



PALOMAR  
POMERADO  
HEALTH

**BOARD OF DIRECTORS  
AGENDA PACKET**

September 11, 2006

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

*A California Health Care District (Public Entity)*

# PALOMAR POMERADO HEALTH BOARD OF DIRECTORS

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

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

## MISSION STATEMENT

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

## VISION STATEMENT

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

## CORE VALUES

### **Integrity**

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

### **Innovation and Creativity**

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

### **Teamwork**

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

### **Excellence**

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

### **Compassion**

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

### **Stewardship**

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

## Affiliated Entities

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

PALOMAR POMERADO HEALTH  
BOARD OF DIRECTORS  
REGULAR MEETING AGENDA

Monday, September 11, 2006

Commences 6:30 p.m.

Pomerado Hospital  
Meeting Room E  
15615 Pomerado Road  
Poway, California

**Mission and Vision**

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

*"The vision of PPH is to be the health system of choice for patients, physicians and employees, recognized nationally for the highest quality of clinical care and access to comprehensive services."*

*Commences at 6:30 p.m. Pomerado Hospital, Meeting Room E*

	<u>Time</u>	<u>Page</u>
<b>I. CALL TO ORDER</b>		
<b>II. OPENING CEREMONY</b>	5 min	
A. Pledge of Allegiance		
B. Recitation – Chaplain David Walden		
C. 1-minute silence to commemorate 5 years since 9/11 tragedy in New York		
<b>III. PUBLIC COMMENTS</b>	5	
<i>(5 mins allowed per speaker with cumulative total of 15 min per group – for further details &amp; policy see Request for Public Comment notices available in meeting room).</i>		
<b>IV. * MINUTES</b>	2	1-9
Regular Board Meeting – August 14, 2006		

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

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

**V. \* APPROVAL OF AGENDA to accept the Consent Items as listed** 5 10-119

- A. Consolidated Financial Statements
- B. Revolving Fund Transfers/Disbursements – July, 2006
  - 1. Accounts Payable Invoices \$28,683,148.00
  - 2. Net Payroll 9,328,844.00
  - Total \$38,011,992.00
- C. Ratification of Paid Bills
- D. July 2006 & Fiscal YTD 2006 Financial Report
- E. **Perinatology Professional Services & Medical Director Agreement - University of California San Diego School of Medicine, Dept of Reproductive Medicine**
- F. **Physician Recruitment Agreement – Orthopedic Surgery – Philip Balikian, MD, and Center for Healthcare**

**VI. PRESENTATIONS -**

- A. **American Heart Association of San Diego County Presentation with Business Heart Partner Award 2005-2006 for PPH Support for “Go Red for Women”**
  - Robert Stein, MD – President of the AHA San Diego Area 5
- B. **San Diego Magazine Recognition Award to PPH as being one of the top three best places to work**
  - Wallie George, Chief Human Resource Officer 5

**VII. REPORTS**

- A. **Medical Staffs** 15
  - \* 1. Palomar Medical Center – *Robert D. Trifunovic, M.D.*
    - a. Credentialing/Reappointments 120-140
    - b. Credentialing/Reappointment – Patrick M. O’Meara, MD 141
    - c. Department of Medicine Rules and Regulations Modifications 142-145
    - d. Department of Trauma Rules and Regulations Modifications 146
    - e. Department of Family Practice Rules and Regulations Modifications 147-150
    - f. PPH Performance Improvement/Patient Safety Plan 151-172  
(PMC and Pomerado Hospital)
  - \* 2. Escondido Surgery Center – *Marvin W. Levenson, M.D.*
    - a. Credentialing/Reappointments 173-174
  - \* 3. Pomerado Hospital – *Paul E. Tornambe, M.D.*
    - a. Credentialing/Reappointments 175

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



**B. Administrative**

1. President of Palomar Pomerado Health Foundation – *Al Stehly*
  - a. Update on PPHF Activities 5 Verbal Report
2. Chairman of the Board – *Marcelo R. Rivera, M.D.* 10 Verbal Report
3. President and CEO – *Michael H. Covert* 10 Verbal Report
  - a. 4<sup>th</sup> Annual National Rehab Week Luncheon Sept 20
  - b. ACHD Annual Meeting San Diego, Sept 27-29
  - c. Quarterly Reports from Executive Staff
    - i. Gerald Bracht, Palomar Medical Center
    - ii. Jim Flinn, Pomerado Hospital
    - iii. Sheila Brown, Clinical Outreach
    - iv. Lorie Shoemaker, Chief Nurse Executive

**VIII. INFORMATION ITEMS *(Discussion by exception only)*** 176-184

- |   |                    |
|---|--------------------|
| A. FY '06 Goal Outcome  | Strategic Planning |
| B. Strategic Plan Development   | Strategic Planning |
| C. Status Report on 2006 Revenue Bond Issuance  | Finance            |
| D. Update on Ramona Property/Assessor Parcels<br>#281-190-9-00 through #281-190-12-00 | Finance            |

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

*None*

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

**XI. FINAL ADJOURNMENT**

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

Palomar Pomerado Health  
**BOARD OF DIRECTORS**  
**REGULAR BOARD MEETING**  
 Palomar Medical Center, Graybill Auditorium, Escondido  
 Monday, August 14, 2006

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
CALL TO ORDER	6:30 pm Quorum comprised Directors Bassett, Greer, Kleiter, Larson, Powers and Rivera.		
OPENING CEREMONY	Regrets from Director Krider. The Pledge of Allegiance was recited in unison, followed by an inspirational reading by Chaplain Hard ( <i>attached</i> ).		
MISSION AND VISION STATEMENTS	The PPH mission and vision statements are as follows:  <i>The mission of Palomar Pomerado Health is to heal, comfort and promote health in the communities we serve.</i>  <i>The vision of PPH is to be the health system of choice for patients, physicians and employees, recognized nationally for the highest quality of clinical care and access to comprehensive services.</i>		
NOTICE OF MEETING	Notice of Meeting was mailed consistent with legal requirements		
PUBLIC COMMENTS	None		
APPROVAL OF MINUTES	<ul style="list-style-type: none"> <li>• July 17, 2006 Regular Meeting</li> </ul>	<p><b>MOTION:</b> by Bassett, 2<sup>nd</sup> by Greer and carried to approve the Regular Board Meeting July 17, 2006 minutes as submitted. All in favor. None opposed.</p>	
<ul style="list-style-type: none"> <li>• June 5, 2006 Special Board Budget Workshop</li> </ul>		<p><b>MOTION:</b> by Kleiter, 2<sup>nd</sup> by Powers and carried to approve the Special Board Budget Workshop June 5, 2006 minutes as submitted. All in favor.</p>	

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
<p><b>APPROVAL OF AGENDA to accept the Consent Items as listed including</b></p> <p>E. Clarifying Language in the MSA between PPH and PPHFoundation</p>	<p>None opposed.</p> <p><b>MOTION:</b> by Larson, 2<sup>nd</sup> by Bassett and carried to approve the Consent Items as submitted. All in favor.</p> <p>None opposed.</p>		
<p><b>PRESENTATION</b></p> <ul style="list-style-type: none"> <li>Community Outreach – Faith &amp; Health Partnership program – Kay Stuckhardt, Coordinator</li> </ul>	<p>Tina Pope, Director, Community Relations, introduced Kay Stuckhardt, Faith &amp; Health Partnership Program Coordinator who made a Powerpoint presentation (<i>attached to original minutes</i>) to the Board regarding the Program's work, linking PPH's mission to "heal, comfort and promote health" with that of the Faith Community's commitment, noting that 50% of disease is preventable and attributable to lifestyle. Faith Partners currently offer a connection with more than 54,000 people.</p> <p>Faith Partners had grown steadily since 1998, and were now in nearly all communities of PPH's service area and inter-denominational. Program priorities were based on PPH Community health checks, Healthy People 2010 Objectives; Surveys of congregations and Evidence-based strategies.</p>	<p>Chairman Rivera thanked Ms Stuckhardt for her presentation, enthusiasm and dedication within the community, promoting and growing the Faith and Health Partnership Program, and that her work was sincerely appreciated.</p>	
<ul style="list-style-type: none"> <li>COPE Health Solutions "Red Shirt, Clinical Care Extender &amp; Volunteer Medical Interpreting – GO-MED Program</li> </ul>	<p>Lorie Shoemaker, Chief Nurse Executive, introduced representatives from COPE Health Solutions namely, Marcos Martinez, Association Manager; Kitty Pokawatana, V.P. Finance &amp; Administration; and Allen Miller, CEO, based in Los Angeles.</p> <p>A presentation had been made to the Human Resources Committee and as a result, Director Bassett requested it also be made to the full Board. The program concerned diversity in healthcare and had started at UCLA. Jennifer Duquette, Director, Health Workforce Program, was running the program with emphasis on "Divisions of the Growing Our Own Medical Employees Development (GO-</p>	<p>Chairman Rivera thanked Ms Shoemaker and the COPE Health Solutions representatives, regarding this valuable program, in addition to congratulating Ms Marie Sirio, Clinical Care Extender Intern.</p>	

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AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	<p>MED) Program", with Red Shirts being a High School Mentoring Program providing students with the tools they would need to succeed in both college and their future health care careers. Ms Marie Sirio, a Red Shirt Clinical Care Extender Intern who also spoke, had recently been accepted to train at the CSUSM School of Nursing and thanked everyone for a tour she had received of the SMACC building location at 120 Craven Road, San Marcos.</p> <p>This was one of the outcomes of the GO-MED Program in the recruitment/training of potential new nurses/clinical recruits in the community and crucial to our hospitals. There were currently thirty active Red Shirt students actively engaged within PMC and Pomerado. The CEO was appreciative of Brad Wiscons for his involvement in the program.</p> <p>Benjamin Kanter, MD, asked if there was any relationship between the students and the medical staffs and whether this program should be presented to the medical staffs offering students the opportunity to rotate through the OR and be invited in on a regular basis. He also noted that the biggest need was for interpreters from 7 am - 11 am.</p>	<p>The CEO acknowledged this point noting that Dr. Nick is aware and would be happy to create a shadowing program and medical staff presentation.</p> <p>Regarding medical interpreters and need for morning coverage, the CEO would take this into consideration.</p> <p>Chairman Rivera noted that this partnership was strong in the junior high schools, but that we should also reach deeper into the younger segments. He thanked the Board and Staff particularly Michael Covert, Lorie Shoemaker and Brad Wiscons, referring to our history and Nurses Now Program in December 2000. As a result of Dr. Larson's initial challenge there arose establishment of a relationship with community</p>	<p>Dr. Nick Yphantides to follow up.</p> <p>CEO to consider availability of more time slots for interpreters.</p>

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AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
		colleges, the PPH ad hoc Nursing Committee - of which Director Bassett was Chairperson, and the CSUSM and Palomar College involvement, for which we had now committed nearly \$3 million toward nursing education. He also referred to the quote "No Child Left Behind" stating that we are funding and providing a link between junior schools and education and are creating a model in this regard.	
<b>REPORTS</b>			
Medical Staff			
Palomar Medical Center			
<ul style="list-style-type: none"> <li>▪ Credentialing</li> </ul>	John J. Lilley, MD., on behalf of Robert D. Trifunovic, MD., Chief of PMC Medical Staff, presented PMC's requests for approval of Credentialing Recommendations.	<b>MOTION:</b> by Bassett, 2 <sup>nd</sup> by Kleiter and carried to approve the PMC Medical Staff Executive Committee credentialing recommendations for the PMC Medical Staff, as presented. All in favor. None opposed.	
<ul style="list-style-type: none"> <li>▪ Additional Credentialing - Patrick O'Meara, MD</li> </ul>	John J. Lilley, MD., on behalf of Robert D. Trifunovic, MD., Chief of PMC Medical Staff, presented PMC's request for approval of an additional Credentialing Recommendation for Patrick O'Meara, MD	Directors Greer and Larson abstained to avoid potential conflict of interest. <b>MOTION:</b> by Powers, 2 <sup>nd</sup> by Kleiter and carried to approve Medical Staff credentialing for Patrick O'Meara, MD for a further 30 days, and not per the Executive Committee's recommendation for reappointment of Dr. O'Meara through 04/30/2007. All in favor. None opposed.	
Escondido Surgery Center			
<ul style="list-style-type: none"> <li>▪ Credentialing</li> </ul>	Marvin W. Levenson, MD, Administrator/ Medical Director of the Escondido Surgery Center, presented requests for approval of Credentialing Recommendations.	<b>MOTION:</b> by Kleiter, 2 <sup>nd</sup> by Bassett and carried to approve the PMC Medical Staff Executive Committee credentialing recommendations for the Escondido Surgery Center, as presented. All in favor. None opposed.	

F

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
Pomerado Hospital <ul style="list-style-type: none"> <li>▪ Credentialing</li> </ul>	Benjamin Kanter, MD., on behalf of Paul E. Tornambe, MD., Chief of Pomerado Medical Staff, presented Pomerado Hospital's requests for approval of Credentialing Recommendations.	Directors Greer and Larson abstained to avoid potential conflict of interest.  <b>MOTION:</b> by Bassett, 2 <sup>nd</sup> by Kleiter and carried to approve the Pomerado Hospital Medical Staff Executive Committee credentialing recommendations for the Pomerado Medical Staff, as presented. All in favor. None opposed.	
Administrative Chairperson - Palomar Pomerado Health Foundation	Mr. Al Stehly	Directors Greer and Larson abstained to avoid potential conflict of interest.	
	Mr. Stehly presented the monthly verbal report to the Board regarding the Foundation's activities. There was a "Get to Know You" barbeque planned at his house for the Foundation and guests. He also looked forward to the arrival September 5 of Mr. Dana Dawson noting that they will be setting up meetings for Board members to meet with him. In addition, he referred to a donation of \$10,000 having been received from Ms Freda Palmer, resident of Casa de las Campanas, noting that the Foundation was also included in a philanthropic bequest.  The Foundation's updated website which will go live September 1 allows for donations and information on planned giving, tax advantages etc to be online.	Chairman Rivera thanked Mr. Stehly for his informative report.	
Chairman of the Board - Palomar Pomerado Health <ul style="list-style-type: none"> <li>• Resolution No. 08.14.06 (01) – 23 Amending Established Dates of Regular Board Meetings for Calendar Year 2006</li> </ul>	Marcelo R. Rivera, MD	<b>MOTION:</b> by Kleiter, 2 <sup>nd</sup> by Larson and agreed to unanimously adopt Resolution No. 08.14.06 (01) – 23 Amending Established Dates of Regular Board Meetings for Calendar	Notification to all involved to be made by Board Assistant – since completed

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
<p>(adoption of November Regular Board Meeting date as November 20 instead of November 13)</p>		<p>Year 2006 as submitted, that amends the former November 13 Regular Board Meeting date to November 20.</p>	<p>Chairman Larson expressed thanks to the Board for changing the November date.</p>
<p>President and CEO</p>	<p>Michael H. Covert</p>		
<ul style="list-style-type: none"> <li>Ms Lorie Shoemaker</li> </ul>	<p>Mr. Covert conveyed thanks and appreciation to Ms Lorie Shoemaker who assumed an interim CEO role during his recent absence, wishing to publicly acknowledge the excellent manner in which she took on this role.</p>		
<ul style="list-style-type: none"> <li>Introduction of Administrative Intern Fellow - Ms Kwaja Floyd</li> </ul>	<p>The CEO introduced Ms Kwaja Floyd as PPH's new Administrative Fellow and graduate of Florida A&amp;M and the University of Kansas. Ms Floyd follows the one-year internship of former Administrative Fellow, Mr. Stonish Pierce. Mr. Covert looked forward to working with Ms Floyd.</p>		
<ul style="list-style-type: none"> <li>Special Board Education Session August 30</li> </ul>	<p>Mr. Covert reminded of the Special Board Educational Session Wednesday, August 30 (6 pm Dinner for 6:30 pm Session) at the Radisson Suite Hotel, Rancho Bernardo. Mr. Stonish Pierce, former Administrative Intern Fellow will present on the topic of Retail Health Clinics, noting that CVS has eighty-three in-store health clinics.</p>		
<ul style="list-style-type: none"> <li>VHA</li> </ul>	<p>Discussions had been held with VHA and as we worked with them, trust we will be viewed as a shareholder/partner in that organization.</p>		
<ul style="list-style-type: none"> <li>Strategic Planning Committee Presentation August 15</li> </ul>	<p>The CEO, together with Marcia Jackson informed that consultants Kaufman Hall will attend the Strategic Planning Committee Tuesday, August 15 (6 p.m. Dinner for 6:30 p.m. Meeting) at Pomerado, to present on the creation of a Strategic Plan to formalize the growth strategy for the organization and review the Strategic Planning process.</p>		
<ul style="list-style-type: none"> <li>Legislative</li> </ul>	<p>Mr. Covert relayed that he had visited recently with Dianne Jacob regarding Rancho</p>		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	Penasquitos and Ramona updates concerning PPH, stating that she is very supportive of this in her district.		
<ul style="list-style-type: none"> <li>Special Board Meeting Annual Quality/Patient Safety Report</li> </ul>	<p>Michael Covert reminded that the Annual Quality/Patient Safety Report would be presented to the Board at a special meeting on Monday, August 21 at 6 p.m. for 6:30 p.m. at PMC Graybill. Executive Staff and Physicians would be involved and he encouraged all Board Members to attend.</p> <p>Our findings from the Employee Engagement Scores would be shared via committee.</p>		
<ul style="list-style-type: none"> <li>Employee Engagement Scores</li> </ul>		Chairman Rivera welcome Ms Kwaja Floyd, and thanked Mr. Covert for his report to the Board.	
INFORMATION ITEMS	<i>Discussion by exception only</i>		
<ul style="list-style-type: none"> <li>Human Resources</li> </ul>			
<ul style="list-style-type: none"> <li>Internal Audit</li> </ul>			
<ul style="list-style-type: none"> <li>Finance</li> </ul>			
COMMITTEE REPORTS			
Human Resources - Pension Sub-committee	<i>Director Nancy Bassett, RN, MBA, Chairperson, Human Resources Committee</i>		
<ul style="list-style-type: none"> <li>Approval: Pension &amp; Deferred Compensation Plans Amendment</li> </ul>	<p>Director Bassett referred to the union contracts and two very important improvements for our employees - an increase of the pension plan contribution to 6.5% after 15 years of service, in addition to matching the employee's contribution to the deferred compensation plan.</p> <p><i>Director T. E. Kleiter, Chairman</i></p>	<p><b>MOTION:</b> by Kleiter, 2<sup>nd</sup> by Larson and carried to approve the Pension and Deferred Compensation Plans Amendment as submitted.</p> <p>All in favor. None opposed.</p>	
Finance			
<ul style="list-style-type: none"> <li>Resolution No. 08.14.06 (02) - 24 Establishing Appropriations Limit of the District for Fiscal Year July 1, 2006 - June 30, 2007 Pursuant to Article XIII (B) of the California Constitution</li> </ul>		<p><b>MOTION:</b> by Kleiter, 2<sup>nd</sup> by Bassett and carried to adopt Resolution No. 08.14.06 (03) - 24 Establishing Appropriations Limit of the District for Fiscal Year July 1, 2006 - June 30, 2007 Pursuant to Article XIII(B) of the California Constitution, as submitted.</p> <p>All in favor. None opposed.</p>	
<ul style="list-style-type: none"> <li>Resolution No. 08.14.06 (03) - 25 Authorizing</li> </ul>		<p><b>MOTION:</b> by Kleiter, 2<sup>nd</sup> by Bassett and carried to adopt Resolution No.</p>	




AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
<p>Individuals and Enabling Resolutions for Morgan Stanley Investment Accounts</p>		<p>08.14.06 (03) – 25 Authorizing Individuals and Enabling Resolutions for Morgan Stanley Investment Accounts, as submitted All in favor. None opposed.</p>	
<ul style="list-style-type: none"> <li>Resolution No. 08.14.06 (04) – 26 Adopting General Obligation Bonds – Tax Levy by the Board of Supervisors of the County of San Diego for Fiscal Year 2006-2007</li> </ul>		<p><b>MOTION:</b> by Kleiter, 2<sup>nd</sup> by Bassett and carried to adopt Resolution No. 08.14.06 (04) – 26 Adopting General Obligation Bonds – Tax Levy by the Board of Supervisors of the County of San Diego for Fiscal Year 2006-2007, as submitted. All in favor. None opposed.</p>	
<ul style="list-style-type: none"> <li>Approval: Lease Agreement between PPH and The Trustees of the California State University including MOU (Exhibit A) Concerning Use of Palomar Pomerado Health Premises</li> </ul>	<p>Finance Committee Chairman Kleiter commented that this had been a long process over the last couple of years and this was the culmination of that process. As a result he was happy to move adoption of the motion.</p> <p>Chairman Rivera relayed that it was important for PPH to derive from the School of Nursing as much as PPH had invested in it, and that he had meetings with Dr. Haynes, noting the spirit of cooperation and identity of the program, and that the important aspects were the MOU, including shared use.</p> <p>Director Greer was impressed with the Administrative Fellow Intern program, and extended a welcome to Ms Kwaja Floyd.</p> <p>Directors Bassett and Larson also welcomed Ms Floyd.</p> <p>Director Kleiter noted that he had missed last month's Board meeting having been away on a 50<sup>th</sup> wedding anniversary trip.</p> <p>Director Powers relayed that the Chamber of Commerce recently held a golf tournament with PPH entering two teams that included Directors Kleiter and Bassett. Director Bassett appreciated the opportunity to play.</p>	<p><b>MOTION:</b> by Kleiter, 2<sup>nd</sup> by Bassett and carried to approve the Lease Agreement between Palomar Pomerado Health and The Trustees of the California State University including MOU (Exhibit A) Concerning Use of Palomar Pomerado Health Premises, as submitted. All in favor. None opposed.</p>	
<p><b>BOARD MEMBER COMMENTS/AGENDA ITEMS FOR NEXT MONTH</b></p>			

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	<p>Director Powers also referred to the August 5 e-coli problem in the North County area from Scripps Poway Parkway. He had contacted the head of the Water District. There was no problem with the City of Poway (ie., Pomerado Hospital) water supply, but it was ascertained that we had six days of water at the hospital. He felt the City of San Diego had failed miserably. As a result he felt we were not prepared for a disaster and proposed the possibility of having local leaders ensure there was an adequate disaster plan in place within the area to assure the community.</p> <p>Chairman Rivera inquired about the School of Nursing tour.</p> <p>Ms Shoemaker responded that a walk-through was planned for 10 am Wednesday August 23 for a couple of Board Members, but as school started on August 24, we were having to review other dates, most likely an evening, when the Board may be able to tour the school. They would be notified once a date/time had been conveniently established.</p> <p><b>7:55 p.m.</b></p>		
<b>ADJOURNMENT</b>			
<b>SIGNATURES</b>			
<ul style="list-style-type: none"> <li>▪ Board Secretary</li> </ul>	<p>_____</p> <p><b>Linda C. Greer, R.N.</b></p>		
<ul style="list-style-type: none"> <li>▪ Board Assistant</li> </ul>	<p>_____</p> <p><b>Christine D. Meaney</b></p>		

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

07/01/06	TO	07/31/06	ACCOUNTS PAYABLE INVOICES	\$28,683,148.00
07/14/06	TO	07/28/06	NET PAYROLL	<u>\$9,328,844.00</u>
				\$38,011,992.00

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

## July 2006 & Fiscal YTD 2007 Financial Report

**TO:** Board of Directors  
**FROM:** Board Finance Committee  
Tuesday, August 29, 2006  
**MEETING DATE:** Monday, September 11, 2006  
**BY:** Robert Hemker, CFO

**Background:** The Board Financial Reports (unaudited) for July 2006 and Fiscal YTD 2007 are submitted for the Board's approval.

**Budget Impact:** N/A

**Staff Recommendation:** Staff recommends approval.

**Committee Questions:**

**COMMITTEE RECOMMENDATION:** The Board Finance Committee recommends approval of the Board Financial Reports (unaudited) for July 2006 and Fiscal YTD 2007.

**Motion:** X

**Individual Action:**

**Information:**

**Required Time:**

**PALOMAR POMERADO HEALTH**

*A California Health Care District*

**BOARD FINANCIAL REPORT**

**JULY 2006**

(UNAUDITED)

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

# PALOMAR POMERADO HEALTH

*A California Health Care District*

## BOARD FINANCIAL REPORT

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**PALOMAR POMERADO HEALTH  
JULY 2006 FINANCIAL RESULTS  
EXECUTIVE SUMMARY and HIGHLIGHTS**

**Statistics:**

Consolidated acute patient days increased 478 days (5.49%) to 9,180 in July compared to June's 8,702 days. Actual patient days for July were 742 days lower than budget of 9,922. The acute Average Daily Census (ADC) was 296 in July, higher than June's 290, and lower than 320 ADC on a budgeted basis. Acute admissions for July were 2,402 compared to budget of 2,524 (-4.83% lower than budget). July SNF patient days were 6,635 compared to budget of 6,591 (.67% variance).

Palomar's acute patient days of 6,919 are below budget of 7,396 (-6.45% lower) resulting in a actual ADC of 223 compared to budget of 239. PMC is experiencing 15% less trauma cases than budget.

Pomerado's acute patient days are 265 days (-10.49%) lower than budget (actual = 2,261, budget = 2,526). Actual ADC was 73 compared to budget of 81. Acute admissions of 570 were lower (-14.16%) than budget of 664.

July surgery cases of 953 were down 8.54% from budget (cardiovascular surgery cases are down by 45.45% from budget). July deliveries were 479 compared to a budget of 499 and previous year of 488.

**Balance Sheet:**

**Current Cash & Cash Equivalents** decreased \$23 million from \$120 million in June to \$97 million in July. The decrease is mainly due to the \$22.5 million reclass of funds from Current Cash and Equivalents to Board Designated Funded Depreciation. Total Cash and Investments are \$117 million, compared to \$129 million at June 30, 2006. Days cash on hand are 137 compared to 148 in June.

**Net Accounts Receivable** increased to \$78.6 million in July as compared to \$71.0 million in June. Gross A/R days increased from 49.6 days in June to 58.4 days in July. This increase is due to \$31 million increase in Accounts Receivable in July.

Total patient account collections including capitation are \$22.8 million compared to budget of \$30.3 million. July collections being below budget; is consistent with previous years' trends. Budget is based on an even spread throughout the year and summer collections are typically low.

**Construction in Progress** reflected minimal activity in the month of July.

**Other Current Liabilities** increased \$13.2 million primarily due to Deferred Property Tax Revenue being set up for the new fiscal year.

**Income Statement:**

**Gross Patient Revenue** for July reflects an unfavorable budget variance of \$7.2 million. This unfavorable variance is composed of a \$6.49 million unfavorable volume variance and \$0.70 million unfavorable rate variance. The rate variance is the result of lower trauma and surgical cases.

Routine revenue (inpatient room and board) reflects an unfavorable \$1.6 million budget variance. PPH North reflects an unfavorable variance of \$1.4 million, and PPH South reflected a favorable variance of \$0.2 million.

Inpatient Ancillary gross revenue represents a \$4.9 million unfavorable budget variance. PPH North reflects an unfavorable variance of \$2.8 million and PPH South reflected \$2.1 million unfavorable variance. The main contributors to Palomar's unfavorable variance are reflected in Surgery, Cat Scanner, and supply departments totaling \$2.0 million lower than budget. The main

contributors to Pomerado's unfavorable variance are reflected in Surgery and Surgery Patient Supply totaling \$1.6 million lower than budget.

Outpatient revenue reflects an unfavorable budget variance of \$0.7 million. The majority of this unfavorable variance is reflected at PPH North at \$0.2 and Outreach at \$0.5 million.

**Deductions from Revenue** reflects a favorable variance of \$6.2 million. This is due to lower than budgeted volume and gross revenue and \$2.2 million favorable charity and undocumented write-offs. Total Deductions from Revenue is 68.2% of gross revenue compared to a budget of 69.6%.

Deductions from Revenue (excluding Capitation revenue and Bad Debt/Charity/Undocumented expenses), was 65.3% of Gross Revenue for July compared to budget of 64.8%.

The net capitation reflects an unfavorable budget variance of \$276 thousand due to higher budgeted premium.

**Other Operating Revenue** reflects an unfavorable budget variance of \$135 thousand. The most significant contribution to this variance is from the Foundation, where actual revenue is \$52 thousand below budget.

**Salaries, Wages & Contract labor** reflects a favorable variance of \$432 thousand. This favorable variance is composed of: 1) Favorable Salaries and Wages – \$494 thousand (actual \$14.8 million), 2) Unfavorable Contract Labor – \$62.2 thousand (actual \$741.1 thousand). These variances are composed of: PPH North unfavorable \$150 thousand, PPH South favorable \$57.5 thousand, Central Office favorable \$485.7 thousand and Outreach \$38.8 thousand favorable.

**Benefits Expense** has an unfavorable budget variance of \$76 thousand. The major contributor to this variance is Workers Compensation with expenses of \$462 thousand in July, which exceeded projections by \$44 thousand.

**Supplies Expense** is reflecting a favorable budget variance of \$450 thousand. The volume variance is \$336 thousand. The majority of this favorable variance is pharmacy at \$150 thousand and general surgery supplies at \$177 thousand.

**Prof Fees & Purchased Services** reflected a favorable budget variance of \$17.8 thousand. The unfavorable variance of \$61.5 thousand in professional fees is due to Union Negotiation legal fees in excess of original estimate. Purchased services show a favorable variance of \$79.3 thousand to offset.

**Non-Operating Income** reflects a favorable variance of \$355 thousand in July, including a \$421 thousand favorable investment income variance. Investment income reflects a 9.2% investment rate of return in July compared to budget of 4.25%.

### **Ratios & Margins:**

All required bond covenant ratios were achieved in July 2006.



