

ADDENDUM A

**Palomar Pomerado Health
Finance Committee
(Board Meeting with Respect to Board Members on the Committee)
Pomerado Hospital, Meeting Room E
Tuesday, April 25, 2006**

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
NOTICE OF MEETING	Notice of Meeting was mailed consistent with legal requirements		
MEETING CALLED TO ORDER	8:06 p.m by Chairman Ted Kleiter		
PUBLIC COMMENTS	There were no public comments		
ESTABLISHMENT OF QUORUM	Present: Directors Marcelo Rivera, M.D., Ted Kleiter, Linda Greer, R.N. and Finance Committee Member Michael Covert Absent: Nancy Bassett, R.N. and Finance Committee Members Paul Tornambe, M.D. and Robert Trifunovic, M.D.		
ATTENDANCE	Also in attendance were: Bob Hemker, Gerald Bracht, Jim Flinn, Mary Oelman, Sharon Andrews and Assistant Nancy Wood		
APPROVAL OF MINUTES Finance Committee Meeting – March 28, 2006		Minutes of the March 28, 2006 Finance Committee were approved at the Special Board of Directors meeting April 25, 2006.	
MARCH 2006 & YTD FY2006 FINANCIAL REPORT	Utilizing the attached PowerPoint presentation, Mr. Hemker reviewed March 2006 and FYTD financial performance. Key Indicators/Trends – <ul style="list-style-type: none"> • Admissions – volume indicates that admissions are coming back into budget • 3% growth of weighted patient days • Flatline for LOS • ED/Trauma admissions have 	MOTION: by Rivera; 2nd by Greer to accept the March 2006 & YTD FY2006 Financial Report. All in favor. None opposed. Motion carried.	Forwarded to May 8, 2006 Board of Directors with recommendation for approval

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	<p>moved up slightly</p> <ul style="list-style-type: none"> • Surgical/OB down at both campuses • March is coming in at budget which is a turnaround from 1st quarter of fiscal year • FYTD \$4 million from budget negative bottom line variance • Non-operating income improvement seen • Recovery pattern is coming into place • Net Actual Income is \$14 million vs. \$18 budget <p>Balanced Scorecard Financial Indicators –</p> <ul style="list-style-type: none"> • collections in the last 3-4 months are in recovery • uncompensated care seeing dollar increase resulting in an approximate 5% deduction from revenue • cost of care significant in some arenas; up 10% from baseline 	<p>Director Greer expressed appreciation for the efforts of Patient Business Services in making increased collections over the past few months.</p>	
<p>BACK TO BUDGET PRESENTATION</p>	<p>Strategy/Issue Analysis Impact related to the mid-year Back to Budget Strategy as of 3/31/06 was presented by Bob Hemker.</p> <p>Impacts Highlighted:</p> <ul style="list-style-type: none"> • Physician Relations – noted that one ENT recruit will not be coming to PPH • Wound Care is increasing in volume (over by 2,368 procedures through November) 	<p>INFORMATION ONLY</p> <p>Director Rivera questioned about the opportunity to expand this successful program. Mr. Hemker responded that we are looking to do that in the northern part of the District.</p>	

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	<ul style="list-style-type: none"> • Digital Mammography not projected to be in place until May or June 2006 • MAA may accrue in this FY - \$630,000 • Work continuing on turning around staffing issue in Clinical Lab due to loss of CHC • Higher usage of more expensive medical supplies, including pharmaceuticals. Currently \$796,000 negative variance resulting from interventional, BMP, and ICD variances of approximately \$1.9 million. <p>Summary –</p> <ul style="list-style-type: none"> • Need to drive \$3 million in April – June in order to get back to budget 	<p>Director Greer asked about the possibility of having a retail pharmacy in-house for patients. Gerald Bracht responded that currently there is no space at PMC. Space options for future to be assessed.</p>	
<p>ADMINISTRATIVE SERVICES AGREEMENTS - PMC</p>	<p>Administrative Services Agreements (PMC) were presented for approval for the following:</p> <p>Chief of Staff – Robert Trifunovic, M.D. Chief of Staff Elect – John Lilley, M.D. Chairman, Department of Orthopaedics, Paul Milling, M.D. Chairman, Department of Medicine, John Lilley, M.D. Chairman, Department of Anesthesia Pierre Lotzof, M.D. Chairman, Department of Emergency Medicine – Jaime Rivas, M.D. Chairman, Department of Family Practice Nicholas Jauregui, M.D. Chairman, Department of Radiology, Gary Spoto, M.D. Chairman, Department of OB/GYN Gregory Langford, M.D. Chairman, Department of Pediatrics</p>	<p>MOTION: by Rivera; 2nd Greer to approve the Administrative Services Agreements - PMC; All in favor; None opposed; Motion carried</p>	<p>Forwarded to May 8, 2006 Board of Directors with recommendation for approval</p>

AGENDA ITEM	DISCUSSION	CONCLUSIONS/ACTION	FOLLOW-UP/RESPONSIBLE PARTY
	David Golembeski, M.D. Chairman, Department of Trauma Thomas S. Velky, M.D. Chairman, Department of Pathology Lachlan Macleay, M.D. Chairman, Department of Quality Management Committee – Daniel Harrison, M.D.		
MINUTES FROM MARCH 28, 2006 PPH INDEPENDENT CITIZEN'S OVERSIGHT COMMITTEE (ICOC)		MOTION: by Kleiter; 2nd by Covert to approve the minutes from the March 28, 2006 meeting of the ICOC. All in favor; None opposed; Motion carried.	Forwarded to May 8, 2006 Board of Directors with recommendation for approval
RESIGNATION FROM THE ICOC OF LEE HUMAN, M.D.	The resignation of Dr. Lee Human has been received by the Independent Citizen's Oversight Committee. The recommendation is that the vacancy be posted for nurse/physician applicants only as all other required and at-large memberships are filled.	MOTION: by Rivera; 2nd by Greer that steps be taken by the PPH Board to begin the process of filling the vacancy on the ICOC created by the resignation of Dr. Lee Human. All in favor; None opposed; Motion carried.	Forwarded to May 8, 2006 Board of Directors for action.
ADJOURNMENT	There being no further business of the Finance Committee meeting was adjourned at 9:00 p.m.		
SIGNATURES <ul style="list-style-type: none"> • Committee Chair • Assistant to the CEO 	<hr style="width: 100%;"/> T. E. Kleiter <hr style="width: 100%;"/> Nancy M. Wood		

Financial Statements

March 2006

Melanie Van Winkle
Corporate Controller
April 25, 2006

PALOMAR POMERADO HEALTH



**PALOMAR POMERDO HEALTH
SUMMARY OF KEY INDICATORS AND RESULTS
FISCAL YEAR TO DATE - MARCH 2006**

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>FY 2005</u>
<u>ADMISSIONS - Acute:</u>				
Palomar Medical Center	16,205	15,615	590	15,695
Pomerado Hospital	5,130	5,173	(43)	5,093
Total:	<u>21,335</u>	<u>20,788</u>	<u>547</u>	<u>20,788</u>
<u>ADMISSIONS - SNF:</u>				
Palomar Medical Center	466	399	67	372
Pomerado Hospital	453	620	(167)	505
Total:	<u>919</u>	<u>1,019</u>	<u>(100)</u>	<u>877</u>
<u>PATIENT DAYS - Acute:</u>				
Palomar Medical Center	64,333	62,047	2,286	62,057
Pomerado Hospital	21,046	19,708	1,338	18,965
Total:	<u>85,379</u>	<u>81,755</u>	<u>3,624</u>	<u>81,022</u>
<u>PATIENT DAYS- SNF:</u>				
Palomar Medical Center	22,887	24,422	(1,535)	23,938
Pomerado Hospital	33,989	32,332	1,657	31,795
Total:	<u>56,876</u>	<u>56,754</u>	<u>122</u>	<u>55,733</u>

PALOMAR POMERDO HEALTH
SUMMARY OF KEY INDICATORS AND RESULTS
FISCAL YEAR TO DATE - MARCH 2006

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>FY 2005</u>
<u>WEIGHTED PATIENT DAYS:</u>				
Palomar Medical Center	79,843	76,869	2,974	78,298
Pomerado Hospital	32,093	29,831	2,262	29,741
Other Activities	1,616	2,142	(526)	1,965
Total:	<u>113,552</u>	<u>108,842</u>	<u>4,710</u>	<u>110,004</u>
<u>AVERAGE LENGTH OF STAY- Acute:</u>				
Palomar Medical Center	4.05	4.07	(0.02)	4.04
Pomerado Hospital	3.72	3.81	(0.09)	3.72
Total:	<u>3.97</u>	<u>4.00</u>	<u>(0.03)</u>	<u>3.96</u>
<u>AVERAGE LENGTH OF STAY - SNF:</u>				
Palomar Medical Center	50.44	50.44	-	49.47
Pomerado Hospital	28.78	29.55	(0.77)	27.98
Total:	<u>40.05</u>	<u>37.95</u>	<u>2.10</u>	<u>36.98</u>

