PALOMAR POMERADO HEALTH

SPECIALIZING IN YOU

JOINT MEETING OF THE FINANCE & QUALITY REVIEW COMMITTEES OF THE BOARD

Posted
Mailed (US & E-mail)
Faxed
Friday, July 25, 2008

Tuesday, July 29, 2008
5:30 p.m. (Buffet dinner for Committee Members & Invited Guests *only*)
6:00 p.m. Meeting

Palomar Medical Center
555 East Valley Parkway, Escondido, CA
Graybill Auditorium

JOINT BOARD FINANCE & QUALITY REVIEW COMMITTEE MEETING AGENDA

	Time	Page	Target
CALL TO ORDER			**6:00 p.m.**
➢ Public Comments	5		6:05 p.m.
➢ Information Item(s)	5		6:10 p.m.
1. Review: The Critical Tie Between Quality of Care and the Future Financing of Healthcare *(Addendum A)*	45	Ag2	6:55 p.m.
ADJOURNMENT TO FINANCE COMMITTEE MEETING			

BOARD FINANCE COMMITTEE MEETING AGENDA

CALL TO ORDER			**6:55 p.m.**
2. * Review/Approval: Plan of Finance – Market Update *(Addendum B)* & Updated Financial & Capital Plan	45	Ag3	7:40 p.m.
BREAK	10		7:50 p.m.
3. * Approval: Finance Committee Minutes – Tuesday, July 1, 2008 *(Addendum C)*	5	Ag4	7:55 p.m.
4. * Review/Approval: Physician Recruitment Agreement • Osman S. Khawar, MD, and Palomar Medical Group, Inc. – Internal Medicine	5	Ag5-7	8:00 p.m.
5. * Approval: General Obligation Bonds – Tax Levy 2008-2009 *(Addendum D)*	5	Ag8	8:05 p.m.
6. * Approval: Establishment of Appropriations Limit for FY2009 *(Addendum E)*	5	Ag9	8:10 p.m.
7. * Approval: June 2008 & YTD FY2008 Financial Report – Statistical Indicators *(Addendum F)*	15	Ag10	8:25 p.m.
FINAL ADJOURNMENT			**8:25 p.m.**

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

The Critical Tie Between Quality of Care and the Future Financing of Healthcare

TO: Joint Board Finance/Quality Review Committee Meeting

MEETING DATE: Tuesday, July 29, 2008

BY: Opal Reinbold, Chief Quality Officer

Background: As a part of our ongoing engagement/education efforts with our Board members, the Board Quality Review and Finance Committees are holding two joint meetings during 2008 and 2009. The first session, July 29, 2008, is designed to discuss the key quality/finance issues presenting challenges to the PPH Health District. Opal Reinbold, Chief Quality Officer, and Bob Hemker, Chief Financial Officer, will present an overview, with input from key staff.

The January 2009 combined session will provide the results of the action plans presented at the July meeting.

Budget Impact: The ramifications of the Centers for Medicare and Medicaid Services (CMS) past and present agendas have impacted and will impact our future budget process going forward.

Staff Recommendation: Staff recommendations are imbedded in the presentation *(Addendum A).*

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

Plan of Finance – Updated Financial & Capital Plan

TO: Board Finance Committee

MEETING DATE: Tuesday, July 29, 2008

FROM: Bob Hemker, CFO

Background: At its July 13, 2004, Board of Directors meeting, the Board adopted the $753 million Facilities Master Plan (FMP) as recommended by the Strategic Planning Committee at its July 12, 2004, meeting. With the adoption of the FMP, the Plan of Finance to fund the FMP was finalized by the Financing Team and approved by the Board of Directors at its August 4, 2004, meeting. Included in the approval of the final FMP and the Integrated Plan of Finance was the use of a General Obligation Bond Measure ($496 million), issuance of Revenue Bonds, and the balance from Cash/Philanthropy to fund the FMP. At its December 20, 2005, Board of Director's Strategic Planning Committee Meeting, the Committee, full Board invited, reviewed the current development of the FMP, including design, project scope, and updated cost estimates. As a result of then-current market conditions, notably increased material and labor costs, and refinement of project definition within the approved FMP, the project costs had increased from a total of $753 million to approximately $983 million. At that time, the Board requested that Management and the Financing Team assess the impact on PPH's debt capacity and update the Plan of Finance, which was done as part of the 2006 Certificates of Participation issuance.

Various financing and funding vehicles have been evaluated and utilized to fund the FMP. These vehicles include Tax-Exempt Revenue Bonds/Certificates of Participation, General Obligation Bonds, Cash Reserves, and Philanthropy. To date the following debt instruments have been issued:

- General Obligation Bonds, Election of 2004, Series 2005A – July 7, 2005, $80 million
- Certificates of Participation, Series 2006A – December 7, 2006, $60 million
- Certificates of Participation, Series 2006B – December 7, 2006, $60 million
- Certificates of Participation, Series 2006C – December 7, 2006, $60 million
- General Obligation Bonds, Election of 2004, Series 2007A – December 20, 2007, $241.08 million

The 2006 Certificates of Participation issues included the refunding of the 1993 Revenue Bonds, utilized auction rate securities – synthetic fixed rate indebtedness, and resulted in approximately $127 million of new money project proceeds.

The Financing Team is currently assessing options for the next issuance of money both in amount as well as the type of instrument – General Obligation Bond or Revenue Bond. Inclusive to this assessment are debt capacity and any impact on the targeted tax levy of $17.75/$100,000. To assess the options, the Plan of Finance has been updated to reflect current operating results and the Board-approved operating and Capital budgets for FY09. The updated Financial and Capital Plan will be presented and reviewed. Management will make a recommendation as to type of instrument to be issued for the next issue of debt and actions needed to be taken, if any, on current debt.

In addition, current external market conditions are affecting not only the issued debt but also, upcoming debt issues. As such, a Market Update will also be presented and reviewed *(Addendum B)*.

Budget Impact: No change in current Board-approved FMP of $982 million

Plan of Finance – Updated Financial & Capital Plan

Staff Recommendation: Management recommends approval of the updated Financial and Capital Plan dated July 29, 2008.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

Minutes
Finance Committee – Tuesday, July 1, 2008

TO: Board Finance Committee

MEETING DATE: Tuesday, July 29, 2008

FROM: Tanya Howell, Secretary

BY: Bob Hemker, CFO

Background: The minutes of the Board Finance Committee meeting held on Tuesday, July 1, 2008, are respectfully submitted for approval *(Addendum C)*.

Budget Impact: N/A

Staff Recommendation: Staff recommends approval of the Tuesday, July 1, 2008, Board Finance Committee minutes.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

Physician Recruitment Agreement

TO: Board Finance Committee

MEETING DATE: Tuesday, July 29, 2008

FROM: Lisa Hudson, Director, Physician & Business Development

Background: The PPH community lacks an adequate number of internal medicine physicians as verified by Medical Development Specialists, a national consulting firm that specializes in physician manpower studies. PPH has an established physician recruitment program and has allocated resources to attract additional Internal Medicine physicians to relocate to Inland North San Diego County. Osman Khawar, M.D., and Palomar Medical Group, Inc., have signed a PPH Physician Recruitment Agreement dated June 20, 2008, in order for Dr. Khawar to join Palomar Medical Group, Inc., and establish a practice in their Escondido and San Marcos offices, with an effective date of August 1, 2008, to begin his practice.

Budget Impact: None

Staff Recommendation: Approval of the Physician Recruitment Agreement with Osman Khawar, M.D., and Palomar Medical Group, Inc., and recommend approval by the full Board of Directors.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

PALOMAR POMERADO HEALTH - AGREEMENT ABSTRACT

Section Reference	Term/Condition	Term/Condition Criteria
	TITLE	Physician Recruitment Agreement—Internal Medicine
	AGREEMENT DATE	June 20, 2008, Start date August 1, 2008
	PARTIES	1) PPH 2) Osman Khawar, M.D. 3) Palomar Medical Group, Inc.
Recitals	**PURPOSE**	Provide recruitment assistance to enable Dr. Khawar to establish a practice within Palomar Medical Group, Inc.
Article 4	**SCOPE OF SERVICES**	Dr. Khawar will establish a full-time Internal Medicine and Nephrology practice in Palomar's Escondido & San Marcos offices, and will participate in government-funded programs.
2.1; 2.2; 6.2; 6.4; 6.5	**TERM**	1 year of income assistance; two year repayment/forgiveness period
Recruitment procedure D.2	**RENEWAL**	None available
Article 8; 9.17	**TERMINATION**	Contract stipulates conditions for termination
Article 2	**COMPENSATION METHODOLOGY**	For monthly income guarantee physician/group will submit monthly report of expenses and collections. For relocation and start-up cost assistance physician/group will submit receipts.
	BUDGETED	X **YES** ☐ **NO** – **IMPACT:** None
5.1; 9.19	**EXCLUSIVITY**	X **NO** ☐ **YES – EXPLAIN:** Government prohibits hospitals from requiring physician to exclusively have privileges or make referrals only to their hospital. The contract does include a non-compete clause.
	PHYSICIAN MANPOWER STUDY	Medical Development Specialists, a national consulting firm who performed our Physician Manpower Study, completed an analysis which confirmed there is a justifiable community need for this recruitment
	EXTERNAL FINANCIAL VERIFICATION	X **YES** ☐ **NO** **Methodology:** Medical Development Specialists (MDS) developed a pro forma for the practice to establish the contract value to cover income guarantee and cash flow needs. MDS also provided the market comparison to establish an appropriate income guarantee.
	LEGAL COUNSEL REVIEW	X **Yes** ☐ **NO** No exceptions to the standard agreement. Legal Counsel has approved this contract.
	APPROVALS REQUIRED	X CPO X General Counsel X CFO X CEO X BOD Finance Committee on July 29, 2008 X BOD

PRACTICE RECRUITMENT AGREEMENT
BETWEEN PALOMAR POMERADO HEALTH,
PALOMAR MEDICAL GROUP, INC.
AND
OSMAN S. KHAWAR, M.D.

This is an Agreement dated June 20, 2008 (**"Agreement"**) between Palomar Pomerado Health, a California health district organized under Section 23 of the Health and Safety Code (**"PPH**"), Palomar Medical Group, Inc. ("**Group**"), and Osman S. Khawar, M.D. (**"Physician**") (collectively the "**parties**").

PPH owns and operates Palomar Medical Center, an acute-care hospital located in Escondido, California, and Pomerado Hospital, an acute-care hospital in Poway, California (collectively "**PPH**"). The service area of PPH includes, but is not limited to, north San Diego County and other surrounding communities (**"Service Area**").

PPH has determined that a portion of its Service Area has substantial unmet medical needs, evidenced by a population that is rapidly expanding and that is in need of services in Physician's medical specialty. PPH has further determined that under available benchmark criteria, the number of physicians in its Service Area practicing in Physician's medical specialty is insufficient to serve current and potential patients in need of such services.

PPH's Service Area has not proven sufficiently appealing on its own to attract and retain a suitable number of physicians in Physician's specialty. The Board of Directors of PPH has determined that it is within PPH's mission to recruit a physician in Physician's specialty who is willing to locate a medical practice in PPH's service area, join the medical staff of PPH and an appropriate physician group, provide a reasonable amount of charity care, and serve the medical needs of the community.

Group is a **professional corporation** comprised of licensed medical doctors who provide medical care in the Service Area. Group seeks to cooperate with PPH in recruiting a qualified physician to join Group and provide medical care in the Service Area.

Physician is a medical doctor specializing in **internal medicine and nephrology** who has not previously practiced that specialty in the Service Area. Physician is willing to join Group and establish a medical practice in **San Marcos,** California, on the terms and conditions set forth below, and PPH is willing to provide assistance to Physician and make certain advances to Group for the benefit of Physician to help establish such a practice:

Therefore, the parties agree as follows:

General Obligation Bonds – Tax Levy 2008-2009

TO: Board Finance Committee

DATE: Tuesday, July 29, 2008

FROM: Bob Hemker, CFO

Background: In July 2005, the first tranche of General Obligation ("GO") Bonds was issued. The Series was priced in a negotiated sale on June 22, 2005, for $80 million PAR in Bonds. The Bond transaction closed on July 7, 2005.

In December 2007, the second tranche of GO Bonds was issued. The Series was priced in a negotiated sale on December 4, 2007, for $241.08 million PAR in Bonds. The Bond transaction closed on December 20, 2007.

On an annual basis, PPH has requested that the County of San Diego levy and collect the taxes necessary to pay the debt service on the GO Bonds. PPH calculates the tax amount to levy based upon the debt service amortization and the assessed value of the District. The assessed value is provided by the County. The County then puts the required tax onto the tax roll, collects the taxes, and remits the collected amounts to the Paying Agent, Wells Fargo, on a monthly basis. The Paying Agent makes the required principal and interest payments on a semi-annual basis.

The resolution included in Addendum D will authorize the County of San Diego to levy and collect the required *ad valorem* taxes for the 2008-2009 tax roll in the amount of $17.75/$100,000 of assessed value.

Budget Impact: N/A

Staff Recommendation: Management recommends that the Board approve the resolution authorizing the County of San Diego to levy and collect the required *ad valorem* taxes for the 2008-2009 tax roll in the amount of $17.75/$100,000 of assessed value.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

Establishment of Appropriations Limit for Fiscal Year 2009

TO: Board Finance Committee

MEETING DATE: Tuesday, July 29, 2008

FROM: Robert A. Hemker, CFO

BACKGROUND:

The Board of Directors of Palomar Pomerado Health annually adopts the Appropriations Limit for the district, pursuant to Article XIIIB of the California Constitution. This action requests approval of the County's Appropriations Limit for Fiscal Year 2009 *(See Addendum E).* This limit applies only to unrestricted appropriations and is not related to any appropriations that are restricted for the General Obligation Bonds.

The Appropriations Limit is calculated to be $51,058,826 for Fiscal Year 2009. The District is substantially under that limit and is expected to receive approximately $14,000,000 in unrestricted property tax revenues in Fiscal Year 2009.

BUDGET IMPACT: None

STAFF RECOMMENDATION: Approval of the adoption of the Appropriations Limit for Palomar Pomerado Health for Fiscal Year 2009.

COMMITTEE QUESTIONS:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

June 2008 & YTD FY2008 Financial Report

TO: Board Finance Committee

MEETING DATE: Tuesday, July 29, 2008

FROM: Robert Hemker, CFO

Background: As the June 2008 financial close has been extended to assure all FY2008 business transactions are recorded in the pre-audit financial statements, the preliminary statistical indicators for June 2008 and YTD FY2008 are being submitted for the Committee's approval *(Addendum F).*

Consistent with prior year year-end closings, financial statements may not be available. If available, financial information will be presented at the meeting.

Budget Impact: N/A

Staff Recommendation: Staff recommends approval.

Committee Questions:

COMMITTEE RECOMMENDATION:

Motion:

Individual Action:

Information:

Required Time:

ADDENDUM A

The Critical Tie Between Quality of Care and the Future Financing of Healthcare

Joint Quality/Finance Committees

Palomar Pomerado Health

July 29, 2008

The Reason We're All Here …

Presentation Outline

- Introduction – Overview of the current environment
- Key issues for PPH
- A preview of the future
- Action plans in place
- Questions and answers

“If you don’t know where you’re going,

you’re going to end up in the wrong place . . .”

Yogi Berra, American Statesman

Medication Errors Cost State $17.7 Billion and Cause Harm to 150,000 Californians Annually

Former State Senator Jackie Speier, Lynn Rolston, CEO of California Pharmacists Association, John Gallapaga, AARP representative, and Chair of the Senate Health Committee Sheila Kuehl at yesterday's release of report

By Frank D. Russo

Former Senator Jackie Speier returned to Sacramento unveiling of a report from a panel created by based on Resolution 49 which she authored and the legislature p report turned out to be a blockbuster, showing that erro prescription and over the counter medications are the c costs to the state and harm 150,000 Californians yearly The report by the panel provides recommendations to c significant and growing public health problem. You can report online or the 4 page Executive Summary.

While efforts have been made to address errors in hosp

June 18, 2008 - For immediate release:

Patrick Administration Announces Non-Payment Policy for 28 Serious Reportable Events

BOSTON — Representatives from across state government, in their roles as health insurance purchasers and signatories to the Commonwealth's *HealthyMass* initiative, today announced their intentions to no longer pay for costs associated with certain serious reportable health care events. The state will also no longer permit their providers to bill members for these services. This new policy makes Massachusetts the first state in the nation to establish a uniform non-payment policy across state government.

"The alignment of payment policies on serious reportable events was identified as an early

U.S. News & World Report

Monday, July 21, 2008

Nation & World | Health | Money & Business | Education | Opinion | Science | Photo | Video | Rankings |

Health Highlights: Aug. 19, 2007

Posted 8/19/07

Here are some of the latest health and medical news developments, compiled by editors of *HealthDay:*

Medicare No Longer to Pay for Preventable Hospital Errors, Injuries or Infections

Medicare is changing its cover[illegible] pay for hospital incidents that could have been prevented, according to t[illegible]

These conditions were caused [illegible]

washingtonpost.com

U.S. Health Care Still Ill, Survey Finds

Advertisement

By Steven Reinberg
HealthDay Reporter
Thursday, July 17, 2008; 12:00 AM

THURSDAY, July 17 (HealthDay News) -- Access to health care in the United States continues to elud more and more Americans, a new survey shows.

What's more, since the first "scorecard" was done in 2006, the nation's health-care system hasn't improved overall, even though the United States spends more on medical care than any other

Los Angeles Times

http://www.latimes.com/news/printedition/front/la-me-hospitals30-2008jun30,0,1424753.story
From the Los Angeles Times

Serious patient errors at California hospitals disclosed in stat filings

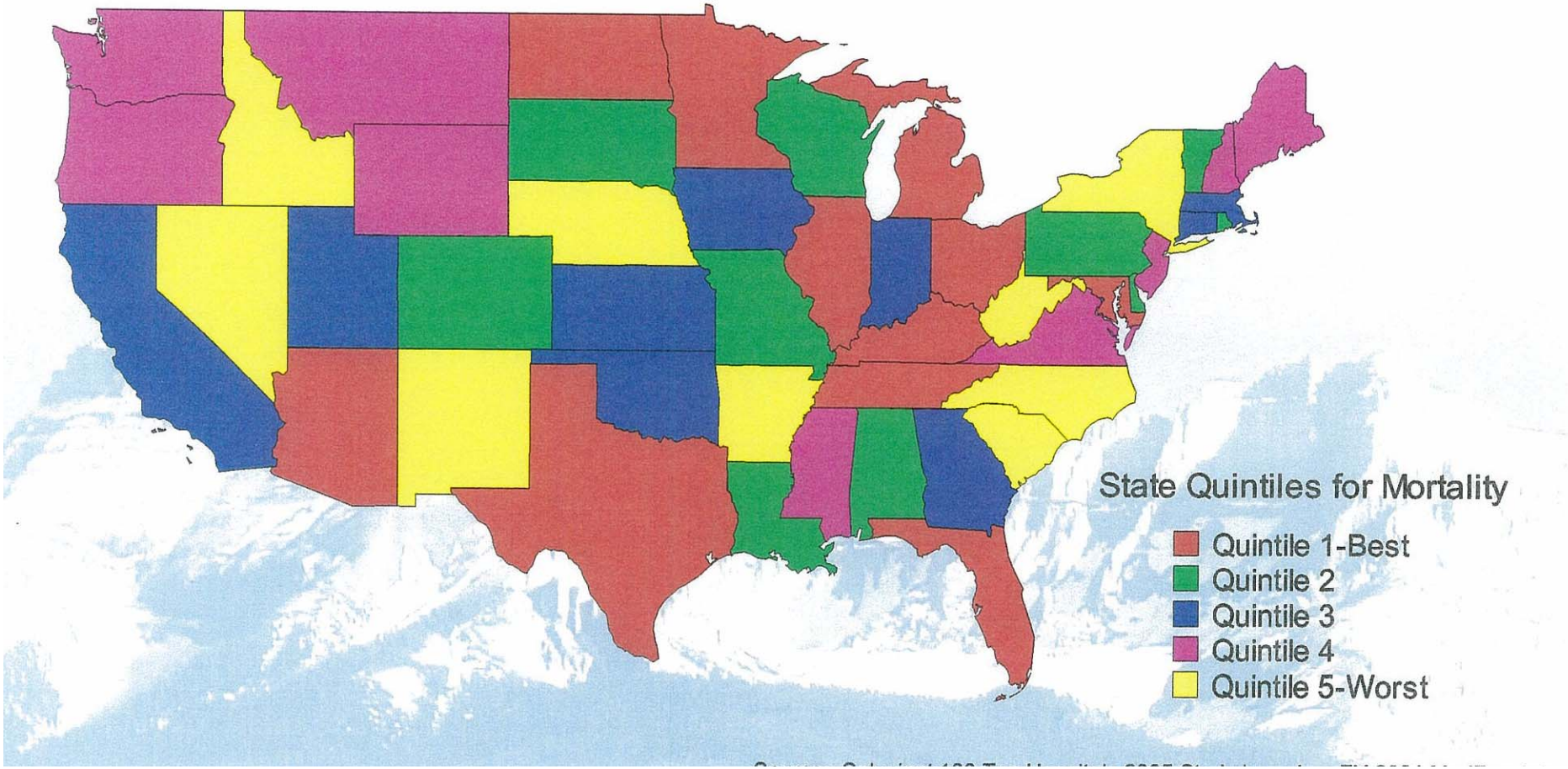
About 100 Californians a month are being harmed in adverse events considered preventable. A lawmaker proposes banning reimbursements to hospitals for some types of injuries.

By Jordan Rau
Los Angeles Times Staff Writer

June 30, 2008

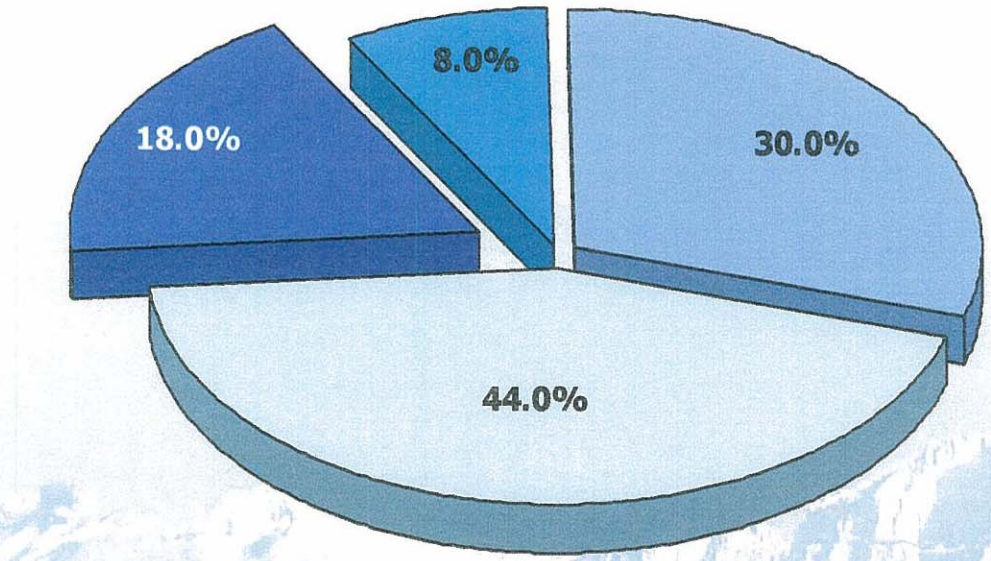
SACRAMENTO — Last October, a technician at the children's hospital at Stanford University improperly connected a ventilator hose, accidentally pumping too little oxygen into a 9-day-old infant's lungs.

