

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
	<ul style="list-style-type: none"> • DNA (Diverse Nontraditional Alternatives) Team created avenue to gather innovative ideas by soliciting them from staff, looking at practices in other industries, and scanning the environment for ideas the can be adapted to PPH. 		
COMMITTEE COMMENTS, SUGGESTIONS	Due to the previously mentioned time constraints, further Facility Update presentations will be made to the August 16 Full BOD/Strategic Planning Committee meeting. Additional topics include a recap of Info Technology, including the past and present methodology, and future options.		
FINAL ADJOURNMENT	7:50 p.m.		
SIGNATURES Committee Chairperson Recording Secretary	<u>Marcelo Rivera, M.D., Alan Larson, M.D.</u> <u>Lorie Harmon</u>		

**PALOMAR POMERADO HEALTH
CONSOLIDATED DISBURSEMENTS
FOR THE MONTH OF
JUNE, 2005**

06/01/05	TO	06/30/05	ACCOUNTS PAYABLE INVOICES	\$20,023,366.00
06/03/05	TO	06/17/05	NET PAYROLL	<u>\$7,921,436.00</u>
				\$27,944,802.00

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

PPH Board Policies

TO: Board of Directors
MEETING DATE: July 15, 2005
FROM: Governance Committee Meeting July 12, 2005
BY: Jim Neal, Director Corporate Compliance & Integrity

BACKGROUND: As required by PPH Board Bylaws, committee reviewed and approved revisions to the current Board Policies listed below. In attendance were: Directors Linda Greer (Chair), Nancy Scofield, Bruce Krider, together with CEO Michael Covert and Jim Neal. Board approval is sought.

Policies for approval:

- GOV-22 Solicitation and Distribution of Literature on PPH Property
- GOV-27 Political Activities on PPH Property
- GOV-30 Chain of Command
- QLT-07 EMTALA: Non-physician Medical Screen Exam for OB Patients
- FIN-01 Annual Budget Approval
- FIN-02 Annual Financial Audit
- FIN-04 Expense Reimbursement and Advances
- FIN-05 Compensation of Board Members
- FIN-08 Health and Life Insurance for Board Members
- FIN-09 Professional Liability Insurance

BUDGET IMPACT: None

STAFF RECOMMENDATIONS: Staff, Quality and Finance Committees recommend approval.

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

Motion: X

Individual Action:

Information:

**PALOMAR POMERADO HEALTH
BOARD POLICY**

GOV-22

**SOLICITATION AND DISTRIBUTION OF LITERATURE
ON PPH PROPERTY**

June 22, 2005

Change Summery

1. Reviewed the current JCAHO Standards, Health and Safety Code; Government Code, Civil Code and Administrative Code for compliance.
2. Placed in approved LUCIDUC format.
3. There were no significant changes to this policy.
4. Added review date.

I was asked to run this through our attorneys which has been done. |

NEW POLICY

IN
LUCIDOC FORMAT

5 Dated: 2/11/02

6 Dated: 2/4/05

Document Owner: Michael Covert

Authorized Promulgating Officers: Marcelo R. Rivera, Chairman

VI. CROSS REFERENCE DOCUMENTS:

Prior to 2005, this policy was Board Policy 10-409

**PALOMAR POMERADO HEALTH
BOARD POLICY**

GOV-27

POLITICAL ACTIVITIES ON PPH PROPERTY

January 20, 2005

Change Summery

1. Reviewed the current JCAHO Standards, Health and Safety Code; Government Code § 3201 - 3209, Civil Code and Administrative Code for compliance.
2. Placed in approved LUCIDUC format.
3. I was asked to run this through our attorneys which has been done. His changes are included.

NEW POLICY

IN
LUCIDOC FORMAT

I. PURPOSE:

This policy governs political activities on District premises and is in accordance with California Government Code; in keeping with the District's role in providing quality health care services to the residents in an organized, caring and safe manner; and mindful of the District's governmental status and inherent impartiality.

II. DEFINITIONS:

For purposes of this policy, the terms *officer, employee or candidate* shall include all who hold or seek to hold a District office or any individual employed by the District. All references to District premises or property shall be inclusive.

III. TEXT / OF PRACTICE:

- A. No one who holds, or who is seeking election or appointment to, any office or employment in a state or local agency shall, directly or indirectly, use, promise, threaten or attempt to use, any office, authority, or influence, whether then possessed or merely anticipated, to confer upon or secure for any individual person, or to aid or obstruct any individual person in securing, or to prevent any individual person from securing, any position, nomination, confirmation, promotion, or change in compensation or position, within the state or local agency, upon consideration or condition that the vote or political influence or action of such person or another shall be given or used in behalf of, or withheld from, any candidate, officer, or party, or upon any other corrupt condition or consideration. This prohibition shall apply to urging or discouraging the individual employee's action.
- B. No officer, employee or candidate for elective office or employment with PPH shall solicit a political contribution, directly or indirectly, from an officer or employee nor from any list of officers or employees with knowledge that the individual from whom the contribution is solicited is an officer or employee. This prohibition excludes those solicitations made to a *significant segment of the public* that may include officers or employees.
- C. No person who is seeking election or appointment to an office or employment in the District shall use, directly or indirectly, any District office or equipment for political activity.
- D. No officers, employees or candidates shall use confidential information obtained in the course of employment or affiliation with the District for political activity.
- E. No officer, employee or candidate for employment or elective office shall offer to increase the compensation of another in exchange for a promise of a vote, contribution, loan or

compensation in any manner, including contributions to committees controlled directly or indirectly by the individual who holds or seeks to hold an office or position of employment.

- F. No officer or employee of the District shall participate in political activities of any kind while in uniform or during working hours.
- G. Political activity on District premises is expressly forbidden.
- H. Nothing in this policy is intended to prevent officers or employees of the District from Government Code Section 3201-3209
- I. This policy will be reviewed and updated as required or at least every three years.

IV. DOCUMENT / PUBLICATION HISTORY:

Original Document Date: 11/5/98

Reviewed: 2/99;

Revision Number: 1 Dated: 2/4/05

Document Owner: Michael Covert

Authorized Promulgating Officers: Marcelo R. Rivera, Chairman

VI. CROSS REFERENCE DOCUMENTS:

Prior to 2005, this policy was Board Policy 10-414

**PALOMAR POMERADO HEALTH
BOARD POLICY**

GOV-30

CHAIN OF COMMAND

June 21, 2005

Change Summery

1. Changed the first position from "Clinical Vice President of Clinical Affairs" Chief Financial Officer as directed by the CEO;
2. Placed in approved LUCIDUC format.
3. Added line for review date.

NEW POLICY

IN
LUCIDOC FORMAT

I. PURPOSE:

To facilitate a smooth transition in the conduction of business in the temporary absence of the President and Chief Executive Officer, there shall be a designated chain of command to ensure this transition. The individuals are designated at the discretion of the CEO; such designation is to be in a written procedure form.

II. DEFINITIONS:

None

III. TEXT / OF PRACTICE:

A. In the temporary absence of the President and Chief Executive Officer, the chain of command shall proceed in the following order:

1. Chief Financial Officer;
2. Administrator/Chief Operating Officer Palomar Medical Center;
3. Administrator/Chief Operating Officer Pomerado Hospital

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

IV. DOCUMENT / PUBLICATION HISTORY:

Original Document Date: 11/89

Reviewed: 1/93; 2/94; 3/95; 1/05

Revision Number: 2 Dated: 6/20/05

Document Owner: Michael Covert

Authorized Promulgating Officers: Marcelo R. Rivera, Chairman

VI. CROSS REFERENCE DOCUMENTS:

Prior to 2005, this policy was Board Policy 10-204

PALOMAR POMERADO HEALTH
BOARD POLICY

QLT-07

EMTALA: Non Position Medical Screen Exam for OB Patients

February 17, 2005

Change Summery

1. All changes reflect new language in JCAHO standards with respect to EMTALA.
2. Added a yearly review date.

NEW POLICY

IN
LUCIDOC FORMAT



Palomar Pomerado Health
Non-Physician Medical Screening Exam for OB
Patients

Policy

EMTALA

3634

Official(Rev: 2)

PALOMAR
POMERADO
HEALTH

Applicable to:

PMC - 20

POM - 30

Affected Departments:

Birth Center

Emergency Department

I. PURPOSE:

- A. To describe the mechanisms for non-physician medical screening examinations in order to ensure PPH compliance with EMTALA regulations.
- B. It is the policy of PPH, as determined by the Board of Directors, that appropriately qualified personnel, other than physicians, and to be known as "designated screening professionals," may provide the medical screening examinations required by State and Federal law for obstetrics and gynecology patients consistent with this policy.
- C. This Policy is to be used in conjunction with the following EMTALA Policies: Medical Screening Policy, and Transfer Policy.

II. DEFINITIONS:

- A. Emergency Medical Condition means:
 - 1. A medical condition manifesting itself by acute symptoms or sufficient severity such that the absence of prompt and appropriate medical attention could result in:
 - a. Placing the health or safety of the patient or unborn child in jeopardy;
 - 2. The following conditions are declared to be emergency conditions by statute and regulation:
 - a. Pregnancy with contractions present when: there is inadequate time to effect a safe transfer to another hospital before delivery; or the transfer may pose a threat to the health or safety of the woman or her unborn child.
- B. Medical Screening Examination means:
 - 1. A medical screening examination is an assessment of the patient consisting of specific elements, parameters, and timeframe performed by the designated screening professional (CNM/RN) on patients who present to the Labor and Delivery Unit with complaints of labor/contractions.
- C. Designated Screening Professional means:
 - 1. A designated screening professional, i.e., a non-physician, is authorized to provide a medical screening on the basis of meeting the qualifications established by this policy/procedure and approved by the Medical Staff and the Board of Directors. A certified nurse midwife or labor-qualified RN with demonstrated competency is designated screening professionals.

III. TEXT / STANDARDS OF PRACTICE:

Patients who present to the hospital in a condition of pregnancy may be seen in the Birth Center for evaluation and screening consistent with the existing policies of PPH.

- A. All pregnant women presenting to the Birth Center for care will receive a medical screening examination and assessment of labor when requested without discrimination and regardless of their ability to pay.
- B. The designated screening professional shall be responsible for the initial evaluation of the patient. Following examination and assessment, the RN/Certified Nurse Midwife (CNM) will apprise the physician of the findings. Based on that evaluation a determination will be made on whether the patient shall be seen by the physician or, consistent with the provision of this policy and procedure, treatment and discharge with follow up instructions will be provided by the designated screening professional.
- C. A physician must be notified immediately to come to the hospital if any of the following conditions are present or develop:
 - 1. Excessive vaginal bleeding.
 - 2. Hyper-stimulation of the uterus.
 - 3. Tetanic contraction.
 - 4. Non-reassuring FHR.
 - 5. Premature gestation with ruptured membranes.
 - 6. Other serious complications of pregnancy.

Qualifications:

- D. A medical screening exam may be performed by an RN or CNM who meets the following qualifications:
 - 1. Successful completion of hospital & Birth Center orientation.
 - 2. Successfully completed the annual competency validation.
 - 3. Knowledge of the Standardized Procedure for OB Medical Screening Exams.
 - 4. RN experience in care of the laboring patient at least 6 months. If less than 6 months experience as a L&D RN, nurses must ask for assistance from the L&D RN with more than 6 months experience.
- E. Evaluation of the Medical Screening Nurse:
 - 1. Initial Evaluation: Competency demonstrated during orientation to the Labor and Delivery Unit.
 - 2. On-Going Evaluation: Annual competency validation.

Patient Evaluation:

Patients will be evaluated upon arrival to the Birth Center to obtain information necessary to classify the patient's needs according to the following criteria:

- F. The designated screening professional will initiate the medical screening examination as soon as possible after the patient's arrival to the unit. The exam shall include but not be limited to the following:
 - 1. Chief complaint.
 - 2. Physical, medical and psychosocial history
 - 3. Review of the pre-natal record when available
 - 4. Fetal heart assessment
 - 5. Vital signs, including pain assessment
 - 6. Vaginal exam, if not contraindicated.
- G. Ongoing assessments and documentation will continue until disposition of the patient has been decided by the physician.

- H. At any time the designated screening professional deems a physician examination to be necessary, the physician shall respond to personally evaluate the patient in a timely manner.

Resolution:

On completion of the medical screening examination the patient's physician will be informed of the medical screening exam finding:

- I. If the patient's personal physician is unavailable and the patient has an obstetrical condition, the obstetrician on-call will be notified.
- J. If it is a non-obstetrical condition the patient will be transported to the Emergency Department to be seen.
- K. Admission, discharge or transfer orders shall be obtained from the physician.
 - 1. Any patient discharged will be given written discharge instructions, which are signed, dated and timed by the RN providing the instructions. A copy will be placed on the patient's record.
 - 2. If the patient is to be transferred to another facility follow the instructions in Transfer Policy document.
- L. Pertinent nursing observations and nursing care provided will be documented on the Outpatient Assessment Record.
- M. In the absence of a designated screening professional, all presenting patients will receive a medical screening by a physician.

IV. ADDENDUM:

V. DOCUMENT / PUBLICATION HISTORY: (template)

Revision Number	Effective Date	Document Owner at Publication	Description
2	01/13/2004	Theresa M Scherl, Birth Center Nurse Manager	this document has been revised and was approved by IDP at PMC in 12/2004 and by IDP at POM on 2/16/2005.
1	12/17/2001	Jane Frincke	The previous revision date is: 05/19/1998.

VI.

Authorized Promulgating Officers:

- (06/22/2005) Christine Greenstein
- (03/09/2005) James Neal, Director of Corporate Integrity
- (02/23/2005) Dr. Marcelo R Rivera, Director, PPH Board
- (02/23/2005) Lorie Shoemaker, Chief Nurse Executive, PPH

VI. CROSS-REFERENCE DOCUMENTS:(template)

Reference Type	Title	Notes
Referenced	Medical Screening Policy	

Documents

Referenced
Documents

Transfer Policy

JCAHO CAMH
Standard

Patient Rights and Organization Ethics

JCAHO CAMH
Standard

Emergency Medicine Treatment Active
Labor Act

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

<http://www.lucidoc.com/cgi/doc-gw.pl/ref/pphealth:11050> .

PALOMAR POMERADO HEALTH
BOARD POLICY

FIN-01

Annual Budget Approval

February 17, 2005

Change Summery

1. Reviewed the current Government Code and Administrative Code for compliance.
2. Placed in approver LUCIDUC format.
3. Removed the word "System" from Palomar Pomerado Health.
4. Added a three year review date.

NEW POLICY

IN
LUCIDOC FORMAT

I. PURPOSE:

To establish policy, as a part of the Board's fiduciary obligation expressed in the Local Health Care Law and the Board Bylaws, and in compliance with the standards of the Joint Commission on Accreditation of Health Care Organizations, the Governing Board is responsible for the Health District's annual budgets, both operating and capital budgets, develops a long-term capital expenditure plan and monitors the implementation of same.

II. DEFINITIONS:

None

III. TEXT / OF PRACTICE:

- A. The board has delegated certain responsibilities to the Finance Committee; the committee serves as an advisor to the board for budgetary purposes. Those responsibilities include:
1. Review the preliminary, annual operating budgets for the District and its facilities;
 2. Development and recommendation of the final operating budgets.
 3. The development and recommendation of a three-year capital expenditure plan which is updated at least annually and includes and identifies the anticipated source of financing for and objective of each proposed capital expenditure in excess of \$100,000.
- B. A system of incremental reporting on the budget process is done, beginning with approval of the budget reporting scheduled each January.
- C. Prior to the full board approval, a thorough presentation is to be made to the board with opportunity for questions.
- D. This policy will be reviewed and updated as required or at least every three years.

IV. DOCUMENT / PUBLICATION HISTORY:

Original Document Date: 2/94

Reviewed: 4/18/95; 1/99; 6/05

Revision Number: 1 Dated: 6/05

Document Owner: Michael Covert

Authorized Promulgating Officers: Marcelo R. Rivera, Chairman

V. CROSS REFERENCE DOCUMENTS:

Prior to 2005 this policy was Board Policy 10-502

**PALOMAR POMERADO HEALTH
BOARD POLICY**

FIN-02

Annual Financial Audit

February 17, 2005

Change Summery

1. Reviewed the current Government Code and Administrative Code for compliance.
2. Placed in approver LUCIDUC format.
3. Removed the word "System" from Palomar Pomerado Health.
4. Changed the following as this is now a requirement of the Board Audit Committee:
 1. The ~~Finance~~ Audit Committee shall recommend to the board a qualified firm to conduct an independent, financial audit annually.
5. Added a three year review date.

NEW POLICY

IN
LUCIDOC FORMAT

I. PURPOSE:

To establish policy, as a part of the Board's fiduciary obligation as expressed in the Local Health Care Law and the Board Bylaws, an independent, financial audit shall be conducted on an annual basis by a qualified auditing firm.

II. DEFINITIONS:

None

III. TEXT / OF PRACTICE:

- A. The Audit Committee shall recommend to the board a qualified firm to conduct an independent, financial audit annually.
- B. The Finance Committee shall review the audit process and audit reports and make appropriate recommendations to the board.
- C. This policy will be reviewed and updated as required or at least every three years.

IV. DOCUMENT / PUBLICATION HISTORY:

Original Document Date: 4/18/95

Reviewed: 11/95; 1/99; 6/05

Revision Number: 1 Dated: 6/05

Document Owner: Michael Covert

Authorized Promulgating Officers: Marcelo R. Rivera, Chairman

V. CROSS REFERENCE DOCUMENTS:

Prior to 2005 this policy was Board Policy 10-502

PALOMAR POMERADO HEALTH
BOARD POLICY

FIN-04

Expense Reimbursement and Advances

February 17, 2005

Change Summery

1. Reviewed the current Health and Safety Code § 32103, Government Code and Administrative Code for compliance.
2. Placed in approver LUCIDUC format.
3. Removed the word "System" from Palomar Pomerado Health.
4. Combined Board policies 10-504, 20-2 and 20-10
5. Added a three year review date.

Note: I could not locate Board Policies 20-1 through 20-10 in any Board records or in the Finance Department. Found copies of 20-2 and 20-10 on the back of the reimbursement forms.

NEW POLICY

IN
LUCIDOC FORMAT

I. PURPOSE:

To establish policy to ensure appropriate expenditure of District funds, advances and reimbursement of expenses for expenditures made on behalf of the District. Consistent with current regulations (Local Health Care Law, California Attorney General's Opinion), the expenses of board members and employees only may be considered for travel reimbursement purposes; spousal expense is specifically excluded.

II. DEFINITIONS:

None

III. TEXT / OF PRACTICE:

A. Reimbursement for expenses.

1. To be reimbursed for expenses, the individual must present an expense reimbursement voucher with proper support documentation to include:
 - 1) Supporting documentation must be submitted with the expense report for every expenditure of \$25.00 or more;
 - 2) Receipts for amounts less than \$25.00 should be submitted if they are normally available;
 - 3) In all cases, hotel bills, airline tickets, auto rentals and other travel documents must be submitted.
2. An expense reimbursement voucher must be submitted containing the following information.
 - a. Business purpose of expenditure;
 - b. Nature of the expenditure;
 - c. Location the expenditure took place;
 - d. Names of others besides the individual involved;
 - e. Amount and date of the expenditure.
3. When a charge account or charge card is used and the monthly statement has been submitted for payment by the District, an accounting must be attached indicating the purpose, nature, location, date and amount of each expenditure. In instances where the expenditure includes other persons, the names of the persons and the business purpose must be disclosed.
4. Before any voucher for expenditures paid to, or on behalf of, any individual is presented for payment, it must be signed by the individual incurring the expense and it must be properly approved.
5. Expenditures paid to, or on behalf of, any member of the Executive Management Team must be approved by the President & CEO before the voucher is presented for payment.

6. Expenses for the President & CEO, and Members of the Board of Directors may be approved for payment by the President & CEO. After payment, these documents will be submitted to the Board Treasurer for ratification and signature.
7. Normally, each individual will incur his or her own expenses and submit the proper reimbursement forms and vouchers. In some cases, this is not practical and expenses of a group will be paid by one individual. The individual submitting the reimbursement request must:
 - a. Indicate the name of those in attendance;
 - b. Supply an analysis of expenses by entity and cost center;
 - c. Supply all of the required documentation for all applicable individuals
8. If the spouse accompanies the Board Member or the employee, the expenses directly related to the spouse are not reimbursed by the District. A separate accounting must be maintained and only those expenses directly related to the Board Member or Employee are to be submitted for reimbursement.
9. Often it is necessary to make advances to an individual or to make advance payments on behalf of the individual, i.e. seminar registration, hotel registration and airline tickets. In such cases:
 - a. A properly approved Form must be submitted along with the applicable documentation;
 - b. A full accounting for such expenses must be included in the final accounting submitted and such advance must be deducted on the final expense claim.

B. Reimbursement for automobile mileage and parking expenses.

1. To be reimbursed for automobile mileage and parking expenses incurred while conducting business on behalf of the District, the individual must present a Reimbursement for Automobile Mileage and Parking Expenses voucher.
 - a. All expense reimbursement requests must be signed by the employee and the request must be approved by the employee's Supervisor;
 - b. No *employee* will approve his or her own expense reimbursement request;
 - c. Expenses *for* the President / CEO and members of the Board of Directors may be approved for payment by the President / CEO. After payment, these documents will be submitted to the Board Treasurer for ratification and signature;
 - d. Expense reimbursement rates are as follows:
 - 1) Parking fees: actual expense incurred;
 - 2) Mileage at IRS standard rate per mile for each mile traveled;
 - 3) When traveling direct from home to a location other than the principal place of work (assigned facility), reimbursement will be paid from home ***OR*** the assigned facility, whichever is the shorter distance of travel;
 - 4) To conserve cost and energy, employees are expected to car pool when practical.
2. The mileage reimbursement rate is inclusive of all insurance costs. All individuals operating their personal vehicles while transacting District business are expected to maintain their own liability

and collision automobile insurance. Employees are NOT INSURED under District automobile insurance policies while operating their personal vehicles for District business.

3. To conserve time and costs involved in approving the request and issuing of checks, persons making multiple trips should submit only one *Request for Reimbursement of Mileage and parking Expenses* per month. Requests should be submitted as of the last day of each month. Expense reports submitted more than ninety (90) days after the end of the month during which the expense occurred WILL NOT BE HONORED.

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

IV. DOCUMENT / PUBLICATION HISTORY:

Original Document Date: 4/18/95

Reviewed: 11/95; 1/99; 6/05

Revision Number: 1 Dated: 6/05

Document Owner: Michael Covert

Authorized Promulgating Officers: Marcelo R. Rivera, Chairman

V. CROSS REFERENCE DOCUMENTS:

Prior to 2005 this policy was Board Policy 10-504, 20-3 and 20-10.

PALOMAR POMERADO HEALTH
BOARD POLICY

FIN-05

Compensation of Board Members

February 17, 2005

Change Summery

1. Reviewed the current Health and Safety Code § 32103, Government Code and Administrative Code for compliance.
2. Placed in approver LUCIDUC format.
3. Removed the word "System" from Palomar Pomerado Health.
4. Changed the definition of a meeting to match what is in the Board Bylaws.
5. Added a three year review date.

NEW POLICY

IN
LUCIDOC FORMAT

I. PURPOSE:

The Board of Directors of the Palomar Pomerado Health District serves in a voluntary capacity unless, by resolution, a majority of the members determine that compensation shall be made. Such compensation can only be made in accordance with Health and Safety Code Section 32103.

II. DEFINITIONS:

None

III. TEXT / OF PRACTICE:

A. The maximum amount of compensation allowed by law is \$100 per meeting with a monthly maximum of \$500. To receive that compensation a director must:

1. Indicate by a letter to the board assistant that the director wishes to receive such compensation;
2. Provide recipient's social security number;
3. Sign the Oath of Office; and
4. Attend meetings as defined by the board.

B. For compensation purposes, a meeting has been defined as any regular or special Board meeting, whether open or closed, any standing or ad hoc committee meetings or any orientation sessions. For compensation purposes, successive open and closed meetings shall be considered as one meeting

C. In addition, each member is allowed reimbursement of actual, necessary travel and incidental expenses incurred in the performance of official business of the District that has been approved by the board. That reimbursement is to be consistent with District Board Policy FIN-04 and will not include spouse's expenses.

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

IV. DOCUMENT / PUBLICATION HISTORY:

Original Document Date: 02/94

Reviewed: 04/95; 1/99; 6/05

Revision Number: 1 Dated: 6/05

Document Owner: Michael Covert

Authorized Promulgating Officers: Marcelo R. Rivera, Chairman

V. CROSS REFERENCE DOCUMENTS:

Prior to 2005 this policy was Board Policy 10-504, 20-3 and 20-10.

PALOMAR POMERADO HEALTH
BOARD POLICY

FIN-08

Health and Life Insurance for Board Members

February 17, 2005

NEW POLICY

IN

LUCIDOC FORMAT

I. PURPOSE:

In recognition of the service performed on behalf of Palomar Pomerado Health (PPH), and in accordance with applicable laws and regulations, group health, travel and life insurance may be provided and/or made available for current and former Board members, their spouses and dependents subject to the following guidelines.

II. DEFINITIONS:

None

III. TEXT / OF PRACTICE:

- A. Current Board members are eligible to participate in PPH's health and life insurance plans for themselves and their spouses and dependents at the same rates as are available for employees. The costs of such participation shall be governed by the relevant plan documents, as may be amended from time to time.
- B. Current Board members shall also be covered by business travel insurance. Unless otherwise specified in the applicable plan documents, the beneficiary of such policy shall be the Board member's spouse, or of the Board member is unmarried, his or her estate.
- C. Former Board members who serves four years or more on the Board, and their dependents, may continue to participate in PPH's group health plan on a self-pay basis until the former Board member or his or her spouse becomes eligible for Medicare, or until the former Board member or his or her spouse becomes eligible for comparable benefits through an employer. Such benefits shall be governed by the relevant plan documents, as may be amended from time to time.
- D. This policy will be reviewed and updated as required or at least every three years.

IV. DOCUMENT / PUBLICATION HISTORY:

Original Document Date: 8/90

Reviewed: 8/91; 2/94; 1/99; 2/02; 6/05

Revision Number: 1 Dated: 6/05

Document Owner: Michael Covert

Authorized Promulgating Officers: Marcelo R. Rivera, Chairman

V. CROSS REFERENCE DOCUMENTS:

Prior to 2005 this policy was Board Policy 10-509

PALOMAR POMERADO HEALTH
BOARD POLICY

FIN-09

Professional Liability Insurance

February 17, 2005

Change Summery

1. Reviewed the current Health and Safety Code, Government Code and Administrative Code for compliance.
2. Placed in approver LUCIDUC format.
3. Removed the word "System" from Palomar Pomerado Health.
4. Added a three year review date.

Note: I confirmed that our insurance is at the total \$20,000 combined level. I also confirmed that this level of coverage has been currently evaluated by an outside consultant as adequate levels. Copy dated 4/26/05 attached.

NEW POLICY

IN
LUCIDOC FORMAT

I. PURPOSE:

As part of its fiduciary obligation to the District, the Board of Directors shall require that professional liability insurance be carried in an amount and manner to sufficiently protect the District, board, employees, medical staff and residents.

II. DEFINITIONS:

None

III. TEXT / OF PRACTICE:

A. Insurance will be provided for the following:

1. **Board and Employees.** The Health System is to obtain professional liability insurance coverage for the board and employees for job-related actions within the scope of assigned duties. Current coverage is currently \$5,000,000 per occurrence; \$15,000,000 excess coverage.
2. **Medical Staff.** Each member of the medical staff is to obtain professional liability insurance in an amount no less than \$1,000,000 per occurrence/\$3,000,000 annual aggregate. The coverage and premiums are the responsibility of the individual physician.

B. On a periodic basis, the Finance Department is to obtain an outside consultant to review coverage to determine if the levels are adequate and safe.

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

IV. DOCUMENT / PUBLICATION HISTORY:

Original Document Date: 2/94

Reviewed: 3/95; 1/99; 6/05

Revision Number: 1 Dated: 6/05

Document Owner: Michael Covert

Authorized Promulgating Officers: Marcelo R. Rivera, Chairman

V. CROSS REFERENCE DOCUMENTS:

Prior to 2005 this policy was Board Policy 10-511

**Independent Citizens' Oversight Committee
Update on Committee & Approval of Minutes
Inaugural Meeting-- July 12, 2005**

TO: Board of Directors

FROM: Board Finance Committee
Tuesday, July 26, 2005

MEETING DATE: Monday, August 15, 2005

BY: Bob Hemker, CFO

Background: The Inaugural Meeting of the Independent Citizens' Oversight Committee (ICOC) was held on Tuesday, July 12, 2005. An update on the activities of the ICOC was presented to the Finance Committee:

- The District Board's recommendations for officers were accepted: **Steve Yerxa, Chair; Bob Wells, Vice Chair; and Jerry Kaufman, Secretary.**
- Annual meetings will be held on the 4th Tuesday in September, with the first meeting rescheduled from September 27th to October 5th to accommodate attendee schedules.

Pursuant to §6.4 of the ICOC Procedures, Policies & Guidelines (PP&G), a draft report of all ICOC meetings is to be submitted to the PPH Board for inclusion in the Board's public records. The draft minutes from the ICOC's Inaugural Meeting on July 12, 2005, were reviewed by the ICOC Chair and Secretary and approved for presentation to the ICOC members and the PPH Board. They were submitted to the Finance Committee for approval and inclusion in the Board's public records.

Budget Impact: N/A

Staff Recommendation: Approval of the draft minutes from the ICOC's Inaugural Meeting on July 12, 2005.

Committee Questions:

COMMITTEE RECOMMENDATION: The Finance Committee recommends approval of the draft minutes from the Independent Citizens' Oversight Committee's Inaugural Meeting on July 12, 2005, as reviewed by the Committee Chair and Secretary.

Motion: X

Individual Action:

Information:

Required Time:

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

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

MEMBERS	MEETING DATES	
	7/12	
WILLIAM L. CORWIN (AT LARGE)	P	
STEPHEN FRIAR (AT LARGE)	P	
LEE HUMAN, MD (PHYSICIAN)	E	
JERRY KAUFMAN, MPT (BUSINESS ORG) - SECRETARY	P	
EDWARD R. LEHMAN (SR CITIZENS' ORG)	P	
JOHN MCIVER (AT LARGE)	P	
KATHY LEECH MCKINNEY (AT LARGE)	P	
MARGARET MOIR (AT LARGE)	P	
BOB WELLS (TAXPAYERS' ORG) - VICE CHAIR	P	
STEPHEN P. YERXA (AT LARGE) - CHAIR	P	
DISTRICT SUPPORT STAFF		
BOB HEMKER, CFO	P	
TANYA HOWELL, EXECUTIVE ASST - SCRIBE	P	
GUESTS		
RUTH MOSKOWITZ, LEAGUE OF WOMEN VOTERS	P	

[P = Present E = Excused A = Absent]

**Independent Citizens' Oversight Committee
Meeting Minutes - Tuesday, July 12, 2005**

AGENDA ITEM/PURPOSE	DISCUSSION/RECOMMENDATION	ACTION/COMMENTS
<p>I. CALL TO ORDER & ROLL CALL</p>	<p>Meeting called to order at 3:05 p.m. by District CFO Bob Hemker, acting as facilitator. Roll call was incorporated with brief introductions by the membership, District support staff and guest. Dr. Lee Human was absent, and Mr. Hemker provided information on his background.</p>	
<p>II. INFORMATION ITEM</p>	<p>Issuance of the First Tranche of General Obligation (GO) Bonds and Agenda Item V.D.a. Duties of ICOC were covered by Mr. Hemker as introductory comments.</p> <ul style="list-style-type: none"> • ICOC is a Brown Act committee <ul style="list-style-type: none"> o All business conducted according to the open meeting provisions o Public invited to attend o Minimum 72 hours' notice of all meetings o Restrictions on holding closed session o 4 required member classifications, remainder "at large": <ul style="list-style-type: none"> ▪ Dr. Lee Human – Physician ▪ Jerry Kaufman – Business Org ▪ Ed Lehman – Sr. Citizens' Org ▪ Bob Wells – Taxpayers' Org o Committee will exist for the life cycle of the spending down of the GO Bond proceeds o Required to meet annually – can meet more frequently • First tranche (series) of GO Bonds in the amount of \$80 million was issued on 7/7/05, so PPH now has monies for which they will be accountable to the public. The first series resulted in: <ul style="list-style-type: none"> o 2.55 to 4.55 yield rates o 3% to 5% coupon rates o Maturity dates from 2006 through 2034 o Issued via negotiated sale through Joint Exercise of Powers Agreement (JPA) with Tri-City Healthcare District <ul style="list-style-type: none"> ▪ JPA required for negotiated price rather than having to do competitive bid for pricing ▪ JPA must be with another governmental agency – Tri-City chosen because of similarities ▪ Bonds sold to JPA, who coterminously sold to Citigroup ▪ Citigroup order desk sold bonds to both institutional & retail investors, with AG Edwards, Wells Fargo & Smith Barney participating in a retail selling group o First tax levy will be at the \$17.75 per \$100,000 of assessed value o Can only issue up to \$496 million in GO Bonds, with restrictions <ul style="list-style-type: none"> ▪ Issuance tied to approved uses identified in Measure BB ▪ Expenditure of funds only for bricks & mortar," land & costs associated with obtaining those items 	<ul style="list-style-type: none"> • Responsibility of ICOC is to assure the community's monies are spent pursuant to the vote of Measure BB

71

Independent Citizens' Oversight Committee Meeting Minutes - Tuesday, July 12, 2005

AGENDA ITEM/PURPOSE	DISCUSSION/RECOMMENDATION	ACTION/COMMENTS
	<ul style="list-style-type: none"> ▪ Certain expenditures made prior to issuance that meet criteria can be reimbursed after issuance (i.e., reimbursables) ▪ Cost of issuance in addition to principal amount issued in the form of premium on issue 	
III. OATH OF OFFICE	Taken in unison. Two originals signed (date corrected to 7/12/05).	Dr. Lee Human to take the oath at the next meeting.
IV. PUBLIC COMMENTS	Ruth Moskowitz commented that she was pleased the ICOC would be operated pursuant to the Brown Act.	
V. A. IDENTIFICATION OF OFFICERS	<ul style="list-style-type: none"> • PPH Board responsible for appointment of officers <ul style="list-style-type: none"> ◦ At 7/11/05 PPH Board meeting, authority for appointment delegated to Chairs of Board and Finance Committee ◦ Appointments recommended, pending acceptance by nominees – all accepted 	Chair: Steve Yerxa Vice-Chair: Bob Wells Secretary: Jerry Kaufman Meeting turned over to Chair, Steve Yerxa
V. B. TIME & PLACE OF MEETINGS	<ul style="list-style-type: none"> • Target an annual meeting date, as NLT 1 meeting per year is required by PP&G • Calendaring of a biannual meeting suggested for scheduling ease • Possibility that meeting frequency will increase to quarterly or more as items become available for review • 50% + 1 = quorum • Brown Act allows call-in participation, with restrictions 	<ul style="list-style-type: none"> • Annual Meetings to be held at 3:00 p.m. on 4th Tuesday in September, at 15255 Innovation Drive, San Diego, CA • 1st meeting will be Tuesday, 9/27/05 – to be scheduled for 2 hours • Biannual meeting calendared for Tuesday, 3/28/06 • Agendas will contain further educational materials • A list containing contact information for members and District support staff will be compiled & distributed to membership
V. C. TERMS OF OFFICE	<ul style="list-style-type: none"> • Membership to be divided as equally as membership number allows into three classes, with terms of office for 1, 2 and 3 years • Lots drawn with 4 chances each for termination in years 2006, 2007 and 2008; first term class to reach 4 members to void remaining 4th member chances • Dr. Lee Human's lot drawn for him by Chair Steve Yerxa 	<ul style="list-style-type: none"> • Class of 2006: Kathy Leech McKinney, Steve Friar and Dr. Lee Human • Class of 2007: Ed Lehman, Margaret Moir, Steve Yerxa and Bob Wells • Class of 2008: Bill Corwin, Jerry Kaufman and John McIver

72

**Independent Citizens' Oversight Committee
Meeting Minutes - Tuesday, July 12, 2005**

AGENDA ITEM/PURPOSE	DISCUSSION/RECOMMENDATION	ACTION/COMMENTS
<p>V. D.a. DUTIES PER PP&G</p>	<ul style="list-style-type: none"> Duties covered by Mr. Hemker at beginning of meeting Membership Agreements were signed previously and are on record with the District 	<ul style="list-style-type: none"> Executive summary on Facilities Master Plan to be on September agenda Request for Mike Shanahan to address the September meeting
<p>VI. ADJOURNMENT</p>	<p>Meeting adjourned at 4:25 p.m.</p>	<p>Motion by Steve Yerxa, 2nd by Margaret Moir and carried to adjourn the meeting.</p>
<p>DRAFT REVIEWED AND APPROVED FOR SUBMISSION TO DISTRICT BOARD</p>	<p>CHAIR <i>Steven P. Yerxa</i> Steven P. Yerxa</p> <p>SECRETARY <i>Jerry Kaufman</i> Jerry Kaufman, MPT</p>	
<p>APPROVED BY DISTRICT BOARD</p>	<p>CHAIR Marcelo Rivera, M.D.</p> <p>SECRETARY Nancy Scofield</p>	

MEDICAL STAFF SERVICES

July 26, 2005



TO: Board of Directors

BOARD MEETING DATE: August 15, 2005

FROM: James S. Otoshi, M.D., Chief of Staff
PMC Medical Staff Executive Committee

SUBJECT: Medical Staff Credentialing Recommendations

PALOMAR MEDICAL CENTER

- I. Provisional Appointment (08/15/2005 – 07/31/2007)
Matthew A. Genovese, M.D., Family Practice
Daniel W. Hershey, M.D., Pediatrics
Justin T. Mao, M.D., Internal Medicine
Kevin B. Merkes, M.D., Internal Medicine (includes PCCC)
Raj J. Patel, M.D., Emergency Medicine
Richard C. Smith, M.D., Infectious Disease
- II. Advancement from Provisional to Active Category
Byron C. Chow, M.D., Pediatrics (08/15/2005 - 03/31/2006)
Maria H. Elswick, M.D., Obstetrics and Gynecology (08/15/2005 - 01/31/2007)
Mohammad Imandoust, M.D., Pediatrics (08/15/2005 – 03/31/2006)
Steve S. Song, M.D., Internal Medicine (08/15/2005 – 11/31/2005)
- III. Additional Privileges
David Borecky, M.D., Family Practice
▪ PCCC Privileges
Kris Ghosh, M.D., Gynecologic Oncology
▪ General Obstetrics Bundle
▪ Antepartum, Intrapartum and Postpartum Complications Bundle
▪ Operative Obstetrics Bundle
Robert D. Trifunovic, M.D., Obstetrics and Gynecology
▪ Transobturator Tape Vaginal Sling Operation
Vanessa Weir, M.D., Family Practice
▪ PCCC Privileges
- IV. Leave of Absence
Brad L. Schwartz, M.D., Emergency Medicine (08/15/2005 – 07/31/2007)
Arthur J. Stehly, M.D., OB/GYN (06/01/2005 – 01/01/2006)
- V. Voluntary Resignations/Withdrawal of Membership
Seema R. Gupta, M.D., Internal Medicine
Charles V. Maletz, M.D., Family Practice (Effective 07/15/2005)
Vishal Verma, M.D., Diagnostic Radiology (Effective 07/12/2005)

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

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

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

- VI. Allied Health Professional Appointment (07/11/2005 – 06/30/2007)
 Dorene Boydston, N.P., Nurse Practitioner; Sponsor: Dr. Just
 Nancy J. Horton, L.V.N., Certified Clinical Research Coordinator; Sponsors: Drs. Acheatel, Detwiler, Gilbert,
 Gorwit, Leahy, Malek, Bayat, Mulvihill.
 Penny A. Johnson, R.N., Clinical Research Coordinator; Sponsor: Dr. Schechter
 Joni W. Senn, R.N., Clinical Research Coordinator; Sponsor: Dr. Schechter
- VII. Allied Health Professional Reinstatement and Reappointment
 Suzanne Brandt, R.N., Registered Nurse-Hospice; Sponsors: Drs. Jauregui, Panzer, Verma (Effective 08/15/05 –
 07/31/2007)
- VIII. Allied Health Professional Resignation/Withdrawal
 Suzanne Brandt, R.N., Registered Nurse-Hospice; Sponsors: Drs. Jauregui, Panzer, Verma (Effective 08/11/05)
 Jie Li, N.P., Nurse Practitioner; Sponsors: Drs. Deitel, Gullahorn, Nissanoff
 Jenny Rios, P.A., Physician Assistant; Sponsors: CEP
- IX. Reappointments Effective 09/01/2005 – 08/31/2007
- | | | | |
|--|-------------------------|-------------------------|-----------|
| Bob E. Blake, M.D. | Emergency Medicine | Dept of Emergency Med | Courtesy |
| Diana M. Cantu, M.D. | OB/GYN | Dept of OB/GYN | Active |
| Jeng-Hsien Chen, M.D. | Hematology/Oncology | Dept of Medicine | Active |
| Bradley H. Chesler, M.D. | Physician Med/Rehab | Dept of Ortho/Rehab | Active |
| Larry C. Chiang, M.D.
(Includes PCCC) | Internal Medicine | Dept of Medicine | Active |
| Bassem A. Georgy, M.D. | Diagnostic Radiology | Dept of Radiology | Active |
| Paul R. Keith, M.D. | Psychiatry | Dept of Medicine | Active |
| Joel M. Lamon, M.D. | Hematology/Oncology | Dept of Medicine | Active |
| Ann P. Laux, M.D. | Pathology | Dept of Pathology | Active |
| Dennis R. Leahy, M.D. | Cardiology | Dept of Medicine | Active |
| Albert L. Martinez, M.D. | Pediatrics | Dept of Pediatrics | Active |
| Thomas J. Naegeli, M.D. | Family/General Practice | Dept of Family Practice | Active |
| Paul Neustein, M.D.
(Includes PCCC) | Urology | Dept of Surgery | Courtesy |
| Douglas W. Reavie, M.D. | Plastic Surgery | Dept of Surgery | Associate |
| Cheryl C. Saenz, M.D. | Gynecologic Oncology | Dept of OB/GYN | Associate |
| Elizabeth A. Salada, M.D.
(Includes PCCC) | Internal Medicine | Dept of Medicine | Active |
| Roger B. Schechter, M.D.
(Includes PCCC) | Emergency Medicine | Dept of Emergency Med | Active |
| Lokesh S. Tantuwaya, M.D. | Neurosurgery | Dept of Surgery | Active |
| Lewis M. Turner, Jr., M.D. | Pediatrics | Dept of Pediatrics | Active |
| Clifford J. Wolf, D.P.M.
(Includes PCCC) | Podiatry | Dept of Ortho/Rehab | Courtesy |
- X. Allied Health Professional Reappointment Effective 09/01/2005 – 08/31/2007
 Michael J. Conte, P.A.-C; Sponsors: California Emergency Physicians.

