if Practitioner assumes such responsibility as set forth in this Agreement.
- D. Practitioner has the following qualifications and expertise to provide the services described in this Agreement: Member is in good standing of the Active Medical Staff of Palomar Medical Center.
- 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.
 3. The benefits to Hospital and Hospital’s community resulting from Practitioner’s performance of the services described in this Agreement.
 4. Survey of practitioner compensation prepared by Sullivancotter and Associates, Inc.

AGREEMENT

THE PARTIES AGREE AS FOLLOWS:

ARTICLE I. PRACTITIONER'S OBLIGATIONS

1.1 **Director Services.** Practitioner shall provide to Hospital those medical director services set forth on **Exhibit 1.1** ("**Director Services**"), upon the terms and subject to the conditions set forth in this Agreement. Practitioner shall ensure that all Director Services are performed when and as needed, but shall also perform any Director Services when and as requested by Hospital from time to time.

1.2 **Time Commitment.** Practitioner shall devote whatever time is necessary to ensure the operation of a high-quality Department; **provided, however,** that Practitioner shall perform Director Services a minimum of ten (10) hours per month and a maximum of sixteen (16) hours per month. Practitioner shall allocate time to Director Services 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 Director 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 Director Services.

1.4 **Personal Services; Absences.** This Agreement is entered into by Hospital in reliance on the professional and administrative skills of Practitioner. Except as otherwise provided in this Agreement, Practitioner shall be solely responsible for performing Director Services and otherwise fulfilling the terms of this Agreement; **provided, however,** that if Practitioner is temporarily unable to provide Director Services due to illness, disability, continuing education responsibilities, or vacation, Practitioner shall designate a qualified replacement to provide Director Services pursuant to this Agreement. Such temporary replacement must be approved in writing by Hospital prior to the replacement providing Director 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 Director 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 Director Services in Practitioner's absence shall execute a written document in form and substance acceptable to Hospital 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.

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

HOSPITAL

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

By: _____
Its: _____

PRACTITIONER

Thomas S. Velky, M.D., an individual

Exhibit 1.1

DIRECTOR SERVICES

Practitioner, as Chairman of the Department, shall:

1. Supervise the professional, medical and administrative activities within the clinical areas of the Department such as participating in the development of policies, procedures, practices and planning of the Medical Staff and Hospital.
2. Serve on the Executive Committee in accordance with Section 11.3.1 of the Medical Staff Bylaws.
3. Maintain continuing assessment and improvement of the quality of care, treatment and services, review of the professional performance of all Members of the Medical Staff (the "Members") with privileges in the Department and assure preparation of biennial assessment of all Members for consideration by the Credentials Committee, Executive Committee and Board of Directors.
4. Enforce the bylaws, rules and regulations and department rules and regulations.
5. Transmit to the Executive Committee the Department's recommendations concerning the granting of privileges to Members and the results of any disciplinary measure or changes in privileges.
6. Have responsibility for implementation of any actions taken by the Executive Committee.
7. Supervise, by means of appropriate committees
 - a. peer review of individual Members holding privileges in the Department including an ongoing program of non disciplinary practitioner observation;
 - b. audit of disease entities and morbidity and mortality;
 - c. the presentation of educational programs using any deficiencies or suboptimal patterns of care detected by review as subjects; and
 - d. subsequent review to assure that improved performance has occurred.
8. Participate in every phase of administration of the Department through cooperation with nursing and administration in matters affecting patient care, including personnel, supplies, special regulations, standing orders, and techniques.
9. Provide emergency room backup list.
10. Assist in the preparation of such annual reports, including budgetary planning, pertaining to the Department as may be required by the Executive Committee and Administrator.

11. Request consultant representatives from other departments. Such representatives shall have the approval of their own department chairman. This process shall continue until mutually satisfactory representatives are chosen.
12. Act as presiding officer at Department meetings.
13. Assess and recommend to the relevant hospital authority off-site sources for needed patient care, treatment and services not provided by the Department or the organization.
14. Coordinate and integrating interdepartmental and intradepartmental services.

MEDICAL DIRECTORSHIP AGREEMENT

by and between

PALOMAR POMERADO HEALTH SYSTEM ("Hospital")

and

LACHLAN MACLEAY, M.D. ("Practitioner")

MEDICAL DIRECTORSHIP AGREEMENT

THIS MEDICAL DIRECTORSHIP AGREEMENT (this "Agreement") is entered into as of January 1, 2006, by and between Palomar Pomerado Health System, a local health care district organized under Division 23 of the California Health and Safety Code ("Hospital"), and Lachlan Macleay, 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 Palomar Medical Center, an acute care hospital facility located in Escondido, California, in which it operates a Pathology Department (the "Department") under its acute care license.

B. Practitioner is licensed to practice medicine in the State of California, board certified for the practice of medicine in the specialty of pathology (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 Department of Pathology and to provide medical and administrative oversight with respect to the Department, and Hospital believes that enhanced patient care can be achieved if Practitioner assumes such responsibility as set forth in this Agreement.

D. Practitioner has the following qualifications and expertise to provide the services described in this Agreement: Member is in good standing of the Active Medical Staff of Palomar Medical Center.

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.
3. The benefits to Hospital and Hospital's community resulting from Practitioner's performance of the services described in this Agreement.
4. Survey of practitioner compensation prepared by Sullivancotter and Associates, Inc.

AGREEMENT

THE PARTIES AGREE AS FOLLOWS:

ARTICLE I. PRACTITIONER'S OBLIGATIONS

1.1 **Director Services.** Practitioner shall provide to Hospital those medical director services set forth on Exhibit 1.1 ("Director Services"), upon the terms and subject to the conditions set forth in this Agreement. Practitioner shall ensure that all Director Services are performed when and as needed, but shall also perform any Director Services when and as requested by Hospital from time to time.

1.2 **Time Commitment.** Practitioner shall devote whatever time is necessary to ensure the operation of a high-quality Department; **provided, however,** that Practitioner shall perform Director Services a minimum of ten (10) hours per month and a maximum of sixteen (16) hours per month. Practitioner shall allocate time to Director Services 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 Director 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 Director Services.

1.4 **Personal Services; Absences.** This Agreement is entered into by Hospital in reliance on the professional and administrative skills of Practitioner. Except as otherwise provided in this Agreement, Practitioner shall be solely responsible for performing Director Services and otherwise fulfilling the terms of this Agreement; **provided, however,** that if Practitioner is temporarily unable to provide Director Services due to illness, disability, continuing education responsibilities, or vacation, Practitioner shall designate a qualified replacement to provide Director Services pursuant to this Agreement. Such temporary replacement must be approved in writing by Hospital prior to the replacement providing Director 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 Director 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 Director Services in Practitioner's absence shall execute a written document in form and substance acceptable to Hospital 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.

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

HOSPITAL

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

By: _____
Its: _____

PRACTITIONER

Lachlan Macleay, M.D., an individual

Exhibit 1.1

DIRECTOR SERVICES

Practitioner, as Chairman of the Department, shall:

1. Supervise the professional, medical and administrative activities within the clinical areas of the Department such as participating in the development of policies, procedures, practices and planning of the Medical Staff and Hospital.
2. Serve on the Executive Committee in accordance with Section 11.3.1 of the Medical Staff Bylaws.
3. Maintain continuing assessment and improvement of the quality of care, treatment and services, review of the professional performance of all Members of the Medical Staff (the "Members") with privileges in the Department and assure preparation of biennial assessment of all Members for consideration by the Credentials Committee, Executive Committee and Board of Directors.
4. Enforce the bylaws, rules and regulations and department rules and regulations.
5. Transmit to the Executive Committee the Department's recommendations concerning the granting of privileges to Members and the results of any disciplinary measure or changes in privileges.
6. Have responsibility for implementation of any actions taken by the Executive Committee.
7. Supervise, by means of appropriate committees
 - a. peer review of individual Members holding privileges in the Department including an ongoing program of non disciplinary practitioner observation;
 - b. audit of disease entities and morbidity and mortality;
 - c. the presentation of educational programs using any deficiencies or suboptimal patterns of care detected by review as subjects; and
 - d. subsequent review to assure that improved performance has occurred.
8. Participate in every phase of administration of the Department through cooperation with nursing and administration in matters affecting patient care, including personnel, supplies, special regulations, standing orders, and techniques.
9. Provide emergency room backup list.
10. Assist in the preparation of such annual reports, including budgetary planning, pertaining to the Department as may be required by the Executive Committee and Administrator.

11. Request consultant representatives from other departments. Such representatives shall have the approval of their own department chairman. This process shall continue until mutually satisfactory representatives are chosen.
12. Act as presiding officer at Department meetings.
13. Assess and recommend to the relevant hospital authority off-site sources for needed patient care, treatment and services not provided by the Department or the organization.
14. Coordinate and integrating interdepartmental and intradepartmental services.

ADMINISTRATIVE SERVICES AGREEMENT

by and between

PALOMAR POMERADO HEALTH ("Hospital")

and

DANIEL C. HARRISON, 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 Daniel C. Harrison, 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 Palomar Medical Center, 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 Chairman of the Quality Management Committee at Palomar Medical Center, 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 Palomar Medical Center.

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 minimum of twenty four (24) hours per month and a maximum of thirty (30) 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.

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

Daniel C. Harrison, M.D., an individual

Practitioner's principal contact address:

641 East Pennsylvania, Suite 102
Escondido, CA 92025

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Exhibit 1.1

ADMINISTRATIVE SERVICES

Practitioner, as Chairman of the Quality Management Committee at Palomar Medical Center 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 or 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 multi-disciplinary opportunities for improvement are identified;
8. Routinely measure and assess results of actions taken to improve performance; and
9. Submit regular confidential findings, conclusions, recommendations and actions to the Executive Committees and Board Quality Review Committee.

Independent Citizens' Oversight Committee
Approval of Minutes from Meeting on March 28, 2006

TO: Board of Directors
Monday, May 8, 2006

FROM: Board Finance Committee
Tuesday, April 25, 2006

BY: Bob Hemker, CFO

Background: On Tuesday, March 28, 2006, the Palomar Pomerado Health Hospital, Emergency Care, Trauma Center Improvement and Repair Measure Bonds Independent Citizens' Oversight Committee (ICOC) held their third 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 attached draft minutes from the meeting on March 28, 2006, have been reviewed by the Chair and the Secretary of the ICOC and approved for presentation to the ICOC members and the District Board.

Budget Impact: N/A

Staff Recommendation: Approval of the draft minutes from the ICOC meeting held on March 28, 2006.

Committee Questions:

COMMITTEE RECOMMENDATION: The Finance Committee recommends approval of the draft minutes from the ICOC meeting held on March 28, 2006.

