

ADDENDUM B

**PALOMAR POMERADO HEALTH
FINANCE COMMITTEE MEETING
(BOARD MEETING WITH RESPECT TO BOARD MEMBERS ON THE COMMITTEE)**

**ATTENDANCE ROSTER & MEETING MINUTES
CALENDAR YEAR 2007**

| MEMBERS | MEETING DATES: | | | | | | | | | | |
|---|--|----------------|----------------|----------------|----------------|----------------|----------------|---------------|----------------|-----------------|----------------|
| | 1/23/07 | 2/27/07 | 3/27/07 | 4/27/07 | 5/29/07 | 6/26/07 | 7/31/07 | 9/4/07 | 9/25/07 | 10/30/07 | 12/4/07 |
| NANCY BASSETT, R.N. | P | P | P | P | P | P | P | P | P | | |
| LINDA GREER, R.N. | P | E | P | P | P | P | P | P | P | | |
| TED KLEITER – CHAIR | P | P | E | P | P | P | P | P | P | | |
| MARCELO RIVERA, M.D. | P | P | P | P | P | P | E | P | E | | |
| MICHAEL COVERT, FACHE | P | P | P | P | P | P | E | E | E | | |
| BEN KANTER, M.D. | E | P | P | P | P | P | P | E | P | | |
| JOHN LILLEY, M.D. | | | | | | | | E | P | | |
| <i>ROBERT TRIFUNOVIC, M.D.</i> | E | E | E | E | P | E | P | | | | |
| <i>BRUCE KRIDER – ALTERNATE</i> | | | P | | | GUEST | P | | P | | |
| <i>GARY POWERS – 2ND ALTERNATE</i> | | P | P | | | GUEST | | | | | |
| STAFF ATTENDEES | | | | | | | | | | | |
| BOB HEMKER | P | P | P | P | P | P | P | P | P | | |
| GERALD BRACHT | P | P | P | E | P | P | P AS CEO | E | P | | |
| STEVE GOLD | P | P | P | P | P | P | P | P | P | | |
| ROBERT TRIFUNOVIC, M.D. | | | | | | | | P | P | | |
| TANYA HOWELL – SECRETARY | P | P | P | P | P | P | P | P | P | | |
| INVITED GUESTS | SEE TEXT OF MINUTES FOR NAMES OF GUEST PRESENTERS, IF ANY | | | | | | | | | | |

| AGENDA ITEM | DISCUSSION | CONCLUSION/ACTION | FOLLOW UP |
|------------------------------------|---|--|-----------|
| MEETING LOCATION | Meeting Room E, Pomerado Hospital, 15615 Pomerado Road, Poway, CA | | |
| MEETING CALLED TO ORDER | 6:07 p.m. by Chair Ted Kleiter | | |
| ESTABLISHMENT OF QUORUM | See roster | | |
| PUBLIC COMMENTS | There were no public comments | | |
| INFORMATION ITEM(S) | <p>Mr. Hemker commented that there were two informational items listed on the agenda, and one that was not. Informational items not listed may only be presented and not discussed.</p> <ul style="list-style-type: none"> • Trauma Transfers from Pioneer Hospital – possible relationship <ul style="list-style-type: none"> o Delta between actual vs budgeted traumas for FY08 YTD is primarily due to not realizing expected Pioneer Hospital volume o Kim Colonnelli is still compiling information and has requested that this topic be carried over to the October 30th meeting • Methodologies for Teleconferencing for Board Meetings <ul style="list-style-type: none"> o Janine Sarti, General Counsel, covered teleconferencing during her presentation at the special Board Meeting on the Brown Act last Thursday o Only additional comment is in response to an inquiry by Dr. Rivera as to whether there were any differences between State statutes and PPH Bylaws <ul style="list-style-type: none"> ▪ A review of both shows that the State statute requires a quorum within district boundaries, and the Bylaws follow the State law • We have begun the process of preparing the next issue of General Obligation Bonds <ul style="list-style-type: none"> o Targeting a December 2007 issuance date o Documentation review is in progress o Preliminary review with an updated Plan of Finance at the October 30th Finance Committee meeting o Will be issuing between \$200-250M <ul style="list-style-type: none"> ▪ Variation is being analyzed to ensure we issue as much as possible, while staying within acceptable boundaries for tax levy o Follow similar suit to the 2005 issue <ul style="list-style-type: none"> ▪ More of an update of information, so narrower book than revenue bond book o Fixed rate indebtedness as required by GO, so no discussions on alternative rate options | Information Only | |
| MINUTES – SEPTEMBER 4, 2007 | No discussion. | MOTION: By Director Bassett, seconded by Director Greer and carried to approve the Minutes from the September 4, 2007, Board Finance Committee meeting as presented | |