**PALOMAR POMERADO HEALTH
SUMMARY OF KEY INDICATORS AND RESULTS
FISCAL YEAR TO DATE - MARCH 2006**

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>FY 2005</u>
<u>EMERGENCY ROOM VISITS & TRAUMA CASES:</u>				
Palomar Medical Center	31,863	30,865	998	30,770
Pomerado Hospital	16,568	15,716	852	15,688
Total:	<u>48,431</u>	<u>46,581</u>	<u>1,850</u>	<u>46,458</u>
<u>EMERGENCY & TRAUMA ADMISSIONS:</u>				
Palomar Medical Center	8,337	7,619	718	7,549
Pomerado Hospital	2,876	2,458	418	2,556
Total:	<u>11,213</u>	<u>10,077</u>	<u>1,136</u>	<u>10,105</u>
<u>SURGERIES:</u>				
Palomar Medical Center	5,860	6,204	(344)	6,042
Pomerado Hospital	2,912	3,050	(138)	2,821
Total:	<u>8,772</u>	<u>9,254</u>	<u>(482)</u>	<u>8,863</u>
<u>BIRTHS:</u>				
Palomar Medical Center	3,219	3,413	(194)	3,325
Pomerado Hospital	839	911	(72)	896
Total:	<u>4,058</u>	<u>4,324</u>	<u>(266)</u>	<u>4,221</u>

**PALOMAR POMERADO HEALTH
CONSOLIDATED
MTD 2006
MAR 2006**

	Month Activity			Variance		\$/Wtg Pt Day		
	Actual	Budget	Variance	Volume	Rate/Eff	Actual	Budget	Variance
Statistics:								
Admissions - Acute	2,452	2,352	100					
Admissions - SNF	120	115	5					
Patient Days - Acute	10,057	9,250	807					
Patient Days - SNF	6,359	6,421	(62)					
LOS - Acute	3.97	4.00	(0.03)					
LOS - SNF	39.71	37.95	1.76					
Weighted Pt Days	13,539	12,315	1,224					
Revenue:								
Gross Revenue	\$ 95,924,111	\$ 89,738,729	\$ 6,185,382 F	\$ 8,919,221	\$ (2,733,839)	\$ 7,085.02	\$ 7,286.95	\$ (201.92)
Deductions from Rev	(64,780,297)	(60,196,380)	(4,583,917) U	(5,982,978)	1,399,061	(4,784.72)	(4,888.05)	103.34
Net Patient Revenue	31,143,814	29,542,349	1,601,465 F	2,936,243	(1,334,778)	2,300.30	2,398.89	(98.59)
Other Oper Revenue	879,354	848,479	30,875 F	84,331	(53,456)	64.95	68.90	(3.95)
Total Net Revenue	32,023,168	30,390,828	1,632,340 F	3,020,574	(1,388,234)	2,365.25	2,467.79	(102.54)
Expenses:								
Salaries, Wages & Contr Labor	15,076,174	13,992,843	(1,083,331) U	(1,390,762)	307,431	1,113.54	1,136.24	22.71
Benefits	2,946,012	3,454,472	508,460 F	(343,343)	851,803	217.59	280.51	62.91
Supplies	5,347,858	5,016,992	(330,866) U	(498,644)	167,778	395.00	407.39	12.39
Prof Fees & Purch Svc	4,559,474	3,950,029	(609,445) U	(392,597)	(216,848)	336.77	320.75	(16.02)
Depreciation	1,542,906	1,435,958	(106,948) U	(142,721)	35,773	113.96	116.60	2.64
Other	1,696,451	1,694,297	(2,154) U	(168,398)	166,244	125.30	137.58	12.28
PPH Allocation	-	1	1 F	(0)	1	-	0.00	0.00
Total Expenses	31,168,875	29,544,592	(1,624,283) U	(2,936,466)	1,312,183	2,302.15	2,399.07	96.92
Net Inc Before Non-Oper Income	854,293	846,236	8,057 F	84,108	(76,051)	63.10	68.72	(5.62)
Property Tax Revenue	908,333	908,333	-	90,280	(90,280)	67.09	73.76	(6.67)
Non-Operating Income	(15,404)	(168,307)	152,903 F	(16,728)	169,631	(1.14)	(13.67)	12.53
Net Income (Loss)	\$ 1,747,222	\$ 1,586,262	\$ 160,960 F	\$ 157,660	\$ 3,300	\$ 129.05	\$ 128.81	\$ 0.24
Net Income Margin	4.9%	4.9%	0.0%					
OEBITDA Margin w/o Prop Tax	6.8%	7.0%	-0.2%					
OEBITDA Margin with Prop Tax	9.4%	9.9%	-0.5%					

F= Favorable variance
U= Unfavorable variance

**PALOMAR POMERADO HEALTH
CONSOLIDATED
FYTD 2006
MAR 06**

	Month Activity			Variance		\$/Wtg Pt Day		
	Actual	Budget	Variance	Volume	Rate/Eff	Actual	Budget	Variance
Statistics:								
Admissions - Acute	21,335	20,788	547					
Admissions - SNF	919	1,019	(100)					
Patient Days - Acute	85,379	81,755	3,624					
Patient Days - SNF	56,876	56,754	122					
LOS - Acute	3.97	4.00	(0.03)					
LOS - SNF	40.05	37.95	2.10					
Weighted Pt Days	113,552	108,842	4,710					
Revenue:								
Gross Revenue	\$ 831,501,290	\$ 793,249,778	\$ 38,251,512 F	\$ 34,326,882	\$ 3,924,630	\$ 7,322.65	\$ 7,288.09	\$ 34.56
Deductions from Rev	(566,974,218)	(532,107,669)	(34,866,549) U	(23,026,287)	(11,840,262)	(4,993.08)	(4,888.81)	(104.27)
Net Patient Revenue	264,527,072	261,142,109	3,384,963 F	11,300,595	(7,915,632)	2,329.57	2,399.28	(69.71)
Other Oper Revenue	6,587,103	7,636,311	(1,049,208) U	330,452	(1,379,660)	58.01	70.16	(12.15)
Total Net Revenue	271,114,175	268,778,420	2,335,755 F	11,631,046	(9,295,291)	2,387.58	2,469.44	(81.86)
Expenses:								
Salaries, Wages & Contr Labor	128,712,800	123,718,662	(4,994,138) U	(5,353,769)	359,631	1,133.51	1,136.68	3.17
Benefits	30,314,906	30,543,233	228,327 F	(1,321,720)	1,550,047	266.97	280.62	13.65
Supplies	46,913,224	44,343,346	(2,569,878) U	(1,918,902)	(650,976)	413.14	407.41	(5.73)
Prof Fees & Purch Svc	34,643,811	35,163,248	519,437 F	(1,521,645)	2,041,082	305.09	323.07	17.97
Depreciation	13,226,086	12,881,130	(344,956) U	(557,415)	212,459	116.48	118.35	1.87
Other	15,044,853	15,106,440	61,587 F	(653,712)	715,299	132.49	138.79	6.30
PPH Allocation	-	3	3 F	(0)	3	-	0.00	0.00
Total Expenses	268,855,680	261,756,062	(7,099,621) U	(11,327,163)	4,227,545	2,367.69	2,404.92	37.23
Net Inc Before Non-Oper Income	2,258,495	7,022,358	(4,763,865) U	303,884	(5,067,747)	19.89	64.52	(44.63)
Property Tax Revenue	8,174,997	8,174,997	-	353,763	(353,763)	71.99	75.11	(3.12)
Non-Operating Income	(805,717)	(1,514,763)	709,046 F	(65,549)	774,595	(7.10)	(13.92)	6.82
Net Income (Loss)	\$ 9,627,775	\$ 13,682,592	\$ (4,054,819) U	\$ 592,097	\$ (4,646,914)	\$ 84.79	\$ 125.71	\$ (40.92)
Net Income Margin	3.3%	4.8%	-1.5%					
OEBITDA Margin w/o Prop Tax	5.4%	7.0%	-1.6%					
OEBITDA Margin with Prop Tax	8.2%	9.8%	-1.6%					

