

PALOMAR
POMERADO
HEALTH
SPECIALIZING IN YOU

**BOARD OF DIRECTORS
AGENDA PACKET**

May 15, 2007

*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
Bruce G. Krider, MA, Vice Chairman
Linda C. Greer, RN, Secretary
T. E. Kleiter, Treasurer
Nancy L. Bassett, RN, MBA
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

NOTE DAY & DATE:

Tuesday, May 15, 2007

Commences 6:30 p.m.

Pomerado Hospital
Meeting Room E
15615 Pomerado Road
Poway, California

Mission and Vision

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

"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."

Time Page

I. CALL TO ORDER

II. OPENING CEREMONY

A. Pledge of Allegiance

2 min

III. PUBLIC COMMENTS

(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).

5

IV. * MINUTES

2

Regular Board Meeting – April 16, 2007	<i>separate cover</i>
Special Board Meeting – March 12, 2007	“ “
Special Board Meeting – January 8, 2007	“ “

V. * APPROVAL OF AGENDA to accept the Consent Items as listed

5

1-101

A. Consolidated Financial Statements	
B. Revolving Fund Transfers/Disbursements – March 2007	
1. Accounts Payable Invoices	\$32,102,897.00
2. Net Payroll	<u>9,281,924.00</u>
Total	<u>\$41,384,821.00</u>
C. Ratification of Paid Bills	
D. March 2007 & YTD FY2007 Financial Report	
E. Retail-Based Health Clinics	

CONTD...

"In observance of the ADA (Americans with Disabilities Act), please notify us at 858-675-5106, 48 hours prior to the meeting so that we may provide reasonable accommodations"

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

- F. Professional Services & Medical Director Agreement
Escondido OB/GYN Medical Group, Inc. – Obstetrical Laborist Services
- G. Reimbursement Agreement - Isabel J. Pereira, M.D.

VI. PRESENTATIONS

- A. Ramona/Julian Health Care Advisory Council (HCAC) 15
- Nancy Roy, Chairperson

VII. REPORTS

- A. Medical Staffs 15
 - * 1. Palomar Medical Center – *John J. Lilley, M.D., Interim Chief of Staff.*
 - a. Credentialing/Reappointments 102-109
 - b. Joint Conference Committee –
John J. Lilley, M.D., & Benjamin Kanter, M.D. Verbal Report
 - * 2. Escondido Surgery Center – *Marvin W. Levenson, M.D.*
 - a. Credentialing/Reappointments 110
 - * 3. Pomerado Hospital – *Benjamin Kanter, M.D.*
 - a. Credentialing/Reappointments 111
- B. Administrative
 - 1. Chairman of Palomar Pomerado Health Foundation – *Al Stehly*
 - a. Update on PPHF Activities 5 Verbal Report
 - 2. Chairman of the Board – *Marcelo R. Rivera, M.D.* 10 Verbal Report
 - a. “Hospital of the Future” Joint Commission Conference, Apr 26-27
 - b. AHA/CHA Annual Meeting, Washington, DC, May 6-9
 - 3. President and CEO – *Michael H. Covert, FACHE* 10 Verbal Report
 - a. Hospital and Nurses’ Week, May 7 – 11 - “Nurses of the Year”
 - b. Q12 Gallup Employee Survey update
 - c. CAPE De-Brief, April 23

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

VIII. INFORMATION ITEMS *(Discussion by exception only)* 112-128

- | | |
|---|---------------------|
| A. PPH Marketing Initiatives | Community Relations |
| B. Media Relations Update | Community Relations |
| C. Web Outcomes | Community Relations |
| D. Community Conversations | Community Relations |
| E. Sponsorship Discussion | Community Relations |
| F. Campus Updates | Community Relations |
| G. Campus Updates | Community Relations |
| H. Monthly Reports February and March 2007 | Community Relations |
| I. Health Promotion Inventory | Strategic Planning |
| J. PPH North County Health Development Draft Strategic Plan | Strategic Planning |
| K. FY 2007 Goal Update | Strategic Planning |
| L. Pomerado Hospital – Admin Medical/Surgical Services
SpecialCare Hospital Management Corporation | Finance |

IX. COMMITTEE REPORTS - *None*

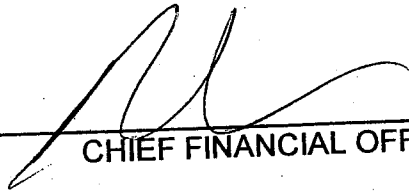
**X. BOARD MEMBER COMMENTS/AGENDA ITEMS
FOR NEXT MONTH**

XI. ADJOURNMENT

**PALOMAR POMERADO HEALTH
CONSOLIDATED DISBURSEMENTS
FOR THE MONTH OF
MARCH 2007**

03/01/07	TO	03/31/07	ACCOUNTS PAYABLE INVOICES	\$32,102,897.00
03/09/07	TO	03/23/07	NET PAYROLL	<u>\$9,281,924.00</u>
				\$41,384,821.00

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 2007 & YTD FY2007 Financial Report

TO: Board of Directors
FROM: Board Finance Committee
Tuesday, April 24, 2007
MEETING DATE: Tuesday, May 15, 2007
BY: Robert Hemker, CFO

Background: The Board Financial Reports (unaudited) for March 2007 and YTD FY2007 are submitted for the Board's approval.

Budget Impact: N/A

Staff Recommendation: At the Board Finance Committee meeting on Tuesday, April 24, 2007, staff recommended approval.

Committee Questions:

COMMITTEE RECOMMENDATION: The Board Finance Committee recommends approval of the Board Financial Reports (unaudited) for March 2007 and Fiscal YTD 2007.

Motion: X

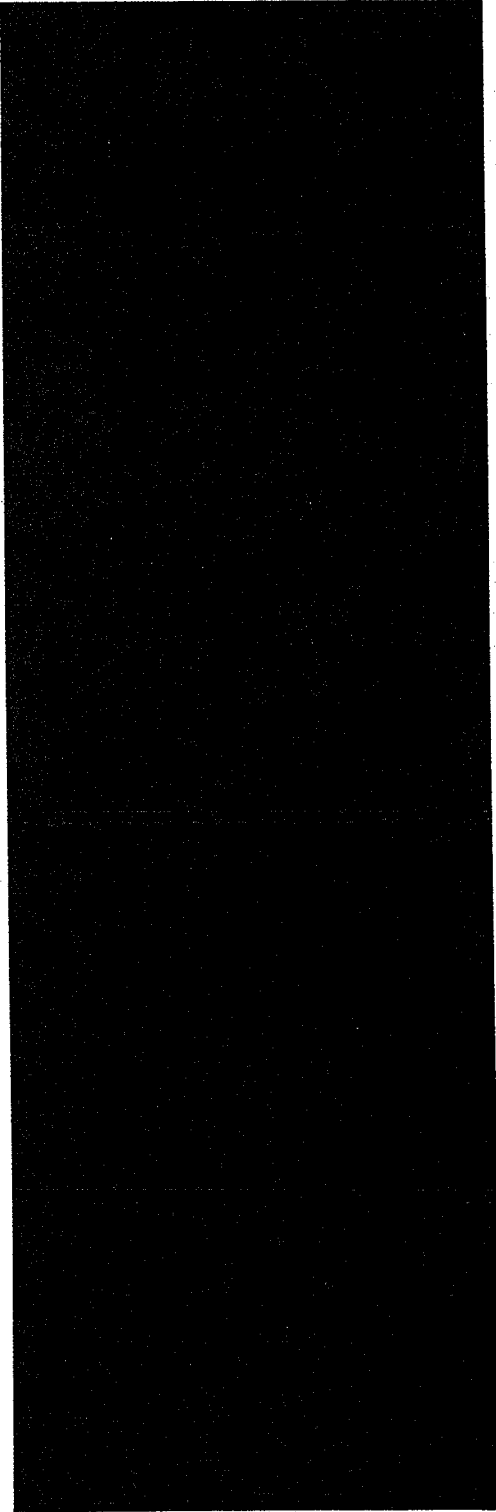
Individual Action:

Information:

Required Time:

Financial Statements

March 2007



PALOMAR
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Board Financial Report

Table of Contents

	PAGE
Financial Report Narrative	3-7
Balanced Scorecard Comparisons	8
Budget Comparison Graphs – Statistical Indicators	9-21
Budget Comparison Graphs – Payor Mix & Case Mix	22-26
Summary of Key Indicators	27-29
Budget Comparison Graphs – Weighted Patient Days	30-35
Key Variance	36-38
Key Variance Highlights – YTD	39
Cash Collections	40
Consolidated Balance Sheet	41
Consolidated – YTD 2007 Actual vs. Budget Analysis	42
Consolidated – MTD 2007 Actual vs. Budget Analysis	43
Consolidated – YTD 2007 vs YTD 2006	44
Consolidated – Monthly Trend	45
Consolidated – Cash Flow Statement	46
Bond Covenant Ratios	47
Quarterly Investment Reports- March	48
Balanced Scorecard Graphs	49-53
Flash Report	55-56

March 2007 Financial Results Executive Summary and Highlights

Statistics:

CONSOLIDATED	Feb vs Mar		Mar		Act vs Bud		YTD		Act vs Bud % Variance
	Feb	Mar	% Change	Budget	% Variance	Actual	Budget	% Variance	
Patient Days Acute	8,877	9,593	8.1%	9,922	-3.3%	83,854	87,697	-4.4%	
Patient Days SNF	5,914	6,486	9.7%	6,591	-1.6%	57,757	58,255	-0.9%	
ADC Acute	317.03	309.46	-2.4%	320.08	-3.3%	306.03	320.05	-4.4%	
ADC SNF	211.21	209.23	-0.9%	212.61	-1.6%	210.79	212.61	-0.9%	
Surgeries CVS Cases	7	14	100.0%	11	27.3%	95	96	-1.0%	
Surgeries Total	872	1,066	22.2%	1,041	2.4%	8,737	9,201	-5.0%	
Number of Births	378	443	17.2%	499	-11.2%	4,127	4,411	-6.4%	
NORTH									
Patient Days Acute	6,699	7,258	8.3%	7,396	-1.9%	63,046	65,370	-3.6%	
Patient Days SNF	2,477	2,614	5.5%	2,747	-4.8%	23,935	24,279	-1.4%	
ADC Acute	239.25	234.14	-2.1%	235.59	-0.6%	230.10	238.57	-3.6%	
ADC SNF	88.46	84.32	-4.7%	88.61	-4.8%	87.35	88.61	-1.4%	
SOUTH									
Patient Days Acute	2,178	2,335	7.2%	2,526	-7.6%	20,808	22,327	-6.8%	
Patient Days SNF	3,437	3,872	12.7%	3,844	0.7%	33,822	33,976	-0.5%	
ADC Acute	77.79	75.32	-3.2%	81.49	-7.6%	75.94	81.48	-6.8%	
ADC SNF	122.75	124.90	1.8%	124.00	0.7%	123.44	124.00	-0.5%	

5

March 2007 Financial Results

Executive Summary and Highlights (cont'd)

Balance Sheet:

Current Cash & Cash Equivalents increased \$4.2 million from \$110.4 million in February to \$114.6 million in March. Total Cash and Investments are \$103.0 million, compared to \$121.6 million at June 30, 2006. Days Cash on Hand went from 107 days in February to 102 in March compared to 128 in June.

Net Accounts Receivable increased to \$90.7 million in March as compared to \$89.4 million in February. Gross A/R days increased from 50.4 days in February to 52.3 days in March. February patient account collections including capitation are \$31.70 million compared to budget of \$29.9 million. Mar YTD collections are \$257.2 million compared to budget of \$269.0 million.

Construction in Progress increased \$11.5 million from \$ 121.1 million in February to \$132.6 million in March. The increase is attributed to Pomerado Phase I construction costs \$4.8 million, Building Expansion A & E Services \$1.7 million, OSP Tenant Improvements \$0.7 million, radiology equipment \$1.5 million and Cerner Optimization & upgrade \$0.6 million.

Other Current Liabilities decreased \$1.1 million from \$16.7 million to \$15.6 million primarily due to the realization of Deferred Property Tax Revenue of \$1.1 million in March.

March 2007 Financial Results

Executive Summary and Highlights (cont'd)

Income Statement:

Gross Patient Revenue for YTD March reflects an unfavorable budget variance of \$14.3 million. This unfavorable variance is composed of \$18.5 million unfavorable volume variance and \$4.2 million favorable rate variance.

Routine revenue (inpatient room and board) reflects an unfavorable \$9.1 million budget variance. North is responsible for \$7.4 million of this variance.

Inpatient Ancillary revenue represents a \$16.2 million unfavorable budget variance. North reflects an unfavorable variance of \$0.4 million and South reflects \$15.8 million unfavorable variance. The unfavorable variance is primarily due to the Surgery, Pharmacy and supply departments.

Outpatient revenue reflects a favorable budget variance of \$11.0 million. North has a \$10.3 million favorable variance and South has a \$1.5 million favorable variance. These two amounts are decreased by Outreach's \$0.8 million unfavorable variance.

March 2007 Financial Results

Executive Summary and Highlights (cont'd)

Income Statement (cont'd):

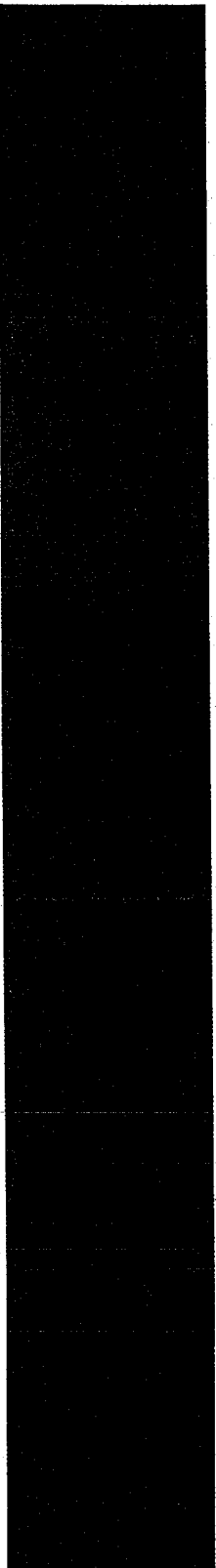
Deductions from Revenue reflect a YTD favorable variance of \$12.0 million. This is due to lower-than-budgeted volume and budgeted gross revenue. Total Deductions from Revenue is 69.12% of gross revenue compared to a budget of 69.35%. Deductions from Revenue (excluding Bad Debt/Charity/Undocumented expenses) is 64.62% of YTD Gross Revenue compared to budget of 64.78%.

The net capitation reflects a favorable budget variance of \$2.2 million. Cap Premium and Out of Network Claim Expense both show an unfavorable budget variance of \$2.2 million and \$3.1 million respectively. Cap Valuation shows a favorable variance of \$7.5 million to offset.

Other Operating Revenue reflects a YTD unfavorable budget variance of \$1.2 million. The two most significant contributors to this variance are the Foundation where actual PPH funding requests are \$501 thousand below budget and PPNC Health Development where actual grants are \$472 thousand below budget.

Salaries, Wages & Contract Labor has a YTD favorable budget variance of \$2.7 million. This variance is mostly attributable to lower-than-budgeted volumes and staff flexing. The breakdown is as follows:

	YTD Actual	YTD Budget	Variance
Consolidated	138,212,385	140,917,021	2,704,636
North	80,055,125	80,533,333	478,208
South	33,389,018	34,874,013	1,484,995
Central	18,057,096	19,202,189	1,145,093
Outreach	6,711,146	6,307,486	(403,660)



March 2007 Financial Results

Executive Summary and Highlights (cont'd)

Income Statement (cont'd):

Benefits Expense has a YTD unfavorable budget variance of \$1.7 million. This variance is primarily due to the employer's contribution towards deferred compensation which is unfavorable by \$708 thousand, Health and Dental which is unfavorable by \$230 thousand and Workers Compensation which is unfavorable by \$303 thousand.

Supplies Expense reflects a YTD favorable budget variance of \$3.2 million. This favorable variance is composed of a \$959 thousand favorable volume variance and \$2.3 million favorable rate variance. The favorable variance is pharmacy at \$2.1 million, prosthesis at \$585 thousand, other medical & non medical at \$167 thousand and other general supplies at \$348 thousand.

Prof Fees & Purchased Services reflect a YTD unfavorable budget variance of \$4.0 million. The unfavorable variance of \$1.8 million in professional fees is due to higher legal fees, rehabilitation therapy fees and Pomerado ED calls. The unfavorable variance of \$2.2 million in purchased services is due to purchased contracted services.

Non-Operating Income reflects a favorable YTD variance of \$1.5 million in March. This is due to a favorable investment income variance. Investment income reflects a 4.69% investment rate-of-return through March compared to budget of 4.25%.

Ratios & Margins:

All required bond covenant ratios were achieved in March 2007.

Balanced Scorecard Financial Indicators March 31, 2007

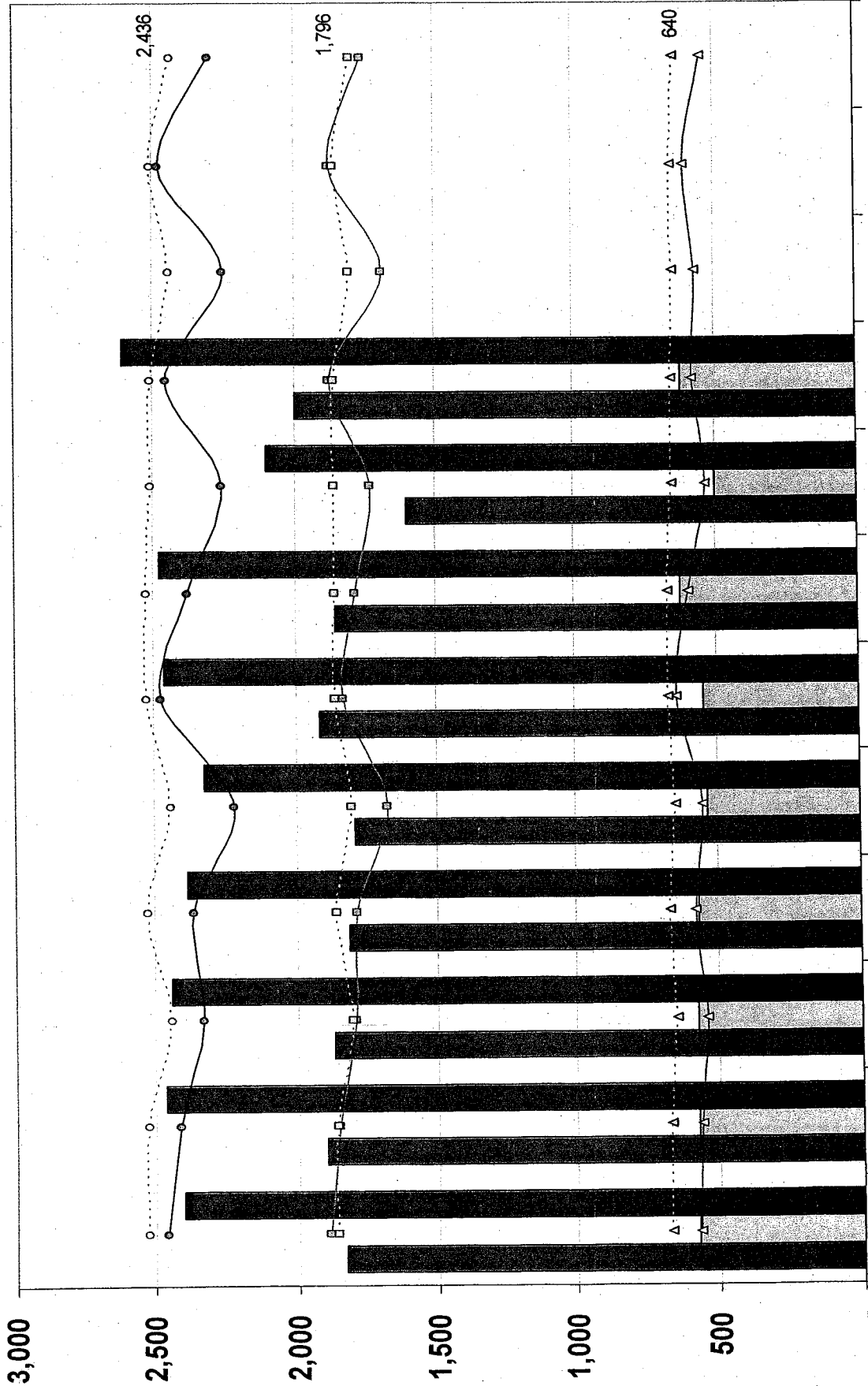
		January		February		March		YTD 2007		% Actual to Prior Year			
Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Variance	Actual	Budget	Actual
10.0%		11.0%	6.8%	9.7%	10.0%	9.0%	9.8%	9.0%	9.8%	-0.8%			8.2%
\$ 2,576.57	\$ 2,309.02	\$ 2,628.01	\$ 2,612.71	\$ 2,481.25	\$ 2,481.25	\$ (131.46)	\$ (131.46)	\$ 2,540.74	\$ 2,492.25	\$ (48.49)	101.9%	2,400.84	2,400.84
\$ 1,566.33	\$ 1,359.76	\$ 1,523.73	\$ 1,528.84	\$ 1,476.98	\$ (51.86)	\$ (51.86)	\$ (51.86)	\$ 1,502.41	\$ 1,481.20	\$ (21.21)	101.4%	1,400.48	1,400.48
6.24	5.29	6.07	6.09	6.12	6.12	0.03	0.03	6.04	6.12	0.08	98.7%	6.06	6.06
12,813	14,443	12,191	13,343	13,539	13,539	(196.00)	(196.00)	115,516	117,838	(2,322)	106.6%	113,552	113,552
PPH Indicators:													
OEBITDA Margin w/Prop Tax													
14.3%		8.8%	7.0%	9.1%	9.8%	-0.7%	(117.50)	9.1%	9.6%	-0.5%			8.6%
\$ 2,441.50	\$ 2,189.49	\$ 2,521.01	\$ 2,479.67	\$ 2,362.17	\$ (117.50)	\$ (117.50)	\$ (117.50)	\$ 2,420.47	\$ 2,371.27	\$ (49.20)	102.1%	2,297.93	2,297.93
\$ 1,254.46	\$ 1,152.07	\$ 1,246.47	\$ 1,250.99	\$ 1,224.57	\$ (26.42)	\$ (26.42)	\$ (26.42)	\$ 1,247.71	\$ 1,226.71	\$ (21.00)	101.7%	1,178.35	1,178.35
5.23	4.47	5.06	5.07	5.08	5.08	0.01	0.01	5.09	5.09	-	100.0%	5.11	5.11
8,911	10,130	8,473	9,345	9,354	9,354	(9.00)	(9.00)	80,153	81,343	(1,190)	100.0%	79,843	79,843
PPH North Indicators:													
OEBITDA Margin w/Prop Tax													
-1.7%		11.7%	2.4%	12.2%	6.9%	5.3%	(105.18)	6.8%	6.8%	0.0%			5.0%
\$ 2,440.73	\$ 2,260.27	\$ 2,475.70	\$ 2,516.33	\$ 2,411.15	\$ (105.18)	\$ (105.18)	\$ (105.18)	\$ 2,428.48	\$ 2,424.75	\$ (3.73)	100.2%	2,363.69	2,363.69
\$ 1,263.74	\$ 1,209.89	\$ 1,254.94	\$ 1,300.24	\$ 1,280.70	\$ (19.54)	\$ (19.54)	\$ (19.54)	\$ 1,257.01	\$ 1,285.26	\$ 28.25	97.8%	1,232.12	1,232.12
5.54	4.95	5.36	5.57	5.58	5.58	0.01	0.01	5.41	5.58	0.17	97.0%	5.63	5.63
3,700	4,004	3,494	3,702	4,003	4,003	(301.00)	(301.00)	33,048	33,739	(691)	106.0%	32,093	32,093
PPH South Indicators:													
OEBITDA Margin w/Prop Tax													
176.8%		176.8%	176.8%	176.8%	176.8%	176.8%	176.8%	176.8%	176.8%	176.8%	176.8%	176.8%	176.8%
\$ 2,440.73	\$ 2,260.27	\$ 2,475.70	\$ 2,516.33	\$ 2,411.15	\$ (105.18)	\$ (105.18)	\$ (105.18)	\$ 2,428.48	\$ 2,424.75	\$ (3.73)	100.2%	2,363.69	2,363.69
\$ 1,263.74	\$ 1,209.89	\$ 1,254.94	\$ 1,300.24	\$ 1,280.70	\$ (19.54)	\$ (19.54)	\$ (19.54)	\$ 1,257.01	\$ 1,285.26	\$ 28.25	97.8%	1,232.12	1,232.12
5.54	4.95	5.36	5.57	5.58	5.58	0.01	0.01	5.41	5.58	0.17	97.0%	5.63	5.63
3,700	4,004	3,494	3,702	4,003	4,003	(301.00)	(301.00)	33,048	33,739	(691)	106.0%	32,093	32,093

Weighted Patient Days is compared with Prior Year Actual

PALOMAR
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FISCAL YEAR 2007

Admissions - Acute

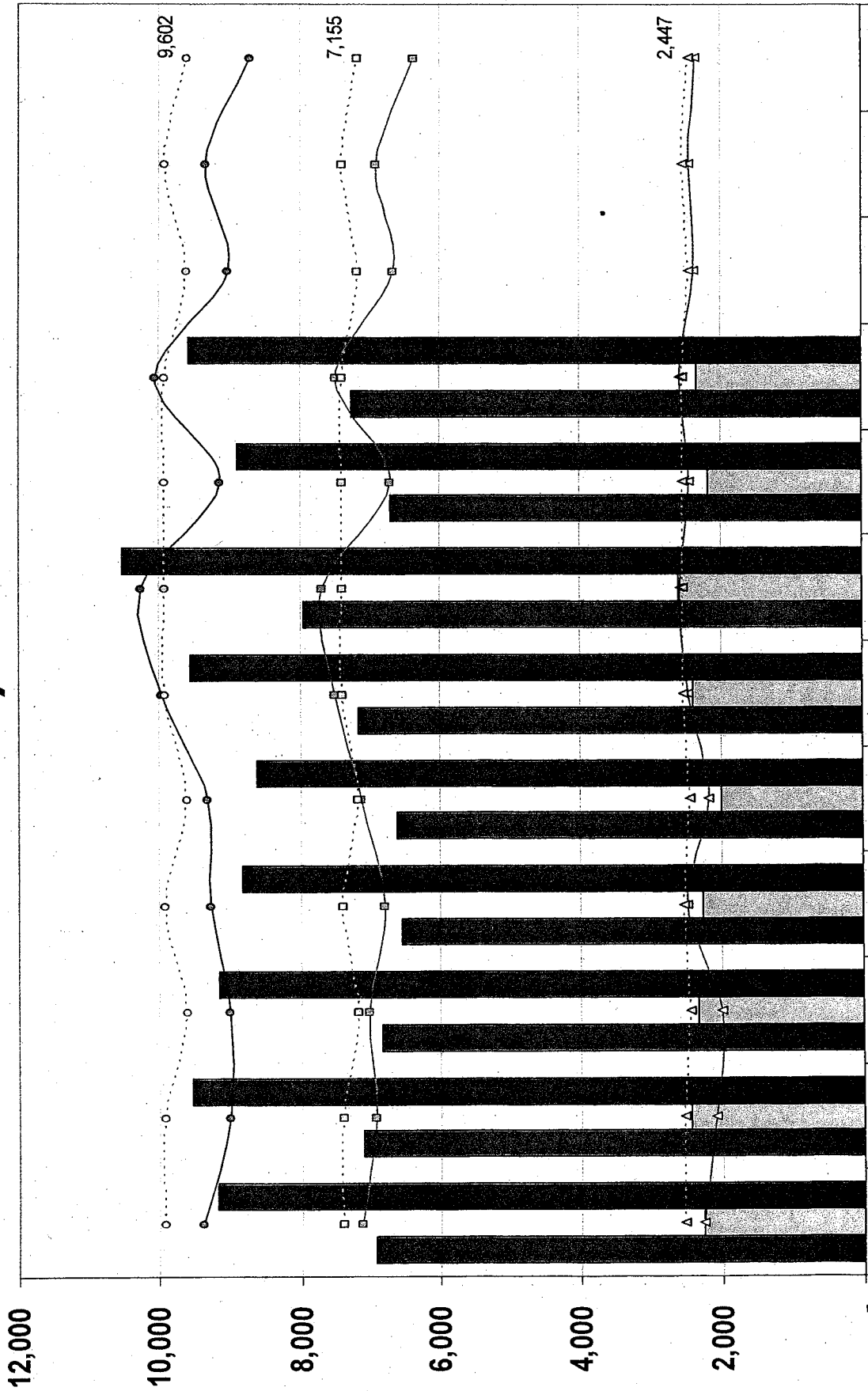


■ PMC
 ▨ POM
 ● CON
 ○ PY PMC
 △ PY POM
 ◆ PY CON

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	Bud YTD
PMC	1,832	1,895	1,871	1,816	1,791	1,915	1,861	1,601	1,996	-	-	-	16,578	16,440
POM	570	569	572	568	532	545	620	498	613	-	-	-	5,087	5,855
CON	2,402	2,464	2,443	2,384	2,323	2,460	2,481	2,099	2,609	-	-	-	21,665	22,295

Patient Days - Acute

FISCAL YEAR 2007

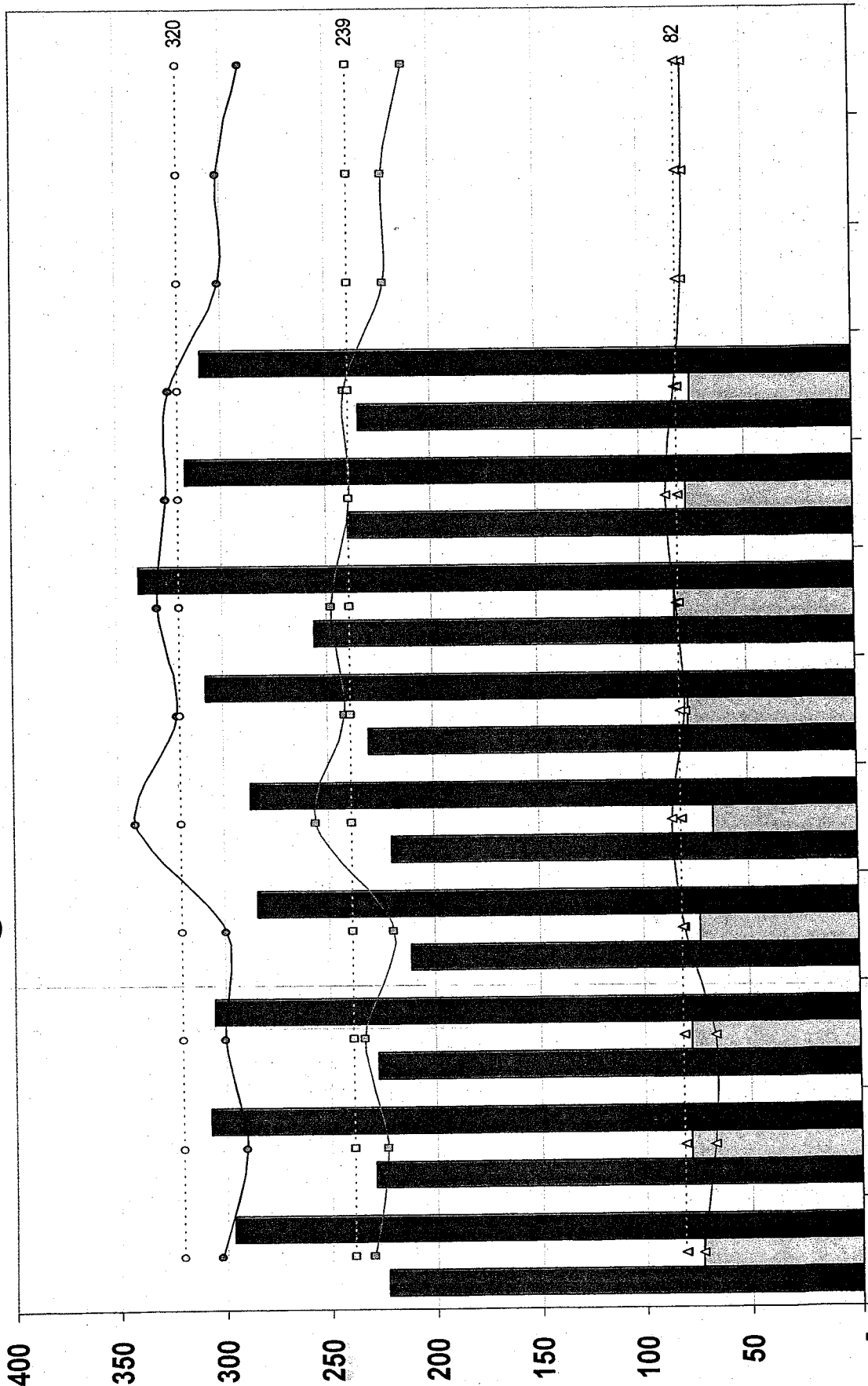


■ PMC
 ▨ POM
 □ CON
 ○ PY POM
 □ PY CON

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	Bud YTD
PMC	6,919	7,102	6,822	6,547	6,607	7,153	7,939	6,699	7,258	-	-	-	63,046	65,370
POM	2,261	2,433	2,329	2,272	2,003	2,406	2,591	2,178	2,335	-	-	-	20,808	22,327
CON	9,180	9,535	9,151	8,819	8,610	9,559	10,530	8,877	9,593	-	-	-	83,854	87,697

FISCAL YEAR 2007

Average Daily Census - Acute



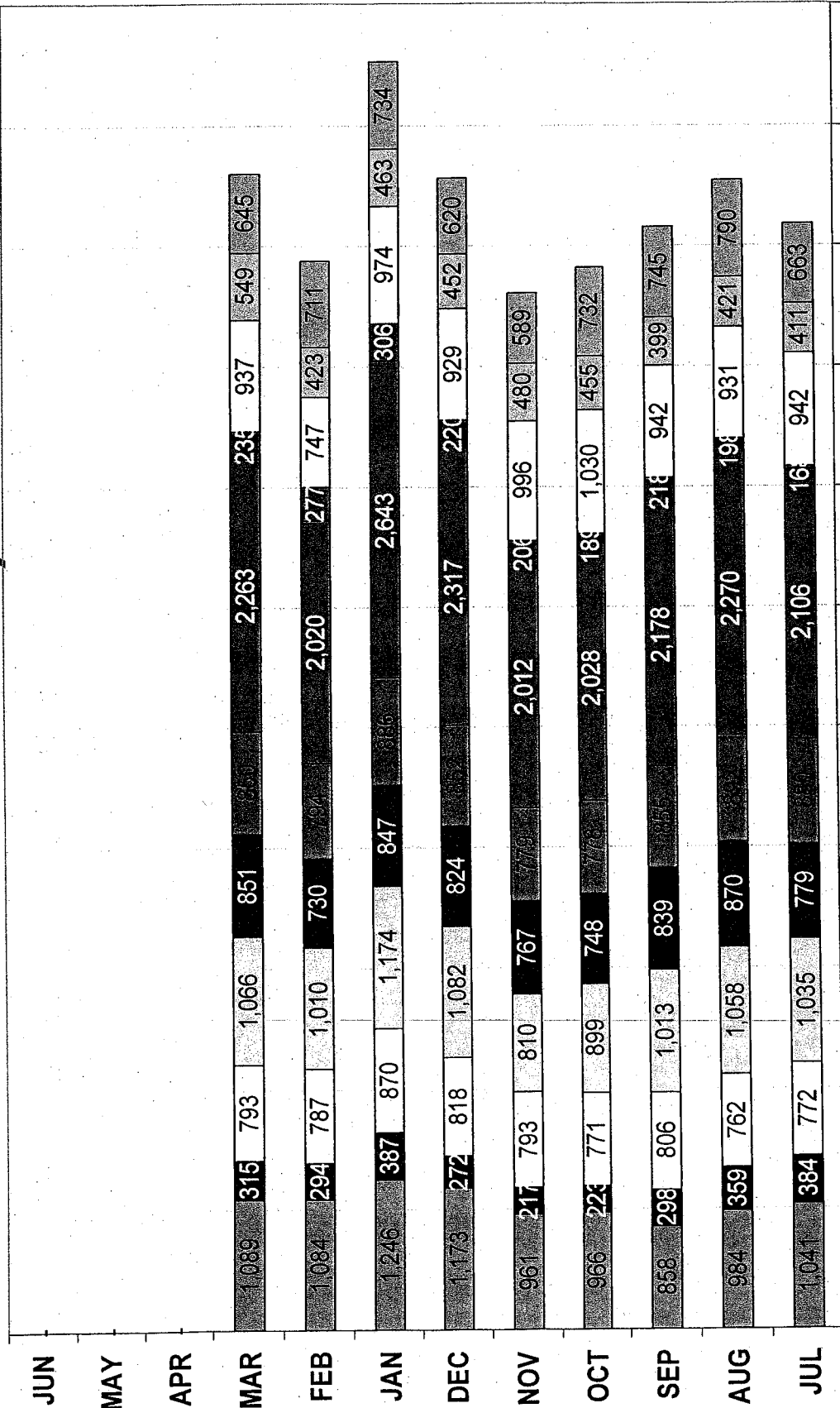
■ PMC
 ▨ POM
 ■ CON
 ○ PY PMC
 △ PY POM
 ● PY CON