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

Palomar Pomerado North County Health Development, Conference Room, 642 East Grand Avenue, Escondido, CA

PARTICIPANTS									
MEMBERS									
WILLIAM L. CORWIN (AT LARGE)									
STEPHEN FRIAR (AT LARGE)									
LEE HUMAN, MD (PHYSICIAN)									
JERRY KAUFMAN, MPT (BUSINESS ORG) - SECRETARY									
EDWARD R. LEHMAN (SR CITIZENS' ORG)									
JOHN MCIVER (AT LARGE)									
KATHY LEECH MCKINNEY (AT LARGE)									
MARGARET MOIR (AT LARGE)									
BOB WELLS (TAXPAYERS' ORG) - VICE CHAIR									
STEPHEN P. YERXA (AT LARGE) - CHAIR									
DISTRICT SUPPORT STAFF									
BOB HEMKER, CFO									
TANYA HOWELL, EXECUTIVE ASST - SCRIBE									
GUESTS									
KATHLEEN LEAK, BOND COUNSEL ORRICK, HERRINGTON & SUTCLIFFE									

[P = Present E = Excused A = Absent]

Independent Citizens' Oversight Committee Meeting Minutes – Tuesday, March 28, 2006

AGENDA ITEM/PURPOSE	DISCUSSION/RECOMMENDATION	ACTION/COMMENTS
I. CALL TO ORDER & ROLL CALL	<p>Meeting called to order at 3:02 p.m. by Chair Steve Yerxa. See roster for attendance.</p>	
II. INFORMATION ITEM(S)	<ul style="list-style-type: none"> • Chair Steve Yerxa replied to the letters of inquiry received at the October 2005 meeting from Messrs. Robroy Fawcett & Jeff Switzer (<i>Attachment A</i>) • Assistant to the ICOC Tanya Howell is working with the PPH Webmaster to create an appropriate link on the site for posting of the schedule, agendas & minutes of the ICOC • Assistant Tanya Howell distributed the following items to the membership: <ul style="list-style-type: none"> o Petty cash funds distribution and expense vouchers for mileage to previous ICOC meetings o Minutes with attachments from October 5, 2005, ICOC meeting o Letters from Chair Steve Yerxa to public letters of inquiry referenced above o Draft biographical sketches of ICOC membership for review & approval o Current ICOC Contact List o Letter from Lee Human, M.D. (<i>referenced in Agenda item IV.A.</i>) • PMC North Campus <ul style="list-style-type: none"> o PPH closed on the land o The City approved the zoning changes for rights & entitlements o There is a Development Agreement with the City, which includes extending Citracado Parkway for access o There is also a Memorandum of Understanding (MOU) with the City regarding changes being made on the current PMC campus and plans for downtown Escondido <ul style="list-style-type: none"> ▪ Early-stage evaluations of properties on Valley Boulevard are being done as PPH would require rights to both sides of the road for it to be closed to meet current plans • The District Board Finance Committee is reviewing the relocation of Supply Chain Services and the Warehouse to Escondido to begin to reallocate local sales tax <ul style="list-style-type: none"> ▪ The Development Agreement with the City allocates \$13M in cash plus an approximate \$6-7M in local tax reallocations to pay for infrastructure upgrades along Citracado Parkway • ICOC minutes <ul style="list-style-type: none"> o October minutes were reviewed & approved by District Board at their March 13, 2006, meeting o Future distribution: <ul style="list-style-type: none"> ▪ First draft to Chair Steve Yerxa ▪ To Committee members after Chair approval ▪ To PPH Finance Committee for review ▪ To consent agenda at District Board meeting ▪ To next scheduled ICOC meeting agenda 	<ul style="list-style-type: none"> • ICOC Web posting to be worked out prior to Annual Meeting • Minutes of this meeting will be drafted, reviewed by Chair, then forwarded to the District Board via the April 25, 2006, Finance Committee meeting

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**Independent Citizens' Oversight Committee
Meeting Minutes – Tuesday, March 28, 2006**

AGENDA ITEM/PURPOSE	DISCUSSION/RECOMMENDATION	ACTION/COMMENTS
	<ul style="list-style-type: none"> • Jerry Kaufman's resignation was reported to the District Board <ul style="list-style-type: none"> o Bob Hemker confirmed with bond counsel the propriety of the resignation o John Mciver's nomination by the ICOC as replacement—both as Secretary and Business Organization representative—was also reported to the District Board o As the membership remains at the required number of nine, no further action is required 	
III. PUBLIC COMMENTS	There were no public comments	
IV. DISCUSSION AGENDA		
REPORTS		
A. RESIGNATION OF LEE HUMAN, M.D.	<ul style="list-style-type: none"> • Lee Human, M.D., submitted a letter of intent to resign, based on scheduling conflicts (<i>Attachment B</i>) <ul style="list-style-type: none"> o Resignation discussed and accepted o Leaves a vacancy on the ICOC, specifically a "Required Member" who is either a nurse or a physician o Vacancy also requires replacement of member, as required membership shall be NLT nine (9) <ul style="list-style-type: none"> ▪ Eight (8) members is still a quorum o Current applications to be forwarded to the Finance Committee for consideration: <ul style="list-style-type: none"> ▪ Two applications recently received will be included if they meet the nurse/physician requirement ▪ Applications from first round of applicants who met the nurse/physician requirement 	<ul style="list-style-type: none"> • Dr. Human's resignation will be reported to the District Board via the Board Finance Committee, with a recommendation that the vacancy be posted for nurse/physician applicants only, as all other required and at-large memberships are filled
PRESENTATIONS		
A. LEGAL ASPECTS OF GO BONDS B. CLARIFICATION OF THE DUTIES & ROLES OF THE ICOC	<p>Utilizing <i>Attachment C</i>, Kathleen Leak, Esq., Bond Counsel for PPH, from Orrick, Herrington & Sutcliffe, LLP, led a discussion that covered both the legal aspects of the issuance of and distribution of funds derived from General Obligation (GO) Bonds and the duties and roles of the ICOC with regard to those funds. Ms. Leak also acknowledged the team of individuals known as the PPH Financing Team—consisting of PPH staff and consultants from Citigroup, Kaufman Hall and Orrick—who are coordinating the formulation of the Plan of Finance, a component of which is the issuance of GO Bonds</p> <ul style="list-style-type: none"> • The Constitution of the State of California sets limitations on the use of GO Bonds, stating that they may only be used to purchase "real property" <ul style="list-style-type: none"> o No direct legal definition for "real property – consensus over time as to what is or is not allowed" <ul style="list-style-type: none"> ▪ Anything truly portable, ordinary repairs, maintenance costs, supplies or labor are not generally allowed 	<ul style="list-style-type: none"> • Tanya Howell is to add Kathleen Leak to both the ICOC Contact List and the ICOC emailing group listing

**Independent Citizens' Oversight Committee
Meeting Minutes – Tuesday, March 28, 2006**

AGENDA ITEM/PURPOSE

DISCUSSION/RECOMMENDATION

ACTION/COMMENTS

- Fixtures that are affixed to or become part of the land/building, labor costs, professional fees, real estate closing costs and other costs directly connected to real property acquisition and improvements are generally allowed
- The ICOC is responsible only for oversight of the GO Bonds issued by the PPH District, even if other sources of funding are utilized by the district to complete the various hospital projects
 - o ICOC's role is to review expenditures after they have been made to confirm GO Bonds were used appropriately
 - o Once all GO Bonds have been spent, role of ICOC ends
- Annual expense report will be prepared after close of the fiscal year
 - o Annual Report will cover only GO Bonds
 - o Whole picture will be available by putting the Annual Report together with the District's Audited Financial Statements
- Will the purchase of a new building for the warehouse constitute an appropriate GO Bond expenditure? As Measure BB was a "hospital & healthcare project" – not just "hospital", answer would be, "Yes", contingent on:
 - o Review by Bond Counsel
 - o Review by Financing Team
 - o Warehouse that supports the hospital is technically part of the hospital – if housed within the physical buildings of the hospital, there would be no doubt as to validity of use
- POM OSP will not be GO financed due to its condo structure – not an "owned asset" of PPH
- Discussion of ICOC Concept
 - o No requirement for healthcare districts to have ICOC – District Board decided it would be an appropriate aspect of the planning process
 - o Based on the requirement of School Districts to have an ICOC for school bond issuances
 - o Could not ultimately change a decision made by the District Board, but provides input for Board consideration regarding possible inappropriate expenditures
 - Committee report made to District Board
 - District Board required to reply to comments – "closes the loop"
 - o ICOC protects the citizenry
 - o Bond Counsel protects the bond holders
 - o ICOC has access to bond counsel for questions regarding appropriate vs. inappropriate expenditures
 - Any questions should be made collectively as a body through Bob Hemker's office, utilizing the ICOC emailing list
- PPH Fiscal Year 2006 ends June 30th, and the external audit is generally completed by the end of October following FY close

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**Independent Citizens' Oversight Committee
Meeting Minutes – Tuesday, March 28, 2006**

AGENDA ITEM/PURPOSE	DISCUSSION/RECOMMENDATION	ACTION/COMMENTS
<p>B. UPDATE ON MASTER FACILITY PLAN & GO BOND PROCEEDS TO DATE</p>	<p>Bob Hemker distributed a spreadsheet that contained a high-level, interim snapshot of GO Bond Project Draws through March 28, 2006 (<i>Attachment D</i>)</p> <ul style="list-style-type: none"> • \$80M in GO Bonds were issued in July 2005 • \$45M draw-down against that amount to date <ul style="list-style-type: none"> o \$34M for land o \$9M for Architect, Costing, Engineering & Consulting o \$1M for legal fees • \$1.7M in interest income <ul style="list-style-type: none"> o Federal arbitrage rules provide limitations on the amount of interest income that can be derived from tax-exempt bonds • About \$36.7M remains of the first tranche of GO Bonds issued 	<ul style="list-style-type: none"> • Meeting materials will be distributed to members well in advance of future meetings – materials for the September 28, 2006, meeting will be distributed at least one (1) week ahead of time • Approval of minutes will become a standing agenda item for future meetings
<p>C. BOARD MEMBER COMMENTS/AGENDA ITEMS FOR NEXT MEETING</p>	<p>Discussion of timeliness of receipt of materials for ICOC meetings</p> <ul style="list-style-type: none"> • It was noted that the minutes from the prior meeting were not an agenda item at this meeting <ul style="list-style-type: none"> o Omitted as the minutes had been reviewed by Chair and had already been forwarded to the District Board for final approval—new procedures will be followed in future • 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, September 26, 2006, 3:00 p.m., in Admin Conference Room 1 at Palomar Medical Center 	<p>Motion by John McIver, seconded by Ed Lehman and carried to adjourn the meeting</p>
<p>D. ADJOURNMENT</p>	<p>Meeting adjourned at 5:10 p.m.</p>	
<p>DRAFT REVIEWED AND APPROVED FOR SUBMISSION TO DISTRICT BOARD</p>	<p>CHAIR <i>Steven P. Yen</i> Steven P. Yen</p> <p>SECRETARY <i>John McIver</i> John McIver</p>	
<p>APPROVED BY DISTRICT BOARD</p>	<p>CHAIR <i>Marcelo Rivera, M.D.</i> Marcelo Rivera, M.D.</p> <p>SECRETARY <i>Linda Greer, R.N.</i> Linda Greer, R.N.</p>	

ATTACHMENT A

**Stephen P. Yerxa, Chair
PPH Independent Citizens' Oversight Committee
c/o Palomar Pomerado Health
15255 Innovation Drive
San Diego, CA 92128**

March 27, 2006

Mr. Robroy R. Fawcett
1576 Katella Way
Escondido, California 92027

Re: Palomar Pomerado Health Independent Citizens' Oversight Committee

Dear Mr. Fawcett:

We wish to address your requests and concerns regarding the activities of the Palomar Pomerado Health Independent Citizens' Oversight Committee (the "Committee"). As you may be aware, the Board of Directors of Palomar Pomerado Health (the "Board of Directors") established the Committee in accordance with Measure BB. As specified in Measure BB, the Board of Directors provided for the formation and operation of the Committee as set forth in the Palomar Pomerado Health Hospital, Emergency Care, Trauma Center Improvement and Repair Measure Bonds Independent Citizens' Oversight Committee Procedures, Policies, and Guidelines (the "Policies and Procedures"), [a copy of which is attached]. Together, the provisions of Measure BB and the Policies and Procedures govern the activities of the Committee.

With respect to notices and agendas to be provided regarding regular meetings and special meetings, in accordance with Section 6.3 of the Policies and Procedures, all meetings of the Committee are required to be open and public in accordance with the provisions of the Ralph M. Brown Act, Government Code Sections 54950 *et seq.* (the "Brown Act"), which, among other matters, specifies provisions regarding notice and the posting of agendas for regular and special meetings. In accordance with Section 54954.2 of the Brown Act, notice and posting of the agenda for regular meetings is required, and will be provided, at least 72 hours prior to a regular meeting. In accordance with Section 54956 of the Brown Act, notice of a special meeting is required, and will be provided, at least 24 hours prior to a special meeting. With respect to the manner of giving of notice of meetings of the Committee, Section 6.3 of the Policies and Procedures requires that the Committee apply the same standards as used by the Board of Directors in giving notice of its meetings.