| AGENDA ITEM | DISCUSSION | CONCLUSION/ACTION | FOLLOW UP |
|-----------------------------------|---|---|---|
| AUDIT OF FY2007 FINANCIALS | <p>Bob Hemker presented background. The team has been aggressively moving to get the audited financials completed, as they will be an integral part of the bond issuance documents. The draft is currently at the typical stage for coming before the Finance Committee. Recommended that it be reviewed by Audit Committee tomorrow, then to the next Board meeting for motion. Recommended that it be placed on the discussion agenda at the Board meeting. Final audit will be out prior to the Board meeting to allow time for any follow-up or changes to have been reviewed. Deloitte & Touche (D&T) has additional layers of review, including a final review by their national office since the audited financials are part of a bond offering. Copies handed out this evening are not distributable copies, and will not be final until signed by D&T. This audit was completed approximately 45 days earlier than the prior year's audit.</p> <p>Two open points still under discussion are Health Development and the ALPHA Fund and how we should handle those issues. These items are not material to this evening's discussions as they are offsetting entries on the P&L.</p> <p>The Audit Committee re-engaged D&T. Bob Hemker introduced Mark Kawauchi, who replaced Drew Sutter as the partner handling PPH's audit.</p> <p>Mr. Kawauchi stated that most of his experience has been in the field of healthcare, and he has been with D&T about 10 years. He has worked on both the provider and the payor side. He introduced Lisa Bigg, a Senior Manager at D&T, with 9 years in the San Diego office.</p> <ul style="list-style-type: none"> • Mr. Kawauchi and Ms. Bigg provided an overview of the auditors' responsibilities, as well as the procedures and guidelines D&T followed during the review <ul style="list-style-type: none"> o PPH's Internal controls were reviewed as D&T needed to know how we performed them to determine how it would affect their performance of the review <ul style="list-style-type: none"> ■ D&T will, however, notify Management if they find things of note with reference to internal controls o Adjustments <ul style="list-style-type: none"> ■ Client-proposed & auditor proposed ■ All known adjustments should be reported ■ Preliminary impact of all adjustments of about \$200K o Accounting policies <ul style="list-style-type: none"> ■ Are summarized in Note 1 to financial statements ■ Are consistent with prior year o Critical accounting policies are also consistent with prior year o No problems/issues/disagreements w/Management • Financial Statement draft <ul style="list-style-type: none"> o Similar format as in prior year o First 10 pages are Management's discussion & analysis o Independent auditors' report <ul style="list-style-type: none"> ■ Unqualified opinion o Assets <ul style="list-style-type: none"> ■ Total assets increased significantly – due to bond issuance ■ Interest swap increased value o Total net assets up almost \$30M from prior year o Income from operations shows a profit vs a loss in 2006 | MOTION: No motion requested or taken due to draft format of financials | <ul style="list-style-type: none"> • Forwarded to the September 26, 2007, Board Audit Committee meeting for review • To be placed on the discussion agenda at the October 8, 2007, Board of Directors meeting |

