

PALOMAR  
POMERADO  
HEALTH  
SPECIALIZING IN YOU

**BOARD OF DIRECTORS  
AGENDA PACKET**

October 9, 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, October 9, 2006

Commences 6:30 p.m.

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

	<u>Time</u>	<u>Page</u>
<b>I. CALL TO ORDER</b>		
<b>II. OPENING CEREMONY</b>	5 min	
A. Pledge of Allegiance		
B. Recitation – Chaplain Bill Hard		
<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	
Regular Board Meeting – September 11, 2006		1-11
Joint Board/Finance Committee Meeting – June 27, 2006		See Addendum "A"
Annual Board Self-Evaluation Special Meeting – December 14, 2005		12-19
Special Board Meeting - Adoption of Addendum to ERTC EIR – December 6, 2005		20-23

*"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 24-121

- A. Consolidated Financial Statements
- B. Revolving Fund Transfers/Disbursements – August, 2006
  - 1. Accounts Payable Invoices \$31,174,366.00
  - 2. Net Payroll 9,065,533.00
  - Total \$40,239,899.00
- C. Ratification of Paid Bills
- D. August 2006 & Fiscal YTD 2006 Financial Report
- E. **Physician Recruitment Agreement:**  
Allen K. Chan, M.D., Vascular Surgery

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, AHA San Diego Area 10
- B. **Community Outreach : Escondido Health Care Advisory Council Update** 10
  - Adriana Adres-Paulson, Chair; and Mary Anne Dijak, Vice-Chair

VII. **REPORTS**

- A. **Medical Staffs** 15
  - \* 1. Palomar Medical Center – *Robert D. Trifunovic, M.D.*
    - a. Credentialing/Reappointments 122-137
    - b. Credentialing/Reappointment – Patrick M. O’Meara, MD 138
  - \* 2. Escondido Surgery Center – *Marvin W. Levenson, M.D.*
    - a. Credentialing/Reappointments 139-140
  - \* 3. Pomerado Hospital – *Paul E. Tornambe, M.D.*
    - a. Credentialing/Reappointments 141
- B. **Administrative**
  - 1. President of Palomar Pomerado Health Foundation – Al Stehly
    - a. Update on PPHF Activities 5 Verbal Report

*Asterisks indicate anticipated action;  
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Regular Board Meeting Agenda, October 9, 2006

- 2. Chairman of the Board – Nancy L. Bassett, RN, MBA, Vice Chairperson  
for Marcelo R. Rivera, MD 10 Verbal Report
  - a. ACHD Annual Meeting Sept 27-29 – *deferred to Director T. E. Kleiter*
  
- 3. President and CEO – Michael H. Covert 10 Verbal Report
  - a. **Overview of Trauma Catchment Area/Bypass Time** 10 Overview  
Kim Colonnelli, RN/Peggy Sale, RN
  - b. Visit of Expert Advisory Panel Sept 20-21
  - c. New Employee Recognition Program
  - d. HealthWorks Project
  - e. Upcoming Visit with JCAHO Leadership
  - f. CAPE Application
  - g. **Events:**  
CLAS Regional Conference; and Employee Visit to SeaWorld Sept 30;  
Breast Health Open House Oct 28;  
3<sup>rd</sup> Annual Physician Gala Oct 21;  
PPH Annual Service Awards Luncheon Oct 30; and Awards Dinner Nov 8

**VIII. INFORMATION ITEMS** (Discussion by exception only) 142-161

- |   |                          |
|---|--------------------------|
| A. PPH Communications   | Community Relations      |
| B. PPH Upcoming Events  | Community Relations      |
| C. Strategic Marketing/Budget Plan  | Community Relations      |
| D. Web, Studio, Physician Portal Update   | Community Relations      |
| E. Media Update   | Community Relations      |
| F. San Diego Magazine Best Places to Work   | Community Relations      |
| G. Monthly Reports  | Community Relations      |
| H. Education Session  | Facilities & Grounds     |
| I. Project Updates  | Facilities & Grounds     |
| J. Date/Time/Location of Next Meeting   | Facilities & Grounds     |
| K. NEO Presentation   | Human Resources          |
| L. Non-Smoking Issue Procedure  | Human Resources          |
| M. Work Institute (Exit Interview Process)  | Human Resources          |
| N. Quarterly Facility Update  | Jt Bd/Strategic Planning |
| O. 2006 Revenue Bond Issuance: Status & Timeline<br>and Request for Special Finance Committee Meeting | Finance                  |

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

None

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

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

**XI. FINAL ADJOURNMENT**

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

Palomar Pomerado Health  
**BOARD OF DIRECTORS**  
**REGULAR BOARD MEETING**  
 Pomerado Hospital, Meeting Room E, Poway  
 Monday, September 11, 2006

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
CALL TO ORDER	6:50 pm Quorum comprised Directors Bassett, Greer, Kleiter, Kridter, Larson, Powers and Rivera.		
OPENING CEREMONY	The Pledge of Allegiance was recited in unison, followed by an inspirational reading by Chaplain Walden ( <i>attached</i> ).	Chaplain Walden was thanked for his meaningful recitation.	
REMEMBRANCE OF 9/11 TRAGEDY	Chairman Rivera led a one-minute silence in remembrance of the 5-year anniversary of the 9/11 tragedy in New York. Following the silence Chairman Rivera conveyed his recollections of the tragedy of that day which had occurred during a visit he was making to the city.		
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		
SPECIAL BOARD MEETING 5:30 P.M. (Closed)	Chairman Rivera reported that following the Special Board Meeting held in closed session at 5:30 p.m. for Deliberation under California Health & Safety Code section §32155 of matters pertaining to hearing on staff privileges, no action was taken. The closed		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	<p>session was adjourned and would be resumed following the end of this meeting. It was not anticipated that there would be any action as a result of the closed session meeting.</p> <p>At this point Chairman Rivera welcomed everyone to the Regular Open Meeting of the Board.</p>		
<p><b>PUBLIC COMMENTS</b></p> <ul style="list-style-type: none"> <li>Mr. Fawcett</li> </ul>	<p>Mr. Fawcett referred to public records requests, specifically his January request for review of the Kaiser Agreement denied him due to trade secrets, but again requested a copy of that agreement. Due to length of time between requests and submittal of documents he requested that all documentation be available on the internet.</p>	<p>Chairman Rivera thanked Mr. Fawcett for his comments, noting that our first requirement is quality of patient care and services, suggesting that he might participate more actively and constructively in future.</p>	
<p><b>APPROVAL OF MINUTES</b></p> <ul style="list-style-type: none"> <li>August 14, 2006</li> </ul>		<p><b>MOTION:</b> by Kleiter, 2<sup>nd</sup> by Bassett and carried to approve the regular minutes of August 14, 2006 as submitted. All in favor. None opposed.</p>	
<p><b>APPROVAL OF AGENDA to accept the Consent Items as listed</b></p>		<p><b>MOTION:</b> by Bassett, 2<sup>nd</sup> by Larson and carried to approve the Consent Items as submitted. All in favor. None opposed.</p>	
<p><b>PRESENTATION</b></p> <ul style="list-style-type: none"> <li>AHA San Diego County Presentation</li> </ul>	<p><i>Deferred</i></p>	<p>Chairman Rivera noted that Dr. Stein was unable to attend but referred to recognition of PPH in "Go Red for Women" in association with the American Heart Association in addressing women on the issue of female heart disease. In addition, an invitation had been issued to attend the "Get with the Guidelines" Recognition Ceremony November 13 in Chicago.</p>	
<ul style="list-style-type: none"> <li>San Diego Magazine Recognition Award to PPH - "One of Top Three Best Places to Work in</li> </ul>	<p>Ms Lorie Shoemaker informed that PPH had recently been recognized by San Diego Magazine as "One of the Top Three Best Places to Work in San Diego" and felt that this</p>	<p>Chairman Rivera thanked Mr. Wallie George for this prestigious award to PPH, noting that we would continue working until we were recognized as</p>	



AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
San Diego"	was quite a feat as PPH went through a grueling interview process in addition to a randomly-selected employee questionnaire process. Included in the evaluation were pto, health insurance, and the value of diversity in the organization. She called upon Mr. Wallie George, Chief Human Resource Officer, to present the award to Chairman Rivera on behalf of the Board.	being top.	
<b>REPORTS</b>			
<b>Medical Staff</b>			
<b>Palomar Medical Center</b>			
<ul style="list-style-type: none"> <li>▪ Credentialing</li> </ul>	Robert D. Trifunovic, MD., Chief of PMC Medical Staff, presented PMC's requests for approval of Credentialing Recommendations.	<p><b>MOTION:</b> by Kleiter, 2<sup>nd</sup> by Bassett and carried to approve PMC Medical Staff Executive Committee credentialing recommendations for the PMC Medical Staff, as presented. All in favor. None opposed.</p> <p>Directors Greer and Larson abstained to avoid potential conflict of interest.</p>	
<ul style="list-style-type: none"> <li>▪ Credentialing – Patrick M. O'Meara, M.D.</li> </ul>	Robert D. Trifunovic, MD., Chief of PMC Medical Staff, presented an additional PMC request for approval of Credentialing Recommendations for Patrick M. O'Meara M.D..	<p><b>MOTION:</b> by Kleiter, 2<sup>nd</sup> by Bassett and carried to approve PMC Medical Staff credentialing for Patrick M. O'Meara, M.D., for a further 30 days, and not per the Executive Committee's recommendation for reappointment of Dr. O'Meara through 04/30/2007.</p> <p>All in Favor. None opposed.</p>	
<ul style="list-style-type: none"> <li>▪ Dept of Medicine Rules &amp; Regulations Modifications</li> </ul>	Robert D. Trifunovic, MD., Chief of PMC Medical Staff, presented the Department of Medicine Rules and Regulations Modifications request for approval.	<p><b>MOTION:</b> by Kleiter, 2<sup>nd</sup> by Bassett and carried to approve the Department of Medicine Rules and Regulations Modifications as submitted.</p> <p>All in favor. None opposed.</p>	
<ul style="list-style-type: none"> <li>▪ Dept of Trauma Rules &amp; Regulations Modifications</li> </ul>	Robert D. Trifunovic, MD., Chief of PMC Medical Staff, presented the Department of Trauma Rules and Regulations Modifications request for approval.	<p><b>MOTION:</b> by Krider, 2<sup>nd</sup> by Bassett and carried to approve the Department of Trauma Rules and Regulations Modifications as</p>	

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AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
		submitted, noting that section 8.4, 2 <sup>nd</sup> line, "multiply" should read "multiple"...injured patient,... All in favor. None opposed.	
<ul style="list-style-type: none"> <li>▪ Dept of Family Practice Rules &amp; Regulations Modifications</li> </ul>	Robert D. Trifunovic, MD., Chief of PMC Medical Staff, presented the Department of Family Practice Rules and Regulations Modifications request for approval.	<b>MOTION:</b> by Kleiter, 2 <sup>nd</sup> by Bassett and carried to approve the Department of Family Practice Rules and Regulations Modifications as submitted. All in favor. None opposed.	
<ul style="list-style-type: none"> <li>▪ PPH Performance Improvement/Patient Safety Plan</li> </ul>	Robert D. Trifunovic, MD., Chief of PMC Medical Staff, presented the PPH Performance Improvement/Patient Safety Plan request for approval.	<b>MOTION:</b> by Kleiter, 2 <sup>nd</sup> by Larson and carried to approve the PPH Performance Improvement/Patient Safety Plan as submitted. All in favor. None opposed.	Special thanks were extended to Ms Opal Reinbold and her staff for their involvement in the Plan.
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.	Directors Greer and Larson abstained to avoid potential conflict of interest.
Pomerado Hospital			
<ul style="list-style-type: none"> <li>▪ Credentialing</li> </ul>	Paul E. Tornambe, MD., Chief of Pomerado Medical Staff, presented Pomerado Hospital's requests for approval of Credentialing Recommendations.	<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.	Directors Greer and Larson abstained to avoid potential conflict of interest.

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
Administrative	Mr. Al Stehly		
Chairperson - Palomar Pomerado Health Foundation	<p>Mr. Stehly introduced Mr. Dana Dawson, newly-arrived Chief Fund-Raising Officer for the Foundation.</p> <p>Mr. Stehly noted that there would shortly be a presentation to Dr. Rivera of a check for \$20,000 from the Foundation to Ramona Unified School District for a Health Careers Pathway. Twenty-seven students had currently enrolled in this partnership with public schools and healthcare as part of GO-MED, similar to the Mission Hills Program.</p>		
Chairman of the Board - Palomar Pomerado Health	<p>Marcelo R. Rivera, MD</p> <p>Chairman Rivera welcomed Mr. Dawson acknowledging that he would be successful in his fund-raising capacity.</p> <p>He also commented that it was an honor for him to attend the San Diego Magazine recognition event with Mr. Wallie George.</p>		
President and CEO	Michael H. Covert		
<ul style="list-style-type: none"> <li>9-11 Tragedy</li> </ul>	<p>Michael Covert shared his memories of 9/11, 2001 at Washington Hospital, noting that the most difficult thing was that they could not save more people that day as there were no survivors. The courage of the hospital staff was exemplary, many of whom had family members at the Pentagon, but they refused to leave. He had seen similar occur at PPH during the October 2003 fires, but hoped that this community would never have to experience what occurred in Washington DC.</p>		
<ul style="list-style-type: none"> <li>4<sup>th</sup> Annual Rehab Week</li> </ul>	<p>It was noted that the 4<sup>th</sup> Annual Rehab Week would be held week of September 18 with Luncheon September 20.</p>		
<ul style="list-style-type: none"> <li>ACHD Annual Meeting Sept 27-29, 2006 San Diego</li> </ul>	<p>The ACHD Annual Meeting was this year being held in San Diego from September 27 - 29 and the Board was encouraged to attend,</p>		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
<ul style="list-style-type: none"> <li>Sept 19, 2006 Joint Board/Strategic Planning Quarterly Architectural Meeting</li> </ul>	<p>noting that there may be opportunities for leadership on the Board of ACHD.</p> <p>A Joint Board/Strategic Planning Committee meeting was scheduled for Tuesday, September 19 for a quarterly update with our architects, noting we were pleased with progress to date.</p>		
<ul style="list-style-type: none"> <li>"Cause for Applause" Breakfast</li> </ul>	<p>A "Cause for Applause" Breakfast was scheduled for Friday, September 15 to acknowledge those who had received the most cards within the system, and that this program has proved very popular.</p>		
<ul style="list-style-type: none"> <li>Quarterly Reports from Executive Staff - Gerald Bracht</li> </ul>	<p>Gerald Bracht, Chief Administrative Officer, Palomar Medical Center commended the Laboratory as being one of the best labs ever surveyed, noting that a biennial inspection by 15 surveyors of the College of American Pathologists were very impressed by lab operations and daily medical staff integration with the lab, including friendly and helpful staff throughout both hospitals.</p> <p>Updates as follows:            Brachy therapy services to begin end of September allowing patients to receive high dose radiation therapy locally.</p> <p>The birth center achieved a new record in August with 403 births.</p> <p>Diagnostic cardiology services were enhanced in August, made possible by the generous donation of Darlene and Ben Farber.            Medical Staff from Surgery and OB/Gyn were able to trial the robotic DaVinci surgical system, with PMC pursuing placement of this new technology on campus to assure the latest in proven medical technology for district residents.</p> <p>On August 23 and September 1, physicians from Kaiser representing many specialties,</p>		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
<p>- Jim Flinn</p>	<p>visited our mock up rooms for the new hospital, offering their feedback. Such input was invaluable in assuring a productive and pleasing environment for patients.</p> <p>Electrical panels serving the four primary elevators for the McLeod Tower and West Wing were successfully replaced the night of August 24.</p> <p>In addition, the County of San Diego completed its Base Hospital Contract audit for year ended December 31, 2005 and found the hospital's Pre-hospital Base Station in full compliance. Dr. Michele Grad, Cheryl Gradon and Russ Fraser were recognized for their continuing efforts. <i>(Attached to original).</i></p> <p>Jim Flinn, Chief Administrative Officer, Pomerado Hospital, introduced from the audience Ms Pilly Haight, newly installed President of Pomerado Auxiliary.</p> <p>Finance: Mr. Flinn reported Pomerado's average daily census of 71/77/75 for July/August/September respectively, with Salary Wages and Benefits at or better than 100%.</p> <p>Quality: In connection with quality and the balanced scorecard, he noted credentialing privileges for the Angio Suite, and the Bariatric Center of Excellence Survey through The American Association for Bariatric Surgery.</p> <p>Workforce/Workplace Excellence: Mr. Flinn provided a construction update including parking, MRI relocation, with new 64-slice state-of-the-art CT scanner arriving mid-October to replace the old CT. The Outpatient Services Pavilion was on target and Parking Deck would also meet deadline of</p>		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
<p>- Ms Sheila Brown</p>	<p>May 2007.            In addition, centralization/regionalization of all "support services" including I/S, Professional and Support Services was occurring.            Customer Service/Patient Loyalty:            The new employee recognition "STAR" program was now in effect. <i>(Attached to original).</i>            Ms Sheila Brown, Chief Clinical Outreach Officer, provided a verbal report to the Board noting that            Finance:            PCCC and Villa Pomerado occupancies are running at 92-96% with increased utilization. Steve Gold and Sheila Brown are working on an 18-bed feasibility and business plan to add SNF beds back to Villa Pomerado.            Corporate Health:            An increased contract had been made with Executive Health International, to provide an additional 200 executive physicals in FY07, ie., 67% increase from original projection.            In addition, approach was made by Zenith Insurance to contract workers compensation services for their new MPN with reimbursement offered at 100%.            New business was projected with Health Risk Appraisal and City of Poway employees by late Fall.            Workforce Development:            Former Administrative Fellow Stonish Pierce remains with PPH and will assume the role of Project Manager for Clinical Outreach Services, including grant administration of the <i>Welcome Home Baby</i> program's east region subcontract, outpatient services business development, including a business proposal for potential retail healthcare clinics in San Diego</p>		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	<p>County.</p> <p>Behavioral Health:            Dr. Gorman recently joined the staff of Palomar Psychiatric Outpatient Program with increased patient satisfaction and support to current psychiatrists. This program moving to San Marcos end of September allowing for more space/patient access.</p> <p>Dr. Mihas, new psychiatrist for Pomeroado Gero-Psychiatric Unit, joined the staff in July providing additional support.</p> <p>Pomeroado Psychiatric O/Patient Program is moving to Rancho Penasquitos to allow for a different demographic patient population, and offer the program in that area.</p> <p>An update was provided on the Press Ganey Presentation noting that in February we would have 6 months trend data. <i>(Attached to original).</i></p>		
<p>- Ms Lorie Shoemaker</p>	<p>Ms Lorie Shoemaker, Chief Nurse Executive, provided the Board with information on the following:</p> <p>9<sup>th</sup> Annual Acute Care Seminar would be held September 12 at the California Center for the Arts, with over 180 attendees anticipated.</p> <p>In addition, a CLAS Conference for Culturally and Linguistically Appropriate Services for later implementation at PPH would be held September 30.</p> <p>Ms Shoemaker was proud to relay that YTD the Nursing Division was running at 100% productivity and more than \$250,000 better than budget.</p> <p>She also was proud to note that the American</p>		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	<p>Nurses Credentialing Center had informed that our Magnet application was accepted and that we are on track for submission of documentation to them April 1, 2008. Exemplars will be gathered and documented over the next 18 months on ways in which we exhibit the 14 Forces of Magnetism in all our facilities. <i>(Attached to original).</i></p> <p><i>Discussion by exception only</i></p>		
<p><b>INFORMATION ITEMS</b></p> <ul style="list-style-type: none"> <li>▪ Strategic Planning</li> <li>▪ Finance</li> </ul>			
<p><b>COMMITTEE REPORTS</b></p>	<p><i>None</i></p>		
<p><b>BOARD MEMBER COMMENTS/AGENDA ITEMS FOR NEXT MONTH</b></p>	<p>Director Powers extended his welcome to Mr. Dana Dawson. He also commented on the CSUSM School of Nursing that he had recently visited with his wife, noting 44 students were already enrolled with a further 44 later, and that there had been 250 applicants, therefore we had been able to recruit some excellent candidates.</p> <p>Director Kleiter echoed these sentiments, noting that he was also very impressed with the accomplishments of the Director of the School.</p> <p>Director Bassett commented upon AB 1316 pending legislation regarding Medical Peer Review. She also thanked those involved for providing the germicidal hand gel at all elevators and hoped that visitors and staff would use it.</p> <p>Director Greer stated that she too was very impressed with the new Nursing School.</p> <p>Director Larson was proud of the recognition programs that are being achieved by PPH such as, "Best Place to Work" which are staff-supportive, so that all may work together toward such achievements of outstanding recognition, noting that the culture is changing.</p>		



AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
<ul style="list-style-type: none"> <li>• Visit to Sharp Hospital</li> </ul>	<p>Chairman Rivera also welcomed and thanked Ms Pilly Haight for everything that she does for the Pomerado Auxiliary and at PMC, stating that the human touch was very reassuring.</p> <p>He then read out a letter of appreciation to the Board dated September 6, 2006 (<i>attached to original</i>) received from Mr. Kenneth Lounsbury, attorney and former Board Member, complimenting Physicians and Staff at PMC who had been directly involved in his recent admission and inpatient stay. Following Chairman Rivera's request, the letter had been copied to the Board for information with subsequent appreciation sent to Mr. Lounsbury.</p>		
<p><b>ADJOURNMENT</b> (followed by resumption at 8:10 p.m. of Special Board Meeting/Closed Session, for which no action was anticipated).</p> <p><b>SIGNATURES</b></p> <ul style="list-style-type: none"> <li>▪ Board Secretary</li> <li>▪ Board Assistant</li> </ul>	<p>Chairman Rivera relayed that a couple of Board Members would be visiting Sharp Hospital for an upcoming session with a panel of outside experts regarding their new hospital.</p> <p>8:00 p.m.</p> <p>_____</p> <p>Linda C. Greer, R.N.</p> <p>_____</p> <p>Christine D. Meaney</p>	<p><b>MOTION:</b> by Krider, 2<sup>nd</sup> by Larson and carried to adjourn the Regular Board Meeting, resuming the Special Board Meeting/Closed Session following a short break, and for which no action was anticipated.</p>	

# **ADDENDUM "A"**

**JUNE 27, 2006 Jt Board/Finance Committee Minutes**

**Palomar Pomerado Health**  
**JOINT Board and FINANCE COMMITTEE MEETING**  
Pomerado Hospital, 15615 Pomerado Road, Poway, CA

Meeting Room E  
Tuesday, June 27, 2006, Meeting Minutes

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP
<b>NOTICE OF MEETING</b>	The notice of meeting was mailed before close of business on Friday, June 23, 2006, which is consistent with legal requirements		
<b>MEETING CALLED TO ORDER</b>	6:02 p.m. by Chairman Marcelo Rivera, M.D.		
<b>ESTABLISHMENT OF QUORUM</b>	By roll call. Present: Directors Nancy Bassett, R.N., Linda Greer, R.N., Ted Kleiter, Bruce Krider, Gary Powers and Marcelo Rivera, M.D.		
<b>ATTENDANCE</b>	Also in attendance were: Michael Covert, Bob Hemker and Scribe Tanya Howell		
<b>PUBLIC COMMENTS</b>	There were no public comments.		

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP
<p>ADJOURNMENT TO CLOSED SESSION</p>	<p>After the establishment of a quorum, the meeting adjourned to Closed Session at 6:05 p.m.:</p> <ul style="list-style-type: none"> <li>- PURSUANT TO CALIFORNIA GOVERNMENT CODE §54956.8</li> <li>PROPERTY: ASSESSOR PARCEL #229-442-01-00 AND LAND AND VALLEY PARKWAY, BUILDING COMMONLY KNOWN AS 451 EAST ESCONDIDO, CA</li> <li>AGENCY NEGOTIATOR: BOB HEMKER, CFO, PPH</li> <li>NEGOTIATING PARTIES: BOB HEMKER AND PROPERTY OWNER JOAN IRVING</li> <li>UNDER NEGOTIATION: INSTRUCTION TO NEGOTIATOR WILL CONCERN PRICE AND TERMS</li> <li>ESTIMATED DATE OF PUBLIC DISCLOSURE: AUGUST 2006</li> <li>~ Anticipated Action</li> <li>- PURSUANT TO CALIFORNIA GOVERNMENT CODE §54956.8</li> <li>PROPERTY: ASSESSOR PARCELS #281-190-9-00 THROUGH #281-190-12-00 AND LAND AND BUILDINGS COMMONLY KNOWN AS 114 14<sup>TH</sup> STREET RAMONA, CA</li> <li>AGENCY NEGOTIATOR: BOB HEMKER, CFO, PPH</li> <li>NEGOTIATING PARTIES: BOB HEMKER AND PROPERTY OWNER ERNST AUERBACH</li> <li>UNDER NEGOTIATION: INSTRUCTION TO NEGOTIATOR WILL CONCERN PRICE AND TERMS</li> <li>ESTIMATED DATE OF PUBLIC DISCLOSURE: AUGUST 2006</li> <li>~ Anticipated Action</li> <li>- PURSUANT TO CALIFORNIA GOVERNMENT CODE §54954.5(h)</li> <li>REPORT INVOLVING TRADE SECRET DISCUSSION WILL CONCERN CAPITATION STRATEGY FOR CALENDAR YEAR 2007</li> <li>ESTIMATED DATE OF PUBLIC DISCLOSURE: DECEMBER 31, 2006</li> <li>~ Anticipated Action</li> </ul>	<p><b>MOTION:</b> By Director Kleiter, seconded by Director Bassett and carried to adjourn to closed session.</p>	
<p>OPEN SESSION CALLED TO ORDER</p>	<p>By Chairman Rivera at 7:30 p.m.</p>		
<p>ACTION RESULTING FROM CLOSED SESSION DISCUSSION</p>	<ul style="list-style-type: none"> <li>• Assessor Parcel #229-442-01-00 and land and building commonly known as 451 East Valley Parkway, Escondido, CA</li> </ul>	<p><b>MOTION:</b> Seconded and carried to instruct Management to accelerate the required timeline in the City of Escondido MOU and enter into negotiations for purchase of said property.</p>	

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP
	<p>Assessor Parcels #281-190-9-00 through #281-190-12-00 and land and buildings commonly known as 114 14<sup>th</sup> Street, Ramona, CA</p> <p>Chairman Rivera stated that both of the above actions were taken in keeping with the stated goals and directions of the hospital Board—the first taken in terms of commitments made to the City of Escondido; the second in terms of commitments made to the Citizens of Ramona.</p> <ul style="list-style-type: none"> <li>Capitation Strategy for Calendar Year 2007</li> </ul>	<p><b>MOTION:</b> By Director Krider, seconded and carried to approve the Letter of Intent to Purchase and instruct Management to consummate the transaction, subject to completion of Due Diligence, at a price consistent with the Letter of Intent.</p> <p><b>MOTION:</b> By Director Kleiter, seconded by Director Krider, and carried (w/Chairman Rivera &amp; Director Greer declining to vote) for Palomar Pomerado Health to adopt a capitation risk pool policy requiring an upside and downside sharing of risk be applied on an equal and consistent basis over a trended period of time. Further, Management is instructed to develop a formal policy for adoption by the Board of Directors at an upcoming meeting, consistent with the criteria identified herein, said policy to be effective with the 2007 Calendar Year capitation plans.</p>	
INFORMATION ITEM(S)	None		

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP
<p><b>PLAN OF FINANCE AND REVENUE BOND ISSUANCE</b></p>	<p>Chairman Rivera welcomed the guests and turned the floor over to Bob Hemker, who made introductions of the members of the Financing Team: Ellen Riley of Kaufman Hall and Peter Reilly of Citigroup, leading the discussions; accompanied by Chad Keenan of Citigroup &amp; Eric Jordahl of Kaufman Hall. The attached presentation was used to aid discussion.</p> <ul style="list-style-type: none"> <li>• Plan of Finance last reviewed with the Board in April 2006 <ul style="list-style-type: none"> <li>o Efforts ongoing toward issuance of Revenue Bonds</li> <li>o Meetings held with potential bond insurers and with rating agencies</li> <li>o Updates regarding the following were discussed: <ul style="list-style-type: none"> <li>• Issuance of monies</li> <li>• How to be issued</li> <li>• Instrument(s) to be used</li> <li>• Timing and purposes</li> </ul> </li> </ul> </li> <li>• Discussion ensued regarding timing, potential insurance instruments and proposed revenue bond instrument, with requisite Board resolution encompassing actions that will allow Management to proceed with issuance</li> <li>• Ongoing bond insurer discussions have been held <ul style="list-style-type: none"> <li>o Successful discussions, none yet finalized <ul style="list-style-type: none"> <li>• Rates to be charged are yet to be negotiated</li> <li>• Proposed terms and covenants and how they would affect existing bonds are being evaluated and negotiated</li> </ul> </li> </ul> </li> </ul> <p>Overriding Question: What insurance, if any, makes sense for the District?</p> <ul style="list-style-type: none"> <li>• Preliminary Offering for Official Statement (POS) <ul style="list-style-type: none"> <li>o In initial phases; will translate into OS, upon completion of drafting</li> </ul> </li> <li>• Expect rating of A3 (stable outlook)</li> <li>• Page 5 – Current Plan of Finance as approved by the Board</li> <li>• Page 6 – Plan of Finance updated to allow flexibility <ul style="list-style-type: none"> <li>o Smaller issue of Revenue Bonds for 2006</li> </ul> </li> <li>• Revenue Bond issuance anticipated to market in mid- to late October 2006</li> <li>• Par amount of Revenue Bonds at \$150 million</li> <li>• Pages 9 &amp; 10 – Comparison of various forms of Fixed Rate Debt <ul style="list-style-type: none"> <li>o Little difference in the two traditional forms</li> <li>o Beneficial interest in Synthetic Fixed Rate Debt (4.16% rate w/\$4 million in annual interest vs. 4.99%/5.01% rates w/\$5.2 million/\$4.9 million in interest, respectively)</li> <li>o Synthetic Fixed Rate forecast is flat vs. Traditional Fixed Rate's upward curve</li> </ul> </li> <li>• Page 11 – Benefits &amp; considerations re: Synthetic Fixed Rate Debt <ul style="list-style-type: none"> <li>o Substantial savings on interest over the life of the bond, which will affect P&amp;L</li> <li>o Consistent with policy</li> <li>o Benefit of about \$40 million</li> <li>o Prudent structure with slight risk</li> <li>o Sharp reduction in margin tax rates over the next few years might cause reduction and/or negative interest savings</li> </ul> </li> </ul>	<p><b>Motion:</b> By Director Rivera, seconded by Director Kleiter and approved unanimously that the Board Approve the Resolution Authorizing the Issuance of Palomar Pomerado Health Revenue Bonds or Palomar Pomerado Health Certificates of Participation in Such Aggregate Principal Amount as Shall be Necessary to Provide up to \$150 Million Dollars for Capital Projects, Authorizing the Issuance of Palomar Pomerado Health Revenue Refunding Bonds or Palomar Pomerado Health Refunding Certificates of Participation in Such Aggregate Principal Amount as Shall be Necessary to Refund All or a Portion of Palomar Pomerado Health System Insured Revenue Bonds, Series 1993 and Palomar Pomerado Health System Insured Refunding Revenue Bonds, Series 1999, Authorizing One or More Hedging Transactions in Connection with All or a Portion of Said Bonds or Certificates of Participation and Said Refunding Bonds or Refunding Certificates of Participation, Authorizing the Execution and Delivery of One or More International Swaps and Derivatives Association, Inc. Master Agreements, Schedules, Confirmations and Credit Support Annexes Relating to All or a Portion of Said Bonds or Certificates of Participation and Said Refunding Bonds or Refunding Certificates of Participation, Authorizing Securing Municipal Bond Insurance, Reserve Fund Instruments and Swap Insurance in Connection with all or a Portion of Said Bonds or Certificates of Participation and Said Refunding Bonds or Refunding Certificates of Participation and Said Hedging Transactions, and Authorizing the Taking of all Actions Necessary or Advisable in Connection Therewith.</p>	

<p><b>ADJOURNMENT</b></p>	<p>There being no further business, the meeting was adjourned at 8:20 p.m.</p>	<p><b>MOTION:</b> By Director Kleiter, seconded by Director Bassett and carried to adjourn.</p>
<p><b>SIGNATURES:</b></p> <ul style="list-style-type: none"> <li>• <b>BOARD CHAIR</b> _____ Marcelo Rivera, M.D.</li> <li>• <b>BOARD SECRETARY</b> _____ Linda Greer, R.N.</li> </ul>		

Palomar Pomarado Health  
**BOARD OF DIRECTORS**  
**SPECIAL BOARD MEETING**  
**ANNUAL BOARD SELF-EVALUATION**

Rancho Bernardo Inn, Grandee Room,

Rancho Bernardo, California

Wednesday, December 14, 2005, 6:00 p.m. for 6:30 p.m.

