

ADDENDUM A

Palomar Pomerado Health
FINANCE COMMITTEE
(BOARD MEETING WITH RESPECT TO BOARD MEMBERS ON THE COMMITTEE)

Pomerado Hospital, 15615 Pomerado Road, Poway, CA

Meeting Room E

Tuesday, June 27, 2006, Meeting Minutes

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP
NOTICE OF MEETING	The notice of meeting was mailed before close of business on Friday, June 23, 2006, which is consistent with legal requirements		
MEETING CALLED TO ORDER	8:25 p.m. by Chairman Ted Kleiter		
ESTABLISHMENT OF QUORUM	By roll call. Present: Directors Nancy Bassett, R.N., Linda Greer, R.N., Marcelo Rivera, M.D., and Ted Kleiter. Finance Committee Members Michael Covert, Paul Tornambe, M.D. and Robert Trifunovic, M.D.		
ATTENDANCE	Also in attendance were: Bob Hemker and Assistant Tanya Howell		
PUBLIC COMMENTS	There were no public comments.		
MINUTES MAY 30, 2006	No discussion.	MOTION: By Director Bassett, seconded by Director Greer and carried to approve the Minutes from the May 30, 2006, Finance Committee meeting.	
DATE CHANGE FOR JULY FINANCE COMMITTEE MEETING	Chairman Kleiter had requested that the Finance Committee members be polled for their availability on August 1, 2006, as he will be out of town. The results of that poll were affirmative for a quorum. Director Rivera stated that he would not be available and that the alternate would be required. No further discussion.	MOTION: By Director Bassett, seconded by Director Greer and carried to change the July 25, 2006, Finance Committee date & location to August 1, 2006, in Meeting Room E at Pomerado Hospital.	Assistant Tanya Howell to make formal notice to the staff and the public.
PROFESSIONAL SERVICES & MEDICAL DIRECTOR AGREEMENT PEDIATRIC CARE UNIT, PALOMAR MEDICAL CENTER CHILDREN'S SPECIALISTS OF SAN DIEGO, INC.	Bob Hemker introduced Diane Key, who gave a brief overview of the Agreement: <ul style="list-style-type: none"> • Neighborhood Healthcare's (NHC) contract was up for renewal in July 2005, and an RFP was distributed • Two main differences between Children's Specialists' and NHC proposals <ul style="list-style-type: none"> o Specific medical director provided 8 hours a week o Dedicated pediatric physician to provide on-site hospitalist services, Monday through Friday • Nurse Practitioners will also be used to provide consistency of care <ul style="list-style-type: none"> o There was some discussion about Nurse Practitioners being used in lieu of physicians o Director Rivera requested clarification on Nurse Practitioner use <ul style="list-style-type: none"> ■ Nurse Practitioners should be certified Pediatric Nurse practitioners providing professional services based on established procedures ■ That there will be a Physician available at all times to provide back-up 	MOTION: By Director Rivera, seconded by Director Bassett and carried to approve the Agreement and forward it to the Board, pending clarification that there will be certified Pediatric Nurse Practitioners providing professional services based on established procedures, that a Physician will be available at all times to provide back-up coverage, and that Nurse Practitioners will not be solely assigned as the Hospitalist in lieu of a Physician.	Forwarded to the July 12, 2006, Board of Directors meeting with a recommendation for approval, pending stated clarification..

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP
	<p style="text-align: center;">coverage, and the Nurse Practitioner will not be solely assigned as the Hospitalist, in lieu of a Physician</p>		
<p>MAY 2006 & YTD FY2006 FINANCIAL REPORT</p>	<p>Utilizing the presentation included in Addendum C of the agenda packet, Mr. Hemker discussed the financial statements:</p> <ul style="list-style-type: none"> • Admissions and patient days show a positive variance YTD on both campuses, overall up 126 compared to budget • Deliveries were down about 62 on a consolidated basis (49 at PMC/13 at POM) • Different mix of business for the month of May, which will be translated into the net revenue side • Weighted Patient Days are holding for the year • ED visits and trauma cases are up year-on-year at both campuses • Surgeries and births are down FYTD on both campuses • Net revenues show a negative variance of about \$1.9 million <ul style="list-style-type: none"> o Softening in ICU and IMC days o Variance to budget due to Medicare o Uncompensated care showed a positive variance to budget o Benefits showed a positive variance due to a truing up of workers' compensation o Negative variance in supplies due to pharmacy (high-end drugs) and prosthetics • There has been a softening of volume already apparent in the month of June <ul style="list-style-type: none"> o Not localized, but noticeable across the county and the nation • Balanced Scorecard <ul style="list-style-type: none"> o North campus has a negative variance o South campus is showing good expense management o OEBITDA shows an overall -1.9% negative variance • Eligibility issues for Medi-Cal have been budgeted • Cash is back up, but is still about \$2 million short of cash goal for 2006 	<p>MOTION: By Director Bassett, seconded by Director Greer and carried to approve the May 2006 & YTD FY2006 Financial Report as presented.</p>	<p>Forwarded to the July 12, 2006, Board of Directors meeting with a recommendation for approval.</p>
<p>LEASE OF OFFICE SPACE IN THE POMERADO OUTPATIENT SERVICES PAVILION (OSP)</p>	<p>Bob Hemker provided an overview of previous discussions regarding the scope of services for the two floors at the OSP, as well as whether the space should be held under an equity or lease model. At this point we will be going forward using a lease model.</p> <p>Utilizing the attached presentation (<i>Attachment A</i>), George Gigliotti reviewed the negotiated Lease Agreement between PPH and PDP Pomerado.</p>	<p>MOTION: By Director Rivera, seconded by Director Greer and carried to approve the leases for Floors 1 & 2 of the OSP as presented.</p>	<p>Forwarded to the July 12, 2006, Board of Directors meeting with a recommendation for approval.</p>
<p>ADJOURNMENT</p>	<p>There being no further business, the meeting was adjourned at 9:05 p.m.</p>		
<p>SIGNATURES:</p> <ul style="list-style-type: none"> • COMMITTEE CHAIR _____ T.E. Kleiter • COMMITTEE SECRETARY _____ Tanya Howell 			

ATTACHMENT A

OUTPATIENT SERVICES PAVILION

SUMMARY OF PPH LEASE

Michael Shanahan
Director of Facilities,
Planning & Development

George Gigliotti
Construction Coordinator

Bob Hemker
CFO

June 27, 2006

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PARTIES

TENANT

Palomar Pomerado Health

LANDLORD

PDP Pomerado, LLC

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SUMMARY OF PPH LEASE TERMS

- Permitted Use Outpatient Medical Services
- Rentable Area 1st & 2nd Floors – 61,410 sq ft
- Usable Area 55,200 sq ft
- Term 20 years

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SUMMARY OF PPH LEASE *(cont'd)*

- Operating Expense PPH share is 36.67% of actual operating costs, estimated to be 75¢/sq ft
- Tenant Improvement Allowance \$190/rentable sq ft (RSF) or \$10,488,000
- Commencement Date June 1, 2007
- Rent Increase Limits Based on CPI with a 2% minimum – 5% maximum range

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RENT

- \$3.25/RSF Per Month, Net of Operating Expenses
- Equates to \$199,583/Month or \$2,394,990/Year

RENT vs BUY

- | | |
|---|--------------|
| ▪ Present Value of Lease Payments at 8% | \$29 Million |
| ▪ Purchase of Condominium (Approximate) | \$28 Million |
| ▪ Break Even | 8.5% |

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