Palomar Pomerado Health  
Balanced Scorecard  
Financial Indicators  
July 31, 2006

		YTD 2007					
		July		Prior Year			
April	May	June	July	Actual	Budget	Variance	% Actual to Budget
Actual	Actual	Actual	Actual	Actual	Budget	Variance	% Actual to Budget
6.5%	5.9%	8.4%	9.4%	9.4%	9.9%	-0.5%	95.0%
\$ 2,526.80	\$ 2,350.58	\$ 2,846.46	\$ 2,564.97	\$ 2,564.97	\$ 2,483.14	\$ (81.83)	103.3%
\$ 1,468.82	\$ 1,295.58	\$ 1,541.05	\$ 1,546.23	\$ 1,546.23	\$ 1,478.51	\$ (67.72)	103.3%
6.27	6.20	5.65	6.32	6.32	6.12	(0.20)	103.3%
12,095	12,634	13,354	12,517	12,517	13,331	(814)	93.2%
<b>PPH Indicators:</b>							
OEBITDA Margin w/Prop Tax							
Expenses/Wtd Day							
SWB/Wtd Day							
Prod FTE's/Adj Occupied Bet							
Weighted Patient Days							
<b>PPH North Indicators:</b>							
OEBITDA Margin w/Prop Tax							
Expenses/Wtd Day							
SWB/Wtd Day							
Prod FTE's/Adj Occupied Bet							
Weighted Patient Days							
<b>PPH South Indicators:</b>							
OEBITDA Margin w/Prop Tax							
Expenses/Wtd Day							
SWB/Wtd Day							
Prod FTE's/Adj Occupied Bet							
Weighted Patient Days							

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

	Current Month	Prior Month	Prior Fiscal Year End
<b>Assets</b>			
<b>Current Assets</b>			
Cash on Hand	\$6,542,707	\$9,710,258	\$9,710,258
Cash Marketable Securities	89,740,290	110,035,151	110,035,151
Total Cash & Cash Equivalents	96,282,997	119,745,409	119,745,409
<b>Patient Accounts Receivable</b>			
Allowance on Accounts	180,278,722	149,103,360	149,103,360
Net Accounts Receivable	-101,659,531	-78,078,378	-78,078,378
	78,619,191	71,024,982	71,024,982
Inventories	6,954,043	6,937,645	6,937,645
Prepaid Expenses	3,768,719	2,293,992	2,293,992
Other	19,768,289	6,871,058	6,871,058
Total Current Assets	205,393,239	206,873,086	206,873,086
<b>Non-Current Assets</b>			
Restricted Assets	68,009,646	66,734,609	66,734,609
Restricted by Donor	288,265	288,265	288,265
Board Designated	20,913,462	9,267,526	9,267,526
Total Restricted Assets	89,211,373	76,290,400	76,290,400
Property Plant & Equipment	342,003,448	343,335,572	343,335,572
Accumulated Depreciation	-220,266,498	-220,455,460	-220,455,460
Construction in Process	86,164,756	85,077,130	85,077,130
Net Property Plant & Equipment	207,901,706	207,957,242	207,957,242
Investment in Related Companies	1,249,093	268,203	268,203
Deferred Financing Costs	3,361,612	3,354,469	3,354,469
Other Non-Current Assets	2,752,838	2,765,937	2,765,937
Total Non-Current Assets	304,476,622	290,636,251	290,636,251
Total Assets	\$509,869,861	\$497,509,337	\$497,509,337
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$26,735,756	\$30,624,648	\$30,624,648
Accrued Payroll	15,876,257	15,593,714	15,593,714
Accrued PTO	11,013,243	11,133,368	11,133,368
Accrued Interest Payable	2,856,249	2,265,274	2,265,274
Current Portion of Bonds	12,745,000	12,745,000	12,745,000
Est Third Party Settlements	-1,109,494	-1,065,097	-1,065,097
Other Current Liabilities	19,891,245	6,930,518	6,930,518
Total Current Liabilities	88,008,256	78,227,425	78,227,425
<b>Long Term Liabilities</b>			
Bonds & Contracts Payable	151,363,750	151,347,395	151,347,395
<b>Fund Balance</b>			
Unrestricted	249,296,127	258,378,722	258,378,722
Restricted for Other Purpose	288,265	288,265	288,265
Board Designated	20,913,462	9,267,526	9,267,526
Total Long Term Liabilities	270,497,854	267,934,513	267,934,513
Total Liabilities / Fund Balance	\$509,869,861	\$497,509,337	\$497,509,337

**PALOMAR POMERADO HEALTH  
CONSOLIDATED  
MTD 2007  
July 2006**

	Month Activity		Variance		Variance		\$Wtg Pt Day	
	Actual	Budget			Volume	Rate/Eff	Actual	Budget
<b>Statistics:</b>								
Admissions - Acute	2,402	2,524	(122)					
Admissions - SNF	104	119	(15)					
Patient Days - Acute	9,180	9,922	(742)					
Patient Days - SNF	6,635	6,591	44					
ALOS - Acute	3.86	4.00	(0.14)					
ALOS - SNF	72.12	54.93	17.20					
Weighted Pt Days	12,517	13,331	(814)					
<b>Revenue:</b>								
Gross Revenue	\$ 99,141,914	\$ 106,335,415	\$ (7,193,501) U	\$ (6,492,913)	\$ (700,588)	\$ 7,920.58	\$ 7,976.55	\$ (55.97)
Deductions from Rev	(67,846,129)	(73,748,374)	5,902,245 F	4,503,126	1,399,119	(5,420.32)	(5,532.10)	111.78
Net Patient Revenue	31,295,785	32,587,041	(1,291,256) U	(1,989,787)	698,531	2,500.26	2,444.46	55.81
Other Oper Revenue	872,741	1,007,597	(134,856) U	(61,525)	(73,331)	69.72	75.58	(5.86)
<b>Total Net Revenue</b>	<b>32,168,526</b>	<b>33,594,638</b>	<b>(1,426,112) U</b>	<b>(2,051,312)</b>	<b>625,200</b>	<b>2,569.99</b>	<b>2,520.04</b>	<b>49.95</b>
<b>Expenses:</b>								
Salaries, Wages & Contr Labor	15,503,445	15,935,478	432,033 F	973,031	(540,998)	1,238.59	1,195.37	(43.22)
Benefits	3,850,733	3,774,533	(76,200) U	230,476	(306,676)	307.64	283.14	(24.50)
Supplies	5,053,135	5,503,090	449,955 F	336,022	113,933	403.70	412.80	9.10
Prof Fees & Purch Svc	3,962,369	3,980,176	17,807 F	243,032	(225,225)	316.56	298.57	(17.99)
Depreciation	1,647,190	1,568,084	(79,106) U	95,748	(174,854)	131.60	117.63	(13.97)
Other	1,689,103	1,949,209	260,106 F	119,020	141,086	134.94	146.22	11.27
PPH Allocation	-	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>31,705,975</b>	<b>32,710,570</b>	<b>1,004,595 F</b>	<b>1,997,330</b>	<b>(992,735)</b>	<b>2,533.03</b>	<b>2,453.72</b>	<b>(79.31)</b>
<b>Net Inc Before Non-Oper Income</b>	<b>462,551</b>	<b>884,068</b>	<b>(421,517) U</b>	<b>(53,982)</b>	<b>(367,535)</b>	<b>36.95</b>	<b>66.32</b>	<b>(29.36)</b>
Property Tax Revenue	1,054,164	1,054,166	(2) U	(64,368)	64,366	84.22	79.08	5.14
Non-Operating Income	427,875	73,058	354,817 F	(4,461)	359,278	34.18	5.48	28.70
<b>Net Income (Loss)</b>	<b>\$ 1,944,592</b>	<b>\$ 2,011,292</b>	<b>\$ (66,702) U</b>	<b>\$ (122,811)</b>	<b>\$ 56,109</b>	<b>\$ 155.36</b>	<b>\$ 150.87</b>	<b>\$ 4.48</b>
Net Income Margin	5.8%	5.7%	0.1%					
OEBITDA Margin w/o Prop Tax	6.2%	6.9%	-0.7%					
OEBITDA Margin with Prop Tax	9.4%	9.9%	-0.5%					

F= Favorable variance  
U= Unfavorable variance

**Palomar Pomerado Health**  
**STATEMENTS OF CASH FLOWS**  
**Fiscal Year 2007**

	<u>July</u>	<u>YTD</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Income (Loss from operations)	462,051	462,051
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation Expense	1,647,189	1,647,189
Provision for bad debts	2,488,587	2,488,587
Changes in operating assets and liabilities:		
Patient accounts receivable	(10,082,797)	(10,082,797)
Property Tax and other receivables	238,877	238,877
Inventories	(16,398)	(16,398)
Prepaid expenses and Other Non-Current assets	(2,455,617)	(2,455,617)
Accounts payable	(3,888,892)	(3,888,892)
Accrued comp	(74,810)	(74,810)
Estimated settlement amounts due third-party payors	(44,397)	(44,397)
Other current liabilities	697,533	697,533
Net cash provided by operating activities	<u>(11,028,674)</u>	<u>(11,028,674)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net (purchases) sales on investments	7,373,889	7,373,889
Interest (Loss) received on investments	886,540	886,540
Investment in affiliates	129,542	129,542
Net cash used in investing activities	<u>8,389,971</u>	<u>8,389,971</u>
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:</b>		
Receipt of G.O. Bond Taxes	118,544	118,544
Receipt of District Taxes	268,114	268,114
Net cash used in activities	<u>386,658</u>	<u>386,658</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of property plant and equipment	(915,506)	(915,506)
Proceeds from sale of asset	0	0
G.O. Bond Interest paid	0	0
Revenue Bond Interest paid	0	0
Proceeds from issuance of debt	0	0
Payments of LT Debt	0	0
Net cash used in activities	<u>(915,506)</u>	<u>(915,506)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(3,167,551)</b>	<b>(3,167,551)</b>
CASH AND CASH EQUIVALENTS - Beginning of period	<u>9,710,258</u>	<u>9,710,258</u>
CASH AND CASH EQUIVALENTS - End of period	<u><u>6,542,707</u></u>	<u><u>6,542,707</u></u>

# PALOMAR POMERADO HEALTH BOND COVENANT RATIOS

<b>CUSHION RATIO</b>	<b>Jun-05</b>	<b>Jun-06</b>	<b>Jul-06</b>
Cash and Cash Equivalents	109,043,208	119,745,409	96,282,997
Board Designated Reserves	22,388,648	9,267,526	20,913,462
Trustee-held Funds	12,026,055	12,170,183	13,120,736
<b>Total</b>	<b>143,457,911</b>	<b>141,183,118</b>	<b>130,317,195</b>
Divided by:			
Max Annual Debt Service (Bond Year 2012)	10,697,594	10,697,594	10,697,594
<b>CUSHION RATIO</b>	<b>13.4</b>	<b>13.2</b>	<b>12.2</b>
<b>REQUIREMENT</b>	1.5	1.5	1.5
	<b>Achieved</b>	<b>Achieved</b>	<b>Achieved</b>

<b>DAYS CASH ON HAND</b>	<b>Jun-05</b>	<b>Jun-06</b>	<b>Jul-06</b>
Cash and Cash Equivalents	109,043,208	119,745,409	96,282,997
Board Designated Reserves	22,388,648	9,267,526	20,913,462
<b>Total</b>	<b>131,431,856</b>	<b>129,012,935</b>	<b>117,196,459</b>
Divide Total by Average Adjusted Expenses per Day			
Total Expenses	340,338,156	365,759,559	31,705,975
Less: Depreciation	16,394,985	18,737,467	1,647,189
<b>Adjusted Expenses</b>	<b>323,943,171</b>	<b>347,022,092</b>	<b>30,058,786</b>
Number of days in period	365	365	31
<b>Average Adjusted Expenses per Day</b>	<b>887,516</b>	<b>950,745</b>	<b>969,638</b>
<b>DAYS CASH ON HAND</b>	<b>148</b>	<b>136</b>	<b>121</b>
<b>REQUIREMENT</b>	90	90	90
	<b>Achieved</b>	<b>Achieved</b>	<b>Achieved</b>

<b>Net Income Available for Debt Service</b>	<b>Jun-05</b>	<b>Jun-06</b>	<b>Jul-06</b>
Excess of revenue over expenses Cur Mo.	1,490,930	905,884	1,944,592
Excess of revenues over expenses YTD (General Funds)	17,052,649	11,148,667	1,944,592
ADD:			
Depreciation and Amortization	16,394,985	18,737,467	1,647,189
Interest Expense	5,272,031	5,130,603	399,261
<b>Net Income Available for Debt Service</b>	<b>38,719,665</b>	<b>35,016,737</b>	<b>3,991,042</b>
<b>Aggregate Debt Service</b>			
1993 Insured Refunding Revenue Bonds	6,020,301	3,639,772	204,049
1999 Insured Refunding Revenue Bonds	4,356,844	6,950,508	687,332
<b>Aggregate Debt Service</b>	<b>10,377,145</b>	<b>10,590,280</b>	<b>891,381</b>
<b>Net Income Available for Debt Service</b>	<b>3.73</b>	<b>3.31</b>	<b>4.48</b>
<b>Required Coverage</b>	1.15	1.15	1.15
	<b>Achieved</b>	<b>Achieved</b>	<b>Achieved</b>

# Financial Statements

*July 2006*

Tim Nguyen  
Corporate Controller  
August 21, 2006

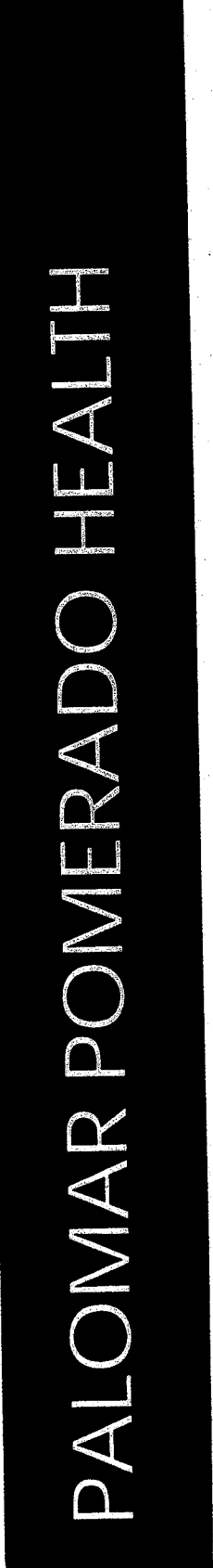
PALOMAR POMERADO HEALTH

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**PALOMAR POMERDO HEALTH**  
**SUMMARY OF KEY INDICATORS AND RESULTS**  
July-06

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>FY 2006</u>
<b><u>ADMISSIONS - Acute:</u></b>				
Palomar Medical Center	1,832	1,860	(28)	1,888
Pomerado Hospital	570	664	(94)	567
<b>Total:</b>	<u>2,402</u>	<u>2,524</u>	<u>(122)</u>	<u>2,455</u>
<b><u>ADMISSIONS - SNF:</u></b>				
Palomar Medical Center	59	66	(7)	46
Pomerado Hospital	45	53	(8)	49
<b>Total:</b>	<u>104</u>	<u>119</u>	<u>(15)</u>	<u>95</u>
<b><u>PATIENT DAYS - Acute:</u></b>				
Palomar Medical Center	6,919	7,396	(477)	7,114
Pomerado Hospital	2,261	2,526	(265)	2,258
<b>Total:</b>	<u>9,180</u>	<u>9,922</u>	<u>(742)</u>	<u>9,372</u>
<b><u>PATIENT DAYS- SNF:</u></b>				
Palomar Medical Center	2,737	2,747	(10)	2,656
Pomerado Hospital	3,898	3,844	54	3,858
<b>Total:</b>	<u>6,635</u>	<u>6,591</u>	<u>44</u>	<u>6,514</u>

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**PALOMAR POMERADO HEALTH  
SUMMARY OF KEY INDICATORS AND RESULTS**

July-06

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>FY 2006</u>
<b><u>WEIGHTED PATIENT DAYS:</u></b>				
Palomar Medical Center	8,712	9,203	(491)	8,901
Pomerado Hospital	3,554	3,817	(263)	3,513
Other Activities	251	311	(60)	154
<b>Total:</b>	<u>12,517</u>	<u>13,331</u>	<u>(814)</u>	<u>12,568</u>

**AVERAGE LENGTH OF STAY- Acute:**

Palomar Medical Center	3.81	4.02	(0.21)	3.99
Pomerado Hospital	4.01	3.96	0.05	3.83
<b>Total:</b>	<u>3.86</u>	<u>4.00</u>	<u>(0.14)</u>	<u>3.95</u>

**AVERAGE LENGTH OF STAY - SNF:**

Palomar Medical Center	52.63	40.40	12.23	45.79
Pomerado Hospital	97.45	73.92	23.53	77.16
<b>Total:</b>	<u>72.12</u>	<u>54.93</u>	<u>17.19</u>	<u>60.31</u>

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**PALOMAR POMERADO HEALTH**



**PALOMAR POMERDO HEALTH  
SUMMARY OF KEY INDICATORS AND RESULTS  
JULY 2006**

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>FY 2006</u>
<b><u>EMERGENCY ROOM VISITS &amp; TRAUMA CASES:</u></b>				
Palomar Medical Center	3,685	3,825	(140)	3,547
Pomerado Hospital	1,930	1,982	(52)	1,927
<b>Total:</b>	<u>5,615</u>	<u>5,807</u>	<u>(192)</u>	<u>5,474</u>
<b><u>EMERGENCY &amp; TRAUMA ADMISSIONS:</u></b>				
Palomar Medical Center	905	964	(59)	906
Pomerado Hospital	311	347	(36)	333
<b>Total:</b>	<u>1,216</u>	<u>1,311</u>	<u>(95)</u>	<u>1,239</u>
<b><u>SURGERIES:</u></b>				
Palomar Medical Center	621	678	(57)	653
Pomerado Hospital	332	363	(31)	316
<b>Total:</b>	<u>953</u>	<u>1,041</u>	<u>(88)</u>	<u>969</u>
<b><u>BIRTHS:</u></b>				
Palomar Medical Center	379	380	(1)	387
Pomerado Hospital	100	119	(19)	101
<b>Total:</b>	<u>479</u>	<u>499</u>	<u>(20)</u>	<u>488</u>

**PALOMAR  
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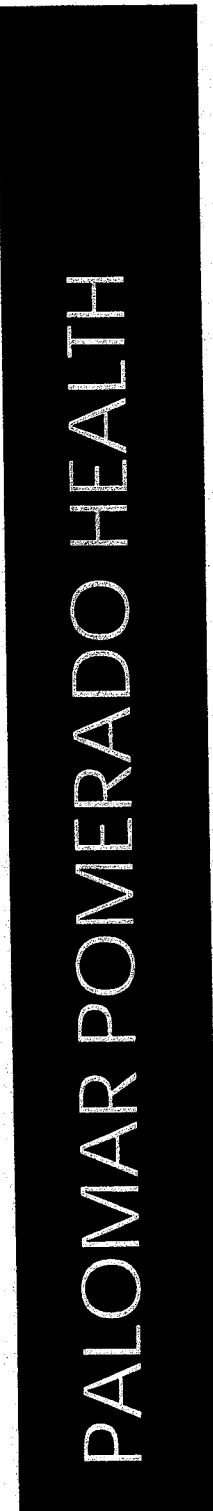
**PALOMAR POMERADO HEALTH**

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# PALOMAR POMERADO HEALTH

## Key Variance Explanations for July 2006

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Weighted Patient Days</b>	12,517	13,331	(814)
<b>Gross Patient Revenue:</b> Primarily due to volume.	99,141,914	106,335,415	(7,193,501)
<b>Contractuals:</b> Due to lower than budgeted volume in gross revenue and favorable charity and undocumented write-offs.	67,634,009	73,812,302	6,178,293
<b>Net Capitation:</b> Based on estimate from last six months.	(212,120)	63,928	(276,048)
<b>Other Operating Revenue:</b> Foundation PPNC Health Development	872,091	1,007,597	(135,506) (52,496) (38,967)



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## Key Variance Explanations for July 2006

**Salaries & Wages:** 14,762,338 15,256,595 494,257

Due to volume; however, rate variance is still at \$437K over budget.

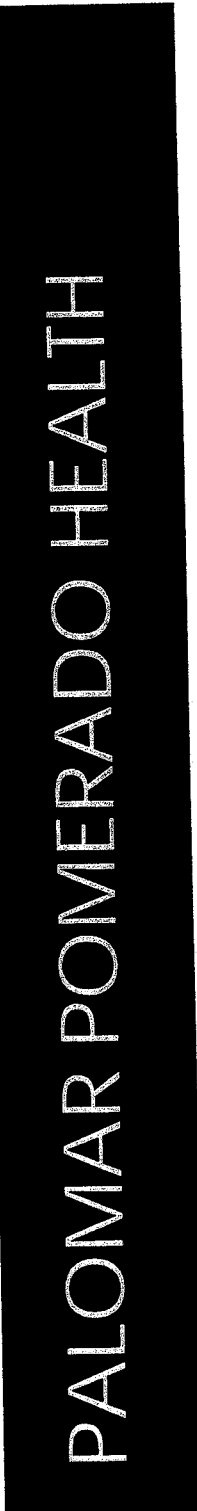
**Benefits:** 3,850,733 3,774,533 (76,200)

Due to Worker's Comp higher than last years average.

**Contract Labor:** 741,109 678,883 (62,226)

- Information Systems (10,000)
- PAL Surgery (17,000)
- PAL Food Services (22,000)

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# PALOMAR POMERADO HEALTH

## Key Variance Explanations for July 2006

<b>Professional Fees:</b>			
Excess over-budget legal fees.	1,877,179	1,815,681	(61,498) (75,000)
<b>Supplies:</b>			
Lower than budget primarily in pharmaceuticals and other nonmedical general supplies.	5,052,484	5,503,090	450,606
<b>Purchased Services:</b>			
Favorable overall in purchased services such as repairs and maintenance and general.	2,085,188	2,164,495	79,307
<b>Depreciation:</b>			
Due to higher than estimated depreciation.	1,647,189	1,568,084	(79,105)
<b>Other Direct Expenses:</b>			
Utilities under budget	1,689,103	1,949,209	260,106 50,000
Other misc expenses under budget including outside training, marketing, recruitment, etc.			213,000

**PALOMAR POMERADO HEALTH**

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 CONSOLIDATED  
 MTD 2007  
 July 2006

	Month Activity		Variance		Rate/Eff	Actual	\$/Wtg Pt Day	Budget	Variance
	Actual	Budget							
<b>Statistics:</b>									
Admissions - Acute	2,402	2,524	(122)						
Admissions - SNF	104	119	(15)						
Patient Days - Acute	9,180	9,922	(742)						
Patient Days - SNF	6,635	6,591	44						
ALOS - Acute	3.86	4.00	(0.14)						
ALOS - SNF	72.12	54.93	17.20						
Weighted Pt Days	12,517	13,331	(814)						
<b>Revenue:</b>									
Gross Revenue	\$ 99,141,914	\$ 106,335,415	\$ (7,193,501) U						
Deductions from Rev	(67,846,129)	(73,748,374)	5,902,245 F						
Net Patient Revenue	31,295,785	32,587,041	(1,291,256) U						
Other Oper Revenue	872,741	1,007,597	(134,856) U						
<b>Total Net Revenue</b>	<b>32,168,526</b>	<b>33,594,638</b>	<b>(1,426,112) U</b>						
<b>Expenses:</b>									
Salaries, Wages & Contr Labor	15,503,445	15,935,478	432,033 F						
Benefits	3,850,733	3,774,533	(76,200) U						
Supplies	5,053,135	5,503,090	449,955 F						
Prof Fees & Purch Svc	3,962,369	3,980,176	17,807 F						
Depreciation	1,647,190	1,568,084	(79,106) U						
Other	1,689,103	1,949,209	260,106 F						
PPH Allocation	-	-	-						
<b>Total Expenses</b>	<b>31,705,975</b>	<b>32,710,570</b>	<b>1,004,595 F</b>						
<b>Net Inc Before Non-Oper Income</b>	<b>462,551</b>	<b>884,068</b>	<b>(421,517) U</b>						
Property Tax Revenue	1,054,164	1,054,166	(2) U						
Non-Operating Income	427,875	73,058	354,817 F						
<b>Net Income (Loss)</b>	<b>\$ 1,944,592</b>	<b>\$ 2,011,292</b>	<b>\$ (66,702) U</b>						
Net Income Margin	5.8%	5.7%	0.1%						
OEBITDA Margin w/o Prop Tax	6.2%	6.9%	-0.7%						
OEBITDA Margin with Prop Tax	9.4%	9.9%	-0.5%						
F= Favorable variance									
U= Unfavorable variance									

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

	Current Month	Prior Month	Prior Fiscal Year End
<b>Assets</b>			
<b>Current Assets</b>			
Cash on Hand	\$6,542,707	\$9,710,258	\$9,710,258
Cash Marketable Securities	89,740,290	110,035,151	110,035,151
<b>Total Cash &amp; Cash Equivalents:</b>	<b>96,282,997</b>	<b>119,745,409</b>	<b>119,745,409</b>
<b>Patient Accounts Receivable</b>	<b>180,278,722</b>	<b>149,103,360</b>	<b>149,103,360</b>
Allowance on Accounts	-101,659,531	-78,078,378	-78,078,378
<b>Net Accounts Receivable</b>	<b>78,619,191</b>	<b>71,024,982</b>	<b>71,024,982</b>
Inventories	6,954,043	6,937,645	6,937,645
Prepaid Expenses	3,768,719	2,293,992	2,293,992
Other	19,768,289	6,871,058	6,871,058
<b>Total Current Assets</b>	<b>205,393,239</b>	<b>206,873,086</b>	<b>206,873,086</b>
<b>Non-Current Assets</b>			
Restricted Assets	68,009,646	66,734,609	66,734,609
Restricted by Donor	288,265	288,265	288,265
Board Designated	20,913,462	9,267,526	9,267,526
<b>Total Restricted Assets</b>	<b>89,211,373</b>	<b>76,290,400</b>	<b>76,290,400</b>
Property Plant & Equipment	342,003,448	343,335,572	343,335,572
Accumulated Depreciation	-220,266,498	-220,455,460	-220,455,460
Construction in Process	86,164,756	85,077,130	85,077,130
<b>Net Property Plant &amp; Equipment</b>	<b>207,901,706</b>	<b>207,957,242</b>	<b>207,957,242</b>
Investment in Related Company	1,249,093	268,203	268,203
Deferred Financing Costs	3,361,612	3,354,469	3,354,469
Other Non-Current Assets	2,752,838	2,765,937	2,765,937
<b>Total Non-Current Assets</b>	<b>304,476,622</b>	<b>290,636,251</b>	<b>290,636,251</b>
<b>Total Assets</b>	<b>\$509,869,861</b>	<b>\$497,509,337</b>	<b>\$497,509,337</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	\$26,735,756	\$30,624,648	\$30,624,648
Accrued Payroll	15,876,257	15,593,714	15,593,714
Accrued PTO	11,013,243	11,133,368	11,133,368
Accrued Interest Payable	2,856,249	2,265,274	2,265,274
Current Portion of Bonds	12,745,000	12,745,000	12,745,000
Est Third Party Settlements	-1,109,494	-1,065,097	-1,065,097
Other Current Liabilities	19,891,245	6,930,518	6,930,518
<b>Total Current Liabilities</b>	<b>88,008,256</b>	<b>78,227,425</b>	<b>78,227,425</b>
<b>Long Term Liabilities</b>			
Bonds & Contracts Payable	151,363,750	151,347,395	151,347,395
<b>Fund Balance</b>	<b>249,296,127</b>	<b>258,378,722</b>	<b>258,378,722</b>
Unrestricted	288,265	288,265	288,265
Restricted for Other Purpose	20,913,462	9,267,526	9,267,526
Board Designated	270,497,854	267,934,513	267,934,513
<b>Total Long Term Liabilities</b>	<b>\$509,869,861</b>	<b>\$497,509,337</b>	<b>\$497,509,337</b>

Palomar Pomerado Health  
Balanced Scorecard  
Financial Indicators  
July 31, 2006

		YTD 2007				Prior Year	
		July				Actual	
April	May	June	July	Actual	Budget	Variance	% Actual to Budget

Actual	Actual	Actual	Actual	Actual	Budget	Variance	% Actual to Budget	Actual
6.5%	5.9%	8.4%	9.4%	9.4%	9.9%	-0.5%		9.0%
\$ 2,526.80	\$ 2,350.58	\$ 2,846.46	\$ 2,564.97	\$ 2,564.97	\$ 2,483.14	\$ (81.83)	103.3%	2,270.91
\$ 1,468.82	\$ 1,295.58	\$ 1,541.05	\$ 1,546.23	\$ 1,546.23	\$ 1,478.51	\$ (67.72)		1,353.93
6.27	6.20	5.65	6.32	6.32	6.12	(0.20)	103.3%	5.93
12,095	12,634	13,354	12,517	12,517	13,331	(814)		12,568

PPH Indicators:

OEBITDA Margin w/Prop Ta	9.4%	9.9%	-0.5%	9.0%
Expenses/Mtd Day	2,564.97	\$ 2,483.14	\$ (81.83)	2,270.91
SWB/Mtd Day	1,546.23	\$ 1,478.51	\$ (67.72)	1,353.93
Prod FTE's/Adj Occupied B	6.32	6.12	(0.20)	5.93
Weighted Patient Days	12,517	13,331	(814)	12,568

PPH North Indicators:

8.7%	4.2%	6.5%	10.9%	10.9%	9.8%	1.1%		7.1%
\$ 2,453.41	\$ 2,267.87	\$ 2,693.05	\$ 2,437.37	\$ 2,437.37	\$ 2,362.48	\$ (74.89)	103.2%	2,158.90
\$ 1,245.04	\$ 1,080.30	\$ 1,264.22	\$ 1,315.11	\$ 1,315.11	\$ 1,224.57	\$ (90.54)		1,139.16
5.33	5.28	5.39	5.32	5.32	5.08	(0.24)		4.97
8,276	8,701	8,157	8,712	8,712	9,203	(491.00)		8,901

OEBITDA Margin w/Prop Ta	10.9%	9.8%	1.1%	7.1%
Expenses/Mtd Day	2,437.37	\$ 2,362.48	\$ (74.89)	2,158.90
SWB/Mtd Day	1,315.11	\$ 1,224.57	\$ (90.54)	1,139.16
Prod FTE's/Adj Occupied B	5.32	5.08	(0.24)	4.97
Weighted Patient Days	8,712	9,203	(491)	8,901

PPH South Indicators:

-0.1%	5.0%	9.3%	4.3%	4.3%	6.9%	-2.6%		10.1%
\$ 2,373.34	\$ 2,231.51	\$ 2,459.21	\$ 2,477.73	\$ 2,477.73	\$ 2,396.37	\$ (81.36)	103.4%	2,255.63
\$ 1,194.03	\$ 1,072.17	\$ 1,196.04	\$ 1,333.77	\$ 1,333.77	\$ 1,269.90	\$ (63.87)		1,182.09
5.32	5.54	5.33	5.77	5.77	5.58	(0.19)	103.4%	5.52
3,706	3,788	3,712	3,554	3,554	3,817	(263)		3,513

