

# 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, March 27, 2007, Meeting Minutes

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP
<b>MEETING CALLED TO ORDER</b>	6:08 p.m. by Acting Chair Marcelo Rivera		
<b>ESTABLISHMENT OF QUORUM</b>	Present: Directors Nancy Bassett, R.N., Marcelo Rivera, M.D., Linda Greer and alternate Bruce Krider; and Finance Committee Members Michael Covert and Benjamin Kanter, M.D. Also present as a guest was Director Gary Powers, to act as 2 <sup>nd</sup> alternate if needed as Director Bassett anticipated an early departure from the meeting.  Absent: Director Ted Kleiter and Finance Committee Member Robert Trifunovic, M.D.		
<b>ATTENDANCE</b>	Also in attendance were Bob Hemker and Secretary Tanya Howell		
<b>PUBLIC COMMENTS</b>	There were no public comments		
<b>ADJOURNMENT TO CLOSED SESSION</b>	<p><b>The meeting adjourned to Closed Session at 6:08 p.m.</b>                      ~ <b>PURSUANT TO CALIFORNIA GOVERNMENT CODE §54954.5(H)</b>  <b>REPORT INVOLVING TRADE SECRET</b>                      DISCUSSION WILL CONCERN PROPOSED NEW SERVICE                      ESTIMATED DATE OF PUBLIC DISCLOSURE: MARCH 27, 2007                      ~ <b>ANTICIPATED ACTION</b></p> <p>~ <b>PURSUANT TO CALIFORNIA GOVERNMENT CODE §54954.5(H)</b>  <b>REPORT INVOLVING TRADE SECRET</b>                      DISCUSSION WILL CONCERN PROPOSED NEW SERVICE                      ESTIMATED DATE OF PUBLIC DISCLOSURE: MARCH 27, 2007                      ~ <b>ANTICIPATED ACTION</b></p> <p>~ <b>PURSUANT TO CALIFORNIA GOVERNMENT CODE §54956.8</b>  <b>CONFERENCE W/REAL PROPERTY NEGOTIATORS</b>                      PROPERTY: 975 S. ANDREASEN, ESCONDIDO, CA                      AN APPROXIMATE 19,215 SQUARE FOOT BUILDING, EXACT LEGAL DESCRIPTION TO BE PROVIDED IN ESCROW</p> <p>AGENCY NEGOTIATOR: ROBERT HEMKER, CFO, PPH                      NEGOTIATING PARTIES: DAVIDSON FAMILY TRUST AND PETER H. ASHER/LT AND ROBERT HEMKER</p> <p>UNDER NEGOTIATION: INSTRUCTION TO NEGOTIATOR WILL CONCERN AGENCY'S INTEREST IN LAND, BUILDING, PRICE AND TERMS OF PAYMENT</p> <p>ESTIMATED DATE OF PUBLIC DISCLOSURE: FEBRUARY 2007                      ~ <b>ANTICIPATED ACTION</b></p>		

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP
	<p><b>~ PURSUANT TO CALIFORNIA GOVERNMENT CODE §54956.8</b>  <b>CONFERENCE W/REAL PROPERTY NEGOTIATORS</b>  PROPERTY:                   GRANDESCO BUILDING, 456 EAST GRAND AVENUE, ESCONDIDO, CA  AN APPROXIMATE 14,319 SQUARE FOOT BUILDING, EXACT LEGAL DESCRIPTION TO BE PROVIDED IN ESCROW  AGENCY NEGOTIATOR:     ROBERT HEMKER, CFO, PPH  NEGOTIATING PARTIES:   DAVE BAKER AND STEVE KNIGHT, AND ROBERT HEMKER  UNDER NEGOTIATION:     INSTRUCTION TO NEGOTIATOR WILL CONCERN AGENCY'S INTEREST IN LAND, BUILDING, PRICE AND TERMS OF PAYMENT  ESTIMATED DATE OF PUBLIC DISCLOSURE:     FEBRUARY 2007  <b>~ ANTICIPATED ACTION</b></p>		
<b>OPEN SESSION RESUMED</b>	Acting Chairman Rivera called the Open Session to Order at 7:30 p.m.		
<b>ACTION RESULTING FROM CLOSED SESSION</b>	~ There was no action resulting from closed session discussions with regard to Matter #1		
	~ Robotic Surgery Proposal – da Vinci® Surgical System	<b>MOTION:</b> By Director Bassett, seconded by Director Krider and carried to recommend approval for the acquisition of a da Vinci® Surgical System	Forwarded to the April 16, 2007, Board of Directors meeting with a recommendation for approval
	~ The following action resulted from closed session discussions with regard to the property at 975 South Andreasen, Escondido, CA	<b>MOTION:</b> By Director Krider, seconded by Director Bassett and carried to recommend that Management be instructed to continue and complete negotiations as requested for the purchase of the land and building known as 975 S. Andreasen, Escondido, CA, subject to acceptable market conditions, terms, due diligence and final Board approval, along with a resolution adopting said action	Forwarded to the April 16, 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		
<b>DIRECTOR BASSETT EXCUSED</b>	Director Bassett was excused from the meeting prior to Open Session discussions, with Director Powers assuming her position on the Committee as the second Alternate.		