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
August, 2005**

PERSONAL INFORMATION

<i>Provider Name & Title</i>	Rosalyn P. Baxter-Jones, M.D.
<i>PPHS Facilities</i>	Pomerado Hospital

SPECIALTIES/BOARD CERTIFICATION

<i>Specialties</i>	Obstetrics and Gynecology Certified: 1989/1999
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ORGANIZATIONAL NAME

<i>Name</i>	Preventive Women's Health Care Medical Group
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EDUCATION/AFFILIATION INFORMATION

<i>Medical Education Information</i>	Howard University, Washington, DC FROM: 08/27/1977 TO: 05/09/1981
<i>Internship Information</i>	Baylor College of Medicine, Houston, TX Obstetrics/Gynecology From: 07/01/1981 To: 06/30/1982
<i>Residency Information</i>	Baylor College of Medicine, Houston, TX Obstetrics/Gynecology From: 07/01/1982 To: 06/30/1985
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	Pomerado Outpatient Surgery Center Sharp Mary Birch Hospital Sharp Memorial Hospital

**PALOMAR POMERADO HEALTH SYSTEM
PROVISIONAL APPOINTMENT
August, 2005**

PERSONAL INFORMATION

<i>Provider Name & Title</i>	Matthew A. Genovese, M.D.
<i>PPHS Facilities</i>	Palomar Medical Center

SPECIALTIES/BOARD CERTIFICATION

<i>Specialties</i>	Family Practice 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>	Creighton University, Omaha, NB FROM: 08/01/1993 TO: 05/17/1997
<i>Internship Information</i>	Kaiser Foundation Hospital, Los Angeles Family Practice From: 07/01/1997 To: 06/30/1998
<i>Residency Information</i>	Kaiser Foundation Hospital, Los Angeles Family Practice From: 07/01/1998 To: 06/30/2000
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	Kaiser Permanente, San Diego

**PALOMAR POMERADO HEALTH SYSTEM
PROVISIONAL APPOINTMENT
August, 2005**

PERSONAL INFORMATION

<i>Provider Name & Title</i>	Daniel C. Harrison, M.D.
<i>PPHS Facilities</i>	Pomerado Hospital Villa Pomerado

SPECIALTIES/BOARD CERTIFICATION

<i>Specialties</i>	Internal Medicine Cert: 1996 Pediatrics Cert: 1995
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ORGANIZATIONAL NAME

<i>Name</i>	Neighborhood Healthcare
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EDUCATION/AFFILIATION INFORMATION

<i>Medical Education Information</i>	University of California, Davis FROM: 09/28/1987 TO: 06/14/1991 Doctor of Medicine Degree
<i>Internship Information</i>	Wayne State University Combined Medicine/Pediatrics From: 07/01/1991 To: 06/30/1992
<i>Residency Information</i>	Wayne State University Combined Medicine/Pediatrics From: 07/01/1992 To: 07/31/1995
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	Palomar Medical Center Palomar Continuing Care Center

**PALOMAR POMERADO HEALTH SYSTEM
PROVISIONAL APPOINTMENT
August, 2005**

PERSONAL INFORMATION

<i>Provider Name & Title</i>	Daniel W. Hershey, M.D.
<i>PPHS Facilities</i>	Palomar Medical Center

SPECIALTIES/BOARD CERTIFICATION

<i>Specialties</i>	Pediatrics Certified: 2004
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ORGANIZATIONAL NAME

<i>Name</i>	North County Health Services
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EDUCATION/AFFILIATION INFORMATION

<i>Medical Education Information</i>	UCSD School of Medicine FROM: 09/22/1997 TO: 05/25/2001 Doctor of Medicine Degree
<i>Internship Information</i>	University of California, San Diego Pediatrics From: 06/24/2001 To: 06/27/2002
<i>Residency Information</i>	University of California, San Diego Pediatrics From: 07/01/2002 To: 06/30/2004
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	Tri-City Medical Center Children's Hospital, San Diego Kaiser Permanente, San Diego

**PALOMAR POMERADO HEALTH SYSTEM
PROVISIONAL APPOINTMENT
August, 2005**

PERSONAL INFORMATION

<i>Provider Name & Title</i>	Justin T. Mao, M.D.
<i>PPHS Facilities</i>	Pomerado Hospital Palomar Medical Center

SPECIALTIES/BOARD CERTIFICATION

<i>Specialties</i>	Internal Medicine Certified: 2004
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ORGANIZATIONAL NAME

<i>Name</i>	Neighborhood Healthcare
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EDUCATION/AFFILIATION INFORMATION

<i>Medical Education Information</i>	Chicago Medical School, North Chicago, IL FROM: 07/28/1997 TO: 06/08/2001 Doctor of Medicine Degree
<i>Internship Information</i>	Boston University Medical Center, Boston, MA Internal Medicine From: 07/01/2001 To: 06/30/2002
<i>Residency Information</i>	Boston University Medical Center Internal Medicine From: 07/01/2002 To: 06/30/2004
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	Mount Auburn Hospital, Cambridge, MA

80

**PALOMAR POMERADO HEALTH SYSTEM
PROVISIONAL APPOINTMENT
August, 2005**

PERSONAL INFORMATION

<i>Provider Name & Title</i>	Kevin B. Merkes, M.D.
<i>PPHS Facilities</i>	Pomerado Hospital Palomar Medical Center Palomar Continuing Care Center

SPECIALTIES/BOARD CERTIFICATION

<i>Specialties</i>	Internal Medicine Certified: 2003
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ORGANIZATIONAL NAME

<i>Name</i>	North County Internists
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EDUCATION/AFFILIATION INFORMATION

<i>Medical Education Information</i>	Loma Linda University, Loma Linda, CA FROM: 08/01/1995 TO: 05/28/2000 Doctor of Medicine Degree
<i>Internship Information</i>	Loma Linda University Medical Center Internal Medicine From: 06/30/2000 To: 06/30/2001
<i>Residency Information</i>	Loma Linda University Medical Center Internal Medicine From: 07/01/2001 To: 07/22/2003 Internal Medicine-Primary Care
<i>Fellowship Information</i>	Loma Linda University Medical Center Pathology From: 07/01/1997 To: 06/30/1998
<i>Current Affiliation Information</i>	N/A

**PALOMAR POMERADO HEALTH SYSTEM
PROVISIONAL APPOINTMENT
August, 2005**

PERSONAL INFORMATION

<i>Provider Name & Title</i>	Raj J. Patel, M.D.
<i>PPHS Facilities</i>	Pomerado Hospital Palomar Medical Center

SPECIALTIES/BOARD CERTIFICATION

<i>Specialties</i>	Emergency Medicine - Not Board Certified
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ORGANIZATIONAL NAME

<i>Name</i>	California Emergency Physicians
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EDUCATION/AFFILIATION INFORMATION

<i>Medical Education Information</i>	UCSD School of Medicine FROM: 09/01/1997 TO: 06/03/2001 Doctor of Medicine Degree
<i>Internship Information</i>	Scripps Mercy Hospital, San Diego, CA Transitional From: 06/24/2001 To: 06/23/2002
<i>Residency Information</i>	University of California, San Diego Emergency Medicine From: 07/01/2002 To: 06/30/2005
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	N/A

**PALOMAR POMERADO HEALTH SYSTEM
PROVISIONAL APPOINTMENT
August, 2005**

PERSONAL INFORMATION

<i>Provider Name & Title</i>	Richard C. Smith, M.D.
<i>PPHS Facilities</i>	Pomerado Hospital Palomar Medical Center

SPECIALTIES/BOARD CERTIFICATION

<i>Specialties</i>	Internal Medicine Certified: 2002
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ORGANIZATIONAL NAME

<i>Name</i>	Richard C. Smith, M.D.
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EDUCATION/AFFILIATION INFORMATION

<i>Medical Education Information</i>	Universidad Autonoma de Guadalajara, San Antonio, TX FROM: 02/01/1992 TO: 12/01/1998 Doctor of Medicine Degree
<i>Internship Information</i>	N/A
<i>Residency Information</i>	Emory University Hospital, Atlanta, GA Medicine From: 07/01/1999 To: 06/30/2002
<i>Fellowship Information</i>	University of California, San Diego Infectious Diseases From: 07/01/2002 To: 06/30/2005
<i>Current Affiliation Information</i>	N/A

**PALOMAR POMERADO HEALTH
ALLIED HEALTH PROFESSIONAL
APPOINTMENTS
FOR AUGUST 2005**

NAME: Dorene E. Boydston, R.N., N.P.
SPECIALTY: Adult Nurse Practitioner
SERVICES: Nurse Practitioner
TRAINING: San Diego City College, San Diego, CA
 Nursing courses 09/01/80-09/01/86
 University of San Diego, San Diego, CA
 Bachelor of Science in Nursing 09/9/85-05/21/89
 University of San Diego, San Diego, CA
 Master of Science in Nursing, Adult Nurse Practitioner 09/08/92-05/21/03
PRACTICE: Hematology-Oncology Nurse Practitioner, Richard Just, M.D.
 Escondido, CA 05/30/03-Present
 Parish Nurse Coordinator, Rancho Bernardo Community Presbyterian
 Church, San Diego, CA 07/15/01-06/20/02
 Nursing/Clinical representative positions with several Home
 Healthcare agencies: Coram Healthcare, Apria Healthcare,
 Crescent Healthcare, Vitas Hospice 01/1987-07/31/01
SPONSORS: Richard Just, M.D.
CERTIFICATION: American Academy of Nurse Practitioners 2003
FACILITY: Palomar Medical Center Pomerado Hospital

NAME: Nancy J. Horton, LVN, CCRC
SPECIALTY: Certified Clinical Research Coordinator
SERVICES: Certified Clinical Research Coordinator
TRAINING: Mira Costa Jr. College, Oceanside, CA
 Licensed Vocational Nurse 08/01/72-06/13/75
PRACTICE: Clinical Research Coordinator, Escondido Cardiology Associates,
 Escondido, CA 08/10/04-Present
 Clinical Research Coordinator, ThinkTank Clinical Research,
 Carlsbad, CA 03/10/04-08/09/04
 Medical Safety Associate II, Ligand Pharmaceuticals, San Diego, CA 07/14/03-02/20/04
 LVN, Clinical Research Coordinator, San Diego
 Cardiovascular Associates, Encinitas, CA 06/01/96-07/01/03
 LVN, Clinical Research Coordinator, Specialty Medical Clinic,
 Encinitas, CA 12/01/88-05/31/96
SPONSORS: Roger J. Acheatel, M.D., Hamed Bayat, M.D., John Detwiler, M.D.
 Christopher Gilbert, M.D., Jeffrey Gorwit, M.D., Dennis Leahy, M.D.
 Mikhail Malek, M.D., Daniel Mulvihill, M.D.
CERTIFICATION: Association of Clinical Research Professionals 1998
FACILITIES: Palomar Medical Center and Pomerado Hospital

**PALOMAR POMERADO HEALTH
ALLIED HEALTH PROFESSIONAL
APPOINTMENT
AUGUST 2005 (continued)**

Page two

NAME: Penny A. Johnson, R.N.
SPECIALTY: Registered Nurse/Clinical Research Coordinator
SERVICES: Registered Nurse for Clinical Research Studies for Roger Schechter, M.D.
TRAINING: Palomar College, San Marcos, CA
 Associate of Arts Degree in Nursing 08/01/91-12/16/95
PRACTICE: Registered Nurse Clinical Research Study Coordinator
 for Roger Schechter, M.D. 04/25/05-Present
 Registered Nurse, Palomar Medical Center, Escondido, CA 01/01/93-Present
SPONSORS: Roger Schechter, M.D.,
CERTIFICATION: None
FACILITY: Palomar Medical Center

NAME: Jacob J. Kalscheur, P.A.-C.
SPECIALTY: Physician Assistant
SERVICES: Physician Assistant services for Kaiser Orthopaedic Surgeons
 At Pomerado Hospital
TRAINING: Nova Southeastern University, Fort Lauderdale, FL
 Bachelor of Science Degree – Physician Assistant Studies 06/01/98-07/16/00
 Chicago School of Medicine at Finch University/Illinois Bone
 And Joint Institute/Lutheran General Hospital
 Physician Assistant Orthopaedic Surgery Residency Program 07/01/00-06/30/01
PRACTICE: Orthopaedic Physician Assistant, Kaiser Permanente, San Diego, CA 09/12/01-Present
SPONSORS: Kaiser Orthopaedic Surgeons at Pomerado Hospital
CERTIFICATION: National Commission on Certification of Physician Assistants 2000
FACILITY: Pomerado Hospital

NAME: Douglas R. Pickett, P.A.-C.
SPECIALTY: Physician Assistant
SERVICES: Physician Assistant services for Kaiser Orthopaedic Surgeons
 At Pomerado Hospital
TRAINING: Western University of Health Sciences, Pomona, CA
 Physician Assistant Certificate 08/01/99-07/31/01
 Arrowhead Regional Medical Center, Colton, CA
 Orthopaedic Physician Assistant Residency Program 03/01/02-02/28/03
PRACTICE: Orthopaedic Physician Assistant, Kaiser Permanente, San Diego, CA 04/28/03-Present
 Physician Assistant, San Bernardino Medical Orthopedic Group, Inc. 03/03/02-02/28/03
 Physician Assistant, James Hogan Medical Center, Las Vegas, NV 11/15/01/02/20/02
 Physician Assistant, Desert Orthopedic Center, Las Vegas, NV 09/24/01-11/11/01
SPONSORS: Kaiser Orthopaedic Surgeons at Pomerado Hospital
CERTIFICATION: National Commission on Certification of Physician Assistants 2001
FACILITY: Pomerado Hospital

**PALOMAR POMERADO HEALTH
ALLIED HEALTH PROFESSIONAL
APPOINTMENT
AUGUST 2005 (continued)
Page three**

<p>NAME: SPECIALTY: SERVICES: TRAINING: PRACTICE: SPONSORS: CERTIFICATION: FACILITY:</p>	<p>Joni W. Senn, R.N. Registered Nurse/Clinical Research Coordinator Registered Nurse for Clinical Research Studies for Roger Schechter, M.D. Palomar College, San Marcos, CA Associate of Arts Degree in Nursing Registered Nurse Clinical Research Study Coordinator for Roger Schechter, M.D. Registered Nurse, Palomar Medical Center, Escondido, CA Roger Schechter, M.D., None Palomar Medical Center</p>	<p>Degree 5/24/2002 02/02/05-Present 10/01/02-Present</p>
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<p>NAME: SPECIALTY: SERVICES: TRAINING: PRACTICE: SPONSORS: CERTIFICATION: FACILITY:</p>	<p>Mary Sue Stone, P.A.-C. Physician Assistant Physician Assistant services for Kaiser Orthopaedic Surgeons At Pomerado Hospital University of Southern California, Physician Assistant Program Primary Care Physician Assistant Certificate Physician Assistant and Orthopedic Physician Assistant, Kaiser Permanente, San Diego, CA and Fontana, CA Kaiser Orthopaedic Surgeons at Pomerado Hospital National Commission on Certification of Physician Assistants Pomerado Hospital</p>	<p>06/01/82-10/16/83 10/01/83-Present 2001</p>
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86

MEDICAL STAFF SERVICES



July 26, 2005

Memo To: Marcelo Rivera, M.D., Chairman
Palomar Pomerado Health Board of Directors

From: James S. Otoshi, M.D., Chief of Staff
Palomar Medical Center



Re: Medical Staff Credentialing Recommendation for Patrick O' Meara, M.D.

Having accomplished the task requested by you in your memo dated April 20, 2005, the Palomar Medical Center Medical Staff Executive Committee continues to recommend that Patrick O'Meara, M.D. be reappointed for a full two-year term.

cc: Marvin Levenson, M.D.
Interim Medical Director, Escondido Surgery Center

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

3000273.1

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

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

MEDICAL STAFF SERVICES

July 26, 2005



TO: Board of Directors

BOARD MEETING DATE: August 15, 2005

FROM: James S. Otoshi, M.D., Chief of Staff
PMC Medical Staff Executive Committee

SUBJECT: Department of Medicine Rules and Regulations

At the July 25, 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 incorporating recommendations from legal counsel which clarify the role of allied health professionals who function under the supervision of the Department

Department of Medicine
Rules and Regulations

ANCILLARY CARE PERSONNEL ALLIED HEALTH PROFESSIONALS

~~The Department of Medicine will accept Nurse Practitioners and their scope of practice, however, each will be reviewed and approved on an individual basis.~~ The Department of Medicine will utilize Nurse Practitioners within this Hospital department. Nurse Practitioners will be authorized to perform professional services within the Department of Medicine based on the authorized scope of services as determined by the Chairman of the Department of Medicine. The Department of Medicine, through its designee, shall review and approved each Nurse Practitioner on an individual basis.

Education and Training of Nurse Practitioners

~~Minimal~~ Minimum requirements for education and training are noted in the Hospital Bylaws, Rules and Regulations.

Requirements

- The Nurse Practitioner may not independently provide care to Hospital patients. The Nurse Practitioner must have a sponsoring (or supervising) physician who is a member in good standing on the medical staff of the Hospital. Nurse Practitioner must be attached to a physician or group.
- The Nurse Practitioner may not perform consultations in the Hospital. Nurse Practitioner will not do consults.
- A signature by the Nurse Practitioner is required daily on all orders.
- All entries in the Medical Record must be countersigned by the sponsoring physician within 24 hours during the monitoring period. After the monitoring period, all discharge orders are required to be countersigned by the sponsoring (or supervising) physician within 24 hours. on all discharge orders and for all other orders only during monitoring period.

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5. The authorized scope of practice for a Nurse Practitioner in the Department of Medicine must be reviewed and approved annually by the Interdisciplinary Practice Committee. The Scope of Practice must be approved annually by the Interdisciplinary Practice Committee.
6. Nurse Practitioner will undergo a bi-annual reappointment process.
7. The Nurse Practitioner will not be able to request sub-specialty consultations without review and approval from the sponsoring physician.
8. The Nurse Practitioner Practice Guidelines and Standardized Procedures and Scope of Services Checklists provide authority for the nurse practitioners to provide patient assessment and care under defined practice guidelines. It is not intended for Nurse Practitioners to independently diagnose, treat, or manage all diseases encountered, but rather to utilize their advanced physical assessment and disease management knowledge and skills in conjunction with approved practice guidelines and their sponsoring physician.

Double underline = Attorney recommendations

MEDICAL STAFF SERVICES



DATE: July 26, 2005

MEMO TO: Palomar Pomerado Health
Board of Directors

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

RE: **Medical Staff Recommendations**

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

Leave of Absence:

- ◆ Arthur J. Stehly, M.D., OB/GYN (06/01/2005 – 01/01/2006)

Reappointment:

Effective 09/01/2005 through 08/31/2007

- ◆ Thomas J. Naegeli, M.D., Family Practice
- ◆ Paul Neustein, M.D., Urology
- ◆ Douglas W. Reavie, M.D., Plastic Surgery
- ◆ Lokesh Tantuwaya, M.D., Neurosurgery
- ◆ Clifford J. Wolf, D.P.M., Podiatry

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 Policies and Procedures for appointment, reappointment or the granting of privileges and that the policy of the Palomar Pomerado Health Board of Directors regarding such practices have been properly followed. I recommend that the action requested in each case be taken by the Board of Directors.

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

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HOSPITAL
15615 Pomerado Road
Poway, CA 92064
Tel 858.613.4664
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PALOMAR
POMERADO
HEALTH

Pomerado Hospital Medical Staff Services

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

DATE: August 2, 2005
TO: Board of Directors - August 15, 2005 Meeting
FROM: Paul E. Tornambe, M.D., Chief of Staff, Pomerado Hospital Medical Staff
SUBJECT: Medical Staff Credentials Recommendations – July 2005:

Provisional Appointments: (08/15/2005 – 07/31/2007)

Rosalyn Baxter-Jones, M.D. – GYN
Daniel C. Harrison, M.D. Internal Medicine (includes Villa)
Kevin R. Merkes, M.D. – Internal Medicine (includes Villa)
Justin T. Mao, M.D. – Internal Medicine
Raj J. Patel, M.D. – Emergency Medicine
Richard C. Smith, M.D. – Infectious Disease

Reinstatement and Advancement to Active Category:

Andrew M. Kahn, M.D. – Internal Medicine

Biennial Reappointments:

Effective Through

Bob E. Blake – Emergency Medicine – Active	08/31/07
Bradley H. Chesler, M.D. – Medicine – Active	08/31/07
Matthew J. Curtis, III, M.D. – Surgery - Active	02/28/06
Bassem A. Georgy, M.D. – Radiology – Active	08/31/07
Paul R. Keith, M.D. – Medicine – Courtesy	08/31/07
Joel M. Lamon, M.D. – Medicine – Active	08/31/07
Ann P. Laux, M.D. – Pathology – Active	08/31/07
Dennis R. Leahy, M.D. – Medicine – Courtesy	08/31/07
Jonathan T. Lu, M.D. – Medicine – Active	08/31/07
Albert L. Martinez, M.D. – Pediatrics – Courtesy	08/31/07
Paul Neustein, M.D. – Surgery – Active (includes Villa)	08/31/07
Maria C. Padilla, M.D. – Pediatrics – Active	08/31/07
Sabiha Pasha, M.D. – Medicine – Active – (includes Villa)	08/31/07
Cheryl C. Saenz, M.D.- GYN- Consulting	08/31/07
Roger B. Schechter, M.D. – Emergency Medicine – Active – (includes Villa)	08/31/07
Bindu Singhal, M.D. – Medicine – Active – (includes Villa)	08/31/07
Clifford Wolf, D.P.M. – Surgery – Active – (includes Villa)	08/31/07

Advancement to Active Category:

Joshua K. Greenstein, M.D. – Medicine/Nephrology (includes Villa)
Nick S. Huang, M.D. – Internal Medicine
Sunny Richley, M.D. Internal Medicine (includes Villa)

Leave of Absence:

Brad L. Schwartz, M.D. – Emergency Medicine (08/15/2005 – 7/31/2007)

Resignations:

Albert L. Pisani, M.D. GYN/Oncology
Vishal Verma, M.D. - Radiology

Request for Additional Privileges

Kris Ghosh, M.D. – OB Privileges

Allied Health Professional Appointments:

Dorene E. Boydson, N.P. – Sponsor – Dr. Richard Just
Nancy Horton, LVN,- Sponsors – Dr. Acheatel, Dr. Bayat, Dr. Detwiler, Dr. Gilbert, Dr. Gorwit, Dr. Leahy, Dr. Malek, Dr. Mulvihill
Jacob J. Kalscheur, P.A.-C – Sponsors – Kaiser Orthopedic Surgeons
Douglas R. Pickett, P.A.-C – Sponsors – Kaiser Orthopedic Surgeons
Mary Sue Stone, P.A.-C – Sponsors – Kaiser Orthopedic Surgeons

Allied Health Expiration (Due to Change of Date of Board Meeting):

Suzanne G. Brandt, R.N. Hospice – Sponsors – Jinnu Verma, M.D., Nicholas Jauregui, M.D, Glenn Panzer, M.D.

Allied Health Resignation

Jie Li, N.P. – Sponsor Dr. Nissanoff

Reinstatement and Reappointment 8/15/05:

Suzanne G. Brandt, R.N. Hospice– Sponsors – Jinnu Verma, M.D., Nicholas Jauregui, M.D, Glenn Panzer, M.D.

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.

Action: CEO Long Term Incentive Plan (LTIP) Goals

TO: Board of Directors

MEETING DATE: August 15, 2005

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

BACKGROUND: Following approval at the April 11, 2005 Regular Board Meeting of the Amended and Restated Executive Employment Agreement for the Chief Executive Officer with the structuring of most of the compensation increase being in the form of short-term and long-term performance-based bonuses, request is now made of the Board of Directors for approval to the proposed eight CEO Long Term Incentive Plan (LTIP) Goals, the achievement of which shall be determined by the Board of Directors of PPH as of March 31, 2009 or as soon as practicable thereafter, together with the proposed Weighted Goal Achievement Bonus Calculation and Explanations of Scoring as submitted.

Board approval requested.

Long-Term Incentive Bonus Criteria for Chief Executive Officer of Palomar Pomerado Health

The following eight long-term performance-based goals are proposed as long-term bonus criteria for the Chief Executive Officer, the achievement of which shall be determined by the Board of Directors of PPH as of March 31, 2009, or as soon as practicable thereafter:

1. **Organizational/Workforce Development Goal.** PPH shall achieve national recognition as one of the top health systems in the country to work for, through receipt of one or more of the following for any year during the four year period commencing on April 1, 2005 (the "LTIP Period"): Nursing Magnet designation, Fortune Magazine Top 100 status, or 99th percentile Gallup Organization status.
2. **Facilities Design Goal.** PPH shall develop state-of-the-art facilities and technology, recognized for integration across specialty lines and continuum of care, by one or more of the following for any year during the LTIP Period: the Center for Health Design, Institute for Healthcare Improvement, Modern Healthcare, Healthcare Design, or other comparable organizations.
3. **Financial Rating Goal.** PPH shall achieve the highest A bond rating, as provided by Moody's Financial Services, by the end of the LTIP Period.
4. **Customer Service Goal.** PPH shall realize combined 90th percentile ranking of all health systems rated by the Gallup Organization for either Physician or Patient Loyalty for any year during the LTIP Period.
5. **Quality Performance and Recognition Goal.** PPH shall achieve national recognition for the clinical quality and programs and services provided through receipt of one or more of the following for any year during the LTIP Period: the California Baldrige Award, AHA Awards, or top 10% performance in implementation of evidence-based practice among CMS quality demonstration participants.
6. **Community Pain Management and Screening Program Goal.** During the LTIP Period, PPH shall develop comprehensive, system-wide pain management programs for the communities we serve, consisting of a) acute pain management for inpatients and b) chronic pain management centers and/or programs for outpatients – regionally recognized for excellence.

7. **Obesity and Diabetes Program Goal.** During the LTIP Period, PPH shall develop and implement comprehensive community-wide health screening and disease prevention programs, with special emphasis on obesity and diabetes. Programs may emphasize education, prevention, and early treatment, including follow-up referrals to local physicians and PPH resources.
8. **Fundraising Goal.** During the LTIP Period, Employee shall achieve fundraising goals established by the Board [\$40 million in donations over 4 years] to enable PPH to build new facilities and pursue long-term strategic initiatives.

The four goals of Organizational/Workforce Development; Facilities Design; Financial Rating; and Quality Performance and Recognition have suggested weightings of 15% each. The remaining four goals of Customer Service; Community Pain Management; Obesity and Diabetes Program; and Fundraising have suggested weightings of 10% each, making a total of 100%. *(See proposed Weighted Goal Achievement Bonus Calculation Matrix and Explanations of Scoring attached).*

Weighted Goal Achievement Bonus Calculation

Goal	30	15
Quality Performance and Recognition	30	15
Facilities Design Goal	30	15
Financial Rating Goal	30	15
Organizational/Workforce Dev	30	15
Fund Raising	20	10
Customer Service Goal	20	10
Community Pain Management & Screening Program	20	10
Obesity and Diabetes Program	20	10

EXPLANATIONS OF SCORING

Score Definition

- 2 Undisputed Goal Achievement
- 1 Good Progress with Goal but not 100%
- 0 Unacceptable progress

Relative to Goal Achievement

Information Only: Recruitment Campaign Results

TO: Board of Directors
MEETING DATE: August 15, 2005
FROM: Human Resources Committee: July 12, 2005

BACKGROUND: While we are compiling the data from the recent recruitment campaigns, the employment function is being restructured. Plans for restructuring were discussed.

BUDGET IMPACT: None

COMMITTEE RECOMMENDATION:

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:

Information Only: CHRO Candidate

TO: Board of Directors
MEETING DATE: August 15, 2005
FROM: Human Resources Committee: July 12, 2005

BACKGROUND:

The CHRO position has been vacant since June 30, 2004. Nationwide searches have been conducted over the past year. PPH management and staff have interviewed several candidates. Mr. Walter George has been selected to fill this position beginning September 6, 2005.

BUDGET IMPACT: None

COMMITTEE RECOMMENDATION:

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:

Information Only: Culture Assessment

TO: Board of Directors
MEETING DATE: August 15, 2005
FROM: Human Resources Committee: July 12, 2005

BACKGROUND:

The PPH Culture Assessment was completed Spring '05. Initial findings have been shared with the HR Committee.

BUDGET IMPACT: None

COMMITTEE RECOMMENDATION:

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:

Information Only: Total Comp Statements

TO: Board of Directors
MEETING DATE: August 15, 2005
FROM: Human Resources Committee: July 12, 2005

BACKGROUND: Total compensation statements have recently been prepared and distributed to all benefit-eligible employees. Sample statements were shared with the HR Committee.

BUDGET IMPACT: None

COMMITTEE RECOMMENDATION:

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:

Information Only: Health Insurance

TO: Board of Directors
MEETING DATE: August 15, 2005
FROM: Human Resources Committee: July 12, 2005

BACKGROUND: Kaiser and Health Net have a joint health insurance plan option now available. This option has pros and cons when compared to the current plan utilized by PPH.

BUDGET IMPACT: None

COMMITTEE RECOMMENDATION:

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:

Media in Review

TO: PPH Board of Directors

MEETING DATE: August 15, 2005

FROM: Community Relations Committee on July 15, 2005

BY: Gustavo Freiderichsen

BACKGROUND: Andy Hoang gave the Committee a “Year in Review” encompassing Palomar Pomerado Health’s media highlights from the 2004-2005 fiscal year. He shared a highlight of Media clips as well as a breakdown of print inches and dollar value.

BUDGET IMPACT: None

STAFF RECOMMENDATION: For information purposes only

COMMITTEE RECOMMENDATION:

Information: X

Community Outreach Recap

TO: PPH Board of Directors

MEETING DATE: August 15, 2005

FROM: Community Relations Committee on July 15, 2005

BY: Gustavo Freiderichsen

BACKGROUND: Tina Pope gave the Community Relations Committee an overview of the accomplishments in Community Outreach for the 2004/2005 fiscal year as well as a glimpse of the program for the current 2005/2006 fiscal year. She shared that the Needs Assessment report will help to determine the focus of the Health Care Advisory Councils in determining their goals for the year.

BUDGET IMPACT: None

STAFF RECOMMENDATION: For information purposes only

COMMITTEE RECOMMENDATION:

Information: X

BOARD QUALITY REVIEW COMMITTEE
Board Quality Review Committee Member Composition

TO: Board of Directors Meeting
August 15, 2005 Board of Directors Meeting

FROM: Board Quality Review Committee
July 12, 2005 Committee Meeting

BY: Opal Reinbold
Chief Quality Officer

BACKGROUND: The Board Quality Review Committee approved the motion to include as a non-voting member of the committee the Chairman of the Patient Safety Committee who, as such, will attend the monthly meetings.

BUDGET IMPACT: None – informational only

DISCUSSION:

COMMITTEE RECOMMENDATION:

Motion: The Committee approved the change to the Board Quality Review Committee membership composition as proposed, and that it be forwarded to the Governance Committee for review, and ultimate Board approval.

Individual Action:

Information: X

Required Time:

BOARD QUALITY REVIEW COMMITTEE
Quality / Patient Safety Update

TO: Board of Directors Meeting
August 15, 2005 Board of Directors Meeting

FROM: Board Quality Review Committee
July 12, 2005 Committee Meeting

BY: Opal Reinbold
Chief Quality Officer

BACKGROUND: Opal Reinbold, PPH Chief Quality Officer, provided a brief update on the CQO activities since joining PPH in May 2005, including orientation meetings with Board members, EMT, and PPH Leadership as well as Medical Staff leadership to introduce herself and open discussions regarding patient safety and quality issues and goals; collaborating with Dr. Cynthia Robertson on a Revised Integrated Quality & Patient Safety Plan, which will be presented at the 11/15/05 BQRC meeting; aggressively working to evaluate Clinical Decision Support roles; coordinating Failure Mode Effect Analyses (FMEAs) on patient identification, physician communications, and medication reconciliation; and assuring that all projects are designed to align with the PPH Strategic Goals with regard to achieving the Baldrige award.

BUDGET IMPACT: None – informational only

DISCUSSION:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:

All Facilities Update
(PMC East & West, POM)

TO: PPH Board of Directors

DATE: August 15, 2005

FROM: Joint BOD/Strategic Planning Committee on July 19, 2005

BY: Marcia Jackson, Chief Planning Officer
Mike Shanahan, Director Facilities Planning & Development

BACKGROUND: Since the July 19 Strategic Planning Committee meeting was a Joint BOD/Strategic Planning Committee meeting, a partial update on the planning and process status of affected PPH Facilities (PMC East and West, and POM) was provided. Due to time constraints, the rest of the presentation was deferred until the August 16 Full BOD/Strategic Planning Committee meeting.

Details were shared about the upcoming Innovation Week, which is a one-week retreat, with presentations by User Group leads to members of Champion Teams, fellow User Group leads &/or surrogates, members of the Expansion Steering Committee, and outside resources (Architects, Center for Health Design, HealthTech) to take place August 15 – 19 at the Radisson in Rancho Bernardo. User Group leads can see what all other User Groups are proposing and how this might impact others. Champion Team members and other outside experts need the opportunity to view plans with the User Groups to offer ideas for innovation, based on their research.

Carrie Frederick presented an update on the Champion Teams, including defining the role of the Teams: to scan the environment for trends/best practices, research specific topics at the request of the User Groups or architects, and evaluate/challenge design plans for creativity and innovative concepts for ideas that can be adapted to PPH.

