

FINANCE COMMITTEE MEETING

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

**Posted
Mailed (US & E-mail)
Faxed
Friday, December 1, 2006**

PLEASE NOTE: MEETING LOCATION CHANGE

TUESDAY, DECEMBER 5, 2006

5:30 p.m. *(Dinner via Cafeteria Line*

W/In-room Beverages 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>
CALL TO ORDER			6:00 p.m.
➤ Public Comments	5		6:00 p.m.
➤ Information Item(s)			
• Moody's Rating on Revenue & Refunding Certificates of Participation	5		6:05 p.m.
1. * Approval: Minutes – October 31, 2006, Finance Committee Meeting <i>(Addendum A – Separate Cover)</i>	5	2	6:10 p.m.
2. * Approval: Professional Services Agreements			
Southwest Neurology Medical Group, Inc. (SWNMG)	10	3-5	6:15 p.m.
Pacific Center for Neurological Disease, Inc. (PCND)		6-8	
3. * Approval: Medical/Clinical Director Agreements			
Medical Director, Forensic Health – Mary Spencer, M.D.	10	9-12	6:25 p.m.
Clinical Director, Psychiatric Outpatient Program – Christopher Gorman, M.D.		13-16	
4. * Approval: Medical Consultant Agreement			
Diabetes Health – Timothy Bailey, M.D.	10	17-20	6:35 p.m.
5. * Approval: Wound Care Expansion to San Marcos <i>(Addendum B)</i>	25	21-22	6:45 p.m.
6. * Approval: October 2006 & YTD FY2007 Financial Report <i>(Addendum C)</i>	25	23	7:10 p.m.
ADJOURNMENT			7:35 p.m.

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
Michael Covert, FACHE
Robert Trifunovic, MD
Paul E. Tornambe, MD
Bruce Krider, *Alternate*

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 – October 31, 2006

TO: Board Finance Committee

MEETING DATE: Tuesday, December 5, 2006

FROM: Tanya Howell, Secretary

BY: Bob Hemker, CFO

Background: The minutes of the Finance Committee meeting held on Tuesday, October 31, 2006, are respectfully submitted for approval (*Addendum A-will be distributed under separate cover via email*).

Budget Impact: N/A

Staff Recommendation: Approval of the Tuesday, October 31, 2006, Finance Committee minutes.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

**PALOMAR POMERADO HEALTH
NEUROLOGY
PROFESSIONAL SERVICES AGREEMENT**

TO: Board Finance Committee
MEETING DATE: Tuesday, December 5, 2006
FROM: Kim Colonnelli, RN
Service Line Administrator for Emergency, Trauma & Forensics

BACKGROUND: Southwest Neurology Medical Group, Inc. (SWNMG), provides exclusive Neurology professional services to Palomar Medical Center (PMC). SWNMG has provided services to PPH for a number of years and has been responsive to the medical staff and health system in meeting the clinical needs of its patients. SWNMG provides on-call coverage for emergency situations.

The medical director and group physicians have been supportive of operational efforts to develop a streamlined approach to stroke management and will be actively involved in the effort to obtain stroke certification.

The current agreement was reviewed by contracting with no recommended changes.

This agreement represents a renewal of the exclusive agreement for an additional three years.

BUDGET IMPACT: Budgetary impact for the period November 1, 2006 – June 30, 2007.

STAFF RECOMMENDATION: Approval exclusive three-year Professional Services Agreement for Neurology with Southwest Neurology Medical Group, Inc., for Palomar Medical Center.