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
CALL TO ORDER	6:40 p.m. Quorum comprised Directors Bassett, Greer, Kleiter, Krider, Larson and Rivera.		
NOTICE OF MEETING	Notice of Meeting was mailed consistent with legal requirements		
PUBLIC COMMENTS	None		
Revisions to Pension 401(a) Plan and Deferred Compensation 457 Plan	Board Chairman Rivera explained that there was need to bring to attention amendments to the Pension 401(a) Plan and Deferred Compensation 457 Plan, noting that much negotiation had already occurred and that there was nothing new in this submission. Bob Hemker, Wallie George and Brenda Turner were also present for this item.  A Summary of Pension Plan Amendments was then distributed indicating Amendments #1, 2 and 3, all three having been previously approved amendments on October 20, 2003, March 15, 2004 and June 14, 2004 respectively, so that such amendments could be incorporated into the Plan. <i>(attached to original)</i>  Following Board discussion and Staff response, motion was made, after which Bob Hemker, Wallie George and Brenda Turner left the meeting.	<b>MOTION:</b> by Larson, 2 <sup>nd</sup> by Kleiter and carried to approve the incorporation of amendments #s 1, 2 and 3 to the Pension 401(a) Plan and Deferred Compensation 457 Plan as submitted and outlined in the Summary.  All in favor. None opposed.	
PPH Succession Planning Policy	In response to Board request, Michael Covert produced a draft of a PPH Succession Planning Policy with regard to developing and maintaining a PPH Succession Planning Policy, and to review such plan with the	Following discussion, it was agreed that ten years' experience and up would be preferable, and per Director Larson, it was generally agreed that pg.4/para. 4/first line -	



AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	<p>Board on a regular basis.</p> <p>The policy is to assist the Board in the event of an immediate vacancy, unanticipated short-term or long-term caused by the death or extended disability of the CEO, or key member of the management team; an impending vacancy occurring within several months caused by notice of resignation; or an anticipated vacancy from a long-term notice by the CEO or member of the senior management team due to resignation or retirement. It would also provide clarity to the transition process with minimal disturbance to the District and serve to encourage and enhance professional growth and development of the Leadership Team.</p> <p>He continued that Governance Committee and other input had been received. However, it had not been clarified as to whether an individual must have ten years' experience but that the language in the policy should ensure flexibility.</p> <p>Mr. Covert would also discuss this draft policy at ACHD and CHA.</p> <p>Director Greer expressed her approval that such a policy was in process.</p>	<p>"Representation on the Search Committee will include" be amended to "may include".</p> <p>Director Kleiter also felt that "Legal Counsel" should be included on this list of "Representation on the Search Committee".</p> <p>Mr. Covert thanked the Board for their input into this policy.</p>	
<p>Introduction of Board Self-Evaluation Facilitator – Ronald N. Riner, MD, FACC The Riner Group</p>	<p>Chairman Rivera introduced and welcomed Dr. Riner of The Riner Group, facilitator for the Board's Self-Evaluation, thanking him for returning in this capacity. He then read out Dr. Riner's bio.</p> <p>Dr. Riner responded that it was a pleasure to return to provide insight into the Board's Annual Self-Evaluation and act as facilitator as he had been watching the progress the Board had made.</p>		
<p>"FastTrack" Board Self-Assessment Survey Results</p>	<p>He then reviewed the "FastTrack Board Self-Assessment" including Overall Ratings,</p>		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	<p>Board Duties &amp; Responsibilities, Board Practices, and Board Member Performance, noting that the Board is comprised of seven publicly elected members and that the ideal number for a board is between 7-12 members, although Director Kleiter noted that up to 40 is known, but can become unwieldy.</p> <p>Michael Covert relayed that community results would be available to the Board sometime during the year through Needs Assessment surveys.</p> <p>Dr. Riner continued that most of the results were excellent.</p> <p>Regarding <b>Board Practices</b>, Mr. Covert referred to a seven-year capital plan but does not appear to be doing a good enough job for the Board.</p> <p>Director Bassett felt that if there was a Board Member not on Finance or Strategic Planning Committees, that member may not fully appreciate what was occurring.</p> <p>Chairman Rivera felt that we need to communicate these reports a little better to other Board members, particularly through the various Board Committee Chairs who are available at any time.</p> <p>Following input from Director Krider, Mr. Covert proposed that we make these more demonstrative for the Board. Director Larson suggested these be presented at monthly Board Educational sessions as key stewardship responsibilities.</p> <p>Director Bassett felt that informational items might be included as an executive summary by Board Committee Chairs, highlighting whatever he or she believes is important for</p>		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	<p>the Board to be aware of. However, Dr. Riner cautioned that we did not want the Board to re-work what the Committee had done. In response, Director Bassett felt that some Committees' summations (or narratives) were a little meager.</p> <p>Regarding meetings with External Auditors, it was felt this was part of the Internal Audit Committee's function.</p> <p>Concerning p.9, Director Greer noted under O) that 50% of Board Member responses felt that "more than half of the board meeting was spent discussing strategic issues as opposed to hearing reports". Conversely, it was considered that some of the Special Board Educational sessions were report sessions.</p> <p>In reference to Dr. Riner's suggestion of an internal bulletin board where committee minutes might be posted, Mr. Covert relayed that as soon as minutes are approved, these documents are posted online by staff.</p> <p>Regarding forwarding documents to the committee ahead of time to a meeting, Dr. Riner cautioned against "daisy-chaining" and that we needed to be cognizant of the Brown Act. Mr. Covert agreed.</p>		
<p><b>Comprehensive Board Self-Assessment Survey Results</b></p>	<p>Dr. Riner then reviewed the Comprehensive Board Self-Assessment results, including Overall Ratings, Fiduciary Duties of Care, Loyalty and Obedience, Financial Oversight, Quality Oversight, Setting Strategic Directions, Self-Assessment and Development, Management Oversight, Advocacy, Select Practices, Board Member Performance, and Summary.</p>		
	<p>Regarding <b>Financial Oversight</b> (p.12 of</p>		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	<p>Comprehensive Self-Assessment results), Director Greer was not sure, as there was so much happening in this area. Chairman Rivera responded that he needed to carefully review the strategic aspects of Board membership of Committees to ensure that all Board Members become familiar with the many activities and information provided by the Committees.</p>		
	<p>In connection with board policy training, Chairman Rivera relayed that we have a Conflict of Interest Policy and this is a matter on which there is need for some Board Education/Training. Mr. Covert responded that we have a written policy describing ethical practices for financial reporting, but it was already planned that the full Board be invited to attend a mandatory two hours Ethical Training per year, and at least one hour Board Policy Training.</p>		
	<p>Concerning <b>Quality Oversight</b> (p. 16 – item E of the Comprehensive Board Self-Assessment results) and the requirement for management to have a current medical staff development plan that identifies the organization’s needs for ongoing physician availability, response was that we were required to obtain such a report externally and Marcia Jackson reviews it with the Strategic Planning Committee of the Board as the report was needed for recruitment purposes.</p>		
	<p>Regarding results for <b>Setting Strategic Direction</b>, pg. 18 of survey results, Director Kleiter suggested that the small red section on the graph indicating “No” probably resulted from those who did not serve on Finance Committee. Overall there was a favorable response.</p>		
	<p>In addition, <b>Self-Assessment and Development, Management Oversight and Advocacy, Select Practices, and Board</b></p>		

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AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	<p>Member Performance results were all reviewed and discussed including any small red areas on the graphs. In conclusion, Director Bassett felt that such areas could have been a matter of semantics, ie., how the questions were asked, and that awareness of communication between Board Members was the key.</p> <p>Relative to the aspect of fund development and/or philanthropy, Mr. Covert noted this would eventually include a joint boards meeting concerning fund-raising.</p>		
<p><b>SUMMATION</b></p>	<p>Both Dr. Riner and Mr. Covert felt that this Board was performing extremely well. There had also developed a "rhythm" of the whole Board, with each Committee remaining focused on what it should be doing.</p> <p>Dr. Riner continued that in general these were good Board Survey results, with select questions in particular areas suggesting further attention. These were:</p> <ul style="list-style-type: none"> <li>• Future board member identification, board member selection criteria, and board member performance evaluation;</li> <li>• CEO and top management succession planning;</li> <li>• Board's role in fund development and advocacy (ie., governmental relations program);</li> <li>• Board member and physician conflict of interest policies;</li> <li>• General board meeting issues (receipt of material beforehand, spending more time on strategic issues, etc.)</li> <li>• "Don't Know" answers need to be addressed.</li> </ul>		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	<p>It was felt that these matters could be dealt with via better communication, encouraging board members to contact the Committee Chairs and not necessarily administrative staff, or through the CEO for contact with the appropriate staff person.</p> <p>Mr. Covert emphasized the need for Board Members to stay very disciplined about information from a Committee Chair as they had to be very careful on interpretation, and not violate the Brown Act.</p> <p>Chairman Rivera stated that everyone on the Board has equal access, and he had enjoyed working with the Board this past year. Director Bassett concurred.</p> <p>On behalf of the Board, Chairman Rivera sincerely thanked Dr. Riner and Mr. Covert for the work undertaken in presenting this Annual Board Self-Evaluation</p>		
ADJOURNMENT to break	<p>8:40 p.m.</p>	<p>MOTION: by Greer, 2<sup>nd</sup> by Larson and carried to adjourn to a break and reconvene at 8:50 p.m. All in favor. None opposed.</p>	
RESUMPTION OF MEETING	<p>8:50 p.m.</p>		
<ul style="list-style-type: none"> <li>Summaries of Board Committee Accomplishments for Calendar Year 2005</li> </ul>	<p>For informational purposes, Board Committee Accomplishments for calendar year 2005 were briefly reviewed by Mr. Covert, including Committee Best Practices around the U.S.</p>		
<ul style="list-style-type: none"> <li>PPH Monthly Board Educational Schedule end 2006 thru 2006</li> </ul>	<p>Mr. Covert provided for information, a matrix of the Board Monthly Educational Schedule for end 2005 through 2006.</p>		
<ul style="list-style-type: none"> <li>CEO Evaluation Matters</li> </ul>	<p>Mr. Covert provided for information a copy of Board and Committee Position Descriptions.</p>		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
FINAL ADJOURNMENT	9:15 p.m.		
SIGNATURES <ul style="list-style-type: none"> <li data-bbox="337 1621 370 1852">▪ Board Secretary</li> <li data-bbox="457 1621 490 1852">▪ Board Assistant</li> </ul>	_____ Linda C. Greer, R.N.  _____ Christine D. Meaney		

**Palomar Pomerado Health  
BOARD OF DIRECTORS  
SPECIAL BOARD MEETING  
PUBLIC HEARING**

**TO ADOPT ADDENDUM TO THE ERTC SPECIFIC PLAN EIR**

Pomerado Hospital, Meeting Room E, Poway  
Tuesday, December 6, 2005 at 5:30 p.m.

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
CALL TO ORDER	5:30 pm Quorum comprised Directors Bassett, Greer, Kleiter, Krider, Larson, Rivera and Scofield. Guest: Attorney Allen Haynie		
NOTICE OF MEETING	Notice of Meeting was mailed consistent with legal requirements		
PUBLIC COMMENTS			
<ul style="list-style-type: none"> <li>Mr. Jeff Switzer</li> </ul>	Mr. Switzer of Escondido relayed that he had sent a letter to Chairman Rivera noting that there were significant planned changes for the ERTC as noted in the Addendum. Because of these changes a revised EIR should be prepared for the Escondido Research and Technology Center (ERTC), and voiced concern over the nearby Palomar Energy Project and sections of the PEP certification that are now changed including noise, traffic and transportation, public health and safety. He requested that since the original EIR, a new EIR should be prepared for the ERTC.	Chairman Rivera thanked the speakers for coming to address the Board as it was their right, even if there is not agreement in the matter, but requested to hear from the experts regarding these issues.	
<ul style="list-style-type: none"> <li>Mr. Robroy Fawcett</li> </ul>	Mr. Fawcett of Escondido also voiced concern on the ERTC EIR Addendum and proposed Resolutions, citing issues with the Addendum to the Final EIR for the ERTC, and the Resolutions.		
<ul style="list-style-type: none"> <li>Resolution No. 12.06.05 (01) – 24 – Adoption and required Findings and Statement of Overriding Considerations for the Addendum to the Final Environmental Impact</li> </ul>	Attorney Allen Haynie reported that there were three separate Resolutions before the Board for approval involving compliance with the California Environmental Quality Act; approval of the project; and action relative to the use of bond proceeds.	<b>MOTION:</b> by Kleiter, 2 <sup>nd</sup> by Bassett and carried unanimously that Resolution No. 12.06.05 (01) – 24 Adoption and Required Findings and Statement of Overriding Considerations for the Addendum to the Final Environmental Impact	



AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
<p>Report for the Escondido Research and Technology Center Specific Plan pursuant to the California Environmental Quality Act</p> <p>--Discussion/Review</p>	<p>He invited Mr. Mike Shanahan, PPH Director of Facility Planning and Development to briefly again review the project. Mr. Shanahan provided a review, with Mr. Haynie noting that the EIR was prepared prior to the ERTC site and that there was now a final EIR distributed to the public. Mitigation measures were adopted for that EIR. Whenever there was a change in the project, we had to examine the changes that alter the EIR.</p> <p>The consultants prepared the analysis to determine the change from an industrial use to a hospital use previously discussed in the EIR. The result of that analysis demonstrated that there were not going to be new significant changes.</p> <p>That Addendum was made available. A final version of the Addendum was now before the Board which was a little different to the previous version. We are required by CEQA to consult with other responsible agencies including the City of Escondido. We provided a copy of the draft to the City and heard their concerns. As a result of that discussion, additional information had been added to the Addendum regarding hazards, the nearby power plant, assurance of adequate water, aesthetics and views.</p> <p>The Final Addendum now presented, included such revisions resulting from that discussion, with a frontispiece attached noting those revisions that resulted from the discussion with the City including the added date of FEIR certification; enhanced hazards; enhanced public services and utilities; enhanced aesthetics and views that included an analysis of views from nearby residences; an MMRP as Attachment 1 identifying applicable mitigation measures from the FEIR not included</p>	<p>Report for the Escondido Research and Technology Center Specific Plan pursuant to the California Environmental Quality Act, be adopted, noting that the population figure be amended from 1.3 million to 592,000.</p> <p>All in favor. None Opposed.</p>	
<p>--Addendum to the ERTC Specific Plan Final EIR</p>			

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AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	<p>previously, and updated Figs. 2,4,5 and 6.</p> <p>Attorney Allen Haynie referred to Mr. Switzer's letter, responding that with regard to noise the EIR does address this issue and was undertaken Nov 1, 2005 with no issue associated with the hospital. Regarding traffic, the project was required to analyze those projects including any additional projects. The matter of public health was addressed in the Addendum regarding SEMPRA, as well as the issue of helicopters and power lines.</p> <p>Director Kleiter noted that Palomar Medical Center and its helipad was located in the center of the City of Escondido and there had been no helicopter incidents since the helipad was built.</p> <p>Following a question from Director Larson, Allen Haynie responded that the EIR had been fully reviewed and adopted by the City of Escondido and, as there were no new significant impacts, an Addendum was the proper mechanism to use.</p> <p>Director Krider referred to Mr. Buddie Gran's letter concerning the power plant.</p> <p>Mr. Haynie responded that the Addendum goes back to the data provided by SEMPRA as to whether that would present any kind of health risk. The conclusion by the experts was that it did not present a problem and the hazards situation had been fully reviewed and found to be of no concern.</p> <p>Director Krider inquired if we were comfortable with SEMPRA's report.</p> <p>Mr. Haynie responded that it went through the public process, and was vetted and analyzed.</p> <p>Mr. Haynie then stated that assuming the Board was comfortable with this Addendum</p>		


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AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
<ul style="list-style-type: none"> <li>Resolution No. 12.06.05 (02) – 25 Evidencing Compliance with the California Environmental Quality Act – Escondido Research and Technology Center Specific Plan Amendments for new Palomar Pomerado Healthcare Facilities</li> </ul>	<p>to the ERTC Specific Plan Final Environmental Impact Report dated December 6, 2005, there were two additional Resolutions for Board approval. Regarding the population figure quoted in the first resolution, Resolution No. 12.06.05 (01) – 24 (first paragraph/third line) this should be amended to read 592,000 and not 1.3 million.</p>	<p><b>MOTION:</b> by Krider, 2<sup>nd</sup> by Larson and carried unanimously that Resolution No. 12.06.05 (02) – 25 Evidencing Compliance with the California Environmental Quality Act – Escondido Research and Technology Center Specific Plan Amendments for new Palomar Pomerado Healthcare Facilities be adopted.</p>	
<ul style="list-style-type: none"> <li>Resolution No. 12.06.05 (03) – 26 of Approval for Palomar Medical Center Project</li> </ul>		<p>All in favor. None opposed. <b>MOTION:</b> by Larson, 2<sup>nd</sup> by Bassett and carried unanimously that Resolution No. 12.06.05 (03) – 26 of Approval for Palomar Medical Center Project be adopted.</p>	
<ul style="list-style-type: none"> <li>Acknowledgements</li> </ul>	<p>Chairman Rivera particularly thanked Bob Hemker and Michael Covert for their hard efforts in bringing this whole matter to successful fruition.</p>	<p>All in favor. None opposed.</p>	
<p><b>ADJOURNMENT</b></p>	<p>6:10 p.m.</p>		
<p><b>SIGNATURES</b></p>			
<ul style="list-style-type: none"> <li>Board Secretary</li> </ul>	<p>_____</p> <p>Linda C. Greer, R.N.</p>		
<ul style="list-style-type: none"> <li>Board Assistant</li> </ul>	<p>_____</p> <p>Christine D. Meaney</p>		

**PALOMAR POMERADO HEALTH  
 CONSOLIDATED DISBURSEMENTS  
 FOR THE MONTH OF  
 AUGUST 2006**

08/01/06	TO	08/31/06	ACCOUNTS PAYABLE INVOICES	\$31,174,366.00
08/11/06	TO	08/25/06	NET PAYROLL	<u>\$9,065,533.00</u>
				\$40,239,899.00

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

## August 2006 & Fiscal YTD 2007 Financial Report

**TO:** Board of Directors  
**FROM:** Board Finance Committee  
Tuesday, September 26, 2006  
**MEETING DATE:** Monday, October 9, 2006  
**BY:** Robert Hemker, CFO

**Background:** The Board Financial Reports (unaudited) for August 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 August 2006 and Fiscal YTD 2007

**Motion:** X

**Individual Action:**

**Information:**

**Required Time:**

**PALOMAR POMERADO HEALTH**

*A California Health Care District*

**BOARD FINANCIAL REPORT**

**AUGUST 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  
AUGUST 2006 FINANCIAL RESULTS  
EXECUTIVE SUMMARY and HIGHLIGHTS**

**Statistics:**

Consolidated acute patient days increased 355 days (3.87%) to 9,535 in August compared to July's 9,180 days. Actual acute patient days for August were 387 days lower than budget of 9,922. The acute Average Daily Census (ADC) was 308 in August, higher than July's 296, and lower than 320 ADC on a budgeted basis. Acute admissions for August were 2,464 compared to budget of 2,524 (-2.38% lower than budget). August SNF patient days were 6,517 compared to budget of 6,591 (-1.12% variance).

Palomar's acute patient days of 7,102 are below budget of 7,396 (-3.98% lower) resulting in a actual ADC of 229 compared to budget of 239. PMC had 2 trauma cases higher than budget but 18 cases more than July.

Pomerado's acute patient days are 93 days (-3.68%) lower than budget (actual = 2,433 budget = 2,526). Actual ADC was 78 compared to budget of 81. Acute admissions of 569 were lower (-14.31%) than budget of 664.

August consolidated surgery cases of 1,009 were down 3.07% from budget (cardiovascular surgery cases are 2 cases more than budget but 7 cases higher than July). August deliveries were 493 compared to a budget of 499 and previous year of 483.

**Balance Sheet:**

**Current Cash & Cash Equivalents** increased \$4 million from \$96 million in July to \$100 million in August. Total Cash and Investments are \$116 million, compared to \$129 million at June 30, 2006. Days cash on hand are 121. Working capital not yet reimbursed from G.O. Bond proceeds is approximately 20 days of cash.

**Net Accounts Receivable** increased to \$81.9 million in August as compared to \$78.6 million in July. Gross A/R days decreased from 58.4 days in July to 55.5 days in August.

Total patient account collections including capitation are \$29.1 million compared to budget of \$30.3 million. August collections are below budget, which is consistent with the previous years' trend. Budget is based on an even spread throughout the year and summer collections are typically low, with mid-year cumulative collections approaching budgeted targets.

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

**Other Current Liabilities** decreased \$768,000 primarily due to the realization of Deferred Property Tax Revenue in August.

**Income Statement:**

**Gross Patient Revenue** for YTD August reflects an unfavorable budget variance of \$9.2 million. This unfavorable variance is composed of a \$7.9 million unfavorable volume variance and \$1.3 million unfavorable rate variance. The YTD rate variance is the result of lower than budgeted acuity mix, including trauma and surgical cases.

Routine revenue (inpatient room and board) reflects an unfavorable \$1.7 million budget variance. All of the variance occurred in the North zone.

Inpatient Ancillary gross revenue represents an \$8.1 million unfavorable budget variance. The North zone reflects an unfavorable variance of \$4.4 million, and the South zone reflects a \$3.6 million unfavorable variance. The main contributors to the North zone's unfavorable



variance are in the Surgery and Supply Departments, totaling \$3.0 million lower than budget. The main contributors to the South zone's unfavorable variance are Surgery and Surgery Patient Supplies Revenue, totaling \$3.2 million lower than budget.

Outpatient revenue reflects a favorable budget variance of \$0.7 million. The North zone has a \$0.9 million favorable variance and The South zone has a \$0.4 million favorable variance. These two amounts are decreased by Outreach's \$0.6 unfavorable variance.

**Deductions from Revenue** reflects a YTD favorable variance of \$7.6 million. This is due to lower than budgeted volume and budgeted gross revenue. Total Deductions from Revenue is 68.8% of gross revenue compared to a budget of 69.4%.

Deductions from Revenue (excluding Capitation revenue and Bad Debt/Charity/Undocumented expenses), was 61.9% of Gross Revenue for July compared to budget of 64.8%.

The net capitation reflects a favorable budget variance of \$366 thousand. Cap Premium and Out of Network Claim Expense both show an unfavorable budget variance of \$555 thousand and \$1.35 million respectively. Cap Valuation shows a favorable variance of \$2.27 million to offset.

**Other Operating Revenue** reflects a YTD unfavorable budget variance of \$118 thousand. The most significant contribution to this variance is from the Foundation, where actual revenue is \$120 thousand below budget.

**Salaries, Wages & Contract labor** reflects a YTD favorable variance of \$1.6 million. This favorable variance is composed of: 1) Favorable Salaries and Wages – \$1.7 million (actual \$28.8 million), 2) Unfavorable Contract Labor – \$70 thousand (actual \$1.4 million). These variances are composed of: PPH North, a favorable \$502 thousand; PPH South, a favorable \$399 thousand; Central Office, a favorable \$641 thousand; and, Outreach, a favorable \$70 thousand.

**Benefits Expense** has a YTD unfavorable budget variance of \$21 thousand. The major contributor to this variance is Workers' Compensation.

**Supplies Expense** reflects YTD favorable budget variance of \$700 thousand. This favorable variance is composed of a \$410 thousand favorable volume variance and \$290 thousand favorable rate variance. The favorable variance is pharmacy at \$383 thousand, other medical \$127 thousand and general surgery supplies at \$190 thousand.

**Prof Fees & Purchased Services** reflects a YTD unfavorable budget variance of \$25.9 thousand. The unfavorable variance of \$57.4 thousand in professional fees is due to Union Negotiation legal fees in excess of original estimate. Purchased services show a favorable variance of \$31.5 thousand to offset.

**Non-Operating Income** reflects a favorable YTD variance of \$787 thousand in August, including an \$813 thousand favorable investment income variance. Investment income reflects a 9.0% investment rate of return through August compared to budget of 4.25%.

### Ratios & Margins:

All required bond covenant ratios were achieved in August 2006.

**Palomar Pomerado Health  
Balanced Scorecard  
Financial Indicators  
August 31, 2006**

							YTD 2007					
May	June	July	August			% Actual	Actual	Budget	Variance	% Actual	Prior Year	
Actual	Actual	Actual	Actual	Budget	Variance	to Budget				to Budget	Actual	
<b>PPH Indicators:</b>												
5.9%	8.4%	9.4%	13.2%	9.9%		3.3%					8.5%	
\$ 2,350.58	\$ 2,946.46	\$ 2,564.97	\$ 2,396.55	\$ 2,483.14	\$	86.59	OEBITDA Margin w/Prop Tax	2,478.58	\$ 2,483.04	\$ 4.46		2,361.68
\$ 1,295.58	\$ 1,541.05	\$ 1,546.23	\$ 1,404.87	\$ 1,478.51	\$	73.64	Expenses/Wtd Day	1,473.75	\$ 1,478.45	\$ 4.70		1,403.93
6.20	5.65	6.32	6.01	6.12	\$	0.11	SWB/Wtd Day	6.05	6.12	0.07		6.01
12,634	13,354	12,517	13,150	13,331	\$	(181.00)	Prod FTE's/Adj Occupied Bed	25,668	26,663	(995)		24,939
<b>PPH North Indicators:</b>												
4.2%	6.5%	10.9%	12.9%	9.8%		3.1%					7.3%	
\$ 2,267.87	\$ 2,693.05	\$ 2,437.37	\$ 2,284.89	\$ 2,362.48	\$	77.59	OEBITDA Margin w/Prop Tax	2,359.57	\$ 2,362.61	\$ 3.04		2,248.28
\$ 1,080.30	\$ 1,264.22	\$ 1,315.11	\$ 1,164.54	\$ 1,224.57	\$	60.03	Expenses/Wtd Day	1,236.35	\$ 1,224.64	\$ (13.71)	101.1%	1,180.20
5.28	5.39	5.32	5.09	5.08	\$	(0.01)	SWB/Wtd Day	5.13	5.08	(0.05)	101.0%	5.02
8,701	8,157	8,712	9,045	9,203	\$	(158.00)	Prod FTE's/Adj Occupied Bed	17,758	18,405	(647)		17,693
<b>PPH South Indicators:</b>												
5.0%	9.3%	4.3%	10.3%	6.9%		3.4%					7.6%	
\$ 2,231.51	\$ 2,459.21	\$ 2,477.73	\$ 2,277.51	\$ 2,400.47	\$	122.96	OEBITDA Margin w/Prop Tax	2,373.85	\$ 2,398.42	\$ 24.57		2,336.59
\$ 1,072.17	\$ 1,196.04	\$ 1,333.77	\$ 1,153.48	\$ 1,270.24	\$	116.76	Expenses/Wtd Day	1,240.23	\$ 1,270.07	\$ 29.84		1,227.88
5.54	5.33	5.77	5.35	5.58	\$	0.23	SWB/Wtd Day	5.45	5.58	0.13		5.61
3,788	3,712	3,554	3,832	3,817	\$	15.00	Prod FTE's/Adj Occupied Bed	7,385	7,634	(249)		6,908
<b>Weighted Patient Days</b>												

## PALOMAR POMERADO HEALTH Key Variance Explanations for August 2006

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Weighted Patient Days</b>	13,150	13,331	(181)
<b>Gross Patient Revenue:</b>	104,303,733	106,338,260	(2,034,527)
Due to lower-than-budgeted volumes			
<b>Contractuals:</b>	72,752,354	73,812,302	1,059,948
<b>Net Capitation:</b>	706,294	63,927	642,367
Due to reduction in In-House Utilization			801,000
Due to increase in Out-of-Network Claim Expense			(440,000)
Due to prior month adjustment for Physician Pool Allocation			337,500
<b>Other Operating Revenue:</b>	1,024,339	1,007,597	16,742
<b>Salaries &amp; Wages:</b>	14,067,923	15,256,595	1,188,672
Due to lower volume and flexing			
<b>Benefits:</b>	3,719,161	3,774,533	55,372
Partially due to lower-than-budgeted salaries			
<b>Contract Labor:</b>	686,905	678,883	(8,022)
<b>Professional Fees:</b>	1,811,592	1,815,681	4,089
<b>Supplies:</b>	5,252,263	5,503,090	250,827
Due to lower-than-budgeted volumes			
<b>Purchased Services:</b>	2,212,296	2,164,495	(47,801)
Canfield & Assoc - A/R collection fees			(50,000)
<b>Depreciation:</b>	1,661,865	1,568,084	(93,781)
Due to higher-than-estimated depreciation and new closed CIP's			
<b>Other Direct Expenses:</b>	1,709,799	1,949,209	239,410
Marketing and recruitment budget allocated on an even basis, with episodic utilization			185,000
Utilities			54,000
<b>Net Income From Operations</b>	<u>\$2,160,208</u>	<u>\$886,912</u>	<u>\$1,273,296</u>

Palomar Pomerado Health  
Consolidated Balance Sheet  
As of August 31, 2008

	Current Month	Prior Month	Prior Fiscal Year End
<b>Assets</b>			
<b>Current Assets</b>			
Cash on Hand	4,134,672	6,542,707	9,710,258
Cash Marketable Securities	96,044,483	89,740,290	110,035,151
<b>Total Cash &amp; Cash Equivalents</b>	<b>100,179,155</b>	<b>96,282,997</b>	<b>119,745,409</b>
Patient Accounts Receivable	177,969,115	180,278,722	149,103,358
Allowance on Accounts	(96,074,624)	(101,659,531)	(78,078,378)
<b>Net Accounts Receivable</b>	<b>81,894,491</b>	<b>78,619,191</b>	<b>71,024,980</b>
Inventories	6,937,754	6,954,043	6,937,645
Prepaid Expenses	3,879,158	3,768,719	2,293,992
Other	19,483,649	19,768,289	6,871,058
<b>Total Current Assets</b>	<b>212,374,207</b>	<b>205,393,239</b>	<b>206,873,084</b>
<b>Non-Current Assets</b>			
Restricted Assets	55,499,650	68,009,646	66,734,609
Restricted by Donor Board Designated	289,774	288,265	288,265
<b>Total Restricted Assets</b>	<b>71,135,493</b>	<b>89,211,373</b>	<b>76,290,400</b>
Property Plant & Equipment	341,113,540	342,003,448	343,335,572
Accumulated Depreciation	(220,598,813)	(220,266,498)	(220,455,460)
Construction in Process	92,479,088	86,164,756	85,077,130
<b>Net Property Plant &amp; Equipment</b>	<b>212,993,815</b>	<b>207,901,706</b>	<b>207,957,242</b>
Investment in Related Company	1,252,196	1,249,093	268,203
Deferred Financing Costs	3,421,786	3,361,612	3,354,469
Other Non-Current Assets	2,739,649	2,752,838	2,765,937
<b>Total Non-Current Assets</b>	<b>291,542,939</b>	<b>304,476,622</b>	<b>290,636,251</b>
<b>Total Assets</b>	<b>503,917,146</b>	<b>509,869,861</b>	<b>497,509,335</b>

	Current Month	Prior Month	Prior Fiscal Year End
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	22,957,553	26,735,756	30,624,648
Accrued Payroll	17,212,250	15,876,257	15,593,714
Accrued PTO	11,133,510	11,013,243	11,133,368
Accrued Interest Payable	1,637,047	2,856,249	2,265,274
Current Portion of Bonds	12,015,000	12,745,000	12,745,000
Est Third Party Settlements	(1,071,112)	(1,109,494)	(1,065,097)
Other Current Liabilities	19,123,535	19,891,245	6,930,518
<b>Total Current Liabilities</b>	<b>83,007,783</b>	<b>88,008,256</b>	<b>78,227,425</b>
<b>Long Term Liabilities</b>			
Bonds & Contracts Payable	145,926,589	151,363,750	151,347,395
<b>Fund Balance</b>			
Unrestricted	259,346,931	249,296,127	258,378,722
Restricted for Other Purpose	289,774	288,265	288,265
Board Designated	15,346,069	20,913,462	9,267,526
<b>Total Long Term Liabilities</b>	<b>274,982,774</b>	<b>270,497,854</b>	<b>267,934,513</b>
<b>Total Liabilities / Fund Balance</b>	<b>503,917,146</b>	<b>509,869,861</b>	<b>497,509,335</b>

**PALOMAR POMERADO HEALTH  
CONSOLIDATED  
FY 2007 Year-to-Date as of August**

	Month Activity			Variance		\$/Wtg Pt Day		
	Actual	Budget	Variance	Volume	Rate/Eff	Actual	Budget	Variance
<b>Statistics:</b>								
Admissions - Acute	4,866	5,048	(182)					
Admissions - SNF	203	238	(35)					
Patient Days - Acute	18,715	19,844	(1,129)					
Patient Days - SNF	13,152	13,182	(30)					
ALOS - Acute	3.84	4.00	(0.16)					
ALOS - SNF	67.45	54.93	12.52					
Weighted Pt Days	25,668	26,663	(995)					
<b>Revenue:</b>								
Gross Revenue	\$ 203,445,647	\$ 212,673,675	\$ (9,228,028) U	\$ (7,936,478)	\$ (1,291,550)	\$ 7,926.04	\$ 7,976.36	\$ (50.32)
Deductions from Rev	(139,892,190)	(147,496,749)	7,604,559 F	5,504,229	2,100,330	(5,450.06)	(5,531.89)	81.83
Net Patient Revenue	63,553,457	65,176,926	(1,623,469) U	(2,432,248)	808,779	2,475.98	2,444.47	31.51
Other Oper Revenue	1,897,080	2,015,194	(118,114) U	(75,202)	(42,912)	73.91	75.58	(1.67)
<b>Total Net Revenue</b>	<b>65,450,537</b>	<b>67,192,120</b>	<b>(1,741,583) U</b>	<b>(2,507,451)</b>	<b>765,868</b>	<b>2,549.89</b>	<b>2,520.05</b>	<b>29.84</b>
<b>Expenses:</b>								
Salaries, Wages & Contr Labor	30,258,272	31,870,956	1,612,684 F	1,189,349	423,335	1,178.83	1,195.33	16.49
Benefits	7,569,894	7,549,066	(20,828) U	281,713	(302,541)	294.92	283.13	(11.79)
Supplies	10,305,397	11,006,180	700,783 F	410,725	290,058	401.49	412.79	11.30
Prof Fees & Purch Svc	7,986,261	7,960,352	(25,909) U	297,061	(322,970)	311.14	298.55	(12.58)
Depreciation	3,308,054	3,136,168	(172,886) U	117,034	(289,920)	128.92	117.62	(11.30)
Other	3,398,902	3,898,418	499,516 F	145,480	354,036	132.42	146.21	13.79
PPH Allocation	-	-	- U	-	-	-	-	-
<b>Total Expenses</b>	<b>62,827,780</b>	<b>65,421,140</b>	<b>2,593,360 F</b>	<b>2,441,362</b>	<b>151,998</b>	<b>2,447.71</b>	<b>2,453.63</b>	<b>5.92</b>
<b>Net Inc Before Non-Oper Income</b>	<b>2,622,757</b>	<b>1,770,980</b>	<b>851,777 F</b>	<b>(66,089)</b>	<b>917,866</b>	<b>102.18</b>	<b>66.42</b>	<b>35.76</b>
Property Tax Revenue	2,108,331	2,108,332	(1) U	(78,678)	78,677	82.14	79.07	3.07
Non-Operating Income	933,377	146,116	787,261 F	(5,453)	792,714	36.36	5.48	30.88
<b>Net Income (Loss)</b>	<b>\$ 5,664,465</b>	<b>\$ 4,025,428</b>	<b>\$ 1,639,037 F</b>	<b>\$ (150,219)</b>	<b>\$ 1,789,256</b>	<b>\$ 220.68</b>	<b>\$ 150.97</b>	<b>\$ 69.71</b>
Net Income Margin	8.0%	5.7%	2.3%					
OEBITDA Margin w/o Prop Tax	8.4%	7.0%	1.4%					
OEBITDA Margin with Prop Tax	11.4%	9.9%	1.5%					

F= Favorable variance  
U= Unfavorable variance

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

	Month Activity			Variance		\$/Wtg Pt Day		
	Actual	Budget	Variance	Volume	Rate/Eff	Actual	Budget	Variance
<b>Statistics:</b>								
Admissions - Acute	2,464	2,524	(60)					
Admissions - SNF	99	119	(20)					
Patient Days - Acute	9,535	9,922	(387)					
Patient Days - SNF	6,517	6,591	(74)					
ALOS - Acute	3.82	4.00	(0.18)					
ALOS - SNF	63.27	54.93	8.35					
Weighted Pt Days	13,150	13,331	(181)					
<b>Revenue:</b>								
Gross Revenue	\$ 104,303,733	\$ 106,338,260	\$ (2,034,527) U	\$ (1,443,795)	\$ (590,732)	\$ 7,931.84	\$ 7,976.77	\$ (44.92)
Deductions from Rev	(72,046,060)	(73,748,375)	1,702,315 F	1,001,309	701,006	(5,478.79)	(5,532.10)	53.31
Net Patient Revenue	32,257,673	32,589,885	(332,212) U	(442,485)	110,273	2,453.05	2,444.67	8.39
Other Oper Revenue	1,024,339	1,007,597	16,742 F	(13,681)	30,423	77.90	75.58	2.31
<b>Total Net Revenue</b>	<b>33,282,012</b>	<b>33,597,482</b>	<b>(315,470) U</b>	<b>(456,166)</b>	<b>140,696</b>	<b>2,530.95</b>	<b>2,520.25</b>	<b>10.70</b>
<b>Expenses:</b>								
Salaries, Wages & Contr Labor	14,754,829	15,935,478	1,180,649 F	216,362	964,287	1,122.04	1,195.37	73.33
Benefits	3,719,161	3,774,533	55,372 F	51,248	4,124	282.83	283.14	0.31
Supplies	5,252,262	5,503,090	250,828 F	74,718	176,110	399.41	412.80	13.39
Prof Fees & Purch Svc	4,023,887	3,980,176	(43,711) U	54,040	(97,751)	306.00	298.57	(7.43)
Depreciation	1,661,866	1,568,084	(93,782) U	21,290	(116,072)	126.38	117.63	(8.75)
Other	1,709,799	1,949,209	239,410 F	26,465	212,945	130.02	146.22	16.19
PPH Allocation	-	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>31,121,804</b>	<b>32,710,570</b>	<b>1,588,766 F</b>	<b>444,124</b>	<b>1,144,642</b>	<b>2,366.68</b>	<b>2,453.72</b>	<b>87.05</b>
<b>Net Inc Before Non-Oper Income</b>	<b>2,160,208</b>	<b>886,912</b>	<b>1,273,296 F</b>	<b>(12,042)</b>	<b>1,285,338</b>	<b>164.27</b>	<b>66.53</b>	<b>97.74</b>
Property Tax Revenue	1,054,163	1,054,166	(3) U	(14,313)	14,310	80.16	79.08	1.09
Non-Operating Income	505,503	73,058	432,445 F	(992)	433,437	38.44	5.48	32.96
<b>Net Income (Loss)</b>	<b>\$ 3,719,874</b>	<b>\$ 2,014,136</b>	<b>\$ 1,705,738 F</b>	<b>\$ (27,347)</b>	<b>\$ 1,733,085</b>	<b>\$ 282.88</b>	<b>\$ 151.09</b>	<b>\$ 131.79</b>
Net Income Margin	10.0%	5.7%	4.3%					
OEBITDA Margin w/o Prop Tax	10.3%	7.0%	3.3%					
OEBITDA Margin with Prop Tax	13.2%	9.9%	3.3%					

F= Favorable variance  
U= Unfavorable variance

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

	<u>August</u>	<u>YTD</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Income (Loss from operations)	2,282,383	2,744,434
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation Expense	1,661,865	3,309,054
Provision for bad debts	4,753,568	7,242,155
Changes in operating assets and liabilities:		
Patient accounts receivable	(8,150,947)	(18,233,744)
Property Tax and other receivables	(57,318)	63,015
Inventories	16,289	(109)
Prepaid expenses and Other Non-Current assets	(113,542)	(2,569,159)
Accounts payable	(3,778,203)	(7,667,095)
Accrued comp	1,693,488	1,618,678
Estimated settlement amounts due third-party payors	38,382	(6,015)
Other current liabilities	49,228	746,761
Net cash provided by operating activities	<u>(1,604,807)</u>	<u>(12,752,025)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net (purchases) sales on investments	11,771,686	19,145,575
Interest (Loss) received on investments	857,094	1,743,634
Investment in affiliates	115,485	245,027
Net cash used in investing activities	<u>12,744,265</u>	<u>21,134,236</u>
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:</b>		
Receipt of G.O. Bond Taxes	132,282	250,826
Receipt of District Taxes	239,662	389,232
Net cash used in activities	<u>371,944</u>	<u>640,058</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of property plant and equipment	(5,895,949)	(6,574,367)
Proceeds from sale of asset	0	0
G.O. Bond Interest paid	(1,838,488)	(1,838,488)
Revenue Bond Interest paid	0	0
Proceeds from issuance of debt	0	0
Payments of LT Debt	(6,185,000)	(6,185,000)
Net cash used in activities	<u>(13,919,437)</u>	<u>(14,597,855)</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(2,408,035)	(5,575,586)
<b>CASH AND CASH EQUIVALENTS - Beginning of period</b>	<u>6,542,707</u>	<u>9,710,258</u>
<b>CASH AND CASH EQUIVALENTS - End of period</b>	<u><u>4,134,672</u></u>	<u><u>4,134,672</u></u>

# PALOMAR POMERADO HEALTH BOND COVENANT RATIOS

	Jun-05	Jun-06	Aug-06
<b>CUSHION RATIO</b>			
Cash and Cash Equivalents	109,043,208	119,745,409	100,179,155
Board Designated Reserves	22,388,648	9,267,526	15,346,069
Trustee-held Funds	12,026,055	12,170,183	14,064,413
Total	143,457,911	141,183,118	129,589,637
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>12.1</b>
<b>REQUIREMENT</b>	<b>1.5</b>	<b>1.5</b>	<b>1.5</b>
	<b>Achieved</b>	<b>Achieved</b>	<b>Achieved</b>
<b>DAYS CASH ON HAND</b>			
Cash and Cash Equivalents	109,043,208	119,745,409	100,179,155
Board Designated Reserves	22,388,648	9,267,526	15,346,069
Total	131,431,856	129,012,935	115,525,224
Divide Total by Average Adjusted Expenses per Day			
Total Expenses	340,338,156	365,759,559	62,827,780
Less: Depreciation	16,394,985	18,737,467	3,309,055
Adjusted Expenses	323,943,171	347,022,092	59,518,725
Number of days in period	365	365	62
Average Adjusted Expenses per Day	887,516	950,745	959,979
<b>DAYS CASH ON HAND</b>	<b>148</b>	<b>136</b>	<b>120</b>
<b>REQUIREMENT</b>	<b>90</b>	<b>90</b>	<b>90</b>
	<b>Achieved</b>	<b>Achieved</b>	<b>Achieved</b>
<b>Net Income Available for Debt Service</b>			
Excess of revenue over expenses Cur Mo.	1,490,930	905,884	3,719,874
Excess of revenues over expenses YTD (General Funds)	17,052,649	11,148,667	5,664,465
ADD:			
Depreciation and Amortization	16,394,985	18,737,467	3,309,055
Interest Expense	5,272,031	5,130,603	792,034
Net Income Available for Debt Service	38,719,665	35,016,737	9,765,554
<b>Aggregate Debt Service</b>			
1993 Insured Refunding Revenue Bonds	6,020,301	3,639,772	408,098
1999 Insured Refunding Revenue Bonds	4,356,844	6,950,508	1,374,663
Aggregate Debt Service	10,377,145	10,590,280	1,782,761
<b>Net Income Available for Debt Service</b>	<b>3.73</b>	<b>3.31</b>	<b>5.48</b>
<b>Required Coverage</b>	<b>1.15</b>	<b>1.15</b>	<b>1.15</b>
	<b>Achieved</b>	<b>Achieved</b>	<b>Achieved</b>



# Financial Statements

*August 2006*

Tim Nguyen  
Corporate Controller  
September 26, 2006

PALOMAR POMERADO HEALTH

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**PALOMAR POMERADO HEALTH  
SUMMARY OF KEY INDICATORS AND RESULTS  
FYTD August 2006**

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>FY 2006</u>
<b><u>ADMISSIONS - Acute:</u></b>				
Palomar Medical Center	3,727	3,720	7	3,741
Pomerado Hospital	1,139	1,328	(189)	1,125
<b>Total:</b>	<u>4,866</u>	<u>5,048</u>	<u>(182)</u>	<u>4,866</u>
<b><u>ADMISSIONS - SNF:</u></b>				
Palomar Medical Center	115	132	(17)	103
Pomerado Hospital	88	106	(18)	105
<b>Total:</b>	<u>203</u>	<u>238</u>	<u>(35)</u>	<u>208</u>
<b><u>PATIENT DAYS - Acute:</u></b>				
Palomar Medical Center	14,021	14,792	(771)	14,041
Pomerado Hospital	4,694	5,052	(358)	4,336
<b>Total:</b>	<u>18,715</u>	<u>19,844</u>	<u>(1,129)</u>	<u>18,377</u>
<b><u>PATIENT DAYS- SNF:</u></b>				
Palomar Medical Center	5,441	5,494	(53)	5,293
Pomerado Hospital	7,711	7,688	23	7,655
<b>Total:</b>	<u>13,152</u>	<u>13,182</u>	<u>(30)</u>	<u>12,948</u>

**PALOMAR POMERADO HEALTH**

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**PALOMAR POMERDO HEALTH**  
**SUMMARY OF KEY INDICATORS AND RESULTS**  
**FYTD August 2006**

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>FY 2006</u>
<b><u>WEIGHTED PATIENT DAYS:</u></b>				
Palomar Medical Center	17,758	18,405	(647)	17,693
Pomerado Hospital	7,385	7,634	(249)	6,908
Other Activities	525	624	(99)	338
<b>Total:</b>	<u>25,668</u>	<u>26,663</u>	<u>(995)</u>	<u>24,939</u>
<b><u>AVERAGE LENGTH OF STAY- Acute:</u></b>				
Palomar Medical Center	3.75	4.02	(0.27)	3.93
Pomerado Hospital	4.14	3.96	0.18	3.81
<b>Total:</b>	<u>3.84</u>	<u>4.00</u>	<u>(0.16)</u>	<u>3.91</u>
<b><u>AVERAGE LENGTH OF STAY - SNF:</u></b>				
Palomar Medical Center	49.92	40.40	9.52	52.41
Pomerado Hospital	89.66	73.92	15.74	73.61
<b>Total:</b>	<u>67.45</u>	<u>54.93</u>	<u>12.52</u>	<u>63.16</u>

**PALOMAR POMERADO HEALTH**

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**PALOMAR POMERDO HEALTH  
SUMMARY OF KEY INDICATORS AND RESULTS  
FYTD August 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	7,601	7,650	(49)	7,344
Pomerado Hospital	3,860	3,964	(104)	3,917
<b>Total:</b>	<u>11,461</u>	<u>11,614</u>	<u>(153)</u>	<u>11,261</u>
<b><u>EMERGENCY &amp; TRAUMA ADMISSIONS:</u></b>				
Palomar Medical Center	1,868	1,928	(60)	1,844
Pomerado Hospital	637	694	(57)	646
<b>Total:</b>	<u>2,505</u>	<u>2,622</u>	<u>(117)</u>	<u>2,490</u>
<b><u>SURGERIES:</u></b>				
Palomar Medical Center	1,309	1,356	(47)	1,352
Pomerado Hospital	653	726	(73)	660
<b>Total:</b>	<u>1,962</u>	<u>2,082</u>	<u>(120)</u>	<u>2,012</u>
<b><u>BIRTHS:</u></b>				
Palomar Medical Center	785	760	25	765
Pomerado Hospital	187	238	(51)	206
<b>Total:</b>	<u>972</u>	<u>998</u>	<u>(26)</u>	<u>971</u>

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## PALOMAR POMERADO HEALTH

### Key Variance Explanations for August 2006

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Weighted Patient Days</b>	13,150	13,331	(181)
<b>Gross Patient Revenue:</b>	104,303,733	106,338,260	(2,034,527)
Due to lower than budgeted volumes			
<b>Contractuals:</b>	72,752,354	73,812,302	1,059,948
<b>Net Capitation:</b>	706,294	63,927	642,367
Due to significant reduction in Cap Valuation			801,000
Due to increase in Out of Network Claim Expense			(440,000)
Due to prior month adjustment for Physician Liability			337,500
<b>Other Operating Revenue:</b>	1,024,339	1,007,597	16,742

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# PALOMAR POMERADO HEALTH

## Key Variance Explanations for August 2006

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Salaries &amp; Wages:</b>	14,067,923	15,256,595	1,188,672
Due to lower volume and flexing			
<b>Benefits:</b>	3,719,161	3,774,533	55,372
Partially due to lower than budgeted salaries			
<b>Contract Labor:</b>	686,905	678,883	(8,022)

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## PALOMAR POMERADO HEALTH

### Key Variance Explanations for August 2006

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
<b>Professional Fees:</b>	1,811,592	1,815,681	4,089
<b>Supplies:</b> Due to lower than budgeted volumes	5,252,263	5,503,090	250,827
<b>Purchased Services:</b> Canfield & Assoc - collection fees	2,212,296	2,164,495	(47,801) (50,000)
<b>Depreciation:</b> Due to higher than estimated depreciation and new closed CIP's	1,661,865	1,568,084	(93,781)
<b>Other Direct Expenses:</b> Marketing and recruitment Utilities	1,709,799	1,949,209	239,410 185,000 54,000
<b>Net Income From Operations</b>	<u>\$2,160,208</u>	<u>\$886,912</u>	<u>\$1,273,296</u>

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

	Month Activity			Variance		\$/Wtg Pt Day		
	Actual	Budget	Variance	Volume	Rate/ER	Actual	Budget	Variance
<b>Statistics:</b>								
Admissions - Acute	2,464	2,524	(60)					
Admissions - SNF	99	119	(20)					
Patient Days - Acute	9,535	9,922	(387)					
Patient Days - SNF	6,517	6,591	(74)					
ALOS - Acute	3.82	4.00	(0.18)					
ALOS - SNF	63.27	54.93	8.35					
Weighted Pt Days	13,150	13,331	(181)					
<b>Revenue:</b>								
Gross Revenue	\$ 104,303,733	\$ 106,338,260	\$ (2,034,527) U	\$ (1,443,795)	\$ (590,732)	\$ 7,931.84	\$ 7,976.77	\$ (44.92)
Deductions from Rev	(72,046,060)	(73,748,375)	1,702,315 F	1,001,309	701,006	(5,478.79)	(5,532.10)	53.31
Net Patient Revenue	32,257,673	32,589,885	(332,212) U	(442,485)	110,273	2,453.05	2,444.67	8.39
Other Oper Revenue	1,024,339	1,007,597	16,742 F	(13,681)	30,423	77.90	75.58	2.31
<b>Total Net Revenue</b>	<b>33,282,012</b>	<b>33,597,482</b>	<b>(315,470) U</b>	<b>(456,166)</b>	<b>140,696</b>	<b>2,530.95</b>	<b>2,520.25</b>	<b>10.70</b>
<b>Expenses:</b>								
Salaries, Wages & Contr Labor	14,754,829	15,935,478	1,180,649 F	216,362	964,287	1,122.04	1,195.37	73.33
Benefits	3,719,161	3,774,533	55,372 F	51,248	4,124	282.83	283.14	0.31
Supplies	5,252,262	5,503,090	250,828 F	74,718	176,110	399.41	412.80	13.39
Prof Fees & Purch Svc	4,023,887	3,980,176	(43,711) U	54,040	(97,751)	306.00	298.57	(7.43)
Depreciation	1,661,866	1,568,084	(93,782) U	21,290	(115,072)	126.38	117.63	(8.75)
Other	1,709,799	1,949,209	239,410 F	26,465	212,945	130.02	146.22	16.19
PPH Allocation	-	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>31,121,804</b>	<b>32,710,570</b>	<b>1,588,766 F</b>	<b>444,124</b>	<b>1,144,642</b>	<b>2,366.68</b>	<b>2,453.72</b>	<b>87.05</b>
<b>Net Inc Before Non-Oper Income</b>	<b>2,160,208</b>	<b>886,912</b>	<b>1,273,296 F</b>	<b>(12,042)</b>	<b>1,285,338</b>	<b>164.27</b>	<b>66.53</b>	<b>97.74</b>
Property Tax Revenue	1,054,163	1,054,166	(3) U	(14,313)	14,310	80.16	79.08	1.09
Non-Operating Income	505,503	73,058	432,445 F	(992)	433,437	38.44	5.48	32.96
<b>Net Income (Loss)</b>	<b>\$ 3,719,874</b>	<b>\$ 2,014,136</b>	<b>\$ 1,705,738 F</b>	<b>\$ (27,347)</b>	<b>\$ 1,733,085</b>	<b>\$ 282.88</b>	<b>\$ 151.09</b>	<b>\$ 131.79</b>
Net Income Margin	10.0%	5.7%	4.3%					
OEBITDA Margin w/o Prop Tax	10.3%	7.0%	3.3%					
OEBITDA Margin with Prop Tax	13.2%	9.9%	3.3%					

F= Favorable variance  
U= Unfavorable variance

# PALOMAR POMERADO HEALTH

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**PALOMAR POMERADO HEALTH  
CONSOLIDATED  
FY 2007 Year-to-Date as of August**

	Month Activity			Variance		\$/Wtg Pt Day		
	Actual	Budget	Variance	Volume	Rate/Err	Actual	Budget	Variance
<b>Statistics:</b>								
Admissions - Acute	4,866	5,048	(182)					
Admissions - SNF	203	238	(35)					
Patient Days - Acute	18,715	19,844	(1,129)					
Patient Days - SNF	13,152	13,182	(30)					
ALOS - Acute	3.84	4.00	(0.16)					
ALOS - SNF	67.45	54.93	12.52					
Weighted Pt Days	25,668	26,683	(995)					
<b>Revenue:</b>								
Gross Revenue	\$ 203,445,647	\$ 212,673,675	\$ (9,228,028) U	\$ (7,936,478)	\$ (1,291,550)	\$ 7,926.04	\$ 7,976.36	\$ (50.32)
Deductions from Rev	(139,892,190)	(147,496,749)	7,604,559 F	5,504,229	2,100,330	(5,450.06)	(5,531.89)	81.83
Net Patient Revenue	63,553,457	65,176,926	(1,623,469) U	(2,432,248)	808,779	2,475.98	2,444.47	31.51
Other Oper Revenue	1,897,080	2,015,194	(118,114) U	(75,202)	(42,912)	73.91	75.58	(1.67)
<b>Total Net Revenue</b>	<b>65,450,537</b>	<b>67,192,120</b>	<b>(1,741,583) U</b>	<b>(2,507,451)</b>	<b>765,868</b>	<b>2,549.89</b>	<b>2,520.05</b>	<b>29.84</b>
<b>Expense:</b>								
Salaries, Wages & Contr Labor	30,258,272	31,870,956	1,612,684 F	1,189,349	423,335	1,178.83	1,195.33	16.49
Benefits	7,569,894	7,549,056	(20,828) U	281,713	(302,541)	294.92	283.13	(11.79)
Supplies	10,305,397	11,006,180	700,783 F	410,725	290,058	401.49	412.79	11.30
Prof Fees & Purch Svc	7,986,261	7,960,352	(25,909) U	297,061	(322,970)	311.14	298.55	(12.58)
Depreciation	3,309,054	3,136,168	(172,886) U	117,034	(289,920)	128.92	117.62	(11.30)
Other	3,398,902	3,898,418	499,516 F	145,480	354,036	132.42	146.21	13.79
PPH Allocation	-	-	-	-	-	-	-	-
<b>Total Expenses</b>	<b>62,927,780</b>	<b>66,421,140</b>	<b>2,593,360 F</b>	<b>2,441,362</b>	<b>151,998</b>	<b>2,447.71</b>	<b>2,453.63</b>	<b>5.92</b>
<b>Net Inc Before Non-Oper Income</b>	<b>2,622,757</b>	<b>1,770,980</b>	<b>851,777 F</b>	<b>(66,089)</b>	<b>917,866</b>	<b>102.18</b>	<b>66.42</b>	<b>35.76</b>
Property Tax Revenue	2,108,331	2,108,332	(1) U	(78,678)	78,677	82.14	79.07	3.07
Non-Operating Income	933,377	146,116	787,261 F	(5,453)	792,714	36.36	5.48	30.88
<b>Net Income (Loss)</b>	<b>\$ 5,664,465</b>	<b>\$ 4,025,428</b>	<b>\$ 1,639,037 F</b>	<b>\$ (150,219)</b>	<b>\$ 1,789,256</b>	<b>\$ 220.68</b>	<b>\$ 150.97</b>	<b>\$ 69.71</b>
Net Income Margin	8.0%	5.7%	2.3%					
OEBITDA Margin w/o Prop Tax	8.4%	7.0%	1.4%					
OEBITDA Margin with Prop Tax	11.4%	9.9%	1.5%					

