



PALOMAR  
POMERADO  
HEALTH

**BOARD OF DIRECTORS  
AGENDA PACKET**

June 12, 2006

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

*A California Health Care District (Public Entity)*

# **PALOMAR POMERADO HEALTH BOARD OF DIRECTORS**

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

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

## **MISSION STATEMENT**

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

## **VISION STATEMENT**

*Palomar Pomerado Health will be the health system of choice for patients, physicians and employees,  
recognized nationally for the highest quality of clinical care and access to comprehensive services*

## **CORE VALUES**

### **Integrity**

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

### **Innovation and Creativity**

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

### **Teamwork**

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

### **Excellence**

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

### **Compassion**

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

### **Stewardship**

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

## **Affiliated Entities**

Escondido Surgery Center \* Palomar Medical Center \* Palomar Medical Auxiliary & Gift Shop \* Palomar Continuing Care Center \*  
Palomar Pomerado Health Foundation \* Palomar Pomerado Home Care \* Pomerado Hospital \* Pomerado Hospital Auxiliary & Gift Shop \*  
San Marcos Ambulatory Care Center \* Ramona Radiology Center \* VRC Gateway & Parkway Radiology Center \* Villa Pomerado  
• Palomar Pomerado Health Concern\* Palomar Pomerado Health Source\*Palomar Pomerado North County Health Development, Inc.\*  
• North San Diego County Health Facilities Financing Authority\*

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

**Monday, June 12, 2006**

**Commences 6:30 p.m.**

**Palomar Medical Center  
Graybill Auditorium  
555 E. Valley Parkway  
Escondido, California**

*Commences at 6:30 p.m. PMC Graybill Auditorium*

	<u>Time</u>	<u>Page</u>
<b>I. CALL TO ORDER</b>		
<b>II. OPENING CEREMONY</b>	5 min	
A. Pledge of Allegiance		
B. Recitation – Chaplain Bill Hard		
C. Mission & Vision – Board Member		
<i>“The mission of Palomar Pomerado Health is to heal, comfort and promote health in the communities we serve.”</i>		
<i>“The vision of PPH is to be the health system of choice for patients, physicians and employees, recognized nationally for the highest quality of clinical care and access to comprehensive services.”</i>		
<b>III. PUBLIC COMMENTS</b>	5	
<i>(5 mins allowed per speaker with cumulative total of 15 min per group – for further details &amp; policy see Request for Public Comment notices available in meeting room).</i>		
<b>IV. * MINUTES</b>	3	1-11
Regular Board Meeting – May 8, 2006		
<b>V. * APPROVAL OF AGENDA to accept the Consent Items as listed</b>	5	12-24
A. Consolidated Financial Statements		
B. Revolving Fund Transfers/Disbursements – April, 2006		
1. Accounts Payable Invoices	\$23,316,024.00	
2. Net Payroll	<u>8,529,620.00</u>	
Total	<u>\$31,845,644.00</u>	
C. Ratification of Paid Bills		
D. April 2006 & Fiscal YTD 2006 Financial Report		
<i>“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”</i>		

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

**VI. PRESENTATIONS -**

- A. Community Outreach – Tina Pope, Director Community Relations
- Lifeline Services – Jennifer Allen, Program Coordinator 10

**VII. REPORTS**

A. Medical Staffs 15

- \* 1. Palomar Medical Center – *Robert D. Trifunovic, M.D.*
  - a. Credentialing/Reappointments 25-32
  - b. Dept of OB/GYN Rules and Regulations 33-45
  - c. Dept of Medicine Rules and Regulations 46-47
  - d. Credentialing Reappointment  
- Dr. Patrick O'Meara
  
- \* 2. Escondido Surgery Center – *Marvin W. Levenson, M.D.*
  - a. Credentialing/Reappointments 48
  - b. Bylaws Change 49-54
  
- \* 3. Pomerado Hospital – *Paul E. Tornambe, M.D.*
  - a. Credentialing/Reappointments 55-56

B. Administrative

- 1. President 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. **Resolution No. 06.12.06 (05) – 18**  
Amending Established Dates of Regular Board Meetings for  
Calendar Year 2006 57-58
  
- 3. President and CEO – *Michael H. Covert* 10 *Verbal Report*
  - a. Quarterly Reports from Executive Staff
    - i. Gerald Bracht, Palomar Medical Center
    - ii. Jim Flinn, Pomerado Hospital
    - iii. Sheila Brown, Clinical Outreach
    - iv. Lorie Shoemaker, Chief Nurse Executive
  
  - b. Kresge Foundation Grant – Sustainability/Design Workshop

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

**VIII. INFORMATION ITEMS** (Discussion by exception only) 59-101

- |  |                     |
|--|---------------------|
| A. Balanced Scorecard Review           | Human Resources     |
| B. Rancho Penasquitos Satellite Update | Strategic Planning  |
| C. Draft FY '07 Initiatives            | Strategic Planning  |
| D. Wellness Update                     | Strategic Planning  |
| E. Sister Hospital Partnership         | Community Relations |
| F. PPH Web Update                      | Community Relations |
| G. Community Relations Update          | Community Relations |
| H. Media Update                        | Community Relations |
| I. Monthly Reports                     | Community Relations |
| J. Revenue Cycle Initiative            | Finance             |

**IX. COMMITTEE REPORTS** – for Finance Committee see also under Consent Items

- |   |   |         |
|---|---|---------|
| A. <b>Human Resources</b> – Director Nancy Bassett, RN, MBA, Chair                                  |   |         |
| * 1. Amendment to Voting Membership on HR Committee   | 5 | 102     |
| B. <b>Finance</b> – Director T. E. Kleiter, Chair   |   |         |
| * 1. Medical Director Agreements  |   |         |
| a. - Diabetes Health Program – A. Conrad, M.D.  |   | 103-126 |
| b. - Employee/Corporate Health – D. Herip, M.D., M.P.H.   |   | 127-150 |
| * 2. Professional & Medical Director Services Agreement   |   | 151-200 |
| - Radiology Department – Valley Radiology Consultants Medical Group, Inc.                           |   |         |
| * 3. Resolutions – Bank & Investment Account Changes  |   | 201-211 |
| * 4. Independent Citizens' Oversight Committee – Nurse/Physician<br>Member Replacement Applications |   | 212-223 |
| 5. Report on Special Board Workshop to Approve 2006/2007 Operating<br>and Capital Budgets           |   |         |

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

**XI. FINAL ADJOURNMENT**

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

Palomar Pomerado Health  
**BOARD OF DIRECTORS**  
**REGULAR BOARD MEETING**  
 Pomerado Hospital, Meeting Room E, Poway  
 Monday, May 8, 2006

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
CALL TO ORDER	6:30 pm Quorum comprised Directors Bassett, Greer, Kleiter, Krider, Larson, Rivera (and Mr. Gary L. Powers to be subsequently sworn in as appointed Board Member).		
OPENING CEREMONY	The Pledge of Allegiance was recited in unison, followed by an inspirational reading by Chaplain Hard on behalf of Chaplain Walden ( <i>attached</i> ).		
MISSION AND VISION STATEMENTS	<p>The PPH mission and vision statements were read by Director Krider, as follows:</p> <p><i>The mission of Palomar Pomerado Health is to heal, comfort and promote health in the communities we serve.</i></p> <p><i>The vision of PPH is to be the health system of choice for patients, physicians and employees, recognized nationally for the highest quality of clinical care and access to comprehensive services.</i></p>		
NOTICE OF MEETING	Notice of Meeting was mailed consistent with legal requirements		
OATH OF OFFICE	Mr. Gary L. Powers, having been successfully nominated to the PPH Board of Directors on April 28, 2006 to fill the seat vacated by Mrs. Nancy H. Scofield effective May 1, 2006, was sworn in making him an official member of the PPH Board of Directors. The Oath of Office was administered by Jim Roth, Esq, Board Member, San Diego North Chamber of Commerce Board of Directors.	Chairman Rivera congratulated Director Powers to the Board noting there had been open candidate interviews and from many highly qualified candidates, Mr. Powers was the Board's unanimous choice. He then read out Mr. Powers' background noting that he is President and CEO of the San Diego North Chamber of Commerce and	

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	Chairman Rivera, in welcoming Director Powers, presented him with a Service Award Pin upon his assuming office.	that it was a pleasure to have Mr. Powers on the Board.	
<b>SERVICE AWARD PIN</b>	Chairman Rivera, in welcoming Director Powers, presented him with a Service Award Pin upon his assuming office.		
<b>PUBLIC COMMENTS</b> • Ms Terri Law	Ms Terri Law of Ramona and a Stat RN - contract, spoke regarding the last contract when over 200 nurses were hired. However, they now felt that upper management seemed to want more control. She continued that the Stat RNs had not had a raise in three years and that continuity was important and felt that nurses were the "go-betweens" and needed more control over schedules and urged management to complete the new contract on time.	Chairman Rivera thanked Ms Law for taking the time to address the Board in this regard.	
• Mr. Donald Bush	Mr. Donald Bush, of Oceanside, representing Rehab Dept and CHEU referred to union issues concern from employees, referring to some employees who were pro-union or anti-union and that some had claimed they signed letters they had not meant to sign. It was claimed that PPH management was working against employees, referencing reducing pensions/pay. In representing his co-workers he was concerned about patient care.	Chairman Rivera thanked Mr. Bush, noting that he respected everything Mr. Bush did for his patients and that everything will be worked out amongst themselves.	
• Mr. Colin Henlappaermen	Mr. Henlappaermen, RN on staff at PPH for three years, relayed that he represented CNA and was concerned about the nursing contract and patient-nurse advocacy, noting the need for a strong bond between nurse and patient. He also stated the need for a Lift Team 24/7 to prevent a mass exodus of nurses.	Chairman Rivera thanked the speaker for attending and appreciated we were in the process of union negotiations. However, he would like to see many more people as attended that evening attend our Board meetings on a regular basis. We hoped to reach a successful conclusion of negotiations of benefit to all.	
• Ronald Feldman, MD, • Mark Zakko, M.D., • Mark Kadden, MD., and • Pritam Singh, M.D.	Dr. Feldman, with Drs Zakko, Kadden and Singh present, addressed the Board referring to the Escondido Endoscopy Services and wished to obtain a PPH contract for outpatient endoscopy. He then relayed the background leading to this matter, referring to the opening of the Parkway Endoscopy Center in the fall of	Chairman Rivera thanked Dr. Feldman and his group for taking their time to attend that evening to address the Board, but felt that as this was a business matter, Dr. Feldman should have contact with Dr. Levenson, and continue to work	

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	2004 as an extension to their offices, as a result of the apparent uncertainty of allowing the group to perform procedures on many of their HMO patients at Escondido Surgery Center. <i>(Presentation attached to original minutes).</i>	with him in this regard.	
<b>APPROVAL OF MINUTES</b> <ul style="list-style-type: none"> <li>April 10, 2006 Regular</li> <li>April 25, 2006 Special</li> </ul>		<b>MOTION:</b> by Krider, 2 <sup>nd</sup> by Kleiter and carried to approve the April 10, 2006 minutes as submitted. All in favor. None opposed.  <b>MOTION:</b> by Kleiter, 2 <sup>nd</sup> by Larson and carried to approve the April 25, 2006 minutes as submitted. All in favor. None opposed.  <b>MOTION:</b> by Kleiter, 2 <sup>nd</sup> by Bassett and carried to approve the Consent items listed A-D and F, G and H as submitted with item E separated out for subsequent consideration. All in favor. None opposed.	
<b>APPROVAL OF AGENDA to accept the Consent Items as listed A-D, plus F (ICOC Minutes); G (Resignation from the ICOC of Lee Human, MD &amp; recommendation to fill vacancy); and H (Governance Committee April 11, 2006 Revisions to current Board Policies GOV-20; GOV-25; and QLT-31 as submitted) - excepting E - Admin Services Agreements PMC, to be separated out allowing for possible conflicts of interest</b>	Agreements regarding: Chief of Staff - Robert D. Trifunovic, MD Chief of Staff elect - John J. Lilley, MD Chairman, Dept of Orthopaedics - Paul Milling, MD Chairman, Dept of Medicine - John J. Lilley, MD Chairman, Dept of Anesthesia - Pierre Lotzof, MD Chairman, Dept of Emergency Medicine - Jaime Rivas, MD Chairman, Dept of Family Practice - Nicholas Jauregui, MD Chairman, Dept of Radiology - Gary Spoto, MD	<b>MOTION:</b> by Kleiter, 2 <sup>nd</sup> by Bassett and carried to approve the Consent Item listed E - Administrative Services Agreements PMC (Jan 1, 2006 - Dec 31, 2007) as submitted. All in favor. None opposed.  Director Greer abstained.	



AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	<p>Chairman, Department of OB/GYN – Gregory Langford, MD  Chairman, Dept of Pediatrics – David Golembeski, MD  Chairman, Dept of Trauma – Thomas S. Velky, MD  Chairman, Dept of Pathology – Lachlan Macleay, MD  Chairman, Quality Management Committee – Daniel Harrison, MD</p>		
<p><b>PRESENTATION</b></p> <ul style="list-style-type: none"> <li>Review of Neighborhood Healthcare</li> </ul>	<p>Tracy Ream, CEO, Neighborhood Healthcare and James Schultz, MD, Chief Medical Officer, Neighborhood Healthcare provided an overview of activities of Neighborhood Healthcare, formerly known as Escondido Community Health Center from which it had grown to nine locations. Services include Pediatric and Adult Primary Care, Prenatal/Childbirth preparation; HIV testing/counseling, Dental Care; Behavioral Health; Health Promotion/Outreach; SNF and Inpatient Care. An estimated 206,000 outpatient and inpatient visits will be provided this year to 65,000 children and adults. The numbers have steadily increased and include many adults who may have lost their jobs, or who have jobs but with little or no health insurance.  (Copy presentation attached to original minutes).</p> <p>Toward the end of their presentation, Ms Ream issued invitations to the Board to attend the Orfila Winery /Auction fund-raiser June 3.</p>	<p>Chairman Rivera thanked Ms Ream and Dr. Schultz for their informative report and important work in the community.</p>	
<ul style="list-style-type: none"> <li>PPH Skilled Nursing Facilities Services Update</li> </ul>		<p>Chairman Rivera thanked Mr. Gold for his report to the Board, noting the excellent work that was being done.</p>	

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AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
REPORTS	He also relayed future visions for senior care.		
Medical Staff			
Palomar Medical Center			
<ul style="list-style-type: none"> <li>▪ Credentialing</li> </ul>	<p>Robert D. Trifunovic, MD., Chief of PMC Medical Staff, presented PMC's requests for approval of Credentialing Recommendations.</p>	<p><b>MOTION:</b> by Kleiter, 2<sup>nd</sup> by Bassett and carried to approve the PMC Medical Staff Executive Committee credentialing recommendations for the PMC Medical Staff, as presented. None opposed.</p> <p>Directors Greer and Larson abstained to avoid potential conflict of interest.</p>	
<ul style="list-style-type: none"> <li>▪ Credentialing</li> </ul>	<p>Robert D. Trifunovic, MD., Chief of PMC Medical Staff, presented PMC's further request for approval of Credentialing Recommendations of Patrick M. O'Meara, MD through 04/30/2007.</p> <p>Chairman Rivera was aware of this matter that was being handled on which the MEC and JRC had been working. The last recommendation by the Board was for 90 days credentialing through 05/28/2006. Chairman Rivera proposed that a 30-day reappointment from that date for the extension of privileges be made, which would allow time through June 27, 2006.</p>	<p><b>MOTION:</b> by Kleiter, 2<sup>nd</sup> by Greer and carried to approve a 30-day only extension reappointment for Patrick M. O'Meara, MD from 05/28/2006 through June 27, 2006.</p> <p>All in favor. None opposed.</p>	
<ul style="list-style-type: none"> <li>▪ Escondido Surgery Center</li> <li>▪ Credentialing</li> </ul>	<p>Marvin W. Levenson, MD, Administrator/ Medical Director of the Escondido Surgery Center, presented requests for approval of Credentialing Recommendations.</p>	<p><b>MOTION:</b> by Kleiter, 2<sup>nd</sup> by Bassett and carried to approve the PMC Medical Staff Executive Committee credentialing recommendations for the Escondido Surgery Center, as presented. None opposed.</p> <p>Director Greer abstained to avoid potential conflict of interest.</p>	

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AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
Pomerado Hospital • Credentialing	Paul E. Tornambe, MD., Chief of Pomerado Medical Staff, presented Pomerado Hospital's requests for approval of Credentialing Recommendations.	<b>MOTION:</b> by Kleiter, 2 <sup>nd</sup> by Bassett and carried to approve the Pomerado Hospital Medical Staff Executive Committee credentialing recommendations for the Pomerado Medical Staff, as presented. None opposed. Directors Greer and Larson abstained to avoid potential conflict of interest.	
<b>Administrative</b> Chairperson - Palomar Pomerado Health Foundation	Ms Pauline Getz		
	<p>Ms Getz offered condolences on the recent loss of Director Bassett's son.</p> <p>She then offered hearty congratulation to Mr. Gary Powers and his wife, Sharon, on Mr. Powers' successful appointment to the PPH Board of Directors and wished him well, noting that he had been invited to attend their Foundation Board meetings and she looked forward to introducing him.</p> <p>Ms Getz continued that a Marketing Plan for the Foundation is in process and that the development of the website continues. A Foundation Bylaws Committee was also underway.</p> <p>A 2-hour development presentation was planned when staff would provide an in-depth report.</p> <p>Ms Getz relayed that she would not be present at the June 12 PPH Board Meeting June as she will be acting as the Parliamentarian for the Episcopal Church. Mr. Al Stehly will take her place on that occasion.</p>	Chairman Rivera sincerely thanked Ms Getz for her Foundation report, noting her passion for the Foundation and the community and that it was a pleasure to have her at our Board meetings.	

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AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
<p>Chairman of the Board - Palomar Pomerado Health</p> <ul style="list-style-type: none"> <li>• Congratulations – Mr. Gary L. Powers</li> <li>• Condolences</li> </ul>	<p>Marcelo R. Rivera, MD</p> <p>Chairman Rivera again congratulated Director Powers on his selection to the PPH Board, noting that all the candidates were outstanding and thanked everyone who had applied.</p> <p>Chairman Rivera expressed deeply felt condolences to Director Bassett on the recent loss of her son, noting that it had been a very difficult time during which Director Bassett had conducted herself in a purposeful manner when in public and for which she was to be commended.</p> <p>Director Bassett thanked Dr. Rivera for his kind words which were deeply appreciated and thanked all who support her and her family with cards and prayers and the memorial service held at Graybill.</p>		
<ul style="list-style-type: none"> <li>• National Volunteer Week</li> </ul>	<p>Chairman Rivera noted that National Volunteer Week was April 24 and he was proud to attend the week's events and particularly the Annual Volunteer Luncheon honoring our volunteers to whom we owed much.</p>		
<ul style="list-style-type: none"> <li>• CHA/AHA Annual Meeting, Washing, DC April 30 – May 4, 2006</li> </ul>	<p>Chairman Rivera reported that he, together with Director Krider and Michael Covert had attended the Annual CHA/AHA Meeting in Washington, DC. He attended a number of programs and Director Krider brought back some ideas from the meetings that were held, particularly regarding legislative/community relations, etc. Director Krider then relayed the information and ideas obtained.</p> <p>Chairman Rivera had brought back several pieces of information from these meetings including the Baldrige criteria for excellence and Canadian comparative healthcare statistics. Architectural plans, Human Rights, and extensive "greening" of roofs in construction that added a cooling environment were amongst many items discussed and for which</p>		<p>Copies of informational brochures from the CHA/AHA Annual Meeting had since been circulated to the full Board.</p>

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AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	<p>he requested that these information brochures be circulated to the full Board.</p>		
<ul style="list-style-type: none"> <li>Re-certification of CEO as a Fellow in the ACHE</li> </ul>	<p>Chairman Rivera was proud to announce that Mr. Michael H. Covert, President and CEO of Palomar Pomerado Health had been re-certified as a Fellow in the American College of Healthcare Executives, as out of about 1500 Fellows, only 300-500 have been re-certified by ACHE.</p>		
<ul style="list-style-type: none"> <li>Health Development Board Vacancy</li> </ul>	<p>Chairman Rivera requested a motion to appoint Mr. Gary L. Powers as a Board Member of the Palomar Pomerado Health Development Board to fill the vacancy created by Director Scofield's resignation.</p>	<p><b>MOTION:</b> by Rivera, seconded and carried that Director Gary L. Powers be appointed to the Board of the Palomar Pomerado Health Development Board to fill the vacancy created by Director Scofield's resignation. All in favor. None opposed.</p>	
<p>President and CEO</p>	<p>Michael H. Covert</p>		
<ul style="list-style-type: none"> <li>Pomerado Foundation and Superstructure</li> </ul>	<p>Mr. Covert stated that in order to purchase steel and move the Pomerado expansion forward, we had an opportunity to visit with our architects so as to have this be in the queue for relevant approvals through OSHPD. A motion was now requested for approval of the Pomerado Hospital Foundation and Superstructure. Brief discussion ensued.</p>	<p><b>MOTION:</b> by Rivera, seconded and carried that approval be given for the Pomerado Foundation and Superstructure as presented. All in favor. None opposed.</p>	
<ul style="list-style-type: none"> <li>PMC American College of Surgeons Trauma Re-certification Survey May 8</li> </ul>	<p>Michael Covert stated that Ms Lorie Shoemaker, Ms Kim Colonnelli, and Mr. Gerald Bracht were with the ACS Surveyors that evening and as a result could not be present at the Board Meeting.</p>		
<ul style="list-style-type: none"> <li>National Hospital Week/Nurses' Weeks May 8-12</li> </ul>	<p>Mr. Covert relayed that the week of May 8-12 provided an opportunity to recognize our nurses at Pomerado and PMC, including the presentation of gift baskets. All of our nurses were thanked for their contributions to our system.</p>		
<ul style="list-style-type: none"> <li>Annual Street Fairs</li> </ul>	<p>Annual Street Fairs held in Rancho Penasquitos May 7, and for Escondido May 21 and RB Alive June 4, were noted.</p>		



AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
<ul style="list-style-type: none"> <li>Board Ethics Training May 12, 2006</li> </ul>	<p>Mr. Covert conveyed that Board Ethics Training is now a 2-hour legal requirement and this was held on May 12, 2006.</p>		
<ul style="list-style-type: none"> <li>Pomerado Auxiliary Installation Luncheon May 10, 2006</li> </ul>	<p>The CEO reported his attendance at the Pomerado Auxiliary Installation Luncheon May 10 at Stoneridge Country Club, to which Board Members had also been invited.</p>		
<ul style="list-style-type: none"> <li>VHA Annual Meeting May 22/AHA Governing Council May 31</li> </ul>	<p>Michael Covert announced that he would be attending the VHA Annual meeting May 22 and also the AHA Governing Council May 31.</p>		
<ul style="list-style-type: none"> <li>World Health Network</li> </ul>	<p>Mr. Covert referred to a meeting with a World Health Network representative who expressed interest in Ramona and Valley Center Clinics but noted that we would not be duplicating each other.</p>		
<ul style="list-style-type: none"> <li>Foundation Update</li> </ul>	<p>Mr. Covert stated that candidate interviews for the Foundation Executive position are taking place.</p>		
<ul style="list-style-type: none"> <li>Dennis Leahy, M.D.</li> </ul>	<p>The CEO referred to a recent newspaper article highlighting the positive work done by Dr. Leahy in the door to catheterization time and recognizing his important and effective efforts in San Diego County in the saving of lives.</p>		
<p><b>INFORMATION ITEMS</b></p>	<p><i>Discussion by exception only</i></p>		
<ul style="list-style-type: none"> <li>Human Resources</li> </ul>			
<ul style="list-style-type: none"> <li>Strategic Planning</li> </ul>			
<ul style="list-style-type: none"> <li>Internal Audit</li> </ul>			
<ul style="list-style-type: none"> <li>Governance</li> </ul>			
<p><b>COMMITTEE REPORTS</b></p>			
<p>Finance</p>	<p>Director Kletter commented on the quarterly update from Mr. Hemker on the financials and that if anyone wanted a refresher, he is more than willing to go over that report.</p> <p>In addition, the same team that met with the bond insurers will be meeting with Moody's to make our presentation to them.</p> <p>Mr. Hemker, CFO, in reference to item G. under the previous Consent Items approved</p>		
		<p>The Board generally agreed with the suggested timeline by Mr. Hemker of</p>	

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	<p>earlier in the meeting, requested guidance on the timeline that the Board needs to have the Vacancy Notice posted for the ICOC Committee. He suggested a 3-week posting with a deadline of close of business on Wednesday, May 24, 2006, as this would allow the community that amount of time for interested parties to apply.</p>	<p>a 3-week posting of Vacancy Notice for the ICOC Committee vacancy, with a deadline of close of business Wednesday, May 24, 2006.</p>	
<p><b>BOARD MEMBER COMMENTS/AGENDA ITEMS FOR NEXT MONTH</b></p>	<p>Director Larson wished to second Chairman Rivera's congratulation to Mr. Michael Covert on his re-certification as a Fellow in the ACHE. He noted that we have a stellar leader and we can be proud of Mr. Covert's and PPH's achievements.</p> <p>Director Larson also commended Dr. Leahy and the recent press article, noting that we have made great progress in this area.</p> <p>Director Powers relayed that he was surprised and honored to first hear that he had been selected to be a Board Member with PPH and had been reviewing the Board materials in advance of his first meeting. He noted that Mary Coalsen had given much time to the Rancho Penasquitos Street Fair as she had remained on site, and on occasion without a shade canopy until one was brought to her. He was deeply grateful for her efforts.</p> <p>Chairman Rivera also praised Mr. Covert for his ACHE Fellowship re-certification achievement. He then referred to Dana Richardson, Gustavo Friederichsen's counterpart at Paradise Hospital, and that in National City a hospital was being built to maximum use to accommodate nurses, some employees and SNFs. He suggested that Gustavo work through Dana to help in setting up a site visit there.</p> <p>In addition, Chairman Rivera reported that</p>		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	<p>there had been communication with Board Members at Tri-City who had been dealing with similar events as ours, such as an upcoming bond issue, and a Board appointment.</p> <p>8:40 pm.</p>		
<p><b>ADJOURNMENT</b></p>			
<p><b>SIGNATURES</b></p> <ul style="list-style-type: none"> <li>▪ Board Secretary</li>   <li>▪ Board Assistant</li> </ul>	<p>_____</p> <p>Linda C. Greer, R.N.</p> <p>_____</p> <p>Christine D. Meaney</p>		



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

04/01/06	TO	04/30/06	ACCOUNTS PAYABLE INVOICES	\$23,316,024.00
04/07/06	TO	04/21/06	NET PAYROLL	<u>\$8,529,620.00</u>
				\$31,845,644.00

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

## April 2006 & Fiscal YTD 2006 Financial Report

**TO:** Board of Directors  
**MEETING DATE:** Monday, June 12, 2006  
**FROM:** Board Finance Committee  
Tuesday, May 30, 2006  
**BY:** Robert Hemker, CFO

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

**Budget Impact:** N/A

**Staff Recommendation:** Staff recommends approval.

**Committee Questions:**

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

**Motion:** X

**Individual Action:**

**Information:**

**Required Time:**

**PALOMAR POMERADO HEALTH**

*A California Health Care District*

**BOARD FINANCIAL REPORT**

**APRIL 2006**

(UNAUDITED)

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

**PALOMAR POMERADO HEALTH**  
*A California Health Care District*

**BOARD FINANCIAL REPORT**

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

**Statistics:**

Consolidated acute patient days decreased 1,033 days (-10%) to 9,024 in April compared to March's 10,057 days. However, actual patient days for April were 73 days higher than budget of 8,951. YTD acute patient days of 94,403 are higher (4%) than budget of 90,706. The acute Average Daily Census (ADC) was 301 in April, compared to 324 in March. Acute admissions for April YTD were 23,585, compared to budget of 23,064 (2.3% higher than budget). YTD April SNF patient days were 63,112, compared to budget of 62,968 (.2% variance).

Palomar's YTD acute patient days of 70,973 are above budget of 68,841 (3.1% higher), resulting in a YTD actual ADC of 233, compared to budget of 226. YTD PMC is experiencing 20% fewer trauma cases than budget. Total surgery cases were down 5.9% from budget (cardiovascular surgery cases are down 10.8% from budget).

Pomerado's YTD acute patient days are 1,565 days (7.2%) greater than budget (actual = 23,430, budget = 21,865). YTD actual ADC was 77, compared to budget of 72; and the last 3 months' averaged ADC was 84. Admissions of 5,694 were lower (-1%) than budget of 5,740.

**Balance Sheet:**

**Current Cash & Cash Equivalents** increased \$4.3 million to \$125 million in April (from \$121 million in March). The increase is mainly due to \$3 million in Property Tax receipts. Total Cash and Investments are \$141.5 million, compared to \$131 million at June 30, 2005. Days' cash on hand are 151, compared to 148 at June. Master Facility Plan expenses remaining to be reimbursed are approximately \$18 million, or 19 days of cash on hand.

**Net Accounts Receivable** decreased slightly to \$70.1 million in April as compared to \$71.5 million in March. Gross A/R days were 50.8 in April, down slightly from March's 51.2 days. June 2005 and 2004 gross A/R days were 70 and 40, respectively. April patient account collections (excluding Capitation) were \$23.9 million, compared to budget of \$26.1 million. YTD patient account collections (excluding capitation) are \$12 million below budget at \$249 million (budget was \$261 million).

**Construction in Progress** increased \$4.3 million, mainly due to the Facility Master Plan construction activities.

**Accounts Payable** increased \$1.9 million, primarily due to the timing of vendor payments.

**Income Statement:**

**Gross Patient Revenue** for YTD April reflects a favorable budget variance of \$38 million. This favorable variance is composed of a \$35.6 million favorable volume variance and a \$2.2 million favorable rate variance.

Routine revenue (inpatient room and board) reflects a favorable \$3.0 million budget variance. PPH North reflects an unfavorable variance of \$644 thousand, and PPH South reflects a favorable variance of \$3.7 million (\$1.5 million of this variance is reflected at Villa Pomerado & Sub-Acute).

Inpatient Ancillary gross revenue represents a YTD \$27 million favorable budget variance in April. PPH North reflects a favorable variance of \$27 million, and PPH South reflects a \$300 thousand favorable variance. The main contributors to Palomar's favorable variance are reflected in the Pharmacy, Emergency Room, and Patient supply departments, totaling \$26.1 million higher than budget.

Outpatient revenue reflects a YTD favorable budget variance of \$7.7 million. The majority of this favorable variance is reflected at PPH North at \$8.1 million, with Emergency at \$5.0 million and Pharmacy at \$1.4 million above budget.

**Deductions from Revenue** reflects a YTD unfavorable variance of \$34.7 million. This variance is due to 1) Disproportional IP Ancillary revenue compared to routine nursing revenue (which results in additional contractual adjustments of approximately \$23 million, the result of most payer payments being based upon case rate or per diem reimbursement for inpatient services) at Palomar; and, 2) An increase in uninsured patients, resulting in charity, undocumented and bad debt write-offs. Total Deductions from Revenue is 68.1% of gross revenue, compared to a budget of 67.1%.

Deductions from Revenue (excluding Capitation revenue and Bad Debt/Charity/Undocumented expenses), was 64.1% of Gross Revenue for April YTD compared to budget of 62.8%.

The Capitation monies retained by PPH are reflecting a \$4.7 million favorable variance as of April. The capitation pools are reflecting a significant reduction in Net Income for the year as compared to budget; however, PPH is retaining significantly more of the capitation dollars as patients are being treated at PPH facilities.

Bad debt, charity & undocumented care write-offs reflected a YTD unfavorable \$3.7 million budget variance. PPH North is experiencing a higher proportion of uncompensated care than experienced in previous years. Bad debt, charity and undocumented write-offs as a percent of gross revenue is 4.9%, compared to budget of 4.7%. The .2% variance approximates \$1.8 million.

**Other Operating Revenue** reflects an unfavorable budget variance of \$1.3 million. A large portion of this variance, \$873 thousand, is related to laboratory services that were budgeted in Other Operating Revenue but are being recognized in OP revenue. Included in other operating revenue is the Welcome Home Baby Program's recognized YTD revenue of \$686 thousand, which is lower than budget by \$425 thousand.

**Salaries, Wages & Contract Labor** reflects a YTD unfavorable variance of \$6.5 million. This YTD unfavorable variance is composed of: 1) Salaries and Wages – (\$3,128,000 (actual \$133 million); and, 2) Contract Labor – (\$3,341,000) (actual \$10.8 million). These YTD variances are composed of: PPH North unfavorable \$4.8 million; PPH South unfavorable \$2.1 million; and Central Office unfavorable \$273 thousand. The month of April reflected an unfavorable variance of \$1.5 million, which is reflected in all areas; however, PPH South's variance was primarily due to higher patient volumes, whereas other zones were the result of rate variances.

**Benefits Expense** is reflecting a YTD favorable budget variance of \$834 thousand. The month of April includes a favorable variance of \$605 thousand, primarily the result of positive workers' compensation expenses.

**Supplies Expense** is reflecting a YTD unfavorable budget variance of \$2.7 million. April reflected an unfavorable \$118 thousand budget variance, mainly from Pomerado and due to higher volume. PPH North reflected a YTD unfavorable \$2.8 million variance from budget. The majority of PPH North's variance is in Pharmacy for \$1.1 million, prosthesis for \$817 thousand, and general surgery supplies for \$684 thousand.

**Prof Fees & Purch Services** reflected a YTD favorable budget variance of \$249 thousand. April reflects a \$270 thousand unfavorable variance to budget, primarily the result of increased expenses for legal fees, Information Technology expenses, and ED call coverage.

**Non-Operating Income** reflects a YTD favorable variance of \$1.6 million in April, including a \$752 thousand favorable investment income variance. YTD Investment income reflects a 2.9% investment rate of return compared to budget of 2.5%.

#### Ratios & Margins:

All required bond covenant ratios were achieved in April 2006.

**PALOMAR POMERADO HEALTH  
CONSOLIDATED  
MTD 2006  
APR 2006**

	Month Activity		Variance		Variance		\$/Wtg Pt Day		
	Actual	Budget			Volume	Rate/Eff	Actual	Budget	Variance
<b>Statistics:</b>									
Admissions - Acute	2,250	2,276	(26)						
Admissions - SNF	98	112	(14)						
Patient Days - Acute	9,024	8,951	73						
Patient Days - SNF	6,236	6,214	22						
LOS - Acute	3.97	4.00	(0.03)						
LOS - SNF	40.23	37.98	2.25						
Weighted Pt Days	12,095	11,917	178						
<b>Revenue:</b>									
Gross Revenue	\$ 86,432,429	\$ 86,863,917	\$ (431,488)	U	\$ 1,297,456	\$ (1,728,944)	\$ 7,146.13	\$ 7,289.08	\$ (142.95)
Deductions from Rev	(58,107,487)	(58,267,446)	159,959	F	(870,320)	1,030,279	(4,804.26)	(4,889.44)	85.18
Net Patient Revenue	28,324,942	28,596,471	(271,529)	U	427,135	(698,664)	2,341.87	2,399.64	(57.76)
Other Oper Revenue	625,007	848,479	(223,472)	U	12,673	(236,145)	51.67	71.20	(19.52)
<b>Total Net Revenue</b>	<b>28,949,949</b>	<b>29,444,950</b>	<b>(495,001)</b>	<b>U</b>	<b>439,809</b>	<b>(934,810)</b>	<b>2,393.55</b>	<b>2,470.84</b>	<b>(77.29)</b>
<b>Expenses:</b>									
Salaries, Wages & Contr Labor	15,025,501	13,549,504	(1,475,997)	U	(202,384)	(1,273,613)	1,242.29	1,136.99	(105.30)
Benefits	2,739,895	3,345,069	605,174	F	(49,964)	655,138	226.53	280.70	54.17
Supplies	4,970,676	4,851,934	(118,742)	U	(72,472)	(46,270)	410.97	407.14	(3.83)
Prof Fees & Purch Svc	4,143,045	3,872,627	(270,418)	U	(57,844)	(212,574)	342.54	324.97	(17.58)
Depreciation	1,492,706	1,435,958	(56,748)	U	(21,448)	(35,300)	123.42	120.50	(2.92)
Other	1,769,648	1,665,852	(103,796)	U	(24,882)	(78,914)	146.31	139.79	(6.52)
PPH Allocation	-	(1)	(1)	U	0	(1)	-	(0.00)	(0.00)
<b>Total Expenses</b>	<b>30,141,471</b>	<b>28,720,943</b>	<b>(1,420,528)</b>	<b>U</b>	<b>(428,995)</b>	<b>(991,533)</b>	<b>2,492.06</b>	<b>2,410.08</b>	<b>(81.98)</b>
<b>Net Inc Before Non-Oper Income</b>	<b>(1,191,522)</b>	<b>724,007</b>	<b>(1,915,529)</b>	<b>U</b>	<b>10,814</b>	<b>(1,926,343)</b>	<b>(98.51)</b>	<b>60.75</b>	<b>(159.27)</b>
Property Tax Revenue	1,601,333	908,333	693,000	F	13,567	679,433	132.40	76.22	56.17
Non-Operating Income	70,086	(168,307)	238,393	F	(2,514)	240,907	5.79	(14.12)	19.92
<b>Net Income (Loss)</b>	<b>\$ 479,897</b>	<b>\$ 1,464,033</b>	<b>\$ (984,136)</b>	<b>U</b>	<b>\$ 21,868</b>	<b>\$ (1,006,004)</b>	<b>\$ 39.68</b>	<b>\$ 122.85</b>	<b>\$ (83.18)</b>
Net Income Margin	1.6%	4.7%	-3.1%						
OEBITDA Margin w/o Prop Tax	1.0%	6.9%	-5.9%						
OEBITDA Margin with Prop Tax	6.5%	9.8%	-3.3%						

F= Favorable variance  
U= Unfavorable variance

IX

Palomar Pomerado Health  
Balanced Scorecard  
Financial Indicators  
April 30, 2006

	January		February		March		April		YTD 2006		% Actual to Bud/PPY	
	Actual		Actual		Actual		Actual		Bud/PPY	Variance		
<b>PPH Indicators:</b>												
OEBITDA Margin w/Prop Tax	9.6%		9.0%	9.4%	6.5%	9.8%	8.0%	9.8%	8.0%	9.8%	-1.8%	
Expenses/Wtd Day	\$ 2,332.54	\$ 2,507.56	\$ 2,333.17	\$ 2,526.80	\$ 2,444.87	\$ 2,444.87	\$ 2,444.87	\$ 2,444.87	\$ 2,439.76	\$ 2,439.76	\$ 26.74	98.9%
SWB/Wtd Day	\$ 1,346.58	\$ 1,470.53	\$ 1,331.13	\$ 1,468.82	\$ 1,417.69	\$ 1,417.69	\$ 1,417.69	\$ 1,417.69	\$ 1,417.34	\$ 1,417.34	\$ 10.26	99.3%
Prod FTE's/Adj Occupied Bed	6.08	6.06	5.95	6.27	6.18	6.18	6.18	6.18	6.17	6.17	0.09	99.5%
Weighted Patient Days	13,278	12,083	13,539	12,095	12,398	12,398	12,398	12,398	120,759	120,759	4,885	100.0%
<b>PPH North Indicators:</b>												
OEBITDA Margin w/Prop Tax	12.3%		10.2%	10.1%	8.7%	11.7%	8.6%	11.8%	8.6%	11.8%	-3.2%	
Expenses/Wtd Day	\$ 2,250.84	\$ 2,452.12	\$ 2,258.43	\$ 2,453.41	\$ 2,317.52	\$ 2,317.52	\$ 2,317.52	\$ 2,317.52	\$ 2,312.59	\$ 2,312.59	\$ 0.06	100.3%
SWB/Wtd Day	\$ 1,122.55	\$ 1,225.03	\$ 1,118.84	\$ 1,245.04	\$ 1,181.84	\$ 1,181.84	\$ 1,181.84	\$ 1,181.84	\$ 1,181.31	\$ 1,181.31	\$ (3.30)	100.8%
Prod FTE's/Adj Occupied Bed	5.07	5.20	5.06	5.33	5.10	5.10	5.10	5.10	5.10	5.10	(0.04)	100.8%
Weighted Patient Days	9,345	8,261	9,354	8,276	8,918	8,918	8,918	8,918	85,286	85,286	2,833	100.0%
<b>PPH South Indicators:</b>												
OEBITDA Margin w/Prop Tax	2.2%		7.0%	3.8%	-0.1%	1.3%	4.6%	1.3%	4.6%	1.3%	3.3%	
Expenses/Wtd Day	\$ 2,247.26	\$ 2,289.05	\$ 2,235.87	\$ 2,373.34	\$ 2,454.26	\$ 2,454.26	\$ 2,454.26	\$ 2,454.26	\$ 2,449.99	\$ 2,449.99	\$ 100.26	100.0%
SWB/Wtd Day	\$ 1,156.12	\$ 1,225.33	\$ 1,143.02	\$ 1,194.03	\$ 1,262.34	\$ 1,262.34	\$ 1,262.34	\$ 1,262.34	\$ 1,262.29	\$ 1,262.29	\$ 42.42	100.0%
Prod FTE's/Adj Occupied Bed	5.53	5.45	5.36	5.32	5.88	5.88	5.88	5.88	5.88	5.88	0.27	100.0%
Weighted Patient Days	3,772	3,653	4,003	3,706	3,231	3,231	3,231	3,231	33,097	33,097	2,687	100.0%