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	Bud YTD
PMC	223	229	227	211	220	231	256	239	234	-	-	-	230	239
POM	73	78	78	73	67	78	84	78	75	-	-	-	76	81
CON	296	308	305	284	287	308	340	317	309	-	-	-	306	320

12

FISCAL YEAR 2007

Patient Days

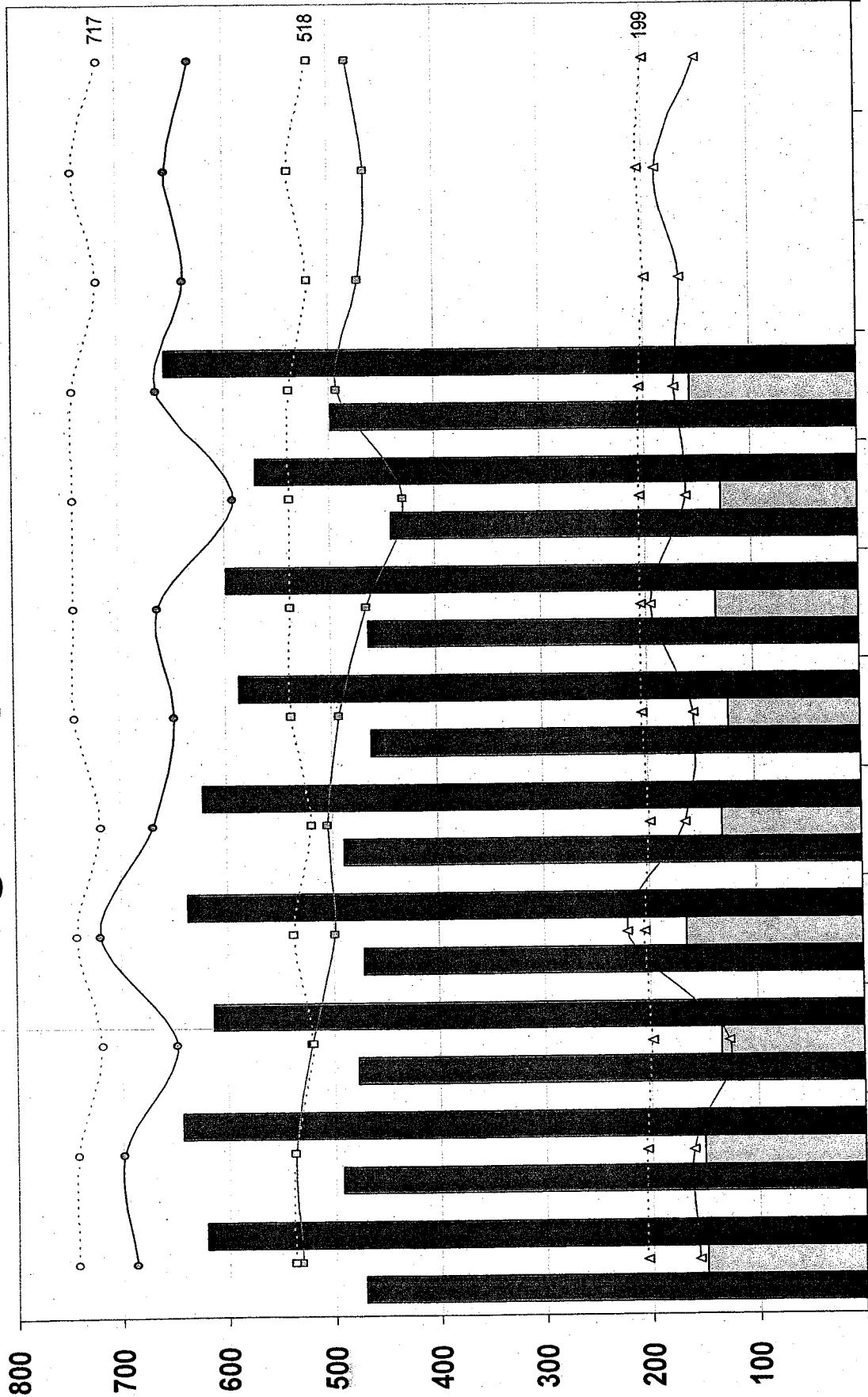


	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	Bud YTD
PWC	6,919	7,102	6,822	6,547	6,607	7,153	7,939	6,699	7,258	-	-	-	63,046	65,370
POIM	2,261	2,433	2,329	2,272	2,003	2,406	2,591	2,178	2,335	-	-	-	20,808	22,327
CON	9,180	9,535	9,151	8,819	8,610	9,559	10,530	8,877	9,593	-	-	-	83,854	87,697

F

FISCAL YEAR 2007

Surgeries (In-Patient)



■ PMC
 ▨ POM
 ● CON
 — PY PMC
 — PY POM
 — PY CON

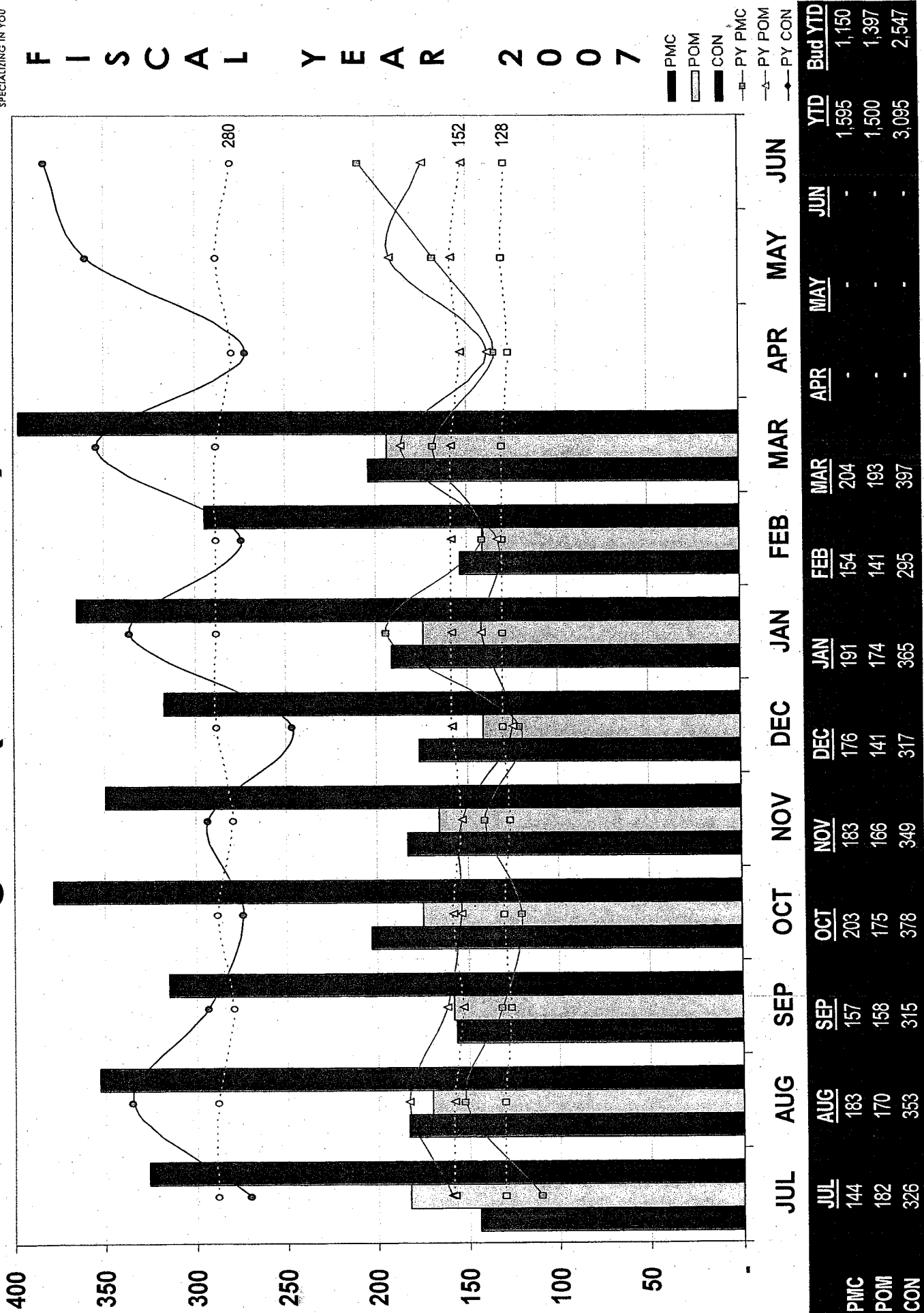
JUL AUG SEP OCT NOV DEC JAN FEB MAR APR MAY JUN

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	Bud YTD
PMC	471	492	478	471	490	463	464	442	498	-	-	-	4,269	4,745
POM	150	151	135	166	132	124	135	128	157	-	-	-	1,278	1,813
CON	621	643	613	637	622	587	599	570	655	-	-	-	5,547	6,558

5

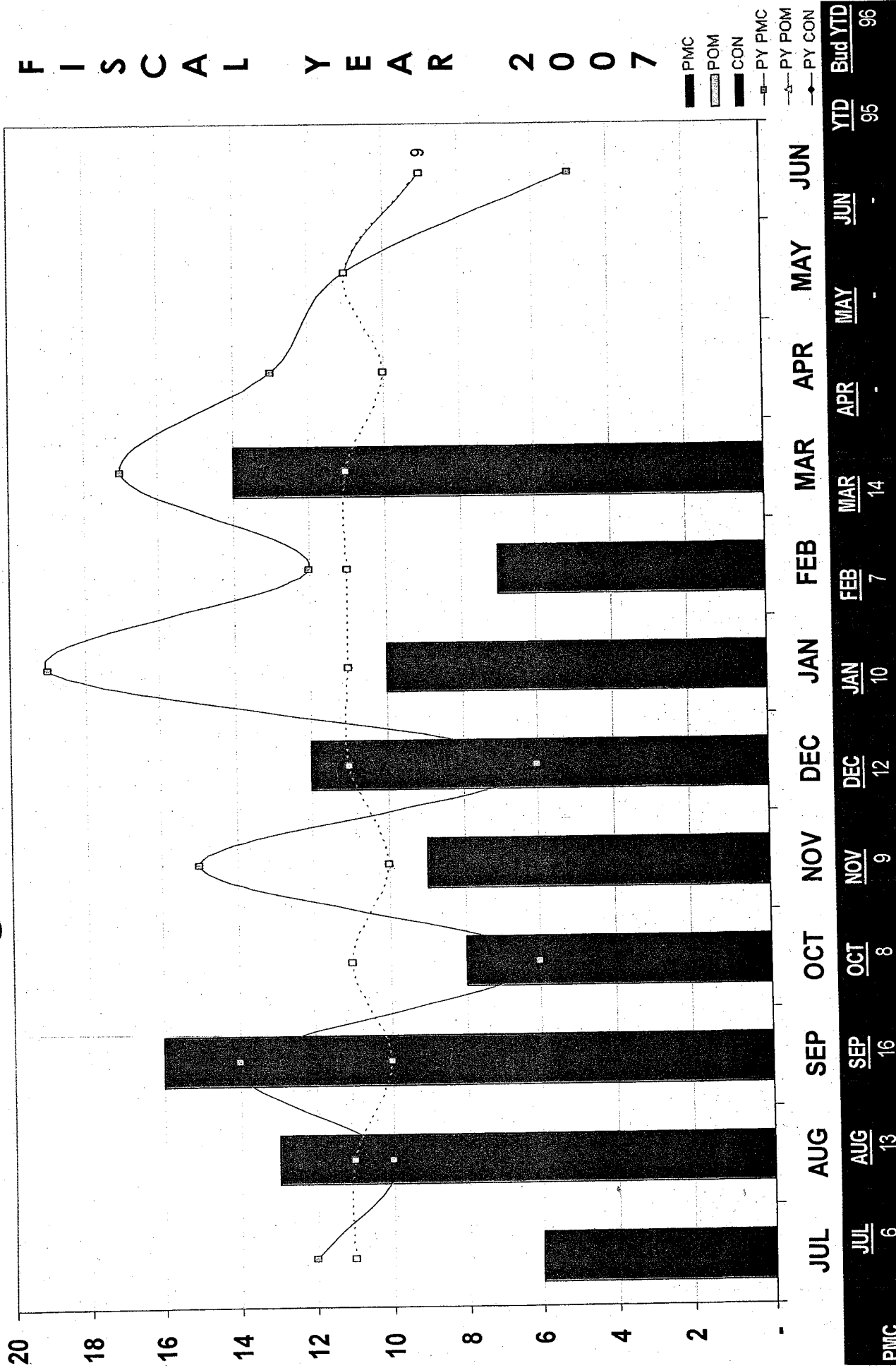
FISCAL YEAR 2007

Surgeries (Out-Patient)



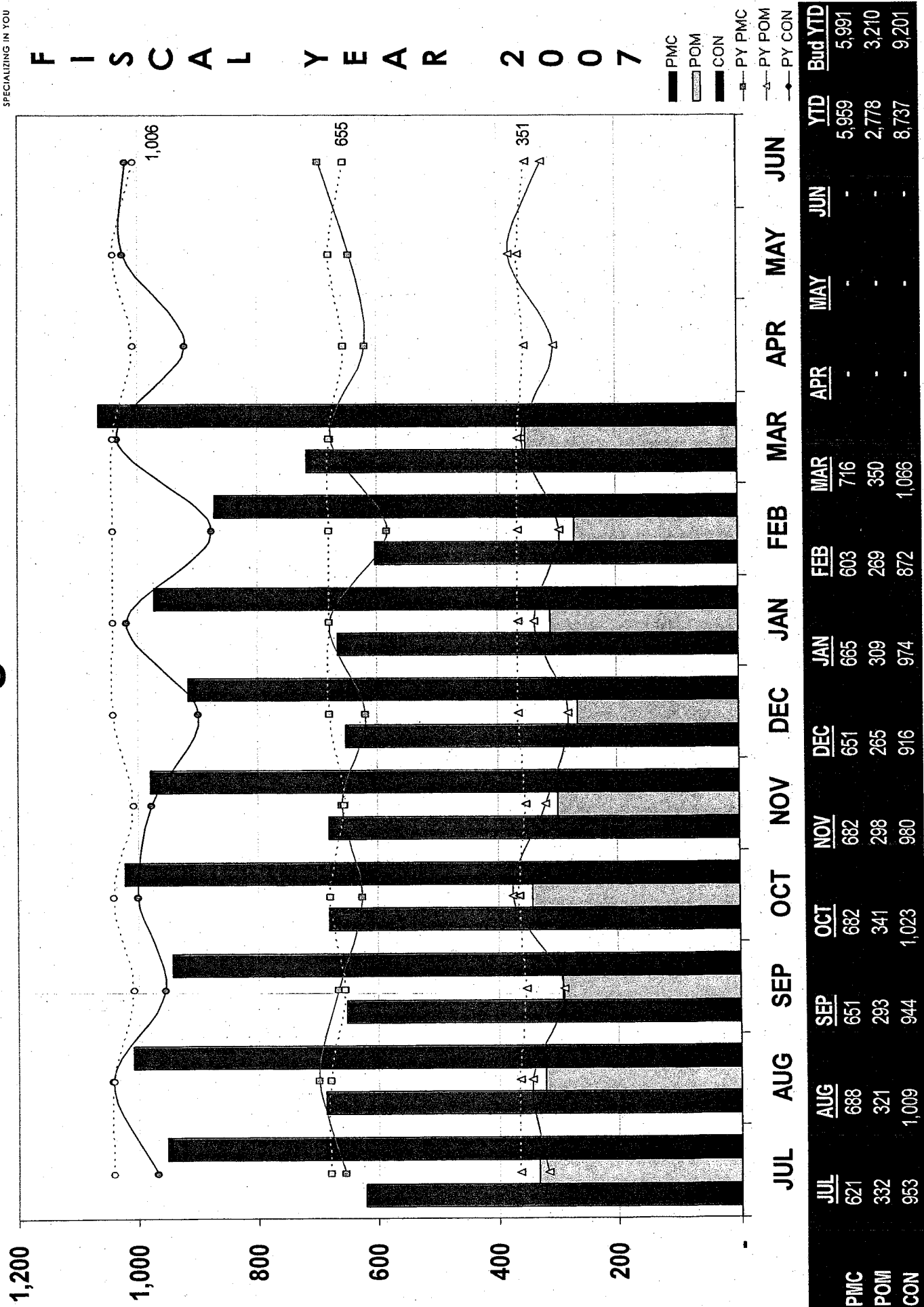
FISCAL YEAR 2007

Surgeries - CVS (PMC)



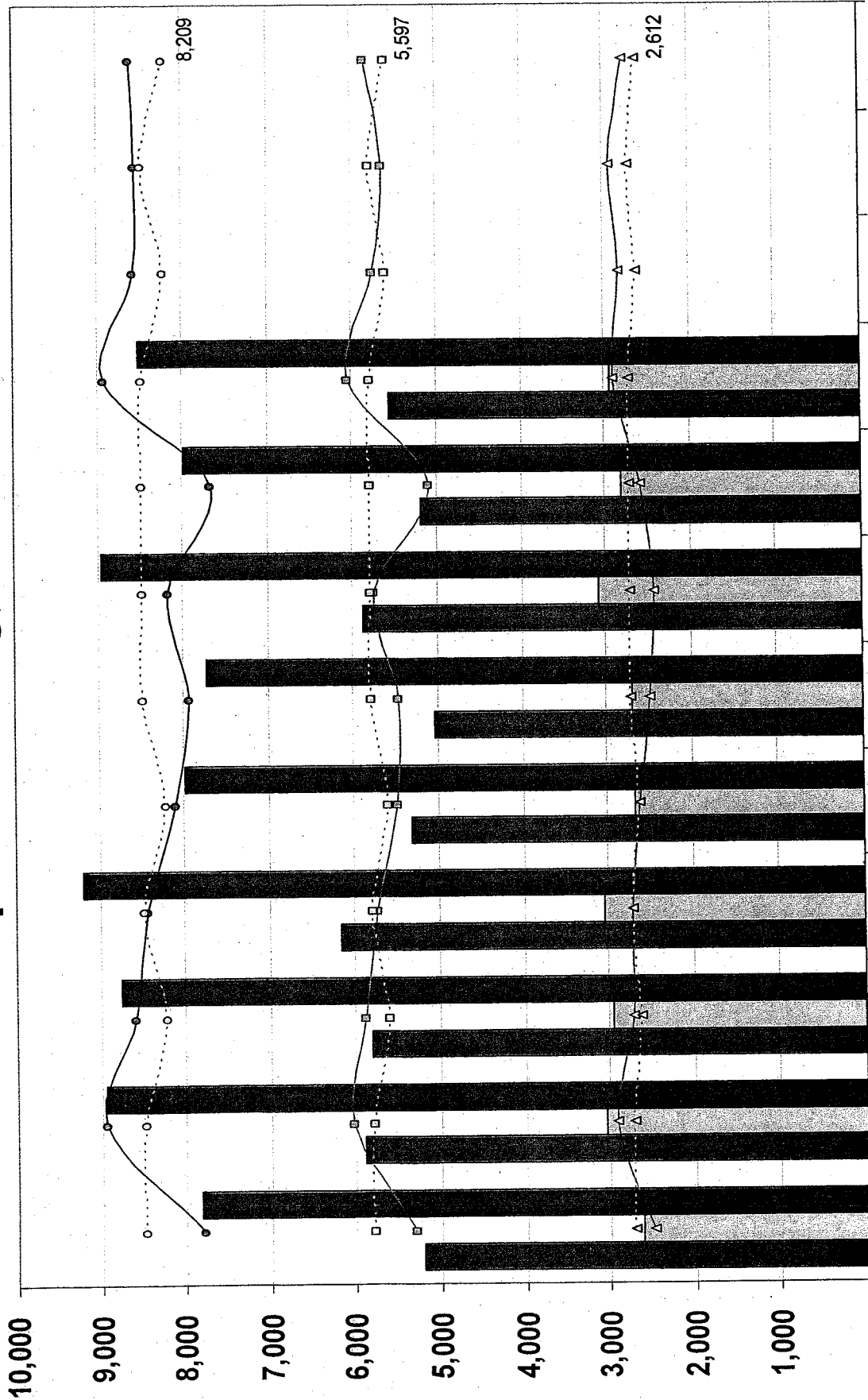
FISCAL YEAR 2007

Total Surgeries



FISCAL YEAR 2007

Outpatient Registration

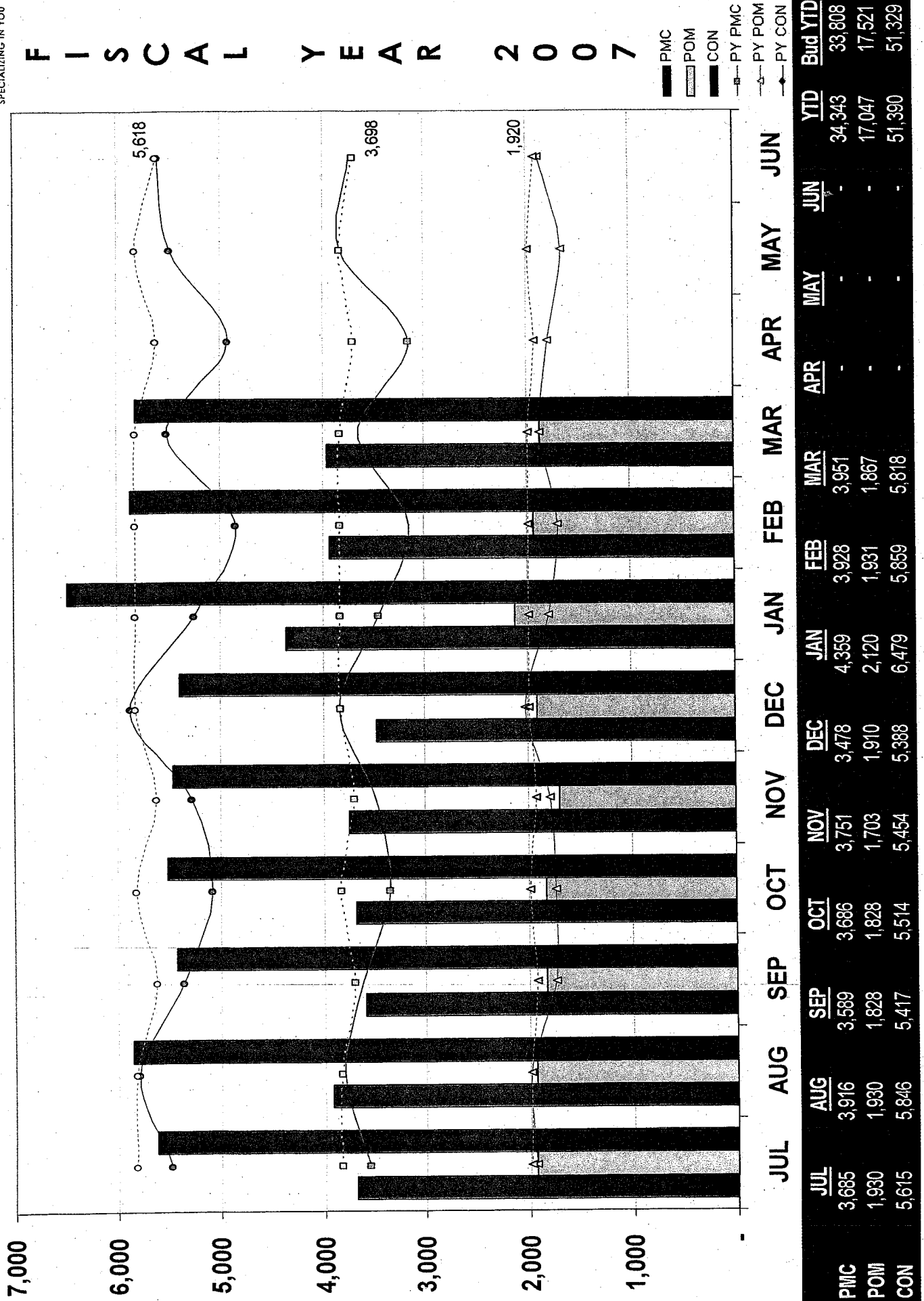


■ PMC
 ▨ POM
 ■ CON
 - - - PY POM
 - - - PY CON

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	Bud YTD
PMC	5,204	5,900	5,800	6,158	5,326	5,030	5,872	5,183	5,569	-	-	-	50,042	51,089
POM	2,615	3,044	2,944	3,033	2,659	2,690	2,806	2,800	2,930	-	-	-	25,801	23,838
CON	7,819	8,944	8,744	9,191	7,985	7,720	8,958	7,983	8,499	-	-	-	75,843	74,927

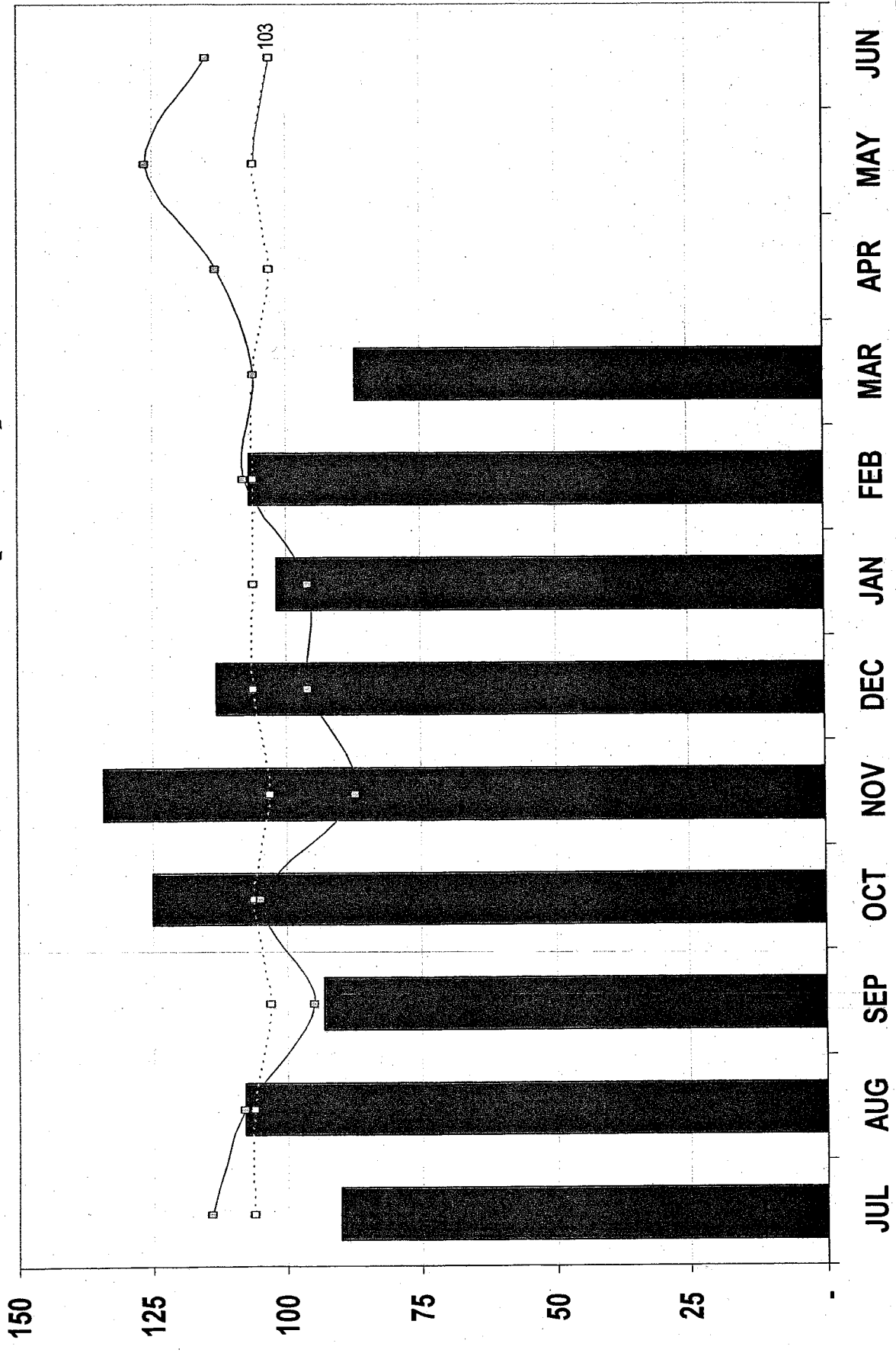
FISCAL YEAR 2007

ER Visits includes Trauma



FISCAL YEAR 2007

Trauma Cases (PMC)

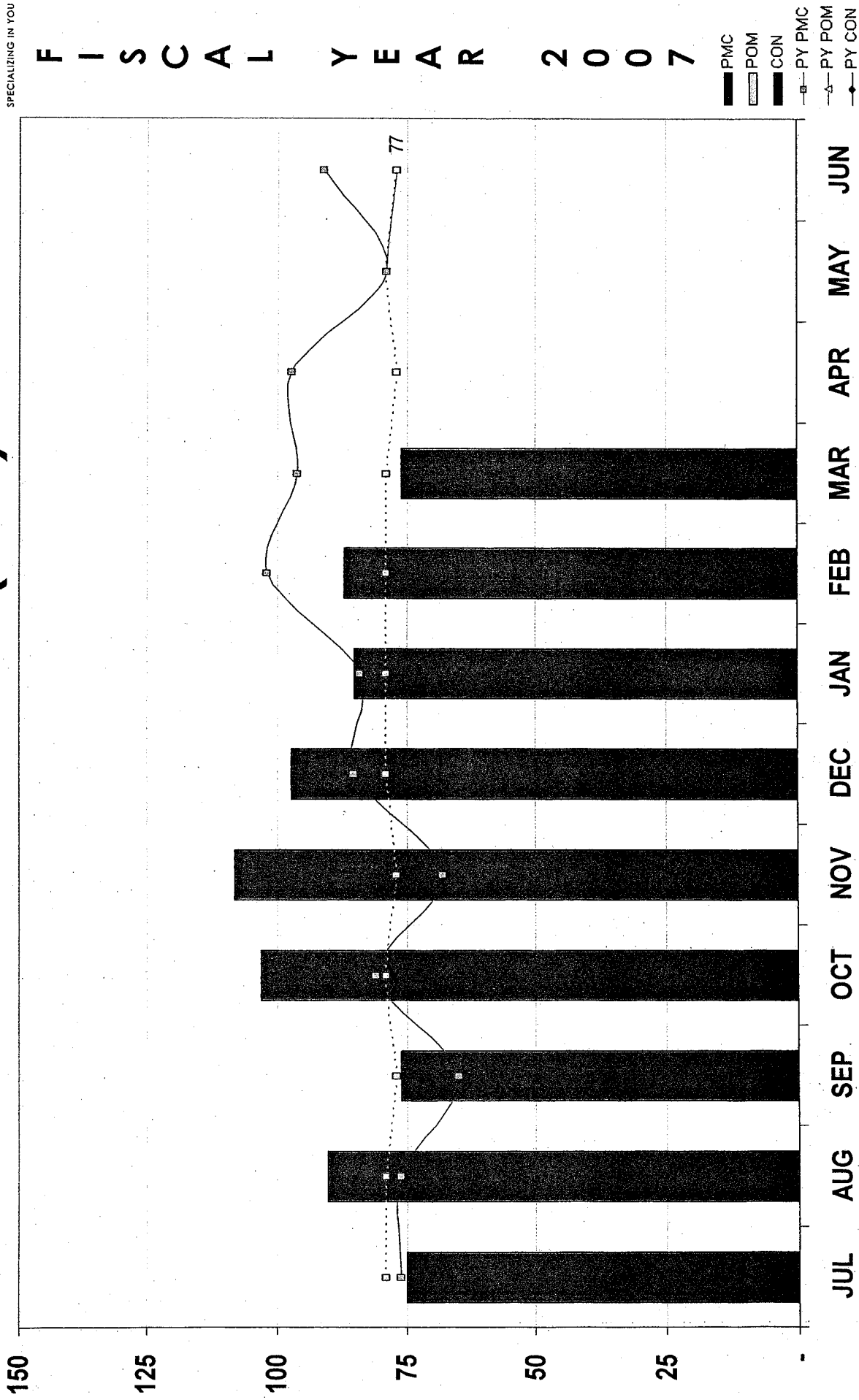


	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>YTD</u>	<u>Bid YTD</u>
PMC	90	108	93	125	134	113	102	107	87	-	-	-	959	937

Trauma Admissions (PMC)

20 PALOMAR
POMERADO
HEALTH
SPECIALIZING IN YOU

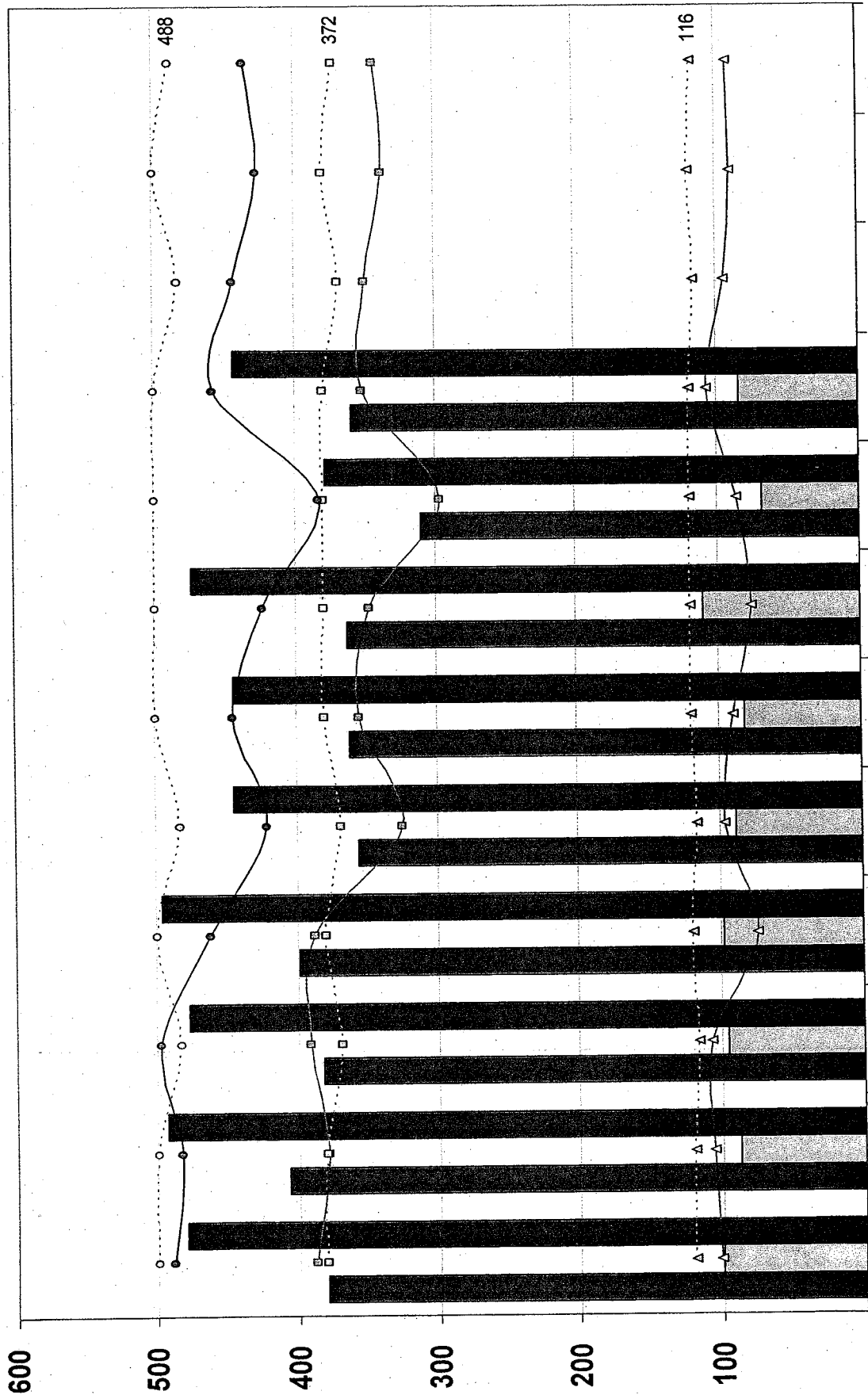
FISCAL YEAR 2007



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	End YTD
PMC	75	90	76	103	108	97	85	87	76	-	-	-	797	699