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

PALOMAR POMERADO HEALTH - AGREEMENT ABSTRACT

Section Reference	Term/Condition	Term/Condition Criteria
	TITLE	Professional Services Agreement
	AGREEMENT DATE	November 1, 2006
Exhibit A	PARTIES	Southwest Neurology Medical Group and PPH
	PURPOSE	To provide professional neurology medical coverage in all departments of the Palomar Medical Center.
1.1, 1.7	SCOPE OF SERVICES	Professional medical coverage 24 hours per day, 365 days per year at PMC.
	PROCUREMENT METHOD	<input type="checkbox"/> Request For Proposal <input checked="" type="checkbox"/> Discretionary
6, 7.1	TERM	November 1, 2006 through October 31, 2009 (three years)
	RENEWAL	Three automatic one year renewals unless terminated upon 90 days written notice prior to the anniversary date
8.2.1.1 8.2.2	TERMINATION	For cause as defined in the agreement
3.1 Exhibit B	COMPENSATION METHODOLOGY	Monthly payment on or before the 15 th day of each calendar month commencing with the second (2 nd) calendar month of the term of this Agreement.
	BUDGETED	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO – IMPACT:
	EXCLUSIVITY	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES – EXPLAIN:
	JUSTIFICATION	Required for standard of care for patients who develop a neurological condition
	POSITION POSTED	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO Methodology & Response:
	Duties	All included <input type="checkbox"/> Provision for Staff Education <input type="checkbox"/> Provision for Medical Staff Education <input type="checkbox"/> Provision for participation in Quality Improvement
	COMMENTS	This is an update of the previous agreement.
	APPROVALS REQUIRED	<input type="checkbox"/> VP <input type="checkbox"/> CFO <input type="checkbox"/> CEO <input type="checkbox"/> BOD Committee _____ <input type="checkbox"/> BOD

EMERGENCY ON-CALL AGREEMENT

THIS EMERGENCY ON-CALL DELEGATION AGREEMENT (“Agreement”) is made and entered into effective as of the 1st day of November 2006, by and between Palomar Pomerado Health, a California local health care district (“PPH”), and Southwest Neurology Medical Group, a California medical group (“SWNMG”).

RECITALS

A. PPH owns and operates Palomar Medical Center, a general acute care hospital (the “Hospital”), and provides emergency services to patients who present themselves for evaluation and treatment through the emergency and various other departments of the Hospital, including, but not limited to, the intensive care unit and other inpatient departments of the Hospital (collectively, the “Departments”).

B. Pursuant to state and federal law, the Hospital has established an “on-call” panel of physicians (“On-Call Panel”) in order to assure the availability of adequate physician coverage for its Departments.

C. SWNMG engages physicians who are licensed to practice medicine in the State of California, are Board certified or eligible for certification in their respective specialties, are members of Hospital’s medical staff and are approved by Hospital’s medical staff to serve on the On-Call Panel (“SWNMG Physicians”).

D. PPH and SWNMG each recognize that the On-Call Panel performs a necessary patient care function at the Hospital and SWNMG agrees to render coverage and services as a member of said On-Call Panel to provide services to PPH’s patients.

E. SWNMG acknowledges Hospital’s medical staff bylaws and rules and regulations provide, with some exceptions, that SWNMG Physicians are required to serve on the On-Call Panel.

NOW, THEREFORE, in consideration of the recitals, covenants, conditions and promises herein contained, the parties hereby agree as follows:

**PALOMAR POMERADO HEALTH
NEUROLOGY
PROFESSIONAL SERVICES AGREEMENT**

TO: Board Finance Committee
MEETING DATE: Tuesday, December 5, 2006
FROM: Kim Colonnelli, RN
Service Line Administrator for Emergency, Trauma & Forensics

BACKGROUND: Pacific Center for Neurological Disease, Inc. (PCND), provides exclusive Neurology professional services to Pomerado Hospital (POM). PCND has provided services to PPH for a number of years and has been responsive to the medical staff and health system in meeting the clinical needs of its patients. PCND provides on-call coverage for emergency situations.

The medical director and group physicians have been supportive of operational efforts to develop a streamlined approach to stroke management and will be actively involved in the effort to obtain stroke certification.

The current agreement was reviewed by contracting with no recommended changes.

This agreement represents a renewal of the exclusive agreement for an additional three years.

BUDGET IMPACT: Budgetary impact for the period November 1, 2006 – June 30, 2007.

STAFF RECOMMENDATION: Approval of the exclusive three-year Professional Services Agreement for Neurology with Pacific Center for Neurological Disease, Inc, for Pomerado Hospital.