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<b>MINUTES – FEBRUARY 27, 2007</b>	No discussion.	<b>MOTION:</b> By Director Krider, seconded by Director Greer and carried to approve the minutes of the February 27, 2007, Board Finance Committee meeting as presented.	
<b>PHYSICIAN RECRUITMENT AGREEMENTS</b>			
<b>BRIDGETTE FRANEY, MD &amp; CENTRE FOR HEALTHCARE FAMILY PRACTICE</b>	This Agreement was deferred		
<b>SUDABEH MOEIN, MD, FACOG OB/GYN</b>	No discussion	<b>MOTION:</b> By Director Krider, seconded by Director Greer and carried to approve the Physician Recruitment Agreement with Sudabeh Moein, MD, FACOG.	Forwarded to the April 16, 2007, Board of Directors meeting with a recommendation for approval
<b>TRANSFER OF A 1997 FORD E-350 VAN TO THE BIAMBA MARIE MUTOMBO HOSPITAL RESEARCH CENTER</b>	Gustavo Friederichsen, Chief Marketing & Communications Officer, summarized the background information provided in the agenda packet. No further discussion ensued.	<b>MOTION:</b> By Director Krider, seconded by Director Powers and carried to recommend approval of the proposed transfer of the specified van to the Biamba Marie Mutombo Hospital Research Center”) in the Democratic Republic of the Congo.	Forwarded to the April 16, 2007, Board of Directors meeting with a recommendation for approval
<b>INCENTIVE COMPENSATION PROGRAM</b>	<p><i>Director Krider was excused from the meeting prior to the following discussion.</i></p> <p>Brenda Turner, Executive Director of Human Resources, led a discussion regarding suggested revisions to the Incentive Compensation Plan.</p> <ul style="list-style-type: none"> <li>• The HR Department was charged with finding a simpler, easier-to-understand method of computing incentive compensation</li> <li>• Utilizing the attached spreadsheets, Ms. Turner reviewed the details of the revised plan and the associated components and formulas</li> <li>• The plan was reviewed by and forwarded through the HR Committee</li> <li>• Costs are equivalent to those in the current incentive plan</li> </ul>	<b>MOTION:</b> By Director Greer, seconded by Director Rivera and carried to recommend approval of the proposed revisions to the Incentive Compensation Plan as presented.	Forwarded to the April 16, 2007, Board of Directors meeting with a recommendation for approval

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<b>FINANCIAL REPORT FEBRUARY 2007 &amp; YTD 2007</b>	<p>Bob Hemker reviewed the February 2007 financial report, utilizing the presentation distributed as Addendum B in the agenda packet:</p> <ul style="list-style-type: none"> <li>• Negative variances in OEBITDA margin for the month on both campuses and overall</li> <li>• Productivity management showed positive results</li> <li>• Admissions showed an overall negative variance to budget of about 700</li> <li>• ADC for the month was very close to target, but negative to YTD budget</li> <li>• Surgeries <ul style="list-style-type: none"> <li>o In-patient surgeries showed a negative variance to budget of about 1000</li> <li>o Out-patient surgeries showed a positive variance to budget of over 400</li> <li>o CVS surgeries at PMC continued to vary greatly month-to-month but were only slightly below YTD budget</li> <li>o Total surgeries on both campuses showed a negative variance of just under 500</li> </ul> </li> <li>• Out-patient registrations were holding steady year-on-year and showed a positive variance to budget YTD of about 1000</li> <li>• ER Visits <ul style="list-style-type: none"> <li>o Positive variance at PMC and slightly under budget at POM afforded an overall positive variance</li> </ul> </li> <li>• Trauma cases at PMC showed a positive variance to budget YTD of 40 and were also higher than in the month of January</li> <li>• Trauma admissions at PMC showed a positive variance to budget YTD of 100 but were slightly lower year-on-year</li> <li>• Deliveries <ul style="list-style-type: none"> <li>o Just slightly under budget at PMC</li> <li>o No pattern changes at POM, where the negative variance continued</li> <li>o Consolidated showed a negative variance to budget YTD of about 5%</li> </ul> </li> <li>• Case Mix Index <ul style="list-style-type: none"> <li>o Year-on-year is shown flatline as the monthly cycle data is still under review</li> <li>o Negative variance to prior year</li> <li>o Medicare index by region replicated the business as a total</li> </ul> </li> <li>• Gross Patient Revenue per WPD <ul style="list-style-type: none"> <li>o More medical than surgical volume</li> <li>o Positive variance of about \$150 per WPD at PMC</li> <li>o Negative variance of about \$350 per WPD at POM</li> <li>o Positive variance to budget of \$22</li> </ul> </li> <li>• Net Patient Revenue per WPD showed a positive variance to budget YTD of about \$15</li> <li>• Supplies per WPD showed a negative variance to budget YTD on both campuses and consolidated</li> <li>• Total Expenses per WPD <ul style="list-style-type: none"> <li>o \$400 spike over prior month</li> <li>o Up about \$37 to budget</li> </ul> </li> </ul>	<p><b>MOTION:</b> By Dr. Kanter, seconded by Director Greer and carried to approve the February 2007 and YTD FY2007 Financial Report as presented</p>	<p>Forwarded to the April 16, 2007, Board of Directors meeting with a recommendation for approval</p>

