

ADDENDUM A

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:

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, August 1, 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, July 28, 2006, which is consistent with legal requirements		
MEETING CALLED TO ORDER	6:00 p.m. by Chairman Ted Kleiter		
ESTABLISHMENT OF QUORUM	By roll call. Present: Directors Nancy Bassett, R.N., Linda Greer, R.N., Ted Kleiter and Bruce Krider. Finance Committee Members Paul Tornambe, M.D. and Robert Trifunovic, M.D. Absent: Director Marcelo Rivera, M.D. and Finance Committee member Michael Covert.		
ATTENDANCE	Bob Hemker and Assistant Tanya Howell. Director Gary Powers also attended as a guest.		
PUBLIC COMMENTS	There were no public comments.		
ADJOURNMENT TO CLOSED SESSION	After the establishment of a quorum, the meeting adjourned to Closed Session at 6:05 p.m. ~ Pursuant to California Government Code §54954.5(h) REPORT INVOLVING TRADE SECRET Discussion Will Concern Proposed New Service Estimated date of public disclosure: February 2007 <i>~No Anticipated Action</i>		
MEETING CALLED TO ORDER	6:25 p.m. by Chairman Ted Kleiter		
ACTION RESULTING FROM CLOSED SESSION	There was no action resulting from the closed session discussion.		
MINUTES MAY 30, 2006	No discussion.	MOTION: By Director Greer, seconded by Dr. Tornambe and carried to approve the Minutes from the June 27, 2006, Finance Committee meeting.	
ESTABLISHMENT OF APPROPRIATIONS LIMIT FOR FISCAL YEAR 2007	Bob Hemker noted that this is an annual matter regarding the calculation of the limitation on our share of routine property taxes, which amounted to a little over \$11 million last year.	MOTION: By Director Bassett, seconded by Director Greer and carried recommend approval of the Appropriations Limit for Palomar Pomerado Health for Fiscal Year 2007	Forwarded to the August 14, 2006, Board of Directors meeting with a recommendation for approval

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP
BANK & INVESTMENT ACCOUNT NAMED SIGNATORY CHANGES	The Board has previously authorized by Title the Corporate Controller and Director of Finance as Signatories for PPH Bank and Investment accounts. The names of Tim Nguyen, Corporate Controller, and Genevieve Nelwan, Director of Finance, are being provided as information only.	INFORMATION ONLY	Forwarded to the August 14, 2006, Board of Directors meeting for information.
AUTHORIZED INDIVIDUALS AND ENABLING RESOLUTIONS FOR MORGAN STANLEY INVESTMENT ACCOUNTS	Morgan Stanley requires their own signature resolution for those authorized to manage the Palomar Pomerado Health Investment accounts. We approve their document, with PPH changes approved through legal counsel, formalized as an attachment to a PPH Board Resolution. The document being presented this evening is exactly the same as that approved last year, with new signers based on staff changes.	MOTION: By Director Krider, seconded by Director Bassett and carried to recommend approval of the Authorized Individuals and Enabling Resolutions for Morgan Stanley Investment Accounts as an attachment to the PPH Board Resolution as presented.	Forwarded to the August 14, 2006, Board of Directors meeting with a recommendation for approval of the Board Resolution and attached Authorized Individuals and Enabling Resolutions for Morgan Stanley Investment Accounts.
GENERAL OBLIGATION BONDS – TAX LEVY 2006-2007	Pursuant to the issuance of the GO Bonds and agreement with the County of San Diego, we are required to annually notify the County of the amount of tax to be levied on the General Obligation Bonds issued in 2005. Along with Robert Barna at Citigroup, the tax levy was calculated and validated. The County will be requested to levy and collect the amount of \$17.75/\$100,000 of assessed value for the FY2006-2007 tax year to pay P&I on the series 2005 GO Bonds.	MOTION: By Director Krider, seconded by Dr. Tornambe and carried to recommend approval of the Resolution Concerning the Levy and Collection of Taxes by the Board of Supervisors of San Diego County for Fiscal Year 2006-2007.	Forwarded to the August 14, 2006, Board of Directors meeting with a recommendation for approval.
<i>The next three items (Nos. 7, 8 & 9 in the Agenda) were listed at the end of the agenda as they were added just prior to distribution of the packet. Permission was granted to discuss them out of order.</i>			
MANAGEMENT SERVICES AGREEMENT (MSA) WITH PPH FOUNDATION (PPHF) (No. 9)	Bob Hemker and Kevin Harkenrider, Chair of the PPHF Board Finance Committee, had a discussion regarding the language in §§3.3(c) Use of Advances and 3.4 Request and Delivery of Advances. A literal read of the document could be interpreted that there is no incentive for PPHF to provide funds in excess of the draws on the Line of Credit (LOC). The minor language changes: “on a cumulative basis” in §3.3(c) and defining the term “Advance” in §3.4 (<i>see redline in attached</i>) were determined appropriate to clarify the intent of the document, which is to assure that maximum funds are contributed to PPH and that the LOC is a “bridging instrument” to accomplish the same. These changes are being presented to both Boards for approval.	MOTION: By Director Krider, seconded by Director Greer and carried to recommend approval of the changes clarifying the language in the MSA between PPH and PPHF.	Forwarded to the August 14, 2006, Board of Directors meeting with a recommendation for approval.
CSUSM SCHOOL OF NURSING LEASE & MOU CONCERNING USE OF PPH PREMISES (No. 8)	Bob Hemker discussed the intent of the Lease Agreement and the Exhibit A MOU incorporated therein: <ul style="list-style-type: none"> • PPH commitment to the school of nursing • PPH-owned generic healthcare academic center, w/flexibility to incorporate many users if we so choose 	MOTION: By Director Krider, seconded by Dr. Tornambe and carried to recommend approval of the Lease Agreement between PPH and CSUSM and the associated Exhibit A Memorandum	Forwarded to the August 14, 2006, Board of Directors meeting with a recommendation for approval.

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP
	<ul style="list-style-type: none"> • The Lease Agreement pertains to the as-built education center, including classrooms, clinics and faculty offices: <ul style="list-style-type: none"> o Standard lease model for a 5-year term o Use clearly identified in §4.1 o §4.10 Signage rights and collateral materials review maintained by PPH o §4.11 Parking adequacy w/ rules for students, employees, tenants and visitors o §§5.1 and 33.1 speak to non-exclusivity o §6.1 Lease structure of \$1/year o §7.1 Operating expenses – Occupants incur routine tenancy expenses, PPH maintains the building o §22.1 – PPH Naming rights • Exhibit A MOU Concerning Use of PPH Premises memorializes the purpose of the space <ul style="list-style-type: none"> o §1.1 Establishes the relationship regarding the space o §§2.1 & 3.1 Use of the premises and the sharing model o §3.6 Reinforces signage & naming rights o §5.4 Umbrella relationship and attempts to avoid compromise of the student body, definitive date for completing all related agreements • The first cohort will consist of 44 students, with orientation on August 7th; classes to begin August 28th 	of Understanding concerning the use of PPH premises.	PPH Board to be given a tour once the facility is complete, prior to the class starting date of August 28th.
MOU BETWEEN CSUSM & PPH FOR VOLUNTEER FACULTY	<p>Lorie Shoemaker reported on the ongoing negotiations between PPH and CSUSM to increase enrollment admissions as part of the overall relationship:</p> <ul style="list-style-type: none"> • First cohort of 44 students to be admitted Fall 2006 semester <ul style="list-style-type: none"> o PPH is committed to relationship and to providing clinical opportunities • Additional 44 students to be added in Spring 2007 semester <ul style="list-style-type: none"> o PPH to provide the part-time services of four Clinical Nurse Specialists for academic faculty <ul style="list-style-type: none"> ■ Three-year commitment ■ Each to be responsible for a cohort of 10 students through three years of nursing classes <ul style="list-style-type: none"> ▲ Students tied to faculty ▲ Students guaranteed clinical rotation opportunities at PPH • In response to queries by Board members: <ul style="list-style-type: none"> o CSUSM program will begin as BSN program, but may eventually add a RN to BSN option o Future plans for PPH nursing programs do include recruitment of ex-Corpsmen 	INFORMATION ONLY	Negotiations on Volunteer Faculty MOU will continue, with progress to be reported back through Board Finance Committee