Palomar Pomerado Health  
Consolidated Balance Sheet  
As of April 30, 2006

	Current Month	Prior Month	Prior Fiscal Year End
--	---------------	-------------	-----------------------

Assets			
Current Assets			
Cash on Hand	\$7,368,533	\$670,771	\$12,663,073
Cash Marketable Securities	117,923,512	120,285,978	96,380,135
Total Cash & Cash Equivalents	125,292,045	120,956,749	109,043,208
Patient Accounts Receivable	153,177,570	161,407,207	190,388,774
Allowance on Accounts	-83,010,129	-89,864,955	-120,588,401
Net Accounts Receivable	70,167,440	71,543,152	69,800,373
Inventories	6,418,568	6,542,965	6,320,951
Prepaid Expenses	2,259,607	2,541,761	2,383,903
Other	2,018,982	6,255,195	828,210
Total Current Assets	206,156,642	207,839,822	188,378,645
Non-Current Assets			
Restricted Assets	57,051,403	53,350,763	12,026,055
Restricted by Donor	286,158	285,594	281,473
Board Designated	16,234,283	19,936,985	22,388,648
Total Restricted Assets	73,571,845	73,573,342	34,896,176
Property Plant & Equipment	324,488,377	325,625,782	337,484,770
Accumulated Depreciation	-216,231,558	-218,695,069	-218,481,576
Construction in Process	81,529,191	77,248,434	28,023,698
Net Property Plant & Equipment	189,786,010	186,180,147	147,016,892
Investment in Related Companies	6,442,655	6,478,419	6,175,837
Deferred Financing Costs	3,322,656	3,325,959	2,311,702
Other Non-Current Assets	1,156,297	1,169,307	1,274,318
Total Non-Current Assets	274,279,463	270,727,174	191,474,925
Total Assets	\$480,436,105	\$478,566,995	\$379,853,570

	Current Month	Prior Month	Prior Fiscal Year End
--	---------------	-------------	-----------------------

Liabilities			
Current Liabilities			
Accounts Payable	\$17,048,574	\$15,084,488	\$18,090,054
Accrued Payroll	19,027,907	18,355,008	19,511,491
Accrued PTO	10,988,087	10,728,529	10,212,195
Accrued Interest Payable	3,112,395	2,501,814	708,785
Current Portion of Bonds	12,745,000	12,745,000	6,125,000
Est Third Party Settlements	-2,289,581	-2,333,192	-4,522,051
Other Current Liabilities	8,494,887	11,345,292	6,642,463
Total Current Liabilities	69,127,270	66,426,936	56,767,937
Long Term Liabilities			
Bonds & Contracts Payable	151,297,233	151,272,152	79,819,688
General Fund Balance			
Unrestricted	243,491,159	238,645,327	220,595,825
Restricted for Other Purpose	286,158	285,594	281,473
Board Designated	16,234,283	19,936,985	22,388,648
Total Fund Balance	260,011,600	258,867,906	243,265,946
Total Liabilities / Fund Balance	\$480,436,105	\$478,566,995	\$379,853,570

Total Assets			
Total Current Assets	206,156,642	207,839,822	188,378,645
Total Restricted Assets	73,571,845	73,573,342	34,896,176
Property Plant & Equipment	324,488,377	325,625,782	337,484,770
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Total Non-Current Assets	274,279,463	270,727,174	191,474,925
Total Assets	\$480,436,105	\$478,566,995	\$379,853,570

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

	Month Activity		Variance	Rate/Eff		Actual	\$/Mtg Pt Day	
	Actual	Budget		Volume	Rate/Eff		Budget	Variance
<b>Statistics:</b>								
Admissions - Acute	23,585	23,064	521					
Admissions - SNF	1,017	1,131	(114)					
Patient Days - Acute	94,403	90,706	3,697					
Patient Days - SNF	63,112	62,968	144					
LOS - Acute	3.97	4.00	(0.03)					
LOS - SNF	40.07	37.96	2.11					
Weighted Pt Days	125,644	120,759	4,885					
<b>Revenue:</b>								
Gross Revenue	\$ 917,933,719	\$ 880,113,695	\$ 37,820,024	\$ 2,217,250	\$ 7,305.83	\$ 7,288.18	\$ 17.65	
Deductions from Rev	(625,081,703)	(590,375,115)	(34,706,588)	(10,824,456)	(4,975.02)	(4,888.87)	(86.15)	
Net Patient Revenue	292,852,016	289,738,580	3,113,436	(8,607,206)	2,330.81	2,399.31	(68.50)	
Other Oper Revenue	7,212,110	8,484,790	(1,272,680)	(1,615,911)	57.40	70.26	(12.86)	
<b>Total Net Revenue</b>	<b>300,064,126</b>	<b>298,223,370</b>	<b>1,840,756</b>	<b>(10,223,116)</b>	<b>2,388.21</b>	<b>2,469.57</b>	<b>(81.37)</b>	
<b>Expenses:</b>								
Salaries, Wages & Contr Labor	143,738,301	137,268,166	(6,470,135)	(917,286)	1,144.01	1,136.71	(7.30)	
Benefits	33,054,801	33,888,302	833,501	2,204,367	263.08	280.63	17.54	
Supplies	51,883,900	49,195,280	(2,688,620)	(698,549)	412.94	407.38	(5.56)	
Prof Fees & Purch Svc	38,786,855	39,035,875	249,020	1,828,118	308.70	323.25	14.55	
Depreciation	14,718,792	14,317,088	(401,704)	(579,162)	117.15	118.56	1.41	
Other	16,814,502	16,772,292	(42,210)	(678,481)	133.83	138.89	5.06	
PPH Allocation	-	2	2	(0)	-	0.00	0.00	
<b>Total Expenses</b>	<b>298,997,151</b>	<b>290,477,005</b>	<b>(8,520,146)</b>	<b>(11,750,513)</b>	<b>2,379.72</b>	<b>2,405.43</b>	<b>25.71</b>	
<b>Net Inc Before Non-Oper Income</b>	<b>1,066,975</b>	<b>7,746,365</b>	<b>(6,679,391)</b>	<b>313,360</b>	<b>8.49</b>	<b>64.15</b>	<b>(55.66)</b>	
Property Tax Revenue	9,776,330	9,083,330	693,000	367,443	77.81	75.22	2.59	
Non-Operating Income	(735,631)	(1,683,070)	947,439	(68,084)	(5.85)	(13.94)	8.08	
<b>Net Income (Loss)</b>	<b>\$ 10,107,674</b>	<b>\$ 15,146,625</b>	<b>\$ (5,038,952)</b>	<b>\$ (612,718)</b>	<b>\$ (5,651,669)</b>	<b>\$ 80.45</b>	<b>\$ 125.43</b>	<b>\$ (44.98)</b>
Net Income Margin	3.2%	4.8%	-1.6%					
OEBITDA Margin w/o Prop Tax	5.0%	6.9%	-1.9%					
OEBITDA Margin with Prop Tax	8.0%	9.8%	-1.8%					

F= Favorable variance  
U= Unfavorable variance

**PALOMAR POMERADO HEALTH  
CONSOLIDATED  
MTD 2006  
APR 2006**

	Month Activity		Variance		\$/Wtg Pt Day			
	Actual	Budget			Volume	Rate/Eff	Actual	Budget
<b>Statistics:</b>								
Admissions - Acute	2,250	2,276	(26)					
Admissions - SNF	98	112	(14)					
Patient Days - Acute	9,024	8,951	73					
Patient Days - SNF	6,236	6,214	22					
LOS - Acute	3.97	4.00	(0.03)					
LOS - SNF	40.23	37.98	2.25					
Weighted Pt Days	12,095	11,917	178					
<b>Revenue:</b>								
Gross Revenue	\$ 86,432,429	\$ 86,863,917	\$ (431,488)	U	\$ 7,146.13	\$ 7,289.08	\$ (142.95)	
Deductions from Rev	(58,107,487)	(58,267,446)	159,959	F	(4,804.26)	(4,889.44)	85.18	
Net Patient Revenue	28,324,942	28,596,471	(271,529)	U	2,341.87	2,399.64	(57.76)	
Other Oper Revenue	625,007	848,479	(223,472)	U	51.67	71.20	(19.52)	
<b>Total Net Revenue</b>	<b>28,949,949</b>	<b>29,444,950</b>	<b>(495,001)</b>	<b>U</b>	<b>2,393.55</b>	<b>2,470.84</b>	<b>(77.29)</b>	
<b>Expenses:</b>								
Salaries, Wages & Contr Labor	15,025,501	13,549,504	(1,475,997)	U	1,242.29	1,136.99	(105.30)	
Benefits	2,739,895	3,345,069	605,174	F	226.53	280.70	54.17	
Supplies	4,970,676	4,851,934	(118,742)	U	410.97	407.14	(3.83)	
Prof Fees & Purch Svc	4,143,045	3,872,627	(270,418)	U	342.54	324.97	(17.58)	
Depreciation	1,492,706	1,435,958	(56,748)	U	123.42	120.50	(2.92)	
Other	1,769,648	1,665,852	(103,796)	U	146.31	139.79	(6.52)	
PPH Allocation	-	(1)	(1)	U	-	(0.00)	(0.00)	
<b>Total Expenses</b>	<b>30,141,471</b>	<b>28,720,943</b>	<b>(1,420,528)</b>	<b>U</b>	<b>2,492.06</b>	<b>2,410.08</b>	<b>(81.98)</b>	
<b>Net Inc Before Non-Oper Income</b>	<b>(1,191,522)</b>	<b>724,007</b>	<b>(1,915,529)</b>	<b>U</b>	<b>(98.51)</b>	<b>60.75</b>	<b>(159.27)</b>	
Property Tax Revenue	1,601,333	908,333	693,000	F	132.40	76.22	56.17	
Non-Operating Income	70,086	(168,307)	238,393	F	5.79	(14.12)	19.92	
<b>Net Income (Loss)</b>	<b>\$ 479,897</b>	<b>\$ 1,464,033</b>	<b>\$ (984,136)</b>	<b>U</b>	<b>\$ 39.68</b>	<b>\$ 122.85</b>	<b>\$ (83.18)</b>	
<b>Net Income Margin</b>	1.6%	4.7%	-3.1%					
<b>OEBITDA Margin w/o Prop Tax</b>	1.0%	6.9%	-5.9%					
<b>OEBITDA Margin with Prop Tax</b>	6.5%	9.8%	-3.3%					

F= Favorable variance  
U= Unfavorable variance

**Palomar Pomerado Health**  
**STATEMENTS OF CASH FLOWS**  
**Fiscal Year 2006**

	<u>April</u>	<u>YTD</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income (Loss from operations)	\$ (1,191,522)	\$ 1,066,970
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation Expense	1,492,705	14,718,790
Provision for bad debts	945,313	24,779,267
Changes in operating assets and liabilities		
Patient accounts receivable	430,399	(25,144,334)
Property Tax and other receivable:	(741,877)	(11,918,807)
Inventories	124,397	(97,617)
Prepaid expenses and Other Non-Current asset:	339,193	(266,650)
Accounts payable	1,964,086	(219,730)
Accrued comp	932,459	292,308
Estimated settlement amounts due third-party payor	43,611	2,232,470
Other current liabilities	(1,942,072)	10,935,754
Net cash provided by operating activities	<u>2,396,692</u>	<u>16,378,425</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net (purchases) sales on investment:	2,363,964	(60,419,045)
Interest (Loss) received on investment	478,130	3,184,742
Investment in affiliate:	(147,207)	(676,953)
Net cash used in investing activities:	<u>2,694,887</u>	<u>(57,911,256)</u>
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:</b>		
Other	0	0
Receipt of G.O. Bond Taxes:	2,718,167	8,062,030
Receipt of District Taxes:	3,039,437	10,111,275
Net cash used in activities:	<u>5,757,604</u>	<u>18,173,305</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of property plant and equipment	(4,151,422)	(54,567,281)
Proceeds from sale of asse	0	781,634
G.O. Bond Interest paid	0	(2,083,619)
Revenue Bond Interest paid	0	(2,126,354)
Proceeds from issuance of deb	0	82,185,607
Payments of LT Debt:	0	(6,125,000)
Net cash used in activities:	<u>(4,151,422)</u>	<u>18,064,987</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	6,697,761	(5,294,539)
<b>CASH AND CASH EQUIVALENTS - Beginning of period:</b>	<u>670,773</u>	<u>12,663,073</u>
<b>CASH AND CASH EQUIVALENTS - End of period:</b>	<u>\$ 7,368,534</u>	<u>\$ 7,368,534</u>

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# PALOMAR POMERADO HEALTH BOND COVENANT RATIOS

Prelim # 7

<b>CUSHION RATIO</b>	<b>Jun-04</b>	<b>Jun-05</b>	<b>Apr-06</b>
Cash and Cash Equivalents	140,057,417	109,043,208	125,290,833
Board Designated Reserves	27,374,261	22,388,648	16,234,283
Trustee-held Funds	11,853,970	12,026,055	12,309,559
<b>Total</b>	<b>179,285,648</b>	<b>143,457,911</b>	<b>153,834,675</b>
Divided by:			
Max Annual Debt Service (Bond Year 2012)	10,697,594	10,697,594	10,697,594
<b>CUSHION RATIO</b>	<b>16.8</b>	<b>13.4</b>	<b>14.4</b>
<b>REQUIREMENT</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>
	<b>Achieved</b>	<b>Achieved</b>	<b>Achieved</b>

<b>DAYS CASH ON HAND</b>	<b>Jun-04</b>	<b>Jun-05</b>	<b>Apr-06</b>
Cash and Cash Equivalents	140,057,417	109,043,208	125,290,833
Board Designated Reserves	27,374,261	22,388,648	16,234,283
<b>Total</b>	<b>167,431,678</b>	<b>131,431,856</b>	<b>141,525,116</b>
Divide Total by Average Adjusted Expenses per Day			
Total Expenses	311,614,910	340,338,156	298,997,151
Less: Depreciation	14,546,550	16,394,985	14,718,792
<b>Adjusted Expenses</b>	<b>297,068,360</b>	<b>323,943,171</b>	<b>284,278,359</b>
Number of days in period	366	365	304
<b>Average Adjusted Expenses per Day</b>	<b>811,662</b>	<b>887,516</b>	<b>935,126</b>
<b>DAYS CASH ON HAND</b>	<b>206</b>	<b>148</b>	<b>151</b>
<b>REQUIREMENT</b>	<b>90</b>	<b>90</b>	<b>90</b>
	<b>Achieved</b>	<b>Achieved</b>	<b>Achieved</b>

<b>Net Income Available for Debt Service</b>	<b>Jun-04</b>	<b>Jun-05</b>	<b>Apr-06</b>
Excess of revenue over expenses Cur Mo.	2,905,196	1,490,930	479,897
Excess of revenues over expenses YTD (General Funds)	16,053,177	17,052,649	10,107,673
ADD:			
Depreciation and Amortization	14,546,550	16,394,985	14,718,792
Interest Expense	5,581,454	5,272,031	4,184,151
<b>Net Income Available for Debt Service</b>	<b>36,181,181</b>	<b>38,719,665</b>	<b>29,010,616</b>
Aggregate Debt Service			
1993 Insured Refunding Revenue Bonds	6,017,132	6,020,301	3,231,674
1999 Insured Refunding Revenue Bonds	4,357,728	4,356,844	5,575,845
<b>Aggregate Debt Service</b>	<b>10,374,860</b>	<b>10,377,145</b>	<b>8,807,519</b>
<b>Net Income Available for Debt Service</b>	<b>3.49</b>	<b>3.73</b>	<b>3.29</b>
<b>Required Coverage</b>	<b>1.15</b>	<b>1.15</b>	<b>1.15</b>
	<b>Achieved</b>	<b>Achieved</b>	<b>Achieved</b>

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# MEDICAL STAFF SERVICES



May 23, 2006

**TO:** Board of Directors  
**BOARD MEETING DATE:** June 12, 2006  
**FROM:** Robert D. Trifunovic, M.D., Chief of Staff  
PMC Medical Staff Executive Committee  
**SUBJECT:** Medical Staff Credentialing Recommendations

## PALOMAR MEDICAL CENTER

- I. Provisional Appointment  
Eric M. Emont, M.D., Geriatric/Internal Medicine (Includes PCCC) (06/12/2006 - 05/31/2008)  
Mario R. Quintero, M.D., Emergency Medicine (06/12/2006 - 05/31/2008)  
Rensheng (Victor) Zhang, M.D., Anesthesiology (06/12/2006 - 05/31/2008)
- II. Reinstatement and Advancement to Associate Status  
David L. Greenwald, M.D., Neurosurgery (06/12/2006 - 07/31/2007)
- III. Advance from Provisional to Associate Category  
Mark M. Boiskin, M.D., Nephrology (06/12/2006 - 02/28/2007)  
Glenn M. Panzer, M.D., Family Practice (06/12/2006 - 11/30/2007) (Includes PCCC)  
Dylan L. Steer, M.D., Nephrology (06/12/2006 - 12/31/2007)
- IV. Additional Privileges  
Toni B. Georgiades, D.D.S., Dentistry
  - Palomar Continuing Care Center PrivilegesRaluan G. Soltero, M.D.
  - Microvascular Surgery
- V. Leave of Absence  
Jonathan Nissanoff, M.D., Orthopaedic Surgery (05/15/2006 - 04/30/2008)
- VI. Voluntary Resignations/Withdrawal of Membership  
Jeffrey S. Gilroy, M.D., Radiation Oncology (Effective 05/13/2006)  
David L. Greenwald, M.D., Neurosurgery (Expiration of membership and privileges effective 05/31/2006 due to failure to complete provisional review application prior to expiration - See above Reinstatement effective 06/12/2006)  
Kevin B. Merkes, M.D., Internal Medicine (Effective 05/11/2006) (Includes PCCC)  
Scott H. Meyer, M.D., Neurosurgery (Expiration of membership and privileges effective 05/31/2006 due to failure to complete provisional review application prior to expiration.)  
Roy Yaari, M.D., Neurology (Effective 06/30/2006)

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Fax 858.613.4217

ESCONDIDO SURGERY CENTER  
343 East Second Avenue  
Escondido, CA 92025  
Tel 760.480.6808  
Fax 760.480.1288

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VII.	<u>Reappointment Effective 07/01/2006 – 09/30/2006</u>			
	Silverio T. Chavez, M.D.	OB/GYN	Dept of OB/GYN	Active
	<u>Reappointments Effective 07/01/2006 – 06/30/2008</u>			
	Douglas J. Bates, M.D.	Radiology	Dept of Radiology	Active
	Hamed Bayat, M.D.	Cardiology	Dept of Medicine	Active
	Russel A. Buzard, D.O.	Family/General Practice	Dept of Family Practice	Active
	Edward R. Curley, M.D.	Pediatrics	Dept of Pediatrics	Active
	Timothy L. Feng, M.D.	Diagnostic Radiology	Dept of Radiology	Active
	Robert D. Jacobs, M.D.	Otolaryngology	Dept of Surgery	Courtesy
	William C. Kubitschek, D.O.	Family/General Practice	Dept of Family Practice	Associate
	Mikhail R. Malek, M.D.	Cardiology	Dept of Medicine	Active
	Nicholas D. Morell, M.D.	OB/GYN	Dept of OB/GYN	Active
	Erwin M. Omens, M.D.	Ophthalmology	Dept of Surgery	Courtesy
	Benjamin Padilla, M.D.	OB/GYN	Dept of OB/GYN	Active
	Christine Q. Phan, D.O.	Family Practice	Dept of Family Practice	Active
	(Includes PCCC)			
	James H. Price, M.D.	OB/GYN	Dept of OB/GYN	Active
	Daniel C. Robbins, D.O.	Pediatrics	Dept of Pediatrics	Active
	Dick R. Smith, M.D.	General Surgery	Dept of Surgery	Active
	(Trauma privileges renewed through 09/30/2006)			
	Cynthia E. Sorrell, M.D.	Internal Medicine	Dept of Medicine	Active
	Gary P. Spoto, M.D.	Diagnostic Radiology	Dept of Radiology	Active
	Merton C. Suzuki, M.D.	Plastic Surgery	Dept of Surgery	Courtesy
	Vrijesh S. Tantuwaya, M.D.	Neurosurgery	Dept of Surgery	Active
	Barry M. Uhl, M.D.	Radiation Oncology	Dept of Radiology	Associate
	Daniel Vicario, M.D.	Hematology/Oncology	Dept of Medicine	Associate
	Robert S. Warren, M.D.	Neurology	Dept of Medicine	Active
	John J. Weber, M.D.	Internal Medicine	Dept of Medicine	Active
	Geoffrey D. Weinstein, M.D.	Therapeutic Radiology	Dept of Radiology	Associate
	Jack M. Wilson, M.D.	Emergency Medicine	Dept of Emergency Medicine	Active

- VIII. Allied Health Professional Reappointment Effective 07/01/2006 – 06/30/2008  
 Joshua J. Del'Homme, P.A.-C., Physician Assistant; Sponsor: Dr. Stern  
 Glenn C. Frey, CCP, Perfusionist; Sponsors: Drs. Reichman, Rosenberg, Bulkin, Young.  
 Roseanne Hoffman, CCP, Perfusionist; Sponsors: Drs. Reichman, Rosenberg, Bulkin, Young.  
 James H. Kimber, P.A.-C., Physician Assistant; Sponsors: Drs. V. Tantuwaya, Yoo.  
 Rae L. Richard, N.P., Nurse Practitioner; Sponsor: Dr. Sedwitz.  
 Leslee Siegel, CNM, Certified Nurse Midwife; Sponsors: Drs. Buringrud, Kohatsu, Trifunovic, Ghosh, Leon  
 Jose A. Suazo, P.A.-C., Emergency Department Physician Assistant; Sponsors: CEP

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  
June, 2006**

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	Chad Elsner, M.D.
<i>PPHS Facilities</i>	Pomerado Hospital

**SPECIALTIES/BOARD CERTIFICATION**

<i>Specialties</i>	Orthopaedic Surgery – Certified 2000
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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 Michigan, Ann Arbor FROM: 09/01/1985 TO: 06/01/1989 Doctor of Medicine Degree
<i>Internship Information</i>	LAC/University of Southern Calif. Medical Center Orthopaedics From: 06/24/1989 To: 06/23/1990 Categorical Orthopaedic Surgery Program
<i>Residency Information</i>	LAC/University of Southern Calif. Medical Center Orthopaedics From: 06/24/1991 To: 06/30/1996 Orthopaedic Surgery
<i>Fellowship Information</i>	LAC/University of Southern Calif. Medical Center Orthopaedics From: 06/24/1990 To: 05/31/1991 Research  Kerlan-Jobe Orthopaedic Clinic, Inglewood, CA Sports Medicine From: 07/29/1996 To: 07/29/1997  Kerlan-Jobe Orthopaedic Clinic Orthopaedics From: 08/01/1997 To: 12/31/1997 Foot & Ankle Medicine Surgery
<i>Current Affiliation Information</i>	Kaiser Permanente, San Diego Naval Medical Center, San Diego



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

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	Eric M. Emont, M.D.
<i>PPHS Facilities</i>	Pomerado Hospital, Villa Pomerado Palomar Medical Center, Palomar Continuing Care Center

**SPECIALTIES/BOARD CERTIFICATION**

<i>Specialties</i>	Geriatric Medicine - Certified 1994/2004 Internal Medicine - Certified 1984
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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 Panama, Panama City, Panama FROM: 09/01/1976 TO: 09/30/1980
<i>Internship Information</i>	Rochester General Hospital, New York Internal Medicine From: 02/01/1981 To: 01/31/1982
<i>Residency Information</i>	Rochester General Hospital Internal Medicine From: 02/01/1982 To: 02/28/1984
<i>Fellowship Information</i>	City of Hope National Medical Center, Duarte, CA Oncology From: 07/01/1984 To: 06/30/1985
<i>Current Affiliation Information</i>	Kaiser Permanente, San Diego Kaiser Foundation Hospital, Los Angeles

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

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	Mario R. Quintero, M.D.
<i>PPHS Facilities</i>	Pomerado Hospital Palomar Medical Center

**SPECIALTIES/BOARD CERTIFICATION**

<i>Specialties</i>	Emergency Medicine – Certified 1996
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**ORGANIZATIONAL NAME**

<i>Name</i>	California Emergency Physician
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**EDUCATION/AFFILIATION INFORMATION**

<i>Medical Education Information</i>	University of California, San Francisco FROM: 09/01/1988 TO: 06/14/1992
<i>Internship Information</i>	N/A
<i>Residency Information</i>	University of New Mexico, Albuquerque Emergency Medicine From: 06/24/1992 To: 06/30/1995
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	Moreno Valley Medical Center, Moreno Valley, CA Natividad Medical Center, Salinas, CA

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

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	Thomas S. Velky Jr., M.D.
<i>PPHS Facilities</i>	Pomerado Hospital

**SPECIALTIES/BOARD CERTIFICATION**

<i>Specialties</i>	Surgery, General - Certified 1988/1996
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**ORGANIZATIONAL NAME**

<i>Name</i>	Thomas S. Velky, M.D.
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**EDUCATION/AFFILIATION INFORMATION**

<i>Medical Education Information</i>	UCSD School of Medicine FROM: 09/26/1977 TO: 06/13/1981
<i>Internship Information</i>	University of California, San Diego General Surgery From: 06/24/1981 To: 06/27/1982 Surgical Intern/First Year Resident
<i>Residency Information</i>	University of California, San Diego General Surgery From: 07/01/1982 To: 06/30/1987
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	Escondido Surgery Center Palomar Medical Center

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

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	Rensheng V. Zhang, M.D., Ph.D.
<i>PPHS Facilities</i>	Escondido Surgery Center Pomerado Hospital Palomar Medical Center

**SPECIALTIES/BOARD CERTIFICATION**

<i>Specialties</i>	Anesthesiology – Certified 2002
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**ORGANIZATIONAL NAME**

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

<i>Medical Education Information</i>	Nanjing Medical College, Nanjing, China FROM: 03/01/1978 TO: 12/16/1982
<i>Internship Information</i>	University Medical Center Internal Medicine From: 07/01/1997 To: 06/30/1998 University of Florida, Jacksonville
<i>Residency Information</i>	University of Florida, Gainesville Anesthesia From: 07/01/1998 To: 06/30/2001 Shands HealthCare
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	University of Florida, Gainesville

**PALOMAR POMERADO HEALTH  
ALLIED HEALTH PROFESSIONAL  
APPOINTMENT  
JUNE , 2006**

<b>NAME:</b>	<b>Lori Echeverria-Ring</b>	
<b>SPECIALTY:</b>	Technician/Oral Surgery Assistant	
<b>SERVICES:</b>	Technician/Oral Surgery Assistant	
<b>TRAINING:</b>	Concorde Career Institute, San Diego, CA Dental Assistant Program Certificate	12/09/04-09/17/05
<b>PRACTICE:</b>	Dental Assistant/Oral Surgery Assistant, Harrison Fortney, DDS & Albert Lin, DDS, Poway, CA	07/05/05-Present
<b>SPONSORS:</b>	Harrison Fortney, DDS, Albert Lin, DDS	
<b>CERTIFICATION:</b>	None	
<b>FACILITIES:</b>	Pomerado Hospital	

# MEDICAL STAFF SERVICES



May 23, 2006

TO: Board of Directors

BOARD MEETING DATE: June 12, 2006

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

SUBJECT: Department of OB/GYN Rules and Regulations

At the September 26, 2005 Executive Committee meeting for Palomar Medical Center, modifications were recommended to the Department of OB/GYN Rules and Regulations. The Board of Directors tabled action pending further review by the Department of OB/GYN and the Department of Family Practice. Input has been obtained from the Department of Family Practice and the Department of OB/GYN and the Rules and Regulations are once again submitted to the Board of Directors with a recommendation for approval.

## Rationale

It was recommended that the Guidelines for Review of Privileges, which are currently a part of the OB/GYN privilege checklist, be incorporated into the Department of OB/GYN Rules and Regulations. In addition, the Guidelines were modified to clarify the intent regarding the need for Family Practitioners to have a documented arrangement with a qualified Obstetrician for transfer of care.

## GUIDELINES FOR REVIEW OF PRIVILEGES

### Resources

- a. **Education/Training**  
The applicant process includes submission of a questionnaire to the director of the internship, residency and fellowship. This questionnaire includes the question, "did the applicant's training include those procedures being requested." A copy of the applicant's checklist is included.
- b. **Reference Letters**
- c. **Operative Reports**  
If submitted operative reports are not felt to be of sufficient number to reflect training to be a primary surgeon and/or obstetrician, the Department of OB/GYN may direct another letter to the training program specifically asking for training details.
- d. **Malpractice Coverage Limitations**
- e. **Criteria**  
(as developed for specific procedures: i.e. laparoscopic procedures ,etc.)
- f. **List of Procedures/Equipment Requiring Certificates.**
- g. **Department of OB/GYN policy entitled "Department of OB/GYN Monitoring Policy".**
- h. **Department of OB/GYN policy entitled "Department of OB/GYN Attendance Policy".**
- i. **Guidelines for Care of Low Risk OB Patients by Family Practitioners.**

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## GUIDELINES FOR CARE OF LOW RISK OB PATIENTS BY FAMILY PRACTITIONERS

1. The following list of functions for the Family Practitioner is not all inclusive but intended as guidelines to facilitate obstetrical care for the low risk patient.
  - A. Assess, document and manage patients in uncomplicated labor.
  - B. Document and evaluate the status of membranes.
  - C. Admit and discharge patients from hospital
  - D. Provide pain management
  - E. Perform amniotomy
  - F. Initiate non-stress tests and interpret fetal monitoring strips
  - G. Apply internal and external fetal and pressure monitors
  - H. Perform local anesthesia infiltration
  - I. Perform and repair episiotomies
  - J. Repair first and second degree obstetrical lacerations
  - K. Manage single spontaneous vertex vaginal deliveries
  - L. Manage third stage of labor (not including manual extraction)
  - M. Perform cervical and vaginal inspection
  - N. Stabilize and initiate fetal or maternal resuscitation and call for back up and resuscitation team as needed
  - O. Sign birth certificate
  - P. Document all exams and delivery notes
  - Q. Write postpartum orders
  - R. Do discharge teaching and exams, write discharge orders
  - S. Assess, document and manage outpatients with obstetrical related conditions
  
2. The following conditions must be evaluated by and transferred to the direct care of an OB/GYN with whom a previous, documented arrangement has been made. This will require that the Family Practitioner have an arrangement with an Obstetrician with full OB privileges at PMC to be available to assume care of the patient\*:
  - A. Suspected uterine rupture
  - B. Cardiac disease
  - C. History renal disease
  - D. Insulin dependent diabetic
  - E. Severe PIH and MGSO4
  - F. Non Reactive NST
  - G. Placenta Previa
  - H. Persistent drug use
  - I. Multiple medical problems
  - J. Multiple gestations
  - K. Fetal demise < 20 weeks
  - L. Severe asthma
  - M. Major obstetrical lacerations
  - N. Gestation under 35 weeks
  - O. Any situation required operative delivery
  - P. Persistent late decelerations
  
3. There may be situations where the Family Practitioner and OB/GYN co-manage a patient. This is to be documented in the patients' chart.
  
4. Any additional privileges must be requested individually.

\*Reference should be made to the following documents from the American College of Obstetrics and Gynecology:  
1. ACOG Statement of Policy AAFP—ACOG Joint Statement on Cooperative Practice and Hospital Privileges. (March 1998)  
2. Quality Improvement in Women's Health Care  
3. Ethics in Obstetrics and Gynecology



# ACOG Statement of Policy

As issued by the ACOG Executive Board



*This document was developed by a joint task force of the American Academy of Family Physicians and the American College of Obstetricians and Gynecologists.*

## AAFP--ACOG JOINT STATEMENT ON COOPERATIVE PRACTICE AND HOSPITAL PRIVILEGES

Access to maternity care is an important public health concern in the United States. Providing comprehensive perinatal services to a diverse population requires a cooperative relationship among a variety of health professionals, including social workers, health educators, nurses and physicians. Prenatal care, labor and delivery, and postpartum care have historically been provided by midwives, family physicians and obstetricians. All three remain the major caregivers today. A cooperative and collaborative relationship among obstetricians, family physicians and nurse midwives is essential for provision of consistent, high-quality care to pregnant women.

Regardless of specialty, there should be shared common standards of perinatal care. This requires a cooperative working environment and shared decision making. Clear guidelines for consultation and referral for complications should be developed jointly. When appropriate, early and ongoing consultation regarding a woman's care is necessary for the best possible outcome and is an important part of risk management and prevention of professional liability problems. All family physicians and obstetricians on the medical staff of the obstetric unit should agree to such guidelines and be willing to work together for the best care of patients. This includes a willingness on the part of obstetricians to provide consultation and back-up for family physicians who provide maternity care. The family physician should have knowledge, skills and judgment to determine when timely consultation and/or referral may be appropriate.

The most important objective of the physician must be the provision of the highest standards of care, regardless of specialty. Quality patient care requires that all providers should practice within their degree of ability as determined by training, experience and current competence. A joint practice committee with obstetricians and family physicians should be established in health care organizations to determine and monitor standards of care and to determine proctoring guidelines. A collegial working relationship between family physicians and obstetricians is essential if we are to provide access to quality care for pregnant women in this country.

### A. Practice privileges

The assignment of hospital privileges is a local responsibility and privileges should be granted on the basis of training, experience and demonstrated current competence. All physicians should be held to the same standards for granting of privileges, regardless of specialty, in order to assure the provision of high-quality patient care. Prearranged, collaborative relationships should be established to ensure ongoing consultations, as well as consultations needed for emergencies.

The standard of training should allow any physician who receives training in a



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cognitive or surgical skill to meet the criteria for privileges in that area of practice. Provisional privileges in primary care, obstetric care and cesarean delivery should be granted regardless of specialty as long as training criteria and experience are documented. All physicians should be subject to a proctorship period to allow demonstration of ability and current competence. These principles should apply to all health care systems.

**B. Interdepartmental relationships**

Privileges recommended by the department of family practice shall be the responsibility of the department of family practice. Similarly, privileges recommended by the department of obstetrics-gynecology shall be the responsibility of the department of obstetrics-gynecology. When privileges are recommended jointly by the departments of family practice and obstetrics-gynecology, they shall be the joint responsibility of the two departments.

Published July 1980  
Reformatted July 1988  
Revised and Retitled March 1998

# QUALITY IMPROVEMENT IN WOMEN'S HEALTH CARE



The American College  
of Obstetricians and  
Gynecologists  
*Women's Health Care Physicians*

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- (2) Documentation from residency program director, attesting to the completion of at least 8 hours of observation and hands-on involvement or
  - (3) Documentation of competency and demonstration of hands-on experience
3. Certification should be required:
- a. Board certification (or active candidate) by the American Board of Obstetrics and Gynecology
  - b. Board recertification, if applicable
4. Experience should include proficiency in diagnostic hysteroscopy if laser or electro-surgical ablation is performed
5. Reappraisal (recredentiating/reprivileging) (2-year cycle) should require:
- a. Review of QI file:
    - (1) Trending
    - (2) Sentinel events
    - (3) Other problems with specific procedures
  - b. Review of level of activity:
    - (1) Total number of cases
    - (2) Total number of complications
    - (3) Outcomes
  - c. If the credentials committee determines that the number of cases performed within the cycle is insufficient for adequately assessing competency, it may recommend that the individual be proctored and evaluated for a designated period until competency is demonstrated. However, if the physician has privileges at another institution for the particular procedure, then the individual must provide credentialing data from that hospital for review by the credentials committee and may not require proctoring.
  - d. If there is no experienced surgeon on the hospital staff who is able to serve as a preceptor for advanced or new surgical procedures, a supervised preceptorship must be arranged. This may be done by scheduling a number of cases from physicians requiring credentialing and inviting a credentialed surgeon from another institution to serve as a surgical consultant.

## REQUESTS FOR NEW PRIVILEGES

### New Equipment and Technology

New equipment or technology usually improves health care, provided that practitioners and other hospital staff understand the proper indications for usage. Problems can arise when staff perform duties or use equipment for which they are not trained. It is imperative that all staff be properly trained in the use of the advanced technology or new equipment.

One should consider granting privileges for new skills (eg, laparoscopic morcellator, harmonic scalpel) only when the appropriate training has been completed and documented and the competency level has been achieved with adequate supervision. That is, each physician requesting additional privileges for new equipment or technology should be evaluated by answering the following questions:

1. Does the hospital have a mechanism in place to ensure that necessary support for the new equipment or technology is available?
2. Has the physician been adequately trained, including hands-on experience, to use the new equipment or to perform the new technology?
3. Has the physician adequately demonstrated an ability to use the new equipment or perform the new technology? This may require that the physician undergo a period of proctoring or supervision, or both. If no one on staff can serve as a proctor, the hospital may either require reciprocal proctoring at another hospital or grant temporary privileges to someone from another hospital to supervise the applicant.

### After a Period of Inactivity

There may be instances when a physician returns to practice after a period of inactivity or requests privileges for procedures that he or she has not practiced for several years (eg, obstetrics). In these cases, a general guideline for evaluation would be to consider the physician as any other new applicant for privileges. This would include evaluation of the following:

1. Demonstration that a minimum number of hours of continuing medical education has been earned during the period of inactivity
2. In accordance with the medical staff bylaws, supervision by a proctor appointed by the department chair for a minimum number of cases during the provisional period
3. Further review of cases as required by the departmental quality improvement committee.

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# ethics

IN OBSTETRICS AND GYNECOLOGY

SECOND EDITION

THE AMERICAN COLLEGE OF  
OBSTETRICIANS AND GYNECOLOGISTS

WOMEN'S HEALTH CARE PHYSICIANS

1701 17TH STREET, SW  
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# Seeking and Giving Consultation

Physicians have a long history of working together and with other health care professionals to provide efficient and comprehensive care for the patients they serve. Achieving these goals sometimes requires that physicians or other care providers seek consultation from or provide consultation to their colleagues (1). The basic principles of consultation for obstetrician-gynecologists are summarized in the "Code of Professional Ethics of the American College of Obstetricians and Gynecologists" as follows (see Appendix):

- "The obstetrician-gynecologist's relationships with other physicians, nurses, and health care professionals should reflect fairness, honesty, and integrity, sharing a mutual respect and concern for the patient."
- "The obstetrician-gynecologist should consult, refer, or cooperate with other physicians, health care professionals, and institutions to the extent necessary to serve the best interests of their patients."