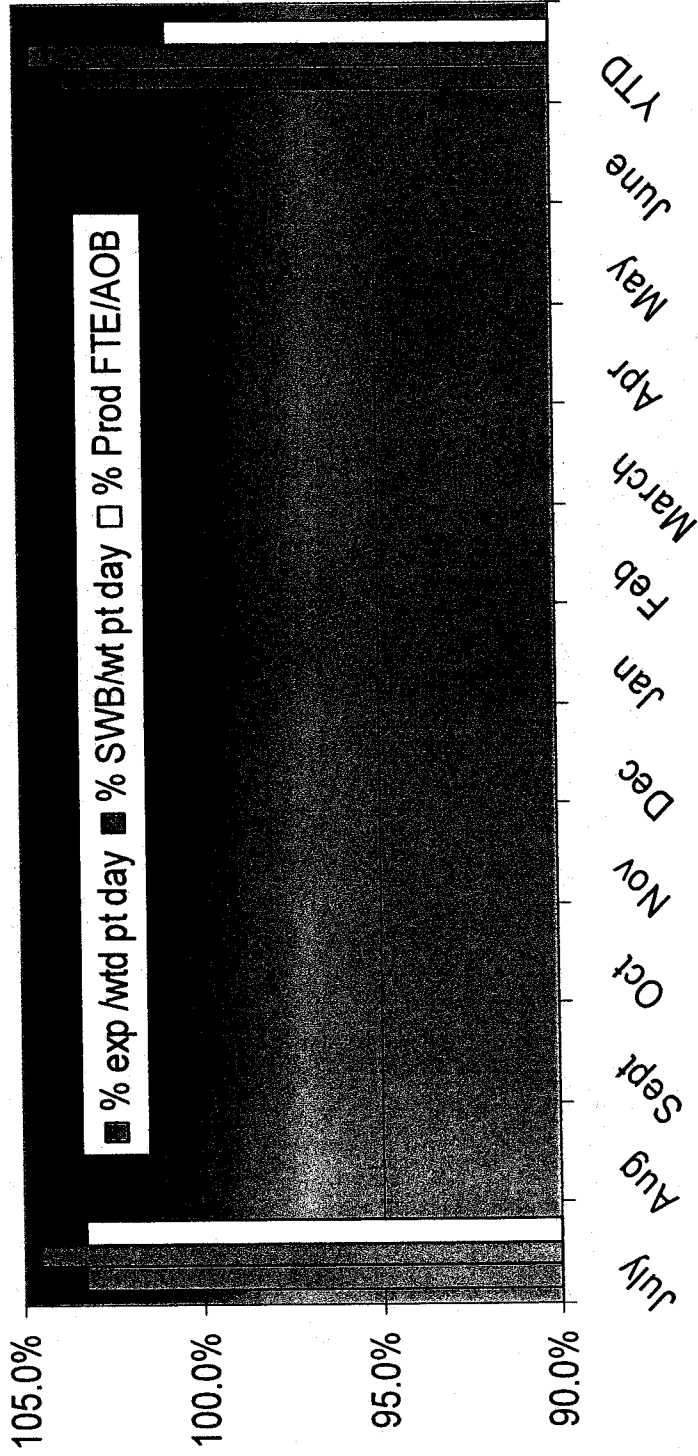
OEBITDA Margin w/Prop Ta	4.3%	6.9%	-2.6%	10.1%
Expenses/Mtd Day	2,477.73	\$ 2,396.37	\$ (81.36)	2,255.63
SWB/Mtd Day	1,333.77	\$ 1,269.90	\$ (63.87)	1,182.09
Prod FTE's/Adj Occupied B	5.77	5.58	(0.19)	5.52
Weighted Patient Days	3,554	3,817	(263)	3,513

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# PPH Total Consolidated Financial Indicators BSC-FY07



100-104%

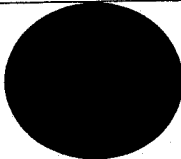
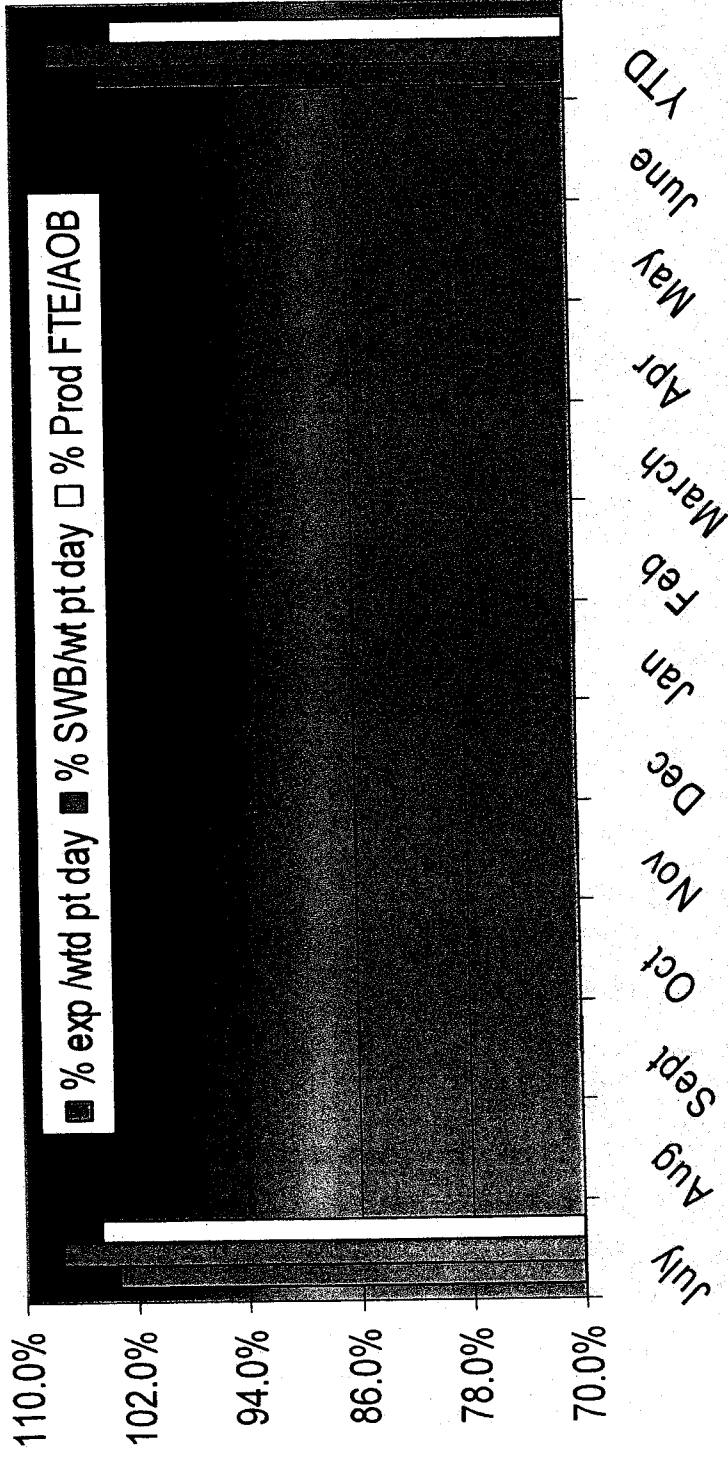
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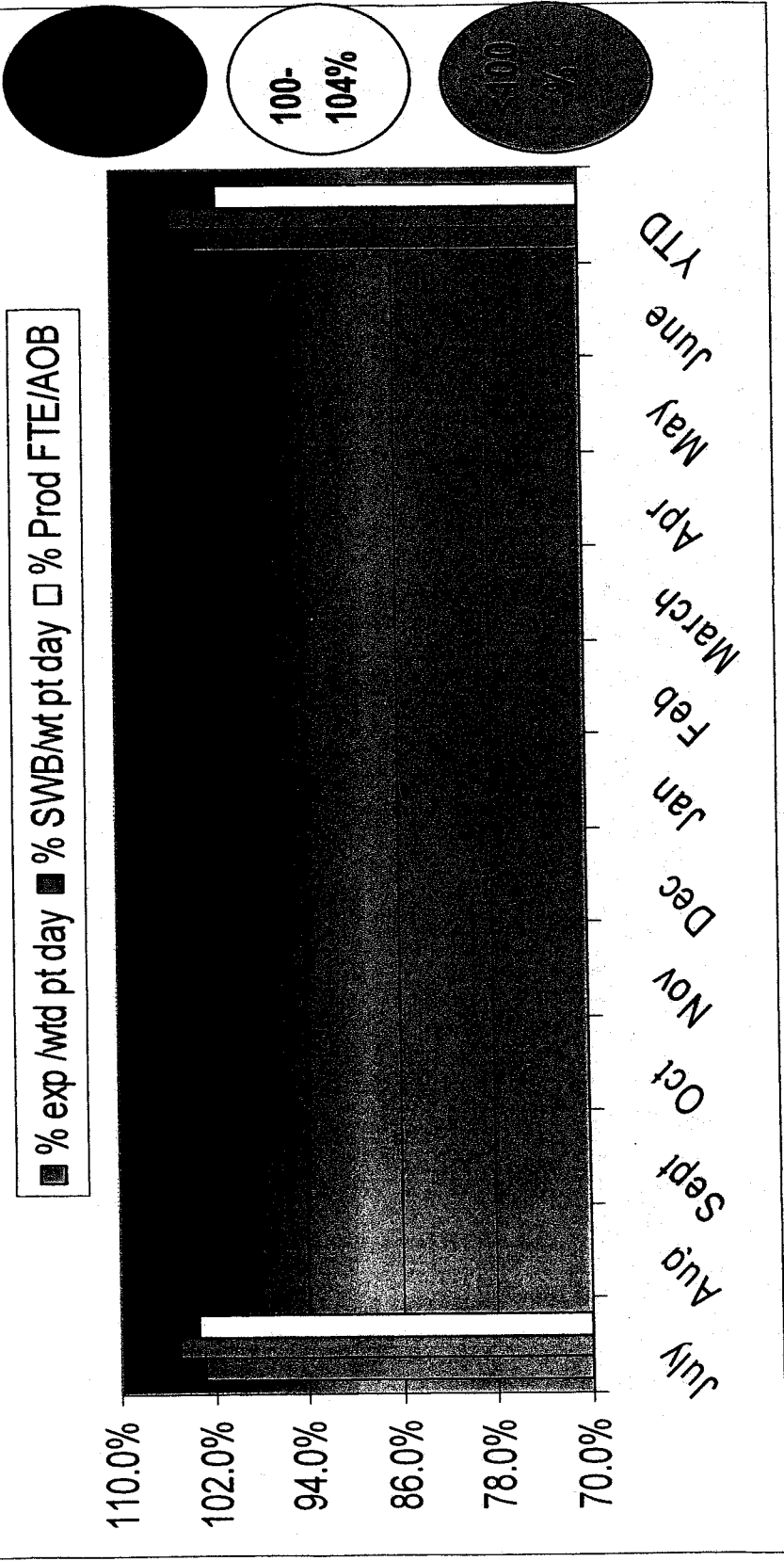
# PPH North Consolidated Financial Indicators BSC-FY07



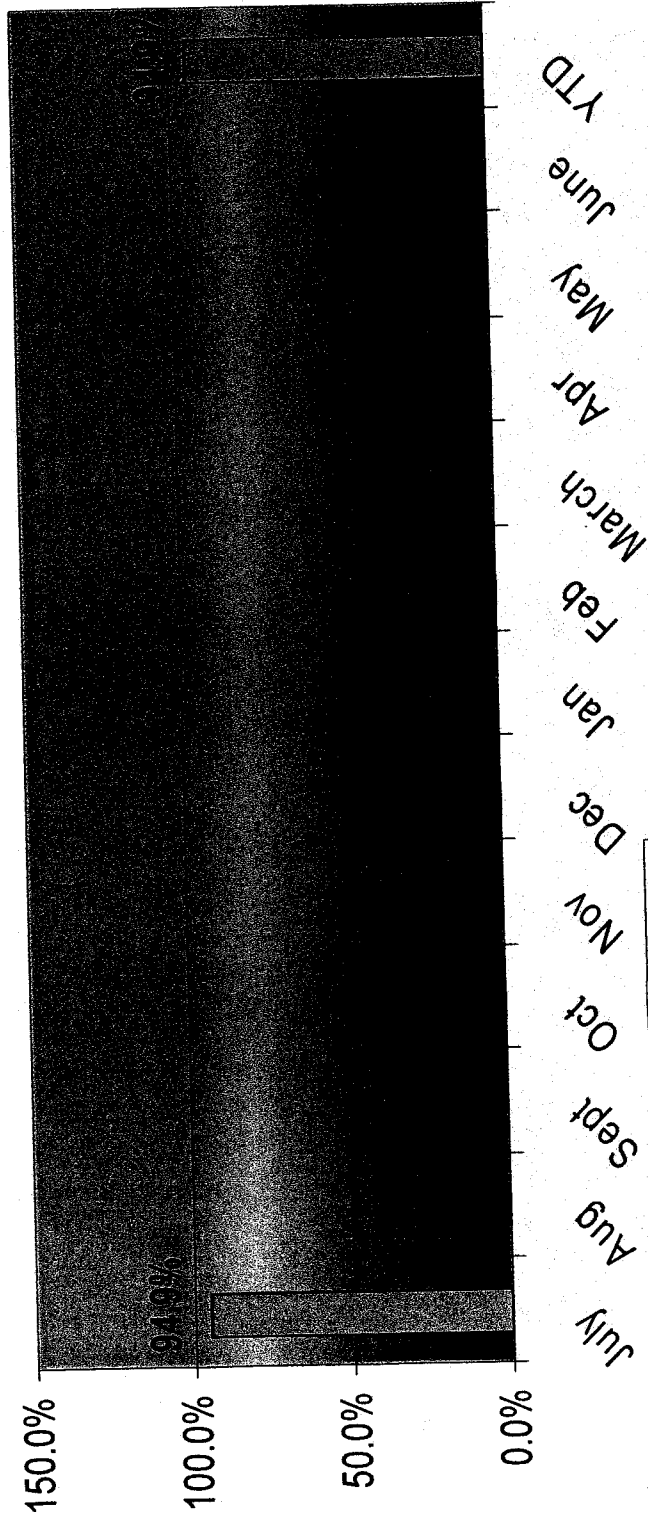
100-  
104%

100  
%

# PPH South Consolidated Financial Indicators BSC-FY07



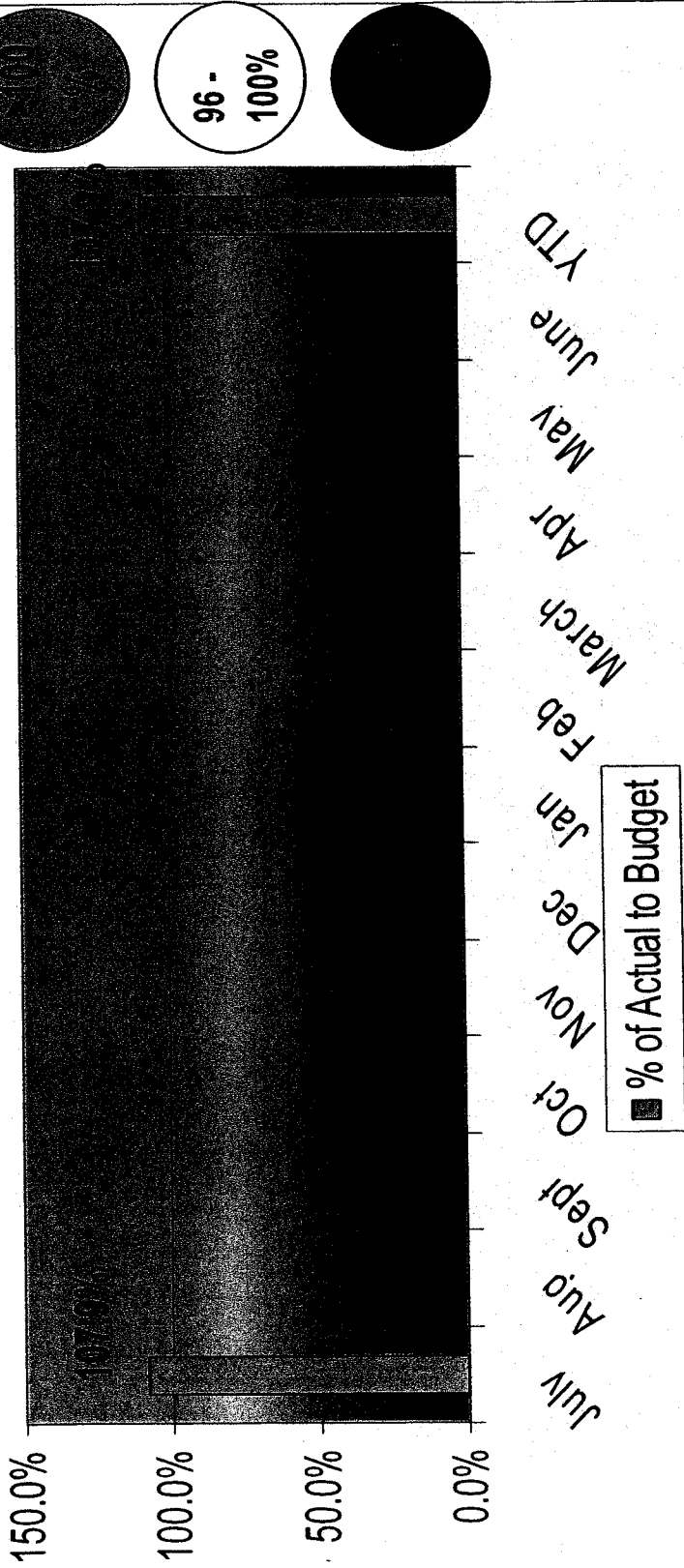
# PPH Total Consolidated OEBITDA w/ Prop Taxes - FY07



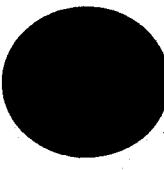
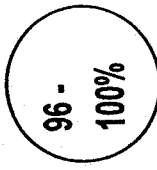
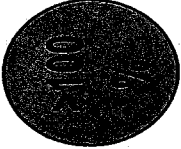
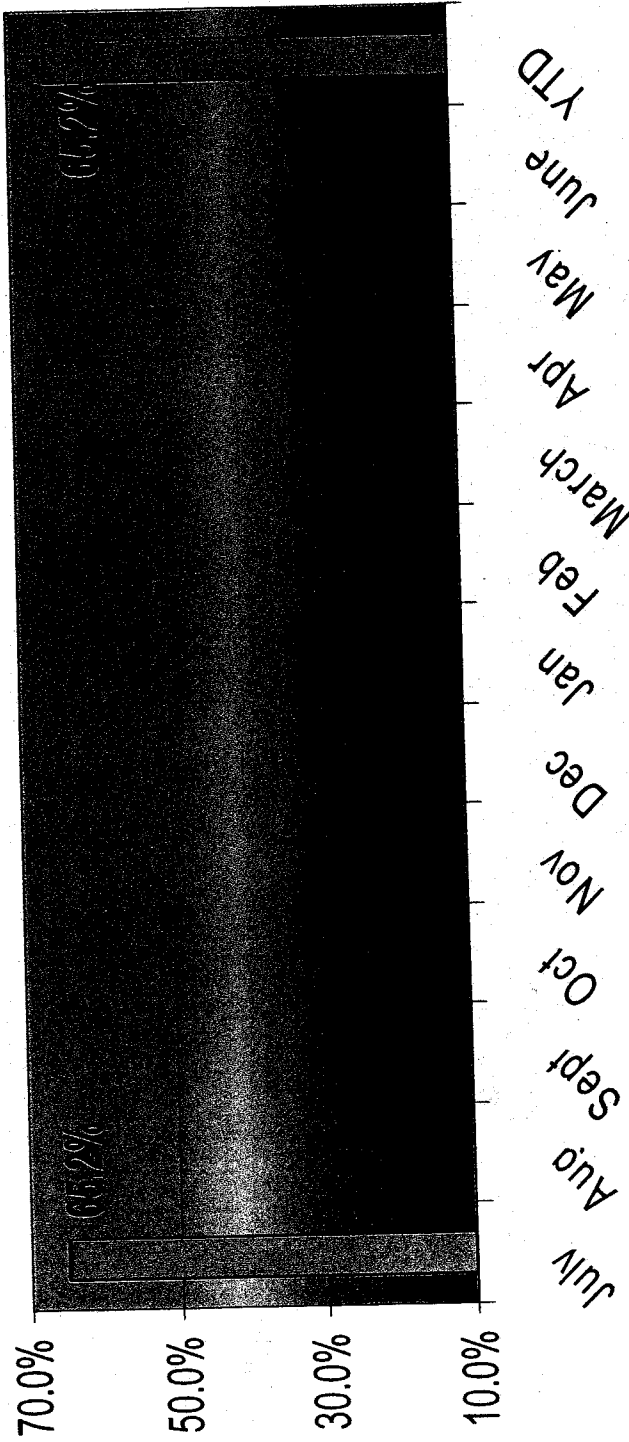
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**PPH North Consolidated OEBITDA w/ Prop Taxes - FY07**



# PPH South Consolidated OEBITDA w/ Prop Taxes - FY07

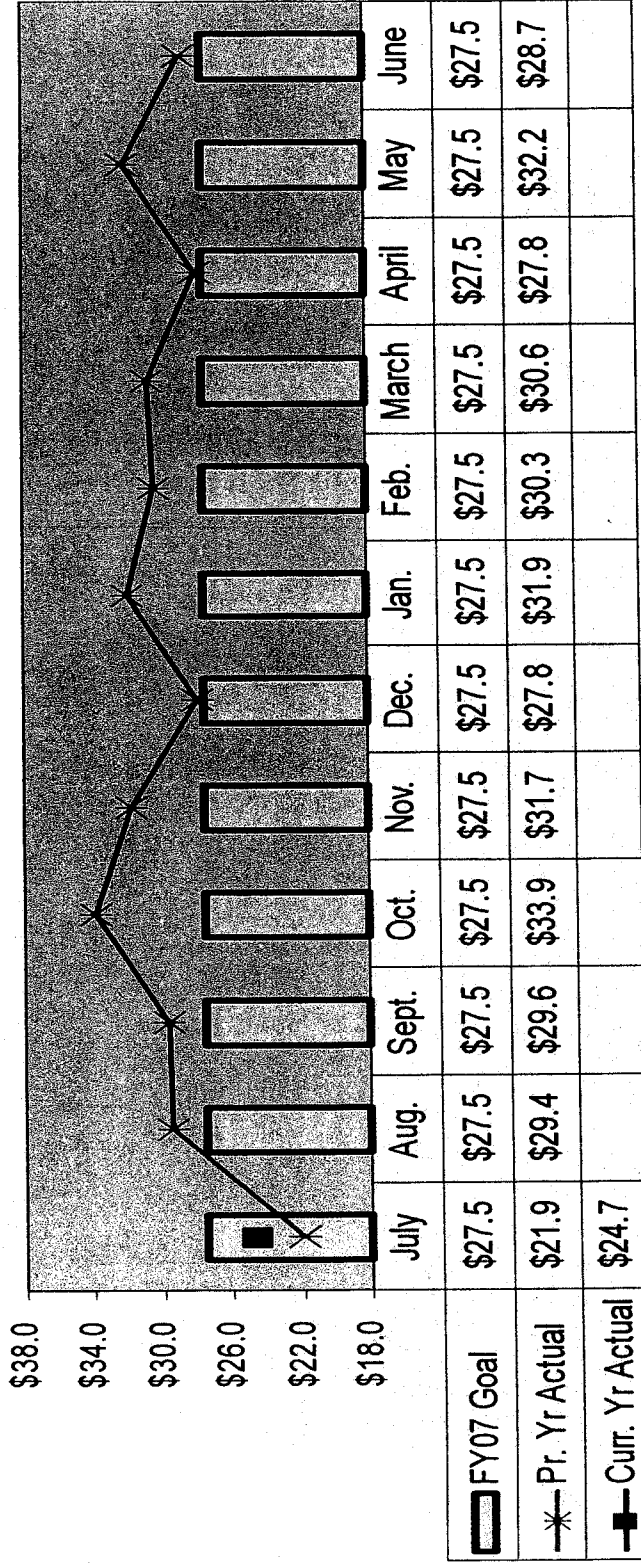


■ % of Actual to Budget

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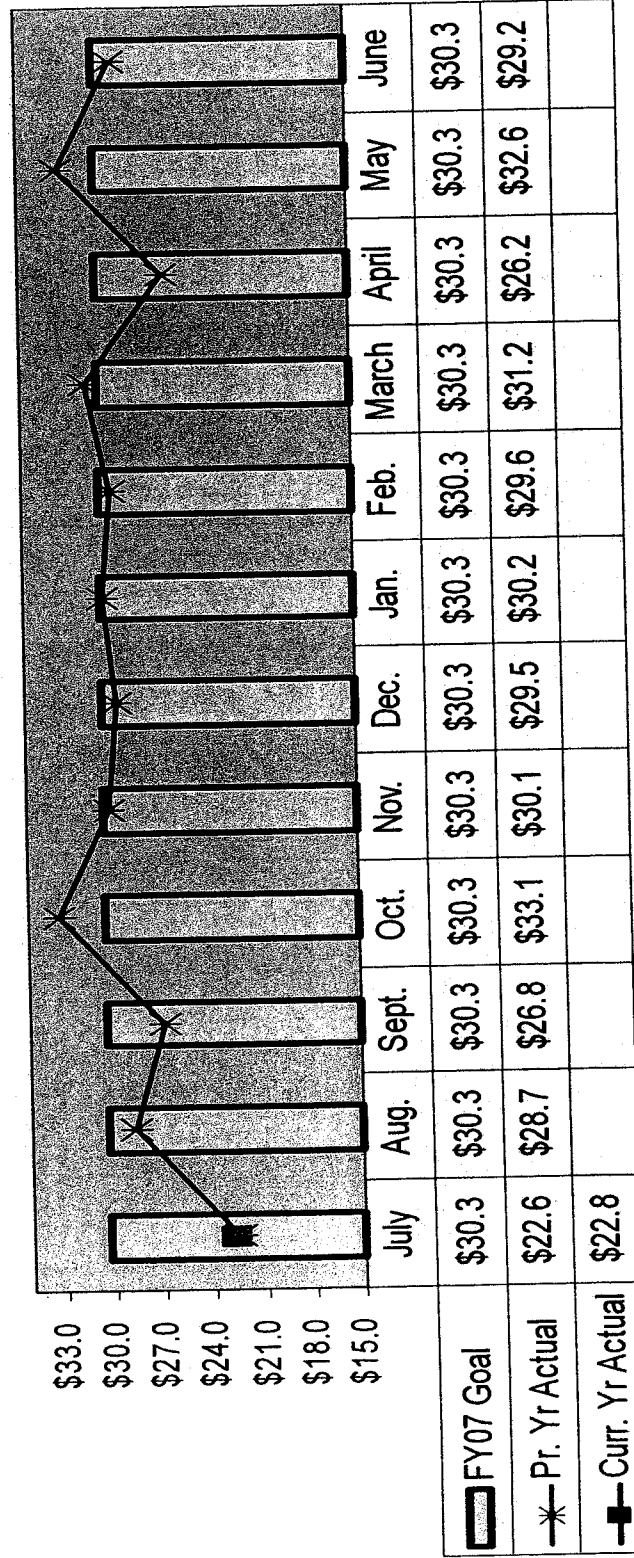
PALOMAR POMERADO HEALTH

**PPH Monthly Collections**  
in Millions



23

**PBS Monthly Collections**  
in Millions



28

**PALOMAR POMERADO HEALTH**

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**Palomar Pomerado Health**  
**STATEMENTS OF CASH FLOWS**  
 Fiscal Year 2007

	<u>July</u>	<u>YTD</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Income (Loss) from operations	462,051	462,051
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation Expense	1,647,189	1,647,189
Provision for bad debts	2,488,587	2,488,587
Changes in operating assets and liabilities:		
Patient accounts receivable	(10,082,797)	(10,082,797)
Property Tax and other receivables	238,877	238,877
Inventories	(16,398)	(16,398)
Prepaid expenses and Other Non-Current assets	(2,455,617)	(2,455,617)
Accounts payable	(3,888,892)	(3,888,892)
Accrued comp	(74,810)	(74,810)
Estimated settlement amounts due third-party payors	(44,397)	(44,397)
Other current liabilities	697,533	697,533
Net cash provided by operating activities	<u>(11,028,674)</u>	<u>(11,028,674)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net (purchases) sales on investments	7,373,889	7,373,889
Interest (Loss) received on investments	886,540	886,540
Investment in affiliates	129,542	129,542
Net cash used in investing activities	<u>8,389,971</u>	<u>8,389,971</u>
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:</b>		
Receipt of G.O. Bond Taxes	118,544	118,544
Receipt of District Taxes	268,114	268,114
Net cash used in activities	<u>386,658</u>	<u>386,658</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of property plant and equipment	(915,506)	(915,506)
Proceeds from sale of asset	0	0
G.O. Bond Interest paid	0	0
Revenue Bond Interest paid	0	0
Proceeds from issuance of debt	0	0
Payments of LT Debt	0	0
Net cash used in activities	<u>(915,506)</u>	<u>(915,506)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(3,167,551)</b>	<b>(3,167,551)</b>
<b>CASH AND CASH EQUIVALENTS - Beginning of period</b>	<b>9,710,258</b>	<b>9,710,258</b>
<b>CASH AND CASH EQUIVALENTS - End of period</b>	<b>6,542,707</b>	<b>6,542,707</b>

# PALOMAR POMERADO HEALTH

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**Palomar Pomerado Health**  
**Perinatology Professional Services and Medical Director Agreement**

**TO:** Board of Directors

**FROM:** Board Finance Committee  
Tuesday, August 29, 2006

**MEETING DATE:** Monday, September 11, 2006

**BY:** Diane Key, Service Line Administrator, Women's & Children's Services

**BACKGROUND:** Palomar Medical Center (PMC) and Pomerado Hospital (POM) have provided basic obstetrical services for 57 years and almost 30 years, respectively. Neither facility presently provides perinatology professional services. Perinatology services are medical services provided by a Maternal-Fetal Medicine physician, also called a Perinatologist, who specializes in the diagnosis, treatment, and ongoing care of expectant mothers and their unborn children, either of which may be at high risk for special health problems. The Perinatologist works in collaboration with the women's Obstetrician to develop a plan of care tailored to meet the individual patient's needs and medical history. Services provided by Perinatologists include maternal and fetal medical care, monitoring, ultrasound examinations, genetic counseling, multiple births, diabetes management, state-of-the-art diagnostic testing (such as amniocentesis), and antepartum monitoring of fetal well being. Presently, PPH physicians must either refer high-risk pregnancies out of the area for perinatology services or provide care to patients who could benefit from perinatology services. PMC physicians receive the majority of high-risk patients from the district.

During the ACOG survey conducted at Pomerado in June 2005, it was recommended by the ACOG surveyors that the addition of perinatology services to the PPH obstetrical programs should be considered. In response to PPH's notice establish perinatology services, both The University of California, San Diego School of Medicine, Department of Reproductive Medicine ("UCSD") and Sharp Perinatology Group expressed interest in providing perinatology professional and medical director services. The University of California, San Diego School of Medicine, Department of Reproductive Medicine and the Sharp Perinatology Group presently provide similar services at UCSD and Sharp Mary Birch, respectively. In that multiple providers expressed interest, a Request for Proposal (RFP) process was initiated, and both entities were invited to respond.

PPH Administration and representatives from both the PMC and POM Departments of OB/GYN reviewed the RFP responses. The leadership of both interested parties was also interviewed, in order to assure a clear understanding by the parties as to the intent and terms of the agreement. A recommendation was made to the Departments of OB/GYN at both PMC and POM to proceed with an Agreement with UCSD for Perinatology Professional and Medical Director services, including on-call coverage, inpatient consultation, diagnostic and therapeutic perinatal services, and administrative oversight for the perinatal program.

The Agreement calls for professional perinatology medical services by UCSD to be billed and collected by UCSD as compensation for professional services. PPH will pay for medical director services and on-call department coverage.

PPH will be responsible for the billing and collection of the technical component of the perinatal services program.

**Palomar Pomerado Health**  
**Perinatology Professional Services and Medical Director Agreement**

The University of California, San Diego School of Medicine, Department of Reproductive Medicine will be responsible for:

- The establishment of an inpatient perinatology consultation service
- The establishment of outpatient fetal diagnostic services
- Providing medical director oversight
- Providing educational opportunities for physicians and hospital staff
- Participating in facility planning, the budget process, and the improvement of clinical services provided by the Departments of OB/GYN on both campuses

**BUDGET IMPACT:** Budgeted FY07

**STAFF RECOMMENDATION:** Approval

**COMMITTEE QUESTIONS:**

**COMMITTEE RECOMMENDATION:** The Finance Committee recommends approval of the Perinatology Professional Services and Medical Director Agreement with the University of California, San Diego School of Medicine, Department of Reproductive Medicine.