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP
STATUS REPORT ON THE 206 REVENUE BOND ISSUANCE (No. 7)	<p>Bob Hemker reported that the 2006 Revenue Bonds are scheduled for issuance in mid to late October at an approximate par value of \$150 million</p> <ul style="list-style-type: none"> • Back to Finance Committee on September 26th • To October 9th Board meeting <ul style="list-style-type: none"> o If not ready for October 9th Board meeting, might request a special Board meeting • JPA meeting is scheduled October 10th • To market following JPA action 	INFORMATION ONLY	Further status report to be provided at the August 29 th Board Finance Committee meeting.
No. 9 RECAP	Following a brief recess, Dr. Tornambe reported that several members of the public had attended the meeting specifically to hear Item No. 9 regarding the MSA with PPHF. As that item had been taken out of original agenda order, Chairman Kleiter and Bob Hemker restated the clarifications that were being recommended and provided the members of the public with a copy of the redlined page from the MSA.		
JUNE 2006 & YTD FY2006 FINANCIAL REPORT	<p>Bob Hemker stated that this is the pre-audit close, provided to Deloitte & Touche for their audit. Utilizing the attached presentation, Mr. Hemker discussed the financial statements:</p> <ul style="list-style-type: none"> • Acute Admissions are up slightly year on year • Patient Days are up about 3% • Weighted Patient Days are up to budget and year on year, w/LOS fairly constant • ER and trauma continues to see about a 4% constant growth • Surgeries are down against budget and flat year on year • YTD operational performance is near break-even <ul style="list-style-type: none"> o Property taxes are up about \$500 thousand o Investments increased • 9.8% OEBITDA target came in at 7.8% • ED on call/Trauma was approved at the end of FY2006 <ul style="list-style-type: none"> o Made a budgetary hit in FY2006 but won't show in FY2007 • IT Department has been optimizing resources by using contract labor • We have a defined exit strategy regarding legal fees • Balanced Scorecard <ul style="list-style-type: none"> o POM continues to demonstrate volume sensitivity, but has a positive balanced scorecard o PMC faced challenges during the year due to types of cases presenting and uncompensated care • Salaries & wages <ul style="list-style-type: none"> o First two pay periods for FY2007 were at 99% productivity, reflecting an improvement over FY2006 o Premium pay issues are lessening as additional staff are hired at lower rates than contractors • Cash collections – confirmed through Finance – resulted in an achievement of targeted 	MOTION: By Director Bassett, seconded by Dr. Tornambe and carried to recommend approval of the June 2006 & YTD FY2006 Financial Report as presented.	Forwarded to the August 14, 2006, Board of Directors meeting with a recommendation for approval. <p>The Audit for FY2006 is scheduled for completion in time to be presented at the September Board Finance Committee meeting.</p>

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP
	<p>goal, including recovery of the FY2005 shortfall</p> <p>In response to a query about “quick clinics”, Mr. Hemker stated that PPH is assessing the new form of urgent care</p> <ul style="list-style-type: none"> • One option for clear separation of urgent care from the ED • Provides convenience & appropriate access for patients • Some providers are placing this type of option within their Occupational Health Departments <ul style="list-style-type: none"> o Sheila Brown & Lorie Shoemaker are reviewing several methods for a possible restructuring of Occupational Health 		
ADJOURNMENT	There being no further business, the meeting was adjourned at 7:55 p.m.		
SIGNATURES: <ul style="list-style-type: none"> • COMMITTEE CHAIR _____ T.E. Kleiter • COMMITTEE SECRETARY _____ Tanya Howell 			

Draft

Financial Statements

June 2006

Tim Nguyen

Corporate Controller

July 28, 2006

PALOMAR POMERADO HEALTH

PALOMAR
POMERADO
HEALTH
SPECIALIZING IN YOU
A-7

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

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>FY 2005</u>
<u>ADMISSIONS - Acute:</u>				
Palomar Medical Center	21,521	20,797	724	21,279
Pomerado Hospital	6,843	6,889	(46)	6,891
Total:	<u>28,364</u>	<u>27,686</u>	<u>678</u>	<u>28,170</u>
<u>ADMISSIONS - SNF:</u>				
Palomar Medical Center	630	530	100	469
Pomerado Hospital	596	828	(232)	686
Total:	<u>1,226</u>	<u>1,358</u>	<u>(132)</u>	<u>1,155</u>
<u>PATIENT DAYS - Acute:</u>				
Palomar Medical Center	84,231	82,657	1,574	83,536
Pomerado Hospital	28,214	26,246	1,968	25,451
Total:	<u>112,445</u>	<u>108,903</u>	<u>3,542</u>	<u>108,987</u>
<u>PATIENT DAYS- SNF:</u>				
Palomar Medical Center	30,527	32,529	(2,002)	31,908
Pomerado Hospital	45,319	43,070	2,249	42,967
Total:	<u>75,846</u>	<u>75,599</u>	<u>247</u>	<u>74,875</u>

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

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>FY 2005</u>
<u>WEIGHTED PATIENT DAYS:</u>				
Palomar Medical Center	104,995	102,400	2,595	105,232
Pomerado Hospital	43,291	39,733	3,558	39,835
Other Activities	2,030	2,852	(822)	2,689
Total:	<u>150,316</u>	<u>144,985</u>	<u>5,331</u>	<u>147,756</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	-	49.69
Pomerado Hospital	28.78	29.55	(0.77)	28.18
Total:	<u>40.23</u>	<u>37.92</u>	<u>2.31</u>	<u>36.95</u>

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

Draft

	<u>ACTUAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>	<u>FY 2005</u>
<u>EMERGENCY ROOM VISITS & TRAUMA CASES:</u>				
Palomar Medical Center	42,556	41,117	1,439	41,100
Pomerado Hospital	21,893	20,933	960	21,128
Total:	<u>64,449</u>	<u>62,050</u>	<u>2,399</u>	<u>62,228</u>
<u>EMERGENCY & TRAUMA ADMISSIONS:</u>				
Palomar Medical Center	10,951	10,151	800	10,223
Pomerado Hospital	3,851	3,273	578	3,521
Total:	<u>14,802</u>	<u>13,424</u>	<u>1,378</u>	<u>13,744</u>
<u>SURGERIES:</u>				
Palomar Medical Center	7,818	8,267	(449)	8,035
Pomerado Hospital	3,920	4,063	(143)	3,754
Total:	<u>11,738</u>	<u>12,330</u>	<u>(592)</u>	<u>11,789</u>
<u>BIRTHS:</u>				
Palomar Medical Center	4,248	4,547	(299)	4,396
Pomerado Hospital	1,115	1,214	(99)	1,216
Total:	<u>5,363</u>	<u>5,761</u>	<u>(398)</u>	<u>5,612</u>