F= Favorable variance
U= Unfavorable variance

**PALOMAR POMERADO HEALTH
CONSOLIDATED
Actual Mar 06 YTD + 3 Month Budget
FY06 Projection**

	Actual	Budget	Variance	Variance		\$/Wtg Pt Day		
				Volume	Rate/Eff	Actual	Budget	
Statistics:								
Admissions - Acute	28,233	27,686	547					
Admissions - SNF	1,258	1,358	(100)					
Patient Days - Acute	112,527	108,903	3,624					
Patient Days - SNF	75,721	75,599	122					
Weighted Pt Days	149,695	144,985	4,710					
Revenue:								
Gross Revenue	\$ 1,095,038,942	\$ 1,056,787,431	\$ 38,251,511 F	\$ 34,330,923	\$ 3,920,588	\$ 7,315.13	\$ 7,288.94	
Deductions from Rev	(743,752,721)	(708,886,173)	(34,866,548) U	(23,028,961)	(11,837,587)	(4,968.45)	(4,889.38)	
Net Patient Revenue	351,286,221	347,901,258	3,384,963 F	11,301,962	(7,916,999)	2,346.68	2,399.57	
Other Oper Revenue	9,132,540	10,181,748	(1,049,208) U	330,765	(1,379,973)	61.01	70.23	
Total Net Revenue	360,418,761	358,083,006	2,335,755 F	11,632,727	(9,296,972)	2,407.69	2,469.79	
Expenses:								
Salaries, Wages & Contr Labor	169,800,959	164,806,821	(4,994,138) U	(5,353,934)	359,796	1,134.31	1,136.72	
Benefits	40,458,873	40,687,200	228,327 F	(1,321,769)	1,550,096	270.28	280.63	
Supplies	61,643,719	59,073,841	(2,569,878) U	(1,919,080)	(650,798)	411.80	407.45	
Prof Fees & Purch Svc	46,339,093	46,858,531	519,438 F	(1,522,252)	2,041,690	309.56	323.20	
Depreciation	17,533,960	17,189,004	(344,956) U	(558,404)	213,448	117.13	118.56	
Other	20,070,855	20,132,441	61,586 F	(654,025)	715,611	134.08	138.86	
PPH Allocation	-	2	2 F	(0)	2	-	0.00	
Total Expenses	355,847,459	348,747,840	(7,099,621) U	(11,329,464)	4,229,845	2,377.15	2,405.41	
Net Inc Before Non-Oper Income	4,571,302	9,335,166	(4,763,865) U	303,263	(5,067,127)	30.54	64.39	
Property Tax Revenue	10,899,996	10,899,996	- -	354,099	(354,099)	72.81	75.18	
Non-Operating Income	(1,310,638)	(2,019,684)	709,046 F	(65,612)	774,658	(8.76)	(13.93)	
Net Income (Loss)	\$ 14,160,660	\$ 18,215,478	\$ (4,054,819) U	\$ 591,750	\$ (4,646,568)	\$ 94.60	\$ 125.64	
Net Income Margin	3.7%	4.8%	-1.1%					
OEBITDA Margin w/o Prop Tax	5.8%	7.0%	-1.2%					
OEBITDA Margin with Prop Tax	8.6%	9.8%	-1.2%					

F= Favorable variance
U= Unfavorable variance

**Palomar Pomerado Health
Consolidated Balance Sheet
As of March 31, 2006**

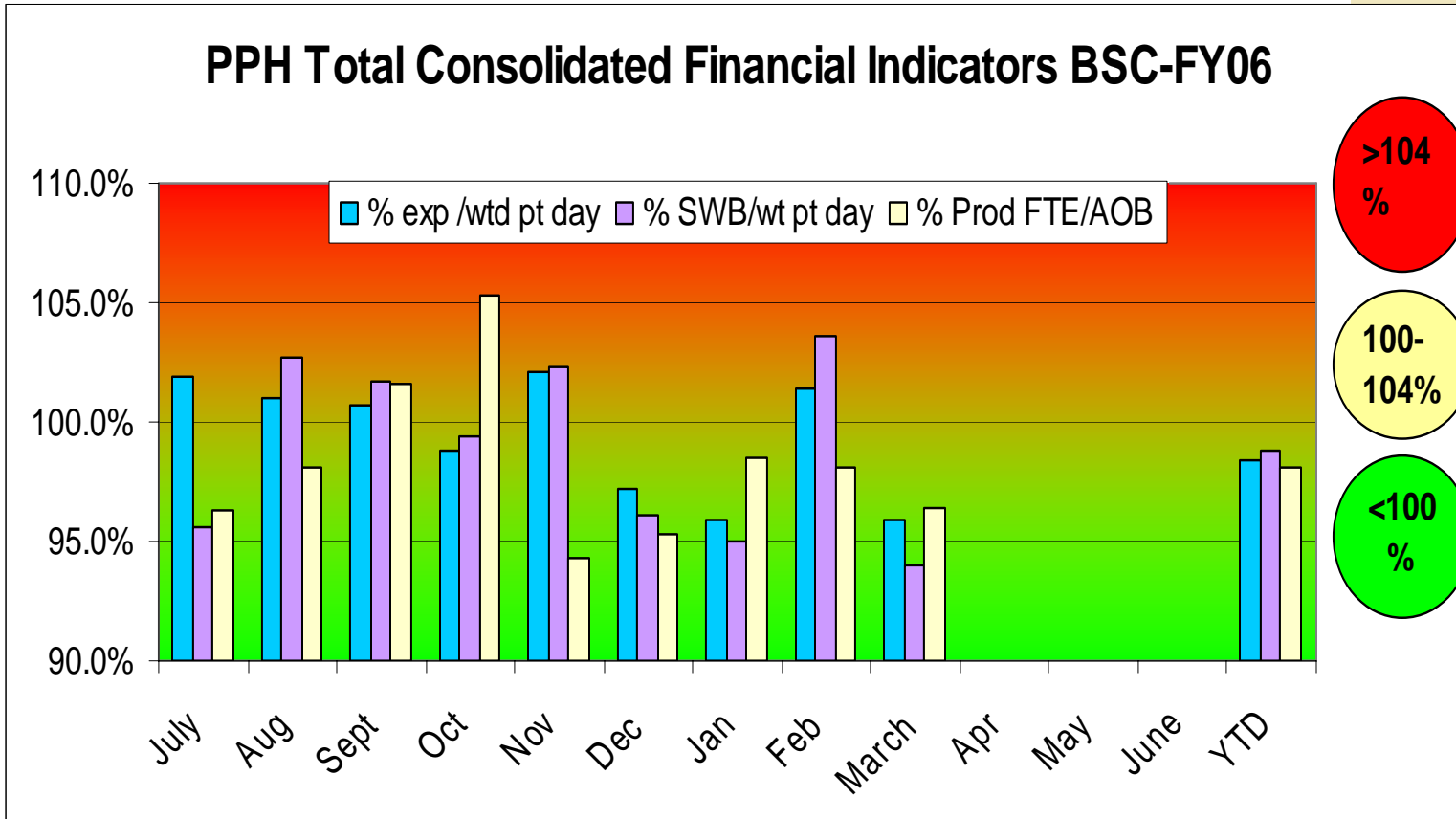
	Current Month	Prior Month	Prior Fiscal Year End
Assets			
Current Assets			
Cash on Hand	\$670,771	\$2,853,592	\$12,663,073
Cash Marketable Securities	120,285,978	109,197,573	96,380,135
Total Cash & Cash Equivalents	120,956,749	112,051,165	109,043,208
Patient Accounts Receivable	161,407,207	160,591,606	190,388,774
Allowance on Accounts	-89,864,055	-89,362,541	-120,586,401
Net Accounts Receivable	71,543,152	71,229,065	69,802,373
Inventories	6,542,965	6,559,174	6,320,951
Prepaid Expenses	2,541,761	2,172,152	2,383,903
Other	6,255,195	5,294,367	828,210
Total Current Assets	207,839,822	197,305,923	188,378,645
Non-Current Assets			
Restricted Assets	53,350,763	86,930,158	12,026,055
Restricted by Donor	285,594	285,594	281,473
Board Designated	19,936,985	22,704,392	22,388,648
Total Restricted Assets	73,573,342	109,920,144	34,696,176
Property Plant & Equipment	325,625,782	327,318,264	337,484,770
Accumulated Depreciation	-216,695,069	-217,113,247	-218,491,576
Construction in Process	77,249,434	46,304,657	28,023,698
Net Property Plant & Equipmen	186,180,147	156,509,674	147,016,892
Investment in Related Compan	6,478,419	6,364,360	6,175,837
Deferred Financing Costs	3,325,959	3,326,206	2,311,702
Other Non-Current Assets	1,169,307	1,182,228	1,274,318
Total Non-Current Assets	270,727,174	277,302,613	191,474,925
Total Assets	\$478,566,995	\$474,608,535	\$379,853,570

	Current Month	Prior Month	Prior Fiscal Year End
Liabilities			
Current Liabilities			
Accounts Payable	\$15,084,488	\$14,356,612	\$18,090,054
Accrued Payroll	18,355,006	17,143,475	19,511,491
Accrued PTO	10,728,529	10,531,081	10,212,195
Accrued Interest Payable	2,501,814	1,891,233	708,785
Current Portion of Bonds	12,745,000	12,745,000	6,125,000
Est Third Party Settlements	-2,333,192	-1,377,406	-4,522,051
Other Current Liabilities	11,345,292	11,612,106	6,642,463
Total Current Liabilities	68,426,937	66,902,101	56,767,937
Long Term Liabilities			
Bonds & Contracts Payable	151,272,152	151,247,070	79,819,688
General Fund Balance			
Unrestricted	238,645,327	233,466,899	220,595,825
Restricted for Other Purpose	285,594	285,594	281,473
Board Designated	19,936,985	22,704,392	22,388,648
Total Fund Balance	258,867,906	256,456,885	243,265,946
Total Liabilities / Fund Balance	\$478,566,995	\$474,608,535	\$379,853,570