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP
	<ul style="list-style-type: none"> <li>• Key variance explanations               <ul style="list-style-type: none"> <li>o Pension benefits were again higher than budget as employees continued greater-than-anticipated participation in deferred compensation</li> <li>o Legal fees are higher than budget those services continued to be purchased as opposed to using budgeted in-house counsel, a position not yet filled</li> <li>o Higher Rehabcare therapist fees were offset by higher-than-budgeted rehab days</li> </ul> </li> <li>• Collections were again higher than both the prior year's actual and current year goal</li> <li>• Year-to-date for February               <ul style="list-style-type: none"> <li>o Bottom bottom line of \$13 million, with an unfavorable variance of \$1.9 million for the year</li> <li>o OEBITDA margin showed a negative variance of .9%</li> <li>o Volumes and net revenues showed a negative variance, but expenses showed a favorable variance, indicating close management to volume changes</li> </ul> </li> <li>• Year-on-year               <ul style="list-style-type: none"> <li>o Net income showed a favorable variance of over \$5.2 million</li> <li>o OEBITDA margin showed a favorable variance of .9%</li> </ul> </li> </ul>		
<b>ADJOURNMENT</b>	<b>The meeting was adjourned at 8:04 p.m.</b>	<b>MOTION:</b> By Dr. Kanter, seconded by Director Powers and carried to adjourn the meeting	
<b>SIGNATURES:</b> <ul style="list-style-type: none"> <li>• <b>ACTING COMMITTEE CHAIR</b> _____ Marcelo Rivera</li> <li>• <b>COMMITTEE SECRETARY</b> _____ Tanya Howell</li> </ul>			

Plan Year: 2007  
 Name:  
 Title: Director

Organization:  
 Reports to:  
 Target Percent (10, 20): 10

	Threshold	Target	Maximum	Result	Score x	Weight* =	Weighted Score
<b>1. Organizational (System) Goals:</b>							
	50	100	150				
a. Financial Strength				0	15		0
b. Customer Service				0	15		0
c. Quality				0	15		0
d. Workforce Development				0	15		0
e. Workplace Development				0	15		0
*Weighting may be adjusted but no category can be less than 11.73% of total weight. Total weight cannot be less than 75%.							
<b>2. Functional, Business Unit, Department, or Individual Goals:</b>							
a. Goal A				0	5		0
b. Goal B				0	5		0
c. Goal C				0	5		0
d. Goal D				0	5		0
e. Goal E				0	5		0
Weights = 100? Yes							
Total Score (Percent of Target):							0
Weighted Score x Target Percent = Incentive Percent Award:							0.0

Employee Signature \_\_\_\_\_ Date \_\_\_\_\_ Supervisor Signature \_\_\_\_\_ Date \_\_\_\_\_

**PPH ORGANIZATIONAL INCENTIVE PLAN**

Plan Year: 2008

	Threshold	Target	Maximum	Result	Bonus Percentage
1. Organizational (System) Goals:					
a. Financial Strength	Reach EBITDA + 5%				
b. Customer Service	1%	2%	3%		
c. Quality	1%	2%	3%		
d. Workforce Development	1%	2%	3%		
e. Workplace Development	1%	2%	3%		
<b>Total Bonus</b>					<b>0</b>