**PALOMAR POMERADO HEALTH
CONSOLIDATED
MTD 2006
June 2006**

	Month Activity			Variance		\$/Wtg Pt Day		
	Actual	Budget	Variance	Volume	Rate/Eff	Actual	Budget	Variance
Statistics:								
Admissions - Acute	2,301	2,270	31					
Admissions - SNF	97	112	(15)					
Patient Days - Acute	8,702	8,947	(245)					
Patient Days - SNF	6,248	6,210	38					
LOS - Acute	3.97	4.01	(0.04)					
LOS - SNF	41.65	37.50	4.15					
Weighted Pt Days	12,020	11,912	108					
Revenue:								
Gross Revenue	\$ 91,226,432	\$ 86,935,007	\$ 4,291,425 F	\$ 788,195	\$ 3,503,230	\$ 7,589.55	\$ 7,298.10	\$ 291.45
Deductions from Rev	(59,616,696)	(58,314,678)	(1,302,018) U	(528,709)	(773,309)	(4,959.79)	(4,895.46)	(64.34)
Net Patient Revenue	31,609,736	28,620,329	2,989,407 F	259,486	2,729,921	2,629.76	2,402.65	227.11
Other Oper Revenue	599,367	848,479	(249,112) U	7,693	(256,805)	49.86	71.23	(21.36)
Total Net Revenue	32,209,103	29,468,808	2,740,295 F	267,179	2,473,116	2,679.63	2,473.88	205.75
Expenses:								
Salaries, Wages & Contr Labor	14,585,611	13,545,812	(1,039,799) U	(122,813)	(916,986)	1,213.45	1,137.16	(76.29)
Benefits	3,263,427	3,344,426	80,999 F	(30,322)	111,321	271.50	280.76	9.26
Supplies	5,137,041	4,861,569	(275,472) U	(44,077)	(231,395)	427.37	408.12	(19.25)
Prof Fees & Purch Svc	5,640,864	3,872,627	(1,768,237) U	(35,111)	(1,733,126)	469.29	325.10	(144.19)
Depreciation	1,968,574	1,435,958	(532,616) U	(13,019)	(519,597)	163.77	120.55	(43.23)
Other	1,885,492	1,665,852	(219,640) U	(15,103)	(204,537)	156.86	139.85	(17.02)
PPH Allocation	-	(1)	(1) U	0	(1)	-	(0.00)	(0.00)
Total Expenses	32,481,009	28,726,243	(3,754,766) U	(260,446)	(3,494,320)	2,702.25	2,411.54	(290.71)
Net Inc Before Non-Oper Income	(271,906)	742,565	(1,014,471) U	6,732	(1,021,203)	(22.62)	62.34	(84.96)
Property Tax Revenue	810,220	908,333	(98,113) U	8,235	(106,348)	67.41	76.25	(8.85)
Non-Operating Income	182,857	(168,307)	351,164 F	(1,526)	352,690	15.21	(14.13)	29.34
Net Income (Loss)	\$ 721,171	\$ 1,482,591	\$ (761,420) U	\$ 13,442	\$ (774,862)	\$ 60.00	\$ 124.46	\$ (64.46)
Net Income Margin	2.1%	4.7%	-2.6%					
OEBITDA Margin w/o Prop Tax	5.0%	6.9%	-1.9%					
OEBITDA Margin with Prop Tax	7.4%	9.8%	-2.4%					

F= Favorable variance
U= Unfavorable variance

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

	Month Activity			Variance		\$/Wtg Pt Day		
	Actual	Budget	Variance	Volume	Rate/Eff	Actual	Budget	Variance
Statistics:								
Admissions - Acute	28,364	27,686	678					
Admissions - SNF	1,226	1,358	(132)					
Patient Days - Acute	112,445	108,903	3,542					
Patient Days - SNF	75,846	75,599	247					
LOS - Acute	3.97	4.00	(0.03)					
LOS - SNF	40.23	37.92	2.31					
Weighted Pt Days	150,316	144,985	5,331					
Revenue:								
Gross Revenue	\$ 1,103,578,586	\$ 1,056,787,431	\$ 46,791,155 F	\$ 38,857,356	\$ 7,933,799	\$ 7,341.72	\$ 7,288.94	\$ 52.78
Deductions from Rev	(751,296,265)	(708,886,173)	(42,410,092) U	(26,065,263)	(16,344,829)	(4,998.11)	(4,889.38)	(108.74)
Net Patient Revenue	352,282,321	347,901,258	4,381,063 F	12,792,093	(8,411,030)	2,343.61	2,399.57	(55.96)
Other Oper Revenue	8,475,668	10,181,748	(1,706,080) U	374,376	(2,080,456)	56.39	70.23	(13.84)
Total Net Revenue	360,757,989	358,083,006	2,674,983 F	13,166,469	(10,491,486)	2,400.00	2,469.79	(69.80)
Expenses:								
Salaries, Wages & Contr Labor	173,182,589	164,806,821	(8,375,768) U	(6,059,835)	(2,315,933)	1,152.12	1,136.72	(15.41)
Benefits	37,827,886	40,687,200	2,859,314 F	(1,496,041)	4,355,355	251.66	280.63	28.97
Supplies	62,428,602	59,073,841	(3,354,761) U	(2,172,105)	(1,182,656)	415.32	407.45	(7.87)
Prof Fees & Purch Svc	48,590,987	46,858,531	(1,732,456) U	(1,722,956)	(9,500)	323.26	323.20	(0.06)
Depreciation	18,338,323	17,189,004	(1,149,319) U	(632,028)	(517,291)	122.00	118.56	(3.44)
Other	20,386,500	20,132,441	(254,059) U	(740,256)	486,197	135.62	138.86	3.23
PPH Allocation	-	2	2 F	(0)	2	-	0.00	0.00
Total Expenses	360,754,887	348,747,840	(12,007,047) U	(12,823,221)	816,174	2,399.98	2,405.41	5.43
Net Inc Before Non-Oper Income	3,102	9,335,166	(9,332,064) U	343,248	(9,675,312)	0.02	64.39	(64.37)
Property Tax Revenue	11,494,884	10,899,996	594,888 F	400,785	194,103	76.47	75.18	1.29
Non-Operating Income	(534,031)	(2,019,684)	1,485,653 F	(74,262)	1,559,915	(3.55)	(13.93)	10.38
Net Income (Loss)	\$ 10,963,955	\$ 18,215,478	\$ (7,251,523) U	\$ 669,771	\$ (7,921,294)	\$ 72.94	\$ 125.64	\$ (52.70)
Net Income Margin	2.9%	4.8%	-1.9%					
OEBITDA Margin w/o Prop Tax	4.8%	7.0%	-2.2%					
OEBITDA Margin with Prop Tax	7.8%	9.8%	-2.0%					

F= Favorable variance
U= Unfavorable variance

**PALOMAR POMERADO HEALTH
CONSOLIDATED
Actual June 06 YTD
FY 06 Projection**

				Variance			\$/Wtg Pt Day	
	Projected	Budget	Variance	Volume	Rate/Eff	Actual	Budget	
Statistics:								
Admissions - Acute	28,364	27,686	678					
Admissions - SNF	1,226	1,358	(132)					
Patient Days - Acute	112,445	108,903	3,542					
Patient Days - SNF	75,846	75,599	247					
Weighted Pt Days	150,316	144,985	5,331					
Revenue:								
Gross Revenue	\$ 1,103,578,586	\$ 1,056,787,431	\$ 46,791,155 F	\$ 38,857,356	\$ 7,933,799	\$ 7,341.72	\$ 7,288.94	
Deductions from Rev	(751,296,265)	(708,886,173)	(42,410,092) U	(26,065,263)	(16,344,829)	(4,998.11)	(4,889.38)	
Net Patient Revenue	352,282,321	347,901,258	4,381,063 F	12,792,093	(8,411,030)	2,343.61	2,399.57	
Other Oper Revenue	8,475,668	10,181,748	(1,706,080) U	374,376	(2,080,456)	56.39	70.23	
Total Net Revenue	360,757,989	358,083,006	2,674,983 F	13,166,469	(10,491,486)	2,400.00	2,469.79	
Expenses:								
Salaries, Wages & Contr Labor	173,182,589	164,806,821	(8,375,768) U	(6,059,835)	(2,315,933)	1,152.12	1,136.72	
Benefits	37,827,886	40,687,200	2,859,314 F	(1,496,041)	4,355,355	251.66	280.63	
Supplies	62,428,602	59,073,841	(3,354,761) U	(2,172,105)	(1,182,656)	415.32	407.45	
Prof Fees & Purch Svc	48,590,985	46,858,531	(1,732,454) U	(1,722,956)	(9,498)	323.26	323.20	
Depreciation	18,338,323	17,189,004	(1,149,319) U	(632,028)	(517,291)	122.00	118.56	
Other	20,398,542	20,132,441	(266,101) U	(740,256)	474,155	135.70	138.86	
PPH Allocation	-	2	2 F	(0)	2	-	0.00	
Total Expenses	360,766,927	348,747,840	(12,019,089) U	(12,823,221)	804,134	2,400.06	2,405.41	
Net Inc Before Non-Oper Income	(8,938)	9,335,166	(9,344,105) U	343,248	(9,687,352)	(0.06)	64.39	
Property Tax Revenue	11,494,884	10,899,996	594,888 -	400,785	194,103	76.47	75.18	
Non-Operating Income	(534,030)	(2,019,684)	1,485,654 F	(74,262)	1,559,916	(3.55)	(13.93)	
Net Income (Loss)	\$ 10,951,916	\$ 18,215,478	\$ (7,263,563) U	\$ 669,771	\$ (7,933,333)	\$ 72.86	\$ 125.64	
Net Income Margin	2.9%	4.8%	-1.9%					
OEBITDA Margin w/o Prop Tax	4.8%	7.0%	-2.2%					
OEBITDA Margin with Prop Tax	7.8%	9.8%	-2.0%					