Although consultation usually is requested in an efficient manner that expedites patient care, situations occur in which the relationship between practitioners or between institutions and practitioners results in an inefficient, less-than-collegial consultative process that may not be in the best interest of the patient. For example, a patient and a consultant may be put at serious disadvantage when consultation is requested late in the process of care or is not accompanied by sufficient background information or the reason for consultation is not clearly stated. Conversely, those seeking consultation may be denied assistance on arbitrary grounds. The present statement outlines the purpose of consultation and

referral, states the underlying ethical foundations that govern consultation and referral, and elaborates specifically the responsibilities of those who seek and those who provide consultation. This chapter is directed to physicians but it should be recognized that nonphysician practitioners also may be involved in consultation.

## The Purpose of Consultation and Referral

Typically, a patient first seeks care from her primary caregiver (2), who should be aware that the patient's needs may go beyond his or her education, training, or experience (see Appendix) (3). Various levels of consultation may be needed to make correct diagnoses, provide technical expertise, and recommend a course of action (see box). Occasionally, consultation or referral may be indicated when a patient's request for care is in conflict with her primary caregiver's recommendations or preferences. Finally, a patient may seek consultation with another caregiver to obtain a second opinion or explore other options for care (4). In all of these types of consultation, the overriding principle is that consultation is primarily for the benefit of the patient (2).

## Ethical Foundations

Ethical principles require that the consultative process be guided by the following concepts (see Appendix) (5):

- The welfare of the patient should be central to the consultant-patient relationship (beneficence).
- The patient should be fully informed about the need for consultation and participate in the selection of the consultant (autonomy).

### Definitions: Levels of Consultation

Consultation is the act of seeking assistance from another physician(s) or health care professional(s) for diagnostic studies, therapeutic interventions, or other services that may benefit the patient. There are several levels of consultation (American College of Physicians Ad Hoc Committee on Medical Ethics, Kitchens LW. Ethics manual. 4th ed. Philadelphia [PA]: ACP; 1998. p. 35.):

- Informal consultation
- Single-visit consultation
- Continuing collaborative care
- Transfer of primary clinical responsibility

Informal consultation, in which the consultant does not talk with or examine the patient, usually involves a simple question from the referring practitioner that is answered by the consultant. The consultant does not make an entry in the patient's medical record or charge a fee, and the referring practitioner should not attribute an opinion to the consultant. Examples of informal consultations are questions regarding the significance of an irregular blood antibody or the follow-up interval for an abnormal Pap test. Such a consultation does not establish a patient-consultant relationship.

A single-visit consultation involves examination of the patient or the patient's medical record and performance of diagnostic tests or therapeutic procedures. The findings, procedures, and recommendations of the consultant are recorded in the patient's medical record or provided to the practitioner with primary clinical responsibility for the patient in a written report or letter, and a fee may be

charged. The subsequent care of the patient continues to be provided by the referring practitioner. Examples of such consultations are confirming the findings of a pelvic examination, performing a specific urodynamic procedure on a patient with urinary stress incontinence, and interpreting an electronic fetal monitoring tracing or imaging studies. In the latter 2 cases, the tracing or other output can be transmitted electronically, allowing for the performance of a single-visit consultation without personal contact between the patient and consultant.

Continuing collaborative care describes a relationship in which the consultant provides ongoing care in conjunction with the referring practitioner. Thus, the consultant assumes at least partial responsibility for the patient's care. An example is a high-risk obstetric patient with a medical complication of pregnancy who is periodically assessed by the consultant, while the referring practitioner is responsible for the day-to-day management of the patient.

Transfer of primary clinical responsibility to the consultant may be appropriate for the management of problems outside the scope of the referring practitioner's education, training, and experience or in cases in which the patient must be transferred to another facility. Examples are the transfer of care of a patient in preterm labor from a birth center to a consultant in a perinatal center or referral of a patient with ovarian cancer to a gynecologic oncologist. In many of these situations, patients will eventually return to the care of the referring practitioner when the problem for which the consultation was sought is resolved.

- The patient should have access to adequate consultation regardless of her medical condition, social status, or financial situation (justice).
- Practitioners must disclose to patients any pertinent actual or potential conflict of interest that is involved in a consultation relationship, including financial incentives or penalties or restrictive guidelines (truth-telling).

In addition, both practitioners with primary clinical responsibility and consultants must respect the rights of the patient and also the rights of their respective professional colleagues.

### Responsibilities Associated With Consultation

#### *Seeking Consultation and Requesting Referral*

Consultations usually are sought when practitioners with primary clinical responsibility recognize conditions or situations that are beyond their level of expertise or available resources. Historically, these

practitioners acted as independent agents who decided when consultation was appropriate, determined the level of consultation, and were free to choose particular consultants. More recently, as a result of recognition of the importance of patient autonomy, practitioners now inform patients of the need for consultation and discuss options with them. The quality of the consultation often is improved by this collaborative relationship between practitioners and patients.

Today, this practitioner-patient partnership operates under new conditions that may affect the process of consultation. Under certain types of managed care arrangements, health care guidelines and protocols may limit the freedom of the practitioner to provide complete care or to request consultation (6). These guidelines may include instructions about specific situations or medical conditions in which consultation, second opinion, or referral is mandated (7). Examples include abnormal labor that may require operative delivery or chronic uterine bleeding that may require hysterectomy. Other guidelines

may require that practitioners seek consultation when patients develop signs and symptoms of severe preeclampsia or if ovarian cancer is discovered. Such arrangements and guidelines may be designed to ensure a high level of care for patients by requiring that consultants be involved appropriately in certain clinical problems.

Conversely, practitioners may find themselves in situations that create disincentives to medically appropriate consultation or that mandate use of a consultant panel that is not adequate to support appropriate patient care. The policies that lead to such situations involve potential conflicts of interest (8) and may have a negative effect on the patient's medical needs, thus limiting her autonomy and her right to informed choice. Under all conditions of practice—solo or group, fee for service or managed care contract—consultation and referral should be carried out in the patient's best interest and obtained with the patient's consent after full disclosure of limitations and potential conflicts of interest.

It is in everyone's best interest—practitioners with primary clinical responsibility, consultants, patients, and health care plans—that the criteria for consultation be mutually agreed on in advance and stated clearly in writing. Financial incentives or penalties for consultation and referral that exist either overtly or covertly under many managed care contracts are sources of serious conflicts of interest. Practitioners must be free to inform patients of the best medical practice or options of care, even when the mandate of directed referrals under contracted care does not include these alternatives. Ethical responsibility for patients' best interests demands that practitioners disclose any proscriptions to serving as patients' advocates. Practitioners have a responsibility to provide patients with their best medical judgment and serve as advocates for patients if recommended care is denied. It then becomes the patients' responsibility to decide whether to abide by insurance plan restrictions, challenge them, or seek care outside the scope of coverage.

#### *Giving Consultation and Accepting Referral*

Physicians generally provide consultations or accept referred patients in the interest of providing excellent care for patients and promoting good relationships among colleagues. Open communication and established professional relationships facilitate effective consultation and referral. However, at times a consultant may be called on unexpectedly, inconveniently, and sometimes inappropriately

to be involved in or to assume the care of a patient. In these situations, a physician is only ethically obligated to provide consultation or assume the care of the patient if there is a contractual agreement or a preexisting patient-physician relationship or if there is a severe medical emergency in which there is no reasonably available alternative caregiver (9). Hospital or departmental guidelines for consultation and referral may prevent such confrontations.

#### **Practical Recommendations**

Providing optimal care demands a good working relationship with a number of other physicians and health care professionals. Consultation may be needed by the practitioner with primary clinical responsibility regardless of specialty designation or level of training. Ideally, the referring practitioner-consultant relationship has been established before the need for consultation or referral arises, and the referring practitioner-consultant relationship should be ongoing.

One way to maximize prompt, effective consultation and collegial relationships is to have a formal consultation protocol. This may be especially advantageous for family physicians who provide obstetric or gynecologic care and for collaborative practice between obstetrician-gynecologists and nurse practitioners, certified nurse-midwives, and other health care professionals. Such protocols create pathways that anticipate difficult or complex situations.

#### *Responsibilities of the Referring Practitioner*

The responsibilities of the referring practitioner can be outlined as follows:

1. The referring practitioner should request consultation in a timely manner, whenever possible before an emergency arises. A good working relationship between the referring practitioner and consultant requires shared concern for the patient's needs and a commitment to timely and clear-cut communication.
2. The referring practitioner is responsible for preparing the patient with an explanation of the reasons for consultation, the steps involved, and the names of qualified consultants.
3. The referring practitioner should provide a summary of the history, physical examination, laboratory findings, and any other information that may facilitate the consultant's evaluation and recommendations (10).

4) Whenever possible, the referring practitioner should document in the medical record the indications for the consultation and specific issues to be addressed by the consultant.

5) The level of consultation (see "Definitions: Levels of Consultation" box) should be established by a dialogue between the referring practitioner and the consultant that results in mutual agreement.

### *Responsibilities of the Consultant*

The responsibilities of the consultant can be outlined as follows:

1. Consultants should recognize their individual boundaries of expertise and provide only those medically accepted services and technical procedures for which they are qualified by education, training, and experience.
2. When asked to provide consultation, the consultant should do so in a timely manner and without regard to the specialty designation or qualifications of the referring practitioner. If the consultant believes that the referring practitioner is not qualified to provide an appropriate level of continuing care, the consultant should recommend to the referring practitioner and, if necessary, to the patient that the referring practitioner transfer care of the patient.
3. If a physician is asked to provide an "informal consultation" and believes an examination of the patient or her medical record is necessary to answer the question appropriately, the consultant may request the right to provide a formal consultation.
4. The consultant should effectively communicate findings, procedures performed, and recommendations to the referring practitioner at the earliest opportunity (4).
5. For all but informal consultations, a summary of the consultation should be included in the medical record or sent to the referring practitioner by letter or written report.
6. The extent to which the consultant will be involved in the ongoing care of the patient should be clearly established by mutual agreement of the consultant, the referring practitioner, and the patient. At times it may be appropriate for the consultant to assume primary clinical responsibility for the patient. Even if this is only a temporary circumstance, the consultant should obtain the referring practitioner's cooperation and assent whenever possible.

7. When the consultant does not have primary clinical responsibility for the patient, he or she should try to obtain concurrence for major procedures or additional consultants from the referring practitioner.
8. In all that is done, the consultant must respect the relationship between the patient and the referring practitioner, being careful not to diminish inappropriately the patient's confidence in her other caregivers (2).
9. The consultant should be cognizant of the referring practitioner's abilities. Reliance on these abilities may increase convenience to the patient, limit transportation needs, and ultimately result in more cost-effective care.
10. In the rare situation in which there is clear evidence that the patient's health is likely to be harmed by a continuing level of substandard care, the consultant has an obligation to discuss with the referring practitioner the problems that have been identified, recommend appropriate medical measures, and, when necessary, inform the patient.

A complex clinical situation may call for multiple consultations. Unless authority has been transferred elsewhere, the responsibility for the patient's care should rest with the referring practitioner (2). This practitioner should remain in charge of communication with the patient and coordinate the overall care on the basis of information derived from the consultants. This will ensure a coordinated effort that remains in the patient's best interest.

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*Ethics in Obstetrics and Gynecology* was developed by the ACOG Committee on Ethics (2003–2004)

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Library of Congress Cataloging-in-Publication Data

*Ethics in obstetrics and gynecology / the American College of Obstetricians and Gynecologists.*—2nd ed.

p. ; cm.

Includes bibliographical references and index.

ISBN 1-932328-03-3

1. Gynecology—Moral and ethical aspects. 2. Obstetrics—Moral and ethical aspects.

[DNLM: 1. Obstetrics—ethics. 2. Ethics, Research. 3.

Gynecology—ethics. 4. Patient Rights—ethics. 5. Reproductive Techniques—ethics. WQ 21 E844 2004] I. American College of Obstetricians and Gynecologists.

RG103.E87 2004

174.2'982—dc22

2003019606

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# MEDICAL STAFF SERVICES

May 23, 2006



TO: Board of Directors

BOARD MEETING DATE: June 12, 2006

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

SUBJECT: Department of Medicine Rules and Regulations

At the May 22, 2005 Executive Committee meeting for Palomar Medical Center, the following modifications to the Department of Medicine Rules and Regulations were approved for forwarding to the Board of Directors with a recommendation for approval. Recommendations for additional wording are underlined.

## Rationale

*The Department of Medicine is removing the requirement for attendance at the Medical Advisory and Medical Chart Review Committees as this requirement was beyond what is required in the Medical Staff Bylaws. Attendance is still required at the Department of Medicine meetings. The Rules and Regulations are also being modified to reflect a meeting schedule of every other month for the Department of Medicine and the Medical Advisory Committee. The Cardiovascular Peer Review Committee duties were modified to reflect criteria that is used for selection of cases for review.*

Department of Medicine  
Rules and Regulations

## 2.1 Responsibilities

The responsibilities of membership shall constitute:

- 2.2.1 participation in department business, committees and duties assigned by the Chairman in accordance with the Medical Staff bylaws, rules and regulations and Department rules and regulations.
- 2.2.2 attendance at a minimum of twenty-five percent (25%) of the Department meetings and ~~50% attendance if appointed to serve on the Medical Advisory Committee, and the Medical Chart Review Committee~~, as specified in Medical Staff Bylaws Section 15.7.1. Failure to comply with these requirements shall subject the member to the sanctions specified therein.
- 2.2.3 performance of emergency consultation in accordance with the Medical Staff bylaws, rules and regulations and in accordance with the Department policy entitled "Department of Medicine Emergency Department Consultation".
- 2.2.4 compliance with the ethical code specified in the Medical Staff bylaws, rules and regulations.
- 2.2.5 compliance with the Medical Staff bylaws, rules and regulations, Department of Medicine rules and regulations, Department of Medicine policies, and applicable Hospital policies and procedures.

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Fax 760.480.1288

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5.1 Medical Advisory Committee

- 5.1.3 The Medical Advisory Committee shall meet every other month in the even numbered months at least monthly. It shall maintain a record of its proceedings and shall report its activity and recommendations either to the Department of Medicine or to the Executive Committee, whichever is applicable.

5.3 Cardiovascular Peer Review Committee

- 5.3.1 The Cardiovascular Peer Review Committee members shall include the Chairman of the Cardiology Committee as chair, at least two additional members who are Cardiologists and who are appointed on an annual basis, and a representative from the Cardiothoracic Surgery Subsection of the Department of Surgery.
- 5.3.2 The duties of the Cardiovascular Peer Review Committee shall include review of Cardiovascular cases with the following criteria as a guide for selection: all mortalities post procedure, some complicated myocardial infarction cases, all infections post procedure, cath lab complications requiring surgical intervention, delays in treatment, stroke following thrombolytics, primary coronary intervention or heart surgery, failure to provide primary therapy reperfusion strategy for acute ST elevation myocardial infarction, renal failure post PCI or surgery and neurologic events. The Department policy entitled "Department of Medicine Quality Assessment Review" will serve as a resource to the Committee.
- 5.3.3 The Cardiovascular Peer Review Committee usually meets on a monthly basis. It shall maintain a record of its proceedings and shall report its activity and recommendations to the Medical Advisory Committee. Any recommendations relating to Cardiovascular Surgery will be reported to the Surgery Advisory Committee.

ATTENDANCE POLICY

In accordance with the rules and regulations of the Department of Medicine, 25% of the Department meetings must be attended during a Medical Staff Year (January through December) ~~as well as 50% of the meetings of the Medical Advisory Committee and the Medical Chart Review Committee~~. Attendance at subspecialty committees is strongly encouraged but is not subject to sanctions.

Department of Medicine

Department of Medicine meetings are held on the first Tuesday of the odd numbered months (January, March, April, May, June, July, September, October and November and December) at 12:30 p.m. in Graybill Auditorium.

Medical Advisory Committee

The Medical Advisory Committee meetings are held on the third Monday of every other month (in the even numbered months) in the Palomar Medical Center Dining Room at 12:15 p.m.

# MEDICAL STAFF SERVICES



PALOMAR  
POMERADO  
HEALTH

**DATE:** May 23, 2006

**MEMO TO:** Palomar Pomerado Health  
Board of Directors

**FROM:** Marvin Levenson, M.D.  
Medical Director, Escondido Surgery Center

**RE:** Medical Staff Recommendations

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

**Appointment:**

- ◆ Rensheng (Victor) Zhang, M.D., Anesthesiology (06/12/2006 – 05/31/2008)

**Leave of Absence:**

- ◆ Jonathan Nissanoff, M.D., Orthopaedic Surgery (05/15/2006 – 04/30/2008)

**Reappointment:**

07/01/2006 – 06/30/2008

- ◆ Erwin M. Omens, M.D., Ophthalmology
- ◆ Dick R. Smith, M.D., General Surgery
- ◆ Merton C. Suzuki, M.D., Plastic Surgery
- ◆ Vrijesh S. Tantuwaya, M.D., Neurosurgery

**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.

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**ESCONDIDO SURGERY CENTER  
BYLAWS AND RULES & REGULATIONS**

**TO:** Board of Directors, Palomar Pomerado Health

**MEETING DATE:** Monday, June 12, 2006

**FROM:** Marvin W. Levenson M.D., Administrator/Medical Director  
Escondido Surgery Center

**Background:** The included bylaw change allows the Escondido Surgery Center Medical Director to grant temporary (90 days) clinical privileges to ESC applicants who have those privileges at Pomerado Hospital

**Budget Impact:** None

**Staff Recommendation:** Approval

**Committee Questions:**

**COMMITTEE RECOMMENDATION:**

**Motion:**

**Individual Action:**

**Information:**

**Required Time:**

ESCONDIDO SURGERY CENTER

BYLAWS

RULES AND REGULATIONS

JuneMarch 20065

57

ESCONDIDO SURGERY CENTER  
MEDICAL STAFF BYLAWS, RULES AND REGULATIONS

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6.2 TEMPORARY

6.2.1 Applicants

Following the receipt of a fully completed application and initial review by the Credentials Committee, the Medical Director. Such temporary privileges shall be time-limited and shall not exceed 90 days, subject to renewal of up to an additional 30 days during the pendency of an application. Temporary privileges shall in no circumstance, exceed a total of 120 days in a two-year reappointment cycle. In such instances the applicant shall be under the supervision of the appropriate department chairman or his designee.

6.2.2 Locum Tenens

Following receipt of a fully completed application and supporting documentation and initial review by the Credentials Committee, the Medical Director, , may grant temporary clinical privileges to a person serving as a locum tenens for a current member of the Medical Staff. Such privileges shall be granted for a period not to exceed ninety (90) days in a calendar year or one-hundred twenty (120) days in a two year period. The locum tenens physician must apply for the appropriate category of staff membership if a longer period of coverage is requested.

6.2.3 Non-Applicants

Temporary clinical privileges may be granted by the Medical Director to a Practitioner who is not an applicant for membership for the sole purpose of assisting in a specific surgical procedure. Such non-applicants shall be evaluated as to their qualifications and current competence to assist at such procedures. There shall first be obtained such Practitioner's signed acknowledgement that he has received and read copies of the bylaws, rules and regulations of the Medical Staff, and that he agrees to abide by the terms thereof in all matters relating to his temporary clinical privileges, and provided that evidence of current California license has been submitted. Documentation of professional liability insurance shall be provided. Such temporary clinical privileges shall not be extended to Practitioners who desire to provide primary care to patients. Exceptions may be granted by the Medical Director if circumstances warrant such as the expertise in a highly specialized field of medicine is not available from the Medical Staff, and if such restriction might be detrimental to patient care, or at patient request. These temporary clinical privileges shall not be granted more than four (4) times in a calendar year.

6.2.4 Pomerado Medical Staff Members

Temporary clinical privileges may be granted by the Medical Director,, to a Practitioner who is not an applicant for membership or whose application is pending if the Practitioner is an active member of the Pomerado Hospital medical staff. Current licensure and competence will be verified through the Pomerado Medical Staff Office before any such privileges are granted. These privileges may be granted to non-applicants only where there is an unusual circumstance which warrants the granting of such privileges and shall be limited to those privileges that the Practitioner could perform if he was a Member. Unusual circumstances include, without limitation, situations when a service usually performed at Pomerado Hospital cannot be performed due to space or staff limitations. The privileges will be granted, if at all, on a case-by-case basis and in no circumstances will exceed ninety (90) days. All cases performed at the Hospital will be reviewed by the Quality Assurance Committee and the Performance Evaluation Committee of the Pomerado Hospital medical staff. The cases performed at the Hospital may be utilized in reviewing the Practitioner's performance at Pomerado Hospital. The granting of temporary privileges for an individual case will not give a Practitioner the right to perform another case without the granting of additional privileges by the Administrator. Pomerado Hospital Medical Staff members who are Escondido Surgery Center Applicants may be granted temporary privileges during the application process, but not to exceed ninety (90) days. Such temporary privileges may be terminated by the Medical Director at any time for any

reason.



**Pomerado Hospital Medical Staff Services**  
15615 Pomerado Road  
Poway, CA 92064  
Phone – (858) 613-4664  
FAX - (858) 613-4217

**DATE:** May 31, 2006  
**TO:** Board of Directors - June 12, 2006 Meeting  
**FROM:** Paul E. Tornambe, M.D., Chief of Staff, Pomerado Hospital Medical Staff  
**SUBJECT:** Medical Staff Credentials Recommendations – May 2006:

**Credentials Recommendations: May 2006**

**Provisional Appointments: (06/12/2006 – 05/31/2008)**

Chad Elsner, M.D. - Surgery  
Eric M. Emont, M.D. Medicine (Includes Villa Pomerado)  
Mario R. Quintero, M.D. – Emergency Department  
Thomas S. Velky, M.D. - Surgery  
Rensheng Zhang, M.D. - Anesthesiology

**Biennial Reappointments: (07/01/2006 – 06/30/2008)**

Douglas J. Bates, M.D.- Radiology - Affiliate  
Hamed Bayat, M.D. – Medicine - Active  
Terese M. Dudarewicz, M.D. – Medicine – Affiliate  
David A. Edwards, M.D. – Surgery - Active  
Timothy L. Feng, M.D. – Radiology - Active  
Stuart N. Graham, M.D. – Pediatrics - Active  
Robert D. Jacobs, M.D. – Surgery - Courtesy  
Alan W. Larson, M.D. – Medicine - Active  
Mikhail R. Malek, M.D. – Medicine - Active  
Erwin M. Omens, M.D. , Surgery – Active  
Gary P. Spoto, M.D. – Radiology - Active  
Vrijesh S. Tantuwaya, M.D. – Surgery - Courtesy  
Jack M. Wilson, M.D. – Emergency Medicine – Courtesy  
Robert P. Zgliniec, M.D. – Medicine - Active

**Advancements:**

Mark M. Boiskin, M.D. – Internal Medicine – Advanced to Courtesy Category  
Douglas A. Shapiro, M.D. – Anesthesiology – Advanced to Active Category  
Dylan L. Steer, M.D. – Nephrology – Advanced to Consulting Category

**Allied Health Renewal: (06/12/2006-6/30/2008)**

Joshua J. Del'Homme, P.A.-C – Sponsor – Dr. Stern  
James H. Kimber, P.A.-C – Sponsor Dr. V. Tantuwaya, M.D  
Rae L. Richards, N.P. – Sponsor – Dr. Sedwitz.

**Change in Category**

William S. Bate, M.D. – Surgery – Transfer to Active Category  
Toni B. Georgiades, D.D.S. – Transfer to Associate Category  
Shari Jacobs, M.D. – Pediatrics – Transfer to Courtesy Category

55

Allied Health Appointments: (06/12/2006 – 05/31/2008)  
Lori D. Echeverria-Ring – Sponsors Drs. Fortney and Dr. Lin

Expiration of Membership  
Jeffrey E. Nerenberg, M.D. Medicine

**POMERADO HOSPITAL**

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

5/31

**AMENDED RESOLUTION ESTABLISHING  
DATES OF REGULAR BOARD MEETINGS**

**TO:** Board of Directors

**DATE:** June 12, 2006

**FROM:** Christine Meaney for Marcelo R. Rivera, M.D., Board Chair

**SUBJECT:** Amending Resolution to Change Date of July Board Meeting

**BACKGROUND:**

Consistent with the California Government Code and PPH Bylaws, dates of regular meetings of the Board of Directors must be established by resolution in the year before the pertinent calendar year. The dates for the current calendar year were established at the Annual Meeting last December. The attached resolution has been drawn to change the date of the July Board Meeting from Monday, July 10 to Monday, July 17 due to potential Board Member absences. This item is submitted for discussion and possible action. The Pomerado location is available July 10, and could be available July 17.

**STAFF RECOMMENDATION:**

Adoption of attached resolution amending established dates of Regular Board Meetings for Calendar Year 2004 to change the July meeting date, pending Board discussion as to whether this may change or not.

**RESOLUTION NO. 06.12.06 (05) -18**  
**RESOLUTION OF THE BOARD OF DIRECTORS OF**  
**PALOMAR POMERADO HEALTH**  
**AMENDING ESTABLISHED DATES OF**  
**REGULAR BOARD MEETINGS**  
**FOR CALENDAR YEAR 2006**

*WHEREAS*, Palomar Pomerado Health is required, pursuant to Section 54954 of the California Government Code and Section 5.2.2 of the PPH Bylaws, to pass a resolution adopting the time, place and location of the regular board meetings;

*WHEREAS*, the Board of Directors established the dates of regular board meetings for calendar year 2006 by Resolution No. 12.12.05(01) - 27 at the Annual Meeting of the Board of Directors held on December 12, 2006;

*WHEREAS*, the Board of Directors wishes to change the date of the regular meeting currently scheduled on July 10 to July 17;

*NOW, THEREFORE, BE IT RESOLVED* by the Board of Directors of Palomar Pomerado Health that the following amended schedule of regular meetings will apply for the remaining calendar year 2006:

**2006 AMENDED BOARD MEETING SCHEDULE**

<b>July 17</b>	<b>Pomerado</b>	<b>August 14</b>	<b>PMC</b>
		<b>September 11</b>	<b>Pomerado</b>
		<b>October 9</b>	<b>PMC</b>
		<b>November 13</b>	<b>Pomerado</b>
		<b>December 11</b>	<b>PMC</b>

Each meeting will begin at **6:30 p.m.** Those meetings held at Palomar will be in Graybill Auditorium; those at Pomerado will be in the third floor meeting room.

*PASSED AND ADOPTED* at a Regular Meeting of the Board of Directors of Palomar Pomerado Health, held on June 12, 2006, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINING:

DATED: June 12, 2006

*APPROVED:*

*ATTESTED:*

\_\_\_\_\_  
Marcelo R. Rivera, M.D. Chairman  
Board of Directors

\_\_\_\_\_  
Linda C. Greer, R.N., Secretary  
Board of Directors

CR

## Informational Review: Balanced Scorecard

**TO:** PPH Board of Directors

**MEETING DATE:** June 12, 2006

**FROM:** Human Resources Committee: May 16, 2006

**BACKGROUND:** Brenda Turner, HR Executive Director, reviewed the PPH overall balanced scorecard as it applies to the Workforce (HR) Domain. This survey occurs twice each year; therefore the scores mark the mid-point of the assessment year. Informational review is from the December 2005 survey.

### Improve internal customer satisfaction:

1. The Workforce Work Group developed the initial internal survey tool to assess customer satisfaction between PPH departments. Once the survey was launched it became evident that the tool was not, and did not provide the type of information needed. Therefore the survey tool has undergone a redesign and will be re-launched at the end of "FY06".

### Attract, acquire and retain a high quality workforce:

#### Employee Engagement:

Goal...move grand mean from 4.04 to 4.21

1. Gallup survey data used to determine employee engagement. Annual mid-point grand mean has increased to 4.10, remaining short of the 4.21 goal.
2. It is important to note that when comparing employee responses to other companies, PPH is in the 90<sup>th</sup> percentile. Most companies receive 60% participation by their employees.
3. Information received has helped resolve issues in several departments. Managers are required to review the survey responses with their staff and develop impact plans to resolve issues. Scores should continue to increase.

#### Total Employee Turnover Rate:

Goal.... Reduce employee turnover to 10% overall

1. Current employee turnover is 14.4%. A new process for exit interviews of employees leaving PPH should be in place within the next few months.
2. The new process will help determine the reason for the employee leaving. This will also allow HR the opportunity to re-recruit valued staff.
3. The next Gallup Survey will be taking place in June. This will be too soon to have accurate data on the new exit interview process. December's survey will be the first opportunity to evaluate results of the new exit interview process.

### Demonstrate employee competence and growth:

% of staff certified in are of specialty:

% of staff with Bachelor's Degree:



## Informational Review: Balanced Scorecard

1. Collecting data from non-nursing areas has been a challenge; the unions have been the main roadblock.
2. Nursing areas have this information documented.
3. Data collected to date will be uploaded and tracking to begin in May.

### % of internal promotions:

Goal: 234 promotions

1. Current number is 231. It is expected that the 234 goal will be reached by the June survey.

### Create a learning organization:

Goal: Increase grand mean score from 4.10 to 4.14

1. Goal has been exceeded. Score from the December '05 survey was 4.15.
2. Measure will be changed for future surveys.

**BUDGET IMPACT:** Not Applicable

### **STAFF RECOMMENDATION:**

### **COMMITTEE QUESTIONS:**

#### Employee Engagement:

N. Bassett wanted to know if any of the other domains had similar issues of an inadequate tool such as the initial internal survey.

- a. No other domains experienced this difficulty.

N. Bassett also asked who was on the service excellence work groups.

- a. All work groups consist of PPH employees from departments throughout the system.

#### Total Employee Turnover:

N. Bassett asked if there was a time limit during which the employee could be rehired and retain their benefits.

- a. If the employee is rehired within 120 days of termination, reinstatement occurs with no loss to accrued benefits.

### Create a Learning Organization:

A. Larson asked for an update on the DDI Leadership Training program and the 360 assessments.

### **COMMITTEE RECOMMENDATION:**

**Motion:**

**Individual Action:**

**Information: X**

**Required Time:**

600

## Rancho Peñasquitos Satellite Update

**TO:** PPH Board of Directors  
**DATE:** June 12, 2006  
**FROM:** Strategic Planning Committee on May 16, 2006  
**BY:** Marcia Jackson, Chief Planning Officer  
Mike Shanahan, Director Facilities Planning & Development

**BACKGROUND:** Management has continued to work with the architect and construction management firm on options for this site. Mike Shanahan presented an update on the Rancho Peñasquitos Facilities Master Plan.

### Project Description

The renovation of the church would allow PPH to utilize the sanctuary as a community meeting space with multi-purpose functions. The Diabetes Health, Outpatient Behavioral Health, Community Outreach, and HealthSource programs would utilize approximately 12,200 square feet (SF) in a Community Wellness Center. The site analysis also allows for a 2-story, 40,000 SF clinical building. Management recommends that PPH look into partnering with a developer on this aspect of the project. PPH could lease a portion of the clinical building to provide such services as Outpatient Radiology, a support lab, or other outpatient services. Dr. Kanter asked if there would be handicap accessibility for the sanctuary, and the answer was yes.

An update on the Entitlement Process was presented. Key points include the following:

- Biology Report complete
- Draft Traffic Analysis due 5/19/06
- Air & Noise Analysis due 6/7/06
- Preliminary submittal to the city of San Diego on 6/15/06

Mike Shanahan also identified some potential development partner information, including the following:

- The Project Team met with real estate market professionals, and there appears to be some level of interest
- An RFP is being prepared for distribution to potential developer partners on June 16, 2006
- There will be a 30-day response period, and a PPH review panel will be formed to interview finalists, with notification and recommendation by August 2006.

The criteria and prequalification includes:

## Rancho Peñasquitos Satellite Update

- Experience in Development of Outpatient and Medical Office Facilities
- Financial and Market Strength
- Project Personnel, Management Personnel

### Planning Process Update

- The Development Company will be responsible for building the 40,000 SF medical office building, and its related site improvements
  - PPH will be responsible for renovation of the existing church, and related infrastructure improvements
  - Successful applicants will be asked to enter into a Development Agreement, and terms to include are the following:
    - PPH grants development rights
    - Option to purchase facility (PPH has option to purchase from developer)
    - PPH grant parking easements

Dr. Rivera commented that he prefers that the developer does not own the entire building; he would prefer that PPH have some equity interest.

A timeline for the projects was presented, and this topic will be revisited in August for an update.

**BUDGET IMPACT:**           None

### COMMITTEE RECOMMENDATION:

Information:           X



## DRAFT FY'07 Initiatives

**TO:** PPH Board of Directors  
**DATE:** June 12, 2006  
**FROM:** Strategic Planning Committee on May 16, 2006  
**BY:** Marcia Jackson, Chief Planning Officer

**BACKGROUND:** PPH Management has been working on establishing initiatives for FY '07, and a draft was shared with the Committee. Marcia Jackson discussed the draft initiatives in greater detail, and added that the EMT is looking forward to FY '07. Some initiatives will be ongoing and carry-overs, and they will strive for even higher goals/achievements. The initiatives will continue to change as time-passes. Michael Covert pointed out that it is very important to provide updates on the initiatives, so that we always have the most current statistics, since the bond rating agency, Moody's, will use this information to determine PPH's rating.

Discussion included the following points:

- Customer Service – improve baseline scores from July '06 customer service surveys, with action plans to address identified issues
- Quality - develop project scope and plan for CPOE (Computerized Physician Order Entry) in FY '07; Dr. Kanter expressed the opinion that CPOE should be under objective 3.1 (Demonstrate high quality patient care), and not under objective 3.2 (Demonstrate safe patient care). Dr. Kanter asked if the JCAHO pilot should be added to 3.3 (Optimize process efficiency and effectiveness), and Marcia Jackson responded that EMT discussed this and felt that it didn't need to be a separate initiative since this should be our standard way of operating
- Deploy Rapid Response Teams – will be rolled out to Quality Committee with pilot projects being initiated by the end of June
- Implement recruitment plan – unbundled; develop a retention plan – not developed yet
- Develop and implement an electronic interdisciplinary clinical documentation system across the continuum of care, except in Home Health, where OASIS will be used instead of Cerner
- Implement a comprehensive leadership development program – the management team is the key to enhancing employee engagement
- Implement a learning management system, including access to education. Wallie George announced that Ruth Szakaly will be providing a curriculum that leaders will go through. This curriculum will be parallel to and/or beyond any other. The UCSD Health Program can be used for master's degrees, using computerized e-learning, which will also be used for NEO.

## DRAFT FY'07 Initiatives

- Optimize the implemented Phase I IT applications – need to be well-oiled before next stage; Michael Covert pointed out that it will take the rest of this year to clean up and become stabilized, and then we can move forward. The next phase will greatly impact our physicians so we need to present them with a viable program.
  - FY '07 will focus on infrastructure and update
  - FY '08 will be the implementation and go-live stage

Dr. Rivera asked the Committee to revisit the Baldrige information, and asked where the project was now. Marcia Jackson responded that a solid draft application goes to external review later this week, and that the completed application will be submitted on July 10.

Dr. Larson asked if we are on schedule for '09 goals, and Marcia responded affirmatively. Michael Covert added that we're on schedule, but it will be challenging to reach our finance goal. Dr. Rivera agrees that we are on target for all domains, but our financial goals will be our stress point, and that we all have to have discipline about our finances. Gerald Bracht mentioned that we need ROI (Return on Investment) from initiatives.

Dr. Larson told the Committee that we will see more detailed goal information at the June 20 meeting, which will be a full BOD meeting. Dr. Rivera announced that June 5 will be the first Budget Workshop (BOD), and that budget should be finalized for a special Board meeting on June 14.

**BUDGET IMPACT:** Unknown

### COMMITTEE RECOMMENDATION:

Information: X

## Wellness Update

**TO:** PPH Board of Directors

**DATE:** June 12, 2006

**FROM:** Strategic Planning Committee on May 16, 2006

**BY:** Dr. Alan Larson, BOD Member and Committee Chairperson, and Bruce Krider, BOD Member and Committee Member

**BACKGROUND:** There has been an interest in establishing a Wellness Initiative, and time for discussion was provided at this Committee meeting. Bruce Krider led the Wellness Update discussion, defining wellness as education, coaching and instruction. He said that in the early 1980's, hospitals were involved in wellness, but they fizzled out, and are now making a comeback. He would like to see a model in which the med staff works with the hospital on wellness. He believes that we need to inventory what we currently offer, and then we can assess what we should be doing, taking care not to duplicate programs. There is a core minimum set of things we should provide. Bruce believes that we need a task force to work on this, and that task force will identify our needs, and compare to what we are currently doing. This group will also work more closely with the medical staff, which is not being done, to any great extent, in our area.

Dr. Buringrud mentioned that Diabetes Health just expanded to San Marcos, almost doubling their size. Nancy Bassett, RN, suggested that we need to find out what we spend on urgent care, including what type of visits in ED, and pay for the wellness with what we save on non-reimbursed ED visits. She stressed that we do not make money on chronic care, so we need to educate the community, and keep them out of urgent care as much as possible.

Dr. Rivera mentioned that Gustavo Friederichsen and Tina Pope recently did an assessment, and that we may be able to use this as a basis; possibly Neighborhood Healthcare can help with this. Bruce Krider suggested that we should survey physicians as to what they think would be most helpful to them and to their patients. Dr. Tornambe responded that the Primary Care Physicians (PCP's) should be already doing this, and that PPH should meet with those doctors to work through this. Dr. Kung informed us that although the PCP's should be doing this, they simply don't have enough time to educate all of their patients on all wellness topics such as diet, stress, and lowering their chance of strokes. In addition, reimbursement doesn't support these measures. If we could find a practical way to do this, it would put our name out in front of patients, which would be a great marketing tool, but it would be a long process. Bruce Krider suggested that we take advantage of "teachable" moments when we have severe events in our hospitals, and used cardiac rehab as one example.

## Wellness Update

Dr. Larson said that we should keep our mission on the front burner. He suggested that we create a grid of needs versus our inventory of offerings, measure results, and spend wisely. This is a strategic topic, and we would focus on healing environments and customer satisfaction. Benefits to the district would include distinguishing PPH from other hospitals, and we would be branded as dedicated.

Dr. Larson will put wellness back on the agenda in the future, and thanked everyone for a great meeting.

**BUDGET IMPACT:** Unknown

**STAFF RECOMMENDATION:** Information only

**COMMITTEE RECOMMENDATION:**

Information: X



**Sister Hospital Partnership**

**TO:** PPH Board of Directors  
**MEETING DATE:** June 12, 2006  
**FROM:** Community Relations Committee on May 19, 2006  
**BY:** Gustavo Freiderichsen

**BACKGROUND:** Gustavo Friederichsen updated the committee on the “sister partnership” agreement PPH signed last year to provide medical supplies and services to the Biamba Marie Mutombo Hospital in Kinshasa. Included in the donation was a van in which the Dikembe Mutombo foundation will pay to have shipped. Gustavo shared that Dikembe has agreed to donate to PPH’s “Welcome Home Baby” program and is committed to donating to Capitol Campaign as well. Gustavo reported that their were about 14 people gathered for a Black Leaders breakfast meeting where this relationship was discussed and Andy Hoang shared a news story he pitched in which KUSI ran a spot regarding the “multi million dollar dream becoming a realty”.

**BUDGET IMPACT:** None

**STAFF RECOMMENDATION:** For information purposes only

**COMMITTEE RECOMMENDATION:**

**Information:** X

## PPH Web Update

**TO:** PPH Board of Directors

**MEETING DATE:** June 12, 2006

**FROM:** Community Relations Committee on May 19, 2006

**BY:** Gustavo Freiderichsen

**BACKGROUND:** Gustavo Friederichsen updated the committee on the status of procedures involved with the renovation of pph.org including ongoing projects regarding the web design, content and timeframes. He shared that the plans are to have the initial phase roll-out on October 1 of 2006. Gustavo asked Tom Brand from Avid Design to join the meeting via conference call and together they showed online what the PPH web initiatives look like.