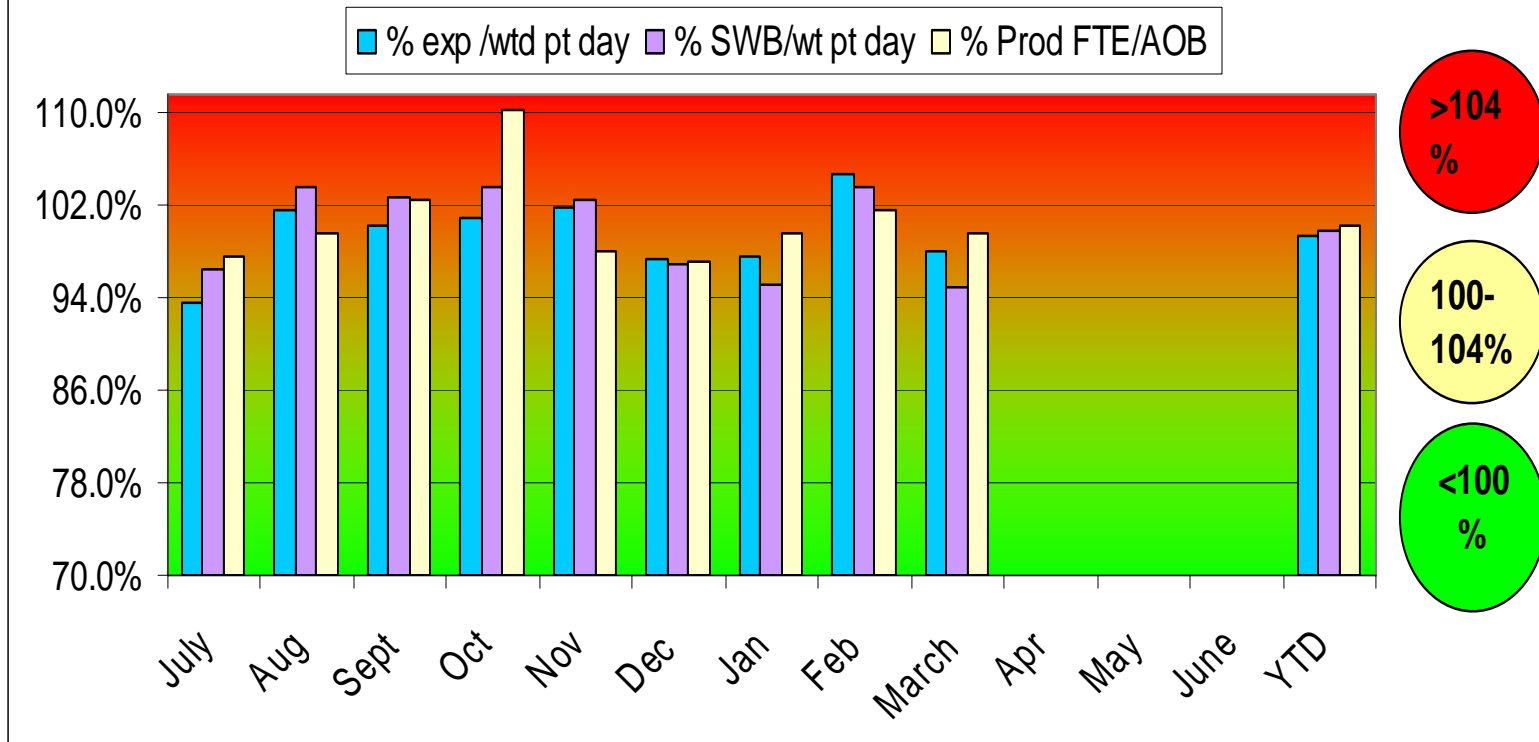
**Palomar Pomerado Health
Balanced Scorecard
Financial Indicators
March 31, 2006**

December	January	February	March		% Actual		YTD 2006				% Actual
Actual	Actual	Actual	Actual	Bud/PY	Variance	to Bud/PY	Actual	Bud/PY	Variance	to Bud/PY	
PPH Indicators:											
5.8%	9.6%	9.0%	9.4%	9.9%	-0.5%	94.9%	8.2%	9.8%	-1.6%	83.7%	OEBITDA Margin w/Prop Tax
\$ 2,365.25	\$ 2,332.54	\$ 2,507.56	\$ 2,333.17	\$ 2,432.74	\$ 99.57	95.9%	2,400.84	\$ 2,439.20	\$ 38.36	98.4%	Expenses/Wtd Day
\$ 1,361.76	\$ 1,346.58	\$ 1,470.53	\$ 1,331.13	\$ 1,416.75	\$ 85.62	94.0%	1,400.48	\$ 1,417.30	\$ 16.82	98.8%	SWB/Wtd Day
5.88	6.08	6.06	5.95	6.17	0.22	96.4%	6.05	6.17	0.12	98.1%	Prod FTE's/Adj Occupied Bed
13,089	13,278	12,083	13,539	12,226	1,313	110.7%	113,552	110,004	3,548	103.2%	Weighted Patient Days
PPH North Indicators:											
5.6%	12.3%	10.2%	10.1%	11.9%	-1.8%	84.9%	8.6%	11.8%	-3.2%	72.9%	OEBITDA Margin w/Prop Tax
\$ 2,243.09	\$ 2,250.84	\$ 2,452.12	\$ 2,258.43	\$ 2,306.47	\$ 48.04	97.9%	2,297.93	\$ 2,312.08	\$ 14.15	99.4%	Expenses/Wtd Day
\$ 1,144.45	\$ 1,122.55	\$ 1,225.03	\$ 1,118.84	\$ 1,180.75	\$ 61.91	94.8%	1,178.35	\$ 1,181.27	\$ 2.92	99.8%	SWB/Wtd Day
4.94	5.07	5.20	5.06	5.09	0.03	99.4%	5.11	5.10	(0.01)	100.2%	Prod FTE's/Adj Occupied Bed
9,269	9,345	8,261	9,354	8,576	778	109.1%	79,843	78,298	1,545	102.0%	Weighted Patient Days
PPH South Indicators:											
3.1%	2.2%	7.0%	3.8%	1.4%	2.4%	271.4%	5.0%	1.3%	3.7%	384.6%	OEBITDA Margin w/Prop Tax
\$ 2,359.30	\$ 2,247.26	\$ 2,289.05	\$ 2,235.87	\$ 2,443.48	\$ 207.61	91.5%	2,346.79	\$ 2,449.52	\$102.73	95.8%	Expenses/Wtd Day
\$ 1,230.71	\$ 1,156.12	\$ 1,225.33	\$ 1,143.02	\$ 1,261.88	\$ 118.86	90.6%	1,222.73	\$ 1,262.29	\$ 39.56	96.9%	SWB/Wtd Day
5.73	5.53	5.45	5.36	5.87	0.51	91.3%	5.63	5.88	0.25	95.7%	Prod FTE's/Adj Occupied Bed
3,606	3,772	3,653	4,003	3,481	522	115.0%	32,093	29,741	2,352	107.9%	Weighted Patient Days