FISCAL YEAR 2007

Deliveries

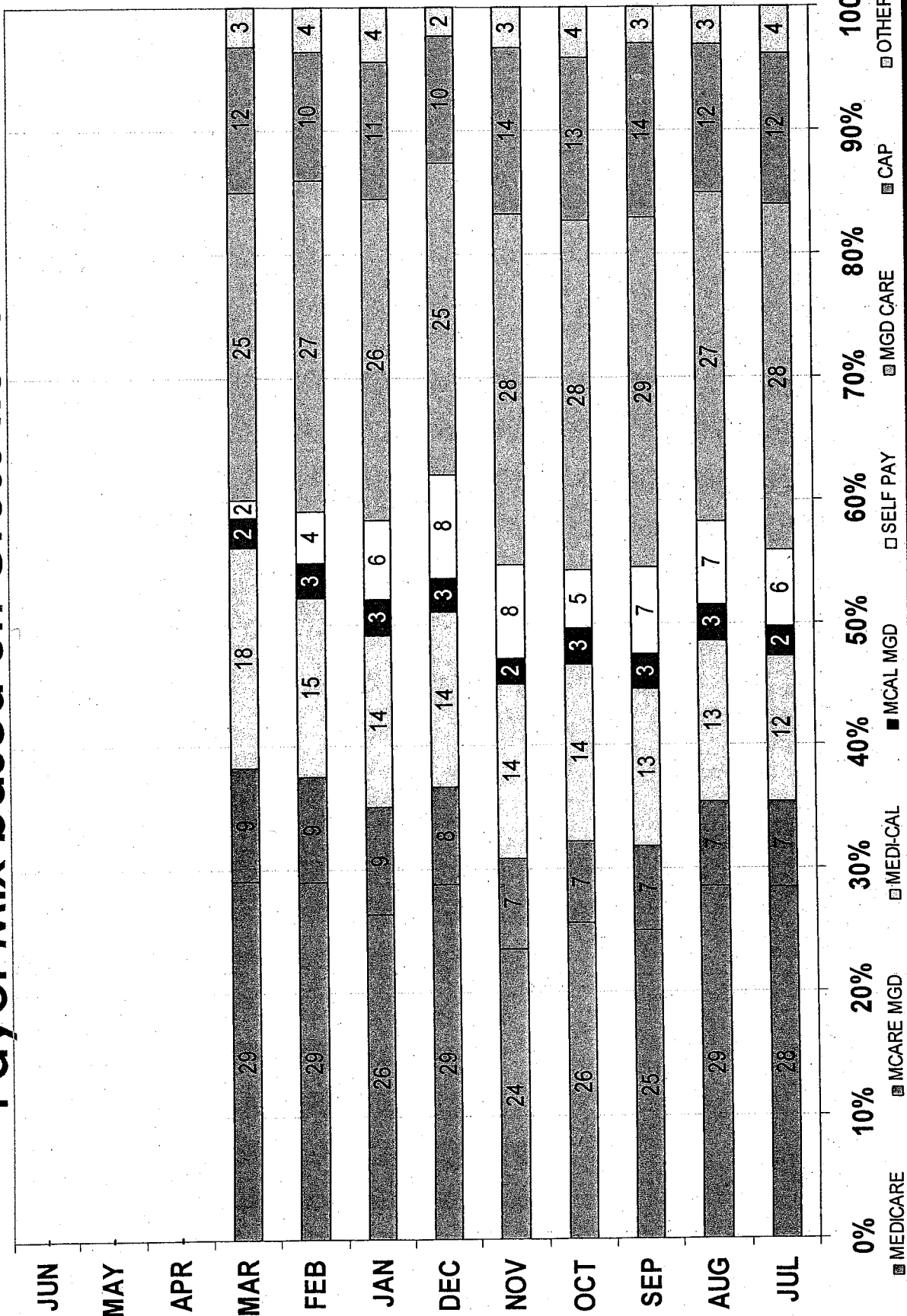


■ PMc
 ▨ POM
 □ CON
 ○ PY PMc
 △ PY POM
 ● PY CON

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	Bud YTD
PMc	379	406	382	399	356	362	363	310	359	-	-	-	3,316	3,360
POM	100	87	95	97	88	82	110	68	84	-	-	-	811	1,051
CON	479	493	477	496	444	444	473	378	443	-	-	-	4,127	4,411

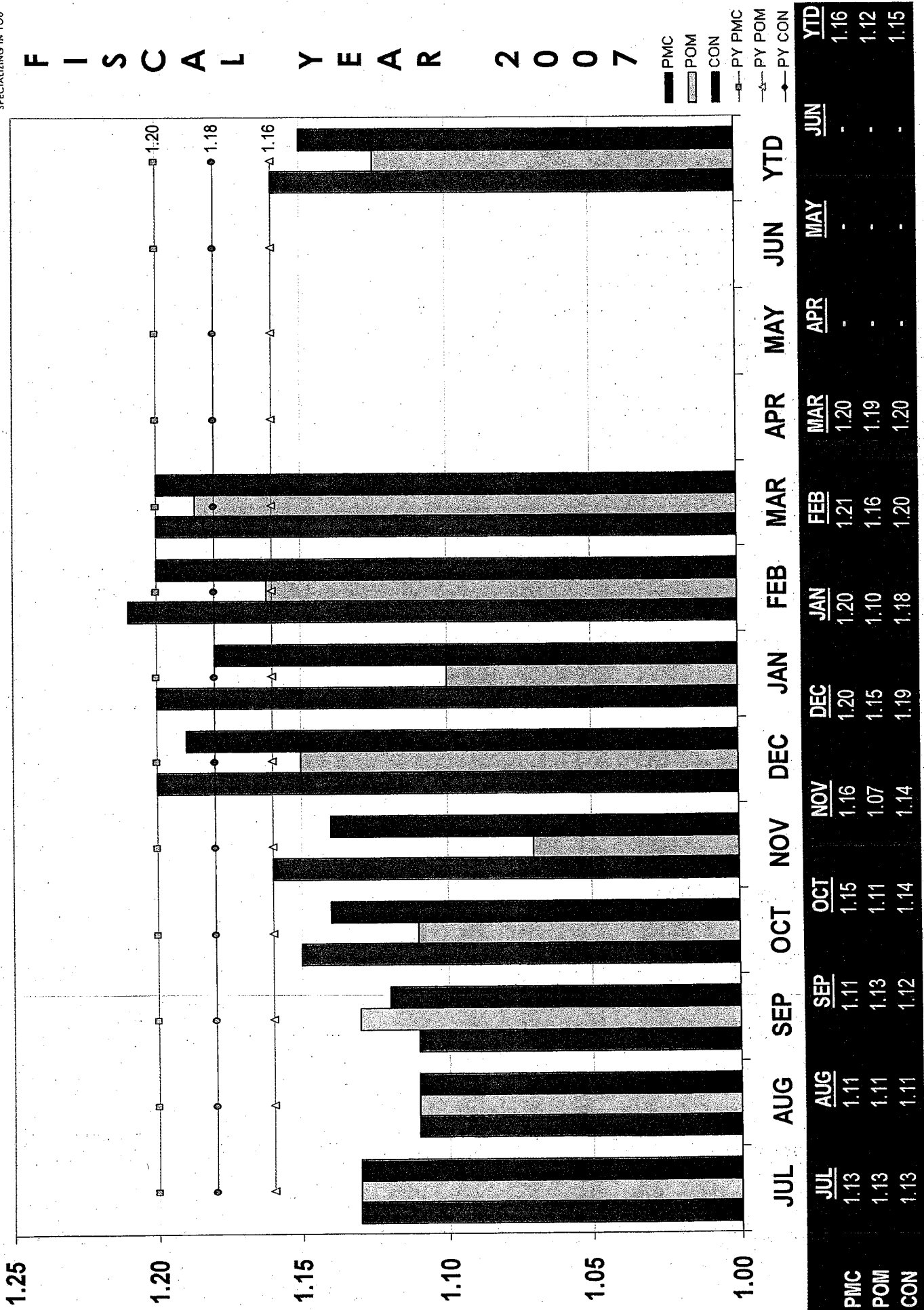
FISCAL YEAR 2007

Payor Mix based on Gross Revenue



FISCAL YEAR 2007

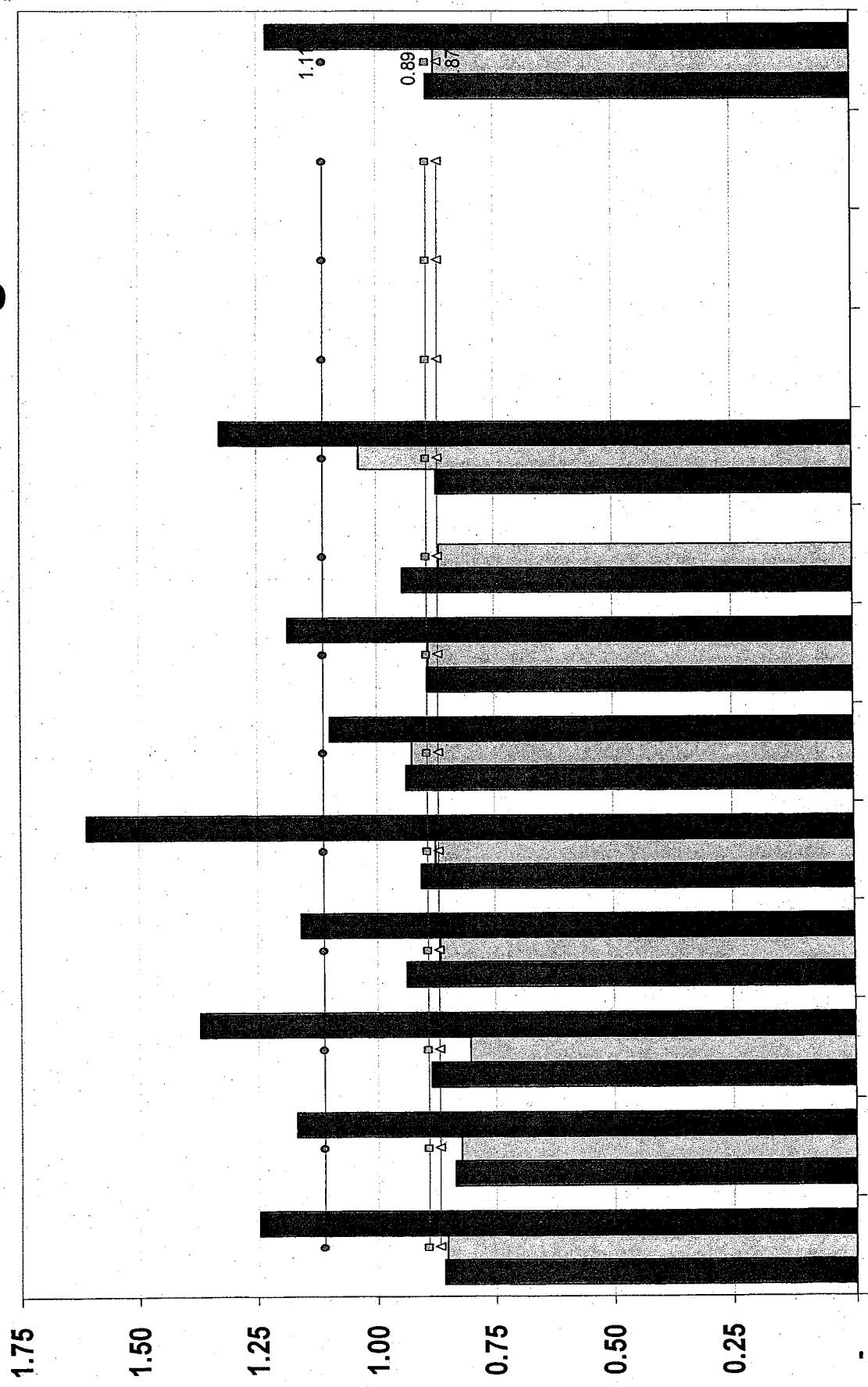
Case Mix Index



25

Case Mix Index - Skilled Nursing

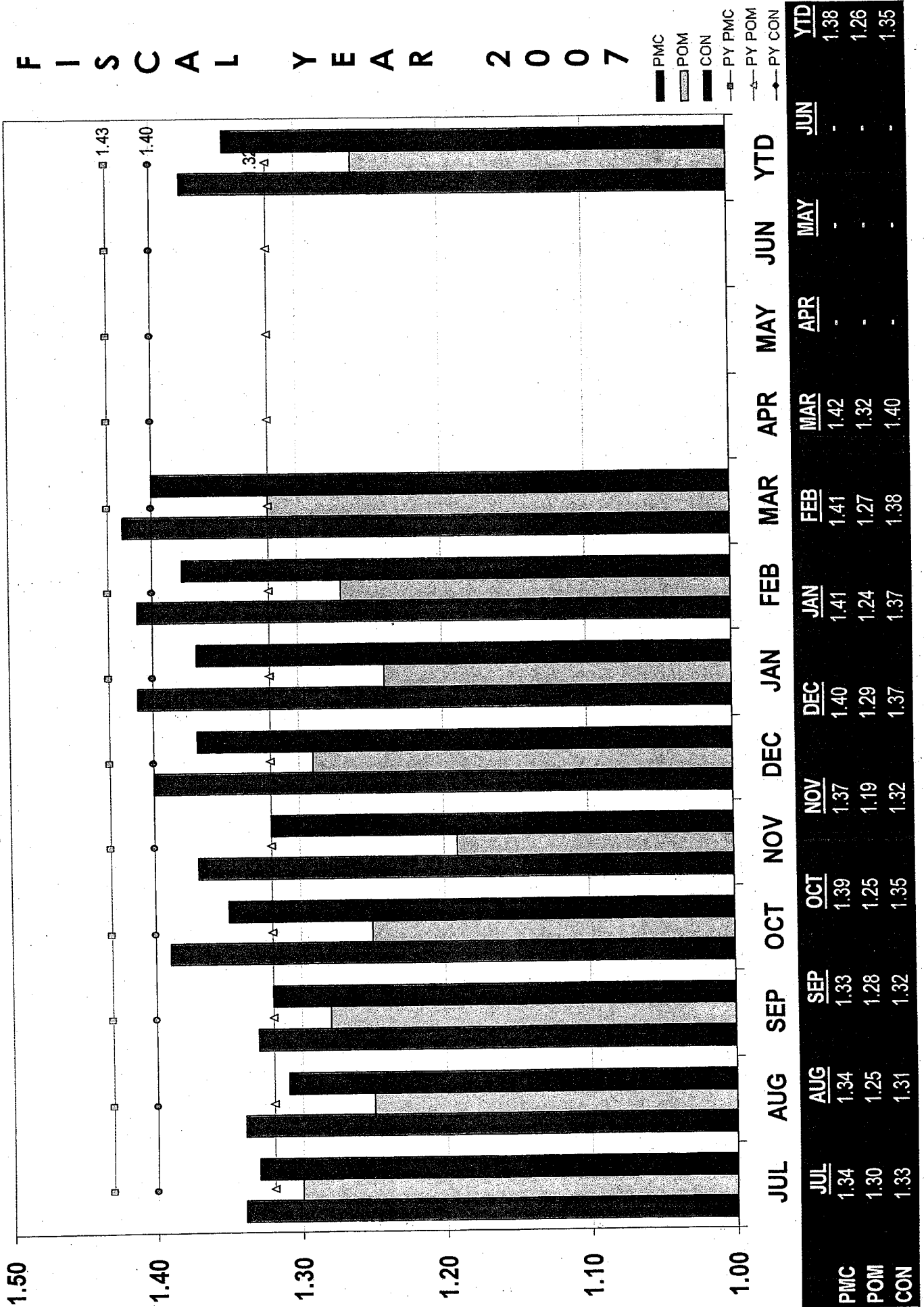
FISCAL YEAR 2007



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD
PCCC	1.25	1.17	1.37	1.16	1.61	1.10	1.18	-	-	-	-	-	1.23
VILLA POM	0.85	0.82	0.80	0.87	0.87	0.92	0.89	0.86	0.94	1.03	-	-	0.87
SUB ACUTE	0.86	0.84	0.88	0.94	0.90	0.94	0.89	0.94	0.87	0.87	-	-	0.89

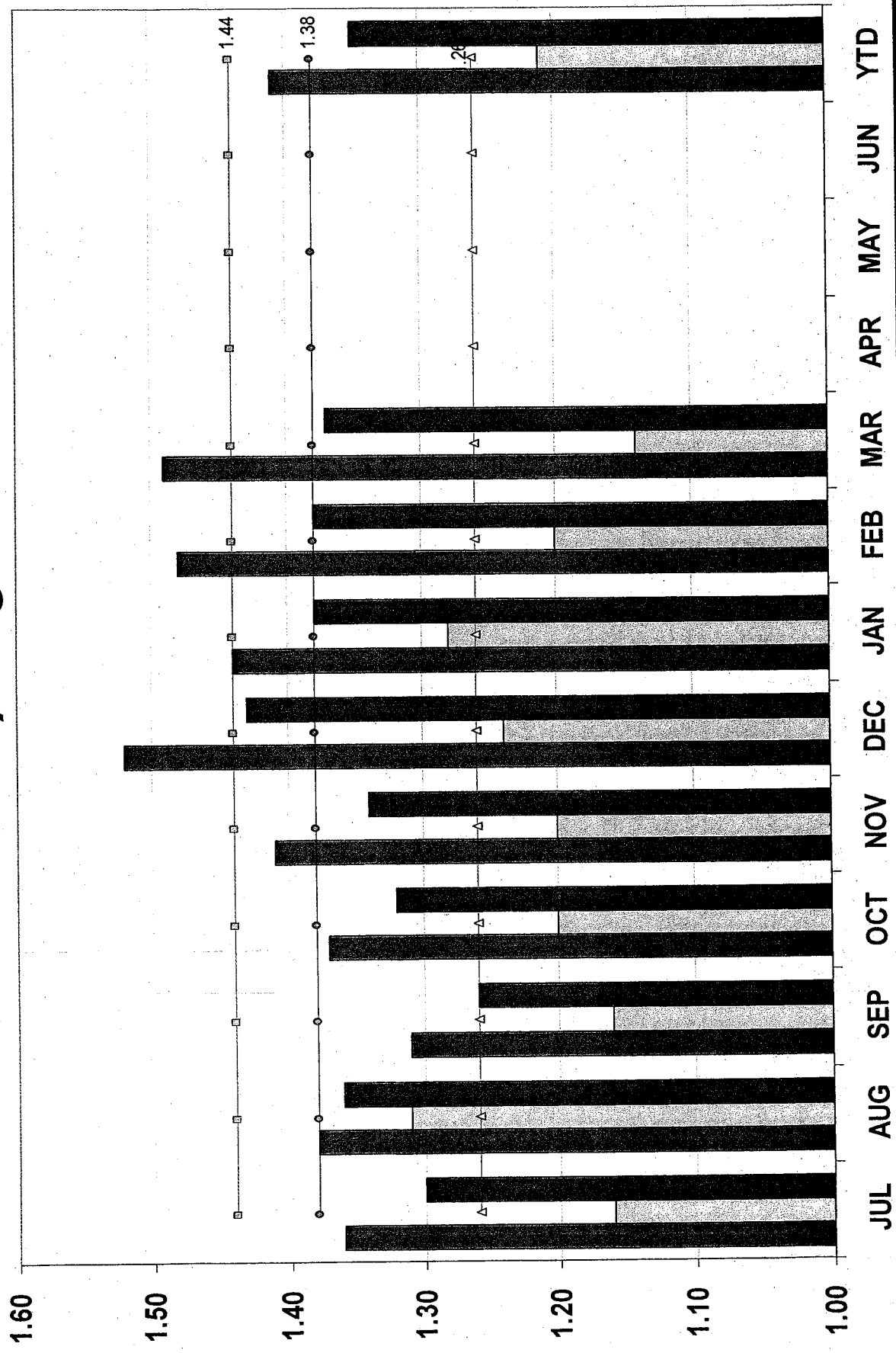
Case Mix Index by Region excludes Deliveries

FISCAL YEAR 2007



FISCAL YEAR 2007

Case Mix Index by Region - MediCare



■ PMC
 ▨ POM
 □ CON
 — PY PMC
 — PY POM
 — PY CON

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD
PMC	1.36	1.38	1.31	1.37	1.41	1.52	1.44	1.48	1.49	-	-	-	1.41
POM	1.16	1.31	1.16	1.20	1.20	1.24	1.28	1.20	1.14	-	-	-	1.21
CON	1.30	1.36	1.26	1.32	1.34	1.43	1.38	1.38	1.37	-	-	-	1.35

Summary of Key Indicators and Results

FYTD March 2007

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>FY 2006</u>
<u>ADMISSIONS - Acute:</u>				
Palomar Medical Center	16,578	16,440	138	16,205
Pomerado Hospital	5,087	5,855	(768)	5,130
Total:	<u>21,665</u>	<u>22,295</u>	<u>(630)</u>	<u>21,335</u>
<u>ADMISSIONS - SNF:</u>				
Palomar Medical Center	447	581	(134)	466
Pomerado Hospital	415	470	(55)	453
Total:	<u>862</u>	<u>1,051</u>	<u>(189)</u>	<u>919</u>
<u>PATIENT DAYS - Acute:</u>				
Palomar Medical Center	63,046	65,370	(2,324)	64,333
Pomerado Hospital	20,808	22,327	(1,519)	21,046
Total:	<u>83,854</u>	<u>87,697</u>	<u>(3,843)</u>	<u>85,379</u>
<u>PATIENT DAYS- SNF:</u>				
Palomar Medical Center	23,935	24,279	(344)	22,887
Pomerado Hospital	33,822	33,976	(154)	33,989
Total:	<u>57,757</u>	<u>58,255</u>	<u>(498)</u>	<u>56,876</u>

Summary of Key Indicators and Results

FYTD March 2007 (cont'd)

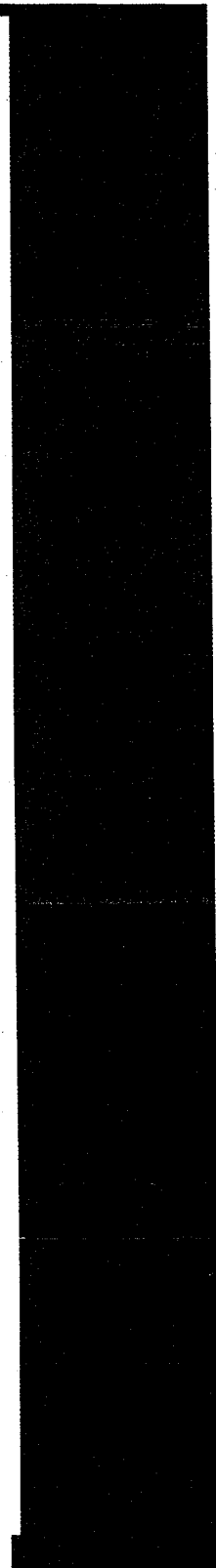
	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>FY 2006</u>
<u>WEIGHTED PATIENT DAYS:</u>				
Palomar Medical Center	80,153	81,343	(1,190)	79,843
Pomerado Hospital	33,048	33,976	(928)	33,989
Other Activities	2,315	2,519	(204)	(280)
Total:	<u>115,516</u>	<u>117,838</u>	<u>(2,322)</u>	<u>113,552</u>

<u>AVERAGE LENGTH OF STAY- Acute:</u>				
Palomar Medical Center	3.76	4.02	(0.26)	4.01
Pomerado Hospital	4.06	3.96	0.10	4.07
Total:	<u>3.83</u>	<u>4.00</u>	<u>(0.17)</u>	<u>4.02</u>

<u>AVERAGE LENGTH OF STAY - SNF:</u>				
Palomar Medical Center	55.02	40.53	14.49	47.98
Pomerado Hospital	80.53	73.70	6.83	77.25
Total:	<u>67.55</u>	<u>54.96</u>	<u>12.59</u>	<u>62.02</u>

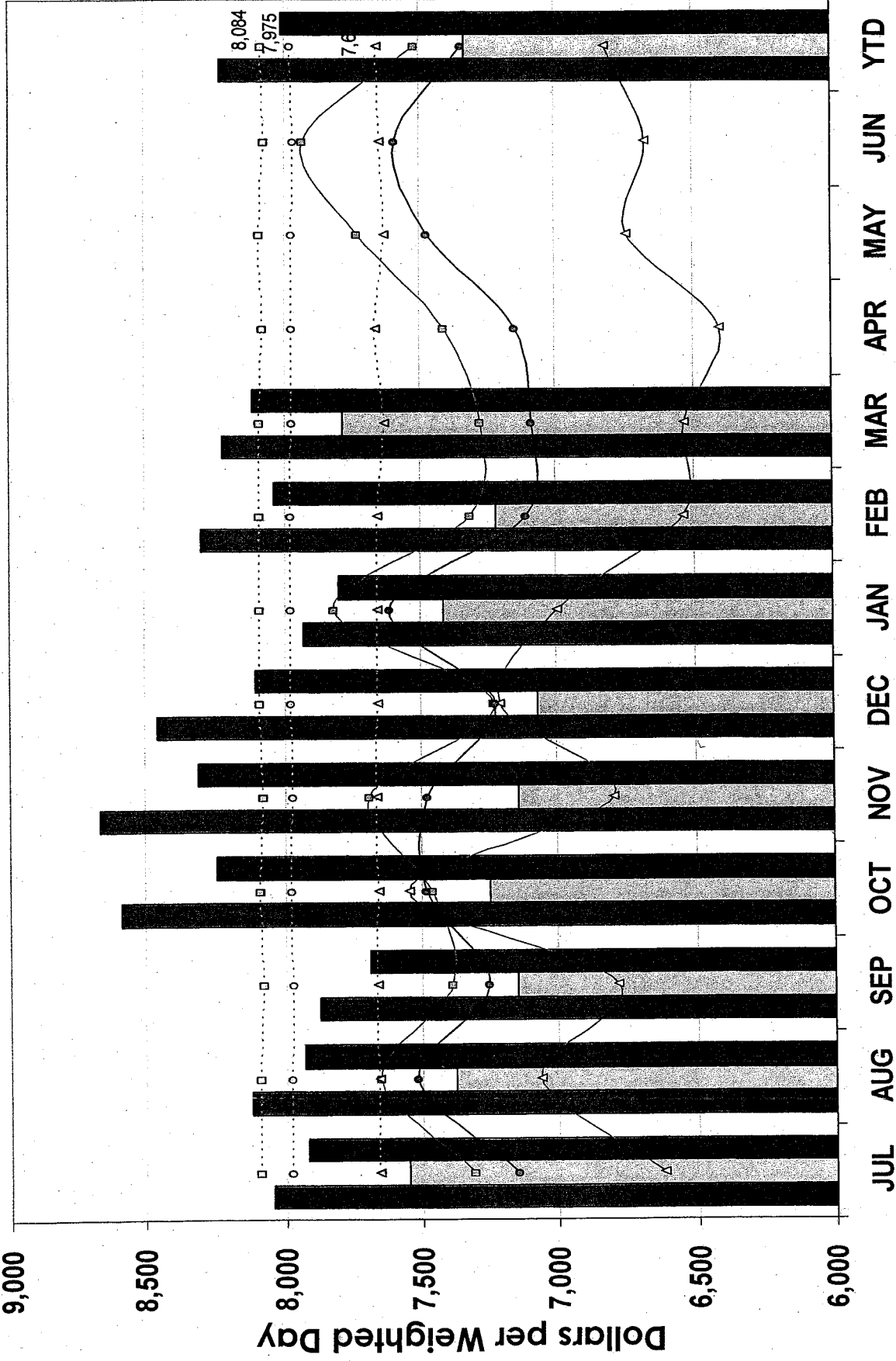
Summary of Key Indicators and Results FYTD March 2007 (cont'd)

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>FY 2006</u>
<u>EMERGENCY ROOM VISITS & TRAUMA CASES:</u>				
Palomar Medical Center	34,343	33,808	535	31,863
Pomerado Hospital	17,047	17,521	(474)	16,568
Total:	<u>51,390</u>	<u>51,329</u>	<u>61</u>	<u>48,431</u>
<u>EMERGENCY & TRAUMA ADMISSIONS:</u>				
Palomar Medical Center	8,263	8,518	(255)	8,337
Pomerado Hospital	2,956	3,067	(111)	2,876
Total:	<u>11,219</u>	<u>11,585</u>	<u>(366)</u>	<u>11,213</u>
<u>SURGERIES:</u>				
Palomar Medical Center	5,959	5,991	(32)	5,860
Pomerado Hospital	2,778	3,210	(432)	2,912
Total:	<u>8,737</u>	<u>9,201</u>	<u>(464)</u>	<u>8,772</u>
<u>BIRTHS:</u>				
Palomar Medical Center	3,316	3,360	(44)	3,219
Pomerado Hospital	811	1,051	(240)	839
Total:	<u>4,127</u>	<u>4,411</u>	<u>(284)</u>	<u>4,058</u>



Gross Patient Revenue per Weighted Patient Days

F I S C A L Y E A R 2 0 0 7

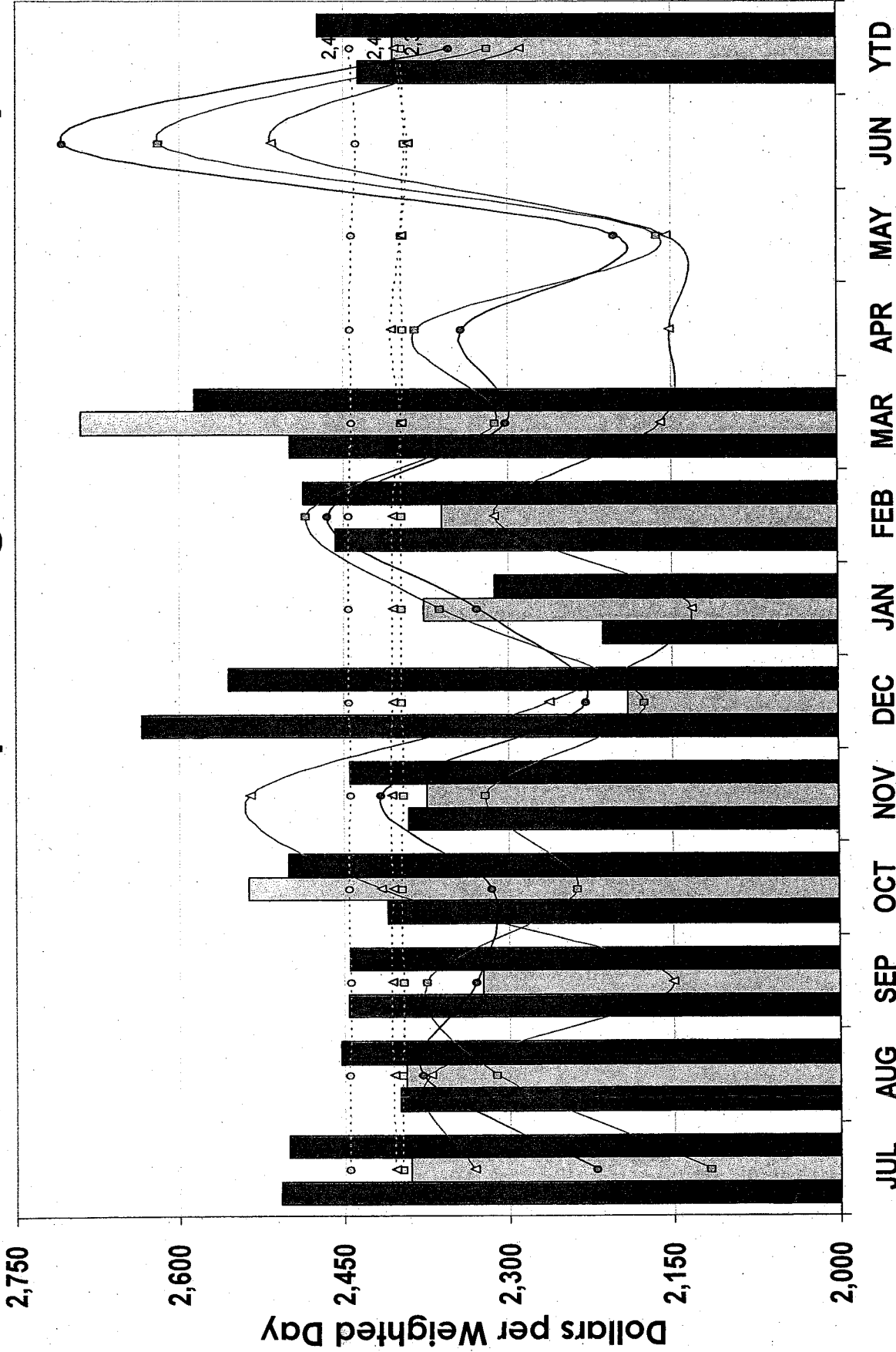


■ PMC
 ■ POM
 ■ CON
 ○ PY PMC
 △ PY POM
 ● PY CON

92

FISCAL YEAR 2007

Net Patient Revenue per Weighted Patient Days

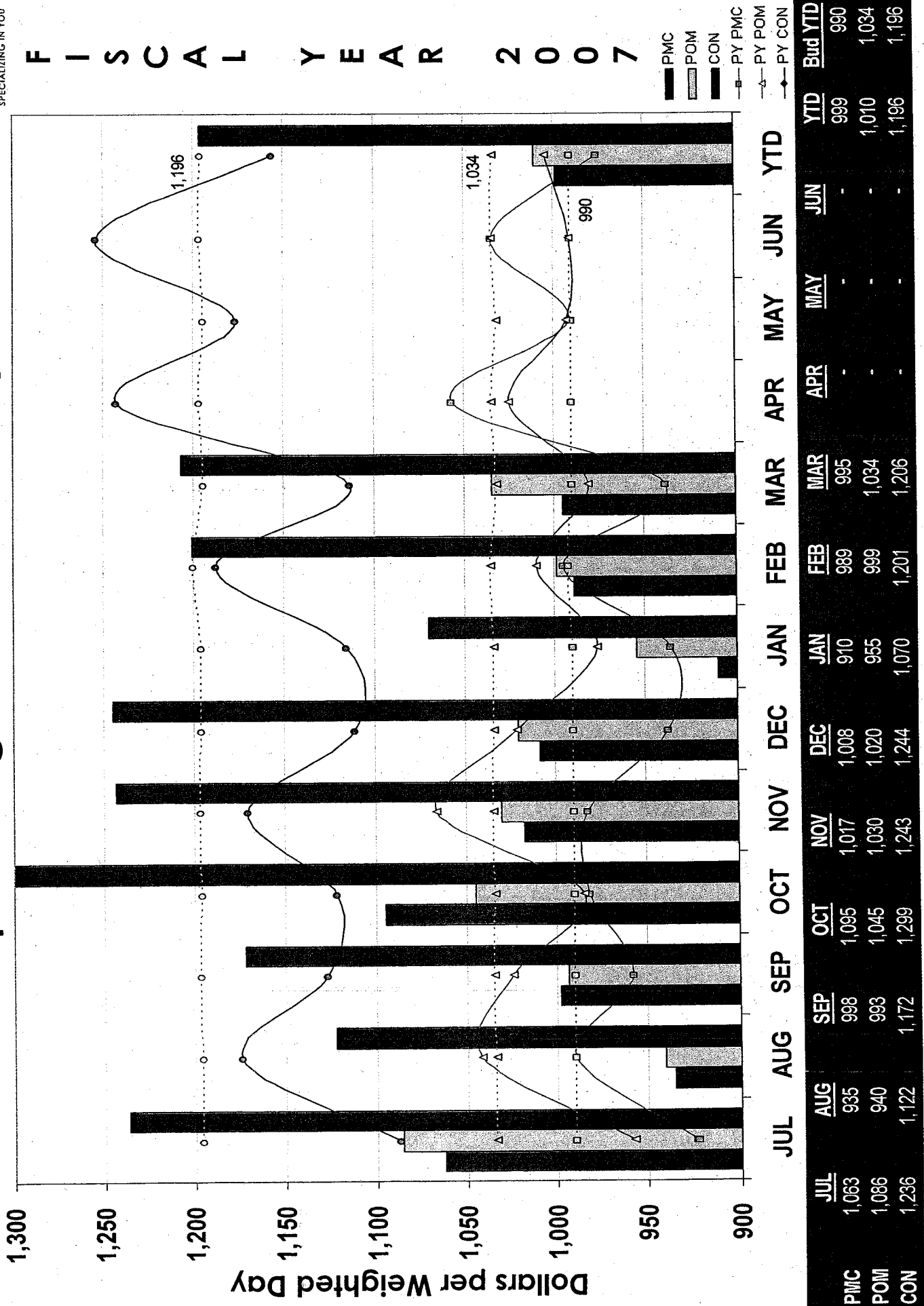


	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	Bud YTD
PMC	2,508	2,398	2,446	2,410	2,391	2,634	2,213	2,457	2,499	-	-	-	2,436	2,396
POM	2,389	2,393	2,323	2,537	2,373	2,191	2,376	2,360	2,689	-	-	-	2,404	2,403
CON	2,500	2,453	2,445	2,500	2,445	2,556	2,312	2,487	2,586	-	-	-	2,474	2,444