**BUDGET IMPACT:** None

**STAFF RECOMMENDATION:** For information purposes only

### COMMITTEE RECOMMENDATION:

**Information:** X

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## Community Relations Update

**TO:** PPH Board of Directors

**MEETING DATE:** June 12, 2006

**FROM:** Community Relations Committee on May 19, 2006

**BY:** Gustavo Freiderichsen

**BACKGROUND:** Tina Pope introduced Kay Stuckardt, who is our Faith and Health Partnership Coordinator, to the committee. Kay reported that this program, which was started in 1997, is the only one in the county. She reported that she has been on board in her position for 14 months and the program has grown from 16 to 27 churches during that time. She was pleased to share that one synagogue was now in as well. She shared that this program was started as an opportunity to connect people back to PPH. Jennifer Allen, Lifeline Coordinator reported on the Lifeline program and how it is continuing to grow. She attributes this to the fact that Michael Covert graciously agreed to allow the revenue to be put back into the program and for the hard work of the Marketing Department for their dedication to getting the word out.

**BUDGET IMPACT:** None

**STAFF RECOMMENDATION:** For information purposes only

### COMMITTEE RECOMMENDATION:

**Information:** X

609

## Media Update

**TO:** PPH Board of Directors

**MEETING DATE:** June 12, 2006

**FROM:** Community Relations Committee on May 19, 2006

**BY:** Gustavo Freiderichsen

**BACKGROUND:** Andy Hoang presented to the Committee an overview of media coverage titled "Measuring Success". This included print totals for the individual papers as well as a comparison between what PPH received for coverage compared to other health systems. Andy explained that each month he measures print space and multiplies it by their going rate to come up with the value. He shared that we are sustaining momentum and have been proactive in seeking media coverage.

**BUDGET IMPACT:** None

**STAFF RECOMMENDATION:** For information purposes only

### COMMITTEE RECOMMENDATION:

**Information:** X

**Monthly Reports**

**TO:** PPH Board of Directors

**MEETING DATE:** June 12, 2006

**FROM:** Community Relations Committee on May 19, 2006

**BY:** Gustavo Friederichsen

**BACKGROUND:** Monthly reports were respectively presented to the Community Relations Committee. Included were Marketing/Public Relations, HealthSource , and Community Outreach for the months of March and April, 2006.

**BUDGET IMPACT:** None

**STAFF RECOMMENDATION:** For information purposes only

**COMMITTEE RECOMMENDATION:**

**Information:** X

## Revenue Cycle Initiative

**TO:** Board of Directors  
**MEETING DATE:** Monday, June 12, 2006  
**FROM:** Board Finance Committee  
Tuesday, May 30, 2006  
**BY:** Melanie Van Winkle, Revenue Cycle Project Sponsor

**BACKGROUND:** The Revenue Cycle Initiative and the associated implementation project is a 12-14 month project geared to the complete redesign of all the business functions related to patient care, starting from the time the patient has identified a need for a service to the finalization of the patient bill. This project will require participation from almost all PPH disciplines. The project focuses on the business aspects from the patient's perspective and determines the optimal processes from the both patients' and the organization's perspectives. The outcome of this initiative is to significantly improve our patient and employee loyalty and to reduce lost reimbursement due to inefficient/ineffective processes.

PPH has dedicated internal staffing to ensure that the continuous focus on this project results in success. In addition, PPH has engaged Gustafson + Associates (Bobette Gustafson) to share their expertise in this type of project and to provide guidance to the assigned internal staff.

The complete redesign of our patient business processes is targeted to go live on July 2, 2007.

A status report and additional information were provided at the Finance Committee meeting via the attached presentation.

**BUDGET IMPACT:** \$2 million in Net Revenue improvements have been budgeted for FY2007 in anticipation of the implementation of some process changes during the term of the project. In addition, the FY2007 budget includes expenses for the duration of the project.

**STAFF RECOMMENDATION:** Information only

**COMMITTEE QUESTIONS:**

**COMMITTEE RECOMMENDATION:**

**Motion:**

**Individual Action:**

**Information:** X

**Required Time:**

22

# Revenue Cycle Project

Board Finance Committee

May 30, 2006

PALOMAR  
POMERADO  
HEALTH  
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# PPH Vision Statement

“PPH 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.”

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# PPH Values

Compassion

Innovation

Integrity

Excellence

Teamwork

Stewardship

# PPH Strategic Plan

Customer Service:

Objective 2.1 Develop loyal patients

Target 90%tile in 2007/08

# PPH Strategic Plan

Quality:

3.3 Achieve service standards in all areas

# PPH Strategic Plan

## Workforce Development:

4.1 Attract, acquire and retain a high quality workforce

# PPH Strategic Plan

Financial Strength:

1.1 Achieve profitability

2007 Initiative: Develop, implement and operationalize a patient focused revenue cycle plan, inclusive of all business and clinical aspects, under the direction of a dedicated project manager.

# What is this project?

- Re-design business aspects of patient care
- Patient Focused – create the WOW!
- Emphasize compassion for our Patients & Families
- Reduce/eliminate the financial anxiety out of the equation – patient/family focus on “healing”

# Dedicated Resources

Melanie Van Winkle – Project Sponsor

TBD – Project Analyst

Gustafson + Assoc – Project Consultant

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# Steering Committee

Bob Hemker

Brenda Turner

Duane Buringrud

Gerald Bracht

Gustavo Friederichsen

Kim Colonnelli

Kim Dodson

Melanie Van Winkle

Michael Covert

Opal Reinbold

Steve Tanaka

Tom Boyle

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# Project Teams

Project Team

Communication Team

Human Resource Team

Information Systems Team

Procedure Team

Training Team

# Team Members

Admitting  
Ancillary  
Finance  
Human Resources  
Info Systems  
Internal Audit  
Marketing  
Medical Staff  
Nursing  
Org Development  
Patient Bus Svcs  
Phys Office staff

# Major Project Milestones

Rev Cycle Retreat – March 1 ½ days

Formation of Teams - May/June

Benchmark Assessment – June/July

Communication Plan – June/July

Rapid Design Sessions – Aug/Sept

Research design “to-do’s” – Oct–Jan 07

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## Major Project Milestones (cont.)

Develop/Test Procedures – Jan-Mar 07

Develop new Org structure – Nov/Dec 06

Develop Training - Apr-June 07

Train staff - June 07

Develop Impl. Plan - May/June 07

Go-Live 7-2-07

Post Impl validation - July/Aug 07

# Revenue Cycle Retreat

- March 8<sup>th</sup> & 9<sup>th</sup> 2006
- 65 PPH employees attended
  - Representing all departments/divisions
- What is Revenue Cycle?
- Developed high level patient flow
- Created a common understanding
- Buy-in and excitement for project

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# Benchmark Assessment

- Sample over 500 patient accounts
- Evaluate each account for 40 Quality & 40 Timeliness criteria
- Compare outcome to industry average and to our perception of ourselves.
- Baseline data
- Quick fix opportunities identified

# Communication Plan

- Communication Team charged to develop a comprehensive communication plan
- Communication is critical to success of project
- Over communicate to employees & physicians
- Track project for Baldrige, Magnet & JCAHO - process improvement stories

# Rapid Design Sessions

- Pre-Service
- Time of Service
- Post Service
- Skilled Nursing Facilities

Each session 2-3 days, 15-20 staff each, facilitated/directed by Bobette Gustafson, 400-500 "to-do's", quick-fix opportunities.



# Develop Procedures

- Rapid Design Sessions will dictate the development of new procedures

# New Organizational Structure

- New procedures will result in changes in organizational structure for certain areas.
  - Major and minor changes
  - Structure will be built to optimize processes that are “excellent” for the patient & staff

# Training Materials

- Staff to be trained in new organizational structure & procedures.
- Positions will be re-distributed for the new organizational model
- G+A will “Train-the-Trainer”

# Implementation Plan

- A detail plan will be created to map out the conversion from old to new organizational structure
- Identify how carryover tasks will be handled (not lost)

# Go-Live

- Monday July 2, 2007
- New Organization structure will be implemented
- Staff will change roles

# Post Implementation validation

- Implementation plan to include a post validation process
  - Organizational Structure working
    - Revisions needed to structure?
  - Procedures being followed
    - Revisions needed to procedures?
  - Additional Staff training
  - Meeting outcome goals

## Post Retreat comments

“This process WILL eliminate patient anxiety and allow them to leave with a completely different feeling and perspective.”

“This process will give patients and families control over their experience.”

# Post Retreat comments

“This is the RIGHT thing to do.”

“This really raises the bar  
regarding patient expectations.”

“We owe this to the patient... to  
streamline the process.”

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2/2



## Post Retreat comments

“We will be the best provider of patient care.”

“We were stunned with the new ‘view from the patient’.”

“We will be able to make the money we need.”

# Post Retreat comments

“This must be a #1 priority.”

“This is exciting—I’m ready”

“This was a rare opportunity to  
create our own future.”

# Post Retreat comments

“This is profound—it’s extraordinary”

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**Action Item: PPH Bylaws Relating to HR Committee**

**TO:** PPH Board of Directors  
**MEETING DATE:** June 12, 2006  
**FROM:** Human Resources Committee: May 16, 2006

**BACKGROUND:**

1. PPH Board Bylaws are reviewed annually. HR Committee to review section 6.2.3 that relates to the Human Resources Committee. The following **recommended** changes to the HR Committee Board Bylaws were reviewed by the Governance Committee.
  - (a) Voting Membership. Membership shall consist of no more than three members of the Board and one alternate. The alternate shall attend Committee meetings and enjoy voting rights only in the absence of a voting Committee board member. The President and Chief Executive Officer **shall also hold voting rights**.
  - (b) Non-Voting Membership: Chief Human Resources Officer, the Chief Administrative Officers of Palomar Medical Center and Pomerado Hospital, and the Chief Nurse Executive.
2. On April 11, 2006, the Governance Committee felt that the President and CEO should not hold voting rights on the Human Resources Committee, but should remain a non-voting member on that committee due to the CEO's close connection with administration.
3. On May 16, 2006, the HR Committee again discussed the voting privileges of the CEO.
  - a. Dr. Larson noted that CEO participation on the HR Committee is in line with what the Board has designated the CEO to perform; therefore the CEO should be allowed to vote.
  - b. Final decisions always rest with the full Board at which the CEO does not vote.
  - c. Change over to new committee members in January has caused problems with voting on action items. Ex. This year only one committee member from 2005 remained causing issues with accepting December 2005 minutes at the January 2006 meeting as well as voting on other carry-over topics.

**BUDGET IMPACT:** Not Applicable

**HR COMMITTEE RECOMMENDATION:**  
The President and CEO should hold voting rights.

**COMMITTEE QUESTIONS:**

**COMMITTEE RECOMMENDATION:**

**Motion:** X

**Individual Action:**

**Information:**

**Required Time:**

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**PALOMAR POMERADO HEALTH  
MEDICAL DIRECTOR – DIABETES HEALTH PROGRAM**

**TO:** Board of Directors

**MEETING DATE:** Monday, June 12, 2006

**FROM:** Board Finance Committee  
Tuesday, May 30, 2006

**BY:** Sheila Brown, R.N., M.B.A., Chief Clinical Outreach Officer  
Kris Hedges, MBA, Director, Diabetes Health

**BACKGROUND:** This is a request to approve the Medical Director Agreement with Alan Conrad, M.D. Dr. Conrad will provide Medical Director coverage and medical leadership for the PPH Diabetes Health Program. In order to retain ADA recognition for diabetes care, medical oversight is needed. The Diabetes Health Program provides needed services to inpatient and outpatient clients who suffer from diabetes.

**BUDGET IMPACT:** No Budget Impact.

**STAFF RECOMMENDATION:** Approval.

**COMMITTEE QUESTIONS:**

**COMMITTEE RECOMMENDATION:** The Finance Committee recommends approval of the two-year (May 1, 2006 through April 30, 2008) Diabetes Health Program Medical Director Agreement with Alan Conrad, M.D.

**Motion:** X

**Individual Action:**

**Information:**

**Required Time:**

## PALOMAR POMERADO HEALTH - AGREEMENT ABSTRACT

Section Reference	Term/Condition	Term/Condition Criteria
	TITLE	Medical Director Agreement – PPH Diabetes Health Alan Conrad, M.D.
	AGREEMENT DATE	May 1, 2006
	PARTIES	1) PPH 2) Alan Conrad, M.D.
Recitals E	PURPOSE	To provide Medical oversight for PPH's Diabetes Health Program.
Exhibit A	SCOPE OF SERVICES	Alan Conrad, M.D., will provide Medical Director coverage and medical leadership for the PPH Diabetes Health Program. In order to receive payments, Medicare requires that PPH is ADA recognized. This Program provides needed services to inpatient and outpatient clients who suffer from diabetes.
	PROCUREMENT METHOD	<input type="checkbox"/> Request for Proposal <input checked="" type="checkbox"/> Discretionary
4.1	TERM	May 1, 2006 through June 30, 2008
	RENEWAL	N/A
4.3.1.2 4.3.1.1	TERMINATION	a. Immediately for cause b. Not less than 90 days of written notice without cause
3.1	COMPENSATION METHODOLOGY	Monthly payment on or before the 15 <sup>th</sup> of each month with supporting documentation of the prior month's time records.
	BUDGETED	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO - IMPACT: None.
	EXCLUSIVITY	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES – EXPLAIN:
	JUSTIFICATION	In order to remain ADA recognized for diabetes care, medical oversight is needed.
	POSITION NOTICED	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO <b>METHODOLOGY &amp; RESPONSE:</b> Posted in Medical Staff Offices for 30 days
	ALTERNATIVES/IMPACT	Proceeding without this arrangement will cause the program to be out of compliance with the ADA guidelines.
Exhibit A	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
	COMMENTS	
	APPROVALS REQUIRED	<input checked="" type="checkbox"/> Officer <input checked="" type="checkbox"/> CFO <input checked="" type="checkbox"/> CEO <input checked="" type="checkbox"/> BOD Finance Committee <input checked="" type="checkbox"/> BOD

**MEDICAL DIRECTOR AGREEMENT**

**between**

**PALOMAR POMERADO HEALTH,  
a local hospital district**

**and**

**Alan Conrad, M.D.**

**May 1, 2006**

## MEDICAL DIRECTOR AGREEMENT

THIS MEDICAL DIRECTOR AGREEMENT ("Agreement") is made and entered into effective May 1, 2006 by and between Palomar Pomerado Health, a local health care district organized pursuant to Division 23 of California Health and Safety Code ("Hospital") and Alan Conrad, M.D. ("Medical Director").

### R E C I T A L S

- A. Hospital is the owner and operator of Palomar Medical Center, a general acute care hospital located at 555 East Valley Parkway, Escondido, California and Pomerado Hospital, a general acute care hospital located at 15615 Pomerado Road, Poway, California ("Hospital").
- B. Medical Director is a physician who is qualified and licensed to practice medicine in the State of California, is experienced and qualified in the specialized field of Endocrinology or Internal Medicine, and who is a member of the Medical Staff of Hospital ("Medical Staff").
- D. Departments consist of facilities and equipment owned by Hospital and staffed by Hospital employees.
- E. Hospital desires to retain Medical Director as an independent contractor to provide certain administrative services ("Administrative Services") in the operation of the Department and has determined that this proposed arrangement with Medical Director will enhance the Department's and 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. Hospital and Medical Director acknowledge and agree that this Agreement shall supercede the agreements, if any, previously entered into by the parties for the provision of Administrative Services.
- G. It is the intent of both Hospital and Medical Director 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.



## A G R E E M E N T

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

### 1. MEDICAL DIRECTOR SERVICES

1.1 **Medical Director of Department.** Medical Director shall act as the medical director of the Department in accordance with the terms of this Agreement, the Medical Staff bylaws ("Medical Staff Bylaws"), and 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 a member in good standing of the active Medical Staff, shall comply with all applicable standards and recommendations of the Joint Commission on Accreditation of Healthcare Organizations ("JCAHO"), and shall hold all clinical privileges on the active Medical Staff of Hospital appropriate to the discharge of his or her obligations under this Agreement.

1.2 **Medical Director Administrative Duties.** Medical Director shall perform the Administrative Services as set forth on **Exhibit A.** Medical Director and Hospital shall use best efforts to meet monthly to discuss the performance of Administrative Services in the Department.

1.3 **Administrative Hours.** Medical Director shall commit to a minimum of sixteen hours per month and Medical Director shall set his or her own work schedule consistent with the proper operation of the Department. In the event Medical Director seeks to provide more than sixteen hours per month during any week in connection with this Agreement, Medical Director shall obtain advance approval from Hospital's Chief Clinical Outreach Officer.

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

1.5 **Private Practice.** Physician shall not have any Services under this Agreement performed by outside personnel without prior approval of PPH and the Palomar Medical Staff Executive Committee. Physician shall not act as a diabetes services medical director of any other diabetes service department or program in San Diego, or perform similar administrative services for any other hospital system in San

Diego. Physician may engage in private practice and shall have the same privileges to admit patients to diabetes services programs as other Medical Staff members.

1.6 **Referral Prohibition.** Medical Director 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 while acting in his capacity as Medical Director.

1.7 **Independent Contractor.**

1.7.1 In the performance of the duties and obligations of Medical Director hereunder, it is mutually understood and agreed that Medical Director is at all times acting and performing as an independent contractor, and nothing in this Agreement is intended nor shall be construed to create between Hospital and Medical Director, an employer/employee, joint venture, lease or landlord/tenant relationship. In that regard, Hospital shall neither have nor exercise any control or direction over the methods by which Medical Director performs, his or her duties, work, functions or Administrative Services or over Medical Director's best medical, professional or clinical judgment. The standards of medical practice and professional duties of Medical Director shall be determined by the Medical Staff and prevailing professional standards. In furtherance of the independent status of the parties, Medical Director shall not hold himself or herself out as an officer, agent or employee of Hospital, and shall take all reasonable steps to disavow such status or relationship in every instance where a reasonable party might assume that such a relationship exists between the parties. Medical Director shall reimburse or otherwise indemnify Hospital for all costs incurred, if Medical Director is held to be an employee or agent of Hospital for any purpose. The sole interest and responsibility of Hospital is to assure that the Administrative Services covered by this Agreement shall be performed and rendered in a competent, efficient, and satisfactory manner.

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

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

1.9 **Medical Director Warranties.** Medical Director represents and warrants to Hospital that Medical Director is now and shall remain throughout the term hereof (a) duly licensed to practice medicine in the State of California; (b) a member of the active professional staff of Hospital, with clinical privileges sufficient to permit Medical Director to perform all services required of Medical Director under Section 1 hereinabove; (c) in legitimate possession of all customary narcotics and controlled substances numbers and licenses. Medical Director further represents and warrants to Hospital that (a) Medical Director's license to practice medicine in any state has never been suspended, revoked or restricted; (b) Medical Director has never been reprimanded, sanctioned or disciplined by any licensing board or state or local medical society or specialty board; (c) Medical Director has never been excluded from participation in, or sanctioned by, any state or federal health care Department, including, but not limited to Medicare or Medicaid; and (d) Medical Director has never been denied membership or reappointment of membership on the medical staff of any hospital and no hospital medical staff membership or clinical privileges of Medical Director have ever been suspended, curtailed or revoked for a medical disciplinary cause or reason.

## 2. HOSPITAL OBLIGATIONS

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

2.2 **Space and Use of Premises.** Hospital shall furnish for the use of Medical Director such space and facilities as may be deemed necessary by 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 Hospital in its sole discretion.

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

2.4 **Hospital Services and Supplies.** Hospital shall provide or arrange for the provision of ordinary janitorial services, maintenance, housekeeping services, disposal of clinical waste, laundry and utilities, together with such other Hospital services, including medical records, administrative, local and long distance telephone services, engineering

services, and expendable supplies as Hospital deems necessary for the proper operation and conduct of the Department.

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

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

2.7 **Performance Evaluation.** Hospital's Chief Clinical Outreach Officer shall conduct an annual evaluation of the Medical Director's performance related to job duties, peer and Program satisfaction and project completion. Hospital's Chief Clinical Outreach Officer shall review the results of the evaluation with Medical Director.

### 3. BILLING AND COMPENSATION

3.1 **Administrative Services.** Medical Director shall, on a monthly basis on or before the fifth (5<sup>th</sup>) day of each calendar month during the entire term of this Agreement, commencing with the second (2<sup>nd</sup>) calendar month of the term of this Agreement, submit a written invoice to Hospital detailing to Hospital's satisfaction the date, time, number of hours and description of activities spent by Medical Director in performing the services required of Medical Director in Section 1 of this Agreement during the immediately preceding calendar month. Said monthly invoice shall be in addition to any time studies or work allocation agreements otherwise required of Medical Director pursuant to the terms of this Agreement.

In consideration of the Administrative Services to be provided by Medical Director to Hospital under Section 1 of this Agreement, and expressly conditioned upon Medical Director's timely submission to Hospital of the monthly invoice required pursuant to this Section 3.1, Hospital agrees to pay to Medical Director [REDACTED] per hour during the term hereof, payable in monthly installments on or before the fifteenth day of each month, with respect to the preceding calendar month, provided that in no event shall such monthly installments exceed [REDACTED]

██████████ Medical Director, as an independent contractor, agrees to pay in a timely manner all social security and other payroll taxes relating to such compensation.

3.2 **Records.** Payment of the compensation provided herein is conditioned upon Medical Director maintaining 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:

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

3.2.2 Executing and updating at such times and on such form(s) as requested by Hospital, a written allocation statement specifying the respective amounts of time to be spent in furnishing professional, Administrative Services, and services which do not fall into either category, in order to comply with Medicare requirements; and

3.2.3 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 Administrative Services provided under this Agreement.

#### 4. TERM AND TERMINATION

4.1 **Term.** This Agreement shall commence on May 1, 2006 and shall continue for two (2) years, unless sooner terminated as otherwise provided in this Agreement.

4.2 Either party shall have the right to terminate this Agreement immediately with cause or without cause upon not less than 90 days prior written notice to the other party; provided that, if this Agreement is terminated by either party prior to the first 12 months of the term, a same or similar agreement will not be entered into by the parties until after the first 12 months of the original term.

#### 4.3 **Termination of Agreement.**

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

4.3.1.1 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.

4.3.1.2 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 notice.

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

4.3.2.1 If Hospital determines in good faith that any aspect of the performance of Medical Director hereunder endangers patient safety;

4.3.2.2 If the insurance required of Medical Director hereunder is cancelled, decreased or not renewed for any reason;

4.3.2.3 If Medical Director fails to maintain compliance with all of the representations and warranties set forth in this Agreement; or

4.3.2.4 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, or (iii) 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 Hospital if the parties meet and agree that the Assistant 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.

4.3.3 In the event the parties are unable to develop a revised Agreement in accordance with Section 6.5, Hospital may elect to terminate this Agreement upon thirty (30) days written notice to Medical Director.

4.3.4 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 6.4 or 6.6 or any legal requirement related to Hospital's tax exempt status or tax exempt bond financing, the parties in good faith shall undertake to revise this Agreement to comply with such legal requirements. In the event the parties are unable to agree upon the revised terms within thirty (30) days thereafter, either party may terminate this Agreement immediately upon written notice to the other.

#### 4.4 Effect of Termination.

4.4.1 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, and (ii) obligations, promises or covenants contained herein which expressly extend beyond the term of this Agreement.

4.4.2 Upon expiration or termination of this Agreement, and upon Hospital's request, Medical Director shall immediately vacate the Department premises on the effective date of the termination or expiration, removing at such time any and all of Medical Director's personal property. Hospital may remove and store, at Medical Director's expense, any personal property that Medical Director has not so removed.

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

### 5. INSURANCE AND INDEMNIFICATION

5.1 Medical Director Insurance. Medical Director shall maintain at Medical Director's sole expense, a policy or policies of professional liability insurance as required by this Section. Such insurance shall provide coverage for Medical Director as the named insured, and such policy shall cover any acts of Medical Director's professional negligence which may have occurred during the relevant term and said policies of insurance shall be written with limits of liability of at least the minimum coverage required from time to time by Hospital's Medical Staff Bylaws, but in any event 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 Director 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 three (3) years. In order to maintain continuous coverage for the entire relevant term Medical Director 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 three (3) 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 Director will provide proof of current insurance and, in the event of modification, termination, expiration, non-renewal or cancellation of any of the

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

## 5.2 Indemnification.

5.2.1 Medical Director shall indemnify Hospital, its parents and subsidiaries, officers, directors, trustees, attorneys, employees and agents, individually and collectively, from any claim, demand, liability, loss, judgment, settlement, suit, action, cost or expense, including attorneys fees, which result from Medical Director's provision or failure to provide Administrative Services required to be performed by Medical Director pursuant to this Agreement.

5.2.2 Hospital shall indemnify Medical Director, from any claim, demand, liability, loss, judgment, settlement, suit, action, cost or expense including attorney's fees, which result from Hospital's performance or failure to perform the obligation required to be performed by Hospital pursuant to this Agreement.

## 6. GENERAL PROVISIONS

6.1 Litigation Consultation. Medical Director shall make himself or herself available to Hospital, at no cost to Hospital, to testify as an expert witness, or otherwise, in the event of litigation being brought against Hospital, its directors, officers or employees based upon a claim of negligence, malpractice or any other cause of action, except where Medical Director is named as an adverse party.

## 6.2 Confidentiality.

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

6.2.2 All records, files, proceedings, and related information of Medical Director, Hospital, and the Medical Staff and its committees pertaining to the evaluation



and improvements of the quality of patient care at Hospital shall be kept strictly confidential by Medical Director. Medical Director shall not voluntarily disclose such confidential information, either orally or in writing, except as expressly required by law or pursuant to written authorization by Hospital. This provision shall survive the termination of this Agreement.

6.2.3 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 Hospital. Both during and after the term of this Agreement, Medical Director shall be permitted to inspect and/or duplicate, at Medical Director's expense, any individual chart or record to the extent necessary to meet its professional responsibilities to such patient(s) and/or to assist in the defense of any malpractice or similar claim to which such chart or record may be pertinent, provided that such inspection or duplication is permitted and conducted in accordance with the applicable legal requirements and pursuant to commonly accepted standards of patient confidentiality. Medical Director shall be solely responsible for maintaining patient confidentiality with respect to any information obtained by him or her pursuant to this Section.

6.2.4 Medical Director acknowledges that in connection with its performance under this Agreement, Medical Director may or will have access to and the use of confidential information and trade secrets (the "Confidential Information") of Hospital related to the Department and its operations which include, but are not limited to, financial statements, internal memoranda, reports, patient lists, and other materials or records of a proprietary nature. In order to protect the Confidential Information, Medical Director agrees that he or she will not, after the date of this Agreement and for so long as any such Confidential Information remains confidential, secret or otherwise wholly or partially protectable, use such information (except in connection with the performance of duties hereunder) or divulge the Confidential Information to any third party, without first obtaining the prior written consent of the Chief Executive Officer of PPH or his or her designee.

### 6.3 Access to Medical Director Books and Records.

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

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

6.3.2.1 Until the expiration of four (4) years after the furnishing of services pursuant to the Agreement, Medical Director 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

6.3.2.2 If Medical Director 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 an extent of such costs.

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

6.3.4 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.

#### 6.4 Compliance with Laws.

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

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

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

6.6 **Verification of Costs.**

6.6.1 If and to the extent required by Section 1395x(v)(1) of title 42 of the United States Code, until the expiration of four (4) years after termination of this agreement, Palomar Pomerado Health shall make available, upon written request to the Secretary of the United States Program 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 Palomar Pomerado Health under this Agreement. Palomar Pomerado Health further agrees that in the event Palomar Pomerado Health carries out any of its duties under this agreement through a subcontract with a related organization with a value or cost of Ten Thousand Dollars (\$10,000) or more over a twelve month period, such subcontract shall contain a provision requiring the related organization to make available until the expiration of four (4) years after the furnishing of such services pursuant to such subcontract upon written request to the Secretary of the United States Program 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.

6.7 **Anti-Referral Laws.**

6.7.1 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 Medical Director's judgment in choosing the medical facility appropriate for the proper care and treatment of their patients.

6.7.2 Hospital and Medical Director acknowledge and agree that (i) this Agreement covers all of the services provided by Medical Director to Hospital or by Hospital to Medical Director with respect to Department, and (ii) the overall value of the services by and between Hospital and Medical Director are substantially equivalent. In

the event Hospital and Medical Director enter into any other agreements pursuant to which Medical Director provides services to Hospital or Hospital provides services to Medical Director, Hospital and Medical Director shall execute and attach hereto an addendum, which cross-references any such other agreements.

6.8 **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 Director agrees to provide to Hospital upon execution of this Agreement with information sufficient to disclose any ownership, investment or compensation interest or arrangement of Medical Director or any of Medical Director's immediate family members, in any entity providing "designated health services", as that term is defined in applicable statutes and regulations. In addition Medical Director shall immediately inform Hospital of any other arrangements that may present a conflict of interest or materially interfere with Medical Director's performance of its duties under this Agreement. Hospital may exercise its right to terminate this Agreement under Section 4.2.2 above if Medical Director 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 Director's performance under this Agreement.

6.9 **Dispute Resolution.**

6.9.1 In the event of any dispute or disagreement between the parties with respect to this Agreement, either party may request in writing for a special meeting for the resolution of the dispute (the "Special Meeting"). The Special Meeting shall be held at a mutually agreeable location within ten (10) days of a written request for the meeting, which request shall specify the nature of the dispute to be resolved. The Special Meeting shall be attended by representatives of Hospital and Medical Director (who may or may not be accompanied by legal counsel, in their respective discretion), who shall attempt in good faith to resolve the dispute and shall have reasonable authority to do so.

6.9.2 If a dispute has not been resolved through the Special Meeting process described in Section 6.9.1 above, the arbitration process shall be utilized and either party may commence arbitration by giving a written notice to the other party demanding arbitration. There shall be one (1) impartial third party arbitrator. If the parties are unable to agree upon a mutually acceptable arbitrator within thirty (30) days after the demand for arbitration is given, then the parties stipulate to the arbitration before a single impartial third party arbitrator who is a retired judge on the San Diego panel of JAMS/Endispute, Inc. and who is selected by the then serving chief administrative officer of JAMS/Endispute, Inc. The substantive internal law (and not the conflict of laws) of the State of California shall be applied by the arbitrator to the resolution of the dispute. The parties shall have the rights of discovery as provided for in Part 4 of the California Civil Code Procedure and the provisions of Section 1283.05 of the California Code of

Civil Procedure are hereby incorporated by reference into this Agreement pursuant to the provisions of Section 1283.1(b) of the California Code of Civil Procedure.

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

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

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

6.11 **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.

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

If to PPH and/or Hospital: Palomar Pomerado Health  
15255 Innovation Drive, Suite 204  
San Diego, CA 92128  
Attention: Administrator/Chief Operating  
Officer, Palomar Pomerado Health

If to Medical Director: Alan Conrad, MD  
15721 Pomerado Rd  
Poway, CA 92064

All notices shall be deemed give on the date of delivery if delivered personally or by overnight delivery, or three (3) business days after such notice is deposited in the United States mail, addressed and sent as provided above.

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

6.14 **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.

6.15 **Compliance with Hospital Standards.** Medical Director shall comply with Hospital'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 Director shall cooperate with Hospital corporate compliance audits, reviews, and investigations, which relate to Medical Director and/or any of the services provided by Medical Director under this Agreement. Subject to request by Hospital, such cooperation shall include without limitation the provision of any and all Medical Director documents and/or information related to Medical Director activities including the provision of Administrative Services under this Agreement. In addition, as requested by Hospital, Medical Director shall participate in corporate compliance-related seminars and educational programs sponsored by Hospital as part of Hospital's corporate compliance program. Medical Director shall ensure that all personnel retained by Medical Director 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 Director who become so sanctioned or excluded during the term of this Agreement shall be immediately removed by Medical Director and shall be thereafter excluded from the provision of services under this Agreement.

6.16 **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.

6.17 **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.

6.18 **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.

6.19 **Attorneys' Fees.** In the event that any action, including mediation or arbitration, is brought by either party hereto to enforce or interpret the terms of this Agreement, the prevailing party in such action shall be entitled to its costs and reasonable attorneys' fees and costs (including allocated costs of in-house counsel) incurred therein from the nonprevailing party, in addition to such other relief as the court or arbitrator may deem appropriate.

6.20 **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 Hospital determines that Hospital 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.

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

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

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

6.24 **Non-Discrimination.** Each of the parties hereto represents and warrants that it is and at all times during the term of this Agreement will be in full compliance with

Section 504 of the Rehabilitation Act of 1973 and Titles VI and VII of the 1964 Civil Rights Act, as amended and all regulations issued pursuant thereto.

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

This Medical Director Agreement is executed at Escondido, California as of the date set forth above.

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

By: \_\_\_\_\_  
Its \_\_\_\_\_

\_\_\_\_\_  
("Medical Director")



**EXHIBIT A  
ADMINISTRATIVE SERVICES**

**PALOMAR POMERADO HEALTH  
DIABETES HEALTH SERVICES  
JOB DESCRIPTION**

**POSITION TITLE: Medical Director Diabetes Health Services**

**Qualifications:**

A physician member of the active medical staff at Palomar Medical Center and Pomerado Hospital, who has special interest and specific knowledge in the assessment, diagnosis and treatment of patients with endocrine problems, shall provide medical direction for Diabetes Health. The Medical Director shall be qualified as a board-certified Internist by the American Board of Internal Medicine or a board-certified Endocrinologist by the American College of Endocrinology and be in good standing with that organization.

**General Responsibilities:**

- A. The Medical Director for Diabetes Health shall provide for overall medical direction of the Department and insure that professional standards of care and ethical practice are adhered in all situations of patient care.

In general Medical Director shall:

- (a) Provide overall clinical direction for the Program.
- (b) Participating in and supervising quality measurement activities conducted for the Program.
- (c) Advising individuals regarding the Program services.
- (d) Supporting PPH in working with third-party payers to provide or expand coverage for all components and services of the Program.
- (e) Assisting in developing Program policies, protocols, and procedures, and guidelines.

- (f) Monitoring implementation and execution of medical policies, procedures, protocols, and guidelines pertaining to the Program.
- (g) Conducting professional continuing educational sessions consistent with the needs of the Program, the hospital's medical staff, and hospital personnel.
- (h) Conducting community seminars regarding the Program services.
- (i) Acting as the chief medical liaison for the Program to the Hospital administration, medical staff and the community.
- (j) Participating in the evaluation of the performance of the Program against its goals and objectives.
- (k) Attending PPH regional/national meetings as appropriate.
- (l) Communicating input regarding the Program's services from the medical staff, administration, patients and the medical community to the Program Director of the Program.
- (m) Participating in the PPH budgeting process as requested.

**In the event Medical Director seeks to provide more than sixteen hours per month in connection with this Agreement, Medical Director shall obtain advance approval from Hospital's Chief Clinical Outreach Officer.**

**Exhibit 1.10**

**CODE**

1. I will perform my duties faithfully and to the best of my ability, and in the interest of Hospital.
2. I will not lie, cheat, steal, or violate any law in connection with my employment by Hospital.
3. I will not pay or arrange for Hospital to pay any person or entity for the referral of patients to Hospital, nor will I accept any payment or arrange for Hospital to accept any payment for referrals from Hospital.
4. I will not participate in any false billing of patients, government entities or any other party, nor will I participate in the preparation of any false cost reports, or other type of report submitted to the government.
5. I will not engage in any conduct or practice that conflicts (or appears to conflict) with interest of Hospital, unless I first obtain the express written consent of the Palomar Pomerado Health Board of Directors or designee.
6. I will not use Hospital's confidential or proprietary information gathered during my employment with Hospital for my own personal benefit, either during or after my employment at Hospital.
7. I will not obtain any improper personal benefits by virtue of my employment with Hospital.
8. I will notify the compliance Director immediately upon the receipt (at work or home) of an inquiry, subpoena (other than for routine licensing or tax matters) or other agency or government request for information regarding Hospital.
9. I will not destroy or alter information or documents in anticipation of or in response to, a request for documents by any applicable government agency or from a court of competent jurisdiction.
10. I will not engage in any business practice intended to unlawfully obtain favorable treatment or business from any government entity, physician, patient, vendor or any other party in a position to provide such treatment or business.
11. I will not solicit or receive from any person or entity, nor offer to give to any person or entity, anything of value if that person or entity is in a position to refer business to Hospital or if Hospital is in a position to refer business to that person or entity.
12. I will not accept any gift of more than nominal value, (\$50), and Hospitality or entertainment which because of its source or value might influence my independent judgment in transactions involving Hospital.
13. I will not provide any gifts to any government or public agency representative.
14. I will disclose to the compliance Director any financial interest or ownership interest or any other relationship that I, or a member of my immediate family has with Hospital customers, and vendors or competitors.
15. I will not disclose confidential medical information pertaining to Hospital patients without the express written consent of the patient in accordance with HIPAA, other applicable law and Hospital applicable policies or procedures.

16. I will promptly report all violations or suspected violations of this manual by myself or other employees to the compliance Director.
17. I will not conspire with a competitor of Hospital to illegally fix prices, labor cost, allocate markets, or engage in group boycotts. Before considering any agreements or entering into discussions with a competitor concerning any of these issues, I should first obtain the advice of the compliance Director concerning antitrust issues.

**PALOMAR POMERADO HEALTH  
MEDICAL DIRECTOR – OCCUPATIONAL HEALTH PROGRAM**

**TO:** Board of Directors

**DATE:** Monday, June 12, 2006

**FROM:** Board Finance Committee  
Tuesday, May 30, 2006

**BY:** Sheila Brown, R.N., M.B.A.  
Marilyn Piek, R.N., M.S.N., C.O.H.N.S., C.C.M.

**BACKGROUND:** This is a request to approve the Medical Director Agreement of Donald Herip, M.D., M.P.H. Dr. Herip provides Medical Director coverage for the Employee/Corporate Health Services. As Medical Director, Dr. Herip performs physical examinations and provides medical oversight to PPH employees and corporate clients in the PPH Service Area. Under Dr. Herip's leadership, the Employee/Corporate Health Service has demonstrated a significant reduction in PPH Worker's Compensation Program, high client satisfaction scores and excellent quality outcomes with the Return to Work and the Lift Team Programs.

**BUDGET IMPACT:** No Budget Impact.

**STAFF RECOMMENDATION:** Approve.

**COMMITTEE QUESTIONS:**

**COMMITTEE RECOMMENDATION:** The Finance Committee recommends approval of the two-year-plus (March 1, 2006 through June 30, 2008, with additional two-year option) Occupational Health Program Professional Services and Medical Director Agreement with Donald Herip, M.D., M.P.H.

**Motion:** X

**Individual Action:**

**Information:**

**Required Time:**

## PALOMAR POMERADO HEALTH - AGREEMENT ABSTRACT

Section Reference	Term/Condition	Term/Condition Criteria
	TITLE	Employee/Corporate Health Medical Director Agreement
Recitals	AGREEMENT DATE	March 1, 2006
Recitals	PARTIES	Palomar Pomerado Health - Donald Herip, MD
Recitals	PURPOSE	To provide Medical oversight for Employee/Corporate Health Services program
	SCOPE OF SERVICES	Donald Herip, M.D. provides Medical Director coverage for the Employee/Corporate Health Services. As Medical Director, Dr. Herip performs physical examinations and provides medical oversight to PPH employees and corporate clients in the PPH Service Area.
	TERM	March 1, 2006 through June 30, 2008 with an additional 2-year option.
	RENEWAL	N/A
	TERMINATION	Immediately for cause or within 90 days of written notice without cause.
	COMPENSATION METHODOLOGY	Monthly payment on or before the 15 <sup>th</sup> of each month with supporting documentation of the prior month's time records.
	BUDGETED	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO – IMPACT:
	EXCLUSIVITY	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES – EXPLAIN:
	JUSTIFICATION	To comply with Title 22 regulatory guidelines for Employee/Corporate Health Services.  To comply with Worker's Compensation regulatory standards.
	POSITION POSTED	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO <b>Methodology &amp; Response:</b> Option to renew M.D. services beyond the initial agreement term.
	ALTERNATIVES/IMPACT	Proceeding without this arrangement will cause the program to be out of compliance with medical oversight and supervision.
Exhibit 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
	LEGAL REVIEW	Attorney developed template agreement used.
	COMMENTS	
	APPROVALS REQUIRED	<input checked="" type="checkbox"/> Officer <input checked="" type="checkbox"/> GFO <input checked="" type="checkbox"/> CEO <input checked="" type="checkbox"/> BOD Committee <b>FINANCE</b> <input checked="" type="checkbox"/> BOD

**OCCUPATIONAL HEALTH PROGRAM**  
**PROFESSIONAL SERVICES AND MEDICAL DIRECTOR AGREEMENT**

This *Occupational Health Program Professional Services and Medical Director Agreement* ("Agreement") is made and entered into effective March 1, 2006 by and between **Palomar Pomerado Health**, a local health care district organized pursuant to Division 23 of California Health and Safety Code ("PPH") and **Donald S. Herip, M.D., M.P.H.** ("Physician").