F= Favorable variance  
U= Unfavorable variance

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**PALOMAR POMERADO HEALTH  
CONSOLIDATED  
MONTHLY TREND - FY 2007**

	Jul-06	Aug-06	Sep-06	10/1/200	Nov-06	Dec-06	FYTD
<b>Statistics:</b>							
Admissions - Acute	2,402	2,464					4,866
Admissions - SNF	104	99					203
Patient Days - Acute	9,180	9,535					18,715
Patient Days - SNF	6,635	6,517					13,152
LOS - Acute	3.86	3.82					3.84
LOS - SNF	72.12	63.27					67.45
Weighted Pt Days	12,517	13,150					25,668
<b>Revenue:</b>							
Gross Revenue	\$ 99,141,914	\$ 104,303,733					\$ 203,445,647
Deductions from Rev	(67,846,129)	(72,046,060)					(139,892,190)
Net Patient Revenue	31,295,785	32,257,673					63,553,457
Other Oper Revenue	872,741	1,024,339					1,897,080
<b>Total Net Revenue</b>	<b>32,168,526</b>	<b>33,282,012</b>					<b>65,450,537</b>
<b>Expenses:</b>							
Salaries, Wages & Contr Labor	15,503,445	14,754,829					30,258,272
Benefits	3,850,733	3,719,161					7,569,894
Supplies	5,053,135	5,252,262					10,305,397
Prof Fees & Purch Svc	3,962,369	4,023,887					7,986,261
Depreciation	1,647,190	1,661,866					3,309,054
Other	1,689,103	1,709,799					3,398,902
<b>Total Expenses</b>	<b>31,705,975</b>	<b>31,121,804</b>					<b>62,827,780</b>
<b>Net Inc Before Non-Oper Income</b>	<b>462,551</b>	<b>2,160,208</b>					<b>2,622,757</b>
Property Tax Revenue	1,054,164	1,054,163					2,108,331
Non-Operating Income	427,875	505,503					933,377
<b>Net Income (Loss)</b>	<b>\$ 1,944,592</b>	<b>\$ 3,719,874</b>					<b>\$ 5,664,465</b>
Net Income Margin	5.8%	10.0%					8.0%
OEBITDA Margin w/o Prop Tax	6.2%	10.3%					8.4%
OEBITDA Margin with Prop Tax	9.4%	13.2%					11.4%

F= Favorable variance  
U= Unfavorable variance

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**Palomar Pomerado Health  
Consolidated Balance Sheet  
As of August 31, 2006**

	Current Month	Prior Month	Prior Fiscal Year End
<b>Assets</b>			
<b>Current Assets</b>			
Cash on Hand	4,134,672	6,542,707	9,710,258
Cash Marketable Securities	96,044,483	89,740,290	110,035,151
<b>Total Cash &amp; Cash Equivalents</b>	<b>100,179,155</b>	<b>96,282,997</b>	<b>119,745,409</b>
<b>Patient Accounts Receivable</b>	<b>177,969,115</b>	<b>180,278,722</b>	<b>149,103,358</b>
Allowance on Accounts	(96,074,624)	(101,659,531)	(78,078,378)
<b>Net Accounts Receivable</b>	<b>81,894,491</b>	<b>78,619,191</b>	<b>71,024,980</b>
Inventories	6,937,754	6,954,043	6,937,645
Prepaid Expenses	3,879,158	3,768,719	2,293,992
Other	19,483,649	19,768,289	6,871,058
<b>Total Current Assets</b>	<b>212,374,207</b>	<b>205,393,239</b>	<b>206,873,084</b>
<b>Non-Current Assets</b>			
<b>Restricted Assets</b>	<b>55,499,650</b>	<b>68,009,646</b>	<b>66,734,809</b>
Restricted by Donor	289,774	288,265	288,265
Board Designated	15,346,069	20,913,462	9,267,526
<b>Total Restricted Assets</b>	<b>71,135,493</b>	<b>89,211,373</b>	<b>76,290,400</b>
Property Plant & Equipment	341,113,540	342,003,448	343,335,572
Accumulated Depreciation	(220,598,813)	(220,266,498)	(220,455,460)
Construction in Process	92,479,088	86,164,756	85,077,130
<b>Net Property Plant &amp; Equipment</b>	<b>212,993,815</b>	<b>207,901,706</b>	<b>207,957,242</b>
Investment in Related Companies	1,252,196	1,249,093	268,203
Deferred Financing Costs	3,421,786	3,361,612	3,354,469
Other Non-Current Assets	2,739,649	2,752,838	2,765,937
<b>Total Non-Current Assets</b>	<b>291,542,939</b>	<b>304,476,622</b>	<b>290,636,251</b>
<b>Total Assets</b>	<b>503,917,146</b>	<b>509,869,861</b>	<b>497,509,335</b>

	Current Month	Prior Month	Prior Fiscal Year End
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts Payable	22,957,553	26,735,756	30,624,648
Accrued Payroll	17,212,250	15,876,257	15,593,714
Accrued PTO	11,133,510	11,013,243	11,133,368
Accrued Interest Payable	1,637,047	2,856,249	2,265,274
Current Portion of Bonds	12,015,000	12,745,000	12,745,000
Est Third Party Settlements	(1,071,112)	(1,109,494)	(1,065,097)
Other Current Liabilities	19,123,535	19,891,245	6,930,518
<b>Total Current Liabilities</b>	<b>83,007,783</b>	<b>88,008,256</b>	<b>78,227,425</b>
<b>Long Term Liabilities</b>			
Bonds & Contracts Payable	145,926,589	151,363,750	151,347,395
<b>Fund Balance</b>			
Unrestricted	259,346,931	249,296,127	258,378,722
Restricted for Other Purpose	289,774	288,265	288,265
Board Designated	15,346,069	20,913,462	9,267,526
<b>Total Long Term Liabilities</b>	<b>274,982,774</b>	<b>270,497,854</b>	<b>267,934,513</b>
<b>Total Liabilities / Fund Balance</b>	<b>503,917,146</b>	<b>509,869,861</b>	<b>497,509,335</b>

# PALOMAR POMERADO HEALTH

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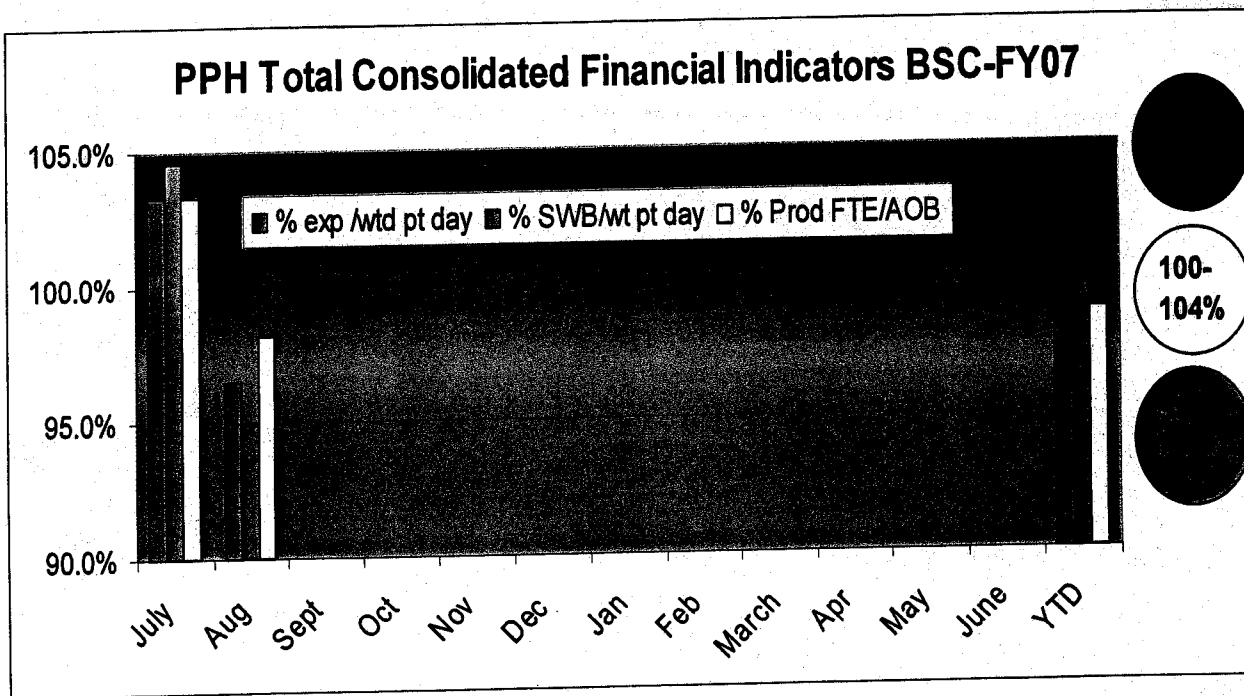
Palomar Pomerado Health  
Balanced Scorecard  
Financial Indicators  
August 31, 2006

Month							YTD 2007			Prior Year		
May	June	July	August		Variance	% Actual to Budget	Indicator	Actual	Budget	Variance	% Actual to Budget	Actual
Actual	Actual	Actual	Actual	Budget				Actual	Budget			
<b>PPH Indicators:</b>												
5.9%	8.4%	9.4%	13.2%	9.9%	3.3%	134.3%	OEBITDA Margin w/Prop Tax	11.4%	9.9%	1.5%	115.1%	8.5%
\$ 2,350.58	\$ 2,846.46	\$ 2,564.97	\$ 2,396.55	\$ 2,483.14	\$ 86.59	86.5%	Expenses/Wtd Day	2,478.58	\$ 2,483.04	\$ 4.46	101.2%	2,361.68
\$ 1,295.58	\$ 1,541.05	\$ 1,546.23	\$ 1,404.87	\$ 1,478.51	\$ 73.64	95.0%	SWB/Wtd Day	1,473.75	\$ 1,478.45	\$ 4.70	101.0%	1,403.93
6.20	5.65	6.32	6.01	6.12	0.11	101.7%	Prod FTE's/Adj Occupied Bed	6.05	6.12	0.07	98.9%	6.01
12,634	13,354	12,517	13,150	13,331	181.00	101.2%	Weighted Patient Days	25,668	26,663	(995)	94.4%	24,939
<b>PPH North Indicators:</b>												
4.2%	6.5%	10.9%	12.9%	9.8%	3.1%	134.3%	OEBITDA Margin w/Prop Tax	11.9%	9.8%	2.1%	121.4%	7.3%
\$ 2,267.87	\$ 2,693.05	\$ 2,437.37	\$ 2,284.89	\$ 2,362.48	\$ 77.59	86.7%	Expenses/Wtd Day	2,359.57	\$ 2,362.61	\$ 3.04	101.1%	2,248.28
\$ 1,080.30	\$ 1,264.22	\$ 1,315.11	\$ 1,164.54	\$ 1,224.57	\$ 60.03	100.2%	SWB/Wtd Day	1,238.35	\$ 1,224.64	\$ (13.71)	101.1%	1,180.20
5.28	5.39	5.32	5.09	5.08	(0.01)	100.2%	Prod FTE's/Adj Occupied Bed	5.13	5.08	(0.05)	101.0%	5.02
8,701	8,157	8,712	9,045	9,203	(158.00)	100.2%	Weighted Patient Days	17,758	18,405	(647)	96.5%	17,693
<b>PPH South Indicators:</b>												
5.0%	9.3%	4.3%	10.3%	6.9%	3.4%	149.3%	OEBITDA Margin w/Prop Tax	7.6%	6.9%	0.7%	110.1%	7.6%
\$ 2,231.51	\$ 2,459.21	\$ 2,477.73	\$ 2,277.51	\$ 2,400.47	\$ 122.96	84.3%	Expenses/Wtd Day	2,373.85	\$ 2,398.42	\$ 24.57	103.1%	2,336.59
\$ 1,072.17	\$ 1,196.04	\$ 1,333.77	\$ 1,153.48	\$ 1,270.24	\$ 116.76	99.8%	SWB/Wtd Day	1,240.23	\$ 1,270.07	\$ 29.84	101.6%	1,227.88
5.54	5.33	5.77	5.35	5.58	0.23	95.9%	Prod FTE's/Adj Occupied Bed	5.45	5.58	0.13	97.7%	5.61
3,788	3,712	3,554	3,832	3,817	15.00	100.0%	Weighted Patient Days	7,385	7,634	(249)	96.7%	6,908

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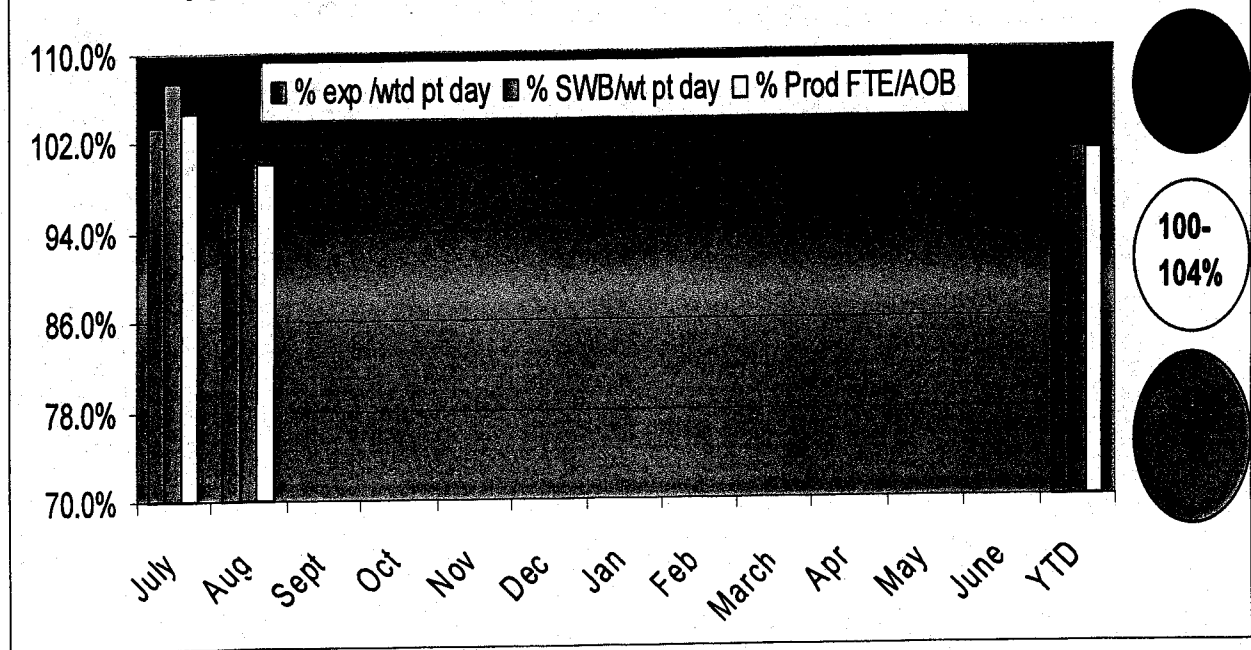
48



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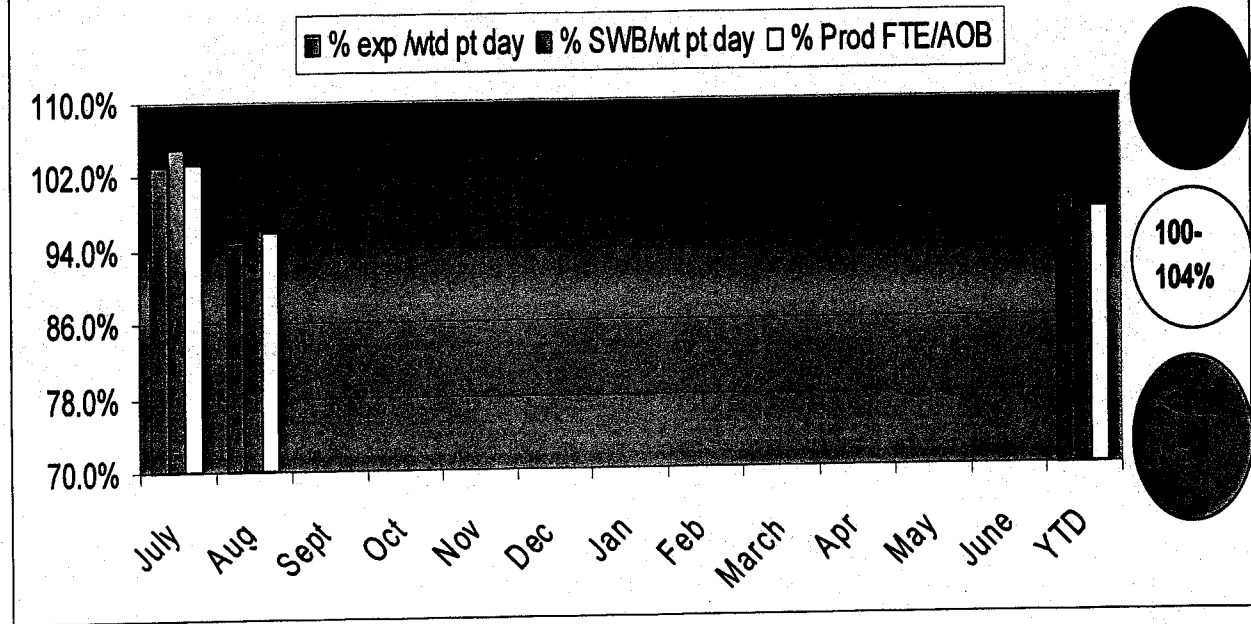
## PPH North Consolidated Financial Indicators BSC-FY07



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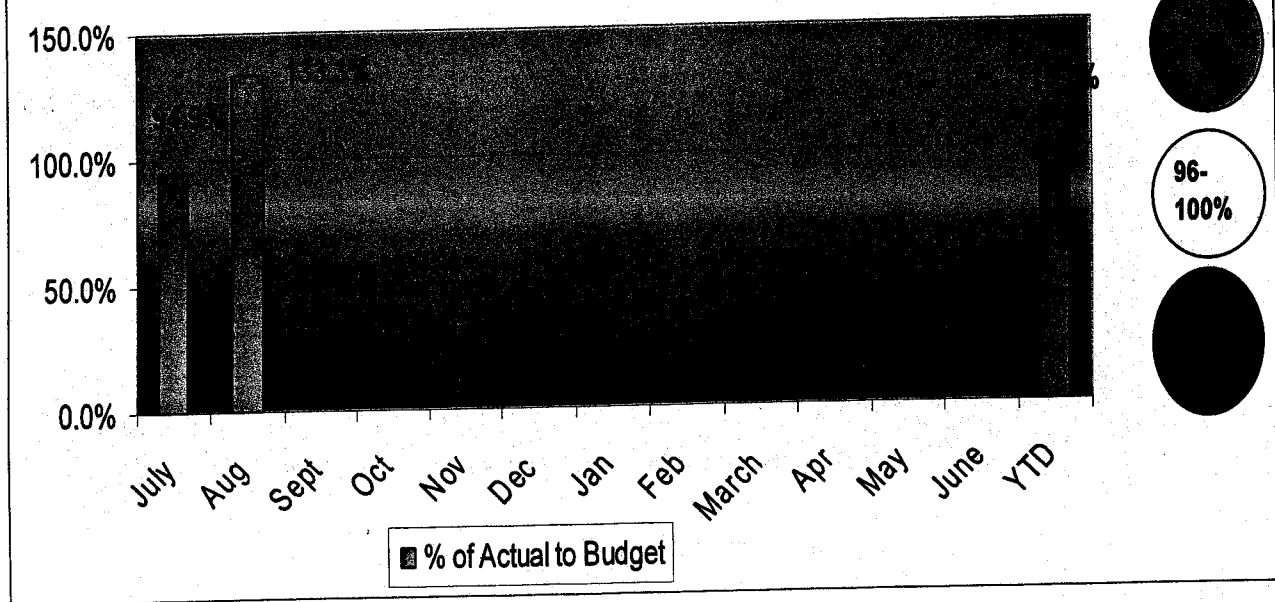
### PPH South Consolidated Financial Indicators BSC-FY07



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### PPH Total Consolidated OEBITDA w/ Prop Taxes - FY07

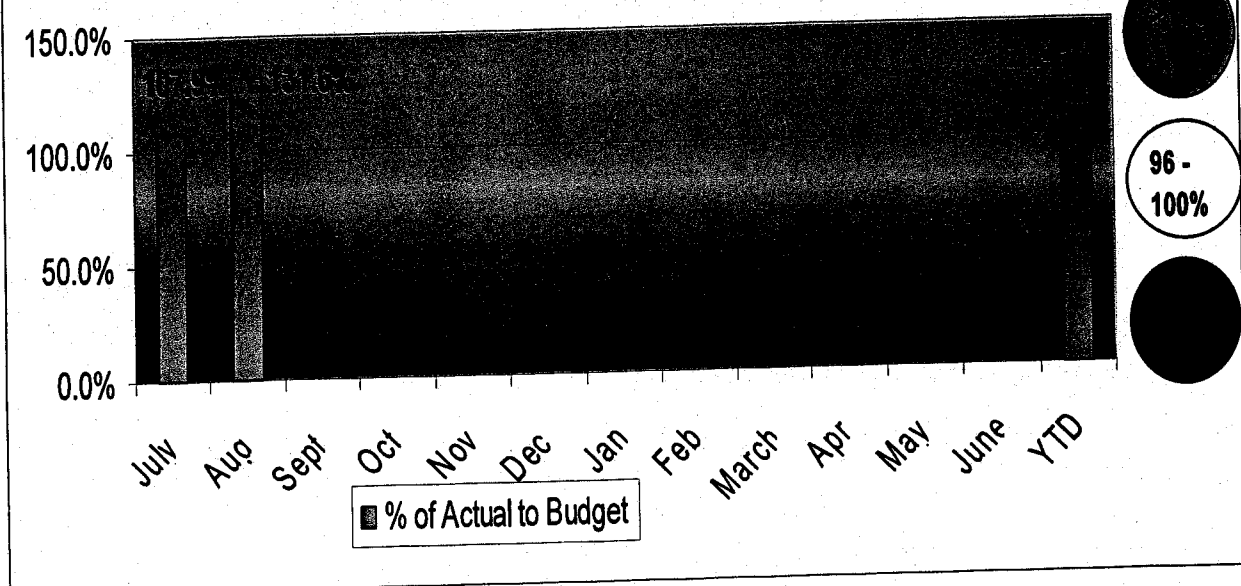


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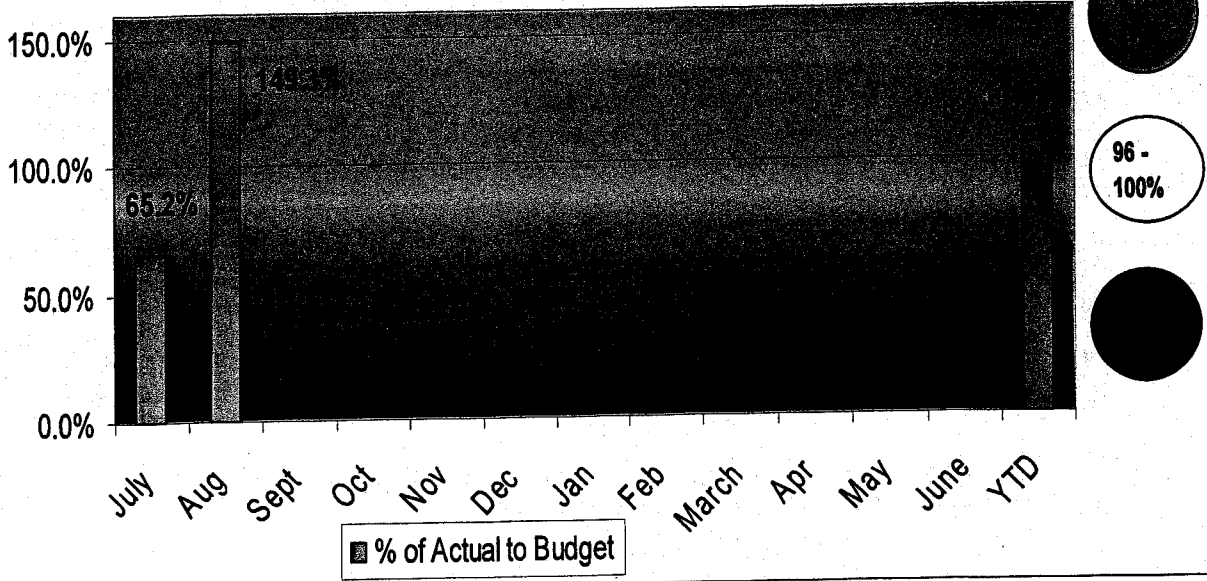
**PPH North Consolidated OEBITDA w/ Prop Taxes - FY07**



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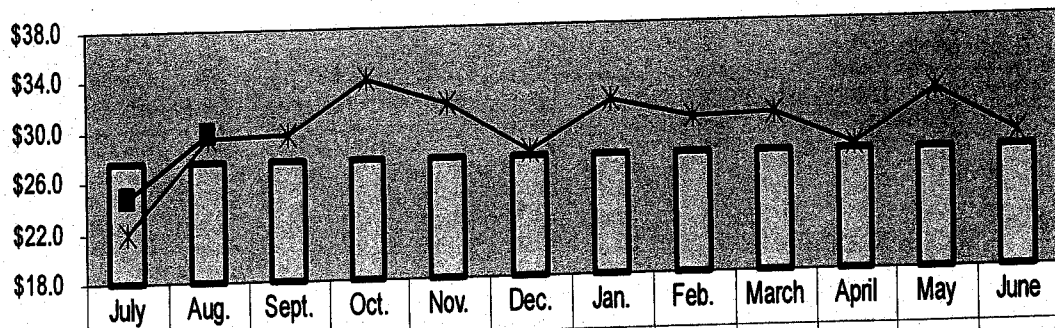
**PPH South Consolidated OEBITDA w/ Prop Taxes - FY07**



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### PPH Monthly Collections in Millions



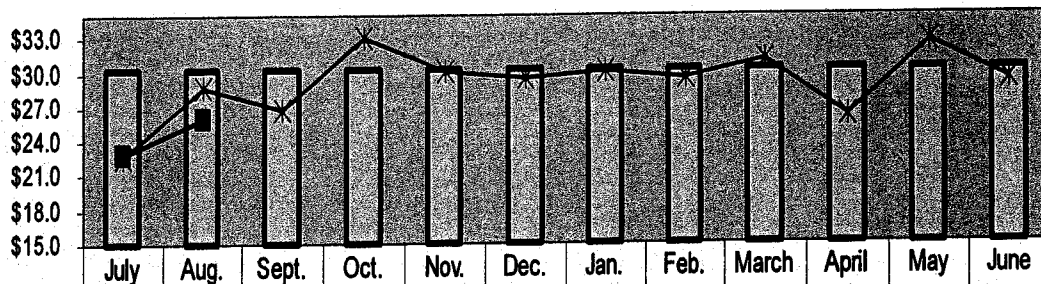
	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June
FY07 Goal	\$27.5	\$27.5	\$27.5	\$27.5	\$27.5	\$27.5	\$27.5	\$27.5	\$27.5	\$27.5	\$27.5	\$27.5
Pr. Yr Actual	\$21.9	\$29.4	\$29.6	\$33.9	\$31.7	\$27.8	\$31.9	\$30.3	\$30.6	\$27.8	\$32.2	\$28.7
Curr. Yr Actual	\$24.7	\$29.7										

**PALOMAR POMERADO HEALTH**

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**PBS Monthly Collections**  
in Millions



	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June
FY07 Goal	\$30.3	\$30.3	\$30.3	\$30.3	\$30.3	\$30.3	\$30.3	\$30.3	\$30.3	\$30.3	\$30.3	\$30.3
Pr. Yr Actual	\$22.6	\$28.7	\$26.8	\$33.1	\$30.1	\$29.5	\$30.2	\$29.6	\$31.2	\$26.2	\$32.6	\$29.2
Curr. Yr Actual	\$22.8	\$26.0										

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

	<u>August</u>	<u>YTD</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Income (Loss from operations)	2,282,383	2,744,434
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation Expense	1,661,865	3,309,054
Provision for bad debts	4,753,568	7,242,155
Changes in operating assets and liabilities:		
Patient accounts receivable	(8,150,947)	(18,233,744)
Property Tax and other receivables	(57,318)	63,015
Inventories	16,289	(109)
Prepaid expenses and Other Non-Current assets	(113,542)	(2,569,159)
Accounts payable	(3,778,203)	(7,667,095)
Accrued comp	1,693,488	1,618,678
Estimated settlement amounts due third-party payors	38,382	(6,015)
Other current liabilities	49,228	746,781
Net cash provided by operating activities	<u>(1,604,807)</u>	<u>(12,752,025)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Net (purchases) sales on investments	11,771,686	19,145,575
Interest (Loss) received on investments	857,094	1,743,634
Investment in affiliates	<u>115,485</u>	<u>245,027</u>
Net cash used in investing activities	<u>12,744,265</u>	<u>21,134,236</u>
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:</b>		
Receipt of G.O. Bond Taxes	132,282	250,826
Receipt of District Taxes	<u>239,662</u>	<u>389,232</u>
Net cash used in activities	<u>371,944</u>	<u>640,058</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Acquisition of property plant and equipment	(5,895,949)	(6,574,367)
Proceeds from sale of asset	0	0
G.O. Bond Interest paid	(1,838,488)	(1,838,488)
Revenue Bond Interest paid	0	0
Proceeds from issuance of debt	0	0
Payments of LT Debt	<u>(6,185,000)</u>	<u>(6,185,000)</u>
Net cash used in activities	<u>(13,919,437)</u>	<u>(14,597,855)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(2,408,035)</u>	<u>(5,575,586)</u>
CASH AND CASH EQUIVALENTS - Beginning of period	<u>6,542,707</u>	<u>9,710,258</u>
CASH AND CASH EQUIVALENTS - End of period	<u>4,134,672</u>	<u>4,134,672</u>

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# Flash Report – September 06 week #3

Month: September 2006	Week 1	Week 2	Week 3	Week 4	MTD Total	MTD Budget	% Variance
ADC (Acute)	291	297	292		880	960	(8.36)
PMC	215	221	224		660	717	(7.95)
POM	76	77	68		221	243	(9.17)
PCCC	93	91	92		276	267	3.53
VP	123	123	123		369	372	(0.69)
Patient Days (Acute)	2,036	2,080	2,042		6,158	6,721	(8.38)
PMC	1,505	1,544	1,568		4,617	5,010	(7.84)
POM	532	536	474		1,542	1,712	(9.90)
PCCC	657	640	647		1,944	1,861	4.48
VP	865	859	864		2,588	2,604	(0.61)
Discharges	520	537	541		1,598	1,710	(6.56)
PMC	382	407	422		1,211	1,260	(3.89)
POM	138	130	119		387	450	(14.02)
Number of Surgeries	218	219	232		669	705	(5.09)
PMC	150	139	165		454	459	(0.98)
POM	68	80	67		215	246	(12.74)
Number of Births	93	116	124		333	337	(1.30)
PMC	70	92	106		268	257	4.32
POM	23	24	18		65	81	(19.25)
Outpatient Visits (inc. Lab)	1,836	1,691	1,609		5,136	5,873	(12.55)
PMC	1,210	1,117	1,093		3,420	4,046	(15.47)
POM	626	574	516		1,716	1,827	(6.08)
ER Visits	1,629	1,530	1,656		4,815	4,822	(0.15)
PMC	1,111	1,006	1,117		3,234	3,244	(0.30)
POM	518	524	539		1,581	1,579	0.16
Trauma Visits	22	20	19		61	72	(15.40)
IP	20	14	10		44	54	(18.37)
OP	2	6	9		17	18	(6.59)

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# Flash Report – September 06 week #3

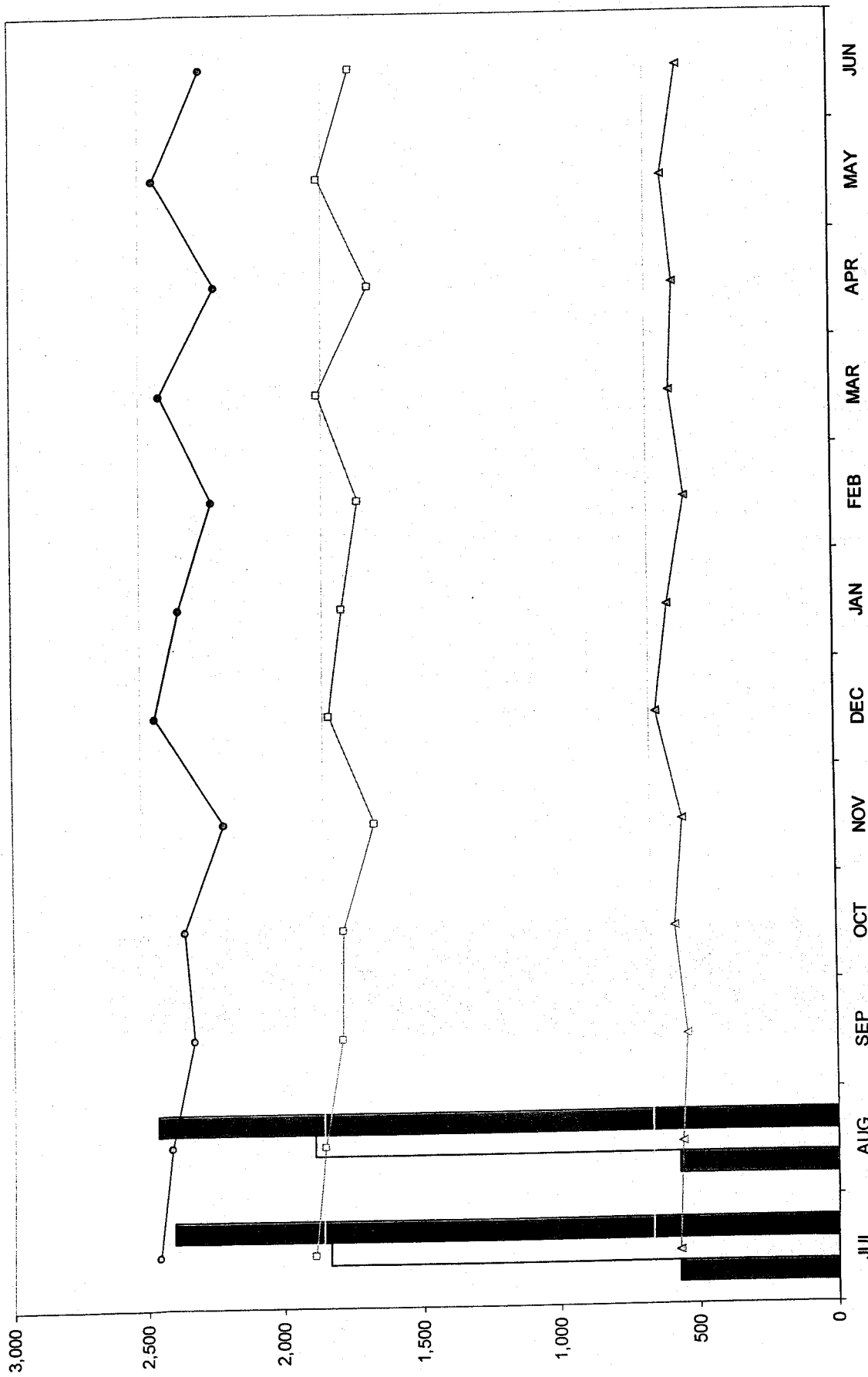
Month: September 2006	Week 1	Week 2	Week 3	Week 4	MTD Total	MTD Budget	% Variance
Gross IP Revenue	16,190,145	15,913,988	16,156,700		48,260,833	56,161,596	(14.07)
Gross OP Revenue	4,302,160	4,661,595	4,948,350		13,912,105	15,854,100	(12.25)
Cash Collection	5,666,132	6,372,003	5,868,125		17,906,260	22,335,580	(19.83)
Days cash on hand			117		117	80	
Productive Hours	204,317		199,726		404,043	414,185	2.45
PMC	24,393		23,546		47,939	49,986	4.10
POM	24,256		22,369		46,625	45,673	(2.08)
Others	155,668		153,811		309,479	318,526	2.84
Productive Dollars	5,989,929		5,973,757		11,963,686	12,517,666	4.43
PMC	780,941		765,552		1,546,493	1,598,688	3.26
POM	390,505		369,556		760,061	731,766	(3.87)
Others	4,818,483		4,838,649		9,657,132	10,187,212	5.20



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# FISCAL YEAR 2007

## Admissions - Acute

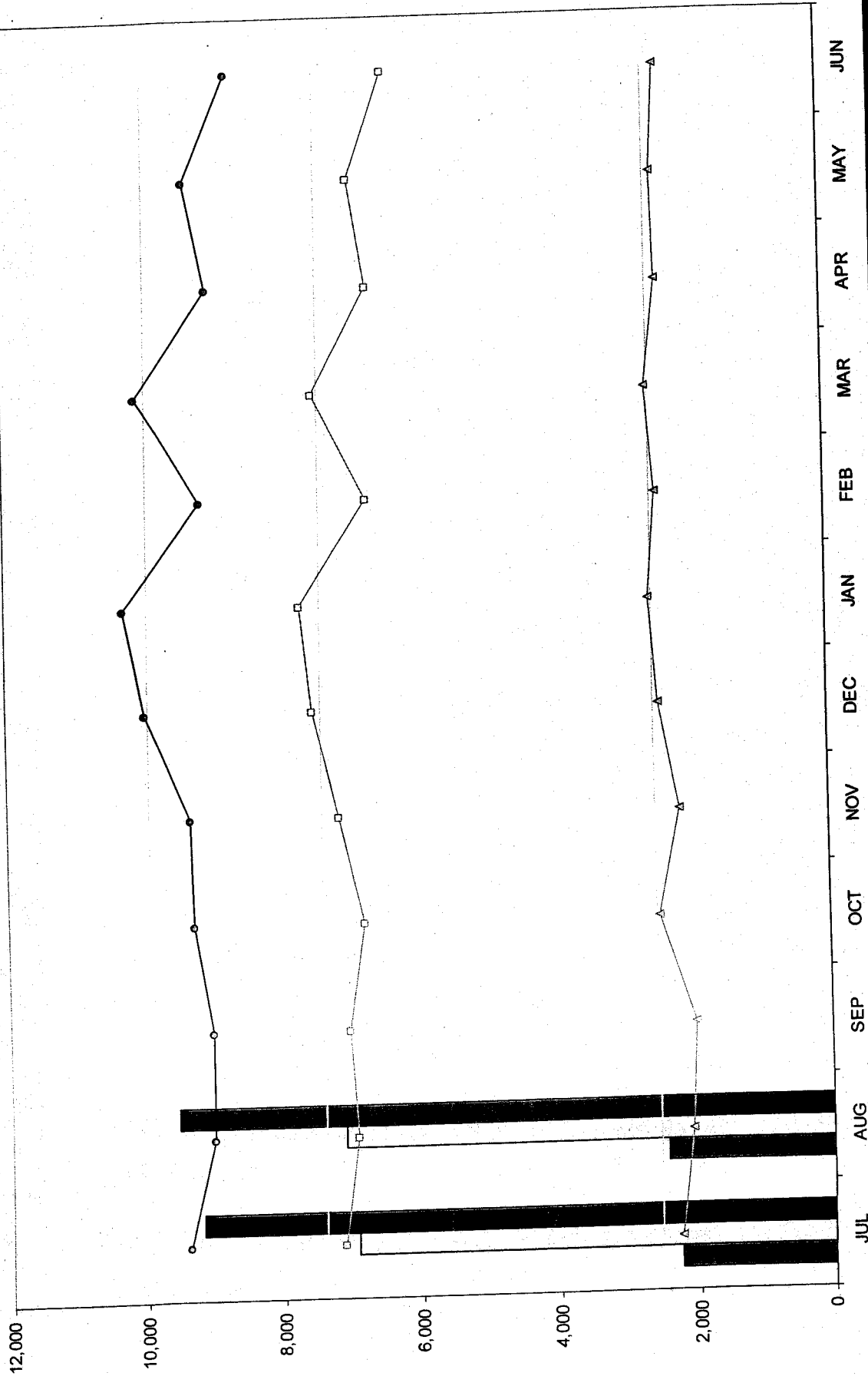


POM  
 PMC  
 CON  
 PY POM  
 PY PMC  
 PY CON

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD
POM	570	569											1,139
PMC	1,832	1,895											3,727
CON	2,402	2,464											4,866



# Patient Days - Acute



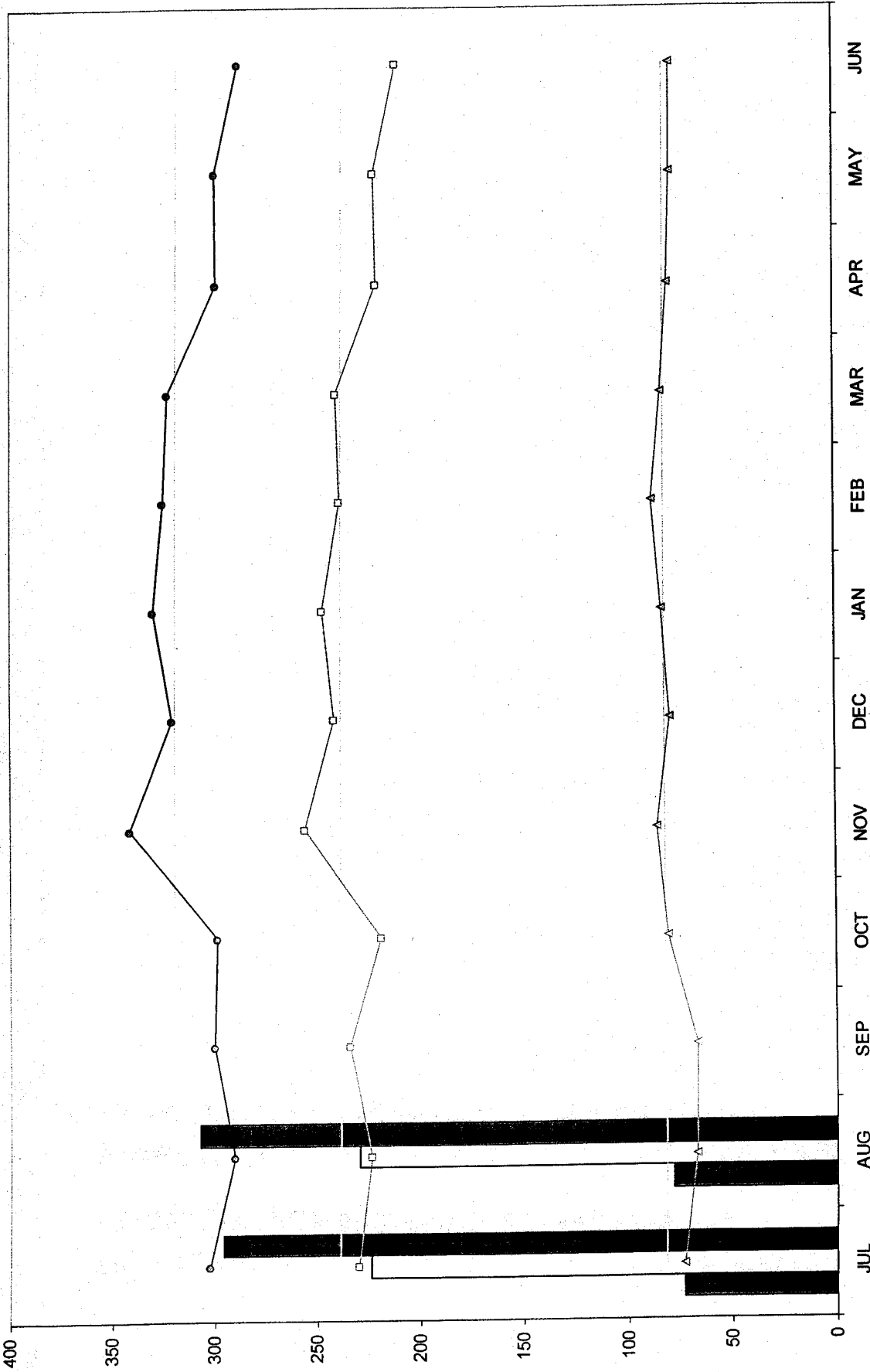
F I S C A L Y E A R 2 0 0 7

POM  
 PMC  
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 PY POM  
 PY PMC  
 PY CON

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD
<b>POM</b>	2,261	2,433											4,694
<b>PMC</b>	6,919	7,102											14,021
<b>CON</b>	9,180	9,535											18,715

# FISCAL YEAR 2007

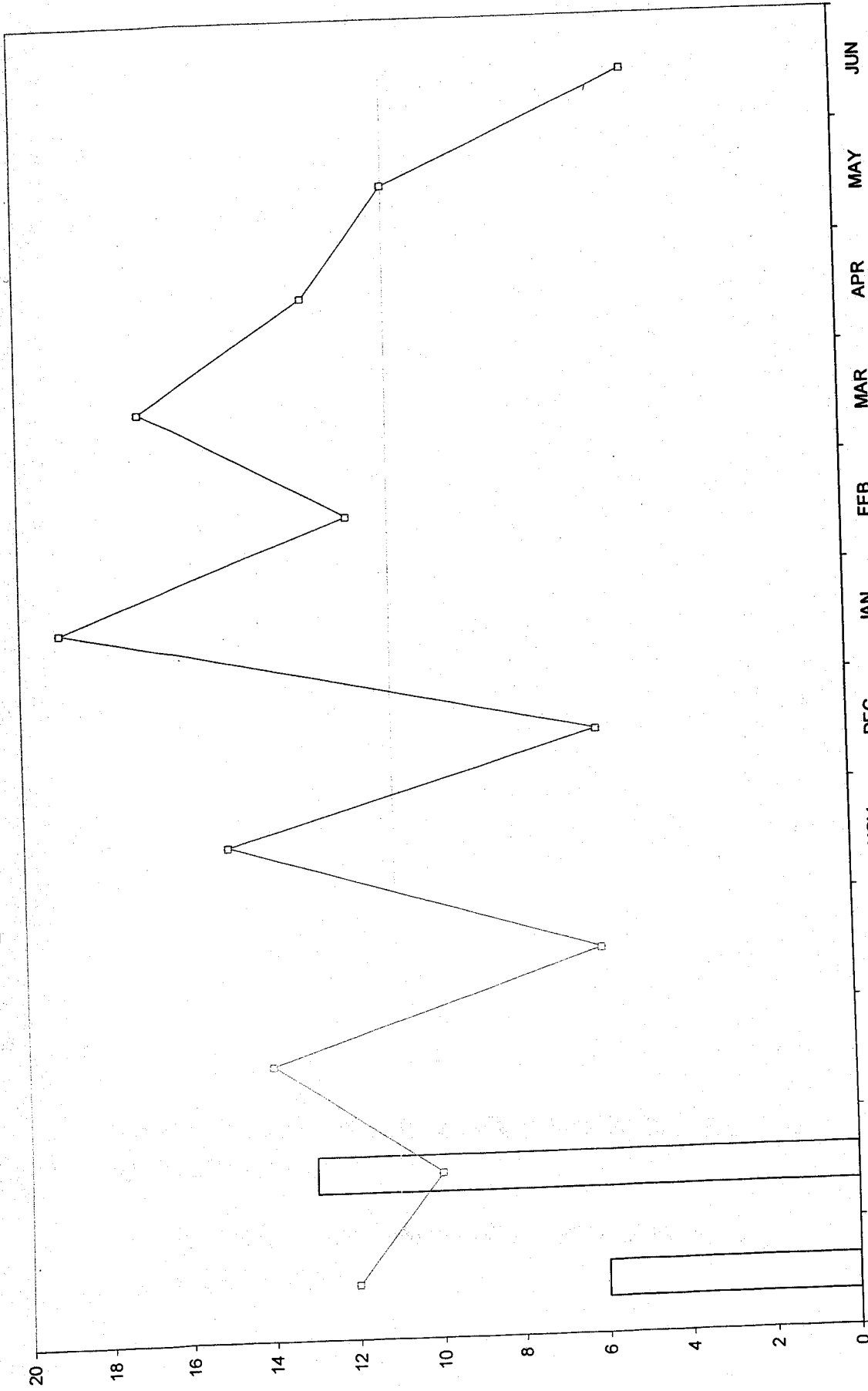
## Average Daily Census - Acute



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD
<b>POM</b>	73	78											76
<b>PMC</b>	223	229											226
<b>CON</b>	296	308											302

# Surgeries - CVS Cases

FISCAL YEAR 2007

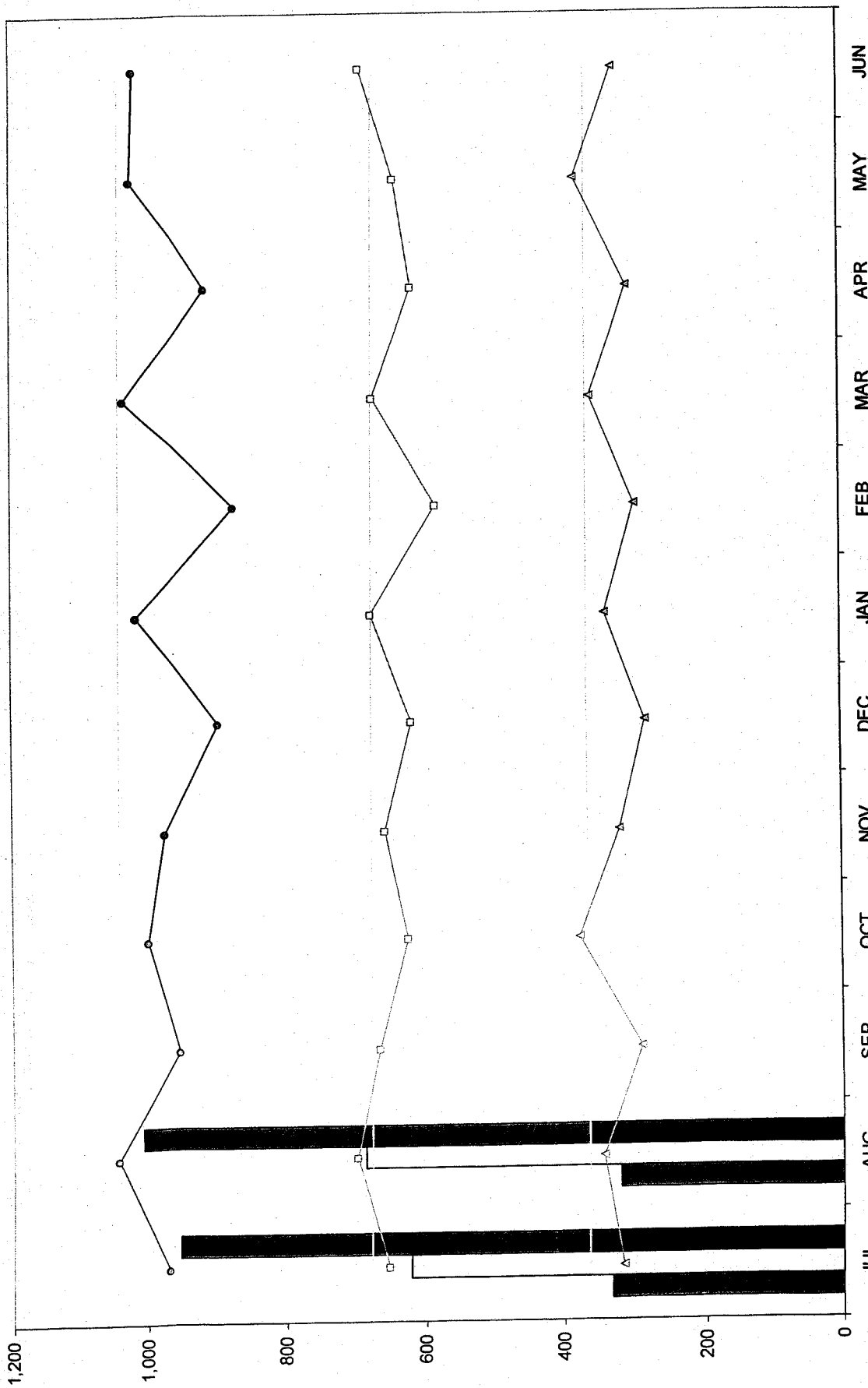


POM  
 PMC  
 CON  
 PY POM  
 PY PMC  
 PY CON

JUL AUG SEP OCT NOV DEC JAN FEB MAR APR MAY JUN YTD  
 19  
 PMC 6 13

# FISCAL YEAR 2007

## Total Surgeries

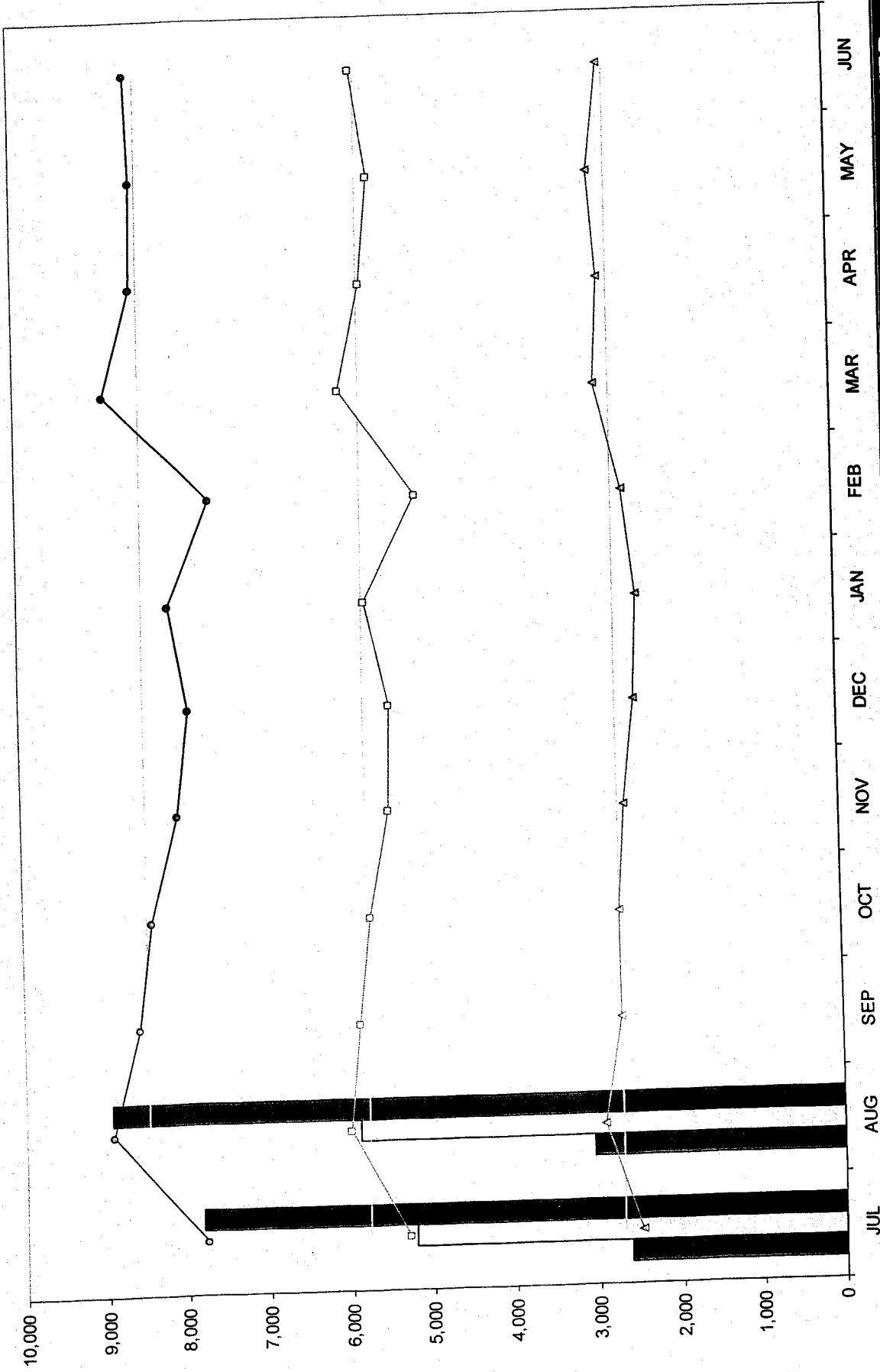


	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD
POM	332	321											653
PMC	621	688											1,309
CON	953	1,009											1,962

FK

# Outpatient Registrations

FISCAL YEAR 2007

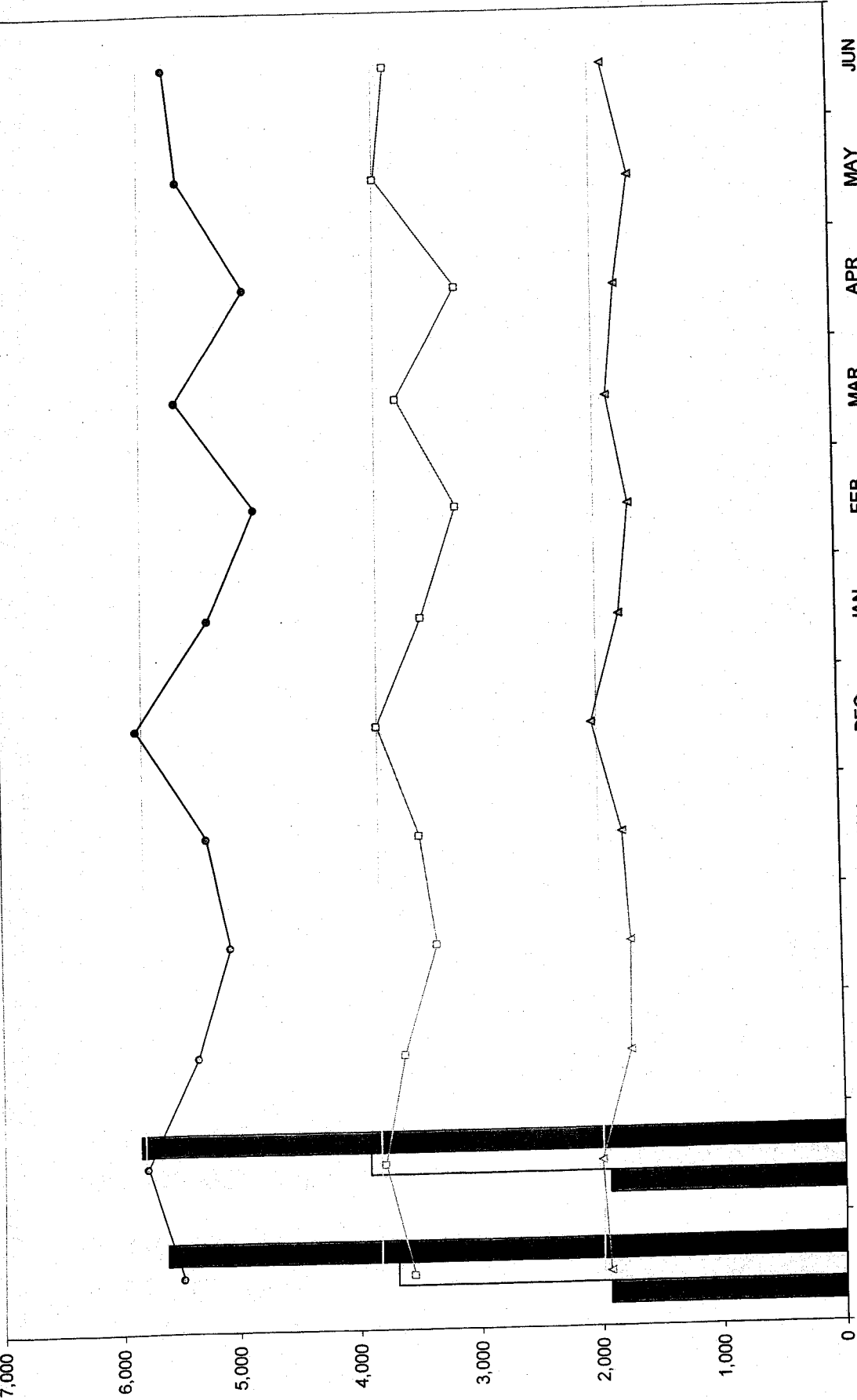


POM (Solid Black Bar)  
 PMC (White Bar with Black Outline)  
 CON (Line with Markers)