F= Favorable variance
U= Unfavorable variance

**PALOMAR POMERADO HEALTH
CONSOLIDATED
MONTHLY TREND - FY 2006**

	Jul-06	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	Apr-06	May-06	Jun-06	FYTD
Statistics :													
Admissions - Acute	2,455	2,411	2,328	2,362	2,218	2,472	2,380	2,257	2,452	2,250	2,478	2,301	28,364
Admissions - SNF	95	113	101	94	108	98	99	91	120	98	112	97	1,226
Patient Days - Acute	9,372	9,005	9,011	9,277	9,304	9,960	10,258	9,135	10,057	9,024	9,340	8,702	112,445
Patient Days - SNF	6,514	6,434	6,284	6,331	6,293	6,452	6,482	5,727	6,359	6,236	6,486	6,248	75,846
LOS - Acute	3.97	3.97	3.97	3.97	3.97	3.97	3.97	3.97	3.97	3.97	3.97	3.97	3.97
LOS - SNF	40.42	38.38	40.68	42.38	40.73	39.15	40.26	38.69	39.71	40.23	40.44	41.65	40.23
Weighted Pt Days	12,568	12,363	12,099	12,214	12,331	13,089	13,278	12,083	13,539	12,095	12,634	12,020	150,316
Revenue:													
Gross Revenue	\$ 89,796,156	\$ 92,899,063	\$ 87,768,291	\$ 91,401,103	\$ 92,231,910	\$ 94,575,189	\$ 101,036,758	\$ 85,868,709	\$ 95,924,111	\$ 86,432,429	\$ 94,418,434	\$ 91,226,432	\$ 1,103,578,586
Deductions from Rev	(61,907,280)	(63,501,913)	(59,585,069)	(63,119,951)	(62,448,821)	(65,407,152)	(70,137,875)	(56,085,860)	(64,780,297)	(58,107,487)	(66,597,867)	(59,616,696)	(751,296,265)
Net Patient Revenue	27,888,876	29,397,150	28,183,222	28,281,152	29,783,089	29,168,037	30,898,883	29,782,849	31,143,814	28,324,942	27,820,567	31,609,736	352,282,321
Other Oper Revenue	676,323	779,264	750,898	659,462	885,609	880,873	487,382	587,938	879,354	625,007	664,191	599,367	8,475,668
Total Net Revenue	28,565,200	30,176,414	28,934,119	28,940,614	30,668,698	30,048,910	31,386,265	30,370,787	32,023,168	28,949,949	28,484,758	32,209,103	360,757,989
Expenses:													
Salaries, Wages & Contr Labor	13,665,176	14,511,787	13,633,115	13,695,914	14,430,050	14,545,538	14,810,465	14,344,581	15,076,174	15,025,501	14,858,678	14,585,611	173,182,589
Benefits	3,350,961	3,484,804	3,814,310	3,497,830	3,449,201	3,278,526	3,069,404	3,423,858	2,946,012	2,739,895	1,509,659	3,263,427	37,827,886
Supplies	4,735,610	5,067,417	5,043,180	4,960,031	5,397,869	5,364,677	5,945,923	5,050,659	5,347,858	4,970,676	5,407,662	5,137,041	62,428,602
Prof Fees & Purch Svc	3,370,185	3,675,947	3,622,882	3,504,352	4,019,717	4,026,089	3,875,056	3,990,109	4,559,474	4,143,045	4,163,265	5,640,864	48,590,987
Depreciation	1,418,082	1,446,865	1,450,271	1,451,680	1,482,124	1,459,591	1,532,681	1,441,886	1,542,906	1,492,706	1,650,956	1,968,574	18,338,323
Other	1,583,527	1,753,047	1,786,337	1,830,660	1,581,043	1,865,910	1,319,203	1,628,675	1,696,451	1,769,648	1,686,506	1,885,492	20,386,500
Total Expenses	28,123,543	29,939,867	29,350,093	28,940,467	30,360,004	30,540,331	30,552,732	29,879,768	31,168,875	30,141,471	29,276,726	32,481,009	360,754,887
Net Inc Before Non-Oper It	441,657	236,547	(415,974)	147	308,694	(491,421)	833,533	491,019	854,293	(1,191,522)	(791,968)	(271,906)	3,102
Property Tax Revenue	908,333	908,333	908,333	908,333	908,333	908,333	908,333	908,333	908,333	1,601,333	908,333	810,220	11,494,884
Non-Operating Income	(565,643)	12,880	225,990	(436,912)	81,321	14,1690	(89,686)	(159,953)	(15,404)	70,086	18,743	182,857	(534,031)
Net Income (Loss)	\$ 784,346	\$ 1,157,760	\$ 718,350	\$ 471,568	\$ 1,298,348	\$ 558,602	\$ 1,652,180	\$ 1,239,399	\$ 1,747,222	\$ 479,897	\$ 135,108	\$ 721,171	\$ 10,963,955
Net Income Margin	2.5%	3.6%	2.5%	1.5%	4.2%	1.7%	4.9%	3.9%	4.9%	1.6%	0.5%	2.1%	2.9%
OEBITDA Margin w/o Prop Tax	6.0%	5.2%	3.5%	4.7%	5.7%	3.0%	7.0%	6.1%	6.8%	1.0%	2.9%	5.0%	4.8%
OEBITDA Margin with Prop Tax	9.0%	8.0%	6.6%	7.6%	8.6%	5.8%	9.6%	9.0%	9.4%	6.5%	5.9%	7.4%	7.8%

F= Favorable variance
U= Unfavorable variance

Palomar Pomerado Health
Consolidated Balance Sheet
As of June 30, 2006

Draft

	Current Month	Prior Month	Prior Fiscal Year End		Current Month	Prior Month	Prior Fiscal Year End
Assets				Liabilities			
Current Assets				Current Liabilities			
Cash on Hand	\$8,563,683	\$6,296,042	\$12,663,073	Accounts Payable	\$29,671,113	\$17,158,469	\$18,090,054
Cash Marketable Securities	110,035,151	125,751,346	96,380,135	Accrued Payroll	15,383,608	18,883,267	19,511,491
Total Cash & Cash Equivaler	118,598,834	132,047,388	109,043,208	Accrued PTO	11,133,368	11,130,800	10,212,195
Patient Accounts Receivable	148,681,910	151,154,522	190,388,774	Accrued Interest Payable	2,265,274	1,654,693	708,785
Allow ance on Accounts	-77,866,966	-84,812,256	-120,586,401	Current Portion of Bonds	12,745,000	12,745,000	6,125,000
Net Accounts Receivable	70,814,944	66,342,266	69,802,373	Est Third Party Settlements	-1,065,102	-2,118,947	-4,522,051
Inventories	6,739,569	6,341,000	6,320,951	Other Current Liabilities	7,524,339	7,440,280	6,642,463
Prepaid Expenses	2,275,780	2,498,381	2,383,903	Total Current Liabilities	77,657,600	66,893,562	56,767,937
Other	2,298,062	1,718,793	828,210	Long Term Liabilities			
Total Current Assets	200,727,189	208,947,828	188,378,645	Bonds & Contracts Payable	151,347,395	151,322,314	79,819,688
Non-Current Assets				General Fund Balance			
Restricted Assets	66,734,609	54,167,041	12,026,055	Unrestricted	253,980,063	246,620,124	220,595,825
Restricted by Donor	288,265	287,477	281,473	Restricted for Other Purpose	288,265	287,477	281,473
Board Designated	9,267,526	14,993,732	22,388,648	Board Designated	9,267,526	14,993,732	22,388,648
Total Restricted Assets	76,290,400	69,448,250	34,696,176	Total Fund Balance	263,535,854	261,901,333	243,265,946
Property Plant & Equipment	335,347,385	330,539,806	337,484,770	Total Liabilities / Fund Balance	\$492,540,853	\$480,117,208	\$379,853,570
Accumulated Depreciation	-215,737,688	-215,757,987	-218,491,576				
Construction in Process	85,034,881	75,948,421	28,023,698				
Net Property Plant & Equipm	204,644,578	190,730,240	147,016,892				
Investment in Related Compar	6,393,497	6,540,311	6,175,837				
Deferred Financing Costs	3,354,469	3,307,203	2,311,702				
Other Non-Current Assets	1,130,720	1,143,376	1,274,318				
Total Non-Current Assets	291,813,664	271,169,380	191,474,925				
Total Assets	\$492,540,853	\$480,117,208	\$379,853,570				