**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 ("Hospital") and Pomerado Rehabilitation Outpatient Services ("PROS") a PPH outpatient clinic, located at 15708 Pomerado Road, Poway, California 92064 ("Clinic").

B. Hospital wishes to develop and institute an occupational health program, to be known as *Corporate Health Services* (the "Program") to provide occupational health services to PPH employees and other individuals.

C. Physician is qualified and licensed to practice medicine in the State of California, is experienced and qualified in the specialized field of Occupational Medicine, and is a member of the Medical Staff of Hospital ("Medical Staff").

D. PPH will operate Program at the Clinic and in a new outpatient department of Hospital, pursuant to California Health and Safety Code Section 1206(d) (the "Hospital Department"), and such Program shall consist of facilities and equipment owned by PPH and staffed by PPH employees.

E. PPH desires to retain Physician as an independent contractor to provide professional occupational health services through the Program ("Professional Services") to PPH patients, including PPH employees, on an as-needed basis, for which PPH will compensate Physician.

F. PPH also desires to retain Physician as an independent contractor to provide certain administrative services ("Administrative Services"), including consultation and medical director services required for the proper development and operation of the Program. PPH has determined that this arrangement will enhance the Program's organization, procedure standardization, economic efficiency, professional proficiency, and provide other benefits to enhance coordination and cooperation among the Program's providers and users.

G. PPH and Physician acknowledge and agree that this Agreement shall supersede any and all agreements that have been entered into by the parties previously for the provision of services identified under this Agreement.

H. It is the intent of both PPH and Physician 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 not limited to, the applicable requirements set forth in regulations promulgated by the

Department of Health and Human Services, Office of Inspector General, and the Ethics in Patient Referral Act.

**THEREFORE, THE PARTIES AGREE:**

**I. PHYSICIAN RESPONSIBILITIES**

**1.1 Professional Services.** As part of the Program, Physician shall provide Professional Services to: (a) PPH employees; and (b) in the event PPH contracts with third party employers and other payors (collectively "Plans") to provide or arrange for the provision of occupational health services to participants of such Plans ("Plan Participants"). PPH employees and Plan Participants shall be collectively referred to herein as "PPH Patients". Physician shall be available for 40 hours per week to perform Medical Director duties and to treat PPH Patients at the Hospital Department and Clinic. Physician agrees to provide on-call services during the hours he is not scheduled to be on-site at the Hospital Department or Clinic. PPH Department hours shall be Monday through Friday from 7:00 AM to 12:30 PM, and Clinic hours shall be Monday through Friday from 1:00 PM to 7:00 PM. Hours are subject to change to accommodate PPH Hospital Department and Clinic scheduling needs. Physician agrees to cooperate with PPH in setting Physician's work schedule to maximize operations at both the Hospital Department and Clinic.

**1.2 Maintenance of Records.** Physician shall cooperate fully with PPH by maintaining and making available all necessary records and Time Reports (as defined herein) in order to ensure that PPH will be able to meet all requirements for participation in government programs or private third-party payors and for obtaining payment from those sources.

**1.3 Assignment of Payments.** Physician shall assign to PPH all rights to receive payments for the Professional Services provided by Physician under this Agreement. If any payments or reimbursements are not automatically assigned to PPH through the establishment of formal assignments under applicable government and commercial programs, Physician shall directly remit all such payments to PPH. Physician shall execute the Assignment Agreement set forth in Exhibit A, and Physician agrees to complete any other documentation or applications that may be required to effectuate automatic assignments under all applicable government and commercial payor programs.

**1.4 Professional Standards.** Physician shall, throughout the term of this Agreement, comply with the following:

(a) **License/Participation.** Physician shall maintain his license or certification to practice medicine in the State of California without interruption;

(b) **Certification.** Physician shall maintain his Board Certification or Board Eligibility for Occupational Medicine with the applicable accreditation agency without interruption;

(c) **Medical Staff.** Physician shall be a member in good standing of PPH's Medical Staff and shall comply with all applicable standards and recommendations of the Joint Commission on Accreditation of Healthcare Organizations throughout the term of this Agreement;

(d) **Policies.** Physician shall comply with all policies, rules and regulations of PPH and the Program;



(e) **Continuing Education.** Physician shall participate in continuing education as necessary to maintain his licensure and certification, and to remain current with applicable standards of practice; and

(f) **Laws.** Physician shall comply with all applicable laws, rules and regulations of any and all governmental authorities.

(g) **Insurance.** At all times, Physician shall maintain the following insurance: in full professional liability coverage in an amount of \$1,000,000 per provider per claim with an aggregate limit of not less than \$3,000,000.

**1.5 Insurance Maintained by Physician.** At all times, Physician shall maintain and provide proof of the following types of insurance in the amounts specified below and under the conditions specified below. Physician further agrees to maintain such insurance coverage throughout the term of this or any subsequent agreement:

(a) **Professional Liability.** Professional liability coverage in the amount of \$1,000,000 per provider per claim with an aggregate limit of not less than \$3,000,000. Coverage shall include contractual liability coverage. If policy contains one or more aggregate limits, a minimum of 50% of any such aggregate limit must remain available at all times. If over 50% of any such aggregate limit has been paid or reserved, PPH will require additional coverage to be purchased by Physician to restore the required limits. Any deductible must be declared to and approved by PPH. At the option of PPH, Physician shall provide a financial guarantee satisfactory to PPH for the payment of said deductible.

(b) **Automobile Liability.** \$1,000,000 each accident for bodily injury and property damage. Physician's insurance shall be deemed to be primary coverage for the risk of any automobile accident claim made by or against Physician while providing services under this Agreement.

(c) **Notice of Cancellation.** Each required insurance policy shall be endorsed to state that coverage shall not be canceled except after sixty (60) days' prior written notice by certified mail, return receipt requested, has been given to PPH at the address indicated in the Notices provision of this Agreement.

(d) **Qualifying Insurers.** All required policies of insurance shall be issued by companies which have been approved to do business in the State of California by the State Department of Insurance, and which hold a current policy holder's alphabetic and financial size category rating of not less than B+, according to the current Best's Key Rating guide, or a company of equal financial stability that is approved in writing by PPH.

(e) **Evidence of Insurance.** Prior to commencement of this Agreement, but in no event later than the effective date of the Agreement, Physician shall furnish PPH with certificates of insurance and amendatory endorsements effecting coverage required under this Agreement. Thereafter, copies of renewal certificate and

amendatory endorsements shall be furnished to PPH within thirty days of the expiration of the term of any required policy. Physician shall permit PPH at all reasonable times to inspect any policies of insurance that Physician has not delivered.

(f) **Failure to Obtain or Maintain Insurance.** Physician's failure to obtain insurance specified or failure to furnish certificates of insurance, and amendatory endorsements, or failure to make premium payments required by such insurance, shall constitute a material breach of this Agreement, and PPH may, at its option, terminate this Agreement for any such default by Physician.

(g) **No Limitation of Obligations.** The foregoing insurance requirements as to the types and limits of insurance coverage to be maintained by Physician, and any approval of said insurance by PPH are not intended to and shall not in any manner limit or qualify the liabilities and obligations otherwise assumed by Physician under this Agreement, including but not limited to the provisions concerning indemnification.

(h) **Review of Coverage.** PPH retains the right at any time to review the coverage, form and amount of insurance required herein and may require Physician to obtain insurance reasonably sufficient in coverage, form and amount to provide adequate protection against the kind and extent of risk which exists at the time a change in insurance is required.

(i) **Claims Made Coverage.** If coverage is written on a "claims made" basis, the Certificate of Insurance shall clearly so state. In addition to the coverage requirements specified above, the policy shall include the following:

1. The policy retroactive date coincides with or precedes Physician's commencement of work under the Agreement (including subsequent policies purchased as renewals or replacements).
2. Physician will maintain similar insurance during the required extended period of coverage following expiration of the Agreement, including the requirement of adding all additional insureds.
3. Physician shall obtain an extended reporting provision ("tail insurance") of at least four (4) years to report claims arising in connection with the Agreement to provide uninterrupted coverage if any event occurs during the term of the Agreement that may diminish, curtail, cancel, or otherwise fail to provide coverage identified under this Agreement, including but not limited to Physician's changing of insurance carriers or modification of insurance terms.
4. The policy allows for reporting of circumstances or incidents that might give rise to future claims.

(j) **Occurrence Policy.** If any insurance obtained by Physician for coverage under this Agreement is written on an "occurrence" policy, Physician shall obtain an extended reporting provision ("tail insurance") of at least four (4) years to report claims arising in connection with the Agreement to provide uninterrupted coverage

if any event occurs during the term of the Agreement that may diminish, curtail, cancel or otherwise fail to provide coverage, including but not limited to Physician's changing of insurance carriers, modification of insurance terms, or any requirement in Physician's insurance coverage that claims be presented during a specified period of time after an occurrence, or presented during a specified period of time after obtaining knowledge of an occurrence, insurable event, or triggering event.

(k) **Additional Insured Endorsement.** The policies required under this Agreement are to contain, or be endorsed to contain an additional insured endorsement applying coverage to PPH and its officers, agents, employees and volunteers, individually and collectively.

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

**1.7 Medical Director.** Physician shall:

(a) Act as the Medical Director of the Program and shall be primarily responsible for the provision of Administrative Services set forth in the job description and performance evaluation that is attached hereto as **Exhibit B** and incorporated by reference. Physician shall provide these Administrative Services in accordance with the terms of this Agreement, the Medical Staff bylaws ("Medical Staff Bylaws") and PPH's bylaws, rules, regulations, policies and procedures (collectively "PPH Bylaws"). Such Administrative Services shall include consulting services in the development of the Program. Physician and the PPH Clinical Outreach Officer shall use their best efforts to meet monthly to discuss Physician's performance of Administrative Services under the Program.

(b) Set his own work schedule in a manner that is consistent with the proper operation of the Program. Physician shall spend as much time as is reasonably necessary to perform the Administrative Services required under this Agreement. Physician shall not spend more than eight (8) hours during any calendar week providing Administrative Services without first obtaining consent from PPH.

**1.8 Use of Premises.** Pursuant to state and federal law, in order to preserve PPH's exemption from property and other taxes, any space provided to Physician for the performance of any and all services under this Agreement must be used for Hospital purposes only. As a result, no part of the Program premises at the Hospital Department or the Clinic shall be used by Physician as an office for personal use or the private practice of medicine. Physician shall not incur any financial obligation on behalf of PPH without PPH's prior written consent, which shall be in PPH's sole and absolute discretion.

**1.9 Competitive Services.** The parties recognize the need for Physician to devote efforts to the Program development activities. Therefore, during the term of this Agreement, Physician shall refrain from assuming any duties or obligations at any third party occupational health care facility within PPH's service area without the prior written consent of PPH. This restriction

shall include, but is not limited to any services that Physician may provide to third party occupational health care facilities to manage, direct, consult, administer, or oversee any aspect of their services or operational functions. Notwithstanding this limitation, Physician may provide medical review officer services to entities other than PPH during the term of this Agreement, provided that such services do not infringe on Physician's ability to perform his duties and obligations under this Agreement.

**1.10 Absences.** Physician agrees to be absent for no more than thirty-five (35) business days for holidays, vacation, illness, or educational conferences each year during the term of this Agreement. Prior to any absence, Physician shall notify and first obtain consent from the PPH Director of Corporate and Employee Health Services or the Clinical Outreach Officer. PPH will arrange for another qualified physician to provide Professional and/or Administrative Services on Physician's behalf during Physician's absence and PPH shall be responsible for payment to that substitute physician.

## II. PPH RESPONSIBILITIES

**2.1 Facilities, Non-physician Staff, Equipment and Supplies.** PPH shall provide the following for the operation of the Program:

(a) **Facilities.** PPH shall make available to Physician the facilities necessary for the operation of the Program.

(b) **Non-physician Staff.** PPH shall make available to Physician all non-physician personnel required for the operation of the Program. PPH shall establish and classify all non-physician positions and shall designate the persons assigned to each non-physician position. Although Physician may make recommendations to PPH relating to the performance of non-physician employees, PPH shall have the sole and exclusive right to control, select, schedule and discharge such employees, and to take any direct disciplinary measures as needed.

(c) **Equipment.** PPH shall make available to Physician at the Program the equipment necessary for the operation of the Program. PPH shall keep and maintain the equipment in good order and repair.

(d) **Supplies.** PPH shall purchase and provide supplies as requested by Physician for his treatment of PPH employees and Plan Participants.

(e) **Standard of Performance.** The responsibilities of PPH pursuant to this section shall be subject to PPH's usual purchasing practices, budget limitations, governmental approvals and applicable laws and regulations.

**2.2 Marketing.** PPH shall provide advertising services and support services for the Program and the services provided by Physician under this Agreement. PPH shall use good faith efforts to consult with Physician regarding the content of any advertising or marketing prior to its dissemination.

**2.3 Medical Records.** Any and all PPH Patient records and charts used or created by or on behalf of Physician relating to services provided under this Agreement shall be and remain the property of PPH. Both during and after the term of this Agreement, Physician, or his agent, shall be permitted to inspect and/or duplicate, at Physician's expense, any individual chart or record to the

extent necessary to meet his professional responsibilities to PPH Patients and/or to assist in the defense of any malpractice or similar claim to which the chart or record may be pertinent. Any inspection or duplication of PPH Patient records and charts shall be permitted and conducted in accordance with the applicable legal requirements and pursuant to commonly accepted standards of patient confidentiality. Physician shall be solely responsible for maintaining patient confidentiality with respect to any information obtained by him or his agents. PPH shall maintain medical records for such period of time as is required by state and federal law.

**2.4 Insurance Maintained by PPH.** PPH shall provide, at its own cost and expense, general liability insurance, personal property insurance covering loss or damage to PPH's personal property at the Program, and workers' compensation insurance. The general liability insurance policy shall name Physician as an additional insured and shall provide that any claims made pursuant to the policy shall apply both to PPH and Physician as if the policy were separate policies insuring PPH and Physician independent of each other.

### III. COMPENSATION

**3.1 Compensation.** In consideration of the services provided by Physician to the Program, PPH shall pay to Physician:

(a) An annual base compensation in the amount of [REDACTED] (the "Annual Base Compensation"), plus up to [REDACTED] annually if Physician meets performance goals specified under Exhibit B. The compensation shall be payable in equal monthly installments on or before the 15<sup>th</sup> day of each month beginning the second month of this Agreement. The parties acknowledge and agree that the compensation under this Section represents fair market value payment for Physician's Professional Services and Administrative Services provided under this Agreement.

(b) [REDACTED] annually for educational expenses.

(c) [REDACTED] annually for dues associated with his Board specialities and certifications.

(d) Reimbursement for reasonable expenses and fees relating to Physician's acquisition and maintenance of professional liability coverage required under this Agreement, including the purchase of any tail coverage required under this Agreement.

**3.2 Reports.** Physician shall use his best efforts and abilities in the provision of services under this Agreement. Physician shall prepare and submit to PPH a monthly written statement of the Administrative Services provided by Physician as the Medical Director during the month using the form attached hereto as **Exhibit C** to this Agreement (the "Time Reports"). Such Time Reports shall be submitted by Physician on or before the fifth (5<sup>th</sup>) day of each month beginning with the second month of this Agreement. Payment of the compensation described in Section 3.1 is conditioned on Physician's proper maintenance of monthly Time Reports, PPH's timely receipt of such Time Reports, and PPH's reasonable verification of such Time Reports.

#### IV. TERM AND TERMINATION

**4.1 Term.** Subject to termination as set forth below, this Agreement shall commence on **March 1, 2006** (the "Effective Date") and shall end on June 30, 2008 (the "Initial Term"). For valuable consideration, the receipt of which is hereby acknowledged by the parties, PPH shall have the option to renew Physician's services beyond the Initial Term for an additional two year term, through June 30, 2010, by providing Physician with notice of its intent to renew this Agreement in writing at any time before the expiration of the Initial Term. Physician shall provide his assent or refusal to renew the Agreement in writing within thirty (30) days after receipt of PPH's notice of intent to renew. Any failure by PPH to request an additional term or refusal by Physician to accept an additional term shall not affect the parties' duties and obligations during the Initial Term of this Agreement.

**4.2** Either party shall have the right to terminate this Agreement without cause upon not less than ninety (90) days prior written notice to the other party.

**4.3 Grounds for Termination.** This Agreement may be terminated pursuant to any of the following:

(a) **Mutual Agreement.** Mutual agreement of the parties.

(b) **Material Breach.** In the event of a material breach by any party to this Agreement, the other party shall have the right to terminate this Agreement by service of written notice upon the defaulting party (the "Default Notice"). In the event such breach is not cured within 30 days after service of the Default Notice, this Agreement may terminate at the election of the non-defaulting party.

(c) **Termination Without Cause.** This Agreement may be terminated by either party at any time, without cause, upon 90 days' prior written notice to the other party.

(d) **Termination With Cause.** PPH shall have the right to immediately terminate this Agreement by giving written notice to Physician in the event of:

(1) Physician's failure to use reasonable efforts to accurately create and maintain medical records in compliance with all applicable laws, the Medical Staff Bylaws and PPH Bylaws;

(2) The loss, sanction, suspension or material limitation of Physicians' license, federal Drug Enforcement Agency number, right to participate in the Medicare or Medi-Cal programs, or Medical Staff membership or clinical privileges at PPH or any other hospital or managed care organization.

(3) Breach of the provisions concerning HIPAA by Physician; and/or

(4) Cancellation, termination or non-renewal of the professional liability insurance for Physician or any act, event or condition that would disqualify Physician from obtaining such coverage.

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(e) **Special Termination.** If (i) any legislation, regulation, rule or procedures are duly passed, adopted or implemented by a federal, state or local government or legislative body or any private agency; or (ii) Physician or PPH or any of its affiliates, receives notice of any actual or threatened decision, finding, or action by any governmental or private agency, court or third party (collectively referred to herein as an "Action") which, if or when implemented, would have the effect of (1) revoking or jeopardizing the license-exempt status of PPH; (2) denying expected reimbursement for all or a substantial portion of professional and other fee charges for Professional Services provided to PPH Patients; or (3) subjecting Physician or PPH, its affiliates or any of its employees, officers, directors or agents, to civil, criminal or administrative prosecution, or other adverse proceeding on the basis of their participation herein. If any matter or Action arises that may invoke termination under this Section, the parties shall attempt to amend this Agreement or alter its operation in order to avoid the Action. If the parties, acting in good faith, are unable to meet the requirements of the agency, court or third party in question, or, alternatively, if the parties determine in good faith that compliance with such requirements is impossible or not feasible, this Agreement shall be terminated upon written notice from either party.

#### 4.4 **Rights Upon Termination.**

(a) Upon termination or expiration of this Agreement, all rights and obligations of the parties shall cease, except those rights and obligations that have accrued or expressly survive termination. Upon termination or expiration of this Agreement, and upon PPH's request, Physician shall immediately vacate the Hospital Department and the Clinic premises and shall remove any and all of Physician's personal property. PPH may remove and store, at Physician's expense, any personal property that Physician has not removed. Following the expiration or termination of this Agreement, Physician shall not take any action that might interfere with PPH's efforts to contract with any other individual or entity for the provision of Professional Services or Administrative Services in the Program.

(b) Physician shall continue to provide service to any and all PPH Patients under his care in the Program at the time of expiration or termination of this Agreement, until Physician's professional relationships with such PPH Patients are terminated (e.g., by transferring such patients to the care of another physician, discharge of the patient from the facility, etc.). PPH shall continue to pay Physician for services rendered to PPH Patients in accordance with this subsection at the rates set forth herein and shall use its best efforts to assist Physician in transferring his patients' care to another physician or physicians. Physician agrees to assist with such patient transfers to any physician who may replace Physician.

### V. **RELATIONSHIP BETWEEN THE PARTIES**

5.1 **Independent Contractor.** In the performance of this Agreement, it is mutually understood and agreed that PPH and Physician are at all times acting and performing as independent contractors and as such they shall remain professionally and economically independent from each other. PPH and Physician are not, and no act, or failure to act by either party shall be construed to make or render the other party its partner, joint venturer, employee or associate. Neither party nor any employee or contractor of a party shall have a claim under this Agreement or otherwise against the other party for workers' compensation, unemployment compensation, sick leave, vacation pay, pension or retirement benefits, social security benefits, any other employee benefits, coverage for health, accident, disability or life insurance or payment of any federal, state or

local taxes, including, but not limited to, FICA, FUTA and SDI, all of which shall be the sole responsibility of each party. Each party shall indemnify and hold harmless the other party from any and all loss or liability, if any, arising out of or with respect to any of the foregoing benefits or withholding requirements.

## VI. REMEDIES

### 6.1 Arbitration.

(a) Any controversy or dispute between Physician 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. The parties shall have full discovery rights under the California Discovery Act, subject to modification by the arbitrator in his or her discretion.

(b) 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.

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

6.2 Indemnification. Each party shall indemnify, hold harmless and defend the other party and its officers, agents and employees against any loss or liability arising out of or resulting in any way from the acts or omissions of such party or its own officers, employees or agents, except that any such obligation to indemnify and hold harmless shall be reduced by any amount of such loss or liability arising from the contributory and/or intentional acts or omissions of the indemnified party and its owners, employees, or agents. This Section 6.2 shall survive the termination of this Agreement. This Section 6.2 shall extend only to losses or liabilities arising in connection with Administrative Services hereunder and shall not extend to the provision of Professional Services, for which Physician and/or his designees are solely liable.

## VII. GENERAL PROVISIONS

7.1 Access to Records. To the extent required by Section 1861x(v)(1)(I) of the Social Security Act, as amended, and by valid regulation that is directly applicable to that Section, Physician agrees to make available upon valid written request from the Secretary of Health and Human Services, the Comptroller General, or any other duly authorized representatives, this Agreement and the books, documents and records of Physician to the extent that such books, documents and records are necessary to certify the nature and extent of PPH's (and/or the Program's) costs for services provided by Physician.

(a) Physician shall also make available such subcontract and the books, documents, and records of any subcontractor if that subcontractor performs any of Physician's



duties under this Agreement at a cost of \$10,000 or more over a twelve (12) month period, and if that subcontractor is organizationally related to Physician.

(b) Such books, documents, and records shall be preserved and available for four years after the furnishing of services by Physician pursuant to this Agreement. If Physician is requested to disclose books, documents or records pursuant to this subsection for purposes of an audit, Physician shall notify PPH of the nature and scope of such request and Physician shall make available, upon written request by PPH, all such books, documents or records. Physician shall indemnify and hold harmless PPH in the event that any amount of reimbursement is denied or disallowed because of the failure of Physician or any subcontractor to comply with its obligations to maintain and make available books, documents, or records pursuant to this subsection. Such indemnity shall include, but will not be limited to, the amount of reimbursement denied, plus any interest, penalties and legal costs.

(c) This Section is intended to assure compliance with Section 1861 of the Social Security Act, as amended, and regulations directly pertinent to that Act. The obligations of the Physician under this section are strictly limited to compliance with those provisions, and shall be given effect only to the extent necessary to ensure compliance with those provisions. In the event that the requirements of those provisions are reduced or eliminated, the obligations of the parties under this section shall likewise be reduced or eliminated.

**7.2 Amendment.** This Agreement may be amended at any time by mutual agreement of the parties, but any such amendment must be in writing, dated, signed by the parties and attached to this Agreement. Notwithstanding the foregoing, in the event that PPH intends to seek tax-exempt financing, Physician agrees to amend this Agreement as may be necessary for PPH to obtain such financing.

**7.3 No Reciprocation.** The parties acknowledge and agree that any benefits made or paid to Physician under this Agreement neither require nor are in any way contingent upon admission, recommendation, or referral; or upon any other arrangement for the provision of any item or service provided by PPH or any of its affiliates to any patients, customers or vendors of Physician or Physician's affiliates, contractors, employees or agents.

**7.4 Assignment.** Physician shall not assign, sell, transfer or delegate any of Physician's rights, duties or obligations under this Agreement through any means, including but not limited to the hiring or retention of additional physicians or non-physician practitioners to perform services pursuant to this Agreement, without PPH's prior written consent.

**7.5 Attorneys' Fees.** If any legal action or other proceeding is commenced which is related to this Agreement, the losing party shall pay the prevailing party's actual attorneys' fees and expenses incurred in the preparation for, conduct of or appeal or enforcement of judgment from the proceeding. The phrase "prevailing party" shall mean the party which is determined in the proceeding to have prevailed or which prevails by dismissal, default, settlement or otherwise.

**7.6 Captions.** The captions used in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

7.7 **Choice of Law.** This Agreement shall be construed in accordance with and governed by the laws of the State of California.

7.8 **Confidentiality and Non-Solicitation.**

(a) **Agreement Terms.** Neither party shall disclose this Agreement or the terms thereof to a third party without the prior written approval of the other party, except as provided herein or as otherwise required by law.

(b) **Confidential Information.** Physician recognizes and understands that, during the term of this Agreement, Physician shall receive, have access to or otherwise become acquainted with various trade secrets, materials and other proprietary information relating to PPH and the Program that is of a secret or confidential nature, including but not limited to names, addresses, telephone numbers and medical history of existing patients and prospective patients, referral sources, business plans, strategic plans, marketing plans and methods of doing business ("Confidential Information"). During and after the term of this Agreement, Physician shall not use the Confidential Information for any purposes other than the performance of this Agreement, and shall not disclose such Confidential Information received by Physician to any third party without the prior written consent of PPH, unless required by law.

(c) **Non-Solicitation of Patients and Employees.** The parties agree that PPH has expended significant effort and expense to hire or contract with qualified personnel to carry out duties and obligations of the Program pursuant to this Agreement. Therefore, Physician shall not, without the prior written consent of PPH: (i) employ, hire or contract for services with any employees, contractors, or former employees or contractors of PPH ("PPH Personnel"), nor directly or indirectly solicit PPH Patients during the term of this Agreement; or (ii) employ, hire or contract for services with any PPH Personnel, nor directly or indirectly solicit PPH Patients, within 5 (five) miles of any PPH facility for a period of one year after termination or expiration of this Agreement. Physician agrees that if Physician employs or contracts with any PPH Personnel in violation of this Section, Physician shall pay to PPH within 30 days of hiring or contracting with such PPH Personnel a sum equal to the annual salary or compensation last paid to such PPH Personnel. The parties agree that the restriction contained in this Section is reasonable both in scope and duration.

(d) **Injunctive Relief and Other Damages.** Physician recognizes that irreparable injury will result to PPH in the event that Physician fails to perform the obligations under this Section. In addition to the relief and remedies specified under this Section 6.8, Physician acknowledges and consents that PPH shall be entitled to any other remedies and damages available to it, including but not limited to whatever injunctive relief may be appropriate to restrain the breach or compel the performance of this Section 6.8. A breach of this Section during the term of this Agreement shall be grounds for immediate termination of this Agreement at the sole discretion of the non-breaching party.

7.9 **Health Insurance Portability and Accountability Act of 1996.** Notwithstanding anything to the contrary contained in this Agreement, if and to the extent and for so long as required by the provisions of 42 U.S.C. § 1171 *et seq.*, enacted by the Health Insurance Portability and Accountability Act of 1996 and the regulations promulgated thereunder, as amended from time to time (collectively, "HIPAA"), Physician will appropriately safeguard all Protected Health

Information ("PHI," as such term is defined in HIPAA) made available to Physician by, or obtained by Physician from, PPH and Hospital or any of PPH and Hospital's employees, contractors, agents or employees. This Section constitutes a contract between PPH and Physician establishing the permitted and required uses and disclosures of such PHI by Physician. Without limitation of the provisions of this Section, Physician shall:

- (a) Not use or further disclose any PHI other than as permitted or required by this Agreement;
- (b) Not use or further disclose any PHI in a manner that would violate the requirements of applicable laws (including but not limited to HIPAA) if done by PPH or Hospital;
- (c) Use appropriate safeguards to prevent the use or disclosure of such PHI other than as provided for by this Agreement;
- (d) Immediately report to PPH and/or Hospital any use or disclosure of such PHI of which Physician becomes aware that is not provided for by this Agreement;
- (e) Ensure that any subcontractor or agent to whom Physician provides such PHI either (i) agrees in writing with Physician to comply with the same restrictions and conditions that apply to Physician with respect to such information; or (ii) provides a "Chain of Trust" or similar assurance to Physician;
- (f) Make such PHI available for inspection and copying by the subjects thereof in accordance with applicable law (including but not limited to HIPAA);
- (g) Make Physician's internal practices, books and records relating to the use and disclosure of such PHI available to the Secretary of the United States Department of Health and Human Services for purposes of determining the PPH's and Hospital's compliance with applicable law (including but not limited to HIPAA); provided, however, that in all events, Physician shall immediately notify PPH upon receipt by Physician of any such request, and shall provide PPH with a copy thereof of the request and a copy of all materials so disclosed;
- (h) Return all PHI upon termination of this Agreement that Physician maintains in any form resulting from this Agreement and retain no copies of such PHI; and
- (i) Incorporate any amendments or corrections to such PHI when notified by PPH or Hospital thereof.

In order to assure that this Agreement is consistent with HIPAA, the parties agree that this Section may need to be amended from time to time and they further agree to accept, upon written notice, reasonable revisions required to make this Agreement consistent with HIPAA. The parties agree that the provisions of this Section will survive the termination of this Agreement.

**7.10 Non-discrimination.** PPH and Physician shall not differentiate or discriminate in the 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 regulation, or the rules and regulations of PPH and Hospital with respect to such matters. In this regard, and not by way of

limitation to any other provision hereof, PPH agrees to comply with the Age Discrimination Act of 1975 and the Americans with Disabilities Act, as amended, and all regulations issued pursuant thereto applicable to services under this Agreement.

7.11 **Exhibits.** All Exhibits attached and referred to herein are fully incorporated by this reference.

7.12 **Notices.** All notices or other communications under this Agreement shall be sent to the parties at the addresses set forth below:

PPH:

Palomar Pomerado Health  
15255 Innovation Drive, Suite 204  
San Diego, CA 92128  
Attention: Administrator/Chief Operating Officer

Physician:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Notice given by mail shall be deemed received five (5) business days after mailing.

7.13 **Prior Agreements.** This Agreement represents the entire understanding and agreement of the parties as to those matters contained in it. No other oral or written understanding shall be of any force or effect with respect to the matters contained in this Agreement, unless attached to this Agreement as an exhibit or subsequent amendment.

7.14 **Severability.** If any provision of this Agreement is determined to be illegal or unenforceable, that provision shall be severed from this Agreement, and the remaining provisions shall remain enforceable between the parties.

7.15 **Waiver.** No waiver of any provision of this Agreement shall be effective against either party unless it is in writing and signed by the party granting the waiver. The failure to exercise any rights shall not operate as a waiver of such right.

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7.16 **Authority and Execution.** By their signature below, each of the parties represent that they have the authority to execute this Agreement and do hereby bind the party on whose behalf their execution is made.

**PALOMAR POMERADO HEALTH**

**PHYSICIAN**

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Signature)

\_\_\_\_\_  
(Print Name)

\_\_\_\_\_  
Donald S. Herip, M.D., M.P.H.

\_\_\_\_\_  
(Title)

**EXHIBIT A**

**ASSIGNMENT AGREEMENT**

It is agreed that only PPH or its agent shall bill for and receive any payments or reimbursement for the professional occupational health services provided at the Program by Physician. Physician shall agree to complete all paperwork, applications, and/or documentation to effectuate automatic assignments under all government and commercial payor programs.

This assignment relates only to such services provided pursuant to the Professional Services and Medical Director Agreement between PPH and Physician. PPH shall compensate Physician for services rendered pursuant to said Agreement.

**PALOMAR POMERADO HEALTH**

**PHYSICIAN**

By: \_\_\_\_\_  
Michael Covert, CEO

By: \_\_\_\_\_  
Donald S. Herip, M.D. M.P.H.

Date: \_\_\_\_\_

Date: \_\_\_\_\_

**EXHIBIT B  
ADMINISTRATIVE SERVICES**

PALOMAR POMERADO HEALTH

EMPLOYEE/ CORPORATE HEALTH SERVICES

**JOB DESCRIPTION**

**POSITION TITLE:** Medical Director Employee/Corporate  
Health Services

**Qualifications:**

A physician member of the active medical staff at Palomar Medical Center and Pomerado Hospital, who has special interest and specific knowledge in the assessment, diagnosis and treatment of patients with work related injuries, shall provide medical direction for Employee/Corporate Health. The Medical Director shall be qualified as a board certified Occupational Medicine Practitioner and be in good standing with ACOEM (American College of Occupational and Environmental Medicine).

**General Responsibilities:**

- A. The Medical Director for Employee/Corporate Health shall provide for overall medical direction of the Department and insure that professional standards of care and ethical practice are adhered in all situations of patient care.

In general Medical Director shall:

- (a) Provide overall clinical direction for the Program.
- (b) Participating in and supervising quality measurement activities conducted for the Program.
- (c) Advising individuals regarding the Program services.
- (d) Supporting PPH in working with third-party payers to provide or expand coverage for all components and services of the Program.





- (e) Assisting in developing Program policies, protocols, and procedures, and guidelines.
- (f) Monitoring implementation and execution of medical policies, procedures, protocols, and guidelines pertaining to the Program.
- (g) Conducting professional continuing educational sessions consistent with the needs of the Program, the hospital's medical staff, and hospital personnel.
- (h) Conducting community seminars regarding the Program services.
- (i) Acting as the chief medical liaison for the Program to the Hospital administration, medical staff and the community.
- (j) Participating in the evaluation of the performance of the Program against its goals and objectives.
- (k) Attending PPH regional/national meetings as appropriate.
- (l) Communicating input regarding the Program's services from the medical staff, administration, patients and the medical community to the Program Director of the Program.
- (m) Participating in the PPH budgeting process as requested.
- (n) Provides direct clinical services in the program.

EXHIBIT B

## Exhibit 1.10

### CODE

1. I will perform my duties faithfully and to the best of my ability, and in the interest of Hospital.
2. I will not lie, cheat, steal, or violate any law in connection with my employment by Hospital.
3. I will not pay or arrange for Hospital to pay any person or entity for the referral of patients to Hospital, nor will I accept any payment or arrange for Hospital to accept any payment for referrals from Hospital.
4. I will not participate in any false billing of patients, government entities or any other party, nor will I participate in the preparation of any false cost reports, or other type of report submitted to the government.
5. I will not engage in any conduct or practice that conflicts (or appears to conflict) with interest of Hospital, unless I first obtain the express written consent of the Palomar Pomerado Health Board of Directors or designee.
6. I will not use Hospital's confidential or proprietary information gathered during my employment with Hospital for my own personal benefit, either during or after my employment at Hospital.
7. I will not obtain any improper personal benefits by virtue of my employment with Hospital.
8. I will notify the compliance Director immediately upon the receipt (at work or home) of an inquiry, subpoena (other than for routine licensing or tax matters) or other agency or government request for information regarding Hospital.
9. I will not destroy or alter information or documents in anticipation of or in response to, a request for documents by any applicable government agency or from a court of competent jurisdiction.
10. I will not engage in any business practice intended to unlawfully obtain favorable treatment or business from any government entity, physician, patient, vendor or any other party in a position to provide such treatment or business.
11. I will not solicit or receive from any person or entity, nor offer to give to any person or entity, anything of value if that person or entity is in a position to refer business to Hospital or if Hospital is in a position to refer business to that person or entity.
12. I will not accept any gift of more than nominal value, (\$50), and Hospitality or entertainment which because of its source or value might influence my independent judgment in transactions involving Hospital.
13. I will not provide any gifts to any government or public agency representative.

14. I will disclose to the compliance Director any financial interest or ownership interest or any other relationship that I, or a member of my immediate family has with Hospital customers, and vendors or competitors.
15. I will not disclose confidential medical information pertaining to Hospital patients without the express written consent of the patient in accordance with HIPAA, other applicable law and Hospital applicable policies or procedures.
16. I will promptly report all violations or suspected violations of this manual by myself or other employees to the compliance Director.
17. I will not conspire with a competitor of Hospital to illegally fix prices, labor cost, allocate markets, or engage in group boycotts. Before considering any agreements or entering into discussions with a competitor concerning any of these issues, I should first obtain the advice of the compliance Director concerning antitrust issues.

**EXHIBIT C**

**MEDICAL DIRECTOR'S MONTHLY TIME REPORT**

Week One: \_\_\_\_\_, 200\_\_

Week Two: \_\_\_\_\_, 200\_\_

	<u>Description of Administrative Services Provided</u>		<u>Description of Administrative Services Provided</u>
Monday		Monday	
Tuesday		Tuesday	
Wednesday		Wednesday	
Thursday		Thursday	
Friday		Friday	
Saturday		Saturday	
Sunday		Sunday	

Week Three: \_\_\_\_\_, 200\_\_

Week Four: \_\_\_\_\_, 200\_\_

	<u>Description of Administrative Services Provided</u>		<u>Description of Administrative Services Provided</u>
Monday		Monday	
Tuesday		Tuesday	
Wednesday		Wednesday	
Thursday		Thursday	
Friday		Friday	
Saturday		Saturday	
Sunday		Sunday	

Week Five: \_\_\_\_\_, 200\_\_

	<u>Description of Administrative Services Provided</u>
Monday	
Tuesday	
Wednesday	
Thursday	
Friday	
Saturday	
Sunday	

\_\_\_\_\_  
Medical Director Signature

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**PALOMAR MEDICAL CENTER  
RADIOLOGY DEPARTMENT  
PROFESSIONAL AND MEDICAL DIRECTOR SERVICES AGREEMENT**

**TO:** Board of Directors  
**MEETING DATE:** Monday, June 12, 2006  
**FROM:** Board Finance Committee  
May 30, 2006  
**BY:** Gerald E. Bracht  
Chief Administrative Officer

**BACKGROUND:** Valley Radiology Consultants Medical Group, Inc. (VRCMG) provides exclusive Radiology Professional and Medical Director services to Palomar Medical Center (PMC) and Pomerado Hospital (POM). VRCMG has provided reliable Radiology professional services to PPH for a number of years and has been responsive to the medical staff and health system in meeting the clinical needs of its patients. The physicians of VRCMG are Board certified bringing expertise to PPH in both general and interventional radiology.

The medical staffs of PMC and POM were invited to provide feedback to the Administration regarding the performance of VRCMG in the provision of services. There was a mixed response from the medical staff, which led the administration to distribute a Request for Proposal (RFP) for services covered by this agreement. An RFP review committee was established comprised of a multidisciplinary group of eighteen medical staff members. This committee developed the criteria for the RFP and reviewed the responses received and also interviewed VRCMG leadership prior to making a recommendation to the Administration to provide exclusive Radiology services. The Committees recommendation was unanimous to continue with VRCMG under the terms and conditions of the RFP. The Medical Executive Committees at PMC and POM were presented the recommendation of the RFP Review Committee and affirmed their recommendation to proceed with an agreement with VRCMG to provide general and interventional radiology services.

The agreement calls for professional radiology services provided by VRCMG to be billed and collected by VRCMG as full and complete compensation for all professional and medical director services. No additional compensation is provided by PPH to VRCMG under this agreement.

The medical director and group physicians have been supportive of efforts to maintain staff competency by providing educational in-services, involvement in the operating and capital budgeting process, and improvement of clinical services provided by the Radiology department.