With respect to the posting of minutes of Committee meetings, in accordance with Section 6.4 of the Policies and Procedures, the Secretary of the Committee is required to keep a report of all Committee meetings, which may be in the form of minutes, which will become a part of the public records of Palomar Pomerado Health (the "District"). Such reports of

Committee meetings and the annual report of the Committee prepared pursuant to Section 3.2 of the Policies and Procedures are to be made available to the public on the District's web site. With respect to your request regarding the posting of supporting materials presented at any Committee meeting, attachments to the Committee minutes will also be made available on the District's web site.

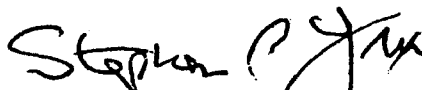
With respect to your request that members of the Committee identify their membership on the Committee when discussing use of proceeds of bonds authorized by Measure BB with members of the public or government bodies, the Committee will consider your recommendation and will take whatever action it deems appropriate in the discharge of its duties.

With respect to your concern that a member of the Committee is also a member of the Board of Directors of the Palomar Pomerado Health Foundation, Section 5.2(a) of the Policies and Procedures specifies the general qualification standards for membership on the Committee. Pursuant to Section 5.2(a) of the Policies and Procedures, a member of the Committee may not be an employee, official, vendor, contractor or consultant of the District. Palomar Pomerado Health Foundation, incorporated in 1984 as a nonprofit public benefit corporation to support the programs, services, capital projects and community outreach programs of the District, is a separate legal entity and is not a component of the District. Membership on the Board of Directors of the Palomar Pomerado Health Foundation does not preclude membership on the Committee.

With respect to your requests regarding activities of the Board of Directors and the committees of the Board of Directors, we have forwarded a copy of your letter to the Board of Directors for its consideration. As we discussed at the October 5, 2005, meeting of the Committee, this request is beyond the purview of this Committee.

We hope that the information provided addresses your concerns.

Very truly yours,



Stephen P. Yerxa, Chair
PPH Independent Citizens' Oversight Committee

Stephen P. Yerxa, Chair
PPH Independent Citizens' Oversight Committee
c/o Palomar Pomerado Health
15255 Innovation Drive
San Diego, CA 92128

March 27, 2006

Mr. Jeff Switzer
1224 Via Privada
Escondido, California 92029-7711

Re: Suggested Methodology for Palomar Pomerado Health Independent Citizens' Oversight Committee

Dear Mr. Switzer:

We wish to thank you for your suggested methodology concerning the activities of the Independent Citizens' Oversight Committee (the "Committee"). As you are aware, the Board of Directors of Palomar Pomerado Health (the "Board of Directors") established the Committee and the provisions and procedures to provide for the formation and operation of the Committee in accordance with Measure BB.

As set forth in Measure BB, the Committee is to be provided with a copy of each annual expenditure report prepared by the chief financial officer of Palomar Pomerado Health (the "District") for submission to the Board of Directors. Each annual expenditure report is required to state the amount of bond proceeds received and expended in each fiscal year and the status of any projects funded or to be funded from the proceeds of bonds authorized to be issued by Measure BB. As specified in Measure BB, the Board of Directors provided for the formation and operation of the Committee as set forth in the Palomar Pomerado Health Hospital, Emergency Care, Trauma Center Improvement and Repair Measure Bonds Independent Citizens' Oversight Committee Procedures, Policies, and Guidelines (the "Policies and Procedures") [a copy of which is attached]. Together, the provisions of Measure BB and the Policies and Procedures govern the activities of the Committee.

In accordance with Measure BB and as set forth in Section 2 of the Policies and Procedures, the purpose of the Committee is to ensure that proceeds of the bonds authorized by Measure BB are expended only for purposes permitted by Measure BB. As specified in Section 3 of the Policies and Procedures, the duties of the Committee are: (i) to review each annual expenditure report to ensure that Measure BB bond proceeds are expended only for the purposes set forth in Measure BB and to ensure that no Measure BB bond proceeds are used for staff or administrator salaries or other operating expenses; and (ii) to prepare an annual report concerning the Committee's review of each annual expenditure report, which is to be forwarded to the Board of Directors for response and inclusion in the public records of the District, in accordance with Section 6.4 of the Policies and Procedures.

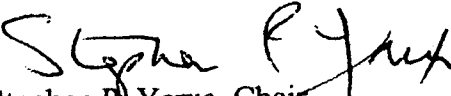
In order to perform the duties specified in Section 3 of the Policies and Procedures, the Committee may engage in the activities specified in Section 4 of the Policies and Procedures. The activities which the Committee may engage in are as follows: (i) receive and review copies of each annual expenditure report and personally conduct such physical examination of the construction sites as the Committee shall deem reasonably necessary to verify the expenditures reported in each annual expenditure report; (ii) report to the Board of Directors any exceptions, discrepancies, issues and/or concerns regarding the use of Measure BB bond proceeds for the Board of Directors' consideration and response and for dissemination to the public; (iii) review and reply to the Board of Directors' response to any Committee report submitted to the Board of Directors pursuant to item (ii) above and provided to the Committee by the Board of Directors in accordance with Section 7.4 of the Policies and Procedures; and (iv) submit a final report of the Committee's activities when all Measure BB bond proceeds have been spent and the Committee has reviewed the final annual expenditure report.

In order to perform the duties specified in Section 3 of the Policies and Procedures, the Committee is required to establish a schedule for the date and time for regular meetings, with a meeting to be held at least annually, as specified in Section 6.1 of the Policies and Procedures. The Committee may also meet more frequently as the Committee deems reasonably necessary or as requested by the Board of Directors.

In accordance with Section 6.4 of the Policies and Procedures, the Secretary of the Committee is required to keep a report of all Committee meetings, which may be in the form of minutes, which will become a part of the public records of the District and will be made available to the public as provided in Section 3.2, Section 6.4 and Section 7.1 of the Policies and Procedures.

We hope that the information provided above concerning the purposes, duties and activities of the Committee as set forth in Measure BB and the Policies and Procedures proves helpful. The Committee is required to function in accordance with the applicable provisions of Measure BB and the Policies and Procedures and may only engage in the activities specified in Section 4 of the Policies and Procedures. As your review will indicate, many of the activities suggested in the methodology set forth in your letter exceed the scope of the duties and activities specified in Measure BB and the Policies and Procedures that govern the Committee.

Very truly yours,


Stephen P. Yerxa, Chair
Independent Citizens Oversight Committee

ATTACHMENT B



RECEIVED
FEB 10 2006
PALOMAR POMERADO HEALTH
CFO, PP FINANCE

Tickler file ICOC
mf

Lee Human, M.D.

2400 Peet Lane
Escondido, CA 92025

T (760) 747-7086
F (760) 747-1718
leehumanmd@cox.net

February 10, 2006

Bob Hemker
CFO
Palomar Pomerado Health
15255 Innovation Drive
San Diego, CA 91128

Dear Bob,

I thought I might be useful as the medical representative to the Oversight committee when I volunteered. Unfortunately this has not been the case. Having recently retired, my wife and I are in a "travel phase." As a result I was out of the country when the first meeting of the Committee was held. I planned a trip so as to have been able to attend the second meeting, but the date of the meeting was then changed and we were abroad at that time also. I just learned of the date of the third meeting and, as it turns out, we will be hiking in Sicily on that day.

Perhaps it would be best if I were replaced on the Committee by someone who would be more readily available. I regret that I have not been able to serve more effectively.

Sincerely yours,

Lee Human, M.D.

ATTACHMENT C

PART I

DISCUSSION OF GENERAL OBLIGATION BONDS

I. General Features

General obligation bonds issued by local health care districts are secured by and payable from ad valorem property taxes, which are required to be levied in an amount sufficient to pay the principal and interest coming due on such general obligation bonds in each year.

Pursuant to Section 1(b) of Article XIII A of the California Constitution, any indebtedness to be repaid from ad valorem property taxes levied against real property must be (i) approved by a two-thirds vote of the qualified electors and (ii) may only be used to finance "the acquisition or improvement of real property."

II. Constitutional Limitations Re Use of General Obligation Bond Proceeds

There is no direct legal authority defining what constitutes "real property" for purposes of Article XIII A of the California Constitution. However, there is general agreement that the real property limitation precludes financing vehicles, equipment, furnishings and supplies. Generally, anything which is truly portable, or which can be removed from land or a building without causing damage to the land or building, may not be financed with general obligation bonds.

For purposes of Article XIII A of the California Constitution, "improvement" does not include ordinary repairs, maintenance costs, supplies or labor, and therefore such items may not be financed with the proceeds of general obligation bonds.

Fixtures, equipment, and materials which become part of, or are affixed to, land or to a building in the course of making improvements to real property are generally considered real property improvements which may be financed with the proceeds of general obligation bonds. In addition, labor costs, professional fees (such as for general contractors, architects, etc.), real estate closing costs and other costs directly connected to real property acquisition and improvement are generally considered to be real property improvements. However, direct legal authority is also lacking in this area.

III. Ballot Measure Limitations Re Use of General Obligation Bond Proceeds

General obligation bond proceeds may be used only for those purposes approved by the voters.

Measure BB, approved by the voters of Palomar Pomerado Health (the "District") on November 2, 2004, specifies the purposes for which proceeds of general obligation bonds issued by the District may be used, which the purposes are to provide financing

or refinancing for hospital and health care facilities projects consisting of the acquisition and improvement of real property for hospital and health care purposes.

In addition, pursuant to Measure BB and the local health care district law, costs incidental to issuing general obligation bonds, including costs of conducting the general obligation bond election, may be paid from the proceeds of general obligation bonds.

PART II

DISCUSSION OF INDEPENDENT CITIZENS' OVERSIGHT COMMITTEE

I. Creation

Neither the local health care district law nor any other applicable provision of California law requires that a local health care district establish a citizens' oversight committee in connection with the issuance of general obligation bonds.

The Board of Directors of Palomar Pomerado Health (the "PPH Board") agreed that it would establish an independent citizens' oversight committee if Measure BB was approved by the voters.

II. Composition and Appointment Process

As set forth in the full text of Measure BB, such independent citizens' oversight committee (i) to be comprised of at least nine (9) members, each member to be selected by the PPH Board through a public application process and to serve without compensation, (ii) to include one (1) member active in a taxpayers' organization, one (1) member active in a senior citizens' organization, one (1) member active in a business organization, resignation from such taxpayers' organization, senior citizens' organization or business organization, as applicable, to be deemed a concurrent resignation from the independent citizens' oversight committee, and one nurse or physician, three (3) members of which shall be appointed by the PPH Board to serve for an initial term of one (1) year, three (3) members of which shall be appointed by the PPH Board to serve for an initial term of two (2) years and three (3) members of which shall be appointed by the PPH Board to serve for an initial term of three (3) years, each member thereafter appointed to the independent citizens' oversight committee by the PPH Board to serve for a term of two (2) years and each member to serve for no more than two (2) consecutive terms, and (iii) to remain in existence for so long as any proceeds of general obligation bonds remain unexpended.

III. Documentation to be Provided to Independent Citizens' Oversight Committee

As set forth in the full text of Measure BB, for so long as any proceeds of general obligation bonds authorized by Measure BB remain unexpended, the chief financial officer of the District shall cause a report to be filed with the PPH Board no later than five (5) months after the end of each fiscal year, commencing with the first fiscal year

during which any proceeds of general obligation bonds authorized by Measure BB shall have been received. Each report (hereinafter referred to as an "Annual Expenditure Report") shall state (i) the amount of general obligation bond proceeds received and expended in such fiscal year and (ii) the status of any projects funded or to be funded from the proceeds of general obligation bonds authorized to be issued by Measure BB.