| AGENDA ITEM | DISCUSSION | CONCLUSION/ACTION | FOLLOW UP |
|-----------------------------|---|-------------------------|--|
| | <ul style="list-style-type: none"> o Overall good year for PPH o Up about \$150K bottom bottom line from pre-audit numbers o Footnote changes <ul style="list-style-type: none"> ■ Added footnote on the Interest Rate Swap and how it is reported ■ Application of Governmental Accounting Standards Board (GASB) were evaluated, with no major impact expected o Will continue to see increase in complexity of financial statements with each new bond issue o Tim & team have worked well with D&T o D&T – new team, worked well to accommodate shortened audit schedule • The Board appreciates what Management and staff have to go through in audit – the Governmental requirements and oversight as a public agency, as well as healthcare issues • Board requested to be kept apprised and informed of any material changes • There will be a summary of any significant issues that are different than what was anticipated during the Board presentation | | |
| STATUS OF RAC AUDITS | <p>The Industry is currently facing a challenge related to Recovery Audit Contractors (RAC) Audits. These audits are forcing economic exposures and expenditure of vast amounts of physical resources to deal with them.</p> <ul style="list-style-type: none"> • There is some pushback within the industry via appeals to Administrative Law Judges (ALJ) and some pending/filed lawsuits <ul style="list-style-type: none"> o RehabCare is contemplating class action suit/legislative protest • Audit practices: <ul style="list-style-type: none"> o Take “recovered” monies off the top before paying new monies <ul style="list-style-type: none"> ■ Impacting cash for September o Go back multiple years o Audits are not being validated based upon final outcomes <p>Utilizing the attached presentation (<i>Attachment A</i>), Melanie Van Winkle, Director of Revenue Cycle, discussed the RAC Audits:</p> <ul style="list-style-type: none"> • Originally a demonstration project three states (California, Florida & New York) <ul style="list-style-type: none"> o All hospitals, not just public o Being kept in place and expanded to other states • Audits are for periods from 2001-2003 <ul style="list-style-type: none"> o Not contemplated for, so no reserves were booked in prior year(s) financials o Take-backs are a current year implication for financials – ongoing fiscal issue going forward for something that wasn’t even an exposure years ago • ALJ hearings <ul style="list-style-type: none"> o Letters must be sent and several steps followed before we can be granted ALJ hearing <ul style="list-style-type: none"> ■ Lengthy, staff-intensive appeals process • Staff burden associated with this – not staffed up for this, being absorbed by current staff | INFORMATION ONLY | <p>Forwarded to the October 8, 2007, Board of Directors meeting</p> <ul style="list-style-type: none"> • Progress report for Finance Committee each month going forward – info section, one-page w/bullet points <ul style="list-style-type: none"> • What if anything are hospital organizations doing about this (i.e., AHA, CHA, ACHD or HFMA)? <ul style="list-style-type: none"> • Provide answer back to the Committee regarding whether this was administratively CMS or legislative to be brought • Committee requested information regarding the Commission made by PRG Schultz on audits |

| AGENDA ITEM | DISCUSSION | CONCLUSION/ACTION | FOLLOW UP |
|--|--|--|---|
| RETAIL CLINICS | <p>Previously approved for FY2008 budget, including capital expenditure. The proposed final Agreement and relationship with partner is being brought back to update the Committee, as some material changes were made. As in the past with new services, Retail Clinics will be reviewed in a year.</p> <p>Utilizing the attached presentation (<i>Attachment B</i>) Stonish Pierce, MHA, Manager, Clinical Outreach Services provided a summary of the changes:</p> <ul style="list-style-type: none"> • Tenant improvement costs increased and include architectural changes <ul style="list-style-type: none"> o Changes in square footage o Combined the examination room & office into one space • Miscellaneous changes to operating costs: <ul style="list-style-type: none"> o Press Ganey patient satisfaction surveys, with the first year for free o Hospitality pagers – just like in a restaurant, so patients can shop while they wait o Staffing requirements were raised • Payback period lengthened – positive net income in year 4 (was 3) • Projected opening date in mid-December 2007 • Licensed under hospital licenses as an outpatient department of the hospital • Formally recruiting now for Nurse Practitioners | MOTION: By Director Bassett, seconded by Director Greer and carried to accept the updated <i>pro forma</i> as presented | Forwarded to the October 8, 2007, Board of Directors meeting with a recommendation for approval |
| CLINICAL DIRECTOR SERVICES AGREEMENT – POM OUTPATIENT BEHAVIORAL HEALTH PROGRAM | | | |
| MARINA KATZ, M.D. | No questions | MOTION: By Director Greer, seconded by Director Bassett and carried to approve the three-year Clinical Director Services Agreement with Marina Katz, M.D., for administration of the POM Outpatient Behavioral Health Program | Forwarded to the October 8, 2007, Board of Directors meeting with a recommendation for approval |
| FINANCIAL REPORT AUGUST 2007 & YTD FY2 008E | <p>Bob Hemker reviewed the August 2007 and YTD FY2008 financial report, utilizing the presentation distributed as Addendum C in the agenda packet:</p> <ul style="list-style-type: none"> • Admissions <ul style="list-style-type: none"> o Negative variance to budget of about 200 o Up slightly year-on-year (YOY) • Patient Days <ul style="list-style-type: none"> o Up against budget at POM by 10% o Down by almost the same margin against budget at PMC o More intensity from August than in July o Growth in Med Surg • Average Daily Census <ul style="list-style-type: none"> o Budget is 312; actual is 305 YTD | MOTION: By Director Krider, seconded by Director Greer and carried to approve the August 2007 and YTD FY2008 Financial Report as presented. | <p>Forwarded to the October 8, 2007, Board of Directors meeting with a recommendation for approval.</p> <ul style="list-style-type: none"> • Information will be presented at the October 2007 meeting on all firms we have actually engaged for legal work. Latham & Watkins has been the primary firm, with various labor attorneys and attorneys for other business matters. Recap over last year – |

| AGENDA ITEM | DISCUSSION | CONCLUSION/ACTION | FOLLOW UP |
|-------------|---|-------------------|--|
| | <ul style="list-style-type: none"> • Surgeries (In-Patient) <ul style="list-style-type: none"> o Consolidated up 74 YTD – positive variance at both PMC and POM o Growth month-on-month and compared to prior year • Outpatient Surgeries <ul style="list-style-type: none"> o Consolidated up 65 YTD – positive variance at both PMC and POM • CVS Surgeries <ul style="list-style-type: none"> o Showing more stability than last year o Negative variance to budget • Total Surgeries <ul style="list-style-type: none"> o YTD consolidated is up about 130 cases against budget • Outpatient Registrations <ul style="list-style-type: none"> o Positive variance to budget of about 600 registrations • ER Visits Including Trauma <ul style="list-style-type: none"> o Negative variance of 49 against budget o On target with correlation to prior year • ER Admissions Including Trauma <ul style="list-style-type: none"> o Slightly up against budget at POM o Just under budget at PMC • Trauma Cases/Admissions <ul style="list-style-type: none"> o 125 compared to 99 in July o YTD still a negative variance against budget o Nearly on budget for admissions • Deliveries <ul style="list-style-type: none"> o YTD Actual at budget o POM – positive variance of 30 o PMC – negative variance of 31 • Payor Mix <ul style="list-style-type: none"> o Currently a stable payor mix • Case Mix Index <ul style="list-style-type: none"> o Consolidated at 1.16 o Excluding Deliveries <ul style="list-style-type: none"> ■ Some variation between campuses ■ More intensity at PMC ■ If ICU days are up, expect acuity in case mix • Net revenues per WPD <ul style="list-style-type: none"> o Up against budget at PMC o Consolidated just short of budget | | <p>quarter-to-date presentation.</p> <ul style="list-style-type: none"> • RAC Audit losses may be added on Cash Collections slide in presentation |

| AGENDA ITEM | DISCUSSION | CONCLUSION/ACTION | FOLLOW UP |
|-------------|---|-------------------|-----------|
| | <ul style="list-style-type: none"> • Salaries per WPD <ul style="list-style-type: none"> o Below budget consolidated <ul style="list-style-type: none"> ■ Shows good utilization of management tools for productivity management ■ Productivity hours are precursor to management of salary dollars across the organization – productivity is approximately 100% (consolidated) • Supplies per WPD <ul style="list-style-type: none"> o At budget • Net Operating Income per WPD <ul style="list-style-type: none"> o At consolidated budget • Gross Patient Revenue per Adjusted Discharges <ul style="list-style-type: none"> o Positive against budget • Net Patient Revenue per Adjusted Discharges <ul style="list-style-type: none"> o Positive against budget • Salaries per Adjusted Discharges <ul style="list-style-type: none"> o Negative against budget • Supplies per Adjusted Discharges <ul style="list-style-type: none"> o Slightly higher than budgeted due to more intensive cases than normal • Variance Explanations <ul style="list-style-type: none"> o Continued variance in Foundation and Health Development revenues, but contra impact for expenses o Net Income from operations shows an aggregate positive variance of \$41K over budget • Cash Collections <ul style="list-style-type: none"> o August is at \$33.6M – positive to budget o Notable RAC audit impacts will be identified • YTD Consolidated <ul style="list-style-type: none"> o Net income – \$700K positive variance YTD <ul style="list-style-type: none"> ■ \$15K favorable variance in operating income • MTD Consolidated <ul style="list-style-type: none"> o Net income – \$400K positive variance • Flash Report <ul style="list-style-type: none"> o Distributed additional pages with the third week updates (<i>Attachment C</i>) o Births are up significantly o Surgeries are also up o Gross revenue <ul style="list-style-type: none"> ■ In-patient is up ■ Outpatient is down ■ Productive hours show about a 1% positive variance | | |

| AGENDA ITEM | DISCUSSION | CONCLUSION/ACTION | FOLLOW UP |
|---|---|-------------------|-----------|
| | <ul style="list-style-type: none"> • Committee questions: <ul style="list-style-type: none"> o Page 7 – What are “unrealized recruitment physician fees”? <ul style="list-style-type: none"> ■ Anticipated income guarantee expenses for first 2 months, with no recruitments o Page 6 – What is the Hill-Rom class action settlement? <ul style="list-style-type: none"> ■ PPH was a member to a class action filed for overpricing on specialty beds ■ Settlements paid across the country | | |
| ADJOURNMENT TO CLOSED SESSION | <p>The meeting adjourned to Closed Session at 7:55 p.m. ~ pursuant to California Government Code §54956.8 CONFERENCE WITH REAL PROPERTY NEGOTIATORS Property: 451 E. Valley Parkway, Escondido, CA 92025 An approximate 3,456 sq. ft. building, exact legal description to be provided in Escrow Agency Negotiator: Robert A. Hemker, CFO Negotiating Parties: Joan Irving and Robert A. Hemker Under Negotiation: Instruction to negotiator will concern Agency's interest in land, building, price and terms of payment Anticipated date of public disclosure: October 2007 ~ANTICIPATED ACTION</p> | | |
| OPEN SESSION RESUMED | Chairman Kleiter called the Open Session to Order at 829 p.m. | | |
| ACTION RESULTING FROM CLOSED SESSION DISCUSSION | ~There was no action resulting from the closed session discussion. | | |
| ADJOURNMENT | The meeting was adjourned at 8:30 p.m. | | |
| SIGNATURES: <ul style="list-style-type: none"> • COMMITTEE CHAIR • COMMITTEE SECRETARY | <p>_____</p> <p style="text-align: center;">Ted Kleiter</p> <p>_____</p> <p style="text-align: center;">Tanya Howell</p> | | |

ATTACHMENT A

Recovery Audit Contractors (RAC)

Board Finance Committee
September 25, 2007

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RAC Audits

- RAC = Recovery Audit Contractors
- 3 year demonstration project to recover Medicare overpayments
- California, New York & Florida
- California contractor is PRG Schultz
- Began in 2005
- Contractors paid on a contingency basis

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RAC Audits – Demonstration Results

- Overpayments recovered = \$68.6M
- Underpayments paid = \$2.9M
- \$232M still in collection recovery process
- Total improper payments = \$303.5M
- DOS 10-1-01 through 9-30-05
- CMS to expand – nationwide by 2010 & make permanent

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RAC Audits

- Process for RAC Audits
 - Receive a letter requesting copies of MR – one letter for each account
 - RAC reviews and sends f/u letters
 - Response deadline for rebuttal if RAC determines improper payment
 - Payment recoup taken with regular remits
 - Can appeal to Administrative Law Judge (ALJ)
- Significant administrative burden
 - CMS requested a limit of 50 records request per month

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RAC Audits – PPH Impact

- Started January 2006
- 1,300 medical record copy requests
 - 700 no findings
 - 250 denials
 - 350 still being reviewed

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RAC Audits – PPH Impact (so far)

- Medicare recouped funds
 - 250 encounters ~ \$2.6 million
 - 75 - Acute Rehab ~ \$1.6M
 - 75 - 1 Day Stays/Observation ~ \$500K
 - 100 – various diagnosis ~ \$500K

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RAC Audits – PPH Impact

- Acute Rehab
 - Started receiving letters in July 2006
 - 4 Waves & 136 MR requests
 - 75% denial rate (70 so far)
 - \$1.6M recouped
 - 3 ALJ hearings – resulted in PPH favor
 - Varied diagnosis – no clear focus
 - Unilateral knee & hip
 - Debility is common
 - Brain injury, stroke, pelvic fracture & non-trauma spinal cord

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RAC Audits – PPH Impact

- 1 Day Stays -
 - Started receiving letters in April 2007
 - 84 MR request (so far)
 - 12 still pending
 - 70 denied (so far) – 94% rate
 - Denied for IP stay – should be observation or OP (InterQual criteria)
 - Heart Failure, Chest Pain, Transient Ischemia

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RAC Audits – PPH Impact

- Other (coding/billing/other)
 - DRG 217 – Wound debride & skin graft
 - DRG 397 – Coagulation disorders
 - DRG 416 – Septicemia
 - DRG 85 – Pleural effusion w/CC
 - Various respiratory DRG's

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RAC Audits – PPH Strategy

- New multidisciplinary RAC Taskforce
- Developing Standardized processes
- Data base – track all results
- Assess appeal actions
- Ensure issues causing denial have been addressed/fixd

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ATTACHMENT B

PPH *expresscare* Financial Planning Update

Sheila Brown, Bob Hemker and Stonish Pierce
Board Finance Committee Meeting
September 25, 2007

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Comparison: Start-Up Costs

April 2007

- Capital: \$24,120
- IT/Phone \$70,138
- Minor Equipment: \$9,251
- Non-durable equipment/supplies: \$21,614
- Vaccinations: \$19,214

September 2007

- Capital: \$24,120
- IT/Phone \$70,126
- Minor Equipment: \$9,251
- Non-durable equipment/supplies: \$17,105
- Vaccinations: \$11,882



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Summary of Changes

April 2007

- Labor Expense: 4.80 FTEs
 - No per-diem/back-up staff
- Tenant Improvements: \$200,781
- Estimated Square Footage: 316 sq²
 - Preliminary floor plan development
 - Restroom area not included
- Anticipated Leasing Rate
- Marketing: \$0
 - Previously budgeted as in-kind

September 2007

- Labor Expense: 5.80 FTEs
 - Per-diem staff
- Tenant Improvements: \$339,252
- Estimated Square Footage: 350 sq²
 - Combined exam room/office
 - Retailer approved floor plan
 - “Shelled” restroom area
- Final Negotiated Leasing Rate
 - Includes revised square footage
- Marketing: \$30,000
 - Reflect true cost of program
- Miscellaneous Costs



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Revised Staffing Requirements

- Nurse Practitioners
 - 3.8 FTEs + benefits (full-time)
 - 1.0 FTE (*per-diems*)
- Program Management
 - 1.0 FTE + benefits (full-time)
- Professional Fees
 - Medical Directors (stipends)



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Key Financial Indicators April 2007 v. September 2007

- | | |
|---|--|
| <p>April 2007</p> <ul style="list-style-type: none"> ▪ 23.16% IRR ▪ \$1,261,287 NPV ▪ 3.0 year payback period ▪ \$200,781 tenant improvements ▪ Year 4: cumulative cash flow ▪ \$621,504 annual operating expenses | <p>September 2007</p> <ul style="list-style-type: none"> ▪ 11.4% IRR ▪ \$304,685 NPV ▪ 5.2 year payback period ▪ \$339,252 tenant improvements ▪ Year 6: cumulative cash flow ▪ \$652,689 annual operating expenses |
|---|--|



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| PALOMAR POMERADO HEALTH RETAIL CLINICS IMPLEMENTATION CASH FLOW ANALYSIS - 2 CLINICS | | | | | | | | |
|--|-------------------|------------------|------------------|----------------|------------------|------------------|------------------|----------------|
| Initial Cash Outlay | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 | Year 7 | |
| Cumulative Cash Flow | (442,749) | (576,787) | (640,024) | (617,555) | (507,267) | (283,093) | 86,725 | 629,764 |
| Capital Equipment | 24,120 | | | | | | | |
| Tenant Improvements | 339,252 | | | | | | | |
| Start Up Costs | 79,377 | | | | | | | |
| NPV | \$ 364,685 | | | | | | | |
| Discount Rate | 5.00% | | | | | | | |
| IRR | 11.36% | | | | | | | |
| Pay Back in Years | 3.2 | | | | | | | |
| Patient Visits: | | | | | | | | |
| Total Potential Visits | 20,448 | 20,448 | 20,448 | 20,448 | 20,448 | 20,448 | 20,448 | |
| Projected Annual Visits | 10,325 | 12,018 | 13,220 | 14,542 | 15,996 | 17,595 | 19,355 | |
| Projected Actual Visits for Immunizations/Vaccinations | 321 | 353 | 388 | 423 | 460 | 500 | 543 | |
| Total Projected Annual Visits | 11,246 | 12,371 | 13,608 | 14,965 | 16,456 | 18,095 | 19,898 | |
| Total Gross Revenue | 663,538 | 767,004 | 884,529 | 988,836 | 1,135,707 | 1,319,560 | 1,529,046 | |
| OPERATING EXPENSES | | | | | | | | |
| Labor Expense | | | | | | | | |
| Total FTEs | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 | 5.80 | |
| Salaries/Wages/PTO: | | | | | | | | |
| Full Time | 426,696 | 443,764 | 461,515 | 479,975 | 499,174 | 519,141 | 539,907 | |
| Per Diem | 94,928 | 98,101 | 102,625 | 106,136 | 110,350 | 114,764 | 119,365 | |
| Total Salaries/Wages | 521,624 | 541,865 | 564,140 | 586,111 | 609,524 | 633,905 | 659,272 | |
| Direct Benefits | 51,204 | 53,252 | 55,382 | 57,597 | 59,901 | 62,297 | 64,789 | |
| Indirect Benefits | 42,970 | 44,376 | 46,151 | 47,996 | 49,917 | 51,914 | 53,991 | |
| Total Labor and Benefit Expense | 614,898 | 639,494 | 665,073 | 691,676 | 719,343 | 748,117 | 778,042 | |
| Other Non-Labor Expense | | | | | | | | |
| Physician Fees | \$ 28,800 | 29,520 | 30,258 | 31,014 | 31,790 | 32,585 | 33,399 | |
| Supplies | 17,106 | 19,243 | 21,649 | 24,355 | 27,399 | 30,824 | 34,677 | |
| Immunization and Vaccination Supplies | 11,882 | 13,367 | 15,038 | 16,800 | 18,656 | 20,608 | 22,656 | |
| Building Rental | 37,800 | 37,800 | 37,800 | 37,800 | 37,800 | 41,580 | 41,580 | |
| IT Support / Telephone | 56,626 | 67,017 | 68,442 | 69,903 | 61,401 | 62,938 | 64,509 | |
| Marketing Expense | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | |
| Press Clipping patients satisfaction | - | 3,800 | 3,800 | 3,800 | 3,800 | 3,800 | 3,800 | |
| Papers (one-time expense) | 1,484 | - | - | - | - | - | - | |
| Total Other Non-Labor Expense | 192,678 | 190,747 | 196,987 | 186,873 | 192,190 | 201,725 | 207,966 | |
| Depreciation and Amortization | | | | | | | | |
| Depreciation | 3,446 | 3,446 | 3,446 | 3,446 | 3,446 | 3,446 | 3,446 | |
| Amortization of TTs (3 years) | 113,084 | 113,084 | 113,084 | - | - | - | - | |
| Amortization of Start-up Costs (3 years) | 26,459 | 26,459 | 26,459 | - | - | - | - | |
| Total Depreciation and Amortization | 142,989 | 142,989 | 142,989 | 3,446 | 3,446 | 3,446 | 3,446 | |
| TOTAL EXPENSES | 940,564 | 973,230 | 1,005,049 | 881,994 | 914,979 | 953,287 | 989,453 | |
| Net Income | (277,027) | (206,225) | (120,520) | 106,842 | 220,729 | 366,373 | 539,593 | |
| Net Change in Cash Flow (Excludes Depreciation/Amortization) | (442,749) | (134,038) | (63,235) | 22,469 | 110,287 | 224,174 | 369,818 | 543,039 |
| Visit Growth | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | 10.0% | |
| Initial Charge Per Visit (excludes DME) | \$ 59.00 | \$ 62.00 | \$ 65.00 | \$ 68.00 | \$ 71.00 | \$ 75.00 | \$ 79.00 | |
| Gross Charge Increase | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | |
| Labor Inflation | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | 4.0% | |
| Non Labor Inflation | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | 2.5% | |
| Direct Benefit % | 12% | 12% | 12% | 12% | 12% | 12% | 12% | |
| Indirect Benefit % | 10% | 10% | 10% | 10% | 10% | 10% | 10% | |
| Non Labor Inflation (Building Rental) | - | - | - | - | - | - | - | |
| Pay Back in months | 62.8 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | |



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Net Income Projections: 2008-2014

April 2007

| FY Ending | Projected Patient Visits | Operating Revenue | Operating Expenses | Net Income |
|-----------|--------------------------|-------------------|--------------------|-----------------|
| 2008 | 11,246 | \$ 663,538 | \$ 767,195 | \$ (103,656.93) |
| 2009 | 12,371 | \$ 767,004 | \$ 793,818 | \$ (26,813.78) |
| 2010 | 13,608 | \$ 884,529 | \$ 821,783 | \$ 62,746.24 |
| 2011 | 14,969 | \$ 1,017,889 | \$ 757,795 | \$ 260,094.32 |
| 2012 | 16,466 | \$ 1,169,076 | \$ 788,738 | \$ 380,337.42 |
| 2013 | 18,112 | \$ 1,358,433 | \$ 821,339 | \$ 537,094.39 |
| 2014 | 19,924 | \$ 1,573,971 | \$ 855,723 | \$ 718,248.33 |

September 2007

| FY Ending | Projected Patient Visits | Operating Revenue | Operating Expenses | Net Income |
|-----------|--------------------------|-------------------|--------------------|-----------------|
| 2008 | 10,925 | \$ 663,538 | \$ 940,564 | \$ (277,026.71) |
| 2009 | 12,018 | \$ 767,004 | \$ 973,230 | \$ (206,225.32) |
| 2010 | 13,220 | \$ 884,529 | \$ 1,005,049 | \$ (120,519.95) |
| 2011 | 14,542 | \$ 988,836 | \$ 881,994 | \$ 106,841.68 |
| 2012 | 15,996 | \$ 1,135,707 | \$ 914,979 | \$ 220,728.57 |
| 2013 | 17,595 | \$ 1,319,660 | \$ 953,287 | \$ 366,372.76 |
| 2014 | 19,355 | \$ 1,529,046 | \$ 989,453 | \$ 539,593.09 |



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ATTACHMENT C

Weekly Flash Report

64

| September 07 | Aug31-Sep6 | Sep7-13 | Sep14-20 | | MTD Total | MTD Budget | % Variance |
|----------------------|------------|---------|----------|---|-----------|------------|------------|
| ADC (Acute) | 310 | 320 | 338 | 0 | 322 | 312 | 3.37 |
| PMC | 233 | 232 | 252 | | 239 | 235 | 1.58 |
| POM | 76 | 88 | 85 | | 83 | 76 | 8.87 |
| PCCC | 89 | 90 | 89 | | 89 | 88 | 1.93 |
| VP | 121 | 123 | 126 | | 123 | 123 | (0.27) |
| Patient Days (Acute) | 2167 | 2237 | 2363 | 0 | 6,767 | 6,546 | 3.37 |
| PMC | 1632 | 1624 | 1765 | | 5,021 | 4,943 | 1.58 |
| POM | 535 | 613 | 598 | | 1,746 | 1,604 | 8.87 |
| PCCC | 625 | 633 | 620 | | 1,878 | 1,842 | 1.93 |
| VP | 845 | 858 | 882 | | 2,585 | 2,592 | (0.27) |
| Discharges | 552 | 568 | 572 | 0 | 1,692 | 1,712 | (1.14) |
| PMC | 429 | 422 | 419 | | 1,270 | 1,320 | (3.75) |
| POM | 123 | 146 | 153 | | 422 | 392 | 7.65 |
| Number of Surgeries | 228 | 231 | 258 | 0 | 717 | 667 | 7.48 |
| PMC | 165 | 165 | 175 | | 505 | 453 | 11.50 |
| POM | 63 | 66 | 83 | | 212 | 214 | (1.03) |
| Number of Births | 109 | 120 | 118 | 0 | 347 | 316 | 9.91 |
| PMC | 88 | 88 | 93 | | 269 | 253 | 6.45 |
| POM | 21 | 32 | 25 | | 78 | 63 | 23.81 |

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Weekly Flash Report (cont'd)

65

| September 07 | Aug31-Sep6 | Sep7-13 | Sep14-20 | | MTD Total | MTD Budget | % Variance |
|------------------------------|------------|------------|------------|---|------------|------------|------------|
| Outpatient Visits (inc. Lab) | 2303 | 2078 | 2041 | 0 | 6,422 | 5,822 | 10.31 |
| PMC | 1554 | 1358 | 1347 | | 4,259 | 3,844 | 10.80 |
| POM | 749 | 720 | 694 | | 2,163 | 1,978 | 9.34 |
| ER Visits | 1813 | 1648 | 1698 | 0 | 5,159 | 5,025 | 2.67 |
| ER Visits | 1218 | 1130 | 1174 | | 3,522 | 3,350 | 5.15 |
| ER Visits | 595 | 518 | 524 | | 1,637 | 1,675 | (2.27) |
| Trauma Visits | 22 | 17 | 22 | 0 | 61 | 28 | 121.55 |
| IP | 19 | 15 | 18 | | 52 | 23 | 125.11 |
| OP | 3 | 2 | 4 | | 9 | 4 | 103.01 |
| Gross IP Revenue | 20,062,114 | 20,595,231 | 21,771,204 | | 62,428,549 | 59,522,053 | 4.88 |
| Gross OP Revenue | 5,839,590 | 6,062,541 | 5,869,059 | | 17,771,190 | 18,133,763 | (2.00) |
| Cash Collection | 7,228,387 | 5,201,673 | 6,655,297 | | 19,085,357 | 24,356,165 | (21.64) |
| Days cash on hand | 107 | 110 | 107 | | 107 | 80 | |
| Prod Hrs (PP 5 & 6) | 219,217 | | 212,832 | | 432,049 | 435,708 | 0.84 |
| PMC - North | 127,773 | | 123,444 | | 251,217 | 252,224 | 0.40 |
| POM - South | 54,334 | | 54,562 | | 108,896 | 110,200 | 1.18 |
| Others | 37,110 | | 34,826 | | 71,936 | 73,284 | 1.84 |
| Prod \$ (PP 5 & 6) | 6,732,351 | | 6,625,402 | | 13,357,753 | 13,589,720 | 1.71 |
| PMC - North | 3,954,726 | | 3,877,061 | | 7,831,787 | 7,959,988 | 1.61 |
| POM - South | 1,579,177 | | 1,632,812 | | 3,211,989 | 3,224,643 | 0.39 |
| Others | 1,198,448 | | 1,115,529 | | 2,313,977 | 2,405,089 | 3.79 |

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