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

PALOMAR POMERADO HEALTH - AGREEMENT ABSTRACT

Section Reference	Term/Condition	Term/Condition Criteria
	TITLE	Professional Services Agreement
	AGREEMENT DATE	November 1, 2006
Exhibit A	PARTIES	Pacific Center for Neurological Disease, Inc., and PPH
	PURPOSE	To provide professional neurology medical coverage in all departments of Pomerado Hospital.
1.1, 1.7	SCOPE OF SERVICES	Professional medical coverage 24 hours per day, 365 days per year at POM.
	PROCUREMENT METHOD	<input type="checkbox"/> Request For Proposal <input checked="" type="checkbox"/> Discretionary
6, 7.1	TERM	November 1, 2006 through October 31, 2009 (three years)
	RENEWAL	Three automatic one year renewals unless terminated upon 90 days written notice prior to the anniversary date
8.2.1.1 8.2.2	TERMINATION	For cause as defined in the agreement
3.1 Exhibit B	COMPENSATION METHODOLOGY	Monthly payment on or before the 15 th day of each calendar month commencing with the second (2 nd) calendar month of the term of this Agreement.
	BUDGETED	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO – IMPACT:
	EXCLUSIVITY	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES – EXPLAIN:
	JUSTIFICATION	Required for standard of care for patients who develop a neurological condition
	POSITION POSTED	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO Methodology & Response:
	ALTERNATIVES/IMPACT	N/A
	Duties	All included <input type="checkbox"/> Provision for Staff Education <input type="checkbox"/> Provision for Medical Staff Education <input type="checkbox"/> Provision for participation in Quality Improvement
	COMMENTS	This is an update of the previous agreement.
	APPROVALS REQUIRED	<input checked="" type="checkbox"/> VP <input type="checkbox"/> CFO <input type="checkbox"/> CEO <input checked="" type="checkbox"/> BOD Committee Finance <input checked="" type="checkbox"/> BOD

EMERGENCY ON-CALL AGREEMENT

THIS EMERGENCY ON-CALL DELEGATION AGREEMENT (“Agreement”) is made and entered into effective as of the 1st day of November 2006, by and between Palomar Pomerado Health, a California local health care district (“PPH”), and Pacific Center for Neurological Disease, Inc., a California medical group (“PCND”).

RECITALS

A. PPH owns and operates Pomerado Hospital, a general acute care hospital (the “Hospital”), and provides emergency services to patients who present themselves for evaluation and treatment through the emergency and various other departments of the Hospital, including, but not limited to, the intensive care unit and other inpatient departments of the Hospital (collectively, the “Departments”).

B. Pursuant to state and federal law, the Hospital has established an “on-call” panel of physicians (“On-Call Panel”) in order to assure the availability of adequate physician coverage for its Departments.

C. PCND engages physicians who are licensed to practice medicine in the State of California, are Board certified or eligible for certification in their respective specialties, are members of Hospital’s medical staff and are approved by Hospital’s medical staff to serve on the On-Call Panel (“PCND Physicians”).

D. PPH and PCND each recognize that the On-Call Panel performs a necessary patient care function at the Hospital and PCND agrees to render coverage and services as a member of said On-Call Panel to provide services to PPH’s patients.

E. PCND acknowledges Hospital’s medical staff bylaws and rules and regulations provide, with some exceptions, that PCND Physicians are required to serve on the On-Call Panel.

NOW, THEREFORE, in consideration of the recitals, covenants, conditions and promises herein contained, the parties hereby agree as follows:

**PALOMAR POMERADO HEALTH
FORENSIC HEALTH SERVICES
MEDICAL DIRECTOR AGREEMENT**

TO: Board Finance Committee
MEETING DATE: Tuesday, December 5, 2006
FROM: Kim Colonnelli, RN
Service Line Administrator for Emergency, Trauma & Forensics

BACKGROUND: Mary Spencer, M.D., provides exclusive clinical services and medical director oversight for both the Child Abuse Program (CAP) and the Sexual Assault Response Team (SART) at both Palomar Medical Center and Pomerado Hospital. Dr. Spencer has provided reliable Forensic professional services to PPH for a number of years and has been responsive to the medical staff and health system in meeting the clinical needs of its patients with no administrative compensation.

To continue with the CAP and SART services as they currently exist, Dr. Spencer is asking to be compensated for her administrative time. She is currently paid for the clinical evaluation of patients by law enforcement.

The agreement calls for Dr. Spencer to keep track of administrative time per the timecard attached to the medical director agreement. Payment for medical evaluations of alleged child abuse victims is authorized by the requesting law enforcement agency. PPH will pay Dr. Spencer and, in turn, will be reimbursed by the law enforcement agency. No additional compensation is provided by PPH to Dr. Spencer under this agreement.

This agreement represents a renewal of the exclusive agreement for a three-year term.

BUDGET IMPACT: None.

STAFF RECOMMENDATION: Approval of the exclusive three-year Agreement with Mary Spencer, M.D., for clinical services and Medical Director oversight for both the CAP and the SART at Palomar Medical Center and Pomerado Hospital.