Performance Varies Widely by State and by Measure Risk-Adjusted In-Hospital Mortality by Quintile



Consumers Are Beginning to Watch Outcomes

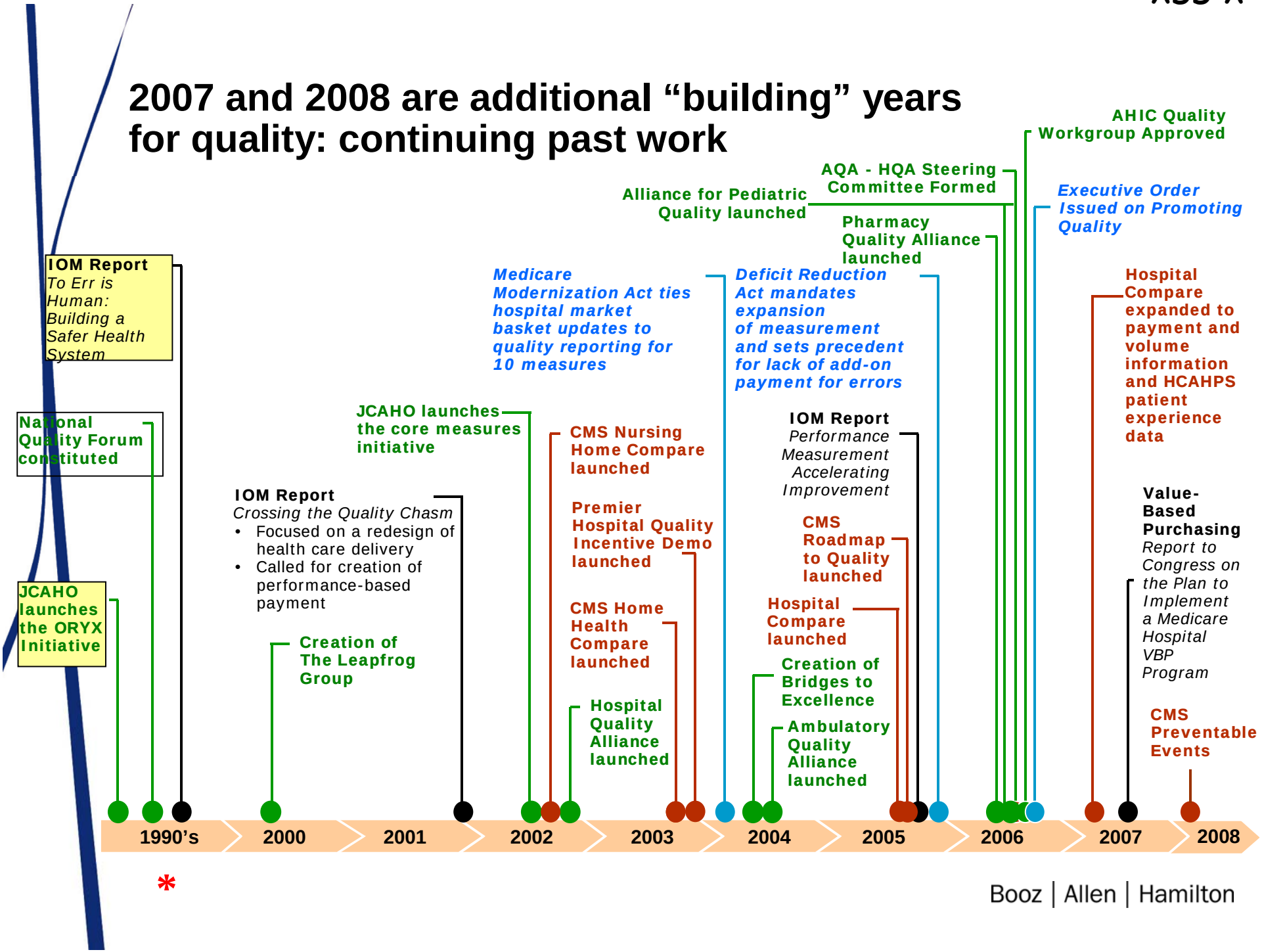
% of Adult Population Likely to Access and Be Influenced by Quality Data



CMS' Quality Improvement Roadmap

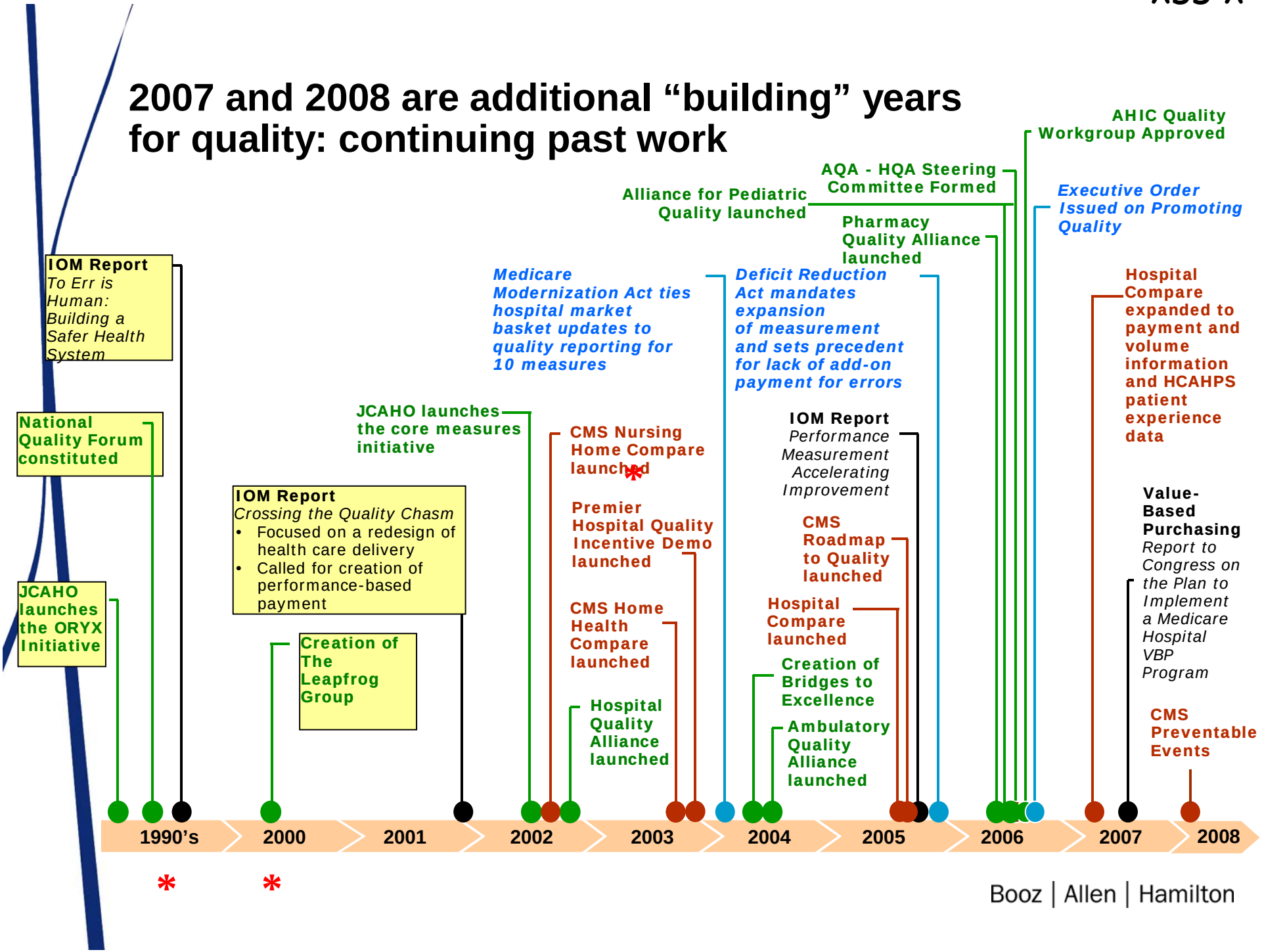
- Strategies
  - Work through partnerships
  - Measure quality and report comparative results
  - Value-Based Purchasing: improve quality and avoid unnecessary costs
  - Encourage adoption of effective health information technology
  - Promote innovation and evidence base for effective use of technology

2007 and 2008 are additional "building" years for quality: continuing past work



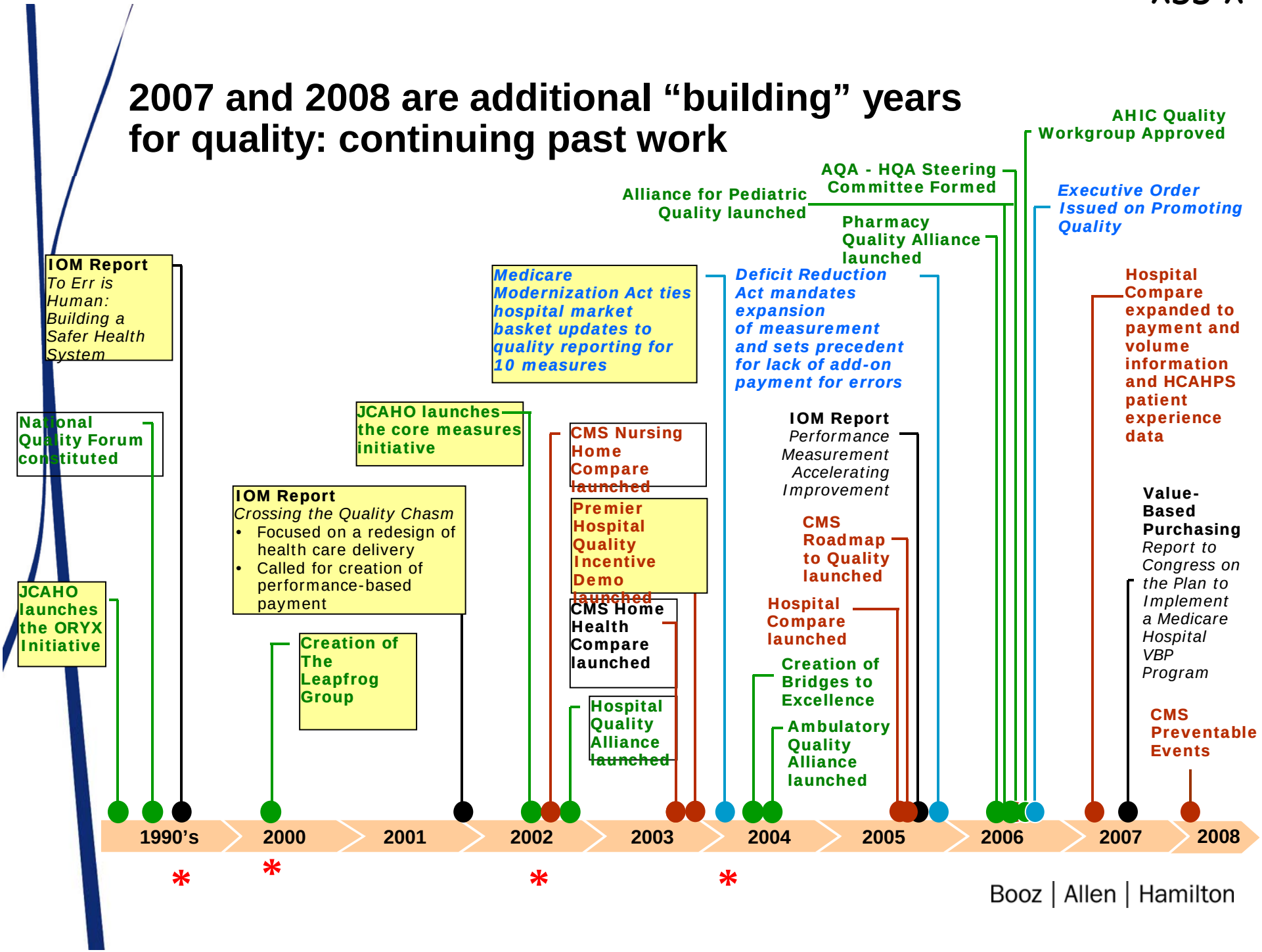
Booz | Allen | Hamilton

2007 and 2008 are additional "building" years for quality: continuing past work



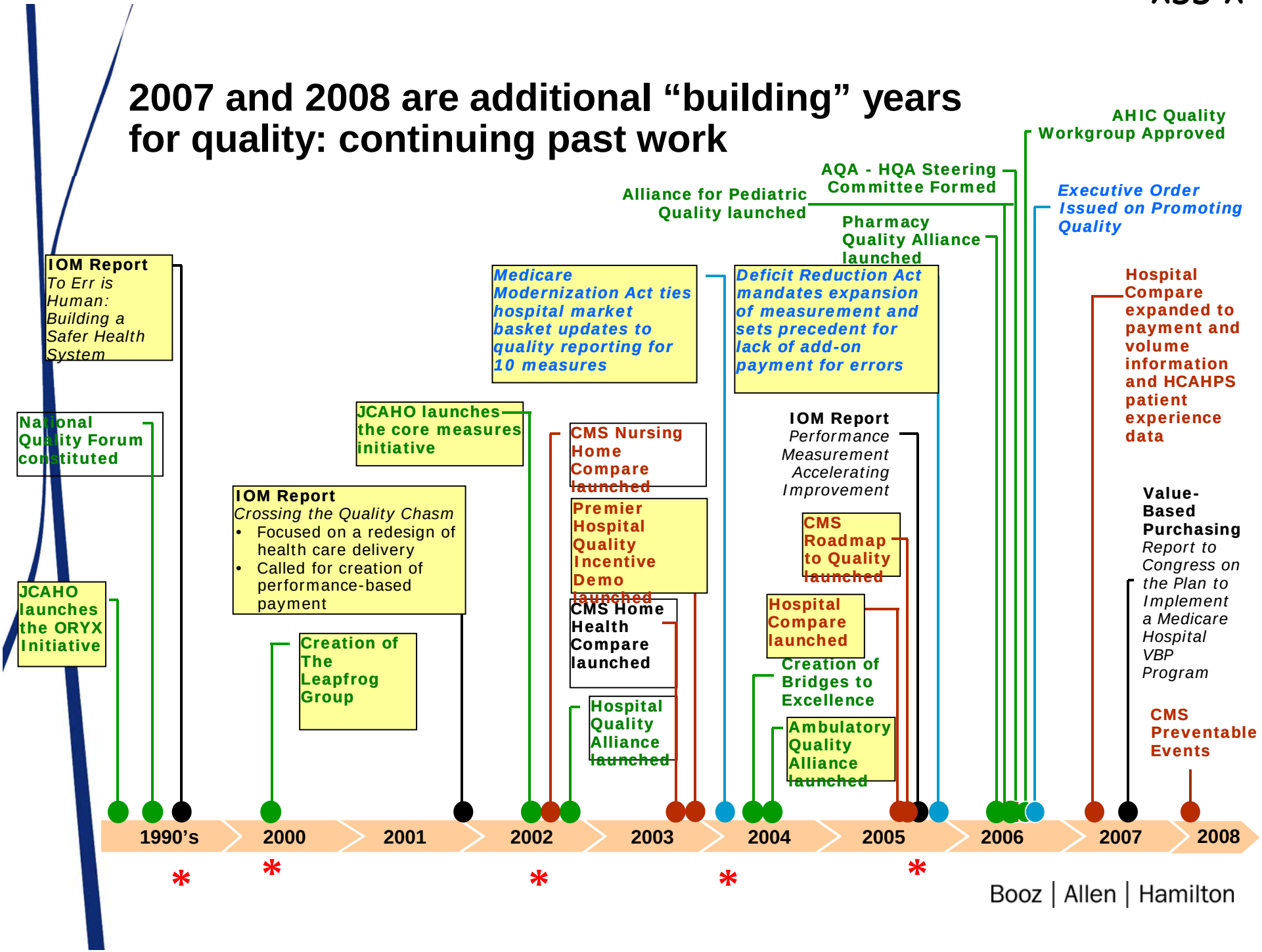
Booz | Allen | Hamilton

2007 and 2008 are additional "building" years for quality: continuing past work

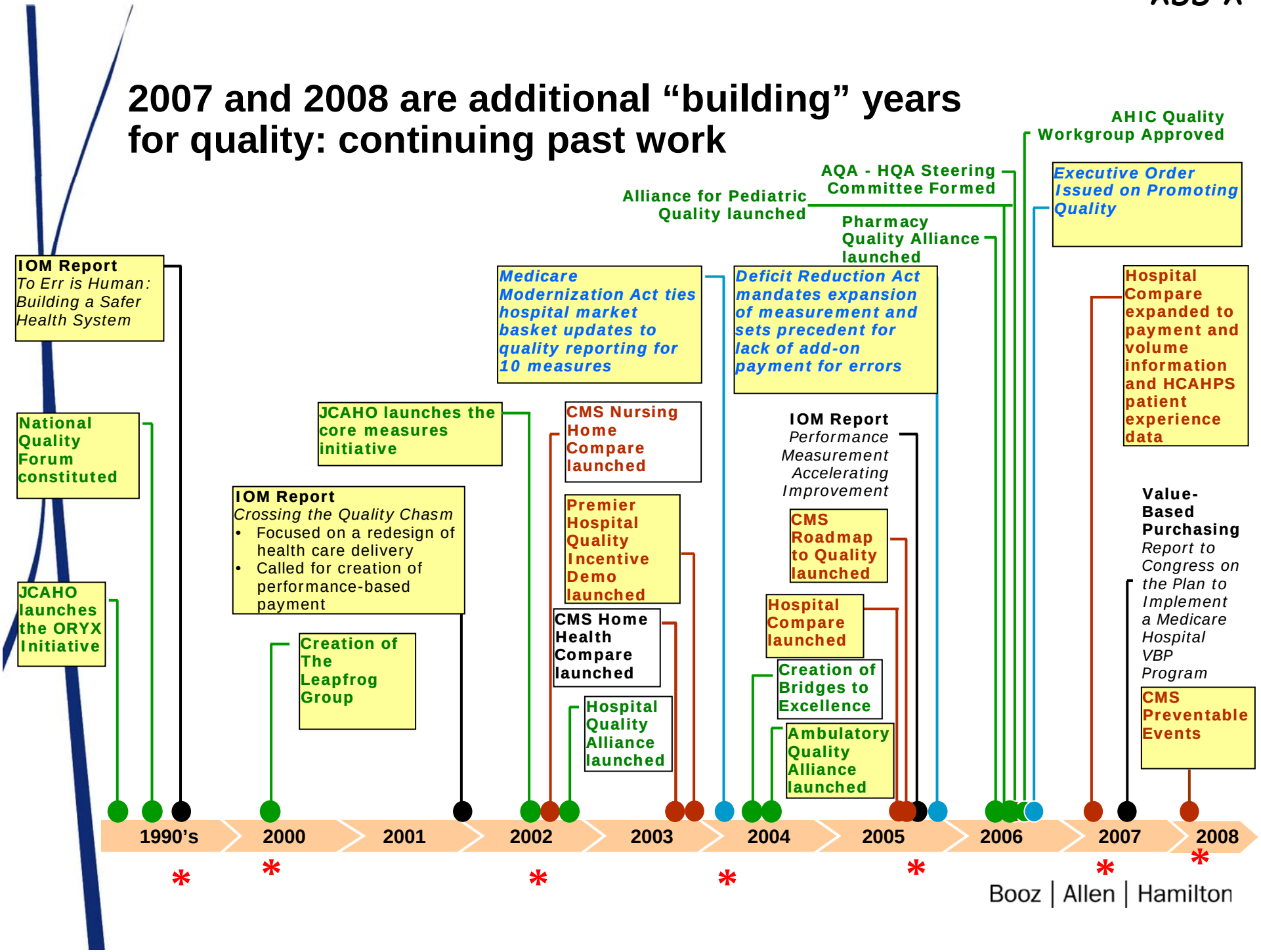


Booz | Allen | Hamilton

2007 and 2008 are additional "building" years for quality: continuing past work



2007 and 2008 are additional "building" years for quality: continuing past work



"P4P is a tsunami building offshore in a sea of stockholder unrest, threatening those who are not prepared."

– **2004 AMA Report**

CMS/Payer Strategies

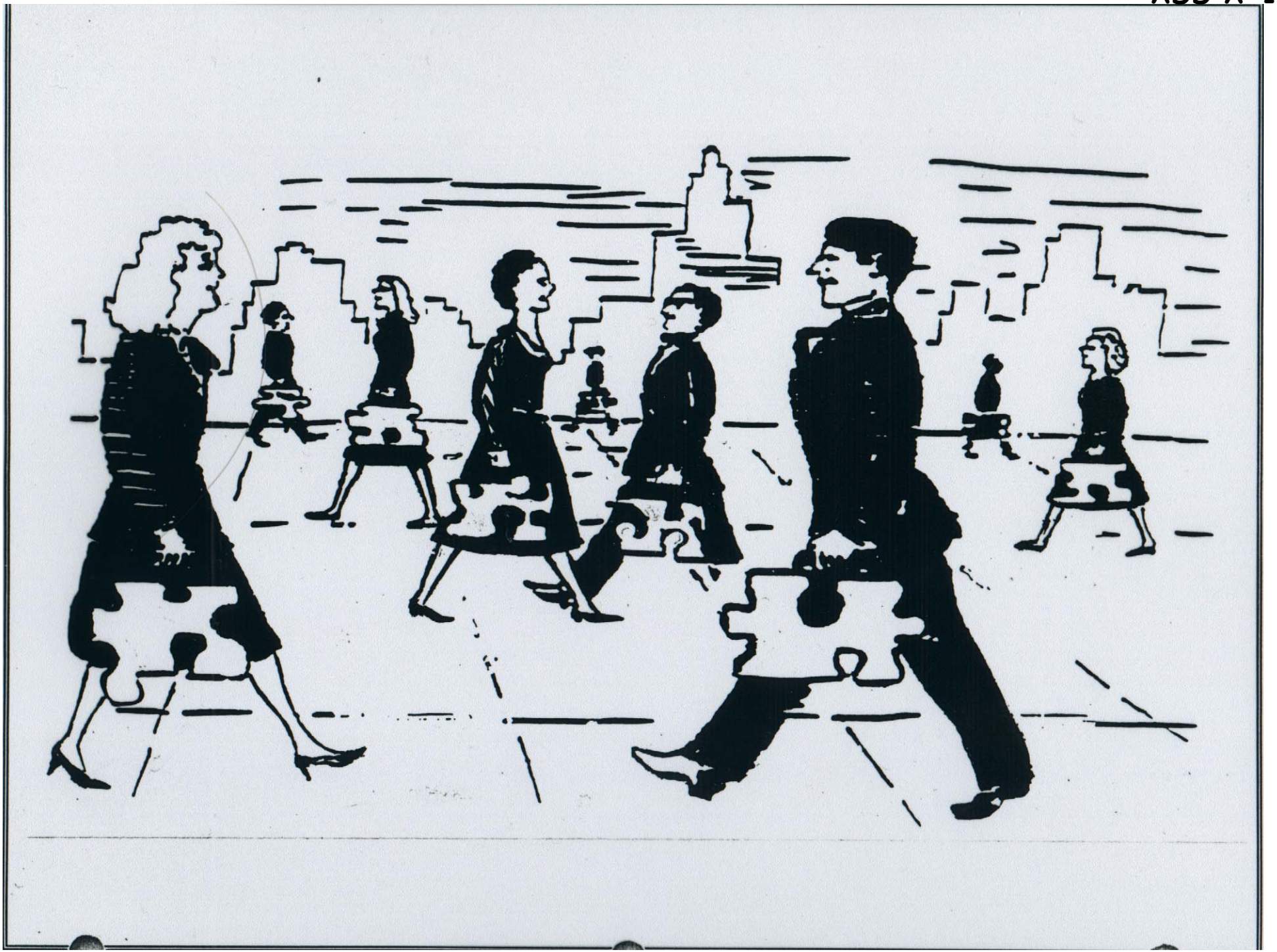
- Outcome measures
- Outcome management
  - Data analysis and assessment
  - Payment re-structuring (Value Based Purchasing)
    - Pay for Performance
    - Financial consequences of unnecessary care (MSDRG/POA/RAC)
  - Public release of data

Outcome Measures

- CMS/Premier Demonstration Project
  - 240 hospitals pilot "Pay for Performance"
  - Head start on P4P
  - Public data – US + CA
  - Patient satisfaction data/cost of care
  - Expanded to reduce payments for poor performance

Outcome Measures Cont.

- CMS/Premier Demonstration Project
  - Two national quality awards based on performance
  - $100,000 for PMC for year three performance
  - “Best Practice Models”



Next Steps in Outcomes Measures

- Outpatient measures
- Forty-three additional measures
  - Re-admission measures (HF, AMI, PNE)
    - May cost taxpayers up to $15 billion annually
  - Nursing sensitive indicators
  - Patient safety indicators
- Maximum resources
- Future – physician indicators

Payment Re-structuring - Value Based Purchasing Goals

- Improve clinical quality
- Reduce adverse events and improve patient safety
- Avoid unnecessary cost
- Empower consumers to make value-based decisions about health care through more transparency

Financial consequences of unnecessary care

- Restructure of the DRG system (more detailed documentation required)
- Present on Admission/Hospital Acquired Conditions
- RAC Audits (Recovery Audit Contractors)

Hospital Acquired Conditions

- Estimated cost: 98,000 lives annually
- As much as $12 billion a year
- Major focus on the patient at the time of initial assessment
- Major focus on physician documentation

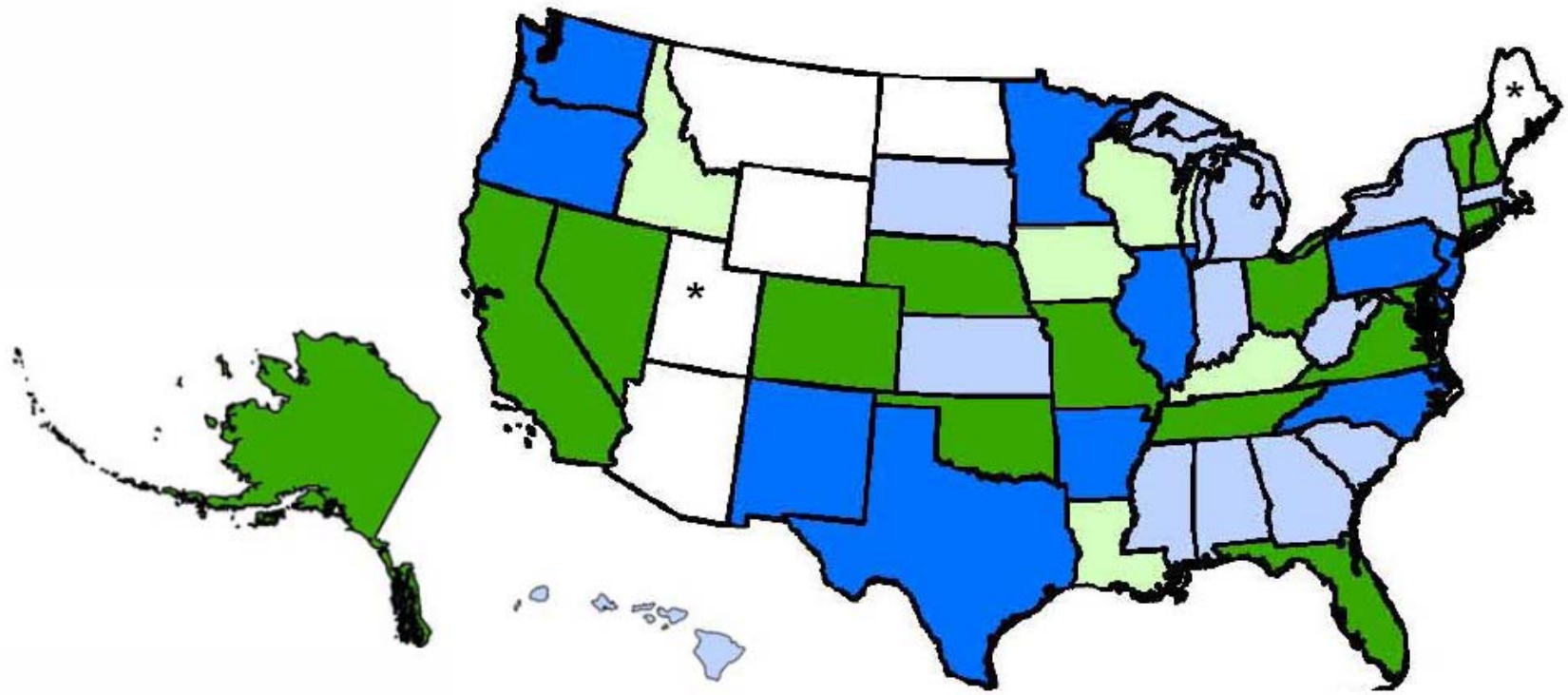
List of Hospital Acquired Conditions (As of 10/1/2007)

- Object inadvertently left in at surgery
- Air embolism
- Blood incompatibility
- Catheter associated urinary track infection
- Pressure ulcer (decubitus ulcer)
- Vascular catheter associated infection
- Surgical site infection – Mediastinitis (infection in the chest) after coronary artery bypass graft surgery
- Certain types of falls and trauma

List of Hospital Acquired Conditions (For future consideration)

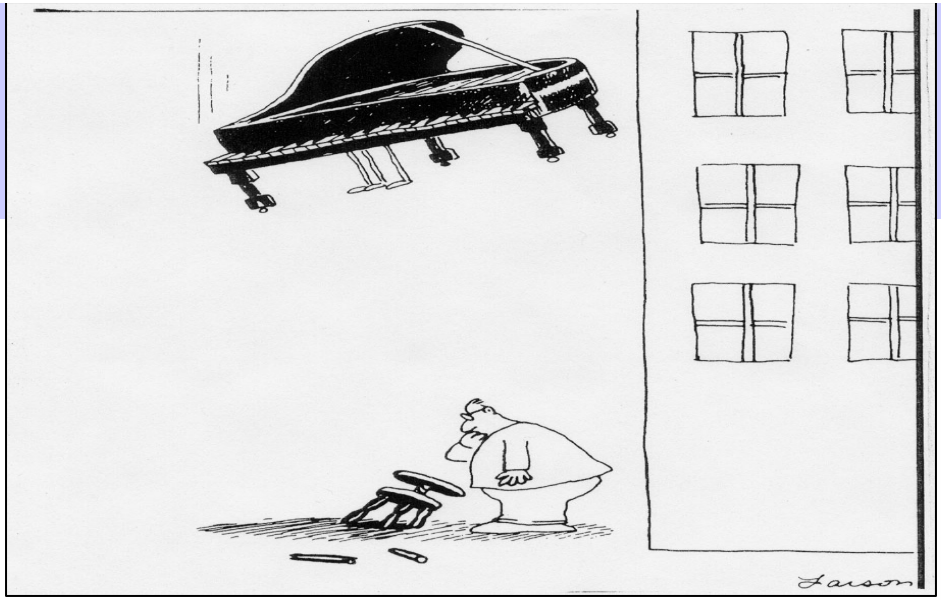
- Surgical site infection following certain elective procedures
- Legionnaire's disease (a type of pneumonia caused by a specific bacterium)
- Extreme blood sugar derangement
- Iatrogenic pneumothoraz (collapse of the lung)
- Delirium
- Ventilator-associated pneumonia
- Deep vein thrombosis/Pulmonary embolism (formation/movement of a blood clot)
- Staphylococcus aureus septicemia (blood stream infection)
- Clostridium difficile associated disease (a bacterium that causes severe diarrhea and more serious intestinal conditions such as colitis)

About half of the states now require HAI reporting and a growing number also require hospital infection-control measures



Source: Extending the Cure: Policy Responses to the Growing Threat of Antibiotic Resistance

, Booz Allen Analysis



Calif. insurers back measure on 'never events'

NEVER EVENTS

The trade group for California health insurers is supporting the prohibition on reimbursing providers for so-called "never events." The board of the California Association of Health Plans unanimously passed a resolution in favor of no longer paying for the **CMS' list** of eight never events as well as three other preventable mistakes. These medical errors include objects left in a patient's body during surgery, air embolisms, hospital-acquired infections and injuries and wrong-site or wrong-patient surgeries.