Also as set forth in Measure BB, audited financial statements of the District will be made available in accordance with applicable requirements.

Pursuant to Measure BB, the independent citizens' oversight committee is to receive a copy of each Annual Expenditure Report concurrently with delivery of such Annual Expenditure Report to the PPH Board. In addition, the audited financial statements of PPH will also be available to the independent citizens' oversight committee.

IV. Adoption of Policies, Procedures and Guidelines

The PPH Board further agreed in Measure BB that it would establish by one or more resolutions such additional provisions and procedures as would be necessary to provide for the formation and operation of the independent citizens' oversight committee if Measure BB was approved by the voters.

Subsequent to approval of Measure BB, as provided in Measure BB, the PPH Board, acting by resolution, adopted procedures, policies and guidelines relating to the operation of the independent citizens' oversight committee (the "Guidelines").

V. Purpose and Duties of Independent Citizens' Oversight Committee

Purpose. As set forth in the Guidelines, the purpose of the independent citizens' oversight committee is to ensure that the proceeds of the general obligation bonds authorized by Measure BB are expended for the purposes permitted by Measure BB.

Duties. As set forth in the Guidelines, the independent citizens' oversight committee: (i) shall review each Annual Expenditure Report to ensure that proceeds of general obligation bonds issued are expended only for the purposes set forth in Measure BB and that no proceeds of general obligation bonds are used for staff or administrator salaries or other operating expenses; (ii) shall prepare and provide to the PPH Board an annual report (each such annual report being hereinafter referred to as the "Annual Committee Report") concerning the independent citizens' oversight committee's review of each Annual Expenditure Report; and (iii) shall consider the response provided by the PPH Board relating to each Annual Committee Report and shall provide a reply to the PPH Board for inclusion in the records of the PPH Board, all as provided in the Guidelines.

VI. Activities and Authority of Independent Citizens' Oversight Committee

Activities. As set forth in the Guidelines, the following activities comprise the activities of the independent citizens' oversight committee: (i) receiving and reviewing copies of each Annual Expenditure Report and making such physical examination of the construction site as the independent citizens' oversight committee shall deem reasonably necessary to verify the expenditures reported in each Annual Expenditure Report; (ii) reporting to the PPH Board any exceptions, discrepancies, issues and/or concerns regarding the use of proceeds of general obligation bonds for the consideration and response of the PPH Board and for dissemination to the public in accordance with the Guidelines; (iii) receiving, reviewing and replying to the response of the PPH Board to any Annual Committee Report; and (iv) submission of a final report upon termination of the activities of the independent citizens' oversight committee in accordance with the Guidelines when all proceeds of general obligation bonds authorized pursuant to Measure BB have been expended.

Authority. As set forth in, and in accordance with, the Guidelines, necessary technical and administrative assistance shall be provided to the independent citizens' oversight committee by the District. However, members of the independent citizens' oversight committee are not authorized to direct District staff.

VII. Meetings of Independent Citizens' Oversight Committee

As set forth in the Guidelines, the independent citizens' oversight committee shall establish a schedule for the date and time of regular meetings to be held at least annually. In addition, the independent citizens' oversight committee may meet more frequently as it deems reasonably necessary or as requested by the PPH Board.

All meetings shall be open and public in accordance with the Ralph M. Brown Act, California Government Code Sections 54950 et. seq.

The independent citizens' oversight committee shall apply the same procedures as used by the PPH Board in giving notice of meetings.

VII. Actions of Independent Citizens' Oversight Committee

As set forth in the Guidelines, a majority of the number of members of the independent citizens' oversight committee shall constitute a quorum for the transaction of any business except adjournment.

Also as set forth in the Guidelines, all decisions of the independent citizens' oversight committee shall be made by a majority vote of the members of the independent citizens' oversight committee in attendance.

VIII. Termination of Independent Citizens' Oversight Committee

Pursuant to the Guidelines, the independent citizens' oversight committee shall disband when all proceeds of the general obligation bonds authorized pursuant to Measure BB have been expended, the independent citizens' oversight committee shall have reviewed the final Annual Expenditure Report and the independent citizens' oversight committee shall have submitted its final Annual Committee Report to the PPH Board.

ATTACHMENT D

Palomar Pomerado Health Schedule of G.O. Bond Project Fund Draws Through March 28, 2006

	80,000,000	\$	80,000,000
Net Proceeds excl. Cost of Issuance:			
- Draw # 1	(7,180,571)		72,819,429
- Draw # 2	(2,941,161)		69,878,267
- Total Interest Income to Feb 2006		1,484,865	71,363,132
Balance through Feb 2006	(10,121,733)	1,484,865	71,363,132
- ERTC Land Escrow	(27,490,000)		43,873,132
- ERTC Initial Land & related	(7,425,333)		36,447,799
- Escrow refund excess Land draw	3,283		36,451,082
- Estimated March Interest Income		200,000	36,651,082
Total / Balance	(45,033,782)	1,684,865	36,651,082

March Activity
3/1/2006
3/16/2006
3/22/2006

ACCT-CATEGORY DESCRIP	Total
Architect, Costing, Engineering & Consul	9,220,151
Legal, Insurance, Other	1,404,591
GO Bond Cost Of Issuance	1,818,564
Land-ERTC	34,404,140
Permitting & Inspection	4,900
rounding	(1)
Grand Total	46,852,347

PROJECT FUND DRAWS	Total
Cost of Issuance-GO Bonds	1,818,564
Draw #1	7,180,571
Draw #2	2,941,161
Draw #3	7,425,334
Wire Transfer - Land	27,490,000
- Escrow refund excess Land draw	(3,283)
rounding	(1)
Grand Total	45,033,782

**Independent Citizens' Oversight Committee
Resignation of Lee Human, M.D.
Next Steps Required of the Board**

TO: Board of Directors
Monday, May 8, 2006

FROM: Board Finance Committee
Tuesday, April 25, 2006

BY: Bob Hemker, CFO

Background: On Tuesday, March 28, 2006, the Palomar Pomerado Health Hospital, Emergency Care, Trauma Center Improvement and Repair Measure Bonds Independent Citizens' Oversight Committee (ICOC) held their third meeting.

At that meeting, a letter of resignation received from Lee Human, M.D., was read and discussed. Dr. Human's resignation was accepted, and the attached letter confirming that action was sent to Dr. Human by ICOC Chairman Steve Yerxa.

Dr. Human's resignation in effect causes two vacancies on the ICOC: 1) A vacancy in number, as the Policies, Procedures & Guidelines (PP&G) of the ICOC require that there shall be not less than nine (9) members; and, 2) A vacancy in Required Members, as Dr. Human was the Nurse/Physician representative on the ICOC—required pursuant to the PP&G, and none of the current members are qualified to fill that vacancy.

Pursuant to the PP&G, the PPH Board shall appoint a new person to serve the remainder of the term (Dr. Human was a member of the Class of 2006, with his initial term to expire on June 30, 2006, followed by a second term of two (2) years, to expire June 30, 2008).

- The PPH Board shall post the vacancy and solicit applications from the general public.
- The Board designee [the Board Finance Committee] shall review applications and make recommendations to the Board for applicants to fill the vacant position.

Budget Impact: N/A

Staff Recommendation: Posting of the vacancy created by the resignation of Lee Human, M.D., with applications accepted from qualified nurse or physician applicants only, to be reviewed by the Board Finance Committee for recommendation to the Board.

Committee Questions:

COMMITTEE RECOMMENDATION: The Board Finance Committee recommends posting of the vacancy created by the resignation of Lee Human, M.D., with applications accepted from qualified nurse or physician applicants only, to be reviewed by the Board Finance Committee for recommendation to the Board.

Motion: X

Individual Action:

Information:

Required Time:

**Stephen P. Yerxa, Chair
PPH Independent Citizens' Oversight Committee
c/o Palomar Pomerado Health
15255 Innovation Drive
San Diego, CA 92128**

April 20, 2006

Lee Human, M.D.
2400 Peet Lane
Escondido, CA 92025

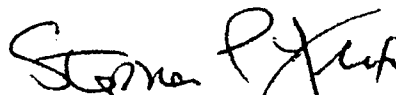
Re: Letter of Resignation – Palomar Pomerado Health Independent Citizens' Oversight Committee

Dear Dr. Human:

As Chair of the Palomar Pomerado Health Independent Citizens' Oversight Committee (the "Committee"), I would like to thank you on behalf of the Committee for your willingness to serve. As you are aware, the Committee reviewed your Letter of Resignation at its last meeting, on Tuesday, March 28, 2006. It was obvious that your resignation was not made lightly; and the Committee was very appreciative of the opportunity to refill your seat with someone whose schedule would be more accommodating, knowing that opportunity brought with it the loss of your expertise and familiarity with the District.

We wish you the best of luck in your retirement and would encourage your return to community service should the opportunity present itself over the coming years.

Very truly yours,



Stephen P. Yerxa, Chair
Independent Citizens' Oversight Committee

cc: Committee Members
Bob Hemker, CFO (District Staff Support)
PPH Board Finance Committee
PPH Board

Board of Directors Review of PPH Policies

TO: Board of Directors

MEETING DATE: May 8, 2006

FROM: Governance Committee Meeting April 11, 2006

BY: Jim Neal, Director Corporate Compliance & Integrity

BACKGROUND: Reviewed and approved revisions to the current Board Policies listed below. Board approval is sought.

Policies for approval:

- GOV-20 Public Comments and Attendance at Public Board Meetings
- GOV-25 Recording of Governing Board Meetings
- QLT-31 Plan of Care – Plan of Treatment (Home Health)

BUDGET IMPACT: None

STAFF RECOMMENDATIONS: Staff recommended approval

COMMITTEE RECOMMENDATION: Board approval requested for the above listed policies.

Motion: X

Individual Action:

Information:

Summery of Policy Changes Recommended by the Governance Committee

GOV-20 Public Comments and Attendance at Public Board Meetings

Change Summery: Added to section III.I addressing public actions at committee meetings of the Board which reads:

- I. Board Committee Meetings.
 1. The public may attend Committee meetings of the Board and will comply with the following:
 - a. Members of the public will not sit at the table unless invited to do so by the Committee Chair.
 - b. Members of the public will not eat the food and beverages provided to the Board and invited guest.
 - c. Members of the public will not comment or interrupt the proceedings of the Committee until invited to do so by the Committee Chair at the beginning of the meeting.

The law requires time for public comment at these Committee meetings.

GOV-25 Recording of Governing Board Meetings

Change Summery: Changed section III.A.2 by adding the following: "All video recording will be done from the back of the room".

The paragraph now reads as follows"

Subject to paragraph A.3 below, any person attending an open and public meeting of the Governing Board may record the proceedings with an audio or video tape recorder or still or motion picture camera. All video recording will be done from the back of the room.

There is nothing in the law that precludes us from doing this.

First-Quarter Review of Policies Implementing the Annual Review Cycle

OLT-31 Plan of Care – Plan of Treatment Home Health

Change Summery: No changes.

This approval will bring our new review cycle up to date.

**PALOMAR POMERADO HEALTH
BOARD POLICY**

GOV-20

**PUBLIC COMMENTS AND ATTENDANCE AT PUBLIC
BOARD MEETINGS**

May 8, 2006

I. PURPOSE:

- A. To provide guidelines in the interest of conducting orderly, open public meetings while ensuring that the public is afforded opportunity to attend and to address the board.