**Motion:**        **X**

**Individual Action:**

**Information:**

**Required Time:**

## PALOMAR POMERADO HEALTH - AGREEMENT ABSTRACT

Section Reference	Term/Condition	Term/Condition Criteria
	<b>TITLE</b>	Perinatology Services Professional and Medical Director Agreement
Preamble	<b>AGREEMENT DATE</b>	August 1, 2006
Preamble	<b>PARTIES</b>	University of California ,San Diego School of Medicine, Department of Reproductive and Palomar Pomerado Health
Recital	<b>PURPOSE</b>	Administrative services and professional medical services for the perinatology services program
Exhibit A	<b>SCOPE OF SERVICES</b>	Provision of administrative and professional medical services for the perinatology services program
	<b>PROCUREMENT METHOD</b>	<input checked="" type="checkbox"/> Request For Proposal <input type="checkbox"/> Discretionary
10.1	<b>TERM</b>	Three years
10.1	<b>RENEWAL</b>	Upon mutual written agreement.
10.2	<b>TERMINATION</b>	Without cause, for any reason upon 30 days' prior written notice, for cause as defined in the agreement
4.1, 4.2, 4.4	<b>COMPENSATION METHODOLOGY</b>	Compensation for administrative services. Professional medical services billing and collection responsibility of University of California ,San Diego School of Medicine, Department of Reproductive
	<b>BUDGETED</b>	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO – IMPACT:
	<b>EXCLUSIVITY</b>	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES – EXPLAIN: Administration recommends single provider group for scope of services to assure consistent administrative oversight and quality patient care services
	<b>JUSTIFICATION</b>	Required for consistent administrative oversight and professional medical services. To provide perinatology services including on-call coverage and inpatient consultation. To provide diagnostic and therapeutic perinatal services on a inpatient and outpatient basis.
	<b>POSITION POSTED</b>	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO <b>Methodology &amp; Response:</b> All PPH Medical Staff invited in writing to comment
	<b>ALTERNATIVES/IMPACT</b>	Perinatal diagnostic and therapeutic services would not be available to PPH patients and physicians resulting in referrals or transfers out of the PPH system.
Exhibit A	<b>Duties</b>	<input checked="" type="checkbox"/> Provision for Staff Education <input checked="" type="checkbox"/> Provision for Medical Staff Education <input checked="" type="checkbox"/> Provision for participation in Quality Improvement <input checked="" type="checkbox"/> Provision for participation in budget process development
	<b>COMMENTS</b>	
	<b>APPROVALS REQUIRED</b>	<input type="checkbox"/> CAO <input type="checkbox"/> CFO <input type="checkbox"/> CEO <input type="checkbox"/> BOD Committee _____ <input type="checkbox"/> BOD

**PALOMAR MEDICAL CENTER  
PERINATOLOGY FINANCIAL EVALUATION  
Projected 7 Year Income Statement  
Consolidated Projections for Incremental Outpatient Services, Deliveries and NICU Admissions**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
<b>OPERATING REVENUE</b>							
Inpatient Revenue - OB (1)	952,243	1,079,843	1,224,542	1,388,631	1,574,707	1,785,718	2,025,005
Inpatient Revenue - NICU	4,092,374	4,640,752	5,262,613	5,967,803	6,767,488	7,674,332	8,702,692
Outpatient Revenue	2,221,134	2,518,766	2,856,281	3,239,022	3,673,051	4,165,240	4,723,382
<b>Gross Patient Revenue</b>	<b>6,313,508</b>	<b>7,159,518</b>	<b>8,118,893</b>	<b>9,206,825</b>	<b>10,440,539</b>	<b>11,839,572</b>	<b>13,426,074</b>
Less Deductions From Revenue	3,850,257	4,383,646	4,990,664	5,681,446	6,467,512	7,361,969	8,379,717
<b>Total Net Revenue</b>	<b>2,463,251</b>	<b>2,775,872</b>	<b>3,128,229</b>	<b>3,525,379</b>	<b>3,973,027</b>	<b>4,477,603</b>	<b>5,046,357</b>
<b>OPERATING EXPENSES</b>							
<u>Direct Expense</u>							
Outpatient Services	454,202	474,822	487,789	501,327	515,465	530,230	545,652
Deliveries - OB Inpatient	364,290	401,630	442,797	488,184	538,222	593,390	654,213
NICU Admissions	1,565,778	1,748,320	1,927,523	2,125,094	2,342,916	2,583,065	2,847,829
<b>Total Direct Expense</b>	<b>2,404,270</b>	<b>2,624,772</b>	<b>2,858,109</b>	<b>3,114,605</b>	<b>3,396,604</b>	<b>3,706,685</b>	<b>4,047,694</b>
<b>Contribution Margin After Total Direct Expense</b>	<b>58,981</b>	<b>151,100</b>	<b>270,120</b>	<b>410,774</b>	<b>576,424</b>	<b>770,918</b>	<b>998,663</b>
<u>Statistical Summary</u>							
Outpatient Visits	7,449	7,821	8,212	8,623	9,054	9,507	9,982
Contribution Margin %	2.39%	5.44%	8.63%	11.65%	14.51%	17.22%	19.79%
Deductions As % of Gross Revenue	60.98%	61.23%	61.47%	61.71%	61.95%	62.18%	62.41%

(1) Not included are antepartum inpatient stays for high risk mothers.

**PALOMAR MEDICAL CENTER  
 PERINATOLOGY FINANCIAL EVALUATION  
 Projected 7 Year Income Statement  
 Outpatient Services Only**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
<b>OPERATING REVENUE</b>							
Inpatient Revenue	0	0	0	0	0	0	0
Outpatient Revenue	2,221,134	2,518,766	2,856,281	3,239,022	3,673,051	4,165,240	4,723,382
<b>Gross Patient Revenue</b>	<b>2,221,134</b>	<b>2,518,766</b>	<b>2,856,281</b>	<b>3,239,022</b>	<b>3,673,051</b>	<b>4,165,240</b>	<b>4,723,382</b>
Less Deductions From Revenue							
	1,763,028	1,999,273	2,267,176	2,570,978	2,915,489	3,306,164	3,749,190
<b>Total Net Revenue</b>	<b>458,106</b>	<b>519,492</b>	<b>589,104</b>	<b>668,044</b>	<b>757,562</b>	<b>859,076</b>	<b>974,192</b>
<b>OPERATING EXPENSES</b>							
<b>Direct Expense</b>							
Salaries and Wages	218,847	227,600	236,705	246,173	256,020	266,260	276,911
Employee Benefits	32,827	34,140	35,506	36,926	38,403	39,939	41,537
Unassigned Benefits	24,073	25,036	26,037	27,079	28,162	29,289	30,460
Total Salaries and Benefits	275,747	286,777	298,248	310,178	322,585	335,488	348,908
Professional Fees	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Supplies	16,257	17,477	18,789	20,200	21,718	23,350	25,105
Maintenance and Repair	0	8,200	8,200	8,200	8,200	8,200	8,200
Depreciation	70,019	70,019	70,019	70,019	70,019	70,019	70,019
Advertising and Marketing	10,000	10,000	10,000	10,000	10,000	10,000	10,000
<b>Total Direct Expense</b>	<b>522,023</b>	<b>542,473</b>	<b>555,256</b>	<b>568,597</b>	<b>582,522</b>	<b>597,057</b>	<b>612,232</b>
<b>Contribution Margin After Total Direct Expense</b>	<b>(63,917)</b>	<b>(22,980)</b>	<b>33,848</b>	<b>99,447</b>	<b>175,041</b>	<b>262,018</b>	<b>361,960</b>
<b>Statistical Summary</b>							
Outpatient Visits	7,449	7,821	8,212	8,623	9,054	9,507	9,982
Contribution Margin %	-13.95%	-4.42%	5.75%	14.89%	23.11%	30.50%	37.15%
Deductions As % of Gross Revenue	79.38%	79.38%	79.38%	79.38%	79.38%	79.38%	79.38%

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**PALOMAR MEDICAL CENTER  
PERINATOLOGY FINANCIAL EVALUATION  
With Projected Outpatient Growth**  
Consolidated Projections for Incremental Outpatient Services, Deliveries and NICU Admissions

	INCREMENTAL CASH FLOWS ONLY							
	Current Yr	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Incremental Cash Flow	(490,136)	58,981	151,100	270,120	410,774	576,424	770,918	998,663
Cumulative Cash Flow	(490,136)	(431,155)	(280,055)	(9,935)	400,839	977,263	1,748,181	2,746,844
Ultrasound Machine and Equipment Construction/Refurbishment	272,410							
NPV	217,726							
Discount Rate	5.00%							
IRR	32.53%							
Payback in Years	3.0							
<b>Volumes:</b>								
Non-Stress Tests (NST)	4,497	1,447	1,519	1,595	1,675	1,759	1,847	1,939
OB Ultrasounds	-	4,499	4,724	4,960	5,208	5,469	5,742	6,029
Amniocentesis	22	450	472	496	521	547	574	603
Total Outpatient Procedures	4,519	6,396	6,716	7,062	7,404	7,774	8,163	8,571
Deliveries	4,480	100	105	110	116	122	128	134
NICU Patient Days	2,852	1,395	1,465	1,538	1,615	1,696	1,780	1,869
<b>GROSS PATIENT REVENUE</b>								
Non-Stress Tests (NST)	1,169,220	406,346	460,796	522,543	592,563	671,967	762,010	864,120
OB Ultrasounds	-	1,652,014	1,873,384	2,124,418	2,409,090	2,731,908	3,097,984	3,513,113
Amniocentesis	7,370	162,774	184,586	209,320	237,369	269,176	305,246	346,149
Deliveries	39,500,439	952,243	1,079,843	1,224,542	1,388,631	1,574,707	1,785,718	2,025,005
NICU Patients	7,746,881	4,092,374	4,640,752	5,262,613	5,967,803	6,767,488	7,674,332	8,702,692
Total Gross Revenue	48,423,910	7,265,761	8,239,361	9,343,456	10,595,466	12,016,247	13,626,290	15,461,079
Net Revenue	17,690,527	2,463,261	2,776,872	3,128,229	3,525,379	3,973,027	4,477,603	5,046,367
Net Revenue as a % of Gross	36.53%	33.90%	33.69%	33.46%	33.27%	33.07%	32.86%	32.66%
<b>Direct Expenses</b>								
Outpatient Direct Expense	107,103	454,202	474,822	487,789	501,327	515,465	530,230	545,652
OB Direct Expense	15,543,045	364,290	401,630	442,797	488,184	538,222	593,390	654,213
NICU Direct Expense	3,087,652	1,585,778	1,748,320	1,927,523	2,125,094	2,342,916	2,583,065	2,847,829
TOTAL DIRECT EXPENSE	18,737,801	2,404,270	2,624,772	2,858,109	3,114,605	3,396,604	3,706,685	4,047,694
Net Incremental Cash	58,981	151,100	270,120	410,774	576,424	770,918	998,663	
<b>Procedure Growth</b>	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
<b>ASSUMPTIONS:</b>								
Gross Revenue Increase	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Net Revenue Growth	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Labor Inflation	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Non Labor Inflation	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Payback in Months	12	12	12	12	12	12	12	12

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**ASSUMPTIONS**  
**Perinatology Program - Outpatient Services Only**

(1) Equipment Cost	Ultrasound Equipment Office and Program Furnishings	164,000 108,410
(2) Construction	Renovation of Perinatology space only Renovation of areas necessary to relocate employees currently in the space proposed for the Perinatology Program.	17,726 200,000
(3) Gross Patient Revenue	Assumes incremental Revenue only for Non-Stress Tests, Ultrasound and Amniocentesis.	
(4) Net Patient Revenue	Calculated based on reports run from Avega for NST's and Amniocentesis, average reimbursement for Ultrasounds based on Parkway reimbursement. Average reimbursement for all procedures in year 1:	20.62%
(5) Total FTEs	Paid FTE's to include RN's, Ultrasound Tech and a Scheduler/Clerical Support.	3.2
(6) Direct Benefits	Based on Dept Direct Benefits ratio for OB department for FY 2006.	15.00%
(7) Indirect Benefits	Based on Direct Benefits ratio to salary & wage expense FY 2006	11.00%
(8) Professional Fees	Allocated amount of total Perinatologist Fees	150,000
(9) Advertising/Marketing	Estimated annual cost of appropriate marketing needed for expanding perinatology services.	10,000
(10) Variable Supply Expense	Chargeable and non-chargeable supplies per patient.	\$ 12.20
(11) Fixed Supply Expense	Based on department's fixed office supply costs per procedure.	\$ 0.10
(12) Annual Maintenance Contract	Estimated at 5% of original equipment cost.	8,200

AGREEMENT BETWEEN  
THE REGENTS OF THE UNIVERSITY OF CALIFORNIA  
AND  
PALOMAR POMERADO HEALTH  
CONCERNING PHYSICIAN SERVICES  
(Perinatology Services)

THIS AGREEMENT is made and entered into this first day of September 2006, by and between The Regents of the University of California on behalf of the University of California, San Diego School of Medicine, Department of Reproductive Medicine ("UNIVERSITY") and Palomar Pomerado Health, a local healthcare district organized pursuant to Division 23 of the California Health and Safety Code ("PPH"). This Agreement shall apply to PPH's Palomar Medical Center and Pomerado Hospital ("HOSPITALS").

RECITALS

WHEREAS, PPH operates two (2) general acute care hospitals facilities which include Obstetrics Departments and provide care for patients requiring perinatology services, and has the need for physicians to provide medical services in the area of perinatal medical services on behalf of HOSPITALS;

WHEREAS, UNIVERSITY employs physicians with specialized training in Perinatal Medicine and desires to make such faculty physicians and physicians participating in graduate medical education programs available to provide perinatology services ("SERVICES") to HOSPITALS under the terms of this Agreement;

WHEREAS, HOSPITALS and UNIVERSITY believe that entering into this Agreement will provide high quality education, training, clinical programs and increased community service; and

WHEREAS, HOSPITALS desire to secure, and UNIVERSITY desires to provide, the non-exclusive services of its PHYSICIANS;

NOW, THEREFORE, for good and valuable consideration, the parties agree as follows:

1. RESPONSIBILITIES OF UNIVERSITY

- 1.1 UNIVERSITY shall appoint PHYSICIANS to provide professional services in Perinatal Medicine ("SERVICES") at HOSPITALS' premises located at 555 E. Valley Parkway, Escondido, CA 92025 and 15615 Pomerado Road, Poway, CA 92064. Such SERVICES shall be provided by physicians who shall maintain faculty appointments at UNIVERSITY, or physicians who participate in an approved program of graduate medical education operated by UNIVERSITY and who are covered by UNIVERSITY'S professional liability self-insurance Program (collectively referred to as "PHYSICIANS").



- 1.2 Physician Liaison. UNIVERSITY shall provide to HOSPITALS the name of a UNIVERSITY physician who shall serve as a liaison between HOSPITALS and PHYSICIANS with respect to UNIVERSITY'S obligations under this Agreement.

2. RESPONSIBILITIES OF PHYSICIANS

- 2.1 Services. PHYSICIANS shall provide SERVICES as described below and in Exhibit A, attached hereto and incorporated by reference, on a schedule as mutually agreed upon by the parties for the full time equivalent of one physician within the HOSPITALS indicated in Subsection 1.1.
- 2.2 PHYSICIANS shall maintain in good standing an unrestricted license to practice medicine in the State of California, certifications and qualifications required hereunder or contemplated hereby.
- 2.3 Other Duties: PHYSICIANS shall
- 2.3.1 obtain and maintain Medical Staff privileges at HOSPITALS, and abide by HOSPITALS' medical staff bylaws, rules and regulations, corporate bylaws and other applicable policies and procedures;
  - 2.3.2 comply with all applicable law, licensing requirements and Guidelines of the Joint Commission on Accreditation of Health Care Organizations and other regulatory agencies;
  - 2.3.3 complete and assist in maintaining accurate medical records that reflect the services and care provided by PHYSICIAN and prompt reporting for billing purposes;
  - 2.3.4 notify, except in emergency, HOSPITALS' director at least two (2) weeks in advance of any leave or vacation; and
  - 2.3.5 work with HOSPITALS to establish a mutually agreed upon work schedule;
  - 2.3.6 advise HOSPITALS of needed repairs or replacement of equipment necessary for the proper performance of SERVICES under this Agreement either recognized by or brought to the attention of PHYSICIAN;
  - 2.3.7 provide clinical supervision for residents, fellows, and nurse practitioners at HOSPITALS, if applicable;
  - 2.3.8 attend all OB Department meetings, OB Peer Review meeting, and Womens and Children's Service Line Meetings;

- 2.3.9 provide Perinatology medical services to HOSPITALS' patients that require Perinatal consult services in the Outpatient Fetal Diagnostic Service Center and provide interpretations of non-stress tests and bill for the professional component; and
- 2.3.10 provide On-Call SERVICES to HOSPITALS' patients who require SERVICES and who otherwise do not have a perinatologist responsible for their care. On-Call physician services shall include:
- (a) The provision of diagnostic and therapeutic services to patients at HOSPITAL with high risk perinatal requirements. PHYSICIANS shall act as the primary or referral physician in consultation with physicians on HOSPITALS' Medical Staff;
  - (b) The provision of perinatal medicine consultation services to the medical, nursing, and administrative staff of HOSPITALS;
  - (c) Call coverage, which consists of 7/24 services with a telephone response time of fifteen (15) minutes and in person response time of no longer than one (1) hour, or as medically necessary as determined in collaboration with the Perinatologist and referring physician;
  - (d) In conjunction with HOSPITALS' Medical and Nursing Staff, develop specific protocols for perinatology services which shall be approved by the appropriate HOSPITALS' medical and administrative committees;
  - (e) Perinatal conferences and case review, jointly with HOSPITALS' Departments of Obstetrics and Pediatrics; and
  - (f) In conjunction with HOSPITALS' Medical and Nursing Staff participate in the development and/or implementation of quality, financial, and patient care indicators
- 2.3.11 Patient Records. For each patient treated by PHYSICIANS under this Agreement, PHYSICIANS shall prepare and deliver, in a timely fashion, a complete medical report relating to each study or treatment in accordance with all state and federal regulations and Medical Staff requirements at PPH HOSPITALS. PHYSICIANS' responsibility for preparing such reports shall be fulfilled upon PHYSICIANS providing such report to PPH HOSPITALS' transcription services or chart system in a form reasonably acceptable to PPH and by affixing an electronic or hard copy signature to each report upon completion.

3. RESPONSIBILITIES OF PPH

- 3.1 Space. PPH, at its own expense, shall provide PHYSICIANS with clinical and office space and office supplies as necessary for the proper performance of services under this Agreement. Such space and facilities may change from time-to-time depending upon needs, as determined by PPH in its sole discretion. PHYSICIANS shall not incur any financial obligation on behalf of PPH without PPH's prior written consent.
- 3.2 Equipment and Supplies. PPH, at its expense, shall supply for PHYSICIANS use such medical equipment and supplies (e.g., drugs, chemicals, other expendable items) normally available for HOSPITALS' own use in their medical facilities, as described in Subsection 1.1, and as mutually agreed upon by the parties as necessary for the proper performance of services under this Agreement, within PPH's budgetary limitations and subject to required governmental licenses and approvals.
- 3.2.1 PPH, at its sole expense, shall keep and maintain all equipment in good order and repair, and shall replace such equipment, or any part thereof, which becomes worn out or obsolete.
- 3.3 Support Services. PPH shall furnish the services of its support departments, including but not limited to, nursing, scheduling, personnel, administration, accounting, purchasing and medical records departments as necessary for the proper and efficient provision of services pursuant to this Agreement.
- 3.4 Personnel. PPH shall be responsible for employing or otherwise engaging and supplying all non-PHYSICIAN personnel necessary for the proper performance of services under this Agreement and as required by law and accreditation agencies. Such personnel shall include an ultrasound technician available for scheduled tests who is immediately available to the unit during all perinatology clinic hours and available within thirty (30) minutes at all other times. Additionally, a clerk versed in billing procedures will be available for perinatology scheduling and office coordination when physicians are on site. Such scheduling capability shall be at one hundred percent (100%) during normal business hours. PPH will be responsible for all employer payroll taxes to which said personnel may be entitled. PPH shall be solely responsible for all employment-related decisions regarding such personnel, and shall indemnify and hold UNIVERSITY harmless from and against any and all liability, loss, expense or claims brought by or on behalf of PPH personnel arising from such decisions.
- 3.5 Medical Records and Files. PPH shall maintain all medical patient records, files and reports relating to PHYSICIAN'S services provided at PPH HOSPITAL facilities under this Agreement and all such patient records shall be retained by PPH and shall remain the property of PPH. PPH shall maintain patient files in

compliance with the standards established by HIPAA and governing agencies. Such patient files and records shall be transmitted in a confidential and secure manner to ensure privacy, security and integrity of data required by HIPAA.

4. COMPENSATION AND BILLING

- 4.1 Professional Fees. UNIVERSITY, at its sole cost and expense, shall be responsible for billing and collecting professional fees rendered by PHYSICIANS under this Agreement. UNIVERSITY shall provide PPH with copies of billing and collection information upon a quarterly basis. PHYSICIANS shall bill fees at reasonable fair market value rates.
- 4.2 Billing for Professional Fees. PPH shall provide to UNIVERSITY all patient and administrative information, in such format as is required by, and reasonably necessary for UNIVERSITY to bill patients and third party payors and to collect accounts receivable resulting from services rendered to PPH's patients by PHYSICIANS under this Agreement.
- 4.3 Insurance Forms. When requested, UNIVERSITY or PHYSICIANS shall complete patient insurance forms and otherwise comply with billing procedures of PPH.
- 4.4 Compensation for Perinatology. As compensation for the services rendered by PHYSICIANS to PPH pursuant to Subsections 1.1, 2.3.10 and 2.3.11 of this Agreement, PPH shall pay UNIVERSITY the sum of Two Hundred Sixty Thousand dollars (\$260,000) per year. This payment shall be paid in monthly installments of approximately Twenty-one Thousand Six Hundred Sixty-seven dollars (\$21,667) no later than the fifteenth (15) day of each month following the month in which the services were rendered.

Checks will be made payable to: The Regents of the University of California

And sent to: Department of Reproductive Medicine  
UCSD School of Medicine  
9500 Gilman Drive, M.C.8433  
La Jolla, CA 92093-8433  
Attention: L. Ikeda  
UCSD Ref. # 26-1147  
Federal Tax ID# 95-6006144

- 4.5 PPH shall be solely responsible for billing and collection of charges for all of the technical component of the perinatal services rendered by PHYSICIAN for PPH HOSPITALS, as described in Subsection 1.1, and shall have sole right to such collections.
- 4.6 PPH shall retain the right to bill and collect for Medicare patients' services.

- 4.7 Payment of PHYSICIAN'S salary and benefits shall be the sole responsibility of UNIVERSITY as the employer of PHYSICIANS.
- 4.8 PPH acknowledge that UNIVERSITY employees shall follow the ethical and legal standards established by the UNIVERSITY'S Compliance Program, as well as those of PPH's compliance program, if such program exists, and a copy will be provided to the UNIVERSITY'S employee upon written request by UNIVERSITY.
- 4.9 The parties acknowledge that none of the benefits granted UNIVERSITY or UNIVERSITY physician employees is conditioned on any requirements that UNIVERSITY or PHYSICIAN make referrals to, be in a position to make or influence referrals to, or otherwise generate business for PPH. The parties further agree that physician services provided hereunder are non-exclusive and physicians may establish privileges at, refer any service to, or otherwise generate any business for any other entity of physicians' choosing.

5. REVIEW OF PHYSICIAN'S BILLING DOCUMENTS AND USE OF TAX IDENTIFICATION NUMBER

- 5.1 PPH shall allow UNIVERSITY the right to review documentation by PHYSICIAN to assure accuracy of the billing for services provided.
- 5.2 PPH shall use its own tax identification number and provide documentation of such tax identification number prior to submitting the first bill under this agreement.

6. PPH's INSURANCE

PPH, at its sole cost and expense, shall insure PPH's activities in connection with this Agreement and obtain, keep in force, and maintain insurance as follows:

- 6.1 Professional Medical and Hospital Liability Insurance (contractual liability included) with limits of Five Million dollars (\$5,000,000) per occurrence and Ten Million dollars (\$10,000,000) general aggregate.
- 6.2 Comprehensive or Commercial Form General Liability Insurance (contractual liability included) with a minimum limit of One Million dollars (\$1,000,000) per occurrence.
- 6.3 Business Automobile Liability Insurance for owned, non-owned, or hired automobiles with a combined single limit of not less than one million dollars (\$1,000,000) per occurrence.

If the above insurance is written on a claims-made form, it shall continue for three (3) years following termination of this Agreement. The insurance shall have a retroactive

date of placement prior to or coinciding with the effective date of this Agreement.

- 6.4 Workers' Compensation as required under California State law.
- 6.5 Such other insurance in such amounts which from time-to-time may be reasonably required by mutual consent of the UNIVERSITY and PPH against other insurable risks relating to performance.

Coverage required under Subsections 6.1, 6.2 and 6.3 shall not limit the liability of PPH.

The coverage referred to under Subsections 6.2 and 6.3 shall include UNIVERSITY as an additional insured. Such a provision, however, shall apply only in proportion to and to the extent of the negligent acts or omissions of PPH, its officers, employees, and agents. Upon the execution of this Agreement, PPH shall furnish UNIVERSITY with certificates of insurance evidencing compliance with all requirements. Certificates shall further provide for thirty (30) days (10 days for non-payment of premium) advance written notice to UNIVERSITY of any material modification, change or cancellation of any of the above insurance coverage.

## 7. UNIVERSITY'S INSURANCE

UNIVERSITY, at its sole cost and expense, shall insure its activities in connection with this Agreement by maintaining programs of self-insurance as follows:

- 7.1 Professional Medical and Hospital Liability Self-insurance Program with limits of Five Million dollars (\$5,000,000) per occurrence.
- 7.2 General Liability Self-Insurance Program with a limit of One Million dollars (\$1,000,000) per occurrence.
- 7.3 Business Automobile Liability Insurance for owned, non-owned, or hired automobiles with a combined single limit of not less than one million dollars (\$1,000,000) per occurrence.
- 7.4 Workers' Compensation as required under California State law.
- 7.5 Such other insurance in such amounts, which from time to time may be reasonably required by mutual consent of the parties against other insurable risks relating to performance

Coverage required under this section 7.1, 7.2 and 7.3 shall not in any way limit the liability of UNIVERSITY.

The coverage referred to under Subsections 7.2 and 7.3 shall include PPH as an additional insured. Such a provision, however, shall apply only in proportion to and to the extent of the negligent acts or omissions of UNIVERSITY, its officers, employees,

and agents. UNIVERSITY, upon request, shall furnish PPH with certificates of insurance evidencing compliance with all requirements.

8. INDEMNIFICATION

8.1 PPH's Indemnification. PPH shall defend, indemnify and hold UNIVERSITY, its officers, employees, and agents harmless from and against any and all liability, loss, expense (including reasonable attorneys' fees), or claims for injury or damages arising out of the performance of this Agreement but only in proportion to and to the extent such liability, loss, expense, attorneys' fees, or claims for injury or damages are caused by or result from the negligent or intentional acts or omissions of PPH, its officers, employees, or agents.

8.2 UNIVERSITY'S Indemnification. UNIVERSITY shall defend, indemnify and hold PPH, its officers, employees and agents harmless from and against any and all liability, loss, expense (including reasonable attorneys' fees), or claims for injury or damages arising out of the performance of this Agreement but only in proportion to and to the extent such liability, loss, expense, attorneys' fees, or claims for injury or damages are caused by or result from the negligent or intentional acts or omissions of UNIVERSITY, its officers, employees, or agents.

9. COOPERATION IN DISPOSITION OF CLAIMS

PPH and UNIVERSITY agree to cooperate with each other in the investigation and disposition of third-party liability claims arising out of any services provided under this Agreement. It is the intention of the parties to fully cooperate in the disposition of all such claims. Such cooperation may include joint investigation, defense and disposition of claims of third parties arising from services performed under this Agreement. PPH and UNIVERSITY agree to promptly inform one another whenever an incident report, claim or complaint is filed or when an investigation is initiated concerning any professional service performed under this Agreement. To the extent allowed by law, PPH and UNIVERSITY shall have reasonable access to the medical records and charts of the other relating to any such claim or investigation; provided, however, that nothing in this section shall require either PPH or UNIVERSITY to disclose any peer review documents, incident reports, records or communications which are privileged under Section 1157 of the California Evidence Code, under the Attorney-Client Privilege or under the Attorney Work-Product Privilege.

10. TERM AND TERMINATION

10.1 Term of Agreement. The term of this Agreement shall be for a three (3) year period from September 1, 2006 through August 31, 2009. This Agreement may only be renewed upon the mutual written agreement of both parties.

10.2 Termination Without Cause. Notwithstanding any other provision to the contrary, this Agreement may be terminated without cause, for any reason, at any time by PPH or UNIVERSITY upon thirty (30) days' prior written notice to the other

party. Termination without cause shall not include termination based upon the volume of revenue or referrals generated under this Agreement. If this agreement is terminated prior to September 1, 2007, the parties may not enter into a new agreement during the first year of the original term of the agreement.

- 10.3 Termination For Material Breach. In the event of a material breach of this Agreement, the aggrieved party may terminate this Agreement by giving written notice of termination to the breaching party, which termination shall be effective immediately upon delivery or as otherwise specified in such notice; provided, however, that if the nature of the breach is such that it can be reasonably cured, said notice shall specify the nature of such breach, and shall further state that the breaching party shall have thirty (30) days from the effective date of such notice to cure such breach, at which time, if the breach is not cured, this Agreement shall be terminated. Termination without cause shall not include termination based upon the volume of revenue or referrals generated under this Agreement.
- 10.4 Cause for Automatic Termination. This Agreement shall automatically terminate in the event of: (1) the loss of PPH's State of California professional or business license; (2) the loss of PPH's insurance coverage as described in Section 6 of this Agreement; (3) the insolvency or bankruptcy of PPH.
- 10.5 Effect of Expiration or Termination. Upon the expiration or earlier termination of this Agreement, as herein above provided, and except as specifically provided herein, no party shall have any further obligation hereunder except for obligations, debts or liabilities arising hereunder prior to the date of expiration or earlier termination.

11. PATIENTS' RECORDS

Any and all of PPH's patient records and charts created at PPH HOSPITALS as a result of the performance under this Agreement shall be and remain the property of PPH. Both during and after the term of this Agreement, UNIVERSITY shall be permitted to inspect and/or duplicate, at UNIVERSITY'S expense, any individual charts or records 1) to the extent necessary to assist in the defense of any malpractice or similar claim to which such chart or records may be pertinent; and/or 2) for educational purposes upon written approval by PPH. Such inspection and/or duplication shall be permitted and conducted pursuant to commonly accepted standards of patient confidentiality in accordance with applicable federal, state and local laws. Nothing in this or any section of this Agreement shall require PPH or UNIVERSITY to disclose any peer review documents, records or communications which are privileged under Section 1157 of the California Code of Evidence or under the Attorney-Client Privilege or the Attorney Work Product Privilege.