The association said it also supports a bill moving through the California Legislature that would prohibit providers from billing payers for adverse events that cause the death or injury of patients. "We want to be sensitive to making sure we are not only doing the right thing clinically but that our administrative policies are fair to all involved," said Christopher Ohman, president and chief executive officer of the association.

The association has not yet decided whether it will support banning payment for other adverse events identified by the CMS and National Quality Forum, such as delirium. "That may not meet our test," Ohman said. "How do you know something wasn't present on admission?"

The association's board is made up of healthcare executives from Aetna, Anthem Blue Cross and Blue Shield, Cigna Corp., Health Net, Kaiser Permanente, UnitedHealth Group and other insurers. The association represents 40 public and private health plans that provide coverage to more than 21 million Californians. *(Also see today's Reporter's Notebook item below.)-- by* ***Rebecca Vesely***

"What the future holds….."

Plan of Action for Hospital Acquired Conditions

- Planning meeting – July 25, 2008
  - Linda Urden
  - CNSs
  - Nursing
  - Quality
  - Case Management
- Initial assessment of patients on admission
- Patient care documentation
  - Clinical Documentation Improvement Project
- Data review and reporting
- Ongoing action items – Best Practice Steering

The National Quality Forum has identified 28 never events

- **Surgical Events**
  - Surgery performed on the wrong body part
  - Surgery performed on the wrong patient
  - Wrong surgical procedure on a patient
  - Unintended retention of a foreign object in a patient after surgery or other procedure* *changed*
  - Intraoperative or immediately post-operative death in a normal healthy patient in an ASA class I patient
- **Product or Device Events**
  - Patient death or serious disability associated with the use of contaminated drugs, devices, or biologics provided by the healthcare facility
  - Patient death or serious disability associated with the use or function of a device in patient care in which the device is used or functions other than as intended
  - Patient death or serious disability associated with intravascular air embolism that occurs while being cared for in a healthcare facility
- **Care Management Events**
  - Artificial insemination with the wrong donor sperm or donor egg* *new event*
  - Patient death or serious disability associated with a medication error (e.g., errors involving the wrong drug, wrong dose, wrong patient, wrong time, wrong rate, wrong preparation or wrong route of administration)* *changed*
  - Patient death or serious disability associated with a hemolytic reaction due to the administration of ABO/HLA-incompatible blood or blood products* *changed*
  - Maternal death or serious disability associated with labor or delivery on a low-risk pregnancy while being cared for in a healthcare facility
  - Patient death or serious disability associated with hypoglycemia, the onset of which occurs while the patient is being cared for in a healthcare facility
  - Death or serious disability (kernicterus) associated with failure to identify and treat hyperbilirubinemia in neonates
  - Stage 3 or 4 pressure ulcers acquired after admission to a healthcare facility
  - Patient death or serious disability due to spinal manipulative therapy

Source: NQF, CMS Eliminating Serious, Preventable, and Costly Medical Errors – Never Events, Booz Allen Analysis

The National Quality Forum has identified 28 never events cont…

- **Patient Protection Events**
  - Infant discharged to the wrong person
  - Patient death or serious disability associated with patient elopement (disappearance)* *changed*
  - Patient suicide, or attempted suicide resulting in serious disability, while being cared for in a healthcare facility
- **Criminal Events**
  - Any instance of care ordered by or provided by someone impersonating a physician, nurse, pharmacist, or other licensed healthcare provider
  - Abduction of a patient of any age
  - Sexual assault on a patient within or on the grounds of a healthcare facility
  - Death or significant injury of a patient or staff member resulting from a physical assault (i.e., battery) that occurs within or on the grounds of a healthcare facility
- **Environmental Events**
  - Patient death or serious disability associated with an electric shock or elective cardioversion while being cared for in a healthcare facility* *changed*
  - Any incident in which a line designated for oxygen or other gas to be delivered to a patient contains the wrong gas or is contaminated by toxic substances
  - Patient death or serious disability associated with a burn incurred from any source while being cared for in a healthcare facility
  - Patient death or serious disability associated with a fall while being cared for in a healthcare facility* *changed*
  - Patient death or serious disability associated with the use of restraints or bedrails while being cared for in a healthcare facility

Source: NQF, CMS Eliminating Serious, Preventable, and Costly Medical Errors – Never Events, Booz Allen Analysis

"Just when you thought it was safe to go in the water!

What are RACs?
(Recovery Audit Contractors)

- Used successfully in other government audit programs
- Medicare Modernization Act created a 3-year demonstration project
- Recover overpayments and identify underpayments
- Payment made on a contingency basis
- 3 states selected based on highest per capita medicare utilization: - NY, CA, FL

RAC Demonstration Goals

- CMS designed the demonstration to accomplish two specific goals:
  - To demonstrate if RACs can identify past improper payments and recoup overpayments in the Medicare FFS program; and
  - To determine whether RACs can provide information to CMS and to Medicare claims processing contractors, QUIs and Program Safeguard Contractors (PSCs) that could help in preventing future payments thereby lowering the Medicare FFS error rate

RAC Demonstration

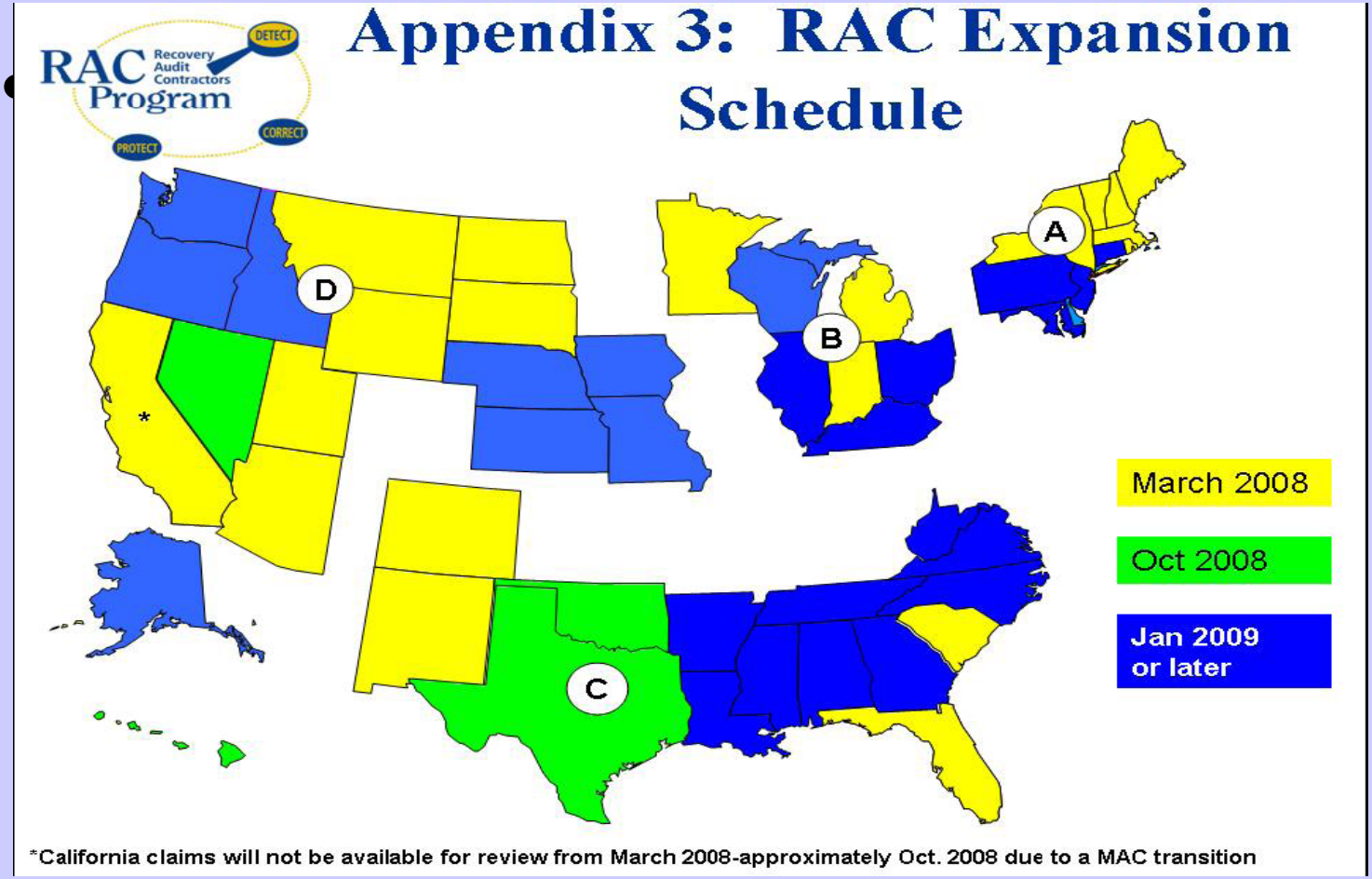
RAC Performance: CMS Perspective

FY 2006 RAC Identified Improper Payments

	Overpayments Collected (in millions)		Underpayments Paid Back (in millions)		In The Queue (in millions)		Total Improper Payments Identified (in millions)
	$ 68.6	+	$ 2.9	+	$ 232.0	=	$ 303.5
Costs:	- $14.5						
	$ 54.1	⇐ Back to the Trust Funds					

89% from hospitals

RAC 11-7-07 Revised RFP Statement of Work



RAC Work Plan

- Aggressive response/appeals to all audit requests
- Coordinated approach between clinical areas, Clinical Resource Management (CRM), and Finance
- Physician advisor engagement
- Ongoing assessment of identified trends
- Action plans to avoid future RAC audits
- Total RAC recovery: $329,320.00

What is the cost of quality-MRSA testing (methicillin-resistant Staphylococcus aureus)

Jerry Kolins MD, Lab Medical Director
Sue DeWindt CLS, Microbiology Supervisor
Joyce Agorrilla RN, Infection Control Manager
Shannon Bagnasco BSN, Advance Clinical RN


NEW YORK POST
25 CENTS
LATE CITY FINAL
SUPERBUG KILLS NYC KID
Shock over B'klyn 12-year-old

Hot Topics

- Active surveillance cultures
  - Target group vs. total population
  - Protocol vs. MD orders
- California Department of Public Health mandates
  - Senate Bill 739 – January 2007
  - Senate Bill 1058 – Pending Assembly
  - Senate Bill 158 – Pending Assembly

Senate Bill 1058

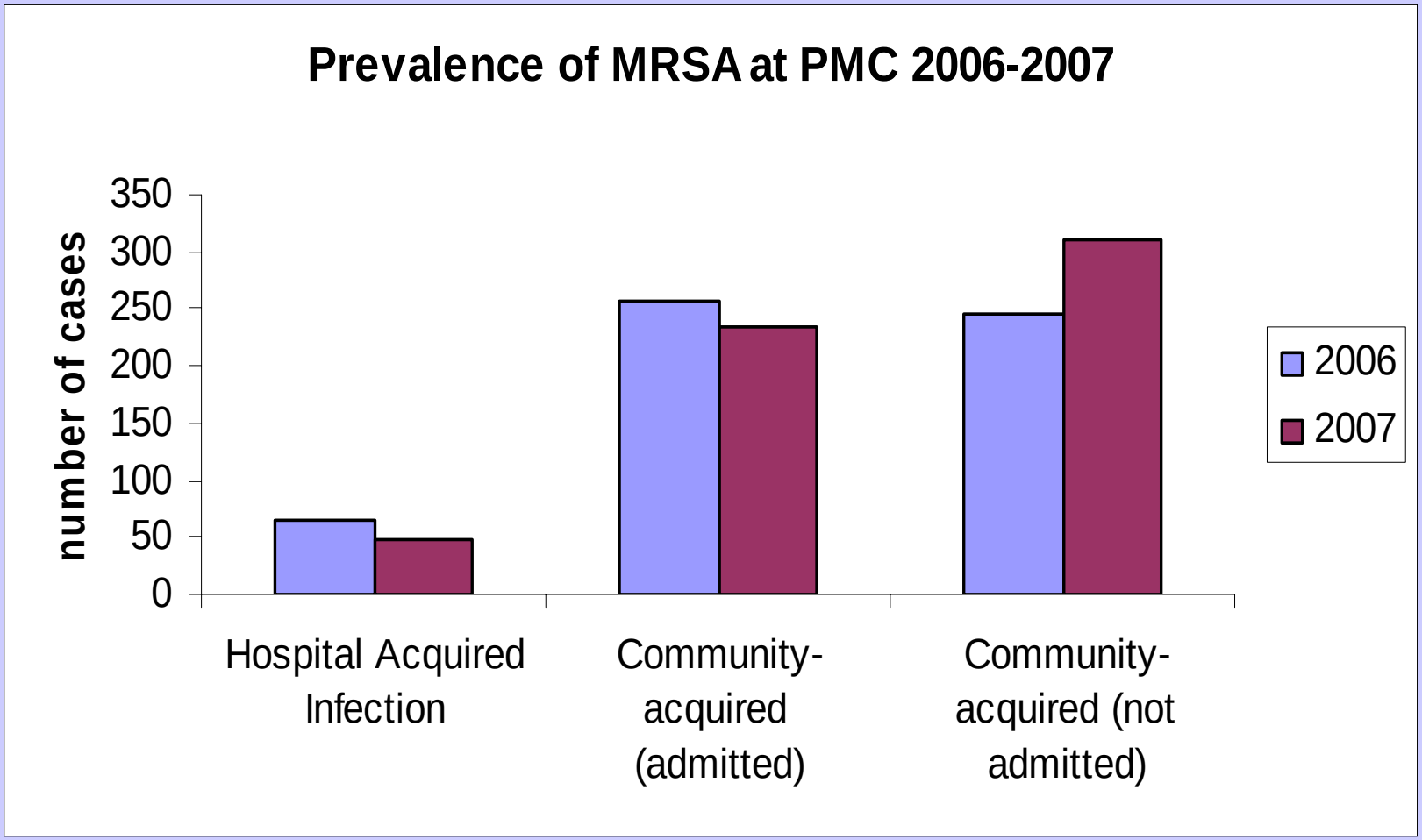
"Each health facility shall, in accordance with subdivision (d), implement a procedure to screen each patient who is scheduled to undergo an inpatient or outpatient surgery, or who is admitted to an ICU, burn unit or other unit at high risk for the presence of MRSA.

Senate Bill 158

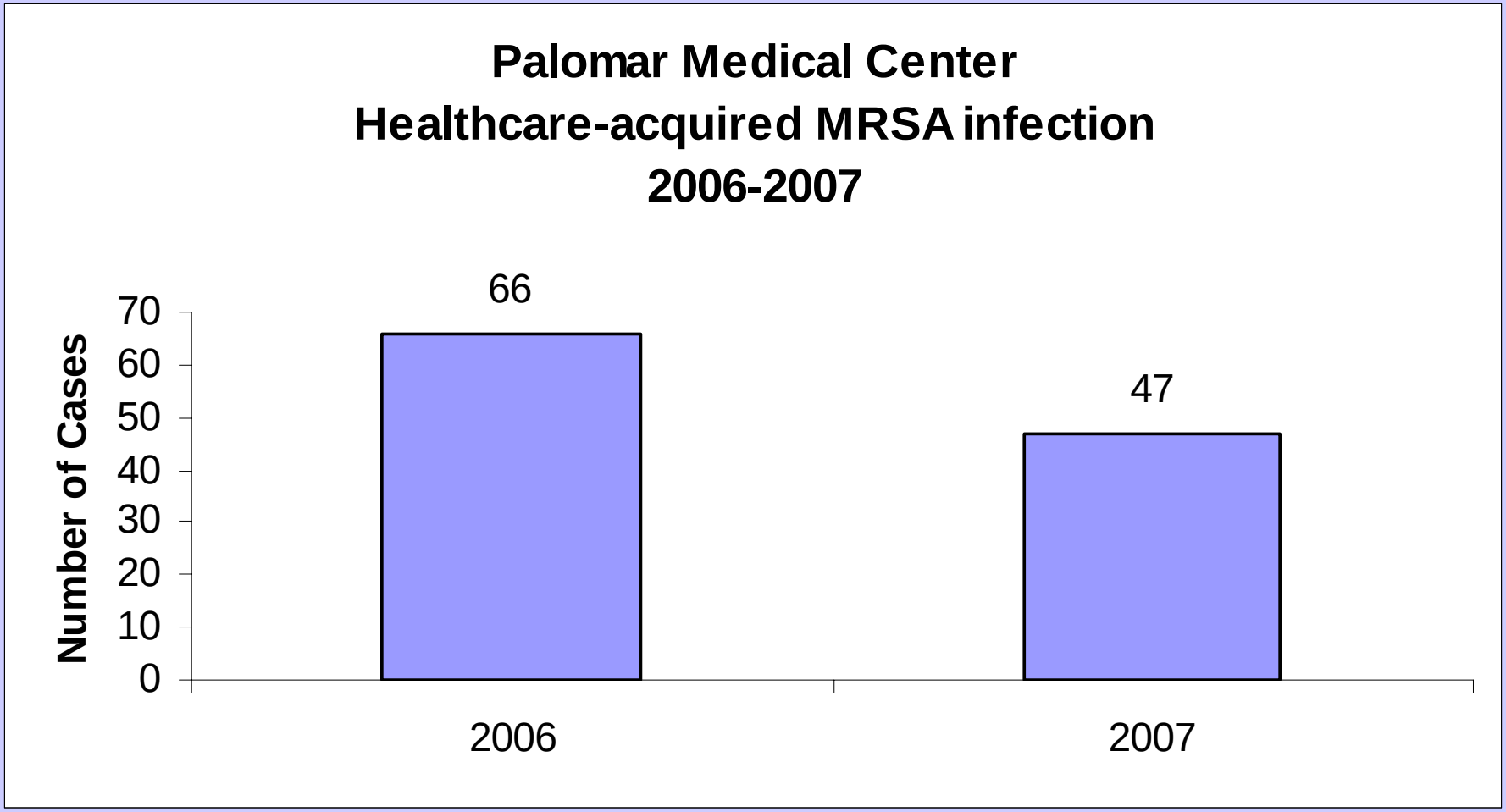
"As part of the procedures described in subdivision (a), each hospital shall test every patient for MRSA, either by standard culture media or other screening tests within 24 hours of admission to the hospital under any of the following conditions":

- Open, draining wounds, pressure ulcers
- ICU admit
- Discharged from ICU >48hrs after admission
- SNF admit
- Homeless or Correctional Facility admit
- Dialysis patient

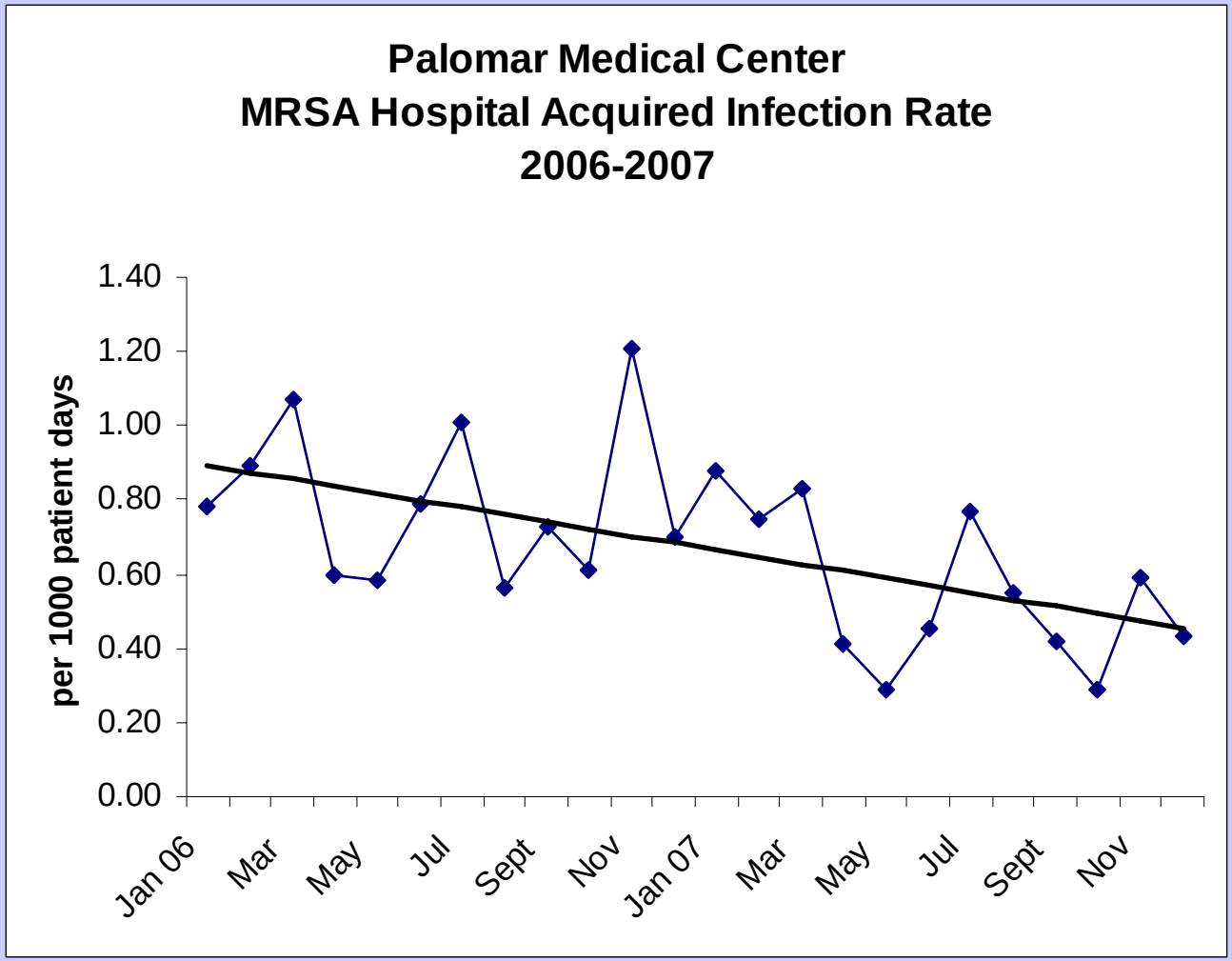
MRSA Prevalence



Hospital Acquired MRSA



MRSA Infection Rate



How patients with MRSA are handled in the hospital

- Check daily census
  - All patients micro results reviewed
- Daily culture results from the laboratory
- Per CDC Guidelines
  - Isolation of infected and colonized patients
  - Use of protective personal equipment

Preventing the spread of MRSA at PPH

- Isolation precautions
  - Private rooms or cohort
  - Strict Hand Hygiene monitoring
  - Gloves, gowns, masks, eye protection when appropriate
- Chlorhexidine skin prep for central line and IV starts
- Pre-op Chlorhexidine showers/scrub for selected surgical procedures for CABG patients
- Chlorhexidine surgical site skin prep

The United States

- Department of VA hospitals
  - Screening of **all** acute medicine and surgery patients
  - Strict hand washing program, contact precautions, decolonization
  - **"Very clear and marked reduction in nosocomial transmission of MRSA in its ICU and in acute medicine and surgery"**

The United States

- Northwestern Healthcare System, Evanston, Ill
- Pitt County Memorial, Greenville NC
- Loyola University Hospital, Maywood, Ill

