

ADDENDUM A

Palomar Pomerado Health
FINANCE COMMITTEE MEETING
(BOARD MEETING WITH RESPECT TO BOARD MEMBERS ON THE COMMITTEE)
 Graybill Auditorium, Palomar Medical Center, 555 East Valley Parkway, Escondido, CA
 Tuesday, February 27, 2007, Meeting Minutes

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP
NOTICE OF MEETING	The notice of meeting was mailed before close of business on Friday, February 23, 2007, which is consistent with legal requirements		
MEETING CALLED TO ORDER	6:05 p.m. by Chairman Ted Kleiter		
ESTABLISHMENT OF QUORUM	Present: Directors Nancy Bassett, R.N., Marcelo Rivera, M.D., Ted Kleiter and 2 nd alternate Gary Powers; and Finance Committee Members Michael Covert and Benjamin Kanter, M.D. Absent: Director Linda Greer, R.N., and Finance Committee Member Paul Tornambe, M.D.		
ATTENDANCE	Also in attendance were Bob Hemker and Secretary Tanya Howell		
PUBLIC COMMENTS	There were no public comments.		
ADJOURNMENT TO CLOSED SESSION	<p>The meeting adjourned to Closed Session at 6:06 p.m. ~ PURSUANT TO CALIFORNIA GOVERNMENT CODE §54956.8 Conference w/Real Property Negotiators</p> <p><i>PROPERTY: 975 S. ANDREASEN, ESCONDIDO, CA</i> <i>An approximate 19,215 square foot building, exact legal description to be provided in escrow</i></p> <p><i>AGENCY NEGOTIATOR: ROBERT HEMKER, CFO, PPH</i></p> <p><i>NEGOTIATING PARTIES: DAVIDSON FAMILY TRUST AND PETER H. ASHER/LT AND ROBERT HEMKER</i></p> <p><i>UNDER NEGOTIATION: INSTRUCTION TO NEGOTIATOR WILL CONCERN AGENCY'S INTEREST IN LAND, BUILDING, PRICE AND TERMS OF PAYMENT</i></p> <p><i>ESTIMATED DATE OF PUBLIC DISCLOSURE: FEBRUARY 2007</i> ~ Anticipated Action</p> <p>~ PURSUANT TO CALIFORNIA GOVERNMENT CODE §54956.8 Conference w/Real Property Negotiators</p> <p><i>PROPERTY: GRANDESCO BUILDING, 456 EAST GRAND AVENUE, ESCONDIDO, CA</i> <i>An approximate 14,319 square foot building, exact legal description to be provided in escrow</i></p> <p><i>AGENCY NEGOTIATOR: ROBERT HEMKER, CFO, PPH</i></p> <p><i>NEGOTIATING PARTIES: DAVE BAKER AND STEVE KNIGHT, AND ROBERT HEMKER</i></p> <p><i>UNDER NEGOTIATION: INSTRUCTION TO NEGOTIATOR WILL CONCERN AGENCY'S INTEREST IN LAND, BUILDING, PRICE AND TERMS OF PAYMENT</i></p> <p><i>ESTIMATED DATE OF PUBLIC DISCLOSURE: FEBRUARY 2007</i> ~ Anticipated Action</p>		

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP
MEETING CALLED TO ORDER	8:00 p.m. by Chairman Ted Kleiter		
ACTION RESULTING FROM CLOSED SESSION	~ The following action resulted from closed session discussions with regard to the property at 975 South Andreasen, Escondido, CA	MOTION: By Director Rivera, seconded by Chairman Kleiter and carried to instruct Management to continue negotiations for the purchase of the land and building known as 975 South Andreasen, Escondido, CA, subject to acceptable market conditions, terms, due diligence and final Board approval.	Forwarded to the March 12, 2007, Board of Directors meeting with a recommendation for approval.
	~ There was no action resulting from closed session discussions with regard to the property known as the Grandesco Building, 456 East Grand Avenue, Escondido, CA		
RECESS	Due to the length of the Closed Session, Chairman Ted Kleiter called a brief recess before beginning the remaining open session agenda discussions.		
MEETING RESUMED	8:05 p.m. by Chairman Ted Kleiter		
INFORMATION ITEM(S)	<ul style="list-style-type: none"> • Bob Hemker distributed an amended Program Review Calendar, noting that two items had been pushed out to the March Finance Committee meeting at the request of their sponsors • Chairman Ted Kleiter reported that he would be absent from the March Finance Committee meeting, and Director Rivera accepted his invitation to Chair at that meeting. Director Krider is to be invited as Alternate, with Director Larson as the second Alternate choice if Director Krider is unavailable. 	INFORMATION ONLY	A copy of the amended Program Review Calendar will be forwarded to the full Board.
MINUTES JANUARY 23, 2007	No discussion.	MOTION: By Director Bassett, seconded by Director Rivera and carried to approve the minutes from the January 23, 2007, Finance Committee meeting as presented.	
CONSULTANT AGREEMENT - INTERNAL MEDICINE ISABEL J. PEREIRA, M.D.	This agenda item was tabled.		
PROGRAM FOLLOW-UP REVIEW KAISER PERMANENTE SURGICAL VOLUMES	<p>Lorie Shoemaker, RN, MSN, CNA-BC, Chief Nurse Executive, led the discussion.</p> <ul style="list-style-type: none"> • Slow ramp-up of surgical cases from Kaiser surgeons at Pomerado Hospital (POM) caused surgical volumes to be lower than anticipated • Kaiser's preference is to utilize Palomar Medical Center (PMC), where they already have attending physicians on staff <ul style="list-style-type: none"> o Kaiser orthopedic surgeries will be scheduled at PMC beginning in April 2007 	INFORMATION ONLY	Forwarded to the March 12, 2007, Board of Directors meeting as information