II. DEFINITIONS:

None

III. TEXT / OF PRACTICE

- A. Members of the public who wish to address the board are asked to complete a *Request for Public Comment* form and submit to the Board Assistant prior to the meeting. The information requested shall be limited to name, address, phone number and subject.
- B. Should Board action be requested, the request should be included on the form as well. Written copies of presentations are encouraged and may be attached to the form.
- C. The subject matter is to be confined to the topic requested and must be germane to Palomar Pomerado Health's jurisdiction.
- D. The maximum allowable time is five minutes per speaker with a cumulative total of fifteen minutes per group.
- E. The time and date of presentation are at the discretion of the Board Chair. Questions or comments will be entertained either during "Public Comments" section on the agenda or at the time the subject is discussed, provided that either time is prior to or during the time the item is being considered. Public comments at Board workshops will be limited to the "Public Comments" section.
- F. The public shall be accommodated by a designated seating area at all public meetings, unless room accommodations preclude it.
- G. In the event of a disturbance that is sufficient to impede the proceedings, all persons may be excluded with the exception of newspaper personnel who were not involved in the disturbance in question.
- H. The public shall be afforded those rights listed below (Government Code Section 54953 and 54954).
1. To receive appropriate notice of meetings;
 2. To attend with no pre-conditions to attendance;
 3. To testify within reasonable limits prior to ordering consideration of the subject in question;
 4. To know the result of any ballots cast;
 5. To broadcast or record proceedings (conditional on lack of disruption to meeting);
 6. To review recordings of meetings within thirty days of recording; minutes to be Board approved before release,

7. To publicly criticize Palomar Pomerado Health or the Board; and
8. To review without delay agendas of all public meetings and any other writings distributed at the meeting.

I. Board Committee Meetings.

1. The public may attend Committee meetings of the Board and will comply with the following:
 - a. Members of the public will not sit at the table unless invited to do so by the Committee Chair.
 - b. Members of the public will not eat the food and beverages provided to the Board and invited guest.
 - c. Members of the public will not comment or interrupt the proceedings of the Committee until invited to do so by the Committee Chair at the beginning of the meeting.

J. This policy will be reviewed and updated as required or at least every three years.

IV. DOCUMENT / PUBLICATION HISTORY:

Original Document Date: 2/94

Reviewed: 8/95; 1/99; 9/05; 4/06

Revision Number: 2 Dated: 4/11/06

Document Owner: Michael Covert

Authorized Promulgating Officers: Marcelo R. Rivera, Chairman

V. CROSS REFERENCE DOCUMENTS:

Prior to 2005, this policy was Board Policy 10-406

**PALOMAR POMERADO HEALTH
BOARD POLICY**

GOV-25

RECORDING OF GOVERNING BOARD MEETINGS

May 8, 2006

I. PURPOSE:

- A. Applicable law allows open session meetings of the Governing Board to be recorded by video or audiotape or by still or motion picture cameras. Closed session meetings may be recorded as well under strictly defined procedures that protect the confidentiality of the information contained in such recordings. This statement of policy is intended to set forth policy (and procedures) to govern the recording of any PPH Governing Board meeting, as well as any committee of the Board.
- B. This statement of policy shall apply to meetings of any committee of the Governing Board, as well as to meetings of the Board itself.

II. DEFINITIONS:

- A. "Person" shall include members of the public, as well as PPH Board members, officers and employees.
- B. "Record" means action taken by a person to chronicle a meeting of the Governing Board with an audio or video tape recorder or a still or motion picture camera.

III. PROCEDURE – TEXT/STANDARDS OF PRACTICE:

- A. Recording open session meetings of the Governing Board.
 1. Any member of the public, any member of PPH Governing Board or its staff or any other PPH officer or employee may record open session meetings of the Governing Board in accordance with the procedure set forth herein.
 2. Subject to paragraph A.3 below, any person attending an open and public meeting of the Governing Board may record the proceedings with an audio or video tape recorder or still or motion picture camera. All video recording will be done from the back of the room.
 3. Nothing herein shall be construed to limit the right of the Board to terminate any recording in progress if it finds that the recording cannot continue without undue noise, illumination or obstruction of view that constitutes, or would constitute, a persistent disruption of the proceedings.
 4. Any recording of an open session made by or at the direction of PPH shall be subject to inspection pursuant to the California Public Records Act and may be erased or destroyed thirty days after the taping or recording. Any inspection of such a recording shall be provided without charge or a video or tape player made available by PPH.
- B. Recording closed session meetings of the Governing Board
 1. The Board designated Board Assistant, or such other person temporarily or permanently in that position, will attend closed sessions when requested and to keep and enter into a minute book records of the topics discussed and discussions occurring at those meetings. The Board believes that, as a part of that designation, the Board Assistant is permitted to record those closed sessions with audio or video tape recorder or with still or motion picture cameras, as the Board may from

time to time direct. No other individual shall record closed session meetings of the Governing Board or of any of its committees. The Board Assistant, or such other person temporarily or permanently in her position, is the only person authorized to record closed session meetings of the Board. Unless designated in a prior resolution by the Board, no PPH Board member, officer or employee shall record closed session meetings of the Board.

2. The Board Assistant, or such other person temporarily or permanently in her position, shall be the custodian of any recordings made of closed session meetings of the Board. This person shall maintain such recordings at a secure location at PPH administrative offices.
3. Closed session recordings shall not constitute a public record. Board members and staff who wish to review such recordings shall do so within the confines of a secure area established by the Administrative Assistant, or such other person temporarily or permanently in that position, and shall be subject to reasonable security measures established by her to safeguard the confidential nature of the information contained in the recordings.

C. This policy will be reviewed and updated as required or at least every three years.

IV. DOCUMENT/PUBLICATION HISTORY:

Original Document Date: 1/16/96

Reviewed: 2/99; 9/05; 4/06

Revision Number: 2 Dated: 4/11/06

Document Owner: Michael Covert

Authorized Promulgating Officers: Marcelo R. Rivera, Chairman

PALOMAR POMERADO HEALTH
BOARD POLICY

QLT-31

Plan of Care – Plan of treatment
Home Health

May 8, 2006



Palomar Pomerado Health
Plan of Care - Plan of Treatment

Policy

Policies, HH only

QLT-31

Official(Rev: 2)

Applicable to:
HH - 54

Affected Departments:
Policies, HH only

I. PURPOSE:

To assure that plans of care/plans of treatment are individualized to each patient and that each patient participates in the planning of his/her care.

II. DEFINITIONS:

For the purposes of this policy, the following definitions apply:

- A. **Plan of treatment (POT)** is the typed documentation of the Plan of Care that is sent to the Physician for signature. It is also referred to as the '485'. This is the document that the Department of Health Services and Medicare Conditions of Participation refer to as the physician's plan of care.
- B. **Plan of Care (POC)** is the individual discipline care plan that is developed on admission and updated a minimum of every 60 days or as the patient's condition changes.

III. TEXT / STANDARDS OF PRACTICE:

- A. An individualized plan of care/plan of treatment shall be established for each patient/client accepted for home care services. It will be incorporated into the clinical record and will be reviewed and revised no less than every 60 days and as necessary on an ongoing basis.
- B. The plan of treatment signed by the physician is one mechanism that verifies orders for providing care to the patient. The plan of treatment is developed by the primary discipline and the patient, with physician consultation. It is forwarded to the physician. A copy is filed in the clinical record. The physician will read, revise and/or add to the plan and return the signed original to the agency. Any revisions made by the physician are noted by the primary discipline; the original is filed in the clinical record within 30 working days. The primary discipline will assure that the plan is carried out, and will assure that patient/client information is provided to other disciplines as appropriate.
- C. The plan of treatment shall cover pertinent information including, but not limited to:
 - 1. Patient/client demographic information.
 - 2. Physician name.
 - 3. Diagnosis and surgical procedures and dates of onset.
 - 4. Types of services and equipment and supplies required.
 - 5. Statement of treatment goals which are reasonable and measurable.
 - 6. Statement of identified patient/client problems and needs.
 - 7. Statement describing services/interventions to be provided.
 - 8. Medications, treatments, diet and supplies orders.
 - 9. Functional limitations/mobility/activities permitted.
 - 10. Patient and family strengths, resources.
 - 11. Mental status/cognitive function/psychosocial status.
 - 12. Nutritional requirements.
 - 13. Rehabilitation potential.
 - 14. Any safety measures to protect against injury, environmental factors.
 - 15. Frequency and duration of visits of all disciplines.
 - 16. Prognosis.
 - 17. Instructions to patient/family.
 - 18. Family involvement/availability of able and willing caregiver, degree of family involvement.

19. Allergies.
 20. Any other appropriate information or orders.
 21. Who is to perform the treatment.
 22. The need for additional services or care.
- D. The discipline noting the change will notify the physician whenever there is a change in the patient's condition, environment or need for services within such disciplines scope of practice. This communication will be documented in the patient's medical record.
 - E. Any change in medical orders after the initial plan of treatment will be approved by the MD and documented in the progress notes. The plan of care will be updated as appropriate. A supplementary order will be written by the discipline receiving the order within such disciplines scope of practice and faxed/mailed to the physician for his signature. Supplemental orders will be signed by the physician and received back within 30 working days.
 - F. Each plan of treatment will be reviewed and updated as frequently as the patients condition warrants and a minimum of every 60 days. The individualized discipline plan of care (POC) will be added to, revised and updated at a minimum every 60 days as needed.
 - G. A plan of care for personal care and support services only, may be written without a plan of treatment prescribed by a physician. The plan of care will be added to, revised and updated as needed and at least every 60 days.

IV. ADDENDUM:

V. DOCUMENT / PUBLICATION HISTORY: (template)

Revision Number	Effective Date	Document Owner at Publication	Description
2 (this version)	08/01/2005	Lucia A Nolan, Admin Partner Home Health	Removed Christine Greenstein's name from the list of authorized Promulgating Officers
1 (Changes)	02/11/2002	Elissa Hamilton	The previous revision date is: 10/10/01.
Authorized Promulgating Officers:		(08/01/2005) Sheila Brown, RN, MBA, Chief Clinical Outreach Officer	
		(07/15/2005) James Neal, Director of Corporate Integrity	
		(07/17/2005) Dr. Marcelo R Rivera, Director, PPH Board	

VI. CROSS-REFERENCE DOCUMENTS:(template)

Reference Type	Title	Notes
Source Documents	Care of Patients	
Source Documents	Management of Information	

Paper copies of this document may not be current and should not be relied on for official purposes. The current version is in Lucidoc at

<http://www.lucidoc.com/cgi/doc-gw.pl/ref/pphealth:11281>

MEDICAL STAFF SERVICES

April 25, 2006



TO: Board of Directors

BOARD MEETING DATE: May 8, 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
Anthony Schapera, M.D., Anesthesiology (05/08/2006 – 04/30/2008)
- II. Reinstatement and Advancement to Consulting Status
Patrick D. Lyden, M.D., Neurology (05/08/2006 – 09/30/2007)
- III. Advance from Provisional to Active Category
P. Eva Fadul, M.D., Anesthesiology (05/08/2006 – 02/28/2007)
Ghazala Q. Sharieff, M.D., Emergency Medicine (05/08/2006 – 11/30/2007)
- IV. Advance from Provisional to Courtesy Category
Cara E. Cohen, M.D., Pediatrics (05/08/2006 – 07/31/2006)
- V. Additional Privileges
Frank C. Cairo, M.D., Pediatrics
 - Neonatal Diagnoses:
 - Bilirubin >15
 - Infant of Diabetic Mother
 - Infant <36 weeks gestational age
 - Jaundice within the First 24 Hours of Life
 - Sepsis (Rule Out or Documented)John P. Einck, M.D., Radiation Oncology
 - High Dose Rate Gynecologic BrachytherapyLori A. Coleman, M.D., Radiation Oncology
 - High Dose Rate Gynecologic BrachytherapyKhuram A. Sial, M.D., Pain Management
 - Rehabilitative Medicine Bundle: Uncomplicated, Evaluation and Management of Rehabilitation patients with Impaired Functions.
 - Rehabilitative Medicine Special procedures: Electrodiagnostic Studies, Arthrocentesis.
- VI. Leave of Absence
Regis F. Fallon, M.D., Orthopaedic Surgery (06/01/2006 – 05/31/2008)
Rae D. Felthouse, M.D., Hematology/Oncology (04/01/2006 – 03/31/2007)
Parmjit M. Singh, M.D., Internal Medicine (05/01/2006 – 04/30/2008)