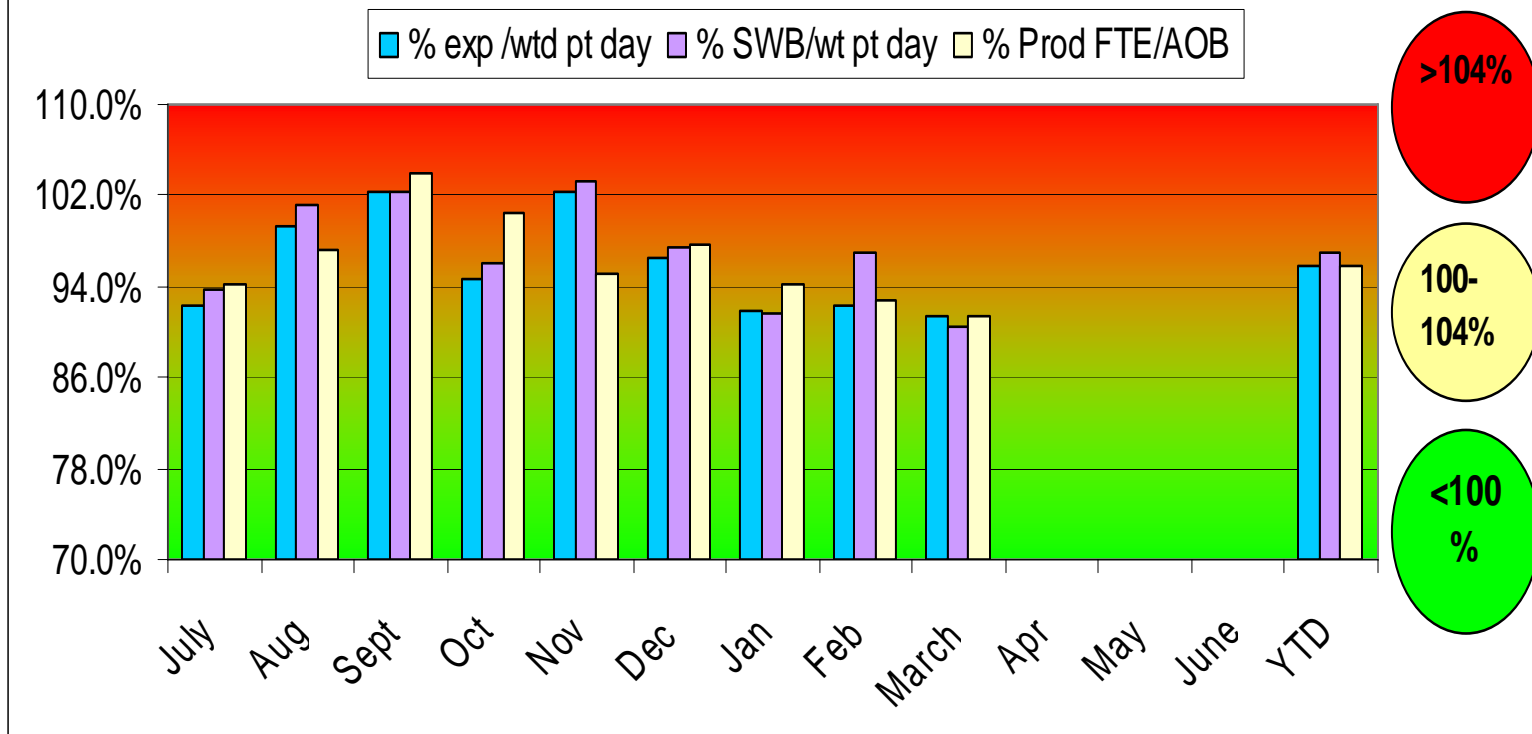
PPH Total Consolidated Financial Indicators BSC-FY06



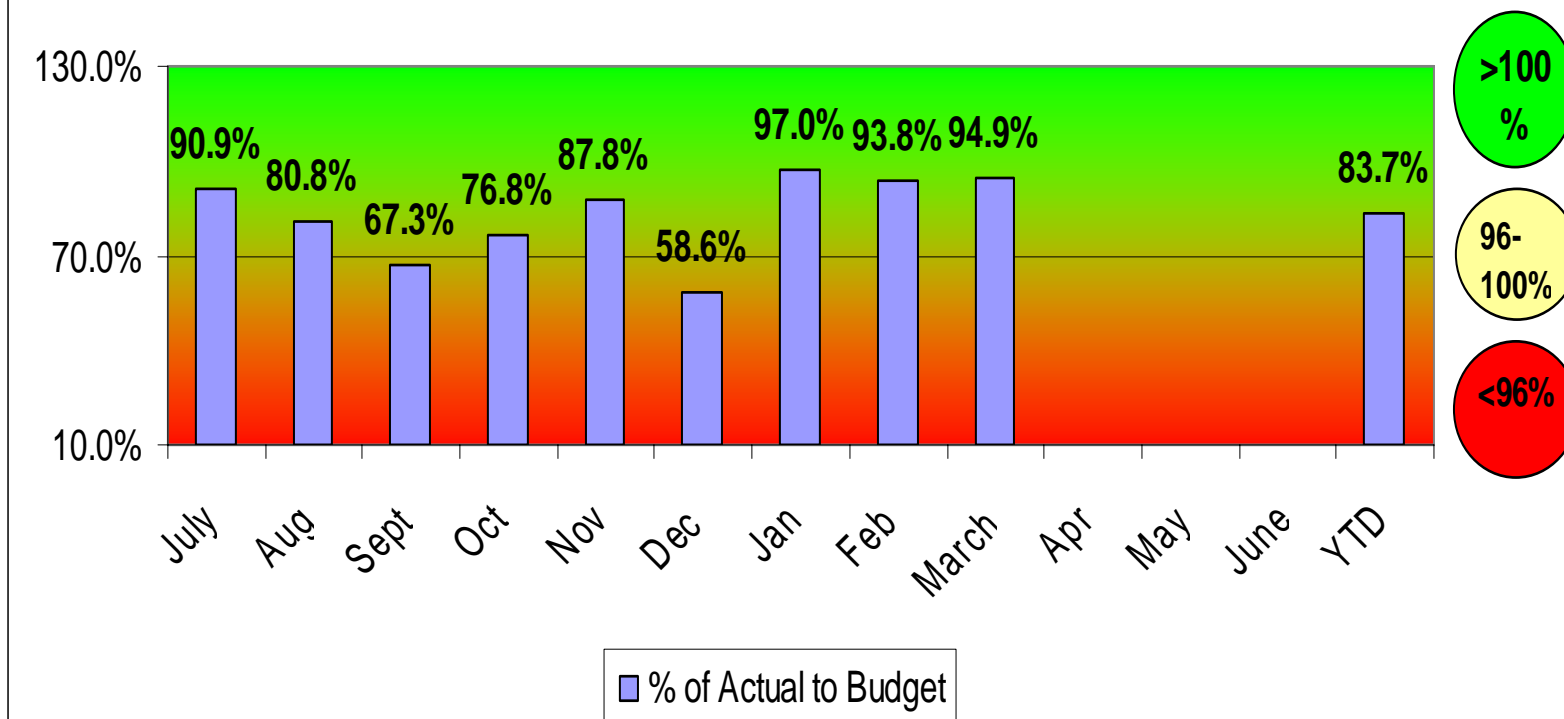
PPH North Consolidated Financial Indicators BSC-FY06



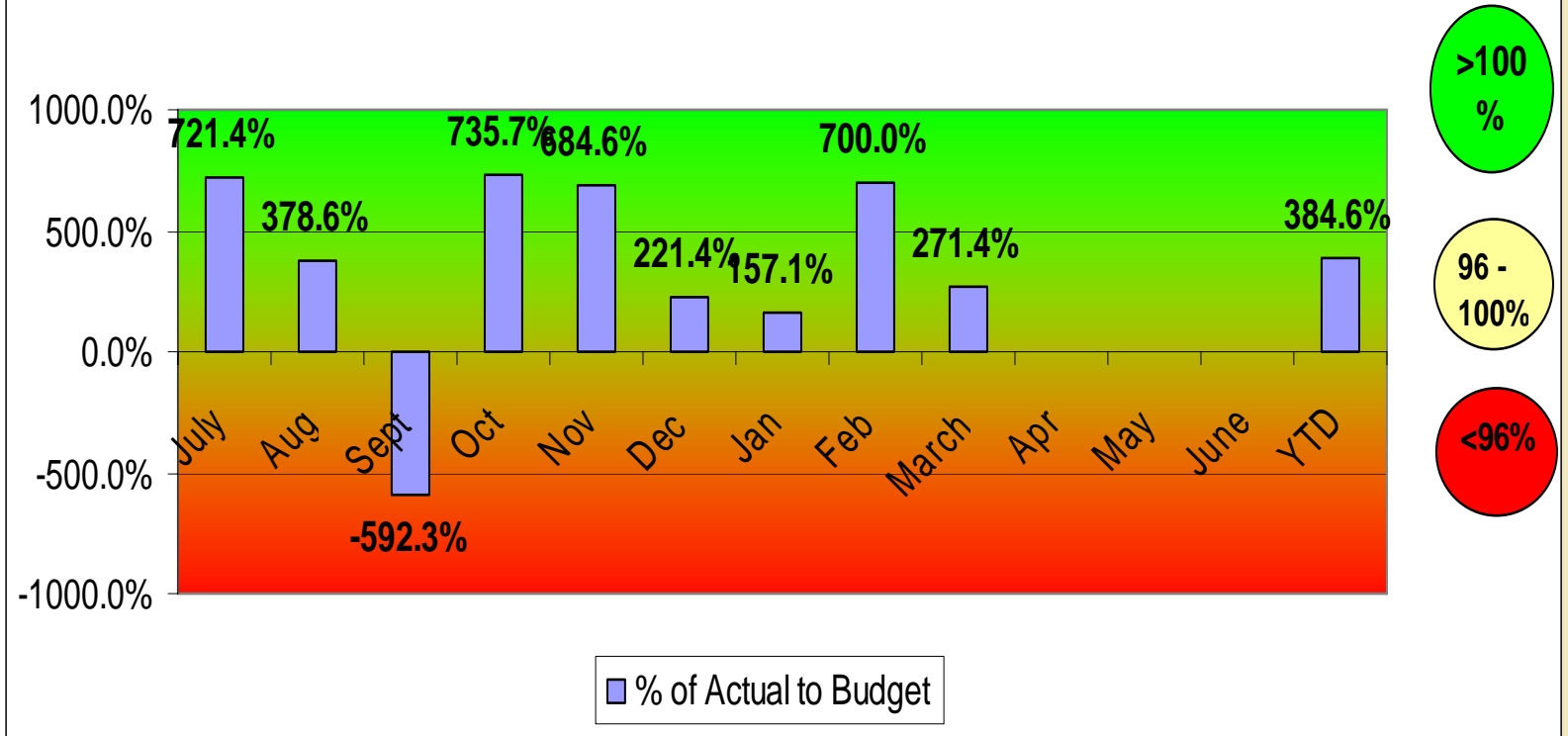
PPH South Consolidated Financial Indicators BSC-FY06