A summary of 2005 Second Quarter Project Progress was presented, including spreadsheet timelines and schedule overviews. **PMC West**– site preparation should be completed by the end of 2006; construction should start in mid-2007; by the end of 2005, we should begin the structural systems design phase; **POM Hospital** - construction should be more on schedule, since POM is smaller, and already has an existing site; the building & parking lot will be built concurrently; POM construction should begin by mid-2007; **POM Hospital OSP** – is expected to start site preparation at the end of this year, and building construction early in 2007, and should be able to be occupied in March 2007; CEQA approval is the key to being able to start construction; **POM Hospital Parking Structure** – should receive CEQA approval by the end of this year, and construction should be complete in early 2007; **POM Hospital Central Plant** – PPH can do some replacements in the existing plant, and adding to as well, with anticipated construction completion by mid-2007.

All Facilities Update
(PMC East & West, POM)

PALOMAR MEDICAL CENTER EAST

Michael Covert challenged the Committee to open their eyes and minds to a new vision, and unveiled renovation and expansion plans for the facilities at the existing PMC East.

This plan, including an anticipated \$72 million renovation of the facility, was presented with several variations on a theme, which ranged from the housing of the administrative offices, acute rehabilitation, and behavioral health program as previously planned, to the creation of up to 300 housing units for employees, some of which may even be mixed-use, with residential units located over retail and commercial spaces. Also unveiled under the same plans was a possible skilled nursing facility; hospital adjacent senior housing, Ambulatory Services, with an Urgent Care, and a 23-hour Outpatient Surgery and Extended Care Hotel; a Center for Advanced Surgery; a new downtown parking structure for both the hospital and the downtown community, community rooms, and possibly even a magnet high school.

The City of Escondido would need to approve re-zoning of parts of this area, and some traffic pattern changes and road closures would be involved as well. Brad Burke, principal with Studio E Architects, discussed the current state of downtown Escondido, which he believes to be in a Renaissance phase, with the City pushing opportunities for mixed-use areas along street edges, such as Grand Avenue and Valley Parkway. Mr. Burke believes that PMC East is in a very strategic spot for revitalization.

In order to finance this venture, PPH would be looking at partnering with investors as a possible joint venture, or leasing parts of the development. The \$72 million committed from the G.O. Bond would only be spent on the previously proposed healthcare components of the Facilities Master Plan.

A presentation, similar to this one made to the Committee, will be made as a public workshop on the evening of July 28 at the California Center for the Arts, Escondido.

BUDGET IMPACT: Unknown

STAFF RECOMMENDATION: For information only.

COMMITTEE RECOMMENDATION:

Information: X

**Governance Committee Meeting
July 12, 2005**

TO: Board of Directors
MEETING DATE: August 15, 2005
FROM: Governance Committee, July 12, 2005
BY: Jim Neal, Director Corporate Compliance & Integrity

BACKGROUND: The following Items are for information only. In attendance were: Directors Linda Greer (Chair), Nancy Scofield, Bruce Krider, together with CEO Michael Covert, Gustavo Friederichse and Jim Neal.

1. **Succession Planning Policy:** Mr. Covert submitted a draft policy that was reviewed by this committee. Mr. Neal will put this new policy into the proper format and make changes recommended by Committee members. This new policy will be reviewed at the next Governance Committee for approval.
2. **Annual review FYE 05 Board Members' Expenses:** Mr. Covert provided a detailed list of expenditures of Board Members for FYE 05. These figures were reviewed and no questionable expenditures were identified.
3. **Legislative/Governmental Relations Update:** *Attached.*
4. **Review of Board Policies regarding sale of PPH assets:** The Committee discussed this item and it was agreed to hold off on this issue until it could be discussed with Legal Counsel.

BUDGET IMPACT: None

STAFF RECOMMENDATIONS: None

COMMITTEE RECOMMENDATION: None

Motion:

Individual Action:

Information: X

California Hospital Association

Key State Issues

July 7, 2005



CHA Key State Issues

Progress			
Objectives Achieved	Work in Progress	CHA Position	Advocacy Focus
	X	<p>Support: CHA budget priorities</p> <p>Preserve: Medi-Cal supplemental payments</p> <p>Health care safety net</p>	<p>2005-06 state budget and related bills</p> <p>HHS Agency</p> <p>DHS</p> <p>CMS</p>
AB 704 is a two-year bill	X	<p>Support: DHS changes to staffing ratios</p> <p>Oppose: AB 761 AB 704 AB 1184</p>	<p>CNA litigation on DHS staffing regulations</p> <p>Listed Bills</p>

State Budget/Medi-Cal Redesign/Medi-Cal Financing Waiver. The Governor and the legislative leadership reached agreement on the FY 2005-06 state budget this week. Legislative enactment of the budget is expected as early as today with final action by the Governor early next week. The budget does not continue any of the rate freezes imposed on hospitals in the last budget year. It expands Medi-Cal managed care to additional counties, but generally rejects mandatory transfer of the aged, blind and disabled into managed care. Managed care and other issues related to hospital financing will be re-visited in August because state legislation must be enacted and detailed terms and conditions developed to implement the new Medi-Cal waiver which became effective on July 1. A number of significant concerns, including the effect of managed care expansion, are unresolved. CHA and the other representatives of California's safety net hospitals continue to work with the Administration and others to attempt to resolve these concerns and to preserve safety-net hospital services. Elements of the waiver have encountered significant legislative opposition. CHA is working to assure that any managed care expansion does not adversely affect hospitals and the patients they serve and to protect all hospitals.

Health Personnel Staffing. CHA is working on several fronts to regain the 1:6 nurse-to-patient staffing ratio in medical/surgical units through Jan. 1, 2008, and to secure greater flexibility in application of the ratios. DHS adopted an emergency regulation that deferred imposition of the 1:5 ratio until Jan. 1, 2008, but the emergency regulations were permanently enjoined on June 7. Efforts are underway to appeal the ruling and to adopt permanent regulations. CHA also opposes punitive enforcement and extension of ratios to other employees. AB 761 (Jones) would require DHS, in determining whether staffing (other than nurse staffing) is adequate in hospitals, to consider guidelines developed by relevant professional associations, worker injury rates and patient injury rates, in effect requiring consideration of the appropriate staff-to-patient ratio for each personnel category to which the bill applies (Senate Appropriations). AB 1184 (Koretz) would prohibit, with narrow exceptions, state facilities from compelling nurses or certified nurse assistants to work overtime (Senate Appropriations—July 11). The bill does not apply to private health facilities. AB 704 (Dymally) would provide for licensing and regulation of "geriatric health care assistants" by the Board of Vocational Nursing (Assembly B&P—two-year bill).

109



CHA Key State Issues

Progress			
Objectives Achieved	Work in Progress	CHA Position	Advocacy Focus
	X	Support: Expanded nurse education and training AB 702 SB 592 AB 232	Public Advocacy Program Listed Bills
SB 708 amended SB 24 held AB 774 held	X	Support: Adoption by hospitals of Voluntary Principles & Guidelines Oppose: SB 24 AB 774 Support as amended: SB 708	SB 24 AB 774
NPPA 5000 rescinded as California Building Code	X	Support: SB 167 SB 224 SB 491 Follow: AB 1673 AB 1639 Oppose/Amend: AB 1316 Support if amended: AB 1046	Legislation OSHPPD CBSC

Nurse and Other Workforce Shortages. On April 13 Governor Schwarzenegger announced a \$90 million five-year initiative to expand nursing education programs. CHA supports the Governor's proposal and is working with the Governor and through legislative and public advocacy to expand nursing education programs and increase the number of nurses graduating from these programs. **AB 702** (Koretz) would expand nursing education programs in California (*Senate Appropriations*). CHA-sponsored **SB 592** (Aanestad) would assure needed flexibility in supervision of hospital pharmacy technicians (*Assembly Health—two-year bill*). CNA-sponsored **AB 232** (Arambula) would require the community college and state university system to coordinate prerequisites for nursing programs (*Held in Senate Education—June 30*).

Billing and Collection Practices. CHA supports universal adoption by hospitals of policies and practices with respect to patient billing and payment arrangements, and hospital charity care policies. The CHA Board adopted *Voluntary Principles & Guidelines for Assisting Low-Income Uninsured Patients*, and has urged California hospitals to adopt and implement guidelines. **SB 24** (Ortiz) would impose charity care and reduced payment policies on all hospitals. Not-for-profit hospitals would be subject to additional requirements and sanctions (*Senate Appropriations—held on suspense file*). **SB 24** also would create a private right of action for anyone damaged by a violation of the bill's provisions. **AB 774** (Chan) would impose significant new requirements on hospitals with respect to self-payers, charity care, and billing and collections (*Held in Senate Health*). The bill would authorize penalties against hospitals for violation of the new requirements. As introduced, **SB 708** (Speier) would have required private nonprofit hospitals to provide contractually imposed levels of medical care to indigent patients as a condition of participation in the federal "340B" drug discount program. Amendments to the bill on April 27 removed CHA's opposition (*Passed Assembly Health July 5 to Appropriations*).

Seismic Compliance/Facility Issues. CHA-sponsored **SB 167** (Speier) would extend the 2008/2013 deadline to 2020 if the hospital agreed to meet the 2030 requirements by 2020—only buildings OSHPD determines are not extremely hazardous would be eligible for the extension (*Held in Assembly Health—July 5*). **AB 1673** (Nation/Richman) would extend the 2008/2013 deadline to 2020 if the hospital agreed to meet the 2030 requirements by 2020 but also would require hospitals to adopt electronic medical record systems (*Failed passage—Assembly Health*). CHA-sponsored **SB 224** (Chesbro) would provide relief for all hospitals with projects that do not require structural or architectural design (*Assembly Inactive File*). **AB 1046** (Frommer) was gutted and amended on June 23 to become a seismic bond/extension bill (*Senate Health*). **SB 491** (Ducheny) initially was a CHA-sponsored bill to authorize a bond measure for seismic retrofitting and accelerated depreciation for qualifying investor-owned hospitals. (*Passed Senate Health with amendments unacceptable to CHA—to remain in Senate Rev & Tax at the author's request*.) Other legislation on the subject includes: **AB 1316** (Salinas—review streamlining for public hospitals—was held in Senate Health); and **AB 1639** (Runner—plan review streamlining). The California Building Standards Commission (CBSC) voted March 16 to rescind its July 29, 2003 adoption of the CHA-opposed National Fire Protection Association (NFPA) 5000 building code as California's building Code and instead base California's building Code on the International Building Code. The change will save state and local governments and businesses including hospitals millions in costs.

110



CHA Key State Issues

Progress			
Objectives	Work in Progress	CHA Position	Advocacy Focus
SB 425 held by author SB 634 amended to address CHA's concerns	X	Support: SB 545 AB 757 Oppose: SB 425 Support as amended: SB 634	Legislation, regulatory advocacy, and litigation
			<p>Health Care Coverage Practices and Plan-Provider Relationships. CHA advocates for hospitals regarding managed care practices and state regulation of plan-provider relationships. A Department of Managed Health Care (DMHC) working group is evaluating the AB 1455 regulations regarding "reasonable and customary" payments to non-contracted providers. CHA is advocating for a standard that does not eliminate the incentive for health plans to contract. DMHC also is stepping up its enforcement of the AB 1455 requirements that health plans make prompt and fair payment to providers. CHA is working with DMHC to ensure it is aware of systemic problems and has the necessary information to support regulatory action. The California Public Employees' Retirement System (CalPERS) is re-evaluating its narrow HMO network. SB 545 (Ortiz) would require CalPERS to provide public notice and hold public hearings prior to making any changes to its health benefits program. It would be required to use OSHPD data, retain an independent actuary and explain publicly other potential alternatives. The bill is intended to address the process by which CalPERS designs its narrow hospital network (<i>Senate Appropriations—Held</i>). CHA continues to educate CalPERS and others regarding the problems with tiered networks, and work for collaborative solutions. AB 757 (Chan) would limit "silent PPOs" and stop many of the abuses that occur when certain healthcare payers establish networks of providers, often using a provider's name and contracted rates in that network without the knowledge or consent of the provider (<i>Assembly Appropriations—held</i>). SB 425 (Ortiz) would have imposed rate regulation on health plans and insurers (<i>Held by author in Senate BF&J</i>). SB 634 (Speier) would make many of the provider protections in the AB 1455 regulations applicable to PPOs regulated by the Department of Insurance (<i>Passed Assembly Health—July 5</i>).</p> <p>Other Medi-Cal. AB 119 (Cohn) would provide for an expedited enrollment process for new or continuing health care providers (<i>Senate Health—July 13</i>).</p>
	X	Support: AB 119	
	X	Support: SB 279 AB 1050 AB 717 SB 57 Follow: SB 29 SB 267	Listed Bills
			<p>Hospital Emergency Services. CHA supports SB 279 (Cedillo) to help assure physician coverage for emergency departments (<i>Assembly Floor</i>). CHA sponsored AB 1050 (Gordon) would have established three demonstration projects in Los Angeles County to test the feasibility of hospital-based Emergency Receiving Centers as a supplement for hospital emergency department services (<i>Assembly Health—two-year bill</i>). AB 717 (Gordon) would allow DHS to issue a special permit to Centinella Airport Clinic to operate as an emergency receiving center (<i>Senate Health—July 13</i>). Other bills: SB 29 (Perata) was an urgency bill to direct an allocation of Proposition 99 tobacco revenues to reimburse physicians for providing emergency medical services to uninsured, poor patients. The FY 2004-05 budget bill allocated \$24.8 million for this purpose, but language to direct the funds was inadvertently excluded from the budget trailer bill. (<i>Signed—March 9</i>). SB 57 (Alarcon) would allow counties to increase fines for some criminal offenses and use a portion of that money to equip and reimburse trauma centers that provide pediatric trauma care (<i>Passed Assembly Public Safety—July 5</i>). SB 267 (Romero) would change the distribution of trauma funds (<i>Assembly Appropriations</i>). (See also Hospital Closures and Service Reductions below).</p>

111



CHA Key State Issues

Progress			
Objectives Achieved	Work in Progress	CHA Position	Advocacy Focus
ACA 6 held	X	Oppose: SB 840 ACA 6 Amend financing provisions: AB 1670	Listed Bills
SB 932 to Senate Inactive File	X	Oppose: SB 932 Support: AB 366 SB 279	Listed Bills
AB 669 gutted and used for unrelated purpose AB 1672 held	X	Oppose: AB 1045 AB 1672 SB 739 SB 917 Follow: AB 669 Opposed until amended: AB 1046	Listed Bills
SB 315 is a two-year bill	X	Oppose: SB 315 SB 499 Oppose/Amend: AB 330	Listed Bills Public Advocacy

Access to Health Care. Several bills have been introduced to expand access to health care and coverage. **SB 840** (Kuehl) proposes a government-run, single-payer system that would rely on budget caps for hospitals and constraints in health spending increases based on changes in California's Gross Domestic Product (GDP) (*Passed Assembly Health—July 5*). **AB 1670** (Nation and Richman) proposed a system built on an individual mandate, but also would impose a gross premiums tax on health care service plans (*Failed passage—Assembly Health*). CHA opposes **ACA 6** (Wyland) which would prohibit the state from providing any health benefit to any person who is neither a citizen nor an "alien lawfully present" in the U.S. unless the benefit is required by federal law (*Failed passage—Assembly Judiciary—July 5*).

Medical Staff. CHA opposed CMA-sponsored **SB 932** (Kuehl), as amended April 11, because it would have made fundamental and problematic changes to state law governing peer review. The bill has been gutted except for intent language. (*Senate Inactive File*). **AB 366** (Maze) would clarify the process for selection of the hearing officer for purposes of peer review and would explicitly state that a reasonable payment for services rendered may be made to the hearing officer without triggering a conflict of interest (*Assembly B&P—two-year bill*). CHA supports **SB 279** (Cedillo) which would declare that a physician who contracts with a temporary referral agency for temporary assignments is not an employee of that agency (*Assembly Floor*).

Patient Safety/Quality Reporting/Disclosure. **SB 739** (Speier) would impose new infection control requirements on hospitals, require DHS to evaluate hospital infection control programs, and require hospitals to collect and maintain data on hospital-acquired infections (*Passed Assembly Health—July 5*). **SB 917** (Speier) would expand reporting of charges under the existing "Payers' Bill of Rights" (*Passed Assembly Health—July 5*). **AB 669** (Suer) would have required each hospital to make its infection control policy available on its Internet Website (*Gutted and amended*). **AB 1045** (Frommer) would increase disclosure (including a written estimate) required under the existing "Payers' Bill of Rights" (*Senate Appropriations*). As introduced, **AB 1046** (Frommer) would have allowed OSHPD to increase the number of elements required to be reported as part of the Hospital Discharge Abstract Data Set and would have required OSHPD to develop a Hospital Report Card by July 1, 2006. The bill was gutted and amended on June 23 to become a seismic bill (*See Seismic Box for status updates*). **AB 1672** (Nation and Richman) would require hospitals, health plans, and insurers to adopt electronic records by January 1, 2010 (*Held in Assembly Appropriations*).

Hospital Closures and Service Reductions. CHA opposes the imposition of additional restrictions on hospital closures and service changes, as well as other unfunded statutory and regulatory requirements. **SB 315** (Margrett) would impose additional notice requirements on hospitals before a planned closure of an emergency medical service or of the hospital (*Senate Health—two year bill*). CNA-sponsored **SB 499** (Alarcon) would require hospitals, prior to issuing a notice of intent to reduce or eliminate emergency medical services, to conduct and make public a report analyzing the impact of the reduction or closure (*Assembly Appropriations*). **AB 330** (Gordon) would require those seeking to operate or manage a hospital, to demonstrate, among other things, ability to comply with licensing laws and regulations, ability to deliver safe patient care and financial resources sufficient to operate the facility (*Senate Appropriations*).

112



CHA Key State Issues

Progress			
Objectives Achieved	Work in Progress	CHA Position	Advocacy Focus
	X	Support: amendments to meal and rest period regulations Oppose: SB 363 AB 391 SB 874	Regulatory agencies Legislation
AB 528 moved to Inactive File by author	X	Oppose: AB 528	MICRA litigation/legislation. Civil Justice legislation
	X	Support AB 467 Support as amended: AB 733 Follow: SB 572	Listed Bills
	X		State budget DP/NF rate

Workplace and Labor Issues. CHA advocates hospitals' interests on labor and workforce legislation and regulation of particular interest to hospitals, and works with the California Chamber of Commerce and other organizations on other bills of interest to California employers. CHA supports proposed regulations to simplify, clarify and increase the flexibility of meal/rest period rules. SB 363 (Perata) would require hospitals to establish back injury prevention plans that identify patients needing lift teams, lifting devices, and lifting equipment (*Passed Assembly Labor—July 6*). AB 391 (Koretz) would allow locked-out workers to be eligible for unemployment insurance benefits even if the workers are locked out as a result of a trade dispute their employer (*Senate Appropriations—July 11*). As amended May 2, SB 874 (Romero) would prohibit state agencies from contracting with businesses under the Public Contract Code that do not annually provide full-time employees at least five days of regular pay for actual jury service (*Passed Assembly Judiciary July 5 to Appropriations*).

MICRA/Civil Justice. CHA continues to work through Californians Allied for Patient Protection (CAPP) with other interested parties to protect the Medical Injury Compensation Reform Act (MICRA) legislatively and in court. One or more bills to amend MICRA may be introduced during 2005, with MICRA's \$250,000 cap on non-economic damages a probable target of any such legislation. CHA also continues to work on civil justice reform through the Civil Justice Association of California (CJAC). AB 528 (Frommer) would create a private right of action to enforce a range of statutes, regulations, permits and orders affecting hospitals, repealing much of the reform enacted by CHA-supported Proposition 64, enacted by the voters in November 2004 (*Assembly Inactive File*).

Behavioral Health. CHA represents hospitals' interests with regard to mental health issues, including implementation of Proposition 63, the Mental Health Services Act, enacted by voters in Nov. 2004. CHA-sponsored AB 467 (Yee) would require the state DMH, in consultation with CHA and the California Mental Health Director's Association, to evaluate the current rate setting methodology used for fee-for-service Medi-Cal non-contracting hospitals and recommend to the Legislature an alternative rate setting structure (*Vetoed by the Governor on July 5, but the veto message addresses CHA's objectives*). The new methodology would provide incentives for both hospitals and counties to engage in the contracting process, and provide fiscally responsible rates for non-contracting hospitals. CHA also is monitoring SB 572 (Perata) which would expand current law with respect to ensuring mental health parity within health plans (*Senate BF&I—two-year bill*). CHA supports, as amended, AB 733 (Nation) which would redefine psychotherapists' "duty to warn" when a patient has threatened violent behavior against a third party (*Senate Judiciary—hearing postponed by committee*).

Rural Hospitals. Top priorities include protecting payments to rural hospitals and clinics for services provided to Med-Cal and medically indigent patients; protecting Critical Access Hospitals and the rural hospital safety net in Medi-Cal Redesign, including expansion of Medi-Cal managed care.

113



CHA Key State Issues

Progress			
Objectives Achieved	Work in Progress	CHA Position	Advocacy Focus
SB 526 is a two-year bill AB 10 amended	X	Oppose: SB 526 SB 397 Neutral as amended: AB 10	Budget bills and related bills DP/NF rate Listed Bills
AB 291 is a two-year bill	X	Follow: AB 291 AB 478 AB 775	Listed Bills
	X		Cal/OSHA
	X	Support: AB 935 Follow: AB 681	Listed Bills
	X	Support: AB 354 Oppose: SB 610 SB 616 Oppose/ Amend: SB 159	Listed Bills

Skilled Nursing. A top priority for 2005 is advocating for a distinct-part nursing facility (DP/NF) rate-setting methodology based on the costs of all DP/NFs serving Medi-Cal patients. In addition, CHA is advocating for inclusion of all publicly owned DP/NFs in the governmental supplemental this year rather than just those above the median. **SB 526** (Alquist) would impose a range of new regulatory requirements and penalties on long-term health care facilities (*Senate Health—held*). **SB 397** (Escutia) would require every nursing facility within a county that has an elder death review team to notify the team within 24 hours of the death of any elderly resident (*Failed passage Assembly Health—June 28—reconsideration granted*). As introduced, **AB 10** (Daucher) would have imposed new discharge planning responsibilities regarding appropriate placement of disabled persons. The bill was amended to authorize a pilot program (*Senate Appropriations*).

Women's and Children's Issues. CHA continues to monitor issues and legislation impacting women's and children's services provided in hospitals. The following bills were problematic as introduced: **AB 291** (Koretz) would require screening of pregnant women and new mothers participating in the maternal and child health program for postpartum mood and anxiety disorders at seven separate intervals (*Assembly Health*); **AB 478** (Lieber) would restrict a hospital from allowing a female patient to be shackled by the wrists, ankles or both during the birthing process (*Senate Appropriations*); **AB 775** (Yee) would prohibit any child from being used as an interpreter in any hospital in the context of diagnosis and treatment, except in an emergency (*Senate Judiciary*).

Environmental Issues/Medical Waste. CHA is working closely with Cal/OSHA on the development of fair and equitable standards on worker safety relative to infection control and relative to controlling asthma in the workplace. (See also **MICRA/Civil Justice** above.)

Workers' Compensation. CHA-sponsored **AB 935** (Koretz) would ensure adequate reimbursement for inpatient burn diagnoses under the California workers' compensation program (*Held in Assembly Appropriations*). **AB 681** (Vargas) would make changes to payments for physician services under the workers' compensation program's official medical fee schedule (*Held by author—Assembly Appropriations*).

Other. CHA-sponsored **AB 354** (Cogdill) would add asynchronous "store and forward teledermatology and teleophthalmology services" to the definition of telemedicine in the Medical Practice Act (*Senate Appropriations—July 11*). A similar bill, **SB 1341** (Kuehl) reached the Governor's desk but was vetoed in 2004. **SB 159** (Runner) would establish a new process for sheriffs or police to reimburse non-contracting hospitals for emergency services provided jail inmates (*Assembly Appropriations*). **SB 616** (Speier) would, among other things, require the Department of Corrections to attempt to re-negotiate contracts for provision of health care to state prison inmates at 115 percent of Medicare rates (*Assembly Appropriations*). **AB 1614/SB 610**: **AB 1614** (Kiehs) would have rebuttably presumed a hospital to be operating for profit if its operating revenues exceeded operating expense by more than ten percent. (*Held in Senate Rev & Tax but its contents were amended into SB 610 (Alarcon)*). **SB 610** is on the Assembly Floor).

114

Governance Committee Legislative Recap

State Budget/Medi-Cal Redesign/Medi-Cal Financing Waiver Support
PPH will work closely with CHA/ACHD to assure that managed care expansion does not negatively impact PPH hospitals

Health Personnel Staffing Support
Goal remains to regain 1-6 ratio in med surg units
PPH supports CHA effort to appeal existing ruling and adopt permanent regulations

Nurse Workforce Shortages Support
Goal is to expand Governor's \$90 million 5-year initiative to expand nursing education programs. SB 592 would assure flexibility in supervision of hospital pharmacy technicians.

Billing Collection Practices Support
PPH support CHA position of universal adoption by hospitals of policies and practices with respect to patient billing and payment arrangements and hospital charity care policies.

Seismic Compliance Issues Support
PPH supports CHA sponsored SB167 (Speier) which would extend 2008/2013 deadline to 2020 if hospitals agreed to meet 2030 requirements by 2020.

Healthcare Coverage Practices Support
PPH supports CHA action to advocate for standard that does not eliminate the incentive for health plans to contract.

Medi-Cal (AB 119) Support
PPH supports CHA endorsement of AB 119 (Cohn) which would provide for expedited enrollment process for new and or continuing health care providers.

Hospital Emergency Services Evaluation Phase
PPH evaluating SB 279 (Cedillo) to help assure physician coverage for emergency departments.

Access to Healthcare Evaluation Phase
SB 840 (Kuehl) proposes government run, single payer system that relies on budget caps for hospital constraints in health care increases based on changes in California's Gross Domestic Product.

ACA 6 (Wyland) prohibits the state from providing health benefits to any person who is neither citizen nor alien in US, unless benefit required by federal law.

**Patient Safety/Quality Reporting
(Opal Wienbold)**

Evaluation Phase

Hospital Closure

Evaluation Phase

Workplace/Labor Issues

Evaluation Phase

MICRA

Evaluation Phase

**Behavioral Health
(Arlene Cawthorne)**

Evaluation Phase

Rural Health

No determination

**Skilled Nursing
(Sheila Brown/Lori Shoemaker)**

Evaluation Phase

Status of the Internal Audit Committee

TO: Board of Directors

DATE: August 15, 2005

FROM: Internal Audit Committee
July 14, 2005

BY: Thomas Boyle, CIA, CISA, CFE, Director Internal Audit Services

Background: This was for information only. In attendance were: Dr. Rivera and Dr. Macleay.

1. **Internal Audit Report:** Tom Boyle presented a report on the Internal Audit Department's activity for the quarter including completed audits and projects in progress. Recommendations on completed audits have been accepted and implemented without exception.
2. **Audit Department Restructuring:** Mr. Boyle reported that the department recently was restructured, eliminating 2 Clinical Auditor positions and creating a Coding Auditor position. The patient billing defense audits, which were performed by the Clinical Auditors, will be performed by a contractor at a lower net cost.

Budget Impact: None

Staff Recommendation: None

Committee Questions: None

Next Meetings: October 13, 2005, 12:00 @ PMC Café Conference Room.

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:

Update on California Hospital Construction Cost & Market Trends

TO: Board of Directors
FROM: Board Finance Committee
Tuesday, July 26 2005
MEETING DATE: Monday, August 15, 2005
BY: Bob Hemker, CFO
Mike Shanahan, Director Facilities

Background: The Facility Master Plan, as developed and approved by the Board of Directors, encompasses various facility development, expansion and renovation projects totaling \$753 million. In the development of the costs of the various projects, a multitude of costing factors and information was used to predict construction costs at the time of actual project work including inflation, market conditions, and the timing of projects, which affects the procurement of materials and equipment. In addition, various risk management strategies were considered to management cost exposure.

We continue to monitor current market conditions, inflation and opportunities for cost control strategies to curb the impact of escalation on the project. Escalation beyond that forecasted could potentially risk the project budget. In addition to market conditions, time is one of the most critical components affecting cost and the project budget.

At the Finance Committee meeting, our costing consultant, Rudolph and Sletten, presented an overview of current cost and market trends & conditions that are being reviewed and evaluated in the development of the refined project cost budget. This is part of the ongoing development of the project scope and costs. The information was presented for awareness. Adoption of specific strategies will be part of future discussions and approvals.

Budget Impact: N/A

Staff Recommendation: Information Only

Committee Questions:

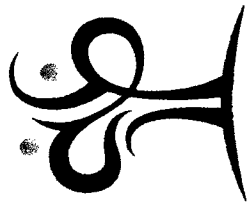
COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:



PALOMAR
POMERADO
HEALTH

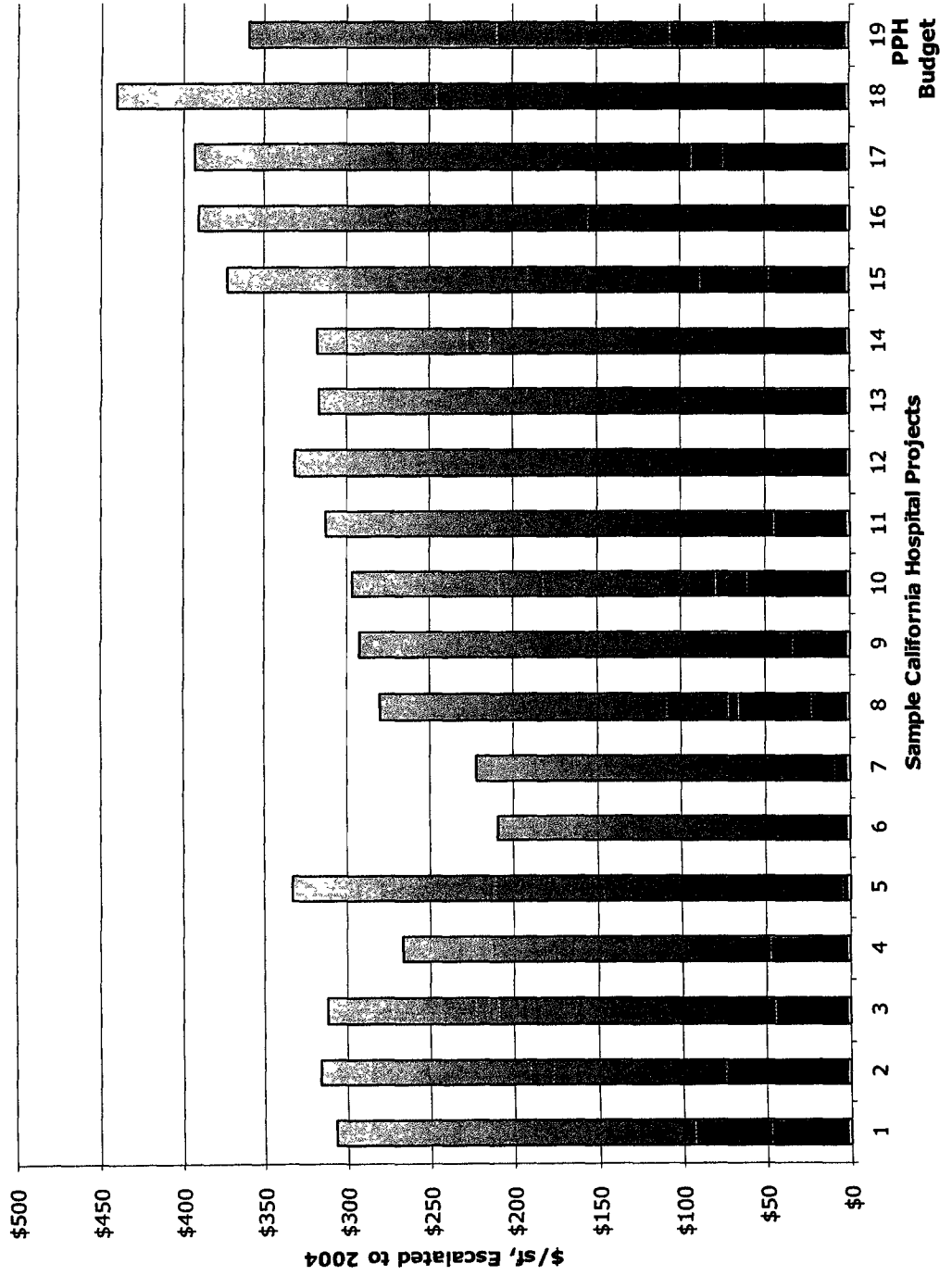
California Hospital Construction Cost & Market Trends 2004-2005

July 26, 2005

Cost & Market Trends

- Inflation vs. market conditions
- Causes of recent cost increases
- Strategies
- Affect on the Facilities Master Plan budget

New Hospital Construction Cost/sf, 2004



Inflation Measurement:

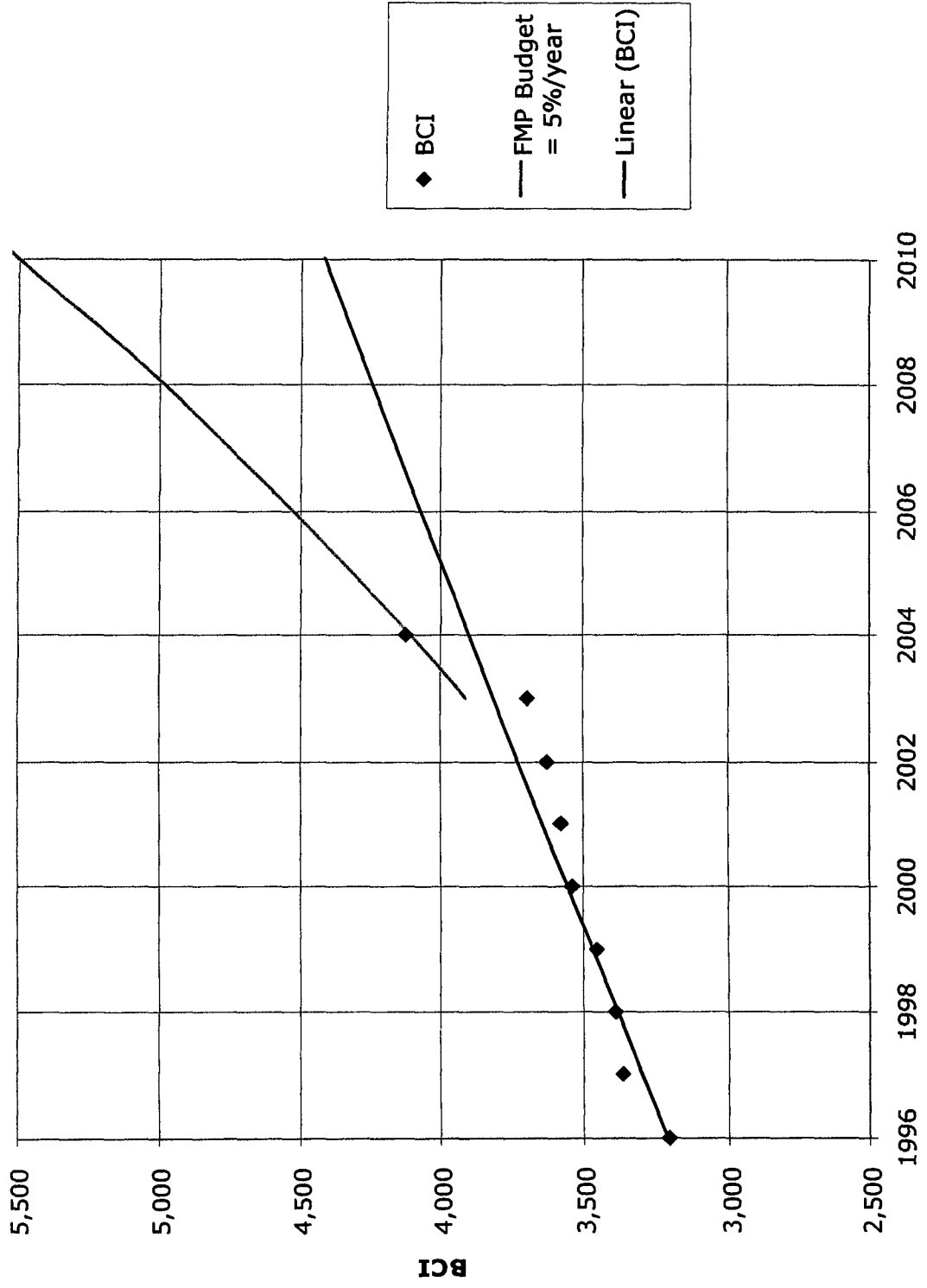
Cost Indices

- Composites of current wage rates and materials unit costs, analogous to the CPI
- Example: Engineering New Record Building Cost Index – “BCI” - is a widely used measure of inflation in the construction industry
- The BCI and other indices provide an overview of inflation but typically do not consider:
 - Project type, complexity, difficulty or risk
 - Market conditions, i.e. the trade contractor bidding environment