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

- VII. Voluntary Resignations/Withdrawal of Membership
 Nancy V. Aldana, M.D., Pediatrics (Effective 04/07/2006)
 Patrick D. Lyden, M.D., Neurology (Expiration of membership effective 04/30/2006 due to inadvertent omission of provisional review application on 3/27/2006 Executive Committee agenda – Reinstatement listed above.)
- VIII. Allied Health Professional Appointment (05/08/2006 – 04/30/2008)
 Richard Brownsberger, P.A.-C., Physician Assistant; Sponsors: Drs. Bulkin, Georgy, Macksood, Moldovan, Polansky, Price, Rickards, Sung and Taggart.
 Cherie Dragan, R.N., Clinical Research Coordinator; Sponsors: Drs. Bender, Burrows, Hirsch, Kanter, Otoshi, Trestman
 Laurie K. Higbee, R.N., Clinical Research Coordinator; Sponsor: Dr. Schechter
 Caroline E. Self, P.A.-C., Physician Assistant; Sponsors: Drs. Bulkin, Georgy, Macksood, Moldovan, Polansky, Rickards, Sung and Taggart
- IX. Allied Health Professional Resignations/Withdrawals (Effective 05/08/2006)
 Penny A. Johnson, R.N., Clinical Research Coordinator; Sponsor: Dr. Schechter
 Laura P. Pohl-Johnson, R.N., Clinical Research Coordinator; Sponsor: Dr. Schechter
 Joni W. Senn, R.N., Clinical Research Coordinator; Sponsor: Dr. Schechter
- X. Reappointments Effective 06/01/2006 – 05/31/2008
- | | | | |
|---|---------------------|----------------------------|------------|
| Denise Y. Gomez, M.D. | Internal Medicine | Dept of Medicine | Active |
| Shari R. Jacobs, M.D. | Pediatrics | Dept of Pediatrics | Active |
| Michael A. Kosmo, M.D. | Hematology/Oncology | Dept of Medicine | Active |
| Marshall J. Littman, M.D. | Pediatrics | Dept of Pediatrics | Courtesy |
| Stefan Moldovan, M.D. | General Surgery | Dept of Surgery | Active |
| Jaime B. Rivas, M.D. | Emergency Medicine | Dept of Emergency Medicine | Active |
| Mary L. Sanfelippo, M.D.
(Includes PCCC) | Nephrology | Dept of Medicine | Courtesy |
| Kevin J. Schwartz, M.D. | Anesthesiology | Dept of Anesthesia | Active |
| Russell P. Seda, M.D. | Allergy | Dept of Medicine | Associate |
| Yonina Tova, M.D. | Radiation Oncology | Dept of Radiology | Consulting |
| Jinnu A. Verma, M.D.
(Includes PCCC) | Internal Medicine | Dept of Medicine | Active |
- XI. Allied Health Professional Reappointment Effective 06/01/2006 – 05/31/2008
 Melissa A. Gunderson, CNM, Certified Nurse Midwife; Sponsors: Drs. Buringrud, Kohatsu, Trifunovic, Ghosh, Leon
 Charlotte H. Kutilek, CNM, Certified Nurse Midwife; Sponsors: Drs. Buringrud, Kohatsu, Trifunovic, Ghosh, Leon

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
May, 2006**

PERSONAL INFORMATION

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

SPECIALTIES/BOARD CERTIFICATION

<i>Specialties</i>	Obstetrics and Gynecology – Not Board Certified
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ORGANIZATIONAL NAME

<i>Name</i>	S.D Center for Women's Health
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EDUCATION/AFFILIATION INFORMATION

<i>Medical Education Information</i>	University of Baghdad College of Medicine, Iraq FROM: 09/01/1981 TO: 07/09/1987
<i>Internship Information</i>	N/A
<i>Residency Information</i>	State University of New York Affiliated Hospitals, Syracuse, NY Obstetrics/Gynecology From: 07/01/2001 To: 06/30/2005 Chief resident 07/01/04-06/30/05
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	None

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

PERSONAL INFORMATION

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

SPECIALTIES/BOARD CERTIFICATION

<i>Specialties</i>	Anesthesiology Certified - 1988 Critical Care Medicine Certified - 1991
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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 Cape Town, South Africa FROM: 03/01/1972 TO: 11/23/1977 Doctor of Medicine Degree
<i>Internship Information</i>	Groote Schuur Hospital, Cape Town, South Africa General Surgery From: 01/08/1978 To: 01/07/1979 Groote Schuur Hospital General Surgery From: 08/07/1978 To: 07/01/1979 Pediatric Surgery University of Cincinnati Medical Center, Ohio General Surgery From: 12/11/1981 To: 12/11/1982
<i>Residency Information</i>	University of Cincinnati Medical Center, Ohio Anesthesia From: 12/11/1981 To: 11/30/1984
<i>Fellowship Information</i>	University of California, San Francisco Anesthesia From: 07/01/1985 To: 06/30/1986 Anesthesia (ICU)
<i>Current Affiliation Information</i>	Mammoth Hospital, Mammoth Lakes, CA Tahoe Forest Hospital, Truckee, CA Northern Inyo Hospital, Bishop, CA

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

PERSONAL INFORMATION

<i>Provider Name & Title</i>	Khuram A. Sial, M.D.
<i>PPHS Facilities</i>	Escondido Surgery Center

SPECIALTIES/BOARD CERTIFICATION

<i>Specialties</i>	Pain Management – Board Eligible
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ORGANIZATIONAL NAME

<i>Name</i>	Pain & Spine Solutions
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EDUCATION/AFFILIATION INFORMATION

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

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

NAME:	Richard Brownsberger, P.A.-C.	
SPECIALTY:	Physician Assistant	
SERVICES:	Physician Assistant	
TRAINING:	LeMoyne College, Syracuse, NY	
	Physician Assistant Program Certificate	7/01/03-09/03/05
	Norwalk Hospital, Yale University School of Medicine,	
PRACTICE:	Physician Assistant, Valley Radiology Medical Group, Escondido, CA	01/17/06-Present
	Medical Assistant, Center for Health&Well Being, San Diego, CA	06/01/02-06/01/03
SPONSORS:	Anatoly Bulkin, M.D., Bassem Georgy, M.D., Daniel Macksood, M.D. Stefan Moldovan, M.D., Andrew Polansky, M.D., Richard Price, MD. Paul Rickards, M.D. Raymond Sung, M.D., Steven Taggart, M.D.	
CERTIFICATION:	National Commission on Certification of Physician Assistants	2005
FACILITIES:	Palomar Medical Center, Pomerado Hospital, Escondido Surgery Center	
NAME:	Cherie Dragan, R.N.	
SPECIALTY:	Registered Nurse/Clinical Research Coordinator	
SERVICES:	Registered Nurse for Clinical Research Studies for Escondido Pulmonary Medical Group	
TRAINING:	California State University, Fresno, Fresno, CA	
	Nursing Major	08/29/83-05/23/88
	San Diego State University, San Diego, CA	
	Bachelor of Science Degree – Nursing	09/01/88-12/15/90
PRACTICE:	Office RN, Drug Study Coordinator, PFT Technician for Escondido Pulmonary Medical Group. Escondido, CA	09/28/04-Present
	Registered Nurse, Palomar Medical Center	08/21/89-Present
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:	Carlos Garcia	
SPECIALTY:	Orthopaedic Technician	
SERVICES:	Orthopaedic Technician for the Kaiser Orthopaedic Surgeons at Pomerado Hospital	
TRAINING:	Palm Springs Orthopaedics – On the job training	01/01/93-12/31/94
PRACTICE:	Orthopaedic Technician, Kaiser Permanente, San Diego, CA	10/21/02-Present
	Orthopaedic Technician, Desert Regional Medical Center, Palm Springs, CA	07/16/99-07/19/01
	Orthopaedic Technician, Desert Orthopaedic Center, Rancho Mirage, CA	03/01/98-06/10/02
	Medical Assistant, Family Medical Clinic, Cathedral City, CA	01/01/95-12/31/97
	Medical Assistant/Cast Tech, Palm Springs Orthopedics, Palm Springs, CA	
SPONSORS:	Kaiser Orthopaedic Surgeons at Pomerado Hospital	
CERTIFICATION:	None	
FACILITY:	Pomerado Hospital	

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

Page two

NAME: Laurie Higbee, 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 09/01/89-06/01/95
PRACTICE: Registered Nurse Clinical Research Study Coordinator
 for Roger Schechter, M.D. 11/15/05-Present
 Medical Research Associate II, La Jolla Pharmaceutical Co.
 San Diego, CA 08/19/02-10/25/05
 Registered Nurse, ICU, Pomerado Hospital, Poway CA 08/28/00-Present
 Registered Nurse, Surgical Care Center, Scripps Memorial Hospital,
 La Jolla, CA 11/13/95-08/05/00
 Registered Nurse, Vista San Diego Center, San Diego, CA
 (now part of Vista Hill) 07/22/95-09/20/96
SPONSORS: Roger Schechter, M.D.
CERTIFICATION: None
FACILITIES: Palomar Medical Center and Pomerado Hospital

NAME: Caroline E. Self, P.A.-C.
SPECIALTY: Physician Assistant
SERVICES: Physician Assistant
TRAINING: Quinnipiac University, Hamden, CT
 Master of Health Science-Physician Assistant 05/01/02-08/07/04
 Norwalk Hospital, Yale University School of Medicine,
 New Haven/Norwalk, CT - P.A. Surgery Residency Program 09/01/04-08/31/05
PRACTICE: Physician Assistant, Valley Radiology Medical Group, Escondido, CA 01/16/06-Present
SPONSORS: Anatoly Bulkin, M.D., Bassem Georgy, M.D., Daniel Macksood, M.D.
 Stefan Moldovan, M.D., Andrew Polansky, M.D., Richard Price, MD.
 Paul Rickards, M.D. Raymond Sung, M.D., Steven Taggart, M.D.
CERTIFICATION: National Commission on Certification of Physician Assistants 2004
FACILITY: Palomar Medical Center and Escondido Surgery Center



**The Medical Staff
Palomar Medical Center
555 East Valley Parkway
Escondido, CA 92025**

April 25, 2006

TO: Board of Directors

BOARD MEETING DATE: May 8, 2006

FROM: Robert Trifunovic, M.D., Chief of Staff
PMC Medical Staff Executive Committee
Marvin Levenson, M.D., Medical Director
Escondido Surgery Center

SUBJECT: Additional Medical Staff Credentialing Recommendation

PALOMAR MEDICAL CENTER/ESCONDIDO SURGERY CENTER

The reappointment of Patrick M. O'Meara, M.D. will expire on 05/28/2006. As you will recall, the Board of Directors granted a limited reappointment from 05/01/2005 – 07/31/2005. The reappointment was then extended one month through 08/31/2005 and then an additional six month reappointment was granted through 02/28/2006. At the February 13, 2006 Board of Directors meeting the reappointment was extended for 90 days through 05/28/2006.

The Executive Committee, in its meeting of April 24, 2006, reaffirmed its original recommendation for a two year reappointment for Dr. O'Meara through 04/30/2007. This expiration date is in accordance with Article 5.1.3 of the Medical Staff Bylaws which states that reappointments shall not exceed two years and will terminate based on the renewal date of the California medical license.