12. INDEPENDENT CONTRACTOR

None of the provisions of this Agreement shall be construed to or shall create a relationship of agency, representation, joint venture, ownership, control or employment between the parties, and it is understood and agreed that UNIVERSITY and its employee PHYSICIANS utilized under this Agreement are at all times acting and performing the



services pursuant to this Agreement as independent contractors and not as employees or agents of PPH. PPH shall not control or direct the manner or methods by which UNIVERSITY or PHYSICIANS perform the contemplated medical services. However, UNIVERSITY and PHYSICIANS shall be responsible for performing the SERVICES in a manner and at times so as to ensure that the contemplated services are performed and rendered in a competent, efficient and satisfactory manner.

13. MODIFICATIONS AND AMENDMENTS

This Agreement may be amended or modified at any time by mutual written consent of the authorized representatives of both parties. PPH and UNIVERSITY agree to amend this Agreement if such amendment is required by applicable regulatory authority and does not materially affect the relative economic benefits of the parties.

14. DISPUTE RESOLUTION

In the event of any dispute arising out of or relating to this Agreement, the parties shall attempt, in good faith, to promptly resolve the dispute mutually between themselves. If they are unable to do so, then the following procedures shall apply.

14.1 Arbitration:

14.1.1 Any controversy or dispute between UNIVERSITY and PPH concerning The performance, termination or interpretation of this Agreement shall be resolved through arbitration proceeding under the Federal Arbitration Act and before the American Arbitration Association (AAA) in accordance with AAA's Commercial Arbitration Rules at the AAA location closest to PPH's office. The administrative cost of the arbitration and the arbitrator's fee shall be shared equally by the parties. The parties shall have full discovery rights under the California Discovery Act, subject to modification by the arbitrator in his or her discretion.

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

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

15. GOVERNING LAW

This Agreement shall be governed in all respects by the laws of the State of California.

16. ASSIGNMENT

Neither PPH nor UNIVERSITY shall assign their rights, duties, or obligations under this Agreement, either in whole or in part, without the prior written consent of the other.

17. SEVERABILITY

If any provision of this Agreement is held to be illegal, invalid, or unenforceable under present or future laws effective during the term hereof, such provision shall be fully severable. This Agreement shall be construed and enforced as if such illegal, invalid, or unenforceable provision had never comprised a part hereof, and the remaining provisions shall remain in full force and effect unaffected by such severance, provided that the invalid provisions are not material to the overall purpose and operation of this Agreement.

18. WAIVER

Waiver by either party of any breach of any provision of this Agreement or warranty of representation herein set forth shall not be construed as a waiver of any subsequent breach of the same or any other provision. The failure to exercise any right hereunder shall not operate as a waiver of such right. All rights and remedies provided for herein are cumulative.

19. ENTIRE AGREEMENT

This Agreement contains all the terms and conditions agreed upon by the parties hereto regarding the subject matter of the Agreement and supersedes any prior agreements, oral or written, and all other communications between the parties relating to such subject matter.

20. INTERRUPTION OF SERVICES

Any of the parties shall be excused from any delay or failure in performance hereunder caused by reason of any occurrence or contingency beyond its reasonable control, including, but not limited to, acts of God, acts of war, fire, insurrection, labor disputes, riots, earthquakes, or other acts of nature. The obligations and rights of the parties so excused shall be extended on a day-to-day basis for the time period equal to the period of such excusable interruption. In the event the interruption of the excused party's obligations continues for a period in excess of thirty (30) days, the other party shall have the right to terminate this Agreement upon ten (10) days prior written notice to the excused party.

21. SUBJECT HEADINGS

The subject headings used in this Agreement are for convenience only and shall not be deemed to affect the meaning or construction of any of the terms, provisions, covenants or conditions of this Agreement.

22. METHOD OF NOTIFICATION

All notices required or permitted to be given hereunder which may be given by any party to the other, shall be deemed to have been fully given when made in writing and sent by facsimile to the number set forth below or sent by reputable overnight courier, or deposited in the United States mail, postage prepaid, certified mail, return receipt requested, and addressed as follows:

TO UNIVERSITY:

Thomas Jackiewicz  
Assoc. Vice Chancellor, UCSD Health Sciences  
University of California, San Diego  
School of Medicine  
9500 Gilman Drive, #0602  
La Jolla, CA 92093-0602  
Facsimile number: 858.534.6573

TO PPH:

Gerald Bracht  
Chief Administrative Officer  
Palomar Medical Center  
555 East Valley Parkway  
Escondido, CA 92025  
Facsimile number: 760.598.1196

The parties have executed this Agreement as set forth below.

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA,  
on behalf of the University of California San Diego, School of Medicine,  
Department of Reproductive Medicine

By: \_\_\_\_\_ Date \_\_\_\_\_  
Thomas Jackiewicz  
Associate Vice Chancellor Finance & Administration UCSD Health Sciences

PALOMAR POMERADO HEALTH

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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## EXHIBIT A

### Scope of Services

UNIVERSITY Perinatology Services encompasses the following:

1. Establish an inpatient perinatology consultation service.
2. Appoint a designated Perinatology Medical Services Director to provide oversight for perinatology services.
3. Establish outpatient fetal diagnostic services.
4. Provide assistance to the HOSPITALS obstetrical medical staff in the management of high risk pregnancy.
5. Collaborate with Neonatology Services to ensure communication, coordination and optimal outcomes for mothers and fetuses with complex medical conditions.
6. Provide medical and nursing inservice related to the management of high risk pregnancy.
7. Assist with the development and implementation of clinical protocols and practice guidelines.
8. Collaborate with HOSPITALS' Clinical Resources Management department to optimize resource utilization and facilitate timely discharge for high risk antepartum or postpartum patient.
9. Program development increasing HOSPITALS' market share related to patients requiring consultation services, antepartum management, and genetic evaluation.
10. Participation at HOSPITALS' OB/GYN department meetings including quality management and peer review activities.
11. Provide input for the annual budget process, as it relates to the Perinatology Prenatal Services.
12. Participation and input with any Perinatology facilities planning.
13. Participation in the development and assist in the monitoring of quality initiatives as it relates to the Perinatology Prenatal Services.
14. Work with Director of Nursing to develop and implement reporting requirements and protocols for midwives.

Clinical Services include:

1. On-Call Coverage five days per week beginning in August 2006.
2. Clinical Services three days per week beginning in September 2006.

## Physician Recruitment Agreement

**TO:** Board of Directors

**FROM:** Board Finance Committee  
Tuesday, August 29, 2006

**MEETING DATE:** Monday, September 11, 2006

**BY:** Marcia Jackson, Chief Planning Officer

**Background:** The PPH community lacks an adequate number of orthopedic 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 orthopedic physicians to relocate to Inland North San Diego County. Philip Balikian, M.D., and Centre for Healthcare have signed the attached PPH Physician Recruitment Agreement in order for Dr. Balikian to join Centre for Healthcare to practice in Rancho Bernardo, CA. He intends to begin practicing in November 2006.

**Budget Impact:** None

**Staff Recommendation:** Approval of the Physician Recruitment Agreement with Dr. Philip Balikian and Centre for Healthcare and recommend approval by the full Board of Directors.

**Committee Questions:**

**COMMITTEE RECOMMENDATION:** The Board Finance Committee recommends approval of the Physician Recruitment Agreement with Dr. Philip Balikian and Centre for Healthcare.

**Motion:** X

**Individual Action:**

**Information:**

**Required Time:**

## PALOMAR POMERADO HEALTH - AGREEMENT ABSTRACT

Section Reference	Term/Condition	Term/Condition Criteria
	<b>TITLE</b>	Physician Recruitment Agreement—Orthopedic Surgery
	<b>AGREEMENT DATE</b>	
	<b>PARTIES</b>	1) PPH 2) Philip Balikian, M.D. 3) Centre for Healthcare
Recitals; Article I.1	<b>PURPOSE</b>	Provide recruitment assistance to enable Dr. Balikian to establish an orthopedic practice in Rancho Bernardo/Poway
Article I	<b>SCOPE OF SERVICES</b>	Dr. Balikian will establish a full-time orthopedic practice in Rancho Bernardo and will participate in government-funded programs.
2.2(a); Exhibit 3.1(a).2	<b>TERM</b>	1 year of income assistance; two year repayment/forgiveness period
Recruitment procedure D.2	<b>RENEWAL</b>	None available
Article VII	<b>TERMINATION</b>	Contract stipulates conditions for termination by hospital, termination by physician and termination in event of governmental action
Article III; 3.2, 3.3, 3.4, 3.5	<b>COMPENSATION METHODOLOGY</b>	For monthly income guarantee physician will submit monthly report of expenses and collections. For relocation and start-up cost assistance physician will submit receipts.
	<b>BUDGETED</b>	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO – IMPACT: None
6.5	<b>EXCLUSIVITY</b>	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES – EXPLAIN: Government prohibits hospitals from requiring physician to exclusively have privileges or make referrals only to their hospital
	<b>PHYSICIAN MANPOWER STUDY</b>	AmeriMed, a national consulting firm who performed our Physician Manpower Study, completed an orthopedic analysis which confirmed there is a justifiable community need for this recruitment
	<b>EXTERNAL FINANCIAL VERIFICATION</b>	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO <b>Methodology:</b> 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.
	<b>LEGAL COUNSEL REVIEW</b>	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO No exceptions to the standard agreement. Legal supports that agreement complies with Federal Regulations
	<b>APPROVALS REQUIRED</b>	<input checked="" type="checkbox"/> CPO <input checked="" type="checkbox"/> CFO <input checked="" type="checkbox"/> CEO <input checked="" type="checkbox"/> BOD Finance Committee on August 29, 2006 <input checked="" type="checkbox"/> BOD

**PHYSICIAN RECRUITMENT AGREEMENT**

**by and among**

**PALOMAR POMERADO HEALTH (“Hospital”)**

**and**

**Philip Balikian, M.D. (“Physician”)**

**and**

**Centre for Healthcare (“Group”)**

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## PHYSICIAN RECRUITMENT AGREEMENT

THIS PHYSICIAN RECRUITMENT AGREEMENT (this "Agreement") is entered into and effective as of August 1, 2006 (the "Execution Date"), by and among PALOMAR POMERADO HEALTH, a California district hospital ("Hospital"), Philip Balikian, M.D., an individual ("Physician"), and Centre for Healthcare (PIMG), 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 Peñasquitos.

B. Physician is duly licensed to practice medicine in the State of California (the "State") and is board certified for the practice of medicine in the specialty of orthopedics (the "Specialty").

C. At the time of the recruitment discussions, Physician operated a medical practice in Somerset, Kentucky.

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, 2006 (the "Start Date"), and shall thereafter operate a medical practice in the Specialty (the "Practice"), 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 Offices are hereby approved by Hospital, and Physician 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 Full-Time Commitment.** Physician shall, from and after the Start Date, personally devote Physician's full-time professional efforts to the Practice. Physician shall devote an average of at least forty (40) hours per week 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 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 California, and shall be board certified 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.

**1.9 Services to Former Patients.** Physician hereby represents and warrants to Hospital that Physician reasonably expects that all or substantially all of Physician's revenue from professional medical services furnished from and after the Start Date will be derived from professional services furnished to patients not treated by Physician at any time during the three (3) year period immediately preceding the Start Date. Physician shall not directly or indirectly call on or solicit for the Practice any patient previously treated by Physician at Physician's former practice. Physician shall notify Hospital in writing as soon as reasonably practical but no later than five (5) business days after Physician provides professional services to a patient previously seen by Physician at Physician's former practice and shall provide Hospital with the patient's name in such notification.

**1.10 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.

**1.11 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.

**1.12 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 Full-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 a 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, 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 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; 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 profit and loss statement; (b) a statement detailing the amounts, classes, aging and other relevant information regarding Group's outstanding accounts receivable attributable to Physician; 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.

**2.12 Physician's Former Patients.** Group represents and warrants to Hospital that Group reasonably expects that all or substantially all of Physician's revenues from the provision of professional medical services from and after the Start Date will be derived from professional services furnished to patients not treated by Physician at any time during the three (3) year period prior to the Start Date. Group shall not, directly or indirectly, call on or solicit (or attempt to call on or solicit) for the Practice any patient previously treated by Physician at Physician's former practice.

### **ARTICLE III. RECRUITMENT INCENTIVES**

**3.1 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 Physician satisfies certain conditions, outlined below and set forth in the Recruitment Note. Notwithstanding any other provision of this Agreement, the aggregate amount of the Recruitment Loan shall not exceed [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, 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. The Parties acknowledge and agree that the Guaranteed Monthly Income shall be deemed to cover the cost and expense of Physician's benefits, if any, for each such month.

(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 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 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 (1<sup>st</sup>) 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)).

(f) **Aggregate Amount.** Notwithstanding any other provision of this Agreement, the aggregate amount of the Income Guarantee Advances shall not exceed [REDACTED]

(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 August 1, 2006, 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: 1) start up expenses including consulting, signage, minor medical and office equipment (less than \$2,000 each), furnishings, and initial medical and office supplies inventory which shall cumulatively not exceed [REDACTED]; and 2) Tail Coverage (as described in Section 5.3) which shall not exceed [REDACTED] (the "Permitted Purposes").

(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 **Signing Bonus.** Hospital shall within thirty (30) days after the Start Date, provide to Practitioner an amount equal to [REDACTED] as a signing bonus.

3.6 **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, Group or any Group Physician 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.

**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 California, without giving effect to any choice of law or conflict of law rules or provisions that would cause the application of the laws of any jurisdiction other than California.

**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 California, 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 (3<sup>rd</sup>) 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]*

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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**

Philip Balikian, M.D., an individual

\_\_\_\_\_  
Philip Balikian, M.D.  
[Tax ID/SSN] Number: \_\_\_\_\_

Physician's principal place of business:

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

**GROUP**

Centre for Healthcare (PIMG),  
a professional corporation

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

Group's address:

10865 Rancho Bernardo Road  
Rancho Bernardo, CA 92127

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**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

1.1(a)-1  
Service Area

**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

Additional Rent (Office)  
Additional Phone  
Additional Utilities  
Malpractice Insurance  
Additional Insurance Costs (Office)  
Salaries (Additional Office Staff FTE(s))  
Fringe Benefits (Additional Office Staff FTE(s))  
Medical Supplies  
Additional Office Supplies  
Licenses  
Professional Supplies and Services  
Transcription Expenses  
Additional Leased Equipment and Equipment Fees  
Other Expenses  
Billing Expenses  
Maintenance (Additional Equipment)  
Doctors' Exchange  
Dues and Subscriptions  
Marketing/Advertising  
Misc. Start-Up Expenses (first 3 months of

	<u>Maximum Allowable Expenses</u>	<u>Actual Expenses Incurred</u>
Additional Rent (Office)		
Additional Phone		
Additional Utilities		
Malpractice Insurance		
Additional Insurance Costs (Office)		
Salaries (Additional Office Staff FTE(s))		
Fringe Benefits (Additional Office Staff FTE(s))		
Medical Supplies		
Additional Office Supplies		
Licenses		
Professional Supplies and Services		
Transcription Expenses		
Additional Leased Equipment and Equipment Fees		
Other Expenses		
Billing Expenses		
Maintenance (Additional Equipment)		
Doctors' Exchange		
Dues and Subscriptions		
Marketing/Advertising		
Misc. Start-Up Expenses (first 3 months of		

Assistance Period only)  
**TOTAL INCREMENTAL PRACTICE  
EXPENSES**


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**

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**Add: Incremental Practice Expenses**

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**Less: Practice Receipts**

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**Equals: Income Guarantee Advance (Excess Receipts)**

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**Total Income Guarantee Advances To Date**

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Exhibit 4.1(a)

SECURED PROMISSORY NOTE

Not to Exceed [REDACTED]

\_\_\_\_\_, 20\_\_\_\_

FOR VALUE RECEIVED, the undersigned borrower Philip Balikian, 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 Centre for Healthcare, 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 (1<sup>st</sup>) day of each month during the Repayment Period (as defined below).

(b) Repayment Period. “Repayment Period” shall mean the period beginning on the first (1<sup>st</sup>) day of the first (1<sup>st</sup>) 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 (1<sup>st</sup>) day of the first (1<sup>st</sup>) 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**

\_\_\_\_\_  
Philip Balikian, 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 Philip Balikian, M.D., an individual, as the debtor ("**Physician**"), and PALOMAR POMERAOD 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 Centre for Healthcare, 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**

Philip Balikian, M.D., an individual

\_\_\_\_\_  
Philip Balikian, 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 Philip Balikian, 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.

**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**"), Philip Balikian, M.D., an individual ("**Debtor**"), and [Name of Bank] ("**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.

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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 California 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**

Philip Balikian, M.D.,  
an individual

Philip Balikian, M.D.

Debtor's address:

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

**BANK**

\_\_\_\_\_  
a California [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 Centre for Healthcare (PIMG) a professional corporation ("Group"), in favor of PALOMAR POMERADO HEALTH, a California district hospital ("Hospital").

#### RECITALS

A. Philip Balikian, 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 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

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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. Group tax identification number is

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 California, without giving effect to any choice of law or conflict of law rules or provisions that would cause the application of the laws of any jurisdiction other than California.

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**

Centre for Healthcare (PIMG),  
a professional corporation

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 Centre for Healthcare (PIMG), 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, 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 as it relates to services provided under this agreement.
2. I will not lie, cheat, steal, or violate any law in connection with my practice at any PPH facility.
3. I will not pay or arrange for PPH to pay any person or entity for the referral of patients to PPH, nor will I accept any payment or arrange for PPH to accept any payment for referrals from PPH.
4. I will not participate in any false billing of patients, government entities or any other party, nor will I participate in the preparation of any false cost reports, or other type of report submitted to the government.
5. I will not engage in any conduct or practice that conflicts with interest of PPH, as it relates to services provided under this agreement.
6. I will not use PPH's confidential or proprietary information gathered during my association with PPH for my own personal benefit.
7. I will not obtain any improper personal benefits by virtue of my practice at PPH facilities.
8. I will notify the compliance officer of PPH immediately upon the receipt (at work or home) of an inquiry, subpoena (other than for routine licensing or tax matters) or other agency or government request for information regarding PPH.
9. I will not destroy or alter information or documents in anticipation of or in response to, a request for documents by any applicable government agency or from a court of competent jurisdiction.
10. I will not engage in any business practice intended to unlawfully obtain favorable treatment or business from any government entity, physician, patient, vendor or any other party in a position to provide such treatment or business.
11. I will not accept any gift of more than nominal value, and hospitality or entertainment that because of its source or value might influence my independent judgment in transactions involving PPH.
12. I will not provide any gifts to any government or public agency representative as it relates to services provided under this agreement.
13. I will disclose any financial interest, ownership interest compensation arrangement or contractual relationship that I or a member of my immediate family has with a PPH vendor or competitor.
14. I will not disclose confidential medical information pertaining to PPH patients without the express written consent of the patient in accordance with HIP AA, other applicable law and PPH applicable policies or procedures.
15. I will promptly report all violations or suspected violations of this code by myself to the compliance officer of PPH.
16. I will not conspire with a competitor of PPH to illegally fix prices, labor cost, allocate markets, or

engage in group boycotts.

## Exhibit 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.



# MEDICAL STAFF SERVICES



PALOMAR  
POMERADO  
HEALTH

August 29, 2006

TO: Board of Directors

BOARD MEETING DATE: September 11, 2006

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

SUBJECT: Medical Staff Credentialing Recommendations

## PALOMAR MEDICAL CENTER

### I. Provisional Appointment (09/11/2006 – 08/31/2008)

Julie A. Berry, M.D., Otolaryngology  
Tyler Crawford, M.D., Diagnostic Radiology  
David W. Elias, M.D., Orthopaedic Surgery  
Chad Elsner, M.D., Orthopaedic Surgery  
James M. Fait, M.D., Orthopaedic Surgery  
Jason P. Garcia, M.D., Orthopaedic Surgery  
Dorothy E. Hairston, M.D., Internal Medicine/Hospitalist  
Serge C. Kaska, M.D., Orthopaedic Surgery  
Sara M. Marchese, M.D., Pediatrics  
Amy R. Milliken, M.D., Obstetrics & Gynecology  
Alexandra E. Page, M.D., Orthopaedic Surgery  
William H. Pfeiffer, M.D., Orthopaedic Surgery  
Glenn B. Rankin, M.D., Orthopaedic Surgery  
Brian B. Ronson, M.D., Radiation Oncology  
Michael G. Ryan, M.D., Orthopaedic Surgery  
Joshua N. Steinvurzel, M.D., Orthopaedic Surgery  
Jeffrey J. Weitz, M.D., Diagnostic Radiology  
Larry S. Williams, M.D., Orthopaedic Surgery

### II. Additional Privileges

Bassem A. Georgy, M.D., Diagnostic Radiology

- Placement of Spinal Cord Stimulators

Jonathan C. Bourne, M.D., Anesthesiology (Reinstatement of clinical privileges)

- Adult general and regional anesthesia
- Pediatric anesthesia
- Obstetrical anesthesia
- Neurosurgical anesthesia
- Intensive Care consultation
- Insertion of central venous catheters
- Insertion of pulmonary artery catheters
- Anesthesia for Trauma Patients
- Lumbar Epidural Injection with or without Catheter Placement
- Peripheral Nerve Block

Karen E. Kohatsu, M.D., OB/GYN

- Operative Hysteroscopy Bundle

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

III. Voluntary Resignations/Withdrawal of Membership

Christopher B. Geary, M.D., Orthopaedic Surgery (effective 08/01/2006)  
 Yuri M. Lewicky, M.D., Orthopaedic Surgery (effective 08/01/2006)  
 Brett C. Meyer, M.D., Neurology (effective 09/11/2006)  
 Robert B. Pendleton, M.D., Ophthalmology (effective 08/23/2006)  
 Mark J. Ritter, M.D., Orthopaedic Surgery (effective 08/01/2006)  
 Sarah B. Shubert, M.D., Orthopaedic Surgery (effective 08/01/2006)

IV. Allied Health Professional Appointment (09/11/2006 – 08/31/2008)

Michael A. Avilez, O.T., Orthopaedic Technician; Sponsors: Kaiser Orthopaedic Surgeons  
 Laura J. Garcia-Lance, CNM, Certified Nurse Midwife; Sponsors: Drs. Buringrud, Ghosh, Kohatsu, Leon, Trifunovic

V. Allied Health Professional Resignations/Withdrawals

Dorene E. Boydston, N.P., Nurse Practitioner; Sponsors: Drs. Just and Eisenberg  
 Katrina Brand, AuD, Evoked Potential Tech; Sponsors: Dr. McKinley  
 Kesha K. Hudson, P.A., Physician Assistant; Sponsors: CEP

VI. Reappointment Effective 10/01/2006 – 10/31/2006

Silverio T. Chavez, M.D.	OB/GYN	Dept of OB/GYN	Active
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Reappointments Effective 10/01/2006 – 09/30/2008

Joyce A. Adams, M.D.	Pediatrics	Dept of Pediatrics	Associate
Rachel L. Bacon, M.D.	Medicine/Pediatrics	Dept of Medicine	Active
David E. Buccigrossi, M.D.	Internal Medicine	Dept of Medicine	Active
Anatoly J. Bulkin, M.D.	General/Vascular Surgery	Dept of Surgery	Active
Edward M. Gurrola, M.D.	Anesthesiology	Dept of Anesthesia	Active
Mark D. Haberman, M.D. (Includes PCCC)	Medicine/Pediatrics	Dept of Medicine	Active
John J. Lilley, M.D.	Nephrology	Dept of Medicine	Active
Steven H. Mannis, M.D.	Emergency Medicine	Dept of Emergency Medicine	Active
Laurence M. McKinley, M.D.	Orthopaedic Surgery	Dept of Ortho/Rehab	Active
Carl A. Miller, M.D.	Anesthesiology	Dept of Anesthesia	Active
Steven C. Plaxe, M.D.	Reproductive Oncology	Dept of OB/GYN	Courtesy
Robert V. Reznichak, D.D.S. (No clinical privileges)	Dentistry	Dept of Surgery	Associate
Jose A. Rua, M.D.	Pediatrics	Dept of Pediatrics	Active
William S. Samuel, M.D.	Neurology	Dept of Medicine	Active
Karla A. Strazicich, M.D.	Pediatrics	Dept of Pediatrics	Active
Lori J. Wan, M.D.	Medicine/Pediatrics	Dept of Medicine	Active
John A. Young, M.D.	Cardiothoracic Surgery	Dept of Surgery	Courtesy
Wendy K. Wright, M.D.	Pediatrics	Dept of Pediatrics	Active

IX. Allied Health Professional Reappointment Effective 10/01/2006 – 09/30/2008

Susan L. Bass, CNM, Certified Nurse Midwife; Sponsors: Drs. Buringrud, Ghosh, Leon, Trifunovic, Kohatsu.  
 Fern A. Menezes, LVN, Clinical Research Coordinator; Sponsors: Drs. Acheatel, Bayat, Gilbert, Gorwit, Detwiler, Leahy, Malek

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  
September, 2006**

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	Julie A. Berry, M.D.
<i>PPHS Facilities</i>	Pomerado Hospital Palomar Medical Center

**SPECIALTIES/BOARD CERTIFICATION**

<i>Specialties</i>	Otolaryngology - Certified 2003
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**ORGANIZATIONAL NAME**

<i>Name</i>	Julie A. Berry, M.D.
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**EDUCATION/AFFILIATION INFORMATION**

<i>Medical Education Information</i>	UCSD School of Medicine FROM: 09/01/1993 TO: 06/08/1997
<i>Internship Information</i>	University of Maryland Hospital, Baltimore General Surgery From: 07/01/1997 To: 06/30/1998
<i>Residency Information</i>	University of Maryland Hospital Otolaryngology From: 07/01/1998 To: 06/30/2002
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	Tri-City Medical Center Malcolm Grow Medical Center, Andrews Air Force Base, MD

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

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	Tyler L. Crawford, M.D.
<i>PPHS Facilities</i>	Pomerado Hospital Palomar Medical Center

**SPECIALTIES/BOARD CERTIFICATION**

<i>Specialties</i>	Diagnostic Radiology - Certified 2005
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**ORGANIZATIONAL NAME**

<i>Name</i>	Stat Radiology Medical Corporation
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**EDUCATION/AFFILIATION INFORMATION**

<i>Medical Education Information</i>	University of California, Los Angeles FROM: 08/01/1996 TO: 06/02/2000 Doctor of Medicine Degree
<i>Internship Information</i>	Veterans Affairs Medical Center - West Los Angeles Internal Medicine From: 06/24/2000 To: 06/23/2001 UCLA San Fernando Valley Program
<i>Residency Information</i>	UCLA David Geffen School of Medicine Radiology From: 07/01/2001 To: 06/30/2005 Diagnostic Radiology
<i>Fellowship Information</i>	University of California, San Diego Musculoskeletal Radiology From: 07/01/2005 To: 06/30/2006 Musculoskeletal Imaging
<i>Current Affiliation Information</i>	N/A

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

**PERSONAL INFORMATION**

<b>Provider Name &amp; Title</b>	David W. Elias, M.D.
<b>PPHS Facilities</b>	Escondido Surgery Center Pomerado Hospital Palomar Medical Center

**SPECIALTIES/BOARD CERTIFICATION**

<b>Specialties</b>	Orthopaedic Surgery – Not Board Certified
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**ORGANIZATIONAL NAME**

<b>Name</b>	San Diego Arthroscopy & Sports Medicine
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**EDUCATION/AFFILIATION INFORMATION**

<b>Medical Education Information</b>	Louisiana State University School of Medicine, New Orleans FROM: 08/01/1997 TO: 06/02/2001
<b>Internship Information</b>	Methodist University Hospital, Memphis, TN Transitional From: 07/01/2001 To: 06/30/2002
<b>Residency Information</b>	University of Tennessee, Memphis Orthopaedics From: 07/01/2002 To: 06/30/2006
<b>Fellowship Information</b>	San Diego Arthroscopy & Sports Medicine Sports Medicine From: 08/01/2006 To: 07/31/2007
<b>Current Affiliation Information</b>	N/A

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

**PERSONAL INFORMATION**

<b>Provider Name &amp; Title</b>	Chad Elsner, M.D.
<b>PPHS Facilities</b>	Escondido Surgery Center Palomar Medical Center

**SPECIALTIES/BOARD CERTIFICATION**

<b>Specialties</b>	Orthopaedic Surgery - Certified 2000
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**ORGANIZATIONAL NAME**

<b>Name</b>	Kaiser Permanente
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**EDUCATION/AFFILIATION INFORMATION**

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

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

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	James M. Fait, M.D.
<i>PPHS Facilities</i>	Escondido Surgery Center Palomar Medical Center

**SPECIALTIES/BOARD CERTIFICATION**

<i>Specialties</i>	Orthopaedic Surgery – Certified 2005
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**ORGANIZATIONAL NAME**

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

<i>Medical Education Information</i>	University of California, Davis FROM: 09/21/1992 TO: 06/14/1996
<i>Internship Information</i>	University of California, Davis General Surgery From: 06/25/1996 To: 06/30/1997
<i>Residency Information</i>	University of California, Davis Orthopaedics From: 07/01/1997 To: 06/30/2001
<i>Fellowship Information</i>	Scripps Clinic and Research Foundation Orthopaedics From: 08/01/2001 To: 07/31/2002 Lower Extremity Reconstruction/Total
<i>Current Affiliation Information</i>	Pomerado Hospital Kaiser Permanente, San Diego

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

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	Jason P. Garcia, M.D.
<i>PPHS Facilities</i>	Escondido Surgery Center Pomerado Hospital Palomar Medical Center

**SPECIALTIES/BOARD CERTIFICATION**

<i>Specialties</i>	Orthopaedic Surgery – Not Board Certified
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**ORGANIZATIONAL NAME**

<i>Name</i>	San Diego Arthroscopy & Sports Medicine
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**EDUCATION/AFFILIATION INFORMATION**

<i>Medical Education Information</i>	UMDNJ-New Jersey Medical School Program, Newark, New Jersey FROM: 08/01/1997 TO: 05/30/2001
<i>Internship Information</i>	UMDNJ - New Jersey Medical School, Newark, New Jersey General Surgery From: 07/01/2001 To: 06/30/2002
<i>Residency Information</i>	UMDNJ - New Jersey Medical School, Newark, New Jersey Orthopaedics From: 07/01/2002 To: 06/30/2006
<i>Fellowship Information</i>	San Diego Arthroscopy & Sports Medicine Sports Medicine From: 08/01/2006 To: 07/31/2007
<i>Current Affiliation Information</i>	N/A



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

**PERSONAL INFORMATION**

<b>Provider Name &amp; Title</b>	Dorothy E. Hairston, M.D.
<b>PPHS Facilities</b>	Pomerado Hospital Palomar Medical Center

**SPECIALTIES/BOARD CERTIFICATION**

<b>Specialties</b>	Internal Medicine - Not Board Certified
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**ORGANIZATIONAL NAME**

<b>Name</b>	Neighborhood Healthcare
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**EDUCATION/AFFILIATION INFORMATION**

<b>Medical Education Information</b>	Medical University of Pecs, Hungary FROM: 09/01/1989 TO: 09/23/1995
<b>Internship Information</b>	Albert Einstein College of Medicine (Montefiore), New York Internal Medicine From: 07/01/1998 To: 06/30/1999
<b>Residency Information</b>	Albert Einstein College of Medicine (Montefiore) Internal Medicine From: 07/01/1999 To: 06/30/2001
<b>Fellowship Information</b>	N/A
<b>Current Affiliation Information</b>	Paradise Valley Hospital