This agreement represents a replacement of the exclusive agreement for a period of three years with options for the parties to mutually extend the term for two separate two-year terms.

**BUDGET IMPACT:** None

**STAFF RECOMMENDATION:** Approval

**COMMITTEE QUESTIONS:**

**COMMITTEE RECOMMENDATION:** The Finance Committee recommends approval of the three-year (June 1, 2006 through May 31, 2009, with two separate two-year renewals) Radiology Department Professional and Medical Director Services Agreement with Valley Radiology Consultants Medical Group, Inc.

**Motion:**

**Individual Action:**

**Information:**

**Required Time:**

## PALOMAR POMERADO HEALTH - AGREEMENT ABSTRACT

Section Reference	Term/Condition	Term/Condition Criteria
	<b>TITLE</b>	Radiology Department Professional and Medical Director Services Agreement
7.1	<b>AGREEMENT DATE</b>	June 1, 2006
Preamble	<b>PARTIES</b>	Valley Radiology Consultants Medical Group, Inc. and Palomar Pomerado Health
Recitals E	<b>PURPOSE</b>	Clinical supervision and oversight of radiology department and provision of professional radiological and interventional services.
1.1 Exhibit 1.1	<b>SCOPE OF SERVICES</b>	Exclusive provision of professional radiological and interventional radiology services
	<b>PROCUREMENT METHOD</b>	<input checked="" type="checkbox"/> Request For Proposal <input type="checkbox"/> Discretionary In cooperation with an 18 member RFP review committee of medical staff members.
7.1	<b>TERM</b>	Three years with 180 days written notice prior to anniversary date to terminate
7.1	<b>RENEWAL</b>	Two separate two year renewals unless terminated upon 180 days advance written notice prior to the anniversary date
7.2 7.3	<b>TERMINATION</b>	Without cause with 180 days written notice after first 24 months For cause as defined in the agreement
4.3b 1.4a	<b>COMPENSATION METHODOLOGY</b>	No compensation due for medical director services Eligible for emergency on-call compensation when participating in the coverage schedule for non-exclusive services
	<b>BUDGETED</b>	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO – IMPACT: No budgetary impact
1.15 Exhibit 1.15	<b>EXCLUSIVITY</b>	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES – EXPLAIN: Administration recommends single provider for scope of services to assure uninterrupted delivery of quality patient care services excluding those services identified in exhibit 1.15.
	<b>JUSTIFICATION</b>	Required for consistent delivery of high quality uninterrupted radiology and interventional services.
	<b>AGREEMENT NOTICED</b>	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO <b>Methodology &amp; Response:</b> All medical staff invited in writing to provide comment.
	<b>ALTERNATIVES/IMPACT</b>	No other providers on staff. Would need to source alternative coverage if VRCMG discontinued provision of services.
Exhibit 1.5 #'s: 6, 8, 11, 23, 29	<b>Duties</b>	<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
	<b>COMMENTS</b>	
	<b>APPROVALS REQUIRED</b>	<input checked="" type="checkbox"/> CAO <input checked="" type="checkbox"/> CFO <input checked="" type="checkbox"/> CEO <input checked="" type="checkbox"/> BOD Committee FINANCE <input checked="" type="checkbox"/> BOD

**RADIOLOGY DEPARTMENT**  
**PROFESSIONAL AND MEDICAL DIRECTOR SERVICES AGREEMENT**  
**by and between**  
**PALOMAR POMERADO HEALTH SYSTEM ("PPH")**  
**and**  
**VALLEY RADIOLOGY CONSULTANTS MEDICAL GROUP, INC. ("Group")**



**RADIOLOGY DEPARTMENT**  
**PROFESSIONAL AND MEDICAL DIRECTOR SERVICES AGREEMENT**

THIS PROFESSIONAL AND MEDICAL DIRECTOR SERVICES AGREEMENT (this "Agreement") is made and entered into as of [\_\_\_\_], 2006, by and between Palomar Pomerado Health System, a local health care district organized under Division 23 of the California Health and Safety Code (the "PPH"), and Valley Radiology Consultants Medical Group, Inc., a California professional corporation ("Group"). Hospital and Group are sometimes referred to herein as a "Party" or, collectively, as the "Parties."

**RECITALS**

A. Hospital owns and operates Palomar Medical Center and Pomerado Hospital, two general acute care hospitals (collectively, the "Hospital"), in which it operates radiology departments under its general acute care hospital license (collectively, the "Department").

B. Group employs and contracts with physicians who are duly licensed and qualified to practice medicine in the State of California, and experienced in the specialized field of radiology (the "Specialty").

C. Hospital desires to retain Group on an exclusive basis to provide professional services and certain administrative services related to the development and operation of the Hospital, through qualified physician employees of Group (collectively, the "Group Practitioners" and each, a "Group Practitioner"). Hospital acknowledges that Group may also engage independent contractors ("Non-Group Practitioners") to provide services in accordance with the terms of this Agreement.

D. Hospital has determined that an exclusive arrangement with Group for the provision of such services will:

1. Facilitate the administration of the Department, the supervision and training of Department personnel, the interrelationship between the Department and the rest of Hospital, and the efficient operation of other Hospital departments and services.
2. Ensure that Specialty professional services are available seven (7) days per week, twenty-four (24) hours per day to the Department and other departments of Hospital and that coverage of such departments is provided at night and on weekends, thereby reducing unnecessary delays in providing such services to Hospital patients.
3. Reduce disruptions in Hospital operations and relations between Hospital administration and Hospital's medical staff (the "Medical Staff") and among members of the Medical Staff.
4. Promote participation in Hospital's educational programs.

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5. Reduce inefficiencies resulting from having multiple practitioners and groups providing Specialty professional services in the Department.
6. Simplify scheduling problems, thereby improving coverage, economy and availability of services in the Department.
7. Facilitate efficient utilization of Hospital equipment and facilities by giving Hospital greater control over the operation of the Department.
8. Improve the quality of care furnished to Department patients by promoting standardization of procedures and improving monitoring by requiring active participation in Hospital and Medical Staff quality assurance activities.
9. Enhance Hospital's reputation and competitive position by enabling Hospital to attract highly qualified physicians to the community.
10. Reduce costs through standardization of procedures and centralized administration of the Department.
11. Improve the quality of care provided by Hospital by better ensuring that Department physicians perform a sufficient number of procedures to maintain and improve their proficiency.

## AGREEMENT

### THE PARTIES AGREE AS FOLLOWS:

#### ARTICLE I. GROUP'S OBLIGATIONS

**1.1 Professional Services.** Group shall provide the diagnostic and interventional radiology services described in Exhibit 1.1 (the "Radiology Services") to patients of the Department, upon the terms and subject to the conditions set forth in this Agreement.

#### **1.2 Group Practitioners.**

(a) Group shall ensure that Radiology Services are performed only by Group Practitioners who have been granted privileges to provide Radiology Services at the Hospital pursuant to the regular medical staff credentialing process, and have not been removed pursuant to Section 7.8 or 7.9 of this Agreement; provided however, that nothing in this Section 1.2(a) or otherwise in this Agreement, shall prevent Group from utilizing Non-Group practitioners to provide after-hours teleradiology Radiology Services, provided such Non-Group practitioners are granted privileges to provide Radiology Services at the Hospital pursuant to the regular medical staff credentialing process, and have not been removed pursuant to Section 7.8 or 7.9 of this Agreement. Prior to providing any services under this Agreement, each Group Practitioner shall execute, and Group shall deliver to Hospital, a letter acknowledging such Group Practitioner's agreement to be bound by the

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terms of this Agreement, which letter shall be in the form attached as Exhibit 1.2(a)(1). Prior to providing any services under this Agreement, each Non-Group Practitioner shall execute, and Group shall deliver to Hospital, a letter acknowledging such Non-Group Practitioner's agreement to be bound by the terms of this Agreement, which letter shall be in the form attached as Exhibit 1.2(a)(2).

(b) Group has initially engaged those Group Practitioners listed on Exhibit 1.2(b) to provide Radiology Services, which Group Practitioners are hereby approved and accepted by Hospital. Group may from time to time engage additional Group Practitioners to furnish Radiology Services under this Agreement; provided, however, that each additional Group Practitioner satisfies the professional standards and qualifications set forth in Article II of this Agreement and is granted privileges to furnish Radiology Services pursuant to the regular medical staff credentialing process.

(c) Hospital prefers that all members of Group be radiologists. Hospital recognizes and accepts that Group currently includes one non-radiologist who is practicing on the Medical Staff at Hospital. In the future, if Group is contemplating adding any additional non-radiologist members, the Group shall make a proposal to the Medical Executive Committee regarding the addition of the non-radiologist. The Medical Executive Committee shall provide to Hospital a recommendation regarding whether it acknowledges a need for the non-radiologist, and whether it supports the non-radiologist joining the Group. This recommendation shall be arrived at through an anonymous vote of the Medical Executive Committee, carried by simple majority. Group agrees to comply with the Medical Executive Committee's recommendation. If Group does not comply with the Medical Executive Committee's recommendation, then Hospital shall have the right to immediately terminate this Agreement.

(d) Group shall ensure that any and all Group and Non-Group Practitioners furnishing Radiology Services continuously satisfy the applicable professional standards and qualifications set forth in Article II of this Agreement.

### **1.3 Department Staffing.**

(a) Interventional Radiology. Group shall ensure that an adequate number of Group Practitioners specializing in interventional radiology are physically present and available to provide interventional Radiology Services at Palomar Medical Center during the hours of 7 a.m. through 5 p.m., Monday through Friday. Group shall also provide Saturday, Sunday, and holiday coverage at Palomar Medical Center on an on-call basis, as agreed upon by Hospital and Group from time to time. Group shall also ensure that an adequate number of Group Practitioners specializing in interventional radiology are available to provide interventional Radiology Services at Pomerado Hospital during the hours of 8 a.m. through 5 p.m., Monday through Friday. Group shall also provide Saturday, Sunday, and holiday coverage on an on-call basis, as agreed upon by Hospital and Group from time to time. Hospital reserves the right to review coverage from time to time at the request of the medical staff and adjust within a reasonable amount of time as mutually agreed upon with Group to meet the needs of medical staff and patients. If Group and Hospital cannot agree upon the staffing needs of medical staff and patients,

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Group or Hospital can request a review by the Medical Executive Committee. Group and Hospital will abide by the findings and recommendations of the Medical Executive Committee.

(b) Diagnostic Radiology. Group shall ensure that an adequate number of Group Practitioners are physically present and available to provide diagnostic Radiology Services at Palomar Medical Center during the hours of 7 a.m. to 10 p.m., Monday through Friday, and 7 a.m. to 7 p.m. on Saturdays, Sundays, and holidays. Group shall also ensure that an adequate number of Group Practitioners are physically present and available to provide diagnostic Radiology Services at Pomerado Hospital during the hours of 8 a.m. to 5 p.m., Monday through Friday, and 8 a.m. to 5 p.m. on Saturdays, Sundays, and holidays. Hospital reserves the right to review coverage from time to time at the request of the medical staff and adjust within a reasonable amount of time as mutually agreed upon with Group to meet the needs of medical staff and patients. If Group and Hospital cannot agree upon the staffing needs of medical staff and patients, Group or Hospital can request a review by the Medical Executive Committee. Group and Hospital will abide by the findings and recommendations of the Medical Executive Committee.

(c) Group shall provide vacation coverage and coverage in case of illness or unavailability of a scheduled Group Practitioner, to ensure staffing at the levels described in this Section 1.3. Group may engage Non-Group Practitioners to provide coverage during the times when Group Practitioners are not physically present in the Hospital as described in Section 1.3(b)

(d) No fewer than five (5) days prior to the beginning of each month during the term of this Agreement, Group shall provide Hospital with the monthly staffing schedule for the Department, along with the name, contact information and scheduled hours for each assigned Group Practitioner, and such other information as reasonably requested by Hospital from time to time.

(e) Group shall ensure that one (1) or more qualified Group Practitioners are available at reasonable times to consult with individual members of the Medical Staff, committees of the Medical Staff, and nursing and administrative employees of Hospital, regarding Radiology Services.

#### **1.4 Department Coverage.**

(a) Group shall ensure that, in addition to the Department staffing described in Section 1.3, one (1) or more Group Practitioners are available to provide Radiology Services in the Department on an on-call and back-up on-call basis, twenty-four (24) hours per day, seven (7) days per week, including all holidays, with a maximum on-site response time of thirty (30) minutes if an in-person response is required and fifteen (15) minutes if a response by phone is required; provided, that with respect to those Radiology Services which are excluded from the scope of services to be provided exclusively by Group pursuant to Section 1.14 and Exhibit 1.14 of this Agreement, Group shall not be required to provide call coverage exclusively, but shall be required to participate in an on-call panel with other physicians who have privileges to provide the same non-exclusive services.

Group shall be eligible to receive compensation for such on call coverage commensurate to that which is paid to other on call panel providers for the same services provided. Group shall arrange to provide for after hours coverage for Radiology Services by Non-Group Practitioners to provide prompt preliminary professional interpretations.

(b) Group shall, no later than five (5) days prior to the beginning of each month during the term of this Agreement, provide Hospital with the on-call and back-up on-call schedule for such month, along with the names, contact information and scheduled hours of coverage for each assigned Group Practitioner, and such other information as reasonably requested by Hospital from time to time. Any Group Practitioner on-call to Hospital shall not simultaneously be on-call to any other hospital or health care facility if such other on call obligation would interfere with Group Practitioners' ability to respond as stated in Section 1.4(a).

### 1.5 Medical Director Services.

(a) Group shall provide and cause Gary Spoto, M.D. a Group Practitioner ("Medical Director"), to serve as medical director of the Department. Medical Director or his designee shall perform the duties set forth on Exhibit 1.5(a) (the "Director Services") and shall perform all Director Services in accordance with the bylaws, rules, regulations, protocols, guidelines and policies of Hospital and Medical Staff (collectively, the "Hospital Rules") (to the extent such Hospital Rules are not consistent with this Agreement) and upon the terms and subject to the conditions set forth in this Agreement.

(b) Group shall cause Medical Director or his designee to devote whatever time is necessary to effectively provide the Director Services. Medical Director shall allocate time to Director Services when and as needed and as reasonably requested by Hospital from time to time.

(c) Medical Director shall inform Hospital of Medical Director's schedule and availability to perform Director Services during that month. Medical Director shall use his or her best efforts to adjust such schedule of availability if reasonably requested by Hospital in order to meet Hospital's needs for Director Services.

(d) Medical Director shall inform Hospital of Medical Director absence or unavailability and identify his designee during those periods of absence or unavailability.

(e) Hospital has designated an individual with principal administrative responsibility for the Department (the "Department Administrator"). The Department Administrator is responsible and accountable to Hospital for the administrative and technical functions of the Department, including: supervision, selection, assignment, and evaluation of personnel; maintenance of equipment; development of all Department budgets; and acquisition of materials, supplies, and equipment. Group and Medical Director shall cooperate with the Department Administrator in administering the Department. Medical Director and Department Administrator shall meet regularly to set goals for the Department, assess progress and address issues in administering the Department. If Medical Director notifies Hospital that the Department Administrator is, in

the view of Medical Director, not properly performing his or her duties, Hospital shall meet and confer on a timely basis with Medical Director to address any such identified problems.

(f) Medical Director or his designee shall be solely responsible for performing the Director Services. If for any reason Medical Director: (i) fails to satisfy any of the professional standards and qualifications set forth in Article II of this Agreement; (ii) is no longer a Group Practitioner; (iii) is removed from service in accordance with Sections 7.7 or 7.8; (iv) is unable to provide the Director Services due to illness, disability, vacation or any other absence; (v) is otherwise unable to perform the Director Services; or (vi) is removed from the position of Department medical director for good cause at the written request of Hospital, then Group shall designate a replacement Group Practitioner to provide Director Services on behalf of Medical Director, subject to the prior written approval of Hospital, which approval shall not be unreasonably withheld or delayed. Group shall ensure that any designated replacement meets all qualifications and satisfies all obligations of Medical Director under this Agreement. Group shall be solely responsible for compensating any designated replacement providing Director Services pursuant to this Agreement.

**1.6 Additional Services.** Group shall provide to Hospital the additional services set forth in Exhibit 1.6 (the "Additional Services"), upon the terms and subject to the conditions set forth in this Agreement. The Radiology Services, the Director Services and the Additional Services are sometimes referred to collectively in this Agreement as the "Services."

**1.7 Personal Services.** This Agreement is entered into by Hospital in reliance on the professional and administrative skills of Group and the approved Group Practitioners. Group shall be solely responsible for providing the Services and otherwise fulfilling the terms of this Agreement through the services of the approved Group Practitioners, except as specifically set forth in this Agreement.

**1.8 Coordination with Attending Physicians.** Group shall ensure that each Group Practitioner promptly reports the provision of Radiology Services rendered to a Department patient to such physician that ordered the Radiology Service within the time frames as agreed to in mutual consultation with the Medical Staff.

**1.9 Medical Records and Claims.**

(a) Group shall prepare complete, timely, accurate and legible medical and other records with respect to the services and treatment furnished by Group Practitioners to any Hospital patient, in accordance with the Hospital Rules, federal and state laws and regulations, and Joint Commission on Accreditation of Healthcare Organizations ("JCAHO") standards and recommendations. All such information and records relating to any Hospital patient shall be: (i) prepared on forms developed, provided or approved by Hospital; (ii) the sole property of Hospital; and (iii) maintained at Hospital in accordance with the terms of this Agreement and for so long as is required by applicable laws and regulations.

(b) Group shall maintain and upon request provide to patients, Hospital, and to state and federal agencies, all financial books and records as may be necessary for Group and/or Hospital to comply with applicable state, federal, and local laws and regulations and with contracts between Hospital and third party payors. Group shall cooperate with Hospital in completing such claim forms for Department patients as may be required by insurance carriers, health care service plans, governmental agencies, or other third party payors. Group shall retain all such records and information for at least ten (10) years following the expiration or termination of this Agreement. This Section 1.9(b) shall survive the expiration or termination of this Agreement.

**1.10 Records Available to Group.** Both during and after the term of this Agreement, Hospital shall permit Group and its agents to inspect and/or duplicate, at Group's sole cost and expense, any medical chart and record to the extent necessary to meet Group's professional responsibilities to patients, to assist in the defense of any malpractice or similar claim to which such chart or record may be pertinent, and/or to fulfill requirements pursuant to provider contracts to provide patient information; provided, however, such inspection or duplication is permitted and conducted in accordance with applicable legal requirements and pursuant to commonly accepted standards of patient confidentiality. Group shall be solely responsible for maintaining patient confidentiality with respect to any information which it obtains pursuant to this Section.

**1.11 Use of Space.** Neither Group nor any Group Practitioner shall use any part of the space that Hospital designates for the Department as an office for the private practice of medicine, except in an emergency or with Hospital's prior written consent.

**1.12 Locum Tenens.** Group shall, at its own expense, provide all *locum tenens* necessary for Group to fulfill its duties and obligations under this Agreement. Group shall ensure that all *locum tenens* shall, prior to commencement of Services at Hospital, satisfy all requirements for credentialing pursuant to the Medical Staff bylaws.

**1.13 New Technology.** Group shall ensure that Group Practitioners adopt and use any information management systems or other new technology as may be made available by Hospital and determined by Hospital, after consultation with Group, to be reasonably necessary and appropriate for the proper operation of the Department and/or Hospital.

**1.14 Competitive Services.** Except for those persons or entities described in Exhibit 1.14 and Group itself, during the term of this Agreement, neither Group nor any Group Practitioner shall own any interest in, manage, operate, or provide any professional, administrative, consulting, or medical director services to or on behalf of, any person or entity (whether as director, officer, employee, partner, shareholder, member, agent, representative, security holder, consultant or otherwise), that furnishes or intends to furnish or is preparing to furnish any services within the boundaries of the local health care district in which Palomar Hospital and Pomerado Hospital are located ("Health Care District") and that compete with the Radiology Services Group will be providing to Hospital or any Affiliate (as defined in Section 7.4(d)), on an exclusive basis pursuant to this Agreement, without the prior written consent of Hospital. Notwithstanding the foregoing, nothing in this Section shall prohibit Group or any Group Practitioner from owning securities in any publicly traded company that furnishes services

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furnished by Hospital or any Affiliate. Hospital acknowledges that Group shall not be prohibited from continuing to provide professional services to physician's offices which they currently serve as of the Effective Date. Furthermore, nothing in this Section 1.14 shall prohibit Group from providing professional services to physician's offices which it does not serve as of the Effective Date, provided that Group affords Hospital thirty (30) days written notice prior to its commencement of those services. If the composition of the entities described in Exhibit 1.14 changes in a manner that may bring the entities in competition with Hospital and Group's ownership of the competing entity exceeds ten percent (10%), then Hospital shall have the right to request that Group divest its interest in the competing entity. If Group refuses to divest its interest, Hospital shall have the right to terminate this Agreement upon sixty (60) days after Hospital first gives written notice to Group.

**1.15 Exclusive Services.** During the term of this Agreement, Hospital shall not, except as otherwise set forth in Exhibit 1.15, without the prior written consent of Group, employ, contract with, or otherwise engage the services of any other physician, allied health professional, corporation, limited liability corporation, partnership, limited partnership, limited liability partnership or other person or entity to provide Radiology Services in the Hospital. Group shall also have first right of refusal to provide Radiology Services in any facility that Hospital establishes, controls, or owns in whole or in part, after the Effective Date within the boundaries of the healthcare district. However, if a third party objects to Group providing Radiology Services to its patients, this right of first refusal will not include the patients of the objecting party. Group shall also have first right of refusal, at the same terms that Hospital would propose to all other parties, to partner with Hospital in any joint ventures that Hospital seeks to create for the purpose of establishing facilities to provide imaging services.

**1.16 Notification of Certain Events.** Group shall notify Hospital in writing within twenty-four (24) hours after Group becomes aware of any of the following:

- (a) Group or any Group Practitioner becomes the subject of any investigation, proceeding, or disciplinary action by any Federal Health Care Program (as defined in Section 2.5), any state's medical board, any agency responsible for professional licensing, standards or behavior, or any medical staff;
- (b) Group or any Group Practitioner becomes the subject of any adverse legal action or proceeding arising out of the provision of Services or any other professional services;
- (c) any event that materially interrupts or affects Group's, Group Practitioners' or Medical Director's ability to provide any Services;
- (d) any termination, non-renewal, cancellation or reduction in coverage of any insurance policy required under Article V; or
- (e) any event listed in Section 7.2.

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**ARTICLE II.**  
**PROFESSIONAL STANDARDS AND QUALIFICATIONS**

**2.1 Licensure.** Group shall ensure that each Group Practitioner and Non-Group Practitioner performing Radiology Services is duly licensed and qualified to practice medicine in the State of California.

**2.2 DEA Registration.** Group shall ensure that each Group Practitioner performing Radiology Services has and maintains a valid United States Drug Enforcement Agency ("DEA") registration if applicable to that Group Physician's practice.

**2.3 Certification.** Group shall ensure that each Group Practitioner and Non-Group Practitioner providing Radiology Services in the Hospital is board certified in the Specialty by the American Board of Radiology (the "**Board**"). If a Group Practitioner or Non-Group Practitioner is not board certified in the Specialty by the Board as of the date such Group Practitioner or Non-Group Practitioner begins providing Radiology Services in the Department, such Group Practitioner or Non-Group Practitioner shall have a reasonable amount of time to obtain such board certified; provided, however, that such Group Practitioner or Non-Group Practitioner diligently pursues such board certification and exercises his or her best efforts to complete this process and become board certified by the Board at the earliest date reasonably possible.

**2.4 Medical Staff Membership.** Group shall ensure that each Group Practitioner providing Radiology Services is a member in good standing in the "active staff" category of the Medical Staff, and maintains all clinical privileges necessary to practice medicine in the Specialty at Hospital. If a Group Practitioner or Non-Group Practitioner is not a member in good standing in the "active staff" category of the Medical Staff, or has not obtained all clinical privileges necessary to practice medicine in the Specialty at Hospital, as of the date such Group Practitioner or Non-Group Practitioner begins providing Radiology Services in the Department, such Group Practitioner or Non-Group Practitioner shall have a reasonable amount of time to obtain such membership and/or clinical privileges; provided, however, that such Group Practitioner or Non-Group Practitioner diligently pursues such membership and/or clinical privileges and exercises his or her best efforts to complete this process in accordance with the normal procedures set forth in the Hospital Rules. Any Group Practitioner or Non-Group Practitioner may also obtain and maintain medical staff membership and clinical privileges at any other hospital or health care facility. Group shall ensure that each Group Practitioner and Non-Group Practitioner actively participates in the Medical Staff department or section encompassing the Specialty and on all Medical Staff committees commensurate with Medical Staff status.

**2.5 Participation in Governmental Programs.** Group and each Group Practitioner providing Radiology Services shall: be a participating provider in the Federal health care programs, as defined at 42 U.S.C. Section 1320(a)-7b(f) ("**Federal Health Care Programs**"), in which Hospital is a provider, which programs include, but are not limited to, Medicare and Medi-Cal; accept and perform Services for Federal Health Care Program patients; and participate in any Medicare and/or Medi-Cal managed care efforts and programs of Hospital pursuant to Section 4.2 of this Agreement.

**2.6 Continuing Education.** Group shall ensure that each Group Practitioner and Non-Group Practitioner providing Services participates in continuing medical education, as necessary to maintain his or her licensure, professional competence and skills, commensurate with the standards of the medical community and the American College of Radiology. Group Practitioners and Non-Group Practitioners will be deemed to have satisfied this Section 2.6 if they have completed sufficient medical education to maintain licensure.

**2.7 Performance Standards.** Group shall comply, and shall ensure that each Group Practitioner providing Services complies, with the Hospital Rules, the performance standards set forth in Exhibit 2.7 (the "Performance Standards") (to the extent such Hospital Rules are not inconsistent with this Agreement) and the terms and conditions of this Agreement.

**2.8 Code of Conduct.** Group hereby acknowledges receipt of Hospital's Code of Conduct for Physician Arrangements, attached to this Agreement as Exhibit 2.8 (the "Code"). Group, Group Practitioners and Non-Group Practitioners shall comply with the Code to the extent consistent with the terms of this Agreement.

**2.9 Quality Assurance and Peer Review.** Group shall, as reasonably requested by Hospital, assist Hospital in establishing policies, procedures and committees for utilization management, quality assurance and peer review applicable to the Radiology Services provided by Group Practitioner and Non-Group Practitioners. Group shall comply and cooperate with, and shall ensure that Group Practitioners comply and cooperate with, Hospital's utilization management, quality assurance, risk management, peer review and credentialing committees, programs and procedures as amended from time to time by Hospital.

**2.10 Representation and Warranties by Group.** Group represents and warrants that, except as set forth in Exhibit 2.10: (i) to its actual knowledge no Group Practitioner or Non-Group Practitioner's license to practice medicine in any state has ever been suspended, revoked or restricted; (ii) to its actual knowledge neither Group nor any Group Practitioner or Non-Group Practitioner has ever been reprimanded, sanctioned or disciplined by any licensing board or medical specialty board; (iii) neither Group nor any Group Practitioner or Non-Group Practitioner has ever been debarred, excluded or suspended from participation in, or sanctioned by, any Federal Health Care Program; (iv) to its actual knowledge no Group Practitioner or Non-Group Practitioner has ever been denied membership and/or reappointment to the medical staff of any hospital or health care facility; and (v) to its actual knowledge no Group Practitioner or Non-Group Practitioner's medical staff membership or clinical privileges at any hospital have ever been suspended for more than thirty consecutive (30) days or more than sixty (60) consecutive or non-consecutive days in a calendar year, limited or revoked for a medical disciplinary cause or reason.

**2.11 Confidentiality of Committee Records.** The Parties agree that the records and proceedings of the committees referred to in this Article are subject to the immunities and privileges required by the laws of the State of California. The Parties shall conduct all of their activities with respect to this Agreement, and specifically with respect to the proceedings and records of the committees referred to in this Article, to affirm and ensure the applicability of such laws to their activities.

**ARTICLE III.**  
**HOSPITAL'S OBLIGATIONS**

**3.1 Staff.** Hospital shall, at its own expense, provide the services of licensed, registered and vocational nurses, and licensed and registered, radiology, ultrasound, mammography, MRI, CT, and fluoroscopy technologists, and other non-physician technicians and assistants necessary for the cost-efficient operation of the Department. Hospital shall, after consultation with Group, have sole discretion with regard to selection and retention of these personnel and to determine levels of staffing, provided that Group and Department Administrator shall meet at least quarterly to discuss the staffing needs of Hospital. Control and direction of these personnel for medical matters shall rest with Group. Salaries and personnel policies for persons within personnel classifications used in the Department shall be uniform with other Hospital personnel in the same classification insofar as may be consistent with the recognized hazards of the work. Hospital shall ensure that all personnel it provides maintain all licenses, certifications, permits and/or registrations necessary to perform their duties at the Hospital. Hospital will make available to the Medical Director, administrative assistant support in connection with his Director services.

**3.2 Support Services.** Hospital shall, at its own expense, provide to the Department services such as heat, water, electricity, telephone, laundry, housekeeping, transcription, clerical support, necessary patient transportation within Hospital and other support services during those hours when Group is required to be physically present at the Department.

**3.3 Space.** Hospital shall make available for the use of Group the space that is now or may hereafter be occupied by the Department. In addition, and solely for the purpose of providing the professional and administrative services pursuant to this Agreement, Hospital shall use its best effort to provide an office for the use of the Medical Director, a lounge and sleeping area for Group Practitioners at both of its hospital locations, suitable space for consulting with other physicians and suitable space for the examination of patients. Notwithstanding the forgoing, Hospital acknowledges that Group may use a portion of the space provided under this Agreement for non-Hospital interpretations, provided that such use shall not exceed five percent (5%) of Group's total time in the space provided.

**3.4 Equipment and Supplies.** Hospital shall, at its own expense, provide all expendable and non-expendable equipment, drugs, supplies, furniture and fixtures for the use of Group as are necessary for the cost-efficient operation of the Department. This equipment shall meet all electrical, engineering, and other safety standards required by law and/or relevant Hospital policies. Hospital shall, at its own expense, keep and maintain this equipment in good order and repair and replace this equipment or any part of it which becomes worn out or is mutually determined to be obsolete.

**3.5 Budget Restraints.** The obligations of Hospital under this Article III shall be subject to Hospital regulatory and reasonable budget restraints to the extent such restraints do not effect Group's ability to provide Radiology Services.

**ARTICLE IV.**  
**BILLING AND COMPENSATION**

#### **4.1 Professional Services Billing and Collection.**

(a) **Professional Services Fee Schedule.** Group shall have discretion in establishing its professional fees for Radiology Services furnished pursuant to this Agreement; provided, however, that all professional fees shall be competitive with customary local fees for comparable services and shall be billed in accordance with a uniform schedule of Group's fees for Radiology Services provided under this Agreement, and further provided that such fee schedule, and any amendments thereto, shall be delivered to Hospital.

(b) **Group Billing.** Group shall be solely responsible for billing and collecting for Radiology Services furnished pursuant to this Agreement. All billing shall be in compliance with applicable laws, customary professional practice, the Federal Health Care Programs and other third party payor programs, whether public or private. Hospital shall have reasonable access to Group's records in order to ensure Group's compliance with this Agreement. Group shall promptly correct any billing errors documented by Hospital. Group shall accept assignment with respect to services provided to Federal Health Care Program beneficiaries, to the extent permissible under applicable rules and regulations.

(c) **Billing Compliance.** Group shall ensure that all billing and coding for Radiology Services is in compliance with applicable laws and regulations, customary professional practice, the Federal Health Care Programs, and other third party payor programs, whether public or private. Group shall adopt and maintain billing and coding compliance policies and procedures to ensure Group's compliance with applicable laws and regulations, including laws and regulations under the Federal Health Care Programs.

(d) **Patient Information.** Hospital shall take all necessary and reasonable steps to provide Group sufficient patient information as requested by Group to facilitate Group's billing and collecting for Radiology Services furnished pursuant to this Agreement. Such patient information shall include, but not be limited to, electronic transmission of patient demographics and billing information as well as paper copies of radiology reports limited by Department's available information technology and clerical support.

(e) **Separate Billing.** Each Party shall separately bill all patients for its respective fees and charges, and neither Group nor Hospital shall bill for, guarantee the ability to collect, or have any claim or interest in or to the amounts billed or collected by the other Party.

(f) **Collection Agencies.** Hospital shall have the right to disapprove Group's use of any collection agency which engages in conduct which results in the unreasonable annoyance or harassment of patients. Group shall either cure this problem or discharge the collection agency within thirty (30) days following written notice of disapproval by Hospital. If this problem occurs a second time, Group shall discharge the collection agency within thirty (30) days following written notice of disapproval by Hospital.

#### **4.2 Third Party Payor Arrangements.**

(a) Group shall make all reasonable efforts to cooperate as necessary to facilitate Hospital's entry into or maintenance of any third-party payor arrangements.

(b) 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. Group shall, in good faith upon Hospital's request, negotiate with third-party payors for the purpose of entering into an express contractual agreement with said third-party payor, or any intermediate organization including any independent practice association, if required for said enrollment, ("Payor"), at fair market rates for radiology services. Both Parties agree that negotiations must be fair and reasonable.

(c) Upon communication to Hospital from any Payor of failed negotiation with Group, if Hospital in good faith determines (i) that the Payor has been negotiating with Group in good faith and (ii) that such negotiations have been active long enough for a reasonable chance of resolution, Hospital shall immediately notify Group. Thereupon, Group agrees to proceed as follows:

(i) Group and Hospital agree to proceed immediately to have a Special Meeting and Payor will be invited to join and participate in the Special Meeting.

(ii) The parties will mutually discuss the failed negotiation in order to reach a mutual resolution including the discussion over the process for resolution that Hospital and Group have agreed to ("The Process") as defined in Section 4.2(d). If Group and Payor agree to enter into The Process then both Group and Payor will enter into an agreement to delineate, (i) the equal sharing of cost associated with The Process and (ii) selection of a mediator ("Mediator") to facilitate The Process. The Mediator selected shall have expertise required to survey and determine prevailing rates for radiology services in Southern California.

(iii) If Payor does not agree to enter into The Process, or a mutually agreed upon modified process, with Group, then Section 4.2(e) shall apply.

(d) The Process

(i) Group and Payor shall each submit its most recent rate schedule proposal made to each other in their negotiation process and the rationale used to substantiate the proposal. The Mediator and all parties shall in the Special Meeting seek in good faith to reach consensus on reimbursement rates and establishment of a contractual agreement with Payor

within thirty (30) days of the initial Special Meeting, or such extended time as Group and Hospital agree upon.

(ii) If Group does not reach agreement with Payor within such thirty (30) day or extended period, then Mediator shall determine a rate schedule based on the median prevailing rates for the geographic service area of Hospital which is the northern portion of San Diego County ("Geographic Area"). In determining prevailing rates for the Geographic Area, the Mediator may take into account to the extent Mediator deems relevant prevailing rates for radiology services, of comparable scope and scale, in San Diego County, Orange County, Riverside County, and Los Angeles County. If the rate schedule proposed by the Group in the aggregate is within five percent (5%) of the rate schedule determined by the Mediator, then Group agrees to contract with Payor at the rate schedule proposed. If the rate schedule proposed by Group in the aggregate is not within five percent (5%) of the rate schedule determined by the Mediator, then Group shall adjust its rate schedule proposal to be within five percent (5%) of the rate schedule determined by the Mediator. If Payor does not agree to consummate a contract with Group under such circumstances, then Section 4.2(e) shall apply.

(e) If Group and Payor fail to enter into a contractual agreement based on the method described in Section 4.2(d), then Group shall have no further obligation to enter into a contractual agreement with Payor, and shall be entitled to bill Payor directly at Group's full rate schedule. If Payor defaults in payment of all or a portion of the billing, then Group may balance bill the patient (if not prohibited by law). Provided that, in this case in no event shall the total collection from Payor and patient exceed one hundred percent (100%) of Group's full rate schedule.

(f) Under no circumstance shall Hospital or mediator be allowed to disclose any rates or contract terms of Group with any other third party payor to the third party payor involved in this mediation. Further, it is the understanding of all parties, that any information brought forth in this mediation, including, but not limited to rates and contract terms of Group with any third party payor is proprietary and confidential information and will not be disclosed to any other party outside of this mediation.

**4.3 No Compensation for Director Services.** In recognition of the mutual obligations of the Parties hereunder, Hospital and Group acknowledge that there shall be no monetary compensation to Group for the Director Services furnished by Group hereunder.

## ARTICLE V. INSURANCE AND INDEMNITY

**5.1 Malpractice Liability Insurance.** Group shall obtain and continuously maintain professional malpractice liability insurance coverage or mutual protection trust, issued by an insurance company licensed or otherwise qualified to issue professional liability insurance policies or coverage in the State of California, in the amount of at least One Million Dollars (\$1,000,000) per occurrence or claim and Three Million Dollars (\$3,000,000) in the annual aggregate for the acts and omissions of Group and Group Practitioners. Such coverage shall provide for a date of placement preceding or coinciding with the Effective Date (as defined in Section 7.1) of this Agreement.

**5.2 Certificate of Insurance.** On or before the Effective Date (as defined in Section 7.1), Group shall provide Hospital with an original certificate evidencing professional malpractice liability insurance coverage, and shall provide Hospital with proof of continued professional malpractice liability insurance coverage on an annual basis (or as periodically requested by Hospital). Group shall provide Hospital with no less than thirty (30) calendar days' prior written notice of cancellation or any material change in such professional malpractice liability insurance coverage.

**5.3 Tail Coverage.** If Group's professional malpractice liability insurance is provided on a claims-made basis, upon the expiration or termination of this Agreement for any reason, Group shall continuously maintain such insurance or purchase from an insurance company licensed or otherwise qualified to issue professional liability insurance policies or coverage in the State of California, and reasonably acceptable to Hospital, extended reporting period (*i.e.*, "tail") coverage or prior acts (*i.e.*, "nose") coverage for a five (5) year reporting period.

**5.4 Cooperation between the Parties.**

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

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

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

**ARTICLE VI.**  
**RELATIONSHIP BETWEEN THE PARTIES**

**6.1 Independent Contractors.** Group and each Group Practitioner are and shall at all times be independent contractors with respect to Hospital in meeting their respective responsibilities under this Agreement. Nothing in this Agreement is intended nor shall be construed to create a partnership, employer-employee or joint venture relationship between Hospital and either Group or any Group Practitioner.

**6.2 Limitation on Control.** Hospital shall neither have nor exercise any control or direction over Group's or any Group Practitioner's professional medical judgment or the methods by which Group or any Group Practitioner performs professional medical services; provided, however, that Group and each Group Practitioner providing Services shall be subject to and shall at all times comply with the Hospital Rules to the extent such Hospital Rules are not inconsistent with this Agreement.

**6.3 Practice of Medicine.** Group and Hospital acknowledge that Hospital is neither authorized nor qualified to engage in any activity which may be construed or deemed to constitute the practice of medicine. To the extent that any act or service required of, or reserved to, Hospital in this Agreement is construed or deemed to constitute the practice of medicine, the performance of such act or service by Hospital shall be deemed waived or unenforceable, unless this Agreement can be amended to comply with the law, in which case the Parties shall make such amendment.

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

**6.5 Non-Solicitation.** During the term of this Agreement and for a period of one (1) year thereafter, neither Party shall solicit for employment any employee of the other Party, or interfere with any relationship, contractual or otherwise, between the other Party and any of its employees.

**6.6 Referrals.** Group and each Group Practitioner shall be entitled to refer patients to any hospital or other health care facility or provider deemed by Group or such Group Practitioner best qualified to deliver medical services to any particular patient; provided, however, that neither Group nor any Group Practitioner shall refer any Hospital patient to any provider of health care services which either Group or such Group Practitioner knows or should have known is excluded or suspended from participation in, or sanctioned by, any Federal Health Care Program. No term of this Agreement shall be construed as requiring or inducing either Group or



any Group Practitioner to refer patients to Hospital. Group's rights under this Agreement shall not be dependent in any way on the referral of patients or business to Hospital by either Group or any Group Practitioner.