I. Reappointment Effective 05/28/2006 – 04/30/2007
Patrick M. O'Meara, M.D. Orthopaedic Surgery Dept of Ortho/Rehab Active

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.

MEDICAL STAFF SERVICES



DATE: April 25, 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:

- ◆ Anthony Schapera, M.D., Anesthesiology (05/08/2006 – 04/30/2008)
- ◆ Khuram A. Sial, M.D., Pain Management (03/13/2006 – 02/29/2008)

Leave of Absence:

- ◆ Regis F. Fallon, M.D., Orthopaedic Surgery (06/01/2006 – 05/31/2008)

Allied Health Professional Appointment:

- ◆ Richard Brownsberger, P.A.-C., Physician Assistant; Sponsors: Drs. Bulkin, Moldovan (05/08/2006 – 04/30/2008)
- ◆ Caroline E. Self, P.A.-C., Physician Assistant; Sponsors: Drs. Bulkin, Moldovan (05/08/2006 – 04/30/2008)

Reappointment:

05/08/2006 – 02/28/2007

- ◆ P. Eva Fadul, M.D., Anesthesiology

06/01/2006 – 05/31/2008

- ◆ Stefan Moldovan, M.D., General Surgery
- ◆ Kevin J. Schwartz, M.D., Anesthesiology

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
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Tel 760.739.3140
Fax 760.739.2926

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Fax 760.480.1288



Pomerado Hospital Medical Staff Services

15615 Pomerado Road
Poway, CA 92064
Phone – (858) 613-4664
FAX – (858) 613-4217

DATE: April 25, 2006
TO: Board of Directors - May 8, 2006 Meeting
FROM: Paul E. Tornambe, M.D., Chief of Staff, Pomerado Hospital Medical Staff
SUBJECT: Medical Staff Credentials Recommendations – April 2006:

Credentials Recommendations: April 2006

Provisional Appointments: (05/08/2006 – 04/30/2008)

Anmar A. Mansour, M.D. – OB/GYN
Anthony Schapera, M.D. - Anesthesia

Biennial Reappointments: (06/01/2006 – 05/31/2008)

Francis A. Barber, M.D.- Medicine - Affiliate
Alan J. Conrad, M.D. – Medicine - Active
Shari R. Jacobs, M.D. – Pediatrics -Active
Eung D. Kim, M.D. – Anesthesia- Active
Michael A. Kosmo, M.D. – Medicine - Active
Marshall J. Littman, M.D. – Pediatrics - Active
Stefan Moldovan, M.D. – Surgery - Active
Jaime B. Rivas, M.D. – Emergency Medicine - Active
Cynthia A. Robertson, M.D. – Medicine - Affiliate
Mary L. Sanfelippo, M.D. – Medicine – Active
Kevin J. Schwartz, M.D. – Anesthesia – Active
Bradley J. Schnierow, M.D. – Medicine - Active
Yonina Tova, M.D. – Radiation Oncology - Consulting

Advancements:

Cara E. Cohen, M.D. – Pediatrics – Advanced to Active
P. Eva Fadul, M.D. – Anesthesia – Advanced to Active
Gilliam Q. Galloway, M.D. – Surgery – Advanced to Affiliate
Ghazala Q. Sharieff, M.D. – Emergency Medicine – Advanced to Courtesy

Allied Health Renewal: 06/01/2006-5/31/2008:

Judy Venn-Watson, RNFA - Sponsor Dr. Venn-Watson

Leave of Absence 4/1/2006 to 4/1/2007

Rae D. Felthouse, M.D.

Allied Health Appointments: (05/08/2006 – 04/30/2008)

Richard Brownsberger, PA-C – Sponsors Drs. Bulkin, Georgy, Macksood, Moldovan, Polansky, Price, Rickards, Sung, Taggart
Cheri Dragan, RN – Sponsors – Escondido Pulmonary
Carlos A. Garcia, OT – Sponsors Kaiser Physicians
Laurie Higbee, RN – Sponsor – Dr. Schechter

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.

Presentation of Service Award Pin upon Assuming Office

TO: Board of Directors

DATE: May 8, 2006

FROM: Marcelo R. Rivera, M.D., Board Chairman

BY: Christine Meaney, Board Assistant

BACKGROUND: A service award pin for Directors is awarded upon taking up office. In recognition of Mr. Gary L. Power's appointment as a director of the Board of Palomar Pomerado Health, unanimously approved at a special board meeting April 28, 2006, Marcelo R. Rivera, M.D., Board Chairman, will on behalf of the Board, present to Mr. Powers a pin upon his assuming office.

**Fellow in the American College of Healthcare Executives
Recertification**

TO: Board of Directors

DATE: May 8, 2006

FROM: Marcelo R. Rivera, M.D., Board Chairman

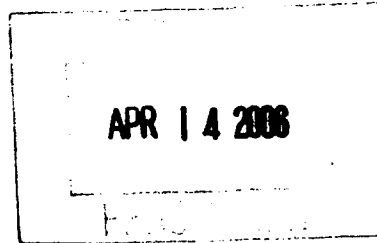
BY: Christine Meaney, Board Assistant

BACKGROUND: Following receipt of a letter by Chairman Rivera from the American College of Healthcare Executives, Dr. Rivera wishes to acknowledge Mr. Michael H. Covert, FACHE as having been recertified as a Fellow in the American College of Healthcare Executives.



American College of
Healthcare Executives
for leaders who care

Suite 1700
One North Franklin Street
Chicago, Illinois 60606-4425
(312) 424-2800 Phone
(312) 424-0023 Fax
ache@ache.org



April 7, 2006

Marcelo Rivera, M.D.
Chairman
Palomar Pomerado Health District
15255 Innovation Dr.
San Diego, CA 92128

Dear Dr. Rivera:

Michael H. Covert, FACHE, one of your colleagues, recertified as a Fellow in the American College of Healthcare Executives. As you may know, the American College of Healthcare Executives, organized in 1933, is a professional society dedicated to ensuring competence and leadership among healthcare executives.

A Fellow is recertified when he or she presents to ACHE's Credentials Committee evidence of professional growth and competence in the field. These factors are demonstrated by an individual's leadership in health and community affairs at the local, state, or national level and by participation in programs of continuing professional education.

Your continued support of this individual's professional development efforts will certainly enhance the field of health services management.

We are delighted to inform you of this achievement by your colleague.

Sincerely,

Karen M. Freeman, CHE
Assistant Director
Division of Membership

**Health Development Board
Vacancy**

TO: Board of Directors
DATE: May 8, 2006
FROM: Marcelo R. Rivera, M.D., Board Chairman
BY: Christine Meaney, Board Assistant

BACKGROUND: Following receipt of a letter dated April 25, 2006 from Mr. Brad Wiscons, Secretary of the Corporation of the Health Development Board he refers to the resignation of PPH Board Director Nancy Scofield that has created a vacancy on the Health Development Board.

The Bylaws of the Health Development Board require that Ms Scofield's successor be a member of the Palomar Pomerado Health Board of Directors and requests assistance in appointing a new member from the PPH Board to serve on the Health Development Board.

BUDGET IMPACT: None

STAFF RECOMMENDATION: Action requested

COMMITTEE RECOMMENDATION:

Motion: X

Individual Action:

Information:

Required Time:

HEALTH DEVELOPMENT



Tuesday, April 25, 2006

APR 27 2006

Marcelo R. Rivera, MD
Chairman of the Board
Palomar Pomerado Health
15255 Innovation Drive
San Diego, CA 92128

c.T.

Dear Dr. Rivera;

Due to the resignation of Director Nancy Scofield from the Palomar Pomerado Health Board of Directors, resultantly Health Development has a vacancy on our board.

The By-Laws of Health Development require that Ms. Scofield's successor be a member of the Palomar Pomerado Health Board of Directors and given your role as the Chairman of the Board of Directors of Palomar Pomerado Health, we are asking your assistance in appointing a new member from the Palomar Pomerado Health Board of Directors to serve on the Health Development Board of Directors.

Should the new director to the Health Development Board of Directors be appointed by June 13, 2006 and should the Health Development Board of Directors so choose, they may confirm this appointment by election at our annual organizing meeting on that date.

Thank you for all that you do and for your attention to this matter.

Cordially,

Brad Wiscons
Brad Wiscons
Secretary of the Corporation *Rue*

cc: Nancy Bassett
Michael Covert
Bob Hemker
~~Christina Meany~~

Action: Review of Committee Position Description

TO: PPH Board of Directors

MEETING DATE: May 8, 2006

FROM: Human Resources Committee: April 18, 2006

BACKGROUND:

PPH Board HR Committee Member Position Description is reviewed annually. The HR Committee reviewed their position description.

BUDGET IMPACT: Not Applicable

STAFF RECOMMENDATION: No changes necessary.

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:

Presentation: Position Manager Software

TO: PPH Board of Directors

MEETING DATE: May 8, 2006

FROM: Human Resources Committee: April 18, 2006

BACKGROUND:

Human Resources recently implemented a new software package called Position Manager. This software allows for more efficient tracking of applications and eliminates many time delays experienced previously. Sherri Hogle, HRIS Analyst, presented an overview of the Position Manager software.

- Sherri demonstrated the process beginning with the applicant submitting an electronic application. The on-line demonstration highlighted the interaction of the three major portals of the system: 1) applicant, 2) HR, 3) hiring managers.
- Sherri also acknowledged the interface between the applicant tracking system and Lawson. This interface is of major importance as requisitions are entered into Lawson and interfaced nightly into "Position Manager" and then posted on the job boards. Additionally, as applicants accept a position, they receive a "Hired" status and will interface into Lawson, closing the requisition. The system automatically merges all data fields into the offer letters, captures IS access requests by the manager, and creates tracking files for applicants whether they are hired or not.
- Since applications are electronic and both HR and the hiring manager can see them, it prevents lost applications when status changes are made or actions are taken, it is "real time" which improves the communication regarding the status of their prospective new employee.
- Since the recruitment team screens the applicants and forwards the application to only one manager at a time there, the possibility of two managers trying to hire the same person is greatly reduced.
- Once the applicant accepts the position, an email is sent to the hiring manager and the new hire coordinator who then sets the orientation process into effect.

BUDGET IMPACT: Not Applicable

STAFF RECOMMENDATION:

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:

Presentation: Recruitment Plan FY'07

TO: PPH Board of Directors
MEETING DATE: May 8, 2006
FROM: Human Resources Committee: April 18, 2006

BACKGROUND:

Janet Wortman, Employment Director, has been working with the employment team to develop a direction and commitment for the employment function in the next fiscal year. She presented the recruitment plan for the FY'07 year, including an overview of the new recruitment ad campaign.

Major points:

- Recruitment will provide resources that will build trust as well as support the financial strength, vision and mission of PPH.
- The new hire process is being reviewed and streamlined (as evidenced by the preceding new hire software presentation).
- Recruitment department employees will participate in ongoing seminars, recruitment research and become members in local and national hospital recruitment societies.
- Recruitment and Marketing will work together to achieve a common branding that bonds marketing strategies with recruitment.
- Recruitment will partner with management, working pro-actively to mentor and educate leaders to live the PPH mission and vision in the recruitment process as well as key initiatives such as Baldrige and Magnet.
- A compressive media plan will be developed to create a powerful on-line presence. By placing media financial allocations creatively, both recruitment and retention will be positively affected.

BUDGET IMPACT: Not Applicable

STAFF RECOMMENDATION:

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:

Review: Balanced Scorecard

TO: PPH Board of Directors

MEETING DATE: May 8, 2006

FROM: Human Resources Committee: April 18, 2006

BACKGROUND: Due to time constraints this topic was deferred to the May 16, 2006 HR Committee meeting.

