

ADDENDUM A

Palomar Pomerado Health
FINANCE COMMITTEE MEETING
(BOARD MEETING WITH RESPECT TO BOARD MEMBERS ON THE COMMITTEE)

Meeting Room E, Pomerado Hospital, 15615 Pomerado Road, Poway, CA
 Tuesday, December 5, 2006, Meeting Minutes

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP
NOTICE OF MEETING	The notice of meeting was mailed before close of business on Friday, December 1, 2006, which is consistent with legal requirements		
MEETING CALLED TO ORDER	6:10 p.m. by Chairman Ted Kleiter		
ESTABLISHMENT OF QUORUM			
ROLL CALL	<p>Present: Directors Nancy Bassett, R.N., Linda Greer, R.N., and Ted Kleiter.</p> <p>Absent: Director Marcelo Rivera, M.D.; Finance Committee Members Robert Trifunovic, M.D., Paul Tornambe, M.D., and Michael Covert</p> <p><i>There was not a quorum at the time the meeting was called to order; however, both Michael Covert and Dr. Tornambe were expected for the meeting. Chairman Kleiter directed that agenda topics be reviewed and discussed, with any voting to be held until a quorum of the Finance Committee was present. Bob Hemker also stated that—should a quorum not be reached—all actionable items could still be moved forward to the Board via discussion agenda rather than consent agenda.</i></p>		
QUORUM ESTABLISHED	<p><i>Finance Committee Member Paul Tornambe, M.D., arrived during the discussion regarding Dr. Spencer’s Agreement and consensus/action on that item was postponed, to follow discussions regarding the Clinical Director Agreement and Medical Consultant Agreement. Motions on items 1 through 4 of the agenda were entertained by Chairman Kleiter at that time, after which agenda topics continued in order.</i></p> <p><i>Finance Committee Member Michael Covert joined the meeting during the discussions on Wound Care Expansion.</i></p>		
ATTENDANCE	Also in attendance were Bob Hemker and Assistant Tanya Howell		
PUBLIC COMMENTS	There were no public comments.		
INFORMATION ITEM	<p>Bob Hemker distributed a copy of the rating issued by Moody’s Investors Service on November 22, 2006. This rating was prepared for the Certificates of Participation (CoPs) to be issued this week and carries a rating of A3, with a stable outlook. The rating on the CoPs will be raised to Aaa (“triple A”) by insuring them with FSA. The stable rating speaks well for the organization. PPH will issue \$180 million of Certificates of Participation in three series of \$60 million each. The issuance was fully subscribed as of today’s date, with 190 subscribers made up of a broad array of investors. Initial rate was 3.208%. Closing is scheduled for this Thursday, December 7, 2006.</p>	INFORMATION ONLY	
MINUTES OCTOBER 31, 2006	No discussion.	MOTION: By Director Bassett, seconded by Director Greer and carried to approve the minutes from the October 31, 2006, Finance Committee meeting as presented	

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PROFESSIONAL SERVICES AGREEMENTS			
<p>SOUTHWEST NEUROLOGY MEDICAL GROUP, INC. (SWNMG)</p> <p>PACIFIC CENTER FOR NEUROLOGICAL DISEASE, INC. (PCND)</p>	<p>Kim Colonnelli, RN, SLA for Emergency, Trauma and Forensics, provided information on both groups:</p> <ul style="list-style-type: none"> • Both groups provide on-call coverage for emergency neurological services <ul style="list-style-type: none"> o SWNMG provides services at PMC o PCND provides services at POM • Previous rate was fixed for the last three (3) years <ul style="list-style-type: none"> o New rate is approximately double the old rate o Comparable to rates being paid for other ED call costs, including NCEMA contract 	<p>A Consensus was reached that the Neurology Professional Services Agreements with SWNMG and PCND should be forwarded to the Board for review and action</p> <p>MOTION: By Director Bassett, seconded by Director Greer and carried to approve the exclusive three-year (November 1, 2006, through October 31, 2009) Professional Services Agreements for Neurology at Palomar Medical Center with Southwest Neurology Medical Group, Inc., and at Pomerado Hospital with Pacific Center for Neurological Disease, Inc.</p>	<p>Forwarded to the December 11, 2006, Board of Directors meeting with a recommendation for approval.</p>
MEDICAL DIRECTOR AGREEMENT			
<p>MARY SPENCER, M.D. FORENSIC HEALTH</p>	<p>Kim Colonnelli, RN, SLA for Emergency, Trauma and Forensics, presented Dr. Spencer's Agreement.</p> <ul style="list-style-type: none"> • Dr. Spencer has been providing administrative services without compensation • One change from the standard Medical Director template, as BETA will be covering malpractice insurance (<i>see attached handout</i>) • Agreement budgeted for FY2007 	<p>MOTION: By Director Bassett, seconded by Director Greer and carried to approve the exclusive three-year (July 1, 2006, through June 30, 2009) Agreement with Mary Spencer, M.D., for clinical services and Medical Director oversight for both the CAP and the SART at Palomar Medical Center and Pomerado Hospital</p>	<p>Forwarded to the December 11, 2006, Board of Directors meeting with a recommendation for approval.</p>
CLINICAL DIRECTOR AGREEMENT			
<p>CHRISTOPHER GORMAN, M.D. PSYCHIATRIC OUTPATIENT PROGRAM</p>	<p>Sheila Brown, RN, MBA, Chief Clinical Outreach Officer, stated that Dr. Gorman would be replacing Dr. Henderson, who had retired in August of this year</p> <ul style="list-style-type: none"> • No changes to the standard Clinical Director template • Dr. Gorman is new to the district • Agreement budgeted for FY2007 	<p>MOTION: By Director Bassett, seconded by Director Greer and carried to approve the one-year (July 1, 2006 through June 30, 2007) Clinical Director Agreement with Christopher Gorman, M.D., for the Outpatient Behavioral Health Program at Palomar Medical Center</p>	<p>Forwarded to the December 11, 2006, Board of Directors meeting with a recommendation for approval.</p>
MEDICAL CONSULTANT AGREEMENT			
<p>TIMOTHY BAILEY, M.D. DIABETES HEALTH</p>	<p>Sheila Brown, RN, MBA, Chief Clinical Outreach Officer, stated that Dr. Bailey would be providing consultative services regarding endocrinology</p> <ul style="list-style-type: none"> • 1 to 4 hours maximum each month • Agreement budgeted for FY2007 	<p>MOTION: By Director Greer, seconded by Director Bassett and carried to approve the two-year (July 1, 2006, through June 30, 2008) Medical Consultant Agreement with Timothy Bailey,</p>	<p>Forwarded to the December 11, 2006, Board of Directors meeting with a recommendation for approval.</p>

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP
		M.D., for Clinical Consultancy and guidance to the Medical Director of Diabetes Health	
WOUND CARE EXPANSION TO SAN MARCOS	<p>Utilizing the attached presentation, Sheila Brown, RN, MBA, Chief Clinical Outreach Officer, and Bob Hemker discussed the proposal for opening a Wound Care Center in the San Marcos area.</p> <ul style="list-style-type: none"> • Trends show an increase in HBOT visits from 5% in 2005 to 30% in 2006 of total Wound Care volume • Expansion fits within the satellite center commitment in the Proposition bond initiative and would increase the PPH presence in the San Marcos area • Program strengths <ul style="list-style-type: none"> o Contribution of \$526,676 in net revenue o High patient and employee satisfaction • Tri-City Medical Center is proposing to open a Wound Care Center with HBOT in April 2007 <ul style="list-style-type: none"> o Many patients currently treated at POM Wound Care Center are residents of the north part of the District – potential loss of approximately 35% of current patient base • Establishment of a program at San Marcos Ambulatory Care Center <ul style="list-style-type: none"> o Prevents loss of patient base o Partnership with Diversified Clinical Services <ul style="list-style-type: none"> ▪ Number One in USA ▪ Willing to provide non-compete covenant ▪ Access to additional financial resources, as well as to national network of clinicians and national buying power for latest equipment o Net capital cost for expansion in the SMACC building would be \$1 million o Income and market share (based on a <i>pro forma</i> created as a team effort between PPH Financial Planning and Diversified) <ul style="list-style-type: none"> ▪ Annual combined income from the two HBOT centers is anticipated to be \$527K ▪ IRR of 21% ▪ POM should start recapturing business shifted to the San Marcos site through expanded market share in the south in the second year ▪ Annual combined income in year 5 estimated at \$915K • Marketing is already in progress • Completion date of April 27, 2007, with the first patients anticipated to arrive on May 1, 2007 • Staff recommendation to establish a center in San Marcos and backfill the south center through aggressive marketing efforts 	<p>MOTION: By Director Bassett, seconded by Director Greer and carried to recommend that PPH establish an additional site of service for Wound Care and Hyperbaric Medicine in San Marcos, as well as conducting aggressive marketing efforts to backfill the anticipated volume loss at the Pomerado site</p>	<p>Forwarded to the December 11, 2006, Board of Directors meeting with a recommendation for approval.</p> <ul style="list-style-type: none"> • Sheila Brown will review a recommendation to explore joint venture opportunities for physicians

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OCTOBER 2006 & YTD FY2007 FINANCIAL REPORT	<p>Utilizing the presentation included as Addendum C of the agenda packet, Bob Hemker discussed the financial statements:</p> <ul style="list-style-type: none"> • Admissions - Acute <ul style="list-style-type: none"> o October was an “up and down” month, both statistically and economically <ul style="list-style-type: none"> ▪ Similar trend both locally and in other markets o Still ahead year on year, just below budget • Consolidated Average Daily Census is just below budget • Surgeries <ul style="list-style-type: none"> o Almost up to prior year, but down against budget • Trauma Cases are up • Slide 18 (<i>attached</i>) is a new slide that breaks down the patient day mix • Salaries for the month were impacted by one-time occurrences <ul style="list-style-type: none"> o Annual merit increases and longevity bonuses, as detailed in the variance analysis • Supplies are still below budget on a YTD basis • Gross Revenue is at the budgeted level <ul style="list-style-type: none"> o The mix of business is characteristic of that predicted in the budget • Net Revenue is a little over budget and up year on year • Expenses/weighted patient day were also impacted by one-time occurrences – a total of \$1.1 million, including: <ul style="list-style-type: none"> o \$850K in salaries/wages o A contract made in FY2006 presented for payment after FYE close, thus a non-budgeted variance o Employee engagement survey fees of \$60K • YTD Consolidated <ul style="list-style-type: none"> o Bottom bottom line is at budget o Investment income is positive, with a yield of approximately 6.1% o OEBITDA margin percentage is slightly below budget • The November 2006 Flash Report was also presented <ul style="list-style-type: none"> o ADC is down 11% from budget o Approximately 1000 patient days below budget • Productivity is at about 99% on a YTD consolidated basis 	<p>MOTION: By Director Bassett, seconded by Dr. Tornambe and carried to approve the October 2006 and YTD FY2007 Financial Report as presented.</p>	<p>Forwarded to the December 11, 2006, Board of Directors meeting with a recommendation for approval.</p> <p>• Michael Covert will discuss ADC at February 2007 meeting if numbers don't rise</p>
ADJOURNMENT	<p>There being no further business, the meeting was adjourned at 8:00 p.m.</p>	<p>MOTION: Seconded and carried for adjournment.</p>	
<p>SIGNATURES:</p> <ul style="list-style-type: none"> • COMMITTEE CHAIR _____ T.E. Kleiter • COMMITTEE SECRETARY _____ Tanya Howell 			