MRSA Assumptions

Prevalence Rate – Assume 10%

90% of patients MRSA screen negative

10% of patient MRSA screen positive

Guilty Until Proven Innocent

Isolate patient until screening test is negative

Universal Screening

% staphylococcal infections caused by MRSA

PMC/POM Inpatients - 44.5%*

Outpatients - 45%*

*Data from 2007 PPH Antibiogram

Testing Volume

40,000 admissions per year *

11,200 Outpatient surgeries

8,165 Elective surgeries / inpatient admission

Reimbursement – only can bill for outpatient testing performed > 3 days prior to admission

Perform 40,000 tests per year / Bill for 20,000 tests per year

* 2007 data

Testing Methods

Culture ~ 24 hours turn around time (TAT)

Real Time Polymerase Chain Reaction molecular testing (PCR) ~ 2 hours TAT

Decrease Testing TAT / Decrease Isolation Time

Program Cost Including Isolation

	Culture	PCR
Isolation Hours	24 hrs	2 hrs
Isolation Hours per Year	18,000 pts x 24 hr = 432,000	18,000 pts x 2 hr = 36,000
Isolation Cost per Year	432,000hrs x $1.25 = $540,000	36,000hrs x $1.25 = $45,000
Cost of Test After Reimbursement	$240,000	$868,000
Total Cost	**$780,000**	**$913,000**
Isolation Supplies = 30.00/day		

Confounding Variables

- ↑ in MRSA with increase in community prevalence of MRSA ?
- ↓ in MRSA with early detection testing ?
- Currently ~ 5% of PPH patients have MRSA

Cost of Quality-Opportunities at the Bedside

- Continued aggressive hand hygiene campaign
- Emphasize with staff the importance of adhering to all precautions and proper barrier technique
- Ensure that adequate supplies are stored at the point of care for easy access

Cost of Quality-Opportunities at the Bedside

- EVS education on the importance of cleaning and proper methods
- Complete a cleaning check list
- Verify competence in cleaning and disinfection procedures

Pittet, MD, et al, Lancet October 14, 2000, Vol 356, 1307-1312
Pittet,MD, et al, Ann Intern Med January 19, 1999, vol. 130, No. 2, 126-129
Affif et al, Am J Infec Control 2002, Vol. 30, 430-433
Hansen et al, Infection 2007, Vol. 35, 260-264

Cost of Quality-Opportunities at the Bedside

- Educate families about contact precautions
- Instruct patients about precautions and encourage patients to question personnel
- Ensure same standard of care

Cost of Quality-Methicillin-Resistant *Staphylococcus aureus* (MRSA) Testing

Factors Effecting PPH/Conclusions:

1. Regulatory SB1058 and SB158
2. Cost of data collection and reporting (SB739)
3. Patient satisfier
4. Competitive advantage or defensive action to the "S" hospitals
5. Medical staff satisfier, e.g. orthopedic surgery
6. Perception of proactive vs. reactive approach
7. Present on admission condition

Key PPH Strategies

- Continued focus on the Best Practice Model
- Ongoing aggressive reporting of performance to all participants
- Nursing/Quality/CRM/Physician/Finance collaborative for POA and HAC work plan
- Aggressive RAC reviews and challenges
- Proactive review of key focus areas for future RAC activities
- Clinical Documentation Improvement Project

Questions and Comments

ADDENDUM B

PALOMAR POMERADO HEALTH

SPECIALIZING IN YOU

Palomar Pomerado Health

Market Update

July 29th, 2008

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ADD B-2

Executive Summary

- Restructuring update of Series 2006 $177.775 million of Auction Rate Securities ("ARS")
- In March & April, we presented an update of the market dislocation with Auction Rate Securities
  - Interest rates on the ARS have averaged 4.00% since inception
  - Since February 18th, interest rates have ranged from 2.30% to 10.00%
  - Last reset July 21, 22, 23 ranged from 2.00% to 3.18%
    - 12 week rolling average is 3.39%
- In April, we presented a number of alternative financing options and identified critical factors as overriding objectives for the recommended restructuring from ARS to VRDO's including
  - Retention of FSA Insurance
  - Low Cost of capital balancing risk and volatility
  - Preservation of swap to minimize unwinding with a cash settlement
  - Impact on credit rating

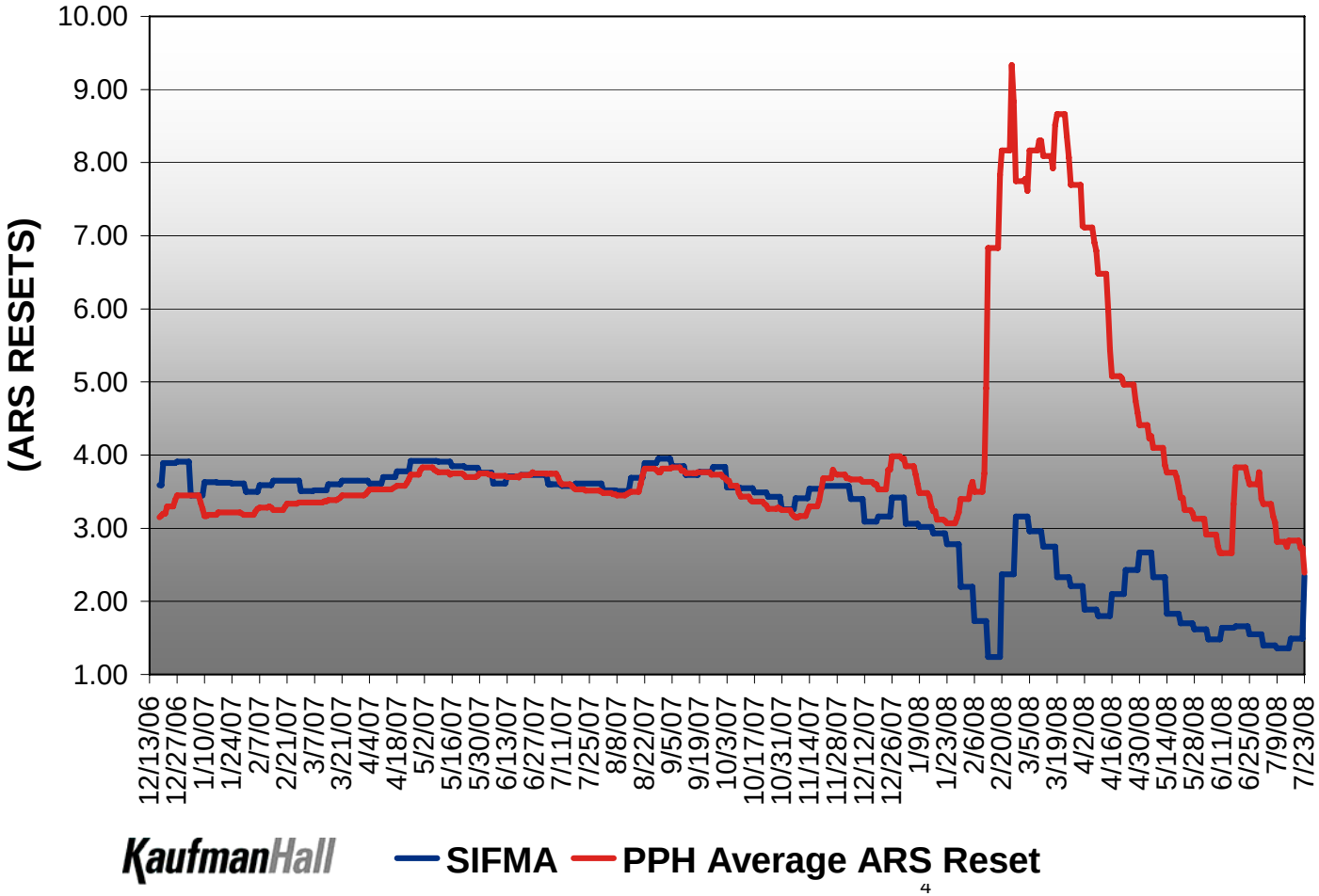
Executive Summary (continued)

- Liquidity facilities are facing credit issues, specifically Dexia, FSA's parent was placed on credit watch with a possible downgrade in the next 90 days along with Assured (which are currently the only two remaining AAA insurers)
- A downgrade of FSA may complicate the available options for PPH
- Volatile and uncertain markets combined with a continued deterioration of the credit markets may lead PPH to convert to fixed rate bonds with the following Identified critical factors
  - Shifts the risk to the investors
    - Retention of FSA Insurance if still providing value
  - Secures committed funding
  - Provide PPH with most prudent restructuring option weighing internal and external credit concerns
  - May require PPH to terminate the swap structure resulting in a cash settlement
- Obtain Board direction on moving forward with restructuring

PPH ARS Rate Performance

Since inception in December 2006, PPH's Series 2006A-C ARS have averaged 3.98%, resetting 88 bps higher than the Securities Industry and Financial Markets Association (SIFMA) average.

Series 2006A-C Historical Performance



Series 2006 Reset Statistics:	
Average Reset:	3.98%
Average SIFMA:	3.10%
Average Spread:	+0.88%

Current Reset (7/23):	3.18%
Current SIFMA:	2.35%
Current Spread:	+0.83%

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Restructuring Considerations for PPH's Series 2006 ARS

- Is an acceptable LOC provider available to PPH?
- Elements of variable rate risks?
  - Bank risk
  - Renewal risk
  - Interest rate risk
  - Put/Bank Bond/Remarketing risk
  - Insurance risk
- Is there value to keeping the existing insurance?
  - Conversion to fixed rate bonds
  - VRDO's with insurance
  - Will FSA provide consent for a restructuring to VRDO's?
- What is the impact on the existing floating to fixed swap?
- What are the risks to waiting to waiting (status quo scenario)?
  - Internal credit risks
  - External credit risks

Overview of Financing Options

- There are several variations of the options, but the main points are captured below

	VRDO with FSA and Bank Liquidity	VRDO with Letter of Credit	Traditional Fixed with FSA Insurance	Traditional Fixed without Insurance
Is Insurance Preserved?	Yes	No	Yes	No
Is the Swap Preserved?	Yes	Likely	Not Likely	Not Likely
Is FSA Consent Required?	Yes	No	Yes	No
DSRF	Likely	Likely	Likely	Yes
Call Flexibility	Anytime	Anytime	Generally after 10 years	Generally after 10 years
Benefits/ Considerations	• Preserves insurance and swap • PPH maintains all VRDO risks • FSA consent not likely in current market • High Bank fees and termination fees • Issuance costs to come from cash	• Should allow PPH to preserve swap • PPH maintains all VRDO risks • Write off of insurance premium • High Bank fees and termination fees	• All risks passed along to investor • Swap likely to be terminated • Preserves insurance • No write off of insurance premium • Issuance costs and DSRF funding to come from cash	• All risks passed along to investor • Swap likely to be terminated • Write off of insurance premium • Swap termination payment can be bonded

Overview of Financing Options

	Existing Series 2006 ARS	VRDO with FSA and Dexia Liquidity[3]	VRDO with Letter of Credit[3]	Traditional Fixed with FSA Insurance	Traditional Fixed without Insurance (A3)
Par Amount	$177,775,000	$181,250,000	$181,280,000	$188,810,000	$190,625,000
Floating Rate Paid (a)[1]	3.50%	2.35%	2.35%	--	--
Floating Rate Received on Swap (b)	1.62%	1.62%	1.62%	--	--
Current Basis Risk (a-b)=(c)	1.88%	0.73%	0.73%	0.00%	0.00%
Fixed Rate (d)	--	--	--	5.75%	5.90%
Fixed Swap Rate (e)	3.22%	3.22%	3.22%	--	--
Amortized Swap Termination[2] (f)	--	--	--	0.19%	0.19%
Variable Rate Fees (g)	0.25%	1.40%	1.70%	--	--
Total Estimated Cost (c+d+e+f+g)=(h)	**5.35%**	**5.35%**	**5.65%**	**5.94%**	**6.09%**
Maximum Annual Debt Service[4]	**$11,246,000**	**$13,284,000**	**$13,671,000**	**$15,764,000**	**$15,939,000**

Notes: Assumes market rates for each respective scenario as of 7/24/2008.

[1] Assumes average 2006 ARS rate of 3.50%. Assumes VRDO's at a rate of the current SIFMA index.

[2] Assumes19 bps swap termination payment is the annualized cost of $4.98 million as of 7/23/08. The termination value provided is as of 7/23/2008 and is an ESTIMATE, and subject to prevailing market conditions. No representation is made that the termination value described herein would be the result of the termination of the outstanding Swap Transaction. Such termination value would be based on actual quotations obtained or given at the time of any termination. Please refer to valuation disclaimer at the end pf this analysis.

[3] Variable rate fees assume credit enhancement fee (letter of credit or standby bond purchase agreement), remarketing fee, upfront fee, and trading differential.

[4] MADS does not include basis risk on variable rate scenarios.

Issues to Consider As We Progress with Fixed Rate Bonds

- Reaffirm PPH risk tolerance
  - Variable rate options available to PPH have high costs and high risks
  - Dexia, FSA's parent may no longer be a viable liquidity provider for PPH
  - Fixed rate options will minimize PPH's risks
- Confirm that FSA insurance will provide value in the market
  - PPH already paid for the insurance with the Series 2006 financing
- Rating agency considerations
- Determine accounting impact
  - Possible swap termination payment
- COI must be funded out of District funds
- Funding of DRSF and source of funding
- Additional structural enhancements to a fixed rate conversion/refunding
  - Fixed Spread Basis Swap

Interest Rate Swap Considerations

- PPH currently has $177.5 million floating-to-fixed rate swap outstanding
  - PPH pays fixed rate of 3.22%
  - PPH receives a floating rate of 56% of 1-month LIBOR plus 0.23%
- The interest rate swap may be restructured to match the objectives of the plan of finance
  - If PPH issues underlying floating rate bonds, the swap can be transferred
    - Very similar to existing structure
  - If PPH issues underlying fixed rate bonds, the swap can be restructured into a Fixed Spread Basis Swap
    - Allows PPH to reduce the fixed cost of capital
    - Retains same tax risk as existing swap
    - Fixed rate bonds removal all variable rate risks, bank risk, renewal risk, put risk*
    - Can be structured at any time (in connection with the restructuring or post closing)

*Any uninsured swap or removal of swap insurance would require new uninsured credit terms.

Moving Forward to a Solution

PPH can start working on the recommended plan of finance immediately and come back to the Board for final approval in the next 30-90 days:

- Send notice of conversion/refunding to bond holders
- Prepare and finalize bond documents
- JPA Meeting
- Receive ratings
- Complete Due Diligence
- Prepare and finalize Financials
- Prepare and finalize Official Statement and mail to the marketplace
- Marketing of Series 2008 Bonds
- Close Series 2008 financing

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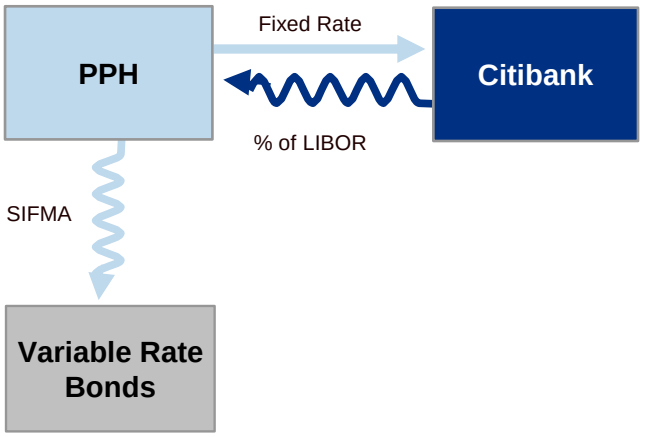
Appendix

Floating-to-Fixed Rate Swaps and FSBS Have Basis Risk

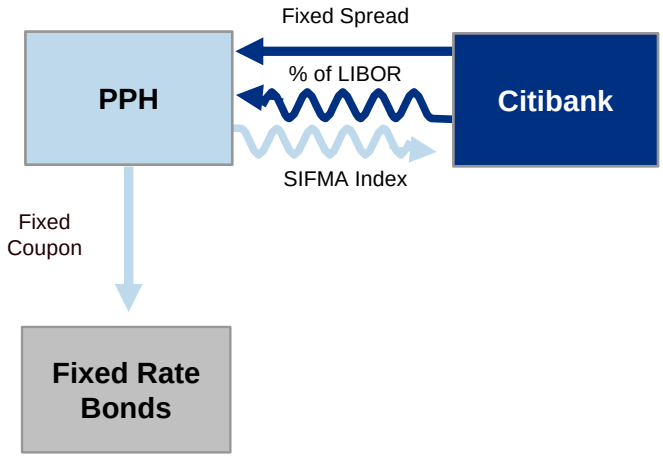
- Use of floating-to-fixed rate swaps and other strategies with basis and tax risks has become widespread. Indeed, nearly all of Citi's floating-to-fixed swap transactions, including swaps with PPH, entail these risks
- Floating-to-fixed rate swaps and FSBS entail similar basis risk; the difference between the % of LIBOR received and the tax-exempt rate paid

Floating-to-Fixed Rate Swap



Risk = SIFMA - % of LIBOR

Fixed Spread Basis Swap



Risk = SIFMA - % of LIBOR

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ADD B-13

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Analyses Regarding Floating Rate Bonds Are Subject to Uncertainty

- The short term variable rate market is experiencing significant volatility, uncertainty and disruption:
  - Continuing downgrades of structured securities (e.g., CDOs, SIVs, etc.) and losses among financial institutions have increased uncertainty, raised risk premiums and reduced liquidity in the global capital markets
  - In the U.S. Auction Rate Securities market, liquidity has virtually disappeared, resulting in many failed auctions, causing many issuers to begin the process of changing modes
  - VRDO's insured by monoline insurers that have been, or may be, downgraded may be subject to higher rates or failed remarketing
  - Yield relationships among VRDO's of different sectors, structures and credits as well as market benchmarks such as LIBOR and SIFMA have been volatile as investor appetite has fluctuated
  - The supply and availability of triple-A bond insurance, letters of credit and lines of credit has diminished as some providers have been downgraded, exited the market, or reached capacity. Pricing and terms have worsened
- This presentation contains historical analysis, and assumptions based on history, which are subject to uncertainty. Past performance or data is no guarantee of future results. In addition, no representation or warranty can be made as to:
  - Market access; including ability to convert to a different variable or fixed rate mode
  - Insurance or Letter/Line of credit availability
  - Future yield relationships among various kinds of variable rate securities, indexes such as SIFMA and LIBOR and fixed rate alternatives
  - Ultimate economic results, benefits and risks of the proposed transaction(s)
- Additional analysis is available upon request

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ADDENDUM C

PALOMAR POMERADO HEALTH

SPECIALIZING IN YOU

BOARD FINANCE COMMITTEE MEETING
ATTENDANCE ROSTER & MEETING MINUTES
CALENDAR YEAR 2008

MEMBERS	MEETING DATES:										
	1/22/08	2/26/08	3/25/08	4/29/08	5/27/08	7/1/08	7/29/08	8/26/08	9/30/08	10/28/08	12/2/08
NANCY BASSETT, R.N.	P	P	P	P							
TED KLEITER – CHAIR	P	P	P	P	P	P					
BRUCE KRIDER, M.A.	P	P	P	P	P	E					
MARCELO RIVERA, M.D.	P	P	P	P	P	E					
MICHAEL COVERT, FACHE	P	P	P	P	P	P					
BEN KANTER, M.D.	E	P	P	P	P	E					
JOHN LILLEY, M.D.	P	E	P	E	A	P					
LINDA GREER – ALTERNATE			GUEST			P					
LINDA BAILEY – 2ND ALTERNATE						E					
ALAN LARSON, M.D. – 3RD ALTERNATE						E					
NANCY BASSETT, R.N. – 4TH ALTERNATE						P					
STAFF ATTENDEES											
BOB HEMKER	P	P	P	P	P	P					
GERALD BRACHT	P	P	P	P	P	P					
DAVID TAM			P	P	P	E					
STEVE GOLD	P	P									
TANYA HOWELL – SECRETARY	P	P	P	P	P	P					
INVITED GUESTS	**SEE TEXT OF MINUTES FOR NAMES OF GUEST PRESENTERS**										

ADD C-2

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/ RESPONSIBLE PARTY	FINAL?
MEETING LOCATION	Meeting Room E, Pomerado Hospital, 15615 Pomerado Road, Poway, CA			
MEETING CALLED TO ORDER	6:04 p.m. by Chair Ted Kleiter.			
ESTABLISHMENT OF QUORUM	See roster			
PUBLIC COMMENTS	There were no public comments			
INFORMATION ITEM(S)	Bob Hemker presented four informational items that were not listed on the agenda; and, as such, they could not be discussed by the Committee • Kaiser agreement o There are 3 current board members who were not part of the Board at time the agreement with Kaiser was being discussed and approved. As requested, he will meet with them to review. • Wildfire settlement o Insurance company has proposed to settle net of deductible for $1.7M ▪ Already recognized $1.3M and received an interim payment of $1 million ▪ In process of finalizing settlement agreement documents o Still waiting for FEMA settlement amount, documents and PPH agreement on their proposal • AB1944 o Has been pulled from State Senate committee – effectively dead for current session o May be brought back in the future o Denise Ducheny has introduced a bill that provides for continuation of the existing pilot project that was approved for rural hospitals • Auction Rate Security (ARS) Resets o Resets occur on Mon/Tues/Wed ▪ A&B were both at 3% this week o 12-week rolling average is at 4%, which is consistent with normalized setting prior to February o Opens up our flexibility in terms of options o Insurers continue to see their ratings at risk / downgraded ▪ MBIA & AMBAC were downgraded; FSA hasn't been downgraded o At this point, there is still flexibility regarding the need and choices of refunding options	***Information Only***	Forwarded to the July 14, 2008, Board of Directors meeting as Information via Chairman's discussion agenda	

ADD C-3

BOARD FINANCE COMMITTEE – MEETING MINUTES – TUESDAY, JULY 1, 2008				
AGENDA ITEM	**DISCUSSION**	**CONCLUSION/ACTION**	**FOLLOW UP/ RESPONSIBLE PARTY**	**FINAL?**
MINUTES – TUESDAY, MAY 27, 2008	No discussion.	**MOTION:** By Director Greer seconded by Director Bassett and carried to approve the minutes of the May 27, 2008, Board Finance Committee meeting as presented. All in favor. None opposed.		
PHYSICIAN/PHYSICIAN'S GROUP AGREEMENTS				
ANESTHESIA CONSULTANTS OF CALIFORNIA MEDICAL GROUP, INC. – 2ND AMENDMENT TO PROFESSIONAL SERVICES AND MEDICAL DIRECTOR AGREEMENT – ANESTHESIOLOGY SERVICES	• Standard agreement • Changed fee structure at POM to a flat-rate structure for anesthesia coverage for OB services	**MOTION:** By Michael Covert seconded by Director Bassett and carried to recommend approval of the Second Amendment to Professional Services and Medical Director Agreement for Anesthesiology Services with Anesthesiology Consultants of California Medical Group, Inc. All in favor. None opposed.	Forwarded to the July 14, 2008, Board of Directors meeting with recommendation for approval.	
PSYCHIATRIC CENTERS AT SAN DIEGO – EMERGENCY DEPARTMENT ON-CALL AND PSYCHIATRIC HOSPITALIST MANAGEMENT AGREEMENT	• Renewal of existing agreement for services at both hospitals • Assures that we have behavioral medicine services for ED coverage	**MOTION:** By Director Bassett seconded by Michael Covert and carried to recommend approval of the 18-month [August 1, 2008 through December 31, 2009] Agreement with Psychiatric Centers at San Diego for Emergency Department On-Call and Psychiatric Hospitalist Management at both Palomar Medical Center and Pomerado Hospital. All in favor. None opposed.	Forwarded to the July 14, 2008, Board of Directors meeting with recommendation for approval.	
CHILDREN'S SPECIALISTS OF SAN DIEGO, INC. – 1ST AMENDMENT TO PROFESSIONAL SERVICES & PEDIATRIC HOSPITALIST – PMC	• Extension of agreement in place for PEDS hospitalist • Comfortable with provider	**MOTION:** By Director Greer, seconded by Director Bassett and carried to recommend approval of the three-year [August 1, 2008 through July 31, 2011] extension with renegotiated billing and compensation under the First Amendment to the Professional Services and Medical Director Agreement for Hospitalist Services at the Pediatric Care Unit at PMC with Children's Specialists of San Diego, Inc. All in favor. None opposed.	Forwarded to the July 14, 2008, Board of Directors meeting with recommendation for approval.	