22

FISCAL YEAR 2007

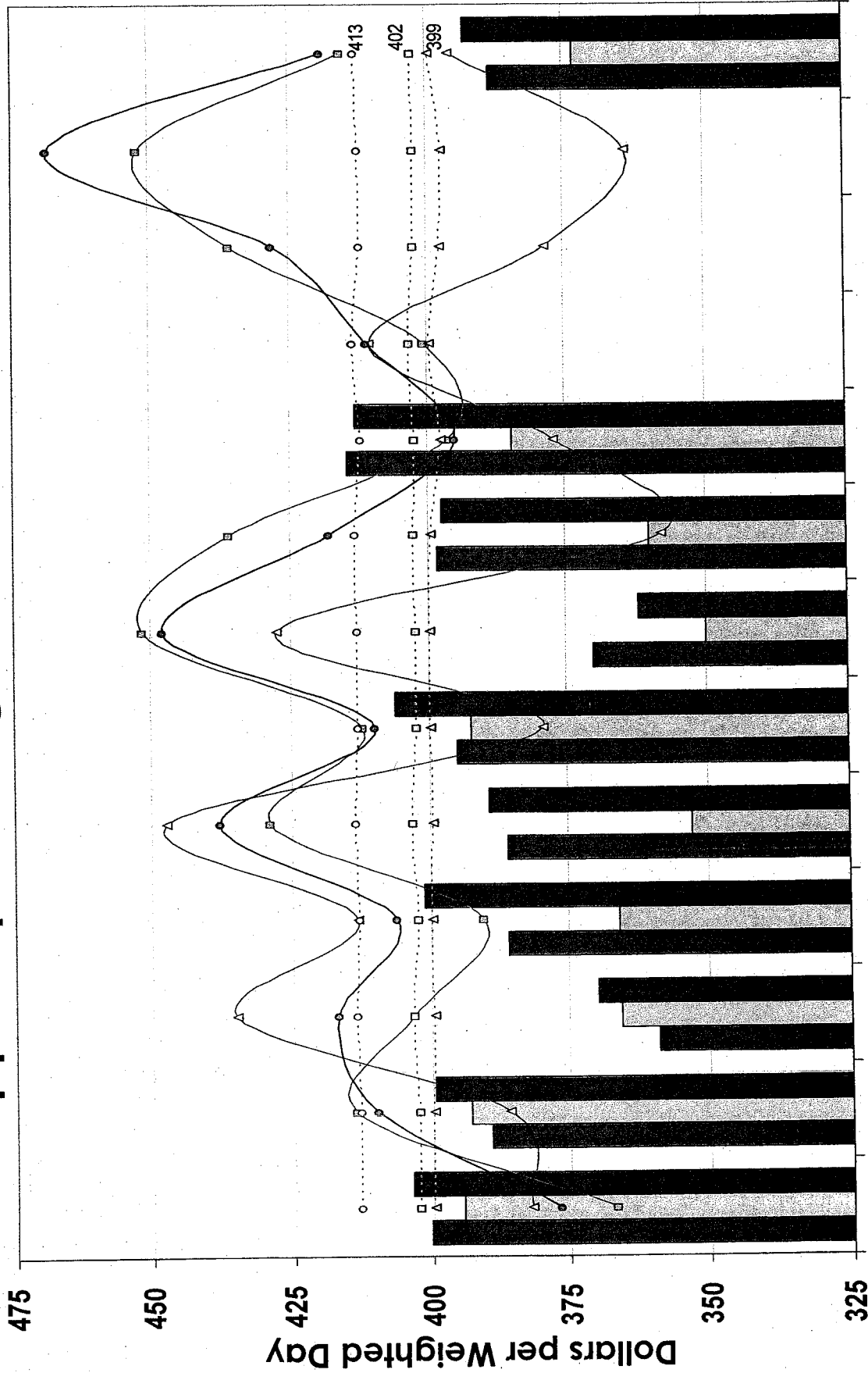
Salaries per Weighted Patient Days



26

FISCAL YEAR 2007

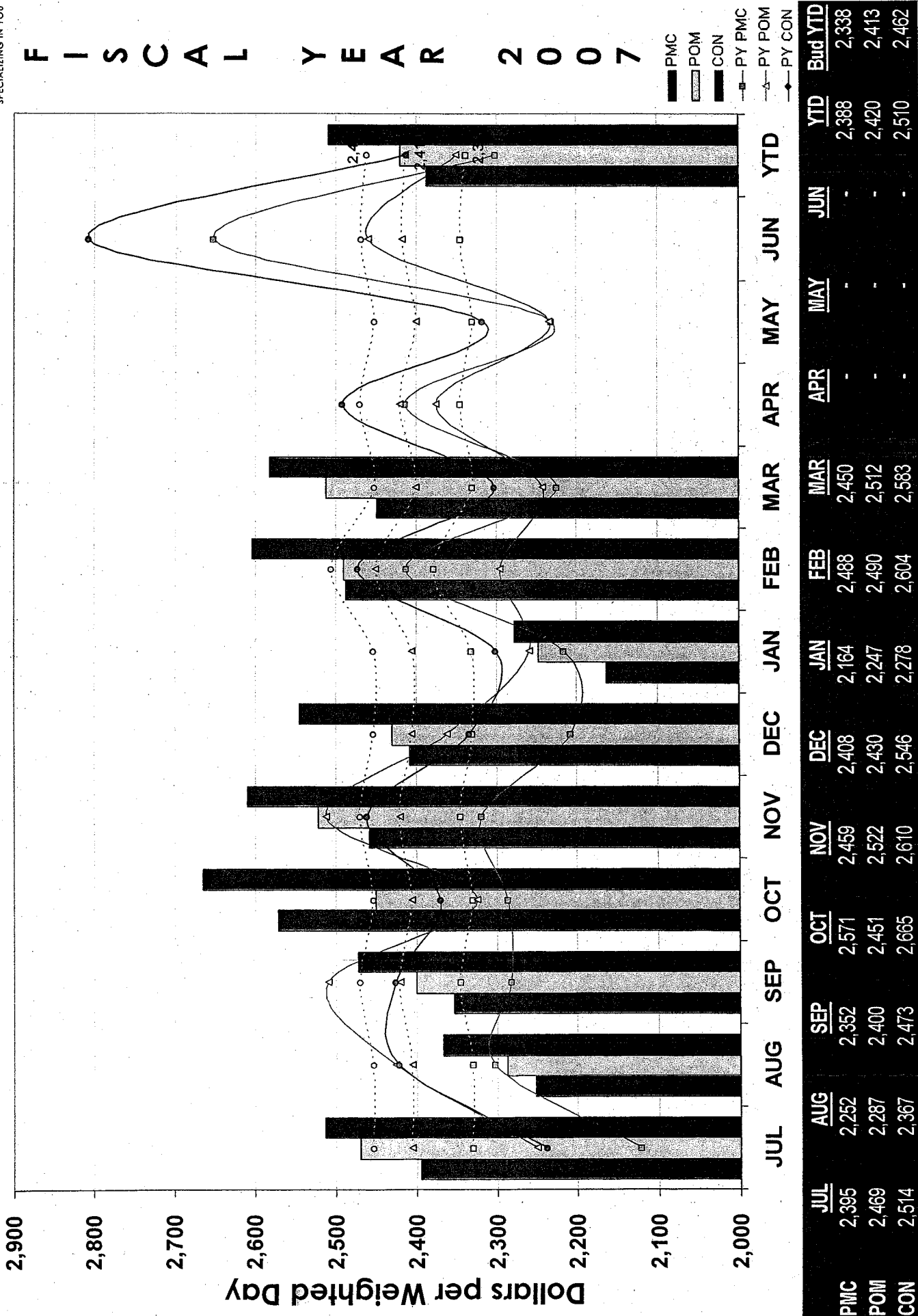
Supplies per Weighted Patient Days



2

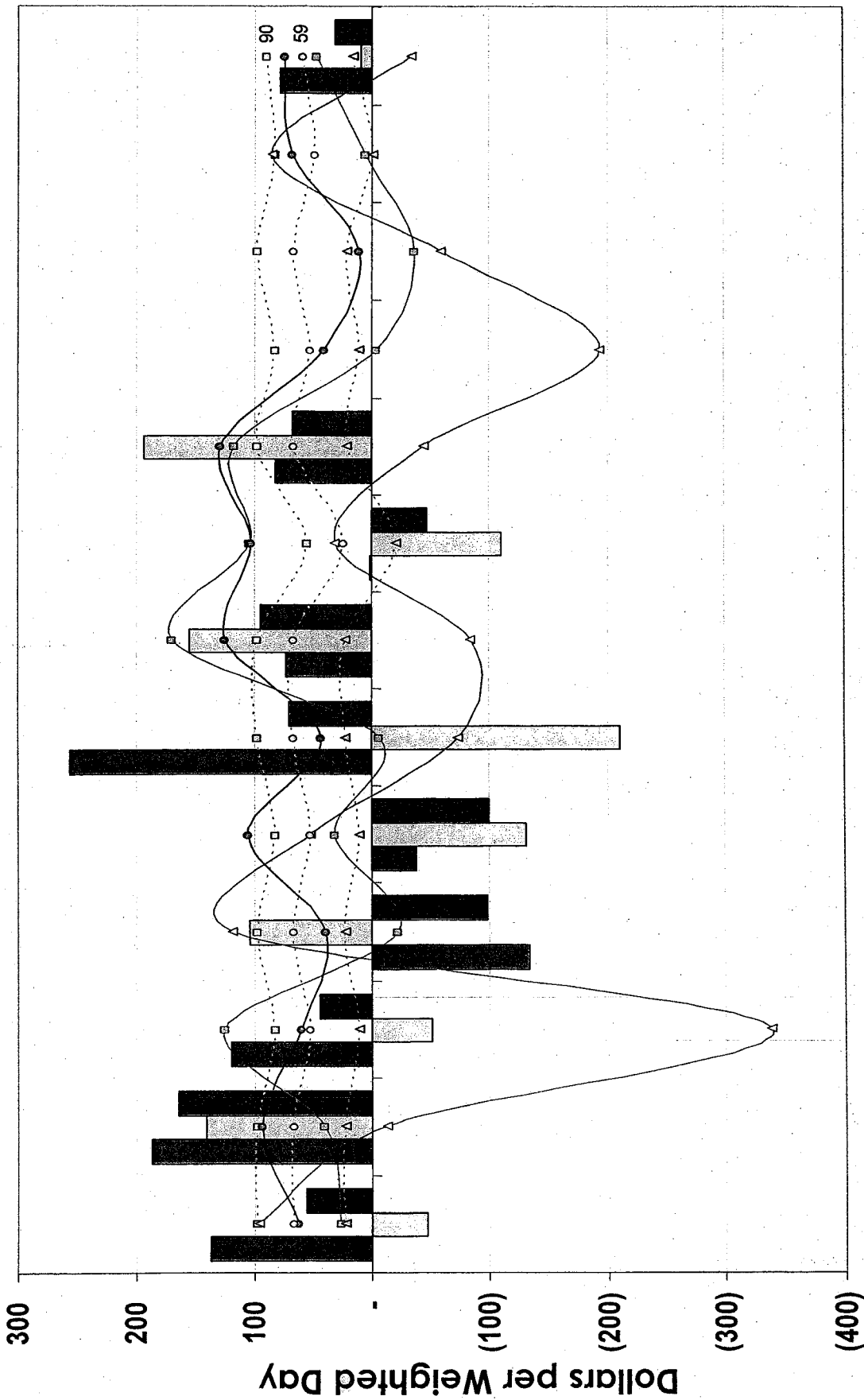
FISCAL YEAR 2007

Total Expenses per Weighted Patient Days



Net Operating Income per Weighted Patient Days³⁵

FISCAL YEAR 2007



■ PMC
 ▨ POM
 □ CON
 —○— PY PMC
 -□- PY POM
 -△- PY CON

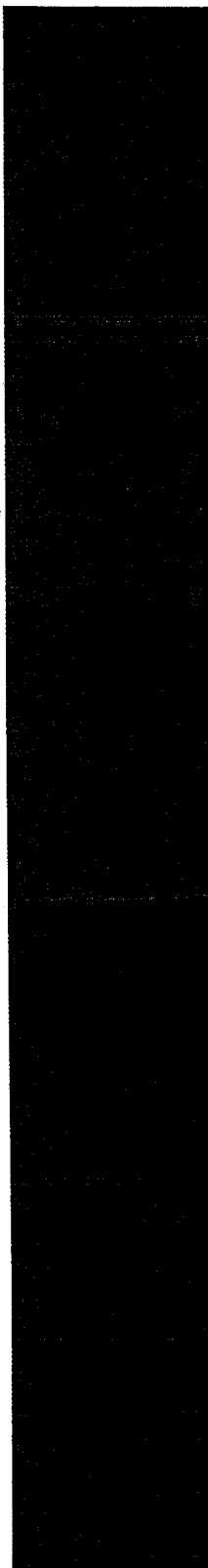
JUL AUG SEP OCT NOV DEC JAN FEB MAR APR MAY JUN YTD

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	Bud YTD
PMC	137	166	120	(133)	(39)	255	73	1	82	-	-	-	78	90
POM	(48)	140	(52)	105	(132)	(211)	155	(110)	192	-	-	-	9	15
CON	56	164	45	(98)	(100)	71	95	(47)	68	-	-	-	31	59

3

Key Variance Explanations March 2007

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Weighted Patient Days	13,343	13,333	10
Gross Patient Revenue:	108,311,925	106,260,557	2,051,368
Volume Variance			79,697
Contractuals:	74,457,060	73,758,952	(698,108)
Due to higher than budgeted revenue			
Net Capitation:	650,177	63,892	586,285
Other Operating Revenue:	870,451	1,007,597	(137,146)
PPH Foundation			(82,861)
PPNC Health Development			(65,316)



Key Variance Explanations

March 2007 (cont'd)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Salaries & Wages:			
Volume variance	15,239,743	15,241,258	1,515
Market & performance one-time adjustments			12,946
Productivity			(157,094)
			142,633
Benefits:			
Pension	4,302,222	3,772,448	(529,774)
Health and Dental			(145,111)
FICA			(129,246)
Other benefits			(103,602)
Worker's Compensation			(98,060)
			(39,989)
Contract Labor:			
Ultrasound	857,321	678,828	(178,493)
Patient Accounting			(83,865)
			(55,922)
Professional Fees:			
Legal Fees	2,197,869	1,815,681	(382,188)
IT Consulting			(144,716)
Rehabcare Therapist fees			(101,008)
Administration			(78,435)
			(70,634)

Key Variance Explanations March 2007 (cont'd)

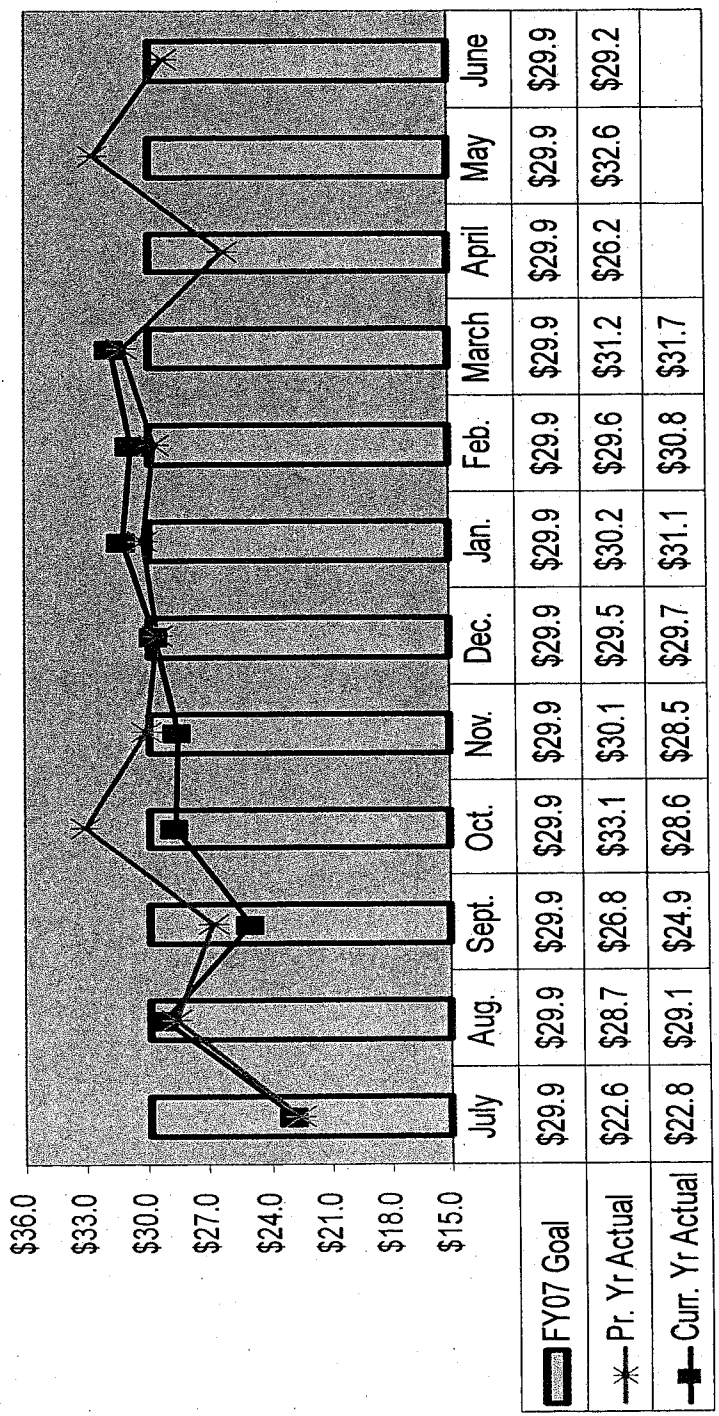
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Supplies:			
Volume variance	5,511,182	5,495,300	(15,882)
Cath Lab			(11,983)
Implants			(164,845)
Food Services			(117,098)
Patient Supplies			(40,071)
			(29,329)
Purchased Services:	2,666,875	2,164,495	(502,380)
PBS			(212,204)
Repairs & maintenance			(148,758)
Gateway/Parkway contracted services			(47,424)
IT purchased services			(43,931)
Food services			(24,185)
Triage			(21,870)
Depreciation:	1,647,658	1,573,192	(74,466)
Additional CIP's closed			(46,205)
Escondido Surgery Center			(28,261)
Other Direct Expenses:	2,045,397	1,949,209	(96,188)
Travel			(60,000)
Net Income From Operations	\$907,226	\$882,683	\$24,543

Key Variance Highlights

March 2007 YTD

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Benefits:			
Pension	35,340,455	33,625,156	(1,715,299)
FICA and Other Benefits			(708,057)
Worker's Compensation			(464,413)
Health and Dental			(303,303)
			(229,851)
Professional Fees:			
Legal Fees	18,143,284	16,302,739	(1,840,545)
Rehabcare Therapist fees			(1,006,604)
Pomerado ED calls			(502,942)
			(407,250)
Purchased Services:			
Collection fees	21,313,934	19,131,337	(2,182,597)
Gateway/Parkway contracted services			(1,340,651)
Biomed			(666,671)
			(200,555)
Depreciation:			
Additional depreciation on closed CIP's	14,829,315	14,128,080	(701,235)
Escondido Surgery Center			(391,542)
			(309,693)

PBS Monthly Collections in Millions



Palomar Pomerado Health
Consolidated Balance Sheet
As of March 31, 2007

	Current Month	Prior Month	Prior Fiscal Year End
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	Current Month	Prior Month	Prior Fiscal Year End
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Assets

Current Assets

Cash on Hand	\$4,427,667	\$7,752,435	\$2,001,279
Cash Marketable Securities	110,199,171	102,634,804	110,035,151
Total Cash & Cash Equivalents	114,626,838	110,387,239	112,036,430

Patient Accounts Receivable

Allowance on Accounts	184,285,857	175,465,403	149,045,009
Net Accounts Receivable	-93,623,528	-86,072,433	-78,078,378

Inventories

Prepaid Expenses	90,662,329	89,392,970	70,966,631
Other	7,016,699	6,992,599	6,937,645
Total Current Assets	1,954,329	2,098,236	2,293,992
	8,484,102	8,914,794	3,868,903
	222,744,297	217,785,838	196,103,601

Non-Current Assets

Restricted Assets	200,267,666	200,780,836	66,734,609
Restricted by Donor	294,738	293,948	288,265
Board Designated	-11,886,962	-3,319,513	9,267,526
Total Restricted Assets	188,675,442	197,755,271	76,290,400

Property Plant & Equipment

Accumulated Depreciation	337,529,441	337,118,824	343,335,572
Construction in Process	-223,942,913	-222,348,892	-220,455,460
Net Property Plant & Equipment	132,647,580	121,133,335	85,858,842

Investment in Related Companies

Deferred Financing Costs	246,234,108	235,903,267	208,738,954
Other Non-Current Assets	1,597,032	1,535,190	268,203
Total Non-Current Assets	4,980,604	4,948,997	3,354,469
	2,604,637	2,501,158	2,594,765
	444,091,823	442,643,883	291,246,791

Total Assets

	\$666,836,120	\$660,429,721	\$487,350,392
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Liabilities

Current Liabilities

Accounts Payable	\$23,269,505	\$19,365,859	\$23,154,953
Accrued Payroll	17,048,936	16,748,358	13,504,395
Accrued PTO	11,973,055	11,757,409	11,133,368
Accrued Interest Payable	2,213,152	1,796,078	2,265,274
Current Portion of Bonds	13,220,000	13,220,000	12,745,000
Est Third Party Settlements	-662,263	-480,491	-995,051
Other Current Liabilities	15,619,546	16,747,857	9,482,924
Total Current Liabilities	82,681,931	79,155,070	71,290,863

Long Term Liabilities

Bonds & Contracts Payable	297,173,804	297,178,020	151,347,395
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General Fund Balance

Unrestricted	298,572,728	287,122,393	255,156,342
Restricted for Other Purpose	294,738	293,948	288,265
Board Designated	-11,886,962	-3,319,513	9,267,526
Total Fund Balance	286,980,504	284,096,828	264,712,133

Total Liabilities / Fund Balance

	\$666,836,120	\$660,429,721	\$487,350,392
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PALOMAR POMERADO HEALTH
 CONSOLIDATED
 Year-to-Date as of March FY 2007

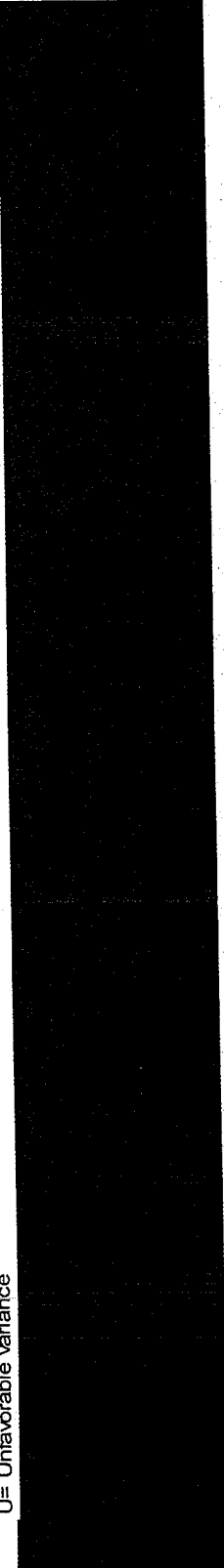
	Actual		Budget		Variance		\$/Wtg Pt Day			
					Volume	Rate/Eff	Actual	Budget	Variance	
Statistics:										
Admissions - Acute	21,665	22,295	(630)							
Admissions - SNF	862	1,051	(189)							
Patient Days - Acute	83,854	87,697	(3,843)							
Patient Days - SNF	57,757	58,255	(498)							
ALOS - Acute	3.83	4.00	(0.17)							
ALOS - SNF	67.55	54.96	12.59							
Weighted Pt Days	115,516	117,838	(2,322)							
Revenue:										
Gross Revenue	\$ 925,476,135	\$ 939,764,342	\$ (14,288,207)	U	\$ (18,518,074)	\$ 4,229,867	\$ 8,011.67	\$ 7,975.05	\$ 36.62	
Deductions from Rev	(639,701,117)	(651,752,642)	12,051,525	F	12,842,798	(791,273)	(5,537.77)	(5,530.92)	(6.85)	
Net Patient Revenue	285,775,018	288,011,700	(2,236,682)	U	(5,675,276)	3,438,594	2,473.90	2,444.13	29.77	
Other Oper Revenue	7,820,767	9,068,373	(1,247,606)	U	(178,692)	(1,068,914)	67.70	76.96	(9.25)	
Total Net Revenue	293,595,785	297,080,073	(3,484,288)	U	(5,853,968)	2,369,680	2,541.60	2,521.09	20.51	
Expenses:										
Salaries, Wages & Contr Labor	138,212,385	140,917,021	(2,704,636)	F	2,776,773	(72,137)	1,196.48	1,195.85	(0.62)	
Benefits	35,340,455	33,625,156	(1,715,299)	U	662,584	(2,377,883)	305.94	285.35	(20.58)	
Supplies	45,411,834	48,655,440	(3,243,606)	F	958,756	2,284,850	393.12	412.90	19.78	
Prof Fees & Purch Svc	39,457,218	35,434,076	(4,023,142)	U	698,229	(4,721,371)	341.57	300.70	(40.87)	
Depreciation	14,829,315	14,128,080	(701,235)	U	278,394	(979,629)	128.37	119.89	(8.48)	
Other	16,728,376	17,393,439	(665,063)	F	342,738	322,325	144.81	147.60	2.79	
Total Expenses	289,979,583	290,153,212	173,629	F	5,717,474	(5,543,845)	2,510.30	2,462.31	(47.99)	
Net Inc Before Non-Oper Income	3,616,202	6,926,861	(3,310,659)	U	(136,494)	(3,174,165)	31.30	58.78	(27.48)	
Property Tax Revenue	9,487,494	9,487,494	-		(186,951)	186,951	82.13	80.51	1.62	
Non-Operating Income	2,137,213	657,522	1,479,691	F	(12,956)	1,492,647	18.50	5.58	12.92	
Net Income (Loss)	\$ 15,240,909	\$ 17,071,877	\$ (1,830,968)	U	\$ (336,402)	\$ (1,494,566)	\$ 131.94	\$ 144.88	\$ (12.94)	
Net Income Margin	4.9%	5.5%	-0.6%							
OEBITDA Margin w/o Prop Tax	5.9%	6.7%	-0.8%							
OEBITDA Margin with Prop Tax	9.0%	9.8%	-0.8%							

F= Favorable variance
 U= Unfavorable variance

PALOMAR POMERADO HEALTH
CONSOLIDATED
Month-to-Date as of March FY 2007

	Month Activity		Variance		Variance		\$/Wtg Pt Day	
	Actual	Budget	Budget	Variance	Volume	Rate/Eff	Actual	Budget
Statistics:								
Admissions - Acute	2,609	2,509		100				
Admissions - SNF	94	119		(25)				
Patient Days - Acute	9,593	9,922		(329)				
Patient Days - SNF	6,486	6,591		(105)				
ALOS - Acute	3.69	4.00		(0.31)				
ALOS - SNF	64.86	54.93		9.93				
Weighted Pt Days	13,343	13,333		10				
Revenue:								
Gross Revenue	\$ 108,311,925	\$ 106,260,557	\$ 2,051,368	F	\$ 79,697	\$ 1,971,671	\$ 8,117.51	\$ 7,969.74
Deductions from Rev	(73,806,883)	(73,695,060)	(111,823)	U	(55,273)	(56,550)	(5,531.51)	(5,527.27)
Net Patient Revenue	34,505,042	32,565,497	1,939,545	F	24,425	1,915,120	2,586.00	2,442.47
Other Oper Revenue	870,451	1,007,597	(137,146)	U	756	(137,902)	65.24	75.57
Total Net Revenue	35,375,493	33,573,094	1,802,399	F	25,180	1,777,219	2,651.24	2,518.05
Expenses:								
Salaries, Wages & Contr Labor	16,097,064	15,920,086	(176,978)	U	(11,940)	(165,038)	1,206.41	1,194.04
Benefits	4,302,222	3,772,448	(529,774)	U	(2,829)	(526,945)	322.43	282.94
Supplies	5,511,182	5,495,300	(15,882)	U	(4,122)	(11,760)	413.04	412.16
Prof Fees & Purch Svc	4,864,744	3,980,176	(884,568)	U	(2,985)	(881,583)	364.59	298.52
Depreciation	1,647,658	1,573,192	(74,466)	U	(1,180)	(73,286)	123.48	117.99
Other	2,045,397	1,949,209	(96,188)	U	(1,462)	(94,726)	153.29	146.19
Total Expenses	34,468,267	32,690,411	(1,777,856)	U	(24,518)	(1,753,338)	2,583.25	2,451.84
Net Inc Before Non-Oper Income	907,226	882,683	24,543	F	662	23,881	67.99	66.20
Property Tax Revenue	1,054,165	1,054,166	(1)	U	791	(792)	79.01	79.06
Non-Operating Income	150,153	73,058	77,095	F	55	77,040	11.25	5.48
Net Income (Loss)	\$ 2,111,544	\$ 2,009,907	\$ 101,637	F	\$ 1,507	\$ 100,130	\$ 158.25	\$ 150.75
Net Income Margin	5.7%	5.7%	0.0%					
OEBITDA Margin w/o Prop Tax	6.9%	7.0%	-0.1%					
OEBITDA Margin with Prop Tax	9.7%	10.0%	-0.3%					

F= Favorable variance
U= Unfavorable variance



PALOMAR POMERADO HEALTH
CONSOLIDATED
March 2007 YTD vs. March 2006 YTD

	Mar 07 YTD		Mar 06 YTD		Variance		\$/Wtg Pt Day		
					Volume	Rate/Eff	Actual	Budget	Variance
Statistics:									
Admissions - Acute	21,665	21,335	330						
Admissions - SNF	862	919	(57)						
Patient Days - Acute	83,854	85,379	(1,525)						
Patient Days - SNF	57,757	56,876	881						
ALOS - Acute	3.83	4.02	(0.19)						
ALOS - SNF	67.55	62.02	5.53						
Weighted Pt Days	115,516	113,552	1,964						
Revenue:									
Gross Revenue	\$ 925,476,135	\$ 831,501,290	\$ 93,974,845	F	\$ 14,381,680	\$ 79,593,165	\$ 8,011.67	\$ 7,322.65	\$ 689.02
Deductions from Rev	(639,701,117)	(566,974,218)	(72,726,899)	U	(9,806,409)	(62,920,490)	(5,537.77)	(4,993.08)	(544.69)
Net Patient Revenue	285,775,018	264,527,072	21,247,946	F	4,575,271	16,672,675	2,473.90	2,329.57	144.33
Other Oper Revenue	7,820,767	6,587,103	1,233,664	F	113,931	1,119,733	67.70	58.01	9.69
Total Net Revenue	293,595,785	271,114,175	22,481,610	F	4,689,202	17,792,408	2,541.60	2,387.58	154.03
Expenses:									
Salaries, Wages & Contr Labor	138,212,385	128,712,800	(9,499,585)	U	(2,226,222)	(7,273,363)	1,196.48	1,133.51	(62.96)
Benefits	35,340,455	30,314,906	(5,025,549)	U	(524,328)	(4,501,221)	305.94	266.97	(38.97)
Supplies	45,411,834	46,913,224	1,501,390	F	(811,413)	2,312,803	393.12	413.14	20.02
Prof Fees & Purch Svc	39,457,218	34,643,810	(4,813,408)	U	(599,201)	(4,214,207)	341.57	305.09	(36.48)
Depreciation	14,829,315	13,226,086	(1,603,229)	U	(228,759)	(1,374,470)	128.37	116.48	(11.90)
Other	16,728,376	15,044,854	(1,683,522)	U	(260,216)	(1,423,306)	144.81	132.49	(12.32)
Total Expenses	289,979,583	268,855,680	(21,123,903)	U	(4,650,139)	(16,473,764)	2,510.30	2,367.69	(142.61)
Net Inc Before Non-Oper Income	3,616,202	2,258,495	1,357,707	F	39,063	1,318,644	31.30	19.89	11.42
Property Tax Revenue	9,487,494	8,174,987	1,312,497	F	141,395	1,171,102	82.13	71.99	10.14
Non-Operating Income	2,137,213	(805,717)	2,942,930	F	(13,936)	2,956,866	18.50	(7.10)	25.60
Net Income (Loss)	\$ 15,240,909	\$ 9,627,775	\$ 5,613,134	F	\$ 166,522	\$ 5,446,612	\$ 131.94	\$ 84.79	\$ 47.15
Net Income Margin	4.9%	3.3%	1.6%						
OEBITDA Margin w/o Prop Tax	5.9%	5.4%	0.5%						
OEBITDA Margin with Prop Tax	9.0%	8.2%	0.8%						

F= Favorable variance
U= Unfavorable variance

PALOMAR POMERADO HEALTH
CONSOLIDATED
MONTHLY TREND

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	YTD
Statistics:										
Admissions - Acute	2,402	2,464	2,443	2,384	2,323	2,460	2,481	2,099	2,609	21,665
Admissions - SNF	104	99	90	104	87	99	105	80	94	862
Patient Days - Acute	9,180	9,535	9,151	8,819	8,610	9,559	10,530	8,877	9,593	83,854
Patient Days - SNF	6,635	6,517	6,308	6,590	6,278	6,503	6,526	5,914	6,486	57,767
LOS - Acute	3.86	3.82	3.70	3.64	3.74	3.88	4.11	4.07	3.69	3.83
LOS - SNF	72.12	63.27	64.37	69.37	64.72	71.46	66.59	73.01	64.86	67.55
Weighted Pt Days	12,517	13,150	12,568	12,431	12,042	12,813	14,443	12,191	13,343	115,516
Revenue:										
Gross Revenue	\$ 99,141,914	\$ 104,303,733	\$ 96,648,451	\$ 102,455,908	\$ 100,077,561	\$ 103,866,051	\$ 112,702,867	\$ 97,967,724	\$ 108,311,925	\$ 925,476,135
Deductions from Rev	(67,846,129)	(72,046,060)	(65,925,304)	(71,374,464)	(70,633,148)	(71,115,954)	(79,305,827)	(67,647,339)	(73,806,883)	(639,701,117)
Net Patient Revenue	31,295,785	32,257,673	30,723,147	31,081,444	29,444,413	32,750,097	33,397,040	30,320,385	34,505,042	285,775,018
Other Oper Revenue	872,741	1,024,339	917,501	836,197	790,479	777,515	875,290	856,254	870,451	7,820,767
Total Net Revenue	32,168,526	33,282,012	31,640,648	31,917,641	30,234,892	33,527,612	34,272,330	31,176,639	35,375,493	293,595,785
Expenses:										
Salaries, Wages & Contr Lal	15,474,327	14,754,829	14,727,754	16,146,815	14,968,840	15,945,604	15,457,289	14,639,864	16,097,064	138,212,385
Benefits	3,710,570	3,719,161	3,639,220	4,022,437	3,833,574	3,995,671	4,181,695	3,935,903	4,302,222	35,340,455
Supplies	5,053,134	5,252,262	4,645,918	4,986,864	4,688,222	5,203,199	5,226,986	4,844,066	5,511,182	45,411,834
Prof Fees & Purch Svc	3,957,885	4,023,887	4,535,289	4,491,200	4,212,258	4,164,990	4,603,211	4,603,755	4,864,744	39,457,218
Depreciation	1,647,188	1,661,866	1,661,093	1,668,606	1,672,974	1,680,349	1,555,220	1,634,362	1,647,658	14,829,315
Other	1,626,284	1,709,799	1,872,046	1,818,374	2,059,500	1,632,347	1,873,169	2,091,461	2,045,397	16,728,376
Total Expenses	31,469,388	31,121,804	31,081,320	33,134,296	31,435,368	32,622,160	32,897,570	31,749,411	34,468,267	289,979,583
Net Inc Before Non-Oper Inc	699,138	2,160,208	559,328	(1,216,655)	(1,200,476)	905,452	1,374,760	(572,772)	907,226	3,616,202
Property Tax Revenue	1,054,166	1,054,166	1,054,166	1,054,166	1,054,166	1,054,166	1,054,166	1,054,166	1,054,165	9,487,494
Non-Operating Income	427,875	505,503	338,114	190,429	298,286	(223,879)	(78,623)	529,360	150,153	2,137,213
Net Income (Loss)	\$ 2,181,179	\$ 3,719,874	\$ 1,951,605	\$ 27,940	\$ 151,976	\$ 1,735,739	\$ 2,350,303	\$ 1,010,754	\$ 2,111,544	\$ 15,240,909
Net Income Margin	6.5%	10.0%	6.1%	0.1%	0.5%	4.8%	6.5%	3.2%	5.7%	4.9%
OEBITDA Margin w/o Prop T	6.9%	10.3%	6.9%	1.3%	1.4%	7.1%	8.1%	3.4%	6.9%	5.9%
OEBITDA Margin with Prop T	10.1%	13.2%	10.2%	4.4%	4.6%	10.0%	11.0%	6.8%	9.7%	9.0%

PALOMAR
POMERADO
HEALTH
SPECIALIZING IN YOU

Statement of Cash Flows

	March	YTD
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income (Loss from operations)	907,226	3,615,707
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation Expense	1,647,658	14,829,317
Provision for bad debts	2,607,716	25,012,073
Changes in operating assets and liabilities:		
Patient accounts receivable	(3,877,075)	(44,649,422)
Property Tax and other receivables	(746,180)	(5,299,404)
Inventories	(24,100)	(79,054)
Prepaid expenses and Other Non-Current assets	82,065	(941,252)
Accounts payable	3,638,116	(7,355,143)
Accrued comp	516,224	2,294,909
Estimated settlement amounts due third-party payors	(181,772)	402,834
Other current liabilities	(74,145)	5,926,530
Net cash provided by operating activities	4,495,733	(6,642,905)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (purchases) sales on investments	1,515,462	(112,549,062)
Interest (Loss) received on investments	587,190	5,740,695
Investment in affiliates	99,618	1,222,599
Net cash used in investing activities	2,202,270	(105,585,768)
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:		
Receipt of G.O. Bond Taxes	501,164	6,789,071
Receipt of District Taxes	585,648	7,907,474
Net cash used in activities	1,086,812	14,696,545
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of property plant and equipment	(11,109,583)	(48,391,273)
Proceeds from sale of asset	0	11,400
G.O. Bond Interest paid	0	(3,584,201)
Revenue Bond Interest paid	0	(2,068,283)
Proceeds from issuance of debt	0	159,026,893
Payments of LT Debt	0	(12,745,000)
Net cash used in activities	(11,109,583)	92,249,536
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,324,767)	(5,282,591)
CASH AND CASH EQUIVALENTS - Beginning of period	7,752,434	9,710,258
CASH AND CASH EQUIVALENTS - End of period	4,427,667	4,427,667

120

BOND COVENANT RATIOS

CUSHION RATIO	Jun-05	Jun-06	Mar-07
Cash and Cash Equivalents	109,043,208	112,036,430	114,626,838
Board Designated Reserves	22,388,648	9,267,526	(11,886,962)
Trustee-held Funds	12,028,055	12,170,183	168,073,057
Total	143,457,911	133,474,139	270,812,933

Divided by:
Max. Annual Debt Service
(Bond Year 2008)

	10,697,594	10,697,594	16,972,692
CUSHION RATIO	13.4	12.5	16.0
REQUIREMENT	1.5	1.5	1.5
	Achieved	Achieved	Achieved

DAYS CASH ON HAND	Jun-05	Jun-06	Mar-07
Cash and Cash Equivalents	109,043,208	112,036,430	114,626,838
Board Designated Reserves	22,388,648	9,267,526	(11,886,962)
Total	131,431,856	121,303,956	102,739,876

Divide Total by Average Adjusted Expenses per Day

Total Expenses	340,338,156	364,120,335	289,979,583
Less: Depreciation	16,394,985	18,737,467	14,829,315
Adjusted Expenses	323,943,171	345,382,868	275,150,268
Number of days in period	365	365	274
Average Adjusted Expenses per Day	887,516	946,254	1,004,198

DAYS CASH ON HAND	148	128	102
REQUIREMENT	90	90	90
	Achieved	Achieved	Achieved

Net Income Available for Debt Service	Jun-05	Jun-06	Mar-07
Excess of revenue over expenses Cur Mo.	1,490,930	1,315,950	2,111,544
Excess of revenues over expenses YTD (General Funds)	17,052,649	11,558,633	15,240,909
ADD:			
Depreciation and Amortization	16,394,985	18,737,467	14,829,315
Interest Expense	5,272,031	4,405,929	3,516,576
Net Income Available for Debt Service	38,719,665	34,702,029	33,596,602

Aggregate Debt Service

1993 Insured Refunding Revenue Bonds	6,020,301	3,639,772	0
1999 Insured Refunding Revenue Bonds	4,356,944	6,950,508	6,187,195
2006 Certificates of Participation			2,499,052
Aggregate Debt Service	10,377,145	10,590,280	6,187,195

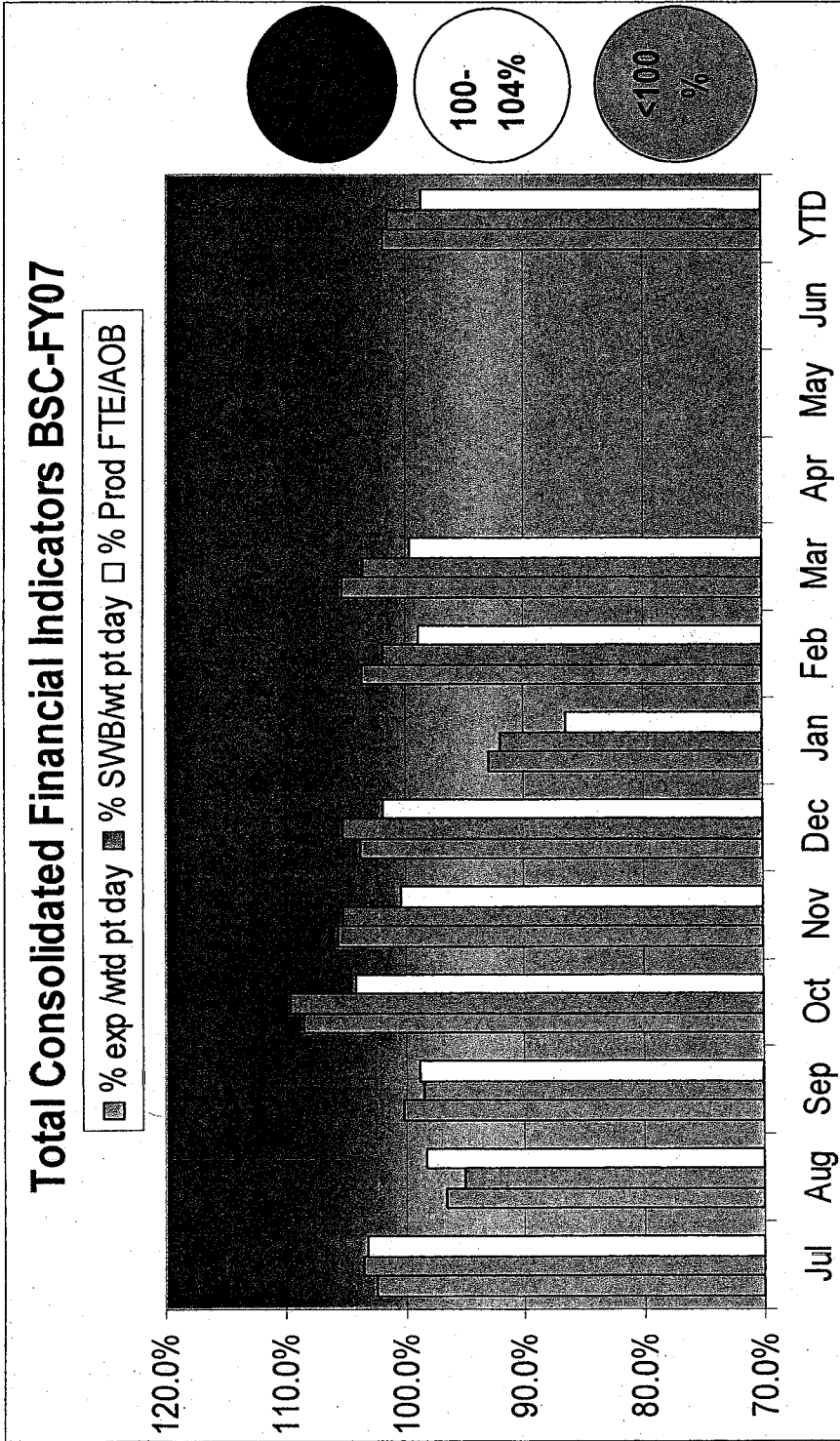
Net Income Available for Debt Service	3.73	3.28	5.43
Required Coverage	1.15	1.15	1.15
	Achieved	Achieved	Achieved

A California Health Care District
Investment Fund Balances
Quarterly Report

Investment Account:	Interest Payable	Interest Rate	Maturity Date	March 31, 2007	Dec. 31, 2006	IN/(DE)CREASE
Fidelity-Institutional Portfolio Treasury Fund	Monthly	5.22%	Demand	\$ 954,043	\$ 942,137	\$ 11,906
Slate Treasurer	Quarterly	5.36%	Demand	569,118	561,798	7,320
Local Agency Investment Fund	Various	Various	Various	32,657,945	32,208,974	448,971
Salomon Brothers	Various	Various	Various	31,437,794	31,035,134	402,660
Pacific Income Advisors, Inc.	Various	Various	Various	32,888,131	30,328,349	2,559,782
Morgan Stanley & Co.	Various	Various	Various	98,507,031	95,076,392	3,430,639
TOTAL INVESTMENTS AT CURRENT FAIR MARKET VALUE				\$ 1,053,960	868,554	185,406
ACCRUED INTEREST INCOME RECEIVABLE				595,770	166,522	429,248
Bank of America - Cash in Checking/COR Acct				\$ 100,156,761	\$ 96,111,468	\$ 4,045,293
TOTAL VALUE OF INVESTMENT PORTFOLIO						
INVESTMENTS						
COMPARATIVE						
03/07	\$ 98,507,031			\$ 99,862,023	\$ 95,818,782	\$ 4,043,241
03/06	\$ 140,082,650			294,738	292,686	2,052
03/05	\$ 130,365,773			\$ 100,156,761	\$ 96,111,468	\$ 4,045,293
03/04	\$ 151,512,216					
03/03	\$ 139,732,611					

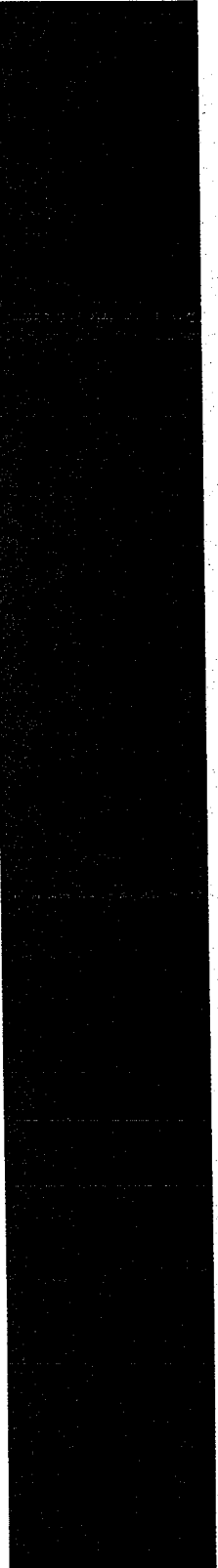
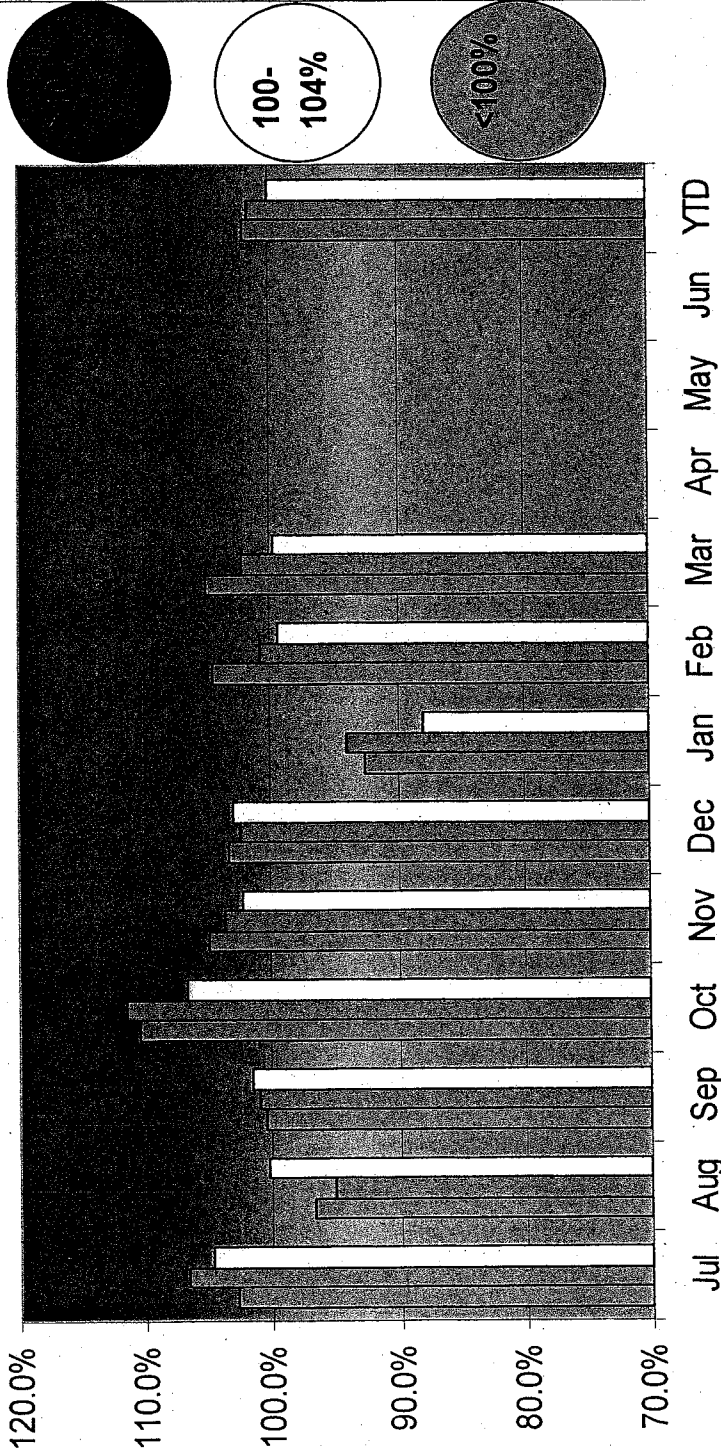
SUMMARY OF INVESTMENT PORTFOLIO BY FUND

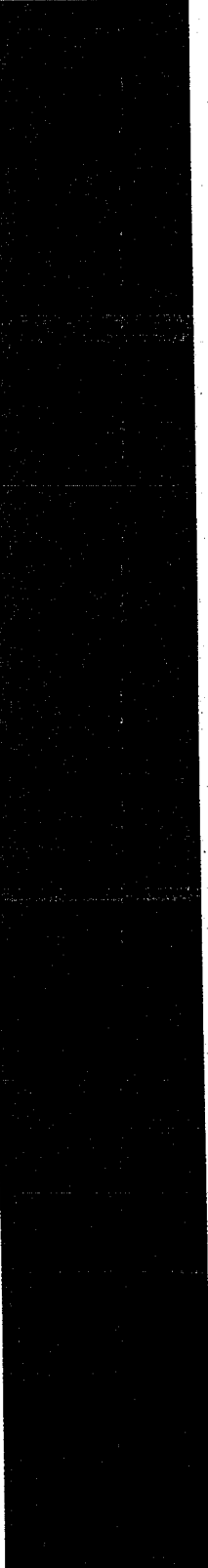
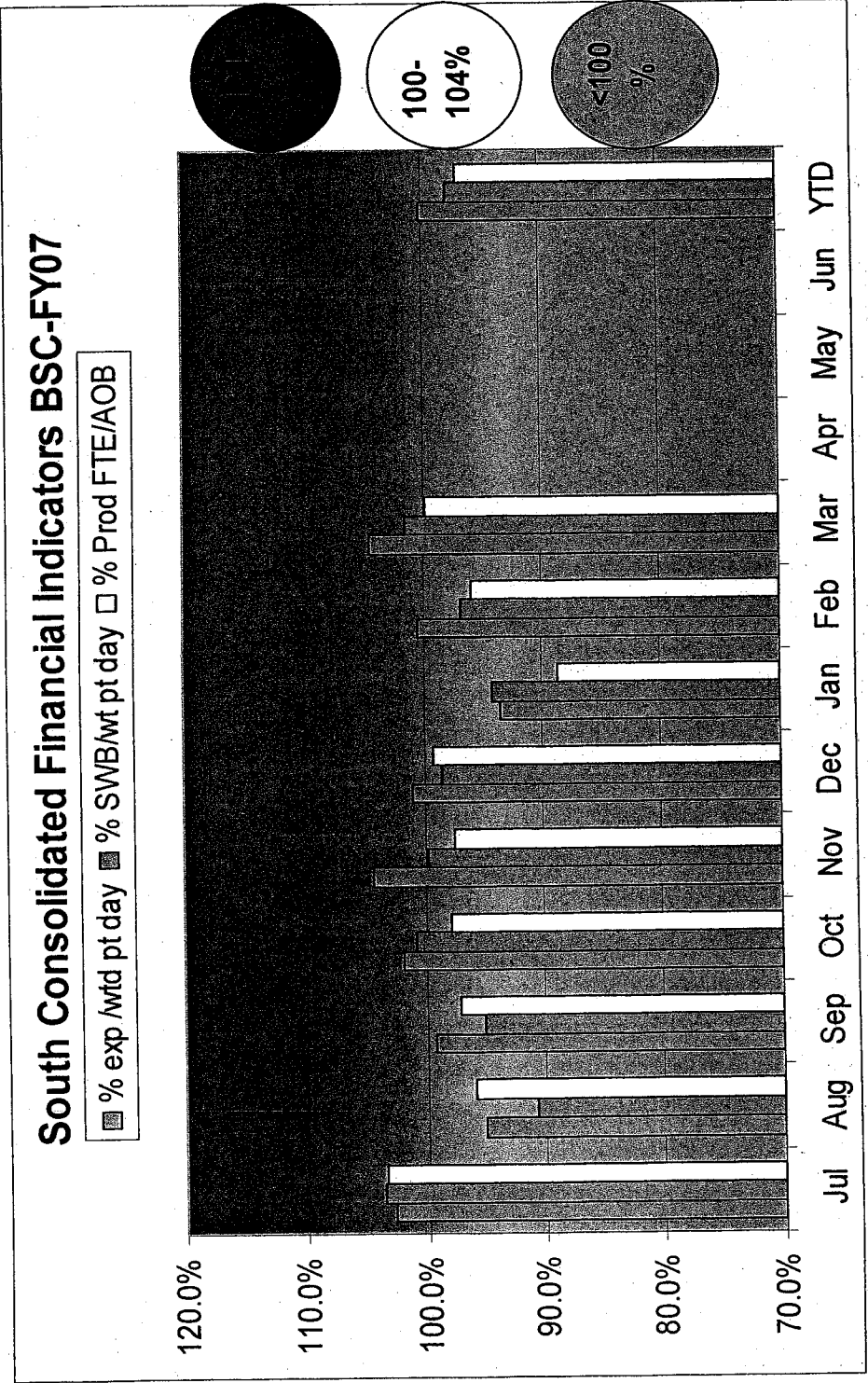
Palomar Pomerado Unrestricted Fund
Palomar Pomerado Restricted Fund

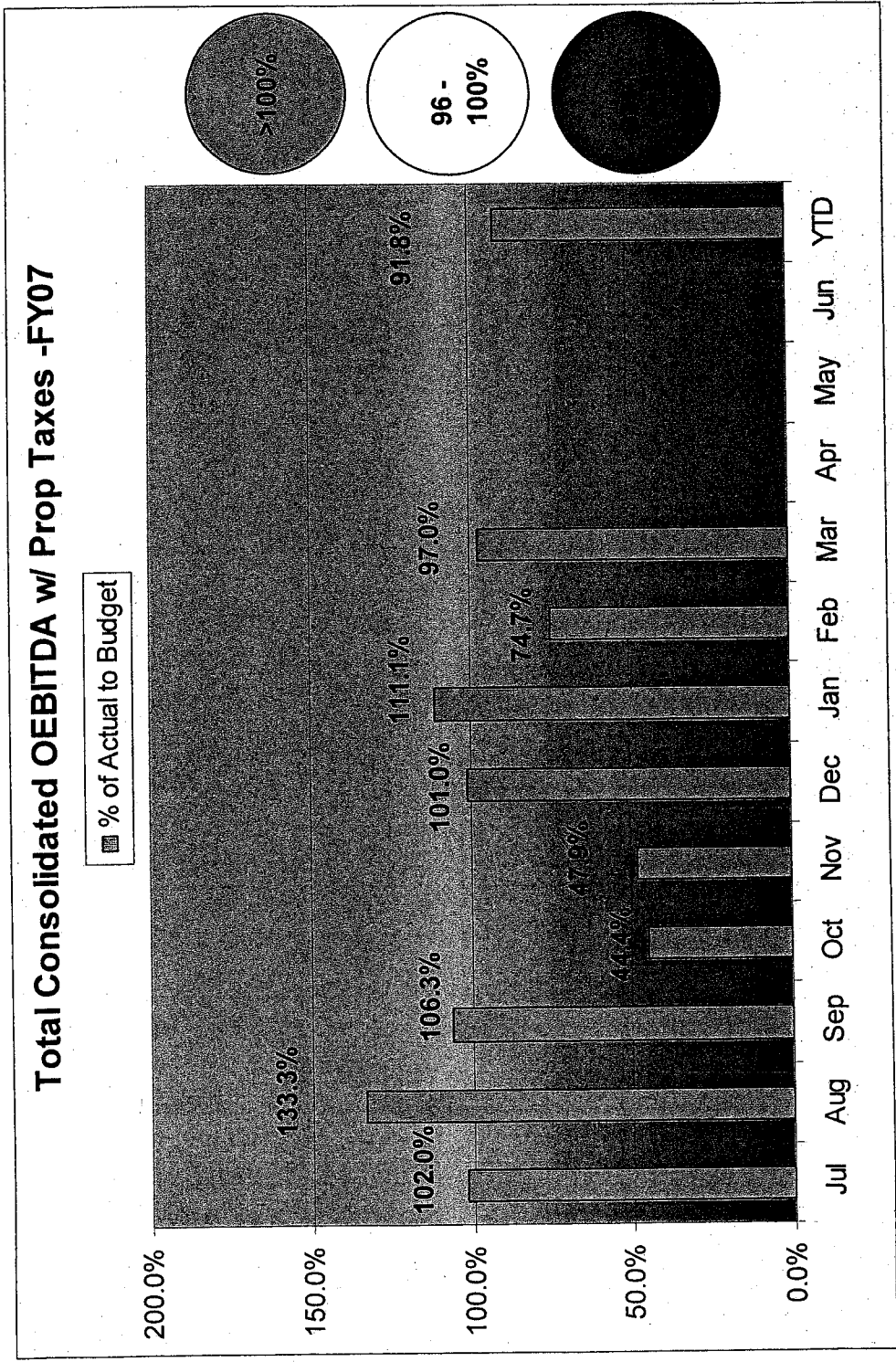


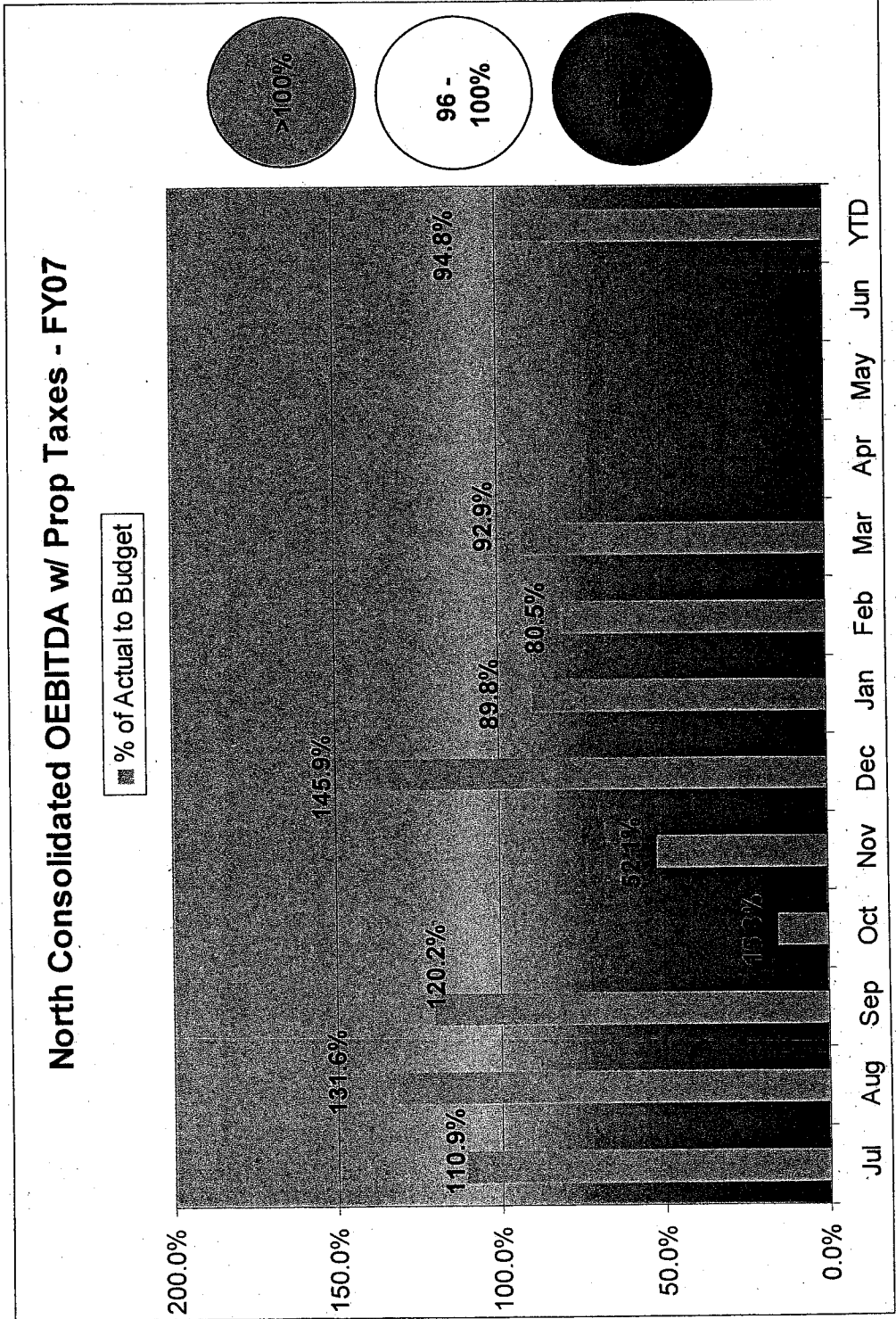
North Consolidated Financial Indicators BSC-FY07

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

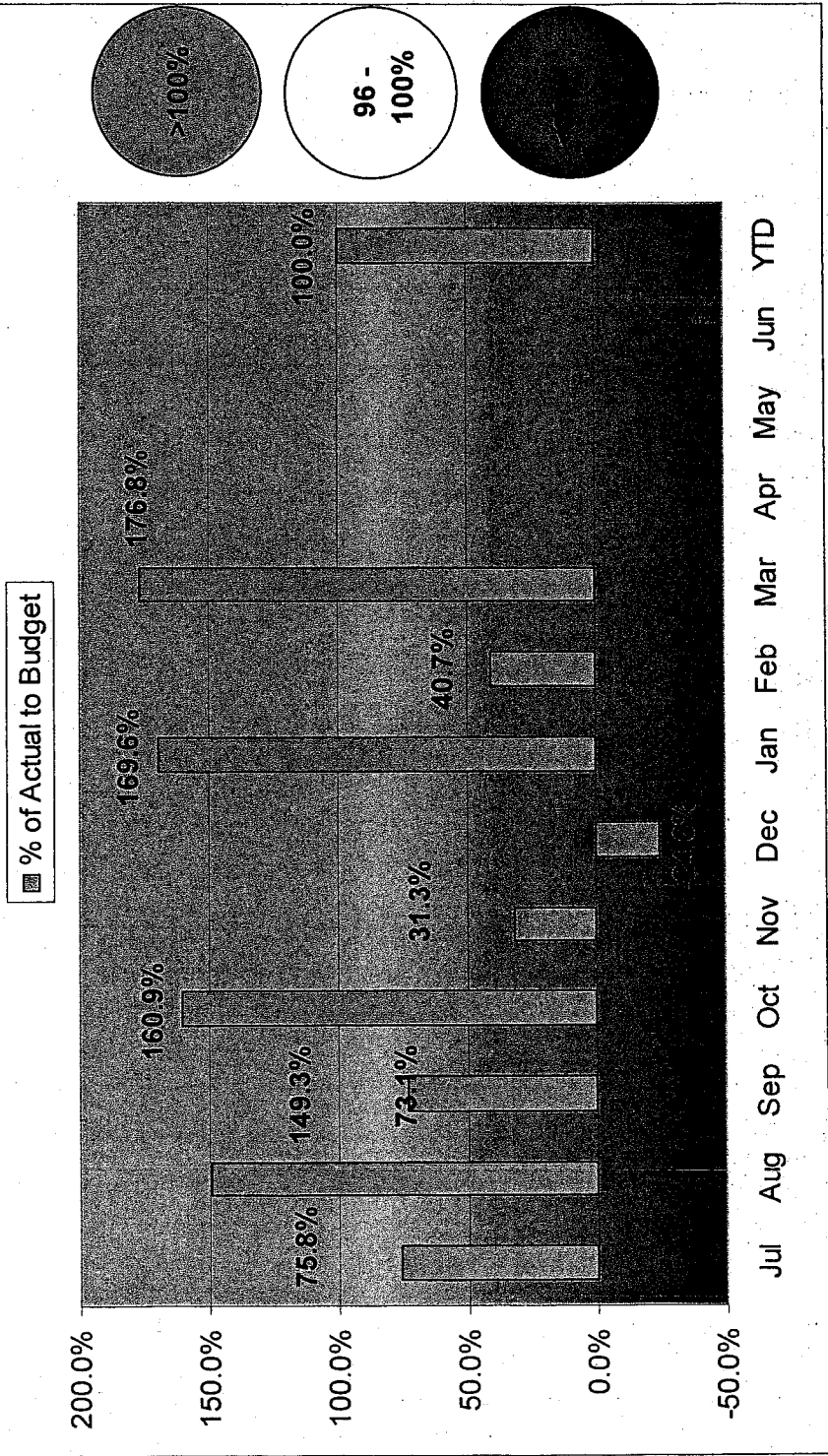








South Consolidated OEBITDA w/ Prop Taxes - FY07



Weekly Flash Report

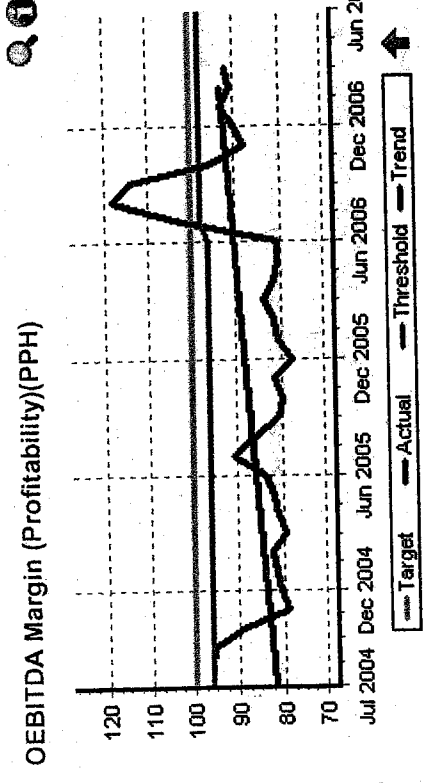
April 07	Mar 30-Apr 5	Apr 6-12	Apr 13-19	MTD Total	MTD Budget	% Variance
ADC (Acute)	308	319	333	320	320	0.04
PMC	229	231	248	236	239	(1.10)
POM	79	88	86	84	82	3.36
PCCC	86	88	88	87	89	(1.43)
VP	125	126	125	125	124	1.00
Patient Days (Acute)	2159	2233	2332	6,724	6,721	0.04
PMC	1605	1617	1733	4,955	5,010	(1.10)
POM	554	616	599	1,769	1,712	3.36
PCCC	602	616	616	1,834	1,861	(1.43)
VP	875	879	876	2,630	2,604	1.00
Discharges	516	566	614	1,696	1,710	(0.82)
PMC	397	415	450	1,262	1,260	0.16
POM	119	151	164	434	450	(3.58)
Number of Surgeries	222	223	218	663	705	(5.94)
PMC	154	149	160	463	459	0.98
POM	68	74	58	200	246	(18.83)
Number of Births	96	98	92	286	337	(15.23)
PMC	72	79	67	218	257	(15.14)
POM	24	19	25	68	81	(15.53)
Outpatient Visits (inc. U)	2393	1821	1852	6,066	5,743	5.63
PMC	1588	1172	1223	3,983	3,916	1.72
POM	805	649	629	2,083	1,827	14.01
ER Visits	1726	1698	1655	5,079	4,822	5.32
PMC	1171	1174	1144	3,489	3,244	7.56
POM	555	524	511	1,590	1,579	0.73
Trauma Visits	18	21	22	61	72	(15.40)
IP	17	18	19	54	54	0.19
OP	1	3	3	7	18	(61.54)

Weekly Flash Report (cont'd)

April 07	Mar 30-Apr 5	Apr 6-12	Apr 13-19	MTD Total	MTD Budget	% Variance
Gross IP Revenue	19,405,312	18,461,010	19,384,989	57,251,311	56,161,596	1.94
Gross OP Revenue	5,173,075	4,978,806	5,120,689	15,272,570	15,854,100	(3.67)
Cash Collection	7,532,403	7,446,783	6,806,404	21,785,590	21,342,934	2.07
Days cash on hand	100	101	103	103	80	
Prod Hrs (PP 20 & 21)						
PMC - North		211,212	210,313	421,525	430,126	2.00
POM - South		121,264	120,286	241,550	247,125	2.26
Others		53,425	54,465	107,890	110,856	2.68
		36,523	35,562	72,085	72,145	0.08
Prod \$ (PP 20 & 21)						
PMC - North		6,338,255	6,352,839	12,691,094	12,928,995	1.84
POM - South		3,639,743	3,633,651	7,273,394	7,446,447	2.32
Others		1,526,313	1,576,494	3,102,807	3,227,325	3.86
		1,172,199	1,142,694	2,314,893	2,255,223	(2.65)

Measures	Actual	Goal	Var
<input checked="" type="checkbox"/> OEBITDA Margin (Profitability)(PPH)	91.8 %	100.0 %	(8.2) %
Achieve Profitability (FS)			
Demonstrate Business Growth (FS)			
Develop Loyal Patients (CS)			
Increase Physician Loyalty (CS)			
Demonstrate High Quality Patient Care (Q)			
Demonstrate Safe Patient Care (Q)			
Optimize Process Efficiency & Effectiveness (Q)			
Attract, Acquire&Retain High Quality Workforce(W)			
Demonstrate Employee Competence & Growth (WD)			
Create a Learning Organization (WD)			
Provide Tools &			

Measures	Actual	Goal	Var
<input checked="" type="checkbox"/> OEBITDA Margin (Profitability)(PPH)	91.8 %	100.0 %	(8.2) %



↑ good direction

updated: 4/16/2007

Comments
2/20/2007 FY09 Goals - Achieve Aa bond rating.