BUDGET IMPACT: Not Applicable

STAFF RECOMMENDATION:

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:

Update: 2006 HR Committee Meeting Dates/Times

TO: PPH Board of Directors

MEETING DATE: May 8, 2006

FROM: Human Resources Committee: April 18, 2006

BACKGROUND:

PPH Board HR Committee meeting dates and times have been revised as follows:

Meeting Date....3rd Tuesday

Meeting Time....1600

April 18....Corporate Health, Suite 108 North

May 16....Innovation / Conf Rm A

June 13... Innovation / Conf Rm B

July 18....PMC /Admin 1

Aug 15... Innovation / Conf Rm A

Sept 19...PMC / Admin 1

Oct 17... Innovation / Conf Rm D

Nov 21...PMC / Admin 1

Dec 19... Innovation / Conf Rm D

BUDGET IMPACT: Not Applicable

STAFF RECOMMENDATION:

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:

Women's Service Line Update

TO: PPH Board of Directors
DATE: May 8, 2006
FROM: Strategic Planning Committee on April 18, 2006
BY: Diane Key, Service Line Administrator

BACKGROUND: One of PPH's prioritized service lines is Women's and Children's Services. An update on the service line was provided by Diane Key, Service Line Administrator.

Current Status

- Strategic plan completed and approved early 2005 for Women's Service Line
- Business plans for specific programs or services in process for the Women's Service Line

Women's Services: Key Strategies

- Demonstrate high quality
- Work with a perinatology group to establish services
- Focus on gaining oncologic market share
- Develop a women's heart health program
- Improve and add support programs
- Develop a comprehensive marketing program
- Incorporate best practices related to outpatient and inpatient women's services in new facility design and program development

Quality as a Cornerstone

- Establishment of a quality indicator scorecard for women's services is in process
- Development of the position description for a medical director for the service line has been completed.
- Pomerado underwent a successful ACOG Survey in June 2005
- Pomerado has embarked on the journey of receiving the designation of "Baby Friendly"

Establish a Perinatology Program

- The RFP process for Perinatology was initiated and awarded to the UCSD Perinatal Group, which is undergoing the credentialing process and should be completed by June 2006.
- The professional services agreement is under review and should be finalized by June 2006, and will provide 24-hour inpatient consultation and telephone consultation to both PMC and POM.
- The Prenatal Testing Center business plan is in process, and will offer outpatient prenatal services including perinatology consults, ultrasound, genetic testing and diabetes management

Gain Oncologic Market Share

- Achieve ACoS accreditation: external accreditation is necessary just to be at the same

Women's Service Line Update

standard as the other hospitals in San Diego County

- A gap analysis has been completed and specific recommendations implemented
- PPH purchased a brachytherapy system to provide leading edge radiation therapy
- MD training over next month; first patient expected to be treated in June 2006
- PPH has purchased digital mammography technology for Parkway
- Position description for Breast Care Nurse Liaison to be developed by June 2006

Establish a Women's Heart Health Program

- Heart disease is the number 1 cause of death among women; statistics reveal that women have a higher mortality for heart disease; females represent 53.6% of deaths from CVD
- PPH was the only Red Dress Campaign sponsor in San Diego County
- Cardiac risk assessment programs are planned for POM and PMC West

Improve and Add Support Services

Outpatient lactation services at Palomar have been expanded to include a weekly lactation support group, and Pomerado has added an additional lactation support group to meet the needs of the community. The retail component, which includes breast-feeding products, breast prosthesis, wigs, and other positive image products continue to expand.

Develop a Comprehensive Marketing Program

An OB marketing campaign was launched for Pomerado Hospital, and the website will be enhanced to include more links to related organizations or health information sites.

New Facility Projects

The Schematic Design phase has been completed at Pomerado for the Outpatient Women's center and Inpatient Women's floor. User Groups continue to meet for the Schematic Design phase at Palomar West. The Women & Children's building will include inpatient and outpatient services. There will be health education, clinical retail, resource libraries and conference centers at both hospitals.

BUDGET IMPACT: None

COMMITTEE RECOMMENDATION:

Information: X

Marketing Strategies

TO: PPH Board of Directors
DATE: May 8, 2006
FROM: Strategic Planning Committee on April 18, 2006
BY: Gustavo Friederichsen, Chief Marketing and Communications Officer

BACKGROUND: Gustavo Friederichsen presented an update of PPH's marketing strategies. An overview of 2006 projects/activities included the following:

- Continue PR presence
- Market directly to physicians (Physician Practice Magazine 6 times a year)
- Improve Web communications (internal, external, physician portals)
- Improve legislative management (BODs "meet & greet" with local elected officials)
- Continue telling "Hospital of the Future" story
- Continue to create "unique community events" such as "Prescription for Disaster"
- Continue research component through Brand IQ and/or Gallup polling
- Data mine customers through IT and Call Center interface
- Continue to develop internal campaigns designed to engage staff such as Balanced Scorecard and Fidelity Investment campaigns
- Continue Community Health Check promotion, integration
- Continue to improve external communications; HealthSource
- Continue to improve internal communications (Momentum, Balanced Scorecard and Retirement Benefits campaigns)
- Launch a project management system to enhance marketing workflows, accountability, customer service
- Feature Clinical Outreach (CO) service lines in Phase I launch of new, media rich web site designed to attract customers, educate community on healthy living, disease prevention and how to access PPH system easily

2006 & Beyond: Creating a Web Culture – including:

- Developing a process, discipline and framework to better understand Service Lines, the marketplace, the competitors, and the opportunities
- The result is the PPH Marketing and Planning Committee Work Group
- Representatives from service lines, CO, MKTG, Planning, Nursing, Administration
- Reviewing Business Plan Development process so there is consistency, clarity
- Tie into Balanced Scorecard and System strategic goals
- Conduct a system-wide Communications Audit to identify every piece of PPH communications
- Create an inventory of materials, publications

Marketing Strategies

- Create “standards” for all publications

BUDGET IMPACT: None

COMMITTEE RECOMMENDATION: For information only.

COMMITTEE RECOMMENDATION:

Information: X

Date Change for May Committee Meeting

TO: PPH Board of Directors
DATE: May 8, 2006
FROM: Strategic Planning Committee on April 18, 2006
BY: Marcia Jackson, Chief Planning Officer

BACKGROUND: Due to a conflict, the May 24 Strategic Planning Committee date needed to be changed. Other date options were discussed, and it was decided to change the meeting date to May 16, at Innovation in Conference Rooms B & C.

COMMITTEE RECOMMENDATION:

Information: X

Status of the Internal Audit Committee

TO: Board of Directors

DATE: May 8, 2006

FROM: Internal Audit Committee
April 13, 2006

BY: Thomas Boyle, Director Internal Audit Services

Background: This was for information only. In attendance were: Dr. Rivera, Dr. Trifunovic, B. Krider, Dr. Macleay, L. Greer, M. Covert

- Reviewed the Audit Risk Assessment for 2006
- Review Internal Audit Committee Role and Responsibilities
- Review Internal Audit Committee Charter
- Demonstration of AutoAudit
- Review Internal Audit Activity

Budget Impact: None

Staff Recommendation: None

Committee Questions: None

Next Meetings: July 13, 2006, 12:00 @ PMC ARC 1.

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:

Annual Review of PPH Bylaws Relating to HR Committee

TO: Board of Directors
MEETING DATE: May 8, 2006
FROM: Governance Committee April 11, 2006
BY: Christine Meaney, Secretary to Committee

BACKGROUND:

PPH Board Bylaws are reviewed annually. The Human Resources Committee at its meeting on March 16, 2006 had reviewed section 6.2.3 relating to that committee.

The HR Committee recommended changes to that committee's section of the PPH Board Bylaws and requested review/approval by the Governance Committee April 11. Changes proposed were as follows:

- (a) Voting Membership. Membership shall consist of no more than three members of the Board and one alternate. The alternate shall attend Committee meetings and enjoy voting rights only in the absence of a voting Committee board member. The President and Chief Executive Officer shall also hold voting rights.
- (b) Non-Voting Membership: Chief Human Resources Officer, the Chief Administrative Officers of Palomar Medical Center and Pomerado Hospital, and the Chief Nurse Executive.

BUDGET IMPACT: None

COMMITTEE RECOMMENDATION:

Following discussion by the Governance Committee, it was felt that the President and CEO should not hold voting rights on the Human Resources Committee, but should remain a non-voting member on that committee due to the CEO's close connection with administration. A motion was passed to this effect requesting that the item be returned to the Human Resources Committee for information, and that it also be provided to the Board as informational, with the non-voting Membership for the President and CEO to remain as previously approved in the Bylaws.

Motion:

Individual Action:

Information: X

Required Time:

**Governance Committee
Hospital Board Vacancy**

TO: Board of Directors
DATE: May 8, 2006
FROM: Governance Committee April 11, 2006
BY: Christine Meaney for Michael Covert

BACKGROUND: Following the effective resignation from the PPH Board of Directors May 1, 2006 by Nancy H. Scofield, documents were provided to the Governance Committee in connection with the vacancy and were presented for the Committee's information and review/approval.

The Governance Committee was aware that the appointee must be a registered voter resident within the Palomar Pomerado Health District and at least 18 years of age.

Criteria and scoring were considered with the committee generally not wishing to use the progressive ranking table provided by Chairman Rivera. However, this was later agreed to and was used in the candidate interview evaluations by the ad hoc Nominating Committee and Board that took place on April 26 and April 28, 2006. It was also generally agreed by the committee that Director Nancy Scofield be allowed input and listen to candidates, but should decline to vote on a candidate.

The committee reviewed the candidate questionnaire with a suggestion of slight revision, and a potential 20 – 30 minutes being provided to each interview. Discussion ensued on whether or not to short-list candidates based on evaluation of resumes, etc. However, Director Kleiter felt that **all** candidates should be given equal opportunity for personal interview with the Board to which the committee agreed, commencing with meetings on Wednesday, April 26 and continuing if necessary on Friday, April 28. Review of the Board Member Position Description to be included in the candidates' packets was also undertaken and found to be current.

It was also agreed that complete packages of candidates' applications be sent to the Board commencing Friday, April 21 and also Monday, April 24 depending upon what had been received based on the 5 p.m. Monday, April 24 deadline for submission of completed candidate applications. Consensus was provided by the committee on the drawing of lots (numbers) by candidates at the

**Governance Committee
Hospital Board Vacancy**

start of the interview meetings so as to be fair regarding which candidate would interview first.

Director Kleiter voiced concern over the possibility of the Board Chairman meeting individually with Board candidates noting that candidates could meet with the CEO, but should not meet ahead of time with a member of the Board. The committee agreed and would relay this matter to those concerned.

BUDGET IMPACT: None

**STAFF
RECOMMENDATION:** Informational/Review

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:

**Governance Committee
Legislative/Governmental Relations Update**

TO: Board of Directors
DATE: May 8, 2006
FROM: Governance Committee April 11, 2006
BY: Christine Meaney, Secretary to Governance 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.

Gustavo relayed information on the gathering of signatures regarding the Tobacco Tax Act. He also provided copies of "opposition" letters by tavern owners, and others which were later forwarded to the Board for information.

The proposed Legislative Luncheon would not be held April 28 due to certain conflicts.

Regarding Board Educational sessions which have normally been held on a monthly basis on the 2nd Friday of each month/ 11:30 a.m., Michael Covert noted that we should have as many Board Members present as possible at these educational sessions, and that perhaps this particular day/time/frequency of the month is not working well. Discussion ensued with the committee with suggestion of a Thursday evening every other month and not monthly. Mr. Covert would discuss this with others following which he and the Board Assistant would provide a future structure for educational sessions.

Gustavo referred to possible meetings with local legislators on a Friday at their offices, following which Director Kleiter stated that he did not wish to meet with legislators' assistants, but that the Board members should meet with legislators themselves.

BUDGET IMPACT: None

**STAFF
RECOMMENDATION:** Information/Discussion

**Governance Committee
Legislative/Governmental Relations Update**

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: **X**

Required Time: