

**FINANCE COMMITTEE MEETING**

*(BOARD MEETING WITH RESPECT TO  
BOARD MEMBERS ON THE COMMITTEE)*

TUESDAY, AUGUST 29, 2006  
5:30 p.m. (Dinner Via Cafeteria Line —  
*for Committee Members & Invited Guests Only*)  
6:00 p.m. Meeting

POMERADO HOSPITAL  
15615 Pomerado Road, Poway, CA  
Meeting Room E

	<u>Time</u>	<u>Page</u>	<u>Target</u>
<b>CALL TO ORDER .....</b>	.....	.....	<b>6:00 p.m.</b>
➤ Public Comments .....	.....5	.....	6:00 p.m.
➤ Information Item(s) .....	.....5	.....	6:05 p.m.
1. * Approval: Minutes – August 1, 2006, Finance Committee Meeting (Addendum A) .....	.....5	.... Ag2	6:10 p.m.
2. * Review/Approval: Status Report on the 2006 Revenue Bond Issuance.....	.....10	....Ag3	6:15 p.m.
3. * Approval: July 2006 & YTD FY2007 Financial Report (Addendum B) .....	.....20	.... Ag4	6:25 p.m.
4. * Approval: Perinatology Professional Services & Medical Director Agreement (Addendum C).....	.....10	.Ag5-11	6:45 p.m.
University of California San Diego School of Medicine, Department of Reproductive Medicine			
5. * Approval: Physician Recruitment Agreement – Orthopedic Surgery (Addendum D).....	.....10	Ag12-13	6:55 p.m.
Philip Balikian, M.D., and Centre for Healthcare			
6. Review: Update on Ramona Property .....	.....10	....Ag14	7:05 p.m.
<b>FINAL ADJOURNMENT .....</b>	.....	.....	<b>7:15 p.m.</b>

***NOTE: If you have a disability, please notify us 72 hours  
prior to the event so that we may provide reasonable accommodations.***

Distribution:

Ted Kleiter, Chairperson  
Nancy Bassett, RN  
Linda Greer, RN  
Marcelo Rivera, MD  
Robert Trifunovic, MD  
Paul E. Tornambe, MD

Bruce Krider, *Alternate*  
Michael Covert  
Bob Hemker  
Gerald Bracht  
Jim Flinn

Tanya Howell, Secretary

Other packets to: Sharon Andrews, Tom Boyle, Sheila Brown, Duane Buringrud, MD, LeAnne Cooney, Kwaja Floyd, Gustavo Friederichsen, Janet Gennoe, Wallie George, Andy Hoang, Marcia Jackson, Dr. Marilyn Johnson, Christine Meaney, Jim Neal, Genevieve Nelwan, Tim Nguyen, Mary Oelman, Tina Pope, Opal Reinbold, Paul Sas, Mike Shanahan, Lorie Shoemaker, Steve Tanaka, Brenda Turner, Melanie Van Winkle, Deloitte and Touche (Drew Sutter)

**Minutes**  
**Finance Committee – August 1, 2006**

**TO:** Board Finance Committee

**MEETING DATE:** Tuesday, August 29, 2006

**FROM:** Tanya Howell, Secretary

**BY:** Bob Hemker, CFO

**Background:** The minutes of the Finance Committee meeting held on Tuesday, August 1, 2006, are respectfully submitted for approval (*Addendum A*).

**Budget Impact:** N/A

**Staff Recommendation:** Approval of the Tuesday, August 1, 2006, Finance Committee minutes.

**Committee Questions:**

**COMMITTEE RECOMMENDATION:**

**Motion:**

**Individual Action:**

**Information:**

**Required Time:**

## Status Report on the 2006 Revenue Bond Issuance

**TO:** Board Finance Committee

**MEETING DATE:** Tuesday, August 29, 2006

**FROM:** Bob Hemker, CFO

**Background:** Status and timing of the 2006 Revenue Bond issuance for new monies and refunding of the '93 and '99 bonds will be discussed. Information will be provided at the meeting. Possible request for Board direction and/or authorization pertaining to said issuance.

**Budget Impact:** N/A

**Staff Recommendation:** Staff will make a recommendation at the meeting.

**Committee Questions:**

**COMMITTEE RECOMMENDATION:**

**Motion:**

**Individual Action:**

**Information:**

**Required Time:**

## July 2006 & Fiscal YTD 2006 Financial Report

**TO:** Board Finance Committee

**MEETING DATE:** Tuesday, August 29, 2006

**FROM:** Robert Hemker, CFO

**Background:** The Board Financial Reports (unaudited) for July 2006 and Fiscal YTD 2006 are submitted for the Committee's approval (*Addendum B*).

**Budget Impact:** N/A

**Staff Recommendation:** Staff recommends approval.

**Committee Questions:**

### COMMITTEE RECOMMENDATION:

**Motion:**

**Individual Action:**

**Information:**

**Required Time:**

**Palomar Pomerado Health**  
**Perinatology Professional Services and Medical Director Agreement**

**TO:** Board Finance Committee

**MEETING DATE:** Tuesday, August 29, 2006

**BY:** Diane Key, Service Line Administrator, Women's & Children's Services

**BACKGROUND:** Palomar Medical Center (PMC) and Pomerado Hospital (POM) have provided basic obstetrical services for 57 years and almost 30 years, respectively. Neither facility presently provides perinatology professional services. Perinatology services are medical services provided by a Maternal-Fetal Medicine physician, also called a Perinatologist, who specializes in the diagnosis, treatment, and ongoing care of expectant mothers and their unborn children, either of which may be at high risk for special health problems. The Perinatologist works in collaboration with the women's Obstetrician to develop a plan of care tailored to meet the individual patient's needs and medical history. Services provided by Perinatologists include maternal and fetal medical care, monitoring, ultrasound examinations, genetic counseling, multiple births, diabetes management, state-of-the-art diagnostic testing (such as amniocentesis), and antepartum monitoring of fetal well being. Presently, PPH physicians must either refer high-risk pregnancies out of the area for perinatology services or provide care to patients who could benefit from perinatology services. PMC physicians receive the majority of high-risk patients from the district.

During the ACOG survey conducted at Pomerado in June 2005, it was recommended by the ACOG surveyors that the addition of perinatology services to the PPH obstetrical programs should be considered. In response to PPH's notice establish perinatology services, both The University of California, San Diego School of Medicine, Department of Reproductive Medicine ("UCSD") and Sharp Perinatology Group expressed interest in providing perinatology professional and medical director services. The University of California, San Diego School of Medicine, Department of Reproductive Medicine and the Sharp Perinatology Group presently provide similar services at UCSD and Sharp Mary Birch, respectively. In that multiple providers expressed interest, a Request for Proposal (RFP) process was initiated, and both entities were invited to respond.

PPH Administration and representatives from both the PMC and POM Departments of OB/GYN reviewed the RFP responses. The leadership of both interested parties was also interviewed, in order to assure a clear understanding by the parties as to the intent and terms of the agreement. A recommendation was made to the Departments of OB/GYN at both PMC and POM to proceed with an Agreement with UCSD for Perinatology Professional and Medical Director services, including on-call coverage, inpatient consultation, diagnostic and therapeutic perinatal services, and administrative oversight for the perinatal program.

The Agreement calls for professional perinatology medical services by UCSD to be billed and collected by UCSD as compensation for professional services. PPH will pay for medical director services and on-call department coverage.

PPH will be responsible for the billing and collection of the technical component of the perinatal services program.

**Palomar Pomerado Health**  
**Perinatology Professional Services and Medical Director Agreement**

The University of California, San Diego School of Medicine, Department of Reproductive Medicine will be responsible for:

- The establishment of an inpatient perinatology consultation service
- The establishment of outpatient fetal diagnostic services
- Providing medical director oversight
- Providing educational opportunities for physicians and hospital staff
- Participating in facility planning, the budget process, and the improvement of clinical services provided by the Departments of OB/GYN on both campuses

**BUDGET IMPACT:** Budgeted FY07

**STAFF RECOMMENDATION:** Approval

**COMMITTEE QUESTIONS:**

**COMMITTEE RECOMMENDATION:**

**Motion:**

**Individual Action:**

**Information:**

**Required Time:**

## PALOMAR POMERADO HEALTH - AGREEMENT ABSTRACT

Section Reference	Term/Condition	Term/Condition Criteria
	<b>TITLE</b>	Perinatology Services Professional and Medical Director Agreement
Preamble	<b>AGREEMENT DATE</b>	August 1, 2006
Preamble	<b>PARTIES</b>	University of California ,San Diego School of Medicine, Department of Reproductive and Palomar Pomerado Health
Recital	<b>PURPOSE</b>	Administrative services and professional medical services for the perinatology services program
Exhibit A	<b>SCOPE OF SERVICES</b>	Provision of administrative and professional medical services for the perinatology services program
	<b>PROCUREMENT METHOD</b>	<input checked="" type="checkbox"/> <b>Request For Proposal</b> <input type="checkbox"/> <b>Discretionary</b>
10.1	<b>TERM</b>	Three years
10.1	<b>RENEWAL</b>	Upon mutual written agreement.
10.2	<b>TERMINATION</b>	Without cause, for any reason upon 30 days' prior written notice, for cause as defined in the agreement
4.1, 4.2, 4.4	<b>COMPENSATION METHODOLOGY</b>	Compensation for administrative services. Professional medical services billing and collection responsibility of University of California ,San Diego School of Medicine, Department of Reproductive
	<b>BUDGETED</b>	<input checked="" type="checkbox"/> <b>YES</b> <input type="checkbox"/> <b>NO – IMPACT:</b>
	<b>EXCLUSIVITY</b>	<input type="checkbox"/> <b>NO</b> <input checked="" type="checkbox"/> <b>YES – EXPLAIN:</b> Administration recommends single provider group for scope of services to assure consistent administrative oversight and quality patient care services
	<b>JUSTIFICATION</b>	Required for consistent administrative oversight and professional medical services. To provide perinatology services including on-call coverage and inpatient consultation. To provide diagnostic and therapeutic perinatal services on a inpatient and outpatient basis.
	<b>POSITION POSTED</b>	<input checked="" type="checkbox"/> <b>YES</b> <input type="checkbox"/> <b>No</b> <b>Methodology &amp; Response:</b> All PPH Medical Staff invited in writing to comment
	<b>ALTERNATIVES/IMPACT</b>	Perinatal diagnostic and therapeutic services would not be available to PPH patients and physicians resulting in referrals or transfers out of the PPH system.
Exhibit A	<b>Duties</b>	<input checked="" type="checkbox"/> <b>Provision for Staff Education</b> <input checked="" type="checkbox"/> <b>Provision for Medical Staff Education</b> <input checked="" type="checkbox"/> <b>Provision for participation in Quality Improvement</b> <input checked="" type="checkbox"/> <b>Provision for participation in budget process development</b>
	<b>COMMENTS</b>	
	<b>APPROVALS REQUIRED</b>	<input type="checkbox"/> CAO <input type="checkbox"/> CFO <input type="checkbox"/> CEO <input type="checkbox"/> BOD Committee _____ <input type="checkbox"/> BOD

**PALOMAR MEDICAL CENTER  
PERINATOLOGY FINANCIAL EVALUATION  
Projected 7 Year Income Statement  
Consolidated Projections for Incremental Outpatient Services, Deliveries and NICU Admissions**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
<b><u>OPERATING REVENUE</u></b>							
Inpatient Revenue - OB (1)	952,243	1,079,843	1,224,542	1,388,631	1,574,707	1,785,718	2,025,005
Inpatient Revenue - NICU	4,092,374	4,640,752	5,262,613	5,967,803	6,767,488	7,674,332	8,702,692
Outpatient Revenue	2,221,134	2,518,766	2,856,281	3,239,022	3,673,051	4,165,240	4,723,382
<b>Gross Patient Revenue</b>	<b>6,313,508</b>	<b>7,159,518</b>	<b>8,118,893</b>	<b>9,206,825</b>	<b>10,440,539</b>	<b>11,839,572</b>	<b>13,426,074</b>
<b>Less Deductions From Revenue</b>	<b>3,850,257</b>	<b>4,383,646</b>	<b>4,990,664</b>	<b>5,681,446</b>	<b>6,467,512</b>	<b>7,361,969</b>	<b>8,379,717</b>
<b>Total Net Revenue</b>	<b>2,463,251</b>	<b>2,775,872</b>	<b>3,128,229</b>	<b>3,525,379</b>	<b>3,973,027</b>	<b>4,477,603</b>	<b>5,046,357</b>
<b><u>OPERATING EXPENSES</u></b>							
<b><u>Direct Expense</u></b>							
Outpatient Services	454,202	474,822	487,789	501,327	515,465	530,230	545,652
Deliveries - OB Inpatient	364,290	401,630	442,797	488,184	538,222	593,390	654,213
NICU Admissions	1,585,778	1,748,320	1,927,523	2,125,094	2,342,916	2,583,065	2,847,829
<b>Total Direct Expense</b>	<b>2,404,270</b>	<b>2,624,772</b>	<b>2,858,109</b>	<b>3,114,605</b>	<b>3,396,604</b>	<b>3,706,685</b>	<b>4,047,694</b>
<b>Contribution Margin After Total Direct Expense</b>	<b>58,981</b>	<b>151,100</b>	<b>270,120</b>	<b>410,774</b>	<b>576,424</b>	<b>770,918</b>	<b>998,663</b>
<b><u>Statistical Summary</u></b>							
<b>Outpatient Visits</b>	<b>7,449</b>	<b>7,821</b>	<b>8,212</b>	<b>8,623</b>	<b>9,054</b>	<b>9,507</b>	<b>9,982</b>
<b>Contribution Margin %</b>	<b>2.39%</b>	<b>5.44%</b>	<b>8.63%</b>	<b>11.65%</b>	<b>14.51%</b>	<b>17.22%</b>	<b>19.79%</b>
<b>Deductions As % of Gross Revenue</b>	<b>60.98%</b>	<b>61.23%</b>	<b>61.47%</b>	<b>61.71%</b>	<b>61.95%</b>	<b>62.18%</b>	<b>62.41%</b>

(1) Not included are antepartum inpatient stays for high risk mothers.



**PALOMAR MEDICAL CENTER  
PERINATOLOGY FINANCIAL EVALUATION  
Projected 7 Year Income Statement  
Outpatient Services Only**

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
<b><u>OPERATING REVENUE</u></b>							
Inpatient Revenue	0	0	0	0	0	0	0
Outpatient Revenue	2,221,134	2,518,766	2,856,281	3,239,022	3,673,051	4,165,240	4,723,382
<b>Gross Patient Revenue</b>	<b>2,221,134</b>	<b>2,518,766</b>	<b>2,856,281</b>	<b>3,239,022</b>	<b>3,673,051</b>	<b>4,165,240</b>	<b>4,723,382</b>
<b>Less Deductions From Revenue</b>	<b>1,763,028</b>	<b>1,999,273</b>	<b>2,267,176</b>	<b>2,570,978</b>	<b>2,915,489</b>	<b>3,306,164</b>	<b>3,749,190</b>
<b>Total Net Revenue</b>	<b>458,106</b>	<b>519,492</b>	<b>589,104</b>	<b>668,044</b>	<b>757,562</b>	<b>859,076</b>	<b>974,192</b>
<b><u>OPERATING EXPENSES</u></b>							
<b><u>Direct Expense</u></b>							
Salaries and Wages	218,847	227,600	236,705	246,173	256,020	266,260	276,911
Employee Benefits	32,827	34,140	35,506	36,926	38,403	39,939	41,537
Unassigned Benefits	24,073	25,036	26,037	27,079	28,162	29,289	30,460
Total Salaries and Benefits	275,747	286,777	298,248	310,178	322,585	335,488	348,908
Professional Fees	150,000	150,000	150,000	150,000	150,000	150,000	150,000
Supplies	16,257	17,477	18,789	20,200	21,718	23,350	25,105
Maintenance and Repair	0	8,200	8,200	8,200	8,200	8,200	8,200
Depreciation	70,019	70,019	70,019	70,019	70,019	70,019	70,019
Advertising and Marketing	10,000	10,000	10,000	10,000	10,000	10,000	10,000
<b>Total Direct Expense</b>	<b>522,023</b>	<b>542,473</b>	<b>555,256</b>	<b>568,597</b>	<b>582,522</b>	<b>597,057</b>	<b>612,232</b>
<b>Contribution Margin After Total Direct Expense</b>	<b>(63,917)</b>	<b>(22,980)</b>	<b>33,848</b>	<b>99,447</b>	<b>175,041</b>	<b>262,018</b>	<b>361,960</b>
<b><u>Statistical Summary</u></b>							
<b>Outpatient Visits</b>	<b>7,449</b>	<b>7,821</b>	<b>8,212</b>	<b>8,623</b>	<b>9,054</b>	<b>9,507</b>	<b>9,982</b>
<b>Contribution Margin %</b>	<b>-13.95%</b>	<b>-4.42%</b>	<b>5.75%</b>	<b>14.89%</b>	<b>23.11%</b>	<b>30.50%</b>	<b>37.15%</b>
<b>Deductions As % of Gross Revenue</b>	<b>79.38%</b>	<b>79.38%</b>	<b>79.38%</b>	<b>79.38%</b>	<b>79.38%</b>	<b>79.38%</b>	<b>79.38%</b>