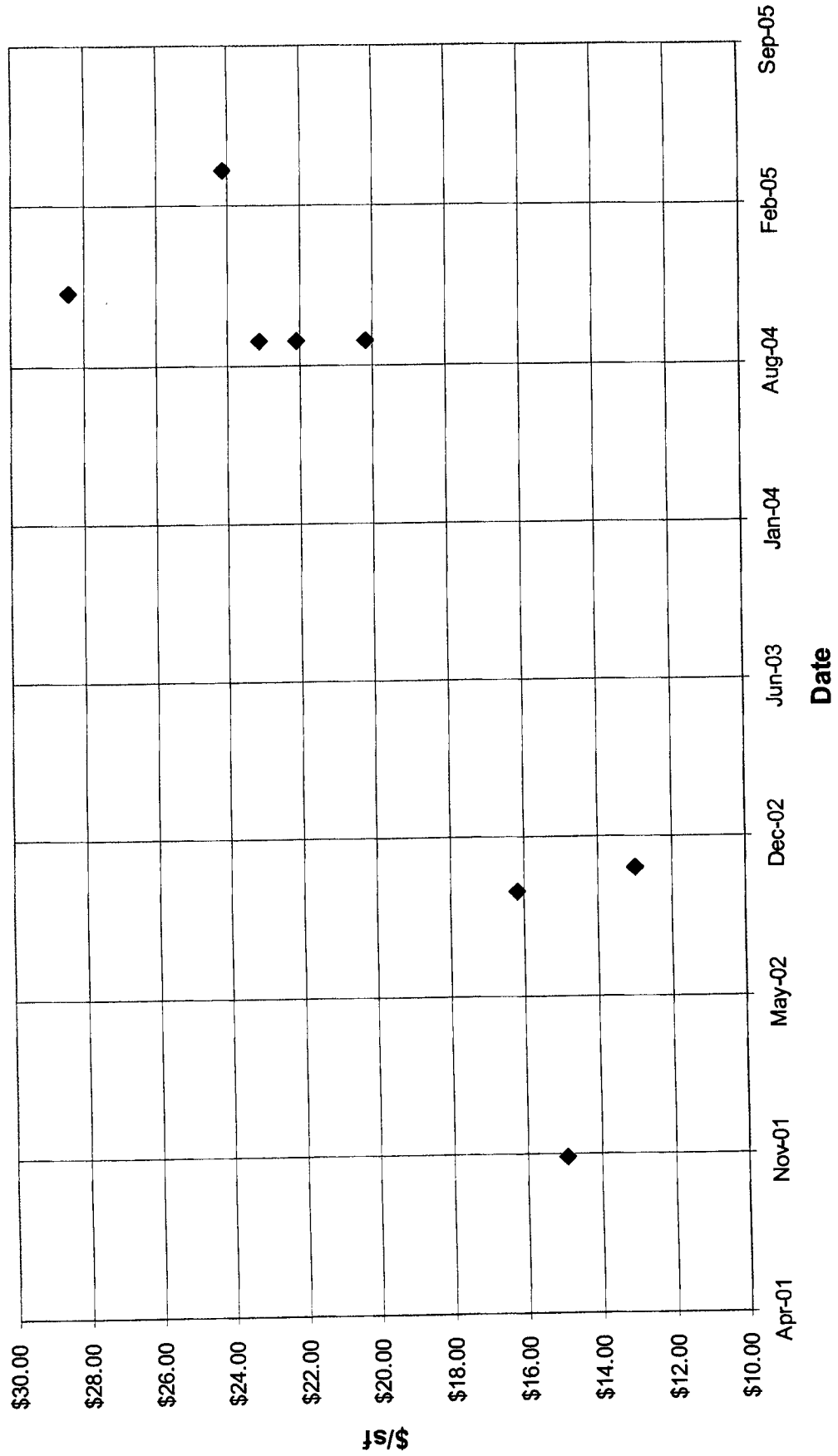
Market Data

- Individual data collected from specific projects
 - Actual bid results
 - Market surveys, i.e. budget quotes from trade contractors: “What the people who actually do the work expect to charge”
- Data may be segregated for California hospitals
- Provides a more meaningful measure of cost trends than inflation indices alone

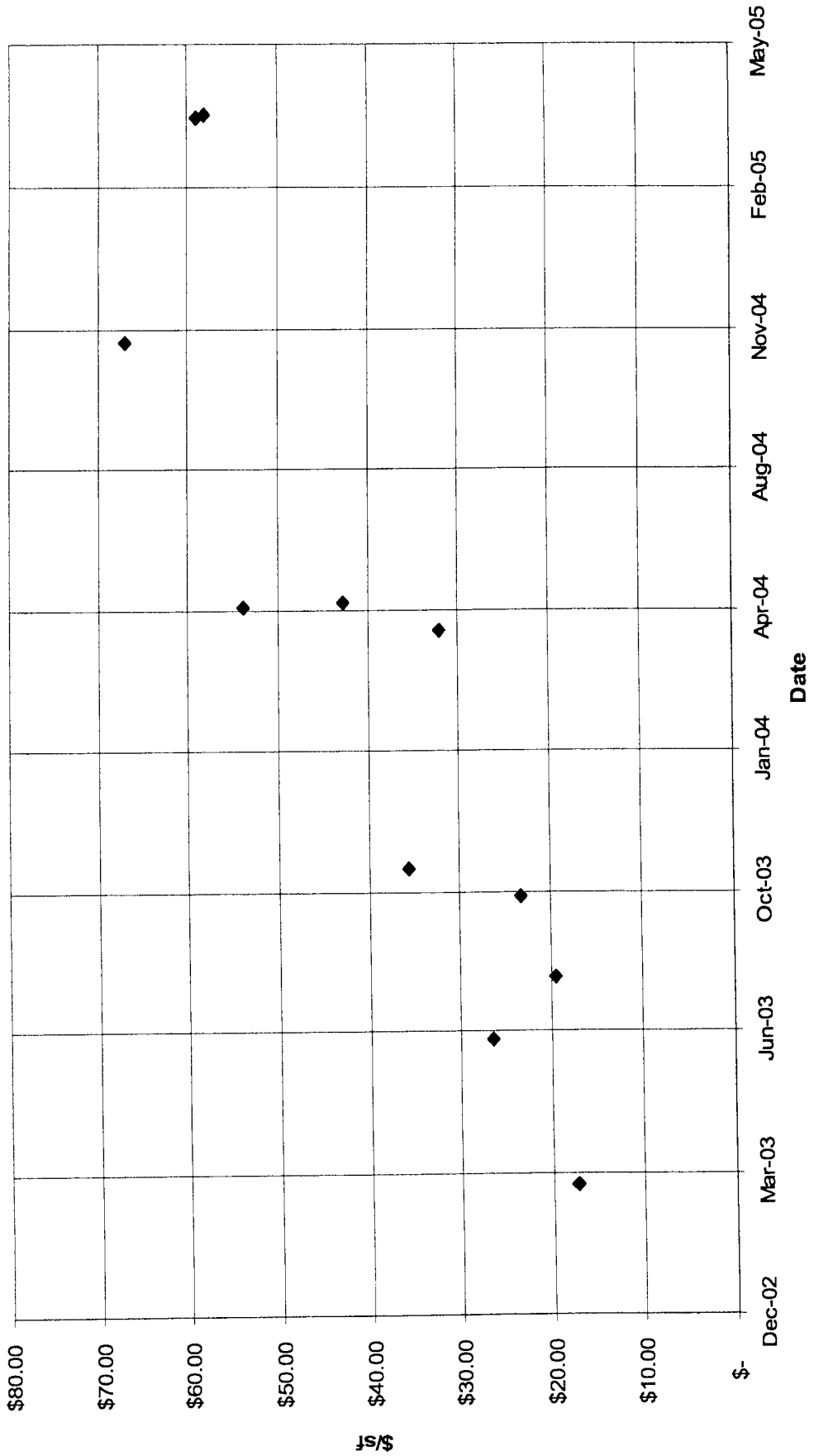
Inflation vs. FMP Budget



STRUCTURAL STEEL BRACED FRAME CA HOSPITAL MARKET DATA



**INTERIOR METAL STUDS & DRYWALL
CA HOSPITAL MARKET DATA
(TRADITIONAL HARD BID APPROACH)**



Factors affecting California hospital construction costs:

- Regional construction market
- OSHPD impacts
- Global markets

California Market

- High level of demand for construction services
 - Hospital projects driven by SB 1953 and demographics
 - Concurrent growth in other sectors
- Limited supply of qualified labor
- Limited number of trade contractors who are qualified and interested in hospital work
 - Major trade scopes are often in the \$20 - \$50 million range
 - Relatively few trade contractors are large corporations; many are sole proprietors or closely held private companies. For many, large hospital projects put a strain on their resources:
 - Financial capacity
 - Management teams
 - Bonding capacity

California Market - Strategies

- Enable more companies to participate
 - Explore bonding alternatives
 - Owner controlled insurance program (OCIP)
 - “Subguard” – purchase risk coverage in bulk
 - Explore dividing the work into smaller bid scopes
 - Design an “unbundled” concept
 - Multiple packages within project components (some offsetting impact to project management and staffing)
 - Phased completion to free up bonding capacity, retention, etc.
 - Explore payment options for subcontractors
- Create collaborative vs. adversarial business environments

OSHPD Impacts

- Completeness of documents, re-submittals
- Complexity of California hospital construction
- Duration of projects, carrying costs
- Lengthy change approval process
- Low productivity on past & current projects
- Variation in OSHPD's application of codes
- Strong market for other project types

OSHPD Impacts - Strategies

- Selection process that addresses teams with OSHPD experience
- Expedite changes and payments
- Standard of care for preparing complete and “buildable” documents
 - Study lessons from other OSHPD projects
 - Include trade contractors in constructability review and document quality control
 - Minimize OSHPD changes
- Explore alternative (and early) procurement methods
 - Negotiated contracts for selected trades
 - Competition based on a pricing structure in lieu of on lump sum
- Demonstrate to the contracting community that we have effective measures in place to manage the risks

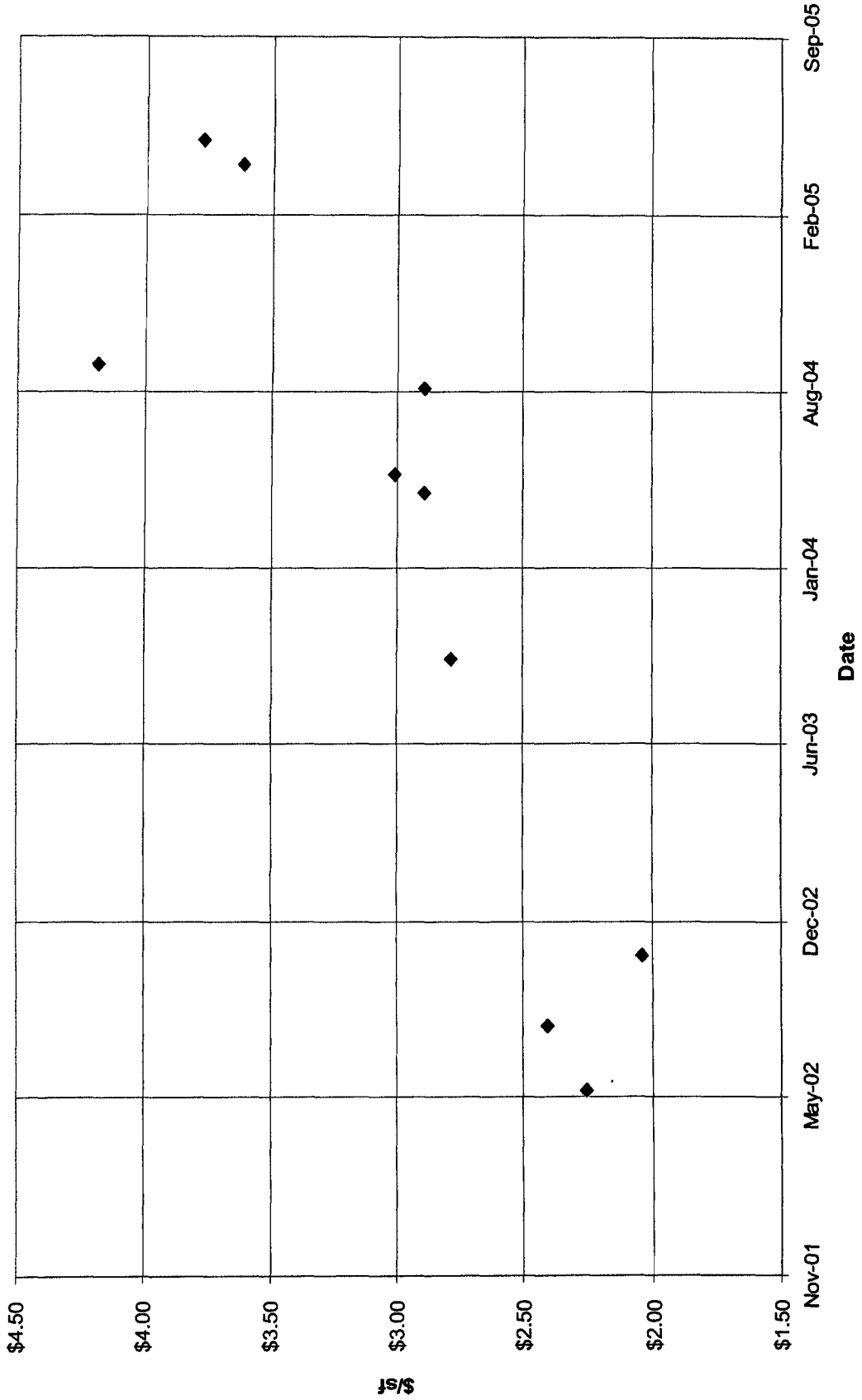
Global Markets

- Materials markets
- Fuel costs
- Currency exchange rates

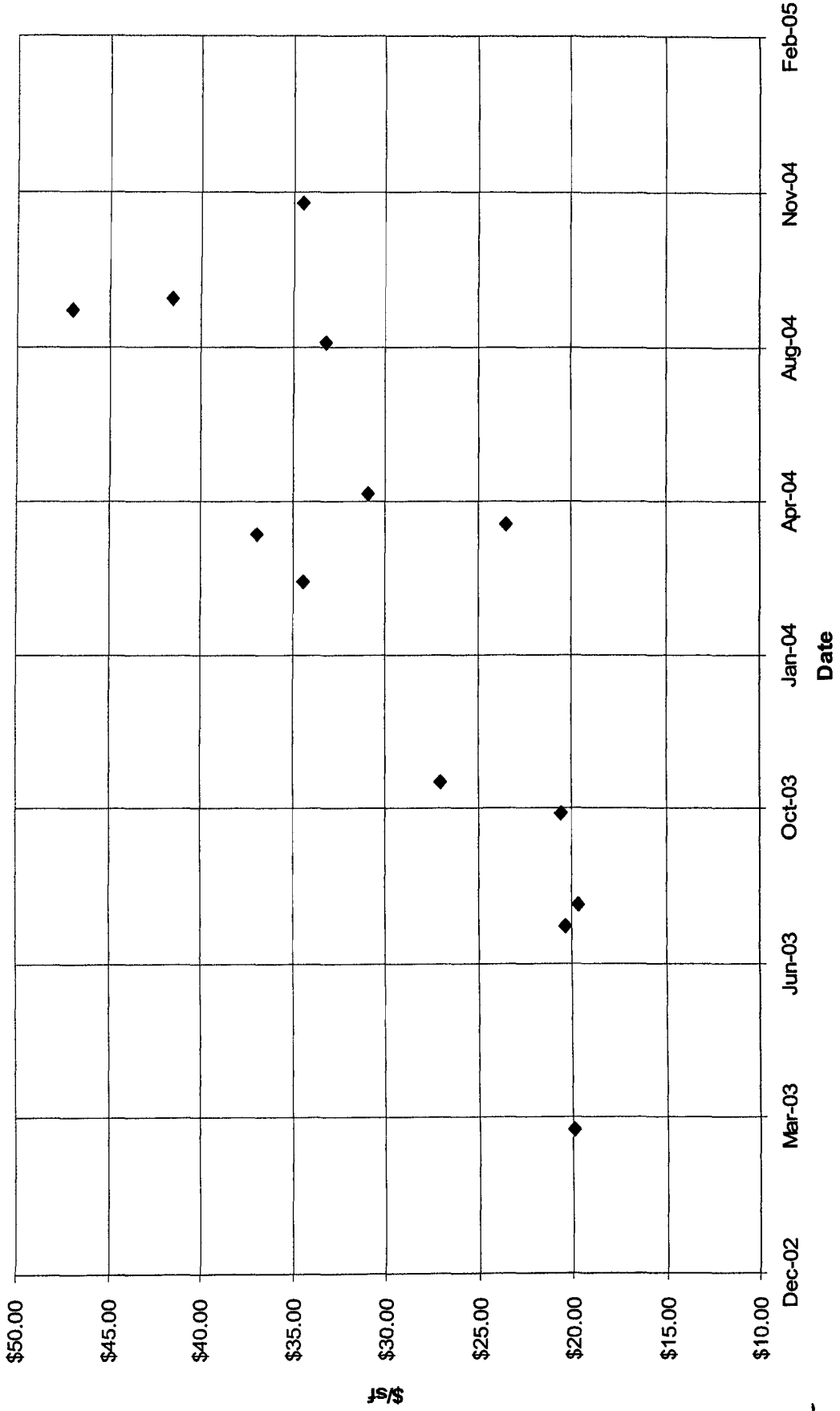
Global Markets - Strategies

- Sustainability
 - Select systems that optimize resources
 - Acquire funding for features that reduce life cycle costs
- Explore hedging opportunities
- Explore pre-purchasing and/or early commitment opportunities
- Expedite non-OSHDP program components

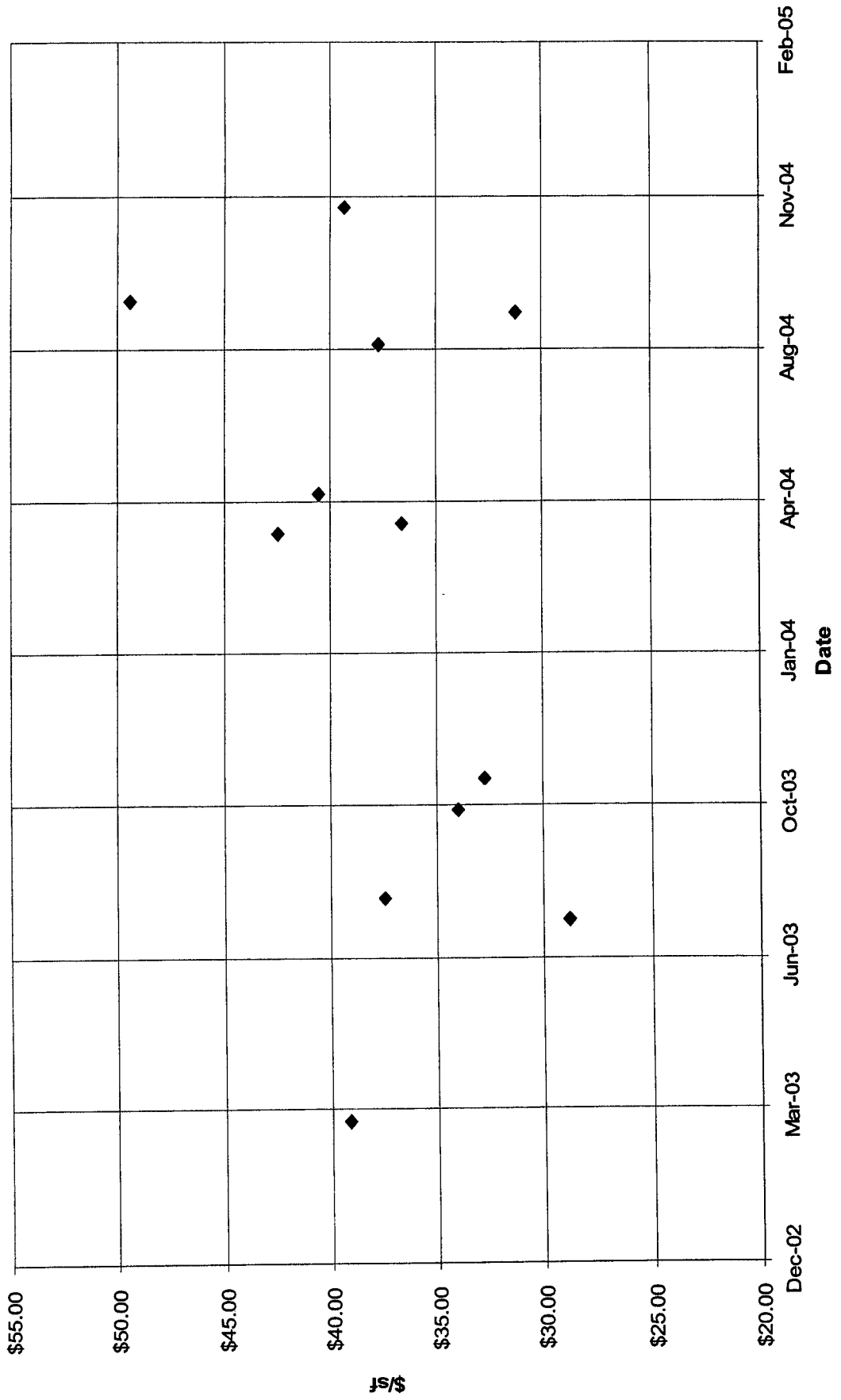
**METAL DECKING
CA HOSPITAL MARKET DATA**



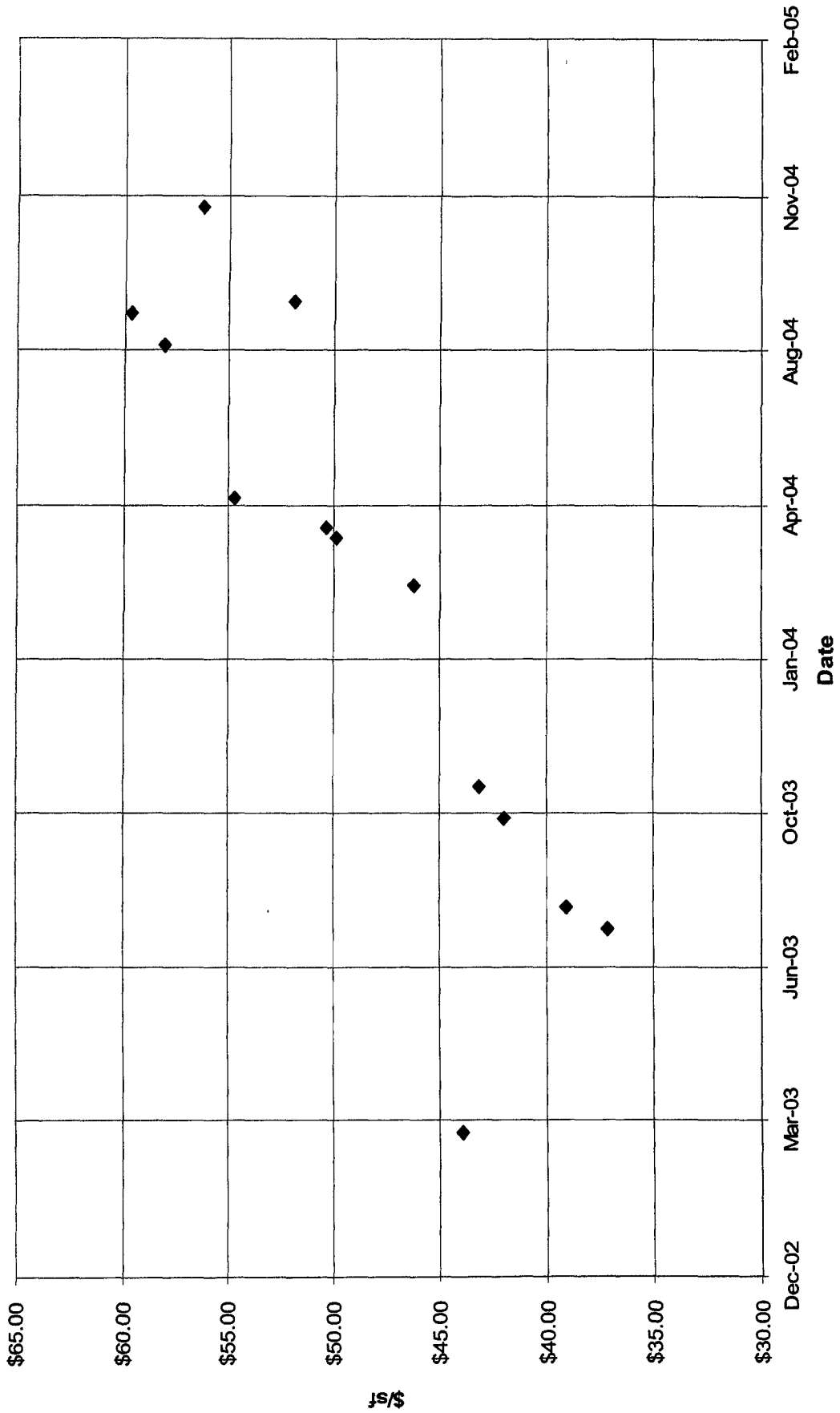
**PLUMBING & MEDICAL GAS PIPING
CA HOSPITAL MARKET DATA**



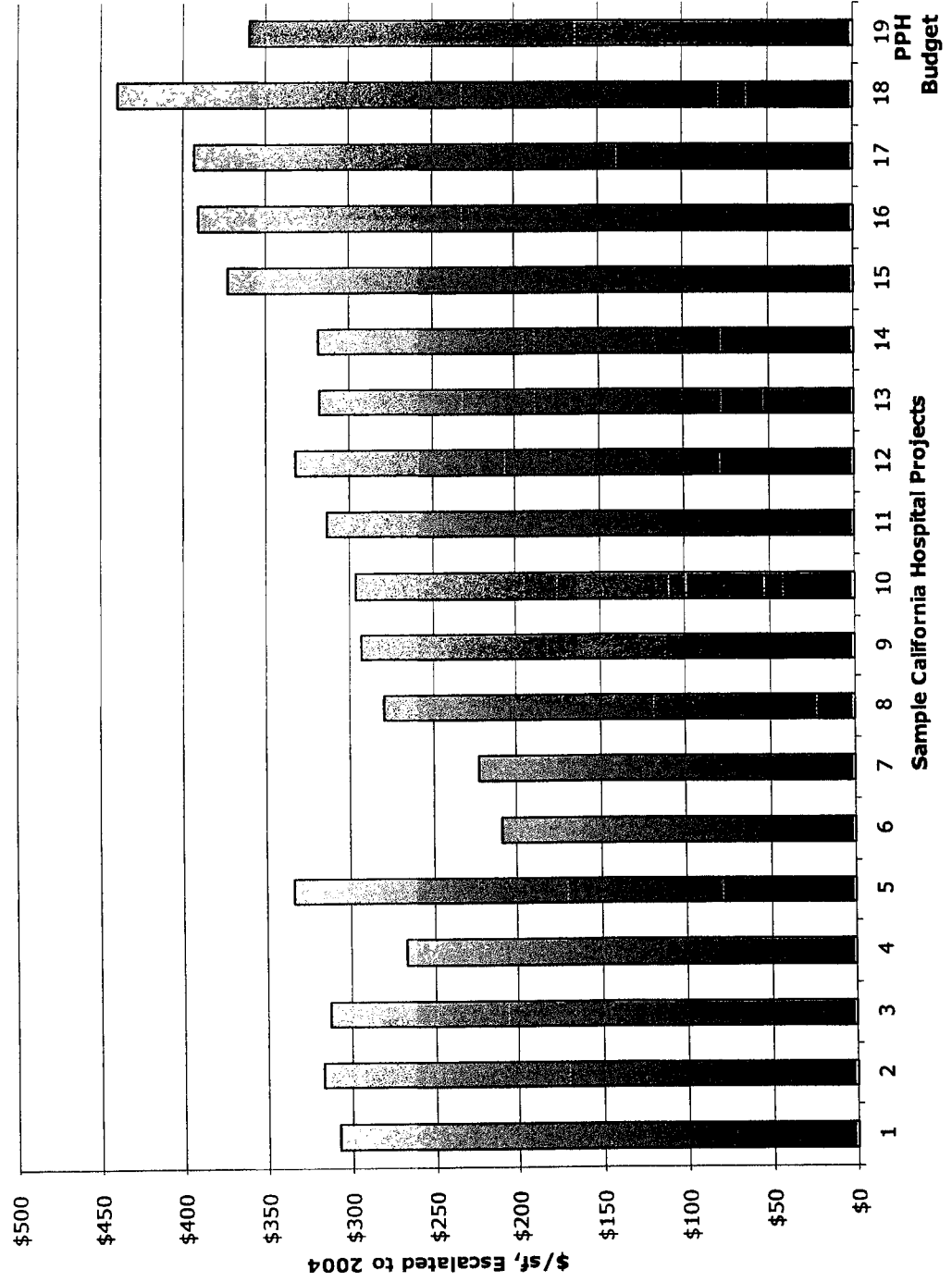
**ELECTRICAL
CA HOSPITAL MARKET DATA**



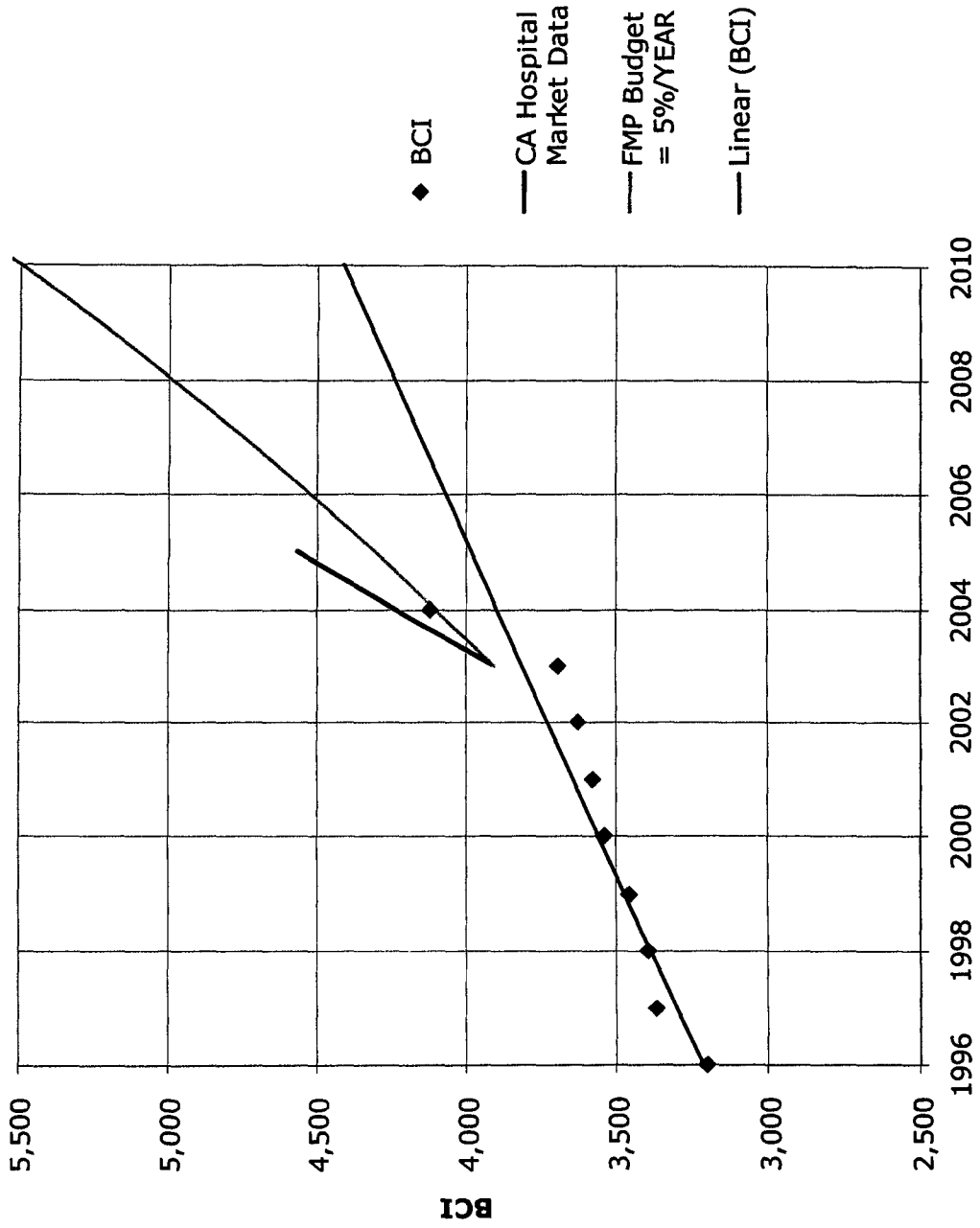
HVAC CA HOSPITAL MARKET DATA



New Hospital Construction Cost/sf, 2004



Cost & Market Data



Change, 2004 to 2005

Trade	2004 cost/bgsf	2005 cost/bgsf	% change, 2004 to 2005	% of total construction cost	contribution to overall change
Structural Steel	\$22.00	\$25.00	13.6%	12.4%	1.7%
Reinforcing Steel	\$4.00	\$4.00	0.0%	2.8%	0.0%
Metal Deck	\$2.80	\$3.70	32.1%	0.7%	0.2%
Metal Framing & Gypsum Board	\$38.00	\$60.00	57.9%	8.3%	4.8%
Plumbing & Medical Gas Piping	\$28.00	\$40.00	42.9%	10.3%	4.4%
H.V.A.C.	\$55.00	\$60.00	9.1%	18.6%	1.7%
Electrical	\$38.00	\$41.00	7.9%	13.8%	1.1%
subtotal, market data analyzed			20.8%	66.9%	13.9%
Other trades			20.8%	33.1%	6.9%
Total			20.8%	100.0%	20.8%

Reference values:

FMP Budget (construction)	\$530,000,000
OSHPD Portions only:	
PMC West	\$311,000,000
Pomerado	\$76,000,000
PMC East	\$28,000,000

Building Cost Index, Los Angeles

Uncertainty – Inflation

- Labor
 - History: relatively steady wage increases
 - Availability of skilled labor will be affected by demographics and demand
- Materials
 - Some recent easing in prices
 - Future volatility due to global factors

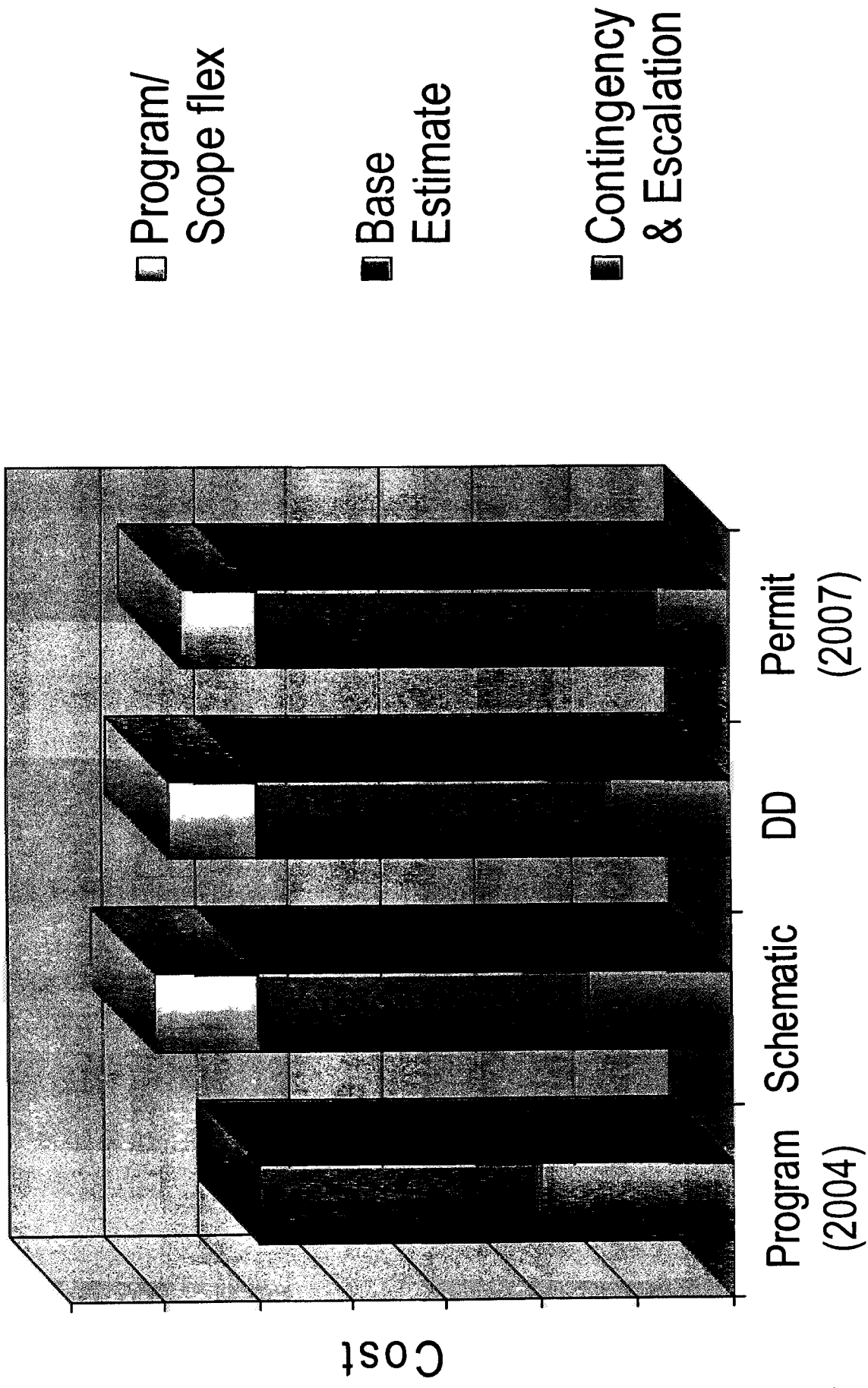
Uncertainty – Market Conditions

- Well established trend in California health care construction due to SB 1953 and demographics
- Other project types
 - High current activity
 - Future demand is less certain
- Contractor capacity will continue to be the biggest variable
 - Limited resources
 - Relative attractiveness of OSHPD projects

Managing Uncertainty

- We must develop ways to increase the relative desirability of PPH's OSHPD work
 - Alternative procurement methods
 - Optimize work packages size, duration, terms
 - Trade involvement in design & permitting
 - Collaborative vs. adversarial processes
- Implement other mitigation strategies
 - Decant to non-OSHPD and expedite
 - Hedging, bonding, other.....
- Develop a flexible program/scope of work

Managing Uncertainty



FY '06 – '08 Goals

TO: PPH Board of Directors
DATE: August 15, 2005
FROM: Strategic Planning Committee on June 21, 2005
BY: Marcia Jackson, Chief Planning Officer

BACKGROUND: At the May 17, 2005 Strategic Planning Committee meeting, management presented draft three-year goals for review and discussion with the Committee. Management has refined these goals and presented the proposed FY '06 -'08 Goals.

Marcia Jackson presented the updated FY '06 Initiative Planning matrix, with the addition of the specific Board committee(s) that correspond most closely to each of the Balanced Scorecard categories, as well as to each of the FY '09 Goals. This addition was made per the request at the May Strategic Planning Committee meeting. The Balanced Scorecard categories, FY '09 Goals, and related Board Committees are as follows:

1. **Financial Strength** The FY '09 Goal is to achieve Aa bond rating; the corresponding BOD Committee is the Finance Committee.
2. **Customer Service** The FY '09 Goal is to realize the 90th percentile (according to Gallup) for physician and patient loyalty; the BOD Committee included the Community Relations, Strategic Planning, and HR Committees.
3. **Quality** The FY '09 Goal is to achieve national recognition for clinical quality and performance excellence, including achieving the California Baldrige Award; the BOD Committee is the Quality Committee.
4. **Workforce Development** The FY '09 Goal is to achieve national recognition as one of the top health systems in the country to work for, including achievement of the Magnet Designation, and achieving the 90th percentile of Gallup employee engagement scores; the BOD Committee is the HR Committee.
5. **Workplace Development** The FY '09 Goal is to achieve national recognition by development of state-of-the-art facilities and technology; the BOD Committee is the Facilities & Grounds Committee.

Dr. Larson noted that the Strategic Planning Committee oversees all of the goals presented.

Dr. Rivera motioned, Ted Kleiter seconded, and the motion was carried, that the Strategic Planning Committee accept these goals, and forward them to the BOD for final approval. Dr. Rivera also commended the staff for placing such high pressure on themselves, with the challenging goals presented.

FY '06 – '08 Goals

BUDGET IMPACT: None

COMMITTEE RECOMMENDATION: Committee approved the goals and recommended full Board approval of the FY '06-'08 goals.

COMMITTEE RECOMMENDATION: Committee approved the goals and recommended full Board approval of the FY '06-'08 goals.

Action: X

FY 06 Initiative Planning

Board Committee	Objectives	Outcome Measures	FY05 Actual	2005-06 Target	2006-07 Target	2007-08 Target
Finance	1.1 Achieve profitability	OEBITDA - Includes Property Tax Revenue	6.8% May 2005 YTD	\$37 million	\$39 million	\$41 million
	1.2 Demonstrate business growth	Increase in Weighted P1 Days	135,271 May 2005 YTD	147,500	152,000	158,000
Community Relations	2.1 Develop loyal patients	Patient Loyalty Scores	50% title	80% title	85% title	90% title
	2.2 Increase physician loyalty	Physician Loyalty Scores or surrogate	98% title	90% title	99.0% title	99.0% title
Strategic Planning	2.3 Improve internal customer satisfaction	Internal Satisfaction Scores	3.87 mean score	4.00 mean score	4.13 mean score	4.27 mean score
	3.1 Demonstrate high quality patient care	Evidence-based clinical processes	For Oct-Dec 04 achieved top 20% title on 1 of 7 conditions	For CMS Quality Incentive Demonstration project achieve Top 20th percentile for 5 of 9 conditions	Top 20% for 65% of conditions	Top 20% for 75% of conditions
Quality	3.2 Demonstrate safe patient care	Index of Compliance with National Patient Safety Goals, QRRs and CalNoC/NDQI data	new measurement	Improve performance on one of the top three problems by 10% by 6/30/06	Improve performance on one of the top three problems by 25% by 6/30/06	Improve performance on one of the top three problems by 30% by 6/30/06
	3.3 Achieve service standards in all areas	% of time service standards are met. Progress on Baldrige recognition	new measurement	Gathered baseline measures for 1 qtr of the year. Achieve CAPE Prospector award	Improve performance over baseline by 10% on average or achieve 85% overall reliability rate (whichever is lower) in 50% of departments. Achieve CAPE Bronze award	Meet service standards 85% of the time or higher in 75% of departments. Achieve CAPE Silver award

8/4/2005

571

FY 06 Initiative Planning

Mission		Vision		FY 06 Initiative Planning		2007-08 Target	
To heal, comfort and promote health in the communities we serve		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		2006-07 Target		2005-06 Target	
Workforce Development		Workforce Development		Outcome Measures		FY05 Actual	
Board Committee		Objectives		Outcome Measures		FY05 Actual	
FY09 Goals Achieve national recognition as one of the top health systems in the country to work for including Magnet Designation and achieving 90th percentile of Gallup employee engagement scores	Board Committee Human Resources	4.1 Attract, acquire and retain a high quality workforce	Vacancy Rate (annualized) Employee engagement	65% full employee engagement	2% better than CHA rate Submit Magnet application 80% full employee engagement	3.5% Better than CHA rate Adhere to Magnet Implementation Plan 85% full employee engagement	5% Better than CHA Rate Achieve Magnet Designation 90% full employee engagement
		4.2 Demonstrate employee competence and growth	% staff certified in area of specialty % staff with bachelors degree or higher % of internal promotions	% of staff certified Nursing 7%, All others same % increase over baseline % of staff with advanced degrees: Nursing 41%; All others same % increase over baseline 5% increase in internal promotions over baseline	% of staff certified Nursing 10%, All others same % increase over baseline % of staff with advanced degrees: Nursing 41%; All others same % increase over baseline 8% increase in internal promotions over baseline.	% of staff certified Nursing 13%; All others same % increase over baseline % of staff with advanced degrees: Nursing 47%; All others same % increase over baseline 10% increase in internal promotions over baseline	
		4.3 Create a learning organization	Score on Gallup question about how to learn and grow	61% full	Threshold, 70% full Target: 80% full	Threshold 80% full Target: 90% full	
		5.1 Provide the tools and equipment for optimal performance	Score on Gallup question about tools and equipment to do job IT Master plan	49% full	Target: 80% full Maintain IT schedule	Target: 85% full Maintain IT schedule	
		5.2 Provide facilities for optimal delivery and receiving of services	Master facilities plan Annual capital plan Workplace injury incident rate	Injury incident rate: 1.100	Maintain on schedule per the A+A schedule dated 7/1/05. Maintain on schedule and budget per the annual plan Injury incident: 2.4	Maintain on schedule per the A+A schedule dated 7/1/06 Injury incident	
Workforce Development	Facilities & Grounds						

Establishment of Appropriations Limit for Fiscal Year 2006

TO: Board of Directors
FROM: Board Finance Committee
Tuesday, July 26, 2005
MEETING DATE: Monday, August 15, 2005
BY: Robert A. Hemker, CFO

BACKGROUND:

The Board of Directors of Palomar Pomerado Health annually adopts the Appropriations Limit for the District, pursuant to Article XIII B of the California Constitution. This action requests approval of the County's Appropriations Limit for Fiscal Year 2006. This limit applies only to unrestricted appropriations and is not related to any appropriations that are restricted for the General Obligation Bonds.

The Appropriations Limit is calculated to be \$41,313,462 for Fiscal Year 2006. The District is substantially under that limit and is expected to receive approximately \$10,500,000 in unrestricted property tax revenues in Fiscal Year 2006.

BUDGET IMPACT: None

STAFF RECOMMENDATION: Approval of the Appropriations Limit for Palomar Pomerado Health for Fiscal Year 2006.

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION: The Finance Committee recommends approval of the Appropriations Limit for Palomar Pomerado Health for Fiscal Year 2006.

Motion:

Individual Action: X

Information:

Required Time:

NARRATIVE ON THE RECENT HISTORY OF TAXATION

Palomar Pomerado Health had two types of property taxes available as follows:

SPECIAL ASSESSMENT FOR GENERAL OBLIGATION BONDS

The taxes necessary to pay the interest and principal for the 1966 Series A and 1966 Series B Palomar Memorial Hospital General Obligation Bonds that were approved by a two thirds major of the voters prior to 1978. These tax revenues were exempt from the provisions of Proposition No. 13 and they were restricted for this specific purpose. The final payment on these bonds was made on May 1, 1998.

OTHER PROPERTY TAXES

A tax equal to 1% of the full cash value of property is levied each fiscal year by the county and distributed to governmental agencies within the county according to a formula mandated by the state legislature. (California Constitution Article XIII(A); Revenue and Taxation Code Section 97). The state legislature and the county place no restrictions on the tax monies granted to local government agencies, such as Palomar Pomerado Health. (Part 0.5, Division 1 of the Revenue and Taxation Code.) Since these tax revenues are unrestricted, it is not necessary to inform the public regarding the intended use of the funds.

The following is a schedule reflecting our total tax revenues by fiscal year for the past twenty-eight years.

Fiscal Year	Total Received Cash Basis	Restricted for Bond Interest & Principal	Unrestricted	From Prior Year Increase (Decrease)	
				\$	%
1977/78	\$2,460,384	\$445,211	\$2,015,173	-----	-----
1978/79	1,513,554	518,736	994,818	(1,020,355)	-50.63%
1979/80	1,621,350	428,585	1,192,765	\$197,947	19.90%
1980/81	1,914,882	458,941	1,455,941	263,176	22.06%
1981/82	2,157,298	425,948	1,731,350	275,409	18.92%
1982/83	2,245,799	431,669	1,814,130	82,780	4.78%
1983/84	2,453,236	454,544	1,998,692	184,562	10.17%
1984/85	2,618,899	429,139	2,189,760	191,068	9.56%
1985/86	2,922,025	400,336	2,521,689	331,929	15.16%
1986/87	3,325,080	476,027	2,849,053	327,364	12.98%
1987/88	3,590,335	415,348	3,174,987	325,934	11.44%
1988/89	4,009,992	389,724	3,620,268	445,281	14.02%
1989/90	4,644,106	451,969	4,192,137	571,869	15.80%
1990/91	4,898,609	404,912	4,493,697	301,560	7.19%
1991/92	5,305,810	435,226	4,870,584	376,887	8.39%
1992/93	5,230,679	455,415	4,775,264	(95,320)	-1.96%
1993/94	5,405,901	429,917	4,975,984	200,720	4.20%
1994/95	5,589,446	422,427	5,167,019	191,035	3.84%
1995/96	5,604,306	452,813	5,151,493	(15,526)	-0.30%
1996/97	5,641,183	473,160	5,168,023	16,530	0.32%
1997/98	5,862,721	358,706	5,504,015	335,992	6.50%
1998/99	5,915,399	0	5,915,399	411,384	7.47%
1999/00	6,432,482	0	6,432,482	517,083	8.74%
2000/01	7,061,136	0	7,061,136	628,654	9.77%
2001/02	7,693,200	0	7,693,200	632,064	8.95%
2002/03	8,391,961	0	8,391,961	698,761	9.08%
2003/04	9,077,863	0	9,077,863	685,902	8.17%
2004/05	10,180,831	0	10,180,831	1,102,968	12.15%

RESOLUTION NO. 08.15.05 (01) – 12

RESOLUTION OF THE BOARD OF DIRECTORS OF
PALOMAR POMERADO HEALTH
ESTABLISHING APPROPRIATIONS LIMIT OF THE DISTRICT
FOR THE FISCAL YEAR JULY 1, 2005 - JUNE 30, 2006
PURSUANT TO ARTICLE XIII(B) OF THE CALIFORNIA CONSTITUTION

WHEREAS, Government Code Section 7910 requires that each year the Board of Directors of this District shall, by resolution, establish the District's appropriations limit for the following fiscal year pursuant to Article XIII (B) of the California Constitution; and

WHEREAS, for not less than fifteen days prior to this meeting the documentation attached hereto as Exhibit "A" used in the determination of the appropriations limit has been available to the public in accordance with Government Code 7910.

NOW THEREFORE, IT IS HEREBY RESOLVED by the Board of Directors as follows:

Section 1. The appropriations limit of Palomar Pomerado Health for fiscal July 1, 2005 - June 30, 2006, pursuant to Article XIII(B) of the California Constitution is hereby established at \$41,313,462.

Section 2. This resolution is effective immediately upon its adoption by the Board of Directors.

PASSED AND ADOPTED at the meeting of the Board of Directors of Palomar Pomerado Health, held August 15, 2005, by the following votes:

AYES:

NOES:

ABSENT:

ABSTAINING:

ATTEST:

Chairperson

Secretary

EXHIBIT "A"

PALOMAR POMERADO HEALTH
APPROPRIATIONS LIMIT
2005/2006

2004/2005 APPROPRIATIONS LIMIT			<u>\$38,168,790</u>
PRICE FACTOR	5.26%		
-- OR --			
CHANGE IN LOCAL ASSESSMENT ROLL DUE TO NON-RESIDENTIAL CONSTRUCTION	5.15%	=	<u>1.0526</u>
-- AND --			
POPULATION FACTOR	2.83%	=	<u>1.0283</u>
CALCULATION OF FACTOR FOR FY 2005/06	1.0526 x 1.0283	=	1.0824
	\$38,168,790 x 1.0824	=	<u>\$41,313,462</u>
2005/2006 APPROPRIATIONS LIMIT			<u><u>\$41,313,462</u></u>

152

POSTED
7-21-05

PUBLIC NOTICE

The Board of Directors of Palomar Pomerado Health will establish its Appropriations Limit for the 2005/2006 fiscal year at its regularly scheduled meeting to be held at 6:30 P.M. on August 15, 2005, in the Graybill Auditorium of Palomar Medical Center, 555 East Valley Parkway, Escondido, California, 92025. This Appropriations Limit is for the unrestricted appropriations and is in no way related to the appropriations for the 2005 General Obligation Bonds. The documentation used in the determination of the Appropriations Limit is available to the public at the office of the President and Chief Executive Officer, 15255 Innovation Drive, Suite 204, San Diego, California 92128.

DATED: 7/21/05

PALOMAR POMERADO HEALTH
A California Health Care District

BY: Michael H. Covert
Michael H. Covert
Chief Executive Officer

RESOLUTIONS
Bank and Investment Account Changes

TO: Board of Directors
FROM: Board Finance Committee
Tuesday, July 26, 2005
MEETING DATE: Monday, August 15, 2005
BY: Bob Hemker, CFO

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

NAMING OF AUTHORIZED SIGNATORY – info only		
Escondido Surgery Center Savings Account	ESC Administrator	Marvin Levenson
343 E. 2 nd Avenue Investors, LP Checking Account		
OPENING OF CHECKING ACCOUNT		
ACCOUNT NAME	GENERAL LEDGER #	INSTITUTION ACCOUNT #
Palomar Pomerado North County Health Development	Not part of PPH GL	Bank of America – 14596-24521
CLOSURE OF CHECKING ACCOUNT		
ACCOUNT NAME	GENERAL LEDGER #	INSTITUTION ACCOUNT #
Rivera Depository Checking	Not part of PPH GL	Bank of America 14508-07657
OPENING OF INVESTMENT ACCOUNTS		
ACCOUNT NAME	GENERAL LEDGER #	INSTITUTION ACCOUNT #
PPH GO Bond Election of 2004 Series 2005A Interest and Sinking Fund	Not yet available	Wells Fargo - 1804050
PPH GO Bond Election of 2004 Series 2005A Project Fund	Not yet available	Wells Fargo - 1804501

The ESC Administrator's name is given for information only, as the Resolution pertains to Job Title. The investment accounts were opened for the processing of proceeds from the GO Bonds issued on July 7, 2005. PPNC Health Development required an account as a new entity. The account closure was the result of the PPH MSO organization no longer servicing that account.

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:

Palomar Pomerado Health
Closed Bank Accounts

Resolution	Account Name	General Ledger #	Institution Account No	Authorized Title	Name ¹	Required Signatures and Limits	Account Purpose
08.15.05 (02) - 13	Rivera Depository Checking	Not part of PPH GL	Bank of America 14508-07857	President/CEO Chief Financial Officer Chief Administrative Officer - PMC Chief Administrative Officer - POM Chief Planning Officer Chief Human Resources Officer Corporate Controller Marcelo Rivera, M.D	Michael Covert Bob Hemker Gerald Bracht Jim Finn Marcia Jackson To Be Named Melanie Van Winkle	Two handwritten signatures on all checks. Two approvals required on all telephonic and electronic fund transfers.	Receipts: Deposit of all payments received by the MSO for patient receipts on behalf of Dr. Rivera. Disbursements: Distributions per the FSA Agreement will be made to Dr. Rivera and PPH.

Palomar Pomerado Health Bank Accounts

Resolution Number	Account Name	General Ledger #	Institution Account No.	Authorized Title	Name ¹	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	Michael Covert Bob Hemker Gerald Bracht Jim Filim Marcia Jackson To Be Named Melanie Van Winkle	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 14504-50006	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 Filim Marcia Jackson To Be Named Melanie Van Winkle	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	Michael Covert Bob Hemker Gerald Bracht Jim Filim Marcia Jackson To Be Named Melanie Van Winkle	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	Michael Covert Bob Hemker Gerald Bracht Jim Filim Marcia Jackson To Be Named Melanie Van Winkle	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.
	PPIA 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	Michael Covert Bob Hemker Gerald Bracht Jim Filim Marcia Jackson To Be Named Melanie Van Winkle	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 PPIA 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	Michael Covert Bob Hemker Gerald Bracht Jim Filim Marcia Jackson To Be Named Melanie Van Winkle	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.

156

Palomar Pomerado Health Bank Accounts

Resolution Number	Account Name	General Ledger #	Institution Account No	Authorized Title	Name ¹	Required Signatures and Limits	Account Purpose
	PCCC Patient Trust Checking	Not part of PPH GL	Bank of America 14501-04973	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	Michael Covert Bob Hemker Gerald Bracht Jim Flinn Marcia Jackson To Be Named Melanie Van Winkle	Two handwritten signatures are required on amounts \$0.00 and up.	Receipts: Deposit money received on behalf of patients to serve patient needs Interest bearing checking account Disbursements: Disbursements of funds to pay convalescent center obligations and/or patient's miscellaneous personal obligations
	Vila 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	Michael Covert Bob Hemker Gerald Bracht Jim Flinn Marcia Jackson To Be Named Melanie Van Winkle	Two handwritten signatures are required on amounts \$0.00 and up.	Receipts: Deposit money received on behalf of patients to serve patient needs Interest bearing checking account. Disbursements: 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 VRC President VRC Treasurer VRC Secretary	Michael Covert Bob Hemker Gerald Bracht Jim Flinn Marcia Jackson To Be Named Melanie Van Winkle 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.	Receipts: Deposit VRC Gateway cash receipts for technical fees, professional fees and other income Disbursements: 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 VRC President VRC Treasurer VRC Secretary	Michael Covert Bob Hemker Gerald Bracht Jim Flinn Marcia Jackson To Be Named Melanie Van Winkle 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.	Receipts: Deposit VRC Parkway cash receipts for technical fees, professional fees and other income. Disbursements: 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 ESC Administrator ESC Nurse Manager	Michael Covert Bob Hemker Marcia Jackson To Be Named Sheila Brown Melanie Van Winkle Marvin Levenson Madeline Doyle	Two signatures on all checks amount \$0.00 and up.	Receipts: Deposit all Surgery Center cash receipts. Disbursements: By telephone transfer to Revolving Checking account
	343 E 2nd Avenue Investors, LP Checking	Not part of PPH GL	Rancho Santa Fe National Bank 03009831-70	President/CEO Chief Financial Officer Chief Planning Officer Chief Human Resources Officer Chief Clinical Outreach Officer Corporate Controller ESC Administrator ESC Nurse Manager	Michael Covert Bob Hemker Marcia Jackson To Be Named Sheila Brown Melanie Van Winkle Marvin Levenson Madeline Doyle	Two signatures on all checks amount \$0.00 and up.	Receipts: Money earned from land lease. Disbursements: Money disbursed to land investors and to cover accounting and legal fees.

157

2005-08-15 bankacctts & investment0448 resolsnsBank Accounts
¹Names given for informational purposes only - Resolution pertains to job title.
²Authorization for facsimile signature.

Palomar Pomerado Health Bank Accounts

Resolution Number	Account Name	General Ledger #	Institution Account No.	Authorized Title	Name ¹	Required Signatures and Limits	Account Purpose
	PMC Auxiliary Gift Shop Checking	Not part of PPH GL.	Bank of America 01695-21649	Auxiliary President Auxiliary Treasurer Auxiliary Secretary	Eleanor Schuitze Jodie Kroon Fran Cummings	Two handwritten signatures on amounts \$0.00 and above.	<u>Receipts:</u> To transfer funds from savings to cover expenses <u>Disbursements:</u> 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 01699-85096	Auxiliary President Auxiliary Treasurer Auxiliary Secretary	Eleanor Schuitze Jodie Kroon Fran Cummings	Two handwritten signatures on amounts \$0.00 and above.	<u>Receipts:</u> To transfer funds for scholarships. <u>Disbursements:</u> 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 Schuitze Jodie Kroon Fran Cummings	Two handwritten signatures on amounts \$0.00 and above.	<u>Receipts:</u> Interest received used for scholarships. <u>Disbursements:</u> 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 Schuitze Jodie Kroon Fran Cummings	Two handwritten signatures on amounts \$0.00 and above.	<u>Receipts:</u> To transfer from checking excess funds to hold for gifts to hospital. <u>Disbursements:</u> 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 Schuitze Jodie Kroon Fran Cummings	Two handwritten signatures on amounts \$0.00 and above.	<u>Receipts:</u> To deposit funds received for remembrance of members. <u>Disbursements:</u> Expenses incurred
	Workers Compensation Deposit Account - Delta	01-1107.01200	WestAmerica Bank 601-03503-3	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 Film Marcia Jackson To Be Named Melanie Van Winkle		<u>Receipts:</u> <u>Disbursements:</u> 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 Film Marcia Jackson To Be Named Melanie Van Winkle		<u>Receipts:</u> <u>Disbursements:</u> Pay Workers Compensation claims current.
	PPH Payroll in Lawson	IMS = Not Applicable Lawson = 100201-0000	Bank of America 73132-03616	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 Film Marcia Jackson To Be Named Melanie Van Winkle	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.

158

2005-08-15 bankacct & investmentD448 resoinsBank Accounts
¹Names given for informational purposes only - Resolution pertains to job title.
²Authorization for facsimile signature

Palomar Pomerado Health Bank Accounts

Resolution Number	Account Name	General Ledger #	Institution Account No	Authorized Title	Name ¹	Required Signatures and Limits	Account Purpose
	PPH Central Accounts Payable in Lawson	IVIS = Not Applicable Lawson = 100303-0000	Bank of America 73132-03593	President/CEO ² Chief Financial Officer ² Chief Administrative Officer - PMC ² Chief Administrative Officer - POM Chief Planning Officer Chief Human Resources Officer Corporate Controller	Michael Covert Bob Hemker Gerald Bracht Jim Finn Marcia Jackson To Be Named Melanie Van Winkle	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.
08.15.05 (03) - 14	Palomar Pomerado North County Health Development	Not part of PPH GL.	Bank of America 14596-24521	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.	<u>Receipts:</u> Deposit from PPH Central checking. <u>Disbursements:</u> Used to pay all expenses (except payroll) for PPINC Health Development.

159

Palomar Pomerado Health Investment Accounts

Resolution Number	Account Name	Institution Account No.	Authorized Title	Name ¹	Required Signatures and Limits	Account Purpose
	Investment Fund	Morgan Stanley 123-095476-038	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 To Be Named Melanie Van Winkle	Two approvals required on all telephonic and electronic fund transfers.	<u>Receipts:</u> Excess operational funds not immediately needed. <u>Disbursements:</u> Transfers to operational funds to meet cash requirements.
	Investment Fund	Salomon Brothers 123-095465-038 08.15.05 (04) - 15	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 To Be Named Melanie Van Winkle	Two approvals required on all telephonic and electronic fund transfers.	<u>Receipts:</u> Excess operational funds not immediately needed. <u>Disbursements:</u> Transfers to operational funds to meet cash requirements.
	Investment Fund	Pacific Income Advisors 123-095464-038	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 To Be Named Melanie Van Winkle	Two approvals required on all telephonic and electronic fund transfers.	<u>Receipts:</u> Excess operational funds not immediately needed. <u>Disbursements:</u> Transfers to operational funds to meet cash requirements.
	Investment Fund	Local Agency Investment Fund (LAIF) 20-37-004	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 To Be Named Melanie Van Winkle	Two approvals required on all telephonic and electronic fund transfers.	<u>Receipts:</u> Excess operational funds not immediately needed. <u>Disbursements:</u> Transfers to operational funds to meet cash requirements.
	Money Market Account	Fidelity 00080348725	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 To Be Named Melanie Van Winkle	Two approvals required on all telephonic and electronic fund transfers.	<u>Receipts:</u> Excess operational funds not immediately needed. <u>Disbursements:</u> Transfers to operational funds to meet cash requirements.
	Pomerado Hospital Authority Escrow Fund 1978 Bond Issue	U.S. Bank Corporate Trust 94625230	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 To Be Named Melanie Van Winkle	Two approvals required on all telephonic and electronic fund transfers.	<u>Receipts:</u> Interest earned on escrow <u>Disbursements:</u> Payment of bond indebtedness.

160

Palomar Pomerado Health Investment Accounts

Resolution Number	Account Name	Institution Account No.	Authorized Title	Name ¹	Required Signatures and Limits	Account Purpose
	Pomerado Hospital Authority Escrow Fund 1978 Bond Issue	U.S. Bank Corporate Trust 94625840	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 To Be Named Melanie Van Winkle	Two approvals required on all telephonic and electronic fund transfers.	<u>Receipts:</u> Interest earned on escrow <u>Disbursements:</u> Payment of bond indebtedness.
	Revenue Bonds 1993 Issue	U.S. Bank Corporate Trust 94622930	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 To Be Named Melanie Van Winkle	Two approvals required on all telephonic and electronic fund transfers.	<u>Receipts:</u> Transfer from operational funds to meet debt service payments. <u>Disbursements:</u> Payment of bond indebtedness.
	Revenue Bonds 1999 Issue	U.S. Bank Corporate Trust 95465800	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 To Be Named Melanie Van Winkle	Two approvals required on all telephonic and electronic fund transfers.	<u>Receipts:</u> Transfer from operational funds to meet debt service payments. <u>Disbursements:</u> Payment of bond indebtedness.
	Repurchase Agreement 1993 Issue	Morgan Stanley 64892719	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 To Be Named Melanie Van Winkle	Two approvals required on all telephonic and electronic fund transfers.	<u>Receipts:</u> Transfer from operational funds to meet debt service payments. <u>Disbursements:</u> Payment of bond indebtedness.
08.15.05 - (04) 15	PPH GO Bond Election 2004 Series 2005A Interest and Sinking	Wells Fargo 1804050	President/CEO Chief Financial Officer	Michael Covert Bob Hemker	One authorized signature on all documents.	<u>Receipts:</u> Receive monies from County of San Diego tax roll. <u>Disbursements:</u> Payment of Interest and Principal to Bond Holders.
08.15.05 - (05) - 16	PPH GO Bond Election 2004 Series 2005A Project Fund	Wells Fargo 1804501	President/CEO Chief Financial Officer	Michael Covert Bob Hemker	One authorized signature on all documents.	<u>Receipts:</u> Proceeds from Bond sale. Interest Income earned. <u>Disbursements:</u> Disburse funds to PPH for project costs.

161

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 08.15.05 (02) - 13 through 08.15.05 (05) - 16, adopted at a duly called meeting of the Board of Directors of said Health District, held in accordance with laws on the 15th day of August, 2005, 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 15th day of August, 2005.

Nancy H. Scofield, Secretary
Board of Directors
Palomar Pomerado Health

**Physician Recruitment Agreement
Roger Kornu, M.D. and Michael Keller, M.D.**

TO: Board of Directors

FROM: Board Finance Committee
Tuesday, July 26, 2005

MEETING DATE: Monday, August 15, 2005

BY: Marcia Jackson, Chief Planning Officer

Background: The PPH community lacks an adequate number of Rheumatology physicians as verified by AmeriMed, a national consulting firm that specializes in physician manpower studies. PPH has an established physician recruitment program and had allocated resources to attract additional Rheumatology physicians to relocate to Inland North San Diego County. Roger Kornu, M.D., and Michael Keller, M.D., for San Diego Arthritis Medical Group, have signed the PPH Physician Recruitment Agreement in order to establish a new office of San Diego Arthritis Medical Group in Poway, CA. They intend to open the new office in September 2005.

Budget Impact: None

Staff Recommendation: Approval of the Physician Recruitment Agreement with Dr. Kornu and Dr. Keller and recommend approval by the full Board of Directors.

Committee Questions:

COMMITTEE RECOMMENDATION: The Finance Committee recommends approval of the Physician Recruitment Agreement with Dr. Kornu and Dr. Keller.

Motion:

Individual Action:

Information:

Required Time:

PALOMAR POMERADO HEALTH - AGREEMENT ABSTRACT

Section Reference	Term/Condition	Term/Condition Criteria
	TITLE	Physician Recruitment Agreement—Rheumatology
	AGREEMENT DATE	Effective after Board approval
	PARTIES	1) PPH 2) Roger Kornu, M.D. Michael Keller, M.D. for San Diego Arthritis Medical Clinic
Recitals; Article I.1	PURPOSE	Provide recruitment assistance to enable Dr. Kornu to establish a rheumatology practice in Poway
Article I	SCOPE OF SERVICES	Dr. Kornu will establish a new office of San Diego Arthritis Medical Clinic in Poway. The contract includes a commitment to staff the Poway office 80% time, with the remainder of his time being spent in their Mission Valley office where they conduct their clinical trials or up to two days a month staffing their El Centro office.
2.2(a); Exhibit 3.1(a).2	TERM	1 year of income assistance; two-year repayment/forgiveness period. PPH is guaranteeing only 80% of his salary, consistent with the 80% time commitment.
Recruitment procedure D.2	RENEWAL	None available
Article VI	TERMINATION	Contract stipulates conditions for termination by hospital, termination by physician and termination in event of governmental action.
Article II; 2.2, 2.3, 2.4	COMPENSATION METHODOLOGY	For monthly income guarantee physician will submit monthly report of expenses and collections. For relocation and start-up cost assistance physician will submit receipts.
	BUDGETED	X YES <input type="checkbox"/> NO – IMPACT: None
5.5	EXCLUSIVITY	X NO <input type="checkbox"/> YES – EXPLAIN: Government prohibits hospitals from requiring physician to exclusively have privileges or make referrals only to their hospital.
	PHYSICIAN MANPOWER STUDY	The Physician Manpower Study conducted by AmeriMed, a national consulting firm, confirmed there is a justifiable community need for this recruitment
	EXTERNAL FINANCIAL VERIFICATION	X YES <input type="checkbox"/> NO Methodology: Medical Development Specialists (MDS) developed a pro forma for the practice to establish the contract value to cover income guarantee and cash flow needs. MDS also provided the market comparison to establish an appropriate income guarantee.
	LEGAL COUNSEL REVIEW	X Yes <input type="checkbox"/> No No exceptions to the standard agreement. Legal supports that agreement complies with Federal Regulations.
	APPROVALS REQUIRED	X CPO X CFO X CEO X BOD Finance Committee on July 26, 2005 X BOD

PHYSICIAN RECRUITMENT AGREEMENT

by and among

PALOMAR POMERADO HEALTH (“Hospital”)

and

ROGER KORNU, M.D. (“Physician”)

and

MICHAEL I. KELLER, M.D., INCORPORATED (“Group”)

TABLE OF CONTENTS

PHYSICIAN RECRUITMENT AGREEMENT1

ARTICLE I. PHYSICIAN’S OBLIGATIONS.....2

ARTICLE II. GROUP’S OBLIGATIONS4

ARTICLE III. RECRUITMENT INCENTIVES.....6

ARTICLE IV. PROMISSORY NOTE; SECURITY AGREEMENT; GROUP GUARANTEE..10

ARTICLE V. INSURANCE AND INDEMNITY.....11

ARTICLE VI. RELATIONSHIPS AMONG THE PARTIES12

ARTICLE VII. TERM AND TERMINATION.....14

ARTICLE VIII. GENERAL PROVISIONS.....18

Exhibits

Exhibit 1.1(a) – Service Area..... 1.1(a)-1

Exhibit 3.2(b) – Physician Financial Report.....3.2(b)-1

Exhibit 4.1(a) – Secured Promissory Note 4.1(a)-1

Exhibit 4.1(b) – Physician Security Agreement4.1(b)-1

 Attachment A – Description of Collateral4.1(b)-7

 Attachment B – Account Control Agreement.....4.1(b)-8

Exhibit 4.2 – Group Guarantee and Security Agreement 4.2-1

 Attachment A – Description of Collateral 4.2-9

Exhibit 6.3 – Code of Conduct 6.3-1

Exhibit 8.15 – Obligations under the Health Insurance Portability and
 Accountability Act of 1996 (“HIPAA”) 8.15-1

166

PHYSICIAN RECRUITMENT AGREEMENT

THIS PHYSICIAN RECRUITMENT AGREEMENT (this "Agreement") is entered into and effective as of _____, 20__ (the "Execution Date"), by and among PALOMAR POMERADO HEALTH, a California district hospital ("Hospital"), Roger Kornu, M.D., an individual ("Physician"), and MICHAEL I. KELLER, M.D., INCORPORATED, a professional corporation ("Group"). Hospital, Physician, and Group are sometimes referred to in this Agreement, individually, as a "Party" or, collectively, as the "Parties."

RECITALS

- A. Hospital owns and operates two acute care hospital facilities located in Inland North San Diego County, which serve the communities of Escondido, San Marcos, Valley Center, Pala, Pauma Valley, Ramona, Julian, Poway, Rancho Bernardo, and Rancho Penasquitos.
- B. Physician is duly licensed to practice medicine in the State of California (the "State") and is board eligible for the practice of medicine in the specialty of Rheumatology (the "Specialty").
- C. At the time of the recruitment discussions, Physician was a resident in training.
- D. Hospital has determined that there is a community need for the services of Physician based upon the fact that:
1. The population-to-physician ratio in the community is deficient in the Specialty.
 2. There is demand in the community for medical services in the Specialty and a documented lack of availability of or long waiting periods for medical services in the Specialty.
 3. Physicians are reluctant to relocate to the community due to Hospital's high cost of living, relatively high housing costs, and traditionally low level of reimbursement for medical services.
 4. The number of physicians in the Specialty will be reduced due to the retirement or departure of physicians presently in the community within the next three-to-five year period.
 5. There is a documented lack of physicians serving indigent or Medicaid patients in the community.
- E. Physician has expressed to Hospital that Physician will not relocate to the Service Area without the financial assistance provided by Hospital pursuant to this Agreement.

F. Physician has further expressed to Hospital that Physician desires to establish a medical practice in the Service Area as an employee of Group, rather than establish Physician's own private medical practice.

AGREEMENT

THE PARTIES AGREE AS FOLLOWS:

ARTICLE I. PHYSICIAN'S OBLIGATIONS

1.1 Provision of Professional Services.

(a) Physician shall commence providing professional services in the Service Area no later than November 1, 2005 (the "Start Date"), and shall thereafter operate a medical practice in the Specialty, as an employee of Group, at one or more offices (the "Offices") located within the geographic area identified by the U.S. Postal Service Zip Codes listed in Exhibit 1.1(a) (the "Service Area") (the operation of a medical practice in the Specialty within the Service Area shall hereafter be referred to as the "Practice"). The Offices are hereby approved by Hospital, and Physician and Group shall not relocate the Offices without the prior written consent of Hospital.

(b) Physician acknowledges and agrees that Hospital has no obligation or role with respect to any aspects of the relationship between Physician and Group, and that Physician is solely responsible for establishing all necessary legal relationships with Group, including any employment or independent contractor agreement, tax filings, insurance, and ensuring that Group takes all steps necessary for Physician to meet Physician's obligations under this Agreement.

1.2 Part-Time Commitment. Physician shall, from and after the Start Date, personally devote eighty percent (80%) of his professional efforts to the Practice. Physician shall devote an average of at least one hundred twenty-eight (128) hours per month to the Practice.

1.3 Participation in Governmental Programs. Physician shall, from and after the Start Date, 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"), which programs include, but are not limited to, Medicare and Medicaid; accept and perform professional services for Federal Health Care Program patients at a level that is commensurate with the community need in the Service Area as determined by Hospital; and participate in any Medicare and/or Medicaid managed care efforts and programs of Hospital, as reasonably requested by Hospital from time to time.

1.4 Uncompensated Care. Physician shall, from and after the Start Date, provide uncompensated care for hospital patients as reasonably requested by Hospital from time to time. Hospital and Physician shall cooperate in designating the recipients of uncompensated care.

1.5 Medical Staff Membership. Physician shall, from and after the Start Date, be a member in good standing in the "active staff" category of Hospital's medical staff (the "Medical

Staff”), and maintain all clinical privileges necessary to practice medicine in the Specialty at Hospital; provided, however, that if Physician, as of the Start Date, is not a member in good standing in the “active staff” category of the Medical Staff, or has not obtained all clinical privileges necessary to practice medicine in the Specialty at Hospital, Physician shall have a reasonable amount of time to obtain such membership and/or clinical privileges, provided that Physician diligently pursues such membership and/or clinical privileges in accordance with the normal procedures set forth in the bylaws, rules, regulations, guidelines and policies of Hospital and Medical Staff (collectively, the “**Hospital Rules**”). Physician shall, from and after the Start Date, actively participate in the Medical Staff department or section encompassing the Specialty and on all Medical Staff committees to which Physician may be appointed by the Medical Staff from time to time. Physician may obtain and maintain medical staff membership and clinical privileges at any other hospital or health care facility.

1.6 Professional Qualifications. Physician shall, from and after the Start Date, be duly licensed to practice medicine in the State, and shall be board eligible in the Specialty. Physician shall exclusively practice medicine in the Specialty.

1.7 Professional Standards. Physician shall, from and after the Start Date, comply with all Hospital Rules, and participate in continuing education as necessary to maintain licensure, professional competence and skills commensurate with the standards of the medical community and as otherwise required by the medical profession.

1.8 Participation on Emergency Department Call Panels. Physician shall, from and after the Start Date, participate on any on-call panels of physicians practicing in the Specialty maintained by Hospital’s emergency department in a manner consistent with the coverage schedule and call requirements established by Hospital and the Medical Staff for such services. Physician shall provide hospital consults as reasonable requested by Hospital and the Medical Staff.

1.9 Participation in Managed Care. Physician shall, from and after the Start Date, participate in all managed care programs, and shall accept and perform professional services for managed care patients, as reasonably requested by Hospital from time to time. Physician shall join and maintain a provider agreement with such independent physician associations or other organizations as reasonably requested by Hospital from time to time.

1.10 Community Benefit Activities. Physician shall, from and after the Start Date, participate in health fairs and other community health activities sponsored by Hospital in the Service Area, as reasonably requested by Hospital from time to time not to exceed 4 such activities per contract year.

1.11 Notification of Certain Events. Physician shall notify Hospital in writing within forty-eight (48) hours after becoming aware of the occurrence of any of the following events:

(a) Physician becomes the subject of, or materially involved in, any investigation, proceeding, hearing or other disciplinary action by any federal, state or local governmental agency or program, including the Federal Health Care Programs;

- (b) Physician's medical staff membership or any clinical privilege at any health care facility (including Hospital) is denied, suspended, terminated, restricted, revoked or voluntarily relinquished for any reason, regardless of the availability of civil or administrative hearing rights or judicial review with respect thereto;
- (c) Physician becomes the subject of any suit, action or other legal proceeding arising out of Physician's professional services;
- (d) Physician is required to pay damages or any other amount in any malpractice action by way of judgment or settlement;
- (e) Physician becomes the subject of any disciplinary proceeding or action by any hospital, any state's medical board or any similar agency responsible for professional licensing, or professional standards or behavior;
- (f) Physician is charged with a felony or with a misdemeanor involving fraud, dishonesty, or moral turpitude;
- (g) Physician violates, or causes any other person or entity to violate, the Code of Conduct (as defined in Section 6.3);
- (h) any act of nature or any other event occurs which substantially interrupts all or a portion of the Practice or which has a material adverse effect on Physician's ability to perform Physician's obligations under this Agreement;
- (i) any material adverse change in the condition of the Practice;
- (j) Physician changes Physician's Specialty or the location of the Offices;
- (k) Physician's license to practice medicine in the State or any other jurisdiction, or Physician's Drug Enforcement Agency ("DEA") registration, is denied, suspended, terminated, restricted, 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; or
- (l) the occurrence of any Event of Default (as defined in Section 7.2).

ARTICLE II.
GROUP'S OBLIGATIONS

2.1 Association with Physician. On or before the Start Date, Group shall engage Physician as an employee of Group. Except as otherwise required by or set forth in this Agreement, Hospital shall have no right to dictate the terms upon which Group engages Physician, which terms shall be as agreed upon by Physician and Group. Group shall notify Hospital in writing within forty-eight (48) hours after becoming aware of the termination or pending termination of Physician's employment with Group.

2.2 Physician Base Compensation. Group shall pay to Physician, each month during the Assistance Period (as defined in Section 3.2(a)), as base compensation, no less than an amount equal to the Guaranteed Monthly Income (as defined in Section 3.2(a)), before income and employment taxes, and less (a) the actual cost and expense incurred by Group for Physician's benefits and (b) the applicable monthly Income Guarantee Advance (as defined in Section 3.2(c)).

2.3 Physician Bonus Compensation. Group may, in addition to Physician's base compensation, pay to Physician such bonus compensation as determined by Group from time to time in its sole and absolute discretion, or, if set forth in an agreement between Group and Physician, as determined pursuant to such agreement; provided that, in either case, the aggregate compensation payable to Physician is fair market value not taking into account the value or volume of referrals to or other business generated for Hospital or any Affiliate (as defined in Section 7.4(d)).

2.4 Part-Time Practice. Group shall, from and after the Start Date, use its best efforts to ensure that Physician has a patient load sufficient to enable Physician to provide professional medical services on an eighty percent (80%) of full-time basis in the Service Area.

2.5 Books and Records. Group shall, from and after the Start Date, establish and maintain an accurate bookkeeping system for all practice expenses, payments, and patient billings and receipts of Group and Physician. Group shall retain all such books and records for a period of five (5) years following the expiration or termination for any reason of this Agreement. Group shall, from and after the Start Date, allow Hospital to audit Group's books and records during regular business hours for purposes of monitoring Group's compliance with the terms and conditions of this Agreement. This Section shall survive the expiration or termination for any reason of this Agreement.

2.6 Accounts Receivable. Group shall, from and after the Start Date, take all necessary and reasonable steps to ensure that: (a) bills and claims are submitted to patients and payors as soon as reasonably possible after services are furnished, but not more than fifteen (15) days after Physician's provision of services for a patient; (b) bills and claims are collected in a timely and commercially reasonable manner; reasonable and affirmative collection actions are taken with respect to bills and claims which are outstanding for more than ninety (90) days; and (c) all collections from patients and payors are immediately recorded so the Parties may calculate the amount of any Income Guarantee Advances (as defined in Section 3.2(c)) due to Physician.

2.7 Attribution of Collections and Expenses. Group shall, for purposes of determining the amount of the Income Guarantee Advances, attribute to Physician any and all amounts received by Group or Physician with respect to services furnished by Physician in connection with the Practice, including amounts received with respect to professional medical services, medical director services, on-call coverage services or administrative services provided or to be provided by Physician within the Service Area, and shall attribute to Physician only those additional incremental operating expenses (including the amount of any additional incremental capital costs and expenses depreciable in accordance with generally accepted accounting principles) that are actually and reasonably incurred by Group and/or Physician and directly related to the operation of the Practice.

2.8 Monthly Reports. Group shall provide the following information to Hospital, as soon as reasonably possible, but not more than thirty (30) days following the last day of each month of the Assistance Period (as defined in Section 3.2(a)), as an attachment to each Physician Financial Report (as defined in Section 3.2(b)): (a) an accounting of the salary and benefits paid to Physician during the month; (b) an accounting of the total practice expenses and Incremental Practice Expenses (as defined in Section 3.2(c)) incurred by Group during the month; (c) an accounts receivable report detailing Group's outstanding accounts receivable attributable to the professional services provided by Physician within the Service Area during the month and an aging report on all of Group's outstanding accounts receivable (including, without limitation, any reserves for contractual allowances and bad debts) related to Physician's service within the Service Area; and (d) a collections report detailing the Practice Receipts (as defined in Section 3.2(c)) for the month.

2.9 Quarterly Reports. Group shall provide the following information to Hospital not more than thirty (30) days after the last day of each fiscal quarter during Group's fiscal year: (a) a detailed quarterly financial statement of Group's professional medical practice, including a balance sheet, statement of income and operations, and a statement of cash flow; (b) a statement detailing the amounts, classes, aging and other relevant information regarding Group's outstanding accounts receivable attributable to Physician services within the Service Area; and (c) such additional information regarding the financial condition or the professional medical practice of Group or the collateral under the Group Guarantee (as defined in Section 4.2) as Hospital may reasonably request from time to time.

2.10 Employment Taxes and Benefits. Group shall, from and after the Start Date, be responsible for paying, withholding or providing all employment taxes, benefits and expenses (including federal and state income and employment taxes) related to Physician.

2.11 No Limitations or Restrictions on Physician's Practice. During the term of this Agreement, Group shall not impose or enforce, or attempt to impose or enforce, any limitations or restrictions on Physician's practice of medicine, other than limitations or restrictions directly related to quality of care. Without limiting the generality of the foregoing, during the term of this Agreement, Group shall not impose or enforce, or attempt to impose or enforce, any restrictions or limitations on Physician's ability to compete with Group or any other limitations or restrictions that impair or impede, or could reasonably be expected to impair or impede, Physician's ability to establish and operate a medical practice separate and apart from Group.

ARTICLE III. RECRUITMENT INCENTIVES

Recruitment Incentives. Hospital shall make available to Physician a loan consisting of the advances described in this Article III (the "**Recruitment Loan**"). Physician shall repay the Recruitment Loan pursuant to the terms and conditions of the Recruitment Note (as defined in Section 4.1(a)); provided, however, that amounts due to Hospital under the Recruitment Note may be forgiven, in whole or in part, as applicable, if certain conditions, outlined below and set forth in the Recruitment Note, are satisfied by Physician. Notwithstanding any other provision of this Agreement, the aggregate amount of the

Recruitment Loan shall not exceed [REDACTED]
[REDACTED]

3.2 Income Guarantee Advances.

(a) **Guaranteed Monthly Income.** Hospital shall advance to Physician such amounts, calculated in accordance with Section 3.2(c), as may be necessary for Physician to receive a minimum monthly income from those services provided within the Service Area, before income and employment taxes, of [REDACTED] per month (the “**Guaranteed Monthly Income**”) for twelve (12) successive months (the “**Assistance Period**”), commencing on the Start Date.

(b) **Physician Financial Report.** Within ten (10) days after the last day of each month during the Assistance Period and each of the three (3) months after the Assistance Period, Physician shall submit (or cause Group to submit) to Hospital an accurate and complete report of Practice Receipts and Incremental Practice Expenses (each as defined in Section 3.2(c)) on the form attached as **Exhibit 3.2(b)** (the “**Physician Financial Report**”). Group and Physician shall acknowledge their approval and certify the accuracy of the contents of each Physician Financial Report by signing the Physician Financial Report prior to submission to Hospital.

(c) **Timing and Calculation of Advances.** Not more than thirty (30) days following receipt of the Physician Financial Report for each month during the Assistance Period, Hospital shall advance to Physician an amount equal to: (i) the Guaranteed Monthly Income, plus (ii) the additional incremental operating costs and expenses: (A) actually and reasonably incurred by Physician or Group, (B) directly attributable to the provision of professional medical services by Physician within the Service Area during such month, and (C) identified in and subject to the limits specified in the Physician Financial Report (“**Incremental Practice Expenses**”); minus: (iii) the amount collected, on a cash basis, in such month from all sources by Group and Physician and attributable to services furnished by Physician within the Service Area in connection with the Practice, including, without limitation, amounts received with respect to professional medical services, medical director services, on-call coverage services or administrative services provided or to be provided by Physician (“**Practice Receipts**”). The sums advanced to Physician pursuant to this Section shall be referred to as the “**Income Guarantee Advances.**”

(d) **Prorated Advances.** If the Start Date is other than the first (1st) day of a month, or if the last date of the Assistance Period is other than the last day of a month, the amounts of Guaranteed Monthly Income, Practice Receipts, and Incremental Practice Expenses shall be prorated based upon the actual number of days in the Assistance Period elapsed during such month and the aggregate number of days in that month.

(e) **Excess Receipts.** If Practice Receipts exceed the sum of Guaranteed Monthly Income and Practice Expenses in any month during the Assistance Period, Physician shall remit (or cause Group to remit) to Hospital such excess (the “**Excess Receipts**”), but only up to the amount of the then-outstanding principal balance of, and accrued interest owing on, the Income Guarantee Advances. Physician shall remit (or cause Group to remit) such Excess

Receipts to Hospital on the same day that the Physician Financial Report is submitted to Hospital. All Excess Receipts shall be applied by Hospital against the then-outstanding balance of the Recruitment Loan, in accordance with the terms of the Recruitment Note (as defined in Section 4.1(a)).

Aggregate Amount. Notwithstanding any other provision of this Agreement, the aggregate amount of the Income Guarantee Advances shall not exceed

(g) **Recruitment Note.** Physician shall repay the Income Guarantee Advances pursuant to the terms and conditions of the Recruitment Note (as defined in Section 4.1(a)).

(h) **Contingencies to Payment of Income Guarantee Advances.** Notwithstanding any other provision of this Agreement, Hospital's obligation to advance any Income Guarantee Advances to Physician pursuant to this Section 3.2 shall be contingent upon Physician's and Group's compliance with the terms and conditions of this Agreement, the Recruitment Note (as defined in Section 4.1(a)), the Physician Security Agreement (as defined in Section 4.1(b)), and the Group Guarantee (as defined in Section 4.2), including, without limitation, the timely submission to Hospital of accurate and complete monthly Physician Financial Reports in accordance with Section 3.2(b).

(i) **Payment Instructions.** Physician hereby directs Hospital to deliver directly to Group checks drawn in Physician's name representing Income Guarantee Advances to which Physician may be entitled under this Section 3.2 (the "Payment Instructions"). The Parties acknowledge and agree that the Payment Instructions shall terminate upon the termination of Physician's employment with Group, without penalty or loss to Physician of benefits under this Section 3.2. From and after the date of cancellation of the Payment Instructions, Hospital shall deliver directly to Physician any and all Income Guarantee Advances to which Physician may be entitled under this Section 3.2.

(j) **No Transfer to Group.** Physician shall not transfer or assign to Group, and Group shall not demand or accept from Physician, any Income Guarantee Advance advanced to Physician by Hospital pursuant to this Section, except to the extent that such amounts actually incurred by Group represent reimbursement for Incremental Practice Expenses.

(k) **Waiver of Income Guarantee Advances Amounts.** Physician, in Physician's sole discretion, and notwithstanding the Payment Instructions, may waive the right to receive Income Guarantee Advances amounts with respect to any month during the Assistance Period by giving written notice to Hospital at the time the Physician Financial Report is submitted for such month to Hospital.

3.3 **Moving Expense Reimbursement.**

(a) **Moving Expense Reimbursement.** Hospital shall, within Thirty (30) days after submission by Physician to Hospital of receipts in accordance with Section 3.3(d), advance to Physician an amount necessary to reimburse Physician for the Moving Expenses (as defined in Section 3.3(b)) actually and reasonably incurred by Physician in connection with

Physician's relocation to the Service Area; provided, however, that such amount shall not exceed [REDACTED]. The amount advanced to Physician pursuant to this Section shall be referred to as the "Moving Expense Reimbursement."

(b) **Moving Expenses.** For the purposes of this Agreement, "Moving Expenses" shall mean and be limited to the actual and reasonable cost of: (i) one or more moving vans for personal and practice-related possessions; (ii) packing of personal and practice-related possessions (including packing materials); (iii) loading and unloading of personal and practice-related possessions; and (iv) relocation travel expenses for airfare, or mileage and lodging if traveling by automobile, for Physician and Physician's immediate family.

(c) **No Transfer to Group.** Physician shall not transfer or assign to Group, and Group shall not demand or accept from Physician, any Moving Expense Reimbursement amounts advanced to Physician by Hospital pursuant to this Section, unless and only to the extent that such amounts were actually incurred by Group for Moving Expenses and Group has furnished receipts evidencing such Moving Expenses to Hospital.

(d) **Contingencies to Reimbursement of Moving Expenses.** Hospital's obligation to advance the Moving Expense Reimbursement to Physician shall be contingent upon Physician's submission, within sixty (60) days after the Start Date, of accurate receipts to Hospital evidencing the Moving Expenses, in form and substance acceptable to Hospital, and Physician's compliance with the terms of this Agreement, the Recruitment Note (as defined in Section 4.1(a)) and the Physician Security Agreement (as defined in Section 4.1(b)). If Physician does not submit receipts to Hospital within sixty (60) days after the Start Date, Hospital shall not be obligated to advance any further amounts under the Moving Expense Reimbursement, and Physician shall immediately return to Hospital any amounts previously advanced to Physician under the Moving Expense Reimbursement.

(e) **Recruitment Note.** Physician shall repay the Moving Expense Reimbursement pursuant to the terms and conditions of the Recruitment Note (as defined in Section 4.1(a)).

3.4 **Assistance Advance.**

(a) **Assistance Advance.** Hospital shall, on or before October 1, 2005, advance to Physician an amount equal to [REDACTED]. The amounts advanced to Physician pursuant to this Section shall be referred to as the "Assistance Advance."

(b) **Use of Funds.** Physician shall use the Assistance Advance for the following purposes only: start up expenses including consulting, minor medical and office equipment (less than \$2,000 each), furnishings, office lease deposit, and initial medical and office supplies inventory (the "Permitted Purposes"). Any use of funds permitted by this Section 3.4(b) must relate to Physician's work in the Service Area.

(c) **Contingencies to Payment of Assistance Advance.** Hospital's obligation to advance the Assistance Advance to Physician shall be contingent upon Physician's submission, within ninety (90) days after the Start Date, of documentation of the use of such funds for the Permitted Purposes above to Hospital, in form and substance acceptable to

Hospital. If Physician does not submit such documentation to Hospital within ninety (90) days after the Start Date, Hospital shall not be obligated to advance any further amounts to Physician under the Assistance Advance and Physician shall immediately remit to Hospital any amounts previously advanced to Physician under the Assistance Advance.

(d) **No Transfer to Group.** Physician shall not transfer or assign to Group, and Group shall not demand or accept from Physician, any Assistance Advance advanced to Physician by Hospital pursuant to this Section, except to the extent that such amounts actually incurred by Group represent reimbursement for Incremental Practice Expenses.

(e) **Recruitment Note.** Physician shall repay the Assistance Advance pursuant to the terms and conditions of the Recruitment Note (as defined in Section 4.1(a)).

3.5 Final Statement. Within thirty (30) days after submission of the last Physician Financial Report, Hospital shall prepare and deliver to Physician and Group a written statement of all amounts advanced by Hospital to Physician pursuant to this Agreement and all Excess Receipts paid by Physician to Hospital pursuant to this Agreement (the "**Final Statement**"). Physician must provide written notification to Hospital of any objections to the amounts reported by Hospital within thirty (30) days of Hospital's delivery of the Final Statement. If Physician does not provide a written notice of objection within thirty (30) days of Hospital's delivery of the Final Statement, the amount reported by Hospital on the Final Statement shall be the total principal balance owed by Physician to Hospital under the Recruitment Note. If Physician does object, the Parties may either agree to binding arbitration or either Party may file a legal action to determine the amount of the total principal balance owed by Physician to Hospital under the Recruitment Note.

ARTICLE IV.

PROMISSORY NOTE; SECURITY AGREEMENT; GROUP GUARANTEE

4.1 Physician's Deliverables. Concurrently with the execution of this Agreement, Physician shall execute and deliver to Hospital:

(a) the secured promissory note in the form attached as **Exhibit 4.1(a)** (the "**Recruitment Note**");

(b) the security agreement in the form attached as **Exhibit 4.1(b)** (the "**Physician Security Agreement**"); and

(c) a completed IRS Form W-9 identifying Physician's taxpayer identification number.

4.2 Group's Deliverables. Concurrently with the execution of this Agreement, Group shall execute and deliver to Hospital a guarantee and security agreement in the form attached as **Exhibit 4.2** (the "**Group Guarantee**").

4.3 Further Cooperation. Physician and Group shall perform, or ensure the performance of, all actions and execute, or ensure the execution of, all documents necessary to

perfect the security interests granted in the Physician Security Agreement and the Group Guarantee, as reasonably requested by Hospital from time to time.

ARTICLE V.
INSURANCE AND INDEMNITY

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

5.2 Certificate of Insurance. On or before the Start Date, Physician shall provide to Hospital, or cause Group to provide to Hospital, an original certificate evidencing professional malpractice liability insurance coverage, and shall provide to Hospital, or cause Group to provide to Hospital, proof of continued professional malpractice liability insurance coverage on an annual basis (or as periodically requested by Hospital). Physician shall provide to Hospital, or cause Group to provide to Hospital, at least thirty (30) days' prior written notice of cancellation or any material change in such professional malpractice liability insurance coverage.

5.3 Tail Coverage. If Physician's professional malpractice liability insurance is provided on a claims-made basis, upon the expiration or termination for any reason of this Agreement, Physician shall continuously maintain, or cause Group to continuously maintain, such insurance or purchase, or cause to be purchased, from an insurance company licensed or otherwise qualified to issue professional liability insurance policies or coverage in the State, and acceptable to Hospital, extended reporting period (*i.e.*, "tail") coverage for the longest extended reporting period then available to ensure that insurance coverage in the amount set forth in Section 5.1 of this Agreement is maintained for claims which arise from professional services provided by Physician during the term of this Agreement.

5.4 Indemnification.

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

(b) **Indemnification by Group.** Group shall indemnify and hold harmless Hospital from and against: (i) any and all liability arising out of Group's failure to comply with the terms of this Agreement, and any injury, loss, claims, or damages arising from the negligent operations, acts, or omissions of Group or Group's employees or agents relating to or arising out

of their professional services or this Agreement; and (ii) any and all costs and expenses, including reasonable legal expenses, incurred by or on behalf of Hospital in connection with the defense of such claims.

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

5.5 Cooperation among the Parties.

(a) The Parties recognize that, during the term of this Agreement and for a 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 claims handling issues in a manner that strongly encourages full cooperation among the Parties.

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

5.6 Survival of Insurance and Indemnity Obligations. The provisions of this Article V shall expressly survive the expiration or earlier termination of this Agreement.

ARTICLE VI. RELATIONSHIPS AMONG THE PARTIES

6.1 Independent Contractor. Physician and Group 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 Physician or Group.

6.2 No Tax/No Benefit Contributions. Hospital shall not be liable under this Agreement for withholding or compensating, paying or providing for taxes (including, but not

limited to, federal and state income and employment taxes), or providing employee benefits of any kind (including contributions to government mandated, employment-related insurance and similar programs) to, or on behalf of, Physician or any other person employed or retained by Physician. If Hospital is required to compensate, pay or provide for taxes, or provide employee benefits of any kind (including contributions to government mandated, employment-related insurance and similar programs) to, or on behalf of, Physician or any person employed, retained by or associated with Physician, Physician shall reimburse Hospital the amount of any such expenditure within ten (10) days after being notified of such expenditure.

6.3 Code of Conduct. Each of Physician and Group hereby acknowledges receipt of Hospital's Code of Conduct, attached to this Agreement as **Exhibit 6.3** (the "**Code of Conduct**"), and agrees that he, she, or it has been given ample opportunity to read, review and understand the Code of Conduct. Neither Physician nor Group shall act in any manner which conflicts with or violates the Code of Conduct, or cause another person to act in any manner which conflicts with or violates the Code of Conduct. Physician and Group shall comply with the Code of Conduct as it relates to their respective business relationships with Hospital, any Affiliate (as defined in Section 7.4(d)), or Hospital's or any Affiliate's employees, agents, servants, officers, directors, contractors and suppliers of any kind.

6.4 Referrals. Nothing in this Agreement or in any other written or oral agreement between Hospital and either Physician or Group, nor any consideration offered or paid in connection with this Agreement, contemplates or requires the admission or referral of any patients or business to Hospital or any Affiliate (as defined in Section 7.4(d)) by Physician or any Group Physician (as defined in Section 6.5). This Agreement is not intended to influence Physician's or any other Group Physician's judgment in choosing the hospital or other health care facility or provider deemed by Physician or any other Group Physician to be best qualified to deliver goods or services to any particular patient. The rights of Physician and Group under this Agreement shall not be dependent in any way on the referral of patients or business to Hospital or any Affiliate by Physician or any other Group Physician. Notwithstanding the foregoing, Physician and Group shall not refer any Hospital patient to any provider of health care services that Physician or any other Group Physician knows or should know is excluded or suspended from participation in, or sanctioned by, any Federal Health Care Program.

6.5 Practice of Medicine; Limitation on Control. Hospital is neither authorized nor qualified to engage in any activity which may be construed or deemed to constitute the practice of medicine. Hospital shall neither have nor exercise any control or direction over the professional medical judgment of Physician or Group or any other physician employed by or contracting with Group (each, a "**Group Physician**"), or the methods by which any of them performs professional medical services; provided, however, that Physician, Group and the Group Physicians shall be subject to and shall at all times comply with the Hospital Rules, and the terms and conditions of this Agreement.

6.6 Termination of Physician's Relationship with Group.

(a) If and on the date that Physician ceases to perform professional medical services in association with Group for any reason during the term of this Agreement, Group's obligations under Article II of this Agreement (other than Group's obligation to maintain books

and records in accordance with Section 2.5) shall be automatically transferred and assigned to Physician, and Physician shall be deemed to have accepted and assumed, and thereafter be solely and exclusively responsible for, the obligations of Group under Article II of this Agreement.

(b) If Physician subsequently establishes a practice with another professional corporation, professional partnership or medical services organization (the “**Alternative Group**”), Physician shall cause the Alternative Group to execute and deliver to Hospital, not more than thirty (30) days following the commencement of Physician’s association therewith: (i) an agreement to accept and assume the obligations of Group under this Agreement and to abide by the terms and conditions of this Agreement, in such form as reasonably requested by Hospital; and (ii) a guarantee and security agreement substantially in the form of the Group Guarantee attached as Exhibit 4.2.

ARTICLE VII. TERM AND TERMINATION

7.1 Term. This Agreement shall have a term commencing on the Execution Date and continuing until all sums owing on the Recruitment Note are either forgiven or paid in full in accordance with the terms of this Agreement and the Recruitment Note.

7.2 Termination by Hospital. Hospital shall have the right to terminate this Agreement immediately upon the occurrence of any one or more of the following events (each an “**Event of Default**”):

(a) breach of this Agreement by Physician where the breach is not cured within thirty (30) days after Hospital gives written notice of the breach to Physician;

(b) breach of this Agreement by Group where the breach is not cured within thirty (30) days after Hospital gives written notice of the breach to Group;

(c) any representation or warranty made by Physician or Group in or pursuant to this Agreement, the Physician Security Agreement or the Group Guarantee shall prove to be untrue or incorrect in any respect when made or deemed made;

(d) Physician’s voluntary retirement from the practice of medicine;

(e) Physician’s medical staff membership, or any clinical privilege at any health care facility (including Hospital) is denied, suspended, terminated, restricted, revoked or relinquished for any reason, regardless of the availability of civil or administrative hearing rights or judicial review with respect thereto;

(f) Physician’s license to practice medicine in the State, or any other jurisdiction, is denied, suspended, terminated, restricted, 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;

(g) Physician fails to maintain current and valid DEA registration;

(h) Physician is charged with or convicted of a felony or with a misdemeanor involving fraud, dishonesty, or moral turpitude;

(i) Physician's performance of this Agreement, in the sole determination of Hospital, jeopardizes the mental or physical health or well-being of any patient of Hospital;

(j) Physician or Group is debarred, suspended, excluded or otherwise ineligible to participate in any Federal Health Care Program;

(k) Physician or Group acts, or Physician or Group causes another person to act, in a manner which conflicts with or violates the Code of Conduct or Hospital Rules;

(l) breach by Physician or Group of any HIPAA Obligation;

(m) Physician makes an assignment for the benefit of creditors, admits in writing Physician's inability to pay Physician's debts as they mature, applies to any court for the appointment of a trustee or receiver of any of the Collateral (as defined in Section 1 of the Physician Security Agreement) or any substantial part of Physician's properties, or commences any voluntary proceedings under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution, liquidation or other similar law of any jurisdiction;

(n) any application or any proceedings described in Section 7.2(m) is filed or commenced against Physician, and Physician indicates Physician's approval, consent or acquiescence thereto, or an order is entered adjudicating Physician bankrupt or insolvent and such order remains in effect for thirty (30) days;

(o) Physician or Group breaches, defaults or fails to fully perform or observe, when and as required, any covenant, condition or agreement contained in any other agreements, promissory notes, instruments or documents with Hospital or any Affiliate (as defined in Section 7.4(d)), including, without limitation, the Recruitment Note, the Physician Security Agreement and the Group Guarantee, subject to any applicable cure periods expressly provided for in such agreements, promissory notes, instruments or documents;

(p) Physician defaults with respect to the payment of indebtedness or under any agreement, covenant, provision or condition with respect to such indebtedness, whether such indebtedness is owing to either Hospital or to any other creditor;

(q) any execution, levy or attachment is placed on any assets of Physician;

(r) Physician transfers all or substantially all of Physician's assets; or

(s) Physician is rendered unable to comply with the terms of this Agreement for any reason.

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

7.4 Termination or Modification in the Event of Government Action.

(a) In the event of any Government Action, the Parties shall, within ten (10) days after one Party gives written notification of the Government Action to the other Parties, meet and confer to 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 make the amendments necessary to comply with the Government Action, or, alternatively, if Hospital determines in good faith that compliance with the Government Action is impossible or infeasible, Hospital may terminate this Agreement effective ten (10) days after the date that Hospital gives a written notice of termination under this Section to the other Parties.

(c) For the purposes of this Section, “Government Action” shall mean any legislation, regulation, rule or procedure passed, adopted or implemented by any federal, state or local government or legislative body or any private agency, or any notice of a decision, finding, interpretation or action by any governmental or private agency, court or other third party which, in the opinion of counsel to Hospital, as a result or consequence, in whole or in part, of the arrangement among the Parties set forth in this Agreement, the Recruitment Note, the Physician Security Agreement or the Group Guarantee, 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 health facility license granted to Hospital or any Affiliate (as defined in Section 7.4(d));
- (ii) revocation or threat of revocation of the federal, state or local tax-exempt status of Hospital or any Affiliate, or their respective tax-exempt financial obligations;
- (iii) constitute a violation of 42 U.S.C. Section 1395nn (commonly referred to as the Stark law) or any state law governing patient referrals if Physician or any Group Physician referred patients to Hospital or any Affiliate;
- (iv) prohibit 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 Physician or any Group Physician; or
- (v) subject Hospital, Physician, Group, any Affiliate, or any of their respective employees or agents, to civil or criminal prosecution or the imposition of any sanction (including any excise benefit tax penalty under Internal Revenue Code Section 4958) on the basis of their participation in executing this Agreement or performing their respective obligations under this Agreement.

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

7.5 Automatic Termination upon Death or Permanent Disability.

(a) This Agreement shall automatically terminate upon the death or the inability of Physician to practice medicine in the Specialty for the foreseeable future (as evidenced by the opinion of an independent physician acceptable to Hospital) after such disability has existed for a continuous period exceeding one (1) year due to Physician’s physical or mental condition but excluding any such condition resulting, in whole or in part, from substance abuse, alcohol abuse, or criminal or fraudulent conduct by Physician (“**Permanent Disability**”).

(b) Notwithstanding any other provision of this Agreement, Hospital shall forgive the entire then-outstanding balance of principal and all accrued unpaid interest owing on the Recruitment Note, together with all other applicable fees, costs and charges, if any, in the event of Physician’s death or Permanent Disability. If Physician’s disability is determined not to be a Permanent Disability in the opinion of an independent physician acceptable to Hospital, all rights and duties under this Agreement shall be suspended until such short-term disability is deemed to no longer exist as determined by an independent physician acceptable to Hospital. Upon the termination of Physician’s short-term disability, the rights and duties of this Agreement shall recommence as if it was the day upon which Physician left the Practice due to the disability.

7.6 Qualifying Leave of Absence.

(a) If any Qualifying Leave of Absence (as defined below) occurs during the Assistance Period, Physician’s obligations under Sections 1.1 and 1.2 of this Agreement, and Hospital’s obligations under Article III of this Agreement, shall be suspended, and such Qualifying Leave of Absence shall not constitute an Event of Default under this Agreement, the Recruitment Note, or the Physician Security Agreement. In such event, Physician’s obligations under Sections 1.1 and 1.2 of this Agreement, and Hospital’s obligations under Article III of this Agreement, shall recommence as of the end of such Qualifying Leave of Absence, and the Assistance Period shall be extended for a period equal to the length of such Qualifying Leave of Absence.

(b) If a Qualifying Leave of Absence (as defined below) occurs after the end of the Assistance Period, Physician’s obligations under Sections 1.1 and 1.2 of this Agreement shall be suspended, any repayment and/or forgiveness under the Recruitment Note shall be suspended, and such Qualifying Leave of Absence shall not constitute an Event of Default under this Agreement, the Recruitment Note, or the Physician Security Agreement. In such event, Physician’s obligations under Sections 1.1 and 1.2 of this Agreement shall recommence as of the end of such Qualifying Leave of Absence, and the Repayment Period under the Recruitment Note shall be extended for a period equal to the length of such Qualifying Leave of Absence.

(c) Physician shall provide to Hospital at least thirty (30) days’ advance notice of any Qualifying Leave of Absence is to begin if the need for the Qualifying Leave of Absence is foreseeable, otherwise, as soon as practicable.

(d) Physician acknowledges and agrees that any leave of absence that does not constitute a Qualifying Leave of Absence, and any Qualifying Leave of Absence that exceeds a period of three (3) months, shall constitute an Event of Default for purposes of this Agreement.

(e) For purposes of this Agreement, "**Qualifying Leave of Absence**" shall mean a leave of absence for a period not to exceed three (3) months that is taken by Physician for one of the following reasons: (i) to take medical leave for Physician's own Serious Health Condition; (ii) to care for an immediate family member (child, parent or spouse) with a Serious Health Condition; (c) for the birth and care of a newborn child of Physician; or (d) for placement with Physician of a son or daughter for adoption or foster care. For purposes of this Agreement, "**Serious Health Condition**" shall have the same meaning as set forth in the federal Family and Medical Leave Act, 29 U.S.C. Section 2601 *et seq.*

7.7 Rights upon Expiration or Termination.

(a) **Generally.** Upon any 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 such termination or expiration.

(b) **Immediate Repayment of Outstanding Indebtedness.** Upon the termination or expiration of this Agreement for any reason, except termination of this Agreement pursuant to Sections 7.3, 7.4 or 7.5, Hospital may, at its option, declare any outstanding indebtedness evidenced by the Recruitment Note to be immediately due and payable to Hospital.

(c) **Repayment upon Termination by Physician or Government Action.** If this Agreement is terminated by Physician pursuant to Section 7.3 or as a result of Government Action pursuant to Section 7.4, the entire outstanding balance of principal and accrued interest together with any applicable fees, costs and charges owing on the Recruitment Note as of the effective date of such termination shall be payable by Physician to Hospital in thirty-six (36) equal monthly installments of principal and interest commencing as of the date that is one (1) month following the effective date of the termination of this Agreement; provided, however, if such repayment terms violate any federal, state or local law, rule or regulation, or Government Action, Physician shall pay to Hospital, on the effective date of the termination of this Agreement, the entire outstanding balance of principal and accrued interest together with any applicable fees, costs and charges owing on the Recruitment Note as of the effective date of such termination. Physician shall not have any right to offset the amount owing to Hospital under this Section upon termination by any amounts that then or thereafter may be owing by Hospital to Physician whether as a result of the termination or otherwise.

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.

184

8.2 Assignment. Except for assignment by Hospital to an entity owned, controlled by, or under common control with Hospital, or as otherwise contemplated by Section 6.6(a), no Party may assign any right, interest, duty, or obligation under this Agreement without each other Party's prior written consent. 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 any Party brings an action or proceeding, arising out of or relating to this Agreement, the Recruitment Note, the Physician Security Agreement or the Group Guarantee, 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, 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.

8.5 Compliance with Laws. Physician and Group shall comply with all applicable laws, ordinances, codes and regulations of federal, state and local governments, and any Government Action, including, without limitation, policies, standards, requirements, guidelines, and recommendations of the Joint Commission on Accreditation of Healthcare Organizations ("JCAHO"), all as in effect and amended from time to time.

8.6 Compliance with Medicare Rules. To the extent required by law or regulation, Physician and Group shall make available, or shall cause to be made available upon written request from Hospital, the Secretary of Health and Human Services, the Comptroller General of the United States, or any other duly authorized agent or representative, this Agreement and Physician's and Group's books, documents and records pertaining to this Agreement. Physician and Group shall preserve or cause to be preserved such books, documents and records for a period of ten (10) years after the end of the term of this Agreement. If Physician or Group is requested to disclose books, documents or records pursuant to this Section for any purpose, Physician or Group, as the case may be, shall notify Hospital of the nature and scope of such request, and shall make available to Hospital, upon written request of Hospital, all such books, documents or records. This Section shall survive the expiration or termination for any reason of this Agreement.

8.7 Confidentiality. No Party shall disclose any of the provisions of this Agreement to any person or entity, other than the Parties' respective attorneys or accountants, without the prior written consent of each other Party, unless and only to the extent such disclosure is required

by law, subpoena or legal process. Any Party may disclose the provisions of this Agreement to any person or entity without the prior written consent of the other Parties to the extent such disclosure is requested or required by (a) the Party's respective contracts existing as of the date of this Agreement; or (b) 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 Physician or Group to the extent such disclosure is requested or required by (a) Hospital's representatives or others in connection with any tax-exempt bond or other financing transactions of Hospital or any Affiliates; or (b) Hospital's corporate integrity program.

8.8 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.

8.9 Dispute Resolution. All disputes, controversies, claims, questions, or disagreements arising out of or relating to this Agreement, shall be litigated in any state or federal court having appropriate jurisdiction and located within the State, County of San Diego. The Parties, by the execution of this Agreement, expressly consent to the jurisdiction of any such court, to venue therein and to the service of process in any such action or proceedings, as required by applicable law.

8.10 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 among the Parties with respect to such subject matter. No other understanding among the Parties shall be binding on them unless set forth in writing, signed and attached to this Agreement.

8.11 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.

8.12 Force Majeure. No Party shall be liable for nonperformance or defective performance or late performance of any of his, her or 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).

8.13 Governing Documents. In the event of any inconsistency or conflict between the terms and conditions set forth in this Agreement and the terms and conditions set forth in the exhibits or attachments to this Agreement, this Agreement shall govern.

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 Compliance with HIPAA. Physician and Group shall comply with the HIPAA Obligations as defined and set forth in **Exhibit 8.15**. The HIPAA Obligations shall survive the expiration or termination for any reason of this Agreement.

8.16 Income Tax Ramifications. The Parties acknowledge that Group and Physician 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 under relevant income tax laws and regulations. The Parties acknowledge and agree that Hospital has not made any representation to either Group or Physician 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 or Physician, and shall not be interpreted or construed as tax advice to either Group or Physician.

8.17 Litigation Consultation. Physician shall not accept consulting assignments or otherwise contract, agree, or enter into any arrangement to provide expert testimony or evaluation on behalf of a plaintiff in connection with any claim against Hospital or any Affiliate named, or expected to be named, as a defendant. Neither Physician nor any Group Physician shall accept similar consulting assignments if (a) the defendant(s) or anticipated defendant(s) 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 Physician or such Group Physician served as a treating physician.

8.18 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.

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

8.20 Non-Discrimination. Neither Group nor Physician 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, Physician, 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.

8.21 No Other Relocation Assistance Being Received. Physician represents and warrants that Physician is not bound by any agreement with any other person or entity pursuant to which Physician receives or will receive financial assistance or compensation during the Assistance Period, except as previously disclosed in writing to Hospital.

8.22 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.

8.23 Notices. All notices or communications required or permitted under this Agreement shall be given in writing and shall be delivered to the Party or Parties 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.

8.24 Participation in Governmental Programs.

(a) Physician represents that Physician, is not, and has never been, debarred, suspended, excluded or otherwise ineligible to participate in any Federal Health Care Program.

(b) Group represents that neither Group nor any Group Physician is, or ever has been, debarred, suspended, excluded, or otherwise ineligible to participate in any Federal Health Care Program.

8.25 Representations. Each Party represents with respect to itself that: (a) no representation or promise not expressly contained in this Agreement has been made by the other Party or by the other Party's 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) such Party has been represented by legal counsel of such Party's own choice or has elected not to be represented by legal counsel in this matter.

8.26 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 shall not be enforced.

8.27 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, and shall apply solely to the specific instance expressly stated.

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

[signature page follows]

The Parties have executed this Agreement on the Execution Date.

