

# ADDENDUM B

# Palomar Pomerado Health Weight Solutions Program and Medical Nutritional Therapy

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## Strategic Focus of PPH

- Bond initiative of 2004
  - Satellite Centers
- Establish a gateway for individuals from the north county coastal area to PPH services
- Grow the outpatient volume/business

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## Strategic Focus of PPH

- Physician Loyalty - Create multi-site centers to meet the needs of physicians and their patients
- Enhance the continuum of weight loss, weight management, and medical nutritional therapy
- Prevent out-migration of PPH patient population

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## Current Market Status-Strengths

- PPH has an existing Bariatric Center of Excellence at Pomerado Hospital. Many insurance companies require patients to have documented failure(s) of weight loss programs, and PPH will offer surgical candidates a choice in service
- Augments existing services by offering currently missing services (medically supervised weight loss, weight loss, medical nutritional therapy, and weight management) to provide a continuum of care
- Multi-site locations: At Corporate Health (Poway) initially, until completion of Rancho Peñasquitos Wellness Center, and expansion to second site in San Marcos (SMACC)

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## Current Market Status-Strengths

- Physician support has already been given by Dr. Callery as well as others in the community
- Partnership with leader of weight loss and weight management company (HMR)
- Expansion of Medical Nutritional Services
- Outcomes data and benchmarking data available through HMR partnership

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## Current Market Status-Weaknesses

- No Post bariatric surgery products available
- Cost: At over \$4,000 per year for the most at-risk patients, the cost of participation may be prohibitive for some of our patients

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## Current Market Status- Opportunities

- Limited medically supervised weight loss programs in the area
- Expansion into San Marcos (SMACC) after successful launch and build-up of Poway business
- Referral source to other departments, such as surgery, lab, DiabetesHealth
- Additional benefit to employees through Employee Wellness-offered at a discounted rate
- Physician relationships, by offering a program not available in the community, as well as a new relationship with a new medical director, perhaps from Centre for Healthcare
- Capture market share within the PPH district
- Provide community education and service
- Augment existing services offered to employers through Corporate Health

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## Current Market Status-Threats

- Sharp Rees-Stealy to begin offering proposed weight loss program in Rancho Bernardo beginning February 2008
- Weight loss program at Graybill using a different retail product (Medifast)

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## Weight Solutions Program

### Background:

- Provide a continuum of weight loss and weight management for our patients and community (Weight Solutions)
  - Provide a mechanism for backlog of patients to qualify for bariatric surgery (20 per month)
  - Provide a service to assist individuals to lose enough weight to be considered appropriate for surgical procedures
  - Provide an alternative for individuals who do not want surgical intervention

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## Project Proposals

- Create PPH Weight Solutions Centers at two sites, timesharing space with Corporate Health, with staggered implementation plan
- Poway Location (until RP site completed)
- 120 Craven Road, Suite 207
- Partner with Health Management Resources® (HMR®)
- Partner with FANS to offer Medical Nutritional Therapy (MNT)

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## Project Proposals

- HMR®
  - Comprehensive medically supervised weight loss to weight maintenance programs and associated products
    - Shakes, meals, and snacks
  - Business and clinical support
    - Leader in weight loss and weight management services (and products)
    - Two proven strategies (clinic and HMR at Home®)
    - Benchmarking Data System
    - No charge for training, medical guidelines, and consulting

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## Project Proposals

- HMR®
  - Distribution support
    - Web based business available through links to PPH web site for additional revenue opportunities for those who are limited by geography

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# Weight Solutions Projections

(per program)

Inductions	Year 1	Year 2	Years 3
Clinic Inductions/year	168	240	348
HMR at Home® Inductions	48	54	54
<b>Total Inductions</b>	<b>216</b>	<b>294</b>	<b>402</b>
<b>Average Monthly Census</b>			
Medically Supervised	30	43	65
Healthy Solutions®	20	29	40
HMR at Home® Wt loss	10	15	15
Maintenance	50	71	105
HMR at Home® Maintenance	10	15	15
<b>Total Average Monthly Census</b>	<b>120</b>	<b>173</b>	<b>240</b>



# Weight Solutions Pro Forma

(per program)

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Gross Revenue</b>	<b>\$723,711</b>	<b>\$1,073,323</b>	<b>\$1,498,579</b>	<b>\$1,723,366</b>	<b>\$1,895,702</b>
Expenses:					
Salaries and wages	\$206,000	\$226,600	\$279,300	\$357,230	\$392,953
Benefits	51,500	56,650	69,825	89,308	98,239
Medical Director	18,490	25,837	37,464	43,084	47,393
Medical Supplies/ Product	332,907	475,392	674,361	775,515	853,066
Rent	0	39,000	46,800	49,140	51,597
Office Supplies	36,186	43,666	64,929	86,168	94,785
Marketing	10,000	10,000	10,000	5,000	5,000
<b>Total Expense</b>	<b><u>\$665,083</u></b>	<b><u>\$877,145</u></b>	<b><u>\$1,181,679</u></b>	<b><u>\$1,405,445</u></b>	<b><u>\$1,543,033</u></b>
<b>Net Gain (Loss)</b>	<b>\$58,628</b>	<b>\$196,178</b>	<b>\$316,900</b>	<b>\$317,921</b>	<b>\$352,669</b>
<b>MNT Net Gain (Loss)</b>	<b><u>\$3,841</u></b>	<b><u>\$3,628</u></b>	<b><u>\$4,346</u></b>	<b><u>\$6,125</u></b>	<b><u>\$7,000</u></b>
<b>Total Net Gain (Loss)</b>	<b>\$62,469</b>	<b>\$199,806</b>	<b>\$321,246</b>	<b>\$324,046</b>	<b>\$359,669</b>

# Year One-By Month

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
<b>Gross Revenue</b>	0	<b>\$6,600</b>	<b>\$14,411</b>	<b>\$22,500</b>	<b>\$29,500</b>	<b>\$32,272</b>
Expenses:						
Salaries/Benefits	\$10,800	\$16,100	16,100	16,100	16,100	16,100
Medical Director	200	165	365	548	708	865
Product	5,000	2,970	4,685	10,125	13,275	14,522
Labs	0	66	144	225	295	323
Other Expenses	2,000	2,300	2,721	2,125	2,476	2,614
<b>Total Expenses</b>	<b>\$18,000</b>	<b>\$21,601</b>	<b>\$24,015</b>	<b>29,123</b>	<b>32,854</b>	<b>34,424</b>
<b>Net Gain (Loss)</b>	<b>(\$18,000)</b>	<b>(\$15,001)</b>	<b>(\$9,604)</b>	<b>(\$6,623)</b>	<b>(\$3,354)</b>	<b>(\$2,152)</b>

# Year One-By Month

	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12	Month 13
<b>Gross Revenue</b>	<b>\$39,360</b>	<b>\$50,236</b>	<b>\$63,557</b>	<b>\$80,342</b>	<b>\$101,491</b>	<b>\$127,535</b>	<b>\$162,715</b>
Expenses:							
Salaries/Benefits	16,100	21,458	21,458	21,458	21,458	21,458	\$21,458
Medical Director	992	1,256	1,589	2,009	2,537	3,188	4,068
Product	17,712	22,606	28,601	36,154	45,671	57,391	73,222
Labs	394	502	636	803	1,015	1,275	1,627
Other Expenses	2,818	2,512	3,178	4,017	5,075	6,377	8,136
<b>Total Expenses</b>	<b>\$38,016</b>	<b>\$48,334</b>	<b>\$55,462</b>	<b>\$64,441</b>	<b>\$75,756</b>	<b>\$89,689</b>	<b>\$108,511</b>
<b>Net Gain (Loss)</b>	<b>\$1,344</b>	<b>\$1,902</b>	<b>\$8,095</b>	<b>\$15,901</b>	<b>\$25,735</b>	<b>\$37,846</b>	<b>\$54,204</b>

# MNT Pro Forma

	Year 1	Year 2	Year 3	Year 4	Year 3
<b>Patient Volume</b>	<b>100</b>	<b>125</b>	<b>150</b>	<b>175</b>	<b>200</b>
<b>Revenue</b>	<b>\$6,481</b>	<b>\$7,378</b>	<b>\$8,846</b>	<b>\$11,375</b>	<b>\$13,000</b>
(75% Non Covered Benefit/25% Covered Benefit) at \$65.00/hr					
Expenses:					
Salaries and wages	\$2,500	\$3,125	\$3,750	\$4,375	\$5,000
Handouts and Literature	500	625	750	875	1,000
<b>Total Expense</b>	<b>\$3,000</b>	<b>\$3,750</b>	<b>\$4,500</b>	<b>\$5,250</b>	<b>\$6,000</b>
<b>Net Gain (Loss)</b>	<b>\$3,841</b>	<b>\$3,628</b>	<b>\$4,346</b>	<b>\$6,125</b>	<b>\$7,000</b>

## Option One

- Business as usual
  - Do nothing: Continue to see backlog and delay of bariatric surgeries due to inadequate programs in southern campus area
  - Lose additional surgeries and revenue to Sharp through new Sharp Rees-Stealy program and continuum

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## Option Two

- Create an offensive strategy
  - Establish two programs for the PPH Weight Solutions and MNT
  - Partner with a nationally recognized entity for weight programs - HMR®
  - Establish a new driver to PPH services and the communities we serve with accessible POS
    - Hwy56 & 78 corridors
  - Provide needed services in the community thereby preventing out-migration

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## Management's Recommendation

- Create Medically Supervised Weight Loss and Weight Management Program (Weight Solutions)
- Generate revenue through program and augment Bariatric Center of Excellence
- Expand medical nutritional services
- Penetrate and establish market share

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## Management's Recommendation

- Capture market share within PPH district
- Create physician loyalty
- Provide community education and service

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## Next Steps

- PPH Board Approval
- Target date for implementation and opening