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

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	Serge C. Kaska, M.D.
<i>PPHS Facilities</i>	Escondido Surgery Center Pomerado Hospital Palomar Medical Center

**SPECIALTIES/BOARD CERTIFICATION**

<i>Specialties</i>	Orthopaedic Surgery –Not Board Certified
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**ORGANIZATIONAL NAME**

<i>Name</i>	Serge Kaska, M.D., Inc.
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**EDUCATION/AFFILIATION INFORMATION**

<i>Medical Education Information</i>	Dartmouth Medical School, Lebanon, NH FROM: 08/01/1995 TO: 06/19/1999
<i>Internship Information</i>	University of California, Irvine General Surgery From: 06/23/1999 To: 06/22/2000
<i>Residency Information</i>	University of California, Irvine Orthopaedics From: 06/23/1999 To: 06/30/2004
<i>Fellowship Information</i>	California Pacific Medical Center, San Francisco, CA Orthopaedics, Limb Lengthening From: 08/15/2005 To: 06/01/2006  Orthopaedic Speciality Institute, Orange, CA Sports Medicine From: 08/01/2004 To: 07/28/2005
<i>Current Affiliation Information</i>	Kern Medical Center, Bakersfield, CA California Pacific Medical Center University of California, Irvine Main Street Surgery Center, Orange, CA

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

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	Sara M. Marchese, M.D.
<i>PPHS Facilities</i>	Palomar Medical Center

**SPECIALTIES/BOARD CERTIFICATION**

<i>Specialties</i>	Pediatrics – Certified 2005
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**ORGANIZATIONAL NAME**

<i>Name</i>	Children's Specialists of San Diego
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**EDUCATION/AFFILIATION INFORMATION**

<i>Medical Education Information</i>	Tulane University Medical Center, New Orleans, LA FROM: 05/01/1998 TO: 05/18/2002 Doctor of Medicine Degree
<i>Internship Information</i>	University of California, San Diego Pediatrics From: 06/24/2002 To: 06/27/2003
<i>Residency Information</i>	University of California, San Diego Pediatrics From: 07/01/2003 To: 06/30/2005
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	Children's Hospital, San Diego University of California, San Diego

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

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	Amy R. Milliken, M.D.
<i>PPHS Facilities</i>	Palomar Medical Center

**SPECIALTIES/BOARD CERTIFICATION**

<i>Specialties</i>	Obstetrics and Gynecology - Certified 2005
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**ORGANIZATIONAL NAME**

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

<i>Medical Education Information</i>	Temple University, Philadelphia, PA FROM: 06/01/1995 TO: 06/01/1997 Transferred to University of Pittsburgh  University of Pittsburgh FROM: 06/01/1997 TO: 05/29/1999 Doctor of Medicine Degree
<i>Internship Information</i>	University of California, San Diego Obstetrics/Gynecology From: 06/24/1999 To: 06/27/2000 Reproductive Medicine
<i>Residency Information</i>	University of California, San Diego Obstetrics/Gynecology From: 07/01/2000 To: 06/30/2003 Reproductive Medicine
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	Kaiser Permanente, San Diego

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

**PERSONAL INFORMATION**

<b>Provider Name &amp; Title</b>	Alexandra E. Page, M.D.
<b>PPHS Facilities</b>	Escondido Surgery Center Palomar Medical Center

**SPECIALTIES/BOARD CERTIFICATION**

<b>Specialties</b>	Orthopaedic Surgery – Certified 2001
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**ORGANIZATIONAL NAME**

<b>Name</b>	Kaiser Permanente
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**EDUCATION/AFFILIATION INFORMATION**

<b>Medical Education Information</b>	Harvard Medical School, Boston, MA FROM: 09/06/1988 TO: 06/04/1992 Doctor of Medicine Degree
<b>Internship Information</b>	Beth Israel Deaconess Medical Center, Boston, MA General Surgery From: 06/22/1992 To: 06/21/1993 General Surgery Internship
<b>Residency Information</b>	Cornell Medical Center - The New York Hospital Orthopaedics From: 07/01/1993 To: 06/30/1997 The Hospital for Special Surgery
<b>Fellowship Information</b>	Cornell Medical Center - The New York Hospital Orthopaedics, Foot and Ankle From: 08/01/1997 To: 07/31/1998 The Hospital for Special Surgery
<b>Current Affiliation Information</b>	Pomerado Hospital Kaiser Permanente, San Diego

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

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	William H. Pfeiffer, M.D.
<i>PPHS Facilities</i>	Escondido Surgery Center Palomar Medical Center

**SPECIALTIES/BOARD CERTIFICATION**

<i>Specialties</i>	Orthopaedic Surgery – Certified 1994/2005
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**ORGANIZATIONAL NAME**

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

<i>Medical Education Information</i>	UCSD School of Medicine FROM: 09/01/1982 TO: 06/01/1986 Doctor of Medicine Degree
<i>Internship Information</i>	University of California, Los Angeles General Surgery From: 06/23/1986 To: 06/30/1987
<i>Residency Information</i>	University of California, Los Angeles Orthopaedics From: 07/01/1987 To: 06/30/1991
<i>Fellowship Information</i>	University of California, Los Angeles Orthopaedics, Foot & Ankle From: 08/01/1991 To: 07/31/1992
<i>Current Affiliation Information</i>	Pomerado Hospital Sharp Coronado Hospital Kaiser Permanente, San Diego

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

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	Glenn B. Rankin, M.D.
<i>PPHS Facilities</i>	Escondido Surgery Center Palomar Medical Center

**SPECIALTIES/BOARD CERTIFICATION**

<i>Specialties</i>	Orthopaedic Surgery - Certified 1997 Surgery, Hand - Certified 2001
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**ORGANIZATIONAL NAME**

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

<i>Medical Education Information</i>	George Washington University, Washington, DC FROM: 09/01/1980 TO: 05/25/1984 Doctor of Medicine Degree
<i>Internship Information</i>	LAC/University of Southern Calif. Medical Center Orthopaedics From: 06/24/1984 To: 06/24/1985
<i>Residency Information</i>	LAC/University of Southern Calif. Medical Center Orthopaedics From: 07/01/1985 To: 06/30/1989
<i>Fellowship Information</i>	LAC/University of Southern Calif. Medical Center Orthopaedics, Hand From: 07/01/1989 To: 06/30/1990
<i>Current Affiliation Information</i>	Pomerado Hospital Sharp Coronado Hospital Kaiser Permanente, San Diego

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

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	Brian B. Ronson, M.D.
<i>PPHS Facilities</i>	Pomerado Hospital Palomar Medical Center

**SPECIALTIES/BOARD CERTIFICATION**

<i>Specialties</i>	Radiation Oncology – Certified 2006
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**ORGANIZATIONAL NAME**

<i>Name</i>	Valley Radiotherapy Associates
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**EDUCATION/AFFILIATION INFORMATION**

<i>Medical Education Information</i>	University of Maryland at Baltimore FROM: 09/01/1996 TO: 05/26/2000 Doctor of Medicine Degree
<i>Internship Information</i>	Kaiser Foundation Hospital, Los Angeles Internal Medicine From: 07/01/2000 To: 06/30/2001 UCLA
<i>Residency Information</i>	Loma Linda University Medical Center Radiation Oncology From: 07/01/2001 To: 06/30/2005
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	Riverside Community Hospital El Centro Regional Medical Center St. Bernardine Medical Center, San Bernardino Southwest Healthcare System



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

**PERSONAL INFORMATION**

<b>Provider Name &amp; Title</b>	Michael G. Ryan, M.D.
<b>PPHS Facilities</b>	Escondido Surgery Center Palomar Medical Center

**SPECIALTIES/BOARD CERTIFICATION**

<b>Specialties</b>	Orthopaedic Surgery - Certified 2002
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**ORGANIZATIONAL NAME**

<b>Name</b>	Kaiser Permanente
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**EDUCATION/AFFILIATION INFORMATION**

<b>Medical Education Information</b>	University of Southern California FROM: 08/01/1990 TO: 05/06/1994 Doctor of Medicine Degree
<b>Internship Information</b>	State University of New York at Stony Brook General Surgery From: 07/01/1994 To: 06/30/1995
<b>Residency Information</b>	State University of New York at Stony Brook Orthopaedics From: 07/01/1995 To: 06/30/1999
<b>Fellowship Information</b>	Hospital for Special Surgery, New York, New York Reconstructive Surgery From: 08/01/1999 To: 07/31/2000 Adult Reconstructive Surgery
<b>Current Affiliation Information</b>	Pomerado Hospital Kaiser Permanente, San Diego

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

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	Joshua N. Steinvurzel, M.D.
<i>PPHS Facilities</i>	Escondido Surgery Center Pomerado Hospital Palomar Medical Center

**SPECIALTIES/BOARD CERTIFICATION**

<i>Specialties</i>	Orthopaedic Surgery – Not board certified
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**ORGANIZATIONAL NAME**

<i>Name</i>	San Diego Arthroscopy & Sports Medicine
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**EDUCATION/AFFILIATION INFORMATION**

<i>Medical Education Information</i>	UMDNJ-New Jersey Medical School Program, Newark, NJ FROM: 08/01/1997 TO: 05/23/2001
<i>Internship Information</i>	Saint Vincent Catholic Medical Centers, Jamaica, NY General Surgery From: 07/01/2001 To: 06/30/2002
<i>Residency Information</i>	Saint Vincent Catholic Medical Centers Orthopaedics From: 07/01/2002 To: 06/30/2006
<i>Fellowship Information</i>	San Diego Arthroscopy & Sports Medicine Sports Medicine From: 08/01/2006 To: 07/31/2007
<i>Current Affiliation Information</i>	N/A

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

**PERSONAL INFORMATION**

<b>Provider Name &amp; Title</b>	Jeffrey J. Weitz, M.D.
<b>PPHS Facilities</b>	Pomerado Hospital Palomar Medical Center

**SPECIALTIES/BOARD CERTIFICATION**

<b>Specialties</b>	Diagnostic Radiology - Certified 1986 Neuroradiology - Certified 2001
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**ORGANIZATIONAL NAME**

<b>Name</b>	Valley Radiology
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**EDUCATION/AFFILIATION INFORMATION**

<b>Medical Education Information</b>	Wayne State University, Detroit, MI FROM: 07/01/1978 TO: 06/06/1982 Doctor of Medicine Degree
<b>Internship Information</b>	Henry Ford Hospital, Detroit, MI Radiology From: 06/28/1982 To: 06/30/1983 Diagnostic Radiology
<b>Residency Information</b>	Henry Ford Hospital Radiology From: 07/01/1983 To: 06/27/1986 Diagnostic Radiology
<b>Fellowship Information</b>	University of California, Irvine Radiology From: 07/01/1986 To: 06/30/1987 Computed Tomography/Ultrasound
<b>Current Affiliation Information</b>	Fountain Valley Regional Hospital, CA

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

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	Larry S. Williams, M.D.
<i>PPHS Facilities</i>	Escondido Surgery Center Palomar Medical Center

**SPECIALTIES/BOARD CERTIFICATION**

<i>Specialties</i>	Orthopaedic Surgery – Certified 1984
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**ORGANIZATIONAL NAME**

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

<i>Medical Education Information</i>	University of Utah, Salt Lake City FROM: 09/01/1966 TO: 06/07/1975 Doctor of Medicine Degree
<i>Internship Information</i>	University of California, Davis General Surgery From: 06/25/1975 To: 06/24/1976
<i>Residency Information</i>	Naval Medical Center, San Diego Orthopaedics From: 07/29/1979 To: 05/31/1983
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	Pomerado Hospital Sharp Coronado Hospital Kaiser Permanente, San Diego

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

<b>NAME:</b>	<b>Michael Avilez, O.T.</b>	
<b>SPECIALTY:</b>	Orthopaedic Technician	
<b>SERVICES:</b>	Orthopaedic Technician for the Kaiser Orthopaedic Surgeons at the Escondido Surgery Center	
<b>TRAINING:</b>	Grossmont College, La Mesa, CA	
	Orthopaedic Technician Certificate	08/22/83-08/02/84
	A.S. degree Orthopaedic Technology	08/22/83-06/03/86
<b>PRACTICE:</b>	Orthopaedic Technician, Kaiser Permanente, San Diego, CA	12/04/89-Present
	Orthopaedic Technician, Childrens Hospital, San Diego, CA	1984-12/1989
<b>SPONSORS:</b>	Kaiser Orthopaedic Surgeons at Palomar Medical Center/ Escondido Surgery Center	
<b>CERTIFICATION:</b>	None	
<b>FACILITIES:</b>	Palomar Medical Center and Escondido Surgery Center	
<b>NAME:</b>	<b>John DeAlva, P.A.-C.</b>	
<b>SPECIALTY:</b>	Physician Assistant	
<b>SERVICES:</b>	Physician Assistant services for Kaiser Orthopaedic Surgeons at Pomerado Hospital	
<b>TRAINING:</b>	Stanford University/Foothill College Primary Care Physician Assistant Program, Palo Alto, CA	
	Physician Assistant certificate	09/11/00-12/20/01
<b>PRACTICE:</b>	Physician Assistant, Dept of Orthopaedics, Kaiser Permanente, San Diego, CA	05/01/05-Present
	Physician Assistant, David M. Kupfer, M.D., San Diego, CA	10/01/02-05/31/05
	Physician Assistant, Orthopaedic Medical Group, San Diego, CA	01/31/02-12/31/03
	Physician Assistant, Elite Surgery Center, San Diego, CA	10/01/01-03/31/05
<b>SPONSORS:</b>	Kaiser Orthopaedic Surgeons at Pomerado Hospital	2002
<b>CERTIFICATION:</b>	National Commission on Certification of Physician Assistants	
<b>FACILITY:</b>	Pomerado Hospital	
<b>NAME:</b>	<b>Laura Garcia-Lance, R.N., CNM</b>	
<b>SPECIALTY:</b>	Certified Nurse Midwife	
<b>SERVICES:</b>	Certified Nurse Midwife at Palomar Medical Center Birth Center	
<b>TRAINING:</b>	Cypress College, Cypress, CA	
	Associate of Arts Degree in Nursing	09/01/85-06/01/89
	California State University, Los Angeles, CA	
	Bachelor of Science in Nursing	09/23/93-09/02/00
	University of Southern California, Los Angeles, CA	
	Master of Science in Nursing including Nurse Midwifery and Nurse Practitioner	08/27/00-12/17/01
<b>PRACTICE:</b>	Certified Nurse Midwife (per diem), Palomar Medical Center, Escondido, CA	07/21/06-Present
	Certified Nurse Midwife, Kaiser Permanente, Brea, CA	03/01/02-Present
	R.N., Long Beach Memorial Hospital, Long Beach, CA	5/10/99-10/18/99
	R.N., Kaiser Permanente, Anaheim, CA	07/17/89-03/01/02
<b>SPONSORS:</b>	Duane Buringrud, M.D, Kris Ghosh, M.D, Karen Kohatsu, M.D. Josue Leon, M.D., Robert Trifunovic, M.D.	
<b>CERTIFICATION:</b>	American College of Nurse Midwives	2002
<b>FACILITY:</b>	Palomar Medical Center	



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

August 29, 2006

TO: Board of Directors

BOARD MEETING DATE: September 11, 2006

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

SUBJECT: Additional Medical Staff Credentialing Recommendation

**PALOMAR MEDICAL CENTER/ESCONDIDO SURGERY CENTER**

The reappointment of Patrick M. O'Meara, M.D. will expire on 09/30/2006. As you will recall, the Board of Directors initially granted a limited reappointment from 05/01/2005 – 07/31/2005. Since that time, the Board of Directors has extended the reappointment for different intervals, the most recent of which will expire on 09/30/2006.

The Executive Committee, in its meeting of August 28, 2006, reaffirmed its original recommendation for a two year reappointment for Dr. O'Meara through 04/30/2007. This expiration date is in accordance with Article 5.1.3 of the Medical Staff Bylaws which states that reappointments shall not exceed two years and will terminate based on the renewal date of the California medical license.

I.	<u>Reappointment Effective 09/30/2006 – 04/30/2007</u>			
	Patrick M. O'Meara, M.D.	Orthopaedic Surgery	Dept of Ortho/Rehab	Active

Certification by and Recommendation of Chief of Staff:

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



August 29, 2006

TO: Board of Directors  
BOARD MEETING DATE: September 11, 2006  
FROM: Robert Trifunovic, M.D., Chief of Staff  
PMC Medical Staff Executive Committee  
SUBJECT: Department of Medicine Rules and Regulations

At the 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.

**Rationale**

The Department of Medicine is incorporating by reference the policy which defines supervision of Family Practice residents from UCSD.

**DEPARTMENT OF MEDICINE  
RULES AND REGULATIONS**

**SUPERVISION OF RESIDENTS**

**Supervision of Family Practice Residents from UCSD who are doing an Internal Medicine inpatient rotation at Palomar Medical Center is described in the UCSD/PPH Graduate Medical Education Supervision Policy.**

(Policy Attached)

UCSD/PPH Graduate Medical Education Supervision Policy (MS 2.30)

(Joint Council on Accreditation of Healthcare Organizations ("JCAHO") Standards referenced in appropriate sections-e.g., MS 2.30 refers to published JCAHO standard paragraph MS 2.30)

**I. OBJECTIVE**

In order to maintain high clinical and educational standards and to assure compliance with applicable regulations in these areas, UCSD School of Medicine, Palomar Pomerado Health ("PPH"), and Neighborhood Healthcare Hospitalists ("NHH") assure adequate RESIDENT supervision appropriate to each level of training, recognizing that graduate medical education is based on a system of graded responsibility in which the level of RESIDENT responsibility increases with years of training. UCSD has provided assurance that training at all AFFILIATE HOSPITALS is in accordance with these principles.

**II. DEFINITIONS**

1. **GME TRAINING PROGRAM:** The responsible program within a UCSD School of Medicine Department that recruits residents, oversees their training and conducts the evaluation process.
2. **RESIDENT:** Any M.D. or D.O. in a training program that leads to eligibility for either general certification or subspecialty certification by an approved ABMS Specialty Board, or any M.D. or D.O. in a training program where American Board of Medical Specialties ("ABMS") Specialty Board certification has not been created. This includes all trainees in Accreditation Council for Graduate Medical Education ("ACGME") and/or non-ACGME accredited programs.
3. **SUPERVISING PHYSICIAN:** A licensed, independent M.D. or D.O. credentialed and privileged in accordance with all applicable state, federal, and organizational requirements.
4. **GME TRAINING PROGRAM FACULTY:** Individuals within the UCSD Family Medicine Residency Program responsible for coordination of clinical training experiences at affiliate hospitals.
5. **AFFILIATE HOSPITAL:** Institution providing an opportunity for Adult Medicine rotation for Family Medicine Residents.

**III. REQUIREMENTS**

1. The RESIDENT will be in good standing with their training program at the time of their rotation at PPH. The RESIDENT will either have obtained a valid California license or be eligible to obtain a valid California License upon attaining the training level necessary to apply for licensure. The RESIDENTS will be part of the Department of Family and Community Medicine, rotating as Adult Hospitalists at Palomar Medical Center ("PMC") under the supervision of the NHH.
2. The SUPERVISING PHYSICIAN must be approved by the sponsoring entity (UCSD) in order to supervise RESIDENTS. UCSD must communicate in writing to PPH that each SUPERVISING PHYSICIAN has been approved. SUPERVISING PHYSICIANS can provide care and supervision only for those clinical activities for which they have clinical privileges.
3. Graduate Medical Education Committee duties and monitoring will be carried out by the UCSD School of Medicine GME program. UCSD will provide details regarding the needs of the GME program, including patient care requirements, supervision requirements, and related educational needs of its participants.
4. The Hospitalist Medical Director, or his/her designee, will be responsible for facilitating the necessary communication between PPH and UCSD regarding quality of care, treatment, services and educational needs of the GME TRAINING PROGRAM participants. UCSD will provide inpatient rotation requirements and evaluation forms as needed. (MS 2.30.5,7, 8)



#### IV. SUPERVISION GUIDELINES

1. Communication and collaboration between SUPERVISING PHYSICIANS and RESIDENTS are required. Identification of the respective duties and responsibilities of SUPERVISING PHYSICIANS and RESIDENTS provides the foundation upon which supervision is based.
2. RESIDENTS must be supervised in such a way that the RESIDENTS assume progressively increasing responsibility for patient care according to their level of training, ability, and experience. The GME TRAINING PROGRAM FACULTY must determine the level of responsibility afforded each resident.

#### V. COMPONENTS OF SUPERVISION (MS 2.30.1)

1. Educational objectives are defined.
2. The SUPERVISING PHYSICIAN assesses the skill level of the RESIDENT by direct observation.
3. The SUPERVISING PHYSICIAN authorizes independent action by the RESIDENT.
4. The SUPERVISING PHYSICIAN defines the course of progressive independence from performing functions together with the RESIDENT to decreasing frequency of review. This process starts with close supervision, progressing towards independence as skills are observed and mastered. (MS 2.30.1)
5. Documentation of supervision by the involved SUPERVISING PHYSICIAN must be customized to the clinical setting, based on guidelines for best practice and regulations by the ACGME and JCAHO. One of the four components listed below must always be present in the patient medical record when a RESIDENT is involved in the patient's care:
  - (a) Progress note by the SUPERVISING PHYSICIAN,
  - (b) Addendum to the RESIDENT'S progress note by the SUPERVISING PHYSICIAN,
  - (c) Counter-signature (physical or electronic) of the progress note by the SUPERVISING PHYSICIAN,
  - (d) A medical record entry documenting the name of the SUPERVISING PHYSICIAN and that discussion occurred about the case.

There are also certain clinical settings, outlined in this policy, for which a specific type of documentation is required by accreditation and regulatory agencies. Such documentation will be present in the patient medical record when required. Written evaluation and written and oral feedback are to be considered in the RESIDENT'S progression levels. At all times, and at any level, the resident has access to advice and direction from a SUPERVISING PHYSICIAN.

#### VI. POLICY

1. Each GME TRAINING PROGRAM will comply with external regulatory agency requirements regarding the supervision of RESIDENTS and their care of patients. To the extent that the individual ACGME Program Requirements differ from this Supervision Policy, the UCSD RRC (Residency Review Committee) Requirements must also be met.
2. Each GME TRAINING PROGRAM will assign a SUPERVISING PHYSICIAN(s) to be responsible for compliance with this Supervision Policy at each AFFILIATE HOSPITAL.
3. NON-OPERATING ROOM PROCEDURES: When performed by a RESIDENT, routine bedside procedures including skin biopsies, central and peripheral venous access lines, lumbar punctures, centeses, and incision and drainage will be done under direct supervision of the Supervising Physician.

4. **INPATIENT CARE:** RESIDENTS will be able to name an available supervising physician at all times during patient care. SUPERVISING PHYSICIANS must be immediately available to RESIDENTS.

The SUPERVISING PHYSICIANS must physically meet, examine, and evaluate new patients being cared for by a RESIDENT on the inpatient service within 6 hours of admission to the hospital, including on weekends and holidays. Documentation of the SUPERVISING PHYSICIAN'S findings and recommendations regarding the treatment plan must be in the form of an independent progress note or an addendum to the RESIDENT'S note, and must be entered by the end of the calendar day following admission. (MS 2.30.1, 2, 3, 4)

SUPERVISING PHYSICIANS are expected to be personally involved in the ongoing care of patients assigned to them in a manner consistent with the clinical needs of the patient and the graduated responsibility of the RESIDENT.

Evidence that the SUPERVISING PHYSICIAN approves the discharge or transfer of the patient being cared for by a RESIDENT from an inpatient service will be documented by the signature of the SUPERVISING PHYSICIAN on the discharge summary or by a separate progress note.

SUPERVISING PHYSICIANS for NHH Hospitalist consultations for inpatients must evaluate the patients and demonstrate concurrence by counter-signature of the consultative note, or by written or electronic notation.

5. **ORDERS (MS 2.30.2,4):** RESIDENTS may write admission, discharge, and daily orders. RESIDENTS will document in dictation or notes 'orders discussed with (supervising MD)'.  
RESIDENTS may transmit verbal orders and do computerized physician order entry when available.

Patient Controlled Analgesia ("PCA") orders cannot be written by a RESIDENT. PCA orders may be written only by a MD or DO with PCA privileges as defined by applicable PPH or PMC policy.

6. **ADMISSIONS: (MS 2.30.2)** All Critical Care Unit admissions must be assessed by the SUPERVISING PHYSICIAN before the patient is transferred to the CCU. (MS 2.30.1,2,4).

7. **ROUNDS:** RESIDENTS will perform daily rounds on their patients. The SUPERVISING PHYSICIAN will assess every patient every day in a manner to optimize both patient care and the development of the independent clinical patient management by the RESIDENT. The RESIDENT will contact the SUPERVISING PHYSICIAN in accordance with the parameters set for the individual patient by the RESIDENT and SUPERVISING PHYSICIAN.

8. **CENSUS:** The RESIDENT will be assigned patients from the existing hospitalist census; i.e., from the pool of patients that the SUPERVISING PHYSICIAN would normally be responsible for; it is not the intent of the program to increase the SUPERVISING PHYSICIAN patient census by participating in the GME TRAINING PROGRAM..

9. **PATIENT SAFETY/OUTCOMES: (MS 2.30.6,7)** The usual Quality Management and Peer Review processes will apply to patients co-managed by a RESIDENT and SUPERVISING PHYSICIAN, with the same monitoring, data gathering, and performance criteria applied. The SUPERVISING PHYSICIANS and RESIDENTS will be accountable for patient safety and outcomes measures.

# MEDICAL STAFF SERVICES



August 29, 2006

TO: Board of Directors  
BOARD MEETING DATE: September 11, 2006  
FROM: Robert Trifunovic, M.D., Chief of Staff  
PMC Medical Staff Executive Committee  
SUBJECT: Department of Trauma Rules and Regulations

The Palomar Medical Center Executive Committee has recommended the following modifications to the Department of Trauma Rules and Regulations. Recommendations for additional wording are underlined.

## Rationale

*The Department of Trauma is clarifying the privileging requirements for trauma surgeon panel applicants and re-applicants.*

## ARTICLE VIII PRIVILEGES

- 8.1 Newly applying Qualified Specialist Applicants (Trauma Surgeons and Trauma Neurosurgeons) to the trauma ~~team~~ panel must be Board Certified or have successfully completed applicable residency training. If not Board Certified, applicant must satisfy the training and experience requirements mandated for qualified specialists by California Trauma Regulations. Trauma surgeon applicants must be trauma fellowship trained, or have current 3 (5) year experience in combat casualty care or at an ACS verified Level 1 or 2 Trauma Center taking call at least weekly.
- 8.2 Applicants must provide an opportunity for patient follow up visitation within a 10-mile radius of Palomar Medical Center.
- 8.3 Addition of a new Trauma Surgeon to the active panel of Trauma Surgeons will be based upon chronological receipt of completed applications submitted to the Chairperson of the Department of Trauma (minimum of five (5), maximum to be determined by the fifty (50) cases to one (1) active physician ratio per year, as specified in the County Trauma Standards with cases to be determined on an ISS score of fifteen (15) or greater.)
- 8.4 Trauma Surgeon Panel applicants and re-applicants must demonstrate an interest and experience in treating the multiply injured patient, must complete forms designating procedures desired, and must submit a letter of intent to participate in and have a commitment to the Trauma Program with a response time of five (5) minutes by phone and fifteen (15) minutes by physical presence if so requested and be available for an equal share of call responsibility if necessary. Trauma surgeon panel applicants and re-applicants must designate another Trauma Surgeon with membership and privileges in the Trauma Department, who are actively participating and currently active participation on the trauma panel to provide cross coverage and backup.

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



August 29, 2006

TO: Board of Directors

BOARD MEETING DATE: September 11, 2006

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

SUBJECT: Department of Family Practice Rules and Regulations

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

**Rationale**

The Department of Family Practice is incorporating by reference the policy which defines supervision of Family Practice residents from UCSD.

**DEPARTMENT OF FAMILY PRACTICE  
RULES AND REGULATIONS**

**SUPERVISION OF RESIDENTS**

**Supervision of Family Practice Residents from UCSD who are doing an Internal Medicine inpatient rotation at Palomar Medical Center is described in the UCSD/PPH Graduate Medical Education Supervision Policy.**

(Policy Attached)

UCSD/PPH Graduate Medical Education Supervision Policy (MS 2.30)

(Joint Council on Accreditation of Healthcare Organizations ("JCAHO") Standards referenced in appropriate sections-e.g., MS 2.30 refers to published JCAHO standard paragraph MS 2.30)

**I. OBJECTIVE**

In order to maintain high clinical and educational standards and to assure compliance with applicable regulations in these areas, UCSD School of Medicine, Palomar Pomerado Health ("PPH"), and Neighborhood Healthcare Hospitalists ("NHH") assure adequate RESIDENT supervision appropriate to each level of training, recognizing that graduate medical education is based on a system of graded responsibility in which the level of RESIDENT responsibility increases with years of training. UCSD has provided assurance that training at all AFFILIATE HOSPITALS is in accordance with these principles.

**II. DEFINITIONS**

1. **GME TRAINING PROGRAM:** The responsible program within a UCSD School of Medicine Department that recruits residents, oversees their training and conducts the evaluation process.
2. **RESIDENT:** Any M.D. or D.O. in a training program that leads to eligibility for either general certification or subspecialty certification by an approved ABMS Specialty Board, or any M.D. or D.O. in a training program where American Board of Medical Specialties ("ABMS") Specialty Board certification has not been created. This includes all trainees in Accreditation Council for Graduate Medical Education ("ACGME") and/or non-ACGME accredited programs.
3. **SUPERVISING PHYSICIAN:** A licensed, independent M.D. or D.O. credentialed and privileged in accordance with all applicable state, federal, and organizational requirements.
4. **GME TRAINING PROGRAM FACULTY:** Individuals within the UCSD Family Medicine Residency Program responsible for coordination of clinical training experiences at affiliate hospitals.
5. **AFFILIATE HOSPITAL:** Institution providing an opportunity for Adult Medicine rotation for Family Medicine Residents.

**III. REQUIREMENTS**

1. The RESIDENT will be in good standing with their training program at the time of their rotation at PPH. The RESIDENT will either have obtained a valid California license or be eligible to obtain a valid California License upon attaining the training level necessary to apply for licensure. The RESIDENTS will be part of the Department of Family and Community Medicine, rotating as Adult Hospitalists at Palomar Medical Center ("PMC") under the supervision of the NHH.
2. The SUPERVISING PHYSICIAN must be approved by the sponsoring entity (UCSD) in order to supervise RESIDENTS. UCSD must communicate in writing to PPH that each SUPERVISING PHYSICIAN has been approved. SUPERVISING PHYSICIANS can provide care and supervision only for those clinical activities for which they have clinical privileges.
3. Graduate Medical Education Committee duties and monitoring will be carried out by the UCSD School of Medicine GME program. UCSD will provide details regarding the needs of the GME program, including patient care requirements, supervision requirements, and related educational needs of its participants.
4. The Hospitalist Medical Director, or his/her designee, will be responsible for facilitating the necessary communication between PPH and UCSD regarding quality of care, treatment, services and educational needs of the GME TRAINING PROGRAM participants. UCSD will provide inpatient rotation requirements and evaluation forms as needed. (MS 2.30.5,7, 8)

#### IV. SUPERVISION GUIDELINES

1. Communication and collaboration between SUPERVISING PHYSICIANS and RESIDENTS are required. Identification of the respective duties and responsibilities of SUPERVISING PHYSICIANS and RESIDENTS provides the foundation upon which supervision is based.
2. RESIDENTS must be supervised in such a way that the RESIDENTS assume progressively increasing responsibility for patient care according to their level of training, ability, and experience. The GME TRAINING PROGRAM FACULTY must determine the level of responsibility afforded each resident.