**6.7 Physician Compensation Arrangements.** Group represents and warrants to Hospital that the compensation paid or to be paid by Group to any physician is and will at all times be fair market value for services and items actually provided by such physician, not taking into account the value or volume of referrals or other business generated by such physician for Hospital or any Affiliate. Group further represents and warrants to its actual knowledge to Hospital that Group has and will at all times maintain a written agreement with each physician receiving compensation from Group.

**ARTICLE VII.**  
**TERM, TERMINATION AND REMOVAL OF GROUP PRACTITIONERS**

**7.1 Term.** This Agreement shall become effective on [ \_\_\_\_\_ ], 2006 (the "Effective Date"), and shall continue until [ \_\_\_\_\_ ], 2009 (the "Expiration Date"), subject to the termination provisions of this Agreement. On the Expiration Date, and on the second and fourth annual anniversary dates of the Expiration Date, this Agreement shall automatically renew for an additional two (2) year term, unless and until either Party gives the other Party written notice of its intention not to renew this Agreement at least one hundred eighty (180) calendar days prior to the expiration of the then current term.

**7.2 Termination Without Cause.** Either Party may terminate this Agreement without cause, expense or penalty at any time after the first twenty-four (24) months after the Effective Date of this Agreement, effective one hundred and eighty (180) days after written notice of termination is given to the other Party. Such notice shall not be provided within the first twenty-four (24) months after the Effective Date.

**7.3 Termination by Hospital.** Upon the occurrence of any one or more of the following events, Hospital may terminate this Agreement by giving written notice of termination to Group, which termination shall be effective as of the date set forth in Hospital's written notice of termination to Group or, if no date is set forth in the notice, the date the notice is delivered to Group:

- (a) breach of this Agreement by Group where the breach is not cured within sixty (60) calendar days after Hospital first gives written notice of the breach to Group;
- (b) Group breaches any representation or warranty in this Agreement;
- (c) Group or any Group Practitioner breaches any HIPAA Obligation (as defined in Exhibit 8.5), and has not resolved the breach or the situation that caused the breach within sixty (60) days;
- (d) Group: (i) utilizes a physician who has not been granted privileges by Hospital to furnish Radiology Services under this Agreement; or (ii) fails to remove a Group Practitioner from furnishing Radiology Services under this Agreement in accordance with Section 7.8 or Section 7.9 of this Agreement;

(e) Group makes an assignment for the benefit of creditors, admits in writing its inability to pay its debts as they mature, applies to any court for the appointment of a trustee or receiver over its assets, or upon commencement of any voluntary or involuntary proceedings under any bankruptcy (unless such bankruptcy is dismissed within thirty (30) days of its commencement), reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation or other similar law of any jurisdiction;

(f) the insurance required to be maintained by Group hereunder is terminated, reduced below the minimum coverage requirements set forth in Section 5.1, not renewed or cancelled (whether by action of the insurance company or Group) for any reason, and Group has not obtained replacement coverage prior to the effective date of such termination, reduction, non-renewal or cancellation;

(g) Group is indicted for or convicted of a felony or any crime relevant to the provision of the Services, or Group's or any Group Practitioner's practice of medicine;

(h) Medical Director and his designee become unable to furnish Director Services for a period of thirty (30) days in the aggregate over any three (3) month period, and a replacement Medical Director is not designated by Group and approved by Hospital in accordance with Section 1.5(f) of this Agreement;

(i) Group or any Group Practitioner acts, or causes another person to act, in a manner which violates the Code and has not resolved the violation or the situation that caused the violation within sixty (60) days; or

(j) Group is debarred, suspended, excluded or otherwise ineligible to participate in any Federal Health Care Program in which the Hospital participates.

**7.4 Termination by Group.** Group shall have the right to terminate this Agreement upon breach of this Agreement by Hospital where the breach is not cured within sixty (60) calendar days after Group gives written notice of the breach to Hospital.

**7.5 Termination or Modification in the Event of Government Action.**

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

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

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

- (i) revocation or threat of revocation of the status of any license, certification or accreditation granted to Hospital or any Affiliate;
- (ii) revocation or threat of revocation of the federal, state or local tax-exempt status of Hospital, or any Affiliate, or their respective tax-exempt financial obligations;
- (iii) prohibit or restrict the ability of Hospital or any Affiliate to issue tax-exempt bonds, certificates of participation or other tax-exempt financial obligations;
- (iv) prevent Group or any Group Practitioner from being able to access and use the facilities of Hospital or any Affiliate of Hospital;
- (v) violation of or threat of prosecution under 42 U.S.C. Section 1320a-7b(b) (commonly referred to as the "Anti-Kickback law"), 42 U.S.C. Section 1395nn (commonly referred to as the "Stark law") or any comparable state law governing kickbacks, bribes, rebates or patient referrals if either Group or any Group Practitioner referred patients to Hospital or any Affiliate;
- (vi) violation by Hospital of, or threat of prosecution of Hospital under, any law, regulation, rule or procedure applicable to Hospital;
- (vii) prohibit Group, any Group Practitioner, Hospital or any Affiliate from submitting claims or materially reducing the reimbursement received by Hospital or any Affiliate for services provided to patients referred by Group or any Group Practitioner; [or]
- (viii) subject Hospital, Group, any Group Practitioner, any Affiliate, or any of their respective officers, directors, employees or agents, to civil action or criminal prosecution by any governmental authority or other person or entity or the imposition of any sanction (including any excise tax penalty under Internal Revenue Code Section 4958), on the basis of their approval of or participation in this Agreement or performing their respective obligations under this Agreement[.]; [or]

- (ix) revocation or loss of Hospital's status as a provider of Medi-Cal services under the Selective Provider Contracting Program established pursuant to Section 14081 et seq. of the California Welfare & Institutions Code as a result in whole or in part, of the exclusive rights of Group under Section 1.15 of this Agreement.

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

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

(a) all rights and obligations of the Parties shall cease except: (i) those rights and obligations that have accrued and remain unsatisfied prior to the termination or expiration of this Agreement; (ii) those rights and obligations which expressly survive termination or expiration of this Agreement; and (iii) Group's obligation to continue to provide services to patients under its care in the Department at the time of expiration or termination of this Agreement, until the patient's course of treatment is completed or the patient is transferred to the care of another physician;

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

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

(d) neither Group nor any Group Practitioner shall do anything or cause any other person to do anything that interferes with Hospital's efforts to engage any other person or entity for the provision of Services, or interfere in any way with any relationship between Hospital and any other person or entity who may be engaged to provide Services to Hospital.

(e) This Section 7.6 shall survive the expiration or termination of this Agreement for any reason.

**7.7 Effect of Termination or Expiration on Medical Staff Status.**

(a) The termination or expiration of this Agreement shall not have any independent effect upon the Medical Staff membership or clinical privileges of any Group Practitioner.

(b) Notwithstanding the foregoing, upon the termination or expiration of this Agreement, the right of Group and each Group Practitioner to provide those Radiology Services in the Department that the Group has the exclusive right under this Agreement to

provide shall immediately terminate, without any action on the part of Hospital and/or the Medical Staff and without the right to a "fair hearing" or any other similar hearing or appellate review as may be set forth in the Medical Staff bylaws, except to the extent Hospital reasonably determines that the termination of such right is reportable to the Medical Board of California pursuant to the reporting requirements of the State of California. Upon termination or expiration of this Agreement, neither Group nor any Group Practitioner shall seek to exercise those clinical privileges which have been terminated pursuant to this Section 7.6.

(c) Group shall provide in any agreement it has with a Group Practitioner and/or with a Non-Group Practitioner providing Radiology Services under this Agreement that upon the earlier of the termination or expiration of this Agreement or the termination of the employment or other affiliation between Group and such Group Practitioner or Non-Group Practitioner, the right of such Group Practitioner or Non-Group Practitioner to provide Radiology Services in the Department shall immediately terminate, without any action on the part of Hospital and/or the Medical Staff and without the right to a "fair hearing" or any other similar hearing or appellate review as may be set forth in the Medical Staff bylaws, except to the extent Hospital reasonably determines that such termination is reportable to the Medical Board of California pursuant to the reporting requirements of the State of California; provided, however, that Group's failure to include such provision shall not affect Hospital's right to so terminate the right of such Group Practitioner or Non-Group Practitioner to provide Radiology Services in the Department.

**7.8 Immediate Removal of Group Practitioners.** Group shall immediately remove any Group Practitioner, including Medical Director, from furnishing Radiology Services under this Agreement who:

(a) has his or her Medical Staff membership or clinical privileges at Hospital or any other health facility terminated, suspended, revoked or relinquished for any reason, whether voluntarily or involuntarily, regardless of the availability of civil or administrative hearing rights or judicial review with respect thereto;

(b) has his or her license to practice medicine in the State of California, board certification or DEA registration (subject to Section 2.2) denied, suspended, restricted, terminated, revoked or relinquished for any reason, whether voluntarily or involuntarily, temporarily or permanently, regardless of the availability of civil or administrative hearing rights or judicial review with respect thereto;

(c) is indicted for or convicted of a felony or any crime relevant to Radiology Services or the practice of medicine;

(d) is debarred, suspended, excluded or otherwise ineligible to participate in any Federal Health Care Program in which the Hospital participates;

(e) fails to satisfy any of the standards and qualifications set forth in Sections 2.1, 2.2, 2.3, 2.4, 2.5, 2.6, or 2.7 of this Agreement; or

(f) fails to be covered by the professional liability insurance required to be maintained under this Agreement.

**7.9 Removal of Group Practitioners upon Hospital Request.** Upon written request by Hospital, Group shall immediately remove any Group Practitioner, including Medical Director, from furnishing Radiology Services under this Agreement who:

(a) engages in conduct that, in Hospital's good faith determination, jeopardizes the mental or physical health, safety or well-being of any person or damages the reputation of Hospital. Upon the occurrence of such conduct, Hospital shall immediately meet and confer in good faith with Medical Director to discuss the conduct at issue. However, Hospital, in its sole discretion, shall have the right to demand that Group immediately remove any Group Practitioner that engages in the conduct that in Hospital's good faith determination is governed by this Section 7.9(a).

(b) fails to satisfy any of the standards and qualifications set forth in Section 2.7 of this Agreement;

(c) fails to comply with any other material terms or conditions of this Agreement after being given written notice of that failure and a reasonable opportunity to comply;

(d) within a twelve (12) month period, has two (2) or more Medical Board reportable malpractice judgments against him or her as a result of actions within the previous two (2) year period, or he or she becomes the subject of two (2) or more disciplinary proceedings by the Medical Staff regarding the performance of professional medical services.

**7.10 Effect of Removal; Reinstatement of Group Practitioner.**

(a) No Group Practitioner removed from furnishing Radiology Services pursuant to Section 7.8 or Section 7.9 of this Agreement, shall be entitled to any "fair hearing" or any other similar hearing or appellate review as may be set forth in the Medical Staff bylaws, except to the extent Hospital reasonably determines that such removal is reportable to the Medical Board of California pursuant to the reporting requirements of the State of California.

(b) Upon the removal of a Group Practitioner pursuant to Section 7.8 or Section 7.9 of this Agreement, Group shall employ, contract with, or otherwise engage, at its cost and expense, a qualified substitute for the removed Group Practitioner, or shall demonstrate to Hospital's satisfaction Group's ability to continuously perform the Radiology Services without such a substitute. Failure to take such action shall constitute a material breach of this Agreement, subject to Section 7.2. Nothing herein shall be construed to limit Hospital's rights under Section 7.2 or any other provision of this Agreement.

(c) A Group Practitioner that has been removed from furnishing Radiology Services pursuant to Section 7.8 or Section 7.9 of this Agreement may be reinstated as a

Group Practitioner eligible to furnish Radiology Services upon the prior written approval by Hospital. Hospital shall in good faith meet and confer with the Group to discuss potential reinstatements. However, Hospital shall have the right to withhold its approval of any reinstatement of a Group Practitioner in its sole discretion and without the need for compliance with any provision of the Medical Staff bylaws or with any other term of this Agreement, except to the extent Hospital reasonably determines that withholding of approval is reportable to the Medical Board of California pursuant to the reporting requirements of the State of California. Notwithstanding anything to the contrary in this Section 7.10, if a Group Practitioner was removed because of a loss of Medical Staff privileges, Group Practitioner shall be automatically reinstated upon the reinstatement of privileges by the Medical Staff.

### **ARTICLE VIII. GENERAL PROVISIONS**

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

**8.2 Assignment.** Neither party may assign any of its rights, interests, duties, or obligations under this Agreement without the other party's prior written consent, which consent shall not be unreasonably withheld or delayed. Any attempted or purported assignment by a party in violation of this Section shall be void. Subject to the foregoing, this Agreement shall be binding on and shall inure to the benefit of the Parties and their respective heirs, successors, assigns and representatives.

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

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

**8.5 Compliance with HIPAA.** Group and each Group Practitioner shall comply with the HIPAA Obligations as defined and set forth in Exhibit 8.5. The HIPAA Obligations shall survive the expiration or termination of this Agreement for any reason. Hospital shall also comply with all of its obligations under HIPAA.

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**8.6 Compliance with Laws.** Group and each Group Practitioner shall comply with all applicable laws, ordinances, codes and regulations of federal, state and local governments, including without limitation laws that require Group and each Group Practitioner to disclose any economic interest or relationship with Hospital, and the policies, standards, requirements, guidelines and recommendations of JCAHO, all as in effect and amended from time to time.

**8.7 Compliance with Medicare Rules.** To the extent required by law or regulation, Group shall make available, upon written request from Hospital, the Secretary of Health and Human Services, the Comptroller General of the United States, or any duly authorized agent or representative of the foregoing, a copy of this Agreement and Group's books, documents and records to the extent necessary to certify the nature and extent of Hospital's costs for services provided by Group. Group shall preserve and make available such books, documents and records for a period which is the longer of ten (10) years after the end of the term of this Agreement or the length of time required by state or federal law. If Group is requested to disclose books, documents or records pursuant to this Section for any purpose, Group shall notify Hospital of the nature and scope of such request, and Group shall make available, upon written request of Hospital, all such books, documents or records. Group shall indemnify and hold harmless Hospital if any amount of reimbursement is denied or disallowed because of Group's failure to comply with the obligations set forth in this Section. Such indemnity shall include, but not be limited to, the amount of reimbursement denied, plus any interest, penalties and legal costs. This Section 8.7 shall survive the expiration or termination of this Agreement for any reason.

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

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

**8.10 Dispute Resolution.** In the event of any controversy or dispute related to or arising out of this Agreement, the Parties agree to meet and confer in good faith to attempt to resolve the controversy or dispute without an adversary proceeding. If the Parties are unable to resolve the controversy or dispute after meeting and conferring, they shall submit the matter to non-binding mediation. The Parties shall select a mediator within fifteen (15) days, and the mediation shall be held within thirty (30) days thereafter. If the controversy or dispute is not resolved to the mutual satisfaction of the Parties within five (5) business days of the mediation,



the Parties agree to waive their rights, if any, to a jury trial and pre-trial discovery, and to submit the controversy or dispute to a retired judge or justice pursuant to Section 638 et seq. of the California Code of Civil Procedure, or any successor provision, for resolution in accordance with Chapter 6 (References and Trials by Referees), of Title 8 of Part 2 of the California Code of Civil Procedure, or any successor chapter. The Parties agree that the only proper venue for the submission of claims is the County of San Diego, California, and that the hearing before the referee shall be concluded within nine (9) months of the filing and service of the complaint. The Parties reserve the right to contest the referee's decision and to appeal from any award or order of any court.

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

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

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

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

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

**8.16 Litigation Consultation.** Neither Group nor any Group Practitioner shall accept consulting assignments or otherwise contract, agree, or enter into any arrangement to provide expert testimony or evaluation on behalf of a plaintiff in connection with any claim against Hospital or any Affiliate named, or expected to be named as a defendant. Neither Group nor any Group Practitioner shall accept similar consulting assignments if (a) the defendants or anticipated defendants include a member of the medical staff of Hospital or any Affiliate, and (b) the matter

relates to events that occurred at Hospital or any Affiliate; provided, however, the provisions of this Section shall not apply to situations in which any Group Practitioner or any shareholder, physician or employee of Group served as a treating physician.

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

**8.18 No Conflicting Obligations.** Group shall immediately inform Hospital of any other agreements to which Group or any Group Practitioner is a party that may present a conflict of interest or materially interfere with performance of either Group's or a Group Practitioner's duties under this Agreement.

**8.19 Non-Discrimination.** Neither Group nor any Group Practitioner shall differentiate or discriminate in the provision of medical services on the basis of race, color, national origin, ancestry, religion, sex, marital status, sexual orientation, age, medical condition, medical history, genetics, evidence of insurability, or claims history, in violation of any applicable state, federal or local law or regulation, or Hospital Rules, including, without limitation, the Age Discrimination Act of 1975, the Americans with Disabilities Act and all regulations issued pursuant thereto and as may be amended from time to time. Group, each Group Practitioner, and Hospital shall be in full compliance with Section 504 of the Rehabilitation Act of 1973, Titles VI and VII of the 1964 Civil Rights Act, and all regulations issued pursuant thereto and as may be amended from time to time.

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

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

**8.22 Participation in Federal Health Care Programs.** Group hereby represents that neither Group nor any Group Practitioner is debarred, suspended, excluded or otherwise ineligible to participate in any Federal Health Care Program.

**8.23 Representations.** Each Party represents with respect to itself that: (a) no representation or promise not expressly contained in this Agreement has been made by any other Party or by any Parties' agents, employees, representatives or attorneys; (b) this Agreement is

not being entered into on the basis of, or in reliance on, any promise or representation, expressed or implied, other than such as are set forth expressly in this Agreement; and (c) Party has been represented by legal counsel of Party's own choice or has elected not to be represented by legal counsel in this matter.

**8.24 Severability.** Subject to Section 7.4, if any provision of this Agreement, in whole or in part, or the application of any provision, in whole or in part, is determined to be illegal, invalid or unenforceable by a court of competent jurisdiction and such provision can be severed without substantially changing the bargain reached by the Parties, such provision or part of such provision shall be severed from this Agreement, and such severance shall have no effect upon the enforceability, performance or obligations of the remainder of this Agreement, including the remainder of such provision not determined to be illegal, invalid or unenforceable. If Section 7.4 is applicable, this Section 8.24 shall not be enforced.

**8.25 Trade Secrets.** During the term of this Agreement, each Party will have access to and become acquainted with confidential information and trade secrets of the other Party, including information and data relating to payor contracts and accounts, clients, patients, patient groups, patient lists, billing practices and procedures, business techniques and methods, strategic plans, operations and related data (collectively, "Trade Secrets"). All Trade Secrets shall be proprietary information protected under the Uniform Trade Secrets Act. Neither Party shall disclose to any person or entity, directly or indirectly, either during the term of this Agreement or at any time thereafter, any Trade Secrets of the other Party, or use any Trade Secrets of the other Party other than in the course of providing Services under this Agreement. All documents that Group or any Group Practitioner prepares, or Trade Secrets that might be given to Group or any Group Practitioner in the course of providing Services under this Agreement, are the exclusive property of Hospital, and, without the prior written consent of Hospital, shall not be removed from Hospital's premises.

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

**8.27 Waiver of Injunctive or Similar Relief.** In the event that a court or an arbitrator determines that a Party has improperly breached or terminated this Agreement, the other Party shall accept monetary damages, if any, as full and complete relief, to the exclusion of any specific performance, or injunctive or similar equitable relief.

*[signature page follows]*

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

**HOSPITAL**

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

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Address of Hospital:  
Palomar Pomerado Health System  
\_\_\_\_\_  
\_\_\_\_\_

**GROUP**

Valley Radiology Medical Group, Inc.,  
a California professional medical corporation

By: \_\_\_\_\_  
Its: \_\_\_\_\_

Address of Group:  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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**Exhibit 1.1**

**RADIOLOGY SERVICES**

Radiology Services encompasses all diagnostic imaging services including general radiography, ultrasound, nuclear medicine, computed topography, magnetic resonance imaging, other diagnostic imaging procedures (other than radiation oncology), performed in the Hospital, and angiography and interventional radiology performed in the Department. The preceding services are provided on an exclusive basis with the exception of those services listed in Exhibit 1.15.

Exhibit 1.2(a)(1)

**LETTER OF ACKNOWLEDGEMENT**

Hospital President  
[Name of Hospital]  
[Address of Hospital]

Ladies and Gentlemen:

I acknowledge that Palomar Pomerado Health System, a local health care district organized under Division 23 of the California Health and Safety Code (the "Hospital") and [name of Group] ("Group") have entered into a Professional and Medical Director Services Agreement ("Agreement") under which Group shall perform specified Radiology Services and Director Services (as defined in the Agreement), and that I have been engaged by Group to provide Radiology Services, [and Director Services] as a "Group Practitioner" (as defined in the Agreement). In consideration of Hospital's approval of me as a Group Practitioner eligible to furnish Radiology Services [and Director Services], I expressly:

1. acknowledge that I have read the Agreement, and agree to be bound by and comply with all of the requirements of the Agreement applicable to Group Practitioners;
2. acknowledge that I have no employment, independent contractor or other contractual relationship with Hospital, that my right to practice in Hospital as a Group Practitioner is derived solely through my employment or contractual relationship with Group, and that Hospital has approved my acting as a Group Practitioner as provided in the Agreement except to the extent Hospital reasonably determines that my removal is reportable to the Medical Board of California pursuant to the reporting requirements set forth in California (the "Reporting Requirements");
3. acknowledge that Hospital has reserved the right to cause Group to remove me as a Group Practitioner pursuant to the terms of the Agreement upon written notice to me, and understand that Hospital may do so without compliance with any rules or procedures of the Hospital's Medical Staff bylaws, except to the extent Hospital reasonably determines that my removal is reportable to the Medical Board of California pursuant to the reporting requirements set forth in California (the "Reporting Requirements");
4. acknowledge that upon the termination or expiration of the Agreement, notwithstanding the fact that such termination or expiration will not have any independent effect on my Medical Staff membership or clinical privileges, my right to continue to provide those Radiology Services in the Department which Group has an exclusive right to provide, will immediately terminate, without any action on the part of Hospital and/or the Medical Staff and without the right to a "fair hearing" or any other similar hearing or appellate review as may be set forth in the Medical Staff bylaws, except to the extent Hospital reasonably determines that withholding of approval is reportable to the Medical Board of California pursuant to the reporting requirements set forth in California;

Exhibit 1.2(a)(1)-1

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5. acknowledge that upon the termination of my employment or other affiliation with Group, notwithstanding the fact that such termination will not have any independent effect on my Medical Staff membership or clinical privileges, my right to continue to provide Radiology Services in the Department which Group has an exclusive right to provide will immediately terminate, without any action on the part of Hospital and/or the Medical Staff and without the right to a "fair hearing" or any other similar hearing or appellate review as may be set forth in the Medical Staff bylaws, except to the extent Hospital reasonably determines that such termination is reportable to the Medical Board of California pursuant to the reporting requirements of the State of California;

6. with regard to all of the foregoing, I expressly waive any right to assert that any termination of my status as a Group Practitioner requires Hospital to comply with any procedures whatsoever under the Medical Staff bylaws, except to the extent Hospital reasonably determines that such termination is reportable to the Medical Board of California pursuant to the reporting requirements of the State of California[.]; *and*

*[Add the following if undersigned is to serve as Medical Director:]*

7. [acknowledge that my status as Medical Director is subject to automatic termination upon termination or expiration of the Agreement, also without any right on my part to require compliance with any rules or procedures of the Medical Staff bylaws, except to the extent Hospital reasonably determines that such termination is reportable to the Medical Board of California pursuant to the reporting requirements of the State of California.]

Sincerely,

\_\_\_\_\_  
[Name of Group Practitioner], [M.D.][D.O.]

**Exhibit 1.2(a)(2)**

***[Insert Letter of acknowledgment for Non-Group Practitioners]***

Exhibit 1.2(a)(2)

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Exhibit 1.2(b)

**GROUP PRACTITIONERS**

*[List approved Group Practitioners here]*

Exhibit 1.2(b)

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Exhibit 1.3(c)

**STAFFING PATTERNS**

Exhibit 1.3(c)

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Exhibit 1.5(a)

**DIRECTOR SERVICES**

Group, through Medical Director, shall:

1. provide medical direction for the day-to-day operations of the Department;
2. implement those Hospital policies and procedures regarding the Department that are reasonable and not inconsistent with the rights and obligations of the Parties under this Agreement and the Medical Staff Bylaws. In instances where there is a disagreement between the Parties as to what is reasonable and not inconsistent with this Agreement and the Medical Staff Bylaws, the Parties agree to meet and confer on a timely basis to address the disagreement;
3. ensure Group Practitioner staffing and coverage of the Department;
4. schedule, coordinate and supervise the provision of physician services within the Department;
5. be responsible to Hospital Administration for the professional services and medical management of the Department and participate in management development programs;
6. ensure the provision of consistently high quality service, and advise Hospital in the development and implementation of an appropriate quality assessment and improvement program with respect to the Department and participate in such program;
7. participate in such Hospital and Medical Staff committees as Hospital or the Medical Staff may request to fulfill the obligations of this Agreement;
8. work with Hospital Administration in the timely planning of activities, including the annual development of Department objectives, operations budget and a capital equipment budget, and provide Hospital with ongoing appraisals of the strengths, weaknesses and overall quality of the Department;
9. cooperate with Hospital personnel assigned general administrative responsibilities for operation of the Department;
10. advise and assist in the organization and implementation of an effective utilization review program for the Department and Hospital and assist Department in utilization review services;
11. assist in developing and review of on-going training and continuing education programs for the Medical Staff, the nursing staff and other support personnel;

Exhibit 1.5(a)-1

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12. facilitate the Department's operation in accordance with all requirements of JCAHO, all applicable licensing requirements, and all other relevant requirements promulgated by any federal, state, or local agency;
13. recommend to appropriate committees of the Medical Staff and/or Hospital Administration new or revised policies as needed;
14. participate in developing and presenting programs pertinent to the Department for the community and as needed for Hospital/community relations; provided, however, that Medical Director shall not be required to participate in any advertising or commercials related to the Department's services;
15. assist in the design and development of patient information forms, medical record forms, and consent forms for use within the Department;
16. engage in and cooperate in the furtherance of teaching, research, and educational activities of Hospital;
17. be responsible for proper and efficient use of equipment and materials, and make recommendations as to appropriate repair or replacement;
18. be responsible for keeping abreast of equipment developments and make recommendations with respect to procurement of new equipment;
19. provide advice regarding adoption and implementation of information management systems and other new technology for the operation of the Department and/or Hospital;
20. work with Hospital in the development of a policy to assure timely proactive communication of abnormal findings directly with the referring physician. Group shall establish acceptable response times with medical staff departments and assist in implementing formal monitoring of response times for reporting of abnormal findings to demonstrate compliance.
21. assure timely, accurate, complete and legible medical record entries as appropriate for services provided in accordance with Medical Staff By Laws/Rules and Regulations.
22. actively participate in department, hospital and organizational performance improvement efforts to achieve defined service and outcomes targets. Group will participate in medical staff department meetings of key customers and cooperatively develop criteria and initiate ongoing monitoring to assure service and outcomes targets are achieved.
23. review and respond to Quality Utilization and Performance data in a timely manner. Assist in establishing formal service level standards for the Department and all modalities and monitor standards taking proactive action in cooperation with Department's leadership to assure levels are maintained or exceeded.

Exhibit 1.5(a)-2

24. coordinate with Department leadership to assure appropriate revenue capture through establishment of correct billing codes for new and existing services.
25. ensure appropriate case-mix index through appropriate coding and documentation.
26. ensure appropriate throughput through timely discharge and proper discharge planning.
27. proactively solicit feedback from medical staff and hospital to assure adequate coverage, address needs and concerns, and identify opportunities to enhance the range and scope of the Departments/Groups services. Group will participate in medical staff department meetings of key customers to provide immediate contact and interaction to address issues, concerns and opportunities.
28. assure that issues raised are responded to and address in a timely manner to resolve the issue.
29. participate in the evaluation of departmental staff competency and the development of training programs to assure optimal delivery of Departments services.
30. perform such other reasonable duties as may be assigned from time to time by the Hospital President, the Board of Directors, Community Board, or the Chief of the Medical Staff.
31. actively participate in the leadership of the Department

Exhibit 1.6

**ADDITIONAL SERVICES**

Group shall:

(a) work with Hospital to monitor and review the clinical performance of Group Practitioners who provide services to Hospital's patients. Group shall assist Hospital in monitoring the performance in the Department of those Group Practitioners who are not meeting Hospital quality and/or Performance Standards, and in disciplining (in accordance with the terms of this Agreement) any Group Practitioner(s) who continues poor performance, recognizing that the Board is ultimately responsible for maintaining the standards of care provided to patients;

(b) assist Hospital management with preparation for, and conduct of, any inspections and on-site surveys of Hospital conducted by governmental agencies or accrediting organizations;

(c) cooperate and comply with Hospital's policies and procedures which are pertinent to patient relations, quality assurance, scheduling, billing, collections, insurance verification and enrollment and other administrative matters to the extent not inconsistent with the terms of this Agreement;

**Exhibit 1.14**

1. Escondido Imaging Center
2. Fully Open MRI of Rancho Bernardo
3. Ramona Medical Diagnostic Services
4. Open-Air MRI of Golden Triangle
5. Open-Air MRI of Tri-City

Exhibit 1.15

**NON-EXCLUSIVE RADIOLOGY SERVICES**

**Group shall provide Radiology Services on an exclusive basis with the exception of the following services:**

1. Cardiac angiography and related cardiac procedures performed in the Cardiac Catheterization Laboratory by cardiologists.
2. Echo-cardiography services provided in Cardiology Services at Palomar Medical Center and Radiology at Pomerado Hospital by cardiologists.
3. Non-Invasive vascular and cardiac ultrasound performed in Cardiology Services at Palomar Medical Center and Radiology at Pomerado Hospital by cardiologists.
4. C-arm fluoroscopy performed by any clinician, assuming state guidelines are met and the clinician maintains a current operator's permit.
5. Obstetrical sonography performed outside the Radiology department by obstetricians.
6. Stereotaxic ultrasound guided localizations performed in the operating room.
7. Ultrasound guided prostate implants performed by Radiation Oncologists.
8. Ultrasound performed by physicians to aid in performing interventional procedures.
9. Radiosurgery performed by Neurosurgeons and Radiation Oncologists in the Radiation Therapy Department.
10. Procedures that (a) are proposed by non-radiologists as a result of new technology, and (b) are determined by the Medical Staff's credentialing committee and the medical executive committee, based upon nationally recognized criteria, can be competently performed by qualifying non-radiologists.
11. OB ultrasound performed within Women's Services by perinatologists.



## Exhibit 2.7

### PERFORMANCE STANDARDS

In addition to the requirements and standards set forth in the Agreement, Group and as applicable Group Practitioners, shall meet the following minimum standards in performing Radiology Services under this Agreement:

1. Hospital, and 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 professional radiology services in the Department. If the overall rating of the services is less four (4.0) on a five (5.0) point scale, Medical Director shall institute a plan of correction to increase satisfaction of the professional users. A resurvey shall be conducted no more than six (6) months after the initial survey, and if the overall satisfaction rating has not increased to four (4.0) or better, and if Group objects to the results of the second survey, Group or Hospital can request a review by the Medical Executive Committee. Group and Hospital will abide by the findings and recommendations of the Medical Executive Committee. If the Medical Executive Committee determines that Group's performance is unacceptable, then Group shall be deemed in breach of these Performance Standards.
2. There shall be no more than one (1) successful employee grievance per year relating to any Group Practitioner. A successful employee grievance is an EEOC, DFEH, or labor department complaint which results in a finding of fault of any Group Practitioner in a judicial or administrative decision, or a settlement involving a payment by any Group Practitioner in excess of Ten Thousand Dollars (\$10,000).
3. Each Group Practitioner shall cooperate with Hospital in the accomplishment of Hospital's reasonable goals, share information with Hospital appropriately and in a timely manner, and not engage in a pattern of repeated lack of cooperation or negative interpersonal relations.
4. As and to the extent requested to fulfill the obligations of this Agreement, each Group Practitioner shall, without compensation, serve on, participate in and cooperate fully with any and all credentialing, quality assurance, peer review and utilization review procedures, programs and committee applicable to the performance of Radiology Services.

**Exhibit 2.8**  
**Code of Conduct for Physician Agreements**

1. I will perform my duties faithfully and to the best of my ability, and in the interest of 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.

Exhibit 2.8

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Exhibit 2.10

**EXCEPTIONS TO REPRESENTATIONS AND WARRANTIES OF GROUP**

Exhibit 2.10

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Exhibit 8.5

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

**1. Definitions.**

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

- 2. **Use of Protected Information.** Neither Group nor any Group Practitioner shall use Protected Information except as permitted by and for the purpose of performing their respective obligations under this Agreement. Neither Group nor any Group Practitioner shall use Protected Information in any manner that would constitute a violation of the Privacy Rule if so used by Hospital.
- 3. **Permitted Disclosures.** Neither Group nor any Group Practitioner shall disclose Protected Information in any manner that would constitute a violation of the Privacy Rule if disclosed by Hospital, except that Group and any Group Practitioner may disclose Protected Information in a manner permitted pursuant to this Agreement or as Required by Law.
- 4. **Appropriate Safeguards.** Group shall implement appropriate safeguards as are necessary to prevent the use or disclosure of Protected Information other than as permitted by this Agreement.

5. **Reporting of Improper Use or Disclosure.** Group shall notify Hospital in writing of any use or disclosure of Protected Information other than as provided for by this Agreement and this Exhibit within two (2) days of becoming aware of such use or disclosure.
6. **Group Practitioner's Agents.** Group and each Group Practitioner shall ensure that any agents, including subcontractors, to whom either provides Protected Information, agree in writing to the same restrictions and conditions that apply to Group and each Group Practitioner with respect to such Protected Information.
7. **Access to Protected Information.** Group and each Group Practitioner shall make Protected Information maintained by Group, any Group Practitioner or their respective agents or subcontractors in Designated Record Sets available to Hospital for inspection and copying within ten (10) days of a request by Hospital to enable Hospital to fulfill its obligations under the Privacy Rule.
8. **Amendment of Protected Health Information.** Within ten (10) days of receipt from Hospital for an amendment of Protected Information or a record about an individual contained in a Designated Record Set, Group, each Group Practitioner and their respective agents or subcontractors shall make such Protected Information available to Hospital for amendment and incorporate any such amendment to enable Hospital to fulfill its obligations under the Privacy Rule.
9. **Accounting Rights.** Within ten (10) days of notice by Hospital of a request for an accounting of disclosures of Protected Information, Group and each Group Practitioner and their respective agents or subcontractors shall provide to Hospital an accounting of disclosures sufficient to enable Hospital to fulfill its obligations under the Privacy Rule. As set forth and as limited by the Privacy Rule, neither Group nor any Group Practitioner shall provide an accounting to Hospital of disclosures: (i) to carry out treatment, payment or health care operations; (ii) to individuals of Protected Information about them; (iii) to persons involved in the individual's care or other notification purposes; (iv) for national security or intelligence purposes; or (v) to correctional institutions or law enforcement officials. [*Group shall implement a process that allows for an accounting to be collected and maintained by Group and its agents or subcontractors for at least six (6) years prior to the request, but not before the compliance date of the Privacy Rule.*] At a minimum, such information shall include: (A) the date of disclosure; (B) the name of the entity or person who received Protected Information and, if known, the address of the entity or person; (C) a brief description of Protected Information disclosed; and (D) a brief statement of purpose of the disclosure that reasonably informs the individual of the basis for the disclosure, or copy of the individual's authorization, or a copy of the written request for disclosure.
10. **Governmental Access to Records.** Group and each Group Practitioner shall make their respective internal practices, books and records relating to the use and disclosure of Protected Information available to Hospital or, at the request of Hospital, to the Secretary of the U.S. Department of Health and Human Services, for purposes of determining Hospital's compliance with the Privacy Rule.

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

# RESOLUTIONS

## Bank and Investment Account Changes

**TO:** Board of Directors

**MEETING DATE:** Monday, June 12, 2006

**FROM:** Board Finance Committee  
Tuesday, May 30, 2006

**BY:** Bob Hemker, CFO

**BACKGROUND:** The attached Resolutions reflect the following changes to the board-designated signatory lists for PPH Bank and Investment Accounts:

<b>NAMING OF AUTHORIZED SIGNATORY – info only<sup>1</sup></b>		
All Bank Accounts (Except Auxiliary and Health Development Accounts)	Chief Human Resources Officer	Wallie George
All Investment Accounts (Except PPH GO Bond Accounts)	Chief Human Resources Officer	Wallie George
PCCC & Villa POM Patient Trust Bank Accounts	Chief Administrator SNF Services	Steve Gold
Escondido Surgery Center Bank Accounts	ESC Nurse Manager	Beverly Berg
<b>BANK NAME CHANGE – info only</b>		
Escondido Surgery Center Bank Accounts	OLD Rancho Santa Fe National Bank	NEW First National Bank
<b>ADDITIONAL AUTHORIZED SIGNATORY<sup>2</sup> - Resolution No. 06.12.06 (01) - 14</b>		
All Bank Accounts (Except Auxiliary and Health Development Accounts)	Director of Finance	To Be Named
All Investment Accounts (Except PPH GO Bond Election of 2004 Series 2005A Accounts)		
<b>OPENING OF BANK ACCOUNT<sup>3</sup> - Resolution No. 06.12.06 (02) - 15</b>		
ACCOUNT NAME	GENERAL LEDGER #	INSTITUTION ACCOUNT #
Pre-1993 Workers' Comp Claims Account	Not yet available	Wells Fargo – 4121-230080
<b>CLOSURE OF BANK ACCOUNTS<sup>3</sup> – Resolution No. 06.12.06 (03) – 16</b>		
ACCOUNT NAME	GENERAL LEDGER #	INSTITUTION ACCOUNT #
Workers' Compensation Deposit Account – Delta	01-1107.01200	WestAmerica Bank – 601-03503-3
Workers' Compensation Deposit Account	01-1107.01200	WestAmerica Bank – 601-066483
<b>OPENING OF INVESTMENT ACCOUNT<sup>4</sup> - Resolution No. 06.12.06 (04) - 17</b>		
ACCOUNT NAME	GENERAL	INSTITUTION ACCOUNT #
Citracado Road Public Benefit Development Account	Not yet available	Wells Fargo - 18040503

<sup>1</sup> Authorized Signatory Names are provided for information only, as the Resolution pertains to Job Title

<sup>2</sup> The position of Director of Finance is a newly created position, not yet permanently filled

<sup>3</sup> Alpha Fund merged PPH's Workers' Comp Deposits into one account when they relocated their accounts to Wells Fargo

<sup>4</sup> Interest-bearing escrow account, opened pursuant to the February 15, 2006, Development Agreement with City of Escondido

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**RESOLUTIONS**  
**Bank and Investment Account Changes**

**BUDGET IMPACT:** No Budget Impact

**STAFF RECOMMENDATION:** Approval

**COMMITTEE QUESTIONS:**

**COMMITTEE RECOMMENDATION:** The Finance Committee recommends approval of the changes to the board-designated signatory lists for PPH Bank and Investment Accounts.

**Motion:**

**Individual Action:** X

**Information:**

**Required Time:**

**SECRETARY'S CERTIFICATION**

I, the undersigned, the duly appointed, qualified, and acting Secretary of the Board of Directors for Palomar Pomerado Health, do hereby certify that attached hereto is a true, complete and correct copy of Resolution Numbers 06.12.06 (01) – 14 through 06.12.06 (04) – 17, adopted at a duly called meeting of the Board of Directors of said Health District, held in accordance with laws on the 12<sup>th</sup> day of June, 2006, at which meeting a quorum was present and acting throughout, all as appears in the records of the Board of Directors of said Health District.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 12<sup>th</sup> day of June, 2006.

