

PALOMAR
POMERADO
HEALTH
SPECIALIZING IN YOU

**BOARD OF DIRECTORS
AGENDA PACKET**

November 20, 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*

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, November 20, 2006

Commences 6:30 p.m.

Pomerado Hospital
Meeting Room E
15615 Pomerado Road
Poway, California

Mission and Vision

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

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

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

	<u>Time</u>	<u>Page</u>
I. CALL TO ORDER		
II. OPENING CEREMONY	5 min	
A. Pledge of Allegiance		
B. Recitation – Chaplain Bill Hard <i>for</i> Chaplain David Walden		
III. PUBLIC COMMENTS	5	
<i>(5 mins allowed per speaker with cumulative total of 15 min per group – for further details & policy see Request for Public Comment notices available in meeting room).</i>		
IV. * MINUTES	2	1-25
Regular Board Meeting – October 9, 2006		
Joint Board/Strategic Planning Meeting – September 19, 2006		
Special Board Annual CEO Evaluation Meeting – January 25, 2006		
Special Board Meeting – March 31, 2006		

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

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

- V. * **APPROVAL OF AGENDA to accept the Consent Items as listed** 5 26-100
- A. Consolidated Financial Statements
 - B. Revolving Fund Transfers/Disbursements – September, 2006
 - 1. Accounts Payable Invoices \$23,821,002.00
 - 2. Net Payroll 8,773,292.00
 - Total \$32,594,294.00
 - C. Ratification of Paid Bills
 - D. September 2006 & Fiscal YTD 2006 Financial Report
 - E. **Physician Recruitment Agreement – Serge Kaska, M.D., Orthopedic Physician**
(Addendum B – Board distribution)
 - F. **Presentation to the Board of Physician Recruitment Agreements**
 - G. **Independent Citizens’ Oversight Committee (ICOC) Appointment of Officers - Chair, Vice-Chair and Secretary**
 - H. **PPH Board Policies 3rd & 4th Qtrs Annual Review Cycle per Governance Committee Oct 10**

VI. **PRESENTATIONS - None**

VII. **REPORTS**

- A. Medical Staffs 15
- * 1. Palomar Medical Center – *Robert D. Trifunovic, M.D.*
 - a. Credentialing/Reappointments 101-120
 - b. Credentialing/Reappointment – Patrick M. O’Meara, MD 121
 - * 2. Escondido Surgery Center – *Marvin W. Levenson, M.D.*
 - a. Credentialing/Reappointments 122
 - * 3. Pomerado Hospital – *Paul E. Tornambe, M.D.*
 - a. Credentialing/Reappointments 123
- B. Administrative
- 1. President of Palomar Pomerado Health Foundation – Al Stehly
 - a. Update on PPHF Activities 5 Verbal Report
 - 2. Chairman of the Board – Marcelo R. Rivera, M.D. 10 Verbal Report
 - a. Unofficial Results of November 7, 2006 General Election 124
 - b. Expression of Sympathy to Ms Pauline Getz
 - c. PPH High School Healthcare Academy Partnership with Ramona School District – acknowledgement of check
 - d. Poway Days Parade
 - e. Report on upcoming presentation of award to CEO by Council of Ethical Organizations, Alexandria, VA, Nov 13
 - f. Congratulations to Candidates, including Mayors/School Board
 - g. 3rd Annual Physician Gala held Oct 21

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

IX. COMMITTEE REPORTS; TEFRA Hearing; Financing Approval
(for Finance Committee see also under Consent Items)

- A. **Finance – T. E. Kleiter, Chair** 20
- * 1. Review/Approval: 2007 Capitation Decisions 145-160
 - * 2. Review/Approval: Draft Audited Consolidated Financial Statements as of and for the Years ended June 30, 2006 and 2005, and Independent Auditors' Report 161-190
 - * 3. TEFRA Hearing related to 2006 Bond Issuance (Public hearing and approval to satisfy section 147(f) of Internal Revenue Code) 191-192
 - *defer to Board Chairman Rivera*
 - i. Open TEFRA Hearing
 - ii. Request for Public Comments
 - iii. Close TEFRA Hearing
 - * 4. Plan of Finance and Revenue Bond Issuance : 193-214
Resolution No. 11.20.06 (01) – 27 TEFRA Approval and Authorization of 2006 Certificates of Participation Financing
– *defer to Finance Committee Chair, T.E. Kleiter*

X. BOARD MEMBER COMMENTS/AGENDA ITEMS FOR NEXT MONTH

XI. FINAL ADJOURNMENT

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

3. President and CEO – Michael H. Covert, FACHE 10 Verbal Report
- a. Acknowledgement of Election Results & Outcome of Prop 86
 - b. AHA 23rd Annual Leadership Retreat, Oct 11-13, Arizona
 - c. Annual Employee Awards Luncheon and Dinner Oct 30 & Nov 8
 - d. Annual HASD&IC Meeting, Nov 2, San Diego
 - e. Healthcare Design 06 Conference, Nov 6, Chicago
 - f. CAPE on-site review Nov 13-15
 - g. SHRM Recognition/Marketing
 - h. Nomination of Lorie Shoemaker for award by California Association of Nurse Leaders
 - i. Upcoming recognition of work by Ellen McKissick in establishing a Girl Scout Badge for Nursing
 - j. PPH satellite medical center - close of escrow on Ramona property Nov 3

VIII. INFORMATION ITEMS *(Discussion by exception only)* 125-144

- | | |
|--|--------------------|
| A. Conflict of Interest Code Biennial Review 2006 | Governance |
| B. Succession Planning Policy Update | Governance |
| C. In-House Legal Counsel Update | Governance |
| D. Legislative/Governmental Relations Update | Governance |
| E. Annual Board Self-Evaluation – 2006 | Governance |
| F. Annual Board Educational Seminar | Governance |
| G. Annual CEO Evaluation – FY 2006 | Governance |
| H. Compensation | Human Resources |
| I. Recent NRLB Decision | Human Resources |
| J. Benefits Open Enrollment | Human Resources |
| K. Smoking Forums | Human Resources |
| L. Perinatology Program Development | Strategic Planning |
| M. HealthWorRx Program | Strategic Planning |
| N. Imaging Plan Update | Strategic Planning |
| O. Review FY '07 Initiative Status | Strategic Planning |
| P. Cancellation of November 21 Meeting | Strategic Planning |
| Q. Internal Audit Status : Quarterly Internal Audit Report
& PPH/Cerner partnership | Internal Audit |
| R. Status Update – Ramona Property | Finance |

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

Palomar Pomerado Health
BOARD OF DIRECTORS
REGULAR BOARD MEETING
 Palomar Medical Center, Graybill Auditorium, Escondido
 Monday, October 9, 2006

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
CALL TO ORDER	6:32 pm On behalf of Chairman Rivera, Vice Chairperson Bassett called the meeting to order with quorum comprising Directors Bassett, Greer, Kleiter, Krider, Larson, and Powers. Chairman Rivera absent with regrets.		
OPENING CEREMONY	The Pledge of Allegiance was recited in unison, followed by an inspirational reading by Chaplain Hard (<i>attached</i>).		
MISSION AND VISION STATEMENTS	The PPH mission and vision statements are as follows: <i>The mission of Palomar Pomerado Health is to heal, comfort and promote health in the communities we serve.</i> <i>The vision of PPH is to be the health system of choice for patients, physicians and employees, recognized nationally for the highest quality of clinical care and access to comprehensive services.</i>		
NOTICE OF MEETING	Notice of Meeting was mailed consistent with legal requirements		
PUBLIC COMMENTS	None		
APPROVAL OF MINUTES	<ul style="list-style-type: none"> • September 11, 2006 Regular • June 27, 2006 Joint Bd/Fin Cttee • December 14, 2005 Special • December 6, 2005 Special 		
		<p>MOTION: by Kleiter, 2nd by Krider and carried to approve the September 11, 2006 Regular meeting; June 27, 2006 Joint Board/Finance Committee meeting; and December 14, 2005 and December 6, 2005 Special Board meetings minutes as submitted. All in favor. None opposed.</p>	

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
<p>APPROVAL OF AGENDA to accept the Consent Items as listed including: Physician Recruitment Agreement: Allen K. Chan, M.D., Vascular Surgery</p>		<p>MOTION: by Larson, 2nd by Kleiter and carried to approve the Consent Items as submitted. All in favor. None opposed.</p>	
<p>PRESENTATION</p> <ul style="list-style-type: none"> American Heart Association of San Diego County Presentation with Business Heart Partner Award 2005-2006 for PPH Support for "Go Red for Women" 	<p>Dr. Robert Stein, current President of the San Diego Chapter of the American Heart Association, and Ms Melissa Willamus, Director of the American Heart Association of San Diego County referred to the year-long "Go Red for Women" campaign regarding the detection/prevention of cardiovascular disease in women. The AHA's Appreciation Award was then presented to Vice Chairperson Nancy Bassett on behalf of the Board for PPH's Outstanding Achievement in Support of the American Heart Association's efforts in Cardiovascular Science, Education and Community Programs 2005-2006.</p>	<p>Vice Chairperson Bassett thanked Dr. Stein and Ms Willamus for all the hard work that had been put into this important campaign and particularly wished to recognize Dr. Stein.</p>	
<ul style="list-style-type: none"> Community Outreach: Escondido Health Care Advisory Council Update 	<p>Ms Tina Pope, Director Community Development, introduced Ms Adriana Adres-Paulson, SD Cty Office of Education, Migrant Education, Chair; and Ms Mary Anne Dijak, Hope through Housing, Vice-Chair, Escondido HCAC. Ms Adres-Paulson and Ms Dijak then presented their update via powerpoint (<i>attached to original</i>), including Priority Areas (Obesity Prevention and Access to Health Care). As a result a Nutrition and Gardening Curriculum was underway with many partners such as PPH, UC Cooperative Extension, Migrant Education, OASIS, Elementary Schools, and Escondido YMCA etc. HCAC Goal was to increase enrollment in free/low-cost health insurance for children and to encourage families to seek such insurance.</p>	<p>Vice Chairperson Bassett thanked Ms Pope, Adres-Paulson and Dijak for presenting this informative update on Escondido HCAC, noting this promotion of access to care should be shared at the Chairmen's Council.</p>	<p>Sharing of this information at the HCAC Chairmen's Council</p>

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	<p>Many Partners/Activities programs were included in the Passport to Health such as Oak Hill Elementary's Back to School Night including PPH Physicians' Soccer, PPH HealthSource; Neighborhood Healthcare Dental Screens/health insurance; OASIS; City of Escondido Recreation Department, and Escondido COMPACT.</p> <p>It was found that 39% of children screened resulted in higher than 120/80 blood pressure; and that 31% were overweight. Escondido Civic Faire and The Healthy Kids Project were also involved in assisting families with uninsured children and their health, noting that PPH HCAC is a valuable venue for promoting collaborative health projects with the Escondido community.</p> <p>Director Greer inquired if there was a problem as only 24 had signed up for health insurance appointments. It was explained that 70 took the information but only 24 signed up because it was also a family educational process regarding long-term value of insurance for their children versus pressing financial family needs for poor people. It could also be difficult to navigate the system including language barriers.</p>		
REPORTS Medical Staff Palomar Medical Center			
<ul style="list-style-type: none"> ▪ Credentialing 	<p>Dr. Lilley, on behalf of Robert D. Trifunovic, MD, Chief of PMC Medical Staff, presented PMC's requests for approval of Credentialing Recommendations.</p>	<p>MOTION: by Kleiter, 2nd by Krider and carried to approve the 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>	

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
<ul style="list-style-type: none"> Credentialing – Patrick M. O’Meara, M.D. 	<p>Dr. Lilley, on behalf of Robert D. Trifunovic, MD., Chief of PMC Medical Staff, presented PMC’s request for approval of Credentialing Recommendations for Patrick M. O’Meara, M.D.</p>	<p>MOTION: by Kleiter, 2nd by Krider and carried to approve PMC Medical Staff Executive Committee credentialing for Patrick M. O’Meara, M.D., to the end of November, 2006 and not per the Executive Committee’s recommendation for reappointment of Dr. O’Meara through 04/30/2007. All in favor. None opposed.</p>	
<p>Escondido Surgery Center</p> <ul style="list-style-type: none"> Credentialing 	<p>Marvin W. Levenson, MD, Administrator/ Medical Director of the Escondido Surgery Center, presented requests for approval of Credentialing Recommendations.</p>	<p>MOTION: by Kleiter, 2nd by Krider 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.</p>	
<p>Pomerado Hospital</p> <ul style="list-style-type: none"> Credentialing 	<p>Dr. Kanter, on behalf of Paul E. Tornambe, MD., Chief of Pomerado Medical Staff, who was on the current credentialing list, presented Pomerado Hospital’s requests for approval of Credentialing Recommendations.</p>	<p>MOTION: by Kleiter, 2nd by Krider 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.</p>	
<p>Administrative Chairperson - Palomar Pomerado Health Foundation</p>	<p>Mr. Al Stehly Mr Stehly reported that a comprehensive fund-raising campaign was planned for June 2007. The Da Vinci and Cyberknife Radio-Surgery projects were also involved. The year-end</p>		

F

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
<p>Chairman of the Board - Palomar Pomerado Health</p>	<p>appeal had been sent to approximately 34,000 people targeting provision of cardiac facilities.</p> <p>He stated that the "Fine Arts of Women's Health" held Sunday had been a great success, in addition to building a nucleus of fund-raising by women for the Women's Health Center as well as bringing new people into the organization.</p> <p>Trends of Giving statistics were noted as being funds received from Foundations 12%; from Corporations 7%; from Companies 5%; with from Individuals 76%.</p> <p>Director Larson inquired as to whether the Foundation may be looking toward a Gala Fundraising Event. Mr. Stehly responded that last year all events were on hold but following recruitment of new staff and reorganization, he said there would be such an event and that all would be invited. Mr. Dana Dawson, Chief Fund-Raising Officer, concurred.</p> <p>Nancy L. Bassett, RN, MBA, Vice Chairperson, for Marcelo R. Rivera, MD Vice Chairperson Bassett, who had attended the Annual Meeting of ACHD, congratulated Director and Treasurer T. E. Kleiter upon his election as the new Chairman of ACHD. This was a great honor for PPH, as well as for Director Kleiter and the work it entailed.</p> <p>Director Kleiter then thanked Vice Chairperson Bassett, reporting on the ACHD Annual Meeting which this year had been held at the Sheraton Hotel, San Diego across from the airport. It received the best attendance ever, noting that the previous six years it had been held at Lake Tahoe. The conference included a President's Reception, golf tournament, exhibit floor and educational sessions particularly regarding Ethics training which had already been provided to PPH</p>		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	<p>Board of Directors.</p> <p>Legislative review included those issues being addressed in the coming year. Regarding hiring of physicians, a pilot project had expired and an attempt was being made to extend this, but relevant legislation was difficult, noting that the California Medical Association was against it.</p> <p>It was hoped that this legislation, as well as that of "Impact fees", whereby districts could levy an "Impact fee" on new construction but in order to collect fees, the district would have to go through the County and this in turn would cut into their ability to collect those fees. This issue was being addressed and be joined by CHA in promoting legislation that would affect all hospitals.</p> <p>Also, informative lectures were given including one sponsored annually by BETA Healthcare Group. They heard from James Bagian, M.D., PE., physician and engineer, and Director of Veterans Affairs at the National Center for Patient Safety.</p> <p>Dr. Bagian's background was that of astronaut for fifteen years, including two space shuttles, as well as supervising recovery of a space shuttle beneath the ocean, and improving shuttle escape systems. Dr. Bagian was a highly informative speaker. Mr. Covert, who had also attended the Annual ACHD Meeting, noted that we should try to have Dr. Bagian attend a future Board Educational session.</p> <p>Mr. Covert congratulated Director Kleiter upon his election to the ACHD Board Chairmanship for a two-year term, this being one of the first occasions that a PPH Board Member had chaired an outside organization.</p>		<p>Mr. Covert noted this as a possible future Board educational session, and agreed to forward to the Board a copy of Dr. Bagian's talk.</p>

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
<p>President and CEO</p> <ul style="list-style-type: none"> Overview of Trauma Catchment Areas/Bypass Time 	<p>Vice Chairperson Bassett commented that membership of ACHD included small and large organizations which allowed many opportunities for learning, and that next year she hoped to be part of the Finance Committee. She thanked Director Kleiter for his commitment to ACHD.</p> <p>Michael H. Covert</p> <p>Resulting from questions that had arisen due to two patients who did not come to PPH's trauma facility recently, Kim Colonnelli, RN and Peggy Sale, RN, presented an overview via powerpoint (<i>attached to original</i>) regarding Trauma Catchment Areas for PPH, Scripps, Sharp, Mercy, and UCSD and the particular boundary lines based upon where the trauma had occurred was within the Sharp boundary area.</p> <p>The second trauma incident happened at the Emerald off-ramp off I-78 within our catchment area and involved multiple patients. Upon arrival of the first ambulance, the trauma was designated an "MXD" - mass-casualty. Based upon that designation and the geographically closest base station, one patient went to Scripps La Jolla and the remainder to Tri-City. We were not on by-pass at the time, but because an "MXD" decision had been called on the ground by the first ambulance, that designation led to the distribution of patients in the above manner.</p> <p>Director Larson inquired if there was any thought given to moving the trauma boundary lines, particularly in light of population growth, suggesting we review current and projected populations. Further discussion ensued.</p>		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	<p>Director Kleiter noted that patient care is the primary key to the overall Trauma Plan and that the San Diego Trauma Plan is probably one of the best trauma plans available.</p> <p>Michael Covert stated that no one group should bear a larger burden, but that we should review the new populations in those areas.</p>		<p>Review current and projected populations within current trauma boundaries.</p>
<ul style="list-style-type: none"> New Employee Orientation Program 	<p>Mr. Covert corrected this agenda item to read, "Orientation" (not "Recognition) program. He thanked Steve Insoe and others for their hard work and timeliness in providing an online learning approach at our new I/T Center enabling greater opportunity for employees to learn at their own pace during Orientation. Vice Chairperson Bassett recommended accessing online, noting that this had been demonstrated during a recent HR Committee.</p>		
<ul style="list-style-type: none"> HealthwoRx Program 	<p>The CEO relayed that HealthwoRx comprised a series of sessions involving staff to determine what, in an ideal world, would allow patients to flow more easily through the system – from the physician's office onwards – in a more informed manner, ensuring that patient and physician have the right access to information that could carry through to SNF services if necessary. Staff and not management were being asked for suggestions.</p>		
<ul style="list-style-type: none"> 3rd Visit of Dr. Massaro, Executive Vice President, JCAHO 	<p>Mr. Covert stated that Dr. Massaro would shortly be returning to PPH for his third visit. Many hundreds of hospitals were interested in how we are dealing with our new approach. Kudos to Mary Oelman and Opal Reinbold for all of their efforts in this regard.</p>		
<ul style="list-style-type: none"> CAPE – California Awards for Performance Excellence – the California Baldrige 	<p>Michael Covert informed that we would most likely receive a site visit from CAPE in early November. This was a process whereby we would be viewed as to how well we accomplished things. State-wide CAPE examiners from PPH included Tom Boyle, Director of Internal Audit and Daune</p>		

(Handwritten mark)

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	Buringrud, MD, Chief Medical Quality Officer.		
<ul style="list-style-type: none"> Chairman of the National Association of Internal Auditors 	Mr. Covert announced that Tom Boyle had been named Chairman of the National Association of Internal Auditors and offered congratulations on behalf of PPH.		
<ul style="list-style-type: none"> San Diego Magazine Award "Best Place to Work" 	Mr. Wallie George, Chief Human Resource Officer, announced that PPH had received an award by San Diego Magazine of "Best Place to Work". In addition, the San Diego Chapter of Human Resource Professionals was aware of our achievements, and we anticipated receiving an award for PPH.		
<ul style="list-style-type: none"> CLAS Regional Conference; and Visit to SeaWorld Sept 30 	Mr. Covert relayed that a conference on "Managing Diversity in Healthcare" was attended by 186 attendees and was very successful. Also the Employee Visit to SeaWorld took place and many employees attended joined by several Board Members.		
<ul style="list-style-type: none"> Other Events Prop 86 	There was still strong support amongst polls for the approval of Prop 86 as it was believed this would make a difference regarding teens and others' smoking habits. The Board had come out in support of this Proposition, and as Chairman of HASD&IC, Mr. Covert strongly supported the measure, hoping it would pass.		
<ul style="list-style-type: none"> Breast Health Open House 	Breast Health Open House was scheduled for October 28 at the Women's Center, Gateway Medical Building.		
<ul style="list-style-type: none"> PPH Annual Service Awards Luncheon and Awards Dinner 	PPH Annual Service Awards Luncheon was scheduled for October 30, and the Awards Dinner November 8, both events being held at the California Center for the Arts, Escondido.		Vice Chairperson Bassett thanked Mr. Covert for his report.
INFORMATION ITEMS	<i>Discussion by exception only</i>		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
<ul style="list-style-type: none"> ▪ Community Relations ▪ Facilities & Grounds ▪ Human Resources ▪ Joint Board/Strategic Planning ▪ Finance 			
COMMITTEE REPORTS	<i>None</i>		
BOARD MEMBER COMMENTS/AGENDA ITEMS FOR NEXT MONTH	<p>Director Greer pointed out that the 3rd Annual Physician Gala October 21 was the same time as the San Diego County Medical Society when about seventeen physicians from PMC would be receiving awards, with five from the ED alone. This was an impressive list of physicians chosen by physicians.</p> <p>Director Larson was gratified to acknowledge the many awards that PPH was receiving, and offered his congratulations to all concerned. Kudos also to Director Kleiter who had served some four years on the ACHD Board of Directors and had now been elected Chairman for the next two years. Through his hard work on ACHD and his efforts with BETA and the Alpha Fund, Mr. Kleiter had earned the respect of the Board, with Director Larson noting how time-consuming such activities were.</p> <p>Vice Chairperson Bassett relayed that Director Kleiter had received many positive comments for all his work and again congratulated him upon his achievement.</p> <p>Director Powers added his congratulations, noting that the San Diego North Chamber of Commerce joined the Los Angeles and Long Beach areas in voting in favor of Prop 86, stating that Mr. Jim Flinn, a director of their board, had a great deal to do with this.</p> <p>The October 8 Street Fair in Carmel Mountain Ranch was a success and all supporters were</p>		

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	<p>thanked including Congressmen Brian Bilbray, Brian Meinsheim, George Plescia, and PPH for their sponsorship. It was hoped to do the same November 5 for the 4-S Ranch Fall Festival.</p> <p>Director Krider added his kudos. He also referred to trauma boundaries stating his concern that a patient was not necessarily going to be sent to the closest trauma center within a catchment area, regardless of population.</p> <p>Director Greer congratulated Dr. Kanter upon receiving a physician award for two consecutive years.</p>		
<p>ADJOURNMENT</p> <p>SIGNATURES</p> <ul style="list-style-type: none"> ▪ Board Secretary ▪ Board Assistant 	<p>7:50 p.m.</p> <p>_____</p> <p>Linda C. Greer, R.N.</p> <p>_____</p> <p>Christine D. Meaney</p>		

Palomar Pomerado Health
JOINT BOD/STRATEGIC PLANNING COMMITTEE
PMC- GRAYBILL AUDITORIUM
September 19, 2006

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
CALL TO ORDER	<p>Dr. Rivera opened the Joint BOD/Strategic Planning Committee meeting at 6:06 p.m., and announced the upcoming Expert Advisory Panel meeting on September 21, and invited everyone to attend the event, starting out at the mock-up rooms at the new warehouse at 9:00 a.m. Dr. Rivera then turned the meeting over to Dr. Larson, Strategic Planning Committee Chairperson.</p> <p>Dr. Larson introduced the PPH Foundation guests.</p>		
ESTABLISHMENT OF QUORUM	<p>Dr. Rivera, Dr. Larson, Michael Covert, Nancy Bassett, RN, Linda Greer, Bruce Krider, Ted Kleiter, and Dr. Tomambe. Also attending were Gerald Bracht, Dr. Buringrud, Jim Flinn, Lorie Harmon, Marcia Jackson, Dr. Lilley, and Lorie Shoemaker.</p> <p>Guests: Harold Fisher, Kwaja Floyd, Jacqueline Forsythe, Wallie George, Dr. Kolins, Dr. Kung, Stonish Pierce, Opal Reinbold, Mike Shanahan, and Nick Xenitopoulos. PPH Foundation guests: Bill Chaffin, Dana Dawson, Stanley Ginsberg, Kevin Harkenrider, Marilyn Johnson, Terry McCune, Dr. Jaime Rivas, and Tami Rudolph. Anshen and Allen guests: Tom Chessum, Craig McInroy, Dennis McFadden, Eyal Perchik, Andy Spurlock, and Jerzey Wollak. Leary, Childs, Mascari, and Warner guests: Peter Messina, Carrie Van Eyck.</p>		

15

<p>NOTICE OF MEETING</p>	<p>The notice of meeting was mailed consistent with legal requirements.</p>		
<p>MINUTES</p> <p>August 15, 2006</p>		<p>Motion made by Nancy Bassett, R.N., seconded by Dr. Larson, and carried unanimously for approval of the August 15 Strategic Planning Committee minutes.</p>	

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
<p>QUARTERLY FACILITY UPDATE</p>	<p>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.</p> <p>Marcia Jackson introduced the topic, indicating that this update would be the sole agenda item for this meeting.</p> <p>Mike Shanahan introduced Peter Messina and Carrie Van Eyck from Leary, Childs, Mascari, and Warner Architects, who are working on the satellite clinics in Rancho Peñasquitos and Ramona.</p> <p>The first project discussed was the RANCHO PEÑASQUITOS SATELLITE CENTER on Black Mountain Road.</p> <p>The presentation showed a proposed arched façade, which would tie into the existing church façade. The new design is an attempt to integrate into the community, which is largely a Mediterranean – Spanish style area, and utilizes a ripple effect and curving elements, with all elements pointing toward the entrance, using southwestern colors like Pomerado Hospital.</p> <p>The proposed design also uses a level of transparency like both PMC & POM use at their entrances. The plan included landscaping and gardens, a water feature, and breakout spaces.</p>		

17

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
	<p>Ted Kleiter asked if we can't turn left out of our property onto Black Mountain Road, and Mike Shanahan replied that that was correct. Marcia Jackson replied that there is a blind corner, which prohibits this. Dr. Larson asked how far along the plans were, and Mike Shanahan responded that this is the first pass. Dr. Larson asked about signage on 56, and Marcia responded that visibility is better on westbound 56 – up higher, and without a berm.</p> <p>Dr. Rivera commented that since this is the architect's first rendition, the architects should know that the Board is very honest and straightforward with their opinions and suggestions. Accordingly, he asked them to explain the use of the arches, and Carrie Van Eyck responded that they relate to the existing building and neighborhood. Dr. Rivera asked if the arches could be incorporated into the function of the building, and commented that the first building had the appearance of a somewhat industrial rectangle – i.e., not inspiring, nor fully utilizing the canyon views.</p> <p>Other comments and suggestions included possibly softening the look of the buildings, such as the look of the high school to the west.</p> <p>Nancy Bassett suggested using more green glass, to create the appearance of being more one with nature versus that of a square box.</p> <p>Ted Kleiter commented that he was okay with the building the way it is, but he would like to pursue the traffic situation, to see if there is an opportunity to enable a left turn.</p> <p>The current status on submissions and entitlements is as</p>	<p>Follow-up with the traffic consultant.</p>	<p>Mike Shanahan</p>

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
	<p>follows:</p> <ul style="list-style-type: none"> • Preliminary Submission & City comments, August 15 • City has Allowed Interim Use RFP for Developer, October 11 • Resubmission to City of San Diego, November 2006 • MND (Mitigated Negative Declaration) in Process, Board Review December 2006 • Developer Selection Process, January 2007 • Entitlements Received, May – June 2007 <p>RAMONA SATELLITE CENTER</p> <p>PPH has entered into escrow on a 2.7-acre site between 13th and 14th Street, off Main Street in Ramona, and a Due Diligence Report is currently in process. Pending the successful outcome of an environmental report, we are scheduled to close escrow in late October 2006. The project was initially sized for a 5,000 square-foot clinic, and the planning is ongoing. There was no architectural discussion tonight.</p> <p>CURRENT PROJECT ACTIVITIES for PMC WEST and POM Phase 2</p> <p>Tom Chessum announced that they are approximately 95% signed off with the User Groups, and that there are just a few more technical groups left to finish. They are currently equipping the mock-up rooms for detailed reviews in the next 3 to 4 weeks, and looking at the last week in October for user reviews.</p> <p>Tom discussed the construction cost control and benefit</p>		

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
	<p>analysis, and the volatility in the marketplace. Ted Kleiter asked if there would be any change in cost due to the recent home cost leveling, and Tom Chessum replied that there would be some, but that it would be quite a ways out.</p> <p>Tom also discussed the City compliance reviews with Poway and Escondido concerning the plans and entitlements.</p> <p>Michael Covert let the Committee know that Eyal Perchik has done a very good job with OSHPD. Tom Chessum discussed the recent site visit made to Sharp, and Dr. Rivera expressed his appreciation to Sharp. He said that he is very confident in our planning process, and that this tour reinforced his support of our flexibility in planning from the ground up, and commended Michael Covert in his vision of the new facility.</p> <p>PMC WEST - Design Progress</p> <p>Dennis McFadden presented a model for Palomar Medical Center West, highlighting the tower corner's north side, where the stair towers have been moved inside, to include staff lounges. The model included a conservatory, with alternating balconies behind glass, with views from terraces.</p> <p>Plans for an entry court are starting to develop, and the landscaping will include sustainable gardens, utilizing native trees such as sycamores, and 2-level gardens.</p> <p>Dennis McFadden discussed the entrance court landscape, with a trellis and canopy drop-off, and a garden underneath, which would take people to the front door.</p>		

17

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
	<p>The building is so large that we need to use the entrance to break down the scale, to pull the exterior into the interior. The drop off & entrance will be lined in bamboo. The entrance lobby will look much more like a hotel than a hospital.</p> <p>The second floor lobby plan includes glass-railed stairs. Linda Greer asked if there would be any problems with the stair rails scratching, and Dennis responded that the special glass would be scratch-resistant.</p> <p>The floor plan for the patient rooms calls for the rooms to project out, to capture sunlight. A façade study concept utilizes an exterior wrapper that binds a mixture of elements together to create and provide a sunscreen. A sun screening study proposed glass vertical and horizontal screening elements. Dr. Rivera asked how much room there would be between the façade and the room, and Dennis McFadden answered that there would be 4'6". Dr. Rivera also asked if there would be any problems related to excessive winds, such as during Santa Ana winds, and Dennis responded that there would be no problems, since all windows would be pre-engineered to meet requirements, and the patient windows do not open.</p> <p>Nancy Bassett asked about using escalators, and Dennis responded that escalators cost approximately \$1 million each, and took up too much room, needing deep motors. Glass elevators were discussed, but were also too expensive. Stairways are the most functional and symbolic options. Standard elevators will also be used.</p> <p>Dr. Rivera reminded the Committee that the nearby neighbors didn't want to see a lot of automobile</p>		

1A

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
	<p>headlights, and preferred a great deal of privacy on the southern end of the new facility.</p> <p>Dr. Tornambe suggested that we create wide enough lanes in the front driveway for cars to turn around, and suggested that we take a look at a horseshoe shaped driveway.</p> <p>PMC EAST</p> <p>Mike Shanahan discussed the planning process for Palomar Medical Center East. He said that we are ahead of schedule on our Memorandum of Understanding with the City of Escondido from last July. PPH has discussed a great number of possibilities for PMC East, including housing for employees, shared parking, retail space options, and office space options.</p> <p>POMERADO HOSPITAL – PHASE 2</p> <p>Jerzey Wollak presented the concept development of Phase 2 of the design process for Pomerado Hospital, including the “Making of a Resort,” with highlights such as the promenade & porte cochere, meditation garden, cascade garden, atrium, glass elevators, and café terrace. The first and second floors of the new nursing tower were described, including the after-hours conference center on the first floor.</p> <p>The design process included a translucent entry canopy with a glass elevator, water feature, and atrium. The inside of the atrium features a signature wall with a large projection screen, with changeable images, a trellis, and a retail section. A three-story link promenade was also discussed.</p>		

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
	<p>Mike Shanahan discussed Pomerado Hospital's Phase 2 City Entitlements, as follows:</p> <ul style="list-style-type: none"> • October 2, First Submission to City of Poway • CUP (Conditional Use Permit) Modification for Helistop Relocation • Variance Application for Retaining Walls 6+' • CEQA-MND Amendment Part of Submission • November 20th, PPH BOD Meeting • Approve Phase 2 Project • Approve MND Amendment • Adopt Resolution <p>Phase 1 Construction Update for Pomerado Hospital included a report and photographs of the OSP and Parking Structure, which are being aggressively worked on, by as many as 125 workers at the height of construction. The scaffolding is up, and the progress and photographs were quite impressive. The Committee was very pleased with the progress that has been made to date.</p>		
COMMITTEE COMMENTS, SUGGESTIONS	<p>Linda Greer commented that she was impressed with the evolution of the building designs. Nancy Bassett expressed her congratulations on the recent prestigious citation of merit award received from the Center for Health Design for the preliminary PMC West design.</p>		
ADJOURNMENT	8:10 p.m.		

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW-UP/ RESPONSIBLE PARTY
SIGNATURES Committee Chairperson Recording Secretary	 <u>Marcelo Rivera, M.D., Chairman of the Board</u> <u>Alan Larson, M.D., Committee Chair</u> <u>Lorie Harmon</u>		

Palomar Pomerado Health
BOARD OF DIRECTORS
SPECIAL BOARD MEETING
Annual CEO Evaluation
 Radisson Suite Hotel, Rancho Bernardo, Rotunda Room
 11520 West Bernardo Court, Rancho Bernardo, CA 92127
 Wednesday, January 25, 2006

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
CALL TO ORDER	6:30 pm Quorum comprised Directors Bassett, Greer, Kleiter, Krider, Larson, Rivera and Scofield.		
NOTICE OF MEETING	Also present Michael H. Covert, CEO Notice of Meeting was mailed consistent with legal requirements		
PUBLIC COMMENTS	None		
Pomerado Medical Staff Credentialing – Biennial Reappointment of Kenneth G. Trestman, MD. (01/01/2006 – 01/31/2008)	Chairman Rivera explained that due to lack of Board quorum at the January 9, 2006 Regular Board Meeting, this matter was brought back requesting that the Board now vote to approve the Pomerado Medical Staff Credentialing as proposed. It had been recommended that reappointment be extended. There were no issues of performance or quality, but due only to lack of a quorum	MOTION: by Krider, 2 nd by Scofield and carried to approve the Pomerado Medical Staff Credentialing of Kenneth G. Trestman, M.D., - Internal Medicine/Pulmonary – Active (including Villa Pomerado and Sub-Acute) Biennial Reappointment of Kenneth G. Trestman, MD from 01/01/2006 – 01/31/2008 as submitted. All in favor. None opposed. Directors Greer, Larson and Bassett abstained due to potential conflict of interest. Director Bassett noted that she had drafted a response letter of explanation to the North County Times on behalf of the Board, and was requested by Chairman Rivera to send it. She was also sending a letter of clarification to Dr. Trestman.	

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
ADJOURNMENT TO CLOSED SESSION	6:55 p.m.		
OPEN SESSION RESUMED	8:30 p.m.		
Approval of CEO Bonus FY 2005		<p>MOTION: by Scofield, 2nd by Krider and carried, based upon subjective evaluation, the Board voted to give the CEO a bonus based upon his outstanding performance, this to be a one-time sum in compliance with the language in his contract, the amount being \$70,951.08 for FY 2005.</p> <p>All in favor. None opposed.</p> <p>Specific note was made of the hospitals' outstanding JCAHO accreditation in March 2005, as well as political progress, the Master Facilities Plan, the very high staff morale, and significant clinical progress particularly in the areas of cardiovascular treatment, etc.</p> <p>Mr. Covert was sincerely thanked for his continuing leadership during this period.</p>	
CEO Goals for FY 2006	<i>Tabled</i>		
FINAL ADJOURNMENT	8:45 p.m.		
SIGNATURES	<ul style="list-style-type: none"> ▪ Board Secretary _____ ▪ Board Assistant _____ 		

22

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

Radisson Suite Hotel, 11520 West Bernardo Court, Rancho Bernardo, CA 92127
11 a.m. VIP Room (3rd Floor); continuing at approx 11:30 a.m. Montadura I & II (1st Floor)
Friday, March 31, 2006

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
CALL TO ORDER	<p>11:05 a.m. Quorum comprised Directors Greer, Krider, Rivera and Scofield in VIP Room (3rd Floor). Regrets from Directors Bassett, Kleiter and Larson. Guest: Mark Pulliam, Esq Notice of Meeting was mailed consistent with legal requirements</p>		
NOTICE OF MEETING	None		
PUBLIC COMMENTS			
<p>ADJOURNMENT TO CLOSED SESSION pursuant to Health & Safety Code section 32155 and subject to Gov Code section 54954.5(h) – Hearings – Board will confer with legal counsel and consider matters regarding appellate review of a decision regarding a physician’s medical staff privileges pursuant to Health & Safety Code section 32155.</p>			
OPEN SESSION RESUMED	<p>11:30 a.m. In closed session the Board took the following action in connection with a pending appeal by a physician of a decision of the Judicial Review Committee regarding medical staff privileges.</p>	<p>MOTION: by Krider, 2nd by Scofield and carried to ratify a letter to the parties from the Chairman of the Board setting forth hearing procedures. All in favor. None opposed.</p> <p>MOTION: by Scofield, 2nd by Krider and carried to adopt a briefing schedule for the parties, to commence upon the preparation of the record. All in favor. None opposed.</p>	

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
		<p>MOTION: by Scofield, 2nd by Krider and carried that the Board as a whole would conduct the appellate review rather than a hearing officer or a committee of the Board.</p>	
<p>BOARD EDUCATIONAL SESSION – JCAHO Continuous Readiness</p>	<p>The meeting then moved location to continue as posted, commencing at 11:35 a.m. in Montadura I & II (1st Floor) for a Board Educational Session, joined by members of the Executive Management Team, Physicians and other invited guests. Russell P. Massaro, MD, FACPE, Executive VP of Accreditation and Certification, made an educational presentation to the Board regarding JCAHO Continuous Readiness.</p>	<p><i>Educational/Informational only.</i></p>	
<p>SIGNATURES</p> <ul style="list-style-type: none"> ▪ Board Secretary ▪ Board Assistant 	<p>_____</p> <p>Linda C. Greer, R.N.</p> <p>_____</p> <p>Christine D. Meaney</p>		

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

09/01/06	TO	09/30/06	ACCOUNTS PAYABLE INVOICES	\$23,821,002.00
09/08/06	TO	09/22/06	NET PAYROLL	<u>\$8,773,292.00</u>
				\$32,594,294.00

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

September 2006 & Fiscal YTD 2007 Financial Report

TO: Board of Directors
FROM: Board Finance Committee
Tuesday, September 26, 2006
MEETING DATE: Monday, November 20, 2006
BY: Robert Hemker, CFO

Background: The Board Financial Reports (unaudited) for September 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 September 2006 and Fiscal YTD 2007.

Motion: X

Individual Action:

Information:

Required Time:

Financial Statements

September 2006

Tim Nguyen
Corporate Controller
October 31, 2006

PALOMAR POMERADO HEALTH

PALOMAR
POMERADO
HEALTH
SPECIALIZING IN YOU

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

Statistics:

	Aug-06	Sep-06	Aug vs Sep % Variance	Sep-06 Budget	Act vs Bud % Variance
CONSOLIDATED					
Patient Days Acute	9,535	9,151	(4.03)	9,602	(4.70)
Patient Days SNF	6,517	6,308	(3.21)	6,378	(1.10)
ADC Acute	307	305	(0.65)	320	(4.69)
ADC SNF	210	210	—	213	(1.41)
Surgeries CVS Cases	13	16	23.08	10	60.00
Surgeries Total	1,009	944	(6.44)	1,007	(6.26)
Number of Births	493	477	(3.25)	483	(1.24)
NORTH					
Patient Days Acute	7,102	6,822	(3.94)	7,157	(4.68)
Patient Days SNF	2,704	2,624	(2.96)	2,658	(1.28)
ADC Acute	229	227	(0.87)	239	(5.02)
ADC SNF	87	87	—	89	(2.25)
SOUTH					
Patient Days Acute	2,433	2,329	(4.27)	2,445	(4.74)
Patient Days SNF	3,813	3,684	(3.38)	3,720	(0.97)
ADC Acute	78	78	—	82	(4.88)
ADC SNF	123	123	—	124	(0.81)

**PALOMAR
 POMERADO
 HEALTH**
 SPECIALIZING IN YOU

Balance Sheet:

Current Cash & Cash Equivalents decreased \$1.7 million from \$100.2 million in August to \$98.5 million in September. The decrease is mainly due to the purchase of capital equipment in September. Total Cash and Investments are \$111 million, compared to \$129 million at June 30, 2006. Days cash on hand went from 120 days in August to 115 days in September compared to 136 in June.

Net Accounts Receivable increased to \$86.7 million in September as compared to \$81.9 million in August. Gross A/R days increased from 55.5 days in August to 56.1 days in September.

Total patient account collections including capitation are \$24.8 million compared to budget of \$30.3 million. September collections being below budget; is consistent with previous years' trends. Budget is based on an even spread throughout the year and summer collections are typically low.

Construction in Progress reflected minimal activity in the month of September.

Other Current Liabilities decreased \$329,000 primarily due to the realization of Deferred Property Tax Revenue in September.

Income Statement:

Gross Patient Revenue for YTD September reflects an unfavorable budget variance of \$15.4 million. This unfavorable variance is composed of a \$10.6 million unfavorable volume variance and \$4.8 million unfavorable rate variance. The YTD rate variance is the result of lower than budgeted trauma and surgical cases.

Routine revenue (inpatient room and board) reflects an unfavorable \$3.7 million budget variance. North is responsible for \$3.5 million of this variance.

Inpatient Ancillary revenue represents a \$12.5 million unfavorable budget variance. North reflects an unfavorable variance of \$6.8 million and South reflects \$5.7 million unfavorable variance. The main contributors to North's unfavorable variance are Surgery and supply departments totaling \$4.1 million lower than budget. The main contributors to South's unfavorable variance is Surgery and Surgery Patient Supply totaling \$4.9 million lower than budget.

Outpatient revenue reflects a favorable budget variance of \$0.8 million. North has a \$0.9 million favorable variance and South has a \$0.3 million favorable variance. These two amounts are decreased by Outreach's \$0.4 unfavorable variance.

Deductions from Revenue reflects a YTD favorable variance of \$13 million. This is due to lower-than-budgeted volume and budgeted gross revenue. Total Deductions from Revenue is 68.6% of gross revenue compared to a budget of 69.4%.

Deductions from Revenue (excluding Capitation revenue and Bad Debt/Charity/Undocumented expenses), is 64.0% of YTD Gross Revenue compared to budget of 64.8%.

The net capitation reflects a favorable budget variance of \$880 thousand. Cap Premium and Out of Network Claim Expense both show an unfavorable budget variance of \$648 thousand and \$1.63 million, respectively. Cap Valuation shows a favorable variance of \$3.16 million to offset.

Other Operating Revenue reflects a YTD unfavorable budget variance of \$208 thousand. This is due to Foundation, where actual revenue is \$114 thousand below budget.

Salaries, Wages & Contract labor reflects a YTD favorable variance of \$2.3 million. This favorable variance is composed of: 1) Favorable Salaries and Wages - \$2.5 million (actual \$42.8 million), 2) Unfavorable Contract Labor - \$206 thousand (actual \$2.2 million). These variances are composed of: PPH North favorable \$716 thousand, PPH South favorable \$617 thousand, Central Office favorable \$947 thousand and Outreach \$42 thousand favorable.

Benefits Expense has a YTD favorable budget variance of \$46 thousand. This variance is due to lower than budgeted salaries.

Supplies Expense reflects YTD favorable budget variance of \$1.4 million. This favorable variance is composed of a \$550 thousand favorable volume variance and \$839 thousand favorable rate variance. The favorable variance is pharmacy at \$650 thousand, prosthesis at \$160 thousand, other medical and non-medical at \$357 thousand and general surgery supplies at \$233 thousand.

Prof Fees & Purchased Services reflects a YTD unfavorable budget variance of \$658 thousand. The unfavorable variance of \$262 thousand in professional fees is due to higher legal fees. The unfavorable variance of \$396 thousand in purchased services is due to Cerner upgrade and repairs and maintenance.

Non-Operating Income reflects a favorable YTD variance of \$1 million in September. This is due to a favorable investment income variance. Investment income reflects a 6.8% investment rate of return through September compared to budget of 4.25%

Ratios & Margins:

All required bond covenant ratios were achieved in September 2006.

Palomar Pomerado Health
Balanced Scorecard
Financial Indicators
September 30, 2006

	YTD 2007			% Actual to Budget	Prior Year Actual
	Actual	Budget	Variance		
8.4%	\$ 2,846.46	\$ 2,396.55	\$ 449.91	106.3%	2,393.91
13.2%	\$ 2,504.83	\$ 2,499.91	\$ 4.92	100.3%	2,393.91
10.2%	\$ 1,461.41	\$ 1,483.45	\$ (22.04)	98.5%	1,416.39
6.06	6.06	6.13	\$ (0.07)	98.9%	6.07
13,354	12,517	12,099	\$ 469.00		37,038

PPH Indicators:

OEBITDA Margin w/Prop Tax	11.0%	9.8%	1.2%	112.2%	7.9%
Expenses/Mtd Day	2,487.28	\$ 2,488.55	\$ 1.27	99.9%	2,393.91
SWB/Mtd Day	1,469.73	\$ 1,480.08	\$ 10.35	99.3%	1,416.39
Prod FTEs/Adj Occupied Bed	6.06	6.12	0.06	99.0%	6.07
Weighted Patient Days	38,235	39,567	(1,332)		37,038

PPH North Indicators:

6.5%	\$ 2,693.05	\$ 2,437.37	\$ 2,284.89	120.3%	2,271.55
12.9%	\$ 1,164.54	\$ 1,227.99	\$ (61.45)	100.4%	1,191.14
11.3%	\$ 1,239.14	\$ 1,225.73	\$ 13.41	101.1%	1,191.14
5.08	5.16	5.08	\$ 0.08	101.6%	5.07
8,157	8,712	8,719	\$ (97.00)		26,414

PPH South Indicators:

9.3%	\$ 2,459.21	\$ 2,277.51	\$ 2,392.00	100.0%	2,392.82
10.3%	\$ 1,153.48	\$ 1,213.22	\$ (59.74)	99.9%	1,247.93
4.9%	\$ 1,213.22	\$ 1,274.13	\$ (60.91)	98.6%	1,247.93
5.43	5.35	5.59	\$ 0.16	97.7%	5.71
3,712	3,554	3,222	\$ 404.00	100.6%	10,129

PALOMAR POMERADO HEALTH

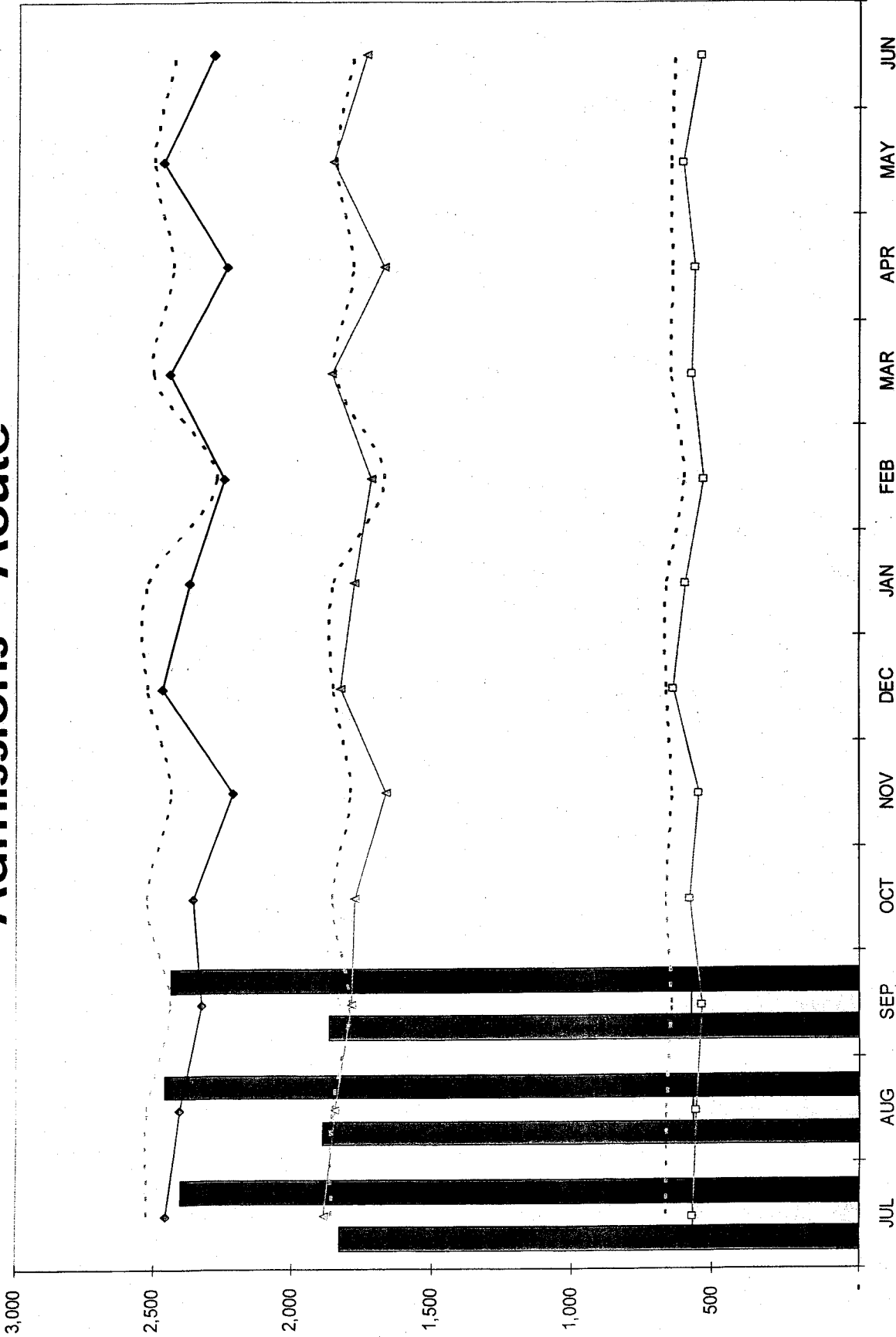
PALOMAR
POMERADO
HEALTH
SPECIALIZING IN YOU

Admissions - Acute

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

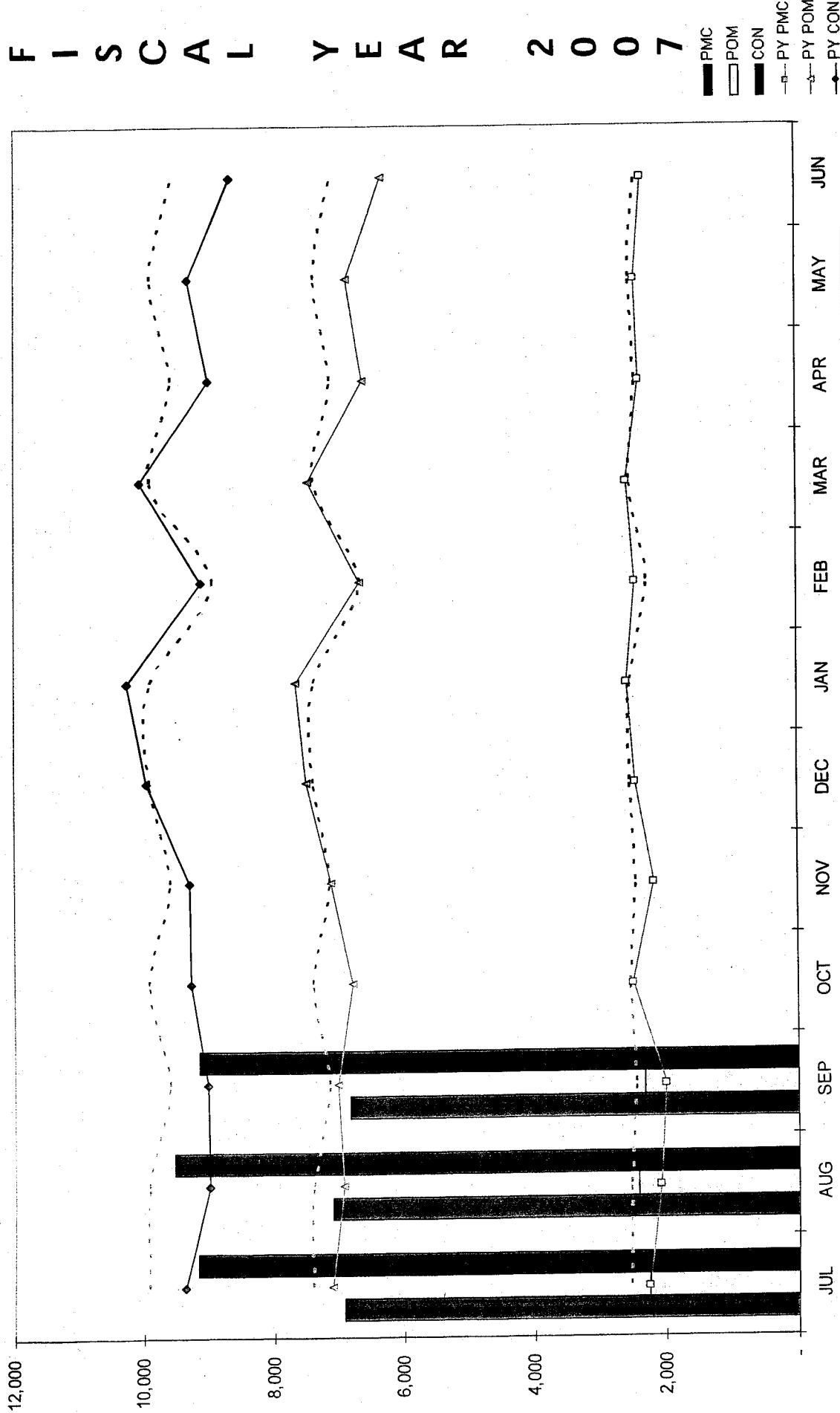
■ PMC
 □ POM
 ■ CON
 -●- PY PMC
 -▲- PY POM
 -◆- PY CON

PALOMAR
 POMERADO
 HEALTH
 SPECIALIZING IN YOU



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	BUD YTD
PMC	1,832	1,895	1,871	-	-	-	-	-	-	-	-	-	5,598	5,520
POM	570	569	572	-	-	-	-	-	-	-	-	-	1,711	1,971
CON	2,402	2,464	2,443	-	-	-	-	-	-	-	-	-	7,309	7,491

Patient Days - Acute



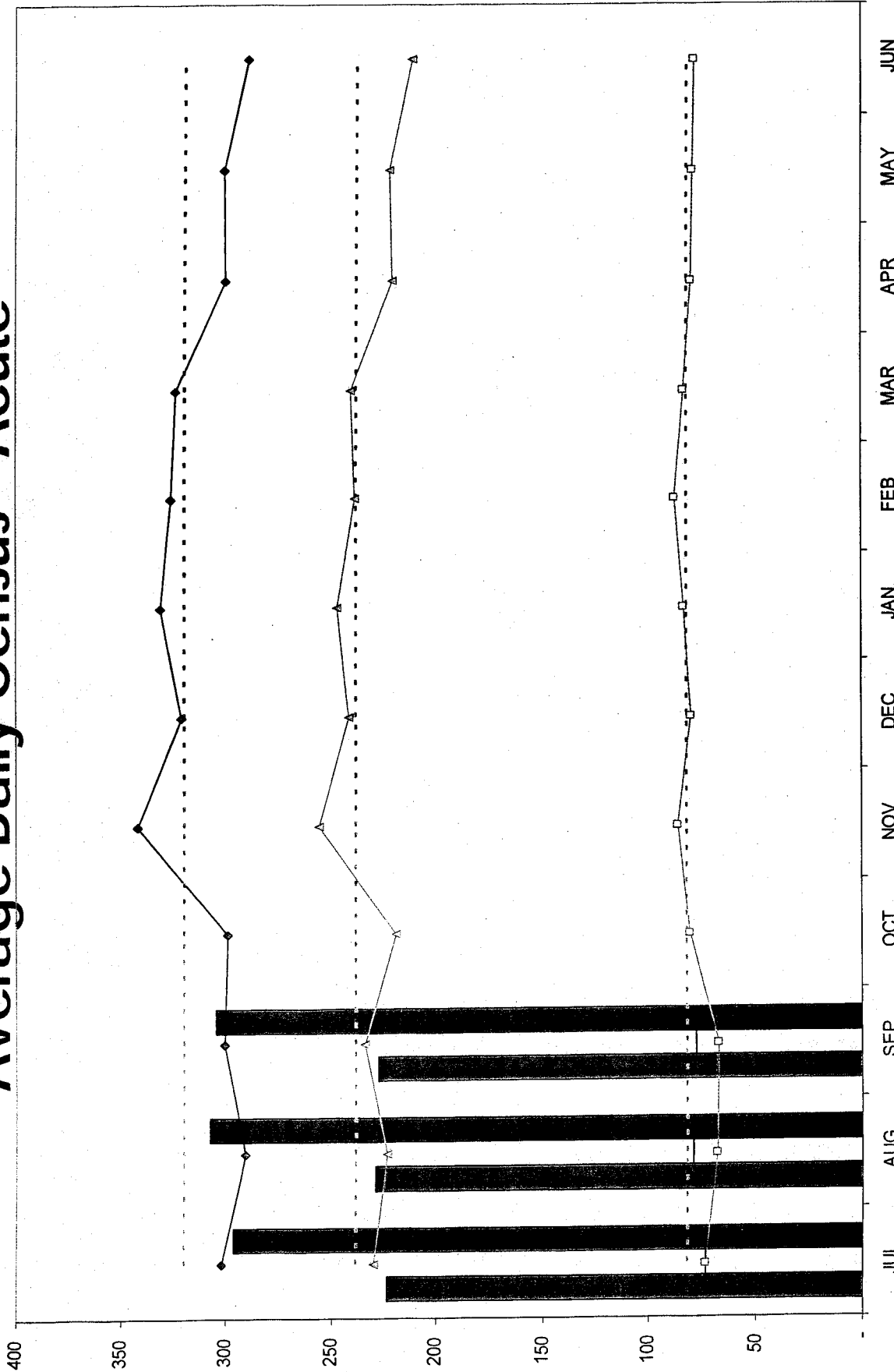
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	BUD YTD
PMC	6,919	7,102	6,822	.	.	.	.	.	.	20,843	21,949		20,843	21,949
POM	2,261	2,433	2,329	.	.	.	.	.	.	7,023	7,497		7,023	7,497
CON	9,180	9,535	9,151	.	.	.	.	.	.	27,866	29,446		27,866	29,446

**PALOMAR
POMERADO
HEALTH**
SPECIALIZING IN YOU

Average Daily Census - Acute

FISCAL YEAR 2007

■ PMC
 □ POM
 ■ CON
 -○- FY PMC
 -△- PY POM
 -◇- PY CON

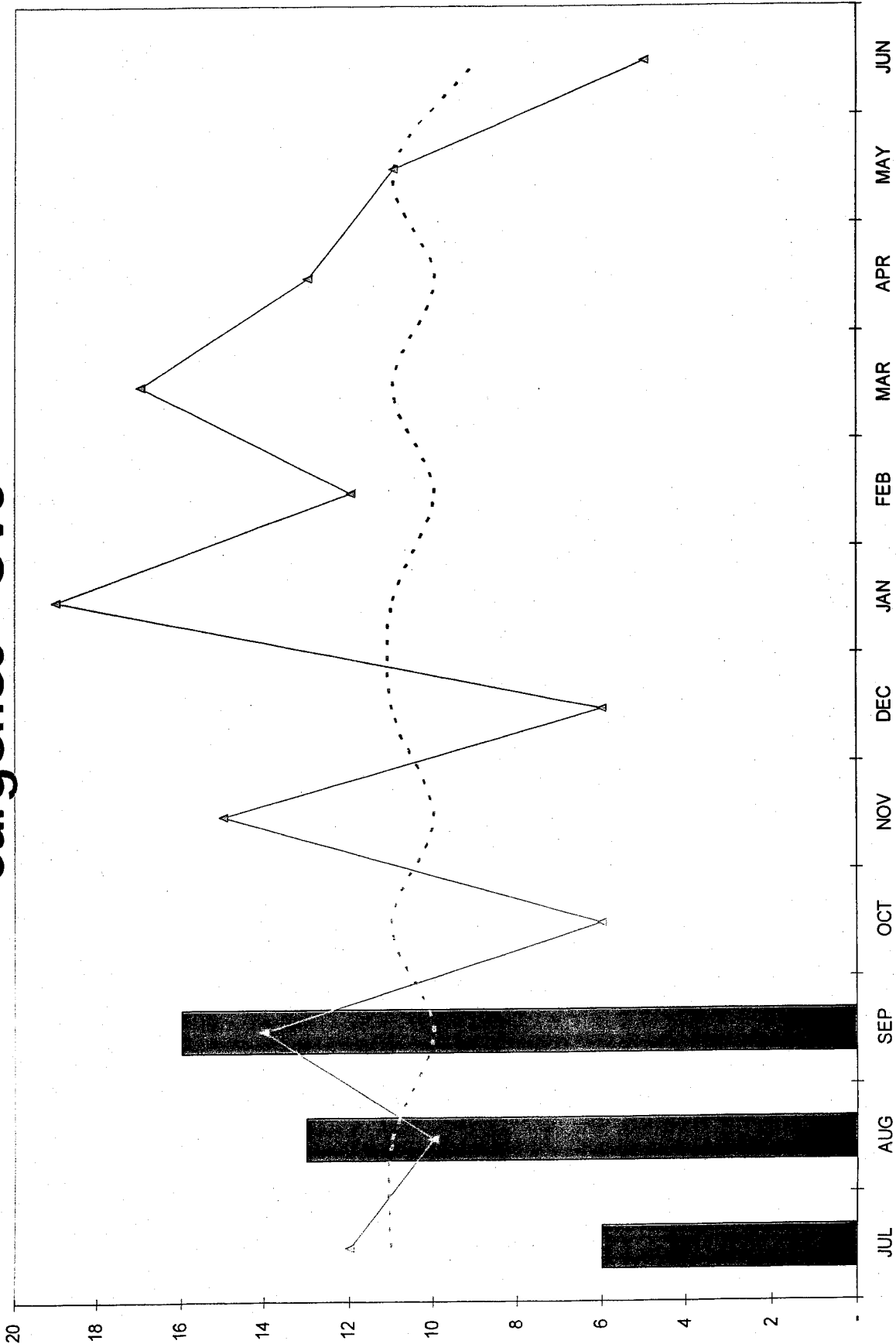


PALOMAR
 POMERADO
 HEALTH
 SPECIALIZING IN YOU

Surgeries - CVS

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

■ PMC
 □ POM
 ■ CUN
 - PY PMC
 - PY POM
 - PY CUN



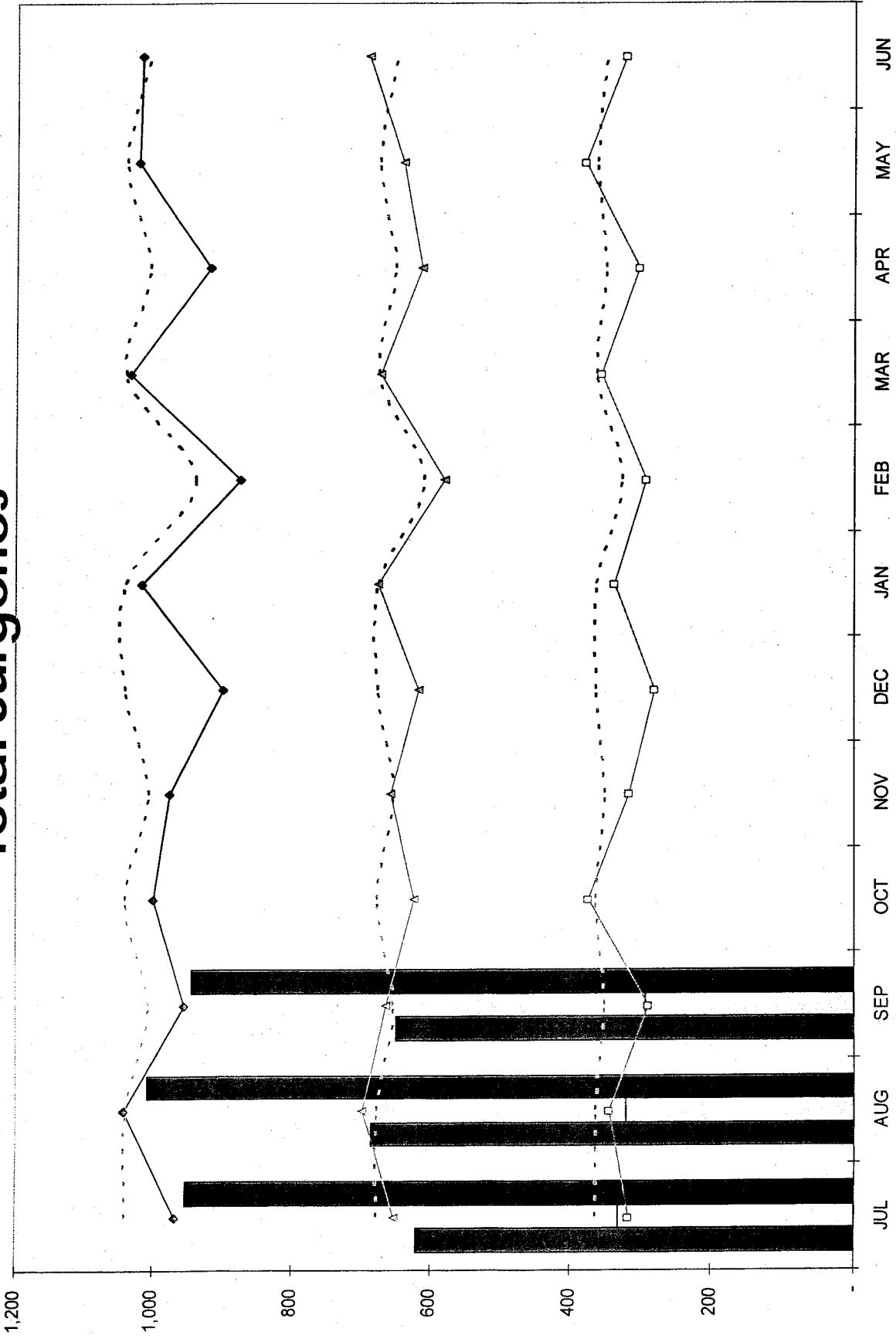
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	BUD YTD
PMC	6	13	16										35	32

PALOMAR
 POMERADO
 HEALTH
 SPECIALIZING IN YOU

Total Surgeries

FISCAL YEAR 2007

■ PMC
 □ POM
 ■ CON
 - - - PY PMC
 - - - PY POM
 - - - PY CON



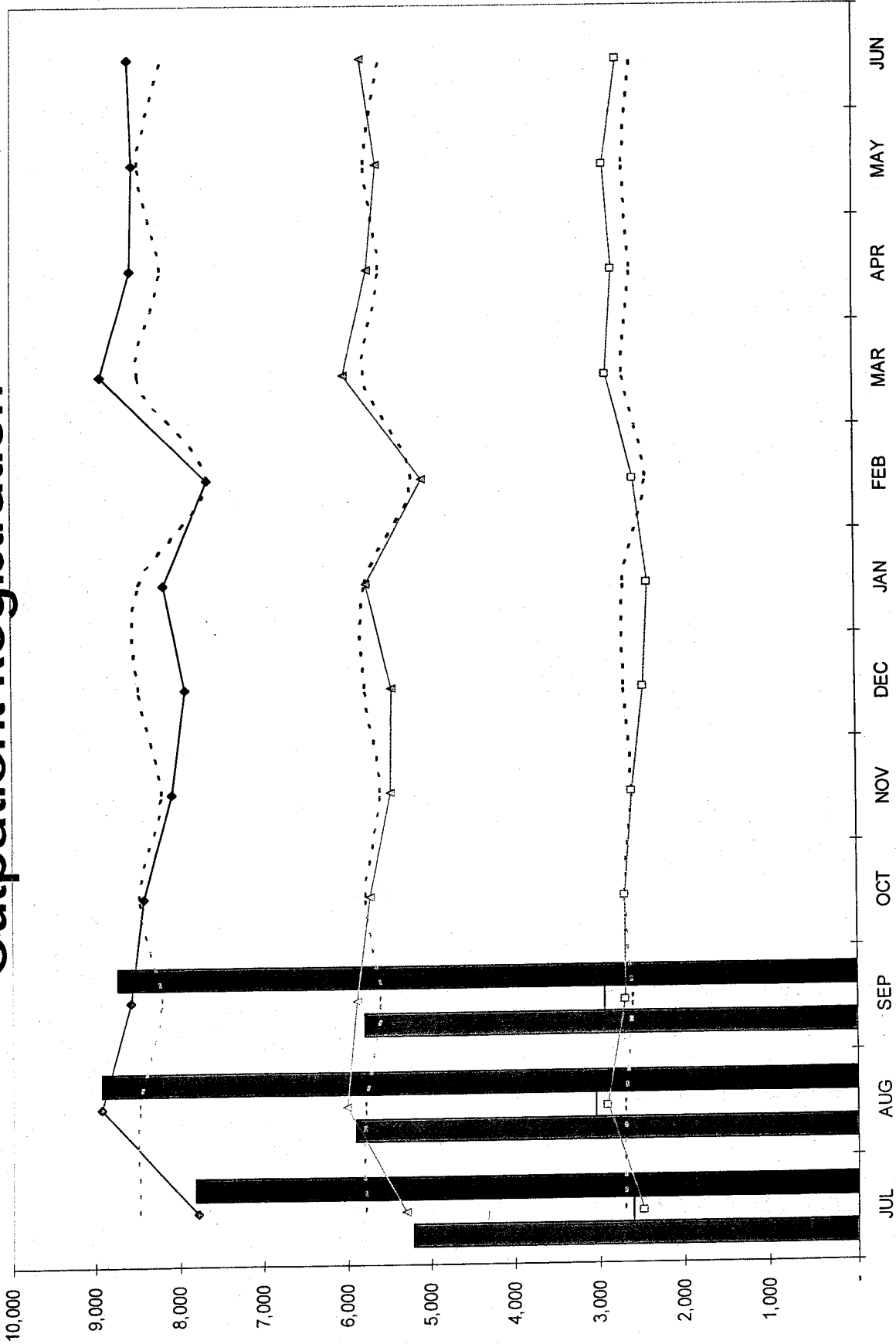
PALOMAR
 POMERADO
 HEALTH
 SPECIALIZING IN YOU

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	BUD YTD
PMC	621	688	651	-	-	-	-	-	-	-	-	-	1,960	2,011
POM	332	321	293	-	-	-	-	-	-	-	-	-	946	1,078
CON	953	1,009	944	-	-	-	-	-	-	-	-	-	2,906	3,089

Outpatient Registration

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

■ PMC
 □ POM
 ■ CON
 - - - PY PMC
 - - - PY POM
 - - - PY CON



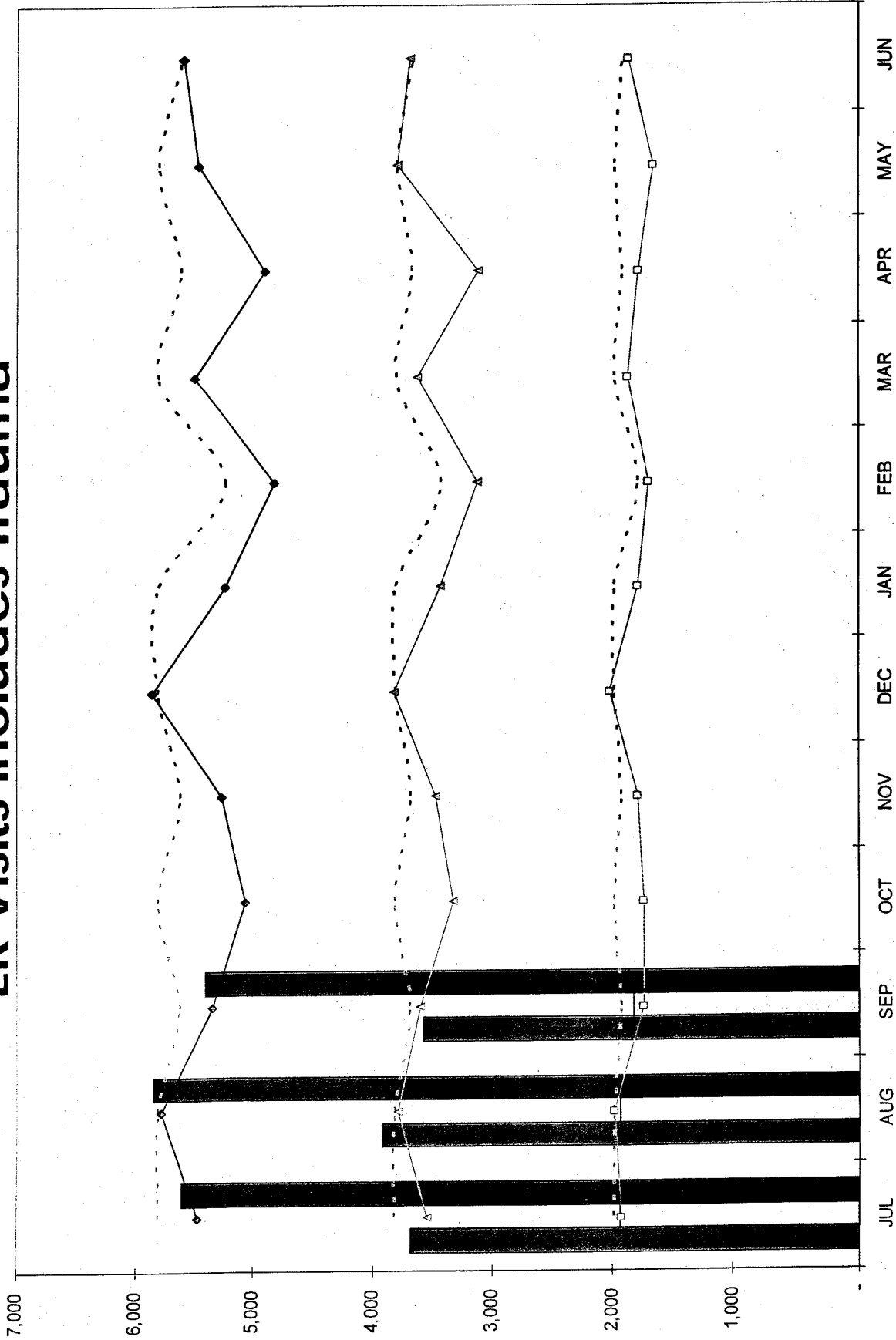
	<u>JUL</u>	<u>AUG</u>	<u>SEP</u>	<u>OCT</u>	<u>NOV</u>	<u>DEC</u>	<u>JAN</u>	<u>FEB</u>	<u>MAR</u>	<u>APR</u>	<u>MAY</u>	<u>JUN</u>	<u>YTD</u>	<u>BUD YTD</u>
PMC	5,204	5,900	5,800	-	-	-	-	-	-	-	-	-	16,904	17,154
POM	2,615	3,044	2,944	-	-	-	-	-	-	-	-	-	8,603	8,004
CON	7,819	8,944	8,744	-	-	-	-	-	-	-	-	-	25,507	25,158

**PALOMAR
 POMERADO
 HEALTH**
 SPECIALIZING IN YOU

ER Visits includes Trauma

FISCAL YEAR 2007

■ FMC
 □ POM
 ■ CON
 -●- HY FMC
 -▲- PY POM
 -◆- PY CON



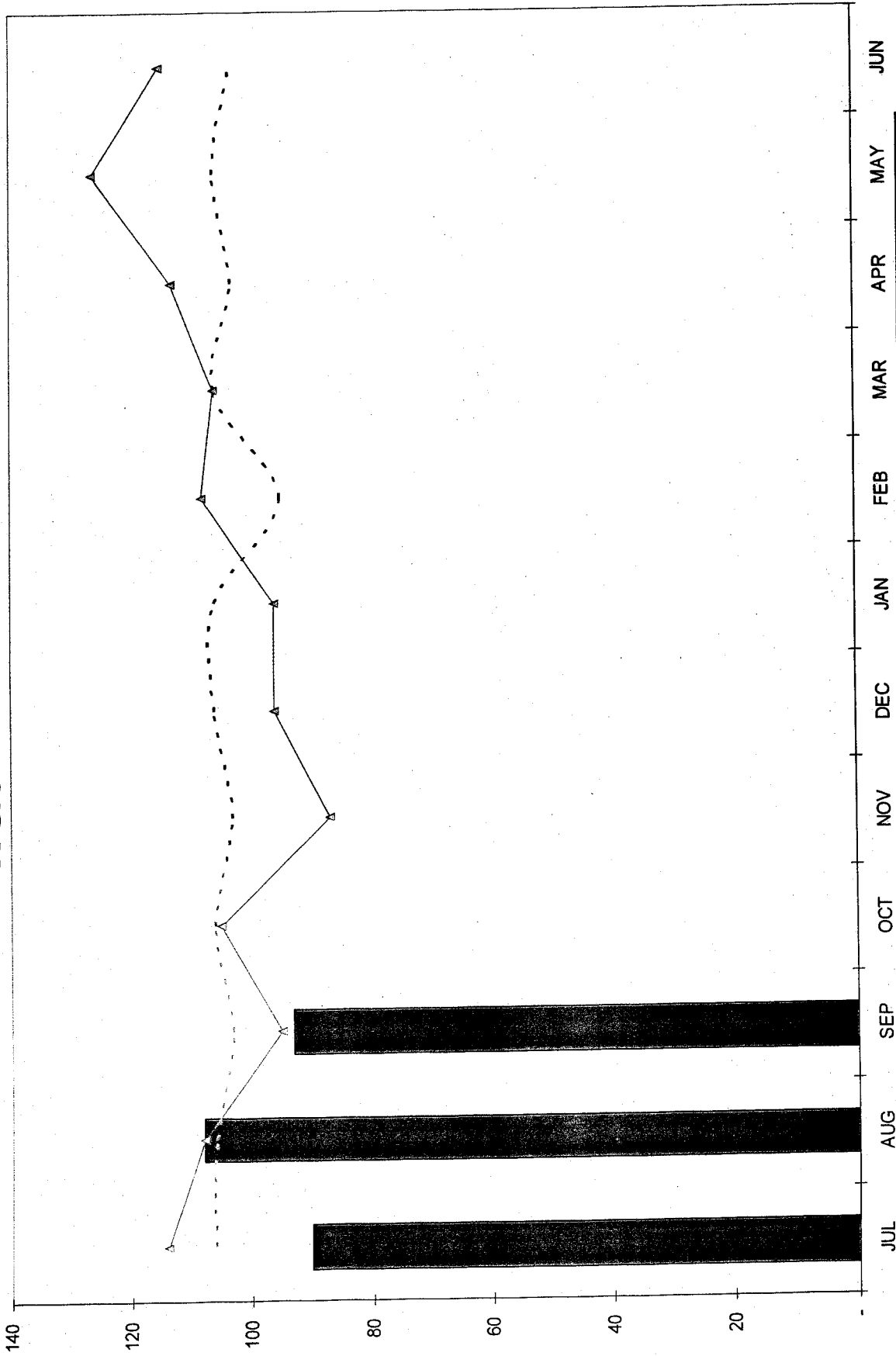
PALOMAR
 POMERADO
 HEALTH
 SPECIALIZING IN YOU

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	BUD YTD
FMC	3,685	3,916	3,589	-	-	-	-	-	-	-	-	-	11,190	11,352
POM	1,930	1,930	1,828	-	-	-	-	-	-	-	-	-	5,688	5,883
CON	5,615	5,846	5,417	-	-	-	-	-	-	-	-	-	16,878	17,235

Trauma Cases

FISCAL YEAR 2007

- PMC
- PUM
- CON
- PY PMC
- PY PUM
- PY CON



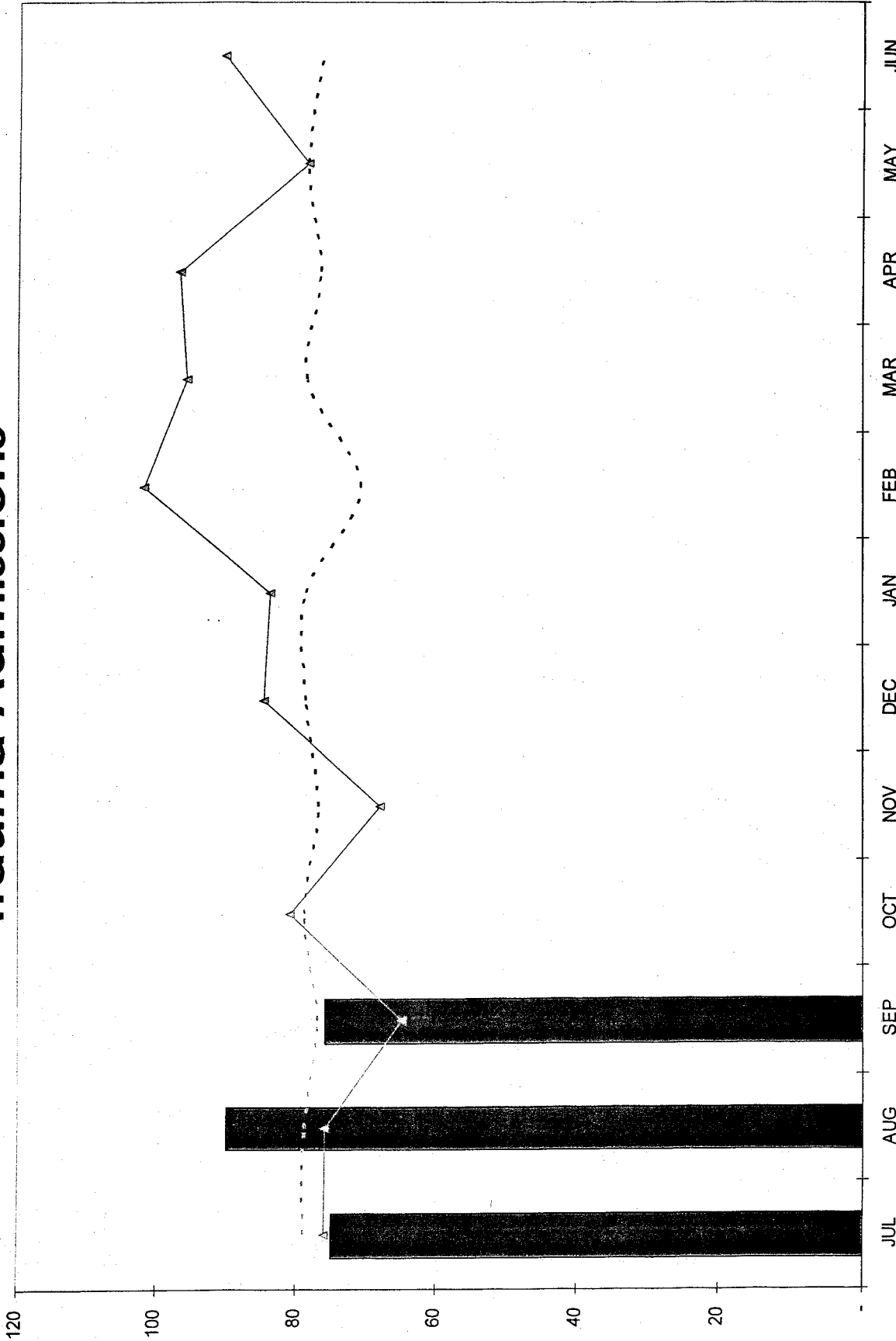
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	BUD YTD
PMC	90	108	93	-	-	-	-	-	-	-	-	-	291	315

PALOMAR
POMERADO
HEALTH
SPECIALIZING IN YOU

Trauma Admissions

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

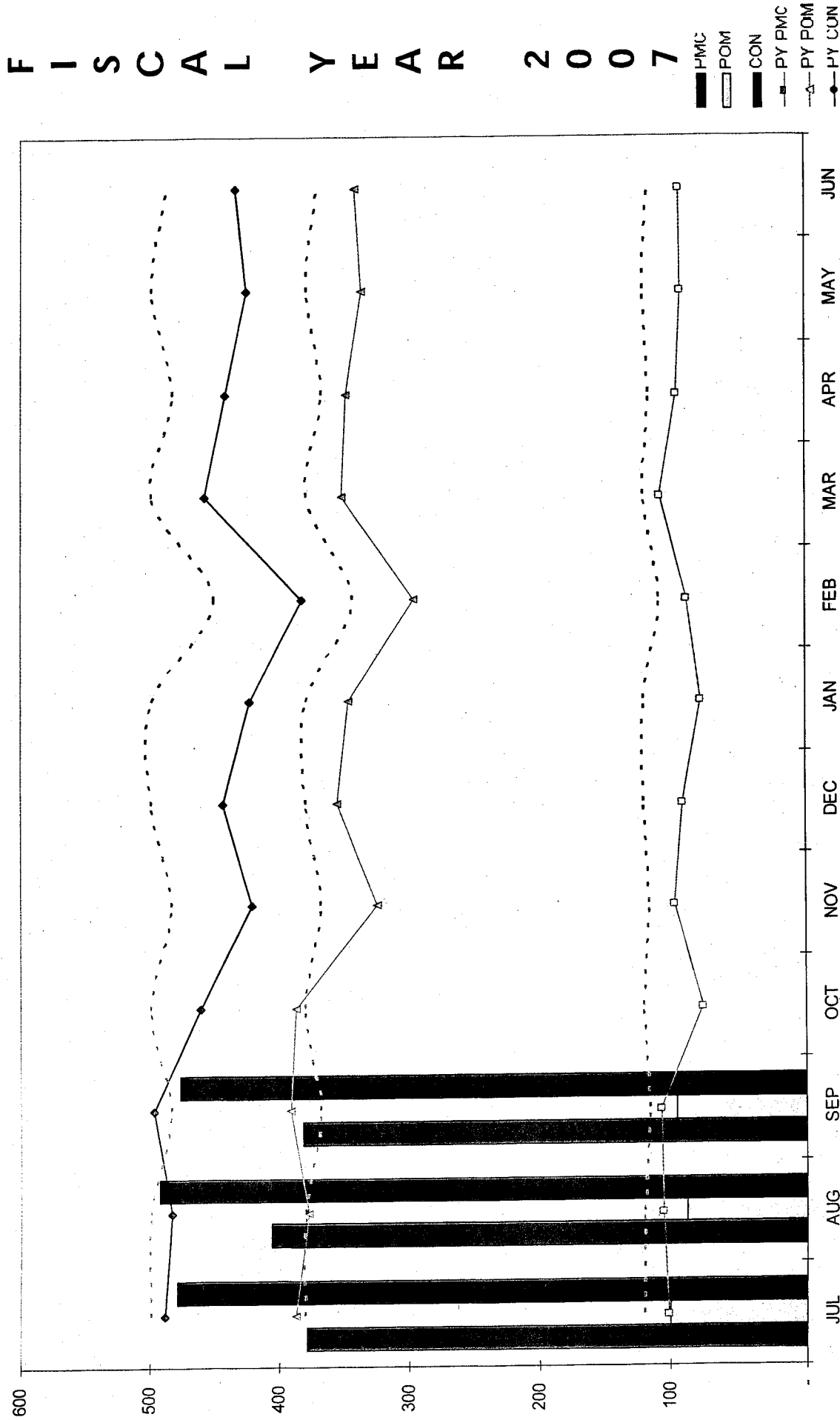
■ PMC
 □ POM
 ■ CON
 ▬ PY PMC
 ▬ PY POM
 ▬ PY CON



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	BUD YTD
PMC	75	90	76	-	-	-	-	-	-	-	-	-	241	235

**PALOMAR
 POMERADO
 HEALTH**
 SPECIALIZING IN YOU

Deliveries



**PALOMAR
POMERADO
HEALTH**
SPECIALIZING IN YOU

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	BUD YTD
HMC	379	406	382	-	-	-	-	-	-	-	-	-	1,167	1,128
POM	100	87	95	-	-	-	-	-	-	-	-	-	282	353
CON	479	493	477	-	-	-	-	-	-	-	-	-	1,449	1,481

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

	ACTUAL	BUDGET	VARIANCE	FY 2006
<u>ADMISSIONS - Acute:</u>				
Palomar Medical Center	5,598	5,520	78	5,531
Pomerado Hospital	1,711	1,971	(260)	1,663
Total:	<u>7,309</u>	<u>7,491</u>	<u>(182)</u>	<u>7,194</u>
<u>ADMISSIONS - SNF:</u>				
Palomar Medical Center	160	195	(35)	159
Pomerado Hospital	133	158	(25)	150
Total:	<u>293</u>	<u>353</u>	<u>(60)</u>	<u>309</u>
<u>PATIENT DAYS - Acute:</u>				
Palomar Medical Center	20,843	21,949	(1,106)	21,058
Pomerado Hospital	7,023	7,497	(474)	6,330
Total:	<u>27,866</u>	<u>29,446</u>	<u>(1,580)</u>	<u>27,388</u>
<u>PATIENT DAYS- SNF:</u>				
Palomar Medical Center	8,065	8,152	(87)	7,864
Pomerado Hospital	11,395	11,408	(13)	11,368
Total:	<u>19,460</u>	<u>19,560</u>	<u>(100)</u>	<u>19,232</u>

PALOMAR POMERADO HEALTH

**PALOMAR
POMERADO
HEALTH
SPECIALIZING IN YOU**

PALOMAR POMERADO HEALTH
SUMMARY OF KEY INDICATORS AND RESULTS
FYTD September 2006

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>FY 2006</u>
<u>WEIGHTED PATIENT DAYS:</u>				
Palomar Medical Center	26,380	27,313	(933)	26,414
Pomerado Hospital	11,012	11,328	(316)	10,129
Other Activities	843	926	(83)	495
Total:	<u>38,235</u>	<u>39,567</u>	<u>(1,332)</u>	<u>37,038</u>

<u>AVERAGE LENGTH OF STAY- Acute:</u>				
Palomar Medical Center	3.70	4.02	(0.32)	3.94
Pomerado Hospital	4.11	3.96	0.15	3.78
Total:	<u>3.79</u>	<u>4.00</u>	<u>(0.21)</u>	<u>3.90</u>

<u>AVERAGE LENGTH OF STAY - SNF:</u>				
Palomar Medical Center	49.78	40.56	9.22	48.54
Pomerado Hospital	86.98	73.60	13.38	73.82
Total:	<u>66.42</u>	<u>54.94</u>	<u>11.48</u>	<u>60.86</u>

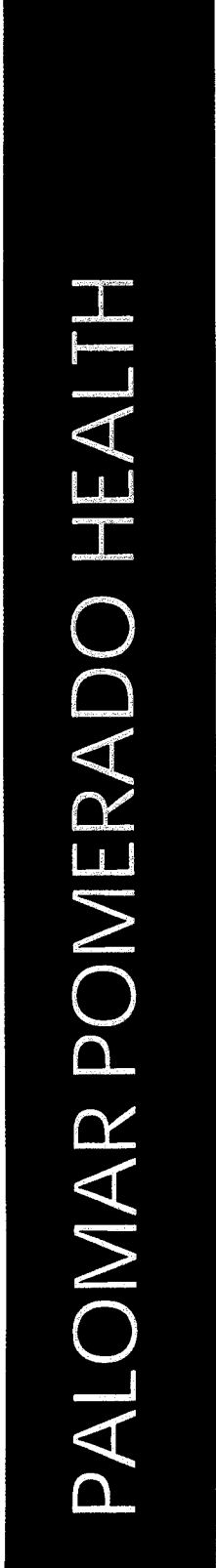
**PALOMAR
POMERADO
HEALTH**
SPECIALIZING IN YOU



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

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>FY 2006</u>
<u>EMERGENCY ROOM VISITS & TRAUMA CASES:</u>				
Palomar Medical Center	11,190	11,352	(162)	10,960
Pomerado Hospital	5,688	5,883	(195)	5,654
Total:	<u>16,878</u>	<u>17,235</u>	<u>(357)</u>	<u>16,614</u>
<u>EMERGENCY & TRAUMA ADMISSIONS:</u>				
Palomar Medical Center	2,718	2,860	(142)	2,740
Pomerado Hospital	972	1,030	(58)	929
Total:	<u>3,690</u>	<u>3,890</u>	<u>(200)</u>	<u>3,669</u>
<u>SURGERIES:</u>				
Palomar Medical Center	1,960	2,011	(51)	2,018
Pomerado Hospital	946	1,078	(132)	949
Total:	<u>2,906</u>	<u>3,089</u>	<u>(183)</u>	<u>2,967</u>
<u>BIRTHS:</u>				
Palomar Medical Center	1,167	1,128	39	1,156
Pomerado Hospital	282	353	(71)	312
Total:	<u>1,449</u>	<u>1,481</u>	<u>(32)</u>	<u>1,468</u>

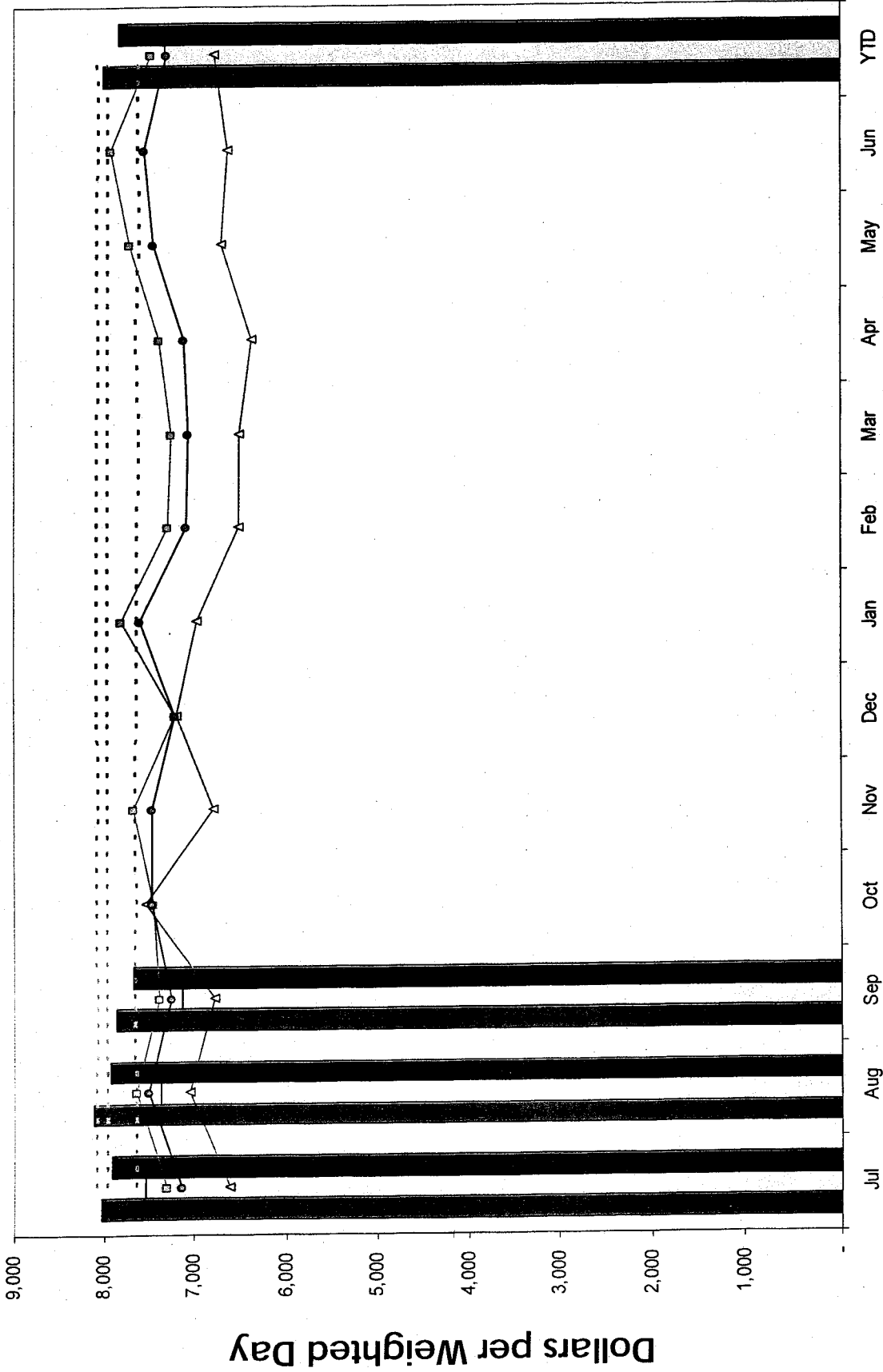
**PALOMAR
POMERADO
HEALTH**
SPECIALIZING IN YOU



PALOMAR POMERADO HEALTH

Gross Patient Revenue per Weighted Patient Days

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

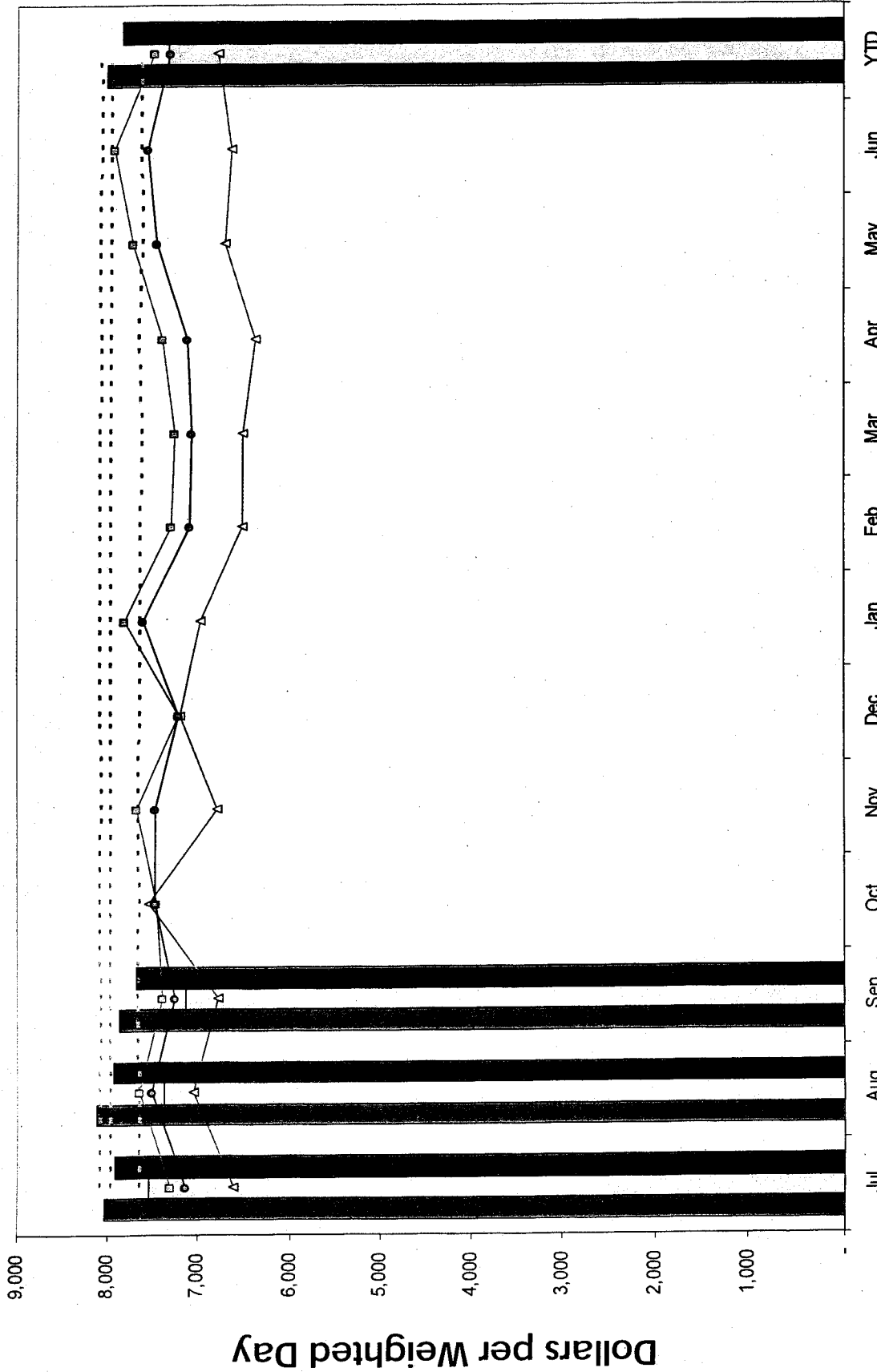


	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD	Bud YTD
PMC	8,041	8,120	7,875	-	-	-	-	-	-	-	-	-	8,014	8,084
POM	7,552	7,379	7,149	-	-	-	-	-	-	-	-	-	7,359	7,658
CON	7,921	7,932	7,690	-	-	-	-	-	-	-	-	-	7,849	7,975

PALOMAR
POMERADO
HEALTH
SPECIALIZING IN YOU

Net Patient Revenue per Weighted Patient Days

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



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

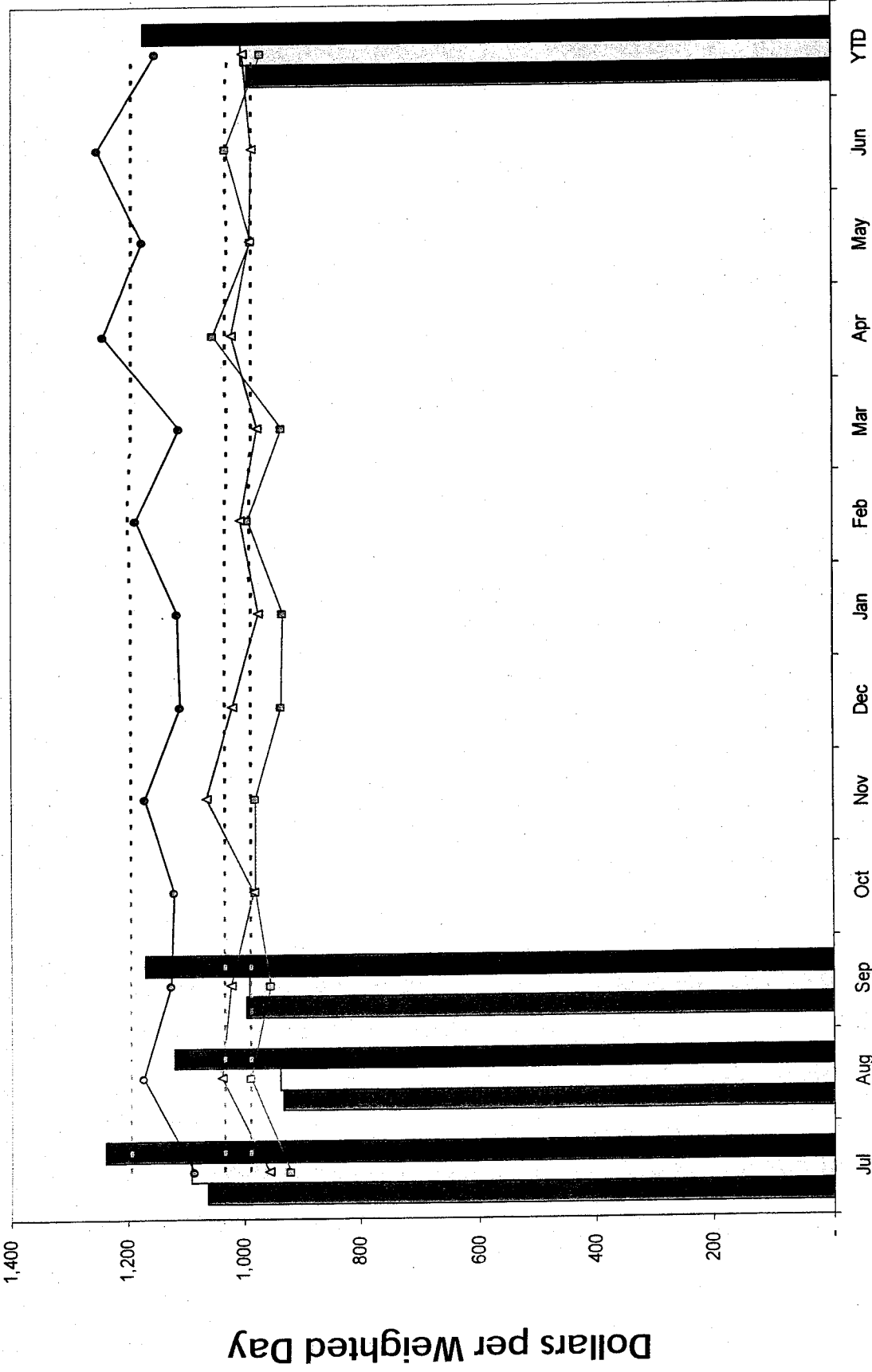
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD	Bud YTD
PMC	2,508	2,398	2,446	-	-	-	-	-	-	-	-	-	2,450	2,396
POM	2,389	2,393	2,323	-	-	-	-	-	-	-	-	-	2,368	2,404
CON	2,500	2,453	2,445	-	-	-	-	-	-	-	-	-	2,466	2,444

PALOMAR
 POMERADO
 HEALTH
 SPECIALIZING IN YOU

Salaries per Weighted Patient Days

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

PMC
 POM
 CON
 PY PMC
 PY POM
 PY CON

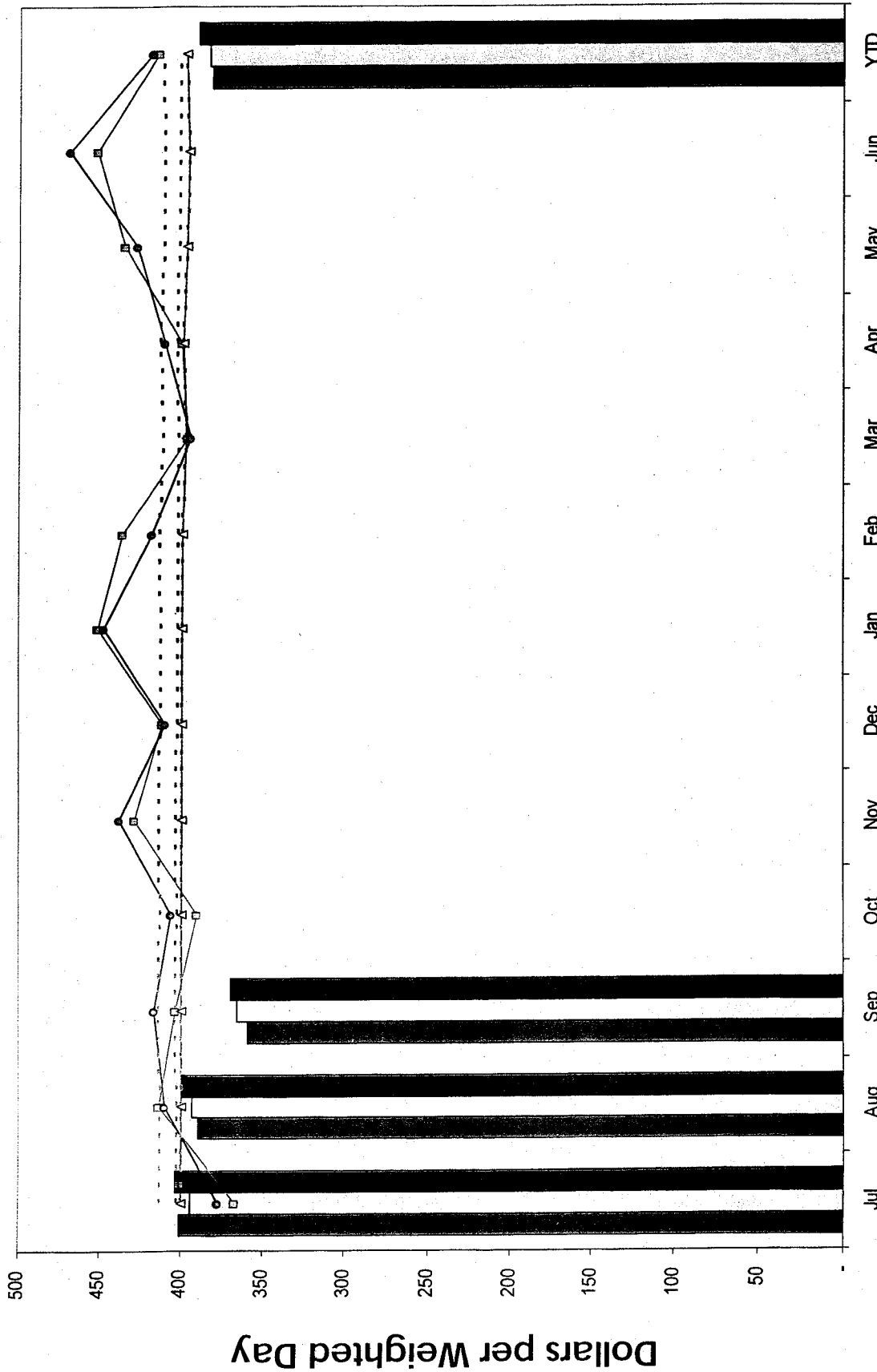


	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD	Bud YTD
PMC	1,063	935	998	-	-	-	-	-	-	-	-	-	998	990
POM	1,094	940	993	-	-	-	-	-	-	-	-	-	1,007	1,034
CON	1,239	1,122	1,172	-	-	-	-	-	-	-	-	-	1,177	1,196

PALOMAR
 POMERADO
 HEALTH
 SPECIALIZING IN YOU

Supplies per Weighted Patient Days

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



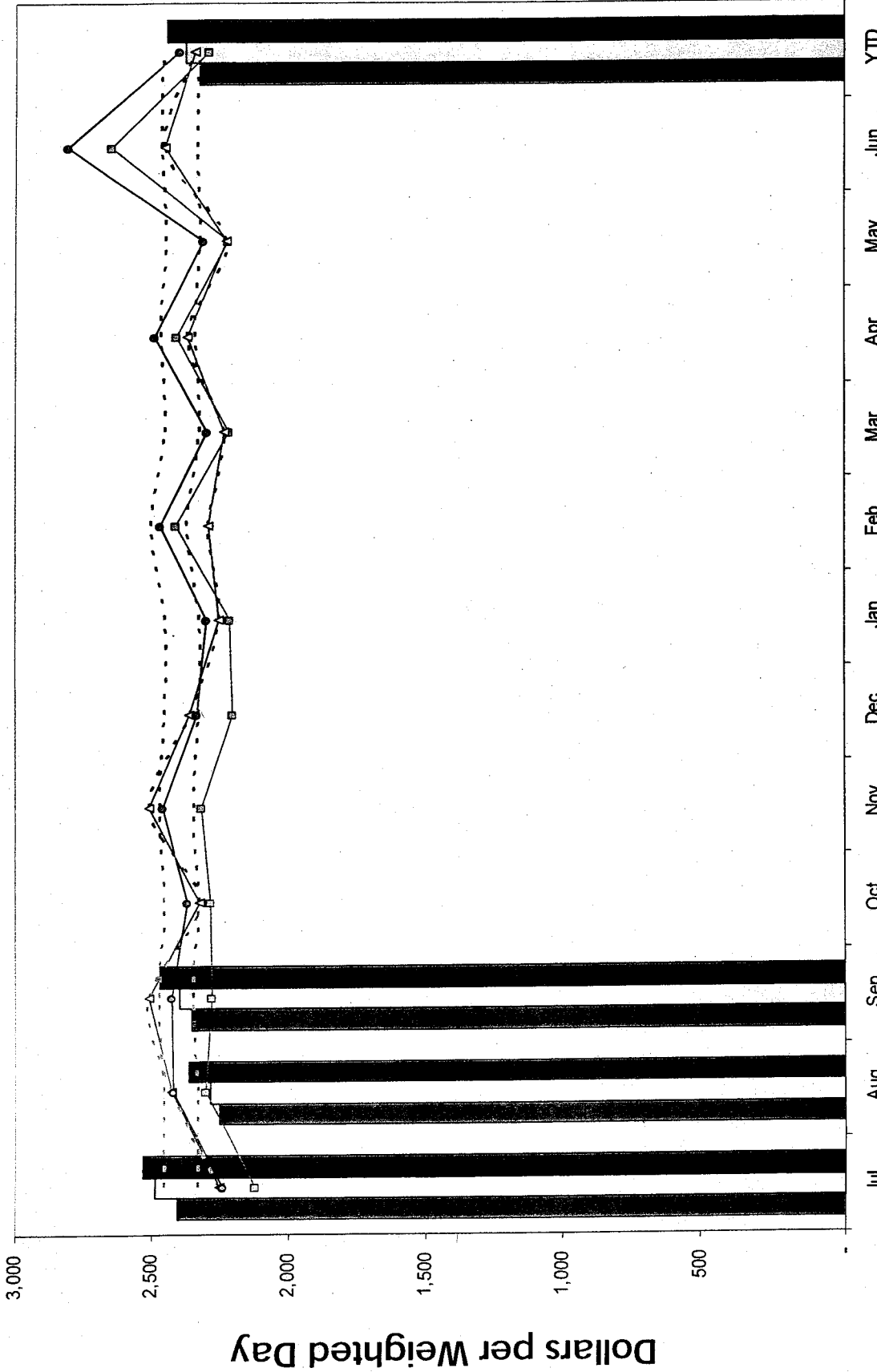
■ PMC
 ▨ POM
 □ CON
 ○ PY PMC
 □ PY POM
 △ PY CON

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD	Bud YTD
PMC	400	389	359	-	-	-	-	-	-	-	-	-	383	402
POM	394	393	365	-	-	-	-	-	-	-	-	-	384	400
CON	404	399	370	-	-	-	-	-	-	-	-	-	391	413

**PALOMAR
 POMERADO
 HEALTH**
 SPECIALIZING IN YOU

Total Expenses per Weighted Patient Days

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



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

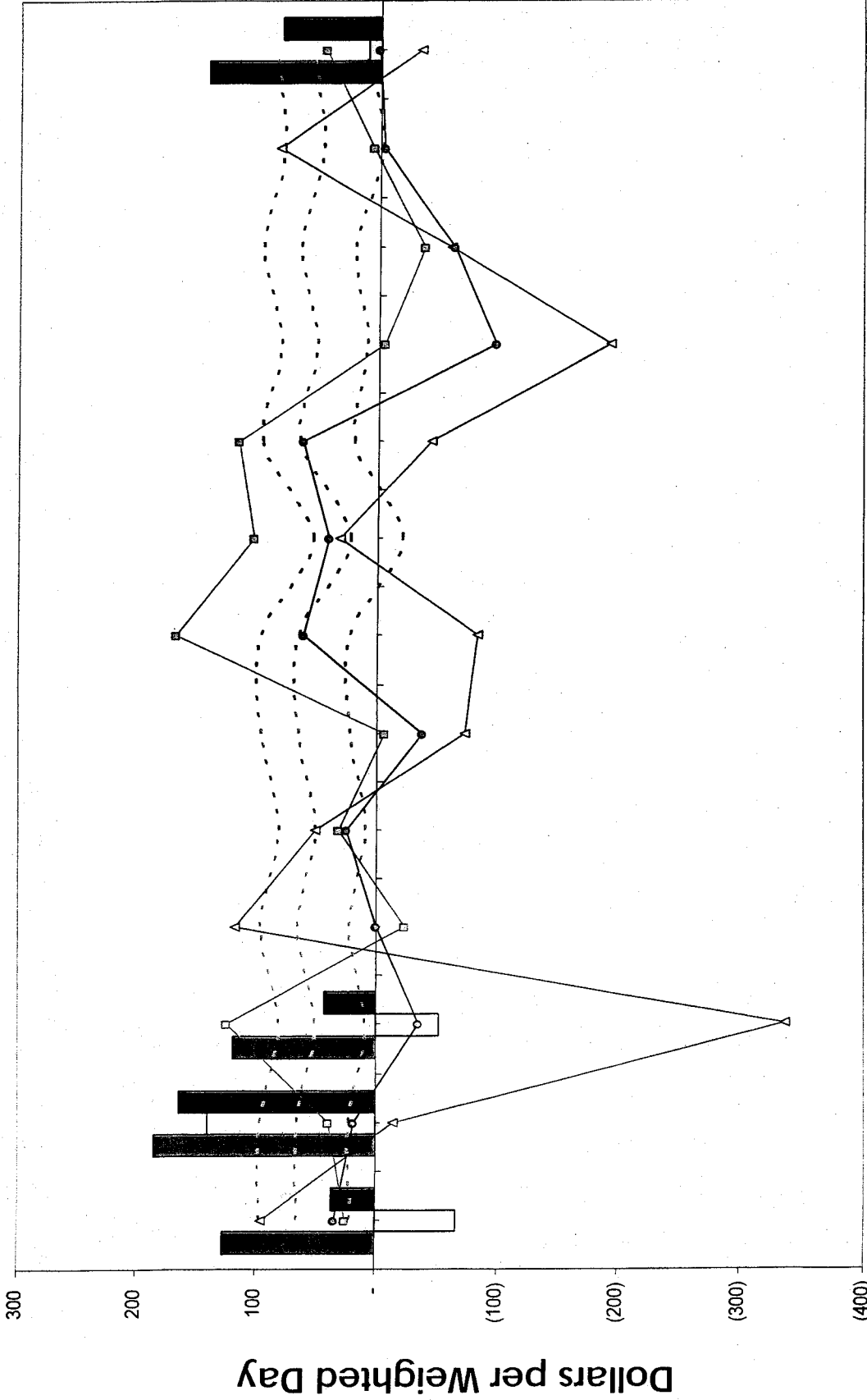
	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Bud YTD	
PMC	2,403	2,252	2,352	.	.	.	.	.	.	.	.	.	2,335	2,335
POM	2,487	2,287	2,400	.	.	.	.	.	.	.	.	.	2,389	2,411
CON	2,533	2,367	2,473	.	.	.	.	.	.	.	.	.	2,456	2,459

**PALOMAR
 POMERADO
 HEALTH**
 SPECIALIZING IN YOU

Net Operating Income per Weighted Patient Days

FISCAL YEAR 2007

■ PMC
 □ POM
 ■ CON
 - - - PY PMC
 - - - PY POM
 - - - PY CON



PALOMAR
 POMERADO
 HEALTH
 SPECIALIZING IN YOU

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YTD	Bud YTD
PMC	128	186	120	-	-	-	-	-	-	-	-	-	93	93
POM	(66)	140	(52)	-	-	-	-	-	-	-	-	-	18	18
CON	37	164	45	-	-	-	-	-	-	-	-	-	62	62

5

**Palomar Pomerado Health
Key Variance Explanations for September 2006**

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Weighted Patient Days	12,568	12,904	(336)
Gross Patient Revenue:	96,648,451	102,882,411	(6,233,960)
Due to lower than budgeted volumes			(3,555,063)
Lower than expected revenue for various centers (attached)			(3,305,085)
Contractuals:	66,500,614	71,412,887	4,912,273
Net Capitalation:	575,310	61,871	513,439
Cap Valuation (consistently under budget)			890,000
Higher Out-of-Network expenses (consistently over budget)			(300,000)
Other Operating Revenue:	917,501	1,007,597	(90,096)
Health Development (consistently under budget)			(50,766)
Salaries & Wages:	13,935,090	14,780,140	845,050
Due to lower volume and flexing			460,198
Benefits:	3,639,220	3,705,658	66,438
Partially due to lower than budgeted salaries			
Contract Labor:	792,664	656,580	(136,084)
Labor & Delivery RN's			(30,215)
Ultrasound therapists			(82,964)
Information Systems (clerical admin)			(25,488)

PALOMAR POMERADO HEALTH

**PALOMAR
POMERADO
HEALTH**
SPECIALIZING IN YOU

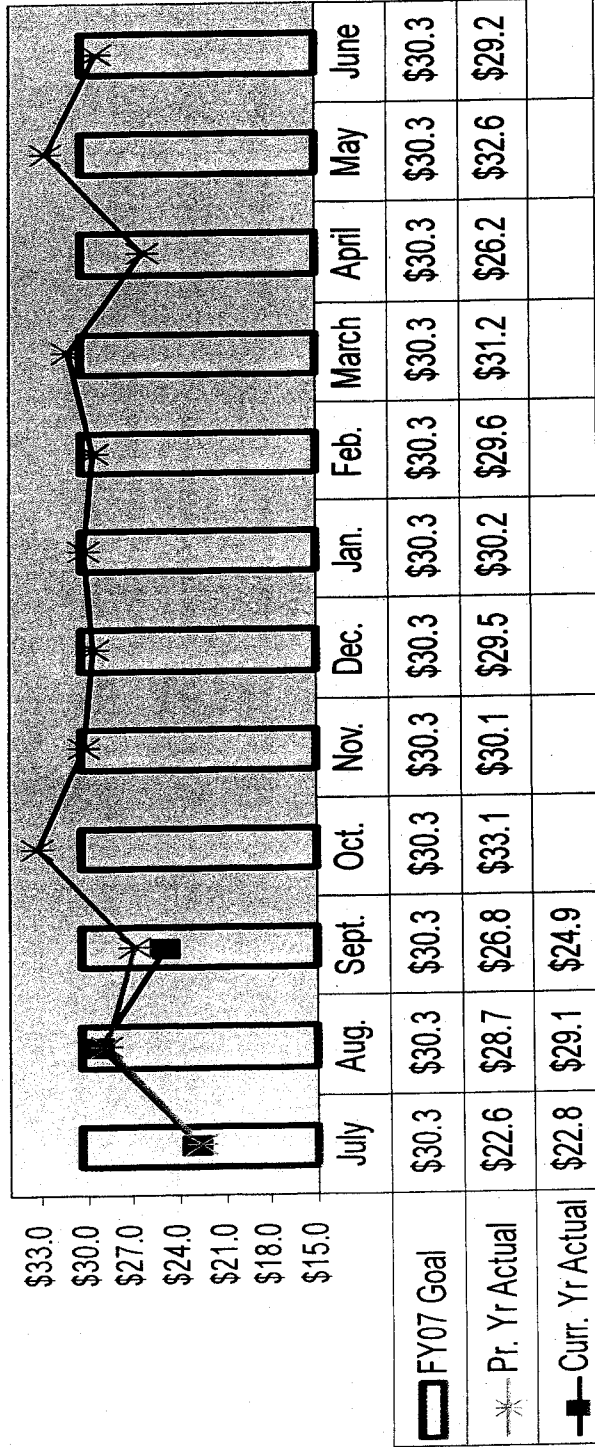
PALOMAR POMERADO HEALTH
Key Variance Explanations for September 2006 (continued)

	<u>Actual</u>	<u>Budget</u>	<u>Variance</u>
Professional Fees:			
Legal Fees (mostly Latham & Watkins)	2,012,498	1,808,001	(204,497)
Rehabilitation Therapy Fees			(114,940)
			(99,204)
Supplies:			
Due to lower than budgeted volumes	4,645,918	5,334,291	688,373
PHS credit for returned items			550,136
			73,201
Purchased Services:			
Cerner upgrade services (Jun - Sep)	2,522,791	2,094,669	(428,122)
Collection fees			(255,000)
Repairs and Maintenance (Biomed)			(69,404)
			(102,799)
Depreciation:			
Due to higher than estimated depreciation, new closed CIP's and Escondido Surgery Center	1,661,093	1,568,084	(93,009)
Other Direct Expenses:			
Marketing	1,872,046	1,919,343	47,297
Utilities			71,981
			(26,390)
Net Income From Operations	\$559,328	\$672,226	(\$112,898)

PALOMAR POMERADO HEALTH

PALOMAR
POMERADO
HEALTH
SPECIALIZING IN YOU

PBS Monthly Collections
in Millions



PALOMAR POMERADO HEALTH

PALOMAR
POMERADO
HEALTH
SPECIALIZING IN YOU

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

	Current Month	Prior Month	Prior Fiscal Year End
Assets			
Current Assets			
Cash on Hand	\$172,781	\$4,134,672	\$9,710,258
Cash Marketable Securities	98,333,076	96,044,483	110,035,151
Total Cash & Cash Equivalents	98,505,857	100,179,155	119,745,409
Patient Accounts Receivable	182,435,472	177,969,115	149,103,358
Allowance on Accounts	-95,690,974	-96,074,624	-78,078,378
Net Accounts Receivable	86,744,498	81,894,491	71,024,980
Inventories	6,872,906	6,937,754	6,937,645
Prepaid Expenses	2,115,754	3,879,158	2,293,992
Other	20,560,821	19,483,649	6,871,057
Total Current Assets	214,799,836	212,374,207	206,873,083
Non-Current Assets			
Restricted Assets	54,216,818	55,499,650	66,734,609
Restricted by Donor	289,774	289,774	288,265
Board Designated	12,235,047	15,346,069	9,267,526
Total Restricted Assets	66,741,639	71,135,493	76,290,400
Property Plant & Equipment	339,933,839	341,113,540	343,335,572
Accumulated Depreciation	-220,923,479	-220,598,813	-220,455,460
Construction in Process	97,798,848	92,479,088	85,077,130
Net Property Plant & Equipment	216,809,208	212,993,815	207,957,242
Investment in Related Companies	1,305,985	1,252,196	268,203
Deferred Financing Costs	3,469,576	3,421,786	3,354,469
Other Non-Current Assets	2,726,369	2,739,649	2,765,937
Total Non-Current Assets	291,052,777	291,542,939	290,636,251
Total Assets	\$505,852,613	\$503,917,146	\$497,509,334
Liabilities			
Current Liabilities			
Accounts Payable	\$20,074,089	\$22,957,553	\$30,624,648
Accrued Payroll	18,500,583	17,212,250	15,593,714
Accrued PTO	11,094,734	11,133,510	11,133,368
Accrued Interest Payable	2,256,333	1,637,047	2,265,274
Current Portion of Bonds	12,015,000	12,015,000	12,745,000
Est Third Party Settlements	-542,530	-1,071,112	-1,065,097
Other Current Liabilities	18,794,950	19,123,535	6,930,518
Total Current Liabilities	82,193,159	83,007,783	78,227,425
Long Term Liabilities			
Bonds & Contracts Payable	145,944,428	145,926,589	151,347,395
Fund Balance	265,190,208	259,346,931	258,378,722
Unrestricted	289,774	289,774	288,265
Restricted for Other Purpose	12,235,047	15,346,069	9,267,526
Total Long Term Liabilities	277,715,029	274,982,774	267,934,513
Total Liabilities / Fund Balance	\$505,852,613	\$503,917,146	\$497,509,334

PALOMAR POMERADO HEALTH

PALOMAR
POMERADO
HEALTH
SPECIALIZING IN YOU

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

	Month Activity		Variance		Variance		\$/Wtg Pt Day	
	Actual	Budget			Volume	Rate/Eff	Actual	Budget	Variance
Statistics:								
Admissions - Acute	2,443	2,443	-					
Admissions - SNF	90	115	(25)					
Patient Days - Acute	9,151	9,602	(451)					
Patient Days - SNF	6,308	6,378	(70)					
ALOS - Acute	3.70	4.00	(0.30)					
ALOS - SNF	64.37	54.98	9.39					
Weighted PT Days	12,568	12,904	(336)					
Revenue:								
Gross Revenue	\$ 96,648,451	\$ 102,882,411	\$ (6,233,960)	U	\$ (2,678,897)	\$ (3,555,063)	\$ 7,690.04	\$ (282.87)
Deductions from Rev	(65,925,304)	(71,351,016)	5,425,712	F	1,857,869	3,567,843	(5,245.49)	283.88
Net Patient Revenue	30,723,147	31,531,395	(808,248)	U	(821,028)	12,780	2,444.55	1.02
Other Oper Revenue	917,501	1,007,597	(90,096)	U	(26,236)	(63,860)	73.00	(5.06)
Total Net Revenue	31,640,648	32,538,992	(898,344)	U	(847,265)	(51,079)	2,517.56	(4.06)
Expenses:								
Salaries, Wages & Contr Labor	14,727,754	15,436,720	708,966	F	401,948	307,018	1,171.85	24.43
Benefits	3,639,220	3,705,658	66,438	F	96,490	(30,052)	289.56	(2.39)
Supplies	4,645,918	5,334,291	688,373	F	138,897	549,476	369.66	43.72
Prof Fees & Purch Svc	4,535,289	3,902,670	(632,619)	U	101,619	(734,238)	360.86	(58.42)
Depreciation	1,661,093	1,568,084	(93,009)	U	40,830	(133,839)	132.17	(10.65)
Other	1,872,046	1,919,343	47,297	F	49,977	(2,690)	148.95	(0.21)
PPH Allocation	-	-	-	-	-	-	-	-
Total Expenses	31,081,320	31,866,766	785,446	F	829,761	(44,315)	2,473.05	(3.53)
Net Inc Before Non-Oper Income	559,328	672,226	(112,898)	U	(17,504)	(95,394)	44.50	(7.59)
Property Tax Revenue	1,054,163	1,054,166	(3)	U	(27,449)	27,446	83.88	2.18
Non-Operating Income	338,114	73,058	265,056	F	(1,902)	266,958	26.90	21.24
Net Income (Loss)	\$ 1,951,605	\$ 1,799,450	\$ 152,155	F	\$ (46,855)	\$ 199,010	\$ 155.28	\$ 15.83
Net Income Margin	6.1%	5.3%	0.8%					
OEBITDA Margin w/o Prop Tax	6.9%	6.6%	0.3%					
OEBITDA Margin with Prop Tax	10.2%	9.6%	0.6%					

F= Favorable variance
U= Unfavorable variance

PALOMAR POMERADO HEALTH

**PALOMAR
POMERADO
HEALTH
SPECIALIZING IN YOU**

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

	Month Activity		Variance	Variance			Rate/Eff	Actual	Budget	Variance
	Actual	Budget		Volume	Rate/Eff	Actual					Budget	Variance
Statistics:										
Admissions - Acute	7,309	7,491	(182)							
Admissions - SNF	293	353	(60)							
Patient Days - Acute	27,866	29,446	(1,580)							
Patient Days - SNF	19,460	19,560	(100)							
ALOS - Acute	3.79	4.00	(0.21)							
ALOS - SNF	66.42	54.94	11.48							
Weighted Pt Days	38,235	39,567	(1,332)							
Revenue:										
Gross Revenue	\$ 300,094,099	\$ 315,556,086	(15,461,987) U	\$ (10,623,012)	\$ (4,838,975)	\$ 7,848.68	\$ 7,975.23	\$ (126.56)		
Deductions from Rev	(205,817,494)	(218,847,765)	13,030,271 F	7,367,382	5,662,889	(5,382.96)	(5,531.07)	148.11		
Net Patient Revenue	94,276,605	96,708,321	(2,431,716) U	(3,255,625)	823,913	2,465.71	2,444.17	21.55		
Other Oper Revenue	2,814,581	3,022,791	(208,210) U	(101,760)	(106,450)	73.61	76.40	(2.78)		
Total Net Revenue	97,091,186	99,731,112	(2,639,926) U	(3,357,390)	717,464	2,539.33	2,520.56	18.76		
Expenses:										
Salaries, Wages & Contr Labor	44,986,030	47,307,676	2,321,646 F	1,592,585	729,061	1,176.57	1,195.63	19.07		
Benefits	11,209,115	11,254,724	45,609 F	378,884	(333,275)	293.16	284.45	(8.72)		
Supplies	14,951,315	16,340,471	1,389,156 F	550,092	839,064	391.04	412.98	21.94		
Prof Fees & Purch Svc	12,521,345	11,863,022	(658,323) U	399,362	(1,057,885)	327.49	299.82	(27.67)		
Depreciation	4,970,148	4,704,252	(265,896) U	158,366	(424,262)	129.99	118.89	(11.10)		
Other	5,270,948	5,817,761	546,813 F	195,852	350,961	137.86	147.04	9.18		
PPH Allocation	-	-	-	-	-	-	-	-		
Total Expenses	93,909,101	97,287,906	3,378,805 F	3,275,141	103,664	2,456.10	2,458.81	2.71		
Net Inc Before Non-Oper Income	3,182,085	2,443,206	738,879 F	(82,249)	821,128	83.22	61.75	21.48		
Property Tax Revenue	3,162,498	3,162,498	-	(106,464)	106,464	82.71	79.93	2.78		
Non-Operating Income	1,271,488	219,174	1,052,314 F	(7,378)	1,059,692	33.25	5.54	27.72		
Net Income (Loss)	\$ 7,616,071	\$ 5,824,878	\$ 1,791,193 F	\$ (196,091)	\$ 1,987,284	\$ 199.19	\$ 147.22	\$ 51.98		
Net Income Margin	7.4%	5.6%	1.8%							
OEBITDA Margin w/o Prop Tax	7.9%	6.8%	1.1%							
OEBITDA Margin with Prop Tax	11.0%	9.8%	1.2%							
F= Favorable variance										
U= Unfavorable variance										

PALOMAR POMERADO HEALTH

**PALOMAR
POMERADO
HEALTH**
SPECIALIZING IN YOU

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

	Jul-06	Aug-06	Sep-06	FYTD
Statistics:				
Admissions - Acute	2,402	2,464	2,443	7,309
Admissions - SNF	104	99	90	293
Patient Days - Acute	9,180	9,535	9,151	27,866
Patient Days - SNF	6,635	6,517	6,308	19,460
LOS - Acute	3.86	3.82	3.70	3.79
LOS - SNF	72.12	63.27	64.37	66.42
Weighted Pt Days	12,517	13,150	12,568	38,235

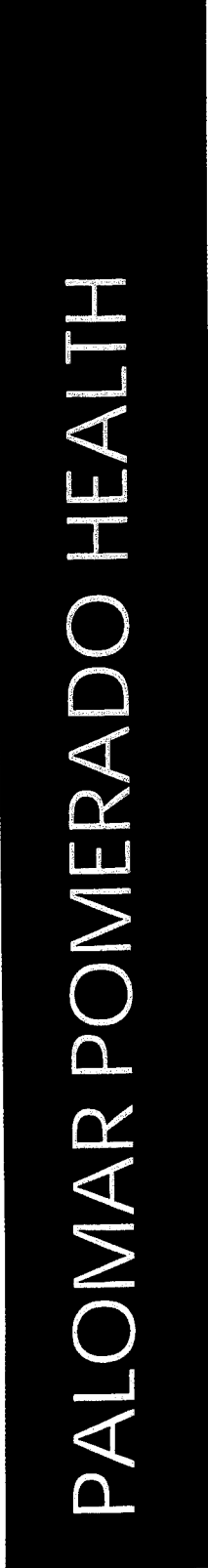
Revenue:				
Gross Revenue	\$ 99,141,914	\$ 104,303,733	\$ 96,648,451	\$ 300,094,099
Deductions from Rev	(67,846,129)	(72,046,060)	(65,925,304)	(205,817,494)
Net Patient Revenue	31,295,785	32,257,673	30,723,147	94,276,605
Other Oper Revenue	872,741	1,024,339	917,501	2,814,581
Total Net Revenue	32,168,526	33,282,012	31,640,648	97,091,186

Expenses:				
Salaries, Wages & Contr Labor	15,503,445	14,754,829	14,727,754	44,986,030
Benefits	3,850,733	3,719,161	3,639,220	11,209,115
Supplies	5,053,135	5,252,262	4,645,918	14,951,315
Prof Fees & Purch Svc	3,962,369	4,023,887	4,535,289	12,521,545
Depreciation	1,647,190	1,661,866	1,661,093	4,970,148
Other	1,689,103	1,709,799	1,872,046	5,270,948
Total Expenses	31,705,975	31,121,804	31,081,320	93,909,101

Net Inc Before Non-Oper Income	462,551	2,160,208	559,328	3,182,085
Property Tax Revenue	1,054,164	1,054,163	1,054,163	3,162,498
Non-Operating Income	427,875	505,503	338,114	1,271,488
Net Income (Loss)	\$ 1,944,592	\$ 3,719,874	\$ 1,951,605	\$ 7,616,071

Net Income Margin	5.8%	10.0%	6.1%	7.4%
OEBITDA Margin w/o Prop Tax	6.2%	10.3%	6.9%	7.9%
OEBITDA Margin with Prop Tax	9.4%	13.2%	10.2%	11.0%

F= Favorable variance
U= Unfavorable variance



**PALOMAR
POMERADO
HEALTH**
SPECIALIZING IN YOU

Palomar Pomerado Health
STATEMENTS OF CASH FLOWS
 Fiscal Year 2007

	<u>September</u>	<u>YTD</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income (Loss) from operations)	559,328	3,181,587
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation Expense	1,661,093	4,970,147
Provision for bad debts	1,463,021	8,705,176
Changes in operating assets and liabilities:		
Patient accounts receivable	(6,313,028)	(24,424,694)
Property Tax and other receivables	(645,908)	65,711
Inventories	64,848	64,739
Prepaid expenses and Other Non-Current assets	1,709,615	(859,544)
Accounts payable	(2,883,464)	(10,550,559)
Accrued comp	1,249,557	2,868,235
Estimated settlement amounts due third-party payors	528,582	522,567
Other current liabilities	725,581	2,376,938
Net cash provided by operating activities	<u>(1,880,775)</u>	<u>(13,079,697)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (purchases) sales on investments	2,105,261	21,250,836
Interest (Loss) received on investments	726,378	2,470,012
Investment in affiliates	158,024	403,051
Net cash used in investing activities	<u>2,989,663</u>	<u>24,123,899</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:		
Receipt of G.O. Bond Taxes	74,405	325,231
Receipt of District Taxes	120,330	509,562
Net cash used in activities	<u>194,735</u>	<u>834,793</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of property plant and equipment	(5,265,514)	(13,392,983)
Proceeds from sale of asset	0	0
G.O. Bond Interest paid	0	(1,838,488)
Revenue Bond Interest paid	0	0
Proceeds from issuance of debt	0	0
Payments of LT Debt	0	(6,185,000)
Net cash used in activities	<u>(5,265,514)</u>	<u>(21,416,471)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,961,891)	(9,537,476)
CASH AND CASH EQUIVALENTS - Beginning of period	<u>4,134,673</u>	<u>9,710,258</u>
CASH AND CASH EQUIVALENTS - End of period	<u>172,782</u>	<u>172,782</u>

PALOMAR POMERADO HEALTH

**PALOMAR
 POMERADO
 HEALTH**
 SPECIALIZING IN YOU

PALOMAR POMERADO HEALTH BOND COVENANT RATIOS

CUSHION RATIO

	Jun-05	Jun-06	Sep-06
Cash and Cash Equivalents	109,043,208	119,745,409	98,505,857
Board Designated Reserves	22,388,648	9,267,526	12,235,047
Trustee-held Funds	12,026,055	12,170,183	15,902,977
Total	143,457,911	141,183,118	126,643,881
Divided by: Max Annual Debt Service (Bond Year 2012)	10,697,594	10,697,594	10,697,594

CUSHION RATIO REQUIREMENT

13.4	13.2	11.8
1.5	1.5	1.5
Achieved	Achieved	Achieved

DAYS CASH ON HAND

	Jun-05	Jun-06	Sep-06
Cash and Cash Equivalents	109,043,208	119,745,409	98,505,857
Board Designated Reserves	22,388,648	9,267,526	12,235,047
Total	131,431,856	129,012,935	110,740,904
Divide Total by Average Adjusted Expenses per Day			
Total Expenses	340,338,156	365,759,559	93,909,101
Less: Depreciation	16,394,985	18,737,467	4,970,148
Adjusted Expenses	323,943,171	347,022,092	88,938,953

Number of days in period
Average Adjusted Expenses per Day

365	365	92
887,516	950,745	966,728

DAYS CASH ON HAND REQUIREMENT

148	136	115
90	90	90
Achieved	Achieved	Achieved

Net Income Available for Debt Service

	Jun-05	Jun-06	Sep-06
Excess of revenue over expenses Cur Mo.	1,490,930	905,884	1,667,895
Excess of revenues over expenses YTD (General Funds)	17,052,649	11,148,667	7,332,161
ADD:			
Depreciation and Amortization	16,394,985	18,737,467	4,970,148
Interest Expense	5,272,031	5,130,603	1,191,413
Net Income Available for Debt Service	38,719,665	35,016,737	13,493,722

Aggregate Debt Service

1993 Insured Refunding Revenue Bonds	6,020,301	3,639,772	612,147
1999 Insured Refunding Revenue Bonds	4,356,844	6,950,508	2,061,995
Aggregate Debt Service	10,377,145	10,590,280	2,674,142

Net Income Available for Debt Service
Required Coverage

3.73	3.31	5.05
1.15	1.15	1.15
Achieved	Achieved	Achieved

PALOMAR POMERADO HEALTH

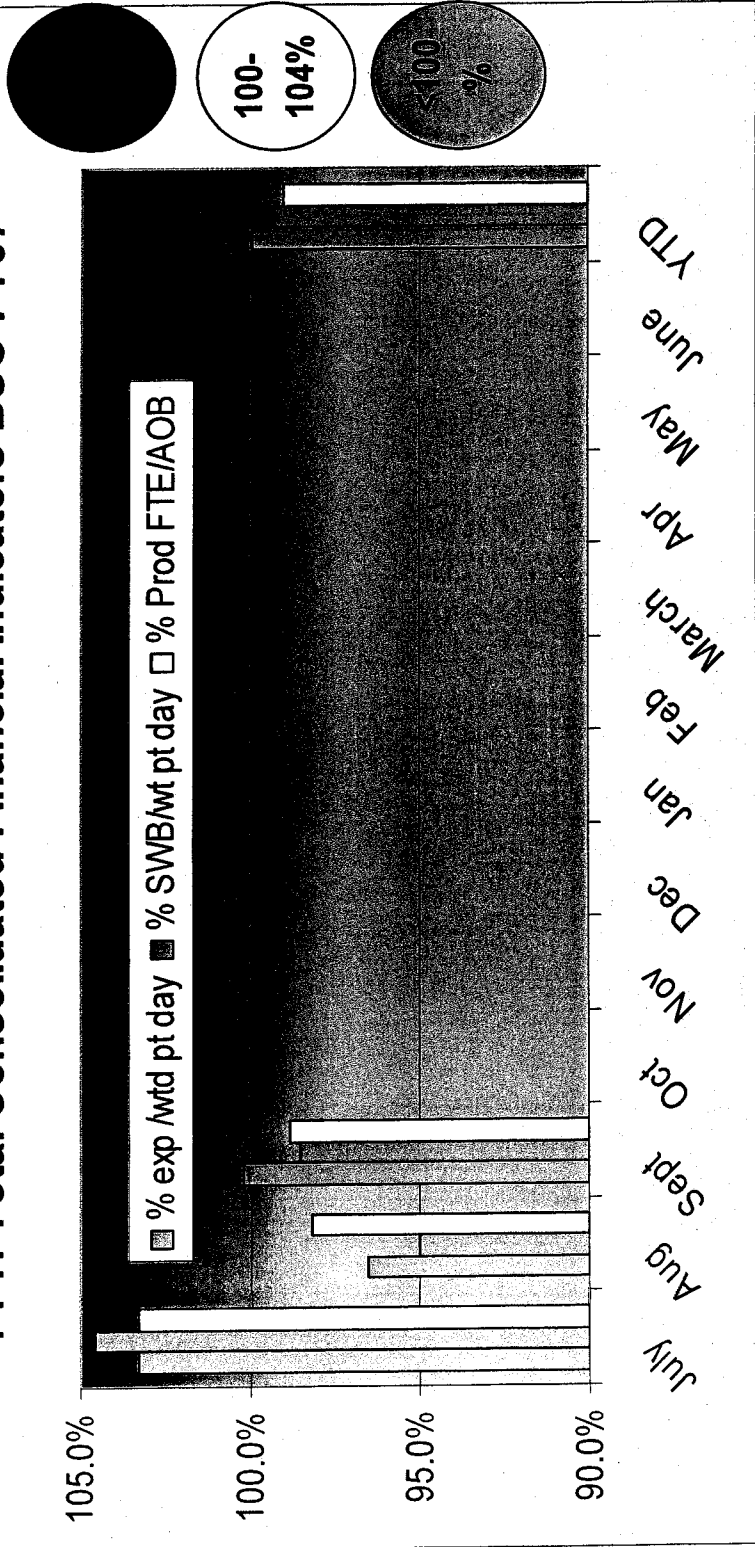
PALOMAR
POMERADO
HEALTH
SPECIALIZING IN YOU

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

Investment Account:	Interest Payable	Interest Rate	Maturity Date	Sept. 30, 2006	June 30, 2006	IN/(DE)CREASE
Fidelity-Institutional Portfolio Treasury Fund	Monthly	5.09%	Demand	\$ 930,080	\$ 918,280	\$ 11,800
State Treasurer Local Agency Investment Fund	Quarterly	4.93%	Demand	552,158	4,894,143	(4,341,985)
Maxicare Health Plans, Inc.	N/A	N/A	Chapter 11	-	157	(157)
Salomon Brothers	Various	Various	Various	31,875,180	31,343,685	531,495
Pacific Income Advisors, Inc.	Various	Various	Various	30,744,129	30,329,997	414,132
Morgan Stanley & Co.	Various	Various	Various	46,349,897	51,854,202	(5,504,305)
TOTAL INVESTMENTS AT CURRENT FAIR MARKET VALUE				\$ 110,451,444	\$ 119,340,464	\$ (8,889,020)
ACCRUED INTEREST INCOME RECEIVABLE				1,336,535	1,168,757	167,778
Bank of America - Cash in Checking/COR Acct.				7,731	6,001	1,730
TOTAL VALUE OF INVESTMENT PORTFOLIO				\$ 111,795,710	\$ 120,515,222	\$ (8,719,512)
INVESTMENTS						
COMPARATIVE						
09/06	\$110,451,444			\$ 111,505,936	\$ 120,226,957	\$ (8,721,021)
09/05	\$115,909,800			289,774	288,265	1,509
09/04	\$152,031,392			\$ 111,795,710	\$ 120,515,222	\$ (8,719,512)
09/03	\$154,990,312					

PALOMAR
POMERADO
HEALTH
SPECIALIZING IN YOU

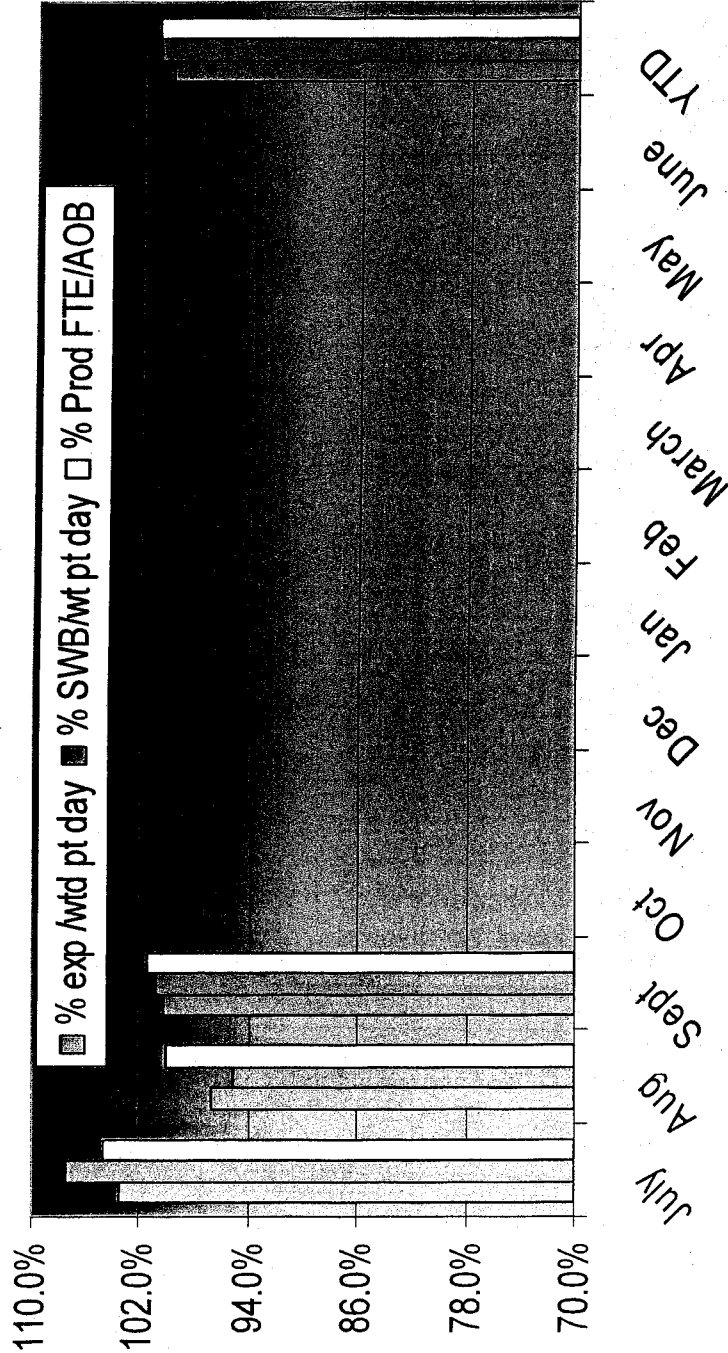
PPH Total Consolidated Financial Indicators BSC-FY07



PALOMAR POMERADO HEALTH

PALOMAR
POMERADO
HEALTH
SPECIALIZING IN YOU

PPH North Consolidated Financial Indicators BSC-FY07



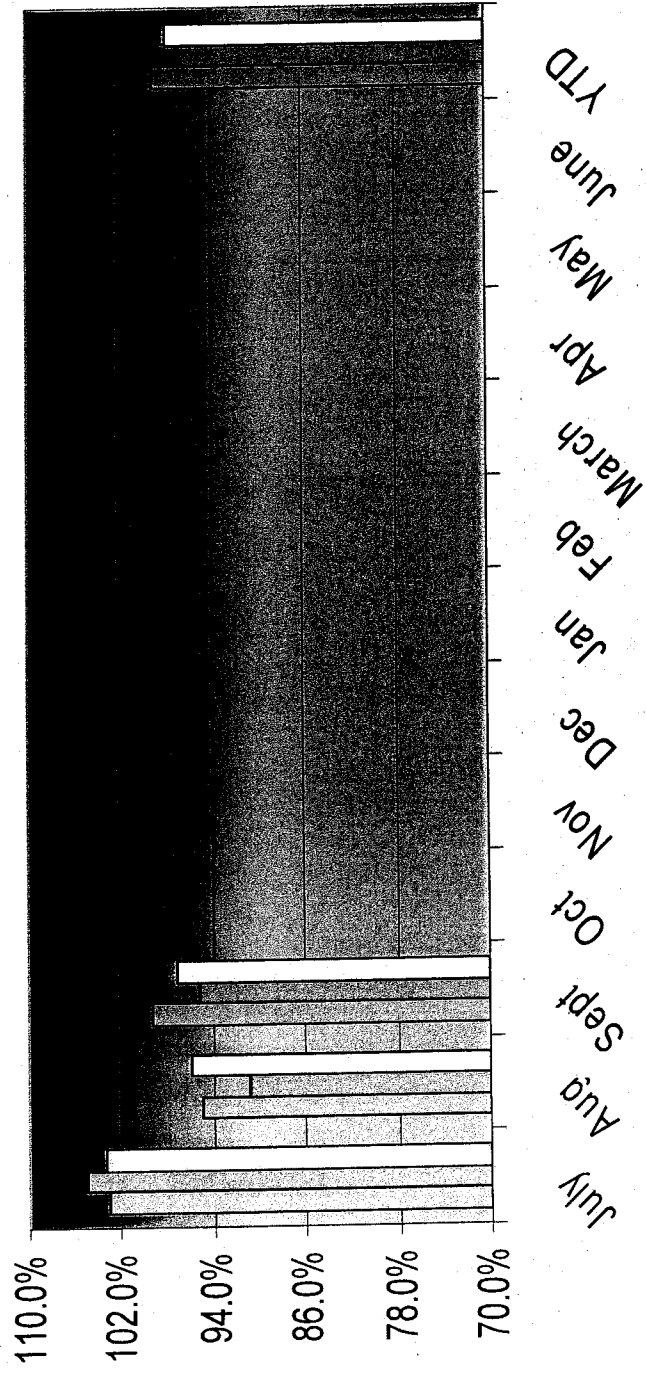
PALOMAR
POMERADO
HEALTH
SPECIALIZING IN YOU

PALOMAR POMERADO HEALTH

PPH South Consolidated Financial Indicators BSC-FY07

■ % exp lmt'd pt day ■ % SWB/lmt pt day □ % Prod FTE/AOB

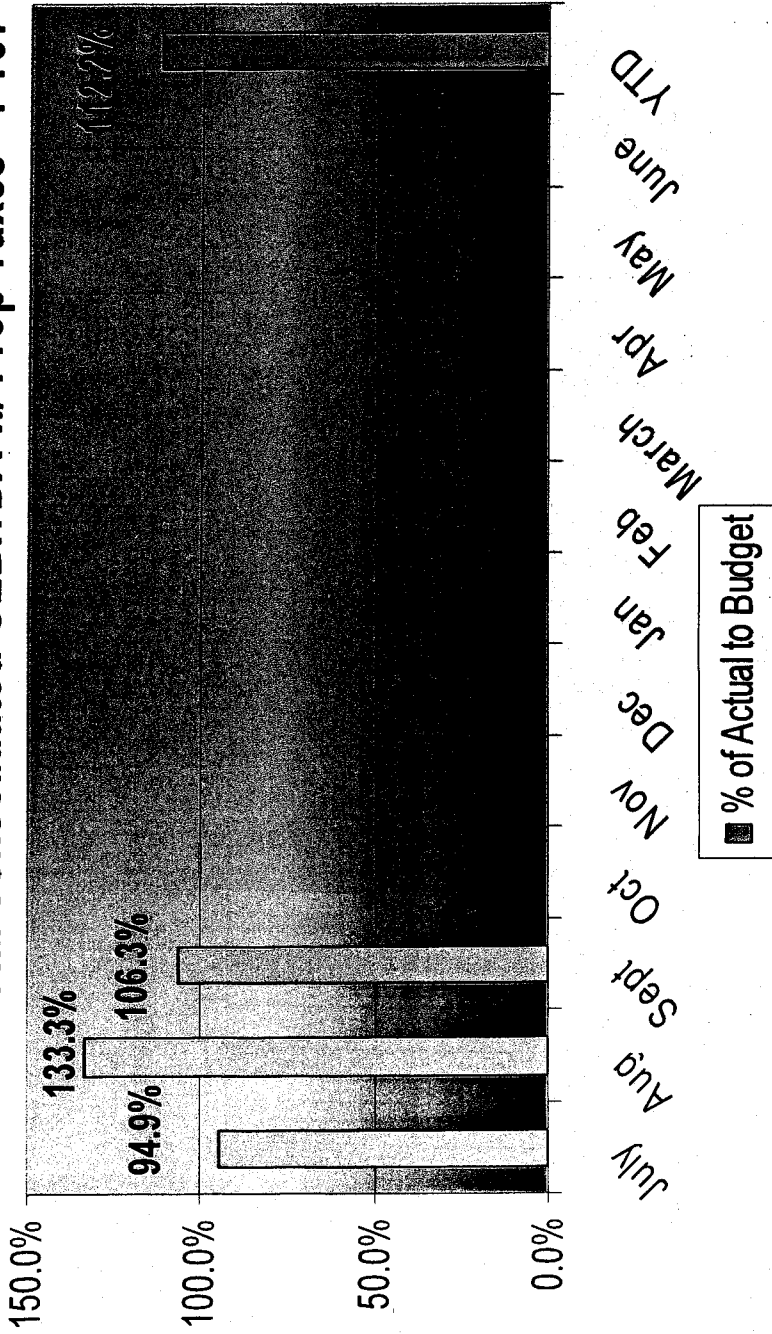
100-104%
 <100%



PALOMAR POMERADO HEALTH

PALOMAR
 POMERADO
 HEALTH
 SPECIALIZING IN YOU

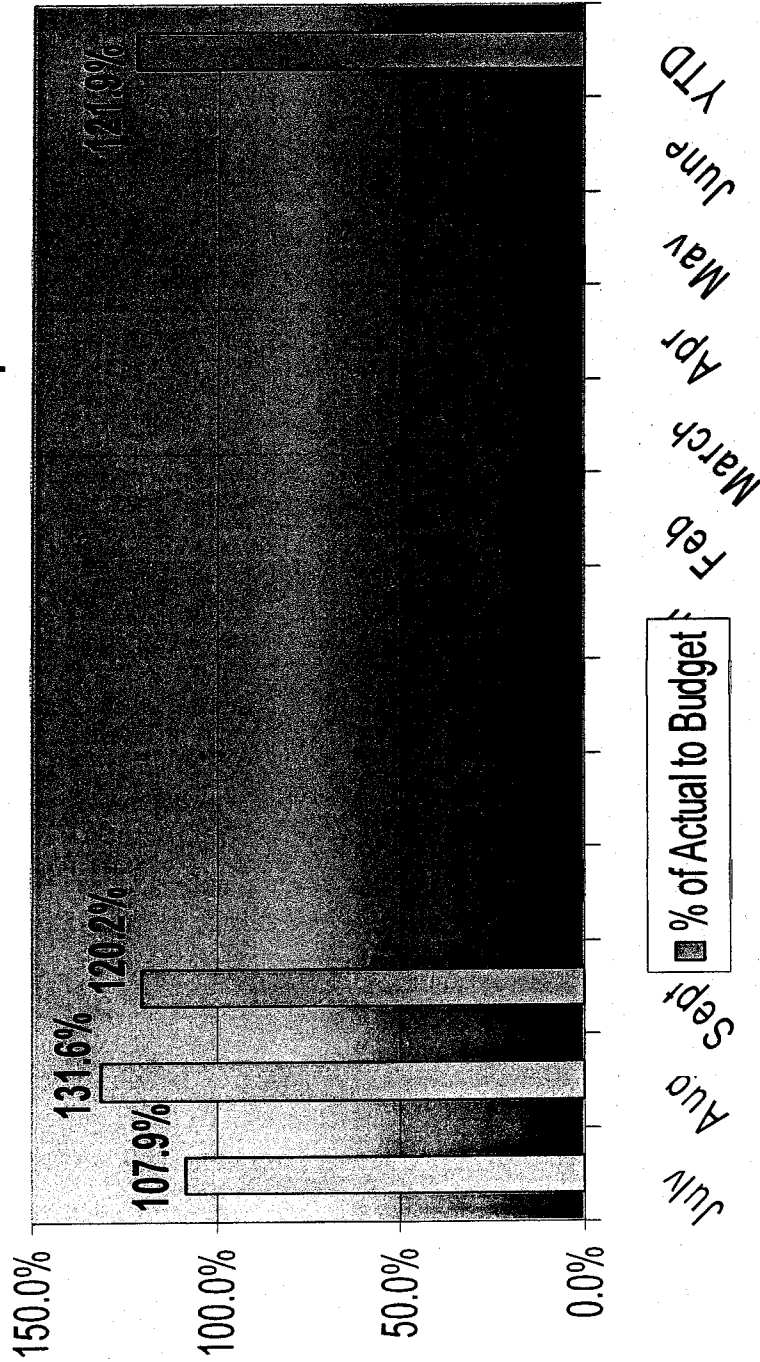
PPH Total Consolidated OEBITDA w/ Prop Taxes - FY07



PALOMAR
POMERADO
HEALTH
SPECIALIZING IN YOU

PALOMAR POMERADO HEALTH

PPH North Consolidated OEBITDA w/ Prop Taxes - FY07



>100 %

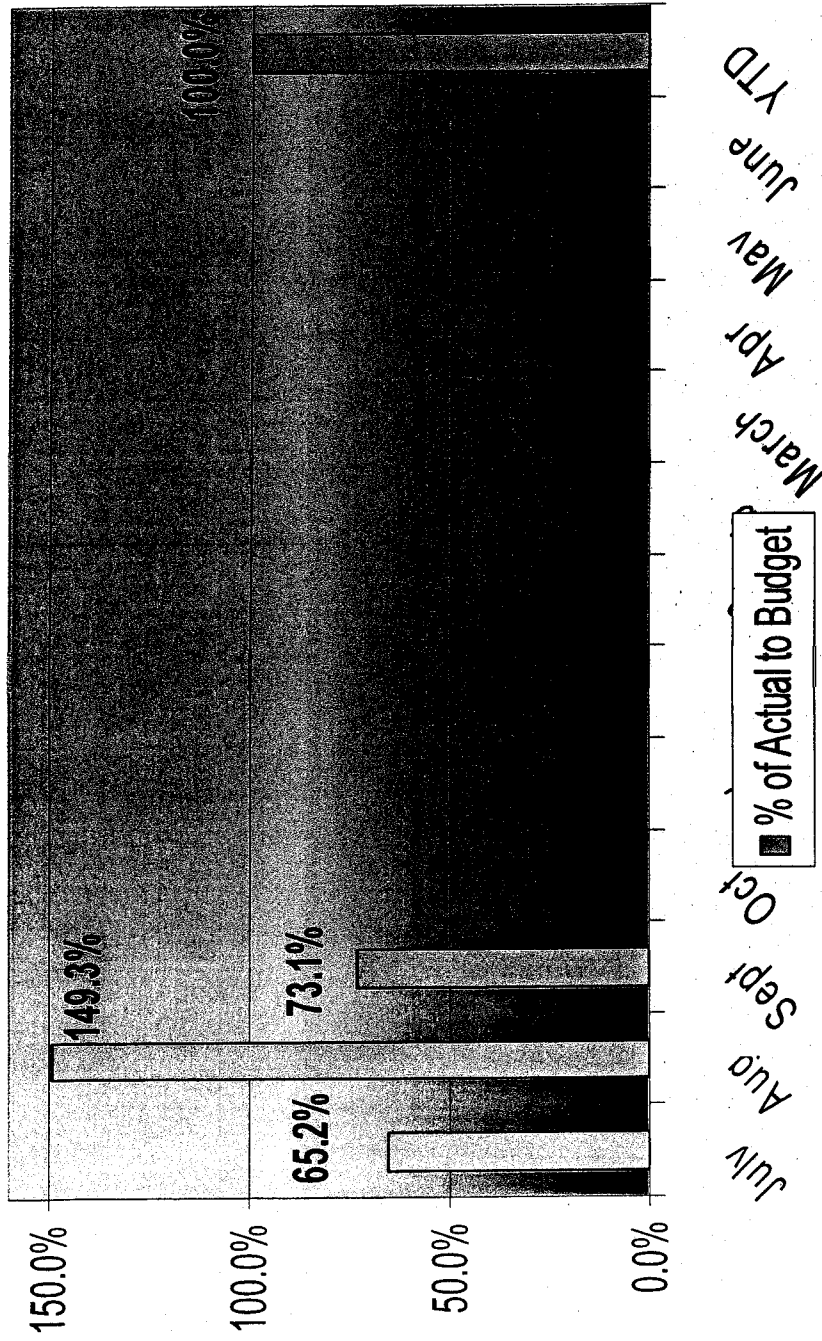
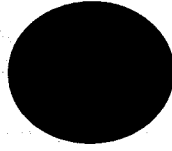
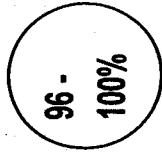
96 - 100%

0 - 95%

PALOMAR POMERADO HEALTH

PALOMAR
POMERADO
HEALTH
SPECIALIZING IN YOU

PPH South Consolidated OEBITDA w/ Prop Taxes - FY07



PALOMAR POMERADO HEALTH

PALOMAR
POMERADO
HEALTH
SPECIALIZING IN YOU

PPH Weekly Flash Report

Month: October 2006	Sep29 - Oct 5	Oct 6-12	Oct 13-19	Oct 20-26	MTD Total	MTD Budget	% Variance
ADC (Acute)	311	285	286	277	290	320	(9.43)
PMC	231	218	207	206	215	239	(9.76)
POM	80	68	80	71	75	81	(8.44)
PCCC	82	83	87	91	86	89	(3.19)
VP	124	125	125	127	125	124	0.95
Patient Days (Acute)	2176	1997	2005	1939	8117	8,962	(9.43)
PMC	1619	1523	1447	1439	6028	6,680	(9.76)
POM	557	474	558	500	2089	2,282	(8.44)
PCCC	577	584	607	634	2402	2,481	(3.19)
VP	867	876	874	888	3505	3,472	0.95
Discharges	567	478	534	520	2099	2280	(7.93)
PMC	441	373	391	382	1587	1,680	(5.54)
POM	126	105	143	138	512	600	(14.63)
Number of Surgeries	228	238	224	243	933	940	(0.77)
PMC	152	161	146	162	621	612	1.41
POM	76	77	78	81	312	328	(4.84)
Number of Births	117	122	107	118	464	451	2.95
PMC	95	98	86	94	373	343	8.67
POM	22	24	21	24	91	107	(15.34)
Outpatient Visits (inc. Lab)	1989	1593	1556	1503	6641	7657	(13.26)
PMC	1312	1060	1028	990	4390	5,221	(15.91)
POM	677	533	528	513	2251	2,436	(7.59)
ER Visits	1554	1439	1483	1564	6040	6429	(6.05)
PMC	1082	967	1019	1066	4134	4,326	(4.43)
POM	472	472	464	498	1906	2,104	(9.39)
Trauma Visits	30	20	26	34	110	96	14.89
IP	26	18	19	26	89	71	24.73
OP	4	2	7	8	21	24	(13.89)

**PALOMAR
POMERADO
HEALTH**
SPECIALIZING IN YOU

PPH Weekly Flash Report

Month: October 2006	Sep29 - Oct 5	Oct 6-12	Oct 13-19	Oct 20-26	MTD Total	MTD Budget	% Variance
Gross IP Revenue	17,012,236	17,210,786	16,022,756	17,330,109	67,575,887	74,913,546	(9.79)
Gross OP Revenue	5,004,221	5,057,734	5,352,214	5,382,580	20,796,749	21,131,334	(1.58)
Cash Collection	5,714,681	5,584,200	6,357,774	6,925,561	24,582,216	27,556,885	(10.79)
Days cash on hand	115	113	108	104	104	80	
Productive Hours	207,319		205,462		412,781	420,666	1.87
PMC - North	120,356		119,312		239,668	244,364	1.92
POM - South	52,782		52,200		104,982	106,090	1.04
Others	34,181		33,950		68,131	70,212	2.96
Productive Dollars	6,135,138		6,038,925		12,174,063	12,704,187	4.17
PMC - North	3,563,187		3,493,229		7,056,416	7,378,126	4.36
POM - South	1,498,954		1,478,458		2,977,412	3,094,870	3.80
Others	1,072,997		1,067,238		2,140,235	2,231,191	4.08

Note: The number of trauma visits and cash collections have been revised for the third week

Physician Recruitment Agreement

TO: Board of Directors

FROM: Board Finance Committee
Tuesday, October 31, 2006

MEETING DATE: Monday, November 20, 2006

BY: Marcia Jackson, Chief Planning Officer

Background: The PPH community lacks an adequate number of orthopedic physicians as verified by AmeriMed, a national consulting firm that specializes in physician manpower studies. PPH has an established physician recruitment program and had allocated resources to attract an additional orthopedic physician to relocate to Inland North San Diego County. Serge Kaska, M.D. has signed a physician recruitment agreement with Palomar Pomerado Health and is prepared to establish a practice in Escondido in December 2006.

Budget Impact: None

Staff Recommendation: At the Board Finance Committee meeting, Management recommended approval of the Physician Recruitment Agreement with Dr. Serge Kaska.

Committee Questions:

COMMITTEE RECOMMENDATION: The Board Finance Committee recommends approval of the Physician Recruitment Agreement with Serge Kaska, M.D.

Motion: X

Individual Action:

Information:

Required Time:

PALOMAR POMERADO HEALTH - AGREEMENT ABSTRACT

Section Reference	Term/Condition	Term/Condition Criteria
	TITLE	Physician Recruitment Agreement—Orthopedic Surgery
	AGREEMENT DATE	
	PARTIES	1) PPH 2) Serge Kaska, M.D.
Recitals; Article I.1	PURPOSE	Provide recruitment assistance to enable Dr. Kaska to establish an orthopedic practice in Escondido
Article I	SCOPE OF SERVICES	Dr. Kaska will establish a full-time orthopedic practice in Escondido and will participate in government-funded programs.
2.2(a); Exhibit 3.1(a).2	TERM	1 year of income assistance; two year repayment/forgiveness period
Recruitment procedure D.2	RENEWAL	None available
Article VII	TERMINATION	Contract stipulates conditions for termination by hospital, termination by physician and termination in event of governmental action
Article II; 2.2, 2.3, 2.4, 2.5	COMPENSATION METHODOLOGY	For monthly income guarantee physician will submit monthly report of expenses and collections. For relocation and start-up cost assistance physician will submit receipts.
	BUDGETED	X YES <input type="checkbox"/> NO – IMPACT: None
6.5	EXCLUSIVITY	X NO <input type="checkbox"/> YES – EXPLAIN: Government prohibits hospitals from requiring physician to exclusively have privileges or make referrals only to their hospital
	PHYSICIAN MANPOWER STUDY	AmeriMed, a national consulting firm who performed our Physician Manpower Study, completed an orthopedic analysis which confirmed there is a justifiable community need for this recruitment
	EXTERNAL FINANCIAL VERIFICATION	X YES <input type="checkbox"/> No Methodology: Medical Development Specialists (MDS) developed a proforma for the practice to establish the contract value to cover income guarantee and cash flow needs. MDS also provided the market comparison to establish an appropriate income guarantee.
	LEGAL COUNSEL REVIEW	X Yes <input type="checkbox"/> NO Legal counsel worked on this agreement and supports that agreement complies with Federal Regulations
	APPROVALS REQUIRED	X CPO X CFO X CEO X BOD Finance Committee on October 31, 2006 X BOD

**Presentation to the Board
of Physician Recruitment Agreements**

TO: Board of Directors

FROM: Board Finance Committee
Tuesday, October 31, 2006

MEETING DATE: Monday, November 20, 2006

BY: Robert Hemker, CFO

Background: As most Physician Recruitment Agreements submitted to the Board Finance Committee are incorporated into a standard agreement template previously approved by the Board, omission of the actual Agreements from future Board Finance Committee agenda packets was discussed. It was approved by vote that future Board Finance Committee agenda packets should contain only the following documents regarding Physician Recruitment Agreements:

- The Board Narrative
- The Agreement Abstract
- The Face Page of the Agreement
- Redline page(s) showing any changes made from the Standard Agreement Template

Budget Impact: N/A

Staff Recommendation: N/A

Committee Questions:

COMMITTEE RECOMMENDATION: The Board Finance Committee recommends that the Board of Directors adopt the above policy with regard to documentation of Physician Recruitment Agreements for future Board agenda packets.

Motion: X

Individual Action:

Information:

Required Time:

**PPH Independent Citizens' Oversight Committee
Appointment of Officers**

TO: Board of Directors

FROM: Board Finance Committee
Tuesday, October 31, 2006

MEETING DATE: Monday, November 20, 2006

BY: Robert Hemker, CFO

Background: Pursuant to the Policies, Procedures & Guidelines of the PPH Independent Citizens' Oversight Committee (ICOC), the PPH Board of Directors appoints the Officers of the ICOC. At its July 2005 meeting, the PPH Board delegated responsibility for those appointments to the Board Chair and the Finance Committee Chair.

- The terms of office expired on June 30, 2006
- Officers can serve up to three consecutive annual terms

Budget Impact: N/A

Staff Recommendation: Staff recommended that the following incumbent Officers of the ICOC be re-appointed to their currently held offices. If re-appointed, each Officer would be serving a second consecutive term of office.

- **Steve Yerxa, Chair**
- **Bob Wells, Vice-Chair**
- **John McIver, Secretary**

Committee Questions: The Board Finance Committee concurred and recommended that the incumbent Officers of the ICOC be re-appointed for a second consecutive term of office. Board Finance Committee Chair Ted Kleiter presented the recommendation to Board Chair Marcelo Rivera, who re-appointed the incumbents listed above on behalf of the Board of Directors.

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:

**Governance Committee
Board Policies Review/Approval**

TO: Board of Directors
DATE: November 20, 2006
FROM: Governance Committee, October 10, 2006
BY: Christine Meaney for Michael Covert

BACKGROUND: In order to bring PPH policies up to date, and to continue review on a tri-annual basis, revisions to all policies had now been made.

Those policies were now brought to the Committee for regular review/update. Following Governance Committee and Board approval, new or revised policies will then be input/revised online in the Lucidoc program.

Policies for current review-cycle/revision were brought to the meeting by Mr. Neal, including those tabled from the June meeting (Gifts & Donations Policy; and Credit Cards Policy – Statement of Understanding—for PPH Business Use Only).

BUDGET IMPACT: None

**STAFF
RECOMMENDATION:** Approval requested

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION: Board approval requested (with policies indicated under Consent Items on Board Agenda)

Motion: X

Individual Action:

Information:

Required Time:

Third and Fourth-Quarters Review of Policies **Implementing the Annual Review Cycle**

November 20, 2006

GOV-02 Organizations By Laws

Change Summery: No changes.

GOV-05 Oath of Office

Change Summery: No changes.

GOV-06 Governing Body Orientation

Change Summery:

1. Removed reference to the PPH Foundation Board members and bylaws;
2. Added reference to the Palomar Pomerado North County Health Development Inc. Board Members and bylaws;
3. No other changes.

GOV-11 Membership Organizations and Board Representation

Change Summery: No changes.

FIN-02 Annual Financial Audit

Change Summery:

4. Corrected typographical errors;
5. No other changes

FIN-03 PPH Credit Cards

Change Summery:

1. Corrected typographical errors;
2. Added the Transportation Department as authorized to use a PPH gas credit card.
3. Added a statement that will be signed by those having or receiving PPH credit cards Acknowledging they understand that the card is strictly for PPH business.

HR-02 Equal Employment Opportunity

Change Summery: No changes.

PALOMARPOMERADO HEALTH

BOARD POLICY

GOV-02

ORGANIZATIONS BYLAWS

November 20, 2006

I. PURPOSE:

As the organized governing body of the Palomar Pomerado Health, the Board of Directors is responsible for establishing policy, maintaining quality patient care, providing institutional management and planning and other legal and fiduciary responsibilities of the District. The organizational structure and governance to fulfill these obligations shall be established by the bylaws that shall be consistent with the applicable government codes and JCAHO Standards. The bylaws are adopted by resolution by majority vote of the board and may be amended or repealed in the same manner. The Bylaws will be reviewed as needed or at least annually, through the Governance Committee as provided below, oversee and ensure collaboration between the Board and District management for the purpose of developing, reviewing and revising the District Bylaws, Policies, Procedures, and other rules or regulations

II. DEFINITIONS:

A. None

III. TEXT / OF PRACTICE:

A. Consistent with the JCAHO standards, the bylaws shall specify at least the following:

1. The role and purpose of the health district;
2. The duties and responsibilities of the governing body;
3. The process and criteria for the selection of members of the governing body;
4. The governing body's organizational structure, including at least:
 - a. the mechanism for selection officers;
 - b. the responsibilities of officers;
 - c. the procedures for meetings;
 - d. the composition and responsibilities of governing body committees; and
 - e. the inclusion of medical staff members on governing body committees that deliberate issues affecting the discharge of medical staff responsibilities.
5. The relationship of the responsibilities of the governing body as they relate to:
 - a. any authority superior to the governing body;
 - b. the chief executive officer; and
 - c. the medical staff.
6. The requirement for the establishment of a medical staff and an auxiliary organization;
7. The mechanism for adopting, reviewing and revising the governing body bylaws; and
8. The authority and responsibility of each level of the organization shall be specified with respect to:
 - a. quality of care;
 - b. quality assessment and improvement mechanisms;
 - c. credentials review and privilege delineation;
 - d. selection of the health district's governing body;
 - e. selection of the chief executive officer and other key management staff;
 - f. selection of medical staff department chairpersons;
 - g. planning district services;

- h. development and approval of the budget; and
- i. review of the governing body's performance.

C. This policy and the Bylaws will be reviewed and updated as required or at least every year.

IV. DOCUMENT / PUBLICATION HISTORY:

Original Document Date: 2/94

Reviewed: 4/95; 11/96; 2/98; 2/05; 11/06

Revision Number: 3 Dated: 12/17/05

Document Owner: Michael Covert

Authorized Promulgating Officers: Marcelo R. Rivera, Chairman

VI. CROSS REFERENCE DOCUMENTS:

Prior to 2005, this policy was Board Policy 10-101

PALOMAR POMERADO HEALTH

BOARD POLICY

GOV-05

OATH OF OFFICE

November 20, 2006

I. PURPOSE:

In compliance with the requirements of the Constitution of the State of California and the Government Code that all public officers and employees of the State of California are required to take the *Loyalty Oath of Office*, the District shall ensure that all employees, officers and trustees of the Health District take the oath of office as set forth in the Article XX, Section 3 of the California Constitution, California Government Code Section 1360 and District Resolution 9.14.87(02).

II. DEFINITIONS:

None

III. TEXT / OF PRACTICE:

A. Administration to Elected Officials

1. Except where prohibited by law, the oath of office shall be administered before the elected official assumes office and may be accomplished by simply obtaining the official's signature on the oath. Should an official ceremony be preferred, the one who administers the oath must be an officer who is authorized to administer oaths, such as a notary public, officer of the board, judicial officers, and so forth.
2. The oath is to be retained on file in the office of the Secretary of the District.

B. Administration to Employees:

1. Except where prohibited by law, the oath of office shall be administered before assuming the position of employment. The administration of oath has been delegated to the Vice President Human Resources or designee (Resolution No. 9.14.87(02)) and may be accomplished by obtaining a signature of the employee on the oath.
2. The oath is to be retained on file in the employee records.

C. Notarial Requirement

While there is no longer a requirement to have the oath notarized, the oath is taken under penal of perjury.

D. Failure to Take Oath

Failure to take the required oath will result in the loss of compensation for the employee, officer or director. However, consistent with California law, PPH will not penalize an individual who fails to take the oath for bona fide religious reasons. The absence of the oath of a director does not undermine the acts of the board as a whole, but the officers are acting in a *de facto* capacity and, is such, may not receive compensation. Actions of a *de facto* board may be validated by adoption of a resolution which ratifies all past acts of the board.

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

IV. DOCUMENT / PUBLICATION HISTORY:

Original Document Date: 3/94

Reviewed: 3/95; 1/99; 1/05; 11/06

Revision Number: 1 Dated: 3/5/95

2 Dated: 1/20/05

Document Owner: Michael Covert

Authorized Promulgating Officers: Marcelo R. Rivera, Chairman

VI. CROSS REFERENCE DOCUMENTS:

Prior to 2005, this policy was Board Policy 10-106

PALOMAR POMERADO HEALTH

BOARD POLICY

GOV-06

GOVERNING BODY ORIENTATION

November 20, 2006

I. PURPOSE:

To establish policy, to maintain patient care; and to provide for institutional management and planning in accordance with the standards of the Joint Commission on Accreditation of Health Care Organizations and with the laws of the State of California.

II. DEFINITIONS:

None

III. TEXT / OF PRACTICE:

A. Consistent with the desire of the Board of Directors to fully understand and fulfill their responsibilities to the residents of the Palomar Pomerado Health it shall be incumbent upon the administrative staff of the District to formulate and provide an orientation program for all newly elected or appointments of the Board. Such program shall include, but not be limited to, the following components:

1. Administration of the oath of office.
2. Provision and obtaining of signatures on Confidentiality Statements and Statements of Economic Interests.
3. Copies of board and committee meeting minutes for the previous three-month period.
4. Board of Directors Handbook containing:
 - a. Board of Directors, Members;
 - b. Board of Directors, Committee Members;
 - c. Board of Directors, Calendar of Events;
 - d. Board of Directors, Organizational Chart;
 - e. Local Healthcare District Law;
 - f. California Open Meeting Laws (Brown Act)
 - g. Open and Public (Users Guide, Brown Act);
 - h. PMC Medical Staff, Committees and Roster;
 - i. PMC Medical Staff Bylaws;
 - j. POM Medical Staff, Committees and Roster;
 - k. POM Medical Staff Bylaws;
 - l. Palomar Pomerado North County Health Development Inc. Board Members;
 - m. Palomar Pomerado North County Health Development Inc. Bylaws;
 - n. PMC Auxiliary Bylaws;

PK

- o. POM Auxiliary Bylaws;
 - p. Board Members Position Description;
 - q. Parliamentary Procedures;
 - r. Healthcare Acronyms and Terms;
 - s. Citizens Guide to Special Districts in California.
5. Structured orientation meeting relative to governance and/or *boardsmanship*.
 6. Individual meetings with the C.E.O., Board Assistant, and members of the staff as determined by the C.E.O. or requested by a Board member.
 7. Facilities' tour.
 8. Subscriptions to *Trustee* and other publications that may be of interest or value.
 9. Information relative to programs on hospital governance when available.
 10. Meeting with the Compliance officer for Ethics Training required by Assembly Bill 1234 and Government Code §11146.

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

IV. DOCUMENT / PUBLICATION HISTORY:

Original Document Date: 2/94
 Reviewed: 1/93; 2/94; 2/99; 1/05; 7/06
 Revision Number: 1 Dated: 1/05
 Document Owner: Michael Covert
 Authorized Promulgating Officers: Marcelo R. Rivera, Chairman

VI. CROSS REFERENCE DOCUMENTS:

Prior to 2005 this policy was Board Policy 10-108

PALOMAR POMERADO HEALTH

BOARD POLICY

GOV-11

**MEMBERSHIP ORGANIZATIONS AND BOARD
REPRESENTATIONS**

November 20, 2006

I. PURPOSE:

In the interest of fiscal accountability, organizations in which PPH participates as a dues paying member, including trade associations, Governance 100, Volunteer Trustees, Adapt, etc. ("Membership Organizations"), shall be periodically evaluated for compatibility with the Health District's mission as well as community and economic benefit. For those Membership Organizations who request representation from the Health District's Board on their governing body or other position, the Board shall follow guidelines for the selection of a nominee.

II. DEFINITIONS:

None

III. TEXT / OF PRACTICE:

A. All Membership Organizations shall be periodically reviewed to ensure that:

1. Their mission is compatible with the mission of the Health District;
2. The value to the Health District or community is commensurate with the dues or other expense;
3. Progress reports are provided on a regular basis by the Health District representative or Membership Organization.

B. Should a Membership Organization request representation from the Health District Board on its governing body or other position, the following guidelines shall apply:

1. Representatives are to be selected by a majority of the board or, for brief, special assignments, by appointment of the Chair of the Board.
2. Assignments of representatives are to be made in a fair and equitable manner.
3. To ensure sufficient rotation, assignments shall be reviewed on an annual basis.
4. Should the Membership Organization solicit input from the Health District Board on legislation such input shall reflect the views of the majority of the Board. Should the CEO determine time will not allow for consultation with the full Board, the Chairperson of the Board is to be consulted, with full disclosure to the Board after the fact. Copies of all letters to government representatives or concerning legislation shall be provided to the Board. The Health District will not take positions on candidates.
5. Those Health District representatives selected in accordance with these guidelines should recognize that their governing or other position with the Membership Organizations are not person but rather are for the benefit of the Health District.
6. Expenses associated with participation in Membership Organizations by a Health

District representative selected in accordance with these guidelines shall be at the cost of the Membership Organization and not the Health District.

C. To obtain the most value from the participation in Membership Organizations, all members of the Board attending meetings of such organizations are to report to the full Board, verbally or in writing, about their participation at the meetings. In the event multiple Board members attend a single report will be adequate.

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

IV. DOCUMENT / PUBLICATION HISTORY:

Original Document Date: 11/9/98

Reviewed: 1/05; 11/06

Revision Number: 1 Dated: 2/2/05

Document Owner: Michael Covert

Authorized Promulgating Officers: Marcelo R. Rivera, Chairman

VI. CROSS REFERENCE DOCUMENTS:

Prior to 2005, this policy was Board Policy 10-115

PALOMAR POMERADO HEALTH

BOARD POLICY

FIN-02

Annual Financial Audit

November 20, 2006



Annual Financial Audit

Policies, BOD only

21808

(Rev: 1) Official

Applicable to: ALL PPH ENTITIES - 00

Affected Departments: All Departments

I. PURPOSE:

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

II. DEFINITIONS:

III. TEXT / STANDARDS OF PRACTICE:

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

IV. ADDENDUM:

Type your addenda here.

IV. DOCUMENT / PUBLICATION HISTORY:

Original Document Date: 4/18/95
 Reviewed: 11/95; 1/99; 6/05
 Revision Number: 1 Dated: 6/05
 Document Owner: Michael Covert
 Authorized Promulgating Officers: Marcelo R. Rivera, Chairman

V. CROSS REFERENCE DOCUMENTS:

Prior to 2005 this policy was Board Policy 10-502

V. DOCUMENT / PUBLICATION HISTORY: (template)

Revision Number	Effective Date	Document Owner at Publication	Description
(this version) ¹	06/01/2005	James Neal, Director of Corporate Integrity	Original Document Date: 4/18/95 Reviewed: 11/95; 1/99; 6/05 Revision Number: 1 Dated: 6/05 Document Owner: Michael Covert Authorized Promulgating Officers: Marcelo R. Rivera, Chairman

VI.

Authorized Promulgating Officers: (06/01/2005) James Neal, Director of Corporate Integrity
(06/01/2005) Dr. Marcelo R Rivera, Director, PPH Board

VI. CROSS-REFERENCE DOCUMENTS:(template)

Reference Type	Title	Notes
Source Documents	Prior to 2005 this policy was Board Policy 10-502	
		<i>Paper copies of this document may not be current and should not be relied on for official purposes. The current version is in Lucidoc at .</i>
		<i>https://www.lucidoc.com/cgi/doc-gw.pl/ref/pphealth:21808</i>

PALOMAR POMERADO HEALTH
BOARD POLICY

FIN-03

PPH Credit Cards

November 20, 2006

Change Summery

1. Reviewed the current Government Code § 60200for compliance.
2. Corrected typographical errors;
3. Added the Transportation Department as authorized to use a PPH gas credit card.
4. Added a statement that will be signed by those having or receiving PPH credit cards they understand that the card is strictly for PPH business.

I. PURPOSE:

To establish policy for obtaining financial accommodations from a bank, pursuant to the use of a number of Credit Cards by the officers and agents of PPH and to ensure District credit cards are not extended without the authorization of the board.

II. DEFINITIONS:

None

III. TEXT / STANDARDS OF PRACTICE:

- A. PPH officers and agents may use Credit Cards for and in connection with PPH business. This includes travel arrangements for both trustees and District employees. All PPH officers and agents issued a credit card will sign a statement that it is understood that the credit card is strictly for and in connection with PPH business (Attachment 1).
- B. Credit Cards will be issued in the name(s) of officers or agents designated to Bank by PPH, and all indebtedness incurred through the use of such Credit Cards will be charged directly to PPH. The bank will not extend such accommodations by issuing Credit Cards unless PPH agrees in writing to assume sole responsibility and to pay the Bank for all indebtedness incurred by use of these Credit Cards, whether such use of indebtedness was authorized or unauthorized by PPH.
- C. In the case of deletions of authorization of designated officers or agents, PPH shall be liable for the use of such Credit Cards until said Credit Cards are returned to Bank or Bank is notified of the loss or theft of said Credit Cards.
- D. The Bank is authorized to act upon this policy until written notice of its revocation is delivered to Bank, and the authority hereby granted shall apply with equal force and effect to the successors in office of the officers named.
- E. To allow the operation and maintenance of a District courier and Transportation services, a gasoline credit card shall be issued. These cards are the overall responsibility of the designated PPH officers overseeing courier and Transportation services.
- F. This policy will be reviewed and updated as required, or at least every three years.

IV. DOCUMENT / PUBLICATION HISTORY:

Original Document Date: 2/94

Reviewed: 4/95; 1/99; 6/05, 11/06

Revision Number: 1 Dated: 6/05

Document Owner: Michael Covert

Authorized Promulgating Officers: Marcelo R. Rivera, Chairman

V. CROSS REFERENCE DOCUMENTS:

Prior to 2005 this policy was Board Policy 10-503

Date: _____

I, _____ have received a Palomar Pomerado Health
(print name)
credit card and understand that I am to use this credit card for District business only. Any
charges placed on this credit card that are not for District business will be a violation of Palomar
Pomerado Health policy, and I will reimburse the District immediately for any charges that are not in
support of District business.

Signature

PALOMAR POMERADO HEALTH

BOARD POLICY

HR-02

Equal Employment Opportunity

Nov ember 20, 2005



**Palomar Pomerado Health
Equal Employment Opportunity**

Policy

Human Resources

HR-02

(Rev: 2) Official

PALOMAR
POMERADO

Applicable to:

Affected Departments:

PURPOSE:

To provide a basis for employment-related procedures and decision-making at Palomar Pomerado Health (PPH), including but not limited to recruiting, selection, health screening, reasonable accommodation of disabilities, hiring, promotion, transfer, training, layoff, recall, evaluation, discipline, and separation of employment.

I. DEFINITIONS:

TEXT / STANDARDS OF PRACTICE

PPH is committed to equal employment opportunity and nondiscrimination in all aspects of employment. All pertinent federal, state, and local laws in this regard are followed to ensure that employment-related decisions shall be made without regard to race, color, national origin, ancestry, citizenship, religion, sex, marital status, physical or mental disability, veteran status, age or any other characteristic protected by law.

It is the intention of PPH to make every reasonable effort to match individual qualifications, abilities, competencies, skills, knowledge, and interests with the needs of the organization and the patients entrusted to its care. Employment-related systems and procedures are designed and implemented to be service-oriented, efficient, consistent, ethical, impartial, and non-discriminatory.

The Chief Human Resources Officer is designated by the PPH Board of Directors as the officer responsible for this policy, including systems, procedure, and program development, management, monitoring, and reporting on all employment-related matters. Each member of the PPH management team— including supervisors, managers, directors, and executives—is responsible for complying with this policy and with contributing to its successful administration throughout PPH.

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

I. ADDENDUM:

V. DOCUMENT / PUBLICATION HISTORY: (template)

Revision Number	Effective Date	Document Owner at Publication	Description
(this version)	03/09/2005	Michael H. Covert, F.A.C.H.E., President + CEO	Revised to reflect new PPH titles
(Changes)	12/17/2002	Gilbert Taylor, SVP	Original Version

Authorized Promulgating Officers: (03/08/2005) Michael H. Covert, F.A.C.H.E., President + CEO
 (03/09/2005) James Neal, Director of Corporate Integrity
 (03/08/2005) Dr. Marcelo R Rivera, Director, PPH Board

VI. CROSS-REFERENCE DOCUMENTS:(template)

Reference Type	Title	Notes
----------------	-------	-------

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

<http://www.lucidoc.com/cgi/doc-gw.pl/ref/pphealth:10586>

Table of Contents

- PURPOSE
- DEFINITIONS
- TEXT - STANDARDS OF PRACTICE
- ADDENDUM

 Home  Feedback  Help

Equal Employment Opportunity

 Print  Subscribe Display:  Document  Info  All

MEDICAL STAFF SERVICES

October 24, 2006



TO: Board of Directors

BOARD MEETING DATE: November 20, 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 (11/20/2006 – 10/31/2008)
Lance L. Altenau, M.D., Neurosurgery
Prakash K. Bhatia, M.D., Psychiatry (Includes PCCC)
Cheryl J. Boyd, M.D., Internal Medicine
Sohaib A. Kureshi, M.D., Neurosurgery
Louise C. Laurent, M.D., Maternal-Fetal Medicine
Peter Lee, M.D., Diagnostic Radiology
Jeffrey G. Luban, M.D., Anesthesiology
Kenneth H. Ott, M.D., Neurosurgery
David B. Schrimmer, M.D., Maternal-Fetal Medicine
Scott D. Shoemaker, M.D., Orthopaedic Surgery
Jeffrey M. Spier, M.D., Urology
David G. Stewart, M.D., Orthopaedic Surgery
Carrie R. Warshak, M.D., Maternal-Fetal Medicine
Douglas A. Woelkers, M.D., Maternal-Fetal Medicine
- II. Change from Active to Associate Status
Phil E. Yphantides, M.D., Family Practice
- III. Advance from Provisional to Active Status
Karin Schiff, M.D., Family Practice (11/20/2006 – 03/31/2007) (Includes PCCC)
- IV. Advance from Provisional to Consulting Status
Patrick W. Linson, M.D., Radiation Oncology (11/20/2006 - 08/31/2008)
Kenneth T. Shimizu, M.D., Radiation Oncology (11/20/2006 – 09/30/2007)
- V. Additional Privileges
Thomas C. Bruff, M.D., Occupational Medicine
 - Musculoskeletal Bundle
 - Respiratory BundleGregory S. Campbell, M.D., Critical Care Surgery
 - Trauma PrivilegesLori Coleman, M.D., Radiation Oncology
 - High Dose Rate Breast Brachytherapy

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

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

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

VI. Voluntary Resignations/Withdrawal of Membership

Emily Benson, M.D., Orthopaedic Surgery (effective 08/01/2006)
 James V. Chabala, M.D., Family Practice (effective 10/24/2006)
 Manisha S. Kumar, D.O., Internal Medicine (effective 11/30/2006)
 Patrick D. Lyden, M.D., Neurology (effective 10/24/2006)
 Lokesh S. Tantuwaya, M.D., Neurosurgery (effective 10/24/2006)

VII. Allied Health Professional Appointment (11/20/2006 – 10/31/2008)

Donna L. Kelly, R.N., Clinical Research Coordinator; Sponsor: Dr. Velky
 Lien M. Khuat, N.P., Nurse Practitioner; Sponsors: Drs. Harrison, Giesemann, Panzer (Includes PCCC)
 Steven A. Manes, OTC, Orthopaedic Technician; Sponsors: Kaiser Orthopaedic Surgeons
 Lana M. McCallum-Brown, R.N., Clinical Research Coordinator; Sponsor: Dr. Velky
 John P. McKnight, Orthopaedic Technician; Sponsors: Kaiser Orthopaedic Surgeons
 Grace Ratto, R.N., CCP, Perfusionist; Sponsors: Drs. Reichman, Rosenburg, Young, Bulkin.

VIII. Reappointment Effective 12/01/2006 – 06/30/2008

Silverio T. Chavez, M.D.	OB/GYN	Dept of OB/GYN	Active
--------------------------	--------	----------------	--------

Reappointments Effective 12/01/2006 – 11/30/2008

Tamara L. Aburto-Pratt, M.D. (Changed from Active to Associate Category)	Family Practice	Dept of Family Practice	Associate
Lien T. Do, M.D.	OB/GYN	Dept of OB/GYN	Active
Marc Gipsman, M.D.	Anesthesiology	Dept of Anesthesia	Active
Daniel C. Harrison, M.D. (includes PCCC)	Medicine/Pediatrics	Dept of Medicine	Active
Nicholas Jauregui, M.D. (includes PCCC)	Family Practice	Dept of Family Practice	Active
David M. Lee, M.D.	Emergency Medicine	Dept of Emergency Med	Active
Damon N. London, M.D.	Emergency Medicine	Dept of Emergency Med	Active
Peter M. Lucas, M.D.	Anesthesiology	Dept of Anesthesia	Active
Kevin L. Metros, M.D.	Orthopaedic Surgery	Dept of Ortho/Rehab	Active
Joan M. Meyer, D.P.M. (Changed from Active to Associate Category)	Podiatry	Dept of Ortho/Rehab	Associate
Roderick C. Rapier, M.D.	Gastroenterology	Dept of Medicine	Courtesy
Jeffrey B. Stork, M.D.	Internal Medicine	Dept of Medicine	Active
Steven J. Taggart, M.D.	Diagnostic Radiology	Dept of Radiology	Active
Bernard Wosk, M.D.	Pediatrics	Dept of Pediatrics	Active

IX. Allied Health Professional Reappointment Effective 12/01/2006 – 11/30/2008

Bethany J. Gonzalez, CNM, Certified Nurse Midwife; Sponsors: Drs. Buringrud, Ghosh, Leon, Trifunovic.
 Jane V. Salinas, P.A.-C., Physician Assistant; Sponsors: CEP
 Monica Furfaro Shedd, Evoked Potential Tech; Sponsors: Drs. Deitel, Marcisz, Stern, V.Tantuwaya, Yoo.

Certification by and Recommendation of Chief of Staff:

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

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

PERSONAL INFORMATION

Provider Name & Title	Lance L. Altenau, M.D.
PPHS Facilities	Palomar Medical Center

SPECIALTIES/BOARD CERTIFICATION

Specialties	Surgery, Neurological - Certified 1983
--------------------	--

ORGANIZATIONAL NAME

Name	Neurosurgical Medical Clinic
-------------	------------------------------

EDUCATION/AFFILIATION INFORMATION

Medical Education Information	University of Cincinnati, Ohio FROM: 09/01/1966 TO: 06/14/1970 Doctor of Medicine Degree
Internship Information	University of Michigan Hospitals and Health Centers, Ann Arbor General Surgery From: 07/01/1970 To: 06/30/1971
Residency Information	University of Michigan Hospitals and Health Centers Surgery, Neurological From: 07/01/1971 To: 06/30/1976
Fellowship Information	N/A
Current Affiliation Information	Scripps Memorial Hospital, La Jolla Scripps Mercy Hospital Scripps Mercy Hospital, Chula Vista Sharp Memorial Hospital Sharp Memorial Hospital, Chula Vista

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

PERSONAL INFORMATION

<i>Provider Name & Title</i>	Philip J. Balikian, M.D.
<i>PPHS Facilities</i>	Pomerado Hospital

SPECIALTIES/BOARD CERTIFICATION

<i>Specialties</i>	Orthopaedic Surgery – Certified: 2005
--------------------	---------------------------------------

ORGANIZATIONAL NAME

<i>Name</i>	Centre For Health Care
-------------	------------------------

EDUCATION/AFFILIATION INFORMATION

<i>Medical Education Information</i>	University of Massachusetts Medical School, Worcester, MA From: 09/01/1990 To: 06/05/1994 Doctor of Medicine Degree
<i>Internship Information</i>	University of Massachusetts Medical Center, Worcester, MA General Surgery From: 07/01/1994 To: 06/30/1995 PGY-1 Resident
<i>Residency Information</i>	University of Massachusetts Medical Center, Worcester, MA Orthopaedic Surgery From: 07/01/1996 To: 06/30/2000
<i>Fellowship Information</i>	New England Baptist Hospital, Boston, MA Joint Reconstruction From: 07/01/1998 To: 09/30/1998
<i>Current Affiliation Information</i>	Lake Cumberland Regional Hospital, Somerset, KY

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

PERSONAL INFORMATION

Provider Name & Title	Prakash K. Bhatia, M.D.
PPHS Facilities	Pomerado Hospital (Villa Pomerado) Palomar Medical Center (Palomar Continuing Care Center)

SPECIALTIES/BOARD CERTIFICATION

Specialties	Psychiatry – Certified 2005
--------------------	-----------------------------

ORGANIZATIONAL NAME

Name	Synergy - Escondido
-------------	---------------------

EDUCATION/AFFILIATION INFORMATION

Medical Education Information	Southwestern Medical School, Dallas, TX FROM: 09/01/1994 TO: 06/05/1998 Doctor of Medicine Degree
Internship Information	N/A
Residency Information	Washington University, St. Louis, MO Psychiatry From: 07/01/1998 To: 06/30/2001 Completed 3 of 4 years
Fellowship Information	University of California, San Diego Psychiatry, Child/Adolescent From: 07/01/2001 To: 06/30/2002 Completed 1 of 2 years
Current Affiliation Information	University Community Medical Center API/Behavioral Health System Aurora Behavioral Health Care/San Diego

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

PERSONAL INFORMATION

<i>Provider Name & Title</i>	Cheryl J. Boyd, M.D.
<i>PPHS Facilities</i>	Palomar Medical Center

SPECIALTIES/BOARD CERTIFICATION

<i>Specialties</i>	Internal Medicine - Certified 1987
--------------------	------------------------------------

ORGANIZATIONAL NAME

<i>Name</i>	Kaiser Permanente
-------------	-------------------

EDUCATION/AFFILIATION INFORMATION

<i>Medical Education Information</i>	Cornell University Medical College, NY,NY FROM: 07/01/1980 TO: 05/22/1984
<i>Internship Information</i>	Vanderbilt University Hospital, Nashville, TN Internal Medicine From: 07/01/1984 To: 06/30/1985
<i>Residency Information</i>	Vanderbilt University Hospital Internal Medicine From: 07/01/1985 To: 06/30/1987
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	Kaiser Permanente, San Diego

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

PERSONAL INFORMATION

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

SPECIALTIES/BOARD CERTIFICATION

<i>Specialties</i>	Surgery, Neurological – Certified 2005
--------------------	--

ORGANIZATIONAL NAME

<i>Name</i>	Neurosurgical Medical Clinic
-------------	------------------------------

EDUCATION/AFFILIATION INFORMATION

<i>Medical Education Information</i>	University of Southern California FROM: 09/01/1990 TO: 05/06/1994 Doctor of Medicine Degree
<i>Internship Information</i>	Duke University Medical Center, Durham, NC General Surgery From: 07/01/1994 To: 06/30/1995
<i>Residency Information</i>	Duke University Medical Center Surgery, Neurological From: 07/01/1995 To: 06/30/2000 07/01/99-06/30/00: Chief Resident
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	Sharp Memorial Hospital, Chula Vista Scripps Mercy Hospital Sharp Memorial Hospital

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

PERSONAL INFORMATION

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

SPECIALTIES/BOARD CERTIFICATION

<i>Specialties</i>	Obstetrics and Gynecology – Not Board Certified
--------------------	---

ORGANIZATIONAL NAME

<i>Name</i>	UCSD Medical Center
-------------	---------------------

EDUCATION/AFFILIATION INFORMATION

<i>Medical Education Information</i>	University of California, San Francisco From: 09/01/1997 To: 06/10/2001 Doctor of Medicine Degree
<i>Internship Information</i>	University of California, San Diego Obstetrics/Gynecology From: 06/24/2001 To: 06/27/2002
<i>Residency Information</i>	University of California, San Diego Obstetrics/Gynecology From: 07/01/2002 To: 06/30/2005
<i>Fellowship Information</i>	University of California, San Diego Maternal-Fetal Medicine From: 07/01/2005 To: Present Expected Date of Completion: 06/30/2008
<i>Current Affiliation Information</i>	Scripps Memorial Hospital, La Jolla Scripps Mercy Hospital University of California, San Diego

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

PERSONAL INFORMATION

<i>Provider Name & Title</i>	Peter Lee, M.D.
<i>PPHS Facilities</i>	Pomerado Hospital Palomar Medical Center

SPECIALTIES/BOARD CERTIFICATION

<i>Specialties</i>	Diagnostic Radiology – Certified: 2006
--------------------	--

ORGANIZATIONAL NAME

<i>Name</i>	Stat Radiology Medical Corp.
-------------	------------------------------

EDUCATION/AFFILIATION INFORMATION

<i>Medical Education Information</i>	Albert Einstein College of Medicine, New York, NY From: 08/01/1997 To: 06/01/2001 Doctor of Medicine Degree
<i>Internship Information</i>	St. Vincent's Hospital and Medical Center, New York, NY Internal Medicine From: 07/01/2001 To: 06/30/2002
<i>Residency Information</i>	University of California, San Francisco Radiology, Diagnostic Imaging From: 07/01/2002 To: 06/30/2006 Chief Resident from 02/1/05-01/31/06
<i>Fellowship Information</i>	University of California, San Diego Magnetic Resonance Imaging From: 07/01/2006 To: Present Expected Date of Completion: 06/30/2007
<i>Current Affiliation Information</i>	None

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

PERSONAL INFORMATION

Provider Name & Title	Jeffrey G. Luban, M.D.
PPHS Facilities	Escondido Surgery Center Pomerado Hospital Palomar Medical Center

SPECIALTIES/BOARD CERTIFICATION

Specialties	Anesthesiology – Certified 1991
--------------------	---------------------------------

ORGANIZATIONAL NAME

Name	Anesthesia Consultants of CA
-------------	------------------------------

EDUCATION/AFFILIATION INFORMATION

Medical Education Information	University of California, San Francisco FROM: 07/01/1979 TO: 06/12/1983 Doctor of Medicine Degree
Internship Information	University of California, San Diego General Surgery From: 06/24/1983 To: 06/27/1984 Surgical Intern/First Year Resident
Residency Information	University of California, Los Angeles Anesthesia From: 01/01/1985 To: 12/31/1986
Fellowship Information	University of California, Los Angeles Anesthesia From: 01/01/1987 To: 06/30/1987 Cardiovascular Anesthesia
Current Affiliation Information	Sutter Roseville Medical Center, Roseville, CA

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

PERSONAL INFORMATION

<i>Provider Name & Title</i>	Kenneth H. Ott, M.D.
<i>PPHS Facilities</i>	Palomar Medical Center

SPECIALTIES/BOARD CERTIFICATION

<i>Specialties</i>	Surgery, Neurological - Certified 1980
--------------------	--

ORGANIZATIONAL NAME

<i>Name</i>	Neurosurgical Medical Clinic
-------------	------------------------------

EDUCATION/AFFILIATION INFORMATION

<i>Medical Education Information</i>	University of California, San Francisco FROM: 09/01/1966 TO: 06/16/1970 Doctor of Medicine Degree
<i>Internship Information</i>	Massachusetts General Hospital, Boston General Surgery From: 07/01/1970 To: 06/30/1971
<i>Residency Information</i>	Massachusetts General Hospital Surgery, Neurological From: 07/01/1971 To: 12/31/1976 Chief Resident 1/1/76-12/31/76
<i>Fellowship Information</i>	N/A
<i>Current Affiliation Information</i>	Scripps Memorial Hospital, Encinitas Scripps Memorial Hospital, La Jolla Scripps Mercy Hospital Sharp Memorial Hospital

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

PERSONAL INFORMATION

<i>Provider Name & Title</i>	David B. Schrimmer, M.D.
<i>PPHS Facilities</i>	Pomerado Hospital Palomar Medical Center

SPECIALTIES/BOARD CERTIFICATION

<i>Specialties</i>	Obstetrics and Gynecology - Certified 1989/2005 Maternal-Fetal Medicine - Certified 1996/2005
--------------------	--

ORGANIZATIONAL NAME

<i>Name</i>	UCSD Medical Center
-------------	---------------------

EDUCATION/AFFILIATION INFORMATION

<i>Medical Education Information</i>	University of Southern California FROM: 09/01/1979 TO: 05/13/1983 Keck School of Medicine
<i>Internship Information</i>	LAC/University of Southern Calif. Medical Center Obstetrics/Gynecology From: 07/01/1983 To: 06/30/1984
<i>Residency Information</i>	LAC/University of Southern Calif. Medical Center Obstetrics/Gynecology From: 07/01/1984 To: 06/30/1987
<i>Fellowship Information</i>	LAC/University of Southern Calif. Medical Center Maternal-Fetal Medicine From: 07/01/1989 To: 06/30/1991
<i>Current Affiliation Information</i>	Scripps Mercy Hospital Scripps Memorial Hospital, La Jolla University of California, San Diego Sharp Grossmont Hospital

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

PERSONAL INFORMATION

<i>Provider Name & Title</i>	Scott D. Shoemaker, M.D.
<i>PPHS Facilities</i>	Escondido Surgery Center Palomar Medical Center

SPECIALTIES/BOARD CERTIFICATION

<i>Specialties</i>	Orthopaedic Surgery – Certified 2001
--------------------	--------------------------------------

ORGANIZATIONAL NAME

<i>Name</i>	Kaiser Permanente
-------------	-------------------

EDUCATION/AFFILIATION INFORMATION

<i>Medical Education Information</i>	UCSD School of Medicine FROM: 09/19/1988 TO: 06/07/1992 Doctor of Medicine Degree
<i>Internship Information</i>	University of California, San Diego General Surgery From: 06/24/1992 To: 06/27/1993
<i>Residency Information</i>	University of California, San Diego Orthopaedics From: 07/01/1993 To: 06/30/1998 Orthopaedic Surgery
<i>Fellowship Information</i>	Texas Scottish Rite Hospital for Children, Dallas Pediatric Orthopaedics From: 08/01/1998 To: 07/31/1999
<i>Current Affiliation Information</i>	Pomerado Hospital Sharp Coronado Hospital Kaiser Permanente, San Diego

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

PERSONAL INFORMATION

Provider Name & Title	Jeffrey M. Spier, M.D.
PPHS Facilities	Pomerado Hospital Palomar Medical Center

SPECIALTIES/BOARD CERTIFICATION

Specialties	Surgery, Urology – Not Board Certified
--------------------	--

ORGANIZATIONAL NAME

Name	Hillcrest Urological Medical
-------------	------------------------------

EDUCATION/AFFILIATION INFORMATION

Medical Education Information	University of Texas, Galveston FROM: 09/01/1996 TO: 06/01/2000 Doctor of Medicine Degree
Internship Information	N/A
Residency Information	University of Texas, Galveston General Surgery From: 06/22/2000 To: 06/30/2002 University of Texas, Galveston Urology From: 07/01/2002 To: 06/30/2006
Fellowship Information	N/A
Current Affiliation Information	Scripps Mercy Hospital San Diego Outpatient Surgical Center

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

PERSONAL INFORMATION

<i>Provider Name & Title</i>	David G. Stewart, M.D.
<i>PPHS Facilities</i>	Escondido Surgery Center Pomerado Hospital Palomar Medical Center

SPECIALTIES/BOARD CERTIFICATION

<i>Specialties</i>	Orthopaedic Surgery – Not Board Certified
--------------------	---

ORGANIZATIONAL NAME

<i>Name</i>	S.D. Arthroscopy & Sports Medicine
-------------	------------------------------------

EDUCATION/AFFILIATION INFORMATION

<i>Medical Education Information</i>	University of Texas Southwestern Med Center, Dallas From: 09/01/1997 To: 06/01/2001 Doctor of Medicine Degree
<i>Internship Information</i>	Southwestern Medical Center at Dallas General Surgery From: 07/01/2001 To: 06/30/2002
<i>Residency Information</i>	Southwestern Medical Center at Dallas (Parkland Health & Hospital System) Orthopaedic Surgery From: 07/01/2002 To: 06/30/2006
<i>Fellowship Information</i>	San Diego Arthroscopy & Sports Medicine Sports Medicine From: 08/01/2006 To: Present Expected Date of Completion: 07/31/2007
<i>Current Affiliation Information</i>	None

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

PERSONAL INFORMATION

<i>Provider Name & Title</i>	Carri R. Warshak, M.D.
<i>PPHS Facilities</i>	Pomerado Hospital Palomar Medical Center

SPECIALTIES/BOARD CERTIFICATION

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

ORGANIZATIONAL NAME

<i>Name</i>	UCSD Medical Center
-------------	---------------------

EDUCATION/AFFILIATION INFORMATION

<i>Medical Education Information</i>	University of Cincinnati, Ohio FROM: 06/01/1995 TO: 06/11/1999 Doctor of Medicine Degree
<i>Internship Information</i>	University of Cincinnati Medical Center Obstetrics/Gynecology From: 07/01/1999 To: 06/30/2000
<i>Residency Information</i>	University of Cincinnati Medical Center Obstetrics/Gynecology From: 07/01/2000 To: 06/30/2003
<i>Fellowship Information</i>	University of California, San Diego Maternal-Fetal Medicine From: 07/01/2003 To: 06/30/2006
<i>Current Affiliation Information</i>	Scripps Memorial Hospital, La Jolla Scripps Mercy Hospital University of California, San Diego

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

PERSONAL INFORMATION

Provider Name & Title	Douglas A. Woelkers, M.D.
PPHS Facilities	Pomerado Hospital Palomar Medical Center

SPECIALTIES/BOARD CERTIFICATION

Specialties	Maternal-Fetal Medicine – Not Board Certified Obstetrics and Gynecology - Certified 2000
--------------------	---

ORGANIZATIONAL NAME

Name	UCSD Medical Center
-------------	---------------------

EDUCATION/AFFILIATION INFORMATION

Medical Education Information	Stanford University School of Medicine, CA FROM: 06/01/1987 TO: 06/14/1992
Internship Information	University of California, San Diego Obstetrics/Gynecology From: 07/01/1992 To: 06/30/1993
Residency Information	University of California, San Diego Obstetrics/Gynecology From: 07/01/1993 To: 06/30/1996
Fellowship Information	Magee-Women's Hospital, Pittsburgh, PA Maternal-Fetal Medicine From: 07/01/1996 To: 06/30/1999
Current Affiliation Information	Sharp Grossmont Hospital Scripps Mercy Hospital Scripps Memorial Hospital, La Jolla University of California, San Diego UCSD Thornton Hospital

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

NAME: Donna L. Kelly, R.N.
SPECIALTY: Registered Nurse/Clinical Research Coordinator
SERVICES: Clinical Research Coordinator for Resuscitation Outcomes Consortium Research study
TRAINING: St. Joseph School of Nursing, Toronto, Ontario, Canada
Registered Nurse Degree 09/01/72-06/01/74
Humber College, Health Sciences, Toronto, Ontario, Canada
Certification in Clinical Nursing Program 01/01/82-04/01/85
UCSD Extension –Client Server Technology Certification 09/01/02-12/01/2004
PRACTICE: RN/Clinical Research Coordinator, UCSD ROC study with Thomas Velky, M.D. 09/01/06-Present
RN/Clinical Research Coordinator, UCSD Medical Center, San Diego, CA 09/01/89-present
SPONSOR: Thomas Velky, M.D.
CERTIFICATION: Certified Emergency Nurse Board of Certification 1990
FACILITIES: Palomar Medical Center and Pomerado Hospital

NAME: Lien M. Khuat, N.P.
SPECIALTY: Nurse Practitioner
SERVICES: Nurse Practitioner
TRAINING: Grossmont College, El Cajon, CA
A.S. Nursing 01/31/77-12/20/85
San Diego State University, San Diego, CA
Bachelor of Science in Nursing 01/01/97-12/28/98
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: Palomar Medical Center and PCCC

**PALOMAR POMERADO HEALTH
ALLIED HEALTH PROFESSIONAL
APPOINTMENTS
FOR NOVEMBER 2006 (page 2 -continued)**

NAME:	Steven A. Manes, O.T.-C	
SPECIALTY:	Orthopedic Technologist	
SERVICES:	Orthopaedic Technician for the Kaiser Orthopaedic Surgeons at Pomerado Hospital	
TRAINING:	Grossmont College/S.D. County ROP Program, La Mesa/San Diego, CA	
	Orthopaedic Technician Certificate	08/26/91-07/30/92
PRACTICE:	Orthopaedic Technician, Kaiser Permanente, San Diego, CA	07/14/03-Present
	Orthopaedic Technician, Sutter Davis Hospital, Davis, CA	05/03/01-12/06/03
	Orthopaedic Coordinator, Sutter Medical Foundation, Sacramento, CA	01/22/01-06/18/03
	Orthopaedic Technician, Woodland Healthcare, Woodland, CA	10/25/99-01/17/01
	Orthopaedic Technician, James McClurg, M.D., San Diego, CA	08/01/94-10/31/99
	Orthopaedic Technician, Read-Care Medical Center, San Diego, CA	06/01/92-94
SPONSORS:	Kaiser Orthopaedic Surgeons at PMC/ESC	
CERTIFICATION:	National Board for Certification of Orthopaedic Technologists	1998
FACILITIES:	Palomar Medical Center and Escondido Surgery Center	
NAME:	Lana M. McCallum-Brown, R.N.	
SPECIALTY:	Registered Nurse/Clinical Research Coordinator	
SERVICES:	Clinical Research Coordinator for Resuscitation Outcomes Consortium Research study	
TRAINING:	The Winnipeg General Hospital School of Nursing, Winnipeg, Canada Professional Nurse Degree	09/02/70-11/05/72
PRACTICE:	RN/Clinical Research Coordinator, UCSD ROC study with Thomas Velky, M.D.	09/01/06-Present
	Trauma Research Coordinator, UCSD Medical Center, Dept of Surgery, Diego, CA	10/01/05-present
	Nurse Manager and Base Hospital Nurse Coordinator, American Medical Response, San Diego, CA	09/01/96-10/01/05
	Base Hospital Nurse Coordinator, UCSD Medical Center, San Diego, CA	06/01/84-09/01/96
SPONSOR:	Thomas Velky, M.D.	
CERTIFICATION:	Certified Emergency Nurse Board of Certification	1988
FACILITIES:	Palomar Medical Center and Pomerado Hospital	
NAME:	John Patrick McKnight	
SPECIALTY:	Orthopaedic Technician	
SERVICES:	Orthopaedic Technician for the Kaiser Orthopaedic Surgeons at Pomerado Hospital	
TRAINING:	Kaiser Permanente, San Diego, CA	
	On the job training	1970-1971
PRACTICE:	Orthopaedic Technician, Kaiser Permanente, San Diego, CA	03/01/77-Present
	Surgical Technician, Mission Bay Hospital, San Diego, CA	1/01/76-03/01/77
	Orthopaedic Technician/Surgery Assistant, Kaiser Permanente, San Diego, CA	01/01/71-08/31/74
SPONSORS:	Kaiser Orthopaedic Surgeons at PMC/ESC	
CERTIFICATION:	None	
FACILITIES:	Palomar Medical Center and Escondido Surgery Center	

**PALOMAR POMERADO HEALTH
ALLIED HEALTH PROFESSIONAL
APPOINTMENTS
FOR NOVEMBER 2006 (Page 3 -continued)**

NAME:	Grace Ratto, R.N., CCP	
SPECIALTY:	Perfusionist	
SERVICES:	Perfusionist	
TRAINING:	Molloy College, Rockville Centre, New York	
	Bachelor of Science – Nursing Degree	09/01/79-05/30/83
	Northeastern University, Boston, MA	
	Cardiovascular perfusion technology certificate	09/26/88-09/01/90
PRACTICE:	R.N., Quality Data Analyst, Sharp Health Care, San Diego, CA	12/13/02-Present
	Self-employed contract perfusionist, various hospitals, San Diego, CA	05/01/02-Present
	Perfusionist, Pat O. Daily, M.D., Inc, San Diego, CA	06/01/96-05/28/02
	Perfusionist, Integrated Cardiovascular Systems, Inc, San Diego, CA	07/01/93-06/01/96
	Perfusionst, Cardiovascular Perfusion Inc, San Diego, CA	02/01/92-07/01/93
	Perfusionist, Cardiovascular Surgical Associates, Roanoke, VA	01/01/90-01/01/92
SPONSORS:	Anatoly Bulkin, M.D., Jeffrey Rosenburg, M.D., Robert Reichman,MD John Young, M.D.	
CERTIFICATION:	American Board of Cardiovascular Perfusion	1993
FACILITIES:	Palomar Medical Center	



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

October 24, 2006

TO: Board of Directors

BOARD MEETING DATE: November 20, 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 11/30/2006. 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 11/30/2006.

The Executive Committee, in its meeting of October 23, 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. Reappointment Effective 11/30/2006 – 04/30/2007
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: October 24, 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:

11/20/2006 – 10/31/2008

- ◆ Jeffrey G. Luban, M.D., Anesthesiology
- ◆ Scott D. Shoemaker, M.D., Orthopaedic Surgery
- ◆ David G. Stewart, M.D., Orthopaedic Surgery

Voluntary Resignations/Withdrawals

- ◆ Lokesh S. Tantuwaya, M.D., Neurosurgery (Effective 10/24/2006)

Allied Health Professional Appointment

11/20/2006 – 10/31/2008

- ◆ Steven A. Manes, OTC, Orthopaedic Technician; Sponsors: Kaiser Orthopaedic Surgeons
- ◆ John P. McKnight, Orthopaedic Technician; Sponsors: Kaiser Orthopaedic Surgeons

Reappointment:

12/01/2006 – 11/30/2008

- ◆ Tamara L. Aburto-Pratt, M.D., Family Practice
- ◆ Marc Gipsman, M.D., Anesthesiology
- ◆ Peter M. Lucas, M.D., Anesthesiology
- ◆ Kevin L. Metros, M.D., Orthopaedic Surgery
- ◆ Joan M. Meyer, D.P.M., Podiatry

Certification by and Recommendation of Escondido Surgery Center Medical Director:

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

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

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

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



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

DATE: November 1, 2006
TO: Board of Directors - November 20, 2006
FROM: Paul E. Tornambe, M.D., Chief of Staff, Pomerado Hospital Medical Staff
SUBJECT: Medical Staff Credentials Recommendations – **October 2006:**

Credentials Recommendations: October 2006

Provisional Appointments: (11/20/2006 – 10/31/2008)

Philip J. Balikian, M.D. - Surgery
Prakash K. Bhatia, M.D. Medicine
Louise C. Laurent, M.D. – OB/GYN
Peter Lee, M.D. – Radiology
Jeffrey G. Luban, M.D. – Anesthesia
David B. Schrimmer, M.D. – OB/GYN
Jeffrey M. Spier, M.D. – Surgery
David G. Stewart, M.D. – Surgery (Assisting only)
Carrie R. Warshak, M.D. – OB/GYN
Douglas A. Woelkers, M.D. – OB/GYN

Biennial Reappointments: (12/01/2006 – 11/30/2008)

Bradley B. Bailey, M.D. – Active – Emergency Medicine/Wound Care (includes Villa)
Marc Gipsman, M.D. – Active – Anesthesia
Neil D. Goldfinger, M.D. – Active – Pediatrics
Nicholas J. Jauregui, M.D. – Active – Medicine
Stuart D. Klein, M.D. – Active – Medicine
Dale A. Kooistra, M.D. – Affiliate – Medicine
David M. Lee, M.D. – Active – Emergency Medicine
Damon N. London, M.D. – Active – Emergency Medicine
Peter M. Lucas, M.D. – Active – Anesthesia
Sharna B. Shacher, M.D. – Active – Medicine
Steven J. Taggart, M.D. – Active - Radiology

Advancements:

David W. Cloyd, M.D. – Courtesy – Surgery 11/20/2006 – 11/30/2007
Douglas W. Reavie, M.D. – Affiliate – Surgery 11/20/2006 – 08/31/2007
Kevin Yoo, M.D. – Active - Surgery – 11/20/2006 – 01/31/2008 (includes Villa)

Allied Health Renewals: 12/01/2006 – 11/30/2008

Monica Furfano Shedd, M.A. – Evoked Potential Technician – Sponsors Dr. Deitel, Dr. Yoo

Reinstatements and Renewals

Michael J. Conte, P.A.-C 11/20/2006 – 10/31/2008
John A. Frisbee, P.A.-C 11/20/2006 10/31/2008
Jane V. Salinas, P.A.-C 12/01/2006 – 11/30/2008

Allied Health Appointments: (11/20/2006 – 10/31/2008)

Lana M. McCallum-Brown, R.N. – Sponsor Dr. Velky
Donna L. Kelly, M.D., R.N. – Sponsor Dr. Velky

Resignations

Atousa Brandish, M.D. – Medicine
Francine E. DuVall, D.D.S. - Surgery.
Marc Zinser, M.D. - Anesthesia

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.

**GENERAL ELECTION 2006
UNOFFICIAL RESULTS**

TO: PPH Board of Directors

MEETING DATE: November 20, 2006

FROM: Christine D. Meaney for
Marcelo R. Rivera, M.D., Chairman

BACKGROUND:

• **Palomar Pomerado Health Board Candidates**

The unofficial results of the November 7, 2006 election reflect that four out of five candidates for four positions were returned. The four successful candidates were PPH incumbents and successfully defended their seats on the PPH Board of Directors, each for a term of four years (Full Term). The results are unofficial pending the certification process by the Registrar of Voters. We have been informed that completion of the official canvass and certification of the final results is anticipated on or before November 30, 2006. Pending the certification process, the term of office for hospital districts per Health & Safety Code 32100.5 begins on the first Friday in December next following the general district election, ie., Friday, December 1, 2006. A resolution of acceptance will be presented at the December 11 Board Meeting.

Because the applicable statute provides that, "the term of office of each elected Board member shall be four years (Full Term) or two years (Short Term), or until the Board member's successor is elected and has qualified...", there is no automatic expiration of any member's term. Therefore, it is not imperative that an oath of office be taken before the December Regular Board Meeting, unless the will of the Board is to schedule a meeting for that purpose.

The unofficial results of the November 7, 2006 election are as follows, in order of votes received:

<u>Full 4 Year Term</u> (Vote for 4)	<u>Votes</u>	<u>Percentage</u>
Alan W. Larson	50,448	23.99
Bruce G. Krider	46,783	22.25
T. E. (Ted) Kleiter	45,236	21.51
Gary L. Powers	43,458	20.67
M. David Meagher	24,333	11.57

**Governance Committee
Conflict of Interest Code Biennial Review 2006**

TO: Board of Directors
DATE: November 20, 2006
FROM: Governance Committee October 10, 2006
BY: Christine Meaney for Michael Covert

BACKGROUND: PPH is required to review its Conflict of Interest Code on a biennial basis, the last occasion being 2004. Following administrative review it was felt that due to there being no substantial change on this occasion, the Board Office advised the County Board of Supervisors August 29, 2006 by completion and return of its 2006 Local Agency Biennial Notice, that no amendment was required. The District Compliance Officer was also aware.

BUDGET IMPACT: None

**STAFF
RECOMMENDATION:** Informational

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:

**Governance Committee
Succession Planning Policy Update**

TO: Board of Directors
DATE: November 20, 2006
FROM: Governance Committee, October 10, 2006
BY: Christine Meaney for Michael Covert

BACKGROUND: Following Board request for the drafting of a PPH Succession Planning Policy, the CEO had been working on such a draft.

An update was provided to the Committee by Mr. Covert stating that he would discuss further with the Board at either the Board's Annual Self-Evaluation, or at his own Annual CEO Evaluation. EMT were pursuing this policy and he would provide a list of everyone's status and impact of where we might wish to take our management development, noting that he wished to implement this policy for a couple of years with senior staff.

BUDGET IMPACT: None

**STAFF
RECOMMENDATION:** Informational

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:

**Governance Committee
In-House Legal Counsel Update**

TO: Board of Directors
DATE: November 20, 2006
FROM: Governance Committee, October 10, 2006
BY: Christine Meaney for Michael Covert

BACKGROUND: As a result of the perceived need for a PPH in-house legal counsel regarding certain legal matters, the CEO provided an update to the Committee, noting that interviews were in process.

BUDGET IMPACT: None

**STAFF
RECOMMENDATION:** Informational

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:

**Governance Committee
Legislative/Governmental Relations Update**

TO: Board of Directors
DATE: November 20, 2006
FROM: Governance Committee, October 10, 2006
BY: Christine Meaney for Michael Covert

BACKGROUND: So that regular information may be provided to this committee, Gustavo Friederichsen, Chief Marketing and Communication Officer, provided an update on legislative/governmental issues.

A run-down of Bills, Propositions and hand-outs was provided, including State Bills and Propositions for the upcoming November 7 General Election.

The Committee approved sending a letter online against SB 815 (proposed workers compensation premiums increase for ALPHA Fund members).

It was hoped that Proposition 86 (Tobacco Tax) would pass as letters of support had been sent from PPH to the newspapers, Governor's Office, ACHD and CHA.

Regarding a Non-Smoking policy, Director Greer provided supportive information from the State in the form of posters and indicating positive publicity against tobacco.

BUDGET IMPACT: None

**STAFF
RECOMMENDATION:** Information/Discussion

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:

Governance Committee
Annual Board Self-Evaluation 2006, and potential Facilitator

TO: Board of Directors
DATE: November 20, 2006
FROM: Governance Committee, October 10, 2006
BY: Christine Meaney for Michael Covert

BACKGROUND: To meet JCAHO requirements, it was suggested that the Committee discuss planning for an Annual Board Self-Evaluation Meeting for 2006 to take place in January or February, 2007, depending upon calendaring commitments, noting that if possible the Annual CEO Evaluation should be undertaken in January. These have normally been held as special board meetings.

It was generally agreed that a mutually convenient date be determined by the Board Office for the Annual Self-Evaluation. *(This has since been confirmed as Monday, January 29, 2007).*

The survey format for the Board's Self-Assessment by the Governance Institute had proved a useful tool, as well as the Board Self-Evaluation Peer Review survey.

The involvement of a Facilitator was again considered so as to compile and review a comparative statistical report for the Board as a result of the above survey tools, as this has occurred in previous Annual Board Self-Evaluations. It was agreed that Ronald Riner, M.D., who had successfully conducted two prior PPH Annual Board Self-Evaluations, be invited. Dr. Riner would be willing to do so. This would also provide a continuum benchmarking of the Board's progress.

BUDGET IMPACT: None

STAFF RECOMMENDATION: Informational

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:

**Governance Committee
Annual Board Educational Seminar**

TO: Board of Directors
DATE: November 20, 2006
FROM: Governance Committee, October 10, 2006
BY: Christine Meaney for Michael Covert

BACKGROUND: The Committee discussed the Annual Board Educational Seminar. This enabled the Board as a whole, in addition to invited Chiefs and Chiefs of Staff elect, to attend an educational conference.

Information on potential conferences was discussed with the possibility of an April 1-4, 2007 Governance Institute Leadership Conference (brochure awaited). Subsequently, information was distributed on the possibility of a Hospital of the Future Symposium April 26-27, 2007. Interest had been shown in the latter and further information was also being obtained.

BUDGET IMPACT: None

**STAFF
RECOMMENDATION:** Informational

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:

**Governance Committee
Annual CEO Evaluation – FY 2006**

TO: Board of Directors
DATE: November 20, 2006
FROM: Governance Committee, October 10, 2006
BY: Christine Meaney for Michael Covert

BACKGROUND: In order to meet JCAHO requirements, the Committee at its October 10 meeting discussed planning for the Annual Board CEO Evaluation FY 2006 anticipated for January, 2007. The annual CEO evaluation for FY 2005 occurred January 25, 2006. This had normally taken the form of a Special Board Meeting.

It was generally agreed that a mutually convenient date be determined by the Board Office for the Annual CEO Evaluation.

BUDGET IMPACT: None

**STAFF
RECOMMENDATION:** Informational

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:

Informational: Compensation

TO: PPH Board of Directors

MEETING DATE: November 20, 2006

FROM: Nancy Bassett, RN
Chair Human Resources Committee

BACKGROUND: An update on management compensation procedures was provided to the Human Resources Committee.

1. Discussion centered on the need for PPH to find a way to compensate directors and above for individual performance, not with a base wage adjustment, but as a bonus opportunity. Currently market adjustments are given to management every other year. The incentive plan is paid only when the organization reaches the designated financial target.
2. Instead of labeling this compensation opportunity as "merit," a suggestion was made to use the term, "discretionary bonus." This is a one-time opportunity to acknowledge individual performance over the past year in the form of a lump sum bonus of up to 5%. A CEO discretionary pool of 1% will be established for exceptional performance.
3. Further discussion about the target percentile for market as well as the threshold, target and maximum levels for the organizational incentive plan will be held at a later date. Changes made in these programs may be referred to the Finance Committee because of the potential financial impact of the change.

BUDGET IMPACT: Not Applicable

STAFF RECOMMENDATION:

COMMITTEE QUESTIONS:

- A. Larson inquired about the amount of the CEO pool.
- A. Larson was concerned that raising the percentile would have a financial impact.

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:

Informational: Recent NRLB Decision

TO: PPH Board of Directors
MEETING DATE: November 20, 2006
FROM: Nancy Bassett, RN
Chair Human Resources Committee

BACKGROUND: The NLRB has recently made a decision regarding the charge nurses and their exclusion from the bargaining unit under certain criteria.

PPH is considering whether we want to move forward with removing Charge RN's from the union.

BUDGET IMPACT: Not Applicable

STAFF RECOMMENDATION:

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:

Informational: Benefits Open Enrollment

TO: PPH Board of Directors
MEETING DATE: November 20, 2006
FROM: Nancy Bassett, RN
Chair Human Resources Committee

BACKGROUND: The annual open enrollment for PPH benefits began October 30. Brenda Turner provided information related to this event.

1. Changes being made to the benefits program include:
 - a. The separation of medical and vision
 - b. The addition of an enhanced Aflac plan
 - c. The medical premiums will increase by 5%
2. A new communication piece has been developed that is not as detailed as in years past. Detailed information will be moved to the Intranet.

BUDGET IMPACT: Not Applicable

STAFF RECOMMENDATION:

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:

Update: Smoking Forums

TO: PPH Board of Directors
MEETING DATE: November 20, 2006
FROM: Nancy Bassett, RN
Chair Human Resources Committee

BACKGROUND: Board Member Greer requested HR Committee discuss the possible creation of a PPH Campus Non-Smoking Policy. M. Covert and W. George have scheduled employee forums in the month of December to solicit feedback from PPH employees.

BUDGET IMPACT: Not Applicable

STAFF RECOMMENDATION:

M. Covert to report back to HR Committee with a recommendation once the forums have been completed.

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:

Perinatology Program Development

TO: PPH Board of Directors
DATE: November 20, 2006
FROM: Strategic Planning Committee on October 17, 2006
BY: Diane Key, Service Line Administrator, Women's Services

BACKGROUND: A key program opportunity identified in the Women's Strategic Plan was the development of a Perinatology program. This program is being initiated and was presented to the Committee. The focus of the presentation was on the perinatology professional services, which will be provided by the UCSD Perinatal Group, via a professional services agreement that was approved by the Finance Committee in August and by the Board in September 2006. This agreement will provide inpatient consultation on-site M-F and after-hour telephone or on-site consultation to both PMC and POM. The projected volume this year will be an additional 100 deliveries this first year, and an additional 1,395 NICU days.

There will be an Outpatient Perinatal Testing Center at PMC, which will offer outpatient prenatal services 3 days per week. The anticipated outpatient procedure volume is 6,396 procedures per year (amnios, ultrasounds, genetic consults). Dr. Rivera asked when the breakeven point would be reached, and Diane answered that she was not certain, but it looked like the ROI would be reached in approximately 3.7 years. Dr. Rivera asked when the volume would be expected to reach 6,396 procedures, and Diane responded that that volume should be reached this year.

Diane mentioned that they anticipate performing 4,000 – 5,000 non-stress tests per year, and Dr. Kung asked what non-stress tests have to do with perinatology. Diane responded that they help with revenue to support that program. Dr. Buringrud mentioned that he saw 5 diabetes patients today, and they were impacted by not being able to bill for professional fees for non-stress tests, thereby losing income. Dr. Rivera asked if a community survey was done, and Diane responded that patients were not consulted, but they did consult midwives and nurses. Dr. Rivera asked how long until they would see significant numbers at Pomerado for perinatology, and Diane responded that when Pomerado opens the OSP, the perinatology program plans to be open 1 or 2 days per week. Dr. Rivera asked if the program has the support of the OB/Gyn's, and Diane responded that it does.

BUDGET IMPACT: None

COMMITTEE RECOMMENDATION:

Information: X

HealthWoRx Program

TO: PPH Board of Directors
DATE: November 20, 2006
FROM: Strategic Planning Committee on October 17, 2006
BY: Melanie Van Winkle, Director, Revenue Cycle

BACKGROUND: Melanie Van Winkle, Director, Revenue Cycle, presented the progress to date on the 2007 HealthWoRx Initiative, to "Develop, implement and operationalize a patient-focused revenue cycle plan, inclusive of all business and clinical aspects, under the direction of a dedicated project manager."

The HR team has been closely involved. Dr. Rivera asked when the project would be reassessed, and Melanie answered that it would be reassessed in the next 2-3 months.

Dr. Kanter felt that this project will take extraordinary vision, but will be limited financially, which will change the processes. Lot of work and involvement will be necessary, and some work will be shifted to doctors, and some to patients. The goal is obvious – to be both patient-centered, and physician-friendly.

Dr. Kung mentioned that we should not forget the patient experience here, that there are some emotional issues involved, such as who tells them their results, who interfaces with them; some are within our control, some are not. Melanie responded that one of the key components is that the front line (office) staff may need additional training.

Dr. Rivera asked if the program would be implemented in stages. Melanie responded that they will tap into processes and prioritize, and determine what's critical to go-live and what is affordable. Dr. Rivera asked her to help him understand interfacing with physician offices – how will they integrate? Melanie answered that these are all points to investigate, with two-way sharing. Dr. Rivera reminded us about the importance of HIPAA compliance. Dr. Rivera asked when the financial analysis would be done, and how much money the program currently has, and if every team (cost center) would be contributing. Melanie responded that there is some money available; but she is not certain that it is enough. The immediate goal is to get a high-level estimate in next 2 –3 months to the steering committee.

Michael Covert added that this is an enlightening project; the money that PPH is losing today can and will pay back plus add \$10 – \$15 million to what we are losing today. This project will come back to the Strategic Planning Committee and the Finance Committee, and will capture lost revenue we let go (which is not atypical); between 1-2% of our bills go out without errors; 2 to 4% is typical in large hospitals.

Dr. Larson thanked Melanie for a very nice and informative presentation.

BUDGET IMPACT: None

HealthWoRx Program

COMMITTEE RECOMMENDATION:

Information: X

Imaging Plan Update

TO: PPH Board of Directors
DATE: November 20, 2006
FROM: Strategic Planning Committee on October 17, 2006
BY: William Kail, Service Line Administrator, Imaging and Cardiac Services

BACKGROUND: In December 2004, the Board approved a multi-year capital plan for PPH Imaging Services. Bill Kail, Service Line Administrator, Imaging and Cardiac Services, presented an Imaging Strategic Plan summary and update on the implementation of that plan. Technology and time have caused the need to continually revise the plan.

The 64-slice CT is in and running at PMC. Dr. Rivera asked how we are publicizing the 64-slice CT scan to the community, and Gustavo Friederichsen responded that we have had some free media coverage, just not full-blown advertising so far. Dr. Rivera asked why we are stalled on digital mammography, and Bill responded that the technology is old, and is currently running in a deficit. Dr. Rivera mentioned that he heard that Scripps only uses digital mammography, and Bill responded that PPH wants to wait to have a comprehensive breast center, and to be careful, not just to capture digital imaging, but to be able to transfer image reading. Dr. Kanter said that we currently have a fragmented radiology system for patients, not everything is digital, and not everything can be read everywhere. If we have one comprehensive breast center to go, all films will be there, resulting in increased safety for patients, and a big improvement for doctors.

Use of the PET/CT needs to be evaluated in the O/P Strategy and Oncology Strategies. Dr. Kung asked if imaging will eventually be available in patient rooms, and Bill responded that they don't currently have that planned now, but that it could be done. Dr. Kanter commented that they are able to view any image anywhere, but that it is just not comprehensive. Whether or not there is a joint venture in the future, we will need to have all radiology results available no matter where in the system the tests are done.

BUDGET IMPACT: None

COMMITTEE RECOMMENDATION:

Information: X

Review FY'07 Initiative Status

TO: PPH Board of Directors
DATE: November 20, 2006
FROM: Strategic Planning Committee on October 17, 2006
BY: Marcia Jackson, Chief Planning Officer

BACKGROUND: PPH Management provided the Committee with a quarterly review of the FY '07 initiative status. The Strategic Planning Committee is the BOD mechanism to review the initiatives on a quarterly basis.

Nancy Bassett commented that there were no Internal Customer Service Survey numbers, and Opal Reinbold responded that we just went live with the surveys today, and that if a department's scores were less than 4.75 with their "trapeze buddies," the two departments will meet with each other to resolve their issues. Carrie Frederick discussed that patient loyalty scores were always red at the beginning of the year to target improvement.

Dr. Rivera commented on the Patient Loyalty scores, with the actual at 19%, and the threshold at 31%. Sheila Brown responded that PPH switched to Press-Ganey as of January 2006, at which time Press-Ganey gave us the 31% threshold target number. Gerald commented that very little movement was required to go from 19% to 31%, and that the majority of our scores are in the 4's and 5's, but their methodology gives 5's as 100 points, and 4's as 75 points, so our goal is to move our 4's to 5's. Dr. Tornambe asked what all of this really means, and Michael Covert responded that the federal government would eventually use these scores to pay us in the future.

Gerald Bracht went over the Physician Loyalty Scores, which just became yellow for the entire year, up to 3.9, which exceeds threshold. Michael Covert asked Gerald and Jim to identify those physicians who admit patients to hospitals, which takes away hospital-based doctors, and instead focuses on physicians who chose to admit patients to our hospitals.

Opal reviewed evidence-based practices, and reported doing well, except pneumonia screening and some discharge planning documentation, and has groups looking at these items for suggestions for improvement.

Wallie George discussed scores for creating a learning organization, having the opportunity to learn and grow, and having the tools & equipment to do our job. We will be drilling down into these areas by department to look further for opportunities for improvement.

Michael Covert ended the discussed by commenting that the Balanced Scorecard provides the BOD with the opportunity to see the management's progress on a real-time basis.

BUDGET IMPACT: None

Review FY'07 Initiative Status

COMMITTEE RECOMMENDATION:

Information: X

Proposal to Cancel November Committee Meeting

TO: PPH Board of Directors
DATE: November 20, 2006
FROM: Strategic Planning Committee on October 17, 2006
BY: Marcia Jackson, Chief Planning Officer

BACKGROUND: It was proposed to cancel the November 21, 2006 Strategic Planning Committee meeting. The Committee discussed the proposal, and Dr. Rivera motioned, Nancy Bassett seconded, and the motion carried unanimously, to cancel the November 21 Strategic Planning Committee meeting.

BUDGET IMPACT: None

COMMITTEE RECOMMENDATION:

Information: X

Status of the Internal Audit Committee

TO: Board of Directors
DATE: November 20, 2006
FROM: Internal Audit Committee
November 2, 2006
BY: Thomas Boyle, Director Internal Audit Services

Background: This was for information only. In attendance were: Chairman Rivera, Directors Krider and Powers, and Dr. Macleay.

- **Approved minutes of July 19, 2006**
- **Review Internal Audit Committee Quarterly Report**
- **Steve Tanaka presented an overview of the relationship between Cerner and PPH**

Budget Impact: None
Staff Recommendation: None
Committee Questions: None
Next Meeting: January 11, 2007 at Innovation

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:

Status Update – Ramona Property

TO: Board of Directors
FROM: Board Finance Committee
Tuesday, October 31, 2006
MEETING DATE: Monday, November 20, 2006
BY: Bob Hemker, CFO

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

Management entered into a purchase agreement, subject to Board approval after completion of Due Diligence. Originally, it was anticipated that Due Diligence would be completed, and escrow was scheduled to close at the end of August 2006. In order to facilitate further independent testing at the site, both parties agreed to a modified close date to approximately 21 days after mid-October 2006.

The results of the testing were favorable, and escrow was scheduled to close on Friday, November 3, 2006.

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

Staff Recommendation: Information only.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information: X

Required Time:

Calendar Year 2007 Capitation Decisions

TO: Board of Directors

FROM: Board Finance Committee
Tuesday, October 31, 2006

MEETING DATE: Monday, November 20, 2006

BY: Bob Hemker, CFO
Margie Drobatschewsky, Director Managed Care

Background: Capitation for Calendar Year 2007 was discussed, utilizing the attached presentation.

Budget Impact: N/A

Staff Recommendation: Staff recommended that PPH remain in capitation for Calendar Year 2007 with all four medical groups/IPA partners.

Committee Questions:

COMMITTEE RECOMMENDATION: The Board Finance Committee recommends that PPH remain in capitation for Calendar Year 2007 with all four medical groups/IPA partners.

Motion: X

Individual Action:

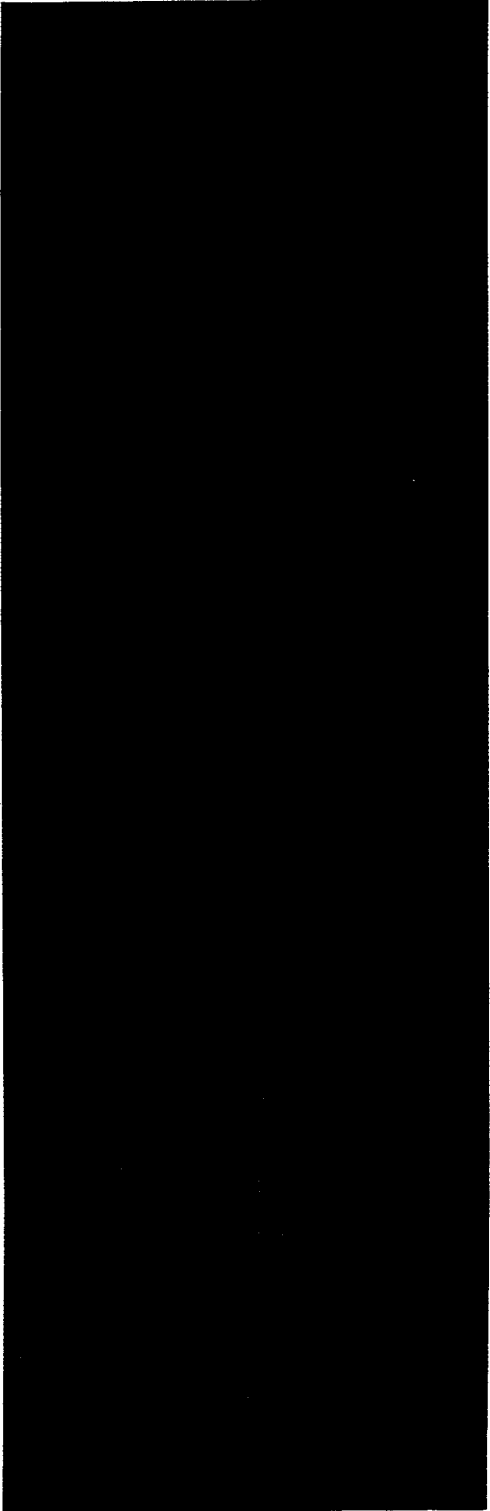
Information:

Required Time:

Capitation 2007

Margie Drobatschewsky

October 31, 2006



PALOMAR
POMERADO
HEALTH
SPECIALIZING IN YOU

Capitation Policy

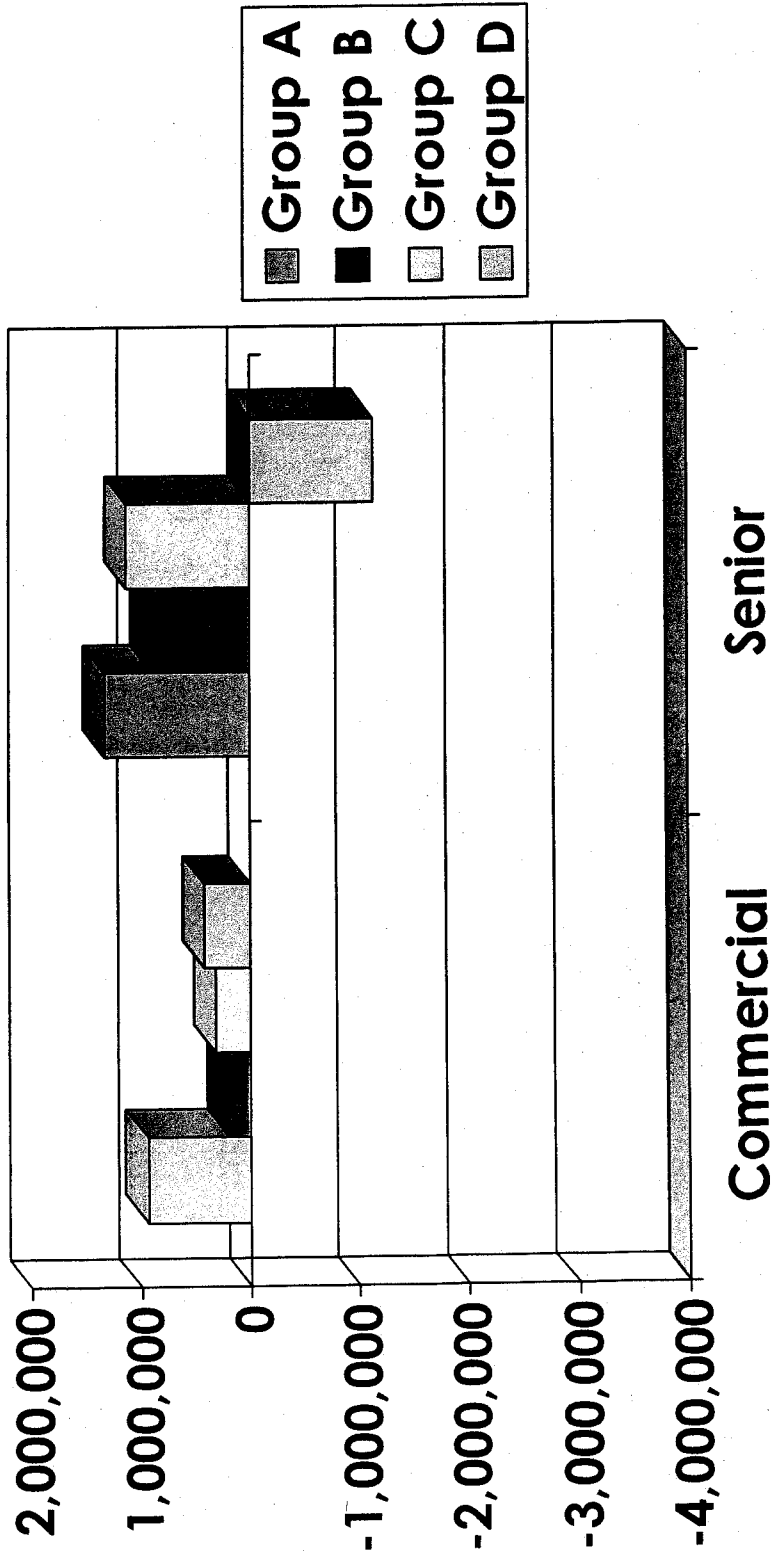
Palomar Pomerado Health has adopted the following policy:

Capitation agreements with our medical group partners will require an upside and downside sharing of risk where appropriate. Risk will be applied on an equal and consistent basis over a trended period of time

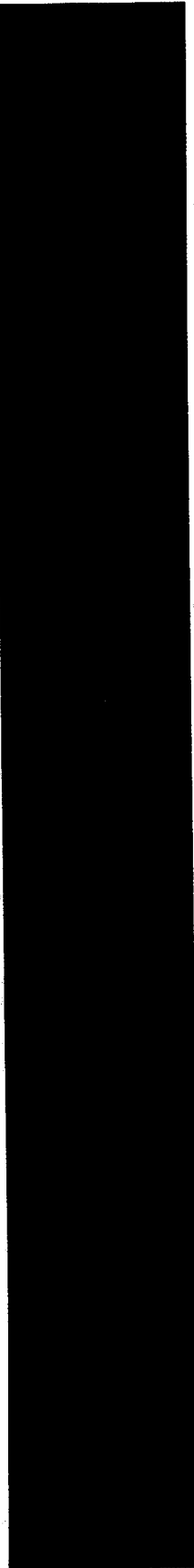
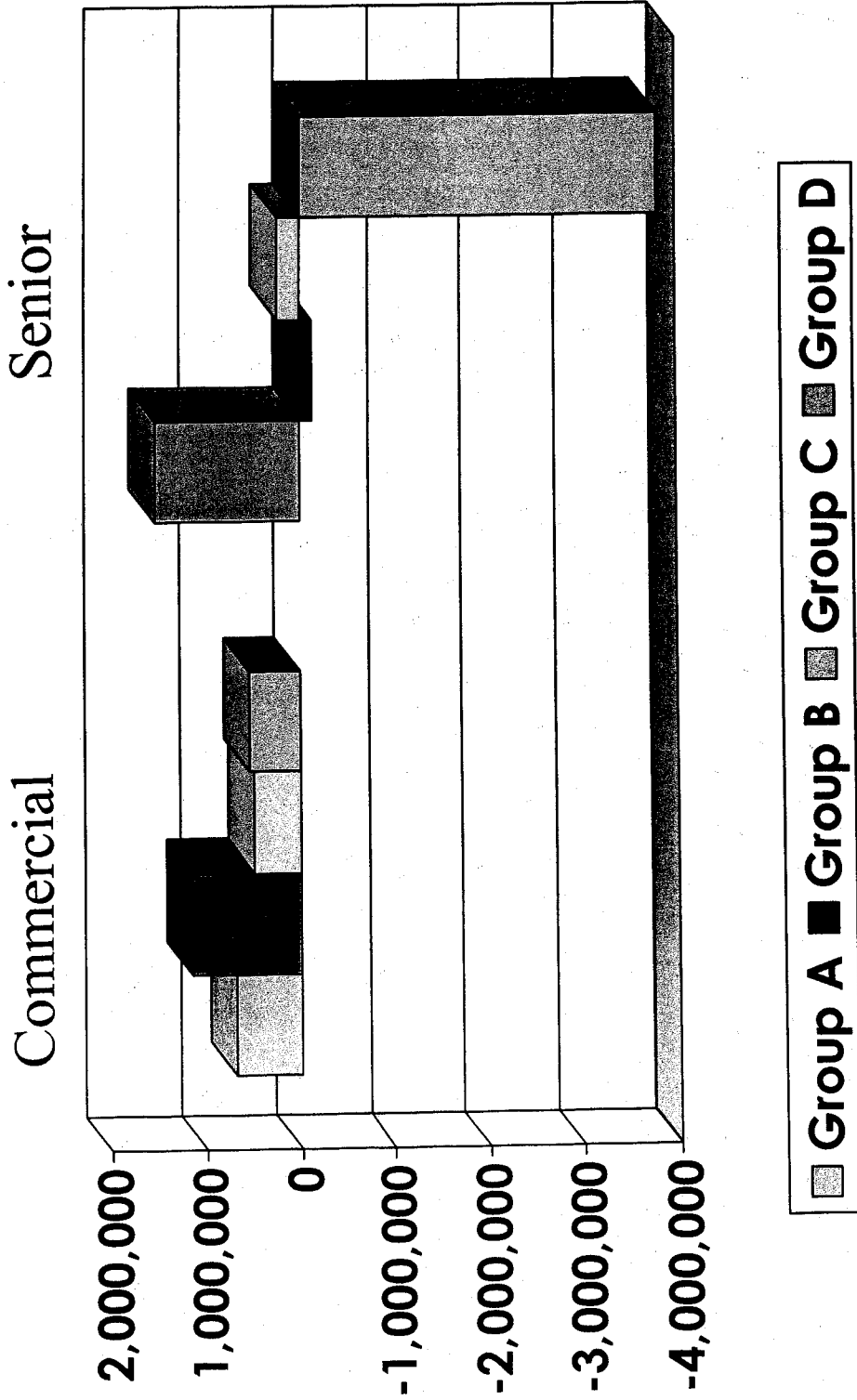
Capitation Procedure

- Minimum of 10 lives under risk
- Seniority of population = > than Medicare reimbursement
- Administrative fee of 1% of monthly cap premium based on plan design
- Value-based contracts based on most current OSHPD data
- Coverage of Division of Financial Responsibility (DOFR)
- Groups must demonstrate upside based on group performance
- Surplus must be based on group performance
- Risk pools will be financially sound and viable
- Groups must demonstrate effective concurrent and retrospective medical management

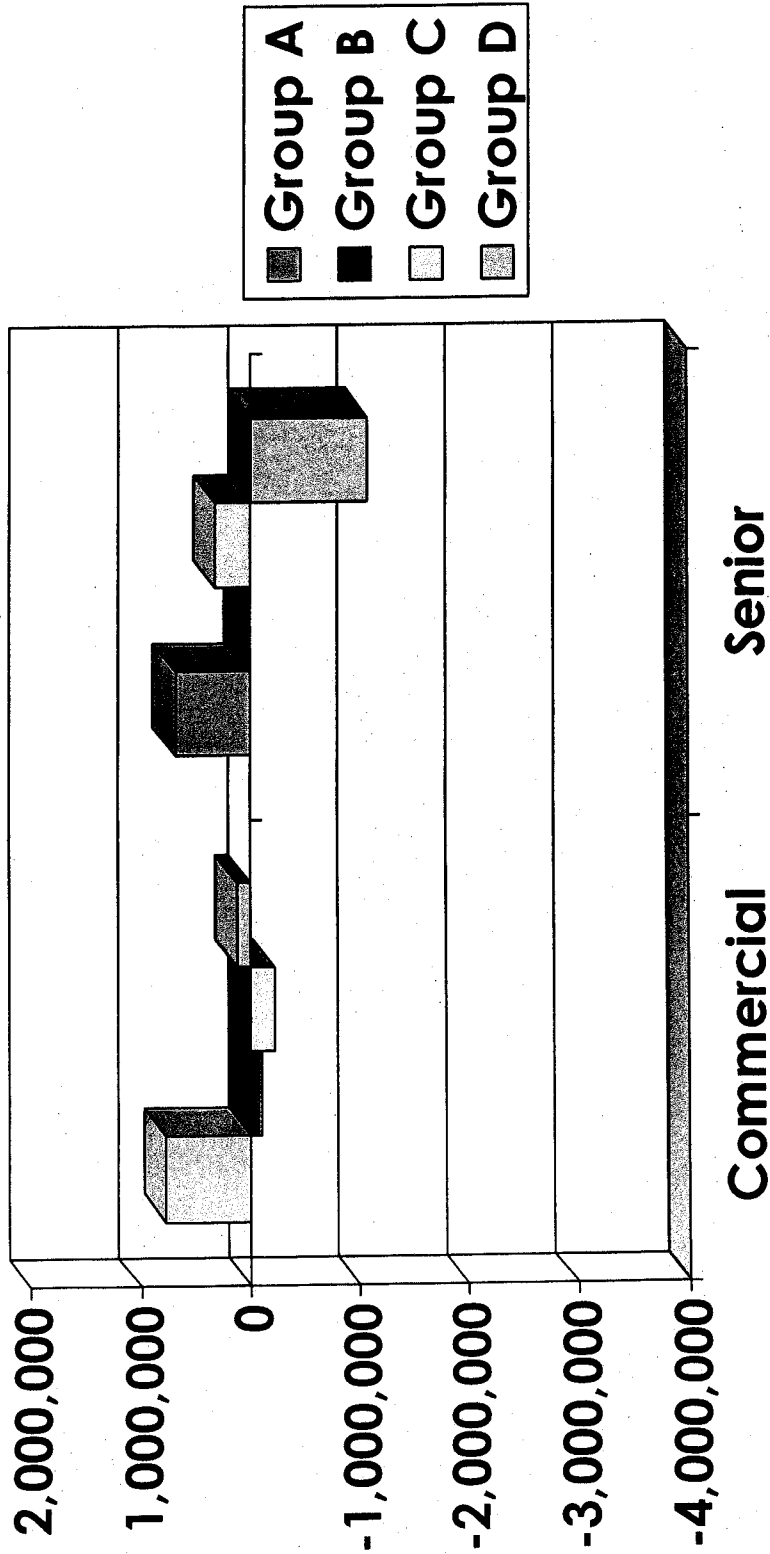
2004 Pools FINAL Settlement



2005 pools FINAL Settlement

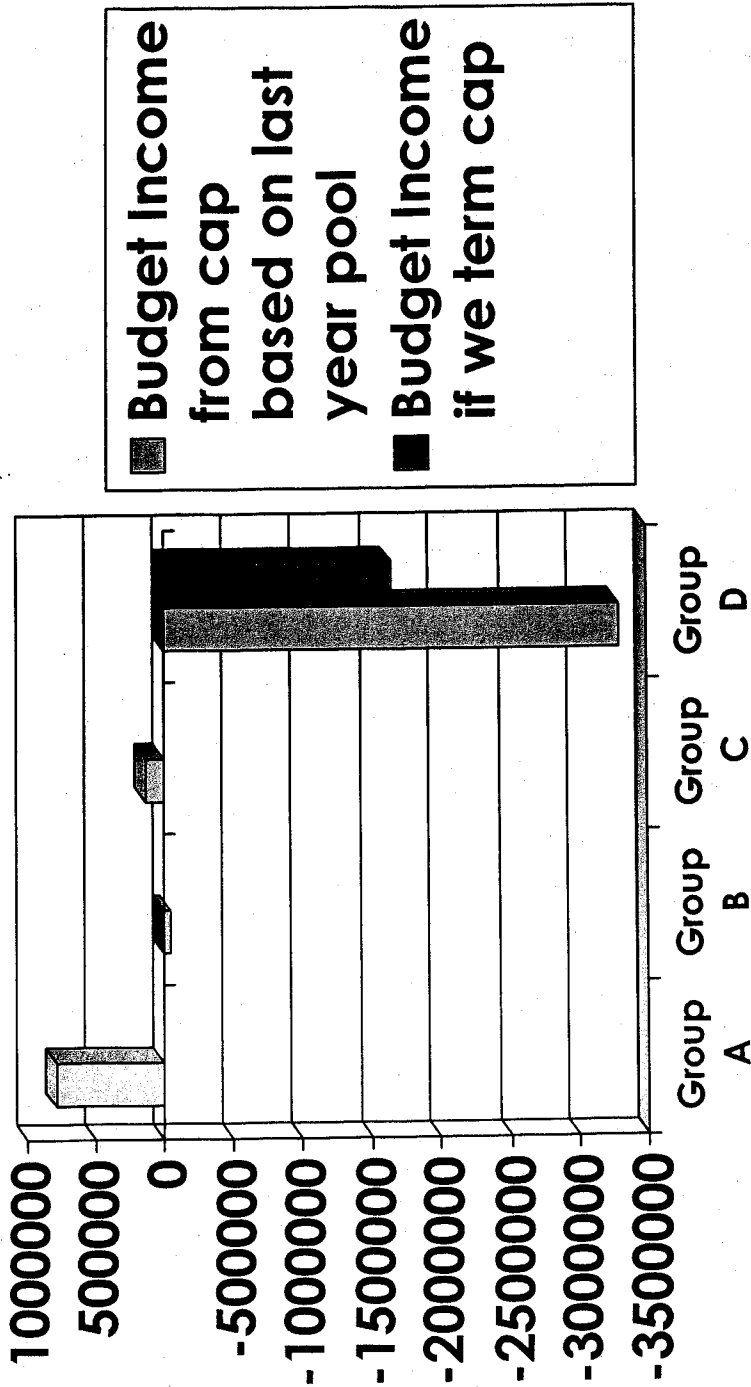


PY 2006 YTD thru June



Projected Full year positive pool or break even

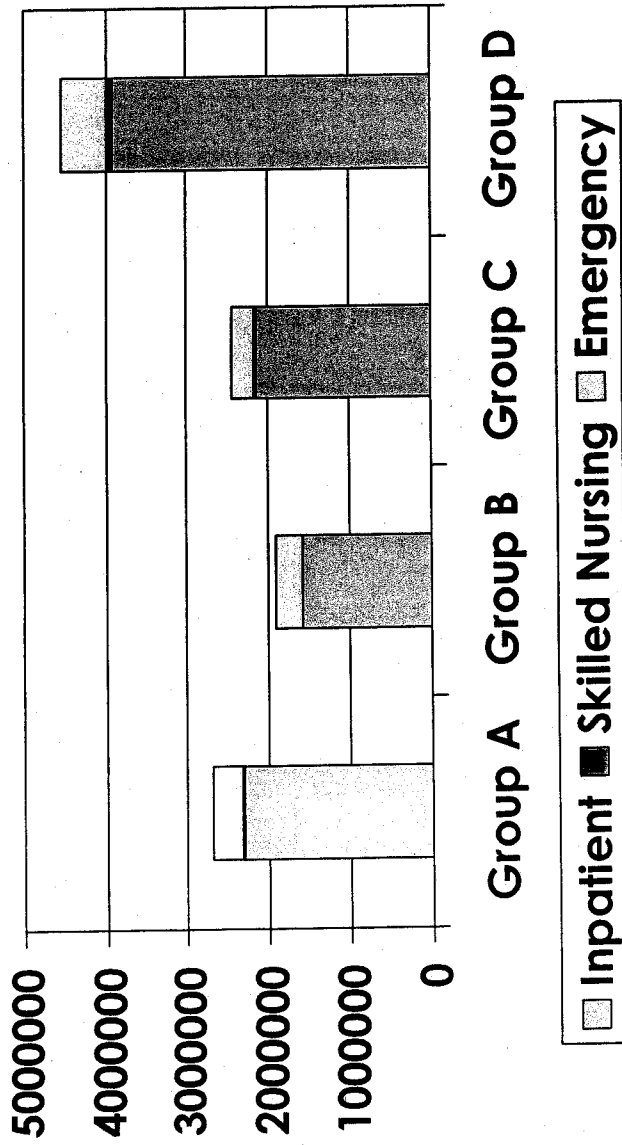
The Effect on cap on the FY07 budget



The pool runs January-December. We are contracted to remain in cap until January 2007.

If PCPs move to other hospital – Lost revenue potential

CY 2005 HMO revenue



This does not capture the important Medicare and PPO business that could be channeled away from the district.



Background

	GMG	SCMG	CHC	Penn Elm	
				Penn Elm	Quality Care
Commml Lives	7,522	6,826	5,887	3272	2626
Senior Lives	4,095	3,789	2,470	1299	808
Capped since	June 1995	May 1999	February 1999	January 2004	
PCPs within the group	Fallbrook Primary Care	PMG El Norte NCI EIM	CHC Ramona group	Penn Elm Quality Care	

Over the years there has been some movement of these physician. Many of the SCMG physicians belonged at one time to bankrupt PPMA and defunct NCHN. The El Norte group has moved from GMG to SCMG in Feb 2001

PCPs in a Capitated agreements with PPH

CHC	GMG	Penn Elm	SCMG North Inland
Chang, Larry	Bibler, Mark	Altschuler, Ken	Conrad, Alan
Foraci, Anna	Chabala, James	Birchall, Jeff	Cottel, Jill
Greenstein, Joshua	Chang, Nancy	Buzard, Russell	Greenstein, Joshua
Klein, S. Douglas	Colner, Gary	Chang, Nancy	Klein, S. Douglas
Konzen, Larry	Cueva, Mary	Curley, Edward	Konzen, Larry
Magat, Patricia A.	Hurd, Melissa	Giesemann, Corinne	Magat, Patricia A.
Merino, Richard A.	Newman, Jeffrey	Greenberg, Brent	Merino, Richard A.
Ormsby, Monica	Sharma, Sanjeev	Mendez, Angela	Ormsby, Monica
Pasha, Sabina	Naegeli, Thomas	Naegeli, Thomas	Pasha, Sabina
Pearson, Jeffrey	Probsthakar, Vena	Probsthakar, Vena	Pearson, Jeffrey
Pinnock, Norman	Ricci, Richard	Ricci, Richard	Pinnock, Norman
Rabinewsky, Alirek	Sheffey, Lynn	Sheffey, Lynn	Rabinewsky, Alirek
Rinderknecht, Haini			Rinderknecht, Haini
Saff, Akber			Saff, Akber
Schoengold, Alan			Schoengold, Alan
Shaffer, Mark			Shaffer, Mark
Weinberg, Stanley			Weinberg, Stanley
Wickes, Aaron			Wickes, Aaron

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU

Group D 2007 capitation strategy

- Onsite masters degree case manager for PMC, telepresence review for POM until new onsite manager is hired
- Repatriate medical director for PMC, new hire March 2006 for Pomerado (hire date 12/1/2006)
- Commitment to the hospitalist program at PMC
- Change evaluation rates that are in line with like-days
- Downside risk
- Outpatient work team will repatriate members back to PPH
- Retrospective review of re-admits
- Monthly operations meetings with senior management

Group C capitation strategy

- * Changeover to a 25/75% split
- * Any 2007 surplus will not be paid out until 2007 settlements are calculated
- * Continue with successful medical management using on-site case manager with a proven track record
- * Continue use of Hospice as appropriate
- * Maximize doctor involvement in repatriate out-of-network patients back in network
- * Change capitation rates so that they are in line with like policies

Primary Care Physicians

	Palomar Privileges	Pomeroado Privileges	Palomar and Pomeroado Privileges
Family Practice	41	7	13
Internal Medicine	21	22	17

Number of PCPs by medical group

Centre for HealthCare	16
El Norte Family Medicine	4
Escondido Internal Medicine	3
Graybill Medical Group	16
North County Health Services	4
North County Internists	6
Palomar Medical Group	4
Penn Elm Medical Group	7
Quality Care Medical Group	8

Recommendations

- Review capitation for 2007
- Meet with Groups quarterly, more often if appropriate for business matters and more often for operational matters
- Review cap pools mid 2007 for decision for 2008

**Consolidated Financial Statements for the Years
Ended June 30, 2006 and 2005, and Independent Auditors' Report**

TO: Board of Directors

DATE: Monday, November 20, 2006

FROM: Special Joint Board of Directors and /Finance Committee
Tuesday, November 14, 2006

BY: Bob Hemker, CFO

BACKGROUND: The draft Audited Financial Statements for the Years Ended June 30, 2006 and 2005, and the Independent Auditors' Report were presented by Mr. Drew Sutter, Partner for Deloitte, utilizing the attached PowerPoint presentation and draft audited financial statements.

The audit resulted in an unqualified "clean" opinion. Audit adjustments totaling a positive \$162,000 increase in net income from the pre-audit close financials were recorded as part of the audit process. The audited financial statements will be included as part of the Official Statement in the upcoming Bond issue.

In that the Audited Financial Statements were not completed in time for advanced distribution for the November 14, 2006, special board meeting, the Board deferred action on the drafts presented. Action accepting the Audited Financial Statements as presented will be taken at the November 20, 2006, regular Board of Director Meeting to allow Board Members additional time to review the Audited Financial Statement report. **The Final Draft is attached. Signed version will be distributed at the meeting.**

BUDGET IMPACT: N/A

STAFF RECOMMENDATION: Approval of the Audited Financial Statements for the Years Ended June 30, 2006 and 2005, and the Independent Auditors' Report as presented by Mr. Drew Sutter, Partner of Deloitte, at the November 14, 2006, Special Board of Directors Meeting.

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion: X

Individual Action:

Information:

Required Time:

Palomar Pomerado Health

***Consolidated Financial Statements as of and
for the Years Ended June 30, 2006 and 2005,
and Independent Auditors' Report***

PALOMAR POMERADO HEALTH

MANAGEMENT'S DISCUSSION AND ANALYSIS

Overview

This section of Palomar Pomerado Health's ("PPH") annual financial report presents our analysis of PPH's financial performance for the years ended June 30, 2006 and 2005. Although the 2004 condensed consolidated balance sheet, statement of revenue, expenses, and changes in net assets and statement of cash flows are presented in this section, they are not presented in the accompanying consolidated financial statements and notes to the consolidated financial statements. Please read this analysis in conjunction with the consolidated financial statements that follow this section.

This annual financial report includes:

- Management's Discussion and Analysis
- Independent Auditors' Report
- Consolidated Financial Statements of Palomar Pomerado Health, including notes that explain in more detail some of the information in the consolidated financial statements.

PPH's consolidated financial statements report information using accounting methods required by the Governmental Accounting Standards Board ("GASB") which, while similar to those used by private sector healthcare organizations, include some differences as described further in this management's discussion and analysis. These consolidated financial statements contain short-term and long-term financial information about PPH's activities.

- Non-current assets increased by \$25,650,000 due primarily to the 2005 general obligation bonds project fund of \$29,000,000.
- Current liabilities increased by \$12,633,000 primarily due to a \$8,700,000 increase in Accounts Payable owed for the building project and an increase of \$6,620,000 in the current portion of Long Term Debt, which is related to the 2005 General Obligation Bonds.
- Long-term debt increased by \$71,527,000 primarily as a result of the issuance of \$80,000,000 of Series 2005A General Obligation Bonds, less the principal payments on PPH's other bond issues of \$6,125,000.
- Net assets increased \$21,003,000 primarily due to results of operations, investment income and tax revenue.

2005: Analysis of the Consolidated Balance Sheets:

- Current assets decreased \$5,198,000 in 2005, primarily due to the reduction in cash and short-term investments used to fund major building project activities offset by an increase in Patient Accounts Receivable. PPH installed a completely new clinical and billing information system package in October 2004. This implementation caused a delay in collections on Patient Accounts Receivable. In addition, working capital was used to finance initial projects of the Master Facility Plan that will be subsequently reimbursed from Bond proceeds.
- Capital assets increased by \$26,547,000 primarily due to purchases related to PPH's major building projects and the installation of the new information system.
- Non-current assets decreased by \$3,189,000 primarily due to the reduction in Board Designated assets used for capital purchases.
- Current liabilities increased by \$3,097,000 primarily due to amounts owed for the building project and an increase in accrued compensation and related liabilities for employee expenses due to the timing of the last pay period in relation to the last day of the fiscal year.
- Long-term debt decreased by \$5,432,000 primarily as a result of principal payments on PPH's bond issues.
- Other long-term debt increased \$3,434,000 due to the re-classification of PPH's estimated portion of the ALPHA Fund deficit from a short-term to a long-term liability (see Note 12 for additional information).
- Net assets increased \$17,061,000 primarily due to results of operations, investment income and tax revenue.

Consolidated Statements of Revenue and Expenses and Changes in Net Assets—All of PPH's revenue, expenses, and other changes in net assets are accounted for in the consolidated statements of revenue, expenses, and changes in net assets. This statement measures the success of PPH's operations during the years presented and can be used to determine whether PPH has successfully recovered all of its costs through its fees and other sources of revenue. It also shows profitability and creditworthiness. Over time, increases or decreases in PPH's net assets are one indicator of whether its financial health is improving or deteriorating.

comparable to non-government hospitals because the GASB requirements do not apply to them. This must be considered in order to compare the District to non-profit and for-profit hospitals. The provision for bad debts was \$22,113,000 in fiscal year 2006 and \$21,574,000 in fiscal year 2005, and interest expense was \$4,406,000 in fiscal year 2006 and \$5,272,000 in fiscal year 2005.

- The Average Daily Census is the number of acute care inpatients in PPH's hospitals every day and is 9 higher than 2005. Although this volume measure is not formally a part of the statement of revenue, expenses, and changes in net assets, it does assist in interpreting the statement because revenue and expenses are closely tied to patient activity. Not included in this number are the skilled nursing facilities patients.
- Operating revenue is generated by PPH's primary activity of treating patients. Operating revenue increased \$20,624,000 in 2006 due to increased acuity of patient activity and negotiated increases in contracted rates, resulting in an increase in net charges during the year.
- Operating expenses are those expenses related to the treatment of patients including overhead and administration expenses. Operating expenses increased by \$29,054,000 in 2006 primarily due to increases in labor costs of approximately \$12,863,000, supplies expense of \$5,654,000, purchased services of \$2,273,000, professional fees of \$2,237,000, and depreciation expense of \$2,342,000. The labor increase was due to wage increases and additional staffing to fill clinical shortages. Advancements in certain technology and treatment modalities, particularly in cardiac care, along with pharmaceutical advancements offset by supply cost strategies, have contributed to increased supply expenditures. Increases in purchased services are primarily the result of license and maintenance fees for the replacement of all financial and clinical information technology systems during fiscal year 2004 to fiscal year 2006. Professional fees represent PPH's commitment to addressing community access to comprehensive healthcare, including specialty care such as Trauma. PPH has invested in medical directorships and in certain physician coverage programs including Emergency Department specialty call coverage, 24 hour Trauma coverage, hospitalists, and OB night call coverage, which has led to an increase in professional fees. Continued investment in capital assets and technology (notably I.T. and imaging modalities) has contributed to the ongoing increase in depreciation expense.
- Operating loss in 2006 was \$3,000. This unfavorable operating loss is a result of operating expenses in excess of revenues.
- Non-operating income (expenses) consists of interest earned on invested monies, interest expense, and PPH's share of property taxes collected by the County. PPH's non-operating income was \$20,984,000 in 2006, which is approximately \$12,358,000 more than 2005 due to property tax revenue received from additional ad valorem taxes assessed for the repayment of the GO bonds. Interest earned on investments includes \$1,216,000 of realized and unrealized losses in the investment portfolio due to increasing market interest rates.
- As a result of the factors noted above, net assets increased by \$21,003,000 in 2006, which is \$3,943,000 greater than the 2005 increase in net assets of \$17,061,000.

2005: Analysis of the Consolidated Statement of Revenues and Expenses and Changes in Net Assets

- In accordance with generally accepted accounting principles for governmental healthcare providers, the District's Consolidated Statements of Revenues and Expenses and Changes in Net Assets reflect the following: 1) Net Patient Service Revenues include the provision for bad debts, which for non-governmental hospitals is shown as an operating expense, and 2) Non-operating Income (Expenses)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2006, 2005 AND 2004 (\$000s)

	2006	2005	2004
CASH FLOWS FROM:			
Operating activities	\$ 13,496	\$ 108	\$ 26,075
Non-capital financing activities	11,830	10,618	9,501
Capital and related financing activities	13,290	(51,404)	(37,906)
Investing activities	<u>(49,278)</u>	<u>36,629</u>	<u>(5,847)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(10,662)	(4,049)	(8,177)
BEGINNING CASH AND CASH EQUIVALENTS	<u>12,663</u>	<u>16,712</u>	<u>24,889</u>
ENDING CASH AND CASH EQUIVALENTS	<u>\$ 2,001</u>	<u>\$ 12,663</u>	<u>\$ 16,712</u>

2006: Analysis of the Consolidated Statement of Cash Flows:

- Operating activities cash inflows reflected an increase of approximately \$13,388,000 in 2006 over 2005. This increase is attributed to increased collections of patient accounts receivable 50,263,000 due to increased revenues and collection efforts, partially offset by increased payments to employees of \$16,197,000 and suppliers of \$16,645,000 due to increased operating expenses as discussed above.
- Non-capital financing activities consist primarily of property taxes received which increased by \$1,250,000 in 2006 compared to 2005 due to increased property values in the district.
- Net cash inflows from capital and related financing activities in 2006 were \$13,290,000 primarily due to the receipt of \$83,972,000 of proceeds from the 2005 general obligation bonds and \$9,423,000 of property taxes for debt service, offset by the funding of PPH's building projects of \$67,093,000.
- Investing activities cash outflows were \$(49,278,000) in 2006. This outflow is mainly comprised of the remaining proceeds of the 2005 general obligation bonds which were invested in money market funds.
- The ending cash and cash equivalents of \$2,001,000 reflect the checking account and overnight investment balances held by PPH. In addition, there were current investments of \$110,035,000 and board-designated investments of \$9,268,000 at June 30, 2006.

2005: Analysis of the Consolidated Statement of Cash Flows:

- Operating activities cash inflows reflected a decrease of approximately \$25,967,000 in 2005 over 2004. This decrease is attributed to increased payments to employees of \$17,065,000 and suppliers of \$16,650,000. Although collections of accounts receivable increased by \$7,053,000, during 2005 there was a slowdown in collection of accounts receivable.
- Non-capital financing activities were primarily property taxes received which increased by \$1,103,000 in 2005 compared to 2004 due to increased property values in the district.

30, 2005, and equaled 151.0% of total outstanding debt as of June 30, 2006 (as compared to available liquidity representing 152.9% of total outstanding debt as of June 30, 2005).

Economic and Other Factors

A number of significant factors are affecting the financial health of healthcare providers. Some major factors working in favor of healthcare providers are:

- *Insurance Reimbursement*—Healthcare providers are taking advantage of higher premium increases by insurers in recent years by negotiating improved reimbursements and restoring cost coverage and profitability to the commercial managed care business segment
- *Medicare Reimbursement*—The Benefits Improvement and Protection Act and the Balanced Budget Relief Act allow for a declining adverse financial impact originally imposed by the Balanced Budget Act of 1997. Medicare reimbursements are not expected to increase materially
- *Demand for Services*—Due to the aging of the population and a steady growth in overall population in PPH's primary and secondary service areas there is a continued increase in hospital admissions and overall demand for healthcare services.

Some major factors working against healthcare providers are:

- *Labor Shortages*—Lack of availability for nursing and other key technical positions increases the cost for providers significantly. Additionally, the State of California mandated nurse staff ratios have increased demand for nursing personnel and increased salary and wages expenses
- *Pharmaceutical Costs*—The continued escalation of pharmaceutical drug costs remains a challenge for providers
- *State Budget Difficulties*—This has a multiple effect on providers as state Medicaid budget is impacted, investment portfolios are depressed, and employers shift more of the cost of healthcare to employees
- *Heightened Competition*—Services that have a profit margin are becoming more competitive as entrepreneurial physicians and for-profit entities migrate to services with a return on investment putting further stress on hospital providers that traditionally cover core and safety net services with returns on profitable services
- *HIPAA*—The Health Insurance Portability and Accountability Act ("HIPAA") among other things establishes privacy and security regulations over patient information that may have significant cost implications for healthcare providers
- *Seismic Compliance*—California SB 1953 requires hospitals to meet more stringent seismic guidelines which represents an unfunded mandate and imposes a financial burden by 2008 under current regulation. Under certain criteria, it is possible to extend the SB 1953 deadline to 2013. The District applied for an extension from the California Department of Health Services moving our deadline to 2013 and has received approval for the extension.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Palomar Pomerado Health:

We have audited the accompanying consolidated balance sheets of Palomar Pomerado Health ("PPH") as of June 30, 2006 and 2005, and the related consolidated statements of revenue, expenses, and changes in net assets and of cash flows for the years then ended. These consolidated financial statements are the responsibility of PPH's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PPH's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Palomar Pomerado Health as of June 30, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 1-9 is not a required part of the basic consolidated financial statements but is supplementary information required by the Governmental Accounting Standards Board. This supplementary information is the responsibility of PPH's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

November 6, 2006

PALOMAR POMERADO HEALTH		
CONSOLIDATED BALANCE SHEETS		
AS OF JUNE 30, 2006 AND 2005		
	2006	2005
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 23,154,951	\$ 18,090,054
Accrued compensation and related liabilities	18,941,212	22,389,519
Current portion of long-term debt	6,560,000	6,125,000
Current portion of general obligation bonds	6,185,000	
Other accrued liabilities	9,482,922	6,642,464
Accrued interest payable	<u>2,265,274</u>	<u>708,785</u>
Total current liabilities	66,589,359	53,955,822
WORKERS COMPENSATION—Net of current portion	5,696,552	7,334,167
LONG-TERM DEBT—General Obligation Bonds—Net of current portion	77,556,472	
LONG-TERM DEBT—Net of current portion	<u>73,790,923</u>	<u>79,819,688</u>
Total liabilities	<u>223,633,306</u>	<u>141,109,677</u>
MINORITY INTEREST—Escondido Surgery Center	<u>443,613</u>	<u>-</u>
COMMITMENTS AND CONTINGENCIES (Notes 9, 10, 11, 12, and 13)		
NET ASSETS:		
Invested in capital assets—net of related debt	48,001,089	63,383,907
Restricted for repayment of debt	10,060,070	11,317,270
Restricted for capital acquisitions	54,409,260	
Restricted for other purposes	288,265	281,473
Unrestricted	<u>151,509,903</u>	<u>168,283,296</u>
Total net assets	<u>264,268,587</u>	<u>243,265,946</u>
TOTAL	<u>\$488,345,506</u>	<u>\$384,375,623</u>
See notes to consolidated financial statements.		(Concluded)

PALOMAR POMERADO HEALTH

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from:		
Patients, insurers, and other third-party payors	\$ 383,218,828	\$ 332,955,475
Other sources	7,609,374	11,642,942
Payments to:		
Employees	(214,149,531)	(197,952,734)
Suppliers	<u>(163,182,698)</u>	<u>(146,537,638)</u>
Net cash provided by operating activities	<u>13,495,973</u>	<u>108,045</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Receipt of district taxes	11,430,835	10,180,831
Other	<u>399,369</u>	<u>437,574</u>
Net cash provided by noncapital financing activities	<u>11,830,204</u>	<u>10,618,405</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of property, plant, and equipment	(67,093,530)	(40,495,174)
Proceeds from the sale of capital assets	808,859	105,778
Interest paid	(6,278,257)	(4,306,864)
Deferred financing costs	(1,416,555)	(692,929)
Proceeds from issuance of debt	83,971,733	
Repayment of long-term debt	(6,125,000)	(6,015,000)
Receipt of property taxes restricted for debt service on general obligation bonds	<u>9,422,927</u>	
Net cash provided by (used in) capital and related financing activities	<u>13,290,177</u>	<u>(51,404,189)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(349,299,188)	(72,663,897)
Sale of investments	293,497,206	102,926,589
Interest received on investments and notes receivable	6,993,742	5,088,165
Net distributions and payments from affiliated entities and others	<u>(469,906)</u>	<u>1,278,046</u>
Net cash provided by (used in) investing activities	<u>(49,278,146)</u>	<u>36,628,903</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(10,661,792)	(4,048,836)
CASH AND CASH EQUIVALENTS—Beginning of year	<u>12,663,073</u>	<u>16,711,909</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 2,001,281</u>	<u>\$ 12,663,073</u>

(Continued)

PALOMAR POMERADO HEALTH

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization—Palomar Pomerado Health (“PPH” or the “District”) is organized under the provisions of the Health and Safety Code of the State of California to provide and operate healthcare facilities. The accompanying consolidated financial statements include the accounts of the following commonly controlled divisions of PPH:

- Palomar Medical Center, located in Escondido, California, including Palomar Continuing Care Center, a convalescent facility
- Pomerado Hospital, located in Poway, California, including Villa Pomerado, a convalescent facility
- San Marcos Ambulatory Care Center, located in San Marcos, California
- Management Services Organization, providing management and administrative services to outside organizations
- Central Office, providing management, financial, data processing, materials management, and public affairs services to the other divisions.

Additionally, the accompanying 2006 consolidated financial statements include the accounts of Escondido Surgery Center, a partnership in which the District acquired additional ownership units during fiscal 2006, resulting in the District having a controlling ownership interest of 86%. Prior to the District obtaining control, its investment in Escondido Surgery Center was accounted for under the equity method.

All transactions between the District’s divisions and with the Escondido Surgery Center have been eliminated in the accompanying consolidated financial statements.

Use of Estimates—The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Proprietary Fund Accounting—PPH utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. Substantially all revenue and expenses are subject to accrual.

Accounting Standards—Pursuant to Governmental Accounting Standards Board (“GASB”) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, PPH has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board, including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage. The determination of the impairment loss is dependent upon the event or circumstance in which the impairment occurred. Impairment losses are recorded in the consolidated statement of revenue, expenses, and changes in net assets.

Other Assets—During the year ended June 30, 2005, PPH reversed \$1,445,600 of an allowance for doubtful collectibility because the debtor has been making consistent monthly payments. The reversal is reflected as an offset to other operating expenses in the accompanying consolidated statement of revenue, expenses and changes in net assets for the year ended June 30, 2005.

Debt Discounts and Deferred Financing Costs—Debt discounts and deferred financing costs are amortized by the bonds outstanding method over the life of the related bonds. As of June 30, 2006 and 2005, deferred financing costs, net of accumulated amortization, included \$1,713,133 and \$692,930, respectively, related to the 2005 general obligation bonds.

Net Assets—Net assets of the District are classified in four components. Net assets invested in capital assets—net of related debt consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowing used to finance the purchase or construction of those assets. Net assets restricted for repayment of debt are amounts deposited with trustees as required by bond indentures, as described in Note 8. Net assets restricted for other purposes are noncapital net assets that must be used for a particular purpose, as specified by contributors external to the District. Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets—net of related debt or restricted.

Consolidated Statements of Revenue, Expenses, and Changes in Net Assets—All revenues and expenses directly related to the delivery of healthcare services are included in operating revenue and expenses in the consolidated statements of revenue, expenses, and changes in net assets. Non-operating income and expenses consist of those revenues and expenses that result from non-exchange transactions and interest expense and investment income.

Net Patient Service Revenue—PPH has agreements with third-party payors that provide for payments to PPH at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Premium Revenue—PPH has agreements with various third-party payors to provide medical services to subscribing participants. Under these agreements, PPH receives monthly capitation payments based on the number of each payor's participants, regardless of services actually performed by PPH. Under some of these agreements, PPH also participates in shared risk pools with medical groups, through which it could receive additional reimbursement or pay additional amounts to the medical groups. In conjunction with the risk pools, PPH estimates incurred but not reported ("IBNR") claims for medical services provided to patients. IBNR liabilities of \$4,090,644 and \$4,394,880 are included in other accrued liabilities in the accompanying balance sheets as of June 30, 2006 and 2005, respectively.

Charity Care—PPH provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Amounts determined to qualify as charity care are not reported as revenue in the accompanying financial statements. Charity care charges forgone,

basis of costs incurred. The Medi-Cal program provides for payment on a prospectively negotiated contractual rate per day, percentage-of-charges for services rendered, or capitated payment arrangement.

Revenue from the Medicare and Medi-Cal programs, inclusive of risk (capitated) and non-risk managed care programs, accounted for approximately 61% and 54% of PPH's net patient service revenue in each of the years ended June 30, 2006 and 2005, respectively.

The administrative procedures for the cost-based programs preclude final determination of the amounts payable or receivable until after cost reports of PPH are audited or otherwise reviewed and settled with the respective agencies. The cost reports for Medicare and Medi-Cal programs have been settled through fiscal years 2002 and 2004, respectively. Results of cost report settlements, as well as estimates for settlements of all fiscal years through 2006, have been reflected in the accompanying consolidated financial statements.

At June 30, 2006 and 2005, estimated third-party settlement receivables totaled \$995,000 and \$4,522,000, respectively. During fiscal 2006 and 2005, PPH settled various prior year cost reports and appeal issues. These settlements resulted in approximately \$3,240,000 and \$7,709,000 of additional revenues in fiscal 2006 and 2005, respectively, which are included in net patient service revenue in the accompanying consolidated statements of revenue, expenses, and changes in net assets.

PPH also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to PPH under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

3. CASH AND INVESTMENTS

The State of California Government Code generally authorizes the District to invest unrestricted and board-designated assets in obligations of the U.S. Treasury and certain U.S. government agencies, obligations of the State of California and local government entities, bankers' acceptances, commercial paper, certificates of deposit, repurchase agreements and mortgage securities. Certain of these investments may be purchased only in limited amounts, as defined in the Government Code.

The District's bond indenture agreements authorize trustee-held assets to be invested in obligations of the U.S. Treasury and certain U.S. government agencies, repurchase agreements, and obligations of financial institutions meeting certain criteria defined in the indentures.

The California State Treasury makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Each governmental entity may invest up to \$40,000,000 in the fund. Investments in the LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest. PPH is a voluntary participant in the LAIF. The fair value of PPH's investments in the LAIF is reported in the accompanying consolidated financial statements based on PPH's pro rata share of the fair value provided by LAIF for the entire LAIF portfolio.

Concentration of Credit Risk—Concentration of credit risk is the risk associated with a lack of diversification, such as having substantial investments in a few individual issuers, thereby exposing the District to greater risks resulting from adverse economic, political, regulatory, geographic, or credit developments. Investments issued or guaranteed by the U.S. government and investments in external investment pools, such as LAIF, are not considered subject to concentration of credit risk. In accordance with state law, no more than 5% of total investments may be invested in the securities of any one issuer, except obligations of the United States Government, no more than 10% may be invested in any one mutual fund, and no more than 30% may be invested in bankers acceptances of any one commercial bank.

Investments in any one issuer (other than U.S. Treasury Securities and external investment pools) that represent 5% or more of the total investments at June 30, 2006 and 2005 are:

Issuer	Investment Type	2006	2005
FNMA	US Government Agency Bonds	\$ 10,299,269	\$ 10,670,104
FHLB	US Government Agency Bonds	27,909,766	24,270,725
FHLMC	US Government Agency Bonds		18,483,176
Wells Fargo Advantage Government Money Market	US Government Money Market Funds	<u>54,603,629</u>	<u>-</u>
Total		<u>\$ 92,812,664</u>	<u>\$ 53,424,005</u>

The District does not have any investment in any one mutual fund that exceeds 10% of total investments. The District has no investments in bankers acceptances.

Custodial Credit Risk-Investments—All of the District's investments are insured or registered, or are held by the District's agent in the agent's nominee name, with subsidiary records listing the District as the legal owner. For these reasons, the District is not exposed to custodial credit risk for its investments.

Custodial Credit Risk-Deposits—Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk. As of June 30, 2006 and 2005, the District's bank balances totaled \$8,650,000 and \$18,682,000, respectively, and were not exposed to custodial credit risk as the uninsured deposits are with financial institutions that are individually required by State law to have government deposits collateralized at a rate of 110% of the deposits.

6. INVESTMENT IN AND AMOUNTS DUE FROM AFFILIATED ENTITIES

PPH's investment in affiliated entities, which are accounted for under the equity method because PPH does not control the entities, was \$268,203 and \$3,487,687 at June 30, 2006 and 2005, respectively.

During fiscal 2006, PPH increased its ownership of Escondido Surgery Center (the "Surgery Center"), to 86% by purchasing an additional 8.5 units for \$756,500 and, accordingly, now has a controlling financial interest through a direct ownership of a majority voting interest. Consequently, PPH consolidated the Surgery Center's results from fiscal 2006 forward. Prior to fiscal 2006, PPH accounted for its investment in the Surgery Center using the equity method of accounting.

Minority interest represents the 14% ownership in the Surgery Center not held by PPH. The minority owners' share of the results of operation of the Surgery Center are included in other operating expenses in the accompanying statement of revenue, expenses, and changes in net assets.

In October 1992, PPH advanced funds to the Surgery Center. Included in the accompanying consolidated balance sheet for the year ended June 30, 2005 is an amount outstanding of \$2,383,450 and is secured by real property and is due in monthly installments including principal and interest necessary to amortize the note over a 30-year period at an interest rate determined on each fifth anniversary of the note equal to the five-year U.S. Treasury Strip rate plus 1%, and with any remaining principal due and payable on the fifteenth anniversary of the note in October 2007. The interest rate and monthly payment amount as of June 30, 2005 were 4.12% and \$12,060.

The Limited Partnership Agreement states that PPH is obligated, until October 31, 2010, to purchase the Class A limited units (total of 30 units) from the current holders at a price of \$89,000 per unit, if requested by the holder. Prior to fiscal 2004, PPH purchased one Class A unit. During fiscal 2005 and fiscal 2006, PPH purchased 12 and 8.5 Class A units, respectively, thus leaving 8.5 Class A units not owned by PPH at June 30, 2006.

7. RELATED ORGANIZATION

Palomar Pomerado Health Foundation (the "Foundation") is a charitable nonprofit organization created to provide assistance and support for PPH. The Foundation is a separately governed organization. Its net assets and results of operations are not included in the accompanying consolidated financial statements of PPH.

The Foundation funds various programs on behalf of PPH. Funding for these programs provided by the Foundation totaled \$556,209 and \$573,613 in the years ended June 30, 2006 and 2005, respectively.

In September 2005, PPH entered into a management services agreement with the Foundation whereby PPH provides administrative support to the Foundation. Support provided to the Foundation totaled \$1,078,129 and \$1,262,967 in the years ended June 30, 2006 and 2005, respectively. The management services agreement includes a line of credit with a \$3,000,000 limit that expires on June 30, 2010. As of June 30, 2006 the outstanding balance on the line of credit was \$736,575.

A summary of the Foundation's unaudited assets, liabilities, and fund balances at June 30, 2006 and 2005 are as follows:

- Series 1999 insured refunding revenue bonds, interest at 4.375% to 5.375% due semi-annually, principal due in annual amounts ranging from \$5,305,000 in fiscal 2007 to \$7,855,000 in fiscal 2015, net of unamortized premium of \$206,909 and \$251,624 and June 30, 2006 and 2005, respectively, and unamortized loss on defeasance of \$2,004,547 and \$2,438,462 at June 30, 2006 and 2005, respectively, collateralized by PPH revenues as defined in the indenture agreement.
- Series 1993 insured revenue bonds, interest at 4.75% to 5.00% due semi-annually, principal due in annual amounts ranging from \$1,255,000 in fiscal 2007 to \$1,425,000 in fiscal 2024, less unamortized discount of \$516,439 and \$658,474 at June 30, 2006 and 2005, respectively, collateralized by PPH revenues as defined in the indenture agreement.

During July 2005, the District issued \$80,000,000 of Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2005A (the "2005 G.O. Bonds"). The net proceeds of the 2005 G.O. Bonds will be used by the District to pay a portion of the costs to construct a new acute care and trauma hospital facility, expand Pomerado Hospital, renovate Palomar Medical Center, and open satellite ambulatory care facilities in the District's service area (see Note 12).

The 2005 G.O. Bonds represent the general obligation of the District, and the District has the power and is obligated to cause to be levied and collected by the County of San Diego annual ad valorem taxes upon all property within the District's boundaries subject to taxation by the District for payment when due of the principal of and interest on the bonds. However, PPH is legally required to repay the 2005 G.O. Bonds if ad valorem taxes are insufficient.

In June 1999, PPH issued its Series 1999 insured refunding revenue bonds to refund its Series 1989A bonds. The refunding resulted in a loss on extinguishment of debt of \$5,065,577, which has been deferred and is being amortized as a component of interest expense over 15 years.

Under the indenture agreements of the 2005 G.O. Bonds and the Series 1999 and 1993 bonds, PPH is subject to compliance with certain debt covenants, including restrictions on additional indebtedness.

The estimated fair value of PPH's long-term debt was approximately \$166 million and \$92 million as of June 30, 2006 and 2005, respectively, based on quotations from independent third parties.

Future principal and interest payments on long-term debt are as follows:

Years Ending June 30	Principal	Interest	Total
2007	\$ 12,745,000	\$ 8,058,673	\$ 20,803,673
2008	12,305,000	7,333,148	19,638,148
2009	8,035,000	6,800,148	14,835,148
2010	8,450,000	6,439,038	14,889,038
2011	8,915,000	6,010,838	14,925,838
2012-2016	43,365,000	22,702,240	66,067,240
2017-2021	14,920,000	15,450,151	30,370,151
2022-2026	17,190,000	11,363,151	28,553,151
2027-2031	17,980,000	7,328,550	25,308,550
2032-2035	18,760,000	2,415,000	21,175,000
Total	<u>\$ 162,665,000</u>	<u>\$93,900,937</u>	<u>\$256,565,937</u>

176

PPH has ongoing efforts to comply with laws and regulations and to assess its prior compliance and the potential impact of noncompliance. PPH with its ongoing compliance program will continue to monitor, investigate, and correct any potential areas of noncompliance. No regulatory action has been asserted against PPH to date, although such action could occur in the future.

PPH is a party to certain other legal actions arising in the ordinary course of business. In the opinion of PPH management, the liability, if any, under these claims is adequately covered by insurance. PPH is insured for medical malpractice under an occurrence basis policy.

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; natural disasters; and employee health and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters.

Workers' Compensation Program—PPH is a participant in the Association of California Hospital Districts ALPHA Fund ("ALPHA Fund") that administers a self-insured workers' compensation plan for participating districts' and other qualifying non-profit entity employees. PPH pays premiums to the ALPHA Fund that are adjusted annually. Effective July 1, 2002, PPH changed its participation in ALPHA Fund from first dollar coverage of workers' compensation claims to self-insurance by PPH of the first \$350,000 of each claim. Effective July 1, 2003, PPH increased its self-insurance level to the first \$500,000 of each claim. Effective July 1, 2004, PPH increased its self-insurance level to the first \$750,000 of each claim. At June 30, 2006 and 2005, estimated claims liabilities for workers' compensation total \$6,054,903 and \$6,837,000, respectively.

ALPHA Fund has been in a deficit position for several years as actuarial claims estimates have exceeded revenues. However, ALPHA Fund has been able to maintain positive cash flow. If ALPHA Fund were terminated, PPH would be liable for its share of any additional premiums necessary for final disposition of claims and losses covered by ALPHA Fund. If PPH were to withdraw from ALPHA Fund, it would be required to fund its share of the deficit as defined under the joint powers agreement. As of June 30, 2006 and 2005, PPH's share of the deficit is approximately \$1.2 million and \$1.9 million, respectively. ALPHA Fund also has the ability to assess its members; however, ALPHA Fund has developed a recovery plan to reduce its fund deficit, which is anticipated to eliminate the need to assess the members. Based on its analysis of ALPHA Fund's historical and projected financial condition and results of operations, and its expectation regarding PPH's future participation in ALPHA Fund, PPH has recorded an estimated liability of \$1.2 million and \$1.9 million as of June 30, 2006 and 2005.

Seismic Compliance—California Senate Bill 1953 ("SB 1953") requires hospital acute care buildings to meet more stringent seismic guidelines by 2008. In fiscal 2005, the District received approval from the Office of Statewide Health Planning and Development of a time extension for compliance with SB 1953 until January 1, 2013. The Board of Directors of PPH has approved a \$982 million expansion plan which includes building a new hospital in the City of Escondido, downsizing the existing facility in Escondido (altering the use of the sections that are not compliant with SB 1953), expanding the hospital facility in Poway, and building new outpatient satellite clinics. This plan will enable PPH to comply with SB 1953 seismic guidelines. The financing for this expansion plan has multiple parts, including \$496 million of general obligation bonds to be repaid through ad valorem property taxes of the residents of the District (see Note 8). Additionally, PPH expects to issue revenue bonds to raise approximately \$210 million and use future income to repay them over 30 years. The remaining funds are expected to be obtained from fundraising and/or cash reserves. The new hospital is scheduled to be completed in calendar 2010.

* * * * *

Palomar Pomerado Health

Report to the Audit & Finance Committees on the Audit of the Fiscal 2006 Financial Statements

Deloitte.

This report is intended solely for the information and use of the Board of Directors, management and others within PPH and is not intended to be and should not be used by anyone other than these specified parties.

Presentation Overview

- ◆ Auditor Communications
- ◆ Draft of 2006 Audited Financial Statements
- ◆ Questions

Auditor Communications

- ◆ Deloitte's responsibility as auditors under generally accepted auditing standards
- ◆ PPH's significant accounting policies
 - ◆ No changes

Auditor Communications

- ◆ Management's judgments and accounting estimates
 - ◆ Contractual and bad debt allowances
 - ◆ Cost report settlements

Auditor Communications

- ◆ Management's judgments and accounting estimates
 - ◆ Capitated contracts (IBNR)
 - ◆ Workers' compensation liabilities
 - ◆ IBNR
 - ◆ Alpha Fund deficit

Auditor Communications

- ◆ No alternative accounting treatments discussed
- ◆ No consultation with other accountants

Auditor Communications

- ◆ Audit adjustments – net
\$(162,000)
- ◆ Insurance refunds - \$2,200,000
- ◆ Alpha Fund liability - \$(1,057,000)
- ◆ FICA tax accrual - \$(630,000)
- ◆ Workers comp. IBNR - \$(477,000)
- ◆ Other - \$(198,000)

Auditor Communications

- ◆ **Audit balance sheet reclassifications**
 - ◆ Reclassify outstanding checks incorrectly recorded as a liability - \$7,670,000
 - ◆ Eliminate intercompany receivables - \$3,726,000 (ESC and Gateway/Parkway consolidation)
- ◆ **Uncorrected misstatements**
 - ◆ None

Auditor Communications

- ◆ No disagreements with management
- ◆ No significant difficulties encountered in performing the audit
 - ◆ Challenges due to staff turnover

Auditor Communications

- ◆ Material written communications
 - ◆ Engagement letter
 - ◆ Management's representations
 - ◆ Letter of recommendations on internal controls and other matters
 - ◆ Agreed-upon procedures letter for Official Statement related to Series 2006 Certificates of Participation

Auditor Communications

- ◆ Other information in documents containing audited financial statements
 - ◆ Official Statement related to Series 2006 Certificates of Participation

Draft of 2006 Audited Financial Statements

- ◆ Unqualified auditors' report on the financial statements
- ◆ New disclosures
 - ◆ Escondido Surgery Center
 - ◆ 2005 General Obligation Bonds
 - ◆ Non-current liabilities rollforward (Note 8)

Questions

Deloitte®

**TEFRA Hearing related to 2006
Bond Issuance**

TO: Board of Directors
MEETING DATE: Monday, November 20, 2006
FROM: Bob Hemker, CFO

Background: In connection with the proposed financing, in order to comply with Section 147(f) of the Internal Revenue Code of 1986, it is necessary for the Board of Directors to hold a public hearing at which interested persons wishing to express their views related to the proposed financing for the facilities proposed to be financed or refinanced with the proceeds are given an opportunity to do so.

Subsequent to the public hearing, also in order to comply with Section 147(f) of the Internal Revenue Code of the 1986, it is necessary for the Board of Directors, as the elected legislative body, to approve the proposed financing after such public hearing has been held.

Approval of the financing for purposes of Section 147(f) is included in the resolution authorizing the financing under a separate agenda item.

The required Notice of Public Hearing was published timely on October 31, 2006 in the San Diego Union Tribune.

Budget Impact: N/A

Staff Recommendation: Management recommends conducting the TEFRA hearing in accordance with Section 147(f) of the Internal Revenue Code.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion: X

Individual Action:

Information:

Required Time:

Affidavit of Publication

ORRICK HERRINGTON & SUTCLIFFE

ATTN: ROMA I. SHUPE

405 HOWARD STREET

SAN FRANCISCO, CA 94105

STATE OF CALIFORNIA) ss.
County of San Diego)

The Undersigned, declares under penalty of perjury under the laws of the State of California: That...She is a resident of the County of San Diego. THAT....She is and at all times herein mentioned was a citizen of the United States, over the age of twenty-one years, and thatShe is not a party to, nor interested in the above entitled matter; thatShe is..... Chief Clerk for the publisher of

The San Diego Union-Tribune a newspaper of general circulation, printed and published daily in the City of San Diego, County of San Diego, and which newspaper is published for the dissemination of local news and intelligence of a general character, and which newspaper at all the times herein mentioned had and still has a bona fide subscription list of paying subscribers, and which newspaper has been established, printed and published at regular intervals in the said City of San Diego, County of San Diego, for a period exceeding one year next preceding the date of publication of the notice hereinafter referred to, and which newspaper is not devoted to nor published for the interests, entertainment or instruction of a particular class, profession, trade, calling, race, or denomination, or any number of same; that the notice of which the annexed is a printed copy, has been published in each regular and entire issue of said newspaper and not in any supplement thereof on the following date, to-wit:

OCTOBER 31, 2006

Dwendolyn Watson
Chief Clerk for the Publisher

Affidavit of Publication of

Legal Classified Advertisement

Ad # 1911537

Ordered by: ROMA

NOTICE OF PUBLIC HEARING

Notice is hereby given that on Monday, November 20, 2006, Palomar Health, a local health care district organized under the laws of the State of California ("PPH"), will hold a public hearing for purposes of Section 147(f) of the Internal Revenue Code of 1986 with respect to the issuance, in one or more series, from time to time, pursuant to a plan of financing, of obligations, which may be comprised of bonds, notes or participation, revenue bonds or general obligation bonds (hereinafter collectively referred to as the "Obligations") in an aggregate principal amount not to exceed \$700,000,000, including the proposed execution and delivery of certain certificates of participation (the "Certificates") evidencing pro-rata undivided interests in installment payments to be made by PPH in an aggregate principal amount not to exceed \$200,000,000. Proceeds of the Obligations will be applied to finance, refinance, or reimburse PPH for its prior payment of the costs of, the acquisition, construction, improvement, renovation, and equipping of certain health care and related facilities, owned and/or operated or to be owned and/or operated by PPH, which are located or to be located: (i) in Escondido, California at 555 East Valley Parkway, 1540 East Valley Parkway, 1817 Avenida del Diablo, 345 East Second Avenue, 2227 Enterprise Street, 640 Grand Avenue, 640 Grand Avenue, and 215 South Hickory Street, all or in the vicinity of the 2000 block of Citracado Parkway, expected to include 2097 Citracado Parkway and 2099 Citracado Parkway, and all or in the vicinity of the 2100 block of Citracado Parkway, expected to include 2125 Citracado Parkway, 2127 Citracado Parkway, 2135 Citracado Parkway, 2145 Citracado Parkway, 2175 Citracado Parkway, 2177 Citracado Parkway, 2185 Citracado Parkway, and 2195 Citracado Parkway;

(ii) in Poway, California at 15615 Pomerado Road; (iii) in Ramona, California - on Main Street between 13th and 14th; (iv) in San Diego, California at 15255 Innovation Drive and 12835 Block Mountain Road; and (v) in San Marcos, California at 130 Craven Road. Proceeds of one or more series of Obligations may also be applied to fund a series of Obligations, and/or to pay certain expenses incurred in connection with the issuance of such series of Obligations. The hearing will commence at 6:30 p.m., or as soon thereafter as the matter can be heard, and will be held at Pomerado Hospital, 15615 Pomerado Road, Poway, California 92064, Meeting Room E. Interested persons wishing to express their views concerning the issuance of the Obligations, including the execution and delivery of the Certificates or on the nature and location of the facilities proposed to be financed or refinanced will be given an opportunity to do so at the public hearing or may, prior to the time of the hearing, submit written comments to Robert Hemker, Chief Financial Officer, Palomar Health, 15255 Innovation Drive, San Diego, California, 92128.

Dated:
October 31, 2006

Plan of Finance and Revenue Bond Issuance

TO: Board of Directors
MEETING DATE: Monday, November 20, 2006
FROM: Joint Board/Finance Committee
Tuesday, November 14, 2006
BY: Bob Hemker, CFO

Background: The Financing Team has been and continues to develop the various steps of financing for the Master Facility Plan, specifically for the issuance of new Revenue Bonds/Certificates of Participation in December 2006. Management, working with the Financing Team, has developed the next steps of the financing, as well as the components of the requisite debt and swap structure.

At its December 6, 2005, meeting, the Board Finance Committee approved and recommended to the full Board authorizations for the Financing Team to:

- Use Credit Enhancement
- Issue Variable Rate Debt and Maintain an Unhedged Portion Within the Guidelines of the Debt Policy
- Increase the Borrowing Amount in 2006
- Enter into an Interest Rate Swap Agreement
- Lock in Interest Rates
- Formulate a Debt and Interest Rate Swap Policy

The above authorizations were approved by resolution at the December 12, 2005, Board Meeting.

At the Special Board of Directors Meeting on April 25, 2006, the associated Board Resolutions and Declarations needed to facilitate a Revenue Bond issuance later in calendar year 2006 were reviewed and approved. The resolutions and declaration were:

- Declaration of Official Intent of Palomar Pomerado Health to Reimburse Certain Expenditures from Proceeds of Indebtedness
- Resolution of the BOD of PPH Authorizing the Issuance of Not to Exceed \$283.5 Million of Revenue Bonds
- Resolution of the BOD of PPH Authorizing Actions Necessary to Complete Implementation of the FMP Including an Increase in the Capital Project Costs and Approval of Revised Plan of Finance

At the Special Board of Directors Meeting, June 27, 2006, the Board reviewed and approved the following actions taken by Management and the Financing Team:

- Assessment and evaluation of the impact of the increased project costs, then-current market conditions, PPH's credit position, and access to bond insurance and market position.
- Updates made to the Financial and Capital Plan, including the proposed amount of debt to be issued in the 2006 tranche, the proposed type of debt instrument, and the proposed debt structure. As a result of the assessment.

Plan of Finance and Revenue Bond Issuance

- Updated Financial and Capital Plan including the associated Updated Board Resolutions and Declarations needed to facilitate a Revenue Bond/Certificates of Participation issuance later in calendar year 2006.

As presented at the Special Board of Directors Meeting on November 14, 2006, the foregoing efforts resulted in the preparation of a \$180 million financing, to be issued on or about December 7, 2006.

Inclusive to the package is:

- The use of Certificates of Participation, issued as 7-Day Auction Rate Securities.
- PPH will enter into a floating-to-fixed-rate swap as part of the transaction.
- The Series 1993 Bonds will be refunded, resulting in approximately \$1.2 million in savings.
- The Series 1999 Bonds will not be refunded, as agreement with the insurer for a new Master Trust Indenture (MTI) was reached.

Details of the transaction – including the upcoming process and associated documents—were reviewed and discussed at the meeting.

At the Board of Directors Meeting on November 20, 2006, approval of the issuance of \$180 million of Certificates of Participation including the requisite Board Resolution(s) and transaction documents as presented at the November 14, 2006, Special Board Meeting will be requested following the TEFRA hearing pursuant to section 147(F) of the Internal Revenue Code.

Budget Impact: N/A

Staff Recommendation: Management recommends approval of the issuance of \$180 million of Certificates of Participation to include the refunding of the Series 1993 Bonds and use of a Synthetic Fixed Rate Swap Structure. Further, Management recommends approval of the associated Agreements, Documents—as presented in substantially final form at the November 14, 2006, Special Board of Directors Meeting, and the final Resolution—necessary to consummate the transaction and authorization for Michael Covert, CEO, and/or Robert Hemker, CFO, to execute final form documents and Agreements necessary to consummate the transaction and issuance.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action: X

Information:

Required Time:

Part I - Overview and Authorizing Resolution

- a) Financing Roadmap
- b) Summary of Documents
- c) Resolution to be adopted by Board of Directors on November 20, 2006

Part II - Financing Documents and Refunding Documents

- a) Master Trust Indenture
- b) Supplemental Master Indenture for Master Indenture Obligation No. 1, including form of Obligation No. 1
- c) Supplemental Master Indenture for Master Indenture Obligation No. 2, including form of Obligation No. 2
- d) Supplemental Master Indenture for Master Indenture Obligation No. 3, including form of Obligation No. 3
- e) Supplemental Master Indenture for Master Indenture Obligation No. 4, including form of Obligation No. 4
- f) Supplemental Master Indenture for Master Indenture Obligation No. 5, including form of Obligation No. 5
- g) Purchase Agreement
- h) Installment Sale Agreement
- i) Trust Agreement
- j) Auction Agent Agreement
- k) Broker-Dealer Agreement
- l) Escrow Agreement
- m) Tax Certificate

Part III - Disclosure Documents

- a) Official Statement
- b) Appendix A to Official Statement
- c) Continuing Disclosure Undertaking

Part IV - Underwriting Document

- a) Certificate Purchase Agreement

Part V - Other Documents

- a) Amended and Restated Indenture Relating to Palomar Pomerado Health System Insured Refunding Revenue Bonds, Series 1999

Part VI - Swap Documents

- a) Swap Resolution adopted on April 25, 2006
- b) Supplemental Swap Resolution adopted on June 27, 2006
- c) International Swaps and Derivatives Association, Inc. ("ISDA") Master Agreement

- d) Schedule to the ISDA Master Agreement, including Exhibit A to Schedule - Form of Confirmation, Exhibit B to Schedule - Form of Opinion of Counsel to Citibank, N. A., New York, as counterparty, Exhibit C to Schedule - Form of Opinion of Counsel to District, and Exhibit D to Schedule - ISDA Credit Support Annex

Summary of Documents

Certificates of Participation Evidencing Proportionate Undivided Interests In Installment Payments to be made by Palomar Pomerado Health Series 2006A, Series 2006B and Series 2006C

Financing Documents and Refunding Documents

1. Master Trust Indenture, between Palomar Pomerado Health (the "District") and U. S. Bank National Association ("U.S. Bank"), as master trustee, contains financial and other covenants and provides for issuance of obligations by the District to secure contractual obligations of the District.
2. Supplemental Master Indenture for Master Indenture Obligation No. 1, including form of Obligation No. 1, between the District and U. S. Bank, as master trustee, secures obligations of the District with respect to the Amended and Restated Indenture relating to the Palomar Pomerado Health System Insured Refunding Revenue Bonds, Series 1999 (the "Series 1999 Bonds"), and includes additional financial and other covenants for the benefit of MBIA Insurance Corporation, as insurer of the Series 1999 Bonds.
3. Supplemental Master Indenture for Master Indenture Obligation No. 2, including form of Obligation No. 2, between the District and U. S. Bank, as master trustee, secures obligations of the District with respect to the Installment Sale Agreement (see Item No. 8 below for a description of Installment Sale Agreement), and includes additional financial and other covenants for the benefit of Financial Security Assurance Inc. ("FSA"), as insurer of the above-referenced Certificates. See Item No. 9 below for a description of the Certificates.
4. Supplemental Master Indenture for Master Indenture Obligation No. 3, including form of Obligation No. 3, between the District and U. S. Bank, as master trustee, secures obligations of the District with respect to the swap confirmation relating to the Series 2006A Certificates. See Item No. 22 below for a description of the swap confirmation.
5. Supplemental Master Indenture for Master Indenture Obligation No. 4, including form of Obligation No. 4, between the District and U. S. Bank, as master trustee, secures obligations of the District with respect to the swap confirmation relating to the Series 2006B Certificates. See Item No. 22 below for a description of the swap confirmation.
6. Supplemental Master Indenture for Master Indenture Obligation No. 5, including form of Obligation No. 5, between the District and U. S. Bank, as master trustee, secures obligations of the District with respect to the swap confirmation relating to the Series 2006C Certificates. See Item No. 22 below for a description of the swap confirmation.
7. Purchase Agreement, between the District and the North San Diego County Public Financing Authority (the "JPA"), pursuant to which the District conveys both existing hospitals and the site of the new hospital (the "Real Property") to the JPA in consideration for payment of a purchase price equal to the proceeds derived from the sale of the above-referenced Certificates. See Item No. 9 below for a description of the Certificates.

8. Installment Sale Agreement (the "Installment Sale Agreement"), between the District and the JPA, pursuant to which the JPA conveys the Real Property back to the District in consideration of installment payments (the "Installment Payments") to be made by the District pursuant to the Installment Sale Agreement. Installment Payments to be made by the District will be in an aggregate amount equal to the amount of the Certificates and will be made by the District directly to U. S. Bank, as trustee for the Certificates. See Item No. 9 below for a description of the Certificates.
9. Trust Agreement, between the JPA and U. S. Bank, as trustee, pursuant to which U. S. Bank, as trustee, will execute and deliver the Certificates, each evidencing a proportionate interest in the Installment Payments to be made by the District pursuant to the Installment Sale Agreement. Aggregate principal amount of Certificates executed and delivered by the U. S. Bank, as trustee, will equal aggregate amount of Installment Payments. Currently anticipated that the Certificates will be executed and delivered in three series, Series 2006A, Series 2006B and Series 2006C.
10. Auction Agent Agreement, between the U. S. Bank, as trustee, and Deutsche Bank Trust Company Americas, as auction agent (the "Auction Agent"), provides for auctions to be conducted on a periodic basis to set the interest rate on the Certificates, certain provisions, including provisions regarding fees, to be acknowledged and agreed to by the District.
11. Broker-Dealer Agreement, among the District, the Auction Agent and Citigroup Global Markets Inc. ("Citigroup"), as broker-dealer, provides for Citigroup to act as broker-dealer in connection with the auctions.
12. Escrow Agreement, between the District and U. S. Bank, as trustee and escrow agent for the Palomar Pomerado Health System Insured Revenue Bonds, Series 1993 (the "Series 1993 Bonds"), provides for the establishment of an escrow fund to refund and redeem the Series 1993 Bonds.
13. Tax Certificate, executed and delivered by the District, sets forth the requirements which the District must comply with to maintain the tax-exempt status of the interest component of the Installment Payments evidenced by the Certificates.

Part III - Disclosure Documents

14. Official Statement, approved and executed by the District, describes the terms and provisions of the Certificates.
15. Appendix A to Official Statement, describes the District, including its organizational structure and governance, includes current financial and operational data concerning the District.
16. Continuing Disclosure Undertaking, executed by the District, sets forth the District's agreement to provide ongoing financial disclosure.

Part IV - Underwriting Document

17. Certificate Purchase Agreement, executed and delivered by Citigroup, agreed to and accepted by the District, the JPA and U. S. Bank, as trustee, provides for the sale of the Certificates to Citigroup.

Part V - Other Documents

18. Amended and Restated Indenture Relating to Palomar Pomerado Health System Insured Refunding Revenue Bonds, Series 1999, between the District and U. S. Bank, as trustee for the Series 1999 Bonds, amends the indenture pursuant to which the Series 1999 Bonds were issued to harmonize the financial covenants applicable to the Series 1999 Bonds with the financial covenants negotiated in connection with the current financing.

Part VI - Swap Documents

19. Swap Resolution adopted on April 25, 2006. Included for informational purposes only.
20. Supplemental Swap Resolution adopted on June 27, 2006. Included for informational purposes only.
21. International Swaps and Derivatives Association, Inc. ("ISDA") Master Agreement, between the District and Citibank, N. A., New York ("Citibank"), as swap counterparty, standardized agreement which sets forth the standardized definitions, terms and representations of the interest rate swap agreement to be entered into by the District and Citibank.
22. Schedule to the ISDA Master Agreement (the "Swap Schedule"), including Exhibit A to Schedule - Form of Confirmation (the "Swap Confirmation"), Exhibit B to Schedule - Form of Opinion of Counsel to Citibank, as counterparty, Exhibit C to Schedule - Form of Opinion of Counsel to District, and Exhibit D to Schedule - ISDA Credit Support Annex (the "Credit Support Annex").

Schedule and Confirmations, each between the District and Citibank, set forth the specific business terms and provisions agreed to by the District and Citibank with respect to the interest rate swap agreement to be entered into by the District and Citibank, currently anticipated that there will be three Confirmations, a Confirmation with respect to the above-referenced Series 2006A Certificates, a Confirmation with respect to the above-referenced Series 2006B Certificates and a Confirmation with respect to the above-referenced Series 2006C Certificates.

Credit Support Annex, between the District and Citibank, state the terms and provisions under which posting of collateral is required.

**PALOMAR
POMERADO
HEALTH**
SPECIALIZING IN YOU

Plan of Finance Update

November 14, 2006

citigroup
corporate and
investment banking

KaufmanHall

Key Participants to 2006 Financing

BORROWER

Palomar Pomerado Health

Michael Covert

Chief Executive Officer

Bob Hemker

Chief Financial Officer

Marcia Jackson

Chief Planning Officer

Mike Shanahan

*Director, Facilities Planning
and Development*

FINANCIAL ADVISOR

Kaufman, Hall & Associates,
Inc.

Ellen G. Riley

Senior Vice President

Eric Jordahl

Senior Vice President

Carlos Bohorquez

Assistant Vice President

DISTRICT COUNSEL

Latham & Watkins, LLP

Paul DeMuro

Partner

Ursula Hyman

Partner

AUDITOR

Deloitte & Touche, LLP

Drew Sutter

Partner

Dianna White

Audit Manager

UNDERWRITER'S

COUNSEL

Squire, Sanders & Dempsey,
L.L.P.

Robert H. Olson

Partner

Stephanie Shepherd

UNDERWRITER

Citigroup Corporate and
Investment Banking

Peter Reilly

Director

Andrew Suppo

Director

Robert Barna

Director

Chad Kenan

Assistant Vice President

Victor M. Andrade, Jr.

Associate

BOND INSURER

Financial Security
Assurance, Inc.

Rob Wetzler

Director

Frank Cesario

Assistant Vice President

OTHERS

US Bank

Paying Agent

Moody's Investor Service

Rating Agency

MBIA

Bond Insurer- 93 & 99

Deutsche Bank Trust

Company Americas

Auction Agent

North San Diego County

Health Facilities Financing

Authority

Joint Powers Authority

Citigroup

corporate and
investment banking

KaufmanHall
President

Executive Summary

- \$180 million of Series 2006 Revenue Certificates of Participation ("COPs") are on schedule to close in the beginning of December
- The payment of principal and interest on the COPs will be insured by FSA
- The underlying COPs will be issued as 7-day Auction Rate Securities ("ARS")
 - ✓ PPH is preparing to enter into a floating-to-fixed interest rate swap converting the variable rate of interest paid on the ARS to a fixed interest rate
- The plan of finance will allow PPH to:
 - ✓ Raise approximately \$127 million of FMP proceeds
 - ✓ Refund the Series 1993 bonds for approximately \$1.2 million of present value debt service savings*
 - ✓ Implement an updated and flexible Master Trust Indenture ("MTI") consistent with the current marketplace
 - MBIA has agreed to amend the existing Series 1999 bond documents to conform to the new MTI
 - ✓ By not having to issue taxable bonds to defease the 1999 bonds, PPH saved approximately \$4.2 million in debt service cost

*Assumes a matched maturity refunding with synthetic fixed rate bonds. Please refer to assumptions on page 9. For illustration purposes only. Actual results will depend on future market conditions and may differ.

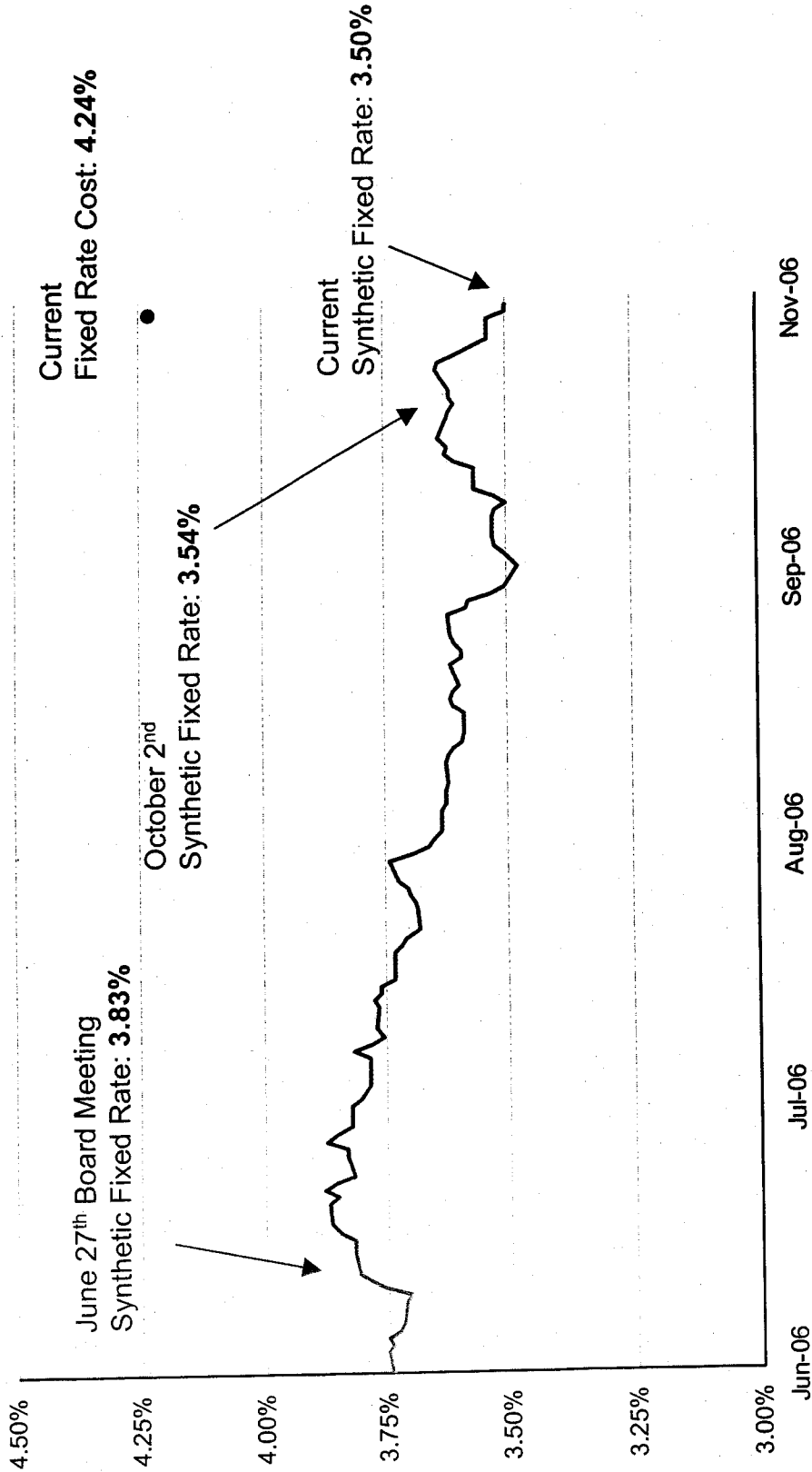
Series 2006 Sources and Uses

Sources:	
Par Amount	\$180 Million
Uses:	
FMP Project Proceeds	\$127 Million
Escrow Cost	\$24 Million
Capitalized Interest	\$19 Million
Costs of Issuance*	<u>\$10 Million</u>
Total	\$180 Million

*Costs of issuance includes bond insurance premium, surety premium and professional fees.

Synthetic Fixed Rates (ARS Swap Index)

- Assuming a 56% of LIBOR + 0.23% swap index, synthetic fixed rates have decreased 33 basis points from levels as of the June 27th Board presentation ¹



¹ Synthetic fixed rates assuming PPH pays a fixed rate and receives 56% of LIBOR + 0.23% on 22-year average life as shown in previous materials. Current average life of structure may be 18-years, which is a 0.01% lower synthetic fixed rate (3.49%). Includes 0.26% for variable rate bonds fees which are estimates and subject to change over the life of the transaction and may impact total debt service costs. Synthetic fixed rates include incremental spread to counterparty. For illustration purposes only, past performance may not indicate future results.

204

Financing Results

Series 2006 New Money and Refunding of Series 1993

Current Synthetic Fixed Rate Bonds^{1,2,3,4} Current Traditional Fixed Rate Bonds^{1,5}

Par	\$180,000,000	\$180,000,000
Contraction Proceeds	\$127,230,000	\$122,026,000
All-in TIC*	3.92%	4.68%
Total Interest	\$116,593,000	\$151,383,000
Total Debt Service	\$296,593,000	\$331,383,000
Average Annual Debt Service	\$9,919,000	\$11,083,000
Maximum Annual Debt Service	\$12,746,000	\$13,363,000
Debt Service Difference		\$34,790,000

Observations:

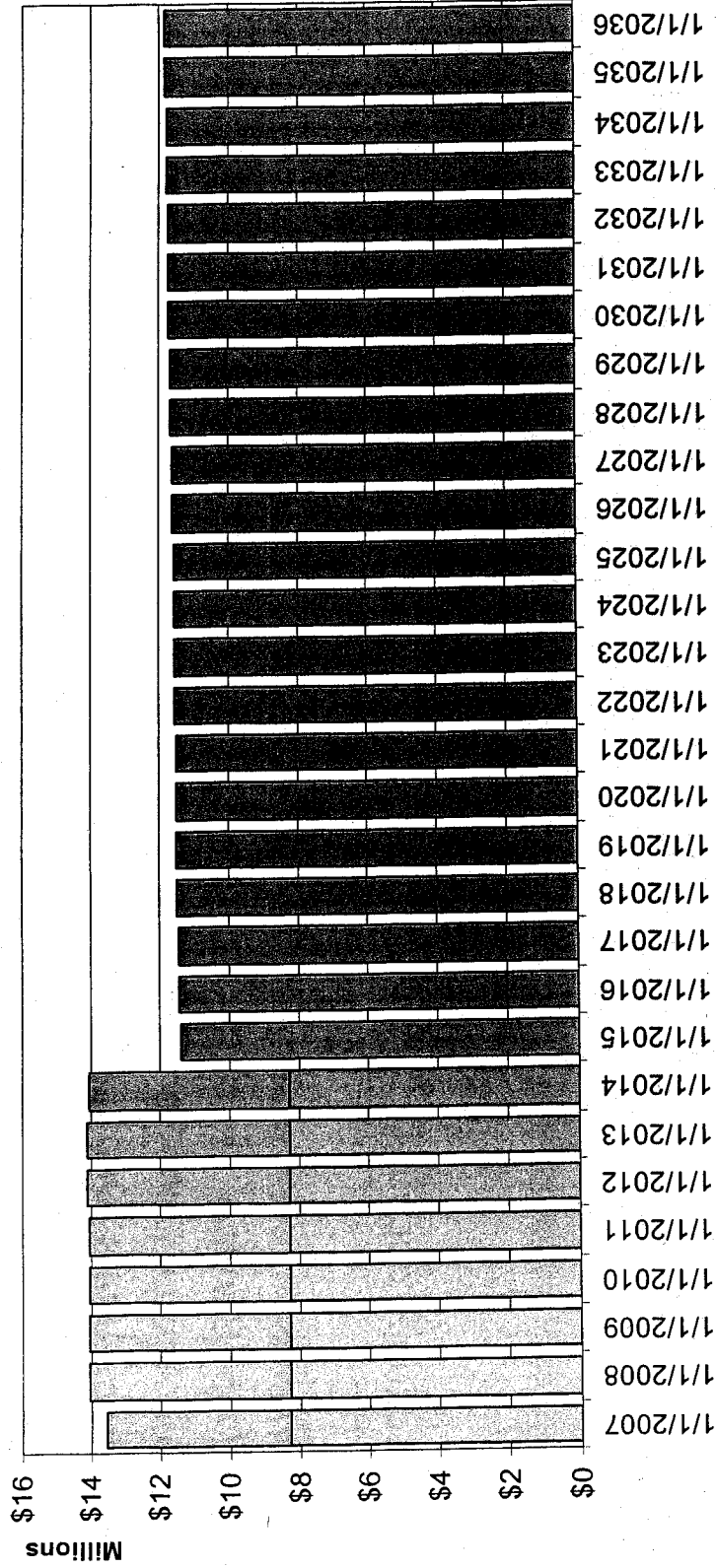
- > Synthetic fixed interest rates have decreased since our last update to the Finance Committee
- > Traditional fixed rate bonds are still less cost effective than swaps and generate less construction proceeds for projects

See page 9 for assumptions to numerical analyses.

* All-in TIC refers to the All-in True Interest Cost for the transaction which factors in all the costs of the transaction which include costs of issuance, ongoing dealer fees, bond insurance premium, etc.

PPH Revenue Bond Debt Service Structure

- The issuance of the proposed Series 2006 bonds will be "wrapped" around the existing Series 1999 bonds minimizing the impact to Maximum Annual Debt Service



■ Series 1999 ■ Proposed Series 2006

See page 9 for assumptions to numerical analyses.

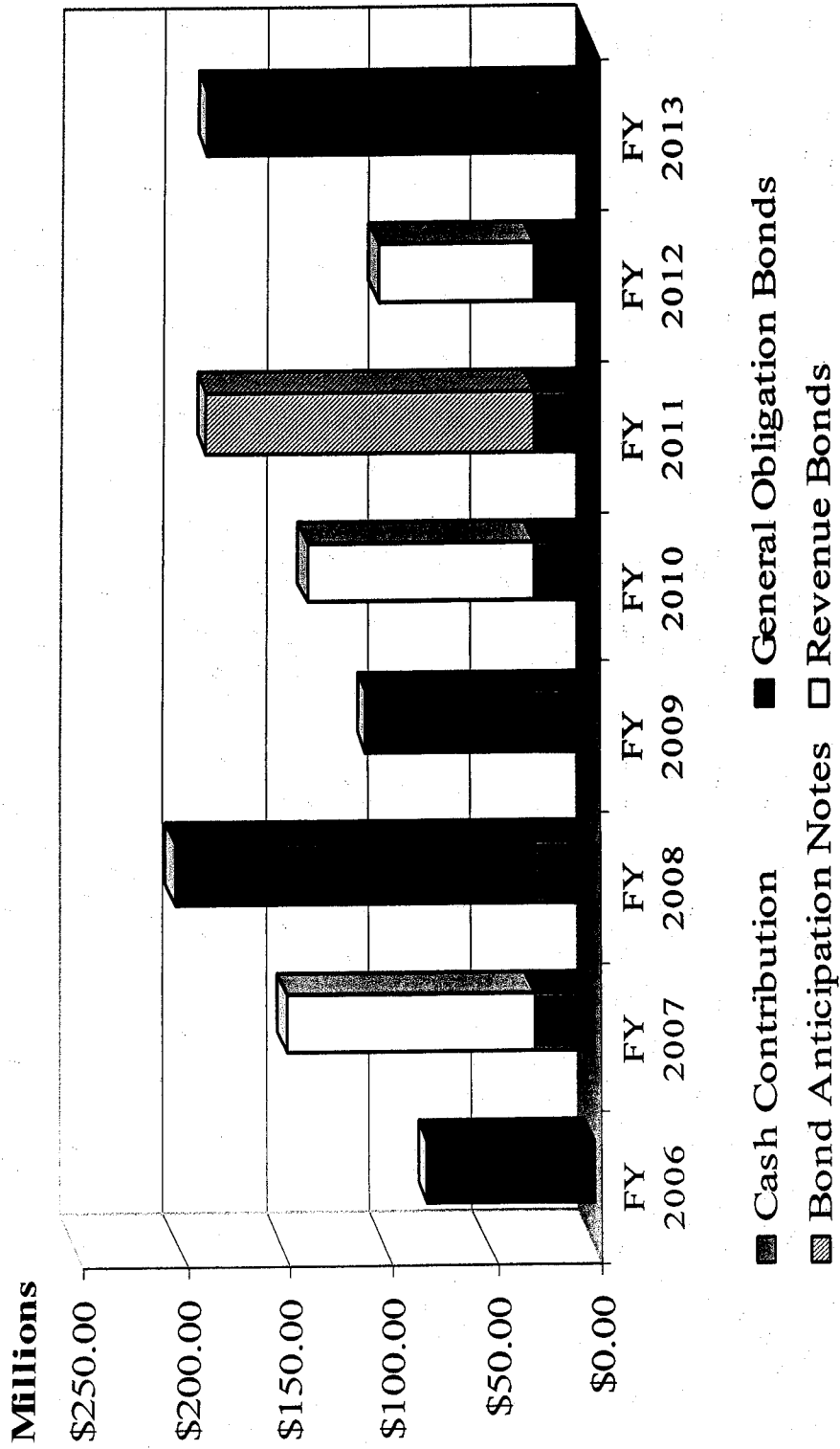
206

Proposed Timeline for 2006 Revenue Bonds

<p>November 2006</p>	<ul style="list-style-type: none"> - Week of November 13th – Locking in interest rate - November 14th – Special Finance Committee Meeting - November 20th – JPA Meeting to Approve Financing - November 20th – PPH Board Meeting - <i>Hold TEFRA Hearing</i> - <i>Approve Final Bond Documents</i> - <i>Approve Final Financing Structure</i> - <i>Approve Official Statement</i> - November 21st - Print and Mail Official Statement
<p>December 2006</p>	<ul style="list-style-type: none"> - December 5th - Price Series 2006 ARS COPs - December 6th - Pre-Close Series 2006 COPs - December 7th - Close Series 2006 COPs

Phased, Integrated Plan of Finance (updated as of June 2006)

- Issue Revenue Bonds in conjunction with GO Bonds and Bond Anticipation Notes allows PPH to
 - ✓ Meet projected construction draw schedule in a timely fashion and maintain \$17.75 tax promised to voters
- PPH maintains the flexibility to adjust the timing of Revenue and GO bonds to meet construction needs and take advantage of market opportunities



208

Assumptions

Slide 5

Note: Rates as of 11/9/2006, subject to market conditions, documentation, and credit approval.
PV Savings discounted at estimated all-in TIC of each scenario.

- 1 Assumes bond insurance premium of 1.95% of total debt service at current RBI (4.61%).
- 2 Synthetic Fixed Refunding Scenario assumes underlying ARS.
- 3 The new money and 1993 refunding assume Synthetic Fixed Rate Bonds where PPH receives 56.00% of LIBOR + 0.23% and pays fixed. Assumes floating rate received from Citibank equals floating rate paid on underlying ARS. Synthetic fixed rates include incremental spread to counterparty. Actual results may vary.
- 4 Assumes 0.26% for broker-dealer and auction agent fees; fees are estimates and are subject to change over the life of the transaction, which may impact total debt service cost and present value savings.
- 5 Traditional fixed rate scenario assumes new money and 1993 refunding are issued as insured, premium non-call fixed rate bonds.
For illustration purposes only; actual results will depend on future market conditions.

Synthetic Fixed Rate Debt: Variable-to-Fixed Interest Rate Swap

Structure

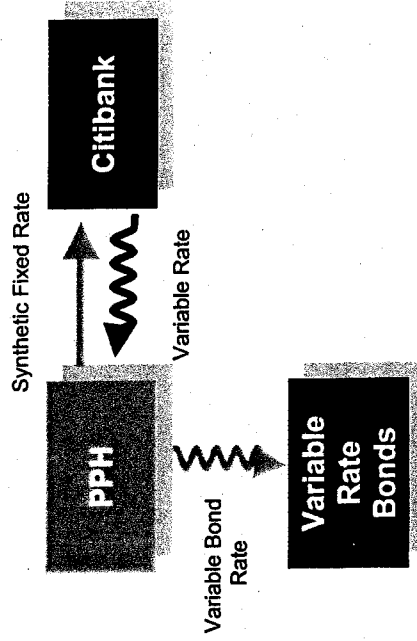
- Citibank pays PPH a variable rate
- PPH pays a fixed rate to Citibank

Benefits

- Long term fixed rate
- Potential interest cost savings vs. fixed rate bonds
- "Make-whole" call flexibility
- Diversifies investor universe
- PPH can manage its swap program to benefit from market volatility

Considerations

- Use of LIBOR entails basis and tax risk
- Credit support required for variable rate bonds
- Variable rate bond risk
- Swap is economically non-callable
- Credit risk to Aa1/AA/AA+ rated Citibank, N.A.
- Potential make-whole payment by PPH for early termination
- Consult auditors regarding accounting treatment



Review of Financing Bond Documents

Document	Role in Transaction
Official Statement (and Appendix A)	Disclosure document describing PPH and the Certificates
Certificate Purchase Agreement	Citigroup agrees to purchase the Certificates
Purchase Agreement	JPA agrees to purchase property from PPH
Installment Sale Agreement	PPH agrees to repurchase property from the JPA
Master Trust Indenture and Trust Agreement	Terms for the Obligated group and terms for the Series 2006 certificates
Supplemental MTI for Obligations 1, 2, 3, 4 & 5	Issues Obligations securing payment of certificates
Continuing Disclosure	PPH agrees to report information and significant events to the certificate holders on a regular basis
Auction Agreement & Broker-Dealer Agreement	Agreement between PPH and the Auction Agent / Broker-Dealer regarding the auction process
Escrow Agreement	Outlines terms for the defeasance escrow of the 1993 COPs
Amended & Restated Series 1999 Indenture	Harmonizes Series 1999 Terms with 2006 MTI Terms
ISDA Master Agreement and Credit Annex Support	Terms of the Swap Agreement
Confirm	Specific Terms related to the PPH Swap

Review of Financing Bond Documents

Document	Parties
Official Statement (and Appendix A)	PPH
Certificate Purchase Agreement	Citigroup, PPH, JPA and U.S. Bank (Master Trustee)
Purchase Agreement	PPH and JPA
Installment Sale Agreement	PPH and JPA
Trust Agreement	JPA and U.S. Bank (Master Trustee)
Master Trust Indenture	PPH and U.S. Bank (Master Trustee)
Supplemental MTI for Obligations 1, 2, 3, 4 & 5	PPH and U.S. Bank (Master Trustee)
Continuing Disclosure	PPH
Auction Agreement	U.S. Bank (Master Trustee) and Deutsche Bank (Auction Agent)
Broker-Dealer Agreement	U.S. Bank (Master Trustee) and Citigroup (Broker-Dealer)
Escrow Agreement	PPH and U.S. Bank (Master Trustee)
ISDA Master Agreement and Credit Annex Support	PPH and Citigroup (Swap Counterparty)
Confirm	PPH and Citigroup (Swap Counterparty)

Any terms set forth herein are intended for discussion purposes only and are subject to the final terms as set forth in separate definitive written agreements. This presentation is not a commitment to lend, syndicate a financing, underwrite or purchase securities, or commit capital nor does it obligate us to enter into such a commitment, nor are we acting as a fiduciary to you. By accepting this presentation, subject to applicable law or regulation, you agree to keep confidential the existence of and proposed terms for any transaction contemplated hereby (a "Transaction").

Prior to entering into any Transaction, you should determine, without reliance upon us or our affiliates, the economic risks and merits (and independently determine that you are able to assume these risks) as well as the legal, tax and accounting characterizations and consequences of any such Transaction. In this regard, by accepting this presentation, you acknowledge that (a) we are not in the business of providing (and you are not relying on us for) legal, tax or accounting advice, (b) there may be legal, tax or accounting risks associated with any Transaction, (c) you should receive (and rely on) separate and qualified legal, tax and accounting advice and (d) you should apprise senior management in your organization as to such legal, tax and accounting advice (and any risks associated with any Transaction) and our disclaimer as to these matters. By acceptance of these materials, you and we hereby agree that from the commencement of discussions with respect to any Transaction, and notwithstanding any other provision in this presentation, we hereby confirm that no participant in any Transaction shall be limited from disclosing the U.S. tax treatment or U.S. tax structure of such Transaction.

IRS Circular 230 Disclosure: Citigroup, Inc. and its affiliates do not provide tax or legal advice. Any discussion of tax matters in these materials (i) is not intended or written to be used, and cannot be used or relied upon, by you for the purpose of avoiding any tax penalties and (ii) may have been written in connection with the "promotion or marketing" of the Transaction. Accordingly, you should seek advice based on your particular circumstances from an independent tax advisor.

We are required to obtain, verify and record certain information that identifies each entity that enters into a formal business relationship with us. We will ask for your complete name, street address, and taxpayer ID number. We may also request corporate formation documents, or other forms of identification, to verify information provided.

Any prices or levels contained herein are preliminary and indicative only and do not represent bids or offers. These indications are provided solely for your information and consideration, are subject to change at any time without notice and are not intended as a solicitation with respect to the purchase or sale of any instrument. The information contained in this presentation may include results of analyses from a quantitative model which represent potential future events that may or may not be realized, and is not a complete analysis of every material fact representing any product. Any estimates included herein constitute our judgment as of the date hereof and are subject to change without any notice. We and/or our affiliates may make a market in these instruments for our customers and for our own account. Accordingly, we may have a position in any such instrument at any time.

We maintain a policy of strict compliance to the anti-tying provisions of the U.S. Bank Holding Company Act of 1956, as amended, and the regulations issued by the Federal Reserve Board implementing the anti-tying rules (collectively, the "Anti-tying Rules"). Moreover, our credit policies provide that credit must be underwritten in a safe and sound manner and be consistent with Section 23B of the Federal Reserve Act and the requirements of federal law. Consistent with these requirements and our Anti-tying Policy:

- The extension of commercial loans or other products or services to you by Citibank, N.A. ("Citibank") or any of its subsidiaries will not be conditioned on your taking other products or services offered by Citibank or any of its subsidiaries or affiliates, unless such a condition is permitted under an exception to the Anti-tying Rules.
- We will not vary the price or other terms of any product or service offered by Citibank or its subsidiaries on the condition that you purchase another product or service from Citibank or any Citigroup affiliate, unless we are authorized to do so under an exception to the Anti-tying Rules.
- We will not require you to provide property or services to Citibank or any affiliate of Citibank as a condition to the extension of a commercial loan to you by Citibank or any of its subsidiaries, unless such a requirement is reasonably required to protect the safety and soundness of the loan.
- We will not require you to refrain from doing business with a competitor of Citigroup or any of its affiliates as a condition to receiving a commercial loan from Citibank or any of its subsidiaries, unless the requirement is reasonably designed to ensure the soundness of the loan.

Although this material may contain publicly available information about Citigroup corporate bond research or economic and market analysis, Citigroup policy (i) prohibits employees from offering, directly or indirectly, a favorable or negative research opinion or offering to change an opinion as consideration or inducement for the receipt of business or for compensation; and (ii) prohibits analysts from being compensated for specific recommendations or views contained in research reports. So as to reduce the potential for conflicts of interest, as well as to reduce any appearance of conflicts of interest, Citigroup has enacted policies and procedures designed to limit communications between its investment banking and research personnel to specifically prescribed circumstances.

© 2006 Citigroup Global Markets Inc. Member SIPC. All rights reserved. CITIGROUP and the Umbrella Device are trademarks and service marks of Citigroup or its affiliates and are used and registered throughout the world.

PALOMAR POMERADO HEALTH

RESOLUTION NO. 11.20.06 (01) - 27

RESOLUTION OF THE BOARD OF DIRECTORS OF PALOMAR POMERADO HEALTH AUTHORIZING THE UNDERTAKING OF A FINANCING, INCLUDING THE EXECUTION AND DELIVERY OF NOT TO EXCEED \$180 MILLION AGGREGATE PRINCIPAL AMOUNT OF CERTIFICATES OF PARTICIPATION EVIDENCING PROPORTIONATE UNDIVIDED INTERESTS IN INSTALLMENT PAYMENTS TO BE MADE BY PALOMAR POMERADO HEALTH PURSUANT TO AN INSTALLMENT SALE AGREEMENT, APPROVING THE FORM OF, AND AUTHORIZING THE EXECUTION AND DELIVERY AND/OR APPROVAL OF THE DOCUMENTS, AGREEMENTS AND INSTRUMENTS REQUIRED IN CONNECTION THEREWITH, INCLUDING SUCH INSTALLMENT SALE AGREEMENT, AN INSTALLMENT PURCHASE AGREEMENT, A TRUST AGREEMENT, AN AMENDED AND RESTATED INDENTURE, A MASTER TRUST INDENTURE, A SUPPLEMENTAL MASTER INDENTURE FOR MASTER INDENTURE OBLIGATION NO. 1, OBLIGATION NO. 1, A SUPPLEMENTAL MASTER INDENTURE FOR MASTER INDENTURE OBLIGATION NO. 2, OBLIGATION NO. 2, A SUPPLEMENTAL MASTER INDENTURE FOR MASTER INDENTURE OBLIGATION NO. 3, OBLIGATION NO. 3, A SUPPLEMENTAL MASTER INDENTURE FOR MASTER INDENTURE OBLIGATION NO. 4, OBLIGATION NO. 4, A SUPPLEMENTAL MASTER INDENTURE FOR MASTER INDENTURE OBLIGATION NO. 5, OBLIGATION NO. 5, AN AUCTION AGENT AGREEMENT, A BROKER-DEALER AGREEMENT, AN ESCROW AGREEMENT, A CERTIFICATE PURCHASE AGREEMENT, AN OFFICIAL STATEMENT AND A CONTINUING DISCLOSURE UNDERTAKING RELATING TO SAID CERTIFICATES OF PARTICIPATION, AUTHORIZING THE TAKING OF CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH, AND APPROVING THE FINANCING FOR PURPOSES OF SECTION 147(f) OF THE INTERNAL REVENUE CODE.

WHEREAS, Palomar Pomerado Health (the "District") is a local health care district duly organized and existing under The Local Health Care District Law, constituting Division 23 of the Health and Safety Code of the State of California (the "District Act");

WHEREAS, in order to continue to provide accessible health care services, management of the District developed a comprehensive plan to address the future health care needs of the population of the District (such plan being hereinafter referred to as the "Facilities Master Plan"), which Facilities Master Plan has been approved by the Board of Directors of the District (the "Board of Directors");

WHEREAS, the District proposes (i) to finance, or reimburse itself for its prior payment of, certain capital costs incurred in connection with implementation of the Facilities Master Plan and (ii) to refund the Palomar Pomerado Health System Insured Revenue Bonds, Series 1993 (the "Series 1993 Bonds") previously issued by the District to finance and/or refinance certain other capital projects;

WHEREAS, in order to facilitate such financing or reimbursement and such refunding (hereinafter collectively referred to as the "Financing"), the District has requested the assistance of the North San Diego County Health Facilities Financing Authority (the "Authority"), which was established and created pursuant to a joint exercise of powers agreement, between the District and Tri-City Healthcare District;

WHEREAS, pursuant to the provisions of the District Act, the District is authorized to purchase, dispose of, convey and encumber its property for the benefit of the District;

WHEREAS, in order to facilitate the Financing, the District proposes to enter into a Purchase Agreement (the "Purchase Agreement"), with the Authority, pursuant to which the District will convey certain real property (the "Real Property") to the Authority;

WHEREAS, in order to facilitate the Financing, the District proposes to enter into an Installment Sale Agreement (the "Sale Agreement"), with the Authority, pursuant to which the Authority will convey the Real Property back to the District;

WHEREAS, in order to facilitate the Financing, the Authority and U. S. Bank National Association ("U. S. Bank"), as trustee (the "Trustee") will enter into a Trust Agreement (the "Trust Agreement"), pursuant to which the Trustee will execute and deliver certain certificates of participation, each evidencing a proportionate interest in installment payments (the "Installment Payments") to be made by the District under the Sale Agreement, which Installment Payments shall be in an aggregate amount equal to the aggregate principal amount of the certificates of participation so executed and delivered;

WHEREAS, the rights to receive the Installment Payments to be made by the District under the Sale Agreement will be assigned to the Trustee for the benefit of the registered holders of the certificates of participation, all in accordance with the provisions set forth in the Trust Agreement;

WHEREAS, it is anticipated that such certificates of participation (hereinafter collectively referred to as the "Certificates") will be issued in three series, such series to be designated as the "Series 2006A Certificates," the "Series 2006B Certificates" and the "Series 2006C Certificates;"

WHEREAS, in order to hedge against rising interest rates and in order to minimize debt service and maximize delivery of capital projects identified in the Facilities Master Plan, in connection with the execution and delivery of the Certificates, the District has entered into a hedging agreement, comprised of an International Swaps and Derivatives Association, Inc. ("ISDA") Master Agreement (the "ISDA Master Agreement"), a Schedule to

the ISDA Master Agreement, an ISDA Credit Support Annex and three Confirmations (hereinafter collectively referred to as the "Hedging Agreement"); with Citibank, N. A., New York (hereinafter referred to as the "Counterparty");

WHEREAS, in order to refinance certain other capital projects, the District previously issued the Palomar Pomerado Health System Insured Refunding Revenue Bonds, Series 1999 (the "Series 1999 Bonds") pursuant to an Indenture, dated as of June 1, 1999 (the "Series 1999 Indenture"), between the District and U. S. Bank Trust National Association, as trustee;

WHEREAS, in connection with the Financing, the District and U. S. Bank, as successor trustee to U. S. Bank Trust National Association, will enter into an Amended and Restated Indenture (the "Amended Series 1999 Indenture"), which will amend and restate the Series 1999 Indenture;

WHEREAS, in connection with the Financing, the District proposes to enter into a Master Trust Indenture, (the "Master Indenture"), with U. S. Bank, as master trustee (the "Master Trustee"), which Master Indenture will contain certain financial and other covenants and will provide for the issuance from time to time of obligations (each, an "Obligation") by the District to evidence and secure contractual obligations of the District;

WHEREAS, in order to further secure and evidence the obligations of the District under the Amended Series 1999 Indenture, the District proposes to enter into a Supplemental Master Indenture for Master Indenture Obligation No. 1 ("Supplement No. 1"), with the Master Trustee, pursuant to which Obligation No. 1 ("Obligation No. 1") will be issued;

WHEREAS, Supplement No. 1 will also contain certain additional financial and other covenants for the benefit of MBIA Insurance Corporation, as insurer of the Series 1999 Bonds;

WHEREAS, in order to further secure and evidence the obligations of the District under the Sale Agreement, the District proposes to enter into a Supplemental Master Trust for Master Indenture Obligation No. 2, ("Supplement No. 2"), with the Master Trustee, pursuant to which Obligation No. 2 ("Obligation No. 2") will be issued;

WHEREAS, Supplement No 2. will also contain certain additional financial and other covenants for the benefit of Financial Security Assurance Inc. ("FSA"), as insurer of the Certificates;

WHEREAS, in order to further secure and evidence the obligations of the District under the Hedging Agreement with respect to the Series 2006A Certificates, the District proposes to enter into a Supplemental Master Indenture for Master Indenture Obligation No. 3 ("Supplement No. 3"), with the Master Trustee, pursuant to which Obligation No. 3 ("Obligation No. 3") will be issued;

WHEREAS, in order to further secure and evidence the obligations of the District under the Hedging Agreement with respect to the Series 2006B Certificates, the District

and to pay certain costs of delivery incurred in connection with the execution and delivery of the Certificates;

WHEREAS, in order to facilitate the offering of the Certificates by the Underwriter, the District proposes to approve, execute and deliver an Official Statement (the "Official Statement"), describing the Certificates and related matters;

WHEREAS, in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15(c)2-12(b)(5), the District proposes to execute and deliver a Continuing Disclosure Undertaking (the "Continuing Disclosure Undertaking");

WHEREAS, in order to accomplish the foregoing, it will be necessary for the District to approve and/or execute and deliver the following documents, instruments and agreements, forms of which have been prepared and presented to this meeting:

- (1) the Purchase Agreement;
- (2) the Sale Agreement;
- (3) the Trust Agreement;
- (4) the Amended Series 1999 Indenture;
- (5) the Master Indenture;
- (6) Supplement No. 1, including a proposed form of Obligation No. 1;
- (7) Supplement No. 2, including a proposed form of Obligation No. 2;
- (8) Supplement No. 3, including a proposed form of Obligation No. 3;
- (9) Supplement No. 4, including a proposed form of Obligation No. 4;
- (10) Supplement No. 5, including a proposed form of Obligation No. 5;
- (11) the Auction Agent Agreement;
- (12) the Broker-Dealer Agreement;
- (13) the Escrow Agreement;
- (14) the Certificate Purchase Agreement;
- (15) the Official Statement; and
- (16) the Continuing Disclosure Undertaking; and

proposes to enter into a Supplemental Master Indenture for Master Indenture Obligation No. 4 ("Supplement No. 4"), with the Master Trustee, pursuant to which Obligation No. 4 ("Obligation No. 4") will be issued;

WHEREAS, in order to further secure and evidence the obligations of the District under the Hedging Agreement with respect to the Series 2006C Certificates, the District proposes to enter into a Supplemental Master Indenture for Master Indenture Obligation No. 5 ("Supplement No. 5"), with the Master Trustee, pursuant to which Obligation No. 5 ("Obligation No. 5") will be issued;

WHEREAS, in order to provide credit support for the Certificates, management of the District has secured a commitment for municipal bond insurance (the "Certificate Insurance Commitment") from FSA;

WHEREAS, in order to fund a portion of the debt service reserve fund required to be established in connection with the Certificates, management of the District has secured a commitment for a municipal bond debt service reserve insurance policy (hereinafter referred to as a "Reserve Fund Commitment") from FSA;

WHEREAS, in order to insure the payment of amounts due to the Counterparty pursuant to the Hedging Agreement, management of the District has secured a commitment for a financial guaranty insurance policy securing such payments (hereinafter referred to as the "Swap Insurance Commitment") from FSA;

WHEREAS, in order to provide for auctions to be conducted on a periodic basis to set the interest rate from time to time with respect to the Certificates, the District proposes to instruct the Trustee to enter into an Auction Agent Agreement (the "Auction Agent Agreement") with Deutsche Bank Trust Company Americas, as auction agent (the "Auction Agent"), certain provisions of which Auction Agent Agreement the District will acknowledge and agree to;

WHEREAS, in order to provide for broker-dealer services in connection with the Certificates, the District proposes to enter into a Broker-Dealer Agreement (the "Broker-Dealer Agreement"), with the Auction Agent and Citigroup Global Markets Inc. ("Citigroup"), as broker-dealer;

WHEREAS, in order to provide for the refunding of the Series 1993 Bonds, the District proposes to enter into an Escrow Agreement (the "Escrow Agreement"), with U. S. Bank, as successor trustee and as escrow agent;

WHEREAS, Citigroup proposes to purchase the Certificates pursuant to a Certificate Purchase Agreement (the "Certificate Purchase Agreement"), executed and delivered by Citigroup, as underwriter (Citigroup acting in such capacity being hereinafter referred to as the "Underwriter"), and agreed to and accepted by the District and the Authority;

WHEREAS, the proceeds of the sale of the Certificates will be applied as set forth in the Trust Agreement to finance capital costs of the Facilities Master Plan, to refund the Series 1993 Bonds, to fund capitalized interest for a period not expected to exceed May 1, 2010,

WHEREAS, on October 31, 2006, there was published in a newspaper of general circulation in the District, a notice of public hearing concerning the Financing;

WHEREAS, on the date hereof, the Board of Directors held a public hearing for purposes of Section 147(f) of the Internal Revenue Code of 1986 (the "Code") at which interested persons were given an opportunity to express their views concerning the execution and delivery of the Certificates evidencing the Installment Payments and on the nature and location of the facilities proposed to be financed or refinanced;

WHEREAS, the Board of Directors desires (i) to approve the Financing, including the execution and delivery of the Certificates evidencing the Installment Payments, for purposes of Section 147(f) of the Code, (ii) to approve and/or authorize and direct the execution and delivery of each of the above-identified documents, instruments and agreements (hereinafter collectively referred to as the "Financing Documents"), (iii) to authorize the execution and delivery of the Certificates pursuant thereto and (iv) to authorize the taking of such other actions as shall be necessary to consummate the Financing as referred to and described in the Financing Documents and herein; and

NOW, THEREFORE, BE IT RESOLVED THAT:

Section 1. Recitals. The foregoing recitals are true and correct and the Board of Directors so finds and determines.

Section 2. Authorization of Execution and Delivery of Certificates; Approval for Purposes of Section 147(f) of the Internal Revenue Code. The execution and delivery of not to exceed one hundred eighty million dollars (\$180,000,000) in aggregate principal amount of Certificates is hereby authorized and approved.

It is the purpose and intent of the Board of Directors that this Resolution constitute approval of the Financing and execution and delivery of the Certificates evidencing the Installment Payments for purposes of Section 147(f) of the Code.

Section 3. Purchase Agreement. The proposed form of Purchase Agreement presented to this meeting is hereby approved. The President and Chief Executive Officer of the District (the "President") or the Chief Financial Officer of the District (the "Chief Financial Officer") is hereby authorized and directed to execute and deliver a Purchase Agreement in substantially said form, with such changes therein as the officer executing the same, with the advice of counsel to the District ("District Counsel"), may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. Sale Agreement. The proposed form of Sale Agreement presented to this meeting is hereby approved. The President or the Chief Financial Officer (each, an "Authorized Officer of the District") is hereby authorized and directed to execute and deliver a Sale Agreement in substantially said form, provided that the principal component of the purchase price specified in Section 4.1 thereof does not exceed one hundred eighty million dollars (\$180,000,000), and with such changes therein as the officer executing the same, with the advice

of District Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 5. Trust Agreement. The proposed form of Trust Agreement presented to this meeting is hereby approved. Each Authorized Officer of the District is hereby authorized and directed to approve the execution and delivery of a Trust Agreement in substantially said form, with such changes therein as the officer executing the Sale Agreement, with the advice of District Counsel, may require or approve, such approval of the execution and delivery of the Trust Agreement by the Authority and the Trustee to be conclusively evidenced by the execution and delivery of the Sale Agreement by an Authorized Officer of the District. The payment dates, method of determining the interest components, terms of prepayment, tender provisions and other terms of the Certificates shall be as provided in the Trust Agreement, as finally executed; provided, however, that without further approval from this Board, the Certificates shall not exceed one hundred eighty million dollars (\$180,000,000) in aggregate principal amount, shall have a final stated Certificate Payment Date (as such term is defined in the Trust Agreement) not exceeding thirty-five (35) years from the date of initial execution and delivery and shall bear interest at a rate not exceeding fifteen percent (15%) with respect to Certificates bearing interest at an auction rate and not exceeding twelve percent (12%) with respect to Certificate bearing interest at other than an auction rate.

Section 6. Amended Series 1999 Indenture. The proposed form of Amended Series 1999 Indenture presented to this meeting is hereby approved. Each Authorized Officer of the District is authorized and directed to execute and deliver an Amended Series 1999 Indenture in substantially said form, with such changes therein as the officer executing the same, with the advice of District Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 7. Master Indenture. The proposed form of Master Indenture presented to this meeting is hereby approved. Each Authorized Officer of the District is authorized and directed to execute and deliver a Master Indenture in substantially said form, with such changes therein as the officer executing the same, with the advice of District Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 8. Supplement No. 1. The proposed form of Supplement No. 1 presented to this meeting is hereby approved. Each Authorized Officer of the District is authorized and directed to execute and deliver a Supplement No. 1 in substantially said form, with such changes therein as the officer executing the same, with the advice of District Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 9. Obligation No. 1. The proposed form of Obligation No. 1 presented to this meeting is hereby approved. Each Authorized Officer of the District is authorized and directed to execute and deliver an Obligation No. 1 in substantially said form, with such changes therein as the officer executing the same, with the advice of District Counsel,

may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 10. Supplement No. 2. The proposed form of Supplement No. 2 presented to this meeting is hereby approved. Each Authorized Officer of the District is authorized and directed to execute and deliver a Supplement No. 2 in substantially said form, with such changes therein as the officer executing the same, with the advice of District Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 11. Obligation No. 2. The proposed form of Obligation No. 2 presented to this meeting is hereby approved. Each Authorized Officer of the District is authorized and directed to execute and deliver an Obligation No. 2 in substantially said form, with such changes therein as the officer executing the same, with the advice of District Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 12. Supplement No. 3. The proposed form of Supplement No. 3 presented to this meeting is hereby approved. Each Authorized Officer of the District is authorized and directed to execute and deliver a Supplement No. 3 in substantially said form, with such changes therein as the officer executing the same, with the advice of District Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 13. Obligation No. 3. The proposed form of Obligation No. 3 presented to this meeting is hereby approved. Each Authorized Officer of the District is authorized and directed to execute and deliver an Obligation No. 3 in substantially said form, with such changes therein as the officer executing the same, with the advice of District Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 14. Supplement No. 4. The proposed form of Supplement No. 4 presented to this meeting is hereby approved. Each Authorized Officer of the District is authorized and directed to execute and deliver a Supplement No. 4 in substantially said form, with such changes therein as the officer executing the same, with the advice of District Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 15. Obligation No. 4. The proposed form of Obligation No. 4 presented to this meeting is hereby approved. Each Authorized Officer of the District is authorized and directed to execute and deliver an Obligation No. 4 in substantially said form, with such changes therein as the officer executing the same, with the advice of District Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 16. Supplement No. 5. The proposed form of Supplement No. 5 presented to this meeting is hereby approved. Each Authorized Officer of the District is

authorized and directed to execute and deliver a Supplement No. 5 in substantially said form, with such changes therein as the officer executing the same, with the advice of District Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 17. Obligation No. 5. The proposed form of Obligation No. 5 presented to this meeting is hereby approved. Each Authorized Officer of the District is authorized and directed to execute and deliver an Obligation No. 5 in substantially said form, with such changes therein as the officer executing the same, with the advice of District Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 18. Auction Agent Agreement. The proposed form of Auction Agent Agreement presented to this meeting is hereby approved. Each Authorized Officer of the District is hereby authorized and directed to execute and deliver an Auction Agent Agreement, in substantially said form, with such changes therein as the officer executing the same, with the advice of District Counsel, may require or approve, such approval of to be conclusively evidenced by the execution and delivery thereof.

Section 19. Broker-Dealer Agreement. The proposed form of Broker-Dealer Agreement presented to this meeting is hereby approved. Each Authorized Officer of the District is hereby authorized and directed to execute and deliver a Broker-Dealer Agreement, in substantially said form, with such changes therein as the officer executing the same, with the advice of District Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 20. Escrow Agreement. The proposed form of Escrow Agreement presented to this meeting is hereby approved. Each Authorized Officer of the District is hereby authorized and directed to execute and deliver an Escrow Agreement, in substantially said form, with such changes therein as the officer executing the same, with the advice of District Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 21. Certificate Purchase Agreement. The proposed form of Certificate Purchase Agreement presented to this meeting is hereby approved. Each Authorized Officer of the District is hereby authorized and directed to execute and deliver a Certificate Purchase Agreement in substantially said form, with such changes therein as the officer executing the same, with the advice of District Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof, which Certificate Purchase Agreement shall provide for the sale of the Certificates to the Underwriter at a purchase price equal to the aggregate principal amount of the Certificates, less an Underwriter's discount not to exceed one percent (1%) of the aggregate principal amount of the Certificates.

Section 22. Official Statement. The proposed form of Official Statement presented to this meeting is hereby approved. Each Authorized Officer of the District is hereby authorized and directed to approve and deliver a final Official Statement in substantially said

form, with such changes therein as the officer executing the same, with the advice of District Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. The Underwriter is hereby authorized and directed to distribute a copy of the Official Statement, as finally executed, to all actual purchasers of Certificates.

Section 23. Continuing Disclosure Undertaking. The proposed form of Continuing Disclosure Undertaking presented to this meeting is hereby approved. Each Authorized Officer of the District is hereby authorized and directed to execute and deliver a Continuing Disclosure Undertaking, in substantially said form, with such changes therein as the officer executing the same, with the advice of District Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 24. Additional Actions. Each Authorized Officer of the District and any other appropriate officer of the District, acting singly, is, and each of them hereby is, authorized and directed, for and in the name and on behalf of the District, (i) to do any and all things and to execute and deliver any and all documents, instruments and certificates, including signature certificates, no-litigation certificates and tax certificates, and to enter into any and all agreements necessary or advisable in order to carry out, give effect to and comply with the terms and intent of this Resolution and the transactions contemplated by any of the documents, agreements and instruments authorized to be executed and delivered pursuant to this Resolution, including, without limitation, such documents, agreements, instruments or certificates as may be required by FSA pursuant to the Certificate Insurance Commitment, the Reserve Fund Instrument Commitment or the Swap Insurance Commitment (hereinafter collectively referred to as the "FSA Commitments") and (ii) to authorize payment of all reasonable fees and expenses incurred or to be incurred by the District in connection with the transactions contemplated by any of the documents, agreements and instruments authorized to be executed and delivered pursuant to this Resolution.

Section 25. Ratification of Actions. All actions heretofore taken by the officers and agents of the District with respect to the Financing, including, without limitation, all actions taken in connection with the Hedging Agreement and the FSA Commitments, and the execution, sale and delivery of the Certificates are hereby ratified, confirmed and approved.

Section 26. Inconsistent Actions. All previous resolutions of the Board of Directors which are inconsistent with this Resolution be, and the same hereby are repealed, revoked and rescinded to the extent of such inconsistency.

Section 27. Effective Date. This Resolution shall take effect from and after its adoption.

PASSED AND ADOPTED by the Board of Directors of Palomar Pomerado Health on the 20th day of November, 2006, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINING:

Dated: November 20, 2006.

By: _____
Marcelo R. Rivera, M.D.
Chair, Board of Directors
Palomar Pomerado Health

Attested:

Linda Greer, R. N.
Secretary, Board of Directors