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP
JANUARY 2007 & YTD FY2007 FINANCIAL REPORT	<p>Utilizing the presentation included as Addendum B of the agenda packet, Bob Hemker discussed the financial statements:</p> <ul style="list-style-type: none"> • January Admissions/Patient Days <ul style="list-style-type: none"> o Admissions reflected a YTD high at POM o Patient Days showed a significant increase, both to budget and over prior year o Although slightly down overall to budget, Patient Days were noticeably higher in the core acute services of ICU, IMC and Med Surg o 19% ADC increase over prior months • Surgeries <ul style="list-style-type: none"> o In-Patient Surgeries are down about 800 cases YTD o Out-Patient Surgeries are up about 400 cases YTD o CVS Surgeries at PMC are right at budget, with a more even month-to-month pattern emerging in the last few months o Total Surgeries are down against budget about 420 cases YTD, mostly due to the lower POM surgical volumes • ER Visits <ul style="list-style-type: none"> o Significant increase compared to December of almost 1000 cases MTD at PMC o Up 10% at POM o Down about 1% to consolidated budget YTD • Trauma <ul style="list-style-type: none"> o Cases are up 29 YTD o Admissions are up 85 cases • Deliveries <ul style="list-style-type: none"> o Holding steady at PMC, both MTD and to budget o Down about 20% at POM YTD • Consolidated Salaries per WPD are right on budget, down 18% from October and 14% from November • Supplies are lower than budget at both campuses on both a MTD and YTD basis • Net Patient Revenue per WPD is up \$28 at PMC and \$12 consolidated • Net Income is just over \$12 million YTD, and negative \$1.5 million compared to budget • OEBITDA margin YTD is 11% compared to 9.9% for budget • Key Variance Explanations <ul style="list-style-type: none"> o FICA payments are averaged through the year at a percentage, with the actual added in at the first of the calendar year o Pension variance is due to greater-than-anticipated participation in deferred compensation o Professional Admin Consulting Fees were for strategic planning work not previously forecasted • Monthly trends show a strong first quarter, then softening in October and November, but again strengthening at the end of the second and beginning of the third quarters 	<p>MOTION: By Director Rivera, seconded by Director Bassett and carried to approve the January 2007 and YTD FY2007 Financial Report as presented</p>	<p>Forwarded to the March 12, 2007, Board of Directors meeting with a recommendation for approval</p>

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP
	<ul style="list-style-type: none"> o The negative variances for Non-Operating Income in December and January are attributed to market adjustments to investment income, which is still up about 4.7% against budget of 4.25% • <i>Slide B49</i> is a new addition to the packet – reflecting year-on-year (YOY) comparisons – that will be included in the coming months <ul style="list-style-type: none"> o Compares YTD totals for the month vs. YTD totals for the same month in the prior year <ul style="list-style-type: none"> ■ Acute Admissions are up 2% ■ Acute Patient Days are down 1.2% ■ WPD are up 2.3% ■ Total Net Revenue is up \$18 million ■ Unfavorable variance of \$8 million in Salaries, Wages & Contract Labor due to contract and market adjustments for all employees ■ Nearly a 100% year-on-year improvement in Net Income • Current Flash Report was distributed, as the one in the packet had been updated <ul style="list-style-type: none"> o ADC continues to hold close to the 320 budget <ul style="list-style-type: none"> ■ Positive variances in Productive Hours and Dollars show that the flex in productive workload is being exceeded and is at least equal to the volume swings o Births at POM are down approximately 52% to the monthly budget • <i>Slides B50 & B51</i> Case Mix Index (CMI) are additions to the reporting package <ul style="list-style-type: none"> o Consolidated acute is diluted with deliveries included, thus similar CMI for PMC and POM o Future reporting will break out with and without OB services and trauma cases to better understand acuity at each facility 		
ADJOURNMENT	There being no further business, the meeting was adjourned at 9:05 p.m.		
SIGNATURES: <ul style="list-style-type: none"> • COMMITTEE CHAIR _____ T.E. Kleiter • COMMITTEE SECRETARY _____ Tanya Howell 			