ADD C-4

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/ RESPONSIBLE PARTY	FINAL?
PHYSICIAN RECRUITMENT AGREEMENTS				
LOAN DAO, M.D. & GRAYBILL MEDICAL GROUP, INC. – FAMILY PRACTICE MICHAEL MORELOCK, M.D. & GRAYBILL MEDICAL GROUP, INC. – OTORYNOLARYNGOLOGY RHYL ANN F. FAELDONEA-SERUELO, M.D. & GRAYBILL MEDICAL GROUP, INC. – FAMILY PRACTICE	• Three (3) physicians to join Graybill Medical Group o Two (2) family practice o One (1) otorynolaryngology • All are three-party agreements between the physicians, PPH & the medical group • All physicians are bound by standard income guarantees, as well as the requirements to accept all Medi-Cal patients	**MOTION:** By Director Greer seconded by Director Bassett and carried to recommend approval of the Physician Recruitment Agreements with Loan Dao, M.D., & Graybill Medical Group, Inc.; with Michael Morelock, M.D., & Graybill Medical Group, Inc.; and with Rhyl Ann F. Faeldonea-Seruelo, M.D., & Graybill Medical Group, Inc. All in favor. None opposed.	Forwarded to the July 14, 2008, Board of Directors meeting with recommendation for approval	
NICU	Update regarding the expansion at PMC • Required to expand the number of beds to re-establish CCS certification o Must have a minimum of 8 o CCS will not re-certify until we have at least 8 beds • Costs to upgrade the area o Approximately $1.5M in capital, reserving $1.6M for uncertainties ■ Reserved $800K of FY08 facilities capital – opened CIP ■ Additional, equal amount of $800K to be allocated from FY09 facilities capital budget o About a 2.5-year payback • If the unit is not full, beds can be used for lower acuity patients • Inquiry regarding when the expansion was discussed and passed through the Board Strategic Planning Committee – answer not readily available	**MOTION:** By Michael Covert seconded by Director Bassett and carried to recommend approval of the changes to the previously approved expansion of the 6-bed NICU at PMC. All in favor. None opposed.	Forwarded to the July 14, 2008, Board of Directors meeting with recommendation for approval • Prior approval dates will be reviewed and provided to members of the Committee	
MAY 2008 AND YTD FY2008 FINANCIAL REPORT	For the benefit of the two Alternates sitting in this evening, Bob Hemker explained the changes in format for the financial presentation package, which contains a different layout than they would have been accustomed from previous experience on the Committee. The presentation is now more of an executive summary, backed up by detail to which members can refer as needed. The most recent Flash Report was distributed *(Attachment 1)* and will be provided to those members of the Committee who were absent this evening. • Balanced Scorecard o Overall YTD Expenses, Productivity and Salaries, Wages, Contract Labor are in the green o Weighted patient days ■ MTD are in the red at both campuses ■ YTD are in the red overall, but are in the yellow North and South ■ Volume is the primary driver	**MOTION:** By Director Bassett seconded by Director Greer and carried to recommend approval of the Financial Report for May 2008 and YTD FY2008. All in favor. None opposed.	Forwarded to the July 14, 2008, Board of Directors meeting with recommendation for approval • The chart on Pg B-5 will be updated to include columns showing variance percentages	

ADD C-5

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/ RESPONSIBLE PARTY	FINAL?
	• Statistics for the month of May o Admissions – negative variance of 135 o Patient Days – negative variance of 579 o LOS – negative variance in correlation to admissions & patient days o Case Mix Index – slightly positive variance against budget ■ 1.43 against a 1.34 budget o Surgeries – negative variance of 42 o Births – negative variance of 32 o ER – negative variance of 180 o ER to Admissions – slight negative variance of .6% o Productivity – positive variance at 100.3% • Year to Date (YTD) Statistics o Admissions – negative variance of 808 o Patient Days – slight negative variance of 84 o LOS – slight positive variance ■ 3.91 compared to 3.83 budgeted o Total surgeries – slight positive variance of 60 o Births – slightly negative variance of about 100, combined o ER – positive variance of 1379 o ER to Admissions – slightly negative variance of 1.1% • Income Statement o Net Patient Revenue ■ Negative variance of $2.1M for the month ■ Due to capitation ➢ Goes back to ongoing discussions regarding the closeout of the cap year ➢ In the first 6 months of the cap year and have already encountered a couple of bad cases o Salaries, Wages, Contract Labor ■ Almost right on for the month – only $32K off budget ■ Contract labor not an issue this month o Supplies ■ Pulled back into line for the month at only $28K off budget o Net Income for the month showed a $2.7M loss ■ $3.8M off targeted budget; key: capitation losses o Bottom bottom line ■ Showed a $2.1M loss for the month			

ADD C-6

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/ RESPONSIBLE PARTY	FINAL?

- Continue to see mark to market adjustments as interest rates decline
  - YTD negative variance of $14M against a $22M target
- Cash Collections
  - MTD showed a positive variance of $2.4M
  - YTD closed at $403M against a $396M budget
- YTD Days Cash on Hand is just under 100
- YTD OEBITDA shows a negative variance at 6.7% against 10% budgeted
  - Newly approved budget again set at 10%

- Other Operating Revenue showed a negative variance MTD of $656K
- Salaries, Wages, Contract Labor had a positive variance MTD of $145K
- Contract Labor showed a negative variance MTD of $178K
- Benefits showed an overall negative variance MTD of $70K
  - Continue to ”true up” workers’ comp
  - Now right where the actuarial report says it should be
- Supplies had a negative variance MTD of $28K
  - Due to negative variance for Prosthetics of $216K
- Professional Fees showed a negative variance MTD of $291K
  - Key driver is in Revenue Cycle
    - Negative variance of $339K due to close-off of the Jacobus contract & truing up of the agreement
    - Some residual dollars have been budgeted for FY09 in selected areas to close off the charge capture work
  - Physician Income Guarantees had a positive variance MTD of $120K
- Purchased Services shows a negative variance MTD of $166K
  - Due to negative variance MTD of $325K in Repairs & maintenance
    - Attributable to software agreements
- Other Direct Expenses showed a negative variance MTD of $387K
  - Due to rent on the POP building at a negative $449K variance
- Salaries and Wages
  - Showed a positive variance MTD of $145K
    - Excess overtime showed a positive variance MTD of $7.5K
      - Plan came to fruition in May
    - $3.2M negative variance for the year
  - Showed a negative variance YTD of $5.3M
    - $5.5M negative variance related to capitation
- Contract Labor showed a negative variance YTD of $2.1M

ADD C-7

AGENDA ITEM	DISCUSSION	CONCLUSION/ACTION	FOLLOW UP/ RESPONSIBLE PARTY	FINAL?
	o Due to registry costs in the ED at PMC; Labor & Delivery; and Intermediate Care of about $700K each • Supplies show a negative variance YTD of about $3.4M • Physician Income Guarantees show a positive variance YTD of $1.3M o The new budget takes into account those already promised • Repairs & Maintenance showed a negative variance YTD of $2.1M Other Information discussed in conjunction with the presentation: o The auditors are through with their preliminary review o They found nothing worth calling to the attention of the Committee o Will come back after we close out the books for the fiscal year ■ Probably in August, with a September delivery date o Taking a different approach and don't have to redo work • CMS delayed/suspended 10.5% physician payments o If you take into account Medicare adjustments, there might be about .25% affect to the hospitals • Medi-Cal decrease will be covered by the additional beds in the Subacute unit • County agreement improvement – no proviso as to share they were trying to push through • State budget is not looking good o There is a new speaker of the Assembly o Will they withhold payments? ■ Got one extra check write on June 30th o There will be no check writes the entire month of July			
ADJOURNMENT	**The meeting was adjourned at 6:40 p.m.**			
SIGNATURES: • COMMITTEE CHAIR _____ Ted Kleiter • COMMITTEE SECRETARY _____ Tanya Howell				

ADD C-8

ATTACHMENT 1

June 2008	May30-Jun5	Jun6-12	Jun 13-19	Jun 20-26	MTD Total	MTD Budget	% Variance
ADC (Acute)	262	282	285	310	285	312	(8.68)
PMC	184	211	216	233	211	235	(10.38)
POM	78	71	69	77	74	76	(3.43)
PCCC	86	85	85	82	84	88	(3.93)
VP	120	123	120	124	122	123	(0.69)
Patient Days (Acute)	1833	1972	1998	2168	7,971	8,729	(8.68)
PMC	1285	1477	1513	1631	5,906	6,590	(10.38)
POM	548	495	485	537	2,065	2,138	(3.43)
PCCC	600	596	592	572	2,360	2,457	(3.93)
VP	843	863	838	866	3,410	3,434	(0.69)
Discharges	532	536	550	605	2,223	2,284	(2.67)
PMC	380	382	424	448	1,634	1,762	(7.27)
POM	152	154	126	157	589	522	12.89
Number of Surgeries	240	237	233	226	936	889	5.23
PMC	162	159	160	144	625	604	3.50
POM	78	78	73	82	311	286	8.89
Number of Births	96	91	100	95	382	421	(9.25)
PMC	73	62	76	69	280	337	(16.90)
POM	23	29	24	26	102	84	21.43

June 2008	May30-Jun5	Jun6-12	Jun 13-19	Jun 20-26	MTD Total	MTD Budget	% Variance
Outpatient Visits (inc.	2604	1970	1885	1790	8,249	7,763	6.27
PMC	1748	1251	1237	1136	5,372	5,125	4.82
POM	856	719	648	654	2,877	2,638	9.08
ER Visits	1704	1782	1810	1842	7,138	6,699	6.55
PMC	1182	1198	1229	1281	4,890	4,466	9.49
POM	522	584	581	561	2,248	2,233	0.65
Trauma Visits	15	17	24	24	80	110	(27.36)
IP	14	17	21	21	73	92	(21.00)
OP	1	0	3	3	7	18	(60.53)
Gross IP Revenue	18,220,411	19,943,415	19,731,620	20,602,038	78,497,484	79,358,971	(1.09)
Gross OP Revenue	6,164,045	6,561,259	7,101,378	7,116,538	26,943,220	24,180,383	11.43
Cash Collection	5,610,797	6,866,908	7,991,725	9,615,073	30,084,503	31,480,758	(4.44)
Days cash on hand	96	99	98	103	103	80	
Prod Hrs (PP25 & 26)		201,776		211,688	413,464	413,067	(0.10)
PMC - North		116,296		123,981	240,277	235,783	(1.91)
POM - South		53,940		53,716	107,656	109,170	1.39
Others	-	31,540	-	33,991	65,531	68,114	3.79
Prod $ (PP 25 & 26)		6,295,531		6,599,942	12,895,473	12,832,068	(0.49)
PMC - North		3,638,655		3,889,137	7,527,792	7,403,534	(1.68)
POM - South		1,626,790		1,601,642	3,228,432	3,189,523	(1.22)
Others	-	1,030,086	-	1,109,163	2,139,249	2,239,011	4.46

ADDENDUM D

RESOLUTION NO. 08.11.08 (XX) – XX

RESOLUTION OF THE BOARD OF DIRECTORS OF PALOMAR POMERADO HEALTH CONCERNING THE LEVY AND COLLECTION OF TAXES BY THE BOARD OF SUPERVISORS OF THE COUNTY OF SAN DIEGO FOR FISCAL YEAR 2008-2009 TO PAY PRINCIPAL AND INTEREST ON GENERAL OBLIGATION BONDS AND AUTHORIZING THE TAKING OF ALL ACTIONS NECESSARY IN CONNECTION THEREWITH.

WHEREAS, as authorized by a ballot measure ("Measure BB"), approved by more than two-thirds of the votes cast on such ballot measure at an election held in Palomar Pomerado Health (the "District") on November 2, 2004, the Board of Directors of the District (the "Board of Directors") is authorized to issue $496,000,000 aggregate principal amount of general obligation bonds for the purpose of financing a portion of the hospital and health care facilities projects as referenced and described in Measure BB;

WHEREAS, in accordance with the provisions of The Local Health Care District Law of the State of California (constituting Division 23 of the California Health and Safety Code) (the "Local Health Care District Law"), the District issued $80,000,000 aggregate principal amount of such general obligation bonds, designated as "Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2005A" (the "Series 2005A Bonds") on July 7, 2005;

WHEREAS, in accordance with the provisions of The Local Health Care District Law of the State of California (constituting Division 23 of the California Health and Safety Code) (the "Local Health Care District Law"), the District issued $241,083,318.80 aggregate principal amount of such general obligation bonds, designated as "Palomar Pomerado Health General Obligation Bonds, Election of 2004, Series 2007A" (the "Series 2007A Bonds") on December 20, 2007;

WHEREAS, as provided by the Local Health Care District Law, principal and interest on the Series 2005A and 2007A Bonds as the same become due are payable from the levy and collection of *ad valorem* taxes within the District;

WHEREAS, pursuant to Section 32312 of the Local Health Care District Law, the Board of Supervisors of the County of San Diego (the "Board of Supervisors of the County") is required to levy and collect annually each year until the Series 2005A and 2007A Bonds are paid a tax sufficient to pay the principal of and interest on such Series 2005A and 2007A Bonds as the same become due and payable;

WHEREAS, in order to facilitate the levy and collection of such *ad valorem* taxes by the Board of Supervisors of the County as provided in Section 32312 of the Local Health Care District Law, the Board of Directors hereby notifies the Board of Supervisors of the County that principal and interest on the Bonds in the amount of $13,934,711 will become due and payable during the fiscal year commencing July 1, 2008, and ending June 30, 2009;

WHEREAS, the Board of Directors has been advised that the total net secured assessed valuation of the District is now estimated at $63,015,817,780 full value; and

WHEREAS, also in order to facilitate the levy and collection of such *ad valorem* taxes by the Board of Supervisors of the County as provided in Section 32312 of the Local Health Care District Law, a rate of taxation of .01775 on each one hundred dollars' valuation of taxable property (full value) within the District for the fiscal year commencing July 1, 2008, and ending June 30, 2009, is hereby established;

NOW, THEREFORE, BE IT RESOLVED THAT:

Section 1. **Recitals**. The foregoing recitals are true and correct, and this Board of Directors so finds and determines.

Section 2. **Further Authorization; Ratification of Actions**. The Chair of the Board of Directors, any member of the Board of Directors, the President and Chief Executive Officer of the District or any designee of the President and Chief Executive Officer of the District or the Chief Financial Officer of the District or any designee of the Chief Financial Officer of the District (each, an "Authorized District Representative") is hereby authorized and directed, for and in the name of and on behalf of the District, to do any and all things and to execute and deliver any and all documents, instruments and certificates, and to enter into any and all agreements, which such Authorized District Representative may deem necessary or advisable in order to carry out, give effect to and comply with the terms and intent of this Resolution. All such actions heretofore taken by any such Authorized District Representative are hereby ratified, confirmed and approved.

Section 3. **Effective Date**. This Resolution shall take effect from the date of adoption hereof.

PASSED AND ADOPTED by the Board of Directors of Palomar Pomerado Health on the 11th day of August, 2008, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINING:

DATED: August 11, 2008

BY: _____

Bruce Krider, MA
Chair, Board of Directors
Palomar Pomerado Health

ATTESTED:

_____

Linda Bailey
Secretary, Board of Directors

ADD D-4

STATE OF CALIFORNIA)
)ss
COUNTY OF SAN DIEGO)

I, Linda Bailey, the Secretary of Palomar Pomerado Health (the "District"), do hereby certify that the foregoing is a true copy of a resolution adopted by the District on August 11, 2008, at the time and by the vote stated above, which resolution is on file in the office of the District.

DATED: August 11, 2008

_____

Linda Bailey
Secretary, Board of Directors
Palomar Pomerado Health

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU

July 25, 2008

Mr. Thomas J. Pastuszka
Clerk of the Board of Supervisors
County of San Diego
1600 Pacific Highway, Room 402
San Diego, CA 92101-2478

CERTIFIED MAIL
& FACSIMILE (619) 595-4616

RE: **Palomar Pomerado Health Resolution**
Levy and Collection of Taxes by the Board of Supervisors of the County of San Diego for Fiscal Year 2008-2009

Dear Mr. Pastuszka:

Attached is a working copy of the Resolution of the Board of Directors of Palomar Pomerado Health (PPH), a California Health Care District, authorizing and requesting the County of San Diego to levy and collect certain taxes in Fiscal Year 2008-2009 related to the General Obligation Bonds, Election of 2004, Series 2005A and 2007A. PPH has calculated the rate of taxation and requests, per the Resolution, that the County of San Diego levy and collect in the amount of .01775000 per $100 valuation. As per our previous discussions, the collected amounts are to be remitted on a monthly basis to our paying agent, Wells Fargo Bank. The Resolution will be reviewed at the PPH Finance Committee meeting on July 29, 2008, and certified at the Board of Directors meeting on August 11, 2008.

Please accept this letter as authorization to incorporate the levy in the County Assessment.

If you have any questions, please contact me at the address on this letterhead. Please confirm receipt and advise if you need any additional information or supporting documentation. A fax of the certified Resolution will be sent to you on August 12, 2008, and the original Resolution will follow by Certified Mail. Your assistance and the support of your staff in helping administer this tax levy is greatly appreciated.

Sincerely,

Robert Hemker
Chief Financial Officer

cc: Michael Covert, FACHE, President & CEO, PPH
Kathleen Leak, Bond Counsel, Orrick, Herrington & Sutcliffe, LLP, San Francisco, CA
Robert Barna, Underwriter, Citigroup Global Markets, Los Angeles, CA
Dania D. Samai, Paying Agent, Wells Fargo Bank, Los Angeles, CA

Ms. Tracy Sandoval
Assistant CFO/Auditor & Controller
County of San Diego
Attn: Lane Hicks, Manager Property Tax Services
1600 Pacific Highway, Room 077
San Diego, CA 92101-2478
FAX: (619) 531-5168

Mr. Dan McAllister
Treasurer-Tax Collector
County of San Diego
Attn: Rob Castetter, Chief Investment Officer
1600 Pacific Highway, Room 162
San Diego, CA 92101-2478
FAX: (619) 531-6056

ADDENDUM E

RESOLUTION NO. 08.11.08 (xx) – xx

RESOLUTION OF THE BOARD OF DIRECTORS OF
PALOMAR POMERADO HEALTH
ESTABLISHING THE APPROPRIATIONS LIMIT OF THE DISTRICT
FOR THE FISCAL YEAR JULY 1, 2008 - JUNE 30, 2009
PURSUANT TO ARTICLE XIII(B) OF THE CALIFORNIA CONSTITUTION

WHEREAS, Government Code Section 7910 requires that each year the Board of Directors of this District shall, by resolution, establish the District's appropriations limit for the following fiscal year pursuant to Article XIII (B) of the California Constitution; and

WHEREAS, for not less than fifteen days prior to this meeting the documentation attached hereto as Exhibit "A" used in the determination of the appropriations limit has been available to the public in accordance with Government Code 7910.

NOW THEREFORE, BE IT RESOLVED THAT:

Section 1. The appropriations limit of Palomar Pomerado Health for the fiscal year July 1, 2008 - June 30, 2009, pursuant to Article XIII(B) of the California Constitution, is hereby established at $51,058,826.

Section 2. This Resolution shall take effect from the date of adoption hereof.

PASSED AND ADOPTED by the Board of Directors of Palomar Pomerado Health on the 11th day of August, 2008, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINING:

DATED: August 11, 2008

BY: _____

Bruce Krider, MA
Chair, Board of Directors
Palomar Pomerado Health

ATTESTED:

_____

Linda Bailey
Secretary, Board of Directors

EXHIBIT "A"

PALOMAR POMERADO HEALTH
APPROPRIATIONS LIMIT
2008/2009

2007/2008 APPROPRIATIONS LIMIT			$46,267,934
PRICE FACTOR	4.29%		
-- OR --			
CHANGE IN LOCAL ASSESSMENT ROLL DUE TO NON-RESIDENTIAL CONSTRUCTION	**8.51%**	=	1.0851
-- AND --			
POPULATION FACTOR	**1.70%**	=	1.0170
CALCULATION OF FACTOR FOR FY 2008/09	1.0851 x 1.0170	=	1.1035
	$46,267,934 x 1.1035	=	$51,058,826
2008/2009 APPROPRIATIONS LIMIT			$51,058,826

NARRATIVE ON THE RECENT HISTORY OF TAXATION

Palomar Pomerado Health has two types of property taxes available as follows:

SPECIAL ASSESSMENT FOR GENERAL OBLIGATION BONDS

The taxes necessary to pay the interest and principal for the 1966 Series A and 1966 Series B Palomar Memorial Hospital General Obligation Bonds that were approved by a two thirds majority of the voters prior to 1978. These tax revenues were exempt from the provisions of Proposition No. 13 and they were restricted for this specific purpose. The final payment on these bonds was made on May 1, 1998.

The taxes necessary to pay the interest and principal for Election of 2004, Series 2005A and 2007A, Palomar Pomerado Health General Obligation Bonds that were approved by a two thirds majority of the voters in November, 2004. These tax revenues are restricted for the specific purpose of the election campaign of 2004.

OTHER PROPERTY TAXES

A tax equal to 1% of the full cash value of property is levied each fiscal year by the county and distributed to governmental agencies within the county according to a formula mandated by the state legislature. (California Constitution Article XIII(A); Revenue and Taxation Code Section 97). The state legislature and the county place no restrictions on the tax monies granted to local government agencies, such as Palomar Pomerado Health. (Part 0.5, Division 1 of the Revenue and Taxation Code.) Since these tax revenues are unrestricted, it is not necessary to inform the public regarding the intended use of the funds.

The following is a schedule reflecting our total tax revenues by fiscal year for the past thirty-one years.

Fiscal Year	Total Received Cash Basis	Restricted for Bond Interest & Principal	Unrestricted	From Prior Year (Unrestricted) Increase (Decrease) $	%
1977/78	$2,460,384	$445,211	$2,015,173	-------	-------
1978/79	1,513,554	518,736	994,818	(1,020,355)	-50.63%
1979/80	1,621,350	428,585	1,192,765	$197,947	19.90%
1980/81	1,914,882	458,941	1,455,941	263,176	22.06%
1981/82	2,157,298	425,948	1,731,350	275,409	18.92%
1982/83	2,245,799	431,669	1,814,130	82,780	4.78%
1983/84	2,453,236	454,544	1,998,692	184,562	10.17%
1984/85	2,618,899	429,139	2,189,760	191,068	9.56%
1985/86	2,922,025	400,336	2,521,689	331,929	15.16%
1986/87	3,325,080	476,027	2,849,053	327,364	12.98%
1987/88	3,590,335	415,348	3,174,987	325,934	11.44%
1988/89	4,009,992	389,724	3,620,268	445,281	14.02%
1989/90	4,644,106	451,969	4,192,137	571,869	15.80%
1990/91	4,898,609	404,912	4,493,697	301,560	7.19%
1991/92	5,305,810	435,226	4,870,584	376,887	8.39%
1992/93	5,230,679	455,415	4,775,264	(95,320)	-1.96%
1993/94	5,405,901	429,917	4,975,984	200,720	4.20%
1994/95	5,589,446	422,427	5,167,019	191,035	3.84%
1995/96	5,604,306	452,813	5,151,493	(15,526)	-0.30%
1996/97	5,641,183	473,160	5,168,023	16,530	0.32%
1997/98	5,862,721	358,706	5,504,015	335,992	6.50%
1998/99	5,915,399	0	5,915,399	411,384	7.47%
1999/00	6,432,482	0	6,432,482	517,083	8.74%
2000/01	7,061,136	0	7,061,136	628,654	9.77%
2001/02	7,693,200	0	7,693,200	632,064	8.95%
2002/03	8,391,961	0	8,391,961	698,761	9.08%
2003/04	9,077,863	0	9,077,863	685,902	8.17%
2004/05	10,180,831	0	10,180,831	1,102,968	12.15%
2005/06	20,853,221	9,303,843	11,549,378	1,368,547	13.44%
2006/07	23,604,928	11,040,737	12,564,191	1,014,813	8.79%
2007/08	25,130,428	11,730,239	13,400,189	835,998	6.65%

POSTED 7-15-2008

PUBLIC NOTICE

The Board of Directors of Palomar Pomerado Health will establish its Appropriations Limit for the 2008/2009 fiscal year at its regularly scheduled meeting, to be held at 6:30 P.M. on August 11, 2008, in the Graybill Auditorium of Palomar Medical Center, 555 East Valley Parkway, Escondido, California 92025. This Appropriations Limit is for the unrestricted appropriations and is in no way related to the appropriations for the General Obligation Bonds issued in 2005 and 2007. The documentation used in the determination of the Appropriations Limit is available to the public at the office of the President and Chief Executive Officer, 15255 Innovation Drive, San Diego, California 92128.