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

PALOMAR POMERADO HEALTH - AGREEMENT ABSTRACT

Section Reference	Term/Condition	Term/Condition Criteria
	TITLE	Forensic Health Services Medical Director Agreement
7.1	AGREEMENT DATE	July 1, 2006
	PARTIES	Mary Spencer, MD, and Palomar Pomerado Health
	PURPOSE	Medical oversight of Forensic Health to include both Child Abuse Program (CAP) and Sexual Assault Response Team (SART).
	SCOPE OF SERVICES	Medical Director leadership for CAP patients and SART programs. Both programs provide needed services to citizens in our service area who are alleged victims of child abuse or sexual assault.
4.1	TERM	Three years with 90 days written notice prior to anniversary date to terminate
4.1	RENEWAL	Three automatic one year renewals unless terminated upon 90 days written notice prior to the anniversary date
4.2	TERMINATION	For cause as defined in the agreement Without cause as defined in the agreement with 90 days notice
3.1	COMPENSATION METHODOLOGY	Monthly payment on or before the 15 th of each month with supporting documentation of the prior month's time records.
	BUDGETED	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO – IMPACT: None
	EXCLUSIVITY	<input type="checkbox"/> NO <input checked="" type="checkbox"/> YES – EXPLAIN:
	JUSTIFICATION	Required for the continued delivery of high quality, uninterrupted forensic health services.
	POSITION POSTED	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO Methodology & Response: Posted in Medical Staff Services per PPH policy.
	ALTERNATIVES/IMPACT	
Exhibit A #s 2, 3, 9, 10	Duties	<input checked="" type="checkbox"/> Provision for Staff Education <input checked="" type="checkbox"/> Provision for Medical Staff Education <input checked="" type="checkbox"/> Provision for participation in Quality Improvement <input checked="" type="checkbox"/> Provision for participation in budget process development
	COMMENTS	
	APPROVALS REQUIRED	<input checked="" type="checkbox"/> VP <input checked="" type="checkbox"/> CFO <input checked="" type="checkbox"/> CEO <input checked="" type="checkbox"/> BOD Committee FINANCE <input checked="" type="checkbox"/> BOD

**FORENSIC HEALTH
MEDICAL DIRECTOR AGREEMENT**

between

**PALOMAR POMERADO HEALTH
a local health care district**

and

Mary Spencer, M.D.

MEDICAL DIRECTOR AGREEMENT

THIS MEDICAL DIRECTOR AGREEMENT (“Agreement”) is made and entered into by and between Palomar Pomerado Health, a local health care district organized pursuant to Division 23 of California Health and Safety Code (“PPH”) and Mary Spencer, M.D. (“Medical Director”).

R E C I T A L S

A. Palomar Pomerado Health is the owner and operator of both Palomar Medical Center, a general acute care hospital, located at 555 East Valley Parkway, Escondido, California and Pomerado Hospital, a general acute care hospital, located at 15215 Pomerado Road, Poway, California (“Hospitals”).

B. Hospitals operate a Forensic Health Program, which encompasses services for Child Abuse and Sexual Assault (the Department”).

C. Medical Director is a physician who is qualified and licensed to practice medicine in the State of California, is experienced and qualified in the specialized field of Forensic Medicine, and is a member of the Medical Staff of Hospitals (“Medical Staff”).

D. Department consists of facilities and equipment owned by PPH and staffed by PPH employees.

E. PPH desires to retain Medical Director as an independent contractor to provide certain administrative and clinical services (“Services”) in the operation of the Department and has determined that this proposed arrangement with Medical Director will enhance PPH’s organization, procedure standardization, economic efficiency, professional proficiency, and provide other benefits to enhance coordination and cooperation among the Department’s providers and users.

F. PPH and Medical Director acknowledge and agree that this Agreement shall supercede the agreements, if any, previously entered into by the parties for the provision of Administrative Services.

G. It is the intent of both PPH and Medical Director that the terms and conditions of this Agreement, and the manner in which services are to be performed hereunder, fulfill and comply with all applicable requirements of any applicable “safe harbor” or exception to Stark I and II including, but in no way limited to, the applicable requirements set forth in regulations promulgated by the Department of Health and Human Services, Office of Inspector General, and in the Ethics in Patient Referral Act.