Initiatives	Show Periods	%	STATUS
1.1.1 HealthWoRx (PPH)		15%	In Progress

(5/1/2006 - 7/2/2007)

Van Winkle, Melanie

Develop, implement and operationalize a patient focused redesign of the business aspects of patient care.

Initiative Detail >

1.1.1 HealthWoRx (PPH)

Parent Initiatives

Parent Measures

Parent Objectives

Parent Scorecards

Achieve profitability(Palomar Pomerado Health)

Covert, Michael
Hemker, Robert

Parent Program Groups

Jackson, Marcia
Xenitopoulos, Nick

FY07 System-Wide Initiatives

Initiative Hierarchy >

Name	Type	Report	Status	%	\$	Owners
1.1.1 HealthWoRx (PPH)		4/1/2007	In Progress	15%		Van Winkle, Melanie

Initiative Status Reports >

Report Date	Status	% Complete	\$	Submitted By
4/1/2007	In Progress	15%		Van Winkle, Melanie
2/1/2007	In Progress	n/a		Van Winkle, Melanie
1/1/2007	In Progress	n/a		Admin, Admin
10/1/2006	In Progress	15%		Van Winkle, Melanie
9/1/2006	In Progress	15%		Van Winkle, Melanie
8/1/2006	In Progress	10%		Van Winkle, Melanie
7/1/2006	In Progress	5%		Van Winkle, Melanie

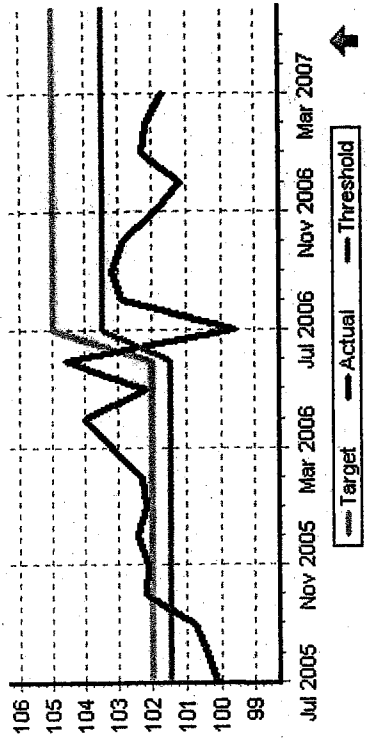
Tasks >

Name	Start Date	Due Date	Status	%	\$	Assigned To
*Define and Document Project Charter	2/10/2006	10/16/2006	In Progress	98%	n/a	Van Winkle, Melanie
*"Staging" of design features	11/1/2006	1/22/2007	In Progress	75%	n/a	Van Winkle, Melanie
*Address Facility & Space needs	12/1/2006	6/29/2007	Not Started	n/a	n/a	Van Winkle, Melanie
*Address System Modification needs	10/2/2006	6/29/2007	In Progress	2%	n/a	Van Winkle, Melanie
**Plan & Conduct Education Sessions	4/2/2007	6/29/2007	Not Started	n/a	n/a	Van Winkle, Melanie
*Conduct final implementation plan	5/1/2007	7/31/2007	Not Started	n/a	n/a	Van Winkle, Melanie

Measures	Actual	Goal	Var
<input checked="" type="checkbox"/> Increase in Weighted Patient Days(PPH)	101.7 %	105.0 %	(3.3) %

Show YTD Show Periods

Increase in Weighted Patient Days(PPH)



↑ good direction

updated: 4/16/2007

Comments

2/20/2007 FY09 Goals - Achieve Aa bond rating.

Initiatives

Initiatives	Status	%
1.2.1 Update PPH Strategic Plan (PPH)	In Progress	65%
1.2.2 Comprehensive web strategy implementation (PPH)	In Progress	75%

- Achieve Profitability (FS)
- Demonstrate Business Growth (FS)
- Develop Loyal Patients (CS)
- Increase Physician Loyalty (CS)
- Demonstrate High Quality Patient Care (Q)
- Demonstrate Safe Patient Care (Q)
- Optimize Process Efficiency & Effectiveness (Q)
- Attract, Acquire&Retain High Quality Workforce(W)
- Demonstrate Employee Competence & Growth (WD)
- Create a Learning Organization (WD)
- Provide Tools &

Update

As of:

(7/1/2006 - 1/1/2007)

Jackson, Marcia Xenitopoulos, Nick

Parent Measures

Increase in Weighted Patient Days(PPH)

Parent Scorecards

Jackson, Marcia Xenitopoulos, Nick
Covert, Michael
Hemker, Robert

Parent Objectives

Demonstrate business growth(Planning PPH)
Demonstrate business growth(Palomar Pomerado Health)

Parent Program Groups

FY07 System-Wide Initiatives

Initiative Hierarchy >

Name	Type	Report	Status	%	\$	Owners
1.2.1 Update PPH Strategic Plan (PPH)		4/1/2007	In Progress	65%		Jackson, Marcia Xenitopoulos, Nick

Initiative Status Reports >

Report Date	Status	% Complete	\$	Submitted By
4/1/2007	In Progress	65%		Admin, Admin
2/1/2007	In Progress	60%		Jackson, Marcia
1/1/2007	In Progress	60%		Jackson, Marcia
12/1/2006	In Progress	35%		Jackson, Marcia
9/1/2006	In Progress	25%		Jackson, Marcia
8/1/2006	In Progress	15%		Jackson, Marcia

Tasks >

Name	Start Date	Due Date	Status	%	\$	Assigned To
*Phase 1: Market and Strategic Position Assessment	7/1/2006	10/31/2006	Complete	100%	n/a	n/a
*A. Project initiation	7/1/2006	7/31/2006	Complete	100%		Jackson, Marcia
*B. Market and Program/Service Definition Development	7/1/2006	8/31/2006	Complete	100%	n/a	Jackson, Marcia

Initiative Detail >

1.2.2 Comprehensive web strategy implementation (PPH)

Develop, launch, measure 3-pronged web strategy which includes the development of a customer portal, employee portal and physician portal.

(4/1/2006 - 12/15/2007)

Friederichsen, Gustavo

Parent Initiatives

Parent Measures

Increase in Weighted Patient Days(PPH)

Covert, Michael

Parent Objectives

Demonstrate business growth(Clinical Outreach Services PPH)
Covert, Michael
Hemker, Robert

Parent Scorecards

Brown, Sheila
Culverwell, Megan
Covert, Michael
Hemker, Robert

Parent Program Groups

EY07 System-Wide Initiatives
Jackson, Marcia
Xenitopoulos, Nick

Initiative Hierarchy >

Name	Type	Report	Status	%	\$	Owners
1.2.2 Comprehensive web strategy implementation (PPH)		2/1/2007	In Progress	75%		<u>Friederichsen, Gustavo</u>
» <u>Web Strategy for Clinical Outreach</u>		10/1/2006	In Progress	60%		<u>Sheila Brown</u> <u>Megan Culverwell</u>

Initiative Status Reports >

Report Date	Status	% Complete	\$	Submitted By
2/1/2007	In Progress	75%		<u>Friederichsen, Gustavo</u>
10/1/2006	In Progress	75%		<u>Admin, Admin</u>

Tasks >

Name	Start Date	Due Date	Status	%	\$	Assigned To
* <u>pph.org Home Page Revenue Stream II</u>	11/6/2006	12/11/2006	In Progress	n/a	n/a	<u>Friederichsen, Gustavo</u>
* <u>PPHIV (online) Revenue Stream I</u>	11/6/2006	12/31/2007	In Progress	40%	n/a	<u>Friederichsen, Gustavo</u>
* <u>Development of market growth-focused customer site</u>	4/1/2006	10/18/2006	In Progress	80%	n/a	<u>Friederichsen, Gustavo</u>
<u>Develop tool to track patient acquisition</u>	8/1/2006	11/30/2007	In Progress	25%	n/a	<u>Friederichsen, Gustavo</u>
* <u>Development of employee portal</u>	10/6/2006	4/15/2007	In Progress	20%	n/a	<u>Friederichsen, Gustavo</u>
<u>Patient Acquisition related to Web</u>	12/1/2006	6/30/2007	Not Started	n/a	n/a	n/a

2

Retail-Based Health Clinics

TO: Board of Directors

FROM: Board Finance Committee
Tuesday, April 24, 2007

MEETING DATE: Tuesday, May 15, 2007

BY: Sheila Brown, R.N., M.B.A., Chief Clinical Outreach Officer
Stonish Pierce, M.H.A., Manager, Clinical Outreach Services

BACKGROUND: Access, affordability, convenience and transparency are just several of the challenges facing the American health care system; all of which provide the potential opportunity for the success of retail-based healthcare clinics, which have been designed to address the inefficiencies in the delivery of *basic* healthcare services. Given the increasing rise of consumer-directed healthcare, and with Americans expending more of their personal dollars on healthcare than ever before, retail-based health clinics have grown significantly over the last two years. This growth has also been aided by clinics' acceptance of insurance in a formerly cash-only business, as well as by providing consumers with another setting in which to have their non-emergent healthcare needs addressed, thereby reducing much of the congestion for non-emergent care in emergency rooms and urgent care centers across the country. Several progressive health care systems from across the country, including Sutter Health, Intermountain Healthcare (UT) and AtlantiCare (NJ), have embraced the retail clinic concept and branded their own clinics. In addition to the enhanced marketing and brand exposure, establishing such clinics within the PPH District would align with the PPH vision *to increase access to comprehensive services* and would also serve as a market share strategy, given the expansion of MinuteClinic, Inc. Key service areas that have been outlined for the strategy include San Marcos, Escondido, Ramona, Rancho Bernardo and Poway.

BUDGET IMPACT: (\$103,656) for FY08, which includes staffing, leasing payments, EHR maintenance costs and ongoing non-durable supplies and vaccinations. Marketing and Human Resources have dedicated financial resources within their existing budgets to ensure the implementation and success of the proposed retail clinics. Seven-year *pro forma* performance summary is attached.

STAFF RECOMMENDATION: At the Board Finance Committee meeting, staff recommended that PPH pursue the proposed partnership with SuperValu, Inc., to establish two retail-based health clinics in San Diego County, which would further establish PPH as the second health system in California to operate such clinics.

COMMITTEE RECOMMENDATION: The Board Finance Committee recommends the establishment of up to two retail-based health clinics in space leased in retail stores operated by SuperValu, Inc., under relationship and facility agreement(s) with terms and conditions to be negotiated by management.

Motion: X

Individual Action:

Information:

Required Time:

Two Clinics

FY Ending	Projected Patient Visits	Operating Revenue	Operating Expenses	Net Income
2008	11,246	\$ 663,538	\$ 767,195	\$ (103,656.93)
2009	12,371	\$ 767,004	\$ 793,818	\$ (26,813.78)
2010	13,608	\$ 884,529	\$ 821,783	\$ 62,746.24
2011	14,969	\$ 1,017,889	\$ 757,795	\$ 260,094.32
2012	16,466	\$ 1,169,076	\$ 788,738	\$ 380,337.42
2013	18,112	\$ 1,358,433	\$ 821,339	\$ 537,094.39
2014	19,924	\$ 1,573,971	\$ 855,723	\$ 718,248.33

Obstetrical Laborist Professional Services and Medical Director Agreement

TO: Board of Directors
FROM: Board Finance Committee
Tuesday, April 24, 2007
MEETING DATE: Tuesday, May 15, 2007
BY: Diane Key, Service Line Administrator, Women & Children's Services

BACKGROUND: Obstetrics/Gynecology professional services at Palomar Medical Center (PMC) are currently provided by individual Obstetrics/Gynecology physicians and Certified Nurse Midwives. The current Obstetricians and Midwives at PMC are responsible for approximately 4,400 deliveries per year, approximately 1,700 of which are delivered by Midwives.

Currently, the Midwives at PMC are provided oversight and back-up coverage through a professional services agreement with Escondido OB/GYN Medical Group, Inc. (Medical Group). A member of this group assumes the role of Medical Director for the Midwifery program. The Medical Director of the Midwifery program assumes clinical oversight for the prenatal services provided by the midwives and consults on high risk patients at the community clinics associated with PMC. The professional service agreements for Certified Nurse Midwife back-up, the Medical Director for Midwifery Program, and the ED Obstetric and Gynecology Call Coverage will expire on June 30, 2007.

Based on current research and trends, PPH Obstetrics is seeking to establish an OB Laborist program. The components of the program would include the following:

- 24-hour in-house Laborist coverage
- Medical Director for Midwifery Program
- Medical Director for Laborist Program
- Provision of medical oversight to Prenatal Clinics
- In-house back-up coverage for Midwives for OB patient deliveries
- In-house ED Obstetric and Gynecology Call Coverage 24 hours per day/7 days a week/365 days a year

It is anticipated that the OB Laborist program would improve patient outcomes and satisfaction, decrease length of stay, and increase physician and nursing satisfaction.

PPH initiated a Request for Interest (RFI) which was distributed to all PPH OB/GYN physicians, as well as to other potential parties. The Medical Group responded to the RFI by submitting a proposal to perform OB Laborist Professional Services.

The concept of an OB Laborist service and the recommendation to proceed with an agreement with the Medical Group was presented and approved at the November 21, 2006, Department of OB/GYN meeting.

Obstetrical Laborist Professional Services and Medical Director Agreement

The attached agreement calls for professional obstetrical/gynecological medical services provided by the Medical Group to be billed and collected by the Medical Group, as compensation for professional services. PPH would provide compensation for Medical Director services, midwife back-up coverage and ED OB/GYN call coverage. PPH would also be responsible for the billing and collections for the professional component of the obstetrical services provided by the Certified Nurse Midwives.

The Medical Group would be responsible for the establishment of an OB Laborist service, for Medical Director oversight for the OB Laborist service and the midwife program, for clinical oversight for the prenatal services provided by the midwives, and for consultations on high risk patients at the community clinics associated with PMC. Additionally, the Medical Group would provide educational opportunities for physicians and hospital staff, participate in planning the new facilities, participate in the annual budgeting process, optimize resource utilization, facilitate the timely discharge of the OB/GYN patients, and work to ensure the clinical effectiveness of services provided by the Departments of OB/GYN.

BUDGET IMPACT: Impact on FY08 budget will be approximately \$509,000.

STAFF RECOMMENDATION: At the Board Finance Committee meeting, staff recommended approval of the two-year Professional Services and Medical Director Agreement for OB Laborist Services with Escondido OB/GYN Medical Group, Inc., to be effective beginning on July 1, 2007.

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION: The Board Finance Committee recommends approval of the two-year Professional Services and Medical Director Agreement for OB Laborist Services with Escondido OB/GYN Medical Group, Inc., to be effective beginning on July 1, 2007.

Motion: X

Individual Action:

Information:

Required Time:

PALOMAR POMERADO HEALTH - AGREEMENT ABSTRACT

Section Reference	Term/Condition	Term/Condition Criteria
	TITLE	Professional Services and Medical Director Agreement
7.1	AGREEMENT DATE	July 1, 2007
Preamble	PARTIES	Escondido OB/GYN Medical Group, Inc., and Palomar Pomerado Health
Recital E	PURPOSE	Administrative services and professional medical services for the OB Laborist program
Exhibit A&B	SCOPE OF SERVICES	Provision of administrative and professional medical services for the OB Laborist program including in-house coverage for midwife inpatients, medical directorship for the OB Laborist service and the midwife program, unassigned Emergency Department OB/GYN patients and medical oversight for prenatal clinic.
	PROCUREMENT METHOD	Request For Interest <input checked="" type="checkbox"/> Discretionary <input type="checkbox"/> Request for Interest distributed with Escondido OB/GYN Medical Group, Inc., as the only party responding.
7.1	TERM	Two (2) years
	RENEWAL	
7.2	TERMINATION	Without cause or penalty with no less than 90 days prior written notice, for cause as defined in the agreement
6.1 6.2	COMPENSATION METHODOLOGY	Compensation for administrative services, midwife back-up, unassigned OB/GYN ED coverage and medical oversight for prenatal clinics. Professional medical services billing and collection responsibility of Escondido OB/GYN Medical Group, Inc.
	BUDGETED	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO – IMPACT: Partial compensation already exists under related agreements which would be put toward this cost, with several agreements being combined in to the OB Laborist Professional Services and Medical Director Agreement.
Exhibit A&B	EXCLUSIVITY	<input type="checkbox"/> YES <input type="checkbox"/> NO – EXPLAIN: Administration recommends single provider group for scope of services to assure consistent administrative oversight and delivery of quality patient care services
	JUSTIFICATION	Required for consistent administrative oversight and professional medical services. To provide OB Laborist services including in-house coverage for midwife patients, medical directorship and coverage for the unassigned Emergency Department and inpatient OB/GYN.
	POSITION POSTED	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO Methodology & Response: Program and position information included in a Request for Interest memorandum was distributed to all PPH OB/GYN Medical Staff.
	ALTERNATIVES/IMPACT	Alternatives would include hiring of additional midwives 24/7 to handle the increase in clinic deliveries and the recruitment of a new medical group to provide physician back-up coverage for the midwife program and ED OB/GYN on-call coverage. Additionally, midwives are difficult to recruit and the financial impact would exceed the proposed cost of the OB Laborist service.
Exhibit A&B	Duties	<input checked="" type="checkbox"/> Provision for Staff Education <input checked="" type="checkbox"/> Provision for Medical Staff Education <input checked="" type="checkbox"/> Provision for participation in Quality Improvement <input checked="" type="checkbox"/> Provision for participation in budget process development
	COMMENTS	
	APPROVALS REQUIRED	<input type="checkbox"/> CAO <input type="checkbox"/> CFO <input type="checkbox"/> CEO <input checked="" type="checkbox"/> BOD Committee Finance <input checked="" type="checkbox"/> BOD

OB LABORIST SERVICES

**PROFESSIONAL SERVICES
AND MEDICAL DIRECTOR
AGREEMENT**

**PALOMAR POMERADO HEALTH,
a local health care district
and
Escondido Obstetrics, Inc
February 1, 2007**

PROFESSIONAL SERVICES AND MEDICAL DIRECTOR AGREEMENT

THIS PROFESSIONAL SERVICES AND MEDICAL DIRECTOR AGREEMENT ("Agreement") is made and entered into effective July 1, 2007 by and between Palomar Pomerado Health, a local health care district organized pursuant to Division 23 of California Health and Safety Code ("PPH") and Escondido OB-GYN Medical Group, Inc., a California professional corporation ("Medical Group").

RECITALS

A. PPH is the owner and operator of Palomar Medical Center, a general acute care hospital, located at 555 East Valley Parkway, Escondido, California (referred to herein as "Palomar" or "Hospital").

B. Hospital operates an Obstetrical Unit that provides comprehensive twenty-four (24) hour obstetrical services for inpatients and outpatients of the Hospital (the "Department").

C. Medical Group is a professional medical corporation whose shareholder(s), employee(s), contracting physician(s) and Medical Directors ("Physicians") are duly qualified and licensed to practice medicine in the State of California, are experienced and qualified in the specialized field of Obstetrical/Gynecology Medicine, and those providing services pursuant to this Agreement are members of the Medical Staff of Hospital ("Medical Staff"). As used in this Agreement, the term "Medical Group" shall include not only the professional medical corporate entity, but its employees, agents, directors, Physicians, contractors and subcontractors.

D. The Department consists of facilities and equipment owned by PPH and/or the Hospital and is staffed by PPH employees.

E. PPH desires to retain Medical Group as an independent contractor to provide, through its Physicians and professional medical staff, certain administrative services ("Administrative Services") and professional medical services ("Professional Services") in the operation of the Department and has determined that this proposed arrangement with Medical Group will enhance the Department's and the Hospital's organization, procedure standardization, economic efficiency, professional proficiency, and provide other benefits to enhance coordination and cooperation among the Department's providers and users.

F. PPH and Medical Group acknowledge and agree that this Agreement shall supercede the agreements, if any, previously entered into by the parties for the provision of Administrative Services and Professional Services in the Department.

G. It is the intent of both PPH and Medical Group that the terms and conditions of this Agreement, and the manner in which services are to be performed hereunder, fulfill and comply with all applicable requirements of any applicable "safe harbor" or exception to Stark I and II including, but in no way limited to, the applicable requirements set forth in regulations promulgated by the Department of Health and Human Services, Office of Inspector General, and in the Ethics in Patient Referral Act.

H. Physicians other than members of Medical Group may participate in the OB Laborist program if such physicians meets all the requirements set forth in Paragraph 2.

AGREEMENT

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

1. MEDICAL GROUP SERVICES

1.1 **Medical Director of the Departments.** Medical Group shall provide a Medical Director to act as medical director of the Departments ("Medical Director") in accordance with the terms of this Agreement, the Medical Staff's bylaws ("Medical Staff Bylaws"), and the Hospital's bylaws, rules, regulations, policies, and procedures (collectively, "Hospital Bylaws"). Medical Director, at all times during the term of this Agreement, shall be duly licensed as a physician under California law, shall be board certified or board eligible in Obstetrical/Gynecology Medicine, shall be a member in good standing of the active Medical Staff, shall comply with all applicable standards and recommendations of the Joint Commission, and shall hold all clinical privileges on the active Medical Staff of the Hospital appropriate to the discharge of his or her obligations under this Agreement. In the event Medical Group seeks to replace an existing Medical Director, such replacement shall be subject to written approval by PPH.

1.2 **Medical Director Administrative Duties.** Medical Director shall perform the Administrative Services as set forth on Exhibit A, attached hereto and incorporated herein by this reference. Medical Director and PPH shall use best efforts to meet monthly to discuss the performance of Administrative Services in the Departments.

1.3 **Administrative Hours.** Medical Director shall commit to a work schedule as agreed to by Hospital and Medical Director consistent with the proper operation of the Departments.

2. MEDICAL GROUP PROFESSIONAL SERVICES

2.1 **Provision of Professional Services.** The 24-hour in-house

Obstetric Laborist will provide coverage for all identified Obstetric/Gynecology patients at Palomar Medical Center. This shall include providing assistance to the PPH medical staff and hospital staff in the management of Obstetric and Gynecology patients.

2.2 One (1) Medical Group Physician shall be present in-house at all times for the Hospital to provide all Professional Services reasonably required for patient care and operation of the Department, as determined by the Hospital and the Medical Staff, seven (7) days a week twenty-four (24) hours a day. Professional Services shall include those listed in **Exhibit B**, which is attached hereto and incorporated herein; other Professional Services that may be denoted throughout this Agreement; the services of other healthcare professionals that may be hired or retained by Medical Group through contractor or subcontractor services; and such other Professional Services that from time-to-time may be deemed necessary by Medical Director, the Hospital or the Medical Staff. Medical Group agrees to provide such services as an independent medical group of Hospital during the term of this Agreement, and, subject to the general qualifications set forth below, shall be responsible for the manner and methods in which such services are provided. Medical Director or his/her designee shall have on-call administrative responsibility for the Department with respect to Professional Services, on a seven (7) day per week, twenty-four (24) hour per day basis. Medical Director or his/her designee does not need to be on the Hospital premises while on-call, but should be able to respond to a request to be at the Hospital within fifteen (15) minutes. Medical Director or his/her designee shall be designated Medical Director for the Midwifery program, the OB Laborist program, will provide medical oversight to the PPH sponsored Prenatal Clinics and will provide medical back-up coverage for the Midwives. In addition, Medical Group shall provide qualified Physicians to accept referrals from other community physicians for obstetrical patients requiring admission to the Hospital. Medical Group also shall provide qualified Physicians to provide care and consultations to Emergency Room physicians treating obstetrical and gynecological patients.

2.3 **Coverage.** Medical Group shall ensure that at least one (1) Physician is in-house at the Hospital seven (7) days per week, twenty-four (24) hours per day. Medical Group shall provide and post a monthly schedule in the Obstetric and Gynecology Department on a monthly basis identifying the in-house Physician per shift. The Physician needs to be on the Hospital campus during all hospital shift changes and will be able to respond to Hospital requests within five (5) minutes by phone and fifteen (15) minutes in person.

2.4 **Consultation.** Medical Group shall make available one (1) or more Physicians to provide assistance to the PPH medical staff in the management of Obstetric and Gynecology patients as requested and will collaborate with nursing, consultants, and ancillary services to ensure communication, coordination and optimal outcomes for Obstetric and Gynecology patients.

2.5 **Use of Premises.** In order to preserve the Hospital's and PPH's exemption from property and other taxes, pursuant to state and federal law, Hospital space must be used for Hospital purposes only, which includes the provision of Professional and Administrative Services hereunder by Medical Group. Consequently, no part of the Department's premises shall be used at any time by Medical Group or any Physician as an office for personal use, including the general/private practice of medicine. Neither Medical Group nor any Physician shall incur any financial obligation on behalf of PPH without PPH's prior written consent, which consent shall be in PPH's sole and absolute discretion.

3. QUALIFICATIONS

3.1 **General Qualifications.** Administrative Services and Professional Services (collectively, the "Services") shall be performed for Medical Group by Physicians and Medical Group represents and warrants to PPH that each Physician performing Administrative Services and Professional Services shall at all times (i) be qualified and licensed to practice medicine in the State of California, (ii) be a member in good standing of the active Medical Staff with such privileges as are necessary or appropriate to provide Professional Services, (iii) be board certified or board eligible for certification by the American College of Obstetrical/Gynecology Medicine provided that if a Physician eligible for certification does not become board certified within five (5) years after completion of his or her medical residency, Medical Group shall cause such Physician to immediately cease providing Professional Services hereunder, and except as otherwise provided herein, meet the American College of Obstetrical/Gynecology Medicine requirements, (iv) be in legitimate possession of all customary narcotics and controlled substances numbers and licenses as required by all federal, state and local laws and regulations, (v) comply with the Hospital Bylaws, (vi) maintain professional liability coverage in an amount and form acceptable to PPH, (vii) participate in continuing education as necessary to maintain licensure in the current standard of practice, (viii) comply with all applicable standards and recommendations of the Joint Commission, (ix) comply with all of the laws, rules, and regulations of all governmental authorities having applicable jurisdiction, including Title 22 of the California Code of Regulations, and (x) comply with the standards of medical practices and professional duties established by the American College of Obstetrical/Gynecology Medicine, and the standards of practice in the community and as defined by the appropriate medical staff committee.

3.2 **No Adverse Proceeding.** Medical Group further represents and warrants to PPH that (i) no Physician has ever had his or her license to practice medicine in any state suspended, revoked or restricted, (ii) neither Medical Group nor any Physician has

ever been reprimanded, sanctioned or disciplined by any licensing board or state or local medical society or specialty board, (iii) neither Medical Group nor any Physician has ever been excluded from participation in, or sanctioned by, any state or federal health care program, including, but not limited to Medicare or Medicaid, and (iv) no Physician has ever been denied membership or reappointment of membership on the medical staff of any hospital and no hospital medical staff membership or clinical privileges of Physician have ever been suspended, curtailed or revoked for a medical disciplinary cause or reason.

4. RIGHTS AND OBLIGATIONS

4.1 **Referral Prohibition.** Medical Group shall in no event refer or admit any patient to any hospital or other provider of health care services which has been excluded from participation in the Medicare program.

4.2 **Independent Contractor.**

4.2.1 In the performance of the duties and obligations of Medical Group hereunder, it is mutually understood and agreed that Medical Director, Medical Group, its employees, Physicians, agents, or subcontractors retained by Medical Group to provide Professional Services under this Agreement are at all times acting and performing as independent contractors, and nothing in this Agreement is intended nor shall be construed to create between PPH, the Hospital and Medical Director, Medical Group, its employees, agents, subcontractors, Physicians, an employer/employee, joint venture, lease or landlord/tenant relationship. In that regard, neither PPH nor the Hospital shall have or exercise any control or direction over the methods by which Medical Director, Medical Group or any of its Physicians, employees, agents, subcontractors perform their duties, work, functions or Services or over any best medical, professional or clinical judgment of any Medical Director or Physician. The standards of medical practice and professional duties of Medical Group shall be determined by the Medical Staff and prevailing professional standards. In furtherance of the independent status of the parties, Medical Group shall not, and shall cause each Medical Director, Physician, subcontractor, agent, or employee to not hold itself, himself or herself or themselves out as an officer, agent or employee of PPH and/or the Hospital, and shall take all reasonable steps to disavow such status or relationship in every instance where a reasonable party might assume that such a relationship exists between the parties. Medical Group, as an independent contractor, agrees to pay in a timely manner all social security and other payroll taxes relating to any compensation to be paid to its Medical Director, employees, Physicians, agents, and subcontractors. Medical Group also shall reimburse or otherwise indemnify PPH for all costs incurred, if Medical Group, its Medical Director or any of its employees, Physicians, agents, or subcontractors, are held to be an employee or agent of PPH or the Hospital for any purpose. The sole interest and responsibility of PPH and the Hospital is to assure that the Services covered by this Agreement shall be performed and rendered in a competent, efficient, and satisfactory manner. PPH shall, at no time during

the term of this Agreement, or for a period of one (1) year immediately following termination of this Agreement, interfere with any contractual relationship between Medical Group and any of its employees.

4.2.2 In the event any governmental entity, including without limitation, the Internal Revenue Service, should question or challenge the independent contractor status of Medical Group, its Medical Director, employees, Physicians, agents, or subcontractors with respect to PPH or the Hospital and the Services rendered hereunder, the parties hereto mutually agree that both Medical Group and PPH shall have the right to participate in any discussion or negotiation occurring with such governmental entity, regardless of who initiated such discussions or negotiations. In the event the governmental entity concludes that an independent contractor relationship does not exist, PPH may terminate this Agreement immediately upon written notice to Medical Group.

4.3 **Medical Group Obligations to Its Personnel.** Medical Group shall be solely responsible for and shall indemnify, defend and hold PPH harmless from and against any and all claims related to the satisfaction of any and all obligations it assumes with respect to any Medical Directors, partners, shareholders, associates, employees or contractors it retains, employs or contracts with to assist in its performance of this Agreement. Such obligations shall include, but not be limited to, claims for wages, salaries, benefits, taxes and other withholdings, payment of all federal and state withholding taxes applicable to employees, compliance with federal and state wage-hour (including overtime), workers' compensation or unemployment insurance obligations, and other applicable taxes and contributions to government-mandated employment related insurance and similar programs, if any. At the request of PPH, Medical Group shall provide PPH with certificates or other evidence satisfactory to PPH that Medical Group has complied with such requirements.

4.4 **Performance Standards For Medical Group and Physicians.**

4.4.1 Medical Group and its Medical Director and Physicians shall use best efforts to meet patient satisfaction standards mutually agreeable to Medical Group and PPH.

4.4.2 No Physician or Medical Director shall be the subject of more than one (1) Medical Staff disciplinary action in any twelve (12) month period or more than two (2) during the term of this Agreement, provided that, in PPH's sole discretion, PPH may request removal of a Physician or Medical Director based upon a single Medical Staff action.

4.4.3 Each Physician and Medical Director shall ensure that his or her professional competence and skills remain within the standard of care for the practice of his or her specialty and shall attend and participate in approved continuing medical education courses applicable to the Services.

4.4.4 PPH, in consultation with Medical Director, may develop a survey to measure the satisfaction of professional users of the Department (other members of the Medical Staff, etc.) with the quality of care rendered in the Department. The survey shall be implemented using standards mutually agreeable to PPH and Medical Director.

4.4.5 Hospital may establish a grievance procedure to address the concerns of patients. Medical Group, Medical Director and each Physician shall be bound by such grievance procedure, and, if requested, the Physicians and Medical Director may be required to serve on a grievance review committee, in accordance with such procedures as PPH may establish.

4.4.6 Each Physician and Medical Director shall cooperate positively with PPH and its Hospital in the accomplishment of the goals of PPH and its Hospital, shall share information with PPH and the Hospital appropriately and in a timely manner, and shall not engage in a pattern of repeated lack of cooperation and negative interpersonal relations.

4.4.7 As and to the extent reasonably requested, the Medical Director shall, without additional compensation, serve on and participate in any and all credentialing, quality assurance, peer review and utilization review committees applicable to the performance of Services.

4.4.8 As and to the extent reasonably requested, each Physician shall, without additional compensation, participate in and cooperate fully with any and all credentialing, quality assurance, peer review and utilization review procedures, and programs applicable to the performance of Services.

4.4.9 Each Physician and Medical Director shall execute and abide by the terms of the Code of Conduct attached hereto as **Exhibit D**. Failure to abide by such Code of Conduct shall be deemed a material breach of this Agreement.

4.5 **Loss or Limitation.** In the event Medical Group, Medical Director or any Physician providing Services under this Agreement fails to comply with any requirement set forth in Section 3 or any loss, sanction, suspension or material limitation of their respective licenses, federal Drug Enforcement Agency ("DEA") numbers, right to participate in the Medicare or Medi-Cal programs, malpractice insurance or Medical Staff membership or clinical privileges at the Hospitals, Medical Group shall notify PPH within seventy-two (72) hours of receiving knowledge of such event.

4.6 **Medical Records and Claims.** Medical Group shall cause a complete medical record to be timely and legibly prepared and maintained for patients. This record shall be made on forms provided by PPH. Medical Group shall maintain financial books and records, in accordance with industry standards, and in compliance with all state and

federal laws and regulations, the regulations and requirements of the voluntary professional facility accrediting institutions in which Hospital participates, and the Medical Staff Bylaws and Hospital Bylaws. Medical Group shall maintain and provide all such books and records to patients and PPH and/or the Hospital, and to state and federal agencies, including without limitation the California Commissioner of Corporations or its successor, as may be necessary for Medical Group, PPH and/or the Hospital to comply with applicable state, federal, and local law and regulation and with contracts between PPH or the Hospital and payors. Medical Group and each of its Physicians shall cooperate with PPH and the Hospital in completion of such claim forms for the Department's patients as may be required by insurance carriers, health care service plans, governmental agencies or other payors. Medical Group shall retain its records and information for at least six (6) years after the termination of this Agreement. The parties acknowledge and agree that any and all, medical records and charts, and any other document associated with the Department or the provision of Services pursuant to this Agreement shall be and remain the property of PPH and/or the Hospital, subject to the rights in said records and charts by the applicable patient.