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD
POM	7,819	8,944											5,659
PMC	5,204	5,900											11,104
CON	2,615	3,044											16,763

5

# ER Visits (includes Trauma)



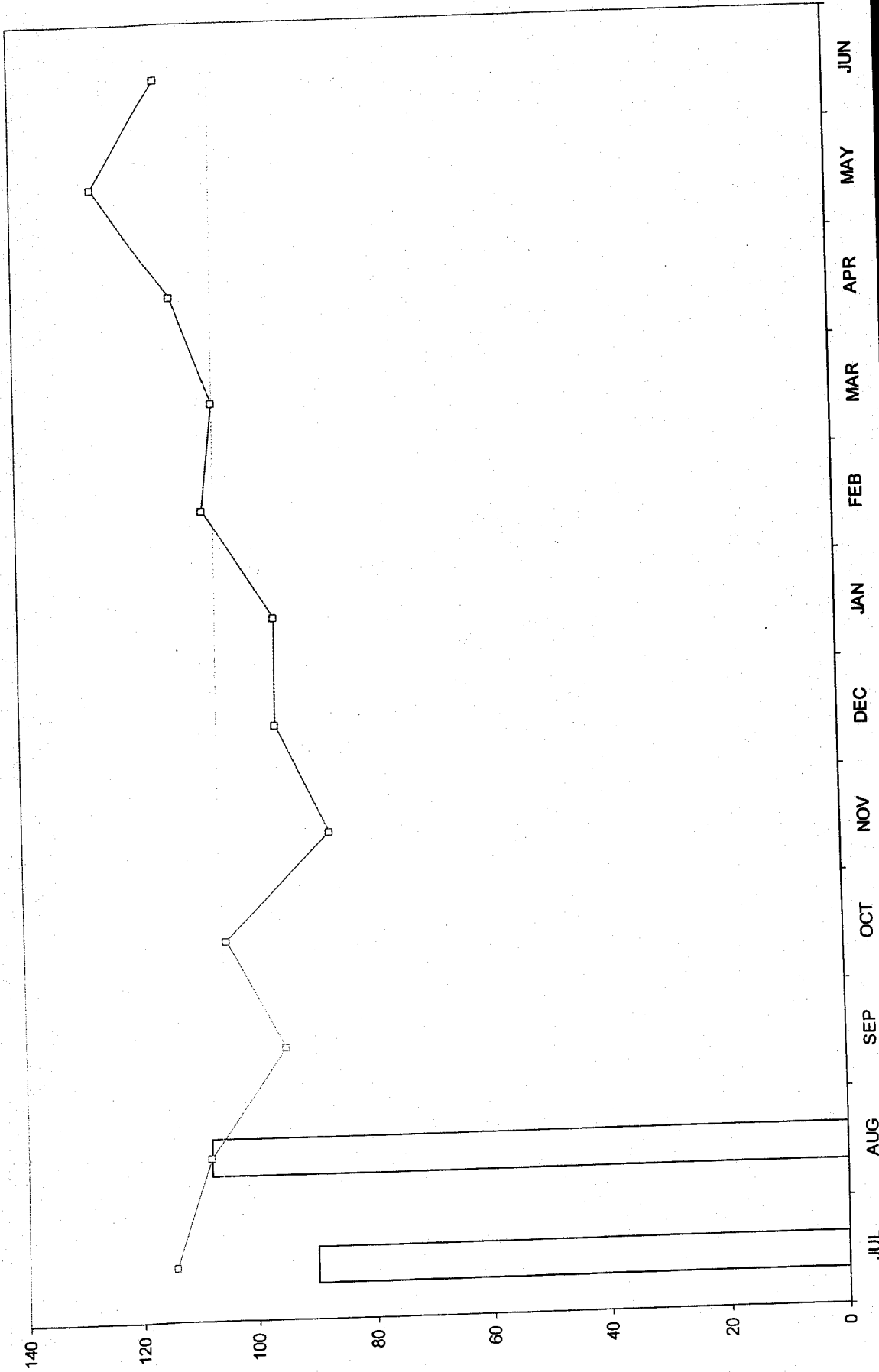
7,000  
6,000  
5,000  
4,000  
3,000  
2,000  
1,000  
0

POM  
 PMC  
 CON  
 PY POM  
 PY PMC  
 PY CON

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD
POM	1,930	1,930											3,860
PMC	3,685	3,916											7,601
CON	5,615	5,846											11,461

# FISCAL YEAR 2007

## Trauma Cases

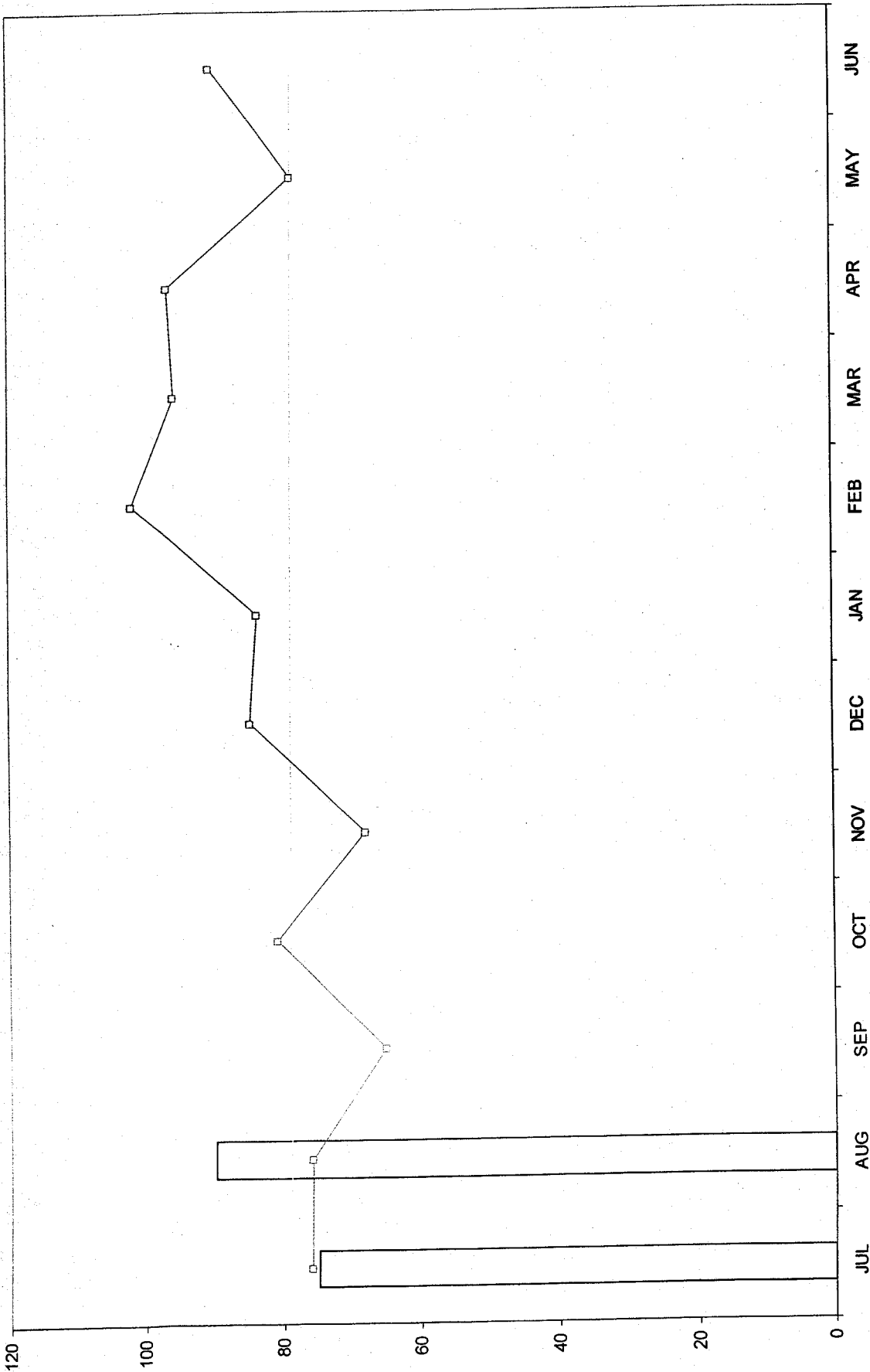


■ POM  
 □ PMC  
 ■ CON  
 ▲ PY POM  
 □ PY PMC  
 ● PY CON

JUL AUG SEP OCT NOV DEC JAN FEB MAR APR MAY JUN YTD  
 198  
 PMC 90 108

# Trauma Admissions

FISCAL YEAR 2007



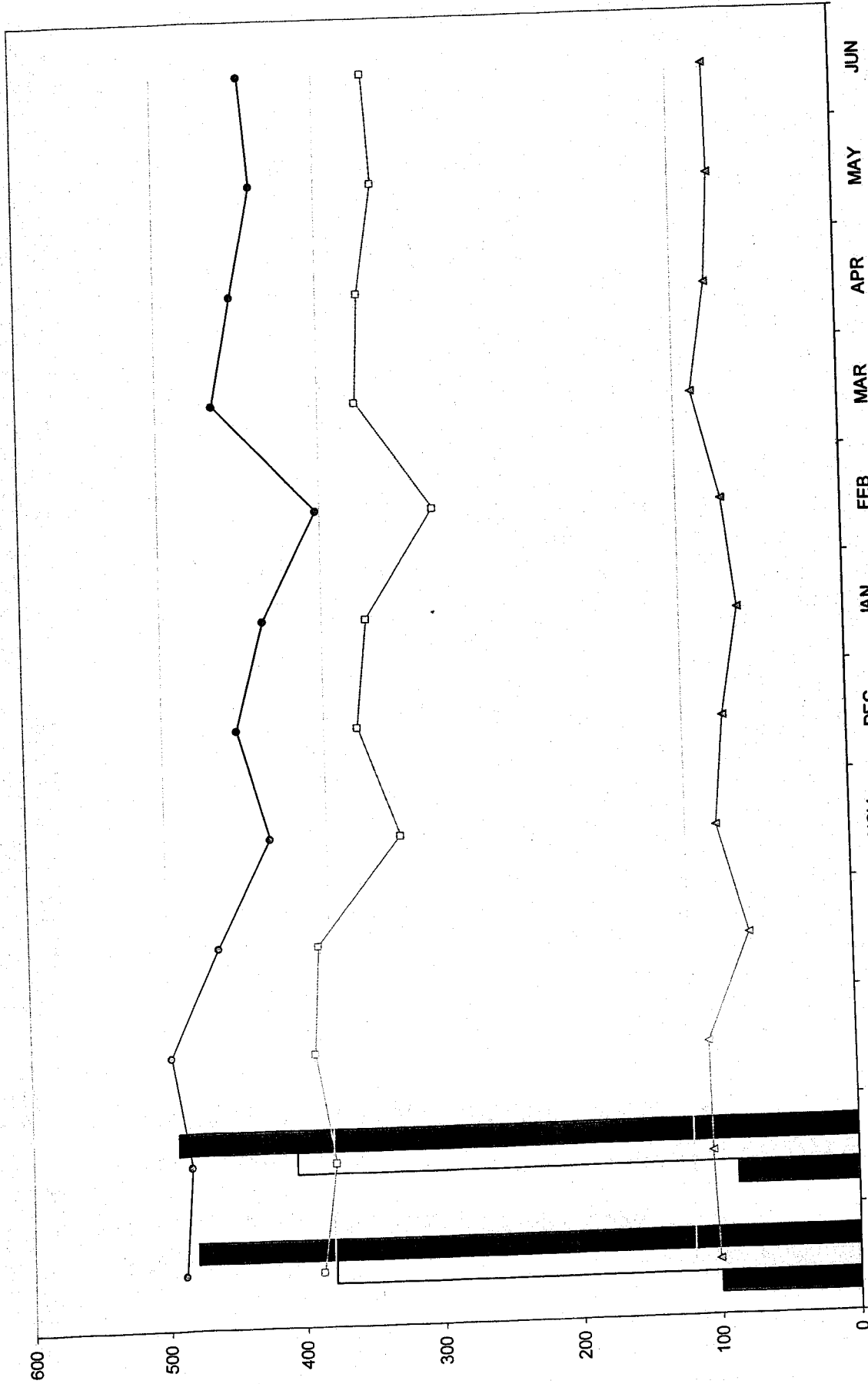
■ POM  
 ■ PMC  
 ■ CON  
 -●- PY POM  
 -○- PY PMC  
 -●- PY CON

JUL AUG SEP OCT NOV DEC JAN FEB MAR APR MAY JUN YTD  
 165  
 JUL AUG SEP OCT NOV DEC JAN FEB MAR APR MAY JUN YTD  
 165  
 PMC 75 90



# FISCAL YEAR 2007

## Deliveries

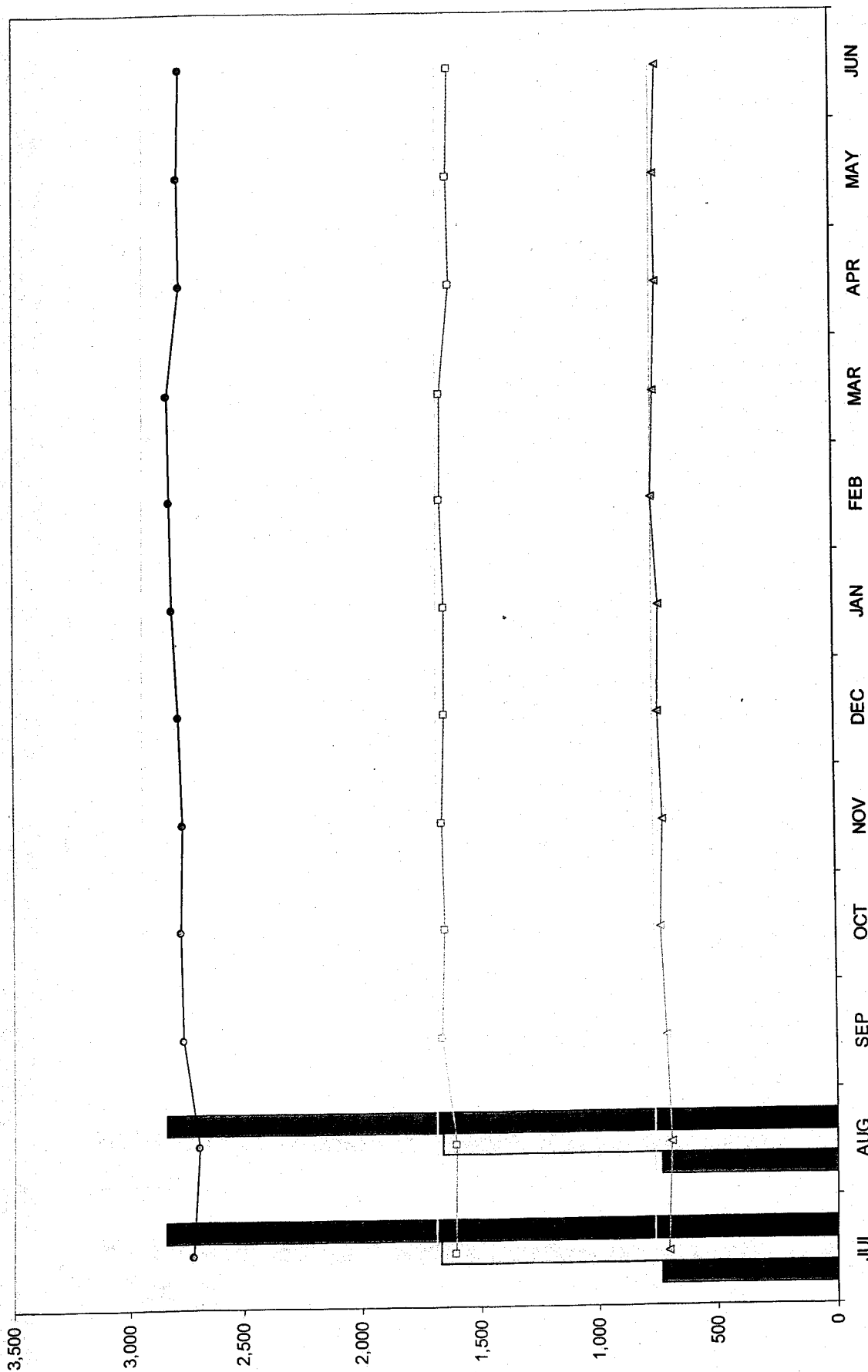


■ POM  
 □ PMC  
 ▲ CON  
 ○ PY POM  
 □ PY PMC  
 ● PY CON

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD
POM	479	493	406	406	406	406	406	406	406	406	406	406	785
PMC	379	406	406	406	406	406	406	406	406	406	406	406	187
CON	100	87	87	87	87	87	87	87	87	87	87	87	972

# Paid Full-Time Equivalents

## FISCAL YEAR 2007



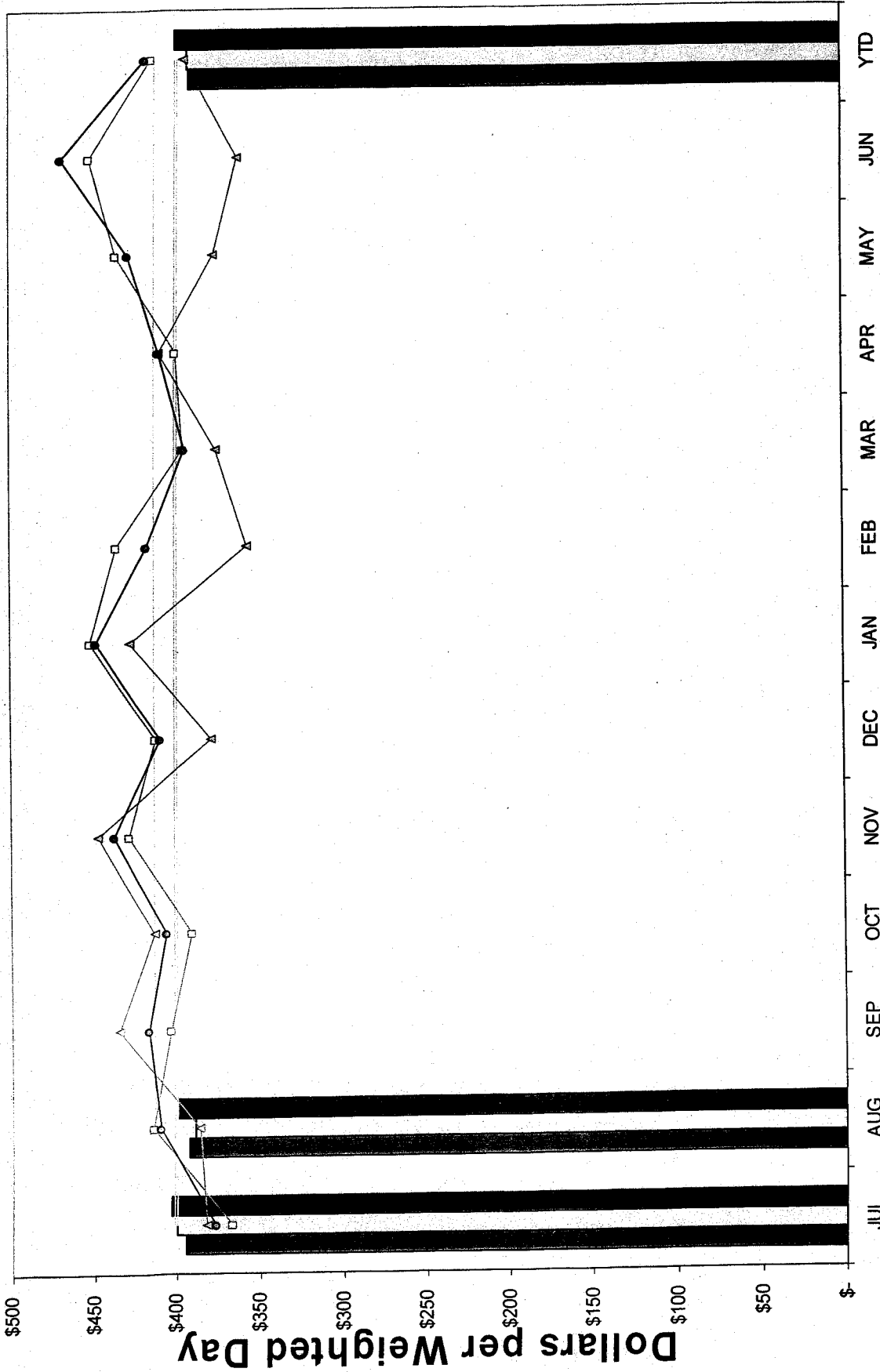
POM  
 PMC  
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 PY POM  
 PY PMC  
 PY CON

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD
<b>POM</b>	733	735											734
<b>PMC</b>	1,672	1,667											1,670
<b>CON</b>	2,843	2,845											2,844



# Supplies per Weighted Patient Days

FISCAL YEAR 2007



POM  
 PMC  
 CON  
 PY POM  
 PY PMC  
 PY CON

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD
POM	394	393											394
PMC	400	389											395
CON	404	399											401

# Flash Report - September 06 week #3

Month: September 2006	Week 1	Week 2	Week 3	Week 4	MTD Total	MTD Budget	% Variance
ADC (Acute)	291	297	292		880	960	(8.36)
PMC	215	221	224		660	717	(7.95)
POM	76	77	68		221	243	(9.17)
PCCC	93	91	92		276	267	3.53
VP	123	123	123		369	372	(0.69)
Patient Days (Acute)							
PMC	2,036	2,080	2,042		6,158	6,721	(8.38)
POM	1,505	1,544	1,568		4,617	5,010	(7.84)
PCCC	532	536	474		1,542	1,712	(9.90)
VP	657	640	647		1,944	1,861	4.48
	865	859	864		2,588	2,604	(0.61)
Discharges							
PMC	520	537	541		1,598	1,710	(6.56)
POM	382	407	422		1,211	1,260	(3.89)
	138	130	119		387	450	(14.02)
Number of Surgeries							
PMC	218	219	232		669	705	(5.09)
POM	150	139	165		454	459	(0.98)
	68	80	67		215	246	(12.74)
Number of Births							
PMC	93	116	124		333	337	(1.30)
POM	70	92	106		268	257	4.32
	23	24	18		65	81	(19.25)
Outpatient Visits (inc. Lab)							
PMC	1,836	1,691	1,609		5,136	5,873	(12.55)
POM	1,210	1,117	1,093		3,420	4,046	(15.47)
	626	574	516		1,716	1,827	(6.08)
ER Visits							
PMC	1,629	1,530	1,656		4,815	4,822	(0.15)
POM	1,111	1,006	1,117		3,234	3,244	(0.30)
	518	524	539		1,581	1,579	0.16
Trauma Visits							
IP	22	20	19		61	72	(15.40)
OP	20	14	10		44	54	(18.37)
	2	6	9		17	18	(6.59)

# Flash Report – September 06 week #3

Month: September 2006	Week 1	Week 2	Week 3	Week 4	MTD Total	MTD Budget	% Variance
Gross IP Revenue	16,190,145	15,913,988	16,156,700		48,260,833	56,161,596	(14.07)
Gross OP Revenue	4,302,160	4,661,595	4,948,350		13,912,105	15,854,100	(12.25)
Cash Collection	5,666,132	6,372,003	5,868,125		17,906,260	22,335,580	(19.83)
Days cash on hand			117		117	80	
Productive Hours	204,317		199,726		404,043	414,185	2.45
PMC	24,393		23,546		47,939	49,986	4.10
POM	24,256		22,369		46,625	45,673	(2.08)
Others	155,668		153,811		309,479	318,526	2.84
Productive Dollars	5,989,929		5,973,757		11,963,686	12,517,666	4.43
PMC	780,941		765,552		1,546,493	1,598,688	3.26
POM	390,505		369,556		760,061	731,766	(3.87)
Others	4,818,483		4,838,649		9,657,132	10,187,212	5.20

## Physician Recruitment Agreement

**TO:** Board of Directors

**FROM:** Board Finance Committee  
Tuesday, September 26, 2006

**MEETING DATE:** Monday, October 9, 2006

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

**Background:** The PPH community lacks an adequate number of general/vascular 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 an additional vascular physician to relocate to Inland North San Diego County. Allen Chan, M.D., has signed the PPH Physician Recruitment Agreement in order to establish a practice in Escondido, CA. He intends to begin practicing in December 2006.

**Budget Impact:** None

**Staff Recommendation:** Approval of the Physician Recruitment Agreement with Dr. Allen Chan 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 Allen Chan, M.D.

**Motion:** X

**Individual Action:**

**Information:**

**Required Time:**

**PHYSICIAN RECRUITMENT AGREEMENT**  
**by and between**  
**PALOMAR POMERADO HEALTH (“Hospital”)**  
**and**  
**Allen K. Chan, M.D. (“Physician”)**



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## PHYSICIAN RECRUITMENT AGREEMENT

THIS PHYSICIAN RECRUITMENT AGREEMENT (this "**Agreement**") is entered into and effective as of November 1, 2006 (the "**Execution Date**"), by and between Palomar Pomerado Health, a California district hospital ("**Hospital**"), and Allen K. Chan, M.D., an individual ("**Physician**"). Hospital and Physician are sometimes referred to in this Agreement, individually, as a "**Party**" or, collectively, as the "**Parties.**"

### RECITALS

A. Hospital owns and operates an acute care hospital facilities located in Inland North San Diego County, which serves 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 Vascular Surgery (the "**Specialty**").

C. At the time of the recruitment discussions, Physician operated a medical practice in Corona, California.

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.
6. Physician will establish a medical practice that provides one or more professional medical services not currently available in the community.

E. Physician has expressed to Hospital that he or she will not relocate to the Service Area without the financial assistance provided by Hospital pursuant to this Agreement.

## AGREEMENT

THE PARTIES AGREE AS FOLLOWS:

### ARTICLE I. PHYSICIAN'S OBLIGATIONS

**1.1 Provision of Professional Services.** Physician shall commence providing professional services in the Service Area no later than December 1, 2006 (the "Start Date"), or a later date as agreed by the Parties, and shall thereafter operate, a private practice of medicine in the Specialty (the "Practice") 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 (the "Service Area"). The Offices are hereby approved by Hospital, and Physician shall not relocate the Offices without the prior written consent of Hospital.

**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 the State, 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 Administrative Obligations.** Physician shall, from and after the Start Date, perform, or ensure the performance of, the following administrative duties:

(a) Establish and maintain an accurate bookkeeping system for all Practice Expenses and Practice Receipts

(b) 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 this Agreement.

(c) Provide and arrange for the billing and collection services in a commercially reasonable manner with respect to the professional medical and other health care services provided by Physician, and ensure such services are performed in a manner consistent with legal and contractual requirements.

(d) Take all necessary and reasonable steps to ensure that bills and claims are submitted to patients and payors not more than thirty (30) days after Physician's provision of services for a patient; 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 all collections from patients and payors are immediately recorded so the Parties may calculate the amount of any Income Guarantee Advances due to Physician.

(e) 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 an attachment to each Physician Financial Report:

(i) an accounting of the Practice Expenses incurred by Physician during the month;

(ii) an accounts receivable report detailing Physician's outstanding accounts receivable attributable to the professional services provided by Physician during the month and an aging report on all

- of Physician's outstanding accounts receivable (including, without limitation, any reserves for contractual allowances and bad debts);
- (iii) a collections report detailing the Practice Receipts for the month; and
  - (iv) such additional information regarding the financial condition of the Practice or the collateral under the Physician Security Agreement (as defined below) as Hospital may reasonably request from time to time.

**1.10 Representation and Warranty Regarding Documents and Information.**

Physician represents and warrants to Hospital that the Physician Financial Reports and any other statements or reports (financial or otherwise) delivered to Hospital by or on behalf of Physician pursuant to this Agreement: (a) are and will be consistent with the books and records of Physician; (b) are and will be true, accurate and complete in all material respects; (c) do not and will not contain any untrue information or statement of fact; and (d) do not and will not omit to state any information or fact reasonably necessary to make the information or facts contained in any such statement or report not misleading.

**1.11 Compliance with HIPAA.** Physician shall comply with the HIPAA Obligations as defined and set forth in Exhibit 1.11. HIPAA Obligations shall survive the expiration or termination for any reason of this Agreement.

**1.12 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.

**1.13 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.

**1.14 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.

**1.15 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 5.3);
- (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 6.2).

## **ARTICLE II.**

### **RECRUITMENT INCENTIVES**

**2.1 Recruitment Incentives.** Hospital shall make available to Physician a loan consisting of the advances described in this Article II (the "**Recruitment Loan**"). Physician shall repay the Recruitment Loan pursuant to the terms and conditions of the Recruitment Note

(as defined in Section 3.1(a)); provided, however, that amounts due to Hospital under the Recruitment Note may be forgiven, in whole or in part, as applicable, if certain conditions, outlined below and set forth in the Recruitment Note, are satisfied by Physician. Notwithstanding any other provision of this Agreement, the aggregate amount of the Recruitment Loan shall not exceed [REDACTED]

## 2.2 Income Guarantee Advances.

(a) Guaranteed Monthly Income. Hospital shall advance to Physician such amounts, calculated in accordance with Section 2.2(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 to Hospital an accurate and complete report of Practice Receipts and Practice Expenses (each as defined in Section 2.2(c)) on the form attached as Exhibit 2.2(b) (the "Physician Financial Report"). Physician shall acknowledge Physician's 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 costs and expenses actually and reasonably incurred by Physician and directly attributable to the provision of professional medical services by Physician during such month ("Practice Expenses") (subject to the limits specified in the Physician Financial Report) minus (iii) the amount collected, on a cash basis, in such month from all sources by 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 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 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 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 3.1(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 3.1(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 2.2 shall be contingent upon Physician's compliance with the terms and conditions of this Agreement, the Recruitment Note (as defined in Section 3.1(a)) and the Physician Security Agreement (as defined in Section 3.1(b)), including, without limitation, the timely submission to Hospital of accurate and complete monthly Physician Financial Reports in accordance with Section 2.2(b).

(i) **Waiver of Income Guarantee Advances Amounts.** Physician, in Physician's sole discretion, 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.

### 2.3 **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 2.3(d), advance to Physician an amount necessary to reimburse Physician for the Moving Expenses (as defined in Section 2.3(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 mileage and lodging if traveling by automobile, for Physician and Physician's immediate family.

(c) **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 3.1(a)) and the Physician Security Agreement (as defined in Section 3.1(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.

(d) **Recruitment Note.** Physician shall repay the Moving Expense Reimbursement pursuant to the terms and conditions of the Recruitment Note (as defined in Section 3.1(a)).

#### 2.4 **Assistance Advance.**

(a) **Assistance Advance.** Hospital shall, on or before November 01, 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: consulting, start up expenses, minor medical equipment less than \$2,000, furnishing, office lease deposit, and limited office supplies inventory (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) **Recruitment Note.** Physician shall repay the Assistance Advance pursuant to the terms and conditions of the Recruitment Note (as defined in Section 3.1(a)).

2.5 **Final Statement.** Within thirty (30) days after submission of the last Physician Financial Report, Hospital shall prepare and deliver to Physician 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.

2.6 **No Transfer of Recruitment Benefits.** Physician shall not transfer or assign to any other physician or physician practice (including any medical group) any amounts advanced or loaned to Physician by Hospital pursuant to this Agreement, except as required by applicable law or with the written consent of Hospital, which consent may be given, withheld or

conditioned by Hospital as determined by Hospital to be necessary or appropriate to ensure compliance with applicable law.

**ARTICLE III.**  
**PROMISSORY NOTE; SECURITY AGREEMENT**

**3.1 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 3.1(a)** (the "Recruitment Note");
- (b) the security agreement in the form attached as **Exhibit 3.1(b)** (the "Physician Security Agreement"); and
- (c) a completed IRS Form W-9 identifying Physician's taxpayer identification number.

**3.2 Further Cooperation.** Physician shall perform all actions and execute all documents necessary to perfect the security interest granted in the Physician Security Agreement, as reasonably requested by Hospital from time to time.

**ARTICLE IV.**  
**INSURANCE AND INDEMNITY**

**4.1 Malpractice Liability Insurance.** Physician shall obtain and continuously maintain professional malpractice liability insurance coverage, issued by an insurance company licensed or otherwise qualified to issue professional liability insurance policies or coverage in the State, 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.

**4.2 Certificate of Insurance.** On or before the Start Date, Physician shall provide to Hospital an original certificate evidencing professional malpractice liability insurance coverage, and shall 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 at least thirty (30) days' prior written notice of cancellation or any material change in such professional malpractice liability insurance coverage.

**4.3 Tail Coverage.** If Physician's professional malpractice liability insurance is provided on a claims-made basis, upon the expiration or termination of this Agreement for any reason, Physician shall continuously maintain such insurance or purchase from an insurance company licensed or otherwise qualified to issue professional liability insurance policies or coverage in the State, 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 4.1 of this Agreement is maintained for claims which arise from professional services provided by Physician during the term of this Agreement.

#### 4.4 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 Hospital. Hospital shall indemnify and hold harmless Physician 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 in connection with the defense of such claims.

#### 4.5 Cooperation between 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 between 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 both 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.

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

### ARTICLE V. RELATIONSHIP BETWEEN THE PARTIES

5.1 Independent Contractor. Physician is and shall at all times be an independent contractor with respect to Hospital in meeting Physician's responsibilities under this Agreement. Nothing in this Agreement is intended nor shall be construed to create a partnership, employer-employee or joint venture relationship between Hospital and Physician.

**5.2 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.

**5.3 Code of Conduct.** Physician hereby acknowledges receipt of Hospital's Code of Conduct, attached to this Agreement as **Exhibit 5.3** (the "**Code of Conduct**"), and agrees that he or she has been given ample opportunity to read, review and understand the Code of Conduct. Physician shall not act in any manner which conflicts with or violates the Code of Conduct, and shall not cause another person to act in any manner which conflicts with or violates the Code of Conduct. Physician shall comply with the Code of Conduct as it relates to Physician's business relationships with Hospital, any Affiliate (as defined in Section 6.4(d)), or Hospital's or any Affiliate's employees, agents, servants, officers, directors, contractors and suppliers of any kind.

**5.4 Referrals.** Nothing in this Agreement or in any other written or oral agreement between Hospital and Physician, 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 6.4(d)) by Physician. This Agreement is not intended to influence Physician's judgment in choosing the hospital or other health care facility or provider deemed by Physician to be best qualified to deliver goods or services to any particular patient. The rights of Physician under this Agreement shall not be dependent in any way on the referral of patients or business to Hospital or any Affiliate by Physician. Notwithstanding the foregoing, Physician shall not refer any Hospital patient to any provider of health care services that Physician knows or should know is excluded or suspended from participation in, or sanctioned by, any Federal Health Care Program.

**5.5 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 the methods by which Physician performs professional medical services; provided, however, that Physician shall be subject to and shall at all times comply with the Hospital Rules, and the terms and conditions of this Agreement.

## ARTICLE VI. TERM AND TERMINATION

**6.1 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.

**6.2 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) any representation or warranty made by Physician in or pursuant to this Agreement or the Physician Security Agreement shall prove to be untrue or incorrect in any respect when made or deemed made;
- (c) Physician's voluntary retirement from the practice of medicine;
- (d) 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;
- (e) 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;
- (f) Physician fails to maintain current and valid DEA registration;
- (g) Physician is charged with or convicted of a felony or with a misdemeanor involving fraud, dishonesty, or moral turpitude;
- (h) 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;
- (i) Physician is debarred, suspended, excluded or otherwise ineligible to participate in any Federal Health Care Program;
- (j) Physician acts, or Physician causes another person to act, in a manner which conflicts with or violates the Code of Conduct or Hospital Rules;
- (k) breach by Physician of any HIPAA Obligation;
- (l) 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;
- (m) any application or any proceedings described in Section 6.2(l) 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;

(n) Physician 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 6.4(d)), including, without limitation, the Recruitment Note and the Physician Security Agreement, subject to any applicable cure periods expressly provided for in such agreements, promissory notes, instruments or documents;

(o) 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;

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

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

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

**6.3 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.

**6.4 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 Party, 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 Party.

(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 between the Parties set forth in this Agreement, the Recruitment Note or the Physician Security Agreement, if or when implemented, could reasonably be expected to result in or present a material risk of any one or more of the following:

(i) revocation or threat of revocation of the status of any health facility license granted to Hospital or any Affiliate (as defined in Section 6.4(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 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
- (v) subject Hospital, Physician, 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.

#### **6.5 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.

#### **6.6 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 II 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 II 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.*

#### 6.7 **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 6.3, 6.4 or 6.5, 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 6.3 or as a result of Government Action pursuant to Section 6.4, 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 VII.** **GENERAL PROVISIONS**

**7.1 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.

**7.2 Assignment.** Except for assignment by Hospital to an entity owned, controlled by, or under common control with Hospital, neither Party may assign any right, interest, duty, or obligation under this Agreement without the 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.

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

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

**7.5 Compliance with Laws.** Physician 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.

**7.6 Compliance with Medicare Rules.** To the extent required by law or regulation, Physician 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 books, documents and records pertaining to this Agreement. Physician 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 is requested to disclose books, documents or records pursuant to this Section for any purpose, Physician shall notify Hospital of the nature and scope of such request, and Physician 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.

**7.7 Confidentiality.** Neither Party shall disclose any of the provisions of this Agreement to any person or entity, other than their respective attorneys or accountants, without the prior written consent of the other Party, unless and only to the extent such disclosure is required by law, subpoena or legal process. Hospital or Physician may disclose the provisions of this Agreement to any person or entity without the prior written consent of the other Party to the extent such disclosure is 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 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.

**7.8 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.

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

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

**7.11 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.

**7.12 Force Majeure.** Neither 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).

**7.13 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.

**7.14 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.

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

**7.16 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. Physician shall not 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 served as a treating physician.

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

**7.18 No Conflicting Obligations.** Physician represents and warrants that the execution and delivery of this Agreement and the performance of Physician's obligations under this Agreement do not and will not: (a) present a conflict of interest or materially interfere with the performance of Physician's 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 shall immediately inform Hospital of any other agreements that may present a conflict of interest or materially interfere with performance of Physician's duties under this Agreement.

**7.19 No Limitations or Restrictions on Physician's Practice.** If, at any time during the term of this Agreement, Physician joins or associates with a medical group or other physician

practice (“Group”), whether as an employee, independent contractor or owner, Physician shall not agree to any contractual provision that allows Group to 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 be able to 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.

**7.20 Non-Discrimination.** Physician shall not differentiate or discriminate in the provision of medical services on the basis of race, color, national origin, ancestry, religion, sex, marital status, sexual orientation, age, medical condition, medical history, genetics, evidence of insurability, or claims history, in violation of any applicable state, federal or local law or regulation, or Hospital Rules, including, without limitation, the Age Discrimination Act of 1975, the Americans with Disabilities Act and all regulations issued pursuant thereto and as may be amended from time to time. 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.

**7.21 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.

**7.22 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.

**7.23 Notices.** All notices or communications required or permitted under this Agreement shall be given in writing and shall be delivered to the Party to whom notice is to be given either: (a) by personal delivery (in which case such notice shall be deemed given on the date of delivery); (b) by next business day courier service (e.g., Federal Express, UPS or other similar service) (in which case such notice shall be deemed given on the business day following date of deposit with the courier service); or (c) by United States mail, first class, postage prepaid, registered or certified, return receipt requested (in which case such notice shall be deemed given on the third (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.

**7.24 Participation in Governmental Programs.** Physician represents that Physician is not, and never has been, debarred, suspended, excluded or otherwise ineligible to participate in any Federal Health Care Program.

**7.25 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.

**7.26 Severability.** Subject to Section 6.4, 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 6.4 is applicable, this Section shall not be enforced.

**7.27 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.

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

*[signature page follows]*

The Parties have executed this Agreement on the Execution Date.

**HOSPITAL**

Palomar Pomerado Health,  
a California district hospital

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

Hospital's address:

15255 Innovation Drive  
San Diego, CA 92128  
\_\_\_\_\_

**PHYSICIAN**

Allen K. Chan M.D., FACS, an individual

\_\_\_\_\_  
Allen K. Chan, M.D.

Physician's principal place of business:

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

**Exhibit 1.1**

**SERVICE AREA**

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

**Exhibit 1.11**

**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 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 Physician or created or received by 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.** Physician shall not use Protected Information except as permitted by and for the purpose of performing Physician’s obligations under this Agreement. Physician shall not use Protected Information in any manner that would constitute a violation of the Privacy Rule if so used by Hospital.
3. **Permitted Disclosures.** Physician shall not disclose Protected Information, except as expressly permitted or required by this Agreement or as Required by Law. Further, Physician shall not disclose Protected Information in any manner that would constitute a violation of the Privacy Rule if so used by Hospital.
4. **Appropriate Safeguards.** Physician 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.** Physician 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. **Physician's Employees and Agents.** Physician shall ensure that any employees and agents of Physician, including subcontractors, to whom Physician provides Protected Information, agree in writing to the same restrictions and conditions that apply to Physician with respect to such Protected Information.
7. **Access to Protected Information.** Physician shall make Protected Information maintained by Physician or Physician's 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 Physician or Physician's employees, agents or subcontractors, 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, Physician and Physician's 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, Physician need not provide an accounting to Hospital of disclosures: (i) to carry out treatment, payment or health care operations; (ii) to individuals of Protected Information about them; (iii) to persons involved in the individual's care; (iv) for national security or intelligence purposes; or (v) to correctional institutions or law enforcement officials. Physician agrees to maintain information on disclosures by Physician and Physician's 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.** Physician shall make Physician's internal practices, books and records relating to the use and disclosure of Protected Information available to Hospital for purposes of determining 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, Physician and Physician's 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 of this Exhibit for a period of six (6) years after expiration or termination of this Agreement.

12. **Term of Obligations.** 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, Physician shall return or destroy all Protected Information that Physician or Physician's 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, 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.



For purposes of calculating the 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 Practice Expense for that month, except as otherwise agreed to in writing by Hospital. Physician may only include as Practice Expenses those expenses that are actually paid by Physician during the month and only to the extent reasonable and customary to conduct the Practice. Payroll tax obligations of Physician shall not be treated as a Practice Expense.

**NET PAYMENT CALCULATION**

***FOR ACCOUNTING USE ONLY***

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

**Exhibit 3.1(a)**

**SECURED PROMISSORY NOTE**

Not to Exceed \$ [REDACTED]

November 01, 2006

**FOR VALUE RECEIVED**, the undersigned borrower Allen K. Chan, 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 between Physician and Hospital, 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 6.3, 6.4 or 6.5 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 6.3 of the Recruitment Agreement or as a result of Government Action pursuant to Section 6.4 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, Physician's practice, or any of Physician's contractors, partners, employees or agents.



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. All of the provisions contained in the Physician Security Agreement 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**

\_\_\_\_\_  
Allen K. Chan, M.D., an individual

**Exhibit 3.1(b)**

**PHYSICIAN SECURITY AGREEMENT**

THIS PHYSICIAN SECURITY AGREEMENT (this "**Physician Security Agreement**") is made and entered into as of November 01, 2006 (the "**Execution Date**"), by and between Allen K. Chan, M.D., an individual, as the debtor ("**Physician**"), and Palomar Pomerado Health, a California district hospital ("**Hospital**"), as the secured party.

**RECITALS**

A. Physician is obligated to Hospital under that certain Physician Recruitment Agreement by and between Hospital and Physician, 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**

Allen K. Chan, M.D., an individual

\_\_\_\_\_  
Allen K. Chan, 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 Allen K. Chan, 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 01 day of November, 2006, by and among Palomar Pomerado Health, a California district hospital ("**Secured Party**"), Allen K. Chan, 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 \_\_\_\_\_ (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.



**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]*



**Exhibit 5.3**  
**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.

# MEDICAL STAFF SERVICES

September 25, 2006



TO: Board of Directors  
BOARD MEETING DATE: October 9, 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 (10/09/2006 – 09/30/2008)  
Gregory S. Campbell, M.D., Critical Care Surgery (Includes PCCC)  
Jay B. Federhart, M.D., Diagnostic Radiology  
Brent A. Howard, M.D., Orthopaedic Surgery  
John A. Houkom, M.D., Orthopaedic Surgery  
Thomas F. Kelly, M.D., Maternal-Fetal Medicine  
Avanee A. Shah, M.D., Diagnostic Radiology  
Alice Song, M.D., Ophthalmology  
Craig D. Stevenson, M.D., Orthopaedic Surgery  
Maryam Tarsa, M.D., Maternal-Fetal Medicine  
Richard B. Wolf, D.O., Maternal-Fetal Medicine  
Geoffrey P. Zubay, M.D., Neurosurgery
- II. Change from Associate to Active Status  
Jonathan C. Bourne, M.D., Anesthesiology
- III. Advance from Provisional to Active Status  
Huabao B. Lin, M.D., Anesthesiology (10/29/2006 – 09/30/2008)  
Marco S. Robin, D.O., Anesthesiology (10/09/2006 – 03/31/2007)  
F. Omar B. Tordilla, M.D., Family Practice (Includes PCCC) (10/09/2006 – 11/30/2007)  
Ashish K. Wadhwa, M.D., Otorhinolaryngology (10/09/2006 – 04/30/2007)
- IV. Leave of Absence  
Dick R. Smith, M.D., General Surgery (09/01/2006 – 08/31/2008)
- V. Voluntary Resignations/Withdrawal of Membership  
Leslie J. Gullahorn, M.D., Orthopaedic Surgery (Effective 08/29/2006)  
Nguyen-Thi Robinson, M.D., Internal Medicine (Effective 09/20/2006)  
Kent W. Thompson, M.D., Diagnostic Radiology (Effective 07/13/2006)
- VI. Allied Health Professional Resignations/Withdrawals  
Monique A. Ostermann, R.N., Registered Nurse; Sponsor: Dr. Schechter
- VII. Reappointment Effective 11/01/2006 – 11/30/2006  
Silverio T. Chavez, M.D.                      OB/GYN                      Dept of OB/GYN                      Active

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

Reappointments Effective 11/01/2006 – 10/31/2008

Ramin Amani, M.D.	Pediatrics	Dept of Pediatrics	Active
Timothy S. Bailey, M.D.	Endocrinology	Dept of Medicine	Active
William L. Basuk, M.D.	Ophthalmology	Dept of Surgery	Courtesy
Jefferson C. Birchall, M.D.	Family/General Practice	Dept of Family Practice	Active
Raymond Dann, M.D.	Family/General Practice	Dept of Family Practice	Active
(Includes PCCC)			
Steven P. Feitelberg, M.D.	Gastroenterology	Dept of Medicine	Courtesy
Robert R. Felder, M.D.	Internal Medicine	Dept of Medicine	Active
Kris Ghosh, M.D.	Gynecologic Oncology	Dept of OB/GYN	Active
Patrick S. Giesemann, M.D.	Geriatric Medicine	Dept of Family Practice	Active
(Includes PCCC)			
Edward G. Greer, Jr., M.D.	General/Vascular Surgery	Dept of Surgery	Active
Lauren K. Kearney, M.D.	Pediatrics	Dept of Pediatrics	Active
Kenneth A. Khoury, M.D.	Psychiatry	Dept of Medicine	Active
(Includes PCCC)			
Thomas R. Knutson, M.D.	Orthopaedic Surgery	Dept of Ortho/Rehab	Active
Andrew T. Kuninobu, M.D.	Family/General Practice	Dept of Family Practice	Active
Louis Maletz, M.D.	Family/General Practice	Dept of Family Practice	Associate
(Includes PCCC)			
Angelica D. Mendez, M.D.	Family/General Practice	Dept of Family Practice	Active
Paul C. Milling, M.D.	Orthopaedic Surgery	Dept of Ortho/Rehab	Active
Henry S. O'Halloran, M.D.	Pediatric Ophthalmology	Dept of Surgery	Associate
Stanley Schaeffer, D.D.S.	Dentistry	Dept of Surgery	Associate
Michael L. Segall, M.D.	Neonatal-Perinatal Med	Dept of Pediatrics	Associate
Changed from Courtesy to Associate			
Douglas A. Shapiro, M.D.	Anesthesiology	Dept of Anesthesia	Active
T. Tejpal Singh, M.D.	Diagnostic Radiology	Dept of Radiology	Active
Mary J. Spencer, M.D.	Pediatrics	Dept of Pediatrics	Active
Paul E. Tornambe, M.D.	Ophthalmology	Dept of Surgery	Associate
Richard Weiner, M.D.	Pain Management	Dept of Anesthesia	Active
Elizabeth A. Wulfert, M.D.	Emergency Medicine	Dept of Emergency Med	Active

VIII. Allied Health Professional Reappointment Effective 11/01/2006 – 10/31/2008

- Anne L. Allen, NM, Certified Nurse Midwife; Sponsors: Drs. Buringrud, Ghosh, Leon, Trifunovic, Kohatsu.  
 Michael J. Conte, P.A.-C., Physician Assistant; Sponsors: CEP  
 John Frisbie, P.A.-C., Physician Assistant; Sponsors: CEP  
 Kelly T. Webb, N.P., Nurse Practitioner; Sponsors: Drs. Arambula, Heikoff, Joseph, Nyberg, Simon, Howell,  
 LaFond, Birnbaum, Han. (Includes PCCC)

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  
October, 2006**

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	Gregory S. Campbell, M.D.
<i>PPHS Facilities</i>	Escondido Surgery Center Pomerado Hospital (Villa Pomerado) Palomar Medical Center (Palomar Continuing Care Center)

**SPECIALTIES/BOARD CERTIFICATION**

<i>Specialties</i>	Surgery, Critical Care - Certified 2002 Surgery, General - Certified 2000
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**ORGANIZATIONAL NAME**

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

<i>Medical Education Information</i>	Uniformed Services University - Health Sciences Bethesda, MD FROM: 08/01/1987 TO: 05/18/1991 Doctor of Medicine Degree
<i>Internship Information</i>	Naval Medical Center, San Diego General Surgery From: 07/01/1991 To: 06/30/1992 Basic Surgery
<i>Residency Information</i>	University of California, Davis General Surgery From: 08/01/1994 To: 06/30/1998 Chief Resident: 7/1/97-6/30/98
<i>Fellowship Information</i>	Southwestern Medical Center at Dallas Surgical Critical Care From: 07/01/2001 To: 06/30/2002
<i>Current Affiliation Information</i>	North Memorial Health Care, Robbinsdale, MN



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

**PERSONAL INFORMATION**

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

**SPECIALTIES/BOARD CERTIFICATION**

<i>Specialties</i>	Radiology, Vascular & Interventional - Certified 1999 Diagnostic Radiology - Certified 1997
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**ORGANIZATIONAL NAME**

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

<i>Medical Education Information</i>	Creighton University Omaha, NE FROM: 06/01/1988 TO: 05/09/1992 Doctor of Medicine Degree
<i>Internship Information</i>	St. Joseph's Hospital/Medical Center, Phoenix Internal Medicine From: 06/23/1992 To: 06/22/1993
<i>Residency Information</i>	Oregon Health Sciences University, Portland, OR Radiology, Diagnostic Imaging From: 07/01/1993 To: 06/30/1997 Diagnostic Radiology
<i>Fellowship Information</i>	University of Colorado, Denver Interventional Radiology From: 07/01/1997 To: 06/30/1998
<i>Current Affiliation Information</i>	Veterans Affairs Eastern Colorado Health Care System, Denver Denver Health Medical Center Rose Medical Center, Denver, CO

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

**PERSONAL INFORMATION**

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

**SPECIALTIES/BOARD CERTIFICATION**

<i>Specialties</i>	Orthopaedic Surgery – Certified 1989/2000
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**ORGANIZATIONAL NAME**

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

<i>Medical Education Information</i>	Georgetown University School of Medicine, Washington, DC FROM: 09/01/1976 TO: 06/01/1980 Doctor of Medicine Degree
<i>Internship Information</i>	U.S. Public Health Service Hospital, Baltimore, MD Flexible From: 07/01/1980 To: 06/30/1981 Transitional
<i>Residency Information</i>	Washington University, St. Louis, MO Orthopaedics From: 07/01/1982 To: 10/31/1986
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	Pomerado Hospital Sharp Coronado Hospital Kaiser Permanente, San Diego

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

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	John A. Houkom, 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>	Southern Illinois University, Carbondale FROM: 06/14/1974 TO: 06/05/1977 Doctor of Medicine Degree
<i>Internship Information</i>	Naval Medical Center, San Diego General Surgery From: 07/01/1977 To: 06/30/1978 Basic Surgery Internship
<i>Residency Information</i>	Naval Medical Center, San Diego Orthopaedics From: 11/01/1978 To: 06/30/1982 Orthopaedic Surgery Residency
<i>Fellowship Information</i>	Texas Scottish Rite Hospital for Children, Dallas Pediatric Orthopaedics From: 07/01/1982 To: 06/30/1983 Pediatric Orthopaedics & Scoliosis
<i>Current Affiliation Information</i>	Pomerado Hospital Sharp Coronado Hospital Kaiser Permanente, San Diego

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

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	Thomas F. Kelly, M.D.
<i>PPHS Facilities</i>	Pomerado Hospital Palomar Medical Center

**SPECIALTIES/BOARD CERTIFICATION**

<i>Specialties</i>	Maternal-Fetal Medicine - Certified 1995/2004 Obstetrics and Gynecology - Certified 1993/2004
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**ORGANIZATIONAL NAME**

<i>Name</i>	UCSD Medical Center
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**EDUCATION/AFFILIATION INFORMATION**

<i>Medical Education Information</i>	University of Nevada Reno FROM: 08/01/1982 TO: 05/17/1986
<i>Internship Information</i>	University of California, San Diego Reproductive Medicine From: 06/24/1986 To: 06/27/1987
<i>Residency Information</i>	University of California, San Diego Reproductive Medicine From: 07/01/1987 To: 06/30/1990
<i>Fellowship Information</i>	University of California, San Diego Maternal-Fetal Medicine From: 07/01/1990 To: 06/30/1992
<i>Current Affiliation Information</i>	Sharp Grossmont Hospital Scripps Memorial Hospital, La Jolla Scripps Mercy Hospital University of California, San Diego UCSD Thornton Hospital

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

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	Avance A. Shah, 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 Corp.
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**EDUCATION/AFFILIATION INFORMATION**

<i>Medical Education Information</i>	Indiana University School of Medicine, Indianapolis FROM: 08/01/1995 TO: 05/09/1999
<i>Internship Information</i>	Indiana University (Hospitals), Indianapolis Transitional From: 07/01/2000 To: 06/30/2001
<i>Residency Information</i>	Indiana University (Hospitals) Radiology, Diagnostic Imaging From: 07/01/2001 To: 06/30/2005
<i>Fellowship Information</i>	University of California, San Diego Magnetic Resonance Imaging From: 07/01/2005 To: 06/30/2006
<i>Current Affiliation Information</i>	N/A

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

**PERSONAL INFORMATION**

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

**SPECIALTIES/BOARD CERTIFICATION**

<i>Specialties</i>	Ophthalmology – Certified 2003
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**ORGANIZATIONAL NAME**

<i>Name</i>	Alice Song, M.D.
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**EDUCATION/AFFILIATION INFORMATION**

<i>Medical Education Information</i>	Duke University, Durham, NC FROM: 08/01/1994 TO: 05/17/1998 Doctor of Medicine Degree
<i>Internship Information</i>	MacNeal Hospital, Berwyn, IL Transitional From: 06/15/1998 To: 06/13/1999
<i>Residency Information</i>	Jackson Memorial Hospital, Miami, FL Ophthalmology From: 07/01/1999 To: 06/30/2002 Bascom Palmer Eye Institute
<i>Fellowship Information</i>	University of Iowa Hospitals and Clinics, Iowa City Ophthalmology From: 07/01/2002 To: 06/30/2004 Oculoplastics, Orbital & Oncology
<i>Current Affiliation Information</i>	Loma Linda University Medical Center Riverside County Regional Medical Center New York Eye & Ear Infirmary, NY, NY

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

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	Craig D. Stevenson, 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>	Georgetown University School of Medicine, Washington, DC FROM: 09/08/1971 TO: 05/24/1975 Doctor of Medicine Degree
<i>Internship Information</i>	LAC/University of Southern Calif. Medical Center Flexible From: 06/24/1975 To: 06/24/1976 Flexible/Rotating Surgical Internship
<i>Residency Information</i>	Naval Medical Center, San Diego Orthopaedics From: 08/01/1979 To: 06/30/1983
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	Pomerado Hospital Sharp Coronado Hospital Kaiser Permanente, San Diego

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

**PERSONAL INFORMATION**

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

**SPECIALTIES/BOARD CERTIFICATION**

<i>Specialties</i>	Maternal-Fetal Medicine – Not Board Certified Obstetrics and Gynecology – Not Board Certified
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**ORGANIZATIONAL NAME**

<i>Name</i>	UCSD Medical Center
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**EDUCATION/AFFILIATION INFORMATION**

<i>Medical Education Information</i>	Albert Einstein College of Medicine, NY, NY FROM: 09/01/1994 TO: 06/04/1998
<i>Internship Information</i>	University of California, San Diego Reproductive Medicine From: 06/24/1998 To: 06/27/1999
<i>Residency Information</i>	University of California, San Diego Reproductive Medicine From: 07/01/1999 To: 06/30/2002
<i>Fellowship Information</i>	University of California, San Diego Maternal-Fetal Medicine From: 07/01/2002 To: 06/30/2005
<i>Current Affiliation Information</i>	Sharp Grossmont Hospital Scripps Mercy Hospital Scripps Memorial Hospital, La Jolla University of California, San Diego



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

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	Dean C. Tasher, M.D.
<i>PPHS Facilities</i>	Pomerado Hospital

**SPECIALTIES/BOARD CERTIFICATION**

<i>Specialties</i>	Internal Medicine - Certified: 1974/1980
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**ORGANIZATIONAL NAME**

<i>Name</i>	Dean C. Tasher, M.D.
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**EDUCATION/AFFILIATION INFORMATION**

<i>Medical Education Information</i>	University of California, Los Angeles From: 09/01/1963 TO: 06/13/1967 Doctor of Medicine Degree
<i>Internship Information</i>	University of Southern California Rotating From: 06/23/1967 To: 06/24/1968 L.A. County
<i>Residency Information</i>	University of Southern California Medicine From: 07/01/1971 To: 06/30/1974 L.A. County
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	Palomar Medical Center

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

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	F. Omar B. Tordilla, M.D.
<i>PPHS Facilities</i>	Escondido Surgery Center

**SPECIALTIES/BOARD CERTIFICATION**

<i>Specialties</i>	Family Practice – Certified: 2004
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**ORGANIZATIONAL NAME**

<i>Name</i>	Graybill Medical Group
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**EDUCATION/AFFILIATION INFORMATION**

<i>Medical Education Information</i>	Universidad Autonoma de Guadalajara From: 09/01/1995 To: 06/11/1999 Doctor of Medicine Degree
<i>Internship Information</i>	N/A
<i>Residency Information</i>	Williamsport Hospital, Williamsport, PA Family Practice From: 07/26/2001 To: 07/25/2004
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	Palomar Medical Center

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

**PERSONAL INFORMATION**

<b>Provider Name &amp; Title</b>	Richard B. Wolf, D.O.
<b>PPHS Facilities</b>	Pomerado Hospital Palomar Medical Center

**SPECIALTIES/BOARD CERTIFICATION**

<b>Specialties</b>	Maternal-Fetal Medicine - Certified 2002 Obstetrics and Gynecology – Certified 1995/2002
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**ORGANIZATIONAL NAME**

<b>Name</b>	UCSD Medical Center
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**EDUCATION/AFFILIATION INFORMATION**

<b>Medical Education Information</b>	University of Osteopathic Medicine & Health Sciences, IA FROM: 09/01/1985 TO: 06/02/1989 part of Des Moines University
<b>Internship Information</b>	Naval Hospital, Oakland Obstetrics/Gynecology From: 07/01/1989 To: 06/30/1990
<b>Residency Information</b>	Naval Hospital, Oakland Obstetrics/Gynecology From: 07/01/1990 To: 06/30/1992  Tripler Army Medical Center, Honolulu, HI Obstetrics/Gynecology From: 07/01/1992 To: 06/30/1993
<b>Fellowship Information</b>	University of California, San Diego Maternal-Fetal Medicine From: 07/01/1997 To: 06/30/2000
<b>Current Affiliation Information</b>	Sharp Grossmont Hospital Scripps Mercy Hospital Scripps Memorial Hospital, La Jolla University of California, San Diego UCSD Thornton Hospital

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

**PERSONAL INFORMATION**

<i>Provider Name &amp; Title</i>	Geoffrey P. Zubay, M.D.
<i>PPHS Facilities</i>	Palomar Medical Center

**SPECIALTIES/BOARD CERTIFICATION**

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

<i>Name</i>	Neurosurgical Medical Clinic
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**EDUCATION/AFFILIATION INFORMATION**

<i>Medical Education Information</i>	Columbia University, College of Phys & Surgeons, NY, NY FROM: 09/01/1992 TO: 05/15/1996 Doctor of Medicine Degree
<i>Internship Information</i>	Maricopa Medical Center, Phoenix, AZ General Surgery From: 06/24/1996 To: 06/23/1997
<i>Residency Information</i>	St. Joseph's Hospital/Medical Center, Phoenix Surgery, Neurological From: 07/01/1997 To: 06/30/2003
<i>Fellowship Information</i>	St. Joseph's Hospital/Medical Center, Phoenix Surgery, Neurological From: 01/01/2001 To: 06/30/2001 Spine Surgery  Northwestern University, Chicago, IL Surgery, Neurological From: 07/01/2001 To: 03/31/2002 Complex/Reconstructive Spine Surgery
<i>Current Affiliation Information</i>	Sharp Memorial Hospital Scripps Mercy Hospital Sharp Memorial Hospital, Chula Vista

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

NAME:	<b>Lien M. Khuat, N.P.</b>	
SPECIALTY:	Nurse Practitioner	
SERVICES:	Nurse Practitioner	
TRAINING:	Grossmont College, El Cajon, CA	01/31/77-12/20/85
	A.S. Nursing	
	San Diego State University, San Diego, CA	01/01/97-12/28/98
	Bachelor of Science in Nursing	
	San Diego State University, San Diego, CA	
	Master of Science in Nursing, Advanced Practitioner	01/01/00-05/23/02
PRACTICE:	Adult Nurse Practitioner, Neighborhood Healthcare, Escondido, CA	02/01/06-Present
	Adult Nurse Practitioner, Albert J. Sharf, M.D., National City, CA	10/01/04-Present
	Adult Nurse Practitioner, Kaiser Permanente, San Diego, CA	08/16/04-12/22/05
	Adult Nurse Practitioner, TriCity Community Health Center, Vista, CA	08/18/03-12/07/04
	Adult Nurse Practitioner, Venu Prabaker, M.D., La Mesa, CA	08/01/02-04/30/03
	Staff R.N., Kaiser Permanente, San Diego, CA	08/24/98-Present
	R.N., Med-Surg, ICU, Sharp Grossmont Hospital, La Mesa, CA	07/21/80-02/17/2006
SPONSORS:	Patrick Giesemann, M.D., Daniel Harrison, M.D., Glenn Panzer, MD	
CERTIFICATION:	American Nurses Credentialing Center	2003
FACILITIES:	Pomerado Hospital and Villa Pomerado	



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

September 25, 2006

TO: Board of Directors

BOARD MEETING DATE: October 9, 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 10/30/2006. 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 10/30/2006.

The Executive Committee, in its meeting of September 25, 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 10/30/2006 – 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.

# MEDICAL STAFF SERVICES



**DATE:** September 25, 2006  
**MEMO TO:** Palomar Pomerado Health  
Board of Directors  
**FROM:** Marvin Levenson, M.D.  
Medical Director, Escondido Surgery Center  
**RE:** Medical Staff Recommendations

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

**Appointment:**

10/09/2006 – 11/30/2007

- ◆ F. Omar B. Tordilla, M.D., Family Practice

10/09/2006 – 09/30/2008

- ◆ Gregory S. Campbell, M.D., Critical Care Surgery
- ◆ Brent A. Howard, M.D., Orthopaedic Surgery
- ◆ John A. Houkom, M.D., Orthopaedic Surgery
- ◆ Alice Song, M.D., Ophthalmology
- ◆ Craig D. Stevenson, M.D., Orthopaedic Surgery

**Leave of Absence:**

09/01/2006 – 08/31/2008

- ◆ Dick R. Smith, M.D., General Surgery

**Voluntary Resignations/Withdrawals**

- ◆ Leslie J. Gullahorn, M.D., Orthopaedic Surgery (Effective 08/29/2006)

**Reappointment:**

10/09/2006 – 03/31/2007

- ◆ Marco S. Robin, D.O., Anesthesiology

10/09/2006 – 04/30/2007

- ◆ Ashish K. Wadhwa, M.D., Otorhinolaryngology

10/09/2006 – 09/30/2008

- ◆ Huabao B. Lin, M.D., Anesthesiology

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

**Reappointments - Continued**

11/01/2006 – 10/31/2008

- ◆ William L. Basuk, M.D., Ophthalmology
- ◆ Jefferson C. Birchall, M.D., Family/General Practice
- ◆ Raymond Dann, M.D., Family/General Practice
- ◆ Kris Ghosh, M.D., Gynecologic Oncology
- ◆ Edward G. Greer, M.D., General/Vascular Surgery
- ◆ Thomas R. Knutson, M.D., Orthopaedic Surgery
- ◆ Paul C. Milling, M.D., Orthopaedic Surgery
- ◆ Douglas A. Shapiro, M.D., Anesthesiology
- ◆ Richard Weiner, M.D., Pain Management

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: September 26, 2006  
TO: Board of Directors - October 9, 2006  
FROM: Paul E. Tornambe, M.D., Chief of Staff, Pomerado Hospital Medical Staff  
SUBJECT: Medical Staff Credentials Recommendations – September 2006:

**Credentials Recommendations: September 2006**

**Provisional Appointments: (10/09/2006 – 09/30/2008)**

Gregory S. Campbell, M.D. – Surgery (includes Villa)  
Jay B. Federhart, M.D. – Radiology  
Thomas F. Kelly, M.D. – OB/GYN  
Dean C. Tasher, M.D. – Medicine  
Avance A. Shah, M.D. – Radiology  
Alice Song, M.D. – Surgery  
Maryam Tarsa, M.D. – OB/GYN  
Richard B. Wolf, D.O. – OB/GYN

**Biennial Reappointments: (11/01/2006 – 10/31/2008)**

Timothy S. Bailey, M.D. – Medicine - Courtesy  
William L. Basuk, M.D. – Surgery - Active  
Raymond Dann, M.D. – Medicine – Affiliate  
Belinda A. Dure-Smith, M.D. – Medicine - Active  
Kris Ghosh, M.D. – OB/GYN - Courtesy  
Louis Maletz, M.D. – Medicine - Affiliate  
Paul C. Milling, M.D. – Surgery - Active  
Alan A. Schoengold, M.D. – Medicine – Affiliate  
Michael L. Segall, M.D. – Pediatrics - Courtesy  
Douglas A. Shapiro, M.D. – Anesthesia - Active  
T. Tejpal Singh, M.D. – Radiology - Active  
Mary J. Spencer, M.D. – Pediatrics - Consulting  
Paul E. Tornambe, M.D. – Surgery – Active  
Elizabeth A. Wulfert, M.D. – Emergency Medicine - Active

**Transfer to Courtesy Category:**

David N. Spees, M.D. - Medicine.

**Advancements:**

Bradley B. Bailey, M.D. – Active – (Includes Villa)  
Mark S. Goldsworthy, M.D. - Active  
Huabao B. Lin, M.D. – Active  
Marco S. Robin, D.O. - Active.  
Ashish Wadhwa, M.D. - Active

**Allied Health Renewals:**

Kelly T. Webb, N.P. – Sponsors Kaiser Physicians

**Allied Health Appointments: (10/09/2006 – 09/30/2008)**

Lien M. Khuat, N.P. – Sponsors Glenn Panzer, M.D., Daniel Harrison, M.D. (includes Villa)

**Resignations**

Robert J. Knuff, M.D. – Surgery  
Raj J. Patel, M.D. – Emergency Medicine  
Kent W. Thompson, M.D. - Radiology

**POMERADO HOSPITAL**

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

10/1

## PPH Communications

**TO:** PPH Board of Directors  
**MEETING DATE:** October 9, 2006  
**FROM:** Community Relations Committee on September 15, 2006  
**BY:** Gustavo Freiderichsen

**BACKGROUND:** Janet Gennoe shared highlights of two of PPH's Communications, The HealthSource/BabySource and "Physicians Practice Magazines", "Best Practice" article. The latest issue of The HealthSource featured Carol LeBeau of Channel 10 news on the cover as well as a story on the unique partnership between PPH and KGTV 10News. This partnership will bring the Staying Healthy feature with Carol LeBeau directly to our patients. Another top highlight was an article on Bariatric surgeries. The BabySource featured articles on "Special Care for Children with Special Needs," as well as an article on child abuse. This magazine mails to about 90,000 homes, three times a year. Physicians Practice magazine and PPH have partnered with PPH having a piece titled "Best Practice" in each issue. This piece covers many of our services and specialties. Now editing for November's issue is an article on our new 64 slides CT scan. This magazine is mailed to all physicians in our service area.

**BUDGET IMPACT:** None

**STAFF RECOMMENDATION:** For information purposes only

### COMMITTEE RECOMMENDATION:

**Information:** X

## PPH Upcoming Events

**TO:** PPH Board of Directors  
**MEETING DATE:** October 9, 2006  
**FROM:** Community Relations Committee on September 15, 2006  
**BY:** Gustavo Freiderichsen

**BACKGROUND:** Tami Weigold shared that the Heart Walk would be held on Saturday, September 16<sup>th</sup> at Balboa Park. She said that PPH has been very involved system wide and that to date we have raised approximately \$31,000 with an even higher expected amount after all monies are counted.

Janet Gennoe announced that PPH would be hosting a Breast Health open house on Wednesday, October 18<sup>th</sup> from 10:00 a.m. until 2:00 p.m. at The Woman's Health Connection. We have sent out a direct mail to ladies we have served in the past as well as advertised in the HealthSource and through posters. This is a free event.

**BUDGET IMPACT:** None

**STAFF RECOMMENDATION:** For information purposes only

### COMMITTEE RECOMMENDATION:

**Information:** X

## Strategic/Marketing Budget Plan

**TO:** PPH Board of Directors  
**MEETING DATE:** October 9, 2006  
**FROM:** Community Relations Committee on September 15, 2006  
**BY:** Gustavo Freiderichsen

**BACKGROUND:** Gustavo Friederichsen shared with the Committee a draft of the PPH Strategic Marketing/Budget Plan. This is simply a draft for discussion including Marketing, Communications, Community Outreach and Branding Plans for 2006-2007. He says it is a very comprehensive plan for the campus, web and media relations. The web is a very big part of the plan and the plan includes an idea to do another 30 second TV spot to promote it. He also showed some of the web changes and showed budget ideas. He feels implementing the plan will make huge strides towards already changing public opinion.

**BUDGET IMPACT:** None

**STAFF RECOMMENDATION:** For information purposes only

### COMMITTEE RECOMMENDATION:

**Information:** X

## Web, Studio, Physician Portal Update

**TO:** PPH Board of Directors

**MEETING DATE:** October 9, 2006

**FROM:** Community Relations Committee on September 15, 2006

**BY:** Gustavo Freiderichsen

**BACKGROUND:** Gustavo Friederichsen updated the committee on the new Physician Portal on the updated web. He shared that this portal will be available for our physicians only and is password protected. Physicians will be able to receive the latest information on meetings and scheduling. There will be a physician directory including bios, office hours, what they do and don't do and types of insurance. Gustavo also invited committee members to visit the Marketing department to see the new PPH studio which is nearly finished. The roll out date for phase 1 of the updated Internet is October 1, 2006.

**BUDGET IMPACT:** None

**STAFF RECOMMENDATION:** For information purposes only

### COMMITTEE RECOMMENDATION:

**Information:** X

**Media Update**

**TO:** PPH Board of Directors

**MEETING DATE:** October 9, 2006

**FROM:** Community Relations Committee on September 15, 2006

**BY:** Gustavo Freiderichsen

**BACKGROUND:** Andy Hoang reminded the Committee that he updates them each month on media inches and value pertaining to news regarding our health system. He explained that there might be less print in some papers but that it may still have a higher value. The print coverage totals for July through August, 2006 were 1173 total column inches, a total of 47 articles with \$93,813.67 in media value.

**BUDGET IMPACT:** None

**STAFF RECOMMENDATION:** For information purposes only

**COMMITTEE RECOMMENDATION:**

**Information:** X

**San Diego Magazine Best Places to Work**

**TO:** PPH Board of Directors

**MEETING DATE:** October 9, 2006

**FROM:** Community Relations Committee on September 15, 2006

**BY:** Gustavo Freiderichsen

**BACKGROUND:** Gustavo Friederichsen shared with the Committee a communication strategy which is a discussion document to use in our communication campaign to promote "The Best Place to Work" Recognition in San Diego Magazine in September 2006. This strategy list many ideas for use during the campaign. The goal is to make sure we let our employees, customers and community know that we were voted in the top places to work in the magazine. We want to publicize this great recognition.

**BUDGET IMPACT:** None

**STAFF RECOMMENDATION:** For information purposes only

**COMMITTEE RECOMMENDATION:**

**Information:** X

## Monthly Reports

**TO:** PPH Board of Directors

**MEETING DATE:** October 9, 2006

**FROM:** Community Relations Committee on September 15, 2006

**BY:** Gustavo Friederichsen

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

**BUDGET IMPACT:** None

**STAFF RECOMMENDATION:** For information purposes only

### COMMITTEE RECOMMENDATION:

**Information:** X



**PALOMAR POMERADO HEALTH  
Education Session**

**TO:** Board of Directors

**MEETING DATE:** Monday October 9, 2006

**FROM:** FACILITIES AND GROUNDS COMMITTEE  
Meeting of September 18, 2006

**BY:** Jim Flinn, CHE  
Chief Administrative Officer  
Pomerado Hospital

**Background:** Jim Flinn lead an educational session for the committee covering structural systems and sustainability issues. The educational session will be followed by a tour of the Multi 64-Slice CT Scanner job site.

**Budget Impact:** NONE

**Staff Recommendation:** INFORMATIONAL ONLY

**Committee Questions:**

**COMMITTEE RECOMMENDATION:**

**Motion:**

**Individual Action:**

**Information:** X

**Required Time:**

**PALOMAR POMERADO HEALTH  
Project Updates**

**TO:** Board of Directors  
**MEETING DATE:** Monday October 9, 2006  
**FROM:** FACILITIES AND GROUNDS COMMITTEE  
Meeting of September 18, 2006  
**BY:** Jim Flinn, CHE  
Chief Administrative Officer  
Pomerado Hospital

**Background:** Michael Shanahan provided updated information on the status of the following projects for Palomar Pomerado Health:

- PMC – Multi 64-Slice CT Scanner
- 227 Enterprise, Escondido - Supply Chain Services Relocation
- Rancho Peñasquitos Satellite
- Ramona Satellite
- Phase I –Pomerado Hospital
- Phase II –Pomerado Hospital Entitlements
- 

**Budget Impact:** NONE

**Staff Recommendation:** INFORMATIONAL ONLY

**Committee Questions:**

<b>COMMITTEE RECOMMENDATION:</b>	
<b>Motion:</b>	
<b>Individual Action:</b>	
<b>Information:</b>	X
<b>Required Time:</b>	

**PALOMAR POMERADO HEALTH  
Date/Time/Location Of Next Meeting**

**TO:** Board of Directors

**MEETING DATE:** Monday October 9, 2006

**FROM:** FACILITIES AND GROUNDS COMMITTEE  
Meeting of September 18, 2006

**BY:** Jim Flinn, CHE  
Chief Administrative Officer  
Pomerado Hospital

**Background:** The next meeting is scheduled for Monday December 18, 2006,  
from 12 noon to 1:30 pm, to be held at Pomerado Hospital – Meeting Room C.

**Budget Impact:** N/A

**Staff Recommendation:** INFORMATION

**Committee Questions:**

**COMMITTEE RECOMMENDATION:**

**Motion:**

**Individual Action:**

**Information:** X

**Required Time:**

## Informational: NEO Presentation

**TO:** PPH Board of Directors

**MEETING DATE:** October 9, 2006

**FROM:** Wallie George  
Chief Human Resources Officer

**BACKGROUND:** The new employee orientation has been completely revised. Steve Inscoc, Manager of Training and Development, provided an overview of the new program.

1. Steve introduced the E-Learning concept to the HR Committee via LCD connection to the Internet. All NEO mandatory modules have been loaded into the Xpand program and are available 24/7 via the Internet using Lawson ID and password.
2. The first day for all new employees is in the Computer Class room at PMC where they are introduced to the PPH culture via video of M. Covert, G. Bracht and J. Flinn. Included in the first day of NEO is interactive using E-Learning programs specific to PPH mandatory JCAHO/DHS requirements such as safety, compliance, etc. Employees also receive their ID cards and an introduction to the computer programs they will be using such as API, TAO, Lucidoc, etc. This NEO presentation occurs 2-3 times per week, depending on the number of new employees.
3. Insights to Excellence is presented to new employees on a monthly basis. This event exposes the employees to service excellence expectations. PPH vendors such as 24-Hour Fitness and EAP are available to assist new employees with questions and to describe the services available to new employees.

**BUDGET IMPACT:** Not Applicable

**STAFF RECOMMENDATION:**

**COMMITTEE QUESTIONS:**

1. L. Greer noted the connection with Administration and asked about the new employee luncheons. Employees reaching their 90 days receive invitations to a breakfast or luncheon with Administration representatives at their work site (PMC/INNOV/POM). Employees are invited to share observations or suggestions that could enhance PPH as the employer of choice or provide better customer service.
2. A. Larson wanted to know how the manager would know that the employee actually completed the modules and N. Bassett asked how long the modules took to complete.

## **Informational: NEO Presentation**

The 17 current modules take approximately 3 hours and 45 minutes to complete. Tests for the modules are being developed. However, as the employee completes the module, the completion is automatically recorded on the employee's record. Directors/managers have access to their employee's records.

3. A. Larson also asked if the modules covered people skills. Steve shared that PPH service excellence standards run throughout the modules. Also, the Diversity module addresses cultural competency care.

### **COMMITTEE RECOMMENDATION:**

**Motion:**

**Individual Action:**

**Information: X**

**Required Time:**

**Update: Non-Smoking Issue Procedure**

**TO:** PPH Board of Directors  
**MEETING DATE:** October 9, 2006  
**FROM:** Wallie George  
Chief Human Resources Officer

**BACKGROUND:** Board Member Greer requested HR Committee discuss the possible creation of a PPH Campus Non-Smoking Policy.

M. Covert has been discussing the smoking issue with PPH staff. He will be conducting forums with employees who smoke as well as those who do not. Once these forums have been held, M. Covert will report back to HR Committee with a recommendation on how to structure a smoke-free campus.

**BUDGET IMPACT:** Not Applicable

**STAFF RECOMMENDATION:**

**COMMITTEE QUESTIONS:**

**COMMITTEE RECOMMENDATION:**

**Motion:**

**Individual Action:**

**Information:** X

**Required Time:**

## Informational Demo: Work Institute (Exit Interview Process)

**TO:** PPH Board of Directors

**MEETING DATE:** October 9, 2006

**FROM:** Wallie George  
Chief Human Resources Officer

**BACKGROUND:** The turnover rate has recently been increasing. This creates a need to understand why people are leaving PPH and where they are going. Having access to detailed exit interview information will allow PPH to work on issues that may cause employees to leave as well as present an opportunity for re-recruitment. PPH is working with the Work Institute, a third-party company who will be contacting former employees to conduct a confidential interview with them. The software program used to gather and report the exit interview results was demonstrated for the committee. The Work Institute has received data from 55% of termed employees (both voluntary and non-voluntary) as opposed to the 2% or less that PPH was able to gather.

1. All information is confidential. However, issues with compliance are referred to the Compliance Officer for follow-up. Questions asked include:
  - a. Reason for leaving
  - a. Knowledge of fraud / ethics issues
  - b. Workplace hostilities
2. B. Turner demonstrated the Work Institute program. Portions of the program demonstrated include:
  - a. Categories for leaving
  - b. Verbatim as to why the employee left
  - c. How PPH could become a better employer
  - d. Where did the employee go to work and why
  - e. Would the employee consider working for PPH again? If yes, HR receives an email suggesting the termed employee be contacted.
  - f. Trend analysis by facility and department
  - g. Comparisons between PPH and other healthcare organizations in the Work Institute database.
3. A work group is being created to analyze the data for retention, tying it to the balanced scorecard.

**BUDGET IMPACT:** Not Applicable

**Informational Demo: Work Institute (Exit Interview Process)**

**STAFF RECOMMENDATION:**

As soon as there is enough information in the database to provide trend data, a Retention Work Group will be formed. The HR Committee will receive reports on the work group's efforts.

**COMMITTEE QUESTIONS:**

N. Bassett asked if there was a question asked to determine if the decision to leave was as a result of an inappropriate physician. B. Turner replied that at this time there is not a question for this subject. However, if the employee offers information during questions regarding compliance or in their verbatim, the issue will be channeled appropriately.

**COMMITTEE RECOMMENDATION:**

**Motion:**

**Individual Action:**

**Information: X**

**Required Time:**



## Quarterly Facility Update

**TO:** PPH Board of Directors

**DATE:** October 9, 2006

**FROM:** Joint BOD/Strategic Planning Committee on September 19, 2006

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

**BACKGROUND:** On a quarterly basis, the Strategic Planning Committee meeting is expanded to a full PPH Board meeting for the purpose of reviewing the facilities planning and design. The quarterly update was provided at this meeting, including an update on the two satellite clinics, Rancho Peñasquitos and Ramona, and the hospitals, PMC West, PMC East, and Pomerado.

### COMMITTEE RECOMMENDATION:

**Information:** X

## 2006 Revenue Bond Issuance Status and Timeline

**TO:** Board of Directors  
**FROM:** Board Finance Committee  
Tuesday, September 26, 2006  
**MEETING DATE:** Monday, October 9, 2006  
**BY:** Bob Hemker, CFO

**Background:** Current timeline of the 2006 Revenue Bond issuance for new monies and potential refunding of the Series 1993 and 1999 bonds was discussed at the Board Finance Committee meeting. After reviewing the complexity of the financing plan, the possible refunding of existing debt, discussions with bond insurers—FSA & MBIA, and the drafting and adoption of a new Master Trust Indenture, as well as the timing of the need for drawdowns, the Financing Team determined that an October issuance date was not required. The issuance date was adjusted to December 7, 2006, with pre-pricing and marketing occurring the end of November.

As the revised timeline of document preparation will necessitate Board Finance Committee action the week of November 13, 2006, the Financing Team requested a Special Board Finance Committee meeting on November 14, 2006.

**Budget Impact:** N/A

**Staff Recommendation:** Addition of a Special Board Finance Committee meeting on Tuesday, November 14, 2006, was recommended.

**Committee Questions:**

**COMMITTEE RECOMMENDATION:** The Board Finance Committee scheduled a Special Board Finance Committee meeting on Tuesday, November 14, 2006, to be held in Conference Rooms B&C at the Administrative Offices of PPH, located at 15255 Innovation Drive, San Diego, CA. The meeting will commence at 5:30 p.m. with dinner for Finance Committee members & invited guests, with a meeting start time of 6:00 p.m.

**Motion:**

**Individual Action:**

**Information:** X

**Required Time:**



**Palomar Pomerado Health**  
**Series 2006 Revenue Bonds**  
**Time and Responsibility Schedule**  
 (as of 9/1/06)

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

**Weekly Conference Calls on Thursday, at 1:00pm PDT**

*Call in - (866) 445-7018*  
*Conference Code: 6825413*

**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)
September	➤ Continue Appendix A and Document Drafting	BC, UC, DC
	➤ September 4 <sup>th</sup> – HOLIDAY	ALL
	➤ September 5 <sup>th</sup> to 8 <sup>th</sup> – Due Diligence @ PPH	PPH, BC, UC, DC
	➤ September 7 <sup>th</sup> – Working Group Conference Call to Review FSA Commitment at 3:00pm PDT <i>Call in - (866) 445-7018</i> <i>Conference Code: 6825413</i>	ALL
	➤ September 8 <sup>th</sup> – Orrick to Circulate draft MTI to working group	BC
	➤ September 8 <sup>th</sup> – Circulation of Swap Documents	UW
	➤ September 11 <sup>th</sup> – Working Group Call to Review draft MTI	ALL
	➤ September 12 <sup>th</sup> – MTI Language sent to MBIA	BC
	➤ September 11 <sup>th</sup> to 15 <sup>th</sup> - Follow-up Due Diligence @ PPH (If needed)	PPH, BC, UC, DC
	➤ September 11 <sup>th</sup> – PPH Board Meeting	PPH, UW, FA
	➤ September 14 <sup>th</sup> – Weekly Working Group Conference Call	ALL
	➤ September 18 <sup>th</sup> – Circulation of COP Documents	BC
	➤ September 21 <sup>st</sup> – Weekly Working Group Conference Call	ALL
	➤ September 22 <sup>nd</sup> – Receive Feedback from MBIA on MTI	PPH, FA, UW, BC
	➤ September 25 <sup>th</sup> – Lock Interest Rates	PPH, FA, UW
	➤ September 26 <sup>th</sup> – PPH Finance Committee Meeting	PPH, UW, FA
	➤ September 28 <sup>th</sup> – Weekly Working Group Conference Call	ALL



Month of	Event	Responsible Party(ies)
October	<ul style="list-style-type: none"> <li>➤ October 2<sup>nd</sup> – Circulation of Draft OS</li> <li>➤ October 3<sup>rd</sup> – Circulation of Revised COP Documents</li> <li>➤ October 5<sup>th</sup> - Weekly Working Group Conference Call</li> <li>➤ October 9<sup>th</sup> – HOLIDAY</li> <li>➤ October 9<sup>th</sup> – PPH Board Meeting               <ul style="list-style-type: none"> <li>○ Approve Audits</li> </ul> </li> <li>➤ October 9<sup>th</sup> – Circulation of Revised Draft OS</li> <li>➤ October 10<sup>th</sup> – Circulation of Revised COP Documents</li> <li>➤ October 12<sup>th</sup> - Weekly Working Group Conference Call</li> <li>➤ October 16<sup>th</sup> – Circulation of Revised Draft OS</li> <li>➤ October 17<sup>th</sup> – Circulation of Revised COP Documents</li> <li>➤ October 19<sup>th</sup> - Weekly Working Group Conference Call</li> <li>➤ October 23<sup>rd</sup> – Circulation of Revised Draft OS</li> <li>➤ October 24<sup>th</sup> – Circulation of Revised COP Documents</li> <li>➤ October 26<sup>th</sup> - Weekly Working Group Conference Call</li> <li>➤ October 31<sup>st</sup> – Finance Committee Meeting</li> </ul>	UC BC DT, PPH ALL PPH, UW, FA, DT  UC BC ALL UC BC ALL UC BC ALL PPH, UW, FA
November	<ul style="list-style-type: none"> <li>➤ November 1<sup>st</sup> - Circulate Final Agreed Upon Procedures Letter</li> <li>➤ November 2<sup>nd</sup> - Weekly Working Group Conference Call</li> <li>➤ November 6<sup>th</sup> – Circulate Substantially Final OS and COP Documents</li> <li>➤ November 9<sup>th</sup> - Weekly Working Group Conference Call</li> <li>➤ November 9<sup>th</sup> – Mail Documents for Finance Committee Meeting</li> <li>➤ November 16<sup>th</sup> – Mail Packet for Board Meeting</li> <li>➤ November 16<sup>th</sup> - Weekly Working Group Conference Call</li> <li>➤ November 20<sup>th</sup> – PPH Board Meeting               <ul style="list-style-type: none"> <li>○ Approve Final Bond Documents</li> <li>○ Approve Final Financing Structure</li> <li>○ Approve Official Statement</li> </ul> </li> <li>➤ November 21<sup>st</sup> – Meeting with JPA to Approve Financing</li> <li>➤ November 22<sup>nd</sup> - Print and Mail Official Statement</li> <li>➤ November 23<sup>rd</sup> - HOLIDAY</li> <li>➤ November 23<sup>rd</sup> to November 30<sup>th</sup> - Marketing of Bonds</li> <li>➤ November 30<sup>th</sup> - Weekly Working Group Conference Call</li> </ul>	DT, PPH ALL BC, UC  ALL PPH, UW, FA, BC PPH, FA, UW PPH, UW, FA, BC ALL PPH, UW, FA, DT  PPH, BC UC, UW ALL UW ALL



Month of	Event	Responsible Party(ies)
December	<ul style="list-style-type: none"><li>➤ <i>December 1<sup>st</sup> to December 5<sup>th</sup> - Marketing of Bonds</i></li><li>➤ <i>December 6<sup>th</sup> - Price Series 2006 Revenue Bonds</i></li><li>➤ <i>December 6<sup>th</sup> - Pre-Close Series 2006 Revenue Bonds</i></li><li>➤ <i>December 7<sup>th</sup> - Close Series 2006 Revenue Bonds</i></li></ul>	UW UW, FA, PPH ALL ALL