PALOMAR POMERADO HEALTH

PALOMAR
POMERADO
HEALTH
SPECIALIZING IN YOU

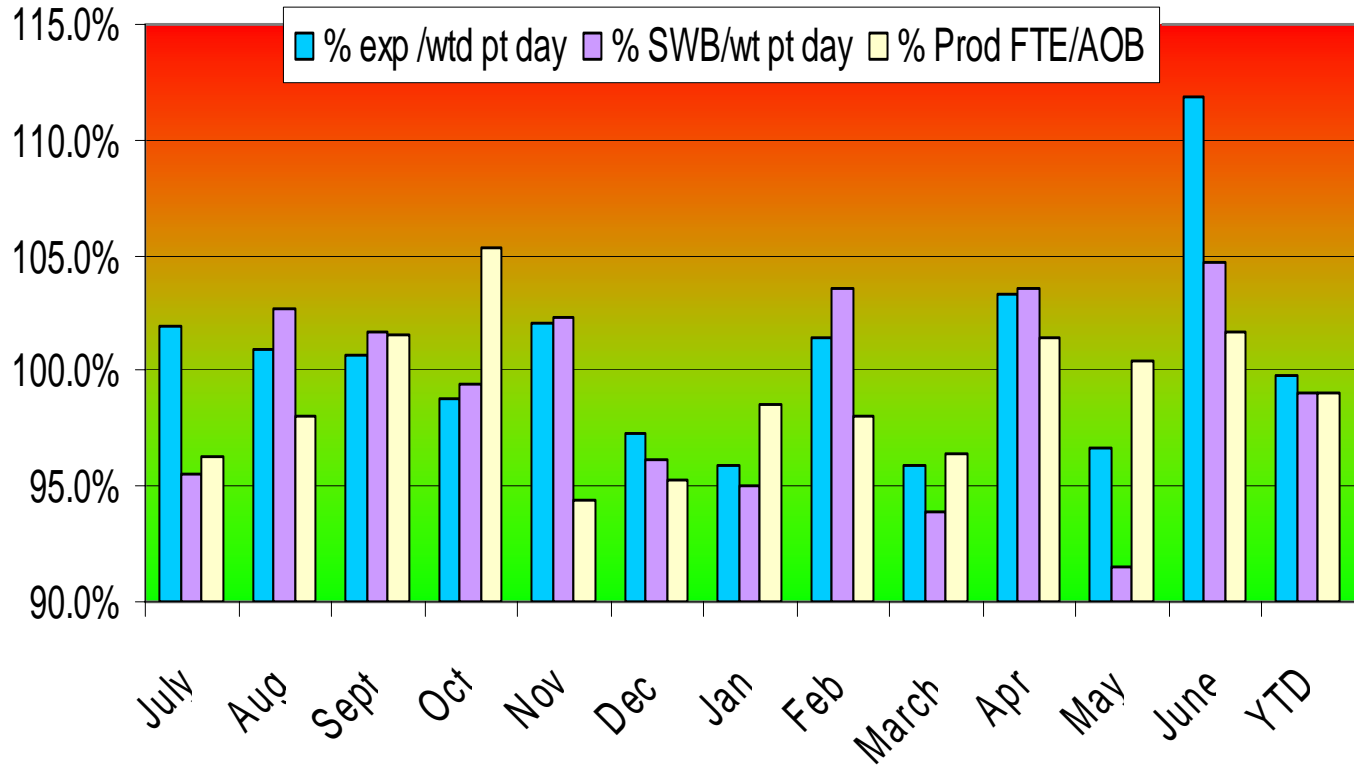
A-15

Palomar Pomerado Health
Balanced Scorecard
Financial Indicators
June 30, 2006

Draft

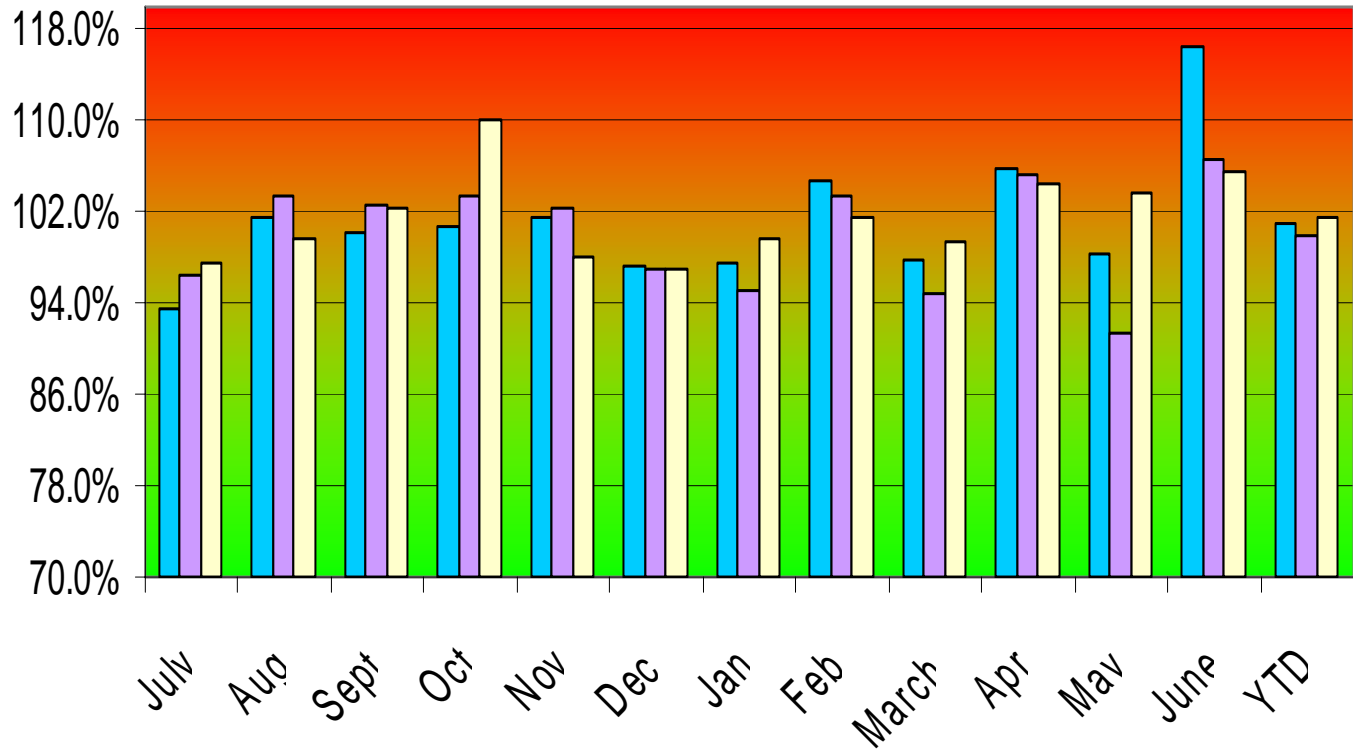
March	April	May	June				% Actual					YTD 2006			% Actual
Actual	Actual	Actual	Actual	Bud/PY	Variance	to Bud/PY		Actual	Bud/PY	Variance	to Bud/PY				
PPH Indicators:															
9.4%	6.5%	5.9%	7.4%	9.8%	-2.4%	75.5%	OEBITDA Margin w /Prop Tax	7.8%	9.8%	-2.0%	79.6%				
\$ 2,333.17	\$ 2,526.80	\$ 2,350.58	\$ 2,737.25	\$ 2,446.34	\$ (290.91)	111.9%	Expenses/Wtd Day	2,433.41	\$ 2,439.72	\$ 6.31	99.7%				
\$ 1,331.13	\$ 1,468.82	\$ 1,295.58	\$ 1,484.94	\$ 1,417.92	\$ (67.02)	104.7%	SWB/Wtd Day	1,403.78	\$ 1,417.35	\$ 13.57	99.0%				
5.95	6.27	6.20	6.27	6.17	\$ (0.10)	101.6%	Prod FTEs/Adj Occupied Bed	6.11	6.17	0.06	99.0%				
13,539	12,095	12,634	12,020	12,487	\$ (467.00)	96.3%	Weighted Patient Days	150,316	144,985	5,331	103.7%				
PPH North Indicators:															
10.1%	8.7%	4.2%	6.8%	11.8%	-5.0%	57.6%	OEBITDA Margin w /Prop Tax	8.1%	11.8%	-3.7%	68.6%				
\$ 2,258.43	\$ 2,453.41	\$ 2,267.87	\$ 2,704.86	\$ 2,318.87	\$ (385.99)	116.6%	Expenses/Wtd Day	2,338.91	\$ 2,312.58	\$ (26.33)	101.1%				
\$ 1,118.84	\$ 1,245.04	\$ 1,080.30	\$ 1,259.25	\$ 1,182.08	\$ (77.17)	106.5%	SWB/Wtd Day	1,181.57	\$ 1,181.33	\$ (0.24)	100.0%				
5.06	5.33	5.28	5.39	5.10	\$ (0.29)	105.7%	Prod FTEs/Adj Occupied Bed	5.18	5.10	(0.08)	101.6%				
9,354	8,276	8,701	8,157	8,810	\$ (653.00)	92.6%	Weighted Patient Days	104,995	102,400	2,595	102.5%				
PPH South Indicators:															
3.8%	-0.1%	5.0%	6.7%	1.3%	5.4%	515.4%	OEBITDA Margin w /Prop Tax	4.8%	1.3%	3.5%	369.2%				
\$ 2,235.87	\$ 2,373.34	\$ 2,231.51	\$ 2,472.37	\$ 2,455.59	\$ (16.78)	100.7%	Expenses/Wtd Day	2,350.12	\$ 2,449.90	\$ 99.78	95.9%				
\$ 1,143.02	\$ 1,194.03	\$ 1,072.17	\$ 1,192.09	\$ 1,262.08	\$ 69.99	94.5%	SWB/Wtd Day	1,204.67	\$ 1,262.24	\$ 57.57	95.4%				
5.36	5.32	5.54	5.33	5.87	\$ 0.54	90.8%	Prod FTEs/Adj Occupied Bed	5.59	5.88	0.29	95.1%				
4,003	3,706	3,788	3,712	3,428	\$ 284.00	108.3%	Weighted Patient Days	43,291	39,733	3,558	109.0%				

PPH Total Consolidated Financial Indicators BSC-FY06



PPH North Consolidated Financial Indicators BSC-FY06

■ % exp /wtd pt day ■ % SWB/wt pt day ■ % Prod FTE/AOB



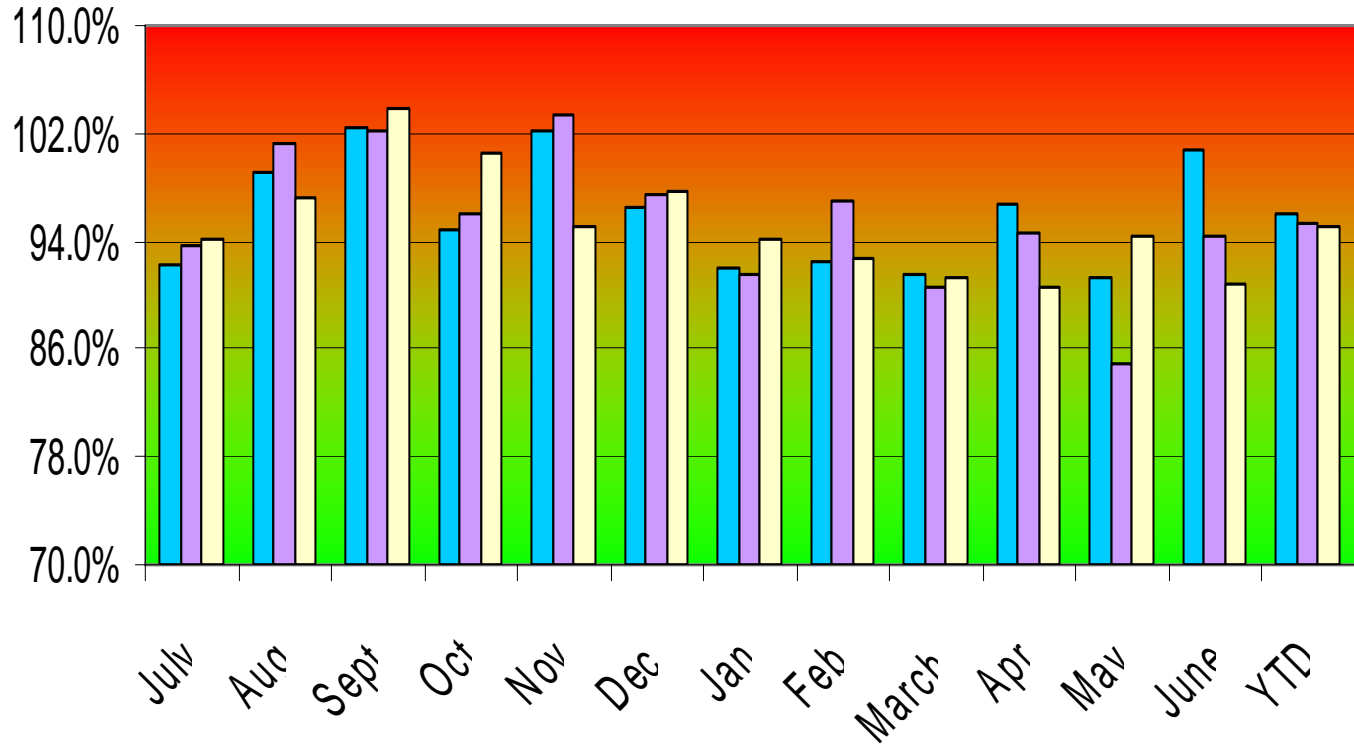
>104 %

100-104%

<100 %

PPH South Consolidated Financial Indicators BSC-FY06

■ % exp /wtd pt day ■ % SWB/wt pt day ■ % Prod FTE/AOB

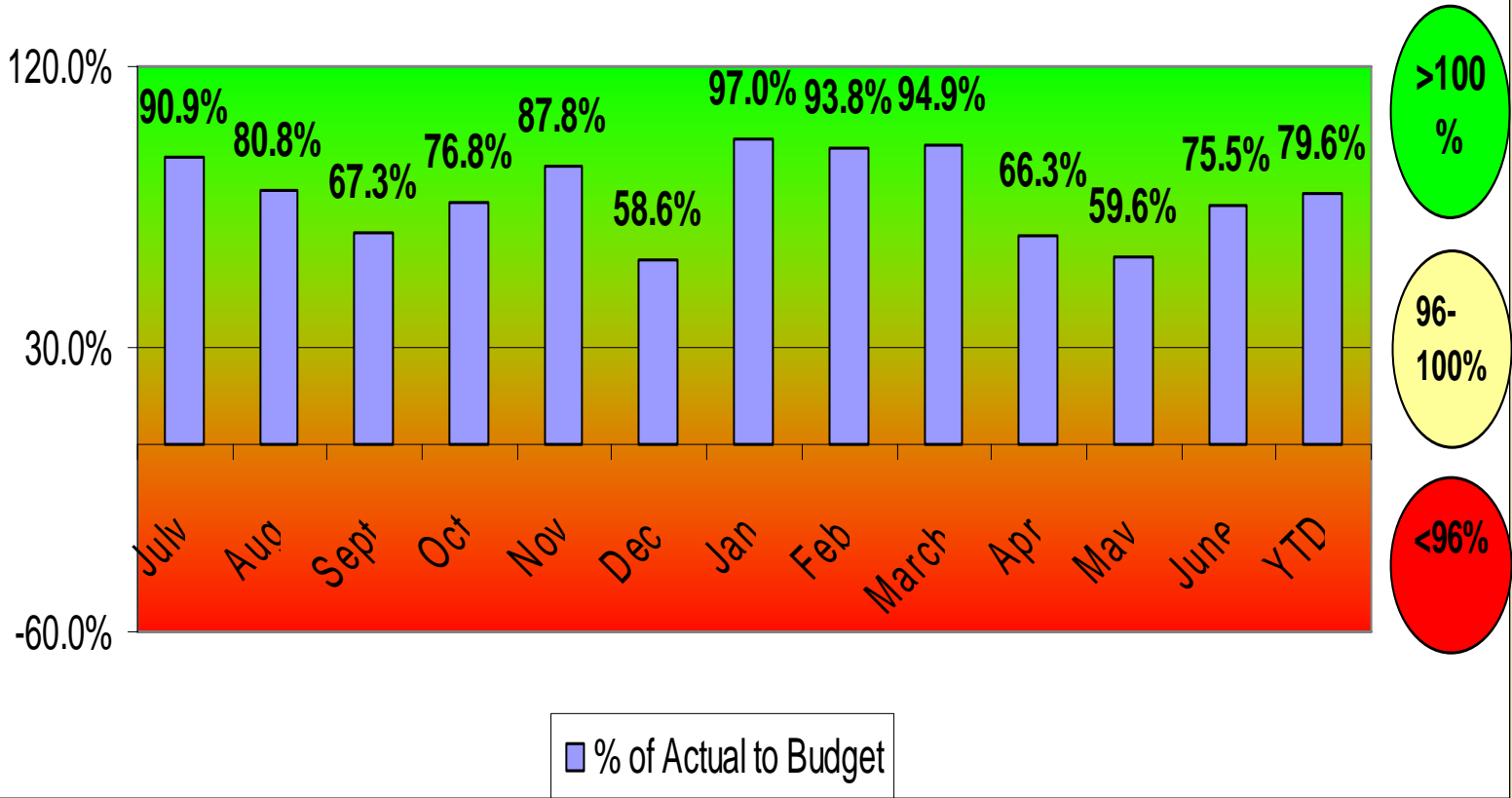


>104%

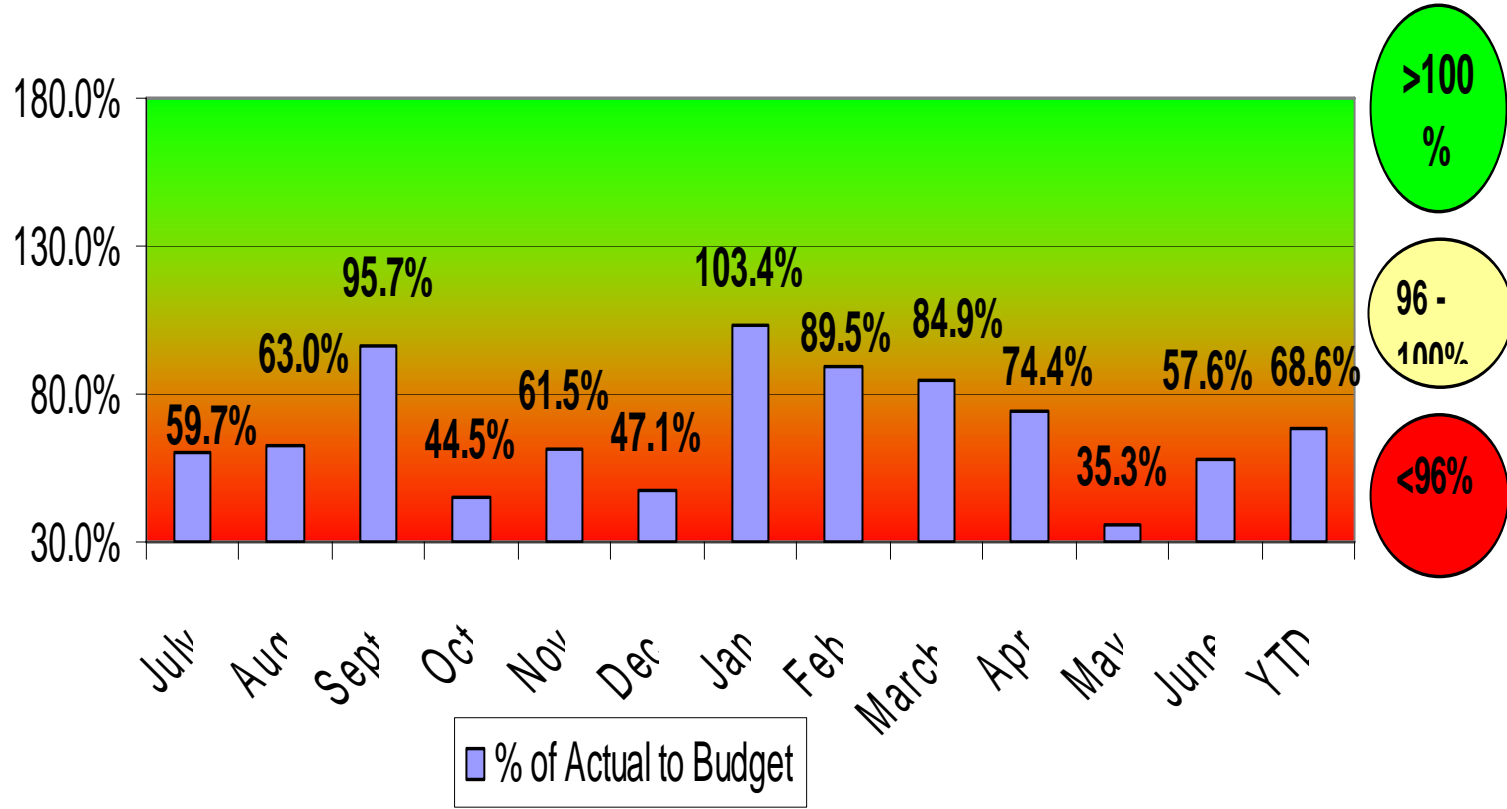
100-104%

<100%

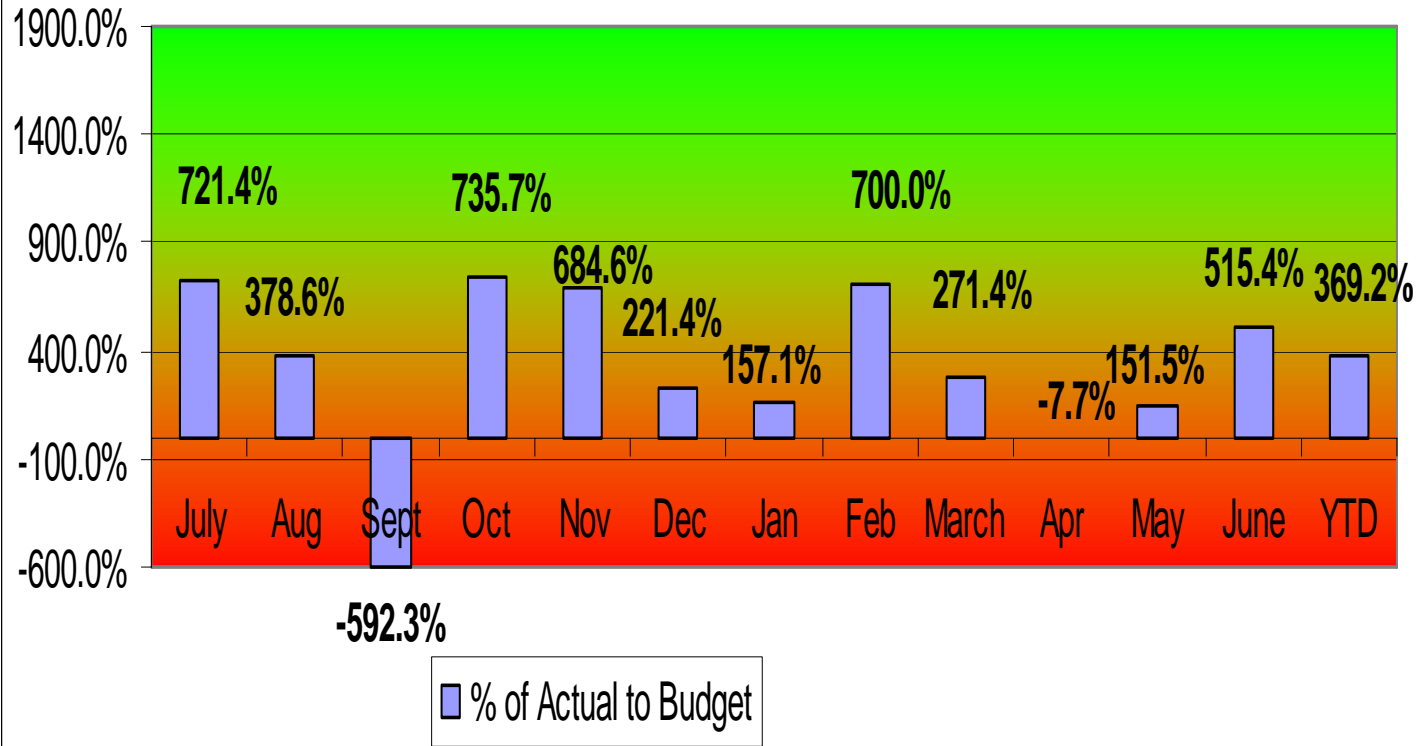
PPH Total Consolidated OEBITDA w/ Prop Taxes - FY06



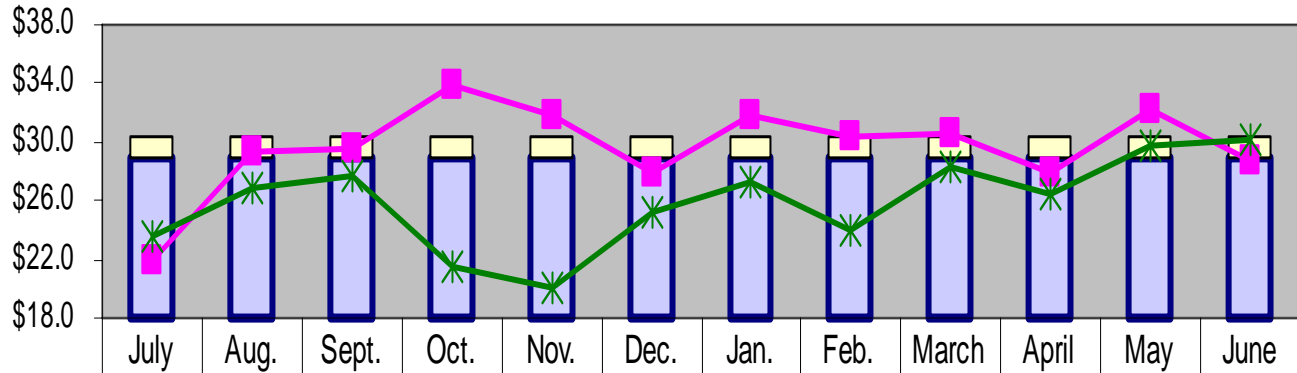
PPH North Consolidated OEBITDA w/ Prop Taxes - FY06



PPH South Consolidated OEBITDA w/ Prop Taxes - FY06

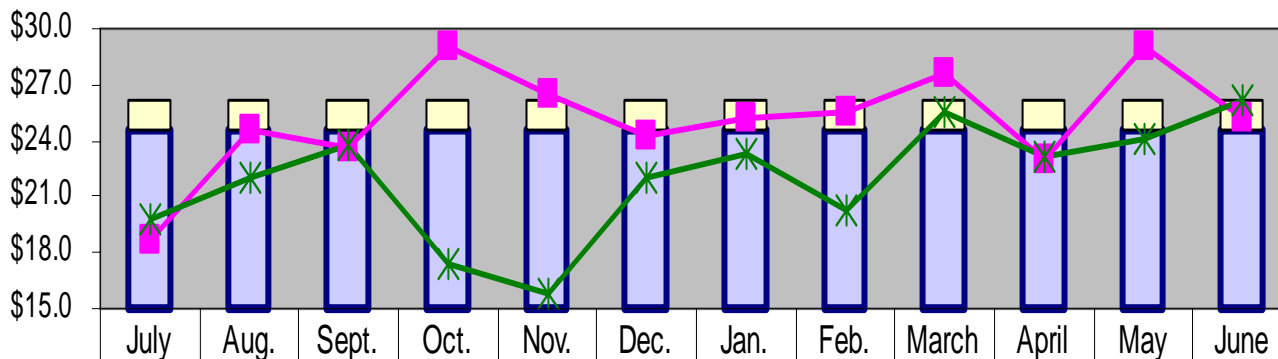


PPH Monthly Collections in Millions



	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	\$27.8	\$32.2	\$28.7

PBS Monthly Collections in Millions



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	\$23.0	\$29.0	\$25.2

PALOMAR POMERADO HEALTH BOND COVENANT RATIOS

CUSHION RATIO	Jun-04	Jun-05	Jun-06
Cash and Cash Equivalents	140,057,417	109,043,208	118,598,834
Board Designated Reserves	27,374,261	22,388,648	9,267,526
Trustee-held Funds	11,853,970	12,026,055	12,170,183
Total	179,285,648	143,457,911	140,036,543
Divided by: Max Annual Debt Service (Bond Year 2012)	10,697,594	10,697,594	10,697,594

CUSHION RATIO	16.8	13.4	13.1
REQUIREMENT	1.5	1.5	1.5
	Achieved	Achieved	Achieved

DAYS CASH ON HAND	Jun-04	Jun-05	Jun-06
Cash and Cash Equivalents	140,057,417	109,043,208	118,598,834
Board Designated Reserves	27,374,261	22,388,648	9,267,526
Total	167,431,678	131,431,856	127,866,360
Divide Total by Average Adjusted Expenses per Day			
Total Expenses	311,614,910	340,338,156	360,754,887
Less: Depreciation	14,546,550	16,394,985	18,338,323
Adjusted Expenses	297,068,360	323,943,171	342,416,564
Number of days in period	366	365	365
Average Adjusted Expenses per Day	811,662	887,516	938,128

DAYS CASH ON HAND	206	148	136
REQUIREMENT	90	90	90
	Achieved	Achieved	Achieved

Net Income Available for Debt Service	Jun-04	Jun-05	Jun-06
Excess of revenue over expenses Cur Mo.	2,905,196	1,490,930	721,171
Excess of revenues over expenses YTD (General Funds)	16,053,177	17,052,649	10,963,955
ADD:			
Depreciation and Amortization	14,546,550	16,394,985	18,338,323
Interest Expense	5,581,454	5,272,031	5,025,388
Net Income Available for Debt Service	36,181,181	38,719,665	34,327,666
Aggregate Debt Service			
1993 Insured Refunding Revenue Bonds	6,017,132	6,020,301	3,639,772
1999 Insured Refunding Revenue Bonds	4,357,728	4,356,844	6,950,508
Aggregate Debt Service	10,374,860	10,377,145	10,590,280
Net Income Available for Debt Service	3.49	3.73	3.24
Required Coverage	1.15	1.15	1.15

Palomar Pomerado Health
STATEMENTS OF CASH FLOWS
Fiscal Year 2006

	<u>June</u>	<u>YTD</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income (Loss from operations)	\$ (271,906)	\$ 3,372
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation Expense	1,968,574	18,338,320
Provision for bad debts	2,484,271	29,292,228
Changes in operating assets and liabilities:		
Patient accounts receivable	(6,956,949)	(30,304,799)
Property Tax and other receivables	(228,095)	(12,274,652)
Inventories	(398,569)	(418,618)
Prepaid expenses and Other Non-Current assets	369,415	(191,165)
Accounts payable	12,512,644	12,402,809
Accrued comp	(3,497,091)	(3,206,710)
Estimated settlement amounts due third-party payors	1,053,845	3,456,949
Other current liabilities	992,392	11,781,872
Net cash provided by operating activities	<u>8,028,531</u>	<u>28,879,604</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (purchases) sales on investments	8,874,045	(55,249,240)
Interest (Loss) received on investments	517,057	4,179,350
Investment in affiliates	(78,171)	(925,636)
Net cash used in investing activities	<u>9,312,931</u>	<u>(51,995,526)</u>
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:		
Receipt of G.O. Bond Taxes	247,980	9,304,373
Receipt of District Taxes	155,470	11,549,376
Net cash used in activities	<u>403,450</u>	<u>20,853,749</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of property plant and equipment	(15,477,272)	(72,399,172)
Proceeds from sale of asset		781,634
G.O. Bond Interest paid		(2,083,619)
Revenue Bond Interest paid	0	(4,196,668)
Proceeds from issuance of debt		82,185,607
Payments of LT Debt		(6,125,000)
Net cash used in activities	<u>(15,477,272)</u>	<u>(1,837,218)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,267,640	(4,099,391)
CASH AND CASH EQUIVALENTS - Beginning of period	<u>6,296,042</u>	<u>12,663,073</u>
CASH AND CASH EQUIVALENTS - End of period	<u>\$ 8,563,683</u>	<u>\$ 8,563,683</u>