DATED: 7/15/08

PALOMAR POMERADO HEALTH
A California Health Care District

BY: _____
Michael H. Covert
President & CEO

ADDENDUM F

Financial Statement Graphs

Statistical Indicators

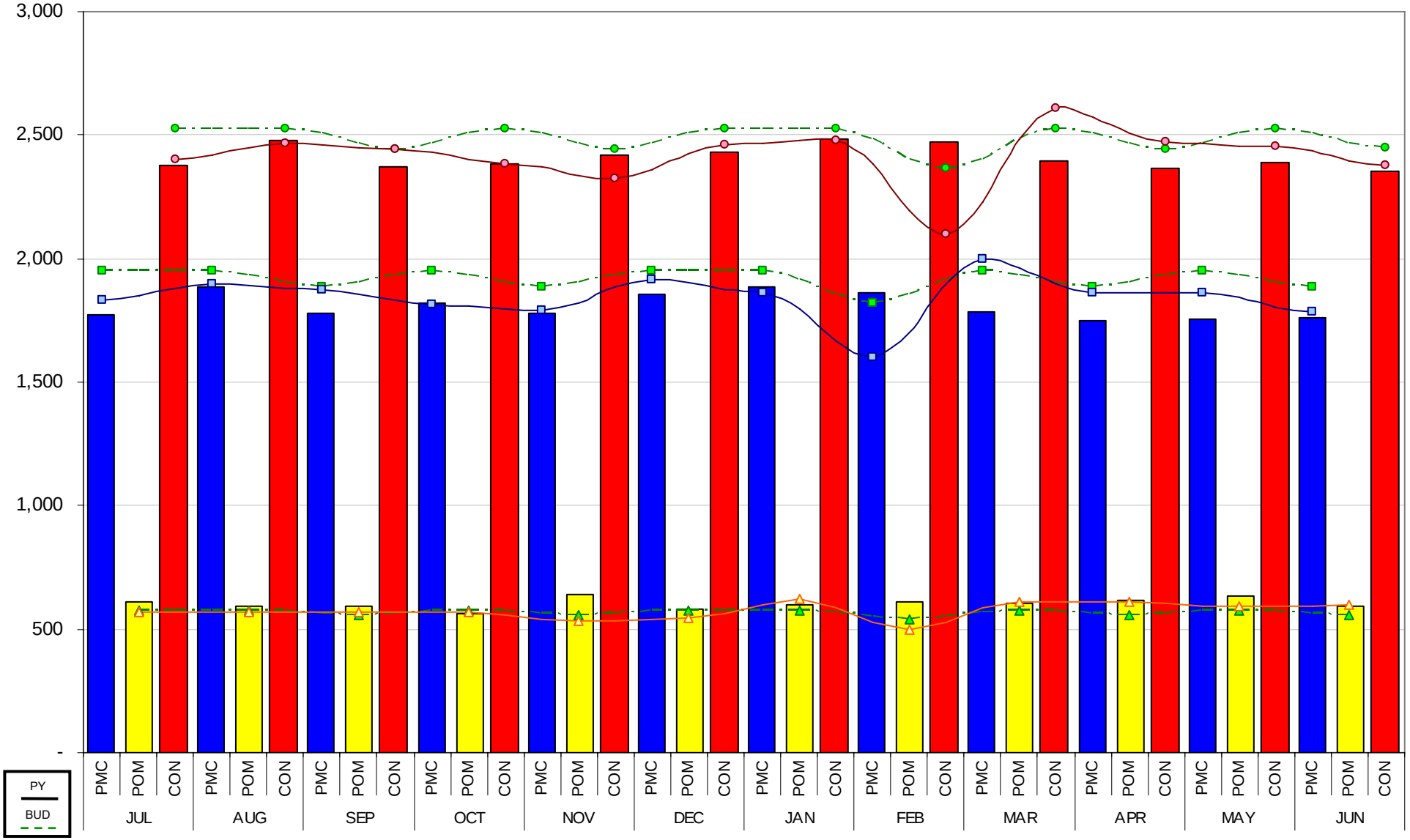
PALOMAR
POMERADO
HEALTH

SPECIALIZING IN YOU

Table of Contents

Statistical Indicators
Admissions – Acute

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU

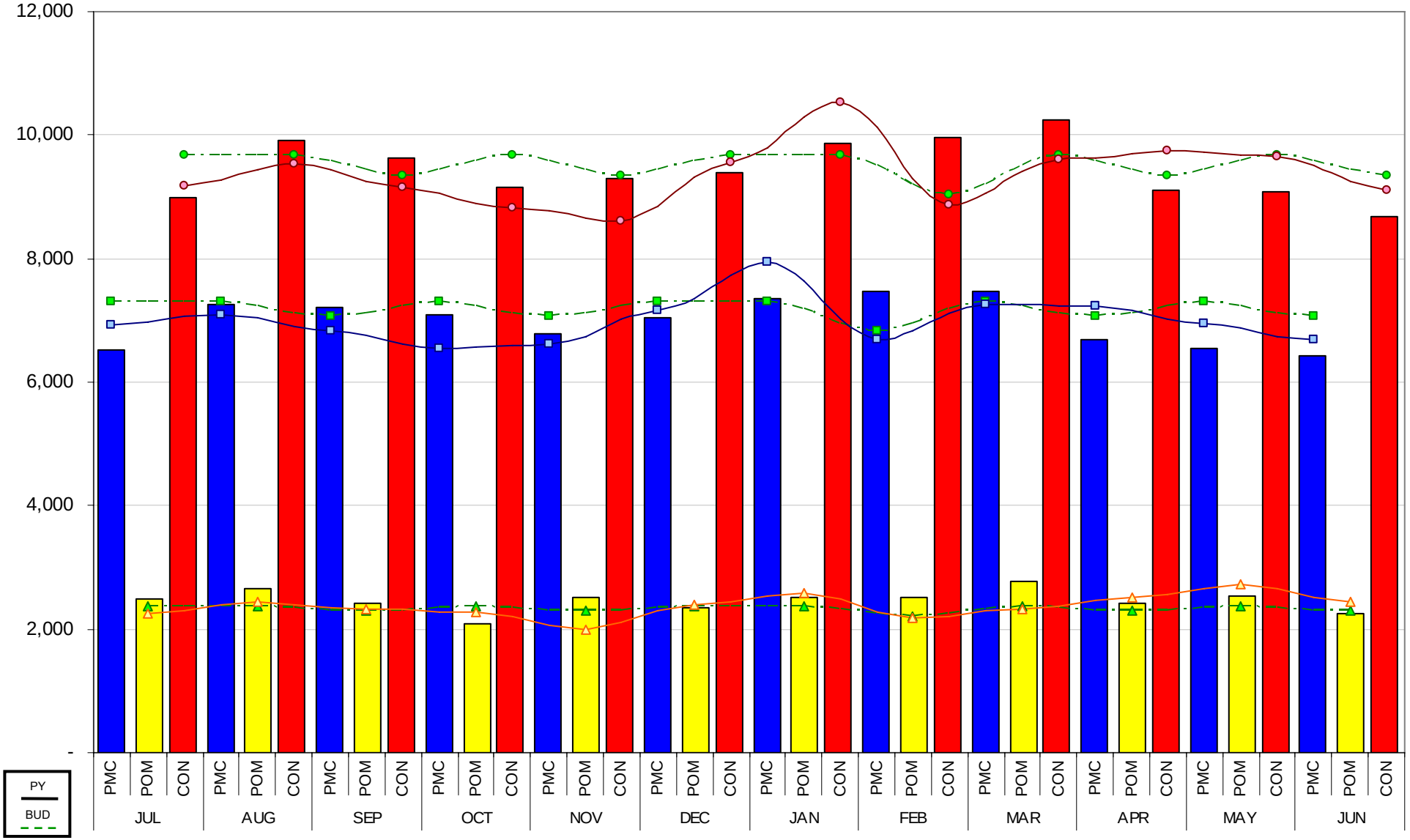


	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	1,770	1,885	1,777	1,823	1,780	1,853	1,886	1,864	1,787	1,747	1,756	1,762	21,690	23,001
POM	608	595	592	563	640	579	600	608	607	617	635	594	7,238	6,826
CON	2,378	2,480	2,369	2,386	2,420	2,432	2,486	2,472	2,394	2,364	2,391	2,356	28,928	29,827

ADD F-4

Statistical Indicators
Patient Days – Acute

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU

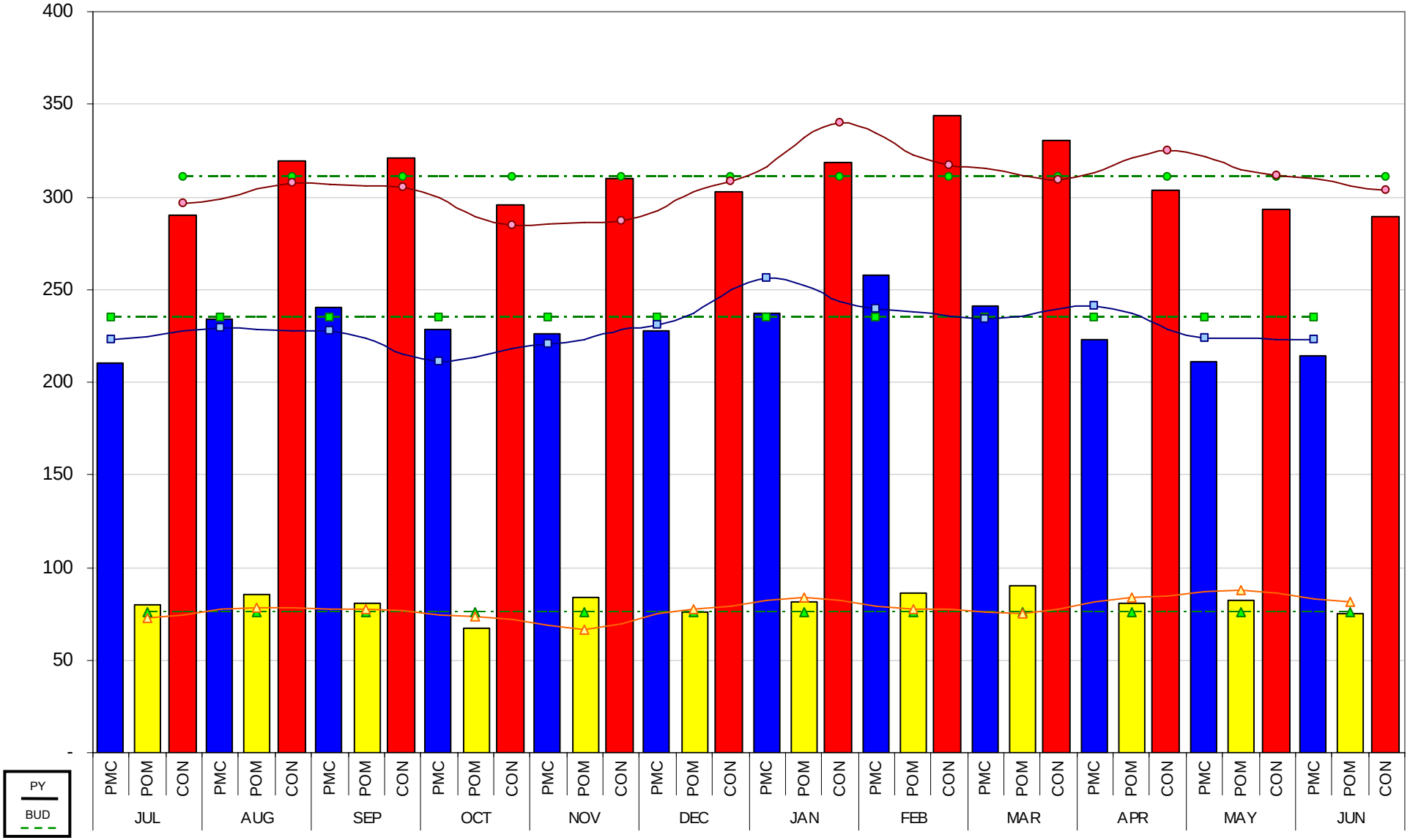


	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	6,516	7,255	7,205	7,081	6,789	7,049	7,351	7,466	7,468	6,689	6,539	6,437	83,845	86,156
POM	2,484	2,655	2,412	2,080	2,502	2,348	2,525	2,504	2,786	2,423	2,548	2,247	29,514	27,955
CON	9,000	9,910	9,617	9,161	9,291	9,397	9,876	9,970	10,254	9,112	9,087	8,684	113,359	114,111

ADD F-5

Statistical Indicators
Average Daily Census – Acute

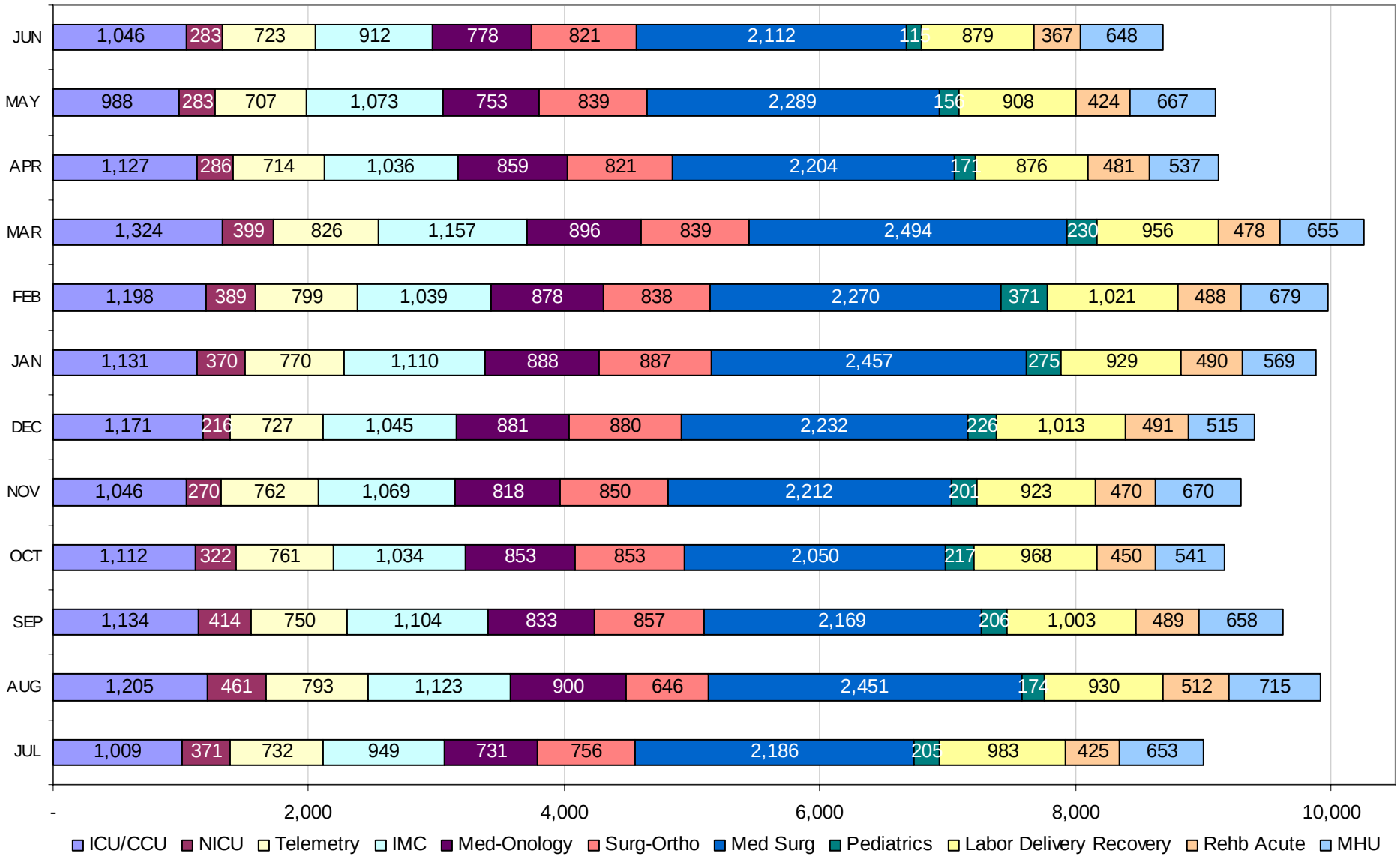
PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	210	234	240	228	226	227	237	257	241	223	211	215	229	235
POM	80	86	80	67	83	76	81	86	90	81	82	75	81	76
CON	290	320	321	296	310	303	319	344	331	304	293	290	310	311

Statistical Indicators
Patient Days

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



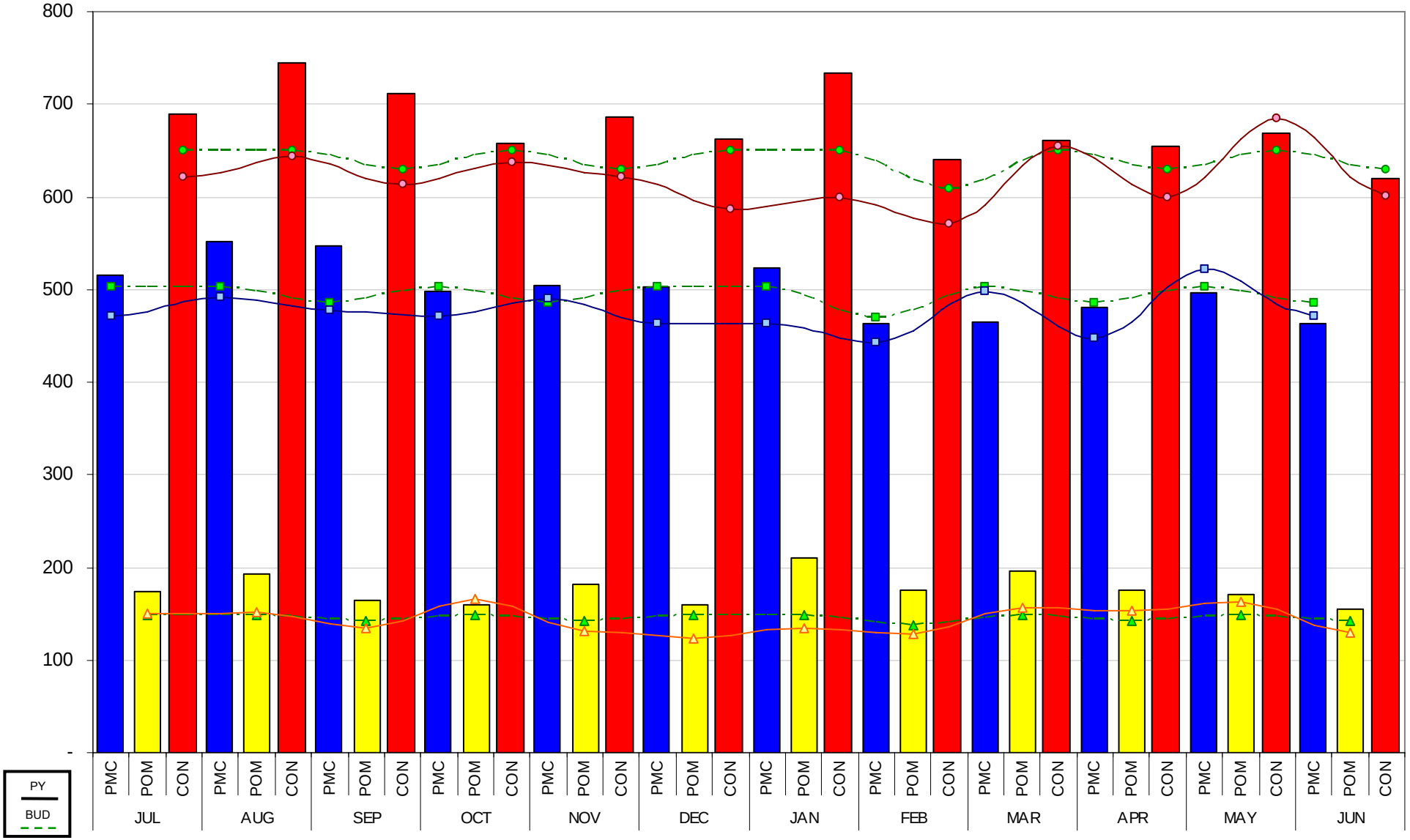
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	6,516	7,255	7,205	7,081	6,789	7,049	7,351	7,466	7,468	6,689	6,539	6,437	83,845	86,156
POM	2,484	2,655	2,412	2,080	2,502	2,348	2,525	2,504	2,786	2,423	2,548	2,247	29,514	27,955
CON	9,000	9,910	9,617	9,161	9,291	9,397	9,876	9,970	10,254	9,112	9,087	8,684	113,359	114,111

ADD F-7

Statistical Indicators

Surgeries (*Inpatient only*)

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



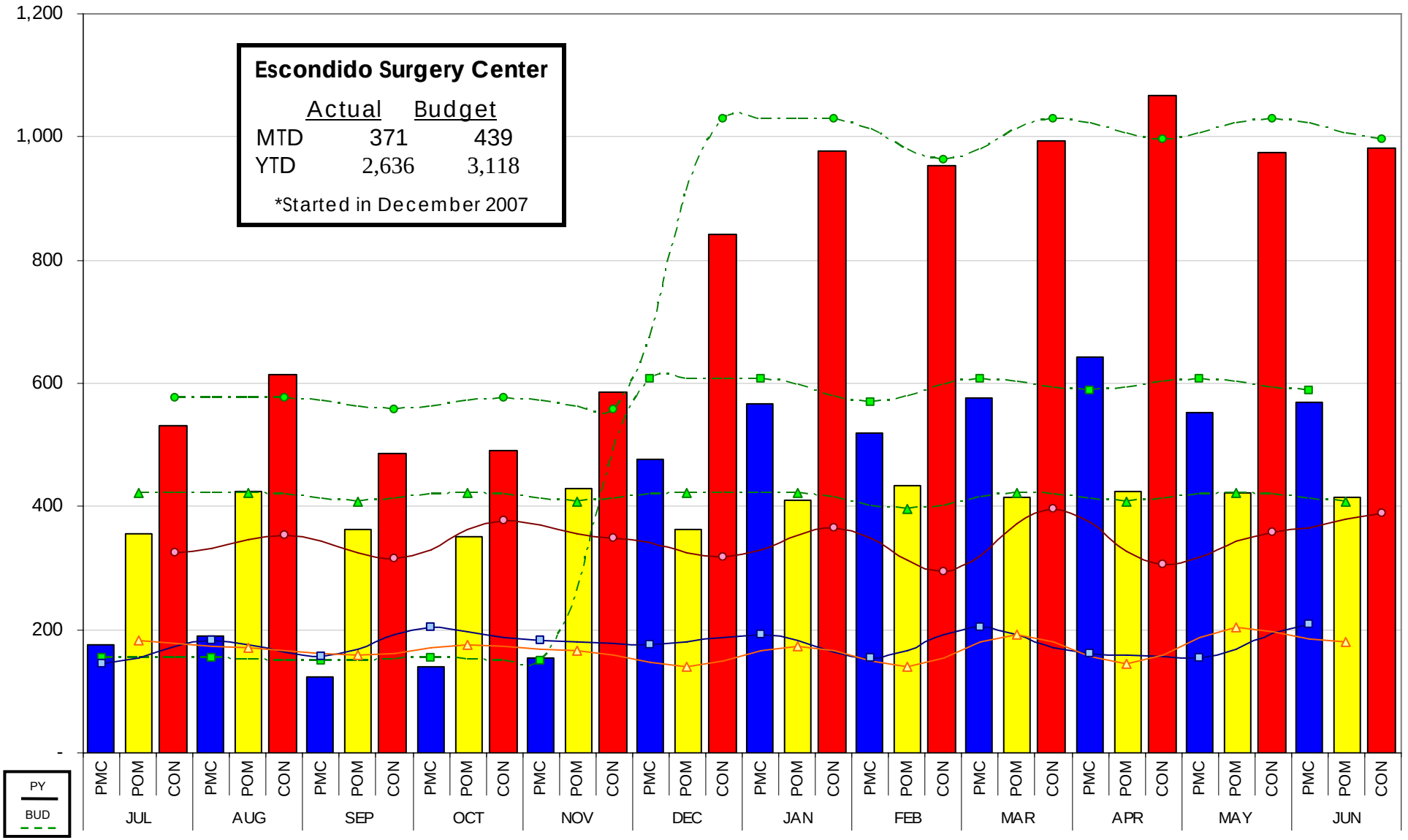
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	516	552	547	498	504	502	524	464	465	480	497	464	6,013	5,928
POM	174	193	165	160	182	160	210	176	196	175	171	155	2,117	1,746
CON	690	745	712	658	686	662	734	640	661	655	668	619	8,130	7,674

ADD F-8

Statistical Indicators

Surgeries (*Outpatient only*)

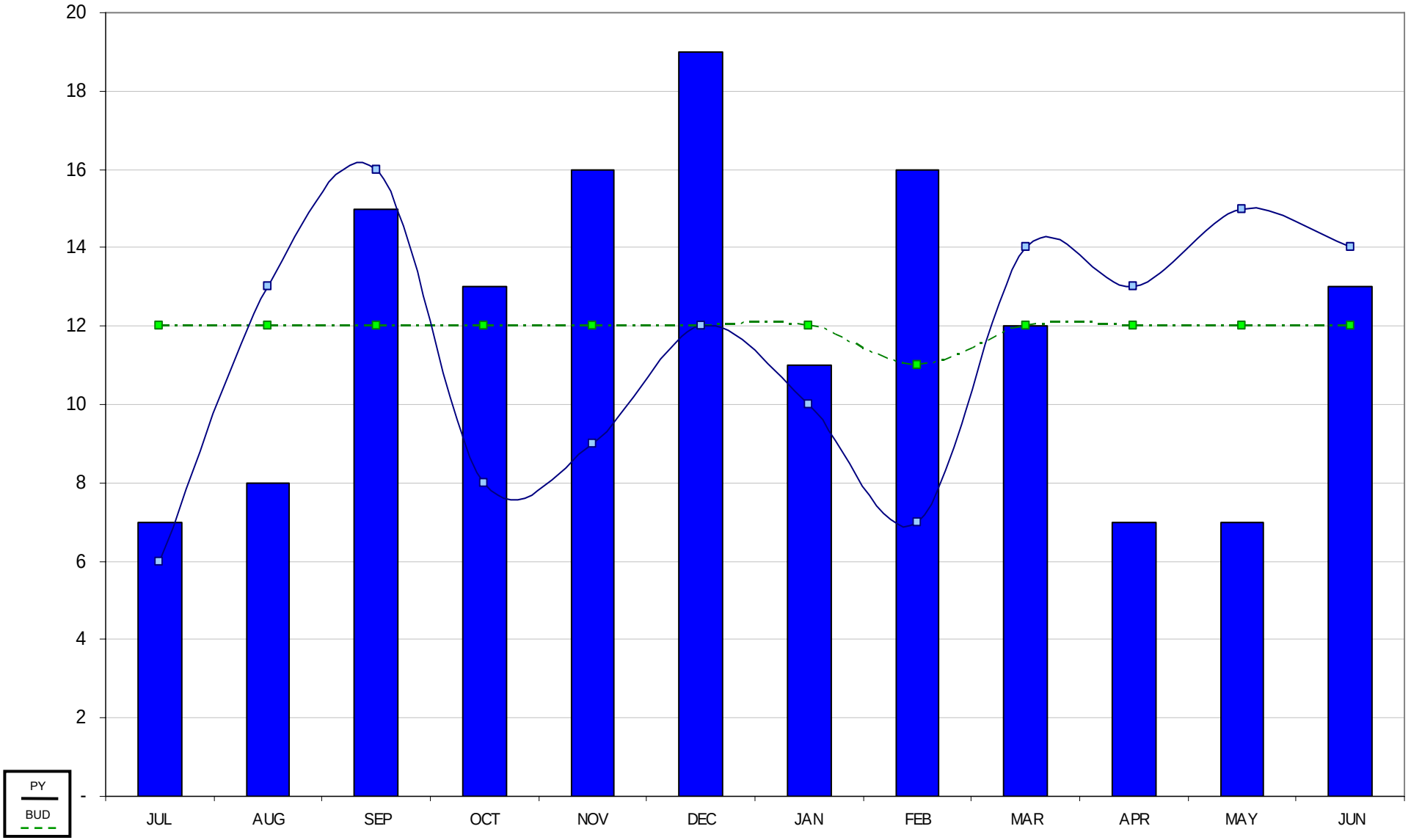
PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	176	190	123	141	155	477	567	519	577	643	552	568	4,688	4,936
POM	356	425	363	350	430	364	411	435	416	425	423	414	4,812	4,985
CON	532	615	486	491	585	841	978	954	993	1,068	975	982	9,500	9,921

Statistical Indicators
Surgeries – CVS (*PMC only*)