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

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**Palomar Pomerado Health  
Closed Bank Accounts**

Resolution Number	Account Name	General Ledger #	Institution Account No.	Authorized Title	Name	Required Signatures and Limits	Account Purpose
06.12.06 (03) - 16	Workers Compensation Deposit Account - Delta	01-1107.01200	WestAmerica Bank 601-03603-3	President/CEO Chief Financial Officer Chief Administrative Officer - PMC Chief Administrative Officer - POM Chief Planning Officer Chief Human Resources Officer Corporate Controller	Michael Covert Bob Hemker Gerald Bracht Jim Flinn Marcia Jackson Wallie George Melanie Van Winkle		Receipts: Disbursements: Pay Workers Compensation claims in Delta Workers Compensation Pool (pre-1993).
	Workers Compensation Deposit Account	01-1107.01200	WestAmerica Bank 601-066483	President/CEO Chief Financial Officer Chief Administrative Officer - PMC Chief Administrative Officer - POM Chief Planning Officer Chief Human Resources Officer Corporate Controller	Michael Covert Bob Hemker Gerald Bracht Jim Flinn Marcia Jackson Wallie George Melanie Van Winkle		Receipts: Disbursements: Pay Workers Compensation claims current.

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**Palomar Pomerado Health  
Bank Accounts**

Resolution Number	Account Name	General Ledger #	Institution Account No.	Authorized Title	Name	Required Signatures and Limits	Account Purpose
	Investment Fund Savings	31-1512.11000	Bank of America 14508-03951	President/CEO Chief Financial Officer Chief Administrative Officer - PMC Chief Administrative Officer - POM Chief Planning Officer Chief Human Resources Officer Corporate Controller Director of Finance	Michael Covert Bob Hemker Gerald Bracht Jim Filin Jim Filin Marcia Jackson Wallie George Melanie Van Winkle To Be Named	Two approvals needed for telephonic and electronic fund transfers.	<u>Receipts:</u> Deposit investment fund cash receipts into this account. <u>Disbursements:</u> By telephonic and electronic only for transfers to operating fund accounts and investments.
	PPH Central Checking	01-1001.00000	Bank of America 14504-50005	President/CEO Chief Financial Officer Chief Administrative Officer - PMC Chief Administrative Officer - POM Chief Planning Officer Chief Human Resources Officer Corporate Controller Director of Finance	Michael Covert Bob Hemker Gerald Bracht Jim Filin Marcia Jackson Wallie George Melanie Van Winkle To Be Named	Two handwritten signatures on amounts \$0.00 and above.	<u>Receipts:</u> Deposit all patient cash receipts and other operating income into this account. <u>Disbursements:</u> Used to transfer to other checking accounts. Also telephonic transfers for investments.
	PPH Central Accounts Payable	01-1003.00000	Bank of America 14506-03938	President/CEO Chief Financial Officer Chief Administrative Officer - PMC Chief Administrative Officer - POM Chief Planning Officer Chief Human Resources Officer Corporate Controller Director of Finance	Michael Covert Bob Hemker Gerald Bracht Jim Filin Marcia Jackson Wallie George Melanie Van Winkle To Be Named	One facsimile signature for amounts below \$10,000.01. One manual and one facsimile signature for amounts \$10,000.01 and up. Manual checks require one handwritten signature for amounts below \$10,000.01 and two manual signatures for amounts \$10,000.01 and up.	<u>Receipts:</u> Deposit from Central checking. <u>Disbursements:</u> Used to pay all expenses (except payroll) for all facilities.
	PPH Payroll	01-1002.00000	Bank of America 14504-03939	President/CEO Chief Financial Officer Chief Administrative Officer - PMC Chief Administrative Officer - POM Chief Planning Officer Chief Human Resources Officer Corporate Controller Director of Finance	Michael Covert Bob Hemker Gerald Bracht Jim Filin Marcia Jackson Wallie George Melanie Van Winkle To Be Named	One facsimile signature for amounts \$0.00 and above. One handwritten signature on manual checks.	<u>Receipts:</u> Transfers from the Central checking account. <u>Disbursements:</u> Pay net payroll for all PPH employees.
	PPA General Checking	Not part of PPH GL.	Bank of America 14508-52046	President/CEO Chief Financial Officer Chief Administrative Officer - PMC Chief Administrative Officer - POM Chief Planning Officer Chief Human Resources Officer Corporate Controller Director of Finance	Michael Covert Bob Hemker Gerald Bracht Jim Filin Marcia Jackson Wallie George Melanie Van Winkle To Be Named	One facsimile signature for amounts below \$10,000.01. One manual and one facsimile signature for amounts \$10,000.01 and up. Manual checks require one handwritten signature for amounts below \$10,000.01 and two manual signatures for amounts \$10,000.01 and up.	<u>Receipts:</u> Fees and other revenue received from contracting facilities. <u>Disbursements:</u> Expenditures for PPA expenses and other financial obligations.
	PPH TPA Checking	01-1003.13000	Bank of America 14505-08318	President/CEO Chief Financial Officer Chief Administrative Officer - PMC Chief Administrative Officer - POM Chief Planning Officer Chief Human Resources Officer Corporate Controller Director of Finance	Michael Covert Bob Hemker Gerald Bracht Jim Filin Marcia Jackson Wallie George Melanie Van Winkle To Be Named	One facsimile signature for amounts below \$10,000.01. One manual and one facsimile signature for amounts \$10,000.01 and up. Manual checks require one handwritten signature for amounts below \$10,000.01 and two manual signatures for amounts \$10,000.01 and up.	<u>Receipts:</u> Checks received for Managed Care claims per contractual agreement. <u>Disbursements:</u> Managed Care claims and other financial obligations.

06.12.06 (01) - 14

# Palomar Pomerado Health Bank Accounts

Resolution Number	Account Name	General Ledger #	Institution Account No.	Authorized Title	Name <sup>1</sup>	Required Signatures and Limits	Account Purpose
	PCCC Patient Trust Checking	Not part of PPH GL.	Bank of America 14501-04873	President/CEO Chief Financial Officer Chief Administrative Officer - PMC Chief Administrative Officer - POM Chief Planning Officer Chief Human Resources Officer Chief Administrator SNF Services Corporate Controller Director of Finance	Michael Covert Bob Hemker Gerald Bracht Jim Flinn Marcia Jackson Wallie George Steve Gold Melanie Van Winkle To Be Named	Two handwritten signatures are required on amounts \$0.00 and up.	<u>Receipts:</u> Deposit money received on behalf of patients to serve patient needs. Interest bearing checking account. <u>Disbursements:</u> Disbursements of funds to pay convalescent center obligations and/or patient's miscellaneous personal obligations.
	Villa POM Patient Trust Checking	Not part of PPH GL.	Bank of America 14505-50374	President/CEO Chief Financial Officer Chief Administrative Officer - PMC Chief Administrative Officer - POM Chief Planning Officer Chief Human Resources Officer Chief Administrator SNF Services Corporate Controller Director of Finance	Michael Covert Bob Hemker Gerald Bracht Jim Flinn Marcia Jackson Wallie George Steve Gold Melanie Van Winkle To Be Named	Two handwritten signatures are required on amounts \$0.00 and up.	<u>Receipts:</u> Deposit money received on behalf of patients to serve patient needs. Interest bearing checking account. <u>Disbursements:</u> Disbursements of funds to pay convalescent center obligations and/or patient's miscellaneous personal obligations.
	VRC Gateway Checking	03-1001-01000	Union Bank 01600025-65	President/CEO Chief Financial Officer Chief Administrative Officer - PMC Chief Administrative Officer - POM Chief Planning Officer Chief Human Resources Officer Corporate Controller Director of Finance VRC President VRC Treasurer VRC Secretary	Michael Covert Bob Hemker Gerald Bracht Jim Flinn Marcia Jackson Wallie George Melanie Van Winkle To Be Named Gary P. Spoto, M.D. Andrew D. Polansky, M.D. Steven J. Taggart, M.D.	Two signatures required on all amounts \$0.00 and up.	<u>Receipts:</u> Deposit VRC Gateway cash receipts for technical fees, professional fees and other income. <u>Disbursements:</u> Expenditures for VRC Gateway expenses and other VRC Gateway financial obligations.
	VRC Parkway Checking	02-1001-01000	Union Bank 01600025-57	President/CEO Chief Financial Officer Chief Administrative Officer - PMC Chief Administrative Officer - POM Chief Planning Officer Chief Human Resources Officer Corporate Controller Director of Finance VRC President VRC Treasurer VRC Secretary	Michael Covert Bob Hemker Gerald Bracht Jim Flinn Marcia Jackson Wallie George Melanie Van Winkle To Be Named Gary P. Spoto, M.D. Andrew D. Polansky, M.D. Steven J. Taggart, M.D.	Two signatures required on all amounts \$0.00 and up.	<u>Receipts:</u> Deposit VRC Parkway cash receipts for technical fees, professional fees and other income. <u>Disbursements:</u> Expenditures for VRC Parkway expenses and other VRC Parkway financial obligations.
	Escondido Surgery Center Savings	Not part of PPH GL.	Rancho Santa Fe National Bank 03008436-71	President/CEO Chief Financial Officer Chief Planning Officer Chief Human Resources Officer Chief Clinical Outreach Officer Corporate Controller Director of Finance ESC Administrator ESC Nurse Manager	Michael Covert Bob Hemker Marcia Jackson Wallie George Sheila Brown Melanie Van Winkle To Be Named Marvin Levenson Beverly Berg	Two signatures on all checks amount \$0.00 and up.	<u>Receipts:</u> Deposit all Surgery Center cash receipts. <u>Disbursements:</u> By telephone transfer to Revolving Checking account.
	343 E. 2nd Avenue Investors, LP Checking	Not part of PPH GL.	Rancho Santa Fe National Bank 03008931-70	President/CEO Chief Financial Officer Chief Planning Officer Chief Human Resources Officer Chief Clinical Outreach Officer Corporate Controller Director of Finance ESC Administrator ESC Nurse Manager	Michael Covert Bob Hemker Marcia Jackson Wallie George Sheila Brown Melanie Van Winkle To Be Named Marvin Levenson Beverly Berg	Two signatures on all checks amount \$0.00 and up.	<u>Receipts:</u> Money earned from land lease. <u>Disbursements:</u> Money disbursed to land investors and to cover accounting and legal fees.

06.12.06 (01) - 14

2006-06-12 bankacct & investment.msbBank Accounts  
Names given for informational purposes only - Resolution pertains to job title.  
Authorization for facsimile signature

# Palomar Pomerado Health Bank Accounts

Resolution Number	Account Name	General Ledger #	Institution Account No.	Authorized Title	Name	Required Signatures and Limits	Account Purpose
06.12.06 (01) - 14 & 06.12.06 (02) - 15	PMC Auxiliary Gift Shop Checking	Not part of PPH GL.	Bank of America 01695-21649	Auxiliary President Auxiliary Treasurer Auxiliary Secretary	Eleanor Schultze Jodie Kroon Fran Cummings	Two handwritten signatures on amounts \$0.00 and above.	Receipts: To transfer funds from savings to cover expenses. Disbursements: To pay bills concerning PMC Auxiliary and purchases for Palomar Medical Center.
	PMC Auxiliary Gift Shop Savings	Not part of PPH GL.	Bank of America 01692-85096	Auxiliary President Auxiliary Treasurer Auxiliary Secretary	Eleanor Schultze Jodie Kroon Fran Cummings	Two handwritten signatures on amounts \$0.00 and above.	Receipts: To transfer funds for scholarships. Disbursements: Yearly \$500 scholarships.
	PMC Auxiliary Gift Shop Savings	Not part of PPH GL.	Bank of America 01692-85094	Auxiliary President Auxiliary Treasurer Auxiliary Secretary	Eleanor Schultze Jodie Kroon Fran Cummings	Two handwritten signatures on amounts \$0.00 and above.	Receipts: Interest received used for scholarships. Disbursements: Transfer excess funds at maturity to general scholarship account.
	PMC Auxiliary Gift Shop Savings	Not part of PPH GL.	Bank of America 01692-85094	Auxiliary President Auxiliary Treasurer Auxiliary Secretary	Eleanor Schultze Jodie Kroon Fran Cummings	Two handwritten signatures on amounts \$0.00 and above.	Receipts: To transfer from checking excess funds to hold for gifts to hospital. Disbursements: Transfer to checking funds needed for gifts to hospital.
	PMC Auxiliary Gift Shop Savings	Not part of PPH GL.	Bank of America 01695-85098	Auxiliary President Auxiliary Treasurer Auxiliary Secretary	Eleanor Schultze Jodie Kroon Fran Cummings	Two handwritten signatures on amounts \$0.00 and above.	Receipts: To deposit funds received for remembrance of members. Disbursements: Expenses incurred.
	Pre-1993 Workers' Comp Claims Account	Not yet available	Wells Fargo 4121-230080	President/CEO Chief Financial Officer Chief Administrative Officer - PMC Chief Administrative Officer - POM Chief Planning Officer Chief Human Resources Officer Corporate Controller Director of Finance	Michael Covert Bob Henker Gerald Bracht Jim Filin Marcia Jackson Wallie George Melanie Van Winkle To Be Named		Disbursements: Pay Workers Compensation claims both in Delta Workers Compensation Pool (pre-1993) and current. Receipts:

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# Palomar Pomerado Health Bank Accounts

Resolution Number	Account Name	General Ledger #	Institution Account No.	Authorized Title	Names <sup>1</sup>	Required Signatures and Limits	Account Purpose
06.12.06 (01) - 14	PPH Payroll in Lawson	W/S = Not Applicable Lawson = 100201-0000	Bank of America 73132-03616	President/CEO 2Chief Financial Officer 2Chief Administrative Officer - PMC 2Chief Planning Officer Chief Human Resources Officer Corporate Controller Director of Finance	Michael Covert Bob Hemker Gerald Bracht Jim Flinn Marcia Jackson Wallie George Melanie Van Winkle To Be Named	One facsimile signature for amounts \$0.00 and above.  One handwritten signature on manual checks.	Receipts: Transfers from the Central checking account.  Disbursements: Pay net payroll for all PPH employees.
	PPH Central Accounts Payable in Lawson	W/S = Not Applicable Lawson = 100303-0000	Bank of America 73132-03593	President/CEO 2Chief Financial Officer 2Chief Administrative Officer - PMC 2Chief Planning Officer Chief Human Resources Officer Corporate Controller Director of Finance	Michael Covert Bob Hemker Gerald Bracht Jim Flinn Marcia Jackson Wallie George Melanie Van Winkle To Be Named	One facsimile signature for amounts below \$10,000.01. One manual and one facsimile signature for amounts \$10,000.01 and up.  Manual checks require one handwritten signature for amounts below \$10,000.01 and two manual signatures for amounts \$10,000.01 and up.	Receipts: Deposit from Central checking.  Disbursements: Used to pay all expenses (except payroll) for all facilities.  Receipts: Deposit from PPH Central checking.  Disbursements: Used to pay all expenses (except payroll) for PPH Health Development.
	Palomar Pomerado North County Health Development	Not part of PPH GL.	Bank of America 14586-24521	President/CEO Chief Financial Officer Secretary	Michael Covert Bob Hemker Bradley Wiscons	One handwritten signature by the Secretary for amounts below \$5,000.01.  Two handwritten signatures by the Secretary and either the President/CEO or CFO for amounts above \$5,000.01  Amounts exceeding \$249,999.00 require Board action.	Receipts: Deposit from PPH Central checking.  Disbursements: Used to pay all expenses (except payroll) for PPH Health Development.

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# Palomar Pomerado Health Investment Accounts

Resolution Number	Account Name	Institution Account No.	Authorized Title	Name <sup>1</sup>	Required Signatures and Limits	Account Purpose
06.12.06 (01) - 14	Investment Fund	Morgan Stanley 123-095476-038	President/CEO	Michael Covert	Two approvals required on all telephonic and electronic fund transfers.	Receipts: Excess operational funds not immediately needed. Disbursements: Transfers to operational funds to meet cash requirements.
			Chief Financial Officer	Bob Hemker		
			Chief Administrative Officer - PMC	Gerald Bracht		
Investment Fund	Salomon Brothers 123-095465-038	President/CEO	Michael Covert	Two approvals required on all telephonic and electronic fund transfers.	Receipts: Excess operational funds not immediately needed. Disbursements: Transfers to operational funds to meet cash requirements.	
		Chief Financial Officer	Bob Hemker			
		Chief Administrative Officer - PMC	Gerald Bracht			
Investment Fund	Pacific Income Advisors 123-095464-038	President/CEO	Michael Covert	Two approvals required on all telephonic and electronic fund transfers.	Receipts: Excess operational funds not immediately needed. Disbursements: Transfers to operational funds to meet cash requirements.	
		Chief Financial Officer	Bob Hemker			
		Chief Administrative Officer - PMC	Gerald Bracht			
Investment Fund	Local Agency Investment Fund (LAIF) 20-37-004	President/CEO	Michael Covert	Two approvals required on all telephonic and electronic fund transfers.	Receipts: Excess operational funds not immediately needed. Disbursements: Transfers to operational funds to meet cash requirements.	
		Chief Financial Officer	Bob Hemker			
		Chief Administrative Officer - PMC	Gerald Bracht			
Investment Fund	Fidelity 00080348725	President/CEO	Michael Covert	Two approvals required on all telephonic and electronic fund transfers.	Receipts: Excess operational funds not immediately needed. Disbursements: Transfers to operational funds to meet cash requirements.	
		Chief Financial Officer	Bob Hemker			
		Chief Administrative Officer - PMC	Gerald Bracht			
Pomerado Hospital Authority Escrow Fund 1978 Bond Issue	U.S. Bank Corporate Trust 34625230	President/CEO	Michael Covert	Two approvals required on all telephonic and electronic fund transfers.	Receipts: Interest earned on escrow Disbursements: Payment of bond indebtedness.	
		Chief Financial Officer	Bob Hemker			
		Chief Administrative Officer - PMC	Gerald Bracht			

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# Palomar Pomerado Health Investment Accounts

Resolution Number	Account Name	Institution Account No.	Authorized Title	Name <sup>1</sup>	Required Signatures and Limits	Account Purpose
<b>06.12.06 (01) - 14</b>	Pomerado Hospital Authority Escrow Fund 1978 Bond Issue	U.S. Bank Corporate Trust 946259840	President/CEO	Michael Covert	Two approvals required on all telephonic and electronic fund transfers.	Receipts: Interest earned on escrow Disbursements: Payment of bond indebtedness.
			Chief Financial Officer	Bob Hemker		
			Chief Administrative Officer - PMC	Gerald Bracht		
	Revenue Bonds 1993 Issue	U.S. Bank Corporate Trust 94622930	Chief Administrative Officer - POM	Jim Flinn	Two approvals required on all telephonic and electronic fund transfers.	Receipts: Transfer from operational funds to meet debt service payments. Disbursements: Payment of bond indebtedness.
			Chief Planning Officer	Marcia Jackson		
			Chief Human Resources Officer	Wallie George		
	Revenue Bonds 1999 Issue	U.S. Bank Corporate Trust 95465800	Corporate Controller	Melanie Van Winkle	Two approvals required on all telephonic and electronic fund transfers.	Receipts: Transfer from operational funds to meet debt service payments. Disbursements: Payment of bond indebtedness.
			Director of Finance	To Be Named		
			President/CEO	Michael Covert		
	Repurchase Agreement	Morgan Stanley 64892719	Chief Financial Officer	Bob Hemker	Two approvals required on all telephonic and electronic fund transfers.	Receipts: Transfer from operational funds to meet debt service payments. Disbursements: Payment of bond indebtedness.
Chief Administrative Officer - PMC			Gerald Bracht			
Chief Administrative Officer - POM			Jim Flinn			
PPH GO Bond Election of 2004 Series 2005A Interest and Sinking Fund	Wells Fargo 1804050	Chief Planning Officer	Marcia Jackson	One authorized signature on all documents.	Receipts: Receive monies from County of San Diego tax roll. Disbursements: Payment of Interest and Principal to Bond Holders.	
		Chief Human Resources Officer	Wallie George			
		Corporate Controller	Melanie Van Winkle			
PPH GO Bond Election of 2004 Series 2005A Project Fund	Wells Fargo 1804501	Director of Finance	To Be Named	One authorized signature on all documents.	Receipts: Proceeds from Bond sale. Interest Income earned. Disbursements: Disburse funds to PPH for project costs.	
		President/CEO	Michael Covert			
			Chief Financial Officer	Bob Hemker		

## Palomar Pomerado Health Investment Accounts

Resolution Number	Account Name	Institution Account No.	Authorized Title	Name <sup>1</sup>	Required Signatures and Limits	Account Purpose
06.12.06 (01) - 14 & 06.12.06 (04) - 17	Citracado Road Public Benefit Development Account	Wells Fargo 18040503	President/CEO - PPH Chief Financial Officer - PPH Controller - PPH Director of Finance - PPH Director of Finance - City of Escondido Revenue Manager - City of Escondido City Manager - City of Escondido	Michael Covert Bob Hemker Melanie Van Winkle To Be Named Gill Rojas Joan Ryan Clay Phillips	Two authorized signatures (one each from PPH & City of Escondido) on all documents.	<u>Receipts:</u> One-time funding of \$13 million plus earned interest. <u>Disbursements:</u> Authorized uses pursuant to Development Agreement dated February 15, 2006.

## Independent Citizens' Oversight Committee Nurse/Physician Member Replacement Applications

**TO:** Board of Directors  
**MEETING DATE:** Monday, June 12, 2006  
**FROM:** Board Finance Committee  
Tuesday, May 30, 2006  
**BY:** Bob Hemker, CFO

**Background:** At the April 25, 2006, meeting of the Board Finance Committee, the resignation of Lee Human, M.D., from the Palomar Pomerado Health Hospital, Emergency Care, Trauma Center Improvement and Repair Measure Bonds Independent Citizens' Oversight Committee (ICOC) was reported. Dr. Human's resignation in effect caused two vacancies on the ICOC: 1) A vacancy in number, as the Policies, Procedures & Guidelines (PP&G) of the ICOC require that there shall be not less than nine (9) members; and, 2) A vacancy in Required Members, as Dr. Human was the Nurse/Physician Member on the ICOC—required pursuant to the PP&G. None of the current members is qualified to fill that vacancy.

At the May 8, 2006, meeting of the District Board of Directors, the Board authorized the posting of the open seat on the ICOC. Deadline for submission of applications was set as Wednesday, May 24, 2006. As the opening was for the required seat of Nurse/Physician Member, it was also stipulated that applications would be accepted only from those members of the public who were trained nurses or physicians. Applications received from qualified nurse or physician applicants during the original application process were also to be re-examined for consideration.

Notice of the vacancy was posted pursuant to the PP&G of the ICOC—on Wednesday, May 10, 2006, in the local newspapers and on the District's Web site; and on Thursday, May 11, 2006, in the District's hospitals. Applications were available on the District's Web site and from the office of the District's Chief Financial Officer via his Executive Assistant, Tanya Howell, to whom they were also to be returned.

On May 30, 2006, the Board Finance Committee—as the delegated review and processing conduit of the Board—reviewed the applications received from qualified applicants for the vacant Nurse/Physician seat (copies attached). After confirming that there could be more than nine members on the ICOC, the Committee also voted to nominate a tenth member for an "At Large" seat.

**Budget Impact:** N/A

**Staff Recommendation:** It was recommended to the Board Finance Committee that the attached Selection Matrices (containing the names of all applicants and the reasons for disqualification as applicable) be used to evaluate the applications. Consistent with previous methodology, it was also recommended that the full Finance Committee evaluate all applicants (conducting phone and/or face-to-face interviews with the finalists as warranted) prior to recommending to the District Board the proposed finalist(s) for the Nurse/Physician Member seat on the ICOC.

**Committee Questions:**

**COMMITTEE RECOMMENDATION:** The Board Finance Committee nominates **George Kung, M.D.**, to fill the vacant seat of Nurse/Physician Representative on the ICOC. The Board Finance Committee also nominates **Marguerite Jackson Dill, Ph.D., R.N., F.A.A.N.**, to fill a tenth "At Large" seat on the ICOC.

**Motion:** X

**Individual Action:**

**Information:**

**Required Time:**

2/2

**Palomar Pomerado Health**

**Measure BB Citizens' Oversight Committee - APPLICATION**

Name: Marguerite Jackson Dill  
Professional Name and credentials: Marguerite Jackson, PhD, RN, FAAN

Cell phone:

Address: 3828 Exception Place  
Escondido, California 92025-7929

Home phone:

E-mail: \_\_\_\_\_

I can represent the following applicable constituencies located in the District as a (check all that apply):

- Business Representative - Active in a business organization representing the business community.  
Organization: \_\_\_\_\_
- Senior Citizens' Group Representative - Active in a senior citizens' organization.  
Organization: \_\_\_\_\_
- Taxpayers' Organization Representative - Active in a bona fide taxpayers' association.  
Organization: \_\_\_\_\_
- Nurse or Physician Representative - Trained as a nurse or physician.

Limited to the space provided below, please explain why you wish to serve on this committee and describe any qualifications you have which you feel may be an asset to the committee.

As a nurse and health care professional for over 30 years, I believe I have many skills and attributes that could be helpful to the Citizens' Oversight Committee. Until my retirement in 2003, I was an administrator at UCSD Medical Center - for over 20 years as Director of the Infection Control/Epidemiology program, then 6 years as Director of Education, Development and Research. I currently work part-time for the UCSD School of Medicine as an administrator for a 5-year 6.2 million NIH Contract. In my positions at UCSD, I was involved in the construction of the Thornton Hospital and numerous remodeling projects, and have also been involved in several non-profit organization Boards. I have lived in Escondido for over a decade and have been inside Palomar hospital many times visiting friends. I appreciate the importance of a new hospital for the expanding North County population as well as the need to provide state-of-the art facilities in a very competitive healthcare environment.

I am applying to serve on the Independent Citizens' Oversight Committee. I have read the conflict of interest information in the Ethics Policy Statement and I do not have a conflict of interest that would prevent my serving on the committee. I agree to report such a conflict to the committee chair and the District Compliance Officer (Palomar Pomerado Health, 15255 Innovation Drive, San Diego, California 92128) should it arise.

Signature: Marguerite Jackson Dill

Date: 5/12/06

Please submit this Application via hand delivery, mail, e-mail or facsimile to:  
Palomar Pomerado Health  
c/o Tanya Howell, Exec Asst to CFO  
15255 Innovation Drive  
San Diego, California 92128-3410  
Telephone: (858) 675-5140 Facsimile: (858) 675-6132  
Tanya.Howell@pph.org

### Palomar Pomerado Health

#### Measure BB Citizens' Oversight Committee - APPLICATION

(Please Print or Type)

Name: GEORGE KUNG, M.D.

Work Phone: \_\_\_\_\_

Address: 120 CRAVEN RD. Suite 209

Home Phone: \_\_\_\_\_

San Marcos, Ca. 92078

FAX #: \_\_\_\_\_

E-Mail: \_\_\_\_\_

I can represent the following applicable constituencies located in the District as a (check all that apply):

- Business Representative - Active in a business organization representing the business community.  
Organization: \_\_\_\_\_
- Senior Citizens' Group Representative - Active in a senior citizens' organization.  
Organization: \_\_\_\_\_
- Taxpayers' Organization Representative - Active in a bona fide taxpayers' association.  
Organization: \_\_\_\_\_
- Nurse or Physician Representative - Trained as a nurse or physician.

Limited to the space provided below, please explain why you wish to serve on this committee and describe any qualifications you have which you feel may be an asset to the committee.

I have strong desire to help in whatever ways I can so our goal of Hospital of the Future to become Hospital of the Future.  
Served as Pomerado Chief of staff for 4 years. Attended PPH Finance committee for 4 years. Attended all PPH physician MHA courses to date.

I am applying to serve on the Independent Citizens' Oversight Committee. I have read the conflict of interest information in the Ethics Policy Statement and I do not have a conflict of interest that would prevent my serving on the committee. I agree to report such a conflict to the committee chair and the District Compliance Officer (Palomar Pomerado Health, 15255 Innovation Drive, San Diego, California 92128) should it arise.

Signature: George Kung

Date: 5/15/06

Please submit this Application via hand delivery, mail, e-mail or facsimile to:  
 Palomar Pomerado Health  
 c/o Tanya Howell, Exec Asst to CFO  
 15266 Innovation Drive  
 San Diego, California 92128-3410  
 Telephone: (858) 676-6140 Facsimile: (858) 675-6132  
 Tanya.Howell@pph.org

Deadline for submission of Applications is by close of business on Wednesday, May 24, 2006

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**Palomar Pomerado Health**

**Measure BB Citizens' Oversight Committee - APPLICATION**

(Please Print or Type)

Name: WILFREDO G. MIRANDA

Work Phone: \_\_\_\_\_

Address: 715 N. BROADWAY APT 320

Home Phone: \_\_\_\_\_

ESCONDIDO CA 92025

FAX #: \_\_\_\_\_

E-Mail: \_\_\_\_\_

I can represent the following applicable constituencies located in the District as a (check all that apply):

Business Representative - Active in a business organization representing the business community.

Organization: \_\_\_\_\_

Senior Citizens' Group Representative - Active in a senior citizens' organization.

Organization: SENIOR CENTER CLUB DOROTHY E. BOEGER BLDG.  
728 N. BROADWAY, ESCONDIDO

Taxpayers' Organization Representative - Active in a bona fide taxpayers' association.


Organization: \_\_\_\_\_

Nurse or Physician Representative - Trained as a nurse or physician.

Limited to the space provided below, please explain why you wish to serve on this committee and describe any qualifications you have which you feel may be an asset to the committee.

TO RECIPROCATATE FOR THE SSI BENEFITS I'M  
RECEIVING FROM THE GOVERNMENT OF THE UNITED STATES  
DOCTOR OF MEDICINE (PHILIPPINES) WITH EDUCATIONAL  
COUNCIL FOR FOREIGN MEDICAL GRADUATES CERTIFICATION

I am applying to serve on the Independent Citizens' Oversight Committee. I have read the conflict of interest information in the Ethics Policy Statement and I do not have a conflict of interest that would prevent my serving on the committee. I agree to report such a conflict to the committee chair and the District Compliance Officer (Palomar Pomerado Health, 15255 Innovation Drive, San Diego, California 92128) should it arise.

Signature: 

Date: APRIL 22, 2005

Please submit this Application via hand delivery, mail, e-mail or facsimile to:  
Palomar Pomerado Health  
c/o Tanya Howell, Exec Asst to CFO  
15255 Innovation Drive  
San Diego, California 92128-3410  
Telephone: (858) 676-6140 Facsimile: (858) 676-6132  
Tanya.Howell@pph.org

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**Palomar Pomerado Health**  
**Measure BB Citizens' Oversight Committee - APPLICATION**

(Please Print or Type)

Name: Joseph H. Traxler, M.D.  
Address: 12356 Avenida Consentido  
San Diego, Ca. 92128

Work Phone: \_\_\_\_\_  
Home Phone: \_\_\_\_\_  
FAX #: \_\_\_\_\_

E-Mail: \_\_\_\_\_

I can represent the following applicable constituencies located in the District as a (check all that apply):

- Business Representative** - Active in a business organization representing the business community.  
Organization: \_\_\_\_\_
- Senior Citizens' Group Representative** - Active in a senior citizens' organization.  
Organization: \_\_\_\_\_
- Taxpayers' Organization Representative** - Active in a bona fide taxpayers' association.  
Organization: \_\_\_\_\_
- Nurse or Physician Representative** - Trained as a nurse or physician.

Limited to the space provided below, please explain why you wish to serve on this committee and describe any qualifications you have which you feel may be an asset to the committee.

I was a practicing otolaryngologist in Poway from 1972-1995. I have been a resident of the district since then. I am presently the President of my Homeowners' Association as well as the Community Association of Bernardo Heights, encompassing over 4,000 residents. These experiences as well as my desire to continue to contribute to my community are the motivating factors in my decision to seek this position.

I am applying to serve on the Independent Citizens' Oversight Committee. I have read the conflict of interest information in the Ethics Policy Statement and I do not have a conflict of interest that would prevent my serving on the committee. I agree to report such a conflict to the committee chair and the District Compliance Officer (Palomar Pomerado Health, 18285 Innovation Drive, San Diego, California 92128) should it arise.

Signature: \_\_\_\_\_

Date: 5/12/2006

Please submit this Application via hand delivery, mail, e-mail or facsimile to:

Palomar Pomerado Health  
c/o Tanya Howell, Exec Asst to CFO  
18285 Innovation Drive  
San Diego, California 92128-3410  
Telephone: (619) 676-6140 Facsimile: (619) 676-6132  
Tanya.Howell@pph.org

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**Selection Matrix**  
**Palomar Pomerado Health**  
*Hospital, Emergency Care, Trauma Center Improvement & Repair Measure Bonds*  
*Independent Citizens' Oversight Committee*

**Applicant Name:** Marguerite Jackson Dill, PhD, RN, FAAN  
**Home Address:** 3828 Exception Place  
 Escondido, CA 92025-7929

**Does the Applicant live within the District's Boundaries?**  Yes  No  
**In which region of the District does the Applicant live?** Escondido

**Constituency represented:**  Nurse or Physician Representative ("NPR")

*Use the following criteria, using a scale of one ("1") to five ("5"), with 5 being the highest:*

Level of Prior Community Involvement \_\_\_\_\_

Level of Current Community Involvement \_\_\_\_\_

Level of PPH Involvement \_\_\_\_\_

Availability of Time \_\_\_\_\_

Subject Matter Expert – Constituency Represented \_\_\_\_\_

Subject Matter Expert – Facility Development \_\_\_\_\_

Subject Matter Expert – Financing Matters \_\_\_\_\_

Conflicts of Interest (Higher score for fewer conflicts) \_\_\_\_\_

Desire to sit on the Committee (based on application explanation) \_\_\_\_\_

**COMMENTS:** \_\_\_\_\_

**Total** \_\_\_\_\_

217



**Selection Matrix**  
**Palomar Pomerado Health**  
*Hospital, Emergency Care, Trauma Center Improvement & Repair Measure Bonds*  
*Independent Citizens' Oversight Committee*

Applicant Name: Kathleen F. Garrova  
 Home Address: 10296 Rue Chamonix  
San Diego, CA 92131

Yes  No

Does the Applicant live within the District's Boundaries?  
 In which region of the District does the Applicant live? \_\_\_\_\_

Constituency represented:  Nurse or Physician Representative ("NPR")

Applicants are ranked based on the following criteria using a scale of one ("1") to five ("5"), with 5 being the highest

- Level of Prior Community Involvement \_\_\_\_\_
- Level of Current Community Involvement \_\_\_\_\_
- Level of PPH Involvement \_\_\_\_\_
- Availability of Time \_\_\_\_\_
- Subject Matter Expert – Constituency Represented \_\_\_\_\_
- Subject Matter Expert – Facility Development \_\_\_\_\_
- Subject Matter Expert – Financing Matters \_\_\_\_\_
- Conflicts of Interest (Higher score for fewer conflicts) \_\_\_\_\_
- Desire to sit on the Committee (based on application explanation) \_\_\_\_\_

Total

**COMMENTS:**

**NOTIFIED VIA EMAIL ON 5/26/06 THAT RESIDENCE WITHIN PPH DISTRICT IS REQUIRED FOR MEMBERSHIP ON ICOC.**

*21A*

**Selection Matrix**  
**Palomar Pomerado Health**  
*Hospital, Emergency Care, Trauma Center Improvement & Repair Measure Bonds*  
*Independent Citizens' Oversight Committee*

Applicant Name: George Kung, MD  
 Home Address: 13014 Polvera Avenue  
San Diego, CA 92128

Does the Applicant live within the District's Boundaries?  Yes  No  
 In which region of the District does the Applicant live? \_\_\_\_\_

Constituency represented:  Nurse or Physician Representative ("NPR")

*(Please indicate the number of representatives following criteria, using a scale of one ("1") to five ("5"), with 5 being the highest)*

Level of Prior Community Involvement \_\_\_\_\_

Level of Current Community Involvement \_\_\_\_\_

Level of PPH Involvement \_\_\_\_\_

Availability of Time \_\_\_\_\_

Subject Matter Expert – Constituency Represented \_\_\_\_\_

Subject Matter Expert – Facility Development \_\_\_\_\_

Subject Matter Expert – Financing Matters \_\_\_\_\_

Conflicts of Interest (Higher score for fewer conflicts) \_\_\_\_\_

Desire to sit on the Committee (based on application explanation) \_\_\_\_\_

**COMMENTS:**

**Total**

**Selection Matrix**  
**Palomar Pomerado Health**  
*Hospital, Emergency Care, Trauma Center Improvement & Repair Measure Bonds*  
*Independent Citizens' Oversight Committee*

**Applicant Name:** Wilfredo G. Miranda - Doctor of Medicine (Philippines)  
**Home Address:** 715 N. Broadway, Apt 326  
 Escondido, CA 92025

**Does the Applicant live within the District's Boundaries?**  Yes  No  
**In which region of the District does the Applicant live?** Escondido

**Constituency represented:**  Nurse or Physician Representative ("NPR")

*Please indicate the applicant's score on the following criteria using a scale of one ("1") to five ("5"), with 5 being the highest*

Level of Prior Community Involvement \_\_\_\_\_

Level of Current Community Involvement \_\_\_\_\_

Level of PPH Involvement \_\_\_\_\_

Availability of Time \_\_\_\_\_

Subject Matter Expert – Constituency Represented \_\_\_\_\_

Subject Matter Expert – Facility Development \_\_\_\_\_

Subject Matter Expert – Financing Matters \_\_\_\_\_

Conflicts of Interest (Higher score for fewer conflicts) \_\_\_\_\_

Desire to sit on the Committee (based on application explanation) \_\_\_\_\_

**COMMENTS:** \_\_\_\_\_

**Total** \_\_\_\_\_

2  
3  
5

**Selection Matrix**  
**Palomar Pomerado Health**  
*Hospital, Emergency Care, Trauma Center Improvement & Repair Measure Bonds*  
*Independent Citizens' Oversight Committee*

Applicant Name: Arthur E. Oberman, MD  
 Home Address: 1557 Martingale Court  
Carlsbad, CA 92011

No

Yes

Does the Applicant live within the District's Boundaries?  
 In which region of the District does the Applicant live?

Constituency represented:  Nurse or Physician Representative ("NPR")

Rate of participation in the following criteria, using a scale of one ("1") to five ("5"), with 5 being the highest

- Level of Prior Community Involvement \_\_\_\_\_
- Level of Current Community Involvement \_\_\_\_\_
- Level of PPH Involvement \_\_\_\_\_
- Availability of Time \_\_\_\_\_
- Subject Matter Expert – Constituency Represented \_\_\_\_\_
- Subject Matter Expert – Facility Development \_\_\_\_\_
- Subject Matter Expert – Financing Matters \_\_\_\_\_
- Conflicts of Interest (Higher score for fewer conflicts) \_\_\_\_\_
- Desire to sit on the Committee (based on application explanation) \_\_\_\_\_

Total

**COMMENTS:**

**NOTIFIED VIA EMAIL ON 5/26/06 THAT RESIDENCE WITHIN PPH DISTRICT IS REQUIRED FOR MEMBERSHIP ON ICOC.**

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**Selection Matrix**  
**Palomar Pomarado Health**  
*Hospital, Emergency Care, Trauma Center Improvement & Repair Measure Bonds*  
*Independent Citizens' Oversight Committee*

**Applicant Name:** Joseph H. Traxler, MD  
**Home Address:** 12357 Avenida Consentido  
 San Diego, CA 92128

Does the Applicant live within the District's Boundaries?  Yes  No  
 In which region of the District does the Applicant live?

Constituency represented:  Nurse or Physician Representative ("NPR")

Level of Prior Community Involvement

Level of Current Community Involvement

Level of PPH Involvement

Availability of Time

Subject Matter Expert – Constituency Represented

Subject Matter Expert – Facility Development

Subject Matter Expert – Financing Matters

Conflicts of Interest (Higher score for fewer conflicts)

Desire to sit on the Committee (based on application explanation)

**COMMENTS:**

Total