5. PPH OBLIGATIONS

5.1 **Administrative Liason.** PPH shall provide an administrative liason for the Obstetric Laborist Department who shall be responsible and accountable to PPH for administrative and technical functions, including supervision, selection, assignment, and evaluation of PPH and Hospital personnel; maintenance of equipment; development of annual budget; and acquisition of materials, supplies, and equipment ("Administrative Liaison"). In the event of any dispute between Medical Director and Administrative Liaison regarding their respective administrative responsibilities, such dispute shall be submitted to each Hospital's Chief Administrative Officer, or his or her designee, whose decision shall be final and binding upon the parties hereto.

5.2 **Space and Use of Premises.** PPH shall furnish for the use of Medical Group such space and facilities as may be deemed necessary by PPH and/or the Hospital for the proper operation and conduct of the Department. Such space and facilities may change from time to time depending upon needs as determined by PPH and/or the Hospital in their sole discretion, but should include at a minimum, a sleeping area.

5.3 **Equipment.** PPH shall furnish for the use of the Department such equipment as is deemed necessary by PPH and the Hospital for the proper operation and conduct of the Department. PPH shall keep and maintain this equipment in good order and repair and replace such equipment or any part of it that becomes worn out. Obligations of PPH under this Section shall be subject to the availability of funds, and to obtaining all necessary government approvals, if any.

5.4 **PPH Services and Supplies.** PPH shall provide or arrange for the provision of ordinary janitorial services, maintenance, housekeeping services, disposal of

clinical waste, laundry and utilities, together with such other PPH services, including medical records, administrative, local and long distance telephone services, engineering services, and expendable supplies as PPH and/or the Hospital deem necessary for the proper operation and conduct of the Department.

5.5 **PPH Personnel.** PPH shall provide all non-physician personnel. PPH-provided non-physician personnel may include but may not be limited to a nursing coordinator, technicians, therapists, and clinical personnel that PPH and/or the Hospital deem necessary for the proper operation and conduct of the Department. PPH shall consult with Medical Group regarding the Department's personnel. With the advice and recommendation of Medical Group, PPH shall establish and classify all non-physician positions and shall designate the persons assigned to each non-physician position. While Medical Group shall have input into non-physician employee performance reviews from a quality of care and technical standpoint, it is specifically agreed that PPH shall retain ultimate control of the selection, scheduling, and discharge of such employees and/or any direct disciplinary measures as needed. Medical Group shall, at no time during the term of this Agreement, or for a period of one (1) year immediately following termination of this Agreement, interfere with any contractual relationship between PPH and any of its employees.

5.6 **PPH Performance.** The responsibilities of PPH pursuant to Section 5 hereof shall be subject to PPH's usual purchasing practices, budget limitations, governmental approvals, and applicable laws and regulations.

5.7 **Performance Evaluation.** Hospital shall conduct an annual performance evaluation of the Medical Director and Medical Group related to job duties, peer and Department satisfaction and project completion and the results of that evaluation will be shared with Medical Director and Medical Group. In addition, there shall be a Joint Operations Committee established to evaluate the performance of the parties subject to this agreement. The committee shall consist of the following from each party:

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

- Chief Administrative Officer from PMC
- Service Line Administrator, Women and Children's Services, PPH
- Director, Women and Children's Services from PMC
- Chief Medical Quality Officer, PPH

Medical Group representatives shall include, but will not be limited to:

- President of Escondido Obstetrics

- Medical Director from PMC.

The criteria for evaluating the effectiveness of the program is contained in the attached exhibits.

6. BILLING AND COMPENSATION

6.1 **Administrative Services.** Medical Group shall, on a monthly basis on or before the fifth (5th) day of each calendar month during the entire term of this Agreement, commencing with the second (2nd) calendar month of the term of this Agreement, submit a written invoice to PPH in a form acceptable to PPH, detailing to PPH's satisfaction the date, time, number of hours and description of activities spent by Medical Group and its Medical Director, employees, Physicians, agents and subcontractors in performing the Administrative Services required under this Agreement during the immediately preceding calendar month.

In consideration of the Administrative Services to be provided under this Agreement, and expressly conditioned upon Medical Group's timely submission to PPH of the monthly invoice required pursuant to this Section 6.1, PPH agrees to pay to Medical Group [REDACTED] per month during the term hereof, payable monthly on or before the fifteenth (15th) day of each month, with respect to the preceding calendar month. Hospital shall prorate monthly payments based on actual Services provided.

6.2 **Professional Services Billing and Collection.**

6.2.1 Medical Group shall bill and collect directly from patients, and/or their insurance company, for Professional Services, including obstetrical or gynecological care provided hereunder by its Medical Director, Physicians, employees, agents and subcontractors in accordance with the fee schedule described in Section 6.3.2; and such collections shall constitute the sole compensation for Medical Group and its Medical Director, Physicians, employees, agents and subcontractors for such Professional Services provided under this Agreement. Neither Medical Group nor its Medical Director, Physicians, employees, agents or subcontractors may make any claim upon PPH or Hospital for reimbursement of any Professional Services that cannot be collected from patients, insurers, Medicare, Medi-Cal or other third party programs. Medical Group shall bill and collect for Professional Services in compliance with applicable laws, customary professional practices, and the requirements of the Medicare and Medi-Cal Programs, and, as applicable, other third party programs, whether public or private. Medical Group shall, at PPH's request, make periodic accounting to PPH of billings and collections, which identifies patients, services, and fees. PPH shall have reasonable access to Medical Group's records in order to assure Medical Group's compliance with this Agreement. Medical Group shall promptly correct any billing errors documented by PPH. Medical Group shall accept assignment with respect to Professional Services provided to Medicare beneficiaries and shall execute such other documents and to take

such other actions as may be necessary or appropriate to effectuate the acceptance of Medicare assignment.

6.2.2 Medical Group shall prepare a fee schedule of all Professional Services provided by Medical Group, its Medical Director, Physicians, employees, agents and subcontractors, which shall be in general accordance with customary local fees for comparable services.

6.2.3 PPH shall be responsible for, and solely entitled to, bill and collect for all Administrative Services and Professional Services furnished by its own Certified Nurse Midwives and Medical Staff, employees, agents, or subcontractors at the Departments.

6.2.4 Neither PPH nor Medical Group shall bill for or have any claim or interest in or to the amounts billed by the other party.

6.3 **Records.** Medical Group shall maintain such records and supporting documents as may, from time to time, be required to comply with the requirements of governmental agencies and third party payors, including:

6.3.1 Preparing complete and accurate time records which document separately all time spent providing Administrative Services hereunder, in a form acceptable to PPH;

6.3.2 Executing and updating at such times and on such form(s) as requested by PPH, a written allocation statement specifying the respective amounts of time to be spent in furnishing Services, in order to comply with Medicare requirements; and

6.3.3 Completing or assuring the prompt completion of all patient charts and other written records necessary to be maintained with respect to the Department, including all Services provided under this Agreement.

7. TERM AND TERMINATION

7.1 **Term.** This Agreement shall commence on July 1, 2007 ("Commencement Date") and shall continue for two (2) years, unless terminated sooner as provided in this Agreement. If this Agreement is terminated prior to the date that is twelve (12) months from the Commencement Date (the "One Year Anniversary"), the Parties shall not, at any time prior to the One Year Anniversary, enter into any other agreement or arrangement for the provision of Services that modifies, changes, or alters in any way the provisions of this Agreement. The foregoing sentence shall survive termination of this Agreement pursuant to this Section.

7.2 Termination of Agreement.

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

7.2.1.1 Either party may terminate this Agreement, without cause or penalty, by giving no less than ninety (90) days' prior written notice to the other party.

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

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

7.2.2.1 If Medical Group has sold or otherwise transferred all or substantially all of its assets, has merged with another entity or has dissolved;

7.2.2.2 If Medical Group has become insolvent or has filed for or declared bankruptcy, or has had its assets administered in any type of creditor's proceeding;

7.2.2.3 If PPH determines in good faith that any aspect of the performance of Medical Group, Medical Director, Physician, contractor or other person retained by Medical Group to provide services under this Agreement endangers patient safety and such person is not removed by Medical Group from providing Professional Services pursuant to this Agreement within five (5) days of PPH's notice to Medical Group;

7.2.2.4 If Medical Group utilizes individuals who have not been approved by PPH or continues to utilize Physicians whose approval has been withdrawn by PPH and such person is not removed within five (5) days of PPH's notice to Medical Group;

7.2.2.5 If the insurance required of Medical Group, its Medical Director, Physicians or subcontractors hereunder is canceled, decreased or not renewed for any reason;

7.2.2.6 Upon (i) the death or permanent disability of Medical

Director, (ii) the loss, restriction or suspension of his or her status as a member of the active Medical Staff, (iii) the loss, restriction or suspension of his or her privileges necessary to perform Services hereunder, or (iv) Medical Director's conviction of a crime punishable as a felony or exclusion from participation in any state or federal health care program, including, but not limited to Medicare or Medicaid; provided however, this Agreement shall not be immediately terminated by PPH if the parties meet and agree within thirty (30) days of such meeting that an alternative, acceptable Medical Director can adequately assume the duties of Medical Director. For purposes of this Agreement, the term "permanent disability" is defined as the inability of Medical Director to serve as Medical Director for a period in excess of ninety (90) consecutive days, or ninety (90) days in the aggregate over any three (3) month period;

7.2.2.7 If Medical Group fails to maintain compliance with all of the representations and warranties set forth in this Agreement;

7.2.2.8 If Medical Group fails to provide Professional Services required by this Agreement in accordance with the level of quality of care specified in this Agreement, applicable law, Bylaws of Hospital's Medical Staff, or any standards promulgated by any accreditation or professional body applicable to PPH, the Hospital or Medical Group. In arriving at its determination of Medical Group's failure to provide Professional Services at the required standards (the "Determination"), PPH or Hospital, at their discretion, may obtain the review and recommendation of an outside consultant in the medical field independent of the Medical Staff;

7.2.2.9 If, after receiving fifteen (15) days' notice from PPH, Medical Group fails to remove a Physician or subcontractor that PPH or the Hospital has determined fails to provide Professional Services required by this Agreement in accordance with the level of quality of care specified in this Agreement, applicable law, PPH's or the Hospital's Medical Staff Bylaws or any standards promulgated by any accreditation or professional body applicable to PPH, the Hospital or Medical Group; or

7.2.2.10 If, after receiving fifteen (15) days' notice from PPH, Medical Group fails to remove a Physician or subcontractor who, in the determination of PPH or the Hospital, has engaged in a pattern of repeated and continuous lack of cooperation and/or negative interpersonal relations.

7.3 In the event the parties are unable to develop a revised Agreement in accordance with Section 9.6, PPH or Medical Group may elect to terminate this Agreement upon thirty (30) days written notice to the other Party.

7.4 In the event legal counsel for either party advises that this Agreement or any practices which could be, or are, employed in exercising rights under this Agreement poses a material risk of violating any of the legal requirements referenced in Sections 9.5 or 9.7 or any legal requirement related to PPH's tax exempt status or tax exempt bond

financing, the parties in good faith shall undertake to revise this Agreement to comply with such legal requirements. In the event the parties are unable to agree upon the revised terms within thirty (30) days thereafter, either party may terminate this Agreement immediately upon written notice to the other.

7.5 Effect of Termination.

7.5.1 Upon expiration or termination of this Agreement, neither party shall have any further obligation hereunder except for (i) obligations due and owing which arose prior to the date of termination; (ii) obligations, promises or covenants contained herein which reasonably, impliedly or expressly extend beyond the term of this Agreement (e.g., insurance coverage); and (iii) Medical Group shall continue to provide Professional Services to patients under its care in the Department at the time of expiration or termination, until the patient's course of treatment is completed or is transferred to the care of another physician(s).

7.5.2 Upon expiration or termination of this Agreement, and upon PPH's request, Medical Group and its Medical Director, Physicians, subcontractors and employees shall immediately vacate the Department's premises on the effective date of the termination or expiration, removing at such time any and all of their personal property. PPH may remove and store, at Medical Group's expense, any personal property that Medical Group or its Medical Director, Physicians, subcontractors and employees have not so removed.

7.5.3 Following the expiration or termination of this Agreement, Medical Group shall not do anything that might interfere with any PPH efforts to contract with any other individual or entity for the provision of services or to interfere in any way with any relationship between PPH and physicians who may replace Medical Group who are not employed by Medical Group.

8. **INSURANCE AND INDEMNIFICATION**

8.1 Medical Group Insurance. Medical Group shall maintain at Medical Group's sole expense, a policy or policies of professional liability insurance as required by this Section. Such insurance shall provide coverage for Medical Group as the named insured, and such policy shall cover any acts of Medical Group, Medical Director, Physician or subcontractors' professional negligence which may have occurred during the relevant term and said policies of insurance shall be written with limits of liability of at least the minimum coverage required from time to time by the Hospitals' Medical Staff Bylaws, but in any event no less than One Million Dollars (\$1,000,000) per claim/Three Million Dollars (\$3,000,000) annual aggregate for "claims made" insurance coverage. Medical Group further shall maintain "continuous coverage", as defined by this Section for the entire relevant term. The relevant term shall commence with the effective date of

the first agreement between the parties regarding the matters described herein, and shall continue through the term of this Agreement, as well as any extensions or renewals hereof, and for a period thereafter of no less than four (4) years. In order to maintain continuous coverage for the entire relevant term Medical Group shall, if it changes insurers for any reason, take the necessary actions required in order to provide continuous coverage by either obtaining "tail" insurance from the preceding carriers, or "nose" insurance from the subsequent carriers. In order to satisfy the requirements of this Section, the "tail" insurance must be of either an unlimited type or of the type which would extend the discovery period beyond the last effective day of the last contract between the parties for a period of four (4) years. In order to satisfy the requirements of this Section for "nose" insurance, the retroactive effective date for such insurance must be at least the first date of the relevant term noted above. Medical Group will provide proof of current insurance and, in the event of termination, expiration, non-renewal or cancellation of any of the aforesaid policies of insurance, Medical Group shall give the Hospital and PPH written notice thereof within five (5) business days of Medical Group's receipt of such notification from any of its insurers. In the event Medical Group fails to procure, maintain or pay for said insurance as required herein, PPH shall have the right, but not be obligated to obtain such insurance, or PPH may deem Medical Group to be in material breach of this Agreement. If PPH opts to obtain insurance on behalf of Medical Group, Medical Group shall reimburse PPH for the cost thereof and failure to repay the same upon demand by PPH shall constitute a material breach hereunder.

8.2 Indemnification.

8.2.1 Medical Group shall indemnify and hold harmless PPH, its parents and subsidiaries, officers, directors, trustees, attorneys, employees and agents, individually and collectively, from any claim, demand, liability, loss, judgment, settlement, suit, action, cost or expense, including attorneys fees, which result from the negligence of Medical Director, Medical Group, or its employees, agents, subcontractors, or Physicians in providing any services under this Agreement or for breach of this Agreement.

8.2.2 PPH shall indemnify and hold harmless Medical Group, Medical Director and Physicians from any claim, demand, liability, loss, judgment, settlement, suit, action, cost or expense including attorney's fees, which result only from the provision or failure to provide the Administrative Services required to be performed pursuant to this agreement or which results from the negligence of PPH personnel.

9. GENERAL PROVISIONS

9.1 Agreement Binding Upon Physicians, et al. All obligations and prohibitions imposed on Medical Group under this Agreement are equally binding upon each Physician, Medical Director, employee, agent or subcontractor providing Services hereunder. Medical Group shall assure that each Physician and Medical Director

understands and agrees to be bound by this Agreement, and Medical Group shall deliver to PPH a letter executed by each Physician and Medical Director confirming the same, in the form attached hereto as Exhibit C.

9.2 Confidentiality.

9.2.1 This Agreement is personal and confidential between the parties, and the parties hereto shall not release information concerning this Agreement to any person without the written consent of the other party. This prohibition against release of information shall not apply to any information required to be released by contracts existing as of the date of this Agreement, or to fiscal intermediaries, public agencies or commissions with government powers and duties related to disclosure of information having the right to compel disclosure of such information, nor to any information otherwise compelled to be released by process of law, nor to any information required to be disclosed to PPH's representatives or others in connection with the tax exempt bonds or PPH, Hospital, or other financing transactions.

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

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

9.2.4 Medical Group and PPH acknowledges that in connection with performance under this Agreement, Medical Group and PPH may or will have access to and the use of confidential information and trade secrets (the

"Confidential Information") of the Group and PPH, which may include, but may not be limited to, billing information, financial statements, internal memoranda, reports, patient lists, and other materials or records of a proprietary nature. In order to protect the Confidential Information, Medical Group and PPH agree that neither party nor their agents will, after the date of this Agreement and for so long as any such Confidential Information remains confidential, secret or otherwise wholly or partially protectable, use such information (except in connection with the performance of duties hereunder) or divulge the Confidential Information to any third party, without first obtaining the prior written consent of the Chief Executive Officer of Group or PPH or his or her designee.

9.3 Access to Medical Group Books and Records.

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

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

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

9.3.2.2 If Medical Group carries out any of the duties of this Agreement through a subcontract with a value or cost of Ten Thousand Dollars and No/100 (\$10,000) or more over a twelve (12) month period, with a related organization, such subcontract shall contain a clause to the effect that until the expiration of four (4) years after the furnishing of such services pursuant to such subcontract, the related organization shall make available, upon written request to the Secretary or the Comptroller General, or any of their duly authorized representatives, the subcontract, and books, documents, and records of such organization that are necessary to verify the nature and extent of such costs.

9.3.3 If Medical Group is requested to disclose books, documents or records pursuant to this Section, Medical Group shall notify PPH of the nature and scope

of such request and Medical Group shall make available, upon written request of PPH, all such books, documents or records, during regular business hours of Medical Group.

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

9.4 Compliance with Laws.

9.4.1 Medical Group and its Medical Director, employees, Physicians, agents, and subcontractors shall comply with the bylaws, rules, regulations, policies and standards of PPH and the Hospital's Medical Staff, as may be in effect from time to time. PPH & Medical Group shall comply with all applicable laws, rules, and regulations of all governmental authorities and accrediting agencies, having jurisdiction over PPH, the Hospitals, physicians, and/or this Agreement, including all hospital and professional licensure and reimbursement laws, regulations, and policies.

9.4.2 PPH & Medical Group agree not to differentiate or discriminate in their provision of Services to patients due to race, color, national origin, ancestry, religion, sex, marital status, sexual orientation, age, medical condition, medical history, genetics, evidence of insurability, or claims history, in violation of any applicable state, federal or local law, or the rules and regulations of PPH and the Hospital, with respect to such matters. In this regard and not by way of limitation to any other provision hereof, PPH & Medical Group and its Medical Director, Physicians, employees, agents and subcontractors shall comply with the Age Discrimination Act of 1975 and the Americans with Disabilities Act, as amended, and all regulations issued pursuant thereto applicable to the services of Medical Group and its Medical Director, Physicians, employees, agents, and subcontractors under this Agreement.

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

9.6 Verification of Costs. If and to the extent required by Section 1395x(v)(1) of Title 42 of the United States Code, until the expiration of four (4) years after termination of this agreement, PPH shall make available, upon written request to the

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

9.7 Anti-Referral Laws.

9.7.1 Nothing in this Agreement, nor any other written or oral agreement, nor any consideration in connection with this Agreement contemplates or requires the admission or referral of any patient to Hospital. This Agreement is not intended to influence the judgment of Medical Group or its Medical Director, employees, Physicians, agents or subcontractors in choosing the medical facility appropriate for the proper care and treatment of their patients.

9.7.2 PPH and Medical Group acknowledge and agree that (i) this Agreement covers all of the facilities and services provided by Medical Group and its Medical Director, employees, Physicians, agents and subcontractors to PPH and the Hospital or by PPH and the Hospital to Medical Group and its Medical Director, employees, Physicians, agents or subcontractors with respect to the Departments, and (ii) the overall value of the facilities and services by and between PPH and Medical Group are substantially equivalent. In the event PPH and Medical Group enter into any other agreements pursuant to which Medical Group provides facilities or services to PPH or PPH provides facilities or services to Medical Group, PPH and Medical Group shall execute and attach hereto an addendum which cross-references any such other agreements.

9.8 Disclosure of Interests. In order to permit compliance with federal anti-referral statutes and regulations commonly known as Stark I and II (42 U.S.C. Section 1395nn), as those statutes and regulations may be amended from time to time, Medical Group agrees to provide to PPH upon request with information sufficient to disclose any ownership, investment or compensation interest or arrangement of Medical Group, its Medical Director, Physicians or any such Physicians' immediate family member, in any entity providing "designated health services", as that term is defined in applicable statutes and regulations. In addition Medical Group and

its Medical Director and Physicians shall inform PPH of any other arrangements that may present a conflict of interest or materially interfere with Medical Group's performance of its duties under this Agreement. PPH may exercise its right to terminate this Agreement under Section 7.2.2 above if Medical Group or any Medical Director or Physician pursues or engages in conduct that does constitute a conflict of interest or that materially interferes with (or is reasonably anticipated to interfere with) Medical Group's performance under this Agreement.

9.9 **Dispute Resolution: Arbitration.**

9.9.1 Any controversy or dispute between Medical Group and PPH concerning the performance, termination or interpretation of this Agreement shall be resolved through arbitration proceeding under the Federal Arbitration Act and before the American Arbitration Association (AAA) in accordance with AAA's Commercial Arbitration Rules at the AAA location closest to PPH's office. The administrative cost of the arbitration and the arbitrator's fee shall be shared equally by the parties.

9.9.2 The Arbitrator shall have no authority or power to amend or modify the terms of this Agreement. All arbitration decisions shall be final and binding on the parties. The prevailing party, as determined by the Arbitrator in his or her decision, shall be awarded an amount equal to its reasonable attorneys' fees incurred in connection with such arbitration, in addition to any other relief that may be awarded.

9.9.3 Judgment upon any award rendered by the Arbitrator may be entered in any court having jurisdiction.

9.9.4 Notwithstanding the contrary provisions of this Section, each of the parties hereto shall have the right to apply for and obtain a temporary restraining order or other temporary, interim or permanent injunctive or equitable relief from a court of competent jurisdiction in order to enforce the provisions of any part of this Agreement as may be necessary to protect its rights under those Sections. Each party shall bear its own costs and attorneys' fees in the event that such action is taken.

9.10 **Assignment and Delegation.** Neither this Agreement nor any of the rights or duties under this Agreement may be assigned by either party without the prior written consent, except as expressly authorized in this Agreement. Any change, whether occurring in one (1) or multiple transactions over the term of this Agreement, (i) in a majority of the equity ownership of Medical Group, or (ii) in more than one-third of the Physicians in Medical Group, and that materially

affects the services provide by Medical Group under this Agreement shall constitute a prohibited assignment or delegation by Medical Group within the meaning of this Section. Any attempted or purported assignment by Medical Group in violation of this provision shall be void.

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

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

If to PPH:

Chief Financial Officer
15255 Innovation Drive
San Diego, CA 92128

If to Medical Group:

Escondido OB-GYN Medical Group, Inc.
488 E. Valley Parkway, Suite 311
Escondido, CA 92025

All notices shall be deemed given on the third (3rd) business day after such notice is deposited in the United States mail, addressed and sent as provided above.

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

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

9.15 **Compliance with PPH Standards.** Medical Group and its Medical Director, employees, Physicians, agents and subcontractors shall comply with PPH's corporate compliance programs, including but not limited to the Performance Improvement Plan, Provision of Patient Care Plan, Safety Plan,

Infection Surveillance Plan, Confidentiality Policy and Management of Information Plan. Medical Group shall cooperate with PPH's corporate compliance audits, reviews, and investigations which relate to Medical Group and/or any of the services provided by Medical Group under this Agreement. Subject to request by PPH, such cooperation shall include without limitation the provision of any and all Medical Group documents and/or information related to Medical Group, Medical Group's personnel, agents or subcontractors, and Medical Group activities associated with the provision of services under this Agreement. In addition, as requested by PPH, Medical Group shall participate in corporate compliance-related seminars and educational programs sponsored by PPH as part of PPH's corporate compliance program. Medical Group shall ensure that all personnel retained by Medical Group either directly or indirectly to provide services under this Agreement have not been subject, or are currently not subject, to sanction or exclusion from participation under any federal or state health care program. Any such personnel retained by Medical Group who become so sanctioned or excluded during the term of this Agreement shall be immediately removed by Medical Group and shall be thereafter excluded from the provision of services under this Agreement.

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

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

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

9.19 **Force Majeure.** Neither party shall be liable nor deemed to be in default for any delay, interruption or failure in performance under this Agreement deemed

resulting, directly or indirectly, from Acts of God, civil or military authority, war, accidents, fires explosions, earthquakes, floods, failure of transportation, machinery or supplies, vandalism, riots, civil disturbances, strike or other work interruptions by either party's employees, or any similar or dissimilar cause beyond the reasonable control of either party. However, both parties shall make good faith efforts to perform under this Agreement in the event of any such circumstances. In the event PPH determines that PPH facilities have been entirely or substantially destroyed by any of the above, this Agreement may be terminated by either party upon ten (10) days written notice to the other.

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

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

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

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

9.24 **Third Party Payor Arrangements and Compensation Reductions.**

9.24.1 Medical Group shall reasonably cooperate as necessary to facilitate PPH's entry into or maintenance of any third-party payor arrangements in accordance with the terms and conditions set forth in Section 9.25.

9.24.2 Third party payor arrangements are defined as arrangements for the provision of services under Medicare, Medi-Cal or other public or private managed care, health, and/or hospital care programs. Medical Group shall, upon PPH's request, reasonably consider enrolling as a provider separate from PPH with respect to Medical Group's Professional Services provided pursuant to this Agreement in any third-party payor arrangement, and reasonably attempt to enter into an express contractual agreement with said third-party payor, or any intermediate organization including any independent practice association, if required for said enrollment, which enrollment and agreement shall be consummated as soon as possible after PPH's request.

9.25 **Most Favored Nation Clause.** Medical Group shall perform Professional Services relating to patients referred to PPH or the Hospitals, or whose services are paid

for, by a prepaid health care services plan, nonprofit hospital service plan, Medicare, Medi-Cal, employer plan, union plan, multiple employer trust, disbursement agency, insurance company, workers' compensation program, preferred provider organization or other referring organization that has a contract with PPH or the Hospital, at a reasonable rate schedule set by Medical Group. Medical Group shall submit to PPH on the last day of each calendar quarter a list of payers with whom it has contracted to provide services, at PPH's request. If PPH or the Hospitals deem it advisable to contract with such a payor for services that include Medical Group's Professional Services, Medical Group agrees to negotiate with PPH regarding such an arrangement. PPH or the Hospital shall solicit input and approval from Medical Group during the negotiation of any payor contract that will include Medical Group's services. If the contracted charges of PPH or the Hospitals under any such payor contracts are based upon a per diem, per discharge or other compensation formula not tied to charges per service or categories of services, Medical Group & PPH agree to negotiate a reasonable allocation to be made to Medical Group for its Professional Services hereunder, based upon PPH's and Group's best estimate, from time to time, of the percentage of total charges that will be collected under such arrangement. Medical Group agrees to reasonably attempt to participate in and provide services under all contracts to which PPH or the Hospital are a party, in which the Medical Services are covered services, and which provide for compensation on a capitated basis ("Capitation Contracts"). In connection with each such Capitation Contract, Medical Group shall negotiate with PPH or the Hospital an amount to be mutually agreed upon.

9.26 **Non-Exclusive Nature of Agreement.** It is understood that PPH is not obligated to use Medical Group exclusively for Services under this Agreement. PPH reserves the right to determine, in its sole discretion, whether it is necessary to engage additional vendor(s) or medical providers to provide the Services indicated herein. However, if PPH chooses to engage additional vendor(s), it shall not modify or impact the payment to Medical Group for Administrative Services or the reimbursement received by Medical Group for Professional Services pursuant to this Agreement.

This Professional Services and Medical Director Agreement is executed at San Diego, California.

Palomar Pomerado Health ("PPH")

By: _____

Robert Hemker, Chief Financial
Officer

Dated: _____

Escondido OB-GYN Medical Group, Inc.

By: _____

Dated: _____

EXHIBIT A
ADMINISTRATIVE SERVICES

Medical Director Responsibilities:

- Establish a 24 hour 7 day a week in-house /inpatient Obstetric Laborist service.
- Provide Medical Director oversight and leadership for Obstetrics Laborist services.
- Provide assistance to the PPH medical staff in the management of Obstetric/Gynecology patients as requested.
- Collaborate with nursing, consultants and ancillary services to ensure communication, coordination and optimal outcomes for Obstetric and Gynecology patients
- Provide medical staff and nursing education related to the management of Obstetric and Gynecology patients.
- Assist with the development and implementation of clinical protocols and practice guidelines.
- Provide clinical and administrative oversight of the midwifery program including inpatient care, and prenatal care in clinics.
- Facilitate improvements in quality and clinical effectiveness.
- Collaborate with the Clinical Resource Management department to optimize resource utilization and facilitate timely discharges for the Obstetric and Gynecology patient.
- Collaborate with Service Line Administrator to develop systems and programs to increase PPH market share in Obstetrics inpatient care.
- Collaborate with perinatology medical director to improve quality, patient outcomes and critical pathways.
- Participation at Palomar Medical Center Obstetrics/Gynecology department meetings.
- Participate in the design of the Obstetric department in the new facility due to open in 2011.

- Cooperate with the hospital proactively to identify, pursue and promote opportunities to improve quality and delivery of clinical services, effective utilization and improved clinical outcomes for Obstetrics/Gynecology services.

EXHIBIT B
PROFESSIONAL SERVICES

Obstetrical Laborist Responsibilities:

1. Perform all obstetrical/gynecological exams for unassigned patients or patients referred for admission by private obstetricians.
2. Perform all Professional Services for the Department as defined in the Agreement, including but not limited to Paragraph 2.
3. Provide assistance to the PPH medical staff in the management of Obstetric/Gynecology patients as requested.
4. Assure timely and responsive physician response by phone within 5 minutes and in person within 15 minutes.
5. Timely communication of consultation and diagnostic findings with the referring physicians.
6. Provide timely, accurate, complete and legible medical record entries as appropriate for services provided in accordance with Medical Staff by-laws and rules and regulations.
7. Provide clinical back-up coverage for the Certified Midwives providing inpatient care and prenatal services in the associated community clinics.
8. The Obstetrics Laborist provides back-up for any emergencies that arise in Obstetric department until the primary physician arrives or the emergency has been resolved.
9. Collaborate with the nursing staff and Clinical Resource Management department to optimize resource utilization and facilitate timely discharges. Patients on the OB Laborist service shall be discharged prior to 11 am.
10. Provide prenatal care to high-risk patients at the community prenatal clinics.
11. Conduct shift report with off-going physician, oncoming certified nurse midwife and charge nurse facilitate communication, patient needs and unit activity.

EXHIBIT C
SAMPLE LETTER
Governing Board

[PPH]

[Address of PPH]

Ladies and Gentlemen:

The undersigned acknowledges that Palomar Pomerado Health and _____ have entered into a Professional Services and Medical Director Agreement under which Medical Group shall perform specified Services (as that word is defined in the Agreement), and that the undersigned has been engaged by Medical Group as a "Physician" (as defined in the Agreement) to provide Services. In consideration of PPH's approval of me as a Physician, I expressly:

1. Agree to be bound by and comply with all of the requirements of the Agreement applicable to Medical Group and/or Physicians.
2. Acknowledge that I have no employment, independent contractor or other contractual or other relationship with PPH or the Facilities, that my right to practice in the Facilities as a Physician is derived solely through my employment or contractual relationship with Medical Group, and that PPH has approved my acting as a Physician as provided in the Agreement.
3. Acknowledge that PPH has reserved the right under certain conditions set forth in the Agreement to withdraw such approval and cause Medical Group to remove me as a participating Physician under this Agreement at any time without cause upon written notice to me. I understand that upon PPH's withdrawal of such approval, my clinical privileges, shall immediately be resigned without the right on my part to require compliance with any rules or procedures of the Medical Staff Bylaws.
4. Acknowledge that upon termination of my agreement of employment or my independent contractor agreement with Medical Group, my clinical privileges, if any, that are provided on an exclusive basis, shall immediately be resigned without the right on my part to require compliance with any rules or procedures of the Medical Staff Bylaws.
5. **[Add as paragraph 5 if for a Medical Director or Assistant Medical Director]** Acknowledge that my status as Medical Director/Assistant Medical Director is subject to automatic termination upon termination of the Agreement.

Sincerely,

EXHIBIT D
PHYSICIAN CODE OF CONDUCT

The undersigned hereby agrees to comply with the following Physician Code of Conduct:

1. I will perform my duties faithfully and to the best of my ability, and in the interest of PPH 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 PPH facility.
3. I will not pay or arrange for PPH to pay any person or entity for the referral of patients to PPH, nor will I accept any payment or arrange for PPH to accept any payment for referrals from PPH.
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 PPH, as it relates to services provided under this agreement.
6. I will not improperly use PPH's confidential or proprietary information gathered during my association with PPH for my own personal benefit.
7. I will not obtain any improper personal benefits by virtue of my practice at PPH facilities.
8. I will notify the compliance officer of PPH 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 PPH.
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 PPH 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 PPH patients without the express written consent of the patient in accordance with HIP AA, other applicable law and PPH applicable policies or procedures.

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

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

Dated: _____

Signature: _____

Name: _____

**REIMBURSEMENT AGREEMENT
ISABEL J. PEREIRA, M.D.**

TO: Board of Directors

FROM: Board Finance Committee
Tuesday, April 24, 2007

DATE: Tuesday, May 15, 2007

BY: Sheila Brown, R.N., M.B.A., Chief Clinical Outreach Officer
Susan Linback, R.N., M.B.A., Service Line Administrator, Behavioral Health

BACKGROUND: The Pomerado Hospital Gero-Psychiatric Unit provides inpatient psychiatric assessment and treatment for a vulnerable senior population. During the transition from a Medical-Psychiatric to a Gero-Psychiatric Unit, the senior patient population has continued to have concomitant medical complications, and a medical H&P and follow-up by an internal medicine physician has been necessary. From January 1, 2006, through April 30, 2007, Isabel J. Pereira, M.D., provided the necessary Internal Medicine H&P and follow-up medicine coverage.

BUDGET IMPACT: No Budget Impact

STAFF RECOMMENDATION: Staff recommended ratification of the services rendered by Isabel J. Pereira, M.D., for the period of time she served as interim Internal Medicine Consultant for the Gero-Psychiatric Unit. After confirming that Dr. Pereira made no referrals to PPH during the period of time that she served as the interim Internal Medicine Consultant for the Gero-Psychiatric Unit, it was recommended that an Agreement be used as the vehicle by which Dr. Pereira's uncompensated professional services be reimbursed.

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION: The Board Finance Committee recommends approval of the staff recommendation to ratify the services rendered by Isabel J. Pereira, M.D., as the interim Internal Medicine Consultant for the Gero-Psychiatric Unit from January 1, 2006, through April 30, 2007, and document reimbursement for said services via an Agreement.