#### V. COMPONENTS OF SUPERVISION (MS 2.30.1)

1. Educational objectives are defined.
2. The SUPERVISING PHYSICIAN assesses the skill level of the RESIDENT by direct observation.
3. The SUPERVISING PHYSICIAN authorizes independent action by the RESIDENT.
4. The SUPERVISING PHYSICIAN defines the course of progressive independence from performing functions together with the RESIDENT to decreasing frequency of review. This process starts with close supervision, progressing towards independence as skills are observed and mastered. (MS 2.30.1)
5. Documentation of supervision by the involved SUPERVISING PHYSICIAN must be customized to the clinical setting, based on guidelines for best practice and regulations by the ACGME and JCAHO. One of the four components listed below must always be present in the patient medical record when a RESIDENT is involved in the patient's care:
  - (a) Progress note by the SUPERVISING PHYSICIAN,
  - (b) Addendum to the RESIDENT'S progress note by the SUPERVISING PHYSICIAN,
  - (c) Counter-signature (physical or electronic) of the progress note by the SUPERVISING PHYSICIAN,
  - (d) A medical record entry documenting the name of the SUPERVISING PHYSICIAN and that discussion occurred about the case.

There are also certain clinical settings, outlined in this policy, for which a specific type of documentation is required by accreditation and regulatory agencies. Such documentation will be present in the patient medical record when required. Written evaluation and written and oral feedback are to be considered in the RESIDENT'S progression levels. At all times, and at any level, the resident has access to advice and direction from a SUPERVISING PHYSICIAN.

#### VI. POLICY

1. Each GME TRAINING PROGRAM will comply with external regulatory agency requirements regarding the supervision of RESIDENTS and their care of patients. To the extent that the individual ACGME Program Requirements differ from this Supervision Policy, the UCSD RRC (Residency Review Committee) Requirements must also be met.
2. Each GME TRAINING PROGRAM will assign a SUPERVISING PHYSICIAN(s) to be responsible for compliance with this Supervision Policy at each AFFILIATE HOSPITAL.
3. NON-OPERATING ROOM PROCEDURES: When performed by a RESIDENT, routine bedside procedures including skin biopsies, central and peripheral venous access lines, lumbar punctures, centeses, and incision and drainage will be done under direct supervision of the Supervising Physician.

4. **INPATIENT CARE:** RESIDENTS will be able to name an available supervising physician at all times during patient care. SUPERVISING PHYSICIANS must be immediately available to RESIDENTS.

The SUPERVISING PHYSICIANS must physically meet, examine, and evaluate new patients being cared for by a RESIDENT on the inpatient service within 6 hours of admission to the hospital, including on weekends and holidays. Documentation of the SUPERVISING PHYSICIAN'S findings and recommendations regarding the treatment plan must be in the form of an independent progress note or an addendum to the RESIDENT'S note, and must be entered by the end of the calendar day following admission. (MS 2.30.1, 2, 3, 4)

SUPERVISING PHYSICIANS are expected to be personally involved in the ongoing care of patients assigned to them in a manner consistent with the clinical needs of the patient and the graduated responsibility of the RESIDENT.

Evidence that the SUPERVISING PHYSICIAN approves the discharge or transfer of the patient being cared for by a RESIDENT from an inpatient service will be documented by the signature of the SUPERVISING PHYSICIAN on the discharge summary or by a separate progress note.

SUPERVISING PHYSICIANS for NHH Hospitalist consultations for inpatients must evaluate the patients and demonstrate concurrence by counter-signature of the consultative note, or by written or electronic notation.

5. **ORDERS (MS 2.30.2,4):** RESIDENTS may write admission, discharge, and daily orders. RESIDENTS will document in dictation or notes 'orders discussed with ( supervising MD)'.  
RESIDENTS may transmit verbal orders and do computerized physician order entry when available.

RESIDENTS may transmit verbal orders and do computerized physician order entry when available.

Patient Controlled Analgesia ("PCA") orders cannot be written by a RESIDENT. PCA orders may be written only by a MD or DO with PCA privileges as defined by applicable PPH or PMC policy.

6. **ADMISSIONS: (MS 2.30.2)** All Critical Care Unit admissions must be assessed by the SUPERVISING PHYSICIAN before the patient is transferred to the CCU. (MS 2.30.1,2,4).

7. **ROUNDS:** RESIDENTS will perform daily rounds on their patients. The SUPERVISING PHYSICIAN will assess every patient every day in a manner to optimize both patient care and the development of the independent clinical patient management by the RESIDENT. The RESIDENT will contact the SUPERVISING PHYSICIAN in accordance with the parameters set for the individual patient by the RESIDENT and SUPERVISING PHYSICIAN.

8. **CENSUS:** The RESIDENT will be assigned patients from the existing hospitalist census; i.e., from the pool of patients that the SUPERVISING PHYSICIAN would normally be responsible for; it is not the intent of the program to increase the SUPERVISING PHYSICIAN patient census by participating in the GME TRAINING PROGRAM..

9. **PATIENT SAFETY/OUTCOMES: (MS 2.30.6,7)** The usual Quality Management and Peer Review processes will apply to patients co-managed by a RESIDENT and SUPERVISING PHYSICIAN, with the same monitoring, data gathering, and performance criteria applied. The SUPERVISING PHYSICIANS and RESIDENTS will be accountable for patient safety and outcomes measures.

# MEDICAL STAFF SERVICES



August 8, 2006

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

**MEETING DATE:** September 11, 2006

**FROM:** Paul E. Tornambe, M.D., Chief of Staff  
Pomerado Medical Staff Executive Committee  
Robert Trifunovic, M.D., Chief of Staff  
PMC Medical Staff Executive Committee

**SUBJECT:** Performance Improvement Plan

- I. At the Executive Committee meetings held June 26, 2006 at Palomar Medical Center and June 27, 2006 at Pomerado Hospital, the attached PPH Performance Improvement Plan was approved for submission to the Board of Directors.

Attachment

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


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

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

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# PERFORMANCE IMPROVEMENT/PATIENT SAFETY PLAN

 PALOMAR POMERADO HEALTH	<input type="checkbox"/> POLICY	<b>Title: Performance Improvement/Patient Safety Plan</b>	
	<input type="checkbox"/> PROCEDURE	Effective Date	Category / Originating Source
	<input type="checkbox"/> STANDARDIZED PROCEDURE	12/10/06	ADM
<input checked="" type="checkbox"/> PLAN	Reference Policy (if a Procedure): PI - 01		
<b>Applicable To:</b> <input checked="" type="checkbox"/> ALL PPH ENTITIES—00		Affected departments: ALL	
<input type="checkbox"/> PMC—02 <input type="checkbox"/> POM—03	<input type="checkbox"/> PCCC—02 <input type="checkbox"/> VILLA—03	JCAHO / Legal References: PI, LD, GO	
<input type="checkbox"/> HH—02 <input type="checkbox"/> Innovation—01			
<input type="checkbox"/> ESC—02			
PPH Plan history: Formulated:     Date: <u>5/18/98</u> Previous Publication Date: <u>6/1/98</u> Approval By: <u>Board Quality Committee</u> Date: _____ <u>Quality Council</u> Date: _____			

PALOMAR POMERADO HEALTH

**PERFORMANCE IMPROVEMENT/PATIENT SAFETY  
PLAN**

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- G. ANNUAL APPRAISAL
- H. ATTACHMENTS

## PALOMAR POMERADO HEALTH

# PERFORMANCE IMPROVEMENT/PATIENT SAFETY PLAN 2005

### A. PURPOSE

In order to meet the mission, vision and standards of excellence for the Palomar Pomerado Health system (PPH) as follows:

#### MISSION

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

#### VISION

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

The Palomar Pomerado Health Performance Improvement/Patient Safety Plan provides the framework for a leadership driven, systematic, interdisciplinary approach to continuously measure, assess and improve all care and service outcomes for our patient populations.

The following are the core components of the framework:

- Leadership driven through a culture of safety and using the balanced scorecard as the driving tool;
- Data driven based on best practices using national benchmarks and comparative data;
- Integrated and coordinated to engage all levels of leadership, physicians, staff and community members;
- A proactive process designed to identify key care/service processes that contribute to high quality, safe patient care and services;
- A common language created by an ongoing process to prioritize Performance Improvement/Patient Safety opportunities using consistent methods and statistical tools for pro-active problem identification, measurement, analysis and improvement;
- A calendar of reporting to assure ongoing systematic communication to all key constituents to assure accountability and "holding the gains" for all continuous performance improvement/patient safety activities; and

- Educational planning to enhance statistically based performance improvement/patient safety tools for every level of leadership, physicians, staff, patients and the community.

**B. GOALS - 2006**

As part of the annual evaluation of the Performance Improvement/Patient Safety activities conducted by the Board, Leadership and staff, goals are identified for each calendar year to assure continuous improvement of the framework for Performance Improvement/Patient Safety.

The Goals identified for 2006 are the following:

- Enhance the key processes in place to assure that "Best Practice Medicine" is being considered in all opportunities for improvement of care and services;
- Implementation of the Balanced Scorecard as the driving leadership tool to identify opportunities for improvement;
- Integrate the Performance Improvement/Patient Safety Planning process to enhance the culture of safety and emphasize patient safety as a key criteria for prioritization of Performance Improvement/Patient Safety projects and activities;
- Create a support structure for data collection and analysis through the data inventory process in collaboration with, Information Services, Strategic Planning, Finance and Clinical Information Services;
- Review and revise the peer review process to assure a consistent, objective, data driven method to evaluate physician performance; and
- Identify core competencies for Performance Improvement/Patient Safety methods and tools for all levels of the organization with a collaborative Education Plan.

**C. ORGANIZATION, SCOPE AND RESPONSIBILITY**

1. Board of Directors

The Board of Directors has the responsibility to ensure optimal quality and safe patient care.

The Board of Directors:

- Authorizes administration, the medical staff and hospital staff to assess and improve the performance of the organization's managerial, support and clinical processes and systems;
- Delegates oversight of performance improvement functions, the prioritizing of improvement efforts and the provision and management of adequate resources for performing improvement activities to the leadership and medical staff through the Board

Quality Review Committee, Executive Management Team, Quality Council, MEC's and the Quality Management Committee;

- Reviews ongoing reports on the effectiveness of Performance Improvement/Patient Safety activities; and
- Evaluates and improves the performance of Governance activities.

2. Board of Directors' Quality Review Committee

Duties: As directed by the Board of Directors, the Committee shall review such reports, as specified in this plan.

Composition: Three (3) appointed Board members, consultants to the Committee, will include the Chairmen of the Medical Staff, Quality Management Committee, Chief Quality, Chief Medical Staff Quality Officers, System Director of Quality Management, designated Health System Risk Management personnel, District Director of Safety and the Chiefs of the District Health Care Facilities. The Chiefs of Staff may attend when appropriate along with other invited personnel as needed to address the focus of the Quality Review Committee.

Meetings: The Quality Review Committee shall meet at least quarterly, maintain a record of its proceedings, and shall report to the Board of Directors.

3. Medical Staff Executive Committees

Duties: The Executive Committees of the Medical Staffs, with the consent of the Board of Directors, and in conjunction with organizational leaders, are responsible for the overall administration and effectiveness of the improvement of organizational performance and safe patient care. The Committees review and approve all recommendations submitted by the Quality Management Committee and Quality Council, and initiate any special studies or recommendations as deemed appropriate to maintain an effective program.

Composition/Meetings: The specific composition, responsibilities, meeting requirements and reporting requirements are as specified in the Medical Staff Bylaws, and pertinent provisions of which are incorporated herein by this reference.

4. Quality Council

Chaired by the Chief Medical Quality Officer, this body is comprised of representatives from the Executive Management Team, Medical Staff, Nursing, Pharmacy, Risk Management, Clinical Resource Management, Quality Management, Safety and others as needed. The Quality Council will review proposed performance improvement projects, assign priorities, and if approved, allocate necessary resources. The status and results of these projects, along with regulatory compliance, will then be monitored at regular intervals.

Recognizing that PPH strives to continually improve patient safety and reduce the risk of sentinel events, the Quality Council is responsible for the implementation and evaluation of the process and activities as recommended by the Patient Safety Committee. The Quality Council may delegate operational responsibility for

specific patient safety performance improvement activities to councils and/or appointed subcommittees.

5. The Medical Staff Quality Management Committee (QMC)

This committee is comprised of representatives from the Clinical Departments, Administration, Nursing and a variety of subcommittees. The QMC provides oversight for the Performance Improvement/Patient Safety and peer review activities of medical staff departments and committees. Summaries of monitoring data, newly perceived quality problems and the results of performance improvement projects will be reported to the QMC on a regular schedule to include blood usage, medication usage, pharmacy and therapeutics, nutrition, medical record timeliness, special care review, utilization review, Palomar Continuing Care Center, and infection control. Appropriate summaries of this information along with recommendations referred to the clinical departments and subcommittees are then forwarded for review to the Medical Staff Executive Committees of both hospitals.

6. Patient Safety Committee

The Patient Safety Committee is responsible for the oversight of patient safety monitoring and improvement. Reporting to the Quality Council and QMC as follows:

- Creates and monitors the Performance Improvement/Patient Safety plan to assure that the core elements of the patient safety culture are in place;
- Assures that a proactive process is in place through:
  - The ongoing review of data to identify risks, underlying causes of risks and recommends performance improvement activities to assure risks are addressed;
  - Risk reduction through the identification of high risk processes using all available resources and pro-active risk, identification/risk reduction tools are in place;
- Provides oversight for the implementation of ongoing performance review of all National Patient Safety Goals and JCAHO Sentinel Event Alerts.
- (See Policy # 11533 - Sentinel Event Policy)
- Encourages ongoing input and involvement by all staff, physicians, and patients to identify and mitigate risk.

7. Medical Staff Department/Committees

a. Pursuant to the Medical Staff Bylaws:

Medical Staff departments are responsible for the quality of care, service and safety of patient care delivered by the members of the departments as demonstrated by:

- Participating in departmental and interdisciplinary performance improvement patient safety activities;
- Utilizing results and recommendations from interdisciplinary performance improvement efforts to improve the services;

- Utilizing information from performance improvement/patient safety activities and trended data by department and physician in the credentialing, privileging and reappointment process (see the peer review policy);
- Conducting thorough and effective peer reviews, providing summaries of peer review activity to assist in departmental performance improvement activities and communicate physician specific findings to the department chair for action;
- Reviewing and analyzing summary reports of trended data by department and physician for processes dependent primarily on the activities of one or more individuals with clinical privileges (e.g. blood use, operative and invasive procedures, medication use).
- The Medical Staff Departments share responsibility for planning, designing, measuring, assessing and improving the overall safe care of patients within these functions;
- Reporting findings, conclusions, recommendations, actions taken, and results of actions to the appropriate Medical Department, Quality Management Committee, Medical Executive Committee and Governing Board.

b. Additional Medical Staff Committees with primary focus on Quality and Patient Safety may be found in Attachment 2 of this document.

8. Safety Committees

The Safety committees at each hospital are responsible for the design, implementation, and monitoring of the Safety Management and Injury/Illness Prevention Plans. They review ongoing performance data related to the seven management plan and identify performance improvement opportunity as reported through the Quality Council.

9. Nursing Performance Improvement/Patient Safety

Under the direction of the Chief Nurse Executive, and in collaboration with the nursing management and the department of Nursing Quality, Education and Research, in collaboration with the medical staff and ancillary services nursing promotes improvement in patient outcomes. Clinical and organizational decisions are based on data obtained through comprehensive and ongoing monitoring of patient outcome. The Executive Director of Nursing Quality, Education and Research and the Associate Chiefs of Nursing are responsible for implementation of the performance improvement and patient safety programs at the divisional level. The nurse managers, clinical nurse specialists and nurse educators responsible for implementation of the performance improvement and patient safety programs within their respective clinical specialties.

The ongoing monitoring and analysis of core indicators is based on identified patient outcomes that reflect a collaborative approach to quality care and patient outcomes. This will be demonstrated by:

- Use of evidence-based practice and data from internal and external sources to improve quality of care or resolve identified problems.

- Integration and coordination of quality initiatives across inpatient, continuing care, home care, and outpatient clinic sites.
- Facilitation of unit, department and interdisciplinary performance improvement initiatives that impact patient care delivery.
- Providing education and/or consultation to internal and external clients regarding performance improvement and patient safety initiatives.
- Discussion and exchange of information regarding status and progress of evidence-based practice, performance improvement and patient safety activities with the nursing staff, interdisciplinary teams and interdepartmental teams.

In compliance with established patient standards the following performance improvement measures will be measured and results compared to national bench marks including but not limited to NDNQI, CalNOC, Premier Compass Program and Beta. The performance improvement measures that reflect a direct contribution of the nursing in achieving these quality patient outcomes include:

- Patient safety issues: nosocomial pressure ulcers, patient falls, glycemic control, near miss or failure to rescue occurrences.
- Condition specific outcomes: education for smoking cessation
- Patient satisfaction

10. Outreach Performance Improvement/Patient Safety:

Under the direction of the Chief Clinical Outreach Officer, and in collaboration with the clinical outreach staff, the Department of Quality Medical Staff, and nursing staff, Clinical Outreach promotes improvement of patient safety and outcomes. The goal of Clinical Outreach Performance Improvement plan is to provide an organization-wide approach to continually assess and improve the quality of health services that we provide to our patients, employees and community. The clinical outreach directors are responsible for the performance improvement and patient safety program at the departmental level. The managers, supervisors, educators, quality managers, and clinical instructors are responsible for implementation of the Performance Improvement and Patient Safety Program within their respective departments / specialties. The ongoing monitoring and analysis of Quality indicators is based on the following:

- a. Identification of patient needs and expectations and evaluation of how these needs and expectations are met.
- b. Identification of staff education and training needs and ongoing measurements to demonstrate sustained improvement.
- c. Use of evidence based data from internal and external sources to improve the quality of care.
- d. Integration and coordination of quality initiatives across the care continuum including; acute, skilled nursing, home health, and outreach services.
- e. Analyze data to establish priorities and identify opportunities for future improvement.



Each department establishes priorities based on the following considerations:

- a. Mission Statement and Strategic Plan of PPH
- b. Impact on patient and community outcome
- c. Regulatory or accreditation required
- d. High risk
- e. Number of services involved
- f. High cost
- g. Customer service
- h. Employee engagement
- i. Physician loyalty

The performance improvement measures that reflect a direct contribution of clinical outreach achieving quality patient outcomes are:

- a. Patient satisfaction
- b. Promoting a health/safe community
- c. Employee safety issues: productivity, lost work days, health risk assessments
- d. Patient safety issues are: pressure ulcers, patient falls, glycemic control, and medication management
- e. Physician loyalty

11. System Wide Staff:

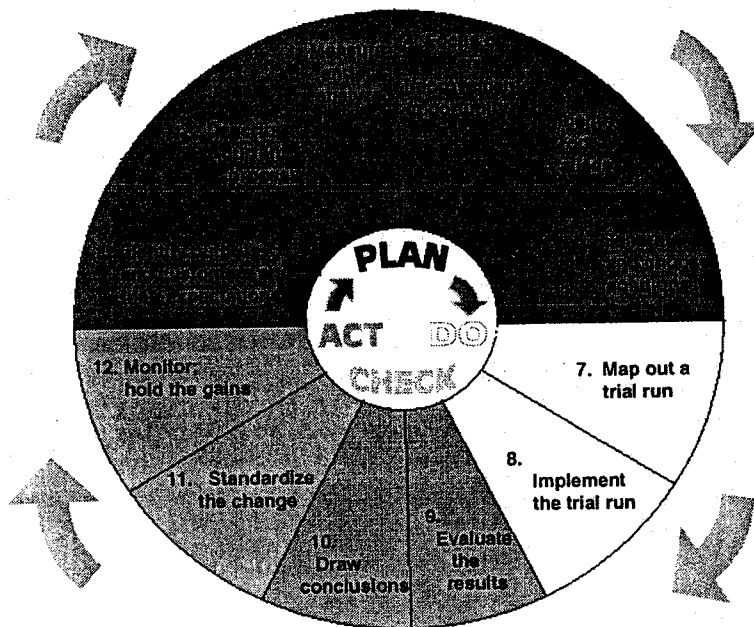
All Palomar Pomerado Health staff are accountable to participate with Performance Improvement/Patient Safety activities that include identifying to identify Performance Improvement/Patient Safety opportunities for improvement, participate on an ongoing basis with Performance Improvement/Patient Safety activities and encourage patients, family members, and the community in efforts to identify and improve Performance Improvement/Patient Safety in daily care.

**D. METHODS**

1. The approach of Palomar Pomerado Health Systems to improving performance/patient safety includes the following essential process:
  - Design processes;
  - Monitoring performance through data collection;
  - Analyzing current performance against best practices and national benchmarks; and
  - Improving and sustaining improved performance.
2. Understanding that performance improvement and patient safety permeate every level of the organization, the Palomar Pomerado Health System Leadership Team

- empowers and assigns individuals to lead these improvements by providing time and resources to achieve optimal outcomes.
3. Whenever possible, sound statistical methods and the techniques of continuous quality improvement will be utilized. In most projects a plan, do, check, and act cycle (PDCA) methodology model will be used (model below).

### Performance Improvement Model (PDCA)



## Palomar Pomerado Health Performance Improvement Model (PDCA)

<b>PLAN</b>	Current Processes:	Describe scope of service, current processes, aspects of care, customers, etc
	Measurement/Date:	List pertinent indicators, tracking data, thresholds, etc.
	Possible Causes:	Identify root causes.
<b>DO</b>	Initiate Action:	Choose and generate solutions; implement trial run
<b>CHECK</b>	Action Results:	Performance results of trial
	Conclusions:	Evaluate results of action
<b>ACT</b>	Standardize Change:	Determine further action
	Continue to monitor:	Describe future data collection



4. Prioritization  
When selecting Performance Improvement/Patient Safety projects, Palomar Pomerado Health leaders recognizes the importance of using criteria to do ongoing prioritization of Performance Improvement/Patient Safety projects. (See attached). Therefore, proposed Performance Improvement Patient Safety projects will be assigned priorities and coordinated to avoid duplication by a centralized body, the Quality Council.
  
5. Designing Processes  
When creating or modifying programs and/or processes, consideration is taken to ensure the design:
  - a. Is consistent with the PPH mission, vision, values, goals, objectives and plans;
  - b. Meets the needs of individuals served, staff and others;
  - c. Is clinically sound and current (for instance, use of best practice guidelines, successful practices, information from relevant literature, and clinical standards);
  - d. Incorporates available information from within the organization and from other organizations about potential risks to patients, including the occurrence of sentinel events in order to minimize risks to patients affected by the new or redesign processes, functions, or services;
  - e. Utilizes tools and methods to pro-actively identify risk points and eliminate them prior to implementing changes;
  - f. Includes analysis and/or pilot testing to determine whether the proposed design/redesign is an improvement; and

- g. Incorporates the results of Performance Improvement/Patient Safety activities.

6. Data Collection

Data is collected to monitor the stability of existing processes, identify opportunities for improvement, identify changes that will lead to improvement and sustain improvement. Collected data is used to:

- Make comparisons of performance of processes and outcomes over time;
- Compare performance data about processes with information from up-to-date sources; and
- Compare performance about processes and outcomes through the use of reference databases.

Data is collected on important processes and outcomes and includes but is not limited to the following:

- a. Key Processes related to:
  - Leadership priorities;
  - Patient Safety including staff and patient opinions of risk;
  - Environment of care;
  - Patient Satisfaction;
  - Pain Management;
  - Medication management;
  - Blood and blood products;
  - Restraint and seclusion;
  - Operative and other invasive procedures;
  - Resuscitation;
  - Risk Management;
  - Utilization of resources;
  - Quality Control;
  - Infection Control;
  - Autopsy; and
  - Research when appropriate.

8. Benchmarks

Whenever available, benchmarks from local, state and national databases and medical literature will be obtained and used. Available benchmarking systems include but are not limited to:

- a. Premier Compass Program;
- b. Society of Thoracic Surgeons Cardiac Surgery Database;
- c. Center for Disease Control Databases;
- d. National Registry of Myocardial Infarctions (NMRI) Database;
- e. OSHPD California State Hospital Discharge Annual Database;
- f. 3-M APR-DRG System Internal Database; and
- g. Comparative information available from MEDLINES.

9. Best Practice Core Measures

PPH has been proactively engaged with benchmarking systems performance through their involvement with JCAHO and CMS in order to continuously seek out opportunities to improve our performance based on best practices, such as the 2005 National Quality Forum.

The current PPH core measure sets are:

- a. Acute Myocardial Infarction (AMI)
- b. Heart Failure (HF)
- c. Community-acquired pneumonia (CAP)

10. Data Assessment

The data is organized for reporting purposes in a manner, which allows for analysis of the results. Data is systematically aggregated and analyzed on an ongoing basis. Aggregated data is analyzed to make judgments about:

- a. Whether design specifications for processes were met;
- b. The level of performance and stability of important existing processes;
- c. Opportunities for improvement;
- d. Actions to improve the performance of processes; and
- e. Whether changes in processes resulted in improvement.

Appropriate statistical techniques are used to analyze and display data. These techniques include, run charts, control charts, pareto charts, and other statistical tools as appropriate.

11. Failure Mode and Effects Analysis

Failure Mode and Effects Analysis (FMEA) involves the prospective evaluation of processes identified by the organization as being vulnerable to risk, and the re-design of such processes "to build safety in" (e.g., through creating redundancies) before an adverse events occurs. At a minimum, a high-risk patient care process is identified annually by the Patient Safety Committee for an in depth FMEA. For 2006 the Continuum of Medications was identified.

12. Root Cause Analysis

Root Cause Analysis (RCA): When a serious unexpected adverse outcome or near-miss occurs, the RCA process is used to determine the most basic or immediate factor(s) or causes of variation in performance which led to the adverse outcomes for the patient. This formal process is utilized by a team of all applicable disciplines to determine how the process(s) failed and where improvements need to be made. An action plan is then identified and monitored through the Performance Improvement process.

13. Intensive Assessment of Adverse Events

Intensive assessment of certain adverse events is initiated when statistical analysis shows:

- Data comparisons indicate levels of performance which vary significantly from those expected;
- For those topics chosen by leaders as PI priorities; and
- When undesirable variation occurs which changes priorities.

Certain adverse events always require intensive assessment. These include the following:

- All major discrepancies, or patterns of discrepancies, between preoperative and postoperative (including pathologic) diagnosis, including those identified during the pathologic review of specimens removed during surgical or invasive procedures;
- Adverse events or patterns of adverse events during anesthesia use;
- All confirmed transfusion reactions;
- All serious adverse drug events if applicable and as defined by the organization;
- All serious medication error(s) if applicable as defined by the organization;
- Hazardous conditions; and
- Staffing effectiveness issues.

14. Improving and Sustaining Performance

Changes to improve performance are identified, planned, and tested using the PDCA Cycle Model. Effective changes are incorporated into standard operating procedure.

15. Training and Education

Training and Education in performance improvement/patient safety is provided to every level of the organization. Initial and ongoing performance improvement training and education is accomplished through the following methods:

E. **COMMUNICATION**

Communication of Performance Improvement/Patient Safety activities throughout the Medical and Hospital Staffs occurs through a variety of means that includes, but is not limited to the: Quality Sub Committee of the Board Committee; Quality Council; Board of Directors; medical and hospital staff meetings; educational offerings; electronic mode, newsletters and memos.

A performance improvement/patient safety report is communicated to the Boards of directors and Quality Councils. Content of the performance improvement/patient safety reports varies per the established calendars. The Quality Council may delegate

department specific performance improvement activities to be reported regarding implementations of improved patient care and safety.

**F. CONFIDENTIALITY**

Data generated by the Performance Improvement Program are considered to be products of the Quality Management Committee of the applicable health facility and are protected from discoverability under Section 1157 of the California Evidence Code. Practitioners and Palomar Pomerado Health personnel have a duty to preserve this confidentiality.

The performance improvement activities must abide by the Confidentiality of Medical Information Act in maintaining the confidentiality of the patient's medical information. Compliance is also maintained with all HIPPA regulations.

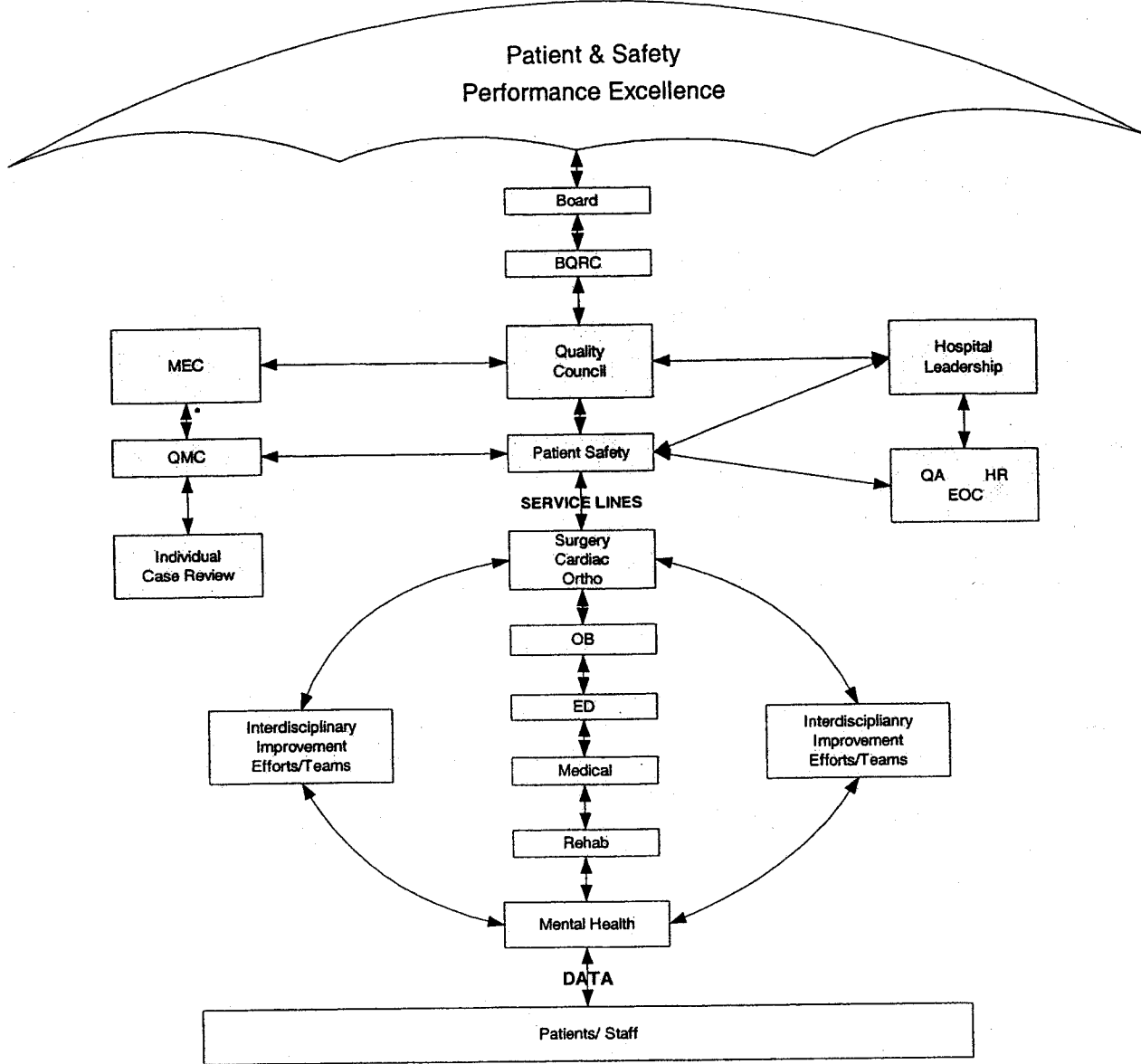
**G. CONFLICT OF INTEREST**

A Practitioner may not participate in the review of any case in which he has been or anticipates being professionally involved. Practitioners having either a direct or indirect financial interest in the case(s) being reviewed may not participate in the utilization review activities pertaining thereto.