**PALOMAR MEDICAL CENTER  
PERINATOLOGY FINANCIAL EVALUATION**

**With Projected Procedure Growth**

**Consolidated Projections for Incremental Outpatient Services, Deliveries and NICU Admission**

	INCREMENTAL CASH FLOWS ONLY							
	Current Yr	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7
Incremental Cash Flow	(490,136)	58,981	151,100	270,120	410,774	576,424	770,918	998,663
Cumulative Cash Flow	(490,136)	(431,155)	(280,055)	(9,935)	400,839	977,263	1,748,181	2,746,844
Ultrasound Machine and Equipment	<b>272,410</b>							
Construction/Refurbishment	<b>217,726</b>							
NPV	<b>1,915,256</b>							
Discount Rate	<b>5.00%</b>							
IRR	<b>32.53%</b>							
Payback in Years	<b>3.0</b>							
<b>Volumes:</b>								
Non-Stress Tests (NST)	4,497	1,447	1,519	1,595	1,675	1,759	1,847	1,939
OB Ultrasounds	-	4,499	4,724	4,960	5,208	5,469	5,742	6,029
Amniocentesis	22	450	472	496	521	547	574	603
Total Outpatient Procedures	<b>4,519</b>	<b>6,396</b>	<b>6,716</b>	<b>7,052</b>	<b>7,404</b>	<b>7,774</b>	<b>8,163</b>	<b>8,571</b>
Deliveries	<b>4,480</b>	<b>100</b>	<b>105</b>	<b>110</b>	<b>116</b>	<b>122</b>	<b>128</b>	<b>134</b>
NICU Patient Days	<b>2,852</b>	<b>1,395</b>	<b>1,465</b>	<b>1,538</b>	<b>1,615</b>	<b>1,696</b>	<b>1,780</b>	<b>1,869</b>
<b>GROSS PATIENT REVENUE</b>								
Non-Stress Tests (NST)	1,169,220	406,346	460,796	522,543	592,563	671,967	762,010	864,120
OB Ultrasounds	-	1,652,014	1,873,384	2,124,418	2,409,090	2,731,908	3,097,984	3,513,113
Amniocentesis	7,370	162,774	184,586	209,320	237,369	269,176	305,246	346,149
Deliveries	39,500,439	952,243	1,079,843	1,224,542	1,388,631	1,574,707	1,785,718	2,025,005
NICU Patients	7,746,881	4,092,374	4,640,752	5,262,613	5,967,803	6,767,488	7,674,332	8,702,692
Total Gross Revenue	<b>48,423,910</b>	<b>7,265,751</b>	<b>8,239,361</b>	<b>9,343,435</b>	<b>10,595,456</b>	<b>12,015,247</b>	<b>13,625,290</b>	<b>15,451,079</b>
Net Revenue	<b>17,690,527</b>	<b>2,463,251</b>	<b>2,775,872</b>	<b>3,128,229</b>	<b>3,525,379</b>	<b>3,973,027</b>	<b>4,477,603</b>	<b>5,046,357</b>
Net Revenue as a % of Gross	36.53%	33.90%	33.69%	33.48%	33.27%	33.07%	32.86%	32.66%
<b>Direct Expenses</b>								
Outpatient Direct Expense	107,103	454,202	474,822	487,789	501,327	515,465	530,230	545,652
OB Direct Expense	15,543,045	364,290	401,630	442,797	488,184	538,222	593,390	654,213
NICU Direct Expense	3,087,652	1,585,778	1,748,320	1,927,523	2,125,094	2,342,916	2,583,065	2,847,829
TOTAL DIRECT EXPENSE	<b>18,737,801</b>	<b>2,404,270</b>	<b>2,624,772</b>	<b>2,858,109</b>	<b>3,114,605</b>	<b>3,396,604</b>	<b>3,706,685</b>	<b>4,047,694</b>
Net Incremental Cash		58,981	151,100	270,120	410,774	576,424	770,918	998,663
<b>Procedure Growth</b>		<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>	<b>5.0%</b>
<b>ASSUMPTIONS:</b>								
Gross Revenue Increase		8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Net Revenue Growth		8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
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%
<b>Payback in Months</b>		12	12	12	0	-	-	-