**PALOMAR MEDICAL CENTER
CLINICAL DIRECTOR – OUTPATIENT BEHAVIORAL HEALTH**

TO: Board Finance Committee

MEETING DATE: Tuesday, December 5, 2006

FROM: Sheila Brown, R.N., M.B.A., Chief Clinical Outreach Officer
Susan Linback, R.N., M.B.A., Service Line Administrator, Behavioral Health

BACKGROUND: This is a request to approve the Clinical Director Agreement with Christopher Gorman, M.D. Dr. Gorman will provide Clinical Director coverage and medical leadership for the Palomar Outpatient Behavioral Health Program. CMS requires that this program be under the direction of a physician. This program provides needed services to outpatient clients who suffer from severe mental health disorders.

BUDGET IMPACT: No Budget Impact

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
	TITLE	Clinical Director Agreement – Palomar Medical Center Outpatient Behavioral Health Program Christopher Gorman, M.D.
	AGREEMENT DATE	July 1, 2006
	PARTIES	1) PPH 2) Christopher Gorman, M.D.
Recitals E	PURPOSE	To provide Medical oversight for Palomar Medical Center's Outpatient Behavioral Health Program
Exhibit A	SCOPE OF SERVICES	Christopher Gorman, M.D., will provide Clinical Director coverage and medical leadership for the Palomar Medical Center Outpatient Behavioral Health Program. CMS requires this program be under the direction of a physician. This Program provides needed services to outpatient clients who suffer from severe mental health disorders.
	PROCUREMENT METHOD	<input type="checkbox"/> Request for Proposal <input checked="" type="checkbox"/> Discretionary
5.1	TERM	July 1, 2006 through June 30, 2007
	RENEWAL	N/A
5.3 5.4 5.5	TERMINATION	a. Immediately for cause b. Not less than 90 days of written notice without cause
2.1	COMPENSATION METHODOLOGY	Monthly payment on or before the 15 th of each month with supporting documentation of the prior month's time records.
	BUDGETED	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO - IMPACT: None.
	EXCLUSIVITY	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES – EXPLAIN:
	JUSTIFICATION	In order to remain compliant with CMS requirements for Outpatient Behavioral Health Services, medical oversight is needed.
	POSITION NOTICED	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO METHODOLOGY & RESPONSE: Posted in Medical Staff Offices for 30 days
	ALTERNATIVES/IMPACT	Proceeding without this arrangement will cause the program to be out of compliance with CMS requirements and jeopardize ongoing mental health to a vulnerable population.
Exhibit E	DUTIES	<input checked="" type="checkbox"/> PROVISION FOR STAFF EDUCATION <input checked="" type="checkbox"/> PROVISION FOR MEDICAL STAFF EDUCATION <input checked="" type="checkbox"/> PROVISION FOR PARTICIPATION IN QUALITY IMPROVEMENT
	COMMENTS	
	APPROVALS REQUIRED	<input checked="" type="checkbox"/> Officer <input checked="" type="checkbox"/> CFO <input checked="" type="checkbox"/> CEO <input checked="" type="checkbox"/> BOD Finance Committee <input checked="" type="checkbox"/> BOD

PSYCHIATRIC OUTPATIENT PROGRAM CLINICAL DIRECTOR AGREEMENT

by and between

PALOMAR POMERADO HEALTH,
a local healthcare district

and

CHRISTOPHER GORMAN, M.D.

July 1, 2006

PSYCHIATRIC OUTPATIENT PROGRAM CLINICAL DIRECTOR AGREEMENT

THIS PSYCHIATRIC OUTPATIENT PROGRAM CLINICAL DIRECTOR AGREEMENT (“Agreement”) is entered into as of July 1, 2006, by and between Palomar Pomerado Health, a local health care district organized under Division 23 of the California Health and Safety Code (“PPH”), and Christopher Gorman, M.D., an individual (“Director”). PPH and Clinical Director are sometimes referred to in this Agreement individually as a “Party” or, collectively, as the “Parties.”

RECITALS

A. Among other things, PPH owns and operates an acute care hospital facility, known as Palomar Medical Center (“PMC”), located at 555 East Valley Parkway, Escondido, CA 92025. PMC operates a Psychiatric Outpatient Program (the “Program”) under its acute care license.

B. Director is licensed to practice medicine in the State of California, board certified for the practice of medicine in the specialty of Psychiatry (the “Specialty”), and a member in good standing of PPH’s medical staff (the “Medical Staff”).

C. PPH desires to engage Director as an independent contractor to provide medical and administrative oversight with respect to the Program and PPH believes that this proposed arrangement with Director will enhance the organization, procedure standardization, economic efficiency, professional proficiency, and provide other benefits to enhance coordination and cooperation among providers and user of the Program.

D. Director has the following qualifications and expertise to provide the services described in this Agreement: licensed physician and a member in good standing of Palomar Medical Center’s medical staff.

E. PPH has considered the following factors in determining the necessity and amount of compensation payable to Director pursuant to this Agreement:

1. The nature of Director’s duties set forth in Exhibit A, which is attached hereto and incorporated herein.
2. Director’s qualifications as described herein.
3. The difficulty in obtaining a qualified physician to provide the services described in this Agreement.
4. The benefits to PPH and the surrounding community resulting from Director’s performance of the services described in this Agreement.
5. The economic conditions locally and in the health care industry generally.

**PALOMAR POMERADO HEALTH
MEDICAL CONSULTANT-DIABETESHEALTH**

TO: Board Finance Committee

MEETING DATE: Tuesday, December 5, 2006

FROM: Sheila Brown, R.N., M.B.A., Chief Clinical Outreach Officer
Kris Hedges, M.B.A., System Director, DiabetesHealth

BACKGROUND: This is a request to approve the Medical Consultant Agreement with Timothy Bailey, M.D. Dr. Bailey will provide Clinical Consultancy and guidance to the Medical Director of DiabetesHealth. This program provides needed services to inpatients and outpatients who suffer from diabetes.

BUDGET IMPACT: No Budget Impact

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
	TITLE	Medical Consultant Agreement – Palomar Pomerado Health DiabetesHealth Timothy Bailey, M.D.
	AGREEMENT DATE	July 1, 2006
	PARTIES	1) PPH 2) Timothy Bailey, M.D.
Recitals E	PURPOSE	PPH desires to retain Medical Consultant as an independent contractor to provide certain services (“Services”) in the operation of the Department and has determined that this proposed arrangement with Medical Consultant will enhance the Departments’ organization, procedure standardization, economic efficiency, professional proficiency, and provide other benefits to enhance coordination and cooperation among the Departments’ providers and users.
Exhibit A	SCOPE OF SERVICES	Timothy Bailey, M.D., shall assist the Medical Director to provide the overall medical direction of the Department and insure that professional standards of care and ethical practice are adhered in all situations of patient care.
	PROCUREMENT METHOD	<input type="checkbox"/> Request for Proposal <input checked="" type="checkbox"/> Discretionary
4.1	TERM	July 1, 2006 through June 30, 2008
	RENEWAL	N/A
4.3 4.4	TERMINATION	a. Immediately for cause b. Not less than 90 days of written notice without cause
3.1	COMPENSATION METHODOLOGY	Monthly payment on or before the 15 th of each month with supporting documentation of the prior month’s time records.
	BUDGETED	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO - IMPACT: None.
	EXCLUSIVITY	<input checked="" type="checkbox"/> NO <input type="checkbox"/> YES – EXPLAIN:
	JUSTIFICATION	To ensure that Medical Director has appropriate and necessary clinical (Endocrinology) resources.
	POSITION NOTICED	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO METHODOLOGY & RESPONSE: Posted in Medical Staff Offices for 30 days
	ALTERNATIVES/IMPACT	
Exhibit E	DUTIES	<input checked="" type="checkbox"/> PROVISION FOR STAFF EDUCATION <input checked="" type="checkbox"/> PROVISION FOR MEDICAL STAFF EDUCATION <input checked="" type="checkbox"/> PROVISION FOR PARTICIPATION IN QUALITY IMPROVEMENT
	COMMENTS	
	APPROVALS REQUIRED	<input checked="" type="checkbox"/> Officer <input checked="" type="checkbox"/> CFO <input checked="" type="checkbox"/> CEO <input checked="" type="checkbox"/> BOD Finance Committee <input checked="" type="checkbox"/> BOD

MEDICAL CONSULTANT AGREEMENT

between

**PALOMAR POMERADO HEALTH,
a local healthcare district**

and

Timothy Bailey, M.D.

July 1, 2006



MEDICAL CONSULTANT AGREEMENT

THIS MEDICAL CONSULTANT AGREEMENT ("Agreement") is made and entered into effective July 1, 2006 by and between Palomar Pomerado Health ("PPH"), a local health care district organized pursuant to Division 23 of California Health and Safety Code ("Hospital") and Timothy Bailey, M.D. ("Medical Consultant").

R E C I T A L S

A. Hospital is the owner and operator of Palomar Medical Center ("PMC"), a general acute care hospital located at 555 East Valley Parkway, Escondido, California and Pomerado Hospital ("Pomerado"), a general acute care hospital located at 15615 Pomerado Road, Poway, California (collectively referred to as "Hospitals").

B. Medical Consultant is a physician who is qualified and licensed to practice medicine in the State of California, is experienced and qualified in the specialized field of Endocrinology or Internal Medicine, and who is a member of the Medical Staff of Hospitals ("Medical Staff").

D. PPH operates Diabetes Health departments in both of its Hospitals that are dedicated to community education and the improvement of the glycemic health of patients in the community on an inpatient and outpatient basis ("Diabetes Health"). Diabetes Health departments at Hospitals are equipped by PPH and staffed by PPH employees.

E. PPH desires to retain Medical Consultant as an independent contractor to provide certain services ("Services") in the operation of the Department and has determined that this proposed arrangement with Medical Consultant will enhance the Departments' organization, procedure standardization, economic efficiency, professional proficiency, and provide other benefits to enhance coordination and cooperation among the Departments' providers and users.

F. PPH and Medical Consultant acknowledge and agree that this Agreement shall supercede the agreements, if any, previously entered into by the parties for the provision of Services.

G. It is the intent of both PPH and Medical Consultant that the terms and conditions of this Agreement, and the manner in which services are to be performed hereunder, fulfill and comply with all applicable requirements of any applicable "safe harbor" or exception to Stark I and II including, but in no way limited to, the applicable requirements set forth in regulations promulgated by the Department of Health and Human Services, Office of Inspector General, and in the Ethics in Patient Referral Act.

Expansion of the Second Site Service
Center for Wound Care and Hyperbaric Medicine
San Marcos, California

TO: Board Finance Committee

DATE: Tuesday, December 5, 2006

FROM: Sheila Brown, MBA, Chief Officer Clinical Outreach Services
LeAnne Cooney, Senior Financial Analyst
Bob Hemker, Chief Financial Officer
Ann Moore, RN, MSN, CWCN System Director Wound Care & Hyperbaric Medicine

BACKGROUND: Since 1997, Palomar Pomerado Health has successfully provided wound care management to patients in North San Diego County who were experiencing chronic, non-healing wounds. In May of 2005, the PPH Administrative team partnered with Diversified Clinical Services to add hyperbaric oxygen to the services provided at the Center for Wound Care and Hyperbaric Medicine.

The financial results for the PPH Center for Wound Care and Hyperbaric Medicine for fiscal year 2006 showed a contribution margin of \$526,676. Overall patient satisfaction scores remain in the 99th percentile, and employee satisfaction is in the 95th percentile.

To further the continuum of wound care management from a comprehensive quality, best practice and financial standpoint, approval of an additional site of service in the San Marcos area is requested (*a Business Plan is attached as Addendum B*). Capital allocation – strategic initiatives – estimated at \$930,000 (actual will depend on specific site).

BUDGET IMPACT: The 5-year projections for the San Marcos site are anticipated to produce a cumulative cash flow of \$661,835, with an Internal Rate of Return of 21%. Total payback on the capital investment is projected at 43 months. Projected income for Pomerado and the San Marcos site is estimated at \$527,000 in year 1, increasing steadily to \$915,000 in year 5.

STAFF RECOMMENDATION: Staff recommends approval.

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

Palomar - San Marcos
Wound Care and Hyperbaric Medicine
2007 Pro Forma ¹
Annual Revenue/Income Projections By Patient Volume

Hospital wage index 1.1406 Year1 Year2 Year3 Year4 Year5

Number of annual new patient registrations 310 360 390 420 450

REVENUE	HOSPITAL-PROVIDED PAYER MIX				
Evaluation & Management (E&M)	\$193,288	\$226,288	\$245,146	\$264,003	\$282,860
Debridements & Other Wound Care Procedures	\$495,371	\$579,946	\$628,275	\$676,604	\$724,933
Hyperbaric Oxygen (HBO)	\$573,549	\$671,472	\$727,427	\$783,383	\$839,339
Outpatient Surgery Revenue (net)	\$0	\$0	\$0	\$0	\$0
Total Net Revenue To Hospital	\$1,262,207	\$1,477,706	\$1,600,848	\$1,723,990	\$1,847,133