**H. ANNUAL REAPPRAISAL**

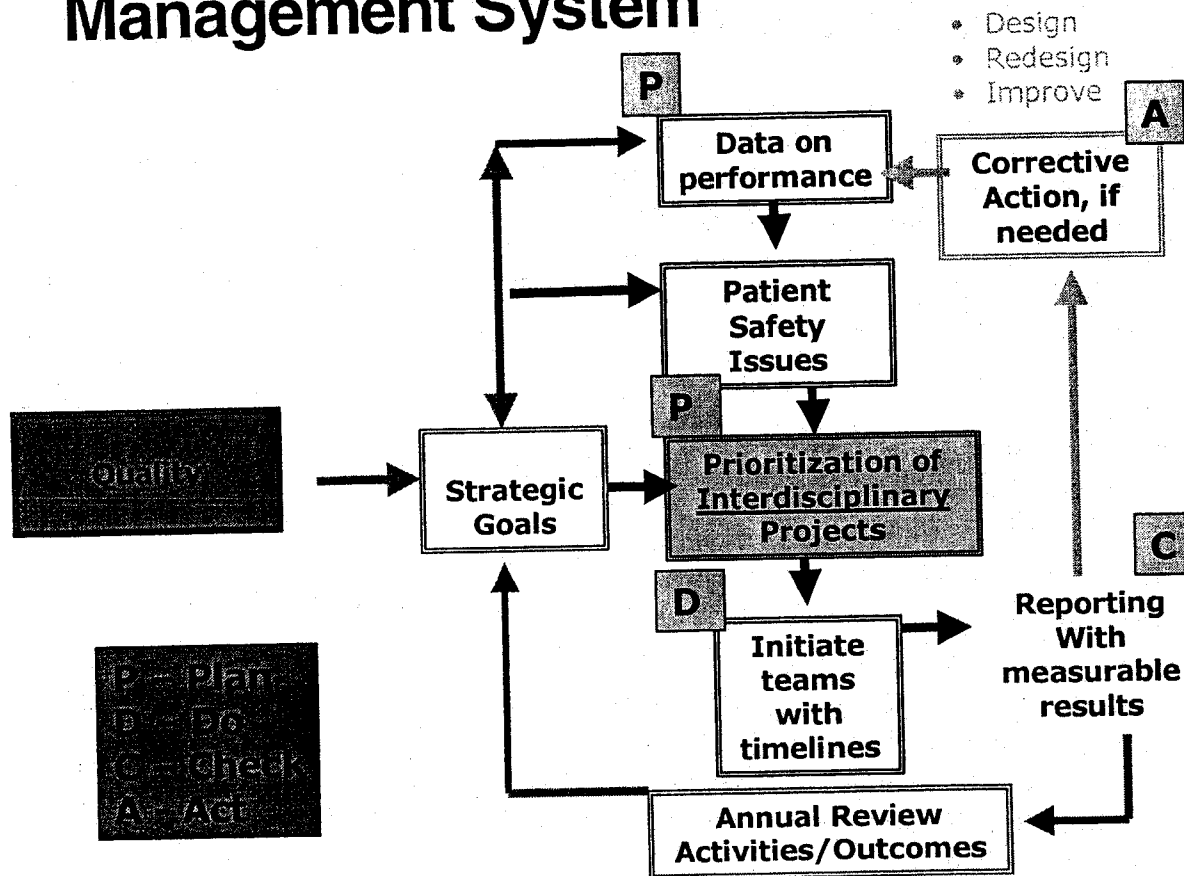
Leadership shall annually review and evaluate the overall effectiveness of the performance improvement plan considering such factors as results achieved, operational problems encountered, cost impact and deficiencies noted. The Plan with any amendments will be forwarded to the Board of Directors Quality Review Committee for final approval.

# Performance Excellence/ Patient Safety Structure





# Balanced Scorecard Performance Management System



## PPH Performance Improvement Plan

### ATTACHMENT 2

#### DESCRIPTION OF MEDICAL STAFF AND RELATED COMMITTEES, FUNCTIONS, AND RESPONSIBILITIES

##### Committees/Councils

The Board of Directors, Medical Staffs, and health care facility committees/councils described herein are those committees with specific composition, duties and responsibilities for performance improvement. The listing does not restrict the Board of Directors, members of the Medical Staff and PPH employees from forming ad hoc or task force committees to assist with performance improvement.

##### 1. Pharmacy and Therapeutics Committee:

The combined PPH Pharmacy and Therapeutics Committee is responsible for carrying out the following functions:

- a. Identifying indicators for monitoring important aspects of drug usage
- b. Assisting the pharmaceutical service in maintaining the Hospital Formulary
- c. Reviewing the Adverse Drug Reaction program
- d. Monitoring the quality and appropriateness of nutritional support services to patients, including enteral and parenteral nutrition, and clinical dietary consultations
- e. Making recommendations to improve care or to correct identified problems to the Quality Management Committee based on analysis and evaluation of data collected through indicators
- f. Any matters within the scope of the Medical Staff's responsibilities for performance improvement, or concerns about care rendered by individual Practitioners, shall be referred to either Palomar Medical Center's or Pomerado Hospital's Quality Management Committee, which will either resolve the issue or refer it to an appropriate Medical Staff department/committee.

Composition: Two physician chairmen and six physician representatives, the Director of Pharmaceutical Services, a pharmacist from each hospital's pharmacy, and representatives from Administration and Nursing from each hospital.

Meetings: The Pharmacy and Therapeutics Committee will meet at least quarterly, and more often, as needed. The Committee will maintain a record of its proceedings, and will report to the Quality Management Committees.

The Antibiotic Subcommittee is a subcommittee of the Pharmacy and Therapeutics Committee. It is composed of an Infectious Disease Physician, a Critical Care Physician, a Pharmacist from each hospital, a Microbiology Representative from the Laboratory, and the Nurse Epidemiologist. In view of the dramatic increase in antibiotic resistance, the Antibiotic Subcommittee is responsible for, but not limited to:

## PPH Performance Improvement Plan

### Attachment 2

- a. Reviewing new antimicrobial agents
- b. Recommending the most effective method of drug administration
- c. Appropriate restriction of antibiotic usage
- d. Review of automatic substitution of antimicrobial coverage

Meetings: The Antibiotic Subcommittee shall meet at least quarterly, or more often as indicated, and shall maintain a record of its proceedings.

#### **2. Infection Surveillance Committee:**

The joint PPH Infection Surveillance Committee is responsible for carrying out the following:

Duties: Responsible for an organization-wide approach to act as advocate for prevention and control of infections in the facilities, formulate and monitor patient-care policies, and educate staff.

Composition: Physician chairperson, representatives from nursing and administration, including those personnel responsible for overseeing PPH facility infection control activities, i.e., Home Health, SNF's, Escondido Surgery Center, Palomar Medical Center, and Pomerado Hospital. Representatives from Maintenance, Pharmacy, Employee Health, and the Operating Suite shall serve as consultants, as appropriate, upon request of the Chairmen.

Meetings: Meetings shall be held every other month and/or as necessary.

#### **3. Healthcare Resource Committee:**

Duties: Maximizing quality with appropriate utilization of resources (financial and human) across the health care continuum.

Membership will include the following: The Committee will be co-chaired by a member of each medical staff. Director of Quality/Case Management, CIS Physician, Medical Director Critical Care POM/PMC, Medical Director Cardiology, Vice President/COO Pomerado, Vice President/COO Palomar, Vice President of Support Services, Director of Material Management, Pharmacy Representative, Finance Representative, Clinical Nurse Specialist/Palomar, Clinical Nurse Specialist/Pomerado.

Ad Hoc Members: PPH Medical Directors.

Meetings: Will be held monthly or at least ten times per year. Activities will be reported to the Quality Management Committee on a quarterly basis. A simple majority of all voting members shall constitute a quorum. Non-physician Committee members shall not vote.

#### **4. Critical Care Committee:**

The joint PPH Critical Care Committee is responsible for carrying out the following duties:

- a. Identifying indicators for monitoring the important aspects of care
- b. Evaluating results of data collected for these indicators
- c. Making recommendations for actions to improve care or correct identified problems

PPH Performance Improvement Plan  
Attachment 2

- d. Referring concerns about care rendered by individual Practitioners to the appropriate Medical Staff department for further review and action.

Composition: Co-chairmen, both of whom will be Medical Directors of ICU, along with broad representation from appropriate areas of the Medical Staff, Administration, Nursing and other disciplines.

Meetings: The Critical Care Committee shall meet at least quarterly, or more often as indicated, and shall maintain a record of its proceedings.

**5. Cancer Committees:**

Duties:

- a. Maintenance of a functioning tumor registry (data system) for abstracting, staging and reporting quality of cancer care and providing periodic reports to the Executive Committees;
- b. Conduction of multi-disciplinary educational programs, conferences, and other clinical activities as determined by the activity of cancer by type within the hospital.
- c. Provision of consultative services to patients and staff in all major disciplines.
- d. Monitor and evaluate patient care directly and by interaction with audit data from other committees particularly the Quality Management Committee.
- e. Advise in policy development and administrative matters concerning the cancer program.

Composition: As Medical Staff Committees with multi-disciplinary membership, these committees shall include representatives from the departments of surgery (Otolaryngology, Urology), medicine (Oncology), gynecology, pediatrics, diagnostic and/or therapeutic radiology, pathology, family practice, and, as non-voting members, a representative of administration, nursing, pharmacy, social services, rehabilitation, clergy and tumor registry. Palomar's Cancer Committee shall report to its Executive Committee. Pomerado's Cancer Committee shall report to its Quality Management Committee.

Meetings: The Cancer Committees shall meet at least quarterly, separately or jointly, and shall maintain a record of its proceedings.

**6. Long Term Care Committee - PPH (Villa Pomerado and Palomar Continuing Care Center):**

Duties:

- a. Reviews results of current improvement activities, including on going measurements and focus studies. Prioritizes opportunities for improvement.
- b. Advisory review and revision of administrative policies and procedures.
- c. Coordinate the functioning of the facility, including equipment, purchases, and operating policies.
- d. Performance of utilization review activities for the facility. In this capacity, the committee or a subcommittee of it, shall function as the U.R. Subcommittee for the facility.

## PPH Performance Improvement Plan

### Attachment 2

- e. Pharmacy, review current and new regulations. Assess results of ongoing pharmacy measurements.
- f. Review current infection rates at SNF and compare to standards. Discuss current and new issues affecting overall infection control of facilities.
- g. Composition: PPH SNF Medical Directors, at least three physician representatives from the Departments of Family Practice, Medicine, and Surgery. Non-voting members shall include the Assistant Administrator SNF Operations, Assistant Administrator for Nursing, Director of Staff Development, U.R. Coordinator, Director of EVS, EP&S Committee Chairman, District Nurse Epidemiologist, Director of Medical Records, Pharmacist, and District director of Quality Management.

Meetings: The Committee shall meet at least quarterly; maintain a record of its proceedings and report to the Quality Management Committees of Palomar Medical Center and Pomerado Hospital.

## MEDICAL STAFF SERVICES

**DATE:** August 29, 2006  
**MEMO TO:** Palomar Pomerado Health  
Board of Directors  
**FROM:** Marvin Levenson, M.D.  
Medical Director, Escondido Surgery Center  
**RE:** Medical Staff Recommendations



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

### Appointment:

09/11/2006 – 08/31/2008

- ◆ David W. Elias, M.D., Orthopaedic Surgery
- ◆ Chad Elsner, M.D., Orthopaedic Surgery
- ◆ James M. Fait, M.D., Orthopaedic Surgery
- ◆ Jason P. Garcia, M.D., Orthopaedic Surgery
- ◆ Serge C. Kaska, M.D., Orthopaedic Surgery
- ◆ Alexandra E. Page, M.D., Orthopaedic Surgery
- ◆ William H. Pfeiffer, M.D., Orthopaedic Surgery
- ◆ Glenn B. Rankin, M.D., Orthopaedic Surgery
- ◆ Michael G. Ryan, M.D., Orthopaedic Surgery
- ◆ Joshua N. Steinvurzel, M.D., Orthopaedic Surgery
- ◆ Larry S. Williams, M.D., Orthopaedic Surgery

### Allied Health Professional Appointment:

09/11/2006 – 08/31/2008

- ◆ Michael A. Avilez, O.T., Orthopaedic Technician; Sponsors: Kaiser Orthopaedic Surgeons

### Additional Privileges:

- ◆ Jonathan C. Bourne, M.D., Anesthesiology (Reinstatement of clinical privileges)  
Adult general and regional anesthesia, Pediatric anesthesia, Diagnostic and Therapeutic Nerve Blocks
- ◆ Karen E. Kohatsu, M.D., OB/GYN  
Operative Hysteroscopy, Diagnostic Hysteroscopy, Non-Endoscopic Ablative Procedures, i.e. Novasure

### Voluntary Resignations/Withdrawals

- ◆ Christopher B. Geary, M.D., Orthopaedic Surgery (effective 08/01/2006)
- ◆ Yuri M. Lewicky, M.D., Orthopaedic Surgery (effective 08/01/2006)
- ◆ Mark J. Ritter, M.D., Orthopaedic Surgery (effective 08/01/2006)
- ◆ Sarah B. Shubert, M.D., Orthopaedic Surgery (effective 08/01/2006)

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

**Reappointment:**

10/01/2006 – 09/30/2008

- ◆ Anatoly J. Bulkin, M.D., General/Vascular Surgery
- ◆ Edward M. Gurrola, M.D., Anesthesiology
- ◆ Laurence M. McKinley, M.D., Orthopaedic Surgery
- ◆ Carl A. Miller, M.D., Anesthesiology

**Certification by and Recommendation of Escondido Surgery Center Medical Director:**

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



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

DATE: August 30, 2006  
TO: Board of Directors - September 11, 2006 Meeting  
FROM: Paul E. Tornambe, M.D., Chief of Staff, Pomerado Hospital Medical Staff  
SUBJECT: Medical Staff Credentials Recommendations – August 2006:

**Credentials Recommendations: August 2006**

**Provisional Appointments: (09/11/2006 – 08/31/2008)**

Julie A. Berry, M.D. - Surgery  
Tyler L. Crawford, M.D. - Radiology  
David W. Elias, M.D. – Surgery- Assisting Only  
Jason P. Garcia, M.D. – Surgery – Assisting Only  
Dorothy E. Hairston, M.D. – Medicine  
Serge C. Kaska, M.D. – Surgery  
Brian B. Ronson, M.D. – Radiology  
Joshua Steinvurzel, M.D. – Surgery – Assisting Only  
Jeffrey J. Weitz, M.D. - Radiology

**Biennial Reappointments: (10/01/2006 – 09/30/2008)**

Anatoly J. Bulkin, M.D., M.D. – Surgery - Active  
Edward M. Gurrola, II, M.D., M.D. – Anesthesia – Active  
Patricia J. Johnson, M.D. – Anesthesia – Affiliate  
Larry T. Konzen, M.D. – Medicine – Affiliate  
John J. Lilley, M.D. – Medicine – Courtesy  
Steve H. Mannis, M.D. – Emergency Medicine – Active  
Carl A. Miller, M.D. – Anesthesia – Active  
Steven C. Plaxe, M.D. – OB/GYN – Consulting  
David N. Spees, M.D. – Medicine – Affiliate  
Kuangka Tai, M.D. – Pediatrics - Active.

**Advancements:**

Peter Lucas M.D. – Anesthesia – Advanced to Active  
Deborah Mitchell, M.D. – Anesthesia – Advanced to Active

**Allied Health Resignations:**

Dorene F. Boydston, R.N.,N.P.  
Maureen Fleming, P.A.-C

**Request for Additional Privilege:**

Bassem A. Georgy, M.D. – Spinal Cord Stimulator

**Allied Health Appointments: (09/11/2006 – 08/31/2008)**

John L. De Alva, P.A.-C - Sponsors – Kaiser Physicians

**Resignations**

Chris Geary, M.D. – Surgery  
Taylor I. Liu, M.D. – Internal Medicine  
Yuri Lewicky, M.D. – Surgery  
Mark Ritter, M.D. – Surgery  
Sarah Shubert, M.D. - Surgery

**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 have been properly followed. I recommend that the Board of Directors take the action requested in each case.

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## FY'06 Goal Outcome

**TO:** PPH Board of Directors  
**MEETING DATE:** September 11, 2006  
**FROM:** Strategic Planning Committee on August 15, 2006  
**BY:** Marcia Jackson, Chief Planning Officer

**BACKGROUND:** Annual goals were established at the beginning of fiscal year 2006. A spreadsheet was presented, which provided a summary of the fiscal year's achievement of these goals, divided into Balanced Scorecard categories.

Michael Covert commented that this is the closest that PPH has come to closing the year-end in a disciplined fashion.

It was noted that PPH achieved at approximately a 30% level of what we set as goals, and Dr. Larson asked if our goals might be unrealistic, and that he was not sure how to digest these results. Michael Covert responded that it is critical that we focus on patients, and not on ourselves. We need to examine customer satisfaction and physician satisfaction, and if we do these well, we will be successful. We also need good facilities, as well as good community benefits. We have made improvements here, but we have a ways to go.

**BUDGET IMPACT:** None

**COMMITTEE RECOMMENDATION:** For information and discussion only.

**FY'06 Goal Outcome**

**COMMITTEE RECOMMENDATION:**

**Information:**        **X**

## Strategic Plan Development

**TO:** PPH Board of Directors  
**DATE:** September 11, 2006  
**FROM:** Strategic Planning Committee on August 15, 2006  
**BY:** Marcia Jackson, Chief Planning Officer

**BACKGROUND:** Marcia Jackson introduced representatives from Kaufman Hall: Ellen Riley, Mark Grube, Ajay Chokshi, and Adam Scott, consultants who have been retained to work with PPH on the creation of a Strategic Plan to formalize the growth strategy for the organization. These representatives from Kaufman Hall attended the meeting to review the Strategic Planning process and discuss PPH's current situation and high-level market analytics.

Ellen Riley discussed Kaufman Hall's **approach to integrated strategic and financial planning**, and discussed the relationship between the following: Strategic Planning, Financial Planning, Capital Planning, and Facilities Planning.

The next item in Ellen's presentation was to **review the engagement objectives and project timeline**, to identify the best growth opportunities for PPH.

The following section was a "**PPH Current Situation Summary**" which included the following highlights:

- PPH operates in a highly favorable market
- PPH is the dominant provider in its service area with 56% market share
- PPH recently developed a Master Facility Plan (MFP) to respond to the significant market growth for healthcare services and to comply with State-mandated seismic building regulations.
- The annual cash flow required (\$50M) to fund the project is considerably higher than historical cash flows, and will require substantial operating performance improvement, and an increase in current inpatient & outpatient volumes

Financial projection scenarios were presented to determine what types of strategies PPH can pursue to achieve the desired growth, including the following:

- New PMC West campus
- Expanded POM Hospital
- Programs/Centers of Excellence
- Advanced Clinical Technology
- Superior Quality and Outcomes
- Best Physician Workshop
- Strong Physician Relationships
- New Access Points (Urgent Care, Freestanding ED's, Clinics, etc.)
- Primary Care Physician Network
- Community-Based Specialists
- Referral Coaching

## Strategic Plan Development

- Marketing

The following were identified as necessary to get where we want to go:

- MD Recruitment & Retention
- Financial Resources
- Human Resources
- Time
- Organization Cultural Change

Market demographics and projections in the PPH service area were shared with the Committee. OSHPD data indicated that PPH has significant opportunity in the north and south geographic clusters, and it would be easier and cheaper to grow our market share there rather than face strong competition from Scripps and Tri-City in the Northwest and Southwest.

Attractive service lines for growth are:

- Obstetrics/Gynecology
- Orthopedics
- General Surgery

A SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis, with an emphasis on business growth, was performed, using Committee participation. Preliminary SWOT Analysis Results from EMT Kick-off were also presented, and Kaufman Hall will compile all of the EMT Kick-off/Committee comments and suggestions, and will send out an inclusive document.

The next steps for the September 18 Market Position Assessment Meeting (EMT) are as follows:

- Finalize service area and service line definitions
- Develop detailed market and service line profiles using 2005 OSHPD database, Claritas 2006 to 2011 population projections and internal current YTD PPH data
- Schedule market tour and physician interviews.

**BUDGET IMPACT:** None

**STAFF RECOMMENDATION:** For information only

**COMMITTEE RECOMMENDATION:**

**Information:** X

**Status Report on the  
2006 Revenue Bond Issuance**

**TO:** Board of Directors  
**FROM:** Board Finance Committee  
Tuesday, August 29, 2006  
**MEETING DATE:** Monday, September 11, 2006  
**BY:** Bob Hemker, CFO

**Background:** At the Board Finance Committee meeting, the status and timing of the 2006 Revenue Bond issuance for new monies and refunding of the 1993 and 1999 bonds was discussed. Information was provided at the meeting as to the timing of the issue (see attachment for working calendar). In addition, FSA has given PPH a commitment for insuring the 2006 new monies, as well as the possible refunding of the 1993 and 1999 issues.

**Budget Impact:** N/A

**Staff Recommendation:** No action was requested or required.

**Committee Questions:**

**COMMITTEE RECOMMENDATION:**

**Motion:**

**Individual Action:**

**Information:** X

**Required Time:**



**Palomar Pomerado Health**  
**Series 2006 Revenue Bonds**  
**Time and Responsibility Schedule**  
 (as of August 21, 2006)

May							June							July						
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S
	1	2	3	4	5	6					1	2	3							1
7	8	9	10	11	12	13	4	5	6	7	8	9	10	2	3	4	5	6	7	8
14	15	16	17	18	19	20	11	12	13	14	15	16	17	9	10	11	12	13	14	15
21	22	23	24	25	26	27	18	19	20	21	22	23	24	16	17	18	19	20	21	22
28	29	30	31				25	26	27	28	29	30		23	24	25	26	27	28	29
														30	31					

August							September							October							
S	M	T	W	T	F	S	S	M	T	W	T	F	S	S	M	T	W	T	F	S	
			1	2	3	4	5						1	2	1	2	3	4	5	6	7
6	7	8	9	10	11	12	3	4	5	6	7	8	9	8	9	10	11	12	13	14	
13	14	15	16	17	18	19	10	11	12	13	14	15	16	15	16	17	18	19	20	21	
20	21	22	23	24	25	26	17	18	19	20	21	22	23	22	23	24	25	26	27	28	
27	28	29	30	31			24	25	26	27	28	29	30	29	30	31					

**Transaction Team:**

**PPH:** Palomar Pomerado Health  
**BC:** Orrick Herrington & Sutcliffe  
**UW:** Citigroup Global Markets, Inc.  
**UC:** Squire, Sanders & Dempsey

**DC:** Latham & Watkins LLP  
**County:** San Diego County  
**FA:** Kaufman, Hall & Associates  
**DT:** Deloitte & Touche

Month of	Event	Responsible Party(ies)
June	<ul style="list-style-type: none"> <li>➤ <b>Begin Drafting Appendix A and Document Drafting</b></li> <li>➤ <i>June 8<sup>th</sup> – Conference Call @ 9:00am PDT Regarding Swap</i>  <i>Call in - (866) 445-7018</i>  <i>Conference Code: 6825413</i></li> <li>➤ <b>Negotiate Insurance Commitment(s)</b></li> <li>➤ <b>Finalize Plan of Finance and Timeline</b></li> <li>➤ <i>June 12<sup>th</sup> - Receive rating update from Moody's</i></li> <li>➤ <i>June 12<sup>th</sup> – PPH Board Meeting</i></li> <li>➤ <i>June 20<sup>th</sup> – Circulation of Draft Appendix A Outline</i></li> <li>➤ <i>June 22<sup>nd</sup> – Conference Call @ 4:30pm PDT to Discuss Appendix A</i>  <i>Call in - (866) 445-7018</i>  <i>Conference Code: 6825413</i></li> <li>➤ <i>June 27<sup>th</sup> – PPH Finance Committee Meeting</i> <ul style="list-style-type: none"> <li>○ <i>Update on Insurance and Covenant Package</i></li> <li>○ <i>Update on Swap / Hedging strategy</i></li> <li>○ <i>Update on Bond Financing</i></li> </ul> </li> <li>➤ <i>June 28<sup>th</sup> – PPH to Send Draft Appendix A to Underwriter's Counsel</i></li> </ul>	<p>UC, PPH, BC, DC ALL</p> <p>PPH, UW, FA PPH, UW, FA PPH, FA, UW PPH UC ALL</p> <p>PPH, UW, FA</p> <p>PPH</p>

Month of	Event	Responsible Party(ies)
July	<ul style="list-style-type: none"> <li>➤ July 4<sup>th</sup> – HOLIDAY</li> <li>➤ July 5<sup>th</sup> – Circulation of First Draft of Appendix A</li> <li>➤ July 7<sup>th</sup> – Meeting @ Orrick in Orange County @ 10:00am PDT to Discuss Appendix A Call in - (866) 445-7018 Conference Code: 6825413</li> <li>➤ July 17<sup>th</sup> – PPH Board Meeting</li> <li>➤ July 21<sup>st</sup> to July 24<sup>th</sup> – Appendix A information due to Underwriter's Counsel</li> <li>➤ July 25<sup>th</sup> – PPH Finance Committee Meeting</li> <li>➤ July 26<sup>th</sup> – Circulation of draft Appendix A</li> <li>➤ July 28<sup>th</sup> – Conference Call @ 9:30am to Review Appendix A Call in - (866) 445-7018 Conference Code: 6825413</li> <li>➤ Circulate Agreed Upon Procedures Letter Requirements</li> </ul>	<p>ALL UC ALL</p> <p>PPH, UW, FA PPH, UW, FA, BC, DC, DT, UC PPH, UW, FA UC PPH, UW, FA, BC, DC, DT, UC UC</p>
August	<ul style="list-style-type: none"> <li>➤ Continue Appendix A and Document Drafting</li> <li>➤ Working Group Call/Meeting to Review Documents</li> <li>➤ August 14<sup>th</sup> – PPH Board Meeting</li> <li>➤ August 29<sup>th</sup> – PPH Finance Committee Meeting</li> <li>➤ August 31<sup>st</sup> - Available Due Diligence Information to be Sent to Lawyers</li> <li>➤ Circulate Draft Agreed Upon Procedures Letter</li> <li>➤ Lock in Interest Rates (if applicable)</li> </ul>	<p>BC, UC, DC ALL PPH, UW, FA PPH, UW, FA PPH DT, PPH PPH, UW, FA</p>
September	<ul style="list-style-type: none"> <li>➤ Continue Appendix A and Document Drafting</li> <li>➤ Working Group Call/Meeting to Review Documents</li> <li>➤ September 4<sup>th</sup> – HOLIDAY</li> <li>➤ September 6<sup>th</sup> to 8<sup>th</sup> – Due Diligence @ PPH</li> <li>➤ September 11<sup>th</sup> to 15<sup>th</sup> - Follow-up Due Diligence @ PPH (If needed)</li> <li>➤ September 11<sup>th</sup> – PPH Board Meeting</li> <li>➤ September 26<sup>th</sup> – PPH Finance Committee Meeting</li> </ul>	<p>BC, UC, DC ALL ALL PPH, BC, UC, DC PPH, BC, UC, DC PPH, UW, FA PPH, UW, FA</p>

Month of	Event	Responsible Party(ies)
October	<ul style="list-style-type: none"> <li>➤ <b>Circulate Final Agreed Upon Procedures Letter</b></li> <li>➤ <i>October 9<sup>th</sup> – HOLIDAY</i></li> <li>➤ <i>October 9<sup>th</sup> – PPH Board Meeting</i> <ul style="list-style-type: none"> <li>○ <i>Approve Final Bond Documents</i></li> <li>○ <i>Approve Final Financing Structure</i></li> <li>○ <i>Approve Audits</i></li> <li>○ <i>Approve Official Statement</i></li> </ul> </li> <li>➤ <i>October 10<sup>th</sup> – Meeting with JPA to Approve Financing</i></li> <li>➤ <i>October 12<sup>th</sup> - Print and Mail Official Statement</i></li> <li>➤ <i>October 13<sup>th</sup> to 23<sup>rd</sup> - Marketing of Bonds</i></li> <li>➤ <i>October 23<sup>rd</sup> - Price Series 2006 Revenue Bonds</i></li> <li>➤ <i>October 23<sup>rd</sup> - Pre-Close Series 2006 Revenue Bonds</i></li> <li>➤ <i>October 24<sup>th</sup> - Close Series 2006 Revenue Bonds</i></li> </ul>	<p>DT, PPH</p> <p>ALL</p> <p>PPH, UW, FA, DT</p> <p>PPH, BC</p> <p>UC, UW</p> <p>UW</p> <p>UW, FA, PPH</p> <p>ALL</p> <p>ALL</p>



**Assessor Parcels #281-190-9-00 Through #281-190-12-00,  
Ramona, CA – Interest in Land Options**

**TO:** Board of Directors

**FROM:** Board Finance Committee  
Tuesday, August 29, 2006

**MEETING DATE:** Monday, September 11, 2006

**BY:** Bob Hemker, CFO

**Background:** Management previously identified suitable land in Ramona for execution of the Master Facility Plan Satellite Clinic strategies. Terms, conditions and negotiating strategies were identified, with Board direction given.

Management entered into a purchase agreement, subject to Board approval after completion of Due Diligence. Originally, it was anticipated that Due Diligence would be completed, with an anticipated close at the end of August 2006. Additional Due Diligence is underway, and both parties agreed to a modified close date of approximately 21 days after mid-October 2006

An update was given to the Board Finance Committee on the status of due diligence.

**Budget Impact:** \$2,400,000 in capital funds under the Master Facility Plan

**Staff Recommendation:** At the Board Finance Committee meeting, staff recommended continuation of the Due Diligence necessary to consummate the transaction, modified closing date, and completion of Resolutions authorizing the transaction by Board approval after completion of Due Diligence.

**Committee Questions:**

**COMMITTEE RECOMMENDATION:** The Board Finance Committee concurs that Due Diligence should be continued as recommended.

**Motion:**

**Individual Action:**

**Information:** X

**Required Time:**