HOSPITAL

Palomar Pomerado Health,
a California district hospital

By: Michael H. Covert, F.A.C.H.E.
Its: President/CEO

Hospital's address:

15255 Innovation Drive
San Diego, CA 92128

PHYSICIAN

Roger Kornu, M.D., an individual

Roger Kornu, M.D.
Tax ID/SSN Number: _____

Physician's principal place of business:

GROUP

MICHAEL I. KELLER, M.D.,
INCORPORATED, a professional corporation

By:
Its:

Group's address:

Exhibit 1.1(a)

SERVICE AREA

92025 Escondido
92026 Escondido
92027 Escondido
92029 Escondido
92036 Cuyamaca/Julian
92059 Pala
92060 Palomar Mountain
92061 Pauma Valley
92064 Poway
92065 Ramona
92069 San Marcos
92070 Santa Ysabel
92082 Valley Center
92127 Rancho Bernardo
92128 Rancho Bernardo
92129 Rancho Peñasquitos

Exhibit 3.2(b)

PHYSICIAN FINANCIAL REPORT FORM

Month: _____, 20__

Group and Physician represent and warrant to Hospital that this Physician Financial Report (a) is consistent with the books and records of Group; (b) is true, accurate and complete in all respects; (c) does not contain any untrue information or statement of fact; and (d) does not omit to state any information or fact reasonably necessary to make the information or facts contained herein not misleading.

Signature of Physician

Signature of Group's Authorized Representative

Patient Volume (Visits this month) _____

PRACTICE RECEIPTS

INCREMENTAL PRACTICE EXPENSES

Maximum Allowable Expenses

Actual Expenses Incurred

	<u>Maximum Allowable Expenses</u>	<u>Actual Expenses Incurred</u>
Additional Rent (Office)	\$ [REDACTED]	_____
Additional Phone	[REDACTED]	_____
Additional Utilities	[REDACTED]	_____
Malpractice Insurance	[REDACTED]	_____
Additional Insurance Costs (Office)	[REDACTED]	_____
Salaries (Additional Office Staff FTE(s))	[REDACTED]	_____
Fringe Benefits (Additional Office Staff FTE(s)) and Payroll Taxes	[REDACTED]	_____
Medical Supplies	[REDACTED]	_____
Additional Office Supplies	[REDACTED]	_____
Licenses	[REDACTED]	_____
Miscellaneous	[REDACTED]	_____
Payroll Taxes (Additional Office Staff FTE(s))	[REDACTED]	_____
Additional Leased Equipment and Equipment Fees	[REDACTED]	_____
Depreciated Additional Capital Equipment*	[REDACTED]	_____
Depreciated Additional Capital Improvements*	[REDACTED]	_____
Maintenance (Additional Equipment)	[REDACTED]	_____
Transcription Expenses	[REDACTED]	_____
Dues and Subscriptions	[REDACTED]	_____

Marketing/Advertising	_____	_____
Misc. Start-Up Expenses (first 3 months of Assistance Period only)	_____	_____
TOTAL INCREMENTAL PRACTICE EXPENSES	_____	_____
	\$ _____	_____

* depreciated in accordance with generally accepted accounting principles

For purposes of calculating the Incremental Practice Expenses, Physician shall apply only those expenses identified above, and the total amount of each such expense in any given month shall not exceed the maximum allowable Incremental Practice Expense for that month, except as otherwise agreed to in writing by Hospital. Physician may only include as Incremental Practice Expenses those additional incremental operating expenses (including the amount of any additional incremental capital costs and expenses depreciable in accordance with generally accepted accounting principles) that are actually incurred by Physician or Group during the month and only to the extent reasonable and customary to conduct the Practice. Incremental Practice Expenses may include federal and state payroll tax obligations of Group related to Physician; however, payroll tax obligations of Physician shall not be treated as an Incremental Practice Expense.

NET PAYMENT CALCULATION

FOR ACCOUNTING USE ONLY

Guaranteed Monthly Income	_____
Add: Incremental Practice Expenses	_____
Less: Practice Receipts	_____
Equals: Income Guarantee Advance (Excess Receipts)	_____
Total Income Guarantee Advances To Date	_____

Exhibit 4.1(a)

SECURED PROMISSORY NOTE

Not to Exceed [REDACTED]

_____, 20____

FOR VALUE RECEIVED, the undersigned borrower ROGER KORNU, M.D., (“**Physician**”) promises to pay to the order of PALOMAR POMERADO HEALTH, a California district hospital (“**Hospital**”), as noteholder, the principal sum equal to the aggregate amount of advances paid to Physician pursuant to the Physician Recruitment Agreement by and among Physician, Hospital and MICHAEL I. KELLER, M.D., INCORPORATED a professional corporation (“**Group**”), dated as of even date herewith (the “**Recruitment Agreement**”). Unless otherwise defined in this Secured Promissory Note (the “**Recruitment Note**”), each capitalized term shall have the meaning given in the Recruitment Agreement. The aggregate principal amount of the loans provided to Physician pursuant to the Recruitment Agreement (the “**Principal**”) shall not exceed [REDACTED]

1. Advances of Principal; Interest.

(a) Physician hereby promises to pay to the order of Hospital, at such place as Hospital may from time to time designate in writing, in lawful money of the United States of America, the Principal and accrued interest thereon.

(b) Interest shall accrue on the Principal outstanding at a rate equal to the Prime Rate (as defined below), adjusted annually on each anniversary date of this Recruitment Note, plus two percent (2%), computed on the basis of a 365/366-day year and the number of days elapsed, commencing as of the first date that Principal is advanced to Physician under this Recruitment Note and continuing thereafter until the Principal is either repaid or forgiven in full; provided, however, that interest shall never accrue at an annual rate greater than the maximum rate permitted to be charged under applicable law on commercial loans between unrelated persons. “**Prime Rate**” shall mean the annual interest rate published from time to time by the Wall Street Journal as the prime or base rate of interest on corporate loans. Physician acknowledges that the Prime Rate is ___ percent (___%) as of the date of this Recruitment Note.

2. Repayment and Forgiveness. Notwithstanding any other provisions of this Recruitment Note, Principal, accrued interest, and other applicable fees, costs and charges (“**Costs**”), if any, owing on this Recruitment Note shall be payable or forgiven as follows:

(a) **Repayment.** Principal and accrued interest thereon shall be payable “mortgage-style” in Twenty Four (24) equal monthly installments sufficient to fully amortize the unpaid balance of this Recruitment Note. Principal and accrued interest thereon shall be payable on the first (1st) day of each month during the Repayment Period (as defined below).

(b) **Repayment Period.** "Repayment Period" shall mean the period beginning on the first (1st) day of the first (1st) calendar month immediately following the end of the Assistance Period and continuing until the earlier of (i) the date on which the Principal and all accrued interest thereon, and all Costs, if any, are either paid or forgiven in full, or (ii) the Maturity Date (as defined below). In all events, and subject to the remaining provisions of this Section 2, the entire then-outstanding balance of Principal and all accrued, unpaid interest thereon, and all Costs, if any, shall be due and payable by Physician to Hospital no later than the Maturity Date. The "Maturity Date" shall mean the date that is Twenty Four (24) months from the first (1st) day of the first (1st) calendar month immediately following the end of the Assistance Period.

(c) **Forgiveness.** If Physician has continuously complied throughout the term of the Recruitment Agreement with all terms and conditions of the Recruitment Agreement, this Recruitment Note and the Physician Security Agreement, and no Event of Default (as defined in Section 3 below) has occurred (i) Hospital shall forgive, on the last day of each month during the Repayment Period, an amount equal to the monthly amount (including Principal and accrued interest) otherwise due to Hospital for such month pursuant to Section 2(a) of this Recruitment Note; and (ii) Hospital shall forgive, on the last day of the Repayment Period, all Costs, if any, owing by Physician.

(d) **Repayment with Excess Receipts.** If Practice Receipts exceed the sum of Guaranteed Monthly Income and Practice Expenses in any month during the Assistance Period, Physician shall pay to Hospital such excess (the "Excess Receipts") within ten (10) days after the end of such month. All payments of Excess Receipts made pursuant to this Section 2(d) shall be applied as follows: first, to Costs, if any; second, to due and unpaid interest; and third, to the outstanding Principal, in inverse order of maturity.

(e) **Forgiveness upon Death or Permanent Disability.** Notwithstanding any other provision of this Recruitment Note to the contrary, Hospital shall forgive the entire then-outstanding balance of Principal and all accrued, unpaid interest owing on the Recruitment Note, together with all other Costs, if any, in the event of Physician's death or Permanent Disability.

(f) **Prepayment.** Physician shall have the right to prepay the Principal outstanding in whole or in part without penalty. Any partial prepayment shall be applied against the Principal outstanding and shall not postpone the due date of any subsequent monthly installment.

(g) **Application of Payments.** Unless otherwise agreed in writing in advance by Hospital, each payment or forgiveness with respect to this Recruitment Note shall be credited as follows: first, against Costs, if any; second, against accrued and unpaid interest then due and owing; and third, against the Principal outstanding.

3. **Events of Default.** The termination for any reason of the Recruitment Agreement, other than any automatic termination upon the death or Permanent Disability of Physician, or the occurrence of any Event of Default under the Recruitment Agreement shall constitute an event of default ("Event of Default") under this Recruitment Note.

4. **Acceleration.** Upon the expiration or termination of the Recruitment Agreement for any reason, except termination pursuant to Sections 7.3, 7.4 or 7.5 of the Recruitment Agreement, Hospital may, at its option, declare the entire Principal outstanding, together with interest accrued thereon and all other Costs, if any, immediately due and payable to Hospital and Hospital may proceed to exercise any rights or remedies that it may have under this Recruitment Note, at law, equity or otherwise. In the event of such acceleration, Physician may discharge Physician's obligations to Hospital by paying the entire Principal outstanding, plus accrued interest and any other Costs, if any, as set forth in this Recruitment Note.

5. **Termination by Physician or in the Event of Government Action.** If the Recruitment Agreement is terminated by Physician pursuant to Section 7.3 of the Recruitment Agreement or as a result of Government Action pursuant to Section 7.4 of the Recruitment Agreement, the entire outstanding balance of Principal and accrued interest together with the Costs owing on this Recruitment Note as of the effective date of such termination shall be payable by Physician to Hospital in thirty-six (36) equal monthly installments of Principal and interest commencing as of the date that is one (1) month following the effective date of the termination of the Recruitment Agreement; provided, however, if such repayment terms violate any federal, state or local law, rule, regulation, or Government Action, Physician shall pay to Hospital, on the effective date of the termination of the Recruitment Agreement, the Principal and accrued interest together with the Costs owing on this Recruitment Note as of the effective date of such termination. Physician shall not have any right to offset the amount owing to Hospital under this Section upon termination by any amounts that then or thereafter may be owing by Hospital to Physician whether as a result of the termination or otherwise.

6. **Costs of Collection.** If Hospital exercises its acceleration rights pursuant to this Recruitment Note, in addition to the Principal outstanding and accrued interest thereon, Hospital shall be entitled to collect all costs of collection, including reasonable attorneys' fees incurred in connection with the protection or realization of collateral and Hospital's reasonable collection efforts, whether or not suit on this Recruitment Note or any foreclosure proceeding is filed. Any and all such costs and expenses shall be payable on demand and secured by the Physician Security Agreement.

7. **Continuing Liability.** Following the occurrence of an Event of Default, Physician's liability under this Recruitment Note shall not be affected by Hospital's pursuit or non-pursuit of any one or more of its rights, powers or remedies (including, without limitation, its option to accelerate the payment of this Recruitment Note), regardless of the order in which or the extent to which Hospital may pursue any of such rights, powers or remedies, it being understood that the liability of Physician shall cease only upon satisfaction in full of all of Physician's obligations arising under this Recruitment Note and the Recruitment Agreement.

8. **No Waiver.** No failure on the part of Hospital to exercise any right or remedy under this Recruitment Note, whether before or after a default, shall constitute a waiver of such right or remedy, and no waiver of any past default shall constitute waiver of any future default. No acceptance of a past due installment or other indulgence granted from time to time shall constitute a waiver of the right to insist upon prompt payment, be deemed to be a novation of this Recruitment Note or as a reinstatement of the debt evidenced by this Recruitment Note, or be construed to preclude the exercise of any right which Hospital may have under law, by

agreement or otherwise. Physician and each endorser or guarantor hereby expressly waive the benefit of any statute or rule of law or equity which would produce a result contrary to or in conflict with the foregoing. Physician expressly waives the four (4) year statutory period for civil actions upon written contracts set forth in California Code of Civil Procedure Section 337, and agrees that the statutory period for any actions upon this Recruitment Note shall run for eight (8) years as permitted by California Code of Civil Procedure Section 360.5.

9. **Waiver of Notice.** Physician and each endorser or guarantor of this Recruitment Note hereby (i) waives presentment, demand, protest and notice of presentment, notice of protest and notice of dishonor of this debt and any other notice respecting this Recruitment Note, and (ii) agrees that Hospital, at any time without notice to such party or such party's consent, may grant extensions of time, without limit as to the number or the aggregate period of such extensions, for the payment of any Principal of or interest accrued thereon.

10. **Amendments.** This Recruitment Note 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 attached to this Recruitment Note.

11. **Assignment.** Physician shall not assign, sell, transfer or delegate any of Physician's rights or duties under this Recruitment Note without the prior written consent of Hospital. Hospital may assign its rights and delegate its duties under this Recruitment Note upon written notice to Physician.

12. **Business Purposes.** Physician represents and warrants that the loan evidenced by this Recruitment Note is being made for business purposes.

13. **Choice of Law.** This Recruitment Note shall be construed in accordance with and governed by the laws of the State, 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. Physician and each endorser or guarantor hereby submit to jurisdiction in said State for the enforcement of Physician's obligations under this Recruitment Note and under the Physician Security Agreement (as defined in Section 17 below), and waive any and all rights under the laws of any other state to object to jurisdiction within such State.

14. **Interest Limitations.** Notwithstanding anything to the contrary contained in this Recruitment Note, the total liability for payments in the nature of interest shall not exceed the limits imposed by applicable interest rate laws. If any payments in the nature of interest are held to be in excess of the limits imposed by applicable interest rate laws, any such amount held to be in excess shall be considered payment of Principal and the Principal outstanding shall be reduced accordingly.

15. **Notices.** Any notice required or permitted to be given in this Recruitment Note shall be given in accordance with the notices provision of the Recruitment Agreement.

16. **Referrals.** Hospital and Physician acknowledge that the amounts loaned to Physician and Physician's rights and duties under this Recruitment Note in no way require, and in no way are contingent upon the admission, recommendation, referral or any other arrangement for the provision of any item or service offered by Hospital or any Affiliate, to any patients of

Physician or Group, Physician's practice, or any contractors, partners, employees or agents of either Physician or any entity Physician associates with to provide professional medical services.

17. **Security.** This Recruitment Note is secured by a first priority security interest granted by Physician to Hospital in the collateral described in that certain Physician Security Agreement of even date herewith (the "**Physician Security Agreement**") by and between Physician and Hospital. This Recruitment Note also is guaranteed by Group pursuant to that certain Group Guarantee and Security Agreement of even date herewith by and between Group and Hospital (the "**Group Guarantee**"). All of the provisions contained in the Physician Security Agreement and the Group Guarantee are hereby made a part of this Recruitment Note to the same extent and with the same effect as if they were fully set forth in this Recruitment Note.

18. **Severability.** If any provision of this Recruitment Note, 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, such provision or part of such provision shall be severed from this Recruitment Note, and such severance shall have no effect upon the enforceability, performance or obligations of the remainder of this Recruitment Note, including the remainder of such provision not determined to be illegal, invalid or unenforceable.

19. **Successors and Assigns.** The provisions of this Recruitment Note shall inure to the benefit of and shall be binding upon the heirs, assigns, successors and representatives of Physician and Hospital, respectively. The term "**Physician**" shall mean Physician and each heir, successor, assign, and representative of Physician as obligor of this Recruitment Note. The term "**Hospital**" shall mean Hospital and each successor, assign, and representative of Hospital as payee or holder of this Recruitment Note.

20. **Time of the Essence.** Time is of the essence in the performance of Physician's obligations under this Recruitment Note.

This Recruitment Note is executed on the date first above written, at _____,
_____.

PHYSICIAN

Roger Kornu, M.D., an individual

Exhibit 4.1(b)

PHYSICIAN SECURITY AGREEMENT

THIS PHYSICIAN SECURITY AGREEMENT (this "Physician Security Agreement") is made and entered into as of _____, 20__ (the "Execution Date"), by and between ROGER KORNU, M.D., an individual, as the debtor ("Physician"), and PALOMAR POMERADO HEALTH, a California district hospital ("Hospital"), as the secured party.

RECITALS

A. Physician is obligated to Hospital under that certain Physician Recruitment Agreement by and among Hospital, Physician and MICHAEL I. KELLER, M.D., INCORPORATED, a professional corporation, dated as of even date herewith (the "Recruitment Agreement"), and that certain Secured Promissory Note, dated as of even date herewith, executed and delivered by Physician to Hospital (the "Recruitment Note"). Unless otherwise defined in this Physician Security Agreement, each capitalized term shall have the meaning given in the Recruitment Agreement.

B. Hospital and Physician wish to enter into this Physician Security Agreement to secure the payment and performance of all indebtedness, liabilities and obligations of Physician due or to become due to Hospital under the Recruitment Note and set forth under the Recruitment Agreement (collectively, the "Obligations").

AGREEMENT

Physician and Hospital agree as follows:

1. **Grant of Security Interest.** Physician hereby grants to Hospital a security interest in the collateral, as described and defined in **Attachment A** to this Physician Security Agreement (the "Collateral"), to secure the payment and performance of all of the Obligations due or to become due, and all modifications, renewals, extensions, rearrangements, substitutions and replacements of such Obligations.

2. **Release of Collateral.** The Collateral shall be released and relieved of the security interest granted herein, and Physician shall be entitled to unencumbered title thereto and possession thereof, upon full and complete payment, performance, satisfaction, forgiveness or observance of all Obligations in accordance with the terms of this Physician Security Agreement, the Recruitment Note and the Recruitment Agreement. Upon the release of the Collateral, Hospital shall execute and deliver, at Physician's sole cost and without recourse against Hospital, any necessary instruments of title, release, reassignment and delivery as Physician may reasonably request.

3. **Events of Default.** The termination for any reason of the Recruitment Agreement, other than any automatic termination upon the death or Permanent Disability of Physician, or the occurrence of any Event of Default under the Recruitment Agreement shall constitute an event of default (“**Event of Default**”) under this Physician Security Agreement and shall provide Hospital with the rights and remedies described below.

4. **Rights and Remedies upon Default.** Upon the occurrence and during the continuation of any of the above Events of Default, Hospital may accelerate all of the Obligations and shall have, in addition to all other rights and remedies provided herein or by applicable law, all of the rights and remedies of a secured party under the California Commercial Code (the “**Code**”).

5. **Indemnity and Expenses.** Physician agrees to indemnify Hospital from and against any and all claims, losses and liabilities arising out of or relating to this Physician Security Agreement (including enforcement of this Physician Security Agreement or any actions taken by Hospital pursuant to this Physician Security Agreement), except claims, losses or liabilities resulting from Hospital’s own gross negligence or willful misconduct. Physician will on demand pay to Hospital the amount of any and all reasonable costs and expenses, including the reasonable fees and disbursements of its legal counsel and of any experts or agents, which Hospital may incur in connection with: (i) the exercise or enforcement by Hospital of any of its rights or remedies under this Physician Security Agreement, or (ii) any failure by Physician to perform any of the Obligations.

6. **Physician Remains Liable.** Notwithstanding any other provision of this Physician Security Agreement, (i) Physician shall remain liable under the contracts and agreements included in the Collateral to perform all of Physician’s duties and obligations thereunder to the same extent as if this Physician Security Agreement had not been executed, (ii) the exercise by Hospital of any of its rights under this Physician Security Agreement shall not release Physician from any of Physician’s duties or obligations under the contracts and agreements included in the Collateral, and (iii) Hospital shall not have any obligation or liability under the contracts and agreements included in the Collateral by reason of this Physician Security Agreement, nor shall Hospital be obligated to perform any of the obligations or duties of Physician or to take any action to collect or enforce any claim for payment.

7. **Waivers; Cumulative Remedies.** Physician waives notice of the acceptance of this Physician Security Agreement and all other notices, demands or protests to which Physician might otherwise be entitled by law in respect to this Physician Security Agreement, the Obligations or the Collateral, and which may be lawfully waived. Hospital shall have no duty as to the collection or protection of the Collateral or any income, or as to the preservation of rights against prior parties, nor as to the preservation of any rights pertaining to the Collateral beyond reasonable care in the custody or preservation thereof. Hospital may exercise its rights and remedies with respect to the Collateral without resorting or regard to other security or sources for payment. All rights and remedies of Hospital shall be cumulative and may be exercised singularly or concurrently.

8. **Authorization to File Financings Statement.** Physician authorizes Hospital to prepare and file all financing statements (Form UCC-1), continuation statements (Form UCC-3),

or other written statements or notices required in order to perfect, secure or maintain as perfected Hospital's security interest in the Collateral, without the signature of Physician where permitted by law. Copies of all financing statements, continuation statements or other written statements or notices shall be promptly delivered to Physician.

9. **Further Assurances.** Each Party shall perform any further acts and execute any further documents, including, without limitation, financing or continuation statements, or amendments thereto, an account control agreement substantially in the form attached hereto as **Attachment B**, and such other instruments, endorsements or notices as may be reasonably necessary or otherwise reasonably requested to perfect, secure or maintain as perfected Hospital's security interest in the Collateral or to carry out the provisions of this Physician Security Agreement.

10. **Amendments.** This Physician Security Agreement may be modified or amended, waived, discharged or terminated only by an instrument in writing signed by the Party against which enforcement of the amendment, waiver, discharge or termination is sought.

11. **Assignment.** If at any time or times by sale, assignment, negotiation, pledge or otherwise, Hospital transfers any of the Obligations, such transfer shall carry with it Hospital's rights and remedies under this Physician Security Agreement with respect to the transferred Obligations, and the transferee shall become vested with such rights and remedies whether or not they are specifically referred to in the transfer. If and to the extent Hospital retains any other Obligations, Hospital shall continue to have those rights and remedies.

12. **Costs and Fees.** Physician agrees to pay reasonable attorneys' fees and all other costs and expenses which may be incurred by Hospital in the enforcement of this Physician Security Agreement, the Obligations, or in any action or proceeding arising out of, or relating to, this Physician Security Agreement.

13. **Counterparts.** This Physician Security 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.

14. **Definitions and Incorporation by Reference.** All terms used but not expressly defined in this Physician Security Agreement will have the same meaning as set forth in the Code. All terms, provisions and definitions of any loan agreements, guarantees or other credit arrangements between Physician and Hospital are incorporated in this Physician Security Agreement by reference as though set forth in full.

15. **Dispute Resolution.** All disputes, controversies, claims, questions, or disagreements arising out of or relating to this Physician Security Agreement, shall be litigated in any state or federal court having appropriate jurisdiction and located within the State, County of San Diego. The Parties, by the execution of this Physician Security Agreement, expressly consent to the jurisdiction of any such court, to venue therein and to the service of process in any such action or proceedings, as required by applicable law.

16. **Choice of Law.** This Physician Security Agreement shall be construed in accordance with and governed by the laws of the State, 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.

17. **Notices.** Any notice required or permitted to be given in this Physician Security Agreement shall be in writing and shall be given in accordance with the notices provision of the Recruitment Agreement.

18. **Severability.** If any provision, or the application of any provision, of this Physician Security Agreement is determined to be illegal, invalid or unenforceable, that provision shall be severed from this Physician Security Agreement and such severance shall have no effect upon the enforceability, performance or obligations of the remainder of this Physician Security Agreement.

19. **Successors and Assigns.** This Physician Security Agreement shall be binding upon Physician's heirs, successors, assigns, and representatives and shall inure to the benefit of and be enforceable by Hospital and its successors, assigns, and representatives.

[signature page follows]

Physician and Hospital have executed this Physician Security Agreement on the Execution Date.

PHYSICIAN

Roger Kornu, M.D., an individual

Roger Kornu, M.D.

Physician's principal place of business:

HOSPITAL

Palomar Pomerado Health,
a California district hospital

By: Michael H. Covert, F.A.C.H.E.
Its: President/CEO

Hospital's address:

15255 Innovation Drive _____
San Diego, CA 92128 _____

Attachment A

DESCRIPTION OF COLLATERAL

Except to the extent the granting of a security interest is limited by application of law with respect to payments from governmental entities, all present and future right, title and interest of ROGER KORNU, M.D., an individual (“Debtor”), in and to the following property, whether now owned or later acquired or created: (a) payments and rights to payment from all sources, for goods sold or leased or for services furnished, including, without limitation, all those which are not evidenced by instruments or chattel paper, and whether or not they have been earned by performance (“Accounts Receivable”); (b) furniture, fixtures and equipment; (c) rights under contracts with managed care entities; (d) proceeds of letters of credit of which Debtor is named beneficiary; (e) general intangibles; (f) contract rights; (g) chattel paper; (h) instruments; (i) documents; (j) insurance proceeds; (k) all books and records in respect to the foregoing; (l) proceeds of all the foregoing; and (m) all monies from time to time on deposit in Debtor’s business bank account no. _____ with _____ (collectively, the “Collateral”), each to the extent used in Debtor’s medical practice or arising out of or related to the provision of professional medical and other health care services performed by Debtor within the Service Area.

Attachment B

ACCOUNT CONTROL AGREEMENT

This Control Agreement (this "Agreement"), is entered into this ___ day of _____, 20___, by and among PALOMAR POMERADO HEALTH, a California district hospital ("Secured Party"), ROGER KORNU, M.D., an individual ("Debtor"), and _____ ("Bank"). Secured Party, Debtor and Bank are sometimes referred to in this Agreement, individually, as a "Party" or, collectively, as the "Parties."

RECITAL

Pursuant to that certain Physician Security Agreement of even date herewith, by and between Secured Party and Debtor, Debtor has granted Secured Party a security interest in a deposit account maintained by Bank for Debtor. The Parties are entering into this Agreement to perfect Secured Party's security interest in that account.

AGREEMENT

Section 1. The Account. Bank maintains a deposit account for Debtor, currently numbered _____ and titled _____ (as such account may be renumbered or retitled, the "Account"). All Parties agree that the Account is a "deposit account" within the meaning of Division 9 of the Uniform Commercial Code of the State of California (the "UCC").

Section 2. Control. Bank will comply with instructions originated by Secured Party directing disposition of the funds in the Account without further consent by Debtor. Bank may also comply with instructions directing the disposition of funds in the Account originated by Debtor or its authorized representatives until such time as Secured Party delivers a written notice to Bank that Secured Party is thereby exercising exclusive control over the Account. Such notice is referred to herein as the "Notice of Exclusive Control." Upon receiving a Notice of Exclusive Control, Bank will cease complying with instructions concerning the Account or funds on deposit therein originated by Debtor or its representatives. Bank has not and will not agree with any third party to comply with instructions or other directions concerning the Account or the disposition of funds in the Account originated by such third party without the prior written consent of Secured Party and Debtor.

Section 3. Subordination of Bank's Security Interest. Bank hereby subordinates all security interests, encumbrances, claims and rights of setoff it may have, now or in the future, against the Account or any funds in the Account other than in connection with the payment of Bank's customary fees and charges pursuant to its agreement with Debtor and for the reversal of provisional credits.

Section 4. Statements, Confirmations and Notices of Adverse Claims. Bank will send copies of all statements concerning the Account to each of Debtor and Secured Party at the address set forth on the signature page of this Agreement. Upon receipt of written notice of any lien, encumbrance or adverse claim against the Account or any funds credited thereto, Bank will make reasonable efforts promptly to notify Secured Party and Debtor thereof.

4.1(b)-7

Physician Security Agreement

Section 5. Bank's Responsibility. Except for acting on Debtor's instructions in violation of Section 2 above, Bank shall have no responsibility or liability to Secured Party for complying with instructions concerning the Account from Debtor or Debtor's authorized representatives which are received by Bank before Bank receives a Notice of Exclusive Control and has had reasonable opportunity to act on it. Bank shall have no responsibility or liability to Debtor for complying with a Notice of Exclusive Control or complying with instructions concerning the Account originated by Secured Party, and shall have no responsibility to investigate the appropriateness of any such instruction or Notice of Exclusive Control, even if Debtor notifies Bank that Secured Party is not legally entitled to originate any such instruction or Notice of Exclusive Control.

Section 6. Indemnity. Debtor and Secured Party hereby agree to indemnify and hold harmless Bank, its directors, officers, agents and employees against any and all claims, causes of action, liabilities, lawsuits, demands and damages, including, without limitation, any and all court costs and reasonable attorneys' fees, in any way related to or arising out of or in connection with this Agreement or any action taken or not taken pursuant hereto, except to the extent caused by Bank's gross negligence or willful misconduct or Bank's breach of any of the provisions hereof.

Section 7. Customer Agreement. In the event of a conflict between this Agreement and any other agreement between Bank and Debtor relating to the Account, the terms of this Agreement will prevail; provided, however, that this Agreement shall not alter or affect any mandatory arbitration provision currently in effect between Bank and Debtor pursuant to a separate agreement.

Section 8. Termination. Unless earlier terminated by Bank pursuant to this Section, this Agreement shall continue in effect until Secured Party has notified Bank in writing that this Agreement, or its security interest in the Account, is terminated. Upon receipt of such notice the obligations of Bank hereunder with respect to the operation and maintenance of the Account after the receipt of such notice shall terminate, Secured Party shall have no further right to originate instructions concerning the Account and any previous Notice of Exclusive Control delivered by Secured Party shall be deemed to be of no further force and effect. Bank reserves the right, unilaterally, to terminate this Agreement, such termination to be effective thirty (30) days after written notice thereof is given to Debtor and Secured Party.

Section 9. Complete Agreement; Amendments. This Agreement and the instructions and notices required or permitted to be executed and delivered hereunder set forth the entire agreement of the Parties with respect to the subject matter hereof, and, subject to Section 7 above supersede any prior agreement and contemporaneous oral agreements of the Parties concerning its subject matter. No amendment, modification or (except as otherwise specified in Section 8 above) termination of this Agreement, nor any assignment of any rights hereunder (except to the extent contemplated under Section 12 below), shall be binding on any Party hereto unless it is in writing and is signed by each of the Parties hereto, and any attempt to so amend, modify, terminate or assign except pursuant to such a writing shall be null and void. No waiver of any rights hereunder shall be binding on any Party hereto unless such waiver is in writing and signed by the Party against whom enforcement is sought.

Section 10. Governing Law. This Agreement shall be governed by and construed in accordance with the law of the State of California. The Parties agree that _____ is the “bank’s jurisdiction” for purposes of the UCC.

Section 11. Severability. To the extent a provision of this Agreement is unenforceable, this Agreement will be construed as if the unenforceable provision were omitted.

Section 12. Successors and Assigns. The terms of this Agreement shall be binding upon, and shall inure to the benefit of, the Parties hereto and their respective successors or heirs and personal representatives. This Agreement may be assigned by Secured Party to any successor of Secured Party under its Security Agreement with Debtor, provided that written notice thereof is given by Secured Party to Bank.

Section 13. Notices. Except as otherwise expressly provided herein, any notice, order, instruction, request or other communication required or permitted to be given under this Agreement shall be in writing and deemed to have been properly given when delivered in person, or when sent by telecopy or other electronic means and electronic confirmation of error-free receipt is received or upon receipt of notice sent by certified or registered United States mail, return receipt requested, postage prepaid, addressed to the Party at the address set below such Party’s name on the signature page of this Agreement. Any Party may change its address for notices in the manner set forth above.

Section 14. Jury Waiver. DEBTOR WAIVES ITS RIGHT TO A JURY TRIAL WITH RESPECT TO ANY ACTION OR CLAIM ARISING OUT OF ANY DISPUTE IN CONNECTION WITH THIS AGREEMENT, ANY RIGHTS, REMEDIES, OBLIGATIONS, OR DUTIES HEREUNDER, OR THE PERFORMANCE OR ENFORCEMENT HEREOF OR THEREOF.

Section 15. Counterparts. This Agreement may be executed in any number of counterparts, all of which shall constitute one and the same instrument, and any Party hereto may execute this Agreement by signing and delivering one or more counterparts.

[signature page follows]

The Parties have executed this Agreement on the date first written above.

SECURED PARTY

PALOMAR POMERADO HEALTH,
a California district hospital

By: Michael H. Covert, F.A.C.H.E.
Its: President/CEO

Secured Party's address:

15255 Innovation Drive
San Diego, CA 92128

DEBTOR

ROGER KORNU, M.D.,
an individual

Roger Kornu, M.D.

Debtor's address:

BANK

_____,
a [state] [type of entity]

By: _____
Its: _____

Bank's address:

Exhibit 4.2

GROUP GUARANTEE AND SECURITY AGREEMENT

THIS GROUP GUARANTEE AND SECURITY AGREEMENT (this “**Group Guarantee**”) is made and entered into as of _____, 20__ (“**Execution Date**”), by MICHAEL I. KELLER, M.D., INCORPORATED, a professional corporation (“**Group**”), in favor of PALOMAR POMERADO HEALTH, a California district hospital (“**Hospital**”).

RECITALS

A. ROGER KORNU, M.D., an individual (“**Physician**”), is obligated to Hospital under that certain Physician Recruitment Agreement by and among Hospital, Physician and Group, of even date herewith (the “**Recruitment Agreement**”), and the Secured Promissory Note by and between Hospital and Physician, of even date herewith (the “**Recruitment Note**”). Unless otherwise defined in this Group Guarantee, each capitalized term shall have the meaning given in the Recruitment Agreement.

B. Group now desires to enter into this Group Guarantee to secure the payment and performance of all indebtedness, liabilities and obligations of Physician to Hospital due or to become due under the Recruitment Note (collectively, the “**Obligations**”).

AGREEMENT

Group hereby consents and agrees as follows:

1. **Guarantee.** Group absolutely, unconditionally, and irrevocably promises to pay and perform all of the Obligations due or to become due, and all modifications and renewals, extensions and rearrangements, substitutions, and replacements of such Obligations; provided, however, that Group’s payments under this Group Guarantee shall not exceed the value of Physician’s Accounts Receivable. For purposes of this Group Guarantee, “**Physician’s Accounts Receivable**” shall mean an amount equal to the sum of notes and accounts receivable attributable to professional services furnished by Physician within the Service Area on or before the Default Date, and adjusted to reflect historical collection experience. “**Default Date,**” as the term is used in this Group Guarantee, shall mean the date Physician fails to pay or perform when due any of the Obligations.

2. **Expiration of Group Guarantee.** Group’s guarantee of the Obligations shall expire when the entire Principal amount of the Obligations outstanding, all accrued and unpaid interest thereon, and all other applicable fees, costs and charges, if any, have been satisfied in full.

3. **Grant of Security Interest.** Group hereby grants to Hospital a security interest in the collateral, as defined and described in Attachment A to this Group Guarantee (“**Collateral**”), to secure the Obligations. Notwithstanding any other provision of this Group Guarantee, (i) Group shall remain liable under the contracts and agreements included in the Collateral to perform all of its duties and obligations thereunder to the same extent as if this Group Guarantee had not been executed, (ii) the exercise by Hospital of any of its rights under

4.2-1

Group Guarantee

this Group Guarantee shall not release Group from any of its duties or obligations under the contracts and agreements included in the Collateral, and (iii) Hospital shall not have any obligation or liability under the contracts and agreements included in the Collateral by reason of this Group Guarantee, nor shall Hospital be obligated to perform any of the obligations or duties of Group or to take any action to collect or enforce any claim for payment.

4. **Release of Collateral.** The Collateral shall be released and relieved of the security interest granted herein, and Group shall be entitled to unencumbered title thereto and possession thereof, upon full and complete payment, performance, satisfaction, forgiveness or observance of all Obligations in accordance with the terms of this Group Guarantee, the Recruitment Note and the Recruitment Agreement. Upon the release of the Collateral, Hospital shall execute and deliver, at Group's sole cost and without recourse against Hospital, any necessary instruments of title, release, reassignment and delivery as Group may reasonably request.

5. **Rights and Remedies upon Default.** In the event Group fails to satisfy its obligations under this Group Guarantee within ten (10) business days of written demand from Hospital, Hospital may accelerate all of the Obligations and shall have, in addition to all other rights and remedies provided herein or by applicable law, all of the rights and remedies of a secured party under the California Commercial Code (the "Code").

6. **Independent Obligations.**

(a) This Group Guarantee is a primary obligation of Group and is an absolute, unconditional, continuing and irrevocable guarantee of payment and not of collectibility or performance and is in no way conditioned on or contingent upon any attempt to enforce in whole or in part Physician's liabilities and obligations to Hospital. From and after the Default Date, Group shall pay to Hospital such Obligations in immediately available funds. Each occurrence when Physician fails to pay or perform when due any of the Obligations shall give rise to a separate cause of action, and separate suits may be brought under this Group Guarantee as each cause of action arises.

(b) Hospital may, at any time and from time to time (whether or not after revocation or termination of this Group Guarantee) without the consent of or notice to Group, except such notice as may be required by the Recruitment Agreement or applicable law which cannot be waived, without incurring responsibility to Group, without impairing or releasing the obligations of Group under this Group Guarantee, upon or without any terms or conditions and in whole or in part:

- (i) change the manner, place and terms of payment or performance or change or extend the time of payment or performance of, renew, or alter any Obligation, or any obligations and liabilities (including any of those under this Group Guarantee) incurred directly or indirectly or in any manner modify, amend or supplement the terms of the Recruitment Agreement, or any documents, instruments or agreements executed in connection with the Recruitment Agreement or pertaining to the Obligations and this Group Guarantee shall apply to the Obligations, as changed,

extended, renewed, modified, amended, supplemented or altered in any manner;

- (ii) exercise or refrain from exercising any rights against Physician or others (including Group) or otherwise act or refrain from acting;
- (iii) add, release, or substitute one or more guarantors from its obligations without affecting or impairing the Obligations of Group under this Group Guarantee;
- (iv) settle, compromise, release, collect or otherwise liquidate the Obligations or any part thereof and/or any other obligations and liabilities incurred directly or indirectly, and may subordinate the payment of all or any part thereof to the payment of any obligations and liabilities which may be due to Hospital or others;
- (v) sell, exchange, release, surrender, realize upon or otherwise deal with in any manner or in any order any property securing the Obligations or any other liabilities or obligations incurred directly or indirectly and/or any offset there against;
- (vi) apply any sums to any obligations and liabilities of Physician to Hospital under the Recruitment Agreement in the manner provided in the Recruitment Agreement, regardless of what obligations and liabilities remain unpaid;
- (vii) consent to or waive any breach of, or any act, omission or default under, the Recruitment Agreement;
- (viii) amend, modify or supplement the Recruitment Agreement or any of such other instruments or agreements; and/or
- (ix) act or fail to act in any manner which may deprive Group of its right to subrogation against Physician to recover full indemnity for any payments made pursuant to this Group Guarantee or of its right of contribution against any other party.

(c) From and after the Execution Date of this Group Guarantee, Group shall use its best efforts to ensure that Physician has a patient load sufficient to enable Physician to provide professional medical services on a full-time basis in the Service Area.

(d) From and after the Execution Date of this Group Guarantee, Group shall use its best efforts to establish and maintain an accurate bookkeeping system for all practice expenses, payments, and patient billings and receipts of Physician, and to allow Hospital to inspect or audit, during regular business hours, such books and records for purposes of monitoring compliance with the terms and conditions of the Recruitment Agreement.

(e) From and after the Execution Date of this Group Guarantee, Group shall provide and arrange for the billing and collection for the professional medical and other health

care services provided by Physician in a manner consistent with legal and contractual requirements.

(f) From and after the Execution Date of this Group Guarantee, Group shall, to the extent it is responsible, take all necessary and reasonable steps to ensure that Physician's accounts receivable are promptly collected from Physician's patients and any payors responsible for such patients, and all such collections are immediately recorded in order to calculate the amount of any loan payments due under the Income Guarantee Advances.

7. **Waivers.** Group hereby waives and relinquishes all rights and remedies accorded by applicable law to sureties or guarantors and agrees not to assert or take advantage of any such rights or remedies, including, without limitation:

(a) any right to require Hospital to proceed against Physician or any other person or to proceed against or exhaust any security held by Physician at any time or to pursue any other remedy in Physician's power before proceeding against Group;

(b) any defense that may arise by reason of the incapacity, lack of power or authority, death, insolvency or bankruptcy, termination or disability of Physician or any other person or the failure of Hospital to file or enforce a claim against the estate (in administration, bankruptcy or any other proceeding) of Physician or any other person;

(c) any demands for performance, presentments, protests, notices of non-performance, notices of acceptance of this Group Guarantee, notices of default, notices of dishonor or nonpayment and all other notices of any kind, including, without limitation, notices of the existence, creation or incurrence of any new or additional indebtedness or obligation or of any action or non-action on the part of Physician, Hospital, any endorser or creditor of Physician or Group or on the part of any other person under this or any other instrument in connection with any obligation or evidence of indebtedness held by Hospital as collateral or in connection with any Obligations;

(d) any defense based upon an election of remedies by Hospital;

(e) any defense based on any offset against any amounts which may be owed by any person to Group for any reason whatsoever;

(f) any defense based on any act, failure to act, delay or omission whatsoever on the part of Physician or Physician's failure to do any act or thing or to observe or perform any covenant, condition or agreement to be observed or performed by Physician under the Recruitment Agreement;

(g) any defense based upon any statute or rule of law which provides that the obligation of a surety must be neither larger in amount nor in other respects more burdensome than that of the Principal provided, that, upon payment in full of the Obligations, this Group Guarantee shall no longer be of any force or effect;

(h) any defense, setoff or counterclaim which may at any time be available to or asserted by Physician against Hospital, or any other person under the Recruitment Agreement;

(i) any duty on the part of Hospital to disclose to Group any facts Hospital may now or hereafter know about Physician, regardless of whether Hospital has reason to

believe that any such facts materially increase the risk beyond that which Group intends to assume, or has reason to believe that such facts are unknown to Group, or has a reasonable opportunity to communicate such facts to Group, since Group acknowledges that Group is fully responsible for being and keeping informed of the financial condition of Physician and of all circumstances bearing on the risk of non-payment of any obligations and liabilities guaranteed by this Group Guarantee;

(j) any defense arising because of Hospital's election, in any proceeding instituted under the Federal Bankruptcy Code, of the application of Section 1111(b)(2) of the Federal Bankruptcy Code; and

(k) any defense based upon any borrowing or grant of a security interest under Section 364 of the Federal Bankruptcy Code.

8. Continuing Guarantee. This Group Guarantee shall remain in full force notwithstanding the appointment of a receiver to take possession of all or substantially all of Physician's assets, or an assignment by Physician for the benefit of creditors, or any action taken or suffered by Physician under any insolvency, bankruptcy, reorganization, moratorium, or other debtor relief act or statute, whether now existing or later amended or enacted, or the disaffirmance of the Recruitment Agreement in any action or otherwise.

9. Indemnity and Expenses. Group agrees to indemnify Hospital from and against any and all claims, losses and liabilities arising out of or relating to the Group Guarantee (including enforcement of this Group Guarantee or any actions taken by Hospital pursuant to this Group Guarantee), except claims, losses or liabilities resulting from Hospital's own gross negligence or willful misconduct. Group will on demand pay to Hospital the amount of any and all reasonable costs and expenses, including the reasonable fees and disbursements of its legal counsel and of any experts or agents, which Hospital may incur in connection with the exercise or enforcement of this Group Guarantee, the Obligations, or in any action or proceeding arising out of, or relating to, this Group Guarantee.

10. Authorization to File Financings Statement. Group authorizes Hospital to prepare and file all financing statements (Form UCC-1), continuation statements (Form UCC-3), or other written statements or notices required in order to perfect, secure or maintain as perfected Hospital's security interest in the Collateral, without the signature of Group where permitted by law. Copies of all financing statements, continuation statements or other written statements or notices shall be promptly delivered to Group.

11. Further Assurances. Each Party shall perform any further acts and execute any further documents, including, without limitation, financing or continuation statements, or amendments thereto, and such other instruments, endorsements or notices as may be reasonably necessary or otherwise reasonably requested to perfect, secure or maintain as perfected Hospital's security interest in the Collateral or to carry out the provisions of this Group Guarantee.

12. Amendments. The terms and provisions of this Group Guarantee may not be waived, altered, modified, or amended except in a writing signed by Hospital and Group.

13. **Assignment.** If at any time or times by sale, assignment, negotiation, pledge or otherwise, Hospital transfers any of the Obligations, such transfer shall carry with it Hospital's rights and remedies under this Group Guarantee with respect to the transferred Obligations, and the transferee shall become vested with such rights and remedies whether or not they are specifically referred to in the transfer. If and to the extent Hospital retains any other Obligations, Hospital shall continue to have those rights and remedies.

14. **Counterparts.** This Group Guarantee may be executed in any number of counterparts, each of which shall be a valid and binding original, but all of which together shall constitute one and the same instrument.

15. **Definitions and Incorporation by Reference.** All terms used but not expressly defined in this Group Guarantee will have the same meaning as set forth in the Code. All terms, provisions and definitions of any loan agreements, guarantees or other credit arrangements between Group and Hospital or Physician and Hospital are incorporated in this Group Guarantee by reference as though set forth in full.

16. **Dispute Resolution.** All disputes, controversies, claims, questions, or disagreements arising out of or relating to this Group Guarantee, shall be litigated in any state or federal court having appropriate jurisdiction and located within the State, County of San Diego. Group, by the execution of this Group Guarantee, expressly consents to the jurisdiction of any such court, to venue therein and to the service of process in any such action or proceedings, as required by applicable law.

17. **Choice of Law.** This Group Guarantee shall be construed in accordance with and governed by the laws of the State, 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.

18. **Joint and Several Obligations.** If this Group Guarantee is signed, or if the obligations of Physician are otherwise guaranteed, by more than one party, their obligations shall be joint and several, and the release or limitation of liability of any one or more of the guarantors shall not release or limit the liability of any other guarantors.

19. **Representations.** Group represents and warrants that it is informed of the financial condition of Physician and all other circumstances which a diligent inquiry would reveal and which would bear upon the risk of non-payment or nonperformance of the Obligations. Group further agrees that it shall assume full responsibility for keeping itself informed with respect to Physician's financial condition and any other circumstances which might bear upon the risk of non-payment or non-performance of the Obligations.

20. **Review by Group's Legal Counsel.** GROUP ACKNOWLEDGES THAT IT HAS BEEN GIVEN THE OPPORTUNITY TO CONSULT AN ATTORNEY. GROUP WARRANTS AND REPRESENTS THAT IT HAS REVIEWED THIS GROUP GUARANTEE WITH ITS LEGAL COUNSEL OR VOLUNTARILY DECIDED NOT TO CONSULT WITH AN ATTORNEY REGARDING ITS RIGHTS UNDER THIS GROUP GUARANTEE AND

THAT IT KNOWINGLY AND VOLUNTARILY CONSENTS TO THE TERMS, CONDITIONS AND WAIVERS OF THIS GROUP GUARANTEE.

21. **Severability.** If any provision, or the application of any provision, of this Group Guarantee is determined to be illegal, invalid or unenforceable, that provision shall be severed from this Group Guarantee and such severance shall have no effect upon the enforceability, performance or obligations of the remainder of this Group Guarantee.

22. **Subrogation.** Until the Obligations have been paid in full: (a) Group shall not have any right of subrogation and waives all rights to enforce any remedy which Hospital may now have or hereafter have against Physician, and waives the benefit of, and all rights to participate in, any security now or hereafter held by Hospital from Physician; and (b) Group waives any claim, right or remedy which Group may now have or hereafter acquire against Physician that arises under this Group Guarantee and/or from Group's performance under this Group Guarantee, including, without limitation, any claim, remedy or right of subrogation, reimbursement, exoneration, contribution, indemnification, or participation in any claim, right or remedy of Hospital against Physician, or any security which Hospital may now have or hereafter acquire, whether or not such claim, right or remedy arises in equity, under contract, by statute, under common law or otherwise.

23. **Successors and Assigns.** This Group Guarantee shall be binding upon Group and Group's successors, assigns, and representatives and shall inure to the benefit of Hospital and Hospital's successors, assigns, and representatives.

[signature page follows]

Group has executed and delivered this Group Guarantee on the Execution Date.

GROUP

Michael I. Keller, M.D., Incorporated, a
professional corporation

By: _____
Its: _____

*[Insert additional name(s) for additional
guarantor(s), if applicable]*

By: _____
Its: _____

Attachment A

DESCRIPTION OF COLLATERAL

Except to the extent the granting of a security interest is limited by application of law with respect to payments from governmental entities, all present and future right, title and interest of MICHAEL I. KELLER, M.D., INCORPORATED, a professional corporation (“Debtor”), in and to the following property, whether now owned or later acquired or created: Physician’s Accounts Receivable comprising the payments and rights to payment from all sources, for services furnished by Physician within the Service Area, including, without limitation, all those which are not evidenced by instruments or chattel paper, and whether or not they have been earned by performance (the “Collateral”).

Exhibit 6.3

CODE OF CONDUCT

1. I will perform my duties faithfully and to the best of my ability, and in the interest of PPH.
2. I will not lie, cheat, steal, or violate any law in connection with my employment by PPH.
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 (or appears to conflict) with interest of PPH, unless I first obtain the express written consent of the Palomar Pomerado Health Board of Directors or designee.
6. I will not use PPH's confidential or proprietary information gathered during my employment with PPH for my own personal benefit, either during or after my employment at PPH.
7. I will not obtain any improper personal benefits by virtue of my employment with PPH.
8. I will notify the compliance officer 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 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 PPH or if PPH 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 PPH.
13. I will not provide any gifts to any government or public agency representative.
14. I will disclose to the compliance officer any financial interest or ownership interest or any other relationship that I or a member of my immediate family has with PPH customers, and vendors or competitors.
15. I will not disclose confidential medical information pertaining to PPH patients without the express written consent of the patient in accordance with HIPAA, other applicable law and PPH 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 officer.
17. I will not conspire with a competitor of PPH 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 officer concerning antitrust issues.

Exhibit 8.15

**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 Physician as set forth in this Exhibit.
- c. **“Privacy Rule”** means the HIPAA Regulation that is codified at 45 CFR 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 Physician or created or received by Group or Physician 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 Physician shall use Protected Information except as permitted by and for the purpose of performing their respective obligations under this Agreement. Neither Group nor Physician 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 Physician shall disclose Protected Information, except as expressly permitted or required by this Agreement or as Required by Law. Further, neither Group nor Physician shall disclose Protected Information in any manner that would constitute a violation of the Privacy Rule if so used by Hospital.

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. **Employees and Agents of Group and Physician.** Group and Physician shall ensure that any of their respective employees and agents, including subcontractors, to whom either provides Protected Information, agree in writing to the same restrictions and conditions that apply to Group and Physician with respect to such Protected Information.
7. **Access to Protected Information.** Group and Physician shall make Protected Information maintained by Group, Physician or their respective employees, agents or subcontractors available to Hospital for inspection and copying within ten (10) days of a request by Hospital for any purpose.
8. **Amendment of Protected Health Information.** Within ten (10) days of receipt from Hospital of a request for an amendment of Protected Information or a record maintained by Group, Physician or their respective employees, agents or subcontractors, Group or Physician shall make such Protected Information available to Hospital for amendment and incorporate any such amendment in such record.
9. **Accounting Rights.** Within ten (10) days of notice by Hospital of a request for an accounting of disclosures of Protected Information, Group and Physician and their respective employees, 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 Physician 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; (iv) for national security or intelligence purposes; or (v) to correctional institutions or law enforcement officials. Group and Physician agree to maintain information on disclosures by Group, Physician and their respective employees, agents or subcontractors for at least six (6) years following the disclosure, 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. **Access to Records.** Group and Physician shall make their respective internal practices, books and records relating to the use and disclosure of Protected Information available to Hospital for purposes of determining Group's or Physician's compliance with this Agreement 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, Physician and their respective employees, agents or subcontractors shall retain all Protected Information throughout the term of this Agreement and shall continue to maintain the information required under Section 9 for a period of six (6) years after expiration or termination of this Agreement.
12. **Term of Obligations.** Group's and Physician'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 13 of this Exhibit.
13. **Effect of Termination.** Upon expiration or termination of this Agreement for any reason, Group and Physician shall return or destroy all Protected Information that Group, Physician or their respective employees, agents or subcontractors still maintain in any form, and shall retain no copies of such Protected Information. If return or destruction is not feasible, as determined by Hospital, Group and Physician 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.

**Pre-Audit Close
June 2005 & YTD FY2005 Financial Report**

TO: Board of Directors

FROM: Board Finance Committee
Tuesday, July 26, 2005

MEETING DATE: Monday, August 15, 2005

BY: Robert Hemker, CFO

Background: The June 2005 financial close was extended to assure all FY2005 business transactions are recorded in the pre-audit financial statements. Information on the status and results of the pre-audit close was presented at the Finance Committee meeting, with no action taken. The final June 2005 pre-audit close financial statements are presented in the Finance Committee Report for approval at the August 15, 2005, Board of Directors meeting.

The final FY2005 pre-audit close financials are attached.

Budget Impact: N/A

Staff Recommendation: Staff recommends approval.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion: X

Individual Action:

Information:

Required Time:

**PALOMAR POMERADO HEALTH
JUNE 2005 and YTD FY 2005 FINANCIAL RESULTS
EXECUTIVE SUMMARY and HIGHLIGHTS**

Statistics:

Acute patient days decreased (4.2%) to 9,169 in June, compared to May. This was .9% lower than budget (9,249). The acute Average Daily Census (ADC) was 306 in June compared to 309 in May. Acute patient days for twelve months ended June 2005 were 108,987 and are 4.5% below budget of 114,196. YTD acute admissions were 28,170 compared to budget of 28,364 (.7% below budget). SNF patient days for the twelve months ended were 74,875 compared to budget of 77,273 (3.1% variance).

Balance Sheet:

Current Cash & Cash Equivalents decreased \$1.7 million to \$109 million in June from \$110 million in May. The majority of this decrease can be attributed to the purchase of the Rancho Peñasquitos Satellite Center, offset by higher patient account collections in the month.. Total Cash and Investments are \$131.4 million, compared to \$167.4 million at June 30, 2004. Days cash on hand are 148 compared to 207 at June 30, 2004 still within "A" rated guidelines. Working Capital has been used to fund Master Facility Plan efforts, thereby reducing cash on hand. These funds will be reimbursed from the first issue of the GO Bond proceeds..

Net Accounts Receivable decreased \$8 million in June at \$71 million compared to May (\$79.3M). Gross A/R days decreased to 70.2 in June. June 2004 gross A/R days was 40. June patient account collections were \$25.6 million, which is above budget of \$23.5 million. Patient cash collections for the year are \$23 million below budget as the result of ongoing stabilization of the new IT system (approximately 25 days in cash).

Board Designated Assets decreased by \$1.7 million due the transfer of funds to operating cash to cover capital asset purchases.

Property Plant & Equipment increased by \$3.5 million mainly due to the transfer of completed construction in progress projects.

Construction in Progress increased by \$5.3 million mainly due to the purchase of the Rancho Peñasquitos Satellite Center.

Accounts Payable increased \$4.6 million in June due to the timing of vendor in payments.

Estimated 3rd Party Liabilities decreased \$4.1 million in June due to the recording of expected 3rd party settlements.

Other Current Liabilities decreased \$2.5 million is mostly due to the recognition of deferred revenue.

Income Statement:

Gross Patient Revenue for June YTD reflects an unfavorable budget variance of \$18.4 million. The month of June reflected an unfavorable \$1.6 million. The Year-to-date unfavorable variance is composed of a \$19.4 million unfavorable volume variance and \$1 million favorable rate variance.

Routine revenue (inpatient room and board) reflects an YTD unfavorable \$6.8 million budget variance. PPH North reflects a favorable variance of \$4 million, whereas PPH South reflected an unfavorable variance of \$10.9 million (included in this variance is \$548 thousand from Villa Pomerado). Palomar acute patient days are 1.2% lower than budget, however PMC encountered a higher volume of trauma than what was budgeted (approx 23% more cases). Pomerado's YTD acute patient days are 14% lower than budget (Pomerado's volume is 4.6% lower than fiscal year 2004).

Inpatient Ancillary gross revenue represents an YTD \$30 million unfavorable variance. June reflected an unfavorable variance of \$2.6 million. PPH North reflects an unfavorable YTD variance of \$4.9 million and PPH South reflects \$25 million unfavorable YTD variance. The main contributor to Palomar's variance is Pharmacy, which is \$13.5 million under budget (offset by other favorable variance departments). The main department contributors to Pomerado's variance are pharmacy, patient chargeable supplies, surgery, laboratory, and respiratory therapy (totaling \$25.9 million unfavorable revenue from budget at June YTD).

Outpatient revenue reflects a favorable YTD budget variance of \$18.3 million. This variance is split, \$13.1 million at PPH North and \$7.4 million at PPH South. OP laboratory revenue accounted for \$10.3 million of this variance, CT accounted for \$6.4 million and Pomerado's Wound Care \$1.5 million.

Deductions from Revenue reflects a favorable variance of \$22 million mainly due to the unfavorable variance in gross revenue and a \$7 million favorable variance in 3rd party settlement recognition. Total Deductions from Revenue YTD is 66% of gross revenue compared to a budget of 67%.

Deductions from Revenue (excluding Capitation revenue and Bad Debt/Charity/Undocumented expenses), was 62.5% of Gross Revenue for June YTD compared to budget of 63.6%.

The Capitation monies retained by PPH are reflecting an YTD \$4.1 million favorable variance as of June.

Bad debt, charity & undocumented care write-offs reflected an YTD \$8 million unfavorable variance. YTD Bad debt, charity and undocumented write-offs as a percent of gross revenue were 4.7% compared to the budget of 3.8%.

Total Net Revenue per weighted patient day is \$37.45 or 1.6% higher than budget.

Other Operating Revenue reflects an YTD unfavorable budget variance of \$4.7 million. The major variances are Foundation \$820,000, Corp Health \$733,000 and approx \$1.8 million variance in ancillary clinical departments for which the actual revenue is being classified in the regular patient revenue areas.

Salaries, Wages & Contract labor reflects an YTD unfavorable variance of \$3.8 million. This unfavorable variance is composed of: 1) Salaries and Wages – \$1,026,000 (actual \$148 million), 2) Contract Labor – (\$4,813,000) (actual \$14.7 million). June reflected a unfavorable Salaries & Wages budget variance of \$509 thousand and an unfavorable budgeted Contract Labor variance of \$423 thousand. YTD salaries expense has absorbed \$1 million of wages for training on the new system (this was not budgeted in FY 05).

Benefits Expense reflects a YTD unfavorable variance of \$594 thousand. The month of June reflects a reduction in workers compensation reserve based on the annual actuarial analysis. The majority of the YTD variance is due to 1) lower employee contributions for health coverage than what was budgeted and 2) higher pension expenses than budgeted due to the change in plan to allow employees to participate after only 1 year (previously 3 years).

Supplies Expense is reflecting an YTD unfavorable budget variance of \$2 million. The majority of this variance is due to prosthesis supply expenses (\$1.4 million over budget for the year) and can be attributed to increased surgical implant cases. General surgical supplies expenses are approximately \$1.4 million over budget for the year, with \$824,000 at Palomar Medical Center (PMC's cases are up approximately 11% from budget and up 7.8% from prior year) and \$618,000 at Pomerado Hospital (POM's cases are approximately 6.7% less than budget, but are 8.7% higher than prior year). Pharmaceutical supplies are approximately \$109 thousand under budget and Supplies Other Medical are approximately \$621 thousand under budget.

Prof Fees & Purch Services reflected an YTD unfavorable budget variance of \$713,000. The majority of the unfavorable YTD Purchased Services variance was due to ER on-call stipends (approximately \$400,000) physician fees, consulting and legal fees.

Depreciation Expense reflects a YTD favorable budget variance of \$1.2 million.

Other Expense is reflecting a \$2.1 million YTD favorable budget variance. Approximately \$400,000 of approved unbudgeted marketing expenditures has been absorbed into this favorable variance.

Property Tax Revenue reflects a \$718 thousand favorable variance as the result of additional income received from higher assessed property values than budgeted.

Non-Operating Income reflects an YTD favorable variance of \$1.4 thousand as of June. Investment Income accounts for nearly all of this variance. The actual YTD investment income yield as of June 2005 was approximately 2.4%, compared to a budget of 1.4%.

Ratios

All required bond covenant ratios were achieved in June 2005.

PALOMAR POMERADO HEALTH

A California Health Care District

BOARD FINANCIAL REPORT

JUNE 2005

(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

TABLE OF CONTENTS	
	<u>PAGE</u>
Financial Report Narrative	1
Balanced Scorecard Comparisons	4
Consolidated Balance Sheet	5
Consolidated – YTD 2005 Actual vs. Budget Analysis	6
Consolidated – June 2005 Actual vs. Budget Analysis	7
Investment Fund Balances – Quarterly	8
Bond Covenant Ratios	9

Palomar Pomarado Health
Balanced Scorecard
Financial Indicators
June 30, 2005

	March		April		May		June		YTD 2005		% to Actual to Budget	
	Actual	%	Actual	%	Actual	%	Actual	%	Budget	Variance		
PPH Indicators:												
OEBITDA Margin w/Prop Tax Expenses/Wtd Day	7.6%	11.6%	10.3%	10.3%	12.6%	11.6%	1.0%	1.0%	9.8%	11.7%	-1.9%	
SWB/Wtd Day	\$ 2,464.04	\$ 2,273.43	\$ 2,324.35	\$ 2,226.74	\$ 2,259.43	\$ 2,259.43	\$ 32.69	\$ 32.69	\$ 2,312.01	\$ 2,241.21	\$ (70.80)	103.2%
Prod FTE's/Adj Occupied Bed	6.46	5.99	5.92	5.80	6.09	6.09	0.29	0.29	\$ 1,356.20	\$ 1,300.95	\$ (55.25)	
PPH North Indicators:												
OEBITDA Margin w/Prop Tax Expenses/Wtd Day	16.6%	11.6%	15.8%	-1.0%	13.1%	-14.1%	-14.1%	-14.1%	11.4%	13.0%	-1.6%	
SWB/Wtd Day	\$ 2,375.23	\$ 2,160.33	\$ 2,195.81	\$ 2,242.37	\$ 2,138.43	\$ (103.94)	\$ (103.94)	\$ (103.94)	\$ 2,209.51	\$ 2,123.59	\$ (85.92)	104.0%
Prod FTE's/Adj Occupied Bed	5.54	4.98	4.95	4.90	5.10	0.20	0.20	0.20	\$ 1,145.58	\$ 1,107.90	\$ (37.68)	103.4%
PPH South Indicators:												
OEBITDA Margin w/Prop Tax Expenses/Wtd Day	-24.7%	9.9%	-17.0%	12.2%	3.5%	8.7%	8.7%	8.7%	0.2%	4.1%	-3.9%	
SWB/Wtd Day	\$ 2,392.65	\$ 1,948.69	\$ 2,408.15	\$ 2,280.87	\$ 2,271.05	\$ (9.82)	\$ (9.82)	\$ (9.82)	\$ 2,315.10	\$ 2,253.04	\$ (62.06)	102.8%
Prod FTE's/Adj Occupied Bed	5.98	5.95	5.76	5.64	5.85	0.21	0.21	0.21	\$ 1,216.08	\$ 1,217.68	\$ 1.60	
									5.83	5.83	0	

Palomar Pomerado Health
Consolidated Balance Sheet
As of June 30, 2005

	Current Month	Prior Month	Prior Fiscal Year End
Assets			
Current Assets			
Cash on Hand	\$12,666,868	\$8,355,194	\$16,711,919
Cash Marketable Securities	96,380,135	102,352,671	123,345,498
Total Cash & Cash Equivalents	109,046,803	110,707,865	140,057,417
Patient Accounts Receivable	190,388,774	207,624,313	101,725,460
Allowance on Accounts	-119,259,402	-128,355,053	-53,898,018
Net Accounts Receivable	71,129,372	79,269,260	47,827,442
Inventories	6,320,951	5,804,976	5,578,404
Prepaid Expenses	2,059,484	2,072,249	2,238,199
Other	840,755	1,181,843	1,330,194
Total Current Assets	189,397,365	199,036,183	197,031,656
Non-Current Assets			
Restricted Assets	12,026,055	11,134,314	11,853,970
Restricted by Donor	281,473	280,978	278,470
Board Designated	22,388,648	24,136,582	27,374,261
Total Restricted Assets	34,696,176	35,551,874	39,506,701
Property Plant & Equipment	337,484,770	334,013,161	301,986,753
Accumulated Depreciation	-218,491,576	-218,560,008	-204,146,712
Construction in Process	26,744,075	21,436,708	22,630,125
Net Property Plant & Equipment	145,737,269	136,889,861	120,470,166
Investment in Related Companies	5,700,502	5,455,999	6,186,581
Deferred Financing Costs	1,618,773	1,642,159	1,899,414
Other Non-Current Assets	1,274,318	0	0
Total Non-Current Assets	189,027,038	179,539,893	168,062,862
Total Assets	\$378,424,403	\$378,576,086	\$365,094,518
Liabilities			
Current Liabilities			
Accounts Payable	\$15,833,163	\$11,242,399	\$13,966,809
Accrued Payroll	20,763,473	20,945,492	16,445,168
Accrued PTO	10,212,195	10,104,023	9,997,231
Accrued Interest Payable	708,785	351,384	726,837
Current Portion of Bonds	6,125,000	6,125,000	6,015,000
Est Third Party Settlements	-4,522,051	-422,045	-1,122,042
Other Current Liabilities	6,228,408	8,692,838	7,607,731
Total Current Liabilities	55,348,973	57,039,091	53,636,734
Long Term Liabilities			
Bonds & Contracts Payable	79,819,688	79,761,979	85,252,184
General Fund Balance			
Unrestricted	220,585,623	217,357,455	198,552,867
Restricted for Other Purpose	281,473	280,978	278,470
Board Designated	22,388,648	24,136,582	27,374,261
Total Fund Balance	243,255,744	241,775,015	226,205,598
Total Liabilities / Fund Balance	\$378,424,403	\$378,576,086	\$365,094,518

**PALOMAR POMERADO HEALTH
CONSOLIDATED
FYTD 2005
June 2005**

	YTD Activity		Variance		Variance		Rate/Eff	\$/Mtg Pt Day	
	Actual	Budget			Volume	Actual		Budget	Variance
Statistics:									
Admissions - Acute	28,170	28,364	(194)						
Admissions - SNF	1,155	1,490	(335)						
Patient Days - Acute	108,987	114,196	(5,209)						
Patient Days - SNF	74,875	77,273	(2,398)						
LOS - Acute	3.96	4.06	(0.10)						
LOS - SNF	36.95	33.34	3.61						
Weighted Pt Days	147,756	150,663	(2,907)						
Revenue:									
Gross Revenue	\$ 987,574,884	\$ 1,006,004,466	\$ (18,429,582)	U	\$ (19,410,572)	\$ 980,990	\$ 6,683.82	\$ 6,677.18	\$ 6.64
Deductions from Rev	(653,422,592)	(675,463,449)	22,040,857	F	13,032,876	9,007,981	(4,422.31)	(4,483.27)	60.97
Net Patient Revenue	334,152,292	330,541,017	3,611,275	F	(6,377,695)	9,988,970	2,261.51	2,193.91	67.60
Other Oper Revenue	10,378,028	15,125,357	(4,747,329)	U	(291,839)	(4,455,490)	70.24	100.39	(30.15)
Total Net Revenue	344,530,320	345,666,374	(1,136,054)	U	(6,669,535)	5,533,481	2,331.75	2,294.30	37.45
Expenses:									
Salaries, Wages & Contr Labor	162,961,748	159,174,304	(3,787,444)	U	3,071,223	(6,858,667)	1,102.91	1,056.49	(46.42)
Benefits	37,424,921	36,830,717	(594,204)	U	710,638	(1,304,842)	253.29	244.46	(8.83)
Supplies	57,892,650	55,735,832	(2,156,818)	U	1,075,407	(3,232,225)	391.81	369.94	(21.88)
Prof Fees & Purch Svc	44,570,616	43,857,439	(713,177)	U	846,217	(1,559,394)	301.65	291.10	(10.55)
Depreciation	16,394,985	17,602,230	1,207,245	F	339,630	867,615	110.86	116.83	5.87
Interest	5,272,031	5,276,765	4,734	F	101,814	(97,080)	35.68	35.02	(0.66)
Other	17,097,127	19,190,440	2,093,313	F	370,274	1,723,039	115.71	127.37	11.66
PPH Allocation	-	(4)	(4)	U	(0)	(4)	-	(0.00)	(0.00)
Total Expenses	341,614,078	337,667,723	(3,946,355)	U	6,515,203	(10,461,558)	2,312.01	2,241.21	(70.80)
Net Inc Before Non-Oper Income	2,916,242	7,998,651	(5,082,409)	U	(154,332)	(4,928,077)	19.74	53.09	(33.35)
Property Tax Revenue	10,218,388	9,500,004	718,384	F	(183,300)	901,684	69.16	63.05	6.10
Non-Operating Income	3,907,815	2,502,288	1,405,527	F	(48,281)	1,453,808	28.45	16.61	9.84
Net Income (Loss)	\$ 17,042,445	\$ 20,000,943	\$ (2,958,498)	U	\$ (385,913)	\$ (2,572,585)	\$ 115.34	\$ 132.75	\$ (17.41)
Net Income Margin	4.8%	5.8%	-1.0%						
OEBITDA Margin w/o Prop Tax	6.9%	8.9%	-2.0%						
OEBITDA Margin with Prop Tax	9.8%	11.7%	-1.9%						

F = Favorable variance
U = Unfavorable variance

230

**PALOMAR POMERADO HEALTH
CONSOLIDATED
MTD 2006
June 2005**

	Month Activity		Variance			Variance		\$/Wtg Pt Day						
	Actual	Budget	Budget	Variance		Volume	Rate/Eff	Actual	Budget	Variance				
Statistics:														
Admissions - Acute	2,442	2,305		137										
Admissions - SNF	95	129		(34)										
Patient Days - Acute	9,169	9,249		(80)										
Patient Days - SNF	6,316	6,351		(35)										
LOS - Acute	3.97	4.05		(0.08)										
LOS - SNF	37.01	33.25		3.76										
Weighted Pt Days	12,487	12,286		201										
Revenue:														
Gross Revenue	\$ 80,669,015	\$ 82,265,886	\$	(1,596,871) U	\$	1,345,877	\$	(2,942,748)	\$	6,460.24	\$	6,695.90	\$	(235.66)
Deductions from Rev	(53,910,773)	(55,221,598)		1,310,825 F		(903,430)		2,214,255		(4,317.35)		(4,494.68)		177.32
Net Patient Revenue	26,758,242	27,044,288		(286,046) U		442,447		(728,493)		2,142.89		2,201.23		(58.34)
Other Oper Revenue	800,962	1,286,770		(485,808) U		21,052		(506,860)		64.14		104.73		(40.59)
Total Net Revenue	27,559,204	28,331,058		(771,854) U		463,499		(1,235,353)		2,207.03		2,305.96		(98.93)
Expenses:														
Salaries, Wages & Contr Labor	13,933,270	13,000,851		(932,419) U		(212,695)		(719,724)		1,115.82		1,058.18		(57.64)
Benefits	1,802,066	3,014,477		1,212,411 F		(49,317)		1,261,728		144.32		245.36		101.04
Supplies	4,761,686	4,623,250		(138,436) U		(75,637)		(62,789)		381.33		376.30		(5.03)
Prof Fees & Purch Svc	4,577,190	3,622,204		(954,986) U		(59,260)		(895,726)		366.56		294.82		(71.73)
Depreciation	1,618,121	1,470,689		(147,432) U		(24,061)		(123,371)		129.58		119.70		(9.88)
Interest	445,008	439,492		(5,516) U		(7,190)		1,674		35.64		35.77		0.13
Other	667,913	1,588,368		920,455 F		(25,986)		946,441		53.49		129.28		75.79
PPH Allocation	-	13		13 F		(0)		13		-		0.00		0.00
Total Expenses	27,805,254	27,759,344		(45,910) U		(454,145)		408,235		2,226.74		2,259.43		32.69
Net Inc Before Non-Oper Income	(246,050)	571,714		(817,764) U		9,353		(827,117)		(19.70)		46.53		(66.24)
Property Tax Revenue	948,055	791,667		156,388 F		12,952		143,436		75.92		64.44		11.49
Non-Operating Income	778,723	208,524		570,199 F		3,411		566,788		62.36		16.97		45.39
Net Income (Loss)	\$ 1,480,728	\$ 1,571,905		\$(91,177) U		\$ 25,716		\$(116,893)		\$ 118.58		\$ 127.94		\$(9.36)
Net Income Margin	6.7%	5.6%		1.1%										
OEBITDA Margin w/o Prop Tax	8.3%	8.8%		-0.5%										
OEBITDA Margin with Prop Tax	12.6%	11.6%		1.0%										

F= Favorable variance
U= Unfavorable variance

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

Investment Account	Interest Payable	Interest Rate	Maturity Date	June 30, 2005	March 30, 2005	IN/(DE)CREASE
Fidelity-Institutional Portfolio Treasury Fund	Monthly	2.91%	Demand	\$ 882,504	\$ 876,546	\$ 5,958
State Treasurer Local Agency Investment Fund	Quarterly	2.85%	Demand	3,237,821	13,157,001	(9,919,180)
Maxicare Health Plans, Inc.	N/A	N/A	Demand	4	4	0
Salomon Brothers	Various	Various	Various	31,139,694	30,500,320	639,374
Pacific Income Advisors, Inc	Various	Various	Various	29,753,884	29,385,097	368,787
Morgan Stanley & Co.	Various	Various	Various	54,081,594	56,446,805	(2,365,211)
TOTAL INVESTMENTS AT CURRENT FAIR MARKET VALUE				\$ 119,095,501	\$ 130,365,773	\$ (11,270,272)
ACCRUED INTEREST INCOME RECEIVABLE				837,260	1,224,276	(387,016)
Bank of America - Cash in Checking/COR Acct				10,605,505	3,018,524	7,586,981
TOTAL VALUE OF INVESTMENT PORTFOLIO				\$ 130,538,266	\$ 134,608,573	\$ (4,070,307)
INVESTMENTS						
COMPARATIVE						
06/05	\$119,095,501			\$ 130,256,793	\$ 134,328,254	\$ (4,071,461)
06/04	\$151,029,004			281,473	280,319	1,154
06/03	\$141,879,193			\$ 130,538,266	\$ 134,608,573	\$ (4,070,307)
06/02	\$120,143,712					

PALOMAR POMERADO HEALTH BOND COVENANT RATIOS

CUSHION RATIO	Jun-03	Jun-04	Jun-05
Cash and Cash Equivalents	129,440,297	140,057,417	109,046,803
Board Designated Reserves	37,099,360	27,374,261	22,388,648
Trustee-held Funds	12,388,843	11,853,970	12,026,055
Total	178,928,500	179,285,648	143,461,506

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

CUSHION RATIO	16.7	16.8	13.4
REQUIREMENT	1.5	1.5	1.5
	Achieved	Achieved	Achieved

DAYS CASH ON HAND	Jun-03	Jun-04	Jun-05
Cash and Cash Equivalents	129,440,297	140,057,417	109,046,803
Board Designated Reserves	37,099,360	27,374,261	22,388,648
Total	166,539,657	167,431,678	131,435,451

Divide Total by Average Adjusted Expenses per Day			
Total Expenses	297,904,936	311,614,910	341,614,078
Less: Depreciation	14,532,356	14,546,550	16,394,985
Bad Debt	18,219,392	-	-
Adjusted Expenses	265,153,188	297,068,360	325,219,093

Number of days in period	365	366	365
Average Adjusted Expenses per Day	726,447	811,662	891,011

DAYS CASH ON HAND	229	206	148
REQUIREMENT	90	90	90
	Achieved	Achieved	Achieved

Net Income Available for Debt Service	Jun-03	Jun-04	Jun-05
Excess of revenue over expenses Cur Mo.	(575,578)	2,905,196	1,480,728
Excess of revenues over expenses YTD (General Funds)	25,180,908	16,053,177	17,042,445
ADD:			
Depreciation and Amortization	14,532,356	14,546,550	16,394,985
Interest Expense	5,861,454	5,581,454	5,272,031
Net Income Available for Debt Service	45,574,718	36,181,181	38,709,461

Aggregate Debt Service	Jun-03	Jun-04	Jun-05
1993 Insured Refunding Revenue Bonds	6,019,112	6,017,132	6,020,301
1999 Insured Refunding Revenue Bonds	4,357,192	4,357,728	4,356,844
Aggregate Debt Service	10,376,304	10,374,860	10,377,145

Net Income Available for Debt Service	4.39	3.49	3.73
Required Coverage	1.15	1.15	1.15
	Achieved	Achieved	Achieved

233