**ASSUMPTIONS**  
**Perinatology Program - Outpatient Services Only**

(1) Equipment Cost	Ultrasound Equipment Office and Program Furnishings	164,000 108,410
(2) Construction	Renovation of Perinatology space only Renovation of areas necessary to relocate employees currently in the space proposed for the Perinatology Program.	17,726 200,000
(3) Gross Patient Revenue	Assumes incremental Revenue only for Non-Stress Tests, Ultrasound and Amniocentesis.	
(4) Net Patient Revenue	Calculated based on reports run from Avega for NST's and Amniocentesis, average reimbursement for Ultrasounds based on Parkway reimbursement. Average reimbursement for all procedures in year 1.	20.62%
(5) Total FTEs	Paid FTE's to include RN's, Ultrasound Tech and a Scheduler/Clerical Support.	3.2
(6) Direct Benefits	Based on Dept Direct Benefits ratio for OB department for FY 2006.	15.00%
(7) Indirect Benefits	Based on Direct Benefits ratio to salary & wage expense FY 2006	11.00%
(8) Professional Fees	Allocated amount of total Perinatologist Fees	150,000
(9) Advertising/Marketing	Estimated annual cost of appropriate marketing needed for expanding perinatology services.	10,000
(10) Variable Supply Expense	Chargeable and non-chargeable supplies per patient.	\$ 12.20
(11) Fixed Supply Expense	Based on department's fixed office supply costs per procedure.	\$ 0.10
(12) Annual Maintenance Contract	Estimated at 5% of original equipment cost.	8,200

## Physician Recruitment Agreement

**TO:** Board Finance Committee

**MEETING DATE:** Tuesday, August 29, 2006

**FROM:** Marcia Jackson, Chief Planning Officer

**Background:** The PPH community lacks an adequate number of orthopedic physicians as verified by AmeriMed, a national consulting firm that specializes in physician manpower studies. PPH has an established physician recruitment program and had allocated resources to attract additional orthopedic physicians to relocate to Inland North San Diego County. Philip Balikian, M.D., and Centre for Healthcare have signed the PPH Physician Recruitment Agreement (*Addendum D*) in order for Dr. Balikian to join Centre for Healthcare to practice in Rancho Bernardo, CA. He intends to begin practicing in November 2006.

**Budget Impact:** None

**Staff Recommendation:** Approval of the Physician Recruitment Agreement with Dr. Philip Balikian and Centre for Healthcare and recommend approval by the full Board of Directors.