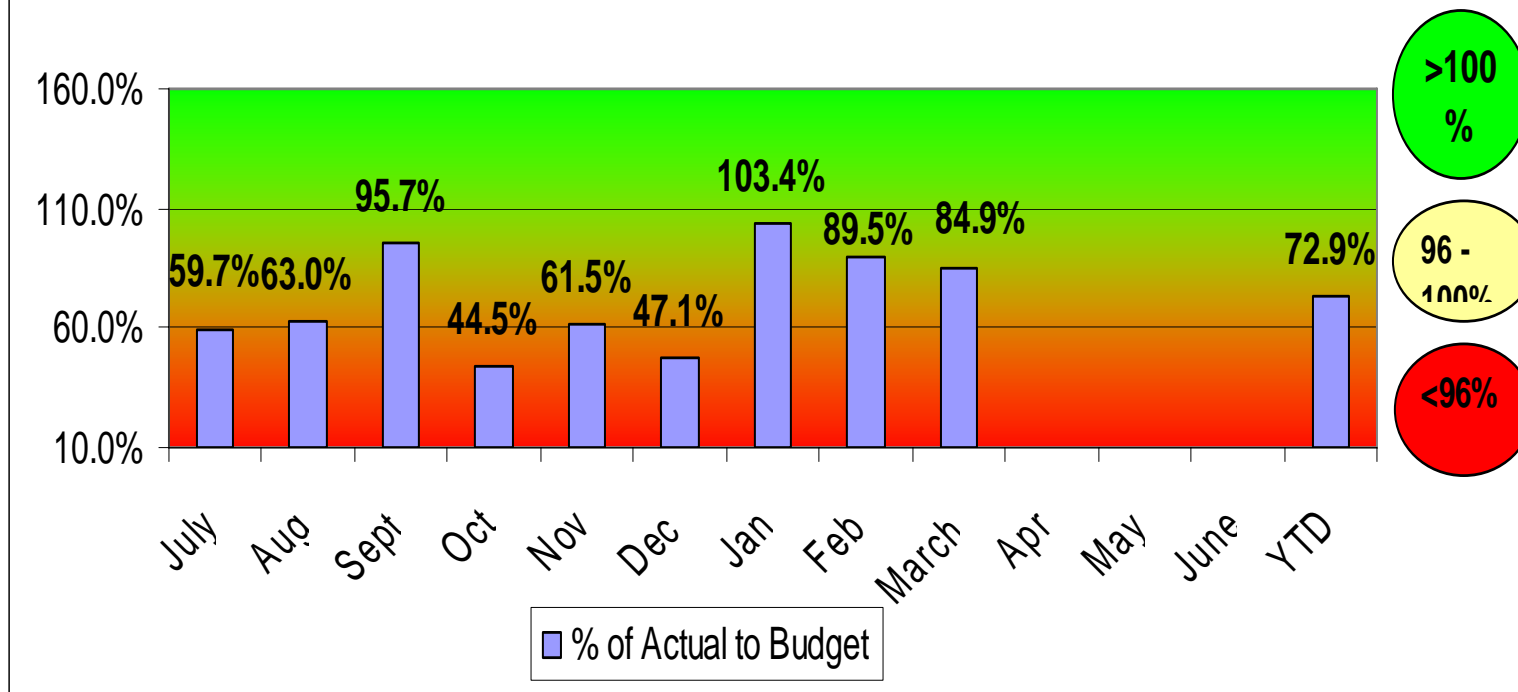
PPH Total Consolidated OEBITDA w/ Prop Taxes - FY06



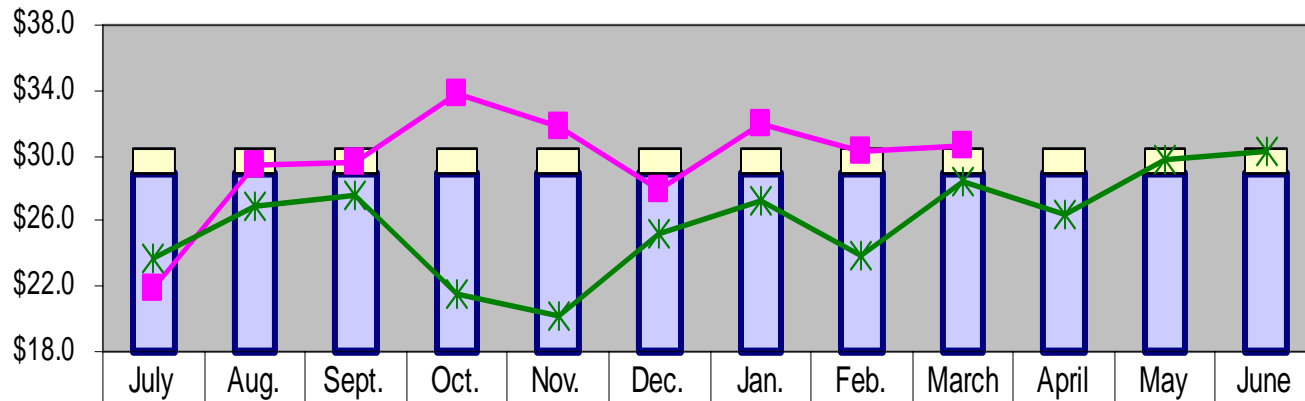
PPH South Consolidated OEBITDA w/ Prop Taxes - FY06



PPH North Consolidated OEBITDA w/ Prop Taxes - FY06

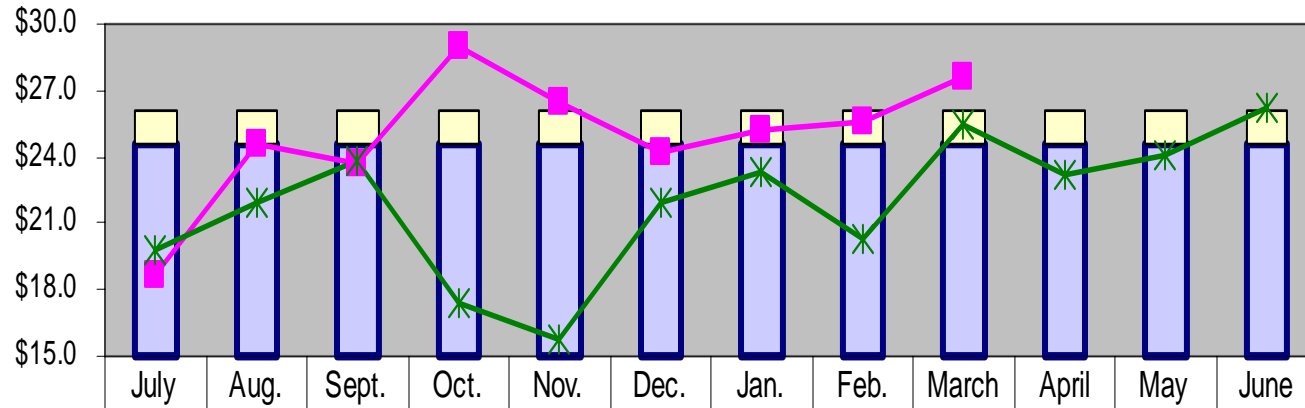


PPH Monthly Collections in Millions



	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June
FY05 Recovery	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5
FY06 Goal	\$29.0	\$29.0	\$29.0	\$29.0	\$29.0	\$29.0	\$29.0	\$29.0	\$29.0	\$29.0	\$29.0	\$29.0
Pr. Yr Actual	\$23.6	\$26.9	\$27.7	\$21.5	\$20.1	\$25.3	\$27.3	\$24.0	\$28.4	\$26.5	\$29.8	\$30.2
Curr. Yr Actual	\$21.9	\$29.4	\$29.6	\$33.9	\$31.7	\$27.8	\$31.9	\$30.3	\$30.6			

PBS Monthly Collections in Millions



	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June
FY05 Recovery	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5	\$1.5
FY06 Goal	\$24.6	\$24.6	\$24.6	\$24.6	\$24.6	\$24.6	\$24.6	\$24.6	\$24.6	\$24.6	\$24.6	\$24.6
Pr. Yr Actual	\$19.7	\$22.0	\$23.8	\$17.3	\$15.8	\$22.0	\$23.3	\$20.3	\$25.5	\$23.2	\$24.0	\$26.2
Curr. Yr Actual	\$18.7	\$24.6	\$23.7	\$29.0	\$26.5	\$24.2	\$25.3	\$25.6	\$27.6			

Palomar Pomerado Health
STATEMENTS OF CASH FLOWS
Fiscal Year 2006

	<u>March</u>	<u>YTD</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income (Loss from operations)	\$ 854,293	\$ 2,258,492
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation Expense	1,542,906	13,226,085
Provision for bad debts	4,166,929	23,833,954
Changes in operating assets and liabilities:		
Patient accounts receivable	(4,481,015)	(25,574,733)
Property Tax and other receivables	(781,755)	(11,664,440)
Inventories	16,209	(222,014)
Prepaid expenses and Other Non-Current assets	(369,609)	(740,849)
Accounts payable	727,876	(2,183,816)
Accrued comp	1,408,979	(640,151)
Estimated settlement amounts due third-party payors	(955,786)	2,188,859
Other current liabilities	641,519	12,877,826
Net cash provided by operating activities	<u>2,770,546</u>	<u>13,359,217</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (purchases) sales on investments	25,258,397	(62,783,011)
Interest (Loss) received on investments	428,910	2,706,612
Investment in affiliates	12,921	211,717
Net cash used in investing activities	<u>25,700,228</u>	<u>(59,864,682)</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:		
Other	0	0
Receipt of G.O. Bond Taxes	222,645	5,343,863
Receipt of District Taxes	262,080	7,071,838
Net cash used in activities	<u>484,725</u>	<u>12,415,701</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of property plant and equipment	(31,138,320)	(50,534,806)
Proceeds from sale of asset	0	781,634
G.O. Bond Interest paid	0	(2,083,619)
Revenue Bond Interest paid	0	(2,126,354)
Proceeds from issuance of debt	0	82,185,607
Payments of LT Debt	0	(6,125,000)
Net cash used in activities	<u>(31,138,320)</u>	<u>22,097,462</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,182,821)	(11,992,302)
CASH AND CASH EQUIVALENTS - Beginning of period	<u>2,853,592</u>	<u>12,663,073</u>
CASH AND CASH EQUIVALENTS - End of period	<u>\$ 670,771</u>	<u>\$ 670,771</u>



Fiscal Year 2006
Six Month Financial Update
Update as of 3/31/06
Strategies & Issues Analysis



SUMMARY OF 1/26/06 TARGETED RECOVERY STRATEGIES

	Revenue Opportunities / (Concerns)	Expense Cost Savings	Revenue Related Expense	Total
Denials Management	\$ 500,000			\$ 500,000
Targeted Case Mgmt	184,535			184,535
SNF Rate Increases	1,123,272			1,123,272
Acute Rehab	1,000,000		\$ (189,584)	810,416
Wound Care	666,878		(47,689)	619,189
Managed Care Audits	400,000			400,000
Mental Health	311,721		(100,000)	211,721
MAA Grant	300,000			300,000
Special Care Services	100,000			100,000
Cat Scans	365,000		(100,000)	265,000
Parkway/Gateway	(537,229)		(112,400)	(649,629)
Trauma Volume	(2,521,332)		1,809,522	(711,810)
Physician Recruitment		\$ 410,000		410,000
Supplies		600,000		600,000
Materials Mgmt Changes		200,000		200,000
Information Technology		300,000	(1,641,494)	(1,341,494)
Total Other Variances	206,449		470,230	676,679
Total	\$ 2,099,294	\$ 1,510,000	\$ 88,585	\$ 3,697,879



Strategy / Issue Analysis Impact as of 3/31/06

EMT Member	Name	Issues / Variance	Trend (Explanation/Discussion)	Status as of 3/31/06	Projected Expense Variance for 6 mos ended June 30	Projected Rev Variance for 6 months ended June 30
Opal Reinbold	Quality & Clinical Resource Management	Denials	Recovered to date: \$123,516. Estimated Appeals 1.2M; estimated recovery \$500,000.	\$ 242,000		\$ 500,000
			Targeted case management - Total possible reimbursement \$184,535.			\$ 184,535
					-	684,535
Marcia Jackson	Physician Relations	Physician Recruitment	Two budgeted recruits won't arrive until the end of the fiscal year.	\$ 205,000	\$ 410,000	
					410,000	-
Sheila Brown	Home Health	Wage Rate	Expected to continue - no opportunity to recover from wage rate issue which accounts for an annualized variance of \$270k. Remainder of variance due to efficiency	\$ (38,000)	\$ (76,631)	
	Acute Rehab	Net Revenue	Gross Revenue better than budget by \$2.658M; expenses only up by \$158k. Volume actually down by 365 days.	\$ 580,000		\$ 1,000,000
		Expense Variance		\$ -	\$ (189,584)	
	SNF		Rate Increases	\$ 433,000		\$ 1,123,272
	SNF	Rental Expense	Hillrom Beds renegotiated		\$ 60,840	
	Mental Health	Net Revenue	Part of unit closed due to construction; Susan said they will make up the current variance with volume.			\$ 311,721
		Expense Variance			\$ (100,000)	
	Wound Care	Net Revenue	Increase in volume - over by 2,368 procedures through November			\$ 666,878
					\$ (47,689)	
	Private Home Care	Grant Hosting "Fee"	Will receive an administrative hosting fee for this grant			\$ 44,000
					(353,064)	3,145,871



Strategy / Issue Analysis

Impact as of 3/31/06

EMT Member	Name	Issues / Variance	Trend (Explanation/Discussion)	Status as of 3/31-06	Projected Expense Variance for 6 mos ended June 30	Projected Rev Variance for 6 months ended June 30
Lorie Shoemaker	Critical Care	Efficiency Variance	Best Productivity is 93% @ current census levels. Over by a total of 5.5 FTE's. Positive rate variance. After backing out variance due to education hours over what was budgeted, and assuming best productivity of 93%, still over by 2.66 FTE's		\$ 98,000	
	Surgery	Efficiency Variance	Staff added for OB coverage. These FTE's added after budget process complete.	\$ (116,000)	\$ (231,000)	
	IMC	Efficiency Variance	Best productivity is approximately 80% on IMC unit. However, CCU will continue to make up for IMC unit as patients stay in CCU when 2nd floor IMC is not openend		\$ -	
	CCU	Efficiency Variance	OFFSET TO IMC		\$ -	
	Respiratory Therapy	Efficiency Variance	Lots of education due to therapists needing NICU training and new hires	\$ (25,000)	\$ (50,000)	
	Respiratory Therapy	Efficiency Variance	Some efficiencies between departments - Current YTD: +\$77,000		\$ -	
	Med/Surg	Efficiency Variance	336 hours over each pay period for charge nurse. Education hours charged here for orientation of Tower 2 staff (1400 hours ytd). Not much education needed now.	\$ (55,000)	\$ (110,000)	
	NICU	Efficiency Variance	Same issues in NICU with volume and ALS staffing	\$ (36,000)	\$ (72,000)	
	Surg-Ortho	Efficiency Variance	Best productivity is 97% @ current census levels.	\$ (20,000)	\$ (40,000)	
	PACU	Efficiency Variance	Nurses not charging time appropriately to the IR and the IR patients are in the obs unit.		\$ -	
	NICU	Efficiency Variance	Current YTD: -\$46,000 and 89% productive		\$ (42,000)	
	IMC	Efficiency Variance	Current YTD: -\$45,000 and 92% productive		\$ 27,092	
	Med-Oncology	Efficiency Variance	Current YTD: -\$43,000 and 95% productive		\$ 36,690	
	Med/Surg	Efficiency Variance	Not a budgeted unit. Closed as often as possible.		\$ (32,000)	
	Surgery Clinic	Efficiency Variance	Staff time not charged to surgery for surgical prep.	\$ (28,000)	\$ (56,000)	
	Surgery	Efficiency Variance	Current YTD: -\$17,241, 98%		\$ -	



Strategy / Issue Analysis

Impact as of 3/31/06

EMT Member	Name	Issues / Variance	Trend (Explanation/Discussion)	Status as of 3/31/06	Projected Expense Variance for 6 mos ended June 30	Projected Rev Variance for 6 months ended June 30
	EEG	Efficiency Variance		\$ (20,000)	\$ (40,000)	
	Nursing Admin	Efficiency Variance	Sitters charged here.	\$ 11,000	\$ 22,665	
	Trauma	Efficiency Variance	YTD -\$14,999: 84% productivity	\$ (6,000)	\$ (12,000)	
	OP Obs	Efficiency Variance	Efficiency doesn't show up in this cost center, need to look at it in conjunction with ED	\$ (3,000)	\$ (6,000)	
	ED	Efficiency Variance	Positive Variance expected to continue	\$ 15,000	\$ 30,000	
	PACU	Efficiency Variance	Positive Variance expected to continue	\$ 5,000	\$ 10,000	
	Nursing Admin	Efficiency Variance	Positive Variance expected to continue	\$ 19,000	\$ 37,000	
	OP Obs	Efficiency Variance	Positive Variance expected to continue	\$ 5,000	\$ 10,000	
	ED	Efficiency Variance	Positive Variance expected to continue	\$ 21,000	\$ 41,000	
	Telemetry	Efficiency Variance	Positive Variance expected to continue	\$ 13,000	\$ 26,000	
	Nursing Admin	Efficiency Variance	Positive Variance expected to continue	\$ 5,000	\$ 10,000	
	LDRP	Efficiency Variance	Positive Variance expected to continue	\$ 3,000	\$ 5,000	
	LDRP	Efficiency Variance	Positive Variance expected to continue	\$ 23,000	\$ 45,000	
	Nurs Qual Educ	Efficiency Variance	Positive Variance expected to continue		\$ -	
	Med/Surg	Efficiency Variance	Positive Variance expected to continue	\$ 55,000	\$ 110,000	
					(182,553)	-
Gerald Bracht	Parkway	Budgeted for Digital Mammo Revenue	Digital Mammography budgeted as if starting July 1. Not projected to be in place until May or June 2006.	\$ (233,000)		\$ (243,000)
			Positive Expense Variance	\$ 197,000	\$ (112,400)	
		Redirect Services	General Radiology and Fluoroscopy redirected to PMC			
	MRI	Utilization of Inhouse MRI: Savings from Payout + Transportation Costs	Utilization of MRI's to date are primarily inpatient. 310 procedures done in the last 5-6 weeks since opening. Only payers that reimb currently are PPO/EPO which account for 25 of the 310 total procedures. Cap also provides some benefit; total cap pat			
	Parking	Maintenance	Can hold off on Parking repair		\$ 100,000	



Strategy / Issue Analysis

Impact as of 3/31/06

EMT Member	Name	Issues / Variance	Trend (Explanation/Discussion)	Status as of 3/31/06	Projected Expense Variance for 6 mos ended June 30	Projected Rev Variance for 6 months ended June 30
	Clinical Lab	Labor Variance	Staffing Issue related to loss of CHC	\$ (87,000)	\$ (173,000)	
	Clinical Lab	Labor Variance	Staffing Issue related to loss of CHC	\$ (42,000)	\$ (84,905)	
	Lab Pathology	Labor Variance	Staffing Issue related to loss of CHC	\$ (36,000)	\$ (71,792)	
	CT	CT Volume	Growth in procedures	\$ 133,000	\$ (100,000)	\$ 365,000
	Pharmacy	Positive Prod Var		\$ 9,000	\$ 48,700	
	Trauma	Net Revenue Impact	Trauma cases down by 99 through Dec 05	\$ 1,300,000		\$ (2,521,332)
		Expenses	Trauma cases down by 99 through Dec 05	\$ (1,100,000)	\$ 1,809,522	
	CVS					
					1,416,125	(2,399,332)
Bob Hemker	Materials Mngmnt	Usage / Rate	Higher usage of more expensive medical supplies, including pharmaceuticals. Currently \$796,000 negative variance.	\$ (600,000)	\$ 600,000	
	Materials Mngmnt	Switching to VHA		\$ 20,000	\$ 100,000	
	Materials Mngmnt	Office Automation			\$ 100,000	
	Patient Accting	Efficiency Variance	Current Pay Period: +26,300 and 142%. Would expect them to maintain 100% productivity for remainder of the year.		\$ 96,600	
	PPNC Hlth Dev	Efficiency Variance	Budgeted staffing plan and actual staff differ		\$ (43,110)	
	Medical Records	Efficiency Variance	Current YTD: -\$17,000 96% Current Pay Period: +5,400 and 109%	\$ 9,000	\$ 17,229	



Strategy / Issue Analysis

Impact as of 3/31/06

EMT Member	Name	Issues / Variance	Trend (Explanation/Discussion)	Status as of 3/31/06	Projected Expense Variance for 6 mos ended June 30	Projected Rev Variance for 6 months ended June 30
		MAA	Maybe accrued in this FY	\$ 630,000		\$ 300,000
		Capitation				\$ 1,000,000
		Managed Care Audits	Additional Revenue			\$ 400,000
		Reduction in Legal Expense			\$ 250,000	
					1,120,719	1,700,000
Jim Flinn	Pomerado Hospital	Gateway Imaging	Expected to Continue unless program is redirected to Pomerado Hospital \$449,335 is annualized negative variance. Currently negative variance is at \$190,000 based on November '06 Financials. Logical areas of consolidation include Ultrasound and Flouroscopy	\$ (147,000)		\$ (294,229)
	Pomerado Hospital and PMC	Structured Flexing Plan for Support departments Food Service and EVS.	Productivity is between 97-123%		\$ 205,710	
	Administration	Conciegre Position	No negative Trend in this department currently \$11,000 over budget in salaries. Negative variance will be eliminated.	\$ 6,000	\$ 11,000	
	Administration	Strategic Planning and Marketing/Advisory Board	\$20,000 cost annually	\$ 10,000	\$ 20,000	
	Administration	Reduce Inpt. Ancillary Services	Currently \$647,000 negative to budget			\$ (647,000)
	Surgery	Reduction of one supervisor position until end of year.	No negative trend in this department	\$ 20,000	\$ 40,000	
	Surgery	Inpatient Surgical Volumes not meeting budget (Estimated Net Revenue)	Negative Variance of (196 cases) due to Kaiser overprojection. Annualized negative variance for Kaiser cases will be 283.	\$ (82,000)		\$ (164,653)



Strategy / Issue Analysis Impact as of 3/31/06

EMT Member	Name	Issues / Variance	Trend (Explanation/Discussion)	Status as of 3/31/06	Projected Expense Variance for 6 mos ended June 30	Projected Rev Variance for 6 months ended June 30
			Expenses	\$ 12,000	\$ 24,333	
	Surgery	Outpatient Volumes are significantly favorable to budget (Estimated Net Revenue)	Positive variance projected to continue. Currently favorable to budget by 135 cases. Annualized positive variance for OP surgical cases will be 327 cases.	\$ 37,000		\$ 74,101
			Expenses	\$ (33,000)	\$ (65,316)	
	Med/Surg	New Special Care Service contract	Projection for first 4 months of service is at a net profit contribution of \$100,000. March '06-June '06.	\$ (55,000)		\$ 100,000
					\$ 235,727	\$ (931,781)
Wallie George	PPH	Excessive / Incidental OT			\$ 140,000	
					\$ 140,000	\$ -
Steven Tanaka	Information Systems	Wages and Salaries- Postive Variance YTD of \$74,000	Positive variance due to CIO Vacancy, this positive variance is not expected to continue beyond Mid-End February 06.	\$ (99,000)	\$ (197,247)	
		Salaries and Wages related to Software System upgrade	Salaries and wages for employees that will need to be backfilled to work on upgrade		\$ (410,000)	
		Surginet Project			\$ (150,000)	
		Clerical/Administration Temp- Negative Variance YTD of \$36,547	Negative variance due to \$0 Budgeted in FY06 for Contract Labor. Incurring expense for backfill of open Operations/Help Desk postions with contract resources. Expect to fill all open positions by Mar. 06		\$ 14,453	
		Professional Fees Consulting- Negative Variance YTD of \$216,000	Negative variance due to unbudgeted expense for Contract Oracle DBA, Cerner SurgiNet, HomeHealth Upgrade, Lawson consulting, Core IS Policies and Procedures, Email Replacement. Negative variance expected to increase with addition of unbudgeted cost for Ce	\$ (240,000)	\$ (804,000)	



Strategy / Issue Analysis Impact as of 3/31/06

EMT Member	Name	Issues / Variance	Trend (Explanation/Discussion)	Status as of 3/31/06	Projected Expense Variance for 6 mos ended June 30	Projected Rev Variance for 6 months ended June 30
	Information Services	Purchases Services Other- Positive variance YTD of \$300,000	Positive Variance due to reclassification of Cerner expenses to Capital, This trend is not expected to continue	\$ 300,000	\$ 300,000	
	Information Services	Other Direct Expenses Outside Training- Positive variance YTD of \$36,000	Positive Variance due to ramp of IS Personal development Plans. This trend is not expected to continue and should reverse over the balance of FY06 to budget.	\$ (18,000)	\$ (36,000)	
	Information Services	Other Direct Expenses Travel- Negative variance YTD of \$9,000	Negative Variance due to under budgeting for travel related to Outside Training. This trend is expected to continue as we develop skill set of IS resources.		\$ (57,200)	
	Information Services	Other Direct Expenses Mileage- Negative variance YTD of \$1,500	Negative Variance due to under budgeting for mileage absed on PPH policy. This trend is expected to continue.	\$ (1,000)	\$ (1,500)	
					(1,341,494)	-
Gustavo Friederichsen	Marketing & Comm	Women's Conference	Annual Conference		\$ 123,125	\$ (100,000)
			Miscellaneous Reductions		\$ 30,000	
					153,125	(100,000)
			Grand Total		1,598,585	2,099,294
			COMBINED IMPACT OF BACK TO BUDGET:	1,198,000		\$ 3,697,879