Motion: X

Individual Action:

Information:

Required Time:

MEDICAL STAFF SERVICES

April 24, 2007



TO: Board of Directors

BOARD MEETING DATE: May 15, 2007

FROM: John J. Lilley, M.D., Interim Chief of Staff
PMC Medical Staff Executive Committee

SUBJECT: Medical Staff Credentialing Recommendations

PALOMAR MEDICAL CENTER

- I. Provisional Appointment (05/15/2007 – 04/30/2009)
Donald C. Fithian, M.D., Orthopaedic Surgery
Arsenio I. Jimenez, Jr., M.D., Internal Medicine (Includes PCCC)
Stephen S. Kaminski, M.D., Critical Care Surgery
Jennifer M. Park, M.D., Psychiatry (Includes PCCC)
Mark B. Zweifach, M.D., Psychiatry (Includes PCCC)
- II. Advance from Provisional to Active Status
David M. Kaiden, M.D., Family Practice (05/15/2007 – 12/31/2007)
- III. Advance from Provisional to Associate Status
Anthony G. Sanzone, M.D., Orthopaedic Surgery (06/01/2007 – 05/31/2009)
- IV. Additional Privileges
David L. Greenwald, M.D., Neurosurgery
 - Kyphoplasty/VertebroplastySerge C. Kaska, M.D., Orthopaedic Surgery
 - General Pediatric Orthopaedics Bundle
 - Complicated Pediatric Orthopaedics
- V. Leave of Absence
Nicholas J. Jauregui, M.D., Family/General Practice (Includes PCCC) (Effective 04/01/2007 – 03/31/2009)
- VI. Voluntary Resignations/Withdrawals
Prakash K. Bhatia, M.D., Psychiatry (Includes PCCC) (Effective 04/23/2007)
Marion T. Chirayath, M.D., Hematology/Oncology (Effective 03/20/2007)
John G. Massone, M.D., Internal Medicine (Effective 05/31/2007)
Jeffrey L. Newman, M.D., Family Practice (Includes PCCC) (Effective 05/31/2007)
- VII. Allied Health Professional Withdrawal
Debra J. Patrick, P.A.-C., Physician Assistant; Sponsors: CEP (Effective 01/31/2007)

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

VIII. Reappointments Effective 06/01/2007 – 05/31/2009

Gordon Booth, M.D.	Family/General Practice	Dept of Family Practice	Associate
Kelly D. Dewitt, M.D.	Radiation Oncology	Dept of Radiology	Associate
Gilbert J. Ho, M.D.	Neurology	Dept of Medicine	Active
Lachlan Macleay, M.D.	Pathology	Dept of Pathology	Active
Maurice J. Papier, II, D.P.M.	Podiatric Surgery	Dept of Ortho/Rehab	Courtesy
Jeffrey K. Pearson, D.O.	Family Practice/Sports Med	Dept of Family Practice	Active
Veena A. Prabhakar, D.O. (Changed from Active to Associate Status)	Family Practice	Dept of Family Practice	Associate
Neil T. Tarzy, M.D. (Includes PCCC)	Family Practice	Dept of Family Practice	Active

IX. Allied Health Professional Reappointment Effective 06/01/2007 – 05/31/2009

Kevin S. Mochizuki, Ph.D., Evoked Potential Technician; Sponsors: Drs. Deitel, Marcisz, Stern, V. Tantuwaya, Yoo

Allied Health Professional Extension of Reappointment to Correct Dates from Last Meeting
03/28/2009 – 04/30/2009

Peter R. Bryant, CCP, Perfusionist; Sponsors: Drs. Reichman, Rosenburg, Young, Bulkin
Gayle Hicks, Ph.D., Evoked Potential Technician; Sponsors: Drs. Deitel, Marcisz, Stern, V. Tantuwaya, Yoo
David M. Illich, MS-CCC, Audiologist; Sponsors: Drs. Kripps and Fitzgerald
(Includes PCCC)
Tammy L. Prida AuD, Evoked Potential Technician; Sponsors: Drs. McKinley and Yoo
Jessica Valdez, RDA, Dental/Oral Surgery Assistant; Sponsors: Drs. Lin and Grammins
Robin Vaughan, Ph.D., Evoked Potential Technician; Sponsors: Drs. McKinley and Yoo

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, 2007**

PERSONAL INFORMATION

<i>Provider Name & Title</i>	Donald C. Fithian, M.D.
<i>PPHS Facilities</i>	Escondido Surgery Center Palomar Medical Center

SPECIALTIES/BOARD CERTIFICATION

<i>Specialties</i>	Orthopaedic Surgery – Certified 1993/2004
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ORGANIZATIONAL NAME

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

<i>Medical Education Information</i>	Columbia University, College of Phys & Surgeons, New York, NY FROM: 09/02/1980 TO: 05/16/1984
<i>Internship Information</i>	New York and Presbyterian Hospital, NY General Surgery From: 07/01/1984 To: 06/30/1986
<i>Residency Information</i>	Columbia University Medical Center Orthopaedics From: 07/01/1986 To: 06/30/1990 part of New York and Presbyterian
<i>Fellowship Information</i>	San Diego Knee and Sports Medicine Fellowship Sports Medicine From: 08/01/1990 To: 08/31/1991 Knee & shoulder surgery
<i>Current Affiliation Information</i>	Kaiser, Anaheim Pomerado Hospital Kaiser Permanente, Baldwin Park Kaiser Permanente, San Diego

**PALOMAR POMERADO HEALTH SYSTEM
PROVISIONAL APPOINTMENT
May, 2007**

PERSONAL INFORMATION

<i>Provider Name & Title</i>	Arsenio I. Jimenez, Jr., M.D.
<i>PPHS Facilities</i>	Pomerado Hospital (Villa Pomerado) Palomar Medical Center (Palomar Continuing Care Center)

SPECIALTIES/BOARD CERTIFICATION

<i>Specialties</i>	Internal Medicine – Certified 2001
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ORGANIZATIONAL NAME

<i>Name</i>	Arsenio I. Jimenez, Jr., M.D.
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EDUCATION/AFFILIATION INFORMATION

<i>Medical Education Information</i>	University of the Philippines, Ermita FROM: 09/01/1964 TO: 06/01/1969 Doctor of Medicine Degree
<i>Internship Information</i>	N/A
<i>Residency Information</i>	Our Lady of Mercy Medical Center, Bronx, NY Internal Medicine From: 01/01/1993 To: 06/30/1996
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	St. Catherine of Siena Medical Center, Smithtown, NY

**PALOMAR POMERADO HEALTH SYSTEM
PROVISIONAL APPOINTMENT
May, 2007**

PERSONAL INFORMATION

<i>Provider Name & Title</i>	Stephen S. Kaminski, M.D.
<i>PPHS Facilities</i>	Palomar Medical Center

SPECIALTIES/BOARD CERTIFICATION

<i>Specialties</i>	Surgery, Critical Care - Certified 2005 Surgery, General - Certified 2001
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ORGANIZATIONAL NAME

<i>Name</i>	North County Trauma Associates
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EDUCATION/AFFILIATION INFORMATION

<i>Medical Education Information</i>	MCP Hahnemann University, Philadelphia, PA FROM: 09/01/1988 TO: 06/04/1992 Doctor of Medicine Degree
<i>Internship Information</i>	Stanford University Medical Center, CA General Surgery From: 06/23/1992 To: 06/22/1993
<i>Residency Information</i>	Stanford University Medical Center General Surgery From: 07/01/1993 To: 06/30/1994 Stanford University Medical Center General Surgery From: 07/01/1996 To: 06/30/1999 Chief Resident: 7/1/98-6/30/99
<i>Fellowship Information</i>	Stanford University Medical Center Surgery, Gastrointestinal From: 07/01/1994 To: 06/30/1996 University of Maryland Hospital, Baltimore Surgical Critical Care From: 07/01/2003 To: 06/30/2004 Shock Trauma Center
<i>Current Affiliation Information</i>	Scripps Mercy Hospital, San Diego

**PALOMAR POMERADO HEALTH SYSTEM
PROVISIONAL APPOINTMENT
May, 2007**

PERSONAL INFORMATION

<i>Provider Name & Title</i>	Marina Katz, M.D.
<i>PPHS Facilities</i>	Pomerado Hospital

SPECIALTIES/BOARD CERTIFICATION

<i>Specialties</i>	Psychiatry – Certified 2005
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ORGANIZATIONAL NAME

<i>Name</i>	Psychiatric Centers at San Diego
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EDUCATION/AFFILIATION INFORMATION

<i>Medical Education Information</i>	Kishinev Medical Institute, Moldova, USSR FROM: 09/01/1982 TO: 06/30/1988 Doctor of Medicine Degree
<i>Internship Information</i>	N/A
<i>Residency Information</i>	University of Louisville Hospitals, KY Psychiatry From: 07/01/1999 To: 06/30/2003
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	Sharp Memorial Hospital, Chula Vista Scripps Mercy Hospital, Chula Vista Paradise Valley Hospital Bayview Hospital & Mental Health System, Chula Vista, CA

**PALOMAR POMERADO HEALTH SYSTEM
PROVISIONAL APPOINTMENT
May, 2007**

PERSONAL INFORMATION

<i>Provider Name & Title</i>	Jennifer M. Park, M.D.
<i>PPHS Facilities</i>	Pomerado Hospital (Villa Pomerado) Palomar Medical Center (Palomar Continuing Care Center)

SPECIALTIES/BOARD CERTIFICATION

<i>Specialties</i>	Psychiatry & Neurology – Certified 2001
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ORGANIZATIONAL NAME

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

<i>Medical Education Information</i>	George Washington University, Washington, DC FROM: 09/01/1990 TO: 06/01/1994
<i>Internship Information</i>	Saint Joseph Mercy Hospital, Ann Arbor, MI Internal Medicine From: 06/24/1994 To: 07/31/1995
<i>Residency Information</i>	Henry Ford Hospital, Detroit, MI Psychiatry From: 08/01/1995 To: 07/01/1998
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	Sharp Mesa Vista Hospital Sharp Memorial Hospital Kaiser Permanente, San Diego

**PALOMAR POMERADO HEALTH SYSTEM
PROVISIONAL APPOINTMENT
May, 2007**

PERSONAL INFORMATION

<i>Provider Name & Title</i>	Mark B. Zweifach, M.D.
<i>PPHS Facilities</i>	Pomerado Hospital (Villa Pomerado) Palomar Medical Center (Palomar Continuing Care Center)

SPECIALTIES/BOARD CERTIFICATION

<i>Specialties</i>	Psychiatry & Neurology - Certified 1988
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ORGANIZATIONAL NAME

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

<i>Medical Education Information</i>	University of California, Irvine School of Medicine FROM: 09/01/1977 TO: 06/13/1981
<i>Internship Information</i>	Veterans Administration, Long Beach Internal Medicine From: 07/01/1981 To: 06/30/1982
<i>Residency Information</i>	University of California, Irvine Psychiatry From: 08/01/1982 To: 12/31/1982 transferred to UCSF University of California, San Francisco Psychiatry From: 01/10/1983 To: 07/31/1984
<i>Fellowship Information</i>	University of California, San Francisco Geriatric Psychiatry From: 07/01/1984 To: 06/30/1985
<i>Current Affiliation Information</i>	Sharp Mesa Vista Hospital Kaiser Permanente, San Diego

MEDICAL STAFF SERVICES



DATE: April 24, 2007

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:

05/15/2007 – 04/30/2009

- ◆ Donald C. Fithian, M.D., Orthopaedic Surgery

Reappointment:

06/01/2007 – 05/31/2009

- ◆ Gordon A. Booth, M.D., Family/General Practice
- ◆ Jeffrey K. Pearson, D.O., Family Practice/Sports Medicine

Allied Health Professional Reappointment

05/15/2007 – 04/30/2009

- ◆ Jessica Valdez, RDA, Dental/Oral Surgery Assistant; Sponsors: Drs. Lin and Grammins

Certification by and Recommendation of Escondido Surgery Center Medical Director:

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

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

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

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



Pomerado Hospital Medical Staff Services

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

DATE: April 25, 2007
TO: Board of Directors - May 15, 2007
FROM: Benjamin Kanter, M.D., Chief of Staff, Pomerado Hospital Medical Staff
SUBJECT: Medical Staff Credentials Recommendations – April 2007:

Provisional Appointments: (05/15/2007 – 04/30/2009)

Arsenio I. Jimenez, Jr., M.D. – Medicine – Internal Medicine (includes Villa)
Marina Katz, M.D. – Medicine - Psychiatry
Jennifer M. Park, M.D.- Medicine – Psychiatry (includes Villa)
Mark B. Zweifach, M.D. – Medicine – Psychiatry (includes Villa)

Biennial Reappointments: (06/01/2007 – 05/31/2009)

Kathy M. Clewell, M.D. Medicine - Affiliate
William C. Holland, M.D. Surgery - Active
Lachlan Macleay, M.D. Pathology - Active
Maurice J. Papier, D.P.M. Surgery - Active
Sunny R. Richley, M.D. Medicine – Active (includes Villa)
Marcelo R. Rivera, M.D. Medicine – Active (includes Villa)
Cheryl L. Shanmugam, M.D. Pediatrics - Active
Neil T. Tarzy, M.D. – Family Practice – Courtesy (includes Villa)

Leave of Absence:

Anmar Mansour, M.D. 5/15/2007 –5/14/2009
Nicholas J. Jauregui, M.D. 4/1/2007 03/31/2009

Resignations/Withdrawal of Membership

Prakash Bhatia, M.D. – effective April 23, 2007
Michael J. Beaumont, M.D.
Marion T. Chirayath, M.D. – effective 3/19/2007
Mark Clapper, M.D.
Raymond Dann, M.D.
Marc A. Olivier, M.D.
Bradley Schnierow, M.D.
Thomas Sergott, M.D.

Allied Health Professionals Reappointment (05/01/2007 – 04/30/2009)

Kevin S. Mochizuki, PhD – Evoked Potential Technician – Sponsors Dr. Yoo & Dr. Deitel

AHP Withdrawal of Membership

Robert Buchanan, Ortho Tech – Sponsors Kaiser Physicians
John de Alva, P.A.-C – Sponsors – Kaiser Physicians
Carlos Garcia, Ortho Tech Sponsors Kaiser Physicians
Debra J. Patrick, P.A.-C – Sponsors CEP Physicians
Oliver Fregoso, Ortho Tech – Sponsors Kaiser Physicians

PPH Marketing Initiatives

TO: PPH Board of Directors

MEETING DATE: May 15, 2007

FROM: Community Relations Committee on April 20, 2007

BY: Gustavo Friederichsen

BACKGROUND: Gustavo Friederichsen reported on the Focus Group findings and PPH Marketing & Communications Strategies for 2007. Included strategies are Brand Management, Theater Campaigns, Television Spots, Campus Marketing, Patient Room Channels, Public Service Announcement-"Dial Don't Drive", Web Strategy, Padres Relationship, Official PPH Graphics Standard Manual, Expansion Communications Strategy, Legislative Advocacy Effort, Partnership with CPM Marketing Group, Strategic Focus on Quality, PPH Quality Report Card, Expansion of Momentum and HealthSource/BabySource, Captivcast, Managing Reputation and Service Line Media and Communications.

BUDGET IMPACT: None

STAFF RECOMMENDATION: For information purposes only

COMMITTEE RECOMMENDATION:

Information: X

Media Relations Update

TO: PPH Board of Directors

MEETING DATE: May 15, 2007

FROM: Community Relations Committee on April 20, 2007

BY: Gustavo Friederichsen

BACKGROUND: Andy Hoang shared with the Committee that the "Dial Don't Drive" Public Service Announcement has been featured on KPBS TV and radio and it will continue to air statewide. Andy played radio spots for the committee.

BUDGET IMPACT: None

STAFF RECOMMENDATION: For information purposes only

COMMITTEE RECOMMENDATION:

Information: X

Web Outcomes

TO: PPH Board of Directors

MEETING DATE: May 15, 2007

FROM: Community Relations Committee on April 20, 2007

BY: Gustavo Friederichsen

BACKGROUND: Gustavo Friederichsen reported on Web Outcomes. He shared a quick marketing snapshot of pph.org showing first quarter 2007 compared to last quarter 2006. The snapshot shows a 103% increase in visits when "Palomar Pomerado Health" is used as the keyword. The report shows all results look positive. Typing pph.org direct is increasing likely linked to TV spots.

BUDGET IMPACT: None

STAFF RECOMMENDATION: For information purposes only

COMMITTEE RECOMMENDATION:

Information: X

Community Conversations

TO: PPH Board of Directors
MEETING DATE: May 15, 2007
FROM: Community Relations Committee on April 20, 2007
BY: Gustavo Friederichsen

BACKGROUND: Tina Pope updated the committee on Community Conversations and the Palomar Pomerado Health Advocate program. She shared that the program is being revamped and Pauline Getz will lead the effort. Dana Dawson will keep the Community updated to what is happening at PPH. Requests should continue to go through Tina for speakers. This is a coordinated effort between the Foundation and Tina's team.

BUDGET IMPACT: None

STAFF RECOMMENDATION: For information purposes only

COMMITTEE RECOMMENDATION:

Information: X

PPH Sponsorship Discussions

TO: PPH Board of Directors

MEETING DATE: May 15, 2007

FROM: Community Relations Committee on April 20, 2007

BY: Gustavo Friederichsen

BACKGROUND: Tina Pope opened discussion regarding PPH sponsorships and events as to review the past practice, current practice and talk about new strategies. We need to be more strategic in where we are and who is representing. It was decided that all sponsorship requests would come through Tina Pope. It was also agreed that there would be no further golf tournament sponsorships although we may be involved as participants. We will consider each request individually. As far as street fairs, we need to look at which make sense and look at where we need to be. Flu Clinics remain a priority. There will be no sponsorship of Community Walks but may be offered for individual participation. Budget allocation was also discussed.

BUDGET IMPACT: None

STAFF RECOMMENDATION: For information purposes only

COMMITTEE RECOMMENDATION:

Information: X

Campus Updates

TO: PPH Board of Directors

MEETING DATE: May 15, 2007

FROM: Community Relations Committee on April 20, 2007

BY: Gustavo Friederichsen

BACKGROUND: Janet Gennoe Klitzner and Tami Weigold reported to the Committee on Campus updates for Palomar Medical Center, Pomerado Hospital and the system overall. Janet reported on the 2007 Women's Conference, the 2007 Women in Health Luncheons, marketing of Da Vinci, cardiac services micro site for pph.org, signage for new hospital site, new furniture and flooring installed at PMC ED and the image campaign for PMC. Tami reported on Pomerado Outpatient Pavilion marketing and special events, Bariatric marketing micro site, XX Sports Radio, Magnet Journey-Nurse Week and Foundation-Web and Collateral.

BUDGET IMPACT: None

STAFF RECOMMENDATION: For information purposes only

COMMITTEE RECOMMENDATION:

Information: X

Monthly Reports

TO: PPH Board of Directors

MEETING DATE: May 15, 2007

FROM: Community Relations Committee on April 20, 2007

BY: Gustavo Friederichsen

BACKGROUND: Monthly reports were respectively presented to the Community Relations Committee. Included were Marketing/Public Relations, HealthSource, Community Outreach and Media Relations for the months of February and March, 2007.

BUDGET IMPACT: None

STAFF RECOMMENDATION: For information purposes only

COMMITTEE RECOMMENDATION:

Information: X

Health Promotion Inventory

TO: PPH Board of Directors
DATE: May 15, 2007
FROM: Strategic Planning Committee on April 17, 2007
BY: Sheila Brown, Chief Clinical Outreach Officer

BACKGROUND: Palomar Pomerado Health's mission is to "Heal, Comfort, Promote Health in the Communities We Serve." This presentation provided an inventory of current PPH programs and associated resources dedicated to "Promoting Health." PPH offers a wide variety of classes and educational programs for the community. These classes/programs range in subject from Pregnancy and Newborn Care through Chronic Illness and Aging. We focus on Wellness Promotion and Illness Recovery. The total number of classes/educational programs we offer annually is approximately 843, with number of hours equaling about 2832. An inventory of class offerings was presented.

Dr. Larson commented that he was surprised at the charges for the classes, and Sheila Brown responded that only the Welcome Home Baby program is 100% grant-funded. Dr. Kung asked about the numbers of people who attended the classes, and Sheila responded that she would provide the Committee with the numbers.

Dr. Larson asked if we are tailoring the class offerings with the community needs and our strategic focus, and mentioned that certain events were not included in the report, such as conferences, street fairs, etc. Gustavo Friederichsen offered to come back to the Committee to show how Community Outreach and Education link to community needs. Dr. Larson mentioned that we should make sure that what we are promoting is in alignment with goals.

Dr. Kung suggested that these educational offerings could possibly be provided through webcasts rather than people needing to come to a class.

COMMITTEE RECOMMENDATION:

Information: X

PPH North County Health Development Draft Strategic Plan

TO: PPH Board of Directors
DATE: May 15, 2007
FROM: Strategic Planning Committee on April 17, 2007
BY: Nick Yphantides, M.D., and Brad Wiscons, Director Grant Services

BACKGROUND: PPH North County Health Development (NCHD) is a non-profit corporation established to research, apply for and fiscally manage grants and contracts that support the mission and vision of PPH. Health Development is undertaking a strategic planning process and shared information about that process with the Committee. Dr. Nick Yphantides presented information, including the fact that the purpose of NCHD is to manage all grants for PPH; that they completed their first independent audit in December 2006; and that they are currently managing approximately \$3 Million of grants and contracts.

The Strategic Planning Efforts include:

- Health Development is currently conducting a strategic planning process, and their goal is to create a plan that will focus their grant-seeking and management efforts until June 2010
- Their strategic planning process began in December 2006, and they are working closely with the Planning department and integrating information and data for planning tools for the District
- They are coordinating with the Foundation on collaborative funding and initiative coordination, and using Health Development is using a data collection tool to organize feedback for integration into the plan

The Health Development staff & consultants have been polling & interviewing key PPH leaders. The key informants were asked to rate 45 potential grant initiatives on eight factors, and the Top 20 results were as follows: Access to Care, Cardiology/Cardiovascular, Advanced Clinical Development (Imaging), Diabetes/Weight, Emergency Preparedness, Integrated Inpatient and Outpatient Women's Health, Senior Services, Physician Relationship Development, Wellness Including Obesity Prevention, Neuroscience/Neurology, Workforce Development/ Diversity, Quality/Health Disparities, Safety, Oncology, Health Information, Information Systems, Capital, Retail Medicine, Welcome Home Baby, and General Surgery.

Health Development will develop recommendations for organizational structure and budget to support the Strategic Plan, and present the proposed Strategic Plan including Top 20, organization structure, and budget to the Health Development Board of Directors for approval, and return to the Full PPH Board with a report on the Health Development Strategic Plan.

PPH North County Health Development Draft Strategic Plan Form A to BOD

PPH North County Health Development Draft Strategic Plan

Bruce Krider asked if Dr. Nick was here to ask for funding, and Dr. Nick responded that he was not; he said that there were challenges, though, but they do have a line of credit. Dr. Larson

asked if there was money out there that we are perhaps overlooking, and Brad Wisconsin responded that there is money out there, but it is more for community health, i.e., retail health, preventive care and maintenance. Dr. Nick added that some of the more appealing current topics that might be funded would be the disparities and diversity regarding healthcare workers, and preventive care/health promotion. Brad commented that the Research Institute has opportunities, and he will present the Research Institute at a future Committee meeting.

COMMITTEE RECOMMENDATION:

Information: X

FY '07 Goal Update

TO: PPH Board of Directors
DATE: May 15, 2007
FROM: Strategic Planning Committee on April 17, 2007
BY: Marcia Jackson, Chief Planning Officer

BACKGROUND: The Committee was provided with an update on how PPH is progressing with respect to the FY '07 system-wide initiatives. Marcia Jackson presented an overview of the annual goals, utilizing a Briefing Book as a presentation tool, with objectives on the left side, and a graphic depiction of the measures on the right side.

Gerald Bracht asked if the Board has access to this information, and Marcia responded that if the Board has access to the Intranet, then they have access to the Active Strategy/Balanced Scorecard data. Michael Covert added that this was part of our goal, so that the Board can access this information at any point in time.

Dr. Larson commented that most of the measures were red and yellow (except Planning and Facilities) while the initiatives were mostly green, and Michael Covert responded that for most of the year, the measures will be red and yellow until we achieve our goals, but will be green on the initiatives because we are where we're supposed to be.

COMMITTEE RECOMMENDATION:

Information: X

**POMERADO HOSPITAL
ADMINISTRATIVE MEDICAL/SURGICAL SERVICES
SPECIALCARE HOSPITAL MANAGEMENT CORPORATION**

TO: Board of Directors
FROM: Board Finance Committee
Monday, April 24, 2007
MEETING DATE: Tuesday, May 15, 2007
BY: Sheila Brown, R.N., M.B.A., Chief Clinical Outreach Officer

Background: At the December 12, 2005, Board of Directors' meeting, the agreement for "The New Vision Program[®]" between SpecialCare Hospital Management Corporation and Pomerado Hospital was approved. This program provides hospital-based inpatient adult emergency medical/surgical stabilization services.

Description: SpecialCare Hospital Management Corporation (SHMC) is a national firm that offers a variety of programs and services needed within the community. SHMC currently has forty-five (45) affiliated client hospitals nationwide, in 12 states.

Current Status: This program has been in operation for 13 months, beginning with the first patient admission on March 5, 2006. Patients are admitted to available beds on the 4th floor Medical Surgical Unit in Pomerado Hospital, treated by the Hospitalist Physicians under Dr. Daniel Harrison's oversight, and managed under recommended New Vision treatment protocols. SHMC provides 3.5 FTE's for intake and coordination of the service.

Currently, Sheila Brown and Susan Linback have oversight of this service. Utilizing the attached presentation, an overview of the first year's program results was presented at the Board Finance Committee meeting.

Staff Recommendation: Information only

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:

**SPECIAL CARE HOSPITAL
MANAGEMENT
REVIEW**

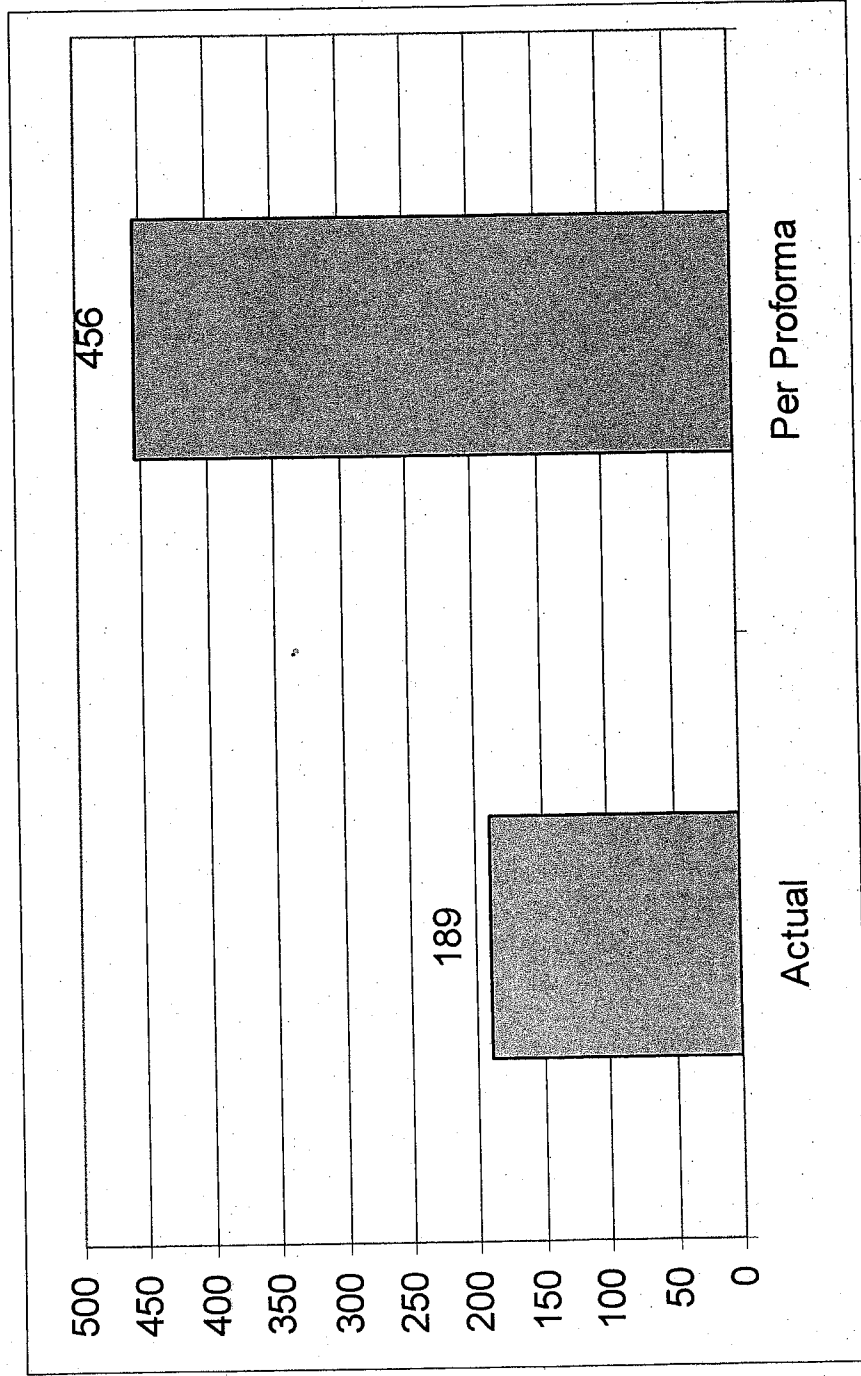
Sheila Brown
Chief Clinical Outreach Officer

PALOMAR
POMERADO
HEALTH
SPECIALIZING IN YOU

APR 24 2007

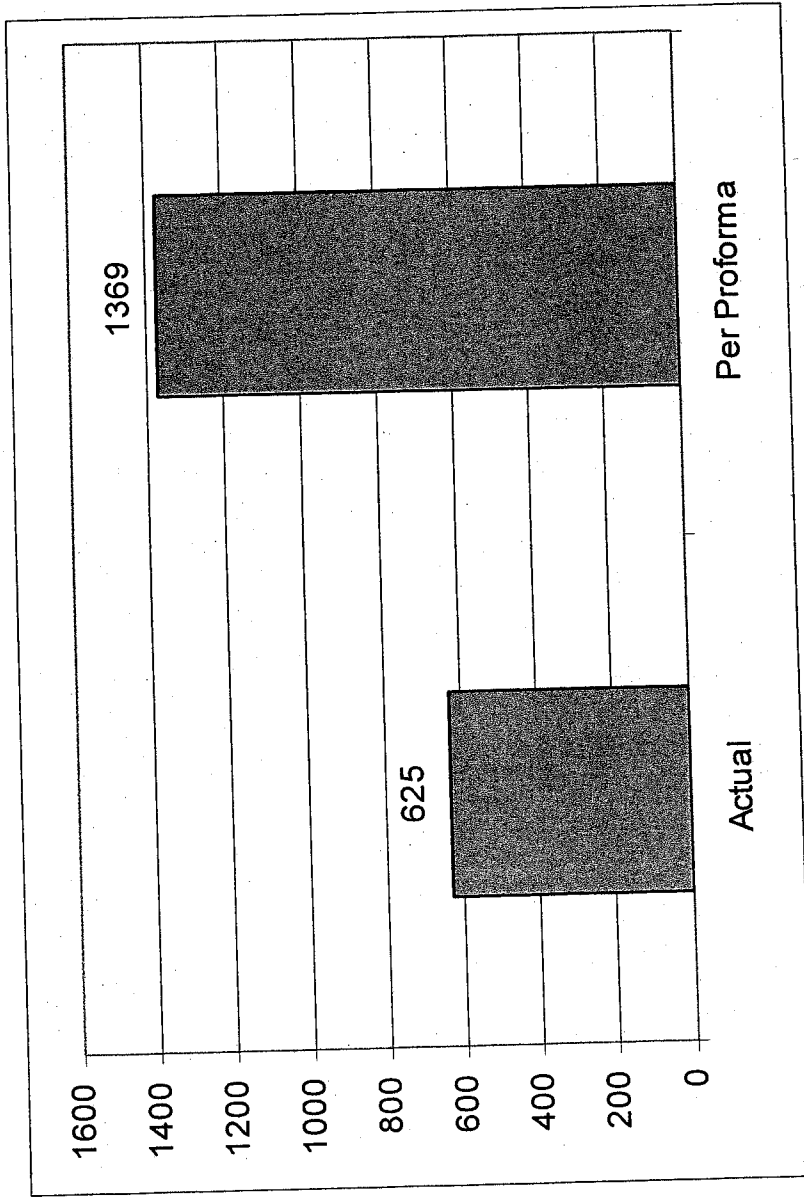
Number of Patients

March 2006 - March 2007



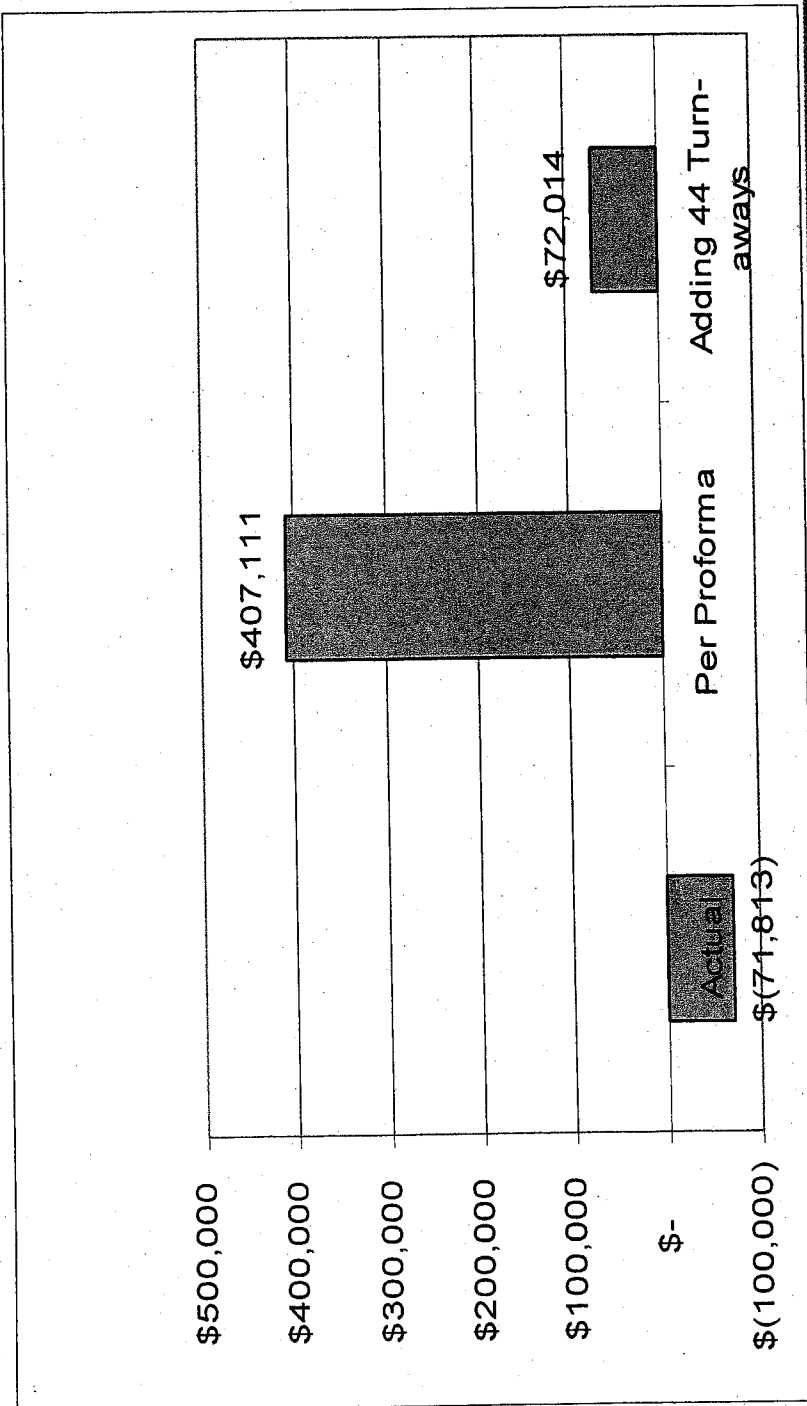
Number of Patient Days

March 2006 - March 2007



Contribution Margin

Actual, Pro Forma, and Potential had 44 Turned-Away Patients been admitted March 2006 through March 2007



Next Steps

Management will restructure the contract with Special Care Hospital Management Corporation within the next 30 days or exit the contract