**Committee Questions:**

### COMMITTEE RECOMMENDATION:

**Motion:**

**Individual Action:**

**Information:**

**Required Time:**

## PALOMAR POMERADO HEALTH - AGREEMENT ABSTRACT

Section Reference	Term/Condition	Term/Condition Criteria
	<b>TITLE</b>	Physician Recruitment Agreement—Orthopedic Surgery
	<b>AGREEMENT DATE</b>	
	<b>PARTIES</b>	1) PPH 2) Philip Balikian, M.D. 3) Centre for Healthcare
Recitals; Article I.1	<b>PURPOSE</b>	Provide recruitment assistance to enable Dr. Balikian to establish an orthopedic practice in Rancho Bernardo/Poway
Article I	<b>SCOPE OF SERVICES</b>	Dr. Balikian will establish a full-time orthopedic practice in Rancho Bernardo and will participate in government-funded programs.
2.2(a); Exhibit 3.1(a).2	<b>TERM</b>	1 year of income assistance; two year repayment/forgiveness period
Recruitment procedure D.2	<b>RENEWAL</b>	None available
Article VII	<b>TERMINATION</b>	Contract stipulates conditions for termination by hospital, termination by physician and termination in event of governmental action
Article III; 3.2, 3.3, 3.4, 3.5	<b>COMPENSATION METHODOLOGY</b>	For monthly income guarantee physician will submit monthly report of expenses and collections. For relocation and start-up cost assistance physician will submit receipts.
	<b>BUDGETED</b>	X <b>YES</b> <input type="checkbox"/> <b>NO</b> – <b>IMPACT:</b> None
6.5	<b>EXCLUSIVITY</b>	X <b>NO</b> <input type="checkbox"/> <b>YES</b> – <b>EXPLAIN:</b> Government prohibits hospitals from requiring physician to exclusively have privileges or make referrals only to their hospital
	<b>PHYSICIAN MANPOWER STUDY</b>	AmeriMed, a national consulting firm who performed our Physician Manpower Study, completed an orthopedic analysis which confirmed there is a justifiable community need for this recruitment
	<b>EXTERNAL FINANCIAL VERIFICATION</b>	X <b>YES</b> <input type="checkbox"/> <b>NO</b> <b>Methodology:</b> Medical Development Specialists (MDS) developed a pro forma for the practice to establish the contract value to cover income guarantee and cash flow needs. MDS also provided the market comparison to establish an appropriate income guarantee.
	<b>LEGAL COUNSEL REVIEW</b>	X <b>Yes</b> <input type="checkbox"/> <b>No</b> No exceptions to the standard agreement. Legal supports that agreement complies with Federal Regulations
	<b>APPROVALS REQUIRED</b>	X CPO X CFO X CEO X BOD Finance Committee on August 29, 2006 X BOD

**Assessor Parcels #281-190-9-00 Through #281-190-12-00,  
Ramona, CA – Interest in Land Options**

**TO:** Board Finance Committee

**MEETING DATE:** Tuesday, August 29, 2006

**FROM:** Bob Hemker, CFO

**Background:** Management previously identified suitable land in Ramona for execution of the Master Facility Plan Satellite Clinic strategies. Terms, conditions and negotiating strategies were identified, with Board direction given.

Management entered into a purchase agreement, subject to Board approval after completion of Due Diligence. Originally, it was anticipated that Due Diligence would be completed, with an anticipated close at the end of August 2006. Additional Due Diligence is underway, and both parties agreed to a modified close date of approximately 21 days after mid-October 2006

An update will be given on the status of due diligence.

**Budget Impact:** \$2,400,000 in capital funds under the Master Facility Plan

**Staff Recommendation:** Staff recommends continuation of the Due Diligence necessary to consummate the transaction, modified closing date, and completion of Resolutions authorizing the transaction by Board approval after completion of Due Diligence.

**Committee Questions:**

<b>COMMITTEE RECOMMENDATION:</b>
<b>Motion:</b>
<b>Individual Action:</b>
<b>Information:</b>
<b>Required Time:</b>