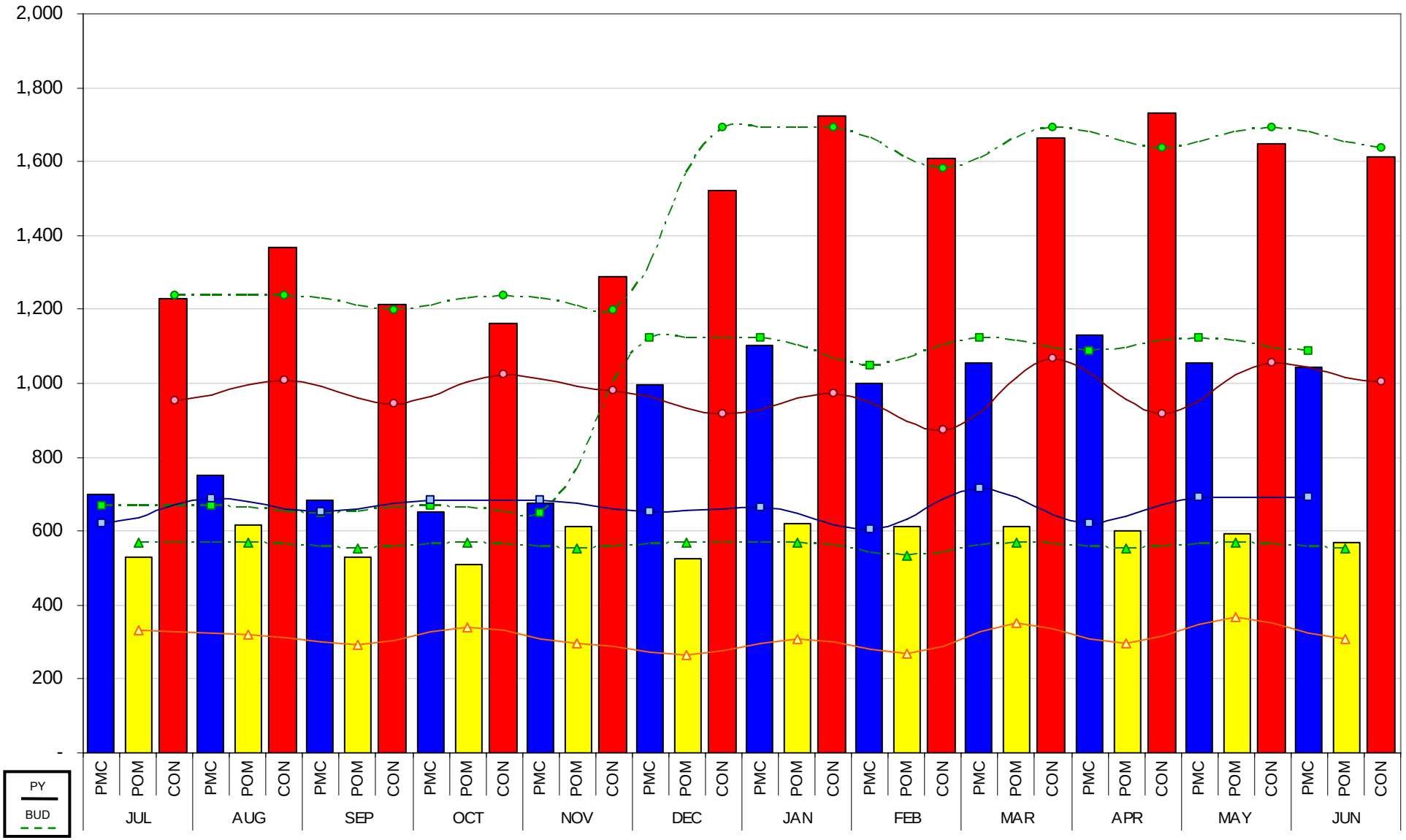
PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	7	8	15	13	16	19	11	16	12	7	7	13	144	143
POM	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CON	7	8	15	13	16	19	11	16	12	7	7	13	144	143

ADD F-10

Statistical Indicators
Total Surgeries



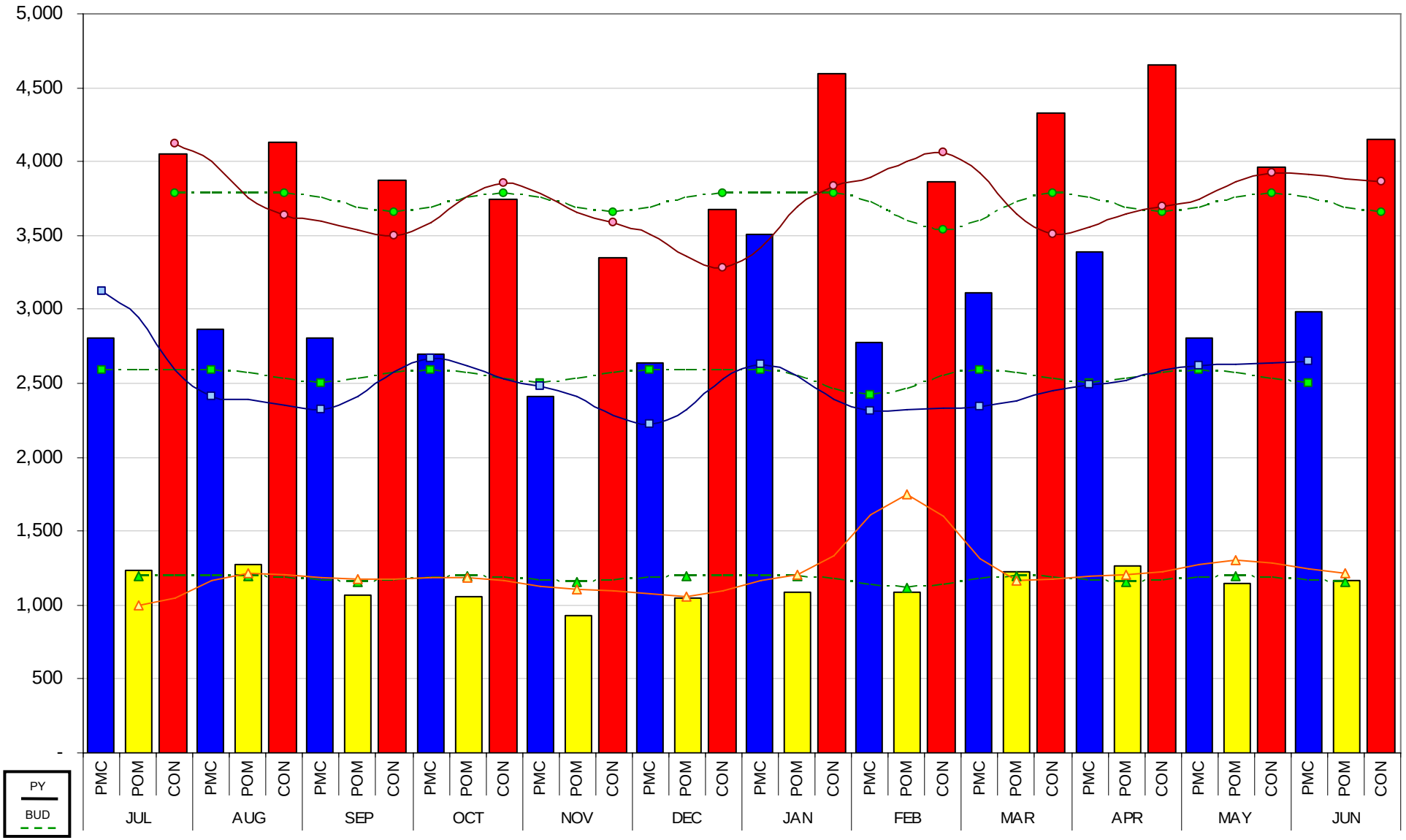
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	699	750	685	652	675	998	1,102	999	1,054	1,130	1,056	1,045	10,845	11,007
POM	530	618	528	510	612	524	621	611	612	600	594	569	6,929	6,731
CON	1,229	1,368	1,213	1,162	1,287	1,522	1,723	1,610	1,666	1,730	1,650	1,614	17,774	17,738

ADD F-11

Statistical Indicators

Outpatient Registrations (*excludes Lab*)

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU

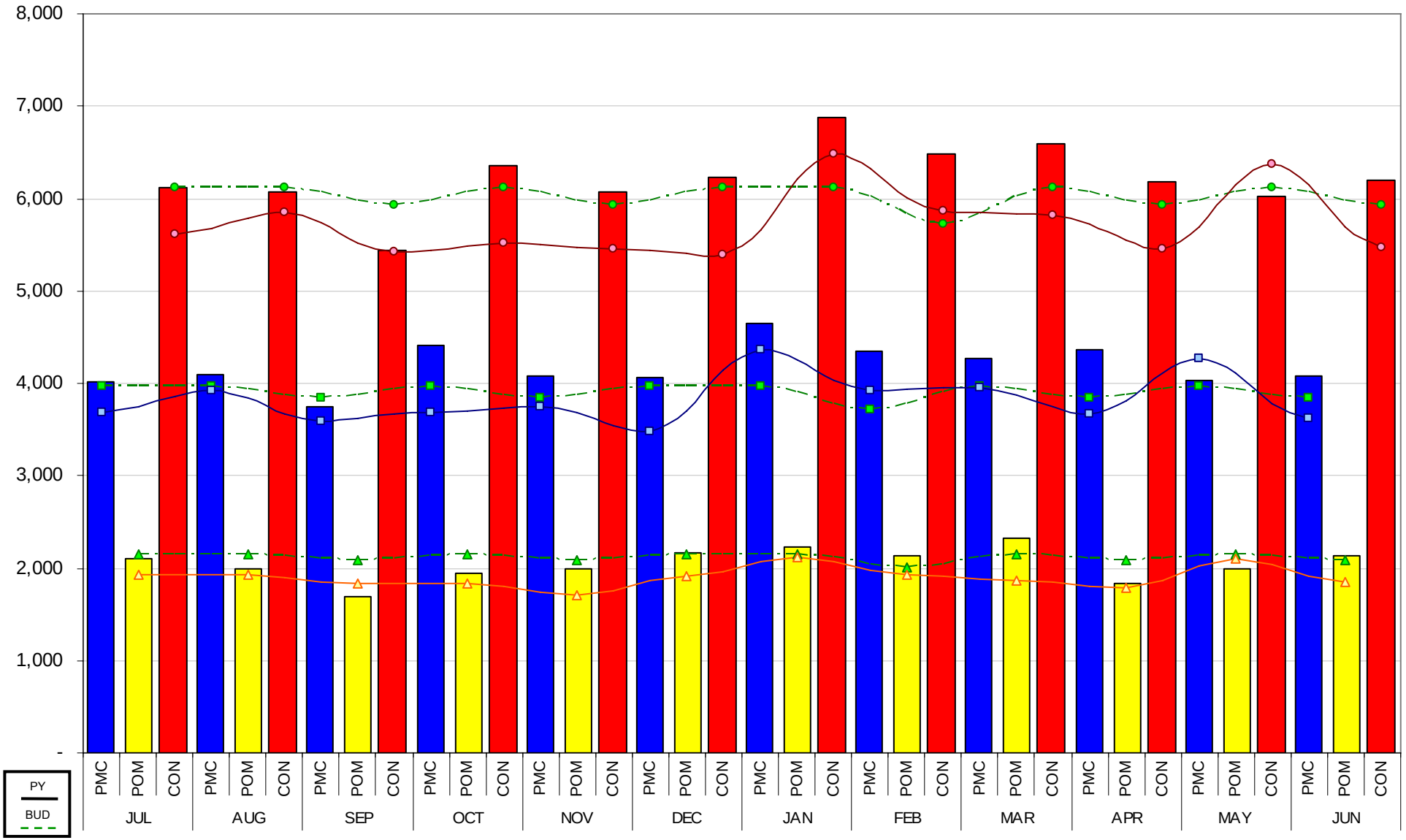


	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	2,811	2,861	2,808	2,693	2,414	2,635	3,510	2,774	3,110	3,392	2,811	2,981	34,800	30,553
POM	1,238	1,274	1,066	1,057	932	1,044	1,085	1,086	1,223	1,261	1,147	1,168	13,581	14,099
CON	4,049	4,135	3,874	3,750	3,346	3,679	4,595	3,860	4,333	4,653	3,958	4,149	48,381	44,652

Statistical Indicators

ER Visits (*includes Trauma, Outpatient only*)

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU

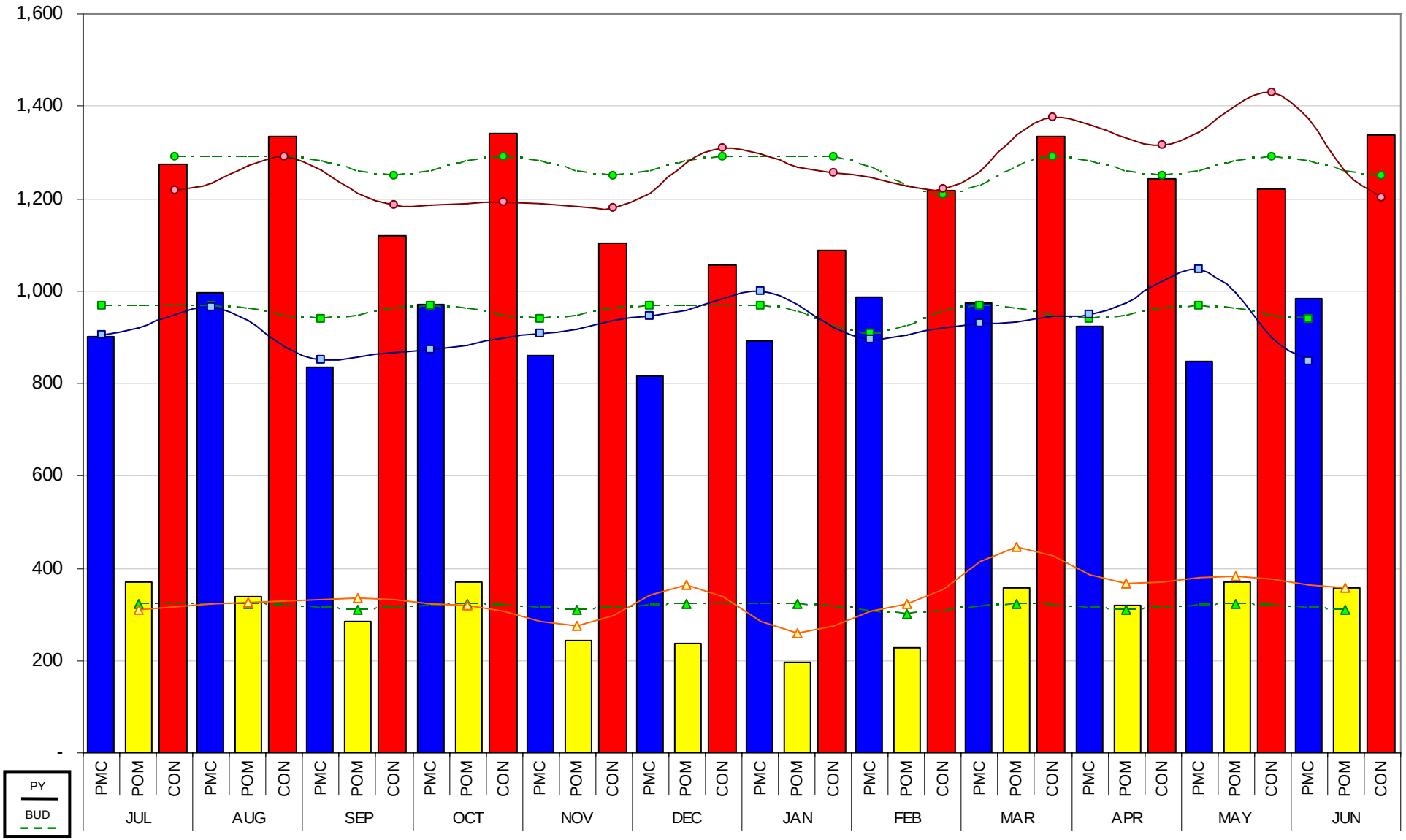


	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	4,014	4,087	3,743	4,404	4,080	4,060	4,645	4,345	4,266	4,359	4,024	4,074	50,101	46,925
POM	2,110	1,990	1,688	1,947	1,988	2,170	2,235	2,134	2,322	1,829	1,992	2,127	24,532	25,397
CON	6,124	6,077	5,431	6,351	6,068	6,230	6,880	6,479	6,588	6,188	6,016	6,201	74,633	72,322
CON/DAY	198	196	181	205	202	201	222	223	213	206	194	207	204	198

Statistical Indicators

ER Admissions (*includes Trauma, Inpatient only*)

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU

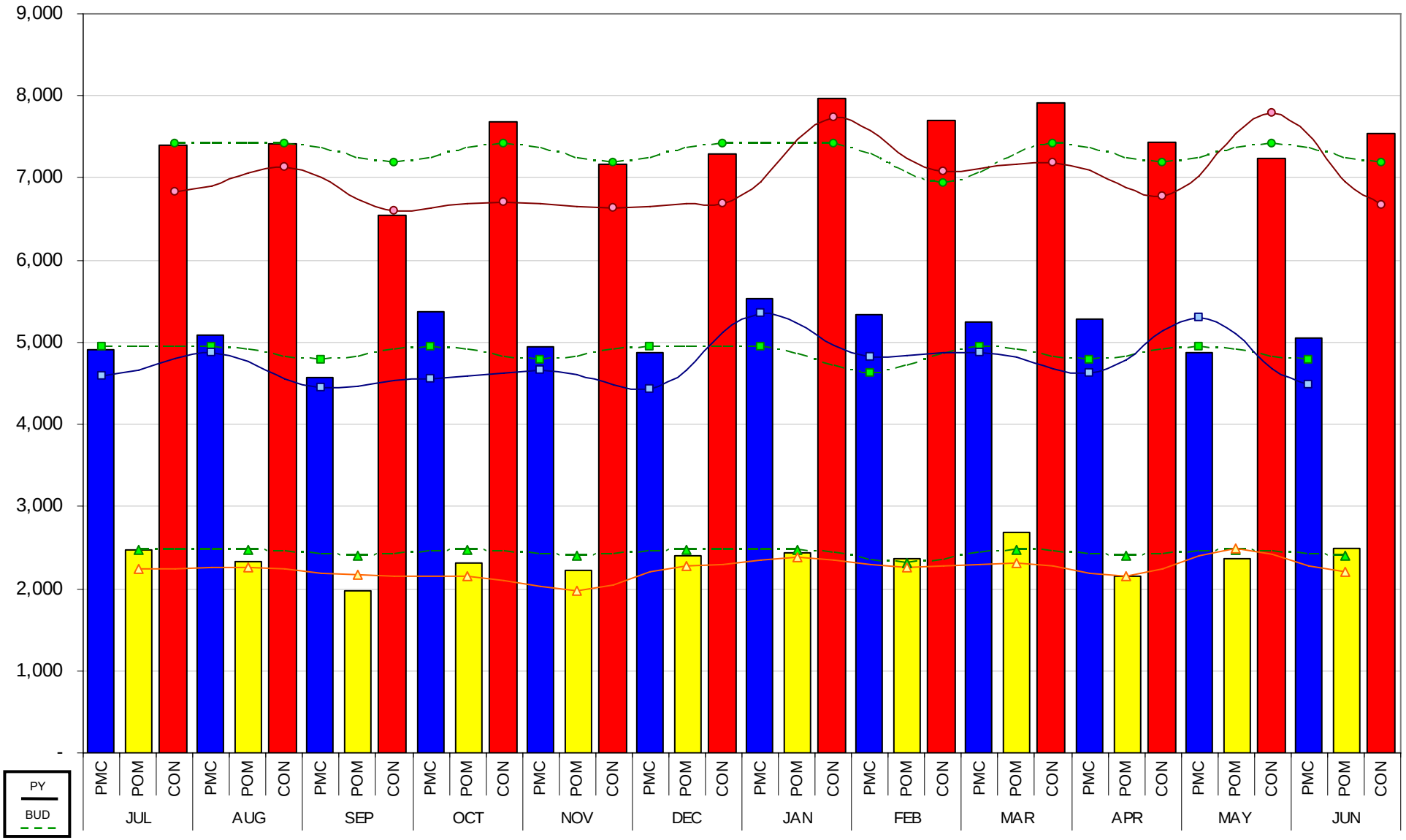


	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	902	997	835	971	861	817	893	988	975	923	849	982	10,993	11,442
POM	371	337	284	370	243	238	195	228	358	319	370	356	3,669	3,791
CON	1,273	1,334	1,119	1,341	1,104	1,055	1,088	1,216	1,333	1,242	1,219	1,338	14,662	15,233

Statistical Indicators

Total ER Visits (*includes Trauma & Admissions*)

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



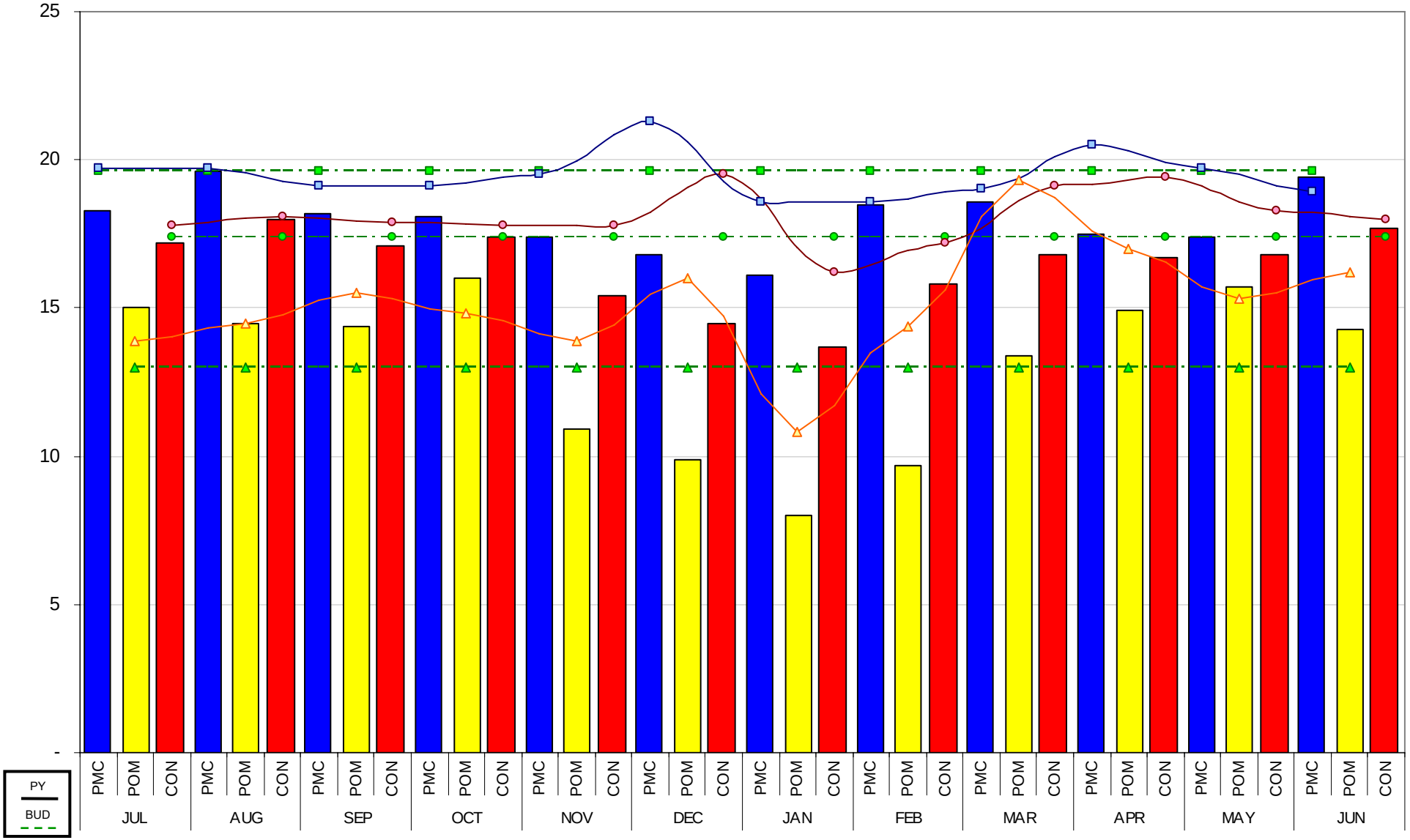
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	4,916	5,084	4,578	5,375	4,941	4,877	5,538	5,333	5,241	5,282	4,873	5,056	61,094	58,367
POM	2,481	2,327	1,972	2,317	2,231	2,408	2,430	2,362	2,680	2,148	2,362	2,483	28,201	29,188
CON	7,397	7,411	6,550	7,692	7,172	7,285	7,968	7,695	7,921	7,430	7,235	7,539	89,295	87,555

ADD F-15

Statistical Indicators

ER Conversion (*ER Admits as % of ER Visits*)

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU

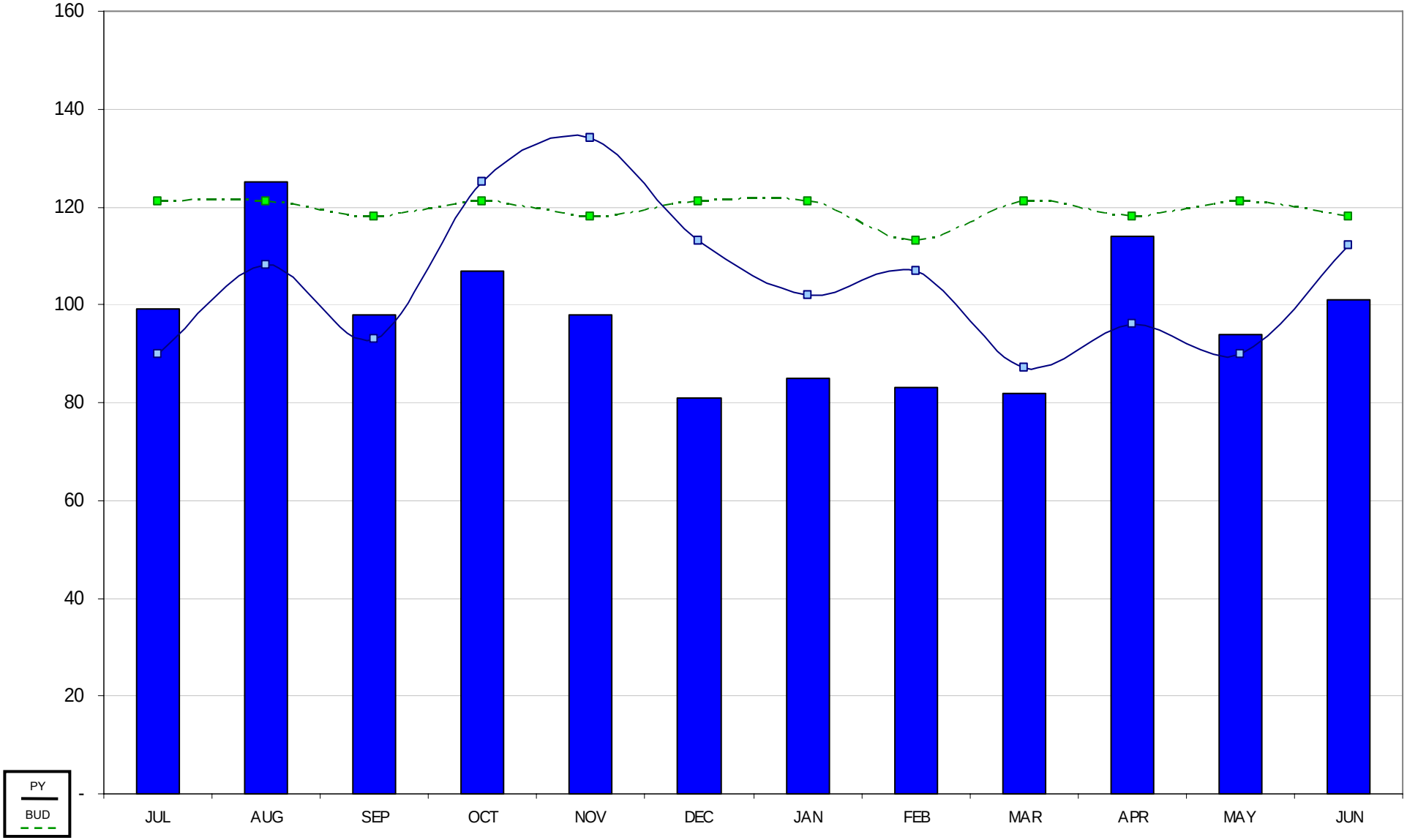


	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	18.3	19.6	18.2	18.1	17.4	16.8	16.1	18.5	18.6	17.5	17.4	19.4	18.0	19.6
POM	15.0	14.5	14.4	16.0	10.9	9.9	8.0	9.7	13.4	14.9	15.7	14.3	13.0	13.0
CON	17.2	18.0	17.1	17.4	15.4	14.5	13.7	15.8	16.8	16.7	16.8	17.7	16.4	17.4

ADD F-16

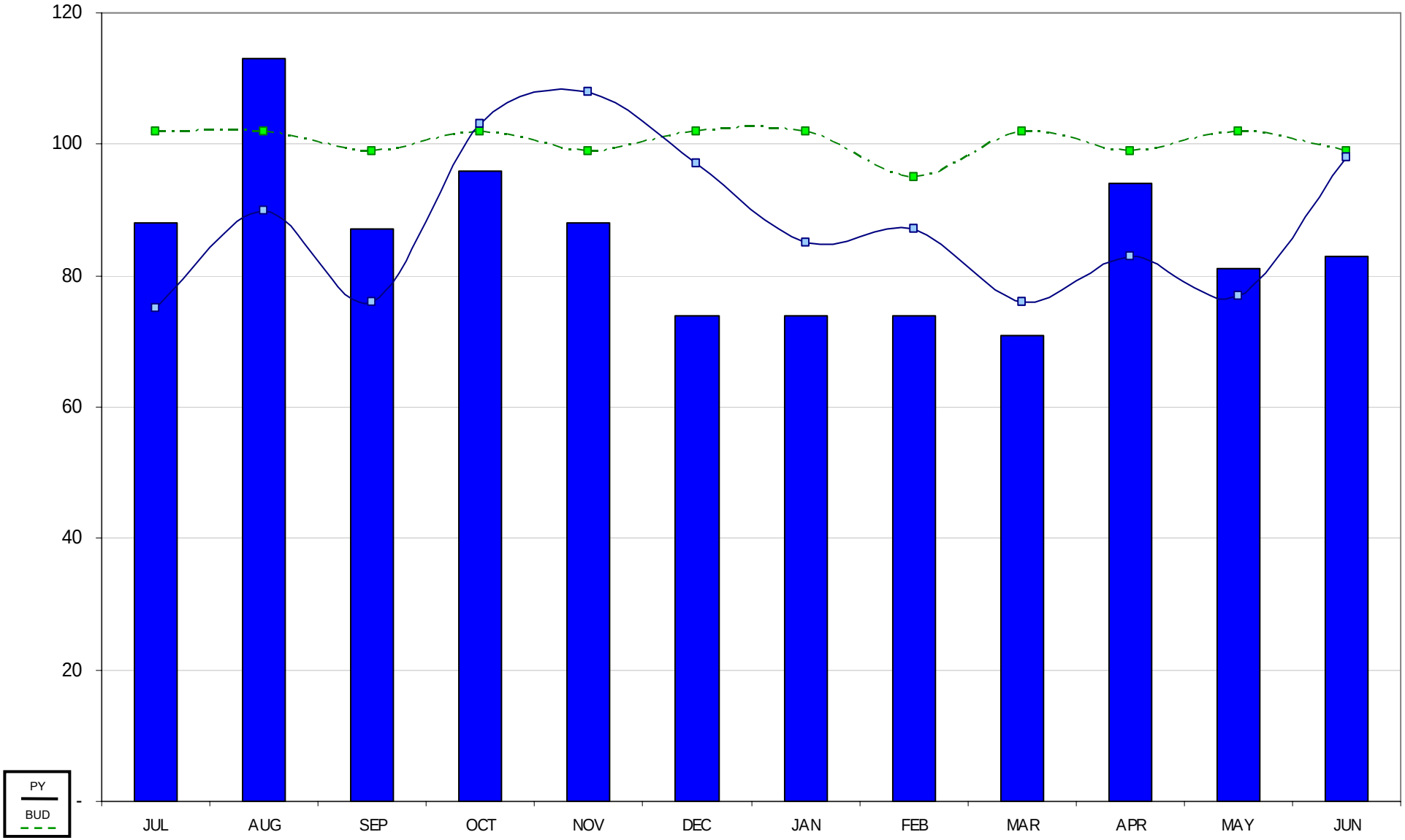
Statistical Indicators
Trauma Cases (*PMC only*)

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	99	125	98	107	98	81	85	83	82	114	94	101	1,167	1,432
POM	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CON	99	125	98	107	98	81	85	83	82	114	94	101	1,167	1,432

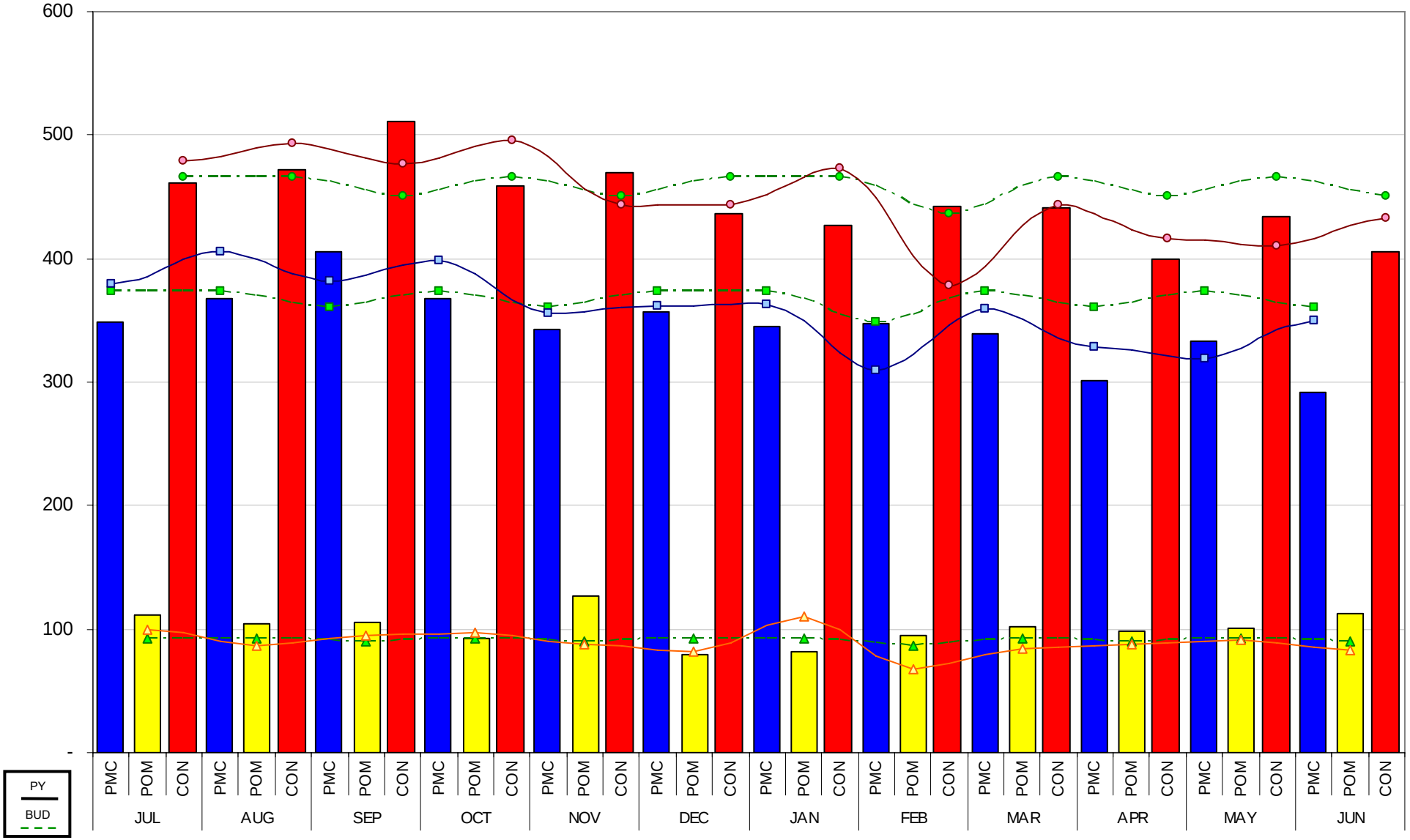
Statistical Indicators
Trauma Admissions (*PMC only*)



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	88	113	87	96	88	74	74	74	71	94	81	83	1,023	1,205
POM	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CON	88	113	87	96	88	74	74	74	71	94	81	83	1,023	1,205

Statistical Indicators
Deliveries

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



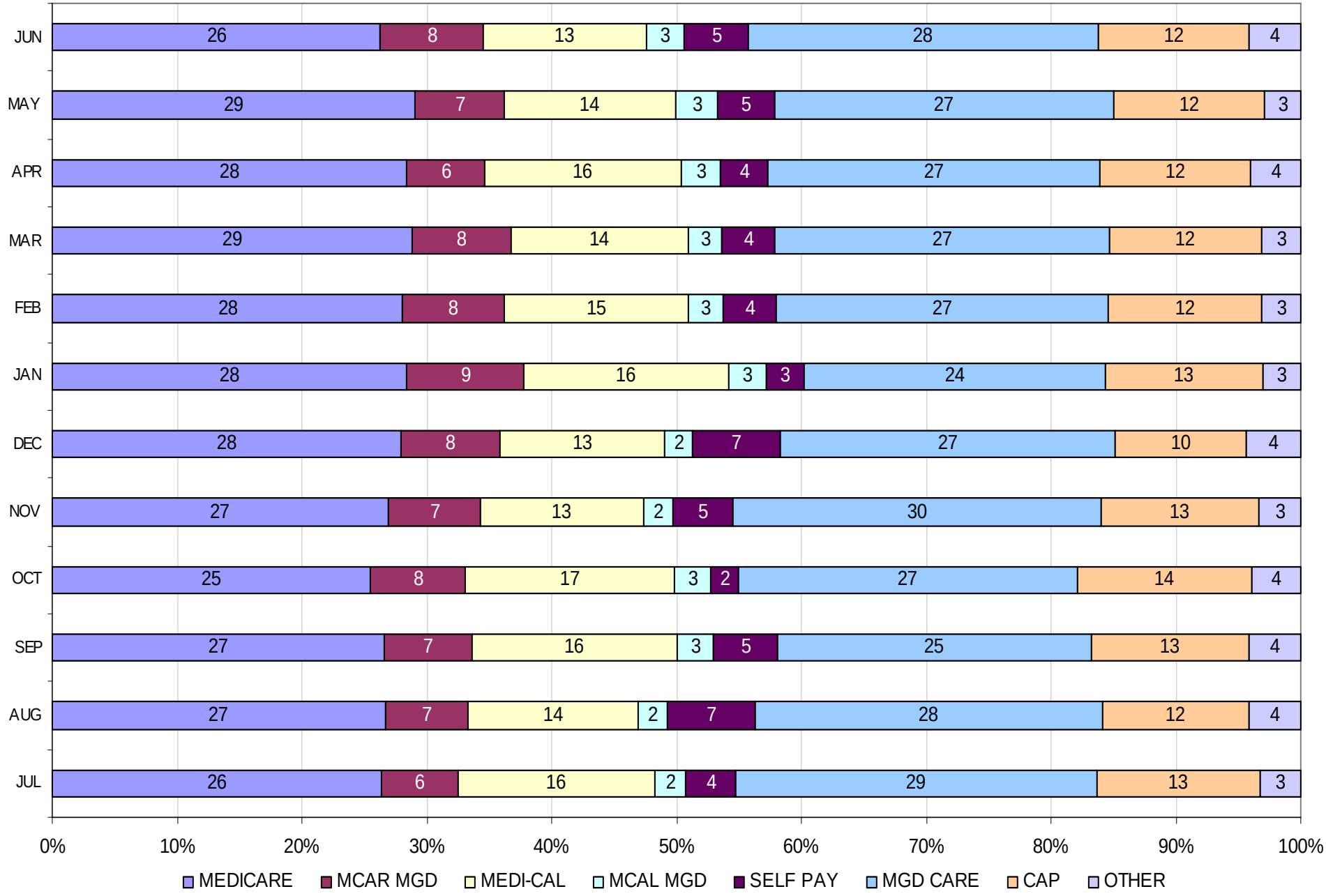
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD	B-YTD
PMC	349	368	406	367	343	357	345	347	339	301	333	292	4,147	4,404
POM	112	104	105	92	127	79	82	95	102	99	101	113	1,211	1,098
CON	461	472	511	459	470	436	427	442	441	400	434	405	5,358	5,502

ADD F-19

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU

FISCAL YEAR 2008

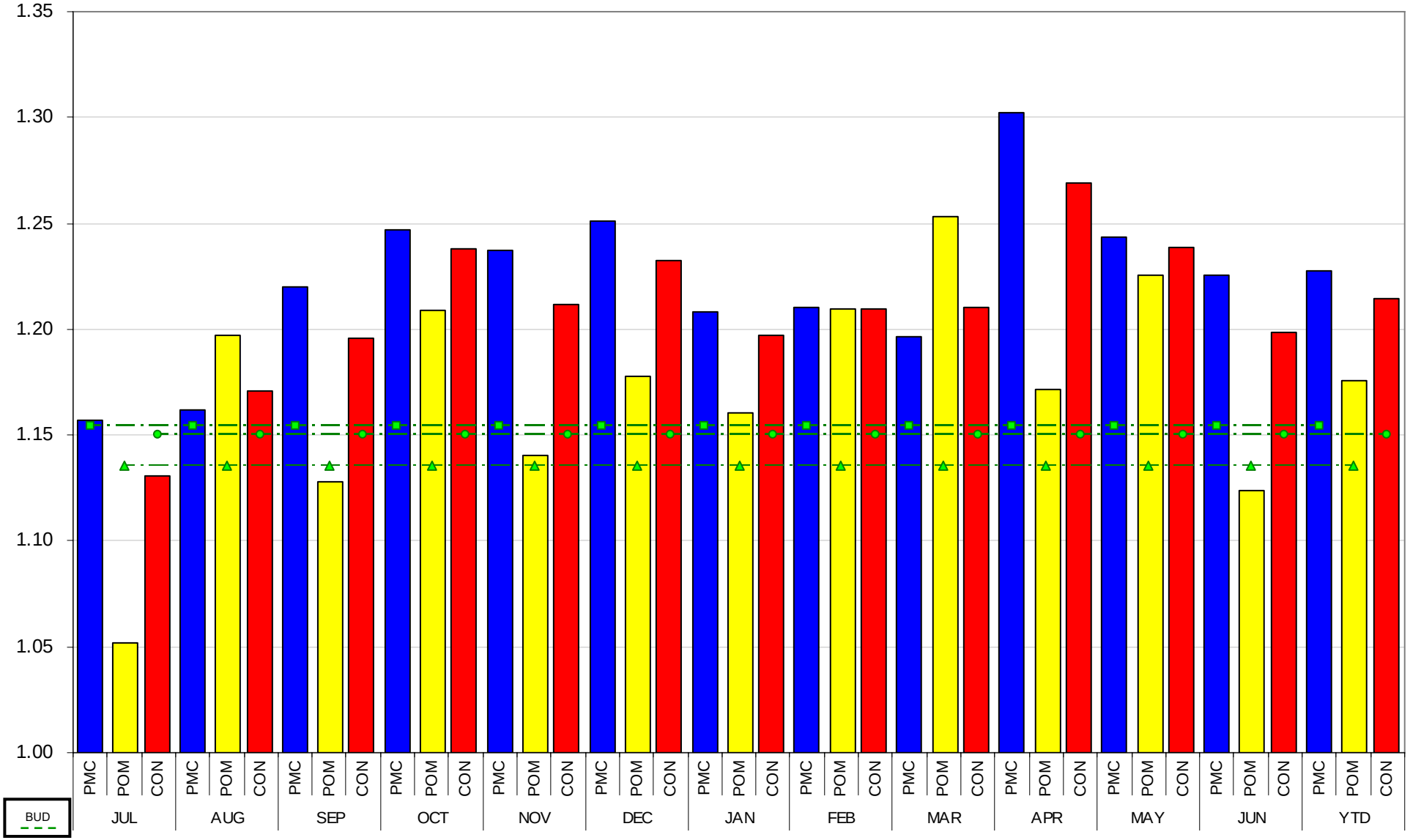
Payor Mix
Based on Gross Revenue



ADD F-20

Case Mix Index

PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



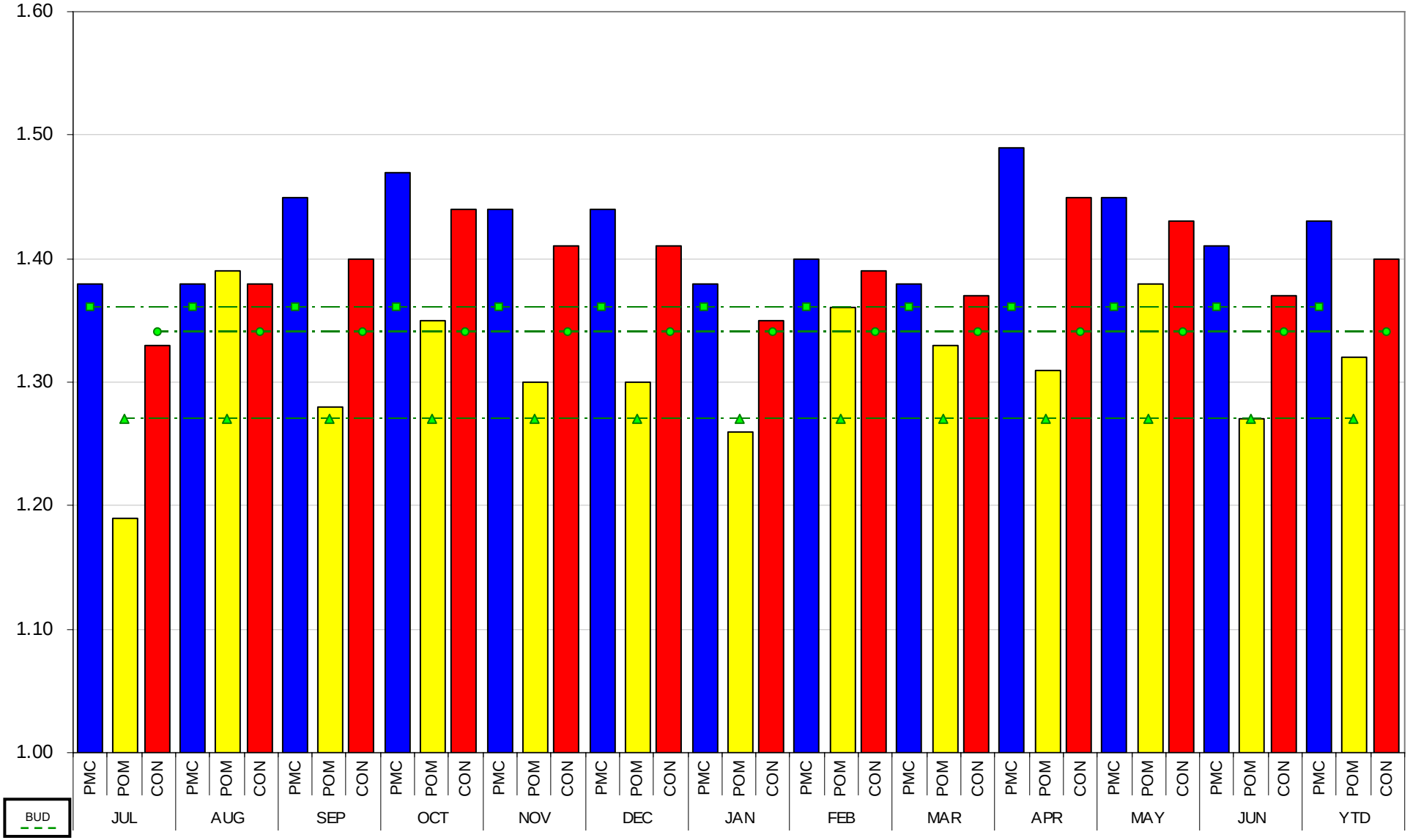
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD
PMC	1.16	1.16	1.22	1.25	1.24	1.25	1.21	1.21	1.20	1.30	1.24	1.23	1.23
POM	1.05	1.20	1.13	1.21	1.14	1.18	1.16	1.21	1.25	1.17	1.23	1.12	1.18
CON	1.13	1.17	1.20	1.24	1.21	1.23	1.20	1.21	1.21	1.27	1.24	1.20	1.21

ADD F-21

Case Mix Index by Region

(*excludes Deliveries*)

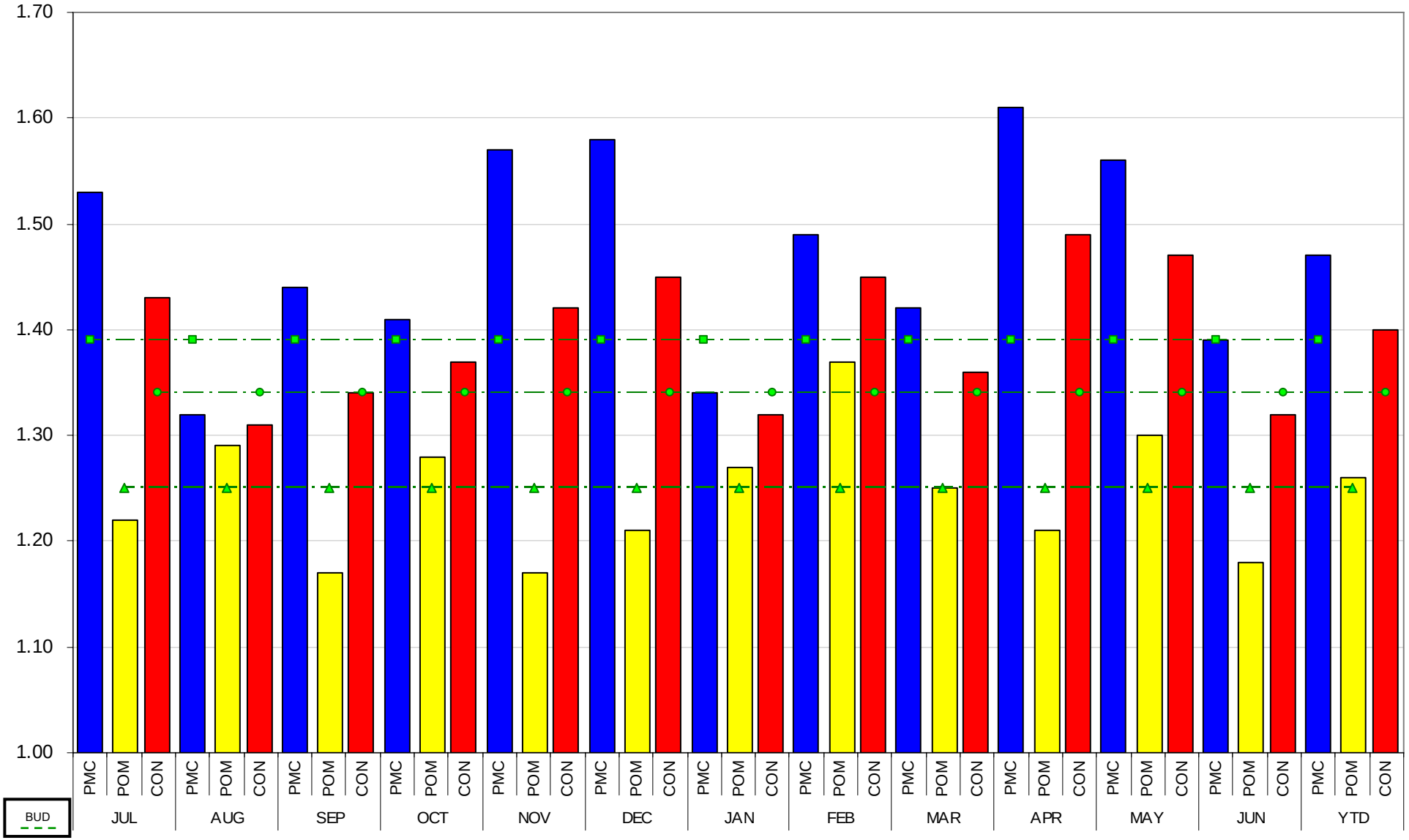
PALOMAR POMERADO HEALTH
SPECIALIZING IN YOU



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD
PMC	1.38	1.38	1.45	1.47	1.44	1.44	1.38	1.40	1.38	1.49	1.45	1.41	1.43
POM	1.19	1.39	1.28	1.35	1.30	1.30	1.26	1.36	1.33	1.31	1.38	1.27	1.32
CON	1.33	1.38	1.40	1.44	1.41	1.41	1.35	1.39	1.37	1.45	1.43	1.37	1.40

ADD F-22

Case Mix Index by Region
Medicare



	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	YTD
PMC	1.53	1.32	1.44	1.41	1.57	1.58	1.34	1.49	1.42	1.61	1.56	1.39	1.47
POM	1.22	1.29	1.17	1.28	1.17	1.21	1.27	1.37	1.25	1.21	1.30	1.18	1.26
CON	1.43	1.31	1.34	1.37	1.42	1.45	1.32	1.45	1.36	1.49	1.47	1.32	1.40

ADD F-23