EXPENSE					
Typical Staffing Expense ²					
Program Director	\$103,125	\$115,875	\$119,351	\$122,932	\$126,620
Clinical Coordinator	\$97,396	\$109,438	\$112,721	\$116,102	\$119,585
Hyperbaric Safety/Technical Director	\$51,563	\$57,938	\$59,676	\$61,466	\$63,310
Certified Nurse Assistant (s)	\$42,900	\$48,204	\$49,650	\$51,140	\$52,674
Administrative Assistant	\$42,900	\$48,204	\$49,650	\$51,140	\$52,674
Administrative Specialist	\$0	\$0	\$0	\$0	\$0
RN(s) (full/part-time as required)	\$110,700	\$133,488	\$156,663	\$181,692	\$208,575
HBOT Technician(s) (full/part-time as required)	\$0	\$54,981	\$64,527	\$74,836	\$85,909
Total Staffing Expense (incl. Benefits and Payroll Taxes):	\$448,583	\$568,127	\$612,238	\$659,307	\$709,346
Non-Staff Expense					
web-based Data Tracking and Outcomes System with Integrated Digital Photography [WoundStar® or Wound Expert for example]				Provided and paid for by Diversified Clinical Services	
Training ³				Provided and paid for by Diversified Clinical Services	
Community Education ⁴				Provided and paid for by Diversified Clinical Services	
Maintenance of Hyperbaric Chambers and Related Equipment				Provided and paid for by Diversified Clinical Services	
Discretionary Advertising Media Expense	\$27,000	\$27,000	\$29,250	\$31,500	\$33,750
Wound Care Supplies	\$36,900	\$43,200	\$50,700	\$58,800	\$67,500
Provision for Bad Debts	\$0	\$0	\$0	\$0	\$0
Miscellaneous	\$25,244	\$29,554	\$34,685	\$40,226	\$46,178
Oxygen for HBO Chambers	\$8,610	\$10,080	\$10,920	\$11,760	\$12,600
Laundry Service	\$3,690	\$4,320	\$5,070	\$5,880	\$6,750
Utilities	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000
Medical Director Stipend				Provided and paid for by Diversified Clinical Services	
Rent (typically 2,500-5,000 sq. ft.)	\$0	\$0	\$0	\$0	\$0
Total Non-Staff Expense:	\$104,444	\$117,154	\$133,625	\$151,166	\$169,778
Capital Expenditure - Depreciation Years amort.					
Monoplace Hyperbaric Chambers, Transcutaneous O ₂ Monitors				Provided and paid for by Diversified Clinical Services	
Examination Chairs & Lights				Provided and paid for by Diversified Clinical Services	
Renovation Costs including O ₂ supply 10	\$93,286	\$93,286	\$93,286	\$93,286	\$93,286
Total Capital Expenditure:	\$93,286	\$93,286	\$93,286	\$93,286	\$93,286
Management Fees to Diversified Clinical Services ⁵					
Wound Care Fee (based on # of visits/procedures)	\$138,935	\$162,656	\$190,895	\$221,393	\$254,150
HBO Fee (based on # of treatments)	\$126,825	\$148,478	\$174,256	\$202,096	\$231,998
Total Management Fees to Diversified Clinical Services:	\$265,761	\$311,134	\$365,151	\$423,488	\$486,147
Total Expenses To Hospital	\$912,074	\$1,089,702	\$1,204,299	\$1,327,248	\$1,458,557

ANNUAL INCOME TO HOSPITAL					
Less: Reduction in Pomerado volumes (to San Marcos)	-\$349,599	-\$174,800	\$0		
Less Increase In Accounts Receivable	(\$246,284)		(\$20,524)	(\$20,524)	(\$20,524)
Add Increase In Accounts Payable	\$25,928		\$4,501	\$4,861	\$5,222
Add back Depreciation (Non-Cash)	\$93,286	\$93,286	\$93,286	\$93,286	\$93,286
Less Initial Capital Investment By Hospital (2 & 3)	(\$932,857)				
Net Cash Flow	(\$1,059,393)	\$306,491	\$473,813	\$474,366	\$466,559

Cumulative Cash Flow **\$661,835**

IRR **21%**

Payback, Months **43**

Contract Type: P

October 2006 & Fiscal YTD 2007 Financial Report

TO: Board Finance Committee

MEETING DATE: Tuesday, December 5, 2006

FROM: Robert Hemker, CFO

Background: The Board Financial Reports (unaudited) for October 2006 and Fiscal YTD 2007 are submitted for the Committee's approval (*Addendum C*).

Budget Impact: N/A

Staff Recommendation: Staff recommends approval.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time: